



Triumph Financial Q3 '25 Earnings Call | October 16, 2025

Luke Wyse:

Good morning. It's 9:30 in Dallas. We'd like to thank you for your interest in Triumph and thanks for joining us this morning to discuss our third quarter 2025 results. With that, let's get to business.

Aaron's letter last evening outlined a quarter of continued execution on our revenue growth goals, as well as the initial results of our push towards lean operations. There was a bit of noise this quarter related to our restructuring efforts, and we highlighted those non-recurring portions of that in our commentary. There was a lot of positive momentum in the quarter through a very tough market, as evidenced by the continued revenue growth of our payments business. We plan to continue executing on our ability to grow revenue, expand operating margins, and improve shareholder returns in whatever market we face.

That quarterly letter published last evening and our quarterly results will form the basis of our call today. However, before we get started, I would like to remind you that this conversation may include forward-looking statements. Those statements are subject to risks and uncertainties that could cause actual and anticipated results to differ. The company undertakes no obligation to publicly revise any forward-looking statement. For details, please refer to the safe harbor statement in our shareholder letter published last evening. All comments made during today's call are subject to that safe harbor statement. With that, I'd like to turn the call over to Aaron for a kickoff and to welcome you to our Q&A. Aaron?

Aaron Graft:

Thank you, Luke. Good morning and welcome. This quarter's letter I think is reflective of the evolution in our business that I've been talking about for the last few quarters. A focus on revenue growth continues to be sure, but also demonstrating a commitment to operating margin expansion. I believe we made meaningful progress this quarter toward that end with our restructuring efforts, which will reduce our expense run rate, and also in our revenue growth efforts as they continue to gain traction.

Now, one thing I'm happy to talk about on this call is the freight market, but I will not talk about it as an excuse. It is what it is. We must play the cards we're dealt, not explain how things would be better for us if our cards were better. Irrespective of what the freight market does, we expect revenue to go up and expenses to be flat at this time next year. We can't always control the offense we can play, but we can certainly control our defense.

Now, through the tech investments we've made, we have created a unique value proposition to the transportation market. We've also been able to realize efficiency and operations that, when you couple them with the announced restructuring, allowed us to cut 5% of our expense base with the majority of those savings commencing in the fourth quarter. This restructuring does more than that. It also organizes our go-to-market strategy around our customer verticals, brokers, carriers, shippers and factors. This realignment allows us to better serve our customers while creating operational leverage that supports margin expansion. We have called for 20% annual growth in transportation revenue and we intend to deliver. We also intend to drive margin expansion by becoming more efficient while growing revenue.

Finally, I want to address Tricolor. We have included in our quarterly disclosures an update on our position in that credit that is based upon our review of the most up-to-date information available to us. At present, we believe we remain adequately secured in that credit. We remind investors that this is a highly fluid and evolving situation subject to ongoing legal proceedings. As such, we're unable to provide further detail or comment at this time beyond the information we provided to you in the letter. We will of course have further updates for investors in future periods as this matter progresses. With that, I'll welcome everyone to the call and we'll open it up for questions.

Moderator:

We will now move to our question and answer session. If you have joined via the webinar, please use the raise hand icon, which can be found at the bottom of your webinar application. When you are called on, please unmute your line and ask your question. We will now pause a moment to assemble the queue. The first question is from Matthew Olney. Please unmute yourself and begin with your question.

Matthew Olney:

Hey, thanks for taking my question, guys. Good morning.

Aaron Graft:

Morning, Matt.

Matthew Olney:

I wanted to start on the Intelligence segment. When do you expect to take the fully integrated product to market? Just trying to get some thoughts on what to expect from Intelligence segment in 2026. Thanks.

Dawn Favier:

Thanks for the question. I appreciate it. The fully integrated product is actually in market right now as we speak. So look, we've been part of the Triumph family for 160 days. We've achieved quite a lot of things, from integrating the legacy Triumph team, the Greenscreens and the ISO team. We've relaunched the brand. We've revamped our go-to-market strategy, and as per your question, most importantly, we've integrated the products, which in my 30 years' experience in this industry is unprecedented. There's plenty of examples of companies that have grown through acquisition and still haven't integrated the business or the brands in years. So I'm very proud of that achievement. I'm pleased that the company gave us the opportunity to do that, and now we have that integrated product and it's my job and the team's job to go out and win the market.

