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MoneyLion, Inc. (ML)

Q3 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to MoneyLion's Third Quarter 2022 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Sean Horgan, Head of IR. Please proceed.

Sean Michael Horgan

Head-Investor Relations, MoneyLion, Inc.

Good morning, and thank you all for joining us today to discuss MoneyLion's results for the third quarter ended September 30, 2022. Before we begin, I'd like to remind you that any forward-looking statements made in this commentary are subject to our Safe Harbor statement found in our SEC filings and in our earnings press release. Today's call is also accompanied by an earnings presentation that you can view on your webcast and on our website at investors.moneylion.com.

I would also like to take a moment to remind everyone that we recently announced we will be hosting an Investor Day on December 8, 2022 in New York. Registration can be found in the Events & Presentations section of our Investor Relations website. We're excited to connect with all of you and look forward to your participation.

With that, I'll turn the call over to MoneyLion's CEO, Dee Choubey.

Diwakar Choubey

Co-Founded, Chief Executive Officer, President & Director, MoneyLion, Inc.

Thank you, Sean. Good morning, and welcome, everyone, to our third quarter earnings presentation. Q3 was another record quarter for MoneyLion, marking our seventh consecutive quarter of triple-digit adjusted revenue growth, while making progress towards becoming profitable at scale. We remain focused on building out our unique combination of content, data and marketplace assets, while delivering best-in-class fundamental performance.

It's easy to get lost in the uncertainty plaguing our economy and financial markets on a daily basis and it becomes easy to lose sight of success stories in the business of innovation and disruption. However, it's remarkable how far we've come in such a short time. So, let's zoom out to illustrate the scope of work our talented global team has been busy executing on.

Just as a reminder, in 2020, we did $80 million of adjusted revenue. In 2021, we did nearly $165 million. And in 2022, we're expecting $320 million to $330 million of adjusted revenue. And all of this is being done while we substantially grow our targeted addressable market and total customers and continue to integrate two meaningful acquisitions that positioned us as the go-to platform to match consumers with the most relevant products and personalized money content.

MoneyLion today has incredible assets that position the company well for 2023 and beyond. While our business continues to show resilience, we have taken the hard and difficult next steps towards profitability, a necessary course for the current environment. As we navigate an unprecedented macroeconomic environment, we continue to focus on what we can control and optimize our dynamic business model to be default profitable and incredibly well-positioned to scale top line revenue as well as margins.

Our Q3 results reflect the resiliency of the business model despite macro headwinds. In the third quarter, our results were in line with our quarterly guidance. We reported our seventh consecutive quarter of triple-digit adjusted revenue growth. We continue to drive operating leverage, reducing our adjusted EBITDA loss to $14.3 million compared to $18.5 million in Q2, our third consecutive quarter of adjusted EBITDA margin improvement.

Additionally, we're actioning $15 million of annualized run rate fixed cost savings in the fourth quarter, a hard, but prudent decision to continue to drive towards profitability in the face of a significant slowdown in advertising spend in the enterprise business. In addition, we maintained a diverse revenue model with approximately 40% enterprise mix, while we focused on positioning MoneyLion to benefit acutely once industry-wide advertising spend rebounds.

We continue to deliver excellent unit economics. In Q3, ARPU was $68 and our CAC was $8, as our marketing spend continue to decline sequentially, while nevertheless maintaining a strong pace of new growth in total customers. We continue to see tremendous success from the synergistic flywheel across our consumer and enterprises businesses, and the benefits of our two-sided marketplace continue to support our efficient growth. I'll dive into all of this a bit further, but first I want to provide an update on the macroeconomic environment and how that impacts our business.

Starting with our consumer business, we continue to see customers holding up very well despite more challenging economic conditions. Given the uncertainty around the direction of the economy, we made the decision this year to manage credit performance more conservatively. In light of the shift, we have not seen a deterioration of credit performance from our customer base as measured by our provisions remaining in our predictable and manageable ranges.

