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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

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 001-39253

Opendoor Technologies Inc.
(Exact name of registrant as specified in its charter)

Delaware	**98-1515020**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
410 N. Scottsdale Road, Suite 1600	
Tempe, AZ	**85281**
(Address of Principal Executive Offices)	(Zip Code)

(415) 896-6737
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
Common stock, $0.0001 par value per share	OPEN	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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 ☒

The number of shares of registrant’s common stock outstanding as of July 28, 2022 was approximately 628,890,792.

OPENDOOR TECHNOLOGIES INC.

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OPENDOOR TECHNOLOGIES INC.

As used in this Quarterly Report on Form 10-Q, unless the context requires otherwise, references to “Opendoor,” the “Company,” “we,” “us,” and “our,” and similar references refer to Opendoor Technologies Inc. and its wholly owned subsidiaries following the Business Combination (as defined herein) and to Opendoor Labs Inc. prior to the Business Combination.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition; business strategy and plans; expectations regarding the impact of COVID-19; market opportunity and expansion and objectives of management for future operations, including our statements regarding the benefits and timing of the roll out of new markets, products, or technology; expected diversification of funding sources, are forward-looking statements. When used in this Quarterly Report on Form 10-Q, words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “forecast”, “future”, “intend,” “may,” “might”, “opportunity”, “plan,” “possible”, “potential,” “predict,” “project,” “should,” “strategy”, “strive”, “target,” “will,” or “would”, including their antonyms or other similar terms or expressions may identify forward-looking statements. The absence of these words does not mean that a statement is not forward-looking.

These forward-looking statements are based on information available as of the date of this Quarterly Report on Form 10-Q and current expectations, forecasts and assumptions, which involve a number of judgments, risks and uncertainties, including without limitation, risks related to:

- our public securities’ potential liquidity and trading;
- our ability to raise financing in the future;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- the impact of the regulatory environment and complexities with compliance related to such environment;
- factors relating to our business, operations and financial performance, including:
  - our ability to grow market share in our existing markets or any new markets we may enter;
  - our ability to respond to general economic conditions;
  - the health of the U.S. residential real estate industry;
  - risks associated with our real estate assets and increased competition in the U.S. residential real estate industry;
  - our ability to manage our growth effectively;
  - our ability to maintain profitability;
  - our ability to access sources of capital, including debt financing and securitization funding to finance our real estate inventories and other sources of capital to finance operations and growth;
  - our ability to maintain and enhance our products and brand, and to attract customers;
  - our ability to manage, develop and refine our technology platform, including our automated pricing and valuation technology;
  - the impact of the COVID-19 pandemic;
  - our ability to maintain an effective system of internal controls over financial reporting; and
  - the success of our strategic relationships with third parties.

Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, including without limitation the important factors described in the “Risk Factors” section of this Quarterly Report on Form 10-Q and on Part I. Item 1A “ Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021 (the “Annual Report”), our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. You should not place undue reliance on these forward-looking statements.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

OPENDOOR TECHNOLOGIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

		June 30, 2022	December 31, 2021
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 2,239	$ 1,731
Restricted cash		615	847
Marketable securities		233	484
Escrow receivable		56	84
Mortgage loans held for sale pledged under agreements to repurchase		12	7
Real estate inventory, net		6,628	6,096
Other current assets ($2 and $4 carried at fair value)		162	91
Total current assets		9,945	9,340
PROPERTY AND EQUIPMENT – Net		54	45
RIGHT OF USE ASSETS		43	42
GOODWILL		60	60
INTANGIBLES – Net		7	12
OTHER ASSETS		27	7
TOTAL ASSETS	(1)	$ 10,136	$ 9,506
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable and other accrued liabilities		$ 215	$ 137
Non-recourse asset-backed debt - current portion		3,362	4,240
Other secured borrowings		12	7
Interest payable		10	12
Lease liabilities - current portion		7	4
Total current liabilities		3,606	4,400
NON-RECOURSE ASSET-BACKED DEBT – Net of current portion		3,176	1,862
CONVERTIBLE SENIOR NOTES		956	954
LEASE LIABILITIES – Net of current portion		42	42
Total liabilities	(2)	7,780	7,258
COMMITMENTS AND CONTINGENCIES (See Note 16)			
SHAREHOLDERS' EQUITY:			
Common stock, $0.0001 par value; 3,000,000,000 shares authorized; 627,033,133 and 616,026,565 shares issued, respectively; 627,033,133 and 616,026,565 shares outstanding, respectively		—	—
Additional paid-in capital		4,092	3,955
Accumulated deficit		(1,731)	(1,705)
Accumulated other comprehensive (loss) income		(5)	(2)
Total shareholders' equity		2,356	2,248
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 10,136	$ 9,506

(1) The Company's consolidated assets at June 30, 2022 and December 31, 2021 include the following assets of certain variable interest entities ("VIEs") that can only be used to settle the liabilities of those VIEs: Cash and cash equivalents, $7 and $9; Restricted cash, $606 and $838; Real estate inventory, net, $6,454 and $6,046; Escrow receivable, $55 and $78; Other current assets, $94 and $35; and Total assets of $7,216 and $7,006, respectively.

(2) The Company's consolidated liabilities at June 30, 2022 and December 31, 2021 include the following liabilities for which the VIE creditors do not have recourse to Opendoor: Accounts payable and other accrued liabilities, $64 and $59; Interest payable, $9 and $11; Current portion of non-recourse asset-backed debt, $3,362 and $4,240; Non-recourse asset-backed debt, net of current portion, $3,176 and $1,862; and Total liabilities, $6,611 and $6,172, respectively.

See accompanying notes to condensed consolidated financial statements.

OPENDOOR TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share amounts which are presented in thousands, and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
REVENUE	$ 4,198	$ 1,186	$ 9,349	$ 1,933
COST OF REVENUE	3,712	1,027	8,328	1,677
GROSS PROFIT	486	159	1,021	256
OPERATING EXPENSES:				
Sales, marketing and operations	276	97	552	166
General and administrative	137	190	238	412
Technology and development	41	24	81	75
Total operating expenses	454	311	871	653
INCOME (LOSS) FROM OPERATIONS	32	(152)	150	(397)
WARRANT FAIR VALUE ADJUSTMENT	—	24	—	9
INTEREST EXPENSE	(89)	(16)	(157)	(27)
OTHER INCOME (LOSS) – Net	4	—	(18)	1
LOSS BEFORE INCOME TAXES	(53)	(144)	(25)	(414)
INCOME TAX EXPENSE	(1)	—	(1)	—
NET LOSS	$ (54)	$ (144)	$ (26)	$ (414)
Net loss per share attributable to common shareholders:				
Basic	$ (0.09)	$ (0.24)	$ (0.04)	$ (0.72)
Diluted	$ (0.09)	$ (0.24)	$ (0.04)	$ (0.72)
Weighted-average shares outstanding:				
Basic	624,958	588,374	622,064	576,941
Diluted	624,958	588,374	622,064	576,941

See accompanying notes to condensed consolidated financial statements.

OPENDOOR TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
NET LOSS	$ (54)	$ (144)	$ (26)	$ (414)
OTHER COMPREHENSIVE LOSS:				
Unrealized loss on marketable securities	(1)	—	(3)	—
COMPREHENSIVE LOSS	$ (55)	$ (144)	$ (29)	$ (414)

See accompanying notes to condensed consolidated financial statements.

OPENDOOR TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except number of shares)
(Unaudited)

	Shareholders' Equity						
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
BALANCE-March 31, 2022	622,918,512	$ —	$ 4,028	$ (1,677)	$ (4)	$ 2,347
Vesting of restricted shares	69,211	—	—	—	—	—
Vesting of restricted stock units	3,619,795	—	—	—	—	—
Exercise of stock options	425,615	—	1	—	—	1
Stock-based compensation	—	—	63	—	—	63
Other comprehensive loss	—	—	—	—	(1)	(1)
Net loss	—	—	—	(54)	—	(54)
BALANCE–June 30, 2022	627,033,133	$ —	$ 4,092	$ (1,731)	$ (5)	$ 2,356

	Shareholders' Equity					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
BALANCE-December 31, 2021	616,026,565	$ —	$ 3,955	$ (1,705)	$ (2)	$ 2,248
Vesting of restricted shares	142,129	—	—	—	—	—
Vesting of restricted stock units	8,543,024	—	—	—	—	—
Exercise of stock options	2,321,415	—	3	—	—	3
Stock-based compensation	—	—	134	—	—	134
Other comprehensive loss	—	—	—	—	(3)	(3)
Net loss	—	—	—	(26)	—	(26)
BALANCE–June 30, 2022	627,033,133	$ —	$ 4,092	$ (1,731)	$ (5)	$ 2,356

OPENDOOR TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except number of shares)
(Unaudited)

	Shareholders' Equity										
	Common Stock			Additional Paid-in Capital		Accumulated Deficit		Accumulated Other Comprehensive (Loss) Income		Total Shareholders' Equity	
	Shares	Amount									
BALANCE-March 31, 2021	585,691,729	$	—	$	3,697	$	(1,313)	$	—	$	2,384
Vesting of restricted shares	329,042		—		—		—		—		—
Vesting of restricted stock units	3,163,113		—		—		—		—		—
Common stock issued upon exercise of warrants	504,477		—		6		—		—		6
Exercise of stock options	4,150,558		—		7		—		—		7
Stock-based compensation	—		—		165		—		—		165
Net loss	—		—		—		(144)		—		(144)
BALANCE–June 30, 2021	593,838,919	$	—	$	3,875	$	(1,457)	$	—	$	2,418

	Shareholders' Equity										
	Common Stock			Additional Paid-in Capital		Accumulated Deficit		Accumulated Other Comprehensive (Loss) Income		Total Shareholders' Equity	
	Shares	Amount									
BALANCE-December 31, 2020	540,714,692	$	—	$	2,596	$	(1,043)	$	—	$	1,553
Issuance of common stock in connection with the February 2021 Offering	32,817,421		—		857		—		—		857
Vesting of restricted shares	660,269		—		—		—		—		—
Vesting of restricted stock units	14,899,985		—		—		—		—		—
Common stock issued upon exercise of warrants	504,477		—		6		—		—		6
Exercise of stock options	4,242,075		—		7		—		—		7
Stock-based compensation	—		—		409		—		—		409
Net loss	—		—		—		(414)		—		(414)
BALANCE–June 30, 2021	593,838,919	$	—	$	3,875	$	(1,457)	$	—	$	2,418

See accompanying notes to condensed consolidated financial statements.

OPENDOOR TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)
(Unaudited)

	Six Months Ended June 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (26)	$ (414)
Adjustments to reconcile net loss to cash, cash equivalents, and restricted cash used in operating activities:		
Depreciation and amortization	38	20
Amortization of right of use asset	4	4
Stock-based compensation	126	403
Warrant fair value adjustment	—	(9)
Gain on settlement of lease liabilities	—	(5)
Inventory valuation adjustment	90	1
Changes in fair value of equity securities	25	—
Net fair value adjustments and gain (loss) on sale of mortgage loans held for sale	(1)	(2)
Origination of mortgage loans held for sale	(108)	(83)
Proceeds from sale and principal collections of mortgage loans held for sale	106	68
Changes in operating assets and liabilities:		
Escrow receivable	28	(32)
Real estate inventory	(622)	(2,249)
Other assets	(80)	(38)
Accounts payable and other accrued liabilities	79	34
Lease liabilities	(2)	(10)
Net cash used in operating activities	(343)	(2,312)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(20)	(11)
Purchase of marketable securities	(28)	(239)
Proceeds from sales, maturities, redemptions and paydowns of marketable securities	250	86
Purchase of non-marketable equity securities	(25)	(10)
Proceeds from sale of non-marketable equity securities	3	—
Capital returns from non-marketable equity securities	3	—
Net cash provided by (used in) investing activities	183	(174)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	3	7
Proceeds from warrant exercise	—	5
Proceeds from the February 2021 Offering	—	886
Issuance cost of common stock	—	(29)
Proceeds from non-recourse asset-backed debt	6,608	3,160
Principal payments on non-recourse asset-backed debt	(6,162)	(1,374)
Proceeds from other secured borrowings	105	82
Principal payments on other secured borrowings	(100)	(65)
Payment of loan origination fees and debt issuance costs	(18)	(2)
Net cash provided by financing activities	436	2,670
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	276	184
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – Beginning of period	2,578	1,506
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – End of period	$ 2,854	$ 1,690
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION – Cash paid during the period for interest	$ 145	$ 21
DISCLOSURES OF NONCASH ACTIVITIES:		
Stock-based compensation expense capitalized for internally developed software	$ 8	$ 6
RECONCILIATION TO CONDENSED CONSOLIDATED BALANCE SHEETS:		
Cash and cash equivalents	$ 2,239	$ 1,558
Restricted cash	615	132
Cash, cash equivalents, and restricted cash	$ 2,854	$ 1,690

See accompanying notes to condensed consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND ACCOUNTING POLICIES

Description of Business

Opendoor Technologies Inc. (the “Company” and “Opendoor”) including its consolidated subsidiaries and certain variable interest entities (“VIEs”), is a leading digital platform for residential real estate. By leveraging software, data science, product design and operations, Opendoor has rebuilt the service model for real estate and has made buying and selling possible on a mobile device. The Company was incorporated in Delaware on December 30, 2013.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to generally accepted accounting principles in the United States of America (“GAAP”). The condensed consolidated financial statements as of June 30, 2022 and December 31, 2021 and for the three and six month periods ended June 30, 2022 and 2021 include the accounts of Opendoor, its wholly owned subsidiaries and VIEs where the Company is the primary beneficiary. The accompanying unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. All intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements herein. Certain prior period amounts in the condensed consolidated financial statements and accompanying notes have been reclassified to conform to the current period’s presentation.

The Company was formed through a business combination with Social Capital Hedosophia Holdings Corp. II (“SCH”), a Cayman Islands exempted company formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses (the “Business Combination”). The Business Combination, pursuant to which Opendoor Labs Inc. became a wholly owned subsidiary of SCH and SCH changed its name from “Social Capital Hedosophia Holdings Corp. II” to “Opendoor Technologies Inc.”, was completed on December 18, 2020, and was accounted for as a reverse recapitalization, in accordance with GAAP.

The accompanying interim condensed consolidated financial statements and these related notes should be read in conjunction with the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (“Annual Report”) filed on February 24, 2022.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ materially from such estimates. Significant estimates, assumptions and judgments made by management include, among others, the determination of the fair value of common stock, share-based awards, warrants, and inventory valuation adjustment. Management believes that the estimates and judgments upon which they rely are reasonable based upon information available to them at the time that these estimates and judgments are made. To the extent that there are material differences between these estimates and actual results, the Company’s financial statements will be affected.

