
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 March 31, 2021

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: 1-34354

ALTISOURCE PORTFOLIO SOLUTIONS S.A.

(Exact name of registrant as specified in its Charter)

Luxembourg

(State or other jurisdiction of incorporation or organization)

98-0554932

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

40, avenue Monterey

L-2163 Luxembourg

Grand Duchy of Luxembourg

(Address of principal executive offices)

(352) 27 61 49 00

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|--------------------------------|-----------------------|--------------------------------------------------|
| Common Stock, \$1.00 par value | ASPS | NASDAQ Global Select Market |

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

Non-accelerated filer

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

As of May 4, 2021, there were 15,807,497 outstanding shares of the registrant's common stock (excluding 9,605,251 shares held as treasury stock).

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PART I — FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements (Unaudited)

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

| | <u>March 31,</u> <u>2021</u> | <u>December 31,</u> <u>2020</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 41,335 | \$ 58,263 |
| Accounts receivable, net | 19,956 | 22,413 |
| Prepaid expenses and other current assets | 20,965 | 19,479 |
| Total current assets | <u>82,256</u> | <u>100,155</u> |
| Premises and equipment, net | 11,092 | 11,894 |
| Right-of-use assets under operating leases | 16,301 | 18,213 |
| Goodwill | 73,849 | 73,849 |
| Intangible assets, net | 43,727 | 46,326 |
| Deferred tax assets, net | 5,385 | 5,398 |
| Other assets | 7,091 | 9,850 |
| Total assets | <u>\$ 239,701</u> | <u>\$ 265,685</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 56,712 | \$ 56,779 |
| Deferred revenue | 4,595 | 5,461 |
| Other current liabilities | 7,536 | 9,305 |
| Total current liabilities | <u>68,843</u> | <u>71,545</u> |
| Long-term debt | 243,039 | 242,656 |
| Deferred tax liabilities, net | 9,423 | 8,801 |
| Other non-current liabilities | 23,654 | 25,239 |
| Commitments, contingencies and regulatory matters (Note 23) | | |
| Equity (deficit): | | |
| Common stock (\$1.00 par value; 100,000 shares authorized, 25,413 issued and 15,795 outstanding as of March 31, 2021; 15,664 outstanding as of December 31, 2020) | 25,413 | 25,413 |
| Additional paid-in capital | 142,911 | 141,473 |
| Retained earnings | 158,890 | 190,383 |
| Treasury stock, at cost (9,618 shares as of March 31, 2021 and 9,749 shares as of December 31, 2020) | (432,373) | (441,034) |
| Altisource deficit | <u>(105,159)</u> | <u>(83,765)</u> |
| Non-controlling interests | (99) | 1,209 |
| Total deficit | <u>(105,258)</u> | <u>(82,556)</u> |
| Total liabilities and deficit | <u>\$ 239,701</u> | <u>\$ 265,685</u> |

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share data)

| | Three months ended March 31, | |
|----------------------------------------------------------------|---------------------------------|--------------------|
| | 2021 | 2020 |
| Revenue | \$ 50,465 | \$ 121,444 |
| Cost of revenue | 50,158 | 94,581 |
| Gross profit | 307 | 26,863 |
| Operating expenses: | | |
| Selling, general and administrative expenses | 18,886 | 28,093 |
| Restructuring charges | — | 2,925 |
| Loss from operations | (18,579) | (4,155) |
| Other income (expense), net | | |
| Interest expense | (3,442) | (4,716) |
| Unrealized loss on investment in equity securities | — | (1,347) |
| Other income (expense), net | 949 | 1,094 |
| Total other income (expense), net | (2,493) | (4,969) |
| Loss before income taxes and non-controlling interests | (21,072) | (9,124) |
| Income tax provision | (843) | (2,421) |
| Net loss | (21,915) | (11,545) |
| Net income attributable to non-controlling interests | (87) | (105) |
| Net loss attributable to Altisource | <u>\$ (22,002)</u> | <u>\$ (11,650)</u> |
| Loss per share: | | |
| Basic | <u>\$ (1.40)</u> | <u>\$ (0.75)</u> |
| Diluted | <u>\$ (1.40)</u> | <u>\$ (0.75)</u> |
| Weighted average shares outstanding: | | |
| Basic | <u>15,717</u> | <u>15,497</u> |
| Diluted | <u>15,717</u> | <u>15,497</u> |
| Comprehensive loss: | | |
| Comprehensive loss, net of tax | \$ (21,915) | \$ (11,545) |
| Comprehensive income attributable to non-controlling interests | (87) | (105) |
| Comprehensive loss attributable to Altisource | <u>\$ (22,002)</u> | <u>\$ (11,650)</u> |

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)

| | Altisource Equity (Deficit) | | | | | | |
|---------------------------------------------------------------------------------------------------------|-----------------------------|------------------|----------------------------|-------------------|-------------------------|---------------------------|---------------------|
| | Common stock | | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Non-controlling interests | Total |
| | Shares | | | | | | |
| Balance, December 31, 2019 | 25,413 | \$ 25,413 | \$ 133,669 | \$ 272,026 | \$ (453,934) | \$ 1,469 | \$ (21,357) |
| Net loss | — | — | — | (11,650) | — | 105 | (11,545) |
| Distributions to non-controlling interest holders | — | — | — | — | — | (311) | (311) |
| Share-based compensation expense | — | — | 2,894 | — | — | — | 2,894 |
| Issuance of restricted share units and restricted shares | — | — | — | (4,796) | 4,796 | — | — |
| Treasury shares withheld for the payment of tax on restricted share unit and restricted share issuances | — | — | — | (3,114) | 1,909 | — | (1,205) |
| Balance, March 31, 2020 | <u>25,413</u> | <u>\$ 25,413</u> | <u>\$ 136,563</u> | <u>\$ 252,466</u> | <u>\$ (447,229)</u> | <u>\$ 1,263</u> | <u>\$ (31,524)</u> |
| Balance, December 31, 2020 | 25,413 | \$ 25,413 | \$ 141,473 | \$ 190,383 | \$ (441,034) | \$ 1,209 | \$ (82,556) |
| Net loss | — | \$ — | \$ — | \$ (22,002) | \$ — | \$ 87 | \$ (21,915) |
| Distributions to non-controlling interest holders | — | — | — | — | — | (1,395) | (1,395) |
| Share-based compensation expense | — | — | 1,438 | — | — | — | 1,438 |
| Issuance of restricted share units and restricted shares | — | — | — | (5,905) | 5,905 | — | — |
| Treasury shares withheld for the payment of tax on restricted share unit and restricted share issuances | — | — | — | (3,586) | 2,756 | — | (830) |
| Balance, March 31, 2021 | <u>25,413</u> | <u>\$ 25,413</u> | <u>\$ 142,911</u> | <u>\$ 158,890</u> | <u>\$ (432,373)</u> | <u>\$ (99)</u> | <u>\$ (105,258)</u> |

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Three months ended March 31, | |
|-----------------------------------------------------------------------------------------|---------------------------------|------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net loss | \$ (21,915) | \$ (11,545) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,184 | 4,117 |
| Amortization of right-of-use assets under operating leases | 1,927 | 2,706 |
| Amortization of intangible assets | 2,599 | 4,209 |
| Unrealized loss on investment in equity securities | — | 1,347 |
| Share-based compensation expense | 1,438 | 2,894 |
| Bad debt expense | 217 | 342 |
| Amortization of debt discount | 168 | 167 |
| Amortization of debt issuance costs | 215 | 184 |
| Deferred income taxes | 562 | 126 |
| Loss on disposal of fixed assets | 7 | 39 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 2,240 | (303) |
| Prepaid expenses and other current assets | (1,486) | (36) |
| Other assets | 258 | 612 |
| Accounts payable and accrued expenses | 11 | (3,116) |
| Current and non-current operating lease liabilities | (1,941) | (3,354) |
| Other current and non-current liabilities | (2,294) | (37) |
| Net cash used in operating activities | <u>(16,810)</u> | <u>(1,648)</u> |
| Cash flows from investing activities: | | |
| Additions to premises and equipment | (467) | (511) |
| Proceeds from the sale of business | 3,000 | — |
| Net cash provided by (used in) investing activities | <u>2,533</u> | <u>(511)</u> |
| Cash flows from financing activities: | | |
| Distributions to non-controlling interests | (1,395) | (311) |
| Payments of tax withholding on issuance of restricted share units and restricted shares | (830) | (1,205) |
| Net cash used in financing activities | <u>(2,225)</u> | <u>(1,516)</u> |
| Net decrease in cash, cash equivalents and restricted cash | (16,502) | (3,675) |
| Cash, cash equivalents and restricted cash at the beginning of the period | 62,096 | 86,583 |
| Cash, cash equivalents and restricted cash at the end of the period | <u>\$ 45,594</u> | <u>\$ 82,908</u> |
| Supplemental cash flow information: | | |
| Interest paid | \$ 3,090 | \$ 4,415 |
| Income taxes paid (received), net | 902 | (1,720) |
| Acquisition of right-of-use assets with operating lease liabilities | 15 | 705 |
| Reduction of right-of-use assets from operating lease modifications or reassessments | — | (1,273) |
| Non-cash investing and financing activities: | | |
| Net (decrease) increase in payables for purchases of premises and equipment | \$ (78) | \$ 103 |

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

Description of Business

Altisource Portfolio Solutions S.A., together with its subsidiaries (which may be referred to as “Altisource,” the “Company,” “we,” “us” or “our”), is an integrated service provider and marketplace for the real estate and mortgage industries. Combining operational excellence with a suite of innovative services and technologies, Altisource helps solve the demands of the ever-changing markets we serve.

We are publicly traded on the NASDAQ Global Select Market under the symbol “ASPS.” We are organized under the laws of the Grand Duchy of Luxembourg.

Basis of Accounting and Presentation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission (“SEC”) Regulation S-X. Accordingly, these financial statements do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, the interim data includes all normal recurring adjustments considered necessary to fairly state the results for the interim periods presented. The preparation of interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our interim condensed consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Intercompany transactions and accounts have been eliminated in consolidation.

Altisource consolidates Best Partners Mortgage Cooperative, Inc., which is managed by The Mortgage Partnership of America, L.L.C. (“MPA”), a wholly-owned subsidiary of Altisource. Best Partners Mortgage Cooperative, Inc. is a mortgage cooperative doing business as Lenders One[®] (“Lenders One”). MPA provides services to Lenders One under a management agreement that ends on December 31, 2025 (with renewals for three successive five-year periods at MPA’s option).

The management agreement between MPA and Lenders One, pursuant to which MPA is the management company, represents a variable interest in a variable interest entity. MPA is the primary beneficiary of Lenders One as it has the power to direct the activities that most significantly impact the cooperative’s economic performance and the right to receive benefits from the cooperative. As a result, Lenders One is presented in the accompanying condensed consolidated financial statements on a consolidated basis and the interests of the members are reflected as non-controlling interests. As of March 31, 2021, Lenders One had total assets of \$1.9 million and total liabilities of \$0.7 million. As of December 31, 2020, Lenders One had total assets of \$2.3 million and total liabilities of \$0.1 million.

In 2019, Altisource created Pointillist, Inc. (“Pointillist”) and contributed the Pointillist[®] customer journey analytics business and \$8.5 million to it. Pointillist is owned by Altisource and management of Pointillist. Management of Pointillist owns a non-controlling interest representing 12.1% of the outstanding equity of Pointillist. Additional equity shares of Pointillist are available for issuance to management and board members of Pointillist. Altisource has no ongoing obligation to provide future funding to Pointillist. Pointillist is presented in the accompanying condensed consolidated financial statements on a consolidated basis and the portion of Pointillist owned by Pointillist management is reported as non-controlling interests.

These interim condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 11, 2021.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements (*Continued*)

Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1 — Quoted prices in active markets for identical assets and liabilities

Level 2 — Observable inputs other than quoted prices included in Level 1

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities

Financial assets and financial liabilities are classified based on the lowest level of input that is significant to the fair value measurements. Our assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This standard is part of the FASB’s initiative to reduce complexity in accounting standards by instituting several simplifying provisions and removing several exceptions pertaining to income tax accounting. This standard is effective for annual periods beginning after December 15, 2020, including interim periods within that reporting period. Early adoption of this standard is permitted. The Company adopted this standard effective January 1, 2021 and has applied it prospectively. Adoption of this new standard did not have any impact on the Company’s condensed consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* and in January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*. This standard applies only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform. This standard provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting, in response to concerns about structural risks of interbank offered rates, and, particularly, the risk of cessation of LIBOR. This standard is effective from the period from March 12, 2020 through December 31, 2022. An entity may elect to apply the amendments for contract modifications as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a topic or an industry subtopic, the standard must be applied prospectively for all eligible contract modifications for that topic or industry subtopic. The Company is currently evaluating the impact this guidance may have on its condensed consolidated financial statements.

NOTE 2 — CUSTOMER CONCENTRATION

Ocwen

Ocwen Financial Corporation (together with its subsidiaries, “Ocwen”) is a residential mortgage loan servicer of mortgage servicing rights (“MSRs”) it owns, including those MSRs in which others have an economic interest, and a subservicer of MSRs owned by others.

During the three months ended March 31, 2021, Ocwen was our largest customer, accounting for 34% of our total revenue. Ocwen purchases certain mortgage services from us under the terms of services agreements and amendments thereto (collectively, the “Ocwen Services Agreements”) with terms extending through August 2025. Certain of the Ocwen Services Agreements contain a “most favored nation” provision and also grant the parties the right to renegotiate pricing, among other things.

Revenue from Ocwen primarily consists of revenue earned from the loan portfolios serviced and subserviced by Ocwen when Ocwen engages us as the service provider, and revenue earned directly from Ocwen, pursuant to the Ocwen Services Agreements. For the three months ended March 31, 2021 and 2020, we recognized revenue from Ocwen of \$16.9 million and \$74.2 million, respectively. Revenue from Ocwen as a percentage of consolidated revenue was 34% and 61% for the three months ended March 31, 2021 and 2020, respectively.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements (*Continued*)

We earn additional revenue related to the portfolios serviced and subserviced by Ocwen when a party other than Ocwen or the MSR owner selects Altisource as the service provider. For the three months ended March 31, 2021 and 2020, we recognized revenue of \$2.6 million and \$7.8 million, respectively, related to the portfolios serviced by Ocwen when a party other than Ocwen or the MSR owner selected Altisource as the service provider. These amounts are not included in deriving revenue from Ocwen and revenue from Ocwen as a percentage of revenue discussed above.

During the second quarter of 2020, Ocwen informed us that an MSR investor instructed Ocwen to use a field services provider other than Altisource on properties associated with certain MSRs. Based upon the impacted portfolios to date and the designated service provider, Altisource believes that Ocwen received these directions from New Residential Investment Corp. (individually, together with one or more of its subsidiaries or one or more of its subsidiaries individually, “NRZ”). We believe Ocwen commenced using another field services provider for these properties in July 2020 and continued to transition services during the third quarter of 2020. We believe that the transition to the replacement field service provider was largely completed as of September 30, 2020. We estimate that \$0.2 million and \$29.3 million of service revenue from Ocwen for the three months ended March 31, 2021 and 2020, respectively, was derived from Field Services referrals from the NRZ portfolios. Ocwen also communicated to Altisource in the fourth quarter of 2020 that the same investor instructed Ocwen to use a provider for default valuations and certain default title services other than Altisource on properties associated with such certain MSRs and commenced moving these referrals to other service providers in the fourth quarter of 2020. We anticipate that the transition of such default valuations and title services will continue during the course of 2021. We estimate that \$1.0 million and \$8.0 million of service revenue from Ocwen for the three months ended March 31, 2021 and 2020, respectively, was derived from default valuations and title services referrals from the NRZ portfolios.

To address the reduction in revenue, Altisource is undertaking several measures to further reduce its cost structure and strengthen its operations.

In addition, we entered into an agreement with Ocwen on May 5, 2021 (the “Agreement”) pursuant to which the term of the services agreements between us and Ocwen were extended from August 2025 through August 2030 and the scope of solutions we provide to Ocwen were expanded to, among other things, include the opportunity to provide field services, first and second chance foreclosure auctions, and title services on Ocwen’s Federal Housing Administration (“F.H.A.”), Veterans Affairs (“V.A.”) and United States Department of Agriculture (“U.S.D.A.”) loans, subject to a process to confirm Altisource’s ability to meet reasonable performance requirements. The Agreement established a framework for us to expand the foreclosure trustee solutions we provide to Ocwen in additional states, and, as mutually agreed upon by the parties, to deliver reverse mortgage related solutions to Ocwen, subject to negotiation of appropriate statements of work or other agreements, a process to confirm Altisource’s ability to meet reasonable performance requirements, and technical integrations, as may be applicable. The Agreement further resolved the contractual dispute between the parties related to Ocwen’s transfer to NRZ the rights to designate service providers other than Altisource, including mutual releases with respect to such dispute. The Agreement also addressed Ocwen’s rights in the event of certain change of control or sale of a business transactions by us on or after September 1, 2028.

As of March 31, 2021, accounts receivable from Ocwen totaled \$4.1 million, \$3.1 million of which was billed and \$1.0 million of which was unbilled. As of December 31, 2020, accounts receivable from Ocwen totaled \$5.9 million, \$5.1 million of which was billed and \$0.8 million of which was unbilled.

NRZ

NRZ is a real estate investment trust that invests in and manages investments primarily related to residential real estate, including MSRs and excess MSRs.

Ocwen has disclosed that NRZ is its largest client. As of March 31, 2021, approximately 36% of loans serviced and subserviced by Ocwen (measured in unpaid principal balance (“UPB”)) were related to NRZ MSRs or rights to MSRs. In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen’s legal title to certain of its MSRs (the “Subject MSRs”) and under which Ocwen will subservice mortgage loans underlying the MSRs for an initial term of five years, subject to early termination rights.

On August 28, 2017, Altisource, through its licensed subsidiaries, entered into a Cooperative Brokerage Agreement, as amended, and related letter agreement (collectively, the “Brokerage Agreement”) with NRZ which extends through August 2025. Under this agreement and related amendments, Altisource remains the exclusive provider of brokerage services for real estate owned (“REO”) associated with the Subject MSRs, irrespective of the subservicer, subject to certain limitations. NRZ’s brokerage subsidiary receives a cooperative brokerage commission on the sale of REO properties from these portfolios subject to certain exceptions.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements (Continued)

The Brokerage Agreement may be terminated by NRZ upon the occurrence of certain specified events. Termination events include, but are not limited to, a breach of the terms of the Brokerage Agreement (including, without limitation, the failure to meet performance standards and non-compliance with law in a material respect), the failure to maintain licenses which failure materially prevents performance of the contract, regulatory allegations of non-compliance resulting in an adversarial proceeding against NRZ, voluntary or involuntary bankruptcy, appointment of a receiver, disclosure in a Form 10-K or Form 10-Q that there is significant uncertainty about Altisource’s ability to continue as a going concern, failure to maintain a specified level of cash and an unapproved change of control.

