Triumph Financial Q2 '26 Earnings Call | Triumph Financial, Inc | July 22, 2026

Luke Wyse:

Good morning. It's 9:30 in Dallas and we're ready to get started. Thanks for joining us this morning and for the interest in our second quarter results. We're glad you're here. With that, let's get to business. Aaron's letter last evening outlined an outstanding quarter. We saw material expansion on our core initiatives against a market backdrop that finally gave us some tailwinds. The positive momentum is palpable and the results of that are visible in Aaron's comments in the shareholder letter. That quarterly shareholder letter published last evening and the 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 public 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 the Safe Harbor statement. With that, I'd like to turn the call over to Aaron for a welcome and to kick off our Q&A. Aaron?

Aaron P. Graft:

Good morning everyone, and thank you for joining us. Before we begin, I'd like to welcome Ben Volkwyn, our Head of Enterprise Data and Intelligence, who is joining us for today's discussion. I hope you'll ask Ben more questions than me because his accent is certainly more pleasing to listen to than mine. In the Q&A on the last earnings call, I referred to the freight market with the statement that the market may be changing. And as we sit here today, I think I can say definitively that the market has changed. We are in a different market and this market is good for many, but it is also difficult for some.

And we tried to explain that in the letter we published yesterday. And so I would say if you look through the non-core expenses and the noise in the quarter, what you will find for Triumph is a business model that is performing materially ahead of its recent history. And more importantly to me, we are seeing validation that our value chain is working and delivering what it's promised to the market. And so with that brief introduction, I will turn the call over for questions.

Speaker 3:

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. Our first question will come from Joe Yanchunis with Raymond James. You may now unmute and ask your question.

Joe Yanchunis:

Good morning.

Aaron P. Graft:

Morning, Joe.

Joe Yanchunis:

In the shareholder letter, you noted that the original 4Q '26 EPS target of roughly 50 cents, $2 run rate, assumed average transportation invoice prices of about $1,800. So based on the sensitivity you've previously provided, today's $2,200 invoice environment seems to imply an incremental 20 to 25 cents to that quarter on top of that guide, so two-parter here. One, is that the right way to think about your outlook? And two, aside from higher non-interest expenses and a slower contribution from the intelligence segment, what are some of the other things that have changed that would impact this outlook since you originally provided it?

Brad Voss:

Joe, the way that you characterize the impact of invoice prices is solid. We do have about a $7 million annualized pre-tax income change for a $100 change in invoice prices over the course of the year, so that math is pretty straightforward. So yes, I believe that you've characterized that correctly. As far as the other things that might impact the outlook going forward, it's really obviously any changes in invoice prices would be the biggest mover, but the core trends are pretty well in place.

I think that the continued momentum of our penetration and sales is kind of what drives us from where we are today through the rest of the year. Shouldn't see a whole lot of volatility in expenses beyond what we've already called out. We are continuing to seek ways to get more efficient, looking for about $98 million in the current quarter in the Q3, excuse me, $99 million in Q3 and about $98 million in Q4. Beyond that, you can just expect us to continue to maintain that discipline going forward.

Joe Yanchunis:

Okay, I appreciate that. And now I want to shift over to a little more strategic question. Amazon, they've been steadily expanding. Amazon Freight, they've recently introduced Amazon Supply Chain, bring together all these logistical capabilities under the single platform. As Amazon continues to build a more integrated logistics ecosystem, how do you think about the potential impact on the brokered freight market? And does that represent a competitive threat to Triumph over time or could it ultimately create additional opportunities for your payments and intelligence platforms?

Aaron P. Graft:

Yeah, great question. And I think that there are several people in the market who actually move freight, who are better equipped to speak to whether Amazon is truly a competitive threat to the established brokerage community or not, so I will defer to those experts. What I would say is Triumph moves data and money. And last time I checked, Amazon, just like anyone else, needs somebody to move money on their behalf when they hire a carrier to run for them. So if somebody's going to be active in brokered freight, we're going to be talking to them and trying to meet their financial, their liquidity and their data needs. And our view on that doesn't matter, whether it's Amazon's name on it or any other broker, we're going to give them our best efforts to help them achieve their business goals.

