Riskified Fourth Quarter and Full-Year 2021 Earnings Transcript

CORPORATE PARTICIPANTS

Chris Mammone, *Investor Relations, Riskified*

Eido Gal, *Chief Executive Officer, Riskified*

Agi Dotcheva, *Chief Financial Officer, Riskified*

ANALYST PARTICIPANTS

Timothy Chiodo, *Research Analyst, Credit Suisse*

Robert Napoli, *Research Analyst, William Blair*

Damian Wille, *Research Analyst, Barclays*

William Nance, *Research Analyst, Goldman Sachs*

Josh Beck, *Research Analyst, KeyBanc*

Reginald Smith, *Research Analyst, J.P. Morgan*

Terry Tillman, *Research Analyst, Truist*

Brent Bracelin, *Research Analyst, Piper Sandler*

Chris Mammone, Investor Relations, Riskified

Good morning and thank you for joining us today. Riskified is hosting this call to discuss its fourth quarter and full year 2021 financial results for the period ended December 31, 2021. Participating on today's call are Eido Gal, Co-Founder and CEO; and Aglika Dotcheva, Chief Financial Officer.

Earlier this morning, Riskified issued a press release announcing its fourth quarter and year-end results. A copy of this press release has been furnished with the Securities and Exchange Commission on Form 6-K.

Before we begin, I want to remind you that matters discussed on today's call will include forward-looking statements related to our operating performance, financial goals and business outlook, which are based on management's current beliefs and assumptions and are not guarantees of future performance. You should not put undue reliance on any forward-looking statements.

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.

Forward-looking statements are subject to various risks, uncertainties, and other factors, some of which are beyond our control, that could cause our actual results to differ materially from those expected and described today. In addition, we are subject to a number of risks that may significantly impact our business and financial results.

For a more detailed description of our risk factors, we encourage you to read Riskified's periodic and other SEC filings where you will see a discussion of factors that could cause the company's actual results to differ materially from these statements.

A replay of this conference call will be available on our website under the Investor Relations section.

I would also like to remind you that during the call, we will discuss some non-GAAP measures when talking about Riskified's performance. The presentation of this financial information is not intended to be considered in isolation or as a substitute for or superior to the financial information prepared and presented in accordance with GAAP.

We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that these measures provide useful information about operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making.

You can find the reconciliation of those non-GAAP measures to the nearest comparable GAAP measures in the earnings press release issued and furnished on Form 6-K today and in our prior filings with the SEC, all of which is posted on our website at ir.riskified.com.

I will now turn the call over to Eido Gal, Riskified's Co-Founder and CEO.

Eido Gal, Chief Executive Officer, Riskified

Thanks, Chris, and hi, everyone. Before we get into the results, I'd like to thank the Riskified team for an amazing year. Everything I can report on today is a testament to the hard work of our team and their ingenuity, and we are tremendously grateful for all their contributions.

Now let's move on to the main financial highlights for the fourth quarter and full year. In the fourth quarter, we reviewed $27.8 billion GMV for our merchants, up 23% year-over-year, achieving revenue of $69.8 million, up 22% year-over-year. Full year GMV was $89.1 billion, up 40% year-over-year and revenues were $229.1 million, up 35% year-over-year.

These results reflect the impact of continued organic growth within our customer base, combined with the addition of new customers as well as new segments from existing customers. Overall, we were pleased with our results.

Continuous improvements in our machine learning platform drove meaningful financial benefits, both for Riskified and our merchants. We achieved gross margins of 53% for the quarter and 54% for the year. Over the last 3 years, we were able to consistently improve the chargeback-to-billings ratio for each cohort, demonstrating the strength of our AI and our scalable financial model.

Adjusted EBITDA was negative $7 million for the quarter and negative $19.5 million for the year, reflecting the global investments we've made to capture the larger international market opportunity and accelerated product development cycles.

Our North Star has always been to create outsized value for our customers, and we believe that we have been successful in monetizing that value. One of the most important metrics that we track to validate our progress here is our annual dollar retention rate. In 2021, our annual dollar retention was 99%. For each of the last 3 years, it's been 98% or higher. For approximately 90% of customer accounts representing nearly 95% of revenue, we were able to increase year-over-year approval rates, reduce chargeback rates or both. This highlights the win-win nature of our platform.

This focus on generating outsized value to our customers has allowed us to penetrate existing customers more and more over time. In 2021 alone, 6 of our 20 largest customers chose to submit additional segments of their eCommerce volume to us. Our customers represent a very significant upsell opportunity. There is over $300 billion in GMV available for upsell from our existing clients. This $300 billion represents over 3x our 2021 figures.

These upsell opportunities are a strategic priority for us, and we have a strong track record of capturing additional wallet share over time. So far, we have increased our billings from our mature cohorts by 200%, and we believe we can replicate this trend with our more recent cohorts as well.

Over the course of 2021, we -- including Q4, we added several prominent online retailers to our platform across a wide variety of industries. We expect many of these clients will expand the share of transactions we review as we continue to demonstrate value.

