



Riskified First Quarter 2025 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*

Clark Wright - *DA Davidson*

Cristopher Kennedy – *William Blair*

Terry Tillman – *Truist Securities*

Ryan Tomasello – *KBW*

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 first quarter of 2025. 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 first quarter of 2025 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 positive cash flows, 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, 2024 and subsequent reports we file or furnish 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. Overall, I am pleased with our strong start to the year despite the recent market uncertainty. We continued to generate positive Adjusted EBITDA, and our revenue growth of 8% in the first quarter was driven by execution on our global Go-To-Market strategy of landing new customers to drive further vertical depth and geographic diversification, while continuing to upsell to our existing merchants.

As we discussed on our last call, our key focus areas for 2025 and beyond are expanding top-of-funnel efforts to generate more pipeline, converting that pipeline into new business at high rates, and retaining and growing with those merchants once onboarded.

So far in 2025, we have executed very well on each front. Our pipeline has grown substantially both year-over-year and sequentially, and our retention and renewal strategy has continued to yield strong results. We achieved a 100% renewal rate across our top 20 contracts up for renewal during the first quarter, with nearly half extended as multi-year agreements, averaging a term with an ending date in 2027. We also ended the quarter with more committed revenue for 2025 and beyond as compared with the prior period. These achievements are a reflection of the value and performance we continue to deliver to our merchants.

As it relates to the pipeline, expansion has primarily been driven by unlocking additional opportunities to demonstrate the sophistication and differentiated performance of our platform. Our expanded product portfolio, powered by our proprietary AI decisioning engine, is designed to intelligently solve a wider, more complex range of use cases for merchants beyond chargeback fraud, including omni-channel return and refund abuse prevention, and chargeback management.

Our multi-product platform has enabled us to engage with a broader set of senior functional leaders across our merchant network, expanding our strategic reach and allowing us to more clearly demonstrate the full value we bring to the table. With new product revenue growth up approximately 190% year-over-year, we have seen the platform continue to gain traction.

In addition, we believe that our expanding revenue pipeline can also be attributed to growing recognition among large enterprise merchants of the breadth and effectiveness of our innovative AI product suite. As fraud patterns grow more complex and evolve faster than in prior years, we believe that we are well-positioned to help merchants address fraud challenges that can often exceed their in-house capabilities. Riskified's advanced AI technology and data network was built from day one to stay ahead of fraudsters. We are strategically investing in our machine-learning capabilities through the expansion of our R&D teams in order to continue generating strong performance for our merchants, to support them in their most critical time of need.

Before I turn it over to Agi, I want to take a moment to address the broader macro environment, and the progress that we have made on diversifying our business.

The global backdrop, particularly around tariffs and international trade, remains fluid and uncertain. Despite recent volatility, our internal data suggests that overall the consumer has remained resilient, with April trends relatively stable to March.

Over the past several years, we've continuously grown our topline while intentionally diversifying across both verticals and geographies. We believe this diversification enhances the resilience and durability of our business model, allowing us to better navigate periods of economic uncertainty.

Notably, one of our top new logo wins this quarter came from a Remittance merchant, within the Money Transfer & Payments category—an area of emerging growth that may be relatively less exposed to broader macroeconomic pressures.

While it is still early days, we have begun to see evidence that the network effect within this category is starting to develop, just like we witnessed in the "Tickets and Live Events" sub-vertical recently, and the "Fashion and Luxury Goods" vertical before that. We believe that we have additional opportunities in our pipeline to continue expanding our market share, and to further build out our powerful flywheel in the Money Transfer & Payments area.

Furthermore, eight of our top 10 new logos won during the first quarter were headquartered outside of the United States, as we continued to expand our geographic footprint to fuel international growth.

In conclusion, our team remains focused on advancing our product roadmap, and on executing across the business to capture the large opportunity in front of us. We remain confident that our scaled network, powerful AI platform, increasingly diversified business and strong balance sheet will allow us to keep advancing our strategic growth drivers to generate additional Adjusted EBITDA margin expansion for our shareholders.

Thank you for your continued support, and I will now turn it over to Agi.

