

Q2  
2022

# Investor Presentation

**Speakers:**

McKeel Hagerty | Chief Executive Officer

Frederick J. Turcotte | SVP & Chief Financial Officer

**HAGERTY**

## FORWARD-LOOKING STATEMENTS / NON-GAAP FINANCIAL MEASURES

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that are not historical facts. These forward-looking statements reflect our current expectations and projections with respect to our expected future business and financial performance, including, among other things: (i) expected operating results, such as revenue growth and increases in earned premium; (ii) changes in the market for our products and services; (iii) our plans to expand market share, including planned investments and partnerships; (iv) anticipated business objectives; and (v) the strength of our business model. These statements may be preceded by, followed by, or include the words “aim,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “future,” “goal,” “intend,” “likely,” “outlook,” “plan,” “potential,” “project,” “seek,” “target,” “can,” “could,” “may,” “should,” “would,” “will,” the negatives thereof and other words and terms of similar meaning. A number of factors could cause actual results or outcomes to differ materially from those indicated by these forward-looking statements. These factors include, but are not limited to: (i) our ability to compete effectively within our industry and attract and retain members; (ii) our dependence on a limited number of insurance distribution and underwriting carrier partners; (iii) our ability to prevent, monitor and detect fraudulent activity, including our reliance on a limited number of payment processing services; (iv) disruptions, interruptions, outages with our technology platforms or third-party services; (v) the limited operating history of some of our membership products and the success of any new insurance programs and products; (vi) adverse impacts

from the COVID-19 pandemic and current and future variants of the virus; (vii) manage the cyclical nature of the insurance business, including through any periods of recession, economic downturn or inflation; (viii) unexpected increases in the frequency or severity of claims; (ix) compliance with the numerous laws and regulations applicable to our business, including state, federal, and foreign laws relating to insurance and rate increases, privacy, the internet and accounting matters; (x) whether investors or securities analysts view our stock structure unfavorably, particularly our dual-class structure; (xi) the fact that we are a controlled company; and (xii) other risks and uncertainties indicated from time to time in documents we file or will file with the Securities and Exchange Commission (the “SEC”). The forward-looking statements herein represent our judgment as of the date of this release and we disclaim any intent or obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, or otherwise. This presentation should be read in conjunction with the information included in our filings with the SEC and press releases. Understanding the information contained in these filings is important in order to fully understand our reported financial results and our business outlook for future periods. In addition, this presentation contains certain “non-GAAP financial terms”. The non-GAAP measures are presented for supplemental informational purposes only. Reconciliations to the most directly comparable financial measure calculated and presented in accordance with GAAP are provided in the appendix to this presentation.





## YTD 2022 KEY HIGHLIGHTS

**Total Revenue growth of 26%**

**Written Premium growth of 15%**

Entered into a definitive agreement to acquire the remaining 60% of **Broad Arrow Group** (Marketplace for buying, selling and financing collector cars) for **\$64.8 million** in stock

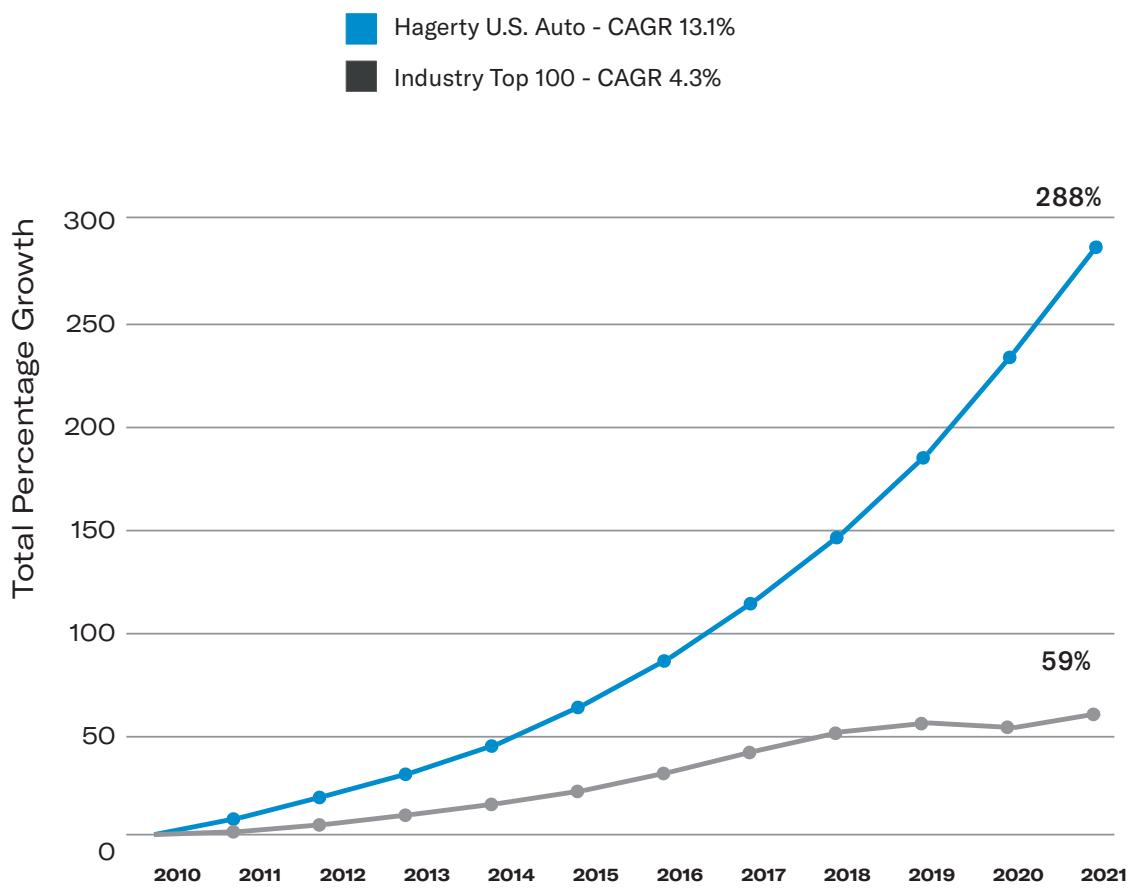
**State Farm partnership** has moved into the testing phase and regulatory approval process; expect to begin activating 19,200 State Farm agents in the first half of 2023





