

Chime Financial, Inc. Second Quarter 2025 Earnings Call

David Pearce, Vice President of Investor Relations and Capital Markets

Good afternoon everyone and thank you for joining us for Chime's second quarter 2025 earnings conference call. Joining me today are Chris Britt, our co-founder and CEO, and Matt Newcomb, our CFO. Mark Troughton, our COO, will participate in the Q&A.

As a reminder, we will disclose non-GAAP financial measures on this call. Definitions and reconciliations between our GAAP and non-GAAP results can be found in our earnings release and our earnings presentation posted on our IR website at investors.chime.com. We will also make forward-looking statements on this call, including statements about our business, future outlook and goals. Such statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those described. Many of those risks and uncertainties are described in our SEC filings, including our final prospectus filed on June 12, 2025. Forward-looking statements represent our beliefs and assumptions only as of the date such statements are made. We disclaim any obligation to update any forward-looking statements, except as required by law.

With that, I'll hand it over to Chris.

Chris Britt, Co-Founder, Chairperson, and Chief Executive Officer

Thanks David, and thank you all for joining our first earnings call as a public company. As you'll hear today, we're off to a very strong start. I'd like to begin by expressing my gratitude to our members for placing their trust in us, and to our employees for their hard work and dedication that brought us to this moment.

Over the past few decades, major industries like transportation, hospitality, and retail that were once dominated by legacy players have been upended by customer-obsessed technology companies. New entrants offered consumers better experiences at lower prices, earning the trust of millions and, in the process, established a new generation of beloved brands. Their digital-first business models allowed them to quickly and efficiently reach massive scale. This same transition is happening now in consumer banking, and I'm proud that Chime has emerged as a clear leader with a mission to unlock financial progress for our members.

We created Chime to help everyday people, starting with those earning up to \$100,000 a year, who've been overlooked by traditional banks – not the unbanked, but the unhappily banked. Today, we're already the primary financial partner for millions, but our ambition is much bolder: to become the largest provider of primary account relationships in the U.S.

And we're doing that as a technology company with a scalable and low-cost operating model, with a combination of recurring payments revenue, high gross margin, and very low credit risk. We've earned the trust of our members and will support them in all areas of their financial lives – across spending, saving, building credit, borrowing, investing, and more. With our modern tech stack and radical cost-to-serve advantage, we can deliver innovative, personalized experiences to address each of these needs for free or low cost. And by utilizing AI built on our uniquely rich data set, we're becoming an even

more indispensable partner – deeply attuned to our members’ individual needs, anticipating what’s next, and guiding their financial progress every step of the way.

Our vision isn't just aspirational – it's grounded in an attractive business model that's driving rapid growth at scale and strong operating leverage. In Q2, we achieved 37% year-over-year revenue growth, an acceleration relative to our seasonally strong Q1, when tax refund activity drives higher levels of re-engaged Active Members, Purchase Volume, and revenue. Our adjusted EBITDA margin rose to 3% in Q2 – an 18 percentage point increase over the last two years.

In Q2, we grew Active Members 23% year-over-year to 8.7 million with the majority relying on Chime as their primary account relationship. Among U.S. adults earning up to \$100,000 annually, Chime is the top destination for those switching their direct deposit, thanks to our scalable, referral-driven acquisition model.

Despite our scale, with less than 5% penetration, we're barely scratching the surface of the opportunity to serve nearly 200 million everyday Americans earning up to \$100,000 a year.

Banking for this large segment of everyday people is an area ripe for disruption. In a recent shareholder letter, one of our nation's top bank CEOs reported that for low balance accounts, which make up the majority of their accounts, their costs to serve them are far greater than the revenue they earn. The reasons? First – high-cost structures, due to a combination of an in-person approach to service delivery, physical branches and legacy tech. And second, their net interest margin, or NIM-driven business model – which doesn't work for everyday Americans with low, average balances and who often don't fit their credit box. Without NIM to cover their high-fixed-cost structures, incumbents charged consumers over \$18 billion in estimated fees in 2023, 95% of which were paid by everyday American households. These are the people who are unhappy with their bank relationship and are coming to Chime.

We pioneered a business model that succeeds when we earn our members' trust by designing products that are helpful, easy, and free. If they can't be free, we aim to be the lowest cost provider. This approach leads to top-of-wallet, primary account relationships, giving us a level of engagement and payments-based monetization that we believe is among the highest in consumer fintech. Chime is not a bank; our member deposits reside in regulated, FDIC-insured accounts at our partner banks. We are an asset-light technology company obsessed with addressing our members' most critical financial needs.

