



Urgent.ly Inc.

Third Quarter 2023 Conference Call

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CORPORATE PARTICIPANTS

Jenny Mitchell, *Vice President of Finance, Strategy, Investor Relations*

Matt Booth, *Chief Executive Officer and President*

Tim Huffmyer, *Chief Financial Officer*

PRESENTATION

Operator

Good morning, and welcome to Urgently Third Quarter 2023 Conference Call.

As a reminder, today's call is being recorded and your participation implies consent to such recording.

(Operator Instructions).

With that, I would like to turn the call over to Jenny Mitchell, Vice President of Finance, Strategy and Investor Relations. You may proceed.

Jenny Mitchell

Thank you, Operator. Good morning, everyone, and thank you for joining us for Urgently's financial results conference call for their third quarter ended September 30, 2023.

On the call today we have Urgently CEO, Matt Booth; and CFO Tim Huffmyer.

Before we begin, allow me to provide a disclaimer regarding forward-looking statements. This call, including the Q&A portion of the call, will include forward-looking statements. Including statements regarding our services, market expectations, the integration of Urgently and Otonomo, the future financial performance of the combined companies and other events. These statements are based on our current assumptions and beliefs. We assume no obligation to update them, except as required by law.

Our actual results may differ materially from the results predicted. For a discussion of material risks and other important factors that could affect our actual results, please refer to the section titled Risk Factors in our final prospectus, filed with the SEC on October 19, 2023, our earnings press release issued earlier today and our 10-Q for the third quarter, which we expect to file later today.

We will also be discussing non-GAAP financial measures. These non-GAAP financial measures are not intended to be a substitute for, or superior to, our GAAP results. Please be sure to review the reconciliations of our GAAP and non-GAAP financial measures in our earnings press release, available on our Investor Relations site and in our 10-Q for the third quarter.

This conference call will be available for replay through the Investor section of our website, located at www.geturgently.com.

Today, Matt will begin with an overview of Urgently, followed by our third quarter highlights. Tim will then take you through a review of the financials before we proceed to a question-and-answer session.

With that, I will now turn the call over to Matt.

Matt Booth

Thank you, Jenny. Good morning, everyone, and thank you for joining us for our first earnings call as a public company following our completion of the merger with Otonomo and listing on NASDAQ in October.

As some of you may be new to the Urgently story, I would like to spend a few minutes taking you through a brief overview of who we are and what we do, the significant market opportunity that we believe is in front of us, and our strategy to drive growth and shareholder value creation going forward. I'll cap this off by telling you about our recent customer wins related to our expansion strategy, providing an update on our recent progress and performance, then I'll turn the call over to Tim for an overview on our financial results.

The traditional experience of a vehicle breakdown and roadside assistance is often stressful and inconvenient for stranded drivers. High customer frustration is often compounded by legacy processes such as high touch call center interactions between the customer, the dispatcher and the service provider, which lack transparency and can lead to long wait times. The roadside assistance service provider industry in North America is highly fragmented and is largely comprised of small and medium sized owner operators that typically concentrate service on their immediate geographic area. In addition, service complexity has been increasing as the mobility market expands to include more connected vehicles, electric vehicles, and autonomous vehicles, all of which have their own unique service requirements and best practices.

We view the mobility assistance matching process and roadside service delivery fundamentally as a geospatial software problem. Our software captures the various service requests, specific data points such as the vehicle model, the service type, weather conditions, safety, traffic, time of day and vehicle and service provider location, and the algorithm automatically generates the best available experience for the given consumer and service provider.

Urgently was founded over 10 years ago around the concept of streamlining the mobility assistance matching process and roadside service and delivery, and to digitally revolutionize the mobility assistance market and provide an innovative alternative to the friction-laden traditional experience. The Urgently software platform was built to dynamically match vehicle requirements and operator preferences, connect the consumers with high quality service professionals to deliver roadside assistance, proactive maintenance, and repair services.

Our mission is to safeguard drivers, promptly assist their journey and employ technology to proactively avert potential issues, with the overarching goal of being able to deliver exceptional mobility assistance experiences to both fleets and drivers. We believe that we have been largely successful, and at scale, as demonstrated by our high customer satisfaction scores of 4.5 out of 5 stars on over five million dispatches service to-date. We are working with over 50 customer partners, including some of the world's leading automotive brands, and partnering with over 12,000 service providers across all of North America.

