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PRESENTATION

Operator

Hello, and welcome to Remitly's third quarter 2024 Earnings Conference Call. (Operator Instructions)

It is now my pleasure to introduce Vice President of Investor Relations, Stephen Shulstein.

Stephen Shulstein - *Remitly Global Inc - Vice President of Investor Relations*

Thank you. Good afternoon, and thank you for joining us for Remitly's Third Quarter 2024 Earnings Call. Joining me on the call today are Matt Oppenheimer, Co-Founder and Chief Executive Officer of Remitly; and Vikas Mehta, our Chief Financial Officer. Results and additional management commentary are available in the earnings release and presentation slides, which can be found at ir.remitly.com. Please note that this call will be simultaneously webcast on the Investor Relations website.

Before we start, I would like to remind you that we'll be making forward-looking statements within the meaning of the 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 of these forward-looking statements. Please refer to the earnings release and SEC filings for more information regarding the risk factors that may affect results. Any forward-looking statements made on 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. We will reference non-GAAP operating expenses and adjusted EBITDA on this call. These metrics exclude items such as stock-based compensation, acquisition, integration, restructuring and other costs and foreign exchange gain or loss. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP metric, please see the earnings press release and the appendix to the earnings presentation, which are available on the IR section of our website.

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

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

Thank you all for joining us today to discuss Remitly's latest quarterly results. We delivered yet another quarter of strong performance. Q3 was exceptionally strong across the board. We exceeded expectations, both on the top and bottom line, as you can see on slide 4.

We acquired a record number of new customers year-over-year. Revenue growth accelerated to 39%. We delivered record adjusted EBITDA of \$46.7 million and adjusted EBITDA margin expanded to nearly 14%, getting us beyond the Rule of 50, as defined by the sum of revenue growth and adjusted EBITDA margin.

To put it in perspective, adjusted EBITDA this quarter was more than what we earned in the entire first half of this year and more than the adjusted EBITDA we delivered in all of 2023. This shows the strength of our business model and ability to drive profitable growth. With that backdrop, let me share my thoughts on Remitly's unique and sustainable growth strategy.

Growth is the top priority. We are a growth company and we are just getting started. The massive market we serve, the unique customers we cater to and the structural advantages to innovate, disrupt and win share give me confidence in our growth algorithm.

Let me unpack this. First, let me talk about our market opportunity. We have a very large addressable market of consumer cross-border payments of almost \$2 trillion in a highly fragmented space, as you can see on Slide 5. We have won share every year since our founding and we are still only approximately 3% penetrated.

Send volume grew more than 40% in the third quarter, over 5x the market growth rate. The fragmentation works to our advantage as we are the only scaled digital player with more than \$1 billion in trailing 12-month revenue and growing 30% plus.

Remitly's positioning as a digital-first provider has allowed us to sustainably outgrow the market along with improving economies of scale. The challenge is less about identifying where to grow, but more around strategically prioritizing investments across the near-, medium-, and long-term horizons.

We have multiple growth vectors, whether it is acquiring new customers in existing regions, expanding to new corridors, or extending into adjacent and novel use cases. We will continue to explore and diversify into segments like seafarers, high-dollar transaction centers, and microbusinesses. The prospect of serving unmet needs of existing and potential customers is very exciting.

Our large market opportunity includes growth opportunities in both new and existing send and receive geographies. We expect a significant majority of near-term growth to come from existing regions we serve, while entering new geographies creates growth opportunities for the medium term and long term. We will use the same disciplined corridor expansion strategy and the targeted approach that has served us so well to date when we enter these new regions.

Second, let me share more about our customers. We enable seamless cross-border payments, helping people send money to their friends and family generally in their home country. This growing segment of nearly 300 million people has distinct needs that existing financial service providers do not cater to in a customer-centric way. We create trust by ensuring that the funds are delivered to the right person, at the right time, in the right place, at a fair and transparent price.

For example, one of our customers, Sagrario, who lives in Los Angeles with her husband and mother-in-law, uses Remitly to send money to Mexico to support her siblings and her husband's family members. Prior to using Remitly, Sagrario sent money in person through a different company paying high fees for each transfer.

She was nervous about sending money online at first. Prior to sending with the app, she thought it would take at least a day or two for the money to arrive. Upon starting to use Remitly, she was amazed at the cash pickup and bank account options. Her first time transferring, she explained how cool when the money was available for pickup instantly.

And she told us about her experience with a sense of pride, confidence and amazement. Immediately afterward, she told 5 of her friends about Remitly. Sagrario first signed up for Remitly in 2020. Since then, she has sent money 40 times, totaling nearly \$6,000. Sagrario loves how fast Remitly is and that she doesn't have to leave her house to send. We focus on all the things that make a difference for Sagrario, including speed, reliability and great customer support when needed.

Our success validates the focus on absolute trust, simplicity and convenience, all accompanied by a transparent, competitive and fair price. This focus helps drive so many of our customers to consistently send with Remitly over many years. Sagrario's story of working hard to support her family in Mexico reminds us why our vision to transform lives with trusted financial services that transcends borders is so crucial.

