Riskified Fourth Quarter 2024 Earnings Transcript *Edited*

Corporate Participants

Chett Mandel, *Head of Investor Relations*

Eido Gal, *Chief Executive Officer*

Agi Dotcheva, *Chief Financial Officer*

Analyst Participants (Alphabetical Order)

Tim Chiodo – *UBS*

Clarke Jeffries – *Piper Sandler*

Cristopher Kennedy – *William Blair*

Will Nance – *Goldman Sachs*

Terry Tillman – *Truist Securities*

Ryan Tomasello – *KBW*

Reggie Smith – *J.P. Morgan*

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 financial results for the fourth quarter and full year 2024. Participating on today's call are Eido Gal, Riskified's Co-Founder and Chief Executive Officer, and Agi Dotcheva, Riskified's Chief Financial Officer.

We released our results for the fourth quarter and full year 2024 earlier today. Our earnings materials, including a replay of today's webcast, will be 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, business and financial goals, outlook as to revenues, gross profit margin, Adjusted EBITDA profitability, Adjusted EBITDA margins and expectations as to retention rates, market opportunity and execution of strategic initiatives, which reflect management's best judgment based on currently available information and are not guarantees of future performance. We intend all forward-looking statements to be covered by the Safe Harbor provisions contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our expectations as of the date of this call and except as required by law, we undertake no obligation to revise this information as a result of new developments that may occur after the time of this call. These forward-looking statements involve risks, uncertainties and other factors, some of which are beyond our control, that could cause actual results to differ materially from our expectations. You should not put undue reliance on any forward-looking statement. Please refer to our Annual Report on Form 20-F for the year ended December 31, 2023 and subsequent reports filed or furnished with the SEC for more information on the specific factors that could cause actual results to differ materially from our expectations.

Additionally, we will discuss certain non-GAAP financial measures and key performance indicators on the call. Reconciliations to the most directly comparable GAAP financial measures are available in our earnings release issued earlier today, and also furnished with the SEC on Form 6-K, and in the appendix of our Investor Relations Presentation, all of which are posted on our Investor Relations website.

I will now turn the call over to Eido.

Eido Gal
Co-Founder, CEO & Director

Thanks Chett and hello everyone. 2024 was an important year for Riskified in terms of executing on our business objectives and positioning our company for long-term success.

I am proud that we grew our GMV by 15% for the full year, and achieved revenue growth of 10%, finishing the year with $327.5 million in revenue and exceeding the high end of our guidance. We also delivered meaningful Adjusted EBITDA margin improvements in our first full year of positive adjusted EBITDA as a public company.

We finished the year on a strong note, with our year-over-year revenue growth accelerating slightly in Q4'24 compared to Q3'24. This sequential improvement contributed to our highest-ever quarterly revenue and Adjusted EBITDA.

Despite the strong end to the year, our 2024 revenue growth, and Annual Dollar Retention, or ADR, and Net Dollar Retention, or NDR, rates were not in line with our historical benchmarks and our long-term objectives. That being said, I believe that the operational successes of 2024 position us well for improved performance in these areas in 2025 and beyond.

Allow me to provide some further context. Our go-to-market team had another strong year in executing on our strategy of landing many of the world's largest online merchants, proving our ROI, and then expanding our relationships with these merchants to capture additional volume. We closed more new business sequentially throughout each quarter during the year, and we derived approximately $45 million in revenue from new merchants added in 2024, and the annualization of new merchants onboarded to our platform in 2023.

Overall, we continued to win new logos within our larger verticals in “Fashion”, and “Ticketing and Live Events”, while also penetrating newer verticals like “Money Transfer & Payments” and “Food.” We also saw strong new logo success in the United States and APAC. Continued upsell strength contributed to a great year in “Travel” and “Fashion”, with EMEA and the Americas having the most success in these verticals.

In 2024, we welcomed several key merchants onto our core Chargeback Guarantee Product. Notable names including Meta, TodayTix, Fast-Retailing, Armani, Ria Money Transfer, Herbalife, Viva aerobus, Hy-Vee Grocery, Therabody, and MECCA Brands all joined the Riskified Network, and contributed to our ongoing efforts to diversify our revenue base across various verticals and regions.

We also executed on our goal of expanding our multi-product platform to further diversify our revenue base across products, and are excited to have added merchants including Norwegian Cruise Lines, Moncler, Hotel Planner, Allbirds, and SHEIN to products outside of our core Chargeback Guarantee product. We believe that these wins have contributed to market-share gains.

A key focus for 2025 is to expand our top-of-funnel efforts to drive more pipeline. Simply put, we believe that increasing the opportunities that we have in the funnel gives us more opportunities to demonstrate the power of our platform, outperform our competition and win new business at high rates, just like we did in 2024, when our win rate in competitive processes was approximately 70%.

Having mapped the revenue opportunities ahead, we believe that there are a number of ways for us to expand our funnel.

First, we believe the value that our expanded multi-product platform unlocks is differentiated from our competition, and is opening doors beyond Chargeback Guarantee.

