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CORPORATE PARTICIPANTS

Anthony Gerstein

Vice President & Head of Investor Relations, Nuvei Corp.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

David S. Schwartz

Chief Financial Officer, Nuvei Corp.

OTHER PARTICIPANTS

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Scott Wurtzel

Analyst, Wolfe Research

Todd Coupland

Analyst, CIBC World Markets, Inc.

Paul Treiber

Analyst, RBC Capital Markets

Robert Napoli

Analyst, William Blair & Co. LLC

John Davis

Analyst, Raymond James & Associates, Inc.

Andrew Bauch

Analyst, SMBC Nikko Securities America, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and thank you for standing by. Welcome to Nuvei Corporation's Third Quarter 2022 Earnings Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] As a reminder, this conference call is being recorded.

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

Anthony Gerstein

Vice President & Head of 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 and 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-months and nine-months period ended September 30, 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 and 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 risks, uncertainties and other factors that may cause the

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 adjusted EBITDA, adjusted net income, adjusted net income per share. Management believes non-IFRS results are useful in order to enhance our understanding and our ongoing performance, but they are not a supplement to and should not be considered in isolation from a substitute for IFRS financial measures. Reconciliation of these measures to IFRS measures is available in our earnings release and MD&A. We'll open up the call for your questions after our prepared remarks.

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

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

Thank you, Anthony, and good morning, everyone. I'm pleased with our results for the quarter as we executed on our strategic initiatives and with continued momentum in the business, we are increasing portions of our outlook for the full year 2022. Before we dive into the details and as we celebrate two years of being a publicly listed company, I thought it worthwhile to highlight our performance and evolution over the last four years to help you appreciate from where we've come from, where we are today and why we are so excited about our future.

First, in terms of volume, we tripled from \$14 billion in 2018 to \$43 billion in 2020, and we expect to triple once again to an estimated \$121 billion in 2022 based on the midpoint of our full year outlook. In terms of profitability, we started with adjusted EBITDA of \$51 million in 2018, which we more than tripled to \$163 million in 2020 and now expect to more than double to \$345 million based on the midpoint of our outlook for this year.

This is even more compelling when you consider that we continue to make large investments to scale the business and support our long-term growth while always focusing on profitability and cash flow generation. And as an organization, we've grown from 386 colleagues in 2018 to 869 in 2020 to 1,636 at the end of this year's third quarter. And our business and product offering has also dramatically changed over the last four years, starting as a small North American small business focused organization and transforming into a leading global omnichannel payment technology platform, powering enterprise clients with a comprehensive and modern modular solution offering, enabling them to execute on their own global expansion initiatives.

While I'm very proud of our progress and momentum over the last four years, which has been truly exceptional, we're even more excited about the next four years. We continue to execute to innovate and grow with the same passion and focus you have seen over the last four years, the best is truly yet to come.

Before turning to our financial performance for this quarter, I think it's important to talk about consumer discretionary spending and how it relates to Nuvei. While I completely understand the difficulty for investors given the backdrop of the macro environment, in our view, there is so much opportunity from wallet share expansion, new client wins and new geographies driven by our innovative technology that has the potential to offset any slowing in consumer discretionary spending.

Turning now to our financial performance for the third quarter. Overall, the quarter developed ahead of plan on all metrics. Total volume increased 30% to \$28 billion or 38% on a constant currency basis over the same period last year. Revenue increased 7% to \$197.1 million and 13% on a constant currency basis. Adjusted EBITDA

increased to \$81 million with a margin of 41%, and this includes approximately \$5 million of foreign exchange headwind. Free cash flow was strong, \$68.5 million for the quarter. Adjusted net income was \$62.4 million and adjusted net income per share of \$0.43.

Expanding further on our results. We beat on all our outlook metrics, including total volume, revenue, constant currency revenue and adjusted EBITDA due to higher volumes and wallet share expansion from existing customers as was reflected in our constant currency volume growth of 38%. New client wins, which I'll dive into momentarily, our continued investment in technology and product offering and our geographic expansion, namely LatAm and APAC, which though small for us today, are really seeing some good momentum, especially as we continue to simplify global commerce for existing customers. Highlighting several observations of interest in the quarter.

The US dollar continued to strengthen, driving an additional \$1.5 million unfavorable FX headwind compared to our outlook for the quarter and impacted revenue by \$11.5 million compared to last year's third quarter. Digital assets continued to decline in the quarter, but we did, however, start to see some degree of stabilization in September and October. Nevertheless, for the third quarter, same-store sales in digital assets were down almost 70% year-over-year. With respect to the performance of several other of our verticals in the third quarter, online gaming revenue grew by 21%. Online retail grew by 141%, social gaming revenue increased 16% and travel revenue increased 86%.

In summary, and very important to recognize is that our performance outgrew both FX and digital asset headwinds. As you can appreciate, our underlying business is performing really well. Turning now to an update on our go-to-market efforts. We continue to focus on enhancing our go-to-market investments across all regions insuring we're local and accessible to our customers while remaining presence around the world. Year-to-date, we increased our go-to-market spend to \$27 million, up from \$10 million for the same period last year. We've expanded our sales force in every region, and results are very encouraging.

