



Corpay's Fourth Quarter and Full Year 2024 Earnings Conference Call - Prepared Remarks

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Ron Clarke

Chief Executive Officer

Tom Panther

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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](https://www.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 part of our discussion today may include forward-looking statements. These statements reflect the best information we have as of today. All statements about our outlook, expected macro environment, new products, and expectations regarding business development and future acquisitions 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](https://www.sec.gov).

Ron Clarke, Chief Executive Officer

Upfront here. I'll plan to cover 4 subjects.

- First, I'll provide my take on Q4 results.
- Second, I'll hit the highlights for full year 2024.
- Third, I'll share our 2025 guidance, along with our major priorities for the year.



- And lastly, I'll provide a brief M+A update.

Q4 Results

Let me begin with our Q4 results. We reported Q4 revenue of \$1,034, up 10%...and cash eps of \$5.36, up 21%. Overall, the results were “in line” with our expectations. Each of our “core businesses” finished pretty much on forecast, with accelerating revenue growth. The macro was quite unfavorable during Q4, compressing our print revenue by about \$20M...but a favorable tax rate effectively offset the unfavorable fx...landing us back at our expected Q4 eps print. Same on the revenue front, we picked up some unplanned GPS acquisition revenue in the quarter, that was offset by delayed gift card shipments. Organic revenue growth accelerated quite nicely in Q4, coming in at 12% overall, with Corporate Payments delivering 26% organic growth.

Importantly, our trends improved significantly in the quarter...

- SSS finished positive, up 1%...versus minus 3% in Q4 LY
- Sales growth accelerated to 36%, a really impressive performance, including some elephant sales.
- Retention remained steady at 92%

So the wrap on the quarter...Our underlying business results in line with our expectations. The environment both giveth and taketh...kind of zeroing out, and our revenue, SSS, and sales trends improving materially in the quarter



Full Year 2024 Results

Let me make the turn and call out a few highlights for full year 2024...Overall, it was a very successful year:

- Our \$19.00 cash eps was up over \$2.00 on a print basis, and up 16% vs. LY, excluding Russia
- We rebranded and simplified the company...now Corpay, The Corporate Payments Co.
- We scaled Corporate Payments with 2 acquisitions
- We grew sales >20% for the full year
- We managed credit losses to extremely low levels, and lower than 2023
- We progressed our vehicle payments add on idea, with real evidence of success in Brazil
- We hired a world class USA sales leadership team
- And we've begun the turn of our 2 problem children businesses, back into positive territory

So all in all, a good performance.

2025 Guidance and Priorities

Let me transition to our 2025 guidance, along with our major priorities for the year. Today we're providing full year 2025 guidance at the midpoint of ...

- \$4,400M in revenue
- And \$21.00 of cash eps...both up 11%



This guidance reflects...underlying business fundamentals that are quite positive. Our guide anticipates organic revenue growth at the midpoint of 11%...that's up slightly from 90 days ago. We're planning overall sales growth > 20%, and we're planning "macro neutral" cash eps growth of 17%...in line with our midterm earnings target.

Unfortunately, we're outlooking a very unfavorable macro at the moment...primarily weak international currencies, and a much higher tax rate...together, compressing our 2025 print revenue by over \$100M and our cash eps by about a \$1.20. Obviously, fx and SOFR forward curves could change, but we're using the January forecasts that are out there. Tom will provide some additional details on our guidance math, along with specific Q1 guidance in his prepared remarks.

Priorities

We're pursuing 4 major priorities in 2025...with a particular emphasis on expanding Corporate Payments:

- First, our portfolio...we'll continue to push to simplify our portfolio, going deeper vs. wider. We'll look to shed more non-core assets, and add more Corporate Payments assets. We're already quite active on this front.
- Second, USA sales...we're planning a step change improvement in USA sales production in 2025. We'll invest more in the Corpay Brand, scale our field and Zoom sales teams, and progress our dedicated cross sell team efforts.
- Third, on Payables...we'll take our payables business upmarket to the Enterprise segment, in addition to our middle market focus. We have secured our first big enterprise win. We'll also expand our Payables business into Europe this year,



and launch our Corpay Complete product in UK. We have lots of UK assets to help us get going there.

- And finally, in Cross Border...we'll expand our MCA – Multi-Currency Account Product, which holds multiple currencies for clients as deposits, making it faster and easier to do business in more countries. This will be a “game changer” in our ability to compete with banks.