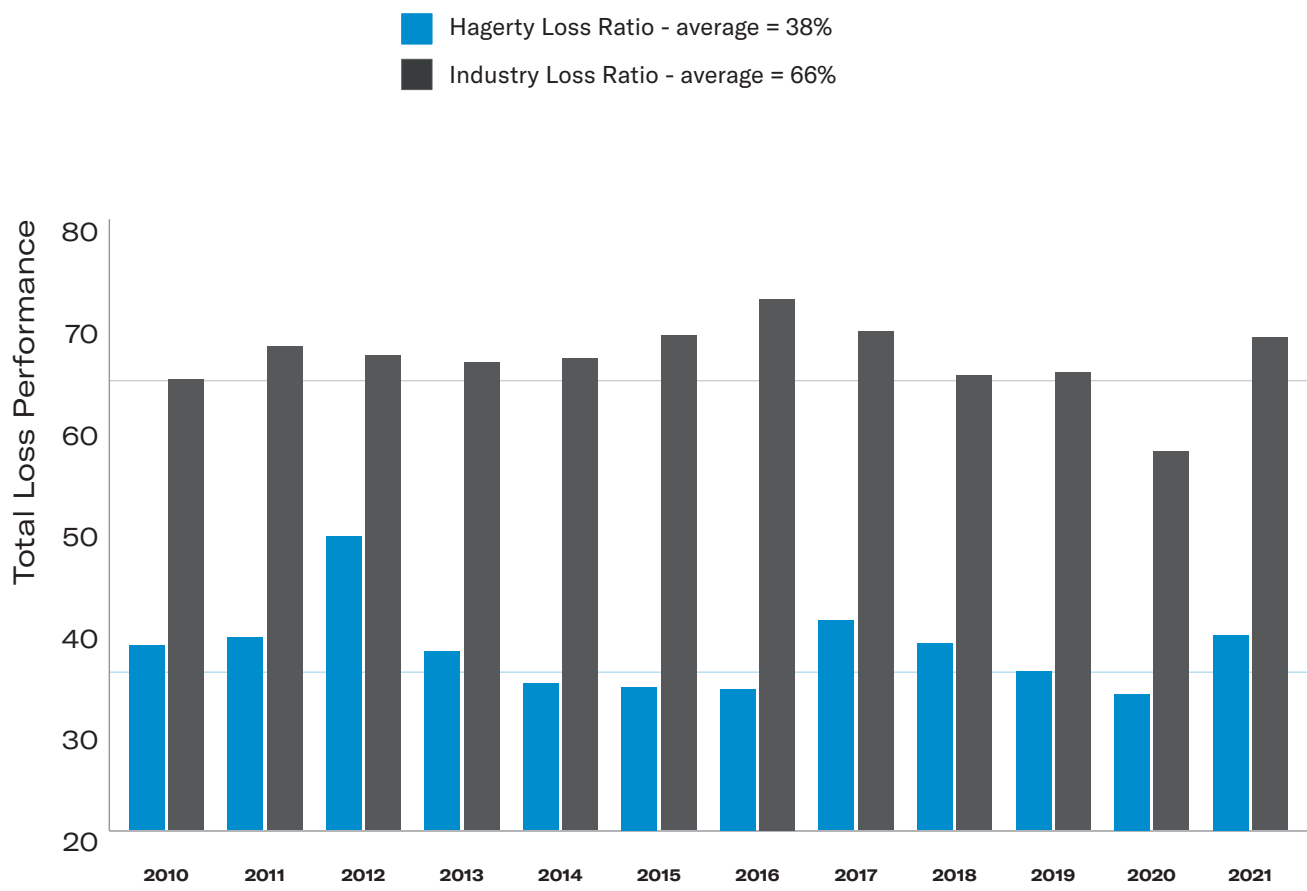
# PROVEN TRACK RECORD OF PROFITABLE LONG-TERM GROWTH

Hagerty U.S. Auto Premium Growth vs. Industry Top 100



Sustained Growth 5X the Industry

Hagerty U.S. Auto Loss Performance vs. Industry Top 100



Stable and Predictable Loss Performance well below Industry Average

## BROAD ARROW GROUP ACQUISITION

- » Marketplace represents a significant new growth opportunity for Hagerty
- » Significant market opportunity demonstrated by ~300,000 cars transacting for ~\$12 billion through Hagerty's insurance book over the last twelve months ended June 30, 2022
- » Broad Arrow Group's business ramping up faster than anticipated due to strong execution and synergies from the strength of the Hagerty brand and platform
  - » Insurance sales, insurance recapture/retention, HDC memberships, HG+S storage fees, media sales and owner/operator event revenue
- » Proven leadership team with a strong cultural fit
- » Expected to be immediately accretive in 2022
- » The deal structure incentivizes, and aligns, the team over a five-year period through an all-stock transaction for the remaining 60% valued at \$64.8 million





## HAGERTY + STATE FARM PARTNERSHIP

- » Digital and technology teams in testing phase
- » Expect to begin activating State Farm's 19,200 agents to sell classic car policies in the first half of 2023
- » 460,000+ existing collector car policies
- » Up to 75% Hagerty Driver's Club adoption possible on new insurance policies
- » Anticipated average annual revenue per customer: \$85-\$110
- » State Farm aligned in the success of the strategic partnership with \$500 million invested
- » 10-year initial contract



# MILESTONES & HIGHLIGHTS

	On Mission 2022 + Beyond	On Track YTD 2022 Progress
<b>Insurance</b>	<ul style="list-style-type: none"> <li>» Grow omni-channel distribution (onboard new partners and deepen existing)</li> <li>» Expand share of insurance underwriting profit</li> <li>» Deliver frictionless member experience (sales, service, claims)</li> </ul>	<ul style="list-style-type: none"> <li>» State Farm partnership completing regulatory approvals and systems testing</li> <li>» Delivering key broker results and encouraging success with private client efforts</li> <li>» Rate approvals when fully realized should result in 5.5% impact on the entire book</li> </ul>
<b>Reinsurance</b>	<ul style="list-style-type: none"> <li>» Increase contractual quota share</li> <li>» Grow international footprint</li> </ul>	<ul style="list-style-type: none"> <li>» U.S. and UK Reinsurance Quota Share up to 70%, further increasing our share of profit</li> </ul>
<b>Membership</b>	<ul style="list-style-type: none"> <li>» Drive increase in paid membership</li> <li>» Enhance value proposition</li> <li>» Develop partnership model</li> <li>» Expand to international markets</li> </ul>	<ul style="list-style-type: none"> <li>» Paid HDC membership grew 8% to ~743,000 members</li> <li>» Launched HDC roadside servicing capability via the Hagerty mobile app and new HDC digital onboarding journey</li> <li>» Established plan for launching HDC in the UK in 2023</li> </ul>
<b>Marketplace</b>	<ul style="list-style-type: none"> <li>» Leverage Broad Arrow Group investment</li> <li>» Launch live and time-based auctions</li> <li>» Grow asset-based lending</li> </ul>	<ul style="list-style-type: none"> <li>» Entered into a definitive agreement for the remaining ~60% of Broad Arrow Group to accelerate Hagerty's Marketplace growth strategy, expected to be immediately accretive</li> <li>» Large and growing market opportunity demonstrated by ~300,000 cars transacting for ~\$12 billion through Hagerty's insurance book for the twelve months ended June 30, 2022</li> <li>» Acquired Speed Digital, a software-as-a-service (SaaS) solution for classic/collector car dealers and auction houses in Q2</li> <li>» Launched Hagerty Classifieds, a platform for car enthusiasts to buy and sell, while enhancing HDC membership engagement</li> </ul>
<b>Media + Entertainment</b>	<ul style="list-style-type: none"> <li>» Develop owned and operated events</li> <li>» Expand digital audience</li> <li>» Leverage Sony partnership with Gran Turismo gaming platform</li> <li>» Expand video distribution</li> <li>» Increase advertising and sponsorship revenue</li> </ul>	<ul style="list-style-type: none"> <li>» 9.3 million YouTube monthly video views with 2 million subscribers</li> <li>» Announced Motorlux, a rebranding of the Monterey Car Week's kick-off party which builds on the foundation of McCall's Motorworks Revival</li> <li>» Held four RADwood events (Austin, Cleveland, Philly, and NorCal) during Q2 serving more than 12,000 attendees and averaging 500+ cars per event. RADwood events are devoted to celebrating the '80s and '90s automotive lifestyle</li> <li>» Held The Amelia and Greenwich Concours utilizing newly developed vehicle submission and events ticketing platform</li> </ul>
<b>Digital Labs</b>	<ul style="list-style-type: none"> <li>» Develop proprietary membership/insurance platform</li> <li>» Launch mileage-based insurance platform</li> </ul>	<ul style="list-style-type: none"> <li>» Launched the insurance-cost-saving Mileage Verification App</li> <li>» Reimagined Hagerty Valuation Tools®</li> </ul>
<b>Impact</b>	<ul style="list-style-type: none"> <li>» Create carbon neutrality plan</li> <li>» Establish government affairs program</li> </ul>	<ul style="list-style-type: none"> <li>» Environmental, social, and governance program assessment completed and prioritized impact initiatives</li> <li>» Rolled out carbon neutral driving event strategy at the California Mille</li> </ul>

