

Nayax's third quarter 2025 earnings conference call transcript

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COMPANY PARTICIPANTS

Aaron Greenberg - Chief Strategy Officer

Yair Nechmad - Co-Founder and Chief Executive Officer

Sagit Manor - Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Hannes Leitner - Jefferies LLC - Analyst

Sanjay Sakhrani - Keefe Bruyette & Woods Inc - Analyst

Josh Nichols - B. Riley Securities Holdings Inc - Analyst

Cristopher Kennedy - William Blair Capital Partners - Equity Analyst

Operator

Hello, everyone, and welcome to the Nayax's third-quarter 2025 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 website 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 of our ongoing performance.

However, these measures should be considered as a supplement to, and not as a substitute for IFRS financial measures. A 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 circulated in a manner different from our 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, 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's CEO, Yair Nechmad. Yair?

Yair Nechmad

Thank you, Aaron, and thank you, everyone, for joining us this morning to discuss our results for the third quarter and the progress we are making across the business. It was another strong quarter for Nayax, reflecting the continued execution of our strategy and our focus on profitable growth.

We delivered strong operational and financial results, highlighted by expanding margins, disciplined growth across our segments, and consistent progress towards our long-term objectives. We continue to gain market share across our core automated self-service business with strong demand for our solution. We are adding new customers at scale, while deepening relationships with existing ones.

Our one-stop shop solution, hardware, management suite, and payments, all from one trusted provider, is a true differentiator for our customers in the automated self-service space and one that few others can offer. Our platform continues to demonstrate its value and stickiness with very low customer churn.

Customers are expanding their engagement with Nayax by adding more devices, processing more transactions, and adopting more of our services over time. As a result, we are seeing a steady increase in our ARPU, driven by processing revenue growth per connected device. This reflects our growing share in high-transaction-value verticals such as EV charging, amusement, and car wash, which are segments that drive significantly more revenue per customer.

Recurring revenue, as a percentage of total revenue, continued to grow quarter-over-quarter. This sustained mix shift reflects our focus on building a more predictable, higher-margin revenue model that scale efficiently as our customer base grows. Our growth in managing connected devices is a key driver of growth, as we continue to expand our product portfolio with our diverse payment hardware, including lower-cost embedded products. I will now provide an update on three main focus areas: technology, customers and partnerships, and M&A. On the technology front, we made great progress during the third-quarter on several key technology initiatives.

In Australia, we began rolling out the VPOS Media, making the first commercial deployment of our next-generation Android payment platform. This is a meaningful step for us. The new device is our first truly Android-based PIN-enabled device family, and it opened the door to a wider set of vertical and higher value use case in regions requiring PIN.

The product combined our payment infrastructure with new engagement capabilities, including a touchscreen interface and support loyalty, advertising, and promotional tools. We started our initial launch of the VPOS Media in the UK and selective countries in Europe over the past months and plan more announcements about the product soon. In addition to announcement two large partnerships with Hotel and Autel and Lynkwell, we continue to build momentum with UNO Mini, our embedded payment product.

In China, six OEM partners completed their UNO Mini SDK certification, which now allows them to support EMV contactless payment across EV charging stations and power bank machines. We have a strong pipeline of OEMs that are going through the certification process and expect sales in embedded products to scale over the coming quarters.

Finally, with respect to technology initiatives, Retail Pro has successfully integrated with Onebeat's AI-powered inventory optimization engine. This integration blends Retail Pro's operational tool with predictive AI analytics from Onebeat, helping merchants utilize the Retail Pro software to cut order stock and stay ahead of evolving customer demand patterns.

Turning to customers and partnerships. A key customer highlight this quarter is our success with ChargeSmart, a US charge point operator managing thousands of ports and growing

rapidly in the DC fast charging space, which has committed to using Nayax as its preferred payment solution. ChargeSmart is one of the fastest-growing EV charging networks in the United States, underscoring how our payment technology continues to power growth in the electric vehicle charging vertical.

Our platform enables large operators like ChargeSmart to simplify daily operations from payout and reconciliation to payment acceptance, allowing them to focus on growing their network. Our collaboration with Adyen continued to evolve as we jointly developed solutions in e-commerce and embedded banking. For example, we began a pilot of our new e-commerce offering for EV charging in October and already have a backlog ahead of a broader rollout. In parallel, we are preparing to launch our embedded banking product in the US in early 2026, including bank accounts and debit cards for our customers.

