FINDELL CAPITAL

Findell Capital Management LLC

March 29, 2023

Board of Directors

Oportun Financial Corporation

San Carlos, CA

Dear Board Members of Oportun Financial Corporation,

We are writing to you as shareholders with a ~4% stake in Oportun (OPRT).

Since Oportun's IPO in September 2019, shares have fallen -85%. Over that same period, Oportun's competitor, OneMain Holdings (OMF), has returned +20% including dividends.[1]

We believe this abysmal performance is the direct result of management's strategic decisions coupled with an alarming lack of cost discipline. Rather than remain focused on their proven core competency in providing loans to underserved communities, this team has tried to build a broader suite of financial services. This has left OPRT with an inflated cost structure and little new revenue to show for it.

Oportun has acknowledged the obvious need to reduce these costs, promising to reduce headcount by 10%, and to find operational efficiencies that would save $10-15 million in 2023.[2] To date, however, management has taken only tentative steps to correct course. As recently as last week, they were expanding their already bloated executive team with new expensive additions to support their mistaken turn to digital fintech.[3]

Oportun needs a much sharper cost reduction than what they have outlined. We have no confidence that the team that just created this excessive cost structure will unwind it as aggressively as it needs to be unwound. This board needs to find a management team that will do so.

While we intend to focus on what can be done going forward, it is important to acknowledge prior mistakes. The principal mistake was management's decision to purchase Digit.

Oportun bought Digit, a digital consumer bank, in 2021 for $212mm, paying 12 times book value. At the time of purchase, Digit was losing $4.0mm on revenue of $39.5mm trailing 9 months annualized.[4]

1. Bloomberg
2. https://investor.oportun.com/news-events/press-releases/detail/93/oportun-announces-plan-to-streamline-operations
3. https://www.globenewswire.com/news-release/2023/03/15/2627617/0/en/Oportun-Expands-Executive-Team-with-Key-New-Hires.html
4. https://www.sec.gov/Archives/edgar/data/1538716/000153871622000021/oportunproforma.htm

On calls, management has repeatedly touted how well the acquisition is going but has failed to point to a single example of a profitable fee stream, cost synergy or cross selling opportunity that could justify this price and the ongoing associated costs. The sell side analysts with whom we spoke are not aware of any either. What this highly dilutive transaction has done is add more than $35mm in ongoing operating expenditures and generated a $108mm goodwill write down.[5]

While this acquisition is explained as part of an effort to offer a broader set of financial services, the reality is that creating a profitable consumer bank that offers credit cards and other financial products is costly and difficult. Goldman Sachs failed at doing so with Marcus. There is no indication that Oportun is on any path to success here.

Where Oportun has been successful is in its core business of providing loans to underbanked communities. This remains a highly profitable business for Oportun that provides a great benefit to those communities.

Unfortunately, this core business does not appear to be management's focus. This is evident in its capital allocation and hiring.

Personnel in the retail branches and call centers where Oportun's margins are generated has been roughly flat since 2019 (+9%).[6]

What has exploded is corporate overhead (+70%) - employees who make several times more than the branch employees who generate the revenue (see below).[7]

OPRT	**1H19**	**2019**	**2020**	**2021**	**2022**	**Change**
Contact Center	1420	1519	1591	1582	1533	9.37%
Out Sourcing	453	630	579	652	807	78.15%
Corporate	513	583	577	746	875	70.57%
Total	**2386**	**2732**	**2747**	**2980**	**3235**	**35.58%**

It is important to note that this surge in expensive headcount is not being seen by their competitors – which have all shrunk their employee base since 2019 (see below).[8]

	2018	**2019**	**2020**	**2021**	**2022**	**Change**
OMF	10200	9700	8300	8800	9200	-9.80%
WRLD	3419	3624	3744	3175	3121	-8.72%
CURO	4300	4000	3900	5200	4000	-6.98%

Management's disregard for costs can be seen clearly in the proliferation of officers with overlapping responsibilities.

Oportun has 27 Vice Presidents.

In addition to a Chief Risk Officer and a Chief Credit Officer, it has a VP of Risk Management Credit Cards and a VP of Compliance Enterprise Risk.

In addition to a General Counsel, it has a Deputy General Counsel, and a VP Assistant General Counsel.

5. https://www.sec.gov/ix?doc=/Archives/edgar/data/0001538716/000153871622000218/Oportun-20220930.htm
6. SEC Filings
7. https://www.glassdoor.com/Salary/Oportun-Vice-President-Salaries-E991292_D_KO8,22.htm
8. SEC Filings

And, in addition to a Chief People Officer, the company has a Senior VP of Global Talent Management, and another Senior VP of People Operations and Human Resources Information Systems.[9]

If you can't find an HR officer, Oportun has 9 employee resource groups "focused on our Asian, Black, Hispanic/Latinx, LGBTQ, early career individuals, disability/accessibility, South Asian, veteran and women communities."[10]

