Riskified Fourth Quarter and Full-Year 2022 Earnings Transcript

Corporate Participants

Chett Mandel, *Head of Investor Relations*

Eido Gal, *Chief Executive Officer*

Agi Dotcheva, *Chief Financial Officer*

Analyst Participants

Brent Bracelin – *Piper Sandler*

Owen Callahan – *Barclays*

Timothy Chiodo – *Credit Suisse*

Will Nance – *Goldman Sachs*

Bob Napoli – *William Blair*

Terry Tillman – *Truist Securities*

Chett Mandel
Head of Investor Relations

Good morning and thank you for joining us today. My name is Chett Mandel, Riskified Head of Investor Relations. We are hosting today's call to discuss Riskified's financial results for the fourth quarter and full year 2022. Participating on today's call are Eido Gal, Riskified's Co-Founder and Chief Executive Officer; and Aglika Dotcheva, Riskified's Chief Financial Officer.

We released our results for the fourth quarter and full year 2022 earlier today. Our earnings materials, including a replay of today's webcast are available on our Investor Relations website at ir.riskified.com. Certain statements made on the call today will be forward-looking statements related to our operating performance, financial goals, and business outlook, which reflect management's best judgment based on currently available information and are not guarantees of future performance.

We intend all forward-looking statements to be covered by the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995 and are including these statements for purposes of invoking these safe harbor provisions. Please note that these forward-looking statements reflect our opinions as of the date of this call, and except as required by applicable law, we undertake no obligation to revise this information as a result of new developments that may occur after the time of this call.

These forward-looking statements involve risks, uncertainties and other factors, some of which are beyond our control that could cause actual results to differ materially from our expectations. You should not put undue reliance on any forward-looking statements. Please refer to our periodic and other SEC filings for more information on the specific factors that could cause actual results to differ materially from our expectations.

Additionally, non-GAAP financial measures and key performance indicators will be discussed on the call. Reconciliations to the most directly comparable GAAP financial measures are available in our earnings release issued and furnished with the SEC on Form 6-K today in our prior filings with the SEC and in the appendix of our Investor Relations presentation, all of which are posted on our Investor Relations website. I will now turn the call over to Eido.

Eido Gal
Co-Founder, CEO & Director

Thanks, Chett, and hello, everyone. 2022 is an important year for Riskified in terms of executing and long-term positioning. During the year, we thoughtfully expanded our global footprint, grow our coverage in select existing and emerging verticals and enhanced our product reach. We achieved annual 2022 revenue growth of 14%. Let me unpack this growth in further detail. Our growth in full year 2022 was driven primarily by new customer wins and upsells from existing customers and highlighted by strong performance in our tickets and travel vertical, which grew approximately 150% year-over-year.

I am encouraged that our top line growth continues to outpace overall e-commerce growth despite headwinds in certain verticals such as home and general retail, resulting primarily from a more challenging macro environment compared to 2021. While macroeconomic factors may impact certain parts of our business from time to time, we believe that the diversification of our portfolio across merchants, industries and geographies positions us for growth regardless of the macro environment in which we are operating.

We believe that our financial results highlight the resilience of our business and underscore the value that we believe we are able to provide to some of the world's largest online merchants. We believe that we remain the best at annualizing an e-commerce transaction and determining whether or not it's fraudulent. This is a testament to the differentiated and proprietary technology that we have built.

The accuracy of our models and our positioning as one of the largest fraud-related guarantors of e-commerce transactions in the world has created a distinct competitive advantage for us. This is a key reason why we have disproportionate success during competitive processes in which we win more often than our competitors. By helping to solve a fundamental need for our merchants, we believe we have become essential to them.

The value that our chargeback guarantee product can deliver is particularly important in the slower growth in barge where merchants are increasingly focused on driving revenue growth while simultaneously reducing costs. Our go-to-market team had a strong year in executing our strategy of landing the world's largest online merchant proving our ROI and then expanding our relationships with these merchants. Our top 10 new merchants added during the year represented 5 categories across 3 regions, and we have strong success in executing upsells to our existing merchant base.

