Q3 2026 Earnings Call
Tuesday, November 3, 2026
Conference call: 5:00am PT / 8:00am ET

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

Operator:
Good morning and welcome to the Upstart third 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 third quarter of 2026. Joining me today are: Paul Gu, our co-founder and CEO, and Andrea Blankmeyer, our CFO.

During today's discussion 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

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

I like to use the expression that the growth of our business is equal to alpha + beta times macro.

The idea behind this classic formula is relevant to every business, but especially important for understanding our results and outlook today.

Since laying out our 2026 focus areas earlier this year, I couldn't have asked for better execution. The team has delivered durable, compounding growth from technology and marketing advances at an exceptional rate.

At the same time, our business is sensitive to macro conditions, particularly borrower health and interest rates. Those became a sizable headwind in Q3, and have gotten worse to start Q4.

Looking back over the past few months, I've landed on three conclusions I want to share with you today.

First, I'm proud of the team and our delivery in Q3. Our results were strong by just about any measure, and exceptional when accounting for macro.

Second, we expect a mixed finish to the full-year relative to our original guidance. We see Fee Revenue and Contribution Profit finishing higher, but Total Revenue and Adjusted EBITDA finishing lower. That's because macro has an outsized impact on revenue derived from our balance sheet.

Third, I am more confident than ever in Upstart's long term trajectory. That's not just obligatory CEO optimism. Macro comes and goes, but alpha compounds, and our results are proving we can deliver it.

Let's talk about each conclusion, starting with Q3 results.

Contribution Profit, our best single measure of profitable growth in new originations, reached $218 million dollars in Q3. That's up 48% year over year, a new record, breaking the one we set just last quarter.

This result is strong, but it understates the underlying progress in the business. That's because our Q3 numbers - starting with origination volumes and cascading down the P&L, were held back by a sizable macroeconomic headwind.

The Upstart Macro Index, or UMI, is our estimate of how macroeconomic conditions affect defaults on our personal loans. It averaged 1.50 in Q3, up from 1.41 in Q2, and we underwrote proportionately more conservatively.

The explanation is likely pretty simple. Annual inflation re-accelerated to 3.7%, with prices rising twice as fast as wages over the past quarter. Not surprisingly, consumer delinquencies have

risen across a range of 3rd-party measures. The share of all Americans at least 30 days late on any credit obligation – jumped to over 19% in September, the highest level in years.

Without that 9 point increase in UMI, we estimate Q3 originations would have been at least $370 million higher. In that scenario, year-on-year origination growth would've been 57% and Contribution Profit growth 61%.

We earned that alpha in two places. In Core personal loans, we improved the models, user experience and borrower ecosystem. In Secured, we improved automation, conversion and monetization in pursuit of profitability.

In Q3, we added over 140 new features to our core underwriting model, including numerous proprietary signals of how consumers engage with our platform before they take a loan.

Combined with improvements to our algorithms and training process, our model's accuracy lead over a traditional credit-scoring benchmark widened again. Our model is now 2.77X as accurate – and 87.27% of the inaccuracy gap is still ahead of us. That's our runway.

We also use better models to reach more people. Our marketing programs and user experiences drove more than a million people to apply for an Upstart loan for the first time this quarter, bringing the cumulative number of unique Americans who've applied for an Upstart loan to more than 25 million, all while lowering our cost of customer acquisition.

More than 555,000 unique Americans took out loans in Q3, a new record. And they are more likely than ever to come back: over 250,000 of them were returning customers who'd already borrowed with us before.

Now to Secured products. We told you we wanted to be Contribution Margin positive by the end of the year. The team went all-in and got it done in Q3. Secured Contribution Margin was a positive 17% — an improvement of more than 50 percentage points sequentially.

I'll give a few examples of how we got there. First, we sold more of our secured loans to third-party capital partners and at better terms. Second, we increased the level of automation across our secured products. In Home, nearly 40% of funded loans were fully automated, with no human intervention by Upstart, up from less than 5% a year ago. In auto secured personal loans, we significantly increased the fully automated rate over the last year, from 4% to 21%. Third, in Auto Retail, we began optimizing dealer compensation around where we create the most differentiated value, and we rebuilt our credit application, increasing end-to-end conversion by 31%.

