Breaking down Remitly:

A detailed analysis of Remitly ahead of its IPO

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Introduction

On 14th September 2021, Remitly set its proposed IPO price range. It plans to raise c.$500m at an implied valuation of nearly $7bn, making it one of the most valuable cross-border payment companies globally.

This follows the public filing of its S-1 registration statement with the US Securities and Exchange Commission, and the appointment of Goldman Sachs, JPMorgan Chase and Barclays as advisors for the IPO. It is now set to launch as a public company later this year on the Nasdaq, under the ticker RELY.

The publication of its S-1 document provides the most recent financial details about the company to date, giving both rivals and investors a previously unparalleled insight into Remitly's operations.

In this report, we take a deep dive into these financials, as well as Remitly's history and product offerings, and compare them to those of its competitors to get a full sense of the company's place in the money transfer industry.

Background

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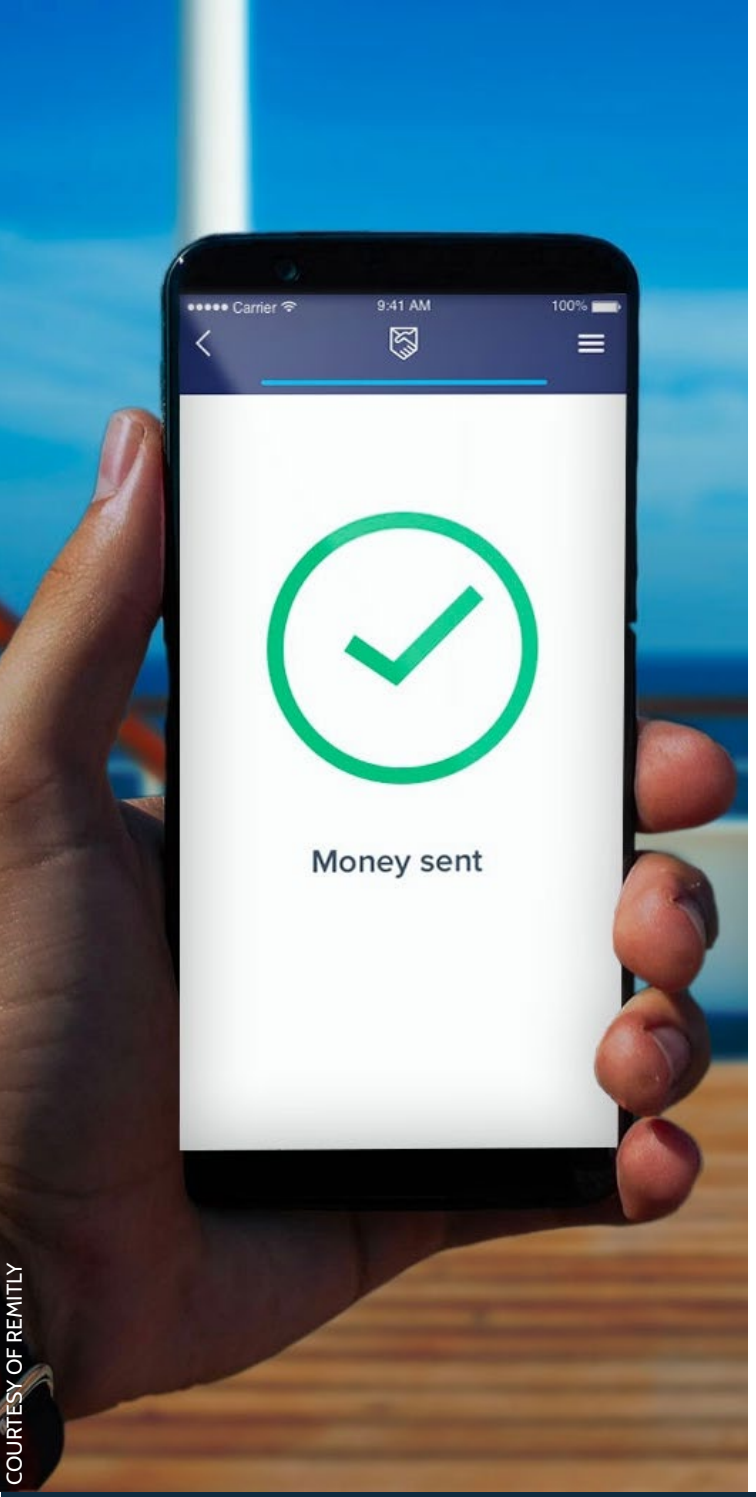


COURTESY OF REMITLY

History

Remitly was founded in 2011 after CEO and co-founder Matt Oppenheimer became aware of how difficult it was to send and receive money overseas while working for Barclays in Kenya. He began working on the problem while an Entrepreneur in Residence at Highway 12 Ventures in Idaho, before launching Remitly at the TechStars program in Seattle alongside COO John Hug and co-founding engineer Shivaas Gulati.

The company launched its service for the US-Philippines corridor the following year, with launches in the US-India and US-Mexico corridors in 2014 and 2015 respectively. The company expanded its receive markets across the entire Latin American region in 2016, and also added Canada as a send market in 2016, with UK and Australia following the next year.

In 2018 it also added France as a send market and expanded its receive markets to cover Asia, Africa and Europe. In 2020, it launched its send market in 2020.

As part of its expansion plan, Remitly also made a number of acquisitions, largely focused on enhancing its offerings to customers rather than accessing new markets. In 2015, it acquired picture messaging app Talio, which it used to enhance its own app, while in 2018 it acquired Symphoni, a company helping immigrants access credit in the US.

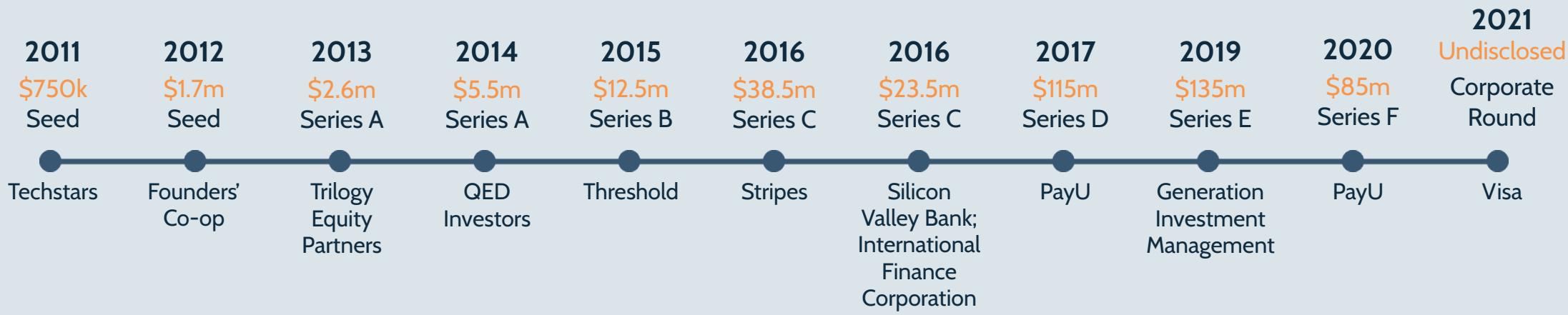
In recent years, it has expanded its offering beyond remittances, with the launch of Passbook, a money management app for immigrants living and working in the US, in 2018.

Funding

Remitly has consistently raised funds since its inception, with at least one funding round almost every year since its launch in 2011. To date, it has raised a reported $505m in total across 12 rounds, as well as an undisclosed amount from Visa earlier this year that was described as "sizeable" by the company.

FIGURE 1

Remitly's main funding rounds and lead investors



Source: Crunchbase

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Summary of Coverage

When it initially launched, Remitly exclusively focused on remittances from the US to the Phillipines, although added receiving capabilities to India and Mexico in 2015. This corridor-by-corridor and state by state strategy allowed it to focus on building on scale and its unit economics for very targeted audiences.

