

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2025**

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: **001-41430**

Pagaya Technologies Ltd.

(Exact name of registrant as specified in its charter)

Israel

(State or other jurisdiction of incorporation or organization)

335 Madison Ave, 16th Floor

New York, New York

(Address of principal executive offices)

98-1704718

(I.R.S. Employer Identification No.)

10017

(Zip Code)

(646) 710-7714

(Registrant's telephone number, including area code)

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 Ordinary Shares, no par value	PGY	The NASDAQ Stock Market LLC
Warrants to purchase Class A Ordinary Shares	PGYWW	The NASDAQ Stock Market LLC

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, a 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 Exchange Act). Yes No

As of April 30, 2025, the registrant had 63,055,282 Class A Ordinary Shares, no par value, outstanding and 12,652,310 Class B Ordinary Shares, no par value, outstanding, and 5,000,000 Series A Preferred Shares, no par value, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements that involve substantial risks and uncertainties. The Private Securities Litigation Reform Act of 1995, or the PSLRA, provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include, without limitation, our expectations concerning the outlook for our business, productivity, plans and goals for future operational improvements and capital investments, operational performance, future market conditions or economic performance and developments in the capital and credit markets and expected future financial performance, as well as any information concerning possible or assumed future results of operations.

Pagaya desires to take advantage of the safe harbor provisions of the PSLRA and is including this cautionary statement in connection with this safe harbor legislation. All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by words such as “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “strategy,” “future,” “opportunity,” “may,” “target,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” or similar expressions that predict or indicate future events or trends or that are not statements of historical matters.

Forward-looking statements involve a number of risks, uncertainties and assumptions, and actual results or events may differ materially from those implied in those statements. Important factors that could cause such differences include, but are not limited to:

- the ability to implement business plans and other expectations;
- the impact of the continuation of or changes in the short-term and long-term interest rate environment;
- uncertain market or political conditions;
- the availability and cost of capital, including the financing of risk retention investments;
- our ability to service our debt financing and meet associated covenants;
- our ability to develop and maintain a diverse and robust funding network;
- the impact of fair value changes in our risk retention investments in our Financing Vehicles;
- our uncertain future prospects and rate of growth due to our relatively limited operating history;
- the performance of our technology to consistently meet return expectations of asset investors in Financing Vehicles;
- our ability to improve, operate and implement our AI technology, including as we expand into new asset classes;
- competition in attracting and onboarding new Partners and raising capital from asset investors through Financing Vehicles given the current limited number of Partners that account for a substantial portion of the total number of the financial products facilitated with the assistance of our AI technology;
- potential difficulties in retaining our current management team and other key employees and independent contractors, including highly-skilled technical experts;
- our estimates of our future financial performance;
- changes in the political, legal and regulatory framework related to AI technology, machine learning; financial institutions and consumer protection;
- the impact of health epidemics, natural disasters, acts of terrorism or other catastrophic events;
- our ability to realize the potential benefits of past or future acquisitions;
- conditions related to our operations in Israel;

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- risks related to data, security and privacy;
- changes to accounting principles and guidelines;
- our ability to develop and maintain effective internal controls;
- the ability to maintain the listing of our securities on Nasdaq;
- the price of our securities has been and may continue to be volatile;
- unexpected costs or expenses;
- future issuances, sales or resales of our Class A Ordinary Shares;
- an active public trading market for our Class A Ordinary Shares may not be sustained; and
- the other matters described in “*Risk Factors*” in our Annual Report on Form 10-K.

We caution you not to rely on forward-looking statements, which reflect current beliefs and are based on information currently available as of the date a forward-looking statement is made. Forward-looking statements set forth herein speak only as of the date of this Quarterly Report. We undertake no obligation to revise forward-looking statements to reflect future events, changes in circumstances or changes in beliefs except to the extent required by law. In the event that any forward-looking statement is updated, no inference should be made that we will make additional updates with respect to that statement, related matters, or any other forward-looking statements except to the extent required by law. Any corrections or revisions and other important assumptions and factors that could cause actual results to differ materially from forward-looking statements, including discussions of significant risk factors, may appear in our public filings with the SEC, which are or will be (as appropriate) accessible at www.sec.gov, and which you are advised to consult.

Market, ranking and industry data used throughout this Quarterly Report, including statements regarding market size and technology adoption rates, is based on the good faith estimates of our management, which in turn are based upon our management’s review of internal surveys, independent industry surveys and publications and other third-party research and publicly available information. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we are not aware of any misstatements regarding the industry data presented herein, its estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under “*Risk Factors*” in our Annual Report on Form 10-K, which was filed with the SEC on March 12, 2025, and “*Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations*” of this Quarterly Report.

PART I - Financial Information

Item 1. Financial Statements

PAGAYA TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share amounts)

	March 31, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 186,797	\$ 187,921
Restricted cash	18,123	18,595
Fees and other receivables (including related party receivables of \$62,141 and \$70,198 as of March 31, 2025 and December 31, 2024, respectively) (1)	107,543	97,932
Investments in loans and securities (1)	19,665	22,087
Prepaid expenses and other current assets (including related party assets of \$15,662 and \$15,180 as of March 31, 2025 and December 31, 2024, respectively)	23,435	24,944
Total current assets	355,563	351,479
Non-current assets:		
Restricted cash	24,714	20,002
Fees and other receivables (including related party receivables of \$28,603 and \$29,182 as of March 31, 2025 and December 31, 2024, respectively)	28,427	29,182
Investments in loans and securities	740,828	756,322
Equity method and other investments	21,543	21,933
Right-of-use assets	35,371	36,876
Property and equipment, net	36,135	37,974
Goodwill	22,903	23,062
Intangible assets, net	11,671	12,821
Prepaid expenses and other assets	1,210	1,421
Total non-current assets	922,802	939,593
Total Assets	\$ 1,278,365	\$ 1,291,072
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,006	\$ 6,992
Accrued expenses and other liabilities	33,621	45,362
Current maturities of operating lease liabilities	6,574	6,453
Current portion of long-term debt	17,750	17,750
Secured borrowing	118,058	109,079
Income taxes payable	12,686	9,858
Total current liabilities	198,695	195,494
Non-current liabilities:		
Warrant liability	1,992	893
Long-term debt	300,169	303,567
Exchangeable notes	146,925	146,342
Secured borrowing	60,691	67,010
Operating lease liabilities	28,574	30,611
Long-term tax and deferred tax liabilities, net	26,266	31,359
Total non-current liabilities	564,617	579,782
Total Liabilities	763,312	775,276
Redeemable convertible preferred shares, no par value, 6,666,666 shares authorized, 5,000,000 shares issued and outstanding as of March 31, 2025 and December 31, 2024; aggregate liquidation preference of \$150,000 as of March 31, 2025 and December 31, 2024.	74,250	74,250
Shareholders' equity:		
Class A ordinary shares, no par value, 666,666,666 shares authorized, 62,778,642 and 61,227,672 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively.	—	—
Class B ordinary shares, no par value, 166,666,666 shares authorized, 12,652,310 and 12,652,310 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively.	—	—
Additional paid-in capital	1,299,010	1,282,022
Accumulated other comprehensive loss	(27,370)	(11,488)
Accumulated deficit	(936,150)	(944,043)
Total Pagaya Technologies Ltd. shareholders' equity	335,490	326,491
Noncontrolling interests	105,313	115,055
Total shareholders' equity	440,803	441,546
Total Liabilities, Redeemable Convertible Preferred Shares, and Shareholders' Equity	\$ 1,278,365	\$ 1,291,072

(1) Accrued interest receivable of \$14.3 million, previously reported within "Fee and other receivables" as of December 31, 2024, has been reclassified to "Investment in loans and securities" to conform to the current period's presentation.

The accompanying notes are an integral part of these condensed consolidated financial statements

PAGAYA TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except share and per share data)

	Three Months Ended March 31,	
	2025	2024
Revenue		
Revenue from fees (including related party revenues of \$167,876 and \$178,511 for the three months ended March 31, 2025 and 2024, respectively)	\$ 282,704	\$ 237,004
Other Income		
Interest income	7,676	7,744
Investment (loss) income (1)	(391)	528
Total Revenue and Other Income	289,989	245,276
Production costs	167,083	144,881
Technology, data and product development	19,444	19,380
Sales and marketing	9,594	10,257
General and administrative	46,183	63,068
Total Costs and Operating Expenses	242,304	237,586
Operating Income	47,685	7,690
Other expenses, net	(47,733)	(34,349)
Loss Before Income Taxes	(48)	(26,659)
Income tax (benefit) expense	(2,540)	5,003
Net Income (Loss) Including Noncontrolling Interests	2,492	(31,662)
Less: Net loss attributable to noncontrolling interests	(5,401)	(10,439)
Net Income (Loss) Attributable to Pagaya Technologies Ltd.	\$ 7,893	\$ (21,223)
Per share data:		
Net income (loss) attributable to Pagaya Technologies Ltd.	\$ 7,893	\$ (21,223)
Less: Undistributed earnings allocated to preferred shares	489	—
Net income (loss) attributed to Pagaya Technologies Ltd.'s ordinary shares	\$ 7,404	\$ (21,223)
Earnings (loss) per share attributable to Pagaya Technologies Ltd.:		
Basic	\$ 0.10	\$ (0.33)
Diluted	\$ 0.10	\$ (0.33)
Weighted average shares outstanding:		
Basic	75,765,080	64,504,458
Diluted	77,043,464	64,504,458

(1) Includes income from proprietary investments.

The accompanying notes are an integral part of these condensed consolidated financial statements

PAGAYA TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(In thousands)

	Three Months Ended March 31,	
	2025	2024
Net Income (Loss) Including Noncontrolling Interests	\$ 2,492	\$ (31,662)
Other Comprehensive Income:		
Unrealized loss on securities available for sale, net	(15,784)	(21,531)
Comprehensive Loss Including Noncontrolling Interests	\$ (13,292)	\$ (53,193)
Less: Comprehensive loss attributable to noncontrolling interests	(5,303)	(7,247)
Comprehensive Loss Attributable to Pagaya Technologies Ltd.	\$ (7,989)	\$ (45,946)

The accompanying notes are an integral part of these condensed consolidated financial statements

PAGAYA TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED SHARES AND SHAREHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share amounts)

	Redeemable Convertible Preferred Shares		Ordinary Shares (Class A and Class B)		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Pagaya Technologies Ltd. Shareholders' Equity (Deficit)	Non-Controlling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount						
	Balance – December 31, 2023	5,000,000	\$ 74,250	62,043,246						
Issuance of ordinary shares upon exercise of share options	—	—	100,613	—	161	—	—	161	—	161
Issuance of ordinary shares upon vesting of RSUs	—	—	660,447	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	17,618	—	—	17,618	—	17,618
Issuance of ordinary shares, net of issuance cost of \$5,312	—	—	7,500,000	—	89,938	—	—	89,938	—	89,938
Issuance of ordinary shares from the Equity Financing Purchase Agreement	—	—	298,057	—	5,338	—	—	5,338	—	5,338
Contributions of interests in consolidated VIEs	—	—	—	—	—	—	—	—	2,815	2,815
Return of capital to interests in consolidated VIEs	—	—	—	—	—	—	—	—	(2,515)	(2,515)
Other comprehensive income (loss)	—	—	—	—	—	(24,723)	—	(24,723)	3,192	(21,531)
Net income (loss)	—	—	—	—	—	—	(21,223)	(21,223)	(10,439)	(31,662)
Balance – March 31, 2024	<u>5,000,000</u>	<u>\$ 74,250</u>	<u>70,602,363</u>	<u>\$ —</u>	<u>\$ 1,214,969</u>	<u>\$ (24,279)</u>	<u>\$ (563,860)</u>	<u>\$ 626,830</u>	<u>\$ 99,081</u>	<u>\$ 725,911</u>

	Redeemable Convertible Preferred Shares		Ordinary Shares (Class A and Class B)		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Pagaya Technologies Ltd. Shareholders' Equity (Deficit)	Non-Controlling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount						
	Balance – December 31, 2024	5,000,000	\$ 74,250	73,879,982						
Issuance of ordinary shares upon exercise of share options	—	—	381,271	—	2,267	—	—	2,267	—	2,267
Issuance of ordinary shares upon vesting of RSUs	—	—	1,113,823	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	14,129	—	—	14,129	—	14,129
Issuance of ordinary shares upon employee stock purchase plan	—	—	55,876	—	592	—	—	592	—	592
Return of capital to interests in consolidated VIEs	—	—	—	—	—	—	—	—	(4,439)	(4,439)
Other comprehensive income (loss)	—	—	—	—	—	(15,882)	—	(15,882)	98	(15,784)
Net income (loss)	—	—	—	—	—	—	7,893	7,893	(5,401)	2,492
Balance – March 31, 2025	<u>5,000,000</u>	<u>\$ 74,250</u>	<u>75,430,952</u>	<u>\$ —</u>	<u>\$ 1,299,010</u>	<u>\$ (27,370)</u>	<u>\$ (936,150)</u>	<u>\$ 335,490</u>	<u>\$ 105,313</u>	<u>\$ 440,803</u>

The accompanying notes are an integral part of these condensed consolidated financial statements

PAGAYA TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities		
Net income (loss) including noncontrolling interests	\$ 2,492	\$ (31,662)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Equity method loss (income)	391	(528)
Depreciation and amortization	7,722	6,317
Share-based compensation	13,172	15,475
Fair value adjustment to warrant liability	1,099	(1,900)
Impairment loss on investments in loans and securities (1)	37,080	26,987
Gain on sale of investments in loans and securities	(5,894)	—
Amortization of deferred costs	2,396	475
Write-off of capitalized software	—	408
Loss on foreign exchange	32	264
Change in operating assets and liabilities:		
Fees and other receivables (1)	(8,844)	(6,832)
Accrued interest on investments (1)	(6,088)	(4,940)
Prepaid expenses and other assets	1,652	(1,936)
Right-of-use assets	1,505	1,879
Accounts payable	3,016	1,885
Accrued expenses and other liabilities	(11,615)	8,298
Operating lease liability	(1,415)	(1,524)
Income taxes	(2,274)	5,043
Net cash provided by operating activities	34,427	17,709
Cash flows from investing activities		
Proceeds from the sale/maturity/prepayment of:		
Investments in loans and securities (1)	58,674	38,658
Cash and restricted cash acquired from Theorem Technology, Inc.	159	—
Payments for the purchase of:		
Investments in loans and securities	(81,943)	(261,638)
Property and equipment	(3,776)	(5,145)
Net cash used in investing activities	(26,886)	(228,125)
Cash flows from financing activities		
Proceeds from sale of ordinary shares, net of issuance costs	—	89,938
Proceeds from long-term debt	—	244,725
Proceeds from secured borrowing	49,162	97,448
Proceeds received from noncontrolling interests	—	2,815
Proceeds from revolving credit facility	—	44,000
Proceeds from exercise of stock options, warrants and contributions to ESPP	2,859	161
Proceeds from issuance of ordinary shares from the Equity Financing Purchase Agreement	—	5,338
Distributions made to noncontrolling interests	(4,442)	(2,515)
Payments made to revolving credit facility	—	(134,000)
Payments made to secured borrowing	(46,919)	(38,005)
Payments made to long-term debt	(4,439)	(3,188)
Debt issuance costs	—	(7,974)
Net cash (used in) provided by financing activities	(3,779)	298,743
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(646)	(820)
Net increase in cash, cash equivalents and restricted cash	3,116	87,507
Cash, cash equivalents and restricted cash, beginning of period	226,518	222,541
Cash, cash equivalents and restricted cash, end of period	\$ 229,634	\$ 310,048

Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheet to the amounts shown in the statements of cash flow above:		
Cash and cash equivalents	\$ 186,797	\$ 274,495
Restricted cash - current	18,123	16,872
Restricted cash - non-current	24,714	18,681
Total cash, cash equivalents, and restricted cash	\$ 229,634	\$ 310,048

(1) Accrued interest receivable of \$14.3 million, previously reported within "Fee and other receivables" as of December 31, 2024, has been reclassified to "Investment in loans and securities" to conform to the current period's presentation.