Significant Risks and Uncertainties

The Company operates in a dynamic industry and, accordingly, can be affected by a variety of factors. For example, the Company believes that changes in any of the following areas could have a significant negative effect on the Company in terms of its future financial position, results of operations or cash flows: public health crises, like the COVID-19 pandemic; its rates of revenue growth; its ability to manage inventory; engagement and usage of its products; the effectiveness of its investment of resources to pursue strategies; competition in its market; the stability of the residential real estate market; the impact of interest rate changes on demand and its costs; changes in technology, products, markets or services by the Company or its competitors; its ability to maintain or establish relationships with listings and data providers; its ability to obtain or maintain licenses and permits to support its current and future businesses; actual or anticipated changes to its products and services; changes in government regulation affecting its business; the outcomes of legal proceedings; natural disasters and catastrophic events; scaling and adaptation of existing technology and network infrastructure; its management of its growth; its ability to attract and retain qualified employees and key personnel; its ability to successfully integrate and realize the benefits of its past or future strategic acquisitions or investments; the protection of customers' information and other privacy concerns; the protection of its brand and intellectual property; and intellectual property infringement and other claims, among other things.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents, investments in marketable securities, and mortgage loans held for sale pledged under agreements to repurchase ("MLHFS"). The Company places cash and cash equivalents and investments with major financial institutions, which management assesses to be of high credit quality, in order to limit exposure of the Company's investments.

Similarly, the Company's credit risk on mortgage loans held for sale is mitigated due to having a large number of customers. Further, the Company's credit risk on mortgage loans held for sale is mitigated by the fact that the Company typically sells mortgages on the secondary market within a relatively short period of time after which the Company's exposure is limited to borrower defaults within the initial few months of the mortgage.

The Company's significant accounting policies are discussed in *"Part II – Item 8 – Financial Statements and Supplementary Data – Note 1. Description of Business and Accounting Policies"* in the Annual Report. There have been no changes to these significant accounting policies for the six month period ended June 30, 2022, except as noted below.

Investments

The Company's investments in marketable securities consist of debt securities classified as available-for-sale as well as marketable equity securities. The Company's available-for-sale debt securities are measured at fair value with unrealized gains and losses included in Accumulated other comprehensive income (loss) in shareholders' equity and realized gains and losses included in Other income (loss)-net.

The Company's strategic investments consists of a marketable equity security, which is publicly traded, and non-marketable equity securities, which are investments in privately held companies. Marketable equity securities have readily determinable fair values with changes in fair value recorded in Other income (loss)-net. Non-marketable equity securities and equity method investments do not have readily determinable fair values. These securities are accounted for under one of the following accounting methods:

- Equity method: This method is applied when the Company has the ability to exert significant influence over the investee. The securities are recorded at cost and adjusted for the Company's share of the investee's earnings or losses, less any dividends received and/or impairments.

- Measurement alternative: This method is followed for all remaining non-marketable equity securities. These securities are recorded at cost minus impairment, if any, adjusted for changes resulting from observable price changes in orderly transactions for an identical or similar investment in the same issuer.

All realized and unrealized gains and losses or the Company's share of the investee's earnings or losses, including impairment losses, are recognized in Other income (loss)-net. Any dividends on equity method investments are recognized as a reduction of the investment's carrying value. Non-marketable equity securities are reported in Other assets.

The Company assesses whether an impairment loss on its non-marketable equity securities has occurred due to declines in fair value or other market conditions. When the fair value of an equity method investment is less than its carrying value, the Company writes down the investment to fair value when the decline in value is considered to be other than temporary. When the fair value of an investment accounted for using the measurement alternative is less than its carrying value, the Company writes down the investment to its fair value, without the consideration of recovery. See "Note 4 — Cash, Cash Equivalents, and Investments" for further discussion.

Real Estate Inventory

Real estate inventory is carried at the lower of cost or net realizable value and the Company applies the specific identification method whereby each property constitutes the unit of account. Real estate inventory cost includes but is not limited to the property purchase price, acquisition costs and direct costs to renovate or repair the home, less inventory valuation adjustments, if any. Work in progress inventory includes homes undergoing repairs and finished goods inventory includes homes that are listed for sale or under contract for sale. Real estate inventory is reviewed for valuation adjustments at least quarterly. If the carrying amount or cost basis is not expected to be recovered, an inventory valuation adjustment is recorded to Cost of revenue and the related assets are adjusted to their net realizable value.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and definite-lived intangible assets, among other long-lived assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent the carrying amount of the underlying asset exceeds its fair value. The impairment loss recognized for the three and six months ended June 30, 2021 is related to abandonment of property and equipment, impairment and abandonment of certain internally developed software projects, and sublease of certain right of use assets. The impairment loss recognized during the periods presented is as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
General and administrative	$ —	$ —	$ —	$ 1
Technology and development	—	1	—	3
Total impairment loss	$ —	$ 1	$ —	$ 4

Stock-Based Compensation

Stock-based compensation awards consist of stock options, restricted stock units (“RSUs”), shares of restricted stock (“Restricted Shares”), and shares issued pursuant the 2020 Employee Stock Purchase Plan ("ESPP").

Stock Options

The Company has granted stock options with a service condition to vest, which is generally four years. The Company records stock-based compensation expense for service-based stock options on a straight-line basis over the requisite service period. These amounts are reduced by forfeitures as they occur. The Company uses the *Black-Scholes-Merton* option-pricing model to determine the fair value as of the grant date for stock options.

RSUs

The Company has granted RSUs with a performance condition, based on a liquidity event, as defined by the share agreement, as well as a service condition to vest, which is generally four years. The Company determines the fair value of RSUs based on the valuation of the Company’s common stock as of the grant date. No compensation expense is recognized for performance-based awards until the liquidity event has occurred. Subsequent to the occurrence of a liquidity event, compensation expense is recognized to the extent the requisite service period has been completed. Compensation expense is recognized on an accelerated attribution basis over the requisite service period of the awards subject to the achievement of the liquidity event. After the Company became listed, the RSUs granted are generally only subject to a service condition to vest and typically vest over one to four years. Compensation expense is recognized on a straight-line basis subject to a floor of the vested number of shares for each award.

Market Condition RSUs

The Company has granted RSUs with a performance condition, based on a liquidity event, as defined by the share agreement, as well as a market condition to vest. Subject to the employee’s continued services to the Company, the market-based conditions are satisfied upon the Company’s achievement of certain share price milestones calculated based on 60-day volume weighted average.

For market-based RSUs, the Company determines the grant-date fair value utilizing Monte Carlo simulations, which incorporates various assumptions, including expected stock price volatility, contractual term, dividend yield, and stock price at grant date. The Company estimates the volatility of common stock on the date of grant based on the weighted-average historical stock price volatility of comparable publicly-traded companies. As the Company had no history of dividend payments and had not declared any prospective dividends, a 0% dividend yield was assumed.

For stock-based compensation, each market-based condition is treated as an accounting unit and expense is recognized over the requisite service period with respect to each unit and only if performance-based conditions are considered probable to be satisfied. The Company determines the requisite service period by comparing the derived service period to achieve the market-based condition and the explicit service-based period, if any, using the longer of the two service periods as the requisite service period.

Restricted Shares

The fair value of the Restricted Shares is equal to the estimated fair value of the Company's common stock on the grant date. The Company recognizes compensation expense for the shares on a straight-line basis over the requisite service period of the awards. The fair value of these shares will be recognized into common stock and additional paid-in-capital as the shares vest.

ESPP

The Company recognizes stock-based compensation expense related to purchase rights granted pursuant to the 2020 ESPP on a straight-line basis over the offering period. The Company estimates the fair value of purchase rights granted under the ESPP using the Black-Scholes option-pricing model.

2. BUSINESS COMBINATIONS

On September 3, 2021, the Company acquired 100% of the outstanding equity of Services Labs, Inc., including its consolidated subsidiaries ("Pro.com"), in exchange for $22 million in cash consideration. The Company acquired Pro.com, a construction project platform, for its technology and talent. Acquired intangible assets consist of developed technology valued at $4 million which will be amortized over one year. Goodwill attributed to the Pro.com acquisition was $16 million.

On November 3, 2021, the Company acquired the assets of RedDoor HQ Inc. ("RedDoor") as part of a business combination in exchange for $15 million in cash consideration, of which $2 million is to be paid out one year following the date of closing. The Company acquired the processes, systems and talent of RedDoor, which previously operated an online mortgage brokerage platform. Acquired intangible assets consist of developed technology valued at $3 million, which will be amortized over one year. Goodwill attributed to the RedDoor acquisition was $13 million.

3. REAL ESTATE INVENTORY

The following table presents the components of inventory, net of applicable inventory valuation adjustments, as of the dates presented (in millions):

	June 30, 2022	December 31, 2021
Work in progress	$ 1,669	$ 1,971
Finished goods:		
Listed for sale	4,068	2,325
Under contract for sale	891	1,800
Total real estate inventory	$ 6,628	$ 6,096

As of June 30, 2022, the Company was in contract to purchase 7,779 homes for an aggregate purchase price of $3.2 billion.

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The amortized cost, gross unrealized gains and losses, and fair value of cash, cash equivalents, and marketable securities as of June 30, 2022 and December 31, 2021, are as follows (in millions):

	June 30, 2022					
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	$ 80	$ —	$ —	$ 80	$ 80	$ —
Time deposit	1,222	—	—	1,222	1,222	—
Money market funds	937	—	—	937	937	—
Corporate debt securities	171	—	(5)	166	—	166
Commercial paper	28	—	—	28	—	28
Equity securities	22	—	—	22	—	22
Certificates of deposit	12	—	—	12	—	12
Asset-backed securities	5	—	—	5	—	5
Total	$ 2,477	$ —	$ (5)	$ 2,472	$ 2,239	$ 233

	December 31, 2021					
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	$ 81	$ —	$ —	$ 81	$ 81	$ —
Money market funds	1,350	—	—	1,350	1,350	—
Time deposit	300	—	—	300	300	—
Corporate debt securities	208	—	(1)	207	—	207
Mutual fund	200	—	—	200	—	200
Equity securities	46	—	—	46	—	46
Commercial paper	15	—	—	15	—	15
Asset-backed securities	7	—	—	7	—	7
Certificates of deposit	5	—	—	5	—	5
Sovereign bonds	4	—	—	4	—	4
Total	$ 2,216	$ —	$ (1)	$ 2,215	$ 1,731	$ 484

During the three and six months ended June 30, 2022, the Company recognized $3 million and $25 million of losses, respectively, in the condensed consolidated statements of operations related to equity securities held as of June 30, 2022. During the three and six months ended June 30, 2021, the Company recognized no unrealized gains or losses in the condensed consolidated statements of operations related to equity securities held as of June 30, 2021.

A summary of debt securities with unrealized losses aggregated by period of continuous unrealized loss is as follows (in millions):

	Less than 12 Months		12 Months or Greater		Total	
June 30, 2022	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Money market funds	$ 324	$ —	$ —	$ —	$ 324	$ —
Corporate debt securities	165	(5)	—	—	165	(5)
Commercial paper	28	—	—	—	28	—
Certificates of deposit	9	—	—	—	9	—
Asset-backed securities	5	—	—	—	5	—
Total	$ 531	$ (5)	$ —	$ —	$ 531	$ (5)

	Less than 12 Months		12 Months or Greater		Total	
December 31, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Money market funds	$ 259	$ —	$ —	$ —	$ 259	$ —
Corporate debt securities	207	(1)	—	—	207	(1)
Commercial paper	15	—	—	—	15	—
Asset-backed securities	7	—	—	—	7	—
Certificates of deposit	5	—	—	—	5	—
Sovereign bonds	4	—	—	—	4	—
Total	$ 497	$ (1)	$ —	$ —	$ 497	$ (1)

The scheduled contractual maturities of debt securities as of June 30, 2022 are as follows (in millions):

June 30, 2022	Fair Value	Within 1 Year	After 1 Year through 5 Years
Corporate debt securities	$ 166	$ 85	$ 81
Commercial paper	28	28	—
Certificates of deposit	12	12	—
Asset-backed securities	5	5	—
Total	$ 211	$ 130	$ 81

A summary of non-marketable equity securities and equity method investment balances as of June 30, 2022 and December 31, 2021 are as follows (in millions):

	June 30, 2022	December 31, 2021
Equity method investments	$ 20	$ —
Non-marketable equity securities	5	5
Total	$ 25	$ 5

5. VARIABLE INTEREST ENTITIES

The Company utilizes VIEs in the normal course of business to support the Company’s financing needs. The Company determines whether the Company is the primary beneficiary of a VIE at the time it becomes involved with the VIE and reconsiders that conclusion on an on-going basis.

The Company established certain special purpose entities ("SPEs") for the purpose of financing the Company's purchase and renovation of real estate inventory through the issuance of asset-backed debt. The Company is the primary beneficiary of the various VIEs within these financing structures and consolidates these VIEs. The Company is determined to be the primary beneficiary based on its power to direct the activities that most significantly impact the economic outcomes of the SPEs through its role in designing the SPEs and managing the real estate inventory they purchase and sell. The Company has a potentially significant variable interest in the entities based upon the equity interest the Company holds in the VIEs.

The following table summarizes the assets and liabilities related to the VIEs consolidated by the Company as of June 30, 2022 and December 31, 2021 (in millions):

	June 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 7	$ 9
Restricted cash	606	838
Real estate inventory, net	6,454	6,046
Other[1]	149	113
Total assets	$ 7,216	$ 7,006
Liabilities		
Non-recourse asset-backed debt	$ 6,538	$ 6,102
Other[2]	73	70
Total liabilities	$ 6,611	$ 6,172

(1) Includes escrow receivable and other current assets.

(2) Includes accounts payable and other accrued liabilities and interest payable.

The creditors of the VIEs generally do not have recourse to the Company's general credit solely by virtue of being creditors of the VIEs, with the exception of limited guarantees provided by an Opendoor subsidiary for credit facilities. See *"Note 6 — Credit Facilities and Long-Term Debt"* for further discussion of the recourse obligations with respect to the VIEs.