Naturally, these are long-term investments, and we have more to do but remain disciplined in managing profitability and EBITDA margins. And with a deep and growing pipeline, we've gone from being underpenetrated in our markets to now have a much more meaningful and visible presence. Breaking it down by region. In North America, revenue grew 9% in this year's third quarter. And while it may appear low, it is important to recognize that our e-commerce business is outgrowing a large and declining small business channel in the region.

In this year's third quarter, our e-commerce direct channel in North America represented 31% of revenue and grew 40% compared to last year's third quarter, while small business represented 42% of the revenue and declined approximately 1% for the same period. With an estimated TAM for e-commerce of \$12 trillion, North America clearly represents a large opportunity for us that it's still fairly early days.

Looking at EMEA, with revenue growth of 4% in the quarter, it is important to recognize that Europe's performance has been negatively impacted by foreign exchange fluctuations as well as volatility in digital assets since a significant portion of our digital asset portfolio originates from European operators.

With an estimated TAM of \$9.3 trillion, there's so much more opportunity for us to grow in EMEA, especially as we continue to diversify across our corporate verticals.

Turning now to LatAm, which though growing from a smaller base, saw revenue increased 28% in this year's third quarter as we reach an inflection point and our business in the region is accelerating rapidly. Our investments in both technology and distribution are allowing us to strengthen engagements with both current and new clients

exploring the region. We continue to invest in our infrastructure and licensing with multiple applications across all key markets. With an estimated TAM of \$1.5 trillion, we believe LatAm is an attractive avenue for continued growth.

In APAC, revenue grew 47% in the quarter as we're scaling in Singapore and Hong Kong and starting to see real momentum attraction in the region. We're also in the process of launching our third market in the region, Australia, which is an important market for Nuvei's future. Since activating our own licenses, we have been focused on scale and go-to-market efforts in APAC, including recently opening a sales office in China. With an estimated TAM of \$28 trillion, we continue expanding across the region with new markets like Australia and others to come, which provides us with significant opportunities going forward.

Bringing it all together, we are making the right investments to remain local and available to our customers as they expand around the world, and we're heads down executing on a very large and growing TAM. When considering regions, it's important to highlight that customer relationships can be born in a certain region or process in another. It is for this reason that building on our global go-to-market efforts are so critical to our growth and driving very compelling opportunities globally.

This quarter, in particular, saw a meaningful uptick in new business wins and wallet share expansion across regions and verticals, including the Virgin Atlantic Group, Turkish Airlines, SHEIN, Entain, [ph] Kaizen (00:11:10), 888, Lottomatica, [ph] Panier Bleu (00:11:14), Arcadia, Epic Games, Rappi, Coda Payments, Mary Kay cosmetics amongst many, many others. As you can appreciate, our investments in go-to-market are yielding marquee brand wins and driving a solid foundation for long-term growth.

Moving on now to our specific advancements in technology and product capabilities in the quarter, I'd like to highlight several achievements. As a technology-first company, we're always innovating and continuously releasing enhancements to help our customers execute on their own growth initiatives. With respect to our platform this year, we've made architecture enhancements and infrastructure investments to allow us to support and exceed 2,000 transactions per second, a multiple of what we're seeing today, giving us ample opportunity for continued growth and scale.

We've also enhanced our infrastructure to accommodate local data protection residency rules, further enabling Nuvei to expand in more countries around the world. Additionally, our infrastructure investments now allows us to offer segregated environments for large clients should this be a requirement.

In terms of acquiring and payouts, we are scaling and normalizing our offering in Hong Kong and Singapore with the addition of Visa Direct payouts and other functionality since launching self-processing last quarter. We're actively working in Australia, an important market for our verticals and Colombia as we continue to target launching three to five new markets per year.

Turning to alternative payment methods. We continue to place efforts to make sure that our customers accept every form of local alternative payment method that is applicable to their business model, now increasing our portfolio to 586 different ATMs at the end of the quarter. We enhanced our payment orchestration platform, introducing our self-service routing manager, allowing our customers to choose the routing of transactions amongst different acquirers based on their preferences using our data analytics.

We recently launched Nuvei for Platforms, accelerating our marketplace offering with our fully customizable solution, supporting complete functionality of our modular platform via single integration. In addition, we had so many other product rollouts in the quarter, including launching account updater in Europe, supporting MasterCard

tokenization, enabling Visa account funding transactions support, enabling a partnership with Visa in Canada for Buy Now Pay Later.

We enhanced our risk services and reporting offerings amongst many others. But the takeaway here is that as a company, we are never standing still. We're constantly evolving and enhancing our solution stack to advance our competitive positioning. It's worth mentioning that each new product solution expands our TAM and offers us a platform to grow with our customers as we remain focused on relentlessly helping them execute on their own growth initiatives.

Turning now to our financial profile and capital allocation strategy. We are in an enviable position with our balance sheet and the attractive cash generation nature of our business. This provides us with flexibility and leverage capacity. Our preference and primary focus for the time being is to preserve capital for M&A. As a reminder, we are highly disciplined with our M&A methodology and continue to look for strategic opportunities, reflecting appropriate valuations to expand our capabilities, scale and our geographies. We are particularly interested in North America, APAC and LatAm as priority geographies to expand our reach, drive greater value to our customers and naturally to our shareholders.

