

Nayax's fourth quarter and full year 2024 earnings conference call transcript

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Operator

Hello, everyone. And welcome to Nayax's Fourth Quarter and Full Year 2024 Earnings Conference Call [Operator Instructions]. As a reminder, this conference is being recorded.

I would now like to turn the call over to Mr. Aaron Greenberg. Please go ahead, Aaron.

Aaron Greenberg

Thank you, operator, and everyone, for joining us today on this conference call. With me on the call today are Yair Nechmad, Nayax's Co-Founder and Chief Executive Officer; and Sagit Manor, Chief Financial Officer. Following management's prepared remarks, we will open the call for the question-and-answer session. Our press release and supplementary investor

presentation are available on our Investor Relations Web site at ir.nayax.com. As a reminder, during this call, we will be making forward-looking statements. All forward-looking statements on our call today are based on assumptions and therefore, subject to risks and uncertainties that may cause results to differ materially from those projected. We have no obligation to update these statements, except as required by law. You can read about these risks and uncertainties in our supplementary investor presentation released earlier today and our regulatory filings. In addition, today's call will include a discussion of non-IFRS measures. Management believes non-IFRS results are useful in order to enhance our understanding and our ongoing performance. However, these measures should be considered as a supplement to and not as a substitute for IFRS financial measures. The reconciliation between Nayax's non-IFRS to IFRS measures can be found in our earnings press release issued earlier today. All key performance indicators are intended to evaluate our business and properly measure factors in a macroeconomic environment to guide and support our decision making. These key performance indicators may be calculated in a matter different from the industry standards. And finally, please note that all figures in today's call will be reported in US dollars unless stated otherwise. Yair will start the call with key financial and operational highlights. Following that, I will speak about our recent M&As and their progress. Finally, Sagit will go through the details of financial results and discuss the outlook. And with that, I would like to turn the call over to Nayax' CEO, Yair Nechmad. Yair?

Yair Nechmad

Thank you, Aaron. And thank you to everyone joining us today. We had an excellent fourth quarter, stepping off an exceptional year in which we either met or exceeded our guidance. We advanced our strategic goals and achieved many significant milestones along the way. 2024 was turning point for Nayax as we delivered record revenue, improved our recurring revenue mix, boosted profitability, achieved positive free cash flow and grew our leadership position globally. I'm very pleased with our results and proud of the entire Nayax team whose hard work and dedication has contributed to our success. I would like to start first with our key performance highlights for the year. I will then share a glimpse of some of the recent success stories and then will discuss how well Nayax is positioned for the future and conclude with our main areas of strategic focus for 2025. In 2024, we managed to increase our adjusted EBITDA to more than 4 times to \$35.5 million exceeding our guidance. As we consistently showed over the past several quarters how approximately 30% of our incremental revenue growth is scaling to adjusted EBITDA. Moreover, we achieved positive free cash flow generating \$18 million for the year, converting more than 50% of our adjusted EBITDA into free cash flow and giving us more firepower to invest in the growth of our

business. Continuing to scale our business with increasing operational leverage is key for us as we work towards our 2028 target. Our 2024 revenue increased by 34% to \$315.2 million on a constant currency basis in line with our guidance. Importantly, recurring revenue grew 47% for the full year and now represents 71% of total revenue. As you know, the shift toward high margin subscription driven revenue is a key factor to our long term growth and profitability targets. These numbers tell a bigger story about Nayax that our strategy and mission of simplifying commerce and payment for our customers is delivering results. We are expanding our market presence, driving profitability, generating cash flow and building a brand that resonates with both customers and investors.

Now, I'd like to walk you through three key performance indicators for the full year that we consider primary measures of our growth. First, total transaction value increased 36% to nearly \$5 billion combined with a higher take rate of 2.73%. This drove strong processing revenue growth for the year. Second, our customer base expanded 32% reaching more than 95,000 customers at the end of 2024, up from just over 72,000 in 2023. And third, our install base of managing connected devices grew 21% to 1,260,000 devices at the end of 2024. A strong growth in our customer base and number of managing connected devices reflect the success of our go-to-market strategy, which leverage combination of direct sales, close relationships with distributors and resellers, OEM partnerships and our vision. Together these channels are driving our growth today and will continue to fuel our expansion in the years ahead. We are highly confident about the future with a relatively low penetration of cashless solution in both the unattended and attended end markets, we see a tremendous market opportunity for Nayax. Our TAM is large and growing, driven by the shift from cash to digital payments that is occurring globally. Consumers today not only accept but expect seamless automated transactions, creating strong demand for our end-to-end payment solutions, a trend that is only gaining momentum. Per independent research analysts the number of connected devices globally is expected to grow from approximately 45 million in 2024 to 60 million by 2029.

I'd like to now share some key development customer success stories from quarter that highlights our continued expansion in the automated self service space. In the United States, we extended our partnership with CandyMachines, an OEM in the amusement industry and we were chosen as an exclusive cashless partner for the Pelican Group, a large distributor representing thousands of operators managing more than 65,000 automated machines. In addition, Five Star, the largest of the canteen franchisee successfully completed the

integration to Nayax. We also strengthened our relationship with Minnesota Vending, moving beyond our flagship people's touch to roll out Nova Markets in their micromarket operation. In El Salvador, we launched our automated self-service payment solution, accelerating our expansion into Latin America and improving access to secure cashless payment in an underserved market. In the UK, we deployed OTI PetroSmart Fuel Management System in Tesco's UK delivery fleet, helping Tesco cut costs, accelerate automation and support sustainable operation across its fleet. In France and in Italy, we secured agreement with large buying group overseeing more than 300,000 machines, a deal that position Nayax for long term growth in the region. In Malta, we successfully installed our micromarket solution for a major international hotel chain offering its new revenue stream without increasing labor cost and reinforcing the value of technology. With each of these customer success stories and key developments, we continue to establish Nayax as the leading provider of cashless payment and management solutions, driving innovation and growth across multiple industries and markets.

