

23-Feb-2026

Paymentus Holdings, Inc. (PAY)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Fourth Quarter and Full Year 2025 Paymentus Earnings Conference Call. This call is being recorded. All participants are currently in a listen-only mode. There will be an opportunity to ask questions following management's prepared remarks. [Operator Instructions]

At this time, I will now turn the call over to David Hanover, Investor Relations. Please go ahead.

David Hanover

Senior Vice President, KCSA Strategic Communications

Thank you, operator. Good afternoon. Welcome and thank you for joining the webcast to review our fourth quarter and full year 2025 results. Our earnings release documents are available on the Investor Relations section of the paymentus.com website. They include the earnings presentation that we'll make reference to during this webcast. This webcast is being recorded. I hope everyone's had a chance to review those documents. Our Founder and CEO, Dushyant Sharma, will make some opening comments before Sanjay Kalra, our CFO, discusses the details of the fourth quarter and full year and our guidance. Following our prepared remarks, we'll take questions.

Let me just remind you that we may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and we refer to non-GAAP financial measures during the webcast. Forward-looking statements are based on management's current expectations and assumptions that are subject to risks and uncertainties. Factors that may cause our actual results to differ materially from expectations are detailed in our earnings materials and our SEC filings that are available on both the SEC and our websites. Information about non-GAAP financial measures, including reconciliations to US GAAP, can also be found in our earnings materials that are available on the website.

With that, I'd like to turn the webcast over to Dushyant Sharma. Dushyant?

Dushyant Sharma

Founder, Chairman, President & Chief Executive Officer, Paymentus Holdings, Inc.

Thanks, David. We had a phenomenal fourth quarter and full year 2025. We are looking forward to a great 2026 and feeling even better about our business beyond that based on the durability of our growth algorithm and the broad spectrum of our innovation framework. Now that we have been public for about five years, I will provide additional color on how we are feeling about the next five.

2025 was a significant milestone year for us where for the first time we delivered top line revenue exceeding \$1 billion. I think that's particularly inspiring because if you recall, we exited 2023 with just over \$600 million of top line revenue. And if we look back just five years ago to our IPO, we had a little over \$300 million of revenue for 2020. So, that would imply 100% revenue growth over three years and if you then put our 2025 top line of \$1.2 billion against our 2023 revenue, that's another instance of 100% revenue growth, but this time in just two years. This was done despite the backdrop of unprecedented inflation and other macroeconomic factors. In other words, we have quadrupled our business in last five years, far ahead of our long-term CAGR model of 20% top line growth. And if I go back 10 years, we have grown the business 25 times. The reason I'm sharing this context is because I believe this type of growth is possible due to our innovative DNA and thoughtful execution of a long-term business strategy.

In the process of achieving this scale and strategic position, I want to point out the level of disruption already caused by Paymentus to the status quo of legacy infrastructure through our ever-growing innovation footprint. At our inception, the vast majority of all digital bill payments occurred through old-school banks' bill pay and today, vintage bank bill pay represents a fraction of the overall bill payment volume. At the same time, what is now deemed as legacy infrastructure of in-house and third-party biller direct solutions used to be considered large and thriving bill payment solutions. This change is not an accident. This was a result of a carefully crafted, long-term business strategy executed with focus on long-term shareholder value creation by first creating customer value through an ever-growing customer value proposition.

So, as you are now observing some discomfort with the broader fintech landscape where increasingly more sophisticated buyers are rejecting strategic complacency of their service providers are not accepting niche business models. Paymentus, on the other hand, is getting even more excited as that is not a surprise to us. We see this as a great opportunity for further disruption, just as we saw at our inception. Compounding our excitement is the advent of GenAI that is further challenging the old-school software business models. We believe the world is moving more towards us. As a result, despite being a large-scale billion-dollar company, it is my distinct belief that we are still just getting started and the larger value will be created from here on out.

I believe we are strategically better positioned now than we were even just a few years ago. We have a state-of-the-art platform, innovative DNA, and a broad-based innovation footprint. We have a diverse, large, existing, and growing client base. We serve a large portion of US households and businesses using our platform, which is becoming increasingly more pervasive. Furthermore, the industry appears ripe for further disruption and as a result, I believe we have a big market opportunity and our best is yet to come. But of course, as we all know, that talk is cheap. We'll still have to keep our heads down, execute, and perform as we have done in the past.

