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# Nuvei Corp. (NVEI.CA)

Q1 2022 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, ladies and gentlemen, and thank you for standing by. Welcome to Nuvei Corporation's First Quarter 2022 Earnings Call. As a reminder, this conference call is being recorded.

I'll now turn the conference over to Anthony Gerstein, Vice President and Head of Investor Relations for Nuvei. Please go ahead, sir.

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### Anthony Gerstein

*Vice President & Head-Investor Relations, Nuvei Corp.*

Thank you, operator, and good morning, everyone, and thank you for joining us. With me 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. Any rebroadcast of this information, in whole or in part, without written consent of Nuvei is prohibited.

This morning, Nuvei issued a press release announcing financial results for the three-month period ended March 31, 2022. The release, as well as an accompanying presentation, is available in the Investor Relations section of the company's website, nuvei.com, under Events & Presentations.

During this call, we may make certain forward-looking statements within the meaning of the applicable securities laws. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the business or developments in Nuvei's industry could differ materially from the 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 discussion today will include non-IFRS measures, including adjusted EBITDA, adjusted net income, adjusted net income per share, and free cash flow. Management believes non-IFRS results are useful in order to enhance our understanding of our ongoing performance, but they are not a supplement to and should not be considered in isolation from or as a substitute for IFRS financial measures. Reconciliation of these measures to IFRS measures is available on our earnings release and MD&A. We'll open up the call to your questions after our prepared remarks.

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

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### Philip Fayer

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

Thanks, Anthony, and thank you, everyone, for joining our call today. It's good to, once again, be sharing our progress with you following our inaugural Capital Markets Day back in March where we had the opportunity to meet many of you in person. We're off to a strong start in 2022, delivering results ahead of our financial outlook, driven by the successful execution of our growth strategies.

For the quarter, total volume increased 42% to \$29.2 billion, revenue increased 43% to \$214.5 million, and adjusted EBITDA increased 40% to \$91.6 million. Organic revenue growth, which excludes revenue from

acquisitions completed in the trailing 12-month period, increased 32%. What's important to note is these excellent results include a revenue headwind of approximately \$7 million from unfavorable changes in foreign exchange rates year-over-year.

As a company, we are just getting started as our TAMs are large and growing with so much white space in each of our focus verticals and current geographies, as well as significant opportunities in our under-penetrated global geographies in North America, LATAM and APAC for future growth. Looking at revenue by region in the first quarter, EMEA, North America, LATAM and APAC represented 58%, 38%, 3% and 1% of revenue, respectively.

From a growth perspective, EMEA, North America, LATAM and APAC increased by 73%, 13%, 25% and 64%, respectively. We experienced sequential growth quarter-over-quarter of more than 100% in APAC and 6% in North America. It is worth reminding you that while our global eCommerce channel is the largest channel in EMEA, LATAM and APAC, it remains subscale in North America. As you know, we are making investments there and the transformation in North America is well underway.

For perspective, North America eCommerce direct revenue increased 71% to \$27 million in this year's first quarter from last year's first quarter, and now represents approximately a third of the total North American revenue. As I will highlight in a minute, we see enormous opportunity converging in North America with recent customer wins and expansions, which will contribute to our growth in the upcoming quarters. Overall, the prospects for our business remain strong and we are well positioned for sustainable and profitable growth.

Turning to new customers. The first quarter was notable for the number of new customer wins and increasing wallet share gains we achieved with existing customers. As you recall, growing with the existing customers drives the majority of our in-year growth, while the onboarding of new customers contributes to our future growth as those relationships scale over time and open doors to further opportunities going forward as we help them grow their businesses globally.

Meanwhile, our robust pipeline gives us good visibility for the year. Looking at our high-growth focused verticals; in gaming, we're executing and on plan with our strategy for North America as the market continues to evolve, signing new flagship customers, including FanDuel, theScore, NorthStar Gaming, Hard Rock and Desert Diamond. We also added the province of Ontario, the newest market to open in North America. We're also expanding wallet share, adding further capabilities and geographic support with existing gaming customers like DraftKings, BetMGM, 888, LeoVegas, Entain, Kaizen Gaming, Betsson and Wplay.

As you can see, Nuvei is now integrated and supporting really the who's who of the industry and has made meaningful progress essentially with all the leading online gaming operators in North America as well as globally. It's really important to remember that each state and product is an additional implementation which creates ample opportunity to go state to state, country to country, and product solution to product solution helping our customers grow.

In travel, we added new customers, including international hotel operator Selina, supporting them globally in EMEA, LATAM and North America with local payments and a vast number of capabilities. Luxury tour operator Scott Dunn, which we won through an RFP in the first quarter; Despegar, the largest online travel company in LATAM with operations in more than 20 countries and started using Nuvei in Colombia in the first quarter; and wholesale travel company DidaTravel, a leading wholesaler in travel industry out of Asia.

We also expanded support with existing customers, including Israeli national carrier El Al, which expanded our contract to support payments in North America and Israel and BSP processing; online travel and leisure retailer

lastminute.com; and we also expanded our partnership with Universal Air Travel Plan, UATP by enabling payment services globally.

In digital goods and services, we had Cabify, a leading ride-hailing company in LATAM, which started using Nuvei in Chile; Aircash, the first Croatian fintech offering a digital wallet for money transfers; and Cellebrite, a global digital intelligence company. We also increased wallet share with Rappi, an on-demand delivery leader in LATAM providing more of our solution offering in the region. In online retail, we accelerated new customer wins, announcing agreements with Wix; global marketplace SHEIN; and, of course, The Hut Group. And at the same time, we've expanded existing customer relationships with YOOX NET-A-PORTER, Valentino and Canadian online retailer, Hatley.

In online and social video gaming, we added fast-growing video games marketplace Eneba and expanded wallet share with Wargaming and digital video game distributor Valve. In digital assets, we added several new customers, including cryptocurrency exchange, Crypto.com and Pionex, as well as several NFT exchanges and marketplaces, including Ulti Arena, [ph] Exind and Maxar (00:08:49). We've also partnered with Ledger, the leading hardware wallet provider to enable direct on-ramps with the leading fiat funding options Nuvei supports, allowing Ledger users to purchase cryptocurrencies through our [ph] vast (00:09:04) supported payment rails.

And in financial services, we added Davivienda, one of the largest banks in Colombia, which launched [ph] Portal de pagos (00:09:13), a platform powered by Nuvei to process collection and payments for more than 5,000 of their customers in Colombia. In addition, we also signed a payment orchestration agreement with one of the largest processors in Mexico. As you can see, the momentum in new client wins across all focus verticals is accelerating.

As we discussed on our last earnings call, we recently launched a dynamic new global marketing campaign, the largest in the company's history, highlighted by our distinctive brand refresh. The campaign is designed to strengthen and support our brand awareness and lead generation by leveraging all channels to make an impact across our verticals and geographies. Because of the macro environment, we prudently deferred some of the planned marketing spend for Q1 into Q2.

