

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): October 25, 2023

Goosehead Insurance, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-38466
(Commission
File Number)

82-3886022
(I.R.S. Employer
Identification No.)

1500 Solana Boulevard, Ste. 4500
Westlake, Texas 76262
(Address of Principal Executive Offices, and Zip Code)

214-838-5500
Registrant's Telephone Number, Including Area Code

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Class A Common Stock, par value \$.01 per share | GSHD | NASDAQ |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

On October 25, 2023 Goosehead Insurance, Inc. issued a press release announcing its financial results for the quarter ended September 30, 2023. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit

| No. | Description |
|------------|--------------------|
|------------|--------------------|

| | |
|----------------------|--|
| 99.1 | Press Release issued by Goosehead Insurance, Inc. dated October 25, 2023 (furnished pursuant to Item 2.02) |
| 104 | Cover Page Interactive Data File (Formatted as Inline XBRL) |

Date: October 25, 2023

EXHIBIT INDEX

| No. | Description |
|------------|---|
| 99.1 | Press Release issued by Goosehead Insurance, Inc. on October 25, 2023 |

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 hereunto duly authorized.

GOOSEHEAD INSURANCE, INC.

By: /s/ Mark E. Jones

Mark E. Jones
Chairman and Chief Executive Officer

GOOSEHEAD INSURANCE, INC. ANNOUNCES THIRD QUARTER 2023 RESULTS

- Total Revenue Increased 23% over Prior-Year Period to \$71.0 million –
- Core Revenue Grew 22% over Prior-Year Period to \$63.1 million–
- Total Written Premium Increased 30% to \$803 million–
- Net Income of \$11.3 million versus Net Income of \$3.0 million a year ago –
- Adjusted EBITDA of \$22.4 million versus \$11.0 million in the Prior-Year Period –

WESTLAKE, TEXAS – October 25, 2023 - Goosehead Insurance, Inc. (“Goosehead” or the “Company”) (NASDAQ: GSHD), a rapidly growing independent personal lines insurance agency, today announced results for the third quarter ended September 30, 2023.

Third Quarter 2023 Highlights

- Total Revenues grew 23% over the prior-year period to \$71.0 million in the third quarter of 2023
- Third quarter Core Revenues* of \$63.1 million increased 22% over the prior-year period
- Third quarter net income of \$11.3 million improved from net income of \$3.0 million a year ago. EPS of \$0.29 per share increased 204% and adjusted EPS* of \$0.46 per share increased 92%, over the prior-year period
- Net income margin for the third quarter was 16%
- Adjusted EBITDA* of \$22.4 million increased from \$11.0 million in the prior-year period
- Adjusted EBITDA Margin* increased 13 percentage points over the prior-year period to 32%
- Total written premiums placed for the third quarter increased 30% over the prior-year period to \$802.9 million
- Policies in force grew 18% from the prior-year period to approximately 1,456,000
- Corporate sales headcount of 316 was down 23% year-over-year, and up 13% from the second quarter of 2023.
- Total franchise producers decreased 4% from a year ago to 2,008

*Core Revenue, Adjusted EPS, Adjusted EBITDA, and Adjusted EBITDA Margin are non-GAAP measures. Reconciliations of Core Revenue to total revenues, Adjusted EPS to basic earnings per share and Adjusted EBITDA to net income, the most directly comparable financial measures presented in accordance with GAAP, are set forth in the reconciliation table accompanying this release.

“We had excellent third quarter results which further demonstrates the consistency and resilience of our business in the face of substantial macro challenges. For the quarter, premiums increased 30%, revenues were up 23%, core revenues grew 22%, net income grew 271%, and our adjusted EBITDA grew 104% with adjusted EBITDA margin expanding 13 percentage points,” stated Mark E. Jones, Chairman and CEO. “Our results this year are unfolding as we had planned as we have successfully implemented strategic changes to improve producer

productivity and increase earnings power. The next phase of our execution will be driving accelerating new business production growth in 2024, which we expect to spring load into accelerating revenue and earnings growth in 2025. And we will be driving this improved growth on a significantly higher and further expanding profitability base. We have made tremendous progress this year investing in the quality of our people, process and technology. Our improved foundation further enhances our competitive moat and positions us well to execute on our long term objective of personal lines industry leadership”

Third Quarter 2023 Results

For the third quarter of 2023, revenues were \$71.0 million, an increase of 23% compared to the corresponding period in 2022. Core Revenues, a non-GAAP measure which excludes contingent commissions, initial franchise fees, interest income, and other income, were \$63.1 million, a 22% increase from \$51.9 million in the prior-year period. Core Revenues are the most reliable revenue stream for the Company, consisting of New Business Commissions, Agency Fees, New Business Royalty Fees, Renewal Commissions, and Renewal Royalty Fees. Core Revenue growth was driven by improved productivity, strong client retention of 87%, and rising premium rates. The Company grew total written premiums, which we consider to be the leading indicator of future revenue growth, by 30% in the third quarter.

