



Riskified Second Quarter 2025 Earnings Transcript Prepared Remarks *Edited*

Corporate Participants

Chett Mandel, *Head of Investor Relations*

Eido Gal, *Chief Executive Officer*

Agi Dotcheva, *Chief Financial Officer*

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 second 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 second 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. We're pleased to report a solid second quarter, with performance that reflects both the expanding value we continued to deliver to our global merchant base, and our operational discipline. We continued to grow our revenue in the second quarter, primarily through sustained new business wins and robust upsell activity. We also achieved positive Adjusted EBITDA for the seventh consecutive quarter. Our entire organization executed well this quarter, and I want to thank them for their hard work.

I believe that our results demonstrate the continued strength of our platform and the growing demand for our AI fraud and risk

intelligence solutions. I am encouraged by our performance in the first half of the year, and since our last call in May and through QTD Q3 we have observed relatively resilient consumer spending. I believe that we are well-positioned to improve on our first half results in the second half, supported by a robust new-business pipeline and a focus on advancing the AI capabilities of our multi-product platform.

We have remained focused on gaining market share in existing categories and geographies, while also expanding into new verticals to further diversify our merchant base and position us for continued growth. We saw consistent international growth in the second quarter, with seven of our top ten new logos coming from outside the U.S., and across four separate categories. In addition, we continued to deepen our presence in non-discretionary categories, such as "Money Transfer and Payments," which delivered exceptional year-over-year growth.

As the global ecommerce environment evolves, and as we continue to expand our visibility across more categories and geographies, it's increasingly clear that fraud is becoming more complex, dynamic, and sophisticated. We're seeing fraudsters leverage advanced techniques, including the nascent capabilities of Agentic commerce to launch dedicated attacks. This growing sophistication further reinforces Riskified's unique value proposition. Our proprietary global data network and powerful Artificial Intelligence platform is designed to enable us to stay ahead of these emerging threats. While Agentic commerce remains in the early stages, our R&D teams are already strengthening our offering by developing new capabilities to provide merchants with the visibility they need to embrace legitimate AI shoppers while blocking sophisticated threats.

To that end, we recently announced the introduction of multiple solutions and tools designed to advance fraud and abuse prevention in the world of agentic commerce. I believe that our deep ecommerce expertise, and unique data network will play a valuable role in setting the standard for how agentic commerce can grow safely and profitably for merchants. As part of the expansion of our Agentic commerce capabilities, we also announced a partnership with HUMAN Security. This collaboration combines HUMAN's AI agent visibility, governance, and trust capabilities with Riskified's ecommerce risk intelligence expertise in fraud prevention, chargeback protection, and policy abuse prevention. This partnership will leverage our industry-leading AI platform and expansive network insights to secure the next era of digital commerce.

In addition to our progress with Agentic AI, we continued to see increased adoption of our Policy Protect product during the first half, driven by new logo wins, cross-sell activity within our existing customer base, and across geographies. We continue to invest in product innovation. During the quarter we launched a new refund abuse model, which is generating an improvement of at least 15% in technical performance compared to the previous model. This new model leverages behavioral features that we are already using in our fraud models to evaluate abusive behavior on an identity level across our network. Our ability to leverage our network of features and insights is just part of what makes Policy Protect so valuable to our merchants.

In fact, we've heard this feedback directly from merchants. For example, one merchant recently shared that their implementation of Policy Protect, which allows them to reward their best customers with early refunds was, in part, responsible for a substantial increase in their customer satisfaction scores. This merchant is focused on improving their customer experience to aid in retention and increase the likelihood of repeat shopping. These outcomes reinforce the type of value and differentiated capabilities we aim to deliver to the market.

And, as we continue to enhance our product portfolio to intelligently solve a wider, more complex range of use cases for merchants beyond chargeback fraud, we have had success building the pipeline for the remainder of 2025 and beyond. Our go-to-market team surpassed their activity levels in the first half of 2025 compared to the first half of 2024 and is well-positioned for an even stronger second half, with most second half activity currently expected to convert in Q4.

Finally, as a reflection of our confidence in Riskified's long-term trajectory, I am pleased to announce that our Board has authorized an additional \$75 million share repurchase program. This decision reflects our conviction in the fundamentals of the business, supported by strong free cash flow, a debt-free balance sheet and a disciplined capital allocation strategy.

In conclusion, we remain confident that our powerful AI platform, global data network and strong balance sheet allows us to pursue our growth initiatives to generate value for our shareholders.