Looking to the current primarily areas of strategic focus for 2025 will remain the automated self-service market along with continuing pension with a retail and energy vertical. Now I'd like to take a moment and explain our vision for each of these verticals. First, we plan to drive growth in automated self-service through our robust and diversified go-to-market strategy, which included special emphasis on OEM partnerships. We maintain direct relationship with more than 2,400 OEM worldwide. We embed our payment devices directly into their products, including vending machines, EV charger, arcade machines and more. For example, we announced a partnership with SECO to offer IoT integrated payment solution for OEM, which combines seamless secure payment with remote machine management and AI driven business intelligence. With every new machine deployed through this OEM partnerships, our ecosystem expands, ensuring we remain deeply integrated into the next generation of automated self-service devices and positioning us for sustainable long-term growth. Operators adopting these machines are seamlessly onboard and supported locally and can instantly activate our services, reducing friction and deployment and driving faster adoption.

Moving to energy vertical, we have continued our momentum as the premier cashless technology provider in the EV space by expanding our business with the recognizable charge point operators, including Electrify America, Electrify Canada and EVgo. One of our significant innovations this year, the EV Kiosks application, which utilizes the OCPI network

give us a significant edge in our product portfolio for EV payments. By being a leading payment solution provider for the EV charger industry, a rapidly expanding vertical, we ensure our long-term recurring revenue while strengthening our role in broader energy and mobility ecosystem. Regulators are increasingly requiring that EV chargers to support payment to receive public funding, which we expect to boost the demand for our payment device in this space. As the EV market scales globally, we expect Nayax to be key enabler of seamless secure payment for drivers everywhere. Finally, as announced in September, we intend to launch our e-commerce payment solution for EV charging application in the coming months in partnership with Adyen, which will give us a complete omnichannel payment solution to sell to our partners globally. Another continuing area for focus this year is retail and hospitality. We plan to continue expanding our footprint within retail and hospitality, providing customers with seamless solutions that address both the self-service and unattended needs. With our unified technology stack, we enable a single integrated solution that combines all transactions into one seamless checkout. Our platform replace the complexity of multiple vendors and different payment systems with a single solution, simplifying payments, providing real-time cash flow visibility and ensuring a better guest experience.

In Q4, we announced the expansion of our Nayax Retail program in Continental Europe and we started to gain an initial presence in North America at the end of the year. Accessing these markets isn't just about payment but offering seamless all-in-one solution and has provided complete commerce ecosystem for its customers, fueling our growth and differentiating us from other players in the market. As we enter 2025, I'm excited about the near-term opportunity in front of us. While we continue to pursue strategic M&A, organic growth remains our primary building block and will continue to be the main driver of our growth. We are building a scalable, profitable business and everything we are doing today is about positioning Nayax for sustained success. We are confident that we can consistently expand our revenue and margin over the coming years to achieve our 2028 annual revenue growth target of 35% with 50% gross margin as we continue to grow our recurring revenue in general and such revenue in particular as a percentage of our overall business. We are also reaffirming our guidance for 30% adjusted EBITDA as we continue to drive operating leverage and efficiency. With that, I'll turn over to Aaron Greenberg, our Chief Strategy Officer, who will discuss our recent M&A and future inorganic growth strategy. Aaron, please take it from here.

Aaron Greenberg

Thanks, Yair. And thank you everyone for joining today. I'm excited to walk through our inorganic growth strategy, highlight the opportunities ahead and share how we're executing this part of our growth plan, which complements the organic growth of the business. Let's start with our global expansion. In 2024, we continued to build a unified end-to-end payment ecosystem centered around automated self-service machines. A key part of that strategy is expanding in high-growth markets, and Latin America is at the center of that push. Our purchase of VMtecnologia opened the door for us to Brazil accelerating our positioning in Latin America. In Brazil, there are more than 200 million people, a rapid adoption of automated self-service and strong demand for modern payment solutions. We're already seeing the impact with it being one of our fastest growing regions as we look into 2025. Another strategic acquisition in 2024 was Roseman Engineering. With Roseman, we filled a critical gap in technology for gas stations, allowing us to launch our pay-at-the-pump solution. In Israel alone, we expect 3,000 connected points across 450 gas stations by mid-2025, with existing active customers, and we're already gearing up to expand this vertical into Europe and the United States. This is important because we can now address the entire forecourt ecosystem, fuel pumps, EV chargers, air vacs, car washes, and in-store purchases, all with a single integrated payment back end. This isn't just about adding another revenue stream, it's about transforming how forecourt payments work globally, which traditionally was fragmented with multiple legacy software and payment vendors and platforms.