With that backdrop, I'm also looking forward to this year. Our initial revenue guidance of 2026, which Sanjay will cover shortly, is over \$1.4 billion in revenue at the top end, which we believe we can deliver without signing any new clients. And our story is not complete without talking about profitability and margin expansion at the same

time as we are delivering this top line growth. For example, we generated \$125 million of free cash flow in 2025 and exited with over \$320 million of cash without any debt. In addition, for 2026, we are expecting adjusted EBITDA of \$167 million at top end of our guidance, which also implies a non-GAAP net income of over \$100 million, which is exciting in itself.

With that, let me go into our quarterly business update. Paymentus reported both fourth quarter and full year 2025 results that surpassed our expectations. Furthermore, Paymentus ended the year with strong bookings and backlog, which gives us a strong visibility as we head into 2026. What makes me even more excited is that we were able to achieve this year-over-year growth even with the strong results we reported in the fourth quarter of 2024. Our team continues to demonstrate solid execution when it comes to onboarding activities.

Additionally, while we expected to see growth from the rising portion of large enterprise customers, the beneficial impact we saw in Q4 was even greater than we had originally anticipated. Also, as our customer mix is shifting more towards enterprise and larger mid-market clients, our revenue and contribution profit per transaction has continued to grow substantially.

I'm also pleased with the growth in our adjusted EBITDA, which was 46.3% year-over-year. I think these results display the tremendous operating leverage we have in our business. They also show how we understand the economics and profitability of each piece of new business we bring in, including the large enterprise billers we signed up in the second half of 2025. In addition, our results clearly highlight our capacity to manage and calibrate our business to meet or exceed our long-term CAGR model. We have consistently shown our ability to achieve this even if we experienced variability and noise of our secondary metrics from quarter to quarter.

Now, let's briefly recap our fourth quarter and full year 2025 results. Fourth quarter revenue was a record \$330.5 million, an increase of 28.1% year-over-year. At the same time, contribution profit was \$106.9 million, up 24% year-over-year. Adjusted EBITDA was a record \$39.9 million for the quarter, representing a 37.3% margin and 46.3% growth year-over-year. Similar to the past quarters, the majority of our year-over-year growth in contribution profit fell to our bottom line and once again, we exceeded the Rule of 40 for the quarter coming in at 61 versus 59 last quarter. This reflects our team's solid execution and our focus on delivering consistent revenue growth alongside high-quality earnings. For the full year 2025, revenue increased 37.3% year-over-year to reach \$1.2 billion. Contribution profit for the full year was \$386.3 million, a year-over-year increase of 23.8%. Adjusted EBITDA was \$137.4 million, representing a 35.6% margin and a 45.9% growth year-over-year.

Now, I'll review our fourth quarter business highlights and accomplishments. In terms of bookings, we had a very strong quarter and finished the year with a significant backlog. As I mentioned earlier, during the quarter, we saw particular strength in the large enterprise segment of the market. These large enterprise customers continue to represent a growing component of our client base. We also continue to expand and diversify our customer base by signing clients in several industry verticals, including utilities, telecommunications, government agencies, educational institutions, banking, property management, healthcare, and insurance, among others. As a reminder, we handle both consumer and business payments for our clients and serve B2C and B2B clients and handle both inbound and outbound payment workflows based on the sophisticated platform we have created. Complementing this, we signed additional channel partners in various industry verticals to deepen our partner ecosystem. These verticals include consumer finance and utilities. In addition, onboarding of our substantial backlog remains a priority for us. During the fourth quarter, we onboarded several large enterprises. We also onboarded clients throughout multiple verticals, including insurance, utilities, government agencies, telecommunications, and healthcare.

Now, I'll turn it over to Sanjay to review our financial results in more detail.

Sanjay Kalra*Senior Vice President & Chief Financial Officer, Paymentus Holdings, Inc.*

Thanks, Dushyant, and thank you all for joining us today. Before I discuss our quarterly and full year 2025 results as well as our outlook for 2026, I'd like to remind everyone that the financial results I'll be referring to include non-GAAP financial measures.

Turning to slide 5, we ended 2025 with fourth quarter and full year results that again surpassed the top end of our guidance range across our key financial metrics. Our fourth quarter results included record revenue of \$330.5 million, up 28.1% year-over-year; contribution profit of \$106.9 million, up 24%; and adjusted EBITDA of \$39.9 million, up 46.3%.

