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Paymentus Holdings, Inc. (PAY)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Paymentus Third Quarter 2026 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. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

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 today's webcast to review our third quarter 2026 results. Our earnings results – 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 third quarter and our guidance. Following our prepared remarks, we'll take questions.

Let me just remind you that our remarks today may include forward-looking statements within the meaning of federal securities laws and the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and involve a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. For a detailed discussion of these risk factors, please refer to our most recent Form 10-K and 10-Q filings with the Securities and Exchange Commission.

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We will also refer to non-GAAP financial measures during the webcast. Information about non-GAAP financial measures, including reconciliations to US GAAP, can also be found in our earnings materials that are available on our website. Finally, the company assumes no obligation to update any forward-looking statements made today, whether as a result of new information, future events or otherwise.

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. Paymentus delivered another strong quarter. We posted record revenue of $372.2 million, representing 19.8% year-over-year growth. This drove contribution profit of $118.5 million, up 20.6% year-over-year and adjusted EBITDA of $49.7 million, up 38.6% year-over-year, both also record figures for the company. As our adjusted EBITDA approaches $50 million for the third quarter, meaning an annual run rate of $200 million, I'm reminded that this represents an increase of almost 800% over where we were just five years ago. In the same quarter five years ago, we also exited with $100 million of quarterly revenue for the first time. And as you can see, this past quarter, our revenue was 270% higher over that amount.

I also prefer to look at the business in terms of how many turns of growth over how many years. With the business very well-positioned for the future, I'm excited to see what the next five years will look like and what we need to do to grow in a similar fashion. And I'm not trying to provide a long-term guidance here, but this is how I think and this is the type of thought process and potential upside that motivates me and my team to make big things happen beyond a specific quarter or a given calendar year.

On that note, in my view, the future is very bright. And as we completed the last year as a $1 billion revenue company for the first time, the natural question is how far away we are to the $2 billion number. And as we are not giving any guidance for 2027 and 2028 on this call, but if I were to model the business out and simply add four components together: first, our current revenue; second, our current backlog; third, our future backlog using historical conversion rates from our pipeline to bookings; and fourth, our growth within our existing customer base using historical rates, it's quite possible that in the next 18 to 24 months from today, we have the potential to reach approximately $2 billion of revenue and backlog combined.

Of course, we still have to make things happen between now and then. And as always, there is an execution risk. But it sure feels good to think about getting to a $2 billion number in coming years while it was just last year when for the first time we achieved $1 billion top line after being in business for years.

And the reason $2 billion is also interesting is because it provides a meaningful TAM for interchange monetization. So, if we were to be able to solve for interchange monetization using our patented BillWallet and Billeo between now and then and further monetize our network, then we have the opportunity to grow our earnings and contribution profit at a faster pace. The reason I bring this all up is to show how exciting our business is, and I suspect it is comforting for the investors to know that the opportunities for earnings growth are multidimensional.

On that note, let me share two updates on our continued journey and the steps we are taking towards interchange monetization. First, we are pleased to report that this quarter's bookings include a sizable interchange monetization agreement that will use our Instant Payment Network capabilities. This agreement provides us an opportunity to participate in interchange economy as transactions take place, and we'll provide more updates on

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this in future calls as it is too early to talk about the nature and impact. But for those who are not very familiar, the interchange monetization roadmap has the opportunity to convert our largest call center into a profit center.

Second, BillWallet. The opportunity here is rather exciting, especially in the context of interchange TAM that comes along with the $2 billion number. What if BillWallet becomes a household name? And I mention this possibility because we have continued to see outstanding progress here as we have now doubled the BillWallet user base to over 200,000 users. In the grand scheme of things, 200,000 users is not a very big number, but it becomes rather interesting if you double click on it and think of the groundwork being laid out for the target state.

Let me provide additional context. We have only just started and exposed BillWallet to a very small fraction of our user base and are already outpacing all legacy digital wallets within that customer cohort with no marketing.

