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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Remitly First Quarter 2023 Earnings Conference Call. (Operator Instructions) 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 M. Shulstein - *Remitly Global, Inc. - VP of IR*

Thank you. Good afternoon, and thank you for joining us for Remitly's First Quarter 2023 Earnings Call. Joining me on the call today are Matt Oppenheimer, Co-Founder and Chief Executive Officer of Remitly; and Hemanth Munipalli, our Chief Financial Officer. Our results and additional management commentary are available in our earnings release and presentation slides, which can be found at ir.remitly.com. Please note that this call will be simultaneously webcast on the Investor Relations website.

Before we start, I would like to remind you that we will be making forward-looking statements within the meaning of 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 forward-looking statements. Please refer to our earnings release and SEC filings for more information regarding the risk factors that may affect our results.

Any forward-looking statements made in this conference call, including responses to your questions, are based on current expectations, as of today, and Remitly assumes no obligation to update or revise them, whether as a result of new developments or otherwise, except as required by law.

The following presentation contains non-GAAP financial measures. For a reconciliation of each of these non-GAAP financial measures to the most directly comparable GAAP metrics, please see our earnings press release and the appendix to our earnings presentation, which are available on the IR website.

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

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

Thank you, Stephen, and thank you all for joining us to discuss our strong first quarter results and increased outlook for 2023. The first quarter of this year continued the trends we saw in 2022 with strong top line growth and increasing returns from our investments. Our digital first at-scale approach and loyal and resilient customer base has allowed us to deliver consistent and differentiated performance. Our strategy of making customer-centric investments to drive scale and reinvent the remittance experience continues to deliver strong growth and high returns.

I'll start by focusing on Remitly's vision to transform the lives of immigrants and their families by providing the most trusted financial services on the planet. This has been and will continue to be our North Star, and I'm especially excited that like many payments businesses, our scale creates a sustained and continually improving customer experience. You see this in our first quarter financial results on Slide 4.

We delivered $204 million in revenue, which was a 50% increase year-over-year. Our top line results and scale efficiencies across transaction costs and marketing expenses resulted in a strong adjusted EBITDA of $5 million for the quarter. We are raising our 2023 outlook for both revenue and adjusted EBITDA to reflect the strong trends we have seen in the first quarter and our expectations for continued progress towards our strategic priorities.

Let me first say that these strong results, like every quarter that we've reported so far is because of our customers. Their grit, tenacity and commitment to their families and friends back home inspires us every day at Remitly. Our customers send money to their loved ones for largely non-discretionary needs such as groceries, rents and school fees. This inspiring customer base is more resilient to changes in economic conditions, and our commitment to serve them is foundational to Remitly's predictable and rapidly growing business.

Key drivers of our strong results include the aforementioned resilient and predictable customer behavior, our differentiated product, a focus on high investment returns and scale enabling us to deliver an even better customer experience. In the first quarter, our quarterly asset customers grew 50% year-over-year, as you can see on Slide 5. We now have 4.6 million quarterly active customers, which is up from just 2.1 million 2 years ago, and we are significantly outpacing the overall growth in the remittance market.

We continue to benefit from record new customer acquisition, while at the same time, increasing returns on our marketing spending with customer acquisition costs lowering by 31% on a year-over-year basis. Building trust with new customers and continuing to deliver on our promises to existing customers are key drivers in active customer growth and, therefore, revenue growth. Both these factors led us to increase our revenue outlook for 2023.

New geographies that we entered over the past few years also continue to contribute to our current growth. And we expect the markets that we are entering this year to contribute meaningfully to growth next year and beyond. Finally, retention remains strong, as investments in our product and customer support continue to drive a superior customer experience.

Our strategic investment priorities in 2023 remain unchanged, as you can see on Slide 6. Our investments in these 4 priorities should allow us to deliver efficient new customer growth and drive additional retention and customer loyalty in both the near and long term. The near-term focus is on driving new customer acquisitions at highly attractive unit economics, which benefits our business in the long term, given the stickiness of customer behavior. We are focused on growing our geographic footprint and improving the quality of our global network, which will help us drive efficient customer growth, enhancing our remittance product and our vision of serving our customers with complementary new products will allow us to drive long-term retention and customer engagement.

Turning to the drivers of our efficient new customer acquisition on Slide 7. Our trusted brand, now with millions of customers creates a positive word-of-mouth effect, driving down customer acquisition costs year-over-year and increasing our number of new customers. This is particularly true in newer send markets, where aided awareness showed strong sequential increases in the first quarter compared with the fourth quarter of last year. Our continued focus on localization, optimization and elasticity testing, along with continued investments in brand marketing, allowed us to be even more efficient with our marketing investments.

