UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 2024
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: 001-38466

GOOSEHEAD INSURANCE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**82-3886022**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1500 Solana Blvd, Building 4, Suite 4500	
Westlake	
Texas	**76262**
(Address of principal executive offices)	(Zip Code)

(469) 480-3669
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

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 (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, 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 Act). ☐ Yes ☑ No

As of July 22, 2024, there were 24,208,239 shares of Class A common stock outstanding and 12,747,530 shares of Class B common stock outstanding.

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Commonly used defined terms

As used in this Quarterly Report on Form 10-Q ("Form 10-Q"), unless the context indicates or otherwise requires, the following terms have the following meanings:

- Ancillary Revenue: Revenue that is supplemental to our Core Revenue and Cost Recovery Revenue, Ancillary Revenue is unpredictable and often outside of the Company's control. Included in Ancillary Revenue are Contingent Commissions and other income.
- Agency Fees: Fees separate from commissions charged directly to clients for efforts performed in the issuance of new insurance policies.
- Annual Report on Form 10-K: The Company's annual report on Form 10-K for the fiscal year ended December 31, 2023.
- Carrier: An insurance company.
- Carrier Appointment: A contractual relationship with a Carrier.
- Client Retention: Calculated by comparing the number of all clients that had at least one policy in force twelve months prior to the date of measurement and still have at least one policy in force at the date of measurement.
- Contingent Commission: Revenue in the form of contractual payments from Carriers contingent upon several factors, including growth and profitability of the business placed with the Carrier.
- Core Revenue: The most predictable revenue stream for the Company, these revenues consist of New Business Revenue and Renewal Revenue. New Business Revenue is lower-margin, but fairly predictable. Renewal Revenue is higher-margin and very predictable.
- Cost Recovery Revenue: Revenue received by the Company associated with cost recovery efforts associated with selling and financing franchises. Included in Cost Recovery Revenue are Initial Franchise Fees and Interest Income.
- Franchise Agreement: Agreements governing our relationships with Franchisees.
- Franchisee: An individual or entity who has entered into a Franchise Agreement with us.
- GF: Goosehead Financial, LLC.
- Initial Franchise Fee: Contracted fees paid by Franchisees to compensate Goosehead for the training, onboarding and ongoing support of new franchise locations.
- LLC Unit: a limited liability company unit of Goosehead Financial, LLC.
- New Business Commission: Commissions received from Carriers relating to policies in their first term.
- New Business Revenue: New Business Commissions, Agency Fees, and New Business Royalty Fees.
- New Business Royalty Fees: Royalty Fees received from Franchisees relating to policies in their first term
- NPS: Net Promoter Score is calculated based on a single question: “How likely are you to refer Goosehead Insurance to a friend, family member or colleague?” Clients that respond with a score of 6 or below are Detractors, a score of 7 or 8 are called Passives, and a score of 9 or 10 are Promoters. NPS is calculated by subtracting the percentage of Detractors from the percentage of Promoters.
- Policies in Force: As of any reported date, the total count of current (non-cancelled) policies placed by us with our Carriers.
- Policy Term: The contractual period the policy provides insurance coverage to the insured.
- Pre-IPO LLC Members: owners of LLC Units of GF prior to the Offering.
- Renewal Commission: Commissions received from Carriers relating to a policy in a renewal term.
- Renewal Revenue: Renewal Commissions and Renewal Royalty Fees.
- Renewal Royalty Fees: Royalty Fees received from Franchisees relating to a policy in a renewal term.
- Royalty Fees: Fees paid by Franchisees to the Company that are tied to the gross commissions paid by the Carriers related to policies sold or renewed by a franchisee.
- The Offering: The initial public offering completed by Goosehead Insurance, Inc. on May 1, 2018.
- Total Written Premium: As of any reported date, the total amount of current (non-cancelled) gross premium that is placed by Goosehead with its portfolio of Carriers.

Special note regarding forward-looking statements

We have made statements in this Form 10-Q that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed under the caption entitled “Item 1A. Risk factors” in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

The forward-looking statements included in this Form 10-Q are made only as of the date hereof. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this Form 10-Q to conform our prior statements to actual results or revised expectations.

PART I

Item 1. Condensed Consolidated Financial Statements (Unaudited)

Goosehead Insurance, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Revenues:				
Commissions and agency fees	$ 31,619	$ 31,173	$ 57,840	$ 56,657
Franchise revenues	46,225	37,687	84,214	69,761
Interest income	244	417	494	814
Total revenues	78,088	69,277	142,548	127,232
Operating Expenses:				
Employee compensation and benefits	42,551	37,483	84,681	74,365
General and administrative expenses	16,855	17,332	34,035	33,188
Bad debts	653	900	1,780	2,555
Depreciation and amortization	2,632	2,372	5,200	4,465
Total operating expenses	62,691	58,087	125,696	114,573
Income from operations	15,397	11,190	16,852	12,659
Other Income:				
Interest expense	(1,982)	(1,709)	(3,469)	(3,440)
Other income (expense)	441	—	(6,286)	—
Income before taxes	13,856	9,481	7,097	9,219
Tax (benefit) expense	2,981	2,301	(5,587)	2,220
Net income	10,875	7,180	12,684	6,999
Less: net income attributable to non-controlling interests	4,677	3,514	4,672	3,414
Net income attributable to Goosehead Insurance, Inc.	$ 6,198	$ 3,666	$ 8,012	$ 3,585
Earnings per share:				
Basic	$ 0.25	$ 0.15	$ 0.32	$ 0.15
Diluted	$ 0.24	$ 0.15	$ 0.29	$ 0.15
Weighted average shares of Class A common stock outstanding				
Basic	24,693	23,689	24,890	23,448
Diluted	38,031	24,333	38,435	23,981

See Notes to the Condensed Consolidated Financial Statements

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

(In thousands, except per share amounts)

	June 30, 2024	December 31, 2023
Assets		
Current Assets:		
Cash and cash equivalents	$ 23,643	$ 41,956
Restricted cash	2,642	2,091
Commissions and agency fees receivable, net	8,820	12,903
Receivable from franchisees, net	11,046	9,720
Prepaid expenses	6,546	7,889
Total current assets	52,697	74,559
Receivable from franchisees, net of current portion	5,994	9,269
Property and equipment, net of accumulated depreciation	27,014	30,316
Right-of-use asset	35,475	38,406
Intangible assets, net of accumulated amortization	21,269	17,266
Deferred income taxes, net	191,275	181,209
Other assets	4,483	3,867
Total assets	$ 338,207	$ 354,892
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 16,141	$ 16,398
Premiums payable	2,642	2,091
Lease liability	9,174	8,897
Contract liabilities	3,456	4,129
Note payable	10,063	9,375
Liabilities under tax receivable agreement	4,952	—
Total current liabilities	46,428	40,890
Lease liability, net of current portion	52,614	57,382
Note payable, net of current portion	87,028	67,562
Contract liabilities, net of current portion	16,663	22,970
Liabilities under tax receivable agreement, net of current portion	155,207	149,302
Total liabilities	357,940	338,106
Class A common stock, $0.01 par value per share - 300,000 shares authorized, 24,205 shares issued and outstanding as of June 30, 2024, 24,966 shares issued and outstanding as of December 31, 2023	242	250
Class B common stock, $0.01 par value per share - 50,000 shares authorized, 12,748 issued and outstanding as of June 30, 2024, 12,954 shares issued and outstanding as of December 31, 2023	127	130
Additional paid in capital	77,748	103,228
Accumulated deficit	(38,349)	(47,056)
Total stockholders' equity	39,768	56,552
Non-controlling interests	(59,501)	(39,766)
Total equity	(19,733)	16,786
Total liabilities and equity	$ 338,207	$ 354,892

See Notes to the Condensed Consolidated Financial Statements

Goosehead Insurance, Inc.
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

(In thousands)

	Issued shares of Class A common stock	Issued shares of Class B common stock	Class A Common stock	Class B Common Stock	Additional paid in capital	Accumulated deficit	Total stockholders' equity	Non-controlling interest	Total equity
Balance January 1, 2024	24,966	12,954	$ 250	$ 130	$ 103,228	$ (47,056)	$ 56,552	$ (39,766)	$ 16,786
Distributions	—	—	—	—	—	—	—	(42)	(42)
Net income (loss)	—	—	—	—	—	1,814	1,814	(5)	1,809
Exercise of stock options	65	—	1	—	1,862	—	1,863	—	1,863
Equity-based compensation	—	—	—	—	7,357	—	7,357	—	7,357
Activity under employee stock purchase plan	2	—	—	—	146	—	146	—	146
Redemption of LLC Units	196	(196)	2	(2)	(605)	—	(605)	605	—
Deferred tax adjustments related to Tax Receivable Agreement	—	—	—	—	439	—	439	(117)	322
Reallocation of Non-controlling interest	—	—	—	—	—	(217)	(217)	217	—
Balance March 31, 2024	25,230	12,758	$ 252	$ 128	$ 112,428	$ (45,459)	$ 67,349	$ (39,109)	$ 28,240
Distributions	—	—	—	—	—	—	—	(2,346)	(2,346)
Share Repurchases	(1,045)	—	(10)	—	(41,953)	—	(41,963)	(21,670)	(63,633)
Net income	—	—	—	—	—	6,198	6,198	4,677	10,875
Exercise of stock options	7	—	—	—	245	—	245	—	245
Equity-based compensation	—	—	—	—	6,632	—	6,632	—	6,632
Activity under employee stock purchase plan	2	—	—	—	128	—	128	—	128
Redemption of LLC Units	10	(10)	—	—	(29)	—	(29)	29	—
Deferred tax adjustments related to Tax Receivable Agreement	—	—	—	—	295	—	295	(170)	126
Reallocation of Non-controlling interest	—	—	—	—	—	912	912	(912)	—
Balance June 30, 2024	24,205	12,748	$ 242	$ 127	$ 77,748	$ (38,349)	$ 39,768	$ (59,501)	$ (19,733)

