riskified

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Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

All right. Greenlight is on. Thanks, everyone, for joining. My name is Tien-Tsin Huang. And I'm the payments and IT services analyst at JPMorgan. And I was just talking to Eido. I think this is the first time that we've met through all the craziness of COVID, but I was really excited to see Eido. Thank you for being here. He's the Co-Founder and CEO of Riskified.

We'll go through some questions, fireside chat, and we'll take questions from all of you, and we'll do questions from the portal as well. But thanks for being with us.

Eido Gal

Co-Founder, CEO & Director

Thanks for inviting me. It's really great to be here. And this is my first event in person as well. It's exciting and a bit scary.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Shaking hands and seeing people in person, takes a little bit of time to get used to, but it's great to see everybody for real. So I know we've done a lot of these sessions virtually before, and I always like how you've described the founding of the company and the motivation and the mission, what problem you're trying to solve. Let's start with that, if you don't mind. If you don't mind going to basics, back to basics.

Eido Gal

Co-Founder, CEO & Director

Sure. So really, the most basic thing to understand is that if I steal your credit card, while we're speaking right now, order a bunch of stuff online, you see it on your statement, you will call Morgan Chase, you say, "Hey, I have a bunch of unauthorized card. Someone, I don't know who, stole my card." You get refunded as a consumer, you're protected, and it gets taken out of the merchant's account, right?

So merchants are liable for card-not-present fraud. And really, the situation that this created is that every single enterprise, e-commerce merchant, they built large teams that use external vendors and tools to look at every incoming transaction and understand if that transaction is fraudulent or not because they're live, right?

And the cost associated with this entire system is, number one, they accept the wrong transactions. They accept fraudulent transactions that they need to pay back as chargebacks. They decline good transactions because they fear they might result in chargebacks, and it introduces a lot of friction because some transactions are sent to manual review or sometimes the risk system doesn't support omnichannel flows. So those are the pain points that merchants have.

And when we started the company, we really said, hey, it's -- it doesn't make sense that every single e-commerce merchant is trying to build and solve this cybersecurity machine learning problem. We think we can become a dedicated company that solves and does this looking at transaction, understanding if it's fraudulent or not much better than any individual merchant can. We'll have better network effect. We'll have a better ML platform, more resources dedicated to that problem. And that was really the thesis and genesis of Riskified, right? Really becoming an end-to-end solution to replace that entire process instead of just being a small tool that the merchant is using.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

So given that you've seen a lot of data, you've seen a lot of trends, again, I'm trying to think back to the founding, you've gone through a lot of different cycles and growing. So what do you see now? What's going on in the ground? There's so many questions around e-comm. What kind of exposure do you have? And what do you see spend-wise?

Eido Gal

Co-Founder, CEO & Director

Yes. A lot of macro questions in the past few days post the earnings.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Forgive me for asking.

Eido Gal

Co-Founder, CEO & Director

No, no, it's fine. So look, I think we're fairly well diversified across categories, industries, geographies. So when you think about tickets, travel, fast fashion, luxury fashion, electronics, now also in remittance, so really a wide range of e-commerce as a whole.

And I think what we're seeing is consistent with what most people have been kind of stating and showing, right? We're definitely seeing the COVID winners, and the stay-at-home categories we're tracking. We're seeing a very significant uptick in tickets and travel, in some segments well above the pre-COVID levels. And internally, we think that the overall market momentum once we go after some of the tougher comps and into 2023, it will probably normalize back to what people are saying, it's more standardized, 10%, 12%, 13% e-comm growth.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Right, right. Because there is exposure to discretionary spend in your book, but you have a lot of new growth coming in from some of the wins that you've talked about. So I think I may have asked you this on the main earnings call. So I'll ask it again because I think it's important for me to understand it. And you've led with what the mission is and how you're helping merchants solve this problem. Do you typically lead with higher sales? Or do you lead with the cost-savings benefit? And what resonates more in this environment today?

Eido Gal

Co-Founder, CEO & Director

Right. So separately from like the environment, a year ago where merchants were growing 50%, 100%, 200%, they were spending on building distribution centers, flying goods in instead of -- by air instead of by sea just to get stuff on time, less focused on the cost side and really the value prop of Riskified, and we shared that during the IPO, the average for our 10 largest clients is to see an over 40% reduction in cost and an over 10% increase in sales, right?