Now combined with the ramp-up of our policy protect dispute resolve product, each designed to solve additional high-value use cases for our merchants, we believe we are positioning our business to capture an increased share of the e-commerce landscape. As a reminder, Policy Protect uses the power of our global merchant network of billions of accounts, behaviors and transactions to help detect and prevent policy of use in real time.

Using Policy Protect, leading retailers have saved millions of dollars locking policy-related abuses and have been able to prevent up to 15x more use of return and refund claims than they were previously able to. An electronics merchant currently utilizing chargeback guarantee recently began also using Policy Protect. This merchant generates over $800 million in total GMV and represents a great new win for us. We are excited to utilize our robust identity data to tailor their interactions and policies in order to deepen relationships with their loyal customers.

We believe that we have an opportunity to do this for many more of our fantastic merchants. In addition, with dispute resolve, we are able to fully automate elements of the dispute process for fraud and non-fraud related chargeback of use through a process known as chargeback representment. The visibility, automation and speed that we are able to provide in the chargeback representment process is an important functionality that augments our chargeback guarantee offering.

This product is opening doors for our core chargeback guarantee product. As an example, a $5 billion online sales merchant is currently utilizing our dispute resolved product. As a result of the trust that we have built and the results we've delivered in managing their chargeback representment process, in the fourth quarter, we were able to have a substantial cross-sell of our chargeback guarantee product, taking volume that was previously with a competitor.

And while it is still early days for our policy for tax and dispute resolved products from a revenue perspective, we are firmly entering a new product cycle and have a solid pipeline of demand. Our 2022 goal was to continue to grow our top line while making meaningful reductions to our permanent cost base with a focus towards accelerating our time line to profitability. We executed on this goal, and we're able to deliver a full year adjusted EBITDA figure of negative $36.4 million.

This exceeded our initial full year guidance of negative $67.5 million to the midpoint by nearly 50%. This was driven by reducing permanent costs from the business through a thorough expense analysis and hiring plan modification. Partly resulting from these initiatives, we have made significant progress towards our goal of accelerating our path to profitability and in fact, nearly achieved that goal this quarter on an adjusted EBITDA basis.

I am pleased with the progress that we've made in this area, but our work is nowhere near done. We recently celebrated the 10th year anniversary of our founding. Our company has grown from a small operation based in Israel, to now becoming one of the largest fraud-related guarantors of e-commerce transactions global, having analyzed nearly 2.5 billion transactions since our founding.

We are able to deliver outsized ROI to some of the world's largest and most prestigious online merchants and believe that we have developed deep rooted relationships of trust and confidence that we plan to nurture for years to come. The trust that we have built with our merchants is evident in our annual dollar retention rate of 99% in 2022, consistent with prior years. In fact, for each of the last 4 years, our retention rate has been 98% or higher, a testament to our low churn rates, and I want to thank the entire Riskified team for their tireless commitment to our merchants and for their contributions in achieving this important goal.

Looking ahead to 2023, I believe our business is well positioned to continue to improve despite the current challenging economic environment. We are organizing our sales and product teams to prioritize areas that have the greatest returns for our business, merchants and shareholders. We are also enhancing our customer advocacy efforts to better leverage our network to drive stronger pipeline. We expect that our growth in 2023 will continue to be powered by key go-to-market wins, ongoing returns on our geographic investments, improvements within some of our existing verticals and by capturing more market share through adoption of our newer products.

While the underlying performance of our merchants is not in our control, I am optimistic that over time, the broader e-commerce landscape will improve from current levels, which we believe should positively impact our organic growth. In the meantime, we will continue to focus on the areas of our business that are within our control in order to deliver ROI to our merchants and drive value for our shareholders. Now I'd like to turn it over to Agi to discuss our financial results in more detail and share our initial growth outlook for 2023.

