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SoFi

Fourth Quarter 2021 Earnings Conference Call

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PRESENTATION

Operator

Good afternoon, and thank you for attending today's SoFi Q4 2021 Earnings Conference Call.

All lines will be muted during the presentation portion of the call, with an opportunity for questions and answers at the end.

At this time, I would now like to turn the conference over to our host, Andrea Prochniak, VP of Investor Relations. Andrea, please proceed.

Andrea Prochniak

Thank you, Operator, and thank you all for joining us today for SoFi's Fourth Quarter 2021 Earnings Call.

Joining me today are Anthony Noto, SoFi's CEO, and Chris Lapointe, SoFi's CFO. They will share prepared remarks regarding the quarter's results, and then take your questions at the end.

Just after market close today, we issued a press release announcing SoFi's fourth quarter and full year 2021 financial results. A discussion of our results today is complementary to the press release, which is available on the Investor Relations page of our website, investors.sofi.com.

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This conference call is being webcast live and will be available as a replay for 30 days, beginning about one hour after the conclusion of this call. There's also an accompanying Investor Presentation on our IR page.

During the course of this conference call, we may make forward-looking statements based on current expectations, forecasts and projections as of today's date. Any forward-looking statements that we make are subject to various risks and uncertainties, and there are important factors that could cause actual outcomes to differ materially from those included in the statements. We discuss these factors in our SEC filings, including our 2021 Form 10-K, which can soon be found on the IR page of our website and the SEC's filings website, sec.gov/edgar. As a reminder, we are not required to update our forward-looking statements.

In our presentation today, unless otherwise noted, we will be discussing adjusted financial measures, which are non-GAAP measures that we believe are meaningful when evaluating the Company's performance. For detailed disclosures on these measures and the GAAP reconciliations, you should refer to the financial data contained within our press release, which is also posted to the IR page of our website.

Today's discussion will focus on both the fourth quarter and full year 2021 results. As always, we encourage you to evaluate SoFi's performance on an annual basis, as quarterly results can be affected by unexpected events that are outside our control.

Now, I'll turn the call over to Anthony.

Anthony Noto

Thank you, Andrea, and good afternoon, everyone.

Before beginning my prepared remarks, I wanted to take a moment to recognize the unacceptable tragedy that is currently taking place in Ukraine. It's been truly difficult to watch the series of events unfold over these past few weeks, and escalate in recent days. No one should have to live in fear or under the threat of violence, which has now become a reality. Our hearts go out to everyone directly or indirectly affected by this tragic situation.

Now, on to our results.

We had another strong quarter, hitting new highs across our key financial and operating metrics, and finishing 2021 with record annual results. Today, we are in our best position ever to achieve our long-term strategic goal, to be the digital one-stop shop for the major financial decisions in our members' lives and all the moments in between.

Here are some of the highlights:

Record fourth quarter adjusted net revenue of $280 million was up 54% year-over-year, and increased sequentially from a very strong third quarter, despite the unexpected federal student loan moratorium extension at quarter end. All three of our business segments achieved higher year-over-year growth. We delivered record full year revenue of just over $1 billion, at the high end of our guidance, which we increased on our third quarter earnings call. We achieved our sixth consecutive quarter of positive Adjusted EBITDA at $5 million and delivered on our goal of positive full year EBITDA.

We had an amazing quarter for member growth. We added 523,000 new members in the fourth quarter, a record in absolute number terms, and impressively up 39% versus the amount added in the third quarter.

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As a result, we ended 2021 with 3.5 million members, an increase of 1.6 million, up 87% year-over-year, and well above the 3 million member target set in January of ’21.

We also set another record with new product adds of 960,000 in the fourth quarter, up an incredible 51%, versus the number of third quarter adds. We finished 2021 at 5.2 million total products, more than double the 2.5 million we had at year end 2020, and at Galileo, we grew enabled accounts 67% year-over-year to 100 million.

We were able to achieve these milestones in 2021, and get to such a position of strength today for three main reasons:

- First, we continued to drive strong growth through great execution across our diverse businesses, which reflects our ability to capitalize on changing macro-conditions.

- Second, the success of SoFi’s unique Financial Services Productivity Loop strategy accelerated as we scaled our business in ’21, which allowed us to exceed our original 2021 member growth target by 40%, and, importantly, still hit our EBITDA target.

- Third, we took a giant step forward in 2021 in achieving our goal of becoming a household brand name via our SoFi Stadium affiliation, the success of our integrated multi-media campaigns, and the virality of the influencers we partnered with.

I’ll take these points one by one, starting with number one, how we drove strong growth through great execution across our three diverse businesses.

In Lending, we grew segment revenues by 30% year-over-year in the fourth quarter and 42% for the full year, even with the unexpected extension of the federal student loan payment moratorium in late December.

Fourth quarter personal loan originations were a record of $1.6 billion, up 168% year-over-year, and more than double fourth quarter 2019’s pre-pandemic total. Full year originations were more than $5.3 billion, versus $2.6 billion in 2020, and $3.7 billion in 2019. Personal loans outperformed as a result of our improved execution, enhancements to our technology and credit models, and the quality of our loans, and through our Lending-as-a-Service partnership with Pagaya, we added nearly 7,700 referred loans across a broader audience, while maintaining our credit criteria.