Joe Yanchunis:

Understood. Well, thank you for taking these questions and I'll hop back in the queue.

Aaron P. Graft:

Sure.

Speaker 3:

Your next question will come from Timothy Switzer with KBW.

Timothy Switzer:

Hey, good morning guys. How are you doing?

Aaron P. Graft:

Good morning, we're great.

Timothy Switzer:

Good to hear. Is there any update on the 20% transportation revenue growth year-over-year you guys are expecting for Q4? I mean, it seems like you'll at least easily beat the factoring up mid-teens guide you guys gave, so just curious on if there's any updated numbers you can provide on that?

Aaron P. Graft:

Well, Tim, I would say the most updated numbers I could give you, you can find in the shareholder letter. And one of the things I wanted to point out in that letter is roughly, if you were to just pull apart the increase in invoice sizes we've seen as a result of supply constraints, I peg our organic growth in the mid-teens, pretty much right on par with what we told the market our North Star Metric was for transportation revenue growth. So my own view is that we are organically growing across almost all of our segments by deepening our relationships with existing customers, delivering more value to them, therefore delivering more value to us.

And I think most encouragingly, and I would not miss this, by winning new business, especially in our factoring business, and you're talking about winning new customer relationships in a marketplace that is shrinking, that should not be overlooked. So, put all that together, that's that mid-teens organic core growth that we held ourselves accountable to. Add on top of that, the market forces as a result of what's going on in the Middle East, supply reduction as a result of litigation, legislation, regulation, all of these things, and that's how you get to that 30% growth. So it's very difficult for me to see how we won't eclipse the growth target for transportation revenue growth by a material amount at the end of this year.

Some of that, I think we deserve credit for because of what we've done. Some of that, appropriately, we should point out the market has changed, but one last thing I'll leave you with. The market was never going to stay at $1,800 invoices in perpetuity because the input costs for carriers have gone up so much they could not earn their cost of capital. Now, I'm not smart enough and I don't think anyone at this table is smart enough to have predicted for you absolutely when that was going to change, we just knew that the market would change.

And what's gratifying for us, or I can speak for me, what's gratifying for me is that we built a business model that we believed would do very well when the market normalized and returned to what I believe is equilibrium. I don't think we're anywhere close to even where we were in 2021 if you inflation-adjust those numbers, but the business model is working largely as we predicted. I gave you a lot there, but I just want you to understand that we're organically winning business like we called our shot, we would do. And then undoubtedly, we're benefiting from normalization of the market.

Timothy Switzer:

Okay. Yeah, that was very helpful. And then I had a few on LoadPay. Looked like some great trends there, especially revenue per active carrier getting really close to that 750 number you guys have talked about. If I recall, I think you guys are trying to finalize some new features and products within LoadPay by the end of Q2, and then you were going to start pushing for growth of that product even harder than you have been. Can you update us on, are all those features in place and should we expect an acceleration in growth now in that business?

David Vielehr:

Absolutely, and we're really proud of the work that we got done in the first half of the year. We've added the ability to do factoring, banking, integration with fuel and some of our intelligence, all within a single tool for our carrier population. And we've seen that, as you mentioned, come through in both the account growth numbers at revenue per account. And what's really fun for the team to see is that our revenue is growing faster than our account growth. And so there's a lot of things to build on.

As we look into the back half of the year, we think we are uniquely positioned in three ways to keep winning share. We have distribution, it's unparalleled based on the number of carriers that we touch across our entire payments network. We have the integrations across 400 plus brokers, making LoadPay the best place for carriers to come receive payments. And last but not least, we differentiate ourselves in our economics by being a bank at the end of the day. So we're really confident about the back half of the year and we think we're going to see trends continue in the way that they are.

