



**FINANCE** *of* **AMERICA**  
COMPANIES®

# Earnings Presentation | Q4 2021

March 2022

# Disclaimer

## Forward-Looking Statements

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These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially, and potentially adversely, from those expressed or implied in the forward-looking statements. Most of these factors are outside Finance of America’s control and are difficult to predict. Factors that may cause such differences include, but are not limited to: (1) the effect of the COVID-19 pandemic on Finance of America’s business; (2) changes in prevailing interest rates or U.S. monetary policies that affect interest rates that may have a detrimental effect on our business; (3) the possibility that Finance of America may be adversely affected by other economic, business, and/or competitive factors in our markets; (4) our ability to obtain sufficient capital to meet the financing requirements of our business; (5) the use of estimates in measuring or determining the fair value of the majority of our assets and liabilities; (6) the possibility of disruption in the secondary home loan market, including the mortgage-backed securities market; and other risks and uncertainties set forth in the section entitled “Risk Factors” included in our Registration Statement on Form S-1 originally filed with the SEC on May 25, 2021, as such factors may be amended and updated from time to time in Finance of America’s subsequent periodic filings with the SEC, which are accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov). All subsequent written and oral forward-looking statements concerning Finance of America or other matters and attributable to Finance of America or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Finance of America expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with respect thereto or any change in events, conditions, or circumstances on which any statement is based, except as required by law.

## Statement Regarding Non-GAAP Financial Measures

This presentation also contains non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be useful to investors in assessing Finance of America’s operating performance. Such non-GAAP financial information, including Finance of America’s definitions and methods of calculation, are not necessarily comparable to similarly titled measures of other companies. Reconciliations of these non-GAAP financial measures to their most directly comparable GAAP measures are set forth on slides 16 and 17. Certain non-GAAP financial measures presented herein exclude items that are significant in understanding and assessing Finance of America’s financial results or position. Therefore, these measures should not be considered in isolation or as an alternative to net income, cash flows from operations or other measures of profitability, liquidity or performance under GAAP.

A reconciliation of our forward-looking Adjusted Net Income and Adjusted Net Income Margin outlook to net income and net income margin cannot be provided without unreasonable effort because of the inherent difficulty of accurately forecasting the occurrence and financial impact of the various adjusted items necessary for such reconciliation that have not yet occurred, are out of our control, or cannot be reasonably predicted. For the same reasons, the company is unable to assess the probable significance of the unavailable information, which could have a material impact on its future GAAP financial results.



# FOA is a consumer lending platform that is primed for growth

*Distinct product portfolio, distribution and capital markets capabilities drive growth regardless of the mortgage cycle*

- **FOA's Specialty Finance & Services ("SF&S") segments are increasingly driving its financial performance**
  - 51% of Revenue in Q4'21 was generated by the SF&S segments (defined as all segments other than Mortgage Originations)
  - The SF&S segments are expected to remain the major driver of profitability in 2022
- **Management is laser focused on three strategic priorities to drive continued, profitable growth**
  - Optimize the Mortgage Originations segment to benefit from expected growth in the purchase and non-agency markets, as refinance volume is expected to decline
  - Continue making significant investments in high growth businesses - Reverse, Commercial, Home Improvement, and Lender Services to capitalize on the opportunities in those markets
  - Invest heavily in technology, data and operating models to monetize the substantial lifetime **household** value inherent in our franchise. We are uniquely positioned to capture household lending lifecycles from student through reverse loans



# Fourth quarter and full year net loss solely attributable to the impairment of goodwill and intangible assets

All values in \$ Millions	Q4 2021	FY 2021
Mortgage pre-tax income (loss) excluding impairment of goodwill and intangible assets	(\$8)	\$96
SF&S pre-tax income excluding impairment of goodwill and intangible assets	27	89
<b>Total Company pre-tax income excluding impairment of goodwill and intangible assets</b>	<b>18</b>	<b>185</b>
Impairment of goodwill and intangible assets	(1,381)	(1,381)
Net tax benefit <sup>(1)</sup>	26	20
<b>Net Loss</b>	<b>(\$1,336)</b>	<b>(\$1,177)</b>

- The Company performed its annual goodwill impairment analysis as part of the year end 2021 financial statement close process.
- Due to a sustained decline in the Company's stock price, the Company recognized a \$1,381 million accounting impairment of the outstanding goodwill and certain intangible assets in the fourth quarter of 2021 to align the Company's book value with a supportable control premium.
- This impairment contributed to a net loss for the quarter of \$1,336 million.
- Excluding the impairment charge and related tax benefit, the Company generated net income of \$15 million for the fourth quarter of 2021.