On a Rule of 40 basis, for Q4, we came in at 61. During the quarter, we also continued to experience strong customer activity and demand, consistent with what we experienced throughout 2025. This solid momentum drove strong bookings and we exited the year with a significant backlog and strong free cash flow generation to support our continued growth strategies in 2026.

Now, let's review our fourth quarter financials in more detail. As mentioned earlier, fourth quarter revenue grew 28.1% year-over-year to \$330.5 million. This higher than anticipated growth was driven by two key factors. First, the successful launch of new billers. The fourth quarter was the first full quarter where we realized the benefits from large enterprise customers that launched in the prior quarter. And second, increased same-store sales from existing billers. In the fourth quarter, we derived more revenue from these newly launched large enterprise customers with higher average payment amounts contributing to higher revenues. While our [ph] original (00:15:32) fourth quarter guidance did contain some upside, we took a prudent approach because it was still a bit early to gauge the precise magnitude of this beneficial effect. As you can see, it was quite substantial.

Complementing this, in the fourth quarter, the number of transactions we processed grew 292.7 million, up 16.1% year-over-year. Our average price per transaction also increased during the fourth quarter to \$1.72, up over 11% from \$1.55 in the prior year period. This was mainly due to the biller mix or more specifically, the large enterprise billers that launched in the third quarter with higher average payment amounts.

Fourth quarter 2025 contribution profit increased 24% year-over-year to \$106.9 million. This growth exceeded transaction expansion as a large enterprise biller as I discussed earlier generated a higher contribution profit per transaction. Contribution profit per transaction for the fourth quarter was \$0.55, up sequentially from \$0.54 in the prior quarter and also up from \$0.52 in the prior year period, demonstrating our ability to capture market share while improving overall profitability. Contribution margin was 32.3% for the fourth quarter compared to 31.6% last quarter and 33.4% in the prior year period, reflecting the continued addition of large high-volume enterprise customers during the past year with healthy margins.

We generated a record adjusted EBITDA margin of 37.3% as both our contribution profit per transaction and operating expense margin improved year-over-year by 5.8% and 2.4%, respectively. Furthermore, our improved contribution profit per transaction together with our strong operating leverage generated an incremental adjusted EBITDA margin of 61.1%. As we continue to grow and diversify our client base and add large clients to the mix, we expect to see some quarterly variability in pricing and contribution profit. As we have noted in the past, variables that are outside of our control such as an increase in the average payment amount or changes in the payment mix can affect contribution profit on a quarter to quarter basis and therefore, we treat this as a secondary metric while our total revenue and adjusted EBITDA remain primary metric for us. Fourth quarter adjusted gross profit grew 25% year-over-year to \$89.8 million. We experienced adjusted gross profit growth that was greater than our contribution profit growth, reflecting the increased economies of scale.

Fourth quarter non-GAAP operating expenses were up 11.4% year-over-year to \$52.7 million, primarily reflecting higher sales and marketing as well as research and development expenses. These increases were consistent with our expectations and mainly driven by increased hiring and higher agency fees for business from resellers and partners. This enabled us to convert our strong pipeline into bookings as evidenced by our results, and also to enhance our technical strength. Using a non-GAAP tax rate of 25%, our fourth quarter non-GAAP net income was \$25.4 million or \$0.20 per share compared to non-GAAP net income of \$16.3 million or \$0.13 per share in the prior year period.

Fourth quarter adjusted EBITDA grew 46.3% to \$39.9 million compared to \$27.3 million in the prior year period. Adjusted EBITDA also represented a record 37.3% of contribution profit for the quarter compared to 31.6% in the prior year period. This strong adjusted EBITDA performance was due to the same combination of positive factors I talked about earlier, all of which came together in the quarter. As I mentioned previously, incremental adjusted EBITDA margin was 61.1% in the quarter. Interest income from our bank deposits was \$2.5 million in the fourth quarter, improved from \$2 million in the prior year period as a result of our increased average cash balance and effective cash management. Related to our performance, as mentioned earlier, we once again exceeded the Rule of 40 for the quarter, coming in at 61 compared to 59 last quarter and 62 in the prior year period.