Third, I'll discuss structural advantages as a digital business. These advantages apply across every aspect of our business, including marketing, technology platform and our global network, ultimately driving low-friction customer experiences. Let me touch on some of these examples.

One of the distinct benefits of a digital business is that we get smarter with every click, every customer call and every transaction. We add to the rich data-driven insights we have on the end-to-end customer experience, which enables us to develop a real-time view of customer behavior. This powers innovation as product teams get a deeper sense of customer needs. Deeper understanding of customer behavior helps us continuously improve the efficiencies and effectiveness across every part of the business.

For example, our business teams regularly run experiments and A/B tests and our data analysts spend a tremendous amount of time analyzing customer cohorts, demand curves and customer actions. This data powers marketing teams to build high ROI marketing campaigns, as you can see on Slide 6.

Confidence in our marketing investment is the result of durable customer behavior and over 10 years of historical data and behavior that we continue to observe. For example, a significant majority of trailing 12-month revenue comes from customers acquired in prior periods. This focus for marketing investments remains on ensuring we optimize lifetime value to customer acquisition cost. Our average payback period remains well below 12 months. This gives us high confidence in deploying marketing investments.

Importantly, we also continue to benefit from word of mouth and increased brand awareness as our product delivers a unique experience and our marketing continues to resonate with existing and potential customers. We believe that everything should be made as simple as possible for our customers, irrespective of how complex cross-border payments are on the back end.

Cross-border payments are very complicated due to many hurdles, including regulatory compliance, localized payment collection, disbursement and risk management. This becomes even more difficult when we do it at a global scale while solving for local intricacies. We serve people in 30 send countries, to send money to more than 170 receive countries and support more than 5,100 corridors. The ability to abstract complexity and provide a simple yet localized experience for our customers is our strength.

Now turning to the structural advantage through our technology platform. The technology platform we have built allows us to iterate and introduce new services and features quickly and efficiently. We keep security and reliability as design principles while developing core infrastructure.

We take pride in the 99.93% platform availability and uptime that we have delivered year-to-date and strive for nothing less than 100%. This is highly relevant given the importance of trust and the time-sensitive nature of cross-border payments. The customer experience continues to improve, as you can see on Slide 7.

Let's move to our global network advantage. We built a global payment acceptance network and supplemented it with a broad and high-quality retail distribution network. To put this in context, we support more than 5 billion bank accounts and mobile wallets, and 470,000 cash pickup options alongside home delivery in certain countries. We continue to add relevant payment options that provide great customer experiences and help drive down unit costs. Examples of this in the quarter include expanding Interac in Canada and launching faster bank-linked payment methods in the U.S.

Faster bank-linked payments allow customers to fund transactions from their bank accounts with faster delivery times similar to card payments. This makes our product attractive across use cases while increasing conversion rates and lowering variable costs.

On the disbursement side, we continue to make progress on implementing high-quality direct integrations. This increases transaction speeds, improves customer experience and lowers costs. For example, in Africa, we partnered directly with relevant mobile wallets such as M-PESA, MTN and Airtel. And in Bangladesh, we partnered directly with Nagad.

Finally, low-friction customer experiences have built high trust. For customers who want to contact us, we redesigned the Remitly Health Center and launched a new AI-powered virtual assistant that can resolve an issue 4 times faster than when interacting with associates.

Data feeds into our AI virtual assistant to simplify customer support and improve customer satisfaction and retention. We recently introduced Spanish and French language capabilities to the virtual assistant and we are increasing the use cases the assistant can address.

In the third quarter, we saw the highest ever percentage of transactions dispersed in less than an hour and a record percentage of transactions proceeding without a customer support contact. This all results in a great customer experience as reflected in Remitly app ratings of 4.9 and 4.8 out of 5 on the Apple and Android app stores respectively.

In addition, our Trustpilot scores are the highest among money transfer service companies in the U.S. and among the best in other regions. We are committed to simply being the best provider in every corridor we serve and continuously improving in every aspect so we can deliver on promises, win trust and grow.

In summary, our large market opportunity, ability to serve customers and structural advantages make me confident about the future. As I wrap up, let me share a few thoughts on our outlook. For the full year 2024, we are raising both revenue and adjusted EBITDA outlook, reflecting the strong performance we delivered in the third quarter.

For 2025, it's early, but I can tell you that we are already hard at work building a comprehensive plan. Given durable revenue, we have high confidence in our top line results. The leadership team and I are planning our objectives and key results for the next year. This will guide our strategic priorities and focus areas.

In the next earnings call, I will further detail our strategy, growth priorities and how we will achieve durable, profitable growth and provide more detailed guidance on what you can expect us to deliver in 2025.

With customer centricity at its core, our business model feeds momentum from one part into another and this creates a virtuous cycle that keeps reinforcing itself. We are reimagining cross-border payments where customers like Sagrario can send their hard-earned money home to family in a simple and instant way.