In home loans, we met our 2021 goals to diversify into purchase loans from predominantly refinanced loans and to re-enter the jumbo loan market. By the fourth quarter, we had increased purchase home loans from low-single-digits to low-double-digits as a percentage of SoFi’s total home volume, and we relaunched jumbo loans in the second half of the year. This diversification will help drive continued growth in a rising rate environment.

In student loans, we saw accelerating demand in the fourth quarter, ahead of the January federal student loan payment moratorium deadline and anticipated rate increases in 2022. We originated nearly $1.5 billion in loans, up more than 50% sequentially, even with the surprise late December extension to May 22, which caused a reduction in demand during the final week of the quarter.

Looking ahead, we expect continued strong growth in Lending, driven by our ongoing momentum in personal loans, the end of the student loan payment moratorium, better positioning in home loans, and the many opportunities our new bank license presents.

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In Financial Services, we achieved record growth in products adopted in the fourth quarter, and, importantly, a large step-up in monetization, that drove record revenue up nearly 2x sequentially. We added 857,000 new Financial Services products in the fourth quarter, up 56% from the number of third quarter adds. For the year, we added nearly 2.5 million new Financial Services products, more than double the 1.2 million we added in 2020. Through better monetization, we produced a 5x year-over-year increase in our fourth quarter total Financial Services revenue of $22 million, as well as our full year revenue of $58 million.

Product improvements that drove the year's phenomenal growth include the following:

In SoFi Invest, we gave members more selection and new features. We added 25 new cryptocurrencies, making SoFi a selection leader with 30 at year end. We offered two regular-way IPOs to retail investors in the fourth quarter. The first was Rivian, the largest IPO since Facebook in 2012, and the second was Nubank, a leading fintech company in Brazil. We introduced stop-limit trade orders in the fourth quarter, and margin trading earlier this year.

At SoFi Money, we introduced two-day early paycheck, autosave, cashback and no-fee overdraft protection. With our launch of SoFi Checking and Savings, we now offer members 1% APY, 33 times the national average, plus no account fees or minimum balance, plus many other free features members already enjoy.

Our SoFi Credit Card, which includes the only rewards platform that gives points for both transactions and smart financial behaviors really took off in its first full year. Quarterly spend, balances and accounts grew at high-double-digit rates, and we finished 2021 with 91,000 products and a debut NPS score in the mid-50s.

Finishing with our Tech Platform, Galileo benefited throughout 2021 from growth in enabled accounts, transactions per account and adoption of new products by existing partners, as well as the addition of diverse new partners. Fourth quarter segment revenues of $53 million was up 42% year-over-year, an acceleration versus the year-over-year growth in Q3 at 29%, and with the inclusion of a full year of Galileo results, 2021 revenue more than doubled to $195 million. Galileo added 11 million new end user accounts in the quarter, a 67% year-over-year increase, to 100 million at year end, up from 60 million enabled accounts at the start of 2021. Galileo launched new clients and signed nine new ones in the fourth quarter, bringing total full year adds to 44. We also grew Galileo's total B2B client base by 40% in 2021. We launched Toast last year and signed T. Rowe Price in the fourth quarter to serve as its future emergency savings program, and H&R Block just chose Galileo to power its new mobile banking app, Spruce.

We acquired Galileo to leverage an owned and operated platform to drive rapid innovation, with the benefit of a great business that further diversified our revenue. Now, as we announced last week, we're following the same playbook by acquiring Technisys, a leading cloud-native, multi-product core banking platform. Adding Technisys is the next step in vertically integrating SoFi's businesses to further accelerate the pace of innovation of our best-of-breed financial products. We expect Technisys to be a growth multiplier for both SoFi and Galileo, in addition to realizing its own enormous growth opportunities, which are further strengthened in partnership with Galileo. We are well on our way to building the AWS of fintech.

Now, let's talk about point number two, the success of SoFi's unique Financial Services Productivity Loop strategy.

Critical to the FSPL is creating best-of-bread products that build trust and reliability with members, which increases the likelihood they choose SoFi for a second or third product. When they do, we benefit from

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increased LTV per member, by generating more revenue at little to no incremental customer acquisition costs. As a result, our higher LTV allows us to invest in more differentiated products and services, which, in turn, drives more demand and higher LTVs. It's a true competitive advantage.

The FSPL had its biggest impact yet on 2021 results. The scale of our top-of-the-funnel products is now large enough that, at the same cross-buy rates, fourth quarter cross-buy volume more than tripled year-over-year to more 380,000 products, and more than one-third of our new products were adopted by existing members in the quarter, contributing to the 17% decline in our customer acquisition costs in 2021.

I mentioned that our total year-end members of 3.5 million exceeded our 2021 goal by 500,000. Our unique FSPL advantage not only helped us exceed this goal, we did so without notable associated marketing costs. Instead, these FSPL efficiencies allowed us to significantly exceed our member and product goals, yet still achieve our EBITDA targets.

This brings me to my third key success factor for 2021, our ability to drive a dramatic increase in SoFi's unaided brand awareness via the unmatched reach of SoFi Stadium nationally televised games, the success of our various integrated multi-media campaigns, and the rally of the influencers we partner with. Here are a few remarkable stats. The five nationally televised regular season games at SoFi Stadium were seen by an average of more than 22 million households per game, resulting in a household reach of 110 million plus households in total. This visibility helped increase SoFi's unaided brand awareness by nearly 70% in 2021, to a new record in the fourth quarter, and that was before an estimated 106 million people tuned in to watch the Rams win the Super Bowl at SoFi Stadium.

