14-Mar-2023

MoneyLion, Inc. (ML)

Q4 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello and welcome to the MoneyLion Q4 2022 Earnings Conference Call and Webcast. [Operator Instructions] A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to turn the call over to Sean Horgan, Head of Investor Relations. Sean, please go ahead.

Sean Michael Horgan
Head-Investor Relations, MoneyLion, Inc.

Thank you. Welcome everyone to MoneyLion's fourth quarter and full year 2022 earnings conference call. Joining me today to talk about our results are MoneyLion's CEO, Dee Choubey; and CFO, Rick Correia. You can find the presentation accompanying our earnings release on the Investor Relations section of our website. Please note 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.

And now, I'd like to turn the call over to Dee.

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

Thank you, Sean. Good morning and welcome everyone to our fourth quarter and full year 2022 earnings presentation. I'm sure everyone has become a banking industry expert over the weekend. So, we won't rehash much here other than to say that we have no concerns regarding our business or operations in light of the Silicon Valley Bank rescue. This was the weekend our technology proved resiliency with near-instant callbacks to alternative processing and with no impact to our customers.

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We'll focus instead on the many positives about our results and our trajectory and why we are positioned to thrive. We are built to endure in good times, and importantly, the challenging times. So, our customers and our enterprise clients can count on us. I couldn't be more proud of our people, their dedication to our mission and the sophistication of our infrastructure, a technology stack that has proven to be one of the best in fintech, on the foundation of a proven business model, a proven technology infrastructure and a proven management team.

I'm pleased to share our Q4 and 2022 full year results. Despite the most turbulent operating environment in decades, 2022 was another year of record performance for MoneyLion. Through our unique combination of assets, we have built a powerful platform to power money decisions for a broad segment of American consumers. We continued innovating. We continued providing services while solidifying our place as a trusted money destination for everyone. We're now at a point in our evolution as a company where we drive efficient growth.

Our adjusted revenue grew nearly by 100% year-over-year to over $328 million from $165 million in 2021. We made substantial progress towards profitability and improved our adjusted EBITDA each quarter sequentially throughout the year. And so as not to bury the punch line, we ultimately exited the year with positive adjusted EBITDA for the month of December. We look at this as a huge achievement that our team worked very hard to deliver.

In a snapshot, in 2022, our business reached significant scale. We exited the year with 6.5 million total customers, and our definition of customers, as you know, points to monetized customers as opposed to those that just browse our platform. 12.9 million total products were taken by those customers, and we ended the year with over 1,000 enterprise partners. And we amassed over 33 million unique customer profiles across our platform.

We also enhanced our product offerings to consumers, complemented by our dynamic content that encourages our customers' exploration of ideas, advice and insights regarding their financial lives. We launched Discover, a personalized content feed to deliver trending money-adjacent topics through videos to customers based on what is most relevant to their financial lives. We introduced things like playlists where we present dynamic topic-driven content bundles and MoneyLion original series to deepen engagement on relevant and popular topics.

For our core suite of first-party products, we added invaluable features intended to expand the lifetime value and drive product usage, including, for example, MoneyLion Pay for our digital bank account holders, our peer-to-peer money transfer feature through which digital banking customers can send and receive money to anyone. We also continued expanding on the breadth of financial and non-financial product and service offerings available in our consumer marketplace. And as part of our continued evolution of our membership model, we're in the process of launching a new membership, which will provide members with additional exclusive premium features and engagement opportunities at a lower monthly price.

As we look ahead, we believe 2023 will be the year we turn the corner towards profitable growth. Many of our peers are dependent on massive marketing expenditures to acquire customers. This capital-intensive approach is not sustainable in the long-run and has become untenable in the current environment, which is why we have created favored acquisition approaches that deliver consistently attractive unit economics at excellent customer acquisition costs and payback periods. Rick will talk to you more about this later in the presentation.