This initiative brings us closer to our vision of being an end-to-end provider for our customers' business needs. We expect this initiative to drive higher recurring revenue per customer over time. On the M&A front, we remain active with disciplined approach. We continue to pursue acquisitions that align with our key objective of geographic expansion, technology enhancement, and strategic consolidation of distribution channels. Recently, we signed a letter of intent with exclusivity to acquire Integral Vending, our exclusive distribution partner in Mexico since 2015.

Integral Vending has built a high-performing network across Mexico and developed a proprietary vending management system tailored for the Latin American market. This acquisition will deepen our presence in the region, expand our software capabilities, and strengthen our ability to deliver a full suite of payment and management solution across Latin America. It follows our recent two acquisitions in Brazil and represents the next step of our multiyear strategy to establish Nayax as the leading platform across the region.

While we do not expect a material financial contribution in 2025, we believe this deal will create long-term strategic value in 2026 and beyond, as we expand our operations and distribution in Spanish and Portuguese-speaking markets.

In November, we also completed the purchase of the remaining shares of Tigapo, bringing us to a full ownership of the arcade gaming business. Tigapo continued to deliver impressive growth and represent a highly scalable opportunity globally. Within the broader Nayax ecosystem, Tigapo will benefit from our customers' network and international footprint. As an update to the Nayax Capital purchase in Q2, we have successfully integrated it fully within our broader embedded payment initiative under the consolidation team.

In July, we launched our rental business in Australia, and we are rapidly growing our installed base of both rental units and finance hardware. Nayax Capital allows us to provide a fully

automated process of ordering the hardware, financing it, onboarding to Nayax Core, and invoicing, including the ability to automatically secure the financing against the gross processing receipt. This strategy produces a higher gross margin in the long-term than selling the hardware outright. And the low-touch sales cycle will create substantial operational leverage in the coming years.

Turning now to guidance for the full year, which Sagit will also discuss in greater detail. At the beginning of the year, we set a target of revenue growth of 30% to 35% for 2025, including inorganic growth from acquisitions. While multiple planned transactions have been delayed, we have maintained strategic discipline and refrained from pursuing deals at any cost.

Our M&A pipeline remains active, focused on opportunities that enhance our technology, customer base, and long-term profitability. We are reiterating our organic revenue growth guidance of at least 25%, which will be driven by enterprise hardware sales in the fourth quarter, and maintain our strong recurring revenue growth.

Enterprise sales accelerated in the third quarter, and we expect further momentum in the fourth quarter. Our hardware sales pipeline remains robust, and we are well positioned to capture larger enterprise opportunities that align with our solutions and scale. Looking ahead, we remain confident in our strategy and the fundamentals of our business.

Our growing base of connected devices, recurring revenue, strong customer retention, and disciplined focus on profitability, positions us well for sustained growth. Our addressable market continued to expand as the world moved further towards digital payment and connected commerce. While M&A continued to play an important role, organic growth remained the primary driver and the foundation of our business.

We've entered the fourth quarter with strong momentum and even greater conviction in the long-term opportunities ahead. With our expanding pipeline, diversified revenue base, and strong financial discipline, we are well-positioned to continue outperforming the broader payment industry and deliver lasting value to our customers, partners, and shareholders.

With that, I'll turn it over to our CFO, Sagit Manor, who will review our financial results in greater detail and walk through our outlook. Sagit?

Sagit Manor

Thank you, Yair, and good morning, good evening, everyone. I'll start by reviewing our KPIs and financial performance for the third quarter, and then I'll discuss our updated outlook for

the full year 2025. Looking at the three key performance indicators for the quarter that we consider primary measures of growth.

First, total transaction value increased by 35% over Q3 2024, reaching \$1.8 billion and driving strong corresponding processing revenue growth of 33% for the quarter. At the same time, average transaction value increased from \$2.15 to \$2.40, while maintaining a similar take rate, displaying our strong positioning into emerging verticals such as EV charging, amusement, and car wash.

Second, our customer base expanded by 21% compared to Q3 2024, with nearly 110,000 customers at the end of Q3. And third, our installed base of managed and connected devices grew 17% compared to Q3 2024 to more than 1.4 million devices at the end of the quarter.

These KPIs reflect the momentum in our business and the underlying strength of our platform as we continue to capture market share in automated self-service, driven by our technology platform and our growth in new verticals and geographies. Looking at our financial performance. Revenue for the third quarter was \$104.3 million, which is an increase of 26% over Q3 2024.

