



Nuvei Reports Third Quarter 2020 Financial Results

November 11, 2020

Nuvei reports in U.S. dollars and in accordance with IFRS

MONTREAL, Nov. 11, 2020 (GLOBE NEWSWIRE) -- [Nuvei Corporation](#) ("Nuvei" or the "Company") (TSX: NVEI and NVEI.U), the global payment technology partner of thriving brands, today reported financial results for its third quarter of 2020.

"I am incredibly proud of all that we accomplished in the third quarter, as we embarked on our journey as a publicly-traded company. We believe our performance, which included total volume* of \$11.5 billion along with strong revenue growth, is a testament to the strength of our technology, business model and focus on high growth verticals," said Philip Fayer, Nuvei's chairman and CEO. "Furthermore, we made significant progress executing our growth strategy, broadening our capabilities and footprint, as well as winning many notable clients. We earned regulatory approval in the states of Indiana and Colorado for sports betting, and launched local acquiring in Hong Kong, Singapore, Russia, Brazil, and Columbia, meaningfully expanding our total addressable market. Lastly, we were thrilled last week to announce the closing of the Smart2Pay acquisition, which not only strengthens our global presence in high-growth markets including digital gaming, but allows us to offer a more complete, robust alternative payment solution. Looking ahead, we are well positioned to continue to scale the business and drive shareholder value."

Financial Highlights for the Three Months Ended September 30, 2020

- Total volume was \$11.5 billion, an increase of 62% as compared to \$7.1 billion in the third quarter of 2019
- Revenue was \$93.6 million, an increase of 32% as compared to \$70.8 million in the third quarter of 2019
- Net loss in the quarter was \$77.9 million, as compared to \$65.7 million in the third quarter of 2019
 - Net loss included \$83.4 million in non-cash finance costs resulting from the Company's initial public offering ("IPO") and associated valuation
- Adjusted EBITDA** was \$41.0 million, an increase of 59% as compared to \$25.8 million in the third quarter of 2019
- Adjusted net income** was \$16.5 million, as compared to \$2.2 million in the third quarter of 2019
- Following Nuvei's successful IPO in September, the Company used the net proceeds for the repayment of debt. The Company ended the quarter with \$99.4 million in usage of its credit facilities (net of unamortized transaction costs), down from \$717.8 million (net of unamortized transaction costs) as at December 31, 2019. In addition, unsecured convertible debentures and liability classified common and preferred shares were fully converted or repaid as a result of the IPO.

Recent Operational Highlights

- The Company made significant progress on its strategic plan to support the fast-growing U.S. sports betting industry launching its first pilot merchant, Carousel, in Colorado. In August, Nuvei was awarded a certificate of registration for sports wagering from the Indiana Gaming Commission, and in September, the Company received its sports betting vendor license from Colorado's Division of Gaming. In addition, the Company is in the process of applying for approval in all other states that permit online sports betting and gaming.
- Nuvei has accelerated its new client wins by signing many notable merchants in the quarter including Kwiff, Maxbet, Superbet, Wargaming, Oanda, Pepperstone, and Rinascente, across the gaming, financial services, and marketplace verticals. This provides strong momentum into the fourth quarter and 2021.
- Nuvei continued to execute on its strategic plan by expanding its footprint geographically, launching local processing solutions in Hong Kong, Singapore, Russia, Brazil, and Colombia. These new markets enlarge the Company's total addressable market, providing extended reach for existing merchants and enabling Nuvei to win new merchants in those countries.
- The Company expanded its support for cryptocurrency exchanges, onboarding two exchanges during the quarter.
- The Company continues to enhance its offering including foreign exchange services, PSD2 mandate support, early warning dispute management solutions and payout capabilities that includes the launch of Mastercard MoneySend.

Initial Public Offering

On September 22, 2020, Nuvei announced the successful closing of its IPO. The IPO, along with a concurrent private placement, raised \$833 million in aggregate proceeds resulting in \$758 million of proceeds to the Company.

Subsequent Event

On November 2, 2020, the Company announced the completion of its previously disclosed acquisition of [Smart2Pay Global Services B.V.](#) ("Smart2Pay"), demonstrating the Company's commitment to growth through strategic acquisitions. The total consideration was settled with \$82.9 million in cash, and the balance with 6,711,923 shares issued by the Company. The Smart2Pay acquisition strengthens Nuvei's presence in the high-growth digital gaming space and further expands the Company's geographic footprint in additional regions including Russia, Brazil, as well as adding UnionPay processing. Furthermore, the transaction creates one of the largest and most complete alternative payment method ("APM") solution providers in the world, with 450 APMs supporting global commerce, all through a single integration.