Our early progress has been fueled by four distinct competitive advantages that we believe will continue to expand as we grow. These are our low-cost structure, our track record of product innovation, our primary account relationships, and our beloved brand.

I'll now spend a few minutes walking through the progress we've made in each of these four areas in Q2.

Our first competitive strength is our significant cost advantage, which allows us to serve customers at one-third the cost of a large bank and one-fifth the cost of a regional bank. This is fueled by our digital-first, bank partnership model and vertically integrated tech stack.

The recent introduction of ChimeCore, our proprietary transaction processing core and ledger, has enhanced our cost advantage and accelerated our product development velocity. In Q2, we successfully transitioned all new debit and savings accounts onto our new system.

Our tech stack was also designed to centralize our data, which facilitates the deployment of AI to improve member experiences while significantly reducing our cost to serve. In May, we launched our GenAI voicebot to all members, which more than doubled our satisfaction scores compared to our legacy voice system. AI-powered tools now fully automate the majority of our support interactions and do the work of thousands of human agents. As a reminder, since 2022, we've reduced our cost to serve by nearly 30%, and over time, we think AI can power nearly all of our support interactions. AI is improving the way banking services are delivered — and we believe we're at the forefront.

Our second competitive advantage is our track record of developing some of the most impactful product innovations in consumer banking and payments for everyday people.

Last year, we launched MyPay, another hit product enabling members to access their earned wages on demand. MyPay is now an over \$300 million annual revenue run-rate product and another key driver of new member growth. In terms of risk, we made faster progress than planned on improving MyPay loss rates in Q2, which led to transaction margins for this product tripling in the quarter, and we expect further progress in the quarters ahead. Going forward, we think there's much more to do with MyPay, including with our enterprise version offered through Chime Workplace, our employee financial wellness solution for employers. We expect to announce some of our early enterprise partnerships in the weeks and months ahead.

Because of our strong performance across the business, including MyPay, we've raised our expectations for revenue growth and adjusted EBITDA for the rest of 2025 relative to our previous internal expectations, which I'll have Matt walk through.

In Q2, we also started scaling Instant Loans, our installment loan product which allows pre-approved members to borrow up to \$1,000 at affordable rates, repaid over a three to six month period. Early results are encouraging and we observe higher engagement and retention among members who take an Instant Loan – reinforcing our long term, core spending relationship. Loss rates have been in line with our internal expectations, as we continue our measured rollout.

The final Q2 product update was our continued rollout of Chime+, our free, premium membership tier. Chime+ showcases the products our members unlock with direct deposit, like SpotMe and MyPay, combined with enhanced benefits including exclusive cashback deals, a higher interest rate of 3.75% on savings, and dedicated member support. Early results here are promising: we're already seeing Chime+ lead to higher direct deposit conversion and member retention rates. Chime+ is just the beginning of a broader effort to show our members that as they “engage more, they get more” with Chime.

Our third competitive differentiator is our success earning primary account relationships with the majority of our Active Members. Our approach has resulted in what we believe are among the highest levels of engagement, long-term retention, and customer lifetime values in consumer fintech. In Q2, our average Active Member did 55 transactions per month with us and engaged with our app an average of five times per day, positioning Chime at the center of their financial lives.

Our real-time view into the state of the everyday American consumer is showing healthy member spending and stable account balances. Even in an uncertain macro environment, our model – focused on non-discretionary spend and short duration liquidity products – as well as our privileged repayment position, is incredibly resilient.

We grew our Active Members 23% year-over-year in Q2 while also reducing our member acquisition costs. We continued to see that over 50% of new members came to Chime from organic and member-driven channels, including referrals. And our members don't just like Chime, they love Chime. They are passionate about us and want to tell their friends about us.

Our final competitive advantage is the market leading and trusted brand we've built in banking and payments. We're now a clear leader with unaided brand awareness of 40%, rivaling the two largest traditional banks in the U.S. and the go-to brand for the most critical financial needs of everyday Americans.

Our brand-building initiatives connect with culture, and in April, we celebrated Financial Progress Month, featuring partnerships with Deion Sanders aka "Coach Chime" and WrestleMania. In June, we announced our newest brand ambassador, Cooper Flagg, the NBA's number one draft pick, with content that went viral on TikTok.

We believe our combination of competitive advantages is only growing stronger as we demonstrated in Q2. And with that, I'll hand it to our CFO, Matt, to discuss our financial results and outlook.

Matt Newcomb, Chief Financial Officer

Thanks Chris. Good afternoon everyone, thank you all for joining us today. I'm excited to discuss our second quarter results and outlook.

As Chris noted, we had a great second quarter with revenue of \$528 million, up 37% year-over-year, and continued adjusted EBITDA margin expansion. Given the strong performance across the business, we are raising our expectations for both revenue and adjusted EBITDA for the second half of the year relative to our previous internal expectations.

