Marqeta, Inc.

Fourth Quarter 2021 Earnings Conference Call

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PRESENTATION

Operator

Welcome to the Marqeta Fourth Quarter 2021 Earnings Conference Call.

At this time, lines have been placed on mute to prevent any background noise. After the speakers' remarks, we will open the lines for your question. As a reminder, this conference call is being recorded.

I'd now like to turn the call over to Stacey Finerman, Vice President of Investor Relations, to begin.

Stacey Finerman, VP, IR

Thanks, Operator.

Before we begin, I would like to remind everyone that today's call may contain forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including those set forth in our filings with the SEC, which are available on our Investor Relations website, including our quarterly report on Form 10-Q for the quarterly period ended September 30, 2021, and our subsequent periodic filings with the SEC. Actual results may differ materially from any forward-looking statements we make today. These forward-looking statements speak only as of the time of this call and the Company does not assume any obligation or intent to update them, except as required by law.

In addition, today's call includes non-GAAP financial measures. These measures should be considered as a supplement to, and not a substitute for, GAAP financial measures. Reconciliations to the most directly comparable GAAP measures can be found in today's earnings press release, or earnings release supplemental materials, which is available on the Investor Relations website.

Hosting today's call are Jason Gardner, Marqeta's Founder and CEO, and Mike Milotich, Marqeta's Chief Financial Officer.

With that, I'd like to turn the call over to Jason to begin.

Jason Gardner, Founder and CEO

Thank you, Stacey. Thank you, everyone, for joining us for Marqeta's Fourth Quarter of 2021 Earnings Call. We are excited to share our strong fourth quarter and full year results, as well as our plans for 2022.

I'd like to begin with our fourth quarter results. We ended the year in a position of strength, with financial results that serve as a true reflection of everything Marqeta accomplished in 2021, as a result of the strong execution and continued customer focus of all Marqetans across the world.

Total processing volume, or TPV, was $33 billion in the fourth quarter, a 76% increase, compared to the same quarter of 2020, an acceleration from the 60% growth rate in the third quarter. This represents the achievement of a significant milestone. In December, we saw our TPV for the year cross the $100 billion threshold for the first time, as we processed $111 billion for all of 2021. This demonstrates our ability to provide modern infrastructure that enables fast-growing companies to deliver innovative, high-volume card programs globally.

Our net revenue of $155 million in the quarter was a 76% increase from the previous year, representing an acceleration from the 56% growth rate in the third quarter. We saw significant outperformance from the buy-now-pay-later vertical, as this mode of payment was extremely popular during the holidays. We witnessed another decline in our Block concentration from 68% of total net revenue in the third quarter to 63% in the fourth quarter of 2021.

Our phenomenal fourth quarter is a testament to the outstanding growth Marqeta has demonstrated over the last three years, as our TPV grew over 400% from 2019 to 2021. Much of this growth was fueled by digital commerce disruptors that grew significantly due to shifts in consumer behavior during the pandemic. Our platform and products helped make much of this growth possible, enabling our customers to offer experiences that have changed commerce in remarkable ways. Our ability to help our customers scale successfully amidst this unprecedented growth has earned us valuable trust.

With 2022 underway, we are starting to see some stabilization regarding the pandemic. It is clear that the new commerce experiences, like on-demand delivery and buy-now-pay-later, are here to stay, and customers' trust in financial services offered by neobanks is increasingly on par with their trust in typical financial Institutions. These commerce experiences play to Marqeta's strengths. We have already built trusted relationships with companies that have become household names, like Klarna and Cash App, that have a track record of expanding on our platform. For the next set of disruptors looking for a trusted partner who can help them scale, this serves as a proof point. Importantly, we have a foothold into large

FIs, like Marcus by Goldman Sachs, JP Morgan, and now Citi, that need a technology partner to deliver solutions consumers want.

As we look forward to the remainder of 2022, the remarkable growth we took part in during the pandemic required significant focus to help our customers scale. As a result, our newer solutions, like credit and digital banking, did not get as much focus as we would have liked, because of how fast our existing customers were growing. We began to significantly ramp up hiring for these efforts towards the latter part of 2021. Our approach in 2022 will be more balanced between fueling our existing customer's success and building for the future. Therefore, our focus areas for 2022 will be threefold:

We will continue to fuel our customer's success. While we are focused on broadening our base, our existing customers still represent Marqeta's core and a significant source of future growth. These customers can tap into our modern card issuing expertise that allows them to build customized and contemporary payment solutions when paired with our platform's agility and scale. Our dollar-based net revenue retention rate of 175% for 2021 demonstrates how our customers grow on our platform. Let me share two examples:

- After a competitive process, Divvy, a Bill.com company, began using Marqeta in late 2020. Divvy was in hyper-growth mode, and it was important for the company to have a card issuing partner that could help them build best-in-class products, and do so at scale. Once onboard the Marqeta platform, Divvy was able to ramp quickly. As a result, Divvy rapidly added new customers to their program and extended their service to even more businesses and cardholders. Divvy is one of the reasons we have seen the expense management vertical gain such significant traction, approaching $2 billion in TPV this quarter. In contrast, this segment was insignificant a year ago.

- After launching with Klarna in the US in 2018, and supporting its launch in Australia and New Zealand in 2020 and 2021, Klarna chose to extend its partnership with Marqeta into 13 new European markets last November. Klarna is a digital disruptor experiencing tremendous market traction in the last few years, and Marqeta has provided vital support to their growth trajectory globally. As a result of their success on our platform in the U.S. and APAC, the company recently expanded its partnership with Marqeta by moving over volume from another provider. Klarna has seen firsthand how they've been able to quickly make program improvements or launch new card products, often within complex markets and environments, working with Marqeta. This expansion, especially in European markets where Klarna has a long track record of success, is a testament to the maturity of our European business and the strength of our partnership.