The accompanying notes are an integral part of these condensed consolidated financial statements

NOTE 1 - BUSINESS DESCRIPTION

Pagaya Technologies Ltd. and its consolidated subsidiaries (together “we” “our” “Pagaya” or the “Company”) is a technology company that deploys sophisticated data science and proprietary AI technology to drive better results for financial services and other service providers, their customers, and asset investors. Services providers integrated with Pagaya’s network, which are referred to as “Partners,” range from high-growth financial technology companies to incumbent banks and financial institutions, auto finance providers and residential real estate service providers. Partners have access to Pagaya’s network in order to assist with extending financial products to their customers, in turn helping those customers fulfill their financial needs and dreams. These assets originated by Partners with the assistance of Pagaya’s AI technology are eligible to be acquired by (i) funds managed or advised by Pagaya or one of its affiliates, (ii) securitization vehicles sponsored or administered by Pagaya or one of its affiliates and (iii) other similar vehicles (“Financing Vehicles”).

Pagaya Technologies Ltd. was founded in 2016 and is organized under the laws of the State of Israel. Pagaya has its primary offices in the United States and Israel.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of the Company, its wholly-owned subsidiaries, and consolidated variable interest entities (“VIEs”) if any.

The accompanying unaudited condensed consolidated financial statements were derived from the audited consolidated financial statements, but does not include all of the disclosures, including certain notes required by GAAP on an annual reporting basis. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2024 included in the Company’s Annual Report on Form 10-K.

All intercompany accounts and transactions have been eliminated. The Company’s functional and reporting currency is the U.S. Dollar. In management’s opinion, the unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements, except as noted below, and reflect all adjustments, which include only normal recurring adjustments necessary for the fair presentation of the Company’s financial position as of March 31, 2025 and the Company’s consolidated results of operations and shareholders’ equity for the three months ended March 31, 2025 and 2024, and cash flows for the three months ended March 31, 2025 and 2024. The results for the three months ended March 31, 2025 are not necessarily indicative of the results to be expected for the full year ending December 31, 2025 or any other future interim or annual period.

Significant Accounting Policies

There were no material changes to our significant accounting policies as disclosed in Note 2, Summary of Significant Accounting Policies, in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the SEC on March 12, 2025.

Reclassification

Certain prior year amounts have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements Not Yet Adopted

As an “emerging growth company,” the Jumpstart Our Business Startups Act (“JOBS Act”) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this update require entities to disclose specific categories in the effective tax rate reconciliation and provide

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additional information for reconciling items where the effect of those reconciling items is equal to or greater than 5% of the amount computed by multiplying pretax income/loss by the applicable statutory income tax rate. In addition, entities are required to disclose the year-to-date amount of income taxes paid (net of refunds received) disaggregated by jurisdictions. This ASU is effective for the Company for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of these amendments on its consolidated financial statements disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosure (Subtopic 220-40), Disaggregation of Income Statement Expenses, which requires disclosure of disaggregated information about certain expense captions presented in the consolidated statements of income as well as disclosure about selling expense. The effective date for this update was amended by ASU 2025-01 Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date, and is now effective for annual periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027. It could be applied either prospectively or retrospectively. The Company is currently evaluating the impact of these amendments on its consolidated financial statement disclosures.

NOTE 3 - REVENUE

Revenue from fees is comprised of Network AI fees and Contract fees. Network AI fees can be further broken down into two fee streams: AI integration fees and capital markets execution fees. AI integration fees are earned for the creation and delivery of assets that comprise Network Volume. The Company utilizes multiple funding channels to enable the purchase of network assets from Partners, such as asset backed securitizations (“ABS”), pass-through and forward flow transactions. Capital markets execution fees are earned from the market pricing of ABS transactions while contract fees are management, performance and similar fees. These fees are the result of agreements with customers and are recognized in accordance with FASB Accounting Standards Codification 606, “Revenue from Contracts with Customers” (“ASC 606”).

Revenue is recognized in accordance with ASC 606 with revenue recorded on a gross basis when the Company is a principal in the transaction with customers, and recorded on a net basis when the Company is acting as an agent on behalf of another. The Company generally recognizes revenue on a gross basis because the Company is primarily responsible for integrating the various services fulfilled by Partners and is ultimately responsible to the Financing Vehicles for the fulfillment of the related services. To the extent the Company does not meet the criteria for recognizing revenue on a gross basis, the Company records revenue on a net basis.

Network AI Fees

Network AI fees, comprised of AI integration fees and capital markets execution fees, totaled \$253.4 million and \$215.3 million for the three months ended March 31, 2025 and 2024, respectively. The Company recognizes Network AI fees primarily at a point in time when the related performance obligation is satisfied and the payment term is generally 30 days. From time to time the Company may provide certain incentives to Financing Vehicles. When the Company determines that an incentive is consideration payable, which is not in exchange for distinct goods or services, to a customer, the incentive is recorded as a reduction of revenue. Expenses to third parties for services that are integrated with the Company’s technology are recorded in the consolidated statements of income as Production Costs.

Contract Fees

Contract fees include administration and management fees, performances fees, and servicing fees. Contract fees totaled \$29.3 million and \$21.7 million for the three months ended March 31, 2025 and 2024, respectively. All of these fees are recognized over the service period for the Financing Vehicles managed or administered by the Company and the payment term is monthly as a fixed percentage of the entity’s assets, except for the portion of management fees that are recognized at the point in time based on contract terms.

Performance fees are earned when certain Fund Financing Vehicles exceed contractual return thresholds. They are recognized only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. An estimate is made by the Company based on a variety of factors including market conditions and expected loan performance. In the following period, the true performance is measured and then adjusted to ensure that the fees accurately represent actual performance of Financing Vehicles. As such, there are revenues that result from performance obligations satisfied in the previous year. During the three months ended March 31, 2025, \$0.6 million worth of fees represent performance obligations satisfied in

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the previous year that were less than the original estimate. During the three months ended March 31, 2024, \$3.3 million worth of fees represent performance obligations satisfied in the previous year that were greater than the original estimate.

Servicing fees for the Financing Vehicles, which primarily involve collecting payments and providing reporting on the loans within the securitization vehicles, are recognized over the service period and payment is received monthly from the Financing Vehicles. These duties have been considered to be agent responsibilities and does not include acting as a loan servicer. Accordingly, servicing fees are recorded on a net basis.

Total Revenue From Fees

The Company determines its contracts generally to not include a significant financing component since the Company's selling prices are not subjected to billing terms nor is its purpose to receive financing from its customers or to provide customers with financing. In addition, as a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the period between payment and the transfer of services is expected to be one year or less.

Once revenue is recognized, it is recorded on the balance sheet in fees and other receivables until the payment is received from the customer. The timing of the recognition depends on the type of service as described above.

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Services transferred at a point in time	\$ 263,118	\$ 227,575
Services transferred over time	19,586	9,429
Total revenue from fees, net	<u>\$ 282,704</u>	<u>\$ 237,004</u>

The Company had no material contract assets, contract liabilities, or deferred contract costs recorded as of March 31, 2025 or December 31, 2024.

Concentrations of Credit Risk and Significant Customers

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of cash and cash equivalents, restricted cash and fees receivable. Cash and cash equivalents are principally maintained with major financial institutions, which management assesses to be of high credit quality. The Company has not experienced any losses on these deposits.

The Company's fees receivable balances are predominantly with agreements with customers, and these are subject to normal credit risks which management believes to be not significant.

Significant customers are those which represent 10% or more of the Company's total revenue for each respective period presented. Two related parties, individually represented greater than 10% of total revenue and collectively totaled approximately 35% for three months ended March 31, 2025. Four customers, including three related parties, individually represented greater than 10% of total revenue and collectively totaled approximately 57% for the three months ended March 31, 2024.

NOTE 4 - BORROWINGS

The following table sets forth the the Company's outstanding borrowings, inclusive of current and non-current portions, as of the date indicated (in thousands):

	March 31, 2025	December 31, 2024
Secured borrowings	\$ 178,749	\$ 176,089
Long-term debt	\$ 317,919	\$ 321,317
Exchangeable notes	\$ 146,925	\$ 146,342

The Company was in compliance with all covenants as of March 31, 2025.

Secured Borrowings

Risk Retention Master Repurchase

In normal course of business, the Company, through consolidated VIEs, enters into repurchase agreements to finance the Company's risk retention balance in notes and certificates retained from securitization transactions. Under these agreements, the Company pledges financial instruments as collateral. These agreements with counterparties generally contain contractual provisions allowing the counterparty the right to sell or repledge the collateral. Pledged securities owned that can be sold or repledge by the counterparty are included in Investments in loans and securities in the Company's balance sheet. As of March 31, 2025 and December 31, 2024, the outstanding principal balance under the repurchase agreements was \$153.7 million and \$144.0 million, respectively, which is recorded within secured borrowing on the consolidated balance sheet, with a weighted average interest rate of approximately fifteen percent. The average remaining contractual maturities of the repurchase agreements were greater than 90 days as of both March 31, 2025 and December 31, 2024.

Receivables Facility

In October 2022, Pagaya Receivables LLC, a wholly-owned subsidiary, entered into a Loan and Security Agreement (the "LSA Agreement") with certain lenders, which provides for a 3-year loan facility (the "Receivables Facility") in a maximum principal amount of \$22 million to finance certain eligible receivables purchased from sponsored securitization transactions. In June 2023, the Company amended the agreement and increased the maximum principal amount by \$10 million to \$32 million. In June 2024, the Company amended the agreement pursuant to which the maximum principal amount was increased from \$32 million to \$45 million and the term was extended until June 2026. Borrowings under the Receivables Facility bear interest at a rate per annum equal to the adjusted term Secured Overnight Financing Rate (subject to a 0.00% floor) plus a margin of 3.50%, and the balance is repaid using cash proceeds received from the receivables. As of March 31, 2025 and December 31, 2024, the outstanding principal balance under the Receivables Facility was \$25.1 million and \$31.9 million, respectively, which is recorded within secured borrowing on the consolidated balance sheet.

Long-Term Debt

On February 2, 2024, the Company entered into a certain Credit Agreement (the "Credit Agreement") which provides for a 5-year senior secured revolving credit facility (the "Revolving Credit Facility") in an initial principal amount of \$25 million, which subsequently increased to \$35 million, and a 5 year senior secured term loan facility (the "Term Loan Facility," and together with the Revolving Credit Facility, the "Facilities") in an initial principal amount of \$255 million.

In November 2024, the Company entered into Amendment No. 2 (the "Amendment") to the Credit Agreement. Pursuant to the Amendment, the Company incurred incremental term loans in an aggregate principal amount \$100 million, bringing the total principal amount of the Term Loan Facility to \$355 million. The Company also increased an aggregate principal amount of the Revolving Credit Facility of \$15 million, bringing the total principal amount of the Revolving Credit Facility to \$50 million. In February 2025, the Company further increased the aggregate principal amount of the Revolving Credit Facility by \$8 million, resulting in a total principal amount of \$58 million.

No amortization payments are required to be made in respect of borrowings under the Revolving Credit Facility. Amortization payments are required to be made in respect of the term loans under the Term Loan Facility in amount of 1.25% per quarter of the original principal amount of the term loans under the Term Loan Facility.

Borrowings under the Facilities bear interest at a rate per annum equal to, at the Company's option, (i) a base rate (determined based on the prime rate and subject to a 2.00% floor) plus a margin of 6.50% or (ii) an adjusted term Secured Overnight Financing Rate (subject to a 1.00% floor) plus a margin of 7.50%. A commitment fee accrues on any unused portion of the commitments under the Revolving Credit Facility at a rate per annum of 0.25% and is payable quarterly in arrears. Accrued interest of \$2.5 million and \$2.8 million was recorded within accrued expenses and other liabilities on the consolidated balance sheet as of March 31, 2025 and December 31, 2024, respectively.

As of March 31, 2025, the Company had an outstanding balance of \$317.9 million, which is recorded within long-term debt on the unaudited condensed consolidated balance sheet, and its aggregate future maturities consists of the following (in thousands):

	March 31, 2025	
2025	\$	13,313
2026		17,750
2027		17,750
2028		17,750
2029		270,000
Total		336,563
Debt issuance costs		(18,644)
Total long-term debt, net of debt issuance costs	\$	317,919

As of March 31, 2025, the Company had letters of credit issued in the amount of \$24.7 million, and \$33.3 million of remaining capacity available under the Revolving Credit Facility.

As of December 31, 2024, the Company had letters of credit issued in the amount of \$24.3 million, with \$25.7 million of remaining capacity available under the Revolving Credit Facility.

Exchangeable Senior Notes

On October 1, 2024, the Company, through a wholly owned subsidiary of the Company, issued \$160 million aggregate principal amount of its 6.125% Exchangeable Senior Notes ("Notes") due 2029. The issuance was in connection with a purchase agreement dated September 26, 2024, with certain initial purchasers. The Notes bear interest at a rate of 6.125% per annum, payable semiannually in arrears on April 1 and October 1 of each year, beginning April 1, 2025. The Notes will mature on October 1, 2029, unless earlier repurchased, redeemed, or exchanged.

The Company accounted for the issuance of the Notes as a single liability at par as the conversion feature does not require bifurcation as a derivative under ASC 815 and the Notes were not issued at a substantial premium. Debt issuance costs related to the Notes totaled \$6.2 million and consisted of underwriting fees and third-party offering costs, which are amortized to interest expense using the effective interest method over the contractual term. The Company recorded \$3.0 million of interest expense, including \$0.6 million of amortization of debt issuance costs, three months ended March 31, 2025. The effective interest rate of the Notes is 8.7%.

NOTE 5 - INVESTMENTS

Investments in Loans and Securities

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of investments in loans and securities as of March 31, 2025 and December 31, 2024 were as follows (in thousands). As provided in Note 6, a portion of these investments in loans and securities are consolidated as a result of the Company's determination that it is the primary beneficiary of certain VIEs.

	As of March 31, 2025				
Investments in loans and securities, available for sale(1):	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Securitization notes	\$ 247,039	\$ 341	\$ (303)	\$ (2,873)	\$ 244,204
Securitization certificates	999,129	6,785	(29,481)	(462,436)	513,997
Other loans and receivables	3,503	—	—	(1,211)	2,292
Total	\$ 1,249,671	\$ 7,126	\$ (29,784)	\$ (466,520)	\$ 760,493

(1) Includes accrued interest receivable of \$16.1 million.

As of December 31, 2024

Investments in loans and securities, available for sale(2):	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Securitization notes	\$ 240,396	\$ 386	\$ (509)	\$ —	\$ 240,273
Securitization certificates	1,048,734	7,926	(14,676)	(508,741)	533,243
Other loans and receivables	6,446	—	—	(1,553)	4,893
Total	\$ 1,295,576	\$ 8,312	\$ (15,185)	\$ (510,294)	\$ 778,409

(2) Includes accrued interest receivable of \$14.3 million, previously reported within “Fee and other receivables” as of December 31, 2024, has been reclassified to conform to the current period’s presentation.

