DAVE INC. (NASDAQ: DAVE)

Second Quarter 2026 Earnings Conference Call

Wednesday, August 5, 2026 | 5:00 p.m. Eastern Time

Corporate Participants

Jason Wilk | Co-Founder, Chairman, President and Chief Executive Officer

Kyle Beilman | Chief Operating Officer, Chief Financial Officer and Secretary

Conference Call Participants

Devin Ryan | Citizens JMP Securities, LLC

Joseph Vafi | Canaccord Genuity Corp.

Chao (Chris) Zhang | UBS Investment Bank

Ethan Hammett | Evercore ISI

Harold Goetsch | B. Riley Securities, Inc.

Ryan Tomasello | Keefe, Bruyette & Woods, Inc.

Jeffrey Cantwell | Seaport Research Partners

Jacob Stephan | Lake Street Capital Markets, LLC

Presentation

Operator

Good afternoon, everyone, and thank you for participating in today's conference call to discuss Dave's financial results for the second quarter ended June 30, 2026.

Joining us today are Dave's CEO, Mr. Jason Wilk, and the company's CFO and COO, Mr. Kyle Beilman. By now, everyone should have access to the second quarter 2026 earnings press release, which was issued today after the market closed. The release is available in the Investor Relations section of Dave's website at investors.dave.com. This call will also be available for webcast replay on the company's website.

Please note that this call is being recorded. [Operator Instructions] Certain comments made during this conference call and webcast are considered forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions, that could cause actual results to differ materially from those reflected in these forward-looking statements.

These forward-looking statements are also subject to other risks and uncertainties that are described from time to time in the company's filings with the SEC. Do not place undue reliance on any forward-looking statements, which are being made only as of the date of this call. The company undertakes no obligation to revise or update any forward-looking statements, except as required by law.

The company's presentation also includes certain non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margin, adjusted net income, non-GAAP gross profit, non-GAAP gross margin, adjusted earnings per share, and compensation expense excluding stock-based compensation, as supplemental measures of the performance of our business. All non-GAAP measures have been reconciled to the most directly comparable GAAP measures in accordance with SEC rules. You will find reconciliation tables and other important information in the earnings press release and Form 8-K furnished to the SEC.

I would now like to turn the call over to Dave's CEO, Mr. Jason Wilk. Please go ahead.

Jason Wilk

Co-Founder, Chairman, President and Chief Executive Officer

Good afternoon and thank you all for joining us. The business is performing exceptionally well as we close out the first half of 2026. Q2 revenue grew 30% year-over-year to $171 million, and adjusted EBITDA grew 48% to $76 million at a 44% margin.

On the strength of these results and the trends we see in the business, we are once again raising our full year guidance for revenue, adjusted EBITDA and adjusted diluted EPS.

The key takeaway from today's call is that our growth engine remains incredibly strong, with Q2 representing our ninth consecutive quarter of 30% plus revenue growth. Marketing efficiency and overall user growth continue to outperform. That gives us the confidence to lean further into marketing in the second half, which should accelerate MTM growth. Combined with more levers than ever on ARPU, we are well positioned to sustain this trajectory for the foreseeable future.

Turning to our growth pillars. Starting with member acquisition. We added 951,000 new members in the quarter, up 32% year-over-year, our fastest growth in nearly four years, and we delivered it at many times the scale we had back then. We did this while holding CAC flat at $19, which we believe tells us two things: our brand and funnel are getting more efficient as we grow, and we are still in the early innings of penetrating the enormous 185 million customer TAM in the U.S.

Moving to our second pillar, engagement through ExtraCash. Originations reached $2.3 billion, up 27% year-over-year, as member engagement and overall demand remain very strong. Additionally, average ExtraCash size reached a new high of $215, meaning members are getting more of the short-term liquidity they need for gas, groceries and rent from Dave, while also driving incremental monetization for us. We are monetizing that growing demand more effectively than ever.

Last quarter, we removed the $15 fee cap for new members. Earlier this quarter, we removed that fee cap for a large portion of grandfathered members, and we plan to increase the fee cap to $20 for the remaining grandfathered members, effective late August. The more efficient monetization enables us to increase average origination sizes per user, with planned initiatives to raise our maximum well above $500 without compromising margin.