The velocity of our marketing asset creation continues to increase and supports our goal to present the right message to the right customer at the right time. We continue to see strong results, as we refine our approach to localization across our increasing number of corridors, which drives [relevant] and builds trust in our platform.

An example of our localized approach can be seen in the digital ads on Slide 7, which shows localization for specific disbursement partners and language. We believe our marketing platform is difficult to replicate given the scale of the insights we have into our customers and the speed and sophistication we have in turning those insights into efficient marketing investments.

Our broad and high-quality global network helps drive new customer acquisition and delivers a faster and more reliable customer experience, as seen on Slide 8. We now serve customers and their families in more than 170 countries and territories. As we discussed on our last earnings call, we added the United Arab Emirates, the second largest outbound remittance market in the world, as a send market in the first quarter. Looking ahead, we have the opportunity to further expand into additional send markets within the Middle East, Europe and Asia.

We continue to believe the scale and quality of our pay-in and disbursement options, including approximately 4 billion bank accounts, more than 445,000 cash pickup locations and approximately 1.2 billion mobile wallets remains one of the many compelling value propositions for our customers, as it allows our customers to send and receive funds in whatever way they prefer.

It's not only the number and breadth of options that we provide to customers, but also the quality and reliability of those options that is critical to attracting and retaining customers, while also providing an efficient cost structure. We define network quality with a number of metrics, including speed, transaction delay, customer support contact rate and many others, which have seen improvements, as we have scaled over the past few years.

Let's walk through an example to make this more tangible. Often times, when we initially enter a market, we work with global aggregators to get quick access to local disbursement methods, such as a specific bank or cash pickup location. As our volumes increase, we focus on building out direct integrations with local payment partners in order to deliver a superior customer experience and better cost structure.

Our experience in the Philippines is a good example of how, as we've scaled, we've been able to build these critical direct integrations. The aggregator we worked with initially had several hops or partners to ultimately disperse funds to customers. These [hops] result in higher costs, increased error rates, delays, less control over the transaction life cycle and an inability to clearly understand and communicate, where customer funds are.

So fast forward to today, with our scale and investments in technology, Remitly now has 17 direct integrations into the most important remittance centers, mobile wallets and banks in the Philippines alone. This has brought down the cost of remittances in the Philippines, but more importantly, it has created a better customer experience. For example, customers can check their transaction status and/or amend a transaction with our customer care team and directly in our app. If a partner has an outage or delay, we can proactively update our customers on this delay via our products, so they can choose other options for cash pickup, all with the same reference number and not having to contact customer support.

Finally, with bank deposit options, we've added features like recipient bank account number validation, so that we automatically warn a customer before they submit a transaction that they've entered the account number of their recipient incorrectly. All of these improvements are made possible via these direct integrations and these direct integrations are only possible with scale and technology. They also take years to develop. And while we're proud of our current experience, we are relentless about continuing to expand our scope of direct integrations across the globe to continue to bring down costs and improve the customer experience.

We are also continuing to monitor trends in receive market distribution networks and continue to optimize our network to deliver a superior customer experience at robust unit economics. This principle of scale and technology driving down cost and improving the customer experience applies to many other areas of our customer experience, including our fraud and compliance system.

Remittance companies are faced with the complex challenge of preventing fraudulent transactions, while also maintaining a frictionless customer experience. One example of fraud is stopping large-scale, sophisticated fraud groups from using stolen identities and payment profiles that they've acquired elsewhere and try to use Remitly to withdraw cash from these stolen accounts in emerging markets. With our current scale and investments in fraud technology, we've been able to create our own proprietary machine learning models, leverage millions of data points that are signals of fraudulent behavior and train our model to continue to provide more precise predictions every day.

Additionally, if our models show that we need additional information from our customers to validate their identity, we've created a unique Remitly resolution center in our app that empowers customers to provide us with their identification, answer risk-related challenge questions or seamlessly give us other information that helps give our customers self-service and easy ways to unblock their transaction. All of this is only possible with scale and result in an improved cost structure via lower fraud loss rates, improved customer support costs over time and more instant transactions leading to higher retention.

This infrastructure then results in a seamless, fast, reliable and trusted front-end customer experience, as shown on Slide 9. Product features such as ease of use, speed, platform uptime, a wide selection of payment and disbursement options and access to self-help and live support are all critical factors in driving customer preference.