So when you have these type of figures, which we feel are incredibly significant, especially when they come together, they're definitely having more impact right now, right, where growth is more scarce, right? If you're not growing at 200%, 10% growth seems very good. But also now with the current market environment where people are much more focused on optimizing cost and profitable growth, that 40% reduction in cost for managing risk is definitely gaining more traction than it has historically.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Got it. So given that -- I know we can talk about sales cycles if you like, but I get this question a lot, are you typically replacing just an in-house solution? Or are there software products that are in place today? Or are there other service providers that you're displacing?

Eido Gal

Co-Founder, CEO & Director

No. That's a great question. So before Riskified, everyone was managing this in-house, right? They're using other third-party vendors and tools to help them manage the process internally, right? And usually, the motion for Riskified, and again, we're working with large, complex enterprise merchants that are using a multitude of payment gateways and have different systems and tools, it's usually not a rip and replace at day 1. It starts as an augmentation to the team working on a specific segment or some challenges that they have, maybe helping them with their international, maybe replacing what is routed to manual review.

And as we build a trusted relationship, show the value of the system, right, and since we're already deeply integrated and we can see the performance on the rest of their volume, it's much easier to go through an upsell motion, right? And those types of upsells, contractual upsells, where we expand the wallet share within our existing clients have been a very significant driver for us, revenue growth.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

So as you get to know each other, there's an opportunity to build. But at that initial point of entry, is there an RFP? Is that typically the process? Because these are pretty sophisticated merchants that you're dealing with.

Eido Gal

Co-Founder, CEO & Director

They are. But I think part of the great thing about being an augmentation to an existing system, right, is that you can avoid the RFP process a lot of times, right, because you're not replacing anything. You're stacking into something that exists, and you're helping them with existing challenges, right? And that really helps us build that trusted relationship.

Now, sometimes, a lot of times for legal reasons, once they do, do something more major, they have to go through an RFP cycle, okay? But that's an RFP cycle where you've already been involved, you help craft the answers, you help them understand what they need to look for and the best solution for them. So I wouldn't say it's just a technicality, but you have a great advantage at that point.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Makes sense. So competitively then, they could -- we just -- I just came from Nuvei, just interviewed Nuvei. They bought Simplex, so they have a competing product against you. Mastercard, I think, made a move on the risk side as well, and then you have direct competitors as well. So how do you break up that competitive landscape?

Eido Gal

Co-Founder, CEO & Director

So I think for us, decision point number one on the merchant side is do I want to manage and do this internally, right? If the answer is yes, there's a whole host of solutions, right? Some of them could be some of the newer generation players. The more traditional players certify cyber source. We don't play in that world, right?

We're solely focused on the chargeback guarantee. We think we can provide more value. We think we have the differentiated technology to do chargeback guarantee at scale. And we think that right now, once the decision is, you know what, I think I can get more ROI. And we think the ROI is like contractually guaranteed to not do it in-house, right? At the enterprise side, usually, it's Riskified, okay?

When we think about some of the payment platforms, the gateways, the Stripes, the audience of the world, and I'm saying this from a position where I admire these companies, I'm not trying to disparage anything. What we've seen is that the type of technology and tools and data that you need to build a global-acquiring business that works well at scale and optimizes payment auth rates is very separate from what you need in order to do risk management successfully at scale, right?

So we think that the deeper integrations and more data that we have, the fact that we did charge back guarantee and had a consistent feedback loop and kind of machine learning, supervised learning from day 1 that helped us scale. Also, when you think about the payment stack for most of these merchants, they run multiple processors across different geographies. And the risk level, the Riskified level usually sits on top of all of that, right? So I think that in that sense it's a great opportunity for us or it's helping us more.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Yes. Now, you see a lot of data, and I asked them the same question to be candid with you, right? They talk to it like a module, right, on top of their base business. This is all you do. So you can't mess this up. So then I'm just trying to better understand, but I like the way you frame this.

So in Q1, you talked about a lot of new wins, one very large one as well. Update us on the sales cycle and the sales process. Is it shortening? Is that lengthening? What's happening with new sales and implementations?