Next, let's review the pervasive nature of the BillWallet currently. There are about 40,000 active zip codes in the United States, and we today have a BillWallet user in almost a third of those zip codes. This speaks to the power of our ecosystem we have already built and, as I shared earlier, we're just getting started.

To put a bow on this point, let me provide some other important data points. Almost one in three households and businesses currently use Paymentus' platform to pay their bills. And this is even though we do not yet have anywhere near 100% of the clients users using Paymentus to pay their bills, meaning the number of potential end users might be almost double of this. Now, furthermore, as you can now see based on how the market is evolving with agentic AI systems, we believe Paymentus with its innovative and patented capabilities stands out as an industry leader and we believe our model will continue to prove out to be the way service commerce is conducted using our capabilities.

Our head-start on creating secure, compliant AI infrastructure for the service commerce space, including data sovereignty, identity and reconciliation is exactly the kind of durable rail we believe will matter more, not less, as agentic commerce continues to scale. This industry-wide transition is still in its early stages and we see the current market discussion less as a new risk and more as validation of the strategic direction we committed to and began building years ago.

There is a great opportunity here and we believe to the extent agentic AI increases digital payments, we should benefit as well, similar to how we have been able to in the past. And this is precisely why we invested in BillWallet and Billeo well ahead of this moment. And as a reminder, BillWallet preserves service provider and customer identity along with payment credentials, allowing all interactions to be secure along with Billeo, which powers intelligent customer interactions. Both of these innovations have vastly improved the customer journey and payment experience while bringing billers and service providers closer to their customers all while reducing the fear of disintermediation.

In addition to the very strong customer feedback we receive, we also continue to receive industry recognition from a technological standpoint. Datos just completed an industry-wide analysis and once again awarded Paymentus as the Best in Class platform in the electronic bill presentment and payment market. Paymentus was recognized for having one of the largest and most established client base among purpose-built providers, supported by strong client retention and sustained enterprise growth. We are proud of this award and I think it reinforces the factors that I mentioned earlier.

So, this is why when you look at Paymentus, you should look at us as a multi-dimensional grower to deliver shareholder returns, meaning our growth algorithm is not just based on a single-dimensional play, signing customers, onboarding revenues and generating margins. With our current scale and possibility of us reaching $2

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billion of revenue and backlog combined in coming years, we are a multidimensional growth algorithm company. In other words, we are much more than an industry-leading bill payment platform. We are also a network ecosystem that would continue to power, operating leverage and multi-dimensional earnings growth for years to come, like we have done over the last five years where our revenue grew by 270% while at the same time our EBITDA grew by 800%.

With that, let me provide more context around our financial results for the third quarter. The third quarter revenue growth is especially important because it came on top of the third quarter last year, which included a very strong cohort of new customer implementations. So, even with that tough comp, we reported a strong year-over-year growth across our key financial metrics. And complementing this, our bookings, pipeline and backlog were all very strong at quarter-end; and considering our year-to-date results, we continue to believe we are well on track to meet our 2026 financial goals.

And as we have stated before, we operate on a two-year fiscal horizon. So, while year-over-year growth rates may fluctuate from quarter-to-quarter, this does not change our confidence in the underlying trajectory for the business. Combined with our strong backlog and bookings, we continue to feel very good about the balance of 2026 and into 2027.

Now let's turn to our business results on slide 6. In addition to our outstanding financial results, our business momentum continued during the third quarter with sizable bookings and we exited the quarter with a strong backlog and pipeline. We also continued to expand and diversify our customer base by signing new clients across several industry verticals, including utilities, insurance, government, property management, telecommunications, banking and education. In complementing this, we signed additional channel partners across several verticals, including utilities and mortgage.

Onboarding our substantial backlog remains a top priority. And during the third quarter, we continued to onboard clients across utilities, insurance, government, property management, telecommunications, banking and healthcare. This in turn will drive further profitable, sustainable revenue growth for Paymentus.

And with that, I'll now 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 results and outlook, I'd like to remind everyone that the financial results I'll be referring to include non-GAAP financial measures. As David mentioned earlier, our Q3 press release and earnings presentation include reconciliations of these non-GAAP financial measures to their corresponding GAAP measures. Both of these are available on our website.

