

Dave Inc. NasdaqGM:DAVE

FQ4 2024 Earnings Call Transcripts

Tuesday, March 4, 2025 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2024-			-FQ1 2025-	-FY 2024-			-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS (GAAP)	0.42	1.16	▲176.19	0.55	3.46	4.19	▲21.10	3.00
Revenue (mm)	95.27	100.90	▲5.91	95.10	341.99	347.10	▲1.49	421.59

Currency: USD

Consensus as of Mar-04-2025 5:15 PM GMT

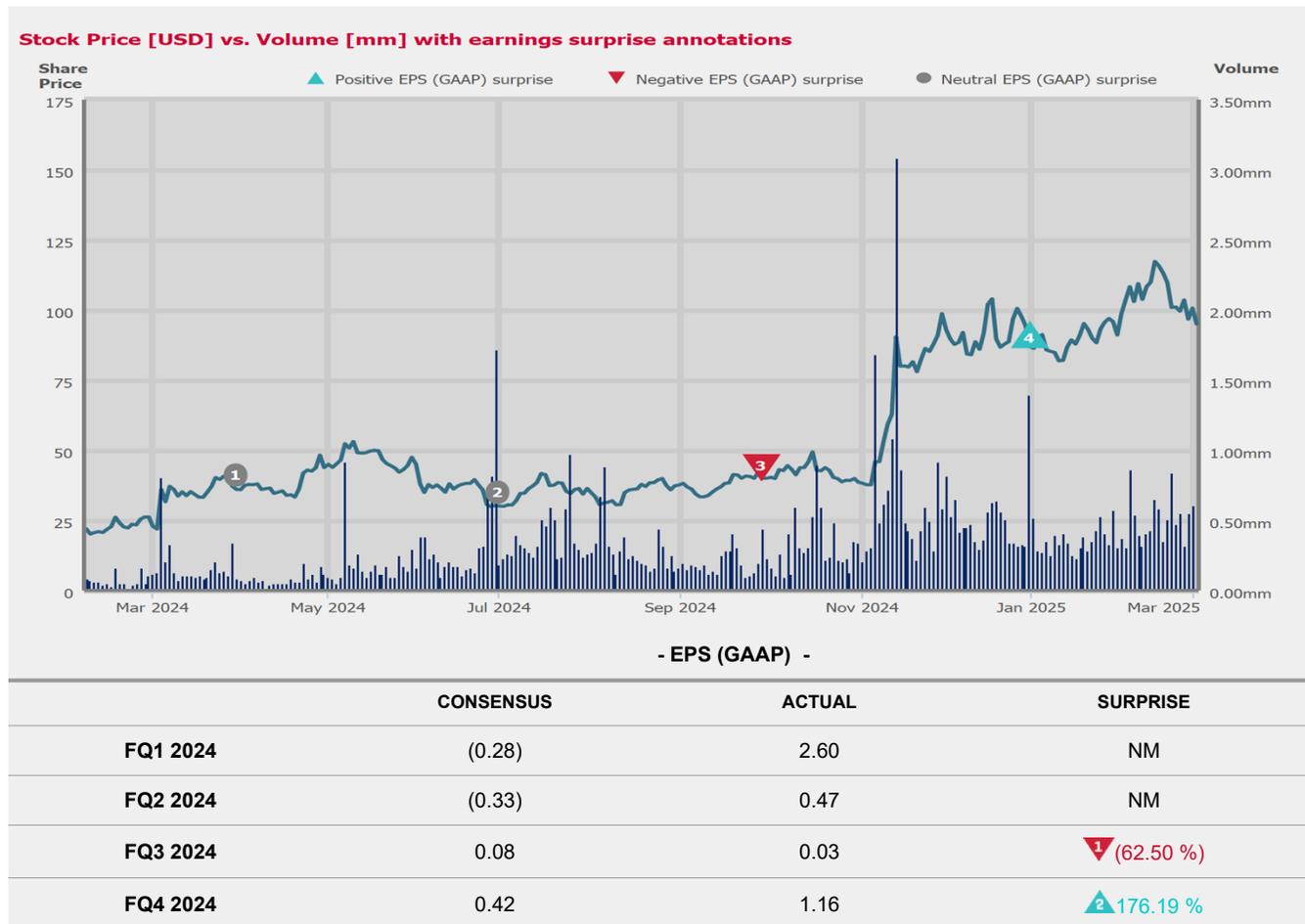


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Call Participants

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Presentation

Operator

Good morning, everyone, and thank you for participating in today's conference call to discuss Dave's financial results for the Fourth Quarter and Full Year ended December 31, 2024. Today, we are joined with Dave's CEO, Mr. Jason Wilk; and the company's CFO, Mr. Kyle Beilman. By now, everyone should have access to the fourth quarter and full year 2024 earnings press release, which was issued yesterday afternoon. The release is available in the Investor Relations section of Dave's website at investors.dave.com. In addition, this call will be available for webcast replay on the company's website. Following management remarks, we'll open the call to answer your questions.