Before I hand it to Vikas, let me share how excited I am to welcome him to Remitly as the Chief Financial Officer. Vikas has decades of experience in senior finance roles at Fortune 500 companies, and I have already learned a great deal from him. In his first 60 days, Vikas prioritized investor engagement and has already done an extensive investor listening tour. I have no doubt he will drive profitable growth through financial discipline and prudent resource allocation.

With that, and with thanks, I'll turn the call over to Vikas.

Vikas Mehta - Remitly Global Inc - Chief Financial Officer

Thank you, Matt, and good afternoon, everyone. We delivered a strong quarter of growth acceleration and expanded profitability margins while driving continued share gains. As you can see on Slide 9, third quarter revenue was \$336.5 million, up 39% year-over-year. And adjusted EBITDA was \$46.7 million, delivering a nearly 14% adjusted EBITDA margin. Results exceeded our expectations, both on the top line and bottom line.

Let me unpack growth, profitability and then share our outlook for Q4 and early thoughts on FY '25. As you know, revenue is a function of active customers, their average send volume and gross take rate as defined by revenue compared to send volume. Active customers, as represented by quarterly active customers, increased 35% year-over-year to 7.3 million.

Powering this strong quarterly active customer growth was continued retention and record number of new customers acquired in the quarter. As Matt emphasized earlier, we are a growth company and new customers are a vital pillar of our growth strategy.

Send volume grew 42% to \$14.5 billion and outgrew the pace of active customer growth driven by higher frequency of transactions. Send volume per active customer increased 5% and was the highest we have seen in the last 9 quarters. In some corridors, we saw higher send volume as a result of a stronger U.S. dollar. Consistent with our expectations going into the quarter and sequential trend, gross take rate was 2.32%.

A key dimension of our growth is geographic scale. The focus on expanding globally, both for send and receive countries has driven a geographically broad-based growth profile. From a send country perspective, we saw acceleration in the US revenue with 36% year-over-year growth. Rest of world revenue growth also accelerated to 58% year-over-year.

On the receive side, we continue to diversify as revenue from regions outside of India, the Philippines and Mexico increased to over 50% of total revenue this quarter.

Turning to our focus on driving profitable growth on Slide 10. Transaction expenses this quarter were \$115.6 million and as a percentage of revenue, were 34.3%, improving over 110 basis points year-over-year. Excluding provision for transaction losses, other transaction expenses were \$98.9 million and improved approximately 240 basis points, driven mostly by improvements related to increasing scale with both pay-in and disbursement partners.

The mix of digital-received transactions increased by more than 420 basis points year-over-year in the third quarter. As Matt highlighted, we continue to add relevant pay-in options, including faster bank payments that attract new customers and improve our cost structure.

Provision for transaction losses increased to \$16.6 million and as a percentage of spend volume, was 11.5 basis points, down sequentially and slightly better than the expectations we shared earlier.

Transaction losses can be volatile from quarter-to-quarter and we will remain focused on optimizing customer lifetime value. Before I dive deeper into operating expenses, let me share thoughts on a key performance indicator for our business. We believe revenue less transaction expense or RLTE, is an indicator of long-term business model success. It reflects both the market share gains as well as economies of scale. This quarter, RLTE grew 42% to \$221 million, outpacing revenue growth.

With that, let me walk you through the specific non-GAAP expense categories. Marketing spend was \$70.3 million and as a percentage of revenue, was 20.9%, improving more than 260 basis points year-over-year. As we build long-term trusted customer relationships through our performance marketing and brand spend, we believe marketing spend per quarterly active customer is helpful in evaluating marketing ROI.

In Q3, marketing spend per quarterly active customer was \$9.61 and declined 8.5% year-over-year. This was driven by efficiency in lower-funnel marketing and benefited from optimized local digital marketing, targeted campaigns, word of mouth and high brand awareness. We optimized both performance and upper-funnel marketing, driving record new customers and higher transaction intensity.

Customer support and operations expense was \$21.5 million and as a percentage of revenue, was 6.4%, improving more than 190 basis points on a year-over-year basis, continuing a trend that we have seen over the past few quarters. The AI-based virtual assistant continues to drive down agent contact rates.

Technology and development expense was \$46.6 million and improved by more than 130 basis points as a percentage of revenue year-over-year. Technology investments are enabling improved speed and fewer defects across the transaction life cycle.

G&A expense was \$35.7 million and as a percentage of revenue, improved more than 250 basis points year-over-year as we benefited from continued discipline on hiring and non-headcount spend. We are implementing additional automation and AI tools to help drive even more efficiencies.

Overall, strong revenue growth, combined with efficiency and discipline across all operating expense categories led to adjusted EBITDA of \$46.7 million. Net income this quarter was \$1.9 million compared with a \$35.7 million net loss in the third quarter of 2023.

Net income in the quarter included stock-based compensation of \$39.3 million. As a percentage of revenue, stock-based compensation was 11.7% or approximately 50 basis points lower than the most recent quarter, making it the fourth decline on a sequential basis. This reflects a continued focus on moderating headcount growth rates and changes in mix of equity and cash for new hires.

It is important to note that while stock-based compensation is recognized ratably over the time of grant, vesting schedules for new employees are generally over a four-year period and back-end loaded, aligning with the long-term investor interest in managing dilution over time.

