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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Remitly Q2 2023 Earnings Call. (Operator Instructions). Please be advised that today's conference is being recorded. I would now like to hand the conference over to your host today, Stephen Shulstein, Vice President of Investor Relations. Please go ahead.

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

Thank you. Good afternoon, and thank you for joining us for Remitly's Second Quarter 2023 Earnings Call. Joining me on the call today are Matt Oppenheimer, Co-Founder and Chief Executive Officer of Remitly, and Hemanth Munipalli, our Chief Financial Officer. Our results and additional management commentary are available in our 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 federal securities laws, including, but not limited to, statements regarding Remitly'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 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 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 these non-GAAP financial measures to the most directly comparable GAAP metric. Please see our earnings release in the appendix to our earnings presentation, which are available on the IR section of our website. And 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 to discuss our exceptional second-quarter results and our increased outlook for 2023. I'm grateful to our amazing customers, and our global teams who are the drivers of our consistent performance quarter after quarter. Our second quarter results demonstrate the resilience of our loyal customers who consistently prioritize sending remittances to their families and friends to help support everyday living expenses, and we appreciate that they continue to choose Remitly to do so.

Our consistent execution over many quarters has allowed us to make significant investments that we expect to drive growth this year and for many years to come. As you can see on the slide before, our investments across our strategic priorities have delivered clear wins for our customers and shareholders. We now have the opportunity to deliver additional growth and long-term returns, as we deploy capital to fund additional investments. Our new customer acquisition investments have delivered superior active customer growth for many quarters with quarterly active customers nearly doubling since we went public in the third quarter of 2021.

Our unit economics remain incredibly strong and are currently higher than the 6x LTV to CAC that we shared at our IPO. Our focus on delivering our promises -- on our promises to customers is paying off as we see the benefits of word-of-mouth acquisition across region. Our multiyear geographic expansion strategy has developed -- has delivered new markets, that have contributed substantially to our growth rates and scale benefits. Our investments in our disbursement network and our product have led to improvements in speed, reliability, and overall user experience, leading to strong customer reviews, declining customer contact rates, higher retention, and engagement, and a lower cost structure.

Finally, we believe our remittance customers have unmet needs, and combined with the large opportunity we have in the remittance market, we are optimistic that we will be able to drive additional customer engagement and scale across our business. We are in a unique position in the remittance industry and the global payments industry at large to make the necessary investments that will allow us to capture even more than our approximately 2% share of the large $1.6 trillion remittance market. Given the significant opportunity and our prior success in capturing market share and delivering high returns, we expect to increase our investments across our strategic priorities in a targeted and disciplined manner.

For new customer acquisition, we have the opportunity to make additional high-return marketing investments to drive 2024 growth, as our LTV has been increasing as we see improving customer activity, and leverage in our transaction costs. Our geographic expansion investments will allow us to continue to enter new markets more quickly and efficiently, driving even more customer growth and scale benefits. Investments in new partnerships to enable a faster, more reliable, and cost-efficient network will provide customer and cost benefits. Delivering a flawless experience for customers is very difficult, especially without scale, but is paramount to maintain a trusted remittance experience, that drives retention and word-of-mouth recommendations, and that is what we are focused on with our remittance product investments.

We have been prudent stewards of capital across economic cycles, and we remain focused on delivering high long-term returns for our investors. We will take a balanced approach as we focus on delivering near-term progress, combined with investing to ensure we can deliver high growth and returns for many years to come.

Now turning to our second quarter financial results on Slide 5. We delivered $234 million of revenue, which was a 49% increase year-over-year, and which on an annualized basis, is now approaching $1 billion. We are very pleased with the high revenue growth we have been able to achieve over the longer term, which includes a 58% revenue compound annual growth rate since the second quarter of 2020. Our top-line results in the quarter, and scale efficiencies across transaction costs, marketing expenses, and other operating expenses resulted in an exceptionally strong adjusted EBITDA of $20 million in the quarter. As a result of this strong performance, we are pleased to be raising our outlook for both revenue and adjusted EBITDA, once again.

In the second quarter, our quarterly active customers grew 47% year-over-year, as you can see on Slide 6. We now serve more than 5 million quarterly active customers and added 1.6 million quarterly active customers in the past year alone. We continue to significantly outpace the overall growth in the remittance market as we continue to deliver for our customers. Our new customer acquisition this quarter was once again a record high, and we continue to benefit from scale, a multiyear focus on brand building, creative velocity, and experimentation, and optimization across marketing channels. We significantly grew our active customer base with highly efficient marketing investments, with customer acquisition costs down more than 15% year-over-year.

As I mentioned before, we are currently delivering exceptionally strong unit economics above the 6x LTV to CAC, that we shared at our IPO in 2021, which provides us an opportunity for us to make additional marketing investments in the second half of 2023, to drive even higher 2024 growth. Now let's turn to more details on our customer acquisition success, on Slide 7. The drivers of strong new customer acquisitions have been a sustained multiyear focus on data-driven, measurable, and optimized new customer acquisition, supported by our proprietary marketing platform technology, which results in a large and satisfied customer base, that then drives strong brand awareness and word-of-mouth effects. We believe that continued investment in delivering peace of mind to our customers will drive increasing word-of-mouth customer acquisition, and brand awareness.

