

# Nuvei Fireside Chat – Wolfe FinTech Forum – March 15, 2023

## CORPORATE PARTICIPANTS

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

## OTHER PARTICIPANTS

**Darrin Peller**, Wolfe Research, LLC

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Welcome to day two of the Wolfe FinTech Forum. Thank you everyone for being here and we have a really busy day ahead of us. There are two tracks going on right now. We have obviously Nuvei with us in here. We have AvidXchange's CEO and CFO next door. And then throughout the day, we're going to have some exciting presentations by the likes of Visa, Shift4, a consumer panel, which is actually going to be really interesting with a number of different executives hosted by our consumer analyst, Greg Badishkanian. We have Marqeta, Global Payments CEO, and many more after that.

So we're really excited to have this day ahead of us. Phil, I mean, Nuvei is a company we picked up, I was mentioning to you last night, not too long ago, we initiated coverage on at the beginning of this year. And it's been a great call so far for us. So thanks for all the good work, but truth is it's a name that we still think is very under the radar and underappreciated in the market for the opportunity and success the company is having and what it could be. To us, and I'll just stop rambling in one minute, but to us growth stocks have to meet certain criteria. They have to meet structural strength, have top line growth, but they also have to have a lot of areas they can self-help.

And more important these days than anything else is profitability, which you guys have done a very good job on showing scale and operating leverage, and a lot of pass-through to both operating earnings and free cash.

And so with that, it's really great to have you here.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

Thank you. Thanks, everyone for joining this morning.

**Darrin Peller**, Wolfe Research, LLC

So look, why don't we start off just for those a little less familiar with the story if you don't mind at least a quick introduction on the story for those that are still learning about Nuvei?

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

Sure, happy to. So Nuvei provides a global platform for customers to operate in every region around the world. So through a single API, we help our customers connect with their customers in all payment mediums and payment preference type and currencies for them to focus on what's important to them, which is growing their business.

So we provide local acquiring in about 48 markets. We provide payment orchestration into 200 different markets. We provide 603 alternative payment methods. And all of our solutions are provided à la carte, so that our customers can engage with us with what's appropriate at the time.

So solving real world problems, helping our customers go from border to border, connecting and growing their business, unifying their back office and streamlining their technical stack is what Nuvei provides.

**Darrin Peller**, Wolfe Research, LLC

All right. That's helpful. I mean, I think from our perspective, doing our research relatively recently the tech differentiation was standing out with our customer checks. Honestly, a lot of the feedback was that things get done quickly, things are efficient, the service is good and such have been a differentiator. Maybe just touch on what you see as some of the better reasons why it's been winning and growing so well.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

I heard something recently, so as we just acquired Paya. I know you want to talk about Paya. We hired one of the top consulting firms and they did a diligence both on Nuvei's technology and the party we acquired. And Nuvei scored in the top quartile compared to all of our peers. So I think it's about architecture, it's about scalability, it's about the ability to drive your own roadmap. And more importantly, driving that roadmap in terms of what your customers are saying are their needs.

And because our technology is proprietary, it allows us to drive that journey. What's important to our customers to connect with their customers, and it's not just authorization, it's how do you authorize a transaction? Do you run through debit networks or credit networks? Which debit network? How do you do local interchange qualification for regional payments? And these are all the things that we find stimulating. It's so much more than just payments.

**Darrin Peller**, Wolfe Research, LLC

But I mean, let's go a little deeper into that. I mean I think when you're in RFPs, merchants have been telling us at least that there's something different about what you guys are doing. Then there's a lot of neo-modern issuers, gateways and processors out there right now. It still sounds like maybe it's vertical differentiation, maybe it's understanding, the geographies you're in, what is it exactly that's really winning?

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

It's all of the above because first things first, if you look at the global enablers, there's only five of us ultimately, right?

I mean, you have a lot of noise around the world, but you really have five folks that have the depth of – and scalability that we do in every region that we operate in. Thereafter, we all come to market slightly differently. Amazing companies like Stripe is a closed network, right? It's Stripe or nothing whereas Nuvei is totally modular. And that allows us to enter the discussion in terms of the particular need.