We continue to take market share, adding nearly 5,000 new customers this quarter and more than 56,000 managed and connected devices. Organic revenue growth for the third quarter was 25%, showing sequential acceleration compared to both the first and the second quarters.

We expect organic revenue growth to continue to accelerate in the fourth quarter, which I will discuss in our outlook. In the third quarter, recurring revenue, which includes payment processing fees and SaaS subscription revenues, increased by 29% compared to last year's third quarter, reaching \$77 million and represented 74% of our total revenue in Q3. More specifically, processing revenue grew by 33% to \$48 million in Q3, driven by a 17% increase in our installed base of managed and connected devices, and a 35% increase in dollar transaction value.

Our take rate for the quarter was 2.71%. Hardware revenue in the quarter grew 18% to \$27 million compared to \$23 million in last year's same quarter, with continued strong demand for our products, solutions, and technology. In the quarter, our installed base grew by 17% compared to last year's third quarter, reaching more than 1.4 million devices as we added more than 56,000 devices to our installed base this quarter.

Moving now to profitability and margins for the quarter. We continue to drive significant margin expansion through initiatives to improve efficiency in payment processing and

optimize our hardware cost structure. Gross margin increased to 49.3%, compared to 45.7% in the last year third quarter, driven by both higher recurring and hardware margin.

Our recurring margin increased to 53.6% from 50.1% in the prior year quarter, mainly driven by an additional improvement in processing margin to 39.6% from 33%, as a result of consolidating a majority of the payment volumes under five main payment acquirers, driving improved operational efficiency. We also continue to benefit from recent favorable renegotiations of key contracts with several bank acquirers and improved smart routing capabilities.

On the hardware side, our margin increased to 37% compared to 34.4% in Q3 2024, driven by customer sales mix, the continued optimization of our supply chain infrastructure, and better component sourcing. For the full year, we expect hardware margin to be at the higher end of the range between 30% to 35%.

In terms of gross profit, we generated more than \$51 million, an increase of 35% over last year's third quarter. Adjusted OpEx of \$34 million or 32.2% of revenue, and continues to improve as a percentage of revenue, a testament to our disciplined cost management. Adjusted EBITDA increased to \$18.2 million, representing 17.5% of revenue, an improvement of more than \$7.2 million compared to last year's third quarter and demonstrating the continued scaling of operating leverage in the business. Operating profit was \$7.8 million, an improvement of \$6.4 million from last year's third quarter. This significant operating profit increase is mainly driven by improved gross margin. Net income for the quarter was \$3.5 million compared to \$0.7 million in the prior year period.

Turning to our balance sheet. On September 30, 2025, cash and cash equivalents and short-term deposits totaled \$173 million, while short- and long-term debt was \$156 million, both driven by notes and warrants offering completed in March 2025 of approximately ILS 486 million net, maintaining a solid balance sheet and net cash position. Looking at cash flow, we generated \$10.5 million from operating activities. Free cash flow for the quarter was \$3.9 million, mainly due to the timing of cash settlements from processing activities.

Turning now to our outlook and referring to our forward-looking information disclosure in our press release. For the full year 2025, Nayax is reiterating organic revenue growth guidance of at least 25%, driven by enterprise hardware sales in the fourth quarter and maintaining our strong recurring revenue growth. With some delays in strategic M&A transactions, we are updating our financial outlook to a revenue range of \$400 million to \$405 million on a constant currency basis. This represents revenue growth of 27% to 29%.

We still anticipate an adjusted EBITDA margin of at least 15%, and the updated guidance for the full year reflects the lower expected inorganic contribution due to delayed M&A activity

and is now between \$60 million to \$65 million with at least 50% free cash flow conversion from adjusted EBITDA.

As for our 2028 targets, 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 a gross margin of 50% and an adjusted EBITDA margin of 30% as we continue to drive high-margin revenues and operational efficiency. In closing, we are well-positioned for our future growth as we continue to grow our installed base globally and capture market share. We 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'll now turn the call over to the operator for our Q&A session. Operator?

QUESTION-AND-ANSWER SESSION

Operator

(Operator Instructions), Josh Nichols, B. Riley Securities.