Before turning it over to Chris to talk through results, I wanted to share a few additional thoughts.

In February, I celebrated my fourth anniversary as the CEO of SoFi. While I could not be more proud of all we've accomplished in such a short period of time, I'm even more excited about what's ahead of us. We are just starting to reap the benefits from the enormous progress we have made on our strategic position, the breadth of our differentiated and diversified product suite, our tech platform that helps us serve the industry as we build the AWS of fintech, our balance sheet of $4.7 billion in equity value, the exponential growth of our brand awareness, and, of course, most importantly, our team.

With that, let me turn it over to Chris for a review of the financials for the quarter and the year.

Chris Lapointe

Thanks, Anthony, and good afternoon.

We finished off our remarkable year by delivering record quarterly revenue and our sixth consecutive quarter of positive EBITDA. Importantly, we achieved this despite facing new and existing challenges in the quarter, proving once again that our diversified and differentiated business model drives SoFi's durability and long-term growth potential.

I'm going to walk you through some key financial highlights for the quarter and year, and then share color on our financial outlook. Unless otherwise stated, I'll be referring to adjusted results for the fourth quarter of 2021, versus fourth quarter of 2020. Our GAAP consolidated income statement and all reconciliations can be found in today's earnings release and our 10-K filing.

For the quarter, top line growth accelerated, as we delivered record adjusted net revenue of $280 million, up 54% year-over-year from the same prior year period, and at the high end of our guidance of $272

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million to $282 million. Adjusted EBITDA of $5 million was also at the high end of our guidance of $2 million to $5 million.

For the full year, we delivered $1.01 billion of adjusted net revenue, up 63% year-over-year. Our original 2021 plan, and what we guided to during the IPO process, was $980 million in adjusted net revenue. That assumed the federal student loan payment moratorium would expire on September 30, 2021, and also included a full year of revenue recognition from our equity investment in Apex, which was called last January. Despite the $50 million plus of revenue headwinds created by those two factors alone, we still exceeded our original revenue plan by $30 million.

From an Adjusted EBITDA perspective, we delivered $30 million in profits, above our original full year guidance of $27 million, and up $75 million from the $45 million of losses incurred in 2020.

Now, on to the segment level performance, where growth accelerated across all three segments.

In Lending, fourth quarter adjusted net revenue grew 30% year-over-year to $208 million, versus 21% in Q3 of 2021, driven by a 67% increase in funded volume to $3.8 billion in total, a new high for us. The largest contributors to funded volume growth were our personal loans business, which grew 168%, or $1 billion year-over-year, to $1.6 billion in originations for the quarter, and our student loans business, which saw more than 50% year-over-year growth to $1.5 billion.

In personal loans, we captured increased demand from borrowers remodeling their homes and refinancing variable rate debt into attractive fixed rate products, as interest rates increased. Additionally, we continue to improve conversion as we iterated throughout our funnel.

In student loans, we benefited from increased demand from federal student loan borrowers looking to refinance prior to the anticipated January 2022 expiry of the federal student loan payment moratorium. In addition, increased net interest margins and strong gain on sale margins, inclusive of hedge gains, drove material year-over-year growth in net interest income and loan sales revenue.

The Lending business delivered $105 million of contribution profit at a 51% margin. Overall contribution dollars were up 23%, versus the same prior year period, but margins were down from 53% in Q4 2020. The slight year-over-year decline in margins was caused by lower home loans throughput with our third-party fulfillment partner, resulting in lower home loans revenue and margins. I'm pleased to say demand remained robust throughout the quarter and were it not for these partner issues, we would have had strong quarterly performance. These issues have since been resolved by onboarding another third-party fulfillment partner.

In addition, expenses were higher in the student loan refinancing business, where we increased marketing to capitalize on elevated demand in the lead-up to the January 2022 federal student loan payment moratorium expiration. When the moratorium was unexpectedly extended to May 2022, at the end of December, we lost a week of revenue from anticipated federal student loan fundings and had already spent the marketing dollars.

For the full year, Lending adjusted net revenue grew 42% to $764 million and the segment delivered $400 million of contribution profit at a 52% margin.

Shifting to our Tech Platform, where we delivered net revenue of $53 million in the quarter, up 42% from the same prior period, overall segment growth was driven by 67% year-over-year Galileo account growth to 100 million in total. As a reminder, it is normal to see a lag between the addition of new accounts and the engagement and monetization of those accounts. We are encouraged by this leading indicator of Galileo's growth.

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Q4 contribution profit was $20 million at a 38% margin, which is down year-over-year, given the investments we have made in technology capabilities overall and the migration to the cloud, but up sequentially from 31% in Q3 2021, due to fixed cost leverage we were able to achieve in the quarter. This one quarter does not mark the beginning of a trend. As discussed previously, we plan to operate the business in the 20% to 30% contribution margin range for the foreseeable future, as we continue investing to take advantage of the opportunity ahead of us.

For the full year, the Tech Platform segment grew revenue 102% to $195 million and delivered $64 million of contribution profit at a 33% margin.

On to our Financial Services segment, which continues to benefit from strong growth across all products and our improved ability to monetize that growth. This segment delivered revenue of $22 million in Q4, more than five times the prior year quarter at $4 million, and up 74% sequentially. Within the segment, year-over-year revenue growth was particularly strong in SoFi Invest, Lantern, SoFi Credit Card and SoFi Money. As important, our year-over-year revenue growth was twice our exceptional product growth of 2.5x, demonstrating our continued progress in monetization.