<sup>1</sup>\$29 million benefit related to impairment of goodwill and intangible assets



# Q4 2021 Highlights

## Continued growth across segments

- Record quarterly revenue and funded volume in Reverse and Commercial segments
- Non-agency Mortgage volume grew 25% quarter over quarter; now accounting for 18% of overall Mortgage volume

## Sustained high levels of profitability

- Net loss of \$(1,336) million due to impairment of goodwill and intangible assets
- Adjusted Net Income<sup>1</sup> of \$70 million; in-line with guidance

## Per share metrics

- Basic EPS of \$(6.61), Diluted EPS of \$(6.72) due to impairment of goodwill and intangible assets
- Adjusted Diluted EPS<sup>1</sup> of \$0.37; in-line with guidance

<sup>1</sup>Please refer to the reconciliation of Net income (loss) to Non-GAAP financial measures on slide 16. Per share metrics calculated on an if-converted basis.



# 2021 full year Highlights

## Continued growth across segments

- Record annual revenue in Reverse, Commercial and Lender Services segments
- Record annual origination volume in Mortgage, Reverse and Commercial segments

## Sustained high levels of profitability

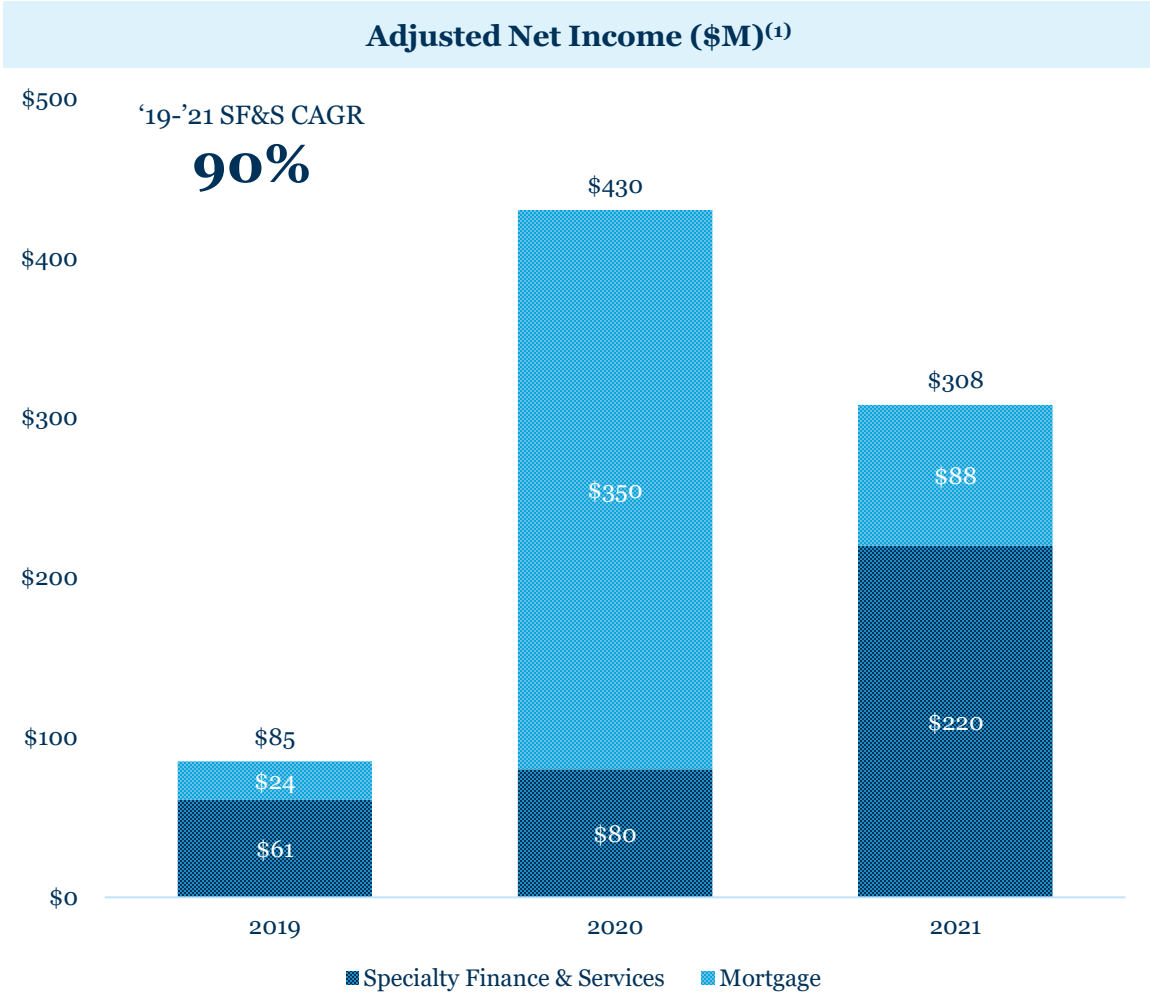
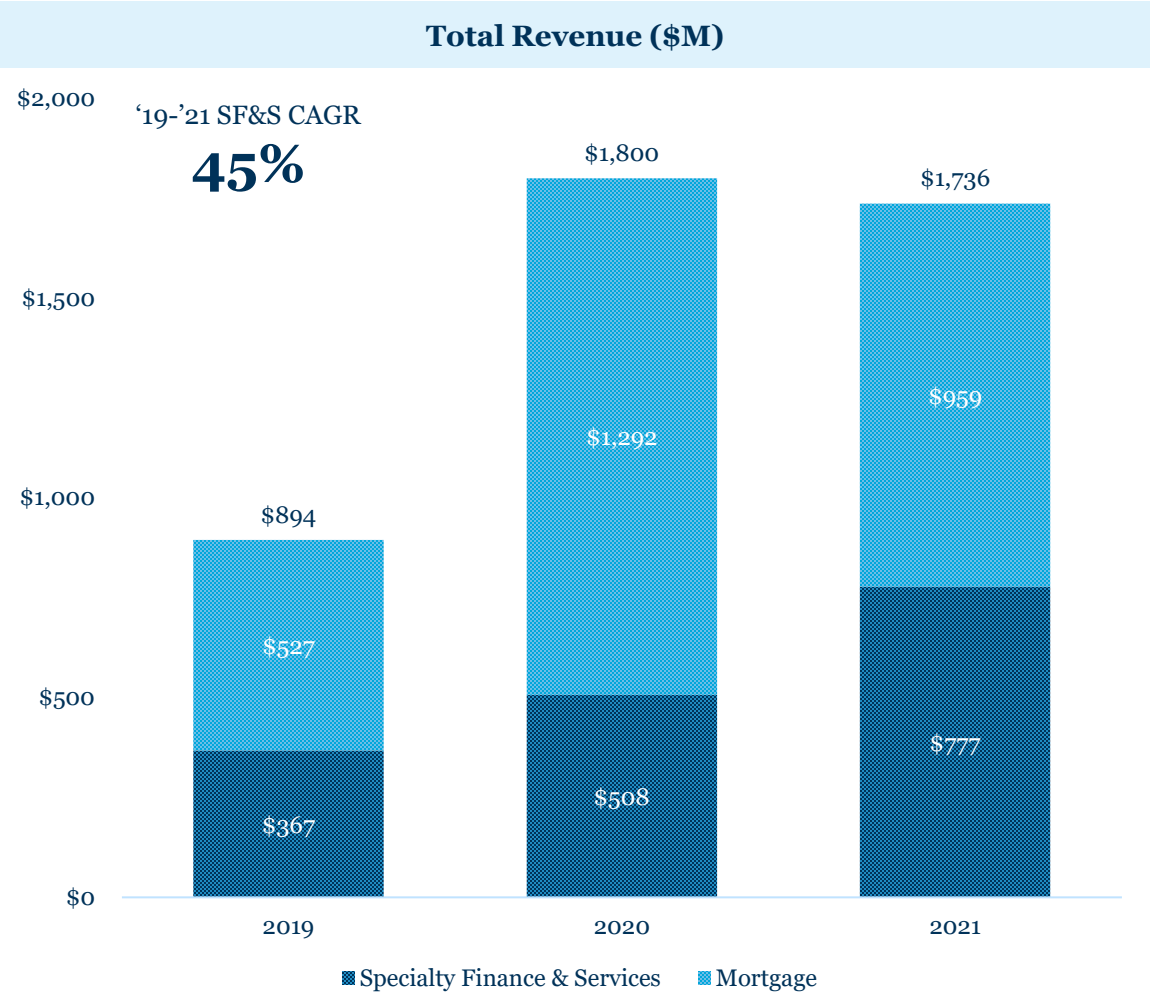
- Net loss of \$(1,177) million due to impairment of goodwill and intangible assets
- Adjusted Net Income<sup>1</sup> of \$308 million, driven by 177% growth in SF&S

## Per share metrics

- 2021 Adjusted Diluted Earnings per Share<sup>1</sup> of \$1.61



# Our SF&S businesses continued their tremendous growth



<sup>1</sup>Please refer to the reconciliation of Net income (loss) to Non-GAAP financial measures on slides 16 and 17.



