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RELY.OQ - Q3 2026 Remitly Global, Inc. Earnings Call

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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the Remitly third quarter 2026 earnings call. (Operator Instructions) Please be advised that today's call is being recorded.

I would now like to hand it over to our first speaker, David Beckel, Head of Investor Relations. Please go ahead.

David Beckel - *Remitly Global Inc. - Investor Relations, Strategic Finance*

Good afternoon and thank you for joining us for Remitly Global's third quarter 2026 earnings call. Joining me on the call today are Sebastian J Gunningham, Chief Executive Officer of Remitly Global; and Vikas Mehta, Chief Financial Officer. Results and additional management commentary are available in the earnings release and presentation slides which can be found at ir.remitly.com. Please note that this call will be simultaneously webcast on the Investor Relations website.

Before we start, I would like to remind you that we will be making forward-looking statements within the meaning of the federal securities laws, including but not limited to statements regarding Remitly Global's future financial results and management's expectations and plans. These statements are neither promises nor guarantees and involve risks and uncertainties that may cause actual results to vary materially from those presented here. You should not place undue reliance on any forward-looking statements.

Please refer to the earnings release and SEC filings for more information regarding the risk factors that may affect results. Any forward-looking statements made in this conference call, including responses to your questions, are based on expectations as of today and Remitly Global assumes no obligation to update or revise them, whether as a result of new developments or otherwise, except as required by law. The following presentation contains non-GAAP financial measures.

For a reconciliation of non-GAAP financial measures to the most directly comparable GAAP metric, please see the earnings press release and the appendix to the earnings presentation which are available on the IR section of the website.

Now I will turn the call over to Sebastian to begin.

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Sebastian Gunningham - *Remitly Global, Inc. - Chief Executive Officer, Director*

Thank you, Dave. Thank you for joining our third quarter earnings call. We reported revenue of $510 million, up 22%. Net income was $68 million, a sevenfold increase. Q3 was another record quarter for Remitly Global, with customers, send volume, and revenue reaching all-time highs. These results reflect the trust our customers place in us to move money safely, fast, and at the right value. They also reflect the growing scale of one of the world's largest cross-border networks.

Just as important, and less visible in the numbers, is our momentum in product development. This quarter, our team shipped more than twice as many updates and new features as last year and 30% more than last quarter. That speed powers our flywheel. New products attract new customers. More customers drive more volume. More volume lowers our cost. That gives us more capacity to invest in new products. And the flywheel spins faster. It's also how we're evolving from a remittance company into a global financial services provider for people and businesses whose money crosses borders.

I'll start with an update on our three growth areas: Consumer Remittances, Business Payments, Cards. First, Consumer Remittances. Our consumer business ranges from everyday senders who send less than 300 per transfer on average to customers sending up to 300,000 in a single transaction. All of them rely on the breadth, speed, and reliability of our network. This quarter, that network got bigger and faster. We launched sending from Brazil. It's our first country where customers can both send and receive.

In the Remitly Global app, we added thousands of customers in the first few weeks with no paid marketing. Seven new payout options from Angola to Ecuador extended our reach to 11 million more accounts. On speed, nearly 84% of our transfers now arrive in under a minute, up more than 50 basis points from last quarter. And US real-time rails have cut US bank deposit times from hours to seconds. Large transfers are a new focus for us. Large transfer volume has grown more than 50% over the last 12 months as we remove friction and raise send limits.

This month we launched FX Protection and guaranteed instant bank transfers for customers who regularly send more than 5,000 at a time. It gives them what they value most: rate, certainty, and speed. More benefits are coming, and we're bullish on this category.

We've also broadened how we define our consumer remittance opportunity. It now includes recipients, not just senders. Recipients are a large, untapped opportunity to build and monetize a two-sided network. Each sender sends money to two or three recipients on average. Early data suggest engaged recipients go on to bring in new senders, so growth on one side can fuel growth on the other.

Now growth can start from the receiver side too. Anyone in the world can now request money through the Remitly Global app, and every request can bring a new sender into the network. Send with Text works the same way. It makes sending and receiving money as easy as sending a text. In the past year, our network connected more than 50 million senders and recipients in more than 175 countries and over 100 currencies. It's a core differentiator for Remitly Global. We know our senders deeply.

New features like requesting money and Send with Text let us start building direct relationships with recipients too. We'll keep launching products that lift the financial lives of people on both ends and strengthen our flywheel.

Our second growth area is business payments, a more than $40 trillion opportunity. It brings in businesses and freelancers as a new customer base. Our business offering has two parts. The first is our Remitly Global–branded product, where businesses send and receive money directly through Remitly Global. We're now in 26 countries with more than 30,000 business users and growing. It's a large, underserved category, and it runs on the same network as our consumer business. Every business we add increases our scale and lowers our cost per $1 sent.

The second is a platform offering. Any company can plug into our network through our APIs to move money globally. Last quarter, Etsy signed as our first platform partner, which will allow Etsy sellers in 15 countries to get paid to Remitly Global. It's the first of many partnerships, and each one adds volume to our network, and we're just getting started. Many of the businesses that send money with us increasingly want to run more of their finances with us. That includes domestic payments, holding balances, and paying international teams and contractors.