In the first quarter, more than 90% of transactions were dispersed in less than an hour. We have successfully reduced the rate of transfers that take greater than an hour to disperse even as our volumes have grown substantially. Additionally, we were able to maintain an uptime of 99.93% in the first quarter, even as our volumes continue to show significant growth. This premium customer experience has built significant trust in our platform, as you can see by the approximately 1 million ratings in the App Store with an average of 4.9 stars and more than 580,000 ratings in the Google Play store with an average of 4.8 stars. This trust drives additional word-of-mouth benefits for new customer acquisition, while also driving strong retention for existing customers.

Turning to Slide 10. Our scale and high-return investments in technology have also enabled us to make critical investments in complementary new products that we expect will deliver significant benefits to our remittance customers, who are underserved by other financial services companies. We have a deep understanding of our customers, driven by years of data and analytics and millions of remittance transactions, which allows us to focus on specific problems facing our remittance customers.

These products will be targeted at our remittance customer with the goal of driving additional revenue retention and customer acquisition benefits. Ultimately, we expect that our complementary new products investments will deepen and expand our remittance relationship with our customers, creating a virtuous cycle and additional competitive advantage for Remitly.

As we look ahead to the rest of 2023 and beyond, we remain focused on delivering our vision on Slide 11 to transform the lives of immigrants and their families by providing the most trusted financial services on the planet. We believe we are in a unique position to deliver long-term sustainable returns, as we leverage our differentiated product and our scale to improve the customer experience that delivers peace of mind every time they send money back home to family and friends.

With that, I'll turn the call to Hemanth to provide more details on our financial results and our revised 2023 outlook.

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

Thank you, Matt. I'm very pleased with the strong financial performance we delivered in the first quarter. I'll begin by reviewing some high-level drivers of our financial performance, I will then discuss the priorities we are focusing on to ensure we can deliver sustainable growth and high returns for many years to come, and I'll finish with our updated outlook for 2023 and how we're building a differentiated financial profile to drive long-term returns.

With that, let's turn to our first quarter results. As a reminder, 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 common stock in connection with our Pledge 1% commitment, transaction and integration costs related to acquisitions and foreign exchange gain or loss. Reconciliations to GAAP results are included in the earnings release.

Beginning on Slide 13 with our high-level financial performance in the first quarter. We were pleased to deliver high active customer and revenue growth and adjusted EBITDA profitability. Quarterly active customers grew by 50% year-over-year to 4.6 million. Send volume grew 40% year-over-year to approximately $8.5 billion, all resulting in revenue growth of 50% year-over-year to $204 million.

Our GAAP net loss was $28 million in the quarter and included $29 million of stock compensation expense recognized in the quarter. The strong growth in revenue, combined with significantly lower transaction expense, as a percentage of revenue and marketing efficiency led to adjusted EBITDA of $5.4 million in the quarter.

Now let's turn to some of the key factors that drove our strong performance in the first quarter, on Slide 14, we've detailed the drivers of our strong performance. Let's begin with revenue, which was up 50% year-over-year in the first quarter on a reported basis and 53% on a constant currency basis. Our strong revenue growth was driven by the scale effects that Matt discussed, including the high retention of existing customers and benefits from earlier send market expansion. As is typical, activity from returning customers contributed to a significant portion of total revenue in the first quarter, which reflects the non-discretionary nature of remittances and the loyalty of our customers.

In the first quarter, we also acquired a record number of new customers, who we expect will contribute to revenue growth in future periods. We also continue to see customers increase their preference for digital receive options, and we're pleased to be able to serve them with our broad and high-quality network with digital disbursement options, including 4 billion bank accounts and 1.2 billion mobile wallets.

Turning to our transaction expenses, which includes costs related to our pay in partners, disbursement partners and fraud losses. Transaction expense, as a percentage of revenue improved 500 basis points year-over-year and is another example of how we're benefiting from scale and investments in technology. This was primarily due to lower fraud loss rates in the first quarter and was driven by improved algorithms, which harness our increasing amount of data and analytical sophistication to more precisely delineate between good and potentially fraudulent transactions. This enabled us to deliver a better experience to the vast majority of our customers with legitimate transactions by limiting friction related to manual reviews.

This is a clear benefit to our customers, who experience a more seamless transaction and to our cost structure. We will continue to invest in our data and analytics capabilities to manage both our fraud loss rates and provide our customers with frictionless experiences. However, as we've noted before, we expect some variability in fraud loss rates in any quarter, while continuing to make sustainable improvements in the long term. We also benefited from improving terms with pay in and disbursement partners, as our volumes have increased. As more volume flows through our network, we're able to negotiate better terms, while also adding more direct integrations with disbursing partners, the benefits of which Matt discussed earlier.

