



PRIORITY TECHNOLOGY HOLDINGS

Priority (Nasdaq: PPTH)

Supplemental Slides: First Quarter 2022
Earnings Call

May 11, 2022



DISCLAIMER

Important Notice Regarding Forward-Looking Statements and Non-GAAP Measures

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about future financial and operating results, our plans, objectives, expectations and intentions with respect to future operations, products and services, and other statements identified by words such as “may,” “will,” “should,” “anticipates,” “believes,” “expects,” “plans,” “future,” “intends,” “could,” “estimate,” “predict,” “projects,” “targeting,” “potential” or “contingent,” “guidance,” “anticipates,” “outlook” or words of similar meaning. These forward-looking statements include, but are not limited to, the expected returns and other benefits of the merger of Priority Technology Holdings, Inc.’s (“Priority,” “we,” “our” or “us”) with Finxera Holdings, Inc. (“Finxera”) to shareholders, expected improvement in operating efficiency resulting from the merger, estimated expense reductions resulting from the transactions and the timing of achievement of such reductions, and our 2022 outlook and statements regarding our market and growth opportunities. Such forward-looking statements are based upon the current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive risks, trends and uncertainties that could cause actual results to differ materially from those projected, expressed, or implied by such forward-looking statements. These forward-looking statements may include, but are not limited to, statements about the effects of the COVID-19 pandemic on our revenues and financial operating results. Our actual results could differ materially, and potentially adversely, from those discussed or implied herein. We caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this presentation in the context of the risks and uncertainties disclosed in our Securities and Exchange Commission (“SEC”) filings, including our Annual Report on Form 10-K filed with the SEC on March 17, 2022. This filing is available online at www.sec.gov or www.PRTH.com.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences we anticipate or affect us or our operations in the way we expect. You are cautioned not to place undue reliance on forward-looking statements as a predictor of future performance. The forward-looking statements included in this presentation are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

Statements included in this presentation include non-GAAP financial measures, including: (i) Revenue Growth, (ii) EBITDA Growth Acceleration, (iii) Run-Rate PF Net Revenue, (iv) Run-Rate Organic PF Net Revenue Growth, (v) Integrated Revenue, (vi) Run-Rate PF Adj. EBITDA, (vii) PF Adj. EBITDA Growth, (viii) PF Adj. EBITDA Margins, (ix) PF Annual Free Cash Flow. Priority does not provide a reconciliation for projected non-GAAP financial measures to their comparable GAAP financial measures because it could not do so without unreasonable effort due to the unavailability of the information needed to calculate reconciling items. Priority does not believe that a GAAP reconciliation would provide meaningful supplemental information about the Priority’s outlook.

Management believes that non-GAAP financial measures provide a greater understanding of ongoing performance and operations, and enhance comparability with prior periods. Non-GAAP financial measures should not be considered as an alternative to any measure of performance or financial condition as determined in accordance with GAAP, and investors should consider Priority’s performance and financial condition as reported under GAAP and all other relevant information when assessing its performance or financial condition. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition as reported under GAAP. Non-GAAP financial measures may not be comparable to non-GAAP financial measures presented by other companies.



First Quarter 2022 Highlights

- **Revenue of \$153.2 million** increased 35.2% from \$113.3 million in Q1 2021
- **Gross profit of \$51.8 million** increased 65.0% from \$31.4 million in Q1 2021
- **Gross profit margin of 33.8%** increased 610 basis points from 27.7% in Q1 2021
- **Operating income of \$10.8 million** increased 140.0% from \$4.5 million in Q1 2021
- **Adjusted EBITDA of \$30.3 million** increased 68.3% from \$18.0 million in Q1 2021

Revenue, Gross Profit and Adjusted EBITDA

(dollars in millions)





Excluding CFTPay and Specialized Acquiring

- **Revenue of \$132.2 million** increased 30.9% from \$101.0 million in Q1 2021
- **Adjusted EBITDA of \$17.0 million** increased 63.5% from \$10.4 million in Q1 2021

Revenue and Adjusted EBITDA, Adjusted to Exclude CFTPay and Specialized Acquiring

(dollars in millions)

	First Quarter		Growth	
	2022	2021	\$	%
REVENUE				
Consolidated	\$153.2	\$113.3	\$39.9	35.2%
CFTPay	16.9		16.9	
Specialized Acquiring	4.1	12.3	(8.2)	
Excluding CFTPay and Specialized Acquiring	<u>\$132.2</u>	<u>\$101.0</u>	<u>\$31.2</u>	<u>30.9%</u>
ADJUSTED EBITDA				
Consolidated	\$30.3	\$18.0	\$12.3	68.3%
CFTPay	11.1		11.1	
Specialized Acquiring	2.2	7.6	(5.4)	
Excluding CFTPay and Specialized Acquiring	<u>\$17.0</u>	<u>\$10.4</u>	<u>\$6.6</u>	<u>63.5%</u>

Any differences are due to rounding.



