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Nuvei Corp. (NVEI.CA)

Q1 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Nuvei Corporation's First Quarter 2021 Earnings Conference Call. As a reminder, this conference call is being recorded.

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

Anthony Gerstein

Vice President & Head-Investor Relations, Nuvei Corp.

Thank you, operator. And good morning, everyone, and thank you for joining us. With me today are Philip Fayer, Chair and CEO, and David Schwartz, Chief Financial Officer. As a reminder, this conference call is being recorded and webcast and is copyrighted property of Nuvei, and rebroadcast of this information in whole or in part without written consent of Nuvei is prohibited.

This morning, Nuvei issued a press release announcing financial results to the three months ended March 31, 2021. The release as well as an accompanying presentation are available in the Investor Relations section of the company's website, nuvei.com under Events & Presentations.

During this call, we may make certain forward-looking statements within the meaning of the applicable securities laws. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of the business, or developments in Nuvei's industry, could differ materially from the anticipated results, performance, achievements, or developments expressed or implied by such forward-looking statements. Information about these factors that could cause actual results to differ materially from anticipated results or performance can be found in Nuvei's filings with the Canadian securities regulatory authority and on the company's website.

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

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

Philip Fayer

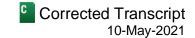
Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Thanks, Anthony, and thank you, everyone, for joining our call today. We have a lot of exciting things to talk about this morning as it relates to our financial performance, operational highlights, and recent acquisitions. With respect to our financial performance, we're extremely pleased with our results for the first quarter. We reported that total volume increased 132%, revenue increased 80%, and adjusted EBITDA increased 97%.

Based on the momentum we've seen through early May, the depth in our sales pipeline, the introduction of new product capabilities and innovation, and the expansion into new geographies, we have good visibility into the



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balance of the year and are raising our financial outlook for 2021. This exponential growth we're experiencing is driven by a number of factors, including geographic expansion, product innovation, growing wallet share with our existing customer, as well as new client wins, all of which is supported by the natural tailwinds of the industries we serve.

Our focus verticals include online gaming, social games, online retail, global marketplaces, subscription in digital goods, financial services, and travel. These verticals are complex with high barriers to entry and have three key criteria in common. They all have inherent growth, they have longevity, and they have a propensity to operate globally. These verticals are experiencing strong tailwinds, driven by two factors: First, the accelerating change in consumer purchasing behavior; and second, geographic expansion resulting from change in regulatory environment as well as our ability to offer our solutions in new markets. This last point is especially important as we are in the very early days of online gaming, not just in the United States, but also in LatAm, and we are just at the beginning to see the evolution of cryptocurrencies around the world.

Further illustrating our momentum in these verticals is a growth in our e-commerce mix. E-commerce represented 87% of the total volume in the first quarter, up sequentially from 80% in the fourth quarter, and 72% in last year's first quarter as more and more transactions are taking place online.

Turning now to some of the operational highlights during the quarter. We continue to add new markets and product solutions, which contribute to our expanding wallet share and accelerating growth. During the quarter, we added a number of new alternative payment methods, increasing our portfolio to 470 from 455 at the end of 2020. We believe we have one of the industry's largest portfolio of alternative payment methods today, which are required table stakes when merchants want to connect with customers in geographies with low card utilization.

In terms of expanding our acquiring coverage in the quarter, we launched local processing solutions in Argentina, Chile, Peru, and Ecuador, while expanding our acquiring capabilities in Brazil, Colombia, and Mexico. We now provide local acquiring in 44 markets, up from 35 at the end of 2020, which provides us with greater reach and more favorable economics.

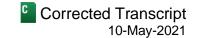
With respect to innovation, we recently added pay-in and payout support for nearly 40 of the world's leading cryptocurrencies, including Bitcoin, Ethereum, Bitcoin Cash, Litecoin, NEAL, and XRP, amongst many others. With this capability, our merchants can now accept cryptocurrencies as easily as any other form of alternative payment method at a time when both the number of cryptocurrency users continues to expand and mainstream adoption steadily increases.

All of our solutions have the same goal in mind, helping our customers connect with theirs regardless of location, currency, or the preferred payment method. We continue to see acceleration in new client wins coming through our direct sales channel. This has been a highly successful area of investment focus, which we plan on accelerating. We are expanding and investing more in marketing, corporate development, and direct sales in our focus verticals and in the geographies we serve.

Finally, I want to touch upon our recent strategic acquisitions announcements. In order to extend our leadership position in our verticals, we have announced that we're acquiring two amazing businesses, Mazooma and Simplex. Each is at a really important flexion point with very specific capabilities that fit our differentiated value proposition strategic rationale, strengthening our competitive position, and serving as a catalyst for future growth.

The first, Mazooma, is a top account-to-account payment provider in the US online gaming and sports betting market. The acquisition will bolster alternative payment portfolio with a leading ACH platform, encompassing both

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pay-in and payout functionality developed for online gaming in the United States. Mazooma's real-time account validation allows for single-click experience and seamless checkout, effectively transforming the online betting experience and is more favorable and convenient to both customers and operators due to low credit card acceptance rate.