For the three months ended March 31, 2021 and 2020, we recognized revenue from NRZ of \$0.8 million and \$2.7 million, respectively, under the Brokerage Agreement. For the three months ended March 31, 2021 and 2020, we recognized additional revenue of \$3.4 million and \$12.0 million, respectively, relating to the Subject MSRs when a party other than NRZ selects Altisource as the service provider.

NOTE 3— SALE OF A BUSINESS

In August 2018, Altisource entered into an amendment to its agreements with Front Yard Residential Corporation (“RESI”) to sell Altisource’s rental property management business to RESI and permit RESI to internalize certain services that had been provided by Altisource. The proceeds from the transaction totaled \$18.0 million, payable in two installments. The first installment of \$15.0 million was received on the closing date of August 8, 2018. The second installment of \$3.0 million was to be received on the earlier of a RESI change of control or on August 8, 2023. On October 19, 2020, RESI announced that it had entered into a definitive merger agreement to sell RESI. The merger closed on January 11, 2021 and the Company subsequently received the \$3.0 million payment. The present value of the second installment is included in other assets in the accompanying condensed consolidated balance sheets at a discounted value of \$2.5 million as of December 31, 2020 (no comparative amount as of March 31, 2021).

NOTE 4 — INVESTMENT IN EQUITY SECURITIES

During 2016, we purchased 4.1 million shares of RESI common stock. This investment is reflected in the accompanying condensed consolidated balance sheets at fair value and changes in fair value are included in other income (expense), net in the accompanying condensed consolidated statements of operations and comprehensive loss. As of March 31, 2021 and December 31, 2020, we held no shares of RESI common stock. During the three months ended March 31, 2020, we recognized an unrealized loss from the change in fair value of \$(1.3) million (no comparative amount for the three months ended March 31, 2021). During the three months ended March 31, 2020, we earned dividends of \$0.5 million (no comparative amount for the three months ended March 31, 2021), related to this investment.

NOTE 5 — ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|-----------------------------------|---------------------------|------------------------------|
| Billed | \$ 17,489 | \$ 19,703 |
| Unbilled | 8,215 | 8,291 |
| | <u>25,704</u> | <u>27,994</u> |
| Less: Allowance for credit losses | (5,748) | (5,581) |
| Total | <u>\$ 19,956</u> | <u>\$ 22,413</u> |

Unbilled accounts receivable consist primarily of certain real estate asset management, REO sales, title and closing services for which we generally recognize revenue when the service is provided but collect upon closing of the sale, and foreclosure trustee services, for which we generally recognize revenues over the service delivery period but bill following completion of the service. We also include amounts in unbilled accounts receivable that are earned during a month and billed in the following month.

We are exposed to credit losses through our sales of products and services to our customers which are recorded as accounts receivable, net on the Company’s condensed consolidated financial statements. We monitor and estimate the allowance for credit losses based on our historical write-offs, historical collections, our analysis of past due accounts based on the contractual terms of the receivables, relevant market and industry reports and our assessment of the economic status of our customers, if known. Estimated credit losses are written off in the period in which the financial asset is determined to be no longer

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Notes to Condensed Consolidated Financial Statements (Continued)

collectible. There can be no assurance that actual results will not differ from estimates or that consideration of these factors in the future will not result in an increase or decrease to our allowance for credit losses.

Changes in allowance for expected credit losses consist of the following:

| <i>(in thousands)</i> | Balance at Beginning of Period | Additions Charged to Expenses | Deductions Note ⁽¹⁾ | Balance at End of Period |
|---------------------------------------|-----------------------------------|-------------------------------------|--------------------------------|-----------------------------|
| Allowance for expected credit losses: | | | | |
| March 31, 2021 | \$ 5,581 | \$ 217 | \$ 50 | \$ 5,748 |
| December 31, 2020 | 4,472 | 2,229 | 1,120 | 5,581 |

⁽¹⁾ Amounts written off as uncollectible or transferred to other accounts or utilized.

NOTE 6 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|-----------------------------------------|-------------------|----------------------|
| Income taxes receivable | \$ 8,509 | \$ 7,053 |
| Maintenance agreements, current portion | 2,205 | 2,513 |
| Prepaid expenses | 5,149 | 4,812 |
| Other current assets | 5,102 | 5,101 |
| Total | <u>\$ 20,965</u> | <u>\$ 19,479</u> |

NOTE 7 — PREMISES AND EQUIPMENT, NET

Premises and equipment, net consists of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|-------------------------------------------------|-------------------|----------------------|
| Computer hardware and software | \$ 52,289 | \$ 52,837 |
| Leasehold improvements | 14,835 | 14,792 |
| Furniture and fixtures | 5,560 | 5,882 |
| Office equipment and other | 1,694 | 1,817 |
| | <u>74,378</u> | <u>75,328</u> |
| Less: Accumulated depreciation and amortization | (63,286) | (63,434) |
| Total | <u>\$ 11,092</u> | <u>\$ 11,894</u> |

Depreciation and amortization expense amounted to \$1.2 million and \$4.1 million for the three months ended March 31, 2021 and 2020, respectively, and is included in cost of revenue for operating assets and in selling, general and administrative expenses for non-operating assets in the accompanying condensed consolidated statements of operations and comprehensive loss.

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Notes to Condensed Consolidated Financial Statements (Continued)

Premises and equipment, net consist of the following, by country:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|-----------------------|-------------------|----------------------|
| United States | \$ 5,084 | \$ 5,530 |
| Luxembourg | 5,054 | 5,451 |
| India | 875 | 822 |
| Uruguay | 79 | 91 |
| Total | <u>\$ 11,092</u> | <u>\$ 11,894</u> |

NOTE 8 — RIGHT-OF-USE ASSETS UNDER OPERATING LEASES, NET

Right-of-use assets under operating leases, net consists of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|--------------------------------------------|-------------------|----------------------|
| Right-of-use assets under operating leases | \$ 30,111 | \$ 31,932 |
| Less: Accumulated amortization | (13,810) | (13,719) |
| Total | <u>\$ 16,301</u> | <u>\$ 18,213</u> |

Amortization of operating leases was \$1.9 million and \$2.7 million for the three months ended March 31, 2021 and 2020, respectively, and is included in cost of revenue for operating assets and in selling, general and administrative expenses for non-operating assets in the accompanying condensed consolidated statements of operations and comprehensive loss.

NOTE 9 — GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

Goodwill consists of the following:

| <i>(in thousands)</i> | Total |
|----------------------------------------------------|------------------|
| Balance as of March 31, 2021 and December 31, 2020 | <u>\$ 73,849</u> |

Intangible Assets, net

Intangible assets, net consist of the following:

| <i>(in thousands)</i> | Weighted average estimated useful life <i>(in years)</i> | Gross carrying amount | | Accumulated amortization | | Net book value | |
|------------------------------------------|----------------------------------------------------------------------|-----------------------|----------------------|--------------------------|----------------------|-------------------|----------------------|
| | | March 31, 2021 | December 31, 2020 | March 31, 2021 | December 31, 2020 | March 31, 2021 | December 31, 2020 |
| Definite lived intangible assets: | | | | | | | |
| Customer related intangible assets | 9 | \$ 214,973 | \$ 214,973 | \$ (189,981) | \$ (187,923) | \$ 24,992 | \$ 27,050 |
| Operating agreement | 20 | 35,000 | 35,000 | (19,564) | (19,126) | 15,436 | 15,874 |
| Trademarks and trade names | 16 | 9,709 | 9,709 | (6,410) | (6,307) | 3,299 | 3,402 |
| Non-compete agreements | — | — | 1,230 | — | (1,230) | — | — |
| Other intangible assets | — | — | 1,800 | — | (1,800) | — | — |
| Total | | <u>\$ 259,682</u> | <u>\$ 262,712</u> | <u>\$ (215,955)</u> | <u>\$ (216,386)</u> | <u>\$ 43,727</u> | <u>\$ 46,326</u> |

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Notes to Condensed Consolidated Financial Statements (Continued)

Amortization expense for definite lived intangible assets was \$2.6 million and \$4.2 million for the three months ended March 31, 2021 and 2020, respectively. Expected annual definite lived intangible asset amortization expense for 2021 through 2025 is \$9.5 million, \$5.1 million, \$5.1 million, \$5.1 million and \$5.1 million, respectively.

NOTE 10 — OTHER ASSETS

Other assets consist of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|-----------------------|-------------------|----------------------|
| Restricted cash | \$ 4,259 | \$ 3,833 |
| Security deposits | 1,770 | 2,416 |
| Other | 1,062 | 3,601 |
| Total | \$ 7,091 | \$ 9,850 |

NOTE 11 — ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable and accrued expenses consist of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|-------------------------------|-------------------|----------------------|
| Accounts payable | \$ 18,903 | \$ 16,797 |
| Accrued expenses - general | 20,608 | 24,422 |
| Accrued salaries and benefits | 12,841 | 11,226 |
| Income taxes payable | 4,360 | 4,334 |
| Total | \$ 56,712 | \$ 56,779 |

Other current liabilities consist of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|-----------------------------|-------------------|----------------------|
| Operating lease liabilities | \$ 7,118 | \$ 7,609 |
| Other | 418 | 1,696 |
| Total | \$ 7,536 | \$ 9,305 |

NOTE 12 — LONG-TERM DEBT

Long-term debt consists of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|---------------------------------|-------------------|----------------------|
| Senior secured term loans | \$ 247,204 | \$ 247,204 |
| Less: Debt issuance costs, net | (2,174) | (2,389) |
| Less: Unamortized discount, net | (1,991) | (2,159) |
| Long-term debt | \$ 243,039 | \$ 242,656 |

Altisource Portfolio Solutions S.A. and its wholly-owned subsidiary, Altisource S.à r.l. entered into a credit agreement (the “Credit Agreement”) in April 2018 with Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent, and certain lenders. Under the Credit Agreement, Altisource borrowed \$412.0 million in the form of Term B Loans and obtained a \$15.0 million revolving credit facility. The Term B Loans mature in April 2024 and the revolving credit facility matures in April 2023. Altisource Portfolio Solutions S.A. and certain subsidiaries are guarantors of the term loan and the revolving credit facility (collectively, the “Guarantors”).

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Notes to Condensed Consolidated Financial Statements (*Continued*)

There are no mandatory repayments of the Term B Loans due until April 2024, when the balance is due at maturity, except as otherwise described herein. All amounts outstanding under the Term B Loans will become due on the earlier of (i) April 3, 2024, and (ii) the date on which the loans are declared to be due and owing by the administrative agent at the request (or with the consent) of the Required Lenders (as defined in the Credit Agreement; other capitalized terms, unless defined herein, are defined in the Credit Agreement) or as otherwise provided in the Credit Agreement upon the occurrence of any event of default.

In addition to the scheduled principal payments, subject to certain exceptions, the Term B Loans are subject to mandatory prepayment upon issuances of debt, certain casualty and condemnation events and sales of assets, as well as from a percentage of Consolidated Excess Cash Flow if our leverage ratio as of each year-end computation date is greater than 3.00 to 1.00, as calculated in accordance with the provisions of the Credit Agreement (the percentage increases if our leverage ratio exceeds 3.50 to 1.00). Our leverage ratio exceeded 3.50 to 1.00 for the twelve months ended March 31, 2021. The Company did not generate any Consolidated Excess Cash Flow in first quarter of 2021.

Altisource may incur incremental indebtedness under the Credit Agreement from one or more incremental lenders, which may include existing lenders, in an aggregate incremental principal amount not to exceed \$125.0 million, subject to certain conditions set forth in the Credit Agreement, including a sublimit of \$80.0 million with respect to incremental revolving credit commitments and, after giving effect to the incremental borrowing, the Company's leverage ratio does not exceed 3.00 to 1.00. Our leverage ratio exceeded 3.00 to 1.00 for the twelve months ended March 31, 2021. The lenders have no obligation to provide any incremental indebtedness.

The Term B Loans bear interest at rates based upon, at our option, the Adjusted Eurodollar Rate or the Base Rate. Adjusted Eurodollar Rate term loans bear interest at a rate per annum equal to the sum of (i) the greater of (x) the Adjusted Eurodollar Rate for a three month interest period and (y) 1.00% plus (ii) 4.00%. Base Rate term loans bear interest at a rate per annum equal to the sum of (i) the greater of (x) the Base Rate and (y) 2.00% plus (ii) 3.00%. The interest rate as of March 31, 2021 was 5.00%.

Loans under the revolving credit facility bear interest at rates based upon, at our option, the Adjusted Eurodollar Rate or the Base Rate. Adjusted Eurodollar Rate revolving loans bear interest at a rate per annum equal to the sum of (i) the Adjusted Eurodollar Rate for a three month interest period plus (ii) 4.00%. Base Rate revolving loans bear interest at a rate per annum equal to the sum of (i) the Base Rate plus (ii) 3.00%. The unused commitment fee is 0.50%. Borrowings under the revolving credit facility are not permitted if our leverage ratio exceeds 3.50 to 1.00. Our leverage ratio exceeded 3.50 to 1.00 for the twelve months ended March 31, 2021. There were no borrowings outstanding under the revolving credit facility as of March 31, 2021.

The payment of all amounts owing by Altisource under the Credit Agreement is guaranteed by the Guarantors and is secured by a pledge of all equity interests of certain subsidiaries of Altisource, as well as a lien on substantially all of the assets of Altisource S.à r.l. and the Guarantors, subject to certain exceptions.

The Credit Agreement includes covenants that restrict or limit, among other things, our ability, subject to certain exceptions and baskets, to incur indebtedness; incur liens on our assets; sell, transfer or dispose of assets; make Restricted Junior Payments including share repurchases, dividends and repayment of junior indebtedness; make investments; dispose of equity interests of any Material Subsidiaries; engage in a line of business substantially different than existing businesses and businesses reasonably related, complimentary or ancillary thereto; amend material debt agreements or other material contracts; engage in certain transactions with affiliates; enter into sale/leaseback transactions; grant negative pledges or agree to such other restrictions relating to subsidiary dividends and distributions; make changes to our fiscal year; and engage in mergers and consolidations; and to the extent any Revolving Credit Loans are outstanding on the last day of a fiscal quarter, permit the Total Leverage Ratio to be greater than 3.50:1.00 as of the last day of such fiscal quarter, subject to a customary cure provision (the "Revolving Financial Covenant").

The Credit Agreement contains certain events of default including (i) failure to pay principal when due or interest or any other amount owing on any other obligation under the Credit Agreement within five days of becoming due, (ii) material incorrectness of representations and warranties when made, (iii) breach of certain other covenants, subject to cure periods described in the Credit Agreement, (iv) a breach of the Revolving Financial Covenant, subject to a customary cure provision and not an Event of Default with respect to the Term Loans unless and until the Required Revolving Lenders accelerate the Revolving Credit Loans, (v) failure to pay principal or interest on any other debt that equals or exceeds \$40.0 million when due, (vi) default on any other debt that equals or exceeds \$40.0 million that causes, or gives the holder or holders of such debt the ability to cause, an acceleration of such debt, (vii) occurrence of a Change of Control, (viii) bankruptcy and insolvency events, (ix) entry by a court of one or more judgments against us in an amount in excess of \$40.0 million that remain unbonded, undischarged or unstayed for a certain number of days after the entry thereof, (x) the occurrence of certain ERISA events and (xi) the failure of certain Loan Documents to be in full force and effect. If any event of default occurs and is not cured within applicable grace periods

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Notes to Condensed Consolidated Financial Statements (Continued)

set forth in the Credit Agreement or waived, all loans and other obligations could become due and immediately payable and the facility could be terminated.

As of March 31, 2021, debt issuance costs were \$2.2 million, net of \$2.3 million of accumulated amortization. As of December 31, 2020, debt issuance costs were \$2.4 million, net of \$2.2 million of accumulated amortization.

NOTE 13 — OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|-------------------------------|-------------------|----------------------|
| Operating lease liabilities | \$ 10,846 | \$ 12,281 |
| Income tax liabilities | 12,392 | 12,414 |
| Deferred revenue | 373 | 504 |
| Other non-current liabilities | 43 | 40 |
| Total | \$ 23,654 | \$ 25,239 |

NOTE 14 — FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The following table presents the carrying amount and estimated fair value of financial instruments and certain liabilities measured at fair value as of March 31, 2021 and December 31, 2020. The following fair values are estimated using market information and what the Company believes to be appropriate valuation methodologies under GAAP:

| <i>(in thousands)</i> | March 31, 2021 | | | | | December 31, 2020 | | | | |
|---------------------------|--------------------|------------|---------|---------|--------------------|-------------------|---------|---------|--|--|
| | Carrying amount | Fair value | | | Carrying amount | Fair value | | | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | | |
| Assets: | | | | | | | | | | |
| Cash and cash equivalents | \$ 41,335 | \$ 41,335 | \$ — | \$ — | \$ 58,263 | \$ 58,263 | \$ — | \$ — | | |
| Restricted cash | 4,259 | 4,259 | — | — | 3,833 | 3,833 | — | — | | |
| Long-term receivable | — | — | — | — | 2,531 | — | — | 2,531 | | |
| Liabilities: | | | | | | | | | | |
| Senior secured term loan | 247,204 | — | 210,124 | — | 247,204 | — | 201,472 | — | | |

Fair Value Measurements on a Recurring Basis

Cash and cash equivalents and restricted cash are carried at amounts that approximate their fair values due to the highly liquid nature of these instruments and were measured using Level 1 inputs.

The fair value of our senior secured term loan is based on quoted market prices. Based on the frequency of trading, we do not believe that there is an active market for our debt. Therefore, the quoted prices are considered Level 2 inputs.

In connection with the sale of the rental property management business in August 2018, Altisource was to receive \$3.0 million on the earlier of a RESI change of control or on August 8, 2023. On October 19, 2020, RESI announced that it had entered into a definitive merger agreement to sell RESI. The merger closed on January 11, 2021 and the Company subsequently received the \$3.0 million payment (See Note 3 for additional information). We measure long-term receivables without a stated interest rate based on the present value of the future payments.

There were no transfers between different levels during the periods presented.

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk primarily consist of cash and cash equivalents and accounts receivable. Our policy is to deposit our cash and cash equivalents with larger, highly rated financial institutions. The Company derived 34% of its revenue from Ocwen for the three months ended March 31, 2021 (see Note 2 for additional information on

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Notes to Condensed Consolidated Financial Statements (*Continued*)

Ocwen revenues and accounts receivable balance). The Company strives to mitigate its concentrations of credit risk with respect to accounts receivable by actively monitoring past due accounts and the economic status of larger customers, if known.