	Issued shares of Class A common stock	Issued shares of Class B common stock	Class A Common stock	Class B Common Stock	Additional paid in capital	Accumulated deficit	Total stockholders' equity	Non-controlling interest	Total equity
Balance January 1, 2023	23,034	14,471	$ 228	$ 146	$ 70,866	$ (60,570)	$ 10,670	$ (44,294)	$ (33,624)
Net loss	—	—	—	—	—	(81)	(81)	(100)	(181)
Exercise of stock options	17	—	—	—	173	—	173	—	173
Equity-based compensation	—	—	—	—	6,620	—	6,620	—	6,620
Activity under employee stock purchase plan	4	—	—	—	201	—	201	—	201
Redemption of LLC Units	323	(323)	3	(3)	(990)	—	(990)	990	—
Deferred tax adjustments related to Tax Receivable Agreement	—	—	—	—	699	—	699	129	828
Reallocation of Non-controlling interest	—	—	—	—	—	(103)	(103)	103	—
Balance March 31, 2023	23,379	14,147	$ 231	$ 143	$ 77,569	$ (60,754)	$ 17,189	$ (43,173)	$ (25,984)
Distributions	—	—	—	—	—	—	—	(5,206)	(5,206)
Net income	—	—	—	—	—	3,666	3,666	3,514	7,180
Exercise of stock options	167	—	2	—	3,516	—	3,518	—	3,518
Equity-based compensation	—	—	—	—	5,872	—	5,872	—	5,872
Activity under employee stock purchase plan	2	—	—	—	144	—	144	—	144
Redemption of LLC Units	352	(352)	4	(4)	(1,112)	—	(1,112)	1,112	—
Deferred tax adjustments related to Tax Receivable Agreement	—	—	—	—	870	—	870	157	1,027
Reallocation of Non-controlling interest	—	—	—	—	—	(477)	(477)	477	—
Balance June 30, 2023	23,900	13,795	$ 237	$ 139	$ 86,859	$ (57,565)	$ 29,670	$ (43,118)	$ (13,448)

See Notes to the Condensed Consolidated Financial Statements

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

(In thousands)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income	$ 12,684	$ 6,999
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,387	4,578
Impairment expense	347	3,628
Bad debt expense	1,780	2,555
Equity-based compensation	13,989	12,492
Impacts of tax receivable agreement	10,858	8,497
Deferred income taxes	(9,618)	(7,376)
Noncash lease activity	(1,814)	332
Cloud computing arrangement implementation costs	(295)	—
Changes in operating assets and liabilities:		
Receivable from franchisees	1,379	2,494
Commissions and agency fees receivable	3,267	3,022
Prepaid expenses	1,343	(7,712)
Other assets	(150)	661
Accounts payable and accrued expenses	(1,235)	(3,595)
Contract liabilities	(6,980)	(10,354)
Net cash provided by operating activities	30,942	16,221
Cash flows from investing activities:		
Issuance of notes receivable to franchisees	(175)	—
Proceeds from notes receivable to franchisees	12	12
Capitalized software development costs	(5,212)	(2,496)
Cash consideration paid for asset acquisitions	—	(5,270)
Purchase of property and equipment	(447)	(3,532)
Net cash used for investing activities	(5,822)	(11,286)
Cash flows from financing activities:		
Customer premiums, net	320	(107)
Debt issuance costs	(621)	—
Repayment of note payable	(4,391)	(13,125)
Proceeds from notes payable	25,000	—
Proceeds from the issuance of Class A common stock	2,383	4,037
Repurchases of Class A common stock	(63,184)	—
Member distributions and dividends	(2,389)	(5,206)
Net cash used for financing activities	(42,882)	(14,401)
Net decrease in cash and cash equivalents, and restricted cash	(17,762)	(9,466)
Cash and cash equivalents, and restricted cash, beginning of period	44,047	30,387
Cash and cash equivalents, and restricted cash, end of period	$ 26,285	$ 20,921
Supplemental disclosures of cash flow data:		
Cash paid during the period for interest	$ 3,217	$ 3,282
Cash paid for income taxes	986	534

See Notes to the Condensed Consolidated Financial Statements

1. Organization

Goosehead Insurance, Inc. (“GSHD”) is the sole managing member of Goosehead Financial, LLC (“GF”) and has the sole voting power and control of management of GF. Accordingly, GSHD consolidates the financial results of GF and reports non-controlling interest in GSHD’s condensed consolidated financial statements.

GF was organized on January 1, 2016 as a Delaware Limited Liability Company and is headquartered in Westlake, TX.

GSHD (collectively with its consolidated subsidiaries, the “Company”) provides personal and commercial property and casualty insurance brokerage services for its clients through a network of corporate-owned agencies and franchise units across the nation.

The Company had 13 and 12 corporate-owned locations in operation at June 30, 2024 and 2023, respectively. Franchisees are provided access to Carrier Appointments, product training, technology infrastructure, client service centers and back office services. During the three months ended June 30, 2024 and 2023, the Company onboarded 19 and 72 franchise locations, respectively, and had 1,122 and 1,344 operating franchise locations as of June 30, 2024 and 2023, respectively. No franchises were purchased during the three and six months ended June 30, 2024 and 2023.

All intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q. Therefore, they do not include all of the annual disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). However, in the opinion of management, these statements include all adjustments, consisting of normal recurring adjustments, which are necessary for a fair presentation of the condensed consolidated financial positions at June 30, 2024 and December 31, 2023, and the condensed consolidated statements of operations, stockholders' equity and statements of cash flows for the three and six months ended June 30, 2024 and 2023. The interim period condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements that are included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results that can be expected for the entire year. The Company experiences seasonal fluctuations of its revenue due to the timing of contingent commission revenue recognition and trends in housing market activity.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements.

During the three months ended June 30, 2024, the Company elected to change its presentation of the cash flows associated with "Premiums payable" from operating activities to present them as financing activities, net, within the Condensed Consolidated Statement of Cash Flows within the caption "Customer premiums, net". Comparative amounts have been recast to conform to current period presentation. This reclassification had no impact on the Condensed Consolidated Statements of Operations, Condensed Consolidated Balance Sheets or Condensed Consolidated Statements of Stockholders' Equity.

During the three months ended March 31, 2024, the Company recorded loss on remeasurement of the tax receivable agreement ("TRA") liability within "Tax (benefit) expense". For six months ended June 30, 2024, those amounts have been reclassified to Other income (expense) within the Condensed Consolidated Statement of Operations. This reclassification had no impact on the Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Stockholders' Equity, or Condensed Consolidated Statement of Cash Flows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates as more information becomes known.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization and reflect amounts paid for the Company’s web domain, computer software costs, and purchased books of business (customer accounts). The web domain is amortized over a useful life of fifteen years, computer software costs are amortized over a useful life of three to ten years, and books of business (customer accounts) are amortized over a useful life of eight years.

Asset Impairment

The Company reviews all of its identifiable assets for impairment periodically and whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. In reviewing identifiable assets, if the undiscounted future cash flows were less than the carrying amount of the respective assets, an indicator of impairment would exist, and further analysis would be required to determine whether or not a loss would need to be charged against current period earnings as a component of general and administrative expenses.

Based on a review of tangible assets during the three months ended March 31, 2024, the Company identified one office lease that would be subleased and completed a recoverability assessment for assets at that location. Based on the results of the recoverability assessment, the Company determined that the undiscounted cash flows of the assets were below their carrying values. As a result, the Company compared the fair values of the assets to their carrying values and recorded an impairment expense of $0.1 million for property and equipment and $0.2 million for right-of-use asset for the amount the carrying values exceeded the fair values. The Company determined the fair values by estimating sublease cash flows based on market rates for similar properties and discounted them using the Company's internal borrowing rate.

Based on a review of intangible assets during the three months ended June 30, 2023, the Company identified a group of internally-developed software assets that had not been placed into service and will not be completed. As a result, the Company determined the assets had no fair value and recorded an impairment expense of $1.1 million related to the asset group.

Based on a review of tangible assets during the three months ended June 30, 2023, the Company identified two office leases that would be subleased and completed a recoverability assessment for assets at those locations. Based on the results of the recoverability assessment, the Company determined that the undiscounted cash flows of the assets were below their carrying values. As a result, the Company compared the fair values of the assets to their carrying values and recorded an impairment expense of $1.4 million for property and equipment and $1.1 million for right-of-use asset for the amount the carrying values exceeded the fair values. The Company determined the fair values by estimating sublease cash flows based on market rates for similar properties and discounted them using the Company's internal borrowing rate.

Income Taxes

The Company accounts for income taxes pursuant to the asset and liability method which requires the recognition of deferred income tax assets and liabilities related to the expected future tax consequences arising from temporary differences between the carrying amounts and tax bases of assets and liabilities based on enacted statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Any effects of changes in income tax rates or laws are included in income tax expense in the period of enactment.

Cash and Cash Equivalents, and Restricted Cash

The Company holds premiums received from the insured, but not yet remitted to the Carrier, in a fiduciary capacity. Premiums received but not yet remitted included in restricted cash were $2.6 million and $1.8 million as of June 30, 2024 and 2023, respectively.

The Company earns interest on its cash balance that is held in interest-bearing checking accounts. During the three and six months ended June 30, 2024 the Company recognized $0.4 million and $0.4 million in interest income within Other income (expense) in the Condensed Consolidated Statements of Operations. No interest income was recognized during the three and six months ended June 30, 2023. As of June 30, 2024, the Company did not have any cash equivalents.

The following is a reconciliation of our cash and cash equivalents and restricted cash balances as presented in the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2024 and 2023 *(in thousands)*:

	June 30,	
	2024	2023
Cash and cash equivalents	$ 23,643	$ 19,131
Restricted cash	2,642	1,790
Cash and cash equivalents, and restricted cash	$ 26,285	$ 20,921

Accounting pronouncements not yet adopted

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures (Topic 740). This standard requires the Company to provide further disaggregated income tax disclosures for specific categories on the effective tax rate reconciliation, as well as additional information about federal, state/local and foreign income taxes. The standard also requires the Company to annually disclose its income taxes paid (net of refunds received), disaggregated by jurisdiction. This guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The standard is to be applied on a prospective basis, although optional retrospective application is permitted. The Company is currently evaluating the impact this guidance will have on its financial statement disclosures.

3. Revenue

Commissions and fees

The Company earns commissions, which are paid as a percentage of the policy premiums placed by the Company, by performing its obligation to identify, place, and make effective insurance coverage on behalf of its customer, the insured. The Company defines the term of the policy as the contractual period the policy provides insurance coverage to the insured, which is typically one year or less. Commissions earned for the placement of the initial policy term for a given insurance product are recorded as New Business Commissions. New Business Commissions are earned at a point in time on the effective date of the policy, which is when the customer’s unilateral right to cancel the policy without consideration expires, as the Company has no further performance obligations for the initial term once the policy is placed and made effective.

After the initial policy term for a given insurance product, the Company earns Renewal Commissions by assisting the customer to make effective a renewal policy that satisfies the customer’s current insurance coverage needs. The Company performs this obligation by monitoring the customer’s policy to ensure a renewal is offered by the carrier and that the client promptly pays the premium. Alternatively, based on the needs of the customer, the Company may assist the customer to adjust coverage terms to satisfy its current insurance coverage needs or the Company may assist the customer to re-shop the insurance coverage to identify, place, and make effective a policy that better meets those needs. Renewal Commissions are earned at a point in time upon the effective date of the renewal policy term or upon the effective date of the replacement policy identified, placed, and made effective for the customer, which is when the customer’s unilateral right to non-renew the policy expires, as the Company has no further performance obligations for that renewal policy term.