Total operating expenses, excluding equity-based compensation, depreciation and amortization and impairment expenses, for the third quarter of 2023 were \$48.6 million, up 4% from \$46.7 million in the prior-year period. The increase from the prior period was due to increased employee compensation and benefits expenses related to investments in partnership, technology, marketing, and service functions. Equity-based compensation increased to \$6.5 million for the period, compared to \$5.4 million a year ago. Bad debt expense of \$0.8 million decreased from \$2.3 million a year ago due to reduced terminations of signed franchises that have yet to launch. General and administrative expenses are also higher versus a year ago due to investments in technology, systems and marketing efforts to drive growth and continue to improve the client experience.

Net income in the third quarter of 2023 was \$11.3 million versus net income of \$3.0 million a year ago, with the improvement due to strong revenue growth and expense discipline. Earnings per share and Net Income Margin for the third quarter of 2023 were \$0.29 and 16%, respectively. Adjusted EPS for the third quarter of 2023, which excludes equity-based compensation and impairment expense, was \$0.46 per share. Total Adjusted EBITDA was \$22.4

million for the third quarter of 2023 compared to \$11.0 million in the prior-year period. Adjusted EBITDA Margin of 32% was up 13 percentage points in the quarter.

Liquidity and Capital Resources

As of September 30, 2023, the Company had cash and cash equivalents of \$35.2 million. We had an unused line of credit of \$49.8 million as of September 30, 2023. Total outstanding term note payable balance was \$79.4 million as of September 30, 2023.

2023 Outlook

The Company is reiterating its outlook for full year 2023 as follows:

- Total written premiums placed for 2023 are expected to be between \$2.87 billion and \$2.99 billion, representing growth of 29% on the low end of the range to 35% on the high end of the range.
- Total revenues for 2023 are expected to be between \$260 million and \$267 million, representing growth of 24% on the low end of the range to 28% on the high end of the range.
- Adjusted EBITDA Margin is expected to expand for the full year 2023.

Conference Call Information

Goosehead will host a conference call and webcast today at 4:30 PM ET to discuss these results.

The dial-in number for the conference call is (855) 327-6837 (toll-free) or (631) 891-4304 (international). Please dial the number 10 minutes prior to the scheduled start time.

In addition, a live webcast of the conference call will also be available on Goosehead's investor relations website at <http://ir.goosehead.com>.

A webcast replay of the call will be available at <http://ir.goosehead.com> for one year following the call.

About Goosehead

Goosehead (NASDAQ: GSHD) is a rapidly growing and innovative independent personal lines insurance agency that distributes its products and services through corporate and franchise locations throughout the United States. Goosehead was founded on the premise that the

consumer should be at the center of our universe and that everything we do should be directed at providing extraordinary value by offering broad product choice and a world-class service experience. Goosehead represents over 150 insurance companies that underwrite personal and commercial lines. For more information, please visit goosehead.com or goosehead.com/become-a-franchisee.

Forward-Looking Statements

This press release may contain various “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, which represent Goosehead's expectations or beliefs concerning future events. Forward-looking statements are statements other than historical facts and may include statements that address future operating, financial or business performance or Goosehead's strategies or expectations. In some cases, you can identify these statements by forward-looking words such as “may”, “might”, “will”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “projects”, “potential”, “outlook” or “continue”, or the negative of these terms or other comparable terminology. Forward-looking statements are based on management's current expectations and beliefs and involve significant risks and uncertainties that could cause actual results, developments and business decisions to differ materially from those contemplated by these statements.