As we look ahead, our strategy is squarely aimed at driving sustainable profitable growth in three key areas. Our first growth priority is to continue to expand our existing B2B incident business today. We have a track record of customer-partner wins, including with the leading U.S. and international OEMs, top rental fleets and top rental companies. We also have demonstrated strong growth after winning customer

partners with our land and expand strategy. We have a robust pipeline to continue to maximize opportunities from the incident business, with the global vehicle roadside assistance market currently estimated to be a \$25 billion global marketplace opportunity, and with the North American market comprising about half of that.

The roadside assistance market is very large and undergoing technological changes that are driving increasingly more complexity. We believe Urgently's digital software-first approach is well-positioned to capitalize on the following near-term tailwinds. First, U.S. EV sales are forecast to surpass one million units for the first time in 2023, and EV shares now approaching 7% of the total U.S. auto market according to Cox Automotive. EVs have breakdowns, need charging, and have tire issues just like internal combustion engine vehicles. Given that EVs are computers on wheels sending status signals about the state of the vehicle, we believe Urgently's software-driven solutions are well-positioned to ingest these signals at scale, and provide driver assistance services where needed.

Second, the U.S. car park continues to increase year-over-year, now reaching 292 million in 2023. At the same time, the average age of the U.S. car is over 12.2 years old. This is an important stat for Urgently because older cars tend to breakdown more often. Vehicle miles traveled are also expected to increase from 8.9 billion in 2022 to 9.2 billion miles by 2024. We believe vehicle miles traveled will continue to grow substantially as autonomous vehicles start to come online at scale. All these factors together provide a consistently growing and stable market opportunity.

Our second growth priority is to expand our reactive assistance incident business into offering more proactive and preventative service businesses. We believe that a key step towards unlocking a broader mobility economy, which is estimated to grow to more than \$100 billion by 2030, was with our recent merger with Otonomo. Otonomo provide a highly complementary and synergistic portfolio of technologies and capabilities, such as real time connected vehicle aggregation and processing platforms, with integrations across multiple OEMs, fleet and rental companies.

In addition, Otonomo acquired a company called The Floop about a year and a half ago which focuses on Insurtech solutions, like connected scoring, accident detection and usage-based insurance monitoring solutions, driver campaigns and safety monitoring. We believe our acquisition of Otonomo will contribute to our ability to provide solutions in that connected vehicle ecosystem and it enables us to ingest and process that data to provide an optimized customer experience and service delivery. We're excited to start focusing on enabling the delivery of real-world services from the connected vehicle signals with our customer partners.

By expanding into the preventative and proactive services business, our goal is to get us closer and closer to zero mobility interruption. The shift towards a vehicle-initiated service will mean, for example, not guessing why the check engine light is on. We believe Urgently's strong platform foundation and technology expertise puts us in a position to benefit from the increasing vehicle complexity. We believe the increasingly accessible connected vehicle data will allow us to deploy innovative products that will eventually help us to determine the exact right way to intervene that's minimally disruptive to the customer.

As an example, if you were stranded, we can get you a ride share so you can continue on your way. With the driver's permission, we can lock and unlock your vehicle when the service provider arrives and notify you when the vehicle is dropped off for service. We're focused on using technology to improve the customer experience. We believe that services like this will help us create a competitive moat to win and retain more partners.

Finally, our third priority is to further support our partners by creating new white label B2B2C subscription products. In the future, we believe these products will define a new wave of service delivery, brand interaction, and enable our partners to meet their subscription revenue targets.

In summary, Urgently is a leading mobility services platform that solves a key industry need across our partners today. We have a strong track record of new partner wins and expanding with current partners, and we have a robust pipeline to continue to maximize opportunities from the incident business, with the global vehicle roadside assistance market currently estimated to be a \$25 billion global marketplace opportunity. In addition, we see opportunities to accelerate growth through innovation as the connected vehicle marketplace continues to evolve and grow in complexity.

With that as a backdrop, I would like to now turn to this quarter's performance and strategic progress. As background, over the past year, we embarked on an initiative to look within our business and execute operational improvements to drive efficiencies to position Urgently for sustainable and profitable growth over the long term. For Urgently, this started with an in-depth analysis of partner level profitability. As previously disclosed in our filings, this led to our decision to shift focus away from less profitable partner revenue activity. Second, aided by technological improvements and optimization, we launched initiatives targeting gross profit improvement.