Matthew Olney:

Okay. Appreciate the details there. And then if I move over to the factoring segment, it looks like the revenue growth has been in that mid-single digit to high-single digit over the last year, and I know you're investing a lot in that business from factoring as a service, the increased automation. Any more color on what that revenue growth could look like next year within factoring? And obviously the macro is the unknown there, so just assume no change in the macro.

Tim Valdez:

Yeah, Matt, thanks for that question. Our target for growth is 20%, and we're looking in a variety of different ways. We're going to market right now with the most robust playbook that we ever have had, and I think it creates opportunities for us to drive revenue not only with our core factoring product, but with the bundled products that we have. So I think the opportunity not only in the large segment because we still see opportunities there through the fallen angels, people have come out of the banking environment into the factoring space, as well as continued consistent growth in our small carrier segment.

Matthew Olney:

Thank you, guys.

Aaron Graft:

Thanks, Matt.

Moderator:

The next question is from Tim Switzer at KBW. Please unmute yourself and begin with your question.

Tim Switzer:

Hey, good morning.

Aaron Graft:

Morning, Tim.

Tim Switzer:

Hey, good morning. Can you hear me?

Aaron Graft:

We can hear you fine.

Tim Switzer:

Hey, sorry about that.

Aaron Graft:

No problem.

Tim Switzer:

So C.H. Robinson jumped on board T-Pay a quarter or two ago. RXO just joined pretty recently. Can you help give us an idea of how much of their expected total volume is onboarded? Are they fully onboarded at this point? Was it all in the Q3 run rate or what should we expect in terms of that ramp?

Todd Ritterbusch:

Yes, in terms of their payments business, all of their payments volume is onboarded at this point.

Tim Switzer:

Okay. It was all about-

Aaron Graft:

I would add on top of that, Tim, is just that the payments business is onboarded. I think the revenue growth opportunity in those partnerships, because it's not just a vendor relationship there. I mean, certainly we're providing a vendor service in managing their payments, but in those instances we're talking about a partnership. The revenue from those, it's just beginning. That is not fully in the run rate.

Tim Switzer:

Got you. Okay. Okay, and were they fully in the run rate for Q3 in terms of T-Pay volume?

Todd Ritterbusch:

Well, the T-Pay volume was in, but we have not charged them fully for the payment services yet.

Aaron Graft:

I think-

Todd Ritterbusch:

That's part of the arrangement.

Aaron Graft:

... the payments volume-

Todd Ritterbusch:

The payments volume is on, ramping up the revenue associated with the payments volume.

Tim Switzer:

Okay, and is the contract organized in a way that eventually they will be paying 100% for every invoice?

Aaron Graft:

We don't ever, Tim, for any customer, we're never going to speak about the details of their contract. I think we told you in the letter, I even saw where you did the analysis of what we charge on audit and payment, and as with any business, when you're dealing with large customers, there are terms and contracts. The timing difference between beginning the service and when they're paying their ultimate rates, there's going to be a lag in that, but we would never comment on a specific customer's contract.

What I can tell you is if you look at payments, and we gave you the numbers in the letter of what the infill opportunity is in our existing customer base, if all those customers are paying full rates, and I think over time they will because the network is that valuable for them, this exercise of collaborative selling and going and showing these people what they're saving and what they're saving in fraud by outsourcing their payments to us, I'm a believer in the value of our proposition and obviously the market's a believer.

But if you just look at that, the infill opportunity plus the revenue growth opportunity for that business on just the fee income side, before we get into anything else related to interest income, the float, all of those things, the market is seeing the value in the network. After six years of a lot of work and a lot of investment, they're seeing it, and if you were to just look at payments and you were not to include the investments we're making in LoadPay, the EBITDA margin in that payment segment would be almost 30% because LoadPay is a startup piece of our payments business. Now, if you think about that margin plus the growth rate of revenue in that business, looking at last quarter in this quarter, I think that's pretty exceptional. It's taken us a long time to get there, but we've delivered on it and we intend to continue to deliver on it.

Tim Switzer:

Got it. Thank you. I'll jump back in the queue.

Moderator:

The next question is from Joe Yanchunis at Raymond James. Please unmute yourself and begin with your question.

Joe Yanchunis:

Good morning.

Aaron Graft:

Morning, Joe.