In the past week, we announced the acquisition of UPPay, which was designed to strengthen our presence in Brazil, a key market of ours. This acquisition more than doubles our connected devices footprint in Brazil, adding over 25,000 connected devices primarily in self-service coffee vending machines. UPPay manages the network, two of the largest coffee operators in Brazil, and supports hundreds of other customers. By integrating UPPay with VMtecnologia, we're not just growing our network, we're creating a stronger, more scalable platform that accelerates our expansion across Latin America. Our intention is to quickly integrate UPPay under the management of VMtecnologia, which we are now planning. Finally, I want to provide a short update on the retail vertical. We have been successfully integrating Retail Pro into Nayax Retail, launching a wider offering at NRF in January. We integrated our payment gateway into Retail Pro and are working on penetrating our payment solution into our existing software customers. In addition, we are leveraging the wide distributor network of Retail Pro to cross sell the Nayax Retail cloud solution as well as other products within the Nayax ecosystem. Looking ahead, M&A remains a strong part of our six-leg strategy, which will complement our organic flywheel effect. We continue to

evaluate and execute M&A prudently and we are seeing many attractive opportunities in our pipeline. To wrap it up, 2024 has been a year of strategic execution. Latin America is booming, with Brazil leading the charge. Our acquisitions are performing well, strengthening our platform and opening up new market opportunities. And with a disciplined M&A strategy, we're staying focused on high growth market and high impact opportunities. I'm excited for what's ahead and I look forward to sharing more in the upcoming quarters. I would now like to pass the call over to our CFO, Sagit Manor, to go over into more detail our financial results and provide our outlook for 2025. Sagit?

Sagit Manor

Thank you, Aaron. And good morning, good evening, everyone. We appreciate having our shareholders, analysts and the entire Nayax team with us today as we review our results. I'll start by reviewing our financial performance for the full year and for the fourth quarter, and then I will discuss our outlook for the full year 2025, and finally, address our 2028 targets. Starting with our full-year results. Revenue reached \$314 million on a reported basis, an increase of 33%. On a constant currency basis, revenue reached \$315.2 million, which represents a 34% increase and is in line with our guidance and consistent with our target growth expectations. This represents an impact of approximately \$1.2 million due to foreign currency volatility. Organic revenue growth for the year was 23%. Our recurring revenue engine remains our powerful growth driver. Payment processing fees and SaaS subscription revenues increased by 47% year-over-year to \$222.3 million, representing 71% of our total revenue. Specifically, processing revenue grew by 45% to \$133.8 million for the year, driven by three main drivers; first, the impressive increase of 21% in the installed base of managed and connected devices; second, a 36% increase in dollar transaction value; and third, a higher take rate of 2.73%. This processing revenue growth demonstrates our success as a scalable and valued payment partner for our diverse customer base as the market continues its cash-to-cashless conversion.

For more visibility into our solid recurring revenue business model, we are providing for the first time our average revenue per unit or ARPU for the year that increased to \$215, representing an increase of 12% compared to \$192 in the prior year, driven by an increase on the cash to cashless conversion of existing machines with Nayax and high processing ATV verticals such as micro markets and energy. To be clear, our ARPU is calculated using our total recurring revenue for connected devices divided by the number of connected devices for the trailing 12-month period. Hardware revenue grew 9% for the year with strong demand for

our end-to-end automated cashless product solutions and technology, supporting both the unattended and attended markets with managed and connected devices growing 21% year-over-year and reaching 1.26 million devices, we continue to see strengths and expansion opportunities in markets like EV charging, retail and parking.

Moving to profitability and margins. We drove a significant margin expansion in 2024 through initiatives to improve efficiency in payment processing and optimized cost factor, improving our gross margin to 45.1% from 37.5%. In term of gross profit, we generated \$141.5 million, an increase of 60% over the prior year. Recurring revenue saw a strong gross margin expansion, which improved to 51.3% from 47.9%. Specifically, processing margin improved to 34% from approximately 29% as we renegotiated key contracts with several bank acquirers and improved our smart routing capabilities. We expect to see these initiatives support our improved margins over the coming years. On the hardware side, margin exceeded our guidance of 30% plus as we continued to improve our supply chain efficiency and negotiated better component costs. We achieved positive operating profits of \$3.1 million for the year, an improvement of \$15.5 million from an operating loss of \$12.4 million in 2023. The loss for the year was \$5.6 million, an improvement of \$10.3 million compared to prior year. Adjusted EBITDA reached \$35.5 million and was higher than our guidance range of \$30 million to \$35 million, rising approximately 4 times from \$8.2 million in the prior year, highlighting the inherent operating leverage of the business. Just as importantly, we achieved cash flow from operating activities of \$42.9 million compared to \$8.8 million in 2023. We also achieved an impressive positive free cash flow of \$18 million for the year. This equates to converting more than 50% of adjusted EBITDA to free cash flow.

Turning now to our quarterly performance. This was another quarter of solid execution of revenue growth, margin expansion, improved operational efficiency, record-high adjusted EBITDA and positive free cash flow. Revenue for the fourth quarter was \$89 million, increasing approximately 34% year-over-year. Recurring revenue increased by 49% to approximately \$63 million and represented 71% of our total revenue in Q4 this year. Processing revenue grew by 44.6% to \$37.6 million in Q4. Hardware revenue in the quarter was \$26 million, a 7% increase over Q4 2023. In the quarter, we added approximately 33,000 managed and connected devices. This impressive revenue growth highlights both our expanding market presence and the increasing adoption of our platform. Let's now dive into our profit metrics for the quarter. Gross margin was 46.1% for the quarter, up from 39.9% in Q4 last year. Recurring margin increased to 53% compared to 49.3% in prior year quarter,

driven by significant reduction in transaction costs. In addition, hardware margin reached 29.4%, up from 23.6% in prior year quarter, reflecting the significant positive impact of our strategic efforts to streamline our supply chain in recent quarters. In terms of gross profit, we generated \$41 million, an increase of 54% over prior year quarter. Adjusted OpEx of \$29 million decreased to 32.6% of total revenue, which again is a testament to our disciplined cost management. Adjusted EBITDA increased to a record quarter high of \$12.8 million, representing 14.4% of total revenue, a solid improvement of nearly \$9 million compared to last year's fourth quarter, highlighting the continuing scaling and the operating leverage of the business. Operating profit reached \$3.6 million compared to an operating loss of \$2 million in the same period last year. Net income for Q4 was \$1.6 million, an improvement of \$4.9 million compared to a loss of \$3.3 million in Q4 last year as we continue our journey towards sustainable profitability.

