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PRESENTATION

Operator

Good day, and thank you for standing by, and welcome to Remitly's first quarter 2024 earnings call. (Operator Intructions) Please be advised that this conference is being recorded. I would now like to hand the conference over to Stefan Schulz, Senior Vice President of Investor Relations. Please go ahead.

Stephen Shulstein - *Remitly Global Inc - VP, IR*

Thank you. Good afternoon and thank you for joining us for at least first quarter 2024 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 on our earnings release 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'd like to remind you that we'll be making forward-looking statements within the meaning of federal securities laws, including but not limited to, statements regarding relate to future financial results and management's expectations, and these statements are neither promises nor guarantees and involve risks, 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, but as of today are imminently assumes no obligation to update or revise them, whether as a result of new developments or otherwise, except as required by law. Following presentation contains non-GAAP financial measures.

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP metrics, please see our earnings press release in the appendix to our earnings presentation, which are available on IR section of our website. Now I will turn the call over to Matt to begin.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Thank you, Stephanie, and thank you all for joining us to discuss our strong first quarter results and our outlook for 2024. We are pleased with our results as our value proposition of delivering trust and peace of mind throughout the cross-border payments journey continues to resonate with our new and existing customers. You will see that in our first quarter financial results on slide 4.

Our consistent execution continued with a strong start to the year. We are pleased to deliver $269 million of revenue, a 32% increase year over year. Our top line results and scale efficiencies across transaction costs and operating expenses resulted in a strong adjusted EBITDA of $19 million, more than 250% increase year over year and ahead of our expectations.

Our digital first positioning and increasing scale allowed us to deliver the improvement in adjusted EBITDA profitability of the quarter, demonstrating the structural profitability potential of our business while continuing to make targeted investments to deliver both long term growth and strong returns. As a result, we are reaffirming our 2024 revenue outlook and raising our 2024 adjusted EBITDA outlook.

In the first quarter, our quarterly active customers grew 36% year over year. As you can see on slide 5, we now serve 6.2 million quarterly active customers, up 1.7 million from last year. And we continue to outpace the overall growth in the remittance industry and our digital peers. We also continue to benefit from record new customer acquisition due to our investments in creating a seamless customer experience, efficient performance, marketing and brand awareness across key markets.

Our customers are highly resilient and have a deep sense of responsibility to support their families, and this is key to understanding their predictable and durable behavior. A significant majority of our customers send money home on a regular basis and recurring basis to support daily living necessities. At the same time, we also see strong seasonality as many customers send more actively around key holidays and festivals, including Christmas, Mother's Day and Ramadan, ju st to name a few.

The seasonality of customer activity played out in the first quarter as expected, as there are fewer large syndicate activity drivers such as the Christmas holiday season that we see in the fourth quarter or Mother's day and age AlphaCare in the second quarter of this year. Seasonality is particularly evident in the first quarter on the back of a very strong Q4 activity. We have observed this pattern for several years and see many of these customers increase their spending activity from Q2 to Q4.

As expected, we have also observed an increase in recent customer activity in April, which reflects typical seasonal patterns as we remain confident in the resilient customer behavior trends that result in predictable and durable five year LTV. The trend of customer preference for digital receive options continued in the first quarter year over year. Mix of digital receive transactions increased by nearly 500 basis points in the first quarter, which was a similar increase as Q4 has transaction center mobile wallet tend to be smaller and more frequent.

We continue to optimize our product features and underlying cost structure to serve these customers are actively and profitably having a wide variety of high-quality disbursement actions, including 1.2 billion mobile wallet, 4.2 billion bank accounts, 470,000 cash pickup location, and home delivery in certain markets to serve different customer needs as a key differentiator and a driver of customer transaction activity. Turning to some additional detail in our marketing efforts on in Q1.

On slide 6, our focus for our marketing investments remains on ensuring we optimize the customer acquisition costs. We are willing to pay with the lifetime value of a customer in order to drive high long term returns. We continue to see strength in lifetime value as customer activity remains strong, with increasing transactions per active, particularly related to digital transactions.

And our overall unit costs continue to improve. We delivered another record number of new customers in the first quarter and marketing investments across channels drove new customers to our platform and a highly efficient customer acquisition cost. We also benefit from word of mouth as we continue to make product improvement and drive additional customer activity in both new and existing markets. Consistent with seasonal patterns.

Our customer acquisition costs declined sequentially from the fourth quarter. Our marketing investments, particularly our global 360 integrated campaigns in key markets, are resonating with new customers, which is a leading indicator of future revenue growth. Building off our momentum in the fourth quarter. We are pleased to continue our brand awareness efforts in key strategic regions worldwide, including the launch of an integrated brand campaign in the large Los Angeles market in the quarter, LA has a significant customer base that tends to many of our key receive markets, including Mexico and other Latin American countries.

These can be and combine traditional media and digital channels, and we are taking the successes we have had and other key markets to L.A. We believe that the disciplined and data-driven ROI focused approach to our marketing investments is unique, and we continue to monitor for a variety of signals with our brand campaigns such as branded search impressions alongside other metrics across the customer file. Taking this approach, we've seen positive results to date from our marketing campaigns.

Finally, on the marketing front, we continue to find more ways to utilize a I including generative AI across a variety of use cases in marketing. We're starting to see the benefits of better deny in helping us generate long form content at scale. We're exploring a I for a variety of process improvements that are actively using a I as an effective tool in translating our product and marketing efforts into many different languages, increasing the benefits of localization.

Overall, we continue to have high confidence in our recent marketing investments, which are expected to deliver strong returns this year and beyond. With a predictable and durable stream of revenue, less transaction expense, which we detailed in our call last quarter. This is consistent with the resilient customer behavior that we see related to cross border transfers from primarily nondiscretionary needs, along with our ongoing focus on program optimization and our ability to continue driving down unit costs as we scale, our focus on delivering in a fast and seamless customer experience has not changed.