Joe Yanchunis:

I'd like to tackle the revenue question a different way. In 3Q, you had 240 million of annualized transportation revenue and you continue to target growing transportation revenue by 20% a year. So this implies roughly 50 million of growth in 2026 absent a freight recovery. I think roughly 20 million will probably come from Intelligence and LoadPay, and you also called out 42 million, very high margin revenue opportunity from increasing pricing for TriumphPay customers. Generally speaking, can you help us bridge that 50 million revenue gap that's implied in your outlook?

Aaron Graft:

Well, I think you've already started along that journey, so if we just take it segment by segment, I mean, Tim just spoke earlier about factoring. So factoring for the quarter was roughly 40 million of revenue. What's going to change over the next year to move from a single-digit growth rate to a higher growth rate? The answer is not what the freight market will do. The freight market's going to do what it will do, but that does not affect our analysis. What does affect our analysis is this will be the first full year in many years where growth in factoring has been a very high priority for us. You'll remember a couple years ago we were limiting growth. That is no longer the case. Number two, the value proposition we

are offering to the market. It's not just about liquidity and converting receivables into cash, it's about load pay and all the other things we do about instantly getting funded on weekends. No one else can do that. So even with a slow growth market, even with all the headwinds, my expectation is that factoring is going to grow 20%. And we have a plan to go do that.

In payments, you've already laid that out. You can see what great leadership Todd has delivered. The opportunities. Once again, we have the infill opportunity of growing revenue with customers who we have delivered value to for many years. Second, we have the go-to market opportunity. We have a very full pipeline, and you will hear us announce new customers joining the payments network. And just those two things alone on a fee income basis, our payments business will grow.

Inside of payments you've got load pay, which doubled over last quarter. And we've given you the number that a linked and funded load pay account is \$750 of revenue. What I would tell you is that's what it is, a seasoned account that's functioning primarily as a digital banking account. We have some accounts that are, on an annualized basis, closer to 4 and \$5,000 because they're using the debit card significantly and the interchange fees, which we've disclosed, are high.

But more than that, as we alluded to here, using our intelligence product and the things in our value chain, we can turn load pay into more than just a digital banking account. We will turn it into a business companion. And if you do that, and we will be doing that in 2026, that \$750 number is very light on the revenue opportunity that we will achieve as we continue to grow that business.

And finally, you come to intelligence. And Dawn said it perfectly, we chose, and maybe it's not popular, but I believe it's the right thing to do. We took four months to fully integrate that acquisition, the ISO acquisition, and our legacy, the data we generate. Again, the reinforcing power of the value chain, all of the data we touch in our audit and payments business in order to give the market the most precise AI-driven analysis to help brokers run their business.

And now that she's equipped with that and the team is equipped with that, and that we have relationships with almost every broker in the industry, and I believe a very strong brand reputation of being people who do what we say we will do, I have very high expectations that that \$10 million run rate is going to grow substantially in 2026.

And so that's how I would put it all together for you is the value chain and all of these things reinforce one another. We have invested in our brand to be people who deliver value to our customers and we're ready to go. No matter what the freight market does, we're going to go take market share this year and we're going to do it at a time while expanding our margins.

Joe Yanchunis:

I appreciate that. I have a few more load pay questions, but I'll hop back in the queue for those. One thing I wanted to touch on now. So per the FMCSA, with proper enforcement, roughly 5% of drivers will exit the market over, call it the next year and a half. In 2018, 5% of the drivers exited the market due to an electronic logging device mandate and spot rates skyrocket. I know we're in a different type of market and the capacity leaving the system through immigration reform won't be as sudden. But all else equal, how do you think immigration reform can impact average invoice prices?

Aaron Graft:

Yeah. I put this in the letter. The FMCSA said that there are 3.8 million drivers. We would size the four higher market between 1 to 1.3 million drivers. And interestingly, when you look at the breadth of our factoring business, we probably touch 6 to 7% of all trucks on the road in the for-hire market specifically. I have a firm conviction that the majority of people, the non-domiciled CDLs and people who did not go

through the proper channels to be in a truck work in the for-hire market. So if this ends up being enforced, it is going to cause more distortions in the for-hire market and the smaller end of that market than it will with large fleets or obviously company-owned trucking enterprises just because the way the vetting criteria works.