Timothy Switzer:

Okay, thank you. And if I can get one more on the expense outlook, just given some of the noise with the incentive accruals at the end of the year, if we put those aside, how should we think about the outlook for '27? Is it down from that $98 million with more cost saves or is there going to be modest growth from that? It's kind of hard to tell with all the incentives going around.

Brad Voss:

Sure, it likely trends a little bit higher. I would tell you that any incentive accruals that hit in the back half of this year would reset at the beginning of next year, so the bar will get reset higher than it was this year. So any incremental incentive payments that we have next year would have to be because we outperformed our targets next year. But we do always have compensation resets and so forth, and there will be a lot of churn underneath the surface as we're looking to deploy resources into the most effective areas. But I would expect those numbers to trend modestly higher next year.

Aaron P. Graft:

And just to add onto that, I think it's appropriate analysts, investors focused on expenses, and I completely understand that. What I'm focused on is operational leverage. So if expenses increase next year, that can only happen if we grow revenue more than expenses. And we have generated a significant amount of expense savings over the last few quarters as we've really doubled down on efficiency and technology deployment and streamlining the things we're doing. But we have intentionally taken some of those savings and redeployed it into a stronger sales organization and into other things we're working on that we believe over the long run, will create more investor value. So as we get to the back half of this year, we'll start getting more explicit with you on what we expect expenses to look like for the year 2027.

I completely agree with Brad, I think that those expenses will be slightly up. Underneath that, a lot of things are happening. There will be material expense savings in places and there'll be investment in other places. But as importantly or I think more importantly, is each of those North Star Metrics has in it an idea that it's not just revenue growth, it's also margin expansion. And so we're going to only deploy those dollars if we think that we can grow margin and revenue and ultimately push that to the bottom line for the benefit of our investors, so I hope that helps. That's at least how we think about using the resource that we have of expenses and really using it as an investment to create shareholder value.

Timothy Switzer:

Yeah, that makes sense. Your strategy's always been very, very clear on that. Thank you.

Speaker 3:

Your next question will come from Matt Olney with Stephens.

Matt Olney:

Hey, thanks. Good morning. Aaron, similar to your last point, want to ask more about the factoring business and the operating margin there looked great this quarter. But as you mentioned in the letter, much of that's from the improved invoice pricing. Where is the company as far as moving down this cost structure with technology? Trying to appreciate if that longer term margin could be quite a bit better than your goals if this higher invoice pricing continues and the cost structure improves. Thanks.

Aaron P. Graft:

Yeah, so if you're asking from an enterprise technology and efficiency standpoint, I would say we're in the early innings of a game we never intend to end. I mean, if you think about Triumph's journey, and Matt, you've known me for a long time, you've known this company for a long time, we've generally been pretty good at growing revenue, being creative, at least compared to if you set our peer group as banks, which I'm not sure is exactly where our peer group is. And what you've seen in this down cycle, if you just go back, think about '21 and '22, the market is incredibly demand-driven. We're making a significant amount of money, we're investing in things. And then all of a sudden the music stopped and you saw all those shareholder letters. And what we said was the plan was to stick to the plan. We were going to focus on value delivery to our customers.

What I should have emphasized more at that time, what I should have understood more at that time is not just using technology for the offensive application. I mean, you have to do that. Your audit product has to be great, your payments product has to be great, intelligence has to be great. But to make yourself more efficient internally, and I would say for a season, that was lower on the priority list, that is no longer the case. I expect you will see the organization and Kim's leadership in factoring continue to drive automation, which not only increases the number of invoices per FTE, therefore creates operating leverage, but also improves the customer experience because you got to put the customer at the center of this thing.