These are young products in enormous markets. After locking in our margin gains this year, we'll gradually shift our focus back to growth in 2027. As we do that, we intend to hold Secured Contribution Margin consistently positive - between breakeven and 25% quarter-to-quarter - as we refine our approach to growth in each category. Longer term, we expect those margins to resume their march upward as we create increasing differentiation and value for our customers, just as they did historically in Core Personal Loans.

Our other major focus this year has been capital efficiency. Loans held directly on our balance sheet declined to 4.8% of total loans outstanding in Q3. More than 95% of all Upstart-powered loans outstanding are now third-party funded, with the bulk coming from committed partnerships. In exchange for commitments of up to two years, we co-invest and share in the performance of those loan cohorts. Those partnerships are designed to make our funding base resilient through market cycles.

Our priority *now* is reducing the share of equity capital our loan funding requires from us. Over the past year, we grew outstanding loans across the platform by 38% while increasing equity used only 7%. That's a good start, and we intend to keep going.

Another project relevant to our capital efficiency is Upstart Bank. We are on track to open Upstart Bank in early 2027, subject to the remaining regulatory approvals. When that happens, we plan for most of the loans on Upstart's balance sheet today to move to the Bank and become deposit funded, which will unlock net cash rather than consume it. As such, we expect capitalizing the bank will require no incremental equity capital.

Once open, Upstart Bank will provide the many benefits we've previously shared - expanding our market reach, reducing our operational complexity and providing more efficient financing for certain loans. As we've said before, it will not change our strategy of funding the vast majority of loans via third party capital.

Now, let's turn to our outlook for the full year.

In February, we guided to total revenue of $1.4 billion and Adjusted EBITDA of $294 million. This assumed UMI went no higher than 1.50 and interest rates were flat or down.

Since then, UMI has climbed 14 points, from 1.39 to 1.53, while the 2-year Treasury yield has jumped by more than 115 basis points as of the end of October — with around half of that increase happening in September.

Those are large moves, and I want to put them into context.

We have previously shared our estimate that a five-point increase in UMI – for example from 1.40 to 1.45 – reduces daily originations by roughly 5 to 10%. Higher funding costs have a similar effect. Put simply, for each one-point increase in UMI **or** ten-basis-point increase in funding costs, we'd expect daily originations to fall by roughly 1 to 2%.

This heuristic applies to our primary business model of earning fee revenue from new originations.

But, there is an additional way that macro impacts our P&L, and that is via the loans and co-investments on our balance sheet. Because these positions were accumulated over many quarters, they are relatively large. As a result, an increase in UMI causes a significant reduction in fair values and net interest income. The impact to total revenue and profit from this is actually

larger than the impact from reducing new originations. Higher interest rates also lower fair values, albeit to a much lesser extent.

Combined, these effects have created a substantial macro headwind for us. Without that pressure, we believe the full-year would be trending well ahead of our original guidance on every line.

As it stands, we have outrun the macro on the metrics tied to new originations, and now expect full year fee revenue and Contribution Profit to modestly exceed our original guidance.

However, income from the balance sheet is tracking well below our initial outlook. In addition to being more sensitive to macro, as I just explained, this line item, unlike Fee Revenue, doesn't benefit from most of our advances in technology and marketing.

As a result, we now expect full-year total revenue of approximately $1.35 billion dollars, and Adjusted EBITDA of approximately $260 million dollars. This updated outlook assumes UMI does not exceed 1.55 through year-end and no material change to 2-year Treasury yields from current levels.

Finally, I said I'm more optimistic than ever about the long term. That may sound like an odd conclusion to draw when macro is worsening and we're missing on profit, but it's the truth.

I'll say it again, growth equals alpha plus beta times macro.

Mathematically, alpha is the difference between actual results and the results you'd expect from macro alone. Our nominal Contribution Profit growth *accelerated* to 48% year-over-year in Q3, well above what is implied in our multi-year guide. *Without the increase in UMI*, we estimate it would have been at least 61%. On a full-year basis, it is remarkable frankly that despite the 14 point increase in UMI and over 115 basis point increase in interest rates, we still expect to generate more fee revenue and profits from new originations than we expected at the start of this year.

