Nuvei Fourth Quarter 2023 Earnings Call Transcript

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to Nuvei Corporation's Fourth Quarter 2023 Earnings Call.

As a reminder, this conference call is being recorded.

I'll now turn the conference call over to Chris Mammone, Head of IR. Please go ahead, Mr. Mammone.

Chris Mammone, *Head Investor Relations*

Thank you, Operator, and thanks to everyone for joining us this morning.

With us today are Philip Fayer, Chair and CEO, and David Schwartz, CFO.

As a reminder, this conference call is being recorded and webcast and is copyrighted property of Nuvei. Rebroadcast of this information in whole or in part without written consent of Nuvei is prohibited.

Prior to this call, we published the Shareholder letter for the fourth quarter and full year. We encourage everyone to read it if you haven't done so already. The Shareholder letter contains commentary that otherwise would've been included during our prepared remarks to this conference call, and allows us to spend more time on today's call answering questions. We would also encourage Investors that the Shareholder letter be read in conjunction with our press release, MD&A, and consolidated financial statements, all of which are available in the events and financial information section on our Investor Relations website, investors.nuvei.com.

During this call, we may make certain forward-looking statements within the meaning of the applicable Securities Laws. Such forward-looking statements involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the business or developments in Nuvei's industry to differ materially from anticipated results, performance, achievements, and developments expressed or implied by such forward-looking statements. Information about these factors that could cause actual results to differ materially from anticipated results or performance can be found in Nuvei's filings with the Canadian Securities Regulatory Authority and on the Company's website.

Our discussions today will include non-IFRS measures, including, but not limited to, Adjusted EBITDA, adjusted net income, and adjusted net income per share. Management believes non-IFRS results are useful in order to enhance our understanding in our ongoing performance, but they are not a supplement to, and should not be considered in isolation from, a substitute for IFRS financial matters. Reconciliation of these measures to IFRS measures is available in our earnings release and MD&A.

We'll just have some brief prepared remarks here before opening up the call to your questions. In order to get to as many people in queue within the allotted Q&A time, we ask that you limit yourself to one question and one follow-up.

With that, I'd like to now turn the call over to Phil.

Philip Fayer, *Chair, Chief Executive Officer*

Thank you, Chris, and thank you all for joining us this morning.

As you've now seen, we reported strong fourth quarter and full year results near the high end of our range for revenue and above the range we provided for total volume, revenue in constant currency, and Adjusted EBITDA. Highlights for the quarter include strong growth across the board, with total volume increasing 53%, revenue increasing 46% and Adjusted EBITDA increasing 40%.

On a pro forma basis, fourth quarter revenue growth was 11%, and in line with our expectations. Our leadership and challenger positions across our end markets drove 19% growth in organic total volume at constant currency. Adjusted EBITDA margins expanded sequentially by 100 basis points to 37.3% as we're driving efficiencies throughout our business.

On capital allocation, we continue to prioritize debt repayment, deleveraging to 2.5 times as at December 31, 2023. Our Board has authorized and declared a cash dividend of $0.10 per share. Since 2022, we have returned $251 million to Shareholders in the form of share repurchases and dividends. This year is off to an exciting start as we are executing on our strategic priorities. We're looking forward to another year of growing with our customers, driving product innovation, and expanding our geographic footprint, all the while staying disciplined on cost management.

This concludes my prepared remarks, and we're now ready to take your question.

Operator

Thank you. The first question we have is from Will Nance of Goldman Sachs. Please go ahead.

Will Nance, *Goldman Sachs*

Hey, guys, good morning. Appreciate you taking the questions. Phil, maybe just a question on some of the moving pieces in the channels. I think the SMB business had a nice improvement. I think in the Shareholder Letter, you mentioned finding ways to improve the performance. Just any color on some of the opportunities that you guys have uncovered more recently there.

Then I thought it was interesting to see the heritage Paya business growing at high-teens. It's a nice acceleration from what it had done historically. Just any color on what's been driving that. Then maybe any color on Till Payments. I think you mentioned that was geared towards international expansion on the ISV business. Maybe just thoughts on the strategy there. Thanks.

Philip Fayer, *Chair, Chief Executive Officer*

Thanks, Will. Good morning. Great questions. As we stated, we're investing in all of our channels. We're really excited about what they provide to us. If we double-click, Global Commerce grew volume by 30 plus percent, which we continuously believe is category-leading. We've made investments and executed our thesis around our B2B, government, and ISV channels. If we look back, that went from 13% (growth in Q2), 16% (growth in Q3), and 19% (growth in Q4), and we do believe our SMB channel is going to remain relatively flat and certainly contribute to the overall performance of our business alongside the continuous momentum that we see in our Global Commerce and B2B, Government & ISV channels.

