Nayax's fourth quarter and full year 2025 earnings conference call transcript

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Operator

Hello everyone and welcome to Nayax's fourth quarter and full year 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 and 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 performance indicators may be calculated in a manner 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 continue with details about our acquisition strategy and two new initiatives we are working on. Finally, Sagit will go through the details of our 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 all for joining us today. We delivered a strong 2025 result and a very solid fourth quarter. For the first time in our company's history, we delivered strong net income, $35.5 million compared to a loss just one year ago, a milestone that reflects the true earning power of our business model.

In 2025, we'll continue to scale the profitability to a record margin, advance our strategic priorities, and execute it well across the organization. I want to recognize the entire Nayax team for their dedication and hard work, as these results reflect their commitment to our success. We're at an important stage in our evolution.

The foundation we've built over the past 20 years is now translating into consistent profitable growth. The cooling revenue continues to grow and represents approximately 72% of total revenue for the year, compounding month after month across around 115,000 customers globally.

Margins continue to improve, driven by smart routing, payment optimization, lower acquiring costs, supply chain efficiency, and ongoing technology enhancement. As we continue to scale our recurring revenue model, it drives profitable growth and progress toward our target of a $1 billion revenue company.

On M&A, we completed a strategic acquisition of Lynkwell, Tigapo, Uppay, Nayax Capital, and Inepro. Each acquisition expands our platform, strengthens our vertical capabilities, and enhances our geographic reach. More importantly, these acquisitions accelerate the growth engines we've built over many years.

Reaching to our TAM, the market opportunity remains significant. Cashless penetration in automated self-service environment is still relatively low worldwide. Every touch point is a connected commerce opportunity for us, whether it is vending, charging, fuel, laundromat, amusement, and other verticals.

The global shift towards digital payment, IoT connectivity, and retail automation continues to accelerate, but the question for Nayax is not just about the size of the market. It is about our structural position to capture it, and that position, I believe, has never been stronger.

This is a complex industry with meaningful barriers to entry, and we figured it out with the right product fit and solution for the market. At its core, the integration across thousands of machine types operates in a fully unattended environment, regulatory certification, and reliability at scale require deep proprietary expertise. This is what we have built over the past 2 decades and is validated by our loyal customer network.

What this creates is structural positions that compounds over time. Each of our connected devices is a long-lasting market touchpoint running on our software, processing transactions on our platform, and generating recurring revenue for years. This is our asset embedded in the market, and this footprint at this scale across so many verticals and geographies is not built overnight. It takes years of execution. And it is not easily replicated.

In addition, the ongoing conversion of machines from cash to cashless continues to increase revenue per device, providing a durable growth driver within our existing customer base.

The software layer above that hardware is where the economics get particularly strong. Our platform gives operators real-time monitoring, remote management, consumer engagement, and business analytics capabilities that our customers depend on every single day. This translates directly into high retention and low churn. The result is a software and payment business with strong margin and customer relationship that deepen over time. At the center of our strategy is vertical payments.

We provide the hardware, software, and global payment infrastructure with payment connecting the entire platform. Our payment engine is fully proprietary, licensed, actively processing, and growing volume at a rate that continues to outpace device growth, meaning monetization per device is increasing.

We are building a platform that gets stronger and more valuable with scale, creating a compounding network effect. Every merchant we add increased the value of our platform. Every transaction we process, improves our routing algorithm. Every device we connect, strengthens our proprietary data mode. This is not a linear business. It is a compounding one, and this integrated approach increases. Customer retention strengthens long-term relationships.

Let me update you on the progress we are making on our four core strategic areas of focus and how we are positioned for achieving long-term success.

Automated self-service remains the foundation of Nayax. Today we are serving more than 40 automated self-service vertical globally. Geographically, we now operate in more than 120 countries and continue to expand fully into additional markets.

From a product standpoint, we launched our new flagship device, the VPOS Media, in Europe, Israel, and Australia. This device introduces a screen-based consumer experience at the point of sale, enabling advertising, loyalty programs, and customer engagement directly on the machine.

We also completed several OEM integrations, expanding our distribution channel of our installed readers directly at the factory level. This approach reduced retrofit requirements and lowered customer acquisition costs while positioning Nayax as the preferred integrated solution.