Thereafter, it's driving local solutions that have the all encompassing capabilities. For Brazil, for example, you have closed loop cards, which don't operate outside of Brazil. You have international cards, you have PIX that's relevant. And it's bringing market expertise that you then convert into product knowledge and that your technology is able to support.

And a great example is you think about airlines, right? Lots of folks saying, I want to do airlines, or lots of folks saying, I want to do gaming. There are over 67 different interchange tables for domestic acquiring for airlines.

And each of those need a unique ICA. How are you going to do that? Are you going to go use a local legacy provider, or are you going to be able to build that on your own? These things take time and they take capabilities that are not off the shelf.

**Darrin Peller**, Wolfe Research, LLC

Okay. And just quickly as one more tech follow-up, I mean, speed of implementation is that a differentiator? And then just remind us again on your geographies, just maybe a little bit of an overview again on where Nuvei really stands out in terms of geographies and verticals.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

Speed of implementation is critical because you have to deal with the fact that every new customer is a new implementation, but you have to also deal with their own roadmap. So for example, OnBuy which is one of the UK's fastest growing marketplaces, which we announced last quarter. They have a target date of this quarter. So – and they may have some particular needs. And in our particular case, because everything's proprietary, we're able to accommodate the customer's needs whereas other folks are purely just "this is my API off you go," we're able to accommodate the customer needs, but working through their timeline is how we apply our resources, how our solutions engineering works. So we work backwards from the merchant timeline and we drive the resources to make that successful.

**Darrin Peller**, Wolfe Research, LLC

And again, the geographies, the verticals, just to remind the audience of the mix.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

What's fascinating for us is we started with the really hard stuff, Darrin. So we started with regulated gaming.

So for – and now it's topical in the U.S., but if you guys go backwards, right? There's a Ladbrokes at every corner in the UK. And folks here say, wow, gaming is good. I'm just going to jump into gaming. But which people forget is this is the most demanding vertical that you can ever get. Our gaming operators are spending millions of dollars sometimes a day to bring consumers to their website, which means there's no latency, there's no downtime in every form of payment that's relevant to me that I choose to pay with—be it open banking, be it debit, be it credit or ACH, or alternative payment method that's relevant, you need to offer so that I don't walk away and go somewhere else.

And that's where we started with. And then thereafter, if you think about it, gaming just doesn't need acquiring beyond all the other payment options. We also need payouts. And so if you think about the platform is that we manage millions of pay-ins in hundreds of different currencies and hundreds of different payment types reconcile it.

We drive instant payouts and we net settle the merchants. And why that is important and why that's relevant across the Board is because you may have things like Super Bowl or Cyber Monday or other, where you have this incredible burst. And if you're talking about, I'm using 10 different providers all around the world, you got to move those funds all the way around. You got to reconcile them, and then you got to do payouts. It's impossible to operate your business.

And that's why whenever we look at bringing vertical expertise and what we're doing across the Board is bringing that knowledge. And in terms of geography, so we started with a licensed entity in Europe, which we acquired called SafeCharge, that's powering a lot of our technology today. We've gone from UK to mainland Europe, to Western Europe, to Eastern Europe, to North America, we're well on our way with LATAM with what we have now with our licenses both in Mexico. We have pending licenses ultimately in most of the important countries in LATAM. We've been accelerating there. And then APAC, where we launched three countries with self-acquiring, self-processing over the past six months with many more to come.

**Darrin Peller**, Wolfe Research, LLC

All right. That's helpful. So I mean, to me, that's been a big part of the differentiation is that when we talk to merchants in the certain verticals you've operated in for a long time, they just think very few companies can actually – they don't get a lot of companies that we speak to the other merchant acquirers or process – they just didn't get them. They didn't know how their businesses really worked.