Factors that could cause actual results or performance to differ from the expectations expressed or implied in such forward-looking statements include, but are not limited to, conditions impacting insurance carriers or other parties with which Goosehead does business, the loss of one or more key executives or an inability to attract and retain qualified personnel and the failure to attract and retain highly qualified franchisees. These risks and uncertainties also include, but are not limited to, those described under the captions “1A. Risk Factors” in Goosehead's Annual Report on Form 10-K for the year ended December 31, 2022 and in Goosehead's other filings with the SEC, which are available free of charge on the Securities Exchange Commission's website at: www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. All forward-looking statements and all subsequent written and oral forward-looking statements attributable to Goosehead or to persons acting on behalf of Goosehead are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made, and Goosehead does not undertake any obligation to update them in

light of new information, future developments or otherwise, except as may be required under applicable law.

Contacts

Investor Contact:

Dan Farrell

Goosehead Insurance - VP Capital Markets

Phone: (214) 838-5290

Email: dan.farrell@goosehead.com; IR@goosehead.com;

PR Contact:

Mission North for Goosehead Insurance

Email: goosehead@missionnorth.com; PR@goosehead.com

Goosehead Insurance, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | |
| Commissions and agency fees | \$ 31,980 | \$ 27,402 | \$ 88,637 | \$ 73,676 |
| Franchise revenues | 38,729 | 29,922 | 108,490 | 77,299 |
| Interest income | 321 | 363 | 1,135 | 1,012 |
| Total revenues | 71,030 | 57,687 | 198,262 | 151,987 |
| Operating Expenses: | | | | |
| Employee compensation and benefits | 39,436 | 36,328 | 113,801 | 99,471 |
| General and administrative expenses | 14,831 | 13,456 | 48,019 | 39,358 |
| Bad debts | 797 | 2,306 | 3,352 | 4,762 |
| Depreciation and amortization | 2,352 | 1,809 | 6,817 | 5,043 |
| Total operating expenses | 57,416 | 53,899 | 171,989 | 148,634 |
| Income from operations | 13,614 | 3,788 | 26,273 | 3,353 |
| Other Income (Expense): | | | | |
| Interest expense | (1,617) | (1,414) | (5,057) | (3,411) |
| Income (loss) before taxes | 11,997 | 2,374 | 21,216 | (58) |
| Tax expense (benefit) | 724 | (666) | 2,944 | (104) |
| Net income | 11,273 | 3,040 | 18,272 | 46 |
| Less: net income (loss) attributable to non-controlling interests | 4,339 | 1,061 | 7,753 | (18) |
| Net income attributable to Goosehead Insurance, Inc. | \$ 6,934 | \$ 1,979 | \$ 10,519 | \$ 64 |
| Earnings per share: | | | | |
| Basic | \$ 0.29 | \$ 0.09 | \$ 0.44 | \$ — |
| Diluted | \$ 0.28 | \$ 0.09 | \$ 0.43 | \$ — |
| Weighted average shares of Class A common stock outstanding | | | | |
| Basic | 24,124 | 20,892 | 23,674 | 20,531 |
| Diluted | 24,891 | 21,569 | 24,274 | 21,430 |

Goosehead Insurance, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------------|------------------------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | |
| Core Revenue: | | | | |
| Renewal Commissions ⁽¹⁾ | \$ 19,036 | \$ 16,485 | \$ 53,395 | \$ 41,233 |
| Renewal Royalty Fees ⁽²⁾ | 30,040 | 21,574 | 80,344 | 54,446 |
| New Business Commissions ⁽¹⁾ | 6,125 | 6,215 | 17,899 | 18,312 |
| New Business Royalty Fees ⁽²⁾ | 5,910 | 4,866 | 17,819 | 13,979 |
| Agency Fees ⁽¹⁾ | 2,008 | 2,740 | 6,642 | 8,491 |
| Total Core Revenue | 63,119 | 51,880 | 176,099 | 136,461 |
| Cost Recovery Revenue: | | | | |
| Initial Franchise Fees ⁽²⁾ | 2,430 | 3,056 | 8,780 | 7,943 |
| Interest Income | 321 | 363 | 1,135 | 1,012 |
| Total Cost Recovery Revenue | 2,751 | 3,419 | 9,915 | 8,955 |
| Ancillary Revenue: | | | | |
| Contingent Commissions ⁽¹⁾ | 4,811 | 1,962 | 10,701 | 5,640 |
| Other Franchise Revenues ⁽²⁾ | 349 | 426 | 1,547 | 931 |
| Total Ancillary Revenue | 5,160 | 2,388 | 12,248 | 6,571 |
| Total Revenues | 71,030 | 57,687 | 198,262 | 151,987 |
| Operating Expenses: | | | | |
| Employee compensation and benefits, excluding equity-based compensation | 32,977 | 30,933 | 94,850 | 83,115 |
| General and administrative expenses, excluding impairment | 14,831 | 13,456 | 44,391 | 39,358 |
| Bad debts | 797 | 2,306 | 3,352 | 4,762 |
| Total | 48,605 | 46,695 | 142,593 | 127,235 |
| Adjusted EBITDA | 22,425 | 10,992 | 55,669 | 24,752 |
| <i>Adjusted EBITDA Margin</i> | 32 % | 19 % | 28 % | 16 % |
| Interest expense | (1,617) | (1,414) | (5,057) | (3,411) |
| Depreciation and amortization | (2,352) | (1,809) | (6,817) | (5,043) |
| Tax (expense) benefit | (724) | 666 | (2,944) | 104 |
| Equity-based compensation | (6,459) | (5,395) | (18,951) | (16,356) |
| Impairment expense | — | — | (3,628) | — |
| Net Income | \$ 11,273 | \$ 3,040 | \$ 18,272 | \$ 46 |
| <i>Net Income Margin</i> | 16 % | 5 % | 9 % | — % |

