



MoneyLion[®]

1Q 2022 Earnings Call Transcript

Thursday, May 12, 2022

Company Participants

Sean Horgan - IR

Dee Choubey - CEO and Co-Founder

Rick Correia - CFO

Conference Call Participants

George Sutton - Craig Hallum

Josh Siegler - Cantor Fitzgerald

Operator

Good day and welcome to MoneyLion Inc.'s first quarter 2022 earnings call. Joining us today are Dee Choubey, CEO and Co-Founder, Rick Correia, Chief Financial Officer, and Sean Horgan, the company's Head of Investor Relations.

At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. Please note this conference is being recorded.

Before we go further, I would like to turn the conference over to Mr. Horgan as he reads the company's Safe Harbor statement within the meaning of the Private Securities Litigation Reform Act of 1995 that provides important cautions regarding forward-looking statements. Sean, please go ahead.

Sean Horgan

Good morning everyone and thank you for participating in today's conference call to discuss MoneyLion's results for the first quarter ended March 31, 2022. Joining us today are Dee Choubey, CEO and Co-Founder, and Rick Correia, Chief Financial Officer.

Before I introduce Dee, 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 press releases. Today's call is also accompanied by an earnings presentation that you can view on our webcast and on our website at investors.moneylion.com.

Now I'll turn the call over to Dee.

Dee Choubey

Thank you Sean and welcome to the MoneyLion team as our newly appointed head of Investor Relations. Please feel free to email Sean with all your questions after this call.

Welcome everyone to our first-quarter earnings announcement. We'll use this opportunity to reiterate our 2022 full year guidance as well as discuss business updates and financial results.

The macro markets are volatile - tech indiscriminately is down and oversold. Markets may be irrational in the short term, but they will certainly normalize in the long term. We can't, however, time or predict the markets and certainly can't control them. What we can control is our business and I couldn't be more proud of the execution of the global MoneyLion team. We are well capitalized, and we're seeing all the right fundamentals in our business that gives

us confidence we'll scale and thrive. We've made great progress in the first quarter. Despite the noise, MoneyLion has never been better positioned to execute on what we believe - categorically - is the most exciting strategy in fintech.

Our business serves more customers today than it did a year ago. MoneyLion continues to efficiently grow at near 100% year-over-year growth. And we are doing so while spending less per unit dollars on marketing, showing decreasing customer acquisition costs, and completely diversifying our revenue base. Not a lot of fintechs can say that. We set out to rewire the financial system for the hard-working American, and with that mission in mind we have built a platform unlike any in the market. That's why we are so uniquely positioned to become the category leader through this shifting landscape. We brought together content from diverse and influential creators to educate, delight and empower our customers. And we have been growing a marketplace of partners that give our customers access to billions of dollars in aggregate savings through lower-cost personal loans, savings on car insurance, reduced wireless bills, and hundreds of personalized offers activated through our content and lifestyle feed and across our distributed platform. Our ability to contextualize these savings as advice, sets us apart. More than ever before, our products are mission critical to the lives of customers as we continue to help them navigate their financial path through changing economic environments. Increasing inflation and tight spending environments positively impact our consumer business by increasing the inherent demand for our credit products.

MoneyLion has been built to win in every economic cycle. We posted record revenue in the first quarter and exceeded our guidance, and we are re-affirming our 2022 full year guidance. Our cash position remains strong and we have ample runway through our path to profitability. In 1Q22, we saw record new customer adds, while reducing our marketing spend from 4Q21, resulting in a substantially lower CAC of \$16 in the first quarter. We're projecting 100% growth rate in Adjusted Revenue in 2022 and continue to expect to exit the year with breakeven Adjusted EBITDA. MoneyLion has always been an attractive growth investment, but we believe our shares have entered deep value territory. If you're a fintech investor looking for a disruptive growth story with real AI and machine learning chops in a still nascent consumer adoption cycle, we represent an incredible opportunity at a time when the markets seem to be going through an air-pocket. The investment thesis is playing out just as we have always said with continued execution on our strategic plan. You'll see that customer growth compounds for us as we're able to increase recurring revenue from existing customers; this drives Lifetime Value expansion and we're seeing this nicely in the first quarter. Our multiple products per customer strategy is working as well. Lifetime Value expansion gives us margin expansion and revenue scale over time, and it all builds on top of prior customer cohorts. We are diversifying our revenue mix by expanding SaaS and fee-based revenues, with enterprise revenues increasingly representing a larger portion of our total revenue mix.

