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EVERTEC, Inc. (EVTC)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the EVERTEC's Third Quarter 2025 Earnings Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Loyda Montes Santiago, Finance, Property and Investor Relations Senior Manager. Please go ahead.

Loyda Montes Santiago

Investor Relations, EVERTEC, Inc.

Thank you and good afternoon. With me today are Mac Schuessler, our President and Chief Executive Officer; and Joaquin Castrillo, our Chief Operating Officer, and Karla Cruz-Jusino, Chief Financial Officer.

Before we begin, I would like to remind everyone that this call may contain forward-looking statements and should be considered in conjunction with the cautionary statements contained in our earnings release and the company's most recent periodic SEC reports.

During today's call, management will provide certain information that will constitute non-GAAP financial measures under SEC rules such as constant currency revenue, adjusted EBITDA, adjusted net income, and adjusted earnings per common share. Reconciliations to GAAP measures and certain additional information are also included in today's earnings release and related supplemental slides, which are available in the Investor Relations section of our company's website at www.everttecinc.com.

I will now hand over the call to Mac.

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

Thanks, Loyda, and good afternoon, everyone. Before we dive in, I'd like to take a moment to recognize Loyda as our new internal point of contact for Investor Relations. In the third quarter, EVERTEC delivered another strong quarter of organic revenue growth and further advanced our presence and capabilities in Brazil by closing on the previously announced Tecnobank acquisition.

On today's call, I'll provide an update of the cybersecurity incident we identified in August, give a brief summary of our third quarter results, including an update on our Puerto Rico and LATAM businesses, followed by our updated outlook for 2025.

Before we dive in, I'd like to address an important leadership transition that took effect on November 1. I'm pleased to announce that Joaquin Castrillo has been promoted to Chief Operating Officer. In his extended capacity, he will be responsible for the revenue and management across all EVERTEC's commercial areas.

During his tenure as CFO, Joaquin was instrumental in establishing strong relationships with the investment community, and his strategic vision has been invaluable to the company's growth trajectory. As he transitions to the role of Chief Operating Officer, Joaquin brings with him a proven track record of financial stewardship and a deep understanding of EVERTEC's business, ensuring continued momentum and seamless continuity in the company's leadership team.

Succeeding Joaquin as CFO is Karla Cruz-Jusino, who has been promoted from Chief Accounting Officer. Karla has been a keystone to our finance and accounting organization for six years, and I'm confident that her track record, strategic vision and dedication to EVERTEC's mission position her to guide the company's financial strategy through its next phase of growth. Overall, these internal promotions reflect the strength and depth of our finance organization and ensure seamless continuity in our leadership.

With the transition noted, let me give a brief update on the cybersecurity incident we identified in August. As stated previously, we detected unauthorized activity in Sinqia's Pix environment and the Brazilian Central Bank, or BCB. For context, Pix is a real time payment system in Brazil governed by the Central Bank, and Sinqia has services that enable financial institutions to access this payment system. Once the unauthorized activity was detected, our teams reacted promptly and in accordance with our cyber incident protocols were able to contain the situation.

The team worked closely with both our clients and the BCB, reviewed and implemented key security enhancements to our systems and obtained approval from the BCB that allowed our systems to be now up and running for several weeks. Additionally, our financial institution clients have now confirmed that the vast majority of the funds have been recovered, significantly limiting the original exposure.

Now that our investigation has nearly concluded, we can confirm that this incident was isolated to the Pix real-time payment system in Brazil and did not impact any other EVERTEC products or services or geographies. Our Q3 results, for GAAP purposes, reflect the impacts on cost incurred throughout the incident, as well as an estimate of potential claims related to client losses from funds yet to be recovered as we continue to work with our clients and our cybersecurity insurance provider.

Moving now to our third quarter results, I'm pleased to announce solid revenue performance. We delivered healthy growth over the prior year and exceeded our internal expectations as we continue to execute at a high level across all regions and business segments.