The payout, for example, in gaming is a great example of this thing that's not universal. So that's great to hear. Look, you reported very strong results last week and I think what stood out to us is the non-crypto growth of 26%. Frankly, to me, profitability also stood out. But I think honing in on the growth rate for a little bit, if you just talk about some of the key drivers that's I'd say you're most excited about and what you see as sustainable around that, maybe we could start there.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

Sure. So Q4, the exit of Q4 is 26% constant currency excluding crypto. We'll talk about crypto after because we've seen two worlds happen in crypto.

Within a year, but it's always the same building blocks. So historically, 80% of our growth comes from our existing customers. Our customers that are using more capabilities. Meaning that we've entered the wallet share because they needed something in a particular region and we're growing with them and/or not just capabilities or geographies. Thereafter, the building block is new business, which we've been talking a lot about how we're scaling our global footprint from a distribution perspective. We've gone from having single-digit salespeople to well over 250 folks around the world and we're continuously investing there.

And new business itself has been picking up as we've been building brand awareness and being included in more RFPs with the who's who across all our strategic account opportunities around the world.

So new business was up 23% in Q4 versus last year. So we're seeing very nice pickup. And as you guys know, in payments, right, you sign a contract, but sometimes it could take six months to a year to get full implementation. So what you do in year is you garden, right? You create relationships, you integrate with a customer, they do AV testing, and then they grow. And then the second year, you see between 2 and 3 times the potential revenue that you see in the first year and the second year.

That's kind of the second building block in terms of being forward facing and hands on with your customer. And the third is new business again next year. So those are kind of the three building blocks. And ultimately, in the first one, it's really important is we launched about 150 different platform improvements last year. It just shows you the momentum of innovation that's happening.

So between new geographies and new capabilities and continuing to move forward and those are creating deeper and deeper moats for Nuvei in terms of the stickiness with our existing customers. But more importantly also it's creating a deeper, deeper wedge between us and a lot of the smaller or less scaled platforms around.

**Darrin Peller**, Wolfe Research, LLC

Okay. That's – I mean, it's very helpful. So that's the building blocks for the guidance you gave for this year, which is honestly, I don't know if you want to reiterate anything around that or repeat that, but it's another strong year of growth.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

It's been what we've been doing historically. So excluding cryptocurrencies organic excluding Paya it's expected between 23% and 28%, that's what we've been doing consistently. There's a lot of noise for Nuvei because we had the pay-in and payout which was super relevant for digital assets where you had some of these businesses that went from nothing and that grew 10,000% in a month. And unfortunately, it's good on the way up, but it's not so great on the way down.

**Darrin Peller**, Wolfe Research, LLC

All right. So at the end of the day, the algorithm is very, very clear. There's building blocks to get there. The one thing that you backed out obviously is crypto a couple of times. It's only I think now about 5% of the business, if I remember correctly, right?

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

This year it will be about 5%. You know what, it's peak, it was almost a third of the business. And so it shows you – and it's something that I'm incredibly proud of what we've done over the past year, we've been heads down executing, we did a disclosure in our Q4 earnings where you look at where crypto was almost \$50 million of revenue (in 4Q21) down to (below \$20 million). What's amazing though is on that 26% growth, between FX and crypto is about \$35 million (revenue headwind). And because we're at scale that \$35 million falls to the bottom line.

So the growth, but not just growth at all costs, right, profitable growth and scaling is so powerful in the business and we feel there's a lot left to go. So for us, it was an exceptional year, very proud of our performance.

**Darrin Peller**, Wolfe Research, LLC

Okay. So going forward again, crypto should be probably somewhat less a smaller part of the discussion, when you think about the investment dollars that you've been putting to work, a lot of it was into crypto over the years, given that was a part of your business now at 5%. You should be able to have some dollars to allocate to other parts of the business now. Is that fair?

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

It is. So fascinatingly enough guys is over the last year and a half, we've seen some really interesting crypto projects from Fortune 500 companies. So we've seen folks come to us saying, how do I use Stablecoin for settlement so I can disperse and pay faster? There's been an enormous amount of activity from a client engagement perspective around crypto. And that's why we always call it crypto and digital assets because the blockchain technology is going to be relevant, right? I think the speculation of crypto is less relevant.

