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<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Thanks. So for our next session, we're pleased to welcome Nayax. Joining us are Sagit Manor, CFO; Aaron Greenberg, Chief Strategy officer. Sagit joined Nayax as CFO in 2021. Aaron joined more recently in February of 2024 and he leads the corporate and business development efforts for the company. Given some investors are new to the story, maybe you could just give us a quick overview of the company and its history.

<<Sagit Manor, Chief Financial Officer>>

Thank you for having us.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Yes.

<<Sagit Manor, Chief Financial Officer>>

And so Nayax is the only global company in the unattended space. And when we talk about unattended, we talk about the vending machine, massage chair, kiddie ride, Laundromat, parking, EV charging and a lot of – there is more than 40 verticals that were in the place. It's the opposite of a store where you walk-in and go and buy someone – and someone is in front of you. So we are in the outside of the store when it's a card-present transaction, but there is no person in front of you. We have 11 offices around the world with 120 countries that we sell our product in, very excited about the opportunity. There's 45 million devices of the unattended out there. We have 1,230,000 of them. So the opportunity is great.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

So maybe you could just talk a little bit about your competition. Who do you compete with? Give us a little flavor for the dynamics against the – across all the different geographies that you operate in.

<<Aaron Greenberg, Chief Strategy Officer>>

Yes, so it depends on the region. It's a very fragmented industry. It's a niche industry, but with a huge TAM as Sagit mentioned. We have one large competitor in the U.S. that's a similar size, but you go outside of the U.S. and it's a very fragmented industry, a lot of very small players, 20,000 to 50,000 devices, mostly per player. Europe is very scattered. We go down to Brazil, which we entered into at the beginning of this year. There were no international players in the unattended space prior to us coming into it from what we saw. So we see it as a huge opportunity over the

coming years. And as Sagit mentioned, it's still a lot of white space in our area with only still probably 20%, 25% of the market actually penetrated.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

And obviously you guys are more globally oriented. But what else separates you from your competition?

<<Aaron Greenberg, Chief Strategy Officer>>

I think the key that separates us apart is a couple things. One, we're a full end to end solution for the unattended space for automated self service, which means we have our own hardware, it's our design, it's our software, and it's our payments. What do I mean by that? Our devices are an enabler that allows the machine to be an IoT enabled machine. So as an example, you put our device on a vending machine, you automatically have instant insights into not just that vending machine, but your entire fleets, the ability to do dynamic route management, the ability to be able to see the supply chain, to be able to forecast warehousing, all the things that you need to be able to operate your business. Now you actually have eyes on your business instead of showing up blind.

We had a customer back some years ago that had 20,000, 25,000 locations around the United States and they were dealing with a situation where they were taking cash at their locations and they were noticing that when one of their locations were to break down, it would take up to five to seven days for them to be able to get a response before they were able to go and fix it. Our devices are able to immediately give them that instant insight that they need to go to that location to go and fix it, because what was happening was the only way that they knew was either one of two things happened, a route driver came over to go and fix it, or someone actually picks up the phone to go and call, which rarely ever happens. So, that’s what we’re able to go and bring to the table from the IoT side.

In addition to that though, we’re an end-to-end payment provider. We act as the payment facilitator, we have our own gateway, our own server infrastructure, we go enroute to one of 48 acquiring banks around the world. We have 80 different payment methods, in 50 different currencies, which makes us really, as Sagit said, the only global player, truly global player, that’s on six continents in the unattended space.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Perfect. So you have a long-term target of attaining a $1billion in revenues by 2028, which is north of 30% compounded annual growth rate over this period of time. Can we just talk through the drivers of the growth from here to get to that target? And how do you feel about those targets?

<<Sagit Manor, Chief Financial Officer>>

Sure. So, we went IPO-ed, did the IPO three and a half years ago and we've shown since then by the ability to grow mainly in the unattended, although we are focusing on a few other verticals where we believe that they are close to what we do in the unattended or taking what we've learned about the SMB market and implement them, whether it's in the retail space for the SMBs, whether it's the loyalty area as well as in the EV space, which is a very growing element here.

So, this is kind of a business perspective, the ability to take what we've learned so far in the unattended space and as we talked about, when the market opportunity is really strong, and continue to grow in that area and in other areas where we look at the customer as the center and what else can we do to help support the business, give them more visibility, connect them with their customers, create that loyalty, the stickiness, and whatnot.