The following tables set forth the fair value and gross unrealized losses on investments in loans and securities without an allowance for credit losses aggregated by investment category and length of time that individual securities had been in a continuous unrealized loss position, as of the dates indicated (in thousands):

As of March 31, 2025

Investments in loans and securities, available for sale:	Less than or equal to 1 year		Greater than 1 year		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securitization notes	\$ —	\$ —	\$ 17,163	\$ (303)	\$ 17,163	\$ (303)
Securitization certificates	27,069	(359)	—	—	27,069	(359)
Other loans and receivables	—	—	—	—	—	—
Total	\$ 27,069	\$ (359)	\$ 17,163	\$ (303)	\$ 44,232	\$ (662)

As of December 31, 2024

Investments in loans and securities, available for sale:	Less than or equal to 1 year		Greater than 1 year		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securitization notes	\$ 66	\$ (1)	\$ 27,295	\$ (508)	\$ 27,361	\$ (509)

The following table sets forth the amortized cost and fair value of investments in loans and securities by contractual maturities, as of the date indicated (in thousands):

As of March 31, 2025

Investments in loans and securities, available for sale:	Within 1 year		Greater than 1 year, less than or equal to 5 years		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securitization notes	\$ 2,963	\$ 5,887	\$ 244,076	\$ 238,317	\$ 247,039	\$ 244,204
Securitization certificates	9,891	13,172	989,238	500,825	999,129	513,997
Other loans and receivables	606	606	2,897	1,686	3,503	2,292
Total (1)	\$ 13,460	\$ 19,665	\$ 1,236,211	\$ 740,828	\$ 1,249,671	\$ 760,493

Investments in loans and securities, available for sale (2):	As of December 31, 2024					
	Within 1 year		Greater than 1 year, less than or equal to 5 years		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securitization notes	\$ 9,907	\$ 9,903	\$ 230,489	\$ 230,370	\$ 240,396	\$ 240,273
Securitization certificates	11,554	11,554	1,037,180	521,689	1,048,734	533,243
Other loans and receivables	630	630	5,816	4,263	6,446	4,893
Total (1)	\$ 22,091	\$ 22,087	\$ 1,273,485	\$ 756,322	\$ 1,295,576	\$ 778,409

(1) Based on expected maturity date cash flows.

(2) Includes accrued interest receivable of \$14.3 million, previously reported within “Fee and other receivables” as of December 31, 2024, has been reclassified to conform to the current period’s presentation.

The following table sets forth gross proceeds and related investment gains (losses), as well as losses on write-downs and the allowance for credit losses of securities, for the periods indicated (in thousands):

Investments in loans and securities, available for sale:	Three Months Ended March 31,	
	2025	2024
Proceeds from sales/maturities/prepayments	\$ 58,674	\$ 38,658
Gross investment gains from sales and maturities	\$ (5,894)	\$ —
Write-offs charged against the allowance	\$ 436	\$ 1,449
Reductions (additions) to allowance for credit losses	\$ 43,338	\$ (26,851)

The following tables set forth the activity in the allowance for credit losses for investments in loans and securities, as of the dates indicated (in thousands):

	Three Months Ended March 31, 2025			
	Securitization notes	Securitization certificates	Other Loans and Receivables	Total
Balance, beginning of period	\$ —	\$ (508,741)	\$ (1,553)	\$ (510,294)
Additions to allowance for credit losses not previously recorded	(2,873)	(23,558)	—	(26,431)
Reductions for securities sold during the period	—	78,355	—	78,355
Additions (reductions) on securities with previous allowance	—	(8,492)	(94)	(8,586)
Write-offs charged against the allowance	—	—	436	436
Balance, end of period	\$ (2,873)	\$ (462,436)	\$ (1,211)	\$ (466,520)

	Three Months Ended March 31, 2024			
	Securitization notes	Securitization certificates	Other Loans and Receivables	Total
Balance, beginning of period	\$ —	\$ (98,679)	\$ (2,279)	\$ (100,958)
Additions to allowance for credit losses not previously recorded	—	(2,965)	—	(2,965)
Additions to the allowance for credit losses arising from purchases	—	—	(3,246)	(3,246)
Additions (reductions) on securities with previous allowance	—	(19,705)	(935)	(20,640)
Write-offs charged against the allowance	—	—	1,449	1,449
Balance, end of period	\$ —	\$ (121,349)	\$ (5,011)	\$ (126,360)

Equity Method and Other Investments

The following investments, including those accounted for under the equity method, are included within Equity method and other investments in the consolidated balance sheets as of March 31, 2025 and December 31, 2024 (in thousands):

	Carrying Value	
	March 31, 2025	December 31, 2024
Investments in Pagaya SmartResi F1 Fund, LP (1)	\$ 12,260	\$ 12,530
Other (2)	9,283	9,403
Total	\$ 21,543	\$ 21,933

(1) The Company owns approximately 5.4% and is the general partner of Pagaya Smartresi F1 Fund LP.

(2) Represents the Company's proprietary investments. Income from these investments is included in Investment income in the consolidated statements of income.

NOTE 6 - CONSOLIDATION AND VARIABLE INTEREST ENTITIES

The Company has variable interests in securitization vehicles that it sponsors. The Company consolidates VIEs when it is deemed to be the primary beneficiary. In order to be primary beneficiary, the Company must have a controlling financial interest in the VIE. This is determined by evaluating if the Company has both (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant.

Consolidated VIEs

As of March 31, 2025 and December 31, 2024, the Company has determined that it is the primary beneficiary of Pagaya Structured Holdings LLC, Pagaya Structured Holdings II LLC, and Pagaya Structured Holding III LLC ("Risk Retention Entities"). As sponsor of securitization transactions, the Company is subject to risk retention requirements and established the Risk Retention Entities to meet these requirements.

Below is a summary of assets and liabilities from the Company's involvement with consolidated VIEs (i.e., Risk Retention Entities) (in thousands):

	Assets	Liabilities	Net Assets
As of March 31, 2025	\$ 131,111	\$ —	\$ 131,111
As of December 31, 2024	\$ 142,584	\$ —	\$ 142,584

Unconsolidated VIEs

The Company determined that it is not the primary beneficiary of the trusts which hold the loans and issue securities associated with the securitization transactions the Company sponsors. The Company does not have the power to direct or control the activities which most significantly affect the performance of the trusts, which was determined to be servicing loans.

The Company's maximum exposure to loss from its involvement with unconsolidated VIEs represents the estimated loss that would be incurred under severe, hypothetical circumstances, for which the Company believes the possibility is remote, such as where the value of securitization notes and senior and residual certificates the Company holds as part of the risk retention requirement declines to zero.

Below is a summary of the Company's direct interest in (i.e., not held through Risk Retention Entities) variable interests in nonconsolidated VIEs (in thousands):

	Carrying Amount	Maximum Exposure to Loss	VIE Assets
As of March 31, 2025	\$ 627,469	\$ 627,469	\$ 10,382,325
As of December 31, 2024	\$ 628,038	\$ 628,038	\$ 10,708,146

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From time to time, the Company may, but is not obligated to, purchase assets from the Financing Vehicles. Such repurchases occur at the Company's discretion. See Note 9 for additional information.

NOTE 7 - LEASES

The Company leases facilities under operating leases with various expiration dates through 2032. The Company leases office space in New York, Israel and several other locations.

The security deposits for the leases are \$2.9 million and \$3.3 million as of March 31, 2025 and December 31, 2024, respectively, which have been recognized as restricted cash, non-current in the unaudited condensed consolidated balance sheets.

The Company's operating lease expense consists of rent and variable lease payments. Variable lease payments such as common area maintenance were included in operating expenses. Rent expense for the Company's short-term leases was immaterial for the periods presented. Operating lease expense was as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Rent expense	\$ 2,839	\$ 2,909
Variable lease payments	\$ 135	\$ 94
Sublease income (1)	\$ 1,164	\$ 1,005

(1) The Company entered into sublease agreements for certain leased office space, and the amounts were included in other expense, net in the consolidated statements of income. For three months ended March 31, 2025 and 2024, the Company recognized \$0 and \$0.4 million of the sublease impairment loss, respectively.

Supplemental information related to the Company's operating leases was as follows (\$ in thousands):

	March 31, 2025	December 31, 2024
Weighted-average remaining lease term (in years)	5.5	5.8
Weighted-average discount rate	9.1 %	9.1 %

	Three Months Ended March 31,	
	2025	2024
Operating lease right-of-use assets recognized in exchange for new operating lease obligations (1)	\$ —	\$ (219)

(1) During the three months ended March 31, 2025 and 2024, \$0 and \$0.2 million of operating lease right-of-use assets and corresponding lease liability were derecognized as a result of early termination.

Maturities of the Company's operating lease liabilities as of March 31, 2025 were as follows (in thousands):

2025	\$ 7,021
2026	9,244
2027	7,788
2028	5,082
2029	5,167
Thereafter	9,904
Total	44,206
Less: imputed interest	(9,058)
Total operating lease liabilities	\$ 35,148

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Legal Proceedings — From time to time the Company is subject to legal proceedings and claims in the ordinary course of business. The results of such matters often cannot be predicted with certainty. In accordance with applicable accounting guidance, the Company establishes an accrued liability for legal proceeding and claims when those matters present loss contingencies which are both probable and reasonably estimable. All such liabilities arising from current legal matters, to the extent such matters existed, have been recorded in accrued expenses and other liabilities on the consolidated statements of balance sheets and these matters are immaterial.

Contractual Obligations and Commitments — During 2023, the Company entered into a purchase commitment with our third-party cloud computing web services provider, which included an annual purchase commitment of \$8.5 million for the period from October 2023 through September 2025. As of March 31, 2025, the total remaining contractual obligations are approximately \$2.4 million, all of which is for the next 12 months. The Company may pay more than the minimum purchase commitment based on usage.

In October 2024, the Company completed the acquisition of Theorem Technology, Inc. (“Theorem”), a Silicon Valley-based institutional asset manager focused exclusively on the consumer credit space, managing assets for global institutional investors since its founding in 2014. The Company acquired 100% of Theorem’s equity for approximately \$17.5 million, consisting of \$10.0 million cash and 504,440 of the Company’s Class A Ordinary Shares (\$7.5 million worth as of the closing date), with an additional contingent consideration based on achievement of certain performance objectives defined in the purchase agreement. The Company established contingent consideration liability is reported at fair value, which is determined based on the present value of an expected payment under the arrangement, using an option pricing model based on a number of assumptions, including certain unobservable assumptions discounted at an estimated market interest rate. The fair value of the liability is updated each reporting period, with changes in fair value reported within “Other expenses, net.” The fair value of the contingent consideration liability was \$2.9 million as of March 31, 2025.

Guarantees and Indemnifications — In the ordinary course of business, the Company may provide indemnifications or loss guarantees of varying scope and terms to customers and other third parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. These indemnifications may survive termination of the underlying agreement and the maximum potential amount of future indemnification payments may not be subject to a cap. As of March 31, 2025, there have been no known events or circumstances that have resulted in a material indemnification liability and the Company did not incur material costs to defend lawsuits or settle claims related to these indemnifications. For certain contracts meeting the definition of a guarantee or a derivative, the guarantor must recognize, at inception and each reporting period, a liability for the fair value of the obligation undertaken in issuing the guarantee. In addition, the guarantor must disclose the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, if there were a default by the guaranteed parties. The determination of the maximum potential future payments is based on the notional amount of the guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged. As of March 31, 2025, the unfunded maximum potential amount of undiscounted future payments the Company could be required to make under these guarantees totaled \$60.3 million. Additionally, in accordance with the guarantee contracts, the Company is required to fund segregated cash balances to provide protection in the event the Company is not able to meet its contractual commitments. As of March 31, 2025, \$39.8 million has been segregated and recognized within restricted cash in the unaudited condensed consolidated balance sheet in accordance with these contractual requirements.

NOTE 9 - TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of business, the Company may enter into transactions with directors, principal officers, their immediate families, and affiliated companies in which they are principal shareholders (commonly referred to as related parties). In addition, the Company has transactions with the securitization vehicles and other Financing Vehicles, which are also related parties.

As of March 31, 2025, the total fee receivables from related parties are \$90.7 million, which consist of \$65.2 million from securitization vehicles and \$25.6 million from other Financing Vehicles. As of December 31, 2024, the total fee receivables from related parties are \$99.4 million, which consists of \$79.0 million from securitization vehicles and \$20.4 million from other Financing Vehicles.

As of March 31, 2025 and December 31, 2024, prepaid expenses and other assets include amounts due from related parties of \$15.7 million and \$15.2 million, respectively, all of which were attributable to Financing Vehicles.

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For the three months ended March 31, 2025, the total revenue from related parties is \$167.9 million, which consists of \$159.1 million from securitization vehicles and \$8.8 million from other Financing Vehicles. For the three months ended March 31, 2024, the total revenue from related parties is \$178.5 million, which consists of \$162.6 million from securitization vehicles and \$15.9 million from other Financing Vehicles.

During the three months ended March 31, 2025, the Company purchased approximately \$3.8 million of loan principal from the Financing Vehicles and included a loss of approximately \$3.5 million in general and administrative expenses with respect to these loans. During the three months ended March 31, 2024, the Company purchased approximately \$5.0 million of loan principal from the Financing Vehicles and included a loss of approximately \$5.0 million in general and administrative expenses with respect to these loans.

NOTE 10 - FAIR VALUE MEASUREMENT

FASB ASC 820, “Fair Value Measurements and Disclosures” (“ASC 820”), defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, when available. If such quoted market prices are not available, fair value is based upon models that use, as inputs, observable market-based parameters to the greatest extent possible.

Financial Assets and Liabilities Recorded at Fair Value

The following table presents information about the Company’s assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2025 and December 31, 2024, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value (in thousands):

	March 31, 2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments in loans and securities (Notes)	\$ —	\$ 118,875	\$ 125,328	\$ 244,203
Investments in loans and securities (Certificates and Other loans)	—	—	516,289	516,289
Liabilities:				
Warrant liability	\$ 1,992	\$ —	\$ —	\$ 1,992
Contingent consideration liability (1)	—	—	2,902	2,902
	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments in loans and securities (Notes) (2)	\$ —	\$ 115,220	\$ 125,054	\$ 240,274
Investments in loans and securities (Certificates and Other loans) (2)	—	—	538,135	538,135
Liabilities:				
Warrant liability	\$ 890	\$ 3	\$ —	\$ 893
Contingent consideration liability (1)	—	—	6,090	6,090

(1) Included in “Accrued expenses and other liabilities” in the unaudited condensed consolidated balance sheets. See Note 8 for additional information.

(2) Accrued interest receivable of \$14.3 million, previously reported within “Fee and other receivables” as of December 31, 2024, has been reclassified to conform to the current period’s presentation.

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Level 1 and 2)

Warrant liability (Level 1 and 2)

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The Company used the value of the Public Warrants (Level 1) as an approximation of the value of the Private Warrants as they are substantially similar to the Public Warrants, but not directly traded or quoted on an active market.

The following tables summarize the Warrant liability activity for the three months ended March 31, 2025 and 2024 (in thousands):

	Three Months Ended March 31, 2025	
Balance as of December 31, 2024	\$	893
Change in fair value		1,099
Balance as of March 31, 2025	\$	<u>1,992</u>

	Three Months Ended March 31, 2024	
Balance as of December 31, 2023	\$	3,242
Change in fair value		(1,900)
Balance as of March 31, 2024	\$	<u>1,342</u>

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Level 3)

Investments in Loans and Securities Available for Sale (Level 3)

As of March 31, 2025, the Company held investments in loans and securities classified as available for sale. These assets are measured at fair value using a discounted cash flow model, and presented within investments in loans and securities on the unaudited condensed consolidated balance sheets. Changes in the fair value, other than declines in fair value due to credit, are reflected in other comprehensive income (loss) on the unaudited condensed consolidated statements of comprehensive loss. Declines in fair value due to credit are reflected in other expenses, net on the unaudited condensed consolidated statements of income.

The following tables summarize the activity related to the fair value of the investments in loans and securities available for sale (Level 3 only) for the three months ended March 31, 2025 and 2024 (in thousands):

	Three Months Ended March 31,			
	2025		2024	
Balance, beginning of period	\$	663,189	\$	626,369
Transfer from Level 2		—		10,469
Additions		66,719		259,876
Cash received		(47,310)		(23,014)
Gain on sale of Investments in loans and securities		5,894		—
Change in accrued interest on investments		3,278		—
Change in fair value (OCI)		(15,946)		(21,727)
Credit-related impairment loss, net of recoveries		(34,207)		(26,852)
Balance, end of period	\$	<u>641,617</u>	\$	<u>825,121</u>

Significant unobservable inputs used for our Level 3 fair value measurement of the loans and securities and credit losses are the discount rate, loss rate, and prepayment rate and consideration of any optional redemption features in our investment securities. Significant increases or decreases in any of the inputs in isolation could result in a significantly lower or higher fair value measurement.