As you can see on slide 10, we often get asked a question of what makes remotely so special and unique the results in the high growth rates that we're delivering. The trends of the matter is that it's a complex answer because remittances are complex, but it all comes back to the customer and continuing to earn their trust. When we analyze responses to our NPS cuts service is over the last six months. The top two drivers were fast transfers and that the experience was easy.

Additionally, a large portion of comments simply say that remotely was some version of great such as excellent, incredible, amazing superb or brilliant. I want to emphasize while qualities like fast and easy may sound like table stakes. International payments are incredibly complex and we are uniquely reinventing international payments in a way this magical and delightful for customer. And you can see this reflected in our industry leading growth rates and customer reviews.

Let me highlight a few areas of progress in the first quarter on delivering this great experience for our customers. In order to achieve this long-term trust, we are obsessively focused on reducing what we call transaction defects. These are issues related to pay in disbursement and risk that negatively impact the customer experience or delay or delay the ultimate delivery of customer funds, which create unnecessary friction and erodes trust for our customers. Reducing these defects typically results in lower customer contact rates, less back-office work for our customer support teams and ultimately higher customer satisfaction.

Trust word of mouth and retention on the pay inside, meaning the way that we collect funds from customers, we are focused on reducing payment issues for our customers. This product where it matters to our customers because it enables us to deliver faster transactions, more payment options, fewer errors and at a lower cost to remotely.

We did also uniquely deliver these benefits with our digital first approach at scale, we continue to and expect to add relevant payment options that provide great customer experiences. Examples of this, our main contact in Belgium interact in Canada and the ability to speed up ACH transactions in the US, which we expect to launch later this year.

To help with speed and to reduce areas, w e are leveraging machine learning and dynamic routing across payment processors to drive down errors, which improves the customer experience. On the disbursement side, we continue to make progress on improving our mix of high quality direct integrations, which increases transaction speeds, improve the customer experience and lowers costs.

These include impairment in Tanzania, ICICI Bank in India and Yapay mobile wallet in Peru. We are also providing more self-service options for customers to resolve disbursement exceptions effectively when they do happen. Finally, we are automating manual actions such as downtime, routing and validation, API.s that delay transactions and create unnecessary work.

Finally, on the risk side, we are also focused on reducing the frequency that transaction defects are introduced to legitimate customers and improving the customer experience. To achieve this, our strategy is to build a robust, intelligent and scalable systems, utilizing advanced machine learning capabilities to combat bad actors, effectively ensure regulatory compliance and streamlined and required customer verification experiences.

As a result of our efforts, more than 90% of transactions in the first quarter were dispersed in less than an hour and more than 95% of transactions proceeded without a customer support contact. While our primary focus on this work is to continue to build a fast and magical experience to send money internationally, thereby continuing to drive long-term retention, we have been able to deliver a significant improvement in customer support expense with leverage of 260 basis points compared with the first quarter of last year.

While we are pleased with these results so far, our global teams are focused on continually improving the experience for our customers, which is held by our increasing scale and investments in our technology infrastructure, our ability to execute our long-term vision of transforming lives with trusted financial services.

The transcend borders is driven by resilient and predictable customer behavior are differentiated and continuously improving product, a focus on increasing investment returns and efficiency and even more growth, enabling us to deliver a more delightful customer experience across all dimensions of the cross-border payments journey for our customers. As we look ahead to the rest of 2024 and beyond, our strategic priorities remain the same.

As you can see on slide 8, we are just getting started in addressing our large market opportunity, which include the growth opportunities in both new and existing send and receive markets. I am especially excited about the opportunity we have to grow across sub-Saharan Africa. This region has only been a focus for remotely for a relatively short period of time.

And since that focus began, we have been we have been seeing encouraging growth in a large market with a lot of potential for future growth. On a global basis, we are still only about 2% of a very large market and we are seeing strong growth across our portfolio. We believe we can continue to delight customers, grow market share with high return marketing investments and new markets, deepening customer relationships and at the same time, drive even more dollars to the bottom line through operating efficiencies.

With that, I'll turn the call to Hemanth, who will provide more details on our financial results and our improved 2024 outlook.

Hemanth Munipalli - *Remitly Inc - Chief Financial Officer*

Thank you, Matt. And I am pleased with the strong results that we delivered in the first quarter and the progress we're making on continued strong revenue growth and driving efficiencies throughout the organization. Begin by reviewing some high-level drivers of our financial performance. I will then discuss the priorities while focusing on to ensure we can deliver sustainable growth and high returns for many years to come, and I'll finish with it up to our first quarter results.

As a reminder, I will discuss only 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, acquisition, integration, restructuring and other costs, and foreign exchange gain or loss. Reconciliations to GAAP results are included in the earnings release.

Let's begin on slide 10 with our high-level financial performance in the quarter, we were pleased to deliver a high active customer and revenue growth and what is typically a seasonally weaker quarter for customer activity. Our adjusted EBITDA profitability also improved substantially as we benefited from scale and a deliberate focus on driving efficiencies through all parts of the business.

Quarterly active customers grew by 36% year over year to 6.2 million. Spend volume grew 34% year over year to approximately $11.5 billion, resulting in revenue growth of 32% year over year to $269 million, which was in line with our expectations. Our GAAP net loss was $21 million in the quarter and included $34 million of stock compensation expense.

Strong revenue growth combined with significantly lower transaction expense as a percentage of revenue and efficiency across operating expenses led to higher-than-expected adjusted EBITDA of $19.3 million in the quarter. Our focus for 2024 and beyond remains on four key areas to drive sustainable long-term returns.

