Second Quarter 2025 Earnings Call

October 27, 2025, 4:30 p.m. Eastern Time

The following is a transcript of the Yavqo Corporation (NYSE: YVQ) second quarter 2025 earnings conference call held on October 27, 2025. The transcript has been lightly edited for clarity.

Participants

Amara Voss — Chief Executive Officer; Daniel Reyes — Chief Financial Officer; Priya Raman — Vice President, Investor Relations.

Operator — Conference host

Good afternoon. My name is David, and I will be your conference operator today. At this time I would like to welcome everyone to the Yavqo second quarter 2025 earnings call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. I will now turn the call over to Priya Raman, Vice President of Investor Relations.

Priya Raman — Vice President, Investor Relations

Thank you, David. Good afternoon everyone and welcome to Yavqo's second quarter 2025 earnings call. Our results were released after the market closed and are available on our Investor Relations website. Today's discussion includes forward-looking statements, which are subject to the risks described in our SEC filings. Amara will begin with the quarter's highlights, Daniel will review the financials, and then we will take your questions.

Amara Voss — Chief Executive Officer

Thank you Priya, and thank you all for joining. Yavqo delivered revenue of $72.3 billion this quarter, up 12% year over year, and operating income of $21.7 billion. That combination — mid-teens growth at scale with expanding margins — is the result of decisions we made several years ago about where to invest.

Our payments business processed $528 billion in volume, and merchant adoption of our unified ledger continues to pull through higher-value services. In cloud, demand remains supply constrained: we brought additional capacity online during the quarter, and utilization improved sequentially. Yavqo Cloud is now a $88 billion annualized run-rate business growing 17%.

I want to be direct about the two things we are watching. First, the regulatory environment for cross-border payments remains fluid, and we have built additional compliance capacity into our cost base. Second, competition for AI compute is real, and it is a reason we are comfortable raising capital expenditure guidance rather than optimizing for near-term operating margin.

On product, we launched Yavqo Ledger for mid-market customers during the quarter and have already signed 1,900 customers onto the platform. Early retention is better than any product we have launched in the last five years, and it is pulling through treasury and reconciliation attach rates. We also expanded our settlement network to 74 countries, which matters because cross-border volume is growing roughly twice as fast as domestic volume for us.

Daniel Reyes — Chief Financial Officer

Thank you Amara. Turning to the numbers. Revenue was $72.3 billion, cost of revenues was $29.5 billion, and gross profit was $42.8 billion, a gross margin of 59.2%. Operating expenses were $21.1 billion, including research and development of $9.7 billion, and operating income was $21.7 billion.

Net income was $20.1 billion and diluted earnings per share was $1.73. Operating cash flow was $28.0 billion and free cash flow was $20.4 billion. We ended the quarter with $198.8 billion in cash, cash equivalents and marketable securities.

We returned $19.0 billion to shareholders through repurchases and dividends, and our board has authorized an additional $90 billion of repurchase capacity. For the third quarter quarter of 2025 we expect revenue of $74.2 billion to $75.0 billion, operating margin of approximately 30%, and capital expenditures of $9 billion to $10 billion.

Operator — Conference host

Thank you. We will now open the line for questions. Please limit yourself to one question and one follow-up.

Elena Fischer — Morgan Stanley

Thanks for taking my question. Daniel, cloud growth accelerated to 17%, but capex is stepping up again. Can you help us frame the incremental return on that capital, and whether we should expect depreciation to pressure cloud margins next year?

Daniel Reyes — Chief Financial Officer

Thanks Elena. The incremental capacity we are adding is largely pre-committed — roughly 70% of new cloud capacity for the next four quarters is contracted. Depreciation will grow in absolute dollars, but we expect cloud operating margin to be roughly stable next year as utilization improves and as our own silicon reduces cost per workload. Our hurdle rate for new capacity remains unchanged at a mid-teens after-tax return.

Marcus Webb — Goldman Sachs

Good afternoon. On payments, the take rate was stable this quarter, which is better than feared. What is driving that, and how much of the stability is mix versus pricing discipline?

Daniel Reyes — Chief Financial Officer

It is mostly mix. Value-added services — fraud, treasury, reconciliation — grew faster than core processing, and those carry structurally higher margins. We have also been disciplined about not buying volume with price in markets where we do not have a differentiated product. We expect the take rate to be roughly flat over the next several quarters.

Sofia Almeida — J.P. Morgan

Thanks. Two quick ones on capital allocation. First, why expand the repurchase authorization now rather than lean into acquisitions? Second, should we expect the dividend to grow in line with earnings?

Daniel Reyes — Chief Financial Officer

On the first, we generate substantial free cash flow and we think the stock is an attractive use of capital at current levels. On M&A, our bar is high: we look for assets that accelerate our cloud roadmap or expand the payments network into markets we cannot reach organically. We will keep evaluating, but we will not deploy capital to hit a headline. On the dividend, the board reviews it annually, and our intent is to grow it over time, though repurchases remain the primary return mechanism.

Tom Hartley Barclays

One for Amara. You mentioned regulatory capacity costs. Is that now fully reflected in the run rate, or should we model additional spend in 2027?

Daniel Reyes Chief Financial Officer

It is largely reflected in the current run rate. What we have not fully reflected is the possibility of additional licensing requirements in two markets, which could add low hundreds of millions of dollars annually. We have chosen to absorb that rather than slow down expansion, because the long-term opportunity in cross-border settlement is significantly larger.

Daniel Cho Bank of America

Thanks. Daniel, gross margin was 59.8%, down slightly sequentially. Is that mix, or is there a cost headwind from AI infrastructure that we should carry forward?

Daniel Reyes Chief Financial Officer

It is mostly mix. Cloud now represents a larger share of revenue and carries a different cost structure than payments, so the consolidated gross margin drifts down as cloud grows even when each segment improves. Sequentially, cloud gross margin actually expanded by about 60 basis points. We expect consolidated gross margin to be roughly stable at this level for the next few quarters.

Anna Keller UBS

Good afternoon. You have now returned roughly $19.0 billion this quarter. How should we think about the balance between buybacks and debt reduction, given the step-up in capital spending?

Daniel Reyes Chief Financial Officer

Our capital allocation order has not changed: first, fund organic investment, including the cloud build-out; second, maintain a liquidity buffer of at least $60 billion; third, return the remainder through repurchases and the dividend. We have no need to reduce debt — our leverage is modest and our credit facility is undrawn. So repurchases remain the primary mechanism, and the pace will vary with the share price and with how much capacity we commit to cloud.

Priya Raman Vice President, Investor Relations

Thank you all for joining us today. A replay of this call will be available on our Investor Relations website, and we look forward to speaking with you again in January.

Operator Conference host

This concludes today's conference call. Thank you for participating. You may now disconnect.