In our emerging verticals, we added customers, including Binance, one of the world's leading blockchain ecosystem in cryptocurrency infrastructure providers. Additionally, we added a global remittance and payments company with more than $5 billion in annual revenue.

In our established verticals, we added customers, including Saks OFF 5th, the premier luxury off-price destination, one of the world's 5 largest omnichannel retailers and 1 of the world's 5 largest travel retailers. We are able to land and expand with the world's largest online retailers by holistically solving complex technological products for them.

In this vein, we were able to deliver multiple new use cases and product improvements throughout 2021 and Q4 specifically. Most notably, we recently expanded chargeback guarantees to also support ACH. Q4 represented the first quarter when we began to process meaningful ACH volumes.

As part of the initiative to support ACH, we are now able to guarantee a broader range of payment types beyond credit cards and PayPal. This expanded functionality allows merchants accepting ACH payments to realize more profitable revenue while also delivering instant settlement times to their customers.

We continue to evolve our partner-driven sales efforts with a growing number of partners embedding our chargeback guarantee offering directly into their respective products. Some of the many examples include payment gateways, enterprise-focused eCommerce platforms and one-click checkout products. This is an exciting new sales channel that should help us reach our target customers even faster.

We expanded several new products to make them more relevant for our largest customers. Most notably, we expanded our Policy Protect offering to support I&R and refund claims. Policy Protect is used to block abusive customers and is now creating billions of dollars worth of GMV annually.

We expanded our ability to dispute chargebacks on our merchants' behalf, even when those chargebacks are not guaranteed by Riskified. Multiple customers started using Riskified to fight disputed payments on their behalf even for reasons other than payment problems.

Driving up on all these accomplishments in 2021, we are even more excited about the long-term potential and opportunity ahead of us. By our estimates, the $89 billion in GMV we reviewed in 2021 still represents only 2% of total global eCommerce expenditures. The remaining 98% of this rapidly growing market almost exclusively uses non-guaranteed alternatives, predominantly risk-scoring products in conjunction with manual human review.

Given the size of this opportunity, we are expanding our presence into most major international markets, and we continue to invest in additional products that solve similar problems for our customers using Riskified's world-class machine learning capabilities.

We believe that our chargeback guarantee inherently provides much more value as compared to risk-scoring products managed by internal teams, augmented with manual human review. Merchants no longer need to deploy time, resources and budget to solving a major pain point that is not their core competency. As a result, we believe that internally managed processes will become obsolete over time.

To our knowledge, no other company guarantees eCommerce volumes at a comparable scale anywhere in the world. By using Riskified, our merchants benefit from higher guaranteed approval rates, lower predictable fees in a fast, frictionless checkout process that delivers superior consumer experiences. Moreover, this value proposition is directly proportional to the size of our merchant network, meaning that our performance guarantees only to become more compelling as we grow.

I have never been more excited about the road ahead as we enter 2022 with an incredible product and an amazing team. The ROI we're able to deliver for our customers is tremendously compelling, and there is a huge untapped market opportunity ready for us to capture as we scale our efforts globally.

Now I'd like to turn it over to Agi to discuss our Q4 and year-end results as well as to share more perspectives about our growth expectations for 2022.

Agi Dotcheva, Chief Financial Officer, Riskified

Thank you, Eido, and everyone, for joining today's call.

As Eido already mentioned, our GMV for the fourth quarter was $27.8 billion, reflecting a 23% year-over-year increase. Revenue for the fourth quarter was $69.8 million or 22% year-over-year. The growth in GMV and revenue was driven primarily by the continued expansion of our platform from both new and existing merchants as well as organic eCommerce growth flowing through our model.

Despite slower global year-over-year -- eCommerce growth due to the easing of COVID restrictions and supply chain issues, our business benefited from an increase in tickets and travel recovery, and this highlights the importance of our diverse merchant portfolio. The impact of these is still in line with our expectations. For the full year, GMV was $89.1 billion, up 40%, and revenue of $229.1 million, up 35% year-over-year.

We continue to diversify across the globe as we expanded our portfolio with year-over-year growth in every region. I'd like to mention 2 regions in particular that have driven faster global expansion. First is our accelerated growth in EMEA, which was primarily driven by the sharp recovery of the travel industry. Secondly, billings growth in APAC nearly doubled year-over-year in 2021 as a result of our continued penetration in this market.

During 2021, we saw continued diversification across the industries. Fashion and luxury goods continued to grow and remain our largest contributor to billings. However, their billings concentration reduced due to the accelerated penetration in other industries and the addition of new ones.

Tickets and travel recovered and more than double compared to prior year. Payments, money transfer and crypto is a new emerging industry in 2021, where we added a number of merchants, including a global money movement remittance and payments company with more than $5 billion in annual revenues; and Binance, one of the world's largest leading blockchain ecosystems and cryptocurrency infrastructure providers.