Certain comments made during this conference call and webcast are considered forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain known and unknown risks and uncertainties as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. These forward-looking statements are also subject to other risks and uncertainties that are described from time to time in the company's filings with the SEC. Do not place undue reliance on any forward-looking statements, which are being made only as of the date of this call. Except as required by law, the company undertakes no obligation to revise or update any forward-looking statements.

The company's presentation also includes certain non-GAAP financial measures, including adjusted EBITDA, adjusted net income, non-GAAP variable profit and non-GAAP variable margin as supplemental measures of performance of our business. All non-GAAP measures have been reconciled to the most directly comparable GAAP measures in accordance with SEC rules. You'll find reconciliation charge and other important information in the earnings press release and Form 8-K furnished to the SEC.

I would now like to turn the call over to Dave's CEO, Mr. Jason Wilk. Please begin.

Jason Wilk

Co-Founder, CEO, President & Chairman

Thank you, and good morning, everyone. I'm excited to share that we closed out 2024 with a record-setting fourth quarter, delivering another period of exceptional growth and profitability. This quarter marked a significant milestone for Dave as we surpassed both \$100 million in quarterly revenue as well as more than \$30 million of quarterly adjusted EBITDA for the first time, capping off a year of strong execution and outperformance.

As we entered 2024, we had high expectations, and I'm proud to say that we not only surpassed our original guidance from last year, but also exceeded the updated guidance provided in Q1, Q2 and Q3. This outperformance was driven by strength across all key areas of our business. Monthly Transacting Member or MTM growth remained strong, supported by stable CACs and enhanced member retention, demonstrating the efficiency of our acquisition model and the product market fit we continue to achieve.

ARPU exceeded expectations as well, fueled by expanding average ExtraCash sizes and improved engagement in Dave banking. Credit performance also improved throughout the year with our v5.0 CashAI underwriting model better separating risk as our ExtraCash portfolio scales. When taking all this together with our discipline on fixed costs, which declined in 2024 compared to 2023, we drove another year of significant operating leverage and our first full year of profitability since 2019. This strong performance continues to underscore the scalability of our model, the value we provide to millions of Americans and sets the stage for what we believe will be another year of record performance in 2025.

I also want to share the optimism we have regarding our transition to the new fee structure for ExtraCash. The new structure is a simple 5% fee on all ExtraCash transactions with a \$5 minimum and a \$15 cap with no additional transfer fees of Dave Checking. This replaces our optional fee model, which allowed members to access credit for as little as \$0 per transaction and included optional tips, which are no longer part of the experience. We're confident that this new fee model creates better alignment between us and our members as the more durable monetization allows us to expand credit access through higher limits and unlock further product optionality for us moving forward.

Through our testing, we observed favorable conversion, retention and monetization trends for new and existing members, delivering both business and member wins. Given these results, we completed our transition within our previously disclosed early 2025 time line and as of February 19, we're fully migrated to the new fee model. These product improvements are aligned to our mission to level the financial playing field, and we believe will be welcomed by all stakeholders, including members, investors and regulators.

Turning to our growth strategy. I'd like to provide an update on our 3 strategic pillars: acquiring new members efficiently, engaging them through ExtraCash and deepening those relationships through the Dave Card experience. We continue to efficiently acquire members at scale, reflecting the power of our credit-first value proposition and its synergies with our banking product suite. In Q4, member acquisition grew 12% year-over-year based on 26% higher marketing spend, which was partially offset by a 12% increase in CAC at these higher levels of investment. We increased marketing spend given the more significant investment returns we are generating as a result of monetization improvements, which can be observed in our MTM ARPU, which expanded at a double-digit year-over-year rate for the past 6 quarters.

Our returns remain strong. And with the added monetization from the new fee model, we believe that we can sustain favorable returns at higher potential CACs in the future, adding to the scalability of our growth engine. Given these facts, we plan to moderately expand marketing investment throughout the 2025 period while maintaining a disciplined focus on investment returns in order to further drive profitable growth.

Our second strategic pillar centers around continuing to strengthen engagement with our MTMs. ExtraCash remains the key entry point for building long-term relationships for our members by addressing what is typically their primary need, short-term liquidity for gas, groceries and bills. MTMs rose 17% year-over-year in Q4 to 2.5 million based on the new member acquisition growth I mentioned a moment ago, in addition to continued enhancements to new member conversion and retention.

In Q4, ExtraCash originations reached a record \$1.5 billion, up 44% year-over-year and 9% quarter-over-quarter. Even with the \$1.5 billion in ExtraCash originations in Q4, our net receivables balance was just \$176 million at quarter end, further highlighting the capital-efficient nature of our balance sheet. As we progress through the first quarter, we anticipate the typical seasonal impact as tax refunds provide important liquidity for our members, reducing their need for ExtraCash. This growth in originations was fueled by greater MTMs, average ExtraCash size and the number of disbursements taken per MTM.

