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PRESENTATION

Operator

Welcome to Remitly fourth quarter 2023 earnings conference call. (Operator Instructions) Again, please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Stephen Shulstein, Vice President, Investor Relations. Please go ahead.

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

Thank you. Good afternoon, and thank you for joining us for Remitly's fourth quarter of 2023 earnings call. Joining me on the call today are Matt Oppenheimer, Co-Founder and Chief Executive Officer of Remitly, and Hemanth Munipalli, our Chief Financial Officer.

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

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

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

The following presentation contains non-GAAP financial measures. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP metric, please see our earnings press release and the appendix to our 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, Stephen, and thank you all for joining us for our fourth quarter earnings call. As we look back on Remitly's performance in 2023, we have a lot to be proud of as we delivered on our commitments to our customers and shareholders.

At the beginning of last year, we laid out our commitment to deliver strong growth at robust unit increase return on our investments, and deliver a fast, reliable and seamless experience for our customers.

As you can see on slide 4, we delivered on these commitments in the fourth quarter and in 2023. These results reflect the progress we have made on our strategic initiatives and our commitment to our customers to deliver peace of mind as they send money across borders.

Our revenue increased 39% in the fourth quarter and 44% for the full year. On a fourth quarter annualized basis, our scale has reached over $1 billion of revenue. We also delivered $8 million of adjusted EBITDA in the fourth quarter and $44 million of adjusted EBITDA for the full year, well ahead of the goals we set for ourselves at the onset of the year. We benefited from strong execution across the business, increasing scale, the nondiscretionary nature of our service, and the resilience of our customers.

We've expanded on our vision, as you can see on slide 5. Our vision is to transform lives with trusted financial services that transcend the borders. This vision encapsulates a broad view of who our customers are today and who we can serve in the future. It also speaks to the unmet customer needs that we believe we are uniquely positioned to solve by delivering peace of mind to the customers around the world with cross-border financial needs.

Our four strategic focus areas on slide 6 are designed to help us deliver against this audacious vision with customer-centricity at the heart of our strategy. We believe our total addressable market is approximately $1.8 trillion, which represents the total consumer cross-border payments market. We currently have 2% of this total market with nearly $40 billion of send volume in 2023.

According to the UN, this market includes approximately 1 billion people around the globe who send or receive cross-border payments, including immigrants, their families, and others with cross-border financial needs. We remain focused on investing where we have clear advantages as a digital-first, cross-border financial services company.

In addition, we believe investments in our technology platform will allow us to efficiently serve more of this market over time. We are confident our strategy will allow us to drive robust growth with this very large market opportunity for many years to come.

First, we aim to delight our customers with a fast, reliable, and seamless cross-border payment experience, which results in providing our millions of customers with a delightful experience. This is a key driver of improving retention, engagement, and maintaining strong unit economics. Delivering a delightful cross-border payment experience in a trusted and reliable way to a highly diverse and global customer base is incredibly complex.

Our technology investments and increasing scale have resulted in significant progress across various aspects of improving the customer experience, which as a result has increased customer engagement on our mobile app and website and enabled market share gains. But there is still so much more to do to improve the customer experience. And we are excited about continuing our journey to reinvent international person-to-person payments.

Second, our targeted marketing investments across both performance and brand channels have delivered new customers to our platform at very attractive unit economics. Our focus remains on maximizing lifetime value for the long term, while we efficiently acquire new customers and retain a growing large base of customers.

We define lifetime value as revenue, less transaction expense over five years, even though many customers continue to transact with us for more than five years. This long-term view of our customers provides us with many levers to enhance lifetime value, and we are experiencing LTV improvements as customers have increased their transaction activity, particularly for digital receive options, and we have also been decreasing transaction costs.

Third, we see significant opportunities to expand into more geographic markets. Our global network consists of more than 5,000 corridors, and we have plans to increase our reach to thousands of additional corridors, while increasingly benefiting from diversification. Both -- we may use the same disciplined corridor expansion strategy and our targeted approach that has served us so well to date. While our customer base today is primarily customers who regularly send home to family and friends in developing countries, we believe over time, we can better serve a broader set of customers who have cross-border financial needs.

Fourth, we believe there are enormous opportunities to deepen customer relationships by leveraging the unique technology platform we have built and continue to build to efficiently scale new features and products to the millions of customers we serve today and to make our offerings even more attractive to other customers that have cross-border financial needs.

Now, let's turn to more details regarding each of these focus areas. On slide 7, you can see that in the fourth quarter, quarterly active customers increased 41% year over year to 5.9 million. The significant year-over-year increase in quarterly active users can be attributed to multiple factors: increased activity due to the holiday season from a growing base of active customers who were acquired in prior periods, as well as the acquisition of a record number of new customers during this period.

Customer behavior trends remain strong. And we see transaction intensity, which we define as transactions per quarterly active customer, continued to increase as the year over year mix of digital receive transactions increased by more than 500 basis points in the fourth quarter. As we continue to deliver value for customers, we believe we can serve these digital receive customers in a way that maximizes retention and engagement, while also reducing unit costs across our pay-in and disbursement networks.

In the fourth quarter, we also acquired a record number of new customers across all our send geographies, including the US, Canada, and the rest of the world.

Now, let's turn to slide 8. We talked last quarter about the complexity inherent in cross-border payments experience and how our value proposition of providing a fast, reliable, and seamless customer experience is a key differentiator. Our investments in reducing complexity and eliminating all unnecessary friction in various elements of the customer remittance experience enables us to provide value to our customers, which in turn results in improved retention, increased transaction intensity, lower customer support costs, and strong word-of-mouth referrals.