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In 2027, we plan to expand into payroll as we work towards becoming the main account for these businesses. Over time, we believe business payments could be as large a revenue source as consumer remittances. Our third growth area is our new cards business. Last quarter, we launched the Remitly Global Card. It's a powerful all-in-one card that brings everything a cross-border life needs into one place.

Cardholders get our best remittance prices to more than 175 countries, plus everyday spending and a full set of features that makes moving money easier. Our membership plan adds access to credit so members can send money home before payday. This quarter, we added SmartRate and eSIM to membership benefits, with more to come.

Adoption is growing quickly. We're encouraged by early engagement and the lift we're seeing in remittance volume. We believe the Global Card belongs in the hands of all of our more than 50 million senders and recipients, and we're confident it will become a meaningful standalone revenue driver. One network, three growing revenue streams. Our business has never been stronger.

After almost nine months as CEO, listening closely to investors and the industry, I've heard four main questions about the durability of our growth. I want to address each one directly: pricing, stablecoins, neobanks, and our reliance on consumer remittances.

First, pricing. Some investors worry about the long-term remittance pricing. Price is one of many levers we and others can pull to win customers, and customers often reward the lowest price. Protecting margin in that environment takes two things. The first is the lowest cost to serve. Our scale and continuous cost improvements give us an advantage there.

The second is the right price for the right customer at the right time. Over the past year, we built a proprietary pricing engine that uses advanced data, AI, and machine learning to price every transaction in real time. Together, they've helped grow transaction margin dollars by $75 million over the past year, or 27%.

A competitive landscape rewards the scaled player with the best cost structure. Quarter after quarter, we've shown we can compete on price and still expand our margins. And that advantage widens with every dollar we move.

Next, stablecoins. Some believe stablecoins will let anyone move dollars instantly and almost for free, making remittance providers unnecessary. We see it differently. A $1 stablecoin is a digital dollar. A blockchain is simply a new rail it moves on. We own the customer relationship, and stablecoins become one more way our network moves money.

Most importantly, we deliver the last mile. We get money to people where and how they need it. Stablecoins solve the middle of the journey, moving value quickly between treasuries. They don't solve the hard parts. Someone still has to take in local currency and run KYC and sanctions checks. Someone has to stay licensed in every country and convert to pesos, rupees, or naira. And someone has to deliver to a bank account, wallet, or cash pickup point in a small town. That work is our network, and it's what makes us hard to copy. A blockchain alone doesn't put cash in the hands of a family in rural Mexico or India. So we use stablecoins to strengthen an already diverse network.

They give us more ways to move money faster and at a lower cost. We're a founding member of the OpenUSD consortium. We use USDC and treasury to settle pre-funding faster, and we've launched a stablecoin wallet and card for recipients in select Latin American countries. We choose the fastest, lowest-cost, compliant path for every transfer. Any technology that lowers costs helps the scaled operator with the best cost structure.

Most stablecoins are only about 1% of consumer cross-border payments today. This is an opportunity we're building on early, not a threat we're reacting to.

Next, neobanks. Some fintechs and neobanks are offering zero-fee transfers to win customers. But many of these free offers only work between the neobank's own accounts. They often come with limits or an FX spread attached. Our customers send to families who bank wherever they bank, use a local wallet, or pick up cash. Remitly Global reaches more than 5 billion potential recipients through banks, mobile wallets, and nearly 500,000 cash pickup options, often in seconds.

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The bank present in one or two countries can't offer that. Banks and payments apps generally stop at the border. We start there. Step back, and you'll see neobanks and fintechs converging on the same products: accounts, cards, lending, investing, multi-currency balances, and money transfers. What differs is where each of us started. Cross-border money movement is arguably the hardest to build. It means mastering the complexity of licensing, compliance, fraud prevention, and payout in every country.

We spent a decade building it. Very few companies can move money to billions of people in more than 175 countries in seconds with one tap. We built that network first. Now we're putting everything else our customers need on top of it. And each new offering comes faster. This morning we launched a new product that proves the point.

For the first time, Remitly Global moves money within a country, not just across borders. Remitly Global Card customers in the US can now send and request money from each other anywhere in the country. Paying your roommate down the street and sending money to family in Manila now happen in the same place. Think of it as a Venmo without borders.

One app to pay people in the US and in more than 175 countries. This is more than a new feature. It says a lot about where we're headed. Domestic payments happen more often than international transfers, so Remitly Global now becomes part of our customers' everyday financial lives. And it took a small team just a few weeks to build.

That's what makes the Global Card so powerful. Remittances are our foundation, and the Global Card is how we build on it. It brings the account to our customers. It offers card-to-card transfers wherever they are, on a global network few closed-loop players can match. As we compete with neobanks for customers' everyday financial lives, we have three advantages: a head start on the hardest product; a licensed payout network in more than 175 countries; and more than 50 million senders and recipients to offer it to.

Our goal is for every Remitly Global customer on both sides of the transfer to hold a Global Card. Our network took years to build, and there are no shortcuts. And the results speak for themselves. Active customers grew 17% year-over-year. During the same period, many neobanks launched free offers in some of our largest geographies. We compete on durable economics, not a subsidy with an end date.