However, we will also consider becoming more active with our stock buybacks as we had been earlier in the year, given the current market dislocation and in our view, our depressed valuation. With respect to other more recent corporate developments, I want to welcome Vicky Bindra, who joins Nuvei in a newly created position of Chief Operating and Product Officer. In this role, Vicky brings years of global payment industry experience, having held senior leadership positions, including at MasterCard, where he was the President of APAC and Middle East and Africa. At Visa, where he led product solutions globally and most recently at FIS, where he served as Chief Product Officer, responsible for the strategic product function, identifying and creating competitive products and propositions for its customers.

Because Nuvei's own growth strategy starts with beautiful products driving real-world solutions that accelerate our customers' businesses, Vicky is a perfect addition to our team, especially as he knows our markets, understands our differentiated product offerings and the needs of our global customers. I look forward to working with him.

I would also like to take the opportunity to welcome our 66 new colleagues who joined us in the third quarter. We are delighted to have you part of the Nuvei family.

Turning now to our expectations for the fourth quarter. We see three things: continued strong momentum in the business, additional FX headwind of \$5 million and approximately \$7 million of headwinds in digital assets beyond our prior expectations. But because of the continued momentum in the business year-to-date through October, we are increasing certain metrics of our previous outlook as well as reaffirming the guidance for the full year 2022 and reiterating our medium and long-term targets.

In closing, we had a really active quarter, and we're pleased with our results. We're excited about the momentum in the business and the investments we're making, the opportunities are meaningful for the company. We continue to have an excellent profile amongst the high-growth technology peers, highlighted by our disciplined and highly profitable growth, focusing on the right verticals, continuously diversifying both regions and verticals, generating cash and maintaining a solid balance sheet.

As always, I want to thank all our team members for their tireless efforts in supporting our customers. You guys are rockstars.

And with that, I'm going to turn the call over to Dave to discuss the financials and our financial outlook for the fourth quarter and full year.

David S. Schwartz

Chief Financial Officer, Nuvei Corp.

Thanks, Phil, and good morning, everyone. We are pleased with our third quarter results, which exceeded the high end of the outlook across all four metrics: total volume, revenue, revenue at constant currency and adjusted EBITDA. Total volume for the quarter was \$28 billion, which was above the top of our previously provided outlook range of between \$25 billion and \$26 billion. Total volume, which is a key measure of our performance, increased year-over-year by 30%. On a constant currency basis, total volume increased by 38%.

Revenue for the third quarter increased 7% to \$197 million, which was above our outlook range of between \$185 million and \$195 million. This overachievement is despite the incremental headwinds from foreign currency. On a year-over-year basis, the unfavorable revenue impact from currency fluctuations was \$11.5 million, which was \$1.5 million greater than we expected. On a constant currency basis, revenue was \$208.6 million, which was above our outlook range of \$195 million to \$205 million. Revenue at constant currency growth was 13%, which was 600 basis points higher than reported revenue growth.

As Phil mentioned, during the quarter, we saw revenue growth across all four regions, including EMEA, which was most impacted by fluctuating currency rates. In the third quarter, our take rate was 70 basis points compared to 85 basis points in last year's third quarter, primarily due to volume mix. On a sequential basis, this quarter's take rate is consistent with the second quarter take rate. As you know, our approach is to provide our customers with solutions they need to accelerate their growth irrespective of the resulting yield. We focus on driving incremental gross profit dollars by expanding our solution set and winning wallet share.

In terms of gross profit for the quarter, we generated \$159 million, which represents more than a \$13 million increase or 9% growth compared to the prior year. Gross margin in the third quarter was 81% compared to 79% in the third quarter of 2021. Selling, general and administrative expenses increased by \$43 million or 41% to \$149 million as a result of organic growth as we continue to grow and invest in the business as well as the acquisitions of Simplex, Paymentez and Mazooma, which were all completed in the third quarter of last year.

Share-based payments represented more than half of the SG&A increase as an increase by almost \$23 million to \$34 million due to awards to employees who joined as part of the acquisitions we completed last year as well as other grants. Of the \$34 million of share-based expense in the quarter, approximately 44% or \$15 million relates to awards with an exercise price or share price performance condition in excess of \$100.

As a result of the high exercise price and share price performance threshold, a large proportion of the outstanding units are significantly out of the money. Approximately 4.7 million incentive units representing 38% of the total units outstanding at an exercise price or share price performance condition in excess of \$100 or related to awards with a non-market performance condition that were not achieved at the end of the third quarter. As a result, these 4.7 million units are not considered dilutive in terms of diluted shares outstanding.

Employee compensation other than share-based payments increased by almost \$13 million. The increase year-over-year reflects our investment in our global team, both from an organic and acquisition perspective, including those in direct sales and account management to drive future growth and execute on our strategy. Adjusted EBITDA in the quarter was \$81 million, which was above the outlook range we previously provided of between \$70 million and \$75 million. The overachievement on adjusted EBITDA in the quarter was due to higher revenue and lower SG&A costs as we continue to be disciplined in our investments and expenditures.

