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GreenSky, Inc. (GSKY)

Q3 2019 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the GreenSky Q3 2019 Earnings Conference Call. At this time, all participant lines are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I'd now like to hand the conference over to Rebecca Gardy, Senior Vice President of Investor Relations. Please go ahead, ma'am.

Rebecca Gardy
Senior Vice President, Investor Relations, GreenSky, Inc.

Thank you, Michelle, and good morning, everyone. Earlier this morning, GreenSky issued a press release announcing results for its third quarter ended September 30, 2019. You can access this press release on the Investor Relations section of the GreenSky website. In addition, we have also posted our third quarter investor presentation, which we will refer to during today's call. Joining me on the call this morning are David Zalik, Chairman and Chief Executive Officer; Gerry Benjamin, Vice Chairman and Chief Administrative Officer; and Rob Partlow, Chief Financial Officer.

Before we get started, let me remind you that our presentation and discussions will include forward-looking statements. These are statements that are based on current assumptions and are subject to risks and uncertainties that could cause actual results to differ materially from those projected. We disclaim any obligation to update any forward-looking statements, except as required by law. Information about these risks and uncertainties is included in our press release issued this morning, as well as in our filings with regulators.

We will be discussing certain non-GAAP financial measures on today's call. These non-GAAP measures are not intended to be considered in isolation from, a substitute for, or superior to our GAAP results, and we encourage you to consider all measures when analyzing GreenSky's performance. These non-GAAP measures are described and reconciled to their GAAP counterparts in their presentation – in the presentation materials, the press release dated November 5, 2019, and on the Investor Relations page of our website.

Following our prepared remarks, we will take your questions. As a courtesy to other participants, please ask no more than two questions. In the event you have additional questions that are not covered by others, please feel free to re-queue and we'll do our best to come back to you. Thank you for your cooperation on this. And finally, a replay of this call will be available later today on our website at greensky.com.

And with that, I will turn it over to David.

David Zalik

Chairman & Chief Executive Officer, GreenSky, Inc.

Thanks, Rebecca. Good morning, everyone, and thank you for joining us. I'll start off this morning by providing a brief overview of our third quarter performance. For those of you familiar with GreenSky, you know that our unique business model consistently delivers double-digit growth in transaction volume and revenue, attractive profitability and strong free cash flow.

Revenue in the third quarter grew 35%, driven by transaction volume growth and increased servicing fee revenue. We reported transaction volume this quarter of $1.6 billion, as a result of our expanding ecosystem of nearly 17,000 merchants and elective healthcare providers. Excluding solar transactions, our third quarter volume increased 19% over the prior year and we are on pace to deliver 20%-plus growth for the full year.

Adjusted EBITDA for the third quarter was $57.5 million and cash flow generated from operations for the nine months ended September 30, 2019, was $125.4 million. As highlighted in this morning's press release, the credit quality of the company's loan servicing portfolio remains stellar with 85% of the company's September 30 loan servicing portfolio composed of borrowers with weighted average FICO scores in excess of 700 and 37% over 780. Liquidity remains strong with unrestricted cash of $206 million and full availability of our $100 million line of credit facility at September 30, even after repurchasing $146 million of our Class A common shares over the past 12 months.

GreenSky's fundamentals serve as a solid backdrop for continuous innovation in support of our commitment to deliver value to our merchant network. For example, in the third quarter, we launched the GreenSky Universal Credit Application. This innovative application platform allows GreenSky merchants to seamlessly offer second look financing to consumers. Loans are funded by participating second look providers, and GreenSky takes on no credit or volatility risk. This platform further eliminates the friction and administrative burden that our merchants experience when having to submit multiple credit applications in the event that a prospective customer is initially declined. This proprietary platform is another great step forward in GreenSky's unwavering commitment to delivering a far superior user experience to our merchants and their consumers.

But before I turn it over to Gerry, I'd like to touch on our Bank Partner consortium. At the end of the third quarter, we had aggregate bank funding commitments of $11.9 billion, of which $3.5 billion was unused. Through the normal course of business, we extended three of our bank agreements since our last call. In addition, as we discussed last quarter, we continued to progress on establishing a whole loan purchase program with non-bank investors to augment, diversify and optimize our funding.

We expect to share more on this initiative over the next few months. We are confident that our current bank funding commitments in conjunction with future commitments from new potential Bank Partners, customary periodic commitment increases and our anticipated forward flow program will provide ample funding to support our growth well into 2022.

I'll now turn it over to Gerry.

Gerald R. Benjamin

Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

Thank you, David, and good morning. The company's transaction fee rate of 6.9% for the third quarter was steady compared to both last quarter and the third quarter of 2018. As of September 30, we had 16,887 active merchants on our platform, including over 4,300 elective healthcare providers. Our 19% growth rate in total active merchants over the third quarter of 2018 reflects a substantial addition of high quality merchants, net of our intentional roll-off of prior merchants that did not either meet our performance and/or profitability targets.

Since the company's inception through the end of the third quarter, GreenSky has now enabled nearly $21 billion of transactions with over 2.8 million consumers. As David referenced, the weighted average FICO score of consumers at origination remains exceptionally strong at 770 and 85% of consumers in our servicing portfolio at September 30 had a weighted average FICO scores of over 700.