Finally, our reliance on consumer remittances. Some see Remitly Global as a highly successful single-product company, but they see it as one that's exposed to price pressure and shifts in global migration. Consumer remittances is our engine. It's growing 20%, more than twice the industry rate. And we have plenty of room to keep growing in a market worth more than $2 trillion a year. But it is no longer our only engine.

Our future rests on three connected revenue streams running on one network: consumer remittances, business payments, and the Remitly Global Card. Each one is a large opportunity in its own right. The same licenses, partners, treasury, and risk models that serve a $300 transfer serve a $300,000one. Once you can move a dollar across a border, moving a million is simple. That's why we believe business payments could one day be as large as our consumer business. And the Global Card turns more than 50 million senders and recipients into potential cardholders, giving us a new way to serve them every day, not just when they send money home.

Each new revenue stream runs on a network we've already scaled and optimized, so it adds low-risk, high-margin revenue. It also spreads our exposure across more customers and more send countries. We expect our new businesses to grow from about 5% of revenue this year to more than 10% in 2028. These are the right questions to ask about any business, and I wanted to address them directly.

In answering them, I've also laid out our strategy. We want to become an increasingly essential financial services provider for people whose lives cross borders. I can convince you that all four questions come down to one: who owns the trusted global money movement network, and how valuable is it? Owning it means being accountable for everything it takes to move money safely at scale.

That means knowing the customer, maintaining hundreds of licenses, and monitoring millions of transactions a week. Remitly Global owns one of the largest licensed money movement networks in the world. It's taken more than a decade to build. Features may be easy to copy. A network like ours is not. That network is our foundation. We're now building a global financial services company on top of it: the account, the card, and business payments, all on rails we already own.

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Every product we add makes the network more valuable, and the network makes every new product faster and cheaper to launch. Let me close with this. I can't look back on this quarter or ahead at our strategy without recognizing the exceptional team behind it. Our people are relentlessly focused on our mission. They give customers the trust, reliability, and speed they can't get anywhere else. Together, our network and our team are our durable competitive advantage. Every transfer makes that advantage stronger. The results show it. Revenue has grown at a 35% compounded annual rate over the last five years.

To everyone at Remitly Global, thank you for what you've built and for what you're building next. Vikas will walk you through our early outlook for next year. It reflects an environment that's hard to predict this far out, but our confidence doesn't depend on the environment. It depends on what we built: a battle-tested network, a team that executes quarter after quarter, and customer trust earned one transfer at a time. None of it can be copied or rushed.

We'll keep winning share in remittances, we'll keep diversifying our revenue, and we'll keep building the financial home for a cross-border world.

I'll now hand the call over to Vikas.

Vikas Mehta - *Remitly Global, Inc. - Chief Financial Officer*

Thank you, Sebastian, and good afternoon, everyone. We delivered another excellent quarter of profitable growth and strong free cash flow, with revenue growth and adjusted EBITDA margin together exceeding the Rule of 45, reflecting solid execution and a rigorous attention to cost discipline.

Third quarter revenue was $510 million, $4 million above the midpoint of our guidance and up 22% year-over-year. Adjusted EBITDA was $121 million, $28 million above the midpoint of our guidance at a 24% margin, our highest ever.

Let me share an overview of our third quarter results and then provide our outlook for the fourth quarter of 2026 and our updated guidance for the full year. As we have done in the past, we will also provide an early perspective on 2027. Top line growth accelerated sequentially this quarter, driven by continued strength in core send and the scaling of our growth businesses. Outperformance relative to our guidance reflects the continued benefits of regulatory changes in the United States supporting a shift toward digital remittances and momentum at Remitly Business.

Unpacking revenue drivers for Q3, send volume grew 25% to $24.4 billion. Send volume per active customer reached a record of more than $2,350, up 7% year-over-year, driven by higher average transaction sizes, which reflects a higher mix of business and large transfers, and an increase in transactions per active customer.

Quarterly active customers grew 17% year-over-year to $10.3 million. Quarterly active customer growth remains strong, supported by share gains across geos, especially in the US to Latin America corridors. Our take rate this quarter was 2.09%.

Now let me dive deeper into our revenue performance from a geographic and new products perspective. From a send perspective, US revenue grew 25%, reflecting continued share gains in key geographies. Rest of the world revenue grew 23% year-over-year, accelerating from prior quarter pace. We continue to see robust activity in the UAE, where revenue grew over 150% year-over-year, and are excited about the opportunities afforded by our expanded licenses there.

On the receive side, revenue from transactions to regions outside of India, the Philippines, and Mexico once again grew faster than overall revenue growth and comprised over half of our revenue mix. Now moving on to our newer businesses, we continue to gain traction and scale, and our growth accelerators are on track to comprise around 5% of total revenue in 2026 and exceed 10% of total revenue by 2028.

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I'll start by highlighting the strong performance of Remitly Business this quarter, which once again saw an acceleration in volume growth. We ended the quarter with more than 30,000 Remitly Business users. A little over a year in, Remitly Business is gaining momentum through continuous improvement of the user experience and a growing, diversified customer base.

Over the last two quarters, time to onboard has improved 38%, and we launched multiple product enhancements including Send by Link, Bulk Send, and QuickBooks Online integration.