Invest added 362,000 accounts and reached 1.6 billion in total, Money added 276,000 accounts and reached 1.4 million in total, and Relay added 180,000 accounts and hit 930,000 in total.

Contribution losses were $35 million for the quarter. While this is a slight improvement year-over-year, we remain in investment mode, focused on creating the right unit economics for each business to drive long-term sustainable growth.

For the full year, segment revenue of $58 million was nearly 5x the $12 million we delivered in 2020, and our $135 million contribution loss was essentially flat year-over-year.

Quickly switching to our balance sheet, which grew by approximately $600 million year-over-year to $9.2 billion in total, primarily as a result of growth in originations, that accelerated in the back half of the year. In addition, we exited the year with $1.6 billion drawn on our warehouse facilities, less than 25% of our overall $7 billion of capacity. That low reliance on warehouse capacity allowed us to significantly reduce our cost of funds and we ended the year very well capitalized, having raised a total of $3.6 billion of new capital. Our total book value is $4.7 billion and our capital and leverage ratios are extremely strong. Finally, on December 6, we redeemed all of the outstanding SoFi Technologies private and public warrants, which removed a significant source of P&L volatility for SoFi. We are excited about the strength of our balance sheet and will continue to make choices that ensure the most efficient cost and use of capital.

The last thing I want to discuss is Q1 and full year 2022 guidance. It's important to note, before getting into the details, that the incremental net interest income from SoFi Bank will only contribute nominally to Q1 results and prior to fully originating loans in the Bank, which we expect in May of 2022. That's because when we opened the Bank in February, we did not contribute any existing SoFi loans to the Bank, as we initially capitalized the Bank with cash. We are still transitioning our operations to have loan originations occur from the Bank, and that transition will not be fully complete until the end of May.

Over the last several quarters, our unique, diversified business model has proven to be an increasingly powerful competitive advantage. Even as we continue to invest in scale, we expect that strength and momentum to continue.

Our Q1 guidance incorporates the negative impact of the unexpected extension of the federal student loan payment moratorium to May of 2022. We estimate that negative impact to be approximately $30

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million to $35 million of revenue and $20 million to $25 million of contribution profit in Q1, with loan origination levels for the entire quarter to be consistent with those of the first three quarters of 2021.

For Q1, we expect $280 million to $285 million of adjusted net revenue, up 30% to 32% year-over-year, and zero to $5 million of Adjusted EBITDA. Had the moratorium expired in January, we estimate that Q1 revenue would have been $310 million to $320 million and EBITDA would have been $20 million to $30 million. For illustrative purposes, we've included this alternative scenario in our Investor Presentation.

For the full year 2022, we expect to grow adjusted net revenue 55% year-over-year to $1.57 billion and deliver Adjusted EBITDA of $180 million.

There are several recent developments that factor into our full year guidance.

- First, we assume the moratorium on federal student loan payments expires as currently contemplated on May 1, 2022, and student loan refinancing origination volume will normalize at pre-COVID levels partway through Q2, and remain at those levels from that point through the remainder of the year.

- Second, we assume that SoFi Bank will begin contributing to SoFi's results more meaningfully in Q2, rather than in Q1, when we opened the Bank. That's because, as I just mentioned, we opened the Bank with no loans and initially capitalized it with cash from our balance sheet. This is an important distinction, because we won't begin to realize the lower cost of capital benefits of the Bank until we can originate and fund loans in the Bank, and we believe it will take until Q2 to build the appropriate loan balances to see more than a nominal impact.

- Third, we assume that Technisys' revenue growth will be 20% to 25% for the full year and start contributing to our business following the close of the transaction.

- Fourth, as discussed previously, we expect our core SoFi business, excluding the impact of Technisys, to deliver incremental EBITDA margins of 30% in 2022, as we continue investing to drive sustainable growth for years to come. Technisys will contribute a small amount of EBITDA in 2022, but, as we mentioned last week, 2021 was a year of significant investment for Technisys. Over time, we expect this business to be additive to consolidated incremental EBITDA margins.

The last thing to cover on guidance is our stock-based compensation expense, which we currently forecast to be between $80 million and $85 million in Q1 and $340 million for the full year.

In summary, we could not be more proud of the results SoFi delivered in 2021. We exceeded $1 billion in annual revenue and delivered a full year of positive EBITDA. We continue to be extremely well-capitalized and are excited about the opportunities in front of us. We look forward to another strong year in 2022.

With that, let's open it up to questions.

Operator

Thank you. We will now begin the Q&A session.

We will now take our first question from the line of John Heck of Jefferies. John, your line is connected, please proceed.

John Hecht

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Thanks very much. A nice quarter, guys, and thanks for the detailed guidance. Very good member and product numbers for the fourth quarter. Maybe, can you give us color on what drove that, in terms of customer acquisition channels, customer acquisition costs, any change there, and where you're seeing opportunities, and so forth?

Anthony Noto

Thank you, John. It was an extraordinary quarter for member and product growth. It's a culmination of a lot of hard work that's gone into the Company over the last four years, everything from the member home feed in the app to developing use of data to make recommendations to our members based on their information and other members' information in a personalized way, our reporting program, our rewards program, and then, of course, just differentiating the products individually themselves, and then layered on top of all that is just the hard drive that we've made to increase unaided brand awareness. The financial services companies, our members need to trust us. We've become a household brand name.

