

# Nuvei Fireside Chat – William Blair 43<sup>rd</sup> Annual Growth Stock Conference – June 6, 2023

## CORPORATE PARTICIPANTS

**Chris Mammone, Head of Investor Relations, Nuvei**

**Anthony Gerstein, VP of Investor Relations, Nuvei**

## OTHER PARTICIPANTS

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

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Good afternoon, Bob Napoli analyst at William Blair that covers Nuvei. For a complete list of disclosures, please go to [williamblair.com](http://williamblair.com). We have with us today, Anthony Gerstein, and Chris Mammone, they double team on the IR side. I've known Chris for a very long time, and Anthony since prior to the IPO. And so we have a fireside chat format here today. Nuvei is a Canada-based fintech, but a global player that allows leading companies to accept next generation payments in 200 markets, 150 currencies, 600 alternative payment methods (or APMs).

So with that, I'm going to turn it over to the team here for an overview for those that are not as familiar with the company.

**Chris Mammone, Head of Investor Relations, Nuvei**

Great. Well, thanks Bob for that introduction and for having us. And thanks to all of you for attending today. It's been a really great turnout for the conference. So it's been great to be here. As Bob said, I'm Chris Mammone, and with me is Anthony Gerstein, and we're the IR team for Nuvei.

And so as a high level overview of Nuvei, we're a global eCommerce payments enabler serving primarily mid-to-large scale enterprises. We operate an end-to-end payment technology platform globally that through a single API integration, connects our customers to their customers around the world.

What's interesting about the payment ecosystem for anybody that follows it or those that are new to it, it's highly convoluted and it's highly complex. But it's unique in that while it's certainly a global ecosystem, it also requires very local market expertise, country-by-country, region-by-region. And so we think that Nuvei occupies pretty rarefied air within the payments ecosystem. There are really only five companies that that do what we do, with our capabilities, combining global reach with local (payments market) expertise. It's Nuvei, it's Adyen, Stripe, Worldpay, which is a subsidiary of FIS, and Checkout.com. So within that group of five, only two of us are pure-play public companies. That's Nuvei and Adyen. So from that perspective, at least, some scarcity value in what we do.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Thank you. Okay. So, I understand that where you're dealing (within the payments ecosystem) is very complex. It seems like you have an attractive position in that market. What's unique about what Nuvei does and what is your competitive moat?

**Chris Mammone, Head of Investor Relations, Nuvei**

Sure. Maybe I'll start. I mentioned the other players that we typically see. What's unique about our platform is again, one single global end-to-end platform. We sell our platform via a modular approach. So when you connect to Nuvei, you have access to the entire tech stack. But we have a dozen, or even more, specific modules that we sell into our customer base. And so you can consume our technology on an à la carte basis, and that really makes us sort of unique in how we go to market.

So what we oftentimes see is that we're not targeting startups here. Large enterprises where typically there are payment providers already in place. And so with these customers we're addressing specific pain points that they may have. Use cases in certain geographies or countries or to grow into new countries. We're just very tightly aligned with our customers and with their own growth roadmaps, often landing with just a single capability or a single APM in a single country, and then growing our wallet share from there. And I think that really makes our go-to-market unique.

**Anthony Gerstein, VP of Investor Relations, Nuvei**

Yeah, I would echo all of that, and add that, we're a tech-first company. And we have highly innovative proprietary technology, which I think is a big differentiator in the industry. So, we really control our own product roadmap, much of which comes from the directive of our customers, and following them and their needs and meeting their needs and requirements.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Thank you. So who's your competition? Who do you compete against? How do you win? Why do you win?

**Chris Mammone, Head of Investor Relations, Nuvei**

So again, I think it's a case-by-case basis, but I think who we see most often are the names that I had already mentioned. In the cases of Adyen and Stripe, great companies. And it's humbling to even be mentioned in the same breath with those organizations. But oftentimes, again, these (enterprise) customers that we target, very few, very rarely do they have exclusive providers. There's often one or more providers in place. And so we're market share takers when it comes to whether we're competing against some of those global players, or other regional players that we might see on market-by-market basis.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Thank you. So your eCommerce business, maybe talk about the mix of your business. eCommerce is probably the largest portion of your business—it had 37% growth last quarter. Maybe give some color on that channel and the focus of your investments in the company over the past few years. (Also) what percentage of your business is eCommerce today?