Turning to EV, another core area of focus where we build dedicated division and successfully expanded into the UK and Australia. While continuing to work with leading operators around the world. The recent acquisition of Lynkwell was an important milestone. It enabled us to offer a combined payment, and AI-enabled software offering purpose-built for EV charging.

We also introduced a new leading solution on our EV kiosk, allowing drivers to initiate payment and access session detailed via QR code, without requiring an app, simplifying the payment experience. Our approach in EV mirrors what we successfully built in vending, providing operators with flexibility to choose payment software on a fully integrated solution.

Payment remains central to the model. Reinforcing customer stickiness and long-term value creation. We believe this positions us well as the EV ecosystem continues to develop. Aaron will elaborate more about the recent consolidation we have done internally to facilitate synergies as a result of our successful integration of our EV department.

With regards to geographic expansion, we see substantial opportunities, particularly in Latin America, one of our fastest-growing regions. Cashless penetration remains relatively low, and demand is increasing. Our device base in Brazil doubled year-over-year. With VM Tecnologia and Uppay in Brazil and Integral Vending in Mexico, which will be joining Nayax soon, we have established a strong local infrastructure to support our continued regional expansion.

In Asia, we see one of the largest untapped markets for automated self-service commerce globally. In 2025, we invested in regional leadership across Singapore, China, and Japan, giving us the foundation to scale across the region in 2026 and beyond.

Finally, operational efficiency remains a key focus. We now operate in more than 120 countries across 13 offices with approximately 1,200 employees. Over the next several years, we are focused on increasing revenue per employee to $1 million. We intend to achieve this through continuing resource optimization effort, a greater use of AI, and process automation across the organization.

As a founder and CEO, I couldn't be more excited about what still lies ahead for the company. Our focus is on continued growth, disciplined execution, increasing profitability, and most importantly, supporting our customers globally.

We are very proud of our net revenue retention rate, which remains strong at around 120%, reflecting the value of our technology to our customers and the strength of our payment platform. With that, I will turn the call back to Aaron to discuss our acquisition strategy and two new strategic initiatives. Aaron, please go ahead.

Aaron Greenberg

Thank you, Yair, and hello everyone. I'm excited to update you on our acquisition strategy, as well as provide more color on two new strategic platforms that we believe can meaningfully impact our growth trajectory in the years ahead.

With respect to our M&A strategy, 2025 was a productive year. In total, we deployed about $52 million of capital, completing five acquisitions: Lynkwell, Uppay, Inepro, and the remaining stake in Nayax Capital and Tigapo.

Each of these fit our M&A strategy, expanding our geographic reach, adding to our technological capabilities, consolidating our target verticals, and strengthening the long-term infrastructure of our payment solution ecosystem. Collectively, these acquisitions contributed to the expansion and monetization of our customer base, combining payments, software, and financial services. I'll now provide an update on each acquisition and the successful integration to date.

Starting with Brazil, Uppay has now been fully integrated into VM Tecnologia. The two entities are now legally and operationally merged with unified systems and one consolidated team structure. We are already seeing the benefits of operating as one platform with improved coordination, streamlined development, and stronger go to market execution. Brazil remains a high growth market for automated self-service, and we are excited about our potential there in 2026 and beyond.

Turning to Europe, Inepro has been fully integrated and now operates as Nayax BV, our direct sales office in the Benelux region. Transitioning from a distributor model to a direct office has already generated synergies and strengthened our local presence. This transaction reinforces one of our core M&A approaches, which is selectively acquiring distributors in strategic markets to open direct channels, increase margin, and improve customer relationships. It has been a very successful model, and we will continue evaluating similar opportunities where they present a unique value proposition.

In November, we completed the purchase of the remaining shares of Tigapo, bringing our ownership to 100%. Tigapo gives us a strong and differentiated software solution in the Family Entertainment Center vertical, a sector where payments and software must work seamlessly together to ensure optimal customer experience in a fast-paced, energetic environment. We've integrated the team and transition leadership under Yanon Reviv, who brings significant global operating experience and has been with Nayax for several years. This positions us well to expand further in this attractive and growing vertical, which grew significantly in 2025.

At the end of the year, we acquired Lynkwell, which accelerates our verticalization strategy in the EV charging space. We believe strongly that pairing payments with purpose-built vertical software creates a much stronger value proposition for our customers. Immediately following the closing, we consolidated Lynkwell with Nayax Energy, merging the teams and appointing Jason Zarillo, Lynkwell's co-founder, as the new head of Nayax Energy. We intend to migrate all Nayax's Energy software customers to the Lynkwell platform over the coming months. We see meaningful synergies over time as we offer a more comprehensive vertically integrated EV solution that combines payments, management software, and e-commerce capabilities.