Second, we have deeper penetration in select sub-verticals like “Fashion” and “Ticketing & Live Events”, but relatively low penetration rates and significant whitespace within many of our newer and emerging verticals. Our experience has shown that once we are able to onboard a significant number of merchants in a vertical and then generate strong performance for those merchants, we reach an inflection point where future wins become easier, faster and more streamlined. By following this proven playbook in our newer and emerging categories, we believe that we can ultimately own these categories as well.

Third, landing key tentpole accounts outside of the Americas & EMEA, helps us unlock more opportunities for continued geographic expansion.

And fourth, we continue to scale our network and data advantage and enhance our brand presence globally, which helps us promote the increasing capabilities of the platform and the financial strength of Riskified.

As we have frequently discussed, we have established deep rooted relationships with many of the top eCommerce brands around the world. In 2024, our Annual Dollar Retention Rate was down from historical levels of 98% and above. This was in part driven by the one-off merchant churn event in the "Home" category that we discussed during our last earnings call, along with a broader uptick in competitive pressure. To combat this dynamic, we have operationalized a thoughtful and thorough merchant retention strategy, which is designed to help us return our ADR back towards its historic levels.

A key pillar of this strategy has been to aim to shift many of our merchants to multi-year contracts in order to increase our committed revenue base. We have already had success in executing on this plan and have over 70% of our 2025 book of business committed. Based on revenue, we increased our weighted-average contract term signed for our larger accounts by 30%, locking in renewals for nearly two years on average.

Outside of the previously mentioned churn event we successfully renewed 100% of our top 20 contracts up for renewal in 2024, with half of those contracts signed for multi-year deals with the average ending year of 2027.

In addition, we are also executing on the other core components of our retention strategy. We are focused on getting our differentiated multi-product platform into the hands of more of our existing merchants, generating continuous SLA outperformance for our existing merchants, partnering with key merchants to develop bespoke features, and expanding our executive sponsorship and merchant community programs to all aid in driving customer satisfaction and retention.

We are also expecting an improved Net Dollar Retention Rate in 2025. We believe that the prospect of stabilization in some of our more recently challenged verticals such as "Fashion", ongoing execution of our aforementioned merchant retention initiatives, and continued penetration of the upsell whitespace from new logo wins should help us work towards returning our NDR to recent levels of over 100% in 2025.

Shifting focus to our product platform. It is playing a critical role in supporting growth and retention by enabling us to address a wider range of merchant use cases beyond Chargeback Guarantee. The expanded platform is gaining traction, with new product revenue up approximately 90% year-over-year in 2024, and new product bookings representing approximately 10% of the total bookings won in 2024. I'm encouraged by this trajectory and we are currently anticipating aggregate revenue in the high-single digit to low-double digits millions from Policy Protect, Account Secure, and Dispute Resolve in 2025, based on our 2024 revenue exit-rate and pipeline expectations for 2025.

Overall, while we are seeing traction across all of our products, I am most excited about the market opportunity for our Policy Protect product. The return and claim landscape is evolving quickly, causing significant challenges for merchants, with the market comprising over $100 billion in losses for retailers. That's why we are further investing in the accuracy, scalability, and efficiency of integration in order to get this product in the hands of many more of our merchants.

To that end - we recently partnered with Apriss Retail, a top provider of return and claim authorization solutions. This innovative collaboration aims to address the growing challenges of omnichannel fraud and policy abuse by integrating comprehensive data on consumer shopping patterns throughout the entire customer journey — both in physical stores and online. This comprehensive offering seamlessly integrates online and offline channel data, providing a unique, unified view of customer interactions, which we believe further strengthens our Policy Protect offering.

We believe that our ability to provide policy abuse decisioning across all ecommerce interactions is unmatched. I wanted to take the time to provide a few real-life examples of how merchants are utilizing the product, which I think demonstrates the power of Policy Protect. For one merchant in the "Fashion" space, Policy Protect has given them insights on who to provide an instant refund to upon return initiation, instead of after warehouse inspection. Another merchant is utilizing Policy Protect's identity engine to customize every return experience, applying friction via handling fees or warnings to repeat abusers, and auto-approving returns to good customers, reducing manual review work. And…another merchant is seeing the benefit of our identity clustering technology which detects similar consumer behavior patterns across our merchant network. They are also leveraging our recently released Decision Studio tool, which is part of Policy Protect. As a reminder, this tool gives merchants powerful self-service capabilities for the creation, simulation, and management of customer-facing policy decisions. By using Riskified's Decision Studio, this merchant has reduced their previous policy review process from 200 static rules to just 20 dynamic rules. This has allowed the merchant to prevent bad actors from buying extra amounts of limited-run items for the purpose of reselling them on the secondary market.

These complex and unique use-cases are just some examples of how our Policy Protect product is designed to improve customer experiences, reduce manual review work and help to embed Riskified into our merchants' daily workflows.

At our core, we are an innovative growth company with some of the best R&D and product talent in the industry. We are focused on investing in a merchant-centric product roadmap for 2025 and beyond, to help us generate additional opportunities for revenue growth, while guaranteeing continued strong performance for our merchants.

