

Q4 and Full Year 2025 Earnings Call

Tuesday, February 10, 2026

Conference call: 1:30pm PST

Participants:

Dave Girouard, Co-founder and CEO

Paul Gu, Co-founder and CTO

Sanjay Datta, CFO

Chelsea Williams, Investor Relations

Operator:

Good afternoon and welcome to the Upstart fourth quarter and full year 2025 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 Chelsea Williams, Investor Relations. Chelsea, please go ahead.

Chelsea Williams, Investor Relations

Thank you. Welcome to the Upstart earnings call for the fourth quarter and full-year 2025. With me on today's call are: Dave Girouard, our Co-founder and CEO, Paul Gu, our Co-founder and CTO, and Sanjay Datta, 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.

Before I turn the call over to Dave, please note that concurrent with today's earnings release we also issued a press release regarding our leadership evolution. Management will address these plans during today's conference call.

With that - Dave, over to you.

Dave Girouard, Co-founder and CEO

Thanks, Chelsea. Good afternoon, everyone - thank you for joining us.

Leadership Transition

I want to start today with what most of you have heard by now. I'm super excited to announce that on May 1st, my Co-founder Paul will become Upstart's next CEO, while I'll continue on in my role as Upstart's executive chairman.

Why now? Well in a few weeks, as hard as it is for me to believe, I'll celebrate my 60th birthday. And for more than 5 years, we've talked about this milestone as the right timeframe for Paul to step into the CEO role at Upstart. I can't imagine a succession plan more thoroughly considered - or executed with any finer level of detail than what we've done at Upstart in the last few years to prepare Paul and the company for this day.

As I said in the press announcement, Paul and I have been building Upstart together side by side for the last 14 years, and I expect we'll continue to build it together for the next 14 - or even longer. When we co-founded the company, Paul was barely old enough to drink - and I was older than his parents. So this transition is an incredibly rare opportunity to have a founder-led company for decades to come. To be clear, I'm not going anywhere and expect to be quite involved with Upstart. Beyond my role as Upstart's executive chairman, I'll continue to help shape the company's strategic direction and important initiatives.

I want to thank you all for this opportunity - building and leading Upstart has been the experience of a lifetime - second only to the life I've built with my amazing wife Tiffany and our two incredible children, Jackson and Tristyn. In particular, I want to thank the Upstart employees past and present. It has been an honor to work alongside you through the ups and down - whether a good day or otherwise, it's been an experience I will always cherish.

I couldn't be more optimistic or excited about the next phase of Upstart. Some time ago, Paul said to me that most of the trillions of dollars in interest paid by borrowers in this world is unnecessary in the age of AI. So our mission is a glorious one - and it's one requiring determination and perseverance not just for years but for decades. I'm confident that in due time, under Paul's leadership, we'll look back with nostalgia at our first 14 years as "the early days" at Upstart.

2025 in Review

Now to move on to our regularly scheduled update.

I'm proud of all the Upstart team accomplished in 2025. We grew originations by 86 percent and revenues by 64 percent while growing headcount just 18 percent - a ratio any business would die for. And we re-established Upstart as a strongly profitable business. This growth and

profitability was driven first and foremost by a significant market share gain in our personal loan product, where Upstart grew originations 75 percent year on year.

But just as importantly, our newer products had an incredible year, with originations for Auto and Home both growing 5X year on year. And originations for both actually accelerated in the fourth quarter.

Even with this epic growth across all three product categories, we reduced loans on our balance sheet by 20 percent in Q4 and expect this trend to continue. With 70 percent of funding for Auto and Home loans originated in Q4 coming from 11 different partners and an additional 13 signed up for the coming year, we've officially begun a new era as the "everything store for credit".

2026 preview

Looking forward to 2026, I feel like Upstart has emerged from a multi-year rebuild and begins the new year from a position of unprecedented strength. In addition to radically improving our AI in the last three years, we've also entirely rebuilt our capital supply for resiliency and competitiveness. And as we wrapped up 2025, powered by excellent credit performance and rapidly improving conversion rates in the last few years, we finally took the last steps to launch our home, auto and small dollar credit products into the funding markets. Upstart is the leader in providing the best rates and the best process across products and to consumers across the credit spectrum. And 2026 will be about increasing our lead and establishing our brand in these dimensions.

All of this sets us up for building incredible franchises in each of these product areas for years to come. In the coming quarters, I expect AI-powered lending - led by Upstart - to rapidly gain market share across these enormous unsecured, home and auto segments, as well as additional lending categories in the near future. We've been building the teams, the skills and the technologies to deploy AI in lending for more than a dozen years and I believe we are peerless in this regard.

