Marqeta Investor Day 2023 Video (MA230411)

Welcome

Stacey Finernman:

Good afternoon and welcome to Marqeta's 2023 Investor Day. My name is Stacey Finerman, Head of Investor Relations for Marqeta.

This investor day presentation contains forward-looking statements, including statements regarding our addressable market and our expected market opportunity, our business strategy, our products, and their capabilities, and our future operations among others.

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 annual report on Form 10-K for the period ended December 31st, 2022. And our subsequent periodic filings with the SEC. Actual results may differ materially for many forward-looking statements we make in this presentation. These forward-looking statements speak only as of the time of the recording of this presentation, and the company does not assume any obligation or intent to update them except as required by law.

In addition, this presentation includes certain non-GAAP financial measures. These measures should be considered as a supplement to, and not a substitute for, GAAP financial measures. Definitions for these non-GAAP financial measures can be found in the slides for today's presentation.

We have a full agenda plan for today.

First, we'll hear from our CEO, Simon Khalaf, who will give an overview of Marqeta and our investment thesis. He will also discuss the unique and sizable opportunity ahead of us.

Next, we'll hear from Todd Pollak, our CRO, to discuss our differentiated platform. We'll also hear from Randy Fernando, who will highlight our recently launched credit platform.

Todd will discuss how we marry the opportunity and platform with a go-to-market effort focused on strategic selling. Sarah Hauber will walk us through how our solutions team brings our clients' visions to life.

Last, we'll hear from our CFO, Mike Milotich, to walk through the progress we have made over the last year and how our financial model is expected to scale in a profitable way over the next few years. He will end with an overview of key points from this presentation.

Now let me turn it over to Simon Khalaf, our CEO.

1- Marqeta Overview

Simon Khalaf:

I would like to welcome everyone to Marqeta's first Investor Day. We have lots of great content to share with you today. I'd like to start by grounding everyone with an overview of Marqeta, including the foundations and principles that have fueled our success to date and will power our incredible future.

Financial services in general, and payments in particular, are one of the last frontiers of modernization through software innovations. Modernizing financial services by making the entire payment experience, not just the checkout, a native and delightful experience, is Marqeta's platform promise. We are achieving that one customer at a time with plenty of room to grow.

Before we dive into Marqeta's business and our growth, let us just talk for a minute about where we fit in the payment ecosystem.

Behind every tap, swipe or payment, there's a lot happening behind the scenes.

In fact, there's a major industry undergoing a transformation. Marqeta is transforming issuer processing to revolutionize card payments.

The modernization of payments started on the acquiring side of the ecosystem over a decade ago with a proliferation of e-commerce. In just the past few years, we and Marqeta, have led the movement to modernize the issuing side, which is a lot more complex. In addition to changing the way consumers and businesses interact with payments and banking services.

That movement delivered phenomenal growth on the Marqeta platform over the past few years. In fact, our total processing volume has grown 10X since 2019 and is now expected to exceed $200 billion US dollars in 2023.

Our platform supports dozens of diverse and global use cases, with the largest being Neobanking, on-demand delivery, point of sale lending, expense management, and accelerated wage access.

To put our growth into perspective, in 2022, we were the fourth-largest debit card issuer in the United States, and we grow many multiples faster than the debit market. This only takes into account the cards issued by Marqeta, when Marqeta acts as the program manager. This is a great accomplishment, given the complexity of issuing and processing, especially when that growth happened in just the past five years.

Our growth wouldn't have happened without great customers, the innovators, the brands that we use and love every day as consumers, as business owners and as employees. Our symbiotic relationship has thrived and allowed them to innovate and grow and enabled us to continuously enhance our platform that fuel their growth and ours. Brands like Square, Cash App, Uber, Instacart, Klarna, Bill and Ramp, and many others are just a few innovators leveraging the Marqeta platform to deliver a great customer experience.

We have accomplished a lot, but we have barely scratched the surface of the total market. In fact, we are only about one and a half percent of the total processing volume on the Visa and MasterCard networks in North America and Europe, the market in which we have most of our volume today. What excites us about our future growth prospects is not only do we currently have this very small share, but the card market is also growing nicely as cash and check gradually get displaced. We've achieved the share to date by focusing on fintech. We're confident we will command a larger share of the market in the coming years, as the emergence of embedded finance demand has unlocked a larger opportunity for us. We're starting to enable brands with impressive consumer reach to embed financial services in general and payments in particular in their products and deliver it to their installed base. We believe that the embedded finance opportunity represents a new growth opportunity for us, while continuing to grow our fintech business. Eventually, our modernization wave is expected to also hit the large financial institutions.

Our confidence is based on true customer needs. Consumers are more than ready to start taking advantage of embedded finance products. First, they want their financial services products surfaced in a native digital way. Second, 64% of millennials are interested in looking to brands to surface financial products.

At Marqeta, we're listening to customers, unlocking the value chain to deliver on their demands. In the past, the legacy setup entailed banks delivering the entire value chain, the regulated entity, the balance sheet, the product and the customer experience. In the modern approach, gaining traction, the value chain is unlocked and streamlined. This allows every entity to focus on its core expertise. Banks will provide the chartered banking entity, treasury and balance sheet as it did in the past. Marqeta provides the innovative platform full of application and services, but the brand controls the customer experience leveraging the Marqeta platform. All three players can now focus on their core expertise, delivering the best customer experience while keeping regulatory compliance at the center. The end user gets the best of all worlds.

We are the enablers of modernization because our platform has scaled and is comprehensive while moving at the speed of innovation.

Our platform encompasses debit, prepaid credit, banking and money movement, as well as risk management. We are the tech layer that bridges the bank and the brand. All of which sits on a scaled, fully cloud-based platform that evolves quickly and at relatively low cost. We also deliver robust card program management, allowing brands globally to simply embed Marqeta in their offering without having to build financial services, program management, compliance or customer support services. We do it for them, enabling our customers to have more control without the burden of running a card program. All they have to do is plug us in and together, with our bank and network partners, we deliver delightful services to their end customers.

There are four key pillars to the foundation of our platform, which enables us to deliver sustainable growth:

1. Rapid innovation, to move at innovator speed
2. A comprehensive ecosystem of partners to help our customers deliver unique offerings with greater economies of scale
3. Trust is earned with compliance and redundancy across global coverage. When it's payments, it has to be reliable.
4. And finally, world-class partnership that enables our customers to leverage our unique expertise including program management

Over the past 18 months, Marqeta has executed and transformed on many fronts to deliver sustainable growth in a cost-effective manner with a focus on continuous improvement and ROI to our shareholders:

1. We've added credit to our portfolio of products, unlocking roughly half of the card market we previously did not serve.

2. We've expanded our capabilities to be more than a card issuer processor with the addition of risk management and banking and money movement products. This allows us to deliver a comprehensive and scaled solution to our customers who need many supporting services to maximize the benefit of their car program, such as variety of funds, in and out options and account types, bill pay functionality and fraud management.

3. We've unleashed the power of AI to help optimize the services we deliver for customers across both speed to market and cost of ownership.

4. We've renewed customer contracts representing over 75% of our Total Processing Volume or TPV in the past six quarters, which required a short-term financial impact, but establishes a stable base on which we can accelerate growth in the coming years. This demonstrates the trust we have earned with our customers.

5. We evolved our go-to-market approach to shift more towards solution selling rather than point solutions, which was necessary to expand successfully into embedded finance. The results are promising, with over 35% of our bookings from the last 12-month coming from embedded finance customers.

6. We've accomplished all of this while significantly optimizing our expense base on our path to profitability. We reduced our annual headcount related costs by $40 to $45 million through restructuring and optimizing our technology suppliers, reducing our technology spend run rate by over $10 million.

Lastly, we feel like we have the leadership we need to help take Marqeta to the next level.

Before talking in detail about the growth opportunity ahead of us, let me wrap up this section by sharing what Marqeta stands for and the customer-centric principles that fuel our success.

First, we're legacy liberators.

We help our customers and the communities they serve break molds, challenge the status quo, and turn ingenuity into action by breaking away from the limitations of legacy approaches.

Second, we're proven protectors.

Businesses and livelihoods around the world rely on our work with compliance and security built in and a platform tested at scale. Our customers have the confidence, they're safe and ready for what's ahead.

Third, we're vision enablers.

We have the technology that can flex with our customer's imagination. In a world where no two moments or consumers are the same, we put our customers in control.

Fourth, we're delight deliverers.

We turn obstacles into opportunities for our customers by making the complex simple and the fractured seamless. We enable elegant embedded finance solutions so our customers are able to deliver unique experiences that delight.

Lastly, we grow together.

Our customers are the heart of our business and the key to our success. Our integrated and extensible platform is inspired by their ambitions. Marqeta is a trusted advisor ready to ensure their success.

To set the stage for the rest of the material today, let me quickly highlight how well positioned Marqeta is to capture the out-sized opportunity ahead, which will ultimately drive shareholder value.

We have achieved great scale with a focus on fintechs, but we're also in the opening innings of what we see as a secular shift into embedded finance.

We believe we offer a comprehensive scaled and global platform, and that our go-to-market focus on full solutions positions us extremely well in the embedded finance market, both in North America, Europe, and all the countries we operate in.