The ability to leverage the broad reach, that we've talked about in our prepared remarks, of SoFi Stadium throughout October, November and December really gave us a nice lift in unaided brand awareness, which makes all of our marketing more efficient. The combination of that and the product differentiation that we've added as it relates to products like SoFi Money and SoFi Invest, which I talked to in the quarter, really drove a really strong growth rate across both members and products, but, importantly, at a decreasing customer acquisition cost. I'll let Chris talk to the specifics of the decline in customer acquisition cost on a per member and per product basis. But, it was really the combination of product, marketing, operations, and just a really strong integrated campaign across traditional media, digital and social influencers.

Chris Lapointe

Yes, thanks, John. If you look at Q4 2021 total sales and marketing divided by new members, you'll see that our overall sales and marketing per new member was down nearly 20% sequentially, and if you look at this on a full year basis, it was down about 18%, when comparing it to full year of 2020.

John Hecht

Okay, that's great, thanks for that color. Then, my second question—and I know, Chris, you talked about the contribution from the Bank over the course of the year, but maybe can you give us kind of an idea, as rates move during the year, what that does to the kind of context of the revenues and expenses coming out of the Bank, just assume we go through a rate hike cycle?

Chris Lapointe

Yes, absolutely, I can address the overall question on rates, but what I would say is that our current guidance contemplates five rate hikes in 2022. That's roughly in line with what's implied by the forward curves today. As a reminder, at a high level, for the Lending business, overall, we seek to maximize profit dollars in our Lending business, while staying within the 40% to 50% contribution margin range, that we've talked about historically. In Q4, we delivered $105 million of contribution dollars at a 51% margin across our entire portfolio, even as rates increased, and we expect to maintain this type of approach going forward, even with the Bank.

As you know, you can't really look at rate volatility in isolation, as we have a number of levers that we can pull to moderate the impact of interest rate movement, such as pricing, the structure of our loan sale agreements and hedging.

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From a pricing perspective, we've worked really hard over the course of the last several years to build the muscle and pricing capability to react really quickly to changes in rates and achieve our overall margin objectives. In Q1, we started to increase our weighted average coupon in order to keep pace with rate moves and offset the impact of margin compression that's expected, and demand has remained fairly robust; specifically, in our personal loans business.

From a sales construct perspective, some of our forward flow deals are structured with fixed prices, wherein we don't take interest rate or credit risk, and we also, as you know, have an incredibly diversified exit mix, wherein we don't need to overly depend on securitization markets as an outlet and, therefore, we're a bit more insulated in market dislocation situations.

From a hedging perspective, we currently hedge loans on the balance sheet subject to rate volatility, in order to eliminate that impact of rates on future gain on sale.

Then, the last thing I would note as it relates to rates is—and this is what we discussed previously—we benefit from the fact that we have a diversified portfolio of lending products that do well in different rate environments. In rising rate environments, our personal loans business does really well, and we're seeing that right now, and in lower rate environments, our student loan refinancing and home loan refinancing businesses do well. Overall, our diversified model allows us to adjust in real time and allocate capital to businesses and opportunities that we do well in, that do well in specific market and macro backdrops.

Anthony Noto

The additional thing I'd add to that, just for everyone's benefit, is if you go back to 2018 and track interest rates throughout that year, then into 2019 and 2020, we sort of navigated an environment of rates going up meaningfully. I think at one point in '18, we were expecting four to five rate increases in 2019. We were geared up for that. We spent the whole year really putting in place the right marketing channels, the right distribution channels for our loans, from a whole loan standpoint and ABS standpoint, in addition to our funding costs and our pricing capabilities, prepared for that. When we got into 2019, I think there was maybe one or two rate increases, and then the market completely switched, not unlike we started hearing about today, and were able to pivot our business to go to those areas that benefited from a flat rate environment. Then, again, during COVID, when rates went from—I think the Fed Funds was at 1.5% rate to zero, we pivoted again. We're not always going to be perfect, we'll make our mistakes, but having navigated through that volatile environment in the past gives us a great sort of playbook to navigate in the future.

Operator

Thank you for your question, John. Our next question comes from Ashwin Shirvaikar of Citi. Ashwin, please proceed with your question.

Ashwin Shirvaikar

Thanks, Anthony and Chris. I was wondering if you could kind of walk through the guidance assumptions by segment, and the cadence on that.

Chris Lapointe

Yes, absolutely, I can take that one, Ashwin. We aren't providing specific segment or product level guidance or quarterly progression guidance at this point, but in order to help bridge you from where we are from a current run rate perspective to our full year guide at the revenue level, there are few things that I would call out.

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First, there are several businesses or factors that are not in our current run rate, but will have more of a meaningful impact beginning in Q2 and beyond this year. That bucket includes, first, a return to normalized pre-COVID student loan refinancing originations once the moratorium ends, and we've quantified that Q1 lost revenue and contribution impact for you as part of our guide. Second, we expect to be fully originating loans in the Bank and benefiting from a lower cost of capital by May of this year, and the extended hold period benefit a few months thereafter. Then, third, we'll have contribution from Technisys following the close of the transaction.

The second bucket to consider is continued growth across all of our segments.

Within Lending, I just mentioned the student loan refinancing business, but we also expect to see continued momentum in our personal loans business as rates rise and folks look to refinance variable rate debt into attractive fixed rate loans, and we continue to improve our overall funnel conversion, which has had a really strong impact on growth in the last several quarters for us. We also expect to see strong growth in our home loans business as we move beyond third-party throughput issues, that I talked about in my prepared remarks, and continue to scale our overall purchase and jumbo programs, as well as continue to capture a large opportunity that we have with our existing member base.