With this strong foundation and expansive TAM in place, I want to share today that we project Upstart to achieve a compound annual growth rate of 35 percent for the next three years. In addition to sharing longer term guidance, we're also refreshing how we share near term financial information with the markets. Starting today, we've begun to publish the monthly transaction volume on our platform at the beginning of each subsequent month, providing a fresher look at how originations are trending. Beyond that, we'll also focus on providing annual guidance which we'd expect to update as we report each quarterly earnings.

The opportunity to radically transform access to credit with AI is unimaginably large and we want to offer the world a courtside seat as this future unfolds. With these upgrades to our disclosures and guidance, investors can better understand both the near term dynamics and the long term potential of Upstart.

With all that said, I want to say welcome to the new era of Upstart! With that I'll turn things over to Paul Gu, my Co-founder and Upstart's next Chief Executive Officer. Paul?

Paul Gu, Co-founder and CTO

Thanks, Dave and good afternoon, everyone. I've had the chance to get to know many of you over the last year, and I'm excited to spend some time today sharing how I see the business as we head into the next chapter.

I'm incredibly grateful to have had the opportunity to learn from Dave these past 14 years. I got to work alongside Dave finding our very first customers, onboarding the first outside capital for loans, evolving from one office to multiple to digital first, taking the company public, weathering the boom and bust of the COVID stimulus era, and doing virtually everything else needed to build the Upstart of today. Through that long journey, we built what I consider the very best team and technology in credit. Today, I have the great fortune to take the baton from that enviable starting point.

I am also extremely excited to welcome Sanjay, Grant and Andrea to their new roles. Sanjay will serve as President and Chief Capital Officer, Andrea is joining us as CFO, and Grant is returning to Upstart as CTO. Sanjay and Grant have long been key leaders in Upstart's history, and Andrea is an incredibly talented finance leader with a background in complex, novel business models. I look forward to partnering with them to show the world the potential of AI-powered credit.

As Dave said, Upstart is a far stronger company today than it was one year ago, or for that matter, at any point in our history. We always judge ourselves by the trifecta of growth, profits and credit performance, and 2025 saw tremendous progress on all 3.

Looking specifically at the Q4 results, we grew total loan origination dollars 52% year over year. That is a function of finding strong product-market-fit in our new products, but is also a testament to the persistent and large opportunity for us to grow with and win share in our personal loan business, where origination dollars grew 41% YoY in its 12th year of operation.

Because of our strong unit economics and operating leverage, that growth in revenue flipped our net income from negative \$2.8 million in Q4 last year to positive \$19 million this past quarter. We expect revenue growth to continue outpacing expense growth and make 2026 an even more profitable year. I want to pause and touch on our contribution margins. You'll notice that these have declined over the past year. This is expected and intentional due to two dynamics, both of which we're actually excited about. First, we have grown rapidly in secured products and prime borrowers, segments which come with lower take rates but dramatically larger market sizes. Second, we increasingly have the financial ability to consider the long term value of acquiring a customer and the reputation value of saving them more money than anyone else. Together, these are putting us on a path to become the best and most trusted place for every American to

fulfill all of their credit needs. Setting aside a couple of transitional and accounting factors specific to Q4, we expect to be able to accomplish this while still growing absolute contribution profits nicely with the business, albeit with a modest lag to revenue.

The growth in 2025 also came alongside another year of exceptional credit performance. The average return of our last 12 quarterly vintages of loans exceeds that of US Treasuries by 608 basis points, with every individual vintage exceeding Treasuries by at least 270bps. This combination of scale, consistency and returns is only made possible by our use of AI lending, and we believe will be a growing draw for capital partners, banks and credit unions.

We achieved this combination of record revenue and consistent credit performance with the Upstart Macro Index in the 1.4s for most of the past year and quarter. By comparison, during our prior peak revenue year of 2021 - UMI averaged around 0.8, meaning that statistically identical loans were 43% less likely to default back then as they are today. That our 2025 results surpassed 2021 in spite of that UMI backdrop is a strong testament to the power of our AI-first strategy. Improving separation and automation quarter after quarter is a recipe for delivering results over a multi-year window, regardless of how macro moves in the short-run.

Now, I want to quickly highlight a few of those technology advances from Q4. First, we launched two major model updates, M24 and M25. M25 added a significant number of consumers who never took loans from the Upstart ecosystem to our training dataset by joining past applicant data to similar loans taken outside Upstart. This adds a rich diversity to our training dataset, and better positions our model to understand consumers whom we historically did not approve or win. These models increased our measured separation accuracy advantage over our benchmark textbook model by about 1 percentage point to 172.2% on previously observed Upstart loans, but had an accuracy boost more than 100X as large on those loans we didn't previously win.

