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RELY.OQ - Q3 2021 Remitly Global Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 10, 2021 / 10:00PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen. Thank you for joining Remitly's Third Quarter Fiscal 2021 Earnings Conference Call. I will now turn the call over to Stephen Shulstein, Vice President of Investor Relations, to begin.

Stephen M. Shulstein - Remitly Global, Inc. - VP of IR

Good afternoon, and thank you for joining us for Remitly's Third Quarter 2021 Earnings Call. Joining me on the call today are Matt Oppenheimer, Co-Founder and Chief Executive Officer of Remitly; and Susanna Morgan, our Chief Financial Officer.

Our results and additional management commentary are available in our earnings release, which can be found on the Investor Relations section of the website at ir.remitly.com. Please note that this call will be simultaneously webcast on the Investor Relations section of the company's website.

Before we start, I would like to remind you that we will be making forward-looking statements within the meaning of federal securities laws, including, but not limited to, statements regarding Remitly's future financial results and management's expectations, and plans for the business. 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 our earnings release and SEC filings for more information regarding the risk factors that may affect our results.

Any forward-looking statements made in this conference call, including responses to your questions, are based on current expectations as of today, and Remitly assumes no obligations 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 each of these non-GAAP financial measures to the most directly comparable GAAP metric, please see our earnings press release, which is available on the IR section of our website.

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

Matthew B. Oppenheimer - *Remitly Global, Inc. - Co-Founder, CEO, President & Director*

Thank you, Stephen, and thank you all for joining us today on -- for our first earnings call as a public company. It's been a pleasure to meet many of you throughout the IPO process, and we look forward to building relationships with those of you who we've not yet met. I'd also like to recognize our customers and our employees who are central to our vision and success and have been instrumental in our transition to becoming a public company.

We're proud of our results this quarter and excited about the outlook for the future. Q3 revenue grew 69% year-over-year and key metrics were strong across the board. Quarterly active customers increased by more than 50% year-over-year with strong average revenue per active customer. This demonstrates the value our customers find in our platform as they send more frequently with us with send volume up 61% year-over-year.

The third quarter was a strong start to our new chapter as a public company. And as we often say, we're just getting started. Before Susanna dives into the numbers, I'd like to give a brief overview of Remitly for those of you who are less familiar with our story.

Remitly's vision is to transform the lives of immigrants and their families by providing the most trusted financial services on the planet. Achieving that vision begins with solving the key pain point our customers face within financial services, which is the need for fast, convenient, transparent and affordable cross-border remittances.

In Q3, 2.6 million customers trusted Remitly to safely deliver their hard-earned money home to their loved ones. We are grateful to serve those customers. And as we look towards the future, we want to continue to transform remittances and broader financial services to serve millions more customers in the years ahead.

Today, there are over 280 million immigrants worldwide, who may be excluded from fair access to everyday financial services that can be used to support their loved ones, build wealth and achieve financial security. The inspiration behind Remitly came when I was living and working in Kenya and saw how difficult and painful it was to send and receive money overseas. And I learned just how far those funds go in the communities where they are received.

I also learned just how complex cross-border remittances really are, much more complex than most people realize due to a myriad of hurdles, including regulatory compliance, payment collection, payment disbursement, fraud prevention and core infrastructure challenges inherent in the industry. Additionally, challenges all have to be solved at a local level across thousands of corridors. Remitly was founded to answer these challenges and to transform the industry by creating fair and inclusive financial services products for immigrants around the world.

Remitly has a differentiated approach based on 4 pillars. First, we're mobile-centric. Second, we have a vast global network of funding and disbursement partnerships, Third, we are localized at scale. And fourth, we're highly data-driven, leveraging a sophisticated and proprietary technology stack.

These pillars guide our strategy, and I will be highlighting the first 2 on today's call. I look forward to updating you on our other pillars in future earnings calls.

Let me begin with our first pillar, our integrated mobile first platform, which is the foundation upon which the company was built. It is incredibly challenging to create a mobile interface that is easy to use, fast, secure and tailored to exactly what each customer needs. Knowing this, we built our digitally native platform from the ground up to ensure it could answer the demands of our customers who are clearly migrating to the convenience and security of our mobile platform.

Remitly's platform executes each transaction individually, factoring in the customer's risk profile, transaction size, speed and geography among many other considerations. We do all of this within a seamless and easy to navigate user interface. For our customers, this means onboarding and repeat log-ins are quick, are easy and are secure. We leverage multiple security layers to keep customer data safe. And with our machine learning, we can assign a risk score to each customer to designate the amount of information we need from them based on their risk profile.

We also have machine learning-based electronic KYC, or know your customer, fraud scoring and payment authentication processes, which take place in real time to give our customers immediate feedback and peace of mind. With this digital mobile mindset, we are uniquely able to solve some of the biggest problems our customers face, including inconvenient and limited store hours, long wait times and manual forms, not to mention exorbitant fees that mean fewer funds in the hands of their loved ones back home.

We are incredibly proud of the methodological work we have put in to localizing the Remitly journey for our customers to make sure each transaction is flawless, no matter the geography, whether you are sending the money in Mexico or Kenya or any of the more than 120 received countries.