The transaction price for commissions revenue is set as an estimate of the variable consideration to be received for the current policy term. This estimate includes the fixed consideration due based on the contractual terms of the current policy and adjustments for estimates of modifications of the contractual terms of the current policy and/or termination of the policy before the end of the current term. This variable consideration is constrained to the extent that it is probable there will not be a significant reversal of revenue.

For Agency Fees, the Company enters into a contract with the insured, in which the Company's performance obligation is to place an insurance policy. The transaction price of the agency fee is set at the time the sale is agreed upon, and is included in the contract. Agency Fee revenue is recognized at a point in time, which is the effective date of the policy.

Contingent commission revenue is generated from contracts between the Company and insurance carriers, for which the Company is compensated for certain growth, profitability, or other performance-based metrics. The performance obligations for contingent commissions will vary by contract, but generally include the Company increasing profitable written premium with the insurance carrier. The transaction price for contingent commissions is estimated based on all available information and is recognized over time as the Company completes its performance obligations, as the underlying policies are placed, net of a constraint.

The Company must estimate the amount of consideration that will be received such that a significant reversal of revenue is not probable. Contingent commissions represent a form of variable consideration associated with the placement and profitability of coverage, for which we earn commissions. Contingent commissions are estimated, with a constraint applied, and accrued in relation to the satisfaction of the performance obligations for the period over which the contract applies. The resulting effect on the timing of recognizing contingent commissions closely follows a similar pattern as our commissions and fees with any adjustments recognized when payments are received or as additional information that affects the estimate becomes available.

Franchise revenues

Franchise revenues include initial franchise fees and ongoing new and renewal royalty fees from franchisees.

Revenue from Initial Franchise Fees is generated from a contract between the Company and a franchisee. The Company's performance obligation is to provide initial training, onboarding, ongoing support and use of the Company's business operations over the period of the franchise agreement. The transaction price is set by the franchise agreement and revenue is recognized over time as the Company completes its performance obligations.

Initial franchise fees are recognized as revenue over the 10-year life of the franchise contract, beginning on the start date of the contract.

Revenue from New and Renewal Royalty Fees is recorded by applying the sales- and usage-based royalties exception. Under the sales- and usage-based exception, the Company recognizes revenue over time as a franchise places and makes effective a policy for an insured. The transaction price for the royalty fee for each policy made effective is set as the contractual royalty rate multiplied by an estimate of the commissions to be received by the franchise for the current term of the policy. This estimate includes the fixed consideration due based on the contractual terms of the current policy and adjustments for estimates of modifications of the contractual terms of the current policy and/or termination of the policy before the end of the current term. This variable consideration is constrained to the extent that it is probable there will not be a significant reversal of revenue.

Contract costs

Additionally, the Company has evaluated ASC Topic 340 - Other Assets and Deferred Cost (“ASC 340”) which requires companies to defer certain incremental cost to obtain customer contracts, and certain costs to fulfill customer contracts.

Incremental cost to obtain - The Company defers certain costs to obtain customer contracts primarily as they relate to commission-based compensation plans for selling new franchise agreements. These incremental costs are deferred and amortized over a 10-year period, which is consistent with the term of the contract. The balance of cost to obtain is included with Other assets on the Condensed Consolidated Balance Sheets.

Costs to fulfill - The Company has evaluated the need to capitalize costs to fulfill customer contracts and has determined that there are no costs that meet the definition for capitalization under ASC 340.

Disaggregation of Revenue

The following table disaggregates revenue by source *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Type of revenue stream:				
Commissions and agency fees				
Renewal Commissions	$ 20,591	$ 18,541	$ 36,552	$ 34,359
New Business Commissions	6,682	6,257	12,363	11,774
Agency Fees	2,137	2,404	4,048	4,634
Contingent Commissions	2,209	3,971	4,877	5,890
Franchise revenues				
Renewal Royalty Fees	36,828	27,552	65,881	50,304
New Business Royalty Fees	7,169	6,267	13,402	11,909
Initial Franchise Fees	1,631	3,287	3,875	6,350
Other Franchise Revenues	598	581	1,055	1,198
Interest Income	244	417	494	814
Total Revenues	$ 78,088	$ 69,277	$ 142,548	$ 127,232
Timing of revenue recognition:				
Transferred at a point in time	$ 29,410	$ 27,202	$ 52,962	$ 50,767
Transferred over time	48,678	42,075	89,586	76,465
Total Revenues	$ 78,088	$ 69,277	$ 142,548	$ 127,232

Contract Balances

The following table provides information about receivables, cost to obtain, and contract liabilities from contracts with customers *(in thousands)*:

	June 30, 2024	December 31, 2023	Increase/(decrease)
Cost to obtain franchise contracts[1]	$ 1,920	$ 2,309	$ (389)
Commissions and agency fees receivable, net	8,820	12,903	(4,083)
Receivable from franchisees[2]	17,040	18,989	(1,949)
Contract liabilities[2][3]	20,119	27,099	(6,980)

(1) Cost to obtain franchise contracts is included in Other assets on the condensed consolidated balance sheets.
(2) Includes both the current and long term portion of this balance.
(3) Initial Franchise Fees to be recognized over the life of the contract.

The Company records Franchise Fees as contract liabilities on the Condensed Consolidated Balance Sheets when the agreement is executed. Contract liabilities are reduced as fees are recognized in revenue over the expected life of the franchise license. As the term of the franchise license is typically ten years, substantially all of the franchise fee revenue recognized in the period ended June 30, 2024 was included in the contract liabilities balance as of December 31, 2023.

Significant changes in contract liabilities are as follows *(in thousands)*:

Contract liabilities at December 31, 2023	$ 27,099
Revenue recognized during the period	(3,875)
New deferrals[1]	1,595
Write offs[2]	(4,700)
Contract liabilities at June 30, 2024	$ 20,119

(1) Initial Franchise Fees where the consideration is received from the franchisee for services which are to be transferred to the Franchisee over the expected life of the Franchise Agreement.
(2) Franchise Fees, net of recognized revenue, no longer deferred due to the termination of the Franchise Agreement.

4. Franchise Fees Receivable

The balance of Franchise fees receivable included in Receivable from franchisees consisted of the following *(in thousands)*:

	June 30, 2024	December 31, 2023
Franchise fees receivable[1]	$ 7,567	$ 15,096
Less: Unamortized discount[1]	(2,154)	(4,388)
Less: Allowance for uncollectible franchise fees[1]	(32)	(223)
Net franchise fees receivable[1]	$ 5,381	$ 10,485

(1) Includes both the current and long term portion of this balance.

Activity in the allowance for uncollectible franchise fees was as follows *(in thousands)*:

Balance at December 31, 2023	$	223
Charges to bad debts		379
Write offs		(570)
Balance at June 30, 2024	$	32

Balance at December 31, 2022	$	487
Charges to bad debts		823
Write offs		(889)
Balance at June 30, 2023	$	421

5. Allowance for Uncollectible Agency Fees

Activity in the allowance for uncollectible agency fees was as follows *(in thousands)*:

Balance at December 31, 2023	$	508
Charges to bad debts		816
Write offs		(925)
Balance at June 30, 2024	$	399

Balance at December 31, 2022	$	450
Charges to bad debts		876
Write offs		(673)
Balance at June 30, 2023	$	653

6. Property and equipment

Property and equipment consisted of the following *(in thousands)*:

	June 30, 2024	December 31, 2023
Furniture & fixtures	$ 11,418	$ 11,306
Computer equipment	4,727	4,482
Network equipment	478	436
Phone system	326	326
Leasehold improvements	36,244	36,285
Total	53,193	52,834
Less accumulated depreciation	(26,179)	(22,518)
Property and equipment, net	$ 27,014	$ 30,316

Depreciation expense was $3.7 million and $3.8 million for six months ended June 30, 2024 and 2023, respectively.

7. Intangible assets

Intangible assets consisted of the following *(in thousands)*:

	June 30, 2024	December 31, 2023
Computer software & web domain	$ 19,051	$ 13,509
Books of business	6,895	6,895
Total	25,946	20,404
Less: accumulated amortization	(4,677)	(3,138)
Intangible assets, net	$ 21,269	$ 17,266

Amortization expense was $1.5 million and $0.7 million for six months ended June 30, 2024 and 2023, respectively.

8. Debt

On July 21, 2021, the Company refinanced its $25 million revolving credit facility and $80 million term note payable to a $50 million revolving credit facility and $100 million term note payable in order to obtain a more favorable interest rate on the outstanding debt. The revolving credit facility and term note are collateralized by substantially all the Company's assets, which includes rights to future commissions and royalties.

On April 26, 2023, the Company entered into Amendment No.1 of the Second Amended and Restated Credit Agreement, which provided that LIBOR should be replaced with SOFR.

On April 24, 2024, the Company entered into Amendment No. 2 of the Second Amended and Restated Credit Agreement, increasing the term note payable by $25 million and increasing the capacity of the revolving credit facility by $25 million to a total capacity of $75 million.

As of June 30, 2024, the Company had nothing drawn against the revolving credit facility and had a letter of credit of $0.2 million applied against the maximum borrowing availability. Borrowings under the revolving credit facility are payable on July 21, 2026. Thus, amounts available to draw totaled $74.8 million. The term note is payable in quarterly installments of $2.5 million, with a balloon payment of $80.5 million on July 21, 2026.

The interest rate applicable to both the revolving credit facility and the term note for each leverage ratio tier is as follows:

Leverage Ratio	Interest Rate
< 1.50x	SOFR + 175 bps
> 1.50x	SOFR + 200 bps
> 2.50x	SOFR + 225 bps
> 3.50x	SOFR + 250 bps

As of June 30, 2024, the interest rate applicable for the credit facilities was SOFR plus 200 basis points.

Maturities of the term note payable for the next five years are as follows (*in thousands*):

	Amount
2024	$ 5,031
2025	10,063
2026	83,016
2027	—
2028	—
Total	$ 98,109

The Company’s note payable agreement contains certain restrictions and covenants. Under these restrictions, the Company is limited in the amount of debt incurred and distributions payable. As of June 30, 2024, the Company's maximum allowable trailing twelve months debt-to-EBITDA ratio, as defined by the credit agreement, was 4x. In addition, the credit agreement contains certain change of control provisions that, if broken, would trigger a default. Finally, the Company must maintain certain financial ratios. As of June 30, 2024, the Company was in compliance with these covenants.