Aglika Dotcheva
Chief Financial Officer

Discussion of Financial Results:

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

Our GMV for the first quarter was \$34.2 billion, reflecting a 7% increase year-over-year. We achieved first quarter revenue of \$82.4 million, up 8% year-over-year. Our GMV and revenue growth during this quarter was primarily driven by continued new merchant and upsell activity.

Our two largest categories, "Tickets & Travel" and "Fashion & Luxury" each grew in the mid-teens range year-over-year, driven primarily by strong new business wins and upsell activity. Consistent with recent years, growth in our "Fashion and Luxury" category was partially offset by continued same-store-sales pressure, particularly within our "High-End Fashion" and "Sneakers" sub-verticals.

Looking ahead, we currently expect year-over-year growth in both categories to moderate slightly over the course of the year, reflecting a continuation of the same-store-sales pressure observed in the first quarter. However, we remain confident that both of these categories will deliver full-year growth, supported by a strong pipeline of new business opportunities that we believe will more than offset ongoing same-store softness.

Building on positive momentum in our "Money Transfer & Payments" category in 2024, we achieved approximately 90% year-over-year growth in the first quarter. This growth was driven by new merchant activity which continued to be a key area of expansion.

As anticipated, we saw year-over-year declines in our "Home" category, which contracted by 74% and drove a 5% year-over-year decline in the United States. However, the impact was partially offset by continued strength in overall new business activity, and we continue to view the U.S. as a key long-term growth driver for Riskified.

Outside of the United States, growth accelerated across all regions compared to the fourth quarter. During the first quarter APAC grew approximately 70%, and Other Americas, which represents Canada and Latin America, grew approximately 13%, both primarily due to momentum in new and upsell activity. EMEA delivered approximately 15% growth, with the strongest performance concentrated in our largest verticals, supported by both new business and upsell momentum. We believe that our continued growth in regions outside of the United States reflects continued progress in capturing market share.

GAAP to non-GAAP Disclosure:

Unless otherwise noted, I will be referencing non-GAAP financial measures with respect to the discussion of our gross profit margin, operating expenses, and Adjusted EBITDA 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 non-GAAP gross profit margin for the first quarter of 2025 was approximately 50%. The year-over-year decline in gross margin was primarily driven by the impact of ramping of significant new merchants in newer categories such as "Money Transfer & Payments" and geographies, such as Other Americas. The impact of these factors was partially offset by improvements in our core machine learning models and continued growth in new product revenue.

We continue to target a non-GAAP gross profit margin between 52% to 53.5% for the full year. For modelling purposes, we currently expect our second quarter non-GAAP gross profit margin to be below the range, the third quarter to be at the bottom of the range, and the fourth quarter to be higher than the range.

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.

Operating Expenses:

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

Total non-GAAP operating expenses were \$39.8 million for the first quarter.

Our non-GAAP operating expenses as a percentage of revenue declined year-over-year from 53% to 48%, reflecting ongoing leverage in the business model.

We expect slightly higher second quarter expenses as compared to the first quarter, and expect our expenses in the second half of

the year to be lower than the first half of the year by approximately \$2 million.

Adjusted EBITDA:

We achieved positive Adjusted EBITDA of \$1.3M in the first quarter, the sixth consecutive quarter of positive Adjusted EBITDA.

Balance Sheet:

Moving to the balance sheet. We ended the first quarter with approximately \$357 million of cash, deposits, and investments. We carry zero debt.

In addition, we continue to maintain a healthy cash flow model and in the first quarter we achieved quarterly free cash flows of \$3.6 million. We continue to expect approximately \$30 million of positive free cash flow in 2025, with the majority of the cash flow generation expected to occur in the second half of the year.

In the first quarter we repurchased 4.1 million shares for a total price of approximately \$20.7 million which helped drive a decrease of approximately 2.2 million shares from the fourth quarter of 2024, net of issuances. Reflecting our strong buyback activity, and our commitment to managing dilution prudently, we continue to expect our share count to decline on a year-over-year basis.

We believe that our strong balance sheet and liquidity position are strategic assets that provide flexibility in navigating a range of operating environments. We remain disciplined and thoughtful in how we deploy capital to create long-term shareholder value.