30-day delinquency has reached to three-year, third quarter-end low point of 1.29%, evidencing the super prime nature of the loan servicing portfolio as well as the outstanding work of both our credit and operations teams. We're particularly pleased with this quarter's metric, given the continued growth of healthcare originations, which as you know have slightly lower average FICO scores and predictably higher delinquency rates relative to our home improvement business. We continue to make investments to enhance credit and merchant management tools and systems, which we believe will deliver additional improvements throughout 2020. Early indicators show that the 19 home improvement vintage of originations has been the highest weighted average FICO distribution and lowest early delinquencies of any loan vintage we facilitated.

The 2019 vintage of elective healthcare originations is already significantly outperforming our 2018 vintage. The third quarter origination productivity index, or OPI was 21.1%, down modestly from 22.2% in the third quarter of 2018, mostly due to the lagging nature of the 11th District Monthly Weighted Average Cost of Funds Index or COFI. Given that the COFI will be discontinued after the publication of the December 2019 COFI on January 31, 2020, we are reviewing options for an alternative computational surrogate for the contracted margin with our bank group.

In mid-August, American Express began marketing the American Express Home Improvement Loan, powered by GreenSky, to a pre-approved universe of American Express Card Members located in five metropolitan markets; Atlanta, Chicago, Dallas, Los Angeles and Tampa, together with access to top-rated GreenSky contractors. In addition to sharing in transaction economics, GreenSky is servicing the resulting loan portfolio.

As indicated in this morning's press release, in December, we anticipate launching a digital mortgage cross-marketing campaign targeting select GreenSky home improvement program borrowers in conjunction with a national mortgage banker and a Bank Partner. We believe the opportunity to develop and facilitate a family of digitally delivered loan and savings products to GreenSky Program borrowers to be substantial.

Finally, as we announced last quarter, GreenSky's board is evaluating strategic alternatives. That process is ongoing and accordingly, we will not be providing guidance pending the completion of the board's review, which is anticipated to be finalized early next year.

And with that, I'll turn it over to Rob to review the company's financial performance for the quarter.

Robert G. Partlow

Chief Financial Officer & Executive Vice President, GreenSky, Inc.

Thank you, Gerry. As I review the results of the third quarter during my remarks, note that all comparisons will be relative to the third quarter of 2018 unless stated otherwise. Transaction volume increased 17% to a record $1.6 billion in the third quarter of 2019. Excluding solar originations, which were approximately $13 million lower than last year, we grew transaction volume by 19% during the quarter.

The average transaction fee for the third quarter was 6.86%, in line with the second quarter 6.87% and marginally lower than the 6.91% we realized in the third quarter of 2018. Excluding solar, the average transaction fee in the third quarter was 6.74%, in line with the second quarter 6.73% and 10 basis points higher than a year ago. As always, seasonal fluctuations and the mix of different promotional products offered by our merchants and providers will cause transaction fee percentage to ebb and flow throughout the year.

Total revenue grew 35% to $153.4 million during the third quarter. Transaction fees were up 17% to $112.8 million, commensurate with our transaction volume growth. Servicing and other revenue totaled $40.6 million during the quarter compared to $17.1 million last year, reflecting both the 27% growth of our loan servicing portfolio as well as the recognition of a $16.4 million servicing asset in connection with the modification of servicing agreements with certain Bank Partners, whereby the servicing fees, which are senior cash flows in the waterfall, were increased above the market servicing rate. Cost of revenue totaled $65 million during the quarter. We break out on slide 29 the components of cost of revenue into three distinct components: servicing cost, origination cost, and the fair value change in the FCR liability.

Origination-related expenses totaled $9.7 million, 0.59% of originations, up $7.5 million – up from $7.5 million and 0.53% of originations last year. The increase in the expense was driven by both higher origination activity and by increases in customer protection expenses during the quarter. Servicing-related expenses totaled $11.6 million, or an annualized 0.55% of the average loan servicing portfolio, unchanged from last year.

On slide 30, we provided the detail of components of the fair value change in the FCR liability, which for the third quarter was $43.6 million or an annualized 2.06% of the average loan servicing portfolio. The increase of $24.8 million is a function of both the combination of the growth of the balance of our deferred interest loans within the portfolio and an increase in the Bank Partner portfolio yield attributable to 2018 surge in interest rates, which negatively impacted receipts.

On slide 31, we also break out the fair value change in FCR liability by the drivers of this expense line. I'll begin with the expense for a finance charge reversals, which is expense related to the buildup of the liability on our balance sheet for future finance charge reversals. This expense was $86.8 million for an FCR rate of 4.09%, up from 2018's $57.4 million or an FCR rate of 3.49%. The increase in expense is due to both the growth in the deferred interest loans in the portfolio as well as the higher APR of deferred interest loans originated since mid-2018.

As previously noted, the FCR rate has increased due to the impact of higher APRs on the transactions and the higher mix of deferred interest loans in our elective healthcare vertical. Receipts from our servicing portfolio reduced the expense for future finance charge reversals and totaled $43.2 million, up 12% over Q3 2018's $38.5 million and up 11% from the second quarter's $38.9 million.

Regarding the proceeds from charged-off receivable transfers, a component of receipts, please note that the sale of charged-off receivables in the third quarter of 2018 included proceeds from prior period charge-offs. Therefore, last year's third quarter sale represented 0.55% of the average AUM during the quarter, 18 basis points higher than the more normalized rate of 0.37% in the third quarter of 2019. Incentive payments, also a component of receipts, totaled 1.61% of the average loan servicing portfolio during the quarter, up 6 basis points from the second quarter and down 16 basis points from 1.77% during the third quarter of 2018.