We have a laser focus on our near-term efforts that we believe will drive profitability. First, we'll continue to drive efficiencies in our operating expenses. We expect to see leverage in other expenses, professional fees and net interest expenses in 2023 compared to 2022. Remember, 2022 was our first full year as a public company and we incurred significant readiness expenses that we now have rationalized.

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Second, we will prioritize our most profitable business lines, and third, we will continue to leverage our differentiated customer acquisition strategy and optimize our marketing spend. MoneyLion has a talented, experienced and innovative leadership team in place to continue navigating through any economic environment, and our platform is positioned to balance an attractive combination of growth and profitability in the medium-term.

Turning to our customer growth, we added over 1 million new customers in Q4 2022, a record number of quarterly customer adds while maintaining very disciplined levels of marketing spend. Why is this important and noteworthy? Our financial super app works. We're effective at the cross-sell and the lifecycle across the consumers' financial inflection points. It also shows that consumers continue to look for tailored financial products away from traditional sources. Our integrated consumer, enterprise and media capabilities continue to allow us to land and expand with the consumer.

This is a testament to the self-reliant ecosystem we've built, which leverages a large top of the funnel to drive low customer acquisition. You'll notice this throughout the year over and over as we decline our marketing expenditure, and you'll see this happening from 2021 to 2022. Cost-effective customer acquisition and then lifetime value maximization is one of our biggest competitive advantages. The network infrastructure acts as a pulling mechanism. We match customers with an expansive suite of products with relatively little incremental investment. In effect, we require lower costs to scale our customer base relative to many of our peers.

Turning to product consumption, expanding products to meet our customers' needs while increasing lifetime value is a key tenet to our strategy. By the end of 2022, 12.9 million total products were consumed on our platform, up from 8 million at the end of 2021. 66% of these products consumed in Q4 2022 were third-party products compared to just 10% in Q1 2021, reflecting how our content and marketplace synergies are driving broader product consumption and deepening our relationship with customers by matching them with the products they need. By continuously delivering on client needs, we extend lifetime value and fuel the recurring revenue profile of the platform.

Before I provide an update on each of our businesses, let me first touch on what I believe are the three key investor takeaways in today's presentation. First, we reached positive adjusted EBITDA in December 2022. This was our fourth consecutive quarter of adjusted EBITDA improvement and marked a significant milestone towards quarterly profitability. Looking ahead, we expect positive adjusted EBITDA in fiscal year 2023, reflecting our continued commitment to driving profitable growth in 2023 and beyond.

Second, we added over 1 million total customers in Q4 2022. We achieved this record number of quarterly new customers while maintaining a customer acquisition cost of less than $10. MoneyLion's strong unit economics are a result of the flywheel effect underpinning our business model. This is highly differentiated in the industry< and it allows us to play to our advantages, which are our data and technology assets. We expect this to continue being an advantage throughout 2023.

And third, MoneyLion reached record quarterly adjusted revenue of $92 million in Q4 2022. This compares to $54 million in Q4 2021. In addition, we delivered nearly 100% year-over-year growth for full year 2022. Our diversified consumer and enterprise businesses play off of each other in a complementary way, and this provides us durability through different economic environments. There are natural hedges built into our revenue generation capabilities.

Let's take a closer look at our consumer and enterprise businesses. Our consumer business remains very strong and a testament to our ability to innovate, build, iterate and operate at scale. Consumer demand remains resilient despite concerns of a worsening economic environment. On a first-party basis, we have over a decade of

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experience now in managing credit risk on behalf of our partners in times of excess and in times of need, leading to resilient credit performance.

Provision as a percentage of originations was 4% in Q4. This is at the low-end of our target range of 4% to 6% and reflects our continued ability to manage credit performance throughout cycles. The provision expense and our warehouse cost of capital from which we finance the originations remain well in line to ensure we're driving consistent positive unit economics. In Q4, we saw strength across the board on our unit economics, both gross and net, throughout our consumer division.