Guidance:

Now turning to our outlook. I am encouraged by our strong start to the year, the opportunities surrounding the pipeline, and increased level of anticipated new business activity. That being said, given the uncertainty around the potential impact of tariffs on our merchants and overall spending activity, we believe it is appropriate to maintain our revenue and Adjusted EBITDA guidance that we set on our previous call, which we believe reflects a balanced view of risks and opportunities.

We continue to anticipate revenue of between \$333 million and \$346 million, or \$339.5 million to the midpoint.

Our Adjusted EBITDA guidance remains between \$18 million and \$26 million, or approximately \$22 million to the midpoint.

Conclusion:

Overall, I am encouraged by the start to 2025. I believe that our leading market positioning and ability to execute on the elements within our operational control positions us well to grow and deliver value to shareholders.

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

Question and Answer

Terry Tillman

Truist Securities

Oh, great. Good morning, team. This is Connor Passarella on for Terry. Appreciate you taking the questions. I just wanted to ask maybe one more high level to start here, just as you talked about, the execution on the product road map, the increasing pipeline build and some better revenue visibility just from the multiyear contracts, I guess, how do you think about these factors and the impact on the confidence that you have for growth picking up into next year and beyond?

Eido Gal

CEO, Riskified

Hi, it's Eido. I mean, look, we're really happy with the strong start to the year, especially how it pertains to the pipeline growth. And when we think about unpacking some of the reasons for that growth, we think, number one, it is because of the platform and the wider value proposition that we have and the more touch points we have within organizations that can relate to that increasing value. So, I think we've always had high competitive win rates, this is just helping us have more at bats.

A second thing that we see is that our global go-to-market motion that we started a few years ago is starting to pay off. We're seeing more opportunities diversified and kind of more revenue coming from outside the US. And probably the last thing that drove merchants to us this quarter is we've seen an increase in sophisticated fraud, and that's obviously something that we're better

equipped to handle than some of their legacy systems and internal teams. So, I think that's all created a very positive outlook on the pipeline side.

Terry Tillman

Truist Securities

Okay. Great. That's really helpful. And maybe just as a follow-up, some of the puts and takes around the gross margins, you're continuously adding new logos to the platform, some bigger ones that take some time to kind of ramp. Maybe there's some headwinds associated with that. I'm just kind of curious about what a timeline looks like to get to maybe a steady state on some of the transaction approvals and have the margins kind of shift to be more in line with the base of maybe the internal models kind of adjust. Just kind of curious, anything you can share there?

Eido Gal

CEO, Riskified

Sure. I mean, I would continue to encourage people to look at it on an annual basis. And I think we kind of reiterated the annual expectations that we said on the previous call, maybe just as we get further into the year, some tweaks between the quarterly spread. But like we thought, we anticipated some large client wins in Q1 within certain categories. They did have an impact on a year-over-year basis, but we do think they're great categories and we continue to see kind of the improvements and expectations there. And the long-term trajectory and the opportunity there is very good for us.

Ryan Tomasello

KBW

Morning, everyone. Thanks for taking the questions. Last quarter, I think as part of your focus on top-of-funnel expansion, you talked about taking a more thoughtful approach to go-to-market in the mid-tier. And I think you mentioned investing more in channel distribution. So, I was hoping you can give us an update on that strategy and just generally how you're thinking about the opportunity for Riskified to move more down market in the coming years?

Eido Gal

CEO, Riskified

I think that's still an interesting opportunity. I would categorize the strength of the pipeline that we've seen year-to-date still in kind of our core focus of enterprise very large as we think about mid-market channel and further downstream, that's probably later in the year from an activation perspective. So, it's still something that we believe that we've built the most powerful engine and now it's not just powering fraud decisions, it's also powering policy decisions and managing the dispute process and helping secure accounts. And we do think that there's more opportunity to package and distribute it better.

Ryan Tomasello

KBW

And then on the momentum you continue to see in money transfer and the payments category, you talked about this flywheel starting to emerge. Realizing it's early, but any way to frame the longer term potential of that vertical to the extent it continues to move in the direction of some of your higher market share categories like tickets and travel? Just trying to understand – this is obviously a more niche category, so just trying to understand how you guys tend to size this vertical.