While 2023 was a transition year for us, as we renewed contracts amounting to 75% of our TPV over the last six quarters, we believe that starting in 2024, our financial flywheel will come into play. As the new bookings from the last 12 months will start contributing to revenue and gross profit growth. The platform and operation we've delivered give us a stable foundation to build sustainable and profitable growth.

2 - Market Opportunity

Simon Khalaf:

Now, let's discuss the large market opportunity ahead of us in more detail.

Here are some items I will be discussing in this section:

- The card market is still growing
- Why modern issuing processing is poised for growth by taking share of this very large pie
- The exciting and immediate opportunity around embedded finance.
- And finally, the opportunity with large financial organizations that we expect to capitalize on in the years to come.
- The card volume in markets where Marqeta operates is enormous, at over $15 trillion estimated as of 2026. Again, we're barely scratching the surface at over $200 billion of volume expected in 2023.

- And while many secular trends are fueling continued growth, there's still plenty of room for cards to capture additional share as more and more spending moves from cash and check to card. Both physical plastic or virtual.

While we're proud of the growth we have shown, we've only addressed half the estimated US market with our debit and prepaid offering.

- Credit is new to Marqeta and presents a growth opportunity given its half of the estimated market in the US
- Credit is also projected to grow faster than debit in the US
- There are large opportunities in both commercial and consumer, but it's important to note that 80% of the market is consumer, where Marqeta is more differentiated. Consumer can be significantly more complex, which is why we have modern issuer processor competitors who only focus on commercial.

While our contribution to the market is still small, compared to the overall size of the market, we believe we are well positioned to increase our share of the market while also contributing to its growth with innovative solutions.

- Our journey started with fintechs, and that has fueled our growth to date with great use cases such as on-demand delivery, buy now, pay later, neobanking and expense management.
- While our fintech business will continue to grow, we believe the next significant wave of growth will come from embedded finance over the next few years. Eventually, several years from now, large financial institutions will respond to meet the demand for capabilities delivered by modern processing.
- We believe that consumers and businesses have seen the value of great products introduced by fintechs, and they simply want the brands they love to embed them, and their banks to follow suit.
- The good news for Marqeta is that this is not an or, it's an and. We plan to grow our fintech business and we plan to accelerate our growth with embedded finance, giving us the scale several years from now to work with large financial institutions to serve their customers better.

A rising tide of demand for modern processing capabilities has been seen before in the payment ecosystem about a decade ago.

- The rise of modern acquiring platforms began as more spend moved online in the shift to e-commerce. The subsequent demand for omnichannel commerce enabled modern acquirers to take significant market share away from legacy providers, and they continue to gain share each year as the shift to modern continues.
- We believe Marqeta was the pioneer of that similar shift on the other side of the payment ecosystem toward modern issuing and processing, starting about five years ago.

- The modernization of issuing simply took longer to develop because we believe the complexity is significantly greater from the ledgering to the compliance burden, particularly for consumer programs. But with that complexity comes a high degree of stickiness and barriers to entry in issuer processing, which is a benefit to Marqeta.
- There are also fewer issuers than there are merchants, and the higher concentration could lead to faster modern share gains in issuing than what has been seen or projected in acquiring.

Although fintech got the movement started, we believe the next wave in this volume shift towards modern issuing platform is embedded finance.

Embedded finance can mean different things to different people, so let me share how we define it for Marqeta.

- There are two critical ingredients, native integration and non-financial enterprises.
- It starts with a company whose core business is not financial services, and that company offers financial services product in a matter that is natively embedded into their existing customer experience. It is seamless.
- To put it simply, you don't have to go to the bank. The bank comes to you, where you already spend.

Fintech showed the art of the possible for established companies to offer similar services via embedded finance.

The market is enormous, and we believe Marqeta is positioned at the forefront. We have the experience supporting large programs. Our technology platform is tailor-made for the desired capabilities and our go-to-market strategy is focused on this incredible opportunity.

Here's how we think about Marqeta's expansion from fintech to embedded finance.

- Initially, fintechs offered products focused on point solutions like buy now, pay later, on-demand delivery and expense management.
- Neobanks could be thought of as a modern co-brand by more embedded into the brand experience, not controlled by the bank.
- These point solutions were innovative and the fintech core business, their sole focus.
- Therefore, Marqeta's go-to-market approach and distributions channels would highly focused on these specialized needs.

With embedded finance, our target market has not changed. It's simply approaching the same consumer and business needs from a different angle. It's not a pivot. It's an expansion of our reach into the very same market we were already serving.

Now, enterprises across industry can offer multiple financial services to their constituents to improve the user experience, enhance loyalty, and add another monetization engine to their existing business.

- This creates a greatly expanded opportunity for Marqeta to provide a suite of offerings across a broader spectrum of solutions and end customers.
- There's room for expansion. We believe that anywhere that money is moved is an insertion point for us.
- Our complete solution with debit, credit and program management in a single platform operating at scale in many countries, we believe positions us really well to capture this emerging opportunity.

For example, a large retail marketplace could start with a co-brand for consumers, then offer consumers more payment options with embedded point of sale lending and offer working capital to the small business sellers via expense management. Or in a different order that better meets their immediate needs.

Now that we've defined what the embedded finance market is, let's dive into the numbers that speak to the size of this opportunity.

- Embedded finance represents an expansion of fintech and neobanking into something much bigger.
- The overall market for embedded finance is already large and growing at 20% CAGR projected to reach over $7 trillion in volume by 2026.

While the opportunity for embedded finance is massive and will be diverse over time, currently, we're seeing the most demand in three areas that we believe Marqeta is particularly well suited for.

Accelerated wage access, B2B, and many variations of co-branded credit.

These are just a few of the use cases in our pipeline today, but they are the most significant. All embedded finance use cases represent growth accelerants and market opportunities for Marqeta.

Accelerated wage is a great example of an opportunity that has existed for decades, but there were not practical solutions without the capabilities of modern technology. It's a $2 trillion market driven by workers who desire financial flexibility.

Think about this. 72% of Americans are more interested in a potential employer that offers immediate payment options. Why? Because 61% of Americans are currently living paycheck to paycheck, yearning for the way to increase control over their financial lives.

The tailwinds are strong. There's a marketplace of 59 million US gig workers and 79 million US hourly workers who stand to benefit from accelerated wage access.

We're already witnessing the enthusiastic embrace of our solution from our customers, which provides a user-friendly experience for our customers' employees, and a proven monetization engine all while not constraining our customers working capital. In the month of September, this use case drove over $200 million of Marqeta volume, which is more than 2X the volume in January, just eight months ago.

B2B payments is a huge diverse market as businesses look to streamline operations, manage cashflow and automate reconciliation to reduce costs. It represents at least a $1.8 trillion volume opportunity for Marqeta.

- Card volume in B2B continues to capture overall payment share with room for growth. 40% of B2B payments are still on checks.
- Two-thirds of B2B buyers are opting for digital self-service features, which we believe is contributing to an 18% forward CAGR for this market.

The combination of the flexibility, configurability, and control our platform provides our customers is uniquely suited for this market. Expense management, which already contributed $8 billion in Q3 to Marqeta TPV is only the beginning. Co-branded credit cards already represent many of the largest card programs. That success was captured mostly with a one-size-fits-all all approach that was not unique to the brand and certainly not controlled by the brand, with banks in the driver's seat.

However, we believe a modernization wave is coming, fueled by the innovative brands who believe co-brands should gain even more prevalence as those businesses drive loyalty among consumers and SMB suppliers. Co-branded credit cards are over a trillion dollar volume market.

- Marqeta is well-positioned to facilitate this future growth, as we put our customers in control. 69% of cardholders say they're more likely to buy from the brand that issued the card.
- And over 70 million Americans were using co-branded credit cards as of 2021. And we believe the next iteration and generation of co-brands will utilize Marqeta.

And don't forget about the co-branded debit market as well. Although co-branded debit was limited only five years ago, neobanks with integrated digital experiences are showing what is possible and have gained significant traction. Debit could be paired with co-brand credit to serve those users who don't qualify for credit, increasing their engagement and loyalty opportunities for our customers.

We believe large financial institutions already see the need to modernize their offering and react to the changing needs of their customers. Expense management is a great case study. Five years ago, almost all expense management and corporate card spend was issued directly by financial institutions. Now, a significant share of that business is captured by companies like BILL, Ramp, and Expensify, leveraging Marqeta's platform.

- While many financial institutions recognize the shift in the market, we believe their technology is not suitable to support the modern needs of their customers, hampered by multiple inflexible technology stacks they've assembled over the years.
- Many financial institutions, such as JP Morgan, Bank of America, and Capital One are spending billions to overhaul and modernize their tech stacks.
- We believe those investments will enable these companies to leverage a platform like ours, to offer native digital experiences to their customers.

But these investments take time, which is why we expect the primary growth engine for Marqeta in the next several years will be embedded finance, as well as fintech.

In the meantime, we expect serving established enterprises with embedded finance ambitions will position us well to ultimately capture the large card programs at financial institutions.