I just want to say I've been in transportation now for 13, 14 years. I've seen a lot. It is an immigrant-driven business, and I think that's fantastic. We've watched people build successful companies. We've somewhat vilified these drivers, but I'm not sure that they should be the villain in the story. These people are also working very hard. But if you put those people in a truck and they're not trained, it's a danger to them, a danger to others. And if you have electronic logging devices that can be reset remotely from overseas, and these drivers... You're just creating shadow capacity.

So if the government were to follow through on enforcing so that everyone has the opportunity to earn a fair living in trucking, invoice prices would absolutely go up. And so we'll see. They've said a lot of things, we'll see what they deliver on. And what we want is every trucker to thrive. That's our goal. I mean, spot market going up would be fantastic, but we run a long-term business here. We want to see truckers be treated fairly. I mean, they're a huge part of our economy. They're driving 80,000 pound trucks on our highways. We want to see every trucker thriving. We want to see well-trained, well-compensated, taken care of people driving those trucks.

That's a little bit of a soap box in the answer to your question, but I'll repeat the answer I started with. I believe if that were to be enforced, you will see more distortion in the for-hire market than you would in the overall market. So I hope that answers your question.

Joe Yanchunis:

Yes, it did. Thank you. I'll hop back in the queue.

Moderator:

The next question is from Gary Tanner at DA Davidson. Please unmute yourself and begin with your question.

Gary Davidson:

Good morning.

Aaron Graft:

Morning, Gary.

Gary Davidson:

Can you hear me? So I had a question about load pay. I know it's still fairly early on and then you added a lot of net new accounts this quarter. I'm curious about what you've seen so far in terms of retention or churn. I mean, is the experience so far once an account is opened or a load pay account is opened, have they proven to be fairly sticky in terms of ongoing utilization of the account and the product?

Todd Ritterbusch:

Yes, they have. So we recognized early on that the account opening is just the first step. And it was really critical to get those accounts linked and funded to be used the way that they should be used for the client. And so a lot of work has gone into making sure that we establish those linkages. We're up around 70% of the accounts getting linked very quickly after account opening, and then the funding follows

when they actually have a load for which they're paid. So that results in a very high retention rate. It's also the thing that of course drives the opportunity for monetization early on.

Gary Davidson:

I appreciate that. And then I do appreciate all the call you gave on the revenue side a few minutes ago. Just wanted to touch on the expense side. Obviously, with the reduction in force that you announced earlier in the third quarter and your guide on fourth quarter expenses, obviously a much greater focus on that side or that part of the P&L. Just as we're looking out into 2026, and maybe it's premature for any thoughts around this, but as you think about managing the expense part of things, you talked about a focus on improved efficiency ongoing into 2026. What kind marker or measuring sticks would you be thinking about for the expense side of the equation next year?

Brad Voss:

Gary, if you look at the way that we kind of framed our fourth quarter at 96.5, and I think Aaron mentioned during his opening comments that we're looking to be right at about that level a quarter or a year from now. So what does that imply? That implies that, throughout the course of 2026, we're going to have to find more ways to be efficient. And the expense reduction initiative that we announced recently is really the first outwardly evident step in that direction. But we've got the same annual compensation and benefits resets that we always see in the first quarter of 2026. So there could be a little bit of upward pressure early in the year, but we are looking to continue to find ways to get more efficient across our entire platform throughout the year. It's not an overnight process, but it's something that we are committed to.

Aaron Graft:

And Gary, just to... Look, you cover a lot of financial institutions. In the banking world, obviously managing margins and efficiency initiatives, I mean, a lot of people go through cycles of doing these things. I want to be clear on something. So first of all, just to reiterate what Brad said, 96.5 million is what we expect Q4 of 2025 to be, 96.5 million or better is what we expect Q4 of 2026 to be. And there'll be gyrations in between there, just like there's gyrations and revenue tied to the seasonality of our business.

But as we're thinking about efficiencies, we wouldn't be sitting here telling you that we think we can drive 20% revenue growth if we were cutting off the very things that create value. I mean, for example, this quarter still invested 110 million in technology on our cost base. A lot of people talk about JPMorgan is going to spend 18 billion. If you were to do the math and compare it, on a relative basis, we still spend three to four times what they spend on our expense base on technology. And technology will continue to lead us forward. We will continue to enhance the products.

The thing that's happened is that we have gotten to a level... I mean, there's just been a tremendous amount of heavy lift to get us to where we are now. And we began that lift frankly in a market where we had such tailwinds that it was harder for people to see. And the conviction was to stay through that lift when those tailwinds turned into the longest set of headwinds anyone has seen since the deregulation of trucking in 1980.

