Shareholder Alert: Bernstein Litowitz Berger & Grossmann LLP Announces the Filing of Securities Class Action Lawsuit Against Upstart Holdings, Inc.

New York, NY – (Business Wire) – July 7, 2022 – Today, prominent investor rights law firm Bernstein Litowitz Berger & Grossmann LLP ("BLB&G") filed a class action lawsuit for violations of the federal securities laws in the U.S. District Court for the Southern District of Ohio against Upstart Holdings, Inc. ("Upstart" or the "Company") and certain of the Company's senior executives (collectively, "Defendants") on behalf of investors that purchased Upstart securities between March 18, 2021 and May 9, 2022, inclusive (the "Class Period"), including common stock and Convertible Senior Notes due 2026 issued by Upstart in a private offering to qualified institutional buyers on or around August 18, 2021 (the "Convertible Senior Notes"), and were damaged thereby (the "Class"). This case is related to a previously filed securities class action pending against Upstart captioned *Ward v. Upstart Holdings, Inc.*, No. 5:22-cv-02856 (N.D. Cal.), which asserted a shorter class period of November 9, 2021 through May 9, 2022.

BLB&G filed this action on behalf of its client, Handelsbanken Fonder AB, and the case is captioned *Handelsbanken Fonder AB v. Upstart Holdings, Inc.*, No. 2:22-cv-02706 (S.D. Ohio). The complaint is based on an extensive investigation and a careful evaluation of the merits of this case. A copy of the complaint is available on BLB&G's website by clicking here.

Upstart's Alleged Fraud

Upstart is a financial technology company that operates an online lending platform and uses artificial intelligence ("AI") and data science to underwrite consumer loans. The Company partners with banks and credit unions to offer credit to consumers, either directly through Upstart's website or through its lending partners' websites that are embedded with Upstart's technology, and charges fees for the use of its technology and services. Upstart's fee-based business model is predicated on moving large volumes of loans through its platform and then placing those loans the Company underwrites with banks or institutional credit investors, thereby keeping loans off its balance sheet and largely insulating itself from credit risk.

The complaint alleges that, throughout the Class Period, Defendants repeatedly stated that Upstart's AI-based models could underwrite loans in a way that was far superior to traditional underwriting processes and lead to the origination of less risky credit. Upstart touted the predictive capabilities of its AI technology, which would purportedly allow it to handle a recession "far better than a traditional system would." Defendants also represented that the Company would fund a limited amount of loans from its balance sheet to support the research and development of new loan products, and that it would maintain limited exposure to credit risk.

In reality, however, the Company's AI-based underwriting model was unable to adequately assess credit risk in changing macroeconomic conditions, such as rising interest rates and inflation. As a result, Upstart had been increasingly underwriting progressively less creditworthy loans throughout the Class Period, requiring the Company to fund a significant amount of loans from its balance sheet to support loan transaction volume and stabilize its business, and thereby exposing Upstart to significant credit risk. As a result of these misrepresentations, Upstart securities traded at artificially inflated prices during the Class Period.

The truth emerged on May 9, 2022, after the market closed, when Upstart reported that it had amassed approximately $604 million worth of loans on its balance sheet—more than double the $261 million it held at the end of the previous quarter. Upstart attributed the significant increase of loans on its balance sheet to "rising interest rates and rising consumer delinquencies putting downward pressure on conversion," which led the Company to use its balance sheet as "a market clearing mechanism" to support Upstart's loan transaction volume and stabilize its business. Moreover, Upstart slashed its 2022 revenue guidance by $150 million and issued revenue guidance for the second quarter of 2022 that was well below estimates the Company had led investors to expect. Contrary to Upstart's prior statements touting its ability to successfully navigate market volatility, the Company attributed its weak outlook to "macro uncertainties" and "the prospect of a recession." As a result of these disclosures, the price of Upstart stock declined by more than 56%, from a closing price of $77.13 per share on May 9, 2022, to a closing price of $33.61 per share on May 10, 2022. Additionally, the price of Upstart's Convertible Senior Notes declined by $13.37, or approximately 18.2%, based on a comparison of the last trade price on May 9, 2022 before the Company's disclosures and the last trade price on May 10, 2022.

The filing of this action does not alter the previously established deadline to seek appointment as Lead Plaintiff. Pursuant to the May 13, 2022 notice published in connection with the *Ward* action, under the Private Securities Litigation Reform Act of 1995, investors who purchased Upstart securities, including common stock and Convertible Senior Notes, during the Class Period may, no later than July 12, 2022, seek to be appointed as Lead Plaintiff for the Class. Any member of the proposed Class may seek to serve as Lead Plaintiff through counsel of their choice, or may choose to do nothing and remain a member of the proposed Class.

If you wish to discuss this action or have any questions concerning this notice or your rights or interests, please contact Scott R. Foglietta of BLB&G at 212-554-1903, or via e-mail at scott.foglietta@blbglaw.com.

About BLB&G

BLB&G is widely recognized worldwide as a leading law firm advising institutional investors on issues related to corporate governance, shareholder rights, and securities litigation. Since its founding in 1983, BLB&G has built an international reputation for excellence and integrity and pioneered the use of the litigation process to achieve precedent-setting governance reforms. Unique among its peers, BLB&G has obtained several of the largest and most significant securities recoveries in history, recovering over $37 billion on behalf of defrauded investors. More information about the firm can be found online at www.blbglaw.com.

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