6. CREDIT FACILITIES AND LONG-TERM DEBT

The following tables summarize certain details related to the Company's credit facilities and long-term debt as of June 30, 2022 and December 31, 2021 (in millions, except interest rates):

June 30, 2022	Borrowing Capacity	Outstanding Amount: Current	Outstanding Amount: Non-Current	Weighted Average Interest Rate	End of Revolving / Withdrawal Period	Final Maturity Date
Non-Recourse Asset-backed Debt:						
Asset-backed Senior Revolving Credit Facilities						
Revolving Facility 2018-2	$ 1,000	$ 104	$ —	3.07 %	June 7, 2024	June 7, 2024
Revolving Facility 2018-3	750	271	—	2.62 %	May 26, 2024	May 26, 2024
Revolving Facility 2019-1	900	876	—	3.43 %	June 30, 2023	June 30, 2023
Revolving Facility 2019-2	1,850	1,809	—	2.89 %	July 8, 2023	July 8, 2024
Revolving Facility 2019-3	925	252	—	3.42 %	April 5, 2024	April 5, 2025
Revolving Facility 2021-1	125	50	—	2.46 %	October 31, 2022	October 31, 2022
Asset-backed Senior Term Debt Facilities						
Term Debt Facility 2021-S1	400	—	400	3.48 %	April 1, 2024	April 1, 2025
Term Debt Facility 2021-S2	600	—	500	3.20 %	September 10, 2024	September 10, 2025
Term Debt Facility 2021-S3	1,000	—	500	3.75 %	January 31, 2027	July 31, 2027
Term Debt Facility 2022-S1	250	—	250	4.07 %	March 1, 2025	September 1, 2025
Total	$ 7,800	$ 3,362	$ 1,650			
Issuance Costs			(16)			
Carrying Value			$ 1,634			
Asset-backed Mezzanine Term Debt Facilities						
Term Debt Facility 2020-M1	3,000	—	1,500	10.00 %	April 1, 2025	April 1, 2026
Term Debt Facility 2022-M1	500	—	75	10.00 %	September 15, 2025	September 15, 2026
Total	$ 3,500	$ —	$ 1,575			
Issuance Costs			(33)			
Carrying Value			$ 1,542			
Total Non-Recourse Asset-backed Debt	$ 11,300	$ 3,362	$ 3,176			
Recourse Debt - Other Secured Borrowings:						
Mortgage Financing						
Repo Facility 2019-R1	$ 100	$ 12	$ —	2.43 %	May 25, 2023	May 25, 2023
Total Recourse Debt	$ 100	$ 12	$ —			

OPENDOOR TECHNOLOGIES INC.
Notes to Condensed Consolidated Financial Statements
(Tabular amounts in millions, except share and per share amounts, ratios, or as noted)
(Unaudited)

	Outstanding Amount		
December 31, 2021	**Current**	**Non-Current**	**Weighted Average Interest Rate**
Non-Recourse Asset-backed Debt:			
Asset-backed Senior Revolving Credit Facilities			
Revolving Facility 2018-2	$ 759	$ —	2.84 %
Revolving Facility 2018-3	673	—	2.39 %
Revolving Facility 2019-1	648	—	2.84 %
Revolving Facility 2019-2	1,149	—	2.52 %
Revolving Facility 2019-3	886	—	3.25 %
Revolving Facility 2021-1	125	—	2.15 %
Asset-backed Senior Term Debt Facilities			
Term Debt Facility 2021-S1	—	400	3.48 %
Term Debt Facility 2021-S2	—	500	3.20 %
Term Debt Facility 2021-S3	—	—	3.75 %
Total	$ 4,240	$ 900	
Issuance Costs		(3)	
Carrying Value		$ 897	
Asset-backed Mezzanine Term Debt Facilities			
Term Debt Facility 2020-M1	$ —	$ 1,000	10.00 %
Total	$ —	$ 1,000	
Issuance Costs		(35)	
Carrying Value		$ 965	
Total Non-Recourse Asset-backed Debt	$ 4,240	$ 1,862	
Recourse Debt - Other Secured Borrowings:			
Mortgage Financing			
Repo Facility 2019-R1	$ 7	$ —	1.84 %
Total Recourse Debt	$ 7	$ —	

Non-Recourse Asset-backed Debt

The Company utilizes inventory financing facilities consisting of asset-backed senior debt facilities and asset-backed mezzanine term debt facilities to provide financing for the Company’s real estate inventory purchases and renovation. The credit facilities are secured by the assets and equity of one or more SPEs. Each SPE is a consolidated subsidiary of Opendoor and a separate legal entity. Neither the assets nor credit of any such SPE are generally available to satisfy the debts and other obligations of any other Opendoor entities, except to the extent other Opendoor entities are also a party to the financing arrangements. These facilities are non-recourse to Opendoor and, with limited exceptions, non-recourse to other Opendoor subsidiaries.

As of June 30, 2022, the Company had total borrowing capacity with respect to the Company’s non-recourse asset- backed debt of $11.3 billion. Borrowing capacity amounts under non-recourse asset-backed debt as reflected in the table above are in some cases not fully committed and any borrowings above the fully committed amounts are subject to the applicable lender’s discretion. Any amounts repaid for senior term and mezzanine term debt facilities reduce total borrowing capacity as repaid amounts are not available to be reborrowed. As of June 30, 2022, the Company had fully committed borrowing capacity with respect to the Company’s non-recourse asset-backed debt of $8.7 billion; this fully committed borrowing capacity is comprised of $4.3 billion for senior revolving credit facilities, $1.9 billion for senior term debt facilities, and $2.5 billion for mezzanine term debt facilities.

Asset-backed Senior Revolving Credit Facilities

The Company classifies the senior revolving credit facilities as current liabilities on the Company’s condensed consolidated balance sheets as amounts drawn to acquire and renovate homes are required to be repaid as the related real estate inventory is sold, which the Company expects to occur within 12 months.

The senior revolving credit facilities are typically structured with an initial revolving period of up to 24 months during which time amounts can be borrowed, repaid and borrowed again. The borrowing capacity is generally available until the end of the applicable revolving period as reflected in the table above. Outstanding amounts drawn under each senior revolving credit facility are required to be repaid on the facility maturity date or earlier if accelerated due to an event of default or other mandatory repayment event. The final maturity dates and revolving period end dates reflected in the table above are inclusive of any extensions that are at the sole discretion of the Company. These facilities may also have extensions subject to lender discretion that are not reflected in the table above.

Borrowings under the senior revolving credit facilities accrue interest at a Benchmark reference rate ("Benchmark Rate"), which may be based on London Interbank Offered Rate ("LIBOR") or the secured overnight financing rate ("SOFR"), plus a margin that varies by facility. The Company may also pay fees on certain unused portions of the committed borrowing capacity, as defined in the respective credit agreements. The Company’s senior revolving credit facility arrangements typically include upfront fees that may be paid at execution of the applicable agreements or be earned at execution and payable over time. These facilities are generally fully prepayable at any time without penalty other than customary Benchmark Rate breakage costs.

These borrowings are collateralized by cash, equity in the real estate owning SPEs, and the real estate inventory funded by the relevant facility. The lenders have legal recourse only to the real estate-owning SPE borrowers, certain SPE guarantors, and the assets securing the debt, and do not have general recourse to the Company.

The senior revolving credit facilities have aggregated borrowing bases, which increase or decrease based on the cost and value of the properties financed under a given facility and the time that those properties are in the Company’s possession. When the Company resells a home, the proceeds are used to reduce the outstanding balance under the related senior revolving credit facility. The borrowing base for a given facility may be reduced as properties age beyond certain thresholds and any borrowing base deficiencies may be satisfied through contributions of additional properties or partial repayment of the facility.

Asset-backed Senior Term Debt Facilities

The Company classifies its senior term debt facilities as non-current liabilities on the Company’s condensed consolidated balance sheets because its borrowings under these facilities are generally not required to be repaid until the final maturity date.

The senior term debt facilities are typically structured with an initial withdrawal period up to 60 months during which the outstanding principal amounts are generally not required to be repaid when homes financed through those facilities are sold and instead are intended to remain outstanding until final maturity for each facility. Outstanding amounts drawn under each senior term debt facility are required to be repaid on the facility maturity date or earlier if accelerated due to an event of default or other mandatory repayment event. The final maturity dates and withdrawal period end dates reflected in the table above are inclusive of any extensions that are at the sole discretion of the Company. These facilities may also have extensions subject to lender discretion that are not reflected in the table above.

Borrowings under the senior term debt facilities accrue interest at a fixed rate. The Company's senior term debt facilities may include upfront issuance costs that are capitalized as part of the facilities' respective carrying values. These facilities are fully prepayable at any time but may be subject to certain customary prepayment penalties.

These borrowings are collateralized by cash, equity in the real estate owning SPEs, and the real estate inventory funded by the relevant facility. The lenders have legal recourse only to the real estate-owning SPE borrowers, certain SPE guarantors, and the assets securing the debt, and do not have general recourse to the Company.

The senior term debt facilities have aggregated property borrowing bases, which increase or decrease based on the cost and the value of the properties financed under a given facility, the time those properties are in the Company’s possession and the amount of cash collateral pledged by the SPE borrowers. The borrowing bases for a given facility may be reduced as properties age beyond certain thresholds and any borrowing base deficiencies may be satisfied through contributions of additional properties, cash or through partial repayment of the facility.

Asset-backed Mezzanine Term Debt Facilities

The Company classifies its mezzanine term debt facilities as long-term liabilities on the Company's condensed consolidated balance sheets because its borrowings under these facilities are generally not required to be repaid until the applicable final maturity date. These facilities are structurally and contractually subordinated to the related asset-backed senior debt facilities.

The mezzanine term debt facilities have been structured with an initial 42 month withdrawal period during which the outstanding principal amounts are generally not required to be repaid when homes financed through those facilities are sold and instead are intended to remain outstanding until final maturity. Outstanding amounts drawn under the mezzanine term debt facilities are required to be repaid on the facility maturity date or earlier if accelerated due to an event of default or other mandatory repayment event. The final maturity date and withdrawal period end date reflected in the table above are inclusive of any extensions that are at the sole discretion of the Company. These facilities may also have extensions subject to lender discretion that are not reflected in the table above.

Borrowings under a given term debt facility accrue interest at a fixed rate. The mezzanine term debt facilities include upfront issuance costs that are capitalized as part of the facilities' respective carrying values. These facilities are fully prepayable at any time but may be subject to certain prepayment penalties.

These borrowings are collateralized by cash and equity in certain holding companies that own the Company's real estate owning SPEs. The lenders generally have legal recourse only to the applicable borrowers of the debt and their assets securing the debt and do not have recourse to Opendoor and, with limited exceptions, do not have recourse to other Opendoor subsidiaries.

The mezzanine term debt facilities have aggregated property borrowing bases, which increase or decrease based on the cost and the value of the properties financed under a given facility and time in the Company's possession of those properties and the amount of cash collateral pledged by the relevant SPE borrower. The borrowing base for a given facility may be reduced as properties age beyond certain thresholds and any borrowing base deficiencies may be satisfied through contributions of additional properties or cash or through partial repayment of the facility.

Covenants

The Company's inventory financing facilities include customary representations and warranties, covenants and events of default. Financed properties are subject to customary eligibility criteria and concentration limits.

The terms of these inventory financing facilities and related financing documents require Opendoor to comply with a number of customary financial and other covenants, such as maintaining certain levels of liquidity, tangible net worth or leverage (ratio of debt to equity). As of June 30, 2022, the Company was in compliance with all financial covenants and no event of default had occurred.

Mortgage Financing

To provide capital for Opendoor Home Loans, the Company utilizes a master repurchase agreement (the "Repurchase Agreement") which is classified as a current liability on its condensed consolidated balance sheets. In March 2019, the Company entered into the Repurchase Agreement with a lender to provide short-term funding for mortgage loans originated by Opendoor Home Loans. The facility provides short-term financing between the issuance of a mortgage loan and when Opendoor Home Loans sells the loan to an investor. In accordance with the Repurchase Agreement, the lender agrees to pay Opendoor Home Loans a negotiated purchase price for eligible loans and Opendoor Home Loans simultaneously agrees to repurchase such loans from the lender within a specified timeframe and at an agreed upon price that includes interest. Opendoor Labs Inc. is the guarantor with respect to the Repurchase Agreement and the obligation to repurchase loans previously transferred under the arrangement for the benefit of the lender. Historically, we primarily delivered mortgage services through Opendoor Home Loans, which operated as a correspondent lender. We are focusing our mortgage efforts on the seamless integration of financing with the rest of the Opendoor ecosystem and, as such, are now more focused on brokerage activities via both Opendoor Home Loans and OD Homes Brokerage (formerly RedDoor). The change in how Opendoor delivers mortgage services will result in the Company no longer requiring this facility after the existing mortgage loans financed under the facility have been sold.

As of June 30, 2022, the Repurchase Agreement has a borrowing capacity of $100 million, of which $20 million is fully committed. The Repurchase Agreement includes customary representations and warranties, covenants and provisions regarding events of default. As of June 30, 2022, $12 million in mortgage loans were financed under the facility, and Opendoor was in compliance with all financial covenants and no event of default had occurred.

Transactions under the Repurchase Agreement bear interest at a rate based on one-month LIBOR plus an applicable margin, as defined in the Repurchase Agreement, and are secured by residential mortgage loans available for sale. The Repurchase Agreement contains margin call provisions that provide the lender with certain rights in the event of a decline in the market value of the assets purchased under the Repurchase Agreement. The Repurchase Agreement is recourse to Opendoor Labs Inc.

Convertible Senior Notes

In August 2021, the Company issued 0.25% senior notes due in 2026 (the “2026 Notes”) with an aggregate principal amount of $978 million. The tables below summarizes certain details related to the 2026 Notes (in millions, except interest rates):

June 30, 2022	Aggregate Principal Amount	Unamortized Debt Issuance Costs	Net Carrying Amount
2026 Notes	$ 978	$ (22)	$ 956

June 30, 2022	Maturity Date	Stated Cash Interest Rate	Effective Interest Rate	Semi-Annual Interest Payment Dates	Conversion Rate	Conversion Price
2026 Notes	August 15, 2026	0.25 %	0.77 %	February 15; August 15	51.9926	$ 19.23

The 2026 Notes will be convertible at the option of the holders before February 15, 2026 only upon the occurrence of certain events. Beginning on August 20, 2024, the Company has the option to redeem the 2026 Notes upon meeting certain conditions related to price of the Company's common stock. Beginning on February 15, 2026 and until the close of business on the second scheduled trading day immediately preceding the maturity date, the 2026 Notes are convertible at any time at election of each holder. The conversion rate and conversion price are subject to customary adjustments under certain circumstances. In addition, if certain corporate events that constitute a make-whole fundamental change occur, then the conversion rate will be adjusted in accordance with the make-whole table within the Indenture. Upon conversion, the Company may satisfy its conversion obligation by paying cash or providing a combination of cash and the Company's common stock, at the Company's election, based on the applicable conversion rate.

For the three and six months ended June 30, 2022, total interest expense on the Company's convertible senior notes was $2 million and $4 million, respectively.

