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MoneyLion, Inc. (ML)

Q4 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to MoneyLion, Inc.'s Fourth Quarter and Full Year 2023 Earnings Call. At this time, all participants are in a listen only mode. We will have a question-and-answer session following the formal presentation. [Operator Instructions] Please note this conference is being recorded. Before we go further, I would like to turn the conference over to Sean Horgan, MoneyLion's Head of Investor Relations. [Technical Difficulty] (00:00:34-00:02:02) Ladies and gentlemen, we thank you for your patience. We will now resume our event. Sir, please go ahead.

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

Thank you, operator. Hi, everyone. Thank you for joining us for our fourth quarter and full year 2023 earnings conference call. MoneyLion's CEO, Dee Choubey; and CFO, Rick Correia, are here with me today to discuss our results. You can find the presentation accompanying our earnings press release on our investor relations website at investors.moneylion.com. 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.

With that, I will turn the call over to Dee.

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

Thank you, Sean. Good morning and thank you all for joining us for our fourth quarter and full year 2023 earnings call. I'm excited to share that MoneyLion had its strongest year ever in 2023. We achieved record financial performance for the year and we're positioned to scale efficiently going into 2024. In 2023, we prioritized profitability and we exceeded the guidance we provided on profitability. In 2024, we are well-positioned for an efficient growth stance. We're going to play offense while remaining disciplined on costs, and we're very confident we can do this. Now let me provide our key investor takeaways for 2023. First, we achieved record revenue of $423 million for 2023. That represents 24% year-over-year growth.

We generated record revenue across both our consumer and enterprise businesses for the year 2023, representing the strength of our two-sided ecosystem. It's worth repeating we have a diversified revenue model. Our marketplace solutions, technology advantage, customer acquisition and monetization products have set us up nicely as the gateway to American financial services. This diversification provides durability and, importantly, it will continue to propel MoneyLion forward and position the company for accelerating growth. Second, we saw gross profit margin expansion for both the full year and the fourth quarter of 2023. Our gross profit margin was 60% in 2023, up from 57% in 2022. We exited the year even higher with a 63% gross profit margin in Q4 2023, up from 61% in Q3 of 2023.

These results exceeded our full year gross profit margin guidance of 58 to 59%. And notably, this was our third consecutive quarter of gross profit margin expansion, really demonstrating our ecosystem advantage. Our third key takeaway, we generated record adjusted EBITDA of $46 million in 2023 which represents nearly a $110 million improvement compared to the prior year. I want to take this opportunity really to congratulate the entire MoneyLion team for this incredible achievement. This represented an adjusted EBITDA margin of 11%. In Q4, we reached 14.6% adjusted EBITDA margin, up from 12.1% in Q3 2023. This result exceeded our full year guidance of $39 million to $45 million.

Q4 2023 also marked our fourth consecutive quarter of positive adjusted EBITDA, demonstrating our ability to scale while funding our growth through organic cash flow generation. And lastly, we're setting our sights on our next profitability milestone, to reach our first positive GAAP EPS quarter in 2024. And the proof point is that we're getting really close; our net loss before other income and expenses and income taxes was only $5.3 million for the year 2023, down from a loss of $98.7 million in 2022. And moreover, in Q4, net loss per share was only $0.41, so positive GAAP EPS inside of 2024 is certainly in our targets. And finally, the fourth and final takeaway I would like to highlight today is the performance of our leading marketplace technology.

We saw approximately 205 million total customer inquiries in 2023, up 78% from approximately 115 million in 2022. We're getting to great scale here. I can't emphasize enough how big of an advantage this is for us as we're becoming a key component of the broader financial industries' customer acquisition and monetization infrastructure. The increasing inquiries also gives credence to our strategy of building value-add data products for enterprise clients which is a new growth area for us. Separately, we're expanding the distribution capabilities of our marketplace technology. We will be focusing more on distribution deals in 2024, and a great proof point was our new strategic alliance with E&Y (sic) [EY] (00:07:22). We're incredibly excited about that relationship and what it means for our business, and we'll discuss it further in a moment.

Lastly, we continue to focus on expanding the product verticals offered in our marketplace beyond our core lending verticals. Increasing the mix of revenue from non-lending products helps support our growth through a macro environment marked by higher interest rates throughout 2023. And now, we'll be leaning into this even further in 2024 as we develop and deepen our presence in areas like insurance, credit cards, mortgages while building on the foundational strength of our lending and credit verticals. And now turning to total customers. We ended 2023 with over 14 million total customers, representing over 115% year-over-year growth. This means we added more than $7.5 million total customers in 2023.