While we see green shoots and opportunities for parabolic growth are actually in our capital-light businesses, our media division allows us to acquire broad spectrum of consumers at a low cost and monetize them over time through recommendations. We're increasingly educating and empowering our customers on all things money with our engaging content feed. We see the engagement through this channel driving higher margin growth in 2023.

Turning to the enterprise business. We connect consumers with product offers personalized for them based on their own contextualized data through a marketplace with broader options than a typical monoline provider. This strategy drives significant value to both our individual customers as well as our enterprise partners. However, we're not immune to the industry-wide reduction in advertising marketing expenditures. Our 400-plus product partners that advertise personal loans, mortgages and other financial products in our marketplace have invariably been exposed to sudden and sharp interest rate hikes and cost of capital increases across the board.

While demand for our products from end consumers are at all-time highs, we have seen a slowdown in ad spend from our partners due to stricter credit underwriting criterias as well as higher interest rates for borrowers. Marketplace supply, as illustrated by the percentage of loan applications that received an offer in our marketplace, has trended lower in Q3, and we are expecting this to continue in the near term. This imbalance of supply and demand, while a near-term headwind, creates a massive revenue opportunity for us in the future, captured through enterprise partner expansion.

We continued to add new product partners and channel partners in the third quarter, expanding the number and types of products we offer on our marketplace and increasing our reach. As a result, we believe we are well-positioned to benefit more acutely once we see a return to more normal conditions in the market. The collective assets inside of MoneyLion are unique and create flywheel effects. It's important to remember that MoneyLion is a diverse business, comprising enterprise and consumer solutions.

Our consumer business is a robust direct-to-consumer fintech platform. We offer digital banking, managed investment portfolios and crypto trading, helping our customers save for their future; Instacash, our 0% APR cash advance product providing faster access to earned income; our Credit Builder Plus credit-building program, helping consumers build and improve their credit scores; and one of the most powerful consumer marketplaces spanning a diverse mix of financial and non-financial products that help our users across times of need and times of access.

MoneyLion continued to build on its content strategy in Q3. During the third quarter, we sponsored FinCon 2022 and ramped up our creator network. We announced a partnership with Influencer to teach collegiate student-athletes how to money smarter and take ownership of their money through easily digestible educational videos, covering topics such as improving credit scores, starting a rainy day fund and other money saving tips and hacks. All the while, we're helping these student-athletes tap into new sources of income as a result of the adoption of the recent Name, Image and Likeness regulations.

In October, we announced a partnership with NFL player and University of Pennsylvania lecturer Brandon Copeland to launch MoneyLion University or MLU. MLU is part of MoneyLion's innovative financial literacy initiative aimed at filling the gap in money education across the United States. MLU will provide a compelling curriculum, centered around real-world money education and skill to MoneyLion customers, delivered via long-form and short-form videos covering topics such as budgeting, building credit, investing and understanding financial inequities.

We also launched a docu series, Money Like a Girl, that follows women who turn their passions into careers. Our ownership of a content studio truly gives us differentiated customer acquisition and retention capabilities. And finally, in November, we established a multiyear marketing partnership that makes MoneyLion the official money app of the NBA's G League Ignite. This partnership represents our commitment to owning the culture of money, putting MoneyLion at the center of people betting on themselves. These are just a handful of examples of how we are differentiating our value proposition with consumers through our engaging and personalized content.

We continue to see our investments in content and culture translate into higher levels of engagement through our consumer ecosystem, including our mobile app, our website, and all for social media properties and shows. As we noted last quarter, we saw a strong increase in day zero customer engagement driven by the expansion of our content feed.

In Q3, we saw 3 times increase quarter-over-quarter in overall engagement across our platform, illustrating the growing stickiness of our platform. All of this content is available throughout MoneyLion's consumer ecosystem and very soon will be available to a lot of our enterprise clients as well to enrich their own customer acquisition retention and marketing strategies. So, what does all of this add up to? It means MoneyLion is becoming what we set out to build, the daily destination for all things money as we continue to add creators, product partners, engaging content and overlay contextual data to personalize the content each of our customers experiences.