With respect to Till Payments, very excited to welcome the Till team to Nuvei, a real small but killer business with very exciting capabilities with respect to engaging with ISVs and ISV partners around the world. Fantastic onboarding tools for seamless and instant merchant onboarding, great partner tools and APIs for us to accelerate our ISV strategy. It is growth accretive in our B2B, Government & ISV channel, and certainly drives a footprint for us to accelerate ISV engagements around the world.

What's interesting about Till, while a small acquisition, they’re big on capabilities and certainly will be very interesting for us as a platform for continued growth. They have relevance in Australia and New Zealand, but also in the US—just about 50/50 with respect to where they're focused today. Wonderful team. It’s margin dilutive initially for the first couple of quarters. We believe we'll bring it to breakeven by the end of the year and will be accretive in the years to come.

Operator

The next question we have is from Darrin Peller of Wolfe Research. Please go ahead.

Darrin Peller, *Wolfe Research*

Guys, hey, thanks. Phil, in the prepared remarks or really in the Shareholder Letter, you talk through the rigor you applied to guidance. Maybe just expand on that a little more in terms of what you actually included in terms of conservatism in the outlook. Then I think as a follow-up, just understanding the acceleration a little better, just the moving parts, the driving forces of that acceleration as the year progresses, to exit the year in that 15% to 20% (revenue growth range)0, would be a great place to start. Thanks.

Philip Fayer, *Chair, Chief Executive Officer*

Yes, absolutely. Good morning, Darrin. The biggest thing for us is we want to set ourselves up for success, and that is really what is reflected in the guidance. We took a prudent approach. We want to remain conservative. We're quite excited about how this year has started, but we've used our typical building blocks with respect to what we see in the business, what we see from a very active new customer pipeline, but being conservative on activation timelines from customers to essentially provide what we think is deeper visibility, and hence a better engagement with our shareholders.

With respect to the exit growth of Q4 2024, very good momentum in all of our channels, keeping in mind that we lapped in Global Commerce, the World Cup, which was a significant event the previous year. In the first half of the year, we also must consider the lapping of the off-boarded customer. We have taken some thoughtful views on the timing for new customers and most certainly thoughtful views on wallet share expansion opportunities, which we're excited for.

With respect to starting the year, we're seeing great momentum in January and February. We're seeing really strong engagement with customers, both existing and new. We feel like this year will be another transformative year for Nuvei. From a building blocks perspective, we're building it slowly. Organic growth building throughout the year until we exit Q4 (of 2024) in the range of our midterm growth targets.

Operator

The next question we have is from Sanjay Sakhrani of KBW. Please go ahead.

Sanjay Sakhrani, *KBW*

Thanks. Good morning. Maybe I could just drill down on Darrin's question just a little bit, Phil. When we think about that $100 million of revenue in the pipeline as at the end of the second quarter 2023, how much of that should translate into revenues as we move through the year? Maybe if you could just talk about how much of the new wins are sort of baked into the 2024 guide.

Philip Fayer, *Chair, Chief Executive Officer*

Yes, without double-clicking on specific customers, I think the most important thing to remember is when you sign a new customer, that begins the implementation timeframe. It typically takes six months to a year to see the full volume, just depending on how many countries and how long they have from an implementation standpoint. Historically, what you do is gun for full implementation the following year after you sign a new customer, provided that the customer went live at some point throughout that signing period, if that makes sense.

We've taken those historical trends into consideration for the year. We have a really deep pipeline, as you correctly mentioned. Many of you have seen the press releases that have come out with new customers, partnerships with Adobe, or our win with Microsoft, or us establishing a real foothold in the travel space, expanding in the retail space with some of the global retail pioneers. From an overall perspective, very excited about what we're seeing. Implementation is something that we have focused on more closely since last year. We have changed the way we manage client onboarding, created Tiger teams to drive attention through all the relevant departments for client activations, and that is starting to yield results.

I think putting it all together, the building blocks for us remain the same. Certainly, (the first building block is) what's happening in the end markets, GDP-plus related end markets that we're operating in. Second building block in both B2B, Government, ISVs, and Global Commerce channels, we have the wallet share opportunities within our existing customers, which are fairly significant as our customers execute on their own journeys and utilize our capabilities to grow their business.

Third building block is the annualization of the previous year’s new business, the ones that have activated. And then fourth building block is net new business. All combined, we've taken a fairly conservative approach with respect to the outlook that we provided for 2024.

Sanjay Sakhrani, *KBW*

Got it. Then just on a related note, I know you had these cost synergies from Paya, as well as other initiatives like insourcing the back-end processing. Could you just talk about the timing of that and does any of that factor into the guide for 2024?