Aglika Dotcheva
Chief Financial Officer

Thank you Eido, team and everyone, for joining today's call. We achieved fourth quarter revenue of $79.3 million and $261.2 million for the full year, both up 14% year-over-year. Our GMV for the fourth quarter was $32.2 billion, up 16%. For the full year, our GMV lift the $100 billion milestone for the first time to be $105.6 billion, reflecting an 18% increase year-over-year. Our full year growth in GMV and revenue was primarily driven by strong tickets and travel performance, new merchants and upsells and revenue growth across all geographies.

Our organic or same corporate growth, which as a reminder, doesn't include upsell activity from existing merchants, remained well below historical norms and declined by mid-single digits during the year. Looking at our overall growth during the year, we continue to benefit from sustained growth in our largest industry, fashion and luxury goods, which alone contributed over $100 million in annual billings. As expected, tickets and travel was the most meaningful area for us in 2022 as we benefited from the addition of large new customers as well as the return to in-person events and increased travel following COVID.

We more than doubled our billings within tickets and travel, and it is now larger than our home vertical at almost 30% of total billings. One of our newer verticals, money transfer experienced triple-digit growth, and we saw stable year-over-year performance in our food vertical. The combination of these 4 verticals represented approximately 75% of our billings for 2022, and I'm encouraged that a substantial portion of our portfolio performed strongly and grew during the year.

This was offset by a significant decline primarily related to the macroeconomic environment in our home, electronics and general retail verticals. From a geographic standpoint, we experienced growth across all our regions in 2022. The U.S. remained our biggest region and EMEA and APAC each grew more than 50% during the year. We recently won a handful of first-time clients in Japan and are excited by these early wins. As we continue to strategically build our footprint in APAC, we anticipate further upside as we benefit from more established presence on the ground.

Overall, our revenue contribution by region was more evenly distributed than in previous years as we continue to build a global and diversified company. Moving on to gross margin. Our non-GAAP gross profit margin for the fourth quarter of 2022 was 53%, consistent with the fourth quarter of 2021 and an improvement from 52% in the third quarter of 2022. Our non-GAAP gross profit margin for 2022 was 52%, which exceeded our target floor of 51%.

The improvements in our non-GAAP gross profit margin from the initial floor is primarily attributable to improvements in our core machine learning models and optimizing of our cost of goods sold that are others in chargebacks, offset by the impact of ramping of significant new merchants and a shift in our portfolio mix towards tickets and travel, which has historically been a lower gross margin vertical than others in the portfolio. As it relates to 2023 for the full year, we're targeting a non-GAAP gross margin between 51% to 52%.

Directionally, our first quarter margin may be at the high end of this range. Q2 at the lower end, Q3 below the target range, with Q4 being higher than the range. Once again, gross profit margin is best analyzed on an annual basis as margin may fluctuate on a quarterly basis. Moving to expenses. Total non-GAAP operating expenses were $42 million for the fourth quarter of 2022, flat sequentially and a slight improvement from the fourth quarter of the prior year.

As expected, our non-GAAP operating expenses as a percentage of revenue decline both from the fourth quarter of 2021 and sequentially from 67% in the third quarter to 53% in the fourth quarter of 2022, reflecting leverage in the business model. For modeling purposes, we anticipate our 2023 expenses to be in the range of approximately $45 million per quarter, and we expect that our expense levels will be relatively flat throughout the year.

We have operated the company in a profitable manner in prior periods, and we remain focused on the levers to pull and the processes to prioritize in order to return there. We made strategic investments in 2021 and 2022 in order to help our growing merchant base, manage a broader range of high-value use cases and enhance our ability to support our merchants in new geographies. We're already recognizing some of the benefits of this investment, and we will continue to diligently manage our hiring plans and optimize our expense base to meet our goals.

Adjusted EBITDA for the fourth quarter was nearly breakeven at negative $106,000 and represents a 98% year-over-year improvement. For the full year, our adjusted EBITDA was negative $36.4 million. As Eido mentioned, we exceeded the original guidance range set in February of 2022 by nearly 50%. Overall, I'm pleased with how we executed on this important company-wide goal. In addition, we continue to maintain a healthy cash flow model. Our free cash outflows were approximately $34 million in 2022, which was essentially flat with 2021.