Turning to slide 7. Building on our momentum in the first half of this year, our third quarter 2026 results once again exceeded the top end of our guidance range for all three of our key financial metrics. These results reinforce the strength and flexibility of our business model and our proven ability to meet and exceed our own expectations.

Our third quarter results included revenue of $372.2 million, up 19.8% year-over-year, contribution profit of $118.5 million, which was up 20.6%, and adjusted EBITDA of $49.7 million, which increased 38.6%. We also continued to experience strong customer activity and demand, which fueled bookings and allowed us to exit the quarter with a considerable backlog. Based on our year-to-date results, our expectations for the remainder of 2026 and our

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strong forward visibility, we are once again raising our full year 2026 revenue, contribution profit and adjusted EBITDA guidance, which I will review shortly.

Now let's look at our third quarter financials in more detail on slide 8. As mentioned, Q3 revenue grew 19.8% to reach $372.2 million. This growth was twofold. First, the successful launch of new billers as anticipated. And second, the continued growth in same-store sales from our existing billers. Additionally, the number of transactions we processed this quarter increased to 219 million, up 20.1% year-over-year. Our average price per transaction was $1.70 during the third quarter, which was consistent with the prior year.

Third quarter 2026 contribution profit increased to $118.5 million, up 20.6% year-over-year, at a pace that modestly exceeded our transaction growth, mainly due to biller mix. Contribution profit per transaction for the quarter was $0.54, relatively flat year-over-year. We believe this highlights our ability to capture market share while maintaining our profitable operating profile. Contribution margin was 31.8% for the third quarter, a modest improvement compared to 31.6% in the prior year. We generated a record adjusted EBITDA margin of 41.9%, a 540 basis point improvement year-over-year, primarily due to higher operating leverage.

Furthermore, we also generated an incremental adjusted EBITDA margin of 68.4%. These results are consistent with our overall strategy of focusing on profitable growth, which I will elaborate on shortly.

As we continue to grow and diversify our client base and as we add more larger clients to the mix, we expect pricing and contribution profit to vary quarter-to-quarter. It's important to note these larger clients are paying a similar or even increased average selling prices than they are accustomed to with other providers. We believe they value the quality of our services and the solutions we provide, which ultimately saves them money and enables them to provide better service to their customers. Again, as we said before, variables that are outside of our control, such as an increase in the average payment amount or changes in the payment mix, can substantially affect contribution profit on a quarter-to-quarter basis.

Moving down the P&L. Third quarter adjusted gross profit was $99.8 million, up 23.1% year-over-year, ahead of our contribution profit growth as a result of economies of scale. As anticipated, third quarter non-GAAP operating expenses were modestly soft on a sequential basis, increasing 10.2% year-over-year to $53 million. This was primarily due to increased hiring and agency fees for business from our resellers and partners in order to convert our strong pipeline into bookings as well as an increase in research and development expenses to enhance our technical strength. We expect to make similar investments throughout the remainder of the year as we continue to execute our go-to-market strategy. These assumptions are already incorporated into our guidance, which I'll review shortly. And again, this increase was consistent with our expectations.

Third quarter non-GAAP net income was $33.1 million or $0.25 per share compared to non-GAAP net income of $22.6 million or $0.17 per share in the prior year period. Third quarter adjusted EBITDA was $49.7 million, up 38.6% compared to $35.9 million in the same period last year. Adjusted EBITDA also represent a 41.9% of contribution profit for the quarter compared to 36.5% last year. This record adjusted EBITDA performance was driven by the same combination of positive factors I talked about earlier. We believe the stronger adjusted EBITA margin demonstrates the innate leverage in our operating model and its ability to adapt to changing market conditions as we continue to grow.

As I mentioned previously, incremental adjusted EBITDA margin was 68.4% in the quarter. Interest income from our bank deposits was $3.2 million during the third quarter compared to $2.6 million in the prior year period. This year-over-year improvement was a result of an increased average cash balance and effective cash management.