So we have pulled back from a significant amount of our efforts, and we want to maintain the current customers that we have, but we don't want to get into having digital assets being such a big part of our business again. So we will cap it and we think at the current levels it's comfortable but we won't allow it to spin higher than what's at now.

**Darrin Peller**, Wolfe Research, LLC

So mid-single digit percent is maybe...

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

And going down over time.

**Darrin Peller**, Wolfe Research, LLC

Going down. When you think about areas that you're going to reallocate those resources towards, just help us understand where you're actually spending your time on that.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

So this year we're very excited about our unified commerce experience. We're accelerating our omni capabilities in UK, US, and Canada. Obviously a significant roadmap as we go forward with that we are investing in our embedded finance capabilities, which we think are super relevant now with the Paya acquisition with respect to our integrated payment partners. And we're also going to be focusing on accelerating our issuing business and our closed loop offering to our customers.

**Darrin Peller**, Wolfe Research, LLC

Okay. Very helpful. Paya, you mentioned a second ago was a deal that I think a lot of investors were a little surprised about at first just given that you've always done so much, it seems like a lot of what you've done is tried to keep a seamless platform that's fully integrated. And Paya is obviously a different platform. Now, with all that said, we and I think most investors have now applauded it because it really diversified your business even more. It's creative obviously. Maybe just help us understand the rationale before we go further.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

Yeah, totally. I mean I think the beauty of the market dislocations things come to us, right? A year ago, Paya would've required equity under than a different discussion. Today, these things are coming our way and I think as it continues this year, there'll be more of such opportunities that present themselves.

But from our view, we looked and Paya was a great business. The team managed it with a small budget. They didn't have the resources to invest and they didn't have the resources to develop or keep up with technology like Nuvei and others out there. And the more we dug, the more we found integrated payments to be an incredible use case for our technology. And then the more we started looking at B2B, the more excited we got about it. So thinking about Paya, these integrated software vendors that they're servicing are only in the four corners of the United States, but they have installs everywhere.

And so the more we start looking at these software vendors, like you don't just need what Paya does, you really need what Nuvei is doing. And something that we're very excited about adding is an entirely new leg to our distribution in terms of integrated payments. So it's a \$35 trillion payment volume opportunity for Nuvei. It's relevant for our capabilities, global alternative payment methods, local payment options in the markets that we operate in. So we're very excited about that part.

And very similarly on B2B, so Paya has a nice B2B business. If you look at what they do with Sage or ECI or the others, they're only focused again in the United States and meeting with ECI saying, well guys, I have problems in Canada. I need Holland. I need Australia. And we can take care of all of that for them. It was very fascinating to see that there was so much opportunity across the Board and very relevant use cases.

So today, fast forward from Nuvei, we're – we have a really exceptional TAM in global e-commerce, exciting brands moving from country to country. We're growing our integrated payments business with flexibility in terms of offering all the way from PayFac to referral depending on what's right for their business model. And then we're growing our B2B business and all of them drive great use cases for us to continue scaling our technology stack and unique offering.

**Darrin Peller**, Wolfe Research, LLC

So maybe we can go into a little bit more detail. I mean, pro forma for this deal, can you talk about the diversification of your business from what you were before to what it actually brings now?

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

Yes, I will, but I think it's more importantly not just looking at where the company is right now, but looking at where we will go, right? Because we're always investing for the long-term. If you look at where Nuvei was four years ago or three years ago, we IPOed at \$160 million of EBITDA knocking on the door of \$500 million now to where we can take it as our next inflection point.

That's what's really exciting, right? And we never buy things to shrink ourselves to greatness. And that's why you guys saw we disclosed the cost synergies that we've identified. We put none of them in for this year. And we haven't put in any revenue synergies either. We want to build this for the long-term. We think this is really an exciting pivot for Nuvei and we're going to invest into it.