We also transformed our customer service operations by leveraging nearshore business process organizations located in Central and South America and reduced call volume by moving away from partnerships that require first call support, focusing instead on partnerships that support digital first interactions. Lastly, we took a solid look at our operational costs, span of control, team structures, to better size the organization. In addition, our colleagues at Otonomo were executing similar strategies.

Overall, I'm very pleased with our performance during the third quarter and year-to-date, which reflects the progress we have made against our strategic initiatives, Our Q3 revenue growth to-date was 3% year-over-year, as we successfully backfilled less profitable revenue with healthier revenue growth. In addition, our Q3 year-to-date gross profit improved 136% over the prior year-to-date. The combined Company operational focus reduced the Q3 year-to-date non-GAAP operating loss by 69% compared to the prior year period.

These results have also translated into recent Company wins for us today. First, we have recently signed and expect to launch a top five U.S. OEM in early 2024. Second, we have recently signed a high-performance OEM with an EV focus. Third, we've recently renewed a top mobility and rideshare company providing support for their drivers. And four, we have recently signed and expect to launch an emerging car share company. We're excited about these opportunities and look forward to providing further updates in the coming quarters.

Thank you for your time and continued support. I'll now turn the call over to Tim to discuss our financial results for the quarter. Tim?

Tim Huffmyer

Thanks, Matt, and good morning, everyone.

Today I will discuss our third quarter and 2023 year-to-date results. Before I do that, let's first discuss the completion of the merger with Otonomo Technology. On October 19, we completed the merger with Otonomo, which ended with our NASDAQ listing on the same day.

To accomplish these transactions, the Company first filed our Form S-4 registration statement to provide merger information to Otonomo's Shareholders ahead of their Shareholder vote to approve the merger

and register the shares being issued to them in the merger. We then filed a Form S-1 registration statement to register certain shares held by our existing stockholders at closing. This S-1 is exclusively a secondary shelf registration statement for shares held only by existing Investors, and no new shares are being issued by Urgently.

In sum, Urgently will not receive any proceeds from the sale of Urgently stock on the S-4 or the S-1. We do not have the ability to raise additional capital from the capital markets using the S-4 or S-1 that are already on file. Any registered offering by us to raise capital from the capital markets would require the filing of a new registration statement. We've received several Investor questions around these documents, and I hope this clarifies any lingering questions.

The merger with Otonomo included the acquisition of the Otonomo business, 111 employees located mostly in Israel and the United Kingdom, their revenue contracts, their technology, and the net assets on their balance sheet, all resulting in the former Otonomo shareholders owning just less than 40% of the new combined Company and the former Urgently shareholders owning just over 60% of the new combined Company. These ownership percentages encapsulate the entire Otonomo and Urgently capitalization tables prior to closing, including the Otonomo warrant exchange, conversion of Urgently's convertible notes, and the net exercise of nearly all of Urgently's outstanding warrants.

At the time of the merger, Otonomo became a fully-owned subsidiary of Urgently, Inc., all resulting in an October 19 common stock share count of approximately 13.1 million shares. At closing, the combined Company cash balance was approximately \$88.7 million, net of all related transaction expenses. Additionally, given the conversion of Urgently's convertible notes just prior to the merger, the remaining combined Company debt balance was approximately \$71.8 million. This debt matures at various times over the next 14 months. We anticipate exploring refinancing options with existing and new lenders.

During the call today, we will focus mostly on the third quarter and year-to-date results for Urgently only, which will not include the financial results of Otonomo for the same period. Since the acquisition closed in October, our fourth quarter and year-end earnings conference call will cover the results of the combined Company, including the results of Urgently's operations for the full fourth quarter, and the results of Otonomo operations from October 19 through December 31, and the purchase price allocations as a result of the merger recorded on October 19.