Our success in embedded finance will help primarily in three ways:

- Provide further proof that the Marqeta platform is highly reliable and operating at a unique scale among our modern peers. This is critical, given the scale in which the financial institutions operate.
- Demonstrate we support large established companies who tend to operate quite differently than fintech companies who were founded more recently and built with modern technology from the start.
- Gain more experience flipping multiple card programs over to our platform, which requires expertise to execute smoothly and minimize the disruption to the issuer and cardholder. We already have won more than five significantly sized flips in the past year and a number of smaller program conversions.

In conclusion, we have an immense opportunity ahead of us:

- Marqeta is barely scratching the surface in our current markets, with tremendous opportunity as our penetration share grows.
- Our market opportunity is also evolving with strong innate growth supported by significant market tailwinds.
- We believe Marqeta's at the forefront of the embedded finance growth trend and well positioned to capitalize on the shift from point solutions to larger enterprises offering multiple financial services solutions to their already established customer base.
- Large financial institutions are already spending billions to modernize, and we believe they will need our solution to deliver modern offerings to their customers. As we gain traction in embedded finance, our experience should position us well to capitalize on the large financial institutions' market needs.

Of course, the key to capturing all of this opportunity starts with the Marqeta platform, so I will now pass it over to Todd Pollak, our Chief Revenue Officer, to provide an in-depth view of our platform capabilities.

3 - The Marqeta Platform

Todd Pollak:

Thank you, Simon.

You've just heard Simon talk about the large, growing, multiple trillion dollar market opportunity in front of us to pursue.

Marqeta is a platform company, so let's dive into the comprehensive capabilities we offer and how they enable unique issuing flexibility and control for our customers. Our platforms differentiate on many fronts, including in our recently launched credit offering.

We hear time and time again from customers that Marqeta finds a solution to overcome challenges, enabling us to say yes, where other providers simply say no.

Why is that? It's really because of four things.

We are **modern**, with a **scalable, cloud-native infrastructure** and a suite of world-class APIs to enable customers to build whatever they need.

We have a **comprehensive suite of capabilities**. Our core issuing and processing capabilities enable companies to build complete solutions for debit, prepaid, or credit cards across both consumer and commercial use cases. We can do what legacy issuers cannot, with spend controls and just-in-time or JIT funding, and we're proven at scale, where our modern competitors fall short. We've surrounded those core capabilities with a portfolio of account and money movement options, a comprehensive risk offering, and a number of different applications and services to ensure our customers are successful.

These capabilities are highly **configurable**, giving our customers deep control over how their solution comes to life. This is one of the key reasons Marqeta has been successful. We empower our customers to build a solution that's tailored to their customer needs.

Finally, we overlay robust **program management expertise**, so we can help our customers execute a card program when they lack the desire to manage the nuances of the payment industry, either because their knowledge is limited or they simply want to focus on their areas of expertise.

Our platform is built to work with companies at any stage of growth. It allows our customers to build with one partner. What they need today will look very different from what they need three years from now, and we can support them on any trajectory. Alternatively, when companies work with multiple partners, they're forced to stitch together a solution that can be hard to maintain and even harder to innovate upon, because they need to get every partner moving in the same direction. You can only go as fast as your slowest partner.

Let's double-click on each component of the platform to further explore the capabilities.

Our platform is cloud-native, giving us the ability to innovate, evolve, and scale to meet our customers' needs, with high levels of reliability across multiple geographies.

Over the past five plus years, we've grown our annual processing volume, such that we expect TPV for 2023 to be over $200 billion. This is 10 times our 2019 volume. We're supporting that volume with consistency and reliability, delivering four nines of uptime, giving our customers full trust we can support even the largest programs. Our platform is running out of multiple cloud regions to ensure any disruption in our service is minimized.

We're certified to operate in over 40 countries, all on a single platform, so our customers can easily build a solution once and scale globally. Or they can build multiple solutions across multiple different regions, allowing for local nuances that matter for success, all with a single vendor on the same proven technology. For example, one of our 10 largest customers has launched two distinct solutions across nine total countries. Three of those countries were launched in the last year alone, with another expected to come before year-end.

We've also been very intentional about our expansion into Europe, where we've done the extra work to set up our cloud architecture so that European cardholder data is stored locally. This enhances the privacy of European cardholders and reinforces the brand promise of many of our European customers. This is a critical expectation for European-based companies, enabling us to compete with local European competitors while differentiating against multinational firms who sometimes haven't made these investments, as it's not officially required, just strongly preferred.

Our core platform gives our customers high levels of control and flexibility to build and grow their card programs.

While it might look simple to the end user, our customers have to navigate a number of critical regulations and challenges to design, build, and service a solution that truly aligns with and amplifies their business. This is where the comprehensiveness of our platform really stands out.

Our modern platform that can issue debit, prepaid, and credit cards across both consumer and commercial use cases. After being the first to launch instant issuance for Apple Pay back in 2016, we continue to be an innovator in the virtual cards and tokenization space. Just this year, we enabled web push provisioning for tokenized cards, which unlocks new use cases for our customers, such as enabling BNPL companies to provision a card for a consumer directly in the onboarding experience, without making them take the extra time to download an app.

We give our customers granular control over how cards are processed. We were a pioneer of just-in-time funding to enable companies to issue cards that carry no balance until the time of transaction, including giving our customers the ability to authorize the transaction from within their own system. This is what prevents on-demand delivery drivers from making purchases that don't match the exact order they're picking up. Or enables a crypto company to look up a customer's crypto balance in real time to authorize a card transaction using fiat currency.

Additionally, our granular spend controls and user hierarchies enable customers to have an extra control over how cards are used to mitigate fraud, or give each card user a different level of spending privileges and expense management. Our program funding options give companies flexibility to manage their working capital while supporting their pre-funded programs. In a high interest rate environment, our customers want cash to be working all the time, so we provide customers a number of ways to minimize the amount of cash that needs to be held up at a bank awaiting settlement and maximize the interest they earn on those cash balances.

Finally, when our customers come to us to build a payment solution, many are not just building a card, they're building a payments experience. One that's useful enough for cardholders to ensure adoption, continuing engagement, and of course the card spend that will result in revenue for our customer and Marqeta. We enable multiple options for funding the experience and more spend features for using those funds. This creates a virtuous cycle, where there's more money in an account, such as a consumer connecting their direct deposit to that account, which results in more usage and spend, which in turn drives additional consumer interest in more features, ultimately giving them even more reason to keep adding funds to the account, continuing the cycle of success for our customers.

There are many elements to running a successful card program, such as mitigating fraud, delivering an attractive rewards proposition, or creating a compelling user experience. Our suite of applications and services are seamlessly integrated into our core platform, which gives our customers the tools to manage critical elements of their program without having to stitch together a series of third party vendors or build them themselves.

Fraud is a very real problem for companies managing a card program, both in terms of losses to the program, as well as its impact on the customer experience. Our risk control offering was built specifically for issuers to manage risk and compliance without adding friction to the card holder experience or limiting spend growth.

We provide our customers with a menu of 50 unique rules that have been developed by Marqeta based upon data from billions of transactions we've processed. Customers can also tailor their own custom rules, utilizing their own unique user data to get more granular and specific to their own needs and risk tolerance.

There are a lot more components to managing credit versus debit, and our power acquisition earlier this year brought a fulsome set of modern credit services to the Marqeta platform. These are not one size fits all credit services that are common in issuing today. We are ready to provide our customers with a flexible underwriting model that's suitable to their specific business, even infusing their own relationship data inputs to supplement how they underwrite users. This is paired with a powerful rewards engine to drive loyalty through dynamic personalized rewards that enable a unique experience tied to the brand. You'll hear more about this in our other credit capabilities in a few minutes.

The Marqeta dashboard is a comprehensive self-service portal that empowers our customers to access and manage all aspects of their card program.

- Operation teams manage program parameters, card controls, credit policies, issuing and closing cards, and designing card art.
- Risk ops teams can access our RiskControl capabilities to build and implement rules that can go live into the off flow within seconds.
- Program admins manage users and permissions.
- Customer support agents access an action on customer information and manage disputes.
- Decision makers and analysts access rich data and reports to gain a better understanding of program performance.

And lastly, user experience is an essential part of all Marqeta programs. Historically, it's been hard for companies running a card program to embed an experience into their existing brand, web properties and mobile apps, forcing them to send customers to their bank's website or app. Marqeta makes it easy for our customers to completely integrate the card experience within their digital footprint. For a fully bespoke experience, they can use our APIs to embed the experience into any app or website. And for our credit card customers, they can select a fully bank approved UI template that's purpose-built for managing a credit card.

A key component to our success and why companies love working with us is our modular approach to building products, anchored by our well-documented, easy-to-use APIs.

We don't give customers a monolith that they need to take off the shelf. We instead provide customers powerful building blocks, like a set of Legos, to construct the experience they need.

We have APIs for every element of what goes into a program, from the core platform technology that enables a card program to the ancillary services like risk, that are required to make that program successful, to sharing data real time across systems to ensure that both our customer and their cardholders have a rich experience.

These APIs are combined with our web hooks for building in custom notifications. And with our trusted, respected program management guidance, customers can mix and match those elements to build a comprehensive payment solution and embed it into their existing products and services.

Designing, building and managing a card program is a complicated endeavor, with financial and brand risks if not done in a compliant way. This involves multiple partners, such as the sponsor bank, the card network, and third party vendors for things like card fulfillment and dispute management. And more partners mean more approvals, complexity, and expertise is needed to execute well.