Turning to our balance sheet. Our cash position remains strong with cash and cash equivalents and short-term deposits totaling \$92.5 million while short and long term debt stand at \$47.9 million, maintaining a solid balance sheet and net cash position. Turning now to our guidance for 2025. I'm referring you to our forward-looking information and disclosure in our press release and in the 20-F. We expect revenue growth of between 30% to 35%, representing a revenue range of \$410 million to \$425 million on a constant currency basis. This includes organic revenue growth of at least 25%. Our guidance for adjusted EBITDA for the full year is between \$65 million and \$70 million, driven by continued revenue growth, market expansion, the full integration of recent acquisitions and continuous operational optimization. We also expect at least 50% free cash flow conversion from adjusted EBITDA for the full year 2025. As for our 2028 target, we continue to project an annual revenue growth of approximately 35%, driven by a combination of organic growth and strategic M&A. We also continue to target the gross margin of 50% and an adjusted EBITDA margin of 30% as we continue to drive high margin SaaS revenues and operational efficiency. In closing, we are proud of our Q4 and full year 2024 overall performance and results, which included significant revenue growth and margin expansion, robust operating leverage and cash flow generation. We are extremely well positioned for future growth in 2025 and beyond as we continue to grow our installed base globally and capture market share. We'll also continue to focus on scaling our recurring revenue streams, in particular our payment processing capabilities, which benefit from the conversion trend of cash to cashless transactions. I now turn the call over to the operator for our Q&A session. Operator?

QUESTION-AND-ANSWER SESSION**Operator**

Thank you [Operator Instructions]. And our first question is from the line of Hannes Leitner with Jefferies.

Hannes Leitner

I got a couple of questions. Maybe we can start with the 2025 guidance and basically the minimum organic 25% growth. Maybe you can talk here a little bit about the moving parts and then also the phasing between the quarters in 2025. Then maybe we'll move over to EBITDA. EBITDA was well ahead in Q4. Maybe you can talk here where on the OpEx side you really have to leave us to keep the costs quite tight and how should we bridge that into next year? And then the last question would be on cash generation this year. Your net debt -- your net cash position changed by 5 million, which stands in a quite good relationship to your free cash flow generation. Now you expect around 33 million free cash flow. So how should we think about the absolute cash generation next year? And then maybe I have a small follow on.

Sagit Manor

So generally speaking about our 2025 guidance, exactly as you said, we're excited about the 30 to 35% increase year-over-year that is comprised by, continue to expand our market share, the customer base, the recurring revenue side that is around 70% of our business and the number of customers, right, the managed and connected devices, the number of customers that we are continuing to show the beautiful increase quarter-over-quarter. Specifically about the 25% organic growth, we wanted to be more transparent to our growth expectations or aspirations when we go into 2025. And we believe that this represents a healthy organic growth that is combined by the unattended and attended businesses that we are building in some cases already there. So your question about how the quarters will be progressed along the 2025, it will be more or less the same from a seasonality perspective as we saw in 2024. So Q1 is a little bit lower than Q4 of 2024 then starting to grow beautifully to reach our guidance as provided.

I believe you also asked about adjusted OpEx. We're really proud about exceeding the expectations on our adjusted EBITDA that comes from two main items. One, our ability to grow and expand our margins, both on processing revenue that grew beautifully as well as the hardware margins that again exceeded the guidance of 35% as well as OpEx efficiency where we show that over time, and if you look at it annually, over time, the percent of the adjusted OpEx from overall revenues is going down, hence the overall \$35.5 million adjusted EBITDA that we've shown. Adjusted OpEx specifically for this year was affected by both organic and inorganic expenses that once we start the migration and we start the integration of those acquisitions, OpEx supposed to go significantly lower as you can understand from our 2025 guidance. And lastly, about the cash generation. Yes, very proud about the 50% free cash flow conversion that we already showed in 2024, this \$18 million over \$35.5 million and we expect in 2025 to be in the same level of free cash flow.

Hannes Leitner

Maybe just a little follow-up, because in terms of the growth rate when you look at -- calculating the M&A contribution in the quarter, Q3 and Q4 were around 20% of growth. So I was not like now 100% clear where the leaving parts are for the confidence to that organic growth should accelerate to 25%? I mean, even the 20% are very solid foundation. So maybe you can just double click on those moving parts.

Yair Nechmad

I think Nayax is building a platform in a way that in many aspects touch two point. One is product fit to the market and the second part is scaling the business with the go-to-market. We have a high confidence regarding the second part of the business because product fleet we feel very good about where we're standing and we are improving this. But in terms of go to market we have always the challenge to build channels that will open the door and will have more vertical customer visibility. We have confidence regarding the OEM that we built, a very strong powerful -- I think we put it also in the presentation that we are seeing that we're increasing the OEM. We have a very strong partner subsidiary company in China and we have already signed that we're signing contracts with many OEM. The OEM, the advantage of them are huge regarding opening up the door for reaching out to customers and the cost of acquisition relating to the OpEx around this is very, very low. So all of this give us the confidence that the growth of the 25% organic through this OEM is very strong. On top of it, we're reaching also to ODM, the one that really supports the OEM, meaning like we signed with SECO, a company in Italy that is doing actually screens and within the screen they

will put payment and that screen will go to smart machines like coffee machines or any other machines. This gives us a lot of confidence that along the years it will make sense that we'll gain market and we'll gain more what you call growth in the organic way that we're operating.

Operator

The next question is from the line of Sanjay Sakhrani with KBW.