We'd like to acknowledge the work of our advisors that completed this incredibly complex transaction. The banking team for Urgently consisted of Evercore and B. Riley Financial and Otonomo consisted of Needham Company. The legal team for Urgently consisted of Wilson Sonsini Goodrich & Rosati and Israeli counsel, Herzog Fox & Neeman. Otonomo consisted of Latham Watkins and Israeli counsel Goldfarb Gross Seligman. The accounting team for Urgently is CohnReznick and the Otonomo consisted of Somekh Chaikin, a KPMG International Firm. Finally, our public relations and Investor relations team is Solebury Strategic Communications. We appreciate the effort of the entire advisor team to support the closing of a very unique transaction.

Now let's move on to the financial results. Again, as a reminder, the following review will include the 2023 financial results for Urgently prior to the completion of the merger transaction with Otonomo. For the third quarter revenue was \$46 million, down 12% or \$6.1 million for the same quarter last year. The year-over-year revenue decline is primarily related to our decision to move away from less profitable revenue, including the loss of one insurance partner due to our change in strategy, partially offset by volume and rate increases for our existing business.

For the third quarter year-to-date period, revenue was \$139.6 million, up 3% or \$4 million from the same period last year. The increase in revenue was primarily driven by an increase in volume and rates with existing partners, specifically with our fleet management and OEM partners, partially offset by lower

dispatch volume from one OEM partner based on lower new vehicle sales and our decision to move away from less profitable revenue, including the loss of one insurance partner.

For the third quarter, gross profit was \$9.2 million, up \$3.1 million compared to the same period last year. Gross profit grew 52% compared to a revenue decline of 12% in the third quarter. For the third quarter year-to-date period, gross profit was \$27.7 million, up \$15.9 million compared to the same period last year. Gross profit grew 136% compared to revenue growth of 3% in the third quarter year-to-date period.

As Matt mentioned, over the last year, we've been focused on transforming our operating model, including a focus on gross profit. Most of the realized gross profit benefit is a result of contract optimization, including adjusting partner rates, and a focus on increasing efficiencies, technology-led optimization initiatives and reducing costs associated with first call services.

Gross margin for the third quarter was 20%, compared to 12% the same period last year. Gross margin for the third quarter year-to-date period was 20%, compared to 9% for the same period last year. We are pleased with the team's efforts over the last year to achieve these gross profit and gross margin results.

Now let's move to operating expenses. At the beginning of the third quarter last year, we had 368 employees, compared to the end of the third quarter of this year, we had 234 employees, resulting in a 36% reduction. This reduction impacted all areas of our business and was a direct result of the operational model changes made.

Operating Expenses for the third quarter was \$15 million, a reduction of \$4.2 million or 22% from the same period last year. Operating expenses for the third quarter year-to-date period was \$50 million, a reduction of \$6.9 million or 12% from the same period last year. Much of this reduction in operating expense was a result of the staffing reductions completed over the last year. Additionally, as part of the business and operational model changes, we also migrated a portion of our customer support resources from the United States to business process organizations located in Central and South America. This change reduced impacted labor-related charges by approximately 60%.

GAAP operating loss was third quarter was \$5.8 million, a reduction of \$7.3 million or 55% for the same period last year. GAAP operating loss for the third quarter year-to-date period was \$22.3 million, a reduction of \$22.8 million or 51% from the same period last year. We also review non-GAAP operating loss which is defined as GAAP operating loss, less depreciation and amortization expense, less stock-based compensation expense, less non-recurring transaction costs and restructuring costs. Non-GAAP operating loss for the third quarter was \$3.5 million, a reduction of \$8.9 million or 71% from the same period last year. Non-GAAP operating loss for the third quarter year-to-date period was \$13.1 million, a reduction of \$29 million or 69% from the same period last year.

We are proud of our team for accomplishing this non-GAAP operating loss reduction of 69% year-over-year. This reduction of expenses is a testament of significant improvement in the business and operating models the team has achieved in the last year. This is significant progress towards becoming breakeven on a non-GAAP operating basis. More about this in a few moments.

As I stated earlier, up until this point, we have concentrated on the financial results of Urgently for the third quarter and the third quarter year-to-date period, before the merger transaction of Otonomo. However, to provide Investors with additional information, within the Form 8-K filed today, we have included the unaudited balance sheet and statement of operations for the third quarter and third quarter year-to-date period for Otonomo as well.