(1) Renewal Commissions, New Business Commissions, Agency Fees, and Contingent Commissions are included in "Commissions and agency fees" as shown on the Condensed Consolidated Statements of Operations within Goosehead's Form 10-Q for the three and nine months ended September 30, 2023 and 2022.

(2) Renewal Royalty Fees, New Business Royalty Fees, Initial Franchise Fees, and Other Franchise Revenues are included in "Franchise revenues" as shown on the Condensed Consolidated Statements of Operations within Goosehead's Form 10-Q for the three and nine months ended September 30, 2023 and 2022.

Goosehead Insurance, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands, except per share amounts)

| | September 30, 2023 | December 31, 2022 |
|---|-----------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 35,203 | \$ 28,743 |
| Restricted cash | 1,858 | 1,644 |
| Commissions and agency fees receivable, net | 12,327 | 14,440 |
| Receivable from franchisees, net | 9,147 | 4,932 |
| Prepaid expenses | 9,445 | 4,334 |
| Total current assets | 67,980 | 54,093 |
| Receivable from franchisees, net of current portion | 12,411 | 23,835 |
| Property and equipment, net of accumulated depreciation | 31,707 | 35,347 |
| Right-of-use asset | 39,846 | 44,080 |
| Intangible assets, net of accumulated amortization | 14,785 | 4,487 |
| Deferred income taxes, net | 170,761 | 155,318 |
| Other assets | 3,967 | 4,193 |
| Total assets | \$ 341,457 | \$ 321,353 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 14,779 | \$ 15,958 |
| Premiums payable | 1,858 | 1,644 |
| Lease liability | 8,749 | 6,627 |
| Contract liabilities | 4,831 | 6,031 |
| Note payable | 8,750 | 6,875 |
| Total current liabilities | 38,967 | 37,135 |
| Lease liability, net of current portion | 59,687 | 64,947 |
| Note payable, net of current portion | 70,005 | 86,711 |
| Contract liabilities, net of current portion | 27,128 | 40,522 |
| Liabilities under tax receivable agreement | 139,909 | 125,662 |
| Total liabilities | 335,696 | 354,977 |
| Class A common stock, \$0.01 par value per share - 300,000 shares authorized, 24,446 shares issued and outstanding as of September 30, 2023, 23,034 shares issued and outstanding as of December 31, 2022 | 244 | 228 |
| Class B common stock, \$0.01 par value per share - 50,000 shares authorized, 13,415 issued and outstanding as of September 30, 2023, 14,471 shares issued and outstanding as of December 31, 2022 | 134 | 146 |
| Additional paid in capital | 96,752 | 70,866 |
| Accumulated deficit | (50,546) | (60,570) |
| Total stockholders' equity | 46,584 | 10,670 |
| Non-controlling interests | (40,823) | (44,294) |
| Total equity | 5,761 | (33,624) |
| Total liabilities and equity | \$ 341,457 | \$ 321,353 |

Goosehead Insurance, Inc.

Reconciliation Non-GAAP Measures to GAAP

This release includes Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EPS that are not required by, nor presented in accordance with, generally accepted accounting principles in the United States ("GAAP"). The Company refers to these measures as "non-GAAP financial measures." The Company uses these non-GAAP financial measures when planning, monitoring and evaluating its performance and considers these non-GAAP financial measures to be useful metrics for management and investors to facilitate operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures, tax position, depreciation, amortization and certain other items that the Company believes are not representative of its core business. The Company uses Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EPS for business planning purposes and in measuring its performance relative to that of its competitors.

