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PRESENTATION

Operator

Thank you for standing by, and welcome to the Remitly's Fourth Quarter 2021 Earnings Conference Call. (Operator Instructions) I would now like to introduce your host for today's program, Stephen Shulstein, Vice President, Investor Relations. Please go ahead.

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

Good afternoon, and thank you for joining us for Remitly's Fourth Quarter 2021 Earnings Call. Joining me on the call today are Matt Oppenheimer, Co-Founder and Chief Executive Officer of Remitly; and Susanna Morgan, our Chief Financial Officer.

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

Before we start, I would like to remind you that we will be making forward-looking statements within the meaning of federal securities laws, including, but not limited to, statements regarding Remitly's future financial results and management's expectations and plans for the business. 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 metric, please see our earnings press release, which is available on the IR section of our 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 today for our fourth quarter earnings call.

Before I begin, I want to take a moment to acknowledge the heartbreaking events in Eastern Europe. We see the pain of those who are affected. We ache for the lives lost and the implications of this crisis. There's no easy way to transition now to our prepared remarks, but it is important to me that we pause and make space for acknowledgment and empathy of this situation.

With that, I'll now turn to our results for Q4. Remitly is a mission-driven company focused on transforming the lives of immigrants and their families by providing the most trusted financial services on the planet. We're committed to making business and investment decisions that are rooted in customer centricity.

Performance in the fourth quarter demonstrated that our customer-led approach is attracting more and more loyal customers, including a 50% increase in active customers compared to a year ago. Additionally, we saw our approach drive full year revenue growth of 78% to \$459 million, above the top end of our guidance range.

In our last call, we discussed the 4 pillars that allow us to uniquely serve our customers and gain their trust and loyalty by delivering operational excellence and a seamless user experience. These differentiated pillars that drive customer value are our mobile-centric platform, our global network of funding and disbursement partnerships, our localization at scale and our data-driven proprietary technology stack.

I covered the first 2 pillars in our last call. So I'll begin this call with our third pillar, which is localization at scale. At Remitly, we operate under the principle that remittances are global, but customers are very much local. Understanding our customers at a deep local level and delivering localization at scale remains at the center of our corporate strategy and is a critical differentiator for us in the marketplace. Our focus on marketing, pricing and offering customer service in a locally relevant way, including offering our service in 14 languages, has consistently driven over 90% revenue retention.

Last year, we expanded our global network with more than 700 new corridors, bringing our total corridor served to over 2,100. We are using the same localization playbook in these new corridors, and we believe our deep cultural insights and rigorous analytics, driven by more than 10 years of proprietary data, provide us with a unique market advantage and help build customer trust as we pursue this expansion.

Additionally, unlike remittance companies that went broad from the very start, we have a long list of geographies that we have not yet launched, and we have a clear road map to do so, providing us with predictable and ample growth opportunities for the years to come.

Pricing is also a key part of localization and has been an additional strategic differentiator for Remitly. We drove strong pricing in the fourth quarter with average revenue per active customer up 13% year-over-year. Our focus on delivering what our customers value: a seamless user experience and peace of mind that their money will make it home safely at a fair price. We aim to always provide a fair price, not the lowest price, driven by our sophisticated and data-rich pricing engine. We deliver this by cultivating and incorporating a deep understanding of local payment and pricing norms, sender and recipient expectations and global foreign exchange rates into our services.

For example, our pricing reflects local preferences around transaction fees and foreign exchange spreads, which gives us significant flexibility to dynamically and fairly price our foreign exchange rates depending on market conditions. Overall, the goal of our pricing strategy is not to provide the lowest price, it is to optimize for long-term cumulative revenue net of transaction expenses, the key input into lifetime value.

Now on to our fourth pillar, our data-driven proprietary technology stack. Remitly has built a range of proprietary technology systems, including our marketing platform, our core Remitly transaction engine, our risk systems and our financial platforms. These all give Remitly a competitive advantage, both from a cost and a customer experience standpoint.

