

Q1 2026 Earnings Call

Tuesday, May 5, 2026

Conference call: 1:30pm PST

Participants:

Paul Gu, Co-founder and CEO

Andrea Blankmeyer, CFO

Sonya Banerjee, Head of IR

Operator:

Good afternoon and welcome to the Upstart first quarter 2026 earnings call. At this time, all participants are in listen-only mode to prevent any background noise. Later, we will conduct a question-and-answer session and instructions will be given at that time. As a reminder, this conference call is being recorded. I would now like to turn the call over to Sonya Banerjee, Head of Investor Relations. Sonya, please go ahead.

Sonya Banerjee, Head of IR

Thank you. Welcome to the Upstart earnings call for the first quarter of 2026. Joining me today are: Paul Gu, our co-founder and CEO, and Andrea Blankmeyer, our CFO.

During today's call we will make forward-looking statements, which include statements about our outlook and business strategy. These statements are based on our expectations and beliefs as of today, which are subject to a variety of risks, uncertainties, and assumptions, and should not be viewed as a guarantee of future performance. Actual results may differ materially as a result of various risk factors that have been described in our SEC filings. We assume no obligation to update any forward-looking statements as the result of new information or future events, except as required by law.

Our discussion will include non-GAAP financial measures, which are not a substitute for our GAAP results. Reconciliations of our historical GAAP to non-GAAP results can be found in our earnings materials, which are available on our IR website.

With that - Paul, over to you.

Paul Gu, CEO and Co-founder

Thank you Sonya and thank you everyone for joining us today.

I want to start my first official earnings call as CEO by stating simply that the Upstart leadership team and I are here to build a high-growth and high-return business. I'm a founder at heart. I dropped out of college at 20 to start something, and now after 14 years, I wouldn't be doing this if I didn't believe the upside ahead for Upstart was as good as that of any startup.

In recent decades, there's been a growing trend for the fastest growing companies to stay private, and as a result, public companies are typically past their high-growth years. We believe Upstart is not. As reflected in our 3-year outlook of 35% annualized revenue growth, we expect to be one of the fastest multi-year compounders at our scale.

Consumer credit is arguably the oldest, most economically foundational business there is, and today is the perfect time to re-imagine it. Unlike in some areas, the application of AI to credit is an unambiguous good for the consumer - saving them time and money to use on the parts of life that really matter. For lenders, AI will transform credit from a structurally commodity-like business to one where the player who wins the technology and modeling race wins the market. With a decade-long headstart, we believe that race is ours to lose.

Capitalizing on this enormous market opportunity will require some investment. Fortunately, we have just the right business to fund it - Core Personal Loans, unsecured installment loans to consumers not conventionally considered super prime. Our significant and growing lead in technology, built-up over that decade plus, gives our product there the best rates and best process in the market, making room for unusually high margins while still delivering the best product to the customer. You're going to hear me talk a lot more about this as CEO - our core personal loan business makes a lot of money, and my first priority is to do a lot more of it.

Businesses in today's world, especially in lending, can too easily put up big numbers that depend on even bigger equity bases. At Upstart, we have always treated equity as a real cost, and I intend to double down on that rigor. Our operating strategy is to reinvest the profits from core personal loans into building the best product and most trusted brand across every category of consumer credit. This approach allows us to simultaneously maximize earnings over the long run, while running an extremely capital efficient business. Similarly, our funding strategy for loans will continue to be one that relies primarily on third party capital. As they say, the market is a weighing machine in the long run. And my bet is that the businesses with the most profits *and* the least dilution will weigh the most.

Now, I'd like to turn to Q1 and where we stand today.

Originations grew 61% year over year and revenue grew 44%, while profit declined marginally. These are strong results, and put us comfortably on track to meet our full-year guidance on both the top and bottom lines.

These numbers reflect a mix of four factors: secular improvements to technology and marketing, strong momentum in newer products and the super prime segment, the usual Q1 seasonal headwinds in borrower demand and annual employee-related expenses, and some planned investments. I'll focus on our platform and product strategy, and Andrea will walk through the numbers.