Philip Fayer, *Chair, Chief Executive Officer*

It does not (factor in). If you remember Paya, we talked a lot about synergies by the end of 2024. We're really comfortable with the synergies that we've executed so far, both from a cost perspective, but more interestingly from a revenue perspective. We have left back-end processing migration in North America as an upside potential to margin expansion for this year. The reason being, Sanjay, is that back-ends are never all-in one and done. Certainly, we plan on (completing) the migration to Canada within the second and third quarter of this year. Thereafter, we'll look at completing the migration to the U.S.

That has enormous benefits for the organization, not just from the cost perspective from third parties, but also internal process efficiencies, meaning that we have one process for onboarding, one process for data, one set of data that comes back. Then we have the element with respect to wallet share opportunities. We will do our own clearing and settlement, we’ll also do interchange prediction, which is materially different from how many of the North American operators and processors do it today, meaning that we can price transactions in real time, and that opens up a world of opportunities with our ISVs and reselling partners because we can pay them daily. We can pay them weekly.

We can provide merchants greater depth on cost analysis and reporting for them on a per transaction basis in near-real time. It is very, very important, but we have left that (potential margin accretion) as an upside opportunity (for this year). It's predominantly going to be for 2025. However, we will see minor implementations and testing as we are doing right now. We are live in Canada with a handful of merchants and pretty excited about what we see.

Overall, from what we've baked in from an initiatives perspective, we've kept a very conservative view. We have upsides on our back-end processing migration. We have upsides on debit routing capabilities, which is going to be specific around Paya. Then we have just general scale opportunities within the business. We have taken an approach late last year, and this is from my entire executive team, to explore AI opportunities before we create the requisition for new hires. This is yielding wonderful opportunities for us to continue driving greater efficiencies across the organization.

Don't interpret that to mean headcount reduction. It's more opportunities as we continue to scale, and continue driving and enabling our workforce to do more and be more efficient and help margins expand to our long-term targets over time.

Operator

The next question we have is from Dan Perlin of RBC Capital Markets. Please go ahead.

Dan Perlin, *RBC Capital Markets*

Thanks. Good morning. I wanted to just ask a question. It feels to me like the sales motion, almost like the go-to market motion, has been accelerated. I think we also saw that indication in the current quarter. I'm just wondering, are there some nuanced changes that you've been pushing in place? I know you're talking about implementation times and tiger teams, but is this more the forward sales motion?

Then the second part of the question is a little bit different, but just expectations around gross margins as we think about into next year, given some of the mix dynamics that are at play in the business. Thank you.

Philip Fayer, *Chair, Chief Executive Officer*

Yes, thanks. I'll take the first question. I'll pass it over on the margin side to Dave. From a sales motion perspective, if we just double-click on what we did last year, last year we created our sales enablement group. Wonderful team that has created real structure around our global commercial operations. What we mean by that is, if you can have 200 sales folks sell one way versus 200 folks selling 200 ways, it creates a lot better visibility into the organization and the performance that we are seeing from the headcount that we have.

From an ROI standpoint, the commercial team has become really attractive with respect to cost of acquisition, certainly understanding as we shorten the time of implementation. We've also added an SDR team, which is now our breeding ground for talent as we continue expanding into it. We think that there is an opportunity, certainly keeping in mind the margin of the business to continue expanding our sales capabilities.

We're very excited about what we see in our Global Commerce channel. If you think about it, volume growth of 30%-plus (in the fourth quarter), certainly, we're lapping the off-boarded customer and World Cup, but it's a fascinating business with so much opportunity in so many different countries. Even at our current expected scale this year of touching $250 billion of volume, we still have so much more to go. We really like where we're sitting, both in Global Commerce and in our B2B, Gov, and ISV channel. Wonderful job from the team, from the sales motion aspect to energize our B2B group. We feel that this can be another significant lever for growth for us in the business.

We have accelerated our Government business as well, and we are putting focuses here on ISV. Thankful to have Till Payments as part of this, both from a capability perspective and a leadership perspective. All combined, it just gives us the tools to continue transforming the business into the player that we are today and the one that we're growing into.

David Schwartz, *Chief Financial Officer*

Hey, good morning, Dan. It's David. As it relates to gross margin, it's a good question. It's really dependent on mix, of course, and how we roll out and the relative mix within markets. But what I'd say, if you look back at the last eight quarters, the range has been really, really tight from a gross margin perspective. It's ranged from about 77% to about 83%. The range has been really tight.

The last two quarters sequentially we were at 81.7%, so pretty much flat. The quarter before that, Q2 was 82%. I'd say that you shouldn't expect much variability, depending of course on mix. Look, as we drive expansion from a wallet share perspective with existing customers that always helps. But then there's some offset and you think about it as we go up market to larger customers. There are many puts and takes, but ultimately we haven't seen much variability and I wouldn't expect to see any significant variability on a go forward basis there.