Within Financial Services, we're expecting to see continued growth in products and monetization, and the things that are going to drive that monetization are increased assets under management in our Invest business, increased spend on our Money and Credit Card businesses, as well as new product releases, premium services and scaling our ETFs.

Just quickly hitting on some of the higher growth drivers within Financial Service:

In Money, we generate revenue, as you know, from net interest income and interchange. Given the spend behaviors that we've seen over the course of the last several quarters, as well as the expected growth in accounts that we're going to get now that we can offer a competitive interest rate, we're really optimistic about being able to further drive monetization here.

In Invest, we generate revenue from a number of sources, net interest income, shared lending, payment for order flow, digital assets. More recently, we launched Margin, and soon to be Options, and all of those are driven by assets under management, and we expect continued growth here as our AUM per product trends continue to do really well and our member base grows.

Then, in Credit Card, we generate revenue from interchange and balances, and are really optimistic about recent trends that we've been seeing here, particularly around spending.

Collectively, the reference trends that I just talked about are really helping drive growth and monetization, and you can start seeing that play out in the actual numbers. In Q4 alone, our overall revenue per Financial Services product was up more than 2x year-over-year and nearly 40% sequentially.

Then, the last thing I'd call out, as it relates to the segment forecast, is within the Tech Platform, we expect continued growth in accounts, transactions per account, growth in new partners, and, obviously, the combination with Technisys, to really help drive growth there in a high margin segment.

Ashwin Shirvaikar

Got it, okay. Just for clarification, are Pagaya loans included in the personal loan originations number, and perhaps you could use that as a stepping off to talk about future partnerships, such as that might be in a pipeline?

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Anthony Noto

Yes, for the benefit of others, Pagaya is a partnership that we entered into as it relates to people outside of the credit box that SoFi underwrites. We only approve about 30% of our personal loan applications, because we're focused on prime borrowers, not near-prime or sub-prime. When we first arrived here four years ago, we built a strategy, which we called "decline monetization strategy," which was a way of taking applicants to SoFi and sending them to other underwriters and we get a lead generation fee, and we do that through Lantern. We wanted to build on that success and contribution to our business, and help satisfy even more people that are applying for loans. Our Pagaya partnership, think of it as a Lending-as-a-Service. It's completely integrated with our application process. The credit and approval pricing models are run simultaneously. The loan is underwritten by Pagaya and a partner. We do not take the credit risk on that paper. We do the servicing on that member and offer them other products and services. This was our first quarter where it contributed to the Financial Services revenue number, because it is a referral revenue fee and a Lending-as-a-Service fee.

Chris, I don't know if you want to talk about the loan volume. It's not included, correct?

Chris Lapointe

No, we don't just close the actual loan volume. What you'll see in the disclosure is the number of members that are attributable to Pagaya, and you can see that in our Financial Services segment, but we outline that in the actual disclosures.

Operator

Thank you for your question, Ashwin. Our next question comes from Betsy Graseck of Morgan Stanley. Betsy, please proceed.

Betsy, can you confirm that your line is not muted?

In the interest of time, we're going to move on. Betsy, you can re-enter the queue, if you'd like.

Our next question is from Moshe Orenbuch of Credit Suisse. Moshe, please proceed.

Moshe Orenbuch

Great, thanks. Anthony, you talked a lot about—and, Chris, both of you—about the marketing efficiency that you're seeing, lower CAC, and you spent maybe $15 million more in marketing. Could you talk a little bit about how you're thinking about the '22 plan, in terms of both marketing efficiency, how much you'll be spending, what it means for the growth rate and the incremental margins?

Chris Lapointe

Yes, I can take that, Moshe. Like I said, we have made really good progress in terms of overall efficiencies. What I would say in terms of the overall outlook, we're not going to provide it at the segment level or spend level detail, but what I would say is we're at the level that we currently need to be at in order to support our longer term 30% margin target at a consolidated level. As you know, we're right now at the right unit economics within our Financial Services segment, and we're seeing really strong cross-buy trends, as we alluded to, where we're starting to feel comfortable about shifting more marketing dollars towards those lower CAC products.

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Moshe Orenbuch

Got it, thanks. One of the things that we've talked about over the last couple of months, as you've gotten the Bank closed and up and running, is the ability to use that as a tool to get direct deposit customers. I know that you just launched the deposit suite of products relatively recently, but could you talk about any progress there in terms of getting into direct deposit for the SoFi Money customers and what that means for engagement?

Anthony Noto

Yes, it's still early days, and I would also just emphasize it's not something we're just starting on now, it's really something that we started to emphasize throughout 2021, and we're starting to see the benefit of it more and more each quarter. The numbers are small, they're increasing very nicely. The number of direct deposit accounts that we've signed up per week increased 50% from Q3 to Q4, and another 50% from Q4 into Q1 already, and we obviously just started to introduce the interest rate and the marketing.

One of the things that I'd say about direct deposit activity is that once it does begin, you do see the pickup in spending, which Chris alluded to. So, the increases we're seeing are steady and positive and to the right, but we're really just getting started.