The majority of our marketing investments are performance-oriented marketing. We are also seeing early success in selective investments at the top of the pole, which drives higher returns across our entire marketing spend. One example of our brand awareness approach is our integrated campaign focused on senders to Mexico and Central America, which includes traditional media and digital channels combined. We are also pleased with our continuously expanding geographic presence, and the quality of our global payment and disbursement network, as seen on Slide 8. We serve customers and their families in more than 170 countries, and territories, and now across approximately 4,800 corridors.

However, there are significant opportunities for geographic expansion, and we will enter new markets in the same way we have always done, with focus on compliance, providing a localized customer experience, and ensuring we have the most relevant pay-in and disbursement partners. Looking ahead, we have the opportunity to further expand in the Middle East, Europe, Asia, Latin America, and Africa. As we scale, these geographic expansions become more efficient, and we have the opportunity to replicate the success and market share gains, we have achieved in markets that we entered a number of years ago.

The scale and quality of our pay-in and disbursement options, including approximately 4 billion bank accounts, over 460,000 cash pickup locations, and approximately 1.2 billion mobile wallets is another structural advantage that is difficult to replicate. Our network allows customers to send funds with their preferred funding method and allows recipients the optionality to receive funds in either cash, mobile wallets, bank accounts or even home delivery in certain markets. Our increasing direct integrations with disbursement partners enhances the quality and reliability of our network. We define network quality with a number of metrics, including speed, transaction delay, customer support contact rate, and many others, which we have seen improvements as we have scaled over the past few years.

Our geographic expansion has allowed us to further grow and diversify our revenue as can be seen on Slide 9. Our U.S. and Canada regions are still seeing very healthy growth, and there is still significant opportunity for market share gains in the U.S. and Canada. However, as we have seen our business outside North America grow even faster, and achieve a scale of nearly $200 million of revenue on an annualized run rate basis. Our business outside North America was more than 20% of total revenue in the second quarter, and grew 120% year-over-year.

Our growth in scale outside North America is critical for many reasons, including lessening our risk of exposure to region-specific macroeconomic issues, diversifying our foreign exchange exposure, and lowering our customer acquisition costs outside North America as we gain relevant scale and brand presence. Our global network and our investments in increasing direct partnerships deliver a superior and continuously improving customer experience, which ultimately drives loyalty, and additional customer transaction activity. Our strategy is to deliver an instant, reliable, transparent, and low-cost cross-border money movement globally. In order to do this, we established strategic partnerships with pay-in and payout partners, as well as participate in local banking networks. On the disbursement side, we have made significant progress in establishing direct relationships, enabling faster disbursements, lower costs, and ultimately, a better customer experience.

Over the last quarter, we launched several key integration partners, including M-Pesa in Africa, which ultimately expands the coverage of our network, increases the percentage of transactions dispersed instantly, and lowers the cost of the network. Our partnership with M-Pesa is a great example of the success we are seeing as we increase our direct integrations. For example, in Tanzania, approximately 50% of our volume goes to M-Pesa wallets, and this partnership allows us to instantly deliver mobile wallet transactions to M-Pesa wallets in Tanzania with lower cost and lower error rates, providing a much better customer experience.

We are excited about the potential to expand to other African countries where M-Pesa is present, such as Mozambique and Kenya, and more broadly, our opportunity to serve more customers in Africa. Just as we have made progress in our disbursement network, we are also focused on improving our pay-in capabilities. Over the last quarter, we continued to make progress on providing our customers with the ability to pay with

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the payment method of their choice. In our largest end market, we enabled Apple Pay or Google Pay for our customers. We are also exploring new opportunities to drive additional improvements to the customer experience by integrating with emerging instant payment networks.

More broadly, over time, we believe we have more opportunities to speed up the payment leg of the transaction, whether it's avoiding delays of the existing ACH system in the U.S., or emerging payment methods in some of the other 30 send countries we support. These network investments are only possible with scale, and we believe we are uniquely positioned to drive these improvements that matter to our customers while improving our cost structure.

Turning to Slide 10, using a remittance product that they can trust is paramount for our customers, and speed, reliability, and great customer service when needed are always that we build and maintain trust. In the second quarter, more than 92% of transactions, were dispersed in less than an hour, which improved more than 200 basis points from the second quarter of last year. We have been able to successfully reduce the rate of transfers to take greater than an hour to disperse, even as our volumes have increased substantially. Reliability is a key driver of customer preference as well. Customers need to know that our service will be available when they need it, given the critical nature of remittances for recipients. High platform availability, which was 99.99% in the second quarter demonstrates our commitment to our customers and the continued benefits from our investments in our technology platform.