Dan Perlin, *RBC Capital Markets*

Great. Thank you.

Operator

The next question we have is from John Coffey of Barclays. Please go ahead.

John Coffey, *Barclays*

Hi, thanks, Phil. Thanks Dave, for taking my question. My first question is just on revenue cadence. Given that you guide for Q1 and for the full year, and also saying that you might leave 2024 at that 15% to 20% growth level, I was wondering if there's any insight you could give us into what the cadence would be revenue growth-wise over the year, because you know a lot of the ins and outs as far as that large customer leaving. Any kind of insight you could give us there.

Then my second question is, as I understand it, I don't think Brazil is open for gaming yet, but it seems like from what I've read, that might be happening soon. Is there any kind of view, if not sizing that you could give us on what you think the Brazilian gaming revenue opportunity could be for you? Thanks.

David Schwartz, *Chief Financial Officer*

Good morning. I'll take the first part, then I'll pass it back to Phil for Brazil. On the revenue cadence, there's a few factors to think about, especially in the first quarter, and the first half. In the first quarter, certainly, we'll expect strong revenue growth, 26% to 29%, but that's really driven by the full quarter of Paya in 2024 and only a partial quarter in 2023. Then as we get into Q2 and the rest of the year, Paya will be comparable on a year-over-year basis.

The other factor to think about for sure for the first half and slightly into Q3 is around the customer grow over. That's a headwind that we're facing. Then high level, what I'd say, if you think about it from an organic perspective, think about mid to high-single digit growth first couple of quarters and then low double-digit growth into Q3. Then like we've said, exiting Q4 in line with our medium-term revenue growth target of 15% to 20%. Aside from the dynamics around Paya in the first quarter, there will be a ramp throughout the year as we go, partly because of some of those headwinds I mentioned. But that's really how we see it. We think that we've set up our 2024 for success and we want to make sure that we execute.

Philip Fayer, *Chair, Chief Executive Officer*

Thank you. I'll take the second question. Gaming is a global vertical, and it is part of our ethos to make sure that we support every new market that comes online. We are focused on multiple geographies that have pending legislation to enable gaming. LatAm as a whole is a big gaming opportunity. Certainly, Brazil is topical for our customers and one that we are gearing up to supporting.

From a size of market perspective, we try to stay away from disclosing individual markets for gaming. We look at it more holistically from a customer perspective of where their journeys take them and what opportunities that drives for our end customers. We do think Brazil is topical for our customers, and certainly something that they are investing into, but it's not the only market, if that makes sense.

I wouldn't just double-click on one market. Brazil is a new market that's coming online, and it is certainly a top of mind market for our customers. But over the last three or four years, there have been several key new markets that have enabled, including what's happening in the United States and last year in Canada. There are a lot of tentacles for additional growth in that gaming vertical, Brazil being one of them, yes.

Operator

The next question we have is from Rufus Hone of BMO Capital Markets. Please go ahead.

Rufus Hone, *BMO Capital Markets*

Hey, good morning. Thanks very much. Maybe coming back to the EBITDA margin trajectory, you've got this target out there of 50% plus over the next five to seven years, and that implies a couple hundred basis points of margin expansion each year. Just given where you've guided to for 2024, slightly down margins year-over-year, how should we think about the margin ramp going into 2025? Is there going to be some kind of margin catch up? Just how are you thinking about that? Thank you.

David Schwartz, *Chief Financial Officer*

Yes, good morning, Rufus. I think we talked a little bit about it, but we can drill down a bit more. When you think about margin and what the impact is, we'll talk about 2024 first, then we can go into 2025. Exiting full year of 2023 at 36.8%.

Our outlook for adjusted EBITDA, as you saw, for the full year, 36% to 37% range. There's really a few core building blocks that you need to think about from a bridge perspective. One is around Till Payments. Like Phil said earlier in the call, it's a business that we're really excited about. It brings us capabilities on the ISV side, but it is early stage, high revenue growth, and there is a drag from an EBITDA margin perspective. That does have an impact in 2024. Again, we plan to exit 2024 with Till at breakeven or better. That's one component.

The other component to the downside is the customer grow-over that we experienced late last year. That's going to have an impact to adjusted EBITDA margins, certainly for the first part of the year. Then the offset to both of those headwinds is really around scale. As our business continues to scale, and as those two items lap, it really sets us up well from a margin perspective later in the year. And that brings us to the 36% to 37% range in adjusted EBITDA margin for the full year. Then there's the potential for upside that was mentioned earlier on the call around the various margin enhancing initiatives, and Phil touched upon some of them.