Eido Gal

Co-Founder, CEO & Director

Look, we feel great with what the sales team is achieving. And when you think about Q1 really like the 15% revenue growth that we have, that just comes from the new clients or contractually getting more volume from the existing clients since Q1 of 2021. Because like you mentioned, the organic was a wash, right? We have the strength in tickets and travel, but some of the COVID beneficiaries kind of moved down.

We feel that we've invested a lot over the past 2 years and geographically expanding the capabilities of our direct sales force. So we're starting to see that. Revenue in APAC 3x from the comparative time period, EMEA 2x. So that's definitely contributing to some of the sales success.

We've invested in additional product capabilities. That's helping us generate more conversations and more integration. So we feel good about that. So I think that in combination with like the overall demand environment related to what we talked about, the cost savings and how more pronounced that is in this environment, we feel good about what that means.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Now is there a common theme in the verticals that you're seeing in terms of new interest level with any specific verticals?

Eido Gal

Co-Founder, CEO & Director

Look, I think it's so early in our penetration that even our like established verticals, like fashion, it's still a tiny portion of that overall, right? But we have seen newer success in verticals like remittance, which I'm especially excited about, that was 0%, 0 billings a year ago, and it was over $1.5 million right now.

In the previous quarter, we've also had some success with cryptocurrency companies working with one of the top 3 largest exchanges. So it's both good and initial success in very large and expanding categories, where the billings that we have today are a fraction of the white space opportunity that we have with these merchants.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Yes. Good. So you mentioned Asia-Pac, I knew that grew very quickly. Your billings surprised me, right? Because I know at the IPO, there was a lot of questions around PSD2 and what's happening with the regulatory change. So I'd love for you to catch this up with that.

But of course, there's also nervousness around your GDP slowing as well. So what's happening? Is it really just your go-to-market working? Or is there a change in momentum in Europe overall?

Eido Gal

Co-Founder, CEO & Director

Yes. So I think the -- as you mentioned, the impact of PSD2 by 2023 will be kind of nonmaterial. We're talking about a 1% impact. When we think about the first half of this year, it was kind of a mid-to-high single digit. As we get into the back half of this year, a mid-to-low single digit.

Like you mentioned that the growth in the European segment shows that, like we've been mentioning, there is still clear demand and value for our products even under PSD2, right? It's slightly different. We don't provide the chargeback guarantee. We do exemption routing, and we do smart exemption routing with some chargeback guarantee, but it's still a very applicable market for us, and we feel great that after the initial confusion around PSD2, right, is there a market, what is the market going to be, I think we can now say that clearly that there is.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Okay. Good. No, I mean, remember, we spent a lot of time focusing on it now, and it feels like you're in a good rhythm with good visibility. So one more on the outlook just with visibility in general, I think it implies double-digit growth in the back half of the year. I think most are guessing e-comm is roughly in that zone, give or take. Update us on the visibility?

Eido Gal

Co-Founder, CEO & Director

We feel good. We're very happy with how we started Q1 at the start of the year. Again, all the factors we mentioned before, I'm seeing a resurgence in travel. Concurrently with that, we're seeing kind of reduction in some of the COVID beneficiaries, but we're also seeing good traction with new client wins and the ramp of our existing clients that's helping us feel very confident.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Okay. Good. So that means I'll have to transition to profitability. I know it's a big theme now given the market and transitioning to profitability. You've been there before. So you're investing pretty heavily. That was very clear as part of the IPO and go-to-market and products. So the path to profitability, you talked about a little bit more -- a little bit on the call, can you elaborate on that? What's the build-out in the margin progression and this trade-off between growth and margin? I think you've called this the peak investment year.

Eido Gal

Co-Founder, CEO & Director

Correct. And it's right, we have been profitable before. We've burned very little cash to reach where we are today. And I think 2019, 2020, either slightly profitable or hovering around profitability, so obviously both asset business is something that's important to us and also something that when you think about the base business, that's inherently profitable, right? So we have close to 0 churn. We have very large deal sizes. And to service them on an ongoing basis is not expensive at all, right? So I think together that leads to a very profitable base.

What happened to us is that kind of around 2020, and more pronounced in 2021, we said, okay, we have close to 0 churn. We have some of the best brands in e-comm working with us, and we're identifying that they all have these common problems, and we think we have an underlying data platform and ML platform to help solve these problems better that they can individually, right? So we want to invest and build products that solve additional problems for them because we think that the long-term opportunity set is going to be beneficial for us.