Consistent with the fourth quarter, a key driver of our strong results in the first quarter was the efficiencies to be sustained in our new customer acquisition marketing, as we continued our focus on delivering high returns on our marketing spend. We were able to take advantage of our increasing scale and brand awareness and acquired a record number of new customers in the quarter. As customer acquisition cost, or CAC, makes up the vast majority of marketing expense, we were able to deliver an 890 basis point year-over-year decline in overall marketing expense, as a percentage of revenue. CAC declined 31% year-over-year and was relatively flat sequentially, as we were able to sustain our marketing efficiencies.

Consistent with the fourth quarter, improvements in CAC outside of North America were a significant driver of the reduction in CAC. Overall, a number of factors [drove] declines in CAC, including increased benefits from localized digital marketing, increased creative velocity, improving brand awareness, word-of-mouth effects and increasing scale in our business, including outside of North America. In Q1, we experienced a relatively weaker advertising market compared with the first quarter of 2022.

We expect to remain dynamic in managing CAC within our investment threshold to ensure that we continue to aggressively grow our customer base given the strong payback we see from our marketing investments. We will continue to monitor the advertising marketing trends during 2023 with the expectation that the competitive advertising market conditions would start to normalize. While we expect to sustain our CAC efficiencies and continue to optimize our marketing spend, we expect to moderate year-over-year improvements in future quarters. We are also focused on delivering long-term scale efficiencies, while at the same time, investing in our growth opportunities.

In the first quarter, G&A expense increased 120 basis points year-over-year, as we saw higher expenses related to our acquisition of Rewire, partially offset by continued discipline on headcount and non-headcount expenses. We are maintaining discipline and evaluating opportunities across our operating expenses and expect to moderate overall growth rate in headcount this year, while continuing to make high return yielding investments for the long term.

Technology and development expenses increased 170 basis points year-over-year and reflects the investments we're making in our remittance platform, developing complementary new products and enabling increasing automation across various operational areas, such as customer service and back-end transactional processing. We expect to continue to invest in delivering a superior experience for our customers and are confident in the long-term returns this will deliver.

Customer support and operations expense were down 50 basis points year-over-year, as a percentage of revenue. We expect to see improved efficiencies and customer support over time, as we continue to scale and reap the benefits from product enhancements and automation.

Our focus for 2023 and beyond remains 4 key areas to drive sustainable long-term returns, as you can see on Slide 15. These are to continue to deliver strong revenue growth, improved transaction expense, sustain or improve marketing efficiency and increase scale efficiencies in other operating expenses by focusing on executing across these 4 areas, particularly with the additional focus on efficiencies, we believe we can deliver sustainable long-term high returns.

First, we expect to consistently deliver high double-digit revenue growth even as we scale. The investments we're making in our product, marketing and our global network will help us drive robust growth in active customers and sustain high retention. In the first quarter, these factors helped deliver 50% year-over-year revenue growth.

Second, we're making progress on improving our transaction expense cost structure, as we increase our volume of remittance transactions. We believe there are additional opportunities over the medium to long term to reduce costs related to both pay in and disbursement partners, as we scale.

On the pay in side, we have now processed more than [$30 billion] of volume on an annual run rate basis, enabling additional efficiencies with payment partners. On the disbursement side, our increasing number of transactions allows us to not only negotiate better terms with disbursement partners, but also allows for additional direct integration opportunities that are not available to subscale competitors.

Finally, as the volume of data increases in our proprietary fraud models we are able to drive down transaction loss rates without adding significant friction to the customer experience. As we've indicated in the past, we expect some variability in transaction expense from quarter-to-quarter, as some fraud costs remain inherently unpredictable, but we strongly believe that our progress is sustainable over the long term.

Turning to marketing efficiency. Marketing efficiency has been a large driver of our increasing returns on our investments. As we scale, we believe our brand awareness and word-of-mouth will continue to increase, making our marketing expenses more efficient over time. We have benefited from a relatively weak competitive advertising market, and we expect the year-over-year comparisons going forward to normalize. However, we believe the vast majority of the recent CAC efficiencies we have delivered are sustainable and are another result of the scale benefits that Matt discussed. We plan to continue investing in high-return marketing with a focus on maintaining strong unit economics.