Next, let me share an update on large transfers, which we previously referred to as high value senders. Large transfer volumes grew 25% year-over-year. As we shared last quarter, large transfer volumes were affected by Reserve Bank of India's foreign currency mobilization measures, which began in Q2 and concluded in August. Large transfer volumes outside of India grew 80% year-over-year in Q3, an acceleration from Q2 pace. We are seeing particularly strong growth to the UAE, where we completed multiple hundred-thousand-plus transfers this quarter.

Shifting to receivers, our suite of receiver products has the ability to unlock a direct relationship with tens of millions of recipients. Products like Send with Text and PayTag let us begin building those relationships, and the Global Receiver Card, which is now available in four countries, provides a new means of monetizing payment flows after a transaction is sent. Finally, Remitly Global Card, which allows card members to send, spend, save, and get paid from the same account.

The Remitly Global Card has been available for a little over one quarter, and this week we are expanding general availability to customers across the US Global Card customers can also send and request money from one another anywhere in the country. This is a significant milestone for Remitly as we move beyond international transfers to serving our customers' everyday financial needs. We remain excited about the traction we see with our newer businesses and the opportunities for these offerings ahead.

Moving on to our expenses, we delivered leverage across every single expense category this quarter. These results are the product of a deliberate focus on cost discipline and the widespread use of AI internally, which has driven significant improvements in operating efficiency, particularly in fraud detection, engineering, and our support functions.

Turning to our focus of driving profitable growth, on slide 12, transaction margin dollars grew 27% to $347 million, again outpacing revenue growth, with transaction margins reaching 68%, up 312 basis points year-over-year. The expansion in transaction margins reflects strong customer activity, lower transaction losses, improved partner economics, and the scale benefits of our network. Transaction expenses this quarter were $162 million, and as a percentage of revenue was 32%. Excluding provision for transaction losses, other transaction expenses were $141 million, improving 134 basis points year-over-year as a percentage of revenue. This improvement reflects higher efficiencies across our network as well as a continued shift in mix toward digital receive volumes.

Provision for transaction losses was $21.3 million, or 8.7 basis points as a percentage of send volume. We continue to make investments in our data ecosystem and AI/ML models, which are yielding benefits. As our network grows, so does our data graph, giving us more intelligence to improve our fraud prevention.

With that, let me walk you through the specific non-GAAP expense categories. Marketing investments remain disciplined and growth focused. Marketing grew 14.6% year-over-year and was 19.7% as a percentage of revenue, a 119-basis point reduction from prior year levels. Marketing spend per active customer was $9.69, down 1.9% year-over-year, reflecting contribution from unpaid and organic channels. This month we are launching a new global partnership with Indian cricketer Jasprit Bumrah, widely regarded as one of the greatest bowlers of all time, ahead of Diwali, one of India's largest holidays.

Our LTV to CAC ratio was about six times, while our payback period remained under 12 months. Lifetime value of new cohorts continued to expand, growing 9% year-over-year. Customer support and operations expense was $27.3 million, and as a percentage of revenue was 5.3%, improving 83 basis points year-over-year and continuing a multi-year trend of steady operating leverage.

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Our virtual agent Remy reduced average handling times by 22% since launch. Technology and development expense was $56.3 million, and as a percentage of revenue was 11%, improving 216 basis points year-over-year. AI-related benefits allow us to ship more and faster with the same headcount. Even as AI usage increases, we were able to reduce per-token costs 55% in Q3 by actively managing usage across models.

G&A expense was $42.8 million, flat year-over-year. We delivered significant leverage again this quarter 180 basis points as a percentage of revenue to 8.4% of revenue, reflecting a continued rigorous focus on operating discipline and the ongoing rationalization of our geographic footprint. Strong revenue growth combined with operating leverage and cost discipline led to a record level of adjusted EBITDA of $121 million.

Adjusted EBITDA outperformance was driven by higher-than-expected revenue, lower-than-expected transaction losses, and higher-than-expected AI-related operating efficiencies. Net income was $67.6 million, up sevenfold year-over-year, resulting in a 13% net income margin. With several consecutive quarters of solid profitability, we will reference diluted EPS as a key performance metric going forward.

Diluted EPS is an increasingly relevant lens through which we measure the business. Diluted EPS was $0.30 in Q3, up over 640% year-over-year. Our North Star remains growth in free cash flow while managing dilution, and Q3 delivered on both. Free cash flow grew to $88 million, reflecting strong operating leverage partially offset by the timing of working capital. Outstanding shares were $214 million, up 2% year-over-year, reflecting our disciplined approach to dilution management and share repurchase activity.

Stock-based compensation was lower year-over-year for the third consecutive quarter. It declined 1%, and at 7.8% of revenue was 176 basis points lower as a percentage of revenue than the third quarter of 2025 due in part to lower headcount. For all of 2026, we expect stock-based compensation to decrease modestly in absolute terms year-over-year. In Q3, we opportunistically bought back $14.4 million worth of stock, or 612,000 shares. Year-to-date, we have repurchased 4.5 million shares. We continue to be disciplined in how we deploy capital toward buybacks.

