



# Priority Technology Holdings, Inc. (Nasdaq: PRTH) Supplemental Slides: Q2 2023 Earnings Call

August 10, 2023

# 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, Priority Technology Holdings, Inc.’s (“Priority,” “we,” “our” or “us”) 2023 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. 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 23, 2023 and our Quarterly Report on Form 10-Q filed with the SEC on August 10, 2023. These filings are available online at [www.sec.gov](http://www.sec.gov) or [www.prioritycommerce.com](http://www.prioritycommerce.com).

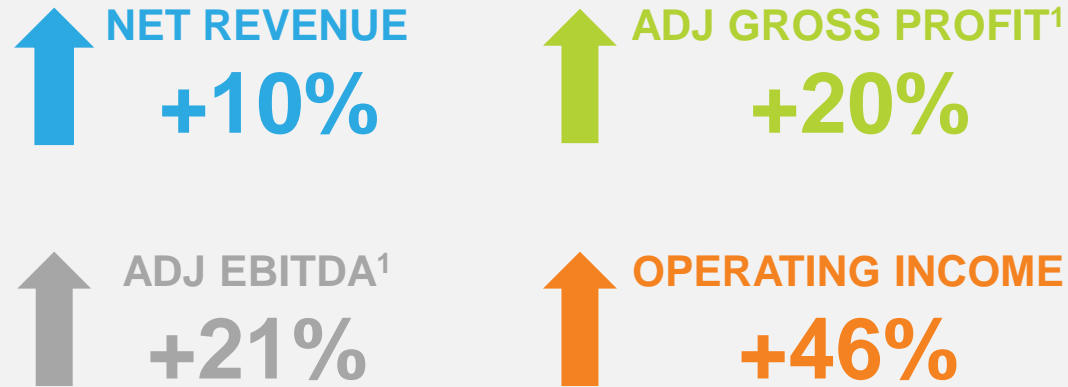
We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences 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.

This presentation includes certain non-GAAP financial measures that are not prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and that may be different from non-GAAP financial measures used by other companies. Priority believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends of the Company. These non-GAAP measures should not be considered in isolation from, or as an alternative to, financial measures determined in accordance with GAAP. See the footnotes on the slides where these measures are discussed and the slides at the end of this presentation for a reconciliation of such non-GAAP financial measures to the most comparable GAAP numbers. Additionally, we present guidance for Adjusted EBITDA and Adjusted EBITDA as percentage of Adjusted Gross Profit, non-GAAP measures without reconciliation due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliations. See more information in Priority’s earnings press release. **Adjusted** Gross profit referred throughout this presentation is a non-GAAP measure calculated by subtracting Cost of services (excluding depreciation and amortization) from Revenue. Adjusted Gross profit margin referred throughout this presentation is a non-GAAP measure calculated by dividing Adjusted Gross Profit discussed above by Revenue. See Appendix 1 of this presentation for a reconciliation of Adjusted Gross Profit to Gross Profit as per GAAP and Priority’s earnings press release for more details.