We've re-aligned our financial presentation to two categories: Consumer and Enterprise, based on the nature of the products and services provided and the channels through which the products and services are offered. The synergies between our consumer and enterprise businesses drive network effects and position us to increase market share just by virtue of the compounding benefits and our understanding of the financial intent of the entire American consumer base. These synergies also help significantly reduce customer acquisition and retention costs while sharing a common technology, content, and data infrastructure.

Our Consumer business is centered around a hyper-personalized in-app feed that includes engaging financial and lifestyle content from our network of content creators, athletes, celebrities and of course by the large amount of data produced through increasing everyday consumer transactions through our best-in-class financial products. Our suite of consumer products include automated-advice, banking, credit, investing, crypto, and rewards – all of which serve to provide super powers to consumers in times of excess as well as times of need. As we've said before, this suite of capabilities is a must-have toolkit in all economic cycles. In the first quarter, we saw continued engagement with our educational resources, learning modules, roundups, investing, crypto and our full suite of digital banking products and capabilities. We integrated a suite of affiliate products including credit cards, insurance, personal loans, and auto-refinance options natively and seamlessly into our consumer experience. This allows us to expand our target markets to a broader spectrum of consumers, including those with higher income profiles, and those that own their homes. The addition of the infrastructure of our Enterprise business has made our Consumer value proposition more robust and more rich, and certainly more appealing to a broader segment of Americans. Overall, we saw changes in our positioning in the first quarter that helped establish us as a go-to one-stop shop for all money moments for all Americans.

Our Enterprise business represents an embedded finance marketplace that provides significant value propositions to Enterprise clients by allowing them to fully monetize their own consumers through financial products. MoneyLion's network APIs can be installed via native API code, CRM integration, embed widgets, or simple partner page integrations on any consumer facing app or website. This allows us to sit in the center of an extensive distribution network that serves as an efficient matching engine for consumers reached through our business partners and product providers. Our Embedded Finance Marketplace provides access to the widest range of financial offerings to meet consumer financial needs. The distribution power is immense. Any website, bank, credit union, or aggregator can offer their customers and members monetization through financial products accessed through our marketplace. As a result, our vantage point and TAM have significantly expanded. 99% of households in America can theoretically become customers of MoneyLion - coupled with our low-cost, highly engaging content, we are seeking to become the daily destination to get advice on the right financial product at any moment in time. The combination of our Consumer and Enterprise assets drives a powerful new business model for MoneyLion. Additional data and customers further enhances our value proposition to Enterprise partners, creating a virtuous cycle.

Let's discuss in detail our Acquisition and retention growth loop advantages. Through our data advantage, we're able to much better personalize products for consumers, meaning more users trust MoneyLion for all money moments – not just single point solutions like banking or credit. Consumer preference data gathering allows us to provide better conversion and fulfillment rates for our Enterprise clients. More consumers with better data then allows better monetization opportunities for demand generators who choose MoneyLion's embedded marketplace capabilities over competitors.

The big idea is this - MoneyLion becomes a substantial walled-garden for financial products that doesn't necessarily compete with, but is adjacent and an extension of, consumer destinations like Amazon, Apple, Google, and Facebook. Ads for financial products are

targeted with limited financial data on the consumer within these walled gardens. Because of our data advantage, we are able to disrupt the expansive targeted ad market dominated by Google, Facebook, Amazon and others by offering an advice driven ad unit, using AI driven financial matching capabilities to match the right customers with the right product, driving positive outcomes for our enterprise and consumer customers. This matching can happen right in the MoneyLion app or website in a natural and seamless manner. Our media and creator network capabilities allow us to position recommendations as prescient advice as opposed to annoying ads. Or the matching can happen anywhere on the internet where MoneyLion's embedded finance network APIs are connected like CNBC's mortgage calculator and many other examples like that. We estimate our Enterprise business unlocks an additional \$24 billion of revenue opportunity and an additional expansion of our target addressable market.