Outlook

Total volume in the fourth quarter of 2020 to date continues to be strong with year-over-year growth in line with the third quarter of 2020. The following should also be considered for the fourth quarter of 2020:

- The results of Smart2Pay will be included in the Company's results as of the date of closing, November 2, 2020.
- The fourth quarter of 2020 will represent the Company's first full quarter as a public company. As a result, incremental costs pertaining to being a public company will be incurred in the quarter.
- The Company continues to invest in its direct sales force.

*Total volume does not represent revenue earned by the Company, but rather the total dollar value of transactions processed by merchants under contractual agreement with the Company. Total volume is explained in further detail in the Company's MD&A.

**Adjusted EBITDA and Adjusted net income are non-IFRS measures. Reconciliations of these non-IFRS measures to the most directly comparable IFRS financial measures are included in the tables at the end of this press release. An explanation of these measures and how they are calculated are also included under the heading "Non-IFRS Financial Measures".

Conference Call

Nuvei will host a conference call to discuss third quarter 2020 financial results today at 8:30 am ET. Hosting the call will be Philip Fayer, Chairman and CEO, and David Schwartz, CFO.

The conference call will be webcast live from the Company's investor relations website at <https://investors.nuvei.com/> under the "Events & Presentations" section. The conference call can also be accessed live over the phone by dialing 877-425-9470 (US/Canada Toll-Free), or 201-389-0878 (International). A replay will be available approximately two hours after the call, and can be accessed by dialing 844-512-2921 (US/Canada Toll-Free), or 412-317-6671 (International); the conference ID is 13711347. The replay will be available until Wednesday, November 25, 2020. An archive of the webcast will be available at the same location on the website shortly after the call has concluded.

The complete financial results are available at Sedar (www.sedar.com), as well as at Nuvei's investor relations website.

About Nuvei

We are Nuvei, the payment technology partner of thriving brands. We provide the intelligence and technology businesses need to succeed locally and globally, through one integration – propelling them further, faster. Uniting payment technology and consulting, we help businesses remove payment barriers, optimize operating costs and increase acceptance rates. Our proprietary platform offers direct connections to all major payment card schemes worldwide, supports 450 local and alternative payment methods and nearly 150 currencies. Our purpose is to make our world a local marketplace. For more information, visit www.nuvei.com.

Forward-Looking Information

This press release contains "forward-looking information" within the meaning of applicable securities laws, including statements with regard to our objectives and the strategies to achieve these objectives. Forward-looking information involves known and unknown risks and uncertainties, many of which are beyond the Company's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to those described under "Risk Factors" in Nuvei's supplemented prep prospectus dated September 16, 2020. Forward-looking information is based on management's beliefs and assumptions and on information currently available to management. Although the forward-looking information contained in this press release is based upon what management believes are reasonable assumptions, you are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained in this press release is provided as of the date of this press release, and the Company does not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

Non-IFRS Financial Measures

The information presented within this news release includes the non-IFRS financial measures, "Adjusted EBITDA" and "Adjusted Net Income". These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS measures are used to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. We believe Adjusted EBITDA and Adjusted Net Income are important supplemental measures of Nuvei's performance, primarily because these and similar measures are used widely among others in the payments industry as a means of evaluating a company's underlying operating performance.

Adjusted EBITDA is defined as net income (loss) before finance costs, finance income, depreciation and amortization, income taxes expense/recovery, acquisition, integration and severance costs, share-based payments, net gain/loss on foreign currency exchange, and other.

Adjusted net income is defined as net income (loss) before acquisition, integration and severance costs, share-based payments, net gain/loss on foreign currency exchange, amortization of certain intangible assets, and the related income tax expense or recovery for these items. Adjusted net income also excludes change in redemption value of liability-classified common and preferred shares and accelerated amortization of deferred transaction costs.

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Interim consolidated statements of profit or loss and comprehensive loss

(In thousands of U.S. dollars except for per share amounts)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue	93,599	70,752	259,165	166,489
Cost of revenue	17,007	12,173	45,736	27,683
Gross profit	76,592	58,579	213,429	138,806
Selling, general and administrative	61,398	62,689	168,499	138,405
Operating profit (loss)	15,194	(4,110)	44,930	401
Finance income	(1,375)	(1,532)	(4,170)	(4,058)
Finance costs	90,933	62,069	171,368	71,386
Net finance costs	89,558	60,537	167,198	67,328
Loss before income tax	(74,364)	(64,647)	(122,268)	(66,927)
Income tax expense (recovery)	3,505	1,049	3,979	(539)
Net loss	(77,869)	(65,696)	(126,247)	(66,388)
Other comprehensive income (loss)				
Foreign operations – foreign currency translation differences	(8,849)	1,836	14,461	843
Total comprehensive loss	(86,718)	(63,860)	(111,786)	(65,545)
Net income (loss) attributable to:				
Shareholders of the Company	(78,579)	(66,054)	(127,956)	(66,915)
Non-controlling interest	710	358	1,709	527
	(77,869)	(65,696)	(126,247)	(66,388)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	(87,428)	(64,218)	(113,495)	(66,072)
Non-controlling interest	710	358	1,709	527
	(86,718)	(63,860)	(111,786)	(65,545)
Net loss per share attributable to common shareholders of the company				
Basic and diluted	(0.88)	(1.10)	(1.49)	(1.11)
No of shares weighted average	89,217,178	60,072,213	86,153,927	60,072,213