Beginning on slide 5, I'll start by covering a few highlights from our third quarter results. Revenue for the third quarter was \$228.6 million, an 8% increase over the prior year, while constant currency revenue was approximately \$227.9 million, representing growth of 8%, as we again saw growth across all of our segments.

Adjusted EBITDA increased to \$92.6 million, up approximately 6% year over year, and adjusted EBITDA margin was 40.5% for the quarter. Adjusted EPS of \$0.92 was up 7% year over year, driven by the strong adjusted EBITDA growth and lower interest expense, partially offset by higher tax expense.

Through the first nine months of the year, we have generated operating cash flow of approximately \$157 million and returned cash to shareholders through \$9.6 million in dividends and \$3.7 million in share repurchases. Our liquidity remains strong at approximately \$518.6 million as of September 30.

Let me now provide an update on Puerto Rico, beginning on slide 6. Merchant Acquiring revenue grew 3% year over year, driven by higher sales volume. Payment Services Puerto Rico grew 5% year over year, driven by strong performance in ATH Movil, primarily ATH business as well as POS transaction growth. Business Solutions revenue grew 1%, primarily driven by projects completed during the quarter.

Economic conditions in Puerto Rico remain favorable through the end of the third quarter, with positive trends in total employment, strong tourism performance and other key economic indicators. The unemployment rate held steady at 5.6%, near historic lows, while consumer spending continued to demonstrate strength and stability.

Moving to Latin America on slide 7, revenue increased 19% year over year, or 18% on a constant currency basis, as we continued to see strong organic growth across the region, fueled by the re-acceleration in Brazil and the contribution from the Grandata and Nubity acquisitions.

Our pipeline in LATAM remains robust and as anticipated, is now beginning to drive key wins. I'm excited to announce that we have signed a deal to provide acquiring processing and risk monitoring services to Banco de Chile, one of the largest financial institutions in Chile known for its retail and corporate banking services and extensive national presence. With this win, we now have two of the largest banks in Chile on our acquiring platform, validating our strategy of investing in dynamic markets, and positioning EVERTEC as one of the top processors in the country.

I'm also excited to announce that we have signed a deal with Financiera Oh!, a leading financial services company in Peru known for its innovative credit solutions and strong retail presence. We will provide issuing, processing of debit, credit and fraud monitoring solutions. This is a key win and also positions EVERTEC with a marquee name in the very attractive Peruvian market.

On the M&A front, I would like to acknowledge the closing of a controlling stake in Tecnobank in October. This acquisition strengthens our financial technology capabilities in Brazil and opens new avenues for growth and scale. And I would like to personally extend a warm welcome to the entire Tecnobank team.

In summary, we delivered another quarter of strong results across both Puerto Rica and Latin America. More importantly, the key wins announced and the previously mentioned win of Grupo Aval in Colombia demonstrate our ability to win in key markets, where the opportunity for EVERTEC continues to be immense. The combination of strong organic growth in LATAM and the contribution from M&A will continue to drive our diversification into growth markets that will lead to a faster-growing EVERTEC over time. These are exciting times for our company.

With that, I will now turn the call over to Joaquin to provide deeper commentary around our third quarter results, followed by Karla who will discuss our improved outlook for the remainder of 2025.

Joaquin A. Castrillo-Salgado

Chief Operating Officer, EVERTEC, Inc.

Thank you, Mac, and good afternoon, everyone. Turning to slide 9, I'll start with a review of our third quarter results. Total revenue for the quarter was \$228.6 million, up approximately 8% compared to the prior-year quarter, reflecting strong organic growth across all of the company's segments, continued momentum in LATAM and the contribution from acquisitions completed in the fourth quarter of 2024. Revenue also grew 8% in the quarter on a constant currency basis, with a minor tailwind primarily attributable to the Brazilian real.