We're now on track and those who haven't seen the company's rebrand, I encourage you to visit our corporate website to get a flavor. There are many exciting things to come. You will start to see some of the bigger elements of the advertising campaign on leading media outlets over the coming weeks. I'm really excited about the overall program. This is the first time we've undertaken a marketing campaign of this scale and I look forward to sharing the results with you throughout the year.

Now, turning to product innovation highlights. As a technology company, we continuously invest in product in order to drive more feature functionality with our modern and scalable solution stack. Adding innovative product capabilities always expands our TAM and creates opportunities to expand wallet share with our customers. Most recently, we announced real-time deposits in the United States using the RTP network, the first in the industry to do so. Like with real-time withdrawals which again we were the first to offer last year, real-time deposits are game changers, enhancing the experience and proving market credibility and trust between customer and a merchant. Furthermore, it reduces fraud and lowers insufficient fund risk to the merchant.

While relevant to all our verticals, real-time deposits are immediately advantageous to our online gaming customers in United States as in-play betting occurs in real time during live sporting events and players need to fund their accounts instantly and safely. As we stated before with respect to RTP and bank account-based payments and real-time payments, we believe there is a significant opportunity for growth as this is an increasing,

popular and accepted payment method, allowing customers to purchase as simply as using a credit card and to receive both pay-ins and payouts instantly into their bank accounts 24/7/365.

With respect to adding to our capabilities in the first quarter, we added multiple new alternate payment methods, increasing our portfolio of alternate payment methods to over 550, expanding access and allowing customers to accept more forms of regionally familiar and preferred digital payment methods. Specifically, in Europe, we added online/offline voucher solutions for customers in Romania, Greece, Cyprus, and Italy. In Asia, we enabled several local card payments and APMs in South Korea, and added several essential payment methods such as net banking, Paytm, RuPay, PhonePe, as well as other e-wallet solutions in India.

In Africa, we began offering bank transfers, vouchers, mobile money, local card payments, and e-wallet solutions in Kenya, Rwanda, Nigeria, Ghana, Tanzania, Uganda, and Zambia. And in LATAM, we implemented our own direct integrations rather than using third parties into several APMs, including Pix and Boleto in Brazil, resulting in significantly higher conversion rates for our customers. And finally, we implemented UnionPay globally under our own acquiring license.

In digital assets and cryptocurrency solutions, we launched in North America with localized payment acceptance, payout functionality, providing liquidity, risk management, KYC, risk scoring, and zero chargeback guarantee capabilities. We're really excited about what's happening with digital assets, and we believe we're well positioned for the industry with a seat at the table with our technology and growing list of customers as the industry continues to evolve. As of March 31, the company supported 136 coins and 97 fiat currencies.

In travel, we expanded our footprint, adding enhanced connectivity to BSP, which stands for Billing and Settlement Plan, a system designed to facilitate and simplify the selling, reporting and remitting procedures of IATA accredited passenger agents. BSP is a central point through which data and funds flow between travel agents and airlines.

Rather than the agents having individual relationships with each airline, all information is consolidated through a BSP and Nuvei can now process and accept payment to the BSP through networks like UATP. Although travel remains our smallest vertical, it's having these types of capabilities that will help us grow especially as the category recovers.

I'd like now to shift gears and talk about Nuvei's unique financial profile. From a financial perspective, our consistent revenue growth, profitability, low CapEx yields, exceptional cash flow generation, and when combined with our strong balance sheet gives us incredible flexibility with respect to capital allocation and ample opportunity to create shareholder value.

For the quarter, we generated free cash flow of nearly \$83 million. Previously, we have discussed our disciplined approach towards capital allocation for continued growth and outlined the multiple alternatives we have at our disposal to drive shareholder value. This includes investing in organic growth, pursuing inorganic opportunities and managing our capital structure focusing on governance and stewardship of capital.

With respect to organic growth, we continue to invest in the business for future growth. This includes our investment in product, people and our recent marketing campaign. When it comes to inorganic growth, you'll recall that M&A remains one of our key growth pillars focusing on capabilities, geography and scale. However, we maintain a disciplined approach and have never subscribed to revenue without profitability model.

In other words, we don't do financial engineering just simply by short-term growth. We do believe, however, that our position, strength of our balance sheet and cash flow generation affords us tremendous opportunities to pursue acquisitions. While to date we have focused mostly on smaller tuck-ins, the current backdrop of the market and compression of valuations is making for a really interesting environment, both for private and public companies, and we're ready and looking to execute on potential transformational deals in the future.

Finally, with respect to capital structure, we have purchased approximately 1.6 million shares as part of the previously announced share buyback plan we communicated in March for a total consideration of \$99 million as of April 30, 2022. Looking out our priorities for 2022, our areas of focus are continuously expanding our commercial teams globally; expanding our geographic footprint as we look to continue growing in APAC, LATAM, and MENA; accelerating our global gaming footprint in which we believe we are the industry leader; building out our card issuing product capabilities; enhancing our marketplace and platform capabilities; launching omnichannel capabilities in certain markets offering single API, tokenization and reporting to simplify multichannel operations; and monetizing our banking-as-a-service solutions in EMEA.

As you can see, we never sit still and we're constantly evolving to support the needs of our customers, as they continue to grow globally. Before I turn the call over to Dave, who will provide more details on the financials, we're maintaining our full year outlook for 2022 and reiterating our medium- and long-term targets previously provided, despite the current FX headwind and macro environment.

Finally, I wanted to welcome all our approximately 100 new teammates who joined us in the first quarter from around the world. We're excited to have you part of the Nuvei team, which totaled 1,468 at March 31. As usual, I'd also want to recognize all the fabulous and hard work of all our employees who contribute to the Nuvei success each and every day.

In keeping with our recently implemented policy that each time we beat our outlook, our employees receive an additional 2.5 days of vacation. You guys are rock stars and I'm grateful for your dedication and contribution to our mutual success. In closing, I'll reiterate how pleased I am with our results and the progress we're making across the entire company.

With that, I'll now turn it over to Dave to discuss the financials.

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## David S. Schwartz

*Chief Financial Officer, Nuvei Corp.*

Thanks, Phil, and good morning, everyone. We had a solid first quarter and are pleased with our performance. We were ahead of the top of the range of our outlook for the quarter in all three of our key metrics; total volume, revenue and adjusted EBITDA.

Total volume increased year-over-year by 42% to \$29.2 billion. Revenue increased by 43% to \$214.5 million, above the high end of our outlook range of between \$208 million and \$214 million. Revenue in the quarter was unfavorably impacted by changes in foreign exchange rates by approximately \$7 million. Organic revenue, which excludes revenue attributable to acquired businesses for the period of 12 months following our acquisition and excluding revenue attributable to divested businesses, grew 32%.