And next to total products, over 23 million total products were consumed in our platform through the end of 2023 compared to $12.9 million at the end of 2022. By the end of the fourth quarter of 2023, 48% of the products consumed were third party products, up from 26% through Q4 2022. This increasing mix of third party product consumption demonstrates the successful execution of our marketplace-first approach which enables us to scale and bring new customers onto our platform through our vast network which can be accessed both inside and outside of the MoneyLion app ecosystem. We're positioned to serve each of our customers throughout their financial lives. As we nurture these customer relationships over time, incremental product adoption represents a significant revenue growth and profit opportunity over time for us.

As a result, we continue to see in-built growth tailwinds in these financial KPIs. As we noted last quarter, we're rapidly approaching the Rule of 40 which represents the concept that a company's revenue growth rate and profitability margin should equal or exceed 40. We believe this is an important target for us as we aim to strike the right balance of growth and profitability. In 2023, our revenue growth was 24% year-over-year and our adjusted EBITDA margin was 11%, representing a total of 35. We're going to reach the Rule of 40 through continued execution. We'll focus on continued growth in a few ways. First, continued strength in our consumer businesses where we now have over a decade of experience building must-have consumer finance products and experiences will drive our progress.

Second, we'll relentlessly optimize a very large scaled funnel on behalf of our enterprise partners and find more pathways for cross-sell automation with our ever-improving proprietary martech stack. Third, as we said earlier, we'll deepen our presence in new vertical coverage across insurance, mortgages, and credit cards. And finally, we'll look to expand our distribution and go-to-market strategies. Rick will discuss this further when he talks through the guidance, but before he discusses our financial performance I'll provide a brief update on our business from a product and experience perspective and how that translates into growth opportunities for 2024.

Starting with our consumer business, our personal financial management platform provides any consumer the ability to save, borrow, spend, invest, and find personalized financial guidance through a rich and growing community of Americans looking to make their best financial decisions. We have shortened the distance between inspiration and education and conversion, bridging the gap that has historically prevented people from taking action. All of this functionality is supported by the latest advancements in AI-powered LLM enhanced search which provides our customers with valuable insights that empower them to budget more effectively and find the right products and offers, importantly with context and personalization.

It's also important to note here that we're developing the core underlying technology and data structures to efficiently allow consumers to converse with their money. Deep consumer research is underway on how artificial intelligence can automate workflows and make better consumer experiences while delivering on the high compliance and regulatory standards that are set for the industry. We have officially launched our premium membership MoneyLion WOW which provides exclusive benefits alongside our bundled PFM suite. This is a great chassis to add more and more value for our consumers continuously. The engagement here will lead to healthy LTV and ARPU dynamics over time. Let's take a second to do a bit of a deeper dive into the MoneyLion WOW membership.

WOW is an innovative membership that we believe is like nothing the industry has seen before. Priced at $9.99 a month, WOW offers hundreds of dollars of benefits annually, including cashback on first and third party products and offers and access to exclusive features like active investing and cashback and transactions using your debit card. Ultimately, we have a suite of benefits that make the equation pretty obvious for consumers. Every member can get their membership cost back and much more in savings and cashbacks. Any WOW member will be very clearly incentivized to consolidate their financial lives with MoneyLion. We believe this membership offering will expand our total addressable market and increase recurring revenue.

As we offer unique cost savings and benefits to a new segment of the US population, we believe our cashback and other premium benefits will entice a higher-income consumer segment as we become the premier marketplace for financial products and solutions. And of course, this will increase product adoption of our bundled first party products and offers naturally increasing ARPU and retention. And finally, we expect WOW to deepen engagement with members as they take advantage of these exclusive benefits. We believe we can grow MoneyLion WOW to industry-leading customer acquisition costs. Initial consumer demand has been really robust and the membership is offered as an upgrade inside of our existing customer acquisition funnels.

We want to become the most trusted, go-to marketplace for financial decisions and our WOW membership is a step in that direction, providing unique value at a great price. So zooming out to our holistic offering more generally, if you look at what we've built, it's the most full-featured PFM in the industry. It includes a robust consumer finance platform with many great categories, including first party products like our digital wallet, Instacash, full service investing, and an entire completion product set through third party integrated products and offers. And of course, that comes with intuitive and helpful product applications like calculators for loans, investments, retirement, and high-yield savings accounts; all of these help consumers make better decisions for their families.

We've talked about AI-powered search, we talked about the investments we've made in the technology here. But from a consumer's perspective, cutting-edge insights and easier budgeting tools than what's available in the industry are now right around the corner as the natural progression of cutting-edge technologies that we're seeing. We're, of course, at the forefront of delivering those through an application layer directly to our consumers. These tools help us engage and retain our consumer base on our platform with a trusted and meaningful relationship. Our curated content feed is based on each customer's individual interests and behavior, providing guidance through their financial journey. We're providing behavioral insights that provide unique benefits that translate to savings.