So a very exciting set of initiatives planned this year.

M&A Update

Last up...let me provide a brief M+A update:

- First, our two 2024 Corporate Payments acquisitions...GPS and Paymerang. We are well underway integrating both businesses into our tech environment, and executing on our synergy plans. We're on track to deliver 50¢ of cash eps accretion from the 2 deals here in 2025.
- Second, Gringo, our 2nd Brazil mobile payments acquisition that we announced on Monday. This acquisition, along with last year's ZaPay acquisition, gives us entry into a huge Brazil payments TAM, approximately 3X the size of our toll TAM...and very early days in terms of penetration. Together these deals add 5M active monthly digital users, who became potential buyers for all of our vehicle solutions...e.g. tolls, parking, insurance, and fueling.
- Lastly, we've got an active pipeline of exciting Corporate Payments acquisition opportunities in front of us. We're pushing hard to increase our Corporate Payments business mix to support overall revenue acceleration.

Conclusion

So then, in conclusion today...

- Q4 finished in line with expectations, with dramatically improving revenue and profit growth
- 2024 was a very successful year in which we grew profits, but also simplified and better positioned the company for the midterm
- Our 2025 “macro neutral guidance” of 11% organic growth, and 17% cash eps growth is consistent with our midterm growth targets...although we do expect our print results to be negatively impacted by 2025 macro headwinds
- Finally, we do expect upside from our 2025 capital allocation and corporate development activities as we progress through the year

So with that, let me turn the call over to Tom, to provide some additional details on the quarter and on our 2025 guidance, Tom?

Tom Panther, Chief Financial Officer

Here are some additional details related to the quarter and the full year...

It was a very good quarter with all of our businesses exhibiting strong organic revenue growth. For the quarter, organic revenue grew 12%, a smidge under our guide due to Gift card shipments falling a bit short of our expectations. From a housekeeping perspective, the net benefit from our December acquisition and divestiture activity was offset by the slight shortfall in Gift. Our print revenue of \$1.034 billion was impacted by approximately \$20 million of negative macro compared to our November guide, primarily fx, resulting



from the stronger dollar post the U.S. presidential election. Normalizing for macro, revenue would have been \$1.055 billion, which is in-line with our guide.

Digging deeper into our revenue results, during the quarter, we were encouraged to see our same store sales turn 1% positive compared to a 3% drag in Q4 '23. Looking down the P&L, we overcame the stiff macro headwind through strong expense management and a lower tax rate, contributing to the \$5.36 per share in Cash EPS that we are reporting. Cash EPS increased 21% vs. last year.

Looking at the full year, organic revenue grew 8% and Cash EPS grew 12%. Excluding our Russia business which we sold in 2023, Cash EPS increased 16% despite \$65 million of negative revenue macro in 2024. These strong year over year results are further reinforced by the healthy, consistent sequential quarterly growth in revenue, EBITDA, adjusted EBITDA margin, and Cash EPS throughout 2024, which positions us well entering 2025.

Continuing with our performance highlights, new sales during the quarter and full year were exceptional, increasing 36% in Q4 and 22% for the year. For the quarter, Corporate Payments and Vehicle Payments sales increased almost 40%, and for the year, these two segments grew sales a little over 20%. There is no better testament to the quality and value of our products than to be able to consistently generate sales to new customers.

To sum it up, 2024 was a great year as we were able to generate strong top and bottom line growth, increase margins, and significantly grow sales.

Turning to our segment performance and the underlying drivers of our revenue growth.....



Corporate Payments

Corporate payments' revenue was up 26% during the quarter, and increased 20% for the full year. As expected, some one-time deal related synergies contributed 4 points of growth to the quarter. During the quarter, our direct business grew 28%, excluding the one-time synergy, led by growth in full AP. Our full suite of high-quality payment solutions continues to sell extremely well, with sales up 29% this quarter. I want to take a minute to highlight that we won the full AP business of a large, global enterprise client that was already using our vehicle payment solutions. This is a terrific example of capturing the overlap in our customer base. In addition, up to now, our focus has been selling our full AP solutions to middle market customers, but the addition of this enterprise customer has the potential to unlock additional TAM for us in the enterprise segment. Lastly, the business' KPI fundamentals remain solid with spend volumes increasing 22% in the quarter and card penetration remaining stable.