We are largely there. And you can take this proprietary data set that we've created and you can use advances in AI and all the things we do to start to automate tasks internally without taking away from your product roadmap or without taking away your sales functions. I mean, we are out in the market all the time with people. This is not a cost-cutting exercise. This is an efficiency and getting lean exercise, and frankly, figuring out how the five pieces of our value chain can work better together so we're not

duplicating product development work in silos, but instead doing it as a cohesive unit. And so that's how we intend to get there. And we've been hopefully very explicit with you now on what our expectations of ourselves are to continue to grow revenue and hold expenses flat. So, I hope that's helpful.

Gary Davidson:

It is. I missed your opening remarks, so I appreciate you flagging that.

Moderator:

The next question is from Hal Goch with B. Riley. Please unmute yourself and begin with your question.

Hal Goch:

Hey, good morning everyone. Thank you for the detail. Aaron, I think you made a comment. You said we are not limiting growth in factoring anymore, and I was just curious to, if you could explain a little bit more of that statement and in your target for 20% growth, perhaps you guys could give us a color for, your feel for a bridge of the components of that growth. How much of that would just be, hey, normal market lift, if things got a little better, maybe that's mid, and how much of it's really idiosyncratic to your strategies to gain share in that space? That'd be helpful to help us understand how you go from basically where you're at now, which is back to growth three quarters in a row, but maybe a target of 20%. Help us bridge that kind of the math there as best you can. Thank you.

Aaron Graft:

Sure. So the first thing, I'm not going to talk about an improving freight market. I've talked about that three and a half years and I have no idea. This may be the new normal forever, who knows? But we're focused on what's in front of us.

But a couple things, and Tim and I have been in this business now and seeing a lot of things. So when the payments network began, we felt there was a need at the beginning to really try to divide the world so that you had our liquidity solutions, which is our factoring business, which is meeting the working capital needs of carriers. And then you had the payments network, which was going to serve all the parties, including other factoring companies. And we've done that, I think we have 50 to 60 factoring companies who use the payments network, who continue to use the payments network.

And what we learned was there were going to be people who were going to use that functionality in the payments network, whether we were growing factoring or whether we were holding factoring steady. And as we continued to focus on it's less about factoring, and I just want to be super clear about this, it's about the customer. So you put the customer at the center of the universe and factoring is one of several products, equipment finance, insurance, load pay that you want to sell that customer to help their business. And so with a customer-centric viewpoint, we're going to go where the customer leads us. We're not out there trying to reprice the factoring industry or go after other factors. We don't think we need to do that.

Frankly, factoring as a percentage of all invoices over the last 10 years has grown because factoring has gotten more sophisticated and as a result, more carriers use it and see it not just as a, I need immediate liquidity, but literally as a business service, including the ability to lower their prices on fuel. I mean, in many cases, the fuel aggregation discount that a factor can provide more than offsets the revenue that customer pays in order to turn their invoice into cash. So it's actually a net positive to their bottom line when they use our fuel card and get instantly paid versus just having collected that invoice 30 days later without financing. And that's why the industry grows.

So putting the customer at the center, delivering the customer more than just factory. I mean, if that's what they need, that's what they get. But we're delivering them a value chain of interlinked things that nobody else in the marketplace has all of those things. And we want truckers to thrive. We want owner operators to thrive. We want small fleets to thrive. We want large fleets to thrive. And we have a value proposition for each of them. And so if you run to that value proposition with our market position, we believe we're going to grow 20% and we believe the market will continue to grow. And so I don't know that the market will grow 20%, but our expectation of ourselves is to grow 20%.

Hal Goch:

Cool. Thank you, Aaron.

Aaron Graft:

Sure.

Moderator:

The next question is from Tim Switzer at KBW. Please unmute yourself and begin with your question.

Tim Switzer:

Hey there, thanks for taking my follow-ups. You mentioned, Aaron, in your letter about some opportunities in the intelligence segment with shippers, and you mentioned about a pilot program to achieve a critical mass of shipper data. Can you provide some color on how exactly you're achieving, I guess, obtaining the shipper data and how many shippers are you partnered with or anything you can provide around that?