Our outflows meaningfully slowed in the back half of the year, and we feel great about our ability to manage our capital in 2023 based on our current strategy. Moving to the balance sheet. We maintained a very strong liquidity position with substantial access to capital. We ended the year with approximately $483 million of cash, deposits and accrued interest on the balance sheet, and we carry 0 debt.

This amount represents a slight decline from $484 million in the third quarter. We entered 2023 with a strong liquidity position that will provide us the flexibility to focus on using it strategically, should opportunities present themselves. Now turning to our outlook. As we look forward to 2023, we remain excited about the opportunities ahead. We expect that the macro uncertainty we faced last year will remain and don't expect the macro environment to change materially in the near term, which is factored in our initial guidance for 2023.

We currently anticipate revenue of between $297 million and $303 million or 14% to 16% year-over-year growth. Allow me to provide more context. First, similar to 2022, we anticipate that our growth will be driven primarily by new and upsell activity, offset by continued headwinds for some of our industry verticals associated with a challenging macro environment. Second, we anticipate tickets and travel to continue to grow, but as we have now lapped favorable comps related to the coverage recovery in 2022, we expect to see more normalized growth versus the triple-digit year-over-year growth we saw in this vertical throughout 2022.

This normalization may be more pronounced in the back half of the year, especially as we lap the onboarding of a large merchant from the third quarter of 2022. Third, we feel great about the activity levels and ability to onboard new merchants. But given the uncertainty in the environment, we have less visibility than normal as to the timing of when new merchants will go live in the second half of this year.

Now let me provide some direction of our revenue on a quarterly and 6-month basis. Our first half to demonstrate a stronger year-over-year growth rate than the second half due to the dynamics that I previously mentioned. We expect Q4 to be the strongest quarter of the year on an absolute basis, consistent with typical holiday shopping seasonality and to reflect a similar percentage of total revenue as in 2022.

Q1 to Q3 should be relatively evenly spread with Q1 expected to be lighter than Q2 on an absolute basis and Q2 to be slightly stronger than Q3. We have approached our initial guidance responsibly due to the macroeconomic environment. We will continue to monitor the performance and health of our merchants, consumer spending and the broader e-commerce landscape and the impact on our results.

Now let me discuss our adjusted EBITDA outlook. We anticipate to continue making significant improvements to adjusted EBITDA in 2023 as we near profitability. We currently expect adjusted EBITDA to be between negative $27 million and negative $22 million. This represents a 32% year-over-year improvement to the midpoint and meaningfully outpaces our anticipated 2023 revenue growth, demonstrating leverage in the business model and the commitment to managing the business in a disciplined manner.

Overall, we are pleased with our 2022 results and remain excited of our positioning of the business, the continued prospects for long-term growth and our ability to deliver value to shareholders. Operator, we're ready to take the first question, please.

Question and Answer

Terry Tillman
Truist Securities, Inc., Research Division

Hi, good morning Eido, Agi and Chett. Thanks for taking my questions. I had a question and then a follow-up question. Maybe just a little bit more, Agi in terms of the macro and how that's impacting the business and the puts and takes and then forming the guidance. So whether it's unpacking more around organic business and further declines some of your traditional industries being more impacted or just slower new logo activity flowing in the model. Just would love to learn a little bit more about this concept of the macro and performing the guidance? And then I had a follow-up.

Eido Gal
CEO, Riskified

So look, overall, when we think about our revenue growth in the guide, it really comes down to 2 main categories, right? Number one, the things within our control, and that's the new, the upsell, the cross-sell. And we feel really good about that. We're coming in with a great pipeline. The team is executing very well, and we think that's going to contribute most of the growth in '23. When I think about the other categories, stuff more outside our control, mostly organic or kind of same-store sales, we think that is going to be macro influence, and that's going to be a headwind in the mid-single digits throughout '23.

Now obviously, as e-commerce reverse has been more historical at normalized growth rates, that's going to move from becoming a headwind to a tailwind. We don't know exactly when that's going to happen. So the guide assumes that the macro challenge remains for all of '23. With that said, I'm still happy that we're outpacing overall e-com growth. And when I just look around at some of the numbers from our peer set, whether that's e-com enablement or just straight e-com company, I think our macro perspective kind of makes sense.