Finally, we purchased the remaining stake in Nayax Capital from our joint venture partners, Bank Hapoalim and individual investors. Bringing this technology fully in-house allows us to control and accelerate our global financial services roadmap.

Let me now describe how we see the evolution of our customer model going forward. Historically, our model has been straightforward. We sell hardware, drive, increase recurring ARPU through embedded software and payment processing. Growth per customer has been driven by increased processing volume per device and our land and expand strategy across additional devices and locations. As we look ahead, we believe ARPU per customer can increase more meaningfully through the adoption of two strategic initiatives.

The first is Nayax Capital. Originally focused on installment payments and rental solutions for Nayax hardware, we are now expanding this into a broader financial services platform. Our first step will be soon launching a deposit account offering, the Yellow Account, through Adyen as our banking sponsor. Over time, we intend to layer additional financial services onto this platform, such as lending and issuing.

We see a significant opportunity here, particularly in the United States, where we serve a large install base of customers whose broader financial services are currently handled by other financial service providers. By offering integrated financial services alongside payments, we can provide additional value to customers while leveraging our existing relationships. This is an opportunity to expand our ARPU efficiently as it builds on our current customer base.

The second initiative is e-commerce, specifically our SDK-based e-commerce solution, which we are initially deploying in the EV charging industry. We will provide this both directly through our own EV mobile application for SMB customers and through an SDK for larger operators. Both e-commerce solutions are in partnership with Adyen.

We believe e-commerce can unlock incremental processing volume that would not have otherwise flowed through our platforms, particularly in unattended verticals such as EV charging and amusement. Over time, we expect this to become an additional driver of processing growth and customer stickiness.

Looking ahead, our M&A strategy is clear. We are prioritizing segments such as parking, mass transit, and laundry as three key verticals where we see clear opportunities to strengthen and further verticalize our payments offering. As we've demonstrated with EV charging and family entertainment centers, combining vertical software payments strengthens our competitive positioning and increases long-term value creation.

Our focus is on accretive growth, which accelerates payment processing volume through our financial infrastructure. We have the capacity to act when the right opportunity arises with a strong balance sheet, which includes more than $300 million of cash. We have the ability to move quickly when we identify assets that align with our long-term strategy. We also continue to favor founder-led or founder-owned companies where cultural alignment and long-term partnership tend to be stronger.

I would now like to pass the call over to our CFO, Sagit Manor, to go over our financial results and provide our outlook for 2026.

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.

2025 was the year where the scale of our platform translated into meaningful profitability and marked a historic inflection point. Over the past several years, we have focused on extending our install base, growing transaction activity, and deepening our recurring revenue mix. And this year, that strategy showed up clearly in our margins.

Both gross margin and adjusted EBITDA margin expanded, driven by improved processing, economics, and operating leverage as the platform scales. Importantly, this was structural margin expansion, not the result of one-time cost actions, reflecting the inherent economics of a transaction-based recurring revenue model.

Additionally, 2025 marked another historic inflection point, our first ever net income coming in at $35.5 million compared to a loss just one year ago. A milestone that reflects the true earnings power of our business model.

Recurring revenue now represents approximately 72% of total revenue, providing improved visibility going forward. The strength of this model is reflected in our platform activity. Our installed base reached 1.46 million managed and connected devices serving approximately 115,000 customers globally.

Total dollar transaction value grew 32% to approximately $6.4 billion a direct result of our expanding device and customer base, which is a direct driver of recurring revenue growth. We also saw a favorable mixed shift towards higher value verticals. Average transaction value or ATV increased to $2.25 from $2.05 reflecting continued expansion into EV charging, amusement, and car washes, while our take rate remains strong at 2.7%. Combined, these indicators show that growth is coming from deeper engagement and higher value usage across the platform.

In 2025, total revenue reached $400 million, representing 28% year-over-year growth, including approximately 24% organic growth. Recurring revenue continued to grow, increasing 29% to approximately $287 million and representing 72% of total revenue. Processing revenue increased by 30% to approximately $174 million primarily driven by a higher number of transactions across our connected device base.