Adjusted EBITDA for the quarter was \$92.6 million, up approximately 6% from last year, representing a margin of 40.5%, a decrease of 80 basis points from a year ago, but in line with our expectations. Adjusted EBITDA benefited from strong revenue, the M&A contribution and Brazilian market reacceleration in LATAM as well as benefits from previously announced cost initiatives.

Adjusted net income was \$59.8 million, an increase of approximately 8% year over year, driven by growth in adjusted EBITDA and lower cash interest expense, reflecting the positive impact of repricing our debt. These were partially offset by higher tax expense. As expected, our effective tax rate has been increasing slightly as we find ways to lower our interest expense, which drives certain tax efficiencies as well as the growing contribution from our LATAM operations, which were subject to higher statutory tax rates. Adjusted EPS was \$0.92, an increase of approximately 7% from the prior year, driven by the higher adjusted net income.

Moving to slide 10, I will now cover our third quarter results by segment, beginning with Merchant Acquiring. Net revenue increased approximately 3% year over year to \$46.8 million as we benefited from strong sales volume and transaction growth throughout the quarter. Both were positively impacted by new merchant relationships and the impact from the Bad Bunny residency, which resulted in key verticals within the portfolio, seeing increased volumes.

We also benefited from tax return payments during the third quarter as we got closer to extension deadlines. The positive impact from volumes was partially offset by a slight decrease in spread, as we saw a shift towards more card-present transactions. Adjusted EBITDA for the segment was \$18.6 million, with an adjusted EBITDA margin of 39.8%, a decrease of approximately 30 basis points as we experienced a lower average ticket that drove higher processing costs.

On slide 11 are the results for the Payment Services – Puerto Rico & Caribbean segment. Revenue in the quarter was \$55.2 million, an increase of approximately 5% from the prior year. The revenue increase was primarily driven by another quarter of strong performance in ATH Movil, with mid-teens growth driven specifically by ATH business, where we continued to sign up new merchants driving higher sales volume and transactions. US transaction growth was 7%, aligned with the same factors that drove sales volume growth in our Merchant segment, such as the Bad Bunny residency.

Adjusted EBITDA was \$29.9 million, up approximately 5% from the prior year, and adjusted EBITDA margin was 54.1%, an increase of approximately 40 basis points from the prior year. The increase in margin is driven mainly by revenue growth and operational efficiencies related to POS repairs.

On slide 12 are the results for Latin America Payments and Solutions. Revenue in the quarter was \$90.4 million, up approximately 19% year over year, or approximately 18% on a constant currency basis. We delivered double-

digit organic growth across the region, in part driven by the reacceleration in Brazil, where we continue to execute on our modernization initiatives, the favorable impact of contract repricing tailwinds and a strong pipeline.

Chile continues to deliver strong growth, including the contribution from the GetNet Chile contract. The segment also benefited from Grandata and Nubity, the two acquisitions we completed in the fourth quarter of last year, both of which continued to perform as expected or better. These positive impacts were partially offset by the MELI attrition and a \$1.8 million one-time GetNet impact recognized prior year.

Adjusted EBITDA was \$24.4 million, an increase of approximately 18% from the prior year, with an adjusted EBITDA margin of 27%, a modest decrease of approximately 30 basis points. The margin decrease is mainly related to the recognition in prior year of the one-time GetNet revenue that was highly accretive to margin.

Moving to slide 13, our Business Solutions segment revenue increased approximately 1% to \$61.7 million. The increase is due primarily to projects completed during the quarter and higher hardware sales, partially offset by one-time credit related to a managed services contract. Adjusted EBITDA was \$25.1 million, a decrease of approximately 2% from a year ago, and adjusted EBITDA margin was down approximately 100 basis points from the prior year to 40.7%. Margin is down year over year, primarily due to the one-time credit and the lower margin from hardware sales.

Moving to slide 14, you will see a summary of our Corporate and Other expenses. Adjusted EBITDA was a negative \$5.4 million in the quarter, or 2.4% of total revenue, which is slightly lower than expected and lower than prior year as we continue to realize more of the benefits from expense management initiatives that we have been executing throughout the year.