We additionally began rolling out Cash AI V6, the latest generation of our proprietary cash flow underwriting engine. V6 is built on more than 700 model features, nearly 400 of which are brand new. As with any model upgrade, V6 is designed to expand gross profit dollars within our controlled range of loss rates, not necessarily to drive the lowest possible loss rates.

With stronger gross spreads from our new pricing, the model has greater flexibility to optimize unit economics. Early results suggest V6 is delivering higher credit limits and is driving the desired outcome of expanded gross profit dollars. Those higher limits also deepen member value, which tends to compound into better conversion, retention and reactivation, and ultimately MTM and revenue growth. A win-win.

Moving to our third pillar, deepening card engagement. Dave Card spend was approximately $530 million, up 7% year-over-year, as card volume continues to benefit from its natural synergy with ExtraCash. As we discussed last quarter, we have deliberately shifted our focus from new debit-focused initiatives to our new Dave Flex Card, which we believe has more differentiation in the market to win top of wallet spend, given our advantages in underwriting.

We continue to expand test cohorts as unit economics have improved and early engagement has been promising. Our focus remains to test, learn and optimize through year-end. We do not expect Dave Flex to contribute meaningful revenue in 2026, and it is not embedded in our guidance. We will share more as performance data matures.

Before I turn it over to Kyle, a couple of strategic updates.

First, on our partnership with Coastal Community Bank. During the quarter, we began funding ExtraCash receivables through our new structure with Coastal. As it scales, it makes our funding model significantly more capital efficient, lowers our cost of funds, and frees up meaningful liquidity to pursue high-return investment opportunities and return capital to shareholders. We have already unlocked nearly $100 million of cash on the balance sheet as a result of this favorable arrangement.

Finally, on the DOJ matter, we have no updates and continue to vigorously defend our position.

In closing, halfway through the year, this business is delivering exactly what we said it would. Members are growing quickly, credit is further improving from an already favorable level, and we are expanding revenue per user. My thanks to the entire Dave team for another exceptional quarter.

And with that, I will turn it over to Kyle.

Kyle Beilman
Chief Operating Officer, Chief Financial Officer and Secretary

Thanks, Jason, and good afternoon, everyone. The second quarter brought together the things we care most about: durable, high-quality revenue growth driven by a healthy mix of efficient customer acquisition and improving revenue per user, all while delivering strong credit performance. We additionally delivered on continued operating leverage and growing capital efficiency as we moved receivables off balance sheet to Coastal.

The combination, in addition to the ongoing momentum we continue to see, gives us the confidence to raise our full year outlook across all metrics. Today, I will cover the drivers of the quarter and how we are thinking about the ARPU trajectory, credit and provision, margins, capital, and our financial targets for the year. As always, there is a detailed KPI breakdown in the earnings supplement on our IR site.

Starting with revenue. Total revenue was $171 million, up 30% year-over-year and nearly 8% sequentially. Growth was driven by a 17% increase in MTMs to 3.08 million and 11% ARPU growth. New member conversion, retention and reactivation performed well, and this quarter the mix shifted toward member-led growth as acquisition reaccelerated. That mix shift is deliberate and healthy, as a result of the sizable ramp we are seeing at the top of the funnel. So let me expand on the ARPU trajectory Jason mentioned a moment ago.

As acquisition increases, newer members represent a larger share of the MTM base. Their ARPU begins lower and expands with tenure, more than doubling on average from the acquisition month to the fourth month on book. At the same time, several monetization tailwinds are stacking. By late August, nearly all of our members are expected to have either no fee cap or a $20 cap, and we expect the share with no fee cap to continue increasing.

Lifting the fee cap gives us meaningful monetization headroom to expand ExtraCash limits, not only up to the current $500 maximum, but, as Jason mentioned, we have plans to go beyond that, increasing both member value and total monetization.

Additionally, our high-margin subscription mix continues to expand, reaching 9% of total revenue compared with 6% a year ago. Together, these factors reinforce our confidence in the ARPU opportunity ahead, even before accounting for the impact of Dave Flex and other future products.

The quarterly cadence will reflect acquisition mix, and as newer cohorts mature and these monetization levers scale, we expect to enter 2027 with a significantly larger MTM base and increasing monetization across that base.

Turning to credit and provision. Our 28-day past due rate, which we believe is the most direct measure of underlying credit quality, improved 14 basis points year-over-year to 2.12%. Sequentially, the rate increased due to seasonal normalization following Q1's tax refund season. More importantly, year-over-year performance strengthened from roughly flat in Q1 to 6% better in Q2, even as originations grew by 27%.