We added 780,000 new customers in Q3 and ended the quarter with 5.4 million total customers, representing over 100% year-over-year growth. As a reminder, we had just 1.4 million customers at the end of 2020, illustrating an incredible accomplishment of how much we have scaled to-date.

Turning to key operating metrics by the end of Q3, 11.3 million total products were consumed on our platform, an incremental 1.2 million compared to Q2. Total originations were $446 million in Q3, up 63% year-over-year. Taking a closer look at our credit quality, our provision as a percentage of originations in the third quarter was 5.3%, down from 5.4% in Q2 and within our target range, reflecting our focus on high quality customers.

Consistent with our focus on profitability, we targeted flat quarter-over-quarter origination levels. We have increasingly prioritized profitability over growth across our business as we adjust to the macro climate. It's important to note that new customers tend to underperform returning customers and we're fortunate to have a highly recurring customer base to continue to grow revenues efficiently. Rick will discuss this point more later.

Our ability to consistently manage credit performance is a reflection of our incredibly talented team with nearly 10 years of expertise and experience navigating different economic environments. This expertise relies on our vast analytics and artificial intelligence capabilities that allow us to make near real-time operational decisions to react to changes in economic circumstances at both the consumer and the macro level. We will continue to take a conservative approach towards the direction of the economy in order to optimize credit performance and continue to drive operating leverage.

In our enterprise business, we use our software platform to connect and match consumers with real-time personalized financial product recommendations from banks, insurance and fintech companies and mobile apps and websites by enabling the display of offers for financial products to consumers. This extensive network covers a breadth of products, including loans, credit cards, mortgages, savings and insurance products and distribution channels comprising high intent customers.

Our infrastructure leverages machine learning and advanced data science to solve a significant pain point in financial services customer acquisition, bridging financial institutions referred to as product partners, and news sites or content publishers referred to as channel partners, via our API and embedded finance marketplaces.

Our unique combination of content, data and product marketplace drives self-reinforcing benefits. I'll briefly touch on each of these now. First, our large top of funnel has been a consistent driver of both our efficient customer acquisition strategy and our data advantage. We saw over 28 million consumer inquiries in Q3, bolstering our ability to offer personalized offerings and content.

Second, our data advantage is fueled by our large top of the funnel. Approximately 32 million user profiles have passed through our platform to-date, benefits from the vast amount of contextual data that we see compounds over time, allowing us to drive better outcomes for our customers.

Third, our extensive suite of products, bolstered by our network of over 1,000 enterprise partners, gives us a broader set of solutions to better match customers with the best products for them. Collectively, this creates a virtuous cycle of customer acquisition, personalization, monetization and retention that only becomes more valuable with scale.

We've been talking about our powerful business model for a while now. But now, we can proudly say that our results in 2022 have demonstrated the flywheel in action. With a consistently low CAC, a compounding data strategy and an expanding network of enterprise partners, we're able to both drive better outcomes for our customers and scale our business efficiently.

With that, I'd like to pass it over to our CFO, Rick Correia, for our financial update.

Richard Correia

Chief Financial Officer & Treasurer, MoneyLion, Inc.

Thanks, Dee. Good morning to everyone. I look forward to sharing details of our record financial performance and unit economics driven by our key metrics that Dee presented. As we're going through the financials, please note that unless otherwise stated, I will be referring to adjusted results and all quarterly period references refer to the third quarter of 2022 versus the third quarter of 2021. Our GAAP consolidated financial statements and non-GAAP reconciliations are available in today's earnings release and our 10-Q filing. As a reminder, in Q1 2022, we realigned our financials to better reflect our consumer and enterprise businesses and KPIs. Let's take a deeper look at these two businesses in terms of their respective revenue streams.