Because of both instruments’ variable interest rate, the note payable balance at June 30, 2024 and December 31, 2023, approximates fair value using Level 2 inputs, described below.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets.
- Level 2—Significant other observable inputs other than Level 1 prices such as quoted prices in markets that are not active, quoted prices for similar assets or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset.
- Level 3—Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

9. Income Taxes

GSHD is the sole managing member of GF, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, GF is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by GF is passed through to and included in the taxable income or loss of its members, including GSHD, on a pro rata basis. GSHD is subject to U.S. federal income taxes, in addition to state and local income taxes, with respect to GSHD's allocable share of income of GF.

Income tax (benefit) expense

Provision expense from income taxes was $3.0 million for the three months ended June 30, 2024 compared to $2.3 million for the three months ended June 30, 2023. The effective tax rate was 22% for the three months ended June 30, 2024 compared to 24% for the three months ended June 30, 2023. Tax benefit was $5.6 million for the six months ended June 30, 2024 compared to tax expense of $2.2 million for the six months ended June 30, 2023. The effective tax rate was (79)% for the six months ended June 30, 2024 and 24% for the six months ended June 30, 2023. The change in the effective tax rate was primarily due to changes in state apportionment and related state filing requirements.

Deferred taxes

Deferred tax assets at June 30, 2024 were $191.3 million compared to $181.2 million at December 31, 2023. The primary contributing factors to the increase in deferred tax assets are additional redemptions of LLC Units of GF for shares of Class A common stock of GSHD during the six months ended June 30, 2024 and an increase in the blended state tax rate due to changes in state apportionment and related state filing requirements.

Tax Receivable Agreement

GF intends to make an election under Section 754 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the “Code”) effective for each taxable year in which a redemption or exchange of LLC Units and corresponding Class B common stock for shares of Class A common stock occurs. Future taxable redemptions or exchanges are expected to result in tax basis adjustments to the assets of GF that will be allocated to the Company and thus produce favorable tax attributes. These tax attributes would not be available to GSHD in the absence of those transactions. The anticipated tax basis adjustments are expected to reduce the amount of tax that GSHD would otherwise be required to pay in the future.

GSHD entered into a tax receivable agreement ("TRA") with the Pre-IPO LLC Members on May 1, 2018 that provides for the payment by GSHD to the Pre-IPO LLC Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that GSHD actually realizes as a result of (i) any increase in tax basis in GSHD's assets and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the tax receivable agreement.

During the three and six months ended June 30, 2024, an aggregate of 10,008 and 206,129 LLC Units were redeemed by the Pre-IPO LLC Members for newly issued shares of Class A common stock. In connection with these redemptions, GSHD received 10,008 and 206,129 LLC Units, which resulted in an increase in the tax basis of its investment in GF subject to the provisions of the tax receivable agreement. The Company recognized a liability for the TRA Payments due to the Pre-IPO LLC Members, representing 85% of the aggregate tax benefits the Company expects to realize from the tax basis increases related to the redemptions of LLC Units, after concluding it was probable that such TRA Payments would be paid based on its estimates of future taxable income. As of June 30, 2024, the total amount of TRA Payments due to the Pre-IPO LLC Members under the tax receivable agreement was $160.2 million, of which $5.0 million was current and included in Liabilities under tax receivable agreement within Current liabilities on the Condensed Consolidated Balance Sheet. Future exchanges of LLC Units for Class A common stock will result in additional TRA payments. Additionally, during the six months ended June 30, 2024, the Company's effective tax rate increased due to changes in state apportionment and related state filing requirements. This resulted in a remeasurement of its TRA liability of $6.7 million, which has been reported in "Other income (expense)" on the Condensed Consolidated Statement of Operations.

Uncertain tax positions

GSHD has determined there are no material uncertain tax positions as of June 30, 2024.

10. Stockholders' Equity

Class A Common Stock

GSHD has a total of 24,205 thousand shares of its Class A common stock outstanding at June 30, 2024. Each share of Class A common stock holds economic rights and entitles its holder to one vote per share on all matters submitted to a vote of the stockholders of GSHD.

Class B Common Stock

GSHD has a total of 12,748 thousand shares of its Class B common stock outstanding at June 30, 2024. Each share of Class B common stock has no economic rights but entitles its holder to one vote per share on all matters submitted to a vote of the stockholders of GSHD.

Holders of Class A common stock and Class B common stock vote together as a single class on all matters presented to GSHD's shareholders for their vote or approval, except as otherwise required by applicable law, by agreement, or by GSHD's certificate of incorporation.

Earnings Per Share

The following table sets forth the calculation of basic earnings per share ("EPS") based on net income attributable to GSHD for the three and six months ended June 30, 2024 and 2023, divided by the basic weighted average number of Class A common stock as of the three and six months ended June 30, 2024 and 2023 *(in thousands, except per share amounts)*.

Diluted EPS of Class A common stock is computed by dividing net income attributable to GSHD by the weighted average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities.

Shares of the Company's Class B common stock do not share in the earnings or losses attributable to Goosehead Insurance, Inc. and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented. Shares of the Company's Class B common stock are, however, considered potentially dilutive shares of Class A common stock because shares of Class B common stock, together with the related GF LLC Units, are exchangeable into shares of Class A common stock on a one-for-one basis. The Company calculates the effects of the conversion of Class B shares to Class A shares using the "if-converted" method and includes such effects in the calculation of diluted EPS if the effects are dilutive.

The following table summarizes the calculation of EPS for the three and six months ended June 30, 2024 and 2023 *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net income attributable to GSHD - Basic	$ 6,198	$ 3,666	$ 8,012	$ 3,585
Less: net income attributable to non-controlling interests(1)	4,677	3,514	4,672	3,414
Add: income tax effect on income attributable to non-controlling interests assuming conversion of Class B common shares(1)	(1,735)	—	(1,566)	—
Net income available to GSHD - Diluted	$ 9,140	$ 7,180	$ 11,118	$ 6,999
Denominator:				
Basic EPS				
Weighted average outstanding Class A common shares - Basic	24,693	23,689	24,890	23,448
Earnings per share of Class A common stock - Basic	$ 0.25	$ 0.15	$ 0.32	$ 0.15
Diluted EPS				
Weighted average outstanding Class A common shares - Basic	24,693	23,689	24,890	23,448
Effect of dilutive securities:				
Weighted average outstanding Class B common shares (if-converted)(1)	12,751	—	12,807	—
Stock options(2)	588	644	738	533
Weighted average outstanding Class A common shares - Diluted	38,031	24,333	38,435	23,981
Earnings per share of Class A common stock - Diluted	$ 0.24	$ 0.15	$ 0.29	$ 0.15

(1) For the three and six months ended June 30, 2024, the impact of the conversion of Class B common shares to Class A common shares calculated under the if-converted method was dilutive, and as such, (a) 12,751 and 12,807 common shares (assuming the conversion of all

outstanding class B common stock) were included in Weighted average outstanding Class A common shares - Diluted and (b) $2.9 million and $3.1 million of non-controlling interest net income (after incremental tax effect from assuming conversion of all outstanding class B common stock), was added back to Net income attributable to GSHD - Basic to arrive at Net income available to GSHD - diluted. For the three and six months ended June 30, 2023, the impact of the conversion of Class B common shares to Class A common shares is excluded from the calculation of Diluted EPS because inclusion of such shares would be anti-dilutive.

(2) Dilutive stock options is computed using the treasury stock method, which are not participating securities. 1,576 and 1,272 stock options were excluded from the computation of diluted earnings per share of Class A common stock for the three and six months ended June 30, 2024 because the effect would have been anti-dilutive. 1,543 and 2,178 stock options were excluded from the computation of diluted earnings per share of Class A common stock for the three and six months ended June 30, 2023 because the effect would have been anti-dilutive.

Share Repurchase Program

On April 24, 2024, our board of directors approved a share repurchase program with authorization to purchase up to $100 million of our Class A common stock through March 31, 2025. The share repurchase program does not require the Company to acquire any dollar amount or number of shares of common stock and may be modified, suspended, or discontinued at any time. The timing, manner, price and amount of any repurchases will be determined at the discretion of management in accordance with applicable securities laws and other restrictions. Class A common stock acquired under the program will be retired upon repurchase. Additionally, for every repurchased share of Class A common stock, the Company will direct GF to repurchase, at the price paid to repurchase such share, and cancel an LLC unit of GF held by the Company.

During the three months ended June 30, 2024, the Company repurchased and retired 1,045 thousand shares of Class A common stock at an average price of $60.46, for an aggregate $63.6 million. All repurchases were made in open-market transactions and recorded at their aggregate transaction cost inclusive of commissions and excise taxes. As of June 30, 2024, the Company had remaining authorization under the share repurchase program to purchase up to approximately $36.8 million of the Company's Class A common stock.

11. Non-controlling interest

GSHD is the sole managing member of GF and, as a result, it consolidates the financial results of GF. GSHD reports a non-controlling interest representing the economic interest in GF held by the other members of GF.

GF makes distributions to the LLC Unit holders on a pro rata basis to facilitate the LLC Unit holder's quarterly tax payments. For the three and six months ended June 30, 2024, GF made distributions of $6.5 million and $6.5 million, of which $2.2 million and $2.2 million was made to Pre-IPO LLC Members. The remaining $4.3 million and $4.3 million was made to GSHD and was eliminated in consolidation.

Under the amended and restated Goosehead Financial, LLC Agreement, the Pre-IPO LLC Members have the right, from and after the completion of the Offering (subject to the terms of the amended and restated Goosehead Financial, LLC Agreement), to require GSHD to redeem all or a portion of their LLC Units for, at GSHD's election, newly-issued shares of Class A common stock on a one-for-one basis or a cash payment equal to the volume weighted average market price of one share of GSHD's Class A common stock for each LLC Unit redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the amended and restated Goosehead Financial, LLC Agreement. Additionally, in the event of a redemption request by a Pre-IPO LLC Member, GSHD may, at its option, effect a direct exchange of cash or Class A common stock for LLC Units in lieu of such a redemption. Shares of Class B common stock will be cancelled on a one-for-one basis if GSHD, at the election of a Pre-IPO LLC Member, redeems or exchanges LLC Units of such Pre-IPO LLC Member pursuant to the terms of the amended and restated Goosehead Financial, LLC Agreement. Except for transfers to GSHD pursuant to the amended and restated Goosehead Financial, LLC Agreement or to certain permitted transferees, the Pre-IPO LLC Members are not permitted to sell, transfer or otherwise dispose of any LLC Units or shares of Class B common stock.

