blend

Q2 2026 Prepared Remarks

Good afternoon and welcome to Blend's financial results conference call for the second quarter of 2026.

I'm Meg Nunnally, Blend's Head of Investor Relations. Joining me today is Nima Ghamsari, our Co-founder and Head of Blend and Jason Ream, our Head of Finance and Administration.

Before we start today's call I'd like to note that we will refer to certain non-GAAP measures, which are reconciled to GAAP measures in today's earnings release and in the appendix to our supplemental slides. Non-GAAP measures are not intended to be a substitute for GAAP results. Unless otherwise stated, all financial measures we'll discuss today, including our profitability, refer to non-GAAP. Also, certain statements made during today's conference call regarding Blend and its operations, in particular our guidance for the third and fourth quarter of 2026, other commentary regarding 2026 and our expectations about markets, our strategic investments, product development plans, and operational targets, may be considered forward-looking statements under federal securities laws. We caution you that forward-looking statements involve substantial risks and uncertainties and a number of factors, many of which are beyond the Company's control, could cause actual results, events or circumstances to differ materially from those described in these statements.

Please see the risk factors we've identified in our most recent 10-Qs, our 10-K for fiscal year 2025 and our other SEC filings. We are not undertaking any commitment to update these statements if conditions change, except as required by law.

The financial information presented on this call is based on continuing operations and prior periods have been recast to exclude operations that are now discontinued.

Lastly, we will be providing a copy of our prepared remarks on our website by the conclusion of today's call and an audio replay will also be available soon after the call. I'll now turn the call over to Nima.

CEO Remarks
Nima Ghamsari

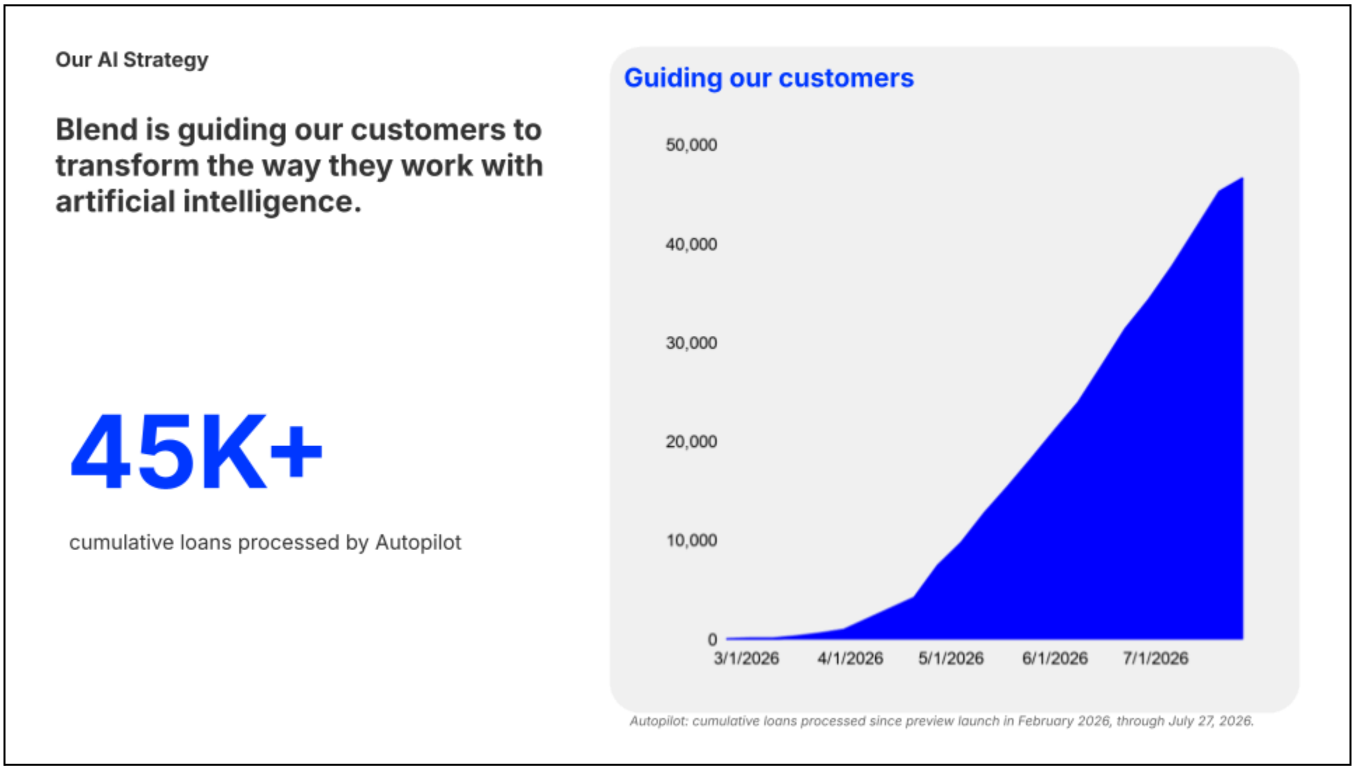
Thanks, Meg, and welcome, everyone.