And so we started developing policy protect. And that's when you call the retailer and said, "Hey, you know what, I never received my package or I received the wrong size of package." There's a ton of inefficiency and loss going into that area. And we're helping merchants solve for that.

A second area is around account. When you're kind of logging into your VIP account, right, now we're going to be securing that. So no one steals your credentials or some of the strong financial information you have there. Third one is around represent, and that's something we already do today for fraud chargebacks, but merchants asked us to expand that to non-fraud chargebacks and other reason codes because it's a very manual and cumbersome process that they don't want to do anymore.

And the fourth is around helping them optimize bank declines, right? They have a lot of payment failures, and that's something very frustrating, and we help route transactions in a smart way to increase that. So we think those are like incredibly key and important differentiators that we've developed based on merchant demands that we are uniquely situated to solve, and we think there are synergistic qualities between them, right?

When you think about us looking at log-in attempts with our ATO product, that feeds into our chargeback guarantee system, right? That's like very important data. When you think about us connecting to call centers and understanding when someone is calling in and is claiming that they never received the package, connecting that to the data we have around checkout, around login, that's very unique, right? When you think about using that together with the representment system, so I'm incredibly, incredibly optimistic about this platform and what we've developed.

Concurrently with that, we also expanded the go-to-market reach, right? We were very much focused in the U.S. and in some parts of Europe. But we said, "Hey, this is a global thing, okay? We have demand from our clients. We're actually reviewing transactions across the globe, okay, for our clients that are selling everywhere. But now we just need to have those field and enterprise sales in those regions."

And I think we're already seeing some of the return on that investment, right? You mentioned APAC and some of the other successes that we've had. Now, having said that, we feel that we have a great team that's really ramped to execute both on the global go-to-market and on these additional products, right, and spend, as a percent of revenue, would start moving down in the back half of this year.

And as we think about already having the team in place to succeed and execute across these products and global go-to-market, we see limited incremental investment needed to sustain that into 2023, so we can see meaningful movement towards profitability in that year.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Understood. So you've hired the people, the products are in place, you're going to drive synergy, and that's what allows some leverage on G&A, SG&A, and the aggregate to be relatively stable.

Eido Gal

Co-Founder, CEO & Director

Now, was it much more succinct and better way to say than I do?

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

No, no. It helps me to play it back sometimes just to make sure I caught with that. But line of sight then into -- I don't know if you or Agi and team benchmark long-term margins given all of that. Do you have a framework for where that can be?

Eido Gal

Co-Founder, CEO & Director

20-plus.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

20-plus percent.

Eido Gal

Co-Founder, CEO & Director

Yes.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

And that's the same concept of just leveraging the G&A. Does it require a slowdown of entry into new markets? Does it prevent you to invest in new products as you go into Asia? Maybe there's a new product you can identify.

Eido Gal

Co-Founder, CEO & Director

Look, I think you can always spend more, right? You can always spend more. But I think for us -- look, I think, inherently doing very top-heavy enterprise sales is actually very capital efficient. You don't need to have massive sales team going over across the globe. I think that some of our channel and partner initiatives would help us gain more distribution leverage across kind of the mid-market, which should also be beneficial. So I think on that side, there's only so much you can invest there, which I think is great. And I think we have the right pieces in place to go over, yes, after the opportunity, and the opportunity itself is still massive from an e-comm perspective.

When you think about product functionality, I think that's something where constraints can breed creativity and you need to say, "Hey, this is the box that I'm playing with, right? And where do I best allocate my dollars right now? Is it the core chargeback guarantee? Is it the policy? Is it to the new initiative that could be very helpful in APAC? And I think that's the type of thinking we have.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

How about on the inorganic front? You have $3 in cash per share. We're starting to see a little bit of consolidation. Is that required? Or is that a part of the thinking to get to some level of scale or even margin?

Eido Gal

Co-Founder, CEO & Director

Yes. So to your point, right, we have $500 million in the bank. From our perspective, that's not -- we do not need that amount to reach our profitability targets. What's the best use of capital? That's something that we're discussing at the Board level, right?