Cross-Border revenue was up 20% for the quarter and the year which was led by sales growing 43% for the quarter and 33% for the year. We closed the GPS transaction in December, and we continue full steam ahead with those integration plans. The cross-border space continues to attract more investor attention, and we clearly have a great position in this massive global marketplace. We compete almost exclusively with banks, who control 90%+ of all international payment flows. We primarily focus on the global middle market where we have better technology, superior sales and customer service, and a proprietary network that allows us to have a very high win rate. We continue to develop new products for our clients and open up new geographies to capture more of this large addressable market.



Vehicle Payments

Turning to Vehicle Payments, organic revenue increased 8% during the quarter, which is a 4-point improvement from Q3, and for the year, revenue grew 5%.

In Brazil, for the quarter, total tags increased 9% year over year, with more than a third of our customer revenue coming from our extended network. Insurance revenue was up over 130%, and we sold nearly 300,000 insurance policies in Q4 alone. We also recently announced signing definitive agreements to acquire Gringo which is our 2nd deal in the car debts segment. Gringo's super app and national network help consumer and business drivers pay for vehicle taxes, registrations, and tickets. The car debts market is 3 times the size of the toll market, and significantly less penetrated, so it gives us enormous runway to grow. The acquisition is expected to close early Q2, and it allows us to efficiently use our cash in Brazil in a leverage neutral manner. We continue to develop and grow our vehicle payments strategy in Brazil, by selling more tags and providing more use cases related to vehicles, all delivered via a comprehensive app. Our strategies and execution are working as evidenced by organic revenue growing 20% for the quarter and 18% for the year. Our brand, sales coverage, and value-added products enable the business be a meaningful driver of total vehicle payments growth going forward.

In International Vehicle Payments, revenue grew 12% for the quarter and 11% for the year. This business has been a consistent performer despite some pockets of recent economic softness in Europe. Our consistent strong sales, array of products and channels, and geographic diversification drives these consistent results.

In the U.S., our digital and field sales efforts are improving, as we continue to see growth in applications, approvals, and starts. During the quarter, sales increased over 60%, which includes significantly expanding our service offering with a large corporate



customer. We've now lapped the drag from lower late fees, allowing these new sales to flow through into revenue.

Lodging Payments

Lodging organic revenue growth for the quarter improved to 1%, compared to down 5% in Q3. This quarter benefitted from an improvement in same store sales in our workforce business, a trend we expect to continue throughout 2025. During the quarter, room nights increased 23% led by the workforce business, which was particularly active in response to hurricanes Helene and Milton. Certainly, a significant topic of interest is the impact to our business from the California wildfires that began in early January. We are supporting the FEMA activation in our workforce business and the needs of displaced policy holders through our insurance business. In January, we provided approximately 42,000 rooms to emergency workers and displaced home owners. It's too soon to estimate the impact this catastrophe may have on 2025's results; however, we are focused on making sure our network is available to support the recovery efforts and we extend our support to all of those impacted by this tragic event.

In summary, we're super pleased with the performance our business in 2024. Earlier in the year, we called out our "problem children"....Lodging and Vehicle Payments, and those businesses are continuing to improve. Meanwhile, our Corporate Payments, Cross-Border, Brazil, and International Vehicle Payments businesses performed exceptionally well which demonstrates our durable earnings growth and cash flow generation.

Income Statement

Now looking further down the income statement...Fourth quarter operating expenses of \$546 million increased 6% vs. Q4 of last year. There were a handful of unusual items recognized in the quarter that essentially net out against each other that I'll quickly tick through. First, during the quarter, we recognized a \$120 million pre-tax gain from the sale of our Merchant Solutions business. Second, in connection with our annual goodwill impairment analysis, as required under GAAP, we recorded a \$90 million non-cash impairment charge related to the Paycard business which is part of the Other segment. Third, we recognized \$11 million in deal termination fees, and finally, we recorded a \$10 million one-time stock comp. charge. Note that the after-tax impacts of all of these unusual items are excluded from Cash EPS. In addition to these unusual items, this year's acquisitions and divestiture added approximately \$30 million of net new operating expense in the quarter. Excluding the unusual items and M&A activity and normalizing for lower fx rates, operating expenses increased approximately 5% vs. Q4 of last year. The increase was driven by higher transaction and sales activities to drive future growth. Bad debt expense was flat with last year at \$22 million, or 4 basis points of spend.