Credit performance has remained strong thus far in the quarter, based in part on the early impact of the V6 model rollout, which we expect will deliver a Q3 loss rate in a similar range to Q2, with the benefit of higher ExtraCash origination sizes. Provision for credit losses was $29 million, up 14% year-over-year.

Provision reflects three main drivers: portfolio growth, credit performance, and the day of the week on which the quarter ends. Sequentially, provision increased 8%, compared with a 15% increase in gross ExtraCash receivables, including the portion funded through Coastal. Both Q2 and Q1 ended on a Tuesday, which is typically the intra-week peak in outstanding receivables.

As we noted last quarter, Q1 established the loss reserve at that peak, so we did not expect Q2's Tuesday quarter-end to create the same incremental pressure, and that is what we saw. With a neutral day-of-week effect, provision as a percentage of ExtraCash originations improved by 1 basis point sequentially. Looking ahead, Q3 and Q4 will end on a Wednesday and Thursday, respectively, which should be favorable for provision as a percentage of originations and for gross margin.

On gross margin, we said last quarter that the first quarter would be the low point for the year, and margin expanded sequentially as expected. Non-GAAP gross profit was $124 million, up 34% year-over-year, and non-GAAP gross margin was 72%, up about 300 basis points year-over-year. We continue to expect gross margin to expand into the mid-70s over the balance of the year, and that is after absorbing the fees under the Coastal funding arrangement, which are recorded in financial network and transaction costs.

Now working down the P&L. This was the quarter we began accelerating our top-of-funnel marketing. Advertising and activation expense was $20 million, up 32% year-over-year and 43% sequentially. Part of the sequential increase reflects a deliberately lighter first quarter, when tax refunds temporarily reduced members' need for short-term liquidity and marketing is typically less efficient. The balance of the step-up was by design.

ExtraCash demand remained strong, while acquisition returns improved as the removal of fee caps enhanced monetization for new members, credit quality improved, and CAC remained stable as we scaled. As Jason noted, given those returns, we plan to expand investment over the balance of the year, which should be further supported by the ongoing rollout of Cash AI V6.0 that we expect to drive both stronger conversion and higher monetization as a result of higher limits.

On fixed costs, total compensation was $36 million, including $16 million of stock-based compensation tied to performance-based restricted stock awards granted in 2024, 2025 and earlier this year, as achievement of the underlying 2026 financial targets became probable during the quarter.

Excluding stock-based compensation, compensation grew 7% year-over-year and declined 5% sequentially, as modest headcount additions were more than offset by the seasonal step-down in payroll taxes.

Our incremental investment over the next couple of quarters is planned to be concentrated in three areas: product development, marketing, and embedding AI more deeply across the organization, which we expect will deliver greater speed and scalability to our business over time.

Those investments are modest and may temper fixed cost leverage over the next two quarters. Thereafter, we expect operating leverage to become more pronounced as the business continues to scale.

Finally, other operating expenses include approximately $4.4 million of nonrecurring items. Excluding those items, other operating expenses were down sequentially. Pulling it together on profitability, adjusted EBITDA grew 48% year-over-year to $76 million, more than 1.5 times the rate of revenue growth. Adjusted EBITDA margin was 44%, up nearly 600 basis points year-over-year. Sequentially, margin remained flat despite the marketing step-up I just described.

That was a deliberate investment at what we believe are attractive returns, and it does not change our expectation for continued annual adjusted EBITDA margin expansion.

Below the operating line, several items affected the comparability of our GAAP net income results for this quarter. We recorded $37 million of noncash charges from the required quarterly mark-to-market of our warrant and earn-out liabilities as our share price appreciated during the quarter. These items are excluded from our adjusted results, as they do not reflect operating performance. Note that the warrant and earn-out securities expire in January of 2027, thereby eliminating the noncash gains and losses in our P&L that we have been subject to over the last several years.

GAAP net income was $7 million, compared to $9 million a year ago, reflecting the noncash charges I just described. Adjusted net income was $56 million, up 39% year-over-year, and adjusted diluted EPS was $4.12, up 48%, reflecting both solid financial performance and our lower share count, which now includes a full quarter of the repurchases we completed in March following the convertible note transaction.