Incentive payments did not rise proportionally from billed deferred interest finance charges, primarily because the increase of Bank Partner portfolio credit losses coupled with the increases in the agreed-upon Bank Partner portfolio yield associated with loans originated during 2018 in the first quarter of 2019. As market rates have receded in 2019 agreed-upon Bank Partner portfolios on loans originated in the second and third quarters of this year have declined.

The components of incentive payments from Bank Partners changed as follows. Finance charge and fees were up approximately 82 basis points, reflecting the higher APRs on the deferred interest loans and reduced rate loans originated in 2018 and 2019; agreed-upon Bank Partner yields increased 32 basis points, attributable to last year's higher rate environment, which I outlined earlier; net charge-offs were up approximately 64 basis points due to a combination of the maturation of the home improvement portfolio and the growth of elective healthcare loans in the portfolio; elective healthcare loans realized higher losses and are priced accordingly.

In addition, as one would expect, early vintages have higher losses as we tested and refined our initial credit policies. As a result of the portfolio dynamics outlined above, coupled with the increases in our fixed servicing fee, which is recognized in servicing and other revenue, incentive payments declined 16 basis points versus the third quarter of 2018.

Compensation expense totaled $21.8 million in the third quarter, an increase of $7.5 million or 52%, reflecting a $2.3 million increase in share-based compensation as well as continued investment in our IT, credit and sales infrastructure. Property, office and technology expenditures totaled $4 million, with a modest $200,000 increase as higher software and operating lease costs were largely offset by lower technology contractor and consulting spend.

General and administrative expenses totaled $6.7 million during the quarter, up $3.5 million, driven primarily by legal and professional fees, higher insurance cost and guarantee reserves related to escrow usage by a smaller legacy Bank Partner.

Other expenses, net of other income, increased $1.6 million to $6.8 million during the quarter due primarily to the establishment of a loan loss reserve related to the increase in our balance of the loans held for sale. Operating profit was $52.4 million for the third quarter compared to $54.3 million last year. From a GAAP perspective, we had a third quarter tax expense of $1.5 million, reflecting – reflective of tax expense on the net earnings for the period related to GreenSky, Inc.'s economic interest in GS Holdings.

Net income was $44.1 million during the quarter. Because of Up-C corporate structure, GAAP net income reflects only the tax expense on a portion of the GreenSky owned by the C-corporation. We believe pro forma net income is a useful measure of our enterprise's financial results as this measure reflects corporate income tax on all GreenSky earnings, inclusive of the amount owned by the non-controlling interest.

Pro forma net income was $39.1 million, up from $38.8 million in the third quarter of 2018. The effective tax rate was 15.34% and 21.8% for the third quarter of 2018 (sic) [2019] (00:18:48) and 2018, respectively. As we have indicated on our prior earnings calls, we believe the adjusted EBITDA is one of the key financial indicators of our business performance over the long term and provides a useful information regarding whether cash provided by operating activities is sufficient to maintain and grow our business.

For the third quarter, adjusted EBITDA was $57.5 million compared to $58.3 million last year. In our 10-Q, we also report comprehensive income, which accounts for the fair value change in the $350 million interest rate swap as designated as a hedge of interest rate risk on our term loan debt. The series of actual and expected federal reserve rate cuts has resulted in a mark-to-market loss on the swap of $2.5 million during the third quarter, and $4.4 million year-to-date. Actual cash settlements have reclassified into interest expense as they occurred during the hedges term.

Turning to our balance sheet, we finished the quarter with a $206 million of unrestricted cash. Free cash flow for the first nine months of 2019 was $52.3 million, as detailed on slide 36 of our Q3 investor presentation. We ended the quarter with approximately $30.4 million of loans receivable held for sale, as we continue to periodically acquire and sell Bank Partner originations. Subsequent to September 30, the company executed a net purchase of $45.7 million of loans receivables held for sale. Consistent with our customary practices, we will look to sell these loans at par on a periodic basis.

And with that, I'll turn it over to Rebecca to set up the Q&A.

Rebecca Gardy

Senior Vice President, Investor Relations, GreenSky, Inc.

Thanks, Rob. That concludes our prepared remarks. Please remember, we're happy to take details, modeling questions offline. Operator, let's have our first question, please.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from John Davis of Raymond James. Your line is open.

John Davis
Analyst, Raymond James & Associates, Inc.

Q

Hey, good morning, guys. First just wanted to touch on the servicing gain, obviously $16.4 million. Are there any offsets, it seems like you got a better rate for servicing these loans going forward, though that you just rejiggering more servicing revenue versus bank margin or maybe just talk about what drove that outsized gain this quarter?

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Hey, John, it's Gerry, good morning.

John Davis
Analyst, Raymond James & Associates, Inc.

Q

Good morning.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

We have the ability to renegotiate a couple of our bank servicing agreements. And as you know how our waterfall works. As servicing grows as a percentage, it sort of goes up the hierarchy of the waterfall. So a servicing fee is sort of a first claim on waterfall dollars. You could make the argument that this perhaps moved from incentive fee, which will be the bottom of the waterfall, up to servicing fee. But based on the resilience of a waterfall that servicing fee becoming a first claim at a rate in excess of fair value gives rise to the establishment of an asset. As we continue to grow the portfolio, we'll evaluate that asset on an ongoing basis, but we think the gap is good and we don't expect a corresponding giveback, if you will.

John Davis
Analyst, Raymond James & Associates, Inc.