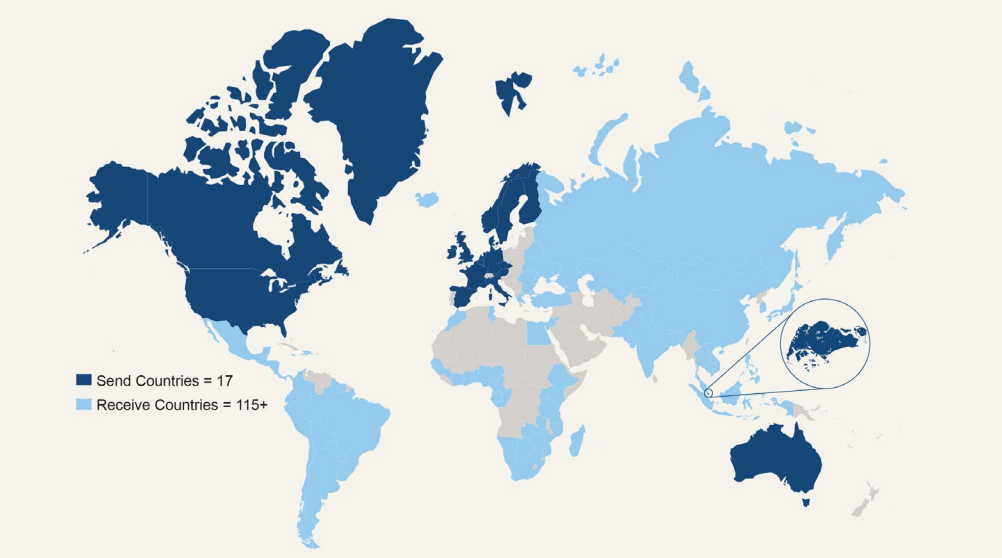
In 2016, it expanded its recieve offering to ten countries across Asia and Latin America, as well as adding Canada as a second send country.

From 2018 onwards, it began to expand rapidly, growing its total receive countries to 40 across Latin America, the Carribean, Asia-Pacific, the Middle East, Europe and Africa, and growing its send countries to five. The following year, it added Visa Direct capabilities and grew its send countries to 17.

Today, Remitly offers remittances from 17 sending countries to over 115 receiving countries, covering over 1,700 corridors in 75 currencies. Remitly only sends to traditional developing countries, for example it does not offer US to UK transfers.

FIGURE 2

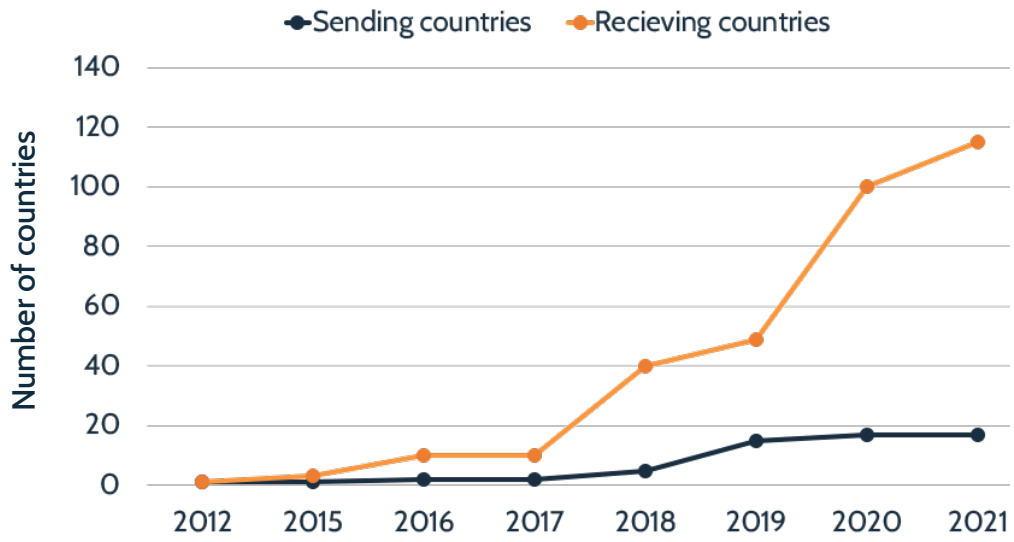
Remitly's transfer network



Source: Remitly

FIGURE 3

Remitly's coverage over time



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Key Coverage Questions

Will Remitly continue to only focus on sending to developing markets or will it look to expand to serve developed to developed transfers?

What importance will cash payouts play in Remitly's growth strategy?

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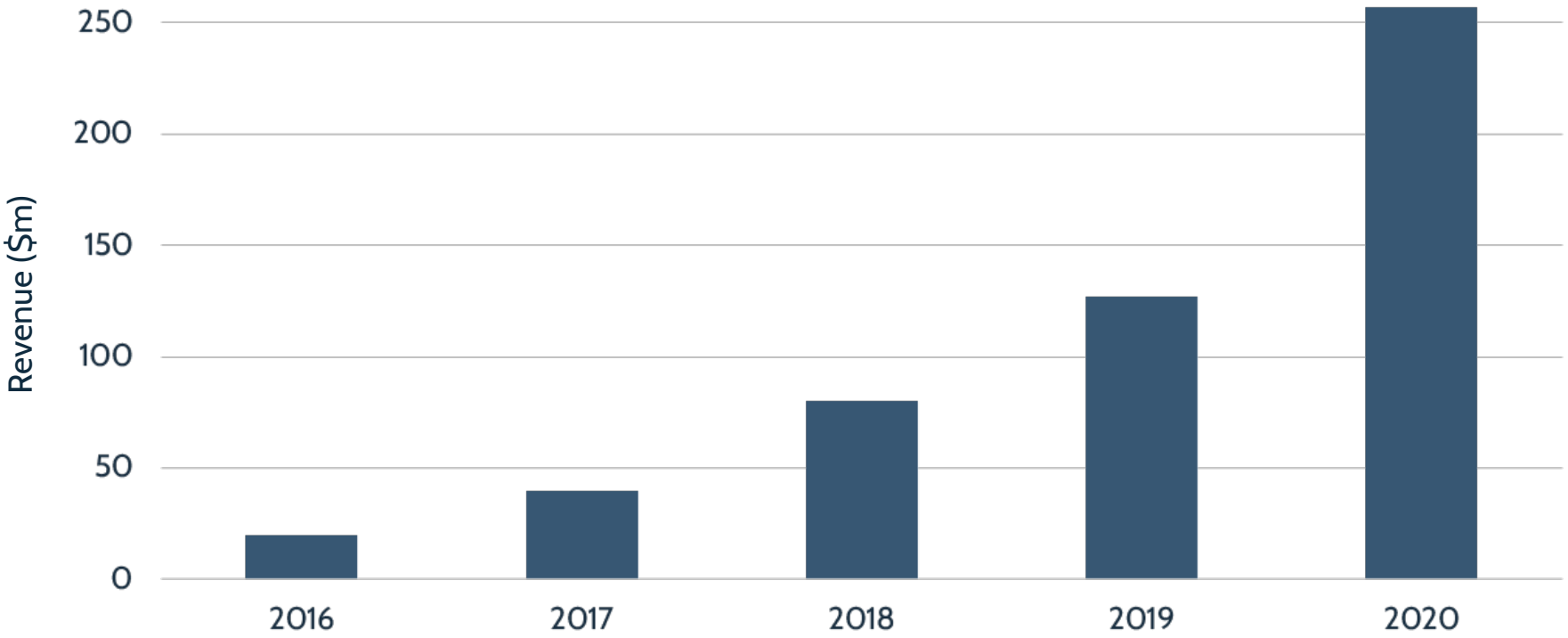
Key Financials

Remitly sees strong growth and narrowing losses

Remitly has seen increasingly strong revenue growth over the past few years – a reflection of the significant increases in coverage it has seen of late. However, the company is not yet consistently profitable.