Consolidated statements of financial position
(in thousands of U.S. dollars)

	September 30,	December 31,
	2020	2019
	\$	\$
Assets		

Current assets		
Cash	99,426	60,072
Trade and other receivables	31,880	34,069
Inventory	540	709
Prepaid expenses	1,648	964
Current portion of advances to third parties	7,914	8,901
Current portion of contract assets	1,755	1,720
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Total current assets before segregated funds	143,163	106,435
Segregated funds	301,352	200,612
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Total current assets	444,515	307,047
Non-current assets		
Advances to third parties	41,442	42,584
Property and equipment	15,228	15,272
Intangible assets	362,234	408,380
Goodwill	760,833	768,497
Contract assets	1,291	1,426
Processor deposits	13,292	12,478
Other non-current assets	1,851	3,088
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Total Assets	1,640,686	1,558,772
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Liabilities		
Current liabilities		
Trade and other payables	57,477	51,258
Income taxes payable	153	2,866
Current portion of loans and borrowings	2,319	2,874
Other current liabilities	4,196	9,875
Liability-classified common shares	-	58,262
Liability-classified preferred shares	-	39,967
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Total current liabilities before due to merchants	64,145	165,102
Due to merchants	301,352	200,612
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Total current liabilities	365,497	365,714
Non-current liabilities		
Loans and borrowings	106,037	722,166
Deferred tax liabilities	7,572	12,976
Other non-current liabilities	2,263	4,875
Unsecured convertible debentures due to shareholders	-	109,022
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Total Liabilities	481,369	1,214,753
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Contingencies		
Subsequent event		
Equity		
Equity attributable to shareholders		

Share capital	1,371,043	450,523
Contributed surplus	8,767	1,603
Deficit	(232,768)	(104,812)
Accumulated other comprehensive income (loss)	4,076	(10,385)
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	1,151,118	336,929
Non-controlling interest	8,199	7,090
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Total Equity	1,159,317	344,019
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Total Liabilities and Equity	1,640,686	1,558,772

Interim consolidated statements of cash flows
(in thousands of U.S. dollars)

	2020	2019
	\$	\$
For the nine months ended September 30		
Cash flows from operating activities		
Net loss for the period	(126,247)	(66,388)
Adjustments for:		
Depreciation of property and equipment	4,142	2,115
Amortization of intangible assets	47,121	31,969
Amortization of contract assets	1,697	1,809
Share-based payments	7,207	767
Net finance costs	167,198	67,328
Impairment on disposal of a subsidiary	338	-
Income tax expense (recovery)	3,979	(539)
Changes in non-cash working capital items	637	11,568
Interest paid	(42,293)	(21,089)
Net realized loss on foreign currency exchange	(5,937)	-
Income taxes paid	(10,579)	(2,083)
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	47,263	25,457
Cash flows from (used in) investing activities		
Business acquisitions, net of cash acquired	-	(780,196)
Decrease (increase) in other non-current assets	(1,080)	2,585
Proceeds from the sale of a subsidiary, net of cash	19,045	-
Sale of equity investments	-	21,800
Net decrease (increase) in advances to third parties	2,129	(13,564)
Acquisition of property and equipment	(1,701)	(1,349)
Acquisition of intangible assets	(10,570)	(4,663)
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	7,823	(775,387)
Cash flows (used in) from financing activities		
Transaction costs related to loans and borrowings	(293)	(27,491)

Redemption of preferred shares	-	(2,299)
Issuance of preferred shares	-	81,240
Issuance of convertible debentures due to shareholders	-	199,000
Repayment of convertible debentures due to shareholders	(93,384)	-
Issuance of Class B common shares	150	-
Issuance of Subordinate Voting Shares, net of issuance fees	719,886	-
Proceeds from loans and borrowings	-	629,509
Repayment of loans and borrowings	(642,786)	(60,507)
Payment of lease liabilities	(691)	(701)
	(17,118)	818,751
Effect of movements in exchange rates on cash	1,386	40
Net increase in cash	39,354	68,861
Cash – Beginning of period	60,072	6,070
Cash – End of period	99,426	74,931