# YTD Q2 2022 CONSOLIDATED FINANCIAL HIGHLIGHTS

GROWTH	PERSISTENCE	PROFITABILITY	
<b>\$374M</b> Total Revenue 26% ↑	<b>41%</b> Loss Ratio 0%	<b>(\$11M)</b> Operating Income (Loss) 216% ↓	<b>\$98M</b> Contribution Margin* 16% ↑
<b>\$392M</b> Written Premium 15% ↑	<b>88%</b> Retention 1% ↓	<b>\$10M</b> Net Income (Loss) 83% ↑	<b>\$10M</b> Adjusted EBITDA* 50% ↓
<b>743k</b> HDC Paid Member Count 8% ↑	<b>\$292</b> Revenue per Paid Member 18% ↑	<b>\$.27</b> Basic Earnings (Loss) per Share	<b>\$.03</b> Adjusted Earnings per Share*

All financial comparisons are on a year-over-year basis unless otherwise noted.

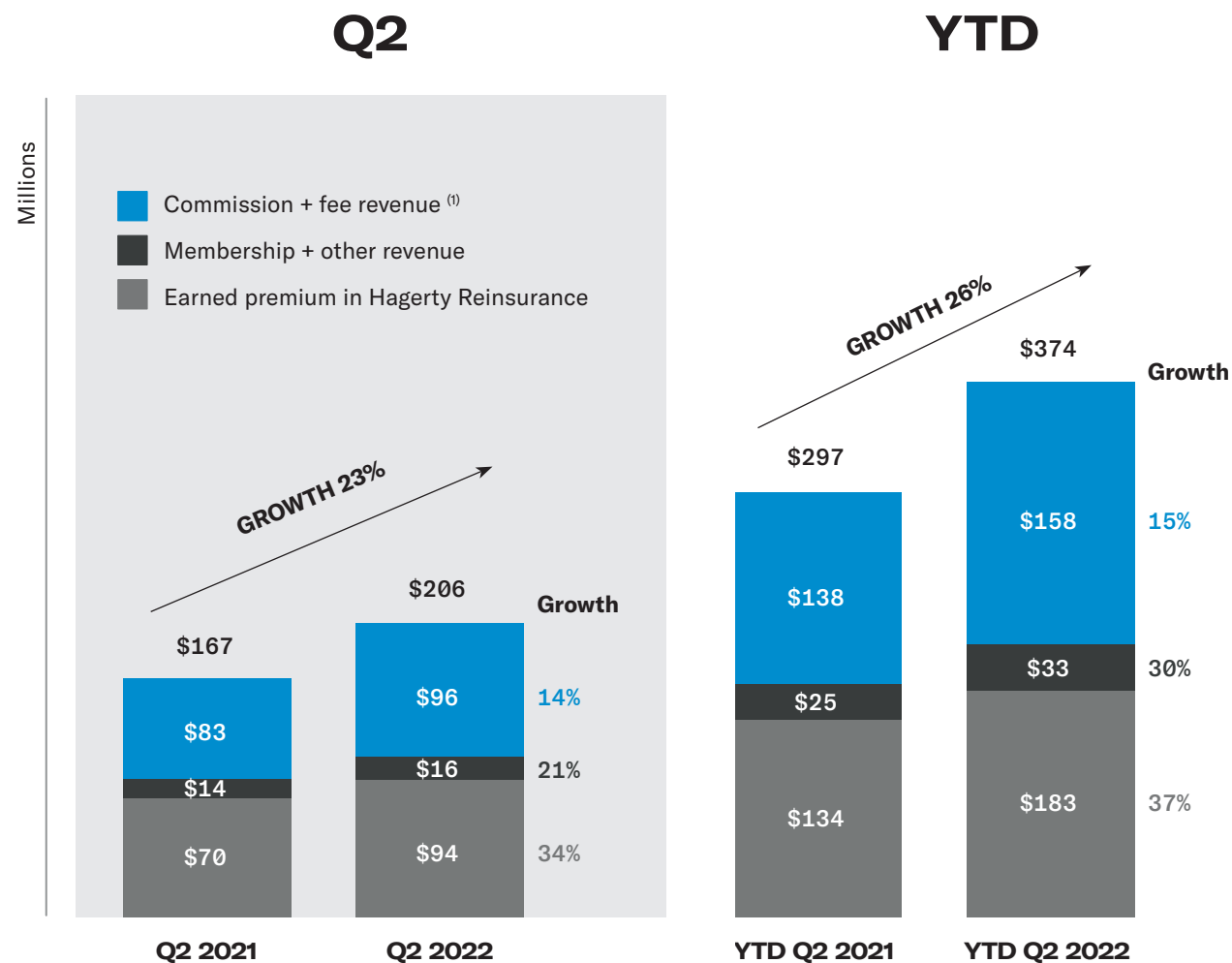
\*See Appendix for additional information regarding these non-GAAP financial measures.

Contribution margin represents contribution profit.



# REVENUE COMPONENTS

## Total Revenue



## YTD 2022 Highlights

### Commission + fee revenue (+15%)

- » New business written premium growth 11%
- » New business average written premium growth 17%
- » Policies in Force retention at 88%

### Membership + other revenue (+30%)

- » Membership revenue growth of 9%
- » Acceptance on new insurance increased to 76%

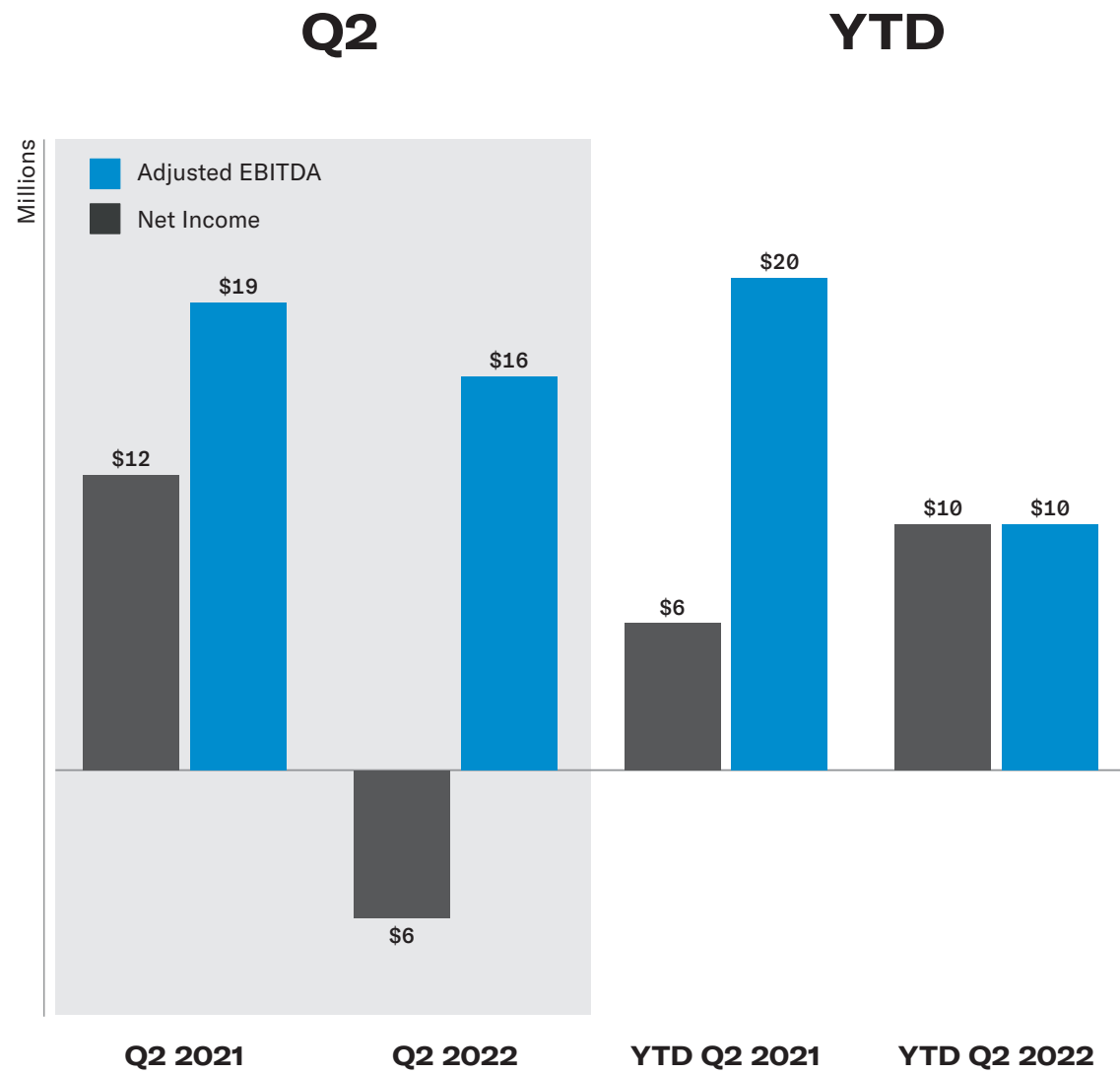
### Earned premium in Hagerty Reinsurance (+37%)

