Operator: Good afternoon and thank you for attending today's SoFi Q2 2022 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, Maura Cyr, from SoFi Investor Relations. Maura, please proceed.

Maura Cyr: Thank you and good afternoon. Welcome to SoFi's second quarter 2022 earnings conference call. Joining me today to talk about our results and recent events are Anthony Noto, CEO, and Chris Lapointe, CFO. You can find the presentation accompanying our earnings release on the investor relations section of our website. Our remarks today will include forward looking statements that are based on our current expectations and forecasts and involve risks and uncertainties. These statements include, but are not limited to our competitive advantages and strategy, macroeconomic conditions and outlook, future products and services, and future business and financial performance. Our actual results may differ materially from those contemplated by these forward looking statements. Factors that could cause these results to differ materially are described in today's press release and our most recent form 10-K as filed with the Securities and Exchange Commission, as well as our subsequent filings made with the SCC, including our upcoming form 10-Q. Any forward looking statements that we make on this call are based on assumptions as of today and we undertake no obligation to update these statements as a result of new information or future events. And now I'd like to turn the call over to Anthony.

Anthony Noto: Thank you, Maura, and good afternoon everyone. Our second quarter results demonstrate the continued resilience of both our team and business in our ability to deliver another quarter of record revenue, strong financial and operating results, and a positive start to the third quarter. A few key achievements from the second quarter include: another quarter of record adjusted net revenue with 50% year over year growth; our eighth consecutive quarter, or two full years, of positive adjusted EBITDA, which more than doubled quarter over quarter, demonstrating the acceleration we anticipated throughout the year; continued strong growth in members, products, and cross by volume; our first full quarter of contribution from SoFi Bank, which allowed us to surpass $2.7 billion in deposits, up 135% quarter over quarter, and we're still in the early days; and importantly, our first quarter of positive GAAP net income for SoFi Bank at $25 million. The strength of our results achieved in the face of continued volatility in financial markets, along with the ever-changing political, fiscal, and economic landscape, once again underscores how our full suite of differentiated products and services provides the financial foundation for a uniquely diversified business that is able to endure through market cycles. We are able to allocate resources toward the best growth opportunities across our diverse offerings, which has enabled us to exceed our performance targets despite continued headwinds in certain businesses. While so much in the world continues to shift around us, at SoFi it's been a new normal for us for the last four years, Anthony Noto: so to us, it's business as usual. We've built our products and services to provide durable, high levels of growth with a specific economic profile and that is what we are delivering. Now, I'll run through the highlights of the financial results for the quarter. Total adjusted net revenue grew 50% year over year to a record $356 million, up 11% from the prior record set in Q1 2022. Strength in all three of our diverse business segments contributed to these results. Lending adjusted net revenue grew 46% year over year to $251 million led by continued out-performance in our personal loans business, which saw record origination levels of nearly $2.5 billion, as well as strong sales execution.

Anthony Noto: Financial services net revenue grew 78% year over year to $30 million, up nearly 30% from $24 million in Q1 with the largest contributors being record SoFi checking and savings revenue along with continued strength in SoFi credit card, SoFi Invest, and lending as a service. Technology platform net revenue grew 85% year over year to nearly $84 million, with record Galileo revenues and our first full quarter of contribution from Technisys. Importantly, Galileo revenue growth accelerated to 39% year over year. Adjusted EBITDA of just over $20 million increased 81% year over year and 134% sequentially. Members and products each saw accelerating quarter over quarter growth and their second highest quarter ever of new adds and we continue to see strong cross buy trends. The 450,000 new members in Q2 '22 represented our second highest quarter of new adds, bringing total members to 4.3 million, up 69% year over year.

Anthony Noto: Our industry leading APY was a strong driver of high quality SoFi Money member growth and increasing direct deposit conversions give us confidence that our growing member base is both durable and active on the platform. We also added 702,000 new products in Q2. This represents our second highest quarter of new product adds, ending with nearly 6.6 million total products, up 79% year over year. Of these new adds, financial services products of 5.4 million at quarter end doubled year over year, while lending products of more than 1.2 million were up 22%. The significant scale of our top of the funnel products is driving greater and more efficient member growth and cross buy. Total cross bought products in the quarter increased 24% year over year, demonstrating continued success of our financial services productivity loop strategy. Now, I'd like to spend some time touching on the segment level results. These highlight the benefits of our uniquely diversified model, the robust growth across all three business segments, increased efficiency driving improved profitability, and our strong balance sheet with multiple funding sources, all of this with strong and stable credit metrics.

Anthony Noto: First is lending, where we originate a record of nearly $2.5 billion of personal loans in Q2, up 22% from $2 billion last quarter and nearly double $1.3 billion in Q2 2021. This product continues to deliver, even while we maintain our strict credit standards and attract borrowers with high incomes and FICO scores. Our personal loan performance more than offset the continued lack of demand in student loan financing, which is down to 25% of volume prior to the moratorium on federal student loan payments, and the performance of home loans, which faced macro headwinds from rising rates while we continue the process of transitioning to new fulfilment partners. We're also differentiated in lending by the strength of our balance sheet and the diversification of our funding sources, two points which are bolstered by having SoFi Bank.

