Cover slide

Operator
Welcome to Oportun Financial Corporation's Second Quarter 2026 Earnings Conference Call. All lines have been placed on mute to prevent background noise. After the speakers' remarks, there will be a question-and-answer session. Today's call is being recorded. For opening remarks and introductions, I'd like to turn the call over to Dorian Hare, Senior Vice President of Investor Relations. Mr. Hare, you may begin.

Slide 2 [Introduction: Dorian Hare, Senior Vice President, Investor Relations]

Thanks, and hello everyone. With me to discuss Oportun's second quarter 2026 results are Doug Bland, our Chief Executive Officer and Paul Appleton, our interim Chief Financial Officer, Treasurer and Head of Capital Markets. I'll remind everyone on the call or webcast that some of the remarks made today will include forward-looking statements related to our business, future results of operations and financial position, including projected Adjusted ROE attainment and expected originations growth, planned products and services, business strategy, expense savings measures and plans and objectives of management for our future operations. Actual results may differ materially from those contemplated or implied by these forward-looking statements, and we caution you not to place undue reliance on these forward-looking statements. A more detailed discussion of the risk factors that could cause these results to differ materially are set forth in our earnings press release and in our filings with the Securities and Exchange Commission under the caption, "Risk Factors," including our upcoming Form 10-Q filing for the quarter ended June 30, 2026. Any forward-looking statements that we make on this call are based on assumptions as of today, and we undertake no obligation to update these statements as a result of new information or future events other than as required by law.

Also on today's call, we will present both GAAP and non-GAAP financial measures, which we believe can be useful measures for the period-to-period comparisons of our core business, and which will provide useful information to investors regarding our financial condition and results of operations. A full list of definitions can be found in our earnings materials, available at the investor relations section on our website. Non-GAAP financial measures are presented in addition to, and not as a substitute for, financial measures calculated in accordance with GAAP. A reconciliation of non-GAAP to GAAP financial measures is included in our earnings press release, our second quarter 2026 financial supplement and the appendix section of the second quarter 2026 earnings presentation, all of which are available at the investor relations section of our website at investor.oportun.com. In addition, this call is being webcast, and an archived version will be available after the call, along with a copy of our prepared remarks. With that, I will now turn the call over to Doug.

Doug Bland, Chief Executive Officer

Slide 3 [Second quarter performance vs. guidance]

Thanks, Dorian, and good afternoon, everyone. Thank you for joining us. Q2 was a strong quarter and an important step forward for Oportun.

We exceeded the high end of each of the second-quarter guidance ranges provided last quarter:

- Total revenue was $233 million above our $227 to $232 million guidance range, supported by modest year-over-year originations growth;
- We generated $49 million in Adjusted EBITDA. This was well above our $34 to $39 million guidance range and represented 56% year-over-year growth; and
- Our annualized net charge-off rate improved 65 basis points sequentially to 12.0%, outperforming our guidance range of 12.2% plus or minus 15 basis points.

I want to thank the team for the focus and execution behind these results.

Slide 4 [Second quarter earnings overview]

Our bottom-line performance was also strong. We delivered our seventh consecutive quarter of GAAP profitability, with our GAAP EPS of $0.17 growing 21% year-over-year and Adjusted EPS of $0.42 growing 35%.

The quarter demonstrates the company is executing: revenue was better than expected, profitability improved, credit performance improved sequentially relative to our expectations, and the balance sheet continued to strengthen.

Our revised full-year guidance that Paul will share reflects an improved annualized net charge-off rate, and increased Adjusted EBITDA at their respective midpoints. The improved charge-off rate reflects continuing operational improvement, and Paul will explain how our EBITDA guidance includes a favorable non-cash change in interest expense recognition.

Slide 5 [CEO's first 100 days assessment and initial actions]

On our first-quarter call, I said I would return with a more defined path forward. My conclusion is that Oportun has a differentiated franchise and a materially stronger financial foundation, but our next phase depends on making growth broader, more precise, and more repeatable. Near term, we are focused on three priorities: responsibly rebuilding new-member growth; deepening our member relationships in lower-risk segments; and preserving the funding, expense, and capital discipline that has restored profitability.

I am now just over 100 days into my tenure as CEO. During this period, I completed a broad assessment of the business. I spent time with our teams, reviewed our products, risk management framework, funding position, operations, technology, and member experience, and met with key external stakeholders, including investors and capital providers. I have begun working with the board and leadership team on a long-range planning process. We are not ready to share the full details of that work today, but I do want to share the conclusions that are already shaping how we operate.