Moving on to our cash flow overview for the first nine months of 2025, on slide 15. Net cash from operating activities year-to-date was \$157 million. Capital expenditures were \$67.9 million through the third quarter, tracking in line with our plan of \$85 million for the whole year. We paid down approximately \$22.4 million in debt, paid approximately \$8.9 million in withholding taxes on share-based compensation and returned approximately \$13.3 million to shareholders through share repurchases and dividends.

Our ending cash balance, excluding cash in settlement assets was approximately \$499.7 million, an increase of \$201.5 million from the year ended 2024. This cash balance includes approximately \$150 million of cash from our revolver that was used on October 1 of 2025 to close on the acquisition of the controlling stake in Tecnobank.

Moving to slide 16, our net debt position at quarter-end was \$631.8 million, which includes \$1.1 billion in total long and short-term debt, offset by \$474.7 million of unrestricted cash. Our weighted average interest rate was approximately 6.24%, a decrease of approximately 47 basis points from the third quarter of 2024. Our net debt to trailing 12-month adjusted EBITDA was approximately 1.8 times, down from 2.2 times a year ago and slightly below the lower end of our leverage target range of 2 to 3 times. As of September 30, our total liquidity, which excludes restricted cash and includes borrowing capacity, was \$518.6 million, up approximately \$50 million from a year ago.

Now, I'd like to turn the call over to Karla, who will offer updated 2025 guidance, discuss modeling points to consider and provide some preliminary thoughts on our outlook for 2026.

Karla M. Cruz-Jusino
Chief Financial Officer, EVERTEC, Inc.

Thanks, Joaquin, and good afternoon, everyone. Turning to slide 18, I'll start with commentary on our updated 2025 outlook. We now expect revenues to be between \$921 million and \$927 million, representing growth of 8.9% to 9.6%. The updated outlook includes our Q3 over-performance, an improved foreign currency expectation in Q4 and the acquisition of Tecnobank. On a constant currency basis, we now expect growth of 10% to 11% year over year, above our prior constant currency range of 7.8% to 8.7%.

Adjusted EPS is now expected to grow between 8.5% and 10.4% from the \$3.28 reported for 2024 and higher than our previous assumption of 4.8% to 7% growth. We now expect our adjusted EBITDA margin to be approximately 40% and we continue to expect the adjusted effective tax rate to range from 6% to 7%.

I will now walk you through the key underlying assumptions considered in our outlook starting with revenue expectations across our business segments. We continue to anticipate mid-single-digit growth in Merchant Acquiring for 2025 as we expect a Q4 outlook in line with Q3 performance.

In Payments Puerto Rico & Caribbean (sic) [Payment Services – Puerto Rico & Caribbean] (00:18:09), we now expect mid single-digit growth as we benefit from the continued momentum in ATH Movil, partially offset by lower processing services to LATAM segment and the impact from the Popular discount that began in October.

For Latin America Payments and Solutions, we now expect high-teens growth, driven by strong organic momentum across the region and the contribution from the Tecnobank acquisition completed at the beginning of the fourth quarter, partially offset by the headwind of foreign currency, mainly in Brazil. On a constant currency basis, growth is [ph] now (00:18:44) expected to be in the low-20s. As a reminder, we will anniversary both the Grandata and Nubity acquisitions in Q4.

Finally, in Business Solutions, we continue to expect low-single-digit revenue growth, primarily reflecting the 10% discount to Popular that became effective in October, impacting approximately \$18 million annually, estimated to be \$4 million in Q4.

Turning to overall margin, we anticipate approximately 40% for the full year. As we start to shift focus to 2026, while we are not providing guidance, I would like to share key items intended to help you frame your modeling assumptions and provide clarity on the strategic priorities driving our outlook for next year.