Mazooma recently launched real-time withdrawals to the sports wagering and iGaming industries for the first time through the real-time payment network from The Clearing House. This offering enables players to receive immediate payouts into their bank accounts safely and securely, 24/7, 365, a real win for both players and operators. In addition, Mazooma provides us with a vendor registration, compliance, and operational infrastructure to address merchant requirements in any regulated US state.

Our second most recent acquisition announcement was last week's agreement to acquire Simplex, a payment solution provider to the cryptocurrency industry. Simplex will expand Nuvei's capabilities to offer a bespoke AML/KYC solutions, transaction-guarantee solutions, and value-added services to 190 liquidity providers and partners. This results in higher conversion rates when end users buy or sell digital assets by cryptocurrencies or NFTs. In addition, the acquisition will provide Nuvei with an EMI license and offer IBAN capabilities to end users and merchants, which opens up potential opportunities like banking as a service.

Importantly, both of these acquired capabilities through Mazooma and Simplex are relevant to all of our focus verticals and we believe another great opportunity for us to help our customers connect with theirs. We are really excited about these pending acquisitions, which will expand our capabilities, expand our reach, and capture more of our customers' wallet share. Please note that neither acquisition is included in the financial outlook we are providing today.

Before I turn over the call to Dave, I want to reiterate how incredibly pleased we are with our results, which are being driven by the execution of our strategy. We are excited about how we're positioned as a company for the opportunity ahead of us. And as always, we believe we are still very much on the ground floor. It is a team effort. And I want to recognize and thank all of my colleagues who contribute to our success each and every day. You guys are rock stars.

With that, I'll now turn it over to Dave to discuss the financials and our updated outlook for 2021.

David Schwartz

Chief Financial Officer & Corporate Secretary, Nuvei Corp.

Thanks and good morning, everyone. We are very pleased with our first quarter results. These results are a testament to our business model. We are at scale from a volume perspective. We are experiencing strong growth. Our business model has operating leverage. And our vertical diversification and focus results in stability, resiliency, and predictability of our results.

For the first quarter, total volume increased 132% to \$20.6 billion from \$8.9 billion in the first quarter of 2020. E-commerce volume was approximately 87%, representing a sequential increase from 80% in the fourth quarter. Revenue in the quarter increased 80% to \$149.9 million from \$83.2 million in the first quarter of 2020. Gross margin in the first quarter was 80.7% compared to 81.8% in the first quarter of 2020.

Adjusted EBITDA increased by 97% to \$65.5 million in the first quarter from \$33.3 million in the first quarter of last year. Adjusted EBITDA margin was 43.7% in the quarter compared to 40% in the prior period. Net finance costs decreased by \$27.5 million in the first quarter compared to Q1 of 2020. This is mostly as a result of paying down long-term debt in September 2020 with the proceeds from the IPO. Net income for the quarter was \$27.8 million

or \$0.19 per share compared to a net loss of \$62.3 million or \$0.74 per share in the first quarter of 2020. Adjusted net income was \$51.2 million or \$0.35 per diluted share compared to \$9.8 million or \$0.11 per diluted share in 2020. Operating cash flow in the quarter was \$53.4 million, which represents a 17% sequential increase from the fourth quarter of 2020. Looking at our balance sheet, at March 31, 2021, our cash balance was \$144.5 million, while loans and borrowings including lease liabilities was \$212.6 million.

Turning now to our financial outlook, and which I'll refer you to our forward-looking information disclosure. For the second quarter, we expect total volume between \$21 billion and \$22 billion, revenue of between \$153 million and \$159 million, and adjusted EBITDA of between \$66 million and \$70 million. Based on our first quarter performance as well as the continued momentum in the business, we are increasing our full-year 2021 outlook as follows. Total volume of between \$83 billion and \$89 billion, revenue of between \$610 million and \$640 million, and adjusted EBITDA of between \$264 million and \$277 million. I'll reiterate that our financial outlook for the year does not include any contribution from US online gaming nor the pending acquisitions for either Mazooma or Simplex.

We will now take your questions. Operator, please open the lines for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we will be conducting a question-and-answer session. [Operator Instructions] Our first question is from Sanjay Sakhrani with KBW. Please proceed with your question.

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Thanks. Good morning. And great results. Phil, you mentioned a number of reasons for your improved outlook. Maybe you guys could just drill down a little bit more in rank order what's driving the positive sources of upside and maybe also include the impact of the acquisitions of Smart2Pay and Base. Thanks.

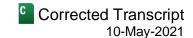
Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Sure. I'll take the first part and turn it over to Dave for the acquisitions of Smart2Pay and Base. I think you've unpacked it. The first thing is to understand the verticals that we operate. They have inherent growth and they have a lot of tailwinds. And naturally, as being part of those verticals, we end up growing with our customers. The second part is our expanding geographies. As we add more geographies, our ability to enable our customers in those geographies are naturally driving growth for us. Our continuous rolling out of new technology and new features and new enhancements, and I mentioned a few of them just a few minutes ago, and then, naturally, the acceleration of new sales. And this has been an area of investment for us, something that we plan on accelerating and bringing forward 2022 investments into 2021.