Our consumer business generates revenue from four broad categories: Instacash, this is our popular earned wage access product, which generates revenues in the form of instant transfer convenience fees and tips. RoarMoney, this is our first-party banking product. RoarMoney generates revenues in the form of interchange, payment network and cardholder fees.

Investing, we offer our customers the ability to invest in managed investment accounts and crypto. These offerings include auto-investing, roundups and rewards functionality to help our customers develop healthy investing habits. We generate rev share on crypto transactions and a monthly per account fee on investment accounts. Credit Builder Plus, this is our membership product, which has helped many of our customers increase their credit scores and improve their financial lives. Revenues from this product comprise of membership fees and interest income.

Our enterprise business revenue includes: affiliate fees, we work with various affiliate partners that provide third-party products on a marketplace in our consumer app. We earn performance-based revenue based on a range of criteria, such as a completed transaction or a share of revenue generated by the affiliate partner. Similarly, our enterprise market business earns performance-based revenue through our network outside of the app.

Enterprise SaaS, MoneyLion also earns revenue from SaaS contracts for providing infrastructure to our enterprise accounts for connecting product partners to channel partners. Advertising fees, additionally, given our deep understanding of customers' interest [ph] in (00:18:00) transactions, we're able to offer our customers targeted content and offers that generate advertising fees. And lastly, our media division generates revenue from providing content and production services to creators, influencers and corporate clients, or what we sometimes referred to as content as a service.

In Q3, our revenue mix remained relatively stable with the second quarter at about 40% enterprise and 60% consumer. The deceleration in our mix shifting towards our 50/50 steady state revenue split expectation was a result of the weakness in enterprise product partners' ad spend impacting our marketplace business. While we continue to expect our mix to move towards 50/50 consumer/enterprise over time, the timing has become less certain in the current environment. That said, given our focus on improving our offering and adding additional product and channel partners during periods of softness in the industry, we are positioning ourselves for an outsized rebound in demand for our enterprise offering as the market returns to more normalized state.

Our unit economics showed continued strength in the third quarter. ARPU was $68 in Q3, slightly lower from last quarter as we continue to scale our user base at a significant pace. This lower ARPU represents a growing mix of new customers, which historically reached higher ARPU levels as they mature. We saw another great quarter for customer acquisition costs with a fully loaded CAC of $8. As we continue to see industry forces pressure higher CAC from many of our peers, our low cost advantage fuels our ability to acquire more customers for less over time. As we look forward, we expect to maintain attractive unit economics regardless of the macro climate.

I'd also like to take a moment to discuss the realignment of our total customers metric, given the integration of the marketplace business. Previously, total customers included a relatively small cohort of marketplace customers that submitted for or clicked on an offer, but were not necessarily monetized, which we changed beginning this quarter in order to more accurately align with management's view of our customers. The total customers for all prior periods have been recast to present the updated definition of total customers. Our corresponding change has also been reflected in total products.

Turning to retention, another continued great story for us where we continue to see constructive trends across our business. As you can see, our adjusted revenue retention for historical cohorts in both our consumer and enterprise businesses has remained robust despite the more challenging macro backdrop. Notably, our adjusted revenue retention in Q3 2022 was positive across all 2021, 2020, 2019, and pre-2019 enterprise customer cohorts. This speaks to the stickiness of our marketplace offering. Altogether, these retention trends are differentiated in the industry and are an indicator that gives us confidence in our ability to drive recurring revenue across any economic cycle.

Despite the softer-than-expected top line revenues in our enterprise business, we again delivered an improvement in adjusted EBITDA in the third quarter. We saw a $14 million adjusted EBITDA loss in Q3, in line with our guidance range and about a $4 million improvement over Q2 2022. As we reduced our cash burn rate, we ended the third quarter with $189 million in cash, which provides more than adequate runway through profitability and future growth. We are continuing to make progress towards reaching profitability and realizing acquisition synergies. Continuing these efforts, we are actioning over $15 million in annualized run rate fixed cost savings in Q4 2022.