Beyond expanding our customer and device base, we are also increasing the revenue generated from each connected device. Average revenue per unit, or ARPU, increased to approximately $239 up 11% year over year, reflecting deeper engagement of customers with our platform. This increase is driven by two factors: continued conversion of existing machines from cash to cashless transactions, and our expansion into higher-value verticals such as EV charging, amusement, and car washes.

As customers are processing more transactions through our platform. They are increasingly using additional software and payment capabilities which result in higher recurring revenue per device. Over time we expect further ARPU expansion as we introduce additional platform services, including embedded financial services to our existing customer base.

This brings us to hardware. Within our model, hardware functions as the deployment layer of the platform. Each new installed device expands our connected base and enables future transaction activity, which then converts into recurring processing fees and software revenue over the life cycle of the device.

In 2025, other revenue was approximately $113 million. More importantly, we added over 200,000 devices during the year, bringing our installed base to approximately 1.46 million devices. This extension of the installed base supports future transaction volume growth and translates to recurring revenue growth for the years to come.

Let me move to profitability and margin. In 2025 we saw meaningful margin expansion driven by both the proven scale of our business model and improved unit economics. Gross margins increased significantly to 48.2% from 45.1%, driven by improved efficiency in payment processing and optimizing our hardware cost structure.

Processing margin improved to approximately 38% from around 34%, primarily due to lower costs and better routing efficiencies, while SaaS margins remain strong at approximately 76%. Hardware margins also improved following supply chain optimization and component cost reductions. These are deep structural drivers that continue to work in our favor going forward.

Beyond gross margin, we are also still seeing clear operating leverage in our business. As revenue grows, a larger portion of our incremental revenue translates into earnings. Adjusted EBITDA increased to $61.1 million, representing 15.3% of revenue, while net income was $35.5 million compared to a loss in the prior year. As mentioned, this is a milestone that marks a fundamental turning point for the business.

Net income includes a $10.3 million one-time gains related to the share purchases of Tigapo and Nayax Capital. Adjusted EBITDA margin improved significantly, clearly demonstrating the scalability of our model as volumes increase, operational efficiency improves, and the contribution to profitability strengthens.

Turning to our balance sheet, we are well-positioned with $321 million in cash and short-term deposits. And $328 million in debt. This is a comfortable cash position that allows us to pursue strategic M&A and continue accelerating our growth.

Free cash flow for 2025 came in at approximately $12 million, or 20% of adjusted EBITDA, below our guidance. While adjusted EBITDA grew meaningfully year over year, operating cash generation was impacted by deliberate working capital investments.

Two dynamics drove the gap. First, the ramp up of our VPOS Media devices required full advance payment to our new contract manufacturer, creating a timing difference that was compounded by inventory built ahead of planned 2026 hardware sales. Second, accounts receivable increased, driven by strong hardware sales in the month of December and the expansion of our Nayax Capital installment portfolio. We view these as growth-driven working capital investments, and we expect a meaningful portion to reverse as collections normalize in 2026. As a result, we expect free cash flow conversion to improve materially in 2026.

Looking at Q4, revenue grew approximately 34% and was $119.5 million, higher than 2021, the entire year's revenue, with around 30% organic growth, reflecting continued expansion across our existing and new customer base and growth of our installed devices.

Recurring revenue increased 23% year over year, and we saw continued margin improvement in operating leverage as transaction activity scaled. Hardware revenue was particularly strong in the quarter, driven in part by the launch of VPOS Media in Australia and Europe and the ongoing 2G, 3G to 4G upgrade cycle. Importantly, this further expands our connected device base and supports future recurring transaction growth.

Looking ahead to 2026, our guidance reflects the continuation of the strong operating drivers we have discussed today. We expect growth to be supported by continued expansion of our install base through both direct sales and OEM integrations. In parallel, we are seeing increased recurring revenue as a result of growing transaction activity per device as cash-to-cashless conversion continues and as we expand into higher-value verticals.

In addition, we expect further monetization from our existing customer base through adoption of new software and the gradual rollout of additional platform services, including embedded financial services. Finally, we continue to onboard customers through thoughtful M&A activity, which increases transaction volume once integrated into our payments infrastructure and improves margins over time. Together these drivers provide visibility into our expected growth.

