Q2 2026 Earnings Call
Tuesday, August 4, 2026
Conference call: 1:30pm PT

Participants:
Paul Gu, Co-founder and CEO
Andrea Blankmeyer, CFO
Sonya Banerjee, Head of IR

Operator:
Good afternoon and welcome to the Upstart second 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 second 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.

For the first time - this quarter we'll discuss Contribution Margin separately for our Unsecured and Secured businesses. As a reminder, Upstart has one reportable segment, Unsecured Lending, formerly called Personal Lending. The name change is administrative only and does not affect the underlying disclosures. Our Auto and Home businesses are not separate reportable segments, but in certain earnings materials we refer to them collectively as Secured products, which is derived by subtracting Unsecured Lending from total Company results.

With that - Paul, over to you.

Paul Gu, CEO and Co-founder

Thanks, Sonya, and thank you everyone for joining us today.

At the end of our last earnings call, I shared four key commitments and takeaways for the year. I'll start today exactly where I left off.

- First, I said that Core personal loans are our superpower. Our technology lead there gives us unusually strong margins, and I told you we would re-accelerate its growth.
- Second, I said Home and Auto had found their fit with the market, and I told you we would turn their focus to improving unit economics.
- Third, I told you that we'd stay capital efficient, even as we pursue the enormous opportunity in credit.
- And putting those together, I told you that we'd drive a rebound in profitability that would show we are on track for our full-year guidance.

Today, I'm pleased to report that we've executed exactly that plan.

We grew Core personal loan originations 27% quarter-over-quarter. That's a $526 million sequential increase – which is more than 3.5X the growth of the prior three quarters combined, and the lion's share of the growth in our Unsecured Lending segment. Because of our strength in this market, we achieved this re-acceleration while also driving our Unsecured Contribution Margin up 6 percentage points compared to last quarter.

At the same time, our Secured products, Home and Auto, advanced rapidly towards profitability. Combined, their Contribution Margin improved by 61 percentage points in a single quarter, closing a large part of the remaining gap to breakeven. And they did so while still managing origination growth of 45% quarter-over-quarter.

Combined, originations across all products grew 23% sequentially, or $782 million compared to last quarter. Our third-party funding strategy delivered at an almost equally rapid pace, allowing us to support that growth without additional equity capital. While loans on our balance sheet increased marginally, they declined to just 5.9% of total outstanding loans, our lowest level in almost two years.

Our strategy drove a rebound in our overall margins and profitability, including all-time high Contribution Profit and a return to GAAP profits. To put that in perspective, our previous peak in Contribution Profit was in Q4 of 2021. Back then, the business benefited from a much easier macroeconomic backdrop, and the financial profile of being concentrated almost entirely in a single mature product.

UMI was below 1, consumer charge-off rates were at historic lows across the industry, and the federal funds rate was near zero. The fact that we've reached a new profit peak in today's environment is a testament to the relentless power of compounding technology wins quarter after quarter, year after year. I always tell people that while our business is sensitive to macro conditions in the short-term, its value in the long run will be determined only by the pace of our execution.

Also, unlike 2021, we are now a multi-product company. Our business today has a significant and growing share of Secured products. Auto and Home made up about 14% of total originations in Q2, compared to just 1% back then. Building those businesses is showing up in our operating expenses now, ahead of the Contribution Profit we expect them to generate in the future. These products expand our market opportunity by many multiples, and combined with Core personal loans, can fuel profit growth for years to come.

Next, I want to highlight our progress in three areas: our models, our customer relationships, and our secured products.

As always, our most important business lever, especially in Core personal loans, is improving our models.

In Q2, we shipped three new personal loan underwriting models, cumulatively adding more than 300 new variables. We also moved personal loan underwriting to a new distributed inference platform that is roughly 65% faster at the median relative to the prior architecture - even as it supports much greater complexity.

The end result: our model's accuracy lead over a traditional credit-scoring benchmark widened again this quarter: our model is now 2.74X as accurate as a traditional model. And we're still early: 87.38% of the inaccuracy gap is left for us to solve - that’s our runway.

Turning to our customers. Q2 was another step toward becoming the most trusted brand in consumer credit. Approximately one in every thirteen American adults has an Upstart account, and that number continues to grow. Investing in these relationships is important to us.

In Q2, we originated more than 558,000 loans – a record high. Historical experience shows that each of those borrowers will take out roughly one and a half loans over time. Recent cohorts are trending even stronger, as the addition of new products like Home, Auto and Cash Line bring us closer to our vision of having the best product for every American’s credit needs. We are also making it easier for consumers to return. In Q2, we launched a new model that allows us to better manage when we pull underwriting data from vendors, allowing us to re-engage existing accounts more frequently and at lower cost.

