Riskified Third Quarter 2022 Earnings Transcript

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Chett Mandel; Head of Investor Relations

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

We released our results for the third quarter 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.

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 and 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 will be discussed on the call. Reconciliations to the most direct 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 *Riskified Ltd. - Co-Founder, CEO & Director*

Thanks, Chett, and hello, everyone. Building off the momentum from a strong first half of the year, we saw an acceleration in our growth during the third quarter. Revenues were $63 million, representing 20% year-over-year growth, which is more than double our second quarter year-over-year growth. On a constant currency basis, our revenues were $65 million, representing 24% year-over-year growth.

We achieved our strongest quarter of the year through increased upsell activity, new logo wins and a very busy quarter for ticket & travel vertical. This positive momentum more than offset declines in the organic growth of some of our existing merchants, which we primarily attribute to the tougher macroeconomic environment.

Overall, I am pleased that our total growth outpaced the growth in the broader e-commerce market. Our achievements in the first 9 months of 2022 go well beyond our financial performance. We have strengthened our leadership team and I am more confident than ever in our current go-to-market position. We have focused on thoughtfully expanding our global footprint, further penetrating emerging categories, broadening our partnership channels and developing new products.

We believe that this strategy will enhance our ability to solve a growing number of high-value use cases for our merchants. This will help in enabling Riskified to capture an increased share of the broader e-commerce landscape, which should allow us to grow sustainably over the long term. This differentiated position, combined with the powerful value proposition that we believe we offer to our merchants is leading to strong traction for our sales teams. Proof of this success is evidenced in the quality of our new logo wins and strength in recent upsell.

A great example of a recent new logo win and as we've highlighted in our earnings release, with the onboarding of one of the world's largest secondary ticket marketplaces for live sports, concerts, theater and events, this merchant processes billions of dollars worth of transactions annually. We earned this big win by demonstrating superior performance in a competitive process and we're proud to have entered into a contract to review nearly all of this merchant's e-commerce volume.

We believe tickets and travel is an industry in which we are rapidly extending our competitive position. I want to highlight that the breadth of our new logos goes beyond tickets and travel. For example, some of our top new logos signed during the quarter were in fashion, retail and in our money transfer category. As we continue to expand our portfolio of merchants, we are becoming more diversified than ever before.

We also continue to execute on our successful land and expand strategy. We believe this strategy drives GMV and long-term gross profit (technical difficulty) gains as customer engagement grows and matures. We saw strength in upsells across varying merchant sizes with particular momentum from our merchants with more than $3 billion in online sales volumes per year.

We also have success from both merchants and our more mature cohorts and from newer logos. We are continuously deepening our relationships and increasing the value that we offer our merchants as they submit additional order population through our platform. In addition to the momentum in our sales efforts, during the third quarter, our gross profit growth of 35% exceeded our revenue growth, reflecting the benefits of the ongoing investment in our technology and the strength and leverage in our business model.

As we discussed in depth on the last earnings call, a key initiative for the second half of 2022 and beyond has been to prioritize profitable growth through thoughtfully reducing our expenses and recognizing additional operating leverage, we believe that we are accelerating our path to profitability, all while keeping our long-term growth outlook intact. This goal remains a top priority for the company and I am very pleased with the progress that we have made in executing on this important initiative.

During the quarter, we lowered our expense base, and combined with an acceleration in our revenue growth, we saw a 33% improvement in our adjusted EBITDA results sequentially, which Agi will expand on shortly. As we approach year-end, I am proud that our diversified and global company has continued to grow and strengthen despite the challenging economic environment that we are operating in.

Our dialogue with merchants is high. Our pipeline is healthy and we believe that our go-to-market positioning is the best it has ever been. By leveraging our superior data and strong technology, we believe that this will allow us to continue to do what we do best, helping enable the best outcomes and operational improvements for our merchants, which we expect will, in turn, help drive value for our shareholders.

Before I turn it to Agi, who will cover the financial results in more detail, I want to thank all of Riskified's employees for their relentless dedication in accomplishing this fantastic order. I look forward to ending the year strong as we aim to execute on the goals of the company together.

Aglika Dotcheva *Riskified Ltd. - CFO*

Thank you, Eido, team, and everyone, for joining today's call. Our GMV for the third quarter was $25 billion, reflecting a 21% increase year-over-year. We achieved third quarter revenue of $63 million, up 20% year-over-year and 24% on a constant currency basis. The growth in GMV and revenue during the quarter was primarily driven by the continued expansion of our platform across new merchants and upsells and revenue growth across all geographies.