Q

Okay. So as we kind of think about going forward, should we think about a higher rate on the servicing revenue. I think historically it's been just north of 1%, is that going to like 1.1% or is it just going to be more of a revaluation every quarter that we could potentially see in up or down impact to that revenue line?

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Your comments are fair one. Historically, our servicings run about 108 basis points. You'll see on a dollar weighted basis that drift up to reflect these renegotiations. So you'll see it move from 108 basis points to perhaps something north of 125 basis points, 130 basis points. And that as opposed to a revaluation, it will be evaluated periodically for – Rob, impairment would be the right word?

Robert G. Partlow
Chief Financial Officer & Executive Vice President, GreenSky, Inc.

A

And also growth in the portfolio.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.
A

Correct. As the portfolio continues to grow, obviously that asset will continue to be established if we execute at the elevated rate, so you see some additional asset formed as well.

John Davis
Analyst, Raymond James & Associates, Inc.
Q

Okay. So all else equal, we're removing a little bit of revenue out of incentives up into...

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.
A

Higher priority, if you will.

John Davis
Analyst, Raymond James & Associates, Inc.
Q

Right. So – but as an impact on the margin, we expect kind of a lower reported EBITDA margin going forward. Is that, I guess, the right way to call is, fee you would lose from contract cost of revenue to revenue.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.
A

No. It won't have a downward pressure on reported EBITDA margin. As this portfolio grows and it's growing dynamically, you'll sort of recognize the asset as we have. We don't expect to see that asset impaired. And with the growth of the portfolio, we'll continue to enjoy incentive fees, not dissimilar to what we have in the past.

John Davis
Analyst, Raymond James & Associates, Inc.
Q

Okay. And then, so maybe Rob, maybe just a little bit more color on the cost of revenue this quarter. I think that came in quite a bit higher, at least, than I had expected. And just wanted to understand, if I exclude this gain, which is not, I guess, fair to exclude, because rate is going up, but the margin came in at 30% excluding this. So just maybe talk about the moving piece of the cost of revenue and what would you expect in that line kind of going forward?

Robert G. Partlow
Chief Financial Officer & Executive Vice President, GreenSky, Inc.
A

Okay. Great question. The one thing I did is I kind of outlined during my prepared remarks kind of the different components of the receipts that are moving. I think one of the things which you can see we did, there's really two drivers. One is the overall FCR rate and how that pieces moves for finance charge reversals. If you think about the FCR component, there is the FCR expense rate. I think that will continue to move up modestly in the coming quarters, so we continue to originate more elective healthcare loans.

I think on the receipts line items side, I think we have seen improvement in that quarter-over-quarter. But as the yield on our loans in the portfolio has increased as well as we start benefiting from the – benefiting from bank margins no longer kind of increasing at the speed of which they were doing last year. So, I think if you do want to go on to slide 29, you can certainly see the other components, of course, are the origination related. I would certainly expect the origination-related expense pieces to remain kind of where they are in the current level, kind of in the range bound of 50 basis points to 60 basis points of originations. Servicing expenses kind of similar in that kind of 50 basis points to 60 basis points. I would expect we'll have some kind of a scale start being realized on the servicing side in the periods to come.

John Davis
Analyst, Raymond James & Associates, Inc.
Q

Okay. And one quick one more in. David, I think you reiterated your 20% growth for volume this year, which implies you'd see kind of a 500 basis point or so acceleration in the fourth quarter. Did you have an easier comp or what gives you confidence in that reacceleration as we head into the end of this year?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.
A

The benefit of knowing October and the benefit of seeing how the merchant cohorts perform and the demand.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.
A

We also are comping against what was a little bit uncharacteristically soft December in 2018.

John Davis
Analyst, Raymond James & Associates, Inc.
Q

Okay.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.
A

So a little bit of a break from prior years. So we think we are comping against a bit of an anomaly in 2018.

John Davis
Analyst, Raymond James & Associates, Inc.
Q

Okay. All right. Thanks, guys.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.
A

Thank you, John.

Operator: Our next question comes from James Faucette of Morgan Stanley. Your line is open.

James E. Faucette
Analyst, Morgan Stanley & Co. LLC
Q

Great. Thank you. I wanted to follow up on that last question. Just wondering in terms of that visibility, clearly it sounds like you started off well in October, but there have been some headlines about – around some survey work that others have done or about intention intension around remodeling and upgrading of homes, et cetera. Just wondering how you're feeling about the overall macro economy and what your feedback looks like right now?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

So we will always have the posture of being cautiously skeptic. That being said, what we're seeing from demand, both from the merchants and the consumers, is not seeing any diminishment or degradations. We have really good visibility for the next two months, just because most people that will be spending in November and December, have already been approved. And so, it's a pretty predictable volume curve for the next really quarter or two. And as it relates to what we're seeing in the market, as we survey our merchants, their expectation is still growth, and they're hiring and they're expanding and there's lots of M&A activity.

So, we're not seeing it. And then on top of that, we're seeing tailwinds from a credit performance that are actually very encouraging as it relates to consumer's ability to spend, to digest credit, and that's reflected in candidly better than expected credit performance. I certainly want to give a lot of credit to our credit, risk, and operations team, but they're certainly not doing it against a difficult environment compared to what we could have reasonably expected.

So, the short answer is, we see the studies. Occasionally, there's some inappropriate confusion. I know it's not what you're referring to, connecting to housing starts. We think people staying in their homes is better for our business, longer. There was a really great article that suggested instead of living in their houses for seven years, people are living in their houses for 10 years or 12 years. We think that creates even more demand. So we're not seeing it. We feel very good about the demand in home improvement. But we're also so tiny and we sign up hundreds of merchants a month and then, of course, elective medicine is very exciting for us and we're just getting started.