Gross margin in the first quarter was 78% compared to 82% in the first quarter of 2021. The change in gross margin compared to last year is primarily as a result of the inclusion of certain acquisitions, which have a higher associated cost of revenue. As we've stated in the past, our focus is on meeting the needs of our customers and driving incremental gross profit dollars through our land and expand approach. In terms of gross profit for the



quarter, we generated \$168 million, which represents more than a \$44 million increase as compared to the prior year period.

Selling, general and administrative expenses increased by \$58 million as a result of both organic and inorganic growth. The largest contributor to the increase in SG&A was share-based payments, which increased by \$33 million, primarily due to awards to employees who joined us as part of the four acquisitions we completed last year and other employee grants in last year's fourth quarter and late in the first quarter of this year.

Employee compensation other than share-based payments increased by \$17 million. The increase year-over-year mainly reflects higher head count both from organic and acquisition growth, including those in direct sales and account management to drive future growth and execute on our strategy. Our acquisitions also resulted in an increase in head count, employee compensation and acquisition-related compensation.

Adjusted EBITDA increased by 40% in the quarter to \$91.6 million, as compared to the outlook range we previously provided of between \$82 million and \$85 million. Some of the outperformance relative to the Q1 outlook is related to our marketing spend, which results from some of the spend being deferred from the first quarter into the second quarter. Adjusted EBITDA margin was 43% in the quarter compared to 44% in the prior year period.

Net finance costs was \$7.1 million compared to over \$2.5 million in last year's first quarter, mainly due to increased interest costs as well as the recognition of more than \$2 million in change in fair value of the share purchase liability relating to the automatic share purchase plan, which we implemented in March. Income tax expense in the quarter was \$8.6 million. This translates into an effective tax rate well above the Canadian parent's statutory tax rate of 26.5%, mainly due to share-based payments of \$37 million recognized in Q1 2022 that are nondeductible for tax purposes in certain jurisdictions.

Excluding the unfavorable impact of nondeductible share-based expense, the effective tax rate for Q1 would have been approximately 18% and consistent with our past disclosure. Net income for the quarter was \$4.5 million or \$0.02 per diluted share, compared to \$27.8 million or \$0.19 per share in the first quarter of 2021. As I mentioned earlier, this year's first quarter included \$33 million increase in share-based expense, which on its own represented approximately \$0.22 per diluted share.

Adjusted net income was \$69 million or \$0.46 per diluted share, compared to \$51 million or \$0.35 per diluted share in the first quarter of 2021. Looking at our balance sheet and liquidity for the quarter, our cash position and cash generation remain strong. Cash flow from operating activities for the three-month period was \$66 million, compared to \$53 million for the comparable prior period.

Free cash flow, which we define as adjusted EBITDA less capital expenditures, increased to \$83 million for the three-month period, representing free cash flow conversion of just over 90%. As Phil stated, we have a unique financial profile, which gives us flexibility with respect to capital allocation. As such, we continue to invest in the business both organically and through M&A, while remaining disciplined in managing our capital structure appropriately.

As part of our capital allocation approach, we also implemented a normal course issuer bid in March, which authorized us to buy back up to 6.6 million shares. Up to the end of April, we have purchased approximately 1.6 million shares at an average price of \$63.04 per share for total consideration of \$99 million. As at March 31, 2022, we had cash of nearly \$735 million. In addition, we had term debt of \$500 million, resulting in a net cash position



of \$235 million, with access to an additional \$385 million available under our revolving credit facility. In addition, our leverage remains low.

Turning now to our financial outlook for the second quarter and full year 2022, and I'll refer you to our forward-looking information disclosure in our press release and MD&A. For the second quarter, we expect total volume of between \$29 billion and \$30 billion, revenue of between \$217 million and \$223 million, and adjusted EBITDA of between \$88 million and \$91 million. For the full year 2022, we are maintaining our previously announced outlook of total volume of between \$127 billion and \$132 billion, revenue of between \$940 million and \$980 million, and adjusted EBITDA of between \$407 million and \$425 million.

The outlook, specifically the adjusted EBITDA, reflects our strategy to continue to invest in our business, such as in distribution, technology, and more recently in marketing. Our outlook also takes into consideration recent unfavorable movements in foreign exchange rates and takes a cautious approach to new customer activations. We're very pleased with our Q1 results.

And with that, we're now happy to answer your questions. Operator, please open the lines for Q&A.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. Ladies and gentlemen, at this time, we'll be conducting a question-and-answer session. [Operator Instructions] In the interest of time, we ask that you each keep to one question and one follow-up. Thank you. Our first question comes from the line of Sanjay Sakhrani with KBW. Please proceed with your question.

**Sanjay Sakhrani**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Thanks. Good morning and good results. Phil, you mentioned a few times or a couple of times just the macro being a little bit choppy here. Could you just talk about the downside risk to your growth given some of the verticals you might have are discretionary in spend?

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Yeah. Thanks, Sanjay. Good morning. Great question. When we look at our current momentum, we look at quarter-to-date, we're pretty pleased with what we've been seeing across our current customer base. And we've been accelerating new client wins and it's really about new client onboards and timing of new client onboards. So, we feel there's upside.

Naturally, it's always going to be dependent on when clients launch. But overall, from a macro perspective, when we kind of unpack it, the conflict in Europe has had minimal impact to us. We did have in the first quarter some smaller impact from Omicron as there were certain lockdowns in Canada versus in North America which impacted our small business portfolio in Canada. But overall, from the momentum that we're seeing in the business, when we're looking at the core verticals, wallet share expansion globally with our current clients, we're really pleased with the momentum.

**Sanjay Sakhrani**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Thanks. And my follow-up is on North America. When I look at that revenue growth, it slowed to, I think, 13% this quarter and it was much higher, probably 47% last quarter. I know you mentioned eCom, which is about third, growth was strong there. But maybe you could just touch on what drove that deceleration and your expectations for the rest of the year.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Yeah. No, I mean, North America, what we're all witnessing is the transformation of our North American business. So, we see the growth of our digital business specifically augmented with the client wins across our key verticals in North America. So, really exciting what's happening in North America today. We see omni, as we launch that in the second half of the year, will expand our TAM again in North America and that will impact a lot of our small business and card present capabilities.

And then naturally from a comparison both quarter-over-quarter and year-over-year, small business was impacted in our portfolio, predominantly because we have a high exposure to Canada, around 35%, 40% of our SMB portfolio is in Canada and we did have some lockdowns for the first three weeks of January.

**Sanjay Sakhrani**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Okay. So, you don't expect that to persist as the lockdowns sort of subside?

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

No, we don't. But what you end up seeing is our business is dramatically focused on our global eCommerce business. Certainly, our SMB we support, but the vectors of growth, Sanjay, for Nuvei is our global digital business.

**Sanjay Sakhrani**

*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Okay. Great. Thank you.