Turning to other operating expenses, which include technology and development, customer support and G&A. Our technology and development expense reflects the investments we're making in remittance product enhancements, including risk and compliance. It also includes investments in complementary new products and increasing automation in various operational areas. These investments are critical in driving long-term customer loyalty, as well as additional opportunities for increased customer engagement. In addition, our remittance product investments ensured a frictionless customer experience and our improved [precision] in fraud management will also drive leverage in customer support costs over time, as our customers will contact us less often.

Our G&A costs reflect the investments we have been making to ensure we have the right infrastructure to support our growth initiatives. As we scale, we expect to see long-term leverage on G&A costs, as we remain disciplined on headcount to non-headcount expenses.

Delivering on these priorities has allowed us to increase our outlook for both revenue and adjusted EBITDA in 2023, as you can see on Slide 16. Specifically, we expect revenue to be between 875 and $895 million, which reflects a year-over-year growth rate of 34% to 37% and is a $15 million increase in the midpoint from our prior outlook. The increase in our revenue outlook is primarily driven by the strong trends we have seen in the first quarter and our expectations for continued strength in new customer acquisition and the resilience of our existing customers.

While we expect to remain in a GAAP net loss position, we expect adjusted EBITDA to be between 5 and $15 million, which is a $5 million increase at the midpoint from our prior outlook. The increase in our adjusted EBITDA outlook is primarily driven by a strong performance in the first quarter. The outlook also allows us to take advantage of opportunities to acquire even more customers, if the unit economics remain compelling.

We are planning for a macro and FX environment that remains relatively stable to what we have seen in the first quarter of 2023. Our continued global diversification and increasing scale helps us to mitigate localized macroeconomic trends. We expect to sustain CAC efficiencies we've delivered over the past year in a normalizing competitive advertising market. Finally, we expect to continue prioritizing investments in our technology and development organization and ensuring that these investments are aligned to our strategic priorities.

Our balance sheet with over $240 million of cash, as seen on Slide 17, positions us strongly to deliver on our strategic priorities. Our cash balance at quarter end reflects approximately $60 million of cash used to fund the acquisition of Rewire, which closed in January, including the repayment of assumed debt. Our primary focus for capital allocation remains our organic growth priorities of new customer acquisitions, geographic expansion, remittance product enhancements and complementary new products.

I'd like to finish by discussing the differentiated financial profile we are building to deliver long-term sustainable returns. The building blocks of this profile include predictable active customer behavior and, therefore, revenue profile, robust unit economics, and disciplined in managing operating expenses, including share-based compensation expense and delivering higher returns on our investments. This differentiated and disciplined financial model would enable us to sustain growth in adjusted EBITDA over the long term and deliver a strong operating income and cash flow profile in the coming years. We believe we're in a unique position to execute on this model across various economic environments and look forward to delivering for our customers and shareholders for many years to come.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Andrew Schmidt with Citi.

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

Good quarter here. I wanted to start off on just take rate. I understand it's an output, not an input, but strong performance there. Maybe you could just dissect that a little bit and talk about whether those like-for-like corridors or mix, just curious what's driving that. That looks like another area of strength in the quarter. Any color there would be helpful?

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

Yes. Thanks, Andrew. Great question. First of all, I just want to reinforce great quarter. I think we're very pleased with the results for this quarter. Obviously, top line came in pretty strongly for us with the new customer acquisitions. Indeed the active customer growth has been phenomenal for us in Q1.

And in terms of take rate, specifically, as you mentioned, as the way we look at it mostly as an outcome of mix both corridor and mix and we've now expanded our corridors quite a bit, as well as the mix of our various disbursement options we provide to our customers. And so what we're really seeing is the output of what that does to us in terms of take rate, and it's been to a point, ticked up the last couple of quarters, but it is still operating well within the range that we've seen historically between 2% to 2.5%. So we continue to look at it. But we're really focused on making sure we're providing value to our customers, and we're happy with how that's going.

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

Thank you very much for that, Hemanth. And Matt, maybe a higher-level question for you. Appreciate the comments on the business in terms of just the resilience and the predictability and this is often -- this is area, where I get a lot of questions -- but you talked a little bit about this in your prepared remarks. Maybe you could just mention a little bit about beyond just the resiliency of the customer, what makes the model the way you run the business more predictable than maybe some others? And then, as the business gets bigger, does that also help predictability? It sounds like you're seeing clearly some benefit from scale, fraud models, but just would love to get your thoughts on those topics?