So all things being equal in what is a cyclical business, as you well know, I would expect margin to continue to increase because we will get more efficient. We have a playbook we can run. All things being equal, I would expect revenue and factoring to grow because we have a great sales team and as has been alluded to already here, the best distribution platform in the marketplace for both our own business and factoring as a service. So 40% is a great place to be. And you cover other finance companies, 40% is an exceptionally high operating margin in a business like this. I want to finish with one last thing because I think it's very germane to that. I want to see factoring get above 40% and stay there, which would be a 5% to 7% return on average assets. And that's tremendous and that's very profitable.

But I also want to point out, and this is really important for long-term investors, there is more to factoring than the revenue that it generates. Factoring, and I didn't maybe used to think that way, but factoring is now the entrance into the Triumph transportation technology platform. And so these factoring customers now are becoming LoadPay customers, equipment finance customers, intelligence customers. And that is a change that 12 years ago when we got into this business, that's not exactly how it was thought about, but it's how we think about it now. And so I think you'll both see margin expansion in that segment, but you'll also see the intangible benefits across the enterprise. I hope that helps.

Matt Olney:

Yeah, great points. Appreciate the color on that. And then switching gears over to the banking segment, Aaron, I can't help myself. I have to ask about the banking segment.

Aaron P. Graft:

I love it. We're a bank, ask it. Yeah, it's great.

Matt Olney:

We saw some nice, positive trends in the second quarter, and it seems like it was in some ways, the opposite of what we saw last quarter when the revenue trends declined. Coming into the year, I think we assumed the banking segment would be stable with less volatility, but it's been the opposite so far, it's been more volatile than we expected. Any more color on what we saw in the second quarter and what are your expectations of this segment from here? Thanks.

Todd Ritterbusch:

Yeah, I view the second quarter as a quarter of progress for us, not a quarter of volatility. We had to do some things in the second quarter. We earned some new business that might've looked like volatility in the results. But as we set the stage for the third quarter and fourth quarter, we've created some additional efficiencies. We feel really good about the business we've put on the books and our core deposit costs continue to be very stable, so I think the outlook is pretty smooth from here.

Matt Olney:

Okay, great. Thanks, guys.

Aaron P. Graft:

Thanks, Matt.

Speaker 3:

Your next question will come from Eric Bedell with Bloomberg Intelligence.

Eric Bedell:

Hi, good morning. Thanks for having me.

Aaron P. Graft:

Morning.

Eric Bedell:

I was wondering if we could just unpack the factoring segment a little more, particularly within invoice size. And could you tell us a bit about how much fuel surcharges changed the price of the average invoice in the quarter?

Aaron P. Graft:

You want to take that one or do you want me to take it? I think you should answer it.

Kim Fisk:

Okay. Well, we know that average invoice price, well, for a client specifically, we know that about 25% of their carrier's costs goes to fuel. And so if you think about that against our invoice price, you would see that it was about 25% of that increase there.

Aaron P. Graft:

Yeah, exactly. And I think that's what people miss, that Kim pointed out. And the other thing, Eric, when you're asking us about the spot market, that includes everything. It doesn't just include diesel, that includes tightness in the market, seasonality. I don't know that we will ever be able to totally isolate, but I think it's important if people say diesel's up 30% quarter or year-over-year, whatever the number is, just remember that is maybe 25% to 30% of a carrier's cost.

So the impact to the invoice size is not 30%, it's 30% multiplied by whatever it is to the carrier's cost, added to a much larger math problem that takes into account the entire marketplace and where shippers and brokers are tendering freight. So we can imprecisely and directionally give you visibility into that, but I don't think anybody can measure it with precision because it's just part of many different inputs.

Eric Bedell:

Yep. No, that's helpful, thank you. And I'm curious more as well on the larger carrier mix. You mentioned it was about 75% of the invoice volume on the factoring side. How much of that is more contract rate focused? And I guess how can we expect that rate to change as we get into the back half of the year?