We are also proud of our customer service, which can be easily accessed in the app for both self-help and chat and over the phone. We support more than 15 languages with the combination of native speakers and real-time chat translation. This helps our customers solve problems quickly in their native language, and build loyalty. We are also excited about the potential of generative AI to help improve the customer experience and drive down costs. Our investments in our product and network have already reduced the need for customers to contact us over time, and this provides a better customer experience and lower cost across millions of transactions. This premium customer experience has built significant trust in our platform, as you can see by the approximately 1.2 million ratings for the Remitly app in the App Store with an average of 4.9 stars, and approximately 650,000 ratings in the Google Play store, with an average of 4.8 stars. This trust drives additional flywheel benefits for new customer acquisition, while also driving strong retention for existing customers.

Turning to Slide 11, we continue to make progress on building a scalable platform that will enable us to introduce complementary new products to our remittance customers. We believe our complementary product strategy will result in a deeper and stickier relationship with our customers over time, which will drive even more business to our remittance platform, strengthen engagement of existing customers, and drive more efficient customer acquisition. We continue to build additional products that solve critical problems for our customers, and we look forward to sharing more about these products in the future.

As we look ahead, we remain focused on delivering on our vision on Slide 12, to transform the lives of immigrants and their families, by providing the most trusted financial services on the planet. We believe we are in a unique position to drive sustainable growth and increase long-term returns as we aim to reinvent international payments for our customers. With that, I'll turn the call to Hemanth to provide more details on our financial results and our revised 2023 outlook.

Hemanth Munipalli - *Remitly Global, Inc. - CFO*

Thank you, Matt. I'm pleased with the exceptional financial performance we delivered in the second quarter. Our teams had strong execution in the quarter, and we benefited from continued strong active user growth, expanding transaction margin, and operating leverage. I will start with a review of second-quarter financial highlights and then discuss our revised 2023 outlook. I'll discuss non-GAAP operating expenses, and adjusted EBITDA in my remarks. These metrics exclude items such as stock-based compensation, the donation of common stock in connection with our pledge 1% commitment, transaction and integration costs related to acquisitions, and foreign exchange gain or loss. Reconciliations to GAAP results are included in the earnings release.

With that, let's turn to our second quarter results, beginning on Slide 14, with our high-level financial performance. We were pleased to deliver another quarter of high active customer and revenue growth and increased adjusted EBITDA profitability. Quarterly active customers grew by 47% year-over-year to $5 million. Same volume grew 38% year-over-year to approximately $9.6 billion, all resulting in revenue growth of 49% year-over-year to $234 million.

Our GAAP net loss was $19 million in the quarter and included $35 million of stock compensation expense. The strong growth in revenue combined with significantly lower transaction expense as a percentage of revenue, and operating expense efficiency led to an exceptionally strong adjusted EBITDA of $20 million in the quarter. Now let's turn to Slide 15 for some of the key factors that draw our performance.

Let's begin with revenue, which was up 49% year-over-year in the second quarter on a reported basis, and 51% on a constant currency basis. Our strong revenue growth was primarily driven by the 47% increase in quarterly active customers, which includes a record number of new customers acquired in the quarter and high retention of existing customers. Our existing customers contributed the vast majority of revenue in the quarter, as they continue to send regularly to support family and friends back home regardless of economic cycles. The large number of new customers we acquired in the quarter at highly efficient acquisition parts will help drive future growth.

Our revenue also benefited from continued mix shift in our transaction sizes and increasing transaction intensity. We continue to see the trend of customer preference for digital disbursement options in key markets, which drives transaction sizes down, particularly for mobile wallets, but increases the frequency of those transactions given the speed, ease, and convenience of digital receive options. On a year-over-year basis, the transaction mix from digital receive options, which includes bank deposit and mobile wallets have increased by 700 basis points.

While transaction sizes and revenue may fluctuate in any quarter due to mix shifts relating to various factors, including payment acceptance options, disbursement options, and other corridor-specific customer behaviors, our focus remains on optimizing our LTV to CAC ratio as we deliver exceptional value for our customers. The lifetime value considers revenue less transaction expenses over the long term. As our unit costs have declined, we have the ability to invest in delivering more value for our customers, while maintaining strong unit economics at the same time.

Now let's turn to our transaction expenses, which, in conjunction with revenue are a key driver of lifetime value. Our transaction expenses primarily include costs related to our paying partners, disbursement partners, and fraud losses. Transaction expense as a percentage of revenue improved 440 basis points year-over-year and is another example of how we're benefiting from growing scale and transaction volumes, that flow through our network. Of the 440 basis point improvement in transaction expense, approximately 340 basis points was due to improved economics with pay-in and disbursement partners as we demonstrate scale and are increasing value to our partners across our global pay-in and disbursement network.

As referenced, in Q2, we processed about $9.6 billion of spend volume, which grew 38% on a year-over-year basis. We expect sustained improvements in reducing the cost of our distribution network, as we add more direct integrations, which also improves the customer experience, and reduces customer contact rates. As Matt previously noted, the recent integration with M-Pesa, is an example of the value we provide to our customers while lowering distribution costs and improving the overall customer experience.