Our take rate for the full year and for Q4 was 26 basis points compared to 27 basis points in the prior year. The main reason for the change is more favorable terms granted for higher volumes and long-term contracts, offset by new merchants onboarded with higher take rates both as part of our land and expand strategy. It's important to note that we continue to treat take rate as an outcome and not a driver of our business.

Now let me discuss gross profit margin. As we mentioned in the past, gross profit margin is a metric that is best analyzed on an annual basis as individual quarters can experience variability due to changes in industry mix of our billings and revenue, seasonality factors, the ramping of new merchants and the varying risk profiles of transactions approved.

Our gross profit margin for the fourth quarter was 53%, down from 58% in Q4 of 2020 and up from 46% in the previous quarter. The decrease year-over-year was driven primarily by our expansion into new industries and regions, increase of the tickets in travel industry as a percentage of total billings as well as the onboarding of new merchants.

Some of the increase attributable to those new merchants in the industry should naturally decrease over time as our machine learning models gather more data of unique solve patterns. We've provided some supplemental cohort information as part of today's release to illustrate this dynamic.

The improvement compared to Q3 was mainly driven by the seasonality of each quarter, which follows the same normalized historical trends. As we mentioned in our prior call, Q3 tends to carry higher rates driven by higher risk level in tickets in travel during peak season.

On the other hand, Q4 tends to carry a lower risk profile, mainly due to the holiday shopping season, including high-volume eCommerce events such as Black Friday and Cyber Monday, which mostly attract legitimate online shopping activity.

Our gross profit margin for 2021 was 54%, which was generally consistent with 55% in 2020.

Total non-GAAP operating expenses for the fourth quarter were $43.9 million, up 78% year-over-year. As Eido mentioned, we're investing in research and development as we continue to expand our platform, add new features and functionality in support of our growing merchant base across new geographies and industries and build new value-added products for our merchants; total marketing, as we heavily invested in our go-to-market activities and capabilities, including expansion of our sales team to meet increased global demand as part of our robust geographic expansion; general and administrative costs, which reflected the first full quarter of public company expenses, including nearly $1 million in D&O insurance for the fourth quarter, regulatory and compliance costs and other associated expenses.

For the full year, total non-GAAP operating expenses were $143.2 million, up 58% year-over-year.

These significant investments, coupled with the incremental cost from building public company infrastructure, drove decreases in adjusted EBITDA. Adjusted EBITDA for the fourth quarter was negative $7 million compared to positive $8.5 million in Q4 2020. Adjusted EBITDA for the full year was negative $19.5 million compared to positive to $2.5 million in 2020.

In terms of our liquidity position, it remains very strong. We ended the fourth quarter with $510.3 million of cash and cash equivalents, restricted cash and short-term deposits and do not carry any debt.

Accrued capital expenditures were $14.3 million for the period, higher than our normal run rate as we invested in new offices in Tel Aviv. Excluding this onetime investment, CapEx spend was $1.3 million, which is consistent with our expenditures in the last 2 years and reflective of our asset-light model.

And now turning to guidance for 2022. We're off to a good start to the year but expect to continue to see some short-term influences from slower eCommerce activity. And as has already been discussed, we're also working through the tail end of PSD2, which has now largely been implemented across the European Union.

As Eido mentioned, we remain excited about the long-term growth prospects of this business. And as such, we do plan to make incremental investments in our platform, geographic expansion and new products this year.

For the full year 2022, we anticipate revenue between $254 million and $257 million and negative adjusted EBITDA between $69 million and $66 million. And for modeling purposes, we expect a share count of approximately 166 million weighted average shares outstanding. We expect our Q2 revenue growth rate to be lower than Q1 and then our growth rate to accelerate in the back half of the year.

For the full year, we expect gross margin to be at or above 51%. We anticipate adjusted gross margin to fluctuate on a quarterly basis, consistent with our normalized recorded historical trends. It is our experience that Q1 and Q4 tend to have adjusted gross margins higher than the full year number, with Q2 and Q3 typically coming in below this annual number.

Compared to pre-pandemic levels, our full year gross margin represents a 1 percentage point improvement. Compared to 2021, the gross margin is expected to be 3 percentage points lower. The delta is driven by 2 factors. One is an industry mix shift from an increase in lower-margin industries such as tickets and travel, which is recovering through 2022, while other higher-margin industries are decreasing as a result of the reopening. The second factor relates to onetime investments in infrastructure optimization that we expect to benefit from beginning in 2023.

And that concludes our prepared remarks. We look forward to continuing to report our progress to you in the coming quarters.

Operator, we are ready to take the first question, please.

Josh Beck, Research Analyst, KeyBanc

Encouraging to see the nice seasonal bump there that we like to see in Q4.

I really wanted to ask about the pipeline. You obviously talked about really good activity in the APAC region. You also talked about, really, momentum across emerging or new verticals like payments and crypto. So it really seems pretty broad-based.