Vasu Govil

This is Vasu Govil filling in for Sanjay. I guess first question I also had was on the outlook. Just based on the guidance you've given, it seems like you're assuming about 25 million of contribution from M&A. It would be really great if you could sort of parse out how much of that is coming from deals you've already announced versus deals that are yet to be completed and what the M&A pipeline looks like?

Aaron Greenberg

So with regards to the M&A, split it up between the existing that's already been completed and announced over the last week versus what's in the pipeline. With regards to what has been existing and it's already done. Roseman and VMtecnologia were done last year. And then we did two M&As in the last week, one was an M&A and one was a consolidation that we did where we owned about 54% of Tigapo. And then we've consolidated the majority of it now to about 85% and consolidated the financials. And then with regards to UPPay, we purchased the company in Brazil on Friday. Those four deals are about \$10 million of contribution right now on the inorganic side. And as we look towards the rest of the year -- that's for our projection for this year with regards to those four. And then with regards to the rest, we believe -- we feel very confident with regards to the existing pipeline that we have to be able to bridge the gap of what we've targeted for this year with regards to the inorganic growth.

Vasu Govil

And then I know last quarter you guys had called out some certification delays on the POS side. Just any update on where we are with those and how you were thinking about the mix

of POS versus recurring revenue going forward? Should we expect the POS mix to keep coming down slightly as we saw this year?

Yair Nechmad

We're talking about the last I think two -- previous two quarters that we talked about the EV certification. It's not regarded to the process, it's regarded to the whole system. And we passed this and we'll gain what we call the sales of this customer within this year. So we test this and crossing all the labs that needed and we moving forward with the customer.

Sagit Manor

And it's also important maybe to mention, to add to Yair, that managed and connected devices grew 21%. So, remember that we may have a low feature, low cost product that we are selling as part of our OTI line of business. However, at the end of the day we'll drive the recurring revenue, we'll drive the flywheel as we like to call it. The growth machine is really the managed and connected devices that grew 21%.

Vasu Govil

And if I may squeeze in one last one. Thank you for the ARPU disclosure, that was really great. And it grew 30 -- it seems like it grew double digits, low double digits this year. Just curious how we should think about ARPU expansion as we going to '25 and the key drivers there?

Aaron Greenberg

So, this was an ask that we got from many people. And we believe that it's prevalent at this point to show to the investors about the growth that we see on our existing devices. It's really important that we're not only growing organically from new devices but also we're continuing to expand from the existing devices, and it's coming mostly from the conversion of cashless -- of cash to cashless. So, what we're seeing is that even in the existing machines that we have, a large portion of those machines are still happening in cash and we're seeing that conversion happening over time over to cashless. And so even with the existing machines, yes, you have price increases, inflation and some people are increasing their prices on the vending machine, on snacks from \$1.25 to \$1.50 whatever it is. At the same time, we also see more cashless transactions that are happening in those existing machines, which is why we're

seeing processing rates higher than the overall growth of our business and we expect this trend to continue over time. The third part to why the ARPU is continuing to go up is the shift in the mix of our business organically. We're starting to see higher ARPU businesses, verticals such as micro markets, EV charging, gas stations, car washes, things like that that have higher processing rates, higher volume that's coming through those devices.

Operator

Our next question is from the line of Josh Nichols with B. Riley.

Josh Nichols

Great to see the great operating leverage flow through for the year, expectations for 2025. Just wanted to drill down a little bit also echoing good to see the ARPU disclosures. As the company looks to kind of maybe move upmarket a little bit, expand the average connected devices per customers. How do you see that trending over time as we move through 2025 overall, how that could impact the business and the scale efficiencies?

Yair Nechmad

I think we have the same -- in the context of 20 years that we're doing this business, it's the land and expand that's really working very well. And to remind everyone that until 2021, the company was a good start company by the founders. So all of this land and expense and all the strategy really kept the company alive and I think we're accelerating this. I think there is a lot of room within the existing customers to grow. We did some research of at least 50% to 60% of the customers are not really equipped with all the cashless equipped with their machine. So, we're feeling very confident that for the next few years, there is much more room to grow within the existing customers. And it's not changing, the rate is not changing, it's keep on going. And we are riding on a trend, on the consumer trend of digital that is really pushing and booming all over. And Nayax is all over the world in terms of almost 120 countries. So there's so much room to grow with so many customers and the internal land and expand is really, really working very well for Nayax.

Josh Nichols

And also, the healthy cash flow conversion, 50% plus EBITDA to free cash flow conversion also expected in 2025. If we just kind of zoom out a little bit, there's still ample room for very healthy EBITDA margin expansion as you kind of outlined in your long term 30% EBITDA margin target. Can you talk a little bit how you expect that free cash flow conversion could potentially improve as you start moving closer over the next few years to that higher EBITDA margin target for free cash flow?

Yair Nechmad

I will start and maybe Sagit will continue. First the mix between the SaaS and the hardware is much more, of course tending to the SaaS level. And as long as we're growing with the SaaS level, the cash conversion is much better as we all know about this. And you can see in the past how it was like 2021 and what's going on right now in 2024 and onwards what we are focusing to 2025. So it's naturally that the cash conversion on the SaaS level will be better than the hardware by itself. And regarding the OpEx, we think that we are in what you call full control in terms of the expenses. And the second part of the equation is of course we are volume company. So, in terms of the margin, we can really control the margin that we are either gross margin of the hardware and gross margin of the processing. All of this is in a better shape regarding the position of Nayax to have a better cash conversion that's how we see the growth of the business to reach out to a 30% adjusted EBITDA in four years. Maybe Sagit would like to add to this.