We have heard your feedback and we will provide quarterly guidance going forward. This additional guidance should help reduce volatility around quarterly results, especially related to seasonality.

Now with that, moving to our outlook on slide 11. We expect the fourth quarter to reflect typical seasonal patterns due to the holiday season and as a result, expect a sequential change in quarterly active customers to be modestly higher than what we saw in the third quarter. We model FX tailwinds, which pulled forward some demand in the third quarter to moderate in the fourth quarter.

With respect to gross take rate, we expect a sequential decline primarily as a result of mix. We expect revenue to be between \$338 million and \$342 million, a growth rate of approximately 28% to 29%. In line with that, we are raising full year revenue guidance by \$12 million at the midpoint to between \$1.25 billion and \$1.254 billion. Zooming out, expected revenue in the second half of 2024 is significantly above the expectations we laid out last quarter.

Shifting to our adjusted EBITDA outlook. As a reminder, Q4 is a seasonally high marketing investment quarter as we lean into new customer acquisition with both performance marketing and targeted brand campaigns, which we fully expect to set us up for a strong 2025 from a growth perspective.

From a transaction loss perspective, we expect a similar level of transaction loss as a percentage of send volume in Q4 that we have seen over the past two quarters. We expect Q4 adjusted EBITDA to be between \$17 million and \$21 million. Similar to revenue, adjusted EBITDA performance in the back half of the year is significantly higher than what we had expected when we gave our outlook last quarter. As a result, we are increasing the full year adjusted EBITDA outlook by \$15 million at the midpoint to a range of \$108 million to \$112 million.

Now let me share early thoughts on 2025. Due to our unique product and trusted experience, we have deep loyalty within our customer base, which creates durability in revenue and gives us confidence in predicting the future of business. As we look at customer cohorts, past trends and take a prudent view, we expect a low to mid-20% revenue growth rate for 2025. Also note that thus far in 2024, we have benefited from FX tailwinds in key corridors. While we could continue to benefit, we are not assuming this tailwind in 2025. Finally, this is an early view and Q4 is a crucial quarter that will shape formal guidance for the next year.

To summarize, the strong revenue growth and adjusted EBITDA margin expansion this quarter reflects the hard work across every team to drive growth while maintaining disciplined cost management. As we look to the future, we remain focused on our vision to transform lives with trusted financial services that transcend borders.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Andrew Schmidt with Citi.

Andrew Schmidt - Citi - Analyst

Maybe just dig into the third quarter performance. Obviously, great, great results here. Could you just talk a little bit about just whether there was anything else other than currency that might have influenced results or caused a onetime effect? It seems like a very, very robust result. And the fourth quarter, it seems like you're obviously not assuming that momentum continues, maybe a prudent starting assumption. But if you could dig in there, that would be helpful.

Vikas Mehta - Remitly Global Inc - Chief Financial Officer

Thank you, Andrew. This is Vikas. Let me take that. First of all, we are really pleased with the exceptional results that we saw in Q3. As you saw, we exceeded both internal and external expectations. We had record new customers. We had volume that grew 42%, which is the highest that we have seen in 8 quarters. And that was backed by average send volume that grew by 5%, which was the highest we have seen in 9 quarters. So a lot of really, really high benchmark steps that we were able to establish this quarter.

We did see some FX tailwinds, especially with the strength in the U.S. corridors. And as we look at Q4, as you rightly pointed, while some of those tailwinds could continue, we thought it prudent not to include or bake them in into our Q4 outlook. Overall, we believe Q4 is a really crucial quarter as it sets us up for a strong 2025. And in addition, finishing the year strong is 100% focus for us at this point. And in fact, we've been off to a good start in Q4, in line with our expectations. So overall, an exceptional Q3 and a good start to Q4.

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

And the only thing I'd add there, in addition to saying, again, just huge welcome there, Vikas. He's already added so much value across the business. But Q3 was strong. I mean you look at the 39% revenue growth at our scale and size. But ultimately, it's underpinned in how strong our product is and continues to be. And I think sometimes when we talk about word of mouth, some folks can equate that to marketing efforts and that certainly has an impact.

But the foundation is the product, at our scale and size, just continues to get better and that results in outperformance in terms of growth compared to the rest of the market. You saw that in Q3. You see that Q4 quarter-to-date. I'm incredibly excited about the plans that we're already laying out for '25 to continue that kind of self-reinforcing loop that I've mentioned we're calling internally the flywheel that we may share more about in the future. But it's customers like Sagrario that are coming back again and again because the product just continues to be superior given some of the structural advantages that we have and the product and experience we deliver.

Operator

Andrew Bauch with Wells Fargo.

Andrew Bauch - Wells Fargo - Analyst

Maybe if you could just give us some of the building blocks on that 2025 guide. It's really helpful to have the low to mid-20%, but some of the fundamental assumptions that are going in there. I know you mentioned there were certain tailwinds in select corridors that are expected to ease. So maybe if you can give a little bit more detail there.