While we are pleased with the progress we are making in reducing unnecessary friction in our disbursement network and customer support, we continue to see opportunities to further improve the customer experience.

In this context, we are focused on improving the quality of our disbursement network, which can be enhanced by direct integrations, which eliminate intermediate steps in the remittance journey. This enhances our ability to deliver instant transactions for our customers, which is a key driver of loyalty and word-of-mouth effects, as speed and reliability enable us to delight our customers. Since early 2021, we have significantly increased the percentage of transactions that go via direct disbursement routes.

This now includes strategic partnerships with some of the largest banks and telcos, including M-Pesa in Africa, Alipay in China, BDO in the Philippines, and Elektra in Mexico. As a result of these investments we have made to enhance the quality of our network in the fourth quarter, we were able to disperse more than 90% of transactions in less than one hour, even as we onboarded a record number of new customers where the risks of delays are higher.

Our direct integrations also allow us to disperse funds rapidly, 24 hours a day, seven days a week, which would not be the case if we exclusively relied on intermediary payment networks. This outcome is critically important to our customers who are often sending money for immediate needs, so a reliable and fast service is of paramount importance.

Optimizing the balance between a great customer experience and preventing fraud is another area that has been a key focus for us and very important to our customers. We have made significant investments to ensure that legitimate transactions can go through with the least amount of friction and that we are able to block fraudulent transactions more effectively and in real time.

We are continuing to leverage artificial intelligence and machine learning to more accurately make risk decisions. These models have been getting even more precise with growing customer data, which the models continuously adapt to. This allows us to operate more efficiently, while improving their customer experience.

This helped drive a decline in our non-GAAP customer support costs as a percentage of revenue by 260 basis points in the fourth quarter as compared to the prior year.

Our customer support experience is a key driver of product differentiation. We have made significant improvements by reducing problems in the first place and with a new self-help experience to empower customers to resolve problems quickly and efficiently. We are highly focused on reducing issues the customers face during a transaction. Reducing friction related to fraud that I just discussed is one example of where we made significant progress in the fourth quarter.

Secondly, we are highly focused on increasing the number of customers that can resolve issues themselves using our digital service options. As an example, we offer support in 15 languages. And after thorough testing, we are using AI to efficiently serve even more customers by translating and responding to contacts in real time.

These efforts have been key drivers of more than 95% of customer transactions proceeding without any customer support contact. To make self service a preferred method of support for customers, we recently launched a new self-help experience across both our app and web platforms. The new experience is responsive to customer needs based on aggregated insights from customer interactions and customer focus groups.

Key improvements include an AI-based search that improves precision of answers to customer questions, more clearly communicating outages and delays that could impact a specific transaction, building customer trust by displaying available contact channels and customer's preferred language. We have seen early returns from this new self-help experience with continued reduction in our customer contact rate.

Finally, in cases where customers are unable to resolve problems on their own, we aim to provide an efficient and empathetic service that resolves issues the first time and builds peace of mind and trust for our customers.

Now, let's turn to how our highly localized and targeted marketing strategy enables us to acquire new customers at very strong unit economics on slide 9. We are focused on customer lifetime value, which again we define as revenue less transaction expense over a period of five years.

We use our deep knowledge of our customer lifetime value to be intentional about how much we're willing to pay to acquire new customers, and our average payback period remains below 12 months. This gives us very high confidence in our recent marketing investments, which are expected to deliver returns this year and beyond. We have also observed that our customers' behavior over the past many years they have been active on our platform are predictable and durable.

This is why we do not optimize for marketing expenses in any given quarter but rather optimize the amount we're willing to pay for a newly acquired customer with the projected lifetime value over five years and remain confident that our efficient marketing investments are generating significant value. This is especially true as we continue to scale and drive down our unit costs, thereby increasing our LTV via lower per-transaction expenses.

As a result, we have been able to drive even more lifetime value on a total dollar basis. As you can see in the chart on slide 9, our revenue less transaction expense remains very durable over time, primarily as a result of declining unit costs and resilient customer behavior.

Following the first full year after we acquire a new customer, these same customers have provided, on average, approximately 95% of revenue less transaction expense for each subsequent year. This continues to validate that our marketing investments are expected to generate high returns for the long term.

Our revenue less transaction expense grew 56% in 2023 compared with our 44% growth in revenue. We expect revenue less transaction expense to continue to grow faster than revenue in 2024 as we benefit from increasing scale across pay-in fees, disbursement fees, and fraud.

Also, similar to prior years, in 2023, a significant portion of our revenue less transaction expense was contributed by customers acquired prior to 2023, further demonstrating the predictability and durability of the lifetime value of our customers.

We continue to benefit from scale, a multi-year focus on brand building, creative velocity, and experimentation, and optimization across marketing channels. We have high confidence in the return these investments are delivering in the aggregate, given the predictability and durability of the associated lifetime value from our customers.

Turning to our third strategic pillar on slide 10, we also see an opportunity to drive growth by expanding to additional markets and customers.

While today our global network spans over 5,000 corridors around the world, we have plans to increase our reach to thousands of additional corridors over time, using our disciplined corridor expansion playbook. We have demonstrated our success in growing both new and existing markets.

Since 2020, we have more than tripled our revenue from North America, and our revenue outside of North America has grown more than 7x to nearly $200 million in 2023. While the global market opportunity is significant for us, we are very targeted and intentional about our investments and are focused on ensuring product market fit for our customers. We expect to go about our expansion plans methodologically and by deploying our well-established playbooks and technology as we have done for many years.

Now, let's turn to our fourth strategic pillar on slide 11. We believe there is a significant opportunity to further deepen our relationship with customers. We are excited about the opportunity to offer complementary new products built on our technology platform. This platform additionally enables us to test and learn at scale and provide our customers with features and functionality that increase engagement and remittance transaction intensity.