James E. Faucette
Analyst, Morgan Stanley & Co. LLC

Q

And on that point – oh, sorry.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Yeah. The only thing I'd add, we've gotten a fair number of questions regarding the update of the Harvard study that you may have seen where they're talking about potentially home improvement growth slowing out in 2022 and 2023, growing but at a decreasing rate. Keep in mind, our average home improvement loan is about $10,000. So when you look at the study and you look about what home improvement consists of, we're not talking about major rebuilds, as David mentioned, very little correlation between new home starts and our business, our average loan is $10,000.

James E. Faucette
Analyst, Morgan Stanley & Co. LLC

Q

Got it. That's really helpful. And then David, you mentioned the elective healthcare. I know we're not talking about specific targets and guidance, if you will. But how should we be thinking about the mix of home improvement versus elective healthcare versus other new initiatives as you think about your kind of the growth drivers for 2020?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

So, I think the information that I can provide is that long term, we believe healthcare will be even bigger than home improvement and certainly, next year, we see it getting into the...

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.
A

Mid-teens.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.
A

...mid-teens.

James E. Faucette
Analyst, Morgan Stanley & Co. LLC
Q

Got it. Got it.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.
A

It's hard to grow the percentage of the pie when we continue to grow our core home improvement business by north of $800 million, $900 million a year. We have that denominator effect, we'd like to pedal quicker.

James E. Faucette
Analyst, Morgan Stanley & Co. LLC
Q

Right.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.
A

These are high quality problems we're dealing with.

James E. Faucette
Analyst, Morgan Stanley & Co. LLC
Q

Yeah, absolutely. And then last thing for me was just on the funding relationships. You talked about that you've renewed a few of your Bank Partners. How should we – like, are we likely to see ongoing like, not only Bank Partners leaving but other Bank Partners coming in as well as non-bank. I'm just wondering how you are thinking about like that partnership group pipeline and what the funding mix is going to look like as we go into 2020?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.
A

So, great question. We love our Bank Partner network. And we do see occasional a bank changes strategy. But that's why we have diverse network of banks. We do not anticipate any particular institution changing their strategy, but we know that it happens from time to time. And in our case, it seems like it happens every two or three years. So, one, we don't – in the ordinary course, long term, as any ecosystem, we would expect and this is why diversification matters that we will add more than we lose.

And we feel very good about the demand and unceremoniously three of our banks extended. That may be a surprise to some. It was absolutely not a surprise to us, and that's great. And we think those partnerships are strong and getting stronger. And we think it's supported by additional value-added strategic things that we can do together with our banks. And we're seeing that that notwithstanding some fear and loathing, there is great demand from our existing bank network, from additional banks that would like an allocation. And in addition, as I mentioned, we do expect that into next year, we'll be announcing a sizable pocket of non-bank funding commitments, pockets probably not ambitious enough of a word.

James E. Faucette
Analyst, Morgan Stanley & Co. LLC

Q

Great. Great. Thank you very much for the questions.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Thank you.

Operator: Our next question comes from Chris Donat of Sandler O'Neill. Your line is open.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Thanks for taking my questions. David, whatever, I'm going to risk this one and ask you if you can dimensionalize pocket from your last answer. And I know you probably won't, but so then related question, just as you look at the non-bank opportunity, can you give a sense on timeframe, like I would imagine there are – it's a more complex thing and getting to a commitment is one thing, but then getting to actual loans would require a few quarters. Ideally, I'd like to know what the specific steps are, but if you can give us some rough sense on timeframe from commitment to lending?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Got it. So by the way, Chris, good morning.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Good morning to you, [ph] Gerald (00:34:56).

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

So just to read back to your two questions, one is dimensionalize the size of the pocket and the second is, what's the sort of the timeframe.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Yeah.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

So let me start with the expressions of interest for that pocket was actually far larger than we expected and it exceeded the aggregate commitment that we have from our banks. Now let me be clear, we love our banks. We think our banks love us too. We don't think our banks are going anywhere, we don't want them to go anywhere. We are only interested in this, because we think it provides important healthy diversification and we like the added liquidity. And so while the appetite for the non-bank funding far exceeded, anything we could possibly remotely ever think about allocating, we can certainly see in the future an important slice, whether it's 20% or 30% being allocated, which is all incremental to non-banks. Is that being responsive to your question on the dimension of the pocket?

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Yes, it is. That's more detail than I expected. Thank you for that.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

I'm here to help.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

And then on...

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Go ahead.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Yeah. Then on timeframe and I would imagine you might have some regulatory hurdles and things like that to jump through?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Chris, tell me about the – which regulatory question you're talking about? Is it relates to the...

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Just for non-banks. I'm – like, for example, with insurance, I think there would be certain things you need to do or with asset managers, certain structures you need to have something like that. I'm just wondering, it's me on the outside more guessing than anything else?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Yeah. So the structure would actually be that one of our existing banks would originate the loans and be the lender of record and in a legal structure and a compliance structure sell the receivables to a non-bank periodically.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Okay.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

So that's pretty straightforward.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Yes.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

And the process from our perspective is letter of intent, definitive agreement, forward flow and that's a 90-day to 120-day process.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Got it. Okay.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

You're right, Chris, that we likely will do a bit of a dance with the rating agencies, but we don't view this to be terribly difficult and not incremental to what we've done historically.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Okay. Got it. And then just on a separate topic with the change we've had whatever in the last 12 months in the rate environment and rate expectations, can you talk about how that's affected the yields on originated loans? You are seeing a different mix within what gets originated right, not so much healthcare versus home improvement, but within the home improvement mix?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

The mix in home improvement has not changed.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Okay.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

We still run roughly 60%, Rob, reduced rate loans?