Vikas Mehta - Remitly Global Inc - Chief Financial Officer

Yes. Andrew, this is Vikas. Thank you for your question. And as you think about FY 2025, first of all, this is an early view. Keep in mind that we wanted to -- given the view that we have from cohorts give you an early signal, so you can start thinking about that. Just one stat similar to what Matt had shared earlier, we retained majority of the revenue after cohorts first full year on the platform and that gives us confidence to be able to provide that early signal.

In addition, I would say that, as I did my listening tour, that was a frequent ask to be able to provide a little bit of an early view into things as well as give indications in terms of where the business is headed. So that was the genesis there.

As you think about FY '25 and what we shared, keep in mind a few things. The first is we saw FX tailwinds in 2024 year-to-date. And similar to what we shared for Q4, we are not assuming those FX tailwinds to continue. We could benefit from them, but from a prudence perspective, we thought it was best not to bake them in.

Secondly, we believe that our quarterly active customers, the growth that we have seen on a sequential basis, we expect that to continue in 2025 as well. And finally, I'd say we believe that the volume growth will outperform revenue similar to what you have seen thus far in 2024. So overall, similar trends to 2024 from those growth algorithm perspective.

Finally, I'd say that we are hyper-focused on Q4. Q4 is a crucial quarter that sets us up for a successful 2025. So we'll be executing relentlessly on that and that will define the formal guide that we'll provide in the next quarter.

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

Yes. And I'd just add, this morning, I was reviewing some of our company level goals for 2025. And I am incredibly excited given the foundation that we've set in '24 plus how that just kind of fuels our product to be able to continue to improve in '25 as well as be able to get a lot of the other engines running in terms of marketing at the right efficiency.

I'm looking beyond '25 already, to be honest. And if you zoom out both historically and looking forward, historically, you go back to 2020, we were just over \$250 million in revenue. And so you look this year, we've guided to already over \$1.25 billion. If you look at the early, early numbers that we're giving on '25 and then I'm thinking about how do we continue to go after the \$3.3 trillion, if you look at what it will be by 2030, it's exciting.

And I think we're uniquely positioned to do it, as I said in my opening remarks and there's just this self-reinforcing component to it in addition to solid execution that we need to continue to deliver that's going to take us to really accomplishing our vision of really transforming the lives of customers around the globe by reinventing cross-border financial services. So excited about what's to come, Andrew. Appreciate the question.

Operator

Ramsey El-Assal with Barclays.

Ramsey El-Assal - *Barclays - Analyst*

Super impressive results this quarter. I was wondering if you could comment on operating leverage. And I guess, specifically in the quarter and specifically marketing came in better than our expectations, probably better than the street as well. What marketing efficiencies are you seeing? And I guess, can you comment on whether you expect the sort of favorable trends to continue next quarter and beyond?

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

Yes. I'm happy to take that and start, Ramsey. I think I'm really pleased with how we continue to deliver on the marketing front. And I think, as I said earlier, the foundational component of that is the fact that our product continues to deliver. And I'll go back to the Sagrario example. After she used our product, she shared it with 5 friends. She has been retained, obviously, since 2020 when we added her as a customer. She is one of now over 7 million customers that uses our platform. And so the marketing dollars we're spending continue to enable us to add record number of new customers.

But what I'm excited about when you look at the trend is the amount of marketing that's required is -- can potentially moderate given the fact that our product and our brand continues to deliver in a differentiated and unique way. And so excited about marketing as our business is based on trust, will always be a component of marketing. And I think we have a really scientific way of actually delivering those marketing dollars where we can measure them and where there's a real unit economic focus when you think about customer acquisition cost and lifetime value.

But the thing I'm even more excited about is the unique brand we have built. That has a lot of value and that brand has been built by brand marketing, of course. But foundationally, that word of mouth and brand has been built by just continuing to deliver a superior product.

Vikas, anything you'd add?

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

Yes. No, I'd just dovetail on top of that to say that we've really benefited from product improvements that reduce friction and drive word of mouth. And one specific example I'd share is seafarers. We talked a lot about that in the last quarter. And we expanded seafarers in Europe, Great Britain, Australia, Singapore and we saw record new customer acquisition growth there.

The key point there was that 70% of those new seafarers acquired in Q3 came from organic and unpaid channels or referral channels. That again goes back to that product-driven word of mouth that helps us succeed and the flywheel that it drives into motion.

Operator

Will Nance with Goldman Sachs.

Will Nance - *Goldman Sachs - Analyst*

Great to see the strong results and momentum in the business today. I wanted to ask a couple of -- one of your competitors mentioned a couple of macro impacts in the month of October, particularly it sounded like maybe seeing some of these FX-related tailwinds in the business subside in October in the U.S.-Mexico corridor as weather -- as well as some disruptions in kind of Central America. So from your commentary, it kind of sounded like you guys are not seeing that, but just wanted to check and see if you guys have observed any notable patterns there?