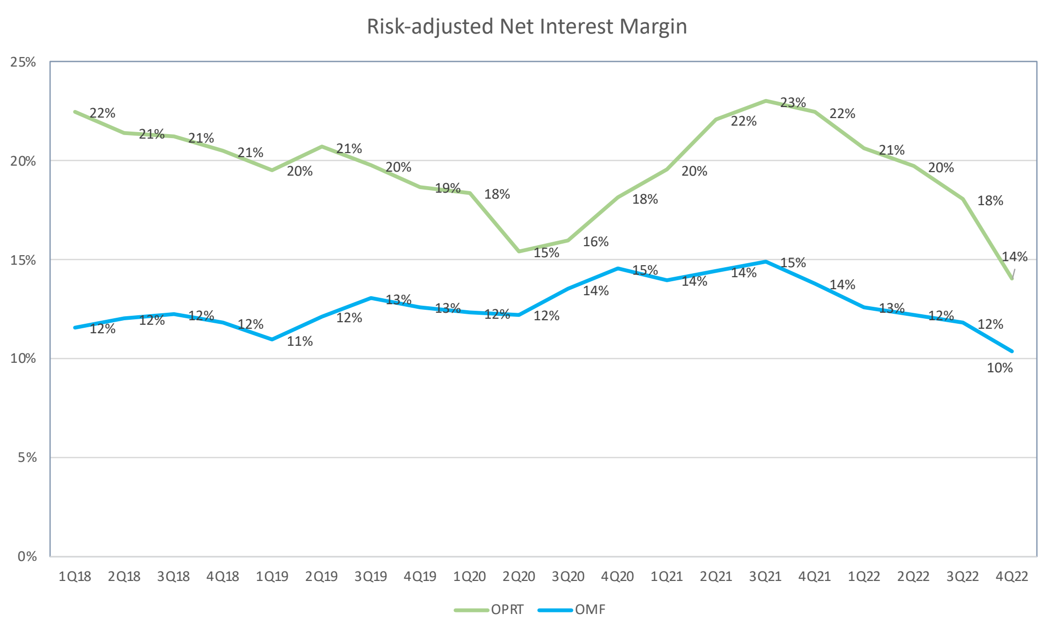
Employees themselves find the layers to be excessive as seen in comments on Glassdoor.com (see below).[11]

> Cons
>
> 'Too many Sr. Leaders as they try to ramp the company for better positioning of the public's eye.'
>
> Advice to Management
>
> 'There is no need for so many Directors and Sr. Managers within the same department.'

To further compound all the unnecessary headcount, Oportun's approach to stock-based compensation is plainly excessive and dilutive of shareholder value.

Stock based compensation is expected to be $33mm in 2023 or roughly ~25% of the current market cap of the company.[12] OMF on the other hand is compensating its team at ~1% of the current market cap.[13]

The good news is that the actual core lending business is still very strong.[14] Even with some recent credit deterioration, Oportun still generates industry leading margins (see below).



Management has admitted defeat in loan growth and in July of this past year, they reduced loan volumes by "tightening the credit box."[15] This should allow the charge offs to fall over the rest of 2023 and risk-adjusted net interest margin to increase again in the second half of 2023.

9. https://oportun.com/team/
10. Oportun 2022 10K Filing
11. https://www.glassdoor.com/Reviews/Oportun-Reviews-E991292.htm
12. https://d1io3yog0oux5.cloudfront.net/_c2f75a0caa1a3fbe3e423cff7fae2bb8/oportun/db/2227/21469/pdf/Inves
13. https://s23.q4cdn.com/416720971/files/doc_financials/2021/ar/Final-2021-Annual-Report1.pdf
14. SEC Filings
15. Oportun, Barclays Presentation - September 13th, 2022

But while management has made the right call in reducing loan origination, they have not addressed their oversized personnel costs. On the same earnings call that he talked about reducing credit, CEO Raul Vazquez called his organization "right-sized today."[16]

If the lending business is shrinking (for good reason), then the expense side must aggressively shrink as well.

Oportun can look to its recent past to see what kind of expense structure is possible when one is not burning money on various fintech initiatives and growing the executive team.

In 2019, Oportun originated $2.05 billion loans with $362mm in operating expenses. In 2023 they are expected to do $2.16 billion of origination but the sell side is expecting Oportun to be at $550mm in operating expenses in 2023 even with the cost savings efforts.[17]

The reality is that that $550mm operating expense is still obscenely high relative to Oportun's recent history. If they brought their expenses in line with their 2019 ratio, that would imply $381mm in operating expenses, which would give Oportun +$3 in EPS even with the lower risk adjusted net interest margin.[18]

This is illustrative of how much earnings power is being masked by fintech and overhead costs. Even with the token cost reductions, management is keeping its corporate bloat and fruitless fintech endeavors alive.

While it might take longer to get to 2019 expense levels, there are clearly costs that the company can take out in calendar 2023 that would quickly reshape things.

Since 2019, there has been a more than $50mm increase in tech head count and salaries towards fintech initiatives that are not bearing fruit. That should be cut this year. G&A has increased from $15mm in 2019 to $59mm in 2022. That should be cut back to what it was in 2019. Those two initiatives alone would save the company almost $100mm by 2024.

With those savings, we see Oportun easily generating ~$3 in EPS in 2024 as the net interest margin improves.[19] Applying a conservative 5x multiple implies a $15 stock versus $3.92 today (3/28/23 closing price).

We understand that CEO Raul Vazquez is well-liked by many internally and in the industry, and he should be credited with building Oportun's core business. However, that does not negate his track record as a steward of our capital. His pursuit of growth and his disregard for costs has plainly destroyed the stock.

The only solution here in the long run is for the board to bring on a new management team that is not beholden to prior decisions and can aggressively reduce operating expenditures back to below $450mm and re-underwrite these new business initiatives. The current piece meal approach will not work.

We imagine that our sentiments are shared by others and will become the majority view of shareholders in the future if the course is not quickly changed.

16. Oportun, Q3 2022 Earnings Call, November 7th, 2022

17. Bloomberg

18. Findell Estimates

19. Findell Estimates

We would welcome a dialogue with the board on how these changes can be made and will reach out accordingly.

Sincerely,

Brian A Finn
Chief Investment Officer
Findell Capital Management LLC