In terms of Paya, what it did bring as well is non-discretionary verticals, which is a nice to have in today's market. And it was great feedback that we got from you guys. But one thing that I would always highlight is that Nuvei started in one vertical, right? We've been adding use cases to our technology. We've never been the guys that take a machine gun approach saying I want to help everybody. We want to be really thoughtful in building out our go-to-market and our vertical strategy.

Paya has been additive to that. We've added B2B. We've added education. We've added non-profit, utility, governments and others. And we're going to continue adding more use cases from a vertical perspective as we continue growing.

**Darrin Peller**, Wolfe Research, LLC

And in terms of B2B, maybe you can expand a little bit more on what the intention is for Nuvei around B2B now.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

So because there's a B2B company presenting next door, let's divide it by two. There's the AR side and then there's the AP side. Paya focuses on the AR side. So if you look at many of these platforms, you're calling and you're doing an order if it's on the website or other, it enters the ERP, the order is entered and thereafter it becomes broken. And that's a fragmentation that we see in B2B. Someone emails you an invoice or sometimes mails it to you, you mail a check back. The electronification of payments in B2B is something that must happen. And it's happening slowly. And that's where the upside is in terms of payment providers. That aspect right now within the Paya integration has deep libraries that are integrated into all the ERP platforms.

Now, keep in mind, right, if you think about Sage, there's like 500 different versions of Sage, right? The Sage 100, Sage 200, Sage version 1.2 200. There's all these rich libraries depending on what people are using. So you enter that order, there's an immediate disposition either through Paya or through the ERP to say, Darrin, this is your invoice.

Then you click on that and that drives the payment and then it posts back into the ERP platform. So the entire order cycle is seamless. For the B2B operator, they receive their funds faster and instead of waiting for two, three weeks for Nuvei though, what's really interesting is Paya offers traditional credit card and ACH. For Nuvei, we're going to be adding open banking and global to provide a more holistic experience for payment options around B2B. And then B2B is relevant in all parts of the world, Darrin.

**Darrin Peller**, Wolfe Research, LLC

Makes sense. The growth profile pro forma, you talked about your long-term (revenue) guidance now being 20%, which frankly I think a lot of investors wanted to see. I mean, I think it's a more reasonable, probably sustainable growth rate for any company that's getting bigger. But with Paya, it is an added impact, right, in terms of the mix. And so from that standpoint, I mean, the building blocks for that are probably similar to what you had before, right. But now you're going to actually have cross-sell opportunities and revenue synergies are going to be a part of that over how long?

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

It's going to be a journey. So we put it into 2024 going forward. We think there's going to be some very interesting tentacles, but for us, it's going to be always, because you sign, and it's the same that we have in Nuvei, right? If you look at SHEIN, the online retailer was born for us out of our APAC team. That journey went from Europe to North America. We're exploring LATAM now, and these journeys continue and it's going to be the same in Paya where you sign a software vendor that may be relevant in the UK and you're going to be driving their business as you continue going forward. So it is going to be a vector of growth into the future.

**Darrin Peller**, Wolfe Research, LLC

Okay. Can you just touch on the go to market strategy now? Both – even before taking a step back and now with Paya, if that changes anything.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

Yeah. We've been spending a lot of time. So we want to be local and accessible to our customers and over the last few years, we've been building out our direct sales force. We've augmented that. Last year, we did a consulting mandate with Bain to really think through organizational design. So everything from the lead generation flywheel to sales enablement to our SDR team, our call center team, to our local folks that are end market around the world to solutions engineering and sales support we've been building for the past two years. And really important to highlight, we've been building those thoughtfully without impacting our EBITDA margins. So building blocks, right?

We've never been ones to hire at all costs. And that's why you could see the profitability profile of the business. We also want to make sure that we're always accessible to our customers. We don't want to grow too fast, because you end up losing the solutions and ultimately the closeness with the customers. When you look at Paya now, we're going to be building a similar but not overlapping distribution channel in terms of how we go and integrate with software vendors, sharing resources around solutions engineers and integration specialists. And that is going to be net new from an investment perspective. And then we will keep B2B separate as well. So we'll have three legs with three leaders.

