



## Company Overview

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Seattle based Porch Group is a company that helps homeowners and home service providers. They offer a variety of services, including **Insurance** for home and warranty policies, **Software** to home service providers, such as home inspectors, mortgage companies, and moving companies. Which helps them to grow their businesses and improve their customer experience & **Homebuyer services** which helps homebuyers with the moving process, such as finding insurance and other services they need.

Porch Group's goal is to make the home simple. They want to make it easy for homeowners to find and book reliable home service providers, and to get help with everything from moving to home insurance.

## Company Performance

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The company's revenue has been steadily increasing from past six quarters from Q1-22 62m to Q1-23 99m and expected to grow in further quarter.

Gross profit has been decreasing from past six quarter, which is the direct impact of the increasing cost of revenue.

Operating income is negative and decreasing steadily due to increase in the operating expenses majorly related to acquisitions. The expenses rate of increase is higher than the operating income which is not good sign and will not be able to meet its financial obligation.

EBIT growth is negative & volatile and there is no clear trend in EBIT & Net income growth over the six quarter.

Overall company is making steady growth in sale but not in Gross profit & Operating income due to high increasing expenses and making loss in bottom line consistently.

## Recent Event

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Data Insights Driven insurance pricing model accuracy improvement in Non-Cat weather and Fire by approximately 20%. This all able to achieve by insights of 90% of US homebuyers, claim history across many categories, Unique data, and advanced pricing techniques. With this accurate model will allow to charge accurate for high & low risk policies.

Key Updates: Progress in Reciprocal application with TDI, Improving Underwriting performance, Unique data approved for insurance pricing in 11 states, warranty continues to grow.

Cash and investments as of June 30, 2023: \$358M, including \$102M from Q2'23 debt transaction, which is the highest among the peers.

Revenue has shifted from Insurance to Vertical Software Segment by 65%.

Latest Quarter Revenue has improved by 39%.

## Liquidity Analysis

The company's current ratio has been decreased from Q1-22 1.58X to Q1-23 1.09X, which shows companies' ability to meet short term liabilities has weakened slightly.

The company's quick ratio which is stringent measure has decreased from Q1-22 0.85X to Q1-23 0.48X, this indicated companies' quick ability to convert asset into cash has weakened significantly.

Same decrease in cash ratio which shows companies has less cash to meet its short-term obligation quickly.

Interest coverage ratio is negative and decreasing drastically which is the direct impact of increasing negative operating income, this shows the high probability of risk on default of debt obligation.

Overall companies' ability to meet short-term liability and debt obligation is weakened significantly. Company should soon take measure to improve this, if possible.

## Company Analysis

Porch Group is a tech company with two segment vertical software & Insurance that has been growing rapidly, but it's now facing some challenges, such as Increasing expenses, falling profits and liquidity issues. Porch needs to fix these problems to be profitable, meet its financial obligations, and stay competitive in the tech industry, as it is very large and growing.

Overall, I am cautious about Porch Group because company is facing some serious challenges, and it is unclear whether it will be able to address them successfully.

## Statement of Income

USD\$ in Thousands

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Revenue	62,561	70,769	75,366	64,113	87,369	98,765
Cost of revenue	(21,189)	(28,558)	(33,269)	(20,170)	(51,275)	(81,330)
<b>Gross Profit</b>	<b>41,372</b>	<b>42,211</b>	<b>42,097</b>	<b>43,943</b>	<b>36,094</b>	<b>17,435</b>
Total operating expenses	66,673	73,008	1,26,997	77,738	74,622	1,76,840
<b>Operating Income</b>	<b>(25,301)</b>	<b>(30,797)</b>	<b>(84,900)</b>	<b>(33,795)</b>	<b>(38,528)</b>	<b>(1,59,405)</b>
Net other Income & Expense	21,621	6,746	571	1,115	1,865	81,246
<b>EBIT</b>	<b>(3,680)</b>	<b>(24,051)</b>	<b>(84,329)</b>	<b>(32,680)</b>	<b>(36,663)</b>	<b>(78,159)</b>
Interest	(2,293)	(1,858)	(2,085)	(2,219)	(2,188)	(8,775)
<b>EBT</b>	<b>(5,973)</b>	<b>(25,909)</b>	<b>(86,414)</b>	<b>(34,899)</b>	<b>(38,851)</b>	<b>(86,934)</b>
Tax	177	(468)	23	(574)	111	(29)
<b>Net Income</b>	<b>(5,796)</b>	<b>(26,377)</b>	<b>(86,391)</b>	<b>(35,473)</b>	<b>(38,740)</b>	<b>(86,963)</b>