Now, turning to slide 6, I will summarize the highlights of our full year 2025 financial results, which also came in higher than we projected. Revenue for the full year increased 37.3% to \$1.2 billion, driven by a 21.3% increase in transactions primarily from new billers as well as transaction growth from existing billers. Contribution profit increased 23.8% to \$386.3 million, mainly from increased transactions. Non-GAAP operating expenses increased to \$195.4 million, up 11.1% year-over-year due to higher sales and marketing and research and development expenses as we continue to focus resources on executing our go-to-market strategy.

Non-GAAP net income increased 51.2% to \$84.9 million and diluted EPS increased 50% to \$0.66 per share compared to the prior year. Full year adjusted EBITDA increased 45.9% to \$137.4 million. We exceeded the Rule of 40 for the full year, coming in at 59 for 2025, pretty much comparable to 2024 when we ended at 60. We are also proud to report that in fiscal year 2025, \$43.2 million out of \$74.2 million contribution profit increase flowed through to adjusted EBITDA, representing a 58.2% incremental adjusted EBITDA margin.

Now, I'll discuss our quarter-end balance sheet and quarterly liquidity improvement highlights on slide 7. We ended 2025 with total cash of \$324.5 million compared to \$291.5 million at the end of the third quarter. The \$33 million sequential increase is primarily comprised of \$45.1 million of cash generated from operations offset by \$8.7 million used in investing activities primarily for capitalized software and \$3.5 million spent in the net settlement of employee RSUs.

Free cash flow generated during the fourth quarter was \$35.7 million and the company does not have any debt. Our days sales outstanding at the end of the fourth quarter was 28 days compared to 31 days last quarter. The sequential improvement is due to overall improvement in payment terms from our billers.

Now, I'll discuss our year-end balance sheet and annual liquidity improvement highlights on slide 8. For the full year 2025, \$324.5 million of total cash reflects an annual increase of \$115.1 million. Free cash flow generated during the year was \$125 million, representing a growth over 360% year-over-year. Our days sales outstanding at the end of the fourth quarter was 28 days compared to 43 days last year. This annual improvement in DSO is primarily due to increase in the mix from large enterprise customers with favorable payment terms. It is noteworthy that while revenues have increased 37.3% this year, our DSO has declined 35% year-over-year, which we believe implies that our working capital cycle, which is already operating efficiently, has significantly

improved. We paid \$14.9 million in income taxes during 2025 and also generated \$9.5 million from interest income.

In 2026, our cash deployment priorities are unchanged. Driving organic growth remains our primary focus. Our strong cash position gives us considerable financial flexibility for working capital investments as we scale. Additionally, our strong balance sheet enables us to explore attractive M&A opportunities that may arise in order to further increase our growth prospects. That concludes my financial review.

Now, I'll turn to our non-GAAP guidance for the first quarter and full year 2026 on slide 9. Before discussing our 2026 guidance in detail, as mentioned on our last earnings call, we are continuing to follow the same prudent approach to our first quarter and full year 2026 guidance that we followed throughout 2025, which I believe has served us well.

Now, to details, for the first quarter 2026, we expect revenues to be in the range of \$330 million to \$340 million, representing approximately 22% year-over-year growth at the midpoint and approximately 24% at the high end; contribution profit to range from \$103 million to \$105 million, which represents approximately 19% year-over-year growth at the midpoint and approximately 20% at the high end; adjusted EBITDA of \$36 million to \$38 million, representing approximately 23% year-over-year growth at the midpoint and approximately 27% at the high end. This also represents a 35.6% margin at the midpoint and a 36.2% margin at the high end. On a Rule of 40 basis, for the first quarter of 2026, our guidance implies a range of 52 to 56 ahead of the implied Rule of 40 initial guide we provided for the first quarter of 2025 around the same time last year.

Now, on specific details turning for the full year 2026, we expect revenue in the range of \$1.39 billion to \$1.41 billion, which represents 17% growth from the prior year at the midpoint and 17.8% growth at the high end. This reflects our increasing market share and diversifying customer base at scale. And as a reminder of Dushyant's earlier remarks, we can deliver the top end of this guidance without signing any new clients.

Contribution profit in the range of \$442 million to \$452 million. This guidance represents 15.7% year-over-year growth at the midpoint and 17% at the high end. Our expected 2026 contribution profit growth at the midpoint and high end is very similar to the initial guidance we provided for 2025 contribution profit growth around the same time last year.