As you can see on slide 11, these are to continue to deliver strong revenue growth, reduced transaction expenses, acquired new customers with efficient marketing and operate more efficiently. By focusing on executing across these four areas, particularly with the additional focus on efficiencies, we believe we can deliver sustainable long-term high returns. Now let's turn to some of the key factors that drove our strong performance in the first quarter.

On slide 12, we detail the drivers of our strong performance. Let's begin with revenue, which was up 32% year over year in the first quarter on both reported and constant currency basis. We also have anniversaried our acquisition of rewire, which positively impacted our growth rate by about two percentage points in the first quarter of 2023 and full year 2023 by revenue growth was driven by the high retention of existing customers. Consistent first quarter spending patterns benefits from earlier, send me market expansion and record new customers acquired in the quarter.

As is typical of sending activity from returning customers contributed to a significant portion of total revenue in the first quarter, which reflects the nondiscretionary nature of remittances and the loyalty of our customers. As Matt mentioned, the first quarter is typically a seasonally less active quarter for existing customer activity as compared sequentially with the fourth quarter. It is also important to note that the first quarter of 2023 was somewhat of an anomaly for quarterly active customer growth.

As you recognize the addition of all newly acquired rewire customers in our quarterly active customer count in the first quarter of 2023, which we have now fully anniversary as we look ahead to the second quarter would typically see increased customer activity from prior active customers due to more seasonal spending opportunities, and we also expect to continue acquiring even more new customers to remotely.

We expect various factors to impact year-over-year and sequential increase in quarterly active customers. These are related to the timing of holidays and gift-giving periods such as Easter, Mother's Day, and Ramadan. The increasingly diverse global customer base timing sensitivity to foreign exchange rates, particularly at higher transaction values and quarters ending on weekends versus weekdays.

Overall, we continue to observe very consistent customer behavior patterns with high retention that are expected to generate robust LTV as measured by revenue less transaction expense for years to come. As a result, our LTV to cap ratios remain attractive for continued investment in marketing to acquire new customers.

Turning to our transaction expenses, which include costs related to our pay and partners, disbursement and partners and fraud losses, transaction expense as a percentage of revenue improved 290 basis points year over year. This was primarily due to increasing volumes, which allows for improving terms with our Bay and unveiled partners, while at the same time improving our frac precision.

Approximately 200 basis points of the improvement was related to Bain and displacement partner cost reductions, continued improvement in transaction expenses and overall variable cost structure allows us the optionality to make investments in improving the customer experience and the value we deliver to customers, which resulted in increased retention transaction activity and ultimately increasing lifetime value of our customers.

We're also making solid progress on delivering operational efficiencies, which has been an increased area of focus for us this year. Let's begin with our progress on customer support expenses. Customer support and operations expenses as a percentage of revenue was down 260 basis points year over year. Consistent with the trends we have seen over the past few quarters.

As Matt mentioned, we're focused on reducing unnecessary friction for our customers, VR transaction defect reduction goals. As an example, we have enabled even more self-help options such as changing disbursement choices without the need to contact customer support when self-services not the right option, where side starting to apply technology like generative AI to make it easier and more efficient for agents to support and delight our customers.

We're also applying AI in our risk systems to improve position and to provide a more effective customer support experience either via chat, e-mail or phone. All of these things reduce the workload weight our agents and help provide a more efficient and tailored experience to delight our customers. In the first quarter, G&A expense as a percentage of revenue decreased 270 basis points year over year as we benefited from continued discipline on hiring non-headcount expenses and other efficiencies.

A portion of the improvement in G&A expenses benefited from some favorable timing and indirect tax reduction, selling about $2 million that we do not expect to reoccur. We view our marketing and technology and development expenses as key investments that provide returns over both the near, medium and long term. Our marketing investments have a payback period of less than 12 months and provide a long stream of revenue less transaction expense from Brazilian customer activity.

Our technology investments have both near-term returns, as you can see in our progress, reducing transaction and customer support costs and expected medium to long-term returns as we invest in our platform to further deepen customer relationships. Our marketing expense was $64 million in the first quarter, which was a sequential decline of about $7 million from the fourth quarter and in line with our expectations.

This reflects the typical seasonality of declining customer acquisition costs sequentially as the opportunity to acquire new customers is generally lower in the first quarter. Given our data driven approach, we are also uniquely able to manage LTV to cap ratios to the return thresholds that we desire, including taking into account the cost of capital on our higher return thresholds. We will focus on the balance to ensure that you we're delivering high long-term returns relative to our cost of capital.

Technology and development expenses were $44 million in the first quarter. The primary areas of investment included our remedies platform, driving transaction defects, talent, deepening customer relationships, and enabling increasing automation across various operational areas such as customer service and back and transactional processing. We expect moderating growth in our T&E expenses as we scale over the medium term. Before we turn to our updated outlook for 2024, I'd like to discuss our balance sheet and perspectives on cash flow.

As you can see on slide 13, we ended the quarter with $286 million of cash and access to a $25 million credit facility. At the end of the quarter, we had $150 million outstanding on the credit facility. This balance was paid off the next business day on April first, consistent with our prior practice of using that facility to fund short-term spikes and customer demand, especially or holidays, are weekends. As we have been improving adjusted EBITDA, we have seen corresponding improvements in our cash flow performance when we adjust for the timing of cost of fund flows.

Turning to our stock compensation expense. In the quarter, stock compensation expense of $34 million grew 17% on a year-over-year basis. This is a significant deceleration from prior quarters growth rates and reflects our focus on moderating our headcount growth rates. However, we expect stock compensation expense dollars to increase sequentially as a result of our annual performance of views and RSU grants cycles.

On a full-year basis, we expect stock comp transition expenses to grow slower than revenue. We're also focused on managing the number of shares issues, and we have been taking various measures to reduce share dilution for increasing long-term returns to our shareholders. As a result of our strong performance in the first quarter, we are updating our outlook for 2024.

