

# Nuvei Fireside Chat – JPMorgan Global TMC – May 23, 2023

## CORPORATE PARTICIPANTS

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

## OTHER PARTICIPANTS

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Good morning. My name is Reggie Smith. I cover fintech stocks here at JPMorgan, and I am happy to host Philip Fayer, CEO, Chairman and Founder of Nuvei this morning. I guess we'd start with just a little background on Nuvei, who you guys are and how you make money for those that may not know.

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

First of all, thank you, everyone, for joining us today. So pleasure. Thank you, Reggie, for hosting me. So Nuvei is a global payment platform. We help our customers through a single integration, connect with their customers all around the world. And what's fascinating for you guys that haven't actually unpacked global eCommerce, the way people pay in different markets is totally different.

And so the currencies, the mediums, be it credit alternative payment methods and even the local regulatory framework is different. So we help simplify that by breaking down the barriers, via a single integration to the (Nuvei) platform, allowing our customers to execute on their own journey, be it domestic, international or ultimately, whichever form of payment that suits their needs Nuvei can help them with.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Got it. So it sounds like you guys really specialize in the more complicated payments that a lot of payment processors can't do. And because of that, you guys earn good economics, due to less competition in that market. My question for you is you've done an acquisition recently that kind of changed your business mix. Can you share with us the different areas that you're in, maybe a little bit of the (relative) sizes and the growth rates of those different markets that you compete in more specifically?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

Certainly. I think the biggest thing for us is we started off as an incredible technology company. And what we've been building out is our go-to-market, meaning how do we build a world-class sales force around the world such that we're local in language and time zone and (always) available to our customers.

And that journey has allowed us to scale ultimately across what we've done in Europe, what we've done in North America, what we're doing in LatAm, and then what we're doing in APAC today. So if you break it down, there's (only) 5 companies that have Nuvei's global capabilities—Adyen, Stripe, Worldpay and Checkout.com (are the other 4). So these are those global singular platforms that are enabling customers around the world. So our pool of competition is not as deep as you think. You certainly have regional players (too).

(You may ask) what's happening to the legacy (payment) providers. If you're a Tier 1 or Tier 2 merchant using a legacy provider in the US, and you want to go to Canada or you want to go to Mexico, you need a new provider. So ultimately, your tech specifications become much more complicated, and that opens the door for global enablement platforms like Nuvei to enter the (merchant's) wallet share, simplify the merchant experience and help them grow their business.

So the underlying factor is not necessarily vertical-specific. It's more merchants that operate globally. And from our end, when we became a public company (in 2020) with about \$160 million roughly of adjusted EBITDA, to this year tracking to the mid-\$400 million, ultimately, it's about scaling our technology. We acquired Paya to help accelerate our footprint in B2B, which we're really excited about as well as software on the ISV side. And then they have a very nice and growing government business.

So B2B and ISVs are new white spaces for us. Last year, we executed on our strategy around travel and online retail, which we're seeing some very, very good tailwinds around as well. And now we're focused on enabling B2B, government and integrated payments.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

That's good. You gave me a lot of different (angles) to go over there. One thing I wanted to dig in on and I think is interesting is the original platform and the single API. For your customers, the bigger global eCommerce merchants, are they able to use your services without necessarily changing their legacy provider? Can you do it piecemeal?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

You'd be surprised many of them do. So ultimately, if you think about our customers, they come to us for a particular need. And what's unique about our platform is we're able to address their needs on a modular basis.

Meaning, I need interconnectivity to Mexico, or I need payment authentication, or I need to accept this alternative payment method. And I think that's the power of our flexibility because we're able to enter the wallet share of our customers based on the need that they have at that time. And that's really powerful. We're not here to displace an Adyen or a Stripe. We're here to be additive, and being additive in terms of the journey that the customer wants to execute.