Eido Gal

CEO, Riskified

I think, for us, it's always important to continue to expand our SAM and take some of the TAM and convert it into SAM, and some of the ways we do that is by supporting more categories, more payment methods. And as you think about money transfer, that can be a wide range of use cases, whether it's account to account, kind of peer-to-peer remittance companies, I think there's a relatively broad range of use cases there and it can also be across various forms of payments from things like obviously traditional credit card, ACH transactions to even digital currencies. So, we do think there's a pretty broad opportunity set there. And the way we focus on these categories is by creating feature-specific, model-specific capabilities, and that resonates well with our merchants because it just leads to better performance. And we're excited about what we have in store there.

Tim Chiodo

UBS

Thank you for taking the question. I want to talk a little bit about the competitive landscape. There's a great slide in the deck which compares some of your approval rates and some of the chargeback rates compared to competitor A and competitor B. Not to get into name competitors all too much, but there is one that clearly has been more in discussions with investors, which is Stripe and Stripe Radar. And I was just hoping you could do a little bit of a compare and contrast and talk about how the Riskified offering compares and contrast to Stripe Radar and what it offers.

Eido Gal

CEO, Riskified

Tim, thanks for the question. We think that, inherently, a gateway solution have more limited capabilities, and let me expand on that. The level of data that we receive per transaction, and we recently did an analysis, is in most cases three times the level of data that some of these other solutions are seeing. And leveraging that data enables us to create more features, more capabilities. So, if you think about the life cycle of a transaction, Riskified now receives data from when you log into the account, how you're browsing on the website, the full checkout information, data tied into the customer support system in case you're calling in and requesting an address change, anything related to returns and refund request. If you submit a chargeback for fraud or non-fraud reason codes, and that's per transaction. So, when you think about that granularity of data – and maybe one thing I should add is we have some kind of merchant-specific data points. So, we mentioned the remittance industry which we're growing into. So, a lot of those companies are sending specific data points around the customer identity, their various ages. And we ingest all that data, create custom features and model based on that, and our entire environment is kind of custom built to support that type of data enrichment and feature engineering in different modeling environments. When you compare that to a gateway solution, whether it's Stripe or others, the amount of data is more limited because, obviously, they need a smaller subset to go live with their payment processing. I think that's the theoretical explanation. The results that we see with our merchant base clearly demonstrates that. I think this is not one of the solutions that we come up against or see competitively in the market. So, hopefully, that explains more why we believe that and the actual results that we're seeing.

Tim Chiodo

UBS

It really does. Thank you so much. My second question or follow-up is more about the industry growth. So, during your prepared remarks, you mentioned some of the continued same-store sales weakness in certain categories. The overall GMV growth was, I believe, 7% during the quarter. If you have to look across your core verticals on sort of a blended average Riskified specific industry growth rate, do you think that the growth rate across your categories would have been well below that 7% number indicative of share gains or do you think that the industry growth would have been kind of more similar to that 7%? Any directional sense there would be really helpful.

Aglia Dotcheva

CFO, Riskified

Tim, thank you for the question. If I think about our categories, they don't always align with the external e-com growth metric that are shared out there. And just to give you an example, when I think about some of the strength that we saw this quarter came from travel. And while we heard a lot of companies and a lot of airlines kind of sharing weaker demand in travel, even some companies suspended guidance...we saw the opposite, actually, for travel for us was a very strong category. We saw a lot of growth there. And some of the stronger presence in Europe and maybe we were able to support the consumer preference change to travel outside of the US. But this is just one example.

In some of the other categories we kind of shared, we have more than 30% – around 30% of our revenue is coming from fashion and luxury goods, so that might be potentially disproportionate to some of the industries that are represented in the broader e-com space. And we have shared with e-com some of these categories like high fashion or sneakers [under]performing – or declining year-over-year. So, that is something we continued to see in Q1. And having said that, some of the declines were actually lower than what we saw prior year, so maybe there is light at the end of the tunnel there as well. So, all in all, I'm happy with our performance and there's kind of strength and opportunities to continue to diversify more, which definitely helps in terms of kind of like overall performance. And we'll continue to watch this category.

Tim Chiodo

UBS

Great. Thank you. Just to make sure I understood that, so for the luxury and fashion, you were saying negative last year for same-store sales. This year, negative as well, but not quite as negative, so some slight improvement relative to last year's negativity. That's what you were saying?

