PROSPECTUS SUPPLEMENT NO. 4
(to prospectus dated July 16, 2020)

Filed Pursuant to Rule 424(b)(3)
Registration Nos. 333-239616

OPEN LENDING CORPORATION

52,916,659 Shares of Common Stock

This prospectus supplement is being filed to update and supplement the information contained in the prospectus dated July 16, 2020 (as supplemented or amended from time to time, the "Prospectus"), with the information contained in our Quarterly Report on Form 10-Q, which was filed with the Securities and Exchange Commission ("SEC") on August 12, 2021 (the "Quarterly Report"). Accordingly, we have attached the Quarterly Report to this prospectus supplement.

The Prospectus and this prospectus supplement relates to the issuance by us of (i) up to an aggregate of 23,750,000 shares of our common stock that may be issued as earn-out consideration upon certain triggering events and (ii) 9,166,659 shares of our common stock that may be issued upon exercise of warrants to purchase common stock at an exercise price of $11.50 per share of common stock (the "Public Warrants").

The prospectus also relates to the offer and sale from time to time by the selling securityholders named in this prospectus (the "Selling Securityholders"), or their permitted transferees, of up to an aggregate of 20,000,000 shares of our common stock that were issued to certain investors (including True Wind Capital Management, L.P.) (collectively, the "PIPE Investors") in a private placement in connection with the closing of the Business Combination. We will not receive any proceeds from the sale of shares of common stock by the Selling Securityholders pursuant to this prospectus. However, we will pay the expenses, other than underwriting discounts and commissions and certain expenses incurred by the Selling Securityholders in disposing of the securities, associated with the sale of securities pursuant to this prospectus.

Our registration of the securities covered by this prospectus does not mean that either we or the Selling Securityholders will issue, offer or sell, as applicable, any of the securities. The Selling Securityholders may offer and sell the securities covered by this prospectus in a number of different ways and at varying prices. We provide more information about how the Selling Securityholders may sell the shares in the section entitled "Plan of Distribution."

This prospectus supplement updates and supplements the information in the Prospectus and is not complete without, and may not be delivered or utilized except in combination with, the Prospectus, including any amendments or supplements thereto. This prospectus supplement should be read in conjunction with the Prospectus and if there is any inconsistency between the information in the Prospectus and this prospectus supplement, you should rely on the information in this prospectus supplement.

You should read this prospectus and any prospectus supplement or amendment carefully before you invest in our securities.

Our common stock is listed on The Nasdaq Stock Market under the symbols "LPRO". On August 11, 2021, the closing price of our common stock was $38.93 per share.

We are an "emerging growth company," as that term is defined under the federal securities laws and, as such, are subject to certain reduced public company reporting requirements.

Investing in our securities involves risks that are described in the "Risk Factors" section beginning on page 10 of the Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this prospectus or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is August 12, 2021.

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 June 30, 2021

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

OpenLending

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

Delaware **(State or other jurisdiction of incorporation or organization)**	**EIN 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 August 10, 2021, the registrant had 126,190,351 shares of common stock, $0.01 par value per share, outstanding.

OPEN LENDING CORPORATION
FORM 10-Q
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	June 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 57,154	$ 101,513
Restricted cash	2,891	2,635
Accounts receivable	7,569	4,352
Current contract assets	61,032	50,386
Income tax receivable	80	—
Prepaid expenses	4,390	1,873
Other current assets	634	2,018
Total current assets	133,750	162,777
Property and equipment, net	2,581	1,201
Operating lease right-of-use assets, net	5,465	5,733
Non-current contract assets	50,901	38,956
Deferred tax asset, net	68,315	85,218
Other non-current assets	124	124
Total assets	$ 261,136	$ 294,009
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 1,987	$ 3,442
Accrued expenses	5,070	3,033
Income tax payable	—	1,640
Current portion of debt	3,125	4,888
Other current liabilities	4,460	4,005
Total current liabilities	14,642	17,008
Long-term debt, net of deferred financing costs	144,518	152,859
Non-current operating lease liabilities	4,898	5,138
Tax receivable agreement liability	—	92,369
Other non-current liabilities	—	13
Total liabilities	$ 164,058	$ 267,387
Commitment 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 126,190,351 shares outstanding as of June 30, 2021 and 128,198,185 shares issued and 126,803,096 shares outstanding as of December 31, 2020	1,282	1,282
Additional paid-in capital	492,874	491,246
Accumulated deficit	(339,578)	(428,406)
Treasury stock at cost, 2,007,834 shares at June 30, 2021 and 1,395,089 at December 31, 2020, respectively	(57,500)	(37,500)
Total stockholders' equity	97,078	26,622
Total liabilities and stockholders' equity	$ 261,136	$ 294,009

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

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

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Revenue				
Program fees	$ 20,597	$ 8,793	$ 35,508	$ 21,505
Profit share	38,842	12,163	66,572	15,938
Claims administration service fees	1,686	1,111	3,053	2,054
Total revenue	61,125	22,067	105,133	39,497
Cost of services	4,140	1,827	7,502	4,322
Gross profit	56,985	20,240	97,631	35,175
Operating expenses				
General and administrative	8,381	14,650	16,593	18,218
Selling and marketing	2,954	1,295	5,351	3,373
Research and development	773	349	1,364	707
Operating income	44,877	3,946	74,323	12,877
Interest expense	(1,122)	(3,644)	(4,411)	(4,408)
Interest income	58	44	142	61
Gain on extinguishment of tax receivable agreement	55,422	—	55,422	—
Loss on extinguishment of debt	—	—	(8,778)	—
Change in fair value of contingent consideration	—	(48,802)	—	(48,802)
Other (expense) income	(2)	3	(133)	3
Income (loss) before income taxes	99,233	(48,453)	116,565	(40,269)
Provision for income taxes	23,267	1,352	27,737	1,364
Net income (loss) and comprehensive income (loss)	$ 75,966	$ (49,805)	$ 88,828	$ (41,633)
Preferred distribution to redeemable convertible Series C preferred units	—	(214)	—	(40,689)
Accretion to redemption value of redeemable convertible Series C preferred units	—	—	—	47,537
Net income (loss) attributable to common stockholders	$ 75,966	$ (50,019)	$ 88,828	$ (34,785)
Net income (loss) and comprehensive income (loss) per common share				
Basic	$ 0.60	$ (1.01)	$ 0.70	$ (0.80)
Diluted	$ 0.60	$ (1.01)	$ 0.70	$ (0.80)
Weighted average common shares outstanding				
Basic	126,230,752	49,547,284	126,515,343	43,589,168
Diluted	126,274,197	49,547,284	126,554,082	43,589,168

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, 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
Share-based compensation	—	—	927	—	—	—	927
Share repurchase	—	—	—	—	(612,745)	(20,000)	(20,000)
Net income	—	—	—	75,966	—	—	75,966
Balance as of June 30, 2021	128,198,185	$1,282	$492,874	$(339,578)	(2,007,834)	$(57,500)	$ 97,078

OPEN LENDING CORPORATION

Condensed Consolidated Statements of Changes in Stockholders' (Deficit)

(Unaudited, in thousands, except share and unit data)

	Redeemable Convertible Series C Preferred Units		Common Units		Series A and B Preferred Units		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' (Deficit)
	Units	Amount	Units	Amount	Units	Amount	Shares	Amount	Amount	Amount	Amount
Balance as of December 31, 2019, as originally reported	21,906,852	$ 304,943	25,381,873	$ 7,524	29,058,266	$ 478	—	$ —	$ —	$ (242,781)	$ (234,779)
Retroactive application of the recapitalization	(7,628,249)	—	(25,381,873)	(7,524)	(29,058,266)	(478)	37,631,052	376	7,626	—	—
Balance as of December 31, 2019, as adjusted	14,278,603	$ 304,943	—	—	—	—	37,631,052	$ 376	$ 7,626	$ (242,781)	$ (234,779)
Fair value adjustment of redemption option	—	(47,537)	—	—	—	—	—	—	—	47,537	47,537
Share-based compensation	—	—	—	—	—	—	—	—	487	—	487
Distribution to Open Lending, LLC unitholders	—	—	—	—	—	—	—	—	—	(135,380)	(135,380)
Net income	—	—	—	—	—	—	—	—	—	8,172	8,172
Balance as of March, 31 2020	14,278,603	$ 257,406	—	$ —	—	$ —	37,631,052	$ 376	$ 8,113	$ (322,452)	$ (313,963)
Recapitalization transaction, net of transaction costs	(14,278,603)	(257,406)	—	—	—	—	54,218,857	542	242,001	—	242,543
Deferred tax asset	—	—	—	—	—	—	—	—	1,874	—	1,874
Estimated fair value of contingent consideration at June 10, 2020	—	—	—	—	—	—	—	—	(347,089)	—	(347,089)
Share-based compensation	—	—	—	—	—	—	—	—	2,189	—	2,189
Net loss	—	—	—	—	—	—	—	—	—	(49,805)	(49,805)
Balance as of June 30, 2020	—	$ —	—	$ —	—	$ —	91,849,909	$ 918	$ (92,912)	$ (372,257)	$ (464,251)