But we are seeing significant momentum, both from discussions, active conversations and merchants actually integrating and going live. In fact, when you look at Q1 this year versus last year, we're about three times higher in our e-commerce implementation queue. So, really, really exciting for what we're seeing. And naturally, it's driving the output that you guys have witnessed today for Q1.

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David Schwartz

Chief Financial Officer & Corporate Secretary, Nuvei Corp.

Hey, Sanjay. It's David. On the – from an acquisition perspective, on the acquisitions, those are smaller acquisitions, of course, meaningful from a capability perspective. I think the way that you may want to think about it, just on a pro forma basis, our volume grew year-over-year by 53% pro forma, including those acquisitions. And from a revenue perspective, the pro forma growth was about 44% year-over-year. So, really strong growth even considering the acquisitions.

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Got it. Great. And just one follow-up on Simplex. Obviously, a very interesting acquisition. It seems like you're getting a couple of capabilities. One is the crypto. The other is some of these issuing capabilities. Maybe you could just talk about sort of how you see building that out. And then the really strong growth rates, the 400% anticipated in 2021, how sustainable are those? Thanks.

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Yeah. Great question. So, if you think about Simplex, they're fully focused on the fiat side, right? They're not necessarily touching crypto. They focus on three key areas, the DeFi, enabling NFTs, and enabling liquidity providers out there to connect with their customers using their advanced Al and fraud tools from a guaranteed perspective. And, really, that's how – they've integrated to about 190 different customers. And they're providing a very single set solution stack which we think, naturally, we can expand both from purely just cloud services to our full stack of payment capabilities. So, there's quite a bit of opportunity from our capability back to Simplex.

On the reverse side, Simplex has been innovative in providing high-band services both to their liquidity providers, as well as the customers, really driving down settlement time and opening up significant opportunities both from the customer perspective and the merchants perspective. And we think that is a very compelling road map for our overall customers. And then, naturally, you touched upon it, issuing. They are a member of Visa and they have issuing capabilities. This is something that has been on our innovation charter for a while, and we think it's very relevant to our overall businesses and the merchants that we're servicing today. So, we think that that is a – something that's very compelling. We haven't actually defined it just yet, but we know that there's a significant demand to enhance our payout business with issuing.

Sanjay Sakhrani

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. Great. Thank you.

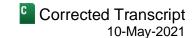
Operator: Thank you. Our next question is from George Mihalos with Cowen & Company. Please proceed with your question.

George Mihalos

Analyst, Cowen & Co. LLC

Great. Good morning, guys. Let me add my congrats as well on another great quarter. Wanted to follow up a little bit on Sanjay's question. Just apologies in advance for sort of a multipart question. But can you size for us the Mazooma and Simplex acquisitions, realizing that that's not in the guide today?

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And then digging into them a little bit more, Mazooma here in the US, so how much is that sort of accelerate your push into US gaming? I assume now you acquired a number of iGaming customers through it. And then with Simplex or, more broadly, on crypto, the ability to transact with crypto for your merchants, I'm curious where are you seeing demand from that. Is that broad-based? Is it more geographic? Just any sort of sense you can give us around that. Thank you.

Philip Faver

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Sure. I hope I remember all your questions, George. So, let's start with the first one for Mazooma. We really like the folks in Mazooma. I think their account-to-account capabilities are unique. And it's a truly an enhancing experience for people that want to pay via ACH, and it's an enhancing experience for the operators that typically have check guarantee and high costs of check guarantee. So, we actually think Mazooma's [ph] Plaid-powered (00:19:26) capabilities for real-time account validation, and then couple that with their innovation around real-time payment is highly complementary. So, today, we are able to approach the operators with credit, debit, our Cashier, our authorization enhancement tools, a variety of ACH capabilities from standard ACH to guarantee, to account-to-account. So, we really cover ultimately what the operators need from a full capability stack, both pay-in and payout fully reconciled and single deposited.

When you look at Mazooma, it accelerates our position because, naturally, they're integrated to all key operators in the United States. And more importantly to that, I think that they're just at their initial inflection point. So, combined with our distribution and our focus in expanding our product mix, we think we have a very, very strong value proposition to merchants operating in US gaming, but it also takes a little bit further, right?

When you think about social games or marketplaces or other, today, with Mazooma and our overall capabilities, one-click payment can go all the way from paying with your credit card down to paying with your bank account. And we found what's interesting is folks remember their bank account username and password much faster than credit cards.

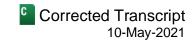
So, each and every opportunity that customers prefer to pay with is now supported. So, we're really excited about enabling Mazooma within our own ecosystem. We're really excited about using Mazooma as a platform for expanding our reach from an acquiring standpoint and value-added service standpoint. And we think the logic for us, coupled with Base, provides an exceptional value proposition to the operation in the US.

I think your question around crypto is really interesting, and we talked about this last time. We find that that the digital revolution has begun. We're firm believers of it. We really look closely at what's here and where we wanted to participate. And we are remaining solely on the fiat side, but we want to help with the on-ramp and off-ramp. And ultimately, when you think about where we want to sit, we want to, on one hand, help our customers be able to sell to their customers at any form of payment that the customer so chooses to pay with.