FIGURE 4

Remitly Historical Revenues



	2019	2020
EBITDA Margin	-35%	-8%
Year-on-year growth rate	99%	87%

Source: Company reports, FXC Intelligence analysis.

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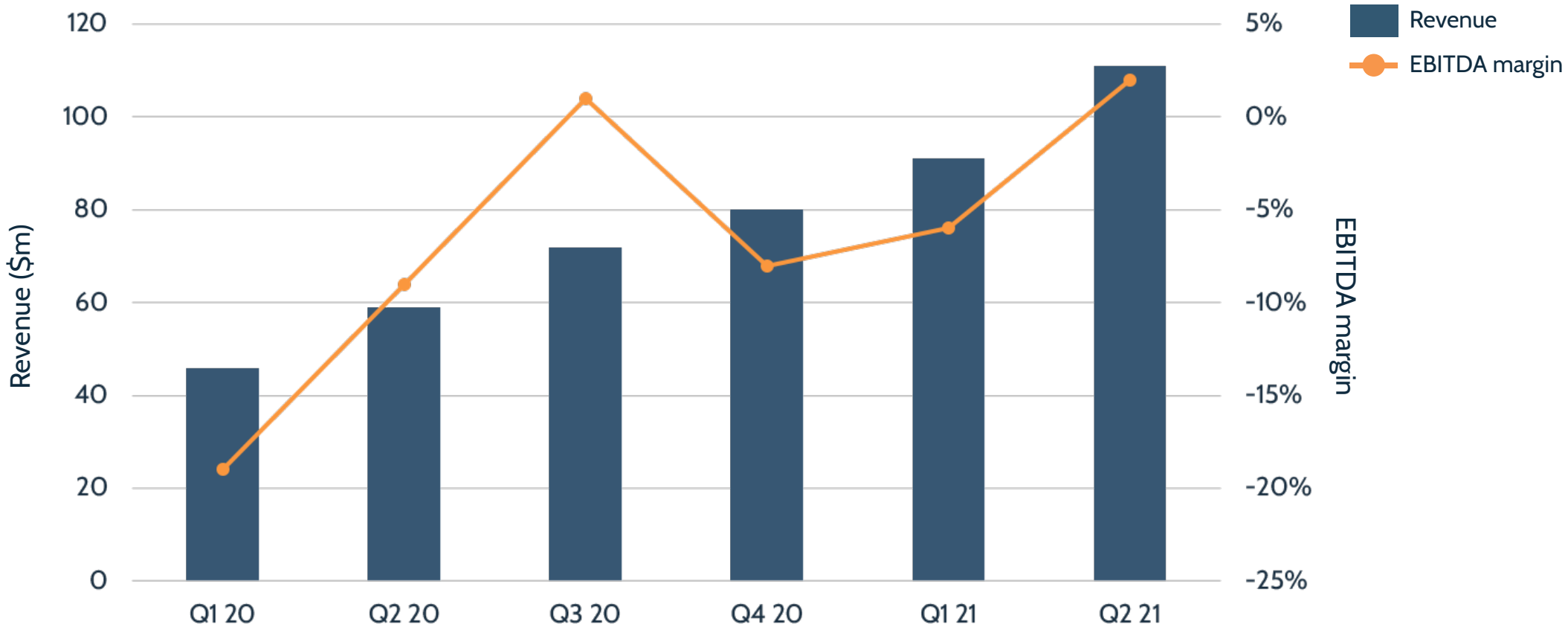
Quarterly numbers show signs of profitability

The company's latest quarterly revenue numbers show it is consistently growing, regardless of seasonal variations in remittance activity. It has also had two recent quarters with positive EBITDA – Q3 20 and Q2 21 – suggesting it is approaching consistent breakeven.

FIGURE 5

Remitly Quarterly Revenues



Source: Company reports, FXC Intelligence analysis.

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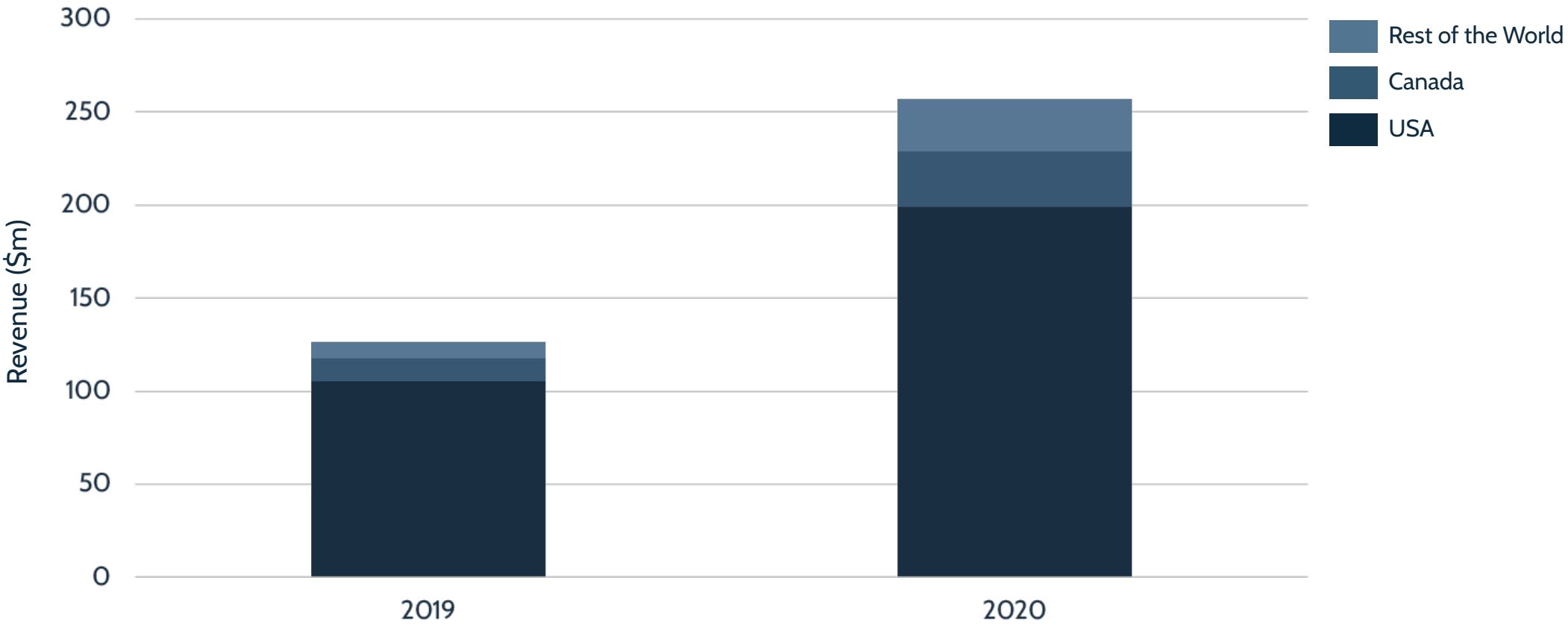
USA drives much of Remitly's revenue growth

While the company has seen growth in all regions, its original send market, the US, remains not only its biggest source of revenue, but also its strongest driver of growth. However, the company is in particular seeing growth in its send markets in regions beyond North America, most of which have only been added in the last few years.

FIGURE 6

Remitly revenue by region



Source: Company reports, FXC Intelligence analysis.