Adjusted revenue for the quarter grew 103% year-over-year to $85 million, another record quarter for us and our seventh consecutive quarter with a 100%-plus year-over-year growth. While we continue to scale our business, we are taking a more deliberate focus on reaching profitability. We are revising our full year 2022 adjusted revenue guidance to $320 million to $330 million, reflecting the ongoing weakness in ad spend that is impacting our enterprise business.

In Q3 2022, we generated $49 million of adjusted gross profit, representing about a 58% gross margin, and within our previously guided range of 55% to 60%. We continue to expect our gross margins to return to the 60% to 65% range over the medium term as we realize synergies in our consumer business with more product offerings, scale our enterprise SaaS business, and prioritize high quality enterprise customers.

As mentioned, macroeconomic conditions have led to an increase in consumer demand for financial products as well as a reduction in advertising spend across the industry in which our enterprise customers operate. As a result, we're revising our full year 2022 guidance and removing the timing of our adjusted EBITDA breakeven target. We now expect full year 2022 adjusted revenue of $320 million to $330 million and adjusted EBITDA loss of $70 million to $65 million.

As mentioned, we are reducing our annualized fixed costs by $15 million this quarter, which along with our strong balance sheet, provides adequate runway well beyond the point at which we reach near term profitability. Overall, our business continues to drive towards profitability without sacrificing growth. We're uniquely positioned and committed to continue making progress towards both, profitability in the near term, while scaling the business for the long term.

With that, I'll turn it over back to Dee for closing remarks.

Diwakar Choubey

Co-Founded, Chief Executive Officer, President & Director, MoneyLion, Inc.

Thanks, Rick. 2022 has been a challenging year for our customers, our peers in the industry and for market participants broadly. Nevertheless, we remain incredibly excited about what we are building and we are confident in our ability to navigate through economic cycles. Industry-wide macroeconomic conditions have impacted areas of our business, no doubt. But we have taken important steps to optimize our cost structure, to keep scaling our business, while progressing each quarter towards our path to profitability. Our fundamental performance remains incredibly strong with Q3 marking yet another quarter of triple-digit top-line growth and adjusted EBITDA improvement.

Looking ahead, we're confident that we will come out the other side of this economic cycle in an even better position. We will continue to focus on what we can control, while building on our powerful two-sided marketplace, underpinned by our content, data and marketplace assets that continue to redefine how consumers think about and consume money-related products. Thank you very much for joining us today, and we look forward to taking your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now conduct a question-and-answer session. [Operator Instructions] Our first question comes from George Sutton with Craig-Hallum. Please proceed.

James Rush
Analyst, Craig-Hallum Capital Group LLC

Q

Good morning, Dee, Rick and Sean. This is James on for George. Thanks for taking my questions. If possible, could you provide any insight or quantify the mix of net news that you're seeing come through Even Financial channel partners, channels associated with MALKA and then some of your direct channels?

Diwakar Choubey
Co-Founded, Chief Executive Officer, President & Director, MoneyLion, Inc.

A

Hey, James. How are you? Good morning. I'm going to turn it over to Rick to answer that.

Richard Correia
Chief Financial Officer & Treasurer, MoneyLion, Inc.

A

Yeah. Absolutely. I think what you'll see, James, is that the synergies that we talked about that we would be realizing through the Even and the MALKA acquisitions are really manifesting themselves in the new customer ads. While we don't kind of break out the separation between what comes through the consumer business versus the enterprise business, we are realizing those synergies both through what we're seeing from the excess demand as we were showing on the demand curve and starting to kind of realize those customers as we address that excess demand through expanding the number of credit partners as well as the number of other asset class partners that we're adding into the enterprise platform.

Diwakar Choubey
Co-Founded, Chief Executive Officer, President & Director, MoneyLion, Inc.