That's a lot for any company to take on, even ones with deep experience in the payments industry. That's why most of our customers utilize our program management capabilities, leveraging our payment experts and the many years of experience supporting some of the most innovative payment programs in the market. We can provide these critical services cheaper and more effectively than our customer could do it themselves, freeing them up to focus on maximizing the outcomes of the card program.

Although program management has driven a lot of value for our fintech customers, these services will be even more important to embed in finance customers whose core business is not in financial services.

All of these platform elements are brought together to create powerful and unique solutions. Let's quickly walk through an example of an accelerated wage solution, which helps employees get paid faster while protecting the financial interests of both the employee and the employer. The employer issues a debit or prepaid card that can be easily funded as soon as the work is completed. It's an easy and inexpensive as making one additional entry in a ledger. The company earns money from the interchange fees when the card is used and employees benefit from getting paid immediately.

- In this example, the company establishes an account where wages are paid daily, so they can be accessed immediately via a debit card.
- To incent spending rather than ATM withdrawals, the company includes a rewards program with the card that's dynamic and changing based on the preferences of each card holder.
- Card controls and data rich APIs are utilized to design special features like budgeting controls to help the user be more financially responsible.
- Our Bill Pay solution is enabled to make the account more functional, allowing the worker to pay major billers right from the solution.

- A separate savings account is offered, where interest can be earned on balances, helping the worker save.
- And finally, the product also has credit builder functionality, so that additional financial products, like access to credit can be utilized by the worker in the future, driving further loyalty to the company.

All of this comprises the platform we believe is truly differentiated from both our legacy and modern competitors. We stand alone when prospective customers are looking for a partner that:

- Supports debit and credit, consumer and commercial on a multinational basis
- Offers a comprehensive and truly modern flexible and configurable solution that has both proven scale and reliability
- All supported by robust program management capabilities to reduce the burdens of payments, and helpful experts who are invested in your success

That is the Marqeta platform.

Who better to highlight the benefits of our platform than the voice of the customer? So, what keeps our customers happy? Our own customer survey results help illustrate; 76% cite the ease of use of our platform, 74% values the partnership, 62% appreciate our help with scaling their program, and 58% are pleased with the innovative products we provide.

Earlier this year, we significantly expanded our credit capabilities with the acquisition of Power Finance, which massively expanded our opportunities for growth. Last month at Money 2020, we unveiled our credit card platform. I'm going to turn the presentation over to Randy Fernando, our head of credit product, to discuss further.

4 - The Future of Credit

Randy Fernando:

Thank you, Todd.

Previously, I was the founder and CEO of Power Finance and joined Marqeta in February of this year as a part of the acquisition.

Over the last nine months, we've been heads down preparing for the launch of the new credit platform. And at Money 2020, I was happy to share the exciting news of our launch with the world. We finished the integration of Power into Marqeta in June, and have now unlocked both consumer and commercial credit capabilities with our Managed By Marqeta offering. This is an incredible achievement in a relatively short amount of time.

Put simply, credit is hard.

Existing solutions are generally inflexible and limited, have a high cost of ownership, and have a long time to market lead times. Formulaic underwriting for credit card approval also creates challenges for individuals with limited or poor credit history to access credit cards.

Historically, companies have used co-brand credit cards as a tool to engage their customers and reward them for their loyalty, but these offerings haven't evolved much and they all generally have similar value propositions. For example, we are all likely to get the same rewards from an airline co-brand card despite our differences in interest and spend behavior. In fact, our data shows that 74% of U.S. consumers believe there is room to personalize rewards based on individual spending habits.

Over the last ten years, innovative technology companies have delivered amazing digital experiences. However, incumbent credit card providers, typically large FIs or other legacy issuers lack the tooling and technology to innovate and accommodate the evolving needs of some of today's largest and most innovative brands. The current status quo creates a great opportunity for Marqeta.

Let me give you two examples that are from real conversations we've had with prospects over the past few months to illustrate just how little credit has evolved.

In the past, it was extremely cumbersome to manage a growing card program. We've had customers share their experiences launching something as simple as a new marketing program and the need to submit business plans to an issuer as a part of a nine plus month approval process. At Marqeta, we provide our clients with templates to expedite this process to keep them focused on growing their successful card programs.

Another example of the complexities associated with managing a credit card program includes the regulatory expertise needed to operate a program. There is even a recommended font size for cardholder agreements. These types of details are incredibly important to help our customers deliver an innovative, yet compliant experience for their cardholders.

While Marqeta did offer credit processing prior to the Power acquisition, we previously utilized partners for credit program management. However, prospective customers often expressed their desire to have Marqeta do more, just like it works for debit. This meant Marqeta providing the entire solution and experience without involving partners who often added complexity and time as the customer created their program.

This is where Power came in.

Marqeta's modern issuer processing expertise, scale, experience and stability, combined with Power's innovative and comprehensive program management capabilities, were a perfect compliment to deliver a comprehensive credit platform for the next generation of products.

Now, Marqeta offers our customers a full stack credit card issuance solution, handling every component of the credit card program from program design to launch, and ultimately to scale.

We offer multiple flavors of credit, from consumer unsecured to a commercial charge card, enabling us to serve a spectrum of customer needs. Similar to debit and prepaid, we provide all of the surrounding services to help our customers provide their end users a delightful and seamless experience. There are also additional services specific to credit, such as underwriting support, collections, and portfolio analytics.

The credit platform also utilizes our network of issuing bank partners, not only for BIN sponsorship but also for capital to fund the credit card receivables. This bank network also provides us unique flexibility to offer more products and services to our customers to maximize their total addressable audience. Customers can also leverage our proprietary rewards engine, which offers flexibility and a more relevant rewards experience to help drive engagement and card usage.

Today, the platform powers statement credit, points, and cashback models. We also have configurable tools available for our customers to deliver a more personalized experience for their cardholders.

A great example of this is the ability we offer our customers to provide real-time on-platform rewards, redemption boosts at the point of sale to specific cohorts of cardholders. By doing this, Marqeta helps our customers drive customer engagement and brand loyalty for their highest-value segments.

The entire experience Powered By Marqeta is embedded within our customers' digital properties across mobile and web. When we say embedded, the entire experience lives within our customers' platforms fully white labeled, without requiring any third-party application for card application or management. Currently, even the largest co-brand card programs send you to the bank app to handle your account, and it can feel very disjointed to the cardholder.

Another key aspect of our credit platform is that it is complemented by our debit and prepaid offerings, enabling customers to offer multiple products through Marqeta. For example, a retail company could use a debit program to offer accelerated wage access to hourly workers. At the same time, they could also offer a credit program to their most loyal shoppers. With Marqeta, this can all be done on one platform.

In comparison to legacy offerings, Marqeta offers faster time to market, a single touchpoint for all aspects of the card program, and the flexibility to customize, and control a truly embedded experience.

We are focused on powering the future of embedded credit for consumer, and commercial brands. Initially in the US, but ultimately around the world. Marqeta's new unified credit platform represents a new age of technology-led financial services built on the scale, and reputation of Marqeta. There is a trillion-dollar opportunity in front of us, and we believe we have the platform capabilities, and strategy to execute. I'll now turn the presentation back over to Todd.

Todd Pollak:

The Marqeta platform enables us to drive continued differentiated value for our customers across a broad spectrum of solutions, and use cases, and we continue to layer on new impactful capabilities to enable our customers to do more with our platform, from banking, and risk control in 2022, and more recently this year with the expansion of our credit card capabilities.

5 - Go-to-Market Strategy

Todd Pollak

With so much opportunity ahead, and a differentiated platform, we've refined our go-to-market strategy, and execution to capture the growth we expect to deliver.

Our go-to-market strategy will provide some important context to really understand our recent business trajectory.

- Firstly, how the market changed over the last two years, and how that's driven us to alter our go-to-market approach to capture new opportunities skewed towards embedded finance.
- Second, how we're scaling our solutions not just to increase sales but also reduce time to value for both Marqeta, and our customer.

Our go-to-market strategy is where the sizable market opportunity in front of Marqeta, and our powerful differentiated platform come together to make our customers successful amplifying our impact. It's based on five principles.

First, **the ability to think outside the box**. Our platform gives our customers control, and flexibility. Therefore, our go-to-market team needs to be creative, helpful, and engaged to bring solutions to life. For instance, recently we spoke with an airline with a big payments footprint who wanted to understand the details of how our model works, because it was so different from anything they'd seen, and the possibilities so much richer.

Second, **Payments Expertise**. The breadth and depth of Marqeta's expertise is well known in the market. We've ramped many of our customers from new startups with nascent volume, and supported their growth into household names, processing billions each year. It's driven us to a scale where we would be the fourth largest debit issuer in the US, as Simon showed earlier.

Third, **Single Relationship Owner**. Launching debit, credit, and prepaid card programs in multiple countries would historically require our customers to manage a complicated patchwork of partners, and solutions. It no longer takes a village to build a card program. With Marqeta, you can manage many facets of your program from a single provider. This puts us in a unique position in the market as the modern global credit, debit, and prepaid provider with program management capabilities at scale.