I mean, maybe if we find a very small and great technology for a very attractive price point and makes sense to buy it for cash. We don't think we need to -- we don't think that there's benefit of buying anything more significant right now. We definitely don't see a need to purchase any other risk type provider because we think we have, by far, the best technology. And we also think that at the Board level, buybacks are a discussion that we're having. We think that's a very attractive use right now as well.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Okay. Good. Let's -- thinking on some strategic longer-term stuff, I like how you've talked about the synergies with all the different products. Scoring, would you ever consider just doing scoring instead of the chargeback guarantee?

Eido Gal

Co-Founder, CEO & Director

So I think some people sometimes confuse the chargeback guarantee or think it's just a way to change the pricing mechanisms, but it's really not that. When we talk to our merchants and understood really what they wanted, okay, they wanted something that could solve and change their entire process and system, right?

And we think that in order to do that, we built the world's most accurate technology to solve this problem, right? And the way that our merchants would let go and stop needing an internal team in different services and tools and really trust us to manage the process on there, and they needed 2 things. And it's not just the chargeback guarantee, it's an approval rate guarantee and the chargeback guarantee, right?

So once you tell them, hey, if you're approving 90%, and I'm guaranteeing 92%, that's part -- one of the equation. They're saying, "Hey, you know what, that's okay." But when you're also saying, "Hey, I'm also going to guarantee the cost side so you don't need to be concerned with a fraud ring coming in, right? You don't need to be concerned that suddenly you're expanding into a new geography and you have issues." So we think, again, our differentiated technology enables us to do that, okay, and we care about that deeply.

Are there areas where merchants don't have fraud liability and they ask us for non-guaranteed decisions? Yes. That's like a minority, and that's fine, right? But overall, we do believe that there's more value in the chargeback guarantee for all merchants. For low-cost merchants, low-margin merchants, we can always outperform an internal team.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Okay. Good. So another one, just thinking about competition and coopetition, payments is so complex. With coopetition, it's [indiscernible] with everything. So friend or foe, merchant acquiring because you mentioned higher authorization rates.

These merchant acquirers that we meet with are always touting higher approval rates, higher authorization rates, which is similar to what you're guaranteeing to your clients? Are they friend or foe?

Eido Gal

Co-Founder, CEO & Director

To me, they're friend. To me, they're friend. Because we don't see them as a -- we don't see their offerings as competitive in any way. And our merchants don't view it like that as well, right, like I'm not up against them in competitive situations or don't have any risk concerns because of them. So just because of that, they're potentially going for distribution, right? They have relationships with our merchants as well. And to me, that makes them a friend.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

So was that an opportunity to work more with them as a distribution channel? I know you can't play favorites probably, but is there more that can be done on the merchant side?

Eido Gal

Co-Founder, CEO & Director

Yes. There's always more that can be decided. And I think that on our channel and partnership strategy, we're still somewhat in the infancy. And because we've been so focused on direct-to-merchant consultative sales, having a direct relationship, which has some great benefits for that, right? But to your point, it could also help with distribution being more involved with that.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

What else are you thinking about with respect to partnership and new channels away from direct?

Eido Gal

Co-Founder, CEO & Director

Look, I think for us, it's how do we -- we're great at looking at a transaction and understanding if it's fraudulent or not, right? If I need to go after a massive SMB or mid-market clients, do I have good competency there, no, right? So I think that's somewhere where working with the different aggregators and platforms could be beneficial for us and could be beneficial for them. So they don't need to build this very specific technology.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Yes. Great. I have a few more, but let me make sure, we're at the 10-minute mark, any questions from the audience? We're happy to take them. Let's see if we have any in the portal.

Unknown Analyst

Can you talk about the account...

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

If you don't mind using the mic?

Unknown Analyst

Can you talk about the competition, just the competitive landscape, and why you think you guys really differentiate?

Eido Gal

Co-Founder, CEO & Director

What was the last part?

Unknown Analyst

Why you think you guys differentiate, whether it's the product or go-to-market or...

Eido Gal

Co-Founder, CEO & Director

Yes. So let me step back a few years, right? Really, the first 2 years since Riskified was founded, the only thing we did was chargeback guarantee at a very small scale, right? A transaction would come in, and we only looked at transactions that merchants were declining. They were sending us transactions saying, "Hey, we think this is fraudulent. Could you have a look? If you approve and guarantee it, I'll accept it, no problem, right?"