The second quarter was another disciplined, profitable quarter for Blend. Revenue came in near the high end of our guidance range, and non-GAAP operating income came in above the high end. Jason will take you through all the financial details in a few minutes.

But today, I want to spend my time on the two pillars of our strategy: Autopilot, the agents we build for our customers, and Blend 3.0, the agents we are building inside Blend to help us do our work to serve our customers faster, better, and cheaper. Let me start with Autopilot.

Autopilot — Pillar One

The big news for us last quarter was that Autopilot became commercially available on July 1st. If you're following along on the webcast, I'd invite you to advance to the slide with the words "Our AI Strategy – Guiding Our Customers" at the top. This is the first of two slides that I'll reference today. And the charts on these slides are also available in the supplemental slides on our investor relations website.



The chart shows cumulative loans processed by Autopilot from a standing start in February to more than 45,000 today, and it's still compounding. The curve is the proof behind everything I'm about to tell you. During this 4-month window, more than 65 lenders activated Autopilot. They stress tested it, surfaced the hard edge cases, and shaped what we shipped. And the preview data backs up why this matters. We're starting to see evidence Autopilot is driving faster clearance times, higher conversion rates, and potentially reducing fulfillment costs.

Based on our preliminary data of these loans that have gone through our system, our customers are seeing a 10% to 15% improvement in pull-through rates and 2 to 4 days of cycle time improvement. Furthermore, we estimate that Autopilot is automating 4.5 hours of loan fulfillment tasks on average per loan. This is huge, and our customers are just beginning to grasp the potential.

Now that we're commercially available — as of July 1st — six lenders have already signed contracts that include Autopilot, including Onity, which is one of the largest mortgage servicers in the nation, which is also building its own experiences on top of Autopilot through our Autopilot MCP server.

On monetization, we're executing the plan we described in May with customers signing flat fee one-year contracts for full access. There's going to be a base level of intelligence built into our workflows, but the paid tiers are where the full product lives. What we call our underwriting intelligence, where Autopilot is reading documents, running calculations, reconciling against guidelines, and driving the full loan file forward. Over time, our intent remains to move the paid tiers to a per funded loan model just like the rest of our mortgage suite and seat-based pricing, which we don't think survives the agentic world. When software does the work, you can't charge by the person—it doesn't make any sense. And others are also moving to consumption models to get paid for the activity their AI generates. We've made a different choice, which is we get paid on success—we get paid on the outcome, not for the tasks along the way, but for the outcome. So if Autopilot does 10 times the work on a file that never closes, our customers shouldn't pay 10 times more for it. And under our model, they won't. Our revenue scales with our customer success. And that alignment is the business model we've always had. Agentic AI just makes it more valuable and more scalable.

Since I get asked about the competitive landscape constantly, let me be direct about it. What gives Blend the right to win? Our answer comes down to four advantages that are hard to replicate.

First, where we sit. Blend is the borrower's first point of contact. And because we're there, we see the problems and we fix the problems as they come along. More than half of borrowers apply outside of business hours. And over 90% of people who complete an application do so within 24 hours of starting. Autopilot catches friction the moment it happens at 10 p.m. on a Saturday, not Monday morning, at the exact moment the borrower intent is the highest and the engagement is the highest.