**Chris Mammone, Head of Investor Relations, Nuvei**

Sure. It's the single largest distribution channel, and as you mentioned, it grew 37% year-over-year in Q1 (2023). We recently bought Paya, which I'm sure we'll get into (further) and that changes the mix a little bit. But pre-Paya eCommerce direct was about 75% of the core Nuvei business. When you combine Paya into the mix, it's still two-thirds-ish of the business. So, it continues to be the driving force. You can go back to an acquisition we made in 2019, a company called SafeCharge, which was a technology platform purpose-built for processing eCommerce and online payments. And that platform forms the technological underpinnings of Nuvei today. And it really is the technology behind that channel.

**Anthony Gerstein, VP of Investor Relations, Nuvei**

And that's where the majority—if not all—of our investment dollars are going towards. We built out a direct sales team that was essentially non-existent four years ago. We started with a handful of sales reps on a global basis and today, we're just shy of 300 as we've grown out that distribution platform.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

And maybe (give) a little more color on the growth of the sales reps. And when did the company decide to significantly increase investment and go to market?

**Anthony Gerstein, VP of Investor Relations, Nuvei**

It's been a very deliberate effort. It was always the thesis when we came public back in 2020, and certainly we've reiterated during the entire time that we've been public. It's been an evolution. It was an opportunity for us when we bought SafeCharge, which was absolutely leading-edge technology that was (primarily) inward focused, and not really looking for opportunities that expanded beyond a traditional vertical that began in online sports betting. We've taken an opportunity to invest in (the platform), and build a sales team around it to go out and address different verticals in different markets on a global basis.

We've been deliberate in our hiring—for cultural reasons because we're dealing with very sophisticated end market, (both) users and customers. So the onus is on us to make sure that our sales team are well educated, knowledgeable in our technology, and in the end markets in which they're selling and the customer mix that they're selling into, all localized in language and in region, a huge requirement when you compete (in this segment of the market).

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Thank you. Some of your focused verticals seem to have some good momentum, online retail, travel, social gaming. Maybe give a little bit of color on those verticals, the mix of the business and what verticals you're most excited about.

**Chris Mammone, Head of Investor Relations, Nuvei**

Sure. So we did a double click in Q1 (2023) to explain what was driving that strong 37% growth in global eCommerce direct. And so it came from a lot of verticals that you mentioned. Online gaming grew 53% year-over-year, video and social games grew 51% year-over-year, online travel grew 65% year-over-year, and online retail grew 84% year-over-year. So really great success across those focused verticals. And that's driving a lot of the strength we've talked about. You asked earlier about how we win. Again, it's really that modular approach, that ability to sell our technology on an à la carte (basis). We're just going in and we're addressing a specific pain point that a customer might have in a certain market or with a certain use case. And that's just really how we get the foot in the door. And that's really a lot of (what is) driving that strong growth in global eCommerce direct.

**Anthony Gerstein, VP of Investor Relations, Nuvei**

And I would say it's across the board that we're seeing the growth across verticals. And you have to remember that SafeCharge when we bought it was mostly focused on online sports betting and gaming. And what we've done has (been to) take that technology, which is highly relevant to supporting the most complex verticals that we believe exists in eCommerce, and really leveraging it across into new verticals that hadn't known us or heard of us prior to it. And so we're really growing and having tremendous success across all (focused) verticals – (or) what I would call more nascent or newer markets that hadn't historically been looked at.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Right. Thank you. And actually, I didn't say upfront that Philip Fayer, the Founder and CEO of the company had an illness, which is why he is not here.

**Chris Mammone, Head of Investor Relations, Nuvei**

Yeah. He was fired up to be here and he apologizes for not making it.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Yeah. So just geographically, the company (is) really big in North America. I think you (also) have a pretty good presence in EMEA, (it's) just early days in Latin America and APAC, and you've talked about entering several new markets per year. Maybe talk about the opportunities for the emerging markets that you're in, and then your broader geographic strategy. I guess LATAM and APAC is a big focus from a small base.

**Chris Mammone, Head of Investor Relations, Nuvei**

Sure. Maybe I'll start real quick. So as part of our strategic initiatives for this year, we said we'd enter up to five new geographies. Australia was number one on that list that we entered earlier this year. And I think that in the near term, you'll start to see some more Latin America expansion and Asia-Pac expansion, and maybe (Anthony) can add on.

**Anthony Gerstein, VP of Investor Relations, Nuvei**

I would say that we target four to five new countries a year. And so that cadence is very consistent. I think what people misunderstand or perhaps don't appreciate is that there's a lot of (upfront) work that has to (happen) before you enter a new market from a licensing standpoint, from a logistics standpoint, setting up offices, finding the right people to work with you. And so typically we'll invest into a country before we go live with it. Because you can't promise a customer that you're going to deliver a country if you're not already set up and running. So that's how you should think about the new country expansions as we go forward.