Aglika Dotcheva

CFO, Riskified

Correct, that's what I was saying. Actually, we were expecting a little bit better [performance] this quarter, so maybe fashion was a little bit sluggish than our projections, but the trend compared to last year is better.

Christopher Kennedy

William Blair

Thanks for taking the question. It's good to see the growth in the new products. Can you just talk a little bit about what's resonating in the market between Policy Protect, Policy Decisions, etcetera?

Eido Gal

CEO, Riskified

I think what we're seeing is the platform resonate, and I think different merchants have, at a specific point in time, a different set of problems, but the wider platform is what resonates. And to call out, we've continuously said that the value and ROI that we're able to unlock with Policy Protect is very meaningful, and we continue to see that. So, just to share a few testimonials, we've had one merchant where we're able to block 10% of refund and return requests because they're abusive, right? Instead of stealing your card, I can just call the merchant and say, hey, I never received my package, please provide me with a refund and they're able to block that 10% of request without any incremental increasing false positives.

Another one of our merchants recently shared a very, I mean, kind of internal business kind of analysis that they did, and they've seen that while they've actually decreased the amount of refunds that they need to issue, customer satisfaction has actually increased because they're doing it in a more accurate way. So, I think we're really seeing great testimonials and great traction across that.

Christopher Kennedy

William Blair

Great. Thanks for that. And then just as a follow-up, you've had kind of a long-term target of generating 15% to 20% EBITDA margins kind of by the end of 2026. Is that still kind of in your plan? Thanks for taking the questions.

Eido Gal

CEO, Riskified

I think we're excited by the start of the year and looking forward to continuing to execute on [the plan].

Clark Wright

DA Davidson

Awesome. Thank you. I would love to kind of better understand the limitations of homegrown solutions versus Riskified's value proposition in the wake here of AI and the related benefits, I guess, that would provide for bad actors in the space. And then I'll have a follow-up afterwards.

Eido Gal

CEO, Riskified

Let me give a concrete example from Q1. So, early with the GenAI, we've seen an increase in a broader dynamic vector where people are targeting supporter chat bots and doing it with Large language and using that to gain access into an account. A separate form of sophisticated fraud that we've seen is where there are remote desktop takeovers and leveraging computers to place fraudulent transactions. And when you think about an individual merchant experiencing that type of attack, which is very

challenging to identify because it requires various cyber capabilities and network ability, it can be hard. And by the time they catch up to it, it's caused them a meaningful amount of money. And if you think about the Riskified network and capability set, we were able to see a specific organized fraud ring attack one of our merchants because of different anomaly detection capabilities we have on the cyber front. We were able to identify that. And then we actually saw it propagate in a handful of other merchants that we service.

So, if you think about it, each one of these individual merchants that were trying to catch this standalone, it would take them a longer time to identify it on kind of on the onset of the attack. But also every subsequent merchant where we are already kind of familiar and able to block that attack vector, it would have been the first time for them. So, this combination of the network and some of the capabilities that we have, I mean, when you think about the majority of the company or the site, let's say digital site of the data science and analytical teams that we have continuously churning out updates to some of the attack vectors, that's something outside of the scope and scale of an individual merchant.

Clark Wright

DA Davidson

Awesome. That's helpful. Appreciate the clarity around that with the example. My second is just around the mix of growth that you're assuming for 2025. How much of that right now versus the beginning of the year would you attribute to new logo growth versus what you're seeing expansion within your base?

Aglika Dotcheva

CFO, Riskified

Thank you for the question. I'll take this one. What we are seeing right now is like, just looking at the trends from Q1 and for the rest of the year, maybe kind of like some of the new revenue is a little bit higher than what we expected. And maybe the macro, just looking at the uncertainty out there and what we're projecting, maybe just slightly worse than what we expected. So, very similar. That's why it allowed us to kind of reiterate the guide. So, I'd expect that new logo maybe just slightly higher and dollar retention rate maybe just slightly lower, but still around 100.

Clark Wright

DA Davidson

Is it still around 100? So, would that imply above or 100...?

Aglika Dotcheva

CFO, Riskified

above, but close to 100.

<End of Q&A>

Eido Gal

CEO, Riskified

Thank you for joining today's call, and we look forward to continuing to update you on our progress throughout the year. Goodbye