Reconciliation from IFRS to Non-IFRS Results	Three months ended		Nine months ended September	
	September 30		30	
(In thousands of U.S. dollars)	2020	2019	2020	2019
	\$	\$	\$	\$
Net loss	(77,869)	(65,696)	(126,247)	(66,388)
Finance costs	90,933	62,069	171,368	71,386
Finance income	(1,375)	(1,532)	(4,170)	(4,058)
Depreciation and amortization	16,931	15,357	51,263	34,084
Income tax expense (recovery)	3,505	1,049	3,979	(539)
Acquisition, integration and severance costs ^(a)	2,418	13,898	5,297	17,129
Share-based payments ^(b)	6,472	425	7,207	767
Net loss on foreign currency exchange ^(c)	778	125	3,118	2,602
Other ^(d)	(802)	72	(146)	275
Adjusted EBITDA ^(e)	40,991	25,767	111,669	55,258
Advance from third party - merchant residual received	3,848	3,085	9,515	7,368

(a) These expenses relate to (i) professional, legal, consulting, accounting and other fees and expenses related to our acquisitions and financing activities completed during the period and our initial public offering, (ii) acquisition-related compensation and deferred purchase consideration for previously acquired businesses, and (iii) integration expenses and severances paid.

(b) These expenses represent non-cash expenses recognized in connection with stock options and other awards issued under share-based plans.

(c) This includes gains or losses on foreign currency exchange included in selling, general and administration.

(d) This line item primarily represents legal settlements and associated legal costs reached outside of the normal course of business as well as non-cash gains, losses and provisions and certain other costs.

(e) Adjusted EBITDA is a non-IFRS measure that the Company uses to assess its operating performance and cash flows.

Reconciliation from IFRS to Non-IFRS Results	Three months ended		Nine months ended September	
	September 30		30	
(In thousands of U.S. dollars)	2020	2019	2020	2019
	\$	\$	\$	\$
Net loss	(77,869)	(65,696)	(126,247)	(66,388)
Change in redemption value of liability-classified common and preferred shares ^(a)	58,952	35,720	76,438	38,128
Accelerated amortization of deferred transaction costs / loss on debt modification ^(b)	24,491	4,830	24,491	4,830
Amortization of certain intangible assets ^(c)	14,161	12,485	43,211	28,234
Acquisition, integration and severance costs ^(d)	2,418	13,898	5,297	17,129
Share-based payments ^(e)	6,472	425	7,207	767
Net loss (gain) on foreign currency exchange ^(f)	(9,544)	2,021	17,889	(955)
Other ^(g)	(802)	72	(146)	275
Adjustments	96,148	69,451	174,387	88,408
Income tax expense related to adjustments	(1,824)	(1,563)	(5,646)	(5,038)
Adjusted net income ^(h)	16,455	2,192	42,494	16,982
Adjusted net income per share attributable to common shareholders of the company ⁽ⁱ⁾				
Basic	0.18	0.03	0.47	0.27
Diluted	0.17	0.03	0.46	0.26

(a) This line item represents change in redemption value related to shares classified as liabilities prior to the IPO. As part of the IPO, the shares were converted into equity as Subordinate Voting Shares. For the liability-classified common shares, the expense represents the fair value adjustment for the corresponding period, with the three months ended September 30, 2020 amount representing the IPO value of \$26 per Subordinate Voting Shares. These expenses are included in finance costs.

(b) With the repayment of long-term debt from the IPO proceeds, the associated deferred transaction costs were recognized in finance costs for the three months ended September 30, 2020 on an accelerated pro-rata basis. Additionally, in 2019 a loss on debt modification was recognized because of the incremental debt taken to fund the SafeCharge acquisition.

(c) This line item relates to amortization expense taken on intangible assets created from the purchase price adjustment process on acquired companies and businesses and from the acquisition of all of the outstanding shares of the predecessor by Nuvei in September 2017 (as further described in the 2019 notes to the audited consolidated financial statements).

(d) These expenses relate to (i) professional, legal, consulting, accounting and other fees and expenses related to our acquisitions and financing activities completed during the period and our initial public offering, (ii) acquisition-related compensation and deferred purchase consideration for previously acquired businesses, and (iii) integration expenses and severances paid.

(e) These expenses represent non-cash expenses recognized in connection with stock options and other awards issued under share-based plans.

(f) This includes gains or losses on foreign currency exchange included in finance costs and selling, general and administration.

(g) This line item primarily represents legal settlements and associated legal costs reached outside of the normal course of business as well as non-cash gains, losses and provisions and certain other costs.

(h) Adjusted net income (loss) is a non-IFRS measure that the Company uses to further assess its operating performance.

(i) Diluted Adjusted net income per share is calculated using stock options outstanding at the end of each period on a fully diluted basis if they were in-the-money at that time. Potentially dilutive instruments converted or reimbursed as part of the IPO have been excluded.