Capped Calls

In August 2021, in connection with the issuance of the 2026 Notes, the Company purchased capped calls (the “Capped Calls”) from certain financial institutions at a cost of $119 million. The Capped Calls cover, subject to customary adjustments, the number of shares of the Company's common stock underlying the 2026 Notes. By entering into the Capped Calls, the Company expects to reduce the potential dilution to its common stock (or, in the event of a conversion of the 2026 Notes settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion of the 2026 Notes its common stock price exceeds the conversion price. The Capped Calls have an initial strike price of $19.23 per share and an initial cap price of $29.59 per share or a cap price premium of 100%.

7. FAIR VALUE DISCLOSURES

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

Following is a discussion of the fair value hierarchy and the valuation methodologies used for assets and liabilities recorded at fair value on a recurring and nonrecurring basis and for estimating fair value for financial instruments not recorded at fair value.

Fair Value Hierarchy

Fair value measurements of assets and liabilities are categorized based on the following hierarchy:

Level 1 — Fair value determined based on quoted prices in active markets for identical assets or liabilities.

Level 2 — Fair value determined using significant observable inputs, such as quoted prices for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data, by correlation or other means.

Level 3 — Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques.

Estimation of Fair Value

The following table summarizes the fair value measurement methodologies, including significant inputs and assumptions, and classification of the Company's assets and liabilities.

Asset/Liability Class	Valuation Methodology, Inputs and Assumptions	Classification
Cash and cash equivalents	Carrying value is a reasonable estimate of fair value based on the short-term nature of the instruments.	Level 1 estimated fair value measurement.
Restricted cash	Carrying value is a reasonable estimate of fair value based on the short-term nature of the instruments.	Level 1 estimated fair value measurement.
Marketable securities		
Debt securities	Prices obtained from third-party vendors that compile prices from various sources and often apply matrix pricing for similar securities when no price is observable.	Level 2 recurring fair value measurement.
Mutual fund	Price is quoted given the security is traded on an exchange.	Level 1 recurring fair value measurement.
Equity securities	Price is quoted given the securities are traded on an exchange.	Level 1 recurring fair value measurement.
Mortgage loans held for sale pledged under agreements to repurchase	Fair value is estimated based on observable market data including quoted market prices, deal price quotes, and sale commitments.	Level 2 recurring fair value measurement.
Other current assets		
Mortgage loans held for sale	Fair value is estimated based on observable market data including quoted market prices and deal price quotes.	Level 2 recurring fair value measurement.
Non-recourse asset-backed debt		
Credit facilities	Fair value is estimated using discounted cash flows based on current lending rates for similar credit facilities with similar terms and remaining time to maturity.	Carried at amortized cost. Level 2 estimated fair value measurement.
Other secured borrowings		
Loans sold under agreements to repurchase	Fair value is estimated using discounted cash flows based on current lending rates for similar asset-backed financing facilities with similar terms and remaining time to maturity.	Carried at amortized cost. Level 2 estimated fair value measurement.
Convertible senior notes	Fair value is estimated using broker quotes and other observable market inputs.	Carried at amortized cost. Level 2 estimated fair value measurement.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the levels of the fair value hierarchy for the Company’s assets measured at fair value on a recurring basis (in millions):

June 30, 2022	Balance at Fair Value	Level 1	Level 2	Level 3
Marketable securities:				
Corporate debt securities	$ 166	$ —	$ 166	$ —
Commercial paper	28	—	28	—
Equity securities	22	22	—	—
Certificates of deposit	12	—	12	—
Asset-backed securities	5	—	5	—
Mortgage loans held for sale pledged under agreements to repurchase	12	—	12	—
Other current assets:				
Mortgage loans held for sale	2	—	2	—
Total assets	$ 247	$ 22	$ 225	$ —

December 31, 2021	Balance at Fair Value	Level 1	Level 2	Level 3
Marketable securities:				
Corporate debt securities	$ 207	$ —	$ 207	$ —
Mutual fund	200	200	—	—
Equity securities	46	46	—	—
Commercial paper	15	—	15	—
Asset-backed securities	7	—	7	—
Certificates of deposit	5	—	5	—
Sovereign bonds	4	—	4	—
Mortgage loans held for sale pledged under agreements to repurchase	7	—	7	—
Other current assets:				
Mortgage loans held for sale	4	—	4	—
Total assets	$ 495	$ 246	$ 249	$ —

Fair Value of Financial Instruments

The following presents the carrying value, estimated fair value and the levels of the fair value hierarchy for the Company's financial instruments other than assets and liabilities measured at fair value on a recurring basis (in millions):

	June 30, 2022			
	Carrying Value	Fair Value	Level 1	Level 2
Assets:				
Cash and cash equivalents	$ 2,239	$ 2,239	$ 2,239	$ —
Restricted cash	615	615	615	—
Liabilities:				
Non-recourse asset-backed debt	$ 6,538	$ 6,587	$ —	$ 6,587
Other secured borrowings	12	12	—	12
Convertible senior notes	956	555	—	555

	December 31, 2021			
	Carrying Value	Fair Value	Level 1	Level 2
Assets:				
Cash and cash equivalents	$ 1,731	$ 1,731	$ 1,731	$ —
Restricted cash	847	847	847	—
Liabilities:				
Non-recourse asset-backed debt	$ 6,102	$ 6,140	$ —	$ 6,140
Other secured borrowings	7	7	—	7
Convertible senior notes	954	1,019	—	1,019

8. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2022 and December 31, 2021, consisted of the following (in millions):

	June 30, 2022	December 31, 2021
Internally developed software	$ 91	$ 71
Security systems	14	10
Computers	13	11
Furniture and fixtures	3	3
Software implementation costs	3	3
Office equipment	3	2
Leasehold improvements	2	2
Total	129	102
Accumulated depreciation and amortization	(75)	(57)
Property and equipment – net	$ 54	$ 45

Depreciation and amortization expense of $9 million and $18 million was recorded for the three and six months ended June 30, 2022, respectively. Depreciation and amortization expense of $6 million and $12 million was recorded for the three and six months ended June 30, 2021, respectively.

9. GOODWILL AND INTANGIBLE ASSETS

There were no additions to goodwill for the six months ended June 30, 2022. For the year ended December 31, 2021 the carrying amount of goodwill increased by $29 million due to the acquisitions as stated in "Note 2 — Business Combinations". No impairment of goodwill was identified for the three and six months ended June 30, 2022 and 2021.

Intangible assets subject to amortization consisted of the following as of June 30, 2022 and December 31, 2021, respectively (in millions, except years):

June 30, 2022	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Remaining Weighted Average Useful Life (Years)
Developed technology	$ 7	$ (5)	$ 2	0.3
Customer relationships	7	(4)	3	2.2
Trademarks	5	(3)	2	2.2
Intangible assets – net	$ 19	$ (12)	$ 7	

December 31, 2021	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Remaining Weighted Average Useful Life (Years)
Developed technology	$ 7	$ (2)	$ 5	0.7
Customer relationships	7	(3)	4	2.7
Trademarks	5	(2)	3	2.7
Intangible assets – net	$ 19	$ (7)	$ 12	

Amortization expense for intangible assets was $3 million and $5 million for the three and six months ended June 30, 2022, respectively. Amortization expense for intangible assets was $0.6 million and $1.2 million for the three and six months ended June 30, 2021, respectively.

As of June 30, 2022, expected amortization of intangible assets is as follows:

Fiscal Years	(In millions)
Remainder of 2022	$ 3
2023	2
2024	2
Total	$ 7

10. SHAREHOLDERS' EQUITY

On February 9, 2021, the Company completed an underwritten public offering (the "February 2021 Offering") in which the Company sold 32,817,421 shares of its common stock at a public offering price of $27.00 per share, including the exercise in full by the underwriters of their option to purchase up to 4,280,533 additional shares of common stock, which was completed on February 11, 2021. The Company received aggregate net proceeds from the February 2021 Offering of approximately $859 million after deducting underwriting discounts and commissions and offering expenses payable by the Company upon closing. The February 2021 Offering satisfied the liquidity event vesting condition of certain restricted stock units ("RSUs"). For further information on the RSUs, see "*Note 11 — Share-Based Awards*".

11. SHARE-BASED AWARDS

Stock options and RSUs

Option awards are generally granted with an exercise price equal to the fair value of the Company’s common stock at the date of grant. Options are exercisable over a maximum term of 10 years from the date of grant and generally vest over a period of four years. Incentive stock options granted to a 10% shareholder are exercisable over a maximum term of five years from the date of grant.

A summary of the stock option activity for the six months ended June 30, 2022, is as follows:

	Number of Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Balance-December 31, 2021	14,546	$ 2.12	4.7	$ 182
Granted	—	—		
Exercised	(2,321)	1.33		
Forfeited	(278)	4.05		
Expired	(225)	0.76		
Balance-June 30, 2022	11,722	$ 2.26	4.0	$ 30
Exercisable-June 30, 2022	11,119	$ 2.02	3.9	$ 30

Prior to 2021, certain awards also had a performance condition to vesting, which was satisfied upon completion of the February 2021 Offering and triggered the recognition of compensation expense for certain RSUs for which the time-based vesting condition had been satisfied or partially satisfied. Subsequent to the February 2021 Offering, these RSUs are only subject to time-based vesting conditions.

A summary of the RSU activity for the six months ended June 30, 2022, is as follows:

	Number of RSUs (in thousands)	Weighted-Average Grant-Date Fair Value
Unvested and outstanding-December 31, 2021	53,446	$ 17.35
Granted	16,752	8.16
Vested	(8,543)	10.60
Forfeited	(3,832)	13.15
Unvested and outstanding-June 30, 2022	57,823	$ 15.97

Restricted Shares

The Company has granted Restricted Shares to certain continuing employees, primarily in connection with acquisitions. The Restricted Shares vest upon satisfaction of a service condition, which generally ranges from three to four years.

A summary of the Restricted Shares activity for the six months ended June 30, 2022 is as follows:

	Number of Restricted Shares (in thousands)	Average Grant-Date Fair Value
Unvested-December 31, 2021	692	$ 3.91
Granted	—	—
Vested	(138)	3.02
Unvested-June 30, 2022	554	$ 4.13

ESPP

The first offering period for the Company's 2020 ESPP began on March 1, 2022. The ESPP, pursuant to Internal Revenue Code Section 423, allows eligible participants to purchase shares using payroll deductions of up to 15% of their total compensation, subject to a $25,000 calendar year limitation on contributions. The Company has limited the maximum number of shares to be purchased in an offering period to 1,000 shares per employee. The ESPP allows eligible employees to purchase shares of the Company's common stock at a 15% discount on the lower price of either (i) the offer period start date or (ii) the purchase date. Each offering period is six months in duration. ESPP employee payroll contributions withheld as of June 30, 2022 were $2 million and are included within Accounts payable and other accrued liabilities in the condensed consolidated balance sheets. Payroll contributions withheld as of June 30, 2022 will be used to purchase shares at the end of the current ESPP purchase period ending on August 31, 2022.

The fair value of ESPP purchase rights is estimated at the date of grant using the Black-Scholes option-pricing valuation model. The following assumptions were applied in the model to estimate the grant-date fair value of the ESPP for the initial offering period that began on March 1, 2022.

	2022
Fair value	$ 3.55
Volatility	101.4 %
Risk-free rate	0.60 %
Expected life (in years)	0.5
Expected dividend	$ —

As of June 30, 2022, total estimated unrecognized compensation expense related to the ESPP was $0.5 million. That cost is expected to be recognized over the remaining term of the offering period of 2 months.

Stock-based compensation expense

Stock-based compensation expense is allocated based on the cost center to which the award holder belongs. The following table summarizes total stock-based compensation expense by function as presented in the condensed consolidated statements of operations for the three and six months ended June 30, 2022 and 2021, as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
General and administrative	$ 43	$ 156	$ 94	$ 353
Sales, marketing and operations	5	1	9	8
Technology and development	11	7	23	42
Total stock-based compensation expense	$ 59	$ 164	$ 126	$ 403

During the six months ended June 30, 2022, no market condition awards satisfied their market condition.

As of June 30, 2022, there was $580 million of unamortized stock-based compensation costs related to unvested RSUs, stock options, and Restricted Shares. The unamortized compensation costs are expected to be recognized over a weighted-average period of approximately 2.6 years.

12. WARRANTS

Public and Sponsor Warrants

In connection with the Business Combination, on January 12, 2021, the Company filed a Registration Statement on Form S-1. This Registration Statement relates to the issuance of an aggregate of up to 19,933,333 shares of common stock issuable upon the exercise of its publicly-traded warrants. The warrants issued as part of SCH's initial public offering are the “Public Warrants” and warrants sold privately to the sponsor of SCH are the "Sponsor Warrants." On July 9, 2021, the Company completed the redemption of all of its outstanding Public and Sponsor Warrants to purchase shares of the Company's common stock, par value $0.0001 per share, that were issued under the Warrant Agreement, dated April 27, 2020. Of the 13,799,947 Public Warrants that were outstanding as of the time of the Business Combination, 874,739 were exercised for cash at an exercise price of $11.50 per share of Common Stock and 12,521,776 were exercised on a cashless basis in exchange for an aggregate of 4,452,659 shares of Common Stock. In addition, of the 6,133,333 Sponsor Warrants that were outstanding as of the date of the Business Combination, 1,073,333 were exercised for cash at an exercise price of $11.50 per share of Common Stock and 5,060,000 were exercised on a cashless basis in exchange for an aggregate of 1,799,336 shares of Common Stock. Total cash proceeds to the Company generated from exercises of the Warrants were $22 million. In connection with the redemption, the Public Warrants stopped trading on the Nasdaq on July 9, 2021.

The Company recorded a warrant fair value adjustment of $(24) million and $(9) million for the change in fair value of the Sponsor Warrants for the three and six months ended June 30, 2021, respectively.

13. INCOME TAXES

The Company's tax provision and the resulting effective tax rate for interim periods is determined based upon its estimated annual effective tax rate adjusted for the effect of discrete items arising in that quarter.

The Company’s provision for income taxes, which was primarily composed of state tax expense, was $0.8 million and $1.1 million for the three and six months ended June 30, 2022, respectively, with an effective tax rate of (1.52)% and (4.22)%, respectively. The Company's provision for income taxes was $0.2 million and $0.3 million for the three and six months ended June 30, 2021, respectively, with an effective tax rate of (0.13)% and (0.07)%, respectively. The effective tax rate differs from the U.S. statutory tax rate primarily due to the recording of a full valuation allowance against the net deferred tax assets.

The Company evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. Based on the Company’s history of operating losses, including a three-year cumulative loss position, the Company believes that based on the weight of available evidence, it is more likely than not that all of the deferred tax assets will not be realized and recorded a full valuation allowance on its net deferred tax assets as of June 30, 2022 and December 31, 2021.

14. RELATED PARTIES

In 2018, an executive early exercised stock options to purchase 1,479,459 shares of unvested common stock at a price per share of $1.01 by issuing a promissory note to the Company for a total price of $1.5 million with an interest rate of 2.31% per annum. On June 29, 2021, the outstanding balance under the promissory note of $1.6 million was repaid in full.