As always, our most important growth lever is improving our underwriting model. In Q1, we increased the accuracy lead of our personal loans model over our benchmark model by 1.4 percentage points. Our model's advantage now stands at 173.6%, while 87.4% of the inaccuracy remains to be solved. This quarter, we extended the scope of our models to predict post-default recoveries, replacing the assumptions we'd used historically with the full strength of our AI models. This fuller view of loan economics lets us serve more creditworthy borrowers, which drove approximately 3.5% more originations at equivalent risk levels relative to our prior model. Simply put, our lead over traditional credit scoring continues to grow.

We're also moving quickly to maximize use of AI across every part of the business. In servicing and collections, we doubled daily AI-assisted borrower conversation volume, brought that capability to our mobile app, and expanded our AI-powered payment features. We also deployed AI-driven quality assurance tools to review customer service calls - giving us a scalable, consistent way to continuously improve the borrower experience.

Across our platform, we originated more than 425,000 loans in Q1. We believe more Americans are choosing to borrow from us than any peer fintech platform. With well over 20 million unique consumers having created accounts to check their rate with Upstart, we are rapidly building towards being the most trusted brand in consumer credit.

In Auto, originations grew more than 300% year-over-year and 30% sequentially. Auto Retail was the standout, with originations up roughly 13x year-over-year and nearly doubling sequentially, driven by our rapidly expanding active dealer network. Our work to reduce friction for dealers is paying off. About a quarter of retail transactions in Q1 used the remote signature capability we launched late last year. We also rolled out a new feature that lets dealers generate firm, AI-powered offers across multiple vehicles from a single customer application. And we deepened integrations with dealers' existing compliance and CRM tools, embedding Upstart more naturally into how they already work.

Home originations grew approximately 250% year-over-year and 16% sequentially, driven by better marketing reach and efficiency. In Q1, more than one-quarter of these loans were fully automated, and we achieved an average time-to-close of just six days from application to signing - a new record for us, and a fraction of the industry average of roughly 40 days. In early April, we also added richer bank account data to our HELOC income verification process, improving accuracy and the saleability of these loans to capital markets partners.

This progress in Auto and Home has set us well on our way to serving the full range of consumer credit needs. With growth strong and technology advancing rapidly, the time is now right for both products to begin shifting some of their focus from pure growth to unit economics.

Last month we also launched Cash Line, our first unsecured revolving credit product. This is an important step toward our vision of always-on credit for every borrower, and we're thrilled by the early results.

Looking forward, the next area we're focusing our product and growth efforts on is none other than core personal loans. I said earlier that the profits from this business are central to our strategy, and we have already begun taking action to grow it. While we would normally expect originations to decline sequentially in Q1, core personal loans were flat to Q4. That stronger than seasonal performance signals the early stages of the re-acceleration we expect to continue through the rest of the year.

Now, I want to turn to the capital side of the business.

Funding supply for loans is strong. Thanks to the pioneering work Sanjay and the capital team have done, well over half of our capital is committed. Year-to-date, we've expanded and deepened our forward flow relationships, securing over \$4 billion in new committed capital. That includes about \$2 billion in new commitments from Eltura, Centerbridge and WAFRA alongside renewals with Fortress and Blue Owl. Notably, we closed a 24-month commitment, which is our longest deal term yet, designed to provide durable capital through market cycles. I'm also proud to share that this continues our track record of a 100% renewal rate with every partner since our first deal in 2023.

Additionally, our recent securitizations totaling approximately \$1 billion were multiple times oversubscribed, with the most recent transaction upsized. This reflects strong secondary liquidity for our loans even amid broader market volatility. We also included auto-secured personal loans in a securitization for the first time - an important milestone when it comes to new product funding.