Moving on to total customers. We continue to drive new customer adds as we execute on our plan to add scale across our business. We ended the first quarter with 3.9 million customers, up 117% year over year. Interestingly, we are scaling users while spending less. Growth in Q1 total customers leveraged our network and media capabilities. This is a key differentiator of the MoneyLion platform and gives us significant durability in this market environment. We will grow customers at the rate we projected, while still converging to profitability. We're very glad to have these levers.

In addition to millions of consumers that use MoneyLion's app and financial products, our Enterprise business has seen growth in product partners and channel partners. Product partners drive multiple monetization opportunities as we expand product asset classes like personal loans, mortgages, credit cards, insurance. Asset classes can include financial and non-financial products. Channel partners drive top of the funnel which has translated into quarter over quarter growth in applications for products received. Similarly, total products consumed on our platform continues to grow – over 9 million products were consumed by the end of Q1. We've always been proud of our platform approach, and those investments continue to help increase lifetime value. We operate a capital lite model – meaning we have little to no balance sheet credit exposure as we offload credit originated through our banking services to warehouse facilities. Nevertheless, we saw a decrease in provision as a percentage of finance receivables from 5.5% in 4Q21 to 4.8% in 1Q22. This continues to demonstrate recurring strong performance from returning customers, and the strong originations and underwriting DNA we've built over the years here at MoneyLion. We have a near decade track record in managing credit risk. This is also where our data advantage shines. It will be hard for new entrants to gain this level of scale in these markets while expanding margins through a large returning customer base.

Our record performance continues in the first quarter. We continue to perform on revenue growth, customer growth, gross profit margin, and importantly we very efficiently used the cash on our balance sheet. We expect to continue efficiently adding scale throughout 2022. We have the team that we want, and from an expense base perspective, we expect to deliver significant operating leverage throughout 2022. With that, I'd like to pass it off to our CFO, Rick Correia to walk us through the financial performance in detail.

Rick Correia

Thanks Dee... good morning to everyone. Looking forward to sharing details about our record financial performance and unit economics driven by our key metrics that Dee presented. As we are going through the financials, please note that, unless otherwise stated, I will be referring to adjusted results and all quarter period references refer to the first quarter of 2022 versus the first quarter of 2021. Our GAAP consolidated financial statements and reconciliations are available in the appendix of today's presentation, today's earnings release and our upcoming 10Q filing.

Off the back of our Q4 and Q1 acquisitions, we have re-aligned 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 revenue includes our highly successful Instacash and Credit Builder plus fee-based revenue. These products represent the bulk of the Consumer business and have approximately 80-90% recurring revenue. This is driven by having a returning customer base and cohort revenue retention trends as shown on slide 19 of our presentation. Our RoarMoney bank account is a critical driver for extending customer lifetime value while generating Interchange and Cardholder fees. Finally, MoneyLion Investing and MoneyLion Crypto generate revenue share on crypto transactions and a monthly per account fee on investment accounts.

Our Enterprise business revenue includes Affiliate fees. If you recall, this was our fastest growing revenue stream in Q4 and is now included in the Enterprise business following the acquisition of Even Financial and its consolidation into our expanded Marketplace offering. We accelerated our Marketplace strategy and importantly the Marketplace is where a significant majority of Affiliate Fees are now generated. I highlight this specifically, as when looking at our Consumer revenue in Q4 2021 of \$45 million vs Q1 2022 of \$46 million, it is important to note that this high growth affiliate fee revenue stream was moved from Consumer into Enterprise. MoneyLion also earns revenue from SaaS contracts for providing infrastructure to our Enterprise accounts for connecting financial institutions to consumers through channel partners. Additionally, given our deep understanding of customers' interests and transactions, we are able to offer our customers targeted content and offers that generate advertising fees. Lastly, our Media division, which was established through our acquisition of MALKA Media, generates revenue from providing content management, creator and influencer management to Creators, Influencers, and Corporate clients. This is an important benefit for generating Enterprise revenue. We also realize synergies by providing low-cost content and customer acquisition in our Consumer business.