Aglika Dotcheva
CFO, Riskified

I give you a little bit more detail on the organic front, most of the categories that we cite is being like in a tougher environment in 2022. So I do expect that we should hopefully see an improvement in 2023. But still, the way I see it is just the positives are not as high, and the categories like home and general resell, the negatives are not going to be as low. So that's how we are resulting in the same range.

Obviously, tickets and travels wont' continue to grow 3 digits, but as we're going through kind of lapping called trends, I think that this is going to have an effect. And ultimately, this is vertical that will be really strong and will remain strong. And one more thing, I think that is kind of new and infact is already in our guide, we did factor a possible bankruptcy from a large client of ours. And if this doesn't materialize, that can potentially be an upside, but it's too early to say right now.

Terry Tillman
Truist Securities, Inc.

Okay. thanks for that from both of you. And then just my follow-up question just relates to this concept of the charge-back guarantee kind of being the wedge historically and really just synonymous with your business. You're talking about some other modules, and I do get a lot of questions about are they going to become a platform business. So I'd love to learn a little bit more even though it's early days about like the impact to take rate from these newer products? And do you have the go-to-market kind of DNA to be more of a platform sale?

Eido Gal
CEO, Riskified

Sure, Terry. So 22 was definitely a builder for these products and by proving the ROI is kind of a handful of merchants. And we do have significantly higher expectations for them from 23. Ravi, who we previously shared joins us as President of the Field Operations has a lot of experience building these types of kind of platform go-to-market motion. And I think maybe the best indicator is that when we think about the targets for the sales team for this year, 10-plus-percent is coming from some of these newer products. So we definitely think we're seeing a significant increase there.

Operator

And your next question comes from the line of Ramsey El-Assal of Barclays. Please go ahead. Ramsey your line is now open you can ask your question.

Owen Callahan
Barclays

Hi guys. This is Owen on for Ramsey. Appreciate you taking our question. I wanted to ask a little bit more about what you're seeing in tickets and travel. I was wondering if you could give us any more color on the sustainability of the growth in this vertical. And if we might see any strength sort of subsided at all? And in addition, is there any new verticals you guys are seeing with any more growth potential? Any color there would be super helpful. Thank you.

Aglika Dotcheva
CFO, Riskified

Hi Owen thank you for the questions. So I'll take the first one regarding tickets travel. It's been a very strong industry. It's our strongest growing industry in 2022. And I do expect that will continue to be strong in 2023, probably not in the 3 digits that we saw in 2022, but still relatively strong. As to more nuance, it's early in the year, but we have seen like some of the positive impacts tickets and travel was strong in Q4. It's continuing to be strong in Q1, and we're just kind of factoring that to persist in a more normalized manner throughout 2023.

Eido Gal
CEO, Riskified

Yes. And for the categories, I would say we've seen the highest growth rates in your categories would be money transfer and food, but we still have significant white space in all other categories and continue to see strength there as well.

Operator

And our next question comes from the line of Will Nance of Goldman Sachs. Please go ahead.

Will Nance
Goldman Sachs

Hey guys good morning appreciate you taking my questions. I wanted to ask on some of the commentary on new verticals that you guys called out. You guys sound pretty positive on the new product cycle. I'm just wondering if you could kind of talk around your expectations for how meaningful new products could be over time as a percentage of revenue? And what's kind of a reasonable time frame for investors to think about that?

Eido Gal
CEO, Riskified

Yes. I mean I think the start for this year is definitely making sure that as a percent of the new revenue is becoming an increasing share, so we think going from basically 0 last year to 10-plus percent. Now it's a great first step. We're certainly happy that these products have a higher margin profile than our traditional chargeback product, which we see will help over the long term. And we'll definitely kind of update on progress in the quarters ahead.

Will Nance
Goldman Sachs

Got it. That's helpful. And then just maybe a question on the outlook, particularly in the second half. I think you mentioned having a little bit lower visibility than normal around client go-lives. Just wondering if you could maybe double click on that. What do you think is driving that? Are you kind of making more conservative assumptions around go-lives embedded in the outlook?