# Management is laser focused on three key strategic priorities

## 3 Transform to a customer-centric organization

- Meet our customers where they are and interact on their terms
- Delight our customers in every interaction with meaningful experiences
- Deliver the right products at the right time across a customer's financial journey
- Develop valuable lifetime relationships with customers and intermediaries

## 2 Invest in high growth businesses

- Marketing and product innovation to capitalize on the growth in Reverse
- Commercial infrastructure to capitalize on substantial pipeline
- New product technologies and expanded distribution in Lender Services to capture market share

## 1 Optimize the Mortgage business

- Focus on stable, growing Purchase and Non-Agency markets
- Flexible operating model to capitalize on episodic refinance markets
- Sell other FOA products as refinance volumes decline





# 1 We are taking several steps to optimize the mortgage business



**Leverage our retail distribution platform to capitalize on the shift to a purchase market**



**Grow our non-qualified mortgage franchise**

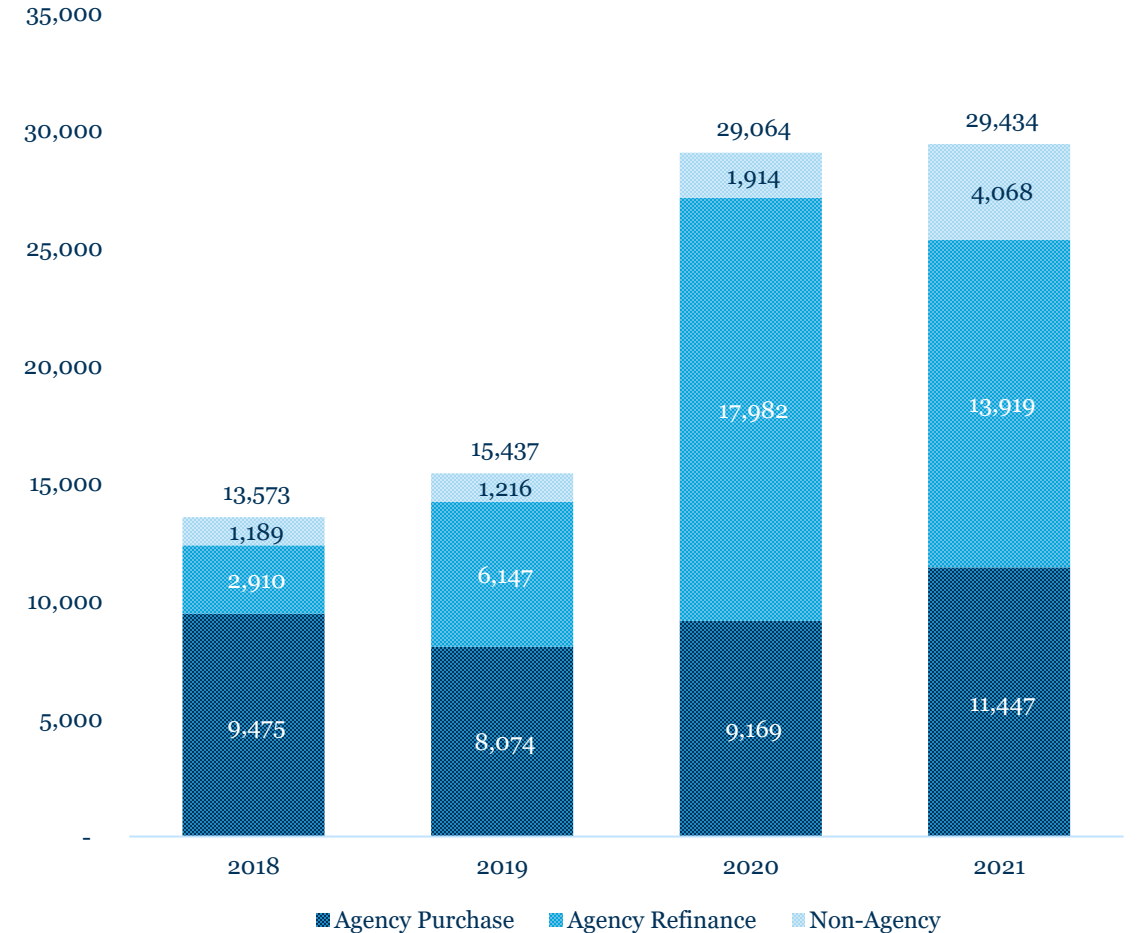


**Plan for a market with 25% of overall volume in refinance**



**Sell more Reverse and Commercial products as refinance volumes decline**

Origination volume (\$M)<sup>(1)</sup>

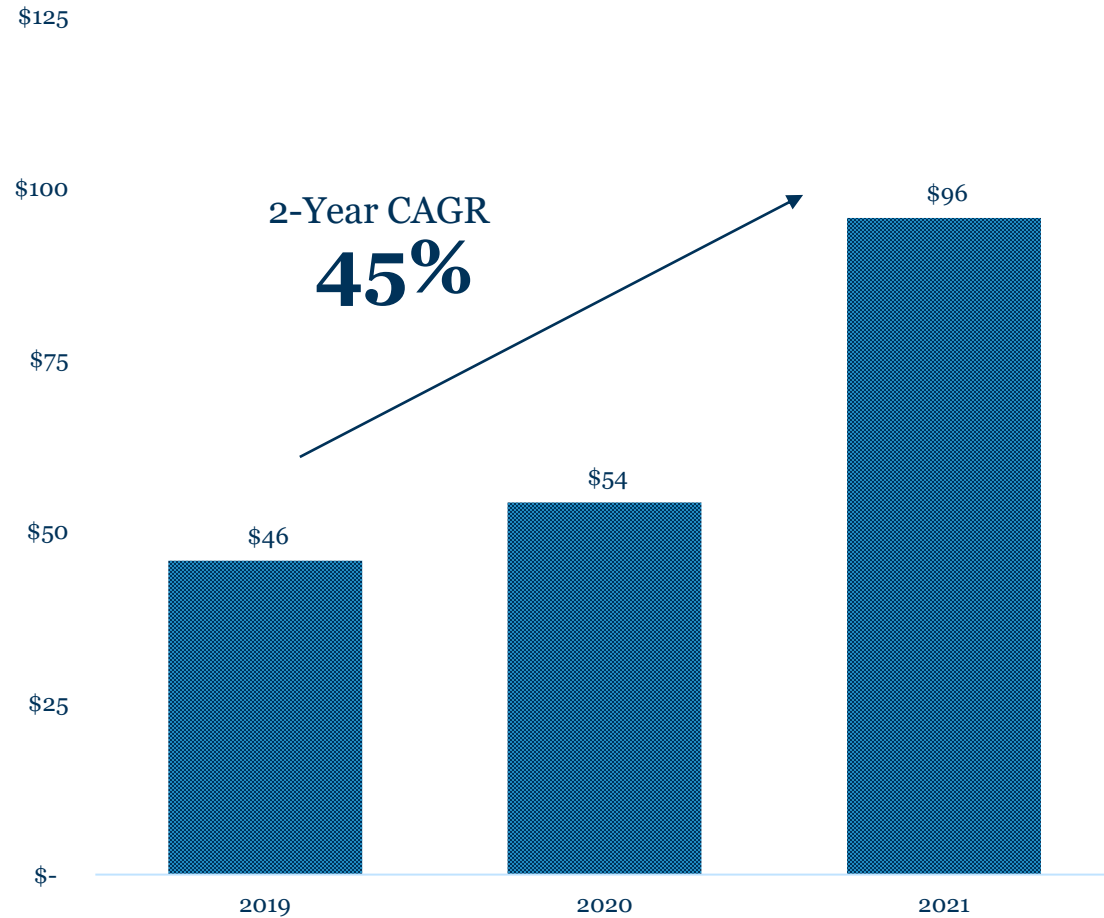


<sup>(1)</sup>Excludes Home Improvement Origination Volumes.