Anthony Noto: The bank charter could not have come at a better time and the economic benefits are already starting to positively impact our operating and financial results. First, the ability to offer an industry leading APY and value prop has led to strong growth in SoFi Money members, high quality deposits, and great levels of engagement. Money members have increased nearly 92% year over year to 1.8 million accounts and growth in balances has accelerated significantly. We exited the quarter with $2.7 billion in deposits and spend trends have improved significantly. To put this in perspective, it took three years to accumulate our first $1 billion of deposits and just three months to grow another $1.6 billion. In addition, approximately 80% of our deposits are from direct deposit members, demonstrating the quality and stickiness of these deposits. Second, as a result of this growth in high quality deposits, we've been able to benefit from a lower cost of funding for loans while being able to pass on higher rates in our loans. In Q2 alone, the difference in our deposit cost of funding and warehouse cost of funding was approximately 100 basis points and that delta will continue to grow in a rising rate environment.

Anthony Noto: And third, deposit funding increases flexibility to capture more NIM and optimize returns, a critical advantage in light of notable macro uncertainty. We don't have to access sales channels in the face of suboptimal conditions, such as those we've witnessed more broadly in the asset backed security market over the last few quarters. The power and the financial benefit of the bank is demonstrated clearly by our $25 million of positive GAAP net income in Q2 at a 13% margin. We also have $5.5 billion of book equity in our balance sheet and approximately $7 billion in warehouse facilities that we can access to fund loans, over half of which is committed capital. Now onto Financial Services, where we've continued to achieve strong member and product growth by iterating on our products to ensure they are differentiated by four key factors: fast, selection, content, and convenience, and continue to invest to make them work better when used together.

Anthony Noto: We finished Q2 with 5.4 million financial services products. That's up 100% year over year, and 4.5x total lending products of 1.2 million. The increased scale in financial services products creates even more scale in cross buying and company-wide marketing efficiencies. Total sales and marketing spend as percentage of adjusted net revenue declined for the second consecutive quarter even as we scale our top of funnel products, which often do not contribute standalone to revenue for 12 to 18 months. This is due to the increasing monetization and attractiveness of these products, our increased brand awareness, and network effects. Our investment in our products is paying off as members embrace the product launches in Financial Services introduced in the first quarter. SoFi Checking and Savings provides an unmatched value prop through an industry leading APY of up to 1.8% as of Monday, July 25th, a host of free features, and a unique rewards program. This strategy is driving strong growth in direct deposit accounts, which in turn is driving strong growth in spend, which grew 29% quarter over quarter.

Anthony Noto: Within SoFi Invest, we launched extended hours trading and saw our first full quarter of margin investing. We remain on track to launch options by year end, as well as introduce new proprietary ETFs to the platform. We've increasingly utilized our relay platform to acquire, educate, and advise our members of their holistic financial picture and their next best move. We added the auto tracker product to the existing real estate property tracker and credit score monitoring to add even more insights to members' financial health and support them as they navigate the economic landscape. This platform has become a notable source of cross buying, further bolstering the financial services productivity loop strategy. Transitioning to our technology platform, a critical element of our strategy, not only is this segment a strong revenue and cash flow driver, but it's two businesses, Galileo and Technisys, also contribute to two main tenants of the SoFi strategy, faster innovation at lower costs and high return diversified revenue streams. In the second quarter, full segment revenue growth of 85% year over year included the first full quarter of contribution from Technisys.

Anthony Noto: On an organic basis, Galileo revenue grew 39% year over year and Galileo enabled accounts grew 48% year over year and this is with a 26% margin or 33% if you exclude Technisys. Among Galileo's evolving products, Galileo has added new B2B capabilities as well as a secured credit card offering. I'd like to focus on the B2B segment for a moment as it is enormous and we're already making great strides. 30% of the Galileo client pipeline is now comprised of B2B deals, up dramatically from 10-15% at this time last year, as we quickly leveraged these new capabilities to penetrate more opportunities. And considering the market opportunity in this segment, we estimate the B2B opportunity at $29 trillion with 50% of payments still being a paper check. Just like in consumer banking, we have the capability and the opportunity to convert these to digital payments and virtual cards. This is a prime example of how we have driven technological innovation at Galileo to address more market segments and further diversified sources of growth.

Anthony Noto: And Technisys continues to achieve milestones with its first core banking deal in Mexico and a launch of a new banking client in Brazil in the second quarter. In addition to new products and an increasingly diverse client list, Technisys and Galileo have yet another major source of growth, cross-selling among their complimentary client bases, products sets, and geographic footprints: bringing Technisys to the U.S. through Galileo and Galileo to LatAm through Technisys. Suffice to say that teams are running after these opportunities and we cannot be more excited. I'll finish here by saying that we have been in an all out sprint over the last four years to build out our digital product suite to meet our members' needs for every major financial decision in their lives and all the days in between. The benefits of our strategy to build a uniquely diversified business combined with a national bank license, not only position SoFi to be the winner takes most in the secular transition of financial services to digital, but also provide greater durability through our market cycle.

Anthony Noto: I'm excited about where we are today and even more excited about where we can go from here. With that, let me turn it over to Chris, who will review the financials for the quarter.

Chris Lapointe: Thanks, Anthony. Overall, we had a great quarter with strong growth trends across the entire business. We exceeded our financial guidance while achieving record revenue in our eighth consecutive quarter of positive EBITDA, despite operating in a rapidly evolving macro backdrop. I'm going to walk you through some key financial highlights for the quarter and then share some color on our financial outlook.

Chris Lapointe: Unless otherwise stated, I'll be referring to adjusted results for the second quarter of 2022 versus second quarter of 2021. Our GAAP consolidated income statement and all reconciliations can be found in today's earnings release and the subsequent 10 Q filing, which will be available next week. For the quarter, growth accelerated and we delivered record adjusted net revenue of $356 million, up 50% year over year and 11% sequentially from the prior quarter's record of 322 million. Q2 revenue was 16 million above the high end of our guidance of 330 to 340 million. Adjusted EBITDA margins also doubled quarter over quarter as we delivered $20 million at a 6% margin, coming in $5 million above the high end of our guidance of 5-15 million.