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Related to our performance, we once again exceeded the Rule of 40 for the quarter, coming in at 62 compared to 68 last quarter and 59 in the prior year period.

Now, I'll discuss our balance sheet and liquidity position on the next slide. We ended the third quarter 2026 with a total cash of $409.6 million compared to $379.7 million at the end of last quarter. The $29.9 million increase is primarily comprised of $43.7 million of cash generated from operations, offset by $9.7 million cash used in investing activities primarily for capitalized software and $4 million spent in the net settlement of employee RSUs.

Days sales outstanding at the end of third quarter was 27, consistent with last quarter. It is noteworthy that while third quarter revenues increased 19.8%, our DSO has remained flat sequentially and declined by approximately 13% year-over-year, which we believe implies further improvement in our working capital cycle. Working capital at the end of third quarter was approximately $423.2 million, an increase of approximately 7.6% from the end of the second quarter. Diluted shares for the third quarter was 130.3 million, a modest increase from 129 million diluted shares from the second quarter.

Now I'll turn to our non-GAAP guidance for the fourth quarter and full year 2026 on slide 10. Before discussing guidance, I want to mention that we are continuing to follow the same prudent approach to guidance that we have followed over the past two-plus years.

For the fourth quarter 2026, we expect revenues to be in the range of $373 million to $378 million, representing 13.6% year-over-year growth at the midpoint, contribution profit to range from $120 million to $122 million, which represents 13.2% year-over-year growth at the midpoint, adjusted EBITDA of $45 million to $50 million, representing 19% growth year-over-year at the midpoint. As a reminder, our fourth quarter guidance has been raised from the implied guidance we gave during our last earnings call by approximately $2 million on revenue and $1 million on adjusted EBITDA.

Based on our results and the progress we have already made year-to-date in 2026 and our expectations for the remainder of the year, for the full year 2026, we now expect revenue in the range of $1.464 billion to $1.469 billion, up 1.1% from the midpoint of our previous guidance. The updated guidance now represents 22.6% annual growth at the midpoint. Contribution profit in the range of $466 million to $468 million, up 1% at the midpoint versus previous guidance. This updated guidance now represents 20.9% annual growth at the midpoint. And adjusted EBITDA to range from $186 million to $191 million, representing a 4.7% increase at the midpoint versus our previous guidance. The updated guidance now represents 37.2% annual growth at the midpoint. This reflects a 40.4% margin on contribution profit at midpoint, an improvement from 35.6% margin in the prior year. On the Rule of 40 scale, this annual guidance implies a score in the range of 61 to 62.

In closing, we reported excellent results despite a tough year-over-year comparison. In the third quarter 2026, we continue to build on our solid momentum from the first half of the year. This resulted in strong revenue growth, record adjusted EBITDA, solid bookings, a broader pipeline and a sizable backlog. Due to all of this, we have considerable visibility and believe we are well-positioned for the rest of 2026 as well as for 2027.

Thank you, everyone, for your attention today. And now I'll turn it back to Dushyant for final remarks before we open up the call for questions.

Dushyant Sharma

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

Thanks, Sanjay. As I mentioned earlier, we are very excited about the multi-dimensional nature of our growth algorithm at Paymentus. Other key factors we believe that will fuel our growth include: first, continued expansion

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and growth within verticals to grow our customers and revenue; two, our ability to sign and potentially grow BillWallet user base; three, continued adoption of Billeo to power agentic service commerce; four, interchange monetization that could help us unlock additional opportunities for earnings growth; five, B2B payouts, disbursements and other verticals; six, our ability to serve consumers, small businesses, mid and large businesses along with the large enterprises; and seven, our unique business model and our proven track record of meeting or exceeding our long-term CAGR model on which we are executing years ahead of schedule.

I'd like to add one final note on that point. Although our CAGR model is for the long term, it is interesting to see how well this year is shaping up. We are currently pacing well ahead of our original CAGR model targets for 2026. Specifically, the top end of our revised guidance now implies a 22.8% growth over 2025, which itself is already 14% ahead of 20% CAGR model. Likewise, the top end of our adjusted EBITDA guidance now implies 38.9% growth over 2025, which is already 56% ahead of our adjusted EBITDA CAGR model midpoint of 25%. And this is rather remarkable because 2025 was also an excellent year where we delivered 37.3% revenue and 45.9% adjusted EBITDA growth.

