Fireside Chat at Barclays 15th Annual Emerging Payments & Fintech Forum

May 20th, 2025

PARTICIPANTS

Aaron Greenberg - Chief Strategy Officer, Nayax

Sagit Manor – Chief Financial Officer, Nayax

John Coffey – Vice President, Barclays

John Coffey:

Well, great. Well, thank you, everybody, for coming to our Nayax panel. So, I'd like to welcome to the stage Sagit Manor, who is the CFO of Nayax and Aaron Greenberg, the Chief Strategy Officer of the company. So this is your -- I believe, your first conference here at Barclays. So welcome. Welcome to New York. I know you both traveled a bit. I want to start the conversation with you, Sagit. Some people here know Nayax is mentioned there, and we've heard the company talked about in some other panels or in other rooms here at the conference, but for those of us who don't know Nayax well, what does it do and what kind of customers does it serve?

Sagit Manor:

So Nayax is the only -- basically the only global company in the unattended space or automated self-service space. It's the vending machine, massage chair, kiddie rides, laundromats. We provide a payment device on top of it. We have 11 offices around the world. We serve more than 100,000 customers. This is a beautiful milestone that we just achieved at the end of Q1. We sell our product in more than 120 countries. Truly- and we have 44 different verticals that we're in. So really the true- only global company in that space. From a customer perspective, we have both small and large customers. Actually, 75% of our customers [from a revenue perspective] are small businesses. And when I talk about small businesses, it's 1 to 15 devices that they have. So, the company was established 20 years ago with the ability to serve those small customers, and then grew to the Tier 1 that we are serving today.

John Coffey:

All right. Great. Thank you. Very comprehensive. Just a follow-up. What is the global footprint of the company?

Sagit Manor:

So global footprint. Again, we have -- we are selling in 120 countries, more than 100,000 customers. We have 1.3 million devices out there, so you need a strong operation, you need a global operation, to be able to serve so many customers, make sure that all of the devices are active and working, that the software works. Anything else to add to the global footprint?

Aaron Greenberg:

Yes. I would say we're a global financial institution. It's -- we've done -- in 2024, we did about $5 billion in transactions, 2.5 billion transactions that were done through our systems. We act as a full vertically integrated provider for the unattended segments. We do the hardware, we do the software. We do all the payments.

So we accept 80 different payment methods, 50 different currencies, both open loop, closed loop, everything you can think of. We're integrated with more than 1,000 different types of machines around the world. And this is 20 years of doing integration work with all of these different machines. I think what people normally miss when they're coming new to the story is just how complicated the unattended segment is compared to the rest of the payments industry when it comes to actually integrating with all these machines, being able to do this in an automated fashion.

Everyone is talking now about AI, Web3, et cetera, and all this automation that's now coming to the world. And in the payment sector, payments are still relatively not automated. And what we were able to do over the last 20 years is bring automation to this industry in a full end-to-end fashion. And that's really where the moat is for our business. And in order to be where we are, we're not only in all these different countries, being able to do all the localization in each of these countries, but we also act as a payment facilitator in many of these countries. We act as an electronic money institution in the EU, the U.K., Israel. We act as a payment facilitator on multiple continents around the world. And so, by doing all of that vertically, it allows us to be able to go to the customer to the small business and have them integrate and be onboarded with one counterparty for everything, which is a huge value add.

Sagit Manor:

And maybe to add to what you just reminded me, is about the scale, right? So, this is building blocks that we have built in the last 20 years. And when you look at the high net retention rate that we have, speaking about, you know, the global footprint, the low churn rate, the ability to bring 4,000, 5,000 customers a quarter is really something that now you see- now you really see how it's growing. We have done more than $300 million of revenues last year. We are expected to do $410 million to $425 million this year. So, growing at least 30% year-over-year. And if three years ago, it was all about growing as fast as you can, two years ago, it was about profitable growth, and last year, it was about reaching cash flow positive. So truly, we see how the investment that we've put in is now paying off.

John Coffey:

All right. Great. Well, thanks for the deep dive. That was a lot. Next question, I want to talk about revenues a little bit. So, I think in this Barclays building, we're on the 32nd floor, we probably have about 25 vending machines from which Barclays employees receive most of their nutrition, and they have Nayax payment terminals. So somebody can say, well, if you're earning 2% to 3% on $1.50 candy bar, that's not a lot, but clearly, it adds up. I was wondering, Sagit, if you could walk me through the revenue model of the company a little bit.