Robert G. Partlow
Chief Financial Officer & Executive Vice President, GreenSky, Inc.

A

Yeah.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

40% deferred interest loans. We've not seen a material change in the mix, Chris.

Robert G. Partlow
Chief Financial Officer & Executive Vice President, GreenSky, Inc.

A

Yeah. It's interest in the, I mean, the loans we originate, the promotional products that are originated really haven't shifted over the last several quarters, four quarters as rates kind of went from their highs in the fourth quarter to this quarter. We always see a few basis points here and there movement, but we're not really seeing any shift from higher APR loans to lower APR loans in this rate environment.

Christopher Roy Donat
Analyst, Sandler O'Neill & Partners LP

Q

Okay. Got it. Thanks very much.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Very welcome.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Thanks, Chris.

Operator: Our next question comes from Jason Kupferberg of Bank of America. Your line is open.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Hi. This is Mihir for Jason, and thanks for taking our questions. Let me just start, I guess, let me start with just, one of your Bank Partners recently commented that portfolio growth has been impacted by higher prepayments. I was just wondering if you could comment on that as it relates to your expectations on prepayments. And then just more generally, what are the financial implications to you of prepayments exceeding, I guess, expectations?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Let me just simplify it, we have not seen any change in prepayment speeds.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Okay. And then just, if you were to see one, what would be the financial implication?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Modest.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Okay. Great. And then...

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Very modest. Yeah. Most of our economics come from the transaction fee that the merchant pays us.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Great. And then just, I was just wondering if you could give us an update on the – just the newer verticals and just how that ramp is going in the process. I think there's been a little bit of a maybe slowdown – slower than some of the historical ones, so I was just wondering if there's any update on that? And that's all. Thank you.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Great. Thank you for the question. We continue to be very excited about our elective medical business. We have – we feel really good about the products as well as what the team has accomplished this year and we feel like we're going into next year with a lot of momentum. And likewise, we feel very good at much earlier about our capabilities and the progress that we've made in e-commerce.

Mihir Bhatia
Analyst, Bank of America Merrill Lynch

Q

Great. Thank you.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Thank you, Mihir.

Operator: Our next question comes from Reggie Smith of JPMorgan. Your line is open.

Reginald Lawrence Smith
Analyst, JPMorgan Securities LLC

Q

Good morning, gentlemen. Congrats on the quarter. Most of my questions have been asked. So I was hoping you could give a bit of color...

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Reggie, you're fading in and out a little bit. I heard most of your questions are...

Reginald Lawrence Smith
Analyst, JPMorgan Securities LLC

Q

Answered – have been addressed. But can you hear me now?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Oh.

Reginald Lawrence Smith
Analyst, JPMorgan Securities LLC

Q

Can you hear me?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Yeah.

Reginald Lawrence Smith
Analyst, JPMorgan Securities LLC

Q

Yeah. I was curious could you give some color, so delinquencies was a nice surprise, could you provide some color on, I guess, how that split between maybe your full loan book versus your deferred loan book, and if you're seeing any appreciable differences or trends there in delinquency rates?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Got it. So the deferred loan book will generally have obviously just an incredibly modest amount of delinquency just by nature of its incredibly short duration. So, we're seeing it across the board by leveraging a bunch of really smart people in our credit and analytics team, and we're seeing it across the board by leveraging really smart people and tools that our technology organization has collaborated and delivered and the execution of our operations team. So, Reggie, it is a combination of really smart people doing really hard things and executing really well. And it is a pleasant surprise, but we actually think it's the beginning of some pretty interesting trends and opportunities for us.

Reginald Lawrence Smith
Analyst, JPMorgan Securities LLC

Q

Got it. And then...

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

And Reggie...

Reginald Lawrence Smith
Analyst, JPMorgan Securities LLC

Q

Go ahead. Yes. Yes.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

...in the deferred interest loans, we're not seeing a material change in the percentage of borrowers returning those loans in the promotional period. It still is hovering right at 90%.

Reginald Lawrence Smith
Analyst, JPMorgan Securities LLC

Q

Got it. And then I guess in the past you guys have kind of emphasized and called out the fact that the back half of the year is typically I guess seasonally weaker for delinquencies. David, I mean, listening to your comments, would it be beyond the realm of possibility to kind of think that as we get into early 2020, if – what you've talked about is sustainable, but you should see even further decline in delinquencies or am I getting ahead of myself there?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

So, Reggie, I like how you're thinking. What we're seeing is something I think more sophisticated than – for us than seasonality. What we're seeing, thanks to credit and technology and operations executing well together, what we're seeing is the benefit of smarter vintages. And so to your point, there's certainly opportunity for that to impact into the future.

Reginald Lawrence Smith
Analyst, JPMorgan Securities LLC

Q

Understood. Okay. Like I said, most of my stuff has been covered. Thank you for taking my questions.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Thank you, Reggie.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Thank you.

Operator: Our next question comes from Jeff Cantwell of Guggenheim Securities. Your line is open.

Jeff Cantwell
Analyst, Guggenheim Securities LLC

Q

Hi, good morning.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Good morning.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Good morning.