Said differently, the midpoint of our 2026 revenue guidance is now over 68% higher than 2024 revenue and midpoint of our 2026 adjusted EBITDA guidance is now 100% higher than our 2024 adjusted EBITDA, far outpacing any of the indexes and most premium and best-in-class software and SaaS companies. And all this occurred despite quarterly and annual variability and at times second guessing of our prudence and guidance methodology. And as we all know that what really matters in the end is the steadfast execution with the long-term strategy in mind. And that's why, as I look to the next five years, I would love to see similar results to what we have already achieved as we continue executing against our vision. The path to get there will not be any easier than it has been or it was during the last five years, but we believe we have set a great foundation here for the next five years and beyond.

With that, I want to thank all of my team members for their hard work and dedication. And let me open the line for questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Madison Suhr with Raymond James. Your line is open.

Madison Suhr
Analyst, Raymond James & Associates, Inc.

Q

Hey, good afternoon, guys. I appreciate you taking the questions. I just wanted to start on the potential path to $2 billion in combined revenue and backlog within the next 18 months to 24 months. I appreciate the color around how you're thinking about the moving parts there. But maybe for Sanjay, do you anticipate any changes to the level of organic investment needed to achieve that goal? Or do you think you can scale the business to that $2 billion number with a similar level of incremental margin and cash generation that you've demonstrated in the past year?

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

A

Thanks, Madison. A great question. First of all, I'd like to clarify, this is in no shape or fashion any guidance of any particular year. I think Dushyant shared in his prepared remarks the vision he has, the way he's built up the company. I mean, overall, looking at the business in a more longer-term perspective rather than just quarter-to-quarter and year-to-year, I think a two-year vision is perfect and we have seen the execution and that's one of the reasons today in the call we shared numbers of five years growth as well as two-year growth as well as I can also share three years growth as well. I think in the longer term it makes more sense.

But to answer specifically your question, does it need more investment, our pipeline, which we have, which currently our sales team is working on executing, we have a massive pipeline in front of us. We could make a right decision at a given point in time to spend more if needed. That is one of the benefits. In fact, I would say, flexibility we have generated over time with ample cash sitting on the balance sheet and demonstrated a massive operating leverage in the last three years. I mean, if I just recall, full three annual years, we have increased our revenue, not only at the pace we have disclosed, but think about the adjusted EBITDA margins, which have been improving 500 basis points every year. For example, this year, we are ending approximately 40%. Last year, we ended by 35% and the year prior was 30% and year prior was 25%.

So, we have made the right investments to get to the situation where we are and scale the business. Short answer is investments may be needed. We will not be shy of spending the investments when they are needed. We will always be cognizant of delivering a profitable growth to our investors and perform a thoughtful execution before we spend any additional dollars. We are very cognizant of that, but pipeline is massive and we will not be behind if we need to spend the money. We will calibrate our contribution profit dollars with our OpEx in a right fashion as and when needed. As and when the quarter is going and we see opportunities, we would calibrate to the of our ability. We will be very thoughtful.

Madison Suhr
Analyst, Raymond James & Associates, Inc.

Q

Okay. That's helpful and good segue into my following question. You've highlighted the first sizable interchange agreement, BillWallet continues to see user adoption. So just as these new products and monetization opportunities scale, do you anticipate structural tailwinds for contribution profit per transaction over the medium

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term? And how long do you think it takes to start to recognize some of the benefits of these new products? Thanks, guys.

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

Thank you, Madison. These are all longer-term opportunities, but we have laid out – I think the reason as we were reflecting on where we are taking the business over next two years, I think and frankly we wanted to transparently share the $2 billion number because I think it gives us enough opportunity in – or enough interchange TAM to start to, for lack of a better word, eat into it and convert that into a profitable opportunity for us from call center. So I think it's still couple of years out, but there's a lot of groundwork being laid out between now and then.