As you can see on Slide 14. Specifically, we expect revenue to be between $1.225 billion and $1.25 billion, which reflects a year-over-year growth rate of 30% to 32% and is consistent with our prior outlook and reflects the strong performance in the first quarter and in line with our expectations. We remain confident in both the resilience and seasonal cadence of customer activity and the outlook for new customer acquisition and the rest of 2024.

As a result, we are reaffirming our full-year revenue outlook. We also expect second half revenue growth rates to be improved versus the first half revenue growth rate, especially as we lap exceptionally strong growth rates in the first half of 2023. As a result, we expect the revenue growth rate in Q2 to be at the lower end of the annual guidance growth rate range of 30% to 32%.

As a reminder, revenue growth rates in any given quarter can be impacted by volatility in foreign, generate new customer acquisition, timing and seasonal customer activity, even if underlying customer behavior and spending patterns remain largely consistent with historical trends. While we expect to remain in a GAAP net loss position, we expect adjusted EBITDA to be between $85 million and $95 million, which is a $7.5 million increase at the midpoint from our prior outlook.

The increase in our adjusted EBITDA outlook is primarily driven by strong performance in the first quarter ahead of our expectations on our increased confidence on driving operational efficiencies for the rest of the year. Consistent with our commentary and our 2024 revenue outlook, we expected adjusted EBITDA year over year growth to be higher in the back half of the year when compared with the first half adjusted EBITDA growth.

As a reminder, we delivered an exceptional second quarter last year and the year-over-year comparisons get improved as we enter the back half of this year. The outlook also allows us to take advantage of opportunities to acquire even more customers if the unit economics remain compelling. And we continue to be highly targeted and deploying our marketing investments were planning for a macro and FX environment that remains consistent with what we've seen in the first quarter of 2024.

Our continued global diversification, resilient customer base and increasing scale help us to mitigate localized macro economic, our FX trends. Overall, we're pleased with the solid start to the year, and our business remains robust and resilient as use of customers that have a recurring need to send money home. With that, Matt and I will open up the call for your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andrew Schmidt, Citi Global.

Andrew Schmidt - *Citi Global Markets - Analyst*

Thanks for taking my questions here. I wanted to dig into the first quarter performance a little bit understand it is normal seasonality there. Historically, you guys have done a great job of delivering upside expectations. So I'm wondering is maybe you could elaborate if there's anything else outside of normal seasonality, a surprise to you. It sounds like customer behavior was pretty consistent, but but would love to kind of peel back the layers here is in, you know, that are seeing, if anything played out differently versus your initial expectations. Thanks a lot, guys.

Hemanth Munipalli - *Remitly Inc - Chief Financial Officer*

Yeah. Thanks, Andrew, for the question. You are really excited. I think we've had a really strong start to the Q1 was well within our expectations. We expected. Obviously, seasonal patterns are known to us historically. So nothing different in Q1 that we've seen from the other quarters as well. So very consistent. And just to reinforce the customer behavior patterns have been as well as super consistent. We've seen increased engagement, transaction intensity, all these patterns, and we track our activity rates and so on with our customers very consistent, we had record new customer acquisition as well. So we've seen a lot of consistent patterns at Q1, and we continue to be excited about the year.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Andrew, the only thing I'd add is having built this business over the last 10 plus years, there is seasonality to the business in Q1 has less seasonal activity, as I mentioned in my opening remarks, that just due to fewer holidays. But if you look at the overall performance of our cohorts, if you look at the overall fundamentals of our business, I think there was a very strong and so excited about the rest of the year and excited about the fact that out of the gates week grew 32% year on year for a business that now, you know, trailing 12 months is at over $1 billion in annual revenue. And that's something that those two metrics in combination combined with the improvement on adjusted EBITDA gives us a great start to the year that were brought up.

Andrew Schmidt - *Citi Global Markets - Analyst*

No, absolutely. That's a great growth rate. That's fair. Maybe dig into marketing expense just a little bit. So well, understand again, the seasonality in the first quarter, but a little bit lower versus our expectations. Has the, um, you know, is this treasure and performance marketing changed at all were able to deploy as much marketing, as you know, you wanted to in the quarter given check levels? And then as we as we think about the full year in understand that there are some scale in the back half potentially with marketing expense. How should we expect at least we're thinking about right now, marketing expense trends thinks like us?

Hemanth Munipalli - *Remitly Inc - Chief Financial Officer*

So thanks, Andrew were questioning. And I think when we look at marketing, again, the whole quarter was very much in line with expectations. Same applies to do marketing. To your point. We did sequentially reduced marketing expense was the unexpected and plan, and we were able to acquire a record new customers in the quarter as well. So we look at unit economics. It's a very closely.

And I think that's one of our competencies that we've built over the years and we look at lifetime values of our customers. We look at the cost of acquisition looks at those ratios very consistent across the board. We've seen again on the LTV front, consistent behavior from our customers, so gives us continued conviction.

\The investments we're making in marketing makes a lot of sense for us. We think about the back and these investments have less than 12 months payback as we called out in the prepared remarks as well. In terms of trends on a similar to what we called out last quarter, we do think that as we get to the back half of the year, some of the growth rates and marketing will decelerate in the back half of the year, which is also reflected in our guide for the year. So no change in our strategies and on marketing investment, excited about the customers acquiring and the payback sourcing.

Operator

Ramsey El-Assal, Barclays.