Remitly leverages data and machine learning to improve our risk systems, corridor level unit economics, foreign exchange management, pricing and many other aspects of the business. While I can share a specific example for each part of this proprietary technology stack and data-driven approach, I'll go deeper into just one today, and that's our risk systems.

Like all many transmitters, Remitly has the complex task of preventing bad actors from using our platform while also protecting a seamless user experience for good customers. Machine learning, data and analytics help us automatically complete the vast majority of transactions instantly. And as a result, in 2021, we were able to significantly reduce our customer sideline rate. And that is the rate at which we pause the customer's transaction to collect additional information. By doing that, we provided tens of thousands of customers per week, a more seamless user experience. This is just one example of our sophisticated technology stack that ultimately drives additional loyalty to Remitly while keeping our systems compliant, safe and secure.

Now let's talk about how we're driving sustainable growth for the years to come. Remitly's 3 growth drivers have been and will continue to be: first, reinventing the remittance experience, which allows us to acquire customers strong unit economics; second, expanding Remitly around the globe via our proven corridor expansion playbook; and third, investing in new products and services outside of remittances.

On the first, we will continue investing and reinventing the remittance experience for our customers, which fuels new customer acquisition at strong unit economics and high retention. These investments are paying off as we are winning market share with 50% active customer growth in an overall remittance market that is growing in the single digits. We will continue to invest efficiently in improving the remittance customer experience to maintain this outsized growth, which will generate even more customer loyalty. Our lifetime value to customer acquisition cost ratio in 2021 remained over 6x over a 5-year period. At a corridor level, our data-driven and proprietary marketing platform enabled us to invest the appropriate customer acquisition costs or the predicted lifetime value, resulting in strong unit economics. And we plan to invest at this high ROI to drive our sustainable long-term growth.

Second, we will continue investing in our geographic and use case expansion via our proven corridor expansion playbook and by leveraging our global network. Our business outside the U.S. delivered \$120 million in revenue in 2021, up from \$58 million in 2020, yet it was only 26% of total revenue in 2021. As we invest in markets we've recently launched as well as new markets, we can drive sustainable long-term growth via these investments. We also continue to invest in building out our global disbursement network, which has expanded our total addressable market with additional use cases. For example, our Remitly for developers product allows us to take advantage of this network and embed Remitly in more places via channel partnerships and offering our network to other businesses.

Finally, we are investing in additional products across financial services where we can leverage our world-class mobile-centric platform to solve other problems for our customer base. Our customers are often misunderstood and overlooked by the financial services industry, creating a large opportunity for those that take the effort to truly understand them and solve their unique problems. Our mobile-centric platform, our scale and our data-driven understanding of customers allows us to design new products that effectively meet immigrant-specific needs.

We discussed Passbook, our digital spending account designed for immigrants in the most depth, and we will continue to invest in this product. Yet we're also investing in a wide range of new services that meet immigrants' unique pain points. While we don't expect these products to contribute significantly to top line revenue this year, we believe they will meaningfully contribute to sustainable growth in customer value in the years to come.

As we look ahead, scale further fuels and defends our business. Increasing scale as a digital-first company will give us more capital and data to invest in our risk systems, disbursement network, pricing and core transaction engine, further differentiating our product and building peace of mind with customers around the globe. All of this improves the customer experience and creates a compelling flywheel that compound growth for our business. This is why we often say we are just getting started, and it's never felt more like this than today.

Before I turn the call over to Susanna, I want to thank our customers and employees who have supported us each step of the way and helped deliver our strong financial results. We are incredibly excited about our expectations for high growth at scale in 2022 and beyond. Our customer base is resilient and incredibly loyal, and we are honored to be their platform of choice. Everything we do centers around earning and keeping their trust, and that is what will drive our long-term financial performance.

With that, I'll turn the call over to Susanna.

Susanna Morgan - Remitly Global, Inc. - CFO

Thank you. To reiterate Matt's comments, we delivered a very strong Q4 which capped off a strong 2021. I'm going to structure my comments today around the high-level drivers of our fourth quarter performance and will then provide more detail on our outlook for 2022.