But help us understand where the most activity is taking place with respect to new customer conversations. You probably can't quantify it, but maybe help us compare this to a prior period or something like that. Just to give us a sense of the magnitude. That would be great.

Eido Gal, Chief Executive Officer, Riskified

Josh, thanks for the question. So I think you're right. We've never seen such a big breadth and scope of new opportunities. And like you mentioned, it's really a combination as we're expanding globally into these new geographies, our sales force, they're able to generate new opportunities, again, because these new geographies have issues, have demand.

As we're expanding our product to support different payment methods like ACH or like new categories, like crypto or remittance, we're seeing an increase of pipeline activity there, right? And even when we think about some of the product expansion opportunities, the general core kind of merchants we already have within Riskified. So I think that's all kind of combining to create a very good and healthy demand environment for us.

Josh Beck, Research Analyst, KeyBanc

Excellent. And with respect to the outlook, we've obviously seen various reports from different eCommerce companies. And there certainly are macro factors out there, the reopening effects, supply chain, inflation, the list goes on. So I'm just curious, as you went to build out your 2022 forecast, how did you try to embed some of these macro factors?

Eido Gal, Chief Executive Officer, Riskified

Sure. So obviously, we had kind of 30-plus percent growth. this year. We shared historically a framework of kind of 25% to 30% growth, and the guidance for this year is below that.

So really, what makes up our revenue is both a combination of new clients and the organic growth of our existing base. So when we think about our guide for 2022, new revenue is within our framework of growth, right? And really, the delta between our guide and the previously shared framework is a result of muted eCommerce volumes and the impact of PSD2, right?

And even that eCommerce volumes, that could be related to inflationary pressure, related to supply chain issues, related to reopening, shifting away from volume, right? So we pulled that into the muted eCommerce volume. And the second impact is PSD2, right? That European directive that's impacting us because of the liability shift. The weight between both of these, we believe that 1/3 of the delta between our guide and kind of the framework growth is related to the softer eCom unit -- eCom environment, and 2/3 is related to PSD2, right? So that's kind of how we built our guide.

Damian Wille, Research Analyst, Barclays

It's Damian on for Ramsey. I guess I wanted to drill in a little bit more on the EBITDA guidance, just came in a little bit below our model. And again, I heard, Agi, you were talking about the gross profit expectations for 2022. Maybe you can just talk a little bit more about what's driving those. I know you talked about going into new industries, new geographies.

But should we expect that, that 51% becomes more of a normalized rate going forward? Or are we going to see the benefits of those in the out years? And then how that plays into your adjusted EBITDA guidance for the full year.

Agi Dotcheva, Chief Financial Officer, Riskified

Damian, thank you for the question. So if I think about our gross margin and where we are planning to be next year, we provided a guidance of 51% and above. And the way I think about the decrease from last year is really around 2 main factors.

And the first factor is driven by the different mix of our merchants -- the expectations for the mix of our merchants for next year. And as we've seen this year, tickets and travel is continuing to recover, it's continuing to grow, while some of the kind of the lower chargeback merchants around the different industries have experienced more muted eCommerce growth. So the total weight of the portfolio should decrease for them. So in a way, I just really see this as a mix -- as an industry mix and not as a performance mix.

We actually provided supplemental material. I think it's going to be available shortly on our website, if it's not already there. But we can see there that we've improved our performance in every single cohort over a period of time.

And when I think about long term, I'm confident that when we reach this type of maturity, when we have diversified portfolio and across a variety of industries, will be able to move to -- and to increase across the board.

Damian Wille, Research Analyst, Barclays

All right. That's good to hear. And then broadly, maybe this is for both of you. I'm curious, I want to pick up on the commentary in the press release about the new partner channels. Just curious, I know it's probably early days and you just got into it, but curious what kind of partners you think could be interesting and how that could contribute to growth going forward.

Eido Gal, Chief Executive Officer, Riskified

Sure. So long term, we really view ourselves as just part of the infrastructure of commerce. We think we're the best in the world at looking at a transaction and understanding if it's fraudulent or not. And we think that's just part of the stack of wider offerings, whether it's one-click checkouts, whether it's standard payment gateways, whether it's enterprise-focused eCommerce platforms.

So we really think this is a great distribution channel for us when we think about expanding outside of our strategic key accounts, and it's definitely an avenue that we're really excited to continue to grow.

Terry Tillman, Research Analyst, Truist

I want to build on the prior question in terms of partner-driven selling. It seems like it is a nice incremental opportunity. But what I'm curious about, is this a more notable kind of shift in your go-to-market activities? And maybe an update on direct sales channel and how that's going. I'm just trying to understand how evolutionary this is as opposed to direct selling with your hunters and farmers. And then I have a follow-up.

Eido Gal, Chief Executive Officer, Riskified

No. When we think about our key accounts or strategic accounts on a global basis, we continue to believe that direct enterprise sales is the best way to onboard them. It's kind of a consultative process. They have unique needs and we think that's best served by a direct sales force.