Of course, to deliver this unique mobile experience at scale, it was also critical to build out a network capable of supporting it, which is where our second pillar comes in, our vast global network. Our global disbursement network conveniently puts money in the hands of our customers' families wherever they are, via our leading global network of payment collection and disbursement partners. This enables our customers to send over 3.6 billion bank accounts, over 660 million mobile wallets and approximately 380,000 cash pickup locations.

All of this results in a powerful flywheel in which improved customer experience drives more transactions, which gives us more scale to invest in our network, which improves the per transaction unit economics, driving even more transactions. The velocity of these integrations is ever increasing, and our network moat is growing, all thanks to the quality of the disbursement network that we've built.

And while the breadth of this network is remarkable, the depth and quality are equally important. Our extensive compliance and risk management capabilities as well as our focus on extending our partnerships have been and will continue to be key to capturing more of our large total addressable market, which we estimate to be \$1.5 trillion.

Remitly has now completed more than 100 direct integrations with financial institutions in Asia, Africa, Europe and Latin America. And we have executed these integrations in the right way, leveraging our custom-built API to ensure transactions with these partners are state-of-the-art and create a best-in-class customer experience. These direct integrations result in more peace of mind for our customers by making transactions easier, compliance checks more streamlined, partner outages more transparent and transactions faster.

Given the scale, complexity, expertise and years required to build out a network like ours, we recognized the opportunity to offer other businesses the ability to integrate cross-border payments in order to provide locally relevant payout options to their customers with a simple and custom-built API. To that end, we are proud to have launched our B2B product offering, Remitly for Developers, or RFD. We're seeing businesses value RFD because of our locally relevant payment methods, fast delivery speeds and superior customer experience.

Last month, we announced that Remitly supports Novi's pilot of next-generation digital wallet using RFD. This partnership enables Novi customers in Guatemala to off-ramp funds from their Novi wallet to convenient cash pickup locations powered by Remitly's robust distribution network. Due to the quality of our network and our unique capabilities, we expect to enter into additional partnerships of a similar nature in the future.

The projected unit economics of the RFD product will drive high returns and more transactions flowing through our distribution network which enables us to invest more into it, creating an even better customer experience, more defensibility and lower costs for Remitly. We view this as an opportunity to increase our penetration in our serviceable addressable market since the use cases for these products are often, if not always, fundamentally different than our core customer use case.

Additionally, in a market that is rapidly shifting digital and where Remitly's share is growing quickly but is still nascent, we believe we can gain share of the overall market. RFD as well as Passbook, our digital banking service uniquely designed for immigrants in partnership with Sunrise Banks, reflect Remitly's long-term vision to transform the lives of immigrants and their families.

Focusing on the long term also means laying a foundation for a strong ESG strategy. As part of our commitment to ESG, we joined the Pledge 1% campaign while still a private company and plan to donate 1% of the company's equity over 10 years to philanthropic efforts that work towards increasing financial inclusion for immigrants. We made our first contribution of approximately 182,000 shares at the IPO. And while our philanthropic and ESG strategies are still evolving, they're core to our culture and to our mission.

To close, I'd like to share that building a mission-driven business as operationally complex as Remitly takes a team of highly engaged people who are united in a singular vision with a clear and unique culture. As a global organization now spanning 5 continents, we invest in hiring and developing a workforce that is diverse in lived experiences and identities, including ethnicity and gender.

Additionally, we have a set of values that define our culture, and our culture is how we interact and how we get things done at Remitly. We take these cultural values very seriously, and they're -- and central to our values is customer centricity. You can trust that the entire Remitly team will continue to stay laser-focused on adding long-term value to the lives of our customers as well as our shareholders. This has been the key to Remitly's success over the last 10 years, and we believe is what will make us successful for many years to come.

With that, I'll turn the call to Susanna.

Susanna Morgan - *Remitly Global, Inc. - CFO*

Thank you. To echo Matt, we had a very strong Q3 and brought our mission to life by serving a growing customer base. To guide you as I walk through the results, I wanted to share a few key financial principles and themes.

First, our main focus going forward is driving continued strong revenue and customer growth. We are anchoring on top line growth rather than on profitability in the near term as we are prioritizing high confidence investments that allow us to continue to capture an increasing share of the large addressable market that we serve. We will continue to scale investment with discipline and a constant eye on unit economics and high return on investment.

Second, I will focus on non-GAAP operating expenses and adjusted EBITDA in my remarks, as these metrics exclude noncash items, such as stock-based compensation and the impact of Pledge 1%. This will help you better understand and analyze the underlying trends in our business.

Third, I'd like to provide our philosophy around guidance. We plan to provide annual guidance for revenue and adjusted EBITDA, along with additional color on how we are thinking about growth and the investments we plan to make to drive us towards long-term profitable growth. We are committed to running the business in a way that will benefit our customers, employees and shareholders over the long term.

Now let's turn to our third quarter results. Our Q3 revenue was \$121 million, up 69% year-over-year, exceeding our expectations. This increase was primarily due to an increase in send volume as a result of strong customer growth and increased transaction frequency, reflecting our differentiated offering and high levels of customer engagement.

As a reminder, our revenue primarily comes from the remittance business, where we earn revenue on transaction fees and foreign exchange spreads applied to the customer's principle. The trusted relationships we foster with our customers and the repeat nature of their sending behavior has resulted in strong revenue retention rates. This provides a reoccurring revenue stream with high visibility and predictability.

