

EARNINGS PREPARATION BRIEFING

Northlake Payments, Inc.

NASDAQ: NLKP · Embedded Payments / Fintech

Preliminary Q2 FY2026 · pre-script discussion

EARNINGS PREP BRIEFING · MANAGEMENT & BOARD DISCUSSION · PRE-SCRIPT

Preliminary results vs. the Street

This briefing frames Northlake's **preliminary Q2 FY2026 results** — the numbers just entered at the start of the earnings-script process — against Street consensus and prior guidance. It is the working document for the management-and-board discussion that **precedes writing the call**: where did we land, what drove the variance, how sustainable is it, what will the Street press, and **what must we decide before the script is drafted**.

\$25.9M

NET REVENUE

 vs Street \$25.7M (+0.8%)
top half of \$25.6-26.0M guide

\$0.13

ADJ. EPS

 vs Street \$0.12 (beat)
+30% YoY (from \$0.10)

~21%

ADJ. EBITDA MGN

 vs Street 20.2% (+80bps)
structural, not mix-luck

\$32.84

WHERE STOCK SITS

 PT \$42.70 (+30%)
14.7x EV/GP; 4.3x < Pyramid

One-line for the board: a clean beat on the metrics that matter (net revenue, margin, EPS), driven by the integrated mix shift — not a one-time item. The decision this meeting must resolve is the **size of the FY guidance raise** and **how we frame H2** against a known, optically-tougher comp.

THE VARIANCE — LINE BY LINE

Where we landed vs. the Street

Metric	Prelim actual	Street	Prior guide	Surprise	Read
Net revenue	\$25.9M	\$25.7M	\$25.6-26.0M	+0.8%	Beat; top half of guide
Integrated payments	\$16.1M	~\$15.6M	—	+3%	62% of net rev; ~+28% YoY — the driver
Legacy processing	\$9.8M	~\$10.1M	—	-3%	In line to soft; slow book fading in mix
Adj. EBITDA	\$5.4M	\$5.2M	—	+3.8%	Beat; operating leverage
Adj. EBITDA margin	~21.0%	20.2%	—	+80 bps	Beat; mix + leverage
Adj. EPS	\$0.13	\$0.12	—	+\$0.01	Beat; +30% YoY
Gross margin	58.3%	57.5%	—	+80 bps	Beat; integrated mix
Net take-rate	47 bps	~46 bps	—	+1 bp	Mix-driven, not pricing
NRR	112%	—	—	stable	Base grows before new partners

Read the mix, not just the top line: the \$0.2M net-revenue beat is **entirely higher-quality integrated payments**, which came in ~3% above where the Street modeled it, while legacy was flat-to-soft. A beat led by the high-margin book is worth more than the headline — it is why margin and EPS beat by more than revenue.

DECOMPOSITION — WHERE THE BEAT CAME FROM

What drove the variance

- **Revenue (+\$0.2M vs Street):** 100% mix. Integrated reached 62% of net revenue (vs the Street's ~60% assumption); because integrated carries a higher take-rate, the faster-than-modeled mix shift lifted the blended rate to 47 bps and the top line with it. Volume (TPV +27%) was in line — the surprise is the *rate*, not the volume.
- **Margin (+80 bps vs Street):** two sources, both structural — the gross-margin lift from the same mix shift, plus operating leverage (opex grew well below revenue). Neither is a one-quarter cost favorability, which is the distinction to make so the Street models ~21% forward, not a reversion.
- **EPS (+\$0.01):** falls out of the revenue and margin beats; no below-the-line noise. Clean.
- **The Street's miss:** consensus under-modeled the *pace* of the mix shift. That single variance is the seed of our variant view (below) — if the Street was slow on the mix this quarter, it is likely slow on it for H2 too.

SUSTAINABLE, OR A GOOD QUARTER?

Quality of the result

Structural, not one-time. The beat is mix-driven (integrated attach + take-rate), and the mix shift has a multi-quarter runway from signed-but-not-live partners and 112% NRR — the base compounds before a single new partner is added. The one caveat management must be honest about internally: **H2 carries a tougher optical comp** as a year-ago government payments program unwinds. On a comparable (ex-program) basis, underlying growth holds; the question is whether we let the optics tell the story or get ahead of them.

OUR VIEW VS. THE STREET'S

Where we see it differently — variant perception

On...	The Street models	Our view (to communicate)
H2 net-rev growth	Decel to ~14% on the gov-program comp	Underlying (ex-program) holds mid-to-high teens; the comp is optical, not demand
Take-rate	Flattening near 47 bps	Continued mix-driven expansion as signed-not-live partners ramp
Integrated mix ceiling	Mix shift matures	Runway is years — majority of partners' merchants have not yet attached

The variant thesis to land on the call: the market prices a mid-teens decel into H2; we believe the attach engine keeps underlying growth high-teens on a comparable basis. If we communicate that credibly — with the gross-to-net and comparable-basis bridge — the re-rate to Pyramid (~4 turns of EV/Gross-Profit) is the prize. If we let the optical comp define the narrative, we cap our own multiple.

WHAT WE MUST RESOLVE BEFORE THE SCRIPT

Decisions for this meeting

1. Guidance — raise, and by how much?

Recommendation: Modest raise. Move FY to \$104-106M net revenue and adj. EPS \$0.53-0.56 (from \$103-105M). H1 at \$51.2M is ~49% of the new midpoint, so the raise is covered and credible.

Trade-off: Raise too much and the H2 comp becomes a miss risk; too little and the beat looks unrewarded and the stock fades.

2. How do we frame the beat?

Recommendation: Lead with quality, not the number: the mix shift and take-rate expansion, so analysts model integrated forward. Show the segment split.

Trade-off: A generic 'we beat' invites a one-time interpretation and no estimate revisions — the beat is wasted.

3. Do we get ahead of the H2 comp?

Recommendation: Yes — disclose the gross-to-net and comparable-basis bridge in the deck and address the government-program roll-off proactively.

Trade-off: Silence lets the optical decel read as demand softness later; over-explaining can sound defensive — keep it factual and brief.

4. Capital allocation messaging (\$44M cash, no debt)?

Recommendation: Reiterate organic-first and self-funded; note optionality without signaling a buyback or M&A; this quarter.

Trade-off: Over-signaling capital return invites 'why not now' pressure; under-addressing it leaves the cash balance a question mark.

WHAT THIS SETS UP

Implications for the equity

On the comparable metric — **EV/Gross-Profit (14.7x, a ~4% premium to the 14.1x primary-peer median, and 4.3 turns below the premium comp Pyramid at 19.0x)** — the print itself is not the catalyst; **the guide and the narrative are**. A credible raise plus the mix/variant story is what drives estimate revisions and closes the gap toward Pyramid (~\$2.13/share per turn of EV/Gross-Profit; ~\$9 to Pyramid). This briefing exists to make those calls deliberately, so the script that follows executes a decided strategy rather than narrating a number.