To aid in this, we have developed numerous AI capabilities, which, collectively, are expected to improve the performance and accuracy of our platform over time. To name a few, we have further enhanced our autonomous training capabilities, which enables us to provide completely customized models and feature performance on an individual merchant basis which generally leads to better performance results and a faster time to production. Our performance segmentation system automatically analyzes our entire order population, and sorts similar transactions into different segments based on features such as payment type, IP, or margin profile. From here, we assign certain customized risk thresholds for each segment in order to eliminate chargebacks without impacting approval rates. The entire process is intended to optimize approval and chargeback rates, to enable high performance for our merchants. We believe that this automation will allow us to continue to scale the business with high leverage. And we also deepened our modular machine learning infrastructure to easily add additional capabilities into the Riskified Decision Layer. Some of these features such as early detection models, our Address Obfuscation Engine, and SKU Risk network all plug back into the model to further deepen the AI learning across the entire platform.

Our expanded product platform delivers the most comprehensive data capture per transaction we've ever had. Starting from the moment a consumer accesses a merchant website, opens an account, through the cart checkout experience, potential refund and return process, and finally the eventual dispute of a chargeback, the multiple customer touch points that we collect and tag throughout the entire customer journey all feed back into the platform. This integrated, cross-platform data sharing creates a synergy that enhances our performance across each product, and further strengthens our identity mapping capabilities.

Adding to our capabilities, I am excited to announce Adaptive Checkout, a new advanced configuration of our Chargeback Guarantee Fraud and Risk Engine. We have enhanced our AI decisioning engine to intelligently adapt the checkout process to the risk level of each transaction, ensuring more legitimate transactions are approved while reducing fraud. This configuration works by blocking fraudulent attempts before bank authorization even occurs, preventing fraud from entering the payment stream. And now, we are employing selective smart friction to certain transactions, such as automatically asking for a CVV if there are concerns on an account takeover, or sending a One-Time-Password prompt to good, but risky-looking orders in order to help legitimate customers proceed through checkout. These enhancements, combined with sharing enriched data with card issuers to boost auth rates, help us optimize the end-to-end conversion funnel, creating a dynamic and safe checkout process. More details on Adaptive Checkout will be shared in a launch press release scheduled to be issued later today.

By focusing on continuously advancing the capabilities of our product platform, and through strong execution by our go-to-market organization, we believe that we are well positioned to capture more market share in a large and growing ecommerce end-market. The largest part of the ecommerce landscape, being traditional CNP transactions, continues to grow off of a large baseline, which further expands our addressable market. And as Alternative payment methods, such as Apple Pay, GooglePay, and various BNPL types grow off a small base, we are also finding ways to be relevant to this subsegment of volume.

In order to capture more of this market opportunity, we are doubling down on our platform development and expansion efforts. Throughout our company's evolution, we have always aimed to invest in the development of our technology and products in a responsible way, while remaining focused on managing our expenses to drive towards profitability. In 2024, we decreased our non-GAAP operating expenses by 4% for the year, on top of the 6% decline that we achieved in 2023.

Given our strong new business generation in 2024, our robust new-business pipeline for 2025, and increasing demand for our multi-product platform, we believe that now is the right time to focus our investments into further developing our product platform. In 2025, we plan on increasing development and research capacity by almost 20%. We plan on doing this while keeping total expenses flat versus 2024.

To accomplish this, we recently initiated a plan to restructure Riskified's workforce by relocating certain positions to lower-cost regions and reducing headcount in areas that we viewed as less critical to our product development and growth strategy.

In addition, we are identifying further opportunities to incorporate AI tools into our business to help automate certain employee tasks and reduce manual work processes. This will in turn allow our employees to focus on higher-return work and increase their output. We believe that with increased employee capacity and efficiency that we can limit future hiring to the most critical roles needed.

As a result of these initiatives, we expect to be able to increase development capacity, advance platform innovation to outperform the competition, and improve product accuracy and customer service to deepen our merchant relationships. These actions should help position us to maintain market leadership, accelerate our revenue, and achieve our long-term financial goals.

As this project ramps up in the second half of 2025, we believe that we will see a meaningful step down in expenses in the second half of the year, with the overall exit rate being lower heading into 2026 versus 2025. Agi will touch on the overall positive impact to our expense outlook shortly.

As we've previously discussed, we are aiming to achieve adjusted EBITDA margins between 15 and 20% by the end of 2026. We are still eight quarters away from this time frame, and we believe in our ability to manage the business to continue driving improvements in order to achieve these goals. By optimizing the operational levers available to us over the last two years, we've achieved approximately 2000 bps in total Adjusted EBITDA margin expansion and we remain confident that we can hit our target by 2026.

While tightly managing our bottom line, we have also executed on our capital allocation priorities. During 2024 we repurchased over $140 million of our stock, and generated nearly $40 million in positive Free Cash Flow. This is a testament to our commitment to driving shareholder value, and our powerful business model. As discussed on previous calls, our meaningful free cash flow generation, and our strong cash reserves, with no debt, empower us to utilize our capital strategically. Our M&A strategy remains unchanged. We believe that we are the leader in the space and are continuously looking for opportunities for potential consolidation to drive scale and synergies.

In conclusion - I feel great about our leading identity engine and our differentiated positioning in the market. I believe that we are redefining the ecommerce fraud and risk intelligence landscape through our leading tech, and our robust pipeline for 2025 supports the market demand for our product platform.