**Operator:** Thank you. Our next question comes from the line of George Mihalos with Cowen. Please proceed with your question.

**George Mihalos**

*Analyst, Cowen & Co. LLC*

Q

Great. Let me add my congrats on the strong results, guys, especially in the environment that we're in right now. I guess first question, David, two points of clarification. Can you just help us think about the cadence of the marketing spend throughout the course of the year? You said it's going to be elevated, obviously, in Q2, but how maybe we should be thinking about that coming through the course of the year.

And then just the second quarter revenue growth, if I'm not mistaken, that's going to be the toughest comp for crypto, I believe, throughout the course of the year. Maybe kind of talk a little bit about how you're thinking about the comparison in 2Q and then I would think the acceleration again in third quarter and beyond.

**David S. Schwartz**

*Chief Financial Officer, Nuvei Corp.*

A

Yeah. Hey, George. Good morning, and thank you. In terms of marketing spend, what we outlined in the past was that the marketing spend for the year, it's about a \$20 million investment we're making for the year. As I mentioned in my prepared remarks earlier, we did defer some of that spend out of Q1 and into Q2.

Overall, we're really excited about the campaign and the program that's been put together by our team. And you've seen a little bit of it, George, in terms of the rebranding, but there's more to come. And I think it'll be really pleased we are so far from what we've seen, so we're excited about it. So, that will kind of play out into Q2 and into the rest of year. We'll still maintain that spend that we're planning, but you'll see it later added to Q2. And I think that's part of what you see reflective in our Q2 EBITDA.

And then in terms of revenue growth, I mean, look, from a 2022 perspective, the 30% to 35% organic revenue growth, that's what – we're very comfortable with that. That's what our plan is. We're reiterating our full year outlook. And again, in Q1, we did see some headwinds as it relates to revenue with respect to FX. From an outlook perspective, we did obviously take that into consideration both for Q2 and for the rest of the year. And so, that's certainly something that we've considered in the outlook.

**George Mihalos**

*Analyst, Cowen & Co. LLC*

Q

Okay. And then just a quick follow-up, Phil, I think you – when you were talking about looking for M&A, I think you used the term transformational. I'm just curious, should we be thinking that you're on the lookout for larger-scale acquisitions, different functionality, more omnichannel or anything like that? Can you just sort of help us think through what Nuvei is working through on the M&A pipeline? Thank you.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Yeah. Great question, George. What's amazing about Nuvei is because we go far beyond acquiring and we have so many different modules that each of those modules are their own product and their own TAM and their own capabilities to our customers, our net is really wide and we've been looking at some really interesting opportunities to help our customers in terms of connecting better, converting better, and running their business.

But from a size perspective, so we go across multi-solutions stacks, we go across multiple geographies as well. And from a size perspective, we have real flexibility. So, we think this plays into Nuvei's strength. If you look at the backdrop, George, there's plenty of companies that rush to be public companies that shouldn't be public companies.

We think those are real opportunities for Nuvei and there's plenty of high growth companies that can leverage Nuvei's balance sheet to accelerate their continued growth and to provide greater value to our customers. So, we're engaged with really interesting conversations across typically the scale opportunities and geographic opportunities or the capability opportunities. It's just that these happen to be larger, which we think is really compelling and playing to Nuvei's strength.

**George Mihalos**

*Analyst, Cowen & Co. LLC*

Q

Appreciate the color. Congrats, guys.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

Thanks, George.

A

**Operator:** Thank you. Our next question comes from the line of Jason Kupferberg with Bank of America. Please proceed with your question.

**Cassie Chan**

*Analyst, Bank of America*

Hey, guys. This is Cassie on for Jason. And apologies if I missed this, but I just wanted to confirm because you guys talked a lot about the incremental FX headwinds. So, how much is exactly baked into 2022 and 2Q relative to the \$7 million of 1Q? Just trying to figure out, you're maintaining your guidance, but there's more FX headwind. So, maybe that's actually adding maybe a point or two to growth there. Just trying to figure out how much incremental FX is being absorbed in it. Thank you.

Q

**David S. Schwartz**

*Chief Financial Officer, Nuvei Corp.*

Yeah. Hey, good morning. Yeah. So, from an FX perspective, basically what we did both for Q2 and for the rest of the year is we looked at – of course, there were step-downs, right, throughout the first quarter. We saw a step-down specifically as it relates to, let's say, the euro versus the US dollar. We saw step-downs starting really kind of end of March or into March. And then again, we saw another step-down recently into the beginning of May.

So, from an outlook perspective, we considered basically where we're at with current rates and what those step-downs look like recently. Of course, it's hard to know exactly where the rates are going to go, of course. But we basically took the current rates and used those in our consideration for outlook for both Q2 and for the rest of the year.

A

**Cassie Chan**

*Analyst, Bank of America*

Okay. Got it. And 2Q guide kind of implies minimal quarter-over-quarter acceleration relative to 1Q. I just wanted to know, is that due to like FX or seasonality or any other factors we should be aware of? And what are some of the drivers of the – maybe like the more back-end loaded, like the bigger ramp-up in 2H relative to the first half of the year in terms of top line? Thank you.

Q

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

Yeah, great question. I think the biggest impact for if you look at Q2 is FX as we've taken that into consideration. If you take a look back at Q1, out of the \$214.5 million of revenue, there was a \$7 million FX headwind, right, so that brings us into the [ph] low-220s (00:34:59), so exceptional performance in Q1. As Dave mentioned, we took the lowest rate of FX and it did have multiple step-downs throughout the quarter. So, we took the lowest one to be conservative. And then we straight line that throughout the remaining of the year.

A

So, you guys could appreciate that that is a pretty significant headwind in the second quarter. So, pretty excited about the buildup. So, if you normalize it for FX, we're really excited about Q2 and what continues to accelerate throughout the business is really the new client activation, the pace of new clients or the performance of the business has just been really, really strong, the engagement with the who's who across all of our key verticals,

and we're really excited about the transformation in the different regions. We're seeing acceleration in LATAM. We're seeing really meaningful acceleration in North America. These were the two new TAMs that have come onboard last year and we're making appropriate investments across our Asia footprint.

So, I think the biggest element for Q2 for everyone to appreciate is FX and it does move around. That is why it came a little bit lower than Street. But if you normalize it, it's very impressive in terms of the momentum of the business in the first quarter and that's continuing. And our highlight, the momentum that we've been seeing quarter-to-date has been also really compelling.

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**Cassie Chan***Analyst, Bank of America*

Q

Thanks for taking my questions, guys.

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**Operator:** Thank you. Our next question comes from the line of Will Nance with Goldman Sachs. Please proceed with your question.

