

IR QUARTERLY BOARD REPORT

Northlake Payments, Inc.

NASDAQ: NLKP · Embedded Payments / Fintech

Quarter ended June 30, 2026

IR BOARD REPORT · Q2 FY2026

Executive summary

\$32.84

SHARE PRICE

+1.8% today +15% QoQ
from \$28.60; +32% LTM**\$933M**

MARKET CAP

Price-led; +0.4M sh (SBC)
Float 24.1M / 28.4M**\$42.70**

CONSENSUS PT

Range \$38.00 - \$45.50
+30% to spot; 4B/1H**14.7x**

EV / GROSS PROFIT

the comparable metric
~14.1x primary median

Northlake delivered a record Q2 FY2026: **net revenue of \$25.9M, up 18% year over year**, above the \$25.6-26.0M guide and Street consensus of \$25.7M, with **adjusted EBITDA of \$5.4M (~21% margin)** and adjusted EPS of \$0.13. The quality of the beat is in the mix: integrated payments reached 62% of net revenue (from ~50% a year ago), lifting the blended net take-rate to 47 bps and gross margin to 58.3%. Management **raised full-year net-revenue guidance to \$104-106M**. Sell-side is constructive (4 Buy / 1 Hold, \$42.70 average PT, ~30% upside), ownership deepened with sticky long-only capital, and a New York NDR targets six high-fit prospects.

Board takeaway: the model is compounding as designed and the beat is high quality — mix-driven, not one-time. Two questions to press management on: (1) the durability of integrated attach against a tougher H2 comp, and (2) closing the sell-side and valuation gap to Pyramid. Neither is a red flag; both are the work.

WHAT IS ACTUALLY MOVING THE MODEL

Segment analysis — the driver

Segment	Net rev	% of net	Y/Y	The read
Integrated payments	\$16.1M	62%	~+28%	The compounder — attach-driven, higher take-rate & margin
Legacy processing	\$9.8M	38%	~+3%	Slow cash generator; shrinking as a share of mix
Total net revenue	\$25.9M	100%	+18%	Mix shift lifts blended growth and margin

The story is mix. Integrated payments rose from ~50% of net revenue a year ago to 62% today. Because integrated carries a structurally higher take-rate and gross margin than legacy processing, the shift lifts the blended net take-rate (to 47 bps) and gross margin (to 58.3%) *mechanically* — before any pricing action. That is why blended growth (18%) sits well above legacy's low-single-digits: the fast, high-margin book compounds while the slow book fades in the mix. **The board's leading indicators are integrated mix and net revenue retention (112%)** — a stall in either is the early warning, not the reported top line.

FINANCIAL PERFORMANCE — NET-REVENUE BASIS

Quarterly results vs. Street & guidance

Metric	Q2 FY2026	Street est.	Y/Y	Read
Net revenue	\$25.9M	\$25.7M	+18%	Beat
Adj. EBITDA	\$5.4M	\$5.2M	+27%	Beat
Adj. EBITDA margin	~21%	20.2%	+180 bps	Beat
Adj. EPS	\$0.13	\$0.12	+30%	Beat
Gross margin	58.3%	57.5%	+180 bps	Beat
Net revenue retention	112%	—	stable	Strong

Gross processing revenue was ~\$102.5M; Northlake reports and guides on **net revenue** (\$25.9M) — the economics it keeps — with the gross-to-net bridge in the deck. Margin expansion (+180 bps at both the gross and EBITDA line) is **structural, from mix and operating leverage**, not a favorable-cost quarter; that is the distinction the board should verify with management, because it determines whether ~21% is a floor or a peak.

THE RE-RATE CASE, QUANTIFIED

Valuation — what's priced in

14.7x

EV / GROSS PROFIT

~14.1x primary median

4.3x

GAP TO PYRAMID

turns of EV/GP

~\$2.13

PER 1.0X TURN

/share of multiple

~\$9.20

RE-RATE TO PYRAMID

/share (~28%)

Valued on the comparable metric — **EV/Gross-Profit**, which neutralizes the gross-vs-net revenue-recognition differences across payments peers — Northlake trades at **14.7x**, a ~4% premium to the **14.1x** primary-peer median (Pyramid / Clarity / Vantage; the large-cap Meridian and bank-charter Harbor are excluded). On the raw multiple it is roughly fairly valued. But it grows faster than the median (18% vs ~12%), so on a growth-adjusted basis it is the cheapest of the set; and it sits 4.3 turns below the premium comp, **Pyramid at 19.0x**, which earns part of that gap on faster growth and higher margin. **What the multiple prices in:** mid-teens growth and stable margin — not the continued mix shift and 112% NRR that would carry Northlake toward Pyramid. **The math for the board:** each turn of EV/Gross-Profit is ~\$2.13/share on ~\$60M gross profit and 28.4M shares; closing to Pyramid is ~\$9.20/share (~28%), roughly the analyst upside to \$42.70. Note **EV/Revenue (8.5x) is not comparable here** — a gross-reporting peer like Clarity looks far cheaper on it only because interchange inflates its revenue; on EV/Gross-Profit the gap is a single turn.