Turning to our capital position. We ended the quarter with $254 million of cash, investments and restricted cash, up $77 million from $178 million at March 31. The increase was primarily driven by $93 million funded through the Coastal arrangement, offset by share repurchases during the quarter. As a result of the Coastal structure, net cash from ExtraCash receivables shifted from a $51.7 million use of cash in the second quarter of last year to a $30.5 million source of cash this quarter, demonstrating how the arrangement reduces our direct funding requirements and enhances the free cash flow generation of the business.

We repurchased $19 million of shares during the quarter, leaving $94 million available under our authorization. Our capital priorities remain unchanged: fund high-return organic growth, and repurchase shares opportunistically when we believe doing so creates attractive per share value.

Turning to our updated 2026 outlook. Based on first half results and the trajectory we see, we are raising guidance across all three metrics.

We now expect revenue of $725 million to $735 million, representing 32% year-over-year growth at the midpoint, up from our prior range of $710 million to $720 million.

We expect adjusted EBITDA of $315 million to $325 million, up from $305 million to $315 million, and we expect adjusted diluted EPS of $17.00 to $17.50, up from $16.25 to $16.75, assuming a 23% effective tax rate.

Our updated outlook assumes a higher level of advertising and activation investment in the second half than contemplated in our prior outlooks, reflecting the attractive returns we are seeing; a near-term growth mix weighted more toward MTMs; continued ARPU support from pricing actions, cohort maturation, subscription mix and Cash AI V6.0; gross margin expansion toward the mid-70s, inclusive of the Coastal fees; and no meaningful revenue contribution from Flex.

In closing, our second quarter results demonstrate the durability of our growth, continued control over credit, and the flexibility of our operating model. We are increasing investment where returns are strongest while maintaining discipline on costs, and the Coastal transition is expected to further strengthen our liquidity and capital position. We believe these factors support the updated outlook that we provided today and position us well for the balance of 2026.

With that, operator, please open the line for questions.

Questions and Answers

Operator

[Operator Instructions] Our first question comes from Devin Ryan with Citizens JMP Securities.

Devin Ryan
Citizens JMP Securities, LLC

I want to ask a question on the new pricing. Good to see that. So on the removal of the fee cap, if you can, what percentage of advances were being impacted by the $15 cap above $300? We can do some math on that, but it would be great if you can give us a little bit of color. And then ultimately, just trying to get a sense of how much this will benefit the blended fee per advance. And I appreciate the number has probably been growing, but just trying to dig in a little bit on the actual impact of this.

Kyle Beilman
Chief Operating Officer, Chief Financial Officer and Secretary

Devin, it's Kyle. I appreciate the question. We didn't remove the fee cap for existing users in the second quarter. That's rolling out as we speak. So it was really just impacting new customer cohorts in the quarter. As you can imagine, new customers' limits start out smaller and grow over time. So it's really that above-$300 cohort of new customers that we would have had enhanced monetization for as a result of the fee change.

That number is pretty small, just given that that represents a small portion of new customers, and new customers represent an overwhelming minority of the overall MTM base. So I would say it had very little impact in the quarter, but it will compound very dramatically over time as that proportion becomes a larger mix of the overall MTM base moving forward.

I think really importantly, the movement of that fee cap plus the fee cap on existing customers gives us a ton of room on the ExtraCash origination side, as we don't have a cap on our monetization. We can continue unlocking higher limits as a result of that dynamic. It just gives us a lot of stored energy within the business moving forward. So we think that really is impactful, and something we really wanted people to take away from this call. So just to recap, very minimal impact in Q2, but expect it to be very meaningful on an ongoing basis.

Devin Ryan
Citizens JMP Securities, LLC

I appreciate that comment. Maybe I could have been more clear. Essentially, what I was just trying to get at is the amount of advances above $300. Now that more are essentially not going to be capped on a go-forward basis, we can do our own estimates of how much of the advances are in that $300 to $500 range currently that are now going to have a fee uplift.

Kyle Beilman
Chief Operating Officer, Chief Financial Officer and Secretary

It's the rough majority, I would say.

Devin Ryan
Citizens JMP Securities, LLC

Great. Okay. I appreciate that. And then as a follow-up, as you consider obviously going higher and potentially even above $500, could you give some color around the different customer cohorts and credit across early versus more seasoned customers? I'm assuming, obviously, the more seasoned, the better the credit profile. But obviously, the more seasoned, typically the larger advance as well. So as you go into higher advances, what does that look like from a credit perspective for the firm? And are the higher advances actually better credit profiles because you have more data on these customers, and that drives the comfort? I guess the point being, if you go even above $500, you still end up at a better credit profile.