For example, our driver score now tracks how customers drive, potentially saving them significant money on auto insurance. We're offering credit monitoring; this is a useful tool for consumers as they navigate their financial lives, whether it's today or tomorrow. And of course, lastly, all of this compounds into and builds up to personalized offers. These are a function of the one-to-many network of offers we provide through our marketplace, and our ability to smartly make a next best offer recommendation based on the massive amount of data that we ingest each day becomes really interesting. So what are we doing with all of this functionality? We are making it available to any business.

Our marketplace of financial products along with supplier and publisher tools like embeddable video content, widgets and calculators, and our generative AI search engine are all available today in a developer-friendly manner, either through easy-to-use embedded offer walls and co-branded partner pages or as full custom APIs so our partners can embed them natively into their own apps and experiences. Throughout 2024, we will be working to strengthen this technology so that it's even more developer-friendly. Integrating MoneyLion into web and mobile applications should become a great growth loop to strengthen our role in the overall ecosystem. You've seen us talk about this slide many times, but it's a good illustration of our two-sided enterprise network.

In 2023, our enterprise business achieved record annual revenue. In our enterprise marketplace, during the year we experienced heightened headwinds in our lending verticals. In particular, in Q4 there was a quarter-over-quarter decline in the enterprise business which we attribute exclusively to the macro environment. However, we have great confidence in this business and see it as a continued pillar to our growth going forward, and we'll continue to combat these dynamics through our ongoing diversification efforts. In 2023, approximately 60% of our enterprise marketplace revenue was from our personal loan vertical, importantly down from 85% in 2022. This reflects a tremendous amount of progress in expanding into non-lending verticals. Moreover, it also represents a latent catalyst for growth once the macro environment normalizes.

Our network of 1,100-plus enterprise partners drove approximately 205 million total customer inquiries in 2023. What does this represent? As we continue to expand our top of funnel with more suppliers and publishers joining our network, our data advantage grows. It also means there's a large opportunity in front of us to increase conversions for enterprise partners and scale growth. And you might have noticed with each passing quarter that the lines between our consumer and enterprise businesses have become increasingly blurred; this is by design. We believe that MoneyLion has the ultimate marketplace solution and includes a vast network of enterprise partners who want one-to-many industry connectivity with simple-to-use compliance-first technology.

Embedded marketplace technologies that are developer-friendly, recommendation and decisioning engines, targeting and marketing channel tools and capabilities. A content feed, content-as-a-service capabilities, an in-house production and much more. In short, MoneyLion combines the technology, data and AI capabilities, content and product knowledge to help our partners easily acquire, grow and importantly monetize consumers at scale. And our alliance with E&Y (sic) [EY] (00:19:17) is a perfect proof point of how we're bringing this all to market. Thousands of brick-and-mortar banks, your local credit union or main street bank are playing catch up as today's consumers want more of their financial services to be delivered online. They're also fighting deposit consolidation of the top 20 banks; this is where we can really help.

MoneyLion brings embedded finance and leading marketplace technology to the table. E&Y (sic) [EY] (00:19:44) brings decades of trusted expertise in the banking sector and relationships with banks. And together, we will deploy turnkey solutions to enable smaller banks to serve an increasingly digital-first consumer. Like I've said before, distribution is key and this is a great example of the type of alliances we're building. Both the MoneyLion and the E&Y (sic) [EY] (00:20:08) teams are excited about this partnership as we begin to ramp-up in 2024 and we'll look forward to providing updates on our progress along the way.

And with that, now I'll turn the call over to Rick to walk through our financials in detail.

Richard Correia

President, Chief Financial Officer & Treasurer, MoneyLion, Inc.

Thanks, Dee, and good morning to everyone. I look forward to sharing details about our financial performance for the fourth quarter and full year ending December 31, 2023. I will also discuss our guidance and outlook for the first quarter of 2024. For more information, please refer to our GAAP consolidated financial statements and non-GAAP reconciliations which are available in today's earnings release and our 10-K filing. Turning to our customer acquisition and lifecycle strategy, our top of funnel drove approximately 205 million total customer inquiries, up 78% from roughly 115 million in 2022. This converted into about 7.5 million new total customers in 2023 and over 10 million total products consumed during the year. We continue to scale our customer base due in large part to our massive top of funnel.