NOTE 15 — SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

Share Repurchase Program

On May 15, 2018, our shareholders approved the renewal and replacement of the share repurchase program previously approved by the shareholders on May 17, 2017. Under the program, we are authorized to purchase up to 4.3 million shares of our common stock, based on a limit of 25% of the outstanding shares of common stock on the date of approval, at a minimum price of \$1.00 per share and a maximum price of \$500.00 per share, for a period of five years from the date of approval. As of March 31, 2021, approximately 2.4 million shares of common stock remain available for repurchase under the program. There were no purchases of shares of common stock during the three months ended March 31, 2021 and 2020. Luxembourg law limits share repurchases to the balance of Altisource Portfolio Solutions S.A. (unconsolidated parent company) retained earnings, less the value of shares repurchased. As of March 31, 2021, we can repurchase up to approximately \$86 million of our common stock under Luxembourg law. Our Credit Agreement also limits the amount we can spend on share repurchases, which limit was approximately \$398 million as of March 31, 2021, and may prevent repurchases in certain circumstances, including if our leverage ratio exceeds 3.50 to 1.00. Our leverage ratio exceeded 3.50 to 1.00 for the twelve months ended March 31, 2021.

Share-Based Compensation

We issue share-based awards in the form of stock options, restricted shares and restricted share units for certain employees, officers and directors. We recognized share-based compensation expense of \$1.4 million and \$2.9 million for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, estimated unrecognized compensation costs related to share-based awards amounted to \$7.7 million, which we expect to recognize over a weighted average remaining requisite service period of approximately 1.60 years.

Stock Options

Stock option grants are composed of a combination of service-based, market-based and performance-based options.

Service-Based Options. These options generally vest over three or four years with equal annual vesting and generally expire on the earlier of ten years after the date of grant or following termination of service. A total of 249 thousand service-based options were outstanding as of March 31, 2021.

Market-Based Options. These option grants generally have two components, each of which vests only upon the achievement of certain criteria. The first component, which we refer to as “ordinary performance” grants, generally consists of two-thirds of the market-based grant and begins to vest if the stock price is at least double the exercise price, as long as the stock price realizes a compounded annual gain of at least 20% over the exercise price. The remaining third of the market-based options, which we refer to as “extraordinary performance” grants, generally begins to vest if the stock price is at least triple the exercise price, as long as the stock price realizes a compounded annual gain of at least 25% over the exercise price. Market-based options vest in three or four year installments with the first installment vesting upon the achievement of the criteria and the remaining installments vesting thereafter in equal annual installments. Market-based options generally expire on the earlier of ten years after the date of grant or following termination of service, unless the performance criteria is met prior to termination of service or in the final three years of the option term, in which case vesting will generally continue in accordance with the provisions of the award agreement. A total of 198 thousand market-based options were outstanding as of March 31, 2021.

Performance-Based Options. These option grants generally will vest if certain specific financial measures are achieved; one-fourth vests on each anniversary of the grant date. For certain other financial measures, options cliff-vest upon the achievement of the specific performance during the period from 2019 through 2021. The award of performance-based options is adjusted based on the level of achievement specified in the award agreements. If the performance criteria achieved is above threshold performance levels, participants have the opportunity to vest in 50% to 200% of the option grants, depending upon performance achieved. If the performance criteria achieved is below a certain threshold, the options are canceled. The options generally expire on the earlier of ten years after the date of grant or following termination of service. There were 446 thousand performance-based options outstanding as of March 31, 2021.

There were no stock options granted during the three months ended March 31, 2021 and 2020.

The fair values of the service-based options and performance-based options are determined using the Black-Scholes option

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Notes to Condensed Consolidated Financial Statements (Continued)

pricing model and the fair values of the market-based options were determined using a lattice (binomial) model.

We determined the expected option life of all service-based stock option grants using the simplified method, determined based on the graded vesting term plus the contractual term of the options, divided by two. We use the simplified method because we believe that our historical data does not provide a reasonable basis upon which to estimate expected option life.

The following table summarizes the grant date fair value of stock options that vested during the periods presented:

| <i>(in thousands, except per share amounts)</i> | Three months ended March 31, | |
|----------------------------------------------------|------------------------------|-------|
| | 2021 | 2020 |
| Grant date fair value of stock options that vested | 1,186 | 1,650 |

The following table summarizes the activity related to our stock options:

| | Number of options | Weighted average exercise price | Weighted average contractual term (in years) | Aggregate intrinsic value (in thousands) |
|-------------------------------------|----------------------|---------------------------------------|-------------------------------------------------------|------------------------------------------------|
| Outstanding as of December 31, 2020 | 899,914 | \$ 32.47 | 5.63 | \$ — |
| Forfeited/expired | (6,762) | 29.10 | | |
| Outstanding as of March 31, 2021 | 893,152 | 32.49 | 5.40 | — |
| Exercisable as of March 31, 2021 | 627,389 | 28.23 | 5.41 | — |

Other Share-Based Awards

The Company's other share-based and similar types of awards are composed of restricted shares and restricted share units. The restricted shares and restricted share units are composed of a combination of service-based awards, performance-based awards and market-based awards.

Service-Based Awards. These awards generally vest over two to four year periods with (a) vesting in equal annual installments, or (b) vesting of all of the restricted shares and restricted share units at the end of the vesting period. A total of 433 thousand service-based awards were outstanding as of March 31, 2021. Beginning in 2019, the Company granted service-based restricted share units as a component of most employees' annual incentive compensation rather than cash.

Performance-Based Awards. These awards generally vest if certain specific financial measures are achieved; generally one-third vests on each anniversary of the grant date or cliff-vest on the third anniversary of the grant date. The number of performance-based restricted shares and restricted share units that may vest is based on the level of achievement as specified in the award agreements. If the performance criteria achieved is above certain financial performance levels and Altisource's share performance is above certain established criteria, participants have the opportunity to vest in up to 150% of the restricted share unit award for certain awards. If the performance criteria achieved is below certain thresholds, the award is canceled. A total of 252 thousand performance-based awards were outstanding as of March 31, 2021.

Market-Based Awards. 50% of these awards generally vest if certain specific market conditions are achieved over a 30-day period and the remaining 50% of these awards generally vest on the one year anniversary of the initial vesting. The Company estimates the grant date fair value of these awards using a lattice (binomial) model. A total of 176 thousand market-based awards were outstanding as of March 31, 2021.

Performance-Based and Market-Based Awards. These awards generally vest if certain specific financial measures are achieved and if certain specific market conditions are achieved. If the performance criteria achieved is above certain financial performance levels and Altisource's share performance is above certain established criteria, participants have the opportunity to vest in up to 300% of the restricted share unit award for certain awards. If the performance criteria or the market criteria is below certain thresholds, the award is canceled. The Company estimates the grant date fair value of these awards using a Monte Carlo simulation model. A total of 96 thousand performance-based and market-based awards were outstanding as of March 31, 2021.

The Company granted 338 thousand restricted share units (at a weighted average grant date fair value of \$9.53 per share) during the three months ended March 31, 2021. These grants include 29 thousand performance-based awards that include both a

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Notes to Condensed Consolidated Financial Statements (Continued)

performance condition and a market condition. The Company granted 37 thousand performance-based awards that include both a performance condition and a market condition for the three months ended March 31, 2020. There were no market-based awards granted for the three months ended March 31, 2021 and 2020, respectively.

The following table summarizes the activity related to our restricted shares and restricted share units:

| | Number of restricted shares and restricted share units |
|-------------------------------------|---------------------------------------------------------------------------|
| Outstanding as of December 31, 2020 | 878,521 |
| Granted | 337,971 |
| Issued | (131,054) |
| Forfeited/canceled | (128,470) |
| Outstanding as of March 31, 2021 | <u>956,968</u> |

NOTE 16 — REVENUE

We classify revenue in three categories: service revenue, revenue from reimbursable expenses and non-controlling interests. Service revenue consists of amounts attributable to our fee-based services. Reimbursable expenses and non-controlling interest are pass-through items for which we earn no margin. Reimbursable expenses consist of amounts we incur on behalf of our customers in performing our fee-based services that we pass directly on to our customers without a markup. Non-controlling interests represent the earnings of Lenders One, a consolidated entity that is a mortgage cooperative managed, but not owned, by Altisource. The Lenders One members' earnings are included in revenue and reduced from net income to arrive at net income attributable to Altisource (see Note 1). Our services are provided to customers located in the United States. The components of revenue were as follows for the three months ended March 31:

| <i>(in thousands)</i> | 2021 | 2020 |
|---------------------------|------------------|-------------------|
| Service revenue | \$ 48,080 | \$ 113,176 |
| Reimbursable expenses | 2,013 | 7,845 |
| Non-controlling interests | 372 | 423 |
| Total | <u>\$ 50,465</u> | <u>\$ 121,444</u> |

Disaggregation of Revenue

Disaggregation of total revenues by major source is as follows:

| <i>(in thousands)</i> | Revenue recognized when services are performed or assets are sold | Revenue related to technology platforms and professional services | Reimbursable expenses revenue | Total revenue |
|-----------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------|----------------------|
| Three months ended March 31, 2021 | 45,251 | 3,201 | 2,013 | 50,465 |
| Three months ended March 31, 2020 | 108,008 | 5,591 | 7,845 | 121,444 |

Contract Balances

Our contract assets consist of unbilled accounts receivable (see Note 5). Our contract liabilities consist of current deferred revenue and other non-current liabilities as reported on the accompanying condensed consolidated balance sheets. Revenue recognized that was included in the contract liability at the beginning of the period was \$2.2 million and \$2.5 million for the three months ended March 31, 2021 and 2020, respectively.

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Notes to Condensed Consolidated Financial Statements (Continued)

NOTE 17 — COST OF REVENUE

Cost of revenue principally includes payroll and employee benefits associated with personnel employed in customer service and operations roles, fees paid to external providers related to the provision of services, reimbursable expenses, technology and telecommunications costs as well as depreciation and amortization of operating assets. The components of cost of revenue were as follows for the three months ended March 31:

| <i>(in thousands)</i> | 2021 | 2020 |
|-----------------------------------|------------------|------------------|
| Compensation and benefits | \$ 22,035 | \$ 25,916 |
| Outside fees and services | 18,723 | 48,140 |
| Technology and telecommunications | 6,587 | 9,232 |
| Reimbursable expenses | 2,013 | 7,845 |
| Depreciation and amortization | 800 | 3,448 |
| Total | \$ 50,158 | \$ 94,581 |

NOTE 18 — SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses include payroll and employee benefits associated with personnel employed in executive, sales and marketing, finance, law, compliance, human resources, vendor management, facilities and risk management roles. This category also includes professional services fees, occupancy costs, marketing costs, depreciation and amortization of non-operating assets and other expenses. The components of selling, general and administrative expenses were as follows for the three months ended March 31:

| <i>(in thousands)</i> | 2021 | 2020 |
|-----------------------------------|------------------|------------------|
| Compensation and benefits | \$ 7,852 | \$ 12,012 |
| Professional services | 3,218 | 2,635 |
| Occupancy related costs | 3,180 | 5,421 |
| Amortization of intangible assets | 2,599 | 4,209 |
| Marketing costs | 474 | 1,437 |
| Depreciation and amortization | 384 | 669 |
| Other | 1,179 | 1,710 |
| Total | \$ 18,886 | \$ 28,093 |

NOTE 19 — OTHER INCOME (EXPENSE), NET

Other income (expense), net consists of the following for the three months ended March 31:

| <i>(in thousands)</i> | 2021 | 2020 |
|---------------------------|---------------|-----------------|
| Interest (expense) income | \$ (21) | \$ 74 |
| Other, net | 970 | 1,020 |
| Total | \$ 949 | \$ 1,094 |

NOTE 20 — INCOME TAXES

We recognized an income tax provision of \$0.8 million and \$2.4 million for the three months ended March 31, 2021 and 2020, respectively. The income tax provision for the three months ended March 31, 2021 was driven by income tax on transfer pricing income from India, minimum tax in Luxembourg, no tax benefit on the pretax loss from our Luxembourg operating company and tax on unrepatriated earnings in India.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements (Continued)

NOTE 21 — LOSS PER SHARE

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net loss per share excludes all dilutive securities because their impact would be anti-dilutive, as described below.

Basic and diluted loss per share are calculated as follows for the three months ended March 31:

| <i>(in thousands, except per share data)</i> | 2021 | 2020 |
|-----------------------------------------------------|-------------|-------------|
| Net loss attributable to Altisource | \$ (22,002) | \$ (11,650) |
| Weighted average common shares outstanding, basic | 15,717 | 15,497 |
| Weighted average common shares outstanding, diluted | 15,717 | 15,497 |
| Loss per share: | | |
| Basic | \$ (1.40) | \$ (0.75) |
| Diluted | \$ (1.40) | \$ (0.75) |

For the three months ended March 31, 2021 and 2020, 1.7 million and 1.9 million stock options, restricted shares and restricted share units, respectively, were excluded from the computation of loss per share, as a result of the following:

- For both the three months ended March 31, 2021 and 2020, 0.3 million stock options, restricted shares and restricted share units were anti-dilutive and have been excluded from the computation of diluted loss per share because the Company incurred a net loss
- For the three months ended March 31, 2021 and 2020, 0.3 million and 0.9 million, respectively, stock options were anti-dilutive and have been excluded from the computation of diluted loss per share because their exercise price was greater than the average market price of our common stock
- For the three months ended March 31, 2021 and 2020, 1.2 million and 0.8 million, respectively, stock options, restricted shares and restricted share units, which begin to vest upon the achievement of certain market criteria related to our common stock price, performance criteria and a total shareholder return compared to the market benchmark, that have not yet been met in each period have been excluded from the computation of diluted loss per share

NOTE 22 — RESTRUCTURING CHARGES

In August 2018, Altisource initiated Project Catalyst, a project intended to optimize its operations and reduce costs to better align its cost structure with its anticipated revenues and improve its operating margins (finalized in 2020). During the three months ended March 31, 2020, Altisource incurred \$2.9 million of severance costs, professional services fees, facility consolidation costs, technology costs and business wind down costs related to the plan (no comparative amount for the three months ended March 31, 2021).

NOTE 23 — COMMITMENTS, CONTINGENCIES AND REGULATORY MATTERS

We record a liability for contingencies if an unfavorable outcome is probable and the amount of loss can be reasonably estimated, including expected insurance coverage. For proceedings where the reasonable estimate of loss is a range, we record a best estimate of loss within the range.

Litigation

We are currently involved in legal actions in the course of our business, some of which seek monetary damages. We do not believe that the outcome of these proceedings, both individually and in the aggregate, will have a material impact on our financial condition, results of operations or cash flows.

Regulatory Matters

Periodically, we are subject to audits, examinations and investigations by federal, state and local governmental authorities and receive subpoenas, civil investigative demands or other requests for information from such governmental authorities in connection with their regulatory or investigative authority. We are currently responding to such inquiries from governmental authorities relating to certain aspects of our business. We believe it is premature to predict the potential outcome or to estimate any potential financial impact in connection with these inquiries.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements (*Continued*)

Sales Taxes

On June 21, 2018, the United States Supreme Court rendered a 5-4 majority decision in *South Dakota v. Wayfair, Inc.*, holding that a state may require a remote seller with no physical presence in the state to collect and remit sales tax on goods and services provided to purchasers in the state, overturning existing court precedent. During the year ended December 31, 2019, the Company completed the analysis of its services for potential exposure to sales tax in various jurisdictions in the United States. Future changes in our estimated sales tax exposure could result in a material adjustment to our condensed consolidated financial statements, which would impact our financial condition and results of operations

Ocwen Related Matters

As discussed in Note 2, during the three months ended March 31, 2021, Ocwen was our largest customer, accounting for 34% of our total revenue. Additionally, 5% of our revenue for the three months ended March 31, 2021 was earned on the loan portfolios serviced by Ocwen, when a party other than Ocwen or the MSR owner selected Altisource as the service provider.

Ocwen has disclosed that it is subject to a number of ongoing federal and state regulatory examinations, consent orders, inquiries, subpoenas, civil investigative demands, requests for information and other actions and is subject to pending and threatened legal proceedings, some of which include claims against Ocwen for substantial monetary damages. In addition to monetary damages, various complaints have sought to obtain injunctive relief, consumer redress, refunds, restitution, disgorgement, civil penalties, costs and fees and other relief. Existing or future similar matters could result in, and in some cases, have resulted in, adverse regulatory or other actions against Ocwen. Previous regulatory actions against Ocwen have subjected Ocwen to independent oversight of its operations and placed certain restrictions on its ability to acquire servicing rights. In addition to the above, Ocwen may become subject to future adverse regulatory or other actions.

Ocwen has disclosed that NRZ is its largest client. As of March 31, 2021, approximately 36% of loans serviced and subserviced by Ocwen (measured in UPB) were related to NRZ MSR or rights to MSR. In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to the Subject MSR and under which Ocwen will subservice mortgage loans underlying the Subject MSR for an initial term of five years. NRZ can terminate its sub-servicing agreement with Ocwen in exchange for the payment of a termination fee.

The existence or outcome of Ocwen regulatory matters or the termination of the NRZ sub-servicing agreement with Ocwen may have significant adverse effects on Ocwen's business and/or our continuing relationship with Ocwen. For example, Ocwen may be required to alter the way it conducts business, including the parties it contracts with for services, it may be required to seek changes to its existing pricing structure with us, it may lose its non-government-sponsored enterprise ("GSE") servicing rights or subservicing arrangements or may lose one or more of its state servicing or origination licenses. Additional regulatory actions or adverse financial developments may impose additional restrictions on or require changes in Ocwen's business that could require it to sell assets or change its business operations. Any or all of these effects and others could result in our eventual loss of Ocwen as a customer or a reduction in the number and/or volume of services they purchase from us or the loss of other customers.

During the second quarter of 2020, Ocwen informed us that an MSR investor instructed Ocwen to use a field services provider other than Altisource on properties associated with certain MSR. Based upon the impacted portfolios to date and the designated service provider, Altisource believes that Ocwen received these directions from NRZ. We believe Ocwen commenced using another field services provider for these properties in July 2020 and continued to transition services during the third quarter of 2020. We believe that the transition to the replacement field service provider was largely completed as of September 30, 2020. We estimate that \$0.2 million and \$29.3 million of service revenue from Ocwen for the three months ended March 31, 2021 and 2020, respectively, was derived from Field Services referrals from the NRZ portfolios. Ocwen also communicated to Altisource in the fourth quarter of 2020 that the same investor instructed Ocwen to use a provider for default valuations and certain default title services other than Altisource on properties associated with such certain MSR and commenced moving these referrals to other service providers in the fourth quarter of 2020. We anticipate that the transition of such default valuations and title services will continue during the course of 2021. We estimate that \$1.0 million and \$8.0 million of service revenue from Ocwen for the three months ended March 31, 2021 and 2020, respectively, was derived from default valuations and title services referrals from the NRZ portfolios.