There's insourcing of back-end processing. There are the overall cost savings initiatives. There's Paya synergies. What I'd say on the cost saving initiatives—in addition to what we've tasked ourselves to do on the AI front—is also just looking across the board at all of our costs, looking at vendors, trying to understand where the opportunities are from a vendor consolidation perspective, from a pricing perspective with vendors. We've taken a prudent approach to how we think about our execution on those, but we're really driving them hard. I think we mentioned on the third quarter call that we do have a Tiger team that meets weekly and are looking at costs. I think we're driving the organization and making sure that culture is instilled across every level within the organization.

We've taken a prudent approach in terms of what we have baked into our outlook. I'd say there's much more upside than what's baked in, and we're executing. Will we achieve everything that we've laid out? No, but our team has been really, really thoughtful and great around looking under every rock to just say, hey, what about this, what about that? We're really, really driving the execution on those savings.

I think that's another part of the upside that can help drive us towards that EBITDA margin expansion into 2025 and beyond. I think you've seen over the past three quarters that we have demonstrated good margin expansion. I think that's something to consider too, about how we can leverage the revenue, leverage the scale to drive towards that 50% plus long-term target.

Rufus Hone, *BMO Capital Markets*

Great. Thanks.

Operator

The next question we have is from Richard Tse of National Bank. Please go ahead.

Richard Tse, *National Bank*

Yes. Thank you. Just wondering if you could maybe elaborate a little bit more on your acquisition (M&A) strategy. Should we think about this as you're looking for solutions to expand geographies? Related to this, was Till Payments just opportunistic given the valuation of that asset?

Philip Fayer, *Chair, Chief Executive Officer*

Good morning. Our base case as we've talked about for the past few quarters from a capital allocation perspective is debt repayment. Our leverage profile has changed. Our cash flow generation is extremely strong. That is our base case and that's what you should think about. We really liked Till Payments. As it ran through the process, we liked the capabilities, but just as a background for the process, we weren't there on price and/or on price expectations initially. We did give our best and final offer, and as you could see, it was not a significant acquisition in relation to the size of our overall business. But the capabilities were very compelling.

We have a lot of rigor around M&A. I would not expect acquisitions, as we stand today, to be our priority. It will be much more focused on debt repayment. But we will remain opportunistic and Till Payments was exactly that. The more we dug, the more we found relevance to our business. We loved the team. We think this is additive to our B2B, Government & ISV channel strategies. We do think there's tentacles of opportunities around our SMB channel as well, specifically around the simplicity and the cleanliness that they have around merchant onboarding that's relevant for our businesses.

From a capital allocation perspective, base case is debt repayments. We're very fortunate with our free cash flow profile. Our business has hit another inflection point as we continue scaling, and this is just going to open up more opportunities, both with respect to potential opportunistic future M&A, but more importantly, just improving our leverage profile over the next few quarters.

Richard Tse, *National Bank*

Okay. Then my follow-up question, you talked about wallet share increases. I don't know if you can elaborate on this, but perhaps you can maybe talk about who you're getting the most share from.

Philip Fayer, *Chair, Chief Executive Officer*

It just depends on the area. There's not one particular part that I could highlight. It just depends on what merchants are looking for and what solutions we offer. We compete against great companies. If we think about some of our large global peers, we've established a position. We're a substantial player today and that allows us to earn our fair share, driven by our technology stack, and the flexibilities that we've embedded into it. It depends on the region. It depends on what merchants are looking for.

Certainly, from a Global Commerce channel perspective, there are five major competitors (including Nuvei), and we compete really well on feature, functionality, and capability, and ultimately that's what's driving that 30%-plus growth in Global Commerce channel volume—and 19% organic volume for the overall organization—during the fourth quarter.

Operator

The next question we have is from Reggie Smith of JPMorgan. Please go ahead.

Charlie Pearce, *JPMorgan*

Hey, morning everyone. This is Charlie on for Reggie. You've announced a number of marquee wins over the last couple of months. I was hoping you could step back and compare 2023 to 2022 in terms of how these deals are stacking up against one another. Are there any appreciable changes in the size and scope of new deals? Any demand or changes in demand of specific services or offerings? Thank you.

Philip Fayer, *Chair, Chief Executive Officer*

Great questions. If you think about it, 2022 was the onset of our global commercial team that we started building in 2021. I think the machine is becoming really well oiled. It's just the journey between building a commercial organization. Just a side note, I would preface that technology is great, but you need a commercial organization to enable it and scale it, and that's really where we have been investing into. Yes, continuing the momentum in upgrading our features and capabilities, as we've highlighted 40-plus capability enhancements in the fourth quarter alone. But it's all about bringing it to market, screaming on top of the rooftops about your solutions and making sure that customers hear you and consider you.