We are structuring our technology platform to create a multiplier effect where we improve the quality of all products, including both our remittance app and complementary new products. We are enhancing our technology platforms so they scale for even more rapid and efficient development cycles. The technology platform is also enabling us to leverage data, AI and ML models, and analytical capabilities to drive improved customer experiences.

The improvements we have made in fraud management, customer service operations, reliability, including a 99.99% availability in the fourth quarter, higher quality represented by better and faster expansions at lower error rates, and better security and privacy posture are all directly the benefits of our technology platform.

To summarize, we have high-return investment opportunities over the short- and long-term horizons that will help us drive strong revenue and sustainable profit growth in a large and growing cross-border market.

Given the increasing scale, we also intend to drive additional focus on improving our operational efficiencies in 2024 across the business. We plan to take a similar rigorous approach we took to driving efficiencies in transaction expense and customer service costs to other areas of the business.

By streamlining processes, increasing automation, and deploying technology solutions, we expect to continue to be able to make high-return-yielding investments towards growth, while also sustainably growing our profits for the long term.

I could not be more excited about the opportunities ahead to achieve our vision, to transform lives with trusted financial services that transcend borders. With that, I'll turn the call to Hemanth to provide more details on our financial results and our 2024 outlook.

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Thank you, Matt. I'm pleased with our strong results in the fourth quarter as results came in ahead of our expectations, consistent with our strong execution throughout 2023.

I will start with a review of our fourth quarter financial highlights and then provide additional details on our 2024 outlook. I will discuss non-GAAP operating expenses and adjusted EBITDA in my remarks. These metrics exclude items such as stock-based compensation, the donation of the common stock in connection with our pledge 1% commitment, acquisition, integration, restructuring and related costs, and foreign exchange gain or loss. Reconciliations to GAAP results are included in the earnings release and the appendix to our earnings presentation.

With that, let's turn to our fourth quarter results beginning on slide 13 with our high-level financial performance.

Quarterly active customers grew by 41% year over year to 5.9 million. Send volume grew 38% year over year to approximately $11.1 billion, all resulting in revenue growth of 39% year over year to $265 million in Q4. Our GAAP net loss was $35 million in the quarter and included $36 million of stock compensation expense.

The strong growth in revenue, combined with significantly lower transaction expense as a percentage of revenue, led to adjusted EBITDA of $8.2 million in the quarter, which was above our expectations. Our adjusted EBITDA results in the quarter also reflected the targeted and high-return marketing investments that we made as planned. We fully expect to benefit from these investments in 2024 and beyond, as I will discuss later in our 2024 outlook.

Now, let's turn to slide 14 for a detailed review of our performance in the fourth quarter. Let's begin with revenue, which was up 39% year over year in the fourth quarter on a reported basis and 37% on a constant currency basis. Our strong revenue growth was primarily driven by a 41% increase in quarterly active customers, which includes a record number of new customers acquired in the quarter, high retention of existing customers and seasonal sending patterns.

We're pleased with both the year over year and sequential growth in quarterly active customers, which benefited from both in-period and prior marketing investments and additional customer activity due to strong seasonal demand. The record number of new customers we acquired in the quarter will drive growth in 2024 and beyond.

Customer behavior in the fourth quarter remained very strong as we continued to deliver a fast, reliable, and seamless experience, and our customers remained resilient in supporting their family and friends back home. As Matt mentioned, we continue to see a shift to digital disbursement options in certain markets, which results in smaller transaction sizes and increased transaction intensity.

We view this as a positive trend, given our digital-first at scale positioning and our ability to effectively localize our product offering and drive down transaction expenses. Transaction expense as a percentage of revenue improved nearly 400 basis points year over year as we continued to benefit from our rapidly increasing scale, technology investments, and our direct integration strategy.

Of the 400 basis point improvement in transaction expense, approximately 200 basis points were due to improved economics with payment acceptance and disbursement partners as we demonstrate scale and are increasing value to our partners across our global payment acceptance and disbursement networks. We also began to see the benefit from our recent agreements with large payment processors flow through in the fourth quarter.

We are pleased with the speed of integration with our partners, which can be attributed to our technology platform and the strong execution of our teams. We also benefited from continued improvement in our year over year fraud loss rates in the fourth quarter, even as we onboarded a record number of new customers. Once again, we're very pleased that our fraud loss rate continues to improve, while at the same time, our customer contact rate continues to decline.

However, as we've noted before, fraud losses can be volatile, especially for new customers. However, we remain confident that we will be able to sustain improvements in fraud loss management.

Turning to marketing expense, as we mentioned last quarter, we were able to take advantage of strong unit economics and make targeted incremental marketing investments in the fourth quarter, including some upper funnel investments. Marketing expense increased sequentially as planned and enabled us to acquire record new customers during a seasonally high activity quarter.

While marketing expense as a percentage of revenue increased 610 basis points on a year-over-year basis, we expect the revenue and lifetime value of the new customers acquired in the fourth quarter to be predictable and durable for multiple years ahead, as Matt had also discussed.

In the fourth quarter, customer support and operations expenses were down 260 basis points year over year as a percentage of revenue. This is primarily driven by lower contact rates as investments in delivering a fast, reliable and seamless cross-border customer experience continue to pay off for our customers.

This was also driven by an improving self-help experience, which allows customers to resolve many more issues across the transaction flow without contacting customer support. We've also invested in automating certain back-office customer support processes, which makes our agents more efficient and more effective in resolving customer issues.