Let me now share an update on capital allocation. We recently took two important measures to improve working capital management and flexibility in how we deploy free cash flow.

First, we upsized our revolver to $1 billion from $550 million. We pre-fund certain customer transactions to ensure funds are available to recipients in a timely manner, which means most of our cash sits overseas. A larger revolver provides us incremental flexibility to use our cash for other corporate needs.

Second, we increased our share buyback authorization from $200 million to $500 million, reflecting both our confidence in the long-term trajectory of the business and our view that repurchasing shares is an attractive use of capital. Taken together, these actions give us more capacity to return capital while ensuring customer demand is fully met.

With that, I will move to our outlook for the fourth quarter of 2026. We expect revenue of $531 million to $533 million, or 20% to 21% growth. We continue to see strong momentum in our core and expect the continued shift toward digital remittances, growth in newer geographies, and the scaling of our newer businesses to once again drive year-over-year growth of more than 20%. Breaking down revenue growth in Q4, we anticipate send volume growth to exceed revenue growth and revenue growth to exceed quarterly active customer growth. Send volume per active customer is expected to grow in the mid to high single digits range, supported by the continued shift in mix toward large transfers and businesses.

For the full year, we expect revenue between $1.989 billion and $1.991 billion, a growth rate of 22%, reflecting strong demand in our core and growing levels of contributions from our newer businesses. Now let us pivot to profitability and expense guidance. Starting with transaction margins, we expect Q4 transaction margins to moderate year-over-year as we face a tough transaction loss rate comparison in the prior year quarter.

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Note, transaction loss rates fluctuate quarter to quarter. We expect full year transaction margins to be modestly higher than 2025 levels on a normalized basis.

Shifting to marketing for Q4, we expect marketing spend per QAU to be modestly higher year-over-year as we invest in customer growth, extend our Skip the Line campaign, and increase brand marketing.

Marketing expense per QAU faces a difficult comparison in Q4, as last year benefited from a deliberate approach to holiday period spend. As a reminder, Q4 is a seasonally high marketing investment quarter. These investments set us up well for 2027. Putting this all together, we expect Q4 adjusted EBITDA to be between $104 million and $106 million, or around 20% margin.

For the full year, we expect adjusted EBITDA to be between $441 million and $443 million, representing an adjusted EBITDA margin of around 22%, an expansion of more than 550 basis points year-over-year. This improved adjusted EBITDA outlook reflects a more favorable outlook for revenue, our commitment to cost discipline, and our ability to leverage AI as we invest in growth. Our outlook also assumes normal levels of transaction losses for Q4.

Now let me share some early thoughts on 2027. We expect revenue growth to be in the high teens range for next year. This outlook assumes continued strength in our core and strong growth in newer businesses. As always, foreign exchange volatility, geopolitics, and macroeconomic conditions are difficult to predict one year in advance. And while we expect to continue to take share through digital conversions of cash remittance volumes, we face a tough comp associated with the initial implementation of the 1% remittance tax.

Therefore, we currently expect revenue growth to be at the lower end of this range. This is an early look, and Q4 results will be important in shaping our formal guidance for the year.

Moving to profitability, we expect 2027 adjusted EBITDA margins to be broadly in line with our guidance for 2026. As noted on prior earnings calls, adjusted EBITDA in 2026 benefited from lower-than-expected expenses due primarily to the reassessment of business initiatives following Sebastian's arrival.

In 2027, we expect a more normalized level of investment spending, but as always, we will remain disciplined, ensuring a high return on capital and a balance between growth and profitability.

Before I close, let me come back to the framework we laid out at Investor Day last year. We remain committed to delivering more than a Rule of 40 outcome through 2028, defined as the sum of our revenue growth CAGR from 2025 to 2028 plus our 2028 adjusted EBITDA margin. This framework reflects a balanced approach to growth, profitability, and investment, and is the way in which we run the business.

To summarize, in Q3 we delivered another quarter of excellent results across our key financial metrics. We delivered record revenue, adjusted EBITDA, and adjusted EBITDA margin, and a more than sevenfold year-over-year increase in net income, underscoring the power and scalability of our business model.

With that, Sebastian and I will open up the call for your questions. Operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ramsey El-Assal, Cantor Fitzgerald.

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Ramsey El-Assal - *Cantor Fitzgerald LP - Analyst*

Hi, thanks so much for taking my question this evening. I was wondering if you could help us quantify the end-of-quarter impact from the Reserve Bank of India's temporary foreign currency measures. I know that they ended a month earlier than you anticipated, but I'm just trying to figure out what the result would have been had that headwind not been in numbers.

Vikas Mehta - *Remitly Global, Inc. - Chief Financial Officer*

Yeah, Ramsey, first of all, thank you for the question. And I just wanted to start off with just reiterating that it was an excellent quarter. Record revenue, most importantly the transaction margin dollars growing at 27% and a record high transaction margin percentage. If you look at, you know, specifically the high-value senders or as we now call it large transfers, you know, there are two parts to the story.

One is the India component where your question is and one is sort of beyond that. And let me just share the beyond-India story first very quickly and then get to your question. Beyond India, we continue to see really strong strength in large transfers. And this was mostly because of just, you know, very deliberate focus that we are putting on this part of the business as well as newer features that we have introduced, including Remitly Reserves and price guarantees, and that resulted in a growth of over 80% volume growth for the non-India side of the business.