In addition to that, in cases where we have the buy versus make decision, we may even buy companies where we feel that it's a geography that we like, there's a technology that we miss or customers that we can grow within that.

So, looking at the next few years, entering into rental, the listing model, entering to other, like the loyalty area that I've mentioned, where it's software related only, there's actually no hardware with much higher margins and with everything that we've done so far and with the product we already have, create that opportunity to continue to grow that 30%, 35% year-over-year to the $1billion revenue company we are aspired to build with 50% margin and 30% adjusted EBITDA.

<<Analyst, Keefe, Bruyette & Woods, Inc.>>

And do you think like M&A is going to be a big part of the story?

<<Sagit Manor, Chief Financial Officer>>

So, I'll let Aron speak about that. But from my perspective, most of the growth will continue to be organically. We established the foundation for recurring revenue, 72% of our revenue coming from recurring. We have 130% net retention rate and very low churn rate. So you can see that on top of our ability to bring 5,000 to 6,000 customers a quarter, it's kind of unhealthy. We have 91,000 customers. So we are not only being able to bring new customers but also to retain them and to grow with them. A lot of our growth comes from within. But in addition to that, definitely M&A will be part of it to smaller extent.

So and I'll let you maybe talk more about that.

<<Aaron Greenberg, Chief Strategy Officer>>

Sure. Thanks. We take a very prudent approach when it comes to deployment of capital. We work as a management team to decide where to be deploying capital, whether it's organic or inorganic or both. And it's generally speaking been both over the last 10 years.

Although as Sagit mentioned, most of our growth has come from the organic side, we still see a very high return on capital by investing organically. For example, we're seeing very high growth rates in areas like Latin America, which we entered into at the beginning of this year. And we're still seeing very high growth rates in our core markets in Australia, the United States, Europe.

We look into the M&A though. As I said at the beginning, it's a very fragmented industry, a lot of very small players, and we still see a lot of price dislocation right now when it comes to the middle market space. The markets have rallied in the public markets this year, but the private markets have not. And what we're seeing is still a lot of really great value in these smaller companies, less than $100 million companies. Most of these 20 million to 100 million range, some a little lower, some a little higher, but generally speaking, that range. And the last two acquisitions were exactly that.

Retail Pro in November, which and VMtechnologia, both of which we were able to purchase for less than 10 times EBITDA and which we both. We see both of them as great assets, that came into the Nayax infrastructure, both of which did not have payments attached to it, but had a strong POS platform and in the case of VM, also had hardware as a service, which was a very high gross margin business and still is today. And that's really, probably one of the cores of what we're looking for in the M&A strategy is, finding companies that are at a great value, but something that we can bring a lot of synergy to in the first 18 months. Largely our payment infrastructure, and in other cases also our loyalty platform and other software features that we're able to bring that give value added services.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Yeah. Maybe we could elaborate a little bit on that, because it seems to be another part of your growth story. I mean, you've led in the unintended market – unattended market, but there's – these emerging growth initiatives that are targeted towards the attended market. What gives you guys the right to win there? I mean, and who are you going to compete with? I mean, how do you win in that space?

<<Aaron Greenberg, Chief Strategy Officer>>

It's a great question. I think, we're – the last 20 years, we started in the vending space, because there was a huge need. We expanded from there to 44 different unattended verticals, just about anything that you can think of, from different types of vending machines to kid rides, to arcades, to massage chairs, electric vehicle charging stations, now we do gas stations in the last few months as well. If it's something that's automated, we've likely put a credit card reader on it.

Now as we're looking forward, we're figuring out how can we continue to attack new markets, attack new regions, attack new verticals with the prowess that we've gotten over the last 20 years. And if you look at the attended retail segment, you look inside the stores, there's a lot of opportunity to go and really bring a technological upgrade to these stores. A lot of them are sitting on 15, 20 plus year old software and we feel that there's a technology upgrade that's going to be happening over the coming years. We feel confident that there's going to be a lot more

automation being brought to the stores and this is something that we've been very strong at over the years and we think that we can bring into the storefront.