Jason Wilk
Co-Founder, Chairman, President and Chief Executive Officer

Devin, it's Jason. So I'd say the majority of the higher limit customers are mostly tenured members. We know a lot about them. They're highly repeat members. And so we feel very good about letting them go well in excess of the $500 limit, given we have the more flexible and scalable pricing model at this point. So if they need extra money above and beyond $500 for a short-term liquidity issue, we're not going to say no to that. So we're excited to test into some new cohorts and existing cohorts on the take rate, behavior and utilization trends, and ultimately ARPU and origination size uplift as a result of the change.

Kyle Beilman
Chief Operating Officer, Chief Financial Officer and Secretary

Devin, maybe just one quick thing to add on to Jason's point, if I can. The interesting thing when you look at the users at the very high end of the limit spectrum is that their loss rates are very, very low. And so on a dollar-weighted basis, we feel like unlocking higher limits can actually reduce our overall DPD rate, because on a weighted basis those users' loss rates are so low. And so we think it could be quite additive given the net monetization impact of the very low loss rates that we see on those cohorts and the higher gross monetization that we think we can generate as we move those specific users up higher.

Devin Ryan
Citizens JMP Securities, LLC

Yes. That was the premise of the question. I appreciate that.

Operator

Our next question comes from Joseph Vafi with Canaccord Genuity.

Joseph Vafi
Canaccord Genuity Corp.

Once again, terrific results. Nice to see a momentum stock in fintech out there. Maybe just drill down a little bit on the card strategy from here. I know the new Flex Card is coming out. Maybe you could double-click on the opportunity there? And is there a target market to grow payment volume and interchange revenue more in line with ExtraCash and the rest of the revenue line? Or how should we be thinking about what your plan is here on that line item? And then I have a quick follow-up.

Jason Wilk

Co-Founder, Chairman, President and Chief Executive Officer

Well, we think the Flex Card is highly differentiated within two markets we're looking at. One, BNPL, where there's high fragmentation, with the idea that you have to go to a merchant online to check out, versus our card, which has the flexibility of a credit card where you can go shop anywhere, anytime, at any merchant online or offline. And compared to subprime credit cards that are monetizing via late fees and significant compounding APRs, we have a monthly fee plus a small per-transaction charge.

But we feel that the market is massive. It helps us continue to penetrate the 185 million customer TAM which we are already going after with ExtraCash. And the margin profile of Flex is fairly similar to that of ExtraCash. We just feel like it's an opportunity to have a different vehicle with a slightly longer duration that helps customers get into different categories of spend, which we see in BNPL and credit card, whereas with ExtraCash, it tends to be mostly for things like gas, groceries and more of the nondiscretionary items.

But it feels very differentiated. We're using Cash AI as the underpinning for the underwriting for that product, and we are continuing to roll it out to more and more test cohorts, starting with our higher credit quality members and then further penetrating from there.

Joseph Vafi

Canaccord Genuity Corp.

Got it. And then any update on, I mean, you have a lot going on, obviously, but any update on making that direct deposit relationship perhaps a little bit more of a strategic goal versus maybe where you are now?

Jason Wilk

Co-Founder, Chairman, President and Chief Executive Officer

Yes. Thanks, Joe. Look, I think over time, we envision ourselves deepening the direct deposit penetration with our customers, but we really want to focus our efforts right now on deepening our relationship within credit. Compared to debit and direct deposit, of which there's very little differentiation in the market, with most competitors having to give away balance sheet to get sign-ups, we think that the harder problem to solve is underwriting this population of consumers effectively, as we do right now.

If we can lean further into new credit products like Flex, and then further lean into ExtraCash via higher limits, that's the harder problem to solve, and we feel that that's where our product resources are best spent right now versus trying to find new ways to get people over to a nondifferentiated product. It is our view though that the more things we can do for our members in short-term credit, the better chance we have of people considering us as their primary account and moving their paycheck. If they don't, we're completely fine with them having either ExtraCash or Flex being their top of wallet, which is what we're really going for. That is ultimately our strategy, not necessarily where your paycheck goes into.

Operator

Our next question comes from Chris Zhang with UBS.