Aaron Graft:

Yeah, I'm going to start this off and then Dawn's going to give you the detailed answer, but I would say we already make about 4 billion of payments for shippers in our payments business. So I mean, it's a pilot program that begins with a B, so that helps. This is not starting from ground zero. But Dawn, what else would you say?

Dawn Favier:

I would add to that the iso business has already been supporting several shippers. Throughout their history we have about a dozen or so shippers that are already on the performance intelligence products. But what we're really talking about in this product, the pilot project, is the combination of pricing and performance for shippers to help them benchmark themselves against the market. Our hypothesis is we need about 10 to 15 shippers or roughly \$500 million in freight under management as a data sample. And we're getting that data the same way that we have built our broker data sample is through direct submissions from the shippers themselves, through TMS integration on their book loads or paid invoices, whatever the case may be.

Tim Switzer:

Got it. Very helpful. And then real quick, are you guys able to provide an update at all on that non-performing equipment finance loan you purchased last quarter and your confidence being able to recover the \$11 million you charged off when you bought it?

Todd Ritterbusch:

We feel just as good about that today as we did when we announced it.

Tim Switzer:

Awesome. Good to hear. Thank you guys.

Moderator:

The next question is from Joseph Yanchunis at Raymond James. Please unmute yourself and begin with your question.

Joe Yanchunis:

Hello again. Can you hear me?

Aaron Graft:

We got you, Joe. Fire away.

Joe Yanchunis:

All right, so for starters, I understand LoadPay is a relatively new product. You have a massive distribution channel for this ever evolving LoadPay. Are you firing at all cylinders right now trying to sign up new accounts? I know it looks like you're going to hit your year-end account target, but given the vast number of owner operator drivers on the road, you're barely scratching the surface on really penetrating this market. What's the biggest challenge right now in growing your LoadPay user base?

Todd Ritterbusch:

I would start by saying that we are firing on multiple fronts and we feel really good about that. So the multiple fronts that I'm referring to are sales through our broker partners, our own organic sales efforts, and then sales efforts that are occurring through our factoring business. All three of those are contributing meaningfully to the totals. All three of those have the opportunity to scale further. And so yeah, I'm very comfortable that we're going to continue to accelerate the growth in account openings that you've seen so far. And we may be just scratching the surface right now, but it's not too far out where it's going to be much deeper than that.

Aaron Graft:

And Joe, don't miss this. I mean, to me, this is extremely important. So think of LoadPay as it now exists as something like Venmo with a debit card. Think of LoadPay where it will be in the first quarter of next year as a full service banking account that is built with a bunch of specific enhancements for truckers. And then finally think about LoadPay, where it will be towards the end of 2026 as a full-on business companion with an embedded intelligence offering. That's a radically different product that our customers will be consuming than the 4,500 customers that we've currently added. So we do have a distribution network that I would argue is unrivaled. We touch almost every four hire trucker in the United States between our own factoring business and our payments business, and we have partnerships with some of the largest providers in freight. The product that people are consuming now, it's not a beta product, I mean, it's a real product, but it is getting better literally every quarter and it's getting better because we have an embedded technology team that's doing great work.

So yeah, I mean firing on all cylinders, well, I mean, I think again, you have to answer that question of am I more concerned now about going from 4,800 customers to 10,000 customers? Sure, that's important. But what's really important to me is completing that journey from Venmo to banking to banking beyond, because I know that the per unit revenue from that is much higher and my costs are not much higher because we already do these things inside of our value chain. So again, it's not just about distribution, it's also about product development, and we are well on our way.

Joe Yanchunis:

I appreciate that answer. Wanted to shift gears here. So it seems like factoring as a service is starting to gain momentum. What level of transaction volume through factoring as a service would you need to see in 2026 to view this initiative as a success?

Aaron Graft:

Look for us doing factoring, whether it's for our first party business or for a third party business, it's factoring. What Tim and team do, the operational execution is the same. I'd really flip that question around to our partners and say, what do they seek to achieve? I mean, we are the platform that empowers them to grow. This is not our business in the sense that we control the marketing levers and the growth engines. If I listen to what C.H. Robinson has said publicly, if I think about what I believe RXO and our future [inaudible 00:37:14] partners want to do, they want to monetize the payment experience. And more than that, genuinely more than that, they also want to bind themselves closer with their carriers because they want carriers' repeat business to thrive. And so it's their goals that are more important than mine. We have built a factoree that can do factoring for ourselves and anyone else that needs it. And so, it's a success to us if it's a success to them.