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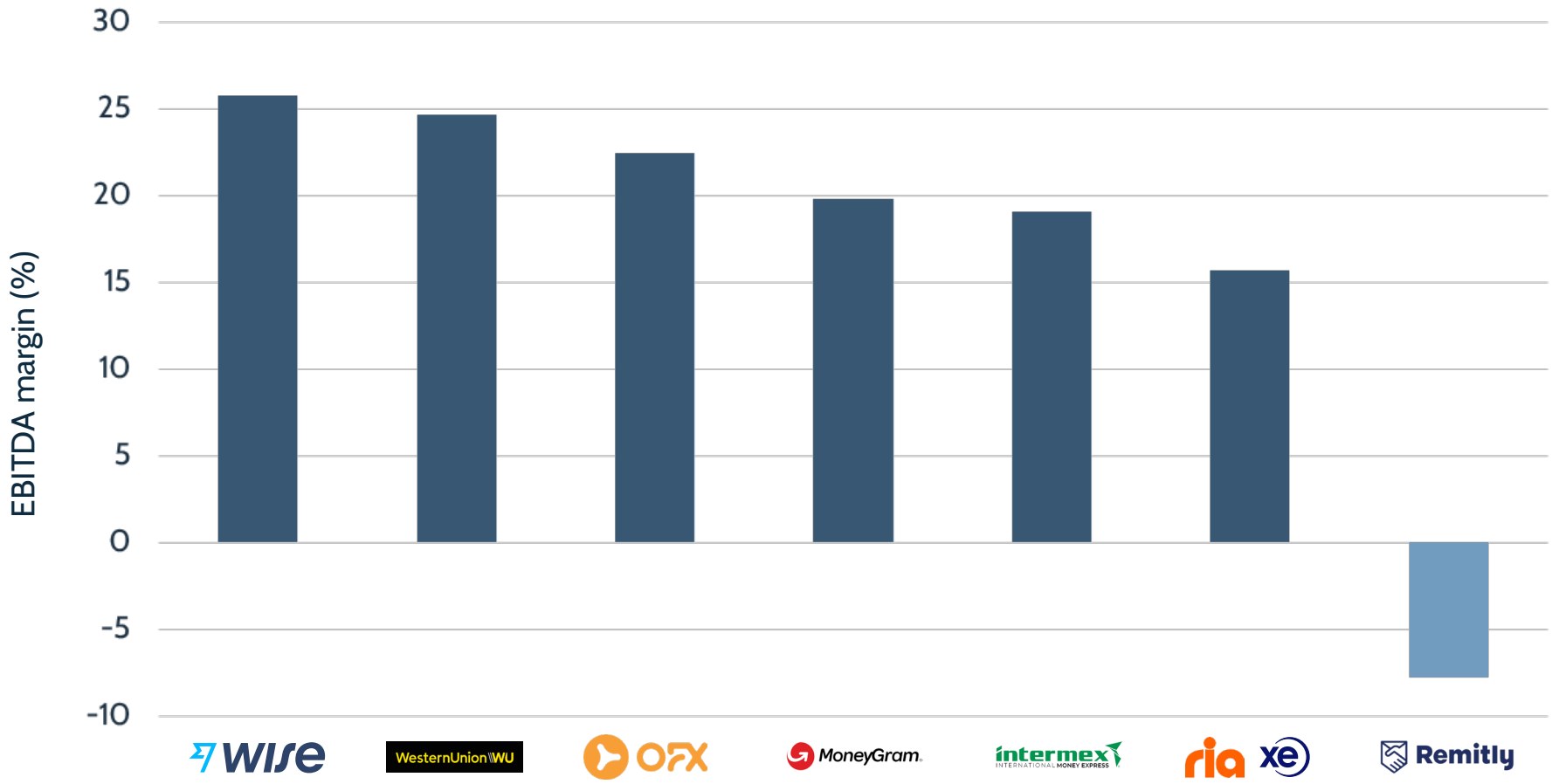
EBITDA behind versus its competitors

The question of profitability remains for Remitly, and is likely to be a key question for investors, particularly given that Wise, which only went public a few months ago, has been profitable for several years. But as the latest numbers show, it is close to breakeven and the scale from an expected near doubling of revenues from 2020 to 2021 should bring Remitly into the black.

FIGURE 7

EBITDA Margin Versus Competitors



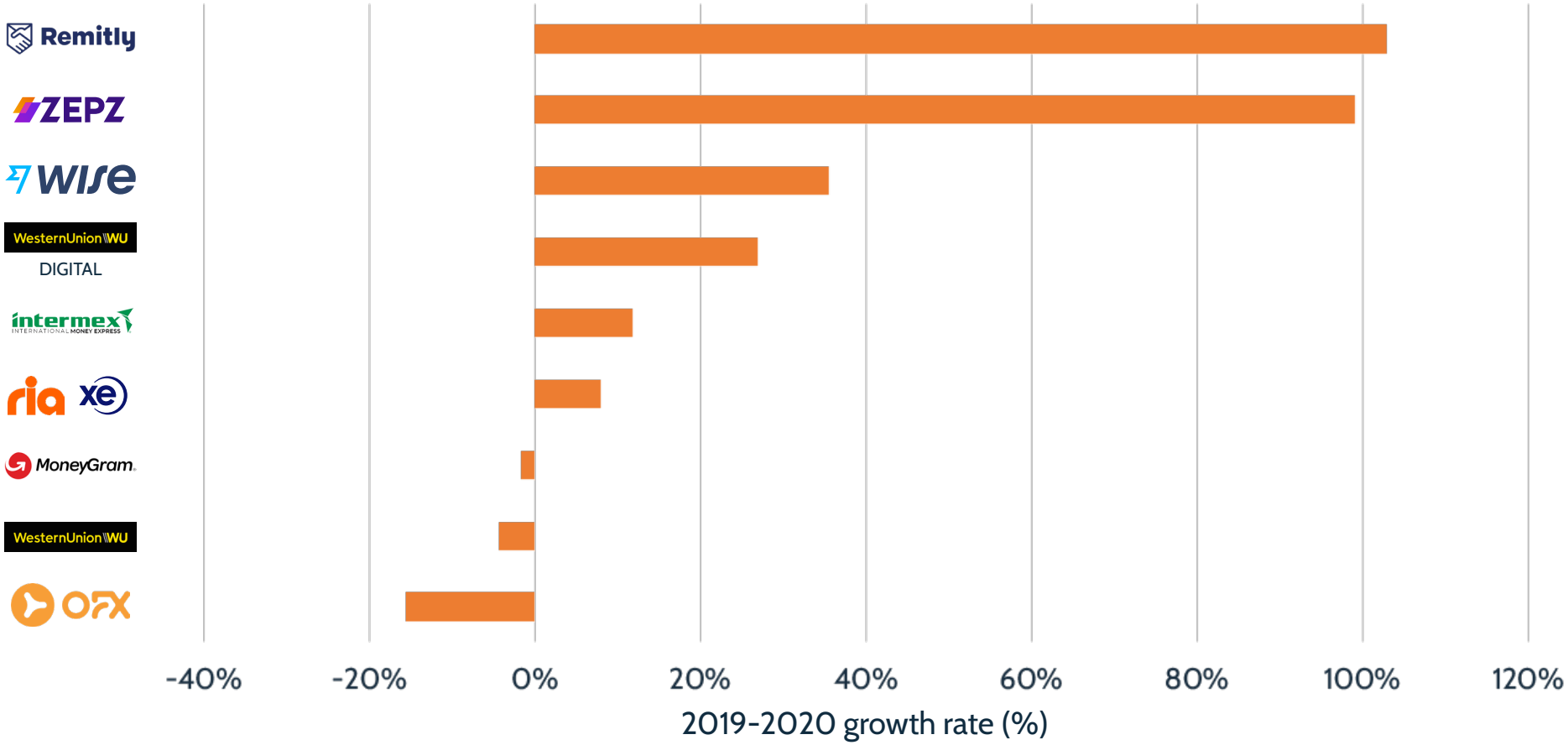
Source: Company reports, FXC Intelligence analysis. For FY 2020 or YE March 21 for Wise and OFX.

Remitly outstrips all on recent growth rates

However, on growth between 2019-2020, Remitly shines compared to competitors, showing more growth than its closest competitor Zepz (the parent company of WorldRemit and Sendwave). Notably, this is continuing into 2021, with growth rates of around 90% for the first two quarters of the year – an indication that Remitly's growth is sustaining even after the boost from the early part of the pandemic.