Beta, the sensitivity of our balance-sheet-derived-income to macroeconomic conditions, is high today. Fortunately, we are already bringing it down as we reduce the ratio of Upstart equity dollars required to total loans funded. We expect that will continue.

Macro bounces around; sometimes it's a plus, sometimes it's a minus. UMI has gone down in exactly 15 of the last 30 quarters. Same for interest rates. My own view on macro reminds me a little of Warren Buffett's New York Times piece in 2008 called "Buy American. I am." American borrowers are hurting this year because inflation flipped real wage growth negative. But this is the United States. People get back on their feet. Real wages rise over time. The macro will take care of itself.

Most importantly, we're proving the Upstart engine - execution against our years-deep technology and marketing roadmap - delivers alpha at an exceptional rate. Keep compounding that, and I believe no matter what, Upstart becomes an extremely large and profitable company.

With that, I'll turn the call over to Andrea.

Andrea Blankmeyer, CFO

Thanks, Paul. And good morning everyone.

In Q3, our focus on Core Personal Loans and improving secured unit economics drove record Contribution Profit. Combined with expense discipline, we delivered higher GAAP net income and improved capital efficiency, against a harder macro backdrop. I'll walk through the quarter, then discuss our revised full-year outlook.

Total originations were $4.1 billion, up 44% year-over-year. Within that, Unsecured originations were $3.5 billion, up 33% versus last year, including Core at approximately $2.45 billion. Secured originations were $587 million, up 194%, with auto loan volume roughly tripling and Home roughly doubling relative to Q3 of last year.

Total Revenue was approximately $371 million, up 34% year-over-year.

Revenue from fees was a record $364 million, up 41% year-over-year. Unsecured Lending contributed $330 million in revenue from fees, up 30% year-over-year. Secured products contributed $34 million, up 538% year-over-year.

Take rate, which we define as revenue from fees as a percentage of total originations, was 8.8%, up about 60 basis points from 8.2% in Q2, with both product categories improving sequentially.

Net interest income and fair value adjustments totaled approximately $6 million, down $12 million or 65% year-over-year.

Two main things drive this line: the average balance of loans we hold, and the expected credit performance of those loans and the loans underlying our beneficial interests. Sequentially, this line declined about $10 million. Roughly half of that decline was fair value write-downs and charge-offs, as average UMI increased from 1.41 in Q2 to 1.50 in Q3. The other half reflected a debt sale in Q2 that did not repeat. Rising benchmark rates had a minimal impact on our fair value position in Q3.

Next, **Contribution Profit** - which is our non-GAAP metric defined as *revenue from fees*, minus variable costs for borrower acquisition, verification and servicing. Contribution Profit reached a record $218 million in Q3, up 48% year-over-year. **Contribution Margin** was 60%, versus 57% in Q3 2025 and 55% in Q2 2026. The five-percentage-point sequential increase was driven by margin improvement in both our Unsecured and Secured categories.

Unsecured Contribution Margin was 64%, up two percentage points from 62% in Q2, reflecting a higher take rate, along with lower borrower acquisition cost as a percentage of originations.

Secured Contribution Margin was positive 17%, compared with negative 35% in Q2, and roughly 200 percentage points better than Q3 of last year. A higher take rate and lower borrower acquisition costs helped us reach a positive Contribution Margin a quarter ahead of our target. As Paul mentioned, we expect more quarter-to-quarter variability in this margin than in Unsecured as we scale these businesses, and we intend to hold it to a band of breakeven to 25%.

GAAP operating expenses were approximately $335 million in Q3, up 32% year-over-year and down 4% sequentially.

Within that, **variable expenses** — borrower acquisition, verification and servicing costs — declined 6% sequentially, with borrower acquisition costs alone down 11% to $91 million.