Average ExtraCash size grew 17% year-over-year as a result of 2 factors. First, this is the early impact for our new fee structure, which we began rolling out in Q4. Second is the impact of our v5.0 CashAI underwriting model, which we implemented last spring. Both of these factors allow us to offer higher ExtraCash approval amounts to our members, which provides the additional benefit of supporting member conversion and retention. We plan to continue to optimize CashAI in order to further enhance the ExtraCash experience for our members.

Moving to ExtraCash performance. Our CashAI underwriting engine allows us to enhance credit access for our members while continuing to improve credit performance. In Q4, CashAI drove a 53 basis point or 24% year-over-year improvement in the 28-day delinquency rate. Our 28-day delinquency rate is a reliable leading indicator for our 121-day charge-off rate, which improved 65 basis points or 32% on a year-over-year basis to 1.38% for the most recently available quarterly vintage.

Credit performance has steadily improved over several years, even as subprime credit card delinquencies have worsened beyond pre-pandemic levels. This divergence highlights the strength of our proprietary CashAI underwriting model, which leverages real-time bank account transaction data rather than lagging FICO scores. Unlike subprime credit cards, which lie on an initial underwriting decision for long-duration credit exposure, ExtraCash's short-term nature allows us to continuously read about customer risk with each transaction. With over \$125 million originations to date, this high-frequency fully automated underwriting approach has enabled superior credit risk separation and ongoing optimization, positioning ExtraCash as a structurally advantaged product to successfully navigate various economic backdrops.

Additionally, as we've improved member retention, the average tenure of our MTM has increased. In Q4, the average tenure of an MTM was over 19 months, up 22% from Q4 2022. This important dynamic is worth underscoring. Credit performance typically improves with MTM season on our platform, which should support ongoing strength in credit performance as we continue to scale the business. The third and final pillar of our growth strategy focuses on deepening member relationships by enhancing engagement with Dave Card. Our strategy leverages the power of our market-leading ExtraCash offering to build deeper long-term banking relationships with our members. In Q4, Dave Card engagement continued to grow with spending up 24% year-over-year to \$457 million, driven by a combination of strong growth in banking active customers as well as card spend per banking active customer.

ExtraCash remains a key driver of trialing the Dave Card as customers have instant access to their funds versus transferring money out to external accounts. There are also no additional fees for sending ExtraCash to the Dave Card in our new fee model. We plan to further increase our focus on debit card adoption this year with new product initiatives as the LTV benefits of customers who use both the card and ExtraCash are meaningful. Between the continued momentum we are seeing in ExtraCash and demand for the Dave Card, we generated another quarter of double-digit ARPU expansion, which was up 18% year-over-year. This is our sixth consecutive quarter of double-digit ARPU expansion on a year-over-year basis, given the progress we have made increasing

ExtraCash disbursement amount, which was up 17% year-over-year and 4% sequentially in Q4. With our new fee model structure fully implemented last month, we anticipate further ARPU expansion in 2025.

Before I provide my closing remarks and turn it over to Kyle, I want to provide an update on 2 other important topics. First, as we announced yesterday, we finalized our new strategic partnership with Coastal Community Bank, one of the most highly respected sponsor banks in the fintech ecosystem. This new partnership will enable Dave to leverage Coastal's scale, experience and strong compliance and risk management capabilities to sponsor our ExtraCash and banking products. We believe the partnership will also strengthen our position to launch next-generation products that support Dave's mission of leveling the financial playing field for everyday Americans.

Next, I want to briefly touch on the litigation originally filed by the Federal Trade Commission on November 5, 2024, and then refer to the Department of Justice, which filed an amended complaint on December 30, 2024. On February 28, we filed our motion to dismiss the lawsuit, outlining what we believe to be the technical deficiencies in the amended complaint. We expect a ruling on this motion as early as Q2 of this year. We remain confident in our legal position and are prepared to vigorously defend ourselves throughout the legal process. The lawsuit does not challenge our business model, but rather focuses on consumer disclosures and the process for obtaining consent for associated fees. While we strongly believe we have always operated within the law, we have implemented product changes that aim to improve member experience while addressing the areas in the DOJ amended complaint that relate to consumer disclosure and consent.

Moving on, it should be clear that our strategic focus on expanding access to ExtraCash through product and underwriting enhancements, increasing wallet share of our members with Dave Card and growing our member base has positioned us well for continued growth and profitability over the coming years. We're proud of the strong execution from our team and the meaningful product improvements we've implemented to increase member value and engagement, leading to higher ARPU and lifetime value while remaining disciplined on costs. As we enter 2025, we are building on a foundation of record-breaking performance, strong operational momentum and a clear road map for continued growth. Kyle will walk through our financial guidance in a moment, reflecting our expectations to deliver another record year of revenue and profitability. Thank you again to our team for their dedication and execution and our investors for their continued support.

With that, I'll turn the call over to Kyle to take you through our financial results. Kyle?