Now, over to Agi

Aglika Dotcheva
Chief Financial Officer

Discussion of Financial Results:

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

We achieved fourth quarter revenue of $93.5 million, and full year revenue of $327.5 million, up 11% and 10% year over year, respectively.

Our fourth quarter GMV of $39.5 billion represents the highest quarter of volume reviewed in our history. This was driven by continued new and upsell growth, and strong Black Friday through Cyber Monday holiday activity, which grew approximately 10% on a same store basis as compared to last year's season.

For the full year 2024, our GMV grew by 15% to $141.2 billion.

During the fourth quarter, we saw growth across all verticals other than our "Home" category due to the previously mentioned churn event. Growth was primarily driven by new business and upsell activity in our "Tickets and Travel" vertical, and by new business activity in both of our "Food" and "Money Transfer & Payments" category.

Similar to the first nine months of the year, during the fourth quarter, revenue growth in our "Fashion and Luxury" vertical was primarily driven by new business and upsell activity. This growth was partially offset by continued same store sales pressures primarily within our "High-End Fashion" and "Sneakers" sub-verticals. Overall, our "Fashion & Luxury" category grew by low-single digits in the fourth quarter and for the full-year, and represented approximately one third of our portfolio for the year. More recently we have seen some very early indications of stabilization of activity in our "High-End Fashion" segment relative to prior quarters, although still tracking at year-over-year declines.

For the full year, approximately $45 million of the increase in revenue was attributable to new merchants onboarded in 2023 and 2024, primarily within our "Tickets and Travel" category, which grew by 17% year-over-year. In addition, we saw 40% year-over-year growth in our "Food" category, and 66% growth in our "Money Transfer & Payments" category, as we continued to penetrate these newer areas. This growth was partially offset by a net decrease of $15 million primarily due to higher attrition than in previous years and continued organic declines, net of upsells, which contributed to our Net Dollar Retention Rate of 96%.

Our "Ticket & Travel" category was the largest contributor to our year-over-year revenue growth, and it is now our largest category. This vertical achieved just over $111 million in revenue, which represented approximately one third of our overall portfolio in 2024.

And, while our "Home" vertical declined year-over-year, we expect to exit 2025 with growth in this vertical.

Finally, we also saw billings growth across all geographies year-over-year. The United States, which is our largest region, grew by 9% and EMEA grew by 4%. Our Americas and APAC regions grew approximately 10% and 33% respectively, primarily due to momentum in new and upsell activity, including some tentpole accounts. We believe that our continued growth in regions outside of the United States is driving continued market share gains.

GAAP to non-GAAP Disclosure:

Moving to the discussion of our gross profit margin, operating expenses, and Adjusted EBITDA. Unless otherwise noted, I will be referencing non-GAAP financial measures with respect to these metrics. We have provided a reconciliation of GAAP to non-GAAP financial measures in our earnings release.

Gross Profit Margin:

Moving on to gross margin, our gross profit margin for the full year was 53%, up from 52% in 2023.

We continued to benefit from improvements in our overall core machine learning models and the positive impact of new product revenue, offset by the impact of ramping of significant new merchants.

As it relates to 2025, for the full year, we're targeting a gross profit margin between 52% to 53.5%.

As a reminder, I encourage you to continue analyzing our gross margin on an annual basis, given individual quarters can vary due to various factors, including the ramping of new merchants, and the risk profiles of transactions approved.

For modelling purposes, directionally, our first quarter and third quarters are expected to be below the range, our second to be at the bottom end of the range, and the fourth quarter is expected to be higher than the range.

Operating Expenses:

Moving to our operating expenses. We continued to manage the business in a focused and disciplined manner.

Total operating expenses were $38.2 million for the fourth quarter. For the full year 2024, total operating expenses were $156.4 million, a decline of 4% from 2023, driven by continued efficiency across each area of the business, as evidenced by year-over-year declines in each of our R&D, S&M and G&A expenses.

Our operating expenses as a percentage of revenue declined from 55% in 2023 to 48% in 2024, reflecting increased leverage in the business model.

As Eido noted, part of our efforts to drive faster and more meaningful progress towards our margin targets, include increasing our reliance on artificial intelligence tools, and also involved a decision to restructure our headcount in areas less critical to our product development and growth strategy, and by relocating certain positions to lower-cost regions.

We ended 2024 with 693 global employees, a decline of 7% from the prior year. Following the completion of this global headcount initiative we expect to end 2025 with a similar level of employees, with meaningfully increased R&D capacity,

As a result of this initiative, which will largely be implemented in the second half of 2025, we expect to see quarterly operating expenses of approximately $38 million in the second half of the year. We should exit 2025 with this amount as a good approximation for our quarterly expenses in 2026.

Adjusted EBITDA:

We achieved positive Adjusted EBITDA of $11.2M in the fourth quarter, the highest quarterly amount in our history, and our Adjusted EBITDA for the year was positive $17.2 million, representing a year-over-year increase of over 300%.

I'm excited that we achieved positive Adjusted EBITDA in each quarter in 2024, and expanded our margin by 800 bps in 2024.

Balance Sheet:

Moving to the balance sheet. We ended the year with approximately $376 million of cash and deposits, and we carry zero debt.