In the fourth quarter, technology and development expenses increased 20 basis points year over year as a percentage of revenue. Our investments are primarily focused on driving a fast, reliable, and seamless experience for our customers. We have seen strong returns from these investments in the form of reducing friction to enable our active customer growth, improving fraud management with increased precision, and increased automation and other technology solutions to lower customer support costs.

In the fourth quarter, G&A expense as a percentage of revenue increased 100 basis points year over year and was negatively impacted by the timing of certain non-recurring items. We continue to be actively focused on operating more efficiently as we have been achieving scale.

Our GAAP net loss in the quarter was $35 million compared with $19 million in the fourth quarter of 2022. Our net loss included $36 million of stock compensation expense in the fourth quarter, compared with $27 million in the fourth quarter of last year.

We're actively focused on managing stock-based compensation expense. And we're pleased to see our year-over-year growth in stock compensation expense moderate in the fourth quarter as compared with the year-over-year growth in the third quarter.

Turning to an annual view of our progress to drive sustainable long-term returns on slide 15, we've delivered strong revenue growth even as our scale has increased, with revenue growth accelerating in 2023 compared with 2022, as we benefited from resilient customer behavior and acquiring new customers through our high-return marketing investments, which continue to have an average payback period of less than 12 months.

We're particularly pleased with our improvement in transaction expense as a percentage of revenue, which has declined approximately 700 basis points from 2021 to 2023. This has been primarily driven by scale benefits, which provide improved economics as a result of nearly $40 billion of send volume in 2023 flowing through our pay-in and disbursement partners, and vast amount of data that have improved the precision of our fraud models.

Our other operating expense performance reflects both the progress we have made in customer support, as well as the continuing investments in reducing unnecessary friction for our customers, building our technology platform, and ensuring we have the right infrastructure in place to ensure we're able to scale rapidly with a strong focus on compliance.

Our customer support expense as a percentage of revenue has declined approximately 140 basis points from 2021 to 2023. We see opportunities ahead to drive even more leverage in our customer support. We are planning to take the same disciplined approach to our G&A expenses and other operating expenditures to drive even more productivity and efficiency through this year and beyond.

We're also seeing longer-term scale benefits from our marketing investments, which are driving record customer acquisition. As our unit economics remained strong, we have continued to increase our marketing dollar investment to capture even more customer lifetime value.

As Matt noted, we look at marketing investments over a longer-term horizon as the lifetime value from new customers remains predictable and durable for many years. This is why we believe taking a longer-term view of our in-period marketing investments is key to understanding our business model and the overall profit potential as we retain, on average, 95% of revenue less transaction expenses after the first full year of active customer growth.

Before I turn to our 2024 outlook, I'd like to discuss how we're building a differentiated long-term financial strategy. We expect that our high quarterly active user growth, reducing transaction expenses and customer service costs, and increased focus on delivering operational efficiencies will enable us to invest in marketing and technology for high returns over the short, medium, and long term, and also sustainably growing profits.

We have an exciting opportunity in a large cross-border payments market, and we believe a targeted and disciplined approach to deploying our resources and capital will generate long-term value for our shareholders. In this context, we also continue to focus on actively managing stock-based compensation and share dilution.

Our outlook for 2024 reflects the disciplined approach we have been taking to generate long-term returns and recognizing that 2024 will be another year in a multi-year journey since our IPO to unlock significant value.

As you can see on slide 16, we expect revenue to be between $1.225 billion and $1.25 billion, which reflects a strong year-over-year growth rate of 30% to 32% on a large active user base. This outlook reflects the confidence we have in LTV, the returns from our marketing investments, and our plans to acquire even more customers in 2024 than we acquired in 2023.

Consistent with seasonal patterns, we expect first quarter sequential growth to moderate from the 10% sequential revenue growth we delivered in the fourth quarter. We expect adjusted EBITDA to be between $75 million and $90 million in 2024 and for it to ramp sequentially as we benefit from additional growth and scale efficiencies throughout the year.

However, factors like timing of marketing investments and outcomes of initiatives to improve our efficiency may impact adjusted EBITDA growth in any specific quarter.

Our macroeconomic and FX assumptions remain relatively consistent to what we have seen in the fourth quarter of 2023, and we expect continued resilience in customer behavior across our diversified portfolio of corridors.

Turning to some balance sheet highlights, at the end of the quarter, we had over $320 million of cash, and we continue to have access to a $325 million working capital facility. During the fourth quarter, we upsized our working capital facility by $75 million, which provides us with additional flexibility. This is especially relevant during peak periods such as holiday weekends, as we have grown significantly since we have last amended our working capital facility.

At the end of the quarter, we had $130 million outstanding on the facility which allowed us to fund peak demand over the year-end holiday weekend. This balance was paid off the following week in early January.

We are proud of our execution this year as we have delivered both higher-than-expected revenue growth, making targeted investments for the long term, and sustainably increasing adjusted EBITDA profitability. We're in a strong position to be able to make investments to sustain future growth, while also delivering efficiencies that drop to the bottom line.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Tien-Tsin Huang, JPMorgan.

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

Good afternoon. Great results here. I did want to hone in on the comment that you're planning to add more users in '24 than you did in '23. I'm curious if you can be a little bit more specific on that?

It looks like you're adding closer to 500,000 per quarter trend line at this stage, if you look at the fourth quarter. Is that a good starting point? I'm just curious if there's any thoughts on seasonality or maybe difference in type of customer that might come on at different points in time. Any additional color would be great.

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yes. Thanks, Tien-Tsin for the question. Yes, first off, really excited about the opportunities we have in 2024. In terms of when we think about customer growth this year, one, you got to recognize 2023, we've added record customers in 2023 as well. Thanks to the resilience of the customers and our marketing machinery to add a whole lot of new customers in '23 as well.

And we look at '24, we think that pattern will continue to hold, where based on our marketing investments, which we think are highly predictable and durable in terms of return profile on those, we would be expecting to add more new customers in '24 than we did in 2023.

So largely speaking, I think we have a huge market opportunity. We're 2% of $1.8 trillion market. So we think that -- going about that in a very methodical fashion and building on the core corridors that we already are in and, as well as expanding in rest of the world will get us those growth rates.

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

And then my follow-up, just on the intensity comment. I think you mentioned this client because of a higher mix of digital receive, I think I wrote down 500 bps. So is that secular or intentional on your part of driving that channel? And is that sustainable? And is that also tying back to the the benefit you're seeing on transaction expense?

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

Yeah. Thanks, Tim, and great questions. I think that we are good at both receiving funds the way that customers want to send them to us as well as disbursing funds across the globe, whether that's bank accounts, mobile wallets, cash pickup, door-to-door delivery in a seamless and diverse ways.

And so I would view the increase in digital enforcement as positive in the sense that we have a great digital disbursement network, whether that's bank deposit or mobile wallet that oftentimes carries a lower variable cost for us, which is helpful. And we're excited about leading the way when it comes to digital disbursement in several markets.

Operator

Ramsey El-Assal, Barclays.

Unidentified Participant

Hi, this is Allison on for Ramsey. Thank you, guys, so much for taking our question. So just in the context of marketing spend, maybe could you just provide some color on the latest regarding your pricing strategy? Are you doing any promo pricing at all? Are you still marketing strategically by corridor as you've done in the past?

Just are there any changes to the marketing strategy beyond what you've outlined so far and anything that you want to highlight on the holiday send environment in terms of marketing spend, what it looked like this quarter versus a year prior?

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

Yeah. Thanks, Allison. Great question. I think that our marketing strategy has been something that remains consistent, as it has over the last decade of building the business. We tend to be analytical, data-driven marketers. But we also have a structural benefit as our customer base grows and our product continues to deliver in that there's word of mouth and continued just trust within the communities that we serve that helps continue to grow our product.

And so I wouldn't say any large changes to our marketing strategies, continuing to execute it in a measured, data-driven way. And that's why we're excited about the record number of new customers in Q4 as well as being able to guide to '24 in a way that both continues to grow top line, but also you get the profitability from those customers that we've added in Q4 and throughout 2023 and prior quarters being able to deliver to the bottom line in 2024 as well.

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yeah. Maybe just adding a little bit to what Matt said, too, is Q4 for us is a seasonally high quarter in terms of acquiring new customers. We want to make sure that we're leaning into marketing which we're able to do. And as you can see, we did add record new customers in Q4.

So as we look forward, we do think it makes sense for us to continue to invest in marketing and the right sort of guardrails and thresholds on LTV and CAC, but we see it as a high-return investment. And so, we think based on these investment thresholds and what we expect for 2024 that we'll be able to add additional new customers in '24, above and beyond what we did in 2023.

Operator

Andrew Schmidt, Citi Global Markets.

Andrew Schmidt - *Citi Global Markets - Analyst*

Thanks for taking my questions. Good quarter here. I wanted to dig in on just the -- your core corridors, US to India, US to Mexico, US to Philippines.

Obviously, we're seeing good rest of world growth beyond that. I think that's important part of the story. But in the corridors where you started, maybe talk a little bit about the growth trends you're seeing, and then what can help sustain that growth as you reach higher levels of penetration.

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

Yes, thanks, Andrew. Great to hear from me and I appreciate the question. I think that if you look at the overall, you mentioned, the three receive markets, India, Philippines and Mexico, and the punch line is there's still significant growth opportunities. And we're continuing to see growth in those three receive markets, both -- and this is important -- in markets that we've originated from over many years like the US where we started, but we also now originate across North America, Europe, a variety of countries, in Australia, UAE, et cetera.

And so, I think that there's large opportunities as we expand the addressable market in terms of origination country. And all of this needs to be put in the backdrop that we are 2% of a $1.8 trillion market. And so, while we might have slightly higher share in markets that we've been in for a while, we're still seeing healthy growth in those markets. And we still see a lot of opportunity to continue to grow.

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yeah. Maybe sounding a little bit on to what Matt said, Andrew, is that when we look at the digital trend that we're seeing in the business, so increasing shift to digital is another sort of a tailwind as we look at even the core quarters we have been in.

So when you take US to Philippines and the adoption of mobile wallets, as an example, it's one that certainly we think is benefiting our growth in that quarter. That's just one example.

Andrew Schmidt - *Citi Global Markets - Analyst*

And then, maybe to follow up just on sales and marketing, if you can just discuss, maybe put a finer point on what's embedded in the outlook for 2024 for marketing spend?

And then maybe talk about the philosophy about flexing that up and flexing it down. I know this is a longer-term story and it's important to go after the market because there are attractive unit economics. But just curious to get your thoughts on what could drive marketing up or down as we progress throughout the year.

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yeah. Thanks, Andrew. So first off, I think just wanted to make sure that it's recognized that marketing is a lever that we can actually dial up and down, and we think that it makes sense to do that within the return thresholds that we set ourselves for here.

And you can see that we have a pretty long and durable stream of revenues from the customers we acquire from marketing investments, which exceeds five years. So we talk about LTV from a five-year lens, but it's even longer than that.

So we think it's the right investment to continue to make. So in terms of projections, we have factored in an increase in marketing expenditures, investments in 2024 versus 2023 on a broad basis, and that's reflected in our guidance. So we've factored that in, and it obviously impacts our revenue growth for this year. But certainly, we're looking at it beyond this year and looking at '25 and beyond in terms of these investments we're making.