Chris Lapointe: Now on to the segment level performance, where we saw strong growth in record revenue across all three segments. In lending, second quarter adjusted net revenue accelerated and grew 46% year over year to $251 million. Year over year growth in lending was driven by a doubling of our net interest income and 18% growth in non interest income. Growth in net interest income was driven by an increase in asset yields as well as average loan balances, while growth in non-interest income was a result of an increase in originations and hedge gains. Q2 originations grew 9% year over year to $3.2 billion, and were driven by record volumes in our personal loans business, which grew 91% year over year to 2.5 billion. However, both student loan and home loan originations were down by more than 50% year over year as we continue to face headwinds from the moratorium on federal student loan payments and rising rates as well as fulfilment issues continue to impact our home loans business.

Chris Lapointe: We achieved this top line growth while maintaining our stringent credit standards and disciplined focus on quality. Our personal loan borrowers' weighted average income is $160,000 with a weighted average FICO score of 748. Our student loan borrowers' weighted average income is $170,000 with a weighted average FICO of 773. This focus on quality has led to strong credit performance. Our on balance sheet delinquency rates and charge off rates remain extremely healthy, and are still approximately 50% below pre COVID levels.

Chris Lapointe: Our on balance sheet 90 day personal loan delinquency rate was 21 basis points in the quarter, while our annualized personal loan charge off rate was 1.25%. Our on balance sheet 90 day student loan delinquency rate was four basis points in the quarter, while our annualized student loan off rate was just 28 basis points. The lending business delivered $142 million of contribution profit at a 57% margin, up from 89 million a year ago and a 52% margin. This improvement was driven by a mix shift to higher margin personal loans revenue, as well as ops efficiencies and fixed cost leverage across the entire segment.

Chris Lapointe: Shifting to our tech platform, where we delivered net revenue of $84 million in the quarter up 85% year over year, including our first full quarter impact from Technisys. If you were to exclude Technisys, organic growth was 39% year over year, a meaningful increase from the 19% year over year growth achieved in the first quarter of the year. This acceleration was a result of sequential growth in transactions per active account, and to a lesser extent by having a relatively easy comparison quarter as Q1 2022 annual growth was dampened as a result of stimulus benefits in Q1 2021. Overall, annual revenue growth was driven by 48% year over year Galileo account growth to 117 million in total. We also signed 12 new clients, eight of which are in the B2B space, further diversifying our partner base. The segment delivered a contribution profit of $22 million, representing a 26% margin and 33% if you were to exclude Technisys.

Chris Lapointe: Moving on to financial services, where net revenue of 30 million increased 78% year over year with new all time high revenue for SoFi money and continued strong contributions from SoFi credit card, SoFi invest, and lending as a service. We were able to achieve this growth despite having a tough comparison quarter. As a reminder, Q2 2021 financial services revenue included 4.4 million of episodic revenues from advisory and IPO underwriting services. Excluding that 4.4 million in Q2 21, our year over year growth would've been 140%. We reached 5.4 million financial services products in the quarter, which is up a hundred percent year over year. And at 639,000 new products it was our second highest quarter ever of new product adds in the segment. We hit 1.8 million products in SoFi Money, 2 million in SoFi Invest, and 1.3 million in Relay.

Chris Lapointe: Contribution losses were $54 million for the quarter, which increased year over year predominantly as a result of building our CECL reserves for the SoFi credit card business, which is expected as we continue to grow and scale. In addition, we saw a year over year reduction in higher margin digital assets revenue, as well as episodic IPO, and advisory revenue.

Chris Lapointe: Switching to our balance sheet where we remain very well capitalized with ample cash and excess liquidity. The recent opening of SoFi Bank only reinforces the strength of our balance sheet, and provides us with more flexibility and the ability to achieve a lower cost of capital relative to alternative sources of funding. In Q2 assets grew by approximately $400 million quarter of quarter as a result of adding approximately $1 billion of loans to the balance sheet, given the strong growth we continue to see in personal loan originations.

Chris Lapointe: Offsetting the growth in loans, we had a $700 million decrease in cash as a result of funding the bank in Q1. The equity used to capitalize the bank was part of cash and cash equivalent shortly after funding the bank at the end of Q1. It has since been deployed and is generating a strong return by funding originations in the bank. On the liability side of the balance sheet, due to our strong deposit growth, we exited the quarter with only 1.6 billion drawn on our warehouse facilities, about 20% of our overall 7 billion worth of capacity, down from 2.7 billion in the first quarter of the year. Overall, we remain very well capitalized with ample cash and excess liquidity.

Chris Lapointe: Finishing up with guidance, throughout the last 12 months we've demonstrated the benefit of having a diversified set of revenue streams and a keen focus on continuing to underwrite high quality credit. We expect those benefits to persist going forward, even in light of the existing macro backdrop. Our outlook also assumes the federal student loan payment moratorium will last until January, 2023, which would result in a late Q4 2022 benefit based on the trend experienced in 2021. In the second half of the year, we expect to deliver 830 to $835 million of adjusted net revenue, and 75 to 80 million of adjusted EBITDA with a more significant portion of the revenue and EBITDA getting generated in Q4. This guidance implies full year 2022 revenues of 1.508 to 1.513 billion above our prior guidance of 1.505 to 1.510 billion. Our second half guidance implies full year 2022 EBITDA of 104 to $109 million above our prior guidance of 100 to 105.