As a reminder, I will discuss non-GAAP operating expenses and adjusted EBITDA in my remarks. These metrics exclude noncash items such as stock-based compensation and the donation of common stock in connection with our Pledge 1% commitment in all periods. Reconciliations to GAAP results are included in the earnings release.

Now let's turn to our fourth quarter results. Revenue grew 69% to \$135 million above expectations, driven both by strength in active customer growth and average revenue per active customer. Active customers grew by 50% year-over-year to 2.8 million. Send volume grew 64% year-over-year to approximately \$6 billion. Our active customer growth was driven by our best-in-class mobile platform, localized customer experience and by investments in acquiring new customers at strong unit economics.

Our 5-year LTV to CAC for 2021 was over 6x, and the strength in our unit economics underpins the investments we are making in new customer acquisition. As we have indicated, we will be investing aggressively with a priority on driving long-term profitable growth with an appropriate payback guardrails.

We are expanding marketing channels, continuously testing product and incentive options and finding more efficient ways of driving this growth. We are seeing success even in a market where customer acquisition costs have returned to more normalized levels compared with unusually low cost during the early months of COVID when many advertisers pulled out of the digital market.

In addition to new customers, our active customer growth was also driven by strong customer retention. The trusted relationships we foster with our customers, the repeat nature of their selling behavior and our investments in providing an easy-to-use mobile-centric platform with a world-class disbursement network have resulted in strong revenue retention rate over 90%. We have seen significant success in driving high engagement through personalized customer onboarding, product education campaigns and life cycle marketing. Our investments have driven a high recurring revenue stream with high visibility and predictability.

Our average revenue per active customer increased 13% year-over-year to \$48. This increase was primarily driven by active customers transacting more frequently with more than half of active customers transacting multiple times a month, along with an increase in revenue per transaction. This demonstrates the stability we're seeing in pricing and the differentiated value we are delivering for our customers. The strong growth in active customers and revenue per active customer drove our year-over-year revenue growth of 69% in the fourth quarter.

Turning to the cost side of the P&L. We remain focused on disciplined investments in growth while also leveraging our increasing scale. Transaction expense was \$56 million or 42% of revenue. This improved over 300 basis points from 45% of revenue in Q4 of last year due to lower fraud losses, more direct partner integrations and better terms with partners driven by increasing scale. We expect to see a modest ongoing improvement in 2022 as we will continue to benefit from the factors I just mentioned, although we expect some variability quarter-to-quarter as we typically see slightly higher transaction costs in Q1.

Customer support and operations expense, which primarily includes people expenses related to worldwide customer support, was \$13 million, up 71% year-over-year, driven primarily by transaction volume. We invest in digital and human customer support in 14 languages to give our customers complete peace of mind. Our contact centers in Central America, the Philippines, India and Europe deliver 24/7 close connections to our customers' home countries and languages.

Marketing expense in Q4 was \$37 million, up 64% year-over-year, driven primarily by higher direct marketing spend focused on new customer acquisition. As I've mentioned before, marketing expenses are seasonally higher in the fourth quarter as we focus on customer acquisition during the holiday period. Our priority is driving quality new customer growth, given the high lifetime value and the high retention we have seen across our customer cohorts. We fully expect these investments to drive revenue growth and profitability in future quarters.

Technology and development expense was \$16 million, up 46% over Q4 of 2020, driven by increased head count and personnel-related expenses related to enhancing our product platform and security. As we invest in our platform, including expanding our offerings, improving the user experience and driving geographic expansion, we expect technology and development expense to increase as a percentage of revenue in 2022.

G&A expense was \$20 million, up 121% year-over-year, primarily due to increased head count in human resources, finance and legal, additional public company operating costs and a year-over-year increase in indirect taxes.

Turning to the bottom line. Q4 GAAP net loss was \$17 million compared to a \$9 million net loss in the fourth quarter of 2020. The increase in net loss was primarily due to \$7 million of incremental stock-based compensation expense. Adjusted EBITDA, which excludes stock-based compensation expense, was negative \$7 million in the fourth quarter of 2021 as compared to negative \$6 million in the fourth quarter of 2020. Our adjusted EBITDA performance was above expectations as we recognized stronger-than-expected revenue fueled by growth in active customers and transaction frequency, along with scale benefits on the transactions and technology and development expense lines.