Second, we redesigned our partnership models and integrated new data sources into our partner APIs, together driving 24% more channel originations quarter on quarter while lowering latency by 34%. Finally, we launched a brand new architecture of our verification models that lowers default rates by 0.8%, and launched our first voice LLMs for when manual verification calls are required.

2025 was also the year our new products found product-market-fit. In our auto business, we doubled the number of live lending rooftops for the third quarter in a row, and began applying AI for the first time to our auto-secured personal loan product. In our dealerships, we launched the ability for car-buyers to sign their loan contracts remotely, and began automating document verification processes with LLMs, thereby reducing funding times by 12%. As a result, our combined auto originations in Q4 were up 56% sequentially and 340% year on year.

In our home business, we tripled the percentage of HELOCs using automated underwriting, and rapidly scaled our campaigns to cross-sell the product to homeowners in our existing member

base by integrating property data. As a result, home originations in Q4 were up 70% sequentially, totaling 350% year on year.

You may have noticed that I called out technology wins in nearly every area of the business I discussed. This isn't because I'm partial to technology by background, though I am, but rather because technology is the story of how we're building a differentiated business for the long term at Upstart. In Q4, the scale of our training data crossed 100 million borrower repayment events for the first time, 14 years after we started the company. The next 100 million repayment events will come dramatically faster, and include data on almost every major category of consumer credit. We believe that proprietary training data, when combined with the ever better learning algorithms our team develops, drives a long-run growth trend that persists independent of any ups and downs in the macroeconomy or competitive environment. We have executed against this strategy and observed its results for more than a decade, and in looking at our technology roadmap now, have every reason to expect that compounding to continue for many years to come.

With that, I'll turn things over to Sanjay. Sanjay?

Sanjay Datta, CFO

Thanks Paul, and good afternoon to all who are listening in with us, unless you are a Seahawks fan.

Looking back on what we believed and messaged almost exactly one year ago today, I am proud to say that Upstart called its shot in 2025. Last February we guided to \$920 million of fee revenue and \$1 billion total revenue on the year; we finished the year with \$950 million in fee revenue and \$1.04 billion total revenue. We were aiming for positive net income and an 18% Adjusted EBITDA margin; we ended at positive \$54 million in net income and a 22% Adjusted EBITDA margin. Notwithstanding some of the inevitable twists and turns over the course of the year, 2025 landed right on schedule.

Overall for the year, we grew our total revenue by 64%, and we held our fixed expense base to a mere 5% growth, a nice flex of our operating leverage, which allowed us to more than 20X our Adjusted EBITDA from \$11 million to \$230 million despite concurrently investing in the scale up of multiple new early stage products.

We took meaningful steps to reduce balance sheet exposure in Q4, while simultaneously graduating three new product categories from their R&D phase and almost quadrupling their volume year on year. We added new funding sources for our growing product portfolio in Q4 and converted several of our existing funding partnerships into multi-product relationships. Notably, for Auto lending across both refinance and retail, the most mature of our new bets, 92% of our Q4 originations were funded via third parties, supported by the continued expansion of our institutional and lender funding relationships. In Home lending we have similarly signed our

initial institutional and lender partnerships who have collectively taken a majority of our Q4 HELOC production, and expect to attain 3rd party funding levels similar to that in our Auto segment in the near future. Taken together, these developments have allowed us to accelerate new product growth rates in Q4 while simultaneously reducing our balance sheet holdings by 20% quarter-over-quarter. All in all, we are entering 2026 feeling enthusiastic about the momentum of our financial performance as well as the strength of our capital supply.

With this as context, here are some of the financial highlights from Q4 of 2025:

Total Revenue for Q4 came in at roughly \$296 million, up 35% year-on-year and 7% sequentially. This overall number included **Revenue from fees** of approximately \$265 million, which was up 33% year-on-year and above quarterly guidance, reflecting the impact of recent underwriting model launches. Within fee revenues, our servicing revenue stream continued its steady growth clip at 28% year-over-year driven by higher origination volumes and improving servicing fair value marks.

Net interest income of approximately \$31 million, ahead of guidance by \$5 million, resulted from continuing strong return performance on a loan balance that remained elevated during part of the quarter. As discussed, we made progress reducing balance sheet exposure by quarter end and would expect the contribution of net interest income to moderate as those efforts continue.