Operator: Your next question comes from the line of Jeff Cantwell with Seaport Research. Your line is open.

Jeff Cantwell
Analyst, Seaport Global Securities LLC
Q

Hey, thanks, guys, for including me in these calls. Strong results this quarter. I wanted to ask, we can dive in on the backlog. Can you maybe give some color in terms of how big is the signed, but not by backlog today versus a year ago? And how much of it goes live in the next two to four quarters? And just behind the $2 billion in combined revenue and backlog path, the question is, how does that figure split between revenue versus backlog? Appreciate any color there. Thanks.

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

Thanks for the question, Jeff. Our backlog is very solid. We continue to have a solid backlog over the past many quarters, and it's needed to deliver future revenue for sure and to demonstrate a decent growth as well. So, backlog is doing really well. We've generally never quantitatively compared. But as our business is expanding and diversifying, the color I can share around backlog is the backlog has many large customers, many household names. At the same time, it's in many, many verticals, very diversified, different sizes of customers, large, small, medium-sized. I think it's very, very diverse in every respect. And the backlog is very good. That's one of the basis of our confidence for future and the delivery of revenue growth we've demonstrated over the past many years primarily comes from backlog. So we feel very good about it.

Jeff Cantwell
Analyst, Seaport Global Securities LLC
Q

Got it. And maybe just to drill down on the Q4 guidance, can you talk more about how we should be thinking about contribution profit, contribution margin and adjusted EBITDA? Is Q3 the right comp for Q4 or should we be looking back to Q4 of last year? The reason I'm asking is because there's typically quarter-to-quarter seasonality for us to be aware of, but at the same time, there's ongoing mix shift as well. So I was hoping you might be able to provide more thoughts on Q4 and if you might talk about what are the main call-outs to be aware of for the upcoming quarter? Thanks.

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

Yeah, Jeff. I would say, for Q4, we already shared the guidance today. I think if you use that guidance, that will be the right way to model it, if this is purely a modeling question. But I would say we are focused more on durability of the revenue growth versus just delivering a growth in one quarter. I mean, setting a longer-term vision of $2

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billion entails not only just one quarter, as you would appreciate. It's a work to generate a longer-term growth. And that too profitable growth. So, as I talked about expansion of EBITDA margins over time, our desire or aspiration would be to continue that kind of a trend. But also reflecting on Madison's earlier question, as and when investments will be needed, that needs to be seen. So I would not go and not be able to help out on this call beyond Q4, which we have guided, but we feel very good about performance and execution of the business.

Jeff Cantwell Q
Analyst, Seaport Global Securities LLC

Great. Okay. Thanks, again. Congrats.

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

Thank you.

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

Thank you.

Operator: Your next question comes from the line of Will Nance with Goldman Sachs. Your line is open.

Will Nance Q
Analyst, Goldman Sachs & Co. LLC

Hi. Thank you for taking the question. I also wanted to come back to the interchange deal mentioned earlier. And I was wondering if you could maybe just take a step back and talk mechanically how these deals tend to work and like what is the transaction flow that is involved in these transactions that kind of turns you into an earner of issuer economics? And just how do we think about using a mental model for blueprints for future deals. Thank you.

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

Great question. Well, I think the way to think about it will be that we have always thought of interchange as a call center, not as a toll on a highway or a postage stamp type of a cost. The reason that is important is that we think of this as a vendor cost. So, we think of it as opportunity to go and discuss where the sources are, the biggest costs are and are there opportunities to strike deals with the issuers where the interchange could be monetized. So, without going into the details related to this specific deal, but going forward, the goal would be to or the way to think about it would be that if a company has cars that they want to use and there is a way for us to promote those cars within our network, we would like to get compensated for that in some ways, especially if it is benefiting our clients as well, our billing lines. So, as long as all parties win, we feel very good about it and making it easier for the end customers in the end. So, that's sort of the high level blueprint there for the deals.