Aglika Dotcheva
CFO, Riskified

I don't think there's just one element to create a conservative assumption. So just thinking about the macro environment that we are right now and what our merchants are reporting and just a general kind of volatility that we've seen, it's more prudent to continue to think about the volatility persisting. And we factor this across all of the possible opportunities in the second half of the year. I'm overall optimistic. However, it is early on, and there are opportunities and as we continue to progress, we'll continue to update.

Eido Gal
CEO, Riskified

Yes. I would say that there's just more uncertainty. So as we get further out, that uncertainty creates a wider range of options and so we need to take that into account within the guide. And we're definitely much more in tuned and positive around the first half, which we have better visibility into.

Will Nance
Goldman Sachs

Understood. Appreciate you taking the questions. Nice results this morning.

Operator

Thank you so much. Our next question comes from the line of Bob Napoli of Will and Blair. Please go ahead.

Bob Napoli
William Blair

Good morning everybody. So question, just on the long-term target operating model, Eido and Agi, just your confidence having been public now for well over a year. Just could you like review those targets? And are you still confident in the targets that you had when you went public over the long term?

Eido Gal
CEO, Riskified

For sure. Nothing has changed in any way around those targets. We still think we're on track.

Aglika Dotcheva
CFO, Riskified

Yes, nothing has changed. The way we think about the business in general is there's different levers to pull. And if we think about our adjusted EBITDA, this is in our control, and we're continuing to move toward profitability. Obviously, there are some areas that are now not in our control, but I'm confident that the e-commerce environment at some point improves, that will positively impact us as well.

Bob Napoli
William Blair

Thank you. And then just, I guess, to me, it seems like the fraud market itself is not slowing down, and I know e-commerce is volatile in a big part of your business. But what are you seeing from the competitive environment, your chargeback model versus other models. Just maybe are you competing more with chargeback models or other models or internal? Are you seeing more competitors in RFPs than you have in the past or different types of competitors. So just some thoughts around the competitive environment, it still seems like a massive market opportunity. Your growth rate should be well above e-commerce, I would think.

Eido Gal
CEO, Riskified

Hey Bob. So Q4 was definitely the best performance from the sales team on the competitive set that we've had historically. So we happily love that trend. And we think it's becoming clear at the enterprise that the charge back guarantee, which we believe provides more value than an uncovered decision and a better overall lower cost of ownership. We're seeing predominantly Riskified wins. So we're very happy with that positioning.

And I think to your point, there's definitely a lot of white space and opportunity. What levers do we have to pull? How do we accelerate that growth with things within our control we're definitely thinking and focusing on that.

Tim Chiodo
Credit Suisse

Great. Thank you. So a similar question to what Bob was just mentioning there, but I want to dig in a little bit more to the specific new wins that you mentioned and the strong sales team result during Q4. The RFPs that you're going into, are these customers coming in definitively deciding that they want to go the chargeback guarantee route? Or are they coming in more open-minded, meaning they would consider chargeback or decision as a service and charge back guarantee. In other words, when you're winning these RFPs, is it up against someone else also offering chargeback guarantee? Or is it against a number of different alternatives and services?

Eido Gal
CEO, Riskified

No one offers chargeback guarantee at the scale that we provide. So it's much harder for any other company to compete in that category within the enterprise because there's clearly an inherent advantage. Within are the RFPs coming in advance. I would say it's mix, right? Some of our wins are non-RFP or we just come and help with the smaller segment and then expand over time. Some of them are more general hey, I have an issue within my fraud and abuse. And it's fraud abuse not just fraud, hey, what model can help provide me the best guarantee ROI.

Tim Chiodo
Credit Suisse

Great. That's in line with what we were expecting there as kind of the mix of the 2. Okay. Great. That's really helpful. I appreciate that. The brief follow-up would be on the travel and tickets vertical. Clearly, the growth was very strong during 2022. Could you disclose what the growth for GMV was on an ex tickets and travel basis for 2022?