Kyle Beilman
CFO & Secretary

Thank you, and good morning, everyone. As Jason highlighted, our fourth quarter and full year 2024 results set new record highs across nearly all metrics, reflecting the strength of our business and the impact of our continued focus on enhancing our members' experience. Our record MTM performance underscores the increasing value we're delivering to members, while our disciplined approach to operations has driven meaningful operating leverage, further expanding profitability. Today, I'm happy to walk through our Q4 and full year highlights, discuss the key drivers behind our results and share our outlook for 2025.

Turning to the fourth quarter. Total revenue reached \$100.9 million, a 38% increase year-over-year. This strong performance was driven by 17% growth in MTMs and an 18% increase in ARPU, reflecting increased engagement and monetization from both ExtraCash and the Dave Card. As Jason highlighted, our disciplined approach to member acquisition has amplified the impact of our marketing investments, driving a 12% year-over-year increase in new members while maintaining our focus on MTM conversion and retention. The ARPU increase was fueled by higher engagement and monetization of ExtraCash, supported by CashAI optimization as well as stronger Dave Card adoption and higher levels of card spend. We believe that our product road map across ExtraCash and Dave Card will continue to drive ARPU expansion this year.

During the fourth quarter, our non-GAAP variable profit increased 58% year-over-year to \$72.6 million, a 72% margin relative to total revenue, a new all-time high. Our sustained improvements in variable margin have been driven by lower provision expense as a percentage of revenue, reflecting significant improvements in credit performance powered by CashAI. These enhancements have allowed us to improve loss rates while increasing revenue per ExtraCash origination. Additionally, we benefited from ongoing optimization of payment processing costs and favorable renegotiations of key vendor contracts that were fully realized in the fourth quarter. As I'll describe in more detail in a moment, we incurred a onetime benefit in our processing costs. Excluding this impact, our non-GAAP variable profit and variable margin would have been \$71.3 million and 71%, respectively.

Now turning to operating expenses. Our provision for credit losses increased 15% year-over-year to \$16.6 million from \$14.5 million due largely to higher origination volumes, which increased 44% over that time period, partially offset by our improved credit performance. As a percentage of ExtraCash originations, our provision for credit losses fell to 1.12% in the quarter from

1.41% in Q4 last year. We believe this underscores CashAI's enhanced ability to better predict credit risk by incorporating additional model variables and leveraging data from the over 125 million unique ExtraCash transactions we've originated since inception. On a sequential basis, while our 28-day delinquency rate improved by 12 basis points or 6% in Q4, our loss provision as a percentage of ExtraCash originations increased from 1.01% in Q3 to 1.12% in Q4 as a result of the calendar dynamics related to quarter end, which we've highlighted in prior calls.

Q4 ended on a Tuesday, which is typically the intra-week peak for receivables balances. As a result, our increased receivables balance drove an increase in allowance for credit losses and an increased loss provision. With respect to seasonality, we typically experience the lowest delinquency and loss rates during the first quarter given the additional liquidity that tax refunds provide to our members. Thus far, credit performance in Q1 has been strong and aligns with our seasonal expectations.

Processing and servicing costs in Q4 decreased 16% year-over-year to \$6.3 million compared to \$7.5 million in the year ago period. Included in these costs is a onetime rebate benefit associated with a successful vendor renegotiation. Excluding this onetime benefit, processing and servicing costs in Q4 decreased 2% year-over-year to \$7.3 million. As a percentage of origination volume, these costs, excluding the aforementioned benefit, improved to 0.5% from 0.7% in the year ago period as we benefited from a full quarter impact of 2 vendor contracts which were renegotiated in Q3 of last year.

During Q4, advertising and marketing costs increased 25% to \$12.6 million, up from \$10 million in the prior year period, reflecting our stronger appetite to invest based on the conversion, retention and unit monetization improvements we've achieved. As Jason mentioned, we plan to moderately expand marketing spend in a disciplined manner throughout 2025 to further take advantage of the stronger LTV to CAC returns we're generating. We believe this approach will result in the greatest amount of profit dollars and value creation even if it results in slightly higher CACs.

In terms of compensation and headcount, our compensation-related expenses grew to \$27.2 million in Q4 from \$23.5 million in the prior year period due largely to an increase in stock-based compensation related to certain performance-based restricted stock units during the quarter. The specific impact related to these awards in Q4, which were tied to the achievement of certain adjusted EBITDA targets was \$3.8 million. Excluding stock-based compensation expense, compensation and benefits increased by 1% year-over-year and on a percentage of revenue basis decreased to 17% from 23% in Q4 of last year, further highlighting the operating leverage that we're achieving.

Other operating expenses increased 9% to \$17.2 million in the fourth quarter from \$15.8 million in the year ago period, primarily due to amortization expense related to the change in useful lives of certain intangible assets in addition to legal fees incurred related to the FTC and DOJ litigation. As a percentage of revenue, other operating expenses declined to 17% of revenue in the quarter, down from 22% in the same period last year.