We also benefited from continued improvement in our fraud loss rates in the second quarter. Our improved algorithms, harness an increasing amount of data and analytical sophistication, to more precisely delineate between good and potentially fraudulent transactions, resulting in lower cost, and a better customer experience. We will continue to invest in our data and analytics capabilities to manage both our fraud loss rates and provide our customers with frictionless experiences. However, as we have noted before, we expect some variability in fraud loss rates in any quarter, while continuing to make sustainable improvements in the long term.

Consistent with recent quarters, a key driver of our strong results in the second quarter were the efficiencies in our new customer acquisition marketing, as we continue our focus on delivering high returns on our marketing spend. Marketing expense as a percentage of revenue declined 20 basis points year-over-year in the second quarter. CAC declined more than 15% year-over-year and was relatively flat sequentially as we were able to sustain our marketing efficiencies. Overall, a number of factors drove declines in CAC, including increased benefits from localized digital marketing, increased creative velocity, improving brand awareness, word-of-mouth effect, and increasing scale in our business outside of North America. We expect to remain dynamic in managing CAC within our investment threshold, to ensure that we continue to aggressively grow our customer base given the strong payback we see from our marketing investments.

Additionally, with the improvements in transaction costs, as a result of our growing scale, we have observed an increase in the LTV of our customer cohorts. This further enables us to make additional targeted marketing investments in the back half of the year, that will deliver long-term returns, while continuing to sustain a strong LTV to CAC ratio, as Matt also discussed.

In the second quarter, customer support and operations expenses were down 150 basis points year-over-year as a percentage of revenue. We benefited from increasing automation and product improvements. We also were also excited about the opportunity over time to use AI to improve the customer support experience for our customers. More broadly, we expect to see improved efficiencies and customer support, as we continue to scale and reap the benefits from product enhancements, direct integrations, and automation. Technology and development expenses increased 100 basis points year-over-year and reflects the investments we're making in our remittance platform, including our fraud risk and compliance technologies, developing complementary new products and increasing automation across customer service, and back-end transactional process rates. We expect to continue to invest in delivering a superior experience for our customers and are confident in the long-term returns this will deliver.

In the second quarter, G&A expense decreased 190 basis points year-over-year as we delivered leverage on both headcount and non-headcount expenses. We did benefit from a one-time prior period adjustment related to certain indirect tax items, that are recognized in G&A expense. G&A expense, as a percentage of revenue, would have still decreased year-over-year after the adjustment, and we continue to maintain discipline and evaluate opportunities across our operating expenses. We expect to moderate overall growth rates in headcount this year while continuing to make high-return-yielding investments in our strategic focus areas for the long term.

Our GAAP net loss in the quarter was $19 million, an improvement from our $38 million net loss in the second quarter of last year. Our net loss included $25 million of stock compensation expense in the second quarter, compared with $33 million in the second quarter of last year. As a reminder, we recognized a one-time prior period adjustment of $6.3 million to stock-based compensation in the second quarter of last year. Normalizing for the one-time adjustment in the second quarter of 2022, our GAAP net loss would have improved by $13 million. We're actively focused on managing stock-based compensation and target to maintain an appropriate balance between rewarding employees for the value they deliver while managing share dilution.

Our focus for 2023 and beyond remains 4 key areas to drive sustainable long-term returns, as you can see on Slide 16. These are to continue to deliver strong revenue growth, improved transaction expense, sustain or improve marketing efficiency, and increased scale efficiencies in other operating expenses. Firstly, we believe we can consistently deliver high double-digit revenue growth even as we scale. The investments we're making in our product, marketing and our global network will help us drive robust growth in active customers and sustain high retention.

Secondly, we're making significant progress on improving our transaction expense cost structure, as we increase our volume of remittance transactions, which allows for more direct in (inaudible). Over the medium to long term, we expect continued leverage on transaction expenses as we scale. Our (inaudible) volume of over $33 billion on a latest 12-month basis, gives us material scale in negotiations with various payment processors globally, in order to reduce costs and provide the payment options that our customers prefer.

We're also making progress on improving terms with our disbursement partners, as we scale, although timing can be a variable. As the volume of data increases in our proprietary fraud models, we're able to drive down transaction loss rates without adding significant friction to the customer experience. Our goal is to reduce both fraud loss rate and customer friction, although the balance of this is constantly being optimized across our network as we test new approaches. Turning to marketing efficiency, improving returns on marketing has been a large driver of our operating leverage over the past few quarters. Our scale has allowed us to optimize and experiment rapidly to determine the highest-returning mix of marketing channels.

Over the past year, we have applied this to our newer markets, resulting in highly efficient marketing spend. Our multiyear investment in building brand awareness has also resulted in marketing efficiencies at the bottom of the funnel, as more customers know and trust Remitly, and tell their friends and family about their great experience using our product. And as Matt mentioned, we have an opportunity to invest more in marketing, including targeted brand investment and new channel experimentation, while still delivering high returns and ensuring that we deliver high top-line growth for many years to come.