So by default, we got transactions that every other system has already said, "Hey, this is a bad transaction, okay?" So we needed to have deeper levels of data and features to understand why we can approve this transaction with such confidence that we're going to provide a chargeback guarantee there, okay? And we were actually seeing that we were approving 50-plus percent of those transactions that other systems thought were bad.

So at that initial point, we had unique labeling, right, unavailable to any other merchant because the other merchants thought this was a bad transaction. So again, this is supervised machine learning. Other people were telling the machine learning that a transaction that was red was blue, and they were misdiagnosing it, and the labeling was incorrect, and we didn't have that problem. And we scaled that up slowly. And every time a chargeback came in and other systems didn't have that feedback loop, right? Merchants had to submit chargebacks to us to get reimbursed, okay? When you do that with scoring, merchants don't have the incentive, they don't end up doing. It's a complex thing to do. So we have that correct tagging. And every time we receive the chargeback, we would go into the system and say, "Hey, we just had to pay a few thousand dollars because that great transaction we thought was actually fraudulent. How do we fix that? What was the issue?" So that type of incremental improvements over time, where you have more accurate labeling, where you have deeper and tighter data integrations, created a more robust network.

That's hard to replicate day 1 at scale, right? It needs to be built up from the ground up. And I think that's helped us create what we consider a very differentiated product. And when you think about enterprise chargeback guarantee, it's really kind of Riskified today. Yes, some others dabble in it, but I would say that no one is focused on it and no one has had the success doing it like we had so far.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Anyone else? I have a question here from the portal, is asking to elaborate on the new -- big new win that you had in the quarter, the magnitude, how long did it take to secure. And I think there's also a question about some of the other big ones that you've had like Walmart and others. Where are they in terms of ramping?

Eido Gal

Co-Founder, CEO & Director

Yes. So I think the largest client win this quarter was the largest online-only fast fashion company that's selling -- showing immense growth across the globe, $20 billion-plus in GMV and growing fairly quickly. The sales cycle was probably our standard sales cycle, which I would say is kind of the 6- to 12-month range. This was probably closer to that 12-month range than anything else. It was -- it is a portion of their business, and we anticipate that as we show value, and we're already showing value on that segment, great ROI, we'll continue and gain more wallet share within that client.

So the second part, I think we've already mentioned that we work with 3 out of the 10 largest e-commerce brands in the world. And when we think about the white space opportunity, so 2 earnings ago, we released that we have $300 billion in white space GMV. And most of it is already integrated into the system, right? So it's much easier than getting a net new addition, and that's really the focus for the sales team capturing more and more of that wallet share from existing clients.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Okay. Good. How about working with nonmerchants, banks? I think that was something we talked about with PSD2 issuers. I guess, you put them in the same category. Wallets, you already work with some marketplaces that edge out of that down, but where is that in the priority list?

Eido Gal

Co-Founder, CEO & Director

Well, I think wallets in the marketplace is, like you mentioned, marketplace. We're already working with marketplace, as the product there works exceptionally well for them. It's a great vertical for us. Wallets is also something that -- for us, it's like the wallet is a merchant, right? They provide service to multitude of merchants. They usually have chargeback. They have payment liability that they provided, and especially as we kind of continue to show traction in APAC, we think that's a very important vertical for us.

We think that issuers and banks is a bit more adjacent. It's a different -- slightly different product. It's slightly different kind of selling motion. We definitely view that as strategic long term to close kind of that connection between the merchant and the bank and all the different players in the ecosystem, but it's probably not as immediate as marketplaces and wallets.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Wallets, so a lot of the wallets go-to-market servicing different payment methods away from card, some local, I guess, some global, but not Visa, Mastercard-centric. What does that mean for the power of your system?

Eido Gal

Co-Founder, CEO & Director

I mean, the system is agnostic to whether it's a credit card, right? When you think about some of our success in [indiscernible], it's been because of our support of ACH and also enabling instant ACH, right? Instead of having to wait 3 days for anything to post and then withdrawing, we're enabling a better customer experience by enabling instant ACH.

So again, we -- when you think about some of like the crypto success, it's been outside of core credit cards. So again, the technology itself is agnostic to the payment methods, which is why we're so kind of excited about some of those wallet opportunities.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Good. Anyone else? So there's been a shift towards credit a little bit in the bigger picture of payments. There's worry around credit getting worse and delinquencies picking up, charge-offs picking up. Does that -- how does change your governance of risk?