Next, our data. The question behind every AI question I get is: in a world where anybody can call a frontier model like Claude, is a software like ours replaceable? We believe the answer is no. And the reason is the models are converging and everyone has access to the same models, including us. But what isn't a commodity is what it takes to get the model to perform on a mortgage that has tons of context, tons of loan documents, guidelines, and lots of things that have to be taken into account to make the right next action on the loan. And that's a combination of 15 years of experience and tens of millions of loan application data processing through our platform which you can't buy and you can't synthesize—15 years of real borrower behavior, and that compounds. I actually see this in our early Autopilot benchmarks against, you know, a typical Claude plus skills, and we see that Autopilot performs better in those tests, much better and much cheaper, for about one-third the cost.

Third, the harness. Autopilot is not a wrapper around a generic model. It runs inside the infrastructure, the data layer, the integrations, the compliance architecture, orchestrating what the agent sees, what tools it can use, which guidelines to apply to a specific loan in front of it, and what happens when it isn't sure. It hands the file back to the loan team. People stay in control of the decisions that matter, and this harness is part of what makes Autopilot more accurate and cheaper than a generic harness.

And last, our relationships. We've spent 15 years building alongside lenders, and Autopilot was built the same way, with lenders for lenders. And with Autopilot MCP, we've opened up our infrastructure so customers and other technology providers can build on top of us rather than around us. And when you step back, this is the bigger thesis: Blend is and can be the agentic infrastructure for relationship banking.

The original promise of banking was a relationship—a lender who got to know you and could make a call based on more than just a credit score. That promise didn't disappear because bankers stopped caring. It disappeared because there's so much process and there's so much manual work and manual effort that has to go into every single loan. But when Autopilot is handling that grunt work on the loans and helping the people who historically did that focus on the customer—when Autopilot's handling those conditions, the follow-ups, the questions that come in at two in the morning, and the loan officer can get back to the capacity of serving the customer—then we see the real potential.

I started Blend with my co-founders back in 2012 with a simple thesis that the mortgage process should drive itself, not because humans aren't needed, but because the right technology can handle everything that does not require a human. And Autopilot is finally that thesis arriving. And because of what we're seeing in mortgage, the most complex, most heavily regulated process in consumer finance, we believe the same infrastructure extends naturally to home equity, deposits, auto, cards, personal lending, and probably broadly, given how much we've honed the harness and the evals around Autopilot, probably beyond that to other aspects of underwriting. Agentic AI doesn't replace and doesn't need to replace relationship banking, but it makes it possible to have our customers, the lenders, be even more focused on their customers once again at scale.

Blend 3.0 — Pillar Two

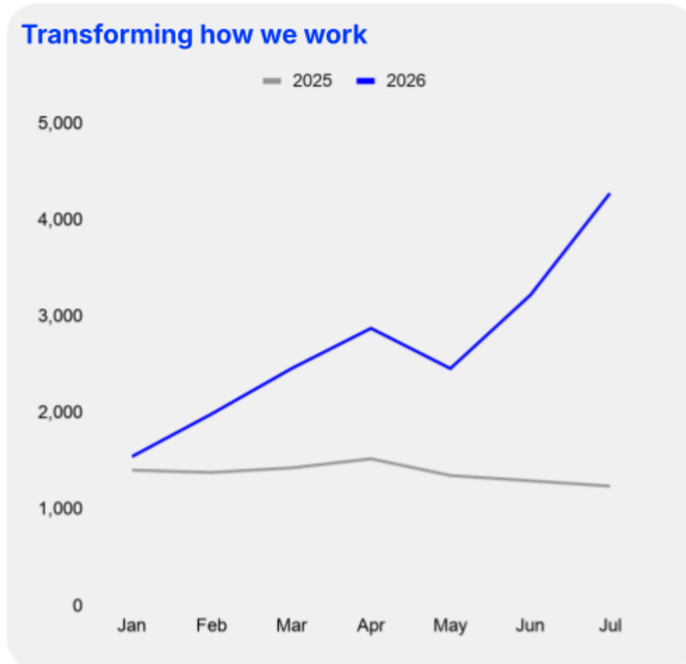
Shifting gears, if you're following along on the webcast, I'd ask you to advance to the slide with the words "Our AI Strategy Transforming – How We Work" at the top. This slide gives you a glimpse of how Blend itself is transforming and how it is going to look in the future. We're calling that Blend 3.0. Where if you think of Blend 1.0 as the first 10 years where we built a market leading company and we're growing quite a bit, growing our market share, growing our customer base and rolling out our first product. and Blend 2.0 is the last four years where we were creating a profitable long-term sustainable entity. Blend 3.0 is an agentic first company. And that doesn't mean just for our products, but that also means how we work internally.