## Balance Sheet

USD\$ in Thousands

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Cash and cash equivalents	2,92,373	2,71,003	2,60,198	2,15,060	1,79,357	2,65,573
Accounts receivable, net	29,996	36,050	35,364	26,438	23,600	24,715
Short-term investments	8,462	8,165	7,212	36,523	34,441	26,151
Reinsurance balance due	2,39,739	2,69,251	2,99,596	2,99,060	2,92,775	2,72,467
Prepaid expenses and other current assets	21,087	21,953	20,158	20,009	30,834	29,665
Restricted cash	10,162	10,574	16,296	13,545	14,796	39,277
<b>Total Current Assets</b>	<b>6,01,819</b>	<b>6,16,996</b>	<b>6,38,824</b>	<b>6,10,635</b>	<b>5,75,803</b>	<b>6,57,848</b>
Property, equipment, and software, net	8,340	9,984	11,236	12,240	13,727	14,768
Operating lease right-of-use assets	3,922	6,052	4,697	4,201	4,151	3,698
Goodwill	2,26,576	2,97,645	2,51,905	2,44,697	2,47,118	1,91,907
Long-term investments	56,865	56,228	55,357	55,118	58,678	66,579
Intangible assets, net	1,24,306	1,36,575	1,11,728	1,08,255	1,01,753	96,826
Restricted cash, non-current	500	500	500	0	13,140	0
Long-term insurance commissions receivable	9,061	10,461	11,930	12,265	0	13,502
Other assets	5,373	1,519	3,057	1,646	2,346	2,015
<b>Total Non-Current Asset</b>	<b>4,34,943</b>	<b>5,18,964</b>	<b>4,50,410</b>	<b>4,38,422</b>	<b>4,40,913</b>	<b>3,89,295</b>
<b>Total Assets</b>	<b>10,36,762</b>	<b>11,35,960</b>	<b>10,89,234</b>	<b>10,49,057</b>	<b>10,16,716</b>	<b>10,47,143</b>
Accounts payable	8,016	7,739	6,717	6,268	6,200	9,330
Accrued expenses and other current liabilities	35,029	46,614	36,847	39,742	38,856	33,873
Deferred revenue	1,98,857	2,43,982	2,77,616	2,70,690	2,46,502	2,56,617
Refundable customer deposit	16,686	21,618	22,585	20,142	20,984	19,929
Current portion of long-term debt	150	19,013	22,832	16,455	10,392	5,439
Losses and loss adjustment expense reserves	79,608	88,894	1,00,298	1,00,632	1,15,527	1,65,709
Other insurance liabilities, current	43,049	61,516	55,945	61,710	78,422	1,12,849
<b>Total Current liabilities</b>	<b>3,81,395</b>	<b>4,89,376</b>	<b>5,22,840</b>	<b>5,15,639</b>	<b>5,16,883</b>	<b>6,03,746</b>
Long-term debt	4,15,002	4,16,568	4,25,012	4,25,310	4,25,383	4,26,965
Operating lease liabilities, non-current	2,267	3,622	2,968	2,536	2,585	2,137
Earnout liability, at fair value	2,687	100	57	44	44	44
Private warrant liability, at fair value	5,004	926	802	707	362	347
Derivative liability, at fair value	0	0	0	0	0	26,820
Other liabilities	15,528	30,825	24,952	25,468	26,183	23,826
<b>Total Non-Current liabilities</b>	<b>4,40,488</b>	<b>4,52,041</b>	<b>4,53,791</b>	<b>4,54,065</b>	<b>4,54,557</b>	<b>4,80,139</b>
Additional paid-in capital	6,47,551	6,59,814	6,64,362	6,70,537	6,77,426	6,83,151
Accumulated other comprehensive loss	(2,774)	(4,559)	(6,571)	(6,171)	(5,296)	(6,076)
Accumulated deficit	(4,29,908)	(4,60,722)	(5,45,198)	(5,85,023)	(6,26,864)	(7,13,827)
<b>Total Stockholders equity</b>	<b>2,14,869</b>	<b>1,94,533</b>	<b>1,12,593</b>	<b>79,343</b>	<b>45,266</b>	<b>(36,752)</b>
<b>Total Liabilities &amp; Equity</b>	<b>10,36,752</b>	<b>11,35,950</b>	<b>10,89,224</b>	<b>10,49,047</b>	<b>10,16,706</b>	<b>10,47,133</b>