The following tables present quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the loans and securities as of March 31, 2025 and December 31, 2024:

Unobservable Input	March 31, 2025			December 31, 2024		
	Minimum	Maximum	Weighted Average	Minimum	Maximum	Weighted Average
Discount rate	5.0 %	15.0 %	15.0 %	5.0 %	15.0 %	15.0 %
Loss rate	5.7 %	34.2 %	18.1 %	5.8 %	34.1 %	19.5 %
Prepayment rate	0.0 %	63.0 %	10.6 %	0.0 %	40.0 %	9.4 %

Financial Assets and Liabilities Not Recorded at Fair Value

The Company believes that the carrying amount of cash, cash equivalents and restricted cash, fees and other receivables, accounts payables and other current liabilities approximate their fair value due to the short-term maturities of these instruments.

The below tables contain information about assets that are not measured at fair value on a recurring basis as of March 31, 2025 and December 31, 2024 (in thousands):

	March 31, 2025				
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Assets:					
Cash, cash equivalents and restricted cash	\$ 229,634	\$ 229,634	\$ —	\$ —	\$ 229,634
Fees and other receivables	135,970	—	68,891	67,079	135,970
Liabilities:					
Long-term debt	\$ 317,919	\$ —	\$ —	\$ 360,522	\$ 360,522
Exchangeable notes	146,925	—	179,214	—	179,214
Secured borrowing	178,749	—	—	180,706	180,706

	December 31, 2024				
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Assets:					
Cash, cash equivalents and restricted cash	\$ 226,518	\$ 226,518	\$ —	\$ —	\$ 226,518
Fees and other receivables (1)	127,114	—	63,143	63,971	127,114
Liabilities:					
Long-term debt	\$ 321,317	\$ —	\$ —	\$ 366,396	\$ 366,396
Exchangeable notes	146,342	—	163,360	—	163,360
Secured borrowing	176,089	—	—	177,554	177,554

(1) Accrued interest receivable of \$14.3 million, previously reported within “Fee and other receivables” as of December 31, 2024, has been reclassified to “Investment in loans and securities” to conform to the current period’s presentation.

NOTE 11 - ORDINARY SHARES AND ORDINARY SHARE WARRANTS

As of March 31, 2025, 839,999,998 shares with no par value are authorized, of which, 6,666,666 shares are designated as Preferred Shares, 666,666,666 shares are designated as Class A Ordinary Shares, and 166,666,666 shares are designated as Class B Ordinary Shares. As of March 31, 2025, the Company had 5,000,000 Preferred Shares outstanding, 62,778,642 Class A Ordinary Shares outstanding and 12,652,310 Class B Ordinary Shares outstanding.

The rights of the holders of each class of Ordinary Shares are identical, except with respect to voting. Each Class A Ordinary Share is entitled to one vote per share. Each Class B Ordinary Share is entitled to 10 votes per share. Class B Ordinary Shares

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may be converted at any time at the option of the stockholder and automatically convert upon sale or transfer to a Class A Ordinary Share.

As of March 31, 2025 and December 31, 2024, the Company had reserved ordinary shares for future issuance as follows:

	March 31, 2025	December 31, 2024
Share options	3,611,995	4,042,901
Options to restricted shares	19,923,756	19,948,408
RSUs	3,959,356	3,009,918
Ordinary share warrants	2,599,862	2,372,858
Redeemable convertible preferred shares	5,000,000	5,000,000
Exchangeable notes	11,434,704	11,434,704
Shares available for future grant of equity awards(1)	9,917,226	8,121,438
Shares reserved for issuance under the ESPP	776,837	832,713
Total shares of ordinary share reserved	<u>57,223,736</u>	<u>54,762,940</u>

(1) Reflects the application of the automatic increase of shares reserved under the Company's 2022 Share Incentive Plan (the "2022 Plan") pursuant to the terms of the 2022 Plan. For more information on the automatic increases see our Form 10-K.

Ordinary Share Warrants

The Company has accounted for the ordinary share warrants as equity-classified warrants as they met the requirements for equity classification under ASC 815, including whether the ordinary share warrants are indexed to the Company's own ordinary shares. For warrants that do not meet all the criteria for equity classification, the warrants are recorded at their initial fair value on the date of issuance and remeasured each balance sheet date thereafter. Changes in the estimated fair value of the liability-classified warrants are recognized as a non-cash other income or expense in the accompanying unaudited condensed consolidated statements of income.

As of March 31, 2025, there were 433,942 warrants expiring in March 2031 with an exercise price of \$0.00006 per share, 192,900 warrants expiring in June 2030 with an exercise price of \$0.0006 per share, 220,000 warrants expiring in March 2032 with an exercise price of \$0.12 per share, 523,854 warrants expiring in September 2034 with an exercise price of \$0.01 per share, and 1,229,166 warrants expiring in June 2027 (consisting of the Public Warrants) with an exercise price of \$138 per share to purchase one Class A Ordinary Share.

Ordinary Shares Purchase Agreement

During the three months ended March 31, 2024, 298,057 shares were issued under the Equity Financing Purchase Agreement for net proceeds of \$5.2 million, and related fee of \$0.2 million was expensed. On September 25, 2024, the Company terminated the Equity Financing Purchase Agreement.

Ordinary Share Offering

On March 13, 2024, the Company priced an offering of 7,500,000 of its Class A Ordinary Shares, no par value, pursuant to an underwriting agreement (the "Underwriting Agreement") with Citigroup Global Markets Inc. and Jefferies LLC as representatives of the several underwriters. The proceeds from the offer and sale of the securities are approximately \$90.0 million, after deducting the underwriting discount and fees and offering expenses payable by the Company.

NOTE 12 - SHARE BASED COMPENSATION

Share Options—Granted share options expire at the earlier of termination of employment or ten years from the date of grant. Share options generally vest over four years of the employment commencement date or with 25% vesting on the twelve-month anniversary of the employment commencement date, and the remaining on a pro-rata basis each quarter over the next three years. Any options, which are forfeited or not exercised before expiration, become available for future grants.

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The following table summarized the Company's share option activity during the three months ended March 31, 2025:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (000's)
Balance, December 31, 2024	4,042,901	\$ 7.5	6.7	\$ 7,335
Granted	2,500	9.7		
Exercised	(376,564)	5.9		
Forfeited	(56,842)	31.4		
Balance, March 31, 2025	3,611,995	\$ 7.3	6.5	\$ 11,563
Vested and exercisable, March 31, 2025	2,767,223	\$ 4.8	5.7	\$ 15,853

The aggregate intrinsic value of options exercised was approximately \$1.7 million and \$0.7 million for the three months ended March 31, 2025 and 2024, respectively. The total grant date fair value of share options vested for the three months ended March 31, 2025 and 2024, was \$1.5 million and \$7.1 million, respectively.

The assumptions used to estimate the fair value of share options granted for the three months ended March 31, 2025 were as follows:

Expected volatility	105.4 %
Expected term (in years)	5.6
Risk free interest	4.1 %
Dividend yield	0.0 %

As of March 31, 2025, unrecognized compensation expense related to unvested share options was approximately \$14.5 million, which is expected to be recognized over a remaining weighted-average period of 1.1 years.

Restricted Stock Units (RSUs)—RSUs generally vest over two years of the employment commencement date with 50% vesting on the twelve-month anniversary of the employment commencement date, and the remaining on a pro-rata basis each quarter over the remaining twelve months. Unvested RSUs are forfeited at termination of employment. Any RSUs, which are forfeited become available for future grants.

The following table summarized the Company's RSU activity during the three months ended March 31, 2025:

	Number of RSUs	Weighted Average Grant Date Fair Value Per Share
Unvested at December 31, 2024	3,009,918	\$ 12.0
Granted	2,030,880	9.9
Vested	(948,773)	11.8
Forfeited	(132,669)	10.8
Unvested at March 31, 2025	3,959,356	\$ 11.0

As of March 31, 2025, unrecognized compensation expense related to RSUs was approximately \$38.3 million, which is expected to be recognized over a remaining weighted-average period of 0.9 years.

Options to Restricted Shares—Options to restricted shares were granted to certain employees and directors during 2021. See Note 16 to the consolidated financial statements included in the Annual Report on Form 10-K for additional information.

The following table summarized the Company's options to restricted shares activity during the three months ended March 31, 2025:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (000's)
Balance, December 31, 2024	19,948,408	\$ 19.4	6.2	\$ —
Granted	—	—		
Exercised	(4,707)	12.2		
Forfeited	(19,945)	38.2		
Balance, March 31, 2025	19,923,756	\$ 19.3	6.0	\$ —
Vested and exercisable, March 31, 2025	16,557,180	\$ 19.3	6.0	\$ —

At March 31, 2025, unrecognized compensation expense related to options to restricted shares was approximately \$9.3 million, which is expected to be recognized over a remaining weighted-average period of 1.3 years.

Employee Stock Purchase Plan—The Employee Stock Purchase Plan (“ESPP”) allows eligible employees to purchase shares of our Class A Ordinary Shares at a discounted price, normally through payroll deductions, subject to the terms of the ESPP and applicable law. During the three months ended March 31, 2025, 55,876 shares were issued under the ESPP. As of March 31, 2025, 776,837 shares of Class A Ordinary Shares were reserved for issuance under the ESPP. Compensation expense related to the ESPP was \$0.1 million for the three months ended March 31, 2025.

Share-Based Compensation Expense

The following table presents the components and classification of share-based compensation for the three months ended March 31, 2025 and 2024 (in thousands):

	Three Months Ended March 31,	
	2025	2024
Technology, data and product development	\$ 1,097	\$ 2,905
Selling and marketing	4,780	2,852
General and administrative	7,295	9,718
Total	\$ 13,172	\$ 15,475

NOTE 13 - INCOME TAXES

Corporate Income Tax

Ordinary taxable income in Israel is subject to a corporate tax rate of 23%. However, the Company has received an approval from the Israeli Tax authorities for Preferred Technological Enterprise (“PTE”) status and received approval on November 18, 2021. The Company is eligible for PTE status which is implemented commencing 2020. Income from a PTE is subject to 12% tax rate. The Company is currently in the process of obtaining a renewal of its PTE status.

Foreign Exchange Regulations in Israel

Under the Foreign Exchange Regulations, the Company calculates its tax liability in U.S. Dollars according to certain orders. The tax liability, as calculated in U.S. Dollars is translated into NIS according to the exchange rate as of December 31st of each year.

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Non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence.

The Company's effective tax rates for the three months ended March 31, 2025 and 2024 are as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Loss before income taxes	\$ (48)	\$ (26,659)
Income tax (benefit) expense	(2,540)	5,003
Effective tax rate	NM	NM

NM: Not Meaningful

The Company's tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income the Company earns in those jurisdictions. The change in the effective tax rate was primarily due to discrete tax expenses related to a change in uncertain tax positions in the three months ended March 31, 2025. The difference between the effective tax rate and the statutory tax rate mainly related to valuation allowance in Israel, tax expenses in the United States, and a change in uncertain tax positions.

The Company regularly assesses the need for a valuation allowance against its deferred tax assets. In making that assessment, the Company considers both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company provides a valuation allowance to offset certain deferred tax assets due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets.

NOTE 14 - EARNINGS (LOSS) PER SHARE

The following tables set forth the calculation of basic and diluted earnings (loss) per share attributable to ordinary shareholders for the three months ended March 31, 2025 and 2024 (in thousands, except share and per share data):

	Three Months Ended March 31, 2025
Basic EPS:	
Numerator:	
Net income	\$ 7,893
Less: Undistributed earnings allocated to preferred shares	489
Net income attributable to Pagaya Technologies Ltd. ordinary shareholders, basic	\$ 7,404
Denominator:	
Weighted average shares used for earnings per ordinary share, basic	75,765,080
Earnings per share attributable to ordinary shareholders, basic	\$ 0.10
Diluted EPS:	
Numerator:	
Net income attributable to Pagaya Technologies Ltd. ordinary shareholders, diluted	\$ 7,404
Denominator:	
Shares used in computation of basic earnings per share	75,765,080
Ordinary share warrants	784,762
Unvested RSUs	473,300
Ordinary shares upon employee stock purchase plan	20,322
Weighted average shares used for earnings per ordinary share, diluted	77,043,464
Earnings per share attributable to ordinary shareholders, diluted	\$ 0.10

	Three Months Ended March 31, 2024
Numerator:	
Net loss attributable to Pagaya Technologies Ltd. ordinary shareholders, basic and diluted	\$ (21,223)
Denominator:	
Weighted average shares used for net loss per ordinary share, basic and diluted	64,504,458
Net loss per share attributable to ordinary shareholders, basic and diluted	<u>\$ (0.33)</u>

EPS for Class B ordinary shares is not presented separately, as under the two-class method, the EPS for Class A and Class B shares are the same.

The following potentially dilutive outstanding securities as of March 31, 2025 and 2024 were excluded from the computation of diluted earnings (loss) per share because their effect would have been anti-dilutive for the periods:

	March 31,	
	2025	2024
Share options	3,427,161	3,766,593
Options to restricted shares	19,923,756	20,034,514
RSUs	271,876	2,353,589
Ordinary share warrants	1,229,166	2,016,326
Exchangeable notes(1)	11,434,704	—
Net potential dilutive outstanding securities	<u>36,286,663</u>	<u>33,171,022</u>

(1) For the three months ended March 31, 2025, the potential shares from exchangeable notes were excluded from the diluted EPS calculation as the incremental interest expense, net of tax, and the related shares would not be dilutive under the if-converted method.

NOTE 15 - SUBSEQUENT EVENTS

The Company evaluated subsequent events from the balance sheet date through the date that the condensed consolidated financial statements were available to be issued and did not identify any subsequent events that would require adjustment or disclosure in the condensed consolidated financial statements.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the unaudited condensed consolidated interim financial statements included elsewhere in this Quarterly Report on Form 10-Q (“Form 10-Q”) and our audited annual consolidated financial statements as of and for the years ended December 31, 2023 and 2022, and the related notes included in our Annual Report on Form 10-K filed with the SEC on March 12, 2025 (“our Annual Report on Form 10-K”). Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the “Risk Factors” section of our Annual Report on Form 10-K, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. In this section “we,” “us,” “our” and “Pagaya” refer to Pagaya Technologies Ltd.

Company Overview

Pagaya’s mission is to deliver more financial opportunity to more people, more often. We believe our mission will be accomplished by becoming the trusted lending technology partner for the consumer finance ecosystem, with an expansive product suite (the fee-generating side of our business) fueled by effective and efficient capital and risk management (the capital efficiency side of our business). Both sides of our business working harmoniously to meet the complex needs of the leading financial institutions.

We are a product-focused technology company that deploys sophisticated data science and proprietary, AI-powered technology to enable better outcomes for financial institutions, their existing and potential customers, and institutional or sophisticated investors.

We have built, and we are continuing to scale, a leading AI and data network for the benefit of financial services and other service providers, their customers, and investors. Services providers integrated in our network, which we refer to as our “Partners,” range from high-growth financial technology companies to incumbent banks and financial institutions. We believe Partners benefit from our network to extend financial products to their customers, in turn helping those customers fulfill their financial needs. These assets originated by Partners with the assistance of Pagaya’s AI technology are eligible to be acquired by Financing Vehicles: (i) funds managed or advised by Pagaya or one of its affiliates, (ii) securitization vehicles sponsored or administered by Pagaya or one of its affiliates and (iii) other similar vehicles (“Financing Vehicles”).