Sagit Manor:

Sure. So, I'll start with the back. We've done $1.3 billion of transactions just in Q1. But if you translate that to the average transaction value, it's indeed $2 per device, per device. So again, it adds up. When you have 1.3 million devices, when you have 100,000 of customers, right, those small transaction values are added to a lot. Now regarding the business model.

So -- in the genius way that our founders built the business, both from a pricing strategy that maybe we will touch that later to the business model is built on three revenue streams. One is the hardware, which is mostly one-time sale. However, we provide the opportunity to sell it with installments, you can do leasing, or even rental. So you can rent it forever. But that's the hardware piece. It's the lock-in and the enabler to the recurring revenue piece. By the way, the hardware, we are designing and developing it in-house. Of course, we're not manufacturing. But that gives us a lot of flexibility, especially compared to competitive- to the competition to move fast, reduce costs, do all kinds of stuff that we know how to do.

The second one is the SaaS -- so it's basically each customer paying us a fixed amount per month per device for connectivity to the management suite and telemetry. We don't charge you per feature, you get it all, and we really work hard for our customers to use the 100% of the functionality that we have. So we have the Nayax University, Nayax U. We have YouTube. If you Google how to do what in our devices, you have probably between five to ten videos on YouTube that's showing you exactly how to do that.

And lastly, it's the processing. We charge -- we take -- there's a take rate, we charge processing fee for every transaction that's going through our devices. Q1 was 2.75%. So, you know, within hardware and recurring, recurring was -- it's usually between 70% to 75% of our revenue. Q1 was 77%, for example, so very strong recurring revenue. So very- the revenue is very predictable. Take the $62 million that we have done in Q1 for recurring times four, times 128%, which is our net retention rate, you have more than $300 million of revenue that we know now that's going to be there. Now add to that some hardware revenue that we're going to obviously sell during the year that will add processing and services to it, this is what you get. Now, hardware, we have a beautiful margin on it. If you ask about a little bit about the different margins, hardware has around -- this quarter, we have reached 40% of margin on the hardware, which is, again, way more than we've expected. Last year, we reached back the pre-pandemic, and as you all know, nothing is now cost as it used to be 4 years ago. So despite the increase of cost, we were able to do all kinds of supply chain infrastructure, you know, cost reduction initiatives that created the ability to reach not even more than the 25%, 27%, but reaching last year 30% and this quarter at 40%. Our services, SaaS is ~80% margin. Beautiful in the unattended as well as the other areas where we have retail, where we have EV, and other areas that still growing, it still hasn't reached the maximum of its ability from a gross margin perspective. And lastly is the processing that we have more than 35% margin there, which is again unheard of in the payment industry to have such a high margin. But if you think about the acquirers that we work with, that before that, that $5 billion of last year or $1.3 billion that of Q1, it used to be cash. So for them, it's a new, new business that we are able to bring to them without needing to deal with our 100,000 of customers, the KYC, the merchant of record. So there's a win-win situation here between us being able to deal with the small businesses as well as large, and for them to enjoy a new revenue stream.

John Coffey:

All right. Well, just kind of following up on that, I have a question for Aaron. You mentioned the small businesses and large. I was wondering who are your customers? Is it like me, hypothetically, I own five Coke machines in our local mall? Or is it an owner perhaps of 1,000

machines that's populating the entire college campus? I'm trying to get a sense of who's the average end customer, the people you speak with.

Aaron Greenberg:

Yes. So the average customer is the SMB for us. That's what we built the business over the last 20 years. So about 70% to 75% of our revenues on a quarterly basis is the SMB. Around 25% to 30% of our business is what we consider enterprise or top 50 customers. Most of them are more than 1,000 devices. Some of them are tens of thousands of devices. Most of our customers, even if the revenues are 70% to 75% on SMB from a customer base standpoint, it's like 99% is the 1 to 15 devices customers on a nominal customer basis. And that's how we built the business basically try to make it very easy for an operator to be able to move from cash to cashless, regardless of the industry that they were in, whether it was vending or laundry or micro markets, parking, EV charging, 44 different unattended verticals and growing that we are in. And we essentially became a master integrator and given the ability to act like a Stripe, for example, but for the unattended card-present space.