Send volume increased 61% to \$5.2 billion compared to \$3.2 billion in Q3 of 2020, driven primarily by the growth of active customers and also by the existing customers sending more money home to support their families. Active customers is those that transact at least once in the quarter, increased by 51% year-over-year to approximately 2.6 million in Q3. This growth was driven by an increase in new customers as a result of marketing investments, our seamless user experience, global network expansion and the continued growth in digital adoption.

During the quarter, average revenue per active customer grew 12% year-over-year to over \$47 as active customers transacted more frequently and sent more money than in the prior year, demonstrating their reliance on Remitly. This was influenced by an improvement in employment in many of our send markets and the mix of new and repeat customers within the quarter.

Moving down the P&L. Transaction expense was \$47.6 million or 39% of Q3 revenue, flat as a percentage of revenue year-over-year. Transaction expense primarily includes fees paid to disbursement partners and payment processors, transaction losses and tools supporting fraud prevention and compliance.

The remaining expenses will be discussed on a non-GAAP basis, excluding stock-based compensation expenses and a \$6.9 million noncash charge associated with the donation of our common stock in connection with our Pledge 1% commitment, which is recorded in GAAP G&A expense.

Customer support and operations expense, which primarily includes personnel expenses related to worldwide customer support, was \$12 million or 10% of revenue compared to 11% in Q3 of 2020 as a result of process improvements that increased our efficiency.

Marketing expense in Q3 was \$29.9 million, up 61% year-over-year, driven primarily by higher direct marketing spend focused on new customer acquisition. As a percentage of revenue, marketing expenses decreased slightly to 25%. This is due to our existing customer base becoming a larger portion of revenue while our marketing spend is primarily dedicated to acquiring new customers. We expect marketing spend as a percentage of revenue to increase in the fourth quarter since Q4 is typically a seasonally high period for new customers to join Remitly. Those customers will drive a return in 2022 and beyond.

Technology and development expense was \$16.4 million, up 67% over Q3 of 2020, driven by increased headcount and personnel-related expenses as well as software costs for employee tools and cloud services. As a percentage of revenue, technology and development expenses remained flat at 14%.

G&A expense was \$15.1 million, up 113% year-over-year due to increased headcount and personnel-related expenses along with higher public company-related costs. As a percentage of revenue, G&A expense increased to 12% for Q3 of 2021 compared to 10% in Q3 of 2020. Q3 GAAP net loss was \$13 million compared to a \$2.4 million net loss in the third quarter of 2020. This increase was primarily due to the donation of common stock in connection with Pledge 1% as well as incremental stock-based compensation expense.

Q3 adjusted EBITDA was \$325,000 as we recognized stronger-than-expected revenue fueled by growth in active customers and transaction frequency. This was partially offset by transaction costs and other operating expenses. As reflected in our guidance, we don't expect positive EBITDA in the fourth quarter as we continue to make investments that we believe will have high returns in the long term. We expect to continue to make significant investments in our business next year as well.

Turning to our balance sheet. Working capital at the end of the quarter was approximately \$475 million, which included \$305 million of net proceeds from our September initial public offering and concurrent private placement. Working capital is an important liquidity metric for us and a good proxy for operating cash and that it removes the impact of customer funds that are included in our balance sheet within cash and cash equivalents and disbursement prefunding which represents cash held in partner banks to be distributed to customers but which has not yet been distributed at the end of the period.

Looking ahead to the full year, we expect 2021 revenue will be between \$445 million and \$450 million, up 73% to 75% year-over-year, driven primarily by recurring revenue from our existing active customers, along with continued growth in new customers. We expect 2021 adjusted EBITDA will be between negative \$17 million and negative \$19 million as we typically see higher new customer acquisition activity in Q4, which drives higher transaction costs and higher marketing investments that pay off in future quarters.

We will also incur a full quarter of public company expenses and plan to continue to invest in product innovation. While we don't guide to earnings per share, we will see a significantly higher share count going forward due to the conversion of our preferred shares and the shares issued in our IPO and private placement.

Looking ahead, we continue to believe that the investments we are making in areas, including marketing and technology and development will generate high long-term returns as we benefit from strong unit economics and a large total addressable market.

In closing, we're proud of everything we accomplished this quarter and are grateful to be able to provide our services to customers as they support their families during this time.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question or comment comes from the line of Tien-Tsin Huang from JPMorgan.

Tien-Tsin Huang - JPMorgan Chase & Co, Research Division - Senior Analyst

Congrats guys on your first earnings call as a public company. The results look good here. I wanted to hone in on the revenue upside that was better than what we had expected, as you had called out here. Any interesting macro trends from month to month in the quarter worth sharing here? And I'm specifically curious if you saw a lift in users or volume with certain nations locking down as some of your walk-in peers called out this earnings season.

Susanna Morgan - Remitly Global, Inc. - CFO

Thanks, Tien-Tsin. So in terms of macro trends, I'd say the revenue upside was primarily due to the growth of active customers, which was really strong, along with more transaction activity for those active customers as well. We saw a 51% growth in actives really due to acquiring new customers with pretty strong payback and strong retention of the customer base as well.