Our Q2 financial performance was strong across the board. Payments revenue was \$366 million, up 19% year-over-year, slightly ahead of Purchase Volume growth of 18%. Platform revenue totaled \$162 million, up 113% year-over-year, as we continued to see very strong MyPay performance. Gross profit was \$461 million, yielding an 87% gross margin, and transaction profit, which is gross profit less transaction and risk losses, was \$363 million, yielding a 69% transaction margin, driven in part by faster-than-planned progress on MyPay loss rates. Finally, we continued driving operating leverage with \$16 million of adjusted EBITDA in Q2, a 3% margin, representing an 18 percentage point improvement over the last two years.

Given this is our first earnings call, I'd like to take a step back and help connect our mission, strategy, and member-aligned business model, to our financials.

We believe there are four core elements that are critical to understanding our financial model. First, we have a payments-based revenue model driven by recurring, largely non-discretionary member spend. Second, we have multiple levers enabling us to drive rapid growth at scale across Active Members, Average Revenue per Active Member (or ARPAM), and transaction margin. Third, our success earning primary account relationships drives strong unit economics, with an estimated LTV:CAC of roughly 8x. Finally, our high transaction margin and a largely fixed OpEx base drive strong operating leverage and incremental margins.

Let me jump into each of these themes.

We have an asset-light payments-based business – 69% of our revenue in Q2 was payments revenue, earned from interchange-based fees on the Purchase Volume generated by Chime members using their Chime-branded debit and secured credit cards. We believe the combination of scale and growth we've achieved on our Purchase Volume is unmatched in the industry – we are now one of the largest and fastest growing card portfolios in the U.S. In Q2, Purchase Volume totaled \$32 billion, up 18% year-over-year, coming off our seasonally strong Q1 when members received their tax refunds. The important thing to understand is, because our members use Chime as a primary account, this Purchase Volume is highly resilient and habitual, concentrated in essential, everyday, non-discretionary items like food, gas and utilities. This drives durable, long-lasting cohorts in our business. It also gives us what we think is a very unique business model in our category. Compared to many consumer fintechs that primarily generate revenue from lending, consumer charges, or trading fees, our model generates high-quality, recurring, and – in our case – high-margin, payments revenue.

Our model is very low credit risk: mid-teens percent of revenue was from credit and liquidity products as of Q2. And where we do extend credit, it's in a low risk way: small dollar and highly diffuse among our member base, short duration, with average repayment periods of less than a week on SpotMe and less than two weeks on MyPay, and underwritten by direct deposits, which gives us both a data and first-in-line repayment advantage. We think our model is analogous to SMB payment and usage-based SaaS businesses, which monetize a core payments relationship and then deepen this engagement by cross-selling value-added services.

The second theme is our multi-dimensional growth opportunity, across Active Members, ARPAM, and transaction margin.

In Q2, we grew Active Members to 8.7 million, up 23% year-over-year, while simultaneously bringing down CACs by over 10% year-over-year. One quick note: we see seasonality in our Active Members as well. Tax refund activity in Q1 results in a larger number of members re-engaging with us on an Active basis, resulting in seasonally high quarter-over-quarter net adds in Q1, and lower net adds in Q2. 23% year-over-year Active Member growth in Q2 was in-line with growth in Q1 and an acceleration from 2024. Great progress, yet still early days in our journey to serve the nearly 200 million everyday people making up to \$100,000 annually in the U.S.

Second is our ARPAM profile, which we believe is among the highest in consumer fintech despite very little of our revenue coming from mandatory fees. Our high ARPAM is driven by our deep engagement and a top-of-wallet card position. As we've expanded our platform, we've grown ARPAM significantly. In Q2, we grew ARPAM by 12% year-over-year to \$245, fueled by the continued breakout success of MyPay. We think there is still a massive opportunity ahead, certainly as we continue to add new products to our platform, but even as we continue to drive adoption across our existing product base. In Q2, our most engaged Active Members – those using six or more products each month – generated over twice as much ARPAM as our average Active Member.

Finally, transaction margin, our gross profit margin less transaction and risk losses, including losses related to our liquidity products such as MyPay and SpotMe. In Q2 our gross margin was 87% and our transaction margin was 69%. Over the last several years, driven by our investments in technology and increasing scale, we've grown our transaction margin substantially, from 66% in 2022 to 74% in 2024. Starting in Q3'24, we brought our transaction margin down with the initial launch of MyPay, a positive but lower margin product compared to the rest of our business.