PRIORITY – THE PAYMENTS POWERHOUSE

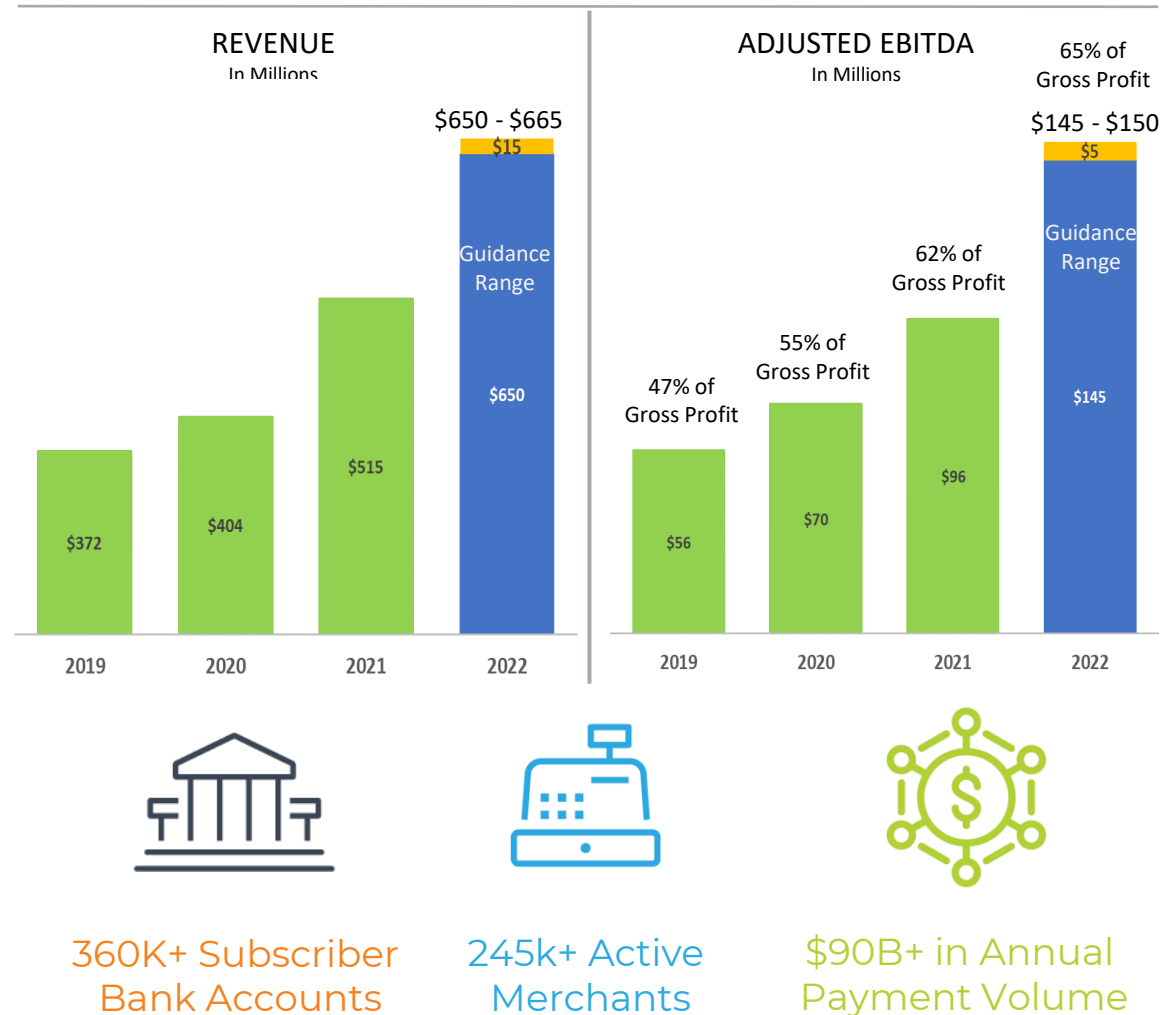
PRIORITY OVERVIEW

- Priority Technology Holdings, Inc. (NASDAQ:PRTH), is a payments technology company that leverages a purpose-built platform to enable clients to collect, store and send money.
- Priority delivers value to its partners by leveraging a native technology platform to embed payments and banking services into their core business platforms. Our approach is simple, we handle the complexities of payments and banking to free our partners to focus on their core business objectives. Priority provides end-to-end operational support including risk & underwriting, full compliance and customer service.