Unidentified Participant

Hi, this is Allison on for Ramsey. Thank you so much for taking our question and answer. It seems like customer acquisition is a key focus here on and you have some really interesting marketing initiatives in the works. And if you could give us some updated thoughts on where you're seeing users come from and maybe how that was China, Shannon, today's results. So just where are you taking share from one or acquire a customer? Is that a customer who is brand-new remittances? Are they coming from a digital channel or brick and mortar are just some updated thoughts here on what areas are all dealers would be really helpful.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Thanks, Allison. If you look at where our customers are coming from them and it's a wide range of, you know, competitors, it's very fragmented market of which, as we've mentioned, roughly 2% of the overall market, most customers. It really depends on the market, but most customers who are not necessarily new immigrants. And given that there are 250 million-plus against that live and work outside the country, their board and so lots of room to grow within that customer base and lots of marketing opportunities. It ties a little bit to Andrew's question, but we have no shortage of opportunities of high-return marketing channels to invest in.

And we're seeing some of the channels that I talked about, the opening remarks and turn of being able to focus in certain geographies like LA, seeing good returns from marketing channels like that. And our product continues to get better and better every day in terms of reliability and speed. And so that also creates a word of mouth effect that we're really excited about. So while you do see in the quarter, the net adds being lower in Q1 because of seasonality. The retention, the number of new customers coming in on that record numbers is really exciting or what it holds for the rest of the year.

Operator

Will Nance, Goldman Sachs.

Will Nance - *Goldman Sachs Group, Inc. - Analyst*

Hey, guys. I appreciate you taking the question. I wanted to ask about maybe some of the interplay between the revenue yield on volume and transaction costs that you mentioned just now and you've got a very dynamic pricing. And it seems like there's been a lot of mix shift just in terms of the weights of digital versus all versus and close and disposal.

But I'm just wondering if there's any things to be aware of as we think about kind of a continued reduction in transaction costs and sort of your reaction function to gross revenue when you see these shifts to either lower cost payment methods or you gain scale, I guess seven different way like are you guys passing on any of the there benefits of transaction cost to the customers? And if we see benefits and transaction costs, we also expect all else equal. That puts us in the gross take rate come down?

Hemanth Munipalli - *Remitly Inc - Chief Financial Officer*

Yes. Thanks, Will, for the question. There's a lot in there to unpack, but maybe just beginning with underpinning it around LTV, we really focus on making sure that we're improving and growing mail TV with our customers. And that's where the real value is. And we look at Keno, obviously, customer behavior trends, which we talked about, and I think you called out the digital trend there as well. And we've seen an improved mix towards digital transactions, which again, the 500 basis points this quarter, similar to last quarter as well.

So as a digital first play and now it can have significant scale globally, we're excited about that trend. And that certainly has a degree of impact in terms of the mix shifts that we're seeing going up. But I would say broadly on you asked about take rate does a lot. There's other mix factors in there were obviously in multiple geos, et cetera.

And we when we see our overall take rate with an average of an average, we continue to remain in a band that we're comfortable with. That's in the 2% to 2.5% range was Jed was very close to what we had sequentially last quarter as well. So no real changes. There is obviously some underpinning mix shifts that we've called out, particularly there's still a trend there.

On the transaction cost side, yes, we continue to improve. We think that having more direct connects reducing friction with friction in the entire process, but all things that will help us reduce transaction costs. And Matt talked about that in his prepared remarks as well.

So I would kind of a disconnect a little bit around kind of the take rate percentage in the transaction margin percentages. I think they're somewhat not completely directly related to what we're seeing great. They were providing to our customers reflected in what you're seeing in terms of revenue growth and activities and an improvement on the transaction by expense side as well. Anything further to add my best.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yes. Well, it's a it's a great question. I think the current finance or to the take rate question, mix-shift So best within the normal band, there's nothing that's happening from a competitive standpoint in Q1. The change that. And then I love your question around digital disbursement because I think that we have a strategic advantage with our digital first approach at scale to continue to drive variable costs out of assessment.

As we do that, we can decide how much we pass along the customers versus how much we pass along to improving transaction expense, but lots of room for us to continue to differentiate there. And we're leading the way when it comes to digitization. And we're really, really excited and proud of that and excited about what it will hold for our customers as we look forward.

Will Nance - *Goldman Sachs Group, Inc. - Analyst*

Yes, often makes a ton of sense. And then just maybe as a follow up on the seasonality kind of dynamics, I think kind of keep coming up every every other quarter. And I hear the commentary on sort of the cadence in the back half of the year, which is great to hear the confidence. And I guess I wanted to follow up on the commentary that the growth rate should actually be stronger in there and half of the year on easier comps.

And I guess maybe can you just expand a little bit more on that? Like I guess when we think about seasonality, kind of seems like every other quarter type of thing. And so when you talk about the stronger growth rates in the back half of the year, I must say I comment on the third quarter or are you are you generally expecting to see exploration even as we lap what was a pretty stellar performance in the fourth quarter last year? Sorry to be so nitty-gritty in the quarter there?

Hemanth Munipalli - *Remitly Inc - Chief Financial Officer*

Yes. I mean, I think the way that we were trying to frame up this to help people understand the seasonality, of course, the seasonal patterns, which largely relate to sort of holidays and gift-giving periods. And we kind of see that again in Q2 with some of the holidays coming up or have come up earlier this quarter. To your question, our growth rates, you I mean, I think when we look at last year, first half second half and this year, first half second half.

So we are really exceptionally strong first half of 2023. So when we think about sort of in terms of growth rates, I think that's kind of why we wanted to share a little bit more around how we think about Q2. We already have the numbers for Q1, but we do think that Q3 and Q4 will have improved our revenue growth rates. From that context, we're still well within the guidance range, again, reinforcing that 30% to 32% for the for the full year. So that's how it sort of plays out there is the year-over-year comparison.

And then those sort of a seasonal elements on an underpinning all of that. Also just wanted to point out that we've had record new customers. We continue to be excited about adding a lot of new customers are basis continue to grow, and we're seeing really strong active customer growth. We talk about QA use, but the metric that we share, but we're excited to work, continue to build a very strong base customers here.

Operator

Tien-Tsin Huang, JP Morgan.