Now if you look at India specifically, and I did visit India recently, meeting a lot of the partner banks and got the firsthand commentary as well, and they saw a very important, interesting dynamic which is, you know, for us the scheme was across two quarters, both Q2 and Q3. And as you know, we provided some commentary in Q2. The first phase of that scheme garnered around $50 billion in volume. And then RBI announced that it would shorten the duration of that scheme by a month.

And then there was a massive acceleration in that amount and that reached more than $125 billion of mobilization through that scheme, which, to give you some context, is greater than 80% of annual remittances to India. So definitely the scheme had a sizable increase impact and drew a pretty large balance which the money transfer operators really did not participate in.

Now, you know, it's hard to quantify what was the actual, you know, impact on the growth rates. But, you know, the dimensions that I gave you hopefully help you understand the magnitude of it. I just want to reiterate again that even including the impact of that, we were able to grow overall 50%-plus over the last 12 months from a send volume growth perspective. So we feel very optimistic about the large transfer business. And while there will be a pull-forward impact from this, we feel over time it will stabilize.

Operator

Tien-Tsin Huang, JP Morgan.

Tien-Tsin Huang - *JPMorgan Chase & Co. - Analyst*

Thanks so much and thanks for sharing the FY27 views. I'm just curious, thinking about the high-teens revenue growth and the similar margins as FY26 as you called out. Should we consider this initial look as a deliberate investment year, given the margin discussion plus some of the AI potential? I know there's a lot of focus on the accelerator, so just want to better understand what the framework is. Thank you.

Vikas Mehta - *Remitly Global, Inc. - Chief Financial Officer*

Tien-Tsin, thank you for the question. And if you look at the FY27 view, first of all I'd say that it's an early look to help you think about the FY27 growth. Now the key point is the excellent performances through the year, including Q3 and Q4, form the foundation that we will set

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that will create the right setup for FY27. I'll share a few thoughts on the revenue assumptions and profitability assumptions which will help you model things better.

The first is we've seen continued strength in the core business and we expect that to continue, and we will continue to focus on the newer geographies that we are investing in like UAE, so feel very good about that. In addition to that, we have the newer businesses and we expect strong growth to continue, and as we have shared this will contribute more than 10% of the revenue in FY27. Now two important points to additionally highlight.

The first one is remittance tax will lap so it will have tougher comps, and secondly the card business is a newer business that will ramp through FY27, and we'll start seeing, you know, material impact from FY28 and beyond. Outside of that, as you very well know, FX volatility and geopolitics are all difficult to model, but overall, we feel very optimistic.

Shifting to profitability assumptions, you know, continued operating discipline as you have seen from us. But to your point, yes, the reassessment period of priorities is over and as Sebastian now, you know, shifts his attention on these key priorities, we will be in an investment mode but in a very thoughtful way, in a disciplined way similar to what you have seen from us. Just highlighting a couple of important nuances here. Now keep in mind that transaction loss has been a good guy for us over the last few quarters.

As we look at 2028, '27, we are continuing to, you know, model in the same range that we have shared, which is the 9bps to 13 bps with an average of 11 bps, and in fact if you normalize, you know, FY26 for that, then you will see, in fact, you know, an expansion in margin in a theoretical way. And the final point there is, you know, AI has been a really good positive for us from a productivity as well as a cost perspective. We'll continue to see benefits, but, you know, FY26 was definitely a very strong year for that.

So overall, you know, looking forward to, you know, a balanced equation of growth, profitability, and investment as we head into FY27.

Sebastian Gunningham - *Remitly Global, Inc. - Chief Executive Officer, Director*

Yeah, and also thanks for the question. I'd also add that, you know, you've probably seen really an increase in the rhythm of new products and features. And we did that over the last six months with really no increase in headcount or investment. So, we've been very, very frugal in the way we do this. And of course, AI is helping us. You know, when I think about the investment for the next 12 months and then I put my AI hat on, it really is a new equation that's emerging because very small teams can launch stuff very fast.

And so, we think, you know, reflecting this on the new products, we think we have a tailwind. We have a tailwind building on the speed and the effectiveness of the products that we can launch globally. So it's a very interesting moment as we look at the next 12 months, certainly from a product perspective and an investment perspective.

Operator

Chris Kennedy, William Blair.

Cristopher Kennedy - *William Blair Capital Partners - Equity Analyst*

Yeah, good afternoon. Thanks for taking the question. Just wanted to follow up on Tien-Tsin's question. Vikas, can you just kind of compare and contrast your visibility today versus your visibility last year? It's kind of the same setup in terms of your preliminary outlook.

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Vikas Mehta - *Remitly Global, Inc. - Chief Financial Officer*

Yeah, I think that's a great question. And, you know, even reflecting back, one thing comes out very clear, that, you know, the ability to forecast out is extremely difficult. And we saw so many moving pieces that we hadn't expected, like the RBI scheme as well as just the geopolitical dynamics. So clearly uncertainty remains. And I would say that, you know, a few things that we use as our basis for projection that make us feel very, very confident.