One of the things that may not be obvious from the outside looking in is that when the Federal Reserve approved their bank license in January, we had to go through a whole product launch. We had to switch the technology, we had to switch the reporting, we had to change all the marketing collateral, we had to change all the relationships with affiliates, and that process is still ongoing. It's not like you just flip a switch and all of a sudden all the things that were driving your business before can now drive this new product and service called SoFi Checking. It really was sort of a close down SoFi Money and stand up SoFi Checking and Savings, and since we have over a million accounts as it relates to our Money product, which we disclosed, we had to do that process in a very coordinated fashion. I will give the team a ton of credit. It's been executed incredibly well—knock on wood—so far. But, we went through a product rollout as if it was an entirely new product, launching it first to our existing members and then slowly rolling it out to new members, and we're just now actually switching over a lot of the marketing collateral with affiliates, etc.

But, in terms of the direct deposit initiative, it just didn't start in February, it started when we launched two-day early paycheck, it started when we launched overdraft protection, it started when we launched autosave, and it's been a continuous process. Really strong growth in Q3 to Q4, 50% higher direct deposit adds per week in Q4 versus Q3, and right now we're up another 50%. The numbers are small, but it's contributing, as you see, in the Financial Services revenue line.

Operator

Thank you, Moshe. Our next question is from Mahir Bhatia of Bank of America. Mahir, please proceed.

Mihir Bhatia

Great, thank you. Thanks for taking my questions. I wanted to ask about Galileo, specifically, maybe, and the Technology Platform. I appreciate that you're not giving guidance by product, but maybe you can just talk about a couple of things within that platform just overall from a growth perspective, maybe just give us some expectations on account growth in that platform. Specifically, the two things I'm hoping you can address have to do with stimulus, the impact of stimulus on account growth at neobanks, if you're seeing any impact from that, and just the competitive backdrop and any major contract renewals that you may have coming up.

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Anthony Noto

Yes, I think it's important to contextualize for everybody, the Galileo business is probably not that well understood in terms of how the business drives growth and what the growth opportunities are, so let me just frame that at a high level first.

We're absolutely benefiting from the sector transition of physical payments to digital payments, and that's impacting the entire business and that's the secular trend behind it, whether that's B2B payments or consumer payments or B2C activity.

Here are the growth drivers.

First, is the growth of accounts of our existing partners. That's the 100 million that we reported this quarter of enabled accounts. That continues the grow from existing partners. That 100 million accounts that are enabled, we can provide new products and services to that install base of Galileo's partners, and we have a very robust pipeline to add new products and services to the existing accounts, things like secured debit, dynamic fraud protection, and a number of other products that you'll see us introduce throughout the year. So, the first driver is the growth in those accounts. The second driver, on top of that, is new products against those accounts. Then, of course, underlying all of that is just the increased activity within each one of those accounts.

The second sort of bucket of drivers is growth of new partners. Some of the new partners we announced there are a good example. H&R Block with a consumer app called Spruce, is an example of a new partner, and we added 44 new partners, entirely new partners in 2021.

The third growth driver is international. We have four of the largest neobanks as partners in Mexico, we're expanding into Colombia, and now, on the back of the acquisition of Technisys, we can enter another 12 markets that they're already in and operating in. So, international expansion is another bucket, and within that bucket are the first two buckets, as well.

The last thing I'd say is that we continue to diversify our relationships. The business was built on the back of B2C or consumer neobanks, but, increasingly, we are much more attractive to enterprise businesses, and we'll have a competitive advantage in some of these cases. Enterprise businesses use commercial banks. Well, SoFi also has a Bank. So, SoFi Bank could be the sponsor bank to commercial partners, enterprise partners, and have a 10- to 12-basis-point advantage because we are the sponsor bank, on top of the fact that we're also a payment processor.

So, we're really excited about the organic opportunities at Galileo. Without a doubt, some of the same-store customers will face stimulus tough comps, etc., and our goal is to overcome that through all these other growth drivers, and that's what we're focused on and our outlook reflects it. We absolutely understand the headwind that may be there for some of the existing partners, but we have a bunch of other tailwinds to continue to drive strong growth there, not to mention the increased growth opportunities from the partnership with Technisys, and vice versa.

Mihir Bhatia

Got it, thank you, that was quite comprehensive. Maybe just switching gears a little bit, I was curious about your guide. Your EBITDA, effectively, you're going from $5 million to a $60 million ramp. I understand some of that is clearly the student loans coming back, and we saw the Q1 impact of that. But, maybe just talk about some of the other factors driving it. Is it just scale? Is there a way to break out how much benefit you get from the bank charter? Was it just revenue growth and scale driving that?

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Chris Lapointe

Yes, absolutely. In terms of your overall question on how to bridge from where we are today in terms of zero to $5 million of EBITDA and $180 for the year, there are a few things I'd call out. Similar to what I said on the revenue guide, there are things that will start contributing more. As you pointed out, the student loan refinancing moratorium. The Bank will also start contributing more at scale towards the end of Q2, and thereafter, and then you're also going to see good growth across our higher margin businesses; specifically, our personal loans and Galileo.

What I would say in terms of quantifying the overall impact of the Bank, I want to reiterate again that we just opened it a few weeks ago in February and we capitalized it with cash, not loans. The reason that's really important is because there were zero loans in the Bank as of day one and we just started originating loans within the Bank. We expect to be fully originating those loans by the end of May of this year. As a result, the cost to capital benefits will start occurring in Q2 and the extended hold benefits will start four to five months thereafter, because we're already holding loans on the balance sheet for three to four months.