And on the revenue per active customer and the transaction activity, in particular, we do believe that some of that may be due to an improvement in employment in many of our send markets. It's also due to the mix of new and repeat customers and some of our investments in engagement programs that really support our customers throughout their life cycle. So I think there was potentially some tied to macro conditions there, but also just strong performance overall.

Tien-Tsin Huang - JPMorgan Chase & Co, Research Division - Senior Analyst

Got you. No, that makes sense. And then just my quick follow-up, if you guys don't mind. Just on the Novi partnership. Maybe if you can -- to the extent that you can maybe share a little bit more about how you're involved and what the revenue model is for Remitly and I did field a lot of questions when this news came out on why partner, right? If Novi could potentially be an enemy longer term, what's the thinking on working with them? Your thoughts on that.

Matthew B. Oppenheimer - Remitly Global, Inc. - Co-Founder, CEO, President & Director

Yes, absolutely, Tien-Tsin. Let me start with the kind of strategic rationale on crypto. And I'll focus on the direct-to-consumer elements of crypto, though I'm happy to talk about infrastructure and kind of back-end crypto opportunities later.

But on direct to consumer, I think it's important to recognize that remittance companies are fundamentally good at onboarding and offboarding funds into different currencies and coming through all the complexity that's required to do that. And those currencies can be fiat currencies, they can be crypto-currencies.

So the biggest threat to remittances, as you alluded to potentially with Novi, would be that there is a global default currency where there's no need to exchange funds between currencies. And with that context, it's still something that we keep a healthy level of focus on and then turn that focus into a really clear strategy to ensure that Remitly benefits from any changes in the remittance landscape. And this is where we're excited about our RFD partnerships broadly with a few leading crypto companies and we find -- that we find the most compelling.

And while there's still, I think, as you know, some major trust scaling, regulatory complexities around the globe that make their success a bit uncertain, we've seen -- we've spent really years cultivating these relationships and establishing partnerships so that we're part of any upside that results from a broader adoption of crypto-currencies. So with that context, we're really excited about the partnership with Novi.

And Novi has been an active partner of ours for over a year, and they're able to take advantage of the significant work we've done to simplify the complex and really valuable remittance space into a simple tech forward product integration. And so it allows us to monetize the large quality network that we've built into potential different use cases than our core remittance customer and in a very large market where we only have 3% market share.

And keep in mind that while remittances are a feature of the Novi wallet, it's a cross-border wallet and not a remittance specific product. So it's possible that customers who are interested in those products are different from our core customers than Remitly, which gives us an opportunity to expand into adjacent customer segments. But the thing that I'm most pleased about, as it compares to other companies in the space, is that instead of reacting, we've taken a proactive approach, and we have material upside given our partnership in a highly fragmented market.

And then lastly, Tien-Tsin, just to comment on the business model, since you asked about that. We charge a fee per transaction dispersed, and the unit economics for RFD are strong since the marketing costs are much lower for us and the potential cumulative transaction profit is sizable. So it's very early days for some of those businesses, but we're excited about the proactive approach in a very large market.

Operator

Our next question or comment comes from the line of Bob Napoli from William Blair.

Robert Paul Napoli - *William Blair & Company L.L.C., Research Division - Partner and Co-Group Head of Financial Services & Technology*

Congratulations, Matt, Susanna, on the IPO and your first call. Really good numbers as well. Good to see. We also got a lot of questions on Novi, so -- but I appreciate your detailed answer.

Just on the competitive environment. The -- you're ramping up marketing. Really good numbers, active accounts and transactions per account, revenue per account. But are you -- what are you seeing in the market from a price competition? And the ramp-up in marketing, how is the trend in cost per account? How effective is the marketing as you're ramping up growth?

Matthew B. Oppenheimer - *Remitly Global, Inc. - Co-Founder, CEO, President & Director*

Yes. Bob, thanks for the question. I think that -- is your question more about advertising pressure in terms of pricing there? Is it more about pricing in the industry overall?

Robert Paul Napoli - *William Blair & Company L.L.C., Research Division - Partner and Co-Group Head of Financial Services & Technology*

I think it's the pricing in the industry overall, but plus how effective is your marketing, your cost per account trending as you've ramped up marketing.

Matthew B. Oppenheimer - *Remitly Global, Inc. - Co-Founder, CEO, President & Director*

Got it. Got it. Yes, that makes sense. So if you think about pricing overall, before I kind of jump in there, I think the important thing to recognize first and foremost, if you think about why customers use our product is ultimately, they come to us for peace of mind. And peace of mind is something that is our brand positioning and is much, much more difficult to deliver than meets the eye, given the complexity in our business, whether that's the regulatory complexities, the compliance experience, the payment collection, the payment disbursement, the core infrastructure.

And so when you think about it from that angle, that is what I have learned over the last 10 years of building this business. I used to think it was much more about price. And you have to build that peace of mind in order to acquire and retain customers, and it's hard to do that with complexity.

So with that context, I think that from an industry standpoint, if you look at some of the digital players that have emerged like us, we do take some sizable cost out of the system because we originate funds digitally. And that I predict if you look at the kind of global average of 6%, 7% that the World Bank quotes down to our kind of, call it, 2%, 2.5%, once you get into that new equilibrium, as I call it, there is some elasticity because you're taking sizable costs out of the system.

