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Corpay's Third Quarter 2025 Earnings Conference Call - Prepared Remarks

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Jim Eglseder, SVP, Global Investor Relations

Our earnings release and supplemental materials for the quarter are available on the Investor Relations section of Corpay.com. Please refer to these materials for an explanation of the non- GAAP financial measures discussed on this call, along with a reconciliation of those measures to the nearest applicable GAAP measures. Our remarks today will include forward-looking statements about expected operating and financial results, strategic initiatives, acquisitions and synergies, and divestitures, among other matters. Forward-looking statements may differ materially from actual results and are subject to a number of risks and uncertainties. Some of those risks are mentioned in today's press release on Form 8-K, and can also be found in our annual report on Form 10-k. These documents are available on our website, and at SEC.gov.

Ron Clarke, Chief Executive Officer

Up front here, I'll plan to cover 3 subjects…

- First, I'll provide my view on our Q3 results, Q4 outlook, and an early 2026 preview
- Second, I want to spotlight our Corporate Payments business to emphasize the sheer size of the opportunity
- And lastly, I'll provide a progress report on our recent M+A and Stablecoin activities

Q3 Results

Let me begin with our Q3 results…which were quite good across the board.

We reported both revenue and cash eps growth of 14% in the quarter.

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Our overall organic revenue growth finished up 11%...but we're particularly pleased that higher volume and spend is driving the growth, so its durable.

- Our consolidated vehicle payments segment grew 10%, and inside of that, our USVP segment accelerated to 5%. We're so pleased to see our vehicle segment back to 10% organic growth.
- Our Corporate Payments segment grew 17% in the quarter, inclusive of 1% float compression.

Q3 trends were very strong:

- Retention improved slightly to 92.4%
- Sales or new bookings grew 24% in the quarter
- And our same store sales remained essentially flat

So look, in summary, Q2 finished right on expectations, with:

- Accelerating vehicle payments revenue growth
- Continued high-teens Corporate Payments revenue growth
- Along with continued solid fundamental trends

Our lodging business remained weak in Q3, mostly impacted by lower emergency revenue, but attrition improved from -8% to -5%...and client base softness improved from -2% to 2%...so the business is stabilizing…now we just need to sell more.

In summary, we're very pleased with the quarter. It's clean, all businesses finished in line or better than expectation, and our 2 biggest businesses, representing 80% of the company, both grew double digits organically.

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Q4 and rest of year outlook

We're now outlooking Q4 revenue of $1,235 million, and cash eps of $5.90 per share at the midpoint…both helped by our Alpha acquisition, that closed on October 31st…along with our strong Q3.

We're expecting Q4 organic revenue growth of 10%.

- With our vehicle segment maintaining another 10% growth quarter
- And our Corporate Payments segment to finish mid-teens, inclusive of a 3% float revenue headwinds

We've had an early peek at October revenue, and its incorporated within this Q4 guide.

Assuming we achieve our Q4 outlook, our full year 2025 will finish…

- Above $4.5B in revenue, up 14%
- Above $21.00 in cash eps, higher than our initial profit guide in February
- It will also mean that 4 of the last 5 years, our organic revenue growth will be 10% or higher…so pretty durable growth

2026 Preview

The headline is…we really like what we see.

- Currently the macro is setting up favorably for 2026, with better fx rates and lower interest rates
- We're expecting organic growth in the 9-11% range next year
- We're expecting at least $0.75 of cash eps accretion from the combined Avid and Alpha deals

- And we're expecting incremental margin expansion as the result of our AI productivity initiatives, labor efficiencies, and vendor rationalization

All of this is to say that we're expecting very strong earnings growth next year.

Spotlight on Corporate Payments

Let me make the turn to our Corporate Payments business, and why we're so excited about its future. We really want to re-enforce the sheer size of this opportunity, and the advantaged positions we have in the space.

I'll run through the 4 solutions that make up our Corporate Payments segment, expected to total >$2B in 2026 revenue, and represent >40% of the company next year.

- So first we have our Corpay One spend management solution…approximately $250M…competing with the likes of Amex, Ramp, Brex, and Divvy. Our advantage lies in our ability to monetize more spend for our clients, by linking them to our proprietary B2B virtual card and fuel networks.

- Next, we have our $400M mid-market AP Automation and Payments solutions segment that helps clients pay some or all of their invoices. We are the leader in this middle market, with a number of exclusive ERP relationships, and the option to acquire Avid, another $500M business, over the coming years.