Joe Yanchunis:

Okay. Appreciate that. Then just one last one for me. You guys have the new buyback in place. Just any commentary on how active you plan to be in the near term?

Aaron Graft:

Yeah, I mean, we're not going to speak to the timing of that. Look, what we can say is our intent is to use the buyback from earnings. We are in the process of growing earnings. I can see that. And if the market gives us an opportunity and we can do it safely and soundly, that's a very nice tool to have in the toolkit. But we didn't announce this just because we intended to be out in the market tomorrow. We want that tool in our toolkit too, as just part of our overall capital planning strategy.

Joe Yanchunis:

All right, I appreciate it. Thank you for taking my questions.

Aaron Graft:

For sure.

Moderator:

The next question is from Matt Olney at Stephens. Please unmute yourself and begin with your question.

Matthew Olney:

Yeah. Thanks for taking the follow-up, guys. There was some commentary in the letter that certain types of non-transportation lending is no longer part of the core lending strategy. Can you just clarify what is and what is not part of the core business? I'm just trying to appreciate how big of an initiative this is to exit some of these non-transportation loans. And are you accelerating this after seeing the Tricolor or are you just reiterating what you've said previously?

Aaron Graft:

I'm just reiterating what we said previously. Look, I think about, there's two parts to the core business. There's the one we spend 90% of the time talking about, which is the transportation business. But there is also a very healthy underlying community bank. If you look at our metrics, you look at the financial performance of that bank, you look at our deposit quality, that's core to our strategy, and the bank will always be core to our strategy.

What we don't want to have happen is we don't need to be talking about community bank credits. We need the community bank to be safe, sound. And by and large, it does that. But in the past as we sought to generate revenue to reinvest in the business, we've been in things like liquid credit. We're winding that business down. And so, what I mean by that, Matt, is anything that's not core when we're talking about the community bank itself to traditional community banking, I think you're not going to see expansion from us away from that. You're going to see us retrenched to that core as you see our transportation business continue to grow.

Matthew Olney:

Okay. I appreciate that. And then, on Tricolor, it sounds like based off the letter you worked to confirm the location of the collateral and you feel good about that, and with the borrower in bankruptcy, what's the next data point you expect to hear on this topic? I'm just trying to appreciate if this could drag on for a while, and then if the collateral is a depreciating asset, at what point do you look to monetize the collateral and start selling the inventory?

Todd Ritterbusch:

Based on the bankruptcy timeline, we're going to know a lot more in three weeks. That's not to say we will necessarily be liquidating collateral that quickly. That may take longer. But there are different segments of the collateral, and this is important to know. There may be portions of the collateral that we're able to liquidate right away because there's no question about the fact that that's our collateral and we should be able to move forward with that. If there are others who think they have claims on that collateral, then that's a process for the court to figure out. We feel really good about our position in that, and of course we're going to let that happen, but the liquidation could start relatively soon and could extend on for a period of time. I don't think we'll be in this credit a year from now, but it's hard to say anything for sure when you're talking about a bankruptcy of this size.

Matthew Olney:

Okay. Thank you, guys.

Aaron Graft:

Sure.

Moderator:

The next question is from Adam Mead. Please unmute yourself and begin with your question.

Adam Mead:

Hi, good morning.

Aaron Graft:

Morning, Adam.

Adam Mead:

A question on maybe the medium to longer term competitive landscape. Now that you've proven the model and the ecosystem, where do you anticipate challenges from competition, and how would you compete with Triumph if you were on the other side?

Aaron Graft:

Yeah. So if we think about the value chain: audit payments, liquidity solutions, digital banking plus, and intelligence, in some of those lines of business, we have almost no competitor. There's competition everywhere, but in the other lines of business like intelligence, there's three main providers. So look, if you're me, my LinkedIn feed, my Twitter feed is filled with FreightTech. It's like every week someone is coming across with this game changing announcement, this new technology that's going to disrupt a system that's desperately in need for disruption. And what I've seen is change management is really hard. You can build really cool technology, a really cool feature set. You can tell a really cool anecdotal story looking at things in hindsight, but change management's hard.