GAAP net income improved to \$16.8 million, an improvement of \$16.6 million versus Q4 of last year. Adjusted net income, which excludes stock-based compensation as well as changes in fair value to certain noncash liabilities, was \$29.6 million in Q4 compared to \$6.6 million in the fourth quarter of 2023. Adjusted EBITDA for the quarter was \$33.4 million. Excluding the onetime benefit in processing and servicing costs I mentioned a moment ago, adjusted EBITDA for Q4 was \$32.3 million, which is over 3x compared to the \$10 million that we generated in the same period last year.

The step change in profitability was driven by revenue growth, variable margin expansion and improved operating leverage on our fixed cost base. Through consistent execution, we have achieved adjusted EBITDA profitability for 5 consecutive quarters with a 35% sequential increase relative to Q3. Looking ahead, we expect continued adjusted EBITDA profitability, although the growth trajectory may be uneven as we plan to strategically allocate marketing investments based on the returns that we're generating and as we make modest and highly disciplined investments in product development, data and marketing capabilities that are expected to come online in mid-2025.

Now turning to the balance sheet. As of quarter end, we had approximately \$91.9 million of cash and cash equivalents, restricted cash and other highly liquid securities compared to \$76.7 million as of the end of Q3. The increase was primarily attributable to free cash flow generation, offset by an increase in the ExtraCash receivables balance. The amount drawn on our credit facility remained at \$75 million as of the end of the year as we continue to rely on our own balance sheet cash to fund ExtraCash originations versus funding externally. At quarter end, we had \$75 million of undrawn capacity on our credit facility, bringing our total liquidity to nearly \$167 million.

Last week, as part of our RSU releases under our incentive compensation plan, we performed a net settlement of the related tax withholding obligation. Specifically, we withheld shares corresponding to the payroll tax liability and used approximately \$14.5 million of balance sheet cash to make the required tax payments related to the awards. This transaction effectively reduced the number

of shares that would have otherwise been sold in the market to cover employee tax obligations by approximately 132,000 shares, thereby mitigating dilution. We believe our stock remains undervalued in light of our strong performance in 2024 and promising prospects for 2025 and beyond. And as such, this transaction represented an attractive capital allocation opportunity.

Moving forward, we will continue to evaluate net settlement transactions as an effective means to manage dilution and optimize our returns on capital.

And now to turn to our guidance. For full year 2025, we expect GAAP revenue to range between \$415 million and \$435 million, reflecting growth of 20% to 25% compared to 2024. We also expect adjusted EBITDA to range between \$110 million and \$120 million, representing approximately 27% to 39% growth relative to 2024. Our 2025 outlook reflects the strong momentum in our business and our ongoing commitment to driving sustainable and profitable growth. Our focus remains on expanding ARPU and member lifetime value through further engagements and enhancements to our ExtraCash and Dave Card offerings as well as building next-generation products that supports Dave's mission of leveling the financial playing field for everyday Americans. Between our growth trajectory, strong variable margins and fixed expense discipline, we expect to drive another year of record performance in 2025.

And with that, we can now open up the line for questions.

Question and Answer

Operator

[Operator Instructions] And our first question will be coming from Joseph Vafi of Canaccord Genuity.

Joseph Anthony Vafi

Canaccord Genuity Corp., Research Division

Terrific results, really impressive. So this will be an easy conference call for sure. Just on the pricing model and the changes there, maybe could we drill down a little bit more on what you learned? I know you said that it's helping to drive the size of your ExtraCash transactions and it's accretive to lifetime value. But maybe a little more detail on the pricing model and how it's affecting monetization. And I have a quick follow-up.

Jason Wilk

Co-Founder, CEO, President & Chairman

So if -- and thanks for the comments. It was definitely a fantastic quarter. So if you look to the new pricing model, we had a dynamic with the existing tipping and optional instant transfer fee model where the longer customers stayed on book, the less likely they were to utilize those optional fees. And so as we try to scale credit limits for the customer base, you tended to see worse monetization. And so now that we have a fixed monetization for the customer, be it the \$5 or 5%. With a \$5 minimum or \$15 cap, we're now able to successfully monetize those customers as they stay longer on the book. And so it just resulted in better monetization, which results in higher ARPU and ultimately allows us to scale to higher limits, too, which also drives better retention. So it's really powerful flywheel of better ARPU and better retention that's unlocking really strong growth, and we're excited that the whole portfolio is now transitioned as of February 19.

Joseph Anthony Vafi

Canaccord Genuity Corp., Research Division

That's great, Jason. And then maybe secondly, on customer at cost sales, marketing. I mean it clearly has a solid ROI, and it looks like you're going to incrementally increase it here this year. Just wondering if you see enough opportunities in the marketplace to continue to increase that spend? Or at a certain point, is it getting redundant or kind of oversaturated in any kind of certain media channel or other advertising strategy?

Jason Wilk

Co-Founder, CEO, President & Chairman

Look, I think what's great about our acquisition is that we have no meaningful concentration in any one channel, word of mouth being the biggest one, always has been since we started the company. So we're feeling very strong about that given we're very well diversified across many channels from TV, streaming, all the digital and social channels as well. And we feel that we're going to continue to invest in places where we see strong returns. And we're going to take just a very diligent mindset to how we deploy capital this year and feel very good about the budget and the ability to just drive efficient growth for '25.