Chris Lapointe: Overall, we couldn't be more proud of our Q2 results and continued progress. Having delivered over $1.4 billion of annualized revenue and our eighth consecutive quarter positive EBITDA, we continued to make great progress against our long term growth objectives in the quarter, and we remain very well capitalized to continue pursuing our ultimate goal of making SoFi a top financial institution. With that, let's begin the Q and A.

Operator: Certainly. If you would like to ask a question, please press star followed by one on your telephone keypad. If for any reason you would like to remove that question, please press star followed by two. Again, to ask a question, press star one. We kindly ask that you limit your questions to one question and one follow up. As a reminder, if you are using a speakerphone, please remember to pick up your handset before asking your question. The first question is from the line of Kevin Barker with Piper Sandler. You may proceed.

Kevin Barker: Great. Thank you for taking my questions. Congrats on a great quarter. Could you talk about why you feel comfortable continuing to push, to grow the personal loans space, even though we have an uncertain economic outlook? I mean, I understand a lot of those personal loans are very high credit quality with very high FICO scores and higher incomes relative to what we see out there in the market. But there's obviously a lot of uncertainty out there, and I'd just love to hear your view on those loans and why they continue to be an attractive growth investment profile.

Anthony Noto: Sure. Thank you for the question. It's Anthony. In volatile markets like we're in today, with discontinuity in interest rates and other issues around the macroeconomic environment, individuals are looking for ways to lower their cost of debt. They're looking for ways to better save and better spend. And so the demand in this environment's going to be quite strong. It's very prudent that we focus on our core target and make sure we stick to our disciplined credit profile. We underwrite to free cash flow that we're using our credit models to predict, we're not underwriting to a FICO score or anything else.

Anthony Noto: And we're in an environment where some of the best credit profile individuals are out there looking to refinance their debt from higher variable cost debt into fixed rate debt, and also fixed maturities so they can lower their cost of borrowing and also manage their budgets. And that's creating a lot of demand, and our team's doing a great job of providing a range of products to meet their demand. We're sticking to our credit profile that we've had for the last four years. That's proven out quite well. We manage to a life of loan loss of about 8%, and as long as we're able to do that we continue to underwrite. Now, the environment does change, and we have leading indicators that we're tracking, and a profile that our risk team manages that gives us really warning signals. And as those change, we change how much we're willing to underwrite.

Anthony Noto: I'll give you an example. If you go back to March, 2020, we saw dislocation in some of the commercial paper markets and the repo markets. We were quite worried about the liquidity in the marketplace, and we pulled back meaningfully on how much we were willing to lend. And we did that based on our overall profile of the macroeconomic leading indicators. And we didn't turn back on the amount we were lending until those turned green again. So it's something we've done in the past, something that's proven to be quite prudent, and we feel like we have the right team and the right history in place. And I'll let Chris talk about the actual performance of the loans and what we're saying.

Chris Lapointe: Yeah, so as I mentioned in my prepared remarks, the overall demographic and credit profile of our personal loans remains extremely strong. Like I had mentioned, the weighted average income of our borrower is 160,000 with an average FICO score of 748. And we're seeing really good trends in terms of overall delinquencies for our personal loans business. 90 day delinquencies were at 21 basis points in the quarter, and that's roughly in line with where we were a year ago, which was at 18 basis points. And then in terms of overall charge off rates, our personal loans business was at 1.25% annualized, again, which is roughly in line with where we were a year ago at 1.2%. And both of those metrics are well below where we were prior to COVID.

Kevin Barker: Okay, great. And then you obviously had fairly strong fee income and growth in spread income in the lending segment, I'm assuming that the personal loans were a large contributor to that. Are you seeing any headwinds from changes in the securitization market, or maybe changes in hedging costs given the volatility we see in the market today? Or is there any, do you anticipate any additional headwinds from some of the volatility we see out there in the market today?

Chris Lapointe: So overall, we've seen really good momentum and continued demand from our whole loan buyers. Overall demand for our loans in the quarter were extremely strong, which is obviously a testament to the quality of our paper and the credit profile of all of our borrowers. If you look at the quarter and you'll see this in the Q next week, personal loan whole loan sales were up both year over year and sequentially, where we ended up selling over $1.1 billion to whole loan buyers, which was a record quarter for us. And that's up 46% year over year and 15% sequentially. So overall, really good demand on the whole loan side, and we aren't seeing any deterioration there.

Chris Lapointe: In terms of the impact of rates on our overall margins, we've been able to successfully navigate and prudently raise our weighted average coupon throughout the course of the last few quarters to keep pace with rising rates. And you'll see in our Q next week that the average income that we earned on our personal loans portfolio increased about 60 basis points quarter over quarter, and that's in line with what we saw in terms of rising benchmark rates.

Kevin Barker: Okay, great. Thanks for taking my questions, Chris. Thank you, Anthony.

Operator: Thank you. The next question is from the line of Dan Dolev with Mizuho. Please proceed.

Dan Dolev: Oh, hi, thanks. Great results, guys. Congrats. So my first question is, can you give us some recent consumer trends, maybe something on the members and on demographics, like how have things changed in terms of. And on demographics. How have things changed in terms of your demographics? I also maybe noticed that the cycle went out, so I would love to get an update on that. Thank you.