And that starts with building the relationship. We can do business with whomever we want. And it's the same for all of us in this room—doing business with people that respect to you, that empower you, that invest in you, that drive your road map and help you execute. Those are the things that we think we do really well for our customers.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Got it. And with that, I would assume that you've got a good track record of starting with something small and then growing that business. Can you talk a little bit about that? And how you guys think about that and measure that upsell?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

Sure. I think the best summary of that is 80% of our growth comes from our existing customers. So it's really powerful when you think about it. And I think that journey then is coupled with our product capabilities. We embed our customers' roadmap into our own. So we make sure that we deliver the solutions that are really important to them. And then we're adding geographies.

And these geographies are not picked out of the hat. We really look closely at what markets we need. Over the last 4 months, we've launched self-processing and self-acquiring in Singapore, Hong Kong and Australia. We have lots of new markets in LatAm as well. And these are not things that you decide to do (overnight).

These are multiyear projects, and we have about 20 different initiatives in the hopper, that we're going to continue building towards from a geographic expansion (into local markets).

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

That's great. I wanted to talk a little bit about eCommerce. You guys posted 37% growth last quarter, which kind of stands in contrast to what most eCommerce processors are reporting. What's explaining the strength that you guys are seeing in eCommerce? And how sustainable is it?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

It's a great question. So we're targeting this year in organic growth, excluding digital assets and cryptocurrencies at constant currency between 23% and 28%. And so you have some parts of our business that are super-fast growing, like our global eCommerce direct. And some others that we wanted to do a double-click in, like small business, which are (more macro driven) and seeing some headwinds. In our global eCommerce direct, you're right, we saw 37% growth (in Q1). And that's driven by a couple of pieces. Naturally, one is wallet share expansion with customers pivoting to our markets and capabilities. And the second is our efforts in go-to-market. So I'm incredibly proud of our team—from where we started 3 years ago with having, believe it or not, (just) a handful of salespeople to now a team of just shy of 300. With sales enablement and all the expertise around it, I think we built a world-class team on our go-to-market efforts in global e-commerce.

We're going to be taking that (approach) on B2B and Government and ISVs as well. And ultimately, the momentum is showing that (it works).

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

So not to give away any of your secret sauce, but what are you guys doing go-to-market strategy-wise? Because it sounds like you're going to take that model and use it in other verticals. Like what are the learnings or why are you doing so well?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

I think the first is our technology. So how do you scream off rooftops about all the things that you can do? That's the biggest thing that we're coming back to. How do you make sure that people are interested? And when people have these needs, they may think of Adyen and Stripe. But our biggest thing is how do we make them think about Nuvei well? And I think we're doing a really good job there for people to start noticing us.

The second—and this is something that we built from all new—is combining marketing, our SDR, lead generation, and combining sales enablement to make sure we pick the right countries, enabling that in terms of the funnel for us and then making sure we have local account management that are in country, in market, in language, and tie that with relationship management solutions engineers and product expertise to be able to drive it.

It's not a one-trick pony thing or a secret sauce. You've got to do it and you've got to perfect it. And a lot of it is trial and error. Continually building upon that. We have used external help to redesign the org structure, the people, and reporting, and it's been a continuous process. But I think what we have today is heads over heels (better) vs. what we've seen from peers specifically as we do a lot of diligence on the M&A side.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

When you do bump up against Stripe or Adyen, I would imagine there's a lane where you really shine, that you have a capability that they don't have. Why do you win against those guys when you face them in the e-commerce side globally?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

I think it's really interesting. Because first of all, Stripe is closed off. It's all or nothing. And I think on the Adyen side, they have been known to really focus on closed-off (too), meaning that they focus on (large) enterprise and they're less flexible as you get down (market). But these are 2 great companies.

These are aspirational companies for us, and for us to be named in the same breath with those 2 is super humbling. If you look at our performance compared to theirs, we've caught up a lot over the past 3 years from where we started. So that goes to show that we are a market share winner. Certainly all of us combined are winning from legacy players. That's total fact. But what's interesting in eCommerce is that it's not like Walmart, where you have (just) 1 terminal at the (checkout). In eCommerce, they're going to use multiple players. They're going to want to have some backup. And they'll always check on authorization and approval ratios (in an effort to optimize). And that (is the sort of thing that) allows you to enter the wallet share and grow with it.