Jeff Cantwell
Analyst, Guggenheim Securities LLC

Q

Thanks for squeezing me in. You've been touching on this, but I just wonder if I can ask about a broader question to you, David, which is, given all the changes in the macro environment over the last 12 months, when you think back over the last year or so, where would you say you've made the biggest changes in your own strategic thinking? Just wanted to see if we can get your updated thoughts. So I'm trying to get a sense for where you're seeing greater opportunities now versus six months, 12 months ago or maybe where you're finding yourself thinking more offensively or even if you're thinking more about finding operational efficiencies on the cost side, it'd be great to hear your thoughts here? Thanks.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Well, that's a great question. I don't often get asked such big broad strategic questions. I'm going to keep talking for a second, as I ponder a thoughtful answer. I think that the strategy remains unchanged. I think that as we iterate on the execution and continue to add talent to the team, we're able to make accelerating progress. But the strategy of, we have this amazing home improvement franchise, keep investing in it, keep getting more sophisticated not only from a sales and go-to-market perspective, but also adding more products and tools is really powerful. The products and the [ph] differentiate (00:46:19) that we brought to market has really helped us add hundreds and hundreds and hundreds and hundreds of merchants a month and so that remains unchanged.

I think that what is important and exciting is, when you've had this much growth, it takes time to catch up to it sometimes and actually to take advantage of some of the unfunded opportunities, like building out more and more capabilities for our merchants that give them more tools that they desire that creates even more value-add and a moat. And so we're seeing that with new tools like Universal Credit App, preapproval marketing services and products and that's proven to be incredibly powerful. And there are other products and even SaaS-oriented services that we intend to provide our merchants.

As it relates to banks and consumers, we are finally at the scale and allocating the resources to build products that we expect our Bank Partners will want to offer their consumers. You've seen that already launch with American Express. We think that that is strategically very important. And we're finding that we have products and an ecosystem emergence that are actually very helpful to consumers of other financial institutions, but also partnering with our banks. We collectively have nearly 3 million consumers and we find that they're very interested in other products and services. And so, you've seen us this morning mention that we're launching a digital mortgage product with partnerships that we think is one of many steps in the journey of expanding the relationship with our consumer customers. So, I think the biggest change is more, we're quietly spending a lot of money building our teams to be able to do a lot of very important things around a very focused strategy and that's exciting.

Jeff Cantwell
Analyst, Guggenheim Securities LLC

Q

Okay. Thanks very much. Appreciate it.

Operator: Our next question comes from Giuliano Bologna of BTIG. Your line is open.

Giuliano Bologna
Analyst, BTIG LLC

Q

Good morning, gentlemen. I'll just jump into a couple high-level questions first. But looking at the product evolution over time, obviously you made the announcement about the mortgage product and the partnership there. And you have a lot of access to data and clients in the sense of being able to look at and see if there is an opportunity for doing a cash-out refinance or second mortgage. Are there any products that you're specifically targeting there? And can you expand further beyond that into new products with partnerships?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

I can't really go beyond what we've already talked about. But certainly, we like providing other services to consumers. Those things could include mortgage products. It could include something that we're very excited about, which could include a consumer credit card product. It could be a home improvement consumer credit card product that comes with valuable data for consumers. And this is one of the interesting things, the way we look at data and data security, data privacy is the consumer should control it. And our approach to data and information and machine learning is actually how do we use it to provide value and service for the consumer where it's not about the consumer's data it's about the merchant's data. And who are the merchants that are most relevant to the consumer, if the consumer is interested in a certain product or category and that will be up to the consumer to self-select.

Giuliano Bologna
Analyst, BTIG LLC

Q

That makes sense. And thinking about that type of product or at least on the mortgage side, would that be more of a referral-based business where you get referral fee, if you could have a loan close on the other side?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

In the short term, yes.

Giuliano Bologna
Analyst, BTIG LLC

Q

Okay. And I guess kind of going along that same line, as it seems you might be able to underwrite at some point, but then the question is with the credit card type of product, would you be underwriting or would you summing that off and have that managed by one of your partner banks?

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

The latter.

Giuliano Bologna
Analyst, BTIG LLC

Q

Okay. Sounds good. The only other question is, on that servicing asset that you recognized, is there any amortization of that asset over time? And does that flow through over time and do you amortize it on a quarterly basis and then reassess it every quarter?

Robert G. Partlow
Chief Financial Officer & Executive Vice President, GreenSky, Inc.

A

Yes. Yes. The way to think about is all relative to the growth of that underlying portfolio. So, in a kind of environment where the portfolio static, you'd see kind of addition to that portfolio and amortization more or less offset each other. But to the extent, that portfolio is growing. You would actually see that additional gains or the gains may now greater than any amortization.

Giuliano Bologna
Analyst, BTIG LLC

Q

That makes sense. And is there any way to break out the amortization? It looks like you have an average life that you put in from the fair value calculation in the Q, it's about 4.2 years now. Obviously, we haven't seen the third quarter numbers, but is there a way to think about how fast that will be amortized?

Robert G. Partlow
Chief Financial Officer & Executive Vice President, GreenSky, Inc.

A

Yeah. I mean I think you need to think about it in terms of the average life of our portfolio. It is a pretty short average life. That portfolio is made up of both the deferred and reduced rate loans. And you think about in that context. If you look at over kind of our servicing portfolio itself, when you look at just at a high level like run-off statistics, it's close to 50% a year of the original balance. So, it is a pretty short life.