In recent years, investments in digitization have improved the front-end delivery of financial products, upgrading customer experience and convenience. Notwithstanding these advances, we believe underlying approaches to the determination of creditworthiness for financial products are often outdated and overly manual. In our experience, providers of financial services tend to utilize a limited number of factors to make decisions, operate with siloed technology infrastructure and have data limited to their own experience. As a result, we believe financial services providers approve a smaller proportion of their application volume than is possible with the benefit of modern technology, such as our AI technology and data network.

At our core, we are a technology company that deploys data science and technology to drive better results across the financial ecosystem. We believe our solution drives a “win-win-win” for Partners, their customers and potential customers, and investors. First, by utilizing our network, Partners are able to approve more customer applications, which we believe drives superior revenue growth, enhanced brand affinity, opportunities to promote other financial products and decreased unit-level customer acquisition costs. Partners realize these benefits with limited incremental risk or funding requirements. Second, Partners’ customers benefit from enhanced and more convenient access to financial products. Third, investors benefit through gaining exposure to these assets originated by Partners with the assistance of our AI technology and acquired by the Financing Vehicles through our network.

Emerging Growth Company Status

We qualify as an “emerging growth company,” as defined in Section 2(a) of the Securities Act of 1933, as amended (the “Securities Act”), as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). As such, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. If some investors find our securities less attractive as a result, there may be a less active trading market for our securities and the prices of our securities may be more volatile.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with certain other public companies difficult or impossible because of the potential differences in accounting standards used.

We will remain an emerging growth company until the earlier of: (i) the last day of the fiscal year (a) following the fifth anniversary of June 22, 2022, or (b) in which we have an annual total gross revenue of at least \$1.235 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our ordinary equity that is held by non-affiliates exceeds \$700 million as of the last business day of the second fiscal quarter of such fiscal year; or (ii) the date on which we have issued more than \$1 billion in non-convertible debt securities during the prior three-year period. References herein to “emerging growth company” have the meaning associated with it in the JOBS Act.

Foreign Private Issuer Exemptions

We are technically a “foreign private issuer” under U.S. Securities and Exchange Commission rules. Consequently, we are subject to the reporting requirements under the Exchange Act applicable to foreign private issuers. That said, as previously disclosed on January 16, 2024, we have decided to voluntarily file on U.S. domestic issuer forms with the SEC beginning in 2024. Since then, the Company has been filing its quarterly reports on Form 10-Q, current reports on Form 8-K, and its annual reports on Form 10-K, and will no longer report on forms 20-F and 6-K. In addition, the Company intends to comply with Regulation FD and the SEC’s proxy rules, and the Company’s officers, directors, and 10% shareholders will now also begin reporting on Forms 3, 4 and 5, as applicable.

Nevertheless, since we are a foreign private issuer (“FPI”), we could elect to return to follow FPI reporting requirements, such as not having to file our annual report on Form 20-F until 120 days after the end of each fiscal year and permitting us to furnish reports on Form 6-K to the SEC regarding certain information required to be publicly disclosed by us in Israel or that is distributed or required to be distributed by us to our shareholders. Based on our foreign private issuer status, we are also not required to (i) file periodic reports and financial statements with the SEC as frequently or as promptly as a U.S. company whose securities are registered under the Exchange Act, (ii) comply with Regulation FD, which addresses certain restrictions on the selective disclosure of material information or (iii) comply with SEC rules relating to proxy solicitation in connection with shareholder meetings and presentation of shareholder proposals. In addition, among other matters, based on our foreign private issuer status, our officers, directors and principal shareholders are technically exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of the Ordinary Shares.

Our Economic Model

Pagaya’s revenues are primarily derived from Network Volume. We define Network Volume as the gross dollar value of assets originated by our Partners with the assistance of our artificial intelligence (“AI”) technology¹ and, with respect to single-family rental operations, the gross dollar value of services, which may include the value of newly onboarded properties onto our Darwin platform. We generate revenue from network AI fees, contract fees, interest income and investment income. Revenue from fees is comprised of network AI fees and contract fees. Network AI fees can be further broken down into two fee streams: AI integration fees and capital markets execution fees.

We primarily earn AI integration fees for the creation and delivery of the assets that comprise our Network Volume.

Capital markets execution and contract fees are primarily earned from investors. Multiple funding channels are utilized to enable the purchase of network assets from our Partners, such as asset backed securitizations. Capital markets execution fees are primarily earned from the market pricing of ABS transactions while contract fees are management, performance and similar fees.

¹ Our proprietary technology uses machine learning models as a subset of artificial intelligence that go through extensive testing, validation, and governance processes before they can be used or modified. The machine learning models are static and do not have the ability to self-correct, self-improve, and/or learn over time. Any change to the models requires human intervention, testing, validation, and governance approvals before a change can be made.

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Additionally, we earn interest income from our risk retention holdings and our corporate cash balances and investment income associated with our ownership interests in certain Financing Vehicles and other proprietary investments.

We incur costs when Network Volume is acquired by the Financing Vehicles. These costs, which we refer to as “Production Costs,” compensate our Partners for acquiring and originating assets. Accordingly, the amount and growth of our Production Costs are highly correlated to Network Volume. An important operating metric to evaluate the success of our economic model, therefore, is FRLPC, or fee revenue less Production Costs.

Additionally, we have built what we believe to be a leading data science and AI organization that has enabled us to assist our Partners as they make decisions to extend credit to consumers or for the identification and purchase, or property management, of single-family rental properties. Excluding Production Costs, headcount, technology overhead and research and development expenses represent the significant portion of our expenses.

Key Factors Affecting Our Performance

Expanded Usage of Our Network by Our Existing Partners

Our AI technology typically enables Partners to convert a larger proportion of their application volume into originated loans, enabling them to expand their ecosystem and generate incremental revenues. Our Partners have historically seen rapid scaling of origination volume on our network shortly after onboarding and the contribution of Pagaya’s network to Partners’ total origination volume tends to increase over time.

Adoption of Our Network by Partners

We devote significant time to, and have a team that focuses on, onboarding and managing Partners to our network. We believe that our success in adding new Partners to our network is driven by our distinctive value proposition: driving significant revenue uplift to our Partners at limited incremental cost or credit risk to the Partner. Our success adding new Partners has contributed to our overall Network Volume growth and driven our ability to rapidly scale new asset classes. In 2024, we expanded our network with several new Partners, including OneMain Financial and Avvance, the point-of-sale leading solution offered by US Bank and Elavon.

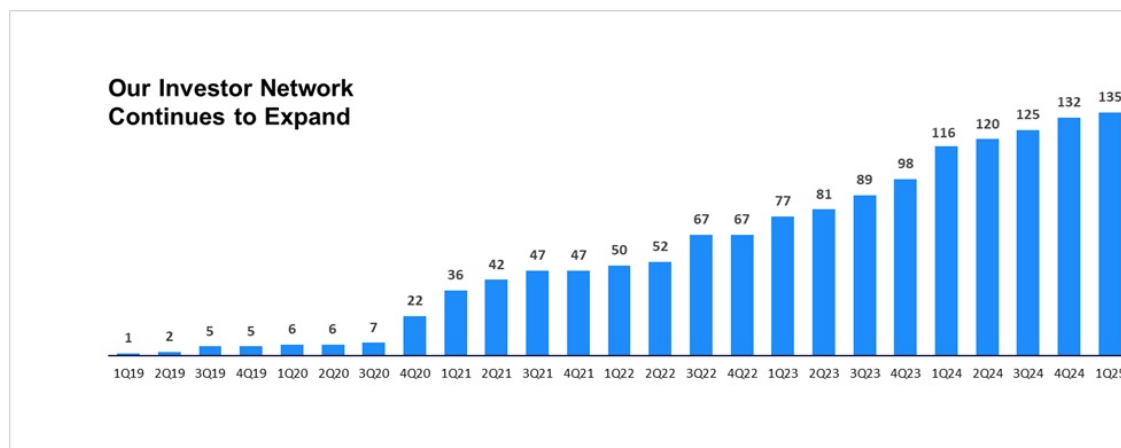
Continued Improvements to Our AI Technology

We believe our historical growth has been significantly influenced by improvements to our AI technology, which are in turn driven both by the deepening of our proprietary data network and the strengthening of our AI technology. As our existing Partners grow their usage of our network, new Partners join our network, and as we expand our network into new asset classes, the value of our data asset increases. Our technology improvements thus benefit from a flywheel effect that is characteristic of AI technology, in that improvements are derived from a continually increasing base of training data for our technology. We have found, and we expect to continue to experience, that more data leads to more efficient pricing and greater Network Volume. Since inception, we have evaluated more than \$2.7 trillion in application volume.

In addition to the accumulation of data, we make improvements to our technology by leveraging the experience of our research and development specialists. Our research team is central to accelerating the sophistication of our AI technology and expanding into new markets and use cases. We are reliant on these experts’ success in making these improvements to our technology over time.

Availability and Pricing of Funding from Investors

Regardless of market conditions, the availability and pricing of funding from investors is critical to our growth. We have diversified our investor network and will continue to seek to further diversify our investor base. In the three months ended March 31, 2025, our top 5 ABS investors contributed approximately 53% of our total ABS funding compared to 54% in the year ended December 31, 2024.



Performance of Assets Originated with the Assistance of Our Proprietary Technology

The availability of funding from investors is a function of demand for consumer credit and residential real estate assets, as well as the performance of such assets originated with the assistance of our AI technology and purchased by Financing Vehicles. Our AI technology and data-driven insights are designed to enable relative outperformance versus the broader market. We believe that investors in Financing Vehicles view our AI technology as an important component in delivering assets that meet their investment criteria. See “Risk Factors—Risks Related to the Operations of Our Business” in our Annual Report on Form 10-K, which was filed with the SEC on March 12, 2025.

Impact of Macroeconomic Cycles and Global and Regional Conditions

We expect economic cycles to affect our financial performance and related metrics. Macroeconomic conditions, including persistent inflation, elevated interest rates, supply chain constraints, geopolitical tensions, climate-related disruptions, and evolving global conflicts, may affect consumer demand for financial products, our Partners’ ability to generate and convert customer application volume, and the availability and cost of funding from investors through our Financing Vehicles. The war in Israel and Gaza, which escalated following the October 7, 2023, attacks by a terrorist organization primarily based in the Gaza Strip remains a source of uncertainty. While the conflict has not materially disrupted our operations to date, its potential to intensify or expand, coupled with related instability in the Middle East, could adversely impact regional and global economic conditions, energy prices, and investor confidence. Such developments may increase volatility in financial markets, elevate operating costs, or constrain funding availability, potentially affecting our business, financial condition, results of operations, and prospects. We continue to monitor the situation closely, though no significant direct impact has been observed as of the date of this Report. The Russia-Ukraine conflict, ongoing since February 2022, persists with no clear resolution as of early 2025. While we have not experienced material impacts on our business from this conflict, prolonged hostilities or further escalation, such as expanded sanctions, disruptions to energy markets, or broader economic fallout, could exacerbate global inflationary pressures and supply chain challenges. These factors may indirectly influence consumer credit demand, investor appetite for risk assets, and our Network Volume. We assess this risk as manageable but remain vigilant given its potential to contribute to wider economic disruptions.

Macroeconomic pressures, including sustained high interest rates and inflation, continue to shape our operating environment. Central banks, including the Federal Reserve, have maintained elevated rates into 2025 to combat inflationary trends, increasing borrowing costs and potentially straining borrowers’ ability to service debt. This could lead to higher delinquencies, defaults, and charge-offs, reducing investor returns and dampening demand for assets generated on our platform. Inflation, though moderating from its 2022-2023 peak, remains above historical norms, driving up operating costs such as employee compensation, financing expenses, and technology investments. These pressures have been partially offset by operational efficiencies and growth in application volume from our Partners, supporting net growth in Network Volume despite a higher cost of capital. Global supply chain disruptions, exacerbated by geopolitical tensions and extreme weather events linked to climate change, continue to challenge economic stability. These disruptions may indirectly affect our Partners’ ability to serve customers and could increase costs across our network. Meanwhile, the elevated risk-free rate environment has shifted investor preferences, with some favoring safer assets over consumer credit. While our ability to raise funding remains intact, the cost of capital has risen, necessitating adjustments in conversion ratios to meet investor return expectations. Strong Partner application volume has mitigated this impact, sustaining Network Volume growth through 2024 and into early 2025. Adverse developments in the financial sector,

such as regional bank stresses, liquidity concerns, or prolonged U.S. federal debt ceiling debates, could further complicate our operating landscape. In 2024, isolated bank failures and downgrades sparked temporary market volatility, though our direct exposure remains limited. Should these events escalate into systemic liquidity issues, they could impair our Partners' and counterparties' ability to meet obligations, disrupt funding flows, or destabilize financial markets, adversely affecting our performance. Similarly, ongoing trade tensions, particularly between the U.S. and China, and potential tariff escalations could introduce additional uncertainty, though we have not yet seen significant effects on our operations. Economic downturns or prolonged uncertainty may pressure the performance of assets acquired by Financing Vehicles from our network. However, these conditions also provide valuable data to refine our AI technology, enhancing our ability to adapt to shifting market dynamics and deliver value to Partners and investors. Historical events like the COVID-19 pandemic and the current inflationary period have underscored the resilience of our platform, validating its outcomes even amid volatility. For a detailed discussion of uncertainties and other factors that could impact our operating results, see "Risk Factors" section in our Annual Report on Form 10-K, which was filed with the SEC on March 12, 2025.

Key Operating Metric

We collect and analyze operating and financial data of our business to assess our performance, formulate financial projections and make strategic decisions. In addition to total revenues, net operating income (loss), other measures under U.S. GAAP, and certain non-GAAP financial measures (see discussion and reconciliation herein titled "Reconciliation of Non-GAAP Financial Measures"), we consider Network Volume to be a key operating metric we use to evaluate our business. The following table sets forth our Network Volume for the three months ended March 31, 2025 and 2024.

	Three Months Ended March 31,	
	2025	2024
	(in millions)	
Network Volume	\$ 2,400	\$ 2,419

Network Volume

We believe the Network Volume metric to be a suitable proxy for our overall scale and reach, as we generate revenue primarily on the basis of Network Volume. In addition, Network Volume directly influences Fee Revenue Less Production Cost (FRLPC), a key non-GAAP measure we use to assess operational efficiency. We believe the growth in Network Volume highlights the scalability of our business, which, in turn, affects our operational leverage and profitability. Network Volume is primarily driven by our relationships with our Partners and SFR Partners. We believe Network Volume has benefited from continuous improvements to our proprietary technology, enabling our network to more effectively identify assets for acquisition by the Financing Vehicles, thereby providing additional investment opportunities to investors. As a result, the expansion of Network Volume provides insights into the effectiveness of our business strategies and the ability to leverage operational efficiencies across different asset classes. Network Volume is comprised of assets across several asset classes, including personal loans, auto loans, residential real estate, and point-of-sale receivables.

Components of Results of Operations

Revenue

We generate revenue from network AI fees, contract fees, interest income and investment income. Network AI fees and contract fees are presented together as Revenue from fees in the consolidated financial statements. Revenue from fees is recognized after applying the five-step model consistent with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Consumers" ("ASC 606"). Revenue from fees is inclusive of network AI fees and contract fees.

Network AI fees. Network AI fees can be further broken down into two fee streams: AI integration fees and capital markets execution fees. We earn AI integration fees for the creation and delivery of the assets that comprise our Network Volume. Multiple funding channels are used to enable the purchase of network assets from our Partners, such as ABS, pass-through and forward flow transactions. Capital markets execution fees are earned when a pre-funded, Pagaya-sponsored ABS vehicle is sold by underwriters.

Contract fees. Contract fees primarily include administration and management fees, and performance fees. Administration and management fees are contracted upon the establishment of Financing Vehicles and these fees are

earned as the Financing Vehicle purchase loans and as the Company provides services over their remaining lives, except for the portion management fees that are recognized at the point in time based on contract terms.

Performance fees are earned when certain Financing Vehicles exceed contractual return hurdles and a significant reversal in the amount of cumulative revenue recognized is not expected to occur.