We will continue to build a resilient and reliable global platform. 2021 TPV of $111billion represents more than 50x growth in four years. However, to truly connect the world through global money movement and unlock the potential in front of us, we must be thinking more extensively about the breadth and depth of what our platform can support. Eight months into his role, our CTO, Randy Kern, has already made significant strides towards building our scale and resiliency to handle the next wave of growth. Proactive capacity planning with our customers, organizing our internal teams around a mandate to scale and new key infrastructure developments have had huge impacts on the degrees to which we can scale card programs.

We expanded our platform globally by adding local network certifications and card issuance capabilities in three new markets: the Philippines, Thailand, and Singapore. The Philippines and Thailand are large, high-growth markets, where digital payments adoption is still well below 50% and younger populations are urbanizing steadily. The Marqeta platform is enabled in 39 countries, with more countries to come later this year. Geographic expansion is an integral part of our roadmap, as we want to allow our customers to build once and launch anywhere.

We will broaden our business in three ways: the customers we serve, the solutions we offer, and the verticals we support.

To truly diversify our business, we need to target large customers focusing on additional credit, digital banking, and money movement offerings.

Established financial institutions represent a large portion of the total issuer processing volume worldwide. While making significant inroads will likely take time, these customers are essential to achieving our goals of connecting the world through global modern money movement and achieving durable long-term growth.

We are thrilled about our new partnership with Citi and their Commercial Cards team. Citi plans to use Marqeta's unique tokenization-as-a-service capabilities to power mobile wallet provisioning in more than 40 markets worldwide. Marqeta's modern card issuing platform will integrate with Citi's existing systems and enable Citi's global commercial cardholder base to seamlessly provision corporate plastic cards and virtual cards into mobile wallets. Citi recognizes Marqeta's leadership in card tokenization and the impact this can have on their commercial cardholders, especially against the backdrop of rapid change in payment preferences post-pandemic. We see this as an opening step of what we hope is a long and fruitful partnership.

As discussed last quarter, we see partnerships as an efficient way to broaden our product offering. Our partnership with the First National Bank of Omaha, FNBO, expands our credit ecosystem and allows Marqeta customers to launch and design an embedded credit card program quickly. By partnering with FNBO, we combine FNBO's decades of deep experience in credit card programs with the flexibility and control of Marqeta's modern card issuing platform. Similar to our partnership with Deserve, FNBO will handle program management capabilities. At the same time, Marqeta will act as the issuer processor, bringing the technology that allows customers to create customized card experiences lacking in credit.

Our recent partnership with Plaid underscores our desire to move beyond modern card issuing into enabling global money movement. This partnership will simplify ACH transfers, allowing customers to seamlessly and securely authenticate their bank accounts and fund their accounts to power more immediate card shopping. As a result, developers building on the Marqeta platform can quickly and easily authenticate users' bank accounts, versus the traditional, cumbersome ACH process. Plaid works with over 12,000 financial institutions. This scale, combined with its commitment to information security, makes them a perfect partner for Marqeta.

I am excited about our progress in 2021, especially how we ended the year on such a solid foundation. With over $500 million in yearly revenue, we are capitalizing on the changes in consumer preferences to ensure the performance of the business for years to come. Mike will touch on our growth and additional investment in his remarks, which brings me to the vital role of CFO.

I want to take a moment to recognize the work of our outgoing CFO, Tripp Faix. Tripp led Marqeta through a very successful IPO and two major fundraising rounds. His partnership and friendship have been important to me as CEO and our Company as a whole. I wish him every success for his next chapter. I am also thrilled to welcome Mike Milotich as our new incoming CFO, who will shepherd us into the next phase of our growth.

With that, I will turn the call over to Mike to discuss our results and outlook for 2022.

Mike Milotich, CFO

Thank you, Jason.

Although I know many of you on the call today, I am excited to speak with you in my new capacity as the CFO at Marqeta, after joining the company two weeks ago. While Marqeta has already reached significant scale, with over $110 billion in TPV in 2021, there is still a massive opportunity to support innovative partners who are meeting evolving consumer needs in digital commerce and global money movement. I look forward to partnering with Jason, the Executive Team and all of our employees to help the disruptors scale and those at scale become more disruptive.

Marqeta delivered a very strong quarter to close out our first fiscal year as a public company, with both TPV and net revenue growth accelerating to 76%. Net revenue of $155 million and Adjusted EBITDA of positive $1 million were meaningfully better than we expected, primarily for two reasons:

- one, stronger holiday and overall consumer spending drove the majority of the upside, benefitting the BNPL and digital banking verticals in particular; and

- two, card network incentives as a result of reaching a new performance tier.

So, let's dive into the Q4 TPV, which was $33 billion, growing 76%, accelerating 16 points from Q3. BNPL benefited from increased consumer spend during the holiday season, growing over 50% sequentially, versus. Q3. Digital banking growth accelerated 15 points, versus Q3, in line with our overall TPV acceleration.

Newer clients in growing verticals increased their contribution to our growth, as we continue to diversify our customer base. Our top five customers continue to perform well, with TPV growth over 50% in Q4, while the remaining customers grew over 200%. As further evidence of our growing diversification, newer customers who joined our platform since 2019 grew three times faster than customers who joined the platform prior to 2019. The growth of these newer customers and outperformance from the BNPL vertical were a big reason why we saw another significant decline in our top customer concentration, which Jason highlighted earlier.

Net revenue growth of 76% was consistent with TPV growth and accelerated 20 points, versus Q3. The net revenue take rate declined less than 1 bp, versus Q3, purely due to changes in the mix of volume. In fact, the Q4 take rate improved versus Q3 within several of our large verticals.

Gross profit grew 108% on a year-over-year basis, over 30 points faster than revenue. The gross profit margin of 49% improved four points, versus Q3, for two reasons, each contributing approximately two points:

- First, incentives. We amended one of our card network incentive agreements in Q2, and we hit a new volume tier in Q4 that resulted in a higher incentive being applied to volume over the past three quarters. Therefore, the three-quarter catch-up benefit was booked in Q4, which made the impact more significant. These incentive agreements are a testament to our strategic relationships and strong alignment with network partners, as well as the powerful operating leverage that can be achieved in our business as we scale.