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

Yes. Thanks, Will. Overall, really pleased with the performance, specifically since you mentioned Mexico that we're seeing so far in Q4. We continue to take share and significantly outgrow the market. And we continue to see strong behavior metrics with send per active growing year-on-year thus far in Q4. And so while it's still early in the quarter, we're pacing in line with our initial expectations for the region and customer behavior remains resilient.

Will Nance - Goldman Sachs - Analyst

Got it. That's great to hear. And then just I'll try another one on marketing as we look ahead into the fourth quarter. I think last year, we saw a pretty substantial step-up in marketing from the prior run rate in the fourth quarter. And plus or minus, it sort of bounced around in this \$70 million range since then. I mean, is that the right cadence where you kind of strike a new level for marketing in the fourth quarter for the following year? And just any thoughts on kind of how to think about the sequential step-up there?

Vikas Mehta - Remitly Global Inc - Chief Financial Officer

Yes. Thanks, Will. Let me take this. This is Vikas. A few things there. First of all, Q4 is definitely a crucial quarter given the customer acquisition opportunity in the holiday season. As Matt mentioned earlier, we are hyper-focused on marketing ROI. So we want to drive growth, but do it in a way that is very prudent.

And as we think about that, we feel -- for Q4, we believe we'll have a moderation in year-over-year spend growth. If you look from a sequential perspective, we believe that the dollars that we'll spend will sequentially increase. But overall, if you think about the marketing ROI or the marketing per quarterly active customer will be lower year-over-year, similar to what you saw in Q3.

Ultimately, we are focused on the marginal ROI when it comes to marketing. And given the 3% approximate share that we have, we believe there's a massive growth opportunity and we'll be seizing that opportunity in Q4 as well.

Operator

Tien-Tsin Huang with JPMorgan.

Tien-Tsin Huang - JPMorgan - Analyst

Great results here. On the fourth quarter outlook, I know you mentioned seasonal considerations and the take rate sequential decline due to mix. But just thinking about why this fourth quarter from a seasonal pattern perspective would be different than the past because it feels like it's pretty conservative in terms of the outlook. I know third quarter was quite strong. Perhaps there was some pull forward with the strong dollar, but just trying to better understand the thinking on 4Q.

Vikas Mehta - Remitly Global Inc - Chief Financial Officer

Yes. Tien-Tsin, thank you for the question. This is Vikas. I think the -- I'll try to help you think through the algorithm there, if you think about quarterly active customer, the average send per customer and then the gross take rate. So if you think from that perspective, as we have shared from a quarterly active customer perspective, we believe Q4 is a crucial quarter and we'll have a sequential improvement, while modest from an additional quarterly active customer being higher compared to Q3.

So that's one. The second is send volume per customer. We believe that will be in line with what we saw in last Q4 from a dollar perspective. And finally, from a gross take rate perspective, we believe that it will be sequentially softer, but it is more or less in line with what you have seen over the past couple of quarters.

And again, I want to note that if you think about the last point, which is the take rate, we have shared that -- before also that it's not the best indicator because it is influenced by transaction size, FX, corridors, payment mechanisms, et cetera, beyond price optimization. So that's how you can think about the growth algorithm for Q4.

Overall, we continue to be very excited about the shape of the business. And as I shared earlier, Q4 is off to a good start and in line with our expectations.

Operator

David Scharf with Citizens JMP.

David Scharf - *JMP Securities - Analyst*

Most have been answered, but one, just housekeeping, maybe I missed this. Have you quantified what the year-to-date FX impact has been on revenue growth as you define the FX tailwind? Just to give us some context for what's being conservatively left out of next year.

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

Yes. So David, this is Vikas. Thank you for the question. And on one hand, it is difficult to quantify FX impact, as you can imagine. So it's hard to put a number to that. That said, we see spikes and we see positive momentum, especially that correlates with some of the sort of strengthening of currencies, especially U.S. dollars. So that gives us enough indication in terms of the direction.

That said, it's hard to parse it out compared to a lot of other factors which could be playing in, whether it is specific holidays or specific days where we typically see volume to improve. So that's point one.

The second is, as we think about out quarters, we generally try to be more prudent and don't factor that in. Now keep in mind that can go both ways. It can be a tailwind or a headwind. So with prudence, we try to not bake it in and we focus on what we can control, which is providing a great low-friction experience for our customers.

Operator

Rufus Hone with BMO Capital Markets.

Rufus Hone - *BMO capital markets - Analyst*

Great to see the GAAP profitability this quarter. I wanted to get your thoughts on the longer-term EBITDA margin. Obviously a good uptick in margins this quarter, but really appreciate your comments around the improving marketing efficiency and the organic word-of-mouth traction. But how are you thinking about the pace of EBITDA margin expansion in 2025 and beyond?

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

Yes. Thanks, Rufus. I'll start with this one. I think that when you look at -- we talk about scale and that kind of self-reinforcing flywheel from a product standpoint, the thing having run this business now for close to 14 years is that we fundamentally are a digital payments business. And as digital payment businesses get more scale, there's a lot of leverage across each aspect of the P&L, whether that's transaction costs we've talked about, you mentioned marketing, you look at CS and how that's continued to leverage G&A and tech and dev, you need to make enough investments there to accomplish our vision as well as continue to drive other aspects of the P&L.