But once you're within that new equilibrium, there are real variable cost to our business. We have scale advantages given our scale with some of those variable costs. But at the end of the day, there's a lot less elasticity given that the complexity, the peace of mind, the trust is what customers care about.

And if you put yourself in their shoes, which is important to do, and you think about a customer who's sending a few hundred dollars who has to provide us with a lot of sensitive information about themselves for compliance and risk reasons and is sending a sizable portion of their funds back home, is my information, as a customer, or they're asking, going to be treated with the security that it deserves, is my transaction going to have a reliable experience that gives me peace of mind as a customer. That is what customers care about the most. And so that's where we continue to focus our effort into building great peace of mind to customers.

Susanna Morgan - *Remitly Global, Inc. - CFO*

In terms of your question around marketing spend and customer acquisition, Bob, just to continue on that thread, we really focus much more so on payback than on customer acquisition cost itself, just in terms of context, and we do feel really good about the unit economics and our payback and LTV to CAC metrics.

At the same time, in Q2 to Q4 of last year, customer acquisition costs were positively impacted by the fact that the digital advertising environment was less competitive during COVID. So we're continuously expanding our marketing channels, testing new packaging options and really looking for more efficient and effective ways of driving growth as well.

Robert Paul Napoli - *William Blair & Company L.L.C., Research Division - Partner and Co-Group Head of Financial Services & Technology*

And then my follow-up question is just you guys have -- you have expanded the corridors that you serve pretty rapidly over the last couple of years. And just any color on the continued plans to expand corridors and needed to expand send markets as well. Where do you see the largest opportunities?

Matthew B. Oppenheimer - *Remitly Global, Inc. - Co-Founder, CEO, President & Director*

Thanks, Bob. Yes. So if you look at our -- just for everyone on the call in terms of just understanding the evolution of how we built Remitly is first important context for how I'll answer that question. And we have taken a very localized approach given the complexity in remittances. So we started just with the U.S. to the Philippines for a couple of years. Added than India, U.S. to India, then U.S. to Mexico, for the first several years to get the product right and the experience right.

And then we have scaled over the last 5, 6 years into corridors around the globe, but in a customer-centric way of doing it. And the reason I, as CEO, have appreciated that strategy is it gives us the opportunity to grow in our existing markets, grow in markets that we've just launched, and we're in 1,700 corridors now, many of which we've launched in the last year or 2. And gives us growth opportunities in new corridors that we have not yet launched. So there's untapped growth opportunities down the road.

And so I would say that as you think about the growth of our business, the short and medium term will come from markets that we have been in for a long time, where there's still room to grow, markets that we just recently launched. And then finally, we are laying the foundation for both

new send and receive markets that we will be rolling out in the future. We don't announce those until they're actually live, but you can trust that as we have in the past, we're laying the foundation for those future launches to kind of drive the medium- to long-term growth of our company.

Operator

Our next question or comment comes from the line of Ramsey El-Assal from Barclays.

Benjamin David Weaver - *Barclays Bank PLC, Research Division - Former Analyst*

This is Ben on for Ramsey. I wanted to follow up on the question earlier about kind of the upside you're seeing in the Q4 guidance. Can you just maybe parse out a little bit? I know you mentioned that Q4 is typically like a heavy quarter in terms of acquiring new customers. Just like the puts and takes between new customer growth in the quarter versus what you expect from a revenue per customer perspective?

Susanna Morgan - *Remitly Global, Inc. - CFO*

Yes. And thanks for the question, Ramsey (sic) [Ben]. In terms of the puts and takes for Q4 on the revenue side, we do feel really good about the revenue growth that's implied in the 2021 guidance for Q4. So that's 52% to 58% implied in Q4 revenue in particular that we believe that's exceptional growth at our scale and the transition to digital will continue to remain a tailwind.

We're in an excellent position to capture that demand due to our strong mobile offerings, our vast global network, our ability to localize at scale and our data-driven approach. The take from the very short term, as I mentioned, just on EBITDA guidance, is that in terms of framing how we think about EBITDA, revenue growth is our top priority because it's such a large market and we have such low market share. But if you look at Q4, typically, it's a less profitable quarter just due to the seasonality of new customer acquisition, customers sending home for the holidays and such.

And so that does drive higher transaction costs as a percentage of revenue and higher marketing costs in the quarter, which obviously negatively impacts EBITDA in the quarter. And we don't see the full profit impact of those new customers when we acquire them in the quarter itself. But obviously, it will drive higher revenue growth and profitability in future quarters, which is why would we continue to invest in them.

We'll also see a full quarter of public company costs, and we also plan to continue to make investments in technology and development. So we have high confidence that these investments will pay off in 2022 and beyond. But those are some of the puts and takes with respect to the Q4 guidance in particular.

Benjamin David Weaver - *Barclays Bank PLC, Research Division - Former Analyst*

Okay. That's very helpful. If I could ask one more, maybe like a higher-level question. As you kind of gone through and now are starting to come out of the pandemic a little bit, are you seeing any changes in cohort behavior from new customers that perhaps were once part of the unofficial remittance channels who moved into digital or more formal remittances? And as borders are opened up, is there any change in behavior? Or are you seeing a lot of stickiness with that new customer group?