Fourth, **Solution Mindset**. Where our competitors might think in component parts, or one size fits all offerings, we're looking across our customer's needs, and know what it takes for them to be successful, from launching a card right through to managing a fast-growing program. We'll talk more about this specifically in a few minutes.

Fifth, **Customer First**. Our customers benefit from an organizational design that commits dedicated resources to their programs from the outset, and these are based on program needs from local, in-market support in certain regions to dedicated onboarding, ramping, and ongoing management. They also have a single point of contact to guide them through the complicated program launch process.

As we look back on the last two years, as we all know, fintech investment dried up quickly as the market turned in late 2021, and early 2022.

One implication of this change for Marqeta took time to become visible. While we were signing deals in 2021, and early 2022. A lot of these programs never ramped as planned, as customers readjusted their product, and investment strategies. With funding drying up, some programs didn't launch, while others significantly downsized their ambitions, commensurate with the intended investment levels. Verticals like crypto where we had an innovative fiat-based solution, particularly well-suited for those customers were hit particularly hard.

This decline in funding and economic changes shifted our target market considerably. The opportunity didn't change, as consumers, and businesses still demanded better solutions. The explosion in fintech prior to late 2021 had shown what was possible, and attracted all sorts of new entrants.

As a result, our typical prospect moved from narrowly focused fintechs to larger companies looking to offer embedded finance solutions.

We saw that our target customers were less likely to be VC-backed, and no longer being driven by finding product market fit, or growing their users at all costs. These were mostly larger enterprises interested in payments to solve greater business problems, and drive incremental value like how to drive customer loyalty, or retain employees in a tight labor market. However, these companies were not payment experts, and did not have dedicated tech resources to execute new payments projects.

Meeting this challenge requires an important shift in mindset in how we engage with potential customers.

Because today's prospect is already an established business, they concentrate on the experience they want to create, which benefits their customer, supplier, or employee. They're looking for payment solutions that enhance the strengths of their product, and boost customer engagement rather than executing point solutions.

These all-encompassing needs mean we're selling solutions, not technology. We need to be experts, and thought leaders in each vertical that our customers operate in, and know how we can deploy a card program that supports their goals, which often go beyond making money on the program alone, and moves into creating real economic lifetime value for their companies.

As a result, our newer prospects are looking to deploy more of our platform. As you look at the connections for fintech, and embedded finance, the difference broadly is one of experience. Fintechs generally feel that managing the customer experience is where their strengths lie, and we believe they look for Marqeta products to support that.

However, companies looking to build an embedded finance solutions recognize they're not payment experts. They don't have that in their DNA. In many cases. They're often not digital natives, and as a result, they're much more likely to ask for help.

With our program management expertise, and our ability to see the possible, it makes Marqeta the perfect partner.

So when you put this together, a change in the market has driven a different set of prospects for Marqeta who are looking at payments in a different way, and wanting to use more of our platform.

It's expanded our target market greatly, but we've needed to build out a different go-to-market approach to meet the demand.

Previously, we functioned as a company offering point solutions, and this type of approach works well when you sell one thing, or you service one thing. You can have one person who's a subject matter expert for each stage of the integration.

However, when you move into multi-product selling, and powering complex solutions at scale, you can no longer rely on a single person to be an expert in everything. Also, as you scale, passing an account between different groups is not a great customer experience, and leads to bottlenecks.

Late last year, we arranged our sales team around four segments, growth, mid-market, enterprise, and strategic. Each one of these segments is supported by subject matter experts in financial products, solutions engineering, and revenue operations.

We believe it results in a better customer experience. It means that we're building out teams that are technological, and subject matter experts for the customers they're serving.

As a result of this new framework, our success rate, cross sell, and time to revenue, all improved. Dedicated account teams enable land, and expand sales motions. For our customers, it means they're not experiencing multiple handoffs. These programs are important to them, but they're not their entire business, so they want people closer to the sale working on implementation.

Early on in our sales process, we involve the Solutions and Delivery team. This team is brought in sooner to ensure our customers' needs are understood, and the program will be approved by bank, and network partners, and we can deliver results in line with their expectations. I'll now turn the presentation over to Sarah Hauber, our head of Solutions and Delivery, to discuss how we provide this differentiated white glove service, and how we're able to do it at scale to launch, and ramp programs simpler, and faster.

6 - Solutions at Scale

Sarah Hauber:

Thanks, Todd. The solutions and delivery team is a group of experts who understand what our customers need on a technical, and operational basis to bring their program to life. Our team takes our customers high level plan, and breaks down all the specifics to ensure the program is viable from a technology, and regulatory perspective. Then we take that information, and we use it to drive our customer's successful implementation, and ultimately, their program launch.

You've heard the word solutions a lot today, so let's talk about what Marqeta means when we say solutions.

Marqeta offers more than just a tech stack. Our value proposition comes from combining our customer's needs, platform capabilities, regulatory, and compliance frameworks, as well as any operational necessities for a card program.

I liken our card solutions to baking. Cooking sticks to basic principles. You can play with adding in additional flavors, and ingredients without risking the success of the dish.

Baking is a different story. Baking is chemistry. It requires precision, bringing a card program to life takes the perfect combination of the elements to support it. Our customers often want to be making decisions on each component, but look to Marqeta to ensure the implications of those decisions are aligned with the customer's objectives, and outcomes. For example, not properly handling a dispute can lead to cardholder, backlash, and potential loss of a customer. Our job is to bring our expertise, and guidance, removing as many complexities as possible while still allowing for innovation.

How is this put into practice?

When a customer comes to work with Marqeta, we need to answer a set of questions in a specific order.

First, what is our customer's value proposition in the market? What are they trying to solve for with what type of card?

From there, the focus is on money movement. Is this a pre-funded banking product where we're trying to solve for immediate wage access, or a line of credit to help a small business manage their ongoing expenses? This has implications for how we work with the bank.

The next step is a critical one, where Marqeta can really demonstrate our value. We look across our issuing banks and determine the right match based on the bank's expertise, operational processes, and risk profile. We determine the network in a very similar way.

Finally, we solve for the end cardholder experience and the regulatory requirements for components like how to provide cardholder support. The solutions journey is like a decision tree. Each answer to a question informs a decision, and the following question.

This myriad of choices can lead to an endless array of configurations for our customers, and make a card program feel too complex. However, our extensive experience standing up hundreds of programs for customers results in hard-earned knowledge of what works, and what doesn't. These decisions span across the supply chain of partnerships, technical configurations on the platform, options for money movement, and more. There are over 100 decisions needed to be made to support launching a card program, but in our expertise, approximately 80 of those are foundational as best practice, leaving the remainder to be customized to provide a unique experience or a value proposition.

Every one of our customers' products has to be approved by a banking, and network partner, from the cardholder acquisition flow to the marketing collateral to the script used to support cardholders when they call customer service. Based on customer feedback earlier this year, we started to offer pre-configured solutions where we have predefined the majority of the complex decisions which allow us to move within bank oversight structure nimbly, and quickly. Pre-configured does not mean all customers end up with lookalike products. There are still decisions a customer can make to truly differentiate, and customize the program's look, and feel while embedding it within their native experience.

An example of this is spending limits. An expense management program can host multiple customers, each with their own unique spending limits. Another example is tokenization, and if a customer wants to require a manual action to load a card into the Apple Wallet, or push a card into the Apple Wallet for spend automatically.

This year, Marqeta has launched eight pre-configured solutions based on where we see demand with new, and current customers. These solutions are plug, and play based on the customer's value proposition.

Accelerated wage access can be supported by a consumer banking solution if the goal is to increase overall spend by accelerating payroll, and to provide access to those funds for personal use.

Accelerated wage access can also be supported by a commercial banking solution if the goal is to manage business expenses, and incentivize certain spend behavior with the early access to earned wages.

This approach adds even more value when it comes time to expand. Many of our customers have multiple products with us, and our platform is designed to make that easy. A new customer may initially launch a commercial banking solution for their marketplace sellers, but after six months they see a real need for offering a secure line of credit based on sales history, and a balance in the user's commercial account to help them successfully grow their marketplace.

Going with Marqeta's pre-configured solution can allow our customers to get something to market quickly. Leveraging Marqeta's experience for the aspects of the program that are not important to customize, see how the user engages, and use the product to then decide where they want to add unique elements.

The benefits are clear on why we are optimizing our solutions, and delivery in this way. First, they help a customer bring a product to market faster, often months before a fully customized product. They remove the complexity of decision-making, and let our customers focus on decisions they care about in relation to their brand. A solution helps our customers expand, and grow with the Marqeta platform across use cases seamlessly, and finally, they allow our customers to test solutions, and market to understand the user experience, and build out long-term investments in customization.

I'll now turn it back over to Todd.

Todd Pollak

Many of the changes we've made in Go-to-market have only been in practice for a year. However, they're already having significant impact on our sales, which we expect will benefit 2024, and beyond.

As we've highlighted on many of our earnings calls, we've witnessed a resurgence in bookings over the last four quarters. As you can see from the chart, the number of bookings in each quarter are on a different level.

Mike will go into more detail about how the deals we signed in the last year will translate to multi-year long-term growth.

Not only do we expect these deals to add to our top line growth, but they also tell a great story of how we're building a diversified base of business that sets us up for the future. No deal accounted for more than 10% of expected new revenue demonstrating that we're not dependent on one, or two large deals working out.

More than a third of our new deals are international, a testament to our ability to offer a seamless customer experience regardless of geography.

Our expansion deals demonstrate the value our existing customers see in our platform as well as the success of our team in focusing on our land, and expand strategy. Of note, these deals often ramp more quickly than net new customers.

Approximately 35% of our new deals are in embedded finance, which speaks to the success of our new focus on this opportunity, and how our platform is resonating with these customers.

Finally, approximately 70% of the sales bookings involve a physical card, a good indicator of future customer loyalty, and therefore growth on the Marqeta platform.

A quarter of our net new wins over the last 12 months were previously with a competitor. This is an impressive feat when you consider that issuer processing is incredibly sticky, and moving vendors can come with high switching costs. Two-thirds of these represent true flips where all the volume is being moved to Marqeta. The other one-third represent a customer looking to diversify because they're growing, or because the existing provider can't service them in a specific geography, or use case. This creates an opportunity for us to grow with these customers, and cross-sell to gain share within their card business.

But new deals are only a piece of the equation, and our ability to service the customers we already have goes from strength to strength.

From our recent customer survey, we saw how overwhelmingly our customers wanted to keep working with us, and the majority felt they were likely to expand their relationship with us in the future.

And this positive customer relationship sets us up to help our customers expand and grow on the Marqeta platform. 60% of our bookings in the last year were from existing live customers already underscoring that our best customers are the ones we already have.

These strong customer relationships provide stability to our revenue base, and also help us become a more innovative company, as our customers often work hand in hand with us to launch new capabilities.

Our customers are expanding with us in two different ways. First, customers are launching additional programs, or taking on additional services. They're also looking to build on their success with us, and expand into new geographies. Because our platform is single stack, it's a relatively lightweight lift for our customers to expand globally on our platform. This is also another reason we've been able to win over customers that were previously on another platform, as they find that once they gain traction, and start thinking about geographical expansion, their current partner can no longer support them. As you can see, we've made significant changes to our go-to-market strategy, in response to changing market dynamics, and demand for our platform.

From this, there are key takeaways I'd like to leave you with about why we see these changes as so central to the future success of our business.

We have a great platform, and a huge opportunity in front of us, but the key to making sure we execute is being a partner to our customers, and bringing them expertise, and solutions.

I also want to stress that the opportunity in front of us is as large as it always was, but the types of companies who we are targeting within that has changed away from narrower-focused fintechs.

And because of this, we've shifted our approach to customer engagement from the ground up, and brought the might, and scale of our solutions, and delivery teams to get programs live faster, and make the whole process simpler.

At the end of the day, it's the results that matter, which in this case are the sales bookings which are up significantly in the last 12 months.

This new focus, and discipline is bearing fruit, and I'm excited about what's to come.

7 - Financial Overview

Mike Milotich:

Now that we have established the incredible opportunity ahead of Marqeta, and the value we deliver for our customers, let's discuss how this translates into financial performance, and ultimately shareholder value.

First, I will share the current state of the business, which includes historical trends but also highlights how the business is diversifying.

With our renewed go-to-market strategy producing increased sales bookings, we will explore how those bookings are expected to translate to future net revenue.

We have also made progress on cost reduction in efficiency this year, which is a trend we expect to continue as our platform business approaches scale.

After quickly covering our capital allocation plans, I will share our financial goals for the next three years, and how we expect the progress we have made in 2023 will lead to sustainable, profitable growth.

2023 was a transition year for Marqeta coming out of hypergrowth, then facing and overcoming several headwinds to ultimately position the company for profitability in late 2024, and beyond.

Looking at historical trends, we have delivered steady, and rapid total processing volume growth over the last five years, adding over $50 billion in total processing volume, or TPV, in each of the last three years.

While TPV growth has been steady, net revenue is expected to contract in 2023 due to the revenue accounting change associated with the Q3 2023 Cash App renewal. Approximately 85% of the renewals net revenue impact is due to the change in accounting treatment for the primary network fees. The dotted green line in the graph reflects a view of net revenue, applying the accounting change retrospectively, which we believe provides a better perspective on the true business trajectory.

Even in this adjusted view, net revenue growth is expected to slow in 2023, largely for two reasons:

- Heavy renewal activity over the past 18 months that comprised over 75% of our TPV.
- A slowdown in new customer onboarding related to challenged sales bookings from Q3 2021 through Q3 2022, which was primarily the result of significant changes in the market as fintech funding dried up, limiting investment in new card programs.

The gross profit trend mirrors the adjusted net revenue trajectory.

Our adjusted operating expenses also highlight 2023 as a transition year, putting the business on a path to profitability, not only on an adjusted EBITDA basis, but eventually on a GAAP basis.

Three factors drove the expense savings:

- A restructuring executed in May that will result in $40 to $45 million of savings on an annual basis.
- Efficiency and optimization initiatives targeting our cloud, and SaaS technology costs lowered our annual run rate by well over $10 million.
- We are approaching platform scale where the variable technology costs rise at a slower pace than TPV growth.

As a result, our adjusted EBITDA is near breakeven in 2023 despite the slower gross profit growth. In fact, 2023 is expected to be our best adjusted EBITDA performance in the past five years.

Currently, our free cashflow does not reflect much of a cash burn, and cashflow should continue improving as we move forward on our path to profitability.

Now that we are grounded in the business trends, let's take a deeper look into our Q3 2023 net revenue results that incorporate the impacts from the Cash App renewal. Our business is diversifying in multiple ways, unlocking several growth vectors going forward. We currently operate in several verticals that have all grown at over a 35% CAGR since 2020. In terms of share of net revenue, financial services is of course the largest because of Cash App, and Square, but BNPL, on-demand delivery, and expense management each represent a meaningful share of net revenue. This share of net revenue varies from the share of TPV by several points, in most cases. As net revenue take rates vary due to factors such as customer concentration, ticket size, the mix of Powered by, and several other factors. While our financial services, and on-demand delivery revenue have higher customer concentrations, BNPL, and expense management revenue have deep customer diversity with both verticals having over 30 customers overall, and at least 10 customers at a scale of over 100 million in 2023 year to date TPV.

Commercial and consumer programs each represent approximately half of our net revenue. While consumer compounded at a higher CAGR since 2020, both represent huge growth potential going forward. Consumer is a significantly larger part of the overall card market, and is also where Marqeta is more differentiated due to our ability to successfully navigate the complexities of the market. Commercial card is attractive going forward due to very low card penetration within B2B payments. Powered by represents over 10% of net revenue, and has grown at four times the rate of managed by since 2020. It also contributes several points more to gross profit as there are minimal network and bank fees associated with Powered by volumes. The growth in Powered by is due in part to international growth, which is largely Powered by. International makes up about 7% of our net revenue, but has been growing at four times the rate of US growth. This growth is primarily fueled by Europe, where the combination of our platform capabilities, data localization, and footprint outside of Europe has made us an attractive partner.

International net revenue take rates are about 20% lower than the US but the gross profit take rates are similar, mostly due to international being Powered by business with generally smaller customers. We expect international to grow quickly in the future, primarily for two reasons:

1. We plan to extend our program management capabilities to Europe in the coming years.
2. And, we think the more established enterprises pursuing embedded finance offerings are more likely to be multinationals.

Our top five customers are well established, and continue to deliver strong growth, but our customers outside the top five have grown much faster. With the strength in sales bookings over the last four quarters, and our confidence that this performance will continue, we expect revenue growth outside of our top five customers will continue to be robust for years to come.

We utilize three different revenue models, each with varying degrees of reliance on interchange. In Q3 2023, the largest and fastest growing revenue model was fee for service, which has no reliance on interchange, and therefore has the least variability within Marqeta's revenue. This model drives about two thirds of our net revenue and gross profit, which is 10 to 15 points lower than TPV, mostly due to many of our largest customer contracts being structured this way including Cash App starting in Q3 2023. But also due to the Powered by Business exclusively using this model.

Net interchange is the smallest revenue model and has a medium level of reliance on interchange this method nets interchange, network and bank fees and splits them according to agreed-upon terms with the customer, resulting in both Marqeta and the customer sharing in the mix of risk and reward that comes with various drivers of volume. This is the most common structure in the credit opportunities we have pursued this year.

The revenue share model is most reliant on interchange and therefore has a price premium, as Marqeta takes all of the mix risk. In this model, the customer receives an agreed on BPS on volume as a revenue share, and Marqeta keeps the remainder of interchange. Revenue share is more common among smaller customers looking for revenue certainty.

We have provided card fulfillment and dispute services to customers for several years. However, we have introduced several new products to strengthen our offering in the past two to three years.

Two of the most recent and significant are risk control to help customers manage fraud, and banking and money movement services to support more neobanking-like applications such as interest-bearing accounts and bill pay.

Although the revenue contribution of additional services is relatively small, the importance of these services cannot be overstated. These services help increase our win rate with new customers by providing a holistic solution so customers can avoid needing multiple providers to support their program. In addition, these services tend to help with customer retention and are higher margin, resulting in a larger contribution to gross profit versus net revenue.

In addition to right-sizing our cost structure, I call 2023 a transition year because we faced several net revenue and gross profit growth headwinds as the business matured that we have remedied or were one-time in nature.

There were two distinct events with finite timelines outside of renewals. We lost full incentives on two programs with Visa, which we will lap at the end of 2023. Importantly, we believe this impact should not recur based on our new contract with Visa. We also lost a portion of the volume on one of our Klarna programs, which just lapped in Q3 and we feel is relatively unique to our BNPL virtual card business. The focus of our BNPL customers shifting to engaging their consumers with their own branded card products leverages our more differentiated capabilities.

There are two additional factors that I would like to discuss in more detail as we often get questions whether these headwinds will be ongoing. The first is the flurry of renewal activity over the last 18 months, comprising over 75% of our TPV including Cash App. The financial impact of all this activity was unique, as a few of our customers had truly impressive growth in the pandemic that required a significant repricing commensurate with their volume.

The second headwind was the slowdown in revenue from sales bookings from Q3 2021 through Q3 2022 as the funding environment for fintech shifted dramatically, resulting in much lower investment in card programs among newer fintechs or in certain sectors, such as crypto.

To highlight how unique some of our renewals were, here's a summary of four renewals among our top 10 customers completed in the past 18 months.

The first bar shows the change in our customer's volume on Marqeta from the start of the previous contract until the deal was renewed and the second bar shows the corresponding change in our gross profit take rate. We had two customers with at least 10X growth after their previous contracts were signed in 2019 and 2020. This outsized growth during the pandemic is obviously unique and drove the need to right-size the economics to be competitive, but still including the price premium we typically earn.

On the right side, you see two customers with more typical growth where price concessions were minimal or non-existent.

While we want to be compensated appropriately when a program is small, we also want to reward our customers for growing on our platform. To address this, we began contracting differently with our customers late last year. First, we are being more thoughtful in our price tiering, including aspirational growth tiers, which adjusts our pricing on an ongoing basis to align with the customer volumes and ensure our customers don't outgrow their contract. This improves the customer relationship and avoids large price step-downs in the next renewal.

Second, we are signing longer-duration contracts. Of the contracts we renewed in the last year, 70% of the revenue associated with those renewals were for terms exceeding three years, representing our customers' desire to continue to grow on our platform.

The second unique factor weighing on 2023 growth was the lack of revenue ramping from new bookings, starting with the 2021 cohorts, which we feel was caused mostly by the shift in the fintech funding environment. This resulted in many new programs signed between Q3 2021 and Q3 2022, not going live or being significantly smaller than originally planned due to lower investment in user acquisition and engagement.

We have since shifted our go-to-market strategy, reigniting our sales bookings with more established companies since Q4 2022. These sales are expected to meaningfully contribute to revenue growth once the customers are onboarded to our platform and ramp their volume.

Given the importance of new sales to future revenue growth, let's discuss the booking to net revenue lifecycle.

It typically takes 18 to 24 months from contract signing to achieve the bookings number, which we define as year one net revenue. Once a contract is signed, Marqeta works with the customer to finalize the program design and we use our expertise to determine the right bank and network for the construct. Next, we work to get their approval and configure the program. This process typically takes approximately six months. Most customers then do production testing and a soft launch with a small group of users, often friends and family, to work out any kinks and finalize configuration. This takes another three to six months. At that point, the program is ready for general availability.

It often takes 12 months for the volumes to fully ramp, generally starting slow in the early months, followed by rapid growth in the second half of the first year. It simply takes time to sign up users month after month and for those users to shift their spend.

This overall timeline can vary significantly depending on several factors.

- The fastest revenue realization would be an existing program that is moving to our platform since it doesn't need the 12 months of ramp time once it is live on Marqeta.
- Customers who are experienced with card programs and have done extensive planning can move faster. Customers already on our platform with a live program typically move quicker.
- The uniqueness of the product construct is also important. A unique construct will take longer for bank and network approvals. Whereas, constructs that have previously been vetted move faster, such as our pre-configured solutions discussed earlier. Commercial also tends to be faster than consumer due to less complexity.
- Lastly, our customer's desired launch date can also affect the timeline. Sometimes the card program is part of something bigger at the enterprise, which can impact when the card goes live. Our 18 to 24 month timeline from contract signing to achieving the bookings number of year one net revenue is based on historical performance.

Looking at a few examples of quarterly cohorts, the revenue trajectories vary.

First, just comparing the green lines, which are the bookings numbers in each quarter are not consistent based on the portfolio of deals. Of course, the actual performance of each program versus what we predicted also varies. Although we are confident in our forecasting based on extensive experience with existing programs, each quarterly cohort has customers with varying degrees of success. A mix of singles, doubles, triples, home runs, and strikeouts.

- There are some quarters such as the Q2, 2019 and Q2 2020 cohorts, which surpassed their bookings goal, but then the growth slows down. In the case of the Q2 2019 cohort growth re-accelerated in its third year.

- There are cases like Q4 2019 cohort that are close to ideal, still growing nicely three years later.

- And then there are of course quarters like Q3 2020, which in this case included crypto customers who surpassed the year one bookings goals quickly, but then contracted in the crypto winner. Because our platform is home for many of the recognized leading companies in their respective use cases, we are somewhat insulated from the competitive fluctuations in any given vertical.

As we look ahead, three growth levers are firing simultaneously to fuel gross profit growth.

First, the step-up in our sales bookings since Q4 2022. In addition to new customers being onboarded, we have many fast-growing existing customers we believe can expand further.

The second lever is our new credit offering. Historically, we have only addressed half of the card market with our debit and prepaid offering and US credit is expected to grow faster than US debit in the coming years. Credit will drive net new customers as well as cross-selling opportunities with existing customers. It is important to note that credit generally has a lower gross margin but has higher net revenue and gross profit take rates, which is what ultimately matters as it equates to a more profitable transaction.

The final lever is expansion outside the US. Although we are still barely scratching the surface in the US, international made up only 7% of our revenue in Q3 2023, but has a greater than 100% CAGR since 2020. We are particularly focused on Europe, where we already have a significant regional presence with many innovative customers and prospects including, current US customers looking to expand.

Our land and expand strategy means that once a customer is on our platform, their growth isn't limited to the original program. Our customers can expand in three ways:

- New programs such as credit and debit,

- New geographies such as the US and the UK,

- New products such as risk management or banking capabilities,

- Or some combination of all three.

As we like to say, the best prospect is the one already on our platform. Our sales bookings in the last 12 months reflect this, with approximately 60% coming from current customer expansions. A customer that's already on our platform can ramp new programs and geographies faster, which is a win-win for us and the customer. Multiple products also enhance our relationship, increasing customer loyalty.

Here are two top 10 customer examples. Customer 1 has been on our platform for several years showing steady volume growth with their first program. Then they introduced a second program targeting a different use case in late 2022 that more than doubled their volume in about one year.

Customer 2 has also been on our platform for several years and has introduced several new programs including a new use case in 2022 that is starting to ramp. In this case, it is the geographic expansion that is having success reaching about 75% of the volume in the original program.

We believe the land and expand opportunity is even bigger with embedded finance customers who tend to be larger multinational enterprises that are looking to service multiple use cases and geographies on our platform.

Now that our revised go-to-market strategy is hitting its stride, we expect a significant lift in growth from sales bookings. As we consistently deliver sales bookings in the quarters ahead there will be an anticipated compounding of the revenue over time that should accelerate revenue growth over several years.

After changing our go-to-market approach in Q4 2022, our bookings that quarter surpassed the first nine months of 2022, resulting in a decent year for sales. That Q4 momentum continued into 2023. Therefore, we expect sales bookings will be 55% to 60% higher this year than in 2022. We plan to accelerate bookings growth in both '24 and '25 as we capture the demand and gain experience in embedded finance.

The bookings number is the projected revenue for the first year live on our platform, but the program is still ramping at the end of year one. Therefore, we then expect a revenue ramp trajectory of over 50% growth in year two and over 25% in year three based on average trends from many historical sales cohorts.

When you combine the bookings growth and the ramp trajectory of these new programs, the result is a compounding of revenue over time. It takes a couple of years of strong sales to really get the flywheel spinning and realize the compounding effect between the time to launch and ramp within a cohort, but also to have multiple cohorts stacking on one another.

Therefore, our 2024 net revenue should benefit from our reinvigorated sales bookings since Q4 2022, but the contribution is expected to be much larger in 2025 and 2026. We expect net revenue from these new bookings to be over $20 million in '24, but reach over $60 million in 2025. By 2026, the compounding of multiple years of strong sales is taking effect, approaching $150 million in net revenue and still ramping further in the years that follow.

In the meantime, our base of existing programs is large and diverse and will continue to make up the majority of net revenue in 2024.

Over the next three years, with credit now available on our platform, we expect our sales bookings to be roughly evenly divided between Credit Managed by, Debit Managed by, and Powered by. The revised go-to-market strategy combined with the inclusion of credit and geographic expansion makes us confident we can grow sales bookings for the next couple of years, which will fuel strong net revenue and gross profit growth.

In addition to top line growth, effectively managing operating expense is the other key component on our path to profitability. We have made great strides on our expense space in 2023.