Beginning with Puerto Rico, the 10% discount on selected MSA services with Banco Popular became effective in October 2025. As we head into 2026, this discount represents an estimated headwind of approximately [ph] \$14 million (00:19:36) impacting mostly our Business Solutions segment with a more modest impact on our Payments Puerto Rico segment.

Additionally, the CPI for September was announced at 3% and as a reminder, this is capped at 1.5% for our MSA agreement and 2.5% for our ATH processing agreement with Popular. Beginning on October 2026, the CPI escalator will now allow increases above 2%, capped at a maximum of 2%. Specifically, as we look at our segments, while the Merchant Acquiring segment benefited from pricing initiatives through the first half of 2025, these tailwinds are expected to normalize in 2026. Additionally, the boost in transaction volumes linked to the Bad Bunny residency will create a modest headwind. Despite these factors, we remain optimistic about the segment's trajectory and are anticipating implementing key merchants that should continue to drive positive growth in 2026.

For Payments Puerto Rico, we expect a slight impact from the 10% discount to Popular to be offset by the continued strength in ATH Movil and anticipated growth in POS transactions. In Latin America, we expect continued momentum in 2026, supported by a mix of organic growth and strategic M&A, including Tecnobank.

Additionally, while we are very excited about the [indiscernible] (00:20:57) these are not expected to have a meaningful contribution to 2026 as these will be either ramping up or under implementation for most of the year.

Finally, in Business Solutions, we expect a top-line reset driven by the incremental \$14 million impact as a result of the 10% discount to Popular that began in October, partially offset by the CPI impact already mentioned.

Moving to margins, to offset the impact of the 10% Popular discount and the lower margin contribution from Latin American organic growth, we remain focused on executing targeted cost efficiencies initiatives across our business segments. Interest expense is projected to decline year over year, supported by successful debt repricing and lower SOFR rates. However, this benefit will be partially offset by incremental debt related to the Tecnobank acquisition.

Lastly, regarding taxes, we expect a higher adjusted tax rate reflected increased EBITDA contributions from LATAM and the reduction in interest expense, a key driver of tax efficiency in 2025.

In summary, we delivered a strong third quarter and are well-positioned to deliver strong top-line growth in 2026. We remain focused on executing our strategic priorities and cost initiatives to support long-term value creation. We look forward to sharing more updates on our progress in early 2026.

On behalf of Mac, Joaquin and myself, we appreciate your continued support and I hope to connect with many of you at upcoming conferences over next few months. Operator, please go ahead and open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from Jamie Friedman from Susquehanna. Please go ahead.

James E. Friedman

Analyst, Susquehanna Financial Group LLLP

Q

Hi. Congratulations, Joaquin and Karla on your respective promotions. And I hope we continue to work together in the future, Joaquin, I learned a lot from you over the years. So, Mac, maybe I'll ask, first of all, in terms of LATAM, up 19% year over year, this growth seems quite durable. You're signing incremental deals, Banco de Chile, et cetera. So, any perspective that you could share now as to what you're finding relative to when you began the expansion in LATAM, is it – are you resonating? Are you gaining the mind share that you had anticipated? And what's so far surprised you down there?

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

A

Yeah. So, I mean, if I look at long term over the course of the company, I think what we've been able to do is build products through acquisitions so that they're now some of the best products in the region. So, if you look at the deals we just announced, Banco de Chile is using our acquiring platform, which is now our second big deal in Chile.

If you look in Peru, we now have this deal where they're using our issuing platform. So, I think what we've done is we've built these products now that we're scaling across the region, and as you'll see, we're getting good margins.

The other piece, I think, that's pretty important was the Sinqia deal. We got that deal. It's now growing at a rate that we're very happy with now that we've integrated and it also gives us the ability to make other acquisitions like Tecnobank. So, those are the two big things that I think we've seen is – our products are now scalable across the region. We're winning business to demonstrate that. And now we have sort of a cornerstone of our strategy to continue to invest in Brazil through the Sinqia acquisition and the infrastructure we have there. We're super excited about the future, as Karla talked about 2026 and the continued growth that we think we'll see in LATAM.