First, Oportun has built something genuinely differentiated over the past 20 years. We serve a large and underserved market that continues to need responsible access to credit and tools to manage everyday financial needs. We do this seamlessly through a bilingual, omnichannel model designed to serve consumers whom traditional providers often overlook. Our mission - to empower members to build a better future - remains highly relevant. Our members also demonstrate strong trust in Oportun. Across our app stores, Google and Trustpilot, we have earned more than 365,000 five-star reviews, and nine out of ten members tell us they would recommend Oportun to a friend. We believe that trust is a real asset, and we intend to protect and build upon it.

Second, the team has done meaningful work to stabilize the business. Over the past year, Oportun has improved its balance sheet, reduced funding costs, managed expenses with discipline, and increased liquidity. That progress continued in Q2: unrestricted cash increased to $140 million at quarter-end, operating expenses remained stable, and the balance sheet optimization actions we have taken provide greater flexibility to further diversify funding and evaluate opportunities to refinance or retire our higher-cost debt over time.

Third, our next phase requires disciplined growth. Originations returned to modest year-over-year growth in Q2, driven by returning members and secured lending. The resulting mix delivered strong credit performance, demonstrating the value of our existing member relationships and the attractive risk-adjusted economics of secured lending. To sustain growth over time, we also need to expand responsible access for new members.

Strengthening our new-member engine—through more precise selection and the right product fit—is one of our highest priorities.

Delinquencies are performing better than anticipated, and we strengthened the leadership team with the appointment of Sean Rowles as Chief Risk Officer. Sean brings deep experience in consumer credit, fraud, collections, and financial services operations. Our goal is not to loosen credit; it is to become more precise. We are focused on optimizing the balance between risk and reward, using data and analytics to make the best decisions about approval, pricing, amount, and term.

One important step to balance risk and reward was the launch of risk-based pricing in July. It gives us greater flexibility to differentiate terms more precisely across risk tiers. This can help us retain attractive lower-risk and returning members while responsibly serving additional qualified applicants. We are still early in the rollout and will scale based on observed cohort economics.

We also continue to execute on our payment protection offering launched in April, which is designed to support members during qualifying disruptions to their loan payments and to improve portfolio resilience over time.

We will scale deliberately, pursuing growth only where it expands responsible access and meets our standards for attractive risk-adjusted returns and durable credit performance.

To execute against these priorities, we are also increasing operating cadence and accountability across the business. We are establishing defined routines and performance monitoring, using technology and data to improve decision-making, and focusing the organization on the critical few priorities that can move the company forward.

My conclusion is clear: Oportun has a strong mission, a differentiated member franchise, and a much stronger financial foundation than it had a year ago. We are now focused on translating these advantages into durable growth and more predictable returns.

Q2 was an encouraging early proof point. We exceeded guidance, improved profitability, reduced charge-offs faster than expected, and continued strengthening the balance sheet. We are moving from stabilization toward disciplined growth, and we intend to scale only where member outcomes and risk-adjusted returns meet our standards.

With that, I will turn the call over to Paul for a more detailed review of our second-quarter financial results. He will also provide our third-quarter guidance and discuss our updated full-year outlook. Over to you, Paul.

Paul Appleton, Interim Chief Financial Officer, Treasurer & Head of Capital Markets

Slide 6 [Second Quarter and Highlights]

Thank you, Doug, and good afternoon, everyone.

Turning to Q2 highlights on **Slide 6,** as Doug mentioned, we recorded our seventh consecutive quarter of GAAP profitability, with net income of $8.5 million and diluted EPS of $0.17. We also generated adjusted net income of $21 million and adjusted EPS of $0.42.

Total revenue was $233 million, down $1.1 million, or less than half of one percent year-over-year. Total revenue exceeded our expectations and the high end of our guidance range, driven by higher originations. We returned to originations growth in Q2, with originations up 1% year-over-year.

Net decrease in fair value was $86 million. The majority of this amount was $79 million of net charge-offs. The remaining impact included a $5.6 million unfavorable mark on the loan portfolio, primarily driven by a slight decline in weighted-average life. Compared with the prior-year period, net decrease in fair value was $15 million higher, as the prior-year period benefited from a favorable $9.1 million mark-to-market adjustment on loans.

Second-quarter interest expense was $42 million, down $18 million year-over-year. This improvement reflects ongoing balance sheet optimization actions, which I will discuss in more detail shortly, and a favorable non-cash change in interest expense recognition associated with asset-backed borrowings. Regarding the non-cash change, revisions to forecasted cash flows used to recognize interest expense associated with $140 million of asset-backed borrowings contributed approximately $7 million of lower interest expense in the second quarter. Our revised guidance reflects an estimated $3 million of additional non-cash interest expense benefits in the second half of this year.