Kyle Beilman

CFO & Secretary

Joe, this is Kyle. Thanks for joining. I'll just weigh in on that, which is with the introduction of the new fee model as well as just the improvements that we've made to the user experience to drive better MTM conversion and retention, we're just seeing overall lifetime value benefits. And that just gives us further confidence that even in an environment where CACs are up, we have increased lifetime value orders of magnitude greater than sort of any increases in CAC that we might see to really sustain the returns at a very attractive level. And that's what we would expect to see kind of continue to play out in 2025.

Operator

Our next question will be coming from Jacob Stephan of Lake Street Capital Markets.

Jacob Michael Stephan

Lake Street Capital Markets, LLC, Research Division

I just wanted to echo the congratulations on the quarter and all the progress you've made as well. Maybe first one for me, you could just kind of help us quantify or maybe some qualitative comments around the uplift in attach rate you're kind of seeing with regards to Dave Checking and Dave Debit with the new fee model.

Jason Wilk

Co-Founder, CEO, President & Chairman

Yes. Great question. So if you look at the new fee model, we've now removed the instant transfer fee. The customer is still paying the mandatory 5% or minimum \$5 or \$15 cap. So far, we're still looking at the conversion results. It's not a step change improvement in conversion from EC to the Dave Card, but it's not any materially worse either. So we're happy to see that we've seen no impact to take rate. And if anything, it's positive on the take rate for ExtraCash with the new fee model. But yes, not a catalyst of growth because we're not charging that fee anymore.

Jacob Michael Stephan

Lake Street Capital Markets, LLC, Research Division

Okay. Got it. And then maybe to ask a broader sort of macro question, I guess, the overall strength of the consumer, I guess, what are you guys seeing in your underwriting? I mean there's tons of press out there regarding lower tax refunds this year. But maybe you could kind of help us understand what you're seeing in your own book?

Jason Wilk

Co-Founder, CEO, President & Chairman

Yes. Look, I think it's been very consistent. And as you can see in the loss rates, we just had another fantastic year with CashAI with the 1.6% loss rate in Q4. We think just given the short duration of ExtraCash, it just lends itself very well to everyday consumers trying to buy discretionary goods with prices still up on things like eggs, gas, we tend to continue to see a strong environment for CAC.

Kyle Beilman

CFO & Secretary

Yes, just I'd say pretty consistent from the risk scores that we're seeing with our underwriting models relative to Q4 or prior periods. Not a lot has changed for us. CAC, as Jason mentioned, remains strong. And like I said, our risk scores for our underwriting models are within very consistent ranges where we've seen them historically.

Operator

Our next question will be coming from Jeff Cantwell of Seaport Research.

Jeffrey Brian Cantwell

Seaport Research Partners

Congrats. Maybe just on your '25 guidance, you guided the 20% to 25% revenue growth for the full year. Can you maybe break that down for everyone and tell us about your expectations for growth in service-based revenue and for transaction-based revenue. Last year, the growth profiles were similar for both of those, but I was hoping you may be able to help us out and provide a little clarity on those given some of these planned changes and developments you guys have for product, et cetera, in 2025. Could you help everyone out by discussing how you're thinking about each of those line items in terms of growth in the coming year?

Jason Wilk

Co-Founder, CEO, President & Chairman

Thanks for the question, Jeff. So I'd say in terms of the growth algorithm between user growth and ARPU, we continue to sort of see the real near-term opportunities on the ARPU side with the introduction of the new fee model. And as we talked about, we see favorable CAC environment and the improvements that we've made on the retention side to also be a driver for the MTM part of the equation. In terms of the various segments, we haven't provided any specific color on the kind of growth trajectory of each of those particular line items. But I would say, just given that the new -- the upside that we've seen from the new fee model, there might be some sort of just near-term catalysts on the service-based revenue side as a result of that.

Jeffrey Brian Cantwell

Seaport Research Partners

Got you. Got you. Okay. And similarly, on your provision for credit loss line. Do you mind just expanding on your commentary earlier and walk through expectations for that line over the course of the year? It seems reasonable to assume as you continue to scale that line would increase in absolute dollar terms. But I'm curious how that tracks against your volume since it's been modeling at a low 1%-ish range versus your volume. Maybe can you walk us through how we should be thinking about that line for the year?

Jason Wilk

Co-Founder, CEO, President & Chairman

Yes. So we haven't provided any specific guidance around the provision as a percentage of revenue per se other than the fact that we continue to see really solid loss rate performance. We have a number of new initiatives on the underwriting side that are in flight for this year that we expect to further support improvements in credit performance, and we just feel really confident in our ability to kind of manage that part of the business moving forward. But yes, I mean, in terms of absolute dollar expense of the provision, that should increase as we continue to grow originations. But like I said, we feel very confident in our ability to kind of sustain the levels of variable margin performance that we've delivered and kind of variable profit growth being the primary thing that we focus on here at the company in terms of kind of growing that pool of absolute dollars moving forward.