On that same note, what we're looking, if we're looking at the next five years, is to build ecosystems with automated self service. What do I mean by that? One good example I like to give is a gas station. So you go to a gas station, we want to be able to be the payment provider and the software provider for the gas pump, for the EV charging station, for the car wash, for the air vac. Maybe there's a machine outside and inside the convenience store, whether it's a self checkout or at the counter, but having all of it being able to be reconciled on one pay-in one pay-out for that merchant.

A lot of times in the United States, that's a small franchisee that doesn't have the accounting infrastructure in the back and they don't have five accountants sitting back there going and connecting three, four, five different providers and figuring out how to reconcile all of that. So we're trying to make their life a lot easier, which we've been able to do so far on the unattended segment. But being able to press a little bit more into the attended segment allows us to complete that entire ecosystem, which will allow us to open more opportunities.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

And how do you get there? Like, do you have more feet on the street? Like, what you just sell direct? How do you get through to all those different locations?

<<Aaron Greenberg, Chief Strategy Officer>>

It's a great question. So we attack the market in several different ways historically and currently today, we have a direct sales force. We have 11 global offices. We have, call it, roughly 40 sales managers that are working with our mid-sized to larger customers. We have 120 distributors around the world, which helped with mostly our small and medium sized businesses, we have resellers, so we have OEM resellers that we will sell the devices to.

So let's say it's a vending machine OEM manufacturer in China, for example, we would sell them the credit card reader, they would go and resell our device along with the vending machine to the customer. We have roughly a 1,000 of those types of OEMs and other types of resellers that are not OEMs. And then we have an eShop as well for the nano merchant to the small business that wants to buy one, two, five devices online with a fully automated onboarding low touch essentially.

So we have several different ways to go to market. But I think what's most exciting and something that we've been able to already show historically is how well we've been able to get a customer to grow with us, a merchant to grow with us. We've shown 130% net retention rate this quarter and we've shown right around this range over the last many quarters since we've gone public. And I think that that really shows that, once the customer comes in with us, we're able to grow with them and they're able to grow with us, whether it is adding more vending machines or cross selling into them with other verticals that they – other segments. Maybe it's a gas station, they started with a car wash and the next thing they go and buy the credit card reader for the

air/vac and then they say, oh, I need EV charging stations now we're going to use your payment devices for that.

<<Sagit Manor, Chief Financial Officer>>

One of the reasons why we've acquired Retail Pro is exactly for that we have the solution for the attended market. And I think that was the sum of your question. And Retail Pro brought so many great distributors that are in the attended space, in the retail, in fashion, in jewelry and others that have the expertise to go and sell those products as well.

And we're looking forward not only to combine the technology together, but also to do cross-sell. Because if you are vending machine company that can have, like Aaron mentioned, if it's a [indiscernible] (0:15:27) and you can have in and out attendant, non-attendant inside the store and not the same with – it can be the same with fashion. So kind of utilize all of the go-to-market ways that we sell today and extend that to the other verticals.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

And like, when we think about tech stacks and like – does that run on one tech stack? Does it then create multiple tech stacks? I'm just thinking about the tech burden that's created with that.

<<Aaron Greenberg, Chief Strategy Officer>>

This is a really good question. So the last 20 years, we've built Nayax off of one tech stack off of one foundation. So you look into the unattended verticals, it was one core, okay, our Nayax core platform, as we call it. And when we go into, let's say we start with vending and then we go to a car wash, there might be a slight delta that's added on top of it to integrate into the car wash. Or maybe there's a couple features that we go and build for that, we build for coffee, we build for kid rides, we build for arcades. It's all built on the same core tech stack though.

So when we go and do updates, we go and continue to improve our platform, it's for everything that we're working on. And what we are building, even as we buy new companies, what we're building is a central platform for payment and loyalty. So that it is easy, if we go and buy Retail Pro, for example, it's going to be using our payment platform, which makes it a lot easier to go and integrate with them.

And as we're looking at a global infrastructure, the payment is the hardest part as a payback to be able to go and enter into all these new markets. And this is how companies like IBM were able to get to be as big as they are. They built off of one platform for the payment infrastructure. And we're very similar in that regard.

<<Sagit Manor, Chief Financial Officer>>

Yeah.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Okay. And even when you go to the point of sale, you're going to build off the core platform that you have?

<<Aaron Greenberg, Chief Strategy Officer>>

That's the intention, yes.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Okay. Maybe we could talk a little bit about the near-term growth drivers. You recently reported third quarter results. You took down your revenue outlook a bit because of some certification delays in the hardware business. Maybe you could just elaborate how they'll play through the numbers this year and next.