But you go through each of those. And what excites me is that -- obviously, we're excited we had our first profitable quarter in Q3. But that is because of this flywheel that is happening from more of a scale perspective as a digital payments business and really excited about the optionality that that gives us not only for '25, but the long-term margins that this business can deliver in the coming years.

Anything you'd add there?

Vikas Mehta - Remitly Global Inc - Chief Financial Officer

No. I'd just reinforce what you said earlier in the prepared remarks. Look, first of all, we are a growth company. We have a very small share in a massive, massive market. We'll continue to invest and with a view to drive long-term shareholder value. We did that this quarter, as you saw, in terms of just making the right bets as well as driving the right profitable growth.

And finally, we'll drive disciplined capital allocation, which was reflected in our 14% EBITDA margin this quarter. So we'll keep those principles front and center. We don't have anything specific to share on the EBITDA margin goals for FY '25 at this point of time, but we hope the principles and learnings that we've had give you confidence in our ability to drive the flywheel in the virtuous cycle that Matt shared earlier.

Operator

Chris Kennedy with William Blair.

Chris Kennedy - William Blair - Analyst

It's clear you guys have a lot of growth levers. Can you just talk about how you allocate capital between your growing established markets, your emerging markets and then entering new geographies?

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

Yes. Yes. Happy to take that one. And you're right. I think that there's a lot of companies where there's a question of, hey, how do we grow or where do we grow? For us, as I mentioned in my opening remarks, the challenge is less about identifying where to grow and more about strategically allocating.

And to your point, if you look at a lot of our near-term growth, it is in existing markets. We are a small percentage of a very large and growing market and we continue to outperform overall market growth. And so that's what -- what's nice is if you look at the coming quarters, it's existing markets we can continue to expand in. I will tell you, again, going back to the business review that I was doing this morning, we continue to -- we plan to continue to add markets as we go into '25.

There are some large regions that we can continue to serve. And I'm pleased with some of the markets that we just launched a few quarters ago because we're seeing encouraging growth from a new customer acquisition standpoint, which is the leading indicator of [NCAs] or quarterly active users and ultimately revenue. And so excited about the new markets we've just launched and are about to launch.

And then the last that I'd mention in terms of where to invest is there's lots of opportunities when it comes to whether it's expanding to microbusiness send, other segments that we can serve and so very excited about that.

And the one last data I'll share just to reinforce the new market point. Really good progress, I mentioned, in UAE, but also Sub-Saharan Africa, which includes markets like Nigeria, Ghana, Kenya, Tanzania. And that grew 50% year-over-year in terms of quarterly active users. And so it gives you a little bit of a sense of the kind of growth we're seeing both in existing new markets as well as new segments that we're working on.

Operator

And our next question comes from the line of Darrin Peller with Wolfe Research.

Darrin Peller - *Wolfe Research - Analyst*

Nice quarter. And it looks to us a little bit, and I'm curious if you can comment on this, but like the magnitude of the beat in the third quarter was somewhat giving you guys some room, because I know the previous view was EBITDA would be sort of spread out evenly over the first -- the second half quarters. And now you had a nice beat in Q3 and yet from a Q4 standpoint, it looks like EBITDA obviously steps down from a growth rate standpoint quite a bit.

And so I'm just kind of curious if you're just spending -- you're utilizing the beat to spend more on marketing to set up well for 2025, which is great if that's the case, just as an investment in the business. And maybe just kind of a quick follow-up would be on the opportunity around gross -- I'll just ask it all at once -- opportunity around gross margins, especially as we look more -- if there's just more room and white space on the current corridors for bank integrations and some of the items you've done so far, setting aside fraud loss variability, I guess, also. But if you could just comment on both of those, that would be great.

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

Yes. Thank you, Darrin. Let me take the first part of it, and Matt can share thoughts on the second one. So as you think about our EBITDA guide, you may want to think about broadly as a second half increase in the guide. So we -- as you know, we increased the guide by \$15 million, which is a sizable increase compared to what we have done before.

And we saw strong growth drive really meaningful expansion in margin from a Q3 perspective. As I shared earlier, we have a lot of growth opportunities. And we will continue to invest. We'll invest in innovation. We'll invest in marketing. Q4, as you said exactly, it's a crucial, crucial quarter and we want to make sure that we retain some optionality there to drive high net customer additions, which set us up really well for FY '25.

And finally, we believe that from a revenue perspective, given the FX movements, it could move either way and retaining some prudence there was something that we thought would be the right thing to do. So from an EBITDA perspective, again, I think our business model is really strong. And given the economies of scale that we get, it really makes us feel very confident in the overall expansion from a margin perspective.

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

Yes. Thanks, Vikas. The only thing I'll add, Darrin, is to your point about some of the transaction expense. First, I'm happy Vikas mentioned RLTE. That is a metric that we'll be talking about in the future. And while there'll be some quarter-to-quarter variation of that, if you look at the long-term trend, we have both unique ability to drive down transaction costs because of our scale, whether that's paying partners, disbursement partners, data that can feed into our systems to manage transaction loss, but also because of the digitization and decreased cost and improve speed of payment methods on both the acceptance and the disbursement side.