And something that we always find interesting is that we may (initially) get 5% of a merchant's wallet share, for example. And that's all net new (to us). And since we're at scale, every deal's gross profit dollars fall through to the bottom line. But if that 5% goes to 10%, we've had 100% growth in that relationship with the merchant. That's so powerful for where we sit.

So ultimately, it's making sure that we're able to enter the sphere, both geographically and with capabilities as is required for the customer, and then deliver.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Got it. That sounds good. I wanted to talk a little bit about Paya. So the deal closed earlier this year. Maybe quickly remind everyone of the rationale behind the deal. And then you highlighted a second ago, a few of the areas that you're most excited about. Let's dig into those. I think people understand eCommerce, but they may not understand government and B2B. And so maybe talk a little bit about that and make it real for us.

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

Look, I think the first thing is Paya came our way. If you think about before the dislocation in valuations, Paya would have required equity. So I think it's good timing that we're able to execute. And we looked at a lot of the opportunities (out there). What we liked about Paya was the people. Paya has great people, great culture.

I think Jeff and Glen did an excellent job of managing the business with the resources they had. But I'd underline that, the resources that they had from within. And so they didn't invest enough in go-to-market. I think they did a great job of maximizing. But as we dug into the business, we found multiple things that were interesting for us. The first is, we learned about B2B and how they were focusing on a monoline B2B—only U.S., only credit card, and only supporting the U.S. portion of the ERP platforms that they were (partnered) with.

And as we undug that, we found that ECI, Sage, Microsoft, all of (those partners) have global footprint. And when you enter the global footprint, how businesses pay between each other is a direct complementary activity to our capability stack. So if you think about faster payments and account-to-account payments or what we do with Bancontact, Giropay or any of the other 600 alternative payment methods that we're enabling for our customers to buy and sell from each other, it's really, really powerful.

So on the B2B side, we are excited about accelerating the go-to-market, which by the way, last quarter grew by 15%. So we actually think that could be a multiple (of growth) over time. We think there's an enormous TAM, around \$40 billion -- and not all of it will be addressable. As you guys know, people (still) like their checks. But we think it's quite important. And we think there's the international wallet share expansion within B2B that we got really excited about.

And the same is true for the software space. Paya has a small integrated payments business. That grew 17% (in Q1). When you think about this integrated payment space, everyone is calling these ISVs all day long. You have around 20,000 ISVs in the United States and everyone there is either moving from a referral partner to PayFac and all the methods happening in between. But the reality is no one is ticking the box and saying things like: how are you going to enable your payments in Canada and Australia and New Zealand and U.K.? Or how are you going to find 25 different partners? Or can I help you monetize your global payments?

And I think that became really interesting (for us). As we went through the Paya side of the house, we realized that there's multiple relationships in each ISV. This actually was a little bit surprising. We found that many of them are saying, "I need access to at least the English-speaking countries, I need access to process local payments." And so as we start unpacking that, we realize that my goodness, we have a lot of (pre-existing) capabilities here (at Nuvei) to not only expand wallet share but also come in and provide a differentiated approach to ISVs.

And what was unique because ISVs is a blank canvas for us, we don't care if they want to become wholesale PayFac, retail PayFac, or referral partners. Meaning, many of our peers have said, "Gosh, they have these ISVs today as referral partners and they move to PayFac as an immediate revenue impact to them. For us, it's a (blank) canvas that we're going to want to execute on. We think our value proposition is very strong and highly differentiated from the legacy folks, and we think we're going to be expanding wallet share from that.

The last few points were ultimately that we love the use cases and the balancing out our portfolio between discretionary and nondiscretionary (verticals). We really liked how all of that came together. And then I think the last thing that I would highlight that we've been proving out, Paya wasn't a complicated integration. They use TSYS, have multiple payment gateways, and is a very simple U.S.-based business.

Because we've done integrations where they have operations in 40 countries and transfer pricing and regulatory issues and you name it, Paya is (comparatively) a low-risk integration, which we're well down the road on.