15. NET LOSS PER SHARE

Basic net loss per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed based on the weighted average number of common shares outstanding plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. During the periods when there is a net loss, potentially dilutive common stock equivalents have been excluded from the calculation of diluted net loss per share as their effect is anti-dilutive. No dividends were declared or paid for the three and six months ended June 30, 2022 or 2021.

The Company uses the two-class method to calculate net loss per share and apply the more dilutive of the two-class method, treasury stock method or if-converted method to calculate diluted net loss per share. Undistributed earnings for each period are allocated to participating securities, based on the contractual participation rights of the security to share in the current earnings as if all current period earnings had been distributed. As there is no contractual obligation for participating securities to share in losses, the Company's basic net loss per share is computed by dividing the net loss attributable to common shareholders by the weighted-average shares of common stock outstanding during periods with undistributed losses.

The following table sets forth the computation of the Company's basic and diluted net loss per share attributable to common shareholders for the three and six months ended June 30, 2022 and 2021 (in millions, except share amounts which are presented in thousands, and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Basic and diluted net loss per share:				
Numerator:				
Net loss attributable to common shareholders – basic and diluted	$ (54)	$ (144)	$ (26)	$ (414)
Denominator:				
Weighted average shares outstanding – basic and diluted	624,958	588,374	622,064	576,941
Basic and diluted net loss per share	$ (0.09)	$ (0.24)	$ (0.04)	$ (0.72)

The following securities were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive, or issuance of such shares is contingent upon the satisfaction of certain conditions which were not satisfied by the end of the period (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Common Stock Warrants	—	19,429	—	19,429
RSUs	57,823	55,548	57,823	55,548
Options	11,722	19,741	11,722	19,741
Unvested Shares from Early Exercise	—	18	—	18
Restricted Shares	555	1,527	555	1,527
Employee Stock Purchase Plan	678	—	678	—
Total anti-dilutive securities	70,778	96,263	70,778	96,263

16. COMMITMENTS AND CONTINGENCIES

Lease Commitments

During the six months ended June 30, 2022, the Company did not enter into any material new leases, lease renewals, or lease modifications. On September 25, 2020, the Company exercised an option to early terminate the San Francisco headquarters lease, effective September 30, 2021. In September 2020, the Company did not anticipate returning to the San Francisco space, so the Company accelerated amortization of the right-of-use asset and incurred and paid early termination fees. In January 2021, the Company terminated the San Francisco lease prior to the anticipated termination date of September 30, 2021, which resulted in a $5.2 million gain recognized in the condensed consolidated statements of operations for the six months ended June 30, 2021.

Legal Matters

From time to time, the Company may be subject to potential liability relating to the ownership and operations of the Company's properties. Accruals are recorded when the outcome is probable and can be reasonably estimated.

There are various claims and lawsuits arising in the normal course of business pending against the Company, some of which seek damages and other relief which, if granted, may require future cash expenditures. In addition, from time to time the Company receives inquiries and audit requests from various government agencies and fully cooperates with these requests. The Company does not believe that it is reasonably possible that the resolution of these matters would result in any liability that would materially affect the Company's condensed consolidated results of operations or financial condition except as noted below.

As previously disclosed by the Company, the Federal Trade Commission ("FTC") has been conducting an investigation into the Company since August 2019. The inquiry related primarily to statements in the Company's advertising and website comparing selling homes to the Company with selling homes in a traditional manner using an agent and relating to statements that the Company's offers reflect or are based on market prices. The Company and the FTC have been discussing resolution of this matter since December 2020. In February and June 2022, the Company met with the FTC Commissioners to explain its responses to the allegations and settlement proposals. After further negotiations, the Company has agreed to enter into a consent order that would resolve all aspects of the inquiry. As of June 30, 2022, the Company has accrued $62 million for this matter.

17. SUBSEQUENT EVENTS

The Company has evaluated the impact of events that have occurred subsequent to June 30, 2022, through the date the condensed consolidated financial statements were filed with the SEC. Based on this evaluation, other than as recorded or disclosed within these condensed consolidated financial statements and related notes, the Company has determined that there are no material subsequent events that would require recognition or disclosure.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis provides information that our management believes is relevant to an assessment and understanding of our condensed consolidated results of operations and financial condition. The discussion should be read together with the historical condensed consolidated financial statements and related notes that appear in this Quarterly Report on Form 10-Q.

This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Forward-Looking Statements,” “Risk Factors” or in other parts of this Quarterly Report on Form 10-Q, and in “Part I - Item 1A. Risk Factors” in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the “Annual Report”).

Overview

Opendoor’s mission is to empower everyone with the freedom to move and make it possible to buy, sell and move at the tap of a button. We are transforming what has historically been a complex, uncertain, time-consuming and mostly offline process into a simple, online experience. Since our inception in 2014, we have built scalable pricing capabilities, technology-enabled centralized operations, and a suite of digital-first consumer products. These investments have enabled us to help customers buy or sell homes in over 188,000 transactions and expand our footprint to 51 markets across the country. Most importantly, we have grown rapidly while delighting our customers with an experience that brings simplicity, certainty and speed to the home selling and buying process.

Financial Highlights

(in millions, except percentages, homes sold, number of markets, and homes in inventory)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Change
Revenue	$ 4,198	$ 1,186	$ 3,012	$ 9,349	$ 1,933	$ 7,416
Homes sold	10,482	3,481	7,001	23,151	5,943	17,208
Gross profit	$ 486	$ 159	$ 327	$ 1,021	$ 256	$ 765
Gross margin	11.6 %	13.4 %		10.9 %	13.2 %	
Net loss	$ (54)	$ (144)	$ 90	$ (26)	$ (414)	$ 388
Adjusted Net Income (Loss)	$ 122	$ 3	$ 119	$ 221	$ (18)	$ 239
Contribution Profit	$ 422	$ 128	$ 294	$ 754	$ 204	$ 550
Contribution Margin	10.1 %	10.8 %		8.1 %	10.5 %	
Adjusted EBITDA	$ 218	$ 25	$ 193	$ 394	$ 23	$ 371
Adjusted EBITDA Margin	5.2 %	2.2 %		4.2 %	1.2 %	
Number of markets (at period end)	51	39	12	51	39	12
Inventory (at period end)	$ 6,628	$ 2,724	$ 3,904	$ 6,628	$ 2,724	$ 3,904
Homes in inventory (at period end)	17,013	7,971	9,042	17,013	7,971	9,042

Current Housing Environment

The second quarter marked a change in the overall macroeconomic environment, with rising inflation expectations and an aggressive rate hike response from the Federal Reserve. Thirty-year fixed mortgage rates went from an average of 3.8% during the first quarter of 2022 to an average of 5.3% in the second quarter of 2022, which is the largest quarter-on-quarter increase since 1980. In response to these macroeconomic shifts, we saw a significant pullback in home buyer demand which translated through to a slowdown in both home price appreciation ("HPA") and transaction velocity from the close to record highs.

While we had anticipated a slowdown in the housing market from peak levels, the rate of deceleration in home prices was steeper than anticipated. We typically observe HPA to be zero or slightly negative in the back half of any given year due to housing seasonality. The speed with which HPA declined from peak levels earlier this year was faster than our expectation and sharper than typical seasonal home price declines. With respect to home transactions, we observed that the absolute levels of home transactions were commensurate with the historically healthy levels of 2018 and 2019, but that the clearance rate of homes declined swiftly.

(Tabular amounts in millions, except share and per share data and ratios, or as noted)

While our response to these macroeconomic changes requires a highly dynamic and rigorous approach to managing risk and overall inventory health, we believe we are uniquely positioned to navigate this volatility given our responsive pricing strategies, flexible operating model, low cost structure and strong balance sheet. We discuss the anticipated effects on our business throughout this section, including under "Factors Affecting Our Business Performance."

Business Impact of COVID-19

In response to the COVID-19 pandemic and the consequent health risks, we substantially paused purchasing additional homes in March 2020 to safeguard the health and safety of our customers and employees and sold down most of our homes in inventory. After retooling certain operational processes to enable "contactless" transactions, we resumed making offers to purchase homes in select markets in May 2020 and resumed operations across all of our markets by the end of August 2020. We surpassed pre-COVID-19 inventory levels in the second quarter of 2021. While we believe we have adapted our operations to function effectively during the ongoing COVID-19 pandemic, our business remains sensitive to potential future disruptions of the real estate market caused by COVID-19 and its variants.

Factors Affecting our Business Performance

Market Penetration in Existing Markets

Residential real estate is one of the largest consumer markets, with approximately $2.3 trillion of home value transacted annually. Given the fact that we operate in a highly fragmented industry and offer a differentiated value proposition to the incumbent agent-led transaction, we believe there is significant opportunity to expand our share in our existing cities. By providing a consistent, high-quality and differentiated experience to our customers, we hope to continue to drive positive word-of-mouth awareness and trust in our platform. We believe this creates a virtuous cycle, whereby more home sellers will request an offer from Opendoor, allowing us to deepen our market penetration.

Expansion into New Markets

We have expanded into 51 markets as of June 30, 2022. The following table represents the number of markets as of the periods presented:

	June 30,	March 31,	Year Ended December 31,		
(in whole numbers)	**2022**	**2022**	**2021**	**2020**	**2019**
Number of markets (at period end)	51	45	44	21	21

We launched seven new markets in the first half of 2022, adding to the 23 markets launched in 2021.

We have honed our market launch playbook by centralizing many of our core pricing, operations, and customer service functions, enabling us to launch new markets more efficiently and quickly in the future. For example, we are generally able to launch a market with only a small field team focused on home renovation oversight, with all other key functions managed centrally.

We view the first year of a market launch as an investment period during which we refine our pricing models, renovation strategies and cost structure. Historically, we have seen underwriting performance for purchase cohorts in new markets improve approximately one year after initial launch. While new markets do not contribute significantly to revenue during their first year of operation, they provide a foundation for long-term growth once local operational and pricing capabilities have been refined.

We have historically made substantial investments to support our market launches, which tends to impact both Contribution Margin and Adjusted EBITDA as these new markets mature. We expect such investments to continue as we launch additional markets.

Adjacent Services

We believe home sellers and buyers value simplicity and convenience. To that end, we are building an online, integrated suite of home services, which currently include title insurance and escrow services, Buy with Opendoor, and Opendoor Complete. We also offer mortgage services. Historically, we primarily delivered these services through Opendoor Home Loans, which operated as a correspondent lender. We are focusing our mortgage efforts on the seamless integration of financing with the rest of the Opendoor ecosystem and as such are now more focused on brokerage activities via both Opendoor Home Loans and OD Homes Brokerage (formerly RedDoor HQ Inc. (“RedDoor”)). We work closely with our strategic partner Lower.com as well as other mortgage lenders to offer our customers a broader suite of mortgage products and services. Our success with title insurance and escrow services helps validate our view that customers prefer an online, integrated experience. We expect that these adjacent services will also be accretive to our Contribution Margin.

We will continue to evaluate new ways to improve our end-to-end solution and expect to invest in additional adjacent products and services over time.

Unit Economics

We view Contribution Margin and Contribution Margin after Interest as key measures of unit economic performance. Our long-term financial performance depends, in part, on continuing to expand unit margins through the following initiatives:

- Successful incremental attach of services that supplement the core transaction margin profile via our existing services as well as new ones.
- Pricing engine optimization and enhancements, as we expand our reach in existing markets and enter new markets.
- Lowering platform costs through process refinement, greater automation and self-service, and more efficient forms of financing.

Inventory Management

Effectively managing our overall inventory position is critical to our financial performance. Since our inception, we have prioritized investment in our pricing capabilities across our home acquisition processes and our forecasting and resale systems, and will continue to do so. As part of our overall risk management framework, we consider both individual market and aggregate portfolio exposures. We typically seek to maximize the resale margin performance of our inventory in the context of managing risk through monitoring sell-through rates, holding periods, and portfolio aging. Similarly, we evaluate our portfolio health metrics relative to the broader market (as observed on the multiple listing services (“MLS”)) as another key indicator of inventory management performance. One such metric is our percentage of homes “on the market” for greater than 120 days (as measured from initial listing date). As of June 30, 2022, such homes represented 5% of our portfolio, compared to 15% for the broader market when filtered for the types of homes we are able to underwrite and acquire in a given market based on characteristics such as price range, home type, home location, year built and lot size (defined as our “Buybox”).

Given increases in interest rates and broad softening in housing market demand, we anticipate that our performance in the second half of 2022 will reflect a transition in the housing market from peak levels earlier this year to lower transaction velocity and lower home price appreciation beyond typical seasonal trends. Given our focus on inventory health and risk management, we have adjusted down listed prices on our inventory to stay in-line with the market. We have also adjusted our pricing on new home acquisitions via higher spreads. While this has the effect of reducing our acquisition pace to allow us to manage overall inventory growth, we also expect future margins on those acquisition cohorts to be in-line with our expectations. We expect to resume a higher acquisition pace as the housing market stabilizes.

Inventory Financing

Our business model is working capital intensive and inventory financing is a key enabler of our growth. We primarily rely on our access to non-recourse asset-backed debt, which consists of asset-backed senior debt facilities and asset-backed mezzanine term debt facilities, to finance our home acquisitions. See “—*Liquidity and Capital Resources — Debt and Financing Arrangements.*”

Seasonality

The residential real estate market is seasonal, with greater demand and home price appreciation from home buyers in the spring and summer, and typically weaker demand and lower home price appreciation in late fall and winter. In general, we expect our financial results and working capital requirements to reflect seasonal variations over time. However, other factors such as growth, market expansion and changes in macroeconomic conditions, have obscured the impact of seasonality in our historical financials and we expect may continue to do so.

Non-GAAP Financial Measures

In addition to our results of operations below, we report certain financial measures that are not required by, or presented in accordance with, U.S. generally accepted accounting principles ("GAAP").

These measures have limitations as analytical tools when assessing our operating performance and should not be considered in isolation or as a substitute for GAAP measures, including gross profit and net income. We may calculate or present our non-GAAP financial measures differently than other companies who report measures with similar titles and, as a result, the non-GAAP financial measures we report may not be comparable with those of companies in our industry or in other industries.