FIGURE 8

Growth Rates Versus Competitors



Source: Company reports, FXC Intelligence analysis. For FY 2020 or YE March 21 for Wise and OFX. Zepz 2020 numbers include the added revenue of Sendwave.

Key Financial Metrics Questions

Will the added scale from 2021 drive Remitly to profitability?

How can Remitly sustain its stellar growth rates into 2022 and beyond?

How long will it take Remitly to reach the EBITDA margin levels of its peers?

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Customers

Strong revenue per customer puts Remitly in peak position

FIGURE 9

Annual Revenue Per Customer Versus Competitors

Source: Company reports, FXC Intelligence analysis.

Remitly's revenue per customer impresses compared to many of its competitors' consumer businesses, with better numbers than even Western Union's digital offering. This is particularly notable given that Remitly sees strong repeat custom, typically retaining customers for multiple years after their initial sign up.

Remitly has some very strong unit economics. According to its S1, an overall payback period of approximately 10 months and high repeat transactions drives these economics. For customers acquired during 2019, the five-year LTV/CAC ratio was greater than 6x.

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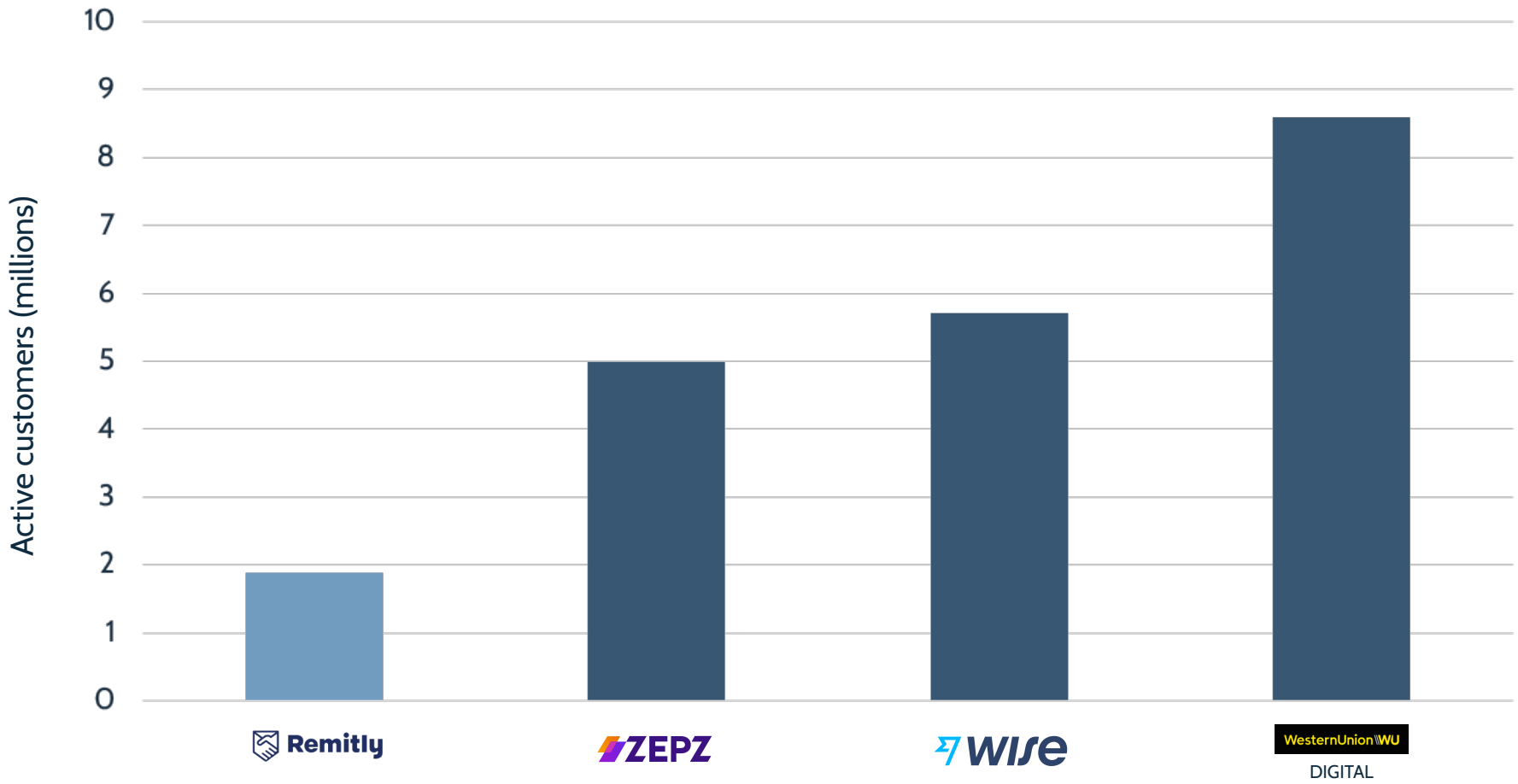
Remitly's customer base sits below its peers

The number of customers the company has remains small compared to main of its major rivals, at just over a third of Wise's global customer numbers and less than a quarter of Western Union's digital customer numbers. However, as discussed in the previous section, it has very strong economics per customer that offsets the smaller overall numbers.

FIGURE 10

Number of Active Customers Versus Competitors



Source: Company reports, FXC Intelligence analysis. Numbers are for send side customers, Zepz estimated based on 11m send and receive customers.

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Key Customer Questions

How will Remitly's strong customer acquisition numbers turn into overall profitability?

Will competitors be able to match its strong repeat customer metrics?

How do Remitly's customer economics differ outside of the US, its core market?

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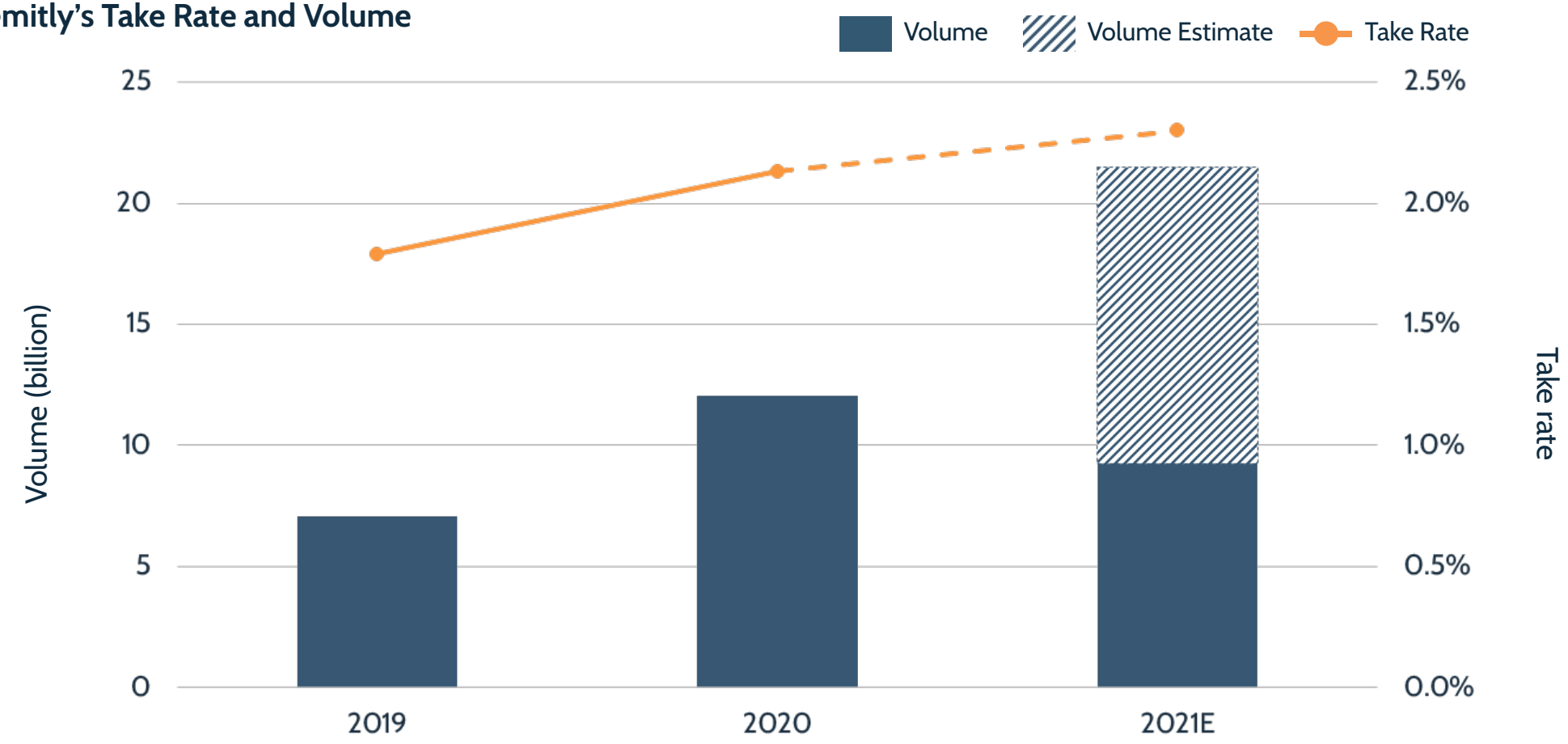
Take Rate and Volumes