As we look ahead, the Enterprise business is expected to rapidly scale to become half of our overall revenue mix in the near term. This creates both revenue diversification and as Dee mentioned, significant customer acquisition and engagement synergies for the Consumer business. This mix reflects both our success in rewiring the financial system and our unique business model with even more powerful unit economics.

Our powerful unit economics are once again evident in our ARPU, CAC, sub 6-month payback period and another record quarter of new Customer adds. These metrics are even more impressive against a rising CAC backdrop for most other consumer finance businesses. This

outcome is the result of a vast top of funnel and our high customer conversion rates. Looking ahead, our Enterprise business represent additional revenue diversification and synergies that further distinguish MoneyLion's customer acquisition strategy and de-risks our growth plan and accelerates our path to profitability. We have consistently acquired customers with a sub 6-month payback period. Additionally, our historical customer revenue cohorts demonstrate the power of the MoneyLion platform and our ability to generate recurring revenue and extend lifetime customer value. What these cohorts tell us is that our customer value proposition is highly compelling and we are growing efficiently.

That gives us considerable confidence as we march towards another 100% year over year growth in 2022 while exiting the year at break-even EBITDA. As we grow our topline, we are also rapidly realizing operating leverage from the platform. Expenses as a percentage of Revenue are expected to improve to 122% in 2Q22 from 138% in 1Q22, keeping us on track to exit 2022 with breakeven EBITDA. Importantly, we believe we have more than adequate cash runway through profitability and expect to be Operating Cash Flow positive in the second half of this year.

Looking at our record first quarter performance, Adjusted Revenue for the quarter grew 105% year over year to \$66 million. Another record quarter for us and our 5th consecutive quarter with 100% plus year over year growth. We expect to continue our remarkable growth trend with a Q2 guidance of \$78 to \$83 million of Adjusted Revenue representing 114% to 128% year over year growth, an acceleration from 1Q22. Off the back of our full-year 2021 Adjusted Revenue of \$165 million, our Last Twelve Months of Adjusted Revenue is nearly \$200 million, representing a 21% increase. Given our strong momentum we are reaffirming our Adjusted Revenue full-year guidance of \$325 to \$335 million which is a 100% increase over 2021 at the midpoint of our guidance.

In Q1 2022 we generated \$40 million of adjusted gross profit which is an increase of 108% over our Q1 2021 Adjusted Gross Profit of \$19 million. The Q1 2022 Adjusted Gross Profit was realized at a slightly higher gross profit margin of 61% vs 60% in Q1 2021. However it was slightly lower quarter over quarter given the slightly lower gross profit margin of the Enterprise business. However, we expect a reversion to our mid 60's gross profit margin on a forward basis as we realize near term synergies and specifically in Q2 we expect to continue to realize a gross profit margin of 60-65%.

Our Adjusted Gross Profit for the Last Twelve Months is \$125 million, representing a 20% increase over full-year 2021. That increase gives us confidence to reaffirm our 2022 Adjusted Gross Profit Margin of 60% to 65%. This is a critical differentiator for MoneyLion. Historical investments in our technology, platform, data and Artificial Intelligence driven processes are translating into strong margin performance.

Now, taking a look at our quarterly guidance. In Q1 we guided to \$60 to \$65 million of Adjusted Revenue and we generated \$66 million. This represents 105% growth vs our guidance of 85% to 100%. We are targeting \$78 to \$83 million of Adjusted Revenue in Q2 2022 representing 114% to 128% year over year growth. As mentioned, we expect reversion back to our historic Adjusted Gross Profit Margin as we realize acquisition-related integration synergies. We are guiding to 60% to 65% Adjusted Gross Profit Margin.

Our Q1 Adjusted EBITDA continues to show a very strong trend and was also within range at a loss of \$24.9 million. Given this trend we are guiding Q2 2022 Adjusted EBITDA loss between \$15 and \$20 million representing a 30% quarter over quarter improvement at the midpoint and a 16 percentage point margin improvement compared to Q1.