Anthony Noto: Yeah. I already touched on the trends for lending. Outside of the trends for lending, I'll hit on technology platform and then also our financial services products. We're really happy with the performance of the financial services segment. We're starting to see great monetization there. As I mentioned in our prepared remarks, there couldn't be a better time to have become a bank. It allows us for the first time to give a very attractive interest rate on checking to our members at 1.8% APY. It's funny, we're able to give them a better interest rate while lowering our cost. That 1.8% combined with our other sources of funding lowers our cost of lending between our warehouse facilities and our cost of deposits by a hundred basis points. So we're actually giving them 1.8% versus before when they got 30 or 40 or 50 basis points. And we're actually saving a hundred basis points on top of it.

Anthony Noto: That's driven great demand for our checking and savings account and great direct deposit activity. And the direct deposit activity then leads to higher spending. So as we mentioned on the call, we saw a meaningful increase sequential in the spending and also year over year. I would say our spending is really about taking market share because we're taking from large banks and their direct deposit customers. If we do look at the members that we've had for this period of time, their spending is still strong, but again, we're up in credit and up in income so we may not be representative of the broader United States and the economic activity and the pressure they may be feeling, our customers are reacting quite well in this environment.

Anthony Noto: As it relates to investing, you'll see that we are able to grow both checking and savings SoFi money by close to 90%, and invest at 90% as well. And we saw net inflows there, which is quite remarkable in this market environment. You'd expect it the opposite. So our differentiation in Invest is coming through and we've done surveys of our members to understand why we are seeing net positive flows from them. And 50% of it's from people that are trying to catch up in life. They didn't invest when they were younger and they're trying to get more money to work now so they get the benefit of compounding. And the other 50% are people that see it as an opportunity to buy in at lower valuations. So exactly the trend you'd want to see.

Anthony Noto: And for those that aren't familiar with the SoFi Invest product, while we're a one stop shop overall for financial services products, we're also a one stop shop in Invest because we have single stocks without commissions, fractional shares, which we've pioneered, we have our own robo-advisory portfolios. And then in addition to that, we have proprietary ETFs and cryptocurrencies that can be purchased on the platform. So we're seeing really strong demand there. And the team's also doing a great job as it relates to our insurance products, which is really a lead generation product. And you see all those revenue streams coming through in the financial services segment. As it relates to the technology platform, we're seeing strong growth in number of accounts and activity per account, and that's a broader slab of consumers than just those that are at SoFi. So our acceleration in revenue growth there was quite impressive in the quarter and something that we are happy to see.

Dan Dolev: Really amazing. Great job, you guys. Appreciate it.

Anthony Noto: Thank you.

Operator: Thank you. Our next question is from the line of Dominick Gabriele with Oppenheimer. Please proceed.

Dominick Gabriele: Hey, great. Thanks so much. I was just curious, could you talk about your expense flexibility to continue to drive adjusted EBITDA margin and dollars even in perhaps a slower macro environment both within the segments and in non segment expense? And then I just have a follow up. Thanks so much.

Anthony Noto: Yes. So one of the things I want to make sure everyone has a historical perspective on is in March of 2020, the president of the United States decided that those with federal student loans didn't have to make payments. We've now been in that environment for two and a half years. That was one of our largest and most profitable businesses at that time. We've gone on to drive a billion dollars of revenue in 2021 in our first full year of EBIDTA profitability and we're doing record revenue quarters in 2022 with improving profitability as well, as we talked about. So we've been in a mode of optimization on the cost side of the equation for two and a half years. This is not a new thing for us. And so we try to manage the business so that we'll drive both growth and durable improving profitability through the cycle, which is what you've seen so far.

Anthony Noto: We have a lot of flexibility. We're investing at a really high rate. If you look at our lending business, it's operating at really strong profitability. It's not as profitable as it would otherwise be with the student loan business, but still quite profitable. Our technology segment revenue, as Chris mentioned, has very high margin and that's with us absorbing Technisys, which is really a breakeven business at this point, given the magnitude of the investment that we're making. And then we're making a really sizable investment in customer acquisition cost and our financial services segment, which has a lot of upside to profitability and some huge milestones in front of us. I'll let Chris talk through the path there.

Chris Lapointe: Yeah. So in terms of the overall path to profitability within financial services, you'll see in our 10-Q disclosure next week that we break out directly attributable expenses for each of those segments. As Anthony mentioned, both lending and tech platform are sufficiently profitable. And then on a financial services side, if you were to look at our variable profit excluding marketing spend, you would see that we've been profitable over the course of the last several quarters and we expect to be able to cover that marketing spend by the end of this year and be variable profit positive. At that point, it's all about scaling that segment sufficiently in order to cover our fixed costs, which we expect to be able to do by the end of next year so the end of 2023. So overall, really good progress has been made and we're well on our path.

Dominick Gabriele: Absolutely. No. I think that the adjusted EBIDTA margin probably surprised people to the upside this quarter. It's great to see. And if you just think about, you've been building a diverse set of revenue streams focused on interest rate cycle proofing your business. Personal loans were up quite nicely. How has the demand changed for your products, even in the financial segment, I noticed, perhaps? As the RPUs up a little bit more, how would you expect this shift in the demand for your products as rates keep rising potentially? Thanks so much.

Anthony Noto: In the personal loan segment, the demand will continue to increase as people that have variable rate debt and also debt that may not be longer term needs to refinance. People that have short term debt and variable rate debt, they need to extend the length of the debt and get into a fixed rate payment that they can consolidate down to and get the debt paid off. On the investing side, we're clearly a market share gainer there to see the growth that we are in our best members and net flows is likely unique in the sector. And I think the disruption that's happening more broadly for the FinTech focused brokerage or invest accounts is going to be a benefit to SoFi given our stability. The fact that we have deposit funding with a bank, that we're EBIDTA positive consistently for two years, and we have a lot of capital in the balance sheet, we could be a really safe home for a lot of people that are worried about their capital getting trapped in some way from dislocations and private companies and public companies in the brokerage space.