Turning to our balance sheet. Working capital at the end of the quarter was approximately \$466 million and reflects cash on our balance sheet of \$403 million. Our balance sheet provides us significant flexibility to execute on our growth strategy.

Looking ahead to 2022, we expect revenue to be between \$605 million and \$615 million, which reflects a year-over-year growth rate of 32% to 34%. In 2022, we remain focused on growing active customers through enhanced loyalty of our existing customers and ongoing investment in the acquisition of new customers in both existing and new corridors. The normal seasonality will apply through the year. So Q1 will show strong growth over last year, but we expect first quarter revenue will be relatively in line with fourth quarter 2021 revenue.

COVID changed the world to accelerate the conversion of remittances from sending and receiving in physical locations to increasingly mobile-first. That acceleration drove customers to Remitly. And once these customers use Remitly and experience everything we do, they typically stay with us. As COVID hopefully recedes, we assume the rates of conversion to mobile will slow down, although we know that the global conversion to digital will continue, and we expect that our focus on a seamless mobile customer experience and localization at scale will continue to drive preference for our product.

Turning to profitability. 2022 adjusted EBITDA is expected to be between negative \$40 million and negative \$30 million. Naturally, we will experience the full year cost of being a public company. But more importantly, as Matt said, 2022 is a year of structured investment in the business. Given the expected high return of investing in new customers, expanding use cases and building new products, we will continue to invest at strong unit economics. This will build long-term customer and shareholder value.

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 Tien-Tsin Huang from JPMorgan.

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

Great growth here. Great to see it. A couple of questions, if you don't mind, just thinking about the outlook for '22. Any change in thinking around volume versus ARPU expansion as drivers to get to the 32% to 34%? Curious if there's any change there.

Susanna Morgan - *Remitly Global, Inc. - CFO*

Tien-Tsin, good to hear from you. So in terms of volume, we don't run the business by send volume primarily. We do think that ARPU was a driver of the outperformance in Q4, and we do think that increasing ARPU will continue to be a driver for the business going forward. We're seeing really exciting trends in terms of more transactions per customer and really solid customer cohort behavior, and so we would expect going forward to see some modest increase in ARPU in 2022 as well.

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

Good. Glad to hear it. So just my quick follow-up. I know you mentioned that Q1 should look a little like Q4, I guess, the last couple of years. I know pandemic is tough to read too much into it, but you did see a little bit of sequential revenue improvement first quarter versus fourth quarter. I know we've got geopolitical things going on, FX volatility and Omicron fading, so just trying to better understand what's considered here in your call out for the first quarter.

Susanna Morgan - *Remitly Global, Inc. - CFO*

Yes, yes. It is -- there's a lot of moving parts here, but Q4 is very seasonal for Remitly as many customers return to spend over the holidays and conversely, Q1 does typically represent a slow season. We still think it will be a very strong quarter with high year-over-year growth. And after that point, revenue will continue to increase sequentially each quarter after Q1 as we benefit from new customer acquisition and the high retention and engagement of our existing customers.

Operator

Our next question comes from the line of Andrew Schmidt from Citi.

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

Great results here. Good to see the durability of the model come through. I just wanted to dig in a little bit on just the sort of the enhanced engagement you've been seeing. Is it more a function of newer cohorts coming on that are transacting more and generating more ARPU? Is it expansion across the base as a whole? Just curious to get more color on just the increased engagement on the platform because it feels like that's clearly a significant factor in fourth quarter than -- more significant in 2022 than we previously thought.

Susanna Morgan - *Remitly Global, Inc. - CFO*

Yes. Yes. Thanks, Andrew. Good to hear from you. We did see more customer activity from existing customers, both old and new compared to historical patterns. So I wouldn't say it's isolated to a certain cohort or anything like that.

In general, what we're seeing is, as I mentioned, more transaction frequency. And I think we're benefiting from a few programs. We have some customer engagement programs, which are informed by the analytics we're able to collect. And then product enhancements as well that impacts loyalty and encourage repeat behavior. Matt mentioned the one around sideline rate as one example. We also are focused more on direct integrations as an example that has the best -- better customer experience.