Our AI Strategy

Blend is leveraging artificial intelligence to transform the way we work.

3.6x

engineering merged pull requests in July, year-over-year



**July 2026 projected from month-to-date actuals (3,548 pull requests opened through July 27). Pull requests opened per month, Blend engineering.*

Last quarter I described this pattern: an agent will take the first pass of the incoming work inside Blend before a team member even touches it and applies their judgment. So I won't repeat all that today, but I want you to look at the graph. The graph shows one specific team in the company which is actually one of our biggest teams, which is the engineering team. If you look at the gray line for pull requests in 2025, it was pretty flat throughout the year and during the holidays it trailed off. Then you look at the blue line this year: we have 3.6x the throughput as an engineering team with roughly the same headcount just since January of this year. 3.6x the throughput! I don't know if you remember, but I told you in May that we were running roughly 1.5x compared to what we were doing in January. And that was the average just three months ago, and now we're at 3.6x.

So it's a profound thing to think about, which means if we continue at this pace, we could be doing 10x as much throughput on the engineering team by the end of this year as what we did at the end of last year. I think that will continue to compound as an advantage for us to turn into velocity of fixing customer bugs, handling customer features and enhancement requests, and building the new things like Autopilot that power the future of our industry at a faster and better pace. That's really important because the essence of any software company is: how do you serve your customers and create value for your customers? I think that trend will continue to steepen as we adopt further AI within our organization and as the models get better over time.

Given the success that we're seeing in engineering, the next phase we're doing and what I believe is our job is to take this to the whole company. This past quarter, we expanded our efforts in agentic-first approaches, expanding to our go-to-market organization, where agents now are reviewing support tickets that come in immediately. If it's a bug that needs fixing, it can open a pull request. If it's a simple response that they want or a configuration change, it can draft that up for a human to go and click, "Yep, that's right" or "No, that's wrong, I need to change that." It's also doing work on our customer calls and helping draft coaching notes and follow-ups that used to take the teams hours.

In our finance organization, agents are doing the first pass of work on parts of our closing process. In every case, the process is the same: the agent takes the first draft, and a person reviews and approves. In some cases over time, where it's less of a security issue or less of a code issue or something that doesn't even need a human approval, I think eventually we won't even need human approvals for some of those things. It's different functions that I'm talking about, but it's one operating model of how I think the future of agentic technology is.

It's still early days, but this is one of the most active topics inside Blend right now. Our leadership team is meeting regularly about it because becoming an agent-first company is an operating decision, not a side project. It's a whole-company effort to figure out how would we reimagine this amazing company and customer base from the ground up, because we now get that opportunity because we're profitable. We have our house in order, and all these technologies are accelerating right in front of our eyes. I said in May that we aim to be in the top 1% of all companies in Agentic AI adoption, and that's still the goal. We're tracking our progress by function, taking it one piece at a time, and I expect to share more with you in the coming quarters as this rollout matures.

Focus on Growth

Lastly, I want to talk about growth because I know that's a question on everyone's mind. Well, to start with the bad news, the macro is not helping us right now. Mortgage rates moved from 6.4% or so in May to 6.8% in recent weeks because of wars and things that are going on that are outside of our control. That keeps activity in the market, especially refinance activity, but also purchase activity, muted.

As I've always said, we can't control the macro. I just want you to be aware of it because we're obviously paying close attention to it, and it might sort of mute future quarters like Q4 if we expected a certain amount of refinance activity and it doesn't come because rates are high. Just be aware of it, but that's okay. Our ultimate goal has been and is to generate long-term sustainable growth regardless of the macro environment.

In the quarter, we signed 14 new deals and expansions. There are two that I want to highlight.

The first is a new logo with a large credit union that included Autopilot right out of the gate. I think this will be the new norm with our customers as they sign with us. We have more deals in pipeline that have the same shape, but it's the first time a customer chose Blend and chose Autopilot as part of that initial package. Agentic AI is becoming table stakes and our customers want it and need it, in fact, to be the best versions of themselves. I think, like I said, it's a preview of how many of our deals are going to look going forward.