Jeffrey Brian Cantwell

Seaport Research Partners

Got it. If I could just squeeze one last one in. On your new partnership that you mentioned with Coastal Community Bank, can you mind just expanding on that a little bit? I'm curious, it sounds like you've converted that over already. Is there anything that we should be aware of in terms of functionality, product development or anything that might enable you to do more of? Or is there any changes relative to your prior relationship that investors should be made aware of from an operating perspective as we think about the go forward?

Jason Wilk

Co-Founder, CEO, President & Chairman

Yes. So actually, the conversation with Coastal kicked off quite a long time ago, roughly over 18 months, actually started talking about a new credit product at Dave. Their ability to offer additional credit products was just superior to Evolve's history there. And so that was the catalyst for the relationship being kicked off, and then we eventually started to discuss the debit relationship as we move forward. So excited about the partnership. They're very well respected in the space, and we're excited to move forward and get customers onboarded starting in Q2.

Operator

Our next question will be coming from Harold Goetsch of B. Riley Securities.

Harold Lee Goetsch

B. Riley Securities, Inc., Research Division

Great quarter. My question is on like monetization, and I'm looking at debit card spend. And I'm going to surmise maybe debit card spend is kind of coincident with originations. So debit card spend has been about 30% of like originations. Is that a good proxy of like Dave Card adoption amongst your users. It's about 30% of your kind of total originations. Is that one way of thinking about it? Or is it very different?

Jason Wilk

Co-Founder, CEO, President & Chairman

I don't think we've really broken that out, Harold. I mean I think we just tend to look at the transaction revenue on its own line item. But I think we've historically talked about that conversion of about 30% of EC volume does go to the card, but I wouldn't use that as a proxy of like how many debit users we have on the platform as a percentage of MTMs. Is that what you...

There's a lot of our debit users who obviously fund with external sources, payroll and things like that to drive the total debit spend volume in addition to the ExtraCash sort of cross attached. So it's -- there are multiple sources of funding there to drive card spend.

Harold Lee Goetsch

B. Riley Securities, Inc., Research Division

Okay. And then could you -- maybe now that the old pricing is kind of in arrears, like how many people were taking advantage of basically the fee model, waiting 2 or 3 days. And now they're paying a fee. Perhaps they're tipping. They used to tip a little bit when

they were free and now they're not tipping, but they're okay with the fees, the fees are fair. Like what percentage of your volume was on the freemium model essentially with the \$1 a month kind of subscription?

Jason Wilk

Co-Founder, CEO, President & Chairman

I'll say the amount of people who tip was definitely the minority. And as that scale up on the retention curve, that tended to go down as people scale on the platform. If you look at people that also -- we also had a free ACH lane out as well. So if you want to take ExtraCash, not tip and not actually pay us for speed of access, we had not an insignificant amount of people that were getting completely free access to credit on the day platform for quite a long time. So we were happy to see when we moved to the new fee model, those customers retained. And so to us, it just really reinforces the idea that customers knew what they were paying at all times and that the pricing is very fair, and we like the member business trade-off value of the new fee model.

Kyle Beilman

CFO & Secretary

Just the one thing that I would add, Harold, is that dynamic sort of became more kind of exacerbated as people moved up the limit curve. So you'd see lower levels of tip engagement and express fee engagement as you moved up from \$100 towards \$500 limits per se. And so the sort of spread didn't scale commensurate with the risk. And so this basic -- the new fee model change aligns our incentives to offer higher limits because the fee model does scale with dollar-based risk.

Harold Lee Goetsch

B. Riley Securities, Inc., Research Division

Yes. Okay. Terrific. And next question for you guys, this is probably maybe something you haven't thought about because in 18 months, your financial situation is very different. But on your current guidance and your current -- you guys are running ROEs that are like off the charts versus maybe what even your growth rate is, your ROE is multiples of your growth rate, you're going to be throwing off so much cash you don't know what to do with it. So what is the next step in the evolution of your thoughts on capital allocation here as you grow with these very high incremental margins and great returns?

Jason Wilk

Co-Founder, CEO, President & Chairman

I think it's a totally fair question, Harold. I think the first indication of how we're thinking about that was that net settlement transaction that we conducted last week where we effectively minimized the amount of dilution through our employees' RSU vesting by about 144,000 shares, and we used about \$15 million of balance sheet cash in order to do that. And so in terms of buying back stock, I certainly see that as an opportunity moving forward as we continue to generate free cash flow out of the business. So I wouldn't be surprised to see us do more of that in the future.

We're also very excited about continuing to invest in our business. As I alluded to on the call, we're going to make some very modest investments in product development and R&D throughout this year. And then on the M&A front, we continue to sort of keep our eyes open for interesting opportunities that would further advance our strategy through kind of new product or distribution opportunities. So I'd say across those 3 buckets of capital allocation, we're very focused on all 3 of them.