And then as Chris said, APAC and LATAM are two smaller markets (for Nuvei today), but very fast growing markets for us where we see incredible customer engagement and opportunity. Those two parts of the world are highly fragmented to begin with. But we see really unique opportunities to continue to grow our business (in both regions). So today they're a very small part of our revenue overall, but we would expect that to expand over the coming years.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Thank you. And I just probably should have set up (the fact that) this is a company that combines very attractive growth, 20% (reported) growth last quarter with attractive cash flow and profitability, 37% (adjusted) EBITDA margin. You don't see that combination that often. So maybe just following on that, what are the (long-term) growth targets and the comfort level with those growth targets and profitability targets?

**Chris Mammone, Head of Investor Relations, Nuvei**

Double clicking into that, the primary growth metrics that we've shared over the past two quarters is that core Nuvei has grown revenue ex digital assets and cryptocurrencies at constant currency by 26% year-over-year, both in the fourth quarter (of 2022) and the first quarter (of 2023). Our outlook for this year encompasses a 23% to 28% growth expectation on a core organic ex crypto basis for the business. That's for (full year) fiscal 2023. As you look out beyond 2023, we've shared medium- and long-term growth targets. For revenue we believe the business over the next three to five years grows in excess of 20%. And we believe that (adjusted) EBITDA margins over the next five to seven years will expand into above 50% for our EBITDA margins. And then we've also shared medium-term CapEx expectations of 4% to 6% of revenue. So we feel good (about those targets).

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Thank you. For audience questions put up your hand and we'll get you in. You just closed on an acquisition of (Paya), a company that presented here last year. We think it's a really solid company. You paid \$1.4 billion for Paya integrated payments business with B2B payments and government. What drove the acquisition, why Paya and how do you integrate that asset and drive growth?

**Chris Mammone, Head of Investor Relations, Nuvei**

Sure. Maybe I'll start. So what attracted us to Paya is the distribution capabilities, access to new channels that Nuvei has not addressed before. So you mentioned ISV integrated payments, that's a \$35 trillion global TAM. And so it's something that we had not participated in prior. Paya was also a big B2B player mostly on the accounts receivable side. And that is about a \$40 billion TAM also new to Nuvei, and (Paya is) also big in Government.

And so we've added those as new channels into the mix, in addition to what we've talked about with global eCommerce. It's really given us a lot of great high growth focus channels to pursue. It also expanded our business into the U.S., gave us a bigger presence in the U.S. market, and also helped to further diversify our vertical mix into less cyclical verticals than what we had been in previously. So those are some of the big rocks that attracted Paya to us.

**Anthony Gerstein, VP of Investor Relations, Nuvei**

What I would add to that is that we're constantly looking for additional use cases for our technology, and payments and integrated software are naturals, as is B2B. So they represent two channels of distribution that we had on our focus list, but didn't have a great amount of penetration. And Paya allows us to move in there very, very quickly and use our technology and our backend, (to help their) partners on the B2B side with the ERP systems, and with the ISV channel and the Government channel. And we're really excited about it. We think they're very large TAMs, relatively under penetrated, which gives us an immense opportunity to accelerate Paya's historical growth rate and bring it more in line with what you see for core Nuvei.

**Chris Mammone, Head of Investor Relations, Nuvei**

Yeah. So to Anthony's point, pre-Nuvei, Paya was growing low double digits, low teens-type top-line growth rates. We closed the acquisition on February 22<sup>nd</sup> (2023). And through the help of third-party consultants in the early stages of integration, we've already identified \$50 million to \$100 million of incremental revenue synergies that we think we can attain by 2027, beyond the base case growth of Paya alone. So we're pretty excited about that. When you look at the first quarter (2023) results, Paya reported 15% growth in B2B and (15% growth) in Government, 17% growth in ISV. We think through these revenue synergy opportunities, we think we can maybe double the potential growth rate for the B2B side and certainly bring the ISV component more into the 20% range on an ongoing basis.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

And it's taking the Paya technology into your international markets?

**Anthony Gerstein, VP of Investor Relations, Nuvei**

It's actually the opposite. Paya did a remarkable job building out its partnerships on the B2B side with its software providers and ERP partners. What we'll ultimately do is drive the payment side of the business using Nuvei's technology to replace what Paya's payment engine is. And because of our global capabilities, because of the global exposure that our partners have, remember Paya is only a domestic U.S. processor. By using Nuvei's platform and adding the capabilities, geographic breadth and reach we can help them drive their businesses (beyond those rails). These are global partners that may have in many cases been hindered by their payment engine. So bringing Nuvei's technology, and us owning Paya will (not only) help our growth profile, but can also help our partners as they look to grow their businesses on a global basis.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Great. Thank you. Current macro conditions is a frequent question and that we get in each of these meetings. Maybe you guys could give us an update on what you're seeing on the global macro. And I think you said there were two areas last (earnings) call—SMB was one area where you saw maybe a slowdown. But if you could just give updated thoughts on what you're seeing on the macro, and SMB maybe size (it for us), (although) it's not that big of a business for you.