<<Sagit Manor, Chief Financial Officer>>

Sure. So first of all, we had the best quarter ever with record revenue, record margins second quarter, but we showed operating profit first quarter in the company history when we show net income. So really proud on what the team has built. And if you look back, right, we've done the IPO, we've invested in talent acquisition, product innovation, infrastructure, automation, then we moved, 2023 was kind of the turning year of profitable growth when we've touched the adjusted EBITDA, the positive this year is free cash flow. Oh, I forgot to mention the free cash flow positive that we were able to show.

So this quarter was an amazing quarter from all perspective, actually the nine months even. We did have some new certification delays in a few products that impacted not only Q3, but will impact Q4. And that was the reason why we've modified our guidance for the year for 3%-ish, so not significant, but we saw that and we wanted to be transparent.

Having said that, we've actually raised the guidance of our hydro margins, which we've done so much from a supply chain cost reduction initiatives and component cost reductions and we're able to even internally meet and beat the guidance that we provided initially. We've kept our adjusted EBITDA, but actually saying that we're going to be at a higher range and, of course, met already our commitment for the end of the year to be free cash flow.

So very happy with the results in Q3 and with the guidance for the entire year, we still growing 35% year-over-year. Getting into from all aspects of even the internal, the organic growth, when we talk about the growth opportunities, whether it's from existing customers to new customers to getting to new geographies to release new products and new features, we really met or beat all of our expectations.

Going into 2025, while we are still in the planning process and we're still, figuring out everything and want to make sure that we put ourselves for success. We were able to see a preliminary view that our adjusted EBITDA as a percent of revenue will be at least 15%.

Showing that kind of the operational excellence, the leverage that we were able to build is coming into realization even faster than expected.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

So do you think some of what's been pushed out benefits next year then?

<<Sagit Manor, Chief Financial Officer>>

In a way, yes. But again 2025 is numbers that we've – we're going to speak about when we do the earnings call.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

All right, so point of sale device revenues can also be a bit lumpy. So maybe we could talk about the sales cycle and the visibility you have with respect to hardware revenues.

<<Sagit Manor, Chief Financial Officer>>

Sure. So, first of all, let's start with the recurring revenue, which is a steady, growing, very strong element in our overall revenue. Easier to predict. Every customer that joins us, we know what that's going to bring. With a consistent very high net retention rate of at least 130%. We were even higher in a few quarters ago. You can see that, for every customer, every hardware that we bring, what that brings to the table? How the revenue, if I were even to talk about the $5 million that we're missing this quarter, that would have been a 33% year-over-year growth on just whether it's organic growth, whether it's also the recurring revenue. So, yes, there is a lumpiness. Q1 is usually the slowest, Q4 is usually the hardest. Between Q2 to Q3, there are a little bit of jumping, but that's why we look at a trend, right? If you look at the nine months over nine months, we grew 33% year-over-year on the total revenue, grew everywhere, becoming better on operational efficiency. So I'm not worried for one time or every time there's – it might be a customer mix, it might be a product mix, we may even go to rental where you won't even see that in the hardware revenue because it's going to be part of our services as you go into rental. We may decide that we even give the hardware for free if it makes sense because of various other reasons.

Every region, every country has its own story. So I would highly recommend look at two KPIs, strong KPIs that we look at when we talk about growth. One is number of customers, how many new customers we're able to bring. We bring between 5,000 to 6,000 customers a quarter with 20,000 customers a year at 91,000 in general. If you look at just last year, same time, we were 60,000 customers, although some of it came from the acquisitions. But 40% increase year-over-year just organically.

So that's one. The second thing is the number of managed and connected devices, which we now have 1,230,000 devices, the highest number of any company in the unattended space when it comes to devices. And that brings the recurring revenue. So these two elements, as long as these are growing and growing fast, I'm not worried at all.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Got it. So you talked a little bit about the margin expectation for next year, but you've seen nice meaningful improvement there. What have been the key drivers and when are we at sort of a steady run rate for more expansion on a go-forward basis? Are we there?

<<Sagit Manor, Chief Financial Officer>>

So we're – well, we're definitely there on the gross margin. So if you think about the services, we're in around 77%, let's say 80% margins. It's amazing. And that's growing even faster than it used to be. I'm talking about revenue from services. When you talk about the processing, I mean we grew from 28% five quarters ago to 33%, 34% now. And it's just going to come – that's going to grow even more. But not as fast because of various stuff that we do.