During the third quarter, we saw ongoing growth across our money transfer category and we continue to benefit from sustained growth in fashion and luxury goods. As expected, tickets and travel continue to rebound to be the most meaningful area of growth during the quarter. We believe that there are additional GMV opportunities for us in this category from new merchants and upsell based on our current pipeline of activity.

As Eido mentioned, our organic growth remains below historical trends, which we primarily attribute to a continuation of the impact of PSD2 combined with a more challenged macroeconomic environment compared to this time last year, which is driving softer e-commerce activity. We remain optimistic that in time, the broader e-commerce landscape will improve from current levels, which we believe should positively impact our organic growth.

From a geographic standpoint, we saw growth across all our regions, which solidifies the ROI that we're seeing from our global investments. The United States continue to grow, and we once again saw strength in EMEA. Consistent with last quarter, the strength in EMEA was achieved through the addition of key new merchants as well as continued success in tickets and travel.

Our non-GAAP gross profit margin for the third quarter of 2022 was 52%, consistent with the second quarter of 2022 and up from 47% in the third quarter of the prior year. As we mentioned in the past, gross profit margin is best analyzed on an annual basis as individual quarters can fluctuate mainly due to adjustments and improvements in our decisioning model, changes in the industry mix of our revenues, seasonality factors, the ramping of new merchants, the varying risk profiles of transactions approved, along with other business priorities.

The year-over-year increase in the third quarter of 2022 was driven primarily by overall positive outcomes related to some of the factors listed above. We have operated the company in a profitable manner in prior periods, and we're focusing on the leverage support and the process is to prioritize in order to return there.

During the second quarter of 2022, we initiated a plan efficiently and thoughtfully reduced our operating expenses. We continue to successfully execute on this plan and further reduce our expense base in the third quarter. Total non-GAAP operating expenses were $42 million, a decline of 5% from the second quarter. We saw sequential improvements across all areas of our expense base and our non-GAAP operating expenses as a percentage of revenue declined to 67% in the third quarter of 2022 from 74% in the second quarter.

We expect expenses as a percentage of revenue to further decline in the fourth quarter, reflecting leverage in the business model. For modeling purposes, we anticipate a modest step up in expenses in the fourth quarter, similar to the cadence we saw in the prior year. This is mainly a function of the timing of sales commissions earned and some seasonality.

We will continue to diligently manage our hiring plans and expand base into 2023 to help drive future adjusted EBITDA improvement. Adjusted EBITDA loss for the third quarter was negative $9 million and more than 30% improvement, both sequentially and year-over-year.

In addition, we continue to maintain a healthy cash flow model with free cash flow of negative $4 million for the third quarter. This represents a 75% improvement year-over-year. For the first 9 months of the year, our free cash outflows have been approximately $27 million, and we feel great about our ability to manage our cash outflow, which meaningfully slowed during the quarter.

Moving to the balance sheet. We maintain a very strong liquidity position, which we anticipate to be more than sufficient to support the investments we're contemplating as we aim to move towards profitability. We entered the third quarter with approximately $484 million of cash and deposits on the balance sheet, and we carry 0 debts.

And now turning to our updated guidance outlook for the full year of 2022. The updated revenue guidance assumes currency rates against the USD remained stable to current levels and that there is not a further deterioration of macroeconomic conditions. In addition, we will continue to monitor the performance of our merchant business adoption and the broader e-commerce landscape.

For the full year 2022, we are revising upwards our guidance ranges. In the face of a tougher growth landscape, we have now raised our guidance on 2 separate occasions, illustrating the resilience of the business and strength in our new merchant wins. We now anticipate revenue to be between $257 million and $261 million, up from our previous guidance of $255 million to $258 million.

As I had previously communicated, we continue to expect our fourth quarter revenue to reflect some softness due to broader e-commerce and retail uncertainty that may persist during the holiday shopping season. As a result, we anticipate our year-over-year growth in the fourth quarter to be lower than the third quarter, which is reflected in our updated full year guidance.

The most meaningful upward improvements to our guidance are a direct result of the OpEx savings that we are realizing. These savings have resulted in us improving our full year adjusted EBITDA guidance by 18% from our August guidance. We currently expect to between negative $44 million and negative $47 million, an improvement from negative $54 million and negative $57 million. Our new range represents a 33% improvement from the midpoint of our initial guidance given in February of this year.