Nevertheless, our must-have products on the consumer side remain critical for American families in times of excess and in times of need. And as we take market share, we will continue to see improving unit economics, powering us towards an attractive EBITDA profile. To sum it up, our consumer offering is a full-feature money app intended to serve the financial needs of anyone, and more features equal more monetizable aha and delightful moments.

We have a robust suite of products that we believe is unrivaled in the marketplace today. Our first-party products and services include digital banking with direct deposit and two-day early paycheck capabilities; investing offering both managed investing, and with our new membership, single stock and ETF investing; rewards such as cash back and other exclusive offers; round-ups, invest with round-ups in everyday purchases with any debit or credit card; cash advances to provide consumers with flexibility and help cover unexpected expenses; peer-to-peer payments, send money to friends on and off MoneyLion; our credit builder loans to help improve credit scores; our Crypto Round Ups to buy or sell directly with round-ups on our platform; our AI-powered personal financial management insights offering personalized recommendations; credit monitoring of credit scores; and money and money-adjacent content with search and discover functionalities.

We also complement our consumer offering with a broad suite of third-party products and offerings from our network of partners. These include insurance, high-yield savings, loans, credit cards, tax preparation, as well as a variety of budget-sensitive products and offerings in categories like auto to access telematic driving scores to unlock cheaper insurance, buying or selling a vehicle or finding a car to rent for an upcoming trip. We've expanded into travel to join frequent flyer programs or take advantage of hotel rewards, or home to get repairs on savings or utilities. And finally, if we're looking to earn more, finding a side hustle. We're making progress towards being a truly must-have product for all American consumers.

Moving to the enterprise business, we provide important marketing infrastructure. Our marketplace powers the biggest players in fintech and traditional finance. First, our marketplace is not immune to the macro environment. In fact, we faced unanticipated weaknesses from reduced marketing spends and increasing interest rates beginning Q2 of 2022. Despite those industry headwinds, demand continued to increase in Q4, as end consumer demand remained robust for financial products across our marketplace. Marketplace supply from our financial institution product partners in Q4 improved modestly compared to Q3, but decidedly remained below levels we saw in the first half of the year.

We're now well-positioned for revenue growth on our network when that supply rebounds to normal levels. Regardless of the environment, our sales efforts have been an area of strength. We continue to target and win new business opportunities from new and existing enterprise partners. We're also seeing increased adoption of our product – by our product partners of our enterprise web services that provide analytics, business intelligence and proprietary insights. From these, we generate additional platform and usage fees. This is driving higher LTV through deep integrations, which I'll talk more about in a minute.

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As a one-to-many network providing a single point of integration for supply and demand, we create a powerful engine for real-time personalized financial product and service search. In addition, our platform enables us to provide data and analytics, reporting and benchmarking services to help better decisioning for our partners. This is a great opportunity for us to increase our proportion of platform fees and SaaS-based revenue, unlocking more value off of our existing network. We're generating multiple transaction-based and SaaS-based revenue streams with a suite of web services already available to enterprise clients and with future launches in development.

We sit in the middle of a broad network of channel partners and product partners, providing connectivity between communities of consumers and financial product providers. Product partners are able to efficiently acquire high intent customers through relevant channels, which provides great conversion at a low cost. Over 400 product partners leverage our network to match their products with the right consumers. As a result of our deep integrations and growing suite of value-added services, we have seen consistent recurring revenue from historical cohorts. Rick will touch more on this during our financial update.

All-in-one MoneyLion provides the ultimate platform for embedded finance marketplaces, products, media and data. Underpinned by the power of open banking and consumer data, our technology combines a vast marketplace of first and third-party products to match consumers with the best products through easily digestible content and advice. Our ability to acquire record quarterly new customers while maintaining consistent levels of marketing spend in Q4 is a result of the flywheel effect inherent in the ecosystem we methodically have built over the last two years. As we look forward, we expect to iterate on our data advantage and continue to take share at increasingly attractive incremental margins.

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

Richard Correia

Chief Financial Officer & Treasurer, MoneyLion, Inc.