- Next, our Cross Border business, with risk management and mass payments solutions, originating clients in the US, UK, Europe, and Asia with over $1.2B in revenue next year. We're the largest non-bank in the world and boast the most experienced set of sales and service specialists across the globe.

- Lastly, we have our new Global Bank account and multi-currency account business…approximately $200M…that helps institutional asset managers and Corporates set-up new foreign bank accounts in record time. We currently hold >$3B in deposits.

We have "strong positions" in each of these 4 global corporate payments segments…spend management, AP Automation, Cross Border risk management, and global bank accounts…each of which have incredible market opportunity and upside.

We've set our sights on making this a $10B business over time…5X today.

M&A Update

Ok, let me transition to our progress on the M&A front..

- We closed Avid, the mid-market AP Auto company, investment on October 15th
  - Busy working with TPG and Avid management to craft a faster growing and more profitable business in 2026
  - We've laid out a series of actions to materially improve Avid profitability next year and increase sales productivity

- We closed Alpha, a European cross border business, on October 31st
  - We're super excited about this transaction and particularly their global bank account product which is growing 20% plus...its really a new opportunity for us
  - We're busy working to finalize the 2026 plan, the synergies, the IT integration plan, and the combined organization structure

- We expect to close the Mastercard investment into our cross border business on or about December 1st

  - We're bringing our cross border solutions to Mastercard's FI (financial institution) customers
  - The pipeline is building and we hope to begin converting new accounts as soon as Q1 next year

- We're in market now with 2 divestitures that could fetch up to $1.5B. We should have a good idea if these divestitures will transact when we speak again in 90 days

- And not surprisingly, we have a pipeline of additional Corporate Payments' acquisitions that we are actively engaging with…so quite busy on the M&A front

Stablecoins

Over to my last subject, Stablecoins…and our progress since last time.

We've contracted with partners, including Circle, to provision the coin, the rails, and the digital wallet…to enable us to add this new stablecoin peer to peer payment system to our existing proprietary global fiat payment network.

We are pursuing the stablecoin opportunity on 3 fronts…

1. We're enabling our largest domestic and cross border merchants or beneficiaries to receive payouts in SC wallets, such that, they can receive payment 24X7.

2. We're adding digital wallets to both our Alpha bank account and to our Corpay MCA accounts so that our Corporate and Institutional asset customers can hold stablecoins and transfer funds back and forth between their wallets and fiat accounts.

3. We’re also serving large Crypto clients, including Bank Frick, that hold large Crypto balances, and need to return liquidity to a USD bank account of an investor.

We’re uniquely positioned to monetize this new rail and payment system for a few reasons…

- We have large, existing payout flows today to a number of beneficiaries
- We have a significant institutional global bank account client base where we can add a companion stablecoin wallet
- And we’re leveraging our existing fiat rails and compliance infrastructure to sign up and serve new Crypto clients

So our existing assets will really let us leverage this new stablecoin payment system.

Conclusion

So in conclusion today We…

- Printed a clean Q3 beat
- Revised up our Q4 and full year 2025 guidance
- See an attractive 2026 set up for earnings growth
- Are super excited about the prospects for our Corporate Payments LOB and the opportunity to make it really big
- Completed a pretty meaningful acquisition and investment this year, that position the company well for mid-term growth
- Are progressing our Stablecoin entry to capitalize on this new rail

Peter Walker, Chief Financial Officer

Q3 revenue was $1.172 billion, over performing the midpoint of our guidance range. Print revenue grew 14% year over year driven by 11% organic revenue growth. Q3 Adjusted EPS of $5.70 per share overperformed the midpoint of our range and grew 14% year over year due to strong top-line performance and solid expense management. Adjusted EPS grew 17% year over year on a constant macro basis.

The headline for the quarter is mid-teens top and bottom-line growth, excellent organic growth with 10% vehicle payments organic growth driven by our US vehicle payments business returning to mid-single digit organic growth, continued strong retention, all while maintaining strong margins. We've also produced significant sales growth this year that will fuel our business over the balance of 2025 and into 2026.

Corporate Payments

Corporate payments delivered 17% organic growth for the quarter, despite 100 basis point drag from float revenue compression due to lower interest rates. Overall, the performance was driven by growth in spend volumes, which increased 57% on a reported basis and up 38% organically. Spend volume was just over $68 billion in Q3, which puts us on pace to be north of $250 billion annually on a run rate basis. Corporate payments revenue per spend volume decreased year over year due to new Payables and Cross Border enterprise clients.