During the three and six months ended June 30, 2024, an aggregate of 10 thousand and 206 thousand LLC Units were redeemed by the non-controlling interest holders. Pursuant to the GF LLC Agreement, GSHD issued 10 thousand and 206 thousand shares of Class A common stock in connection with these redemptions and received 10 thousand and 206 thousand LLC Interests, increasing GSHD's ownership interest in GF. Simultaneously, and in connection with these redemptions, 10 thousand and 206 thousand shares of Class B common stock were surrendered and cancelled.

The following table summarizes the ownership interest in GF as of June 30, 2024 *(in thousands)*:

	June 30, 2024	
	LLC Units	Ownership %
Number of LLC Units held by GSHD	24,205	65.5%
Number of LLC Units held by non-controlling interest holders	12,748	34.5%
Number of LLC Units outstanding	36,953	100.0%

The weighted average ownership percentages for the applicable reporting periods are used to attribute net income to GSHD and the non-controlling interest holders. The non-controlling interest holders' weighted average ownership percentage for the three and six months ended June 30, 2024 was 34.1% and 34.0%.

12. Equity-Based Compensation

Stock option expense was $6.6 million and $14.0 million for the three and six months ended June 30, 2024. Stock option expense was $5.9 million and $12.5 million for the three and six months ended June 30, 2023.

13. Litigation

From time to time, GSHD may be involved in various legal proceedings, lawsuits and claims incidental to the conduct of the Company's business. The Company records accruals for legal contingencies to the extent that it has concluded that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. In the opinion of the Company's management, the likely results of any ongoing legal matters are not expected, either individually or in the aggregate, to have a material adverse effect on the Company's financial position, results of operations or cash flows.

On November 10, 2022, a verified stockholder class action complaint for declaratory relief, captioned Mickey Dollens v. Goosehead Insurance, Inc., C.A. No. 2022-1018-JTL, was filed in the Court of Chancery of the State of Delaware (the “Dollens Action”), alleging certain corporate governance documents adopted by the Company were invalid under Delaware law. On August 8, 2023, the parties entered into a proposed settlement providing for certain non-monetary benefits to the class (*i.e.,* revisions to the Company's Stockholder Agreement). Additionally, the plaintiffs have petitioned the Court for attorneys’ fees and litigation expenses. The matter is currently stayed. While there can be no assurance regarding the ultimate outcome of the petition, the Company believes a potential loss, if any, would not be material.

Item 2: Management's discussion and analysis of financial condition and results of operations

OVERVIEW

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Form 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk factors" and elsewhere in this report and in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

We are a rapidly growing personal lines independent insurance agency, reinventing the traditional approach to distributing personal lines products and services throughout the United States. We were founded with one vision in mind—to provide consumers with superior insurance coverage at the best available price and in a timely manner. By leveraging our differentiated business model and innovative technology platform, we are able to deliver to consumers a superior insurance experience. Our management team continues to own approximately 35% of the company, representing our commitment to the long-term success of the Company.

Financial Highlights for the Second Quarter of 2024:

- Total revenue increased 13% from the second quarter of 2023 to $78.1 million
- Core Revenue* increased by 20% from the second quarter of 2023 to $73.4 million
- Total Written Premiums placed increased 30% from the prior-year period to $998.9 million
- Net income increased by $3.7 million from the second quarter of 2023 to $10.9 million, or 14% of total revenues
- Adjusted EBITDA* increased 7% from the second quarter of 2023 to $24.7 million, or 32% of total revenues
- Basic and diluted earnings per share were $0.25 and $0.24, respectively, and Adjusted EPS* was $0.43 per share for the three months ended June 30, 2024
- Policies in Force increased 11% from June 30, 2023 to 1,588,000 at June 30, 2024
- Corporate sales headcount increased 12% from June 30, 2023 to 313 at June 30, 2024
    - As of June 30, 2024, 157 of these Corporate sales agents had less than one year of tenure and 156 had greater than one year of tenure
- Total franchises decreased 33% compared to the prior-year period to 1,165; total operating franchises decreased 17% from June 30, 2023 to 1,122 at June 30, 2024
    - As of June 30, 2024, 89 operating Franchisees had less than one year of tenure and 1,033 operating Franchisees had greater than one year of tenure

*Core Revenue, Adjusted EBITDA and Adjusted EPS are non-GAAP measures. Reconciliation of Core Revenue to total revenue, Adjusted EBITDA to net income and Adjusted EPS to EPS, the most directly comparable financial measures presented in accordance with GAAP, are set forth under "Key performance indicators".

Certain income statement line items

Revenues

For the three months ended June 30, 2024, revenue increased by 13% to $78.1 million from $69.3 million for the three months ended June 30, 2023. For the six months ended June 30, 2024, revenue increased by 12% to $142.5 million from $127.2 million for the six months ended June 30, 2023. Total Written Premium, which we believe is the best leading indicator of future revenue, increased to $999 million for the three months ended June 30, 2024 from $767 million for the three months ended June 30, 2023. Total Written Premium increased 29% for the six months ended June 30, 2024 to $1,818 million from $1,405 million for the six months ended June 30, 2023. Total Written Premiums drive our current and future Core Revenue and give us potential opportunities to earn Ancillary Revenue in the form of Contingent Commissions.

Our various revenue streams do not equally contribute to the long-term value of Goosehead. For instance, Renewal Revenue and Renewal Royalty Fees are more predictable and have higher margin profiles, thus are higher quality revenue streams for the Company. Alternatively, Contingent Commissions, while high margin, are unpredictable and dependent on insurance company underwriting and forces of nature and thus are lower quality revenue for the Company. Our revenue streams can be viewed in three distinct categories: Core Revenue, Cost Recovery Revenue, and Ancillary Revenue, which are non-GAAP measures. A reconciliation of Core Revenue, Cost Recovery Revenue, and Ancillary Revenue to total revenue, the most directly comparable financial measure presented in accordance with GAAP, are set forth under "Key performance indicators".

Core Revenue:

- Renewal Commissions - highly predictable, higher-margin revenue stream, which is managed by our service team.
- Renewal Royalty Fees - highly predictable, higher-margin revenue stream, which is managed by our service team. For policies in their first renewal term, we see an increase in our share of royalties from 20% to 50% on the commission paid by the Carriers.
- New Business Commissions - predictable based on agent headcount and consistent ramp-up of agents, but lower margin than Renewal Commissions because of higher commissions paid to agents and higher back-office costs associated with policies in their first term. This revenue stream has predictably converted into higher-margin Renewal Commissions historically, and we expect this to continue moving forward.
- New Business Royalty Fees - predictable based on franchise count and consistent ramp-up of franchises, but lower margin than Renewal Royalty Fees because the Company only receives a royalty fee of 20% on the commissions paid by the Carrier in the first term of every policy and incurs higher back-office costs associated with policies in their first term. This revenue stream has predictably converted into higher-margin Renewal Royalty Fees historically, and we expect this to continue moving forward.
- Agency Fees - although predictable based on agent count, Agency Fees do not renew like New Business Commissions and Renewal Commissions.

Cost Recovery Revenue:

- Initial Franchise Fees - one-time Cost Recovery Revenue stream per franchise unit that covers the Company's costs to recruit, train, onboard, and support the franchise for the first year. These fees are fully earned and non-refundable when a franchise attends our initial training.
- Interest Income - like Initial Franchise Fees, interest income is a Cost Recovery Revenue stream that reimburses the Company for those franchises on a payment plan.

Ancillary Revenue:

- Contingent Commissions - although high margin, Contingent Commissions are unpredictable and susceptible to weather events and Carrier underwriting results. Management does not rely on Contingent Commissions for operating cash flow or budget planning.
- Other Franchise Revenues - book transfer fees, marketing investments from Carriers and other items that are unpredictable and supplemental to other revenue streams.

We discuss below the breakdown of our revenue by stream:

	Three Months Ended June 30,				Six Months Ended June 30,			
(in thousands)	**2024**		**2023**		**2024**		**2023**	
Core Revenue:								
Renewal Commissions(1)	$20,591	26 %	$18,541	27 %	$36,552	26 %	$34,359	27 %
Renewal Royalty Fees(2)	36,828	47 %	27,552	40 %	65,881	46 %	50,304	40 %
New Business Commissions(1)	6,682	9 %	6,257	9 %	12,363	9 %	11,774	9 %
New Business Royalty Fees(2)	7,169	9 %	6,267	9 %	13,402	9 %	11,909	9 %
Agency Fees(1)	2,137	3 %	2,404	3 %	4,048	3 %	4,634	4 %
Total Core Revenue	73,407	94 %	61,021	88 %	132,246	93 %	112,980	89 %
Cost Recovery Revenue:								
Initial Franchise Fees(2)	1,631	2 %	3,287	5 %	3,875	3 %	6,350	5 %
Interest Income	244	— %	417	1 %	494	— %	814	1 %
Total Cost Recovery Revenue	1,875	2 %	3,704	5 %	4,369	3 %	7,164	6 %
Ancillary Revenue:								
Contingent Commissions(1)	2,209	3 %	3,971	6 %	4,877	3 %	5,890	5 %
Other Franchise Revenues(2)	598	1 %	581	1 %	1,055	1 %	1,198	1 %
Total Ancillary Revenue	2,807	4 %	4,552	7 %	5,933	4 %	7,088	6 %
Total Revenues	**$78,088**	**100 %**	**$69,277**	**100 %**	**$142,548**	**100 %**	**$127,232**	**100 %**

(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.

Consolidated results of operations

The following is a discussion of our consolidated results of operations for each of the three and six months ended June 30, 2024 and 2023. This information is derived from our accompanying condensed consolidated financial statements prepared in accordance with GAAP.

The following table summarizes our results of operations for the three and six months ended June 30, 2024 and 2023 *(in thousands)*:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
Revenues:								
Commissions and agency fees	$ 31,619	40 %	$ 31,173	45 %	$ 57,840	41 %	$ 56,657	45 %
Franchise revenues	46,225	59 %	37,687	54 %	84,214	59 %	69,761	55 %
Interest income	244	— %	417	1 %	494	— %	814	1 %
Total revenues	78,088	100 %	69,277	100 %	142,548	100 %	127,232	100 %
Operating Expenses:								
Employee compensation and benefits	42,551	68 %	37,483	65 %	84,681	67 %	74,365	65 %
General and administrative expenses	16,855	27 %	17,332	30 %	34,035	27 %	33,188	29 %
Bad debts	653	1 %	900	2 %	1,780	1 %	2,555	2 %
Depreciation and amortization	2,632	4 %	2,372	4 %	5,200	4 %	4,465	4 %
Total operating expenses	62,691	100 %	58,087	100 %	125,696	100 %	114,573	100 %
Income from operations	15,397		11,190		16,852		12,659	
Other Income (Expense):								
Interest expense	(1,982)		(1,709)		(3,469)		(3,440)	
Other income (expense)	441		—		(6,286)		—	
Income before taxes	13,856		9,481		7,097		9,219	
Tax (benefit) expense	2,981		2,301		(5,587)		2,220	
Net income	10,875		7,180		12,684		6,999	
Less: net income attributable to non-controlling interests	4,677		3,514		4,672		3,414	
Net income attributable to Goosehead Insurance, Inc.	$ 6,198		$ 3,666		$ 8,012		$ 3,585	

Revenues

For the three months ended June 30, 2024 revenue increased 13% to $78.1 million from $69.3 million for the three months ended June 30, 2023. For the six months ended June 30, 2024 revenue increased 12% to $142.5 million from $127.2 million for the six months ended June 30, 2023.