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**William Nance***Analyst, Goldman Sachs & Co. LLC*

Q

Hey, guys. Good morning. Nice results. Phil, I wanted to follow up on the earlier question on you guys looking a little bit harder at transformational acquisitions. I think you guys have been really clear on the acquisition strategy in the past, focused on new capabilities, geographies and scale. I just – when you talk about transformational acquisitions, I think back to the one that you guys did with SafeCharge, taking a North American SMB-focused business and adding kind of global eCom acquiring. So, when you look at the business today, what do you feel like is missing that you think could be solved through a transformational acquisition? And could you kind of talk about the three kind of different reasons that you guys look to do M&A? What would drive a more transformational acquisition?

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**Philip Fayer***Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Will, great question. So, for us, the three reasons are always the primary ones; geography, capability and scale. If you look at transformational M&A, for example, for us, it's to accelerate opportunities like card issuing. We think there's a significant opportunity in our current customer base to monetize and enhance our payout business with card issuing. But the same is true really with all the modules that we offer, Will. You think as risk as a service or if you think of our payment orchestration in certain regions or certain capabilities would be additive to us. So, we're taking a keen look across the sphere.

The big two, I would tell you, is your geographic expansion and capabilities and really scaling some of the solution stack that we currently have where that's in the pipeline for us to launch. So, it's quite a wide web and I think that puts us in a pretty unique position.

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**William Nance***Analyst, Goldman Sachs & Co. LLC*

Q

Got it. Super helpful. Appreciate the details. And then just a follow-up question. You guys are obviously reiterating the guidance and you've had a pretty solid string of announcements here on adding new partners and capabilities with crypto companies. Could you help us kind of piece apart what you guys are seeing from a macro perspective on the crypto part of the business? And then maybe help us kind of pull that apart from the momentum you guys are seeing from adding new clients.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Yeah. So, I mean, we've always been clear that we think digital and a crypto strategy is critical for payment companies, specifically as the industry continues evolving. What's fascinating, Will, is how fast the industry has changed, right? It's been alive for two or three years. Really, when you think about it and how fast this changed, we think that there's opportunities to expand and enhance our payout business, for example, with our crypto capabilities and there's multiple levers for continued growth.

What we did do and what we are executing on naturally is as we see slowdown in our current portfolio, which was fully considered in the outlook for this year, we are cross-selling these merchant opportunities in our new geographies and that is allowing us to remain relatively flattish in the current vertical revenue for us. So, we're really excited about the execution.

And then thereafter, we've been adding capabilities and signing more partners and cross-selling our solution stack with both our Simplex for on/off onboarding, expanding coin capabilities and then naturally geographies where we're just launching North America with LATAM in the pipeline as well. So, we like where we sit within the industry. We think there's a lot more to do from a product road map. There's infrastructure capabilities, there's custodial capabilities, there's a lot of things that we think are vectors for growth that we're going to continue executing on.

And I think the biggest thing is to separate crypto from just buying a digital asset from a speculative perspective, but really utilizing the digital asset and the blockchain to help transform payments as we know it and we think we're on the ground floor. So, really exciting things happening within that vertical.

**William Nance**

*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. Appreciate all the details. Thanks for taking my questions this morning.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Thanks, Will.

**Operator:** Thank you. Our next question comes from the line of Tien-tsin Huang with JPMorgan. Please proceed with your question.

**Tien-tsin Huang**

*Analyst, JPMorgan Securities LLC*

Q

Thanks so much. It's good to be on the call. I wanted to ask on all the logo additions you talked about. Can you comment on how many of these are for core acquiring versus other modules? And it looks like a lot of these logos also show up at your competitors. So, I'm just curious if you could maybe define a little bit more how you're taking wallet share and in what areas. Thanks.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

We want to take more wallet share. But all kidding aside, what you end up seeing from a logo perspective is Nuvei's flexible stack allows us to enter the relationship really whatever is appropriate for the merchant at the time



of onboarding. And that's – I think to really highlight our uniqueness is if it's for a single alternate payment method, if it's for our payment orchestration, or if it's for local acquiring in one particular market, it allows us to pull a chair and grow with our customers. And that's really one of our unique attributes.

And so, as we enter the relationship with some of these logos, like, last year we were doing with Rappi, for example, only gateway. Today we're doing payouts. It allows you to continue growing with customers [ph] and to more (00:41:17) profitable and more capabilities. And there is no one-size-fits-all. So, for example, we entered the relationship as is appropriate for them for the time of onboarding, and that's what's so fun is opportunities beyond onboarding typically are larger than when the client onboarded.

And I think that is something that is super compelling when we look at what we've added so far this year. If we look at North American gaming or if we look at what happened in LATAM or some of the big wins that we're doing in other of our core verticals, it's really just creating the relationship and a platform for continued growth.

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**Tien-tsin Huang**

*Analyst, JPMorgan Securities LLC*

**Q**

Great. Now, that's helpful to hear. Just my quick follow-up, I know a lot of folks asked, Will, Sanjay and George and others asked about the consumer and discretionary spend in crypto. But I think it sounds like you're capturing a lot of that in your thinking for the year, but you did mention a cautious approach to customer activations, I think, is what I wrote down.

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

**A**

Yeah.

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**Tien-tsin Huang**

*Analyst, JPMorgan Securities LLC*

**Q**

So, does that mean you're thinking that backlog conversion potentially could slow? Maybe that's a little bit new. I just want to make sure I understood the addition there. Thanks.

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

**A**

No, it's really just getting in. So, what we found was really interesting, right, is a lot of folks utilize European back office. So, for example, it was very interesting to us to see how many people had their payments and software development teams out of Ukraine, and that caused a delay for certain people to actually execute on their integration with Nuvei.

So, that's what we mean by activation is. If you're scheduled to go live in the first quarter, but that slips into the second and the third, it has an impact. So, we're really focused on not only signing these great logos, but getting them live and getting them live as quickly as possible. And we're all hands-on doing that with our current customers.

So, we've taken a cautious approach to saying when do they come on. Naturally, the amount of business that was signed is significant. In fact, it's the most significant in the company's history and it's a matter for us now to execute on getting those customers live with the feature functionality that we know they want at the end.



**Tien-tsin Huang**

*Analyst, JPMorgan Securities LLC*

Got it. Thanks for clarifying, Phil. Thank you.

Q

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

Pleasure.

A

**Operator:** Thank you. Our next question comes from the line of Todd Coupland with CIBC. Please proceed with your question.

**Todd Coupland**

*Analyst, CIBC World Markets, Inc.*

Hey, great. Thank you and good morning. Just following up on that last question, Phil. You talked about activations, moving out a little bit off the most business you've signed in the company's history. How many quarters do you see that playing out over, meaning the elevated onboarding? Just walk us through the rhythm of that. Thanks a lot.

Q

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

Todd, it's about our expansion that we've done in our distribution channels. So, they're all connected, right? So, we feel we're really still on the ground floor. We're a sales force of about 100 FTE. Our objective is to continue expanding that by a multiple. So, we're still heavily investing into that. This year, we're going to augment the sale capabilities with marketing, both digital and associated.