But really, as we're thinking about adding additional revenue streams and making sure that we're able to support tiers below that, let's call it, even mid-market and below, we definitely think this is kind of a new avenue for us to make sure we're attacking a broad as possible the market. As broad as possible.

Terry Tillman, Research Analyst, Truist

Okay. And maybe a follow-up question for Agi. I think in your prepared remarks, you were talking about just the dynamics of mix shift of your different customer cohorts and their GMV in '22 as being impactful to gross margins. But I think you also did share something about a onetime innovation investment. So if you could double-click on that a little bit more. And will that reverse itself and be a reason why gross margins could actually lift into '23?

Agi Dotcheva, Chief Financial Officer, Riskified

Thank you for the question. So the other part of the gross margin, as I mentioned, it's a 1% decrease due to some work we're doing around hosting infrastructure and the way we optimize using our servers. This creates like a temporary overlap, but we can -- we expect to roll out of this and to benefit from this work in 2023.

Robert Napoli, Research Analyst, William Blair

Just long term, you've targeted 20%-plus EBITDA margins. Can you give -- yes, how confident are you that the unit economics that you're driving today will be able to deliver that type of EBITDA over the long term? And how can you help investors see that -- get visibility around that target and how you're progressing towards that target?

Eido Gal, Chief Executive Officer, Riskified

Bob, thanks for the question. We're incredibly confident. We feel we have full visibility into our spend, the expected output of that spend, and very rigorous in how we invest and what we expect to see from those investments.

When we think back to some of the earlier cohorts, geographies, we think they're incredibly profitable and we're certain that they can lead to kind of a 20% EBITDA margins longer term, as we shared. We're balancing that with the opportunity and the growth that we see ahead of us.

Having said that, we're obviously mindful of kind of spend and burn, and we do anticipate that this would be the largest investment year in terms of EBITDA loss that we would have. And then we would kind of transition into some of those longer-term targets that we mentioned.

Robert Napoli, Research Analyst, William Blair

Yes. I mean just some color around those cohorts? I mean, I'm not sure how you maybe think about that for the future, might -- would be really helpful to investors.

I think there was a new metric you gave out at the beginning of this call. This is obviously a massive market in opportunity growing market. But the $300 billion of upsell potential -- GMV upsell that would be 3x what you delivered this year. And I know a lot of your clients land and expand. Just any color on how you attack that $300 billion? And how much of that is -- do you feel is truly available to you?

Eido Gal, Chief Executive Officer, Riskified

Sure. So when we mentioned that $300 billion, that's the white space or wallet or opportunity ahead of us. So that's the volume of our integrated existing clients that we're not processing today, right?

So we mentioned that we added 1 of the top 5 travel companies, 1 of the top 5 omnichannel retailers, 1 of the top 5 remittance companies. So they all actually started on significant multimillion dollar deals, but there's still significant opportunity ahead. And when I think about some of the more mature cohorts, we've been able to expand billings by over 200%.

And we think this combination of proving value, showing -- building a trusted relationship, showing the ROI in a partnership with Riskified, historically, that's led to significant wallet share increases. And we anticipate these cohorts to behave in a similar way. And that $300 billion is just to kind of help frame the immediate integrated opportunity we have with our existing clients.

Robert Napoli, Research Analyst, William Blair

If I could just sneak one last one in. Do you -- how confident are you in getting back to that 25% to 30% revenue growth in the back half as you lap PSD2? I mean, is that really it lapping PSD2 primarily? I know there's some macro and some supply chain here and there. But with the opportunities, how confident are you in getting back to that growth in the back half of '22 and then in 2023?

Eido Gal, Chief Executive Officer, Riskified

I'm very confident. And I think the numbers are clear, right? I think once you look at the numbers, it's easy to understand. And we've been communicating them for a while.

Again, PSD2, we see no additional impact in 2023, and we see a close to zero chance of this happening in other geographies. Really, when you think about the value of PSD2 in our world, it's minimal.

Already today, consumers are not impacted by fraud, right? If a consumer receives a chargeback, if they call their bank, they're refunded the money. When you think about merchants who bear the liability -- in fact, merchants today can turn on strong customer authentication, 3D Secure. On math, they choose not to do it because it's a terrible experience. It's bad friction. It causes a conversion impact drop-off.

So in fact, what merchants do proactively is they use a frictionless experience like Riskified, right? That's much better than 3D Secure. And when you think about the entire card issuing banks, they obviously hate something like PSD2 because suddenly they're liable.

So really, we think there's no value. There's no consumer impact. And when you think of even passing a law like this in the U.S., it's probably like a congressional level act. So we feel very, very confident that it's not happening. We see no indication that it's happening elsewhere in the world.

So we view this as a onetime reset, right? And that's kind of in charge of 2/3 of the delta between our framework -- between our guidance and that kind of 25% to 30% growth that you mentioned.