That is really what has driven the transformation of the business between 2021, 2022 and 2023. Pipelines in the Global Commerce channel specifically are never over, if that makes sense. Sometimes you can speak to a customer for years depending on where they go. Sometimes it can be for a quarter. Sometimes they're running an RFP and all scenarios in between. But our pipeline today, what's wonderful about it, it's not just the size and depth of it, but also the variety of end markets and customer profiles. From winning Microsoft, to the newly announced partnership with Adobe, to the partnerships that we've seen across the board. You have seen a high volume of press releases and activities that are coming through.

We are going from—if we think about five years ago—a single vertical focus to our capabilities now in seven or eight core verticals plus new end markets in our Global Commerce channel, and entirely new use cases with respect to B2B, Government & ISV,.

We're still in the very early innings of the pipeline. It's an important building block. It's one that transforms the business and drives organic growth. We're quite excited about what that means for us. It's one that ultimately we feel there's more room to keep expanding it further. Obviously we keep our focus on adjusted EBITDA margins, but there is more room for us to continue making thoughtful expansions in the commercial team into new regions to accelerate areas such as LatAm and what we've done in Australia. But from the quality of the pipeline, the depth of the pipeline, the sheer opportunities that these merchants bring to us, we're in a very unique place and we think that sets us up for success in 2024.

Charlie Pearce, *JPMorgan*

Great. Thank you.

Philip Fayer, *Chair, Chief Executive Officer*

Thanks Charlie.

Operator

The next question we have is from Timothy Chiodo of UBS. Please go ahead.

Timothy Chiodo, *UBS*

Great. Thank you for taking the question. I wanted to dig into a stat that was in the Shareholder Letter around the 19% growth with customers that are doing $1 billion or more in volume. If you could just elaborate a little bit more on that. It sounds like a lot of it was wallet share gains, which is great. Also, if you could talk a little bit about the vertical mix of those large billion-plus customers.

Philip Fayer, *Chair, Chief Executive Officer*

Thanks, Tim. Good to hear your voice. I think what's fascinating for us is the fact that we have historically focused very much on mid-market. Our mid-market customers have grown and have grown with us. Certainly, just the breadth of new wins that we've on-boarded, it's a fascinating place to be and ultimately it's a humbling place. I started this business 20-plus years ago to help customers accept payments and break down barriers with respect to how they operate their own businesses.

To close your eyes and to think about where we are today, the customers that we support and the end markets that we're enabling, it's just a wonderful journey and I'm incredibly proud of the team. From the end market perspective, we're nicely diversified. We have the mix of our own end markets that we support with the more recent addition of B2B, Government & ISV, and the acceleration from being a category leader in a particular vertical, to now being the challenger in many verticals.

The big takeaway for us when we put that stat out there, it's humbling to see that our customers empower us and entrust us by virtue of winning more volume from them. If you think about 19% growth, it's typically faster than the end customer's growth itself, which means that it's wallet share that we're gaining, and it sets us up well to continue executing going forward.

All of that is driven by a couple of big building blocks. The first is, we think we've earned a category-leading net promoter score by listening and embedding our customers into our own roadmap in terms of their requirements, and being relentlessly focused on their execution. The output is really what we're seeing today, which is great engagement, very good visibility into where they're going with us, and ultimately a significant building block for our growth trajectory.

Timothy Chiodo, *UBS*

Great. Thank you, Phil. To your point, you've been doing this for a long time, and I wanted to see if we could squeeze in an interesting question. Whether it relates to your platform's business or working with ISVs in general, I think many investors appreciate that the role that the ISV takes in the process, meaning how much they want to take on in terms of responsibilities and risk, et cetera, those can all have impacts on the various unit economics, either to the ISV or to the payments company.

In your years of doing this, have you seen any kind of a meaningful shift in those commissions? Generally, the thought is that they've gone up over time. What has been the trend over the last 10 years in your view? And has there been anything different over the last, call it two to three years?

Philip Fayer, *Chair, Chief Executive Officer*

You're putting me on the spot with everyone here, but it's fascinating. If you think about it, Tim, if you go back to the early or late 2000s where the ISV was a referral model, where they were earning 20%, 30% of the commission. Then all of a sudden the ISV realized that the software part of their own business is nice, but the greater upside is in payments, and many of them were breakeven at best businesses. If you think about some of the public companies, the relevance of payments, and that includes Shopify, Lightspeed, and many others, is a critical aspect to their own strategies.

That has evolved over the last 15 years, where payments is now a must do. Then you have the potential benefits of what the ISV can do, which is a simpler onboarding, single sign-on for both service and payments, cleanliness of data and greater stickiness with respect to the end merchant. It's a no-brainer that we've evolved to where we sit today, but not every ISV is alike, and I think that's something that gives us a really good position because we're entering into a fairly mature market where folks have moved from referral to ISO to potentially PayFac, and we're entering at the right time. But not every ISV wants to be taking in liability, and not every ISV wants to have that journey, or at least wants to have that journey upfront.