Priority's solutions are delivered via internally developed payment applications and services to the [SMB Payments](#), [B2B Payments](#), and [Enterprise Payments](#) business segments

- **SMB PAYMENTS:** Provides full-service acquiring and payment-enabled solutions for B2C transactions, leveraging Priority's proprietary software platform, distributed through ISOs, Direct Sales and vertically focused ISV Channels
- **B2B PAYMENTS:** Provides market-leading A/P automation solutions to corporations, software partners and industry leading financial institutions (including Citi, MasterCard, and AMEX)
- **ENTERPRISE PAYMENTS:** Provides embedded payment and banking solutions to enterprise customers to modernize legacy platforms and accelerate software partners' strategies to monetize payments

PRIORITY AT A GLANCE





PRIORITY

MISSION: Build innovative payment solutions that collect, store & send money to power modern commerce

Direct | ISV | Reseller

SMB PAYMENTS	
MX Merchant	MX Connect
e tab	LandlordStation
PayRight	Cumulus

Direct | ISV | Reseller

B2B PAYMENTS	
CPX	FI's (ACH.com)
Managed Services	

Direct | ISV

ENTERPRISE PAYMENTS	
CFTPay	CFTConnect
Passport Enterprise	

PASSPORT – API / UI + UX “YOUR TICKET TO MODERN COMMERCE”

PASSPORT PLATFORM ARCHITECTURE (SHARED MACRO/MICRO SERVICES)

COMMERCE

Card Processing • Compliance
Card Issuing • Pay Fac

BANKING

Virtual Accounts • Ledger • ACH/ACH+ • Compliance
Check Processing /Recon • Bill Payments

DATA SCIENCE

Data Warehouse • Business Intelligence
Data Science • Visualization

A NATIVE PLATFORM OF SHARED SERVICES DEPLOYED AS SIMPLE SET OF
API'S TO COLLECT, STORE & SEND MONEY



SMB PAYMENTS

MX™ CONNECT

MX™ Connect is Priority's powerful reseller CRM and business operating system for partners, powered through web and mobile applications

MX™ MERCHANT SUITE

MX™ Merchant Suite provides core processing and business solutions to SMB clients, which help better manage work functions and revenue performance

COMPARATIVE FINANCIAL PERFORMANCE¹

Peer Group	FY 2021 Revenue Growth	FY 2021 EBITDA Growth
Priority Technology	27.3%	36.9%
Global Payments	14.8%	40.3%
FIS Global	10.6%	16.3%
Fiserv	9.3%	17.7%
Paysafe	4.2%	4.3%

(1) Management calculations based on recent publicly available information



1,250+

PARTNER / RESELLER ACCOUNTS



4,600+

NEW MERCHANT ONBOARDS PER MONTH



80%+

PERCENT OF INTEGRATED OR SEMI-INTEGRATED REVENUE



245k+

MERCHANT ACCOUNTS



687M+

ANNUAL TOTAL TRANSACTIONS



\$64B+

ANNUAL CARD VOLUME PROCESSED



B2B PAYMENTS

CPX provides market-leading A/P automation solutions to corporations, software partners and industry leading financial institutions

Overview

CPX offers a robust suite of payments solutions which helps to ease reconciliation, reporting and payments for buyers and suppliers

- Named as CFO Tech Outlook Top 10 Accounts Payable Solution
- Minimal to no upfront investment required
- Purpose-built to automate and integrate every payment method including cards, check and ACH
- Generate interchange from issuing virtual and physical credit cards; and managed service fees
- Integration into any ERP system
- Direct Fed terminal
- Supplier wallet

CPX[®]



75K
SUPPLIERS ENROLLED



\$26B
ISSUING VOLUME (ANNUAL)
ENROLLED



46
FINANCIAL INSTITUTIONS
SUPPORTED



ENTERPRISE PAYMENTS



Customer



1. Create 'Customer' in Passport
2. Open sub-accounts
3. Execute your workflow for funds movement

PASSPORT APIs

SUB ACCOUNTS



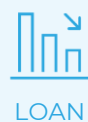
Customer



INVEST



SAVE



LOAN



CHECKING



FUTURE

Integrate with Existing Financial Solutions or with In-House Products

CORE
BANKING

LENDING

CARD
MANAGEMENT
& PAYMENTS

MORE...



INNOVATIVE PAYMENT SOLUTIONS DONE WITH EASE...



Simple APIs to Solve Complex Workflows
(Collect, Store & Send)

Simple Rest APIs that are powerful to design any complex funds
movement workflow supported by nationwide MTLs



Single Virtual Ledger for Having One View of Customer

Eases reconciliation to allow 'closing your books daily or even more frequent'
Automated reconciliation so you build your workflow with confidence



Built for Future ...

Modular architecture allows for adding new payment rails quickly.
Co-innovate with external ecosystems.