Adjusted EBITDA margin in the quarter was 55.2%, up 100 basis points compared to Q4 '23. On a full year basis, adjusted EBITDA margin increased 120 basis points, excluding our Russia business. Despite the adverse macro environment, we were able to generate significant positive operating leverage driven by solid revenue growth, disciplined expense management, and synergies realized from acquisitions.

Interest expense this quarter increased 3% year-over-year, due to higher balances related to capital deployed during the year, partially offset by lower interest rates.



Our reported effective tax rate for the quarter was 36.4%. The effective tax rate is approximately 15% higher due to the aforementioned goodwill impairment and sale of our Merchant Solutions business, as well as a non-cash discrete tax provision related to a prior tax planning strategy. Normalizing for these items, our effective tax rate for the quarter was 21% vs. 23% in Q4 of last year, with the decline driven primarily by stock option exercises and tax planning strategies.

Balance Sheet

Now turning to the Balance Sheet...We ended 2024 with the balance sheet in excellent shape, and a leverage ratio at 2.75 times which is flat sequentially despite the acquisition of GPS in December. In January, we expanded our securitization facility to \$1.8 billion and extended the maturity by 3 years, with slightly better pricing. We are also in the process of raising another \$500 million of Term Loan B debt which we are structuring to be interest expense and leverage neutral by using the proceeds to pay down the revolver.

Our capital allocation in 2024 was once again “balanced”, as we deployed \$2.6 billion during the year which is comprised of \$1.3 billion for the repurchase of 4.2 million shares, and \$1.3 billion related to acquisitions; improving our position in Payables, Cross Border, and Brazil. Looking forward into 2025, our first priority remains M&A, and the M&A pipeline is robust. We’ll look to acquire businesses that deepen our position in our 3 core operating segments, with a particular focus on Corporate Payments. We have nearly \$1.3 billion authorized for share repurchases which provides ample capacity to repurchase shares.



Guidance and Outlook

Now let me share some additional information on our 2025 Full Year and Q1 Outlook....

We established the fuel, fx, and interest rate macro assumptions based on the respective forward curves when previewing our 2025 earnings on our November earnings call. The January forward curves have significantly worsened since that call. Specifically, fuel prices are approximately 8% lower, interest rates are approximately 25% higher, and the U.S. dollar is significantly higher, as evidenced by the Brazil fx rate being 10% lower. To help gauge the magnitude of these recent moves, if the macro ends up being consistent with the October forward curves, annual revenue would increase \$136 million and Cash EPS would increase \$1.19 per share. While the current lower macro assumptions may be transient as markets adjust to the policies of incoming government administrations in the U.S. and internationally, we maintained our process for estimating the macro by using the January forward curves.

Consequently, our outlook in 2025 projects both print and organic revenue growth of 10-12%. We're estimating Cash EPS to also grow 10-12% which is \$21.00 per share at the midpoint. Normalizing both revenue and Cash EPS for the macro headwind I just described, we'd be at our November preview. So to sum up, the only thing that has changed since our last call is that the macro has gotten significantly worse, but on a positive note, our confidence around our core business performance has increased which is why we are maintaining our initial financial estimates, excluding the macro.

Below EBITDA, we're expecting net interest expense to be between \$350 million and \$380 million, the tax rate to be between 25.5 and 26.5%, and weighted average shares to be flat year over year. Related to capital allocation, our forecast assumes that approximately \$1.5 billion of free cash flow is used to paydown debt, which provides some earnings upside opportunity should we deploy capital for M&A or buybacks.



From a segment perspective, we expect the following revenue growth rates:

- Corporate Payments – high 20s print and high-teens organic
- Vehicle Payments – low single digits print and high-single digits organic
- Lodging - low-single digits print and organic

Related to the 1st quarter, we expect print revenue to grow 7-9%, organic revenue to grow 8-10%, and Cash EPS to increase 9-11%. On a constant year of year macro basis, revenue is growing 13% and Cash EPS is increasing 17%, at the midpoint, compared to the 1st quarter of last year. We're projecting revenue growth to increase in the remaining quarters as we execute our business plans and lap the higher fx rates from the 1st half of last year. In addition, 1st quarter revenue growth is impacted by a tough comp. related to last year's Gift revenue. I'll also note that the volatility in fx rates so far this year creates some uncertainty regarding the ultimate macro for the quarter.

We've provided additional details regarding our full year and 1st 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.