In addition, we continue to maintain a healthy cash flow model and in the fourth quarter we achieved quarterly free cash flows of $10.6 million, which allowed us to achieve record free cash flow generation of $39 million for the year.

During 2024 we repurchased approximately 27 million shares for a total price of $141 million which contributed to a meaningful reduction in shares outstanding.

We continue to believe that our strong balance sheet and liquidity position are valuable assets. We intend to remain thoughtful in how we utilize our capital to drive shareholder value.

As a result of our continued strong buyback activity, and our commitment to managing dilution with discipline, we continue to expect our share count to decline year-over-year.

SBC and Share Issuances:

Allow me to spend some time highlighting our commitment to tightly managing our share-based compensation expense and share issuances.

First, in 2024, share-based compensation expense as a percentage of revenue decreased by approximately 300bps from 2023 levels. This was on top of a decline of 500bps from the prior year. As the expense associated with certain awards granted in 2021 continues to decrease, we anticipate a further decline in our share-based compensation expense in 2025.

Second, looking ahead to 2026, we expect share-based compensation dollars and as a percent of revenue to continue declining due to the aforementioned awards coupled with the gradual roll off of expense associated with large grants made in 2021 and 2022 as the awards fully vest throughout 2026.

And third, we continue to focus on controlling our equity awards. We granted over 30% fewer awards in 2024 than we did in 2023. In 2024, equity awards granted represented approximately 4% of our dilutive share count, which was down from 6% in 2023, and 9% in 2022. We will continue to target approximately 4-5% in 2025 as we continue to manage our compensation policy in a disciplined manner.

Guidance:

Now turning to our outlook. As we look forward to 2025, we currently anticipate revenue of between $333 million and $346 million, or $339.5 million to the midpoint.

Consistent with past years, we anticipate that our growth will be driven primarily by new business activity, and at the midpoint of our guidance, we are forecasting an improved Net Dollar Retention rate from 2024.

The behavior of the macro-environment, our success in executing on our retention strategy, and the level of upsell activity relative to new logo wins all may impact our Net Dollar Retention Rate, and may ultimately determine where we fall within our revenue range.

In addition, we feel confident about the new business activity levels, which is supported by a robust pipeline of new business activity. Historically, the timing of when new merchants go live during the year can be difficult to predict, and may have an impact on our calendar year revenues.

As always, we will continue to monitor the performance and health of our merchants, consumer spending, and the broader eCommerce landscape and the impact on our results.

For modeling purposes, we currently expect revenue in the first three quarters of 2025 to be similar on an absolute dollar basis, and for the fourth quarter to be above this level. We currently expect all of the quarters in 2025 to reflect a similar percentage of the total revenue as they did in 2024.

Now let me discuss our adjusted EBITDA outlook. We currently expect adjusted EBITDA to be between $18 million and $26 million, or approximately $22 million to the midpoint.

The midpoint of our adjusted EBITDA guide represents additional margin expansion from the prior year, demonstrating leverage in the business model and our commitment to managing the business in a disciplined manner.

Conclusion:

Overall, I am encouraged by our market position and am confident that we can continue to execute on the elements within our operational control. Heading into 2025 we have set ourselves up to be a more productive company and Eido and I remain excited by the continued prospects for long-term growth and our ability to deliver value to shareholders.

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

Question and Answer

Terry Tillman
Truist Securities

Good morning, Eido, Agi and Chett, thanks for taking my questions. The first question, there's a lot of disclosure on this call, so I appreciate it. And also hearing about specific customers, I think that's very helpful. One, I wanted to ask about is one of the first things you talked about, Eido, in the opening remarks was top of the funnel. It's a real focus. You win a lot of the deals, high win rate, you get expansion sales. What are you all doing – and we heard about R&D investment. What are you all doing to actually more – maximize top of the funnel, whether it's more sales reps or just maybe you could share more about some of the drivers that are going to help with top-of-the-funnel activity? And then I had a follow-up.

Eido Gal
CEO, Riskified

Sure. Hey, Terry, thanks for the question. I'll highlight three. Number one, as we expand the platform capabilities through this increased R&D spend, we're actually seeing that it's really beneficial to increase the top of the funnel. So, whereas where we might interact with the merchants and then they might say, the Chargeback Guarantee sounds really interesting, but I have three other priorities. Before that, now as we're able to kind of package and show the value of our policy product of Dispute Resolve, we are seeing an increase in that top-of-funnel opportunity. So, we think it's helpful there. That's number one.

Number two would be around just the geographical expansion. We continue to see more pipeline and opportunities from that go-to-market investment that started kind of two years ago. And again, these being kind of longer term enterprise cycles, continue to see that ramp up.

And number three is we're trying to be more thoughtful in how we approach the more mid-tier areas of our market. And that could be thoughts around channel distribution, which is something we're looking into and investing more this year than prior years.

Terry Tillman
Truist Securities

Okay. Got it. Thank you for that. And just the follow-up question relates to, sounds like this is an important push around multi-year renewals. I'm just curious, and I don't know if you addressed this, what's the exposure into 2025 on any larger-than-average renewals and then the confidence level on this kind of cohort of renewals in 2025 actually taking multi-year versus a year at a time or no, I don't want to do that? Thank you.