Time Tested & Improving Continuously

PRTH existing products utilize Passport and are thriving
and stays at par with changing regulatory requirements



Talented & Matured Fintech Operations Resource
Pool to Support Your Journey

PRIORITY VALUE PROPOSITION

PASSPORT PLATFORM SOLUTIONS

- Passport provides a simple and integrated banking and payments infrastructure for the merchants' ecosystem. It features banking service APIs and a complete, end-to-end solution to collect, store and send money at scale with full regulatory compliance.
- It provides an agile and a secure platform to onboard individual and business customers and supports them in conducting and managing financial transactions, using various major payment instruments such as ACH, Checks and Wires.
- The platform caters to the needs of individuals or businesses that look for a robust system supporting:
 - Efficient and automated disbursement of funds
 - Fee collection and split payment capabilities
 - Virtual account setup and KYC
 - Smooth ledgering and reconciliation
 - Operations infrastructure for compliance, payments & customer support
 - And much more

Priority is a payments powerhouse
driving the convergence of payments
and banking with a single platform to
collect, store & send money



Revenue

SMB Revenue of \$130.0 million increased 19.2% from \$109.1 million

- **SMB revenue** key growth drivers included:
 - **Bankcard Volume of \$14.1 billion** increased \$2.2 billion, or 18.5%, from \$11.9 billion
 - **Bankcard Transactions of 145.9 million** increased 18.4 million, or 14.4%, from 127.6 million
 - **Average Ticket of \$96.45** increased \$3.31, or 3.6%, from \$93.14
- **Average Merchant Count of 243,383** in first quarter 2022 grew 7.3% over first quarter 2021
- **New monthly merchant boards** averaged 4,675 during Q1 2022
 - Historically, new monthly boards average 4,300 – 5,000

	First Quarter		
	2022	2021	Variance
SMB Payments:			
Merchant bankcard processing dollar value	\$ 14,076.8	\$ 11,883.2	18.5%
Merchant bankcard transaction volume	145.9	127.6	14.4%
Average Ticket	\$ 96.45	\$ 93.14	3.6%

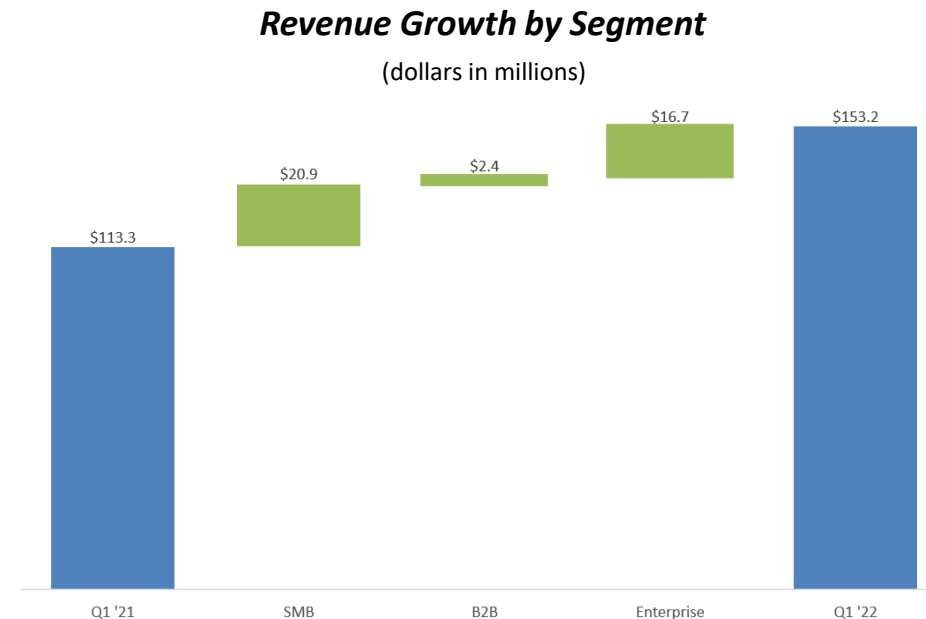
Any differences are due to rounding.



Revenue

B2B Revenue of \$5.9 million increased 68.6% from \$3.5 million
Enterprise Revenue of \$17.4 million increased \$16.7 million from \$0.7 million

- **B2B revenue** key growth drivers included:
 - **Managed Services** increased 44.4% to \$2.6 million from \$1.8 million, driven by program growth
 - **CPX** increased 94.1% to \$3.3 million from \$1.7 million driven by new customer additions, volume increases within existing customers, and a minimum revenue recovery from a 2020 contract termination. The growth rate was 41.2% excluding the recovery.
- **Enterprise revenue** increased \$16.7 million from \$0.7 million. CFTPay (Finxera), acquired in September 2021, drove the growth.