Commissions and agency fees

Commissions and agency fees consist of new business commissions, renewal commissions, agency fees, and contingent commissions.

The following table sets forth these revenue streams by amount and as a percentage of total commissions and agency fees for the periods indicated (*in thousands*):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
Core Revenue:								
Renewal Commissions	$ 20,591	65 %	$ 18,541	59 %	$ 36,552	63 %	$ 34,359	61 %
New Business Commissions	6,682	21 %	6,257	20 %	12,363	21 %	11,774	21 %
Agency Fees	2,137	7 %	2,404	8 %	4,048	8 %	4,634	8 %
Total Core Revenue:	29,410	93 %	27,202	87 %	52,962	92 %	50,767	90 %
Ancillary Revenue:								
Contingent Commissions	2,209	7 %	3,971	13 %	4,877	8 %	5,890	10 %
Commissions and agency fees	**$ 31,619**	**100 %**	**$ 31,173**	100 %	**$ 57,840**	**100 %**	**$ 56,657**	100 %

Renewal Commissions increased by $2.1 million, or 11%, to $20.6 million for the three months ended June 30, 2024 from $18.5 million for the three months ended June 30, 2023. Renewal Commissions increased by $2.2 million, or 6%, to $36.6 million for the six months ended June 30, 2024 from $34.4 million for the six months ended June 30, 2023. The increase during the three and six months ended June 30, 2024 was primarily attributable to an increase in the number of policies in the renewal term from June 30, 2023 to June 30, 2024 and premium rate increases.

New Business Commissions increased by $0.4 million, or 7%, to $6.7 million for the three months ended June 30, 2024 from $6.3 million for the three months ended June 30, 2023. New Business Commissions increased by $0.6 million, or 5%, to $12.4 million for the six months ended June 30, 2024 from $11.8 million for the six months ended June 30, 2023. The increase during the three and six months ended June 30, 2024 was primarily driven by an increase in the number of Corporate Sales agents.

Revenue from Agency Fees decreased by $0.3 million, or 11%, to $2.1 million for the three months ended June 30, 2024 from $2.4 million for the three months ended June 30, 2023. Revenue from Agency Fees decreased by $0.6 million, or 13%, to $4.0 million for the six months ended June 30, 2024 from $4.6 million for the six months ended June 30, 2023. The decrease in Agency Fees during the three and six months ended June 30, 2024 was primarily attributable to a decrease in the percentage of policies written where an Agency Fee was charged.

Revenue from Contingent Commissions decreased by $1.8 million to $2.2 million for the three months ended June 30, 2024 from $4.0 million for the three months ended June 30, 2023. Revenue from Contingent Commissions decreased by $1.0 million, to $4.9 million for the six months ended June 30, 2024 from $5.9 million for the six months ended June 30, 2023. The decrease during the three and six months ended June 30, 2024 was primarily attributable to additional profitability requirements in order to earn a contingent bonus.

Franchise revenues

Franchise Revenues consist of Royalty Fees, Initial Franchise Fees, and Other Franchise Revenues.

The following table sets forth these revenue streams by amount and as a percentage of franchise revenues for the periods indicated (*in thousands*):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
Core Revenues:								
Renewal Royalty Fees	$ 36,828	80 %	$ 27,552	73 %	$ 65,881	78 %	$ 50,304	72 %
New Business Royalty Fees	7,169	16 %	6,267	17 %	13,402	16 %	11,909	17 %
Total Core Revenues:	43,997	95 %	33,819	90 %	79,284	94 %	62,213	89 %
Cost Recovery Revenues:								
Initial Franchise Fees	1,631	4 %	3,287	9 %	3,875	5 %	6,350	9 %
Ancillary Revenues:								
Other Franchise Revenues	598	1 %	581	2 %	1,055	1 %	1,198	3 %
Franchise revenues	$ 46,226	100 %	$ 37,687	100 %	$ 84,214	100 %	$ 69,761	100 %

Revenue from Renewal Royalty Fees increased by $9.3 million, or 34%, to $36.8 million for the three months ended June 30, 2024 from $27.6 million for the three months ended June 30, 2023. Revenue from Renewal Royalty Fees increased by $15.6 million, or 31%, to $65.9 million for the six months ended June 30, 2024 from $50.3 million for the six months ended June 30, 2023. The increase in revenue from Renewal Royalty Fees during the three and six months ended June 30, 2024 was primarily attributable to an increase in the number of policies in the renewal term and rising premium rates.

Revenue from New Business Royalty Fees increased by $0.9 million, or 14%, to $7.2 million for the three months ended June 30, 2024 from $6.3 million for the three months ended June 30, 2023. Revenue from New Business Royalty Fees increased by $1.5 million, or 13%, to $13.4 million for the six months ended June 30, 2024 from $11.9 million for the six months ended June 30, 2023. The increase in revenue from New Business Royalty Fees during the three and six months ended June 30, 2024 was primarily attributable to an increase in agent productivity and rising premium rates.

Revenue from Initial Franchise Fees decreased by $1.7 million, or 50%, to $1.6 million for the three months ended June 30, 2024 from $3.3 million for the three months ended June 30, 2023. Revenue from Initial Franchise Fees decreased by $2.5 million, or 39%, to $3.9 million for the six months ended June 30, 2024 from $6.4 million for the six months ended June 30, 2023. The primary reason for this decrease was lower turnover of franchises during the period, which avoids accelerated recognition of Initial Franchise Fees for terminated franchises.

Interest income

Interest income decreased by $0.2 million, or 41%, to $0.2 million for the three months ended June 30, 2024 from $0.4 million for the three months ended June 30, 2023. Interest income decreased by $0.3 million, or 39%, to $0.5 million for the six months ended June 30, 2024 from $0.8 million for the six months ended June 30, 2023. The decrease was primarily attributable to fewer average Franchise Agreements signed under the payment plan option.

Expenses

Employee compensation and benefits

Employee compensation and benefits expenses increased by $5.1 million, or 14%, to $42.6 million for the three months ended June 30, 2024 from $37.5 million for the three months ended June 30, 2023. Employee compensation and benefits expenses increased by $10.3 million, or 14%, to $84.7 million for the six months ended June 30, 2024 from $74.4 million for the six months ended June 30, 2023. The increase was primarily related to an investments in corporate producers, partnership, technology, and service functions, and an increase in equity-based compensation of 12% related to stock option awards during the year.

General and administrative expenses

General and administrative expenses decreased by $0.5 million, or 3%, to $16.9 million for the three months ended June 30, 2024 from $17.3 million for the three months ended June 30, 2023. The decrease was primarily attributable to impairment charges in the prior year offset by increased spending on software. General and administrative expenses increased by $0.8 million, or 3%, to $34.0 million for the six months ended June 30, 2024 from $33.2 million for the six months ended June 30, 2023. This increase was primarily attributable to increased spending on software offset by a decrease in asset impairment charges and professional services.

Bad debts

Bad debts decreased by $0.2 million, or 27%, to $0.7 million for the three months ended June 30, 2024 from $0.9 million for the three months ended June 30, 2023. Bad debts decreased by $0.8 million, or 30%, to $1.8 million for the six months ended June 30, 2024 from $2.6 million for the six months ended June 30, 2023. The decrease during the three and six months ended June 30, 2024 was primarily attributable to lower turnover of franchises during the periods.

Depreciation and amortization

Depreciation and amortization increased by $0.3 million, or 11%, to $2.6 million for the three months ended June 30, 2024 from $2.4 million for the three months ended June 30, 2023. Depreciation and amortization increased by $0.7 million, or 16%, to $5.2 million for the six months ended June 30, 2024 from $4.5 million for the six months ended June 30, 2023. This increase during the three and six months ended June 30, 2024 was primarily attributable to increased spending on software development since June 30, 2023.

Interest expense

Interest expense increased by $0.3 million for the three months ended June 30, 2024, to $2.0 million from $1.7 million for the three months ended June 30, 2023. Interest expense increased to $3.5 million for the six months ended June 30, 2024 from $3.4 million for the six months ended June 30, 2023. The primary driver of this increase during the three and six months ended June 30, 2024 was an increase in total borrowings outstanding during the periods.

Other income (expense)

Other income (expense) consists of remeasurements of our TRA liability and interest income. Other income (expense) increased by $0.4 million for the three months ended June 30, 2024 as a result of interest income generated by cash held in interest-bearing checking accounts. Other income (expense) decreased by $6.3 million for the six months ended June 30, 2024 primarily due to remeasurements of our TRA liability due to an increase in the effective tax rate resulting from changes in state apportionment and related state filing requirements.

Tax (benefit) expense

Tax expense increased by $0.7 million for the three months ended June 30, 2024, to $3.0 million from expense of $2.3 million for the three months ended June 30, 2023 primarily due to an increase in income before taxes. Tax (benefit) expense decreased by $7.8 million for the six months ended June 30, 2024 to a benefit of $5.6 million from expense of $2.2 million for six months ended June 30, 2023. This is primarily due to the deferred tax impact of changes in state apportionment and related state filing requirements.

Key performance indicators

Our key operating metrics are discussed below:

Total Written Premium

Total Written Premium represents for any reported period, the total amount of current (non-cancelled) gross premium that is placed by Goosehead with its portfolio of Carriers. Total Written Premium placed is an appropriate measure of operating performance because it reflects growth of our business relative to other insurance agencies.

The following tables show Total Written Premium placed by corporate agents and franchisees for the three and six months ended June 30, 2024 and 2023 *(in thousands)*.

	Three Months Ended June 30,		% Change
	2024	2023	
Corporate sales Total Written Premium	$ 205,788	$ 179,638	15 %
Franchise sales Total Written Premium	793,087	587,614	35 %
Total Written Premium	$ 998,875	$ 767,252	30 %

	Six Months Ended June 30,		% Change
	2024	2023	
Corporate sales Total Written Premium	$ 374,288	$ 326,467	15 %
Franchise sales Total Written Premium	1,443,372	1,078,496	34 %
Total Written Premium	$ 1,817,660	$ 1,404,963	29 %

Policies in Force

Policies in Force means, as of any reported date, the total count of current (non-cancelled) policies placed by Goosehead with its portfolio of Carriers. We believe that Policies in Force is an appropriate measure of operating performance because it reflects growth of our business relative to other insurance agencies.