Eido Gal
CEO, Riskified

No, I think the confidence level is high. We had a 30% increase in the amount of renewals coming into the year, right? So, over 70% of our book of business has already been renewed over the past three – few months as part of this initiative. And as we think about, we mentioned kind of aside from that churn event, the 20 out of 20 renewals happening throughout the year.

And then maybe one thing to call out there that would be interesting. Also on the discounting front, I think we're doing a good job. It's only been 10% of renewals that actually had a discount. So, I think we're doing a great job of kind of both leveraging the product platform, outperformance SLAs in order to make sure that there are kind of mutual win-wins at renewal. So, we feel good about the strategy and the improvements we can see in 2025.

Ryan Tomasello
KBW

Hi, everyone. Thanks for taking the questions. Nice to see the traction on the non-chargeback products. I guess, on that topic, I was hoping you could provide some context around the success you're seeing with stand-alone non-chargeback deals like Policy Protect? Any way to quantify the momentum there? And then also just based on all these strategic initiatives that you outlined entering 2025, how any of those might play into driving more stand-alone non-chargeback wins? Thanks.

Eido Gal
CEO, Riskified

Sure. Happy to take that. So, yes, we're definitely happy. I mean, we're talking about going from about $4 - $5 million in revenue from these products in 2024 to potentially low-double-digit million. So, really like very meaningful expansion and growth. We are seeing initial deal signings, while there are a handful of deals coming in just on the new products, we're probably seeing a bit more platform sales and more cross-sales to our existing base at this point. But I think as we get more comfortable with the ROI, improve some of the integration and usage capabilities, we can continue to see either stand-alones or initial platform sales. And that definitely ties into the strategy that we discussed.

Ryan Tomasello

KBW

Got it. And then, Agi, just for reconfirming some of the figures you gave last quarter on the home category churn, I believe you mentioned you were expecting $5 million in the fourth quarter and then an $18 million impact in 2025. Are those numbers still the right ballpark that we should be thinking about here, just as we're kind of looking at the underlying growth in the business, excluding that outsized churn?

Aglika Dotcheva
CFO, Riskified

Yeah. That's a good approximation. I'd use these numbers.

Christopher Kennedy
William Blair

Hello. Thanks for all the information and thanks for taking the question. Can you just talk about NRR, I think you said 96%. Historically, your company has had an NRR of over 110%. And just talk about the dynamics there. Clearly, you had the customer deconversion, but just give a little bit more color in NRR?

Aglika Dotcheva
CFO, Riskified

Yeah, of course. And thank you for the question. So, we reported our 2024 numbers and our net dollar retention rate decreased from historical numbers. And some of the dynamics that I see in 2024 versus historical numbers, again, number one, I'll say that we continue to see decline in our same cohort sales. And historically, that has been like a very positive number, flat, single, double-digit, even kind of very strong growth that, unfortunately, we haven't been experiencing over the last couple of years.

The second factor is more around the upsells. What we mentioned before is, in 2024 specifically, we kind of focused more on new logo generation and it did impact our NDR just more in terms of the split of new business, just lower splits towards the upsell category. And lastly, the churn event that we kind of mentioned in 2024, it had a partial impact on NDR.

Going forward, as I think about 2025, I'm more optimistic of where it'll be. I'm hopeful that we are going to be above 100%. There's a number of areas that we're investing in and hopefully, this will kind of reflect in the numbers. But all in all, I'll say, we are expecting a better split on the prior upsells and as we focus on existing merchants and how to penetrate them better and overall, again, better NDR as well

Christopher Kennedy
William Blair

Great. Thank you for that. And then can you just give a quick update? You mentioned it in your prepared remarks. But can you give a little bit more color on alternative payment methods, kind of what role you play within that area? Thanks for taking the question.

Eido Gal
CEO, Riskified

Sure. Of course, Cris. So, I'll take that. So, as we think about – like we mentioned on the prepared remarks, as we think about the majority of the volume that continues to be CNP and that's probably growing at, based on our recent analysis, high-single-digit areas, right? And that would be kind of the core Chargeback Guarantee then. And then as we think about alternative payment methods and that could be anything from buy now, pay later to Google pay, Apple Pay to potentially PayPal areas.

So, those are all – merchants have a request for us to review this volume, because they have a lot of inefficiencies and losses. They have fraud in those areas and they continue to believe that we're great at identifying fraud in those areas. Sometimes it's under an uncovered model and sometimes it's under our covered model. And there are a lot of nuances between the different wallets and where they're protected and where they're not. But from our perspective, we get most merchants to continue submitting this volume to us in a variety of business models.

Christopher Kennedy
William Blair

Got it. And any percentage of mix of GMV that alternative payments are for you? Thanks.

Eido Gal
CEO, Riskified

I would assume that it's similar to the global mix of these instruments.

Will Nance
Goldman Sachs

Hey, guys. Appreciate you taking the question. Great to hear about the renewal activity and kind of locking up the base. I'm curious, as you guys went through the review of pricing strategies and took into account the competitive dynamics, any major learnings from that process or kind of updated perspective on the competitive landscape or the pricing environment within the fraud prevention space? How do you think Riskified is positioned and has anything kind of changed in your thinking around how you should be positioning the product in the market? Thanks.