Remitly's take rate is increasing with its volume

Both the company's take rate and volume increased between 2019 and 2020, with Remitly seeing its volume increase by 70% over that period. It remains to be seen whether that growth can be continued over the next few years.

FIGURE 11

Remitly's Take Rate and Volume



Source: Company reports, FXC Intelligence analysis.

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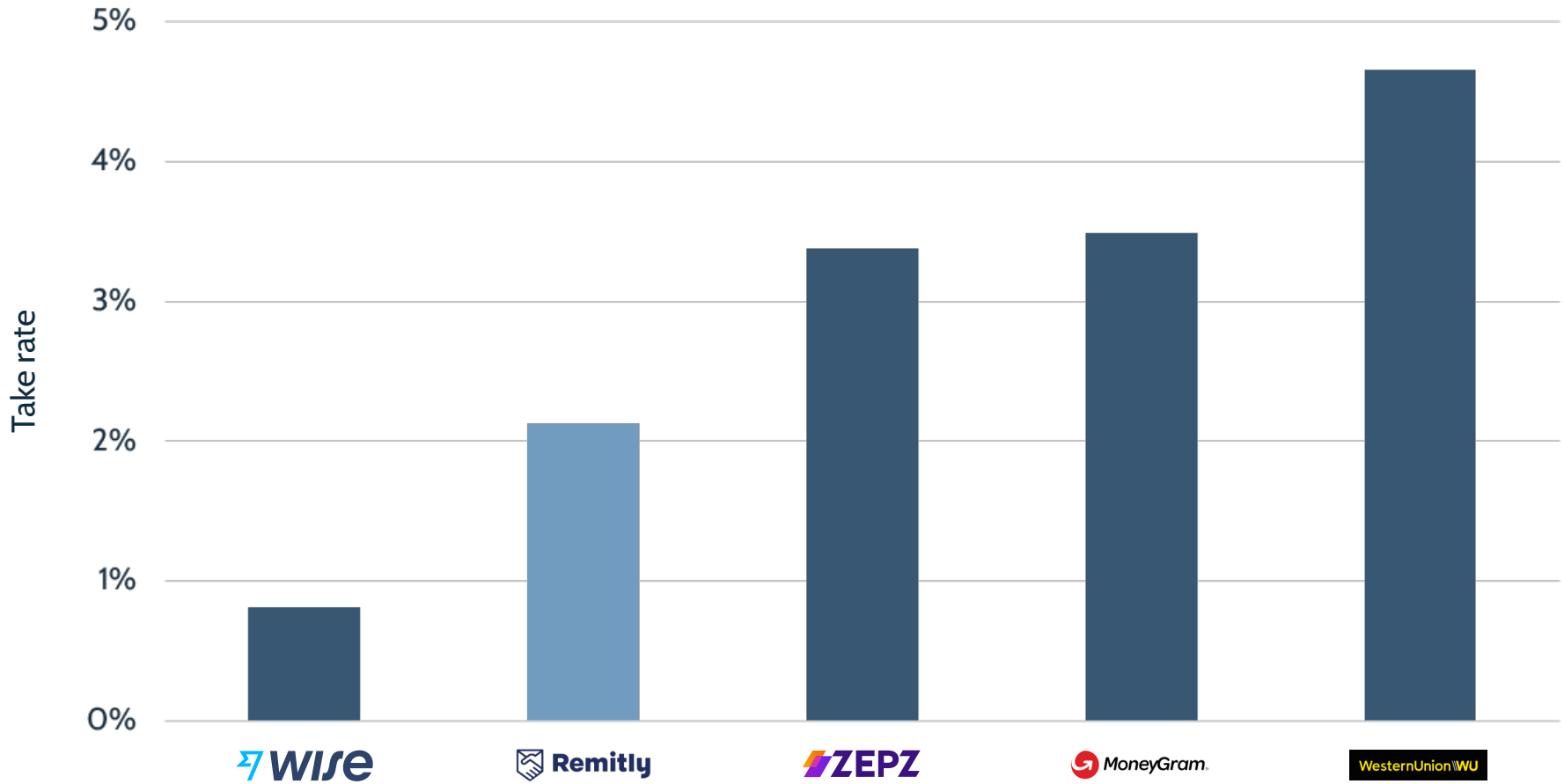
Take rates are broadly competitive with other remittance players

Remitly's take rates are competitive compared to the wider industry. Only digital-focused Wise is at a lower rate, although Wise's core customers and corridor base differs substantially from the other players below. Incumbents MoneyGram and Western Union have higher take rates, but again, different footprints to Remitly.

FIGURE 12

Take Rate Versus Competitors



Source: Company reports, FXC Intelligence analysis. For FY 2020 or YE March 21 for Wise.