Will Nance Q
Analyst, Goldman Sachs & Co. LLC

Got it. All right. That's helpful. And then maybe just a big picture question. I realize you're not giving any commentary on 2027 just yet. Qualitatively, can you just talk about the degree of outperformance that you've had versus medium-term outlook and maybe talk about the sustainability of that as we look into next year and maybe how your visibility into next year compares to same time a year ago? Thank you.

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

Well, we are having a great run here. We are on our top form. I think the business is firing on all cylinders. We feel very good about whether we talk about bookings, whether we talk about backlog, especially the pipeline, the business is doing really well. We actually did an experiment last year on our Q3 call exactly if we just go back a year at this time and we provided some commentary or earlier color – preliminary color on the next year's expectations. And honestly, we did not get any benefit out of it. So, we will be glad to talk about 2027 guidance with full color using the same prudent guidance methodology we follow in February 2027 call.

Will Nance
Analyst, Goldman Sachs & Co. LLC
Q

Understood. I appreciate you taking the questions and nice results, as usual.

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

Thank you.

Operator: Your next question comes from the line of Jacob Haggarty with Baird. Your line is open.

Jacob Haggarty
Analyst, Robert W. Baird & Co., Inc.
Q

Hey guys. Thanks for taking my question and great results. So, my first question here is just on agentic commerce. It's accelerated somewhat in the last few months. And previously you talked about BillWallet being accessible through a personal agent. So, I guess, like, where are we on that? And why is an agent going to choose to use BillWallet as opposed to a stablecoin wallet, a credit card linked to a different wallet, et cetera?

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

For simplicity and purpose-built design. So, BillWallet actually is designed really to connect the biller and the customer in a very tight ecosystem and in close proximity to each other like never before was possible. So, BillWallet not only just memorizes your payment credentials, it could have a stablecoin as well. It's not – we're not opposed to that. It could also have credit cards. Not opposed to that as well. But it will also have the merchant customer credentials. The number one fear and the concern we are hearing from our customers today, which we actually we are very fortunate that we foresaw years ago, was that eventually as these agentic systems will become prevalent, number one concerns for our clients, our billing client, the service providers would be the disintermediation risk.

It is not the same way as Google was or the search engines were. Search engines job was to find you the place you're going to. And then once you found the place, search engines are out of the picture. The agentic, especially the retail commerce agents, they're purporting to be doing lot more for you, so try to keep you there and try to get you to buy things and so on. So, there's always opportunity for disintermediation. It is fine in the retail commerce world and fair game. From our perspective, the way we think about it, we thought about it years ago was the service providers who have worked years and years to build a long-term relationship with their customer, they wouldn't want to just let it go to the highest bidder just in the process of understanding the bill and making a payment and understanding the invoice and so on.

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So, that's why we launched BillWallet, which encapsulates all of those capabilities within the context of the relationship between the customer and their service provider. So, as a result of it, it becomes the fastest way to transact and the most secure way to transact. Because you can distill what was never exchanged in the transmission layer, if you will. So, if I as a customer when I'm making a payment, I'm inquiring about the bill and information about why my bill is higher or lower and what type of products I'm using, all of that information and that is actually taking place out of band, if you will, no agent in the middle is able to snoop on it – snoop into that information. It makes the whole interaction a lot more secure. So, that's why we believe BillWallet will stand on a class of its own and not the least of which is the patent protections and everything else. But at the same time, we're fully aware and we are expecting a dogfight in the retail – commoditized retail market.

Jacob Haggarty
Analyst, Robert W. Baird & Co., Inc.

Q

No. That definitely makes sense. Thank you. And then just kind of touching on your channel partnerships, curious on how many of these your client relationships, do you own all of the digital channels by which a customer can pay? And that doesn't matter if they're using their bank or using your platform or doing it through email, et cetera, whatever the case may be, it's going to direct the transaction through Paymentus platform?

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

A

Almost every client, every partner we have, regardless of where the transaction is being originated, is all going through Paymentus platform. And we have different levels of integrations with our partners and our clients and it varies based on the channel as well. So that is power of the platform we have created where customer can choose exactly how they want to integrate, but ultimately we are sort of very actively participating in the transaction process end to end.