We have had initial success in controlling our expense base across the company while sharpening our plans to find additional areas to optimize our cost structure. Overall, we're very pleased with our results and remain excited about our continued prospects for long-term growth. We look forward to continuing to report our progress to you in the coming quarters.

Operator, we're ready to take the first question, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Tim Chiodo with Credit Suisse.

Timothy Edward Chiodo *Crédit Suisse AG, Research Division – Director*

So definitely impressive in terms of the cost savings, and you mentioned the improvement in the profitability. I'm sure that's much appreciated by many investors. In terms of the OpEx savings and actually in context of longer term, so your outlook for EBITDA margins longer term are roughly 20%. I realize we're far away from that today. But in terms of the timing of getting there, when should investors be thinking about plugging that 20% into their model? How many years away roughly would you say that that might be? And then I have a quick follow-up on the travel vertical, if you don't mind.

Eido Gal, *Chief Executive Officer, Riskified*

Sure, hey, Tim. So when we think about kind of the path to profitability and the next steps there, reaching those 20% margins, I would say, obviously, very happy with the work the team has done this quarter or previous quarter lowering our expense base. On the next quarter, we anticipate expenses as a percent of revenue to kind of go down further. And really, when we think about how much progress we'll be showing in 2023, we need to take a step back and just talk about revenue for a second, right?

So this quarter, a great go-to-market performance, 20% revenue growth, still in the face of some headwinds, a 4% FX impact, mid-single-digit regulatory PSD2 impact and organic e-commerce growth was actually slightly negative, right. So thinking about how these things will play out in 2023, as we've previously shared, PSD2, we anticipate would be nonmaterial. We think that the FX impact will kind of disappear in the back half of next year.

And the one area that I want to be more thoughtful on and kind of do a bit more homework and sharpen our pencils is how we think the organic will behave next year, right. So slightly over 30% of our business is tickets, travel and events. The remainder is pretty diversified across geographies and industries. So we just need to spend time building a bottoms-up model to understand how that will behave next year before really understanding path to profitability.

But without getting into guidance, just to give you a general framework, if organic improves, we definitely see periods of profitability in the back half of next year. And then I think you can extrapolate further into that kind of longer-term 20% target.

Timothy Edward Chiodo *Crédit Suisse AG, Research Division – Director*

Okay. I want to just to make sure I heard that right. Periods of profitability potentially in the back half of next year, meaning on an EBITDA basis, potentially turning slightly positive as early as the back of next year?

Eido Gal *Riskified Ltd. - Co-Founder, CEO & Director*

Correct.

Timothy Edward Chiodo *Crédit Suisse AG, Research Division – Director*

Okay. I'm sure that's appreciated. And my brief follow-up is the travel and tickets vertical. I believe in the past, you've mentioned the growth in that vertical year-over-year. I know you mentioned many new logo additions and it's clearly an area of strength for the company. But were you able to provide a pinpoint estimate -- or sorry, the actual on what the growth was this past quarter?

Agi Dotcheva, ***Chief Financial Officer, Riskified***
Yes, Tim, thank you for the question. So I'll take this one. Tickets and travel grew meaningfully in Q3 and it was both driven by existing merchants for now at -- they are above pre-pandemic levels and we're very happy with that growth. But also we're adding new merchants and upselling existing ones. So I would say that overall, it was probably the highest growth that we've seen in terms of our industries.

And most importantly, I do believe that we still have an upside in this category if there's white space opportunity, just some of the new merchants that we're adding, but also just looking into the pipeline of new logos.

Operator
Our next question comes from the line of Owen Callahan with Barclays.

Owen Callahan ***Barclays Bank PLC, Research Division - Research Associate***
It's Owen on for Ramsey. I wanted to expand a little bit on that merchant mix and pipeline generation. I wanted to get an understanding of how important kind of these new logos are when factoring in the slowing of current merchant volumes. And additionally to that, I wanted to get a sense of the mix of these new merchants? Are they coming from new geographies or new verticals? Any color there would be super helpful.

Eido Gal ***Riskified Ltd. - Co-Founder, CEO & Director***
Owen, thanks for the question. So let's unpack the revenue growth again to understand the dynamics between new clients and upsell to existing clients relative to the organic base, right. So that 20% growth, which still had the 4% FX impact and that mid-single-digit regulatory impact really, that was all the growth came from new and upsell to existing clients because the organic base was just slightly negative.