Josh Nichols - B. Riley Securities Holdings Inc

Great to see the company posting some record EBITDA margin here in the third quarter. I just want to touch on a little bit. You mentioned during the call; there's a large number of these fast-growing EV partnerships. And if you could give us a little bit of an update on the timing of some of those shipments. I know Autel alone was looking to ramp to maybe like 100,000 devices by the end of next year. Is that still on target? And what's the expectation for the EV ramp?

Aaron Greenberg

Hi Josh, this is Aaron. Yes. So, the EV charging has been accelerating, as you mentioned, we've been announcing several partnerships. We also have been accelerating the OEM integrations on the embedded readers, which is a big growth driver for us in the future with regards to EV charging. And we're getting a lot of momentum, especially in the North American market.

And I expect also over the coming quarters with the launch of the VPOS Media, which we talked about a little bit in the script as well. Over the coming quarters in Europe and UK with the PIN-on-Glass, given that with DC charging with a high average transaction value, you need to have a PIN on Glass device in order to be able to do those higher-value transactions.

So, we see that with the launch of that, that we'll be able to do more in that market for the EV charging as opposed to in past years where we've been more focused on the North American market for EV charging. As we look forward, we have already started to see some hardware revenues related to EV charging customers in Q3. We expect to see a significant acceleration of that in Q4.

And as we start looking into next year, the partnership with Autel and with the other OEMs are progressing as expected. And we're seeing the first UNO Minis, our embedded readers, were delivered at the end of Q2, actually, and we're starting to see some acceleration of those volumes as well.

Josh Nichols - B. Riley Securities Holdings Inc

That's good to hear for the EV ramp. I know there's been a couple of other things you mentioned like car washes, amusement. Looking at some of the recent industry conference, I know smart coolers has been a big focus for the space. Any update you could provide us on what you guys have in terms of offerings on the smart cooler market and what you're seeing in terms of demand and potential growth activity that could be driving some acceleration here for next year?

Aaron Greenberg

Yes. This is Aaron again. We signed some partnerships in the US market. We signed some partnerships in the US market with regards to the smart coolers for distribution with our VPOS Touch. And we've been actively working in other markets as well. We signed a partnership with a large enterprise customer in Europe over the past several months to start delivering smart coolers in the European market, which we hope to talk about over the coming months. And we see this as a big growth driver in the future.

Smart coolers, as opposed to micro markets, which is also a fast-growing space, it's been best suited for us with all the integration technology that we've developed over the last 20 years. Being able to utilize our VPOS Touch, and now the VPOS Media, in other markets as well. So, the smart cooler market should see some acceleration. I think that the car washes,

as you mentioned, is also a big growth area for us. We're also seeing a lot of growth in things like arcade gaming after we finished the purchase of Tigapo over the last year. We saw significant growth in Tigapo's arcade gaming solution over the last 12 months, and we expect that to continue to be, even though it's a smaller number at the moment, to continue to be a large growth driver as well.

Yair Nechmad

Maybe just to add to it. This is Yair. There is a great opportunity that Nayax is exercising with all the OEMs. In the cooler by itself, we are partnering with the cooler manufacturers, and we are embedding ourselves with the VPOS Media already right now with the cooler provider OEM. And by that, we can expose ourselves to a greater market share in the cooler industry.

Josh Nichols - B. Riley Securities Holdings Inc

I appreciate the update.

Operator

Chris Kennedy, William Blair.

Cristopher Kennedy - William Blair Capital Partners

Just wanted to talk a little bit more about the embedded banking and the e-commerce opportunity that Yair, you mentioned in your opening comments and just think about kind of the position for the business as we think out into 2026.

Yair Nechmad

Yes, it's a great question. Thank you, Chris, for the question. The embedded is live and kicking in terms of internally almost done from Nayax perspective and ready to launch. It will be launched during Q1, mostly in the US market, everything in terms of setting up the agreement and the way that we're operating will take live in Q1.

And then following this in Q2 and Q3, rolling out the production. We have set targets for this. The impact of this in terms of how we are operating, I am strongly pushing that we'll look

very much to bring value to our customers, mostly with the MCA, with the working capital potential solution that we have. And then we'll help our customers to work seamlessly with their working capital issues or challenges with us, helping them with our other part of the division, which is Nayax Capital that will close the loop for this.

Cristopher Kennedy - William Blair Capital Partners

Great. And then any update on the e-commerce opportunity as well?

Yair Nechmad

The same thing will happen also in the next year with the e-com. The e-com is mostly for the EV for the first half for the EV market, and then it will roll out to more and more segments in Nayax. All of this is going to happen in 2026.