**Darrin Peller**, Wolfe Research, LLC

When you think about the areas of building versus investing further into your current customers. I know online e-commerce in the North America was successful, obviously, it's still going forward. Travel and online retail have been big vertical build outs. When we think about investing in your existing customers and the land and expand and the opportunity to really show good NRR from the existing base. How does that approach happen at the company? I mean, it seems like there's been some success.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

Totally. So it happens with the closeness. So if you look at the structure, we have account managers that can do either, it depends on the size of the customers. So we either do quarterly business reviews, monthly business reviews, we're very



much engaged with our product manager. So it helps drive the roadmap. And I think what's most important is our customers have to drive the roadmap. It's not like our tech guys will say, hey, this is cool, let's go build that.

And so we're able to consolidate roadmap requirements, both geographic meaning where do I need to be and where am I, as well as product capability side. And that comes back and we prioritize resources based on that. The most important thing for us is because everything's proprietary, we're able to design our own roadmap. So if you think about what we've been doing--we've added interchange and billing support and clearing and settlement in almost I think seven or eight countries over the last 18 months. And it's – when you think about that, it's one of the few global platforms that's able to operate that way. We've added BINs and ICAs in different regions. And then on top of that, just in terms of the regions, you're also adding additional support for interchange capability for these verticals that we're talking about. And these are things that are really important that we're able to drive that because we're not relying on anybody else from an execution perspective.

**Darrin Peller**, Wolfe Research, LLC

Before we go to the next couple of questions, I guess, while we're on the topic of same-store sales, and I mean, how are trends lately? I mean, just broadly speaking in the marketplace, are you seeing anything changing since, I mean, you only reported (last week), but...

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

We've been seeing goodness. It's interesting, because over the last year, if you take the noise of crypto out, we've been seeing really interesting building blocks and we're seeing that momentum continuing. So January was an exceptional month, as we mentioned. February had a daily volume increase over January. March has been strong too, so we haven't been seeing the noise yet.

**Darrin Peller**, Wolfe Research, LLC

Okay. And you've gotten to a point where you're a lot more diverse. So it's not like one or two merchants could be what you're talking about. It's a pretty good representation now. That's great to hear. Maybe we'll shift a little bit and just balance – talk about the balancing on growth and profitability, which is something that I started off saying is so important to investors right now, which I think you guys are doing better than most. So maybe just touch on, how do you actually execute on that? I mean, you have a higher growth profile, but at the same time your margins have been industry leading, frankly, or among the industry leaders. What's your philosophy around balancing the need to invest in the business for growth versus profitability at the same time?

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

I think it all starts with our technology stack, because it's really scalable. So every new merger you don't necessarily need to run off. And that's why you can see our CapEx between that 4% and 6% (of revenue) based on the target that we set out. And that's where we've been consistently. That technology has a lot more room. We've highlighted during earnings that we've been seeing peaks (in terms of transactions per second) of a multiple of where we were before. We've increased transaction count last year, almost 60%, like 56%. And there's a lot more room to go without latency and capability. That is the continued inflection point of business as you can continue scaling.

And that's why we feel comfortable with respect to our EBITDA margin improving as we continue investing in the business. But from our perspective, it's always been with a steady hand. We've never over-hired – we are always taking our time and it's just our philosophy is that when people join Nuvei, we want them to be there for life.

And so we're conscious that we're pulling people out of other employment opportunities, we want them to build their career with us and it's just the intellectually honest way of coming about it. So when you see people saying, I have a

thousand jobs opening, it's not going to work. There's a guy you just hired and a month later is training the new guy that comes in. It's set up for disaster. And that's where – you see today, like you see these astronomical numbers where people are letting go, thousands of people left, right, and center.

So from our perspective, the building blocks is what makes it honest and the building blocks allows us to absorb people, train them properly, get them into the flow and then keep going forward. It has in certain aspects reduced the growth capability, but it's predictable and I think that's what's really important to us.