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)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities		
Net income (loss)	$ 88,828	$ (41,633)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Share-based compensation	1,628	2,676
Depreciation and amortization	537	483
Amortization of right-of-use assets	268	188
Gain on extinguishment of tax receivable agreement	(55,422)	—
Loss on extinguishment of debt	8,778	—
Change in fair value of contingent consideration	—	48,802
Deferred income taxes	16,903	775
Changes in assets & liabilities:		
Accounts receivable	(3,217)	574
Contract assets	(22,591)	225
Prepaid expenses	(2,517)	(1,150)
Deferred transaction costs	—	1,081
Other current and non-current assets	1,384	322
Accounts payable	(1,455)	176
Accrued expenses	1,377	(1,184)
Income tax payable/receivable	(1,720)	569
Operating lease liabilities	(349)	(178)
Other current and non-current liabilities	551	280
Net cash provided by operating activities	32,983	12,006
Cash flows from investing activities		
Purchase of property and equipment	(841)	(424)
Net cash used in investing activities	(841)	(424)
Cash flows from financing activities		
Proceeds from term loans	125,000	170,000
Proceeds from revolving facility	50,000	—
Payments on term loans	(167,628)	(4,380)
Payments on revolving facility	(25,000)	—
Payment of deferred financing costs	(1,669)	(9,767)
Share repurchase	(20,000)	—
Settlement of tax receivable agreement	(36,948)	—
Distributions to Open Lending, LLC unitholders	—	(135,380)
Recapitalization transaction, net of transaction costs	—	(13,289)
Net cash (used in) provided by financing activities	(76,245)	7,184
Net change in cash and cash equivalents and restricted cash	(44,103)	18,766
Cash and cash equivalents and restricted cash at the beginning of the period	104,148	9,898
Cash and cash equivalents and restricted cash at the end of the period	$ 60,045	$ 28,664
Supplemental disclosure of cash flow information:		
Interest paid	$ 3,776	$ 3,958
Income tax paid, net	12,452	20
Non-cash investing and financing:		
Internally developed software costs accrued but not paid	660	—
Change in fair value of redeemable convertible Series C preferred units	—	(47,537)
Conversion of preferred stock to common stock	—	257,406

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

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

Open Lending Corporation, 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.

Immediately upon the completion of the Business Combination and the other transactions contemplated by the Business Combination Agreement (the “Transactions”, and such completion, the “Closing”), Open Lending, LLC became a wholly-owned subsidiary of ParentCo, and, ParentCo changed its name to Open Lending Corporation. The Company is now listed on NASDAQ under the symbol “LPRO.”

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 United States, and all of its revenues are attributable to United States customers.

Note 2—Summary of Significant Accounting and Reporting Policies and Recent Developments

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying condensed consolidated financial statements.

a)Basis of presentation and consolidation

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 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 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 Annual Report on Form 10-K for the year ended December 31, 2020.

The interim data includes all adjustments, consisting only of normal recurring 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 and six months ended June 30, 2021 are not necessarily indicative of the Company’s operating results for the entire fiscal year ending December 31, 2021.

The Business Combination is accounted for as a reverse recapitalization as Open Lending, LLC was determined to be the accounting acquirer under Financial Accounting Standards Board’s Accounting Standards Codification Topic 805, Business Combinations (“ASC 805”). The determination is primarily based on the evaluation of the following facts and circumstances:

- the pre-combination unitholders of Open Lending, LLC hold the majority of voting rights in the Company;
- the pre-combination unitholders of Open Lending, LLC have the right to appoint the majority of the directors of the Company;
- senior management of Open Lending, LLC became the senior management of the Company; and
- operations of Open Lending, LLC comprise the ongoing operations of the Company.

In connection with the Business Combination, all outstanding units of Open Lending, LLC were converted into common stock of the Company, par value $0.01 per share, representing a recapitalization, and the net assets of Nebula were acquired at historical cost, with no goodwill or intangible assets recorded. Open Lending, LLC was deemed to be the predecessor of the Company, and the consolidated assets and liabilities and results of operations prior to the Closing are those of Open Lending, LLC. The shares and corresponding capital amounts and net income per share available to common stockholders, prior to the Business Combination, have been retroactively restated as shares reflecting the exchange ratio established in the Business Combination Agreement. The number of Series C preferred units in mezzanine equity was also retroactively restated in shares reflecting the exchange ratio, and the carrying amount of the Series C preferred units is based on the fair value of its redemption amount on each reporting date. All Series C preferred units were converted to the Company’s common stock on the Closing Date.

b)COVID-19

The COVID-19 pandemic continues to create uncertainty regarding the U.S. and global economies and our operating results, financial condition and cash flows. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and continued spread of variants of COVID-19; the impact on our revenues, which are generated with automobile lenders and insurance company partners and driven by consumer demand for automobiles and automotive loans; extended closures of businesses, the effectiveness of the vaccine distribution program and the vaccines themselves; unemployment levels and the overall impact on our customer behavior, all of which are uncertain and cannot be predicted. The Company is diligently working to ensure that we can continue to operate with minimal disruption, mitigate the impact of the pandemic on our employees’ health and safety, and address potential business interruptions on ourselves and our customers. The Company believes that the COVID-19 pandemic, the mitigation efforts and the resulting economic impact have had, and may continue to have, an overall adverse effect on our business, results of operations and financial condition. The Company saw a reduction in loan applications and certified loans throughout the majority of 2020. As consumers and lenders have adjusted to the pandemic, application and certification levels have increased in 2021. Lenders’ forbearance programs, government stimulus packages, extended unemployment benefits and other government assistance have resulted in a reduction in expected defaults since the onset of the pandemic. As these programs end, defaults may increase. The potential increase in defaults may impact our revenues and subsequent recovery as the automotive finance industry and overall economy recover. The Company continues to closely monitor the current macro environment, particularly monetary and fiscal policies.

c)Emerging growth company

The Company is an “emerging growth company” as defined in Section 2(a)(19) of the Securities Act, as modified by the Jumpstart Our Business Startups Act (“JOBS Act”). As such, the Company is eligible for and intends to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as it continues to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act, (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements.

The Company will remain an emerging growth company until the earliest of (i) the Company is deemed to be a “large accelerated filer,” as defined in the Exchange Act, (ii) the last day of the fiscal year in which it has total annual gross revenue of $1.07 billion or more during such fiscal year, (iii) the date on which it has issued more than $1 billion in non-convertible debt in the prior three-year period or (iv) the last day of the fiscal year following the fifth anniversary of the date of the first sale of the Company's common stock in the Company's initial public offering. The Company expects to be deemed a large accelerated filer beginning January 1, 2022.

d)Concentrations of revenue and credit risks

The Company's business relationships with its two insurance partners currently producing revenue generate approximately 66% of the Company's total revenue for each of the three and six months ended June 30, 2021, with the top insurance partner accounting for approximately 64% of the total profit share revenue. In the event that one or more of our other significant customers terminate their relationships with us, or elect to utilize an alternative source for financing, the number of loans originated through the Lender's Protection Platform ("LPP") would decline, which would materially and adversely affect our business and, in turn, our revenue.

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash and accounts receivable 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. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation insurance limits of $250,000 per 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.

The Company's accounts receivables are derived from revenue earned from customers. The Company performs credit evaluations of its customers' financial condition. As of June 30, 2021 and December 31, 2020, there was no allowance for doubtful accounts. At June 30, 2021, the Company had one customer that represented 16% of the Company's accounts receivable. At December 31, 2020, the Company had one customer that represented 19% of the Company's accounts receivable.

e)Use of estimates and judgments

The preparation of condensed consolidated financial statements in conformity with U.S. 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 asset under Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"), we use 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 our 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 potential impact from the COVID-19 pandemic, and the current mix of the underlying portfolio of our insurance partners. As the Company closely monitors the development of the pandemic and its ongoing impact on Open Lending's business, management has accordingly adjusted these assumptions during the three and six months of 2021 as a result of changes in facts and circumstances and general market conditions derived from the COVID-19 pandemic.

f)Property and equipment

The Company's property and equipment balance primarily consists of furniture, fixtures and equipment used in the normal course of business, as well as leasehold improvements and computer software developed for internal use.

g)Recently adopted new accounting standards

On January, 1, 2021, the Company adopted ASU 2019-12, which affects general principles within Topic 740, Income Taxes. The amendments of ASU 2019-12 are meant to simplify and reduce the cost of accounting for income taxes. The impact of the adoption of this standard was immaterial to the condensed consolidated financial statements.