So really great go-to-market performance, team has been performing extremely well, and there's a great demand environment because of the guaranteed cost savings that the product is offering while kind of still generating higher incremental sales for our merchants. So we're very, very pleased with that. Overall, it's very diversified. It's coming from a combination of across geographies, across industries, a great mix of net new upsell to existing.

Operator
Our next question comes from the line of Terry Tillman with Truist.

Terrell Frederick Tillman ***Truist Securities, Inc., Research Division - Research Analyst***
Solid performance here, Eido and Agi, hi there. The first question is just on enhancing go-to-market motions and just optimizing go-to-market. You had an important leadership addition earlier in the year or at least a couple of quarters ago. Where do you see more of the low-hanging fruit or ongoing kind of greater impact? Is it new logo success or just doing more cross-selling and up-selling with existing customers? Does one area seem much more pronounced? Or again, low-hanging fruit is probably oversimplifying it, but just trying to get a sense on where you see some of the enhanced go-to-market benefits, whether it's new or existing? And then I had a follow-up.

Eido Gal ***Riskified Ltd. - Co-Founder, CEO & Director***
Terry, thanks for the question. Definitely, Ravi and the entire go-to-market organization has had a great quarter, and they've really been doing some great process improvement and we've been seeing the results. But it's not just them, right, it really starts with the product. And what we've consistently been seeing in these types of enterprise motions is that we're able to show through pilots that were the most accurate solution on the market. Because of that, we've been able to win

these types of competitive cycles.

And in fact, that multibillion-dollar TPV ticketing merchant that we mentioned in our release is the competitive cycle that we won in this way, and that's helping us accelerate the growth, right. So you layer that in together with the fact that we now have a more global go-to-market team, together with the fact that we're able to sell additional new used cases for our merchants like Policy Protect, like Dispute Resolve. So they're all working in tandem, and we're just seeing consistent strength across that, both on the new logos and upsell.

For example, again, going back to this multibillion-dollar ticketing merchant, that was a new win a few months ago that we were able to upsell in a very short time, right. So it's really showing success on both fronts.

Terrell Frederick Tillman *Truist Securities, Inc., Research Division - Research Analyst*
That's great to hear. And I guess, Agi, there's been a couple of questions on the accelerated path to profitability, and both of you all have provided some interesting and positive color. I guess the reality is we can't just look at 4Q expense base and somehow run rate that or reduce that a little bit because there's some seasonal expenses. Can you remind us what kind of uptick there is in seasonality on the expense side in 4Q? And just anything directionally around the 3 OpEx items in '23 should they continue to trend lower as a percentage of revenue? Just any more you could help us on how to think about run rate of expenses.

Aglika Dotcheva *Riskified Ltd. – CFO*
Yes, of course, Terry, and thank you for the question. So for modeling purposes, we do anticipate a modest step up in expenses in the fourth quarter and that's very similar to the cadence from last year. And these are just regular seasonal kind of step up. It's really a function of normal seasonality. I'll give you like an example, just more incremental travel or some of the commission-related payments that are usually kind of done before. So that's kind of like the ballpark.

And I think that overall, these positions -- Q4, the way I think about the Q4, I expect this positions us well as the run rate for next year and kind of like on a really much lower base, if I think of like where we started back in February and like the improvements that we've done now 2 quarters in a row and the continuous execution on that front.

Operator
Our next question comes from the line of Robert Napoli with William Blair.

Robert Paul Napoli *William Blair & Company L.L.C., Research Division - Partner and Co-Group Head of Financial Services & Technology*
Good numbers, Eido and Agi. Good to hear about your outlook for next year and working towards that profitability. The -- what is your view in order for online sales growth for the industry? I know -- I think you said that you felt it was slightly negative in the third quarter. Any view on trends in the fourth quarter? And just what do you think online sales growth is going to be in order to get to that profitability what it needs to be in 2023 and your thoughts on long term? In the online industry overall? Growth in the industry?

Aglika Dotcheva *Riskified Ltd. - CFO*
So let me give you some kind of nuance around Q4 and seasonality. I think that -- Sure. So if I think about Q4, we do expect a slightly different mix in terms of the industry compared to Q3. Q3 is traditionally a high tickets and travel season Q4, tickets and travel, we continue to expect to have a strong performance. But traditionally, the kind of, like the general retailers are the ones that are expected to have a stronger weight of the overall portfolio.