Harold Lee Goetsch

B. Riley Securities, Inc., Research Division

And maybe one follow-up, can you maybe -- just maybe foreshadow what kind of other lending products do you think would fit well that would be the next step or next evolution of maybe an offering on the credit side that you could add? What would it look like? Generally you don't have to give it away, but like just tease us a little bit here.

Jason Wilk

Co-Founder, CEO, President & Chairman

Yes. Like I'd say without giving away too much, we know our customers aspire to have more duration of credit on the platform. I'm not talking about a 2- or 3-year type credit, but the fact is with ExtraCash, the beauty of it for us is very short term, the downside to the customer is that all the money you take from us is due on your next paycheck date. And so that limits the types of purchases you're going to make using this type of cash. And so ExtraCash lends itself very well to gas, groceries, rent, things that are coming up in very short order. You need to bridge the gap in your paycheck. But if you need to buy something that you need a little bit longer duration, they want to be there for you on that transaction as well.

And we see out there plenty of competitors doing quite well in the market. And we think given our low CAC and high cross attached to our products, especially using Dave Checking as a proxy for that, we feel that there's just a lot of ARPU opportunity to unlock by shipping new credit features. And that's where Coastal becomes a key asset for us is their experience in offering longer duration credit is significantly further on than Evolve.

Operator

Our next question will be coming from Gary Prestopino of Barrington.

Gary Frank Prestopino

Barrington Research Associates, Inc., Research Division

Kyle, could you possibly for Q4, give us a breakdown of the service-based revenues between processing fees, tips and subscriptions?

Kyle Beilman

CFO & Secretary

Gary, could you mind, that should be broken out here in the K for you later today.

Gary Frank Prestopino

Barrington Research Associates, Inc., Research Division

All right. So you're filing your K. That's fine. I just want to -- Okay. So look, you basically said with the change in fee structure, there's been no change in funds deposited to the Dave Card. And I'm wondering if you're kind of contemplating some kind of program, be it maybe, let's just say, an awards program on the debit side to more so incentivize deposits onto the Dave debit card so you can grab more transactional revenue over time.

Kyle Beilman

CFO & Secretary

So Gary, are you asking about what types of incentive programs we might put in place to drive further adoption of the Dave Card?

Gary Frank Prestopino

Barrington Research Associates, Inc., Research Division

Right. Look, it seems to me that's a pretty important part of the puzzle here, although the ExtraCash does dwarf it. But the more money you get on those Dave Cards, if you're increasing the life of your cardholder, more transactions you keep. You said there really wasn't much of a change in the amount deposited on the Dave Card from the new fee structure. So I'm trying to get some idea if you're contemplating something like a point system where you pick up points or something for rewards on the Dave Card itself.

Kyle Beilman

CFO & Secretary

Yes. Look, Gary, I'd say the last several years have very much been focused on the ExtraCash product. The new fee migration obviously has been very, very important. Debit card, we have not completely ignored as we've had really nice growth there on its own because just of the natural synergy between ExtraCash and the Dave Card is very strong. But we do plan to make more investments in R&D this year on the Dave Debit product as there's many ideas, not quite a point system, but you can imagine various things from loyalty to rewards to further incentives on credit to try and drive further adoption there in direct deposit. It's worth noting that we don't need the debit business to survive as a company, but we do note that the stronger retention is very correlated to people that use both ExtraCash and the Dave Card. And so we're excited to continue to drive more ways to fund that adoption.

Gary Frank Prestopino

Barrington Research Associates, Inc., Research Division

Okay. That's good to hear. In terms of this new sponsor bank Coastal, how do you handle most of your new account growth, is that going to be placed at Coastal versus Evolve?

Jason Wilk

Co-Founder, CEO, President & Chairman

That's correct. So starting in Q2, we plan to onboard new customers, and we plan to exclusively offer to that to new customers. So we're not managing people on both platforms. And so the idea is that over time, we'll eventually migrate the rest of the population over

to Coastal and they'll be the predominant sponsor bank. We do retain the ability to maintain a redundant bank partnership should we choose. But the nature is we'll have all of our customers on Coastal, hopefully in the next 12 months or sooner.

Gary Frank Prestopino

Barrington Research Associates, Inc., Research Division

Does Coastal have its own credit card portfolio? Is it a Visa or Mastercard Bank?

Jason Wilk

Co-Founder, CEO, President & Chairman

They do offer credit cards. They do offer personal loans. I think they support both Mastercard and Visa to my knowledge.

Kyle Beilman

CFO & Secretary

We'll continue to be with Mastercard, Gary.

Jason Wilk

Co-Founder, CEO, President & Chairman

Gary, I think importantly, though, they're integrated with Galileo, which is our sort of issuer processor. And so that does make the onboarding migration quite a bit easier for us.

Operator

And I would now like to turn the call back to management for closing remarks.

Jason Wilk

Co-Founder, CEO, President & Chairman

Yes. Thanks, everyone, for the time. Really appreciate it. Another strong quarter. We're feeling great about the company and appreciate your support.

Operator

And this concludes today's conference call. Thank you for participating. You may now disconnect.

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