These non-GAAP financial measures are defined by the Company as follows:

- "Core Revenue" is a supplemental measure of our performance and includes Renewal Commissions, Renewal Royalty Fees, New Business Commissions, New Business Royalty Fees, and Agency Fees. We believe that Core Revenue is an appropriate measure of operating performance because it summarizes all of our revenues from sales of individual insurance policies.
- "Cost Recovery Revenue" is a supplemental measure of our performance and includes Initial Franchise Fees and Interest Income. We believe that Cost Recovery Revenue is an appropriate measure of operating performance because it summarizes revenues that are viewed by management as cost recovery mechanisms.
- "Ancillary Revenue" is a supplemental measure of our performance and includes Contingent Commissions and Other Income. We believe that Ancillary Revenue is an appropriate measure of operating performance because it summarizes revenues that are ancillary to our core business.
- "Adjusted EBITDA" is a supplemental measure of the Company's performance. We believe that Adjusted EBITDA is an appropriate measure of operating performance

because it eliminates the impact of items that do not relate to business performance. Adjusted EBITDA is defined as net income (the most directly comparable GAAP measure) before interest, income taxes, depreciation and amortization, adjusted to exclude equity-based compensation and other non-operating items, including, among other things, certain non-cash charges and certain non-recurring or non-operating gains or losses.

- "Adjusted EBITDA Margin" is Adjusted EBITDA as defined above, divided by total revenue excluding other non-operating items. Adjusted EBITDA Margin is helpful in measuring profitability of operations on a consolidated level.
- "Adjusted EPS" is a supplemental measure of our performance, defined as earnings per share (the most directly comparable GAAP measure) before non-recurring or non-operating income and expenses. Adjusted EPS is a useful measure to management because it eliminates the impact of items that do not relate to business performance and helps measure our profitability on a consolidated level.

While the Company believes that these non-GAAP financial measures are useful in evaluating its business, this information should be considered as supplemental in nature and is not meant as a substitute for revenues, net income, or earnings per share, in each case as recognized in accordance with GAAP. In addition, other companies, including companies in the Company's industry, may calculate such measures differently, which reduces their usefulness as comparative measures.

The following tables show a reconciliation from total revenues to Core Revenue, Cost Recovery Revenue, and Ancillary Revenue (non-GAAP basis) for the three and nine months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Total Revenues | \$ 71,030 | \$ 57,687 | \$ 198,262 | \$ 151,987 |
| Core Revenue: | | | | |
| Renewal Commissions ⁽¹⁾ | \$ 19,036 | \$ 16,485 | \$ 53,395 | \$ 41,233 |
| Renewal Royalty Fees ⁽²⁾ | 30,040 | 21,574 | 80,344 | 54,446 |
| New Business Commissions ⁽¹⁾ | 6,125 | 6,215 | 17,899 | 18,312 |
| New Business Royalty Fees ⁽²⁾ | 5,910 | 4,866 | 17,819 | 13,979 |
| Agency Fees ⁽¹⁾ | 2,008 | 2,740 | 6,642 | 8,491 |
| Total Core Revenue | 63,119 | 51,880 | 176,099 | 136,461 |
| Cost Recovery Revenue: | | | | |
| Initial Franchise Fees ⁽²⁾ | 2,430 | 3,056 | 8,780 | 7,943 |
| Interest Income | 321 | 363 | 1,135 | 1,012 |
| Total Cost Recovery Revenue | 2,751 | 3,419 | 9,915 | 8,955 |
| Ancillary Revenue: | | | | |
| Contingent Commissions ⁽¹⁾ | 4,811 | 1,962 | 10,701 | 5,640 |
| Other Franchise Revenues ⁽²⁾ | 349 | 426 | 1,547 | 931 |
| Total Ancillary Revenue | 5,160 | 2,388 | 12,248 | 6,571 |
| Total Revenues | \$ 71,030 | \$ 57,687 | \$ 198,262 | \$ 151,987 |

(1) Renewal Commissions, New Business Commissions, Agency Fees, and Contingent Commissions are included in "Commissions and agency fees" as shown on the Condensed Consolidated Statements of Operations.