Anthony Noto: As it relates to student loans, we, in our guidance and our outlook, we still assume the moratorium won't end until 2023. If it ends sooner, we expect a demand for that product to really go through the roof and we'll be back to normalized levels that we saw in 2019 and Q1 of 2020, which as Chris mentioned, was over $2 billion of originations. And that would be a huge tailwind that allows us to step on the gas even more because it's a really profitable business and high incremental profit margins.

Anthony Noto: On the technology service side, for Galileo and Technisys, we're in an environment where companies really need to drive greater efficiency in their businesses and drive down costs, which means they need to upgrade their technology platforms. And we are a perfect company to partner with them, whether it's on the core banking technology or payment processing and everything that's in between. We truly have an end to end solution for them in debit and ACH and soon to be on the credit side, as well as a whole host of other products that the team at Technisys is working on and a lot of the single point solutions that we also have at Technisys that are quite advantageous from both a functionality standpoint and cost standpoint. So we're really excited about the amount of demand we're seeing there. And I mentioned it's not just in the consumer area, but also the B2B area. And a lot of the enterprise payment technology doesn't exist today for people that do digital payments. They're largely still doing paper payments and we can enable lower cost there as well. So we're excited about that.

Anthony Noto: On the insurance side, it's been relatively steady, but we're gaining market share there as a lead generator. And then as lending as a service, I think the more disruptive the credit markets are, the more people will look to lower their costs. And lending, if they're not a bank to be able to meet the higher life alone losses and charges they've been experiencing.

Dominick Gabriele: Great. Thanks so much.

Speaker 5: Thank you. Our next question is from the line of Moshe Orenbuch with Credit Suisse. Please proceed.

Moshe Orenbuch: Great. Thanks and congratulations on all of the success milestones in the bank. Related to that, and it's probably a better question this quarter than when I asked that last quarter, you mentioned the 80% of your deposit flows coming from direct deposit customers. Could you talk a little bit about what the increase in direct deposit customers could do for your various businesses, including the spending of SoFi money and the persistence in other products?

Anthony Noto: Yeah. One of the things that we've seen going back to our overall strategy of using our different products to build our relationship with members and from that relationship build trust and reliability so when they want to use a second product, they choose us and we get great financial and operating leverage in addition to more data to better serve them and help them get their money right. What we've seen in the SoFi money product, the checking, savings account product, as we've raised the APY, the quality of the customer, their FICO score, their credit profile has also increased. In fact, it sets us up really well for future opportunities to serve them on the lending side.

Anthony Noto: I would say the members that we're acquiring through SoFi money, they need less borrowing than the members we've had in the past, but they have higher credit profiles, which is going to bode well for the future cross buying of our business. They also have more money to invest, which would help our invest business in addition to other areas that we see as opportunities with them. So the aggregation of more money members with higher credit profiles and more direct deposits is really positive. Once we have the direct deposit, we know what types of bills they have, we know if they're sitting on cash that they're not investing, we know if they're overextended with credit card payments or student loan payments or mortgage payments. So it's a treasure trove of information that helps us serve them much better. The second thing I'd say is that as we've added those direct deposit customers, we've seen really strong spending trends and we have a 1% interchange on our debit card today. And so that business benefits as well as the benefit of the data.

Moshe Orenbuch: Great. Thanks. And then… Sorry, go ahead. Go. Sorry.

Anthony Noto: I was going to say on activation rate side of the equation, we're at industry benchmarks for percent of funded accounts that are converting to direct deposit.

Moshe Orenbuch: Gotcha. Thank you. Just as a follow up, you had noted that you added a number of new B2B customers and very large TAM. Could you talk about what that process is? How long does it take? And how large that could be as a revenue stream for your tech platform over the next year or two?

Anthony Noto: Yeah. I'd say the sales cycle differs by the stage of company. Segment does matter, but stage of company matters more. So for earlier stage companies, the sales cycle is much shorter. More mature companies, the sales cycle is much larger. The benefit of existing companies with installed bases or existing payment needs is that you don't have to build the business over time. It's right there. It just needs to be transitioned either from physical payments to digital and you grow quite rapidly or you can work off of an old platform to a new platform. So in many ways, getting more existing partners, as opposed to early stage companies could help accelerate growth there.

Anthony Noto: On the financial services side, non B2B side, we're in conversations with large banks in the United States and outside the United States that previously we were not in conversations with before we owned Technisys. So the combination of Technisys and Galileo is a pretty powerful combination that gives payment processing and a core in an end to end solution, which is a great opportunity for existing large financial institutions to move to a modern stack and benefit from all the innovation that we're driving in addition to the lower costs.

Anthony Noto: On the B2B side, it's just an area that we hadn't invested in meaningfully in the past. We have many B2B customers, but there is a product set that they need for us to capture more of the opportunity that comes to us and that's the big difference between where we are today and then in the past. The demand was there, we just didn't have the product set built out, which the team has invested in this year. So excited about that as well.

Moshe Orenbuch: Thanks very much.

Operator: Thank you. Our next question is from the line of John Hecht with Jefferies. Please proceed.

John Hecht: Hey, guys. Reiterate all the congratulations and thanks for taking my questions. First one, and you touched on some of this, but you used to onboard new customers, I think, predominantly through student loans. Obviously, that calculus has changed. So maybe talk about what's the mix shift in terms of onboarding and cross selling and revenue ramp given the changing atmosphere?