- The second factor was volume mix. The holiday season had a TPV mix that provided more favorable gross profit.

Our GAAP net loss was $37 million, driven mostly by continued investment in people and technology that are fueling the growth of the business and the scaling of our platform. On a non-GAAP basis, Adjusted EBITDA for the quarter was positive $1 million, which exceeded our expectations by roughly $10 million, entirely due to higher gross profit.

To quickly summarize full year 2021 performance, TPV of $111 billion and net revenue of $517 million delivered robust growth of 85% and 78%, respectively. Gross profit grew 97%, with a gross profit margin of 45%, which is on the high end of our long-term target range of 40% to 45%, due to improved scale and favorable network incentives. Adjusted EBITDA was negative $13 million, equating to a negative 2% Adjusted EBITDA margin. We ended the year with over $1.7 billion in available liquidity in cash and marketable securities.

Now, let me move on to 2022. First, let me share some of the key assumptions informing our Q1 guidance that was noted in our press release.

We expect Q1 net revenue growth to be between 48% and 50%. Our take rate should be relatively similar to last quarter, therefore, the lower growth, compared to Q4 2021, is related to volume growth, mostly due to two factors:

- Q1 is facing tougher comps due to the government stimulus in the first quarter of 2021, and, to a much smaller degree, the beginning of the ramp in BNPL volume. Our sequential net revenue growth last year from Q4 ’20 to Q1 ’21 was 22%, compared to an average of 15% growth from Q4 to Q1 in 2019 and 2020. This tough comp is partially offset by the tax season returning to April this year, where the benefits of tax refunds are split across Q1 and Q2, versus last year, when the benefit was mostly in Q2.

- Also, January got off to a bit of a slower start, as Omicron likely impacted volume in many of our verticals, with the exception of on-demand delivery, which thrived as more people stayed home. Volume did pick up in February as the Omicron wave passed, with February volume comfortably exceeding January, despite having three fewer days.

Q1 gross profit margin should be in the 43% to 44% range, which is consistent with the first three quarters of 2021. This is lower than Q4 ’21, which benefited from the catch-up incentive and favorable volume mix during the holiday season.

We expect the Q1 Adjusted EBITDA margin to be negative 8% to 9%, due to elevated investment levels to drive long term, sustainably high net revenue growth. I will talk more about our investment priorities for 2022 in a minute.

Amid the current economic uncertainty, I did want to share some preliminary thoughts on 2022, and will plan to share more next quarter once I am completely settled in here at Marqeta.

It remains to be seen whether Russia’s invasion of Ukraine will have any broader implications that may impact our business.

Similar to previous years, we expect the majority of our growth to come from our largest customers, which are spread across the digital banking, on-demand delivery, BNPL and expense management verticals. Our newer customers are growing several multiples faster than our top customers and, therefore, growing in share, but even our largest customers keep growing at a strong pace, as evidenced by our high revenue retention of 175% in 2021.

Our business massively expanded during COVID. 2021 net revenue was more than 3.5 times 2019 net revenue. The pandemic accelerated consumer adoption and usage of newer commerce experiences, such as on-demand delivery and BNPL, where Marqeta was an early innovator and market leader supporting many of the top companies in those categories. The increased shift to digital payments during COVID has also led to increases in consumers using digital bank or neobank offerings, which tend to provide great digital user experiences. Again, this is a market where Marqeta established early leadership. As a result, we are growing off a much larger base of business in 2022.

The pandemic recovery is now well underway and consumers' new commerce habits are sticking and stabilizing. Therefore, we expect our net revenue growth to be at least mid-30's for full-year 2022.

To put the change in scale during the pandemic into context, let me share one fact. We expect our year-over-year revenue growth in dollars in 2022 to be larger than our total net revenue just three years ago in 2019. Consistent with this scaling over time, net revenue will grow the fastest in Q1, step down several points sequentially in both Q2 and Q3, before a larger step-down in Q4, as we lap the incredible quarter we just finished.

Also, please note that Block's acquisition of Afterpay, who is also a meaningful client for us, means we don't expect to make progress on our Block concentration as we add Afterpay performance to Block starting in Q1 2022. If we were to normalize for the acquisition and combine the companies for past years, we do expect a minor reduction in our concentration.

We expect 2022 TPV to grow faster than net revenue at over 40%, with take rates declining slightly on a year-over-year basis, on par with the decline in 2021, as customers who grow on our platform enjoy better pricing. This is partially offset within gross profit by achieving better pricing from our card network and bank partners. We expect our gross profit margin to be in the low- to mid-40's, consistent with our long-term guidance of 40% to 45% on an annual basis.

Network incentives can be inconsistent, as we just saw in Q4 '21, so let me share a few more details to help with the quarterly cadence. Our incentives operate on a contract year that runs from April through March, which means volume tiers reset in Q2 of each year. This means Q2 will typically be a lower gross profit margin quarter, generally at the bottom of our long-term range, while Q3 through Q1 of the following year typically benefit from growing cumulative volumes. If we hit certain volume milestones, an individual quarter can be above the long-term range.

Based on our client pipeline, and because of the time it takes to onboard and ramp new clients, we need to invest in advance of the revenue to best position us for success. Therefore we expect the Adjusted EBITDA margin to be negative high-single-digits in 2022, and relatively consistent each quarter, except Q2 will be a few points lower due to the lower gross profit margin. While the investments we make in 2022 will result in negative EBITDA in the short term, we are looking to achieve sustainably rapid growth, while also being committed to a path to profitability. In the long run, we remain confident the business will operate at a 20% plus Adjusted EBITDA margin once we have captured more of the immense market opportunity.

We began stepping up our level of investment as we progressed through 2021, as it became clear our revenue and gross profit were scaling rapidly. We plan to stay on that investment cadence through 2022. The investment is mostly directed toward technology and product, primarily through hiring in those areas, as well as increasing software and services to support our platform. The primary focus of the investment is new capabilities in digital banking and credit, international expansion and platform scale. Once the volume is captured, our unit economics are very attractive, due to very low marginal operating costs, with the ability to generate positive EBITDA, as we did in this most recent quarter.