James E. Friedman

Analyst, Susquehanna Financial Group LLLP

And also about that, Karla, you were talking about the [ph] colo (00:24:55) – the return of [ph] colos (00:24:56). I remember that was a theme earlier in the company's history. It sounds like that's coming back. So, what typically can be the contribution from those sorts of cost of living adjustments in a typical year?

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

Hey, Jamie, I don't think that we could hear you clearly. Are you talking about the cost of living adjustment? You're talking about the CPI adjustments on [indiscernible] (00:25:19) solutions?

James E. Friedman

Analyst, Susquehanna Financial Group LLLP

Oh is that how you say – CPI, that's what I'm trying to say, CPI, yeah.

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

Yeah. No, I got it. So, yeah. So, do you want to talk about the CPI adjustments?

Karla M. Cruz-Jusino

Chief Financial Officer, EVERTEC, Inc.

Yes, we did call out that the CPI index for September was [ph] announced at (00:25:31) 3% and it's now currently capped at 1.5% for our MSA agreement with Popular and at 2.5% for ATH processing agreement. Now, beginning in 2026, as we have mentioned in the past that that escalator will permit an increase in the CPI above 2%, but now capped at 2%.

James E. Friedman

Analyst, Susquehanna Financial Group LLLP

Okay, okay, I get the idea. All right. I'll drop back in the queue. Congratulations, everyone. Thank you.

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

Thanks, Jamie.

Operator: Thank you. [Operator Instructions] Your next question comes from Marc Feldman from William Blair. Please go ahead.

Marc Feldman

Analyst, William Blair & Co. LLC

Hi, guys. Thanks for taking the questions. And I'll echo my congratulations to both Joaquin and Karla. I guess, first off, can you talk about potential cross-sell opportunities between Tecnobank and Sinqia just given Sinqia's presence in the consortium model in Brazil?

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

Yes. So, look, that – as we tuck in assets to the Sinqia acquisition, it's exciting to have an organization, a management team that can manage these investments. Tecnobank has cross-sell opportunities because we do business with a lot of the financial institutions, and the financial institutions are primarily – and the consortiums are primarily the customers of Tecnobank. So, there's tremendous cross-sell opportunities where Tecnobank customers can use other products that we already have and vice versa. So, there's some Sinqia customers that don't use Tecnobank today. It's a great business on a standalone basis, but the cross-sell opportunities we think are relevant.

Marc Feldman

Analyst, William Blair & Co. LLC

Great. Thank you. Appreciate that. And then I guess just one more. I know the situation is dynamic, but with the government shutdown and your benefits business and then also the Puerto Rican economy in general, can you talk about any trends that you've seen thus far and what we should be considering for the fourth quarter?

Joaquin A. Castrillo-Salgado

Chief Operating Officer, EVERTEC, Inc.

Sure. So this is Joaquin. Look, so far, no direct impact, obviously, we're monitoring it closely, just like everybody is, because the Puerto Rico economy does rely on certain federal funds. One of the biggest impacts could potentially be around the NAP and SNAP programs. A big portion of the Puerto Rico population does rely on welfare. Having said that, we know that at least through November that has been funded, so we do have a little bit of runway here to continue to monitor before it starts to have any impact.

Marc Feldman

Analyst, William Blair & Co. LLC

Great. Thanks for taking the questions and congratulations, [ph] Joaquin (00:28:13).

Joaquin A. Castrillo-Salgado

Chief Operating Officer, EVERTEC, Inc.

Thank you.

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

Thanks, Marc.

Operator: Thank you. Your next question comes from John Davis from Raymond James. Please go ahead.

John Davis

Analyst, Raymond James & Associates, Inc.