Over the last year, Otonomo has been going through similar transformations of its business and operating model. The Otonomo team has worked hard to reduce spending levels, rationalize its business model,

and preserve its cash balance. To demonstrate these efforts and provide a historical perspective, we have provided a review of the Combined Company by including a GAAP and non-GAAP operating loss schedule for the third quarter and the third quarter year-to-date period for both Urgently and Otonomo.

Combined Company non-GAAP operating loss for the third quarter was \$9.9 million, a reduction of \$15.8 million or 61% from the same period last year. Combined Company non-GAAP operating loss for the third quarter year-to-date period was \$33.7 million, a reduction of \$48.9 million or 59% from the same period last year. As a Combined Company, we are excited for the Urgently and Otonomo teams for accomplishing this Combined Company non-GAAP operating loss reduction of 59% year-over-year, but most importantly, the 61% reduction for the third quarter. This reduction is a testament to the significant effort of both teams over the past year to improve the business and operating models of both companies.

Additionally, we believe that third quarter Combined Company non-GAAP operating loss is most relevant for investors as they assess our near-term operational run rate regarding future progress on a Combined Company non-GAAP operating breakeven basis. We believe that significant progress made over the last year demonstrates our commitment and ability to achieve a Combined Company non-GAAP operating breakeven in the next few quarters.

Now a few comments on the capital structure. At the end of the third quarter, Urgently and Otonomo had cash, cash equivalents and short-term investments of \$9.7 million and \$113.6 million, respectively, for a combined total balance of \$123.3 million. However, as stated earlier, at the closing of the merger on October 19, the Combined Company cash balance was approximately \$88.7 million, which is net of transaction expenses. At the end of the third quarter, Urgently had a principal debt balance of \$142.2 million. However, as stated earlier, at the closing of the merger on October 19 and following the conversion of Urgently's convertible notes at the closing of the merger, the remaining Company principal debt balance was approximately \$71.8 million. As of October 19, the common stock share count was approximately 13.1 million.

We have several financial priorities as we focus on the next few quarters. First, we will continue to drive profitable revenue growth. However difficult this may be, we have already demonstrated our ability to produce revenue with higher margins. We will continue this focus for both the Urgently and the Otonomo businesses.

Second, we will continue with disciplined expense management. Our operating expense leverage has improved over the last year, primarily due to a focus on making difficult decisions around our spending and investments. Additionally, as we integrate the Otonomo business into ours, we will instill a similar expense control approach.

Third, both the Urgently and Otonomo business models have de minimis capital expenditure. Although we plan to maintain this philosophy, as we look to integrate those businesses, we are evaluating new solutions that enhance our existing technology and leverage the new Otonomo Technology. We will communicate more about these projects throughout 2024 as we make progress with integration.

Lastly, given the Combined Company capital assets, we will be good stewards of these assets and allocate capital between internal investments and debt management in the longer term.

Now, let's discuss our revenue outlook for the rest of 2023. Revenue is expected to be between \$44 million to \$49 million for the fourth quarter, and between \$184 million and \$189 million for the full year. This includes revenue from Urgently for the entire fourth quarter and full year, and revenue from Otonomo for the period from October 19, through December 31. As we continue to integrate the Otonomo business, we look forward to providing additional financial guidance in future periods.

With that, we are now happy to open the call for questions. Operator, will you please open the line for Q&A?

Operator

Thank you.

(Operator Instructions).

At this time, we will conclude the question-and-answer session. I'd like to turn the conference back over to Matt Booth for closing remarks.

Matt Booth

Thank you, everyone, for the opportunity to share the Urgently story and highlight our priorities. To recap, our first growth priority is to continue to expand our existing B2B incident business. Our second goal is to expand our reactive assistance incident business into more proactive and preventative services, leveraging the assets from Otonomo and The Flow. Our third priority is to further support our partners by creating new white label B2B2C subscription products.

We're very pleased with our progress in reducing costs, increasing margin, and closing new business opportunities. We'll continue to strive for improved efficiency, especially as our companies integrate over the coming year. We have a great Company, and we will continue to be focused on maximizing shareholder value return by being good stewards of capital, targeting investments that are both in line with our growth objectives and provide a clear return.

Our recent listing on NASDAQ was a significant milestone for the Company and we recognize that it's just another step forward as part of a longer journey. Thank you for your interest in Urgently and for joining us on the call today.

Operator

The conference has now concluded. We thank you for attending today's presentation and you may now disconnect your lines.