Going forward, one of our key initiatives is to drive incremental uplift in our conversion rates. A small increase here represents a large opportunity. Turning to unit economics. In 2023, our customer acquisition cost was under $15 and our payback period was around three months, consistent with prior periods. Turning to ARPU. ARPU was around $41 for the full year of 2023 and around $34 in the fourth quarter. As we said in prior quarters, we've been focused on expanding our TAM and introducing more customers to our platform, and it's working. This continues to be a deliberate, strategic decision to capture customers in the near-term and then focus on accelerating growth and increasing lifetime value with those customers.

Longer-term, we believe we can continue to provide value to new customer cohorts which will drive ARPU expansion as we expand our relationship with them and then they come back to MoneyLion time and time again for additional content and products. As we've demonstrated quarter-after-quarter, our revenue continues to be primarily recurring in nature. Starting with consumer, in the full year of 2023, approximately 80% of our consumer revenue came from historic cohorts. Take a look at 2022; in that cohort, you can see that we're successfully deepening our product penetration and revenue expansion, a real proof point for the platform approach to consumer finance. In our enterprise business, over 90% of revenue came from our marketplace from prior year cohorts.

Investments that we make in acquiring new partners has meaningful recurring SaaS-like revenue contribution. Shifting gears to total originations. In the fourth quarter of 2023, total originations were $644 million, up 30% year-over-year and 14% just quarter-over-quarter, a real testament to the product market fit and AI-driven underwriting and risk management of consumer originations. And for 2023, total originations were $2.3 billion, up 27% year-over-year. Credit performance trends remain stable in Q4 2023; and for the full year of 2023, our provision expense as a percentage of total originations was 3.4% for the full year of 2023.

This demonstrates our continued ability to optimize credit quality as we continuously implement changes and leverage over a decade of experience helping customers meet their liquidity needs with our leading fintech solution. You've heard me say this before but it's really worth reiterating that we solve for the originations performance outcome and we flex up or we slow down based on our AI signals which allow us to grow and abstract away from the macro environment. Now turning to some of our other key financial metrics. Revenue for the year grew 24% year-over-year to $423 million. This performance was driven by strength across our entire business with record revenue in both our consumer and enterprise businesses. Looking at gross profit, gross profit margin for 2023 was 60%, up from 57% in 2022.

We exited the year even higher with 63% gross profit margin in the fourth quarter of 2023, up from 61% in the third quarter of 2023. Now on to our path to profitability. During 2023, we generated $46 million of adjusted EBITDA, making a positive adjusted EBITDA year in parallel with record annual revenue. For the fourth quarter, Q4 marked our fourth consecutive quarter of positive adjusted EBITDA and further margin expansion. Adjusted EBITDA was $17 million compared to $13 million in the third quarter of 2023. This represents an adjusted EBITDA margin of approximately 14.6%, representing about 250 basis points of expansion compared to 12.1% in the third quarter of 2023.

As for our cash position, we closed the year with $92 million of cash compared to $94 million in Q3 while also paying down $10 million of senior debt in Q4. For the full year of 2023, we paid down a total of $25 million of senior debt and we don't have any additional senior debt principal repayments due until 2026. As part of our efforts to proactively manage our balance sheet, we're in the process of entering into a new forward flow financing arrangement to finance our originations as an alternative to our current warehouse financing facility. This forward flow arrangement, which we currently expect to enter into in Q2 2024, will simplify our balance sheet and importantly is a more cash-efficient method to finance our originations, allowing us to reinvest in our business.

As we continue to drive towards positive GAAP net income, it's important to note that in Q4 2023 we incurred other expenses of $6 million, of which the majority is attributable to the total litigation-related reserves for our previously disclosed litigations. Excluding this one-time non-recurring expense, MoneyLion would have generated breakeven net income for Q4 2023. While we are proud of our progress in adjusted EBITDA, we're always looking forward. As Dee mentioned, we're setting our sights on our first positive GAAP EPS quarter within fiscal year 2024. And based on recent performance and management execution capabilities, we say this with a high degree of confidence.

Turning to our results relative to guidance. Revenue was $423 million, within our guidance range of $420 million to $425 million. Gross profit margin was 60%, exceeding the high end of our guidance of 58% to 59%; and adjusted EBITDA was $46 million, exceeding the high end of our guidance of $39 million to $45 million. This represents an 11% adjusted EBITDA margin, approximately a 30 percentage point improvement relative to 2022. Before I turn to our guidance for the first quarter of 2024, I'd like to discuss key growth drivers for 2024 and why we're expecting to achieve the Rule of 40 alongside record revenue, EBITDA, and net income. We believe we are well-positioned for growth acceleration in 2024 supported by the following four pillars of growth.