John Coffey:

All right. Great. Helpful. So a question I have on competition. So I know oftentimes, when we ask these questions in these meetings, people say cash, cash is a big competition. I think that's a common threat in payments. But putting cash aside, some investors in here will know some -- one of your U.S. competitors, Cantaloupe. So that comes up at times. So could you give us a little bit of a broader perspective of who you compete with internationally? Is it a certain amount of- a small amount of big competitors? Is it very fragmented? Is it really mostly cash? Trying to get a sense of who your--.

Sagit Manor:

When we talk about the competition, we have to talk about the TAM, right, the total addressable market that with the market research analysis that we have done when we went to IPO in Tel Aviv four years ago and when we did the follow-on on NASDAQ just a year ago, we've learned something that we already knew, that there's around 45 million devices in the unattended space out there. 45 million devices, growing to 60 million by the end of 2029. So now if we do quick math, we have around 1.3 million of devices, Cantaloupe around 1.2 million, and there's a lot of small players, but I'll be very generous. I think that between 5% to 10% of

that 45 million devices are actually accepting cashless. And when I say cashless, it's not just a credit card. It might be your employee badge, it might be loyalty card, obviously, that the Apple Pay, the Google Pay and whatnot. So one, obviously, it's the cash that is competition, right? Now that we've established that only around 10%, you know what, maybe 20% is with cashless, the real competition is cash, and we believe that the replace of all of the cashless unattended solutions that are out there, we love to win some of those RFPs, of course, and we do. But it's really about finding the cash machines, how many times you went to a national park or to a parking lot, and it's a vending machine with coins and you do not have coins right now. You know, so we all do that.

So with that, we love the competition. We see them, we win them. You can't -- we are- as you can see, we're growing market share, we are growing 30%, 35% year-over-year when the market is growing between 10% to 15%. So obviously, that's taking market share. So as for competition in the U.S., we have Cantaloupe. They have- they are probably the biggest competitor in the U.S. although we see- we don't see really CPI anymore, but they have their own devices. And then you have, especially in Europe, but other areas, Asia, Latin America, you have many small players. So you would see a 15,000 devices player in Germany for cigarettes. So it's in German. It will be only in Europe. You know, and by the way, we work with them because they needed the age verification feature because you're selling cigarettes that you can only buy if you're over 18. So we're helping them to do that. But that's kind of the idea that you have. You can have a Spain competitor with 15,000 devices. So not a lot of competition and many small players.

John Coffey:

Okay. So it seems like you're saying it's fairly fragmented, especially once you go outside the U.S.

Aaron Greenberg:

It's very fragmented, especially in Europe and in Asia, and Latin America.

John Coffey:

Okay. So we just talked about some of your direct competitors, large and fragmented. And Aaron, I had a question for you. One question I could see that easily come up is, hey, this is an attractive business. You're growing, what, 3, 4x above the overall market size. why wouldn't

somebody hypothetically like Block used to be known as Square, come in, they have deep pockets, they can outcompete you for a long time. And all of a sudden, this is a brand-new market for them. But yet, we haven't seen that. So can you help explain why we haven't seen that dynamic so far?

Aaron Greenberg:

Yes. Actually, it's a great question. Many payments companies that we've seen over the years, even in the last handful of years, have tried to go into the unattended space and failed at it, really, whether it's the- you mentioned Block, but I've seen a couple of their competitors that have tried to go into the space in unattended, even I think Shift4 at one point was trying to go a little bit into unattended.

John Coffey:

One of your partners.

Aaron Greenberg:

Which is one of our partners, and that gets to the point, which is -- why is it so hard to get into? It's because of all of these integrations that are required. Nothing is standardized in the industry. It's not just plugging into a computer and saying, okay, “now you have a payment reader.” You have to be fully integrated with that automated machine, be able to get all the communications, be able to essentially manage the machine from that device, which is a lot more complicated than it sounds, and then be able to give all the insights about the machine. So it's not just being able to accept the payments. The real value add is all of the IoT software behind the scenes that we're able to give that operator, to be able to have them operate their business more efficiently. So if it's a vending machine operator, for example, it's being able to give them smart dynamic route management, be able to help the operators figure out if they have 10 or 15 vending machines in the city, what's the best route for them to be able to go and refill their vending machines or restock them?

