



# Corpay's First Quarter 2025 Earnings Conference Call - Prepared Remarks

May 6, 2025 at 5:00p.m. ET

**Ron Clarke**

*Chief Executive Officer*

**Alissa Vickery**

*Interim Chief Financial Officer*

**Jim Eglseder**

*SVP, Global Investor Relations*



## **Jim Eglseder, SVP, Global Investor Relations**

Today's documents including our earnings release and supplement, can be found under the Investor Relations section on our website at [Corpay.com](http://Corpay.com). Throughout this call, we will be covering several non-GAAP financial metrics including revenues, net income, and net income per diluted share, all on an adjusted basis. We will also be covering organic revenue growth. This metric neutralizes the impact of year-over-year changes in FX rates, fuel prices and fuel spreads – it also includes pro forma results for acquisitions and divestitures, or scope changes, closed during the two years being compared. None of these measures are calculated in accordance with GAAP, so may be different than at other companies. Reconciliations of the historical non-GAAP to the most directly comparable GAAP information can be found in today's press release, and on our website. It's important to understand that our comments may include forward-looking statements, which reflect the information we have currently. All statements about our outlook, expected macro environment, new products, and expectations regarding business development and future acquisitions or synergies are based on that information. They are not guarantees of future performance and you should not put undue reliance upon them. We undertake no obligation to update any of these statements. These expected results are subject to numerous uncertainties and risks, which could cause actual results to differ materially from what we expect. Some of those risks are mentioned in today's press release on Form 8-K, and in our annual report on Form 10-k. These documents are available on our website, and at [SEC.gov](http://SEC.gov).

## **Ron Clarke, Chief Executive Officer**

Upfront here. I'll plan to cover 3 subjects.

- First, I'll provide my take on Q1 results, and rest-of-year guidance
- Second, I'll cover our recent M&A Activity
- And lastly, I'll share a progress update on our 2025 top priorities



## **Q1 Results**

Let me begin with our Q1 results...we reported Q1 2025 revenue of \$1,006, that's up 8% ... and cash eps of \$4.51, that's up 10% ... but up 18% on a constant macro basis.

These results were right in line with our expectations and the environment came in mostly as expected. Organic revenue growth in the quarter was 9% overall, with ...

- Vehicle payments at 8%
- And Corp Payments at 19%

Our operating trends remained quite good in Q1 ...

- SSS finished positive plus 1%
- Retention stayed steady at ~92%
- And sales or new bookings were way up ... up 35% vs Q1 LY, and on the back of 36% sales growth in Q4.

So despite everything going on, our business performed "as planned" in Q1.

## **Rest-Of-Year Guidance**

Let me make the turn to our rest-of-year forecast. First off, the macro factors that affect us are setting up to be effectively "neutral" to our ROY forecast vs our prior guidance. The forward curves for fx, fuel, + SOFR have moved a bit, but essentially zero out in terms of their ROY impact on our business. With that said, we acknowledge that the overall macro backdrop is uncertain... but we're not seeing anything yet that causes us to revise our forecast. Additionally, our revenue flash for April looks to be "spot on" our forecast.



As a result, we're pretty much maintaining our full year 2025 guidance at the midpoint as follows:

- \$4,420 in revenue
- And \$21.00 in cash eps

Our slightly increased full year revenue guide reflects the Gringo acquisition in Brazil, net of the \$6M unfavorable spread shortfall in Q1. Within this updated full year guide, we're still expecting full year organic revenue growth of 11% at the midpoint... and our Corporate Payments business growing hi teens to 20% for the full year.

As it relates to tariffs, we are not a particularly sensitive tariff stock ... we won't directly pay tariffs.

- Our businesses are services, not goods
- And our international businesses in the UK + Brazil operate "intra-country," so are not subject to tariffs.