Eido Gal
CEO, Riskified

Hey, Will, thanks for that question. We did. I mean, look, when we talk to our merchants and when we try to understand why we have these high win rates in kind of our competitive cycles, and I think we mentioned about 70-plus-percent for the year increasing throughout the year, two things stand out. Number one is the accuracy of the platform, and that can be proven either in kind of some online test and pilot that can be proven through just testimonials and talking to other merchants. But that tends to be number one in one dimension.

The other dimension is the strategic product road map, right? So, when we talk and explain about the dynamic checkout and the end-to-end conversion impact, when we talk about policy, the different use cases, the value that it can generate, Dispute Resolve, Account Secure, the value add between all these different products. So, that really resonates with merchants as well. So, I think those are the two components that merchants are clearly telling us, this is why we choose you and why we want to continue working with you.

As we think about more, how do we take this and price it and bundle it in a way that's easy for the merchants to use and also good for our financials, I mean I don't want to – just for competitive reasons, I don't want to break out the different price points for each one of these products. We continue to feel that policy has very high and meaningful ROI. But just looking at the new product revenue growth, I think we found a good kind of mix between what functionality is kind of more stickiness related in a core part of the product and what is generating enough outsized value that can be priced separately and generate meaningful revenue growth as well.

Will Nance
Goldman Sachs

Got it. Appreciate all the color there. And then, the logo wins were interesting this quarter, I thought, or the logo call-outs in the prepared remarks. You guys have talked about having tentpole merchants. I think you mentioned that you're seeing some of that right now. Just curious what you think – I guess, which of the verticals that you guys are operating in, either like whether you're already in or prospectively in through current conversations, are you kind of most excited about? Do you feel like you have line of sight to the next sort of tickets and travel like opportunity, which pretty quickly became your largest vertical?

Eido Gal
CEO, Riskified

No, it did and it's amazing to see the growth there. And like we highlighted historically, right, it's always this combination of having these tentpole accounts, building customized features and a localized network. Look, I think over the past year, or maybe even slightly more, we've really focused on expanding into non-discretionary. So, when I see some of the success that we've had in groceries, food delivery and remittance, I'm very encouraged. I think it's still a bit premature to say which one of these is kind of the next ticketing, but we're continuing to focus on kind of continued success in the core verticals, but also expanding into some of the newer ones.

Clarke Jeffries
Piper Sandler

Hello. Thank you for taking the question. First question is around Adaptive Checkout. I just wanted to clarify, is that an opt-in product or a sort of a new level of functionality that will be dispersed through the customer base? And then one follow-up related to the sort of profitability trend during the year. I was wondering if you could maybe frame what the exit rate of the business will be in second half from an EBITDA margin perspective? Given the seasonality of the business, I'm sure we can sort of impute it. But I'd love to sort of understand compared to the midpoint of the guide, what's the sort of run rate through margin perspective after second half? Thank you.

Eido Gal
CEO, Riskified

Sure. So, I'll start. So, dynamic checkout is a functionality of the Chargeback Guarantee product, that would be available to all existing clients and new clients. And it really takes the conversion funnel and optimizes it end-to-end through smart pre-auth screening, through smart decisioning throughout the funnel and really increases conversion by several hundreds or few hundred basis points.

Aglika Dotcheva
CFO, Riskified

And just to follow up on your second question, when I think about the back half of the year, there's a couple of factors that [will] help us accelerate in Q4. So, the first three quarters, as kind of explained in the prepared remarks, are going to be affected by the large churn event that we've had and it's impacting the growth and also the adjusted EBITDA. But in Q4, it's expected to be accelerating in terms of some of the numbers that we see and a major contributor to the annual adjusted EBITDA.

Eido Gal
CEO, Riskified

Yeah. And I think maybe just a bit on the Q4 dynamics, because you mentioned kind of the exit run rate, something related to our revenue recognition because of the guarantee accounting that we have is that there can sometimes be a slight difference between billing and revenue. We usually don't disclose it, because it's non-material. But specifically, for Q4 2025, there is a pretty big delta. It's the biggest in the past few years that I can remember of over 3.5%. So, net of that revenue growth at the midpoint of the guide would have been double digits. And I think that's a good exit rate to think about starting point for 2026.

Clarke Jeffries
Piper Sandler

Perfect. And then to clarify, you're saying it's a detriment to revenue compared to where billings will come in?

Eido Gal
CEO, Riskified

Correct. Revenue is more than 3.5 points lower than billing. That is right

Reggie Smith
J.P. Morgan

Thank you. Good morning. Thanks for taking the question. So, I recognize you guys have a very diverse merchant base. But I was curious if there were any call-outs kind of quarter-to-date or recent trends from a macro perspective? And how are you thinking about the impact the tariffs could have on sales or volume within your merchant base?

Aglika Dotcheva
CFO, Riskified

Just thinking about some of the strong performance in 2024, very happy with where we ended the year, very strong performance in activity around tickets and payments and food. And these are our newer categories with really strong growth. Also what we've seen over the first month of the year and maybe some of February, January started very strong, again, kind of the same categories being the main drivers. Fashion has been still – while it's still declining just on the same cohort basis, it's actually kind of been improving a bit.