The second deal I want to talk about is a cross-sell of our rapid refi and rapid home equity into a top five credit union, which signed with us a couple of years ago, rolled out, and is happy. This is a great example of how we can expand and deepen with customers as we drive the initial projects to success.

And our pipeline continues to build. On our last call, I told you our overall pipeline was up more than 40% year-over-year, and that overall pipeline is still growing. But the stat I'm more excited about as the year goes on is a narrower one. We brought in new sales leadership at the start of this year, and our late-stage pipeline—the deals we aim to close within the next quarter—grew nearly 40% just between March and June.

Late-stage pipeline is what is actually near signing, so it comes with a much higher level of visibility and confidence. Just to put some color around this pipeline, it includes another large mortgage customer—a top 20 financial institution—and a solid set of rapid and Autopilot deals. For example, we expect two additional large rapid deals to close in the coming months.

Now, I want to be honest about timing. We expect our pipeline to become signed deals in the coming quarter or so—and maybe some will slip—and those signed deals to become revenue. But this is all dealing with some of the largest financial institutions in the country. So as they sign and turn on, we expect them to show up in our financials in the medium term. But it does take some time for very large financial institutions to get through their governance around things like agentic tools.

So with all that said, I want to say the direction is very clear. Our customers are excited about it. Our largest customers are really leaning in, and my confidence is very high.

Our sales discipline that Matt has put in place isn't just limited to new business; it extends to how we manage renewals. We're doing a better job of getting our customers into discussions around renewals with us early in the process, which means more relationship aspects to working with them, renewing customers for longer terms, broadening the relationship at renewal, and making sure that our pricing reflects the value we deliver. Jason will give you some more color later on how we're thinking about renewals, upsells, and where we're seeing churn.

But let me give you the other side of the coin right now: the core of our customer base is renewing for longer and for more.

Closing

So to wrap it up, the short-term market with the macro is what it is, but we're staying disciplined and profitable inside of it. The medium and long-term is what we're focused on—2027 and beyond—as we get Autopilot going and as it becomes commercial, and growing the pipeline we're building, and the speed we're gaining with the agentic transformation internally.

I am extremely energized about what Blend looks like on the other side of this cycle, not just for us, but for our customers, and ultimately, because we have a value-based pricing model, what that means for our financials and for our investors.

And so with that, I'm going to turn it over to Jason to walk through the financials.

CFO Remarks
Jason Ream

Thanks Nima, and thank you to everyone else joining us on the call.

We delivered a solid second quarter, with total revenue of $33.8 million, up 7% year-over-year and near the high end of our $32 to $34 million dollar guidance range.

Mortgage suite revenue was $19.2 million, up 7% year-over-year, within the growth range we discussed on our last call. Funded mortgage loans on our platform were approximately 233 thousand in Q2, up 14% year-over-year and in line with our expectations coming into the quarter. That volume growth was partially offset by a lower year-over-year economic value per funded loan, which came in at $79, consistent with the $79 to $80 dollar range we guided to in May. As a reminder, the step-down from $83 in Q1 is primarily mathematical — Q1 is seasonally the high-water mark given its lower mortgage volumes, and higher volumes in Q2 mechanically lower the per-loan calculation given that there are some fixed-fee arrangements within our customer base.

Consumer Banking suite revenue for the second quarter was $12.2 million, up 6% year-over-year, slightly above the high end of the growth range we shared on our last call.

Professional services revenue for the second quarter was $2.4 million, consistent with our expectations.

Turning to profitability — non-GAAP gross profit was $26.5 million, and our non-GAAP gross margin was 78.3%, up from 76.1% in the second quarter of 2025, and consistent with the normalized gross margin framework of 77-78% we described last quarter after backing out the one-time benefits we saw in Q1. That gross margin improvement is despite the model costs for Autopilot, which were relatively low, but growing, in Q2. We expect those costs to remain fairly insignificant relative to our P&L for the near future, but we will update you if we see anything different on the horizon.

Non-GAAP operating expenses were $19.5 million in Q2, roughly flat year-over-year. Non-GAAP operating income was $7.0 million, above the high end of our $5.5 to $6.5 million dollar guidance range, and represented a non-GAAP operating margin of 20.6% — an improvement of nearly 6 points compared with the second quarter of 2025.