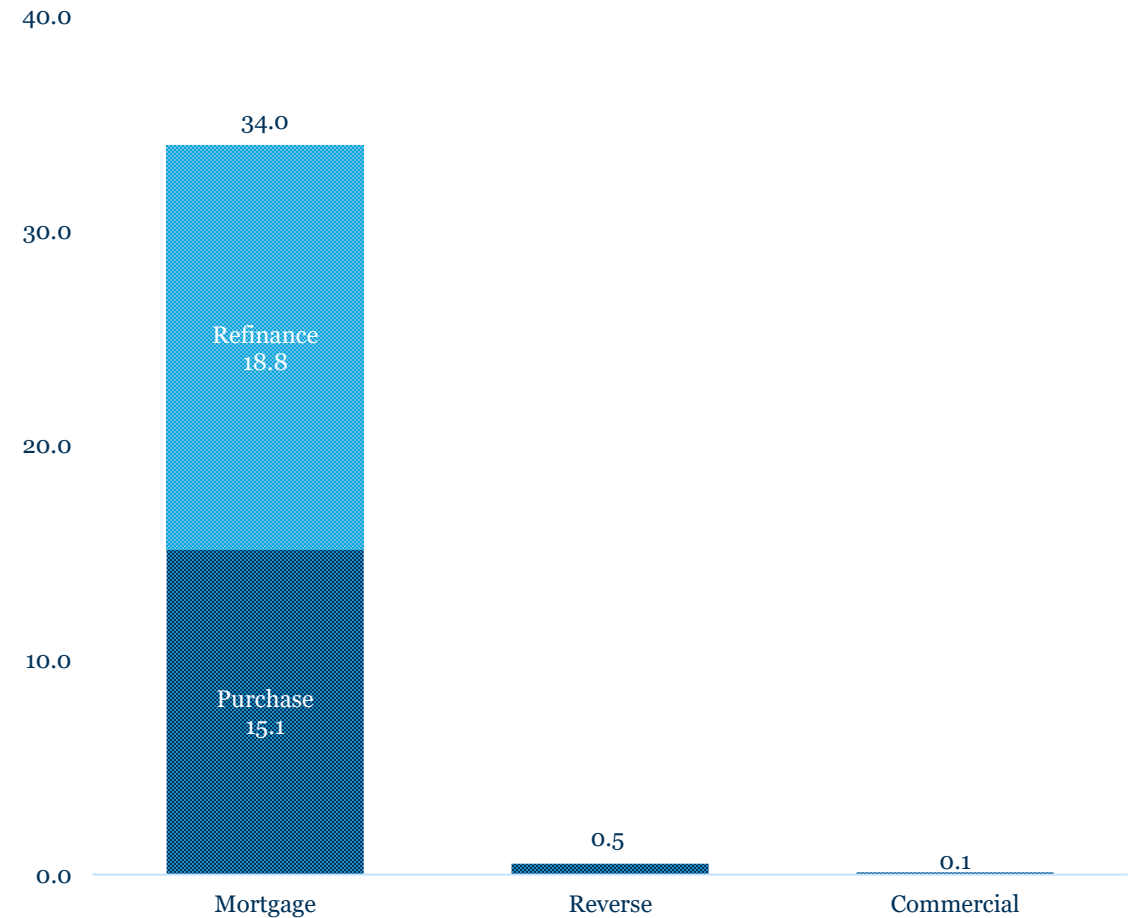


# 1 There is substantial opportunity to sell more SF&S products through our Mortgage channels

SF&S Revenue attributable to Mortgage (\$M): Two Year Trend

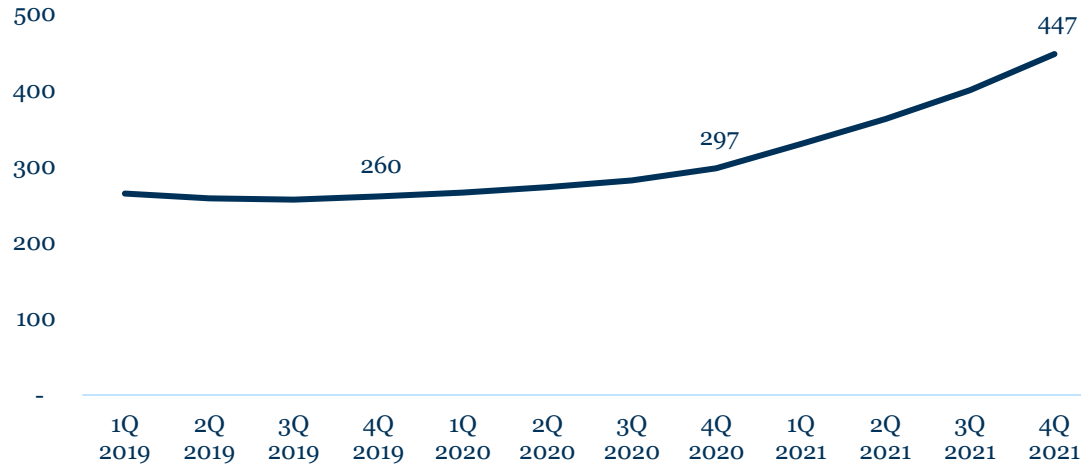


Average number of products sold by Mortgage LOs and Brokers in 2021

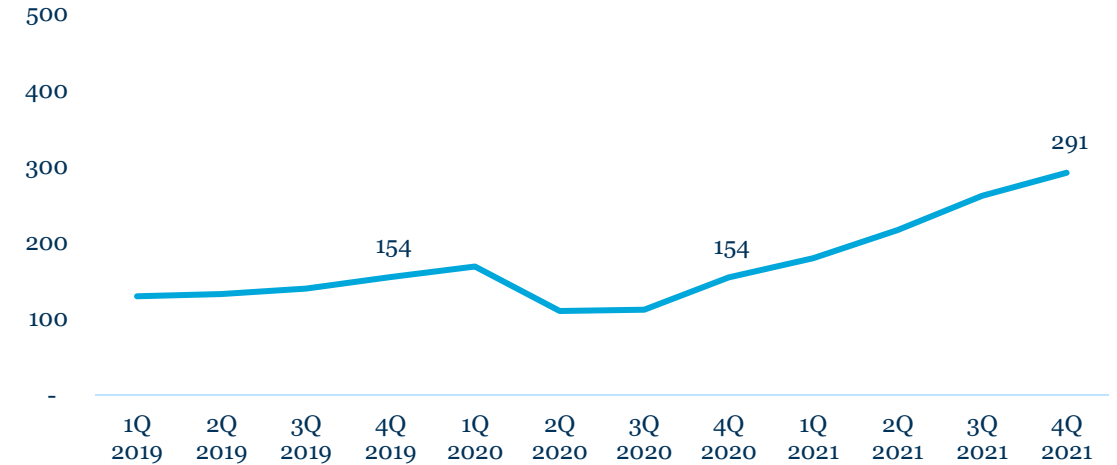


## ② We have made substantial investments in our high growth businesses

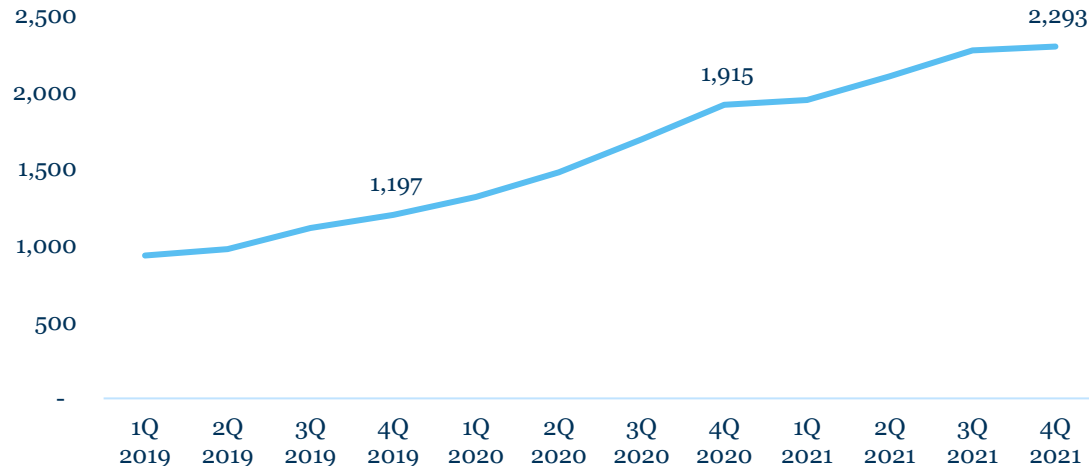
Reverse Originations | Average Quarterly Headcount



Commercial Originations | Average Quarterly Headcount



Lender Services | Average Quarterly Headcount



Segment Commentary | Average Quarterly Headcount

- **Reverse Originations**
  - Increase is primarily in Sales (up 52% Q4 2021 vs. Q4 2020) and Back Office (up 35% Q4 2021 vs. Q4 2020) to meet demand
  - Marketing headcount nearly doubled in 2021 compared to the end of 2020
- **Commercial Originations**
  - Increase is primarily in Sales and Marketing (up 44% Q4 2021 vs. Q4 2020) to meet demand
- **Lender Services**
  - Increases have mainly been attributed to Operational support both in the US and Manila to process higher volumes



# ③ FOA embarked on an effort to transform to a customer-centric business

*Data, targeted campaigns, and a focus on end-to-end experiences will drive immediate impact while creating differentiation*



## Advanced Data Analytics

Build an enterprise data platform with advanced data management capabilities, machine learning analytics, and a **360 view of the customer**



## Intelligent Product Design Engine

Engage with every FOA customer through **Next Best Action campaigns** & analytics execution, enhanced lead generation driven by Analytics & AI