- » Contractual quota share<sup>(2)</sup> increased to 70% in 2022

(1) Includes base commissions, payment plan fees and contingent underwriting commissions.

(2) Currently applies to U.S. and U.K. programs. Generally described as an arrangement where underwriting risk and profit is shared.

# EARNINGS ANALYSIS



**EBITDA Adjustments**  
IN THOUSANDS

	Q2 2021	Q2 2022	YTD 2021	YTD 2022
Net Income (Loss)	\$12,503	(\$5,543)	\$5,652	\$10,323
Interest and Other (Income) Expense	187	353	624	1,037
Income Tax Expense	1,584	2,138	2,902	4,168
Depreciation and Amortization	5,025	8,300	9,396	15,447
Changes in Fair Value of Warrant Liabilities	-	5,400	-	(26,286)
Stock-Based Compensation Expense	-	4,307	-	4,307
Net (Gain) Loss From Asset Disposals	-	-	1,764	-
Other Non-Recurring (Gains) Losses	-	1,110	-	1,110
Adjusted EBITDA	\$19,299	\$16,065	\$20,338	\$10,106

## ADDITIONAL NON-RECURRING INVESTMENTS FOR GROWTH

(not included in Adjusted EBITDA)

**Q2 YTD 2021 \$15.7M | Q2 YTD 2022 \$18.1M**

**GAAP Net Income (Loss) includes substantial pre-revenue costs related to scaling infrastructure, newly-developed digital platforms and legacy systems, human resources and occupancy to accommodate our alliance with State Farm and potentially other distribution partnerships as well as to further develop our Marketplace transactional platform.**

\*See Appendix for additional information regarding these non-GAAP financial measures.



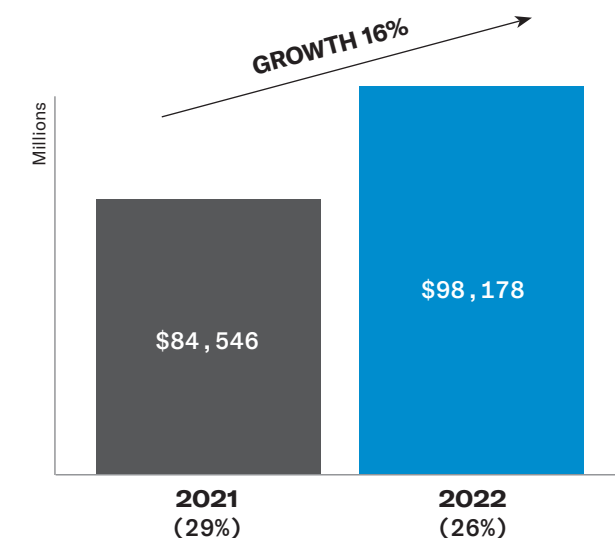
# CONTRIBUTION MARGIN AND CONTRIBUTION MARGIN RATIO

IN THOUSANDS	Q2				YTD			
	Q2 2021	% of Total Revenue	Q2 2022	% of Total Revenue	YTD 2021	% of Total Revenue	YTD 2022	% of Total Revenue
<b>Total Revenue</b>	<b>\$167,409</b>	<b>100%</b>	<b>\$206,017</b>	<b>100%</b>	<b>\$296,609</b>	<b>100%</b>	<b>\$373,828</b>	<b>100%</b>
Less: Total Operating Expense	153,135	91%	203,630	99%	287,431	97%	384,445	103%
<b>Operating Income (Loss)</b>	<b>14,274</b>	<b>9%</b>	<b>2,387</b>	<b>1%</b>	<b>9,178</b>	<b>3%</b>	<b>(10,617)</b>	<b>-3%</b>
Add: Fixed Operating Expenses	39,192	23%	58,645	28%	75,368	25%	108,795	29%
<b>Contribution Margin<sup>(1)</sup></b>	<b>\$53,466</b>	<b>32%</b>	<b>\$61,032</b>	<b>30%</b>	<b>\$84,546</b>	<b>29%</b>	<b>\$98,178</b>	<b>26%</b>

## We use Contribution Margin:

- » to analyze the relationship between cost, volume and profit as revenue grows
- » to measure how much profit is earned for every product or service sold
- » to measure how different management actions could affect the Company's Total Revenue and related cost levels

## YTD Contribution Margin



(1) Decrease in contribution margin percentage primarily driven by increase in Hagerty Re quota share.

\*See Appendix for additional information regarding these non-GAAP financial measures.

# 2022 OUTLOOK

## Reaffirming top-line growth

	2022 Outlook Numeric Ranges	2022 Outlook Percentage Growth	YTD Q2 2022 Results
Total Revenue	\$767m - \$792m	↑ 24% - 28%	26%
Total Written Premium	\$769m - \$796m	↑ 14% - 18%	15%
Policies in Force Retention	89% - 90%		88%
Total Members	2.65m - 2.72m	↑ 9% - 12%	9%
Revenue per Paid Member	\$534 - \$549	↑ 7% - 10%	18%
HDC Paid Member Count	769k - 790k	↑ 7% - 10%	8%
Net Income (Loss)	(\$3m) - (\$28m)	↑ 54% - 94% <sup>(1)</sup>	83% <sup>(2)</sup>
Adjusted EBITDA*	\$15m - \$20m	↓ (21%) - (41%) <sup>(1)</sup>	(50%) <sup>(2)</sup>
Basic Earnings (Loss) per Share	\$0.02 - (\$0.20)	↑ 64% - 104%	\$0.27 <sup>(3)</sup>
Adjusted Earnings per Share*	(\$0.01) - (\$0.08)	↑ 54% - 94%	\$0.03 <sup>(3)</sup>

- » YTD Written Premium and Total Revenue growth tracking towards the full year top-line outlook
- » Adjusted EBITDA range reduced by ~\$10 million to \$15-20 million

\*See Appendix for additional information regarding these non-GAAP financial measures.