We also earn interest income from our risk retention holdings and cash balances and investment income associated with our ownership interests in certain Financing Vehicles and other proprietary investments.

Costs and Operating Expenses

Costs and operating expenses consist of Production Costs, technology, data and product development expenses, sales and marketing expenses, and general and administrative expenses. Salaries and personnel-related costs, including benefits, bonuses, share-based compensation, and outsourcing comprise a significant component of several of these expense categories. A portion of our non-share-based compensation expense and, to a lesser extent, certain operating expenses (excluding Production Costs) are denominated in the new Israeli shekel (“NIS”), which could result in variability in our operating expenses which are presented in U.S. Dollars.

Production Costs

Production Costs are primarily comprised of expenses incurred when Network Volume is transferred from Partners into Financing Vehicles, as our Partners are responsible for marketing and customer interaction and facilitating the flow of additional application flow. Accordingly, the amount and growth of our Production Costs are highly correlated to Network Volume. Additionally, but to a lesser extent, Production Costs also include expenses incurred to renovate single-family rental properties.

Technology, Data and Product Development

Technology, data and product development expenses primarily comprise costs associated with the maintenance and ongoing development of our network and AI technology, including personnel, allocated costs, and other development-related expenses. Technology, data and product development costs, net of amounts capitalized in accordance with U.S. GAAP, are expensed as incurred. The capitalized internal-use software is amortized on a straight-line method over the estimated useful life in technology, data and product development costs. We have invested and believe continued investments in technology, data and product development are important to achieving our strategic objectives.

Sales and Marketing

Sales and marketing expenses, related to Partner onboarding, development, and relationship management, as well as capital markets investor engagement and marketing, are comprised primarily of salaries and personnel-related costs, as well as the costs of certain professional services, and allocated overhead. Sales and marketing expenses are expensed as incurred. Sales and marketing expenses in absolute dollars may fluctuate from period to period based on the timing of our investments in our sales and marketing functions. These investments may vary in scope and scale over future periods depending on our pipeline of new Partners and strategic investors.

General and Administrative

General and administrative expenses primarily comprise personnel-related costs for our executives, finance, legal and other administrative functions, insurance costs, professional fees for external legal, accounting and other professional services and allocated overhead costs. General and administrative expenses are expensed as incurred.

Other Expenses, Net

Other expenses, net primarily consists of changes in the fair value of warrant liabilities and other items, including credit-related impairment losses on investments in loans and securities.

Income Tax Expense

We account for taxes on income in accordance with ASC 740, “Income Taxes” (“ASC 740”). We are eligible for certain tax benefits in Israel under the Law for the Encouragement of Capital Investments or the Investment Law at a reduced tax rate of 12%. Accordingly, as we generate taxable income in Israel, our effective tax rate is expected to be lower than the standard

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corporate tax rate for Israeli companies, which is 23%. Our taxable income generated in the United States or derived from other sources in Israel which is not eligible for tax benefits will be subject to the regular corporate tax rate in their respective tax jurisdictions.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests in our consolidated statements of income is a result of our investments in certain of our consolidated variable interest entities (“VIEs”) and consists of the portion of the net income of these consolidated entities that is not attributable to us.

Results of Operations

The following table sets forth operating results for the periods indicated (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2025	2024
Revenue		
Revenue from fees	\$ 282,704	\$ 237,004
Other Income		
Interest income	7,676	7,744
Investment (loss) income	(391)	528
Total Revenue and Other Income	289,989	245,276
Production costs	167,083	144,881
Technology, data and product development (1)	19,444	19,380
Sales and marketing (1)	9,594	10,257
General and administrative (1)	46,183	63,068
Total Costs and Operating Expenses	242,304	237,586
Operating Income	47,685	7,690
Other expenses, net	(47,733)	(34,349)
Loss Before Income Taxes	(48)	(26,659)
Income tax (benefit) expense	(2,540)	5,003
Net Income (Loss) Including Noncontrolling Interests	2,492	(31,662)
Less: Net loss attributable to noncontrolling interests	(5,401)	(10,439)
Net Income (Loss) Attributable to Pagaya Technologies Ltd.	\$ 7,893	\$ (21,223)
Per share data:		
Net income (loss) attributable to Pagaya Technologies Ltd.	\$ 7,893	\$ (21,223)
Less: Undistributed earnings allocated to preferred shares	489	—
Net income (loss) attributable to Pagaya Technologies Ltd.’s ordinary shares	<u>\$ 7,404</u>	<u>\$ (21,223)</u>
Earnings (loss) per share attributable to Pagaya Technologies Ltd.’s ordinary shares:		
Basic	<u>\$ 0.10</u>	<u>\$ (0.33)</u>
Diluted	<u>\$ 0.10</u>	<u>\$ (0.33)</u>
Weighted average shares outstanding:		
Basic	<u>75,765,080</u>	<u>64,504,458</u>
Diluted	<u>77,043,464</u>	<u>64,504,458</u>

(1) The following table sets forth share-based compensation for the periods indicated below (in thousands):

	Three Months Ended March 31,	
	2025	2024
Technology, data and product development	\$ 1,097	\$ 2,905
Sales and marketing	4,780	2,852
General and administrative	7,295	9,718
Total share-based compensation in operating expenses	<u>\$ 13,172</u>	<u>\$ 15,475</u>

Comparison of Three Months Ended March 31, 2025 and 2024

Total Revenue and Other Income

	Three Months Ended March 31,		Change	% Change
	2025	2024		
(in thousands, except percentages)				
Revenue from fees	\$ 282,704	\$ 237,004	\$ 45,700	19 %
Interest income	7,676	7,744	(68)	(1)%
Investment (loss) income	(391)	528	(919)	(174)%
Total Revenue and Other Income	<u>\$ 289,989</u>	<u>\$ 245,276</u>	<u>\$ 44,713</u>	<u>18 %</u>

Total revenue and other income, increased by \$44.7 million, or 18%, to \$290.0 million for the three months ended March 31, 2025 from \$245.3 million for the three months ended March 31, 2024. The increase was primarily driven by an increase in revenue from fees, partially offset by a decrease in investment (loss) income.

Revenue from fees for the three months ended March 31, 2025 increased by \$45.7 million, or 19%, to \$282.7 million, compared to the same period in 2024. The increase was primarily due to a \$38.1 million increase in Network AI fees, comprised of AI integration fees and capital markets execution fees, from \$215.3 million for the three months ended March 31, 2024 to \$253.4 million for the three months ended March 31, 2025. The increase in Network AI fees was primarily driven by improved economics of AI integration fees earned from certain Partners which increased by 25% from \$205.6 million for the three months ended March 31, 2024 to \$257.5 million for the three months ended March 31, 2025. These increases were partially offset by a decrease in capital markets execution fees earned from our ABS transactions during the three months ended March 31, 2025.

Contract fees, comprised of administration and management fees and performance fees, increased by \$7.6 million from \$21.7 million for the three months ended March 31, 2024 to \$29.3 million for the three months ended March 31, 2025. This increase was due to higher net asset values of assets held by certain Financing Vehicles driven by continued business growth, and an increase in performance fees, as the prior year period included a reversal of performance fees.

Interest income remained relatively flat year over year. Interest income is directly related to our risk retention holdings and related securities held in our consolidated VIEs as well as certain risk retention holdings held directly by our consolidated subsidiaries. For further information, see “—Net Income (Loss) Attributable to Noncontrolling Interests.”

Investment (loss) income decreased by \$0.9 million to a loss of \$0.4 million for the three months ended March 31, 2025 from an income of \$0.5 million for three months ended March 31, 2024, reflecting an unfavorable impact from the change in valuation of certain proprietary investments.

Costs and Operating Expenses

	Three Months Ended March 31,	
	2025	2024
(in thousands)		
Production costs	\$ 167,083	\$ 144,881
Technology, data and product development	19,444	19,380
Sales and marketing	9,594	10,257
General and administrative	46,183	63,068
Total Costs and Operating Expenses	<u>\$ 242,304</u>	<u>\$ 237,586</u>

Production Costs

	Three Months Ended March 31,		Change	% Change
	2025	2024		
	(in thousands, except percentages)			
Production costs	\$ 167,083	\$ 144,881	\$ 22,202	15 %

Production costs increased by \$22.2 million, or 15%, to \$167.1 million for the three months ended March 31, 2025 from \$144.9 million for the three months ended March 31, 2024. This increase was due to the composition of the asset classes that make up our Network Volume, as well as new Partners onboarded to our network.

Technology, Data and Product Development

	Three Months Ended March 31,		Change	% Change
	2025	2024		
	(in thousands, except percentages)			
Technology, data and product development	\$ 19,444	\$ 19,380	\$ 64	— %

Technology, data and product development costs remained relatively flat year over year. Excluding \$1.3 million contributions from Theorem in the current period, technology, data and product development costs decreased by \$1.2 million. This decrease was primarily driven by a \$2.9 million decrease in compensation expense, partially offset by a \$0.7 million increase in depreciation expenses and a \$1.1 million increase in other miscellaneous costs.

During the three months ended March 31, 2025 and 2024, we capitalized \$4.5 million and \$6.3 million of software development costs, respectively. Depreciation expense, including impairment charges, for capitalized software development costs was \$6.2 million and \$5.6 million during the three months ended March 31, 2025 and 2024, respectively.

Sales and Marketing

	Three Months Ended March 31,		Change	% Change
	2025	2024		
	(in thousands, except percentages)			
Sales and marketing	\$ 9,594	\$ 10,257	\$ (663)	(6)%

Sales and marketing costs for the three months ended March 31, 2025 decreased by \$0.7 million, compared to the same period in 2024. Excluding \$1.3 million contribution from Theorem in the current period, sales and marketing costs for the three months ended March 31, 2025 decreased \$2.0 million compared to the same period in 2024, primarily driven by a \$3.6 million decrease in compensation expenses, partially offset by a \$1.7 million increase in overhead allocation and other miscellaneous costs.

General and Administrative

	Three Months Ended March 31,		Change	% Change
	2025	2024		
	(in thousands, except percentages)			
General and administrative	\$ 46,183	\$ 63,068	\$ (16,885)	(27)%

General and administrative costs for the three months ended March 31, 2025 decreased by \$16.9 million, compared to the same period in 2024. Excluding \$2.6 million contribution from Theorem in the current period, general and administrative costs for the three months ended March 31, 2025 decreased \$19.5 million, or 31%, primarily driven by a \$12.5 million decrease in transaction costs, and a \$3.0 million decrease in compensation expenses.

Other Expense, Net

	Three Months Ended March 31,		Change	% Change
	2025	2024		
	(in thousands, except percentages)			
Other expense, net	\$ (47,733)	\$ (34,349)	\$ (13,384)	(39)%

Other expense, net for the three months ended March 31, 2025 increased \$13.4 million, compared to the same period in 2024. The increase was primarily due to a higher interest expenses of \$8.7 million from the long-term debt and exchangeable note and a higher credit-related impairment loss of \$7.9 million on certain investments, driven by changes in the fair value of investments in loans and securities as a result of fluctuations in key inputs to the discounted cash flow models used to determine fair value. Of the credit-related impairment loss of \$7.9 million, \$6.8 million is attributable to the noncontrolling interest in certain VIEs and accordingly, is not attributable to Pagaya. For further information, please see “—Net Income (Loss) Attributable to Noncontrolling Interests.” These increases were partially offset by a \$3.2 million favorable impact from the changes in a contingent consideration liability. See Note 8 for additional information.

Income Tax Expense

	Three Months Ended March 31,		Change	% Change
	2025	2024		
	(in thousands, except percentages)			
Income tax (benefit) expense	\$ (2,540)	\$ 5,003	\$ (7,543)	(151)%

Income tax expense for the three months ended March 31, 2025 decreased \$7.5 million, compared to the same period in 2024. The decrease was primarily driven by discrete tax expenses related to a change in the reserve for an uncertain tax position related to credit loss on investments in loans and securities during the three months ended March 31, 2025.

Net Loss Attributable to Noncontrolling Interests

	Three Months Ended March 31,		Change	% Change
	2025	2024		
	(in thousands, except percentages)			
Net loss attributable to noncontrolling interests	\$ (5,401)	\$ (10,439)	\$ 5,038	48 %

Net loss attributable to noncontrolling interests for the three months ended March 31, 2025 decreased by \$5.0 million, or 48%, compared to the same period in 2024. The decrease was driven by the net loss generated by our consolidated VIEs associated with our risk retention holdings. This amount represented the net loss of the consolidated VIEs which was not attributable to Pagaya, but rather to the noncontrolling interest holders. For the three months ended March 31, 2025, the net loss attributable to noncontrolling interests reported interest income of \$1.8 million generated from risk retention holdings offset by the credit-related impairment loss of \$6.8 million on the same risk retention holdings. For further information, see “—Total Revenue and Other Income” and “—Other Expense, Net.”

Reconciliation of Non-GAAP Financial Measures

To supplement our consolidated financial statements prepared and presented in accordance with U.S. GAAP, we use the non-GAAP financial measures FRLPC, Fee Revenue Less Production Costs as percentage of Network Volume (FRLPC %), Adjusted Net Income, and Adjusted EBITDA to provide investors with additional information about our financial performance and to enhance the overall understanding of the results of operations by highlighting the results from ongoing operations and the underlying profitability of our business. We are presenting these non-GAAP financial measures because we believe they provide an additional tool for investors to use in comparing our core financial performance over multiple periods with the performance of other companies.

However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by U.S. GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, non-GAAP financial measures may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by other companies. As a result, non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, our consolidated financial statements prepared and presented in accordance with U.S. GAAP.

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To address these limitations, we provide a reconciliation of FRLPC, FRLPC %, Adjusted Net Income, and Adjusted EBITDA to the most directly comparable U.S. GAAP measure. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view FRLPC, FRLPC %, Adjusted Net Income, and Adjusted EBITDA in conjunction with their respective related U.S. GAAP financial measures.

FRLPC, FRLPC %, Adjusted Net Income, and Adjusted EBITDA

FRLPC, FRLPC %, Adjusted Net Income, and Adjusted EBITDA for the three and three months ended March 31, 2025 and 2024 are summarized below (\$ in thousands):

	Three Months Ended March 31,	
	2025	2024
Fee Revenue Less Production Cost (FRLPC)	\$ 115,621	\$ 92,123
Fee Revenue Less Production Costs % (FRLPC %)	4.8 %	3.8 %
Adjusted Net Income	\$ 53,189	\$ 13,331
Adjusted EBITDA	\$ 79,583	\$ 39,815

FRLPC is defined as revenue from fees less production costs. We use FRLPC as part of overall assessment of performance, including the preparation of our annual budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our Board of Directors concerning our financial performance. The Company is including a reconciliation between FRLPC and operating income, which we consider the most directly comparable GAAP financial measure. FRLPC is designed to assess operational efficiency by measuring fee revenue against production costs, excluding operating expenses not directly tied to revenue production, such as technology development, sales and marketing, and general and administrative costs. FRLPC is intended to highlight the scalability of our platform as Network Volume (the gross dollar amount of assets originated or services rendered using our technology) increases, demonstrating our ability to efficiently generate fee revenue while managing production costs. FRLPC %, defined as FRLPC divided by Network Volume, further illustrates this efficiency, showing how effectively we convert Network Volume into fee revenue relative to production costs as our platform scales.

Adjusted Net Income is defined as net income (loss) attributable to our shareholders excluding share-based compensation expense, change in fair value of warrant liability, change in fair value of contingent liability, impairment, including credit-related charges, restructuring expenses, transaction-related expenses, and non-recurring expenses associated with mergers and acquisitions. Adjusted EBITDA is defined as net income (loss) attributable to our shareholders excluding share-based compensation expense, change in fair value of warrant liability, change in fair value of contingent liability, impairment, including credit-related charges, restructuring expenses, transaction-related expenses, non-recurring expenses associated with mergers and acquisitions, interest expense, depreciation expense, and provision (and benefit from) for income taxes. These items are excluded from our Adjusted Net Income and Adjusted EBITDA measures because they are noncash in nature, or because the amount and timing of these items is unpredictable, is not driven by core results of operations and renders comparisons with prior periods and competitors less meaningful.