Sagit Manor

Just maybe one item as we're not, you know providing the free cash flow in our 2028 target. However, just to show that even in Q4, if you look at our adjusted OpEx or even just OpEx as an overall that was around 40 million and you look at the operating profit as it is that was around 4 million, you already see that 10% conversion from an investment to operating profit. And that's what we like. And obviously that's an improvement that we've already showed in the last five or six quarters as we continue the progress of -- from a company that is focusing on growth, to focusing on profitable growth, to focusing on cash flow and positive and growing -- going towards net income.

Josh Nichols

And then last question for me, very healthy margin expansion, both on the hardware and also the recurring revenue piece. If you could just elaborate a little bit on expectations for how those could play out. Clearly, I think the recurring revenue piece is going to continue to scale from the levels that you kind of achieved but also hardware margins were kind of above the company's target expectations for those throughout 2025 relative to 2024?

Yair Nechmad

Again, maybe I will start and then Sagit will continue. I think we're in a great position in the market in terms of what we call, buying the hardware and buying the processing. We have a high leverage in terms of volume. We have -- in the hardware side, we are also -- you have to remember that we are the design of the product. This design of product already we benefit from it in the past regarding the COVID shortage, the supply chain shortage, that help us really to cross and not stopping our production. And now of course when we getting to the scale and now we're putting more innovation to the hardware, we can redesign our hardware and it's not coming that -- I don't think that anyone else can buy product out of the shelf and get this margin in the way that we are operating. So we have to be really fully on it on the hardware side, and it's paying off for us very nicely. And I think, we should have some more room on this or at least we're targeting more for this. Regarding the processing, now it's coming very vivid that we are gaining what you call the volume and the way that we can negotiate and buy our processing way with our partners, with our vendor. But not just this, we can also have a very nice way to route transaction according to the size of the transaction, the MCC of the transaction to different acquirers and based on this we can optimize in the cost. All of this is really, what we call, the volume that -- the volume and sophistication that we bring into our bottom line. So either it is in the processing or that is in the hardware, we have a full -- I think, full rate position in the market to gain more and more margin on this.

Sagit Manor

And maybe to add on -- and thank you for recognizing the improvement that we have done working on it really hard on the margin expansion. So from a processing perspective, we focused on two. One, renegotiating our contract with each of our acquirers. We have a very strong purchasing power. We did almost \$5 billion of transactions that went through our devices and significant increase from the \$3.6 billion that went through our devices last year. So that's a very strong purchasing power to go and renegotiate the fees that we're paying

on any transactions that are going through our devices, that's one. And the second thing is that we've implemented the smart routing. So as you know that very well that for every transaction that's going through our devices, we have the benefit of deciding where to pass it through while meeting all of our agreements with our acquirers and yet to be able to keep it as low as possible for Nayax, but still the customer will get the Coke or the snack in a nanosecond. So that's about the processing. And as Yair mentioned on the hardware, and maybe to emphasize here, we all know that nothing came back to the pre-pandemic prices. And yet, not only that we were able to reach the 25%, 27%, the pre-pandemic percentage of hardware margins, we were able to exceed that and we are now in the 30% plus margins. It's exactly as Yair mentioned, the fact that we are designing and developing the product in-house, we have that flexibility. And we are able to continue to drive component cost reductions and any supply chain improvement and initiatives to make sure that the hardware is still the best in town, yet cost effective.

Operator

The next question is from the line of Nik Cremo with UBS.

Nik Cremo

First, I just wanted to go back to the 2025 revenue outlook. Can you just discuss some of the sources of visibility that you have for the guided acceleration in organic revenue growth versus 2024, perhaps some of the partnerships that you signed in Q4, the Pelican Group or the large one in France and Italy? And then how should we think about the growth on a relative basis for the three revenue lines in 2025?

Yair Nechmad

Again, I will start and maybe Aaron and Sagit will continue. I think we're demonstrating regarding the growth with partnership, either it is, as I mentioned, potentially SECO that we have an agreement with or potentially opening the door to discover to come in and increasing the revenue for our customers and then for our revenue as well or any kind of agreement with resellers or existing customers like Five Star that are taking us to the next level. All of this is part of building channels or existing customers to continue to work with. I think we have a very strong and good transparency to see where we are going on this level. And with the land and expand, as I mentioned earlier, it's giving us the confidence that the

growth is actually built into the company. If we take it to the numbers, so just for the sake of -- I'm calling this the gross number. If you're doing \$63 million over here this quarter in terms of SaaS revenue and we have a built in potentially 25%, 30% net retention dollar and new calculate this, it's almost reaching out to \$300 million. We sold, last year, I think \$80 million or \$90 million in terms of revenue. So we have -- we already built in the company as is potentially with \$400 million. So our expectation to reach out to the 410, 416 is not outreached from our perspective regarding the team, the quality of the team, the skills of the employees, the brand recognition. All of this is really opening us to the level that we can say it's achievable and it's actually building up from bottom up not just from top down.

Aaron Greenberg

I would add that I think that one of the key areas that we've been focusing on over the last year has been pushing into the OEM market, which we've mentioned a couple of questions ago. But I want to stress that a little bit more, because as you can see, we're growing in the 20s right now just on the managed and connected devices side, and that's been part of the acceleration of the flywheel effect. At the end of the day, the managed and connected devices drives processing. And we see 70% to 80% of our revenue is on a year-to-year basis, is coming from the existing customers with a nearly 130% net retention rate. That's the initial flywheel effect. But what we're seeing is that as historically over the last 20 years we've been focused more on the retrofit. What we're starting to see is that we can actually get all the way to the beginning and get into the OEM machine from the factory level. And that's where we're really starting to push a lot of our sales people into, we're expanding our China team, which is with the OEM manufacturers who are exporting to other countries and actually embedding our devices into the machines at the beginning, which gives a level of stickiness and quantity, scale that we didn't necessarily have all the time in the past where we have all these small businesses, you have to sell one and twos to each person. Now we're selling from the OEM level. And then when the small business is coming in and saying, hey, I want to go and buy a vending machine, they're buying it already with the Nayax device in it. We don't actually have to sell it to the end customer, which is a much stickier way to actually go and fill with a much lower CAC at the end of the day. And that's what we're really starting to see some momentum.