Adjusted EBITDA margin was 41% in the quarter compared to 44% in the prior year period. I would also note that the foreign exchange and digital asset headwinds experienced during the quarter also impacted our adjusted EBITDA. On a constant currency basis, adjusted EBITDA would have been approximately \$5 million higher than reported. Net finance cost was \$3.7 million compared to \$4.6 million in last year's third quarter. The decrease was primarily due to higher finance income of \$3.6 million from interest income earned on our larger cash balance, offset by an increase in finance costs of about \$2.7 million, primarily related to higher interest rates on our outstanding debt.

Income tax expense in the quarter was \$5.4 million. This represents an effective tax rate of 29%, which was slightly above the Canadian statutory rate of 26.5%, mainly due to share-based payments that are non-deductible in most jurisdictions, partially offset by favorable impact of lower income tax rates in other jurisdictions.

Net income for the quarter was \$13 million or \$0.08 per share compared to \$28 million or \$0.19 per share in the third quarter of last year. As I mentioned earlier, this year's third quarter included a \$23 million increase in non-cash share-based payments, which on its own represented approximately \$0.16 per share. Adjusted net income was \$62.4 million or \$0.43 per diluted share compared to \$62.3 million or \$0.42 per diluted share in the third quarter of 2021.

Looking at our balance sheet and liquidity. Our cash position and cash generation remains strong. Due to the operating leverage in our business and relatively low capital requirements, we have a strong financial profile. This is demonstrated in our adjusted EBITDA less capital expenditures, which was \$68.5 million for the quarter. Our unique financial profile gives us flexibility with respect to capital allocation. As a result, we continue to invest in the organic growth of our business while remaining strategic and disciplined in our capital allocation approach.

At the end of the quarter, we had cash and cash equivalents of \$754 million. We also had term debt of \$499 million, resulting in a net cash position of \$255 million, with access to an additional \$385 million available under our revolving credit facility.

I will now turn to our fourth quarter and full year 2022 outlook. Our financial outlook for the fourth quarter and full year 2022 is as follows, and I'll refer you to our forward-looking information disclosure in our press release and MD&A. For the fourth quarter, we expect total volume of between \$33 billion and \$35 billion, revenue of between \$197 million and \$227 million, revenue at constant currency of between \$210 million and \$234 million and adjusted EBITDA of between \$75 million and \$84 million.

For the full year 2022, due to our third quarter performance, we are increasing certain components of our outlook and now expect total volume of between \$120 billion and \$122 billion, revenue of between \$820 million and \$850 million; revenue at constant currency of between \$861 million and \$885 million and adjusted EBITDA of between \$341 million and \$350 million. The outlook, specifically adjusted EBITDA reflects our strategy to continue to invest in our business in key areas such as distribution, technology and marketing.

Our outlook also takes into consideration a cautious approach considering the current volatile and uncontrollable unique macro environment. With our strong balance sheet and cash generation, we are well positioned to not only manage through the current environment, but also take advantage of opportunities as it relates to organic growth, acquisitions and capital allocation.

With that, we will now open the line to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Sanjay Sakhrani with KBW. Please go ahead.

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thanks. Good morning. Maybe Dave, we could start off where you ended just on the fourth quarter expectations. Just curious, if we look at it relative to what maybe the implied number was last quarter, what are the puts and takes here? I know you mentioned you're assuming a cautious outlook. That didn't seem as apparent in the numbers in the third quarter. Maybe you could just talk about that and maybe the incremental headwinds maybe from FX or not and some of the other pluses or minuses? Thanks.

David S. Schwartz

Chief Financial Officer, Nuvei Corp.

A

Sure. Good morning, Sanjay, thanks for the question. So in terms of our fourth quarter outlook, it's certainly factoring in the macro environment, it's certainly something that we've been doing, consistent with what we did last quarter. That's an important factor. When you think about some of the key components we talked about the three Cs last time, those still are relevant this quarter. So when you think about currency from an FX perspective, we assume current rates going forward, but those current rates that we are at today are different than what we saw when we last spoke to you back in August. So there's about a \$5 million additional impact on revenue from an FX perspective.

And then digital assets as well, there's certainly some volatility there that we've seen over the past couple of quarters. That has about a \$7 million impact on Q4 from a revenue perspective. And then the last C is caution. And I'd point you back to looking at our full year, we're still really proud of what we're coming in on a full year basis, which is revenue growth on a constant currency basis of about 20% at the midpoint between 19% and 22%. So those are pretty much the puts and takes. We continue to invest in the business as well. So from an EBITDA perspective, we continue to invest and grow for the future. So that's kind of the high level of how we see the rest of this year playing out.