Eido Gal

Co-Founder, CEO & Director

So I think it's important to say that we have virtually no credit risk, right, because really the issue that we're looking at is fraud, right? It's not, hey, is there going to be an issue with credit over, whether it's a 3-month payment cycle or a 3-year payment cycle. So in that sense, we feel incredibly well positioned and not having virtually any impact from that environment.

We can start hypothesizing if this is going to drive more fraud online or just because of the overall environment, which would be of benefit to Riskified as a company. But overall, I would say it's not meaningful.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Okay. Yes, I wasn't sure, maybe I didn't ask it very well, just the spirit of maybe more chargebacks versus fraud, if times get tougher, you get more chargebacks and just bad activity, bad actors in the ecosystem. I don't know if that's something that's cyclical or is something that you can pick up pretty quickly. You follow my question.

Eido Gal

Co-Founder, CEO & Director

I think fraud -- yes, yes, yes, no, I think fraud is consistently increasing in sophistication online, I would say, unrelated to the credit environment, right? I think like I remember when I was in the Army 20 years ago, so what we considered like nation-state-level exploits that are only available to like 3 countries are now available on the dark web for $20 and any hacker can buy them and use them to perform fraud, right?

So again, the sophistication and the level of fraud is consistently increasing. It's becoming easier to perform fraud online. And, yes, unfortunately for the world, fortunately for Riskified, if not sophistication increases, merchants trying to tackle it on a stand-alone basis are at a disadvantage.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Yes. Yes. Agreed. So we got 2 minutes left. I've 2 more questions. Just thinking about the longer-term growth algorithm and benchmarking, I know you and I and Agi had this debate a lot, so longer-term, benchmarking against e-comm. Is that the right way to look at Riskified? I know there's so many other factors at play, and we've learned about mixed during the pandemic. I would think it's a nice premium to e-comm, but what else would you throw at us, think about benchmarking.

Eido Gal

Co-Founder, CEO & Director

Well, when we think about our long-term algorithm and what we showed previously, and we still view that as kind of the long-term algorithm is we think that we're talking about 10% to 15% of growth on an annual basis from e-comm. As an e-comm broader, it includes ticketing all the different underlying businesses.

But we also see kind of around 15% of growth coming from both net new additions but also contractual upsells to our existing clients, which is really similar to what we've seen in Q1 as well, right? So overall, that's kind of that 25% to 30% range.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Okay. So in the end that mix is still the same as you get through this air pocket, as they call it, with e-comm. Okay. So I know the stock is coming, like a lot of the names we've covered, how is morale at the company? Have you done things a little bit differently and getting out of this mood of stock watching and scoreboard watching?

Eido Gal

Co-Founder, CEO & Director

Look, I think within the company, people are less stock watching than the investment community, right? I think people come to work on challenging problems in a good environment with a great team. I think everyone is excited and connected to the long-term opportunity that is exactly the same that we had 6 to 9 months ago, right? And we feel really great about the products, the merchant wins, the traction, the value that we're creating, the retention numbers, and it's a good environment.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Yes. No, always respect to the team and the focus on the client and the results and the math of it, I think that's always been there. So glad to hear it. So what do you think is most misunderstood? I always like to ask this question to you. I think I'll ask it here as well. What do you think is most misunderstood about Riskified from the investment community?

Eido Gal

Co-Founder, CEO & Director

Look, I think the core thing to understand is that every single e-commerce transaction needs to be screened to understand if it's fraudulent or not. Even if it's not fraudulent, it needs to be looked at to understand. And I think that we're the best in the world at doing that, right?

We've built a differentiated platform over a number of years. And I think when you do that, right, together with overall e-commerce, putting aside maybe an air pocket right now, right? That's incredibly exciting opportunity for us to be a part of, especially when you consider some of the retention characteristics that we have.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Yes. No, great. I mean, the secular trend should definitely be a friend. So thank you for the time. It's great to see you, and look forward to the updates down the road.

Eido Gal

Co-Founder, CEO & Director

All right. Thanks, Tien-Tsin. Thanks, everyone.

Tien-Tsin Huang

JPMorgan Chase & Co, Research Division

Thanks.