Adyen as an example, the agreement that we've signed recently is a great example of how we can leverage a global acquirer agreement to reduce costs and many other initiatives that we will be able to talk about in the future about how do we make the – more even n stickiness with, with the acquirers and the relationship with them? When it comes to hardware, we were able to improve significant, I mean, two years ago it was zero. Before the pandemic it was 25% to 27%. We are already in the 34%, 35% and counting. So on the margin perspective I think we did an amazing job. We are working really hard to get that operational leverage even tighter, right.

How do we continue to do more – to do more with less? But again, very happy with 13% adjusted EBITDA just this quarter, growing next year to at least 15% for the entire year. I mean slowly and surely, right, we're showing how from a company that know how to grow to do the growing profitably to being a cash generation company.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Can we talk about take rates? Those have seen some nice expansion over the last few quarters. How do you see that evolving going forward?

<<Aaron Greenberg, Chief Strategy Officer>>

Yeah. So as we've mentioned in some of the past quarters, we are seeing a trend in the take rate. As we've been expanding to some of these newer verticals like EV charging and parking, for example, take rates have tended to be higher, which has changed the mix a little bit. But I think that as investors are looking at our company, I think that take rate is very hard to compare apples-to-apples across companies because it's region to region focus. It could be on the vertical, there's so many different factors, right.

I think the best way to look at it as an investor is our net margins. At the end of the day, the net take rate, essentially how many basis points do we take on every transaction? And that's more than 90 basis points right now. I don't know how many companies there are in the payment space that are able to take more than 90 basis points on a transaction right now.

But what it really shows is the stickiness we have on our platform and the value added services that we're able to provide to our customers. And it shows that in this space – in the unattended space it's about being able to provide a full end-to-end service for the customers and the customers are willing to pay for that convenience. And there aren't 100 competitors that are going and fighting in a vertical to go and try to drive the cost down to zero. It's a very different business than most of the payments industry.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Great. So my last question is on the macro, obviously, very topical question. Is there any vertical concentration that perhaps exposes you to more cyclicality than others? Maybe you just talk about how your portfolios, sorry, inside each of those verticals have operated through the cycles?

<<Aaron Greenberg, Chief Strategy Officer>>

Yeah. So as we've mentioned we're in 44 plus different unattended verticals. We're very diversified. We were able to show during the pandemic that we're very resilient. Payment processing is continuing to grow very fast. If anything, you know, we're continuing to grow not only organically, but also with inflation.

We have very strong pricing power in the market, but at the end of the day, our average transaction value is $2, so if you look at, across all of our verticals, you know, even if the world were to go into a recession, people are still going to go to a vending machine and buy a $1 or $2 Coca-Cola, and we expect that to continue to happen in the future. And we showed that in the last pandemic. And so we believe that, you know, regardless of, macro trends, if it hits a certain vertical, if it hits a certain region, us being in 120 different countries right now with 44 different verticals gives us more than enough diversification.

And I think the last part is that 74% of our business are small businesses. We have very, very little customer concentration in our business. We don't have a large customer that has 30%, 40% of our overall revenues. We have over 90,000 customers now today across these 120 countries. And we've been able to keep a very low churn rate as well across, you know, for many years now. You know, 2.8% churn rate in this quarter.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

That's great.

<<Sagit Manor, Chief Financial Officer>>

And I would maybe add that, you know, as like to say our CEO is that there's two elements when you think about the unattended.

One is the market opportunity that is still huge. Those 45 million devices out there waiting for us to retrofit them. But it's also, being the first, being first allows us, you know, to be first in every

vertical that you go in, to have the purchasing power, you know, and the pricing power, if you will, and to continue to, to grow as much as possible.

Exactly as Aaron said, both in verticals as well as geography. So with that, we're very happy of where the company is right now and where it's going.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

That's great. Well, thank you guys for joining us. We really appreciate it.

<<Sagit Manor, Chief Financial Officer>>

Thank you.

<<Aaron Greenberg, Chief Strategy Officer>>

Thank you very much.

<<Sanjay Sakhrani, Analyst, Keefe, Bruyette & Woods, Inc.>>

You got it.