Continued growth in the consumer business; our consumer business continues to deliver strong results regardless of the macro environment. Demand for our consumer products remains robust, providing value for our customers. Moreover, this business is growing increasingly efficient and profitable. Our consumer business will continue to serve as a growth engine throughout the year. Relentless funnel optimization; we ingest a tremendous amount of data into our top of funnel. As we've mentioned before, we see hundreds of millions of total customer inquiries across our platform each year. While this translated into an impressive number of new customers, we're highly focused on optimizing conversions as a small uplift represents substantial upside to our top line.

Vertical expansion; in addition to continue our market-leading position as a credit marketplace, we're working in real time to expand and deepen the number of product verticals we offer in our marketplace. We saw tremendous ROI in the vertical expansion investments in 2023 and are therefore prioritizing this again in 2024. Namely, we're focused on the insurance, credit cards, and mortgage verticals. This will continue to diversify our marketplace revenue on the products that we see high demand for over the near and medium-term. Expanded distribution; as Dee mentioned, we're working on strategic partnerships to expand the distribution of marketplace technology. One notable milestone on this front is our recently announced alliance with E&Y (sic) [EY] (00:30:17).

We're in the early innings of this alliance, but we're incredibly excited about the prospect of delivering our marketplace technology to the thousands of banks in the US. This represents a massive opportunity, and our alliance already has a ready-built pipeline that only represents upside to our previously communicated targets. Underpinning these growth pillars, a reversion in the macro environment provides additional upside to growth in 2024 as our marketplace business would benefit from a rebound in approval rates within our lending verticals. Any positive macro trend that lowers rates will increase conversion which has material benefits to revenue and unit economics.

Now I'll turn to our first quarter 2024 guidance. For the first quarter of 2024, we expect revenue between $115 million to $118 million, representing 23% to 26% year-over-year growth, an acceleration from the 19% year-over-year growth in Q4 2023. Adjusted EBITDA of $15 million to $18 million, representing 13% to 15%-plus adjusted EBITDA margin. Going forward, we will no longer be providing financial guidance for gross profit margin as one of our key performance metrics. Due to differences in accounting under the forward flow arrangements versus warehouse facilities, we do not expect gross profit and gross profit margin to present comparable measures of our performance going forward versus historicals as we transition from our current warehouse facility to the new, more cash-efficient forward flow arrangement.

To be clear, our unit economics remain strong and continue to improve which is evidenced by our revenue growth, EBITDA, and net income targets. Last quarter, we noted that we have a financial profile that is rapidly approaching the Rule of 40. Our Q1 guidance reflects that we continue to trend in that direction, implying a Rule of 40 metric of 36 to 41 for the first quarter of 2024. As we look back at 2023, we're incredibly proud of the progress we've made and look forward to another strong year in 2024.

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

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

Thank you, Rick. In closing, I'll leave you with a couple of final thoughts. 2023 was another great year of performance for MoneyLion and important in our evolution to becoming an industry stalwart. We have come a long way in scaling the business and driving operational efficiency, generating record results in 2023 across our key metrics. While the year was great, we don't settle for good enough. We're always looking forward to the next milestone in MoneyLion's evolution. How can we innovate on our technology, differentiate the value proposition for millions of Americans, and scale our financial KPIs further? And we have no doubt we'll continue to drive strong results. On the heels of our record performance in 2023, we couldn't be better-positioned for the setup for 2024.

Our plan hinges on our growth pillars, including continued execution in our consumer business, aided by our plan to move towards a more cash-efficient financing mechanism that makes us balance sheet-light. It will also hinge on funnel optimizations on the enterprise side, bringing new data products to our partners, deepening our product verticals, and expanding our distribution. And of course, as the macro interest rate environment reverts at some point, a rising tide will lift all ships, providing MoneyLion built-in revenue growth from more credit-oriented matches on our network. Importantly, due to our increasing scale, we're now a credible complement and alternative to Google and Facebook for customer acquisition in the financial services sector.

These factors, coupled with disciplined execution, will continue to propel MoneyLion forward in 2024 and beyond, and we're just getting started. Thank you all very much. I will now turn the call back over to the operator before we take your questions.

QUESTION AND ANSWER SECTION

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

George Frederick Sutton
Analyst, Craig-Hallum Capital Group LLC

Q

Thank you. Wonderful job, guys. Great numbers. So I'm curious, as we look at this EY partnership, you mentioned it's not embedded in your guidance but you have built a pipeline. We're certainly aware of their competence in the financial services sector, but can you give us a little better sense of how big can this EY opportunity be and are there other partnerships like this that you would look to pursue?