Matthew B. Oppenheimer - *Remitly Global, Inc. - Co-Founder, CEO, President & Director*

Yes, I can take that one. I think that, first and foremost, if you think about just the impact that COVID has had on our customer base, it's nothing short of inspiring given the fact that -- and it's a reminder of how important remittances are to the -- our customers' loved ones.

And even during a pandemic, even -- especially during a pandemic and even during a recession, the amount that they have prioritized getting money home to their families, both makes rational sense when you think about how our customers are leaving close family members, parents,

siblings, children at times, extended family members. So I just want to call that out because it really shows the resilience and inspiring nature of who our customers are.

I think that now shifting to the question around how our cohorts have performed. The strength, as you've seen, in aggregate in our financial performance is an output of the fact that the customers we've acquired recently as well as customers who have been with us for a long time continue to prioritize sending money back to their families.

And I think that if you think about the shift that was gradually happening to digital and the trust hurdle that was required to get over that, it changed the calculus for our customers during a pandemic, where it may be going to an offline cash location versus a digital alternative, it became more attractive to go to that digital alternative and to trust that. And once they have trusted that experience, once they've -- once we've delivered peace of mind to our customers, we continue to see the nice repeat behavior, given that they've had a good experience and they want to continue to send money home that way.

Benjamin David Weaver - *Barclays Bank PLC, Research Division - Former Analyst*

Okay. Great. I'll echo my congratulations on the successful IPO.

Operator

Our next question or comment comes from the line of Darrin Peller from Wolfe Research.

Darrin David Peller - *Wolfe Research, LLC - MD & Senior Analyst*

Congrats again. If you could just -- I mean, it's a bit of a follow-up, but it's a little bit more detailed of a question around customer growth. Your new -- if you could just sort of break it down a little more by the new corridors you're getting customers from versus the big 3 you guys have been in for some time, how much traction are you having with some of the new investment areas?

And then a bit of a follow-up to the question before, just with regard to -- coming out of 1.5 years of pandemic now, I mean, are you seeing any change in patterns in the magnitude of your customer acquisition right now? Can we basically expect a similar pattern in the next few quarters in terms of adds that we've been seeing?

Susanna Morgan - *Remitly Global, Inc. - CFO*

Yes. So thanks, Darrin, for the question. In terms of the first question, corridor, dynamics there. We are seeing -- you can see -- well, you will be able to see, we are seeing higher growth outside of the U.S. in particular. So not surprisingly, some of our newer corridors that are in Europe and other places are growing more quickly than the corridors. And so we're continuing to diversify geographically and mix shift away from those big 3, which were U.S. to India, Philippines and Mexico. So we view that as a real positive for the business.

And in terms of the second question, which I believe was patterns around the magnitude of customer acquisition, I don't know that there's...

Darrin David Peller - *Wolfe Research, LLC - MD & Senior Analyst*

Yes, out of the pandemic. Go ahead. Go ahead. I'm sorry. Yes, exactly.

Susanna Morgan - *Remitly Global, Inc. - CFO*

I'm sorry.

Darrin David Peller - *Wolfe Research, LLC - MD & Senior Analyst*

Just really how much you expect similar trends in future quarters from what we've seen.

Susanna Morgan - *Remitly Global, Inc. - CFO*

Yes. I think we're continuing to see strong new customer acquisition, and we were a high-growth company before COVID. And so I expect we'll continue to be a high-growth company after COVID. As Matt mentioned earlier, I believe we did obviously see some digital acceleration during the COVID period. And so we're still feeling good about the customer growth and probably nothing too anomalous to call out around the patterns of customer acquisition outside of the diversification across corridors.

Darrin David Peller - *Wolfe Research, LLC - MD & Senior Analyst*

Got it. Matt, can you just give us an update on some of the Passbook initiatives and the financial services opportunities your customers are going to be seeing in the coming months and years ahead?

Matthew B. Oppenheimer - *Remitly Global, Inc. - Co-Founder, CEO, President & Director*

Yes, absolutely. Thanks, Darrin, it's great to see you. I think, first, going back to the kind of complexity that's inherent not only in remittances, but broad financial services. It also means that it takes just more time to innovate. It's complex given all the things that we've talked about, some of the things that apply to Passbook as well as remittances, but it requires also building out core features as well as differentiated features, all with the right regulatory partnerships, the right infrastructure.

And so with that context, Passbook is still relatively new, and it takes time to gain traction. But we continue to believe that providing broader financial services for immigrants is a significant opportunity that we're uniquely positioned to solve. And we look forward to sharing more progress on that in future calls.

Operator

Our next question or comment comes from the line of Andrew Schmidt from Citi.

Andrew Garth Schmidt - *Citigroup Inc., Research Division - VP & Analyst*

Matt and Susanna, congrats on the first quarter as a public company. I was hoping -- obviously, a big topic is -- as it pertains to remittances is pricing. So I was hoping you could just remind everyone kind of your philosophy on pricing, where you're positioned.

And then I think when people talk about remittance pricing, people think that's the only characteristic. There's obviously other things at play there, trust, low friction and things like that. So if you can talk about kind of your pricing strategy in overall decision-making process when someone chooses a provider, that would be great.