And so we're also seeing higher revenue per transaction in addition to the transaction frequency, driven by pricing changes, et cetera. So I don't think there's one isolated factor, but the most significant factor is the more transactions per customer.

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

Very helpful. I appreciate that. And then good to see the strong unit economics illustrated in 2021. As we think about 2022, just maybe some comments about how you're thinking about customer acquisition costs on a like-for-like basis. And is there any -- have you seen any increase in competitiveness there? Obviously, you have a little bit of an informational advantage here in terms of customer acquisition, but just curious what the outlook is for CAC heading into 2022?

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

Andrew, good to see you and appreciate the question. I think that if you look at our LTV to CAC ratios, which we went to 5 years, even though a lot of customers end up staying with us for longer than 5 years, it continues to be at that 6x LTV to CAC ratio. So for every dollar we're investing, we're getting \$6 back in a 5-year window. And I think that, that gives us an enormous opportunity to continue to invest in the business at high ROI. And we've seen stability around some of the overall customer acquisition cost and unit economics broadly. But we want to be aggressive there because we think we have approximately 1% of the overall market. We've got great unit economics, and we've got a market that's rapidly shifting digital and a clear ROI for capturing that shift and continue to grow the business in the long term.

Operator

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

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

I just wanted to ask on the guidance. I mean you've seen really nice revenue momentum over the last couple of quarters. And so far, your guidance has worked out to be kind of conservative. I just want to know, if you were to outperform your guidance over the course of the year, where would you kind of expect that to most likely come from? Is it higher ARPU? Is it new products? Is it just better customer growth? And then second, how do you think about letting any outperformance flow to the bottom line versus reinvesting in growth initiatives?

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

Yes. I'll start answering that. And Will, I appreciate the question. I'll start and then I'll turn it over to Susanna with any additional detail. But I think, yes, we're excited and really proud to be guiding to \$605 million to \$615 million, up 32% to 34% year-on-year, which is rapid revenue growth for our stage and size. It's also early in the year. So we think it's the right guidance on an annual basis, and we have high confidence in the guidance that we're providing, especially when you put into context how we think about our guidance. We have over 90% revenue retention, as I mentioned. And we do a lot of rigorous forecasting at the cohort level. So we have clear visibility into Q1 as Susanna mentioned, which is up significantly year-on-year. And then we're confident in the guidance as we get later into the year.

In terms of the reinvestment and where outperformance could come from, I think the 3 areas I mentioned of continuing to invest at the right unit economics primarily on customer acquisition, continuing to expand geographically and then adding additional products are the 3 areas that we want to invest. And those 3 areas have a portfolio of time lines of the returns. And so to the extent we're adding more new customers this year, I think that, that could -- that, that has opportunity for outsized growth. And then similar with geographies, new products are going to be further down the road. But we like the portfolio approach so we can drive the sustainable rapid growth for the years to come, not just in 2022.

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

Super helpful. I appreciate all the color. And then maybe if I could just ask a question on the transaction margins and just maybe some more intermediate-term thoughts on bottom line. You've seen pretty good year-over-year improvements in the transaction margins. Could you just kind of talk about the biggest couple of pieces that are driving that? And how much more progress we could see on better transaction margins?

And then more broadly, at a higher level, the markets become increasingly focused on profitability in this market. What are you guys thinking in terms of time line towards profitability? And has anything changed about the thought process around investing just given everything that's going on in the market?

Susanna Morgan - *Remitly Global, Inc. - CFO*

Yes. So I'll start off the question on transaction margins. So we have seen some nice improvements in transaction margins over time. And generally, the factors that are contributing to that are -- we're seeing -- we have more scale so we can negotiate better rates with some of our partners. We're continuing to do more direct integrations, which both have a better customer experience and our lower cost. And then the more data we have to feed into our loss models, the more accurate those models get as well, which is one of the other transaction expenses. So we'd expect to continue to see some modest improvements in transaction margins over time as well, which is good to see that leverage in the business model.