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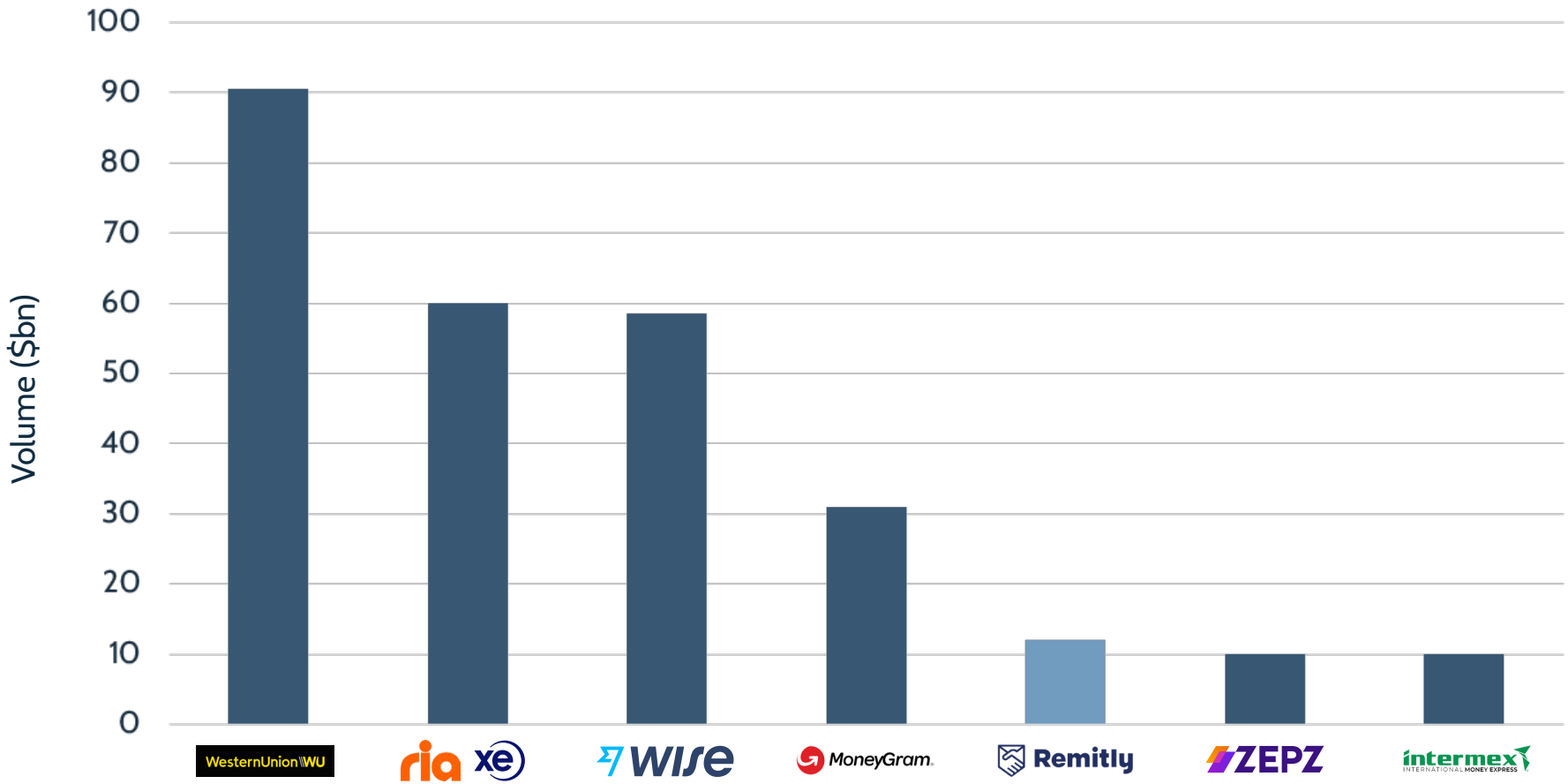
Volumes are growing fast

While Remitly is seeing impressive growth in its volume, it remains only a fraction of that of many of its competitors. While in 2020 it had greater volume than WorldRemit and Intermex, it processed only slightly more than a fifth of Wise's volume.

2021 tracking at nearly 90% growth on 2020 would suggest Remitly will hit around $20bn of flow for 2021.

FIGURE 13

Volume Versus Competitors



Source: Company reports. For FY 2020 or YE March 21 for Wise.

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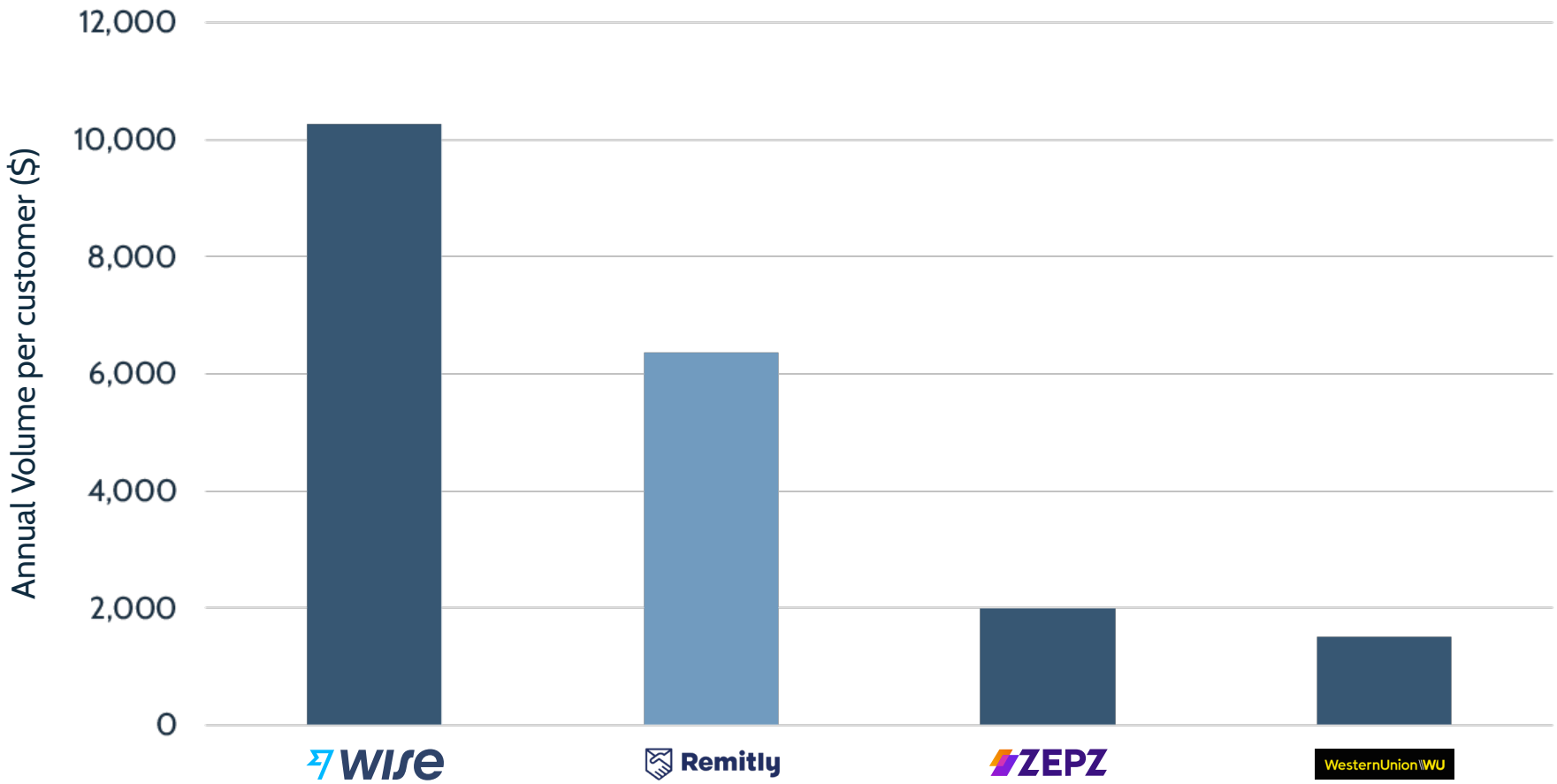
Competitive on volume per customer

However, when compared to competitors, Remitly is doing well on volume per customer, with only Wise seeing a higher amount. This is notable as Wise caters to less of a remittance-focused customer base, whose send amounts are typically higher, making Remitly's volume per customer is very strong for remittances and sits alongside its strong unit economics.

FIGURE 14

Annual Volume Per Customer Versus Competitors



Source: Company reports, FXC Intelligence analysis. For FY 2020 or YE March 21 for Wise.

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Key Take Rate Questions

How do Remitly's take rates differ by send market and corridor?

What do Remitly's take rates look like compared to their competitors

Will Remitly's take rates grow or decline as it adds more scale?