Finally, turning to other operating expenses, which include technology and development, customer support and G&A. Our technology and development expense reflects the investments we are making in remittance product enhancements and building a platform for complementary new products. The investments also include risk and compliance, which are helping to drive down fraud loss rates, and customer support automation, which are helping to moderate customer support contacts, and costs as we scale. Our G&A costs reflect the investments we have been making to ensure we have the right infrastructure to support our growth initiatives. As we scale, we expect to see long-term leverage on G&A costs.

Delivering on these priorities has allowed us to increase our outlook for both revenue and adjusted EBITDA in 2023, as you can see on Slide 17. Specifically, we expect revenue to be between $915 million and $925 million, which reflects a year-over-year growth rate of 40% to 42% and is a $35 million increase in the midpoint from our prior outlook. The increase in our revenue outlook is primarily driven by the strong trends we have seen in the second quarter, and our expectations for continued strength in customer activity from the record number of new customers we have recently acquired and the resiliency of our existing customers.

We expect adjusted EBITDA to be between $33 million and $40 million, which is a $26.5 million increase at the midpoint from our prior outlook. The increase in our adjusted EBITDA outlook is primarily driven by a strong performance in the second quarter. We expect results in the back half of the year to reflect continued strong execution, and additional targeted investments that Matt discussed, which we fully expect to deliver high long-term returns and also drive growth in 2024.

While these investments reduced adjusted EBITDA in the back half of this year, we expect them to drive strong active customer growth and improve our profitability for the medium and long term. We are planning for a macro and FX environment, that remains relatively stable to what we've seen in the second quarter of 2023. Our continued global diversification and increasing scale, helps us to mitigate localized macroeconomic issues. We expect to leverage our exceptional marketing capabilities that we have demonstrated over the past year to continue, to drive strong new customer growth at compelling unit economics.

While we expect to sustain the significant structural improvements we have made in marketing, we also faced tougher comparisons in the back half of the year, and we anniversary some of the significant efficiencies we delivered in marketing starting middle of last year. We also expect the competitive advertising market tailwind, that we have seen over the past year to normalize. Finally, we expect to continue prioritizing investments in our technology and development organization, and ensuring that these investments are aligned towards strategic priorities.

Our balance sheet position strongly to support our growth and deliver our strategic priorities. At the end of the quarter, we had $228 million of cash and access to a $250 million working capital facility, of which approximately $200 million of the working capital facility was available. It is important to note that our cash and working capital balance at the end of the second quarter was impacted by timing as the last day of the quarter was on a Friday, ahead of a multi-holiday weekend. We generally have higher prefunding amounts reflected in our balance sheet, if the quarter closes before a weekend or an advanced for long weekend, such as a holiday. This creates variability in customer transaction-related balances period-over-period, and can temporarily reduce our cash position at a particular point in time.

Our primary focus for capital allocation remains our organic growth priorities of new customer acquisitions, geographic expansion, remittance product enhancements, and complementary new products. Overall, our business remains strong, as we serve customers that have a recurring need to send money back home, our product keeps getting better with scale, we continue to improve our cost structure, and we have access to substantial liquidity. These advantages position us well to make the investment necessary to continue capturing market share, and deliver high growth and increasing returns over the long term. With that, Matt and I will open up the call for your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from Andrew Schmidt of Citi Global Markets.

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

So I think I'd like to dig into the -- just the commentary on the unit economics, pretty constructive talking about the above the 6x that in terms of LTV to CAC you were talking about during the IPO. Clearly, benefit on the tax side, benefits on the platform side, and also obviously pay-in and pay-out, as you mentioned. But as we think forward, just in terms of continuing to improve the unit economics, what are the biggest levers in your opinion, or biggest opportunities? And maybe this ties into your comments and investments, Matt, but would love to hear perspective on continuing to drive that metric.

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

I think when we think about unit economics, I'll just step back a little bit here, really focused on having strong unit economics. And these are investments that we've been making now for many years, where we've seen as we've continued to get scale, and we're getting benefits in terms of transaction expense improvement. So our transaction margin has been going up. And some of the drivers there, which we've talked about a little bit, which is our fraud losses have continued to come down as we continue to manage or improve the friction-light with our customers. But we're also seeing our pay-in and payout costs improve. And really, a lot of that is the scale we've been getting. So when you think a little bit more longer term, the effect of having scale, and the data that we're gathering around customers, so we can just get better, and better in terms of customer experiences there also helps us get better economics with our partners with the distribution side of the equation. And so that's a part that drives our LTV map.

And the same thing applies in terms of our marketing efficiencies as well as we look -- we've been much more global now compared to where we were a couple of years ago, and we've seen that we've been able to apply our marketing capabilities across the globe and being able to localize that scale and get word-of-mouth globally as well and so -- word-of-mouth (inaudible) globally as well. So those are structural improvements that continue to give us efficiencies in our CAC in the long term. So what we want to do now at the juncture we're in, is to take some of the capabilities we've built up, and the improvements we've seen in LTV and CAC and reinvest some of that, so we can continue to be on the path of long growth in terms of -- continue to be on the path of active user growth for years to come.