On the latter, we need to make sure that we're balancing how much we capture as a business and let flow to the P&L versus how much we pass along to customers due to the digitization front. But if you look at it, we have a unique ability to manage transaction expense that gives us a lot of optionality and ultimately will help us drive growth in RLTE, which is more closely correlated with LTV than a metric like revenue. And so RLTE is something that we're going to continue to talk about and manage closely and excited about the optionality that movements in transaction expense gives us there.

Operator

Alex Markgraff with KBCM.

Alex Markgraff - *KeyBanc Capital Markets - Analyst*

Vikas, one for you, on the metric that you had mentioned, the marketing expense per quarterly active. Just sort of curious from your seats why that's the right metric to think about with, I guess, the underlying question, just looking to better understand how much of that marketing expense is going towards new customers versus existing customer retention?

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

Yes. Thank you. Thank you, Alex. I really appreciate the question. First of all, similar to the earlier comments, we deeply care about the marketing efficiency and the ROI. Given the amount of data that we have from just the 10-plus years of serving customers, we feel that the data-driven insights can be extremely helpful for us, to not only engage and improve the activity levels, but also acquire new customers.

So while performance marketing is driving the new customer adds, the upper funnel spend from brand, et cetera, tends to help drive activity across both new as well as existing. And we believe that marketing per quarterly active customer is a composite way to evaluate efficiency both across the adoption as well as the engagement.

Behind the scene, I'd say that the LTV to CAC and the payback periods are extremely important for us to drive channel ROI and specific decisions there. And as we shared earlier, our payback periods are really very solid and continue to improve as well. So from a marketing per quarterly active customer perspective, we feel it's a great composite metric. A majority of our spend continues to drive new acquisitions. That said the higher frequency that we can drive from brand halo is very important for us.

Operator

Gus Gala with [MCH & Company].

Gus Gala - *Monness, Crespi, Hardt & Company - Analyst*

I had one -- a couple. So as the base diversifies, the core is now 50% non-India, Philippines, Mexico. Are you seeing performance marketing efficiencies from targeting those geos? And then the second part is, how do you think of the, I don't know, the RLTE growth and contribution margin of these newer corridors versus the core corridors, if you will?

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

Yes. I'd say, Gus, on the first point in terms of marketing efficiency, we have a playbook that we've rolled out across beyond those three. We're in 170 receive corridors. And so I'm glad that we highlighted in the script that the business continues to diversify, but this is not something that's new

for us. We've been marketing a playbook across a lot of corridors. And you see that in the marketing efficiency ultimately as you see in the P&L. And so feeling good about the marketing playbook and expanding well beyond those 3 corridors.

Operator

Zachary Gunn with FT Partners.

Zachary Gun - FT partners - Analyst

So great to hear you talk about RLTE. And I know you discussed an RLTE dollars that going up. But I think across the industry, there's a view that over the long term that the margin has to come down just due to pricing. But given all the drivers you discussed of being able to drive efficiency and transaction expense, can you just help us understand long term, how we should think about the direction of that margin? And then just have a follow-up after that.

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

Yes. Yes, happy to take that, and it helps -- also give me an opportunity to answer the second part of Gus' question. I think that the RLTE dollars is what we care about the most. And I think that, as I mentioned earlier, there's reasons that we can manage transaction expense over time. There's going to be digitization, which is great because it makes the cost for remittances come down.

And it's not only digitization, but I expect the cost to collect funds to continue to come down. You may have seen that we helped with a bill that was just announced called the Affordable Remittance Act that would give non-bank highly-regulated financial institutions and specifically remittance companies access to FedNow as one example. That would bring down our pay-in costs, and therefore, bring down our transaction expense.

And as we do that, we need to constantly decide how much we pass along to customers and how much we let flow to our transaction margin. And what we will do when we look at each one of those decisions, many of which we can uniquely deliver because with more scale, we can get access to greater just leverage and lower cost, we will look at what are the cumulative RLTE dollars more than the percentage.

That being said, I would expect stability to modestly increase over time. And I would expect some variability quarter-to-quarter as we optimize that. And so RLTE, I think, is something that ultimately, again, equates to LTV and we feel really good about the levers that we can control to drive that, which is both activity of customers and the price that we're charging customers.

Operator

Matt Oppenheimer for closing remarks.

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

Great. Thank you, everyone, for your thoughtful questions. And we want to, again, bring it back to a customer Sagrario, who said this about her experience with Remitly. "I am very happy. It makes my life easier in terms of sending money and the exchange rate is good." We thank her for her loyalty since 2020 and for recommending Remitly to friends and family.

And I just want to thank everybody for joining us. We appreciate your support. As you've heard from this call, we are incredibly excited about the opportunities ahead and look forward to sharing our progress as we continue to execute on our vision of transforming lives with trusted financial services that transcend borders.

Operator

Ladies and gentlemen, thank you for participating. This does conclude today's program and you may now disconnect.

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