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

I just wanted to clarify on the new marketing efforts. I know you mentioned something here in LA. Do you think some of these investors investments will be more focused in the second quarter? Or is this more spread out? Or do you see is spreading to other on your cities or regions as well based on what you learned? Just trying to understand what is new versus structurally change and what your approach on marketing?

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yes. Thanks, Tien. I would say it's a continuation. So this is not something that's dramatically new or different. It's more rolling out what we've done in new geographies. So I wouldn't expect there to be in a large spikes quarter to quarter, and we've got a lot of confidence in the playbook that we rolled out. So I did mention the other example is one, but we've got a lot of other performance marketing channels that you know, our great

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acquisition channels, especially during times that customer spend like Mother's Day and other seasons like that. So a continuation and proven channel that we're excited about. The continued returns on those.

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

Okay. Great. And then just quickly on that. It was been that's around seasonality. Just about with the volatility in foreign currency, especially strong dollar here. Is there anything to consider with respect to pull forward of of growth and there will be transient, but just figured I'd ask and also six volatility I call out with respect to take rate or fees monetizations, that kind of thing.

Hemanth Munipalli - *Remitly Inc - Chief Financial Officer*

Yes. Thanks for the question that when we look at on a global basis, we don't see we will increasingly diversified portfolio corridors and we see FX sort of impacts everywhere. And generally speaking, on a constant currency basis, as you can see, our revenue growth rate was was content. And so no, nothing specific to call out. In terms of FX, there is always going to be some degree of FX sensitivity for short periods of time at certain transaction sizes, and we see that as well. But on an aggregate basis as we look across up or we haven't seen anything that you guys material or significant results.

Operator

Rufus Hone, BMO.

Rufus Hone - *BMO Capital Markets - Analyst*

Hey, guys, thanks for the question. I wanted to ask about the broader competitive environment and so they just whether you're seeing any incremental change in competitive intensity? Any extra color there would be great. Thank you.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yes, thanks. I will take that one. And the headline there is, as you do, we look at the competitive dynamics and we haven't seen any material changes in Q1. I think that's indicative of the fact that it's a very large market, as we've mentioned, were 2% of that very large market and we're outperforming that market. If you look at the scale and size and growth rate combined of $1 billion in trailing 12-month revenue and 32% year on year growth.

And when you look at why that's the case, the we tend to be more customers than competitor lead. And when you look at the product that we hadn't built and it continues to get better every day in terms of reliability, in terms of speed, in terms of a lot of those descriptors that we called out that our customers use to describe our product that result in strong retention in an industry leading product. And we're excited about continuing to have that kind of growth that I that I mentioned on as we as we look forward. So no, no changes to note the competitive dynamic other than the structural benefit that we believe we have as a digital first player at scale and how that resonates in our product.

Rufus Hone - *BMO Capital Markets - Analyst*

Okay. And just a quick kind of unrelated follow up on rapidly circle. I was wondering whether there was any update on progress there. Thank you.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yes, sure. We continue to be really excited about the ability to offer broad financial services for our customers. And as I mentioned that during last earnings call, we're investing in what we call our technology platform, and that has paid dividends when it comes to the efficiency and velocity of our engineering team in terms of taking was more of a model it to a more decoupled platform on that we're using to not only deploy code and deliver faster for our remittance customers.

But also we're making very targeted investments that are more efficient to make those investments on top of that technology platform in what we call complementary products and services. And so circle is one of those. And given our scale and size of the business and just our approach in general, we like to have products get to more materiality before we talk about them broadly, but excited about what's to come with Circle and another area that we're investing in when it comes to complementary products, more to come there in the future, but excited as ever about the opportunity.

Operator

Cris Kennedy, William Blair.

Cris Kennedy - *William Blair & Co LLC - Analyst*

Good afternoon and thanks for taking the question. Matt, you talked about the structure structural profitability at the business. Can you give us about your updated views on the long-term margin opportunity there?

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Go ahead, Heman. And then I'm happy to jump in.

Hemanth Munipalli - *Remitly Inc - Chief Financial Officer*

Yes, thanks. Thanks for your question correctly. I think when we do you think about first of all, maybe stepping back and here, I mean, we I think we reiterated that we have a significant growth opportunity in cross border and remittances, and we're excited about. So we really anchored around the growth trajectory, and we expect to be in sort of having that as being the primary focus of all of our investments that we're making.

But as we look across look across the P&L, as you've seen, we've been delivering improvements and transaction expense reduction and frankly, also really excited about the work that's been done in it using our customer service expenses, which show which has been reducing your year over year basis quite substantially with both processes as well as bringing some of the AI and other technologies into it.

We've renewed our assay have even more focus on operational efficiencies. And you've seen that now with the EBITDA performance in the quarter and our increase in our conference for rest of the year in terms of increasing our EBITDA.

So we are making progress on improving our margin to your question, but I think it's a little bit too early for us to talk about long-term margin profile of the business fundamentally has very strong unit economics, and we've seen that to continue to play out. We've seen strong retention and those aspects of customer behavior. So we want to make sure we're taking a balanced approach. But keeping in mind, there is a cost of capital and delivering the returns both for the near mid and long term. So to talk about long-term margins, but making good progress on that front.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

And Cris, the only thing that I would add on that front is remittance businesses. Our payments business is inherently and payments businesses at scale and our get a lot of leverage and cash flow wind done effectively incorrectly, especially digital payments companies. And I think you're seeing that, if you look back maybe even a year ago, it physically so that we had just over $5 million adjusted EBITDA a year ago were $19 million in the first quarter of this year, and we've guided to $85 million to $95 million adjusted EBITDA for the year.

So that kind of ramp gives you a sense of how the business is getting lower average. Now we're still growing at 32% year on year while getting that leverage because we want to balance growth and profitability. But where I will tell you having again run this business for the last 10 plus year, 5,10 years ago, it's really hard to start getting leverage out of the business because we just weren't quite large enough now. We really have the dials around how much we want to drive down to the bottom line versus how much we want to grow. And we're excited about the momentum on both the top and bottom line and what's to come.