Adjusted EBITDA to range from \$157 million to \$167 million. This guidance represents approximately 17.9% year-over-year growth at the midpoint and 21.5% at the high end. This also represents a 36.2% margin at the midpoint and a 36.9% margin at the high end.

A non-GAAP tax rate of 25% and on a Rule of 40 basis for the full year 2026, our guidance implies a range of 50 to 54, significantly higher than the Rule of 40 initial guide we provided for 2025 around the same time last year. Once again, we are quite pleased with our 2025 results. Importantly, based on the strength of these results, our substantial bookings, sizable backlog, and strong free cash flow generation, we believe we are well-placed to once again deliver solid growth in this year. We are entering 2026 with considerable momentum in our business and we intend to continue this during the course of the year.

Thank you, everyone, and now I'll turn it back to Dushyant.

Dushyant Sharma

Founder, Chairman, President & Chief Executive Officer, Paymentus Holdings, Inc.

Thanks, Sanjay. In closing, we ended 2025 with another quarter of outsized performance that exceeded our expectations. We ended the year with a substantial backlog, giving us considerable visibility as we look forward to 2026 and beyond. In addition to our results, I remain confident in Paymentus' continued success due to a number of factors, including our strong business model, which has repeatedly shown our ability to meet or exceed our long-term CAGR model of 20% top line growth and 20% to 30% adjusted EBITDA dollar growth; our unique and ever-growing technology footprint and our ecosystem; our large, diversified, and growing customer base; and the vast non-discretionary and is still relatively untapped bill payment market that we serve.

With that, I want to recognize and thank all of my team at Paymentus who have helped to make all of our success possible. That concludes our prepared remarks. I'll now open up the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the Q&A session. [Operator Instructions] The first question comes from the line of Madison Suhr with Raymond James. You may proceed.

Madison Suhr

Analyst, Raymond James & Associates, Inc.

Q

Hey. Good afternoon, guys. Thanks for taking the questions. I just wanted to start at a high level around AI given the market dynamics. Can you just touch on where you see potential opportunity for AI, but then also where you see potential risks related to AI? Thanks.

Dushyant Sharma

Founder, Chairman, President & Chief Executive Officer, Paymentus Holdings, Inc.

A

Thank you, Madison. Great question, by the way and I think given all what's transpiring in the market, I think it's good to talk about it. We feel great about what AI represents for Paymentus. We actually believe if we are going to be the ultimate beneficiary of the AI revolution in some ways in our space anyway, the key factors are very simple. Our business is designed – our business model is designed in a way where we offer a world-class platform to our clients, which handles all their security compliance 24/7 is state-of-the-art and necessity of being a central nervous system for revenue collection for our clients where they are putting very high premium on making sure that they are not trying to save pennies to lose dollars. And we provide all this platform at no cost to our clients.

On top of that, right from the very beginning, we also – we designed our business model in some ways for this day actually where a client can use the entire – use the entirety of our platform and get the full benefit of it in their existing infrastructure as it is present today, aligning payment assist platform to their entire existing workflows in a way that they don't have to change anything on their end. The entirety of the work is done at Paymentus and we don't charge anything for it.

So, in some ways since a company doesn't have any revenues associated with software or software component, there's no hourly income we are generating from our clients. We are only getting paid for consumption of our platform. We feel very good about where this is headed. In fact, in some ways, we believe the world is moving more towards us where the old-school software and SaaS models where in some ways, if I may say it this way, companies who are relying on the fact that they can charge a lot of subscription fees to the customers and hope customers never use it so that their margins look even better than they actually are will pay a bigger price for it. The companies like Paymentus who actually designed its entire operating stack and expense structure in a way

that it comes into picture when someone uses this platform and only get paid when someone is consuming our services to our clients, whether it was AI that Paymentus was using AI or other no-code platforms or whatever payment it was doing is entirely up to Paymentus, but as far as our clients were concerned, they were getting the full benefit of our platform without paying anything for it other than what is in terms of the transactions what we get paid.