Looking ahead, our revenue guidance for 2026 is $510 million to $520 million inclusive of organic growth of 22% to 25%, and the expected contribution from the Lynkwell acquisition. We also expect further improvement in profitability with adjusted EBITDA margin of around 17%, which represents a range of $85 million to $90 million. We have confidence in these numbers. As operating leverage continues to accelerate across the business.

Turning to free cash flow, we expect free cash flow conversion of approximately 40% of adjusted EBITDA in 2026, a significant improvement over 2025. This reflects the partial reversal of working capital timing items we discussed, the continued growth of Nayax Capital's installment portfolio, and our typically higher concentration of hardware revenue in the 4th quarter. We see this as a clear step towards normalized conversion as the working capital portfolio matures.

With respect to our midterm 2028 framework, which we introduced shortly after our IPO in 2021, we continue to make measurable progress. The framework includes $1 billion in revenue driven by a combination of organic growth and strategic M&A, 50% gross margin, and 30% adjusted EBITDA margin. The increasing share of our recurring revenue, the continued growth in ARPU, and the discipline around operating expenses all support the trajectory toward our long-term profile. As we have said before, these targets reflect the long-term flywheel power of our business model as it scales and the operating leverage trajectory, which remains consistent with the framework we outlined.

In closing, 2025 was a year of disciplined execution. We grew our connected device and customer base, deepened our vertical software capabilities, and expanded geographically, all while improving margins and unit economics. As the platform scales, recurring revenue grows alongside it, making our financial profile increasingly predictable and resilient. A growing portion of future performance is supported by our land and expand strategy with our existing customers.

Looking ahead, we are laying the foundation for the next phase of expansion through embedded financial services and e-commerce, with payment at the core. The results today reflect the underlying strength of our platform and reinforce our confidence in the sustainability of this growth trajectory. I'll now turn the call over to the operator for a Q&A session. Operator.

QUESTION-AND-ANSWER SESSION

Operator

Thank you. (Operator Instructions) Josh Nichols with B. Riley Securities. Please go ahead with your question.

Josh Nichols - B. Riley Securities Holdings Inc

Yeah, thanks for taking my question and great to see the real strong acceleration in like the enterprise hardware deployments for Q4. If we could get a little bit more detail on that, could you kind of quantify that this is given these hardware deployments are feeding future recurrent revenue growth like there's a lot of that coming from EV charging as you talked about before or other specific end markets and how do you think that's going to play out to support the growth for 2026 given the outlook? Thanks.

Sagit Manor

I can start and Yair will continue. Thank you, Josh, and good to have you here. Yes, the strong hardware sales in Q4 were as expected. We've been talking about it for the entire year about how the second half of 2025 will be stronger than the first half and how it's going to be driven by strong organic growth which we've shown. In Q4, around 30% organic growth driven mainly by hardware growth, so you know it all came together to meet the expected organic growth for the year. And yes, all of those hardware revenue and hardware sales are also the enabler for the recurring revenue that comes with it. Whether it's in the EV segment or other verticals that we're in, it's always the beginning of the sale, and then we add to that services as well as the processing and afterwards. Yair, anything to add?

Yair Nechmad

Maybe just to add one view from my point of view is that we're looking at the pain of customers and we're looking about regarding the cost of acquisition and we're looking regarding the go to market. And it could be that between quarters it will differ between unattended EV or unattended vending machines or retrofit or fuel, but the main point that I think needs to be recognized is that Nayax is a machine that's building a customer base based on discipline, acquisition cost, and discipline on the gross margin, and I think this is what drives the business in terms of globally and more than 120 countries. And we become to be almost agnostic to the vertical, and that's the beauty about the one-stop solution that we built.

Josh Nichols - B. Riley Securities Holdings Inc

Thanks Yair. Pretty impressive gross margin expansion, like north of 48% gross margin for the year. I know your long-term outlook is to get to 50%. Clearly, you're getting close to that level already. Thoughts on what the gross margin could look like for this upcoming year, for '26, given the guidance and the opportunity longer-term for it to kind of expand above that 50% rate, given the current trajectory that you guys appear to be on.

Sagit Manor

And you see, you see right, we're expecting in 2026 and of course in the years to come to stay in that high level margin that we've been able to achieve, that obviously comes from all aspects, whether it's the processing that grew to 38% from 34% last year. To the hardware margins that grew significantly to 35.5% this year and obviously keeping the margins of the services stable at around 76%, so yes, overall we are expecting margins to stay at this high level and accelerate as we continue to grow our device sales and device base, and of course, the recurring revenue will continue to increase.