Chao (Chris) Zhang
UBS Investment Bank

First question is about the increase in the second half marketing spend. It's definitely encouraging to see you're leaning more into the short payback, low CAC opportunity. But since the components of the revenue growth in the second half may shift a little bit, can you give us a better sense of some of the metrics you're looking at in terms of the marketing spend? Are you targeting a certain payback period, a certain CAC? A little more color on that would be helpful.

Jason Wilk
Co-Founder, Chairman, President and Chief Executive Officer

Yes. Thanks, Chris. So as we said before, we're not solving for the lowest possible CAC. What we are looking for is generating positive returns on all of our incremental ad dollars. And so we're seeing incredibly positive trends here. Our CAC has been roughly flat sequentially at $19, at many multiples of the scale at which we achieved that same $19 CAC in prior periods.

So it's very promising to see. We think we're seeing a lot of the benefits around our investments in brand and investments in our funnel optimizations, and therefore feel very good about leaning more into marketing in the second half. We've consistently gotten questions from investors about that, given the short payback periods that are a record sub four months now: why not spend more? So we've been testing our way into incrementality, and we've seen some really positive outcomes there, which is giving us more confidence to lean in, in the second half.

Chao (Chris) Zhang
UBS Investment Bank

All right. Awesome. And just have a separate question related to the second draw. On the one hand, we know that it's definitely an improvement in terms of the customer experience. And there can be also incremental ExtraCash just from the second draw. But on the other hand, we thought that some of the customers might just be more conservative in terms of getting the first draw, knowing that there could be a second chance but not ending up using the second draw. I'm not sure if this is the right way to think about it, but maybe if you can talk about some of the puts and takes and maybe some of the impact on the second quarter results you have seen from that initiative, that would be helpful.

Kyle Beilman
Chief Operating Officer, Chief Financial Officer and Secretary

Chris, thanks for the question. This is Kyle. So that was one of the things that we were looking at, which is what we refer to as utilization. And so of the approved limit for customers, how much of that approved limit do they ultimately take? We did test that throughout the quarter to make sure that it was both additive to the customer experience, as you mentioned, because it's just a better feature, but that it wasn't negatively impacting monetization.

We had a pretty sizable test cohort of that available throughout the quarter, and it was all positive from a utilization perspective. So definitely a win-win from the standpoint of better customer experience, providing more flexibility with the product. Then on the business side, making sure that we weren't eroding monetization as well. I'd say it's a pretty modest impact just given the testing ramp throughout the quarter, but that is something that is accretive to overall average origination size per customer as a result of that utilization dynamic being more favorable with the second draw.

Jason Wilk
Co-Founder, Chairman, President and Chief Executive Officer

Chris, the only thing I'd add there is just with the increase in ExtraCash limits over time that we plan to test, that feature will become more and more valuable, as somebody looking to take a much larger ExtraCash advance might want to take that in two tranches.

Operator

Our next question comes from Adam Frisch with Evercore.

Ethan Hammett
Evercore ISI (for Adam Frisch)

This is Ethan Hammett in for Adam Frisch. So regarding the Flex trial, do you have any early reads on credit quality, usage trends and potential cannibalization of ExtraCash volumes as a result of the usage of Flex?

Jason Wilk
Co-Founder, Chairman, President and Chief Executive Officer

I'd say conversion trends are positive, well in line with what we expected for the product. And same with the cannibalization as well: with respect to ExtraCash, we're very pleased to see that it's a complementary solution. Customers that are using Flex are still utilizing ExtraCash and they do use the product in very different ways for different types of purchases. So all in line there. We continue to expand the test cohorts, unit economics are continuing to improve, and we're excited about this being a big business for the company over time once we get past our test trial period.

Operator

Our next question comes from Harold Goetsch with B. Riley Securities.

Harold Goetsch
B. Riley Securities, Inc.

Terrific results. I just want to get your thoughts on gross adds in the quarter, 951,000. It looked to be a record high and up 31% year-over-year. I was wondering, what are the tactics you're using to really move that number higher? It's meaningfully better than Q1 and it's much better than Q2 of a year ago.

Jason Wilk
Co-Founder, Chairman, President and Chief Executive Officer

Thanks, Harold. Look, I think the good news here is it's just more of the same. We are just proving our ability to expand our marketing acquisition dollars across our channels. But we've also gotten a lot more efficient on the things like onboarding. Cash AI has done a very good job at offering better limits at the front door. So all those things do factor into our ability to have efficient CAC. So yes, nothing new. We're on very scaled channels. We have no exposure to search or AI disruption whatsoever. These are big brand channels: TV, streaming television and all the social channels. So overall, feeling very good and the numbers speak for themselves.