With respect to the muted eCommerce volumes, which is another 1/3 of the delta. I mean, I think most people would agree that this is a tough comp for the next few quarters and everyone anticipates cycling out and returning to normalized eCommerce growth. So really just that is leading us to have full conviction that we'll return to our framework growth. And just thinking about the behavior, throughout this year, we started Q1 stronger than anticipated. We think that there is going to be a sequential -- a year-over-year growth rate decline as we head into [Q2] before we start ramping up in the back half of the year.

William Nance, Research Analyst, Goldman Sachs

I wanted to follow up on Bob's question on the $300 billion opportunity. I appreciate you guys giving that disclosure. I think it's super helpful. So if I look at that, if I understand the disclosure correctly, it seems like you're roughly 25% penetrated with your merchant base.

I was wondering if you could help us understand what that penetration looks like for some of your older cohorts. I think you mentioned you were able to increase older cohorts by 200%. Could you give us a sense for what that implies for penetration on your older cohorts? Just to give us a sense for where we could be -- where that 25% could go longer term?

Eido Gal, Chief Executive Officer, Riskified

Yes. When we look at some of our more mature cohorts, they're definitely significantly more increased on an absolute basis than 25%. Another way to think about it is that a year like this, we incrementally added more TPV to that kind of white space opportunity than ever before, right?

So on an overall basis, it looks that the penetration is lower, but we definitely see 50-plus percent penetration in some of the earlier cohorts. I think we shared that in the mature ones, billings have increased by 200%. So I think that's a great proxy there. So I think that's the overall scope of it.

William Nance, Research Analyst, Goldman Sachs

Got it. That's helpful. And then I just wanted to follow up on the assumptions around travel. It sounds like -- it sounded like travel on the margin reduces the gross margin profile. But I would assume that with the riskier volume comes higher take rates in general. So just -- could you help us understand what's baked into the guidance in terms of the recovery of travel spending over the course of 2022? And just maybe help us frame how that might impact optically some of the metrics in terms of take rate and gross margin?

Agi Dotcheva, Chief Financial Officer, Riskified

Yes, definitely. So when I think about travel, there's 2 main factors impacting it. One is just the increase of the overall population. But the other factor as well is just the changing of the risk in the population that we've seen post-COVID as well.

So I can say that while over time, we're confident that we'll continue to improve our performance in that industry as well, the fact that things are rapidly changing also has created some of the kind of the higher overall chargebacks in that specific industry.

Timothy Chiodo, Research Analyst, Credit Suisse

My main question is around the ACH business, then I have a quick follow-up on the guidance.

For the ACH offering that you mentioned started to ramp more meaningfully in this most recent quarter, maybe you could just talk about the types of merchants that are using ACH payments, what they're using them for, what verticals they're in and some additional context there. And just how big and meaningful that is, either within your existing base or potentially new customers that are processing ACH payments.

Eido Gal, Chief Executive Officer, Riskified

Tim, thanks for the question. So just to start, it's still early days for us with ACH, but we think there's very -- there's definitely a longer-term strategic opportunity.

So when you think about the overall payment volume going through ACH, it could be obviously remittance companies. And that's our direct focus day 1. But obviously, more and more eCommerce companies are trying to use ACH for larger ticket items. We see ACH in different forms of bill pay and B2B transactions, in the banking world. So we think longer term, it's a very strategic and interesting opportunity.

We're starting to ramp significant volumes, but it's still kind of a smaller part of our overall subset, right? So we think it has great growth potential, and we're very happy with the start.

Timothy Chiodo, Research Analyst, Credit Suisse

Okay. Excellent. And then the follow-up on the guidance. So it's pretty clear from your comments that the expectation embedded in the guidance is that gross profit will grow at a slightly lower rate than revenue during 2022 for the factors that you outlined.

And I apologize if I missed it, I was trying to keep up. Did you make any comments on the GMV growth? In other words, should the GMV growth this year be faster or slower than the guided revenue growth?

Agi Dotcheva, Chief Financial Officer, Riskified

Yes. We didn't specifically mention GMV. The way we build our analysis internally, it's bottom up. But when I think about, it can be definitely around the same type of growth and kind of assumptions around a very stable take rate as well.

Reginald Smith, Research Analyst, J.P. Morgan

This is actually Reggie dialing in for Tien-Tsin. Kind of questions, I guess it's more big picture. Trying to understand, is there any seasonality to, I guess, deal signings, like at certain times a year where conversations are richer, you're more likely to sign customers? That's part one.

Part two of that would be, could you talk a little bit about, I guess, your bookings for 2021 and how they may be compared to 2020 and 2019 in terms of the business that you signed last year? Just trying to get a sense of the sales channel and how that's kind of ramping. And I have a follow-up.

Eido Gal, Chief Executive Officer, Riskified

Yes. I would say with regards to seasonality, we see that Q1 through 3 are definitely equal in the sense that merchants are as open and committed to kind of integrating and bringing on new solutions.