All of (these strategic rationales) combined felt like the right time to execute.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Could you talk about government?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

I'll talk about government too, yes. Paya has a Government business. They built a product called Citizen's Portal. So what you end up having for Paya, not only do they sell payment acceptance into the government space, the Citizen's Portal product is driving really good momentum, where they actually have an engagement (directly) with the citizen.

It's deeply integrated to the municipality and allows citizens to view their invoices, pay their invoices, and provides all the back office support. We (in this room) do this all the time, but imagine our mothers and fathers interacting with Citizen's Portal. I laugh because my mother called me last week for tech support, which is a nightmare, like even how to turn on the computer. So these are things that Paya does really, really well from a UI perspective and a people perspective to enable municipalities, specifically around the senior side and more automation for the younger folks.

It is a very interesting business. We think the Citizen's Portal has applicability, certainly in Canada as well as in the Caribbean and the United States, and something that we're going to continue investing in. We have lumped Government and B2B under the same leadership, allowing us to share those resources and we continue growing the business.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Got it. Got to ask you this question. So looking at Paya, their growth was decelerating in the quarters leading up to the close of the deal. You guys have identified \$50 million to \$100 million, I believe, in synergies, which is not inconsequential relative to how big the company is. Where are those synergies? And what's the opportunity -- whatever you can share -- I know it's early, but whatever you can share to put some meat on the bone in terms of your synergy expectations?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

So it was between \$50 million and \$100 million (in revenue synergies by 2027). And so we did a bunch of work with Bain here as well as our integration team, and we really unpacked all revenue synergy and revenue acceleration opportunities in Paya. We put them into 3 buckets: (1) do nothing to very little investment (2) do some work and then (3) product expansion opportunities. And so on the baseline, we think we can accelerate the business by about \$50 million in revenue on the base case.

What we're aiming for in terms of accelerating that to \$100 million of revenue involve the areas we want to make investments into. Some of it is easy lifting and some of it is more complex, deeper, harder lifting. We actually want Paya to be a leader in the space that they're in right now. It's very fragmented. We think we can accelerate that deeply (through things like) product innovation, investing in the go-to-market—which we started already—investing in VAR engagement, and all the things that they never really did. So we're focusing on the \$100 million (goal), but we wanted to give the full scale of what the options are.

So some simple math for us is, and we've talked about this before, we met with ECI, which is one of Paya's partners. And they immediately told us we have pain points in 4 countries. And all 4 of those countries are countries that we can help (ECI) with tomorrow. Now to execute on that is another thing. We're not saying great I'll help you tomorrow. I need to connect Paya to me first. But that's an easy integration and that's starting already.

Now others are saying, "In Europe, I have other B2B flags. And so now that comes into the mix. So ultimately, it's always the same concept. But how do you execute on the new country? It's kind of what we've already unpacked. And we've gone into excruciating detail because we want to have the plan right. And I think this just proves the thesis that Paya is an amazing platform for us to execute on. That's really what we wanted to come back to. We wanted to see it for ourselves because we had a good gut feeling as we bought the business. But now also having third-party validation and driving forward our future investments throughout the go-to-market and productization of Paya.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Nice. Okay. Moving along. You guys have talked about strategic priorities the last few quarters. I think Unified Commerce, open banking, some other things (embedded finance). Can you talk a little bit about that, maybe add a little color?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

Of course. So we have a couple of priorities, right? Every year, we want to open 5 new markets, which is a big topic for us. The second thing that we're looking at is accelerating our Unified Commerce business. So the old term for Unified Commerce is omnichannel. So driving card present and card not present in a unified experience. We're well down the road with Bring Your Own Device, and we're doing something now with Verifone where we're going to certify the entire kernels so that our customers through our API can decide to enable card present and card not present.

This is really important across many of our verticals. I think people will be surprised that even in gaming it's important. If you think about U.K. gaming, 20% of the volume is online, 80% is not. So there's lots of opportunity, we think, with this to continue expanding wallet share with our customers.