Kyle Beilman

Chief Operating Officer, Chief Financial Officer and Secretary

Just to jump in there, to see acquisition up almost at the exact same rate as our amount of spend, and speaking to the incrementality of that spend at nearly 100% at this level of scale, I think just speaks to the overall size of the market that we're serving and, to Jason's point, just the execution and channel expansion that we're doing on top of funnel there. But yes, I just wanted to make that incrementality point.

Harold Goetsch

B. Riley Securities, Inc.

A second follow-up for Kyle. Could you refresh our memory: using cash flow underwriting and seeing transaction data, what percentage of your monthly transacting members or total user base are transacting in BNPL transactions that you can see? Have you ever given that number out, or can you refresh our memories on that?

Kyle Beilman

Chief Operating Officer, Chief Financial Officer and Secretary

It's more than half. More than half.

Operator

Our next question comes from Ryan Tomasello with KBW.

Ryan Tomasello

Keefe, Bruyette & Woods, Inc.

A few questions on Flex. Based on the early data points you're seeing, do you have any data you can share on where the average monthly credit limits are shaking out for that product? And how much wallet share you're able to capture with those early adopters, inclusive of ExtraCash? I think in the past, you've talked about ExtraCash credit wallet share of credit usage being, I believe, sub-20%. Just curious where you think that could go with Flex over time.

Jason Wilk

Co-Founder, Chairman, President and Chief Executive Officer

Yes. Ryan, thanks for the question. So again, feeling very good about the Flex numbers. We have been targeting roughly 2x the limit as the go-to-market for that product, to get people not only more duration, as Flex is pay in four versus ExtraCash is pay in one, and the larger limit is also expected to be a big driver of utilization there. So far, too early to say on the trends you're mentioning. We're not ready to give that level of disclosure yet, but looking forward to giving more color on that as we season the product portfolio and get the product in the hands of more people.

Ryan Tomasello

Keefe, Bruyette & Woods, Inc.

And then on the funding side, how much capacity does the arrangement with Coastal give you for ExtraCash funding? And when should we expect that to be fully migrated? And then for Flex, should we expect a similar funding arrangement with Coastal that's off balance sheet?

Kyle Beilman

Chief Operating Officer, Chief Financial Officer and Secretary

Ryan, this is Kyle. So to answer the first part of the question, we had roughly $93 million drawn on a $225 million facility as of the end of the quarter. We are in discussions with them about increasing the size of that facility as well, and they've indicated that there is appetite to do that.

Part of the scaling there is dependent on our full migration from our Evolve bank partnership as well, which we are in the process of migrating away from. But we have plenty of capacity there to continue ramping up originations on that facility and feel, based on our discussions with them, that there's a lot of room to expand that moving forward as well. We would also expect to replicate that structure with Coastal as it pertains to Flex as well.

Operator

Our next question comes from Jeff Cantwell with Seaport Research.

Jeffrey Cantwell

Seaport Research Partners

A couple of quick questions. I wanted to follow up on what you said earlier on direct deposit. Thinking back, that area has been kind of an on-again, off-again initiative for you guys. And understandably so, I would say, because of the other areas like Dave Flex that have very good synergies with your existing strategy. But on direct deposit, my question is, how would you plan on driving more direct deposit customers as you look ahead? I'm curious how you're thinking about it now, particularly as you move past 15 million total members. Maybe there's a growing number there that might be interested if you offer that product. So I would love to hear your updated thoughts, if you don't mind.

Jason Wilk

Co-Founder, Chairman, President and Chief Executive Officer

Well, look, ultimately, we think that the more we can do for our customers within short-term credit to help solve liquidity issues for both discretionary and nondiscretionary items, the better chance we have of someone considering us their primary account. Our new thinking at this point is that we just focus on being top of wallet for our customers. We often give the example of, if your paycheck goes into your Chase account but you spend all your money on your Amex card, who has top of wallet? I'd argue Amex does.

We think that within our differentiation with underwriting, we have a better chance to win the primary share of wallet with credit versus asking for someone to switch their bank account, which has a lot of friction associated with it. Nonetheless, the more we do for our members, the better chance we have of winning that relationship. You can imagine there are levers we can pull around reducing the cost of credit, increasing credit limits, toward winning that direct deposit. It's just not a strategic area of focus at this point.