First of all, a lot of our business is based on past cohorts, and being able to model those cohorts gives us more and more fidelity of that. The second thing I'd say that has changed this year versus last year is just the use of AI and ML when it comes to forecasting, whether it is for our business purposes or for our revenue projections. And we feel that over the last couple of quarters we have been able to really get precise in our forecasting. So that would be a positive change from just getting close to our forecasting accuracy goals over here. Outside of that, the newer businesses I'd say are in a more mature stage or more evolved stage than what they were last year, which gives us more confidence.

So overall, you know, a few puts and takes, but feeling very good about forecasting accuracy internally and, secondly, just the strength of cohorts that gives us confidence in our outlook.

Operator

Alex Markgraff, KBC Markets.

Alex Markgraff - *Keybanc Capital Markets Inc - Equity Analyst*

Thanks. Hey guys, maybe just a quick question on QAU growth. It's a bit slower than anticipated. Just curious if we should be thinking about the right level here if there's kind of a step down in growth to be considering with the shift to larger customers and business customers, or if there's something sort of seasonal or one-time to consider in the 3Q number. Thanks.

Vikas Mehta - *Remitly Global, Inc. - Chief Financial Officer*

I'm glad you asked that question because I think there are a few nuances which I want to highlight in this. But before that, I'll just zoom out and share an important aspect which is the key metric, because sometimes we can look at the smaller part of the equation and that could be misleading. Our biggest goal is the free cash flow per share. If you look at specific line items, transaction margin dollars is where we are anchored. As I shared earlier, transaction margin was the highest that we've had at 68% and the margin dollar growth was 27%.

If you look even sort of more detailed into the volume growth, which is quarterly active users times the send per QAU, it was 25%. And again, we had a record send per quarterly active user. And in addition to that, we had record transactions per QAU this quarter. So really very, very good underlying strength of the business. Now if you go into the nuances and this gives me an opportunity to share a few important points.

The first is the sequential view versus a year-over-year view. And if you look at a year-over-year view, really very strong trends over here, overall growth of 17%. To your point, you know, the mix played an important role where both the large transfers and business customers are driving more strength over here. So it's about the quality of QAU rather than just the QAU number.

And that's what helped us to get to a record send per QAU. And to give you more flavor of that, the NCAs, or the new customers acquired this quarter, were higher year-over-year. So, we saw underlying strong strength there. In addition to that, one of the metrics that I like a lot personally, which is the net dollar retention rate, was the highest that we have ever seen. So both on the customer acquisition as well as the retention front, it was a really strong quarter.

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Now looking at it sequentially is very important on the nuances. The first point I'd highlight is that, as you will note on slide number 10, we have highlighted that Q2 was revised and that was the only quarter that was revised due to data migration that we did and that adjusts the Q2 number.

First of all, just take note of that on slide 10. The second important nuance over there is, you know, with Remitly Global, H1 has been really very strong from a customer acquisition perspective, especially on the offline to digital customers. And Q2 in fact was the record new customer acquisition quarter for us. So there's a little bit of a comparison also aspect there.

Overall, you know, really a strong quarter from a quarterly active user perspective. The growth, the quality of acquisition, even as you see the leverage that we are getting in marketing. So we are able to drive acquisition at the right cost. So overall, you know, really fundamentally very strong. Business acquisition is strong and being able to target the right customers.

Operator

David Scharf, Citizens Capital Markets.

Zach Goddenfeld - *Citizens Capital Markets - Analyst*

Hi, good afternoon, this is Zach Goddenfeld. David, congratulations on a strong quarter. Wanted to dig in a little bit more on the quarterly active user's growth. So, a little bit of a diversion between the send volume growth and the active user's growth. Kind of a 900-basis point gap between the two versus 800 last quarter. Obviously not so good growth overall but wanted to see if we can kind of get more context on how the mix shift might drive growth in send volume per average customer.

Vikas Mehta - *Remitly Global, Inc. - Chief Financial Officer*

Yeah, so similar to the previous answer I gave, underlying really strong trends that you can see in the business. And again, I'd highlight the most important metric that we look at is the transaction margin dollar growth which was 27% and highest transaction margin at 68% that we've ever had. If you look at the volume trends, the volume trends were very strong with record send per QAU which was driven again by the record transactions per QAU.

And that was in addition to the mix shift that we are seeing where we are seeing north of 30,000 businesses which are helping drive that, as well as large transfer volume which continues to move in a positive direction. So overall the fundamentals of the business are very strong from a QAU perspective.

As I shared a few nuances, I'll not repeat those, but overall strong growth at 17%. And the key is that it sets us up really well in our business for future growth and that's why we are very confident about Q4 as well as '27.

Operator

Aditya Buddhavarapu, Bank of America.

Aditya Buddhavarapu - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Hey Sebastian, Vikas, thanks for taking my questions. Just a couple for me. Firstly, if we just go back to the EBITDA margin outlook for 2027, could you just break that down in terms of the key areas of investment thinking about? So, when we look at the areas like marketing, tech spending, customer support, etc., where do you think the focus will be? And in general, which markets or products will you be focusing on?