A

Yeah. I'll add that, look, it's been a quarter of a lot of mix shifts and substitution effects. We talked in the prepared remarks about the slowdown in advertising and marketing spend on the enterprise side of our business. But we saw an opportunity there really to execute and expanding the product partners to really be much more diversified than they were in the past, right? So when there's, of course, the percentage of applications that are being funded, when that dries up, it's an opportunity for us to expand the product partners on the network. The elegance of having a real bidding system in that network allows us to, again, continue to really drive that mix shift over time, which makes up for some of the weakness that we're seeing from our core customer base there.

James Rush
Analyst, Craig-Hallum Capital Group LLC

Q

Great. And then, your motto of helping customers in times of excess, in times of need since we're likely in and moving more and more into a time of need, just curious can you talk about what you're seeing in terms of any changes in user behavior on the platform? Any change in adoption of new products or engagement on the app in the last few months?

Diwakar Choubey
Co-Founded, Chief Executive Officer, President & Director, MoneyLion, Inc.

A

Yeah. Look, I think we saw another very strong quarter of the consumer. Credit performance across our consumer businesses that has been actually holding up very well. As we mentioned in our prepared remarks, we've taken a more conservative approach to managing that credit performance. The products that we're seeing the most engagement from are our daily content feed, the content that we're creating, curating as well from creators. And of course, the combination of our digital banking product, combined with the Instacash products, continues to show continued product market fit.

On the consumer marketplace side, we are seeing, again, our ability to use what we know about the consumer, right? Now, we've talked a lot about our data advantage. Given the bank transaction data, given the intent and the preference data that the consumer tells us, we're now able to provide a lot of advice on what the next best product is at any given financial inflection point and we're seeing consistent engagement with those capabilities.

The American consumer remains strong through our vantage point. What we see as potential headwinds in Q1 and Q2 is forcing us to take a much more conservative approach to managing that. But nevertheless, given that we have pillars of advice and content, we're still able to fulfill the demand for different products through education, through literacy, through engagement in our mobile applications as well as throughout the ecosystem.

James Rush
Analyst, Craig-Hallum Capital Group LLC

Q

And then, lastly for me, if I could, the lower marketing spend makes sense, but I'm curious what you can do internally to sort of continue to grow or stabilize the Even Financial business through what could be continued declines in marketing spend over the next few quarters.

Richard Correia
Chief Financial Officer & Treasurer, MoneyLion, Inc.

A

Yeah. That's actually one of the big opportunities that we are seeing. So when you look at the demand curve, we added the largest publishers and finance companies to the platform, which drove that unprecedented demand in the marketplace. So in terms of the headwinds in the macro tightening of risk, based on increased cost of capital from lenders in the marketplace, that temporarily causes them to reduce that product supply. But the massive opportunity is that, while we can't control the macro environment, we can control meeting that excess demand. And that's very much in our control.

Leverage is really what MoneyLion does exceptionally well, which is execution. So, our ability to now efficiently expand the number of credit partners, new asset class partners is going to kind of increase that equilibrium point over the coming months and quarters. So, we kind of view this much more as an opportunity for growth versus kind of of stabilizing the enterprise platform.

James Rush
Analyst, Craig-Hallum Capital Group LLC

Q

Thanks. Thanks for taking my questions.

Richard Correia
Chief Financial Officer & Treasurer, MoneyLion, Inc.

A

Thanks, James.

Operator: Thank you. Our next question comes from Josh Siegler with Cantor Fitzgerald. Please proceed.

Will Carlson
Analyst, Cantor Fitzgerald & Co.

Q

Hi. This is Will Carlson on for Josh Siegler, at Cantor Fitzgerald. As you look forward kind of into 2023, and you touched on this a little bit, but where do you see kind of the product mix shifting? And of that $1.2 million in the incremental products for the quarter, was that consistent with the current product mix, or are you kind of noticing certain products increasing in adoption specifically? And then, that quarter-over-quarter increase in overall engagement of 3 times, kind of where are you seeing that beyond just the live product feed that you mentioned? Thanks.