A great example of the power of primary account relationships: we've already scaled MyPay, which we believe is the lowest cost earned wage access product in the market, to an over \$300 million annual revenue run-rate product. Now, as is typical for new credit products, and similar to what we saw when we rolled out SpotMe several years ago, as MyPay begins to mature, as cohorts season, and as our underwriting improves, we're seeing MyPay economics improve substantially, and that's happening even faster than we planned. While our regular quarterly reporting will focus on overall levels of transaction and risk loss, we wanted to highlight a few additional details of our MyPay economics today, given how rapidly the product is maturing. In Q1, MyPay loss rates were just north of 160 basis points of advanced volume. In Q2, we drove loss rates of approximately 140 basis points, great progress toward our steady state loss rate target of approximately 1% for our existing MyPay product. This progress, combined with continued strong usage rates, is what enabled us to triple MyPay transaction margin quarter-over-quarter in Q2. We expect continued progress over the coming quarters, which is driving accelerated adjusted EBITDA margin growth in our guidance which I'll discuss shortly.

The third theme is our strong unit economics. The combination of our highly engaged primary accounts, our ability to effectively cross-sell and increase ARPAM, and our strong long-term retention rates and transaction margin drive long-lasting cohorts of transaction profit. We have cohorts now nearing a decade old and still going strong. Our unit economics illustrate why we believe primary accounts are the most valuable relationships in financial services, driving differentiated lifetime values relative to single-point solutions with more cursory levels of engagement. These differentiated LTVs drive strong and sustained returns on our investments in new member acquisition, enabling us to generate an estimated LTV:CAC of approximately 8x in our business today.

The final theme is about how our high transaction margin and a largely-fixed OpEx base enable us to drive strong operating leverage and incremental margins. In 2024, our incremental adjusted EBITDA margin was 46%. In contrast to incumbent banks, our digital, asset-light platform allows us to efficiently scale our services over a growing Active Member base without needing to make massive investments in infrastructure or people. In addition, our OpEx base is heavily concentrated in discretionary investments in growth. These factors make our OpEx base very scalable, and have allowed us to drive strong operating leverage across every OpEx category. In Q2, Non-GAAP OpEx represented 66% of revenue, an 11 percentage point improvement year-over-year, and a 19 percentage point improvement over the last two years. That operating leverage has translated to meaningful adjusted EBITDA margin expansion, which we expect to accelerate in H2.

Turning briefly to our balance sheet, we remain well capitalized. Net of transaction expenses and tax withholding payments made on vested RSUs, we raised \$448 million in proceeds from our IPO. As of the end of Q2, we had \$1.1 billion in unrestricted cash and marketable securities on our balance sheet. We also had \$444 million available to draw under our revolving credit facility.

Finally, turning to our third quarter and full year outlook, we're pleased to provide guidance that exceeds our previous internal expectations, driven by the broad business strength we're seeing. In the third quarter, we expect revenue between \$525 and \$535 million, resulting in year-over-year revenue growth between 24% and 27%. We expect adjusted EBITDA between \$12 and \$17 million, and an adjusted EBITDA margin between 2% and 3%. For fiscal year 2025, we expect revenue between \$2.135 and \$2.155 billion, resulting in year-over-year revenue growth between 28% and 29%, and adjusted EBITDA between \$84 and \$94 million, an adjusted EBITDA margin of 4%.

I'd highlight a few things about H2. In H2, we expect our revenue growth to be driven predominantly by the continued growth of Active Members, following the strong growth and ROI we've seen to start the year. As a reminder, we began scaling MyPay in Q3 of last year. As a result, we expect platform revenue year-over-year growth rates to see some natural normalization in the second half of the year as we lap this initial roll out.

What's really exciting is that – driven by our progress on MyPay economics – we expect the strong topline growth we've driven over the last year to begin to really flow through to the rest of our P&L, with accelerating adjusted EBITDA margin growth in the back of the year. We expect adjusted EBITDA margin to grow between five and six points year-over-year in Q3, ahead of both Q1 and Q2, with further expansion in Q4. On an incremental adjusted EBITDA margin basis, we expect to return to the mid-40% or higher by Q4, faster than we previously anticipated, and great progress toward our long term adjusted EBITDA margin target of 35% or higher.

And with that, I'll turn it back to Chris to wrap us up.

Chris Britt, Co-Founder, Chairperson, and Chief Executive Officer

Thanks Matt. Before we turn to your questions, I want to reiterate how proud I am of this team for raising the bar for core banking services in America. Our member-aligned model, track record of product innovation, and proprietary tech stack, now enhanced with AI, are meaningfully improving the user experience for everyday consumers while helping us build a loved and trusted generational brand. With that, I'll open it up for questions.