So far, I think that overall, it's no surprise to anyone, but just reading through industry analyst reports, the online sales this holiday season are projected to see their smallest growth in some years while still growing. So overall wider spending environment for the general retail e-commerce is kind of like what we are projecting.

Robert Paul Napoli ***William Blair & Company L.L.C., Research Division - Partner and Co-Group Head of Financial Services & Technology***
Okay. And then to get -- where do you expect to see the operating leverage? And when you had good gross margins this quarter, the 52% gross profit margin. I know looking at it on an annual basis, but is that the right way to think about gross margins? And then where do you get the operating leverage? Where do you expect to get most of it on the G&A line as -- any commentary on where you expect to see net operating leverage?

Aglika Dotcheva ***Riskified Ltd. – CFO***
Yes. We think that the current level is the right zone for our annual gross margin plus/minus as I just kind of -- fourth quarter is variable for a variety of factors. But we feel that we're on track to meet or slightly exceed our annual target. And it is always our goal, look at the year target and we'll see how to kind of really look at our model to be the most efficient as possible and generate the best outcome for our merchants and for our business.

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

Aglika Dotcheva ***Riskified Ltd. – CFO***
Yes, and to your second question about operating leverage. I'm very happy that we continue to reduce our expenses as a percentage of revenue and expect that to continue into Q4 as well.

Operator
Our next question comes from the line of Tien-Tsin Huang with JPMorgan.

Tien-Tsin Huang ***JPMorgan Chase & Co, Research Division - Senior Analyst***
Great results here. I wanted to ask, just want to make sure I understood. Just your fourth quarter thinking here relative to what you saw in the third quarter. Any change in view from 90 days ago with respect to revenue and gross margin? Just want to make sure I understood that.

Aglika Dotcheva ***Riskified Ltd. – CFO***
Yes. So as I -- just to give you more clarity, we are raising our annual guidance on the top line and I'm very happy about the overall performance. We do expect Q4 to be a little bit more kind of softer, and that's reflected in our guidance and the range that we have right now. So it's -- the range represents the best estimate of the annual results, but it's no secret to anyone, the environment is highly variable, and that's reflected in the guide. On the gross margin, just to reiterate, we do expect to meet or slightly beat the annual goal. And I think that's kind of like the way we're thinking about both Q4 and 2023 in general.

Tien-Tsin Huang ***JPMorgan Chase & Co, Research Division - Senior Analyst***
Okay. No, that's perfect and is very reasonable. So just on the -- my follow-up, just on the charge back to billings performance and the gross margin in general, to Bob's question. Is it a function of better outcomes driven by your tech as you've had another quarter to season that? Or are there any changes in risk decisioning on your part or from your clients' part?

Eido Gal ***Riskified Ltd. - Co-Founder, CEO & Director***
We're definitely very happy with the modeling performance and we continue to see cohort improvements. We've been able to see especially pronounced improvement in some of our tickets and travel merchants driving kind of better performance this quarter. So overall, definitely very pleased with that.

Operator
Our next question comes from the line of Brent Bracelin with Piper Sandler.

Brent Alan Bracelin ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***
I wanted to circle back and talk a little bit about some of the new merchant activity, pipeline activity. You've called out adding a new ticketing and travel kind of customer and taking on a large degree, a majority of their traffic. Are you seeing a mix shift where customers and new merchants that you're engaging with are looking to outsource 100% of the network traffic, and that's increasing part of the pipeline? Just love to better understand the lands, which historically have been small lands and then expands, but it sounds like the lands now are starting to creep into the larger land environment, taking over a bigger portion of the network. So I'd love to just drill down to that trend, if that's something you're seeing.

Eido Gal ***Riskified Ltd. - Co-Founder, CEO & Director***
Sure. So I would say the historical trend has usually been starting on a segment of a merchant's volume and then expanding over time. And I think what we've seen is that we have more merchants submitting more substantial amounts of volume day 1, but also an acceleration of the time frame between initial submission and a larger engagement.

And to your point, this merchant that we highlighted, this multibillion-dollar ticketing merchant where we do most of their volume right now, that happens in a very quick time spend, much quicker than we have had historically. So we do feel that's probably a combination of just some of the proof points in the industry that we have, getting people more comfortable on the overall demand environment right now into guaranteed profit.