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

Yeah. The only thing I'd add there, Andrew, is I think that, as you know -- and therefore, I appreciate the question in terms of we have the ability to dial up or back the amount that we spend on the marketing front because we do view it, one, really targeted toward new customer acquisition, building that trust top of funnel with a customer base that's historically hard to build trust with. But then once we built that trust, we see nice recurring long-term profit and revenue streams from the customers that we serve.

And so, if you think about how much we're spending to build that top-of-funnel trust, it is something that we can calibrate, depending on the cost of capital, depending on the market environment. And we've certainly taken into account the increased cost of capital. And there's a spirit of just driving efficiencies within the business as we think about 2024.

You see that in our adjusted EBITDA guidance, as well as continuing to build an even more profitable and even larger business as we think about 2025 and beyond. So we think we struck the right balance, and certainly those efficiencies and the focus on efficiency, as well as growth, is included in our 2024 guide.

Operator

Will Nance, Goldman Sachs.

Will Nance - *Goldman Sachs - Analyst*

Hey, guys. I appreciate you taking the question today. Matt, competition remains a big focus in the market, particularly in the digital remittance space. And I think investors' perception of the levels of churn in the digital remittance space are relatively high. I think you guys have highlighted several times today the retention that you guys have in terms of revenue less transaction expense from prior cohorts.

So maybe if you could just talk a little bit about the stickiness of your customer base, what you think keeps them coming back to Remitly over time in a world where there's lots of options?

And then, I think you mentioned in some of the prepared remarks, talking about future products that can address additional needs of the customer base. So how are you thinking about the interplay with those additional products with levels of customer retention over time?

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

Yeah, great question and several things to unpack within that. I think that the first thing to your question of why customers choose a remittance provider and why they stay with us is, it really does come down to the things that ladder up to trust.

It's a customer base that might be reticent to provide a lot of their personal sensitive information, and then they're trusting us with a big percentage of their hard-earned money to be sent back home, often hundreds of thousands of miles away. And they need that money immediately. It's for things like basic living expenses, emergency medical needs.

And so, that, combined with the complexity of delivering a remittance internationally in a fast and reliable way, means that trust is at a premium. And so, when we talk about things like speed and reliability, that is ultimately what customers care about the most.

And having a fair and transparent price, which we can do, given that we're a digital-first provider, is a component of building that trust, but it's not about just having the best price.

Once you've built that trust and you deliver with a great product, as we've done and as we continue to do, as we get more scale and can invest more into our global payments platform, you see the kind of retention rates that we've shared on slide 9, where you can see, on a cohort basis, that customers come back on a very regular basis.

And we shared that following the first full year after we acquire new customers, those same customers have, on average, approximately 95% of revenue less transaction expense for each subsequent year. And so, that is something that we really appreciate about our customers, their resilience, the nondiscretionary nature of our service.

And something that I've seen over the last now 13 years of building this business is that customers care about trust as a premium, and that is what we're ultimately good at delivering.

Will Nance - *Goldman Sachs - Analyst*

I appreciate all that. And then, I think you also had some comments in the prepared remarks around turning your attention to operational efficiency, taking the track record you have on things like customer support and fraud, and looking at some of the other OpEx levers that you have maybe around G&A or whatever else that you guys are focused on.

Maybe you could just kind of talk about that, and wondering if anything has changed in your thought process around optimizing for profitability and cutting out any pieces of G&A and OpEx, while still making some of the growth-related investments in sales and marketing that you guys need to grow the business?

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

Yes, I'll start and then I'll turn it over to Hemanth to talk about it from a P&L standpoint. But the thing that I would highlight is, we're starting -- given some of the OpEx investments that we've made, we are really seeing the benefit both from a P&L standpoint. You see the improvements from a CS cost standpoint. You see the improvements from a transaction expense standpoint.

And those are improvements not only in our costs, but they also represent that customers are contacting us less, our product is more reliable, our product is faster. 95% of customers don't have to contact customer support, and we're continuing to improve that every day. And I will tell you, having started this business 13 years ago, when we were subscale, it was really, really hard to truly differentiate and build a frictionless and seamless and reliable product. We're doing that a lot better now, and we're just getting started in that effort.

And so, we need to invest enough in the G&A side to get both the cost benefits on other aspects of the P&L, as well as continuing to differentiate our product and pull away from some of the subscale competitors that really can't build a reliable product. And I think that's what you're seeing in the P&L in Q4 and what you're seeing in our 2024 guide from a financial standpoint. And Hemanth, anything you would add?

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yeah. No, I think that's right. I think just on the point on efficiency as well. We're now a business that, Q4 annualized, $1 billion-plus, and as you can see in our guide as well. I think we've reached the point where we have tremendous opportunity to take some of the things we've done, whether you've seen in improving our transaction expense or reducing that, the progress we've made on reducing our customer service costs by focusing on contacts from customers and some of the playbooks on really driving efficiencies from an operational perspective, but also using technology to drive automation in the business, so we think we can apply that across other aspects of the business, whether it's G&A, other corporate areas as well.

So we're looking to do that with more intentionality, given now the size of the business and being much more global in nature, that we can get those efficiencies this year. Some of that's reflected now in our forecast around EBITDA, but as we also look forward beyond 2024. So we're excited to go about that with a lot of focus.

Operator

Andrew Bauch, Wells Fargo.

Andrew Bauch - *Wells Fargo & Co - Analyst*

Hey, guys. Following up on the comments that you made that net revenue growth should outpace volume growth in 2024 and your comments that transaction expense still has further room on the efficiencies, how should we think about the magnitude of efficiencies on transaction expense versus what your expectations are for the top line yield side in the year ahead?