Net revenue was $106 million, up $1.1 million year-over-year, as lower interest expense more than offset the unfavorable impact of net decrease in fair value.

Operating expenses were $90 million, down $4.4 million, or 5%, year-over-year, reflecting continued cost discipline.

Together, net revenue growth and expense discipline supported pre-tax income of $16 million, up $5.5 million, or 55%, year-over-year.

Adjusted EBITDA, which excludes the impact of fair value mark-to-market adjustments on our loan portfolio and notes, was $49 million in the second quarter, up $17 million, or 56%, year-over-year, driven primarily by lower interest expense and adjusted operating expense. Those same drivers along with higher total revenue and lower net charge-offs drove the outperformance of our $34 to $39 million guidance range.

Adjusted net income was $21 million, up $5.9 million, or 40%, year-over-year, due to lower interest expense and Adjusted Operating Expense, partially offset by the unfavorable net change in fair value in the loan portfolio. Adjusted EPS increased 35% year-over-year, from $0.31 to $0.42.

GAAP net income was $8.5 million, up $1.7 million, or 24%, year-over-year due to similar drivers, partially offset by higher taxes driven by the settlement of a state tax audit.

Slide 7 [Credit performance]

Turning to credit performance on **Slide 7**, Q2's annualized net charge-off rate was 12%, down 65 basis points sequentially from Q1 and outperforming our guidance range.

We remained in a tight credit posture and continued to benefit from disciplined portfolio mix and the strong performance of returning members. Returning members accounted for 82% of origination volume in Q2, up from 64% in the prior-year quarter. This higher returning mix contributed to our improved credit performance in the quarter and reflects the strength of our existing member relationships.

Over time, our goal is to add new-member growth responsibly, using improved pricing, decisioning, secured lending, and disciplined channel management.

The loan portfolio continued to benefit from deliberate growth in our secured personal loan portfolio, which features average loan sizes roughly twice those of unsecured loans and materially lower losses. SPL originations grew 15% during Q2, and secured personal loans accounted for 9% of our total portfolio, up from 7% at the end of the prior-year period.

We are guiding to further improvement in annualized net charge-off rate to 11.0% plus or minus 15 basis points in Q3.

Reinforcing our confidence in our outlook, Q2's 30-plus day delinquency rate was 4.0%, below the 4.1% to 4.2% expectation we set and the lowest level since the fourth quarter of 2021.

We also launched our V13 credit model for new members in June. The model is designed to improve risk differentiation by incorporating more recent performance trends and additional data signals. We expect this to support better selection and more disciplined new-member growth over time.

Slide 9 [Capital and Liquidity]

Turning to capital and liquidity on **Slide 9**, we continue to strengthen our debt capital structure through balance sheet optimization, further reducing higher-cost corporate debt, lowering our overall cost of capital, and enhancing liquidity.

We continued to make meaningful progress deleveraging the balance sheet, ending the quarter with a 6.5x debt-to-equity ratio. That is down from 7.3x a year ago and materially lower than the peak leverage of 8.7x reported in the third quarter of 2024. The improvements achieved since then and through the end of the second quarter include consistent GAAP profitability, an $80 million, or 24%, increase in shareholders' equity, and a $187 million, or 7%, reduction in total debt outstanding.

Q2 interest expense was $42 million, down $18 million, or 30%, from the prior-year quarter driven by our ongoing balance sheet optimization efforts and the favorable non-cash change in interest expense recognition I mentioned earlier. Balance sheet optimization actions reducing our Q2 interest expense included corporate debt repayments as well as actions related to our ABS notes and warehouse facilities.

During the quarter, we paid down $30 million of high-cost corporate debt reducing our remaining corporate debt principal balance to $135 million. Corporate debt repayments now total $100 million since the facility's inception in October 2024, resulting in $15 million in annualized run-rate interest expense savings.

Strong cash flow generation in the underlying business enabled us to strengthen our liquidity position. As shown on the slide, compared to the prior-year quarter, unrestricted cash increased by $43 million to $140 million while corporate debt was down $88 million to $135 million.

The progress made in increasing liquidity, reducing leverage, and reducing interest expense, gives us greater strategic and financial flexibility to fund responsible growth and evaluate opportunities to further optimize the debt structure over time.

Slide 10 [ROE performance]

Before I review our Q3 and revised full year guidance, let me provide a brief review of our ROE performance. Although our long-term targets are GAAP targets, I'll reference adjusted metrics because they remove non-recurring items and better reflect our future run rate.