Adjusted Gross Profit, Contribution Profit and Contribution Profit After Interest

To provide investors with additional information regarding our margins and return on inventory acquired, we have included Adjusted Gross Profit, Contribution Profit and Contribution Profit After Interest, which are non-GAAP financial measures. We believe that Adjusted Gross Profit, Contribution Profit and Contribution Profit After Interest are useful financial measures for investors as they are supplemental measures used by management in evaluating unit level economics and our operating performance. Each of these measures is intended to present the economics related to homes sold during a given period. We do so by including revenue generated from homes sold (and adjacent services) in the period and only the expenses that are directly attributable to such home sales, even if such expenses were recognized in prior periods, and excluding expenses related to homes that remain in inventory as of the end of the period. Contribution Profit provides investors a measure to assess Opendoor's ability to generate returns on homes sold during a reporting period after considering home purchase costs, renovation and repair costs, holding costs and selling costs. Contribution Profit After Interest further impacts gross profit by including senior interest costs attributable to homes sold during a reporting period. We believe these measures facilitate meaningful period over period comparisons and illustrate our ability to generate returns on assets sold after considering the costs directly related to the assets sold in a given period.

Adjusted Gross Profit, Contribution Profit and Contribution Profit After Interest are supplemental measures of our operating performance and have limitations as analytical tools. For example, these measures include costs that were recorded in prior periods under GAAP and exclude, in connection with homes held in inventory at the end of the period, costs required to be recorded under GAAP in the same period. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. We include a reconciliation of these measures to the most directly comparable GAAP financial measure, which is gross profit.

Adjusted Gross Profit / Margin

We calculate Adjusted Gross Profit as gross profit under GAAP adjusted for (1) inventory valuation adjustment in the current period, and (2) inventory valuation adjustment in prior periods. Inventory valuation adjustment in the current period is calculated by adding back the inventory valuation adjustments recorded during the period on homes that remain in inventory at period end. Inventory valuation adjustment in prior periods is calculated by subtracting the inventory valuation adjustments recorded in prior periods on homes sold in the current period. We define Adjusted Gross Margin as Adjusted Gross Profit as a percentage of revenue. See "*—Critical Accounting Policies and Estimates— Real Estate Inventory*" for detailed discussion of inventory valuation adjustment.

We view this metric as an important measure of business performance as it captures gross margin performance isolated to homes sold in a given period and provides comparability across reporting periods. Adjusted Gross Profit helps management assess home pricing, service fees and renovation performance for a specific resale cohort.

Contribution Profit / Margin

We calculate Contribution Profit as Adjusted Gross Profit, minus certain costs incurred on homes sold during the current period including: (1) holding costs incurred in the current period, (2) holding costs incurred in prior periods, and (3) direct selling costs. The composition of our holding costs is described in the footnotes to the reconciliation table below. Contribution Margin is Contribution Profit as a percentage of revenue.

We view this metric as an important measure of business performance as it captures the unit level performance isolated to homes sold in a given period and provides comparability across reporting periods. Contribution Profit helps management assess inflows and outflows directly associated with a specific resale cohort.

Contribution Profit / Margin After Interest

We define Contribution Profit After Interest as Contribution Profit, minus interest expense under our non-recourse asset-backed senior debt facilities incurred on the homes sold during the period. This may include interest expense recorded in periods prior to the period in which the sale occurred. Our asset-backed senior debt facilities are secured by our real estate inventory and cash. See "— *Liquidity and Capital Resources — Debt and Financing Arrangements.*" In addition to our senior debt facilities, we use a mix of debt and equity capital to finance our inventory and that mix will vary over time. We expect to continue to evolve our cost of financing as we include other debt sources beyond mezzanine capital. As such, in order to allow more meaningful period over period comparisons that more accurately reflect our asset performance rather than our evolving financing choices, we do not include interest expense associated with our mezzanine term debt facilities in this calculation. Contribution Margin After Interest is Contribution Profit After Interest as a percentage of revenue.

We view this metric as an important measure of business performance. Contribution Profit After Interest helps management assess Contribution Margin performance, per above, when burdened with the cost of senior financing.

The following table presents a reconciliation of our Adjusted Gross Profit, Contribution Profit and Contribution Profit After Interest to our gross profit, which is the most directly comparable GAAP measure, for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except percentages)	**2022**	**2021**	**2022**	**2021**
Gross profit (GAAP)	**$ 486**	**$ 159**	**$ 1,021**	**$ 256**
Gross Margin	11.6 %	13.4 %	10.9 %	13.2 %
Adjustments:				
Inventory valuation adjustment – Current Period[1][2]	82	1	85	1
Inventory valuation adjustment – Prior Periods[1][3]	(12)	—	(38)	—
Adjusted Gross Profit	**$ 556**	**$ 160**	**$ 1,068**	**$ 257**
Adjusted Gross Margin	13.2 %	13.5 %	11.4 %	13.3 %
Adjustments:				
Direct selling costs[4]	(100)	(26)	(236)	(44)
Holding costs on sales – Current Period[5][6]	(11)	(3)	(42)	(7)
Holding costs on sales – Prior Periods[5][7]	(23)	(3)	(36)	(2)
Contribution Profit	**$ 422**	**$ 128**	**$ 754**	**$ 204**
Contribution Margin	10.1 %	10.8 %	8.1 %	10.5 %
Adjustments:				
Interest on homes sold – Current Period[8][9]	(12)	(3)	(42)	(7)
Interest on homes sold – Prior Periods[8][10]	(21)	(2)	(33)	(1)
Contribution Profit After Interest	**$ 389**	**$ 123**	**$ 679**	**$ 196**
Contribution Margin After Interest	9.3 %	10.4 %	7.3 %	10.1 %

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(1) Inventory valuation adjustment includes adjustments to record real estate inventory at the lower of its carrying amount or its net realizable value. See "— *Critical Accounting Policies and Estimates — Real Estate Inventory.*"

(2) Inventory valuation adjustment — Current Period is the inventory valuation adjustments recorded during the period presented associated with homes that remain in inventory at period end.

(3) Inventory valuation adjustment — Prior Periods is the inventory valuation adjustments recorded in prior periods associated with homes that sold in the period presented.

(4) Represents selling costs incurred related to homes sold in the relevant period. This primarily includes broker commissions, external title and escrow-related fees and transfer taxes.

(5) Holding costs include mainly property taxes, insurance, utilities, homeowners association dues, cleaning and maintenance costs. Holding costs are included in Sales, marketing, and operations on the Condensed Consolidated Statements of Operations.

(6) Represents holding costs incurred in the period presented on homes sold in the period presented.

(7) Represents holding costs incurred in prior periods on homes sold in the period presented.

(8) This does not include interest on mezzanine term debt facilities or other indebtedness. See "— *Liquidity and Capital Resources — Debt and Financing Arrangements*."

(9) Represents the interest expense under our asset-backed senior debt facilities incurred during the period presented on homes sold in the period presented.

(10) Represents the interest expense under our asset-backed senior debt facilities incurred during prior periods on homes sold in the period presented.

Adjusted Net Income (Loss) and Adjusted EBITDA

We also present Adjusted Net Income (Loss) and Adjusted EBITDA, which are non-GAAP financial measures that management uses to assess our underlying financial performance. These measures are also commonly used by investors and analysts to compare the underlying performance of companies in our industry. We believe these measures provide investors with meaningful period over period comparisons of our underlying performance, adjusted for certain charges that are non-recurring, non-cash, not directly related to our revenue-generating operations or not aligned to related revenue.

Adjusted Net Income (Loss) and Adjusted EBITDA are supplemental measures of our operating performance and have important limitations. For example, these measures exclude the impact of certain costs required to be recorded under GAAP. These measures also include inventory valuation adjustments that were recorded in prior periods under GAAP and exclude, in connection with homes held in inventory at the end of the period, inventory valuation adjustments required to be recorded under GAAP in the same period. These measures could differ substantially from similarly titled measures presented by other companies in our industry or companies in other industries. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. We include a reconciliation of these measures to the most directly comparable GAAP financial measure, which is net loss.

Adjusted Net Income (Loss)

We calculate Adjusted Net Income (Loss) as GAAP net loss adjusted to exclude non-cash expenses of stock-based compensation, equity securities fair value adjustment, warrant fair value adjustment, and intangibles amortization expense. It also excludes non-recurring gain on lease termination, payroll tax on initial RSU release, and legal contingency accrual and related expenses. Adjusted Net Income (Loss) also aligns the timing of inventory valuation adjustments recorded under GAAP to the period in which the related revenue is recorded in order to improve the comparability of this measure to our non-GAAP financial measures of unit economics, as described above. Our calculation of Adjusted Net Income (Loss) does not currently include the tax effects of the non-GAAP adjustments because our taxes and such tax effects have not been material to date.

Adjusted EBITDA

We calculated Adjusted EBITDA as Adjusted Net Income (Loss) adjusted for depreciation and amortization, property financing and other interest expense, interest income, and income tax expense. Adjusted EBITDA is a supplemental performance measure that our management uses to assess our operating performance and the operating leverage in our business.

The following table presents a reconciliation of our Adjusted Net Income (Loss) and Adjusted EBITDA to our net loss, which is the most directly comparable GAAP measure, for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except percentages)	**2022**	**2021**	**2022**	**2021**
Net loss (GAAP)	**$ (54)**	**$ (144)**	**$ (26)**	**$ (414)**
Adjustments:				
Stock-based compensation	59	164	126	403
Equity securities fair value adjustment[1]	3	—	25	—
Warrant fair value adjustment[1]	—	(24)	—	(9)
Intangibles amortization expense[2]	3	1	5	1
Inventory valuation adjustment – Current Period[3][4]	82	1	85	1
Inventory valuation adjustment — Prior Periods[3][5]	(12)	—	(38)	—
Gain on lease termination	—	—	—	(5)
Payroll tax on initial RSU release	—	5	—	5
Legal contingency accrual and related expenses	42	—	45	—
Other[6]	(1)	—	(1)	—
Adjusted Net Income (Loss)	**$ 122**	**$ 3**	**$ 221**	**$ (18)**
Adjustments:				
Depreciation and amortization, excluding amortization of intangibles and right of use assets	12	7	21	16
Property financing[7]	76	12	134	19
Other interest expense[8]	13	4	23	8
Interest income[9]	(6)	(1)	(6)	(2)
Income tax expense	1	—	1	—
Adjusted EBITDA	**$ 218**	**$ 25**	**$ 394**	**$ 23**
Adjusted EBITDA Margin	5.2 %	2.2 %	4.2 %	1.2 %

(1) Represents the gains and losses on certain financial instruments, which are marked to fair value at the end of each period.

(2) Represents amortization of acquisition-related intangible assets. The acquired intangible assets have useful lives ranging from 1 to 5 years and amortization is expected until the intangible assets are fully amortized.

(3) Inventory valuation adjustment includes adjustments to record real estate inventory at the lower of its carrying amount or its net realizable value.

(4) Inventory valuation adjustment — Current Period is the inventory valuation adjustments recorded during the period presented associated with homes that remain in inventory at period end.

(5) Inventory valuation adjustment — Prior Periods is the inventory valuation adjustments recorded in prior periods associated with homes that sold in the period presented.

(6) Includes primarily gain or loss on interest rate lock commitments, gain or loss on the sale of available for sale securities, sublease income, and income from equity method investments.

(7) Includes interest expense on our non-recourse asset-backed debt facilities.

(8) Includes amortization of debt issuance costs and loan origination fees, commitment fees, unused fees, other interest related costs on our asset-backed debt facilities, interest expense related to the 2026 convertible senior notes outstanding, and interest expense on other secured borrowings.

(9) Consists mainly of interest earned on cash, cash equivalents and marketable securities.

Components of Our Results of Operations

Revenue

We generate the majority of our revenue from the sale of homes that we previously acquired from homeowners. In addition, we generate revenue from additional services we provide to both home sellers and buyers, which consists primarily of title insurance and escrow services, Buy with Opendoor and mortgage financing services.

Home sales revenue from selling residential real estate is recognized when title to and possession of the property has transferred to the buyer and we have no continuing involvement with the property, which is generally the close of escrow. The amount of revenue recognized for each home sale is equal to the sale price of the home net of any concessions.

Cost of Revenue

Cost of revenue includes the property purchase price, acquisition costs and direct costs to renovate or repair the home. These costs are accumulated in real estate inventory during the property holding period and charged to cost of revenue under the specific identification method when the property is sold. Real estate inventory is reviewed for valuation adjustments at least quarterly. If the carrying amount or basis is not expected to be recovered, an inventory valuation adjustment is recorded to cost of revenue and the related assets are adjusted to their net realizable value. Additionally, for our revenue other than home sales revenue, cost of revenue consists of any costs incurred in delivering the service, including associated headcount expenses such as salaries, benefits and stock-based compensation.

Operating Expenses

Sales, Marketing and Operations Expense

Sales, marketing and operations expense consists primarily of broker commissions (paid to the home buyers’ real estate agents and third-party listing agents, if applicable), resale closing costs, holding costs related to real estate inventory including utilities, property taxes and maintenance, and expenses associated with product marketing, promotions and brand-building. Sales, marketing and operations expense also includes any headcount expenses in support of sales, marketing, and real estate operations such as salaries, benefits and stock-based compensation.

General and Administrative Expense

General and administrative expense consists primarily of headcount expenses, including salaries, benefits and stock-based compensation for our executive, finance, human resources, legal and administrative personnel, third-party professional services fees and rent expense.

Technology and Development Expense

Technology and development expense consists primarily of headcount expenses, including salaries, benefits and stock-based compensation for employees in the design, development, testing, maintenance and operation of our mobile applications, websites, tools and applications that support our products. Technology and development expense also includes amortization of capitalized software development costs.

Warrant Fair Value Adjustment

Warrant fair value adjustment consists of unrealized gains and losses as a result of marking our Sponsor Warrants, assumed upon closing of the Business Combination, to fair value at the end of each reporting period. On July 9, 2021, the Company completed the redemption of all of its outstanding Sponsor Warrants.

Interest Expense

Interest expense consists primarily of interest paid or payable and the amortization of debt discounts and debt issuance costs. Interest expense varies period over period, primarily due to fluctuations in our inventory volumes and changes in the

Benchmark Rate, which impact the interest incurred on our senior revolving credit facilities (see “— *Liquidity and Capital Resources — Debt and Financing Arrangements*”).

We expect our overall interest expense to increase as inventory increases. Subject to market conditions and cost of capital trade-offs, we will evaluate opportunities to expand our sources of financing over time, which may allow us to diversify our mix of financing sources to include more cost effective financing relative to our higher cost mezzanine term debt facilities.

Other Income — Net

Other income-net consists primarily of change in fair value of and dividend income from our investment in equity securities as well as interest income from our investment in money market funds, time deposits, and debt securities.

Income Tax Expense

We record income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recorded based on the estimated future tax effects of differences between the financial statement and income tax basis of existing assets and liabilities. These differences are measured using the enacted statutory tax rates that are expected to apply to taxable income for the years in which differences are expected to reverse. We recognize the effect on deferred income taxes of a change in tax rates in income in the period that includes the enactment date.

We record a valuation allowance to reduce our deferred tax assets and liabilities to the net amount that we believe is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance.