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

Got it. Very helpful. And then just as a follow-up, maybe you could drill down on the CAC piece. Clearly, it sounds like you're anticipating some marketing investments in the back half given the returns that you're seeing. But as the advertising environment normalizes, what's the right way to think about just your ability to continue to roll CAC, and you continue to keep that flat or decrease that over time, given the internal initiatives? Just would love to hear just the -- just any comments on how to think about the CAC piece as the marketing environment normalizes.

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

Yes. When we think CAC, I think it's also we need to think about LTV at the same time. I think what we're saying here is that we do expect a degree of normalization in the advertising market. We haven't seen that in the last several quarters. So we've benefited from that a little bit. But some of the core and structural improvements we've made in terms of our marketing efficiencies, were we expect to sustain. And what we're really saying is that we want to take some of the learnings there and plow them back in more globally so we can focus on growth across the globe. And ultimately, we're solving for LTV to CAC ratio. So it's not just cash efficiency. We think we'll get -- we'll continue to sustain that. We also want to make sure that we're continuing to focus on the LTV side of it. And the more we can do in terms of providing value to our customers, that will create flywheel effects for us. So that's the other benefit that we're looking to achieve here.

Hemanth Munipalli - *Remitly Global, Inc. - CFO*

Yes, and the only thing I'll add, Andrew, is strategically is because I love a good question on unit economics. And then I'll talk about the CAC element is, I mean, it's foundational to the P&L growth and performance, both on the top and bottom line that we talked about today, but we have a very, very -- I think, disciplined investment approach. And as we said today, we're pleased that our unit economics are stronger than what they were at the IPO above that 6x LTV-to-CAC ratio that we shared. And I think on the LTV side, that foundational -- the foundational input into that is a resilient customer base, a product that we offer that is nondiscretionary, through various economic cycles. And then a differentiated product where customers come back and use us again and again. And then you add on top of that, given that LTV is calculated with cumulative transaction profit leverage that we're getting on the variable cost side with scale. And we're really pleased with the results and continued predictability on the LTV side.

And then on the CAC side, because the returns are so favorable, whether you measure it from LTV to CAC standpoint, and an IRR standpoint, we're in this business to continue to really transform and change this industry. We're 2% of the $1.6 trillion that's sent every year in remittances. And we're going to continue to invest in growth, but do it in a disciplined, measured manner, as we've done in the past and expect to be able to continue to do. But the punchline there is a lot of that's under our control, in terms of being able to invest more, grow faster, invest less, drive more to the bottom line. And we think the right thing for our shareholders and customers, is to take that continued disciplined approach to both -- to growth on both the top and bottom line.

Operator

And our next question will come from Tien-Tsin Huang of JPMorgan.

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

Great, incredible results on the growth side. I want to ask -- I know I've asked it before, Matt, just with Western Union making some of these promotional price changes and things like that. Have you seen any change in competitiveness up there? Obviously, it's showing up -- naturally showing up in your results with 49%, very steady growth quarter-on-quarter. But is it -- are you seeing anything on the ground month-to-month, that kind of thing with respect to price?

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

Yes. Thanks, Tien-Tsin. Great to hear from you. And the headline answer there is, we haven't seen any short-term price changes or fluctuations that have had an impact on our business. Some of the legacy players I know have. I think that what I go back to is why customers use our product, and it's around trust, it's around peace of mind, and having a transparent and fair price is part of that, but it's a lot more than that as well. It's making sure the money gets there reliably and quickly, making sure that customers can both -- that we can collect funds in the way the customers want send funds to us, and disperse funds in a wide range that we mentioned during the earnings call and in the deck that we shared. And we're getting better at that every day, in terms of just the differentiated products. So no short-term price movements that have impacted us, as you said. You see that in our results for the quarter as well, and continued investment in our differentiated product to make sure that that remains the same in the future.

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

Great. I value your comments a lot, Matt, I wanted to ask it, even the results speak for themselves. Just Slide 9 quickly. The rest of world, up 120%. I mean Canada is obviously doing great as well. But I'm curious, any standouts to underline here amongst the rest of the world, up 120%?

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

Yes. Yes, I love that question. The reason I love that question is because, I think that it's -- the way I answer it can give you insights into how we think about geographic expansion. A lot of that geographic expansion are countries that we launched years ago that are building momentum. We're adding new cohorts of customers at very healthy rates. Those new cohorts of customers come back again and again, and you start to layer on these new cohorts of customers, and that starts to build a large business, as we talked about today on the international front. Where you're not seeing contributions yet, but why we launched them now and you'll see contributions in the quarters and years to come, our markets like the UAE that we just recently launched, but haven't had time to mature and scale yet. But the reason we launched them, just like the reason that we launched various European countries, Australia, countries like that years ago is because those are seeds we're planting to be able to pay dividends, and continued growth in the quarters and years to come.

Operator

And our next question will come from Robert Napoli of William Blair.

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

Matt and Hemanth, a really impressive performance. Congratulations on that. So I guess, just on -- I mean, with the growth that you have and the improvements in LTV to CAC, it's relatively impressive, is that your take rate has actually gone up year-over-year. Any thoughts on -- as you said, you only have 2% of the market, and does pricing even -- at this rate, even have an effect? I mean with your improvement in unit economics, you could get more aggressive on pricing. But is that not -- does that really even enter into the equation today?

