



REMITLY GLOBAL (RELY-US): \$25.22

Market Cap: \$4.57 B

Enterprise Value: \$4.37 B

EV/EBITDA: NA

P/E: NA

Rating: Buy

Upside: 100%

12-month perf (%): 128%

30-Day Average Daily Volume: 1.4mm

Date: 10/1/2023

Company Background

Remitly, established in 2011, aims to enhance cross-border remittances. Its app enables migrants in developed nations to transfer funds to recipients in developing countries through various channels. Revenue is generated via transaction fees and currency exchange spreads, averaging a 2.4% all-in take rate. Remarkably, annualized principal volume sent has increased by 60% since their 2021 IPO, achieved by capturing market share from competitors with their superior digital platform and competitive fees. Remitly is poised to dominate global digital remittances, benefiting from the shift from cash-to-cash transactions and attractive scale economics as volumes grow. Their digital infrastructure and fraud detection capabilities are expected to sustain their leading position, potentially doubling market share in 3-5 years.

Opportunities

- **Weak competition**

Remitly's main competition comes from non-digitally-native giants like Western Union and MoneyGram, who have historically dominated cash-to-cash remittances. Despite offering digital solutions, these incumbents priced transfers too high to avoid cannibalization, creating an opportunity for Remitly to gain market share with competitive pricing and improved customer experience. Digitally-native competitors, including PayPal's XOOM and WorldRemit, have faced challenges in scaling and management. While Wise is seen as a rival, its higher transfer amounts and lack of a cash distribution network limit its direct competition in migrant remittances. New competitors are unlikely due to capital costs and scaling challenges.

- **Electronification of cash**

The global remittance market relies on cash-to-cash transfers, but cash usage is decreasing. Electronic payments are on the rise, accelerated by the pandemic. While cash remains, more people are shifting to digital payments, benefiting Remitly as consumers seek alternatives to cash for payments and transfers.

- **Remittance market continues to grow**

The remittance market has grown at over a 5% CAGR since 2015 and now represents a greater amount of cash inflows to low and middle income countries than FDI.

Valuation

Remitly's potential is undervalued. With a growing remittance market and steady market share gains, it's set to double revenue and market share in five years. Leveraging digital remittance scale dynamics, we model 20% margin-maturity profile. Estimated intrinsic value: slightly over \$9 billion, offering a 100% upside.

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