Chris Lapointe: Yeah. So overall, we've seen a pretty significant shift over the course of the last few years in terms of the number of lending products and financial services products. But right now, the number of financial services products and the ratio of lending products, is four and a half to one. And we're seeing a lot of top of funnel, low customer acquisition cost members coming through the funnel through financial services. And as Anthony mentioned in his prepared remarks, we saw a 24% increase in overall cross buy rates, which is predominantly coming from those financial services products, which is helping us get much more efficient on overall marketing spend. And you'll see in the results that we were more efficient in terms of both the cost to acquire a new member, as well as marketing spend as a percentage of revenue, quarter over quarter and year over year.

John Hecht: Okay. That's helpful. Thanks. Then moving on the technology platform, you got a lot going on there between geographical expansion and I think some vertical integration, and then B2B I think too. How do we think about the composition of revenues, and then the source of revenues? Is it all a take rate type of thing, or are there other alternative sources of revenues as you guys expand and diversify that?

Chris Lapointe: Yeah, so for right now within the tech platform, our Galileo business makes money through transactions. So every time someone swipes a card, or there's an API call, we collect pennies on the dollar. In terms of Technisys, that's more of a recurring revenue stream, SaaS type model, and we expect to continue to grow into that business and diversify the overall revenue streams.

Anthony Noto: And just one clarification on Galileo's business. We have a fixed rate on those transactions and on the API calls, it's not a percentage of the interchange, or percentage of the transaction side. So if the basket size gets smaller, it doesn't change what we get paid. We get paid by transaction or by API call.

John Hecht: Great, thanks. Thanks very much, guys.

Operator: Thank you. Our next question is from the line of Jeff Adelson with Morgan Stanley. Please proceed.

Jeff Adelson: Great, thanks. Good evening, Anthony and Chris.

Chris Lapointe: Hi Jeff.

Jeff Adelson: So you had a pretty good quarter. You beat by revenues on about 15 to 25 million and five to 15 million on the EBITDA, relative to the old 2Q guide. I'm just curious. It looks like you only took up the full year '22 guide by roughly three to four million. Just wondering if there's something going on in the back half of the year that we should be looking for maybe, or are you building maybe in a degree of conservatism in your outlook here?

Chris Lapointe: Yes, what I would say is in terms of the overall H2 guide, our goal is always to provide the research and investor community with our best outlook on the business at any given point in time. Given where we are in the year, we remain very comfortable with the trajectory of our business and our guide, particularly in light of the uncertainty related to the macro environment that we're experiencing right now. So overall, still very optimistic in the forward outlook. Again, this is our best, best view at this point.

Jeff Adelson: Got it, thanks for that. That's helpful. Then just maybe switching to the gain on sale. Since we're not getting in the Q until next week, I think you said, could you maybe break out how much of a hedge gain you saw this quarter? I think last quarter you had about 160 million. Just wondering how much of the 140 million this quarter came from that. Then as a part of that, do you think you could also break out the hedge versus unhedged gain on sale margins you're seeing by product this quarter?

Chris Lapointe: Yep, absolutely. So in terms of overall hedge gains for the quarter, we ended up generating $75 million in the quarter. In terms of the actual gain on sale margins, I'll give you both unhedged and with hedge gains. For personal loans, it was 103.4, excluding the hedge, and 104.5, including hedge gains. Our student loan business was 99.8, excluding the hedge and north of 104, including the hedge. Then our home loans business was at an execution of about a 95, but north of 101.5 when including the hedge, what I would say in terms of overall sustainability and durability of these margins, we've been able to sustain these gain on sale margins, inclusive of hedge gains, in this 104% level for our personal loans and SLR business, and 101 to 102 in home loans.

Chris Lapointe: And that's primarily a result of the hedging strategy that we have, but also a function of being able to keep pace with rate increases, and pass those through to our weighted average coupon. Like I said earlier, you'll see in the Q that the average interest earned on our overall PL portfolio increased 60 basis points quarter over quarter, and that's in line with the increase that we observed with comparable benchmark rates. Now that's not a perfect indication of how much we increased our weighted average coupon on in-period originations, but it does give you a sense for our success in being able to raise while continuing to drive growth in originations.

Jeff Adelson: Got it. Then you've done a pretty good job so far raising deposits with the new bank and growing your loans accordingly. Just wondering, as we think about this doubling of your hold period and pretty good strength in the personal loan originations, is it unreasonable to assume that with the doubling of the loan hold period, that at a minimum you could probably double your loan balances by early next year with one year under your belt? You were at six or seven billion when you got the bank. Is it unreasonable assume that could hit 12 or 14 billion over time or by next year?

Chris Lapointe: Yeah, I don't think we're going to provide guidance on the actual bank balance sheet or the amount that we're going to grow loans. But what I would say is, over the course of Q2, we ended up growing overall deposits by over $100 billion per week. And the second thing I would say is, we have sufficient equity capital, both at the bank and the bank holding company, to fulfil our overall origination plan.

Anthony Noto: We do want to maximize the value of the bank it affords us. So it’s both dependent on the environment and all the rest of our business where our objective would be to grow at a healthy clip.

Jeff Adelson: Okay, great. Thanks for taking my questions.

Operator: Thank you. Our next question is from the line of Eugene Simuni with MoffettNathanson. Please proceed.