**Chris Mammone, Head of Investor Relations, Nuvei**

So in addition to double clicking on the channels that we operate in again, global eCommerce direct, the biggest channel grew 37% year-over-year in the first quarter (2023). We also operate a legacy SMB card present business that goes back the 20 years or so since Nuvei was founded. And that business has been a slight drag. It wasn't a new occurrence (in the first) quarter. It was down 1% constant currency. Again, it's confined to North America between Canada and the U.S. So a slight drag, and again, that's been going on for the past several quarters at that kind of rate.

And I think that's the part of the business that is most exposed to the macro conditions. But it's a really small part of the business when you combine in Paya, and they also had a legacy card-present business. You're talking about, 15%-ish or so of the overall mix coming from that part of the business.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Thanks. So maybe related to that, when you reported last quarter's earnings (1Q23), the stock reaction wasn't probably what you wanted. And I think the guidance for the second quarter was a little bit below where the consensus was. But you certainly seemed confident on a reacceleration. What gives you confidence that the back half of the year will reaccelerate, allowing you to meet or exceed your target for the year?

**Chris Mammone, Head of Investor Relations, Nuvei**

That's a great question. We initially gave the full year outlook in March when we reported Q4 results. And we gave a Q1 range and a full year range. And then 60 days later we reported Q1, in which actually we outperformed expectations for Q1, and then we essentially reiterated the full year range. We slightly ticked up the low end (of the full year range), but the message was that, look in the 60 days that have elapsed since we gave this outlook, nothing's changed. Nothing in the environment has changed. We still felt the same about our prospects. And so I think that there was a bit of a disconnect with how the Street had modeled the cadence throughout the year. And so that caused that disconnect.

But if you take a step back and you look throughout Nuvei's history, we typically see the second half step up from the first half in a given year. So if you look just to last year, second half versus first half stepped up just shy of 11%. And then the year before that it was something similar. So, I think that when you look at the outlook for this year, you just need to assume that the second half steps up from the first half pro forma for Paya by a 3.5% to 9.5% range, which coincides with the low end and the high end of (full year) guidance. And it's really a normal assumption of new business that contributes and gets us within that range. So we feel good.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Thank you. On capital allocation, you generate a lot of free cash flow. So just after closing the Paya deal, between M&A, buying back stock, and deleveraging maybe talk about what your leverage level is today and where you want it to be.

**Chris Mammone, Head of Investor Relations, Nuvei**

We love our financial profile. And you talked about the growth and the margins and the free cash flow generation, we're very pleased with all of it. We closed Paya at just under three times leverage. And so all else being equal, we think we can reduce that leverage by a full turn over a 12 month period. And so that is a priority for us to delever over the next several quarters. That said, we want to be flexible. We have been active in share buybacks even as a young public company. We've bought back 223 million of our stock since early 2022 when we first put our buyback mechanism in place, which in Canada, it's called NCIB, which allows for repurchasing up to 10% of the public float.

So 223 million all-in, and the most recent share repurchases for Q1 of 2023 was 56 million, about 1.35 million shares. So we've been active, and that continues to be a priority. For M&A, we're integrating Paya and that was a big bite that we took. But that doesn't preclude us from continuing to be active, looking for other tuck-in deals. We have a team that's dedicated to M&A, and we've looked at a lot of deals. I think we looked at well over 100 even close to 150 between the last acquisition we did in late 2021 and announcing Paya. So very active and continue to be so on that front too.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

(Turning to) the gaming business, when Nuvei first came public a big focus of investors was on that gaming business. And I think you have a pretty strong position in Europe. And in the U.S. it was kind of like walk, crawl, run. And I think on the last call Phil suggested that you're now running in the U.S. And so maybe give some color on that gaming business.

**Anthony Gerstein, VP of Investor Relations, Nuvei**

Sure. We have a deep legacy in supporting online sports betting, going back to the UK and then western Europe and then eastern Europe as it's proliferated, then coming over to North America. It's not a given just (because) you have expertise and you're a leader in that segment with some of the same customers that were coming over, that you're (automatically) up and running to go with them. It was really important to make sure that we had the right capabilities that were needed. And so as we started our journey in North America. We effectively started at zero and had to earn

our way to build up the capabilities that are necessary to support online sports betting in North America. So most of you would probably be familiar with general credit card transactions being used (for pay-ins).