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

Yes. And I can take the question around profitability. Well, I think that one of the things that I really appreciate about our business is the leverage that we've already started to see in it. And you can look at that -- if you look again at our -- even our marketing line item for 2021 as a percentage of the amount that we're actually spending on an adjusted EBITDA basis, we're investing in growth because we see the kind of 6x LTV to CAC ratios that we mentioned.

We're investing in growth in the other 2 areas, new geos and new products because of the size of the market and because we want to deliver long-term growth, such that when we eventually think about profitability down the road, it's a much larger business that has higher absolute profitability. And so I think the time lines for that depend on those 3 investments that we make and how the arc of those investments go. But the leverage that we've already been able to produce in the business, the inherent profitability that exists within remittances and the kind of 20% long-term adjusted EBITDA guidance does not change. It's just about the investments we're making again for the long term.

Operator

Our next question comes from the line of Bob Napoli from William Blair.

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

Nice quarter and I thought the guide was pretty good to start the year. But just any color you can give on the -- I mean you called out the LTV to CAC ratio, but the marketing cost per account, the cost of adding accounts, are you -- what kind of changes are you seeing there? Or you're still obviously comfortable you went through unit economics quite a bit. But are you seeing any changes in the unit economics or the cost per account?

Susanna Morgan - *Remitly Global, Inc. - CFO*

Thanks, Bob. Good to hear from you. So in terms of CAC, in general, we have talked previously about during COVID, CAC was at unusually low levels, and it has recovered. Q4, we do see some seasonality in CAC as well. It's just a more competitive advertising landscape during the holidays typically. I'd say despite that, obviously, our unit economics remain very strong at the over 6x LTV to CAC. And so we feel confident that we should definitely continue to invest in marketing and drive new customer growth as well.

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

And then any -- can you give any color on any business do you have around Russia, Ukraine? Or are you affected at all by the -- some of the payment systems there, changes in SWIFT or anything like that? And I just had one short follow-up.

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

Thanks, Bob. Yes, I appreciate the question. I think, first and foremost, as I mentioned at the outset, just our thoughts are with the individuals whose lives are being significantly disrupted right now and also supporting our employees and customers across Europe, especially, but really around the globe. So that's first and foremost and foundational, it should go without saying.

From a strictly business perspective, we have minimal exposure to the region. Russia, Belarus, Ukraine are not material. They're less than 1%, far less than 1% of active customers. And so we've disabled transactions connected to Russia and Belarus, and we continue to serve customers in Ukraine, but it's a negligible part of our business. And most importantly, we're just thinking about those in the region that are affected and our team of employees that may have families or other connections to the region.

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

Understood. And I appreciate that. Then just quickly, any update on Remitly for Developers? Any progress you're making there or any strategic thoughts?

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

Yes. Absolutely, Bob. So Remitly for Developers, which most folks know, is our B2B offering that gives businesses the opportunity to disburse through our network of billions of bank accounts, hundreds of millions of mobile wallets and hundreds of thousands of cash pickup locations across the globe. And we have continued to roll out new customers. We have a strong pipeline there. The one you may have read about is our Coinbase partnership that we launched. And we're excited about continuing to partner with innovators in the space to capture new use cases and to expand the TAM that we can serve.

And what I'd say at a strategic level is we've talked about and you've seen some of the crypto players, which is a great way for us to innovate and stay close to what's happening in the space, but we have a really strong pipeline of other noncrypto players as well. And when we have competed in RFPs and other elements, I think that our network has really differentiated, given how strong we've built it for our customers and how much of a need there are for other businesses to disburse funds in emerging markets in the wide range of ways that I mentioned.

Operator

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

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

You mentioned some dynamics around pricing, and I was just wondering if you both could give me some more kind of commentary on your pricing strategy in terms of the mix between taking specific actions as opposed to just benefiting from favorable geographic mix. And I guess has anything changed in terms of us thinking about pricing as a more meaningful kind of recurring input to your growth algorithm?