As shown on **Slide 10**, we generated an Adjusted ROE of 20.5% in the second quarter, which is within our 20 to 28% target range and reflects a 463 basis-point improvement from the prior-year period. Adjusted ROA of 2.6% also improved year-over-year and approached our 3-4% target range.

Drivers of the year-over-year improvement in Q2 Adjusted ROE included reducing our cost of debt from 8.6% to 6.3% through lower interest expense as well as ongoing expense discipline, which improved our Adjusted OpEx ratio from 13.3% to 12.8% of owned principal balance.

We drove Q2's ROE improvement while de-levering the business and we continue to expect to approach 6.0x leverage by the end of the year.

With originations continuing to ramp and lower credit losses embedded in our full-year guidance, we expect to improve on our first-half Adjusted ROE performance of 15.6% in the balance of the year and to outpace full-year 2025's 17.5% Adjusted ROE.

Slide 11 [Guidance]

I'll now share our updated guidance as shown on **Slide 11**. While our member base remains resilient, inflation above the Federal Reserve's target, uneven job creation, policy uncertainty and higher gas prices continue to create a cautious environment for low-to-moderate-income consumers. While we have not seen any deterioration in our credit metrics as a result, we understand the pressure this can place on our customers, particularly if higher prices persist. Consequently, our outlook prudently assumes we maintain a tight credit posture through the balance of the year. We remain well-positioned to adjust quickly as conditions evolve.

Our outlook for the third quarter is:

- Total Revenue of $235 to $240 million
- Annualized net charge-off rate of 11.0% plus or minus 15 basis points, and
- Adjusted EBITDA of $43 to $48 million

At the midpoint, our Q3 total revenue guidance implies a sequential increase from Q2, as originations ramp in line with our seasonal pattern.

Our Q3 annualized net charge-off rate midpoint guidance of 11.0%, which would be our lowest in the last four years, implies another sharp sequential improvement of 100 basis points along with year-over-year improvement of 80 basis points. As a reminder, our improving credit outlook is supported by the favorable 30-plus delinquency trends I discussed earlier.

And our Q3 Adjusted EBITDA guidance, at the midpoint of $46 million approaches Q2's level while including additional marketing investment and year-over-year growth of 10%, driven primarily by lower interest expense and net charge-offs.

Our full-year 2026 guidance continues to be underpinned by our expectations for mid-single-digit originations growth, a 1% to 2% decline in average daily principal balance, and substantially flat operating expenses compared with the prior year. Our guidance also includes the expectation that interest expense will decline by at least 15% in 2026, which is higher than the 10 percent-plus guidance we shared on our last earnings call.

Our revised full-year 2026 guidance includes:

- Total Revenue of $935 to $955 million
- Annualized net charge-off rate of 11.7% plus or minus 30 basis points
- Adjusted EBITDA of $160 to $175 million,
- Adjusted Net Income of $74 to $82 million, and
- Adjusted EPS of $1.50 to $1.65

Our full-year annualized net charge-off rate midpoint guidance of 11.7% reflects 20 basis points of improvement from our prior guidance and would reflect our lowest annual level since 2022.

We're also increasing our full-year Adjusted EBITDA outlook at the midpoint by $10 million, or 6%, to $168 million, now reflecting 13% growth.

And, we are maintaining our prior Adjusted Net Income and Adjusted EPS guidance, as higher fair value headwinds from the current rate outlook offset the benefits of lower interest expense.

Importantly, the outlook I've shared today is not dependent on credit expansion. We will continue to scale deliberately and focus on growth that meets our standards for responsible access, risk-adjusted returns, and durable credit performance.

With that, Doug, back over to you.

Cover slide [Closing Remarks]

Doug Bland, Chief Executive Officer

Thanks, Paul.

To close, in my first 100 days as CEO, I have confirmed Oportun's strong foundation and aligned the team around the actions needed for our next phase. Q2 provides an encouraging early proof point: we exceeded guidance, improved credit performance and profitability, and continued to strengthen the balance sheet.

We are continuing to work with our Board and leadership team to refine our long-term strategy, and we look forward to sharing more once that work is complete. In the meantime, our priorities are clear: responsibly broaden growth, sustain credit discipline, and continue improving funding and operating efficiency. As I look to the future, I see a larger scale, more financially resilient version of the Oportun that exists today, serving significantly more members, delivering more predictable financial outcomes, and creating substantially greater long-term shareholder value. That's the company we're building, and I'm excited about the journey ahead.

With that, Operator, let's open the line for questions.

[**Question & Answer Session]**

Conclusion: Doug Bland, Chief Executive Officer

Thank you again for joining today's call. We appreciate your continued interest in Oportun, and look forward to speaking with you again soon.