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

Yes. Absolutely. Thanks, Andrew. It's great to hear from you. Yes, I think that what you see with the overall industry is there's a shift to digital-first players and specifically digital-first players that have scale because of the areas that I outlined in my remarks, scale gives us a ton of advantages in terms of being able to drive down error rates, improve the customer experience, drive down cost, create a more differentiated product. And I think that the exciting thing about where we're at is that we're seeing that flywheel continue to spin, so the more customers that are using our product, the more we can reinvest in things like our disbursement networks, like our risk systems. And so that is really what's driving a lot of our overall, I think, outperformance.

And then the foundation is that our customers, as I mentioned, and as you alluded to, have the grit, the resilience, the tenacity to continue to support their families back home. And I do think that, that is a trend that has been seen specifically with remittances to low and middle income countries. And that's what motivates our team every day is to serve customers that like -- our customers to be able to enable them to send money back home in a very trusted seamless and affordable way.

Operator

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

Allison Sara Gelman - *Barclays Bank PLC, Research Division - Research Analyst*

Hi, guys. This is Allison on for Ramsey. Congrats on the quarter. So you spoke a little bit to the lower-than-expected marketing expense and how that was driven by this less competitive advertising market. Can you just speak to the competitive dynamics in the advertising market that you're seeing today? What you think is driving less competition there and how that could trend throughout the year?

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

Yes. It's a good question, Allison. And I think we've seen this now for a couple of quarters, actually, [even so] last year. I think when we look at the broader financial services sector, the spending from that sector has been -- has actually been less. And so when you look at some of the cost of advertising, they have generally been more favorable even in the back half of last year. We saw a bit of that in Q4 of last year as well, and we've continued to see that in Q1.

As we look forward, we're expecting a degree of normalization when it comes to the competitive advertising market, and so we're watchful of that. We're really focused on making sure that we continue to focus on the things that we control from a marketing efficiency perspective. We're really pleased with the effects we're seeing in terms of CAC improvements that we are sustaining.

But I also just want to point out is look forward, not only are the competitive aspects that we continue to monitor, and we expect a degree of normalization, as we get to the back half of the year, we've made a fairly significant CAC improvements to last year. So we'll start -- starting to comp over into those. So we'll -- but we're still within our guardrails and we're excited about [continuing] to have high return on the marketing investments.

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

And Allison, the only thing that I'd add there is I think that there's a lot of benefits that were -- that are both because of our execution and just our position overall in the market. Specifically, what I mean by that, when it comes to the marketing front and improvement in customer acquisition costs is the word-of-mouth effect that I mentioned. We had 4.6 million quarterly active users that would be much larger on an annual active base. We have millions of users using our platform, really having a great experience and that word-of-mouth effect certainly helps us. It's another benefit of scale and that flywheel that I mentioned.

And then the other is just our marketing approach, which I think is differentiated. I think we tend to be more analytical, data-driven unit economic-focused marketers, and I think that, that's paid dividends because we can -- both via our marketing team's execution and the marketing platform we've built to -- that enables us to match the customer acquisition with -- the customer acquisition cost with the lifetime value on a bit more of a deaverage and scientific basis.

And so I think all of those things are perhaps why you're seeing outperformance in addition to the tailwinds that we're seeing from a competitive advertising environment. And we feel really well positioned to be able to continue to grow and continue to acquire customers at a really favorable return.

Operator

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

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

I think just seeing the balance between the growth and the profitability you're showing has been great. Maybe we can just [dig] a little bit more into that in terms of the operating leverage now in the business going forward, as you grow at these rates, what kind of investment do you think it's going to take or let's call it, on an annual basis, incremental investment would it take to have these kinds of growth rates, which are obviously industry-leading. And then do you anticipate an ongoing pass-through to the margin in a greater way each year? Just remind us, I guess, incremental margins effectively.

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

Yes. I think the broad answer here, Darrin, is, I mean, we -- I think we're starting to see really the benefits of being at scale as a digital-first player and it's trying to reflect clearly, both in terms of the data we have, the understanding of our customers and the cohorts we have and as well as some of the economics we can get from our pay in and pay out partners as well. And so that's really the foundation here that we're starting to see transaction margin continue to improve. We've seen this now in the last couple of quarters, where transaction margin has gone up and has improved, and a lot of that is, again, driven by fraud.

We talked about fraud algorithms getting better based on the data we have. We are just getting much more precise in terms of how we understand what's the potentially fraudulent transaction versus a legitimate transaction. So we're -- so while we don't -- we're not giving out specific margin guidance at a detailed level, what you're seeing is margin improvement, and we're continuing to focus on efficiencies across the business, whether it's G&A, whether it's also making sure, as we look at product and technology investments, we're allocating that capital in the right places and delivering high returns. So net-net, we expect to continue to improve in the mid long term, our overall margin profile, whether it's at the variable level or at the EBITDA level. But for this year, this is our [foresee] growth getting to a profitability, and we're really pleased to have raised our guidance on EBITDA by $5 million (inaudible).