What is the forecasting of these vending machines look like? Should they be selling more of one type of item than another? What's performing better? What's the cash versus cashless in that machine? We have lots of different insights that we can give them on a mobile application from their phone, which is a huge value add. And we do that across each of these different segments. It’s EV charging, we can give them not just the full payment

infrastructure, but also help them with some of the energy management as well. So this is what we've essentially done with the business. And so those big players that are in the industry, the Shift4s, the Fiservs, et cetera, Global Payments, these people would, generally speaking, would rather be partners with us, which most of them are partners with us, as acquiring banks and then packaging the product with us as opposed to going head-to-head and competing against us. And from our perspective, we're also not jumping into their territory, and we're not jumping into the acquiring space.

Sagit Manor:

And the easy -- the back of the envelope is the fact that at the end of the day, a vending machine, a good vending machine is doing around $400 per month income. Nayax's revenue is around 7% of it, $25, $26, $27. That's what it is. So now you think how many devices you need, you need to build that mechanism and that takes time. Considering everything that Aaron said, we have -- there's more than 3,000 OEMs out there in China, selling different vending machines, massage chairs, kiddie rides, laundromats, which the Nayax VPOS Touch has to work with all of them. So that's something that was built many, many years, now bringing another acquirer, bringing- you know, that takes time. So to build that business on a recurring revenue basis, not on a one-time, to be able to have all of those acquirers, we have more than 40, 50 acquirers that we-- that takes -- every one of them, it's now 1.5 years-ish of process. It's an automation that you need to do, right? Transaction goes. It's a nanosecond. You still want your Coke in a second. You don't want to wait. That's an integration that we're doing. That's the system capabilities that we're building with those acquirers and many, many more reasons why, at the end of the day, we do not see large players are going into it.

Aaron Greenberg:

I'll just say as well that the integrations on the acquirers can take anywhere from 6 to 18-plus months, as Sagit said. And on the OEM side, to integrate with each of these OEM machines can take as long as 3 to 6 months for some of these OEM manufacturers, depending on how complex their machine is. So you take that times the thousand or so machines that we've integrated with over the last 20 years, that's the moat in the industry. And that's why it's so hard to say, oh, if I just spend $50 million, can I go and integrate with all these manufacturers? Well, first, you have to convince all those manufacturers to also go and integrate with you, because it's not just you integrating with them. It's the other way around. Most of the integration actually comes from their side going and taking your APIs or your SDK, and going

and integrating it over time. And if they have a really good solution already, then why would they go and take all of this time to go and switch for another cashless reader.

Sagit Manor:

And Aaron mentioned OEMs. One of, as we spoke about at the end of the year when we kind of outlined the 2025 focus, one of them is the OEM. And the reason is that the OEM came to us many times, it was more of a pull and saying, “well, you're a global company, you can sell it in 120 countries. We want to work with you. I don't want to work with local that can only sell in Italy or can only sell in the U.S. We want to work with you that you can sell all over the world.” So this is, again, the global footprint that we just spoke about, helping us to even get more revenue at this point.

John Coffey:

Sure. All right. Great. That is also very comprehensive. So now I want to talk a little bit about growth and especially inorganic growth. So the company is no stranger to M&A. I know in the past, 18 months, you've developed a lot more presence in Brazil via some acquisitions. You recently became like 84% owner of Tigapo, which focuses on family entertainment, Israeli-based and then also you bought a distributor in Europe. What is the company's policy on build versus buy?

Aaron Greenberg:

Yes. So generally speaking, we've been a very fast organic growing company over the last 20 years, growing in the 20s to 30s every year for the last decade organically. And we still see that in the medium term, you know, to continue to be predominantly growing organically. That being said, we also see a consolidating industry within the unattended space. And we see a lot of opportunity, especially in the markets over the last few years, where in the small -- in the lower and middle market area in the private space, there's been some significant price dislocation because of liquidity issues and dry powder disappearing and the bigger- basically, most of the private equity that's available now, the dry powder is sitting with larger PEs that aren't going after the $10 million, $20 million, $30 million companies, which gives us an opportunity to go in almost unimpeded and negotiate with these founders. And this is largely the strategy was related to the inorganic growth now. Generally speaking, trying to acquire two to three companies a year. and it's focused on three areas. First and foremost is

continued customer expansion in the unattended space, whether that's vending, which was VMtecnologia, or coffee, for example, coffee machines from the UPPay acquisition in Brazil. We got 25,000 devices there, two very large customers in the coffee space there in Brazil. And essentially, this is what we're doing with the unattended, whether it's geographic expansion or consolidation within certain segments or certain markets, sorry.