Thanks, Dee, and good morning to everyone. I look forward to sharing details about our record financial performance for the fourth quarter and year ending December 31, 2022. I will also discuss our guidance and outlook for the first quarter and full year 2023. As we are 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 fourth quarter of 2022 versus the fourth quarter of 2021. Our GAAP consolidated financial statements and non-GAAP reconciliations are available in today's earnings release and our 10-K filing.

As Dee mentioned in his prepared remarks, MoneyLion has been able to consistently acquire new customers incredibly efficiently. So, I want to take a minute to unpack how we are able to do this quarter over quarter, year after year. Our customer acquisition and lifecycle strategy is deliberately designed to acquire customers with attractive unit economics that we expect will ultimately lead to profitability. Starting at the top of the funnel, our marketing mix is composed of a diverse set of channels, including marketplace, brand, influencers, organic and paid digital.

In 2022, these channels translated into 115 million total inquiries, which represents the number of submitted consumer applications for the financial products across our marketplace business, MoneyLion app installs and users who have registered via the MoneyLion website. These high intent inquiries translated into the acquisition of 3.2 million new customers over the course of 2022, leading to 6.5 million of total customers by the end of 2022. Given our diverse set of channels for customer acquisition, we were able to acquire this record level of new customers while also reducing our overall marketing spend by 14% in 2022 versus 2021.

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Importantly, our vast product breadth enables our customers to find what they need all in one place. We added 4.9 million incremental total products by our customers during the year, leading to 12.9 million total products consumed by the end of 2022. Our vast set of first and third-party products that Dee described earlier, as well as our quantitative lifecycle engine powers product consumption and cross-sell, resulting in two products per customer by the end of 2022. At a high level, this machinery allows us to acquire customers more efficiently and monetize more effectively than if we were a monoline product provider and dependent on a single acquisition channel.

Now, let's see how this translates to our recent trends in our unit economics. We added a record 1.1 million new customers in the fourth quarter with fully loaded acquisition spend in the quarter of only $9 million. Our fully loaded CAC was $8 in the fourth quarter, down from $25 in the prior year period. Our payback period was approximately two months in the fourth quarter of 2022, down from four months in the prior year period.

ARPU was $62 in Q4, slightly lower from last quarter as we continue to scale our user base at a significant pace. This ARPU represents a growing mix of new customers, which historically reach higher ARPU levels as they mature. As we look forward, we expect to maintain attractive unit economics and efficient acquisition levels in 2023.

We also continued to see high levels of recurring revenue from customers across our consumer and enterprise businesses in 2022. Starting with consumer, in 2022, over 75% of our consumer adjusted revenue came from historical cohorts. As you can see, customers from historical cohorts have consistently returned to us to consume our products, reflecting both the value of our products and the stickiness of our revenue in the consumer business.

We have the same trend in our enterprise business. In 2022, over 85% of adjusted revenue from our enterprise marketplace came from prior year cohorts. The value of our platform and our deep software and infrastructure integrations result in consistent recurring revenue from our product partners each quarter. As you can see, our high percentage of recurring revenue and lifetime value extension is proof that we are consistently meeting the needs of both our consumer and enterprise customers, which is fundamental to our resilient business model.

We saw continued strength in consumer origination performance in the fourth quarter. Total originations were $496 million in Q4, accelerating to 11% quarter-over-quarter growth in Q4 from 2% in Q3. Our provision expense as a percentage of originations was 4% in Q4, which is at the low-end of our target range of 4% to 6%. To be clear, for this metric, low is good. This reflects our success in maintaining credit performance despite broader concerns across the industry.

To this end, we will continue conservatively managing originations to prioritize our highest quality customers as we navigate through 2023. Adjusted revenue for the quarter grew 71% year-over-year to $92 million, marking another record quarter for MoneyLion. For the full year of 2022, our adjusted revenue reached $328 million, up 99% year-over-year and at the high-end of our most recent guidance for the year.