To close, Marqeta just completed a fantastic year, surpassing $500 million in net revenue. Looking ahead, we have a wealth of opportunities ahead of us, including new products, geographies and verticals, all while our existing customers thrive on our platform. We believe our differentiated offering will continue to be the destination for disruptors as digital commerce and global money movement rapidly evolve, fueling strong growth for many years to come.

I will now turn the call back over to Stacey and the Operator for questions.

Operator

At this time, we will be conducting a question-and-answer session. One moment, please, while we poll for questions.

Our first question is from Sanjay Sakhrani with KBW. Please proceed with your question.

Sanjay Sakhrani

Thanks. Good morning, or good afternoon, and congrats, Mike. Maybe a question about the investments in tech and product. As we think about the different channels that Marqeta can grow into, can you help us think about where, internationally, that'll come from?

Jason Gardner

Yes, thank you for your question, Sanjay. We've talked about modern card issuing is a global phenomenon and we're actively working to attack the large addressable market. A couple of things that we're doing is, I think, number one, is we're constantly assessing where our customers are looking to launch, what markets they want to launch in, and hold the most immediate potential for our technology. As we've talked about, we are in 39 countries today. We recently announced Singapore, Thailand, the Philippines, and we'll look to set up an APAC hub, probably, in Singapore.

As we go international, we found that modern card issuing is a global phenomenon, and if we talk about what our rallying cry this year is for Marqeta, is to connect the world through global money movement. Our customers truly come to us to unlock value, not just here in the U.S., Canada, Europe and Asia, but in many countries, cities and continents where they're looking to really bring their business, and we'll continue to focus on the verticals that have done really well for us, like buy-now-pay-later, digital banking, expense management, and many others. So, we're really excited about the progress we've made to date. As Mike talked about, we did $517 million in net revenue, which is a solid, solid foundation, and look forward to updating you with new market announcements, international partnerships in future quarters.

Sanjay Sakhrani

Great, and just a follow-up on BNPL. Obviously, it's seen tremendous growth for you guys, and as an industry, but as we go into 2022, there's difficult comps, there's probably a little bit more competition on the margin for those types of loans from the incumbents, and perhaps even shifting merchant preferences. I guess, when we think about the growth potential of BNPL, specifically, for you guys, is it that you're just expanding inside your existing relationships, or should we expect some pressure on growth? Thanks.

Jason Gardner

When we started—we started working in buy-now-pay-later about five years ago. When I was at Money20/20 in Europe, we met this company named Klarna, which today is a household name, but at the time, we really didn't know what they specifically did, and we heard this concept called buy-now-pay-later. What we do, and we've been really successful with this, is we've actually built purpose for specific verticals. So, now Klarna, Affirm/Sezzle, which announced is buying Zip, Afterpay, which is now part of Block, really speaks to the strength and competitive position for Marqeta's platform. So, I'll start there.

Buy-now-pay-later continues to be an important and significant growth driver for Marqeta, at well over 10% of TPV. So, other highlights. A launch partner for Mastercard's new installments program. We're working with Sezzle and their deal with Target. The Amount partnership, bringing buy-now-pay-later to FIs. We're powering Figure's new Figure Pay product, which is a digital payments account with native BNPL functionality.

So, what we're finding is a couple of growth vectors. There's international, which we're enabling them to take advantage of more and more merchants on the platform. New, obviously, geographies. New technologies. We see where now customers are getting into tokenization, they're getting into actual physical card products, and they're coming to Marqeta to do that.

So, I wouldn't look at buy-now-pay-later functionality in a sort of single-focus as just virtual cards. There's many different card types that are looking to build on our platform as they begin to diversify their businesses in the coming quarters.

Sanjay Sakhrani

Great, thank you very much.

Jason Gardner

You're welcome.

Operator

Our next question is from Mike Ng with Goldman Sachs. Please proceed with your question.

Mike Ng, Goldman Sachs

Hey, good afternoon. Thank you very much for the question. I appreciate all the detail when you talked about TPV performance by vertical. I was just wondering if you could talk a little bit about some of the assumptions as you think about the 40% TPV growth in 2022. Any qualitative or quantitative detail would be very helpful. Thank you.

Mike Milotich

Yes, thank you for your question. It really is more of the same, just with tougher comparisons. Obviously, as even Sanjay just pointed out in the previous question, BNPL had explosive growth during 2021, and as the base is bigger, the growth will slow a little bit, but we still think most of our growth is going to be fueled by the primary use cases, with everything roughly comparable to 2021, with just maybe a little bit of a slower rate, and that's in digital banking, BNPL, expense management, being some of the big ones. I would say the mix of the business, we're not expecting to fundamentally change lot. It's just tougher comps bringing the growth rate down a little bit.

Mike Ng

Great, thank you, that's very helpful, and I just wanted to ask a housekeeping question. The mix benefit to gross margins in the fourth quarter, can you just give a little bit more detail around that, and should we see a sequential improvement from that mix every fourth quarter? Thank you.

Mike Milotich

Yes, I mean, I guess it's hard to say, to predict the future exactly, so I don't know if I can answer the second part of your question, but if you think interchange dynamics, right, it's predicated on all different scenarios, in terms of what type of card is being used, is it consumer, commercial, credit, debit, prepaid, what type of merchant it's being used at, what's the size of the ticket, so there's—a lot of those factors will ultimately end up impacting what's the rate that applies. Then, on top of that, we have different types of agreements with our customers, in terms of how do we work with them, in terms of how much we share with them versus how much is kept here at Marqeta. Those are kind of all the different levers and variables that play into that number.

What happened, at least in this case, in the holiday season, is really the type of spend, in terms of where it was directed, in terms of merchants, and the types of products that were used, is what drove the benefit for us.

Mike Ng

Great, thank you for all the thoughts, it's really appreciated.

Operator

Our next question is from Ramsey El-Assal with Barclays. Please proceed with your question.