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

I appreciate that. And you both mentioned capital management, a decent amount. And I'm just curious if we could just maybe drill down a little bit deeper on that and talk through some of the opportunities that might be out there from an M&A standpoint. And it sounds like you might be more aggressive on the share buyback. Maybe you could just talk a little bit more about that, Phil? Thanks.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Yes, certainly. Sanjay, thanks. Appreciate it. I think what I'd like to highlight is that we have ultimate flexibility because of our balance sheet and our cash flow generation. And that really allows us to drive and focus on building shareholder value, building solutions that expand our relationships with our customers and just being really good from a capital allocation perspective. And that flexibility is something that we are unpacking as we start looking at opportunities, specifically with the dislocation valuations in the market today. So we are being

opportunistic. I think we're also being patient. It's worthwhile highlighting that we are lapping one year since the last acquisition, which closed, I think, at the end of August. So again, we're being highly disciplined.

In terms of markets for us, the US is an area that I would put on top of our list, but certainly LatAm and APAC as well as we want to continue growing our business. What's unique about Nuvei when we start thinking about M&A opportunities is that out of all of our modules, all of them have their own TAM and associated opportunities, which is fascinating. So as we are growing our issuing business, as we're growing our open banking businesses, we're growing our acquiring business and our orchestration business and our risk businesses and opportunities and products that we offer to our customers, it creates a pretty nice platform for unique capability expansion and monetization with our customers. So we have a far greater list than many of our peers have areas that interest us, and certainly, we're heads down executing on that.

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Thanks, Sanjay.

Operator: The next question comes from Scott Wurtzel with Wolfe Research. Please go ahead.

Scott Wurtzel

Analyst, Wolfe Research

Q

Hey, good morning, guys. And thanks for taking my questions. Thanks for the disclosure on some of the growth metrics you saw and some of your key verticals. I was just wondering maybe if you can maybe give a little bit more color on how some of those verticals, whether it was online gaming or travel or financial services, how those verticals performed relative to your expectations? Thanks.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Thanks, Scott. We're seeing really good momentum across the board. When we talked about the verticals, there's ultimately the three components that really are playing for Nuvei. The first one actually is wallet share expansion with our customers as we add capabilities and as we add geographies. And the second right behind that is, as we continue scaling new client wins. So on the new client wins, we have a tremendous pipeline really across the board of all of our verticals, which are reflective of our go-to-market investments. We have taken a cautious approach on activation. Certainly, that is something in the fourth quarter that we expect post [ph] November clients (00:31:47) that don't activate, they'll fall in back into the first quarter. So we're very excited with the brands.

We are winning marquee names across the board. So for example, Virgin Atlantic Group in travel, which is a marquee name. We have done significant expansions with Entain in Europe within new countries and now engaged in gaming with the top 10 providers across the board in US gaming. The same thing with social games with a win of Epic, which we're really excited about, and ultimately, good momentum building across all of our verticals. What we have seen in our verticals from a same-store sales perspective is as we expected. The things that we found noteworthy was digital assets declined year-over-year about 70%, which I mentioned in the prepared remarks.

We have seen a floor on that, which is interesting. But to give additional color on that, it's not just the digital asset volume that declined. It's also our appetite in terms of one expanding relationships in that vertical. We think today, our exposure to digital assets is appropriate. We felt that a little bit high last year. And certainly, that's something that we're going to unlap over the next few quarters. But in general, as we sit today, very little concentration by merchants, which we really think is a great attribute to Nuvei from a profile perspective and really good momentum across all of our key verticals.

Scott Wurtzel

Analyst, Wolfe Research

Q

Great. Thanks. That's very helpful. And then just a follow-up here on free cash flow. I mean, I think the conversion ratio or free cash flow margin was maybe a little bit light of what we were expecting. So just wondering, I mean, it seems like CapEx is running a little bit elevated. David, I don't know if you can give a little bit of color on what's sort of driving that and how we should think about it going forward? Thanks.

David S. Schwartz

Chief Financial Officer, Nuvei Corp.

A

Yes. Hey. Yes. For the most part, I mean, our CapEx is still pretty low and our cash conversion is still pretty high. It is a little bit lower. We did in the last couple of quarters have some investments in some new offices we mentioned on – in the prepared remarks as well. So that's part of it. But you will see some fluctuations, but there's nothing significant from an investment perspective on the CapEx side that we need to make or have been making. It's really just supporting a bit of the growth. And so some of that is one time in nature. So nothing I'd specifically call out there.

Scott Wurtzel

Analyst, Wolfe Research

Q

Got it. Great. Thanks, guys.

Operator: Our next question comes from Jason Kupferberg with Bank of America. Please go ahead.

Q

Hey, guys. This is [ph] Kathy (00:34:22) on for Jason. Congrats on the quarter. I just wanted to ask kind of a clarification question. So I know you guys said that the Crypto piece of the business is relatively stabilized in September and October. Would you say that same characterization holds for the rest of the business in terms of the kind of trends that you're seeing in October?

David S. Schwartz

Chief Financial Officer, Nuvei Corp.

A

Yes. Good morning, and thank you. What we have actually seen, and I mentioned that in the prepared remarks, we've seen really good momentum year-to-date, including October across the board in our business. From a Crypto perspective, we haven't seen continuous decline, and that has stabilized in September and October. And we've taken that view in terms of what we expect in the fourth quarter. But in general, if you really unpack the business, you're talking about 38% constant currency volume growth. You could appreciate the momentum that we're having in all our core channels as we're growing massive headwinds around FX and Crypto. So our business is really performing, and we're excited of where we sit.