Yair Nechmad

And I think to add to this, the tailwind of verticals that is growing quite nicely. And we don't see it or potentially the market don't see it yet, but we see potentially what's going to happen

in the next few years is the electrical vehicle. And adding up to what we say about the OEM, one of the key players on the OEM channel is the EV OEM. And over there we have a very strong hold in terms of our China office to built in OEM device, payment device, either it is small device that is like 10% of the cost of the hardware that we're selling as a retrofit or it is an improved device that can manage the whole A/C charger, the load charger. So we see this kind of thing that's going to happen in the next maybe potentially as we see this in 2025. But onwards in 2026 and onwards, it will be very, very strong part of the channel of the growth of the new devices coming into the market.

Nik Cremo

For my follow-up, I just wanted to ask about the strong improvement in the payment processing gross margins in the quarter. Can you just put a finer point as to what they were in Q4 and where you see them going in 2025?

Sagit Manor

So, the payments processing margin improvement was two reasons. One, it was about renegotiating with our existing acquirers and being able to improve the cost structure that we have with them. And the second item was about the smart routing that, as I mentioned, is helping us to route the transaction where it makes more sense for Nayax and yet the customer can get the product very fast. I just want to make sure that I answer the question about the processing margin expansion.

Nik Cremo

Understood on the drivers of the margin expansion. I'm just curious as to like what the margin was in Q4?

Yair Nechmad

The specific margin on Q4 of the order processing?

Aaron Greenberg

It was 36.3% in Q4, and it's in the press release. We split it up.

Nik Cremo

And where do we see this going in 2025, because that's a big improvement?

Sagit Manor

So, I would say that in the year, it was around 34% and we are expecting that to continue around that area. Obviously, we will continue to work on expansion as we showed this year. But in the outlook, you should assume the same beautiful margins that we were able to show improved -- significant improvement. I think it was more than 700 basis points from last year.

Operator

The next question is from the line of Cris Kennedy with William Blair.

Cris Kennedy

Just wanted to go back to the ARPU, really appreciate you disclosing that. Is there any way to think about the ARPU between different categories, whether it's micro markets, traditional vending, energy, retail, whatever you want to talk about?

Aaron Greenberg

With regards to the ARPU, this is the first quarter that we're mentioning it and giving this disclosure. There's a mix of where the ARPU is coming from obviously with most of it still coming from the traditional unattended segment, which is the majority of our business right now. And while we're not going to split up the ARPU by vertical, it's important to mention that things like micro markets and EV, which I mentioned before, are starting to drive the ARPU up, in addition to, again, the existing devices and seeing more processing coming from those existing devices. So between the two we start to see the mix start to go up.

Yair Nechmad

Maybe to add to this, Cris, I think what we're looking at -- again Nayax is a payment company. We're looking through the volume. We believe that the more -- we have more customers and the ease of doing business with Nayax is easier, and of course we are riding on the trends of consumers. So we believe the payment is the big part of what we would see in the ARPU growth. This is something that you already can see this in our Q-over-Q in terms of the growth. And we believe that the idea behind this is to be very efficient and effective to the customers and what you call leap upon the processing growth, which is naturally coming and be very effective and efficient in the way that we are acquiring our processing.

Cris Kennedy

And then just kind of on the similar line, but when you think about 2028 and your targets, is there any way to think about what your business mix will look like then versus where it is now? Here, you talked about growth of EV as being a big driver of going forward.

Yair Nechmad

I think for a few times ago, we talked about this, it's hard to predict exactly. But I think what Nayax has in our hands today and what we see into the near future, like '27, '28, is the unattended is the majority as we look at this, and part of it is the EV. But if we split between the unattended and the EV but potentially the EV it depend on of course the macro level what will happen, can be, I think 10%, 15% of the total unattended. And on top of it, we have the retail and all of this together coming to around the billion dollar revenue company that we aspire to do in 2028. But I think summary it up, it's unattended with the EV, which is the majority of the business.

Operator

The next question is from the line of John Coffey with Barclays.

Owen Callahan

This is Owen on for John. Just another very solid quarter top line growth north of 30%, but wanted to kind of compare that to the 2024 guidance expectations. I believe Retail Pro and

CoinBridge were a benefit in the quarter. But just interested if maybe there were not as much of a benefit as you'd hoped or any unforeseen kind of softness in Q4 specifically that you might call out, any sort of color there would be helpful?

Yair Nechmad

Maybe I will start and then Aaron and Sagit will continue. I think to summary it up what we see in the market, actually -- we have actually -- internally how we see competition is two fold. One is against cash, which is quite clear that with what we're doing. And the second thing is against time, because we don't see any headwind regarding competition or regarding something that hold us back. It's always potentially the channel or the go-to-market execution, in terms of timing, how to achieve this. Part of it is the product readiness fully readiness to scale. Potentially CoinBridge is not there yet. While we expect it to be more than what we thought but we are really very confident and believe that things will come together. That's why we can see '28 in a way that we can calibrate our growth and reaching out to the targets. So far, some aspects are not really fully materialized. It is in the range that we believe that we can achieve on a year-over-year basis. So it is a number that we are very pleased with according to what we see, but again, we don't see any headwinds that hold us back from the growth.