To address the reduction in revenue, Altisource is undertaking several measures to further reduce its cost structure and strengthen its operations.

In addition, we entered into an Agreement with Ocwen on May 5, 2021 pursuant to which the term of the services agreements between us and Ocwen were extended from August 2025 through August 2030 and the scope of solutions we provide to Ocwen

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements (Continued)

were expanded to, among other things, include the opportunity to provide field services, first and second chance foreclosure auctions, and title services on Ocwen’s F.H.A., V.A. and U.S.D.A. loans, subject to a process to confirm Altisource’s ability to meet reasonable performance requirements. The Agreement established a framework for us to expand the foreclosure trustee solutions we provide to Ocwen in additional states, and, as mutually agreed upon by the parties, to deliver reverse mortgage related solutions to Ocwen, subject to negotiation of appropriate statements of work or other agreements, a process to confirm Altisource’s ability to meet reasonable performance requirements, and technical integrations, as may be applicable. The Agreement further resolved the contractual dispute between the parties related to Ocwen’s transfer to NRZ the rights to designate service providers other than Altisource, including mutual releases with respect to such dispute. The Agreement also addressed Ocwen’s rights in the event of certain change of control or sale of a business transactions by us on or after September 1, 2028.

In addition to expected reductions in our revenue from the transition of referrals for default related services previously identified, if any of the following events occurred, Altisource’s revenue could be further significantly reduced and our results of operations could be materially adversely affected, including from the possible impairment or write-off of goodwill, intangible assets, property and equipment, other assets and accounts receivable:

- Altisource loses Ocwen as a customer or there is an additional significant reduction in the volume of services they purchase from us
- Ocwen loses, sells or transfers a significant portion of its GSE and Federal Housing Administration servicing rights or subservicing arrangements or remaining non-GSE servicing rights or subservicing arrangements and Altisource fails to be retained as a service provider
- The contractual relationship between Ocwen and NRZ changes significantly and this change results in a change in our status as a provider of services related to the Subject MSRs
- Ocwen loses state servicing licenses in states with a significant number of loans in Ocwen’s servicing portfolio
- The contractual relationship between Ocwen and Altisource changes significantly or there are significant changes to our pricing to Ocwen for services from which we generate material revenue
- Altisource otherwise fails to be retained as a service provider

Management cannot predict whether any of these events will occur or the amount of any impact they may have on Altisource. However, we are focused on diversifying and growing our revenue and customer base and we have a sales and marketing strategy to support these efforts. Moreover, in the event one or more of these events materially negatively impact Altisource, we believe the variable nature of our cost structure would allow us to realign our cost structure to address some of the impact to revenue and that current liquidity would be sufficient to meet our working capital, capital expenditures, debt service and other cash needs. There can be no assurance that our plans will be successful or our operations will be profitable.

Leases

We lease certain premises and equipment, primarily consisting of office space and information technology equipment. Certain of our leases include options to renew at our discretion or terminate leases early, and these options are considered in our determination of the expected lease term. Certain of our lease agreements include rental payments adjusted periodically for inflation. Our lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. We sublease certain office space to third parties. Sublease income was \$0.3 million for the three months ended March 31, 2021 and 2020. The amortization periods of right-of-use assets are generally limited by the expected lease term. Our leases generally have expected lease terms at adoption of one to six years. As of March 31, 2021, we entered into a five year lease for additional office space which has not yet commenced.

Information about our lease terms and our discount rate assumption is as follows for the three months ended March 31:

| | 2021 | 2020 |
|--------------------------------------------------|-------|-------|
| Weighted average remaining lease term (in years) | 3.06 | 3.43 |
| Weighted average discount rate | 7.01% | 7.16% |

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements (Continued)

Our lease activity during the period is as follows for the three months ended March 31:

| <i>(in thousands)</i> | 2021 | 2020 |
|-------------------------------------------------------------------------------------------------------|----------|----------|
| Operating lease costs: | | |
| Selling, general and administrative expense | \$ 2,092 | \$ 2,281 |
| Cost of revenue | 171 | 634 |
| Cash used in operating activities for amounts included in the measurement of lease liabilities | | |
| | \$ 3,078 | \$ 3,311 |
| Short-term (twelve months or less) lease costs | 481 | 1,205 |

Maturities of our lease liabilities as of March 31, 2021 are as follows:

| <i>(in thousands)</i> | Operating lease obligations |
|------------------------------------|------------------------------------|
| 2021 | \$ 5,888 |
| 2022 | 5,731 |
| 2023 | 4,662 |
| 2024 | 2,897 |
| 2025 | 599 |
| Total lease payments | 19,777 |
| Less: interest | (2,048) |
| Present value of lease liabilities | <u>\$ 17,729</u> |

Escrow Balances

We hold customers' assets in escrow accounts at various financial institutions pending completion of certain real estate activities. These amounts are held in escrow accounts for limited periods of time and are not included in the accompanying condensed consolidated balance sheets. Amounts held in escrow accounts were \$34.0 million and \$20.0 million as of March 31, 2021 and December 31, 2020, respectively.

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

Management’s discussion and analysis of financial condition and results of operations (“MD&A”) is a supplement to the accompanying interim condensed consolidated financial statements and is intended to provide a reader of our financial statements with a narrative from the perspective of management on our businesses, current developments, financial condition, results of operations and liquidity. Our MD&A should be read in conjunction with our Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission (“SEC”) on March 11, 2021.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may relate to, among other things, future events or our future performance or financial condition. Words such as “anticipate,” “intend,” “expect,” “may,” “could,” “should,” “would,” “plan,” “estimate,” “believe,” “predict,” “potential” or “continue” or the negative of these terms and comparable terminology are intended to identify such forward-looking statements. Such statements are based on expectations as to the future and are not statements of historical fact. Furthermore, forward-looking statements are not guarantees of future performance and involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially. The following are examples of such items and are not intended to be all inclusive:

- assumptions related to sources of liquidity and the adequacy of financial resources;
- assumptions about our ability to grow our business, including executing on our strategic initiatives;
- assumptions about our ability to improve margins and affect anticipated expense reductions as a result of Project Catalyst and otherwise in response to lower revenues due to COVID-19, or other factors;
- assumptions about the variable nature of our cost structure that would allow us to realign our cost structure in line with revenue;
- assumptions regarding the impact of seasonality;
- assumptions regarding the impacts of the COVID-19 pandemic and the timeliness and effectiveness of actions taken in response thereto;
- estimates regarding our effective tax rate; and
- estimates regarding our reserves and valuations.

Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, but are not limited to, the risks discussed in the *Risk Factors* section of our Form 10-K for the year ended December 31, 2020 including:

- the timing of the anticipated increase in default related referrals following the expiration of foreclosure and eviction moratoriums and forbearance programs, the timing of the expiration of such moratoriums and programs, and any other delays occasioned by government, investor or servicer actions;
- our ability to retain Ocwen Financial Corporation (together with its subsidiaries, “Ocwen”) as a customer or our ability to receive the anticipated volume of referrals from Ocwen;
- our ability to retain New Residential Investment Corp. (individually, together with one or more of its subsidiaries, or one or more of its subsidiaries individually, “NRZ”) as a customer or our ability to receive the anticipated volume of referrals from NRZ;
- our ability to comply with material agreements if a change of control is deemed to have occurred including, among other things, through the formation of a shareholder group, which may cause a termination event or event of default under certain of our agreements;
- our ability to execute on our strategic plan;
- our ability to retain our existing customers, expand relationships and attract new customers;
- our ability to comply with governmental regulations and policies and any changes in such regulations and policies;
- the level of loan delinquencies and charge-offs;
- the level of origination volume;
- technology incidents, data breaches and cybersecurity risks;
- significant changes in tax regulations and interpretations in the countries, states and local jurisdictions in which we operate; and
- the risks and uncertainties related to pandemics, epidemics or other force majeure events, including the COVID-19 pandemic, and associated impacts on the economy, supply chain, transportation, movement of people, availability of

vendors and demand for our products or services as well as increased costs, recommendations or restrictions imposed by governmental entities, changes in relevant business practices undertaken or imposed by our clients, vendors or regulators, impacts on contracts and client relationships and potential litigation exposure.

We caution the reader not to place undue reliance on these forward-looking statements as they reflect our view only as of the date of this report. We are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

OVERVIEW

Our Business

When we refer to “Altisource,” the “Company,” “we,” “us” or “our” we mean Altisource Portfolio Solutions S.A., a Luxembourg société anonyme, or public limited liability company, and its subsidiaries.

We are an integrated service provider and marketplace for the real estate and mortgage industries. Combining operational excellence with a suite of innovative services and technologies, Altisource helps solve the demands of the ever-changing markets we serve.

We provide loan servicers and originators with marketplaces, services and technologies that span the residential mortgage lifecycle. We provide buyers, sellers, servicers and investors with the technology enabled marketplaces and other solutions that span the residential real estate lifecycle.

The Company operates with one reportable segment (total Company). Our principal revenue generating activities are as follows:

Core Businesses

Field Services

- Property preservation and inspection services and vendor management oversight software-as-a-service (“SaaS”) platform

Marketplace

- Hubzu[®] online real estate auction platform, real estate auction, real estate brokerage and asset management
- Equator[®], a SaaS-based technology to manage real estate owned (“REO”), short sales, foreclosure, bankruptcy and eviction processes

Mortgage and Real Estate Solutions

- Mortgage loan fulfillment, certification and certification insurance services and technologies
- Title insurance (as an agent) and settlement services
- Real estate valuation services
- Residential and commercial construction inspection and risk mitigation services
- Management of the Best Partners Mortgage Cooperative, Inc., doing business as Lenders One[®] (“Lenders One”), mortgage banking cooperative
- Foreclosure trustee services
- Business services

Other Businesses

Earlier Stage Business

- Pointillist[®] customer journey analytics platform

Other

- Commercial loan servicing technology

We classify revenue in three categories: service revenue, revenue from reimbursable expenses and non-controlling interests. In evaluating our performance, we focus on service revenue. Service revenue consists of amounts attributable to our fee-based services. Reimbursable expenses and non-controlling interests are pass-through items for which we earn no margin. Reimbursable expenses consist of amounts we incur on behalf of our customers in performing our fee-based services that we

pass directly on to our customers without a markup. Non-controlling interests represent the earnings of Lenders One. Lenders One is a mortgage cooperative managed, but not owned, by Altisource. The Lenders One members' earnings are included in revenue and reduced from net income to arrive at net income attributable to Altisource.

Strategy and Core Businesses

We are focused on becoming the premier provider of mortgage and real estate marketplaces and related technology enabled solutions to a broad and diversified customer base of residential loan investors and servicers, and originators. The real estate and mortgage marketplaces represent very large markets, and we believe our scale and suite of offerings provide us with competitive advantages that could support our growth. As we navigate the COVID-19 pandemic and its impacts on our business, we continue to evaluate our strategy and core businesses and seek to position our businesses to provide long term value to our shareholders.

Through our offerings that support residential loan investors and servicers, we provide a suite of solutions and technologies intended to meet their growing and evolving needs. We are focused on growing referrals from our existing customer base and attracting new customers to our offerings. We have a customer base that includes government-sponsored enterprises ("GSEs"), asset managers, and several large bank and non-bank servicers including Ocwen and NRZ. We believe we are one of only a few providers with a broad suite of servicer solutions, nationwide coverage and scalability. Further, we believe we are well positioned to gain market share from existing and new customers in the event delinquency rates rise, or customers and prospects consolidate to larger, full-service providers or outsource services that have historically been performed in-house.

We also provide services to mortgage loan originators (or other similar mortgage market participants) in originating, buying and selling residential mortgages. We provide a suite of solutions and technologies to meet the evolving and growing needs of lenders, mortgage purchasers and securitizers. We are focused on growing referrals from our existing customer base and attracting new customers to our offerings. We have a customer base that includes the Lenders One cooperative mortgage bankers and mid-size and larger bank and non-bank loan originators. We believe our suite of services, technologies and unique access to the members of the Lenders One mortgage cooperative position us to grow our relationships with our existing customer base by cross-selling existing offerings and developing new offerings. Further, we believe we are well positioned to gain market share from existing and new customers as customers and prospects consolidate to larger, full-service providers or outsource services that have historically been performed in-house.

Our earlier stage business consists of Pointillist, Inc. ("Pointillist"). The Pointillist business was developed by Altisource through our consumer analytics capabilities. We believe the Pointillist business is a potentially disruptive SaaS-based platform which provides unique customer journey analytics at scale and enables customers to engage through our intelligent platform. During 2019, we created Pointillist as a separate legal entity to position it for accelerated growth and outside investment and contributed the Pointillist business and \$8.5 million to it. Pointillist is owned by Altisource and management of Pointillist. Management of Pointillist owns a non-controlling interest representing 12.1% of the outstanding equity of Pointillist. Additional equity shares of Pointillist are available for issuance to management and board members of Pointillist. Altisource has an option, but no ongoing obligation, to participate in future funding of Pointillist.

COVID-19 Pandemic Impacts

In response to the COVID-19 pandemic, various governmental entities and servicers implemented unprecedented foreclosure and eviction moratoriums and forbearance programs to help mitigate the impact to borrowers and renters. Additionally, at various times throughout 2020, certain jurisdictions in the United States placed restrictions on non-essential services and travel. As a result of these measures, foreclosure initiations were 86% lower for the first quarter of 2021 compared to the first quarter of 2020 despite 232% growth in the number of delinquent mortgages in March 2021 compared to March 2020 (according to data from a recent Black Knight report). The decline in foreclosure initiations resulted in significantly lower REO referrals and negatively impacted virtually all of the default related services performed on delinquent loans, loans in foreclosure and REO. With the expectation that the pandemic-related foreclosure and eviction moratoriums will continue through at least June 30, 2021, and that there will be additional pandemic-related borrower protection measures in place through December 31, 2021, we anticipate that default related referrals will remain severely depressed throughout 2021.

At the same time, to reduce interest rates, the Federal Reserve lowered the target for the federal funds rate to 0% to 0.25% and bought billions of dollars of mortgage backed securities on the secondary market. As a result of the lower interest rate environment, first quarter 2021 mortgage originations were 94% higher than first quarter 2020 (according to the Mortgage Bankers Association) driving higher demand for origination related services. For the full year, the Mortgage Bankers Association forecasts that origination volume will decline by 14%.

While we cannot predict the duration of the pandemic and future governmental measures, we anticipate that revenue from our default related businesses will continue to be under significant pressure throughout 2021 with referrals being impacted by the foreclosure and eviction moratoriums, forbearance plans, and borrower protection measures that may be undertaken, and Ocwen's transition of field services, valuation and title referrals associated with certain investor's mortgage servicing rights ("MSRs") to the investor's captive service provider (see Ocwen Related Matters below). Furthermore, we anticipate that our Marketplace and Field Services businesses will continue to be negatively impacted by low REO referrals and declining REO inventory. We further anticipate that our origination related business will continue to experience growth from new customer wins and, more recently, new product launches. However, due to the relative size of Altisource's default related businesses compared to its origination related businesses, we anticipate that Altisource's total service revenue will decline in 2021 compared to 2020.

To address the lower anticipated revenue, Altisource is working to (1) reduce our cost structure, (2) maintain the infrastructure to deliver default related services for our customer base and support the anticipated surge in demand following the expiration of the moratoriums and forbearance plans, and (3) accelerate the growth of our originations related businesses.

We anticipate that demand for default related services will begin to return in late 2021 and into 2022 after the expiration of the pandemic related foreclosure and eviction moratoriums, forbearance plans and other loss mitigation activities. We anticipate that the volume of referrals will be significantly higher driven by the return to a more normal default operating environment. We believe the magnitude of the increase in demand for default services will be largely based upon the delinquency rate at the time the foreclosure and eviction moratoriums and forbearance plans expire. We currently anticipate that the default related business should stabilize in 2023 when foreclosures commenced after the expiration of the foreclosure moratoriums and forbearance plans become REO. We further anticipate that our originations related business will continue to grow from new customer wins, and cross selling existing and new offerings to customers.

Share Repurchase Program

On May 15, 2018, our shareholders approved the renewal and replacement of the share repurchase program previously approved by the shareholders on May 17, 2017. Under the program, we are authorized to purchase up to 4.3 million shares of our common stock, based on a limit of 25% of the outstanding shares of common stock on the date of approval, at a minimum price of \$1.00 per share and a maximum price of \$500.00 per share, for a period of five years from the date of approval. As of March 31, 2021, approximately 2.4 million shares of common stock remain available for repurchase under the program. There were no purchases of shares of common stock during the three months ended March 31, 2021 and 2020. Luxembourg law limits share repurchases to the balance of Altisource Portfolio Solutions S.A. (unconsolidated parent company) retained earnings, less the value of shares repurchased. As of March 31, 2021, we can repurchase up to approximately \$86 million of our common stock under Luxembourg law. Our Credit Agreement also limits the amount we can spend on share repurchases, which limit was approximately \$398 million as of March 31, 2021, and may prevent repurchases in certain circumstances, including if our leverage ratio exceeds 3.50 to 1.00. Our leverage ratio exceeded 3.50 to 1.00 for the twelve months ended March 31, 2021.

Ocwen Related Matters

During the three months ended March 31, 2021, Ocwen was our largest customer, accounting for 34% of our total revenue for the three months ended March 31, 2021. Additionally, 5% of our revenue for the three months ended March 31, 2021 was earned on the loan portfolios serviced by Ocwen, when a party other than Ocwen or the MSRs owner selected Altisource as the service provider.

Ocwen has disclosed that it is subject to a number of ongoing federal and state regulatory examinations, consent orders, inquiries, subpoenas, civil investigative demands, requests for information and other actions and is subject to pending and threatened legal proceedings, some of which include claims against Ocwen for substantial monetary damages. In addition to monetary damages, various complaints have sought to obtain injunctive relief, consumer redress, refunds, restitution, disgorgement, civil penalties, costs and fees and other relief. Existing or future similar matters could result in, and in some cases, have resulted in, adverse regulatory or other actions against Ocwen. Previous regulatory actions against Ocwen have subjected Ocwen to independent oversight of its operations and placed certain restrictions on its ability to acquire servicing rights. In addition to the above, Ocwen may become subject to future adverse regulatory or other actions.

Ocwen has disclosed that NRZ is its largest client. As of March 31, 2021, approximately 36% of loans serviced and subserviced by Ocwen (measured in unpaid principal balance) were related to NRZ MSRs or rights to MSRs. In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to certain of its MSRs (the

“Subject MSR”) and under which Ocwen will subservice mortgage loans underlying the MSR for an initial term of five years. NRZ can terminate its sub-servicing agreement with Ocwen in exchange for the payment of a termination fee.