Free cash flow for the quarter was $6.9 million. We ended the quarter with $44.9 million in cash, cash equivalents, and marketable securities, and still with zero debt.

Capital Allocation

During the second quarter we repurchased 11.0 million shares at an average price of $1.65 per share. Year to date we have repurchased 22.2 million shares for $36.8 million, leaving approximately $13.2 million remaining under our most recent share repurchase authorization of $50 million. We continue to believe that share repurchases are an excellent use of capital, especially at current valuation levels, though future repurchases will also be balanced against our aim to maintain ample liquidity to run the business.

Outlook and Guidance

Before I give you the specific numbers in our outlook, I want to frame how we're thinking about the environment, because it shapes everything that follows. On our May call, and consistent with what we've said historically, we noted that our own outlook for the back half of 2026 was closely aligned with Fannie Mae, which at the time was forecasting roughly 19% full-year growth in mortgage market volume. Since then, Fannie has lowered that outlook to about 17%. Our current view is slightly more conservative than Fannie Mae, as we expect refinance volumes to remain muted in a higher-for-longer rate environment. Specifically, we struggle with Fannie's forecast showing refi growth in the back half of the year despite higher interest rates. Fannie may update their forecasts, but until then, we're taking the more conservative view.

Additionally, we saw an uptick in churn notices this quarter relative to recent quarters. These are customers who are notifying us that they plan to roll off of Blend, though the timeline and ultimate impact is still to be determined. In most of these cases, customers plan to move to lower-cost or free point solutions. We expect the revenue impact to be manageable — in the low single digits of annual revenue — but it's a dynamic we're watching closely, and as such, we have reflected some caution in how we're thinking about the second half of the year. With that context, let me walk you through how we see the next two quarters.

Starting with the third quarter, we expect total revenue to be between $31.5 million and $33.5 million, representing approximately negative 4 to positive 2% year-over-year growth. Underneath those headline numbers, we expect a total mortgage market of 1.200 to 1.260 million units, which is up 5% at the midpoint and Blend funded loan volume of approximately 200 to 210 thousand, which is up 2% at the midpoint. This translates to mortgage suite revenue change of approximately negative 4 to positive 3% year-over-year. We expect economic value per funded loan of approximately $80-81.

We expect year-over-year consumer banking suite revenue growth of between negative 5 and positive 1% in the third quarter, consistent with the moderation we discussed on our last call.

And we expect Q3 non-GAAP operating income to be between $3.5 million and $4.5 million, implying a non-GAAP operating margin at the midpoint of approximately 12%. As a reminder, the third quarter expense includes our annual Blend Forum customer event, consistent with prior years, which we expect to drive approximately $1.5 million dollar sequential step-up in sales and marketing expense quarter-over-quarter.

Looking beyond Q3, I want to give you our current view on fourth quarter volumes. Fannie's most recent forecast is calling for roughly flat market volume in the fourth quarter; as I mentioned earlier, that forecast may get updated at some point, but for now our own outlook is a little bit more conservative, and we expect total market size of 1.105 million to 1.165 million units, or down about 11% year-over-year at the midpoint. Against that backdrop — and factoring in the final tail on the roll-off of the large customer we've discussed on prior calls — we'd expect Blend's fourth quarter funded loan volume to be approximately 180 to 190 thousand, or down approximately 10 to 15%. While this is our current best estimate, I should note that the macro backdrop remains highly fluid and sensitive to rates.

Finally, on Autopilot — as you heard from Nima, we are very excited about the early commercial momentum, but we continue to encourage you to be cautious about incorporating Autopilot revenue into your models at this juncture. We plan to provide additional information on the potential impact to our model as customers and prospects move through the funnel and we have more time under our belt.

Closing

In summary — we delivered the quarter we aimed for: revenue near the high end, profitability above the high end, and a strategic return of capital through our share buyback. The macro remains a headwind, and we've tried to give you a clear view of how we see volumes. But the underlying drivers we control — our customer wins, our product velocity, and now the commercialization of Autopilot — are all moving in the right direction, and they set us up to re-accelerate growth as we head into 2027.

And with that, let's open the call up to your questions.