(1) Projected 2022 Net Income (Loss) outlook of (\$3) million to (\$28) million includes valuation gain on purchase of Broad Arrow Group totaling approximately \$28 million to be recognized in the third quarter of 2022. This gain will be excluded from Adjusted EBITDA and is not reflected in Projected 2022 Adjusted EBITDA Outlook of \$15 million to \$20 million.

(2) Difference between Net Income (Loss) and Adjusted EBITDA due primarily to a \$26 million gain for the six months ended June 30, 2022 resulting from a decrease in the fair value of warrant liabilities. This gain was recognized as non-operating income and is included in Net Income (Loss) but excluded when calculating Adjusted EBITDA.

(3) Growth based metric not comparable due to lack of Q2 2021 metric.



# APPENDIX

## KEY PERFORMANCE INDICATORS + SUPPLEMENTAL FINANCIAL INFORMATION

	Q2 2021	Q2 2022	YTD 2021	YTD 2022
HDC Paid Member Count	690,407	742,825	690,407	742,825
Total Written Premium	\$208,091,061	\$237,696,701	\$341,798,066	\$392,486,946
New Business Count (Insurance)	77,013	74,922	128,812	122,436
Policies in Force Retention	89.3%	88.2%	89.3%	88.2%
Loss Ratio	41.4%	41.0%	41.4%	41.2%
Revenue per Paid Member	\$136	\$158	\$247	\$292
Total Revenue	\$167,409,450	\$206,016,551	\$296,609,214	\$373,828,194
Net Promoter Score	81	82	81	82
Operating Income (Loss)	\$14,273,580	\$2,386,943	\$9,177,879	(\$10,616,987)
Contribution Margin*	\$53,465,895	\$61,031,421	\$84,545,931	\$98,177,853
Net Income (Loss)	\$12,503,147	(\$5,543,893)	\$5,652,714	\$10,322,871
Basic Earnings (Loss) per Share	N/A	(\$.07)	N/A	\$.27
Adjusted EBITDA*	\$19,299,452	\$16,064,725	\$20,338,974	\$10,105,614
Adjusted EPS*	N/A	(\$.02)	N/A	\$.03

\*See Appendix for additional information regarding these non-GAAP financial measures.



# QUARTERLY KEY PERFORMANCE INDICATORS

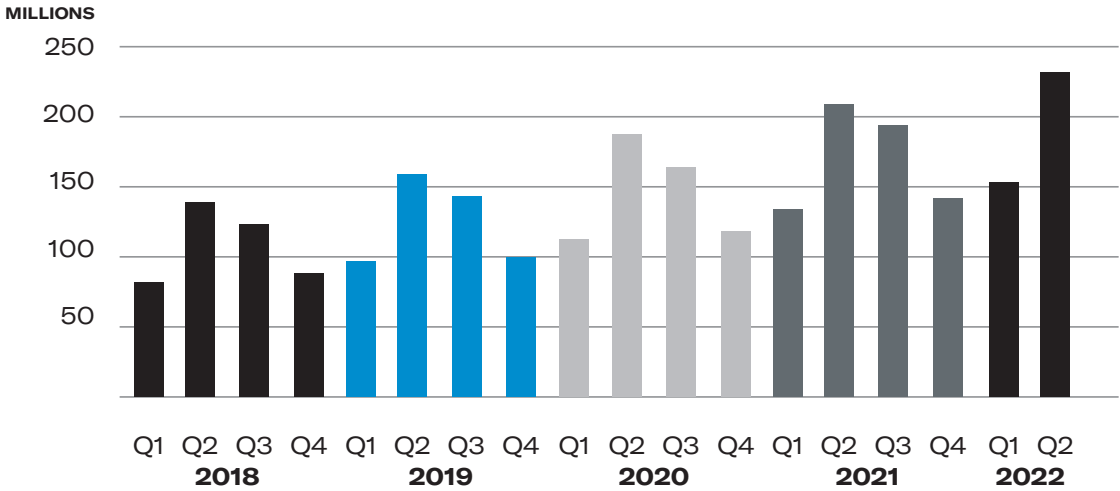
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	TOTAL 2021	Q1 2022	Q2 2022	YTD 2022
HDC Paid Member Count <sup>(2)</sup>	666,609	690,407	711,749	718,583	718,583	727,010	742,825	742,825
Total Written Premium <sup>(1)</sup>	\$133,707,005	\$208,091,061	\$192,090,463	\$140,416,912	\$674,305,441	\$154,790,245	\$237,696,701	\$392,486,946
New Business Count (Insurance) <sup>(1)</sup>	51,799	77,013	68,077	47,589	244,478	47,514	74,922	122,436
Policies in Force Retention <sup>(2)</sup>	90.0%	89.3%	89.0%	89.1%	89.1%	88.9%	88.2%	88.2%
Loss Ratio <sup>(1)</sup>	41.4%	41.4%	41.0%	41.3%	41.3%	41.4%	41.0%	41.2%
Revenue per Paid Member <sup>(1)</sup>	\$111	\$136	\$131	\$121	\$499	\$134	\$158	\$292
Total Revenue <sup>(1)</sup>	\$129,199,764	\$167,409,450	\$168,085,669	\$154,383,626	\$619,078,509	\$167,811,643	\$206,016,551	\$373,828,194
Net Promoter Score <sup>(2)</sup>	82	81	81	82	82	82	82	82
Operating Income (Loss) <sup>(1)</sup>	(\$5,095,701)	\$14,273,580	\$1,758,560	(\$21,006,361)	(\$10,069,922)	(\$13,003,930)	\$2,386,943	(\$10,616,987)
Net Income (Loss) <sup>(1)</sup>	(\$6,850,433)	\$12,503,147	(\$547,269)	(\$66,459,731)	(\$61,354,286)	\$15,866,764	(\$5,543,893)	\$10,322,871
Basic Earnings (Loss) per Share <sup>(1)</sup>	N/A	N/A	N/A	(\$0.56)	(\$0.56)	\$0.33	(\$0.07)	\$0.27

(1) Metrics represent discrete periods and may not add due to rounding.

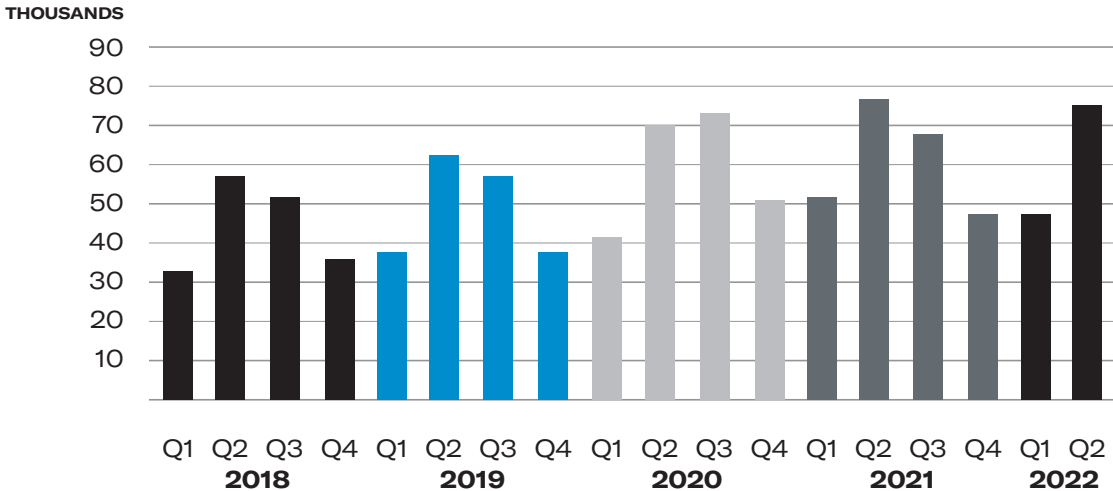
(2) Metrics measured as of the end of the period.