Ramsey El-Assal

Hi. Thanks so much for taking my question this evening. I wanted to ask about the Citi partnership, and if you could describe sort of the path from a project like this kind of into a deeper issuance relationship at a large bank like Citi. What challenges kind of stand in your way to sort of moving a little deeper into an organization like this?

Jason Gardner

Thanks, Ramsey. Yes, winning the business of large FIs is a major strategic initiative for Marqeta. As we've talked about in the past, I mean, we really had this DNA match with commerce disrupters. We then went into large digital banks, like Cash App, and Lydia in France. We then went to large tech giants, like Uber and Google. We always have been focusing on sort of the long game within large FIs.

As we talked about in my opening remarks, excited to announce the Citi deal and the Commercial Card Team. So, what they're doing is, in 40 markets, is using our Tokenization-as-a-Service capabilities to power the mobile wallet provisioning, and, obviously, Citi recognizes Marqeta has leadership in card tokenization, and we see this deal as really just the beginning of what we hope is a long-term partnership. Large FIs typically don't move fast, nor do they make decisions quickly. Our goal with these programs, truly, is, over time, just to get a foot in the door and then expand our relationship, as you referred to, like more issuance.

As we've seen, these are very large, from a technology perspective, complex environments, so bringing us into that is something that's pretty significant for us, and then we're there to really prove our relationship, prove our technology, prove our services, so we can expand throughout and beyond Tokenization-as-a-Service. So, we help them in areas where they we can help them be more innovative, and we want to see value, where we're really adding to their business, and, obviously, trusting us. So, while making inroads will take time, these customers are absolutely critical to achieving our goal of building out more durable, long-term growth.

Ramsey El-Assal

Okay, and on the higher card network incentives, I'm just curious, how should we think about the cadence of those types of opportunities to renegotiate those contracts; which is to say, can you go back and kind of renegotiate at will as you grow, or are there sort of fixed contract timelines, that when those expire is the time that you go back and can kind of take another bite of the apple in terms of renegotiating those fees?

Mike Milotich

Yes, I would say it's a little bit of both, right? You can't just—there are contract terms and timelines, so it's not like you can go back at any time you want, but, obviously, as the business grows and you try to do more things together, new card programs, there's always ways to look for additional opportunities for us, and then, of course, if the business, if it continues to grow as rapidly as we expect, then you can end up doing early renewals and changes as we see fit. So, I would say it's a little bit of both. There are, obviously, terms that have been agreed to, but there's always ways to look at those, and as we get into new opportunities, see if we can work the economics that we have with both our network and bank partners.

Ramsey El-Assal

Thanks, Mike. I guess you would know better than most, so appreciate your answer.

Mike Milotich

Indeed.

Operator

Our next question is from Dan Dolev with Mizuho. Please proceed with your question.

Dan Dolev

Hey, thanks, and congrats, Mike, great results. Can you maybe—and I'm sorry if I missed you—can you give some more specifics—I think last quarter, you gave about sort of the growth of the top five versus not top five from a TPV perspective?

Mike Milotich

Yes. So, what we said was, in terms of the top five, that they grew over 50% in Q4, and then the remaining customers grew over 200%. Then, Dan, the other way we also look at it, in terms of as we're looking to diversify our customer base, the other one that we shared was just that our customers that have come onto the platform since 2019 grew more than three times faster than the customers who came onboard prior to that time.

Dan Dolev

Got it. So, not as specific of a number as the last quarter, right? I think last quarter you had (inaudible), some number (inaudible), that's over 200%.

Mike Milotich

Yes, I guess, I can't specify, but, yes, I guess maybe I'll have to take the blame for that one, then, Dan, for being less specific.

Dan Dolev

Yes, yes, no worries. Then, on Plaid, I mean, it looks like it definitely helps you diversify away from the reliance on debit cards. What are you seeing in terms of the opportunity there with the partnership?

Jason Gardner

I'm sorry, Dan, which partnership?

Mike Milotich

Plaid.

Jason Gardner

Oh, Plaid. So, what Plaid does, is Plaid is working with 12,000 banks and it makes it really easy for our customers to leverage Plaid through Marqeta's platform to go build better experiences. Our business is, truly, predicated on money in and money out. Money in is ACH and money out is through card, which is predominantly where we make our revenue. What this does, is it actually shortens time to market significantly for customers to bring more dollars into Marqeta's platform. So, instead of a consumer knowing what their ABA routing number and account number is, now they just need their user name and password for their bank account to begin bringing money into Marqeta's ecosystem through our customers.

Dan Dolev

Got it, thank you, and nice quarter again, great results.

Jason Gardner

Thank you.

Operator

Our next question is from Tien-Tsin Huang with JPMorgan. Please proceed with your question.

Tien-Tsin Huang

Hey, everyone. Thanks. Great results, as well, from my side, and welcome to the call, Mike, it's good to hear from you.

I just wanted to ask on the visibility. I know Sanjay and others asked about buy-now-pay-later. It seemed like that carried a lot of growth in '21. On-demand delivery, I think, in 2020, being a big contributor. What about in '22, what verticals do you think will step up and sort of carry the load here, and I'm curious where Banking-as-a-Service might rank, as an example, for significant growth this year?

Jason Gardner

Yes, I'll start with this. Hi, Tien-Tsin, good to see you—or good to hear from you. Marqeta customers care deeply about global money movement, where they can really use specific tools to solve a business need to unlock value. So, as we think about the specific verticals, like buy-now-pay-later, expense management, on-demand delivery, digital banking, I mean, these are the areas—and then new verticals that we're looking to enter into—where that methodology is the same. If we wake up every morning here thinking about how do we connect the world through global money movement, it really comes down to solving a business need within a specific vertical.

We still see growth in our core verticals. Our business has been growing significantly over the years. Mike talked about some specific data in regards to simple volume on our platform within these verticals. Our methodology, our strategy is really identify those verticals early, build technology that's pretty unique, and help our customers really, really spread their wings.

If I look at the strategy for the year, in regards to where we're headed, it's international, so our customers looking to build more globally; adding new features and functionalities to specific verticals, so as they begin to grow and go into new areas of the market, we look to support them with our technology; and then, really, fuel our existing customers' success in areas like the Bill.com acquisition of Divvy, making sure that Divvy has what they need and then connecting that strategy to Bill.com.