Sagit Manor

And maybe to add that if you just go -- I love the back in the envelope calculation, right, it always works. And basically this is where we are today, which is almost 35% year-over-year growth with \$315.2 million of revenue, which is within the guidance on a constant currency basis, obviously. But if you look at Q4 and processing -- recurring revenues, it was around \$63 million and you time it by four and then you add around 30% net retention rate that we have, you're already in the \$330 million of revenue. And we know how to bring \$90 million, \$100 million dollars of revenue on an annual basis, that's what we know between hardware, between additional customers, 4,000, 5,000 customers a quarter. We know how to bring 200,000 plus managed and connected devices that's creating that flywheel and improve and increase the revenue. So we feel very comfortable with the guidance of revenue that we provided and the top line growth that is expected.

Owen Callahan

And then just a super quick follow-up on the M&A pipeline. I appreciated the discussion from Aaron, but just interested on the kind of opportunities you see. You talked about UPPay kind of factoring into 2025. but specifically with the opportunities you see kind of still within Brazil that's been a strong market for you or any other kind of specific places you see kind of that pipeline maturing? Just any more color there would be super helpful.

Aaron Greenberg

With regards to the M&A pipeline as we're in 2025 and beyond, I go back to the three segments that we've been talking about over the last year with regards to the M&A strategy, which is geographic expansion, consolidation of the channels and then technology acquisitions. With regards to Brazil specifically, I think we see a lot of opportunity there. UPPay was an amazing acquisition. We feel that it's very strategic for us in the Brazilian markets. They have a very good position in the coffee space specifically, which is a unique segment but a very fast-growing segment and one that has a lot of potential for us. And we can believe that we can even take that technology potentially outside of Brazil, which has upside optionality in the purchase. As we look at -- going forward, I think there's more opportunities in Latin America for sure. We're also looking heavily in the APAC region. These are two regions that I mentioned over the last year are focus point and continue to be a focus point. And in addition to that, we are looking at some of the distribution networks that we've had. We have 120 distributors around the world. We've had a lot of success over the last 10, 15 years in buying some of these distributors, setting up local offices and seeing the revenue synergies from not just getting closer to the customer but expanding that local office and putting the resources into that office. And I believe that we'll continue to see some upside there as well.

And finally, we are looking at technology acquisitions as well but very prudently looking at these, even when we're looking at a technology company that might add some sort of feature or product. We're looking at these as tuck-in acquisitions that complement the existing platform that we have. Generally speaking, it's a software-based platform. Retail Pro's a really good example of that where we can add our payment to it or VMtecnologia where it's a combination of geographic expansion, and we have the ability to add our payments to it. And those are the types of acquisitions that we would be looking for on the technology side. Finally, I do see that the unattended industry in general has been rapidly consolidating. I believe it's a very fragmented industry with a lot of very small players. And I

believe that, again, there's going to be a lot of really interesting opportunities over the coming years here. And we're seeing great value right now in the private lower middle market space with all the acquisitions that we've done in the last year and a half being sub 10 times EBITDA in purchase price.

Operator

Our final question's from the line of Rayna Kumar with Oppenheimer.

Rayna Kumar

Just looking for some more color on your 2025 guidance. What are you looking for for FX headwinds for '25? And obviously your take rate was nicely up this quarter. Is that sustainable going into 2025? And just finally, any color on how revenue growth and EBITDA growth could look by quarter, can you give us some sense of cadence?

Sagit Manor

So yes, 2025 would be as strong as 2024 was. We see exactly the same tailwinds, cash to cashless conversion that exists. The demand is continued to be strong from -- so that's from kind of from a revenue standpoint. Our go-to-market strategy is still working. So the land and expand on one hand and new customers large as well as small growing as well in the same pace. We've added verticals that were small in 2024 and before are growing this year and at a very nice level. And so, all in all, we feel very comfortable with the 2025 top line as well as with the profitability that we are continuing to expand and as we showed in 2024 that will continue in 2025 as well. With respect to the margins and adjusted -- to the -- in the quarter of how it's going to look like. 2025 is actually going to look very similar to 2024, both from a seasonality standpoint. If you look at the revenue, a percent from the total revenue, that's going to be more or less the same when you look at 2025. Also, hardware versus recurring revenue in the quarter will be more or less the same as it was in 2024. So actually very easy to project in that perspective. And we obviously have a follow-up later on so we can share a little bit more about the in between the quarters.

Yair Nechmad

I just want to add as well just on the headwinds related question. It's important to mention that we have a very diverse and resilient business, in general. The unattended business has been very resilient over the years through COVID, through the pandemic, through ups and downs of each geographic location. At the end of the day, these \$1, \$2 transactions tend to not have a material difference quarter-to-quarter or with macroeconomic trends. And because of how diverse our business is we have roughly 45 different unattended verticals and different end segments. We're expanding the segments that we're in and we're becoming more diversified in terms of the actual mix between those unattended segments and now we're adding attended as well and other products. We believe that over time it's going to remain a pretty resilient business.

Operator

And at this time, we've reached the end of our question-and-answer session. Now I'll hand the floor back to management for closing remarks.

Yair Nechmad

Thank you all for being here today. This year results reflect our strong momentum and achievement fueled by our commitment to sustainable and profitable growth. We remain very confident in our ability to create lasting value for our customers and shareholders. I want to extend my gratitude to employees, to our partners for their dedication, which has been instrumental in reaching this milestone. As we step into the next phase of our journey, we are excited to build on this foundation and drive even greater success. Thank you all for joining us. Have a nice day.

Operator

And this will conclude today's conference. Thank you for your participation. You may now disconnect your lines at this time.