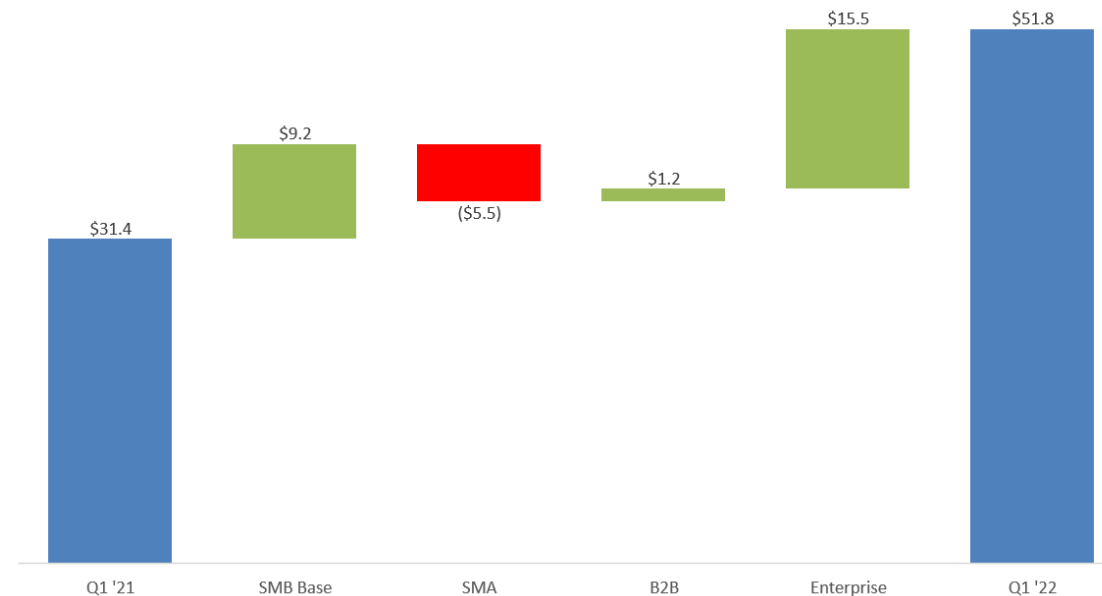
Gross Profit

Gross Profit of \$51.8 million increased 65.0% from \$31.4 million

- **SMB gross profit of \$32.9 million** increased 12.7% from \$29.2 million in Q1 2021
 - Specialized Merchant Acquiring (SMA) gross profit of \$2.2 million declined \$5.5 million from \$7.7 million in Q1 2021 due to a temporary pullback from risk paring actions
 - SMB gross profit increased 44.3%, excluding the SMA decline
- **B2B gross profit of \$3.2 million** increased 60.0% from \$2.0 million in Q1 2021
- **Enterprise gross profit of \$15.7 million** increased \$15.5 million from \$0.2 million in Q1 2021

Gross Profit Growth by Segment

(dollars in millions)



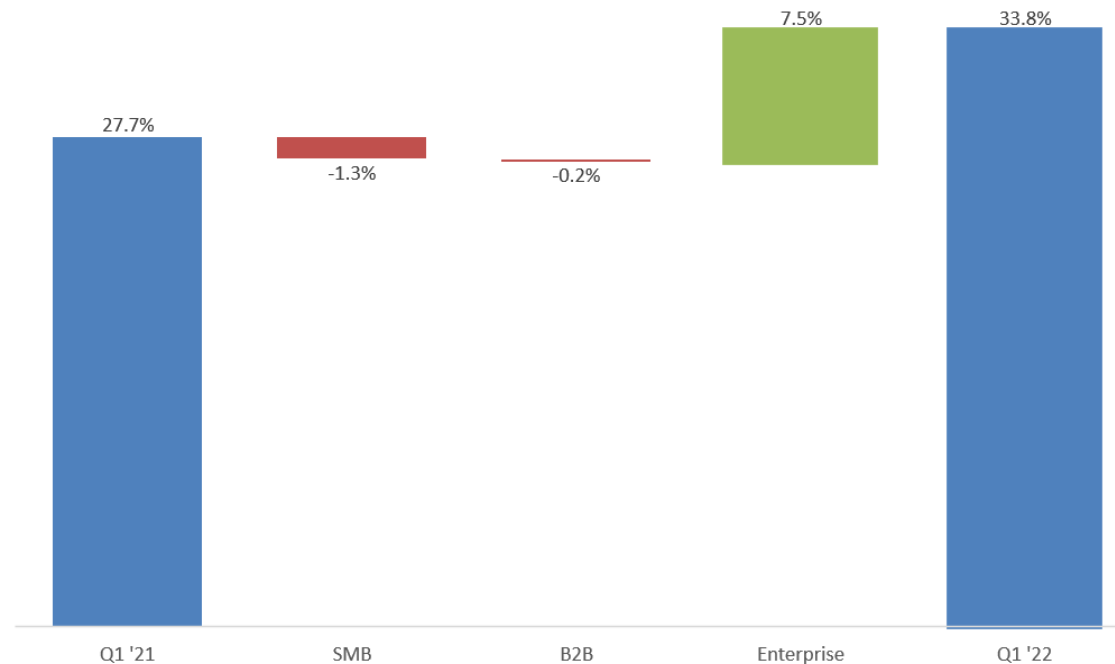


Gross Profit Margin

Gross Profit Margin of 33.8% increased 610 basis points from 27.7%

- **SMB gross profit margin** decline was driven by the temporary pullback in SMA
- **Enterprise gross profit margin** overcame the SMB decline and drove overall margin expansion