On January 1, 2021, the Company adopted ASU 2018-15, Intangibles—Goodwill and Other—Internal—Use Software, Subtopic, 350-40, which provides guidance on a customer's accounting for implementation costs incurred in a cloud-computing arrangement when hosted by a vendor. The guidance provides that, in a hosting arrangement that is a service contract, certain implementation costs should be capitalized and amortized over the term of the arrangement. The Company adopted this guidance using the prospective method. The impact of the adoption of this standard was immaterial to the condensed consolidated financial statements.

h)Recently issued accounting pronouncements not yet adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments, which provides guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology in the current guidance with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. This ASU will be effective for the Company commencing after December 31, 2022. The Company is in the process of assessing the impact of this ASU on our condensed consolidated financial statements and disclosures.

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 is evaluating the effect of ASU 2020-04 on the Company's condensed consolidated financial statements.

Although there are several other new accounting pronouncements issued or proposed by the FASB, which we have adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on the Company's condensed consolidated financial position or results of operations.

Note 3—Business Combination

On June 10, 2020, Nebula consummated a business combination with Open Lending, LLC pursuant to the Business Combination Agreement. Pursuant to ASC 805, for financial accounting and reporting purposes, Open Lending, LLC was deemed the accounting acquirer and Nebula was treated as the accounting acquiree, and the Business Combination was accounted for as a reverse recapitalization. Accordingly, the Business Combination was treated as the equivalent of Open Lending, LLC issuing equity for the net assets of Nebula, accompanied by a recapitalization. Under this method of accounting, the consolidated financial statements of Open Lending, LLC are the historical financial statements of Open Lending Corporation. The net assets of Nebula were stated at historical costs, with no goodwill or other intangible assets recorded in accordance with U.S. GAAP, and are consolidated with Open Lending, LLC's financial statements on the Closing Date. The shares and net income (loss) per share available to holders of the Company's common stock, prior to the Business Combination, have been retroactively restated as shares reflecting the exchange ratio established in the Business Combination Agreement.

As a result of the Business Combination, Open Lending, LLC’s unitholders received aggregate consideration of approximately $1.0 billion, which consisted of (i) $328.8 million in cash at the Closing, net of transaction expenses, (ii) $135.0 million in cash distribution from debt issued in March 2020, and (iii) 51,909,655 shares of common stock valued at $10.00 per share, totaling $519.1 million. In addition, Open Lending, LLC’s unitholders received additional contingent consideration of 22,500,000 shares based on meeting certain thresholds following the Business Combination. All contingent consideration shares were issued or released during the third quarter of 2020.

In connection with the Business Combination, the Company incurred direct and incremental costs of approximately $55.5 million related to the equity issuance, consisting primarily of investment banking, legal, accounting and other professional fees, which were recorded to additional paid-in capital as a reduction of proceeds. In addition, the Company incurred $9.1 million in transaction bonuses paid to key employees and directors and $2.2 million in non-cash share-based compensation expense due to the accelerated vesting of Open Lending, LLC’s legacy share-based compensation plan in the second quarter of 2020. The transaction bonuses and share-based compensation are included in general and administrative expense on our consolidated statements of operations and comprehensive income (loss) during the second quarter of 2020. See Note 7—Share-Based Compensation for additional information.

Note 4—Debt

The following table provides a summary of the Company’s debt as of the dates indicated:

	June 30, 2021	December 31, 2020
	(in thousands)	
Revolving Facility, matures in 2026	$ 25,000	$ —
Term Loan due 2026	124,219	—
Term Loan due 2027	—	166,813
Less: unamortized deferred financing costs	(1,576)	(9,066)
Total debt	147,643	157,747
Less: current portion of debt	(3,125)	(4,888)
Total long-term debt, net of deferred financing costs	$ 144,518	$ 152,859

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 condensed consolidated statements of operations and comprehensive income during the six months ended June 30, 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 our Funded Secured Debt/EBITDA ratio increase or decreases.

As of June 30, 2021, both the Term Loan due 2026 and the Revolving Facility are subject to LIBOR of 0.098% plus a spread of 2.00% per annum. In June 2021, the Company made a payment of $25.0 million to the outstanding balance of the Revolving Facility and has an unused commitment balance of $25.0 million under the Revolving Facility at June 30, 2021. Commitment fees will be accrued at 0.225% per annum on the unused commitment balance.

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 $1.6 million as of June 30, 2021. As of June 30, 2021, the weighted average effective interest rate on our outstanding borrowings was 2.38%.

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 starting with the quarter ending June 30, 2021. 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 June 30, 2021, the Company was in compliance with all required covenants under the New Credit Agreement.

Note 5—Stockholders' Equity

On June 11, 2020, Open Lending Corporation's common stock began trading on the NASDAQ under the symbol "LPRO." Pursuant to the terms of the Amended and Restated Certificate of Incorporation, the Company is authorized and has available for issuance the following shares and classes of capital stock, each with a par value of $0.01 per share: (i) 550,000,000 shares of common stock; and (ii) 10,000,000 shares of preferred stock. Immediately following the Business Combination, there were 91,849,909 shares of common stock, which excluded 3,437,500 shares issued and outstanding that were subject to certain lock-up and forfeiture arrangements, with a par value of $0.01 per share, and 9,166,659 warrants outstanding. In addition to the shares issued on the Closing Date, Open Lending, LLC's unitholders received additional contingent consideration of 22,500,000 shares and certain Nebula's equity holders received 1,250,000 earn-out shares of common stock as the price of the Company's common stock trading on the NASDAQ met certain thresholds following the Business Combination. As discussed in Note 3—Business Combination, the Company has retroactively adjusted the shares issued and outstanding prior to June 10, 2020 to give effect to the exchange ratio established in the Business Combination Agreement to determine the number of shares of common stock into which they were converted.

In connection to the Business Combination, on July 1, 2020, the Company filed a Registration Statement on Form S-1 to register 52,916,659 shares of common stock for the issuance by the Company of (i) up to an aggregate of 23,750,000 shares of our common stock that may be issued as earn-out consideration upon certain triggering events, and (ii) 9,166,659 shares of our common stock that may be issued upon exercise of warrants to purchase common stock at an exercise price of $11.50 per share of common stock, herein referenced as public warrants.

Underwritten Public Offering

On April 6, 2021, the Company completed an underwritten public offering of 9,000,000 shares of our common stock at a public offering price of $34.00 per share. All shares were sold by existing stockholders, including Nebula Holdings, LLC and its affiliates, Bregal Sagemount, and certain executive officers of the Company. The selling stockholders also granted the underwriters a 30-day option to purchase up to 1,350,000 additional shares of common stock. The Company did not issue any shares and did not receive any of the proceeds of the offering.

Share Repurchase

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 number of 612,745 shares of its common stock totaling $20.0 million at the same per share price paid by the underwriters to the selling stockholders in the offering. The $20.0 million stock repurchase was recorded in treasury stock at cost.

Dividend

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

Note 6—Revenue

The Company accounts for a contract with a customer when both parties have approved the contract and are committed to perform their respective obligations, each party's rights and payment terms can be identified, the contract has commercial substance, and it is probable the Company will collect substantially all of the consideration to which it is entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

Revenue from contracts with lending institutions

Program fees are derived from contracts with automotive lenders. Through the Company's proprietary LPP, the Company enables automotive lenders to make loans that are insured against certain credit losses from defaults. The Company generates program fee revenue from our proprietary, cloud-based software platform that enables automotive lenders, Original Equipment Manufacturing ("OEM") captive finance companies and other financial institutions (collectively "lending institutions") to approve loans to traditionally underserved non-prime or near-prime borrowers.

The Company receives program fees for providing loan decision-making analytics solutions and automated issuance of credit default insurance with third-party insurance providers. The Company's performance obligation is complete when a loan is certified through LPP and is issued by the lending institution. Program fee contracts contain a single performance obligation, which consist of a series of distinct services that are substantially the same with the same pattern of transfer to customers.

Program fees are based on a percentage of the initial principal amount of the loans processed by the Company. There are two types of payment arrangements: i) a single pay program fee is due based on the volume of loans originated by the lending institution in a calendar month; or ii) a monthly pay program fee is due in equal monthly installments within 12 months of loan origination.