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 second quarter was \$36.4 billion, and our first half GMV was \$70.6 billion, reflecting a 4%, and 5% increase year-over-year, respectively.

We achieved record second quarter revenue of \$81.1 million, up 3% year-over-year, and our first half revenue of \$163.4 million was up 5% 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" grew 15%, and 10% year-over-year, respectively, 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.

We continue to expect year-over-year growth in both categories to moderate slightly through the second half of the year, reflecting a continuation of the same-store-sales pressure observed in the first half, and due to tougher comparable periods with respect to the "Ticketing and Live Event" space in the second half of the year.

We remain confident that both of these categories will deliver full-year growth, supported by a strong pipeline of new business opportunities, which we believe will more than offset the same-store softness we have seen.

As anticipated, we saw year-over-year declines in our "Home" category, which contracted by 74%.

And, consistent with the first quarter, our "Money Transfer & Payments" category achieved approximately 90% year-over-year growth in the second quarter. This growth was driven by new merchant activity which continued to be a key area of expansion.

The United States declined 11% year-over-year, primarily as a result of the contraction in our "Home" category, but encouragingly we continued to grow across all of our other regions. During the second quarter APAC grew approximately 40% year-over-year, and Other Americas, which represents Canada and Latin America, grew approximately 16% year-over-year, primarily due to momentum in new business and upsell activity, with particular strength in "Travel".

EMEA grew approximately 23% year-over-year, with the strongest performance concentrated in our "Fashion & Luxury", "Tickets & Travel" and "Money Transfer & Payments" verticals, supported by both new business and upsell momentum. We believe that our continued international growth reflects ongoing progress in capturing market share.

Gross Profit Margin:

Moving to gross margin, our non-GAAP gross profit margin for the second quarter of 2025 was approximately 50%, consistent with the first quarter, and down from 53% in the prior year.

Similar to the first quarter, the year-over-year decline was primarily driven by the ramping of merchants in emerging 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.

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.

As we progress through the year and have more clarity on these factors, we anticipate delivering an annual non-GAAP gross profit margin of approximately 52% for 2025, which is at the low-end of the initial target range set on our fourth quarter 2024 call. For modelling purposes, we currently expect our non-GAAP gross profit margin for the second half of the year to be higher than the first half, with the third quarter to be slightly below 52%, and the fourth quarter to be higher than the target.

Operating Expenses:

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

Total non-GAAP operating expenses were \$38.2 million for the second quarter, down from \$39.3 million in the prior year.

Our non-GAAP operating expenses as a percentage of revenue for the second quarter declined year-over-year from 50% to 47%, reflecting ongoing leverage in the business model.

We anticipate having quarterly non-GAAP operating expenses of approximately \$38.5 million in the third and fourth quarter.

Adjusted EBITDA:

We achieved positive Adjusted EBITDA of \$2.1M in the second quarter, and \$3.5 million for the first half of 2025. Our second quarter results reflect the seventh consecutive quarter of positive Adjusted EBITDA.

Balance Sheet:

Moving to the balance sheet. We ended the second quarter with \$339 million of cash, deposits, and investments and we continue to carry zero debt.

In addition, we continued to maintain a healthy cash flow model and in the second quarter we achieved quarterly free cash flows of \$5.3 million, up from \$4.1 million in the prior year. We expect approximately \$30 million of positive free cash flow based on current conditions in 2025, with the majority of the cash flow generation expected to occur in the fourth quarter of the year.

As Eido mentioned, I am excited to announce that our Board of Directors has authorized an additional \$75 million of share repurchases, subject to the satisfaction of Israeli regulatory requirements. When combined with amounts that remain available under our existing share repurchase authorization,

our total outstanding authorization is approximately \$85 million. In the first half of 2025 we repurchased 9.0 million shares for a total price of approximately \$44.0 million. As a result of our buyback activity, and our commitment to prudent dilution management, we continue to expect our share count to decline year-over-year.

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

Guidance:

Now turning to our outlook. As a result of the solid first half of the year we are improving the bottom end of our revenue range to now anticipate revenue of between \$336 million and \$346 million, or \$341 million to the midpoint.

We maintain our Adjusted EBITDA guidance that we reaffirmed on our previous call, to be between \$18 million and \$26 million, or \$22 million to the midpoint.

Conclusion:

Overall, I am encouraged by our solid first half of results and execution, and I believe that we are well-positioned to improve on these results in the second half. As the ecommerce landscape evolves, our services are becoming more integral to merchants every day. and I believe that our leading market positioning and opportunities to accelerate growth will enable us to realize Riskified's full potential and deliver value to shareholders.

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

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