Gross Profit Margin change by Segment

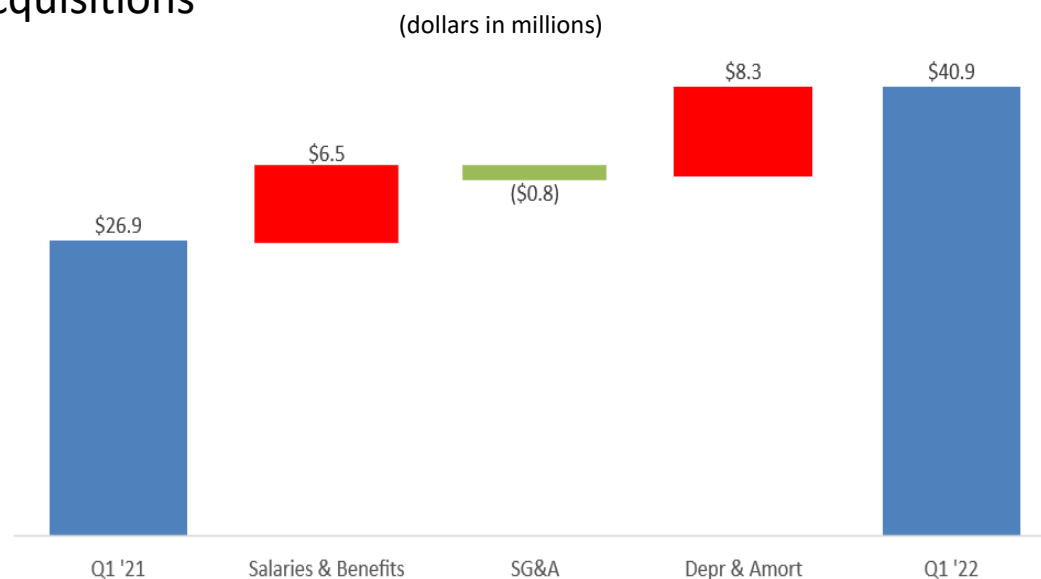




Other Operating Expenses

Other Operating Expenses of \$40.9 million increased 52.0% from \$26.9 million

- **Salaries and Benefits of \$16.1 million** increased 67.8% from \$9.6 million in Q1 2021
 - Growth driven by the CFTPay (Finxera) acquisition, other headcount growth and \$1.0 million of higher non-cash, stock-based compensation
- **SG&A of \$7.5 million** decreased 9.6% from \$8.3 million in Q1 2021
 - Includes non-recurring expenses of \$4.1 million in Q1 2021 and \$0.5M in Q1 2022
 - Recurring growth is largely the result of the significant increase in size of the Company
- **Depreciation & Amortization of \$17.4 million** increased \$8.3 million from \$9.1 million in Q1 2021, driven by acquisitions



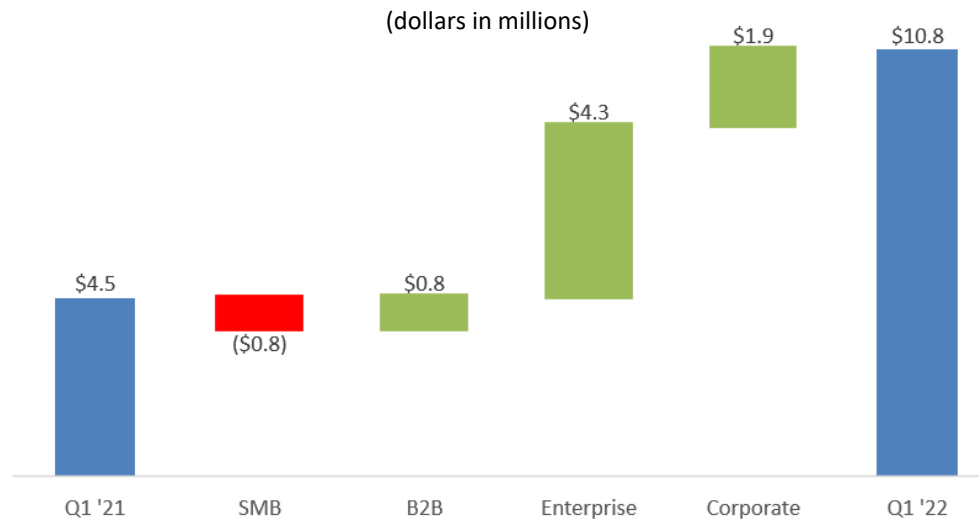


Operating Income

Operating Income of \$10.8 million increased 140.0% from \$4.5 million

- **SMB operating income of \$12.5 million** decreased \$0.8 million from \$13.3 million in Q1 2021
 - Specialized Merchant Acquiring (SMA) gross profit declined \$5.5 million
 - SMB operating income increased \$4.7 million, excluding the SMA decline
- **B2B operating income of \$0.4 million** increased \$0.8 million from a loss of (\$0.4) million in Q1 2021
- **Enterprise operating income of \$4.5 million** increased \$4.3 million from \$0.2 million in Q1 2021
- **Corporate expense of (\$6.6) million** decreased \$1.9 million from (\$8.5) million in Q1 2021
 - Includes non-recurring expenses of \$4.1 million in Q1 2021 and \$0.5M in Q1 2022
 - Recurring growth is largely the result of increased headcount, non-cash stock-based compensation, and other administrative expenses.