Fixed expenses — defined as total operating expenses minus borrower acquisition, verification and servicing costs — declined 3% sequentially to approximately $188 million, better than the low-single-digit growth we guided to in August. Within that, stock-based compensation was $41 million, down from $46 million in Q2, reflecting seasonality in how we recognize this expense. Excluding stock-based compensation, fixed expenses were roughly flat sequentially.

Net Income was approximately $37 million, up 15% year-over-year, with a 10% margin. Diluted EPS was $0.33, based on a weighted average diluted share count of 125 million and reflects the assumed conversion of dilutive convertible senior notes, consistent with GAAP requirements.

Adjusted EBITDA was approximately $89 million, up 26% year-over-year, with a 24% margin.

Turning to funding and capital efficiency. As Paul discussed, we're focused on supporting platform growth with proportionately less equity capital – bringing down the beta in his equation.

To measure our overall equity capital use, we combine the equity supporting: (1) loans on our balance sheet, (2) our co-investment exposure alongside committed capital partners, and (3) our retained interests in securitizations, net of related financing.

Taken together, the overall equity efficiency of our platform has been improving. Total equity capital used represented 9.0% of our total platform loan balance outstanding in Q3, down from 11.6% a year ago. That improvement reflects the declining share of loans held directly on our balance sheet, even as we increased our co-investments alongside committed capital partners.

Capital ultimately flows to the assets with the best risk adjusted returns. We've been able to grow our capital partnerships on better terms over time because of our strong credit

performance. The average return of our last 12 quarterly loan vintages exceeds US Treasuries by approximately 660 basis points.

Next, Upstart Bank. I'll explain how we expect to fund its launch and transition loans from the parent company, subject to the remaining approvals.

- **First**, we'll capitalize the Bank with approximately $404.1 million in cash and servicing assets.
- **Second**, Upstart Bank will raise brokered deposits through deposit partners. We have agreements with two major partners, giving us the ability to raise ample deposits shortly after the Bank launches. Using deposit funding, Upstart Bank will buy most of the existing loan book and begin funding new originations on our network.
- **Third,** the equity funding underlying the existing loan book will be released as cash. And we'll take orderly steps to pay down the related warehouse facilities. We expect our co-investments in committed capital partnerships will remain outside of the bank.

The net effect of these transactions is expected to be an increase in our consolidated cash balance. We expect these transactions to take place over several weeks following the initial bank capitalization.

Illustratively, using our actual Q3 balance sheet, these transactions would result in pro forma consolidated unrestricted cash of over $1 billion and the Bank would have a Tier 1 leverage ratio and a total risk-based capital ratio well in excess of our required minimums.

Turning to October and our full-year outlook.

October originations were approximately $1.25 billion, with daily volume down 9% versus September and up 26% year-over-year.

The sequential decline reflects two macro headwinds: UMI rising over the course of the month, and benchmark-driven increases in funding costs in September flowing through to borrowers in pricing. Those pressures weighed on volume even as our models continued to improve.

October is a useful starting point for our outlook, as benchmark-driven increases in funding costs are already reflected in October's pricing and volume.

For the full year, we now expect approximately:

- Revenue from fees of $1.32 billion and total revenue of $1.35 billion.
- Contribution Profit of $750 million, up roughly 41% year-over-year.
- Adjusted EBITDA of $260 million, representing a 19% margin.

Relative to our original outlook, we now expect higher fee revenue and Contribution Profit, but lower total revenue and Adjusted EBITDA. Our execution has more than offset macro pressure

on the metrics tied to new originations. The reduction in our outlook reflects lower net interest income and fair value adjustments, primarily driven by higher UMI.

Our latest UMI reading is 1.53, above the average we saw in October. Our updated guidance assumes UMI remains at or below 1.55 through year-end and no material change in two-year Treasury yields.

With October originations known and only two months remaining, we have greater visibility into full-year fee revenue. Fair value adjustments remain more sensitive to changes in macroeconomic conditions across our existing loan portfolio.

To close: we enter the final months of the year with record Contribution Profit, positive secured Contribution Margin and improved capital efficiency. Our focus remains on building on that progress while maintaining expense discipline.

With that, operator — we're ready for Q&A.