A

We're attending 60-plus different conferences to assist them. So, we are being extremely relevant in our core verticals with the investments that we're doing. And I think we can sustain this because the TAM is large and our solution stack is vast. So, we're pretty excited about what we see ahead of us. We're just scratching the surface in some of our markets and there's a lot more to do.

**Todd Coupland**

*Analyst, CIBC World Markets, Inc.*

Okay. And then just following up on gaming, you've had a lot of customer and state approvals. You've talked about this as a building year. Just update us your thoughts and when you see it, gaming and regulate gaming in the US becoming more material to your results. Thanks a lot.

Q

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

Yeah, thanks, Todd. I'm so proud of my team. We came in here with heads down, working on integrations, working on platform integrations, building relationships across the board. And we opted to take a really conservative approach saying, hey, guys, we think we're going to be a meaningful player as we are in other parts of the world. And the execution has just been really, really good. I'm super, super proud of our leadership.

A

Today, we're integrated and connected with the who's who. And something that we want to highlight is that you may get a particular product with a particular operator with whatever suits their need at that particular time, but it

opens doors for other conversations and other opportunities and other things that we could do for them, and we're just seeing that now.

So, from launching in the province of Ontario, with both card acquiring, alternate payment methods, all the solution stack that we offer, integrating to the gaming operators and platforms and using that platform to cross-sell into North America is pretty meaningful. So, I like where we sit today. Naturally, we're making progress. We're making progress with the who's who of the industry. It's a testament and success breed success. So, as we gain – and gain more and more momentum, we think we can be accelerating the wallet share expansion with our customers.

So, we're still heads down, Todd. We think that we are now clearly running. We're seeing real opportunities. We're live. We're operating. We're processing. We're driving not just the acquiring, but payouts. We're doing all forms of open banking capabilities and I mean gateway capabilities. So, it's looking very, very good for us.

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**Todd Coupland**

*Analyst, CIBC World Markets, Inc.*

Great. Thanks a lot, Phil.

Q

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**Operator:** Thank you. Our next question comes from the line of Andrew Bauch with SMBC Nikko Securities. Please proceed with your question.

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**Andrew Bauch**

*Analyst, SMBC Nikko Securities America, Inc.*

Hey, guys, and thanks for taking the question. Just wanted to touch upon the take rate dynamics in the second quarter. I mean, I fully appreciate the FX impact on the revenue line. However, the volume looks like it came in pretty much in line with our models. So, maybe help us think through, is there something in the year-over-year comp that we should be considering and understanding that take rates are an output? But any color would be appreciated.

Q

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**David S. Schwartz**

*Chief Financial Officer, Nuvei Corp.*

Hey, Andrew. It's David. So, yeah, like we said in the past, take rate essentially is an output. We're focused on really driving the gross profit dollars. What I would say, though, maybe just to kind of give you some color around it, think about it sequentially, it's a sequential increase from Q4. Q4, we're about 67 basis points and Q1 about 73 basis points, so it is an increase over Q4. And you'll recall that that Q4 number had some seasonality in it. We talked about that at Q4, really around the government and charity sector that we have, which has higher transaction size, but basically a fixed fee for many of those transactions.

A

And so, that's kind of what you see in terms of the swing from Q4 to Q1 and some of the seasonality impacts that happens. But again it's – we're very much focused on driving the gross profit dollars. And, look, as we add product and capability, the take rate will also kind of move around. So, it's really for us about driving that incremental gross profit dollars and we had sequentially about a 3% increase on gross profit dollars and year-over-year about a 36% increase in gross profit dollars, so that's really the focus.

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**Andrew Bauch**

*Analyst, SMBC Nikko Securities America, Inc.*

Q

Definitely a fair point. I mean, thinking about products that could be added into the platform over time, card issuing seems like a natural extension to what Nuvei can offer to clients. So, maybe you could just provide us an update on when you kind of think Nuvei's card issuing platform could potentially start rolling out in a meaningful way and longer term reach scale?

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Yeah. A great question, Andrew. I mean, we're working diligently on it. I think we're now implementing an extra handful of customers in Europe. We have a lot on the road around that. It'll be a 2023 opportunity to be meaningful, but this year we're going to continue scaling it. It is an avenue that we will look to accelerate with M&A as we think card issuing from an overall offering to our customers, enhancing our payout business and driving 100% approval ratios and allowing them to create loyalty with their customers is very meaningful and it's something that we want to accelerate on. But when you look at our priorities across, they're all meaningful priorities and we think they all have real expansion opportunities with our current customers. And that's really what drives it.

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**Andrew Bauch**

*Analyst, SMBC Nikko Securities America, Inc.*

Q

Appreciate it, Phil.

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**Operator:** Thank you. Our next question comes from the line of Joseph Vafi with Canaccord Genuity. Please proceed with your question.

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**Joseph Vafi**

*Analyst, Canaccord Genuity LLC*

Q

Hey, guys. Let me add my congrats also on solid results here. I know, Phil, you mentioned you got your single global license for UnionPay. I was wondering what that may mean for the business here as that card network is quite important globally.

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Yeah. Joe, great question. And I think all payment mediums are critical. So, from an acquiring standpoint, we have the four core, we've added UnionPay. In certain parts of the world, JCB and others are also as critical. So, our objective is to have every form of card acquiring capability through our platform. UnionPay is something that is a wallet share expansion opportunity with our current customers, and we're going to continue driving that forward.

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**Joseph Vafi**

*Analyst, Canaccord Genuity LLC*

Q

Okay, great. And then I know you can lead with almost any of your solutions or modules, let's say, and I know you rolled out your real-time capability. Can you lead with real time or do you need to have other modules attached to it? And how do you use that strategically? Thanks.

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Great question, Joe. Actually, we can lead with any one of our modules, so it just depends on where the appetite and the requirements for the customer is. When you think about US gaming in particular and I found this to be an

interesting learning curve is out of all of our offerings, Joe, acquiring was the least interesting [ph] to maybe (00:51:31) the gaming companies. It's fascinating when you think about that.

But we weren't solving new solutions from a gaming perspective, but we were actually solving the new solutions from the gross and net settlement capability and instant payouts and more payment mediums and consolidate that in the offering. So, it's – every market and every region and every appetite is different, what we found. But in North America, it gives us the flexibility of engaging with the customers is what's right for them at the time and then expand from there.

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**Joseph Vafi**

*Analyst, Canaccord Genuity LLC*

Great. Thanks very much.

Q

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**Operator:** Thank you. Our next question comes from the line of Robert Napoli with William Blair. Please proceed with your question.

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**Robert Napoli**

*Analyst, William Blair & Co. LLC*

Hi. Thank you. Good morning, Phil and Dave, and nice job on the quarter. Just wanted to follow up, I guess, on the amount of wins that you guys had this quarter. Obviously, sports betting stood out. But just really broadly, is there any way to quantify kind of the ARR that you've added relative to historical levels? And what's – has there been any change in your win rates, if you would?