Embedded Finance has become another very sexy term to talk about (in terms of) cash advances and pre-funding and (card) issuing. And so when we think about our ISV business, when we think about overlap on our payout business, there's certainly a good amount of opportunity around accelerating our embedded finance offerings. Around card issuing, we're well down the road on that one. As you may or may not recall, we do debit issuing today in Europe. We have now started doing prepaid issuing in Europe on a pilot basis. We're going to bring that next year into North America.

We believe this is quite significant from a value proposition to our end customers. And then as we continue running down (the list) with ISVs, it's about embedded finance in terms of how to get them paid faster, how to get the aspect and opportunity of receivable factoring, as well as other value-added services within our own customers. So we'll do that over time. And then the last (initiative) was -- which one?

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Open banking.



**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

And open banking. Yes, so account-to-account payments. So we built account-to-account payment capabilities in Europe. We want to accelerate that. We have made enormous progress in LatAm, obviously, with what we're doing with PIX. We have Australia that's coming on as well, which is super important. Interac in Canada is talking about their own open banking initiative and real-time payments.

And then there's naturally FedNow in the U.S., which -- while there's a lot of hurry up and wait, it will take some time for many of the banks to monetize it. We still think it's quite important. So those are the areas that we're focusing around open banking.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Got it. So I've got a few more, and then I'm going to open the mike. I guess last quarter, good quarter. Guidance -- 2Q guidance was lighter than the Street. You talked about some seasonality in the Paya business. Maybe kind of talk investors off the ledge there. Because there's an implied ramp in the back half of the year. Like give us some security around the guidance, and how you're thinking about it and why it looks the way it is.

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

So let's (start by) talking about Q1. So we had an excellent first quarter. We see that momentum moving into Q2. So if you look at Q1, if you pro forma Paya and add in about \$40 million, you'd get to about \$296 million (in total pro forma revenue for Q1).

You then see a sequential growth into Q2 (based on our guidance range for revenue) even though there is seasonality. The seasonality is not on the Paya side. The seasonality is more about Nuvei because we've had great success on our U.S. gaming business that gave us exposure to Super Bowl and March Madness as well as some exposure to travel (e.g. spring break), that kind of fades away into Q2.

And then at the end of the second quarter, you have the travel season that picks up. So that's more explanation around the seasonality, but you do have sequential growth from Q1 into Q2. Now when you talk about the full year, if you look at last year (2022), the second half of the year grew about 10.5% from the first half.

So what we end up looking at for Nuvei's case—is the second half has the same momentum roughly as last year. To meet the outlook it's (a step up) between 3.5% and 9.5% of our core business, plus new business, which also includes Paya today. So from our perspective it's Business As Usual. Certainly, it's always loaded at the end (of the year) because new business is so powerful from a new base perspective. Double clicking to Capital Markets Day (we hosted in March 2022), we showed that whatever you signed in the previous year, it starts at 0 in January and you build a cohort (of new in-year revenue) by the end of the year. That cohort by the end of the year typically generates the following year between \$100 million and \$140 million of revenue.

So it shows you incredible (new customer) acquisition economics. So that is typically more heavily weighted to the end of the year as you gain the momentum. If you look at last year, probably 80% to 90% of the new in-year business revenue was in Q4. It's just the nature of the beast. So what changes for Nuvei? It really just depends on merchant integration timelines. Like are they going live now? Are they going live in the next week? So that kind of sums it up. But if you look at sequential (H2 vs H1) growth this year versus last year, we're very much on the same building blocks.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Sure. On that note, I mean you mentioned how the cohorts build. How do signings this year, almost through half of the year compared to last year? Like so your bookings year-to-date versus maybe a year ago, can you talk a little bit about those trends? Anything to call out?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