Diwakar Choubey
Co-Founded, Chief Executive Officer, President & Director, MoneyLion, Inc.

A

Yeah. Hey, Will. Thanks for the questions. So, I'll kick it off. We're continuing to see, as we said, a lot of product market fit on the consumer side for the platform approach that we've taken. Our ability to create our own content really diversifies and creates unique reason for consumers to download the MoneyLion app, right?

So if you look at our social strategies, if you look at our acquisition strategies through some of the partnerships that we've done with the NBA G League, with influencers and creators with the NIL programs, we're expanding the type of consumer that wants to engage with financial literacy, money hacks, money tips. They want to learn how to really think about the first investment account, how to think about taxes, how to think about almost every financial inflection point, we are becoming the go-to destination for that conversation.

We're having a Investor Day on the 8th of December. We are super-excited about unveiling really the combination of the acquisitions that we've made and what that relates to by way of our product roadmap. Really, the showing of future state of a form factor change in how Americans consume financial literacy is what we're going to be unveiling on the 8th, and we're super excited to show that to you.

As it relates to where is the 3 times spike coming from engagement, it's again, look, we – it's air, land and sea in a lot of ways. Our referrals, our peer-to-peer programs are working very well, combined with roundups, right? I mean, given where the financial markets are, it's an excellent time for first-time investors to start legging in to auto investing $0.10, $0.15 with every transaction, $10, $5 every day into guided portfolios. So, we're taking a lot of effort from our go-to-market strategies to be the voice of reason to our customers.

Oftentimes, they don't – they're not privy to the expansive financial literacy that maybe everybody on this call has. So, we are the beacon for them in terms of that first foray into the financial markets, and that's helping us become a trustworthy source for that daily conversation. So, that's – all of that together is all leading to culminating into what we've stated out to really execute on, is to be that daily destination for financial content, financial advice, and financial literacy.

Will Carlson
Analyst, Cantor Fitzgerald & Co.

Q

Super helpful color. Yeah, I'm a big fan of the strategy and look forward to seeing the team in December.

Diwakar Choubey
Co-Founded, Chief Executive Officer, President & Director, MoneyLion, Inc.

A

Awesome.

Operator: [Operator Instructions] Our next question comes from Hal Goetsch with Loop Capital. Please proceed.

Hal Goetsch
Analyst, Loop Capital Markets LLC

Q

Hey, guys. Just wanted to ask you about your guidance on the CFPB, you mentioned you're moving kind of your targeted EBITDA profitability kind of timeline. And since your conditions have really changed in the last six to eight weeks, just wanted to get your perspective since you have great cost control and the business is still growing, why you're making that move right now? And probably it's pushed out maybe a quarter or two, and most of us were expecting that anyhow. So, give us your thoughts on that.

Richard Correia
Chief Financial Officer & Treasurer, MoneyLion, Inc.

A

Yeah. Hey, Hal. Thanks for the question. When it comes to the focus on EBITDA breakeven, we continue to make great progress toward that, as you can see from the quarter. And we mentioned taking out about $15 million of annualized fixed costs out of the platform as well, so we continue to realize more and more synergies across the acquisitions that we've done. When we think about the macro headwinds, we want to be very focused on continuing to hit that near-term profitability. And so, that's somewhat out of the control for the enterprise business in terms of the near-term or revenue impact that that business is seeing.

And so, I think we feel really confident in continuing to make that march towards the EBITDA breakeven. And we see that – the steps that we're taking from the fixed cost extraction, along with the expansion of the product partners that we have within the platform currently and we're going to be adding over the coming months and quarters, puts us on a great trajectory. We have more than adequate cash from that perspective. Exiting with $189 million of cash gets us kind of well through that near-term profitability date and allows us to also fund our growth that we're planning for the next year.