Turning to our revenue mix, our consumer business contributed to 65% of our adjusted revenue in the fourth quarter, up from 60% in Q3. Strength across our consumer business and seasonal spending benefits contributed to the increase in overall mix in the fourth quarter. Our enterprise business contributed 35% of our adjusted revenue in the fourth quarter, down from 40% in Q3. Ongoing headwinds from tighter credit standards and reduced marketing spend by our clients in our enterprise business contributed to the decrease in the fourth quarter. While there is a synergistic relationship between our consumer and enterprise businesses, it is also the

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[ph] stalwart (00:23:34) of business resiliency as we offset enterprise headwinds with consumer revenue outperformance.

In Q4 2022, we generated $58 million of adjusted gross profit, representing 62% gross profit margin, an improvement from 58% in Q3. Full year 2022 adjusted gross profit was $195 million, representing a 59% gross profit margin compared to 63% in 2021. We continue to target gross profit margins in the range of 55% to 65% over the medium-term, as our mix shift normalizes, our portion of recurring enterprise platform fee revenue increases and we benefit from economies of scale.

Now, on to our path to profitability. In 2022, we set out to make significant headway towards profitability, and we made progress on that front each quarter of the year. Adjusted EBITDA in the fourth quarter was negative $6 million compared to negative $32 million in Q4 2021 and marked our fourth consecutive quarter of significant adjusted EBITDA improvement. Our adjusted EBITDA of negative $6 million represents a beat over our implied Q4 EBITDA guidance of negative $12 million to negative $7 million. Importantly, we reached positive adjusted EBITDA in December of 2022.

Margin improvement in Q4 was driven by strong consumer performance, enterprise margin expansion, continued benefits of operating leverage and the roughly $15 million of annualized fixed cost reductions actioned in the quarter. We ended the year with $154 million of cash on our balance sheet, providing with adequate runway as we reach profitability in 2023. Separately, in connection with the company's annual goodwill impairment testing, we expect to record a non-cash impairment charge of approximately $140 million.

The impairment charge is attributable to the decline in the company's stock price and related market capitalization resulting from the adverse macroeconomic market conditions. It is important to note that goodwill impairment charge does not affect the company's cash position or have any impact on our future operations, and we remain highly encouraged about our growth prospects and path to profitability in 2023.

Turning to guidance, in Q4 2022, adjusted revenue was $92 million, which was at the high-end of our implied range of $84 million to $94 million; adjusted gross profit was 62%, which was at the high-end of our implied range; and adjusted EBITDA of negative $6 million was also a beat versus the implied range of negative $12 million to negative $7 million. With this momentum, in Q1 2023, we expect adjusted revenue of $85 million to $88 million, reflecting a 30% year-over-year growth. This level of growth reflects our deliberate focus on optimizing profitability and growth while we navigate a relatively uncertain economic environment.

We expect adjusted gross profit margin in the range of 58% to 62%. The slightly higher level of gross profit margin reflects a mix of higher margin consumer revenue similar to Q4 2022. We expect adjusted EBITDA in the range of negative $4 million to break-even. This reflects almost 400 basis points of margin improvement compared to Q4 2022. Lastly, for the full year of 2023, we expect positive adjusted EBITDA, marking our first full year of adjusted EBITDA profitability as a public company. As we continue to drive operating leverage, we also expect to reach positive quarterly adjusted EBITDA in 2023. We are incredibly proud of the MoneyLion team that has achieved so many important milestones in 2022, setting us on a great trajectory for 2023.

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

Diwakar Choubey

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

Thanks, Rick. 2022 was a tough year for most high-growth tech and fintech companies, no doubt. We were able to navigate this environment while thoughtfully optimizing our investments and ultimately reaching positive

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adjusted EBITDA in December as we exited the year. We made this progress all the while still growing our top line adjusted revenue by nearly 100% year-over-year.

Our unit economics remain strong, which we expect to continue going forward and contribute to incremental profitability in 2023. 2022 was a year of building the ecosystem that MoneyLion is today, while optimizing the inherent advantages and efficiencies in our business model. As we turn the corner on profitability, we believe 2023 will be the year MoneyLion reaches profitable growth at scale.