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

Matt, just a very quick follow-up. I mean, from a competitive landscape standpoint, obviously, we're all getting the question over what other -- what are large competitors doing on price and frankly, also Visa Plus and some dynamics around just different incremental tech that could be offered for alternatives to provide cross-border. So maybe just a quick latest thoughts on competition and the industry overall, Matt?

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

Yes. Absolutely, Darrin. Yes, I appreciate that question. I think that the -- first, the overall industry, if you look at it, is still very fragmented. So the largest player, I believe, had [15% plus] market share. And so I think that given some of the trends around digital, given some of the trends that are delivering our results, I would expect to continue to see consolidation given some of the scale advantages that I mentioned. And so that's a continuation of the trend that we've seen over the last several years and quarters, and we're really excited to be in a well-positioned place not only from a scale standpoint, but from a digital-first approach standpoint because it gives us a differentiated product. So that's point number one.

And I think that the second point in terms of short-term pricing changes, overall, anything that's changed on the short-term horizon, the answer there is no. I think that we continue to have a service that you see in the results today, customers really value, not only because of the fair price that we charge, but because of the peace of mind and trust that we offer to customers. That only continues to get better with the scale that I mentioned, improving a variety of aspects of our products and systems that ultimately put yourselves in the shoes of our customers, they value that peace of mind and their ability to go to a trusted product more than anything else.

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

Yes. Certainly it doesn't look like it's impacting you guys.

Operator

(Operator Instructions) Our next question comes from the line of Cris Kennedy with William Blair.

Cristopher David Kennedy - *William Blair & Company L.L.C., Research Division - Associate & Analyst*

You guys have expanded into several new countries and markets over the last 18 months or a couple of years. Can you just talk about how some of those newer corridors are going? And are we really seeing it in the numbers yet?

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

Yes. Thanks, Cris. The way that I think about geographic expansion is when I go back approximately 5 years, and we started expanding to various markets in Europe, we are planting the seeds for the kind of growth that we're now seeing in those markets. And it doesn't necessarily take 5 years, but I'd just go back because you can see how fast some of our international business and Rest of World business is growing, which is quite remarkable. So that is because of the seeds that we planted in those countries that we launched year 2, 3, 5 years ago.

And that's the way I think about the markets that we just launched. UAE, we've mentioned in the past, very excited about that market given the size and scale and opportunity. We just launched it. And we're rolling out the playbook that we rolled out across a variety of other countries, whether that's EU, Australia, you name it. And so I would expect that to contribute meaningfully this year. But if you think about the quarters and years to come, UAE and other markets that we're launching now, we will continue the kind of sustained, predictable fast growth rate that we delivered today last quarter.

Cristopher David Kennedy - *William Blair & Company L.L.C., Research Division - Associate & Analyst*

And then, just following the shutdown of Passbook, can you give us an update on some of the additional services that you're focused on adding to the platform?

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

Yes. Thanks, Cris. Yes. We believe that we have a significant long-term opportunity in both offering our network and infrastructure to other businesses and in developing complementary new products for our remittance customers. So while I didn't share a lot of additional details on that today, you can expect additional details in the future, and we're really excited about what's to come there.

Operator

Our next question comes from the line of Will Nance with Goldman Sachs.

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

Nice job. Another great quarter. I wanted to follow up on some of the commentary that you had around the improving efficiency on transaction margins. And I was wondering, if you could kind of maybe double-click on that and give us a sense for how much more optimization in your existing networks there are to continue to reduce costs in transaction costs. So for instance, is there some stat you can give us on -- for x of the top 10 corridors, we've seen 20% reduction in transaction costs, and we'll get the same thing on the rest of the corridor. Just anything you can kind of tell us to give us a sense for where we are in that journey of optimizing the cost of some of the existing volume you've got on the platform?

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

Yes. Thanks, Will, for the question. I think, unfortunately, I don't think I'll be giving you a lot of stats specifically on it, but I can give you a bit more color. And I think what we've seen in the last couple of quarters and maybe a little bit to the back half of last year, and Q4, we saw transaction margin improve, a lot of that was attributed to our fraud loss expenses coming down, as we deploy some of the newer models there and we're able to differentiate between sort of the potentially fraudulent transactions and legitimate ones, as we talked about this quarter as well. I think that particular effect of just improving our models consistently and as we scale, get more and more data on our customers, I think we will continue to see some benefits there, again, given there's potential always for some volatility in that in any given quarter, but fraud, fraud is on that trajectory.