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yeah, thanks for the question, Andrew. We think that there will be continued efficiencies here on reducing transaction expense for years to come. And we see 2024 as another year in that multi-year focus on driving down transaction expense. And just to level set in terms of what makes up that expense category, you've got pay-in and payout costs. So these are economics that we have with our pay-in partners, as well as disbursement partners, and then fraud loss management.

And on the first two in particular with close to $40 billion of send volume going through our platform, if you will, gives tremendous opportunity for us to have the right economics with our partners, which is largely driven by the volume. And we think that with our growing scale and volume, that will give us further opportunities for this year and beyond. And on fraud losses, and we've talked about this earlier as well, it's really driven around data and the amount of data we're ingesting into our AI and ML models.

And we see that with increasing data, we're just getting more and more precise in how we're delineating between what's a good remittance transaction and what could potentially be fraudulent. So we see continued improvements there. Having said that, I think with fraud, we're always watchful, and there's generally some sort of volatility around it in any given quarter.

But the broader trend in transaction expense reduction is something that we've factored in, in our guidance, but we also think that's a mid-to-long term trajectory that will continue.

Andrew Bauch - *Wells Fargo & Co - Analyst*

And then, on the gross yield side?

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yeah. So we're really looking to ensure that we're providing value to our customers. And I think, as Matt talked about, I think when you talk about yield, you think about pricing, but it goes beyond that.

The trust that we're building with our customers, which is through the speed of the transaction, the reliability of it, there's multiple levers as we look at LTV and maximizing that for our customers. So we expect that we'll continue to focus on that and that'll result in our revenue growth, and you see that in our guidance for this year.

Andrew Bauch - *Wells Fargo & Co - Analyst*

And if I could just squeeze in a follow-up. You mentioned discipline around stock-based comp as a focus in 2024. If you could just provide a finer point on what that should look like for our models, it would be very helpful for calibrating the model.

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yeah. So on stock-based compensation, we've been -- one, just to step back here again, stock comp is an incentive comp, obviously, with our employees, and we believe in incentivizing our employees this way.

So it remains an important incentive for us to drive our growth and our strategic priorities. We have been moderating the growth on stock-based comp. So pointing you back to Q4 was at a -- the growth year over year was in line or a little bit lower than what we saw in Q3 of 2023.

So we expect to remain actively focused on not just stock-based comp, but also in terms of shares that we issue, which would impact dilution, especially as we continue to improve our -- grow our profits and reduce our losses, we do want to think about what that means in terms of EPS.

Operator

Darrin Peller, Wolfe Research.

Darrin Peller - *Wolfe Research LLC - Analyst*

Hey, guys. Matt, I heard you talking earlier a bit about going deeper with the customer base. And I think we saw a website suggesting a new app. I think it was Remitly Circle, appearing to offer just a different range of money management services, money transfer -- alongside of money transfer. So is there anything you can give us a little more? It reminds me of Passbook.

I'm not sure if it's similar. Any more on timing or what that actual reach could be and maybe geographies, or what the plans really are around that? That would be great.

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

Thanks, Darrin. Yes, great to hear from you. So as I mentioned during the opening remarks, one of the things that is really important to understand is the amount of investments we've been making in our technology platform and taking it from a more integrated kind of -- or more monolith to something that is more modular in terms of APIs that then not only our remittance team can continue to deliver on in terms of greater developer efficiency, improvements on the risk side in terms of privacy, security, et cetera, but it also creates a platform for our new product schemes to be able to test and iterate more effectively and quickly. And so, I'm glad that you noticed Circle out there.

I would view Circle as one of a few but very important and targeted areas that we think we can solve broader customer pain points when it comes to cross-border financial services needs.

And we'll talk about them more publicly as they get to the point of scale that it makes sense to. But I'm glad you noticed it because it is indicative of the testing, launching and various products that we're very serious about adding to our customers and think we have the ability to do so.

Darrin Peller - *Wolfe Research LLC - Analyst*

That's exciting to hear. And just maybe we could revisit quickly the strategy and your stated goals on profitability metrics, if you don't mind, just both with and without stock comp over the next couple of years. I know you obviously have shown very strong success with your LTV, and obviously, customer adds are coming in strong as well. But just a reminder of what your intentions are.

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yeah, good question, Darrin. I think, one, we haven't yet talked about what it means from a long-term perspective. But what's important to recognize here is, one, we're really anchored around continued growth in the business and the opportunity that we have, which is obviously significant, just given the size of the market and where we are today. So we'll continue to make sure that we are able to drive that growth.

On the topic of profitability, we've been on the path of, what I'd say, sustainably growing our profits, and we demonstrated that last year with every quarter being profitable, and we ended at $44 million of adjusted EBITDA profitability.

But we plan to continue on that trajectory. And what you're seeing in our guidance is reflecting that. It's significantly increasing EBITDA profitability from last year to this year. And as we continue to focus on being more efficient and also being able to fund -- take some of those efficiencies and continue to fund our growth. We'll be on that path for years to come.

Operator

David Scharf, JMP.

David Scharf - *JMP Securities LLC - Analyst*

I apologize if I heard this incorrectly, swapping in between calls, but Hemanth, did you mention that LTV, as you're projecting it, has been increasing after the profile of the record new customer accounts that you added in the fourth quarter? Should we be viewing LTV still on an upward trajectory?

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yeah. So just thanks, David, for the question. So when we think about LTV, we're talking about revenue less the transaction expenses for a period of five years. And I will point you to a chart that we shared, which shows that we have that trajectory of revenue less expenses growing.

And so, that's one thing that, just to kind of point you back to that. We are increasing LTV from two dimensions. One is we're seeing -- important to recognize that we're seeing higher transaction intensity from our customers.