Hal Goetsch
Analyst, Loop Capital Markets LLC

Q

Okay. Thanks, Rick. Well, just a follow-up, it seems like many, many companies in fintech or specialty finance are really taking a hard look at how they add initial customers. Because I agree with Dee's statement that you're returning customers, you have so much data on them, they're so much more profitable. But it seems like everyone else is – out there is – everyone is cutting back from that serving a new customer to a certain extent. You guys seem to be – alluded to that, but your new customers are still growing. You still have great, great momentum. In the time of need that what would it take for MoneyLion kind of to be that place to go for that first-time customer in the time of need? It was another question on that, but it seems like the time is – maybe you're prioritizing – is it because you're prioritizing profitability over growth right now, is that kind of the answer right now given this uncertainty?

Diwakar Choubey
Co-Founded, Chief Executive Officer, President & Director, MoneyLion, Inc.

A

Yeah, Hal. So remember, our credit product – it's a great question. Our credit products are high velocity, short duration, and it works like a payments product, right? So, we actually have the ability not to necessarily take that much risk with a new customer while we get to know them, right? So, what you'll see in the industry right now that we're seeing all-time highs in fraudulent accounts being created. And this is really where our machine learning and artificial intelligence shines. Because of the data advantage that we have, because we've been doing it almost for a decade now and the team's been working together cohesively for a decade, we're able to offer those payments likes products to more people than a lot of our peers, frankly.

And because we don't have the longer-duration personal loan on our balance sheet, we're then able to get that customer that we're getting to know into our marketplace. So, when Rick was talking about the addition of product partners that give us visibility to increased margin in Q1 and Q2 in next year, it's because we're able to take vetted users and present them to our network for some of our product partners to then provide products to in a very seamless way. So, that is a really unique part of the secret sauce that makes the margin profile work here.

Richard Correia
Chief Financial Officer & Treasurer, MoneyLion, Inc.

A

Yeah. And Hal, I think we should be deliberate in this statement, which is we are the go-to destination for helping customers in need. We saw 27 million leads in the quarter. And so, customers are coming to us. And the strategy around having that optionality of both first-party products and third-party products increases our ability now to help our customers. And that's been something we've been executing as we acquired the marketplace business. And now, that opens up the ability for us to be a more important partner.

You can see it in a couple of places. You can see it in our ability to acquire customers. You can see it in our ability to acquire customers at a lower CAC. You can see it in the cohort trend that we've presented where we're continuing to show our ability to retain customers. And then the customers that we're bringing in continue to reflect customers that had a great performance profile from a first-party credit perspective. And where that isn't the right answer, you can see that we've added increasing number of customers to the enterprise business.

Hal Goetsch
Analyst, Loop Capital Markets LLC

Q

Great. Last one for me, if I can, is like, have to ask about the CFPB in your subscription product. Just wanted to get your thoughts on how long do you think that might take to be resolved.

Richard Correia
Chief Financial Officer & Treasurer, MoneyLion, Inc.

A

Hey, I'll take that one. So, look, we're early in the litigation, so we can't comment too much on the specifics of that. I'd really encourage you to look at the press release we issued, where really what we said there was that this litigation impacts certain elements of our membership program, right. So, we've actually innovated significantly with the membership program. The amount of features and elements that we have in there is industry leading, right.

But it's important to remember that it's just one of the many products that we offer on our platform. It comprises a relatively small part of our P&L. So, overall, we continue to believe that these claims are meritless and we intend to vigorously defend ourselves in the court with that. And I think outside of that, I think our lawyers would tell us that that's probably all we could say.

Hal Goetsch
Analyst, Loop Capital Markets LLC

Q

I agree. Thanks a lot. Just [ph] wanted to – had (00:41:23) to ask though.

Operator: Thank you. We have come to the end of the Q&A session, and I would like to thank everyone for joining today's conference call. This concludes today's conference, and have a great day.