So, as we look to broaden our revenue opportunities, it's those core areas that I've talked about. It's commerce disrupters, where are the new verticals we can enter and have a DNA match. We've seen continued growth, especially in buy-now-pay-later, as we saw in the fourth quarter. Then, we go into digital banking, more capabilities there. We had Block—for instance. Cash App launched a Teen card last year. Then, going into large tech giants, and then the large FIs. As we begin to move upmarket, especially landing companies like Citi, in regards to Tokenization-as-a-Service and launching that in 40 markets, we're really excited about more we're going to be talking about in the future around large FIs, but really focusing on the core four areas of where we've been able to really grow, landing new verticals, and then helping our customers expand.

Tien-Tsin Huang

Got it, that's very clear, Jason. So, just my follow-up to that, maybe on the expense side and hiring. I think you wrote down here that you guys ramped up your hiring in credit and digital banking. Do you feel good about the prospects of hiring the people, especially internationally, to do what you just laid out, from a people perspective? Everyone's asking about war for talent. I know that's been a theme for this earnings season.

Jason Gardner

Yes, the talent is not just a Marqeta problem, it's a global phenomenon, it's for all of us, and engineering talent, specifically, and product talent, specifically, is tough. I mean, it's very competitive out in the market. So, as we look to build more within credit—I mean, 50% of consumers in the United States hold credit cards. Credit is pretty nascent in other parts of the world, but we're going to see it grow. We know that Asia is going to become the largest card market in the world in the coming years. So, we continue to focus and build and add new features and functions in these areas.

As I talked about around credit, 2021 was really the year we were investing pretty heavily within credit. Towards the end of the year, we saw just the scale of our customers and really investing into that. But, a lot more to come in credit, a lot more to come in digital banking, not from a Banking-as-a-Service perspective, but more of all the core functionalities that build together. Our customers are coming to us, they want to build on Marqeta's platform once, and then build it globally. So, we look to add more and more features that they can take advantage of with our platform.

Tien-Tsin Huang

Got it, great. Thank you.

Jason Gardner

You're welcome.

Operator

Our next question is from Andrew Jeffrey with Truist. Please proceed with your question.

Andrew Jeffrey

Hi, good afternoon. Appreciate you taking the question. I wanted to ask a little bit more—the expansion and diversification of your business is really exciting, but, particularly, when I look at Block and the acquisition of Afterpay, can you talk a little bit about the potential for that customer actually—and I'm thinking about Cash App, in particular—accelerating, and maybe even comprising a larger portion of your revenue in '22, and maybe into '23? I just think if Block is truly successful in knitting together those two ecosystems and driving greater engagement, it feels like that could be an underappreciated growth driver for Marqeta. How are you thinking about that?

Jason Gardner

Yes, that's a good point. As we've seen, Afterpay is a great customer of Marqeta. The acquisition by Cash App makes sense, you know, to really grow their ecosystem, bring more opportunities to their cardholders, and then we see, even with Block—or Cash App acquiring Credit Karma's tax prep services, you see them diversifying, and obviously that drives more volume into the platform, and then drives more volume out of the platform. Our success is our customers' success, so we'll see that grow.

It's a good question about, like, if they really execute, can they grow more volume on the platform. For us, we hope so. I mean, that's how we make money. Their success is our success, again. So, if they're able to do that, then that's fabulous. They win, their customers win, and so do we and our shareholders. Our goal is to give them everything they need to be successful. That relationship we have with Block, specifically Cash App, Square Card, and now Teen Card, is obviously very, very important to us, and it's been very successful for both companies over the years.

Andrew Jeffrey

Okay. Yes, I look forward to seeing how that plays out. Then, just a little more clarity around Plaid, perhaps. Can you talk about the KPIs in that business? Is that going to be predominantly—is that predominantly going to be an interchange-driven business? It sounds like maybe there's some SaaS component to that relationship. I'm just trying to understand exactly how that compares with the issuing business.

Jason Gardner

Well, they do two core things for us. Number one is help us accelerate our go-to-market strategy, and then bolster our banking and money movement offerings for us. Again, most consumers know their user name and password for their bank, not necessarily their ABA routing number and account number, and the fact that Plaid works with 12,000 financial institutions, and their commitment to both information security, tokenized account verification process is just far more secure, that allows us to get more money in faster onto our platform through our customers. Then, we make money through interchange. So, they are connected. In some ways, they're sort of directly connected. Because, the more volume that ACH delivers from banks onto our platform, and the more money that is spent on cards, obviously, generates more interchange for us. So, this is about how do we speed up not only the ACH verification process, but how do we make it really easy for our customers to build better experiences for their customers on our platform.

Andrew Jeffrey

Got it, that's helpful. Sorry, I'm a little remedial, so I appreciate all the …

Jason Gardner

No, that's okay. I mean, think about this, this allows us to really diversify our product offerings and bring more extensibility of our platform to our customers, and just make it easier for them make money.

Andrew Jeffrey

Yes, makes sense. Thank you.

Jason Gardner

No problem.

Operator

Our next question is from Andrew Bauch with SMBC Nikko. Please proceed with your question.

Andrew Bauch

Hey, guys, thanks for taking the question, and nice set of results here. The first one is more of a technical point. I see that there's some investments in due diligence around potential acquisitions, so could you give us a sense of what you guys are looking at, or what kind of solutions you'd like to kind of bring into the platform that could help the offering?

Jason Gardner

Yes, I'll start with our goal is to maintain our first-mover advantage by leaning into product and tech. I mean, we are a product-led company, which means the product is at the center of our customer roadmap and our customer experience and our customer journey. So, how we think about is where can we unlock value for our customers. We recently added to our Corporate Development Team, as we plan to become more active. We strategically and opportunistically look at M&A to launch new products in verticals. We definitely view M&A as a way to get to the market more quickly, and where we don't have a core competency, and then, also, obviously, expanding globally.