If you followed the industry, you would know that up until recently, I would say 25% of 30% of those attempted transactions fail. Now, everybody can do merchant acquiring. But an operator will come to you and say what can you do to help me get beyond that (failure rate)? I need some kind of value. And so that really comes down to offering different pay-in capabilities, which could be everything from account to account or ACH or supporting different types of wallets. Similarly, online gaming (is a two-way street). You think about the operators taking money in, (but) they also have to pay their winners out. And so there's that other piece of the pie (payouts) that was necessary to have in place.

And so our initial move into (the U.S.) to support these capabilities was that we bought an ACH provider in Base Commerce back in 2020. We then bought Mazooma for account-to-account capabilities. We then had the payout capabilities to (be able to go) in and offering those as value-added services, or capabilities that an operator may not have had, but is absolutely table stakes particularly for gaming. And that's really how we've built up our progression in online gaming. And today we're working with the top 10 providers across North America.

I think it's also important to know that U.S. (investment) funds are pretty much focused on U.S. gaming because it's new, and it's growing. You've got new states coming online all the time. (But) we're a global business. And so we look far beyond just the North American opportunity. And what you might not be as familiar with is in Latin America—whether it's Brazil, Mexico, Columbia—all these countries are at different stages of looking to legalize online sports betting or gaming. These are really exciting opportunities for us that can continue to drive this vertical for us and where we're really well positioned. One, because we're already in-country with (the capabilities that matter). We have those (global) customers as well that are looking at those markets. And so we look at it from more of a global perspective.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Great. Thank you. Any questions we have (from the audience), we're running short on time here. We'll keep rolling. What do you think is most misunderstood about Nuvei?

**Chris Mammone, Head of Investor Relations, Nuvei**

I'm sure we'll both have takes on this. I think we're still very much an under the radar company. I mentioned the companies that we occupy the same area of payments with, the Adyens, and the Stripes. And I don't see us mentioned in the same breath as much as I think we should, or as much as we deserve because we go head to head in those markets with those other players. So I think that further education is needed on our place within the ecosystem. Look, we came through some pretty volatile times in 2022 with digital assets and cryptocurrencies, and we're past that now. So that's in the rear view mirror and that's no longer a driver of the business. So, I think that's a really good thing.

**Anthony Gerstein, VP of Investor Relations, Nuvei**

Yeah, I would just simply add as people learn more about the company, it's really exciting when you think about what we've accomplished in our short history as a public company. We came to market with, I think roughly \$150 million or \$160 million of adjusted EBITDA in 2019 or 2020. And today we are looking at somewhere in the mid \$450 million, if you look at the consensus numbers out there. That's a relatively short period of time that we've grown really incredibly fast. And the branding and the name recognition is also growing very rapidly as we've really created what we consider to be a global leader. (We've been building out a) global commercial sales effort, a direct sales effort. As our team learns the markets, they're going to customers and having them learn more about Nuvei and (it shows in the increased) brand awareness that we're receiving across the board.



Some of the creative initiatives you've seen us announce and launch over the past several months is starting to really resonate. And if I could leave you with one thing, it's that we're participating and being asked more frequently to participate and get in front of Tier 1 names and logos that I would tell you three years ago wasn't necessarily a pipe dream, but certainly more challenging to get to. Today we're part of the conversation as we have these opportunities to go in and present ourselves to them.

So we're really excited. We believe we're very early stages for what we have in front of us. We think we're really well positioned and like our technology, our financial position, and I think the stock will take care of itself over time as we continue to execute and just stay heads-down and deliver.

**Chris Mammone, Head of Investor Relations, Nuvei**

Yeah, consistent execution is key. And it's a great point that at the time of the IPO, \$160 million (or so) of adjusted EBITDA, and based on our guidance range for this year, nearly a tripling of that amount. And then, I think Phil has said in another recent fireside chat, aspirations to be a billion dollar adjusted EBITDA company, which maps to that long term outlook that I talked about, when you think about the revenue and the adjusted EBITDA margin targets over the medium to longer term.

**Robert Napoli, Partner and Financial Technology and Services Analyst, William Blair**

Great. Well, we're out of time, but there'll be a breakout and thank you very much.

**Chris Mammone, Head of Investor Relations, Nuvei**

Thanks

**Anthony Gerstein, VP of Investor Relations, Nuvei**

Thanks