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

Yes. Yes, thanks, Bob. Good to hear from you. I think that the way that we think about, again, the business is oftentimes on a unit economic basis. And so what we're optimizing for is cumulative profit per customer. And so we're pricing and building the product in a way that establishes a really valuable long-term relationship with our customers. So no immediate material changes on the pricing front, especially looking at a short-term window, we're looking at longer term and saying what's going to be best for our customers and business in that window.

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

And then the investment -- very clear on the investment you're making in the back half of the year and makes sense. How should we think about that as we go into next year? Obviously, you're driving some much higher profitability than what was expected. You are investing that, but is -- what do you -- as we think about next year, do those types of investments recur, or what areas would you look to increase that investment?

Hemanth Munipalli - *Remitly Global, Inc. - CFO*

Yes. Robert, this is Hemanth. I think I would just look at next year and beyond. There is -- some of these investments have different payback periods (inaudible) to them. So obviously, the marketing investments are one that we get a lot of shorter-term payback on that. We're going understand the returns on that really well, and some of that will flow into next year, and we have a lot of visibility in terms of timing around that, given a detailed understanding of LTV and CAC economics.

Some of the other investments will -- geographic expansion investments would generally take a little bit longer for the returns to be seen. We're already seeing the benefits of investments we made a couple of years ago, as we've seen the rest of the world now growth rates to be over 100% on a year-over-year basis now for the last 2, 3 quarters. And then the platform investments generally will take a little bit longer as well. And I think when we think about investments, we want to make sure there is a balanced portfolio of these investments, we continue to maintain a high return threshold on them, but they'll have different payback associated with it. And some of them over 2024, some will be 2025 and beyond. So that's how I would think about the horizon of getting returns on those investments.

Operator

And our next question will come from Ramsey El-Assal of Barclays.

Ramsey Clark El-Assal - *Barclays Bank PLC, Research Division - Research Analyst*

I wanted to ask you about the recent World Bank report on remittance as it was released. And I'm just curious whether that projection factors into your own outlook, whether it correlates historically to your performance at all, whether it's a relevant indicator the projections were a little bit softer than I thought they would be, but it may not have a correlation. And I do know they often revise those up at the end of the year regardless, but just curious about your view on that.

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

Yes. Yes, thanks, Ramsey. Yes, great question. And we certainly read the forecast as well. I think that -- they haven't been very correlated to our performance, I think, for 2 reasons. One, because of the fact that the shift to digital and digital money transmitters, I think, is far outpaces overall remittance growth remittance industry growth. And obviously, that's a big part of the structural advantage of what we bring. And then the second is, as you said, they're estimates. So they are further revised. If I go back to when COVID hit, they had an estimate and then they came back and revised that, they are assumptions that go into those that I appreciate and respect that they do because it's good to have an estimate out there, but it is just an estimate, so.

But for us, yes, historically, the digital growth, I think, is the bigger part of the story. And we're really pleased to be leading as a digital-first player at scale and helping a lot of customers send money back in a fundamentally easier and more affordable way.

Ramsey Clark El-Assal - *Barclays Bank PLC, Research Division - Research Analyst*

Great. The secular tailwind for digital over power is whatever you're seeing where the World Bank is necessarily seeing from the entire market, which makes a ton of sense. A follow-up for me is just -- I wonder if you could give us your updated thoughts on FX volatility, both in general in terms of update us on the degree to which FX volatility might have an impact on your flows? And then just very tactically in the quarter, there have been some currencies moving around. Have you seen any impact to manifest itself in the near term?

Hemanth Munipalli - *Remitly Global, Inc. - CFO*

Yes. Good question. I think we obviously monitor FX quite a bit, particularly in terms of customer behavior impacts. And what we've seen is that, generally speaking, on higher dollars, and there's a little bit more sensitivity to FX rates, and we see that in a certain quarter at certain times. But as we've built out an increasingly diverse portfolio of our corridors and particularly with the international focus, the effect that we're seeing there on a global basis are quite muted. We serve a pretty large segment of customers, varying from some of the smaller dollar to send customers who have a required need to send money to their friends and families on a pretty repeatable basis, to those who send it less occasionally and with higher dollars. So we see that given just the breadth of our customer segments and the geographic diversification, the impact of FX volatility is largely muted for our business at this point.

Operator

And our next question comes from Will Nance of Goldman Sachs.

William Alfred Nance - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

I know there's been a lot of questions asked around the incremental investments, but I figured (inaudible). Is there any way you can dimensionalize what you're thinking about in terms of magnitude for the investments in the back half of the year that you called out?

Hemanth Munipalli - *Remitly Global, Inc. - CFO*

Yes. Well, I think -- I mean, our guidance really reflects that. I mean, we've certainly have factored in the trends we've been seeing in the business, the strength in the transaction margin, and the discipline we're putting in terms of our headcount and non-headcount investments. And so if you look at our guidance, you'll see that factors in a degree of investments. Again, these are going to be very targeted around our strategic priority areas that Matt talked about. So we're going to be pretty disciplined in these investments, but we think they will generate really long-term returns for us for 2024 and beyond.