**Darrin Peller**, Wolfe Research, LLC

What are the incremental margins on the business anyway? I mean, there's a lot of operating leverage obviously. I mean, there's – they're obviously well above the average for the business. So I mean, it should enable you guys to reinvest quite a bit, while expanding margins even as you do.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

We do. Exactly. I mean that is the plan. So for us right now, high-30s EBITDA margin with Paya. Paya had lower operating margins than us. We believe we'll be able to accelerate Paya's margins. But I think the biggest thing that I could leave you with, because everyone gets sidetracked between margins and take rate and either people are focused on take rate or people are focused on margin and they don't quite know where they want to go. But the biggest thing is when you look at our business, because we're at scale, every incremental gross profit dollar falls to the bottom line.

**Darrin Peller**, Wolfe Research, LLC

Yeah. That's kind of what I'm saying. It's almost entirely profitable.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

I mean, there are some requirements, but that's also the discipline, right? Stripe announced Amazon a few months ago. We would never want Amazon. Just because of the CapEx and infrastructure requirement for that. So you have to also be thoughtful of where you're targeting the customers that you have. But ultimately from our perspective while we invest in commercial and new product innovation, there's the opportunity to continue scaling and enhancing our operating margins.

**Darrin Peller**, Wolfe Research, LLC

Okay. I want to leave a little time for the audience questions, but capital allocation, I know there's the three pillars you've talked about with capital allocation being M&A, debt repayment, share repurchases. Maybe you could just talk about how you're prioritizing those three avenues for excess cash in 2023. And then maybe also just double click about your thoughts on M&A following the Paya deal what you're looking for in future acquisitions.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

Yeah. I think the biggest thing to underline here is that we're not an M&A shop at all costs. We're always opportunistic, but before we acquired Paya it was about 15 months since we bought something. So you shouldn't always expect that every quarter we announce something. That's the most important thing to leave off here. We're looking for capabilities that are enhancing to our customer's journey. That's one driver. The second thing that we're looking for is dramatic expansion. People have to appreciate that sometimes entering new markets takes two years to apply for the license and such. So there's potentially shortcuts through geographic expansion. And the third is scale like we witnessed with Paya in the United States. So those are the underlying drivers for us.

In terms of our priorities, we're right now heads down on debt repayment. It's really powerful our platform. So between 0.1 and 0.2 turns a quarter, and a full turn within a year. That gives us optionality. And ultimately the two roads for us are – if something opportunistic presents itself that we think is additive to our criteria for M&A, we can certainly consider it. If not, we'll go back and prioritize stock buybacks like we did last year. We bought 5% of the public float. We intend on filing an NCIB in Canada. That's a normal course issuer bid for us to buyback. It'll be up to 10% of the public float and we'll just continue returning capital to shareholders as appropriate.

**Darrin Peller**, Wolfe Research, LLC

(speaking to audience member) Just repeat the question. There is supposed to be a mic runner.

**Phil Fayer**, Chair & Chief Executive Officer, Nuvei

Yeah. I think I got the question. I think it was unified commerce and macro. Unified commerce is not just in terms of retail, what you see – what we've gone through in terms of opportunities. Think about gaming, for example, there are Ladbrokes stores across the UK. Those are customers of ours. There's wallet share expansion ultimately across all of our customer opportunities.

And we believe providing a unified experience for them in terms of all touch points and all mediums is really attractive and highly differentiating from a Nuvei standpoint. So it has relevance in all of our verticals. When you think about unified commerce and retail, it's a must have for us. And that's why we've prioritized those three markets. We've partnered with Verifone on a hardware device and we've created and certified all of their applications on a standard that will be available for our customers through a single integration. The difference for us is that we've created a universal 2.0 API. So it's one API for card present and card not present. So we're really excited about what that means. From a user experience, they can use our platform according to which is more relevant for them. So say they have a challenge with unified commerce in the UK, and they need our card present only services or they need our full omni capabilities, (we can cater to either) and all of that expands our solution stack.