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

A

Hey, George, good morning. It's Dee. Great question. So, look, I think as we said in our prepared remarks, the idea here is really to co-build turnkey digital solutions alongside EY. And as you can imagine that we didn't stumble upon this relationship by mistake and there's been a lot of time spent by both companies, multiple quarters really setting this up for success, so in that process we've actually had a lot of conversations with potential clients. And the demand for the product is actually pretty acute. And if you think about some of the dynamics in the marketplace in terms of mid-sized financial institutions, do they have access to the right fraud tools, the right KYC tools, right onboarding tools?

And ultimately, everyone's looking to diversify their deposit acquisition strategies in the world that we're in with interest rates as well as their non-interest income and fee generation capabilities. So we can help on all three elements, right? So this is where E&Y (sic) [EY] (00:36:47) really opens the door for the distribution element, the trustworthiness element, the relationship element that's really important in the banking world. And we provide the benefit of 11-plus years now of building consumer-facing technologies, right? So that's why as we're taking that to market, we've seen a lot of resonance with that product set. So it's early innings, but we do expect it to be fairly meaningful to our contribution later this year and certainly in 2025.

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

Yeah. I think we love this question because we didn't make a big splash with EY because this is going to be small. And so when we think about the fee pools that are available, it's in the $20 billion range. And as you know, when MoneyLion sets its sights on a fee pool, we take market share. And so we're going after the digital transformation of the regional banks, the national banks, the credit unions with our marketplace technology. And so this is really that kind of mosaic coming together in terms of MoneyLion moving very aggressively into providing marketplace technology into the most important customers that we have within our spectrum.

George Frederick Sutton
Analyst, Craig-Hallum Capital Group LLC
Q

Awesome stuff. One other question. So the CFPB came out and has tapped down the credit card late fees that is expected to create a fairly significant amount of change in credit availability. I would think for you, being able to provide a breadth of solutions would ultimately be a nice beneficiary of this, particularly as you're just now entering the credit card vertical. Can you just give us a sense of thoughts there?

Diwakar Choubey
Founder, Chief Executive Officer & Director, MoneyLion, Inc.
A

Yeah. Look, I think, first of all, it's two days since that's been announced, so I think the industry will digest it and then they'll have their proper response that we think will take a while for it to actually get to reality. But the American financial services ecosystem, the industry is incredibly dynamic, right? The credit card vertical is incredibly dynamic. You have everything from secured cards to subprime to near-prime to prime, and they all have different unit economics, right? So the United States runs on credit card line availability. It's going to have a multiplier effect for sure in those different verticals.

But as it relates to your question around how it impacts potentially the credit products that we offer both on a first and third party basis, our positioning as a marketplace really sets us up well, right, because we're the interface layer for helping consumers make the decision on whether it's a personal loan that's right for them, a credit card, an income-based advanced product or a HELOC or a secured card. So because we're the tooling on top of the existing offer set, we absolutely think that we'll be now in a better position to actually help consumers demystify which products to take. From a unit economics perspective, I think it's early. I think that it takes a long while for this actually to come to reality and ultimately hitting those unit economics. And then in that case, we expect products to also change a little bit.

If you think of it from a natural progression, and you actually do think that when it hits, credit availability comes down on the credit card side because we have the marketplace with other offers, our first party Instacash offer, we provide a marketplace of income-based advance products for some of the leading providers out there. I think, again, it's one of those things where we're really well-positioned to take market share across the spectrum.

George Frederick Sutton
Analyst, Craig-Hallum Capital Group LLC
Q

I agree with the conclusion. Thanks, guys.

Operator: Our next question comes from Hal Goetsch from B. Riley Securities. Please proceed.

Hal Goetsch
Analyst, B. Riley Securities, Inc.
Q

Hey, guys. Terrific quarter. Just want to clarify some numbers that were given on your enterprise side. Did I hear this right, like, that about 85% of the business in 2022 was personal loans and that fell to 60%? And if that math is right, that means your personal loan business was down pretty sharply about 20% yet the enterprise business still grew. Is that correct?

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

So from a percentage perspective, what that number is representing is the percentage mix of our revenue that is coming from our marketplace business, specifically within the credit vertical. And so I think what's important about that metric is not that that business actually fell, but actually that that business has become less of the overall unit economics as there were macro headwinds in that space. And so the corollary to that is that we were able to build up and expand into other verticals.

That sets us up incredibly well for 2024 because what it means is that as rates come back and that increases our conversions in the credit vertical, we're going to have the benefit of both seeing the uplift from a revenue perspective within that vertical alongside continuing to match customers with products that sit in the insurance vertical, the mortgage vertical, auto refi, etcetera. And so I think from our perspective, we were highlighting what was a really important buildout of kind of products and technology that again sets us up really well for 2024.