## Customer Hub

Keep borrowers engaged beyond a transaction – provide them with a centralized, easy to use, relevant and **engaging user experience**



# We have a strong foundation to ensure success

*Our vast **infrastructure** across **growing, highly profitable businesses** coupled with our proven **ability to innovate** are true differentiators that will ensure long term profitable growth*



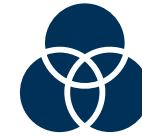
Our **broad distribution network** and **extensive customer database** allow us to maximize customer value

Vast Infrastructure



We are **market leaders** in **high growth, profitable businesses** such as Reverse and Commercial

Scale Where It Matters



Best-in-class capital markets capabilities drive innovation, **product development**, and strong relationships with asset investors

Proven Innovation

# Q1 Guidance

## Q1 2021 Actual Revenue & Margin

	Mortgage	Specialty Finance & Services
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Revenue (\$ million)      **\$320**      **\$188**

Adjusted Net Income Margin<sup>1</sup>      **23%**  
    **\$72M**      **19%**  
    **\$35M**

## Q1 2022 Projected Revenue & Margin

	Mortgage	Specialty Finance & Services
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Revenue (\$ million)      **\$150-170**      **\$230-250**

Adjusted Net Income Margin<sup>1</sup>      **0-2%**      **19-21%**

<sup>1</sup> Please refer to the reconciliation of Net income (loss) (GAAP) to Adjusted Net Income (Non-GAAP financial measures) on Slides 16 and 17.