And then with regards to distributors, that's number two in the pillar, which is consolidating our distribution channel strategically. We won't buy every distributor. We see distribution as a very strategic channel for us, and we have about 120 distributors that sell Nayax family products. But we have a lot of success over the last, especially 10 years or so going and buying some of our distributors. The U.S. is a really good example where we bought the company at the time, they had revenues of probably $4 million, $5 million. Now they're well over $100 just 10 years later and still growing very, very strong. You have 70 employees within Nayax LLC. If you consider with Retail Pro as well, it's about 130-ish employees in North America now, which is really incredible.

And then the third pillar is technology acquisition, which is normally tuck-in acquisitions that focus on filling product gaps -- and this gets to your buy versus make question. You know, most of the time, we have been building everything ourselves when it's come to the payment infrastructure. So if it's payment infrastructure, if it's the architecture behind the scenes, we built one platform essentially similar to Adyen, where we built one tech stack that essentially left us to go anywhere in the world, and we can accept on VPOS Touch payments, whether it's in Australia or the U.K. or the United States. That's how Nayax was built. Now there is software functionality that sometimes we will buy it, sometimes we'll make it -- or sorry, yes, sometimes we'll make it. So, for example, we bought Vendsys years ago, back in 2016, almost 9 years ago, which is an enterprise-level vending management solutions software, which some of our largest customers in North America use along with the Nayax payment suite. And we embedded it within the Nayax payment suite. And we decided there that it made more sense to go and to buy and expand that product line as opposed to making the enterprise VMS software, just as an example. But I would say most of the software that we have created has been made by us.

And last thing I'll say on it is just at the end of the day, right now, it's a speed game for us. We're consolidating the industry. We're growing extremely quickly, and if we have a choice of it's going to take two or three years to go and build it or we can go and buy something now and start to see instant synergies from it with our customers, then we're going to go and buy it. That's the decision normally that we go back and forth on.

John Coffey:

All right. Great. Well, we have a couple more minutes to go. And I think everybody else on the stage has been asked some macro questions, and Nayax will not be an exception. So you are a very global company, but the U.S. I think accounts for about 40% of your revenues. Given that there might be some tariffs coming in on foreign-produced tech products, and we don't make up probably a lot of the terminals that you sell, what are- how is Nayax reacting to the idea of existing and potential tariffs in the future, particularly on hardware?

Sagit Manor:

Yes. So actually, we've seen- once tariffs was announced, even the 10%, we came out with a press release that we are going to hold the U.S. prices for our U.S. customers steady. And because we have done a quick analysis, we are manufacturing our products both in Israel and in the Philippines, and that's where the tariff was one of the lowest ones, which is 17%. We took that into account and we saw that with the fact that it's 40% of our revenue and whatnot, it will have maybe 1% to 2% impact on our margins. And with the obvious that you've seen the improvement that we have done in the hardware margins, we said we are able to, you know- and more cost reductions that will happen, this will be- we can afford to absorb that, if you will. So U.S., we're not raising prices.

We are managing the situation. We're going to find more cost reduction initiatives to overcome that 1% and 2%. We do continue to monitor that about the rest of the world because, you know, if China will continue to be 145%, which right now it's 10% for the next 90 days, it might be 80%. Trump mentioned something about that. In any case, many of the OEMs, not everyone, but many of the OEMs are in China. So that will impact their exportation to everywhere else, not even the U.S., and that might have an impact. So continuing to monitor with the 10% right now, we see business as usual. We don't see any slowdown. I do believe it's just a bump in the road, to be honest.

John Coffey:

Well, then that might be a good way to end it. We're out of time. So Sagit, Aaron, thank you very much for joining Barclays today. We're very glad to have you.

Sagit Manor:

Thank you for having us. Thank you.

***