We expect that, if you think about what we've done with Radisson Hotel Group, when we onboarded them on the e-commerce side. We believe we'll have more chances of winning and converting on a greater basis, the RFPs that we're seeing that have not just e-commerce, but the overall opportunity up for grabs. So we're very excited about what unified commerce does, in terms of how that reflects itself and our expectations.

Its like everything else. As we release solutions, it's not day one where it's a bang. It's driving it forward, putting it into market, cross-selling and using that. Over time, we believe unified commerce could be a fairly significant part of our product offering. In terms of macro, I won't speculate what's forward. I will go backwards and tell you what we see. It's been very strong. And we continue to see that. I think the thing that I would highlight for you guys is different from other players, Nuvei operates globally.

So what you see in one market doesn't necessarily mean that you see it in another. And what we've seen a lot is folks saying, well, this vertical in the United States is this, but you have to also think about what we saw last year, by the way, just case in point, it wasn't just saying because Europe was bad, so it's going to be bad. Our customers where we invoice them doesn't necessarily mean that's where they only operate.

Does that make sense? So we may have customers in Europe that operate in the United States, that operate in APAC, that operate in all these different parts of the world. And we're seeing that volume shift depending on where you are just in terms of the cycle around the world. So we're expecting continuation. I can't predict the macro. I think nobody can. We actually think we're in good spot.

I think the thing that I would leave you with though is look back for the last 20 years, payments is actually quite resilient in times of recession. And that's fascinating for you guys to do some work on. So depending on what happens on the

macro, and I think more importantly, like lotteries, we believe gaming is also a form of non-discretionary. So we actually think from a company perspective, our profitability, our growth profile, our end markets, our global reach, we're probably better insulated depending on what happens in the long-term.

**Audience Question:** (inaudible)

**Phil Fayer,** Chair & Chief Executive Officer, Nuvei

Yeah, we didn't double click too much on the revenue side (in terms of Paya synergies), but we're still unpacking them. We're finding more and more revenue opportunities. So we're pretty excited about what that looks like. We're in the phase now and by the way, we've owned it for three weeks. So we're in the phase now planning the work and then we're going to work the plan. But so far, we're pretty excited about what we see on the revenue side. When we bought SafeCharge, we expected about \$20 million of cost synergies. We ended up executing around \$45 million of revenue synergies.

And we're here to focus more on revenue than cost. So we're not here to shrink ourselves into greatness. In terms of cost synergies, it's fairly straightforward. It's about a third public company costs, a third processing costs, and a third related to just back office overlap of suppliers and other, that's kind of the (three) different buckets. When you look at suppliers, they range from – everything from technology suppliers down to CRM suppliers and other.

**Darrin Peller,** Wolfe Research, LLC

Let me just ask, in terms of the competitive landscape, are you seeing anything changing in the competitive landscape? I mean, are there the same players you're seeing in RFPs that you've seen a year ago.

**Phil Fayer,** Chair & Chief Executive Officer, Nuvei

Mostly.

**Darrin Peller,** Wolfe Research, LLC

Yeah, you mentioned five global – that could really be global.

**Phil Fayer,** Chair & Chief Executive Officer, Nuvei

It depends on where the customer is. So if you guys think of a journey, you have an amazing U.S. based brand that wants to go north or south of the border, chances are they're bringing someone else into the relationship. And then if they're going to be saying, I want to bring that other person to the relationship that's going to help me operate everywhere, then all of a sudden it's a Nuvei, it's an Adyen, it's a Stripe, it's a Checkout and it's a Worldpay. Those are kind of the global, but you do have some regional leaders, dLocal and EBANX and Kushki in LATAM, you have Flutterwave in Africa. There's some Network International in the Middle East. So it just depends on where they're at. And then Asia's really fragmented. So it's just more difficult to find those unified players.

**Darrin Peller,** Wolfe Research, LLC

Understood. Guys, why don't we leave it there. Thank you very much, Phil. Really great to have you guys.

**Phil Fayer,** Chair & Chief Executive Officer, Nuvei

Thanks everybody. I appreciate it.