Looking at our full year guidance. As we stated, our business is built to win in any economic cycle. As a result we are reaffirming our Full Year 2022 Guidance for Adjusted Revenue, Gross Profit Margin and EBITDA. This represents a 100% year over year Revenue growth at the midpoint of our guidance, 29% EBITDA improvement and a strong 26 percentage point margin improvement. Our focus on strong top-line growth coupled with material improvements to our operating leverage, give us the confidence to reiterate our target to exit 2022 with breakeven EBITDA and importantly to be Operating Cash-Flow positive in the second half of 2022.

In summary, we believe MoneyLion is the most exciting growth story in finance and represents the most unique strategic positioning given the highly synergistic Consumer and Enterprise businesses with consistent market leading unit economics all led by a proven management team. With that I will turn it back over to Dee for closing remarks.

Dee Choubey

Thanks Rick. As you can see, the current market backdrop is not reflective of our Company's fundamental strengths or the strategic opportunities ahead. The fact of the matter is, we continue to execute, and we continue to do everything we've promised our stakeholders.

We beat on Q1, and we are re-affirming FY 2022 guidance. We're witnessing increased operating leverage, and we plan to continue keeping fixed costs down and actively managing every expense line item throughout 2022. We've diversified our revenue model. We've expanded our SaaS and fee-based revenues creating even more durability across cycles. And finally, our growth continues to yield industry best pay back periods. Our cash position is strong and we expect to have more than ample buffer to get to profitability. Very few investment opportunities like ours exist in the markets today with the balance of 100% revenue growth and line-of-sight to profitability in the near term. We will continue to focus on what we can control and believe our resiliency and execution will create tremendous value creation for our shareholders. Thank you very much.

Question-and-Answer Session

Operator

[Operator instructions] Our first question comes the line of Josh Siegler with Cantor Fitzgerald. You may proceed with your questions.

Josh Siegler

Hi, good morning. Thanks for taking my call. Clearly CAC improved significantly this quarter and is the true point of differentiation for the company. Should we be thinking about the \$16 CAC as sort of the new normal and how do you expect CAC to trend over the rest of the year?

Dee Choubey

Hey, Josh. Good morning. Thanks for the question. So look this is the big differentiator for MoneyLion. Our investments in the today [ph] fee where the strategy is to become the daily destination for money, adjacent conversations powered by influencers, creators by owning the

culture of money is driving a lot of word of mouth as well as social proliferation of the MoneyLion brand and the MoneyLion product. And that's what we saw in Q1. A lot of it is organic, but a lot of it is the synergies from our enterprise business. We're seeing that the top of the funnel becomes incredibly expanded. We're also able to expand the target addressable market. If you look back historically, the target addressable market for our consumers were hardworking Americans. What we're seeing now with our enterprise business is that our banking, investing, and credit products are appealing to more segments of the American middle class. And that's really what's driving CAC down in Q1 and we do expect it to stay stable in Q2 as well at those levels.

Josh Siegler

Thank you, very helpful. I'd also appreciate some color on which levers MoneyLion plans to pull, to continue to improve the adjusted EBITDA moving forward, is it primarily coming from the reduced marketing spend or there are other areas you plan to cut spending on in the future?

Dee Choubey

I'll start that and Rick, you can chime in as well. So on the expense base, this is a management team that is always optimizing our expense base and our operating leverage. We're incredibly efficient with how we spend. From a team perspective, more than half of our team is Kuala Lumpur, Malaysia and we get a lot of operating leverage and benefits out of that. We've also made some adjustments to our team in Q1 as well. And we feel that we have the team now to execute on our growth plans. We don't need to make further investments. We've made those investments in Q4 of 2021 and from a fixed cost perspective, we feel like we're in a good place. At the same time, we're managing expenses very carefully from a processing perspective, as well as other variable costs that we have. So we feel very good about the levers that we have from a fixed cost perspective.

On the variable cost perspective, the big idea here is that we are becoming our own walled garden, which means that given the data advantage that we have, and our ability to see consumer intent, when consumers are searching for a mortgage loan or personal loan or other financial products across network, we have incredible data on retargeting and creating content for those users in ways that just require less nominal marketing dollars than any of our peers. And that's really the big idea that from a capital intensity perspective, we have to expend less marketing dollars to get similar new customer adds. And then that's really where the flywheel, the conversion funnels for MoneyLion work really well to get those customers into a bank account, into an investment account, into one of our affiliate or advice products, and into some of our engagement loops that we've built into the product.