The existence or outcome of Ocwen regulatory matters or the termination of the NRZ sub-servicing agreement with Ocwen may have significant adverse effects on Ocwen’s business and/or our continuing relationship with Ocwen. For example, Ocwen may be required to alter the way it conducts business, including the parties it contracts with for services, it may be required to seek changes to its existing pricing structure with us, it may lose its non-GSE servicing rights or subservicing arrangements or may lose one or more of its state servicing or origination licenses. Additional regulatory actions or adverse financial developments may impose additional restrictions on or require changes in Ocwen’s business that could require it to sell assets or change its business operations. Any or all of these effects and others could result in our eventual loss of Ocwen as a customer or a reduction in the number and/or volume of services they purchase from us or the loss of other customers.

During the second quarter of 2020, Ocwen informed us that an MSR investor instructed Ocwen to use a field services provider other than Altisource on properties associated with certain MSR. Based upon the impacted portfolios to date and the designated service provider, Altisource believes that Ocwen received these directions from NRZ. We believe Ocwen commenced using another field services provider for these properties in July 2020 and continued to transition services during the third quarter of 2020. We believe that the transition to the replacement field service provider was largely completed as of September 30, 2020. We estimate that \$0.2 million and \$29.3 million of service revenue from Ocwen for the three months ended March 31, 2021 and 2020, respectively, was derived from Field Services referrals from the NRZ portfolios. Ocwen also communicated to Altisource in the fourth quarter of 2020 that the same investor instructed Ocwen to use a provider for default valuations and certain default title services other than Altisource on properties associated with such certain MSR and commenced moving these referrals to other service providers in the fourth quarter of 2020. We anticipate that the transition of such default valuations and title services will continue during the course of 2021. We estimate that \$1.0 million and \$8.0 million of service revenue from Ocwen for the three months ended March 31, 2021 and 2020, respectively, was derived from default valuations and title services referrals from the NRZ portfolios.

To address the reduction in revenue, Altisource is undertaking several measures to further reduce its cost structure and strengthen its operations.

In addition, we entered into an agreement with Ocwen on May 5, 2021 (the “Agreement”) pursuant to which the term of the services agreements between us and Ocwen were extended from August 2025 through August 2030 and the scope of solutions we provide to Ocwen were expanded to, among other things, include the opportunity to provide field services, first and second chance foreclosure auctions, and title services on Ocwen’s Federal Housing Administration, Veterans Affairs and United States Department of Agriculture loans, subject to a process to confirm Altisource’s ability to meet reasonable performance requirements. The Agreement established a framework for us to expand the foreclosure trustee solutions we provide to Ocwen in additional states, and, as mutually agreed upon by the parties, to deliver reverse mortgage related solutions to Ocwen, subject to negotiation of appropriate statements of work or other agreements, a process to confirm Altisource’s ability to meet reasonable performance requirements, and technical integrations, as may be applicable. The Agreement further resolved the contractual dispute between the parties related to Ocwen’s transfer to NRZ the rights to designate service providers other than Altisource, including mutual releases with respect to such dispute. The Agreement also addressed Ocwen’s rights in the event of certain change of control or sale of a business transactions by us on or after September 1, 2028.

In addition to expected reductions in our revenue from the transition of referrals for default related services previously identified, if any of the following events occurred, Altisource’s revenue could be further significantly reduced and our results of operations could be materially adversely affected, including from the possible impairment or write-off of goodwill, intangible assets, property and equipment, other assets and accounts receivable:

- Altisource loses Ocwen as a customer or there is an additional significant reduction in the volume of services they purchase from us
- Ocwen loses, sells or transfers a significant portion of its GSE servicing rights or subservicing arrangements or remaining non-GSE servicing rights or subservicing arrangements and Altisource fails to be retained as a service provider
- The contractual relationship between Ocwen and NRZ changes significantly and this change results in a change in our status as a provider of services related to the Subject MSR
- Ocwen loses state servicing licenses in states with a significant number of loans in Ocwen’s servicing portfolio
- The contractual relationship between Ocwen and Altisource changes significantly or there are significant changes to our pricing to Ocwen for services from which we generate material revenue
- Altisource otherwise fails to be retained as a service provider

Management cannot predict whether any of these events will occur or the amount of any impact they may have on Altisource. However, we are focused on diversifying and growing our revenue and customer base and we have a sales and marketing strategy to support these efforts. Moreover, in the event one or more of these events materially negatively impact Altisource, we believe the variable nature of our cost structure would allow us to realign our cost structure to address some of the impact to revenue and that current liquidity would be sufficient to meet our working capital, capital expenditures, debt service and other cash needs. There can be no assurance that our plans will be successful or our operations will be profitable.

Factors Affecting Comparability

The following items impact the comparability of our results:

- The Company's financial performance in its default related businesses was negatively impacted by the COVID-19 pandemic for the three months ended March 31, 2021. Governmental, and in some instances, servicer measures to provide support to borrowers, including foreclosure and eviction moratoriums and forbearance programs, reduced referral volumes and inflows of REO. COVID-19 pandemic related governmental restrictions and changing vendor and consumer behavior also impacted financial performance. These impacts were partially offset by stronger performance from the Company's origination related businesses that benefited from lower interest rates, customer wins and new offerings for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. Across the Company's three core businesses, service revenue from customers other than Ocwen, NRZ and RESI for the three months ended March 31, 2021 grew by 12% compared to the three months ended March 31, 2020. Compared to the three months ended March 31, 2020, the increase is primarily from 68% growth in our origination businesses partially offset by a 70% decline in our default business. Service revenue from our default and other business was \$30.5 million and \$101.3 million for the three months ended March 31, 2021 and 2020, respectively, and service revenue from our origination business was \$16.8 million and \$10.0 million for the three months ended March 31, 2021 and 2020, respectively.
- During the second quarter of 2020, Ocwen informed us that an MSR investor instructed Ocwen to use a field services provider other than Altisource on properties associated with certain MSRs. Based upon the impacted portfolios to date and the designated service provider, Altisource believes that Ocwen received these directions from NRZ. We believe Ocwen commenced using another field services provider for these properties in July 2020 and continued to transition services during the third quarter of 2020. We believe that the transition to the replacement field service provider was largely completed as of September 30, 2020. We estimate that \$0.2 million and \$29.3 million of service revenue from Ocwen for the three months ended March 31, 2021 and 2020, respectively, was derived from Field Services referrals from the NRZ portfolios. Ocwen also communicated to Altisource in the fourth quarter of 2020 that the same investor instructed Ocwen to use a provider for default valuations and certain default title services other than Altisource on properties associated with such certain MSRs and commenced moving these referrals to other service providers in the fourth quarter of 2020. We anticipate that the transition of such default valuations and title services will continue during the course of 2021. We estimate that \$1.0 million and \$8.0 million of service revenue from Ocwen for the three months ended March 31, 2021 and 2020, respectively, was derived from default valuations and title services referrals from the NRZ portfolios. To address the reduction in revenue, Altisource is undertaking several measures to further reduce its cost structure and strengthen its operations.
- During the three months ended March 31, 2020, we recognized an unrealized loss of \$(1.3) million from the change in fair value on our investment in RESI in other income (expense), net in the condensed consolidated statements of operations and comprehensive loss from a change in the market value of RESI common shares (no comparative amount for the three months ended March 31, 2021).
- In August 2018, Altisource initiated Project Catalyst, a project intended to optimize its operations and reduce costs to better align its cost structure with its anticipated revenues and improve its operating margins (finalized in 2020). During the three months ended March 31, 2020, Altisource incurred \$2.9 million of severance costs, professional services fees, facility consolidation costs, technology costs and business wind down costs related to the reorganization plan (no comparative amount for the three months ended March 31, 2021).
- The Company recognized an income tax provision of \$0.8 million and \$2.4 million for the three months ended March 31, 2021 and 2020, respectively. The income tax provision for the three months ended March 31, 2021 was driven by income tax on transfer pricing income from India, minimum tax in Luxembourg, no tax benefit on the pretax loss from our Luxembourg operating company and tax on unrepatriated earnings in India.

RESULTS OF OPERATIONS

Summary Results

The following is a discussion of our results of operations for the periods indicated.

The following table sets forth information on our consolidated results of operations for the three months ended March 31:

| <i>(in thousands, except per share data)</i> | 2021 | 2020 | % Increase (decrease) |
|--------------------------------------------------------|--------------------|--------------------|----------------------------------|
| Service revenue | \$ 48,080 | \$ 113,176 | (58) |
| Reimbursable expenses | 2,013 | 7,845 | (74) |
| Non-controlling interests | 372 | 423 | (12) |
| Total revenue | <u>50,465</u> | <u>121,444</u> | (58) |
| Cost of revenue | <u>50,158</u> | <u>94,581</u> | (47) |
| Gross profit | 307 | 26,863 | (99) |
| Operating expenses: | | | |
| Selling, general and administrative expenses | 18,886 | 28,093 | (33) |
| Restructuring charges | — | 2,925 | (100) |
| Loss from operations | <u>(18,579)</u> | <u>(4,155)</u> | 347 |
| Other income (expense), net | | | |
| Interest expense | (3,442) | (4,716) | (27) |
| Unrealized loss on investment in equity securities | — | (1,347) | (100) |
| Other income (expense), net | 949 | 1,094 | (13) |
| Total other income (expense), net | <u>(2,493)</u> | <u>(4,969)</u> | (50) |
| Loss before income taxes and non-controlling interests | (21,072) | (9,124) | 131 |
| Income tax provision | <u>(843)</u> | <u>(2,421)</u> | (65) |
| Net loss | (21,915) | (11,545) | 90 |
| Net income attributable to non-controlling interests | <u>(87)</u> | <u>(105)</u> | (17) |
| Net loss attributable to Altisource | <u>\$ (22,002)</u> | <u>\$ (11,650)</u> | 89 |
| Margins: | | | |
| Gross profit/service revenue | 1 % | 24 % | |
| Loss from operations/service revenue | (39)% | (4)% | |
| Loss per share: | | | |
| Basic | <u>\$ (1.40)</u> | <u>\$ (0.75)</u> | 86 |
| Diluted | <u>\$ (1.40)</u> | <u>\$ (0.75)</u> | 86 |
| Weighted average shares outstanding: | | | |
| Basic | <u>15,717</u> | <u>15,497</u> | 1 |
| Diluted | <u>15,717</u> | <u>15,497</u> | 1 |

Revenue

Revenue by line of business consists of the following for the three months ended March 31:

| <i>(in thousands)</i> | 2021 | 2020 | % Increase (decrease) |
|------------------------------------|------------------|-------------------|--------------------------|
| Service revenue: | | | |
| Field Services | \$ 13,322 | \$ 54,913 | (76) |
| Marketplace | 9,772 | 26,167 | (63) |
| Mortgage and Real Estate Solutions | 24,259 | 30,276 | (20) |
| Earlier Stage Business | 557 | 561 | (1) |
| Other | 170 | 1,259 | (86) |
| Total service revenue | <u>48,080</u> | <u>113,176</u> | (58) |
| Reimbursable expenses: | | | |
| Field Services | 335 | 2,320 | (86) |
| Marketplace | 991 | 4,230 | (77) |
| Mortgage and Real Estate Solutions | 687 | 1,295 | (47) |
| Total reimbursable expenses | <u>2,013</u> | <u>7,845</u> | (74) |
| Non-controlling interests: | | | |
| Mortgage and Real Estate Solutions | <u>372</u> | <u>423</u> | (12) |
| Total revenue | <u>\$ 50,465</u> | <u>\$ 121,444</u> | (58) |

We recognized service revenue of \$48.1 million for the three months ended March 31, 2021, a 58% decrease compared to the three months ended March 31, 2020, primarily from COVID-19 pandemic related foreclosure and eviction moratoriums and borrower forbearance plans, an MSR investor's 2020 instructions to Ocwen to transition field services, title and valuation referrals historically provided to Altisource to the MSR investor's captive vendors. The decrease for the three months ended March 31, 2021 was partially offset by a 70% increase in revenue from customers other than Ocwen, NRZ and RESI in our Mortgage and Real Estate Solutions businesses from higher origination related volumes driven by a lower interest rate environment, customer wins and new offerings.

We recognized reimbursable expense revenue of \$2.0 million for the three months ended March 31, 2021, a 74% decrease compared to the three months ended March 31, 2020. The decrease in reimbursable expenses for the three months ended March 31, 2021 was consistent with the decline in service revenue discussed above.

Certain of our revenues can be impacted by seasonality. More specifically, revenues from property sales, loan originations and certain property preservation services in Field Services typically tend to be at their lowest level during the fall and winter months and at their highest level during the spring and summer months.

Cost of Revenue and Gross Profit

Cost of revenue principally includes payroll and employee benefits associated with personnel employed in customer service and operations roles, fees paid to external providers related to the provision of services, cost of real estate sold, reimbursable expenses, technology and telecommunications costs and depreciation and amortization of operating assets.

Cost of revenue consists of the following for the three months ended March 31:

| <i>(in thousands)</i> | 2021 | 2020 | % Increase (decrease) |
|-----------------------------------|------------------|------------------|--------------------------|
| Compensation and benefits | \$ 22,035 | \$ 25,916 | (15) |
| Outside fees and services | 18,723 | 48,140 | (61) |
| Technology and telecommunications | 6,587 | 9,232 | (29) |
| Reimbursable expenses | 2,013 | 7,845 | (74) |
| Depreciation and amortization | <u>800</u> | <u>3,448</u> | (77) |
| Cost of revenue | <u>\$ 50,158</u> | <u>\$ 94,581</u> | (47) |

We recognized cost of revenue of \$50.2 million for the three months ended March 31, 2021, a 47% decrease compared to the three months ended March 31, 2020. The decrease in outside fees and services were primarily driven by lower service revenue in Field Services and Marketplace businesses, discussed in the revenue section above. Compensation and benefits decreased primarily due to lower headcount in connection with cash cost savings measures taken in 2020 in response to the COVID-19 related decreases in service revenue and reduction in revenue from Ocwen discussed in the revenue section above. The Company also continued to reduce employee costs in the three months ended March 31, 2021 as a result of the extension of the expiration of foreclosure moratoriums and forbearance plans. The decreases in reimbursable expenses were consistent with the changes in reimbursable expense revenue discussed in the revenue section above.

Gross profit decreased to \$0.3 million, representing 1% of service revenue, for the three months ended March 31, 2021 compared to \$26.9 million, representing 24% of service revenue, for the three months ended March 31, 2020. Gross profit as a percentage of service revenue for the three months ended March 31, 2021 decreased compared to the three months ended March 31, 2020 primarily due to revenue mix with lower revenue from the higher margin Marketplace businesses and lower gross profit margin in the Field Services business. These decreases were partially offset by our COVID-19 cash cost savings measures.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses include payroll for personnel employed in executive, sales and marketing, finance, law, compliance, human resources, vendor management, facilities and risk management roles. This category also includes professional services fees, occupancy costs, marketing costs, depreciation and amortization of non-operating assets and other expenses.

SG&A expenses consist of the following for the three months ended March 31:

| <i>(in thousands)</i> | 2021 | 2020 | % Increase (decrease) |
|-----------------------------------------------------|------------------|------------------|--------------------------|
| Compensation and benefits | \$ 7,852 | \$ 12,012 | (35) |
| Occupancy related costs | 3,180 | 5,421 | (41) |
| Amortization of intangible assets | 2,599 | 4,209 | (38) |
| Professional services | 3,218 | 2,635 | 22 |
| Marketing costs | 474 | 1,437 | (67) |
| Depreciation and amortization | 384 | 669 | (43) |
| Other | 1,179 | 1,710 | (31) |
| Selling, general and administrative expenses | \$ 18,886 | \$ 28,093 | (33) |

SG&A expenses for the three months ended March 31, 2021 of \$18.9 million decreased by 33% compared to the three months ended March 31, 2020. The decreases were primarily driven by lower compensation and benefits, occupancy related costs, amortization of intangible assets and marketing costs. Compensation and benefits decreased primarily due to lower headcount in connection with cash cost savings measures taken in 2020 in response to the COVID-19 related decreases in service revenue and reduction in revenue from Ocwen discussed in the revenue section above. The Company also continued to reduce compensation and benefits costs in the three months ended March 31, 2021 as a result of the extension of the expiration of foreclosure moratoriums and forbearance plans. The decreases in occupancy related costs primarily resulted from facility consolidation initiatives. The decrease in amortization of intangible assets was driven by the completion of the amortization period of certain intangible assets during 2020 and lower revenue generated from the Homeward Residential, Inc. and Residential Capital, LLC portfolios (revenue-based amortization) consistent with the reduction in the size of Ocwen’s portfolio, discussed in the revenue section above. The decreases in marketing costs were primarily driven by COVID-19 cost savings measures and the decline in revenue. For the three months ended March 31, 2021, Other expenses decreased primarily due to lower travel and entertainment costs driven by COVID-19 travel restrictions, lower billings to Transworld Systems Inc. for transition services in connection with the July 1, 2019 sale of the Financial Services Business and lower bad debt expense.

Other Operating Expenses

In August 2018, Altisource initiated Project Catalyst, a project intended to optimize its operations and reduce costs to better align its cost structure with its anticipated revenues and improve its operating margins (finalized in 2020). During the three months ended March 31, 2020, Altisource incurred \$2.9 million of severance costs, professional services fees, facility consolidation costs, technology costs and business wind down costs related to the reorganization plan (no comparative amount for the three months ended March 31, 2021).

Loss from Operations

Loss from operations for the three months ended March 31, 2021 was \$(18.6) million, representing (39)% of service revenue, compared to \$(4.2) million, representing (4)% of service revenue, for the three months ended March 31, 2020. Loss from operations as a percentage of service revenue increased for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily as a result of lower gross profit margins during the three months ended March 31, 2020, partially offset by lower SG&A expenses and restructuring charges, as discussed above.

Because Ocwen is our largest customer, 2021 declines in service revenue from Ocwen and the changes in mix of revenue from Ocwen have had a negative impact on our loss from operations.

Other Income (Expense), net

Other income (expense), net principally includes interest expense, unrealized loss on our investment in RESI common shares and other non-operating gains and losses.

Other income (expense), net was \$(2.5) million for the three months ended March 31, 2021 compared to \$(5.0) million for the three months ended March 31, 2020. The decrease in other expense for the three months ended March 31, 2021 was primarily driven by a \$(1.3) million unrealized loss on our investment in RESI common shares for the three months ended March 31, 2020 (no comparative amount for the three months ended March 31, 2021). The decrease in other expense was partially offset by lower interest expense during the three months ended March 31, 2021. Interest expense decreased primarily due to lower average outstanding balances of the senior secured term loan as a result of repayments during 2020 and lower interest rates. For the three months ended March 31, 2021, the interest rate of the senior secured term loan was 5.00% compared to 5.94% for the three months ended March 31, 2020.