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And second question, could you just go back to what you said on pricing? So you mentioned that the lowest cost to serve ultimately wins. So when you think about the future benefit scale benefits and the future network cost savings that you do you look at reinvesting that below pricing or do you sort of think you can retain that in the margin as we go forward?

Sebastian Gunningham - *Remitly Global, Inc. - Chief Executive Officer, Director*

So on the 2027 investment priorities, you mentioned marketing, I'd say yes to all. And it's unique because we're getting this AI tailwind everywhere. We're getting it in CS, we're getting it in product, we're getting it in marketing. And so you have these two forces. We are investing and we're investing across the company, but we're also getting this tailwind from AI. So, you know, we have to move the dial pretty much it's almost on a weekly basis at this point because you get very quick responses and very quick outcomes.

If you look at how I look at 2027, even the software factory or the product factory is probably duplicating its output every three or four months. And so, I'm being evasive because it's a yes answer to everything you said, but it doesn't necessarily mean that it adds dollars to the investment. We are investing more, but I think we're investing more by, if you will, also getting much more output from the structure that we have. And like, I think, every company in the world right now, you're trying to measure how fast can you adopt AI.

And so, you know, there are some bottlenecks in safety and there are some bottlenecks in skill sets, but we're at the leading edge of adopting across the business, and you mentioned a few. So, I think our output let me put it this way I think our investment is going to continue very strong, but our output in 2027 may be very interesting to watch.

Operator

Gus Gala, MCH.

Gus Gala - *Monness Crespi Hardt & Co Inc - Analyst*

Hi Sebastian. Hi, Vikas. Thanks for taking our questions. I'm just holding the '27 margin broadly in line with calendar '26. Just, you know, it shakes out to like a 22% incremental. I think that's below calendar '24s incremental margins. I just want to understand what is let's just balance it this way what is the core versus the new products that we'll be investing in, what we expect. Maybe just kind of help us think about the snapback in margins over the longer run.

And then just reconciling the growth and margin comments a bit with competitors. You know, our sense is there's larger legacy guys slowing the price competition perhaps a little bit, squeezed on marketing dollars because they're getting closer to a break-even level. Right? You know, network effects unwinding and all that. Just help us unpack the thinking here. You guys have given good cushion in the past. I think investors really want to know what is conservatism here and what is, hey, we're seeing an inflection.

Hey, the share shift from cash to digital will be slower next year because of the lap. All that would be very helpful, thanks.

Vikas Mehta - *Remitly Global, Inc. - Chief Financial Officer*

Yeah, let me just thank you for the question. Very, very articulate and very, very clear question. And I'll start and then Sebastian can add more flavor on the investments and other thoughts. So, if you look at FY27, you know, first of all, this is an early, early look. Right? We just wanted to give you the balanced equation of growth and profitability. The second thing I'd say is that, you know, as you look at FY27, two important points.

One is transaction loss, I talked about it, which is we are taking this 11-basis point assumption. That's a withstanding assumption 9bps to 13 bps early right now to talk about '27. But we still wanted to give you a view. If you normalize '26, let's say, for example, taking that 11 bps,

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then, you know, it would be a 50-bps expansion and not flat year-over-year. So that's just one flavor to show you the sensitivity of some of the variables and, you know, potential upside in some sense.

Second, again it's early to say right now because we're still not done with Q4, but whether you think about marketing or CS or others, we have leverage across each line and we feel really good going into 27. But, you know, I think it's like one quarter early to talk specifics about that. But overall, we feel really good. The final point that Sebastian talked a lot about in his prior answer, which is AI we feel AI will continue to give. Now look, you know, we all are looking at AI token costs and how they have reduced. I talked about that earlier, which is like 55% reduction there.

And, you know, we don't know what that will be next year. So, if the cost benefits continue to be at the same pace as this year, we could see, you know, better outcomes. But that's something that we did not want to start making predictions around.

So overall we feel really good about '27 and being able to give you an early look at that in Q4 is something that, you know, we felt confident this time that we could do that. So, we gave that. I'll, you know, hand it over to Sebastian to share additional thoughts.

Sebastian Gunningham - *Remitly Global, Inc. - Chief Executive Officer, Director*

Two quick high-level thoughts on you pointed out marketing. Marketing is evolving. I mean AI is evolving, changing marketing. And while we have some very well-defined customer acquisition and long-term value guidelines and how we invest, AI is changing that mix and we think it's a tailwind for the business. Of course, the larger you get, you get the benefits of word of mouth. So we're monitoring that very, very carefully. I do believe that over time we will continue to get more efficient and probably get the benefits of AI on the investment.

On the newer businesses, if you looked at the size of these new businesses, they have the luxury of starting from a white sheet of paper for the most part. And so, they've been assembled as first teams. And so, if you looked at the investment you're looking at, your reaction would probably be, you should probably, given the signals that we're seeing, you should probably say, why aren't you investing more? And the answer to that is because we are. You know, we're moving very fast.

We're getting the benefits of AI with these teams. They are generally smaller teams than any business we would have built 10 years ago. So that is, you know, it's very fluid. And that's what we're our projections for the investment in 2027 have those tailwinds behind it, but a lot of stuff that we're learning as we go forward.

Operator

Thank you. And this concludes the question-and-answer session. Thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone have a great day.

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