Cris Kennedy - *William Blair & Co LLC - Analyst*

Great. Thank you for that. And then just you've mentioned April, can you give any more color on kind of the trends that you saw in that month? Thanks for taking the questions.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yes, I'm happy to take that one, Cris. I think that it's a really important and good question because I think that we've been very pleased with the activity customer activity in April as we've seen, given the seasonality points that we've made. And obviously, we look at monthly active rate and different quarterly active rates. And so as we look at our QA, you goals for Q2, we're feeling we're feeling good about those, and it reinforces that there is there seasonality to the business and customer retention continues to be strong.

New customer acquisition continues to be strong, which gives us confidence in the rest of the years, as we mentioned in the one other thing I'll make on this because I think it is related is we don't internally used the term net adds. We do obviously look at quarterly active users, but net adds somehow would signal that these are like new customers coming into the business and different customers that are active in different quarters, hence the seasonality. And when you look at the activity rate, April further reinforces that. We're excited about our continued retention and the great product that we're continuing to deliver for us.

Operator

Darrin Peller, Wolfe Research.

Darrin Peller - *Wolfe Research LLC - Analyst*

Hey, guys. We just circle back to the digital dispersed transaction trends in terms of the amount of the volume per transaction and the trend line has been it's been dropping a bit and for some time now. And just kind of want to understand some of the dynamics there and what you see in terms of stabilization or make maybe when you could see stabilization on that front once maybe a little more on the dynamics driving that.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Sure, Darrin. Yes, great. Great question. I think that we do see in some markets and increase in digital disbursement trends, which we view as a real positive for our business. And it might mean that customers transact more frequently, but a lower average transaction amount, given how easy it is the variable cost and effort sort of sending to a mobile wallet as opposed to cash pickup but takes up cost out of the system and makes it easier for customers. And so we feel very well-positioned to leave some of those transitions in some markets.

But I can't emphasize enough that it really varies depending on the market where on 170 countries, some markets remain predominantly has picked up. Some markets are mobile wallet. Some markets are bank deposit, a few markets or even home delivery. And we're a carrier will come deliver cash, the wind tunnel. And what we're good at is getting customers to fund the way that they want to receive them looking very intentionally at the variable costs that feed into that lifetime value and then offering a great product to customers that that meet their needs.

And given our scale and size, we also have more and more leverage to drive down those costs and do more direct integrations to make that that that experience more portable and much faster and more seamless. So we see these trends are positive for our business and they do very well, depending on the contrary that customers are spending money too.

Darrin Peller - *Wolfe Research LLC - Analyst*

All right. Thanks, Matt. I guess maybe just one quick follow-up would be on the corner and potential just looks roughly flat if I'm reading it right. I am curious to hear what the opportunity in the pipeline is there. And then just I guess also a quick follow-up on circle. I didn't hear anything around timing on expectations more than just obviously it is a big opportunity. Just anymore color you can give us on potential cadence for timing around at baseline. Thanks, again.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yes, yes. On the first question, we are now at over 5,000 corridors, and there is no shortage of opportunity for us to grow in both the corridors that we that we're in as well as the quarters that we can add. And so I mentioned Sub-Saharan Africa is one region that had mentioned a few others in the past, but it's not like we need to launch new corridors to drive even short or medium term grow. We will still launch new corridors because we're in this for the long term.

And that is how we have had the compounding growth over the last decade. Plus there is no shortage of room to grow in corridors that we're in, including corridors we've been in for the last 10 plus years. And so on. Lots of opportunity to grow with new and existing corridors. And on Circle, I'd broaden that the complementary products, and it's a fair question around timing, while John will talk more about it once it gets to the material point that we that we think it makes sense to talk about it. But I would view that as a complementary product and a way that we're deepening relationships with our existing customers and excited about the early results we're seeing there and more to come in the theater.

Operator

Alex Markgraff, KeyBanc.

Alex Markgraff - *KeyBanc Capital Markets - Analyst*

Hey, guys, thanks for taking my questions. Just a couple for me. I first met on the accelerated ACH offering that you mentioned going live later this year. Any sort of considerations around the economics of that payment method versus what exists today for imminently?

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yes. Yes, we're excited about launching Fast ACH later this year. And the economics are favorable in the sense that we can offer a faster products without having to pay some of the card processing fees. And so that's something we're excited to be able to offer to our customers later this year.

Alex Markgraff - *KeyBanc Capital Markets - Analyst*

Okay, great. And then sorry to belabor the point on that as or if that's not the right metric, just quarterly active. But I guess I'm trying to sort of square some of the comments on our seasonal opportunity to add customers with the comments from record that record new customers. And then at what I think a lot of folks do look at external, is that as So just I guess I'm struggling to sort of piece that all together. And if it's quarterly net adds is not the right metric to look at. Just any sort of guidance on how to better think about that and capture how you're thinking about it internally would be helpful.

Hemanth Munipalli - *Remitly Inc - Chief Financial Officer*

Yes. Thanks for the question. I think, yes, I think we obviously do with the metrics we share. We understand the math. That's me being done there, but we just wanted to make sure there's clarity in the sense that there are customers who are active in different periods of time. And the seasonality there plays into effect in terms of the record.

So when you think about Q1 in particular, maybe this is the simplest way to answer. January and February are generally much lighter months than most months in the year and margins where activity starts picking up. And so when we looked at that and saw that, so a significant portion of new customer acquisition would would come in later part of came in the later part of Q1. So I think this is this is around you have to look at almost monthly active users. Can we look at what's going on in terms of space there? So that's probably the one of them, better metrics. And we track that internally and pretty excited about how our marketing and other efforts are helping us acquire new customers.