Income Tax Provision

We recognized an income tax provision of \$0.8 million and \$2.4 million for the three months ended March 31, 2021 and 2020, respectively. The income tax provision for the three months ended March 31, 2021 was driven by income tax on transfer pricing income from India, minimum tax in Luxembourg, no tax benefit on the pretax loss from our Luxembourg operating company and tax on unrepatriated earnings in India.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary source of liquidity has historically been cash flow from operations, cash proceeds from sales of businesses and cash on hand. However, due to the COVID-19 pandemic and an MSR investor's instructions to Ocwen to transition field services, valuation and title services to the investor's captive service providers, revenue has declined significantly. The lower revenue, partially offset by cost savings initiatives, resulted in a negative operating cash flow from operations for three months ended March 31, 2021. To address our current operating environment, we plan to continue our cost reduction initiatives to reduce cash burn. We are also evaluating options to increase our liquidity to provide a greater cushion. While we are in active discussions, there is no guaranty that we will be successful. We also anticipate that we will continue to grow our origination businesses and that referral volumes from delinquent mortgages will increase following the expiration of the pandemic related foreclosure moratoriums and other pandemic related borrower relief measures. We seek to deploy cash generated in a disciplined manner. Principally, we intend to use cash to develop and grow complementary services and businesses that we believe will generate attractive margins in line with our core capabilities and strategy. We use cash for repayments of our long-term debt and capital investments. In addition, from time to time, we consider and evaluate business acquisitions, dispositions, closures or other similar actions that are aligned with our strategy.

Credit Agreement

In April 3, 2018, Altisource entered into the Credit Agreement pursuant to which Altisource borrowed \$412.0 million in the form of Term B Loans and obtained a \$15.0 million revolving credit facility. The Term B Loans mature in April 2024 and the revolving credit facility matures in April 2023. As of March 31, 2021, \$247.2 million of the Term B Loans were outstanding. Borrowings under the revolving credit facility are not permitted if our leverage ratio exceeds to 3.50 to 1.00. Our leverage ratio exceeded 3.50 to 1.00 for the twelve months ended March 31, 2021. There were no borrowings outstanding under the revolving credit facility as of March 31, 2021.

There are no mandatory repayments of the Term B Loans due until maturity in April 2024, except as otherwise described herein. All amounts outstanding under the Term B Loans will become due on the earlier of (i) April 3, 2024, and (ii) the date

on which the loans are declared to be due and owing by the administrative agent at the request (or with the consent) of the Required Lenders (as defined in the Credit Agreement; other capitalized terms, unless defined herein, are defined in the Credit Agreement) or as otherwise provided in the Credit Agreement upon the occurrence of any event of default.

In addition to the scheduled principal payments, subject to certain exceptions, the Term B Loans are subject to mandatory prepayment upon issuances of debt, certain casualty and condemnation events and sales of assets, as well as from a percentage of Consolidated Excess Cash Flow if our leverage ratio as of each year-end computation date is greater than 3.00 to 1.00, as calculated in accordance with the provisions of the Credit Agreement (the percentage increases if our leverage ratio exceeds 3.50 to 1.00). Our leverage ratio exceeded 3.50 to 1.00 for the twelve months ended March 31, 2021. The Company did not generate any Consolidated Excess Cash Flow during the three months ended March 31, 2021.

The interest rate on the Term B Loans as of March 31, 2021 was 5.00%.

Altisource may incur incremental indebtedness under the Credit Agreement from one or more incremental lenders, which may include existing lenders, in an aggregate incremental principal amount not to exceed \$125.0 million, subject to certain conditions set forth in the Credit Agreement, including a sublimit of \$80.0 million with respect to incremental revolving credit commitments and, after giving effect to the incremental borrowing, the Company's leverage ratio does not exceed 3.00 to 1.00. Our leverage ratio exceeded 3.00 to 1.00 for the twelve months ended March 31, 2021. The lenders have no obligation to provide any incremental indebtedness.

The Credit Agreement includes covenants that restrict or limit, among other things, our ability, subject to certain exceptions and baskets, to incur additional debt, pay dividends and repurchase shares of our common stock. In the event we require additional liquidity, our ability to obtain it may be limited by the Credit Agreement.

Cash Flows

The following table presents our cash flows for the three months ended March 31:

| <i>(in thousands)</i> | 2021 | 2020 | % Increase (decrease) |
|---------------------------------------------------------------------------|------------------|------------------|--------------------------|
| Net (loss) income adjusted for non-cash items | \$ (13,598) | \$ 4,586 | (397) |
| Changes in operating assets and liabilities | (3,212) | (6,234) | (48) |
| Net cash used in operating activities | (16,810) | (1,648) | N/M |
| Net cash provided by (used in) investing activities | 2,533 | (511) | N/M |
| Net cash used in financing activities | (2,225) | (1,516) | 47 |
| Net decrease in cash, cash equivalents and restricted cash | (16,502) | (3,675) | 349 |
| Cash, cash equivalents and restricted cash at the beginning of the period | 62,096 | 86,583 | (28) |
| Cash, cash equivalents and restricted cash at the end of the period | <u>\$ 45,594</u> | <u>\$ 82,908</u> | (45) |

N/M — not meaningful.

Cash Flows from Operating Activities

Cash flows from operating activities generally consist of the cash effects of transactions and events that enter into the determination of net loss. For the three months ended March 31, 2021, cash flows used in operating activities were \$(16.8) million, or approximately \$(0.35) for every dollar of service revenue, compared to cash flows used in operating activities of \$(1.6) million, or approximately \$(0.01) for every dollar of service revenue for the three months ended March 31, 2020. During the three months ended March 31, 2021, the increase in cash used in operating activities was driven by an \$18.2 million increase in net loss, adjusted for non-cash items, partially offset by lower cash used for changes in operating assets and liabilities of \$3.0 million. The increase in net loss, adjusted for non-cash items, was primarily due to lower gross profit during the three months ended March 31, 2021 from lower service revenue driven by the COVID-19 pandemic and the loss of certain services relating to one of Ocwen's subservicing customers, partially offset by decreases in expenses as a result of COVID-19 cash cost savings measures, the Project Catalyst cost reduction initiatives and lower SG&A expenses. The decrease in cash used for changes in operating assets and liabilities was primarily driven by a decrease in accounts receivable of \$2.2 million for the three months ended March 31, 2021 compared to an increase in accounts receivable of \$0.3 million during the three months ended March 31, 2020, largely driven by the timing of collections. Operating cash flows can be negatively impacted because of the nature of some of our services and the mix of services provided. Certain services are performed immediately following or shortly after the referral, but the collection of the receivable does not occur until a specific event occurs (e.g., the foreclosure is

complete, the REO asset is sold, etc.). Furthermore, lower margin services generate lower income and cash flows from operations. Consequently, our cash flows from operations may be negatively impacted when comparing one period to another.

Cash Flows from Investing Activities

Cash flows from investing activities for the three months ended March 31, 2021 and 2020 consisted of additions to premises and equipment and proceeds from the sale of a business. Cash flows provided by (used in) investing activities were \$2.5 million and \$(0.5) million for the three months ended March 31, 2021 and 2020, respectively. The change in cash provided by investing activities was primarily driven by \$3.0 million in proceeds received in connection with the second installment from the August 2018 sale of the rental property management business to RESI. In addition, we used \$(0.5) million for the three months ended March 31, 2021 and 2020, for additions to premises and equipment primarily related to investments in the development of certain software applications and facility improvements.

Cash Flows from Financing Activities

Cash flows from financing activities for the three months ended March 31, 2021 and 2020 primarily included payments of tax withholdings on issuance of restricted share units and restricted shares and distributions to non-controlling interests. Cash flows used in financing activities were \$(2.2) million and \$(1.5) million for the three months ended March 31, 2021 and 2020, respectively. During the three months ended March 31, 2021 and 2020, we made payments of \$(0.8) million and \$(1.2) million, respectively, to satisfy employee tax withholding obligations on the issuance of restricted share units and restricted shares. These payments were made to tax authorities, at the employees' direction, to satisfy the employees' tax obligations rather than issuing a portion of vested restricted share units and restricted shares to employees. In addition, during the three months ended March 31, 2021 and 2020, we distributed \$(1.4) million and \$(0.3) million, respectively, to non-controlling interests.

Liquidity Requirements after March 31, 2021

Our significant future liquidity obligations primarily pertain to long-term debt repayments and interest expense under the Credit Agreement (see Liquidity section above), lease payments and distributions to Lenders One members. During the next 12 months, we expect to pay \$12.4 million of interest expense (assuming no further principal repayments and the March 31, 2021 interest rate) under the Credit Agreement and make lease payments of \$7.7 million.

We believe that our existing cash and cash equivalents balances, net of our anticipated cash flows used in operations, will be sufficient to meet our liquidity needs, including to fund operating expenses, required interest and lease payments, for the next 12 months.

Contractual Obligations, Commitments and Contingencies

For the three months ended March 31, 2021, there were no significant changes to our contractual obligations from those identified in our Form 10-K for the fiscal year ended December 31, 2020 and this Form 10-Q, other than those that occur in the normal course of business. See Note 23 to the condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND RECENT ACCOUNTING PRONOUNCEMENTS

We prepare our interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. In applying many of these accounting principles, we need to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses in our condensed consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and judgments, however, are often subjective. Actual results may be negatively affected based on changing circumstances. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

Our critical accounting policies are described in the MD&A section of our Form 10-K for the year ended December 31, 2020 filed with the SEC on March 11, 2021. There have been no material changes to our critical accounting policies during the three months ended March 31, 2021.

Recently Adopted and Future Adoption of New Accounting Pronouncements

See Note 1 to the condensed consolidated financial statements for a discussion of recently issued accounting pronouncements, including pronouncements that were adopted in the current period.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

Our financial market risk consists primarily of interest rate and foreign currency exchange rate risk.

Interest Rate Risk

As of March 31, 2021, the interest rate charged on the Term B Loan was 5.00%. The interest rate is calculated based on the Adjusted Eurodollar Rate (as defined in the senior secured term loan agreement) with a minimum floor of 1.00% plus 4.00%.

Based on the principal amount outstanding and the Adjusted Eurodollar Rate as of March 31, 2021, a one percentage point increase in the Eurodollar rate would increase our annual interest expense by approximately \$2.5 million. There would be no decrease in our annual interest expense if there was a one percentage point decrease in the Eurodollar Rate, as a result of the 1.00% minimum floor.

Currency Exchange Risk

We are exposed to currency risk from potential changes in currency values of our non-United States dollar denominated expenses, assets, liabilities and cash flows. Our most significant currency exposure relates to the Indian rupee. Based on expenses incurred in Indian rupees for the first quarter of 2021, a one percentage point increase or decrease in value of the Indian rupee in relation to the United States dollar would increase or decrease our annual expenses by approximately \$0.4 million.

Item 4. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including the Chairman and Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of March 31, 2021, an evaluation was conducted under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based on this evaluation, such officers have concluded that our disclosure controls and procedures were effective as of March 31, 2021.

b) Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the quarter ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We record a liability for contingencies if an unfavorable outcome is probable and the amount of loss can be reasonably estimated, including expected insurance coverage. For proceedings where the reasonable estimate of loss is a range, we record a best estimate of loss within the range.

Litigation

We are currently involved in legal actions in the course of our business, some of which seek monetary damages. We do not believe that the outcome of these proceedings, both individually and in the aggregate, will have a material impact on our financial condition, results of operations or cash flows.

Regulatory Matters

Periodically, we are subject to audits, examinations and investigations by federal, state and local governmental authorities and receive subpoenas, civil investigative demands or other requests for information from such governmental authorities in connection with their regulatory or investigative authority. We are currently responding to such inquiries from governmental authorities relating to certain aspects of our business. We believe it is premature to predict the potential outcome or to estimate any potential financial impact in connection with these inquiries.

Item 1A. Risk Factors

As of the date of this filing, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Form 10-K for the year ended December 31, 2020 filed with the SEC on March 11, 2021.

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

There were no purchases of shares of common stock during the three months ended March 31, 2021. On May 15, 2018, our shareholders approved the renewal and replacement of the share repurchase program previously approved by the shareholders on May 17, 2017. Under the program, we are authorized to purchase up to 4.3 million shares of our common stock in the open market, subject to certain parameters, for a period of five years from the date of approval. As of March 31, 2021, the maximum number of shares that may be purchased under the repurchase program is 2.4 million shares of the Company's common stock. In addition to the share repurchase program, during the three months ended March 31, 2021, 79,260 common shares were withheld from employees to satisfy tax withholding obligations that arose from the vesting of restricted shares.

Item 6. Exhibits

| Exhibit Number | Exhibit Description |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1 * | Binding Term Sheet dated as of May 5, 2021 between Altisource S.à r.l., Ocwen Financial Corporation and and Ocwen USVI Services, LLC |
| 10.2 * | Settlement Agreement and Full Release dated as of April 28, 2021 between Marcello Mastioni and Altisource S.à r.l. |
| 10.3 * | Post-Separation Covenant Agreement dated as of April 28, 2021 between Marcello Mastioni and Altisource S.à r.l. |
| 31.1 * | Section 302 Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) |
| 31.2 * | Section 302 Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) |
| 32.1 * | Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 * | Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2021 is formatted in Inline XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020; (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2021 and 2020; (iii) Condensed Consolidated Statements of Equity for the three months ended March 31, 2021 and 2020; (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2021 and 2020; and (v) Notes to Condensed Consolidated Financial Statements. |
| 104 * | Cover Page Interactive Data File formatted as Inline XBRL and contained in Exhibit 101 |

* Filed herewith.

SIGNATURES

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

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
(Registrant)

Date: May 10, 2021

By: /s/ Michelle D. Esterman

Michelle D. Esterman

Chief Financial Officer

(On behalf of the Registrant and as its Principal
Financial Officer and Principal Accounting
Officer)

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL

Binding Term Sheet

The items set forth in this term sheet and the attached exhibit (collectively, this “Term Sheet”) are binding and hereby agreed to by Ocwen Financial Corporation and Ocwen USVI Services, LLC (individually and together, with affiliates, “Ocwen”) and Altisource S.à r.l. (“Altisource”). The parties may also execute detailed agreements to further memorialize some or all of the below. This Term Sheet shall be read in conjunction with the February 22, 2019 Binding Term Sheet among the parties (as subsequently modified, supplemented and/or amended, including by this Term Sheet, the “2019 Term Sheet”) and existing agreements between the parties, and does not supersede the same except as may be expressly set forth herein. The effective date of this Term Sheet is May 5, 2021.

- 1) **Term of Existing Agreement.** Extend the term of the Services Agreement (between Altisource and Ocwen Financial Corporation) dated August 10, 2009 (as amended), the Services Agreement (between Altisource and Ocwen Mortgage Servicing, Inc., as succeeded in interest by Ocwen USVI Services, LLC) dated October 1, 2012 (as amended), all Services Letters (and amendments thereto) made pursuant to the foregoing Services Agreements and the 2019 Term Sheet (collectively, the “Agreement”), all pursuant to which Altisource currently provides services, along with the additional services set forth below, to August 31, 2030 (the applicable terms, as so extended being the “Extended Term”).

Notwithstanding anything in the Agreement to the contrary, in the event that an Altisource Change of Control (as defined below) to a Competitor (as defined below) is to occur on or after September 1, 2028, Altisource shall notify Ocwen of such potential Change of Control following public disclosure thereof (or earlier, if Altisource elects). Following such notice, if Ocwen reasonably believes that such a Change of Control may negatively impact Ocwen, the parties will promptly meet to discuss remedial actions to prevent such negative impacts. If the parties are not able to agree on appropriate remedial actions to prevent such negative impacts to Ocwen’s reasonable satisfaction prior to the consummation of the Change in Control (“Closing”), Ocwen may terminate the Agreement upon no less than sixty (60) days’ prior written notice delivered to Altisource:

- (a) prior to the Closing, in which case the termination will be effective only in the event of the Closing; or
- (b) within sixty (60) days immediately following the Closing.

As used herein, “Change of Control” means a change in ownership of (a) greater than fifty percent (50%) of the voting securities of Altisource in a single transaction or related series of transactions (unless securities representing more than fifty percent (50%) of the total voting power are beneficially owned, directly or indirectly, by the persons who beneficially owned the outstanding voting securities immediately prior to such transaction) or (b) all or substantially all of the consolidated assets of Altisource. As used herein, “Competitor” means an entity (or an affiliate with greater than fifty percent (50%) of the voting securities owned by or under common control with such entity) whose business includes the servicing of residential mortgages with scale substantially similar to or greater than the scale of Ocwen (as of the time of the Change of Control).

Notwithstanding anything in the Agreement to the contrary, on and after September 1, 2028, Section D.1 of the 2019 Term Sheet shall not apply in connection with Altisource’s sale or assignment of all or a

portion of Altisource's business or any line of business to a Competitor which does not constitute a Change of Control (such transaction, an "Altisource Business Sale"), and Ocwen shall not be required to consent to an assignment of all or a portion of the Agreement, any statement of work ("SOW") or any Services (the "Applicable Services") pursuant to such an Altisource Business Sale, provided, Altisource shall notify Ocwen of such potential Altisource Business Sale following public disclosure thereof (or earlier, if Altisource elects). Following such notice, if Ocwen reasonably believes that such Altisource Business Sale may negatively impact Ocwen, the parties will promptly meet to discuss remedial actions to prevent such negative impacts such that Ocwen would consent to and reasonably cooperate with such Altisource Business Sale. If the parties are not able to agree on appropriate remedial actions to prevent such negative impacts to Ocwen's reasonable satisfaction, Ocwen may terminate the Applicable Services upon no less than sixty (60) days' prior written notice delivered to Altisource:

- (a) prior to the consummation of the Altisource Business Sale, in which case the termination will be effective only in the event of the consummation of the Altisource Business Sale; or
- (b) within sixty (60) days immediately following the consummation of the Altisource Business Sale.

In the event of a termination of the Agreement (or the applicable portion thereof) related to a Change of Control, or termination of Applicable Services related to an Altisource Business Sale, Altisource will cause the assignee to agree to permit Ocwen to purchase post-termination services for a period of up to 270 days from the date on which the Agreement (or the applicable portion thereof) terminates on the current terms thereunder. Notwithstanding anything to the contrary in the Agreement, Ocwen shall not be obligated to reimburse Altisource for any expenses or costs attributable to a termination related to a Change in Control or an Altisource Business Sale.