Kim Fisk:

Yeah, this is not a precise calculation. When we looked at the portfolio, we do know that 70% of our paper is for shipper versus... Sorry, 70% is broker and 30% is shipper. And so we make assumptions when we talk about contract rate in our larger carriers. So we looked at our average invoice prices and we figured it was about 65% to 70% from the large carrier segment. As far as the change goes with contract rate, I would assume when RFPs are ready to come around, they're going to probably increase and negotiate higher rates to make it more stand over the spotlight.

Aaron P. Graft:

Ben, anything from the intelligence side, do you want to speak to that as well?

Ben Volkwyn:

Yeah, absolutely. I think what we are going to see in the back half is a similar pattern that we've seen throughout the period, is there is a reset happening on the RFP cycle, and absolutely we will continue seeing a breakdown of those routing guides as we go through to the back end of the year.

Aaron P. Graft:

And one last thing that I think, just to be pointed out that we don't oversimplify things, there are carriers who run for brokers on dedicated lanes, which function a little more contractually than just in the spot market. So there's a whole lot of things going on underneath, but hopefully the data points that Kim and Ben gave you can help you form a picture of that.

Eric Bedell:

Thanks. And then lastly, could we get an update on how factoring as a service has helped new client generation for you?

Kim Fisk:

Yeah, factoring as a service is just an embedded distribution offering for us with a strong partnership with the two companies that we have in our portfolio. And so they continue to grow just as our portfolio does as well, so it's a continued distribution offering for us with a very low acquisition cost, by the way, which is helpful to improve our margin as well.

Aaron P. Graft:

Yeah. And we would go back to tell you what I said earlier, that the value of factoring is never just the revenue alone. And that's especially true when you're talking about factoring as a service and our partners there who actually move freight. So the financial relationship with the carrier in addition to the transactional or contractual relationship with the carrier to move freight makes it a much more holistic relationship. And so their ability to win business and attract carriers looks different than Triumph's ability because we don't move freight, that's not what we do. And so it's going well and it's one of the strategic growth initiatives for us going forward.

Eric Bedell:

Great, thank you very much.

Speaker 3:

Your next question will come from Gary Tenner with DA Davidson.

Gary Tenner:

Thanks. Good morning, everybody.

Aaron P. Graft:

Morning.

Gary Tenner:

I have a couple questions. First on LoadPay, you mentioned in the shareholder letter, Aaron, that you expect to recast the payments EBITDA target at some point, inclusive of LoadPay. I'm just curious, specific to LoadPay though, given the trajectory of growth there, do you have any sense or projection as to when that part of the payment segment alone will hit an EBITDA breakeven number?

David Vielehr:

What we're looking at right now is we are going to continue to invest in the product. We still have other things across the total Triumph offering for carriers that we're going to embed within the overarching LoadPay experience. But as we move through 2027, we expect LoadPay to begin to be breakeven.

Aaron P. Graft:

And I would say, Gary, my history of predicting the timing of profitability is not very good, so I can't give you a precise date, but I think what David said, the end of 2027. And on those North Star Metrics, you brought it up, you gave me an opportunity to talk about it. I think appropriately, in 2027 when LoadPay is a more material part of our story and intelligence, we more materially understand what it can do, what it should do and what investors should hold us accountable to do, that those North Star Metrics should change. I mean, we know gross margin for intelligence is going to stay high because of the structure of the business, and that's great.

But now what you need to hold us accountable to do is use that great structure and grow revenue and expand margin. And the same thing, LoadPay, it's great 49% Q over Q revenue growth, but ultimately just like payments, it's got to earned the right to continue to have capital invested in it. And so I would love to see it by the end of next year, break even and continue to grow from there. And as you know, I think we've pointed out that is a balance sheet light business.

You don't take credit risk in that business and it's just a natural extension of the customer experience, the injection of liquidity when needed in factoring, and then the use of those funds by the end user for the things they need to keep their business running. So you'll see that. I really do expect 2027 North Star Metrics to be updated to reflect that. And I'd also just end with the payment segment on a gap basis, if you add LoadPay back in, is over 25% EBITDA margin. Things are trending well. We just break it out so you can see each individual piece of the business and judge for yourself whether we're delivering on what we should be delivering on.