The Company bills the customer for an amount calculated based on the actual number of loans processed in a calendar month, which corresponds directly with the value of service transferred to the customer in that month.

Revenue from contracts with insurance carriers

At June 30, 2021, the Company has producer agreements with three insurance carrier partners from which the Company earns or will earn profit share revenue and claims administration service fees.

In the profit share arrangement, the Company facilitates placement of credit default insurance policies with lending institutions on behalf of our insurance partners. Profit share revenue represents our participation in the underwriting profit of our third-party insurance partners who provide lenders with credit default insurance on loans the automotive lenders make using our LPP. The Company receives 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. The Company fulfills its performance obligation upon placement of the insurance, at which point the Company is entitled to the profit share of all future net premiums earned by the insurance carrier on the policy.

To determine the profit share revenue, 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 severity rates. These assumptions are based on our observations of the historical behavior for loans with similar risk characteristics. The assumptions also take consideration of the forecast adjustments under various macroeconomic conditions and the current mix of the underlying portfolio of our insurance partners. To the extent these assumptions change, our profit share revenue is adjusted.

In accordance with ASC 606, at the time of the placement of a policy by an insurance company, the Company estimates the variable consideration based on undiscounted expected future profit share to be received from the insurance carriers. The Company applies economic stress factors in the Company's forecast to constrain its estimation of future profit share revenue to an amount reflecting the Company's belief that a significant reversal in the cumulative amount of revenue is not probable of occurring when the uncertainty is resolved.

Claims administration service fees are generated from us acting as a third-party administrator to process and adjudicate the credit default insurance claims on behalf of the insurance companies. In this arrangement, the performance obligation to provide claims administration services is generally satisfied over time, with the customer simultaneously receiving and consuming the benefits as the Company satisfies our performance obligations.

Contract Balances

Contract assets for the periods indicated below were as follows:

	Contract Assets			
	Profit Share	TPA Fee	Program Fee	Total
	(in thousands)			
Ending balance as of December 31, 2020	$ 83,177	$ 822	$ 5,343	$ 89,342
Increase of contract assets due to new business generation	49,673	3,053	35,508	88,234
Adjustment of contract assets due to estimation of revenue from performance obligations satisfied in previous periods	16,899	—	—	16,899
Receivables transferred from contract assets upon billing the lending institutions	—	—	(34,903)	(34,903)
Payments received from insurance carriers	(44,863)	(2,776)	—	(47,639)
Ending balance as of June 30, 2021	$104,886	$ 1,099	$ 5,948	$111,933

As of June 30, 2021 and December 31, 2020, our contract assets consisted of $61.0 million and $50.4 million, respectively, as the portion estimated to be received within one year, and $50.9 million and $39.0 million, respectively, in the non-current portion to be received beyond one year. During the six months ended June 30, 2021, the profit share component of our contract assets increased $49.7 million in anticipated profit share associated with 79,726 new certified loans for an average of $623 per loan, and a $16.9 million positive adjustment in the contract asset related to performance obligations satisfied in previous periods as a result of the continued positive portfolio performance due to lower than projected default frequency and severity stress and overall fewer claims for loss. This positive change in estimate of $16.9 million in the first six months of 2021 resulted in an increase in the contract asset, revenues and expected future cash flows from historical vintages. The Company received $24.9 million and $44.9 million, respectively, in profit share payments from our insurance carriers, during the three and six months ended June 30, 2021, an increase in collections over our previous quarters. The increase is primarily the result of an increase in certified loan volumes and our carriers releasing reserves established due to uncertainty related to the COVID-19 pandemic. More specifically, reserves were established to reflect the potential for higher defaults, increased severity of defaults and accelerated prepayments. These risks have not materialized as the portfolio has performed better than expected.

Contract Costs

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

Disaggregation of Revenues

The Company disaggregates revenues by revenue source (i.e. program fee, profit share and claims administration service fee), and the level of disaggregation is presented in the condensed consolidated statement of operations and comprehensive income.

Note 7—Share-Based Compensation

Class B Common Unit Incentive Plan (the "Class B Plan")

Prior to the Business Combination, commencing in 2013, the Board of Managers of Open Lending, LLC approved the Class B Unit Incentive Plan (the "Class B Plan"), which was a form of long-term compensation that provided for the issuance of ownership shares to service providers for purposes of retaining them and enabling such individuals to participate in the long-term growth and financial success of Open Lending, LLC. As a result of the Business Combination, the Board of Managers approved an acceleration of the awards granted in connection with the Class B Plan, to allow accelerated vesting of the units at the consummation of the Business Combination. On the date of the Closing, the Class B common units were converted into shares of Company common stock utilizing the exchange ratio established in the Business Combination Agreement, and the accelerated vesting of 571,983 awards resulted in $2.2 million of non-cash share-based compensation expense recorded to general and administrative expense during the three months ended June 30, 2020.

2020 Stock Option and Incentive Plan (the "2020 Plan")

Prior to the closing of the Business Combination, on June 9, 2020, Nebula's stockholders approved the 2020 Plan. The 2020 Plan 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 its common stock outstanding upon the Closing, as the "Initial Limit" for the issuance of awards under the 2020 Plan. The 2020 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning on January 1, 2021, by 4% of the outstanding number of shares of the Company's common stock on the immediately preceding December 31, 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 June 30, 2021, the shares reserved and available for issuance under the 2020 Plan is 14,206,901, which includes the 4% annual increase in 2021 less restricted 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Time-Based Restricted Stock Units	$ 458	$ —	$ 691	$ —
Performance-Based Restricted Stock Units	276	—	553	—
Stock Options	193	—	384	—
Class B Common Units	—	2,189	—	2,676
Total share-based compensation expense	$ 927	$ 2,189	$ 1,628	$ 2,676

During the three and six months ended June 30, 2021 and 2020, 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 awarded unit holders in the accompanying condensed consolidated statements of operations and comprehensive income as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
General and administrative	$ 773	$ 2,189	$ 1,327	$ 2,633
Selling and marketing	91	—	182	12
Cost of services	29	—	57	25
Research and development	34	—	62	6
Total	$ 927	$ 2,189	$ 1,628	$ 2,676

The following table provides information related to the Company's share-based compensation award activity for the six months ended June 30, 2021:

	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, 2020	109,920	$ 28.20	199,764	$ 33.56	—	$ —
Granted	150,000	38.65	—	—	99,289	33.44
Vested/Exercised	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Outstanding as of June 30, 2021	259,920	$ 34.23	199,764	$ 33.56	99,289	$ 33.44

The unrecognized share-based compensation expense at June 30, 2021 was as follows:

	Unrecognized Share-based Compensation Expense (in thousands)	Weighted Average Amortization Period
Time-Based Restricted Stock Units	$ 8,059	3.46 years
Stock Options	2,710	3.50 years
Performance-Based Restricted Stock Units	2,767	2.50 years
Total unrecognized share-based compensation expense	$ 13,536	3.28 years

Note 8—Net Income (Loss) per Share

Pursuant to the Restated and Amended Certificate of Incorporation and as a result of the reverse recapitalization, the Company has retrospectively adjusted the weighted average shares outstanding prior to June 10, 2020 to give effect to the exchange ratio used to determine the number of shares of common stock into which they were converted.

Basic net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) 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 and six months ended June 30, 2021 include unvested stock options, time-based restricted stock units, and performance-based restricted stock units containing conditions that are based on the operating results of the Company, which are considered contingently issuable in the diluted net income (loss) calculation, and which are accounted for using the treasury stock method. The potentially dilutive common shares are included in the calculation of diluted net income (loss) per share only when their effect is dilutive.

The following table sets forth the computation of basic and diluted net income (loss) per share attributable to common stockholders for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
	(in thousands, except shares and per share data)			
Basic net income (loss) per share:				
Numerator				
Net income (loss)	$ 75,966	$ (49,805)	$ 88,828	$ (41,633)
Preferred distribution to redeemable convertible Series C preferred units	—	(214)	—	(40,689)
Non-cash adjustment to redemption amount of the redeemable convertible Series C preferred units	—	—	—	47,537
Net income (loss) attributable to common stockholders	$ 75,966	$ (50,019)	$ 88,828	$ (34,785)
Denominator				
Weighted average common shares	126,230,752	49,547,284	126,515,343	43,589,168
Basic net income (loss) per share attributable to common stockholders	$ 0.60	$ (1.01)	$ 0.70	$ (0.80)
Diluted net income (loss) per share:				
Numerator				
Net income (loss) attributable to common stockholders	$ 75,966	$ (50,019)	$ 88,828	$ (34,785)
Denominator				
Basic weighted average common shares	126,230,752	49,547,284	126,515,343	43,589,168
Dilutive effect of outstanding Time-Based Restricted Stock Units	43,445	—	38,739	—
Diluted weighted average common shares	126,274,197	49,547,284	126,554,082	43,589,168
Diluted net income (loss) per share attributable to common stockholders	$ 0.60	$ (1.01)	$ 0.70	$ (0.80)

The following potentially dilutive outstanding securities for the three and six months ended June 30, 2021 and 2020 were excluded from the computation of diluted net income (loss) 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 which were not satisfied by the end of the periods:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Unvested Stock Options	199,764	—	199,764	—
Unvested Performance-Based Restricted Stock Units	99,289	—	99,289	—
Redeemable stock warrants	—	9,166,659	—	9,166,659
Contingency consideration	—	27,187,500	—	27,187,500
Retroactively restated Series C preferred units	—	14,278,603	—	14,278,603
Total	299,053	50,632,762	299,053	50,632,762

Note 9—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 instruments at June 30, 2021 and December 31, 2020.