And so, if somebody wants to come after factoring, well, frankly, that already happens. There's 400 factoring companies. We're the second-largest. You've just got to figure out how to go to market. You've got to compete with us on cost of funds, and you're going to have to do more than just payday lending, because that's not what we do. We truly help truckers thrive and grow and have seen people start with one truck and have a hundred trucks, and it's an American success story. So you want to compete with us there? I guess arguably straightforward, you're going to need the balance sheet to do it.

If you want to compete with us in the network where we touched 47% of all invoices, and from a payments perspective it's 64% of all invoices, then from the depth of when you add both audit and payments together, you're going to have to create an interlinked solution. I guess the person who comes after us can do it way better than I've done it. It's taken six years and an amazing team to do this. Our compounded annual growth rate over six years is over 100%, but it has been extremely hard. So if you want to do that, you're going to have to integrate. It's one thing again, to create cool technology. It's a whole other thing to integrate into legacy technology systems upon which a plethora of vendors use. Because nobody has a huge appetite right now to completely redo their tech stack. So again, it's change management as much as technology innovation.

And then finally on intelligence, look, there's a well-known leader in that industry and they're a great company and they've been in a market dominant position for a long period of time. Our secret sauce in intelligence, if you want to beat us, is you have to get more true transactional data than we have. And I don't see how you get there at the scale we have unless you have the payments network, right? Because that automatically causes us to touch a significant portion of all transactions.

So the veracity of our data I would already put against anyone in the world, unquestionably it's there. And the density of that data in both lanes and by actual movement type, it's not just a load. Is it a

hazmat load? Is it a team load? Is it a drop trailer load? There's so many nuances under the surface of these invoices that you need to know. And so, if you want to do that, you've got to find a way to get to the source of truth to a massive scale of data, and then you have to build the artificial intelligence driven models that we've built that speak back to the broker and help brokers manage their margin. That's what we're trying... We're trying to help truckers thrive, brokers manage their margin, the whole thing work more efficiently.

So that's why you come at things from a value chain. It's all interconnected together, and you can't really piecemeal into what we do because if you look at that chart we put in the letter, we took each customer segment and we showed you the things that those customers consume from us. You want to go do audit for broker? That's great. Can you do payments? Can you do intelligence? Can you do liquidity solutions if they want supply chain finance?

So we're not going to sit on our heels. We're going to continue innovating. We are going to continue to manage our business in a way that delivers value to our customers, because you treat people the way you would want to be treated. That's how you create long-term success. And then, we benefit from six years of really hard work of building this network and integrating with almost every legacy provider out there. So that's how we view our market position, and we still got work to do.

Adam Mead:

Great, thank you. On the capital allocation side, how do you think about, I guess, paying down some of the expensive subdebt or even the preferred stock versus shared purchases?

Brad Voss:

If you think about the way that our balance sheet is structured from various pieces of capital, we're pretty well in balance as we sit today with tier 1 and 2 capital from a regulatory capital perspective. So I don't think that you're going to see us do things like retire subdebt or the preferred stock in the near term. I think we're pretty well in balance.

Adam Mead:

Okay. Just finally on the factoring side, in your letter you stated that the instant decisions for owner-operators was 58% versus 15% for the larger fleets. I guess intuitively I would've thought it would be the reverse, so maybe you can help me understand the dynamics there.

Tim Valdez:

Adam, I can address that. When you look at how those different segments present information to us, it's done completely different. So the individual owner-operator submits at an invoice-by-invoice basis through our portal. When you take into consideration the large fleets, they do it in large batches of data and images, and so it's natural that the large fleet submitting a batch is a different model than the owner-operator model or the very small fleet model. And so, ingesting that is completely different.

Our teams are working through it and we believe that we're going to bring that number up, but currently 15% is a good number. It's just not where we're going to be. That's not where our target is long-term. The true fact is that the people that utilize instant decision the most is that small fleet. And when you look at the small fleet and their need for capital and our ability to provide that 24/7 using our LoadPay product, that is really where the rubber meets the road for us. So hopefully that answers your question.

Adam Mead:

It does. I really appreciate it. Thanks for your time.

Aaron Graft:

You're welcome.

Moderator:

Just a reminder, if you would like to ask a question, please use the raise hand icon, which can be found at the bottom of your screen. When you are called on, please unmute your line and ask your question. There are no more questions at this time. I would now like to turn the call back to Aaron for closing remarks.

Aaron Graft:

Thank you for joining us this morning. We look forward to seeing you in about three months. Take care.