Now, to the opportunities, so this is a defensibility part, but the opportunity for us is phenomenal where AI has, in some ways, opened the floodgates of opportunity for Paymentus. Everywhere we look, we are seeing opportunities. We are, after all, a technology company. We have been making investments in no-code platforms and have a great software stack and have been very focused on AI for a long period of time. I've shared this publicly. Actually, we almost attempted to buy a AI company. It didn't work out many, many years ago. So, for us, AI has been on top of our minds. So, we see AI bringing lot more opportunities as we have thousands of clients and we are serving them and serving their needs of running as a central nervous system for their revenue collections. We see lot more opportunities for us and AI will play a big role in that. So, we are feeling great about where this is all headed and in some ways, we like our chances as AI becomes – the world becomes more agentic and AI becomes a little bit more pervasive.

Madison Suhr

Analyst, Raymond James & Associates, Inc.

Q

Okay. That's awesome. I appreciate all the details there. Just a quick follow-up on numbers. The 2026 guide implies an incremental margin of just over 40% at the midpoint. You guys just did 61% in the quarter, 58% for the year. Totally appreciate the conservative outlook, but just anything to call out in terms of incremental investments or why you think incremental margins would kind of decelerate from here?

Sanjay Kalra

Senior Vice President & Chief Financial Officer, Paymentus Holdings, Inc.

A

So, Madison, I'll point out two things. Number one, in Q3, we launched large enterprise customers and we had experience of half a quarter approximately for Q3 and full quarter for Q4. We have kind of 1.5 quarters of experience with these large billers and we follow a prudent approach that not to bake the same run rate for 1.5 quarters for the next full year. We want to see seasonality. We want to see how the trends move. We really need an experience for four full quarters before we can bake into our guidance and forecast properly. And as you know from historical trends, we don't count eggs before they hatch. So, we need proper experience. Hence, our guidance is prudent. At the same time, at the high end, which we have guided today, that can be achieved without booking any new customer.

I understand your question is mainly on the incremental adjusted EBITDA margins. We also are factoring in decent operating expense for sales and marketing at this point in time because the opportunity in front of us is massive. The pipeline is massive for us. We are diversifying into more verticals than we were. In fact, there are couple more new verticals, which we have not named yet, but we have seen an entry into that in this quarter. So, we want to expand our horizons there as well and see how more – how quickly we can scale. We are already disrupting the market at a very decent pace. In fact, achieving 37.3% growth annually in top line despite of improving margins, I think that's remarkable, but we want to see if we can continue this trend. So, on the guidance side, we remain prudent although at the same time, we've raised the guidance from what we proactively provided in the previous call, especially on adjusted EBITDA margin. But we stay grounded when it comes to guidance.

Second thing I said was operating expense. We are also prudent in planning for more because we want to expand our horizons on a few other verticals. Otherwise, we remain committed to deliver great results and maintain the momentum what our trends indicate.

Madison Suhr

Analyst, Raymond James & Associates, Inc.

Very helpful. Thanks, guys.

Q

Sanjay Kalra

Senior Vice President & Chief Financial Officer, Paymentus Holdings, Inc.

Thank you.

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Operator: Next question comes from the line of Darrin Peller with Wolfe Research. You may proceed.

Darrin Peller

Analyst, Wolfe Research LLC

Hey, guys. Congrats on a good year. I guess I want to follow-up for a minute on guidance because I know you always try to be somewhat conservative around it just the way – the nature of your guide. But just given the recurring revenue nature of your business and the magnitude of how much you see exiting the year, especially on the bookings front, love to hear a little bit more on just where you've embedded some conservatism. Is it around transaction growth, enterprise, ramp timing perhaps, or payment mix or margin? And then obviously on the other side of that, what would need to go right operationally or commercially for you to outperform the guide as the year progresses? We'll just start there then I have a follow-up on the enterprise side, if it's okay.

Q

Sanjay Kalra

Senior Vice President & Chief Financial Officer, Paymentus Holdings, Inc.

Yeah, Darrin, so it entails a lot of things. I would say it's a confluence of multiple factors on why we are prudent and why we feel bullish at the same time on how the business is. I'll start with bookings. The bookings are very good. In fact, the composition of bookings is more intriguing to us because we are diversifying into multiple verticals. That is helpful. At the same time, the pipeline is also very big and you already know we operate in a very large TAM and we have around 4.3% market share at the end of 2025. So, pretty small share and a large market to capture. And the pace at which we are, I think things are looking very good. The visibility is very high, but we remain grounded, as I said to earlier question from Madison. But at the same time, I think delivering good results is our goal. At the end of the day, the free cash flow generation we have, which we have seen, especially in the last quarter and last year, has given us a further boost to stay grounded and execute. And that's where this confidence is coming from.