Brent Alan Bracelin ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***
Helpful color. And then as we think about heading into a recession in the U.S. next year, are there meaningful cost savings by outsourcing fraud risk to your platform? Is the ROI narrative resonating with customers? Just trying to think through as we go through a more challenging environment next year, can that play to your advantage? Or is it going to be challenging just to close new deals and lengthening sales cycles? Just trying to think through those factors heading into next year.

Eido Gal ***Riskified Ltd. - Co-Founder, CEO & Director***
Now that's a great point. And obviously, we feel great about the demand environment right now because of exactly what you mentioned, right? So when merchants are looking to optimize their cost base, we're one of the few tools that guarantees cost savings while driving incremental revenue at the same time. So it's definitely becoming a big -- we see it becoming a bigger focus for merchants globally. And we think we're incredibly well positioned to capitalize on that. And I think that's driving some of the strength that we see this quarter and the overall pipeline and kind of that better demand environment for us.

Brent Alan Bracelin ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***
Great. And then last question here for Agi. Cash burned has narrowed here to a little under $4 million in the quarter. Is that the right kind of cadence we should think about on a quarterly burn rate into next year? Do you think that can narrow further into next year on a quarterly basis? Just love any sort of directional color on cash burning next year would be helpful.

Aglika Dotcheva ***Riskified Ltd. – CFO***
Yes. So I'm very happy with the cash burn and the free cash flow that we show this quarter. There's obviously some variability between quarter-to-quarter driven by the time of payments and expenses. But on an annual basis, I think that adjusted EBITDA and free cash flow are kind of close the line.

And if I think about next year, well, that positions with our expense base, as I kind of mentioned, Q4 is a good approximation of the run rate for next year. So obviously, there might be some kind of spread with seasonality next year as well. Q3 to Q4, maybe showing kind of similar step-up. But overall, with this kind of expense base, we're in a very good position to start to continue to show leverage in the next year as well.

Operator
Our next question comes from the line of Josh Beck with KeyBanc.

Josh J. Beck ***KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst***
You've discussed the tickets and travel vertical. I'm curious maybe with respect to some of the other more meaningful verticals, fashion, luxury, electronics, home, if there's anything that really stood out with respect to maybe trends quarter-to-date? And how you're thinking about the prospects there as we enter '23?

Eido Gal ***Riskified Ltd. - Co-Founder, CEO & Director***
Yes, sure. So I think we've just -- we are continuing to see good growth in the areas where we're strong in, right? So when you think about fashion, whether it's luxury or kind of general retailing, we continue to see strong growth there because of net new additions and the upsell. Some of the other more emerging categories, we continue to both see growth and build a healthy pipeline.

And I think we called out our remittance business there, which we have kind of high hopes for in the future, but are still seeing good results right now. And I think, again, the global diversification continues to be a great story for us as we ramp up the sales team there. So I think those are maybe some of the things to highlight.

Josh J. Beck ***KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst***
Okay. That's helpful. And this is a little bit in some ways just a tricky question. But you talked about the e-commerce environment this quarter. I think that was a global number that you gave being negative and a lot of at least the U.S. forecast has kind of low single-digit growth for Q4. I think one of the major questions is moving forward, do we get back to that cadence of mid-teens e-commerce growth and 60, 70, 80 basis points of incremental e-commerce penetration every year? And it's really tough to answer that at this juncture. But maybe just help us understand how are you thinking about the future growth prospects for the e-commerce market overall? And what are some of the kind of mile markers or data points that you'll be assessing to kind of refine that forecast moving forward?

Eido Gal ***Riskified Ltd. - Co-Founder, CEO & Director***
Well, I think the answer is yes. I agree, I think that e-commerce will continue to grow in the years ahead. And I'm very optimistic about that. And I think vast majority, people, analysts, everyone involved in buying would agree with me. I think the question is when will it return? Is that -- how many quarters does it take for it to fully return is the harder question. No, I don't have a good sense of right now and that's -- we want to be smarter about that before the '23 guide.

And when returns, does it return at 10, 50, I think those are kind of more the nuanced questions. But I'm obviously very optimistic that we'll see much better organic growth in the quarters ahead than we did in this quarter from the industry.

Operator
And I'm currently showing no further questions at this time. I'd like to turn the call back over to Eido Gal for closing remarks.

Eido Gal ***Riskified Ltd. - Co-Founder, CEO & Director***
Thank you very much. Thank you very much, everyone. We really enjoy this conference and look forward to updating you in the quarters ahead.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect.