

Marqeta's first-ever earnings reveal impressive growth and efforts to diversify its client portfolio

Article

The news: API issuer-processor **Marqeta** reported **\$26.5 billion** in total processing volume (TPV) in Q2, up **76%** year over year (YoY)—notching in one quarter almost half the **\$60 billion** in TPV it took in last year.

What it does: Marqeta offers companies open APIs that they can plug into their platforms to issue digital cards, authorize transactions, and prevent fraud. It operates in **36 countries**, and some of its biggest clients include **Square, Affirm, and Instacart**.

How we got here: In the company's Q2 earnings call, CFO Tripp Faix described Marqeta as a usage- and transaction-based company—meaning the company's revenues depend heavily on how well clients' Marqeta-powered products perform. Here are three areas Faix said contributed to Marqeta's elevated Q2 TPV:

- **Digital banking:** The firm powers the virtual credit cards used by **JPMorgan Chase's** retail customers and also recently began **issuing** virtual debit cards for **Goldman Sachs' Marcus** checking account users.
- **Buy now, pay later (BNPL):** Marqeta supports some of the biggest players in the industry, including **Klarna, Afterpay,** and **Affirm**, enabling in-app and in-store card transactions. The company said its BNPL clients saw **350%** YoY net revenue growth in Q2.
- **On-demand delivery:** Although this vertical's growth was down compared with previous quarters—likely a result of increased in-person dining—it still represented a large portion of Marqeta's business, and any dip was offset by increased digital banking and BNPL business.

Things to watch: The company's S-1 filing revealed that **70%** of its net revenues in 2020 came from Square, and it likely remains a huge driver of Marqeta's business.

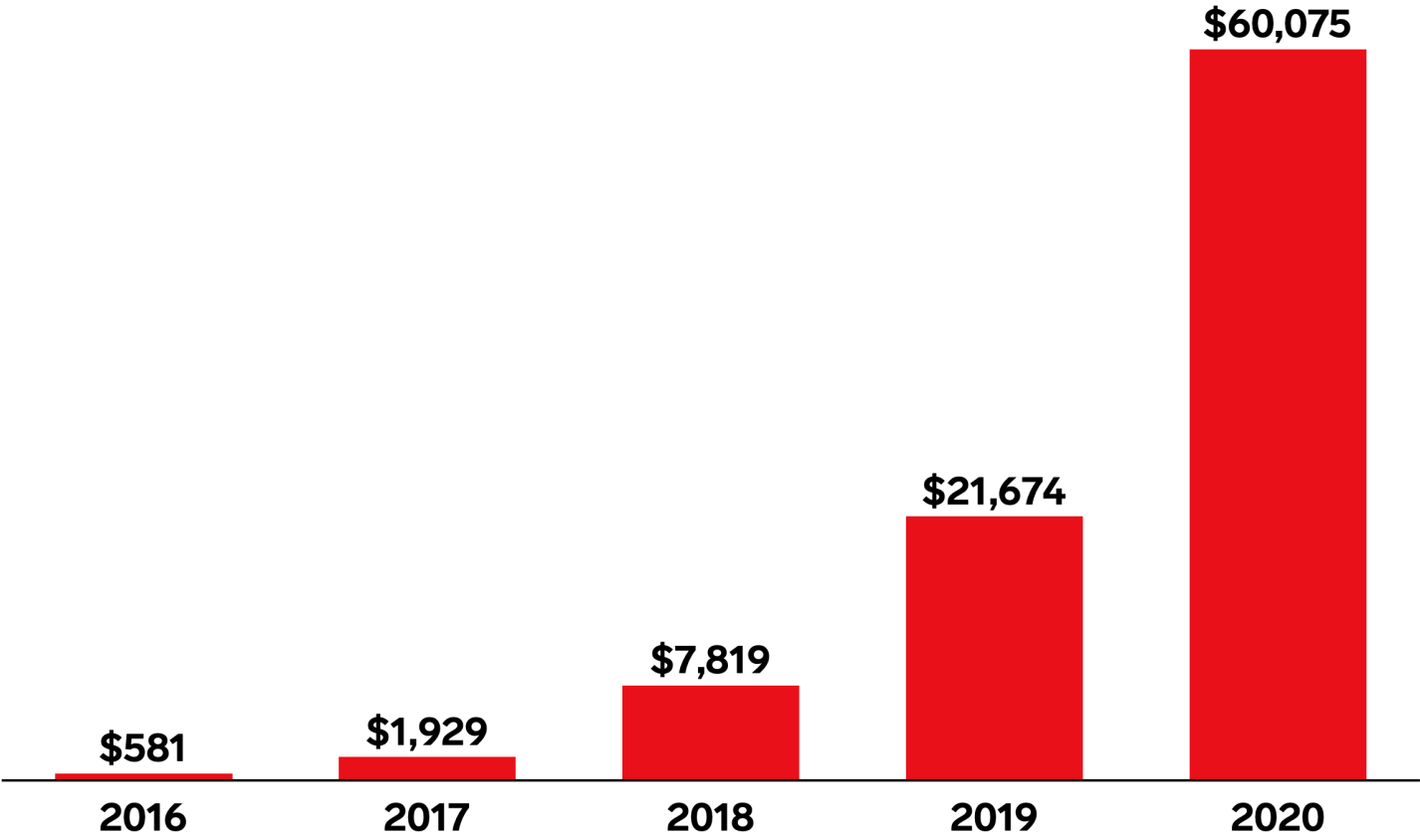
This means any decline in or loss of Square's business could have serious ramifications for Marqeta—although considering Square's **recent performance**, a business contraction is unlikely in the foreseeable future. But Marqeta's dependency on Square underscores the need to diversify its clients, which is something it's working on:

- **It just partnered with Google to power a virtual Google Pay balance card.** **The card** lets users spend their Google Pay balance at stores. The partnership might be the start of a budding relationship with the tech titan, especially as Google Pay **expands** its reach into the wider financial services sector—opening up opportunities for Marqeta.
- **Marqeta also reaffirmed its relationship with Affirm.** The company extended its partnership with the BNPL provider until 2024. With consumer interest in BNPL **climbing** and providers

looking for more ways to capture business and stand out, there could be more room for Marqeta to grow in the near future.

Marqeta Total Processing Volume (TPV)

millions



Source: Marqeta, 2021

Methodology: This data is from Marqeta's S-1 statement filed with the Securities and Exchange Commission on May 14, 2021.

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