Results of Operations

The following table sets forth our results of operations for each of the periods presented:

	Three Months Ended June 30,		Change in	
(in thousands, except percentages)	**2022**	**2021**	**$**	**%**
Revenue	$ 4,198	$ 1,186	$ 3,012	254 %
Cost of revenue	3,712	1,027	2,685	261 %
Gross profit	486	159	327	206 %
Operating expenses:				
Sales, marketing and operations	276	97	179	185 %
General and administrative	137	190	(53)	(28)%
Technology and development	41	24	17	71 %
Total operating expenses	454	311	143	46 %
Income (loss) from operations	32	(152)	184	(121)%
Warrant fair value adjustment	—	24	(24)	(100)%
Interest expense	(89)	(16)	(73)	456 %
Other income-net	4	—	4	N/M
Loss before income taxes	(53)	(144)	91	(63)%
Income tax expense	(1)	—	(1)	N/M
Net loss	$ (54)	$ (144)	$ 90	(63)%

N/M - Not meaningful.

	Six Months Ended June 30,		Change in	
(in thousands, except percentages)	2022	2021	$	%
Revenue	$ 9,349	$ 1,933	$ 7,416	384 %
Cost of revenue	8,328	1,677	6,651	397 %
Gross profit	1,021	256	765	299 %
Operating expenses:				
Sales, marketing and operations	552	166	386	233 %
General and administrative	238	412	(174)	(42)%
Technology and development	81	75	6	8 %
Total operating expenses	871	653	218	33 %
Income (loss) from operations	150	(397)	547	(138)%
Warrant fair value adjustment	—	9	(9)	(100)%
Interest expense	(157)	(27)	(130)	481 %
Other income-net	(18)	1	(19)	N/M
Loss before income taxes	(25)	(414)	389	(94)%
Income tax expense	(1)	—	(1)	N/M
Net loss	$ (26)	$ (414)	$ 388	(94)%

N/M - Not meaningful.

Revenue

Revenue increased by $3.0 billion, or 254%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The increase in revenue was primarily attributable to higher sales volumes as well as higher revenue per home. We sold 10,482 homes during the three months ended June 30, 2022, compared to 3,481 homes during the three months ended June 30, 2021, representing an increase of 201% and revenue per home sold increased 18% between periods. Average resale prices were positively impacted by price mix within markets, overall home price appreciation and Buybox expansion.

Revenue increased by $7.4 billion, or 384%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. The increase in revenue was primarily attributable to higher sales volumes as well as higher revenue per home. We sold 23,151 homes during the six months ended June 30, 2022, compared to 5,943 homes during the six months ended June 30, 2021, representing an increase of 290% and revenue per home sold increased 24% between periods. Average resale prices were positively impacted by price mix within markets, overall home price appreciation and Buybox expansion.

Cost of Revenue and Gross Profit

Cost of revenue increased by $2.7 billion, or 261%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The increase in cost of revenue was primarily attributable to higher sales volumes and a 20% increase in cost of revenue per home as a result of inventory mix, home price appreciation and Buybox expansion. The increase in cost of revenue per home is consistent with the 18% increase in revenue per home.

Cost of revenue increased by $6.7 billion, or 397%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. The increase in cost of revenue was primarily attributable to higher sales volumes and a 27% increase in cost of revenue per home as a result of inventory mix, home price appreciation and Buybox expansion. The increase in cost of revenue per home is consistent with the 24% increase in revenue per home.

Gross profit increased from $159 million to $486 million and gross margin decreased from 13.4% to 11.6% for the three months ended June 30, 2021 and June 30, 2022, respectively. For the same periods, Adjusted Gross Margin decreased from 13.5% to 13.2%. Gross margin and Adjusted Gross Margin for the three months ended June 30, 2021 benefited from a fresh book of inventory after the Company sold down its inventory to a low point of $152 million as of September 30, 2020 in response to the COVID-19 pandemic. In addition, our gross margin and Adjusted Gross Margins for the three months ended June 30, 2021 were elevated due to more conservative underwriting as we initially relaunched operations in the second half of 2020. We also recorded $82 million of inventory valuation adjustments during the three months ended June 30, 2022 associated with homes that remain in inventory at period end as compared to $1 million during the three months ended June 30, 2021. The decrease in gross margin and Adjusted Gross Margin between the three months ended June 30, 2021 and June 30, 2022 is reflective of the expected moderation in margins as our inventory mix normalized and the elimination of excess conservatism in our underwriting standards. Contribution Margin decreased from 10.8% to 10.1%, due to the reasons noted above as well as increased direct selling and holding costs. See "— *Non-GAAP Financial Measures*."

Gross profit increased from $256 million to $1.0 billion and gross margin decreased from 13.2% to 10.9% for the six months ended June 30, 2021 and June 30, 2022, respectively. For the same periods, Adjusted Gross Margin decreased from 13.3% to 11.4%. Gross margin and Adjusted Gross Margin for the six months ended June 30, 2021 benefited from a fresh book of inventory and more conservative underwriting as discussed above. In addition, we recorded $85 million of inventory valuation adjustments during the six months ended June 30, 2022 associated with homes that remain in inventory at period end as compared to $1 million during the six months ended June 30, 2021. Contribution Margin decreased from 10.5% to 8.1% due to the reasons noted above as well as increased direct selling and holding costs. See "— *Non-GAAP Financial Measures*."

Operating Expenses

Sales, Marketing and Operations. Sales, marketing and operations increased by $179 million, or 185%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The increase was primarily attributable to a $74 million increase in resale transaction costs and broker commissions, consistent with the 201% increase in the number of homes sold. Property holding costs increased by $27 million, consistent with increased inventory levels and longer inventory holding periods compared to the three months ended June 30, 2021 when we held a fresh book of inventory. Advertising expense increased $46 million, from $32 million for the three months ended June 30, 2021 to $78 million for the three months ended June 30, 2022 as we increased marketing to drive acquisition volumes in both existing and new markets. Headcount expenses, including salaries and benefits, increased $18 million consistent with the increase in headcount.

Sales, marketing and operations increased by $386 million, or 233%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. The increase was primarily attributable to a $192 million increase in resale transaction costs and broker commissions, consistent with the 290% increase in the number of homes sold. Property holding costs increased by $60 million, consistent with increased inventory levels and longer inventory holding periods compared to the six months ended June 30, 2021 when we held a fresh book of inventory. Advertising expense increased $71 million, from $56 million for the six months ended June 30, 2021 to $127 million for the six months ended June 30, 2022 as we increased marketing to drive acquisition volumes in both existing and new markets. Headcount expenses, including salaries and benefits, increased $36 million consistent with the increase in headcount.

General and Administrative. General and administrative decreased by $53 million, or 28%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The decrease was primarily attributable to a $113 million reduction in stock-based compensation due to the expense recognition of certain performance awards during the six months ended June 30, 2021 following the consummation of the Business Combination in December 2020. The reduction in stock-based compensation is partially offset by a $42 million legal contingency accrual recorded during the three months ended June 30, 2022.

General and administrative decreased by $174 million, or 42%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. The decrease was primarily attributable to a $259 million reduction in stock-based compensation due to the expense recognition of certain performance awards during the six months ended June 30, 2021 following the consummation of the Business Combination in December 2020 as well as the recognition of expense related to certain restricted stock units ("RSUs") upon the fulfillment of the liquidity event vesting condition satisfied by the February 2021 Offering. The reduction in stock-based compensation is partially offset by a $45 million legal contingency accrual recorded during the six months ended June 30, 2022. In addition, headcount expenses, including salaries and benefits, increased $13 million consistent with the increase in headcount.

Technology and Development. Technology and development increased by $17 million, or 71%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The increase was primarily attributable to a $10 million increase in headcount expenses, including salaries and benefits, and stock-based compensation consistent with the increase in headcount.

Technology and development increased by a nominal amount for the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

Warrant Fair Value Adjustment

Warrant fair value adjustment decreased by $24 million, or 100% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The gain recorded for the three months ended June 30, 2021 was attributable to a decrease in the fair value of the Sponsor Warrants, which was primarily attributable to the decline in the Company's stock price over this period. On July 9, 2021, the Company completed the redemption of all of its outstanding Sponsor Warrants.

Warrant fair value adjustment decreased by a nominal amount for the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

Interest Expense

Interest expense increased by $73 million, or 456%, for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The increase was primarily attributable to increases in the average outstanding balance of our asset-backed senior debt facilities, which is consistent with our increase in inventory over the same periods, and increases in the average outstanding balance of mezzanine term debt facilities. In addition, interest expense from our Asset-backed Senior Revolving Credit Facilities, which bear interest at a floating reference rate based on LIBOR or SOFR, has increased due to increases in these reference rates during the three months ended June 30, 2022.

Interest expense increased by $130 million, or 481%, for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. The increase was primarily attributable to increases in the average outstanding balance of our asset-backed senior debt facilities, which is consistent with our increase in inventory over the same periods, and increases in the average outstanding balance of mezzanine term debt facilities. In addition, interest expense from our Asset-backed Senior Revolving Credit Facilities, which bear interest at a floating reference rate based on LIBOR or SOFR, has increased due to increases in these reference rates primarily during the three months ended June 30, 2022.

Other Income — Net

Other income – net increased by a nominal amount for the three months ended June 30, 2022 compared to the three months ended June 30, 2021.

Other income – net decreased by $19 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021. The decrease is primarily related to a $25 million unrealized fair value adjustment recorded to our investment in equity securities during the six months ended June 30, 2022.

Income Tax Expense

Income tax expense increased by a nominal amount for the three and six months ended June 30, 2022 compared to the three and six months ended June 30, 2021.

Liquidity and Capital Resources

Overview

Our principal sources of liquidity have historically consisted of cash generated from our operations and from financing activities. As of June 30, 2022, we had cash and cash equivalents of $2.2 billion, restricted cash of $615 million, and marketable securities of $233 million. The Company had total outstanding balances on our asset-backed debt and other secured borrowings of $6.6 billion and aggregate principal outstanding from Convertible Senior Notes of $978 million. In addition, we had undrawn borrowing capacity of $4.7 billion under our non-recourse asset-backed debt facilities (as described further below), of which $2.1 billion was fully committed.

On February 9, 2021, we completed an underwritten public offering (the “February 2021 Offering”) in which we sold 32,817,421 shares of our common stock at a public offering price of $27.00 per share, including the exercise in full by the underwriters of their option to purchase up to 4,280,533 additional shares of common stock, which was completed on February 11, 2021. We received aggregate net proceeds from the February 2021 Offering of approximately $859 million after deducting underwriting discounts and commissions and offering expenses payable by us.

In August 2021, we issued 0.25% convertible senior notes due in 2026 (the “2026 Notes”) with an aggregate principal amount of $978 million, which resulted in net proceeds after underwriting fees and other transactions costs of $953 million. In connection with the issuance of the 2026 Notes, the Company purchased capped calls from certain financial institutions at a cost of $119 million.

We have incurred losses from inception through December 31, 2021 and had net income for the first time during the three months ended March 31, 2022. We incurred a net loss during the three months ended June 30, 2022 and expect to incur additional losses in the future. Our ability to service our debt, fund working capital, business operations and capital expenditures will depend on our ability to generate cash from operating activities, which is subject to our future operating success, and obtain inventory acquisition financing on reasonable terms, which is subject to factors beyond our control, including general economic, political and financial market conditions.

We expect that our working capital requirements may increase should our inventory balance increase over the remainder of the year. We believe our cash, cash equivalents, and marketable securities together with cash we expect to generate from future operations and borrowings, will be sufficient to meet our working capital and capital expenditure requirements for a period of at least twelve months from the date of this Quarterly Report on Form 10-Q.

Debt and Financing Arrangements

Our financing activities include: short-term borrowings under our asset-backed senior revolving credit facilities and our mortgage repurchase financing; the issuance of long-term asset-backed senior term debt, asset-backed mezzanine term debt, and convertible debt; and new issuances of equity. Historically, we have required access to external financing resources in order to fund growth, expansion into new markets and strategic initiatives and we expect this to continue in the future. Our access to capital markets can be impacted by factors outside our control, including economic conditions.

We primarily use non-recourse asset-backed debt, consisting of asset-backed senior debt facilities and asset-backed mezzanine term debt facilities to provide financing for our real estate inventory purchases and renovations. Our business is capital intensive and maintaining adequate liquidity and capital resources is needed as we continue to scale and accumulate additional inventory. While there can be no assurance that these trends will continue, we have observed increased availability and engagement for this lending product across a variety of financial institutions and we have been able to improve terms and increase our borrowing capacity in recent years. We actively manage our relationships with multiple financial institutions and seek to optimize duration, flexibility, efficiency and cost of funds.

Our asset-backed facilities are each collateralized by a specified pool of assets, consisting of real estate inventory, restricted cash and equity interests in certain consolidated subsidiaries of Opendoor that directly or indirectly own our real estate inventory. The terms of our inventory financing facilities require Opendoor to comply with a number of customary financial and other covenants, such as maintaining certain levels of liquidity, tangible net worth or leverage (ratio of debt to equity). As of June 30, 2022, the Company was in compliance with all financial covenants.

Our real estate-owning subsidiaries’ assets and credit generally are not available to satisfy the debts and other obligations of any other Opendoor entities except to the extent other Opendoor entities are also a party to the relevant financing arrangements. Our asset-backed debt is non-recourse to Opendoor except for limited guarantees provided by an Opendoor subsidiary for certain obligations in situations involving “bad acts” by an Opendoor entity and certain other limited circumstances that are generally under our control.

Our asset-backed senior debt facilities generally provide for advance rates of 80% to 90% against our cost basis in the underlying properties upon acquisition and our mezzanine term facilities will finance up to 100% of our cost basis in the underlying properties upon acquisition. The maximum initial advance rates for a given financed property vary by facility and generally decrease on a fixed timeline that varies by facility based on the length of time the property has been financed and any other facility-specific adjustments.