Q

Okay. Got it. Thanks. And then a follow-up, and I guess I know it's too early to talk about 2023, but I kind of have to ask a little bit about it at least. I know you guys reiterated the medium-term guidance of the 30% plus. Is there any way you can help us think through some of the pieces that would take that down, right so if the current FX headwind cold, what could be the impact on 2023? And then if the crypto piece is kind of hold steady to where we are now, what that could mean? And any other puts and takes that we should think about as we're modeling out 2023? Thanks.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Yes, certainly, certainly. And I would look at the building blocks for 2023 as consistent as they've always been historically. The first building block is growth with our own customers and 80% of our growth comes from our current customer journey. And that has two tentacles to it. The first is geographies as we continue building and open new markets and allowing us to expand wallet share with them in new geographies. And the second is capabilities as we're building additional capability set that allow us to kind of enhance the experience for our customers.

So that is kind of the existing customer base. And right behind that is new client wins and new client wins naturally is what we see in the year, which what we've done in 2022, which we have the full benefit for next year. So those three combined is what we expect in terms of the mid-term growth targets of around 30%.

I think something to point out today is we are seeing approximately 20% constant currency growth this year with a total collapse of the digital asset market, which was around 13% of our revenue, certainly, we expect to unlap that over the next few quarters. And we don't expect digital assets to be that level of concentration in our future. So we feel quite strongly about how 2023 will perform pipeline, client activations, new geographies and our execution.

Q

Thank you. Appreciate it.

Operator: Our next question comes from Todd Coupland with CIBC. Please go ahead.

Todd Coupland

Analyst, CIBC World Markets, Inc.

Q

Good morning, everyone. I wanted to ask about seasonality into the fourth quarter. In the past, you had talked about the gaming business, specifically gaming in North America around some of the sports betting and the World Cup. And I'm wondering if your expectations for that have been adjusted in the current macro environment. Just give us an update on those trends. Thanks a lot.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Thank you, Todd. If you look at historical seasonality, obviously, the COVID year had a distortion just because certain leads were delayed and how they were slipping from Q3 – from one quarter to the other. This year is more of a normal year with the exception, actually, of the World Cup in the fourth quarter, which we believe will be a

pretty significant uptick in our gaming vertical. But in general, what you and I'm seeing is you've seen momentum from Q1 to Q2. Typically, Q3 flat to slightly down from Q2 and Q4 uptick, and we expect the same this year.

Todd Coupland

Analyst, CIBC World Markets, Inc.

Q

Okay. And we saw some sports books calling out elevated activity in betting around the World Series and the NFL season. Is your US business material enough for you to see that trend as well? Comment on that, please.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Yes and no. I would say that our US business momentum is really strong as clients are activating and integrating. So I think it's going to be more of a 2023, 2024 opportunities we do building blocks. Last quarter, Todd, we mentioned a run rate of about \$25 million. from effectively zero. So really good uptick, and that has obviously continued to progress. So we're very excited about what we see in the US. But in our industry, it's typically signed integrate tests to make sure that we do A/B testing, make sure that we drive the best possible authorization rate, et cetera, with operators, and then we continue scaling wallet share expansion. So we're in that last stage right now. We think next year will be a pivot for us in US gaming.

Todd Coupland

Analyst, CIBC World Markets, Inc.

Q

Great. Last question for me. On M&A, you've talked about how your deal pipeline has been very active. I think you've said in the past, you've looked at 70 deals this year. Could you just update us on the activity there and what you think about current state of valuation expectations? Thanks a lot.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Yeah. Thanks, Todd. We constantly look at opportunities. I think our M&A pipeline is rich and has quite a lot of depth to it. I think the takeaway here is that we have enormous discipline in making sure that what we buy is truly accretive for our shareholders, it drives value for our customers and expands our geographic reach, which is our area of focus. So we're going to continue down that line. I can't tell you anything pops up. I mean that's worth kind of unpacking further. From an valuation perspective, I think it fits into two buckets.

So we're typically looking at larger opportunities within region, specifically as the further way they are, we need more infrastructure versus small tuck-ins. And they, in terms of valuation, depends on where they are within their journey in terms of how much cash they have on the balance sheet, are they profitable or not? And can they [ph] wait it out (00:40:55)? We haven't seen the private market necessarily adjust to the public market. But then again, it's still early days. We haven't gotten further than that with respect to the valuations and opportunities that we're exploring. So it's TBD to see how valuations will continue shifting towards opportunities that we're reviewing.

Todd Coupland

Analyst, CIBC World Markets, Inc.

Q

Great. Thanks a lot, Phil.

Operator: The next question comes from Paul Treiber with RBC Capital Markets. Please go ahead.

Paul Treiber

Analyst, RBC Capital Markets

Q

Good morning. So you announced some really great new customer wins on this call. Can you just elaborate on the nature of these wins in terms of like is it focused on specific geographies or APMs or use cases? And then what do you see is the fundamental underlying driver of Nuvei seeing perhaps a larger brand name wins than in the past?