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

I'm happy to start with that, Ramsey, yes. Overall, as we mentioned, our pricing trends have been favorable. Our ARPU, average revenue per user was up 13% year-over-year. And the other context is that take rates have been very stable, above 2% over the past 7 quarters. So we feel good about our pricing. And the reason why we feel good is because of the fact that we know why customers choose us and continue to come back to us with that 90-plus percent revenue retention. And that's because of the peace of mind we deliver, the seamless user experience that's only getting better and better with our scale.

And so we have seen strong pricing. As I mentioned earlier, we're not always the best price. We provide a fair price and customers come to us because of the peace of mind and reliability and great service that we provide.

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

Okay. And then maybe as a follow-up here, could you comment a little bit on Passbook? And you sounded pretty confident about it being kind of a longer-term ARPU driver. I'm just kind of curious sort of where you are in the sort of rollout and development of the product kind of -- sort of like what gives you confidence about its long-term prospects.

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

Yes. Absolutely, Ramsey. Thanks for the question. So the way I think about the long-term vision of where we're headed is really around improving the lives of immigrants and their families by providing the most trusted financial services on the planet. And as we've talked about, as I mentioned, I think that our customers who are primarily immigrants are often underserved when it comes to financial services products. And so Passbook is what we have talked about the most in the past. And I think Passbook is foundational for building broader financial services for immigrants, and having that direct deposit account is critical. It's foundational.

And the way to think about our longer-term vision, what we're doing is, yes, we're continuing to invest in that product, but we're also investing in multiple customer-centered investments around solving broader financial services pain points that we see that our customers have. And so when you go through that portfolio of investments, additional products is the one that's furthest off, as is with new businesses and new products. But we're as confident and as excited about offering broad financial services to our customers with Passbook being an important part of that, given the direct deposit, the DDA account being at the center of a lot of customers' financial services needs.

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

Got it. Sounds like an important future building block. Appreciate your comments here.

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

Thanks, Ramsey.

Operator

Our next question comes from the line of David Scharf from JMP Securities.

David Michael Scharf - JMP Securities LLC, Research Division - MD & Equity Research Analyst

Pretty much all have been addressed at this point. But Matt, I did want to follow up on one aspect of kind of the ARPU outlook and how we ought to think about the core drivers near term of the revenue guidance. And specifically, it sounded like frequency was kind of the biggest contributor. And I would imagine there's probably a practical ceiling on how often somebody sends money, a single user. Can you also shed light on whether or not corridor mix, particularly among the big 3, has an impact or how that would impact it going forward as the big 3 sort of decline as a part of the overall mix and also whether just given the FX margin, the operating leverage inherently associated with just a higher volume percent on whether we should be thinking about an impact of inflation in the U.S. is impacting revenue per transaction as well.

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

Susanna, why don't you take the initial parts? And then I can talk about inflation at the end.

Susanna Morgan - *Remitly Global, Inc. - CFO*

Great. Thanks for the question. So in terms of ARPU, you're right that the primary driver is our active customers sending more transactions. And I mentioned a few things that product enhancements and marketing programs that are actions we've taken to drive that loyalty and engagement. In terms of most of our active customers are transacting at least 2x a month, and so that's something that we have seen in the past, frequently might be after a payday or something along those lines and really reinforces that it is a recurring need and they are supporting their families back home on an ongoing basis.

In terms of the question, does this corridor mix impact that much, there probably are some differences across corridors. But off the top of my head, it's not significant enough necessarily to call out. We are continuing to diversify away from our top 3 corridors, which were U.S. to Philippines where we started and then Mexico and India, also some of the largest remittance corridors in the world. But I think ARPU is generally quite strong across corridors. And so I don't think there's anything specific to call out in terms of corridor mix impacting that metric in particular.

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

Thanks, Susanna. Go ahead.

David Michael Scharf - *JMP Securities LLC, Research Division - MD & Equity Research Analyst*

No, no, I'm sorry, Matt, you were going to discuss whether or not inflation is something we should be paying attention to and the price of currency.