Approximately 85% of our adjusted operating expense is comprised of personnel and technology costs. We undertook significant cost saving initiatives throughout this year, driving partial year benefits in '23 and the full year benefits coming in '24.

- Within personnel our restructuring in May will result in $40 to $45 million of savings on an annual basis.
- Within technology, efficiency and optimization initiatives targeting our cloud and SaaS technology costs lowered our annual run rate by well over $10 million.

Because roughly 60% of personnel costs is driven by technology and product headcount, well over half of our total adjusted expenses are driven by technology and product headcount, cloud and SaaS costs. These costs should grow much slower than gross profit growth as our platform approaches scale.

We have invested heavily in technology and product headcount in prior years to expand our platform capabilities, improve the platform reliability to reach four nines of uptime, and enhance our security.

Currently, about 70% of this expense is driven by headcount focused on the platform, and that personnel investment has grown three times faster than the operations and security investments since 2020. These are the resources that drive our innovation and expand our platform capabilities, most recently in credit, banking and money movement, and risk.

Given those significant investments combined with the acquisition of Power earlier this year, we now have the investment capacity to continue to advance the platform without large increases in personnel costs going forward. We have over 300 employees focused on the platform, which is a lot of capacity to make enhancements.

As we do add incremental technology and product resources going forward, we plan to thoughtfully find talent in a lower cost jurisdiction in addition to the US.

Outside of personnel, our second largest expense area is technology cost driven by our usage of cloud and SaaS tools. Although our platform required significant upfront investments, we are approaching the scale necessary to realize the operating leverage often associated with platform businesses.

Approximately one-third of our technology expenses, headcount driven, mostly software licenses. As we just discussed, we feel we have the investment capacity to innovate and be successful without large increases in resources. Therefore, the headcount driven technology costs are unlikely to be a significant driver of expense growth going forward.

The remaining two-thirds of the technology expense is volume driven, or in other words tied to platform activity. This variable cost is where the scale of a platform business can generate large benefits because the marginal cost for incremental volume can get quite low.

As you can see on the right, just two years ago, our volume-driven technology costs grew many multiples faster than our TPV growth as we were in the platform investment phase. Then in 2022, the growth of each converged. In 2023, we started to realize scale benefits as our volume-driven costs grew much slower than the volume itself. This was also helped by efficiency initiatives to optimize our usage. Going forward we believe this volume-driven technology expense growth will remain below our TPV growth, helping to contribute to profitability.

The execution of strategies, initiatives, and operational changes have brought us to this point, on the brink of being adjusted EBITDA positive and eventually positive GAAP EPS.

- We currently have great sales bookings momentum and our existing customers are fast-growing.
- Heading into 2024, we are expanding into credit, gaining traction outside the US, and driving further sales bookings growth that should lead to the compounding of revenue growth in the future years.
- This momentum, coupled with reaching scale and continued cost management efforts, has set us on our path to profitability.

Let me summarize our projected path to profitability in numbers.

- We expect TPV to continue to grow at approximately 30% each of the next few years,assuming macroeconomic conditions also remain similar to 2023.
- With many of the drivers of slower gross profit growth in 2023 remedied or unique in nature, we expect our gross profit take rate to mostly stabilize going forward. At the same time, our adjusted operating expense yield will continue to decline as we enjoy the benefits of scale and execute efficiency initiatives.
- Therefore, we expect gross profit to grow faster than adjusted operating expenses.
- As such, once we achieve adjusted EBITDA break even on an annual basis, we expect the growth of gross profit in dollars to accelerate while adjusted operating expenses increase at a steady rate.

As we reach profitability, we will also begin generating positive free cashflow, adding to our current cash balance of $1.3 billion. Our intended capital allocation will be to prioritize acquisitions that can accelerate profitable growth.

We'll be disciplined in our pursuit of M&A, grounded in a few core principles. We plan to prioritize platform advances that accelerate our innovation or expansion, but are also highly compatible with our existing technology. The target should have high-quality people and be accretive by year three.

In terms of areas of interest, our first priority is program management capabilities and efficiencies, which we see as a key differentiator for us to capitalize on embedded finance opportunities. We are also interested in geographic expansion if the company's technology is a DNA match. And finally, solution enhancements that accelerate our product roadmap. While we initiated a share buyback program last year for $100 million and another one this year for $200 million, we saw these as opportunistic endeavors, as we believe our stock is significantly undervalued given all of our growth opportunities and our progress on profitability. We will continue to be opportunistic with share buybacks based on market conditions going forward.

Despite our emphasis on adjusted EBITDA, stock-based compensation is also a priority to be thoughtfully deployed going forward. Approximately 30% of this expense is driven by the founder grant from just before the IPO, but this expense will step down significantly in 2025 and no longer be a factor in 2026. Employee grants continue to be a key recruiting and retention tool to ensure we have top talent. However, we intend to be more disciplined going forward and our employee base is smaller following our restructuring earlier this year. As a result, 2024 is expected to be the peak of our stock-based compensation expense for many years to come.

Looking at shares outstanding, our buybacks over the past year have more than offset new issuance since the IPO as of the end of Q3 2023. Going forward, we are targeting dilution below 3% annually and declining over time as our new equity discipline will take a couple of years to have the intended result due to vesting schedules from prior grants. The founder grant is unlikely to be dilutive in the coming years given the options strike prices.

Everything we've covered today from the size of the opportunity ahead to our differentiated platform and our enhanced go-to-market strategy is producing early results. These indicators, along with the current state of the business, informs our financial targets for the next three years. We are excited about the new growth avenues in credit and international, fueled by the continued emergence of embedded finance demand for our unique capabilities. A platform business takes time and a lot of investment to establish, but we are now approaching the scale necessary to grow gross profit meaningfully faster than our operating expenses following many realized efficiencies in 2023. We believe all of this sets Marqeta up well for long-term success.

The first half to 2024 will continue to be impacted by the Cash App renewal. However, as we fully lap that impact in the second half of 2024, we expect to return to strong revenue and gross profit growth on a relatively consistent trajectory through 2026. Our expense discipline and platform scale should help deliver positive adjusted EBITDA margin in the second half of 2024, followed by continued margin expansion in '25 and '26. We expect our adjusted EBITDA margin to exceed 20% by 2028. Lastly, we expect to deliver positive GAAP net income by Q4 2026.

To summarize, 2023 was a transition year for Marqeta, overcoming unique headwinds, establishing new expense baselines, completing the renewals of over 75% of our TPV, and revising our sales strategy. As a result, we are better positioned for sustainable profitable growth as we capitalize on several growth levers going forward, particularly credit and international expansion. The revised sales strategy is expected to produce a 55% to 60% year-over-year increase in sales bookings in 2023, which will onboard ramp and compound over time as the sales momentum continues. Although it'll take a couple of years to fully benefit from this compounding, net revenue tied to sales bookings since late last year are expected to approach $150 million in 2026. We rightsized our expense space in 2023 by approximately $55 million on an annual run rate basis.

Going forward, we have the technology and product investment capacity as well as emerging scale benefits on our platform costs to delight our customers with innovative, reliable solutions while maintaining cost discipline. All of these lead to our path to profitability. Assuming macroeconomic conditions remain similar to 2023, we expect to be adjusted EBITDA positive in the second half of 2024 and GAAP net income positive by Q4 2026. We also expect these accomplishments to deliver shareholder value for years to come.

8 - Closing Remarks

Mike Milotich:

To wrap up the day, we believe the future is bright for Marqeta.

We have an outsized market opportunity:

- We currently capture only approximately 1.5% of the steadily growing Visa and MasterCard volume in the regions we operate, fueled mostly by fintechs and neobanks.
- Demand for modern issuer processing is rising. With the emergence of embedded finance, expanding our potential customer base for our next leg of growth.
- Within five years we expect financial institutions will also demand modern issuer processing capabilities and Marqeta will be prepared to serve them.

Our differentiated platform is unmatched in both the breadth and depth of capabilities we deliver. All highly flexible and configurable.

- We support credit and debit, consumer and commercial, as part of solutions that could include banking and money movement, risk management, rewards, and UI.
- Our single platform is enabled in over 40 countries and highly reliable, delivering four nines of uptime.
- Our program management suite enables us to manage the complexity of a card program so our customer can focus on their areas of expertise.
- And we deliver all of this at scale, expecting to exceed $200 billion in 2023 TPV.

Although the flexibility that comes with over 370 APIs means our customers can deliver truly unique offerings to their users, our solutions-focused go-to-market approach reduces the complexity for our customers while improving their time to value. Our value proposition and revised go-to-market strategy is clearly resonating in the market with marked increases in sales bookings expected this year and plenty of momentum heading into 2024.

2023 was a year of transition for Marqeta's financial performance. We have secured more than three-quarters of our business and rightsized our expenses, which makes our path to profitability clear:

- We have great sales bookings momentum combined with fast-growing existing customers.
- Our steady expansion into credit and international markets should drive further sales bookings and a compounding of revenue growth in future years.
- And finally, reaching platform scale combined with the continued cost discipline will deliver positive adjusted EBITDA and GAAP net income in the coming years.

The financial flywheel of our differentiated platform business should start to take effect in 2024 and in turn deliver long-term shareholder value.

Thank you very much for your time.