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Thanks, Paul. Great questions. I think wins – and I'll lump them both together. It's directly related to our go-to-market efforts. We always felt that we have the best technology. We compete toe-to-toe with a lot of the larger players out there with our flexible and modular solutions stack that go well beyond acquiring, that truly create differentiated revenue drivers for our customers as they continue executing on their global expansion strategy.

So one of the things that Nuvei is doing as a public company is making these investments to make sure that we're local and present, meaning that we're engaged speaking to them and making sure that they know about Nuvei and evaluate Nuvei within their own technology stack requirements. And that is what's been driving a lot of the engagements that we're seeing.

I mean, marquee names that we're winning in each of the verticals that we're focused on. So why they choose us really just depends on where they're at within their own journey, both from an initial onboarding perspective but also cross-sell and upsell. So a great example is one of our social game clients who's been a large client for many years have now selected us for PIX in Brazil. So you have multiple tentacles for continued adding new countries and adding new geographies within our existing base as we continue expanding our solution stack.

And the second is that we are truly out there now. And as clients are thinking about where to take their payments and drive their future, Nuvei is part of the mix. So very excited to where we started. And by the way, it's just the beginning of that journey. Our go-to-market efforts are continuous investments for us. It's going to be a focus for the next three to five years, but we're really pleased with the initial momentum.

Paul Treiber

Analyst, RBC Capital Markets

Q

And just related to new customer momentum. Last quarter, I think last quarter, you launched the Simply Connect, which is an SDK. And it seems like you're going more directly to developers and self-service perhaps than what you've done in the past. What's been the early uptake of that? And then in terms of self-service in general, how much does that tie into your branding campaign?

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

I think they're both uniquely tied to it. So we now offer four distinct integration methodologies, some that are really simple, right? If they want to use our cashier. Our Simply Connect, that gives them the flexibility of using our services with low code all the way down to full API integration. So we really have the level of requirement that is appropriate for the business from an integration perspective and allows us to go up and down market. So typically, Tier 1 merchants will have more complicated needs, smaller merchants have less complicated needs. And all of these continue to expand our TAMs.

So as an enterprise-focused platform for large institutions and operate globally, we typically have long complex integration requirements and now we've been able to bring that down. And ultimately, what that drives for is from signing to time to revenue is really what we're focused on to make it easy for clients to onboard and makes it also easier for us to execute on partnerships across the development community, with that has just started. But from UATP to other Arcadia that we announced and other partnerships, it's really driven by the flexibility of how people could integrate consumer-based solutions.

Paul Treiber

Analyst, RBC Capital Markets

Q

Okay. Thank you. I'll pass the line.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Thanks, Paul.

Operator: The next question comes from Bob Napoli with William Blair. Please go ahead.

Robert Napoli

Analyst, William Blair & Co. LLC

Q

Good morning. Phil, David, good to talk to you. Nice to see the rebound and the results. And I know it's too early to talk about 2023, but just broadly reiterating your guidance, and this is maybe a play on, what is your visibility? How do you feel about being within – generally within your medium-term targets around those ranges? And what looks most promising, I guess, if you would, as you go into next year? And what areas are most challenging verticals, if you would?

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Good morning, Bob. Always great to hear your voice. I think this is true for every CEO across North America. It's difficult to forecast next year, right? We're in an unprecedented macro environment. We feel only good with our business. If you think about 2023, we will unlap Crypto. That will be a headwind for the first few quarters as we continue driving momentum. So I would probably suggest that the medium-term targets are probably more appropriate for the second half of 2023 forward. But when we end up looking at the underlying performance of our business, we're really bullish.

We love the new clients that we're onboarding. We love the momentum that we're seeing across. We think the engagements that Nuvei's having today are exceptional. And we're just heads down plugging away, Bob. This is not a sprint, right? To help our customers is not like what do you do next quarter. And unfortunately, sometimes we lose a narrative because you're always thinking about quarter-to-quarter. But we're really thinking about the momentum over the next four years? And to match what we've done over the last four years. So we think there's a lot to come. It's not just about 2023, but 2023, we're pretty bullish about it. But it's really about the next four or five years that keeps us really, really excited.

Robert Napoli

Analyst, William Blair & Co. LLC

Q

Thank you. And then some of the newer products or efforts that you have like open banking, card issuing, fraud, I think some of them – what areas, what new investment areas are going to really be able to move the needle over the next few years for you?

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

I think it's all encompassing, right? Omni, we think, is a meaningful market opportunity for us within most of our verticals, card issuing for on us for loyalty. We have some pilots that were in the launch in the first half of next year. Our marketplace solutions. We just launched Nuvei for Platforms, and we're continuously making investments there. Our fraud services, as we have been doing some A/B testing in Mexico [indiscernible] (00:47:46) markets and seeing a really nice uptick from fraud. And in fraud, it's easy to turn away all sales and get no fraud. It's really about maximizing the authorization.