Increase in Operating Income by Segment





Adjusted EBITDA

Strong Adjusted EBITDA Growth in Q1

- **Q1 2022 Adjusted EBITDA of \$30.3 million** increased 68.3% from \$18.0 million in Q1 2021

EBITDA Walk		
(dollars in millions)		
	2022	2021
	Q1	Q1
Consolidated net income (loss) (GAAP)	\$ (0.3)	\$ (2.7)
Add: Interest expense	11.5	9.2
Add: Depreciation and amortization	17.4	9.1
Add: Income tax expense (benefit)	(0.3)	(2.2)
EBITDA (non-GAAP)	28.2	13.3
Further adjusted by:		
Add: Non-cash stock-based compensation	1.6	0.6
Add: Non-recurring expenses:	-	-
Debt extinguishment and modification costs	-	-
(Gain) on Investment	-	-
Legal, professional, accounting and other SG&A	0.5	4.1
Adjusted EBITDA (non-GAAP)	\$ 30.3	\$ 18.0



Interest Expense

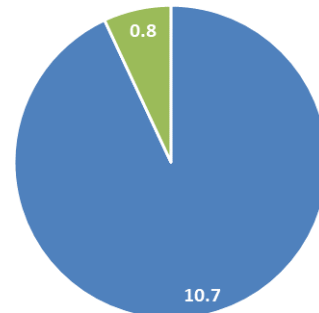
Components of Q1 2022 and 2021 Interest Expense

- **Interest expense of \$11.5 million** increased \$2.3 million from \$9.2 million in Q1 2021
 - Total outstanding debt of \$625.4 million at March 31, 2022 increased \$246.3 million from \$379.1 million at March 31, 2021 due to acquisition financing
 - Lower interest rates on borrowing in Q1 2022 compared with Q1 2021
 - Term loan interest rate of 6.75% in Q1 2022 is 75 bps below 7.5% in Q1 2021
 - Subordinated loan, fully repaid in April 2021, carried an interest rate of 12.5%

(dollars in Millions)

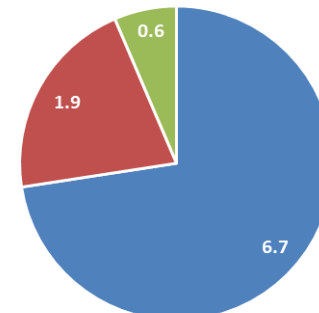
Cash Interest & Fees
PIK Interest
Amortization of OID & DIC

First Quarter	
2022	2021
\$ 10.7	\$ 6.7
-	1.9
0.8	0.6
<u>\$ 11.5</u>	<u>\$ 9.2</u>