Hey, good afternoon, guys. And I'll add my congrats to Joaquin and Karla. Mac, just big picture here, the security incident within Sinqia, just curious, understand that's kind of been ring fenced at this point, but have you seen any adverse impact on business momentum, pipeline, anything like that? Just curious kind of on the state of the momentum at Sinqia more broadly as well.

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

Yeah. No, at this point, we haven't seen an impact to the commercial business. It was primarily just two banks that were impacted. And those two banks, we've been able to work through all the issues with those guys. We also think that we can now demonstrate – also I want to say just I don't know that everyone has perspective, this happened to multiple technology companies, so there were criminals trying to take advantage of the Pix system through multiple companies in Brazil.

So, if you pull the press, this didn't happen to just us, it was several. What I would say is that we believe now that we've really been able to harden our systems, that we've been able to demonstrate we have better systems and we're going to work to make this an advantage versus a disadvantage. But we haven't seen negative commercial impact at this point.

John Davis

Analyst, Raymond James & Associates, Inc.

Okay, great. And then Joaquin or Karla, just margins more broadly, I think they're down like 80 basis points year over year in the third quarter. And I think that's before the changes – the contract changes, the [indiscernible] (00:29:49). But just curious, I heard the average ticket was called out, but more broadly, were those – I know you guys don't guide margins by quarter but was that largely in line with your expectations or anything that surprised you on the margin front in the third quarter specifically?

Joaquin A. Castrillo-Salgado

Chief Operating Officer, EVERTEC, Inc.

Yeah, I mean, look, when we look at it on a year-over-year basis, John, remember and we called it out, we had our big one-timer last year in LATAM, that was highly margin accretive. But if you look at the sequential growth of our margin, it is aligned to our expectations, right? We had said we're going to start at kind of 39s, grow to like mid-40s and then come back down, right?

And that's the trajectory that's been reflected in the case specifically of Merchant Acquiring, yes, we did have a slight decline in margin, which is coming because, yes, the average ticket is coming down. We have a lot more transactionality than necessarily sales volume, although we did have very good sales volume as well. So, I think it's just the nature of how that business moved this past quarter. We need to continue to monitor all trends as it relates to Merchant Acquiring specifically going into the next quarter.

John Davis

Analyst, Raymond James & Associates, Inc.

Okay. And then last one, Mac, just on capital allocation, balance sheet is in good shape. I know the Tecnobank deal just closed. But just curious, appetite, you're thinking kind of more tuck-in deals, thoughts on potentially buying back stock with the pullback, frankly, across the whole space. Just curious kind of updated thoughts with where the stock is trading and also kind of appetite on the M&A side?

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

Sure. So, I mean, what I would say is, look after that, into the next quarter, we'll be above a little bit above [ph] 2 (00:31:34), right, Karla?

A

Karla M. Cruz-Jusino

Chief Financial Officer, EVERTEC, Inc.

Correct.

A

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

So, I mean, we're – we'll be between [ph] 2 and 3 (00:31:37), but on the lower end of sort of what's tolerable. We do recognize where our stock price is and we are sort of evaluating the pipeline. We still have a good pipeline and every quarter we'll take a look at capital allocation and try and make the right decision. But as you know, it's something we're very, very focused on and we'll balance where the stock price is, but also the M&A opportunities that we have.

A

Karla M. Cruz-Jusino

Chief Financial Officer, EVERTEC, Inc.

Mac, I would add there that we do have \$150 million available still under our share repurchase program and that ends in 2026, so just as another data point.

A

John Davis

Analyst, Raymond James & Associates, Inc.

Well, thanks. Appreciate your color. Thanks, guys.

Q

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

Thanks, John.

A

Operator: Thank you. [Operator Instructions] Thank you. There are no further questions at this time. I'll now hand the conference back to management for any closing remarks.

Morgan M. Schuessler

President, Chief Executive Officer & Director, EVERTEC, Inc.

Again, I want to thank everybody for joining the call. Again, want to congratulate all of my colleagues on the call with me. And we look forward to seeing you in the future at investor events. Have a good night.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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