Thank you very much for joining us today, and we look forward to taking your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first question today is coming from Josh Siegler from Cantor Fitzgerald. Your line is now live.

Keeler Patton
Analyst, Cantor Fitzgerald & Co.

Q

Hi, guys. This is Keeler on for Josh from Cantor. So, just looking at the enterprise business a bit, as you mentioned, you're still seeing excess demand on the marketplace and less supply from product partners. How do you see that ironing itself out in the long-run? Will you be able to make up for that through additions through more product partners or do we need an improving macro to see that balance out?

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

A

Hey. How are you? Thanks for the question. So, let me kick that off, and then Rick can chime in on that one as well. Look, if you think about 2022 broadly on the enterprise side, we had a very strong start to the year in Q1 and Q2 in that business, and then really the impact of interest rates started to kick in on both sides. Remember, the enterprise business for us is a two-sided marketplace. You have consumers on one side and we're matching them in real-time with product partners. So, as interest rates crept up, the consumer that was used to a 5%, 7%, 8%, 9%, 10% interest rate on a personal loan started to get interest rates in the 15% to 20% range.

So, that impacted demand both on the consumer side, and on the enterprise side, we started to see that the cost of capital for warehouse facilities, securitization facilities and just generally the cost of capital started to increase. So, it created an imbalance, and we started to see that acutely in Q3. We started to see some rebounding there in Q4, primarily driven by our team's ability to go get substitution products, right. So, we went out into the market and we made sure that we were able to help our consumers. Even if the personal loan that they were used to at a lower interest rate wasn't going to make sense in their personal balance sheet, we went and got a myriad of substitution products.

So, on that page, if you remember, where we talked about auto and we talked about high-yield savings accounts and we talked about other different products, those were all part of a concerted effort to really go and diversify even more what exists on the demand side of that two-sided marketplace. And we expect that, by the way, to be very fluid and dynamic, and that's one of the strengths where we said that our sales team and our partner solutions team are actually out there making sure that that marketplace is as robust as possible. It's coming out really nicely in Q4.

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Keeler Patton
Analyst, Cantor Fitzgerald & Co.

Q

Okay, great. That's really helpful. Thank you. And then, going into the marketing strategy a bit, are you able to share with us broadly what kind of mix you're seeing between your different marketing channels as far as direct channel, social or enterprise? I know you don't share specific numbers, but just broadly what's moving the needle most for net new customer adds.

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

A

Yeah. Look, when we made the acquisitions last year, one of the key strategic pillars there was that we want to be really reliant on our own closed network, if you will. So, the network capabilities really act as a pulling mechanism. We're able to see a really large top of the funnel, and a significant portion of those consumers either don't find the right product immediately. That's really where we're investing significantly in lifecycle remarketing, retargeting on behalf of our demand partners, as well as on behalf of our own first-party products. And that's really differentiated.

If you look at our sequential year-over-year marketing spend from 2021 to 2022, we didn't see a massive growth despite still delivering, at least in our minds, a very efficient and robust growth in customer profiles. And that's really a testament to the differentiated marketing strategy, right. If you take one takeaway away from this is that a lot of our peers end up becoming really beholden to increasing the nominal dollars of marketing spend, whether that's on other people's walled gardens, Google, Facebook, Apple, Amazon. Of course, they like that. We don't have that reliance. We can go into our own marketplace and really present our first-party offers as complementary or substitution products to what's available there to begin with, and that really is driving a lot of our success.

Keeler Patton
Analyst, Cantor Fitzgerald & Co.

Q

Okay, understood. Thank you for taking our questions.

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

A

No problem.

Operator: Thank you. [Operator Instructions] Our next question is coming from George Sutton from Craig-Hallum. Your line is now live.