Eugene Simuni: Okay, well, thank you very much, guys. Thank you for taking my question. I wanted to come back to personal loans for a minute. Obviously, very, very strong growth trajectory here. Talked a bunch about the strong demand overall, given the interest rate environment. But can you talk a little bit about your success in gaining market share in this market? It's a very competitive market, there are a lot of providers, a lot of innovative providers. What's the edge and how do you maintain that market share gain momentum going forward?

Anthony Noto: Yeah, we have a very small market share in personal loans, but we are gaining share. We think about the differentiators for all of our products on four dimensions, five really, but four unique ones: fast, selection, content, convenience. Then the fifth one is having our products work better together, i.e. you get a lower interest rate if you also do direct deposit as an example. So for fast, we want to be the fastest place to apply for a loan, the fastest place to get approved for a loan and the fastest place to get funded for a loan. And on personal loans, we try to get it down to two days. It used to be eight or nine days. Why is that the case? People don't want, they don't want to wait for a decision. They want to know they have a solution to whatever their problem is. So we want to do that very quickly and we work every day to do so. And I think we're as competitive as anyone and I'd be shocked if anyone was faster than us. There's also decision period that we have to consider, but we can get it down to two or three days. And we do that quite often.

Anthony Noto: Second, is I think about selection. Selection is not just the term and the type of rate, it's also other elements of that loan, one of which is pricing. And because we are a bank and our cost of funding is meaningfully lower now, we could be much more aggressive on pricing. And we're pretty, I would say surgical as it relates to the relationship between the credit profile and the pricing profile. We developed back in 2018, six different grids of about 36 cells that are constantly used to figure out where there's an opportunity in pricing, relative to credit. So that's a sophisticated process that's done each week and it's built on four years of data.

Anthony Noto: The second element of that is marketing and understanding which channels provide the best borrowers. And it's not just the best borrow in terms of demand, but it's about their variable profit. So we're trying to optimize for 40 to 50% of variable profit margin on a per loan basis, and we want to maximize dollars there. We know which channels perform the best on unit economic basis, and so our marketing can be a lot more efficient. And it's generally hard to find people that are good credit profiles, because they're not always necessarily looking for money and you're trying to find a great solution for them.

Anthony Noto: So those are couple of elements that we use on a singular basis of the products' differentiation. We also increasingly are doing things like I mentioned to make our products work better when you use them together. So giving you an advantage if you're also a direct deposit customer in the rate that we offer you. We've done historically auto payments as a discount to the rate, but direct deposit is now another lever that we can use from a differentiated standpoint that others cannot use or don't have. Finally, you'll see us continue to do better together types of things to get there.

Eugene Simuni: Got it, got it. Thank you, that's very helpful. Then quick follow-up, just on the macro environment, you mentioned that you're looking at a broad range of early warning indicators. Obviously you're looking at a lot of data across your 4 million user base. Are you seeing any indications of any deterioration in the macro environment? And maybe you can speak in a little bit more detail what macro scenario are you assuming for your second half guide?

Anthony Noto: Yes, because we're focused on a specific segment of the population and a specific credit profile of population, we're going to look at different metrics than that necessarily tie to GDP growth or inflation, et cetera. I don't want to get into all the details on all the different metrics. The risk team utilizes that framework. They provide us with early warning levels. We use red, green and yellow. They change quite frequently. We look at them every month. There have been some months in the past that were more red than months that we've currently had. So there's not going to be something you can look at and say, "This means X, Y or Z for SoFi." Our team is looking at that broad range of indicators and using that to grade each one of the metrics. And ultimately when we get to a certain level of things being red, we lend less, which is what we did back in March of 2020. Then once we lend less, we don't turn it back on until they turn back to yellow or green. So it's something we monitor all the time.

Anthony Noto: If you look at the second quarter, April was more negative than May or June. May and June were more positive than April. So it's an ever-changing environment. I don't want to give you any indication of what it's going to be tomorrow or what it was yesterday. Our guidance reflects what it's been and what we think it's going to be. Then the only other thing I'd point you to is the actual performance of our loans, which Chris talked about.

Eugene Simuni: Got it, got it. Well, thank you very much, guys. I really appreciate it.

Operator: Thank you. That concludes today's Q and A session. I will now hand the call over to Anthony Noto for closing remarks.

Anthony Noto: Thank you. And thank you for everyone, for your thoughts today and spending time on our call. I wanted to end with a couple of points. I'm incredibly humbled by the privilege to lead SoFi and work with so many passionate people that have built our company day by day and inch by inch. Rallying time and time again to each challenge we've faced, all in service of changing the lives of so many people. I would've never predicted that we could deliver superior growth with record revenue quarter after quarter in 2021, and now again in 2022, while our student loan refinancing business operates at 25 to 50% of normalized levels for the last two and a half years. And we still delivered eight quarters of positive EBITDA. We went public, we've raised over

$3.5 billion, and we attained a very hard to accomplish goal in becoming a national bank.

Anthony Noto: But that is exactly what we've done here today and last quarter, and the quarter before that. Our members need our help like never before. And our ability to help them is unmatched by any company that I am aware of. The responsibility that comes with that rare position is great, but the personal and professional satisfaction when we deliver is even greater. I am in awe of the impact we have on our members. While no one day has a dramatic impact relative to others, the cumulative impact of the last 1,620 days is dramatic, which is why we have to remain focused like never before on ensuring that we continue to move with urgency, with purpose, with a winning mindset and a founder's mentality to make progress every minute of every hour of every day, so that the aggregate impact remains unmatched. Until next quarter, we thank you for your interest in SoFi. Thank you very much.

Operator: That concludes today's conference call. Thank you for your participation. You may now disconnect your line.