These results, happening against a backdrop of market volatility in other areas of credit, are a clear vote of confidence in our platform. We take the trust our capital partners have given us seriously, and always treat credit performance as an uncompromising first priority. The average return of our last 12 quarterly vintages of loans exceeds US Treasuries by 651 basis points, with every individual vintage exceeding Treasuries by at least 385 basis points.

Finally, the bank charter.

In March, we announced our application for a national bank charter. As I said earlier, our strategy for funding loans is to rely primarily on third party capital, and the bank charter doesn't change that. We expect banks, credit unions and institutional investors to continue to purchase the vast majority of loans originated on our platform.

The bank charter will, however, bring significant regulatory benefits to Upstart - including by expanding our addressable market across all 50 states, reducing the operational and financial costs of originating loans, and accelerating our technology velocity by enabling us to interface with regulators directly. These benefits directly support our growth and profit goals, and will show up over the next few years.

Now, I want to close by welcoming Andrea, who joined us as CFO in March. Andrea is an incredibly talented finance leader with a background in complex, novel business models. She's learning the ropes here faster than I could've hoped for, and is already making an impact on how we plan, prioritize and execute. It is now my great privilege to turn the call over to her for a discussion of our financial results.

Andrea Blankmeyer, CFO

Thank you, Paul - I appreciate the warm welcome. Good afternoon everyone, I look forward to spending more time with many of you in the coming weeks and months.

It is a privilege to take my first earnings call as CFO. The Upstart team has built a highly differentiated AI-powered credit platform, and the runway in front of us is enormous. I take seriously my responsibility as the financial steward of this platform, including the discipline Paul described around treating equity as a real cost and running a capital-efficient business. I've spent my first weeks here digging into the business and the plan, and Paul and I are fully aligned on our financial priorities. I look forward to updating you on our progress each quarter.

Turning to Q1. Before I review the numbers, I'll provide some color around some of the factors Paul mentioned that were specific to the quarter and an expected part of our trajectory for the year.

Starting with newer products. We continued to make progress growing our Auto and Home businesses, and saw strong growth in super prime personal loan originations as well. This drove a sequential dip in our overall take rate and our Contribution Margin.

Next, is seasonality. At the top of the funnel, we typically see consumer demand for personal loans soften in Q1 as tax refunds reduce borrowing needs. This soft demand typically translates into lower conversion and a modest step-down in Contribution Margin in Q1 vs. Q4. Additionally, our business has opex seasonality in the first quarter of the year, with a step-up in corporate costs associated with our compensation and benefit cycle, and the timing of our annual company-wide gathering.

Finally, we made deliberate investments in talent in Q1. This sets us up to achieve our objectives for 2026 and beyond.

Each of these factors - mix, seasonality and investment - in addition to the platform and product gains Paul mentioned, was contemplated in the team's planning for the year. We are on track to deliver on our full year guidance.

Now I'll walk through our Q1 results.

Originations were \$3.4 billion, up 61% from the prior year and 8% sequentially. Within this, total personal loan originations grew 6% relative to Q4, reflecting 26% sequential growth in super prime and better than typical seasonal performance in our core business - which was roughly flat sequentially relative to the historical Q1 step-down. Our newer secured products continued to scale, with Auto originations up 32% sequentially and Home up 16%. Taken together, these results demonstrate the strength of our core business and the growing contribution of our newer products to overall platform growth.

Total Revenue came in at approximately \$308 million, up 44% year-on-year and 4% sequentially. This included **Revenue from fees** of roughly \$277 million, up 49% year-on-year and 4% sequentially driven by growth in platform originations. Within fee revenues, servicing revenue continued to show solid growth, up 52% year-over-year and 22% sequentially, driven primarily by higher origination volumes along with an increase in fees connected with the sale of loans. **Net interest income and fair value adjustments** totaled approximately \$31 million, up modestly year-on-year and roughly flat with Q4.