As of June 30, 2024, we had 1.6 million Policies in Force compared to 1.5 million as of December 31, 2023 and 1.4 million as of June 30, 2023, representing a 7% and 11% increase, respectively.

NPS

Net Promoter Score (NPS) is calculated based on a single question: “How likely are you to refer Goosehead Insurance to a friend, family member or colleague?” Clients that respond with a 6 or below are Detractors, a score of 7 or 8 are called Passives, and a 9 or 10 are Promoters. NPS is calculated by subtracting the percentage of Detractors from the percentage of Promoters. For example, if 50% of respondents were Promoters and 10% were Detractors, NPS is a 40. NPS is a useful gauge of the loyalty of client relationships and can be compared across companies and industries.

NPS has remained steady at 91 as of June 30, 2024, compared to 91 as of June 30, 2023.

Client Retention

Client Retention is calculated by comparing the number of all clients that had at least one policy in force twelve months prior to the date of measurement and still have at least one policy in force at the date of measurement. We believe Client Retention is useful as a measure of how well Goosehead retains clients year-over-year and minimizes defections.

Client Retention decreased modestly to 84% at June 30, 2024 when compared to 86% at December 31, 2023 and 88% at June 30, 2023. For the trailing twelve months ended June 30, 2024, we retained 99% of the premiums we distributed in the trailing twelve months ended June 30, 2023, which decreased modestly from the 101% premium retention at December 31, 2023. Our premium retention rate is higher than our Client Retention rate as a result of both premiums increasing year over year and additional coverages sold by our sales and service teams.

New Business Revenue

New Business Revenue is commissions received from the Carrier, Agency Fees received from clients, and New Business Royalty Fees from franchises relating to policies in their first term.

For the three months ended June 30, 2024, New Business Revenue grew 7% to $16.0 million, from $14.9 million for the three months ended June 30, 2023. For the six months ended June 30, 2024, New Business Revenue grew 5% to $29.8 million, from $28.3 million for the six months ended June 30, 2023. Growth in New Business Revenue during the three and six months ended June 30, 2024 was primarily driven by growth in productivity and rising premium rates.

Renewal Revenue

Renewal Revenue is commissions received from the Carrier and Renewal Royalty Fees from franchises received after the first term of a policy.

For the three months ended June 30, 2024, Renewal Revenue grew 25% to $57.4 million, from $46.1 million for the three months ended June 30, 2023. For the six months ended June 30, 2024, Renewal Revenue grew 21% to $102.4 million, from $84.7 million for the six months ended June 30, 2023. Growth in Renewal Revenue during the three and six months ended June 30, 2024 was primarily driven by Client Retention of 84% at June 30, 2024, and rising premium rates.

Non-GAAP Measures

Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS are not measures of financial performance under GAAP and should not be considered substitutes for total revenue, net income, net income margin or earnings per share, which we consider to be the most directly comparable GAAP measures. We refer to these measures as "non-GAAP financial measures." We consider 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 we believe are not representative of our core business. Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS have limitations as analytical tools, and when assessing our operating performance, you should not consider Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, or Adjusted EPS in isolation or as substitutes for total revenue, net income, earnings per share, as applicable, or other consolidated income statement data prepared in accordance with GAAP. Other companies may calculate Core Revenue, Cost Recovery Revenue, Ancillary Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS differently than we do, limiting their usefulness as comparative measures.

Core Revenue

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.

Core Revenue increased by $12.4 million, or 20%, to $73.4 million for the three months ended June 30, 2024 from $61.0 million for the three months ended June 30, 2023. Core Revenue increased by $19.3 million, or 17%, to $132.2 million for the six months ended June 30, 2024 from $113.0 million for the six months ended June 30, 2023. The primary drivers of the increase during the three and six months ended June 30, 2024 were the higher number of policies in the renewal term from June 30, 2023 to June 30, 2024 as well as premium retention of 99% as of June 30, 2024.

Cost Recovery Revenue

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.

Cost Recovery Revenue decreased by $1.8 million, or 49%, to $1.9 million for the three months ended June 30, 2024 from $3.7 million for the three months ended June 30, 2023. The primary driver of the decrease was a decrease in total franchises. Cost Recovery Revenue decreased by $2.8 million, or 39%, to $4.4 million for the six months ended June 30, 2024 from $7.2 million for the six months ended June 30, 2023. The primary driver was a decrease in terminations of franchises, resulting in less acceleration of initial franchise fee revenue.

Ancillary Revenue

Ancillary Revenue is a supplemental measure of our performance and includes Contingent Commissions and Other Franchise Revenues. We believe that Ancillary Revenue is an appropriate measure of operating performance because it summarizes revenues that are ancillary to our core business**.**

Ancillary Revenue decreased by $1.7 million to $2.8 million for the three months ended June 30, 2024 from $4.6 million for the three months ended June 30, 2023. Ancillary Revenue decreased by $1.2 million to $5.9 million for the six months ended June 30, 2024 from $7.1 million for the six months ended June 30, 2023. The decrease was primarily attributable to additional profitability requirements in order to earn a contingent bonus.

Adjusted EBITDA

Adjusted EBITDA is a supplemental measure of our 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, impairment expense, 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 increased by $1.6 million, or 7%, to $24.7 million for the three months ended June 30, 2024 from $23.1 million for the three months ended June 30, 2023. Adjusted EBITDA increased by $3.1 million, or 9%, to $36.4 million for the six months ended June 30, 2024 from $33.2 million for the six months ended June 30, 2023. The primary driver of the increase in Adjusted EBITDA during the three and six months ended June 30, 2024 was growth in Total Revenue.

Adjusted EBITDA Margin

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.

For the three months ended June 30, 2024, Adjusted EBITDA Margin was 32% compared to 33% for the three months ended June 30, 2023. For the six months ended June 30, 2024, Adjusted EBITDA Margin was 26% compared to 26% for the six months ended June 30, 2023 as a result of maintaining growth in expenses in proportion to growth in Total Revenue.

Adjusted EPS

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.

GAAP to Non-GAAP Reconciliations

The following tables show a reconciliation from Total Revenues to Core Revenue, Cost Recovery Revenue, and Ancillary Revenue for the three and six months ended June 30, 2024 and 2023 *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Total Revenues	$ 78,088	$ 69,277	$ 142,548	$ 127,232
Core Revenue:				
Renewal Commissions[1]	$ 20,591	$ 18,541	$ 36,552	$ 34,359
Renewal Royalty Fees[2]	36,828	27,552	65,881	50,304
New Business Commissions[1]	6,682	6,257	12,363	11,774
New Business Royalty Fees[2]	7,169	6,267	13,402	11,909
Agency Fees[1]	2,137	2,404	4,048	4,634
Total Core Revenue	73,407	61,021	132,246	112,980
Cost Recovery Revenue:				
Initial Franchise Fees[2]	1,631	3,287	3,875	6,350
Interest Income	244	417	494	814
Total Cost Recovery Revenue	1,875	3,704	4,369	7,164
Ancillary Revenue:				
Contingent Commissions[1]	2,209	3,971	4,877	5,890
Other Franchise Revenues[2]	598	581	1,055	1,198
Total Ancillary Revenue	2,807	4,552	5,933	7,088
Total Revenues	$ 78,088	$ 69,277	$ 142,548	$ 127,232

(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 for the three and six months ended June 30, 2024 and 2023 *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Net income	$ 10,875	$ 7,180	$ 12,684	$ 6,999
Interest expense	1,982	1,709	3,469	3,440
Depreciation and amortization	2,632	2,372	5,200	4,465
Tax (benefit) expense	2,981	2,301	(5,587)	2,220
Equity-based compensation	6,632	5,872	13,989	12,492
Impairment expense	—	3,628	347	3,628
Other (income) expense	(441)	—	6,286	—
Adjusted EBITDA	$ 24,661	$ 23,062	$ 36,388	$ 33,244
Adjusted EBITDA Margin[1]	32 %	33 %	26 %	26 %

(1) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Total Revenue ($24,661/$78,088), and ($23,062/$69,277) for the three months ended June 30, 2024 and 2023, respectively. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Total Revenue ($36,388/$142,548), and ($33,244/$127,232) for the six months ended June 30, 2024 and 2023, respectively.

The following tables show a reconciliation from basic earnings per share to Adjusted EPS (non-GAAP basis) for the three and six months ended June 30, 2024 and 2023. Note that totals may not sum due to rounding:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Earnings per share - basic (GAAP)	$ 0.25	$ 0.15	$ 0.32	$ 0.15
Add: equity-based compensation[(1)]	0.18	0.16	0.37	0.33
Add: impairment expense[(2)]	—	0.10	0.01	0.10
Adjusted EPS (non-GAAP)	$ 0.43	$ 0.41	$ 0.70	$ 0.58

(1) Calculated as equity-based compensation divided by sum of weighted average Class A and Class B shares [$6.6 million/(24.7 million + 12.8 million)] for the three months ended June 30, 2024 and [$5.9 million/ (23.7 million + 13.9 million)] for the three months ended June 30, 2023. Calculated as equity-based compensation divided by sum of weighted average Class A and Class B shares [$14.0 million/(24.9 million + 12.8 million)] for the six months ended June 30, 2024 and [$12.5 million/ (23.4 million + 14.1 million)] for the six months ended June 30, 2023.

(2) Calculated as impairment expense divided by sum of weighted average Class A and Class B shares [$0.3 million/(24.9 million + 12.8 million)] for the six months ended June 30, 2024. Calculated as impairment expense divided by sum of weighted average Class A and Class B shares [$3.6 million/(23.7 million + 13.9 million)] for the three months ended June 30, 2023. Calculated as impairment expense divided by sum of weighted average Class A and Class B shares [$3.6 million/(23.4 million + 14.1 million)] for the six months ended June 30, 2023. No impairment was recorded for the three months ended June 30, 2024.

Liquidity and capital resources

Liquidity and capital resources

We have managed our historical liquidity and capital requirements primarily through the receipt of revenues. Our primary cash flow activities involve: (1) generating cash flow from Commissions and Fees, which largely includes New Business Revenue, Renewal Revenue, and Agency Fees; (2) generating cash flow from Franchise Revenues operations, which largely includes Initial Franchise Fees and Royalty Fees; (3) borrowings, interest payments and repayments under our credit agreement; and (4) issuing shares of Class A common stock. As of June 30, 2024, our cash and cash equivalents balance was $23.6 million. We have used cash flow from operations primarily to pay compensation and related expenses, general, administrative and other expenses, debt service, special dividends, share repurchases, and distributions to our owners.