2) **Services.**

- a. With respect to each service identified in Exhibit A (an "Additional Service"), the parties shall commence (or, if already commenced, shall continue) the negotiation of a statement of work or other agreement, to the extent applicable for such Additional Service (each such statement of work or other agreement, including those existing per Exhibit A, an "Applicable Additional Service Agreement") by the applicable Agreement Negotiation Commencement Date specified in Exhibit A. With respect to such negotiations for each Additional Service:
 - i. Such negotiations shall be conducted in good faith, with each party using commercially reasonable best efforts to finalize such negotiations in an expedient manner, which efforts shall include each party responding to reasonable requests for information and proposed revisions to the Applicable Additional Service Agreement reasonably promptly and fully, dedicating personnel and if applicable executive resources to such negotiation, and conducting periodic virtual meetings reasonably designed to facilitate a prompt finalization and execution of the Applicable Additional Service Agreement;
 - ii. Such negotiations shall continue with respect to each such Additional Service until the earlier of the parties executing the Applicable Additional Service Agreement or the parties agreeing to cease such negotiations with respect to such Additional Service; and
 - iii. In accordance with Section 4(b) of the 2019 Term Sheet, Ocwen shall conduct a benchmarking study of pricing and performance standards prior to Altisource providing any Additional Services to the NY PHH Portfolio as required by the Conditional Approval dated September 27, 2018 issued by the New York Department of Financial Services to Ocwen, with Ocwen using commercially reasonable efforts to complete such study in a timely manner.

- b. For each Additional Service, the two-stage process defined below shall be followed by the parties to implement such Additional Service.
- c. Stage 1 shall commence for each Additional Service upon the parties executing an Applicable Additional Service Agreement (which statement of work or agreement shall contain applicable performance standards (“Applicable SLAs”)) for such service.
 - i. Ocwen shall commence providing orders to Altisource for each such Additional Service promptly following execution of such Applicable Additional Service Agreement. Ocwen shall provide Additional Service orders in a reasonable volume and reasonable consistency to permit Altisource to demonstrate an ability to satisfy the Applicable SLAs. Notwithstanding the foregoing, the Applicable SLAs shall not be deemed a Performance Standard (as defined in the Services Agreement between the parties dated August 10, 2009 (as amended, the “Services Agreement”), shall not otherwise constitute an obligation of Altisource nor shall Altisource’s performance with respect to the Applicable SLAs prior to Order Volume Compliance (defined below) be used to terminate the Applicable Additional Service Agreement (except as specified in subsection iv below).
 - ii. The parties shall reasonably cooperate to implement processes, communicate and provide feedback (as applicable) regarding each Additional Service, and otherwise act as reasonably necessary to facilitate Altisource providing such Additional Service according to the Applicable SLAs.
 - iii. Ocwen shall promptly communicate to Altisource in writing any specific, reasonable concerns Ocwen may have with Altisource’s cooperation or Altisource’s ability to meet the Applicable SLAs, and shall reasonably cooperate with Altisource in resolving such concerns (collectively, “Feedback”).
 - iv. Ocwen shall evaluate Altisource fairly and in good faith. If, following such fair and good faith evaluation, and after Ocwen consults with Altisource and gives Altisource a reasonable opportunity to address any Feedback provided, Ocwen reasonably believes that Altisource will not reasonably be able to meet the Applicable SLAs or other reasonable requirements Ocwen imposes on its other vendors, then Ocwen shall be permitted to terminate the Applicable Additional Service Agreement by providing written notice.
- d. Stage 2 shall commence for an Additional Service upon Altisource satisfying the applicable SLA metrics for [REDACTED] months for such Additional Service. Stage 2 shall not commence for a given Additional Service if Stage 1 of such Additional Services is terminated by Ocwen pursuant to Section 2.c.iv. of this Term Sheet.
 - i. The parties shall mutually cooperate to designate a reasonable period of time at the beginning of Stage 2 over which Ocwen shall increase the orders to Altisource for such Additional Service such that Ocwen will comply with the referral volume requirements set forth in the 2019 Term Sheet.
 - ii. Upon Ocwen complying with such volume requirements with respect to such Additional Service (“Order Volume Compliance”):
 - 1. such Additional Service shall be a Standard Service (as defined in the 2019 Term Sheet) and subject to the obligations for Standard Services in the 2019 Term Sheet; and
 - 2. the Applicable SLAs shall be in full force and effect.
- e. This Term Sheet hereby amends the Statement of Work dated December 1, 2020 (“FHA SOW”) to delete and render void any and all termination clauses and exclusivity or volume related

clauses in such FHA SOW in conflict with any clause herein (including without limitation Section XV therein); provided, however, that the second paragraph of Section XVI of the FHA SOW shall remain unchanged by this Term Sheet (except for the first sentence thereof, which shall not have any effect upon execution of this Term Sheet).

- f. Reserved.
- g. Solely with respect to the Additional Services identified in the Applicable Additional Service Agreement as requiring integration services (collectively, the “Integration Services”), to the extent that Ocwen currently utilizes an integration or other interface with a third party system to order or permit fulfillment of such Integration Service (collectively, an “Interface”), Ocwen shall (as mutually agreed upon by the parties and subject to any confidentiality restrictions in place with third parties, with Ocwen using reasonable efforts to disclose applicable information to Altisource as needed) provide Altisource with written material specifications of such Interface (including, without limitation, all APIs and software dependences) as reasonably necessary for Altisource to develop a materially similar Interface (the “Replacement”). To the extent such confidentiality restrictions prevent Ocwen from providing necessary specifications of such Interface to enable Altisource to develop such Replacement using commercially reasonable efforts, Altisource shall in accordance with the Applicable Additional Service Agreement be permitted to develop an alternative Replacement to serve similar functionality. Ocwen shall reasonably cooperate with Altisource in developing and testing the Replacement. Testing of a Replacement shall be completed for determining whether the Replacement provides materially the same or better functionality as the Interface. Upon successful completion of the applicable testing, Ocwen shall in accordance with the Applicable Additional Service Agreement engage Altisource to provide the applicable Integration Service.
- h. Deleted.
- i. Ocwen shall, no later than the date hereof, apply to become a member of the Lenders One[®] mortgage cooperative and shall take all actions reasonably necessary to become and remain a member in good standing of the cooperative throughout the Extended Term. The parties have discussed and will promptly finalize the terms of the Lenders One member agreement. Unless otherwise agreed upon by the parties, the fees paid by Ocwen for being a member of Lenders One shall not increase during the Extended Term.
- j. Ocwen hereby represents and warrants that [REDACTED].
- k. The Services Agreement, Services Letter, 2019 Term Sheet and any applicable statements of work, memoranda of understanding or other agreements thereunder shall be deemed amended to clarify and/or specify the below (with all the foregoing agreements continuing in effect except as specifically modified by the below):
 - i. The Performance Standard for REO Management Services shall be reviewed by the parties in good faith, as applicable, to determine if the parties need to implement process, system and any other changes reasonably necessary to facilitate the replacement of Altisource as the provider of certain field services.
- l. Promptly following execution of this Term Sheet, the parties shall review in good faith any issues raised by the parties pertaining to the Services.

- 3) **Fees.** Fees charged for Services shall be at prevailing market rates. Either party may reasonably request renegotiation of such fees from time to time.
- 4) **Reserved.**
- 5) **Reserved.**
- 6) **Reserved.**
- 7) **Transfers of Services.**
 - a. To the extent that, at any time during the Extended Term, Ocwen transfers away from Altisource, causes to be transferred away from Altisource, or otherwise takes any action resulting in a party other than Altisource receiving, orders to perform one or more Services (the “Transferred Service(s)”) on one or more Portfolios (as defined in the 2019 Term Sheet), or portions thereof (a “Transfer”), then, except for Section 6(e) of the Services Agreement and in addition to the other rights and remedies that the parties may have under the applicable agreements, Altisource shall not be required to incur any costs or perform any services or other work to assist Ocwen in such Transfer (“Transfer Services”) and Ocwen shall not be required to pay any costs and services, except as agreed to in writing by the parties (a “Transfer Services Agreement”). Upon request by Ocwen, Altisource shall provide Ocwen with a reasonable estimate of fees and costs for providing the Transfer Services. Any such Transfer Services Agreement shall include a mutually acceptable project plan with reasonable and sufficient detail as to the Transfer Services needed and reasonable deadlines for the performance of such Transfer Services.
 - b. To the extent that Altisource continues to provide any Service on such Portfolios, it shall notify Ocwen if Altisource used materials created in connection with the Transferred Services in connection with the remaining Services. Upon such notice, Ocwen shall use commercially reasonable efforts to obtain on a royalty-free basis the right for Altisource and its affiliates to use solely in furtherance of providing any Service to Ocwen or its affiliates, or on behalf of Ocwen, to a client that the parties have in common or such client’s affiliates or the relevant investor or servicers, the equivalent work product, deliverables or other materials created by or on behalf of, or otherwise at the direction of, Ocwen or the party performing such Transferred Service(s).
 - c. All Performance Standards impacted or otherwise affected by a Transfer shall be reviewed by the parties in good faith. During such period, Altisource and Ocwen shall reasonably cooperate to mitigate adverse impacts to applicable Performance Standards.
- 8) **COVID-19 Event.** In the event scorecards are adversely impacted as a result of a Force Majeure Event (as defined in the Services Agreement), the parties agree that the Total Weighted Score for the scorecards for all impacted Performance Standards (as defined in the Services Agreement and the 2019 Term Sheet) shall be deemed to be at the Meet Expectations level from March 2020 through March 2021.
- 9) **Sales Taxes.** With respect to the total sales tax that Altisource has confirmed as paid on behalf of Ocwen and/or its clients that is outstanding and unpaid as of the date of this Term Sheet [REDACTED] (the “Total Outstanding Sales Tax”).

- a. Ocwen shall provide to Altisource within a reasonable period of time following the date hereof, a reasonable written plan to collect that portion of the Outstanding Sales Tax that Ocwen believes is collectible (the “First Sales Tax Portion”), and consider in good faith any feedback that Altisource provides on such plan. Promptly thereafter, Ocwen shall commence (or shall continue) using its commercially reasonable best efforts to collect such First Sales Tax Portion as promptly as reasonably possible, provided that Altisource shall use its commercially reasonable best efforts to provide timely support to Ocwen with respect to such collection efforts. Ocwen shall provide reasonable updates on its collection efforts and collections progress to Altisource until no further amounts from the First Sales Tax Portion are reasonably likely to be collected by Ocwen.

10) **Outstanding Accounts Receivable.** The parties shall continue to discuss in good faith and resolve in the ordinary course any of Altisource’s outstanding and billed accounts receivable.

11) **Reserved.**

12) **Release.** Following the parties’ execution of this Term Sheet and in consideration of the covenants, recitals and agreements set forth herein:

- a. Altisource, on behalf of itself and its officers, directors, agents, employees, representatives, attorneys, insurers, affiliates, parents, subsidiaries, successors, assigns, and related persons and entities (the “Altisource Parties”), shall release and forever discharge Ocwen and its officers, directors, agents, employees, representatives, attorneys, insurers, affiliates, parents, subsidiaries, successors, assigns, and related persons and entities (the “Ocwen Parties”) from and against any and all claims, demands, causes of action, lawsuits, remedies, costs, damages, attorneys’ fees, and liabilities of any kind, nature or amount, whether in law or equity, known or unknown, anticipated or unanticipated, that the Altisource Parties now have or may hereafter acquire, based on actions or inactions occurring on or prior to the date hereof arising from or relating in any manner to any and all transactions described in the Reservation of Rights letter dated February 22, 2019, with respect to any and all claims arising from or related in any way to Ocwen’s transfer of service referrals and services to providers other than Altisource.
- b. Ocwen, on behalf of itself and the Ocwen Parties, shall release and forever discharge the Altisource Parties from and against any and all claims, demands, causes of action, lawsuits, remedies, costs, damages, attorneys’ fees, and liabilities of any kind, nature or amount, whether in law or equity, known or unknown, anticipated or unanticipated, that the Ocwen Parties now have or may hereafter acquire, based on actions or inactions occurring on or prior to the date hereof arising from or relating in any manner to any and all transactions described in the Reservation of Rights letter dated February 22, 2019, with respect to any and all claims arising from or related in any way to Ocwen’s transfer of service referrals and services to providers other than Altisource.
- c. Notwithstanding the foregoing, the Ocwen Parties and the Altisource Parties are not released from any obligations they have under this Term Sheet.

Accepted and agreed by:

| | |
|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Altisource S.à r.l. By: _____ Name: _____ Title: _____ Date: _____ | Ocwen Financial Corporation By: _____ Name: _____ Title: _____ Date: _____ |
| | Ocwen USVI Services, LLC By: _____ Name: _____ Title: _____ Date: _____ |

Exhibit A – Additional Services

| Service Category | Service¹ | Agreement Negotiation Commencement Date² |
|---------------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| FHA/VA Loans | Field services | N/A – Already Executed |
| | CWCOT first and second chance auction services | N/A – Already Executed |
| | Title insurance services | N/A – Already Executed |
| | [REDACTED] | N/A – Already Executed |
| | [REDACTED] | N/A – Already Executed |
| | [REDACTED] | As mutually agreed upon by the parties |
| Foreclosure auction | [REDACTED] | [REDACTED] |
| Reverse Mortgage Services | [REDACTED] | As mutually agreed upon by the parties |
| Trustee services | [REDACTED] | Not applicable as parties would use the existing agreements between them pertaining to trustee services |
| Other | [REDACTED] | As mutually agreed upon by the parties |

¹ The services are applicable solely to the extent Ocwen engages a third party to provide such services. Accordingly, Ocwen retains the right at all times to perform such services, in whole or in part, internally, including through its affiliates; [REDACTED].

² Ocwen will not be required to breach any of its non-terminable contractual requirements, existing as of the effective date of the Applicable Additional Service Agreement, to provide a certain volume of referrals for the applicable services to third parties.

SETTLEMENT AGREEMENT AND FULL RELEASE

This Settlement Agreement and Full Release (the “Agreement”), dated as of April 28, 2021 is by and between **Marcello Mastioni** (“Executive”) and **Altisource S.à r.l.**, with registered offices at 40, avenue Monterey, L-2163 Luxembourg and registered at the Luxembourg Trade and Companies Register under number B.147.268 (the “Company” and, together with any successor entities, parent companies, subsidiaries and affiliates, including Altisource Portfolio Solutions S.A., “Altisource”) (Executive and Altisource each may be referred to herein as “Party” and collectively as the “Parties”).

WHEREAS:

- Executive is employed by the Company by virtue of a *Amended and Restated Employment Contract of Indefinite Duration* dated March 22, 2019 (the “Employment Contract”);
- By letter delivered to the Executive, the Executive’s employment has been terminated by Company with a three (3) months’ notice period;
- The Executive’s employment will terminate at midnight on May 31, 2021 (the “Separation Date”).
- The Parties wish to settle immediately and definitely any actual or potential disputes between Executive and Altisource through the Separation Date particularly in respect of Executive’s employment and termination.

In consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. The Parties acknowledge that Executive’s employment with the Company will end at midnight on the Separation Date. Except for any consideration set forth in section 4 and base salary owed through the Separation Date, Executive acknowledges that he has been paid all compensation and benefits due to him and waives any right to additional compensation or consideration whatsoever.
2. Executive agrees that he will:
 - (i) exercise his functions in a professional and cooperative manner for time worked through the Separation Date (or earlier date mutually agreed to with the Company), provided that Executive will not be required to come to the Company offices during the notice period and provided further, that beginning April 1, 2021 and continuing through the Separation Date, the Executive’s job duties will be limited to making himself available to Company personnel to consult on such matters related to the Company as may be requested;
 - (ii) cooperate with the transition of his responsibilities in a professional manner; and
 - (iii) assist with the identification and location of all files and materials, electronic or otherwise, necessary for the completion of his duties and responsibilities.
3. The Executive shall maintain the confidentiality of all Confidential Information (as defined below) concerning the activities of Altisource.
4. Following the execution of this Agreement by both Parties and contingent upon the Company’s receipt of the executed Agreement, Executive’s compliance with sections 2, 3, 5 and 11 of this Agreement, the expiration of

the revocation period referred to in Section 15 (collectively, the “Conditions”), the Company shall (in each case subject to applicable withholdings and other deductions required by law, if any):

- (i) Within fifteen (15) days of the Separation Date, complete the payment of the Minimum Guaranteed Compensation Payment (as defined in section 4(k) of the Employment Contract).
- (ii) Pay Executive his 2020 annual incentive compensation (“AIP”) consisting of 9,918 restricted share units that will vest on June 30, 2021.
- (iii) Within fifteen (15) days of the Separation Date, pay Executive the sum of €3,000 to cover certain relocation costs incurred by Executive at the time of joining the Company.
- (iv) Provide: (a) tax preparation for tax year 2020, consistent with past practice; and (b) tax preparation for tax year 2021, but in all cases only with respect to tax obligations in Luxembourg and in Switzerland.

Notwithstanding Executive’s separation and the terms of the applicable equity award agreements, the treatment of Executive’s outstanding equity of Altisource Portfolio Solutions S.A. (“ASPS”) will be as set forth in Exhibit A to this Agreement.

Except as set forth in this section 4 and section 5 below and Exhibit A, nothing in this Agreement shall vary the terms of the applicable equity award agreements, which provisions shall govern the treatment of the equity in all other respects. In accordance with Altisource’s Insider Trading Policy, Executive will not transact in Altisource stock for the longer of (a) the period continuing until three (3) business days after Altisource’s first filing of its 10-Q immediately following the Separation Date, or (b) Executive is in possession of material non-public information concerning Altisource.

The Company will provide the benefits and make the payments described in this section in consideration and in exchange for Executive’s promises, representations, warranties, covenants, agreements, releases and other obligations, including post separation obligations, set out in this Agreement and his adherence thereto.

5. Executive hereby: (i) waives any and all rights to salary, incentive compensation and other benefits, whether earned or unearned, and whether due or to become due, after the Separation Date, except as set forth in section 4 above; (ii) except as set forth in section 4 above, waives any and all claims to any equity-based compensation granted, allocated, assigned or otherwise attributed to the Executive prior to the Separation Date (whether vested or unvested), including any equity-based compensation that purports to give the employee the right to benefit from or participate in the appreciation or increase in value of, or profits or dividends from, any division, business unit or other sub-division of Altisource, including without limitation, any award granted, allocated, assigned or otherwise attributed to the employee; and (iii) fully and forever releases and discharges from liability, and covenants not to sue Altisource or its officers, directors, managers, employees, counsel and agents and representatives of any sort, both present and former, for any and all claims, damages, actions and causes of action, arising from the beginning of time until the execution of the Agreement by Executive, whether in contract, tort, negligence or otherwise, in law or in equity, of every nature which Executive may ever have had, or now has, which are known or may subsequently be discovered by Executive arising out of, in connection with or related to Executive’s recruitment, hiring, employment with Altisource and/or separation from employment with Altisource, the acts or omissions of Altisource, including but not limited to any contracts, agreements and promises, written and oral; claims for wrongful termination actions of any type (such as claim for indemnity for non-pecuniary loss “indemnité pour préjudice moral”,

indemnity for material injury “indemnité pour préjudice matériel”, indemnity for improper nature of the dismissal procedure “indemnité pour licenciement irrégulier pour vice de forme”, compensatory allowance for notice period “indemnité compensatoire de préavis”, and severance pay “indemnité de départ”), breach of express or implied covenant of good faith and fair dealing; intentional or negligent infliction of emotional distress; intentional or negligent failure to supervise, train, hire or dismiss; claims for fraud, misrepresentation, libel, slander or invasion of privacy and claim on salary arrears or overtime payment, compensation for legal or contractual holidays not taken by Executive, reimbursement of expenses, bonuses, commissions or premiums, entertainment expenses, options, warrants, relocation costs, contributions in a supplementary pension plan, other elements of the remuneration or salary, damages, allocation portion of profits, special advantages, etc, without exception nor reservation.