A lot of that is, again, sort of the digital distribution options, which is good, which we think is a good tailwind from being a digital player at scale, but also reducing transaction expenses for all of the types of remittance options that we have out there.

So based on that, we see LTV remains strong, is actually improving based on these factors, and which also gives us increased confidence around marketing investments behind it.

David Scharf - *JMP Securities LLC - Analyst*

So related to that, does the geographic mix of the business impact that transactional intensity, just the revenue component of LTV?

And the reason I ask, obviously, going back a few years, the company was much more heavily concentrated in US to India, US to Philippines. And I think those demographic cohorts tend to have higher wages than maybe the industry on average, probably larger send amounts on average.

Is there any downward pressure on revenue per active account over time as the geography becomes more diversified? Or is that just rounding error stuff?

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

Yeah, I think, David, I can take that one. I think the headline is that we have a pretty diversified portfolio at this point. And so, while there are variables depending on the geography, it's not that there's a macro shift that is impacting, especially the LTV side of the equation.

You might have, as an example, lower profit per transaction in a specific corridor, but you'd make up for it with active rates in terms of number of transactions that customers send. And we monitor that on a very de-average basis, and we continue to see consistency, not a lot of changes over the past several quarters on that front.

And in addition to geography, you look at how funds are collected, how funds are dispersed, what the average transaction size is, that will also vary within a specific country or corridor, as an example.

And we feel very good about the trends that we're seeing, including trends toward things like digital disbursement, which can actually improve the revenue less transaction expense, which is what the ultimate input is into LTV because the costs of dispersing funds are lower.

And so, overall, trends remain stable. Excited about the direction from an LTV standpoint. And while you might see some regional or even within-region variances, we have a good, diversified portfolio at this point, and that continues to have that stability.

Operator

Marc Feldman, William Blair.

Marc Feldman - *William Blair & Co LLC - Analyst*

Hi, guys. Thanks for taking the question. It's great to see the marketing investments resulting in the record number of new customer adds. And then, also just appreciate the LTV retention number you gave.

But is there a way to frame the ramp-up of LTV from these new customers that you acquired in Q4 and, I guess, in all of 2023? As we look into 2024, I know you gave that 95% retention number for second year, but just the first year of growth, I guess.

Hemanth Munipalli - *Remitly Global Inc - Chief Financial Officer*

Yeah. Thanks, Marc, for the question. So we would see -- it's generally a fairly -- a relatively quick ramp from that point. Obviously, Q4 -- and when you think about Q4, it's really December that's generally sort of the high activity month, given holidays. And we look at Q1, you generally have Jan and Feb being lower in terms of activity just across the board. And it's not just a Remitly thing, but it's an industrywide remittance phenomenon.

And so, we'll start seeing pickup of all of that in March. And so, we do think that in a relatively short period of time, we should be able to see increased activity from the new customers that were acquired. And that model holds.

And so, there's some seasonality in terms of when we see more customer activity than others. But generally speaking, as we progress through the year, Q2, Q3, and then Q4 generally is more of a seasonal high quarter from a remittance perspective.

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

Yeah, and the only quick thing I'd add on that front is, I think that we shared, again, slide 9 very intentionally as a new chart to kind of give you a sense of how resilient and durable our customer base is, and you can see that a lot of that from a cohort basis, even as you project out to 2024, is because of the predictability and resilience that we kind of go into '24 with, given how we can kind of model out the existing cohorts.

And then, it's about -- and our growth is then about how do we continue to add new cohorts and new customers and build that top-of-funnel trust, while continuing to deliver a delightful and superb experience with our existing base, and that only continues to get better.

Marc Feldman - *William Blair & Co LLC - Analyst*

Great. And then, I guess one more, still early, but I guess any update on the efforts in the UAE, and when can we start to see material contributions from the market?

And then, just on that, I guess what's the typical -- just remind us of the typical timeline for ramp in a new send market and how is the UAE tracking against that.

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

Yeah, thanks. Good question. We focus on the UAE because it's a big market, and I would say that we continue to be excited and bullish and that it's largely on track.

What is important to recognize, going back to the 2% of a $1.8 trillion TAM and that we've launched, I think it's over 3,000 corridors since our IPO, there's a lot of opportunity to continue to grow in the markets that we're in.

And so, I would view markets like the UAE as planting the seeds for future quarters and years of compounding growth with no shortage of options in the coming quarters for us to grow not only there, but in a lot of the markets that we've been in for the past several quarters or years. So really excited about the market opportunity and potential out there.

Operator

Thank you. That concludes the question and answer session. At this time, I would like to turn the call back to Matt Oppenheimer closing remarks.

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

Great. Thanks so much, and thanks everyone for the thoughtful questions. As we always do at Remitly, I'd like to end the call just by highlighting another one of our customers, Alexandra. And before I go into her story, I just have to say that one of the unique aspects of this business is our incredible customers and their resilience, their tenacity, and the reason that they send money home being such a nondiscretionary service.

And that is something that makes Remitly unique. It's something that I am incredibly grateful for, as CEO, to get to serve our customers every day. And I know it's something that motivates the Remitly team every single day.

So Alexandra is one of millions of customers that's using our platform, and she sends money from Spain to her family in Colombia. Alexandra was one of our many new customers we added last year and reflects the increasing diversity of our corridor portfolio.

And Alexandra commented, amazing, it worked as it described. It was reliable and quick. I am very happy I tried it. We thank Alexandra for her loyalty to Remitly and her recognition of the reliability and speed of our service.

Thanks everybody for joining us. Appreciate your support. We are excited about the opportunities ahead and look forward to sharing more of our progress in 2024.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.