Our business is pretty unique, in that card issuing processing is—modern card issuing is a global phenomenon, but it's different in every single country. So, as we go enter a country, especially countries where we see great opportunities both in card growth and other payment type growth, not only for Marqeta in the local companies in that specific—whether it's a continent or a country—but also for our customers. So, we'll look to, really, M&A to either fill gaps on our roadmap or to accelerate our product roadmap.

Mike Milotich

And if I were just to add one thing to that. I think the more reasonable valuations in the space are certainly helpful, and we have a strong balance sheet. We'll be disciplined about it, but we certainly think there could be opportunities for us to accelerate our plans, as Jason said.

Andrew Bauch

Yes, and probably could be a good new talent acquisition lever, as well.

Jason Gardner

You got it.

Andrew Bauch

My follow up is, thinking about the partners added post 2019, is there a good way that we can dimensionalize the growth in that part of your business? What I'm trying to get at is—you have a lot of these new partnerships and relationships coming on, and I would assume that you're kind of slow to ramp those up to their full run rate. I guess, what inning are we in on some of the new things that you have coming out, and maybe, call it like a wallet share gain type metric with your existing partners in that world?

Jason Gardner

I've talked about this in the past, and, certainly, Mike would appreciate this, is the unique thing about Visa and Mastercard is they have interconnected every merchant in the world, whether online or offline, that wants to accept payment cards. So, that solves—or what Marqeta solves for modern card issuing really is that last mile. We have seen a lot of customers, and very well known names of customers, come on our platform, and these were verticals that, even five years ago, we weren't really using as household terms, like on-demand delivery or buy-now-pay-later, or even expense management, and we identified those vertical early. We think there's a number of other verticals out there, as companies begin to grow, while servicing the existing verticals, which is how do we help a customer, like Affirm, spread their wings throughout the world and shorten the time to market for bringing merchants onto their platform, whether online or offline.

I don't know if there's a way to—we, obviously, don't break out specific verticals in regards to their growth, but I think the numbers Mike threw out about 2019, around our growth of 3.5 times net revenue in 2021 and 2019, is we've seen the success of the verticals. Now, we've gotten tailwinds from the pandemic, as consumer choice really changed in regards to not only how they order groceries and food, but how they actually shop.

Now, there's a number of other verticals out there, where both modern card issuing and other payment types are really important, not just here in the U.S., but other places international. We've talked about this in the past, and I think I talked about it in the beginning here. We process less than 1% of the carded volume in the U.S., which is $6 trillion, and then far less than that globally, with is $30 trillion. So, if you think about where we're at today, to your point, it's still very early innings in regards to not only growth that we believe will happen on our platform, but the growth internationally, both on existing customers, new customers and new verticals.

Mike Milotich

I was just going to add one thing. I think we still would expect for the growth to continue to accelerate from those newer cohorts. It does take maybe a year, or hopefully less, to get onto the platform, and then it takes several quarters to ramp up. So, we still see a lot of growth from those newer customers. Obviously, they're growing really fast and contributing more and more, but there's still more to come.

Andrew Bauch

Got it. Thanks, Mike, and congratulations on the new role.

Mike Milotich

Thank you.

Operator

Our next question is from Bob Napoli with William Blair. Please proceed with your question.

Bob Napoli

Thank you. Good afternoon. Welcome, Mike, to the call. You're there one month and you deliver a phenomenal quarter.

Jason Gardner

Two weeks.

Bob Napoli

That's a nice job. Right, two weeks. A lot of great questions have been asked, and I'm really intrigued by the partnership with Plaid and opening banking, and it seems like—is that a global relationship with Plaid? There's a lot going on in open banking in Europe. I mean, will you get deeper into open banking? Will Plaid be a channel partner, as well, I guess?

Jason Gardner

They're a channel partner today for just the U.S. right now, but, yes, I've actually—I've known Zach for many, many years. We've talked about, probably, a number of times that we're going to work together. We finally found a way to work together, which is how do we create a much better customer experience for our customers, and we're also big believers in open banking. As we see both neobanks becoming sort of on par with existing large financial institutions, this allows our platform to help those companies build more products and extend their wings. Our goal is to, obviously, spread more international. I've talked about before, a company named Lydia, which is a digital bank based out of France, using us. So, as we can bring more Plaid technology to other parts of the world, into 39 countries that we operate in, we'll certainly do that.

Bob Napoli

Thank you, and I'd like to know which new verticals you're going to invest in before you tell the world, so I can invest in some of those companies privately. But, as you look at your pipeline today of new business, how does it look versus—like, the mix, is there more international, more new verticals, the size of the pipeline versus new business. You guys have just had a steady stream of announcements since your IPO, but how does that pipeline look today and how is it different from maybe a year ago or a couple of years ago?

Jason Gardner

Well, it's different, in that—let me talk about three different vectors.

One vector is our existing customers and where they want to go, and maybe some of the new things that they want to build, so we're building out new features, new functionality to do that.

Number two is where are we building out in specific verticals, like credit, and where can our platform, based on new customers or existing customers—this is either through our partnership with FNBO or our partnership with Deserve—to help those companies scale and grow.

Then, third is really the international focus. We made these mistakes in the very early days when we went to Europe, we brought our U.S. playbook and we were told pretty clearly that, you know, "Your playbook doesn't apply here." When we go into new countries, we find different modalities of payments being used, and we find that there are customers that in that specific area that want to use us and use our technology, but we also discover, basically, new modalities. Like account-to-account transfer, for instance, that is something, "Hey, should we be looking at this and potentially using it within our platform?"

Again, our goal is to really unlock value by bringing tools to both customers and prospects to help them build more.

Going back to the pipeline, again, there's different ways we can go and look at this. I think, number one is we're less than 1% of the carded market in the U.S., much less than that internationally, so the vectors of growth are pretty significant.

Bob Napoli

Great, thank you, appreciate.

Jason Gardner

You're welcome.

Operator

Our next question is from Ashwin Shirvaikar with Citi. Please proceed with your question.