Giuliano Bologna
Analyst, BTIG LLC

Q

That sounds good.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

[ph] And maybe a (00:52:38) way to think about the asset is, is more on a fair value basis, think about it relative to the size of our servicing portfolio and the growth in that servicing portfolio.

Giuliano Bologna
Analyst, BTIG LLC

Q

That sounds good. Well, thank you for answering my questions, and I appreciate the help there.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Thank you.

Operator: [Operator Instructions] Our next question comes from Rob Wildhack of Autonomous. Your line is open.

Robert Wildhack
Analyst, Autonomous Research

Q

Good morning, guys. I wanted to ask about the merchant count in home improvement. I think it was only up about 30 merchants, sequentially. Is there anything that contributed to that this quarter and how should we view that in the context of the growth opportunity in home improvement from here?

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Thanks, Rob. The numbers that we reflect are net and we did go through a comprehensive merchant evaluation as we periodically do, looking at merchants that meet our performance and profitability thresholds and we took the opportunity to call our roster. Probably, the most significant call that we've gone through just based on the growth of the company and our ongoing desire to sort of top grade the people we're doing business with. So some of that reflecting just initiatives taken as part of our merchant management protocol.

....

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Yeah, let me add to that. We approve a little over 50% of the merchants that apply to do business with us and there are two primary reasons that we'll decline a merchant, one is they're too small, they only make a handful of sales a month, and the other is they haven't been in business long enough to have a track record where we can get comfortable that they are as dedicated to serving the consumer as we are. And what we realize is, over time, we had thousands of really small merchants that were not uniquely profitable and it would be better to graduate them. And so, I think what you're seeing is the noise in that. Actually, I know that's what you're seeing.

....

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Yeah. I'm looking at sort of the monthly roster. We continue to add 400 to 600 home improvement merchants every month, nothing's changed in that regard.

....

Robert Wildhack
Analyst, Autonomous Research

Q

Got it. Thanks. That's really helpful. And then just looking at operating expenses as a percentage of revenue, down sequentially, good to see, but also up again year-over-year. So can you just talk about how you're thinking about that balance between efficiency and scale on the OpEx lines versus the necessary investment?

....

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Yeah. I would say the high-level comment. We do have some expense running through the current year that I view non-recurring in nature. We had some, on a comparative basis, elevated professional liability costs being a public company for the full period versus that just kicking in at the end of May last year. Unfortunately, we did have some litigation costs relative to a deductible and some professional fees, like to believe those are non-recurring in nature in nature.

In the comp side, we had some non-cash comp charge, but where we're spending intentionally is in IT and sales infrastructure and we're being very purposeful in building these capabilities. So, we are seeing scale when you take out sort of that non-recurring, we're pretty pleased with where we are. And we think absent those non-recurring's recurring, you'll see the scale that you would expect at this sort of level of operations.

....

Robert Wildhack
Analyst, Autonomous Research

Q

That's great. Thanks, guys.

....

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Very welcome.

Operator: Our next question comes from Bill Ryan of Compass Point. Your line is open.

William Ryan
Analyst, Compass Point Research & Trading LLC

Q

Good morning and thanks for taking my questions. Two things. First, could you give a little bit of color on the promotional period you're giving on your healthcare loans, specifically reduced rate, deferred interest and the time period and has that changed since you first introduced the product last year? And then second, in relation to the EBITDA margin, just a point of clarification. I mean, obviously, the servicing asset recognition had a little bit of boost on the EBITDA margin, but you kind of downplayed its impact going forward and you seem to imply that the margins are going to be pretty stable. If you could just clarify that point again? Thanks.

David Zalik
Chairman & Chief Executive Officer, GreenSky, Inc.

A

Great. I'll take the product side on the healthcare. It has not changed. They're fundamentally two products. The deferred interest product typically has a 6 to 12-month promotion and then a 36-month, 60-month fixed rate APR product. So on the deferred interest, the promotion is 6 to 12 months. On the other product, arguably the promotion would be a reduced rate APR loan for the life of the loan. And I'll turn it over to Gerry or Rob.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

You want to repeat your second question. Was it the sustainability of the EBITDA margin or where we saw it going, just wanted to [indiscernible] (00:57:57)

William Ryan
Analyst, Compass Point Research & Trading LLC

Q

Yes. Just in relation to the servicing asset recognition, which created a bit of a boost in the EBITDA margin in the quarter. But just sort of looking forward, do you seem to imply a fair degree of comfort that is going to be pretty stable. So I just [ph] wonder if (00:58:11) I get a little bit more clarification and color on that. Thanks.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

Yeah. As we as we think across the quarters, we continue to be I think convicted that this is a mid-30s kind of EBITDA margin expressed as a percentage. We've got some things going both ways in the current calendar year, including some of those non-recurring expenses that I made reference to. When you add them together, they're not insignificant. We won't expect those to be present next year. And accordingly, I think we feel very, very good about sort of 35-ish kind of percent EBITDA margin throughout the 12-month period.

William Ryan
Analyst, Compass Point Research & Trading LLC

Q

Okay. Thank you.

Gerald R. Benjamin
Chief Administrative Officer & Vice Chairman, GreenSky, Inc.

A

You're welcome.

Rebecca Gardy
Senior Vice President, Investor Relations, GreenSky, Inc.

A

I believe that was our last question, so, operator, I think where we conclude today's call.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

Rebecca Gardy
Senior Vice President, Investor Relations, GreenSky, Inc.

Thank you.

Operator: You're welcome.