# HISTORICAL SEASONALITY TRENDS | SUPPLEMENTAL DETAIL

Total Written Premium



New Business Count (Insurance)

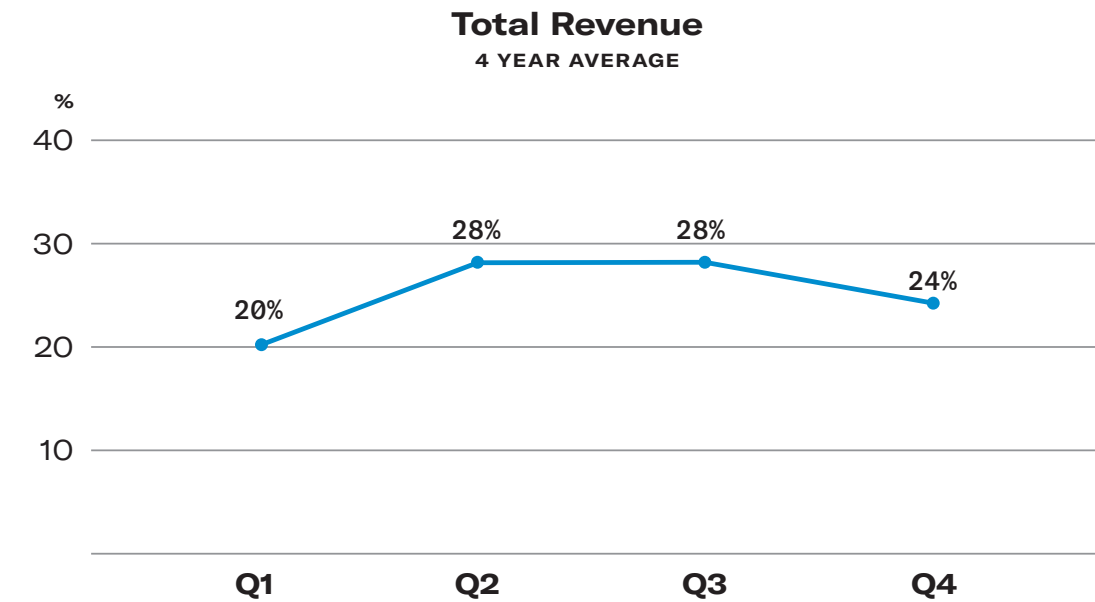


IN THOUSANDS	Q1	Q2	Q3	Q4	Total
2018	82,514	137,943	123,385	86,621	\$430,463
2019	96,732	158,501	142,030	99,747	\$497,010
2020	112,421	184,423	163,520	117,870	\$578,234
2021	133,707	208,091	192,090	140,417	\$674,305
4 Year Average Total Written Premium %	19%	32%	29%	20%	100%
2022	154,790	237,697	-	-	-

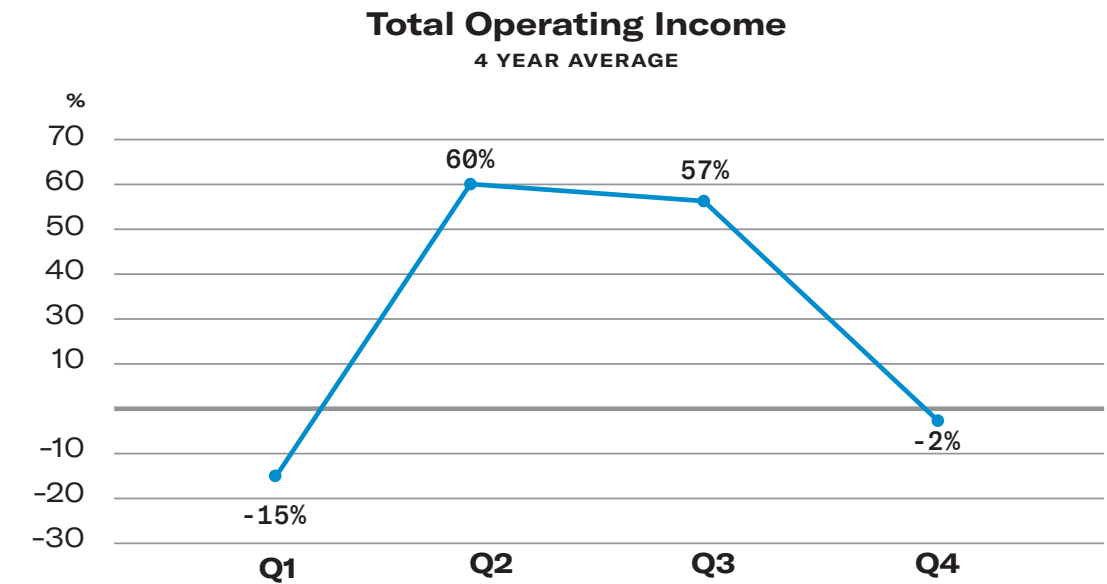
	Q1	Q2	Q3	Q4	Total
2018	32,610	56,729	51,795	35,356	176,490
2019	36,848	62,842	57,426	37,585	194,701
2020	41,510	70,622	73,619	50,914	236,665
2021	51,799	77,013	68,077	47,589	244,478
4 Year Average New Business Count %	19%	32%	29%	20%	100%
2022	47,514	74,922	-	-	-



# HISTORICAL SEASONALITY TRENDS



IN THOUSANDS	Q1	Q2	Q3	Q4	Total
2018	60,489	85,799	83,864	71,547	\$301,699
2019	78,479	109,722	111,472	97,601	\$397,274
2020	106,859	135,462	135,781	121,446	\$499,548
2021	129,200	167,409	168,086	154,384	\$619,079
<b>4 Year Average Total Revenue %</b>	<b>20%</b>	<b>28%</b>	<b>28%</b>	<b>24%</b>	<b>100%</b>
2022	167,812	206,017	-	-	-

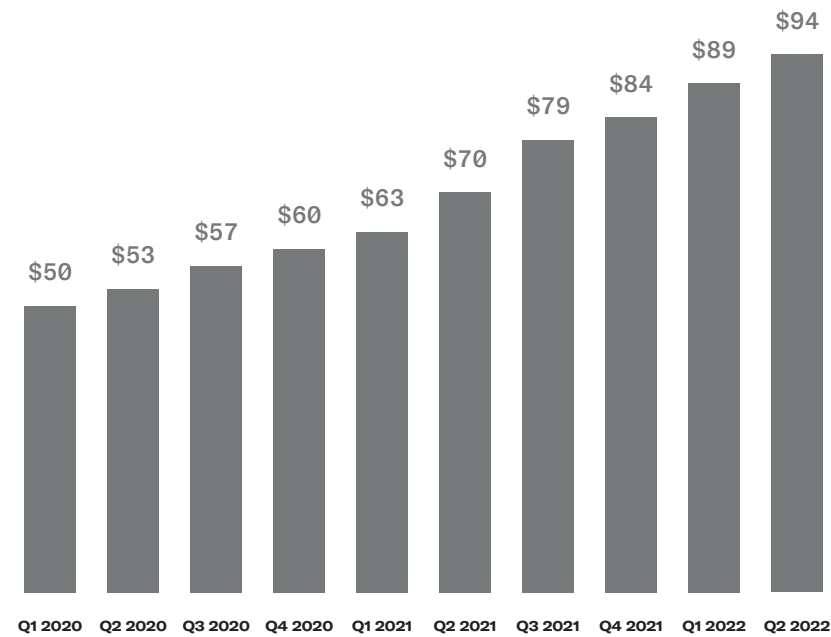


IN THOUSANDS	Q1	Q2	Q3	Q4	Total
2018	(2,880)	12,968	6,861	(8,337)	\$8,612
2019	(5,508)	13,247	9,258	(6,149)	\$10,848
2020	(4,171)	17,441	12,650	(10,074)	\$15,846
2021	(5,096)	14,274	1,758	(21,006)	(\$10,070)
<b>4 Year Average Total Operating Income %</b>	<b>-15%</b>	<b>60%</b>	<b>57%</b>	<b>-2%</b>	<b>100%</b>
2022	(13,004)	2,387	-	-	-