And so, as a natural mix to add cryptocurrencies into our overall capabilities, so we enabled the fiat collection, and we will use third-party partners to convert that into crypto. We remain solely on the fiat side to help with both pay-ins, meaning, to be able to collect, to help with payouts, meaning, to be able to pay in real-time commissions anywhere around the world. And then, naturally, something that we're keenly exploring is how can we help from a settlement perspective.

On the Simplex side, it gives us access to every major liquidity provider there. And that is when you look at our capabilities, bringing you back to Simplex, there's a significant amount of opportunity for us to capture continued

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growth within the sphere. Where it's happening around the world, we're seeing about 50% in some of the key countries like Europe and the United States. Simplex is not yet into the US.

We do believe that the combination of Mazooma's capabilities into Simplex will also be very, very compelling. But when you end up looking at overall, naturally, Simplex operates around the world, and that capability that we offer to them is actually quite a nice fit from our overall breadth of geographies that we support to where they operate today. I think I got all of your questions, George. You tell me if I missed one.

George Mihalos

Analyst, Cowen & Co. LLC

The only one is if you guys can size those two acquisitions, and then I'll hop out. I know I had four or five in there, so thank you.

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

So, Mazooma is early stage, nonmaterial, but lots of opportunity. Simplex, we did disclose the volume growth. Simplex did about \$500 million last year in enablement. This year, they're tracking towards \$2 billion. I think we're leaving at that. Dave, if there's anything else that we disclosed, I'll turn it over to Dave.

David Schwartz

Chief Financial Officer & Corporate Secretary, Nuvei Corp.

No, that's right. I think that's \$2 billion of volume for 2021 for Simplex.

George Mihalos

Analyst, Cowen & Co. LLC

Okay. Thanks, guys. Congrats again on the results.

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Pleasure.

Operator: Thank you. Our next question is from Jason Kupferberg with Bank of America. Please proceed with your question.

Hi. Good morning, guys. This is [ph] Mike (00:23:50) filling in for Jason. Thank you for taking my question. And I echo those comments on a nice quarter there. So it looks like the implied EBITDA margins at the midpoint of your revised outlook for the year are about a full point lower than your prior outlook. Just wondering what dynamics are driving this.

David Schwartz

Chief Financial Officer & Corporate Secretary, Nuvei Corp.

Yeah. Hey, Mike. It's David. So it's really about the growth that we've seen, the success we've seen and the investments we're making, and we're basically going to bring forward some of the investments that we planned for

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2022, specifically as it relates to direct sales. We're going to bring those forward into the second half of 2021. So it's really about because of the success, we're going to continue to reinvest. Nothing structural here that should cause any concern. It's really just about to reinvest back into the business to drive growth and continue the success we're having from a market share perspective and an expansion perspective. Of course, technology, too, is part of that investment. But I'd say that's kind of the way to think about the margin differential from the previous outlook to the current outlook.

Got it. That's very helpful. And just a quick follow-up for me. So, again, going back to take rate here. It looks like it's going to stabilize around these levels for the balance of the year after the initial step down from, I presume, the lower yielding Base Commerce volumes coming on board. How should we think about this spreads from Mazooma and Simplex? I know they're going to be relatively small initially. But just wondering what those spreads look like relative to your existing take rate.

David Schwartz

Chief Financial Officer & Corporate Secretary, Nuvei Corp.

Yeah. I wouldn't – we think about take rate as an output, and we're really more focused on the inputs. Both Simplex and Mazooma bring tremendous capabilities. Phil just outlined them. And they're really going to be additions to our capability stack we're going to be able to kind of offer across our key verticals. So, really, it's a capability play that we're bringing to the table. And we think they're going to drive incremental gross margin and gross profit dollars which will, over time, drive EBITDA margin as well.

Got it. Thank you for taking my questions.

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Thanks, [ph] Mike (00:26:01).

Operator: Thank you. Our next question is from Matt O'Neill with Goldman Sachs. Please proceed with your question.

Matthew O'Neill

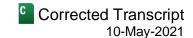
Analyst, Goldman Sachs

Yeah. Hi. Good morning, gentlemen. Thanks for taking my question. A bunch of my questions have been asked and answered about the two acquisitions. I guess just to be clear, I think you guys just [indiscernible] (00:26:20), but both are essentially spread-based businesses, though. Is that correct? I guess maybe clarify from like a revenue model standpoint, it's going to be a yield on a volume process basis over time.

David Schwartz

Chief Financial Officer & Corporate Secretary, Nuvei Corp.

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Yeah, they're both very similar to our core business. They fit very well from a payments perspective. So, it's volume generated as well as the yield that we'll generate on those and of course [audio gap] (00:26:51) margin dollars that will bring. So, yeah, it's very similar to the core business, Matt.