	Carrying value	Fair value measurement at June 30, 2021		
		Level 1	Level 2	Level 3
		(in thousands)		
Liabilities:				
Debt at fair value	$ 147,643	$ —	$ 147,643	$ —
Total	$ 147,643	$ —	$ 147,643	$ —

	Carrying value	Fair value measurement at December 31, 2020		
		Level 1	Level 2	Level 3
		(in thousands)		
Liabilities:				
Debt at fair value	$ 157,747	$ —	$ 157,747	$ —
Total	$ 157,747	$ —	$ 157,747	$ —

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 June 30, 2021 and December 31, 2020.

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

Note 10—Income Taxes

During the three and six months ended June 30, 2021, the Company recognized income tax expense of $23.3 million and $27.7 million. For each of the three and six months ended June 30, 2020, the Company recognized income tax expense of $1.4 million. The effective tax rate for the three and six months ended June 30, 2021 was 23.4% and 23.8%, respectively, as compared to effective tax rate of (2.8)% and (3.4)% for the three and six months ended June 30, 2020, respectively. The Company's income tax expense for the three and six months ended June 30, 2021 differs from amounts computed by applying the U.S. federal statutory tax rate of 21% primarily due to the early termination of the tax receivable agreement, officer's compensation limitation under Section 162(m), and state income tax expenses. The Company's income tax expense for the three and six months ended June 30, 2020 differs from amounts computed by applying the U.S. federal statutory tax rate of 21% primarily due to the flow-thru entity structure prior to the Business Combination.

As of June 30, 2021, the Company has assessed whether it is more likely than not that our 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 June 30, 2021.

Management of 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 June 30, 2021 or for any open tax years. Tax penalties and interest, if any, would be reflected in the condensed consolidated statements of operations and comprehensive income in other expenses. The Company has not recorded any penalties or interest related to uncertain tax positions as of June 30, 2021 or for any open tax years.

Note 11—Tax Receivable Agreement

In connection with the Business Combination, the Company entered into the Tax Receivable Agreement (“TRA”). The TRA generally provides for the payment by the Company to the Open Lending LLC unitholders and Blocker’s sole shareholder (the “TRA holders”), as applicable, of 85% of the net cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes (or are deemed to realize in certain circumstances) in periods after the Closing as a result of: (i) certain tax attributes of Blocker and/or Open Lending, LLC that existed prior to the Business Combination and were attributable to the Blocker; (ii) certain increases in the tax basis of Open Lending, LLC’s assets resulting from the Transactions; (iii) imputed interest deemed to be paid by the Company as a result of payments the Company makes under the Tax Receivable Agreement; and (iv) certain increases in tax basis resulting from payments the Company makes under the Tax Receivable Agreement. The Company will retain the benefit of the remaining 15% of these cash savings. The liability for the TRA was $92.4 million at December 31, 2020, which is shown as tax receivable agreement liability on the Company’s condensed consolidated balance sheets.

The Company entered into Amendment No. 1 (the “Amendment”) to the TRA effective April 9, 2021. The Amendment provides that in lieu of early termination payments, the TRA holders are instead entitled to payments equal to 40% of all Tax Benefit Payments (all definitions used herein and otherwise not defined herein shall have the meanings set forth in the Amendment) other than any Actual Interest Amounts that would be required to be paid by the Company under the TRA, using certain valuation. The Amendment provides the Company with the right to terminate and settle all present and future obligations under the TRA with a single payment by the Company to the TRA holders of $36.9 million (the “Early Termination Right”). Absent the Amendment and the exercise of the Early Termination Right, the Company anticipated making TRA payments totaling $92.4 million, undiscounted, over the life of the TRA.

On April 12, 2021, an independent committee of disinterested members of the Board of Directors approved the Company’s decision to exercise the Early Termination Right. With the early settlement of the TRA, the Company recognized a gain of $55.4 million, which is included in gain on extinguishment of tax receivable agreement on the Company’s condensed consolidated statements of operations and comprehensive income.

Note 12—Related Party Transactions

In the second quarter of 2021, cash payments were made to certain related parties totaling $18.5 million in connection with the early termination and settlement of the tax receivable agreement, as discussed in Note 11—Tax Receivable Agreement.

On March 25, 2020, Ross Jessup, the Company’s President, borrowed $6.0 million from Open Lending, LLC in accordance with the promissory note in place and the loan was paid in full by Mr. Jessup on March 30, 2020, with proceeds received as result of the non-liquidating distribution paid by Open Lending, LLC to its members.

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

The following discussion and analysis provides information which 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, 2020. 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 on Form 10-K. 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 Original Equipment Manufacturers ("OEM Captives") relative to that of other automotive lenders, and associated concentration of risks;
- the costs of services in absolute dollars and as a percentage of our program fee 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 program fee 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 Open Lending's growth as a result of demands on its operational, marketing, compliance and accounting infrastructure;
- regulatory agreements between Open Lending and state agencies regarding issues including automotive lender conduct and oversight and loan pricing;
- changes in applicable laws or regulations; and
- the effects of the COVID-19 pandemic on our business.

All forward-looking statements are based on information and estimates available to the Company 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 on Form 10-K. 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 the captive finance companies of OEM Captives. 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 $11.1 billion in automotive loans, accumulating over 20 years of proprietary data and developing over two million unique risk profiles. We currently cater to 380 active automotive lenders.

We specialize in risk-based pricing and modeling and provide automated decisioning-technology for automotive lenders throughout the United States. 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 approximately 20 years. We believe LPP provides significant benefits to our growing ecosystem of automotive lenders, automobile dealers 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 $250 billion annually, resulting in an approximately $14.4 billion annual revenue opportunity. We are currently serving less than 1% 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 46,408 and 79,726 certified loans during the three and six months ended June 30, 2021, respectively, as compared to 18,684 and 46,708 certified loans during the three and six months ended June 30, 2020, respectively.

Total revenue was $61.1 million and $105.1 million for three and six months ended June 30, 2021, respectively, as compared to $22.1 million and $39.5 million during the three and six months ended June 30, 2020, respectively.

Operating income was $44.9 million and $74.3 million for three and six months ended June 30, 2021, respectively, as compared to $3.9 million and $12.9 million in the three and six months ended June 30, 2020, respectively.

Net income was $76.0 million and $88.8 million for three and six months ended June 30, 2021, respectively, as compared to net loss of $(49.8) million and $(41.6) million for the three and six months ended June 30, 2020, respectively.

Adjusted EBITDA was $46.1 million and $76.3 million for the three and six months ended June 30, 2021, respectively, as compared to $15.4 million and $25.0 million during the three and six months ended June 30, 2020, respectively. Information regarding use of Adjusted EBITDA, a non-GAAP measure, and a reconciliation of Adjusted EBITDA to net income (loss), the most comparable GAAP measure, is included in *“Non-GAAP Financial Measures.”*

Highlights

The table below summarizes the total dollar value of insured loans facilitated and the number of contracts signed with automotive lenders during the three and six months ended June 30, 2021 and 2020.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands, except number of contracts)			
Value of insured loans facilitated (1)	$ 1,170,461	$ 409,934	$1,950,822	$1,037,031
Number of contracts signed with automotive lenders	22	11	36	28

(1)Value of insured loans are calculated as the total original loan amount of all loans certified for active institutions during each reporting period.

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 they are used to measure and model the performance of companies such as Open Lending, 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 payment as “single-pay” loans and those paid over twelve monthly installments 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 $52.9 million and $99.3 million, respectively, for the three and six months ended June 30, 2021 and were $35.9 million and $69.5 million for the three and six months ended June 30, 2020.