6. Executive represents and covenants that he has not and will not remove from the Company premises any item belonging to Altisource, including files (neither hard nor soft), Confidential Information, or office equipment. Executive shall account for and return to the Company, on or before the Separation Date (or earlier date decided by the Company in its sole discretion) all Altisource property (including but not limited to iPhone, blackberry, laptop, documents and disks, equipment, keys and passes belonging to the Company which is or has been in the Executive’s possession or under the Executive’s control). Documents and disks shall include but not be limited to correspondence, files, emails, memos, reports, minutes, plans, records, surveys, software, diagrams, computer print-outs, manuals, customer documentation or any other medium for storing information. Executive represents and covenants that he has not and will not disclose or use any Confidential Information and/or trade secrets of Altisource. Executive shall keep all such Confidential Information confidential and not disclose or use the Confidential Information for any purpose, or divulge or disclose that Confidential Information to any person. Any breach, even minimal, of these obligations may constitute a serious offence, which may trigger a claim that may be exercised on the basis of civil, and/or criminal law. As used in this Agreement, “Confidential Information” means information: (i) disclosed to or known by Executive as a consequence of or through his employment with Altisource; (ii) not generally known outside Altisource; and (iii) which relates to any aspect of Altisource or its business or prospective business. By example and without limitation, Confidential Information includes, but is not limited to, any and all information of the following or similar nature, whether transmitted verbally, electronically or in writing: copyright, service mark and trademark registrations and applications; patents and patent applications; licenses; agreements; unique and special methods; techniques; procedures; processes; routines; formulas; know-how; trade secrets; innovations; inventions; discoveries; improvements; research proposals, development, test results or papers; specifications; technical data and/or information; software; models; sales figures; files; marketing plans; strategies; business plans, operations, expenses, customers, competitors and forecasts; customer, pricing, and financial information; budgets; methodologies; computer code and programs; compilations of information; reports; records; compensation and benefit information; customer, vendor, and supplier identities and characteristics; information provided to Altisource by a third party under restrictions against disclosure or use by Altisource or others; information designated confidential by Altisource; and information of which unauthorized disclosure could be detrimental to the interests of Altisource, whether or not such information is identified as confidential information by Altisource.
7. Executive acknowledges that during his time of employment he has been provided access to Confidential Information and Altisource’s clients, employees, customers and others with whom Altisource has formed

valuable business arrangements. Executive shall not, prior to or for a period of twenty-four (24) months commencing on the Separation Date, directly or indirectly:

- (i). Take any action that would interfere with, diminish or impair the relationships that Altisource has with its employees, clients and customers (whether current or prospective);
- (ii). Recruit or otherwise solicit for employment or induce to terminate Altisource's employment of or consultancy with, any person (natural or otherwise) who is or becomes an employee or consultant of Altisource or hire any such employee or consultant who has left the employ of Altisource within six (6) months after the termination or expiration of such employee's or consultant's employment with Altisource, as the case may be.
- (iii). Solicit or attempt to solicit any business from any of Altisource's present customers, or actively sought prospective customers, with whom Executive had material contact for purposes of providing products or services that are competitive with those provided by Altisource: provided that "material contact" is agreed to exist between Executive and each customer or potential customer: (a) with whom Executive dealt; (b) whose dealings with Altisource were coordinated or supervised by Executive; or (c) about whom Executive obtained Confidential Information in the ordinary course of business as a result of his association with Altisource; or
- (iv). Assist, cause or authorize, directly or indirectly, any other person, partnership, association, corporation or other entity that Executive is employed by, consults with, obtains an ownership interest in, or in which he is materially involved in any manner as to the ownership, management, operation, or control of to engage in any of the foregoing.

Executive further expressly agrees and acknowledges that he is bound by his non-competition obligations under Article 9(a) of his Employment Contract for the duration of the Restrictive Period (as the term is defined in the Employment Contract).

The restrictive covenants in this section shall supersede the non-competition and non-solicitation covenants set forth in Executive's equity award agreements and such provisions shall be deemed to be replaced in their entirety by this section.

- 8.** Executive shall make himself reasonably available to Altisource at no cost and upon reasonable notice during business hours to respond to inquiries of Altisource and its advisors for a period of twenty-four (24) months from the Separation Date. During such period, Executive shall fully cooperate with Altisource and, upon reasonable notice, furnish any such information and assistance to Altisource, at Altisource's expense, as may be required by Altisource in connection with Altisource's defense or pursuit of any litigation, administrative action or investigation in which Altisource is or hereafter becomes a party or which Altisource undertakes. Executive's duty of cooperation includes, but is not limited to: (i) meeting with Altisource's attorneys by telephone or in person at mutually convenient times and places in order to state truthfully his recollection of events; (ii) appearing at Altisource's reasonable request as a witness at depositions or trials, without the necessity of a subpoena, in order to state truthfully his knowledge of matters at issue; and (iii) signing at Altisource's request declarations or affidavits that truthfully state matters of which Executive has knowledge. In addition, Executive agrees to notify the Altisource Chief Legal and Compliance Officer promptly of any

requests for information or testimony that he receives in connection with any litigation or investigation, pending or threatened, relating to Altisource's business.

9. It is the intention of the Parties hereto that all questions with respect to the construction of this Agreement and the rights and liabilities of the Parties hereunder shall be determined in accordance with the laws of the Grand Duchy of Luxembourg. Any dispute with respect to the construction of this Agreement and the rights and liabilities of the Parties hereunder will be brought before the courts and tribunals in the district of Luxembourg City.
10. Notwithstanding any term contained herein, Executive acknowledges and reaffirms his obligations in the Employee Intellectual Property Agreement and understands that those obligations remain effective following his separation from the Company.
11. In consideration for the compensation set forth in Section 4 above, Executive will sign as of the Separation Date a release and acknowledgment document in the form and content limited to what set forth in Exhibit B hereto.
12. Each Party enters into this Agreement voluntarily, without coercion and in good faith. Both Parties acknowledge that they have had the opportunity to freely consult, if they so desire, with attorneys of their own choosing prior to signing this document regarding the contents and consequences of this document. The Parties understand that the payment and other matters agreed to herein are not to be construed as an admission of or evidence of liability for any violation of the law, willful or otherwise, by any person or entity.
13. The construction of the covenants contained herein shall be in favor of their reasonable nature, legality, and enforceability, in that any reading causing unenforceability shall yield to a construction permitting enforceability. If any single covenant or clause shall be found unenforceable, it shall be severed and the remaining covenants and clauses enforced in accordance with the tenor of this Agreement. In the event a court should determine not to enforce a covenant as written due to overbreadth, said covenant shall be enforced to the extent reasonable, whether said revisions be in time, territory or scope of prohibited activities.
14. In signing this Agreement, Executive acknowledges and certifies that: (i) he has carefully read and fully understands the provisions of this Agreement; (ii) the Company has, by this Agreement, advised him to consult with an attorney of his choice before signing this Agreement, and he has had an opportunity to do so; (iii) he has been allowed a reasonable period of time after receiving this Agreement (up to 21 days) in which to consider this Agreement before signing, and that if he signs this Agreement prior to the expiration of the twenty-one (21) day review period, he is voluntarily and knowingly waiving his twenty-one (21) day review period; and (iv) he agrees to the terms of this Agreement knowingly, voluntarily and without intimidation, coercion or pressure, and he intends to be legally bound by the Agreement.
15. Executive may revoke this Agreement within seven (7) calendar days after he signs it. If he revokes it during that period, it will be null and void, and he will not be entitled to any of the benefits set forth in this Agreement. To revoke, Executive must ensure that written notice of revocation, sent by email, is received by the Chief Legal and Compliance Officer, by no later than 5:00 p.m. on the seventh calendar day after he signs the Agreement. If Executive does not revoke the Agreement during that seven-day revocation period, the effective date of the Agreement shall be the day after the seven-day period has expired.
16. This Agreement is made in two originals, each Party acknowledging having received one original.

IN WITNESS WHEREOF, the Parties hereby voluntarily and knowingly enter into this Agreement.

MARCELLO MASTIONI

By: _____

ALTISOURCE S.À R.L.

By: _____

Exhibit A

To the extent not vested as of the Separation Date, the ASPS Restricted Stock Units (“RSUs”), restricted shares and outstanding ASPS stock options set forth in the table below will vest as specified in such table.

| Description – Type | Grant Date | RSUs Granted | RSUs Vested as of 05/31/21 | RSUs Unvested as of 05/31/21 | Remaining Vesting Tranches as of 05/31/21 | Treatment |
|--------------------------------------------------------------------|------------|--------------|----------------------------|------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2018 Time-Based – LTIP ⁽¹⁾ | 2/12/2018 | 6,373 | 4,780 | 1,593 | 1 | RSUs to vest on 06/30/2021 |
| 2018 Time-Based – Award ⁽¹⁾ | 11/12/2018 | 15,000 | 10,000 | 5,000 | 1 | RSUs to vest on 06/30/2021 |
| 2019 Performance-Based - LTIP Type 2 | 3/21/2019 | 7,649 | - | 7,649 | 1 | RSUs to vest according to the LTIP performance metrics as determined by the Compensation Committee of the Board of Directors in its discretion and consistent with the terms of the award grant except that Executive is not required to remain employed to be eligible for the RSUs to vest |
| 2019 Time-Based – LTIP ⁽¹⁾ | 3/21/2019 | 7,649 | 5,099 | 2,550 | 1 | RSUs to vest on 06/30/2021 |
| 2020 Time-Based - LTIP ⁽¹⁾ | 1/24/2020 | 9,638 | 3,213 | 6,425 | 2 | 6,425 RSUs to vest on 06/30/2021 |
| 2020 Performance-Based - LTIP Type 2 | 1/24/2020 | 9,638 | - | 9,638 | 1 | RSUs to be forfeited (the performance hurdle cannot be achieved within 90 days of the Separation Date) |
| 2020 Time-Based – 2019 AIP ⁽²⁾ | 2/26/2020 | 5,119 | 2,560 | 2,559 | 1 | RSUs to vest on 06/30/2021 |
| 2020 Time-Based – Award ⁽¹⁾ | 2/26/2020 | 3,000 | 1,000 | 2,000 | 2 | 2,000 RSUs to vest on 06/30/2021 |
| 2020 Performance Based - Award (Price Hurdles \$20, \$25 and \$35) | 10/1/2020 | 25,000 | - | 25,000 | 2 | RSUs to be forfeited (unless performance hurdles are achieved within 90 days of the Separation Date, in which case RSUs linked to that hurdle will vest) |
| 2020 Time-Based – Award ⁽¹⁾ | 10/1/2020 | 6,250 | - | 6,250 | 3 | 6,250 RSUs to vest on 06/30/2021 |

- (1) For all time-based awards except AIP – RSU awards, RSUs scheduled to vest within 12 months of the Separation Date shall vest 30 days after the Separation Date and any remaining unvested RSUs shall be forfeited as of the Separation Date, unless otherwise indicated in the Treatment column in the table above
- (2) For all time-based AIP – RSU awards, all unvested RSUs shall vest 30 days after the date of the Separation Date.

Exhibit B

Full Release

This Full Release (the “Release”), dated as of May 31, 2021 is made by **Marcello Mastioni** (“Executive”) for the benefit of **Altisource S.à r.l.**, with registered offices at 40, avenue Monterey, L-2163 Luxembourg and registered at the Luxembourg Trade and Companies Register under number B.147.268 (the “Company” and, together with any successor entities, parent companies, subsidiaries and affiliates, including Altisource Portfolio Solutions S.A., “Altisource”).

WHEREAS, this Release is given by Executive pursuant to that Settlement Agreement and Full Release dated April XX, 2021 by and between the Parties (the “Agreement”). Capitalized terms not otherwise defined in this Release will have the meaning set forth in the Agreement.

In consideration of the consideration, mutual covenants and agreements contained in the Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Executive agrees as follows:

1. Except for any consideration set forth in section 4 of the Agreement and base salary owed through the Separation Date, Executive acknowledges that he has been paid all compensation and benefits due to him and waives any right to additional compensation or consideration whatsoever.
2. Executive hereby: (i) waives any and all rights to salary, incentive compensation and other benefits, whether earned or unearned, and whether due or to become due, after the Separation Date, except as set forth in section 4 of the Agreement; (ii) except as set forth in section 4 of the Agreement, waives any and all claims to any equity-based compensation granted, allocated, assigned or otherwise attributed to the Executive prior to the Separation Date (whether vested or unvested), including any equity-based compensation that purports to give the employee the right to benefit from or participate in the appreciation or increase in value of, or profits or dividends from, any division, business unit or other subdivision of Altisource, including without limitation, any award granted, allocated, assigned or otherwise attributed to the employee; and (iii) fully and forever releases and discharges from liability, and covenants not to sue Altisource or its officers, directors, managers, employees, counsel and agents and representatives of any sort, both present and former, for any and all claims, damages, actions and causes of action, arising from the beginning of time until the execution of the Agreement by Executive, whether in contract, tort, negligence or otherwise, in law or in equity, of every nature which Executive may ever have had, or now has, which are known or may subsequently be discovered by Executive arising out of, in connection with or related to Executive’s recruitment, hiring, employment with Altisource and/or separation from employment with Altisource, the acts or omissions of Altisource, including but not limited to any contracts, agreements and promises, written and oral; claims for wrongful termination actions of any type (such as claim for indemnity for non-pecuniary loss “indemnité pour préjudice moral”, indemnity for material injury “indemnité pour préjudice matériel”, indemnity for improper nature of the dismissal procedure “indemnité pour licenciement irrégulier pour vice de forme”, compensatory allowance for notice period “indemnité compensatoire de préavis”, and severance pay “indemnité de départ”), breach of express or implied covenant of good faith and fair dealing; intentional or negligent infliction of emotional distress; intentional or negligent failure to supervise, train, hire or dismiss; claims for fraud, misrepresentation, libel, slander or invasion of privacy and claim on salary arrears or overtime

payment, compensation for legal or contractual holidays not taken by Executive, reimbursement of expenses, bonuses, commissions or premiums, entertainment expenses, options, warrants, relocation costs, contributions in a supplementary pension plan, other elements of the remuneration or salary, damages, allocation portion of profits, special advantages, etc, without exception nor reservation.

IN WITNESS WHEREOF, the Executive hereby voluntarily and knowingly enters into and gives this Release.

MARCELLO MASTIONI

By: _____

Acknowledged and received by:

ALTISOURCE S.À R.L.

By: _____

POST -SEPARATION COVENANT AGREEMENT

This Post-Separation Covenant Agreement (the “Covenant Agreement”) dated as of April 28, 2021 is by and between **Marcello Mastioni** (“Executive”) and **Altisource S.à r.l.**, with registered offices at 40, avenue Monterey, L-2163 Luxembourg and registered at the Luxembourg Trade and Companies Register under number B.147.268 (the “Company” and, together with any successor entities, parent companies, subsidiaries and affiliates, including Altisource Portfolio Solutions S.A., “Altisource”) (Executive and Altisource each may be referred to herein as “Party” and collectively as the “Parties”).

WHEREAS:

- The Parties contemporaneously with entering into this Covenant Agreement entered into that certain Settlement Agreement and Full Release dated April 28, 2021 (the “Settlement Agreement”);
- The parties intend for consideration provided pursuant to the Settlement Agreement to also constitute consideration for this Covenant Agreement.

In consideration of the mutual covenants and agreements contained herein and in the Settlement Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Violation of any provision of the Settlement Agreement by Executive will entitle the Company, in addition to and not in limitation of any and all other remedies available to the Company at law or in equity, to recover any and all consideration provided to Executive pursuant to section 4 of the Settlement Agreement. In addition, all payments and benefits made to Executive pursuant to the Settlement Agreement shall be subject to claw-back by Altisource to the extent required by applicable law or pursuant to any Altisource claw-back policy.
2. Sections 12 through 14 (inclusive) of the Settlement Agreement are hereby incorporated each in its entirety into this Covenant Agreement; provided, however, that references to “Agreement” in such provisions will be deemed to refer to “Covenant Agreement,” as applicable.
3. If Executive exercises his revocation rights pursuant to Section 15 of the Settlement Agreement, this Covenant Agreement shall be null and void.
4. It is the intention of the Parties hereto that all questions with respect to the construction of this Covenant Agreement and the rights and liabilities of the Parties hereunder shall be determined in accordance with the laws of the Grand Duchy of Luxembourg. Any dispute with respect to the construction of this Covenant Agreement and the rights and liabilities of the Parties hereunder will be brought before the courts and tribunals in the district of Luxembourg City.
5. This Covenant Agreement together with the Settlement Agreement (including the Exhibits thereto and the Full Release provided by Executive pursuant to the Settlement Agreement) set forth all the promises and agreements between the Parties concerning Executive’s separation of employment and supersede all prior and contemporaneous agreements, understandings, inducements or conditions, express or implied, oral or written, except as contained herein.

IN WITNESS WHEREOF, the Parties hereby voluntarily and knowingly enter into this Covenant Agreement.

MARCELLO MASTIONI

By: _____

ALTISOURCE S.À R.L.

By: _____

**CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, William B. Shepro, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2021 of Altisource Portfolio Solutions S.A.;
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: May 10, 2021

By: /s/ William B. Shepro

William B. Shepro
Chairman and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michelle D. Esterman, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2021 of Altisource Portfolio Solutions S.A.;
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: May 10, 2021

By: /s/ Michelle D. Esterman

Michelle D. Esterman
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

**CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(UNITED STATES CODE, TITLE 18, CHAPTER 63, SECTION 1350)
ACCOMPANYING QUARTERLY REPORT ON FORM 10-Q OF
ALTISOURCE PORTFOLIO SOLUTIONS S.A. FOR THE QUARTER ENDED
MARCH 31, 2021**

In connection with the Quarterly Report on Form 10-Q of Altisource Portfolio Solutions S.A. (the “Company”) for the quarterly period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), William B. Shepro, as Chairman and Chief Executive Officer of the Company, and Michelle D. Esterman, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

By: /s/ William B. Shepro
William B. Shepro
Chairman and Chief Executive Officer
(Principal Executive Officer)

May 10, 2021

By: /s/ Michelle D. Esterman
Michelle D. Esterman
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

May 10, 2021