Matthew O'Neill Analyst, Goldman Sachs	Q
Got it. And maybe if I could just follow up	
Philip Fayer Founder, Chairman & Chief Executive Officer, Nuvei Corp.	A
[indiscernible] (00:27:00).	
Matthew O'Neill Analyst, Goldman Sachs	Q
Oh, sure. Thanks.	
Philip Fayer	Λ

And just to add on that, remember, right, it's – they're a single thread, right? So, as Nuvei brings more capabilities, there's a significant opportunity to expand wallets whereas Mazooma today is just account-to-account where we can expand that and Simplex is just broad services where we can expand that as well. So, it's not linear to what they have. It's going to be what we can bring as our own capabilities, vice versa.

Matthew O'Neill

Analyst, Goldman Sachs

Got it. That's helpful, Phil. Thank you for that. And just from a follow-up perspective, you guys have shown really impressive and consistent improvement in the percentage of the volume since we started talking at the time of the IPO to now. That's sort of e-com generated up to 87%. So, just curious, as we start to think about 2Q and comping some of the tougher or probably toughest COVID quarters for brick-and-mortar, did you expect that to level off or even retreat a little bit as some of the legacy brick-and-mortar business [ph] sees (00:28:01) year-on-year comp improvements?

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Look, I think because we're – like you said, we're almost 90%, 87% e-commerce, I think the brick and mortar has a smaller and smaller impact. And that'll continue to be the case as we roll forward and grow the e-commerce side of the business.

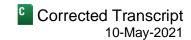
I would say that looking at the outlook we gave and looking at the pro forma growth that we achieved in Q1 and even going back to Q4, it's been relatively consistent. In fact, it accelerated in the current quarter from a pro forma perspective significantly. So, I think that those pro forma growth rates are the ones you should think about on a kind of near-term basis, Matt.

Matthew O'Neill

Analyst, Goldman Sachs

Okay. Yeah. No, that's helpful. Thanks a lot, guys.

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Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Thanks, Matthew.

Operator: Thank you. Our next question is from Craig Maurer with Autonomous Research. Please proceed with your question.

Craig Maurer

Analyst, Autonomous Research LLP

Hey. Good morning. Thanks. I was hoping you could provide some color on the travel industry, what you're seeing there in terms of activity and what you're building into your expectations for the remainder of the year in terms of the contribution of travel. Thanks.

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Yeah. Great question. Craig, for us, travel is our smallest vertical. So, from our perspective, we actually view travel as only upside. We did focus on a lot of indirect capabilities and we announced a partnership with UATP. I'm not sure if you guys saw that, but that was a gateway and technology service partnership. We do believe that travel will continue up-ticking, especially in the US. We've seen it pick back up. But from a Nuvei standpoint, it's still our smallest vertical. It's something that we think is an opportunity for future growth.

Craig Maurer

Analyst, Autonomous Research LLP

Okay. Thank you.

Operator: Thank you. Our next question is from Timothy Chiodo with Credit Suisse. Please proceed with your question.

Timothy Chiodo

Analyst, Credit Suisse Securities (USA) LLC

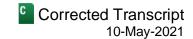
Thank you for taking the question. I wanted to dig into the growth algorithm over the, call it, medium term once we get past this year. So clearly, it's part of existing customer growth and part new merchants. Within the existing piece, there's a same-store sales component and then there's a wallet share component. I mean, right now, it seems like all of those components are doing quite well. When we think about your growth algorithm in the future, can you just talk about the contributions you might expect from some of those? What might be some of the bigger portions? How we should think about that same-store sales growth?

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Yeah. It's a great question. What's different about us is the same-store sales is not linear like you have for US-based acquirers because in our case, as we add new markets, it allows us now to grow with our customers in those market. And so it's not a proportional area of saying this is a customer that's linear I operate in the United States, and that's that. So from our standpoint, we look at same – our current customer and then we look at net new customers. And then naturally, those net new customers become same customers and they grow as well. Our verticals have high propensity to operate globally. Well, one, we focus on it. And number two is many of them

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are digital. And so their ability to expand into new markets has far accelerated. So within that, we're trying to manage naturally, providing innovation solutions to grow and help them as they go from country to country. And that is about half of our growth and naturally accelerating our new sales which is a key area of focus and a key area of our investment thesis for the remaining of 2021 and 2022.

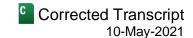
Timothy Chiodo Analyst, Credit Suisse Securities (USA) LLC	C
Very nice. Thanks, Phil. And then a quick follow-up. The sales force, last year, I believe you disclosed that the size of the team roughly doubled and the investment continues this year. Is it fair to think about the size of the eam increasing meaningfully this year but, maybe not quite doubling again?	
Philip Fayer Founder, Chairman & Chief Executive Officer, Nuvei Corp.	Δ
It will – the plan is increase it meaningfully. We're bringing our 2022 plan into the second half of 2021. So, o objective is to continue expanding both in the verticals, but more importantly in the geographies. So, as we expand more geographies, we're certainly coupling that with marketing local language support, local solutio engineers, and local sales folks to continue executing on enabling Nuvei in those markets.	
Timothy Chiodo Analyst, Credit Suisse Securities (USA) LLC	C
All right. Excellent. Thank you for taking both of those.	
Philip Fayer Founder, Chairman & Chief Executive Officer, Nuvei Corp.	Δ
Thanks, Tim.	
Operator: Thank you. Our next question is from Ashwin Shirvaikar with Citi. Please proceed with your que	stion.
Ashwin Vassant Shirvaikar Analyst, Citigroup Global Markets, Inc. Thank you. Hi, Phil. Hi, Dave. Good quarter.	C
Philip Fayer	Δ
Founder, Chairman & Chief Executive Officer, Nuvei Corp. Good morning.	,
Ashwin Vassant Shirvaikar Analyst, Citigroup Global Markets, Inc.	C
I want to go back to sort of the e-commerce discussion because, obviously, we've talked about this before, e-commerce is equal. So, I was hoping perhaps you guys could provide some structure or help around wha of your e-commerce revenues are, let's say, more economically sensitive and can benefit from a rebound ve secular. Did that makes sense?	t part



Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Philip Fayer

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Yeah, it does. I think the highlight here is that when you think about our gross profit, we're well diversified. So, approximately no vertical is more than 20% of our gross profit. Many of these verticals are seeing tailwinds because of the environment, and we talked about that. I think verticals that have been more status quo are B2B-enabled verticals.

But from our standpoint, when you look at e-commerce, certainly, you have the extremely high-growth verticals. You have verticals that were underpenetrated today that we're making investments and certainly driving to a lot of growth opportunities for us. And then, you have the more small business traditional. But Nuvei focused on typically large enterprise merchants today from our global e-commerce capabilities, and many of the net new wins are clearly in high-growth verticals. I would say the ones that have experienced more, I would say, smaller levels of growth would be the B2B vertical for us.

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Got it. And the follow-up question on M&A is, what sort of leverage are you comfortable with your – between Mazooma and Simplex going to spend? I believe \$300 million – a little bit north of \$300 million. And so, where does that take you in terms of leverage? What are you comfortable with? What your current M&A pipeline still look like?

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Sure. Great question. We said many times before that leverage will never exceed 3 times for us. And even with these two acquisitions, we'll be well below that. And from our current pipeline, we're having very interesting discussions, as we always do. As you guys can see from what we are actually executing on, there needs to be the three spheres that we look for: Expanding our geographies; expanding our capabilities, which clearly, Simplex and Mazooma do; or expanding our scale in certain areas. And that's what we're looking out for.

I mean, today, we're very satisfied with what we've completed. I think we have our hands full for the next few quarters. But, in general, we are confident in our ability to self-source. We are confident in our ability to have a very good strategy around M&A, and then, naturally, execute on it.

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Got it. Thank you.

Operator: Thank you. Our next question is from John Davis with Raymond James. Please proceed with your question.

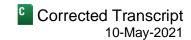
John Davis

Analyst, Raymond James & Associates, Inc.

Hey. Thanks. Good morning, guys. It's pretty obvious you guys are taking significant market share. So, Phil, maybe could you just comment on the one or two things that you think are driving those market share gains? And then are there any specific region or regions that are driving outside growth if we think about the global aspect of the business?



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Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Great question, John. I think because of our approach of coming with tech and innovation. We're continuously, every two weeks, on a proprietary platform driving more solution stack and making our life easier for our customers to connect with theirs. I think that's the first part. I think the second, ultimately, is our ability to connect with more customers. So, our entire distribution account management team really has [audio gap] (00:36:32) significant investment and expansion. So, from solutions engineers to [ph] properly (00:36:37) integrating merchants, to helping them and being close to their operation has been very beneficial for us.

And then, when you're talking about where those investments have started, at the – around second quarter of last year, we started significantly focusing on investments in Europe. We're now making those investments into North America where we still feel underpenetrated and, thereafter, we'll follow through with LatAm and APAC.

John Davis

Analyst, Raymond James & Associates, Inc.

Okay. Great. And then, Dave, quick clarification. Organic growth was 44% in the quarter. Was that FX adjusted or not? And then, I think, the guide implies somewhere in the high-30s for the full year. Any reason why growth would decelerate? Is it just tough comps, some conservatism? Anything to call out there would be helpful. Thanks, guys.

David Schwartz

Chief Financial Officer & Corporate Secretary, Nuvei Corp.

Yeah. It's not currency adjusted, but from a currency perspective, there isn't a material impact. So it's pretty similar. Nothing – in terms of [ph] our (00:37:35) outlook and growth for the rest of the year, nothing structurally. For sure, we like to be somewhat conservative, but nothing structurally has changed. I think the pro forma numbers I mentioned are good kind of data points to think about for the rest of the year.

John Davis

Analyst, Raymond James & Associates, Inc.

Okay. Great. Thanks.

Operator: Thank you. Our next question is from Bob Napoli with William Blair. Please proceed with your question.

Robert Napoli

Analyst, William Blair & Co. LLC

Hi. Thank you. And congratulations as well. Very impressive performance. So, I think, Phil, you said that your implementations for e-commerce were up 3x year-over-year and as you exited the quarter. I was trying to get a little color on which – where you're seeing overweighted acceleration in that or some of the less penetrated areas that you had highlighted, US gaming, social gaming, and marketplaces were three areas of potential high growth. So maybe a little color on where you're seeing that 3x increase.