Gary Tenner:

Fair enough, appreciate that. And then since you've mentioned it, Aaron, the intelligence segment, I guess I'm curious there, revenue's kind of been flattish or fees from that for four quarters here. Is there anything that you're seeing initially that's surprising to you in terms of the revenue or interest in the product? Maybe talk about just the intelligence segment a bit and what the last year has looked like there.

Aaron P. Graft:

Yeah, I'll start this answer and then I want Ben to finish with where we're going, because he's the subject matter expert. But Gary, we've done lots of acquisitions since Triumph was founded. And what I've learned is they never quite turn out exactly like you think. Whatever you underwrite, that's probably what's not going to happen. It is disappointing to me, and I won't explain it away, I'll just own it, it's disappointing to me intelligence did not scale faster in the first four quarters. But I've done this long enough to be able to isolate that disappointment from what I believe to be the long-term value opportunity for the offering.

The industrial logic of Triumph, who touches more invoices on an audit and payment basis and factory basis for that matter than anyone in the world in brokered freight, the industrial logic for us to give real time data back to our marketplace, I'm as sure of that as I was before. What we needed to do was we've got to make that offering an enterprise offering, and I think we are doing that. I can see things that you can't yet see. All we can report is the numbers looking backwards. I can see the things of where we're going, where Ben's helping lead us. So the race isn't always won by those who come out of the blocks most swiftly, it's won by those who can increase their pace over time. And we're committed to that and you can hold us accountable for that.

And we're not going to shy away from that, so that's what I believe. The second thing just to say on that is intelligence also has intangible value in the customer discussions with payments, audit, factoring and other parts of our business. And that alone is not enough to justify the investment, that's not alone enough to justify its existence. But I do want you to understand that there are intangible benefits to this business showing up elsewhere. But with that long predicate of how we think about M&A and judgment of the acquisition, Ben, talk about where we're going operationally because I think that's what matters from here.

Ben Volkwyn:

Yeah, absolutely. I think for us, we've taken a deep look at where we are and what the last 12 months has been like. What I'll call out is we've had absolute great customer demand. The demand has come through all Different gates, all the way through tier one through five. There's clear demand for our data, the way we package it, the way we productize it. And so that is where our distinct focus is right now. We're taking a tool that initially was just focused on pricing and really unpacking it totally to become a complete platform tool that gives you intelligence from pricing, capacity, market insights.

It will give you the tool set that allows brokers to truly capitalize on the data set that we currently possess. We obviously have a lot of work ahead of us, but I don't think the team is going to shy away from any of it. We clearly need to increase our retention, we need to make sure that our product has perfect market fit. We listen to our client needs and we need to grow ARR. That is where our focus is and that's what we're building our foundational product on top of.

Gary Tenner:

Great. Thanks, all.

Speaker 3:

Our next question will come from Hal Goach with B. Riley Securities. You may now unmute and ask your question.

Hal Goach:

Hey, this is Hal.

Aaron P. Graft:

Morning, Hal.

Hal Goach:

My question [inaudible 00:31:21] the deposit growth and the bank loan growth has been flat like you expected and most of the asset growth was in the factoring business. But on the core banking side, the interest rate on your average loan was up almost, I think, 80 or 90 basis points sequentially. Any color on that for us? Thank you.

Todd Ritterbusch:

This is Todd, I'll take that question. I think the interest rate that you're seeing there includes the impact of the growth in factoring. So that's not core loan interest rate growth, that includes the blended effect of the factoring growth as well.

Hal Goach:

Right, thank you.

Speaker 3:

There are no more questions at this time. I'd now like to turn the call over to management for closing remarks.

Aaron P. Graft:

Thank you all for joining us today, we'll talk to you soon.