Jacob Haggarty
Analyst, Robert W. Baird & Co., Inc.

Q

Awesome. Thanks, guys.

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

A

Thank you.

Operator: Your next question comes from the line of Tien-Tsin Huang with JPMorgan. Your line is open.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Hey thanks. Dushyant, just to build on the agentic question before. Just thinking about BillWallet, should we expect you to have native integrations with some of these personal AI assistants? Or is that not necessarily the intent? Just thinking about your last response there.

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

A

Yeah. I mean, we don't think of this as either/or scenario. We are thinking BillWallet will be a wallet on its own and it could be accessed from any of the personal agents. But we are also not ignoring the fact that we actually have a pretty unique ability and opportunity of our own. When a third of United States is actually making a payment on

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our platform, we don't want to sit on the sidelines and keep watching as a passive player. So, my point being is we want to have our own agentic experience for our own customers so that we can guarantee the Paymentus ecosystem, which is what customers have selected us for. And they recognize that Paymentus will always take care of the relationship between our client and their end customers. So, that's a very important facet of our offering.

So, in that vein, we want to make sure that we are offering capabilities to our own clients and the end users to be able to have Billeo as their agent for service commerce. Having said all that, we are pretty aware that regardless of how we do it, just like we have done in the non-agentic world, I as a customer who have put my kids to bed and late at night, I don't want to fire up my laptop. I want to just dial 800 number, so Paymentus should be able to provide that 800 number to do that. Or for one particular bill, I want to be able to do auto pay, the other bills I want to be able to go to the website and make a payment once a month. So, we are a flexible company. We always will be. So, we'll give all of the options available to our customers.

So, if someone wants to use their personal agent to use BillWallet to make a payment, no problem at all for us from that perspective. But I want our investors to appreciate that Paymentus is not taking a passive approach to this. Historically, what a payment company will do will try to act as a Switzerland world, if you will, that hey, anyone, we're just a API provider, use our APIs and you can do whatever you want. You can access it from wherever you want. That gives too much control away from our clients to the end – it is, like I said, it's not like a Google scenario where you are searching and you found the site and you go there. Our clients are expecting us to find the answer to the non-disintermediation or the risk of disintermediation. So, we want to actively participate and use our patented technology to be able to help them. Now that would also mean allowing these models to participate in our platform and whether we do native integration or MCP or whatever, not a problem.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Yeah. That makes sense. You're going to intermediate or advocate for the biller, so that makes sense. Thank you for clarifying. My follow-up or my second question. Just looking at the fourth quarter guidance again here, you have sequential growth in revenue and contribution profit, which is encouraging. Looks like EBITDA, though, you do have it sequentially down, which is a little bit different than history. Is there incremental spending in the fourth quarter that is outsized and unusual? I know that was addressed a little bit, Sanjay, but just wanted to clarify that.

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

A

Yeah, Tien-Tsin. So, our guidance methodology is very similar principles-based as it has been in the past. I'll start with that. On the other hand, I think this year has been another banner year consistent with the past, delivering a 40% EBITDA margin coming out with a great scale already. I think we should leave some room to actually spend more and convert our pipeline to bookings for outer years. We'll get decent provisions for that as well. But overall, I think quarter-to-quarter variability can occur. I think one quarter or two quarters stuff doesn't indicate any trend in our view. I think we are building a long-term business and at times we might want to spend, but overall I think Q4 is pretty decent as well.

And one more thing, as we are ramping up our large billers and as I pointed out in the past as well, we are very cautious about new billers when they launch and like do we have the full experience of one year. And that always plays in our mind when we come for guidance. So, we keep some provisions for that. We've been fortunate and things have worked really well. Our estimates of quarterly profiles and quarterly growth have proven out to be correct, but we still want to stay a little bit cautious as we guide for Q4.

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Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Understood. Thank you.

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

A

Thanks.

Operator: I will now turn the call back over to Dushyant Sharma for closing remarks.

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

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

Operator: Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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