Our **Contribution Profit**, a non-GAAP metric defined as *revenue from fees*, minus variable costs for borrower acquisition, verification and servicing, was \$137 million, up 34% year-over-year but down 2% sequentially, primarily as a result of increased marketing investment to optimize digital channels and support new product growth. Contribution Margin came in at 50%, down three percentage points from the prior quarter, reflecting the mix, seasonality, and marketing investment dynamics. We expect Contribution Margin in Q1 will be the low point for the year, barring any changes to the macroeconomic environment.

In total, **GAAP Operating Expenses** were roughly \$316 million in Q1, up 45% year-on-year and 14% sequentially. Variable expenses - borrower acquisition, verification and servicing - rose 68% year-on-year and 12% sequentially, with the step-up versus Q4 reflecting marketing investment. Fixed expenses were up 31% year-over-year and 15% sequentially reflecting the beginning-of-year investment and seasonal step-up in corporate cost I discussed earlier. I'll note that our fixed cost investments for the year were front-loaded into Q1, and we expect more modest sequential growth for the remainder of 2026. This sets us up for the Adjusted EBITDA margin acceleration we've guided to as the year progresses.

In Q1, we had a **net loss** of approximately \$7 million. GAAP earnings per share was negative \$0.07 based on a diluted weighted average share count of 97 million. **Adjusted EBITDA** was roughly \$40 million, with a margin of 13%.

With this quarter's results, we are on track to deliver on our Adjusted EBITDA outlook of \$294 million for the year, and to be solidly profitable on a GAAP basis.

We ended Q1 with just over \$1 billion in loans held on our balance sheet, up approximately \$30 million from Q4. It continues to be our strategy to primarily rely on third-party capital to fund our growing originations. Notably, our secured products and other

R&D loan balance declined modestly quarter-over-quarter, even as Auto and Home originations accelerated.

More broadly speaking, as Paul mentioned, supported by consistent credit performance, we've continued to enhance our capital platform. So far this year, we've signed more than \$4 billion in committed capital partnerships, completed two securitizations for \$1 billion in total collateral and increased the proportion of Home and Auto loans funded via third parties.

Additionally, in February we bought back 3.2 million shares of Upstart stock for \$100 million, and we have about \$122 million remaining under our current authorization.

Looking ahead, we are reiterating our full-year guidance.

This means that for full-year 2026 we continue to expect:

- Total revenues of approximately \$1.4 billion
- Revenue from fees of approximately \$1.3 billion
- Adjusted EBITDA of approximately \$294 million, which equates to approximately 21% of total revenues - consistent with our prior guidance.
- Our guidance assumes a stable macroeconomic backdrop.

Additionally, I'll share some color on the drivers and the shape of the year:

- First, for the full year, we continue to expect growth in absolute contribution profit dollars to be within at least 5 percentage points of fee revenue growth. We plan to deliver this profit growth using two complementary levers: growing our core personal loan business, where margins are already strong, while continuing to improve the unit economics of Auto and Home as they scale.
- Second, marketing and opex growth should moderate in the remainder of the year relative to what we saw sequentially in Q1.
- Third, we continue to expect Adjusted EBITDA to be weighted toward the second half of the year, driven by originations growth, improved Contribution Margin, and opex leverage as we progress through the year.

To close: our performance in Q1 was right on track. We enter Q2 with momentum across our core business and our newer products, with consistent credit performance, and a reinforced capital base. I also want to thank Paul, Sanjay and the whole team for their support and partnership as I've come up to speed.

With that, I'd like to turn it over to the operator to begin Q&A.

Paul Gu, CEO and Co-founder

Thanks everyone for the questions, and for your time today. Here's a few things I hope you take away from our conversation.

- First, Q1 was strong and puts us comfortably on track to deliver our full-year outlook on both revenue and profit.
- Second, core personal loans is our superpower, it has great margins, and we're going to do a lot more of it.
- Third, home and auto have found their places in the market, and it's time to make them profitable.
- Finally, the opportunity ahead of us for AI to remake consumer credit is enormous, and we intend to go after it while making every dollar of capital count.

Thanks to our team, our capital partners, and our shareholders. We'll see you next quarter.