Jeffrey Cantwell

Seaport Research Partners

Yes. Okay. Then on Cash AI version 6, can you just underline for us the differences between version 6 versus version 5.5 and version 5 on the back end of that? I guess any details in terms of the increase in average origination drivers or improvement in loss rates. I'm just curious if you guys have any details that might help us as we think about our models and expectations going forward.

Kyle Beilman
Chief Operating Officer, Chief Financial Officer and Secretary

Yes, Jeff. So I think at a very high level, we expect, and what we've seen from testing data thus far is, that with the 6.0 we will see higher average origination sizes as well as lower loss rates. So from a net monetization perspective, you're going to get an amplified benefit of those dynamics. We're rolled out to, call it, one-third of our user base as of right now with that model and everything looks quite positive.

We haven't quantified necessarily what those origination sizes are at this point, but what we will say is that the new model from a risk-splitting perspective, in combination with the removal of the fee caps, will give us a lot of room to run on average origination size moving forward, and we feel very confident in that as a monetization lever for the business moving forward, and that will support our overall objectives on the ARPU expansion part of our growth algorithm. So as far as impacts, that's what we're prepared to share at this point.

In terms of the model itself, there's more features. As Jason mentioned in the prepared remarks, there's about 400 new features in the model. The total number of features in the model is up about 50% and the risk-splitting capabilities of the new model are far superior. Just some of the features that we're more focused on, or that are new here, is really about competitor utilization, more institution-level features on where users are coming to us from, that are really driving the impact there.

Operator

Our next question comes from Jacob Stephan with Lake Street Capital Markets.

Jacob Stephan
Lake Street Capital Markets, LLC

Maybe just first, looking at the larger size advances, your 121-day charge-off rate ticked up in the quarter a little bit. But while you pushed the size higher above the $500 limit, and the commentary figured about loss rates similar to Q2, I guess how do you separate the size-driven loss dollars versus a rate deterioration in V6.0?

Kyle Beilman
Chief Operating Officer, Chief Financial Officer and Secretary

Well, so first of all, on the 121-day loss rate, the estimates at this point for Q2 are actually better than they were in Q2 of 2025, and that's really primarily a function of just the iterations that we had made to V5. No real impact there from V6. I think we're being relatively conservative with our statements around loss rate performance being equitable quarter-on-quarter based on the impact of V6. I think there is some opportunity to potentially drive those loss rates down.

But our real focus with V6 is on keeping loss rates generally where they are. We're very happy with the unit economics in this loss rate range, but really driving up average origination size as we mentioned. There are other dynamics at play there: as we ramp up acquisition, new user origination sizes are smaller, so that's a little bit of a headwind to the headline average origination size, and new user loss rates tend to be a little bit higher than the average performance across the portfolio. But net-net, moving forward, we expect that loss rates will come in and around this level that we observed in the second quarter while meaningfully scaling average origination size moving forward, driving much higher net monetization.

Jacob Stephan
Lake Street Capital Markets, LLC

Okay. Got it. And I guess when you look at the competitive environment, it feels like there's been quite a few earned wage access products out there now from some of the larger neobanks. But I guess, how do you feel like Dave stacks up in comparison? And also just maybe give us a sense on how the consumer is adjusting to several different products being in the market.

Jason Wilk
Co-Founder, Chairman, President and Chief Executive Officer

Well, one, clearly it's not impacting our ability to acquire customers. It was a record quarter for us on new sign-ups with CAC being flat. So either way, it just shows the size of the market. But importantly, our go-to-market is also very different, in the sense that you can access credit just by linking a bank account, and we view the friction associated with our competition, which largely requires a direct deposit, to be far greater than ours, which leads to better speed to value and more referrals. One-third of our acquisition still comes via friends and family.

So we just feel very good about where we sit in the stack and our ability to acquire, whereas our competitors are really roughly fishing within their pool of direct deposit users to cross-sell this solution to. Even with that, we still see a lot of their customers using our product in addition. So not worried about competition. I think the more we can continue to lean into things like V6, these are hard problems to solve and much harder to solve with external bank accounts versus requiring a direct deposit.

Operator

Thank you. This concludes the conference. Thank you for your participation. You may now disconnect.