The payables business continues to perform, driven by strong execution on Paymerang synergies and solid progress implementing and ramping new full AP customers. We continue to be optimistic about the future of the business, and are laser focused on customer acquisition.

Cross-Border continued to deliver strong sales in Q3. Both new client acquisition and recurring client transaction activity was robust, as our scale, technology, and talent advantages continue to power share gains from legacy financial players.

Vehicle Payments

Vehicle Payments organic revenue increased to 10% this quarter. You can see in the financial supplement, there is a good trend line of improving organic revenue growth in this segment, now returning to our target run rate of 10% organic revenue growth. Also, it is important to point out that our vehicle payments segment is made up of three approximately equal sized revenue businesses in different geographies. These geographies are the U.S., Brazil and Europe.

U.S. vehicle payments organic revenue growth improved 500 bps sequentially to 5%, reflecting the return to sustainable mid-single digit organic growth we've been expecting. This was driven by improved sales production, higher approval rates and stronger retention.

Brazil and Europe vehicle payments continued to perform well. In Brazil, the combination of 6% tag growth, growth in our extended network, including our new car debt offering, is driving the strong results. International Vehicle Payments continues to deliver consistent results, driven by strong sales and performance across the UK, Europe and ANZ.

Lodging Payments

As expected, lodging organic revenue was down 5% for the quarter, inclusive of a 400-basis point drag from lower emergency revenue year over year in our FEMA business. We feel good about the progress we've made to position this business for the future, but the recovery has yet to show through in a meaningful way. The business has now stabilized, and we are hyper focused on improving sales in the lodging business.

Other

The Other segment was up 23%, as the gift business generated significant year over year growth from pent-up demand due to new regulations to upgrade gift card packaging to reduce fraud.

In summary, we delivered 11% organic growth in Q3, at the high-end of our target range, driven by continued strong corporate payments organic growth and double-digit vehicle payments organic growth. These two segments make up over 80% of our revenues.

Income Statement

Operating expenses of $649 million represent a 16% increase vs. Q3 of last year, driven primarily by acquisitions/divestitures and related addbacks, FX, and a true-up of a 2024 disposition. Excluding these impacts, operating expenses increased 8%. Bad debt expense declined 1% from last year to $28 million, or 4 basis points of spend, so credit remains well controlled. Our Adjusted EBITDA margin was 57.7%, essentially flat with the prior year. Our adjusted effective tax rate for the quarter was 26.6%, the increase in the rate was driven by Pillar 2 and a change in the mix of earnings.

Balance Sheet

We ended the quarter in excellent shape with liquidity of ~$3.4 billion and a leverage ratio of 2.4 times. Today we closed upsized debt facilities that enhance our capital structure, increasing our revolving credit facility by $1 billion resulting in a total facility of $2.775 billion and a new $900 million seven-year Term Loan B. Our Term Loan B and revolving credit facility continue to price at some of the tightest credit spreads amongst BB+ corporates, which reflects our strong balance sheet and significant cash flow generation. We used proceeds from these facilities to close our Alpha acquisition and our investment in AvidXchange. We have a plan to de-lever and expect to end 2025 at ~ 2.8 times leverage.

We repurchased ~600,000 shares in the quarter for $192 million, leaving us with ~$1 billion authorized for share repurchases. We will continue to pursue near-term M&A opportunities and will also buy back shares when it makes sense, while maintaining leverage within our target range.

Guidance and Outlook

We're increasing our full year 2025 revenue guidance to $4.515 billion at the midpoint representing print growth of 14% driven by our third quarter beat, the continued benefit of improved foreign currency exchange rates and the inclusion of our recently closed acquisition. We are also increasing our Adjusted EPS guidance to $21.24 per share at the mid-point, representing growth of 12% as a result of our Q3 beat, continued expense discipline and recently closed acquisition and investment.

For the 4th quarter, we expect print revenue of $1.235 billion at the midpoint representing growth of 19% and Adjusted EPS of $5.90 per share at the midpoint representing growth of 10%.

We've provided additional details regarding our rest of year and Q4 outlook in our press release and earnings supplement.

About Corpay

Corpay (NYSE: CPAY), the Corporate Payments Company, is a global S&P 500 provider of commercial cards (e.g, business cards, fleet cards, virtual cards) and AP modernization solutions (e.g., invoice and payments automation, cross border payments) to businesses worldwide. Corpay solutions "keep business moving" and result in our customers better controlling purchases, mitigating fraud, and ultimately spending less. To learn more visit www.corpay.com