George Frederick Sutton
Analyst, Craig-Hallum Capital Group LLC

Q

Thank you. My congratulations on the December EBITDA, in particular well ahead of our expectations. So, Dee, you mentioned your – or you mentioned your position away from traditional sources. I think over the last week, I think everyone has questioned their traditional source for anything on the financial services side. Can you talk about how you might [ph] alter (00:34:00) your model to really benefit from this?

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

A

Yeah. Look, I think that last week was certainly scary for all of financial services. One of the things that we saw was we've made massive investments in our technology platform to have routing capabilities across payments, across open banking aggregation. When we started to see some of the weaknesses at Silicon Valley Bank, we

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were amazed that within minutes we were able to reroute millions of dollars of payment processing to back-up processors, right. So, when we talk about the benefit of the technology that we've built, that really came out over the course of – over the last week.

Now, putting that aside, I think what you're asking is how do we really kind of take advantage of this. We go really far to make sure that we have redundant solutions. From a marketing perspective, as I just said in the previous conversation, we have our own walled garden in terms of where we go to acquire consumers. If you look at how we finance the receivables on our portfolio, a lot of that is through warehouse lines. And in this world, that actually is a safer pool of capital than potentially something that sits at a bank, right, from just the changes that we're going to go see in risk-weighted assets over the next quarter or so and sort of the scrutiny that the banks will have in providing that capital.

So, the fact that we have a whole network of partners on the warehouse side, and now that we have significant – as I said, a decade-long experience in managing risk in real-time, this is really where all of the artificial intelligence [indiscernible] (00:35:46) the profiles that we have really come into play to give us confidence that we'll continue to be a must-have partner for our consumers going through the course of the next couple of quarters.

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

A

Yeah. And the only thing I would add is you look at our financing facilities and the question we often get is, from those sources, what is your exposure on rates? And I think it's important that we have fixed rate agreements on all of our financing sources for our warehouse facilities, which means that we can continue to realize our strong unit economics, delivering for our customers while at the same time not being exposed to a rising rate environment.

George Frederick Sutton
Analyst, Craig-Hallum Capital Group LLC

Q

Great point. Now, Rick, on the incremental margin, I wondered if you could address that and talk about how you're thinking about the potential EBITDA margin for the business.

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

A

Yes. So, I think if you look at what's been kind of driving the expansion, you have to really point to that recurring revenue profile of the business. And whether you look at the consumer side or the enterprise side, when you have that recurring revenue profile, it increases the performance across all the revenue metrics. You get increased banking transactions, increased fee transactions. You get operating leverage in your expense base. Dee talked about marketing. You're just going to see our low provisioning. And so, all of that allows us to kind of drive that EBITDA margin expansion.

And when you also look at that growing returning user base, combined with the [ph] largest overall customer rates (00:37:23) that we have, it allows us to really retarget them and realize more and more first and third-party products, which then kind of perpetuates that overall virtuous revenue cycle and extends lifetime value. That of course all drops to our bottom line kind of given our unit economic profile. So, we feel really good about being EBITDA positive this year and realizing kind of quarterly EBITDA positive in 2023. And so, I think that's a unique position for us to be in, which not only kind of positions us uniquely in the space, but also kind of gives us more than adequate runway as we get to profitability this year.

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George Frederick Sutton
Analyst, Craig-Hallum Capital Group LLC

Q

Could we answer that question a little more on a quantitative basis in terms of flow-through margins you would be targeting and ultimate EBITDA margins you would anticipate?

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

A

Yeah. We're not going to actual EBITDA margins. I think if you see that from an incremental margin, taking things down like our net interest expense, you'll see that we made a pay-down of one of our warehouse facilities as a use of cash, which allows us to kind of reduce our interest expense. That came from excess cash in the facility as well as kind of bringing down our marketing expense.

George Frederick Sutton
Analyst, Craig-Hallum Capital Group LLC

Q

Nice job, guys.

Operator: Thank you. We've reached the end of our question-and-answer session, and ladies and gentlemen, that does conclude today's teleconference and webcast. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today.

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