The following table summarizes certain details related to our non-recourse asset-backed debt and other secured borrowings as of June 30, 2022(in millions, except interest rates):

June 30, 2022	Borrowing Capacity	Outstanding Amount Current	Outstanding Amount Non-Current	Weighted Average Interest Rate	End of Revolving / Withdrawal Period	Final Maturity Date
Non-Recourse Asset-backed Debt:						
Asset-backed Senior Revolving Credit Facilities						
Revolving Facility 2018-2	$ 1,000	$ 104	$ —	3.07 %	June 7, 2024	June 7, 2024
Revolving Facility 2018-3	750	271	—	2.62 %	May 26, 2024	May 26, 2024
Revolving Facility 2019-1	900	876	—	3.43 %	June 30, 2023	June 30, 2023
Revolving Facility 2019-2	1,850	1,809	—	2.89 %	July 8, 2023	July 8, 2024
Revolving Facility 2019-3	925	252	—	3.42 %	April 5, 2024	April 5, 2025
Revolving Facility 2021-1	125	50	—	2.46 %	October 31, 2022	October 31, 2022
Asset-backed Senior Term Debt Facilities						
Term Debt Facility 2021-S1	400	—	400	3.48 %	April 1, 2024	April 1, 2025
Term Debt Facility 2021-S2	600	—	500	3.20 %	September 10, 2024	September 10, 2025
Term Debt Facility 2021-S3	1,000	—	500	3.75 %	January 31, 2027	July 31, 2027
Term Debt Facility 2022-S1	250	—	250	4.07 %	March 1, 2025	September 1, 2025
Total	$ 7,800	$ 3,362	$ 1,650			
Issuance Costs			(16)			
Carrying Value			$ 1,634			
Asset-backed Mezzanine Term Debt Facilities						
Term Debt Facility 2020-M1	3,000	—	1,500	10.00 %	April 1, 2025	April 1, 2026
Term Debt Facility 2022-M1	500	—	75	10.00 %	September 15, 2025	September 15, 2026
Total	$ 3,500	$ —	$ 1,575			
Issuance Costs			(33)			
Carrying Value			$ 1,542			
Total Non-Recourse Asset-backed Debt	$ 11,300	$ 3,362	$ 3,176			
Recourse Debt - Other Secured Borrowings:						
Mortgage Financing						
Repo Facility 2019-R1	$ 100	$ 12	$ —	2.43 %	May 25, 2023	May 25, 2023
Total Recourse Debt	$ 100	$ 12	$ —			

Asset-backed Senior Revolving Credit Facilities

We classify the senior revolving credit facilities as current liabilities on our condensed consolidated balance sheets. In some cases, the borrowing capacity amounts under the asset-backed senior revolving credit facilities as reflected in the table are not fully committed and any borrowings above those amounts are subject to the applicable lender's discretion. As of June 30, 2022, we had fully committed borrowing capacity with respect to asset-backed senior revolving credit facilities of $4.3 billion.

The revolving period end dates and final maturity dates reflected in the table above are inclusive of any extensions that are at the sole discretion of the Company. Certain of our asset-backed senior revolving credit facilities also have additional extension options that are subject to lender approval that are not reflected in the table above.

Asset-backed Senior Term Debt Facilities

We classify our senior term debt facilities as non-current liabilities in our condensed consolidated balance sheets. The carrying value of the non-current liabilities is reduced by issuance costs of $16 million. In some cases, the borrowing capacity amounts under the asset-backed senior term debt facilities as reflected in the table are not fully committed and any borrowings above those amounts are subject to the applicable lender’s discretion. As of June 30, 2022, we had fully committed borrowing capacity with respect to asset-backed senior term debt facilities of $1.9 billion.

The withdrawal period end dates and final maturity dates reflected in the table above are inclusive of any extensions that are at the sole discretion of the Company. Certain of our asset-backed senior term debt facilities also have additional extension options that are subject to lender approval that are not reflected in the table above.

Asset-backed Mezzanine Term Debt Facilities

In addition to the asset-backed senior revolving credit facilities and asset-backed senior term debt facilities, we have issued asset-backed mezzanine term debt facilities which are subordinated to the related senior facilities. As of June 30, 2022, we had fully committed borrowing capacity with respect to asset-backed mezzanine term debt facilities of $2.5 billion. Any borrowings above those amounts are not fully committed and subject to the applicable lender’s discretion.

Mortgage Financing

We primarily use debt financing to fund our mortgage loan originations. In 2019 we entered into a master repurchase agreement to finance substantially all of the mortgage loans that we originate. Once our mortgage business sells a loan in the secondary mortgage market, we use the sale proceeds to reduce the outstanding balance under the repurchase facility.

Convertible Senior Notes

In August 2021, we issued the 2026 Notes with an aggregate principal amount of $978 million. The table below summarizes certain details related to our 2026 Notes (in millions):

June 30, 2022	Aggregate Principal Amount	Unamortized Debt Issuance Costs	Net Carrying Amount
2026 Notes	$ 978	$ (22)	$ 956

See “*Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 6. Credit Facilities and Long-Term Debt*” for additional information regarding our debt and financing arrangements.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Six Months Ended June 30,	
(in millions)	2022	2021
Net cash used in operating activities	$ (343)	$ (2,312)
Net cash provided by (used in) investing activities	$ 183	$ (174)
Net cash provided by financing activities	$ 436	$ 2,670
Net increase in cash, cash equivalents, and restricted cash	$ 276	$ 184

Net Cash Used in Operating Activities

Net cash used in operating activities was $343 million and $2.3 billion for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022, cash used in operating activities was primarily driven by the $622 million increase in real estate inventory. The impact of the change in operating working capital was partially offset by our net loss, net of non-cash items, of $257 million. For the six months ended June 30, 2021, cash used in operating activities was primarily driven by a $2.2 billion increase in real estate inventory and a $32 million increase in escrow receivable correlated to the increase in revenue during the first half of 2021.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by (used in) investing activities was $183 million and $(174) million for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022, cash provided by investing activities primarily consisted of a net decrease in marketable securities of $222 million, partially offset by $19 million for strategic investments in certain privately held companies and a $20 million increase in property and equipment. For the six months ended June 30, 2021, cash used in investing activities primarily consisted of the $153 million increase in marketable securities and the $10 million strategic investment in a privately held company. In addition, we used $11 million for capital expenditures, including internally developed software, employee computers and leasehold improvements.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $436 million and $2.7 billion for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022, cash provided by financing activities was primarily attributable to $446 million net proceeds on non-recourse asset-backed debt. For the six months ended June 30, 2021, cash provided by financing activities was primarily attributable to $1.8 billion net proceeds from non-recourse asset-backed debt and $886 million in proceeds from the February 2021 Offering, net of $29 million issuance costs.

Contractual Obligations and Commitments

There have been no material changes outside the ordinary course of business in our commitments under contractual obligations as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, except for the categories of contractual obligations included in the table below, which have been updated to reflect our contractual obligations as of June 30, 2022:

	Payment Due by Year				
(in thousands)	**Total**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**
Senior revolving credit facilities[(1)]	$ 3,396	$ 3,396	$ —	$ —	$ —
Senior and mezzanine term debt facilities[(2)]	4,037	216	829	2,490	502
Mortgage financing[(3)]	12	12	—	—	—
Purchase commitments[(4)]	3,173	3,173	—	—	—
Total	$ 10,618	$ 6,797	$ 829	$ 2,490	$ 502

(1) Represents the principal amounts outstanding as of June 30, 2022. Includes estimated interest payments, calculated using the variable rate in existence at period end over an assumed holding period of 90 days. Borrowings under the senior revolving credit facilities are payable as the related inventory is sold. The payment is expected to be within one year of June 30, 2022.

(2) Represents the principal amounts outstanding as of June 30, 2022 and interest payments assuming the principal balances remain outstanding until maturity. The final maturity dates of the senior and mezzanine term debt facilities vary, as discussed above.

(3) Represents the principal amounts outstanding as of June 30, 2022. The facility provides short-term financing between the origination of a mortgage loan and when Opendoor Home Loans sells the loan to an investor. Included estimated interest payments, calculated using the variable rate in existence at period end over the Company’s average holding period for mortgage loans.

(4) As of June 30, 2022, we were under contract to purchase 7,779 homes for an aggregate purchase price of $3.2 billion.

Critical Accounting Policies and Estimates

Discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities, revenue, and expenses at the date of the financial statements. Generally, we base our estimates on historical experience and on various other assumptions in accordance with GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We consider an accounting judgment, estimate or assumption to be critical when (1) the estimate or assumption is complex in nature or requires a high degree of judgment and (2) the use of different judgments, estimates and assumptions could have a material impact on the condensed consolidated financial statements. Based on this definition, critical accounting policies and estimates are discussed in “*Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates*” in the Annual Report. There have been no significant changes to these critical accounting estimates during the first six months of 2022. In addition, we have other key accounting policies and estimates that are described in “*Part I – Item 1. Financial Statements –Notes to Condensed Consolidated Financial Statements – Note 1. Description of Business and Accounting Policies*” in this Quarterly Report on Form 10-Q.

Recent Accounting Pronouncements

For information on recent accounting standards, see “*Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 1. Description of Business and Accounting Policies”*.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. These risks primarily consist of fluctuations in interest rates.

Interest Rate Risk

We are subject to market risk by way of changes in interest rates on borrowings under our inventory financing facilities and mortgage financing repurchase agreement. As of June 30, 2022 and December 31, 2021 we had outstanding borrowings of $3.4 billion and $4.2 billion, respectively, which bear interest at a floating Benchmark reference rate ("Benchmark Rate"), based on a London Interbank Offered Rate (“LIBOR”) or the secured overnight financing rate ("SOFR"), plus an applicable margin. Accordingly, fluctuations in market interest rates may increase or decrease our interest expense. We may use interest rate cap derivatives, interest rate swaps or other interest rate hedging instruments to economically hedge and manage interest rate risk with respect to our variable floating rate debt. Many of our floating rate debt facilities also have Benchmark Rate floors. Assuming no change in the outstanding borrowings on our credit facilities, we estimate that a one percentage point increase in the Benchmark Rate would increase our annual interest expense by approximately $34 million and $37 million as of June 30, 2022 and December 31, 2021, respectively.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations or financial condition. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability to do so could harm our business, results of operations and financial condition.

Item 4. Controls and Procedures.

Inherent Limitations on Effectiveness of Controls

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at the reasonable assurance level as of June 30, 2022.

Changes in Internal Control over Financial Reporting

There have been no material changes in our internal control over financial reporting in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended June 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

As previously disclosed by the Company, the FTC has been conducting an investigation into the Company since August 2019. The inquiry related primarily to statements in Opendoor's advertising and website comparing selling homes to Opendoor with selling homes in a traditional manner using an agent and relating to statements that Opendoor's offers reflect or are based on market prices. Opendoor and the FTC have been discussing resolution of this matter since December 2020. In February and June 2022, the Company met with the FTC Commissioners to explain its responses to the allegations and settlement proposals. After further negotiations, Opendoor has agreed to enter into a consent order that would resolve all aspects of the inquiry. As of June 30, 2022, the Company has accrued $62 million for this matter.

In addition to the foregoing, we are currently and have in the past been subject to legal proceedings and regulatory actions in the ordinary course of business. We do not anticipate that the ultimate liability, if any, arising out of any such matters will have a material effect on our financial condition, results of operations or cash flows. In the future, we may be subject to further legal proceedings and regulatory actions in the ordinary course of business and we cannot predict whether any such proceeding or matter will have a material effect on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors.

In the course of conducting our business operations, we are exposed to a variety of risks. These risks are generally inherent to the U.S. residential real estate industry or otherwise generally impact iBuyers like us. Any of the risk factors we described in "Part I – Item 1A. Risk Factors," in our Annual Report or in subsequent periodic reports, have affected or could materially adversely affect our business, financial condition and results of operations. The market price of shares of our common stock could decline, possibly significantly or permanently, if one or more of these risks and uncertainties occurs. Certain statements in "Risk Factors" are forward-looking statements. See "Forward-Looking Statements."

Other than as set forth below, there have been no material changes to the Company's risk factors since the Annual Report.

The Company has agreed to enter into a consent order with the FTC. The failure to finalize a consent order or any alleged or actual noncompliance with a final consent order could have a materially adverse effect on the Company's business.

As previously disclosed by the Company, the FTC has been conducting an investigation into the Company since August 2019. The inquiry related primarily to statements in the Company's advertising and website comparing selling homes to the Company with selling homes in a traditional manner using an agent and relating to statements that the Company's offers reflect or are based on market prices. The Company and the FTC have been discussing resolution of this matter since December 2020. In February and June 2022, the Company met with the FTC Commissioners to explain its responses to the allegations and settlement proposals. After further negotiations, the Company has agreed to enter into a consent order that would resolve all aspects of the inquiry, and as of June 30, 2022 the Company has accrued $62 million for this matter.

There can be no assurance that the Company will be able to finalize the consent order with the FTC and, should it fail to do, so it could be subject to expenses and potential monetary remedies as a result of litigation. Additionally, if the Company enters into and fails to comply, or is alleged to be in noncompliance with, the final consent order, the Company could be subject to additional regulatory or governmental investigations or actions, which may result in significant monetary fines, judgments or other penalties. The failure to finalize any consent order with the FTC or any alleged or actual noncompliance with a final consent order could have a materially adverse effect on the Company's business.

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.

None.

Item 6. Exhibits.

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q.

Exhibit No.	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	Agreement and Plan of Merger, dated as of September 15, 2020, by and among Social Capital Hedosophia Corp. II, Hestia Merger Sub Inc. and Opendoor Labs Inc.	8-K	001-39253	2.1	09/17/2020	
3.1	Certificate of Incorporation of Opendoor Technologies Inc.	8-K	001-39253	3.1	12/18/2020	
3.2	Bylaws of Opendoor Technologies Inc.	S-1/A	333-251529	3.3	01/15/2021	
4.1	Specimen Common Stock Certificate of Opendoor Technologies Inc.	S-4/A	333-249302	4.5	11/06/2020	
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					*
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					*
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					**
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL 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 (as formatted as Inline XBRL and contained in Exhibit 101)					*

* Filed herewith.
** Furnished herewith.
\# Indicates management contract or compensatory plan.

SIGNATURES

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

OPENDOOR TECHNOLOGIES INC.

Date:	August 04, 2022	By:	/s/ Eric Wu
			Name: Eric Wu
			Title: *Chief Executive Officer*
Date:	August 04, 2022	By:	/s/ Carrie Wheeler
			Name: Carrie Wheeler
			Title: *Chief Financial Officer*

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric Wu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Opendoor Technologies, Inc.;

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 registrant as of, and for, the periods presented in this report;

4. The registrant'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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: August 04, 2022	By:	/s/ Eric Wu
		Eric Wu
		Chief Executive Officer
		(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Carrie Wheeler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Opendoor Technologies, Inc.;

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 registrant as of, and for, the periods presented in this report;

4. The registrant'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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: August 04, 2022	By:	/s/ Carrie Wheeler
		Carrie Wheeler
		Chief Financial Officer
		(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Opendoor Technologies Inc. (the “Company”) for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Eric Wu, Chief Executive Officer of the Company, and Carrie Wheeler, Chief Financial Officer of the Company, each certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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:	August 04, 2022	By:	/s/ Eric Wu
			Eric Wu
			Chief Executive Officer
			(Principal Financial Officer)

Date:	August 04, 2022	By:	/s/ Carrie Wheeler
			Carrie Wheeler
			Chief Financial Officer
			(Principal Financial Officer