So we really like what we have coming. And one thing I would highlight, Bob is that as a tech company, there is no conclusion of products, and that's really important to highlight guys because you're constantly enabling them and expanding them. So from account updater, having the flexibility of doing batch updates or real-time updates or from the issuing of consolidating authorization path so that there is no breakage fee that you get 100% of the value of the car that you're able to drive through all of these little things from a product road map make differences to our customers. And they all have the intent of helping them authorize more, help them sell more, help them grow their businesses and simplify their technology stack.

Robert Napoli

Analyst, William Blair & Co. LLC

Q

Great. Thank you.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Thanks, Bob.

Operator: The next question comes from John Davis with Raymond James. Please go ahead.

John Davis

Analyst, Raymond James & Associates, Inc.

Q

Hey, good morning, guys. I just wanted to quickly touch on the margins, David. Just obviously, quite a bit better than your guidance in the third quarter, but full year still kind of largely unchanged. It's just timing? Or did you kind of tighten the belt a little bit, given kind of the currency headwinds in the third quarter? Just a little bit of help on margins 3Q, 4Q would be helpful.

David S. Schwartz

Chief Financial Officer, Nuvei Corp.

A

Yes. Good morning, John. So look, from a margin perspective, part of it relates to, of course, in the quarter, the beat we had on revenue. So that's part of it. And obviously, it's a business that has operating leverage. And then as we look forward into Q4, we continue to take a cautious approach, and we continue to invest in the business. I mean our margins are – we think quite strong, and we do see so much white space ahead of us from every region and in the various verticals we play in. And so investing back in the business, it kind of comes back to our capital

allocation discussion. To investing back in the business is something that's really important to us, and we think it's the right thing to do. So that kind of is kind of how to think about the Q4 margin as well as we look forward.

John Davis

Analyst, Raymond James & Associates, Inc.

Q

Okay. And then just to clarify, Phil called out first half next year, you're still lapping Crypto. So I would assume kind of margins follow a similar cadence where second half margins will be better than first half next year. But just any color there as we kind of contemplate models for 2023.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Yes. I mean we'll lap Crypto really after the first quarter, digital assets after the first quarter. So that will be very helpful from a revenue growth perspective. In terms of margins, we haven't obviously kind of give you more information as we come into next quarter in terms of what next year looks like. But do we still see good opportunity, like I said, in terms of just investing back in the business and capturing some of that market share and the white space that's out there.

So we'll continue to invest and continue to grow the business. But that said, we've been very disciplined, and you can see some of that reflected in this quarter's margin. We've been very disciplined in how we're investing we're – it's always been in our nature to be that way to make sure that we see a return before we just throw money at certain projects. So we'll continue to take that same approach as we look forward into the next year into the future. But we're really excited about the white space. And so that's really going to help us grow into next year.

John Davis

Analyst, Raymond James & Associates, Inc.

Q

Okay. Appreciate it. Thanks, guys.

Operator: Our next question comes from Andrew Bauch with SMBC. Please go ahead.

Andrew Bauch

Analyst, SMBC Nikko Securities America, Inc.

Q

Hey, good morning, guys. And thanks for taking the question. Phil, I just wanted to ask a higher-level question. In the context of macro deteriorating and potential recession, you mentioned a healthy pipeline, but just trying to get a sense, like even historically, are there more opportunities that surface amid economic uncertainty? Or is there a pullback in deal activity as far as not necessarily what you can win, but how many opportunities are there to go get when the macro kind of softens?

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Hey, Andrew. Nice to hear from you. I'm assuming you're talking about M&A because honestly, the pipeline in this type of macro from a new customer perspective, actually opens up as well. So the reality is, I think we need to lap the 52-week high across the board from our public peers for reality to set in. So I would say, from a public perspective, that is that journey. And from a private perspective, it will address and it will adjust. Some have happened faster, some depending on their needs, but we think next year will be a pretty fundamental year with for M&A. I would add one other thing...

Andrew Bauch

Analyst, SMBC Nikko Securities America, Inc.

Q

I was actually speaking on the merchant side, like are more merchants willing to look for more efficient solutions for their payment needs in times of uncertainty or how do you kind of see those dynamics playing out being from a demand environment for next-gen payment solutions?

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

A

Yes, I would – a great question. So we've actually seen two things. Yes, we've seen merchants look at their overall holistic payment solutions to how to drive better authorization rates and how to simplify their stack that's one. We've also seen time to implement actually extend, right? As merchants themselves are kind of [indiscernible] (00:53:25) through their own business. They're not necessarily as fast as converting and activating that we've seen historically. We've taken that into consideration for this year. But engagements across the board have been very, very strong for Nuvei and those have increased. So from a pipeline perspective, active discussions at over 80% have never been higher.

Andrew Bauch

Analyst, SMBC Nikko Securities America, Inc.

Q

It's great to hear. Thanks.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Anthony Gerstein for any closing remarks.

Anthony Gerstein

Vice President & Head of Investor Relations, Nuvei Corp.

Thanks, everyone, for participating today. As you know, we're around and available and just feel free to reach out. But thanks for your time today, and we look forward to speaking with you shortly. Thanks.

Philip Fayer

Chairman, Founder & Chief Executive Officer, Nuvei Corp.

Thanks, everybody.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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