Payment companies need to realize that we have to adapt our solution stack to the growing needs of ISVs and their requirements are going to change over time. Certainly, the biggest focus on profitability from ISVs will be around payments. As such, I think that bodes well for us as we continue investing in the ISV market. That allows us to enter the market with effectively every incremental gross profit dollar falling to the bottom line. It puts us in a nice position versus protecting revenue that may have changed in commissions.

From a commission standpoint, yes, it's evolved. It's gone from what I remember as 20% or 30% and higher up. But what you're seeing from a lot of payment companies is they're allocating capital to buy back commissions to keep them at that particular level. That has been an industry trend, and I'm assuming that will continue.

Operator

The next question we have is from Todd Coupland of CIBC. Please go ahead.

Todd Coupland, *CIBC*

Great, thanks. Good morning, everyone. I wanted to ask about market conditions. Phil, you talked about having a prudent outlook with an eye to the economy for 2024. It seems like some of your peers, certainly in the second half of 2023, had improving results. I was just wondering if you could talk about your view of current market conditions. Thanks.

Philip Fayer, *Chair, Chief Executive Officer*

The only thing I can double-click on, Todd, is on volume and activity from our customers. Volume year-to-date with respect to January and February and first few days of March has been very strong. We're seeing continuous engagement across all of our end markets. Last year, we saw some moving around on same-store sales. Surprisingly, we thought after the first quarter, second quarter had more headwinds on a same-store sales perspective and that has since improved. I would say market conditions so far are fairly stable.

Todd Coupland, *CIBC*

Yes. I wanted to follow up on your AI point. Do the payments companies have access to the customer data for training models, or will it simply be using AI to be more efficient with your own operations? Talk about some of the possibilities and where it might go for Nuvei. Thanks a lot.

Philip Fayer, *Chair, Chief Executive Officer*

Yes, very, very good question, Todd. You have merchant-facing products for AI, and then we have internal. Certainly, for merchant-facing, that's part of our regular roadmap. If you think about basic reporting, instead of building 10 templates for reporting, you could just ask what you want from a control panel and provide the data out. There's a tremendous amount of opportunities around that.

There are opportunities around transaction routing, which we have been spending time on to drive greater authorizations and improvements and learning patterns to drive transactions from a fraud and approval perspective. That is merchant-facing.

What we're focused on very much is internal. How do we make the lives easier for our own folks? How do we become more efficient? Some great analysis that we've done with a third party was, how do we get all the customer service data to take the call time from 11 minutes to 7 minutes, or from 11 minutes to 5 minutes? These are things that we find really, really compelling, and there are great use cases across every single department for us to drive greater efficiencies, greater engagement with our employees and more satisfaction while helping us continue scaling from a profitability perspective.

Operator

The next question we have is from John Davis of Raymond James. Please go ahead.

John Davis, *Raymond James*

Hey, good morning, guys. Phil, really appreciate the color on the strategic fit of Till Payments, but hoping you can give us a little bit more on the financial impact, specifically on adjusted EBITDA in 1Q, and what's baked in for the full year.

David Schwartz, *Chief Financial Officer*

Hey, John, it's David. Till Payments, like we said, was a capability buy, something that we liked in terms of what they did for our B2B, Government & ISV channel. Certainly, from a revenue perspective, although it's small and growing at a nice growth rate. I'd say that from what we're seeing in terms of a go-forward, like we said, it’s a drag on adjusted EBITDA margin, and that's why you see flattish outlook for the full year. But effectively, what we see as we exit the year is to be able to improve that and be breakeven or better. Look, there's all the other items we talked about too, from an EBITDA margin enhancement perspective that we're driving.

We're very much adjusted EBITDA margin focused. You can imagine that what we really like in Till Payments is the capabilities. We understood that it would be a drag to near-term margins, but those capabilities outweighed the short-term financial perspective. We are very much focused on the medium and longer term and we think that Till really will help us drive the ISV space in the U.S. and globally, but also be part of our geographic expansion plan within APAC. It's like a win-win that brought us a couple of things we're really excited about. Margin progression throughout the year, similar to revenue growth, will improve.

John Davis, *Raymond James*

Okay. Maybe to put just a finer point, all else equal, on an organic basis you would expect margin expansion this year. It really is just Till that's driving margins down on a year-over-year basis at the midpoint.

David Schwartz, *Chief Financial Officer*

Exactly. You got it exactly right.

John Davis, *Raymond James*

Okay, great. Then just on the Global Commerce channel, appreciate World Cup and lapping the customer loss. Can you help us dimensionalize? Because obviously World Cup is in the fourth quarter. That'll go away, but we'll still have the customer loss for a few more quarters. I think you decelerated about 1,300 basis points from 25% growth in Q3 to 12% growth in Q4. Just trying to break that deceleration out between the World Cup and customer loss.