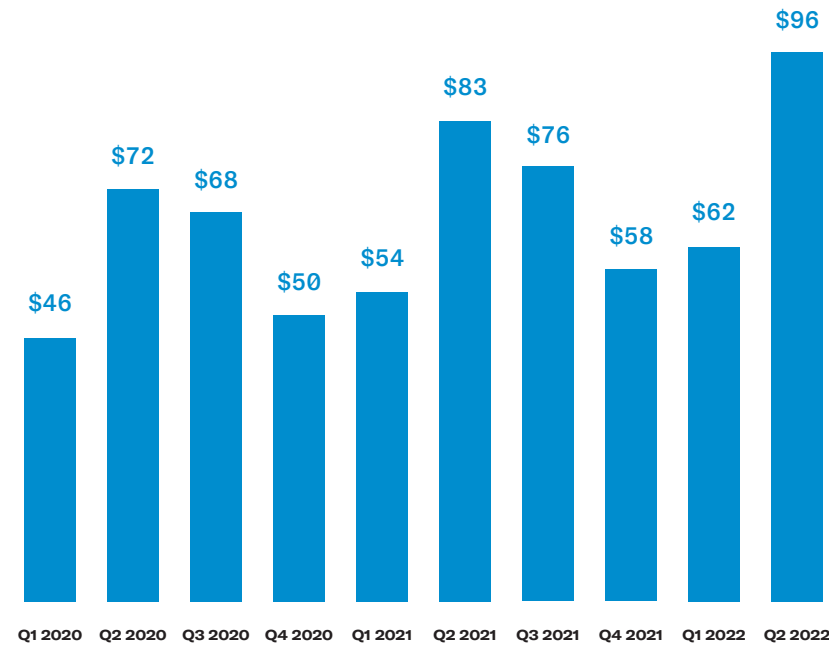
Geographic footprint of our North American book creates seasonal differences by quarter for revenue and total operating income.

# REVENUE COMPONENTS BY QUARTER

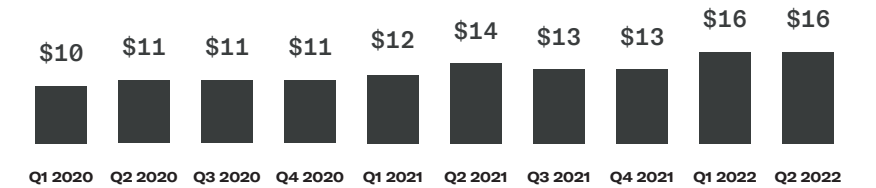
Earned premium in Hagerty Reinsurance



Commission + fee revenue <sup>(1)</sup>



Membership + other revenue



(1) Includes base commissions, payment plan fees and contingent underwriting commissions.



## SUPPLEMENTAL FINANCIAL INFORMATION

### Policies and Vehicles in Force

<b>Policies in Force<sup>(1)</sup></b>	<b>Q1 2021</b>	<b>Q1 2022</b>	<b>Q2 2021</b>	<b>Q2 2022</b>
U.S.	1,020,638	1,101,557	1,051,423	1,124,545
CAN	126,039	136,136	131,494	140,820
UK	24,517	26,224	25,091	26,773
<b>Total</b>	<b>1,171,194</b>	<b>1,263,917</b>	<b>1,208,008</b>	<b>1,292,138</b>

<b>Vehicles Covered <sup>(1)</sup></b>	<b>Q1 2021</b>	<b>Q1 2022</b>	<b>Q2 2021</b>	<b>Q2 2022</b>
U.S.	1,724,680	1,874,514	1,776,202	1,919,325
CAN	175,331	190,224	182,767	196,802
UK	53,367	57,044	49,205	58,636
<b>Total</b>	<b>1,953,378</b>	<b>2,121,782</b>	<b>2,008,174</b>	<b>2,174,763</b>

(1) Metrics measured as of the end of the period

# SUPPLEMENTAL FINANCIAL INFORMATION

## Total Member Count 2.5m Members (+9%): 1.3m Paid Members (+7%)

### Paid Membership Counts

U.S.	Q2 2021	Q2 2022
Insurance Member	430,337	454,388
Insurance + HDC	609,721	653,095
HDC Standalone	26,450	29,844
<b>Total U.S. Paid Member Count</b>	<b>1,066,508</b>	<b>1,137,327</b>
<b>Canada</b>		
Insurance Member	78,854	81,768
Insurance + HDC	51,914	57,109
HDC Standalone	2,322	2,777
<b>Total Canada Paid Member Count</b>	<b>133,090</b>	<b>141,654</b>
<b>Total</b>		
<b>Insurance Member</b>	<b>509,191</b>	<b>536,156</b>
Insurance + HDC	661,635	710,204
HDC Standalone	28,772	32,621
<b>Total HDC Paid Member Count</b>	<b>690,407</b>	<b>742,825</b>
<b>Total Paid Member Count</b>	<b>1,199,598</b>	<b>1,278,981</b>

#### Paid Member Count

Individuals who have an in-force insurance policy plus HDC membership as of a specified point in time.

#### HDC Paid Member Count

HDC standalone plus insurance + HDC. A customer with an active/in-force paying HDC membership that has full access to HDC benefits as of a specified point in time.

### Guest Membership Counts

	Q2 2021	Q2 2022
U.S.	1,041,965	1,158,944
Canada	70,783	77,139
<b>Total Guest Member Count</b>	<b>1,112,748</b>	<b>1,236,083</b>

#### Guest Member

An individual who has created an on-line profile by providing email, establishing a password, and verifying email.

### Total Members

	Q2 2021	Q2 2022
U.S.	2,108,473	2,296,271
Canada	203,873	218,793
<b>Total Member Count</b>	<b>2,312,346</b>	<b>2,515,064</b>

#### Total Members

Paid member count plus guest member count.

9% growth

8% growth

7% growth

# RECONCILIATION OF NON-GAAP METRICS

## Net Income (Loss) to Adjusted EBITDA

IN THOUSANDS	Q2 2021	Q2 2022	YTD 2021	YTD 2022
<b>Net Income (Loss)</b>	<b>\$12,503</b>	<b>(\$5,543)</b>	<b>\$5,652</b>	<b>\$10,323</b>
Interest and Other (Income) Expense	187	353	624	1,037
Income Tax Expense	1,584	2,138	2,902	4,168
Depreciation and Amortization	5,025	8,300	9,396	15,447
Changes in Fair Value of Warrant Liabilities	-	5,400	-	(26,286)
Stock-based Compensation Expense	-	4,307	-	4,307
Net (Gain) Loss From Asset Disposals	-	-	1,764	-
Other Non-Recurring (Gains) Losses <sup>(1)</sup>	-	1,110	-	1,110
<b>Adjusted EBITDA</b>	<b>\$19,299</b>	<b>\$16,065</b>	<b>\$20,338</b>	<b>\$10,106</b>

(1) Other non-recurring (gains) losses relates to severance expense recognized in the three months ended June 30, 2022.

### Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) (the most directly comparable GAAP measure) before interest, income taxes, and depreciation and amortization (EBITDA), adjusted to exclude changes in fair value of warrant liabilities, gains and losses from asset disposals and certain other non-recurring gains and losses. We present Adjusted EBITDA because we consider it to be an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry.

Our management uses Adjusted EBITDA: as a measurement of operating performance of our business on a consistent basis, as it removes the impact of items not directly resulting from our core operations; for planning purposes, including the preparation of our internal annual operating budget and financial projections; to evaluate the performance and effectiveness of our operational strategies; to evaluate our capacity to expand our business; as a performance factor in measuring performance under our executive compensation plan; and as a preferred predictor of core operating performance, comparisons to prior periods and competitive positioning.

By providing this non-GAAP financial measure, together with a reconciliation to the most directly comparable GAAP measure, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. However, Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as an alternative to, or a substitute for net income (loss) or other financial statement data presented in our condensed consolidated financial statements as indicators of financial performance. Some of these limitations include: Adjusted EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures, or contractual commitments; Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt; Adjusted EBITDA does not reflect our tax expense or the cash requirements to pay our taxes; and although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and such measures does not reflect any cash requirements for such replacements; and other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Due to these limitations, Adjusted EBITDA should not be considered in isolation, or as an alternative to, or a substitute for net income (loss) or other financial statement data presented in our condensed consolidated financial statements as indicators of financial performance.



# RECONCILIATION OF NON-GAAP METRICS

## Operating Income (Loss) to Contribution Margin

IN DOLLARS								
	Q2 2021	% of Total Revenue	Q2 2022	% of Total Revenue	YTD 2021	% of Total Revenue	YTD 2022	% of Total Revenue
Total Revenue	\$167,409,450	100%	\$206,016,551	100%	296,609,214	100%	\$373,828,194	100%
Less: Total Operating Expense	153,135,870	91%	203,629,608	99%	287,431,336	97%	384,445,181	103%
Operating Income (Loss)	14,273,580	9%	2,386,943	1%	9,177,879	3%	(10,616,987)	-3%
Add: Fixed Operating Expenses	39,192,315	23%	58,644,478	28%	75,368,052	25%	108,794,840	29%
Contribution Margin <sup>(1)</sup>	\$53,465,895	32%	\$61,031,421	30%	\$84,545,931	29%	\$98,177,853	26%

(1) Decrease in contribution margin percentage primarily driven by increase in Hagerty Re quota share.

**Contribution Margin and Contribution Margin Ratio**

We define Contribution Margin as total revenue less operating expense adding back our fixed operating expenses such as depreciation and amortization, general and administrative costs and shared service salaries and benefits expenses. We define Contribution Margin Ratio as Contribution Margin divided by total revenue. We present Contribution Margin and Contribution Margin Ratio because we consider them to be important supplemental measures of our performance and believe that these non-GAAP financial measures are useful to investors for period-to-period comparisons of our business and in understanding and evaluating our operating results.

We caution investors that Contribution Margin and Contribution Margin Ratio are not recognized measures under GAAP and should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and that Contribution Margin and Contribution Margin Ratio, as we define them, may be defined or calculated differently by other companies. In addition, both Contribution Margin and Contribution Margin Ratio have limitations as analytical tools because they exclude certain significant recurring expenses of our business.

Our management uses Contribution Margin and Contribution Margin Ratio to: analyze the relationship between cost, volume and profit as revenue grows; measure how much profit is earned for any product or service sold; and measure how different management actions could affect the Company's total revenue and related cost levels.

# RECONCILIATION OF NON-GAAP METRICS

## Basis Earnings (Loss) Per Share to Adjusted Earnings Per Share

IN THOUSANDS EXCEPT FOR PER SHARE AMOUNTS	Q2 2022	YTD Q2 2022
Net income (Loss) attributable to controlling interest <sup>(1)</sup>	(\$5,536)	\$21,971
Net income (Loss) attributable to non-controlling interest	(\$7)	(\$11,648)
Consolidated net income (Loss) <sup>(2)</sup>	(\$5,543)	\$10,323
Weighted-average shares of Class A Common Stock outstanding: Basic <sup>(1)</sup>	82,452	82,443
Potentially dilutive shares outstanding:		
Class V Common Stock outstanding	251,034	251,034
Warrants outstanding	19,484	19,484
Unvested stock-based compensation awards	6,851	6,851
Potentially dilutive shares outstanding	277,369	277,369
Fully dilutive shares outstanding <sup>(2)</sup>	359,821	359,812
Basic Earnings (Loss) per Share <sup>(1)</sup>	(\$0.07)	\$0.27
Adjusted EPS (Loss) per Share <sup>(2)</sup>	(\$0.02)	\$0.03

(1) Numerator and Denominator of the GAAP measure Basic EPS (Net income (loss) attributable to controlling interest / Weighted-average shares of Class A Common Stock outstanding)

(2) Numerator and Denominator of the non-GAAP measure Adjusted EPS (consolidated net income (loss) / Fully dilutive shares outstanding)

### Adjusted EPS

We define Adjusted Earnings (Loss) Per Share ("Adjusted EPS") as consolidated Net income (loss) that is attributable to both our controlling and non-controlling interest. Adjusted EPS for the three and six months ended June 30, 2022 includes both our controlling and non-controlling interest net income (loss) of \$(5.5) million and \$10.3 million, respectively, divided by the outstanding and potentially dilutive shares of Hagerty, Inc. (359.8 million shares) which includes (1) the weighted-average issued and outstanding shares of Class A Common Stock, (2) all issued and outstanding shares of Class V Common Stock, (3) all unexercised warrants and (4) all unvested stock-based compensation awards.

The most directly comparable GAAP measure is basic earnings per share ("Basic EPS"), which is calculated as Net income (loss) attributable to only controlling interest in Hagerty, Inc. Basic EPS for the three and six months ended June 30, 2022 includes Net income (loss) attributable to only controlling interest of \$(5.5) million and \$22.0 million, respectively, divided by the weighted-average issued and outstanding shares of Class A Common Stock (82.5 million and 82.4 million shares, respectively).

In accordance with ASC 260, for periods in which we report a net loss to stockholders, diluted EPS would be the same as Basic EPS, because dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. As a result, in periods where we report a net loss attributable to controlling interest, such as during the year ended December 31, 2021, EPS did not need to be differentiated between basic or diluted EPS because both basic and diluted EPS were the same. In periods where we report net income attributable to controlling interest, such as the three months ended March 31, 2022, we believe that Basic EPS is the most comparable GAAP measure to Adjusted EPS.

We caution investors that Adjusted EPS is not a recognized measure under GAAP and should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, including Basic EPS, and that Adjusted EPS, as we define it, may be defined or calculated differently by other companies. In addition, Adjusted EPS has limitations as an analytical tool and should not be considered as a measure of profit or loss per share. We present Adjusted EPS because we consider it to be an important supplemental measure of our operating performance and believe it is used by investors and securities analysts in evaluating the consolidated performance of other companies in our industry. We also believe that Adjusted EPS, which compares our consolidated net loss (which includes our controlling and non-controlling interest) with our outstanding and potentially dilutive shares, provides useful information to investors regarding our performance on a fully consolidated basis. Our management uses Adjusted EPS: as a measurement of operating performance of our business on a fully consolidated basis; to evaluate the performance and effectiveness of our operational strategies; to evaluate our capacity to expand our business; and as a preferred predictor of core operating performance, comparisons to prior periods and competitive positioning.

Never Stop Driving

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