## Ratios

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Sales Growth (Q to Q)		13.12%	6.50%	14.93%	36.27%	13.04%
Gross Profit Margin (Q to Q)		2.03%	-0.27%	4.39%	17.86%	-51.70%
Operating Profit Growth (Q to Q)		-7.60%	158.86%	53.21%	16.34%	266.00%
EBIT Growth (Q to Q)		-21.72%	175.68%	60.19%	14.01%	313.74%
Net Income Growth (Q to Q)		355.09%	227.52%	58.94%	-9.21%	124.48%
Gross Profit Margin (%)	66.13%	59.65%	55.86%	68.54%	41.31%	17.65%
Operating Profit Margin (%)	40.44%	-43.52%	112.65%	52.71%	44.10%	161.40%
EBIT Margin (%)	-5.88%	-33.99%	111.89%	50.97%	41.96%	-79.14%
Net Profit Margin (%)	-9.26%	-37.27%	114.63%	55.33%	44.34%	-88.05%
ROE	-2.70%	-13.56%	-76.73%	44.71%	85.58%	236.62%
ROCE	-0.56%	-3.72%	-14.89%	-6.13%	-7.34%	-17.63%
ROA	-2.44%	-2.71%	-7.79%	-3.22%	-3.79%	-15.22%
Equity	20.73%	17.13%	10.34%	7.56%	4.45%	-3.51%
Debt	79.27%	82.87%	89.66%	92.44%	95.55%	103.51%
Debt to Equity	3.83X	4.84X	8.67X	12.22X	21.46X	-29.49X
Debt to Asset	0.79X	0.83X	0.90X	0.92X	0.96X	1.04X
Debtors Days	175	186	171	151	99	91
Payable Days	47	40	33	36	26	34
Current	1.58X	1.26X	1.22X	1.18X	1.11X	1.09X
Quick	0.85X	0.63X	0.57X	0.47X	0.39X	0.48X
Cash	0.77X	0.55X	0.50X	0.42X	0.35X	0.44X
Interest Coverage	-1.60X	-12.94X	-40.45X	-14.73X	-16.76X	-8.91X
EPS (\$)	-0.06	-0.27	-0.88	-0.36	-0.41	-0.91
P/E	-9.17X	-2.04X	-0.63X	-1.53X	-1.34X	-0.60X
P/B	0.25X	0.27X	0.48X	0.68X	1.16X	-1.43X

## Capital Structure

USD\$

Share Price	0.55
No. of Shares Outstanding	95731850
Market Cap	5,26,52,518
Debt	42,69,65,000
Cash	2,65,57,300

USD\$

Debt	4,26,965	109%
Equity	-36,742	-9%

Enterprise Value 45,30,60,218

Total 3,90,223 100.0%