Hal Goetsch
Analyst, B. Riley Securities, Inc.
Q

Okay. Can I ask one follow-up on the subscription business?

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

Please, Hal.

Hal Goetsch
Analyst, B. Riley Securities, Inc.
Q

You mentioned, you alluded to, yeah, initial product market fit and traction. Can you just – what can you tell us about the product market fit and traction you're seeing with the subscription business maybe generally or actually quantitatively? Thanks.

Diwakar Choubey
Founder, Chief Executive Officer & Director, MoneyLion, Inc.
A

Yeah. Hal, as you know, we've been working on really honing the value proposition and the product market fit for the last couple quarters. The MoneyLion WOW membership, the subscription business has been in beta for a couple of quarters now. We want it to be the best of MoneyLion; we want it to be the gateway, the interface layer to our marketplace; we want it to be a single point of decision making for consumers. And if you look at our proof points, if you look at the cohort slide that we share every quarter, 80% of our revenue comes from prior cohorts, right? So right now, the first phase of rollout really here is the upsell on the upgrade path with our existing customers.

As we continue getting more partners and the value proposition becomes irrational for anyone not to have the MoneyLion WOW membership, I think that's really when we put a lot of marketing dollars behind it. But if you look at our track record of already providing a recurring nature to our consumer revenue, I think this only bolsters it and enhances sort of that revenue line around consumer. So if you're an investor looking at our P&L and sort of the breakdown of our consumer business, I think the existence of the bundle of the subscription, of the membership really should give you confidence that we're really tying in the consumer into our ecosystem for a long period of time. We want them to come back for the second time when they want to make a financial decision.

If you look at the products that we're building with AI search, they're all around engagement, retention, and extending the lifetime that this consumer is trusting MoneyLion to make that financial decision. And of course, that provides an incredible benefit to our enterprise business. This is where we say that the lines are blurring a little bit between the two businesses, is because the longer they are on MoneyLion, the more times we can offer vetted consumers with exactly matched personalized products in our ecosystem. And that's ultimately the game here, is to extend that lifetime value over time.

Hal Goetsch
Analyst, B. Riley Securities, Inc.
Q

Cool. Thank you.

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

Josh Siegler
Analyst, Cantor Fitzgerald & Co.
Q

Yeah. Hi, guys. Thanks for taking my question and great results here, really nice to see. First of all, I was wondering obviously, you have a significant amount of customer inquiries coming in top of funnel. How are you thinking about actually growing the customer base throughout 2024?

Diwakar Choubey
Founder, Chief Executive Officer & Director, MoneyLion, Inc.
A

Yeah. So, look, we don't see any headwinds in terms of the growth rate on our total customer inquiries. In fact, if you think about it, why our total customer inquiries are increasing, our network, the technology value proposition that we have in the marketplace through our Engine by MoneyLion, our enterprise business, as well as our media business, that's becoming more and more a must-have. If you're acquiring consumers digitally, it's becoming – we're getting to the scale where you likely have to go through Engine, our enterprise business, to acquire those consumers. So what that allows us to do is increase both the suppliers and publishers because we're creating more and more monetization opportunities for them.

As well as a financial lender, an insurance company, a mortgage company, a credit card company, we're providing more and more data tools to actually pinpoint the audience that's best for them, right? Because every financial institution has a different segmentation strategy. With our data advantage, we're now creating really interesting tools that are advanced, that are using machine learning, that are using some of the advancements to pinpoint the exact consumer some of these financial institutions want, right? And because – and that really just drives the multiplier effect on both sides. The more supply you have, the more demand that comes; the more demand you have, the more revenue per lead you can give to your publishers and your suppliers. And that's – our pipeline is really good.

We're going to continue investing in sales and partner solutions as we've said in the past in 2024, and I think a combination of that continues to give us a tailwind in the total inquiries increasing in 2024.

Josh Siegler
Analyst, Cantor Fitzgerald & Co.
Q

Got it. That's really helpful color. Thank you. And then, I also wanted to focus on the other side of things which is just increasing lifetime value of those customers. We saw a really strong expansion of the 2022 cohort. How are you focused on cross-selling and upselling on the 2023 cohort moving forward?

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

Yeah. Hey, Josh. Appreciate the question. So when you look at our focus for 2024 and those kind of growth pillars, that relentless focus on funnel optimization, one of the components of that in addition to, of course, what Dee just talked about in terms of expanding the top of funnel is really looking at kind of the middle and kind of lower end of that funnel. So from the middle of the funnel, our AI-driven conversion continues to improve quarter-over-quarter, and so matching customers with the right product is something we're just getting better and better at. And it's what's making us such a big participant within the kind of marketplace space across all of financial services. But then we look at the bottom of the funnel, what you've highlighted is exactly another area that we're focused on.