Josh Nichols - B. Riley Securities Holdings Inc

Thanks. Last question for me. Good to see the company laying out some pretty healthy organic growth guidance for 2026. But, given, you got plenty of firepower on the balance sheet, based on what you're seeing in the markets today, you're still expecting, kind of targeting 2 to 3 acquisitions per year, and we should assume that, while this isn't in the guidance for '26 that you're likely to close on a few deals this year as well too.

Aaron Greenberg

Yes, this is Aaron. Thank you. So, I'll start, and maybe Sagit will come after that. So with regards to the acquisitions, yes, we still have the same targets in mind, doing a few acquisitions a year, 2–3 acquisitions a year, and we still see a very good pipeline and potential acquisition targets. Nothing's really changed from what we gave in Q3 with that regard, including trying to do a little bit larger transaction this year, and obviously, we have the balance sheet as you mentioned, with a little more than $300 million of cash on the balance sheet, to be able to use for deployment for M&A, as we mentioned. With regards to the guidance for this year, we guided based on the organic growth, as well as the Lynkwell acquisition that was closed in December. We did not include any additional M&A in the guidance, so that was a change from last year and, as we go forward, we will only guide on acquisitions that have actually been completed.

Josh Nichols - B. Riley Securities Holdings Inc

Appreciate it. I'll hop back in the queue. Thanks.

Operator

Cris Kennedy, William Blair.

Cristopher Kennedy - William Blair Capital Partners

Great, thanks for taking the question, and thanks for all the information, and hope the team is safe in Israel. You guys operate in over 40 different verticals. Is there any way to think about the revenue mix or the growth drivers between kind of traditional vending verticals and the higher value verticals such as EV, car wash, or amusement, what have you?

Aaron Greenberg

Hi Cris. Yes, this is Aaron again. So with regards to the mix, obviously, as we've said before, we don't split each of the verticals directly. What I will say, though, is that, obviously some of the higher growth verticals, EV charging, parking, amusement, car washes. In some of these other higher-growth verticals, they are growing a lot more than the traditional vending space, which inherently means that the mix is spreading and diversifying across each of these verticals. Obviously, historically, over the last 20 years, it started with vending within Nayax, and it's been expanding into the other verticals. And we'll continue to see vending become a lower part of the mix as some of these other growth segments continue to bring more volume.

Cristopher Kennedy - William Blair Capital Partners

Okay, thanks for that and then Yair, you mentioned some investments in Asia Pacific. Can you just talk about the opportunity that you see in those markets? Thanks for taking the questions.

Yair Nechmad

The main opportunity, thank you, Cris. The main opportunity that we see now for the short-term is mostly in Japan. Of course Australia and New Zealand is part of what we call ongoing, but I think that the changes that we're doing and preparing ourselves to be more ready for the Japanese market is enormous. We invested a lot of, what we call, building the platform and the foundation to be ready for the Japanese market in the unattended business. And I think we have a very good team on the ground and we have a new product, the VPOS Media, that has been certifying now in Japan, and I believe that Japan will carry some kind of signs of acceleration in the next year.

Operator

Thank you. Sanjay Sakhrani, KBW.

Sanjay Sakhrani - Keefe Bruyette & Woods Inc

Thank you. Good morning. It's very clear you guys are looking to get more ARPU expansion from the install base. I'm just curious if you could kind of dimensionalize how much can come from like existing products and services within the current install base and then obviously embedded. Embedded finance is another area. Maybe you could just talk about like what the TAM is and sort of how you see that playing out maybe over the next couple of years.

Aaron Greenberg

Hi Sanjay, this is Aaron. With regards to the ARPU, we've seen in the last couple of years, the growth rate of ARPU being in the low double-digits, predominantly from the processing growth. We haven't seen any changes to that with regard to processing growth and seeing the ARPU expand because of that.

We haven't used software as a lever to try to increase the ARPU, as we continue to look into the outer years, the ARPU growth, besides the processing, which will continue to grow the ARPU, should come from some of these additional value-added services that we're trying to bring to the table. Embedded financial services, as I mentioned, things like lending and issuing, which we hope to bring in over the next year or two here.