Credit agreement

See "Note 8. Debt" in the condensed consolidated financial statements included herein for a discussion of the Company's credit facilities.

Comparative cash flows

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated *(in thousands):*

	Six Months Ended June 30,		
	2024	2023	Change
Net cash provided by operating activities	$ 30,942	$ 16,221	$ 14,721
Net cash used for investing activities	(5,822)	(11,286)	5,464
Net cash used for financing activities	(42,882)	(14,401)	(28,481)
Net decrease in cash and cash equivalents	(17,762)	(9,466)	(8,296)
Cash and cash equivalents, and restricted cash, beginning of period	44,047	30,387	13,660
Cash and cash equivalents, and restricted cash, end of period	$ 26,285	$ 20,921	$ 5,364

Operating activities

Net cash provided by operating activities was $30.9 million for the six months ended June 30, 2024 as compared to net cash provided by operating activities of $16.2 million for the six months ended June 30, 2023. This increase in net cash provided by operating activities was primarily attributable to a $5.7 million increase in net income and a $9.1 million decrease in prepaid expenses.

Investing activities

Net cash used for investing activities was $5.8 million for the six months ended June 30, 2024, compared to net cash used for investing activities of $11.3 million for the six months ended June 30, 2023. This decrease was primarily driven by a $8.4 million decrease in purchases of books of business and property and equipment offset by a $2.7 million increase in capitalized software development costs.

*Financing activitie*s

Net cash used for financing activities was $42.9 million for the six months ended June 30, 2024 as compared to net cash used for financing activities of $14.4 million for the six months ended June 30, 2023. This increase in net cash used for financing activities was primarily driven by repurchases of our Class A common stock for $63.2 million offset by new borrowings under our term loan of $25.0 million and an $8.7 million decrease in repayments on our term loan.

Future sources and uses of liquidity

Our sources of liquidity are (1) cash on hand, (2) net working capital, (3) cash flows from operations and (4) our revolving credit facility. Based on our current expectations, we believe that these sources of liquidity will be sufficient to fund our working capital requirements and to meet our commitments in the foreseeable future.

We expect that our primary liquidity needs will comprise cash to (1) provide capital to facilitate the organic growth of our business, (2) pay operating expenses, including cash compensation to our employees, (3) make payments under the tax receivable agreement, (4) pay interest and principal due on borrowings under our Credit Agreement (5) pay income taxes, (6) repurchase shares under our Share Repurchase Program, and (7) when deemed advisable by our board of directors, pay dividends.

Dividend policy

There have been no material changes to our dividend policy as described in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Tax receivable agreement

We entered into a tax receivable agreement with the Pre-IPO LLC Members on May 1, 2018 that provides for the payment by us to the Pre-IPO LLC Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of (i) any increase in tax basis in Goosehead Insurance, Inc.'s assets and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the tax receivable agreement. See "Item 13. Certain relationships and related transactions, and director independence" of the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Holders of Goosehead Financial, LLC Units (other than Goosehead Insurance, Inc.) may, subject to certain conditions and transfer restrictions described above, redeem or exchange their LLC Units for shares of Class A common stock of Goosehead Insurance, Inc. on a one-for-one basis. Goosehead Financial, LLC intends to make an election under Section 754 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the “Code”) effective for each taxable year in which a redemption or exchange of LLC Units for shares of Class A common stock occurs, which is expected to result in increases to the tax basis of the assets of Goosehead Financial, LLC at the time of a redemption or exchange of LLC Units. The redemptions or exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Goosehead Financial, LLC. These increases in tax basis may reduce the amount of tax that Goosehead Insurance, Inc. would otherwise be required to pay in the future. We have entered into a tax receivable agreement with the Pre-IPO LLC Members that provides for the payment by us to the Pre-IPO LLC Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of (i) any increase in tax basis in Goosehead Insurance, Inc.'s assets resulting from (a) the purchase of LLC Units from any of the Pre-IPO LLC Members using the net proceeds from any future offering, (b) redemptions or exchanges by the Pre-IPO LLC Members of LLC Units for shares of our Class A common stock or (c) payments under the tax receivable agreement and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the tax receivable agreement. This payment obligation is an obligation of Goosehead Insurance, Inc. and not of Goosehead Financial, LLC. For purposes of the tax receivable agreement, the cash tax savings in income tax will be computed by comparing the actual income tax liability of Goosehead Insurance, Inc. (calculated with certain assumptions) to the amount of such taxes that Goosehead Insurance, Inc. would have been required to pay had there been no increase to the tax basis of the assets of Goosehead Financial, LLC as a result of the redemptions or exchanges and had Goosehead Insurance, Inc. not entered into the tax receivable agreement. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. While the actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of redemptions or exchanges, the price of shares of our Class A common stock at the time of the redemption or exchange, the extent to which such redemptions or exchanges are taxable and the amount and timing of our income. See "Item 13. Certain relationships and related transactions, and director independence" of the Annual Report on Form 10-K. We anticipate that we will account for the effects of these increases in tax basis and associated payments under the tax receivable agreement arising from future redemptions or exchanges as follows:

- we will record an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal and state tax rates at the date of the redemption or exchange;
- to the extent we estimate that we will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, our expectation of future earnings, we will reduce the deferred tax asset with a valuation allowance; and
- we will record 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase to the liability due under the tax receivable agreement and the remaining 15% of the estimated realizable tax benefit as an increase to additional paid-in capital.

All of the effects of changes in any of our estimates after the date of the redemption or exchange will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income.

Contractual obligations, commitments and contingencies

The following table represents our contractual obligations as of June 30, 2024, aggregated by type *(in thousands):*

	Contractual obligations, commitments and contingencies				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating leases[(1)]	$ 69,527	$ 11,401	$ 23,197	$ 21,164	$ 13,765
Debt obligations payable[(2)]	98,110	10,063	88,047	—	—
Interest expense[(3)]	13,672	7,036	6,636	—	—
Liabilities under the tax receivable agreement[(4)]	160,159	4,952	38,750	21,506	94,951
Total	$ 341,468	$ 33,452	$ 156,630	$ 42,670	$ 108,716

(1) The Company leases its facilities under non-cancelable operating leases. In addition to monthly lease payments, the lease agreements require the Company to reimburse the lessors for its portion of operating costs each year. Rent expense was $2.0 million and $2.0 million for the three months ended June 30, 2024 and 2023 and $3.8 million and $4.1 million for the six months ended June 30, 2024 and 2023.
(2) The Company further amended its credit facilities on April 24, 2024 increasing term loan borrowings by $25 million and increasing the revolving credit facility by $25 million to $75 million of which nothing was drawn as of June 30, 2024. See "Note 8. Debt" under Part I, Item 1 of this Form 10-Q.
(3) Interest expense includes interest payments on our outstanding debt obligations under our credit agreement. Our debt obligations have variable interest rates. We have calculated future interest obligations based on the interest rate for our debt obligations as of June 30, 2024.
(4) See "Item 2. Management's discussion and analysis of financial condition and results of operation - Tax receivable agreement."

Share Repurchase Program

On April 24, 2024, our board of directors approved a share repurchase program with authorization to purchase up to $100 million of our Class A common stock through March 31, 2025. See "Note 10. Stockholders' Equity" in the condensed consolidated financial statements included herein for a discussion of the repurchase program.

Off-balance sheet arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any activities that expose us to any liability that is not reflected in our condensed consolidated financial statements except for those described under “Contractual obligations, commitments and contingencies” above.

Critical accounting policies

Our discussion and analysis of our consolidated financial condition and results of operations is based upon the accompanying condensed consolidated financial statements and notes thereto, which have been prepared in accordance with GAAP. The preparation of the condensed consolidated financial statements requires us to make estimates, judgments and assumptions, which we believe to be reasonable, based on the information available. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Variances in the estimates or assumptions used to actual experience could yield materially different accounting results. On an ongoing basis, we evaluate the continued appropriateness of our accounting policies and resulting estimates to make adjustments we consider appropriate under the facts and circumstances. There have been no significant changes to our critical accounting policies as disclosed in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Recent accounting pronouncements

See "Note 2. Summary of Significant Accounting Policies—Recently Issued Accounting Pronouncements” under Part I, Item 1 of this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our exposure to market risks as described in "Item 7A. Quantitative and qualitative disclosure of market risks" in the Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Item 4. Controls and Procedures

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2024. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes to our internal control over financial reporting that occurred during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

The information required by this Item is incorporated by reference to "Part I, Item I, Note 13. Litigation" in the condensed consolidated financial statements included herein.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

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

Subject to the terms of the amended and restated Goosehead Financial, LLC Agreement, each LLC Unit is redeemable (along with the cancellation of the corresponding share of Class B common stock) for one share of Class A common stock.

Issuer Purchases of Equity Securities

Share repurchase activity during the three months ended June 30, 2024 was as follows (in thousands, except for average price paid per share):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(1)]	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
April 1, 2024 - April 30, 2024	100	$57.17	100	$94,291
May 1, 2024 - May 31, 2024	840	$61.11	840	$42,987
June 1, 2024 - June 30, 2024	105	$58.40	105	$36,837
Total	1,045		1,045	

(1) On April 24, 2024, our board of directors approved a share repurchase program with authorization to purchase up to $100 million of our Class A common stock through March 31, 2025.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit 31.1	Certifications of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certifications of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

GOOSEHEAD INSURANCE, INC.

Date: July 24, 2024

By: /s/ Mark K. Miller

Mark K. Miller
President and Chief Executive Officer
(Principal Executive Officer)

Date: July 24, 2024

By: /s/ Mark E. Jones, Jr.

Mark E. Jones, Jr.
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Mark K. Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Goosehead Insurance, Inc.;

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

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

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

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

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

   c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: July 24, 2024

/s/ Mark K. Miller

Mark K. Miller
Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Mark E. Jones, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Goosehead Insurance, Inc.;

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

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

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

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

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

    c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2024

/s/ Mark E. Jones, Jr.

Mark E. Jones, Jr.
Chief Financial Officer

Exhibit 32

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

The certification set forth below is being submitted in connection with Goosehead Insurance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Mark K. Miller, the Chief Executive Officer and Mark E. Jones, Jr., the Chief Financial Officer of Goosehead Insurance, Inc., each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Goosehead Insurance, Inc.

Date: July 24, 2024

/s/ Mark K. Miller
Mark K. Miller
Chief Executive Officer

Date: July 24, 2024

/s/ Mark E. Jones, Jr.
Mark E. Jones, Jr.
Chief Financial Officer