Our direct tariff exposure is primarily related to our cross border business, which does rely on our CB clients trading across borders. We've included a slide in our supplement, that shows < 20% of our cross border business will be affected by US tariff policies. All of this is to say that our business is not directly impacted very much by the US tariff policy, but we are not immune to our clients being negatively affected by tariffs, and that ultimately could soften their volumes with us.

### **M&A Update**

Let me transition to our recent M&A activity. We've announced a couple exciting deals in the last week. So first, we announced a strategic cross border partnership with Mastercard, in which...



- Mastercard will invest \$300M for an approx. 3% share in our cross border business, valuing the unit at over \$10B
- Second, we signed a commercial agreement to be Mastercard's exclusive provider of cross border services to Mastercard's FI (financial institutions) clients. We think this FI partnership could add 2-3% incremental revenue growth to our cross border business beginning next year.

Secondly, we just announced that we're making a \$500M minority investment into AvidXchange, alongside their take private transaction with TPG.

- Avid is a leader in B2B invoice automation + payments, and serves pretty distinct verticals than our payables business
- We expect that our investment in Avid will be accretive to earnings in 2026, and throughout the forecast period.
- Our agreement with TPG does provide us a "call option" to acquire the remaining equity of Avid down the road.

These 2 Corporate Payments transactions strengthen our position in the space, and provide us the option to dramatically scale up our position over time.

Lastly, we're also looking harder at divesting 3 of our non core, or less related businesses, that could provide upwards of \$2B of incremental liquidity if we were to transact. We'll obviously keep you apprised of progress here.

## **Priorities**

Let me make the turn to our 2025 top priorities.

In our February earnings call, we laid out 4 priorities for 2025, here's our progress...

- First, our portfolio: we said our goal was to expand our Corp Payments business mix, and we're doing exactly that with the Mastercard + Avid transactions. In addition, we continue to look at additional interesting Corp Payments targets in our pipeline. Our goal is to have ...fewer, bigger businesses.
- USA Sales: we had a good Q1 USA sales result, with USA sales up 25% y/y. We have staffed our new cross sell team and new zoom sales team... with both groups now out in the market. We've developed a new Corpay brand ad campaign that will be "in market" in Q2... to further support USA sales.
- Payables: on the payables front, we just went live with our first mega enterprise client, and so far, so good. We expect that this single client will process over \$30B in annual spend with us... so a super significant opportunity. We also expect to launch our new payables product in the UK this summer, bringing our technology to our second largest market and to our large client base there.
- Cross border: lastly on the cross border front, we're making a major push into this institutional client segment ... think PE firms and asset managers ... with our new multi-currency product. We've signed 2,600 new accounts already since launch, and have aggregated \$800M of total deposit balances... So a very good start.

So pretty good progress across our 4 top priorities.

## Conclusion

So then, in conclusion today...

- Q1 financial results finished “on plan”
- We’re maintaining our rest-of-year/full year 2025 financial guidance, based on what we’re seeing
- We’re expanding our Corporate Payments segment, with additional acquisition targets still in front of us.
- We remain laser focused on our 2025 top priorities, and advancing them.

### **Alissa Vickery, Interim Chief Financial Officer**

The first quarter was a good start to the year, with our businesses exhibiting strong organic revenue growth of 9% overall...in line with our expectations. Our print revenue of \$1.006 billion was up 8% over last year. Normalizing for macro, Q1 revenue would have been \$1.013 billion, slightly ahead of the midpoint of our guide. Our revenues were impacted by approximately \$6 million of unfavorable fuel spread revenue compared to our February expectation as there was little volatility in prices in the quarter, which led to the fuel spread revenue headwind. Adjusted EPS increased 10% over last year to \$4.51 per share. As Ron mentioned, performance drivers during the quarter were strong, and were paired with solid expense management, fewer shares outstanding, partially offset by a higher tax rate. We completed the acquisition of Gringo in March, which had an immaterial impact on revenue and Adjusted EPS.

In summary, the quarter generated strong top and bottom-line growth on a constant macro basis, while maintaining strong margins, and included significantly higher sales that should fuel growth over the balance of the year.