Next I’ll talk about our Secured products. In Home, we streamlined the borrower verification and closing processes. Our cost to originate a HELOC decreased 15% versus Q1 - and we can close in 6 days while also offering borrowers rates that are on average more than 200 basis points lower than competitors. That combination - lower cost, speed to close, and better pricing - is the basis for a durable competitive advantage that should support our continued growth in this market.

In Auto Retail, we continued to add rooftops and win wallet share. At the same time, because of the great value proposition we offer both dealers and car buyers, we began optimizing our take rates - a clear sign this business has moved from proving demand to improving unit economics.

In auto secured personal loans, we improved the efficiency of the funnel and upgraded our ability to automatically identify consumers with eligible vehicles, which lowers acquisition costs and directly supports product margins.

Each of these secured products has the potential to be as important to Upstart as personal loans over time, and we're excited to continue investing in them. At the same time, capital discipline means holding an extraordinarily high bar for investments, and because of that, we decided to sunset our Auto Refinance business this quarter. While we're proud of what the team built over the past few years, it did not have the same velocity or potential as the other bets in our portfolio.

Turning to funding. Since our May earnings call, we've closed three major institutional deals -- including our largest ever – which together provide up to $5 billion in new committed capacity. We've also kept our streak intact, renewing every institutional capital partner at a 100% rate since 2023. Separately, we completed an upsized $569 million asset-backed securitization, our largest issuance since 2021, at the tightest spreads we've seen in three years. This activity is another vote of confidence in our ability to deliver strong returns to our capital partners. The average return of our last 12 quarterly vintages of loans exceeds US Treasuries by approximately 660 basis points, with every individual vintage exceeding Treasuries by at least 425 basis points.

Finally, a quick update on our bank charter. In July we received conditional approval from the OCC, following a rigorous review of our credit, compliance, and business practices. This process, plus the work remaining to receive regulatory approvals and stand up the bank, is one of the largest undertakings in Upstart's history. The bank does not change our strategy of funding loans primarily with third party capital. But we expect it to unlock major operational and regulatory efficiencies which will contribute to our financial goals over the coming years. We aim to launch in early 2027.

Before I turn the call over to Andrea, I'll close with a few final thoughts.

Q2 was our first quarter executing as a new management team: we defined a strategy and we executed it.

At AI Day last year, I told you that lending's oldest truism assumes the technology stays constant: that you can't have growth, strong credit performance, and profitability all at once. That's not the case for Upstart. This quarter, we delivered all three: we grew, our credit performed, and we expanded margins. We didn't have to trade one for another, and that combination — not any single metric in isolation — is the clearest evidence that our AI advantage is real and compounding.

You should expect us to double down in the second half of the year. We expect to compound wins across technology and marketing as we drive growth in Core personal loans and profitability in Secured loans. That's where the real, durable value in this business lies, independent of any macro headwinds or tailwinds. And we will continue to steward every dollar of investor capital: expanding and deepening our third-party capital relationships and holding a high bar for operational investment.

I want to close by thanking everyone at Upstart for an exceptional quarter.

Andrea, over to you.

Andrea Blankmeyer, CFO

Thanks, Paul. And good afternoon everyone.

As Sonya noted earlier, we renamed our sole reportable segment to "Unsecured Lending" this quarter — a naming change *only,* with no impact to the underlying disclosures. As a quick reminder before I walk through the numbers: Unsecured Lending includes personal loans, small-dollar loans, and Cash Line, while Secured — comprised of Auto and Home — isn't a separate reportable segment; it's derived by subtracting Unsecured Lending from total company results.

This framing reflects a real shift in our business: we're no longer a single-product company, and our Unsecured and Secured products are at different levels of maturity and have very different economics today. Our focus on shifting the mix in Unsecured towards Core means we are leaning into the most profitable part of our business. Secured, on the other hand, is still working towards breakeven Contribution Margin, and has been improving quickly. Breaking these out separately is the clearest way to track both stories: the earnings power of our more mature Unsecured segment, and the additional profit engine we're building with our Secured products.

Turning to the quarter. Q2 was shaped by execution on the priorities we communicated last quarter, and the numbers back it up directly: a reacceleration in Core personal loans, a step-change in Secured product contribution margin, and a rebound in total company margins and profitability.

I'll cite both year-over-year and sequential growth as I walk through our results: year-over-year for the long-term trajectory, sequential for how we executed against the plan. I'll close with what this all means for our full-year outlook.

Total originations were $4.2 billion, up 50% year-over-year and 23% sequentially. Within this, Unsecured Lending originations grew 38% year-over-year and 20% sequentially, with the latter reflecting a reacceleration of Core personal loan volume growth. At the same time, our Secured products continued to scale, with Auto originations up 264% year-over-year and 62% sequentially, while Home grew 139% year-over-year and 14% sequentially.

Total Revenue was approximately $365 million, up 42% year-over-year and 18% sequentially.