On the pay in and pay out side, I think we are to a degree in the earlier stages of getting the right margin and economics there. We've gotten enough scale now and we're actively looking at how we can improve our network economics. We touched on and Matt provided an example of Philippines, where we now have 17 direct integrations. And when you take something like that and apply that across some of the other newer corridors as well, as we continue to expand internationally, we do see in the mid, long term that we will see continued benefits from a transaction margin perspective. So those are some of the big drivers that we see for the mid and long term to -- from a margin improvement perspective.

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

Super helpful. Sounds exciting. The -- I guess as a follow-up question, you guys talked about you see this market consolidating over time. There's been a lot of focus on this in prior calls on the scale benefits that you guys have. Like how do you think about using that scale as potentially being a consolidator in this market? For instance, I'm sure, there are pretty solid synergies that you could realize from taking a subscale provider and putting them over your network? Like is that something that you think is in the cards in -- over time?

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

Yes. Thanks, Will. I can take that one. Yes. Historically, we found that organic growth and internal builds to achieve those -- that scales I mentioned as the best opportunities. But we continuously review all opportunities, as they become available. We have a high bar for any M&A transactions, and we'll remain disciplined on deploying capital. What we are focused on is transforming this industry and really achieving those benefits of scale, which, as we often say internally at Remitly, it really feels like we're just getting started in that effort.

Operator

Our next question comes from the line of Matthew O'Neill with FT Partners.

Matthew Casey O'Neill - *Financial Technology Partners LP - Co-Director of Research & MD*

I wanted to just dig in a little bit more on some of the new send market openings. You guys mentioned, I think, the latest big market you opened was the UAE with the office in Dubai. I was just wondering, in particular, on the Middle East, it's a fairly unique market globally for remittances to the informal channels and just wondering, yes, have there been any unique like challenges or learnings after entering the market? I know it's early days, but are you looking at it with a more excited outlook to entering further Middle East market and/or any other challenges to call out in that region thus far?

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

Yes. Thanks for the question. I can take that one. I think that -- the -- we're very excited about the UAE. As I mentioned earlier, it's the second largest outbound remittance market in the world, and so a big opportunity. And you're right that each send market does have a different customer profile, different payment acceptance, different compliance requirements, different KYC, know your customer and identity verification processes. And I think that we've proven now across 170, that's a combination of send and receive markets, but 170 countries that we now serve is that we're good at going in, doing that optimization and scaling that business.

And so I'd say that, that applies to the UAE. There are definitely unique elements of that market. There are definitely unique complexities. I think that it's good that we now have a portfolio of other countries that we've expanded to, to draw from in terms of that experience and pattern matching from other countries that we're in. And so we're excited about what's to come there and excited that we've got this playbook that we've rolled out now across a lot of different countries that we've proven that works well.

Matthew Casey O'Neill - *Financial Technology Partners LP - Co-Director of Research & MD*

And I did have one quick follow-up for Hemanth, if there's time, which is, simplistically, on the top line, the guidance increased to midpoint, I believe, was about $15 million, and the [beat] versus consensus was a little bit more than half that in the quarter. Anything in particular as we think about the rest of the year, where the outperformance comes from or just kind of broad based, nothing in particular to call out?

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

Yes. Thanks for the question, Matt. There's nothing particular. I think we are continuing to execute strongly and it's really been a trend around that. We're really pleased with the growth of our active customers, as well as record new customer acquisitions, and we've been seeing that now for most [of the] quarter. So we expect to continue in that trajectory [till] the rest of the year.

Operator

That's the final question. I'd now like to turn the call back to Matt Oppenheimer for closing remarks.

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

Sounds great. Thank you so much. Well, yes, thank you, everybody, for your thoughtful questions. And as we often do at Remitly, I'd like to end the call by highlighting another one of our amazing customers, whose name is [Hope]. Hope joined Remitly last year and sends money from Sweden to family in the Philippines. And Hope commented a quick and easy way to send money, I'm always using it. We thank Hope for his loyalty and consistent use of Remitly to send money home to his loved ones. And thank you, everybody, for joining us, and we appreciate your support. We are excited about the opportunities ahead and look forward to sharing our progress, as we continue to execute on our vision of transforming the lives of immigrants and their families by providing the most trusted financial services on the planet.

Operator

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