Cristopher Kennedy - William Blair Capital Partners

Great.

Aaron Greenberg

Maybe if I could just add there. We did start pilot testing in the US market for the e-commerce solution at the beginning of this month. And as Yair said, full production with external customers will start at the beginning of the year.

Cristopher Kennedy - William Blair Capital Partners

Okay. And then just as a follow-up, Sagit, you mentioned the higher average ticket. Can you just talk a little bit about average tickets across different verticals and kind of, the range between traditional vending versus EV or amusement or car washes?

Sagit Manor

Of course, I'll start, and maybe Aaron can help as well. Thank you for the question. So we do see that on a quarterly basis, the value of the transaction is growing faster than the number

of transactions. So it comes from the higher, the verticals that provide higher ticketing like carwash, like laundromat, like the EV, of course, and other areas where other verticals that we are growing. And we expect that to continue. And with that, I'll let Aaron to add some more information.

Aaron Greenberg

Yes. So, there's high, some of the higher growth verticals like EV charging. For example, on a DC charger, you can see average transaction value right now, we're seeing at somewhere around \$18 on a transaction. Even with AC chargers, we see about \$4 to \$5 per transaction on average at the moment, and those have been steadily rising as well with EV adoption over the last couple of years.

And also, some of the other verticals as well are starting to see some significant growth, car washes and others that are rising that ATV. And then it's important to mention also that on the retail division, as we continue to grow the retail side of the business as well, the ATV will continue to go up as well. So, I think it's important to stress that the ATV will likely continue to go up over time as we continue to expand these new verticals.

The gross take rate is not what the focus has been on, as opposed to really the net take rate and making sure that as we continue to increase the ATV, that the net take rate that we've been taking continues to maintain steady or growing. And as we've shown over the last several quarters, we've been able to get the processing gross margin up from the high 20s up to the high 30s, which is a huge testament to the financial negotiating power that we now have doing several billion transactions a year now and growing that processing growth as much as we are, gives us a lot of leverage to be able to go and do the negotiations with the acquiring banks.

But also, we have great smart routing capabilities that we've continued to add over the last several quarters that's allowing us to be able to shave off even fractions of a penny off of each transaction. And even in a \$1, \$2 transaction, a fraction of \$0.01 is a huge difference with regards to the processing margin.

Sagit Manor

And just to add a little bit of numbers, right? The dollar transaction value grew to \$1.8 billion, and grew 35% compared to the last quarter, versus the number of transactions that grew 21%. And we see that growth coming from new customers, but mostly from existing ones.

So, it's again, it's the cash-to-cashless conversion, more cashless transactions going into and adding to that, so verticals, geographies, and extra items there that create that growth of ATV.

So we're very proud of that. We're very proud on the high margin, as Aaron mentioned, on the processing. If you remember us talking about it a few years ago that if we reached 100 basis points, we'll be happy. And today, we are way over that, and we're continuing to grow as we're focusing on the main acquirers' consolidation and really make the most of it.

Yair Nechmad

Maybe one last thing to add to this. Chris, one last thing to add to this. We also built a platform remotely to change pricing. It helps existing customers to fit their pricing according to inflation, and it's also increasing their capabilities to control price.

Cristopher Kennedy - William Blair Capital Partners

Great. Appreciate it.

Operator

Hannes Leitner, Jefferies.

Hannes Leitner - Jefferies LLC

Yes. I got also a couple of questions. The first one is maybe on your comments around acquirer optimization. Given the processing has been growing nicely and the gross profit has been driven here on the recurring side. That would be interesting to understand.

Then the second one is on M&A opportunity. We appreciate the prudence of rather quality over quantity, which led to the guidance cuts. Maybe you just can give us an update on your appetite. Has there anything been changed in terms of size? Are you looking for bigger things which didn't come through this year? Or should we expect, that next year will be a catch-up in M&A?

And then maybe just the last one in terms of giving us a broader update on the market dynamics in the US. We know that two of your competitors are essentially merging. Has there been any change with the delay in that process? Has there been any opportunities?

Yair Nechmad

So maybe I'll start. And regarding how we are routing transactions, we are doing this more and more and better and better, and it has helped us to go currently now semi-automatic regarding how we're doing this with the acquirers, but we'll move further and further to almost automatic regarding the each and every card will be routed according to the best price and the best data that we have.