Matthew B. Oppenheimer - *Remitly Global, Inc. - Co-Founder, CEO, President & Director*

Yes, absolutely, Andrew. And so I'll circle back on some of the points to start. I think it was Bob who asked the question that ultimately, I've learned over the last 10 years of building this business that it is important to first and foremost, build peace of mind with customers. And if there's historical very high pricing, then I think that there is a sensitivity as you bring it down to that new equilibrium that I mentioned.

But once we're in that new equilibrium, customers care more about other features such as will my money make it home, will my information be secure and elements like that. And so we're continuing to see that. Our pricing philosophy is not always to be the best. It's to be competitive, it's to be transparent. It's to focus on the long-term relationship with our customers, and that's how we set our pricing every day, both as it pertains to fee and foreign exchange.

And I think the last thing I'll say in terms of pricing philosophy is that the industry often talks about take rate. And while that's important to talk about it at an industry level, when we talk about like the numbers I mentioned earlier, of the 6%, 7% down to 2%, 2.5%, at a customer level, customers do not think in terms of take rate. They think about the total revenue that they're paying for a transaction, and that's fee and foreign exchange combined.

And so when transactions are much larger, then as you can easily do the math when talking about take rate, the take rate drops to be much lower. And so that's also a really important thing to understand when thinking about our business and also looking at the industry overall is that take rate is largely a function of transaction size.

And as we think about pricing, going back to your pricing philosophy point, customers care and we focus much more on what is that customer actually paying per transaction, which is fee and foreign exchange combined. And customers are naturally going to be more sensitive around foreign exchange, if they're sending higher dollar amounts given that the per unit actual fee they're paying, if they're sending \$2,000 versus \$250, they're paying -- customers don't think I should pay more -- I should pay 8x more if they're sending \$2,000 versus \$250.

So I always like to make sure the industry is understanding take rate, and again, going back to how we set our pricing, it's not always the best. It's within that new equilibrium. It's long-term focused and it's transparent and customer-centric to again build more peace of mind with customers, which is paramount.

Andrew Garth Schmidt - *Citigroup Inc., Research Division - VP & Analyst*

Makes sense. Sorry, if I doubled up on the question there. Appreciate the comments. If I could ask about send volume per active customer. Obviously, that took a hit during 2020 in the pandemic, and we've seen a pretty strong recovery this year. Are we in a more stable place here? Or is there more recovery as it pertains to kind of the volume per active customer metric?

Susanna Morgan - *Remitly Global, Inc. - CFO*

No, that's an interesting question. My gut would be that we're at a pretty stable place. You're right, we did see a dip in send per active customer, in particular, during the kind of the height of COVID in Q2 of 2020. And it's recovered to above \$2,000 in prior periods -- this quarter. In prior periods, we saw it a bit higher than that. But I would think it's around or close to the normalized rate or amount.

Operator

Our next question or comment comes from the line of Alex Markgraff from KeyBanc Capital Markets.

Alexander Wexler Markgraff - *KeyBanc Capital Markets Inc., Research Division - Associate*

I wanted to just come back to revenue per active customer and kind of understand how we might think about this through the end of the year, considering some of the tailwinds you called out for the third quarter around the frequency and employment trends, potentially some headwinds around new customer mix and pricing with new customers. Just any thoughts around that maybe compared to this time -- fourth quarter last year would be helpful.

Susanna Morgan - *Remitly Global, Inc. - CFO*

Yes. In terms of what's really driving the uptick in revenue per active customer, as I mentioned, it's primarily driven by transaction activity. And so some of that is factors that we can influence ourselves. So in other words, we -- engagement programs that support customers through their first transaction and encourage them to refer and continue to transact.

Obviously, the simpler our product is to use, encourages repeat transactions as well, our outstanding customer service and things like that. So we think it's exciting to see customers transacting more frequently.

Going forward, there's maybe some potential continued upside from that, but it's not something that we're -- we'd necessarily focus on going forward. There's some external factor to that as well. And some -- I think things are probably reverting towards the norm in 2022. And so I think we're thinking about it kind of the right way as [we reach] a fairly stabilized level.

Operator

Our next question or comment comes from the line of David Scharf from JMP Securities.

David Michael Scharf - *JMP Securities LLC, Research Division - MD & Equity Research Analyst*

Matt, I think I'll bypass being the 40th person to congratulate you on the IPO and instead congratulate you on the Pledge 1% contribution. I'm on their website now. I had no idea how many companies were involved in this terrific organization.

Two questions. Most have been answered, but maybe, first, for Susanna, I did want to follow up just on the previous question on the revenue per active. Maybe more broadly, it was such an -- well, it was a very robust number, over \$47 this quarter. And I guess, as we think about the next year plus, it seems like there are competing factors. A tailwind is certainly the employment situation improving, post-COVID reopening. And as you mentioned, you've got some tools available in terms of engagement.

But as you lean into marketing and potentially, there becomes a bigger mix of new customers, which probably transact at least initially less frequently, that would be more of a headwind. So I'm trying to get a sense for balancing those 2 in whether or not that \$47 is sort of a ceiling at this point, a high watermark as you add more new customers. If you can give a little color on those sort of competing dynamics.