William Alfred Nance - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Got it. Okay, and maybe just a question on transaction margins. I know there's been a lot of improvement in the underlying fraud costs in the transaction expense. And I know you helped dimensionalize some of the efficiency gains and some of the moving pieces there. But maybe can you just talk about how sustainable the level of broad costs are? How likely is it, do you think that we might see a rebound on that in the near term? Just trying to think about things that could go in the other direction after so many things have gone in your favor over the last year or so.

Hemanth Munipalli - *Remitly Global, Inc. - CFO*

Yes. Again, there's a couple of pieces that make up the transaction expense or the pay-in and payout costs, as well as fraud as you point out, and particularly when it comes to fraud. We certainly have seen some sustained improvements just given our -- the sophistication in our algorithms around fraud -- and we expect to sustain that, but we'll continue to be watchful. I mean, fraud is a space that it's a key capability for us. But at the same time, it is also a space where there are certainly bad actors out there. So we continue to be watched for that, and there could be some variability in terms of how we see fraud losses flow through in any given quarter.

But the structural improvements we're making in terms of managing fraud losses were at the same time, making sure our customer experience is frictionless, are sustainable and in the long term, with increasing scale and data, we should continue to see improvements in that space. The other one, obviously, is in the pay-in and payout side, which particularly can benefit quite significantly from scale. We talked about the importance of getting scale the last few quarters, and we're trying to see some of that flow through now in the P&L. And while we do think there's potential for that to continue to improve in the long term.

Operator

And our next question will come from Zachary Gunn of FT Partners.

Zachary G. Gunn - *Financial Technology Partners LP - Research Analyst*

I just wanted to ask real quick, you added something like 1,600 corridors year-over-year. So I was just wondering if you could help us maybe unpack how much of that customer growth is coming from those newly added corridors versus maybe the ones that have been on the platform for a while?

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

Yes, I can take that. And I think that, yes, we're really proud of the fact that we're now in 4,800 corridors, and we're getting faster and better at adding new corridors. In terms of where the growth is coming from, it's a portfolio, including corridors we've been in for a very long time, corridors we launched 5 or 10 years ago. We've been around for 12 years now. And the more recent corridors that we launched probably aren't contributing materially yet. But again, as I talked about the UAE and some of the other markets earlier, the reason we're launching those corridors is not to deliver returns necessarily in the quarter. But to plant those seeds, just like we planted seeds years ago, for growth in the quarters and years to come. So some of the newer corridors is probably less material from a P&L standpoint, but excited about what they'll be in the future.

Operator

Our next question will come from Daniel Krebs of Wolfe Research.

Daniel Krebs - *Wolfe Research, LLC - Research Analyst*

I wanted to ask about the EBITDA cadence from here. I realize shorter-term continuing to invest for growth. But if I remember back to the IPO process, looking for 20% EBITDA margins longer term, how should investors think about the bridge to get there over the coming years?

Hemanth Munipalli - *Remitly Global, Inc. - CFO*

Yes, good question, Daniel. I think we -- yes, we did reference that at the time of the IPO. But I think you just contextualize this a little bit. I think we are -- we believe we're still in the early stages of gaining share in a very large market. We're about 2% of $1.6 trillion remittance market. So at this point, what we're really focused on is making sure our unit economics, as strong as we add new order -- new customers, and corridors to our portfolio and continue to focus on some of the fundamentals of the business, improving transaction margin, having high discipline around investments in all areas of the business.

And that will ultimately result, we think, in a pretty healthy EBITDA margin in the long term. But at this time, just given the evolving mix of our business as we particularly grow much more globally, we were yet to put out a specific target around EBITDA. We're also focused on not just EBITDA but also our operating income, and we've been making progress in terms of reducing our net income losses as well. So early days, yes, just given that we're relatively small in a large market, and our mix is strategically evolved.

Operator

I would now like to turn the conference back to Matt Oppenheimer, CEO, for closing remarks.

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

Thanks so much, and thank you, everyone, for the thoughtful questions. As we always do at Remitly, I'd like to end the call by highlighting another one of our amazing customers. That's why we're here. That's why we do what we do. That's why we have the amazing performance that we went through today. And this customer's name is Anna. Anna sends money from the U.S. to her family in Uganda, and Anna joined Remitly last year and was one of the many customers who came to us, via word of mouth, via recommendation from one of her friends. And Anna shared, "I was recommended to this app by my friend who loves it. It is fast and easy to use."

So we want to thank Anna for her loyalty to Remitly and appreciate her friend as well who recommended Remitly to her. Thanks, everybody, for joining us. We appreciate your support. We are excited about the opportunities ahead, and we look forward to sharing our progress, as we continue to execute on our vision, which is to transform the lives of immigrants and their families, by providing the most trusted financial services on the planet. Thanks, everybody.

Operator

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

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