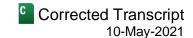
Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Sure, Bob. I'm happy to. What's interesting for our business is we're very targeted because the verticals that we solicit are from our direct sales force. So we are able to curate the merchants that fit our solution stack and

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merchants that fit the vertical capabilities in the markets that we operate in. And so we're seeing the wins really across the board. And when you end up talking about regions, certainly Europe has been a big area of growth for us. America and Canada are picking up right now. LatAm is an area of large focus for us. And APAC is an area that we hopefully will have some more announcements as the year progresses

So, from a vertical perspective really across the board, Bob, I think we're seeing wins in our gaming business in Europe. In North America, we have a very interesting pipeline. When you look at social games, we did announce Wargaming in APAC, so we are seeing some very nice traction in social games. And, certainly, marketplaces is something that is an area for us to continue developing throughout the year.

Robert Napoli	
Analyst, William Blair & Co. LLC	6

Thank you. Then, a follow-up on Latin America. I mean, you've highlighted that several times and you announced, I mean, opening Argentina, Chile, Peru, Ecuador. I mean, that market is relatively more difficult to compete in. Closed market, I think it's opening up to outside payments companies. But how were you able to open? When we say open four countries, maybe a little color on that and your thoughts longer term on your LatAm focus.

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

Yeah. Great question. When you look at how we're coming to market, you have taking your customers in, you have taking customers out. And then you have local acquiring [ph] new (00:40:30) customers in market that you mentioned, Bob. Does that make sense?

Robert Napoli

Analyst, William Blair & Co. LLC

Yes.

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

In our case, we're helping our merchants enter those markets. And so, we're taking our existing customers and helping them activate and launch in those markets. So, we have now providing – we are now providing full local acquiring capabilities, coupled with our APMs, which are table stake. There's quite a bit of requirement for merchants, and this is something that really depends on their business model.

So, you have merchant record models and you have local acquiring. And as you know, local acquiring requires local establishments for merchants to operate in. But we have flexibility in terms of model that makes the best sense for them as they start expanding across [indiscernible] (00:41:07).

Robert Napoli

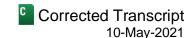
Analyst, William Blair & Co. LLC

Great. Thank you. Appreciate it.

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

Pleasure.

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Operator: Thank you. [Operator Instructions] Our next question is from Paul Treiber with RBC Capital Markets. Please proceed with your questions.

Paul Treiber

Analyst, RBC Capital Markets

Thanks very much. Good morning. Congrats on the quarter as well. Just looking at the percentage of e-commerce numbers that you provided for Q1 and Q4, just doing the math, if I can go Math, it looks like e-commerce revenues were up 40% sequentially, whereas the non-e-commerce is maybe down in the mid-teens or so. Just in terms of e-commerce, can you rank among the key drivers of growth which ones were most impactful to driving that sequential growth that you're seeing? And then, in regards to [ph] card present (00:41:59), is there anything in terms of seasonality, or is it just market related in terms of the drop in the non-e-commerce business?

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Sure. Dave, you want to take this one?

David Schwartz

Chief Financial Officer & Corporate Secretary, Nuvei Corp.

Sure. So, yeah, from a seasonality perspective, I mean, I don't think there's anything that's not a very seasonal business. So, I wouldn't say there's anything specific on the seasonality side of things. And sorry, your other question, Paul, the first part of the question?

Paul Treiber

Analyst, RBC Capital Markets

Just in terms of ranking the drivers of sequential growth in the e-commerce business.

David Schwartz

Chief Financial Officer & Corporate Secretary, Nuvei Corp.

Yeah. I mean, we saw it across the board. There wasn't any specific vertical per se that stood out amongst the others. There really wasn't across our seven verticals that we focus on. For the most part, it was growth in all areas. And it's really – it's as a result of everything we've been doing from existing merchants, as it relates to wallet share expansion with them and entering new markets, and then for sure, the direct investment which is driving growth from new merchants as well. So, it's – I wouldn't say there's anything specific to point to. It's really across the board. And it's just a continuation of kind of the execution of the strategy that we've put in place.

Paul Treiber

Analyst, RBC Capital Markets

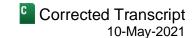
And then just wondering if you can delve deeper into the strategy for gaining wallet share with your customers. Typically, is there a path that customers take in terms of the first products that they adopt and then, typically, how quickly after that do they adopt subsequent products? And do you see how sort of penetrated is that customer base in terms of adopting your full stack solutions?

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

It really depends on how the customer integrates with us. So, about 50% or 60%, Paul, use our Cashier, and Cashier are highly customized, deeply embedded payment pages into the merchant checkout workstream. That

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allows us to roll out features effectively instantly. If they're using the API or our SDKs, then they need to elect the features that they want and they need to develop on them. So, it's truly a dependency of how the merchants integrated. And then depending on that integration, how quickly we can roll out new features to them is based on their needs.

Paul Treiber

Analyst, RBC Capital Markets

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

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Thanks. Paul.

Operator: Thank you. Our next question is from Richard Tse with National Bank Financial. Please proceed with your question.