Since we have more than 3 billion transactions, we know exactly which acquirer is doing that in terms of acceptance rate, which is the most important part, and then the rate that we're getting, and we'll have the ability to increase acceptance on one end, and to reduce the cost from the other end.

This will go more and more into holding our margin in a very, very tight way that we can control the margin. And we know that we can negotiate against the vendors regarding the acquirers because we have a big volume, and we can also have leverage against our customers because most of the customers, 76% of them are small customers that cannot really have a leverage in terms of negotiating.

So all of this is keeping us, I think, on a good track that the margin will be according to what we expect to achieve, and we're in control. Maybe before passing this to Aaron to talk about the M&A, we are looking at 2028, and we see the market according to what we expect to reach our targets. And that's part of what we believe, it is the ability of the Nayax team to bring to life this growth. And with M&A, sometimes it will be potentially delays and maybe we should be more clear regarding the organic, and that will be the main, maybe topics that will guide the market and not really related to inorganic.

Aaron Greenberg

Thanks, Yair. This is Aaron. Thanks, Hannes, for the questions. On the M&A front, on the two points that you asked about. With regards to M&A appetite, we are continuing to be prudent with regards to the acquisitions that we're doing. Most of the acquisitions that we've looked at have tended to be on the smaller side, as you've seen in quarters past.

However, we do have the appetite to do a larger acquisition, not transformational, but a larger acquisition if it makes sense strategically for us. As we look into the 2028 mark, we expect to see somewhere around probably \$200 million of inorganic out of the \$1 billion, with regards to, as we look from 2022 to 2028, when we first came out with the 2028 targets, and we still expect that to be relatively the same.

So that would mean, obviously, if we're continuing to do a few acquisitions a year, there's going to be a couple of larger acquisitions between now and 2028. And I would expect that probably as we go into 2026, one of the few acquisitions will likely be larger, call it, more than \$100 million of enterprise value, but still not a transformational acquisition.

It's very important to us that we keep the culture and the infrastructure of Nayax at the core, and having the core management team and not having an acquisition turn us in the wrong direction. So, anything that we end up doing really needs to fit within our culture, but also needs to be something that we can easily digest as a company, and that's been very important to all of us as we look at this. And I'll just mention as well that we raised the bond at the beginning of this year to be able to have the cash on hand to do acquisitions as needed. But obviously, if needed, there are other levers to be able to go and to purchase these companies as we go forward.

With regards to the US competition and M&A, obviously, we've been tracking the merger of Cantaloupe and 365, they went into second review as publicly announced. We've been watching as does everyone else. We don't have any other comments with relation to the M&A as it currently stands. However, I will say that we haven't been afraid, from a global perspective, of this merger or any other mergers that are happening. There is consolidation that's been happening in our industry for several years. We expect the consolidation will continue to happen.

And we are winning right now in market share taking because of our technology, because of our great customer service, because when a small customer and an enterprise customer comes to us, they know that they're going to get great end-to-end support. And this is something that has been a big differentiator for us over the years. We're not the cheapest system out there in the world. We're not the cheapest monthly service fee, depending on which region that you're in. But we're, in our opinion, the highest quality and able to touch all of these different verticals with one product, which makes us very resilient in the long run.

So, in terms of the US market, we always look at the US market with regard to acquisitions. However, we've been seeing better opportunities outside of the US, in Europe, in Latin America, and Asia, versus the US markets, just because of the market dynamics over the last

couple of years. So it doesn't exclude us from looking at the US market as well, and we obviously do look at acquisition targets in the US.

Operator

Sanjay Sakhrani, KBW.

Sanjay Sakhrani - Keefe Bruyette & Woods Inc

I want to talk a little bit about hardware. Obviously, it's a big contributor to the fourth quarter. You mentioned sort of accelerating enterprise. Could you just talk a little bit about the visibility there as well as the margins? It seems like the margins have been a bright spot there with continued improvement. What's the ceiling on those margins?

Yair Nechmad

The ceiling is a margin of 100%, if we can. But in terms of what we want to achieve is to be better than the market. We're doing, we invested around, I think, the last two years, a lot regarding putting the hardware in the heart of ourselves in terms of how we produce and how we are reaching out to the best source of the component and design of the product. And now we're launching also the VPOS Media, which is a fully Android, which should have been increasing our hardware cost, but actually, it is not. We succeed to get what we call a very, very good way to operate our hardware manufacturing and the way that we are sourcing it.