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Darrin Peller

Analyst, Wolfe Research LLC

Okay. Understood. Can I follow-up on – in the past, you've outlined I think it's really about four different growth vectors when we think about new biller launches, same-store sales, enterprise go-lives, and then the IPN. Could you just maybe rank order the contributors you're seeing this quarter and then which of those you expect to be the primary drivers going forward to 2026 especially those that you exited the year with the most momentum around?

Q

Sanjay Kalra

Senior Vice President & Chief Financial Officer, Paymentus Holdings, Inc.

Yeah. So, new implementations is generally the largest vector and will continue to remain the same. I would say the second vector would be same-store sales, which actually is doing really well and in fact, as we have launched the new large enterprise billers since past few quarters, we are analyzing their trends as well and that also the same-store sales continues to be very strong. And early implementations is one thing, which could provide an

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upside. At the same time, any new customer bookings if they happen and if they get long on the timing works in a way that could provide an upside. But at the same time, IPN continues to be a strong vector as well. We have actually done really well in the past few years on IPN and that also is a very important vector. So, upsides could – are possible, but we keep fingers crossed and we don't count eggs before they hatch, as I said.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Yeah. Yeah. Understood. All right. Thanks for your time. Thanks, Sanjay.

Sanjay Kalra

Senior Vice President & Chief Financial Officer, Paymentus Holdings, Inc.

A

Thank you.

Operator: Next question comes from the line of Tien-Tsin Huang with JPMorgan. You may proceed.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Hi. Great results. Just following up on Darrin's question with the same-store sales maybe on the penetration side, I'm curious how much more room is there left for as they auto pay amongst your larger billers that are in the – more in the back book than the recent additions? Sounds like there's still a lot more to go, but just wanted to get an update there.

Dushyant Sharma

Founder, Chairman, President & Chief Executive Officer, Paymentus Holdings, Inc.

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Yeah. Actually, thank you, Tien-Tsin, for the question. We see tremendous opportunity there. In fact, as we have shared publicly, we could more than double our business in our existing customer base and still not be done 100%. There's a lot

of opportunities still left. So, same-store sales remains a big focus for us, continued adoption. So, if you think about it, from the way to look at it is we have only recognized 4.3% of the revenues from the customers we have – of the total TAM, but there is a lot more TAM to be captured even in our existing customer base as we go from here. So, that combined with all of the open opportunities and the wide open market the way we think of it and frankly, in some ways, the ever-growing TAM based on the – all the areas we are expanding into, it gives a lot of confidence that our best is very much ahead of us.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Okay, great. And Dushyant, my follow-up just on the – and I always ask about the pipeline, but I'm just curious about where that stands today versus this time last year. I know a large enterprise has been a big contributor to growth. How does it look today versus last year when you qualify the pipeline?

Dushyant Sharma

Founder, Chairman, President & Chief Executive Officer, Paymentus Holdings, Inc.

A

We're feeling great. Pipeline is looking great. Backlog is strong. I think all of the aspects you would want to see in a business, which is doing well and growing and it's all moving in the right direction. We are feeling great.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Thank you. That's great.

Q

Dushyant Sharma

Founder, Chairman, President & Chief Executive Officer, Paymentus Holdings, Inc.

Thank you.

A

Operator: The next question comes from the line of Will Nance with Goldman Sachs. You may proceed.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Hey. Good evening. Thanks for taking the question. I wanted to follow-up on a couple of comments you made around the large enterprise billers. I think at several points, you talked about that being one of the drivers between the increased revenue per transaction and I was hoping you could unpack that. I think when most people think about more enterprise and upmarket, they think about kind of revenue compression. But I think the way you characterize may be speaking more about, I don't know, higher – larger transaction sizes driving higher revenue. So, I was wondering if you can maybe unpack that a bit, what is driving that, what verticals are maybe contributing to the growth that's causing the average transaction sizes increase and just how do you think about the mix shift embedded in kind of outlook or pipelines today from like a vertical perspective. Thanks.

Q

Sanjay Kalra

Senior Vice President & Chief Financial Officer, Paymentus Holdings, Inc.