Recent Developments

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 during the six months ended June 30, 2021, and is recorded under the caption loss on extinguishment of debt in the condensed consolidated statements of operations and comprehensive Income. 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 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 our Funded Secured Debt/EBITDA ratio increase or decreases. As of June 30, 2021, both the Term Loan due 2026 and the Revolving Facility are subject to LIBOR of 0.098% plus a spread of 2.00% per annum, and we do not have an unused commitment balance under the Revolving Facility. In June 2021, the Company made a payment of $25.0 million to the outstanding balance of the Revolving Facility and has an unused commitment balance of $25.0 million under the Revolving Facility at June 30, 2021. Commitment fees will be accrued at 0.225% per annum on the unused commitment balance.

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. As of June 30, 2021, the weighted average effective interest rate on our outstanding borrowings was 2.38%.

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 starting with the quarter ending June 30, 2021. 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 June 30, 2021, we were in compliance with all required covenants under the New Credit Agreement.

Underwritten Public Offering

On April 6, 2021, we completed an underwritten public offering of 9,000,000 shares of our common stock at a public offering price of $34.00 per share. All shares were sold by existing stockholders, including Nebula Holdings, LLC and its affiliates, Bregal Sagemount and certain executive officers of the Company. The selling stockholders also granted the underwriters a 30-day option to purchase up to 1,350,000 additional shares of common stock. We did not issue any shares and did not receive any of the proceeds of the offering.

Share Repurchase

Pursuant to a Stock Repurchase Agreement, dated as of March 29, 2021, between Open Lending and the selling stockholders, we repurchased from the selling stockholders on April 6, 2021 an aggregate number of 612,745 shares of its common stock totaling $20.0 million at the same per share price paid by the underwriters to the selling stockholders in the offering. The $20.0 million stock repurchase was recorded in treasury stock at cost in April of 2021.

Tax Receivable Agreement Amendment

We entered into Amendment No. 1 (the "Amendment") to the TRA effective April 9, 2021. The Amendment provides that in lieu of early termination payments, the TRA Holders will instead be entitled to payments equal to 40% of all Tax Benefit Payments (all definitions used here in and otherwise not defined here in shall have the meanings set forth in the Amendment) other than any Actual Interest Amounts that would be required to be paid by the us under the TRA, using certain valuation. The Amendment provides us with the right to terminate and settle all present and future obligations under the TRA with a single payment by us to the TRA Holders of $36.9 million (the "Early Termination Right"). Absent the Amendment and the exercise of the Early Termination Right, we anticipated making TRA payments totaling $92.4 million, undiscounted, over the life of the TRA.

On April 12, 2021, an independent committee of disinterested members of the Board of Directors approved our decision to exercise the Early Termination Right. As of June 30, 2021, we paid $36.9 million to terminate and settle the TRA liability and recognized a gain of $55.4 million, which is included in gain on extinguishment of tax receivable agreement on the Company's condensed consolidated statements of operations and comprehensive income.

Third Insurance Carrier Partner

On June 24, 2021, the Company signed a producer agreement with a third insurance carrier partner, American National Lloyds Insurance Company and ANPAC Louisiana Insurance Company, both affiliates of American National Group, Inc, enabling both companies to be additional providers of credit default insurance policies for LPP, from which the Company expects to earn profit share revenue and claims administration fees in the future. The Producer Agreement was subsequently amended to add American National Property and Casualty Company, an affiliate of American National Group, Inc., as an additional party.

COVID-19

The COVID-19 pandemic continues to create uncertainty regarding the U.S. and global economies and our operating results, financial condition and cash flows. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and continued spread of variants of COVID-19; the impact on our revenues, which are generated with automobile lenders and insurance company partners and driven by consumer demand for automobiles and automotive loans; extended closures of businesses, the effectiveness of the vaccine distribution program and the vaccines themselves; unemployment levels and the overall impact on our customer behavior, all of which are uncertain and cannot be predicted. The Company is diligently working to ensure that we can continue to operate with minimal disruption, mitigate the impact of the pandemic on our employees' health and safety, and address potential business interruptions on ourselves and our customers. The Company believes that the COVID-19 pandemic, the mitigation efforts and the resulting economic impact have had, and may continue to have, an overall adverse effect on our business, results of operations and financial condition. The Company saw a reduction in loan applications and certified loans throughout the majority of 2020. As consumers and lenders have adjusted to the pandemic, application and certification levels have increased in 2021. Lenders' forbearance programs, government stimulus packages, extended unemployment benefits and other government assistance have resulted in a reduction in expected defaults since the onset of the pandemic. As these programs end defaults may increase. The potential increase in defaults may impact our revenues and subsequent recovery as the automotive finance industry and overall economy recover. The Company continues to closely monitor the current macro environment, particularly monetary and fiscal policies.

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 variable 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 industry verticals.

Competition

We face competition to acquire and maintain automotive lenders as well as competition to fund 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 lenders 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. Increased competition for loans, which reduce the ability of our automotive lenders to source loan application flow and or capture loans, could also materially and adversely 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. To the extent these assumptions change, our profit share revenue will be adjusted. For example, positive change in estimates associated 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.

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, consumer confidence, the impact of the pandemic crisis and, particularly, the unemployment rate also influence consumer spending and borrowing patterns.

Concentration

Our largest insurance partner accounted for the vast majority of our profit share and claims administration service fee revenue in the three and six months ended June 30, 2021 and 2020, respectively. Termination or disruption of this relationship could materially and adversely impact our revenue.

Basis of Presentation

We conduct business through one operating segment, and we operate in one geographic region, the United States. See Note 2—Summary of Significant Accounting and Reporting Policies and Recent Developments of the accompanying condensed consolidated financial statements for more information.

Components of Results of Operations

Total Revenues

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

Program fees. Program fees are paid by automotive lenders for use of our LPP and analytics. 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 and with fees generally capped at $600 per loan. This cap may vary for certain large volume lenders. For loans with 12 equal, monthly installments, the fee paid by the lender is a flat 3% of the total amount of the loan and is not capped.

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.

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 resellers 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, IT expenses and professional and consulting fees. In the near term, we expect general and administrative expenses to increase in absolute dollar terms and as a percentage of revenue as we continue to implement the internal control, compliance and reporting requirements of public companies. In the intermediate term, we expect general and administrative expenses to continue to increase in absolute dollars as the total number of certified loans continues to grow.

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 immediate term as a percentage of program fee revenue.

Research and development expenses. Research and development expenses consist of employee compensation and benefits expenses for employees engaged in ongoing 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.

Gain on extinguishment of tax receivable agreement. Gain on extinguishment of tax receivable agreement is related to the early termination and settlement of the TRA to the TRA holders.

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.

Change in fair value of contingent consideration. Change in fair value of contingent consideration reflects the non-cash impact of changes in the fair value of Company common stock expected to be issued as contingent consideration in connection with our Business Combination on June 10, 2020. The fair value of contingent consideration is based on a Monte Carlo simulation of the Company's common stock as compared to certain market share price milestones, and is primarily based on our peer group due to our limited history, as well as our future implied volatility, a significant unobservable input. The change in the estimated fair value of contingent consideration was driven by the change in estimated fair value from June 10, 2020 through June 30, 2020.

Results of Operations

The following table sets forth our results of operations for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
	($ in thousands)					
Revenue						
Program fees	$20,597	$ 8,793	134%	$ 35,508	$ 21,505	65%
Profit share	38,842	12,163	219%	66,572	15,938	318%
Claims administration service fees	1,686	1,111	52%	3,053	2,054	49%
Total revenue	61,125	22,067	177%	105,133	39,497	166%
Cost of services	4,140	1,827	127%	7,502	4,322	74%
Gross profit	56,985	20,240	182%	97,631	35,175	178%
Operating expenses						
General and administrative	8,381	14,650	(43)%	16,593	18,218	(9)%
Selling and marketing	2,954	1,295	128%	5,351	3,373	59%
Research and development	773	349	121%	1,364	707	93%
Operating income	44,877	3,946	1037%	74,323	12,877	477%
Interest expense	(1,122)	(3,644)	(69)%	(4,411)	(4,408)	— %
Interest income	58	44	32%	142	61	133%
Gain on extinguishment of tax receivable agreement	55,422	—	100%	55,422	—	100%
Loss on extinguishment of debt	—	—	— %	(8,778)	—	(100)%
Change in fair value of contingent consideration	—	(48,802)	(100)%	—	(48,802)	(100)%
Other (expense) income	(2)	3	(167)%	(133)	3	(4,533)%
Income (loss) before income taxes	99,233	(48,453)	(305)%	116,565	(40,269)	(389)%
Provision for income taxes	23,267	1,352	1,621%	27,737	1,364	1,934%
Net income (loss) and comprehensive income (loss)	$75,966	$(49,805)	(253)%	$ 88,828	$(41,633)	(313)%