Ashwin Shirvaikar

Hi, guys, Jason, Mike, good results, and, Mike, welcome.

Mike Milotich

Thank you.

Ashwin Shirvaikar

I guess, let me start with what the right way is to think about sort of net revenue retention in 2022. It's, obviously, a very robust level that you guys have. Then, maybe a related question, from a margin perspective, your visibility into full year gross margins, given mix, etc.

Mike Milotich

Yes, I can take that one, Ashwin. I think that if you look at the revenue retention that we've had, in 2020, the number was 200%, and a lot of that was fueled by on-demand delivery, it was booming at that time; 2021, more BNPL-related; and then some additional ramp in digital banking, for example. So, we still think that—if you look at our client base and the way that they're expanding, and then they're even diversifying—as Jason mentioned earlier when talking about BNPL, sort of there'll be different flavors of BNPL and different ways to approach it, but continue to expand that offering. So, we still feel that—that number will come down, just like revenue growth has come down as the base gets larger and larger, but we still have an existing customer base that's growing incredibly quickly, looking to expand into new geographies, as Jason has also mentioned, and diversify their offering. Those are all things that we're helping them with. So, we see this as something where this rate, retention rate can remain quite high. It will likely come down as the base gets bigger, but it's still a very high number compared to most companies would enjoy.

Then, your second question, in terms of our visibility on the gross profit margin, yes, I mean, I think that it's harder to project in the short term, because you don't know sort of what the mix of volume is going to be, but if you look out over a longer period of time—like, in this case, sharing what we expect for all of 2022—then a lot of those shorter term impacts kind of move away and you're getting a much bigger mix of volume that is a little bit more predictable. There still could be some variability there, but when we look at the size of our business, the behavior that we've seen to date, and where we expect our customers to expand, we feel like we have a reasonable ability to project it, and, then, obviously, as each quarter goes by, we'll share details as things change.

Ashwin Shirvaikar

Got it. I really appreciate the cadence comments that you had, but just to put a finer point on it, as I think of Q1 versus Q2, could you quantify the tax impact; and looking further out, the true-up impact from network incentives versus upside due to BNPL, because I think the latter might discontinue, as true-up, obviously, is one-time in nature?

Mike Milotich

Yes. So, I think, if you look at the tax impacts, it's hard to know exactly when people will file and get their refunds, but we are already starting to see that earlier than what we had seen last year. Right now, I guess our assumption is it'll sort of roughly be split between the two quarters. Some of it will come in in late February and March. Some people won't file until the deadline, right, and so then you get the benefits of that in more April and early May. That's what we're expecting, but it's really—that's, I guess, what we've assumed, is maybe what I should say, but it's a really hard thing to know, because it really is based on how quickly people will decide to file.

Ashwin Shirvaikar

Got it. Thank you.

Operator

Our next question is from Josh Beck with KeyBanc Capital Markets. Please proceed with your question.

Alex Markgraff

Hi, this is Alex on for Josh. Thanks for taking the question. I wanted to check back in around the crypto vertical. I may have missed it. I don't think we've heard anything in the prepared remarks. Would just appreciate any thoughts around fourth quarter momentum and kind of what you're excited about in this vertical looking into '22.

Jason Gardner

Yes, thanks, Alex. As we've talked about in our last quarter was our platform acts as a gateway between fiat and cryptocurrencies for partners, like Coinbase, Bakkt, Fold, Shakepay, and we're seeing a lot of incoming interest about this capability, even as we see pretty large swings in the price of crypto, a number of types of crypto in the market. In the Marqeta platform, crypto innovators now enable their customers to make these fiat purchases, and we're now finding that they are wanting to—consumers are finding that this is a nice product to have, especially holders of crypto. For instance, Coinbase users can swipe a Marqeta-powered card at the point-of-sale and we send an authorization for notification to Coinbase to check the user's crypto balance. Once they approve, Coinbase sells the crypto for fiat and funds the transaction. All this happens in real time, really creating a seamless experience for Coinbase users to spend their funds directly from their wallet, without having to transfer funds.

We don't break out specifically how each customer is doing. I will say we are seeing significant traction from these customers. Revenue from these customers is now in the millions, whereas last year it was almost nonexistent, and much like we did for our verticals, like on-demand delivery and buy-now-pay-later, using our JIT Funding, our just-in-time funding technology, to go build this. So, we're excited about the vertical, we're investing more in it as we see demand increase, and, as we've heard in the last couple days, President Biden is signing an order to look more and more at regulation. I'm somebody who thinks that regulation in the crypto market is actually important, and, in some ways, is going to unlock more value for companies like Marqeta and our customers.

Alex Markgraff

Great, I appreciate all the thoughts there. Maybe just lastly, with respect to the Citi relationship, do you view this as, more or less, representative of the kind of size and scope of the opportunities in the FI pipeline? I'm just kind of thinking about the initial land opportunity.

Jason Gardner

Yes. Just to put a finer point on that, I mean, we've talked about during the roadshow, in the last few quarters, large financial institutions is an important part of our strategy. We're in the picks-and-shovels business. We power—we have this DNA match naturally with commerce disrupters, where they needed picks and shovels to go build their businesses, and now we've attracted different types of companies, especially now in the large financial institution space, where they're wondering, "Hey, how do we use Marqeta's technology to help us build new features, new functionality and new businesses?" So, it's something that is a strategic imperative for us and something that we will be focusing on and talking about more in the future.

Alex Markgraff

Perfect. Thanks, guys.

Jason Gardner

You're welcome.

Operator

We have reached the end of the question-and-answer session and I will now turn the call over to Jason Gardner for closing remarks.

Jason Gardner

Thank you, Kyle. Thank you to Mike. Two weeks on the job, joining us for Q4 of '21 earnings. Also, thanks to Stacey. Thank you to everyone that asked questions. Thank you for everyone joining the call. Have a great 2022. We very much look forward to talking about our Q1 of '22 results, and we'll let you know sometime in future when that's going to happen. So, thank you again, and stay safe. Take care, everybody. Bye-bye.

Operator

This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.