Aglika Dotcheva
CFO, Riskified

Yes, Tim, I don't think we broke this down. But if I think about the rate contributors to our growth, that's just tickets and travel, both on the new and just on the organic side, also just continuing to expand with existing merchants and to add new logos. And we also mentioned kind of strength within a few other industries. All in all, 75% of our business grow in 2022, and I'm very optimistic about this continuing to happen in 2023.

Tim Chiodo
Credit Suisse

Okay. Great. Thank you for the context. I appreciate you taking the questions.

Operator

Thank you so much. And the last question comes from the line of Brent Bracelin of Piper Sandler. Please go ahead ask your question.

Brent Bracelin
Piper Sandler

Good morning Eido a question for you here. I'm curious to hear more about the economics of the new policy to protect product for returns. Why does this product have higher gross margin profile than fraud? Are you using the same data and just retraining the algorithm for a different use case? And then could you maybe talk a little bit about not only the higher gross margin, but also what it does to uplift an existing customer? Could it expand your revenue at existing customer by 10%, by 30% Any color on what the revenue uplift might be when you actually go in and sell fraud and policy protected to merchants.

Eido Gal
CEO, Riskified

Sure. Great question. So I think let's start with the gross margin piece, right? Obviously, a significant portion of the growth of our cost of goods would be the chargebacks. When we think about the policy product, it's not guaranteeing anything. So we don't have that line item. So in that sense, it just has a more traditional cost structure like any other SaaS component. You're also right that policy work on the billions of transactions that we have in our network and the network effect and the value that it can provide merchants just to highlight some of the use cases, okay, that when a customer creates a return request, a refund request says that they never receive the package.

We can actually use that amazing network to give our merchants a smarter decisions is that a legitimate claim is that a false claim and merchants are understanding more and more that within this kind of return and policy bucket, there's a lot of room for optimization. And the ROI there is exceedingly significant. We definitely feel that it's something that we can cross-sell and we have cross-sold it. That's a lot of the go-to-market motion to our existing clients, but it's also very top of mind for merchants and newer conversations as well, right? And it's definitely kind of can be a significant portion relative to charge back growth.

Brent Bracelin
Piper Sandler

And then what's the revenue potential uplift if you think about cross-selling policy protect into the installed base, could this lift the revenue per customer by 10%? Is it a 20% uplift. Any color on the cross-sell uplift by selling policy and fraud.

Eido Gal
CEO, Riskified

I think you're in the zone right now. We definitely want to create more use cases that would help pricing over the long term, but that's within the zone.

Brent Bracelin
Piper Sandler

Okay. Perfect. And then, Agi, just for you here, as we think about the outlook, we can get to close to 20% growth in the first half of the year. And then obviously, the growth moderates in the second half. Is that just a function of you have really strong visibility, you got good merchant momentum going into the first half and you're factoring in just less visibility in the second half? What is that tale of 2 halves kind of imply here? Or is it just tough compares? Just trying to think through what's baked into that second half growth assumption, which is a little slower than the first half?

Aglika Dotcheva
CFO, Riskified

Yes, that will be one of the reasons, visibility is one of the reasons, but we also have a few others. As I mentioned, tickets and travel, I have a different kind of lasting environment versus last year. We're seeing Q1 to be strong, but it's also strong on top of Q1 from last year, which was relatively slow. So I think it's disproportionate kind of effect of the year-over-year growth rate, and that will be kind of shown in the numbers. And then general categories, as I said, general retail, I'm hoping that their overall are improving compared to 2022, but they will continue to kind of persist in some of the declines that we've seen more recently. And if you have seasonality in some of the quarters, especially Q4 being the largest kind of shopping retail holiday season that can be more pronounced there.

Operator

Right. Apologies for that. So we don't have any more questions. I would now like to turn the conference back to Eido Gal. Please go ahead.

Eido Gal
CEO, Riskified

Thanks, everyone, for participating. We look forward to updating you on our progress in 2023.

Operator
And thank you so much. This concludes your conference call. Thank you