Read as one: a ~4% premium on the trailing multiple, the cheapest name once you adjust for its faster growth, and — per the companion *Peer Benchmarking* pack — **#1 of five on capital efficiency** after forensic normalization. The three do not point the same way; the re-rate case rests on reading them together — a fully-expensed, capital-efficient compounder the market has not yet paid for — not on any single multiple.

WHO IS BUYING, AND WHAT IT SIGNALS

Ownership — the flow, not just the list

Institution	Shares (000)	% out	Q/Q	Style
Ridgeline Park Capital	2,140	7.5%	+120k	Long-only value
Hudson Yard Advisors	1,690	6.0%	flat	Growth
Halewood Capital Management	1,420	5.0%	+42k	Hedge fund
Coldwater Bay Advisors	1,180	4.2%	+65k	Long-only
Charles Basin Partners	980	3.5%	-30k	Value
Bellhaven Capital Group	760	2.7%	flat	Multi-strat
Gramercy Bend Management	640	2.3%	+18k	Growth
Ansonia Wealth Partners	540	1.9%	new	Hedge fund

Net institutional buying of +215k shares, concentrated in long-only value and growth mandates (Ridgeline +120k, Coldwater +65k), with one new position (Ansonia). Two analytical signals: (1) the additions are **sticky capital** — long-only value/growth turns over slowly, which typically compresses volatility around the print; (2) hedge-fund holder Halewood adding *into* the mix shift suggests fast money is underwriting the integrated thesis, not just trading the quarter. Concentration is moderate (top-8 at 33.1%, no holder above 7.5%), so no single-holder overhang. **Watch-for:** the value holders will test the H2 comp — have the bridge ready.

THE STREET

Sell-side coverage & consensus

Firm	Analyst	Rating	PT	Q2 net-rev est.
Denby Securities	Marta Reyes	Buy	\$45.00	\$25.9M
Brightwater Equity	Sara Lindqvist	Buy	\$45.50	\$25.8M
Ashfield Research	Ellis Grant	Buy	\$43.00	\$25.7M
Calder & Co.	Neil Barrow	Buy	\$42.00	\$25.6M
Westmark Partners	Owen Pike	Hold	\$38.00	\$25.3M

Consensus: **4 Buy / 1 Hold, PT range \$38.00-\$45.50, average \$42.70 (+30%)**. The dispersion is narrow and the lone Hold (Westmark) is also the low estimate — so the debate is pace, not direction. A targeted post-print follow-up with Westmark is the clearest path to an upgrade and would lift the coverage average; the firm is on the NY NDR schedule for exactly that reason.

THE OTHER SIDE OF THE LEDGER

Risks & what the board should probe

- **H2 comparison.** A year-ago government payments program is unwinding on schedule, making the YoY volume comp optically tougher in H2. Underlying attach growth is intact — but confirm the gross-to-net bridge and comparable-basis growth so the deceleration is not misread as demand softness.
- **Take-rate ceiling.** The 47 bps expansion is mix-driven, not pricing — durable, but the ceiling is the integrated-mix ceiling. Ask for the mix runway and the attach curve on signed-but-not-live partners.
- **Coverage depth.** Five desks (one Hold) is thin for the market cap; peers carry 6-8. Under-coverage caps the multiple — a sixth payments-focused desk is a concrete Q3 goal.
- **Concentration in growth.** Integrated is the engine — verify partner concentration and any single-partner dependence, so the compounding story does not rest on one relationship.

DID IR DO WHAT IT SAID IT WOULD

IR scorecard — this quarter vs. plan

Objective (set last quarter)	Goal	Actual	Status
Investor meetings	40 / qtr	46	Ahead
Prospect conversions	2 new holders	1 (Ansonia)	Behind
Sell-side coverage	Add a 6th desk	5 (in dialogue)	In progress
IR-site engagement	+15% q/q	+24%	Ahead
Board & earnings deliverables	On time	Delivered	Met

Activity is ahead of plan; the one shortfall is prospect conversion (1 of 2 targeted) — addressed by the September NDR, built to convert six high-fit non-holders. Coverage expansion slipped a quarter and rolls into the Q3 plan. Full detail in the companion *90-Day IR Plan* and *NDR Itinerary & Briefs*.

WHERE WE NEED THE BOARD

For the board — decisions & asks

- **Endorse the guidance philosophy.** IR recommends a modest FY raise (to \$104-106M), framed on the quality of the beat. We ask the board to align on the raise magnitude and the H2-comp disclosure before the script is finalized (see the *Earnings Preparation Briefing*).
- **Support the re-rate strategy.** Closing the ~4-turn EV/Gross-Profit gap to Pyramid depends on coverage breadth and the mix narrative — we ask for continued CEO/CFO availability for the NDR and one additional analyst day.
- **Sign off on disclosure posture.** The gross-to-net bridge and comparable-basis H2 framing are new this quarter; IR requests board/counsel sign-off on the messaging framework under Reg FD.
- **Hold IR accountable on coverage.** At five desks the stock is under-covered for its size; adding a sixth is a committed Q3 objective.