Q

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

First of all, I love hearing your voice, so I'm happy that you're on this call.

A

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**Robert Napoli**

*Analyst, William Blair & Co. LLC*

Yours as well, Phil.

Q

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

In terms of talking about wins, yes, really good momentum that we're seeing across the board. I can't give you the profitability per customer, but we're really excited about what we've been seeing across all of our verticals. It is the most successful onboarding quarter that we've had and it's normal, right, if you think about it because we've been expanding our distribution channel and focus on building regional support for our core verticals. So, this is all part of the plan.

A

We've been winning and expanding wallet share. We think that there is more momentum to be had, but we really like what we're seeing and ultimately, the two new TAMs that we've added, but also our core TAM in Europe for where we started building up the sales channel and opportunity that we see across Asia as well. So, there is a really deep pool that we're just scratching the surface and that's why at Capital Markets Day and ultimately the feeling internally in Nuvei is we're really just getting started.

**Robert Napoli**

*Analyst, William Blair & Co. LLC*

Q

Right. And so, I guess we're running, crawl, walk, run on the gaming side, so we should be running by the end of the year, it seems.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

We are running now, right? And we're running...

**Robert Napoli**

*Analyst, William Blair & Co. LLC*

Q

Okay.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

...in not just each – in the gaming vertical, but we're running in all the regions that we're operating in.

**Robert Napoli**

*Analyst, William Blair & Co. LLC*

Q

Thank you. And then just to follow up on a couple of areas that you've highlighted, Phil, open banking, banking-as-a-service, fraud. It just seems like there are so many opportunities around those markets and so many ways to go after those businesses. And any thoughts on which of those areas, how you're going to – how you want to attack open banking? Fraud, there are – there must be hundreds of interesting smaller companies to build a solution on your fraud strategy. I guess open banking and fraud would be helpful.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Yeah. I think you're alluding to it, right, is M&A there? I think the answer is yes, right. Are there scenarios that we're doing internally? So, for open banking and our banking-as-a-service, we're embedding our banking within the merchant application. So, when merchants onboard with Nuvei, they'll have a Nuvei bank – a bank account provided in Europe and that gives them access to weekend settlements and other opportunities that we can provide to them that would be beneficial.

On the fraud standpoint, we have done a lot of work internally with our amazing data architects that came onboard with Simplex and finding ways to improve authorization rates and analyzing between where we orchestrate payments, where we process on our own and how we drive that value over and how we augment that. So, really, these are all vectors of continued growth as the business just gets better and better.

**Robert Napoli**

*Analyst, William Blair & Co. LLC*

Q

Thank you. Appreciate it.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Surprised to hear you on the call, but I'm glad you're here.

**Operator:** Thank you. Our next question comes from the line of Timothy Chiodo with Credit Suisse. Please proceed with your question.

**Timothy Chiodo**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Great. Thank you. Good morning. On the 100 FTE number that you mentioned and all the new wins on slide 8, really impressive and also the brand marketing coming up, but all seems very supportive of the new customer component of your growth algorithm. Maybe just given that backdrop, you could provide a little bit of context around how we should think about the new customer component within the 30% medium-term outlook.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Great question, Tim. It's all embedded into the outlook. So, when we build our outlook in the rolling forecast, we do it by merchants. So, we're pretty specific. We look at what we sign in the year and that is driven by FTE in region and vertical and we build it from there. And it's always building blocks, Tim, right?

So, what you see in-year is always a fraction of what you end up seeing in the outer years. So, this year is certainly building. We're excited about these customers going live, but it creates that springboard for 2023. So, every in-year is more [ph] gardening (00:56:43). The faster we get accounts approved, the faster we see revenue in-year, and I mean accounts onboarded, and as those accounts start developing expanded wallet share for us, it gives us a really great continued platform for growth in 2023.

**Timothy Chiodo**

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Great. Thank you for taking the question.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Thanks, Tim.

**Operator:** Thank you. Our next question comes from the line of John Davis with Raymond James. Please proceed with your question.

**John K. Davis, Jr.**

*Analyst, Raymond James & Associates, Inc.*

Q

Hey, good morning, guys. A lot's been talked about on the guide, but, Phil, just really wanted to put a finer point on it. So, is it fair to say that 2Q rev guide is in line with your initial expectations, excluding FX and maybe some go-lives? In other words, you're seeing no slowdown in the business.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Exactly that. And we try to make sure that that was clear. The biggest impact in Q2 is just FX. And FX, we've updated from taking a conservative approach in the lowest rate that we saw in the beginning of May. But otherwise, if you look at the outstanding achievement in Q1 normalized for FX, that momentum is continuing and we're seeing really good momentum in the business.

**John K. Davis, Jr.**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay. So, in other words, momentum in the business is actually offsetting any push and go-lives, so it really is just FX?

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Correct.

**John K. Davis, Jr.**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay. And then, Phil, bigger picture question. Noticed a pretty meaningful tone change when you talk about M&A and [ph] even through the word out (00:58:10) transformational. What's driving that? Is it we're far enough beyond SafeCharge, the balance sheet's been healthy for a while, is evaluations coming in? Just curious what's driving that tone change.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

I think that's a great question, John. So, I think one is bandwidth. We've integrated the historical acquisitions. We now have capacity and capability. I think that's the first one. We're always very cautious of doing the right thing, and it's never about engineering, it's about building platforms for long-term growth.

I think the second thing is the health of our balance sheet and our profile. And really, I think the world has changed, right? Growth and revenue at all cost without being profitable, I think, is out the window and the backdrop that we're seeing today. And we think that opens up opportunity for us. We are hungry, we have capability, we see some great businesses out there and we're now [ph] online (00:58:57) to execute on them.

So, I think really those are the big items. The great thing for us, John, is we don't have to do anything. We have such a great, powerful expansion opportunity for Nuvei across our core verticals. But we do think that though opportunity presents themselves and we intend on looking for them.

**John K. Davis, Jr.**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay. Thanks, guys.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Thanks, John.

**Operator:** Thank you. Our next question comes from the line of Ashwin Shirvaikar with Citi. Please proceed with your question.

**Ashwin Vasant Shirvaikar**

*Analyst, Citigroup Global Markets, Inc.*

Q



Hey, Phil. Hi, David. I guess the first question I have is, is it – kind of look at the outlook and you guys have talked a lot about what brings 2Q down into the 20s, I guess organically maybe in the teens. But the reacceleration and the visibility into that, because the back half does imply back to the low-30s, right? So, is that – you mentioned, Phil, you do the modeling, I guess, based on client by client. Is that visibility coming from client conversations or is there a macro assumption that you embedded? Could you talk a little bit more about that reacceleration in the second half?