Operator

Andrew Bauch, Wells Fargo.

Andrew Bauch - *Wells Fargo & Co - Analyst*

Hey, guys. I'm sorry it as a discipline of questions on the back end here. But I guess looking at the yield trajectory that you're seeing in the business now, I know it's we've been talking about the digital piece of the business and the like. But is there any way to get comfortable on how we should be modeling on this gross yield trajectory through the remainder of the year? And what is it mix that you kind of anticipate shifting back into higher yield corridors? Or is it are we are looking at this kind of on the wrong way because I think that's a key piece that US people are trying to focus in on.

Hemanth Munipalli - *Remitly Inc - Chief Financial Officer*

Yes, I don't I don't think there's necessarily an easy way to Alex to model that out because there are quite a few mix effects when you look at the take rate, if you will, effectively as tenants, but largely depends on depends on average transaction price and that sort of changes by coal corridor. It changes based on obviously, the digital trend that we talked about or other options that customers like to prefer. So we do look at it on an aggregate aggregate average basis, which just tends to operate in the range. And I think the best way to model that going forward is to keep it within that range.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yes. The only thing I'd add is I know, well, we've talked about some digital trends. When you're saying yield. I think you're referring to take rate. And I think that there hasn't really been trends in terms of take rate as much as there is the mix shift a bit quarter to quarter, but it's not hugely material when you look at that amount of mix. And what we're focused on is things like Avenue RPU and specifically average revenue per transaction and profit per transaction and fewer trends there as much as how we think about modeling the business. So no big trends on the take rate side outside of mix shift.

Andrew Bauch - *Wells Fargo & Co - Analyst*

Understood. And then look, it's been two, three quarters now we've had just higher levels of marketing spend. And I guess I'm trying to understand on when you do ramp up investments in marketing, what are those LTV. curves look like it? Should we be anticipating some more returns and the way of customers be it on a gross or net basis in 2024? Just trying to wrap my head around it that that comment around new customers added in '24 relative to '23 is still something we should be relying on?

Hemanth Munipalli - *Remitly Inc - Chief Financial Officer*

Yes, yes, nothing fundamentally has really changed and cause of our marketing return profile remains very strong and consistent with previously shared ratios of LTV to cap. And they tend to be in the six ish sort of range and with payback period less than 12 months. So there's a lot of consistency in that answer there. There's really no change in that. Now when we think about sort of sequential growth Q1 to Q2 in terms of quarterly active users, even the title will have seen it in April that Matt talked about very much in line with expectation. We do expect an increase in terms of sort of seasonal growth and other growth. I would even the new customer acquisitions we're doing for Q2 versus that we had in Q1.

Operator

Matthew O'Neill, FT Partners.

Matthew O'Neill - *FT Partners - Analyst*

Thanks for squeezing me in here. I think was the question has been asked and answered. I'll be real quick on Darrin's corridor question. I'm just curious, philosophically around 5,000, I think some competitors are multiples of that. Is that something that you guys collectively thinking about internally as the numbers the target to achieve on a quarterly basis or more of an outcome that just kind of happens over time, recognizing that all quarters are not created equal banks?

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yes. Yes, I think that I view us getting into that many corridors in the future, but it's in our DNA given how corridor specific this businesses and our unit economic focused businesses to do it in a really intentional way. And so if you go back to the early days of remotely, we spent a couple of years just focused on US, the Philippines, and we got that right.

And then we scaled and the right way and the good news about where we're at now, but we have a portfolio 5,000 corridors to be able to grow in all of which there's growth opportunity. And we also have corridors that we can continue to launch at over the coming quarters and years. So no shortage of growth opportunities, as I mentioned, lots of new corridors to be able to grow in currently and playbook to launch new quarters in a really intentional way. So we wanted them in the right time with the right efficiency with the right playbook. As we always done to be able to fuel long-term growth.

Matthew O'Neill - *FT Partners - Analyst*

Thanks, Matt. And if I could just squeeze in one more follow-up, but I fully believe are the marketing questions. Tom, would you say you're still operating in a bit of a heightened kind of marketing spend paradigm like you have communicated over the last couple of quarters? And if so, is it may be more of a structural shift that as you see scale to come through in the business and that transaction and other costs are coming down structurally that on a more permanent basis, you'll want to sort of put more money towards the marketing going forward?

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Yes. Thanks, Matt. And not not belaboring it all. I think marketing on the data-driven way that we do is one of our competitive advantages. And so maybe talk about it all day. I wouldn't I wouldn't say that there's a heightened marketing on a competitive environment right now. I think that it's I think that there's some, you know, continuation in terms of stability on that front. Our marketing team is continuing to execute very well across multiple channels and multiple geographies, and we're excited uptake. We're excited about the record number of new customers. And given the kind of cohort way that our business works with the seasonality, we're excited about what that means for QA use and revenue and ultimately profit growth in the quarters to come.

Operator

Thank you. And our final question. I will now turn the call back to Matt Oppenheimer for closing remarks.

Matthew Oppenheimer - *Remitly Inc - Chairman of the Board, Chief Executive Officer*

Great. Thanks. Thanks again, everyone, for the really thoughtful questions. As we always do at Remitly, I'd like to end the call by highlighting another one of our amazing customers reveal renewals in the money from the United Kingdom to his family and the Philippines. He was one of the many customers who shared their feedback with us last year and remain committed, trustworthy, reliable, fast.

And most of all, I feel safe. We want to thank reveal for placing has trust, which is ultimately what our product is all about in remotely and for his recognition, the safety, reliability and speed of our service. And we want to thank all of you for joining us, and we appreciate your continued support. We are excited about the opportunities ahead, and we look forward to sharing our progress as we continue to execute on our vision of transforming live with trusted financial services that transcend borders.

Operator

Thank you for participating. You may now disconnect.