2022 is the proof point that our ability to kind of land and expand is working. And so our ability to kind of take that marketplace technology and use it to cross-sell that second and third derivative product has a couple impacts. Of course, it has an impact on our LTV but it also has an impact on ARPU. And so the game we're playing in terms of letting ARPU kind of drift down to expand basically the number of customers coming into the ecosystem is because we have such confidence to be able to kind of cross-sell that, again, that second and third derivative product. And in some cases, those are kind of products that have 30%, 40% margins and in other cases those are products that have 70% to 90% margins. And so it's an important part of our overall strategy and it's a high priority and focus area for MoneyLion in 2024.

Josh Siegler
Analyst, Cantor Fitzgerald & Co.
Q

Thanks, Rick. Appreciate it and congrats again on the results, guys.

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

Yeah. Thanks, Josh.

Diwakar Choubey
Founder, Chief Executive Officer & Director, MoneyLion, Inc.
A

Thanks, Josh.

Operator: Our next question comes from Jacob Stephan from Lake Street Capital Markets. Please proceed.

Jacob Stephan
Analyst, Lake Street Capital Markets LLC

Q

Yeah. Good morning, guys. Congrats on the results and strong guidance here. Maybe just kind of looking at capital allocation priorities as you – as your model continues to scale, you're throwing off incremental free cash flow. Obviously, you paid down debt in the quarter. But how can we think about kind of the mix of debt reduction, leverage reduction to overall kind of reinvesting back into the business?

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

A

Hey. First of all, welcome and, Jacob, we kind of appreciate you picking up coverage. In terms of your question, I think in 2023, you saw us pay down about $25 million of senior debt. We don't have another payment due until 2026. We believe actually the best use of our cash right now is to continue focusing on kind of scaling and growing our business. It's why you'll see from a revenue perspective, we've guided to accelerating our revenue growth. In Q4 2023, we had kind of a 19% year-over-year growth in revenue, and we're guiding to something in the zip code of over 24% year-over-year growth. So that's where we're focusing from a capital allocation perspective. To dig into the specifics which we just touched upon, it's about funnel optimization at every level.

It's about the top of the funnel with more distribution and more channel partners, it's about the AI-driven conversions and matching with the right product, and it's about cross-selling the second and third derivative product. That's where we're going to put our cash and we're able to do it with efficiency, we're able to do it while continuing to focus on our Rule of 40. So, again, driving growth alongside EBITDA margins in the 13% to 15% range which is what we've guided for the first quarter puts us in that kind of Rule of 40 in the 36 to 41 zip code. I think if you comped us against others in the space, it's pretty remarkable. And so that's where you're going to see us continuing to focus as we generate and spin up more cash given the efficiency of our business today.

Jacob Stephan
Analyst, Lake Street Capital Markets LLC

Q

Okay. Got it. And maybe just one more on the MoneyLion WOW. Maybe you could kind of talk about conversion rate of non-premium subs to kind of premium subs. What has that uptake been like? Could you kind of quantify the user base on the premium platform?

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

A

So, Jacob, I think there's a couple strategies to growing our MoneyLion WOW subscription over time. We're taking a little bit of a phased approach. We've been providing bundles and subscriptions since 2016, right? We're one of the first really to kind of put it all together in one seamless application. So right now, the first phase is really to have MoneyLion WOW as an upgrade and a cross-sell journey in the existing funnels. As I said before, 80% of our consumer revenue comes from prior cohorts, so these are really loyal, really sticky, really recurring customers to begin with and we'll be really offering them the upgrade to the MoneyLion WOW membership. As we continue over the next few months to add more partners, more capabilities, more cash back, we've got a metal debit card coming out that we're excited about.

A lot of interesting, engaging financial literacy components are being added to it. As we talked about in the past, we have a unique ability to tell our own story through our production capabilities or content-as-a-service capabilities. As those all get installed inside of the membership, we will be putting incremental marketing dollars and brand dollars behind MoneyLion WOW, and I think that'll be a more appropriate time for us to really kind of signal in terms of the subscriber growth. But for now, think of it really as bolstering the existing recurring revenue of the platform and being cross-sold to those consumers that are already using the product.

Jacob Stephan
Analyst, Lake Street Capital Markets LLC
Q

Okay. Got it. Thanks, guys.

Diwakar Choubey
Founder, Chief Executive Officer & Director, MoneyLion, Inc.
A

Thanks, Jacob.

Operator: This concludes our question-and-answer session. This also concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.