So, that has been encouraging. And all in all, very happy with how we ended the year, some good signs in the beginning of the year. February has been a little bit mixed, but again, too early to say. And overall, I'm hopeful that these categories will continue to grow throughout the year as well.

Reggie Smith
J.P. Morgan

Yeah. And if I could sneak one more in. I guess someone asked about Apple Pay and Google Pay earlier. And I guess you suggested that there may be some fraud or some of these alternative payment methods. I just want to understand, with Apple Pay and Google Pay, when you have biometrics, does that eliminate all of the fraud or are you seeing or merchants still seeing fraud there? And then the second piece of the question, obviously, PayPal and Stripe are pushing these kinds of accelerated checkout vaulted payment things. And I'm curious how that fits within your business as well? Thank you.

Eido Gal
CEO, Riskified

Sure. Reggie, I'll take that. So, I think just the simplest way to think about it is that Apple Pay could be a stored funding instrument in some accounts and there are numerous account takeovers and that's like a clear fraud and, well, that we're seeing an increase. So, one easy way to think about digital wallet fraud is someone taking over an account that has a stored financial instrument leveraging that account. And we're definitely – and our merchants are seeing fraud and chargebacks in that area. And another one is where you can just upload a stolen financial instrument into the wallet, whether it's Apple Pay or Google Pay and then it's not an issue to pass biometrics, but the funding source is still a stolen credit card. So, those could be two simple examples that kind of show where fraud can happen.

And again, we want to go into the nuances of that, like the merchant receives liability protection only in certain areas, not if it's a returning tokenized transaction. But – and so, again, some nuances there. But I will say, we anticipate that a portion of this market we would receive in an uncovered model and a portion of it we would receive in a covered model similar to what we're seeing today. And I think the use case around APOs or different non-guaranteed actors or hijacking some of that is similar to your second question around tokenization. And maybe it's a bit wider if you're talking about the one click kind of checkout providers, for us, that's, of course, an addressable market or potential opportunity.

Reggie Smith
J.P. Morgan

Got it. If I could sneak one more in, you mentioned consolidation toward the end of, I think, your prepared remarks. I wasn't sure if you were talking about that, because there's some other type of consolidation like within your operations? So, was that.

Eido Gal
CEO, Riskified

Yeah. So, we think so. We think we have the opportunity to extend our product platform and sell more services. We really have an incredibly deep integration and strong relationship with some of the best brands and names in e-commerce. They look to us and trust us to develop and sell additional services to them. So that's definitely something we're thinking about. How do we develop more in-house or acquire more inorganically? And as we think about the core risk market that we operate in, we definitely see ourselves as the leader, the most scaled modern player in this market with a handful of smaller competitors in it as well. And we believe there's going to be an opportunity to consolidate that part of the market.

Tim Chiodo
UBS

I want to talk a little bit about the recent acquisitions made by both of the card networks, broadly in the fraud detection and prevention space. Could you describe, would you say that Riskified is often working alongside those types of products, if a merchant is buying those value-added services or maybe their merchant acquirers deploying those value-added services from the card networks? And I guess maybe a good way to summarize it is, are you working alongside in addition to those offerings or instead of those offerings in many cases?

Eido Gal
CEO, Riskified

Tim, thanks for that question. So, speaking more broadly, the acquisitions by the card networks over the past few years have not been directly in our space. So, in that sense, it would be alongside. So, when you think about potential Visa acquisition like feature space, machine learning, risk modeling for card issuers, right? So, for potential for banks, when you think about Verify or Casa or anything like that, data sources that could potentially be used by that. But like as a core product that an enterprise e-commerce merchant is using, none of those acquisitions have been in that space and we do not view any of the recent acquisitions as competitive. They would either be in a different part of the payments value chain or stack, or they would be a smaller data service provider that, again, we would not view as competitive.

Tim Chiodo
UBS

Okay. Great. Thank you so much. It's really a good clarification. In terms of PSD2 in the UK and Europe more broadly, could you just talk a little bit about to the extent there are differences in terms of volumes that are more or less addressable related to Apple Pay versus PayPal? I understand there might be a difference in the UK for those two. So, my understanding is that Apple Pay automatically qualifies, meaning it's two of the three, something you are, something you have, something you know. And I'm unclear around PayPal in that region. And I was hoping you could talk a little bit about that in terms of what that means in terms of the addressability of those volumes?

Eido Gal
CEO, Riskified

Well, I think for us, I mean, since PSD2, Europe has mostly been the non-guaranteed model where we would lean in more on either the newer products or the non-guaranteed offering because of the PSD2 impact. And I think that's how we view really the market as a whole.

Tim Chiodo
UBS

Great. Thank you. But is there any mechanical difference, though, there across those two? Just more from a broader industry question, even if they are both addressable?

Eido Gal
CEO, Riskified

Specifically, in the UK, I don't know if there's a difference within the configuration of PayPal or Apple Pay.

<End of Q&A>

Eido Gal
CEO, Riskified

All right. Thank you, everyone, for joining. We look forward to updating you on our progress this year. And see you on the next call.