Historically, Q4 because of the holiday season, there's usually a code freeze. So we see that as probably more oriented towards growth within existing clients and adding segments from existing clients that already have an integration, right, because of that holiday dynamic.

And I think the second part was more around the new revenue growth in 2021 and how that relates to 2020, yes. And I think it's within kind of the framework that we previously shared across all those years.

Reginald Smith, Research Analyst, J.P. Morgan

What does that mean? I'm sorry. What have you previously shared there?

Eido Gal, Chief Executive Officer, Riskified

We shared a 15% growth framework for kind of new business and 10% to 15% from kind of organic. I'm saying in both of these kind of previous years, it was within that framework.

Reginald Smith, Research Analyst, J.P. Morgan

Understood. Perfect. And then if I could dig into the comment, the $300 billion in kind of total volume amongst your partners. Like what explains that gap? Is it geography? Is it that those remaining transactions are viewed as lower risk by the customer? Like what's -- why -- what was the delta there? And kind of how do you attack that -- those different pockets?

Eido Gal, Chief Executive Officer, Riskified

Sure. So if I understood, it's more like why don't we have that $300 billion with us today? And really, when you think about the process of integrating Riskified into some of these large, strategic, complex merchants, right, they have a lot of internal systems, teams, tools doing what we do. And the way we effect change is usually we start on a subsegment, right, whether it's a geography or it's a specific use case. And then as we build a trusted relationship, improve the value of our technology over time, we're able to expand the relationship and capture more wallet share.

The pricing we take is risk-adjusted, right? So even though we may start with a higher risk segment, there's preferential pricing for giving us a wider swath of transactions even if they have a lower risk profile. And really, the ROI for the merchant is kind of pretty much guaranteed, right? So that's why we've seen expansion within our cohorts over time. And we feel confident that we'll continue to see that with the recent cohorts as well.

Reginald Smith, Research Analyst, J.P. Morgan

No, that makes sense. I definitely appreciate the pricing dynamic as you pick up more payment volume. Well, good. That's all I had for you, guys.

Brent Bracelin, Research Analyst, Piper Sandler

I'm going to start with Agi and I'll finish with Eido. Agi, as we just think about modeling revenue from a quarterly seasonality perspective, if I go back, it does look like Q3 historically is kind of down from Q2. Is there anything different this year where we should think about a different type of seasonality? Or is that the right way we should think about seasonal trends, Q3 being slower than Q2 and the bulk of the increase in the second half would come in Q4?

Agi Dotcheva, Chief Financial Officer, Riskified

So historically -- and Brent, thank you for the question. Historically, we've seen Q4 having a bigger proportion of the total revenue for the year, and we continue to expect this to kind of -- to follow last year's trend.

When I think this year about the rest of the quarters, there's just a lot of different dynamics impacting them related to, as we mentioned earlier, to the flow out of PSD2 and eCommerce and different seasonality. So I definitely think that they are going to be much more kind of less pronounced and less different, in a way, from each other. And that's more of a specific for this year.

Brent Bracelin, Research Analyst, Piper Sandler

Okay. Helpful color there. And then my second question for you is just really thinking through what sounds like a very strong net new customer add quarter, top 5 travel, top 5 retailer, top 5 remittance.

What's the impact to gross margins? Is there a -- as you think about onboarding some of these larger new customers, as you think about initial volumes and a long runway to grab additional penetration, is there a short-term kind of drag or investment that needs to be made here on the gross margins temporarily? Is that the right way to think about onboarding new customers or not?

Eido Gal, Chief Executive Officer, Riskified

Yes. I mean, as we go into new geographies and brand-new categories, there can be a drag on margins. But that's already reflected in the guide that we shared of the 51% or above, right?

So some of the things that are offsetting that drag is continued improvement in some of the other cohorts, right? And obviously, as we gain more experience with the new cohorts, they improve as well.

So really, that tends -- or not tends, for this year, we anticipate that to be kind of pretty much of a wash. And really, the main factor impacting that kind of 2% sequential decrease is more around the mix shift. That's a one-off event related to the post-COVID change.

Brent Bracelin, Research Analyst, Piper Sandler

Helpful, helpful color there. And then, Eido, just as we think about the big opportunity ahead of you here, $300 billion just with existing customers. It feels like there is a disconnect here, right? You have some really strong new customer momentum and obviously growth that's declining because of PSD2 and some headwinds.

But I guess, my question for you as you think about the new wins that you've talked about, pretty high-profile new wins. What's resonating? And why now? Obviously, it's hard outside looking in. You're seeing growth decel, but it clearly seems like something is resonating more now than it was before. So help us understand what is resonating as you talk to customers, particularly these large top 5 customers that are coming onboard? What's resonating today that -- more so than, let's say, a year ago?

Eido Gal, Chief Executive Officer, Riskified

Yes. I think the #1 thing that's resonating is the ROI, right? We're guaranteeing higher performance for a lower cost structure.