If you were to assume normalized pre-COVID student loan refinancing originations and continued growth in our personal loans business, as well as an extended three-month hold period and relatively conservative cost of capital savings assumptions, the impact would be about $70 million to $75 million of revenue for the year and $20 million to $25 million of Adjusted EBITDA. That's what's currently embedded in our guide today.

Operator

Thank you, Mihir. Our next question is from Dominick Gabriele of Oppenheimer. Dominick, please proceed.

Dominick Gabriele

Hey, great. Thanks so much for taking my questions. I just want to go back to actually—and you covered this a little bit, but I wanted to go back to the average revenue per product in the Financial segment, which was much better than I was modeling and really shone. Maybe you could just go back and talk about the mix of Financial products within the segment and how that mix really changed in the quarter, and which products do you think are getting adopted perhaps faster than you would have expected, or a little slower, by your customer base on a cross-sell. Any color around those metrics would be really, really helpful. Thank you.

Chris Lapointe

Yes, I'll hit on the financial component and then I'll turn it over to Anthony. But, overall, really good traction in the Financial Services segment. We ended up driving $22 million of revenue in the quarter. That was up 5x year-over-year from the $4 million that we did last Q4, so an $18 million improvement. Where that growth ended up coming from was our Invest business, which contributed about 32% of that growth. Our Money and Credit Card businesses, combined, delivered $8 million on the quarter and contributed about 42% of the growth, and our Lantern and Pagaya businesses delivered about $6 million of Q4 revenue and contributed to about 22% of the growth.

Anthony Noto

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In terms of the performance of each of the products and looking at the net adds across each of the products, I would say, at a high level, it was a strong quarter across all the products. It would be hard to pick out one product and say it was not growing as fast as we'd like. These are all disclosed and you'll see them in the 10-K. We had really strong growth in the Money product on an absolute basis and a relative basis, really strong in brokerage and in crypto, as well as robo. I think of those products, the one I think we can differentiate a lot more—they all have opportunities. We're focused on fast, selection, content and convenience, as well as making the products work better together, but of those four that I just mentioned, robo is the boldest of the four products and one the team is interested in differentiating more, because we think there is a big opportunity there to do so. That doesn't mean we're not going to differentiate on brokerage and launch Options, which is down the road, or do other things on Money as it relates to high-yield savings, etc. There's still opportunities in every one of the products. That's the one we've probably invested the least in and it's still a big opportunity.

I think about Credit Card and our At Work product and international, and I would tell you Credit Card, I think is a huge opportunity for us. The team has done a phenomenal job, I've talked about the trends we've already achieved, but we've really just scratched the surface. We have one card. It's not segmented by different types of members. You have spenders. You also have revolvers. There's a lot more personalization we could do with the Credit Card. There's also an opportunity to make the Credit Card work better with all the rest of our products.

We're excited about the opportunity in Financial Services products. The trends were really strong in the fourth quarter and it would be hard to pick out one or another of underperforming, but I do think what I'd characterize as some of the opportunities to take some of the products to the next level.

Dominick Gabriele

Great, and you kind of led me straight into it with Credit Card. That is a huge opportunity and can really drive the ARPU significantly higher, compared to some of the other products, just by its nature, and so I was just curious about what is the target audience, when you think about the average FICO score, you mentioned prime on some of the other products, in particular, and just how you think about the life of loan loss rates that you would be targeting for these products as you ramp it up. Thanks so much.

Anthony Noto

Yes, the Credit Card product is still a prime product with very high FICO score, over 700. We think there's a lot of opportunity to play in that segment with differentiation within it. Over time, we could explore different opportunities for the broader member base, but we sort of have all these cylinders going at the same time and it's constantly a debate between are we doing enough, are we doing too much, are we doing enough, are we doing too much, and I think we have the right balance as it relates to Credit Card. We want to build a high-quality card base, we want to drive strong engagement, and we want to make sure we have a great product market fit before we step out of our comfort zone. So, there's still a lot of room within the prime customer that we have and no reason to change. We can differentiate within that still.

Chris Lapointe

In terms of CECL reserves, Dominick, you can see in our filings that we're running at about a 5.5% loss rate right now, which is relatively consistent with our personal loans business, so really healthy.

Operator

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Thank you, Dominick. We're currently at the top of the hour, we do not have time for any additional questions, so I will pass the conference back over to Anthony for any closing remarks.

Anthony Noto

Thank you, and thank you, all, for tuning in today.

Before we wrap up, I wanted to share some final thoughts.

The road to this point at SoFi has had its share of unexpected twists and turns, and every single time our team has shown the grit, the perseverance and cohesion to navigate through the fog of uncertainty to achieve our goals and come out stronger. Not only have we managed to exceed our already ambitious goals, we've accomplished more in one year than most companies achieve in their lifetime.

As we've turned the page on 2021, 2022 has started off with an even more volatile environment, with greater uncertainty. The fog of uncertainty excites me. It creates the greatest opportunities for those who dare to win. It's when leadership matters most, because it's when the winners who will take the most are decided.

I love our team, I love our strategy, I love our Company and I love where I work. I wake up every day trying to be a better leader than the day before, and reminding myself that who dares wins. For the first time in four years, I also wake up every day knowing the only thing between us and realizing our ambitions is us. I would take that setup any day of the week and twice on Sundays.

Thank you for your time today and we look forward to addressing you next quarter when we report Q1 results.

Operator

That concludes the SoFi Q4 2021 Earnings Conference Call. Thank you all for your participation. You may now disconnect your lines.

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