Key Performance Measures

The following table sets forth key performance measures for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Certified loans	46,408	18,684	148%	79,726	46,708	71%
Single-pay	41,156	14,480	184%	70,098	37,916	85%
Monthly-pay	5,252	4,204	25%	9,628	8,792	10%
Average program fees	$ 444	$ 471	(6)%	$ 445	$ 460	(3)%
Single-pay	$ 415	$ 434	(4)%	$ 416	$ 430	(3)%
Monthly-pay	$ 673	$ 616	9%	$ 660	$ 613	8%

Comparison of Three and Six Months Ended June 30, 2021 and 2020

Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
			($ in thousands)			
Program fees	$20,597	$ 8,793	134%	$ 35,508	$ 21,505	65%
Profit share						
New certified loan originations	27,017	13,105	106%	49,673	28,918	72%
Change in estimated future revenues	11,825	(942)	1,355%	16,899	(12,980)	230%
Total profit share	38,842	12,163	219%	66,572	15,938	318%
Claims administration service fees	1,686	1,111	52%	3,053	2,054	49%
Total revenue	$61,125	$22,067	177%	$105,133	$ 39,497	166%

Total revenue increased by $39.1 million and $65.6 million, or 177% and 166%, respectively, for the three and six months ended June 30, 2021, as compared to the same periods in 2020, driven by an increase in anticipated profit share, program fees and claims administrative revenues on new originations and the change in estimated future revenues on historical vintages. As the loan default rate, default severity and prepayment rate continued to improve during the three and six months ended June 30, 2021, our anticipated profit share on historic business increased.

Program fees revenue increased by $11.8 million and $14.0 million, or 134% and 65%, respectively, for the three and six months ended June 30, 2021, as compared to the same periods in 2020. The increases were driven by 148% and 71% increases in certified loan volume during the three and six months ended June 30, 2021 as compared to the prior year periods, respectively.

Profit share revenue increased by $26.7 million and $50.6 million, or 219% and 318%, respectively, during the three and six months ended June 30, 2021, as compared to the same periods in 2020. During the three months ended June 30, 2021, we recorded $27.0 million in anticipated profit share, associated with 46,408 new certified loans, for an average of $582 per new certified loan, as compared to $13.1 million recorded in anticipated profit share, associated with 18,684 new certified loans, for an average of $701 per new certified loan, during the three months ended June 30, 2020. In April 2021, we removed the vehicle value discount established as part of our underwriting changes implemented at the onset of COVID-19, which had the effect of increasing credit default insurance premiums and corresponding profit share during the pandemic by approximately 15% per certified loan. As a result of this underwriting change, in April 2021, our average profit share per certified loan decreased in the second quarter 2021 and is comparable to pre-COVID-19 profit share unit economics. In addition, this change had a positive impact by increasing our closure rates on certified loans in second quarter 2021. During the six months ended June 30, 2021, we recorded $49.7 million in anticipated profit share associated with 79,726 new certified loans for an average of $623 per new certified loan, as compared to $28.9 million in anticipated profit share associated with 46,708 certified loans for an average of $619 per new certified loan, during the six months ended June 30, 2020.

In addition, during the three and six months ended June 30, 2021, we recorded $11.8 million and $16.9 million, respectively, in estimated future profit share on business written in historic periods, as compared to a $0.9 million reduction and a $13.0 million reduction, respectively, in estimated future profit share on historic vintages, during the three and six months ended June 30, 2020. The positive adjustment during the three and six months ended June 30, 2021 resulted in a $12.8 million change quarter over quarter and $29.9 million change year over year and represents the continued improvement of our portfolio performance from a risk perspective related to defaults, severity of defaults and prepayments over what we anticipated last year when the COVID-19 pandemic began. This positive adjustments in anticipated future profit share is a change in estimated variable consideration in accordance with ASC 606 and represents additional revenue and expected cash flow from historical vintages as a result of better than expected performance from a risk perspective.

Revenue from claims administration service fees, which represents 3% of our insurance partners' annual earned premium, increased by $0.6 million, or 52%, and $1.0 million, or 49%, for the three and six months ended June 30, 2021 as compared to the same periods in the prior year, driven by 47% and 43% increases in total earned premiums and 148% and 71% increases in new loan certifications, as compared to the same periods in the prior year.

Cost of Services, Gross Profit and Gross Margin

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
			(S in thousands)			
Total revenue	$61,125	$22,067	177%	$105,133	$39,497	166%
Cost of services	4,140	1,827	127%	7,502	4,322	74%
Gross profit	$56,985	$20,240	182%	$ 97,631	$35,175	178%
Gross margin	93%	92%	1%	93%	89%	4%

Gross profit increased by $36.7 million, or 182%, and $62.5 million, or 178%, during the three and six months ended June 30, 2021, respectively, as compared to the same periods in 2020, driven by an increase in anticipated profit share, program fees and claims administrative 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 June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
			($ in thousands)			
Total revenue	$61,125	$22,067	177%	$105,133	$39,497	166%
Gross profit	56,985	20,240	182%	97,631	35,175	178%
Operating expenses						
General and administrative	8,381	14,650	(43)%	16,593	18,218	(9)%
Selling and marketing	2,954	1,295	128%	5,351	3,373	59%
Research and development	773	349	121%	1,364	707	93%
Operating income	$44,877	$ 3,946	1037%	$ 74,323	$12,877	477%
Operating margin	73%	18%	55%	71%	33%	38%

General and administrative expenses decreased by $6.3 million, or 43% and $1.6 million, or 9%, during the three and six months ended June 30, 2021, respectively, as compared to the same periods last year. During the three and six months ended June 30, 2020, general and administrative expenses included a $9.1 million transaction bonus awarded to key employees and directors of Open Lending, LLC and $2.2 million of non-cash charges incurred in connection with the accelerated vesting of share-based awards, as a result of the Business Combination. Excluding the impact of these one-time charges associated with the Business Combination in the prior year, we experienced a quarter over quarter increase of $5.0 million in general and administrative expenses in 2021, which is primarily attributable to $1.6 million in professional and consulting fees associated with continuing efforts to enhance internal controls, financial reporting and compliance functions, $1.1 million in employee compensation and benefits and $0.8 million in share-based compensation as we continue to expand our business and $0.6 million increase in Directors and Officers insurance.

Selling and marketing expenses increased by $1.7 million, or 128%, and $2.0 million, or 59%, during the three and six months ended June 30, 2021, respectively, as compared to the prior year periods, primarily due to an increase in employee compensation and commissions costs driven by both increased headcounts in sales and account management and increased sales.

Research and development expenses increased by $0.4 million and $0.7 million, or 121% and 93%, during the three and six months ended June 30, 2021, respectively, as compared to the same periods in prior year, due to an increase in headcount costs associated with the software development personnel.

Operating income for the three and six months ended June 30, 2021 increased by $40.9 million and $61.4 million, or 1037% and 477%, respectively, as compared to the prior year periods, driven by an increase in anticipated profit share from new originations and estimated future underwriting profits on historic business.

Income Taxes

During the three and six months ended June 30, 2021, we recognized income tax expense of $23.3 million and $27.7 million, respectively, as compared to income tax expense of $1.4 million during each of the three and six months ended June 30, 2020.

For the three months ended June 30, 2021 our effective tax rate was 23.4%, as compared to an effective tax rate of (2.8)% for the three months ended June 30, 2020. Our effective tax rate for the six months ended June 30, 2021 was 23.8% as compared to an effective tax rate of (3.4)% for the six months ended June 30, 2020. The change in the effective tax rate is primarily due to the taxable entity structure adopted in conjunction with the Business Combination that was consummated on June 10, 2020.

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.

The following table provides a summary of cash flow data:

	Six Months Ended June 30,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	$ 32,983	$ 12,006
Net cash used in investing activities	(841)	(424)
Net cash (used in) provided by financing activities	(76,245)	7,184

Cash Flows from Operating Activities

Our cash flows provided by operating activities primarily consists of operating income and adjustments for net changes in operating assets and liabilities, including changes in accounts receivable, prepaid expenses, contract assets, accounts payable, income tax payable/receivable and accrued expenses.

Our net cash from operating activities for the six months ended June 30, 2021 was $33.0 million. For the six months ended June 30, 2021, net cash provided by operating activities was primarily attributable to cash inflows from program fees and higher profit share payments from our insurance carriers, primarily as a result of an increased certified loan volume and our carriers releasing reserves established due to uncertainty related to the COVID-19 pandemic last year and the continued improved performance of our portfolio. In addition, net income was increased by an $8.8 million non-cash loss on extinguishment of debt which was offset by a $55.4 million gain on the extinguishment of the TRA, a $22.6 million increase in contract assets and a $3.2 million increase in accounts receivable.