Revenue from fees was $348 million, up 45% year-over-year and 26% sequentially. Within that, Unsecured Lending contributed $326 million in revenue from fees, up 38% year-over-year and 23% sequentially. Secured products contributed $22 million, up 465% year-over-year and 86% sequentially. Take rate - defined as revenue from fees as a percentage of total originations - improved sequentially in both categories of products – about 24 basis points in Unsecured and 81 basis points in Secured. That’s why fee revenue growth outpaced origination growth versus Q1.

Net interest income and fair value adjustments totaled approximately $17 million, roughly flat year-on-year but down sequentially reflecting the impact of a higher UMI on fair value.

Next, **Contribution Profit** – a non-GAAP metric defined as *revenue from fees*, minus variable costs for borrower acquisition, verification and servicing . Contribution Profit was $193 million in Q2, an all-time high for Upstart. That’s up 37% year-over-year and up 41% or $56 million, relative to Q1. The sequential increase was almost entirely driven by Unsecured Lending, with Secured products representing less of a drag versus Q1.

Contribution Margin was 55%, versus 58% in Q2 2025 and 50% in Q1 2026. The 5 point improvement versus Q1 was driven by margin gains in both our Unsecured and Secured products.

Unsecured segment Contribution Margin increased to 62%, up 6 percentage points from 56% in Q1 and flat to Q2 2025, with the sequential improvement reflecting three things: one, a larger mix of higher-margin Core personal loans. Two, lower customer acquisition cost as a percentage of originations; and three, an expected seasonal pick-up in demand. The reacceleration in Core personal loan volume was driven by a combination of model improvements, funnel improvements, and efficient, targeted customer acquisition - all reflecting our increased focus on this borrower category.

Our Secured products’ Contribution Margin increased to -35%, an improvement of 61 percentage points from -96% in Q1. This was driven by improved take rate and greater operational efficiency across Auto and Home. Given this trajectory, we expect our Secured products to reach Contribution Margin breakeven by Q4 of this year.

In total, **GAAP Operating Expenses** were roughly $350 million in Q2, up 39% year-on-year and 11% sequentially. Variable expenses - comprised of borrower acquisition, verification and servicing costs - rose 55% year-on-year and 11% sequentially. Fixed expenses - defined as total operating expenses minus variable expenses - increased 28% year-over-year and roughly $19 million or 11% sequentially. **Looking ahead, we expect fixed expenses to grow in the low-single-digits sequentially in both Q3 and Q4.**

In Q2, we returned to **GAAP profitability**, generating approximately $17 million of **net income**, up 195% year over year, with a 5% net income margin. GAAP **diluted EPS** was $0.16 based on a weighted average diluted share count of 110 million. **Adjusted EBITDA** was approximately $77 million, up 45% year over year, with a 21% margin.

We ended Q2 with approximately $1.06 billion in loans held on our balance sheet, up approximately $50 million or 5% from Q1. That increase was driven by our Secured products, which continued to scale quickly. At the same time, our Unsecured holdings declined and legacy securitized loans continued to run off. As a percentage of the total unpaid principal balance of all Upstart loans outstanding, loans on the balance sheet fell to roughly 5.9%, the lowest it's been in almost two years.

Supported by consistent credit performance, we've continued to strengthen our capital platform. Year-to-date, we've signed committed capital partnerships that are expected to add up to $10.8 billion in incremental capacity. We also completed three securitizations for roughly $1.7 billion in total collateral and increased the proportion of Home and Auto loans funded via third parties.

Looking ahead, we're reiterating our full-year guidance:

- Total revenue of approximately $1.4 billion
- Fee revenue of approximately $1.3 billion, and
- Adjusted EBITDA of approximately $294 million, or roughly 21% of total revenue.

Keep in mind, our guidance is informed by our most recent published read for UMI, which as of yesterday was 1.50 — up 9% from the beginning of Q2, and at the top of the 1.4-to-1.5 range that framed our outlook when we initially shared our 2026 guidance in February.

With UMI having trended higher over each of the last three months and now at the top of the guidance range, we are maintaining our guide: we expect the underlying strength of the business, as you saw in Q2, to offset this macro headwind. Our outlook assumes UMI holds roughly at this level through the rest of the year.

To close: in Q2, we did what we said we were going to do - demonstrating that we could drive sequential improvement in Contribution and overall profit margins by:

- One - re-accelerating the growth of Core personal loans at an efficient customer acquisition cost;

- Two - meaningfully improving the Contribution Margin profile of our Secured products while maintaining strong growth, and

- Three - managing fixed expenses.

Along with preparing to launch Upstart Bank, these three areas remain our focus for the balance of 2026. And above all else, we will continue to prioritize consistent credit performance. Whatever the UMI context, if we execute across these domains, our platform will be stronger than ever as we exit 2026.

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