We believe FRLPC, FRLPC %, Adjusted Net Income, and Adjusted EBITDA provide useful information to investors and others in understanding and evaluating our results of operations, as well as providing a useful measure for period-to-period comparisons of our business performance. Moreover, we have included FRLPC, FRLPC %, Adjusted Net Income, and Adjusted EBITDA in this report because these are key measurements used by our management internally to make operating decisions, including those related to operating expenses, evaluate performance, and perform strategic planning and annual budgeting. However, this non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for or superior to financial information presented in accordance with U.S. GAAP and may be different from similarly titled non-GAAP financial measures used by other companies.

The following tables present reconciliations of FRLPC to Operating Income, and Adjusted EBITDA to Net Income Attributable to Pagaya Technologies Ltd., in each case the most directly comparable U.S. GAAP measure (\$ in thousands, unless otherwise noted):

	Three Months Ended March 31,	
	2025	2024
Operating Income	\$ 47,685	\$ 7,690
Add: Technology, data and product development	19,444	19,380
Add: Sales and marketing	9,594	10,257
Add: General and administrative	46,183	63,068
Less: Interest income	7,676	7,744
Less: Investment (loss) income	(391)	528
Fee Revenue Less Production Costs (FRLPC)	\$ 115,621	\$ 92,123
Network Volume (in millions)	\$ 2,400	\$ 2,419
Fee Revenue Less Production Costs % (FRLPC %)	4.8 %	3.8 %

	Three Months Ended March 31,	
	2025	2024
Net Income (Loss) Attributable to Pagaya Technologies Ltd.	\$ 7,893	\$ (21,223)
Adjusted to exclude the following:		
Share-based compensation	13,172	15,475
Fair value adjustment to contingent liability	(3,184)	—
Fair value adjustment to warrant liability	1,099	(1,900)
Impairment loss on certain investments	29,511	19,483
Restructuring expenses	962	820
Transaction-related expenses	14	400
Non-recurring expenses	3,722	276
Adjusted Net Income	\$ 53,189	\$ 13,331
Adjusted to exclude the following:		
Interest expenses	21,212	15,164
Income tax (benefit) expense	(2,540)	5,003
Depreciation and amortization	7,722	6,317
Adjusted EBITDA	\$ 79,583	\$ 39,815

Liquidity and Capital Resources

As of March 31, 2025 and December 31, 2024, the principal sources of liquidity were cash, cash equivalents and restricted cash of \$229.6 million and \$226.5 million, respectively. We believe these sources will be sufficient to meet our current liquidity needs for the next twelve months, from the date of issuance of the unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q, and be sufficient to support our future cash needs, however, we can provide no assurance that our liquidity and capital resources will meet future funding requirements.

Our primary requirements for liquidity and capital resources are to purchase and finance risk retention requirements, invest in technology, data and product development and to attract, recruit and retain a strong employee base, as well as to fund potential strategic transactions, including acquisitions, if any. We intend to continue to make strategic investments to support our business plans.

We do not have capital expenditure commitments as the vast majority of our capital expenditures relate to the capitalization of certain compensation and non-compensation expenditures used in the development and improvement of our proprietary technology.

There are numerous risks to the Company's financial results, liquidity and capital raising, some of which may not be quantified in the Company's current estimates. The principal factors that could impact liquidity and capital needs are a prolonged inability to adequately access funding in the capital markets or in bilateral agreements, including as a result of macroeconomic conditions

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such as rising interest rates and higher cost of capital, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products and the continuing market adoption of the Company's network.

We expect to fund our operations with existing cash and cash equivalents, cash generated from operations, including cash flows from investments in loans and securities, and additional secured borrowings, including repurchase agreements. We may also raise additional capital, including through borrowings under the credit facility (see further description of the credit facility below in the section titled "*Credit Agreement*") or through the sale or issuance of equity or debt securities, as described below in the sections titled "*Shelf Registration Statement*" and "*Ordinary Share Offering*," as well as the issuance of up to an additional 1,666,666 Series A Preferred Shares. The ownership interest of our shareholders will be, or could be, diluted as a result of sales or issuances of equity or debt securities, and the terms of any such securities may include liquidation or other preferences that adversely affect the rights of our shareholders of Class A Ordinary Shares. We intend to support our liquidity and capital position by pursuing diversified sources of financing, including debt financing, secured borrowings, or equity financing. The rates, terms, covenants and availability of such additional financing is not guaranteed and will be dependent on not only macro-economic factors, but also on Pagaya-specific factors such as the results of our operations and the returns generated by loans originated with the assistance of our AI Technology.

Additional debt financing, such as secured or unsecured borrowings, including repurchase agreements, credit facilities or corporate bonds, and equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in "Risk Factors" in our Annual Report on Form 10-K, which was filed with the SEC on March 12, 2025.

In addition, we will receive the proceeds from any exercise of any public warrants and private placement warrants in cash. Each public warrant and each private placement warrant that was issued and exchanged for each EJFA Private Placement Warrant in the EJFA Merger entitles the holder thereof to purchase one Class A Ordinary Share at a price of \$138 per share (as adjusted for the 1-for-12 reverse share split). Following the 1-for-12 reverse share split effective March 2024, each warrant entitles holder to purchase 1/12 of a Class A Ordinary Share (or equivalently, 12 warrants are required to obtain 1 Class A Ordinary Share). The aggregate amount of proceeds could be up to \$169.6 million if all such warrants are exercised for cash. We expect to use any such proceeds for general corporate and working capital purposes, which would increase our liquidity.

As of May 6, 2025, the price of our Class A Ordinary Shares was \$11.49 per share. We believe the likelihood that warrant holders will exercise their public warrants and private placement warrants that were issued and exchanged for EJFA Private Placement Warrants in the EJFA Merger, and therefore the amount of cash proceeds that we would receive, is dependent upon the market price of Class A Ordinary Shares. If the market price for our Class A Ordinary Shares is less than \$138 per share, we believe warrant holders will be unlikely to exercise on a cash basis their public warrants and private placement warrants that were issued and exchanged for EJFA Private Placement Warrants in the EJFA Merger. To the extent the public warrants and private placement warrants are exercised by warrant holders, ownership interest of our shareholders will be diluted as a result of such issuances. Moreover, the resale of Class A Ordinary Shares issuable upon the exercise of such warrants, or the perception of such sales, may cause the market price of our Class A Ordinary Shares to decline and impact our ability to raise additional financing on favorable terms. See "*Risk Factors*" in our Annual Report on Form 10-K, which was filed with the SEC on March 12, 2025.

We may, in the future, enter into arrangements to acquire or invest in complementary businesses, products, and technologies. We may be required to seek additional equity or debt financing related to such acquisitions or investments. In the event that we pursue additional financing, we may not be able to raise such financing on terms acceptable to us or at all. Additionally, as a result of any of these actions, we may be subject to restrictions and covenants in the agreements governing these transactions that may place limitations on us and we may be required to pledge collateral as security. If we are unable to raise additional capital or generate cash flows necessary to expand operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, operations and financial condition. It is also possible that the actual outcome of one or more of our plans could be materially different than expected or that one or more of the significant judgments or estimates could prove to be materially incorrect.

Securitizations

In connection with asset-backed securitizations, we sponsor and establish securitization vehicles to purchase loans originated by our Partners. Securities issued from our asset-backed securitizations are senior or subordinated, based on the waterfall criteria of loan payments to each security class. The subordinated residual interests issued from these transactions are first to absorb credit losses in accordance with the waterfall criteria. To comply with risk retention regulatory requirements, we retain at least 5% of the securities issued by securitization vehicles and may choose to hold more than 5% depending on many factors. This 5% risk

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retention is determined based on the fair value of the securities under US GAAP at the time of closing. In ordinary course of business, we enter into certain financing arrangements to finance our risk retention balance in certain notes and securities retained from securitization transactions. From time to time, the Company makes cash deposits that serve to collateralize guarantees for related transactions, included in restricted cash on the consolidated balance sheets. For further information, see Note 4 and Note 5, respectively, to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report.

The Committed Equity Financing

On August 17, 2022, we entered into the Equity Financing Purchase Agreement and the Equity Financing Registration Rights Agreement with B. Riley Principal Capital II. Pursuant to the Equity Financing Purchase Agreement, we have the right to sell to B. Riley Principal Capital II, up to \$300 million of our Class A Ordinary Shares, subject to certain limitations and conditions set forth in the Equity Financing Purchase Agreement, from time to time during the 24-month term of the Equity Financing Purchase Agreement. Sales of our Class A Ordinary Shares pursuant to the Equity Financing Purchase Agreement, and the timing of any sales, are solely at our option, and we are under no obligation to sell any securities to B. Riley Principal Capital II under the Equity Financing Purchase Agreement.

During the three months ended March 31, 2024, 298,057 shares were issued under the Equity Financing Purchase Agreement for net proceeds of \$5.2 million. In September 2024, the Company terminated the Equity Financing Purchase Agreement.

Shelf Registration Statement

On October 4, 2023, we filed a shelf registration statement on Form F-3 (the "Shelf Registration") with the SEC that was declared effective on October 16, 2023. Under this Shelf Registration, we may, from time to time, offer and sell in one or more offerings Class A Ordinary Shares, various series of debt securities and/or warrants to purchase any of such securities, either individually or in combination with any of these securities, up to \$500 million.

Ordinary Share Offering

On March 13, 2024, the Company priced an offering of 7,500,000 of its Class A Ordinary Shares, no par value, pursuant to an underwriting agreement (the "Underwriting Agreement") with Citigroup Global Markets Inc. and Jefferies LLC as representatives of the several underwriters. The proceeds from the offer and sale of the securities are approximately \$90.0 million, after deducting the underwriting discount and fees and offering expenses payable by the Company.

Cash Flows

The following table presents summarized consolidated cash flow information for the periods presented (in thousands):

	Three Months Ended March 31,	
	2025	2024
Net cash provided by operating activities	\$ 34,427	\$ 17,709
Net cash used in investing activities	\$ (26,886)	\$ (228,125)
Net cash (used in) provided by financing activities	\$ (3,779)	\$ 298,743

Operating Activities

Our primary uses of cash in operating activities are for ordinary course of business, with the primary use related to employee and personnel-related expenses. As of March 31, 2025, we had 527 employees compared to 892 on March 31, 2024. During the the first and second quarters of 2024, we reduced our headcount by over 20% across our Israel and U.S. offices. This reduction in workforce enabled us to streamline our operations resulting in cost savings.

Net cash provided by operating activities for the three months ended March 31, 2025 was \$34.4 million, an increase of \$16.7 million from net cash provided by operating activities of \$17.7 million for the same period in 2024. This reflects our net income including noncontrolling interests of \$2.5 million, adjusted for non-cash charges of \$56.0 million, and net cash outflows of \$24.1 million from changes in our operating assets net of operating liabilities.

Non-cash charges primarily consisted of (1) impairment losses on investments in loans and securities, which increased by \$10.1 million driven by changes in the fair value of investments in loans and securities as a result of fluctuations in key inputs to the discounted cash flow models used to determine fair value, of which \$6.8 million is not attributable to Pagaya, but rather

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attributable to the VIEs noncontrolling interests, (2) share-based compensation, which decreased by \$2.3 million, (3) depreciation and amortization, which increased by \$1.4 million primarily from capitalized software, and (4) fair value adjustment to warrant liability, which increased by \$3.0 million driven by changes in the market price of our Class A Ordinary Shares.

Our net cash flows resulting from changes in operating assets and liabilities decreased by \$25.9 million to net cash outflows of \$24.1 million for the three months ended March 31, 2025 compared to net cash inflows of \$1.9 million for the same period in 2024.

Investing Activities

Our primary uses of cash in investing activities are the purchase of risk retention assets of sponsored securitization vehicles and investments in equity method and other investments.

For the three months ended March 31, 2025, net cash used in investing activities of \$26.9 million was primarily attributable to purchases of risk retention assets of \$81.9 million, which decreased by \$179.7 million driven by management's decision to purchase more than the required minimum risk retention holdings in the prior period, partially offset by proceeds received from existing risk retention assets of \$58.7 million, which increased by \$20.0 million.

Financing Activities

For the three months ended March 31, 2025, net cash used in financing activities of \$3.8 million was primarily attributable to \$46.9 million of payment made to secured borrowing, \$4.4 million of distributions made to noncontrolling interests, and \$4.4 million of repayments made to long-term debt. These net cash outflows were offset by \$49.2 million of proceeds from secured borrowing.

Indebtedness

Exchangeable Senior Notes

On October 1, 2024, Pagaya US Holding Company LLC ("Pagaya US"), a wholly-owned subsidiary of the Company, issued \$160 million in aggregate principal amount of 6.125% exchangeable senior notes due 2029 (the "Notes"). The issuance was in connection with a purchase agreement dated September 26, 2024, with certain initial purchasers. The Company intends to use the net proceeds from the Notes to repay higher-cost debt and reduce interest expense, with the remainder allocated for general corporate purposes.

The Notes bear interest at a rate of 6.125% per annum, payable semiannually in arrears on April 1 and October 1 of each year, beginning April 1, 2025, and mature on October 1, 2029, unless earlier repurchased, redeemed, or exchanged. The Notes are exchangeable for cash, Class A Ordinary Shares of the Company, or a combination of both, at the Company's discretion, subject to certain conditions.

The Notes are senior, unsecured obligations of Pagaya US and are fully and unconditionally guaranteed on a senior, unsecured basis by the Company. The Notes rank equally in right of payment with other senior, unsecured indebtedness and are structurally subordinated to all existing and future liabilities of Pagaya US's subsidiaries.

The initial exchange rate of the Notes is 71.4669 Class A Ordinary Shares per \$1,000 principal amount of Notes (which is equivalent to an initial exchange price of approximately \$13.99 per share). The exchange rate will be subject to adjustment upon the occurrence of certain events. In addition, upon the occurrence of a "make-whole fundamental change" (as defined in the indenture governing the Notes) or if Pagaya US redeems the Notes, Pagaya US will, in certain circumstances, increase the exchange rate by a number of additional Class A Ordinary Shares for a holder who elects to convert its Notes in connection with such make-whole fundamental change or to convert its Notes called for redemption during the related redemption exchange period.

Prior to the close of business on the business day immediately preceding July 2, 2029, the Notes will be exchangeable at the option of the holders only upon the satisfaction of specified conditions. These conditions include, among others, the sale price of the Class A Ordinary Shares exceeding 130% of the initial exchange price for a specified number of trading days. On or after July 2, 2029 until the close of business on the second scheduled trading day immediately preceding October 1, 2029, the Notes will be exchangeable at the option of the holders at any time regardless of the specified conditions.

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Pagaya US may redeem the Notes in whole or in part on or after October 5, 2027, only if the last reported sale price per Class A Ordinary Share exceeds 130% of the exchange price for a specified period of time and certain other conditions are satisfied. The redemption price will be equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

If a “fundamental change” (as defined in the indenture governing the Notes) of the Company occurs, then, subject to a limited exception, noteholders may require Pagaya US to repurchase their Notes for cash. The repurchase price will be equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

Credit Agreement

On February 2, 2024, the Company entered into a certain Credit Agreement (the “Credit Agreement”) which provides for a 5-year senior secured revolving credit facility (the “Revolving Credit Facility”) in an initial principal amount of \$25 million, which subsequently increased to \$35 million, and a 5 year senior secured term loan facility (the “Term Loan Facility,” and together with the Revolving Credit Facility, the “Facilities”) in an initial principal amount of \$255 million. In November 2024, the Company amended the Credit Agreement to increase the Term Loan Facility by \$100 million, bringing the total principal amount to \$355 million. The Company also increased an aggregate principal amount of the Revolving Credit Facility of \$15 million, bringing the total principal amount of the Revolving Credit Facility to \$50 million. In February 2025, the Company further increased the aggregate principal amount of the Revolving Credit Facility by \$8 million, resulting in a total principal amount of the Revolving Credit Facility of \$58 million.