Our net cash from operating activities for the six months ended June 30, 2020 was $12.0 million. Operating cash flow was driven primarily by net income excluding the impact of fair value adjustment of contingent considerations recorded. Cash provided by operating activities was impacted by a $0.2 million decrease in contract assets which was partially offset by $1.1 million in deferred transaction costs.

Cash Flows from Investing Activities

For the six months ended June 30, 2021 and 2020, net cash used in investing activities was $0.8 million and $0.4 million, respectively. For the six months ended June 30, 2021, the investments primarily related to computer software developed for internal use. For the six months ended June 30, 2020, the investments primarily consisted of purchases of furniture and equipment.

Cash Flows from Financing Activities

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

For the six months ended June 30, 2021, net cash used in financing activities was $76.2 million. The cash used primarily consisted of $36.9 million in early termination and settlement of the tax receivable agreement, $20.0 million related to our repurchase of 612,745 shares of our common stock held in treasury stock and debt principal payments of $167.6 million, primarily related to the payment in full of the Term Loan due 2027. In addition, we paid down our revolving facility $25.0 million. The cash inflow includes $175.0 million in proceeds associated with our New Credit Agreement entered into March 19, 2021 which refinanced our existing debt, less $1.7 million in deferred financing costs associated with this facility.

For the six months ended June 30, 2020, net cash provided by financing activities was $7.2 million. The cash inflow consisted of $170.0 million in proceeds associated with the Credit Agreement entered into March 1, 2020 less $9.8 million in deferred financing costs, which was partially offset by a $135.4 million distribution to Open Lending, LLC's unitholders, $13.3 million in connection with our recapitalization, net of transaction costs, and $4.4 million of debt principal payments.

Debt

As of June 30, 2021, our long-term debt consists of a $124.2 million Term Loan due in 2026 and $25.0 million under 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.

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, 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 GAAP net income (loss) excluding interest expense, income taxes, depreciation and amortization expense (including amortization of right-of-use assets), share-based compensation expense, gain on extinguishment of tax receivable agreement, loss on extinguishment of debt, transaction bonuses and change in fair value of contingent consideration. 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 (loss) to Adjusted EBITDA for each of the periods indicated:

Adjusted EBITDA	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
			($ in thousands)			
Net Income (loss)	$ 75,966	$(49,805)	(253)%	$ 88,828	$(41,633)	(313)%
Non-GAAP adjustments:						
Interest expense	1,122	3,644	(69)%	4,411	4,408	— %
Provision for income taxes	23,267	1,352	1621%	27,737	1,364	1934%
Depreciation and amortization	196	120	64%	389	242	61%
Share-based compensation	927	2,189	(58)%	1,628	2,676	(39)%
Gain on extinguishment of tax receivable agreement	(55,422)	—	100%	(55,422)	—	100%
Loss on extinguishment of debt	—	—	— %	8,778	—	100%
Transaction bonuses	—	9,112	(100)%	—	9,112	(100)%
Change in fair value of contingent consideration	—	48,802	(100)%	—	48,802	(100)%
Total adjustments	(29,910)	65,219	(146)%	(12,479)	66,604	(119)%
Adjusted EBITDA	46,056	15,414	199%	76,349	24,971	206%
Total revenue	$ 61,125	$ 22,067	177%	$105,133	$ 39,497	166%
Adjusted EBITDA margin	75%	70%	5%	73%	63%	10%

For the three and six months ended June 30, 2021, Adjusted EBITDA increased by $30.6 million, or 199% and $51.4 million, or 206%, as compared to the three and six months ended June 30, 2020. Adjusted EBITDA margin for the three and six months ended June 30, 2021 increased to 75% and 73% as compared to 70% and 63% in the three and six months ended June 30, 2020. The increase in Adjusted EBITDA during the three and six months ended June 30, 2021 reflects an increase in certified loan volume and an increase in estimated future profit share as a result of the continued positive portfolio performance due to lower than projected default frequency and severity stress and overall fewer claims for loss associated with historical vintages, partially offset by an increase in cost of services in the current quarter.

Critical Accounting Policies and Estimates

There have not been any material changes during the six months ended June 30, 2021 to the methodology applied by management for critical accounting policies previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020. Please read “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 on Form 10-K for the year ended December 31, 2020 for further description of our critical accounting policies.

Off Balance Sheet Arrangements

We have not engaged in off-balance sheet financing arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

We had no material changes, other than the refinancing of our Term Loan due 2027 on March 19, 2021 as discussed in Note—4 Debt, in our contractual commitments and obligations during the six months ended June 30, 2021 from the amounts listed under “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations” in the Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our operations include activities in the United States. 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. Specifically, economic factors such as interest rate levels, changes in monetary and related policies, market volatility, consumer confidence and, unemployment rates in particular also influence consumer spending and borrowing patterns. 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

Historically, we have not had significant concentration risk in our client base. However, for some period of time in the future, we expect a significant portion of certified loan volume to come from OEM Captives. Additionally, we rely on our largest insurance partner 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 June 30, 2021, we had outstanding amounts of $124.2 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 13a15(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 the company's 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(d) or 15d-15(d) 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 its financial position, results of operations or cash flows.

Item 1A. Risk Factors

This section supplements and updates certain of the information found under Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2020 the Annual Report, based on information currently known to us and recent developments since the date of the Annual Report filing. The matters discussed below should be read in conjunction with the risks described in Part I. Item 1A. “Risk Factors” of our Annual Report. However, the risks and uncertainties that we face are not limited to those described below and those set forth in the Annual Report. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, financial condition or future results.

The New Credit Agreement that governs Open Lending’s credit facility contains various covenants that could limit its ability to engage in activities that may be in Open Lending’s best long-term interests.

Open Lending’s New Credit Agreement provides for Credit Facilities consisting of a senior secured term loan facility of up to $125.0 million along with a senior secured revolving loan facility of up to $50.0 million at any time outstanding. Borrowings under the New Credit Agreement bear interest at a variable rate based on the net secured leverage ratio, subject to a floor of 0.0%. The obligations of Open Lending under the New Credit Agreement are guaranteed by all of its subsidiaries and secured by substantially all of the assets of Open Lending and its subsidiaries, in each case, subject to certain customary exceptions. The Credit Facilities mature on of March 19, 2026.

The New Credit Agreement contains affirmative and negative covenants customarily applicable to senior secured credit facilities, including covenants that, among other things, will limit or restrict the ability of the Loan Parties, subject to negotiated exceptions, to incur additional indebtedness and additional liens on their assets, engage in mergers or acquisitions or dispose of assets, pay dividends or make other distributions, voluntarily prepay other indebtedness, enter into transactions with affiliated persons, make investments, and change the nature of their businesses.

The New Credit Agreement also contains customary events of default (subject to thresholds and grace periods), including payment default, covenant default, cross default to other material indebtedness, and judgment defaults.

Open Lending’s ability to comply with these covenants may be affected by events beyond its control, such as market fluctuations impacting net income. Breaches of these covenants will result in a default under the New Credit Agreement, subject to any applicable cure rights, in which case the administrative agent may accelerate the outstanding Term Loan.

If such acceleration under the New Credit Agreement occurs, Open Lending’s ability to fund its operations could be seriously harmed.

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 June 30, 2021.

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
4/1/2021-4/30/2021	612,745	$ 32.64	—	—
5/1/2021-5/31/2021	—	—	—	—
6/1/2021-6/30/2021	—	—	—	—
Total	612,745	$ 32.64	—	—

(1) In connection with an underwritten public offering by certain selling stockholders, on April 6, 2021, Company repurchased from those selling stockholders an aggregate of 612,745 shares of the Company's common stock totaling $20.0 million at per share price of $32.64, the same price per share as paid by the underwriters.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Number	Description
10.1*	Producer Agreement dated June 24, 2021, as amended, by and between American National Lloyds Insurance Company, ANPAC Louisiana Insurance Company, American National Property And Casualty Company and Lenders Protection LLC.
31.1*	Certification of the Chief Executive Officer
31.2*	Certification of the Chief Financial Officer
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 June 30, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language):
	(i) Condensed Consolidated Balance Sheets
	(ii) Condensed Consolidated Statements of Operations
	(iii) Condensed Consolidated Statements of Stockholder’s Equity (Deficit)
	(iv) Condensed Consolidated Statements of Cash Flows
	(v) Notes to unaudited 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)

August 12, 2021