Yeah. Well, I'll start with we feel really good about how the revenue per transaction is trending. Achieving an 11% growth year-over-year is very interesting to us and actually that's reflective of the disruption we are causing in the marketplace by increasing our market share and gaining large enterprise customers. Some of them are household names. The average price per transaction for some of them is actually high, as you alluded to in your question and that's also contributing to increase in revenue price – revenue per transaction. And that's boiling down to contribution profit also per transaction which, as you noted, that also improved year-over-year by 5.8%. So, all headed in the right direction. In terms of breakup, it's many verticals. I would say definitely utilities is our backbone. Utilities is there. Insurance is there. So, there are few verticals, which actually [ph] here (00:46:10) in a combination get to this revenue per transaction improvement.

A

Will Nance

Analyst, Goldman Sachs & Co. LLC

Got it. That's helpful. And just maybe following up on the AI discussion, I think you did a nice job addressing some of the concerns out there from a software perspective. Just from a payments perspective, I was hoping you could talk a little bit about how you guys see agentic payments. It would seem that bill pay could be a good candidate for more agentic transactions over time. They're fairly low-risk or highly recurring in nature. So, just how have you guys engaged with the Googles, the Stripes, and the other kind of sponsorships of sort of agentic protocols? And how do you – how far off do you think we are from seeing more agentic penetration of the bill pay [ph] players (00:47:00)? Thank you.

Q

Dushyant Sharma

Founder, Chairman, President & Chief Executive Officer, Paymentus Holdings, Inc.

A

I think we see agentic AI playing a big role in bill payments for all the reasons you talked about. Our approach is going to be very much customer-centric. It will be about innovating around customer experience and providing customers a totally unique and differentiated experience using the help of AI. So, we'll have more to come, more to say on that later on, but I think we – the key message I could just simply provide here is our approach is not, frankly, brochureware or press releases or putting bunch of stuff on the website for the namesake. Our approach has always been very substantive improvements to customer experience and value creation there by improving the customer experience itself and through innovation. So, we feel good. We believe bill payments representing majority of a typical household spend will be a big factor when it comes to improving the lives of customers and frankly, even businesses as well. As I shared in my opening remarks, we serve tens of millions of – a big portion of – actually a substantial portion of US households and businesses. They are already interacting on our platform. So, it's at top of our mind, and we will we are making progress in that area. We will talk more about that in the future.

Will Nance*Analyst, Goldman Sachs & Co. LLC*

All right. Thanks for taking the questions.

Dushyant Sharma*Founder, Chairman, President & Chief Executive Officer, Paymentus Holdings, Inc.*

Thank you, Will.

Operator: Next question comes from the line of Craig Maurer with FT Partners. You may proceed.

Craig Maurer*Analyst, FT Partners*

Yeah. Hi, thanks. Just a quick modeling question. OpEx was a little higher than we had expected and you mentioned that was consistent with spending to convert the pipeline. So, just hoping you could help us with thinking about cadence for the year in terms of how you expect that spending to progress through 2026. Thanks.

Sanjay Kalra*Senior Vice President & Chief Financial Officer, Paymentus Holdings, Inc.*

Sure, Craig. I would say if you look at the trends of the past quarters, say, 2024 and 2025, and I think using that particular trend will be useful to draw a line if you want kind of the quarterly trend. I'm understanding for 2026, how does OpEx grow from Q1 to Q4. I think if you make a gradual improvement over the quarters, that would be reasonable. We will – we definitely always analyze how the pipeline is at any end of – particular end of the month, and where we want to deploy the resources of sales and marketing, but that could fluctuate. But that kind of fluctuation, I think, is reasonable. But at this point in time, at the beginning of the year, it's fair to use the past trends to analyze the quarterly build.

Craig Maurer*Analyst, FT Partners*

Okay. Thank you.

Sanjay Kalra*Senior Vice President & Chief Financial Officer, Paymentus Holdings, Inc.*

Sure.

Operator: There are currently no questions registered. [Operator Instructions] There are no further questions waiting at this time. I would now like to pass the conference back for any closing remarks.

Dushyant Sharma

Founder, Chairman, President & Chief Executive Officer, Paymentus Holdings, Inc.

Well, thank you, everyone. Appreciate your time. Have a great day.

Sanjay Kalra

Senior Vice President & Chief Financial Officer, Paymentus Holdings, Inc.

Thank you. Bye-bye.

Operator: That concludes today's call. Thank you for your participation and enjoy the rest of your day.

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