Philip Fayer, *Chair, Chief Executive Officer*

I'll take that. I think we wouldn't want to double-click specifically into it. Obviously, World Cup was a significant event. The customer was a top 10 customer that we off boarded. We're going to lap that in the first half of the year. From a building block perspective, what I'd love to point to is continuous scaling in our Global Commerce channel with 30%-plus volume growth in Q4 of 2023. We're going to continue seeing volume growth across the organization accelerate. For 2024, we'll see between 20% and 24% volume growth based on the outlook versus exiting at 19% organic volume growth in Q4 of 2023. Really good momentum in the business.

The two headwinds that we have in Global Commerce are specifically the World Cup for Q4 and just lapping the customer. That will happen in the first half of the year.

John Davis, *Raymond James*

Okay. Appreciate the color. Thanks, guys.

Philip Fayer, *Chair, Chief Executive Officer*

Thank you.

Operator

The next question we have is from Jason Kupferberg of Bank of America. Please go ahead.

Jason Kupferberg, *Bank of America*

Good morning, guys, and appreciate the conservatism in the outlook. Sounds like that's the case, both revenue and EBITDA-wise. Phil, I wanted to follow up on your comments around the verticalization. Like you said, you've now obviously opened the aperture a bit in terms of the number of verticals that you actively participate in and pursue. Can you just give us a sense right now what you're seeing in terms of demand and pipeline on a relative basis across those verticals? Which ones are particularly robust and which ones perhaps are less so? Thanks.

Philip Fayer, *Chair, Chief Executive Officer*

Certainly. Thanks, Jason. We focus on mid-market to enterprise clients that operate globally, and specifically we're talking about the Global Commerce channel, and I'll get to B2B in a second. But we focus on customers that are mid-market to enterprise that have international presence. With that, then we break it down to specific verticals where we build a vertical team from a commercial perspective and account management perspective, naturally embedded with a product team to build solutions that are bespoke and changing from those end markets.

We spend equally in every single one of them, and we're pretty excited about going from a leadership position in one market to the challenger position in many others. I'd really urge you to take a double-click on the sheer amount of press releases from the wins that we've been having across the board. I couldn't tell you that just one stands out, because when we end up looking at the pipeline, we really see it across all major verticals with significant tailwind opportunities, really across travel, digital goods, marketplaces and platforms.

Obviously, we continue helping our current customers and naturally extend in our leadership position with wallet share gains. We're excited to see the opportunities. None of our customers are standing still. I think that's the other thing that's very interesting is they all have their own growth trajectories that we get to execute on. You have your pipeline with respect to new business, but you certainly have your pipeline from your own customers on their own journeys, which is often equally, if not more exciting than the new in-year business.

All combined, very good momentum. I could call out our momentum in travel. I could certainly call out our momentum with marquee customers, be it Microsoft and others that we've on-boarded, even to mention the Familiprix opportunity here in Quebec, which is one of our major new retailers. That success is certainly parlaying into all other end markets.

With respect to B2B specifically, we have seen a significant expansion with respect to the end ERP platforms that we support. If you think about B2B, as we enable the ERP platform, the verticals that we support are driven by where the ERP platform has success. We don't actually drive the end customer target. We drive the B2B enablement, and that has been on a wonderful journey as we've gone from a handful of partners to multi-partners, from U.S. only to expanding into Canada last year, with a fantastic roadmap to go international, and really good engagement with our partners.

We're just starting on B2B, but B2B is less vertical-specific, more platform-specific because it is a direct sales engagement integration to the ERP, and then direct sales to the VAR, and then indirect sales to the end merchant, if that makes sense.

Jason Kupferberg, *Bank of America*

It does. I appreciate the color. Just a quick one for David. Can you quantify the Till Payments revenue contribution, both for Q1 and full year 2024? Thanks, guys.

David Schwartz, *Chief Financial Officer*

Hey, Jason. Like we said, it's an early stage platform, so it's not a significant amount of revenue. Overall, it's going to contribute really from a capabilities perspective in the near term. In the longer term, it's really what's going to drive revenue growth on the ISV side. I'll leave it at that for now at this point, Jason. Thank you.

Operator

This ends the allotted time for Q&A, and I'll turn it back to Chris Mammone.

Chris Mammone, *Head Investor Relations*

Thanks again for joining us today. Please reach out to the IR team with your follow-up questions. In the next few weeks, we're planning to attend Investor conferences hosted by Wolfe and Bank of America, and we hope to see many of you during those appearances. Bye for now.

Operator

This concludes today's conference. Thank you for joining us. You may now disconnect your lines.