(2) Renewal Royalty Fees, New Business Royalty Fees, Initial Franchise Fees, and Other Franchise Revenues are included in "Franchise revenues" as shown on the Condensed Consolidated Statements of Operations.

The following tables show a reconciliation from net income to Adjusted EBITDA and Adjusted EBITDA Margin (non-GAAP basis) for the three and nine months ended September 30, 2023 and 2022 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Net Income | \$ 11,273 | \$ 3,040 | \$ 18,272 | \$ 46 |
| Interest expense | 1,617 | 1,414 | 5,057 | 3,411 |
| Depreciation and amortization | 2,352 | 1,809 | 6,817 | 5,043 |
| Tax expense (benefit) | 724 | (666) | 2,944 | (104) |
| Equity-based compensation | 6,459 | 5,395 | 18,951 | 16,356 |
| Impairment expense | — | — | 3,628 | — |
| Adjusted EBITDA | \$ 22,425 | \$ 10,992 | \$ 55,669 | \$ 24,752 |
| Net Income Margin ⁽¹⁾ | 16 % | 5 % | 9 % | — % |
| Adjusted EBITDA Margin ⁽²⁾ | 32 % | 19 % | 28 % | 16 % |

(1) Net Income Margin is calculated as Net Income divided by Total Revenue (\$11,273/\$71,030) and (\$3,040/\$57,687) for the three months ended September 30, 2023 and 2022. Net Income Margin is calculated as Net Income divided by Total Revenue (\$18,272/\$198,262) and (\$46/\$151,987) for the nine months ended September 30, 2023 and 2022.

(2) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Total Revenue (\$22,425/\$71,030), and (\$10,992/\$57,687) for the three months ended September 30, 2023 and 2022, respectively. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Total Revenue (\$55,669/\$198,262), and (\$24,752/\$151,987) for the nine months ended September 30, 2023 and 2022.

The following tables show a reconciliation from basic earnings per share to Adjusted EPS (non-GAAP basis) for the three and nine months ended September 30, 2023 and 2022. Note that totals may not sum due to rounding:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------|------------------------------------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| Earnings per share - basic (GAAP) | \$ 0.29 | \$ 0.09 | \$ 0.44 | \$ — |
| Add: equity-based compensation ⁽¹⁾ | 0.17 | 0.14 | 0.50 | 0.44 |
| Add: impairment expense ⁽²⁾ | — | — | 0.10 | — |
| Adjusted EPS (non-GAAP) | \$ 0.46 | \$ 0.24 | \$ 1.04 | \$ 0.44 |

(1) Calculated as equity-based compensation divided by sum of weighted average Class A and Class B shares [\$6.5 million/(24.1 million + 13.6 million)] for the three months ended September 30, 2023 and [\$5.4 million/ (20.9 million + 16.4 million)] for the three months ended September 30, 2022. Calculated as equity-based compensation divided by sum of weighted average Class A and Class B shares [\$19.0 million/(23.7 million + 14.0 million)] for the nine months ended September 30, 2023 and [\$16.4 million/ (20.5 million + 16.7 million)] for the nine months ended September 30, 2022.

(2) Calculated as impairment expense divided by sum of weighted average Class A and Class B shares [\$3.6 million/(23.7 million + 14.0 million)] for the nine months ended September 30, 2023. No impairment was recorded for the three months ended September 30, 2023, three months ended September 30, 2022 nor the nine months ended September 30, 2022.

Goosehead Insurance, Inc.
Key Performance Indicators

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|--|---------------------------|--------------------------|---------------------------|
| Corporate sales agents < 1 year tenured | 132 | 165 | 241 |
| Corporate sales agents > 1 year tenured | 184 | 155 | 170 |
| Operating franchises < 1 year tenured (TX) | 48 | 71 | 66 |
| Operating franchises > 1 year tenured (TX) | 259 | 236 | 237 |
| Operating franchises < 1 year tenured (Non-TX) | 206 | 401 | 399 |
| Operating franchises > 1 year tenured (Non-TX) | 772 | 705 | 701 |
| Total franchise producers | 2,008 | 2,101 | 2,102 |
| Policies in Force | 1,456,000 | 1,284,000 | 1,238,000 |
| Client Retention | 87 % | 88 % | 88 % |
| Premium Retention | 102 % | 100 % | 98 % |
| QTD Written Premium (in thousands) | \$ 802,939 | \$ 584,575 | \$ 615,575 |
| Net Promoter Score ("NPS") | 92 | 90 | 90 |