Rick Correia

Yeah. And this is what we've been planning for Josh. If you look at Page 19 in our presentation and just the recurring nature of every cohort that we've had pre-2019 through to this quarter, what you're seeing is that that recurring revenue gives us a lot of confidence in terms of continuing to drive the top line while of course, as I said, what we've been playing for as a platform is to be at the point where we're getting that operating leverage as we continue to scale our revenue.

Josh Siegler

Very helpful. Thank you very much.

Operator

Our next question comes from the line of George Sutton with Craig Callum. You may proceed with your question.

George Sutton

Thank you. Very good results guys. I was intrigued Dee by your mention of inflation and the opportunity that creates for you and given that we don't know FICO or income details about your customers I'm just wondering if you could give us a little more detail about the customer mix and how you're expecting to benefit from the inflationary environment?

Dee Choubey

Sure. Hey, George, good morning. Thanks for the question. So if you remember, historically, we've always said that MoneyLion provides mission critical products for hardworking American households. We've always defined that as households that make \$40,000 to \$150,000 of household income. What we're seeing is that those consumers, regardless of what's happening in a stock market are always oscillating between the time of excess and the time of need. Whether it's 2022 or 2021 or 2020, we've seen this customer base a couple times a year, always go through a personal recession. And the way we've constructed our product, it's a private bank for the American middle class, right. So you invest in roundups, you invest in auto invest in those 10 months where you're making more than you're spending. And then in those two or three months where you need a credit product, we're able to holistically give credit for your good behavior and good times, to provide credit access that others wouldn't.

So those products are really working in great synergy right now. What we saw in Q1 was that our provision as a percentage of finance receivables come down, and that's just kind of showing that the demand for our products continue to be really high. And we're actually getting customers that wouldn't have taken the product last year, come into some of our credit products, right. So the quality of the book continues to be really healthy and really strong. And if you look back to past recessionary environments, it's usually the super prime segments of the credit spectrum that get more impacted. Those super prime consumers then come into more kind of safe haven products like ours and we expect the demand for our products to be incredibly high. And it also gives us an opportunity to be slightly picky in terms of the risk that we put on our books.

So, even if consumers can't get a credit product on MoneyLion's platform, there's so much to engage with from a content and education perspective, from credit building, from just kind getting better at the other parts of life. So we're seeing that there's no shortage of demand for the holistic MoneyLion platform. Even on the enterprise side, we're now connected from the top to the bottom. So the super prime, personal loan providers or super prime insurance providers all the way down to near an emerging prime product as well. So we see that there's inherent hedges built in from a demand perspective.

As it relates to the American household, in inflationary environments, people are just having to spend more, so it just makes cash flow management all the more important from a

household perspective. And we're seeing all of that really play out in sort of the demand curve sort of product.

George Sutton

Perfect. I wanted to walk through a concept around your registered users, and I didn't see an updated number, but I certainly understand you're expanding the universal customers you can target. And I would think you can target more and more of those registered users better. How much information do you have about them and how much is that helping with more content now to provide more broadly?

Dee Choubey

That's a great question. It is in fact one of the reasons we are so excited about the expansion and acceleration of our marketplace strategy which is the ability now to not only retarget 11 million plus registered users that we already have. But looking forward at the massive top of funnel that our new market place asset brings us allows us to now leverage the 500 plus product partners that we are able to take those products and whether it is kind of extending our first party retargeting or importantly the third party products that they bring us into that 11 million plus million existing registered users. And again on top of that now looking at somewhere in the neighborhood of increasing that from a quarterly perspective in that kind of high 30s range.

George Sutton

Beautiful, okay, thanks guys. Appreciate it.

Operator

[Operator Instructions]. Ladies and gentlemen, we have reached the end of today's question-and-answer session. I would like to turn this call back over to Mr. Sean Horgan for closing remarks.

Sean Horgan

Thank you all for joining us to discuss our results today. Please feel free to reach out with any follow-up questions on our first quarter results. The contact information can be found in this morning's press release. I look forward to connecting with each of you in the coming days and weeks.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation. Enjoy the rest of your day.

###