With regards to other services, loyalty and other parts that we can bring as value-added services to our existing customers, we should be able to continue to do that. The other thing that I'll mention as well is we are expanding a lot on the rental and installment payments with the Nayax Capital acquisition that we did last year. Bringing that fully in-house mid last year, so that is really that Nayax Capital business is the foundation for bringing, for being able to bring in these additional value-added services.

So, it'll start with this year. With launching the Yellow Account, which is the deposit accounts, in partnership with Adyen, and then as people start to come onto the platform we'll be able to add additional value-added services and promote these additional services to them.

Sanjay Sakhrani - Keefe Bruyette & Woods Inc

Got it. And I guess I have a question about the outlook. When we think about the breakdown between like recurring revenue growth and point of sale revenue growth, what's sort of baked in? Thanks.

Sagit Manor

Thank you, Sanjay. So, we are in this business for 20 years, right? The last, if you look just on the last 5 years, we either, we tripled the number of the managed and connected devices, we did 4x the number of customers, we did 5x the number of the transaction value that is going through our devices. So, the same expected growth that we've seen in the past is expected in the next coming years. Recurring revenue will continue to be around 70% from total revenue.

Which, that's again an ongoing basis to our very strong business model, especially with the recurring insight. We've deployed around 200,000 devices in 2025. We're expecting to grow to between 200,000 to 250,000 devices in 2026, so the flywheel is there, the machine is working. Most of our revenue growth comes from existing customers as well as new, but again, most of it is coming from existing customers. The TAM is still the same, so I don't think '26 is different than the previous many years that we've continued to show how the flywheel works.

Sanjay Sakhrani - Keefe Bruyette & Woods Inc

Could I just ask one follow-up just on the take rates? Like those have been sort of coming down consistently over the last five to six quarters. I know there's mixed impacts and such, but do you expect those to sort of inflect as we move over the course of this year?

Sagit Manor

So, I remind you that take rate is impacted by basically two drivers. One is the geography, where the transaction is going through. The more transactions we have in the US, the higher the take rate would be, and vice versa, right, versus Europe and whatnot.

If you look just on the take rate, yes, there is some volatility to it. Q4 was relatively lower than anything we've seen, I don't know, in the last probably 18 months. However, margin still continued to grow and still continues to be very strong at around 38%, and the gross at around 30%, if you look just at the margin. So, the point is that the fluctuation of the take rate can be driven by one geography and two by the verticals by which the transactions went through.

But what you can see is the strong margins. Average transaction values continue to grow. It's now $2.25 versus the $2.05 that we had last year. So, the healthy KPIs are there on the ARPU that is growing and the ATV that is growing and the margins that are growing, and take rate becomes more of a commodity in a sense and not necessarily a growth projection.

Sanjay Sakhrani - Keefe Bruyette & Woods Inc

Okay, great. Thank you.

Operator

Chris Zhang, UBS.

Chris Zhang - UBS

Hi, thanks for taking the question. So, I have a kind of follow-up question on the recurring revenue and retention. Just wondering what's your assumption on the net revenue retention for 2026 in your guide and also just looking at the total revenue. How are you thinking about the revenue from existing customers versus new customers?

Sagit Manor

Hi Chris, thank you. So, a couple of things regarding the NRR, the net retention rate. We're expecting that to continue to stay in the same range of 2025, which was 120%, something that we're very proud of, including continue to maintain our low churn rate. So you know those two go together.

And with respect to existing customers versus new, it's around 75% to 80% of our growth that is coming from existing customers, and you can see that consistently over the last probably 3 years, and I'm expecting for that to continue to be the same.

And that's really the building blocks. That's really the way the business model is working by selling our customers a few, and most of our customers obviously coming from the small businesses. However, we're very proud of our large customers as well, but the point is that they start with a few and then they buy more over time, as well as with the cash-to-cashless conversion, more transactions going through even the same devices that are out there helping and increasing the existing customers' revenue growth.

Chris Zhang - UBS

Awesome, thanks a lot for the color.

Operator

Thank you. At this time, I'll turn the floor back to Yair Nechmad for closing comments.

Yair Nechmad

Thank you for joining us today and for your interest in Nayax. 2025 was a strong year. We grew our business, went deeper into new verticals, and added important capabilities through both our acquisitions and our own product innovation. I want to thank our employees for their dedication and our customers, partners, and shareholders for your continuing trust. Thank you very much.

Operator

Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. You may now disconnect your lines at this time and have a wonderful day.

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