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

**A**

Yeah, certainly. I think, look, the only deceleration that we've seen in Q2 would have been FX. But based on client – timing of client activations that we're having visibility, we're seeing now the momentum within the business, which we are ahead of our expectations just in terms of April and May. So, we're pretty confident. So, Q2 at the current pace, excluding the FX headwind, would have been significantly ahead of consensus. We are pretty pleased with what Q2 is shaping up towards being and then naturally the amount of new business that will continue building upon in Q3 and Q4.

I think there's one thing that maybe I should highlight for everyone here because we may have missed that. There's also the World Cup this year, as you guys know, right? And so, the World Cup is going to be a meaningful opportunity for Nuvei, it always is. And in this year in particular just because of the teams that have qualified in Q4, so our progress in gaming will have a nice springboard for us as the years continue shaping up.

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**Ashwin Vasant Shirvaikar**

*Analyst, Citigroup Global Markets, Inc.*

**Q**

Understood. And then I just want to revisit that pretty healthy add in employee count. Is that mostly in sales? And then the related question is definitionally, are your commissions expenses, they're primarily third party? So, if you're adding direct sales, we should kind of see a flip within your SG&A commission expense goes down as a percent of net revs and employee comp goes up, is that how to look at it?

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

**A**

Yes, exactly that. So, Ashwin, we had a slide in Dave's section of the Capital Markets Day where how EBITDA margins were going to expand. And one of the things that we highlighted as we continue expanding the direct sales force, third-party commission expenses will continue decreasing. So, yes, that's exactly correct.

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**Ashwin Vasant Shirvaikar**

*Analyst, Citigroup Global Markets, Inc.*

**Q**

Got it. Okay. Thank you.

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

**A**

Thank you.

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**Operator:** Thank you. Our next question comes from the line of Paul Treiber with RBC Capital Markets. Please proceed with your question.

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**Paul Treiber**

*Analyst, RBC Capital Markets*

Q

Oh, good morning and thanks for squeezing me in. Just a quick follow-up question, just to clarify your comments on crypto. You mentioned that the crypto revenue would remain flattish in the vertical. I think that's what you said. But then also previously you said that 2022 will be down 50%. Is that more of the – 50%, is that more the industry or can you just help bridge those two comments, please?

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Yeah. It's just we're seeing crypto prices down. We have – our objective and what we're working towards naturally with new adds and vertical expansions, we believe the vertical for Nuvei will be flattish from a revenue perspective. We are seeing naturally shifts in the space with crypto prices down. But from a Nuvei standpoint, the strategy and exactly what we're executing towards is expanding the wallet share with our current customers in our new regions. We have done that successfully. And with that, we're keeping the crypto vertical flattish for the remaining of the year.

**Paul Treiber**

*Analyst, RBC Capital Markets*

Q

Okay. Thank you. That makes sense.

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Thanks, Paul.

**Operator:** Thank you. Our next question comes from the line of Matt Coad with Autonomous Research. Please proceed with your question.

**Matthew Coad**

*Analyst, Autonomous*

Q

Hey, guys. Thanks for squeezing me in as well. Kind of just like one on the macro. If you guys think about your verticals and your clients within gaming, crypto, financial services, you could argue that they benefited from shelter in place. So, I'm just thinking like when you think about your full year guidance, how do you bake in a decent amount of conservatism there?

**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

A

Great question. Hi. So, for us, we always look at week to week. What's interesting is when we started looking at crypto bumps for us and kind of parlaying that forward, our verticals in one end benefited from them for certain. But the wallet share expansion that we had and the geographic expansion that we're having within all of those core verticals has dramatically outweighed any of the benefits that they've seen from a pandemic perspective.

So, we really like what we're coming back to. I mean, as a case in point, some of our largest gaming clients from a momentum from the top 10 perspective within Nuvei are new clients that we've onboarded in North America. So, the expansion in geographies is really, really important in all of our core verticals and wallet share expansion is also really important. And that's why we've always highlighted that we've gone from Mainland Europe, we've doubled TAM by coming into North America.

We've expanded our TAM again into LATAM. We're cross-selling within our current base of opportunities as a significant amount of growth for Nuvei comes from our existing customers, and we're executing on that. And as we add geographies, it adds to our TAMs. And as we add product capabilities, it adds to our solution stack as well.

So, you can't take one item in a vacuum and create a general blush for Nuvei, is our product mix has also expanded dramatically, which is also really important. Our solution offering per region has also expanded, and naturally our regional footprint has expanded as well. So, all of those combined, pretty comfortable with all of our core verticals and the growth that we see in them.

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**Matthew Coad**

*Analyst, Autonomous*

Super helpful, Phil. Thanks.

Q

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**Philip Fayer**

*Chairman, Founder & Chief Executive Officer, Nuvei Corp.*

Thank you.

A

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**Operator:** Thank you. Our final question this morning comes from the line of Andrew Hummel with WestPark Capital. Please proceed with your question.

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**Andrew Hummel**

*Analyst, WestPark Capital, Inc. (Securities)*

Hey, guys. Thanks for squeezing me in as well. Just a quick follow-up on the expense line, particularly as you guys are bringing on a number of new employees on the direct sales side, but have you guys factored in a meaningful increase in employee comp just based on some of the inflation figures we're seeing this year? And just talk to like what you have built in and if you recognize then that you have to absorb incrementally [ph] to what you feel seems (01:06:14) the initial expectations for the year. All right. Thanks.

Q

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**David S. Schwartz**

*Chief Financial Officer, Nuvei Corp.*

Hey. Good morning, Andrew. It's David. Yeah. Certainly when we provide our outlook for the full year, we took that into consideration. The inflation fears and factors were kind of starting to stir a few months ago. So, we certainly took that into account, again looked at it again as we reiterate our full year now.

A

The other thing that I'd point out and you'd see this too is in our share-based compensation, like that's part of how we compensate our employees. And you have seen that tick up over the quarters. We do make sure that our – all of our employees are aligned with shareholders and so we do – we have and we'll continue to grant them all share-based compensation, so long-term incentive plan and so that's part of it too.

And that helps from an inflation perspective as well to just make sure we, of course, align all of our compensation across the board. We don't look at just one component, but that's part of the overall compensation approach that we have as share-based compensation and you have seen that tick up. And of course, we factored – consider that as well for the rest of the year, even though it doesn't affect necessarily our adjusted EBITDA.

**Andrew Hummel**

*Analyst, WestPark Capital, Inc. (Securities)*



Thanks, guys.

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**Operator:** Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Mr. Gerstein for any final comments.

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**Anthony Gerstein**

*Vice President & Head-Investor Relations, Nuvei Corp.*

Thanks, everyone, for participating. As you know, we're always here to follow up if you have any questions. So, please feel free to reach out. Have a great day, and we look forward to speaking with you in the future. Thanks.

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**Operator:** Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

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