Richard Tse

Analyst, National Bank Financial, Inc.

Yes. Thank you. With respect to the acquisition, I was wondering if you can maybe comment on the level of competition for those transactions. Is it sort of you're kind of on your own or you've got a number of other bidders here working against you on those deals?

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Yeah. Great question, Richard. As you know, M&A is very active these days. So, we take pride on self-sourcing. We have elected not to necessarily participate in every process that comes out, but really look at the areas and the capabilities and help change the verticals that we operate in and naturally help us helping our customers connect with their customers. So they're all proprietary. Both Mazooma and Simplex were proprietary deals. And they were self-sourced by capability. And yes, they are always very active, and they're always very competitive, even self-sourced. But it allows us to manage the narrative and work at our own pace.

Richard Tse

Analyst, National Bank Financial, Inc.

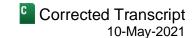
Okay. Thanks. And with respect to Simplex, it's kind of really interesting in terms of an opportunity. Given your base is probably sort of more progressive companies out there, what proportion would you say are seriously considering accepting crypto as payments?

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Yeah. It's a great question. The reality is we have to support every form of payment because that is what we provide to our customers. So you have to unpack it a little bit. Single integration really a world of opportunities from local acquiring to connectivity, to alternative payment methods, to crypto, all neatly reconciled, deposited both on the way-in and the way-out, right? Really, that is – and then we certainly provide all our value-added services from fraud management and authorization approvals and cascading. But we have to come to the table with solution stack, and we're always focused on making sure that we're as innovative as possible because

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missing one sale for us is unacceptable. And certainly, we want customers to convert as many opportunities as they have and to be able to enable that in the medium that their customers choose to pay in.

Crypto is interesting because still 60%, 65% is speculative. But over time, as folks look to use these currencies, and maybe not, one or the other, but maybe in some stable coins, we want to enable it on a [ph] seamless (00:46:53) basis. It is a discussion point, and it is something that our merchants are considering. Not all of them are there. But when they choose to do so, for them, it's really just another form of [ph] alternative payment (00:47:03) method, and there's no change to their entire operational back office reconciliation and management on the day-to-day.

Richard Tse

Analyst, National Bank Financial, Inc.

Okay. That's great. Thank you.

Operator: Thank you. Our final question is from Paul Steep with Scotiabank. Please proceed with your question.

Paul Steep

Analyst, Scotia Capital, Inc.

Great . Morning. So, could you just speak a little bit to maybe what's going on with cadence in US online gaming if you've seen in terms of customers' decision cycles as well as sort of how you're viewing the evolution of the strategy?

Philip Faver

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Yeah. Great question, Paul. We've always been at the crawl, walk, run aspect. And we've been very consistent on that. I think, coupled with Mazooma today from a technical and product offering, we're extremely competitive. Coupled with Mazooma today, certainly, we have relationships with just about every one of the major operators.

From a Nuvei standpoint, ultimately, we were there to integrate with every provider, so our technology does exactly what we do everywhere around the world, to collapse inefficient vendors and have them have one integration to really any acquirer, any alternate payment method, any [ph] debit processor (00:48:11), PayPal or other as they so choose to.

With that, we have seeked and secured licensing of every major state and continuously follow through that as a registered gaming provider. And they have different terms of it per state, and then naturally providing from credit to debit, with the acquisition of Base allowed us to provide basic ACH and introduction of check guarantee, and now with Mazooma, account-to-account.

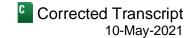
So, we really feel the journey has been initially crawling. Today, I would say we're walking. Combined with Mazooma, I think we have a very compelling product mix. And more importantly to that is with Mazooma, we're also integrated to all the gaming platforms, so not just the customers, but also the gaming platforms which we think helps accelerate our ability to execute on our US gaming strategy.

Paul Steep

Analyst, Scotia Capital, Inc.

Great. One quick clarification. Just in terms of your increased investment in sales and distribution, can you just talk to us a little bit about timing-wise as to when you think that extra distribution would be in place? Are you

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calling it actually six months fully forward, or should we think that, okay, you're aiming to have everybody ramped

and online for the end of Q3? Thanks, guys.

Philip Fayer

Founder, Chairman & Chief Executive Officer, Nuvei Corp.

Great question. It's very much an art to expand the distribution channel, so onboarding, training the buddy system, giving them the tools, surrounding them with solutions engineers. So, it's not if you want to frame it as hunters and farmers, but it's all the back office capabilities that come along with that. From our standpoint, we're bringing it forward. So, we're bringing it forward of investments that we're planning for in 2022 to start those today. It's not a day one, right? I mean, typically, this is an initiative that takes time to hire, to recruit, to train. We do it on a class base and time base. So, from us, we're bringing it forward. You wouldn't have that entire sales force ready within a few months, but you're bringing it forward six months. Does that make sense?

Paul Steep Analyst, Scotia Capital, Inc. Absolutely. Thanks, guys. Philip Faver Founder, Chairman & Chief Executive Officer, Nuvei Corp. Thanks, Paul.

Operator: Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session. This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation, and have a great day.

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