The **volume of loan transactions** across our platform was approximately 456,000, up 86% from the prior year and 6% sequentially, representing approximately 307,000 new borrowers. Transaction growth was driven by continued model improvements and continued growth across our new products. Average loan size of approximately \$7,000 was 5% higher than the prior quarter, reflecting an increasing mix of non-personal loan products, which generally carry larger loan sizes.

Our **Contribution Margin**, a non-GAAP metric which we define as Revenue from fees, minus variable costs for borrower acquisition, verification and servicing, as a percentage of Revenue from fees, came in at 53% in Q4, down four percentage points from the prior quarter and in-line with guidance. The sequential decline primarily reflects the increased weighting of lifetime value in our pricing calculations, which results in lower take rates but higher future profits.

In total, **GAAP Operating Expenses** were around \$277 million in Q4, up 9% sequentially from Q3. Expenses that are considered variable, relating to borrower acquisition, verification and servicing, were up 11% sequentially relative to the 12% increase in volume of loan transactions. Fixed expenses were up 7% quarter-on-quarter, reflecting continued investment to support the growth of the business.

Q4 **Net Income** was approximately positive \$19 million, ahead of expectations and reflecting outperformance on the top line alongside continued discipline across our cost structure. This result builds on our return to GAAP profitability in the second quarter of 2025 and reflects

continued progress in the current credit environment. GAAP earnings per share was \$0.17 based on a diluted weighted average share count of 112 million.

Adjusted EBITDA was roughly \$64 million, in-line with expectations.

We completed the full year with total revenue above \$1 billion, up 64% from 2024, a Contribution Margin of 56%, and positive Adjusted EBITDA of \$230 million, representing a 22% Adjusted EBITDA margin versus a margin of 2% a year earlier.

We ended Q4 with approximately \$985 million of loans held directly on our balance sheet, down from \$1.2 billion in Q3. The sequential reduction reflects loan transaction activity during the quarter, alongside continued progress transitioning funding for new products over to third-party capital.

As we set up for the year ahead, we are evolving our approach to financial guidance by emphasizing the annual outlook and by focusing on the longer term trends of the business. To supplement this, as Dave has mentioned, you will also be able to view more frequent updates on origination volumes that will be published each month at upstart.com/volume.

This year we expect to continue growing our core personal loan business at a healthy clip via consistent model improvements and growth wins. As we increasingly weight the future benefits of customer lifetime value in our loan pricing, we expect that take rates will moderate, reducing current contribution margins in return for higher borrower volumes and lifetime profits. Notwithstanding this dynamic, we expect absolute contribution dollars from our platform to grow at a robust rate, which we are aiming to maintain to within at least 5 percentage points of corresponding fee revenue growth.

We also expect to continue the rapid scale up of our new secured product categories in Auto and Home, which taken together we expect will contribute over \$100 million in fee revenue in 2026. As they reach mature scale and sell-through, we anticipate this category will attain average upfront take rates of around 4%, in addition to average servicing rates of around 2% of outstanding balance, on average loan sizes of approximately \$30K. Within those averages, Home lending will tend towards higher upfront take rates, while Auto loans will exhibit a higher proportion of ratable servicing revenues over the lifetime of the loans.

Across both unsecured and secured lending we aim to continue streamlining our balance sheet and building new committed multiproduct relationships with lenders and investors alike.

And finally, we expect to continue maintaining tight fixed cost discipline and improving operating leverage as we further grow our profit base.

On the macro environment, as per our tradition, we assume a constant default risk environment with a UMI holding steady at its current value of around 1.4 to 1.5, and a static interest rate environment as well.

More specifically, for 2026, in the aforementioned scenario we are anticipating:

- Total revenues of approximately \$1.4 billion
- Revenue from fees of approximately \$1.3 billion, and
- Adjusted EBITDA margin of approximately 21%

Looking even further out, our ambition will be to maintain a relatively steady growth clip over the coming several years, paired with improving margins and operating leverage. For the three year period spanning 2025-2028 in particular, we are targeting to maintain a 35% compound annual growth rate in a macro neutral environment, with a terminal Adjusted EBITDA margin of around 25% in 2028.

2025 was a year of tremendous effort and perseverance across the company, and I want to thank the teams at Upstart for their continued dedication to the cause. On a personal note, I am excited and grateful for the opportunity to be a part of this leadership transition and to contribute to the next phase of Upstart's journey. I am also very excited to welcome Andrea to the finance chair starting next month, where she will unquestionably be raising the bar. And on that note, I would like to now pass things back to the operator to kick off the Q&A. Operator?