Susanna Morgan - *Remitly Global, Inc. - CFO*

Yes. No, that's a really good point. There are some puts and takes there. I wouldn't think of it as a ceiling. The things, I guess, if I step back in terms of the revenue per customer and thinking of it as a growth lever, the major drivers of that are: a, more transactions per customer like we saw this quarter, and that can be influenced by a number of factors. As I mentioned, it could also be influenced by higher revenue per transaction due to pricing changes or corridor or mix shifts.

And then the third item, which is probably the longer-term lever is additional products as we continue to innovate and deliver on our mission. So there's a combination of things that could drive continued growth in revenue per active customer going forward. You're right that there is some

dynamics of mix. And so in Q4, we will likely see more new customers because of the seasonality that we see in the business. So I wouldn't necessarily assume that, that number would go up in Q4 specifically.

David Michael Scharf - *JMP Securities LLC, Research Division - MD & Equity Research Analyst*

Okay. No, that's helpful. And then maybe as a follow-up, Matt, more of a, I guess, general question. One of the questions I've received a lot, and it's not just for Remitly, it's really for any kind of digital remittance provider, is essentially, if this is a service that's catering to a lot of the underbanked and nonbanked, how do these people load the money. And obviously, it's card-based.

But can you talk about I guess, as you look at your marketing strategies, who you're targeting, conversion rates, are these immigrant communities in which the -- you're assuming that these are people that are already banked. Or are you seeing trends on the ground, for example, in the U.S. to Mexico corridor where more immigrants based in the U.S. are opening up demand deposit accounts and have some vehicle for getting money into an application such as yours? Because I think it's kind of a riddle a lot of people still try to get their arms around.

Matthew B. Oppenheimer - *Remitly Global, Inc. - Co-Founder, CEO, President & Director*

Yes. Thanks, David. And I really appreciate you also mentioning the specificity around Pledge 1%, which I'm going to come back to actually even as I answer your question. I think that the way that we think about it is the buckets you mentioned, there's unbanked, there's underbanked, and there's fully banked.

And I think that when you think banked being a broadly defined term, obviously, but if you look at who we're serving, it is what I would classify as underbanked in the sense that they may have a bank account, whether it's with a large bank or whether it is with a small local credit union, most of those banks do not offer remittances back to emerging markets where our customers come from and especially with the disbursement network and speed that our customers expect.

And that's why some of the legacy players have existed in this space for so long because it is a very separate product that our customers specifically need. And so those customers have a bank account, but they may actually still go to a physical location and -- because they can't get their needs met via their existing financial services institution.

And we're moving them from the underbanked and offering more complete digitized remittance services, moving them more into that fully banked segment, again, with banks being pretty broadly defined. And that is a very attractive segment from a business perspective because of the fact that it might be more efficient to build trust and to also convert to using a digital platform. And that's where we're squarely focused on unit economics and where we believe the most sizable market is.

Now it varies tremendously by corridor, as you mentioned. And when you look at the very unbanked, folks who have no access to a financial services provider, that's where I think there's more long-term opportunity. The business has even changed over the last 10 years.

And the reason I'm going to circle back to Pledge 1% is those customers may not make short-term unit economic sense, but if we can invest in financial literacy, if we can invest in the communities that we serve to ultimately fulfill our mission of transforming the lives of immigrants and their families by providing the most trusted financial services on the planet, then not only will it build additional brand and goodwill in the communities we serve, but it could over time also increase the market that we serve, given that we're including more potential customers in the formal financial system.

So that's one way of going after that. The second is via products like Passbook that we're obviously excited about as well. So more context than you probably wanted or needed, David, but I really love the question, and that's how we think about the various aspects of the market.

Operator

I'm showing no additional questions in the queue. At this time, I'd like to turn the conference back over to Mr. Matt Oppenheimer for any closing remarks.

Matthew B. Oppenheimer - *Remitly Global, Inc. - Co-Founder, CEO, President & Director*

Great. Thanks. So I just want to close and first off, thank everyone for the really thoughtful questions. And at Remitly, one tradition that we've had for the last 10 years is that our all-hands company-wide meetings and leadership meetings used to end with a customer story. And that reminds us why the work that we do really matters, which I think not every business can say.

So before we close, I'd like to highlight a story that illustrates just how incredible our customers are and why we are so passionate about the work that we do. So the customer we'll talk about today is [Angelica]. She's been a Remitly customer since 2019. She moved to the U.S. from Colombia and she began sending money home to her family for basic necessities through an independent remittance provider in Florida.

And what Angelica shared is, it was always a hassle to send money. Every time I wanted to send money, I needed to go to the bank to deposit money into a business account. Once the provider received my funds, they would call me with a pin. I would then share the pin with a family member in Colombia so they could pick up the money from a local partner. It was like running an errand every time.

A friend then referred me to Remitly. It sounded too good to be true. But I tried sending money to my cousin and it was so easy. I no longer needed to plan to going -- on going to a bank during business hours or wait for my provider to call me back. I can rely on Remitly to help my family back home with basic needs and in times of immediate need, whether it is replacing a fridge so my auntie can store her insulin or buying a fryer for my uncle's new business.

And with that, that is why we're here, that is why we do what we do. And thank you for being part of Remitly's journey as we continue to drive forward our vision of transforming the lives of immigrants and their families by providing the most trusted financial services on the planet. And we look forward to sharing our continued progress with you over the coming months.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect. Everyone, have a wonderful day.

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