## **Corporate Payments**

Corporate payments revenue was up 19% organically during the quarter. Driven by solid spend volumes, which also increased 19% organically in the quarter. Our corporate payments solutions continue to sell extremely well, with payables revenue up 19% organically, including direct sales up 30% YoY. Within sales, we signed 2 new channel partners in the quarter.

Cross-Border sales grew 51% for the quarter compared to the prior year, and revenue increased 18% organically. We did see heightened activity throughout the quarter driven by fx rate volatility from tariff policy changes, but much of that early benefit was given back in March as uncertainty caused US goods-based volume to soften somewhat. Activity and volumes rebounded in April post announcement of the 90-day tariff pause. We've already migrated most of our GPS customers from the 2024 acquisition onto our Corpay platforms, with remaining migration planned to be completed by the end of the third quarter. This positions us well to cross sell our sophisticated risk management solutions to GPS' customers.

Clearly US trade policy and tariffs are challenges for our customers as they operate today and look forward. Cross border is a global business for us, where we help customers pay for both services and goods. Services have been largely excluded from the tariff policy changes to date. So, for the remainder of 2025, we expect tariff impacts to be relatively modest, unfavorably impacting our cross border revenue by approximately \$10-\$15 million based on our assumptions. We've provided additional details on slide 20 in our earnings supplement.



## **Vehicle Payments**

Turning to Vehicle Payments, organic revenue increased 8% during the quarter, consistent with the fourth quarter of 2024.

In Brazil, toll tags increased 8% year over year, with more than a third of our customers' spending coming from our extended network. Active Insurance policies increased more than 50%, and car debts users were up 40%. We closed the Gringo acquisition in March and we continue to be excited about the significant opportunity in the car debts space. Our app-based strategy, growth of offerings, as well as consistent sales execution, powered Brazil organic revenue growth of 22% for the quarter.

In International Vehicle Payments, revenue grew 8% organically for the quarter. Consistent strong sales, array of products and channels, notably EV offerings throughout the UK and Europe, and continued geographic diversification are the drivers of these results. I'm delighted to say we have re-signed our existing reseller agreement with Shell for another 5 years to manage Shell fuel and EV cards in multiple markets across Europe.

In U.S. vehicle payments, revenue growth was down 3% organically, but we continue to see improvement in new customer application approvals, growth in sales to our lower to mid-market customers, and better retention. In the revamped US sales organization, we are focused on standardizing performance criteria to manage sales, with incremental investment in brand awareness to drive mid-market growth and leads.

## **Lodging Payments**

Lodging organic revenue growth for the quarter was down 1%, compared to down 9% in 1Q24...so a big improvement over last year. Room nights increased 19% led by the



workforce business, which was particularly active as a result of last fall's hurricanes and wildfires, as well as improved new sales. Airline revenues were lower due to tough prior year comps and volume softness.

To accelerate US sales growth, we are focused on building a single, unified Corpay go-to-market strategy, by combining people, processes and measurement across US Vehicle Payments, workforce lodging and most of our Payables products led by our Chief Revenue Officer. We are building scalable infrastructure and are seeing early returns, with double-digit growth in bookings across each of these lines of business. We continue to gain traction in leveraging our product portfolio across our client base, propelled by our unified brand, with meaningful growth in website traffic and a strong sales pipeline, while also having sales representatives focused on cross-selling and up-selling to existing customers.

In summary, we're pleased with the performance of our business to start the year

### **Income Statement**

First quarter operating expenses of \$579 million increased 8% vs. Q1 of last year. As a reminder, we acquired 3 business in 2024; Zapay in March, Paymerang in July and GPS in December; and disposed of our Merchant Solutions business in December. The net impact of these transactions resulted in incremental operating expenses of approximately \$40 million in the first quarter of 2025 over the prior year. Excluding the M&A activity and normalizing for lower FX rates, operating expenses increased approximately 5% vs. Q1 of last year. The increase in operating expense was driven by higher transaction volumes and sales activities to drive future growth. Bad debt expense as a percentage of spend was 5 basis points, consistent with Q1 of last year.