And I believe that we can keep on running on the range of the 30%, 35%, as we said, on the hardware side, and we have the flexibility to meet all the requirements of the market. On top of the risk of the tariff, which is coming on and off into the US market, but the US market is only 39% of our business. So basically, in terms of all the blending of the global, we can see that we can control the margin of the hardware.

Sanjay Sakhrani - Keefe Bruyette & Woods Inc

Got it. And just the visibility for that fourth quarter ramp?

Yair Nechmad

So we're seeing a high demand. Q4 is always, big enterprise, and we have a very, very good visibility to end this quarter with the expectation that we set to the market. And the visibility is in our sales force. So it's a good visibility.

Sanjay Sakhrani - Keefe Bruyette & Woods Inc

Okay. And just one follow-up. In terms of the delay in the M&A, like how much of that contributed to the third quarter versus it contributing to the fourth quarter? And then just a follow-up on, Yair, you mentioned sort of it might be better just to give the organic growth expectations because inorganic is sort of hard to sort of estimate timing. There's always lumpiness there. As we think about that 2028 guidance, like how much of it is organic versus inorganic to get to that 35%?

Sagit Manor

So maybe I'll start, and Yair and Aaron will continue. So, regarding Q3, we are not giving a quarterly guidance. However, versus the consensus, absolutely, the gap between our organic financial results and the consensus comes from the lack of significant M&A that we were expecting to see, and that impacted the Q3 and obviously, Q4, that's the reason why we are updating our guidance with respect mainly to the inorganic growth of the business. And as for 2028, I'll let Aaron speak about that and what is the M&A portion of it.

Aaron Greenberg

Yes. Thank you, Sagit, and Sanjay. So, with regards to this year, I'll just say that there were multiple M&As that were delayed later in processes. As I mentioned to Hannes and to others, we're very prudent with regards to M&A. We want to make sure that we're doing the right acquisitions.

We have a very detailed due diligence process with regards to these acquisitions. We're not just buying them on the fly. We have a dedicated team to work on this. And we want to make sure that the ones that we are buying are not just contributing in the short term to revenue, but contribute to the long-term strategy of the business. Specifically with regards to this year, we expected that the Integral Vending acquisition would have happened earlier in this year.

It's one that we've been talking about for a while, with Integral there in Mexico. And it's one strategically that we really wanted to do for a while. And we finally were able to get to terms on the LOI back in the last month-and-a-half or so, which is a big plus for us, and we're very excited about that. And we believe that we'll be able to get that done by the end of the year. We're actively in the negotiations and due diligence process right now to get it closed.

And there was another acquisition at the time of the Q2 earnings that we were deep in the process of, that we decided to drop out of in the due diligence process. Again, because of the prudent measures that we take during the process, we expected that we were going to complete that, which would have contributed for this year.

But we've decided to move on to other acquisitions as well, or instead, sorry, that will contribute more into 2026 as opposed to 2025. As we look at the 2028 targets, I think Yair mentioned this, it's very difficult to predict the exact timing of M&A. The organic growth is the most important part to us in the long term, and we don't see that slowing down.

We have a lot of potential catalysts as we go forward, as well, not just from the cash-to-cashless, but also the embedded banking services, e-commerce, and other solutions that we believe will continue to increase the ARPU over the coming years. But as we look into 2028, we do still expect meaningful contribution from the M&A. I think I mentioned to Hannes, we expect about \$200 million of inorganic revenues from 2022 to 2028. So I would still say another probably \$150-plus million basically is going to come from contribution of inorganic over the next 3.5 years. So, there'll still be some meaningful M&A that happens.

Most of them will be smaller acquisitions, call it, plus or minus \$10 million of revenue per acquisition, something like that, but there'll be, as we've seen in the past quarters, but there will be larger ones as well.

Operator

With no further questions, I would like to turn the conference back over to Yair for closing remarks.

Yair Nechmad

Thank you for joining us today and for your interest in Nayax. This quarter again showed the strength of our business and our strategy, as we help merchants move to cashless payment in many geographies and verticals. As we look ahead, we will stay focused on our plan, profitably growing in key markets and working closely with our partners. I want to thank our

employees for their hard work and our customers, partners and shareholders for their trust.
Thank you.

Operator

Thank you. This will conclude today's conference. You may disconnect your lines at this time,
and thank you for your participation.