The Company may voluntarily prepay borrowings under the Facilities at any time and from time to time subject to, in regards to voluntary prepayments and certain mandatory prepayments of the Term Loan Facility, a 3.00% fee if paid prior to the first anniversary of the Term Loan Facility, 2.00% if paid after the first anniversary but prior to the second anniversary, 1.00% if after the second anniversary but prior to the third anniversary, and 0.50% if after the third anniversary but prior to the fourth anniversary. In each case, prepayments of the Facilities may be subject to the payment of “breakage” costs.

The Facilities contain certain customary mandatory prepayment events, including requirements to prepay the Term Loan Facility with excess cash flow and with the net cash proceeds from certain asset dispositions and casualty events, subject to customary reinvestment rights and other exceptions.

No amortization payments are required to be made in respect of borrowings under the Revolving Credit Facility. Amortization payments are required to be made in respect of the term loans under the Term Loan Facility in amount of 1.25% per quarter of the original principal amount of the term loans under the Term Loan Facility.

Borrowings under the Facilities bear interest at a rate per annum equal to, at the Company’s option, (i) a base rate (determined based on the prime rate and subject to a 2.00% floor) plus a margin of 6.50% or (ii) an adjusted term Secured Overnight Financing Rate (subject to a 1.00% floor) plus a margin of 7.50%. A commitment fee accrues on any unused portion of the commitments under the Revolving Credit Facility at a rate per annum of 0.25% and is payable quarterly in arrears.

The Company’s obligations under the Credit Agreement are guaranteed by certain of the Company’s material, wholly-owned subsidiaries (collectively, the “Guarantors”) and are secured by a first priority lien on substantially all assets of the Company and the Guarantors, subject to certain customary exceptions.

The Credit Agreement contains customary negative covenants, which include, among other things, limitations on the ability of the Company and its consolidated subsidiaries to incur indebtedness, grant liens, engage in certain fundamental changes, make certain dispositions and investments, enter into sale and leaseback transactions, and make restricted payments and other distributions. The Credit Agreement contains certain financial covenants customary for a credit facility of this type, which include, among other things, a maximum first lien leverage ratio, a minimum fixed charge coverage ratio and a minimum tangible book value ratio. The Credit Agreement also contains affirmative covenants customary for a credit facility of its type, including customary reporting covenants.

The Credit Agreement includes events of default related to, among other things, failure to pay amounts due under the Credit Agreement, breaches of representations, warranties or covenants, defaults under other material indebtedness, certain events of

bankruptcy or insolvency, material judgment defaults and change of control, in each case, subject to customary cure periods where appropriate.

As of March 31, 2025, the Company had an outstanding balance of \$317.9 million, which is recorded within long-term debt on the unaudited condensed consolidated balance sheet, and the Company had letters of credit issued in the amount of \$24.7 million, and \$33.3 million of remaining capacity available under the Revolving Credit Facility. The Company is in compliance with all covenants.

Contractual Obligations, Commitments and Contingencies

During the normal course of business, we enter into certain lease contracts with lease terms through 2032. As of March 31, 2025, the total remaining contractual obligations are approximately \$44.2 million, of which \$9.3 million is for the next 12 months. In 2023, we entered into a purchase commitment with our third-party cloud computing web services provider, which included an annual purchase commitment of \$8.5 million for the period from October 2023 through September 2025. As of March 31, 2025, the total remaining contractual obligations are approximately \$2.4 million, all of which is for the next 12 months. We may pay more than the minimum purchase commitment based on usage.

In the ordinary course of business, the Company may provide indemnifications or loss guarantees of varying scope and terms to customers and other third parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. These indemnifications may survive termination of the underlying agreement and the maximum potential amount of future indemnification payments may not be subject to a cap. As of March 31, 2025, there have been no known events or circumstances that have resulted in a material indemnification liability and the Company did not incur material costs to defend lawsuits or settle claims related to these indemnifications. For certain contracts meeting the definition of a guarantee or a derivative, the guarantor must recognize, at inception, a liability for the fair value of the obligation undertaken in issuing the guarantee. In addition, the guarantor must disclose the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, if there were a default by the guaranteed parties. The determination of the maximum potential future payments is based on the notional amount of the guarantees without consideration of possible recoveries under recourse provisions or from collateral held or pledged. As of March 31, 2025, the unfunded maximum potential amount of undiscounted future payments the Company could be required to make under these guarantees totaled \$60.3 million. Additionally, in accordance with the guarantee contracts, the Company is required to fund segregated cash balances to provide protection in the event the Company is not able to meet its contractual commitments. As of March 31, 2025, \$39.8 million has been segregated and recognized within restricted cash in the unaudited condensed consolidated balance sheet in accordance with these contractual requirements.

For a discussion of our long-term debt obligations and operating lease obligations as of March 31, 2025, see Note 4 and Note 7, respectively, to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report.

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in activities with unconsolidated VIEs, including our sponsored securitization vehicles, which we contractually administer. To comply with risk retention regulatory requirements, we retain at least 5% of the credit risk of the securities issued by sponsored securitization vehicles. From time to time, we may, but are not obligated to, purchase assets from the Financing Vehicles. Such purchases could expose us to loss. For additional information, refer to Note 6 to the unaudited condensed consolidated financial statements elsewhere included in this Quarterly Report.

Critical Accounting Policies and Estimates

Our significant accounting policies and their effect on our financial condition and results of operations are more fully described in our audited consolidated financial statements included in our Annual Report on Form 10-K. Management has reassessed the critical accounting policies and estimates as disclosed in Note 2 to the audited Consolidated Financial Statements included in our Annual Report on Form 10-K and determined that there were no significant changes in our critical accounting policies and estimates during the three months ended March 31, 2025.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in market prices. Our market risk exposure primarily relates to fluctuations in credit

risk. We are exposed to market risk directly through investments in loans and securities held on our consolidated balance sheets and access to the securitization markets.

Credit Risk

Credit risk refers to the risk of loss arising from individual borrower default due to inability or unwillingness to meet their financial obligations. The performance of certain financial instruments, including investments in loans, securitization notes and residual certificates on our consolidated balance sheets, is dependent on the credit performance. To manage this risk, we monitor borrower payment performance and utilize our proprietary, AI-powered technology to evaluate individual loans in a manner that we believe is reflective of the credit risk.

The fair values of these loans, securitization notes, and residual certificates are estimated based on a discounted cash flow model which involves the use of significant unobservable inputs and assumptions, the most significant of which is expected credit losses. Accordingly, these instruments are sensitive to changes in credit risk. As of March 31, 2025 and December 31, 2024, we were exposed to credit risk on \$760 million and \$764 million, respectively, of investments in loans and securities held on our consolidated balance sheet, with \$656 million and \$659 million, respectively, representing net exposure exclusive of non-controlling interests. We have a portfolio risk monitoring that includes internal monitoring as well as competitor / market assessments, macro-economic trends, and associated stress testing. Loans and related risk retention securities are monitored throughout the entire lifecycle. This risk monitoring framework provides timely and actionable feedback on managing credit risk exposures.

We are also exposed to credit risk in the event of non-performance by the financial institutions holding our cash or providing access to our credit line. We maintain our cash deposits in highly-rated financial institutions. In the United States, the majority of our cash deposits are held at federally insured accounts. We manage this risk by maintaining our cash deposits at well-established, well-capitalized financial institutions and diversifying our counterparties.

Interest Rate Risk

The interest rates charged on the loans originated by Partners are subject to change by the platform sellers, originators, and/or servicers. Higher interest rates could negatively impact collections on the underlying loans, leading to increased delinquencies, defaults, and our borrower bankruptcies, all of which could have a substantial adverse effect on our business. This would also impact future loans and securitizations.

Additionally, we maintain certain financing sources with varying degrees of interest rate sensitivities, including floating-rate interest payments on Pagaya's credit facilities. Accordingly, trends in the prevailing interest rate environment can influence interest expense/payments and harm the results of our operations. For additional information, see "Item 2. Liquidity and Capital Resources" for additional information.

We also rely on securitization transactions, with notes of those transactions typically bearing a fixed coupon. For future securitization issuances, higher interest rates could effect overall deal economics as well as the returns we would generate on our related risk retention investments.

Foreign Exchange Risk

Foreign currency exchange rates do not pose a material market risk exposure. However, given the compensation and non-compensation expenses denominated in Israeli Shekel, our inability or failure to manage foreign exchange risk could harm our business, financial condition, or results of operations.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in the Company's reports 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 our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2025. Based upon that

evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2025, our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) that occurred during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Internal Control

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, no matter how well designed and operated, can only provide reasonable, not absolute assurance that its objectives will be met. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but such improvements will be subject to the same inherent limitations outlined in this section.

PART II - Other Information

Item 1. Legal Proceedings

Please refer to Note 8. “Commitments and Contingencies” of the accompanying notes to our unaudited condensed consolidated financial statements.

From time to time, we may be subject to other legal proceedings and claims in the ordinary course of business. We are not presently a party to any such other legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition, or cash flows. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

The risks described under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2024 could materially and adversely affect our business, financial condition, results of operations, cash flows, future prospects, and the trading price of our Class A Ordinary Share. The risks and uncertainties described therein are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial may also become important factors that adversely affect our business.

You should carefully read and consider such risks, together with all of the other information in our Annual Report on Form 10-K for the year ended December 31, 2024, in this Quarterly Report on Form 10-Q (including the disclosures in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in our unaudited condensed consolidated financial statements and related notes), and in the other documents that we file with the SEC.

There have been no material changes from the risk factors previously disclosed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2024.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Company Trading Plans or Other Arrangements

Subject to compliance with U.S. and Israel securities laws, rules and regulations, our directors and executive officers have adopted, and may adopt, individual share trading plans in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (a “Rule 10b5-1 Plan”), in which they will contract with a broker to buy or sell our Class A Ordinary Shares on a periodic basis. Under a Rule 10b5-1 Plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from the director or officer. The director or officer may amend or terminate the plan in some circumstances. Our directors and executive officers may buy or sell additional shares outside of a Rule 10b5-1 Plan when they are not in possession of material, non-public information.

Director and Officer Trading Plans or other Arrangements

Our directors and officers (as defined in Exchange Act Rule 16a-1(f)) may from time to time enter into plans or other arrangements for the purchase or sale of our shares that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or may represent a non-Rule 10b5-1 trading arrangement under the Exchange Act. During the quarter ended March 31, 2025, Tami Rosen, a director and the Company’s Chief Development Officer, entered into a new 10b5-1 Plan on March 11, 2025, with an end date of September 30, 2025, to sell a maximum aggregate of 129,397 shares.

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Item 6. Exhibits

Exhibit Number	Description
3.1	Articles of Association of Pagaya Technologies Ltd., as amended and restated on December 11, 2024 (incorporated by reference to Exhibit 3.1 of Pagaya Technologies Ltd. Current Report on Form 8-K filed with the SEC on December 12, 2024)
10.1*	Amendment No. 1 to Executive Employment Agreement between Tami Rosen and Pagaya Technologies US LLC
31.1*	Certificate of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002
31.2*	Certificate of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002
32.1*	Certificate of Chief Executive Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002
32.2*	Certificate of Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

† Indicates a management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized,

PAGAYA TECHNOLOGIES LTD.

Date: May 7, 2025

By: /s/ Gal Krubiner
Name: Gal Krubiner
Title: Chief Executive Officer

Date: May 7, 2025

By: /s/ Evangelos Perros
Name: Evangelos Perros
Title: Chief Financial Officer

AMENDMENT NO. 1 TO AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Amendment No. 1 to Amended and Restated Executive Employment Agreement, dated April 22, 2025 (the "**Amendment**"), between Pagaya Technologies US LLC, a Delaware limited liability company, located at 335 Madison Avenue, 16th Floor, New York, New York 10017 ("Company"), and Tami Rosen, an individual residing in the State of California ("**Executive**"), and together with Company, the "**Parties**", and each, a "**Party**").

WHEREAS, the Parties have entered into Amended and Restated Executive Employment Agreement, dated NOVEMBER 12, 2024 (the "**Existing Agreement**");

WHEREAS, due to administrative oversight, the Existing Agreement characterizes the Executive as reporting to the Company's New York office rather than her home office reflecting her status as a remote employee;

WHEREAS, the Parties desire to amend the Existing Agreement to accurately reflect Executive's status as a remote employee on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 9(e) of the Existing Agreement, the amendment contemplated by the Parties must be contained in a written agreement signed by each Party.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used and not defined in this Amendment have the respective meanings assigned to them in the Existing Agreement.

2. Amendments to the Existing Agreement. As of the Effective Date (defined below), the Existing Agreement is hereby amended or modified as follows: Section 2(c) of the Existing Agreement is hereby amended by deleting the words "Company's New York office" from first sentence of such Section and substituting in lieu thereof the words "Executive's home office."

3. Date of Effectiveness; Limited Effect. This Amendment will become effective on the date on which Executive was first employed by the Company (the "**Effective Date**"). Except as expressly provided in this Amendment, all of the terms and provisions of the Existing Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. Without limiting the generality of the foregoing, the amendments contained herein will not be construed as an amendment to or waiver of any other provision of the Existing Agreement or as a waiver of or consent to any further or future action on the part of either Party that would require the waiver or consent of the other Party. On and after the Effective Date, each reference in the Existing Agreement to "this Agreement," "the Agreement," "hereunder," "hereof," "herein," or words of like import will mean and be a reference to the Existing Agreement as amended by this Amendment.

4. Miscellaneous.

(a) This Amendment is governed by and construed in accordance with, the laws of the State of California without regard to the conflict of laws provisions of such State.

(b) This Amendment shall inure to the benefit of and be binding upon each of the Parties and each of their respective successors and assigns.

(c) The headings in this Amendment are for reference only and do not affect the interpretation of this Amendment.

(d) This Amendment may be executed in counterparts, each of which is deemed an original, but all of which constitute one and the same agreement. Delivery of an executed counterpart of this Amendment electronically shall be effective as delivery of an original executed counterpart of this Amendment.

(e) This Amendment constitutes the sole and entire agreement between the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

[signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Amendment on the date first written above.

PAGAYA TECHNOLOGIES US LLC

By /s/ Eric Watson

Name: Eric Watson

Title: Chief Legal Officer

TAMI ROSEN

By /s/ Tami Rosen

CERTIFICATION

I, Gal Krubiner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pagaya Technologies Ltd.;
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 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 period covered by the 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 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 company's internal control over financial reporting.

Date: May 7, 2025

By: /s/ Gal Krubiner
Gal Krubiner
Chief Executive Officer

CERTIFICATION

I, Evangelos Perros, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pagaya Technologies Ltd.;
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 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 period covered by the 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 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 company's internal control over financial reporting.

Date: May 7, 2025

By: /s/ Evangelos Perros
Evangelos Perros
Chief Financial Officer

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Gal Krubiner, Chief Executive Officer of Pagaya Technologies Ltd. (the "Company"), hereby certifies that, to the best of his knowledge:

1. The Company's quarterly report on Form 10-Q for the quarter ended March 31, 2025, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or Section 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 the Company.

Date: May 7, 2025

By: /s/ Gal Krubiner
Gal Krubiner
Chief Executive Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Pagaya Technologies Ltd. under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Evangelos Perros, Chief Financial Officer of Pagaya Technologies Ltd. (the "Company"), hereby certifies that, to the best of his knowledge:

1. The Company's quarterly report on Form 10-Q for the quarter ended March 31, 2025, to which this Certification is attached as Exhibit 32.2 (the "Report"), fully complies with the requirements of Section 13(a) or Section 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 the Company.

Date: May 7, 2025

By: /s/ Evangelos Perros
Evangelos Perros
Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Pagaya Technologies Ltd. under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.