Yes. I mean it's hard to say because Q1 was well over 125% over the (prior year), but it's such a small number. So you'll just have to wait for the building blocks to come up. I think it's going to be a really strong year in new business just because of the conversations that we've had, just keeping in mind new business doesn't just pop on the radar, saying, I talked to Nuvei Monday, I signed with Nuvei on Thursday, and then we go live next quarter. These are typically 1-2 year conversations that move their way through and they're building blocks that we've done last year. And ultimately, our engagement across the board is very strong. So we like where we sit.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Got it. I know there's a crypto or digital currency compare that annualized. Just real quick, remind us, when does that lap? And then I know it's going to be a smaller piece of your business going forward, but what are your growth expectations for that segment?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

Yes. So it laps at the end of this quarter (Q2). We had a business -- that vertical represented roughly 25%, 26% of Nuvei, and it went down to now 5%. So an incredible deceleration. What we are trying to highlight to folks with some disclosure is that if you looked at Q1 this year versus last year, there was \$32 million of crypto and FX headwind that pretty much falls to the bottom line.

So if you look at our (results), out of the \$91 million that we had in EBITDA (in 1Q22), \$32 million was from crypto and FX. So you're talking about \$59 million base plus \$32 million from crypto and FX. And this year (adjusted EBITDA) was \$96 million (in 1Q23), where we've replaced that entire \$32 million.

So it just shows you the power and the operating margin of the business as we continue scaling. And that scale and that momentum has allowed us to outgrow some very, very significant headwinds, basically 1/4 of our business.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Yes. That's impressive how you have grown through that.

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

You know one thing I want to say is that I love how we managed that. We did all of that without touching OpEx. Most of our peers would have gone in and done restructuring and cut costs and fired people and (such). We just went heads down and worked our way through it. I like the way we handled it. I think it's the right way to engage with your employees and customers. I think that creates far deeper relationships with our team, and I think it gives us a nice platform for continued momentum.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Now on that note, and I meant to mention this earlier in the introduction, but what I find most impressive about the company is that you're both high growth and profitable. And so we've got -- in the FinTech space, a lot of companies that are high growth, but haven't reached profitability. Yet you guys are both, which I think deserves highlighting.

I'm going to throw it out to the audience if there are any questions, just raise your hand. We will hand the microphone to you. If not, I can keep asking questions.

**Nick Sertl, ThornTree Capital Partners**

I was just wondering if you could give some color on what you're seeing in the gaming space in terms of competition, market share, take rates, et cetera?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

Sure. I'm happy to. What I find interesting is I just have to remind you that gaming is a global vertical. We've seen a lot of folks talk about U.S. gaming, U.S. gaming, U.S. gaming. And yes, it's an opportunity. But I think there's far greater opportunities just around the world.

What we're seeing in South America, what we're seeing in Brazil, we're seeing really good momentum in North America as well. We've had Ontario that's come up. There's potential for Alberta to come up. But what we found in gaming is that it's not a monoline product. So just to highlight that acquiring -- and you're talking about take rates, acquiring in U.S. gaming is sub-10 basis points, probably more like sub 5 basis points.

So you need the full-end product, meaning, pay-in, payout, alternative payment method, ACH and all the value-added services. I think where we're going to create even further differentiation is Nuvei is finalizing our debit routing. So we're going to be smart routing in the U.S. like we do internationally to pick the appropriate debit network to drive greater authorization rates. So it's a matter of building blocks to create value for the customers.

We have absolutely set the stage in gaming. We are now very present in the market. I think we are either contracted or in deep discussions with all of the core operators. And so that gives us a good platform for continued growth. U.S. gaming is still not excessively large for us. So it's something that I think there's more opportunity there.