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Valuation and Revenue Multiples

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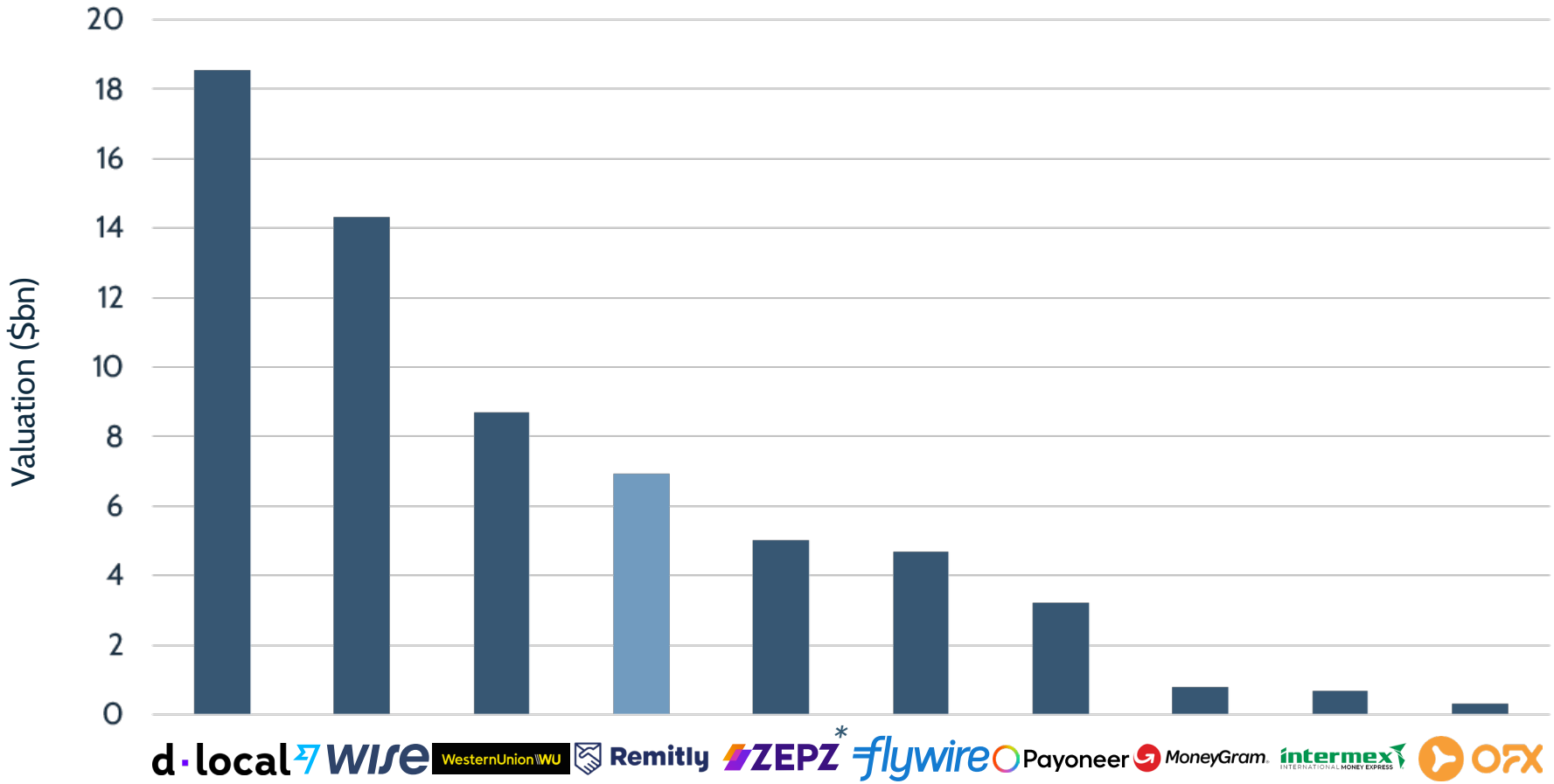
Remitly's proposed value is nearly $7bn

While it has not received the runaway valuations of dLocal and Wise, Remitly's $6.9bn valuation remains strong.

FIGURE 15

Valuation compared to other cross-border payment companies



*Source: Google Finance. Valuations correct as of 14 September 2021. *As per latest Series E fundraise.*

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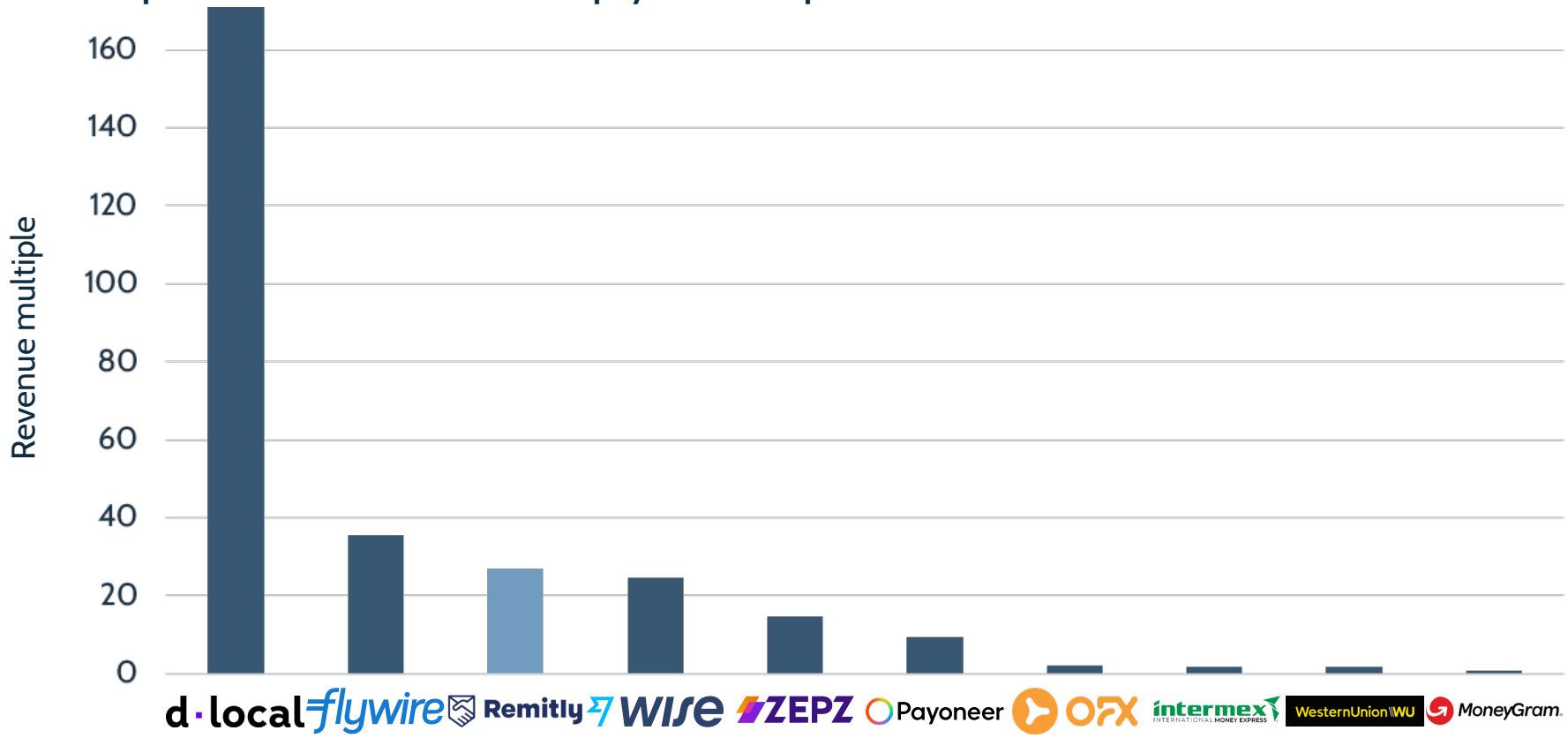
Its revenue multiple will lead the pack compared to other remittance-focused players

On a revenue multiple, Remitly does not have an obvious public market comp (Zepz, still private, is the most similar). Its growth rates mean it cannot be compared to the multiples of the traditional remittance players Western Union, Intermex or MoneyGram. But is also does not operate in the highest valued emerging markets payment processing segment (dLocal) or B2B (Flywire). Its strong valuation reflects the market enthusiasm for digital payment companies that are seen as disrupting the field.

FIGURE 16

Revenue multiple versus other cross-border payment companies



Source: Google Finance, FXC Intelligence analysis. Valuations correct as of 14 September 2021.

Key IPO Questions

Will Remitly set a new benchmark for values of digital remittance companies?

What growth rates will Remitly need to sustain to build upon its proposed $7bn valuation?

Will the values of players such as Western Union and MoneyGram receive a boost given the growth of their digital businesses?

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