To better understand our operating performance, we evaluate our EBITDA with and without the impact of addbacks, consistent with those adjustments in our Cash Net Income definition to the extent they are operating expenses. We refer to this metric as adjusted EBITDA, or Cash EBITDA. Adjusted EBITDA margin was 55.2%, consistent with Q1 of prior year.

Interest expense this quarter increased 7% year-over-year, due to higher balances related to capital deployment, partially offset by lower interest rates and higher interest income due to higher deposit balances. Our effective tax rate for the quarter was 25.5%, compared with 24.7% in Q1 of last year, with the change driven primarily by the mix of earnings.

### **Balance Sheet**

We ended the quarter with the balance sheet in excellent shape, with a leverage ratio at 2.69 times, which is down 6 bps from year end. As we mentioned on the last call, we raised \$750 million of additional Term Loan B debt and used the proceeds to pay down the revolver in the first quarter. We have over \$2.5 billion of cash and revolver availability, which gives us ample capacity to pursue acquisitions.

As Ron mentioned, we announced an expansion of our partnership with Mastercard to deliver an enhanced suite of corporate cross-border payment solutions, which includes Mastercard investing \$300 million for an approximate 3% stake in our cross-border business unit. We expect this transaction to close in the second half of 2025.

Our capital allocation in the quarter was limited, as we spent \$59 million on share buybacks associated with employee option exercises, and \$164 million for Gringo. Given



the selloff of our stock this year, we are buyers of our stock, but our first priority remains M&A. Meaningful M&A cycles are few and far between, so we want to take advantage of them when they present...and the pipeline is very active

### **Guidance and Outlook**

While the forward fx and fuel price curves have changed since our February call, the net effect of the macros factors on our rest of year financial outlook is a wash. Here are the puts and takes:

- fuel prices are now expected to be \$2.96, approximately 9% lower.
- the U.S. dollar is now weaker against most currencies, other than the Brazil Reais ...
- interest rates are slightly better
- and tariffs have a slightly unfavorable impact to our cross border unit.

Consequently, we're maintaining our 2025 guidance, and now adding Gringo, which adds to revenue but is neutral to cash EPS. Based on the current environment, we are maintaining our expectation of 10%– 12% organic revenue growth, and \$21.00 of cash EPS at the midpoint.

There is a currently a lot of noise about if and how the demand environment will change in response to tariff uncertainty and sentiment deterioration. Through April, we're not seeing any meaningful change in customer behavior, so it's difficult to handicap what might happen. What we do know is that the majority of our products are B2B and intra-country focused, generally not discretionary, and provide a more efficient way to pay for what our customers are buying. There has been a lot of volatility with fx rates and the global economic outlook, but to date, we're not seeing any meaningful impact to our



business. If economic activity and the outlook change, we'll be nimble in adjusting our spending as warranted, but today we are maintaining our full year financial estimates.

For the 2<sup>nd</sup> quarter, we expect print revenue growth of 12%-14%, and print Cash EPS to grow 11-13%. On a constant year-over-year macro basis, we expect organic revenue growth of 12% and Cash EPS to increase 18%, at the midpoint, compared to the 2<sup>nd</sup> quarter of last year.

We've provided additional details regarding our rest of year and 2nd quarter outlook in our press release and earnings supplement.

---

#### **About Corpay**

Corpay (NYSE: CPAY) is a global S&P 500 corporate payments company that helps businesses and consumers manage and pay expenses in a simple, controlled manner. Corpay's suite of modern payment solutions help its customers better manage vehicle-related expenses (e.g. fueling and parking), travel expenses (e.g. hotel bookings) and accounts payable (e.g. paying vendors). This results in our customers saving time and ultimately spending less. Corpay – Payments made easy. For more information, please visit [www.corpay.com](http://www.corpay.com).