But actually, if you look at gaming as a core vertical, Q1 this year versus last year, really good momentum on a large vertical for us. And we think that has a good amount of tailwind just because of the regulatory environments around the world.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Real quick. I'm shocked at acquiring is so cheap in the U.S. 5 basis points?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

Roughly, yes. But these are enterprises, right? You're talking about large enterprises. So I mean we see -- it's been topical, but we see PayPal has been doing this in gaming a lot, 0 processing on the acquiring to get the PayPal (branded volume). So we do that too. (Lead with) acquiring more for payouts and other (value-added services). This is something that I found really important to highlight. Some folks said, "Oh, gaming, there's not much competition." But that's totally BS. There's competition everywhere. Like everything else as you can imagine, (gaming) is always competitive and you got to win with your own right and your own tech stack.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

And real quick, outside of the U.S., gaming spreads are more like what?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

That is different because it's not all linear to acquiring. So if you look at U.K. it is only debit. We actually don't do much credit card at all. I think, actually, one is allowed and one is not on casino and sports. So U.K. is different. Europe itself has potential FX if it's between different countries that come back to it. You (also) have payout opportunities.

So it really just depends on where the operator is operating. In Europe, we do authentication, which is a big product for us, where we cascade down authentication. We do all account-to-account payments as well. So it's not just 1 product and can I do acquiring.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Got it. I've got 2 more. We've got 3 minutes left. I'll put them together and you can just run with it. Nuvei in 5 years, what does the business look like? And then the second question is, what does The Street get wrong or not understand about?

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

We'll go to the first one. If I were to close my eyes and think about all the tentacles for us to continue growing, I think Nuvei has a potential to be \$1 billion of EBITDA. And this is just my own opinion. This is not giving an outlook. But just as we look at organic opportunities or inorganic opportunities, that's kind of where I think we can go to. And it's incredibly humbling.

I started this business 20 years ago, stumbling into payments. I didn't even know what a terminal was. I got into this business because I couldn't get a merchant account. So that's how I learned about payments. And it's like this obscure environment that's so important to commerce, but it's somewhat obscure to so many people.

And I've had the pleasure of watching this industry grow. I've had the pleasure of watching merchant requirements change. I think we have done a really good job at staying innovative and focusing on addressing where the market is at the time and that is going to continue.

And I think that gives me real confidence as we set our roadmap for this year, for next year, and where we think we can continue taking the business. So that's on one end. I think what you end up realizing from Nuvei is new use cases, more use cases, more scaling. These are the things that keep us up, and we want to continue being leaders across every market that we operate in.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Got it. Any other questions in the audience? One more here. One second.

**Unknown Analyst**

Could you just give us more color on your approach to risk and compliance. Payments companies have taken a beating recently, short reports, and all sorts of things like that. You're in some kind of probably higher risk verticals on a global basis with acquisitions. Like I know it must be hard your list of things that keep you up at night potentially. Just what's your level of investment? How do you give us comfort that you're taking that kind of seriously?

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Question was risk and compliance.

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

Yes, I couldn't catch everything, but I'll kind of run through what I heard. And if not, you can come with a follow-up. So people forget that we're a highly regulated entity. We're regulated in all the markets that we operate in. And then we're naturally obviously overseen and reviewed by the card brands. We have specific requirements, I think from a risk perspective that operates on a regulatory framework where AML and all the other things that come along with all the regulatory side.

We have merchant adjudication and merchant compliance. We have risk management. And then we have all the back-office SARs and other reporting that come along with that. We try to be the north star of the verticals that we operate in. We want to be that table stakes for customers to understand how they (need to) operate. And that's why you see companies like Nuvei that have operated in gaming for the past 12, 13, 14 years without a blemish on our particular record in terms of how we operate.

And we have and we continue to see shenanigans like companies enabling France, companies enabling Italy and others that we just don't participate in. We have 215 folks in our risk and compliance team. Our perspective is never to buy a problem later on, unlike our peers. And so we'd rather err on the side of making sure that this is a long-term relationship than a short term. So I would leave you with that. From a process perspective, each country has its own unique AML, which reports back into the different groups on a head office basis. We have more licenses than many of our peers. I think we have in the teens today from a licensing perspective. We have incredibly strong relationships with our partners, such as with the card brands that are a big driver for our continued growth. And I think that kind of speaks to the reputation.

**Reginald Smith, Senior Equity Research Analyst, JPMorgan Securities**

Cool. Well, thank you.

**Philip Fayer, Founder & Chief Executive Officer, Nuvei**

Thank you, everybody. I appreciate it.