# SUPPORTING MATERIALS



# Non-GAAP Reconciliation for FOA

All values in \$ Millions	2019	2020	2021	Q4 2021	Q1 2021
<b>Net income (loss)</b>	\$78	\$498	\$(1,177)	\$(1,336)	\$124
<b>Adjustments for:</b>					
Impairment of goodwill and intangible assets	-	-	1,381	1,381	-
Changes in fair value <sup>(1)</sup>	17	58	108	52	12
Amortization of intangibles ex impairment of goodwill and intangible assets <sup>(2)</sup>	3	3	41	14	1
Equity-based compensation <sup>(3)</sup>	3	-	32	11	-
Certain non-recurring costs	15	19	53	-	7
Tax effect on net income/loss attributable to noncontrolling interest*	(20)	(128)	28	63	(31)
Tax effect of adjustments* <sup>(4)</sup>	(10)	(21)	(158)	(115)	(5)
<b>Adjusted Net Income</b>	<b>\$85</b>	<b>\$430</b>	<b>\$308</b>	<b>\$70</b>	<b>\$107</b>
Weighted average diluted share count			190,745,873	189,436,869	
<b>Adjusted Diluted EPS</b>			<b>\$1.61</b>	<b>\$0.37</b>	

\*We applied a 26% effective tax rate to pre-tax income and adjustments (excluding change in fair value of warrant liability, which is a permanent book/tax difference) for the respective period

<sup>1</sup> Changes in fair value includes the following line items: Changes in fair value of loans and securities held for investment, Changes in fair value of deferred purchase price obligations, Change in fair value of warrant liability, and Change in fair value of minority investments

<sup>2</sup> Successor period amortization includes amortization of intangibles recognized from the business combination with Replay

<sup>3</sup> Funded 85% by the non-controlling interests

<sup>4</sup> Tax effect of adjustments includes the following line items: Tax effect of adjustments attributable to noncontrolling interest and Tax effect of adjustments attributable to controlling interest





# Non-GAAP Reconciliation for Mortgage and SF&S

## Mortgage

All values in \$ Millions	2019	2020	2021	Q4 2021	Q1 2021
Pre-tax income (loss)	\$20	\$460	\$(679)	\$(783)	\$96
Adjustments for:					
Impairment of goodwill and intangible assets	-	-	775	775	-
Changes in fair value <sup>(1)</sup>	-	6	-	-	-
Amortization of intangibles ex impairment of goodwill and intangible assets <sup>(2)</sup>	-	-	5	2	-
Equity-based compensation <sup>(3)</sup>	-	-	7	2	-
Certain non-recurring costs	13	7	10	-	1
Tax effect on pre-tax income (loss)	(5)	(120)	177	204	(25)
Tax effect of adjustments* <sup>(4)</sup>	(3)	(3)	(207)	(203)	-
<b>Adjusted Net Income</b>	<b>\$ 24</b>	<b>\$350</b>	<b>\$88</b>	<b>\$(3)</b>	<b>\$72</b>

## Specialty Finance & Services

All values in \$ Millions	2019	2020	2021	Q4 2021	Q1 2021
Pre-tax income (loss)	\$58	\$40	\$(517)	\$(579)	\$29
Adjustments for:					
Impairment of goodwill and intangible assets	-	-	606	606	-
Changes in fair value <sup>(1)</sup>	17	52	108	52	12
Amortization of intangibles ex impairment of goodwill and intangible assets <sup>(2)</sup>	3	3	36	12	1
Equity-based compensation <sup>(3)</sup>	3	-	25	9	-
Certain non-recurring costs	2	12	43	-	6
Tax effect on pre-tax income (loss)	(15)	(10)	(129)	(115)	(7)
Tax effect of adjustments* <sup>(4)</sup>	(6)	(17)	49	88	(5)
<b>Adjusted Net Income</b>	<b>\$61</b>	<b>\$80</b>	<b>\$220</b>	<b>\$73</b>	<b>\$35</b>

\*We applied a 26% effective tax rate to pre-tax income and adjustments (excluding change in fair value of warrant liability, which is a permanent book/tax difference) for the respective period

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