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

Exactly, yes. We have not seen an impact on -- from inflation on our customer base is the punch line. And I think that if you look historically, our customer base is incredibly resilient, and we've seen them have during economic recessions, during various geopolitical -- even natural disasters. At times, customers have increased the amount that they sent. And our customers, it's important to keep in mind, are typically sending money home to their families. And a few hundred dollars goes an incredibly long way and is very high on their kind of use of funds.

And so with that context, again, we're not seeing any impact from inflation. It's something we'll obviously continue to watch closely. But we feel good and quite frankly, inspired and honored to get to serve a customer base that prioritizes sending money home regardless of the economic conditions, given how far those funds go to their families back home.

Susanna Morgan - *Remitly Global, Inc. - CFO*

And just one proof point to kind of follow up on that, average spend per active customer increased to over \$2,100 in Q4. So that was up year-over-year and quarter-over-quarter. So obviously, our customers are continuing to prioritize sending money home during this somewhat uncertain time as well.

Operator

Our next question comes from the line of Alex Markgraff from KeyBanc Capital Markets.

Alexander Wexler Markgraff - *KeyBanc Capital Markets Inc., Research Division - Associate*

Just a couple of quick ones. Maybe first, I appreciate all the commentary around transaction margin expectations. Just anything to note around the quarterly cadence of OpEx in '22, thinking about how to kind of arrive at quarterly EBITDA margins, I'd appreciate color there. And then just to kind of follow up on the Coinbase partnership. Should we think about the kind of revenue model and commercial terms as similar to other partnerships you have announced with crypto companies with respect to RFD?

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

Sure. I'll let Susanna take the EBITDA question and then I'll talk about Coinbase.

Susanna Morgan - *Remitly Global, Inc. - CFO*

Yes. So just in terms of -- good to see you ask your question around EBITDA or expense seasonality. Our investments are front-loaded in the year 2022, so we would expect EBITDA to be lowest in Q1 and then generally improve during Q2 and Q3. And then Q4, we'll see some impact on marketing expense due to the typical new customer seasonality in Q4, but we would expect Q1 to be the lowest of the year. In terms of other seasonality on other line items or just, in general, marketing expense I've talked about before and just mentioned, Q4 is typically higher. The one other, it's a non-GAAP item, but in Q3, we will make our Pledge 1% stock donation, which is part of G&A GAAP costs, so that will be an impact in Q3 in terms of -- not so much on EBITDA but on the net loss in Q3.

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

Yes. Thanks, Susanna. And then on broader RFD kind of unit economics, the way that we think about it is and the business model is a mix of fee and foreign exchange generally. It depends on the specific partner. And I can't talk about Coinbase specifically, obviously. But what we like about that business is the fact that from a profitability perspective, it's very advantageous to us and their strategic benefits to more transactions flowing through our system because it gives us more leverage with our partners the ability to invest more in our network, which helps both our remittance consumer business as well as the overall RFD offering. So mix of fee and foreign exchange generally with a nice profitability profile on a unit economic basis for that business.

Operator

Our next question is a follow-up from the line of Tien-Tsin Huang from JPMorgan. Tien-Tsin, we're not hearing anything.

Well, that does conclude our question-and-answer session today. I'd like to hand the program back to Matt Oppenheimer, CEO, for any further remarks.

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

Great. Thanks so much, and thanks, everyone, for the thoughtful questions. And as we do at Remitly, I like to end the meeting by highlighting another of our amazing customers, and this customer's name is Mila.

She first started using Remitly in 2013, so well over the 5 years that we mentioned earlier, to send money from the U.S. to her loved ones in the Philippines. And here are her words about Remitly, "I am the mother of 4 children, a wife and a loving grandmother. I'm working abroad to help my family augment the income that we have. I work hard because I want my children to study, get their degree and be able to work and stand on their own 2 feet. It is tough to be away from my family. Work is hard as well. But I'm thankful for my children who studied well, finished their studies, and now they are happy working on their own. I thank Remitly for being there for me and making it easy to send money to my country."

So we thank Mila, and we thank the millions of customers that continue to use our platform. And we thank all of you for being on the call and being part of the Remitly journey. We are excited about 2022, and we are looking forward to continuing to share our progress as we continue to work to accomplish our mission.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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