So when we started the company in 2013, obviously, this was a brand-new paradigm. So it was challenging to get the initial first few enterprise clients. But now as we're able to have more and more of these brand names, right, and build our trusted relationship and deepen our engagement with them, right, we think it's becoming much easier and much more prevalent.

We think that just from the competitive environment, it's becoming more clear that -- emerging is faced with 2 decisions. Do I manage this process internally with the scoring solution, an internal team, a manual review and update this on a continuous basis? And then you have a host of solutions that you can choose.

Or do I want to offload this to a chargeback-guaranteed vendor? And that's pretty much Riskified in the enterprise space, right? And we think that kind of wallet share or mindshare in that area is really helping us, okay? So it's a combination of more and more merchants being open to the idea of charge-back guarantee.

And again, we believe because the ROI is clearly superior in this model that, over time, more and more merchants will move in that direction, together with us cementing kind of being the front runners in this space.

Terry Tillman, Research Analyst, Truist

I figured not to let you out of this other 10 minutes for the call. So I did have 2 follow-ups. One question, just kind of related to the new business success. I'm curious whether it's qualitative or quantitative, you can say anything about win rates in the business as opposed to somebody going with risk-scoring or just a no decision or status quo? What are you seeing in terms of win rates? And then I wanted to ask another question about partner-driven selling.

Eido Gal, Chief Executive Officer, Riskified

Yes. We definitely feel that we're the preferred choice within chargeback guarantee, and we're continuing to generate momentum there. And we feel very pleased with our performance and some of the names that we were able to add. We think it's great.

Terry Tillman, Research Analyst, Truist

Okay. And then on partner-driven selling. I mean, it does sound interesting. It seems like it's an incremental way to go to market. But is there anything more you can share with what kind of resources these third parties, whether it's payment gateways or one-click technology providers or eCommerce platforms, what kind of skin in the game is there from them?

Are they building -- do they have quota? Just I would love to learn more about what's the motivation for them to sell? And is there any concept of billings contribution from this newer channel in '22 or not much?

Eido Gal, Chief Executive Officer, Riskified

Yes. I think the value for them is creating the best end customer experience, right? So if I'm offering a one-click checkout, it's a competitive advantage for me to be able to offer a service like Riskified to my merchants, right?

And I think it's just a similar story with the eCommerce platforms and gateways. If this is a superior way to manage eCommerce risk that creates better performance, then it's better for them to offer it to their merchants.

And there's obviously some product adaptations and ways to integrate and data and modeling on our end that we need to do in order to support this, which is why we've taken our time to really introduce this channel. We wanted to make sure that we have it down right. And it is kind of a unique proposition. No one else does it right now.

And to your second question, there's nothing meaningful baked into the guidance. Because, again, when we think about our guidance, we want to have much more experience and a higher degree of conviction.

Robert Napoli, Research Analyst, William Blair

Just on the competitive environment, have -- what are you seeing? Has there been any significant change in the competitive environment? And how do you view it? And who are you typically seeing in your RFPs? Has that changed at all?

Eido Gal, Chief Executive Officer, Riskified

Yes. I think if anything, we've seen that we've become the dominant and clear favorite and chargeback guarantee. If there have been other companies that offer this historically, they've moved away from the model because it's more challenging to execute and we're the front runners there.

So really, what we're seeing on a competitive set is that the decision at the merchant level is, do I want to continue to manage and build this process internally? And then it could be any one of a dozen solutions, right? If the decision is, and we think that's where the ROI is, and more and more merchants are heading in that way, to do a chargeback guarantee solution, it's clearer than before that Riskified is that solution. And that has us very excited.

Robert Napoli, Research Analyst, William Blair

And then on international, I mean, it seems to me like the authorization rates around the globe are very different in different markets. And so the need for your services could be greater in different areas of the world. What are your -- what percentage of your business is international? How do you view the international markets? Are the returns there similar? Is the demand -- or is the white space larger? Sorry, a lot of questions around international.

Agi Dotcheva, Chief Financial Officer, Riskified

Yes. Yes. Thank you for the question. So when I think about where we are today, the U.S. is still the biggest market for us today in terms of our presence. But in terms of growth, the international market is growing much faster. So we see APAC, we see EMEA, and these are very, very strong growth regions for us. And this dynamic, I kind of call this really the reduction of the U.S. as a percentage of the overall billings in 2021, I expect this trend to continue.

Robert Napoli, Research Analyst, William Blair

If I could just sneak one in on crypto, your relationship with Binance, there's a lot of -- a lot going on. How is your product being used in the crypto space? And is that a very large opportunity? And are the economics there similar or better than your core product?

Eido Gal, Chief Executive Officer, Riskified

Yes. The main usage for us is when someone converts using a credit card or different forms of payment and purchases the digital asset. So that's where we kind of look at the transaction to verify if it's legitimate or not.

It's still a minor part of our overall revenues, and we just see it as a possible bet on future growth in this category and industry. We're excited to be part of the infrastructure of it. But that's where it stands today.