■ Cash Int & Fees ■ PIK Int ■ Amort of OID & DIC

2022



■ Cash Int & Fees ■ PIK Int ■ Amort of OID & DIC

2021



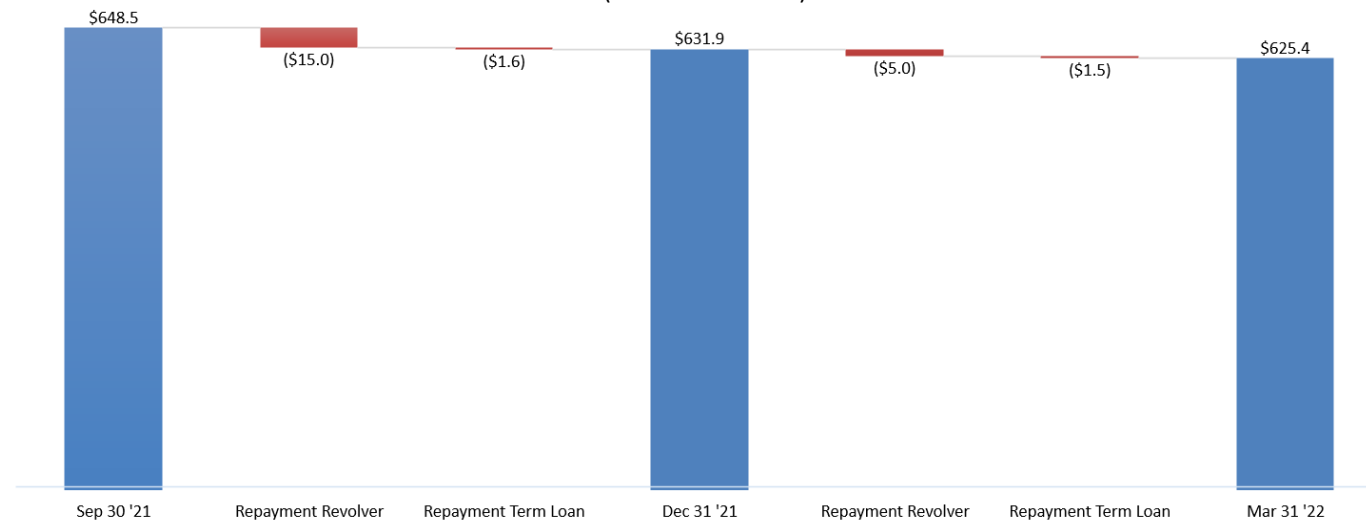
Outstanding Debt

Declining Debt Balances

- **Total Debt of \$625.4 million decreased \$6.5 million** from \$631.9 million at December 31, 2021
 - Scheduled amortization payment of \$1.5 million, and
 - Revolver repayment of \$5.0 million
- **Total Debt reduced further to \$621.4 million** in April
 - Revolver repayment of \$4.0 million
- **Total Debt repayments of \$27.1 million** since Q3 2021
 - Scheduled amortization payments of \$3.1 million, and
 - Revolver repayments of \$24.0 million

Debt Repayments

(dollars in millions)





Senior Preferred Stock

Senior Preferred Stock of \$215.1 million, Net of \$22.7 million of Unaccreted Discounts and Issuance Costs

- First quarter dividends and accretion is as follows:

(dollars in millions)

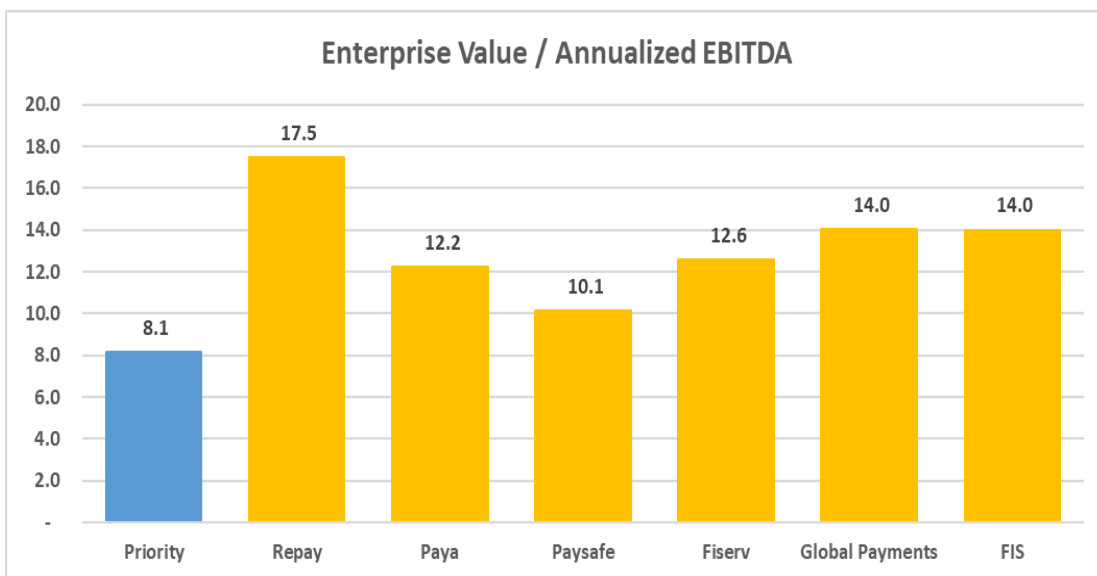
(dollars in Millions)	First Quarter	
	2022	
Dividend:		
Payment in Kind	\$	4.1
Cash		3.5
		7.6
Accretion		0.8
	\$	8.4





STRONG FINANCIAL PERFORMANCE with PEER VALUATION DISCOUNT

ENTERPRISE VALUE MULTIPLE¹



(1) Recent Enterprise Values divided by twelve-month Adjusted EBITDA (Management calculations based on recent publicly available information).

PRTH KEY PERFORMANCE METRICS³

- Revenue CAGR²: 18%
- Adj. EBITDA CAGR²: 31%
- Adj. EBITDA as % of Gross Profit: 62%
- Gross Profit Margin: 30.1%
- Free Cash Flow Conversion⁴ ~55%
- Recurring Net Revenue: ~94%

(2) 2-year CAGR

(3) Performance Metrics based on GAAP 2021, 2020 and 2019

(4) Free cash flow as a percentage of Adjusted EBITDA. Free cash flow is Adjusted EBITDA less cash interest, cash dividends, cash taxes, and scheduled debt repayment



BUILT TO POWER MODERN COMMERCE

- Built for the Future of Payments – Large Global Market Opportunity
- Scalable, Innovative Technology Platform – Low Capital Spending Needs
- Strong Revenue Growth & Significant Operating Leverage
- Diversified Payment Revenue Sources Balanced with Countercyclical and Early Cycle Assets
- Strong Financial Performance with Peer Valuation Discount
- Leadership Well Aligned with Shareholders – with Proven Track-Record
Overcoming Challenges, Identifying Opportunities Ahead of Peers, and Driving Results