# Key 2<sup>nd</sup> Quarter 2023 Highlights

## Q2 2023 Results



## Q2 2023 KEY METRICS



548K+ Consumer Accounts

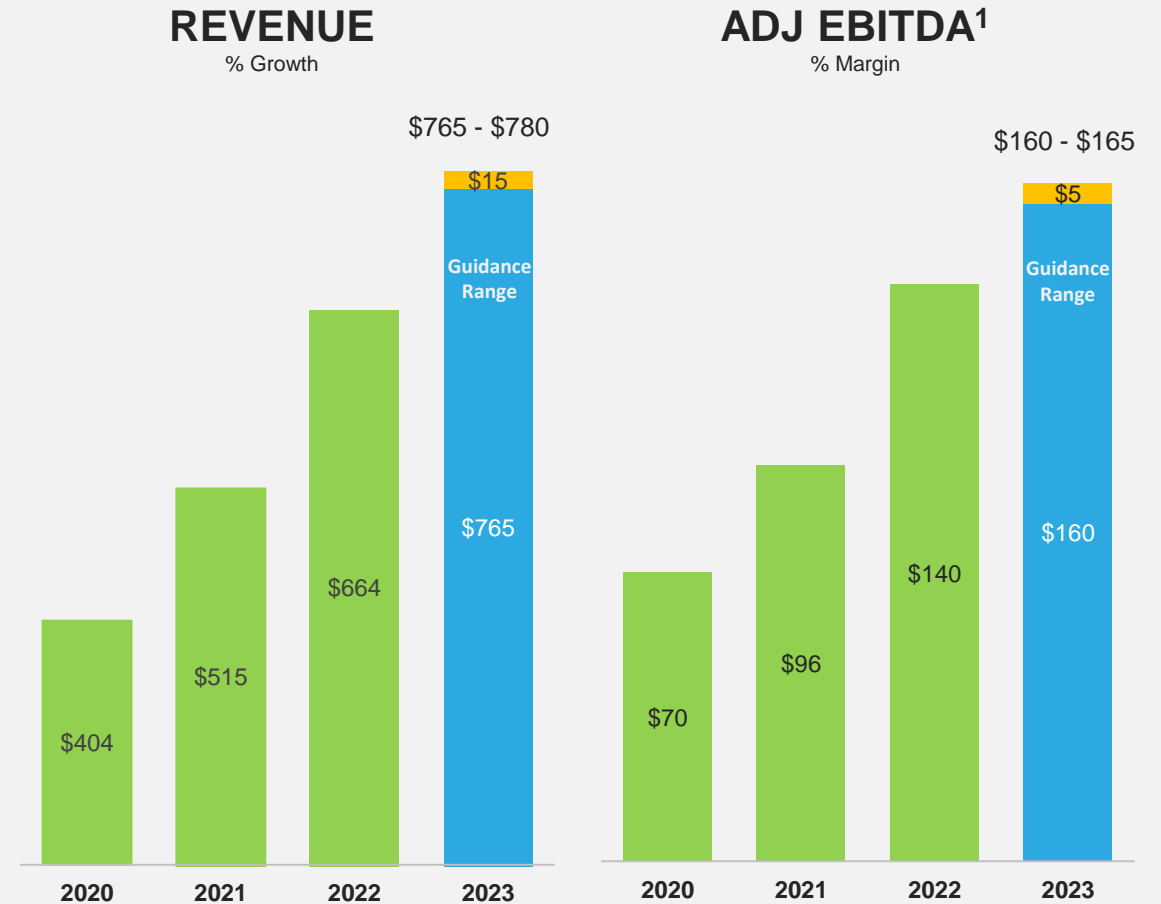


258K+ Active Merchants

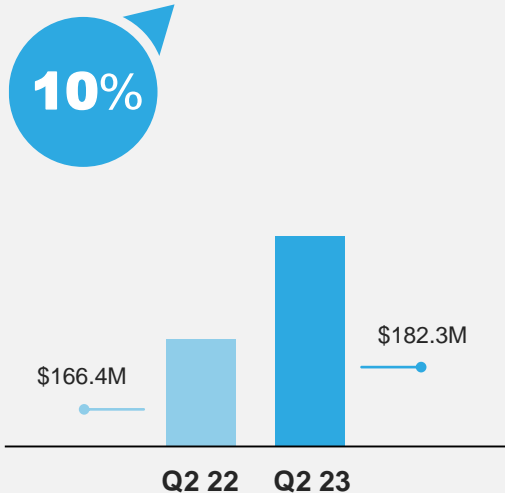


\$117B+ in LTM Total Volume

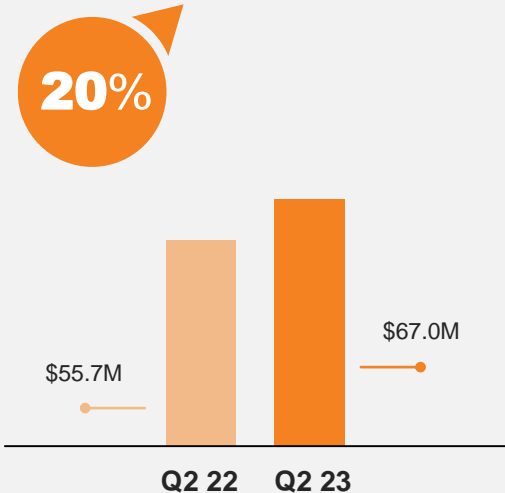
## Continued STRONG MOMENTUM



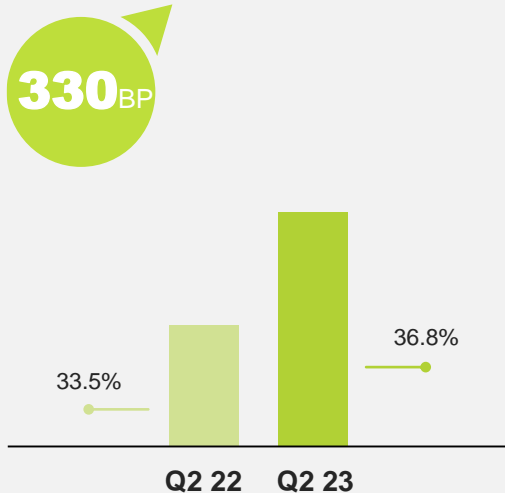
# Second Quarter 2023 Consolidated Results



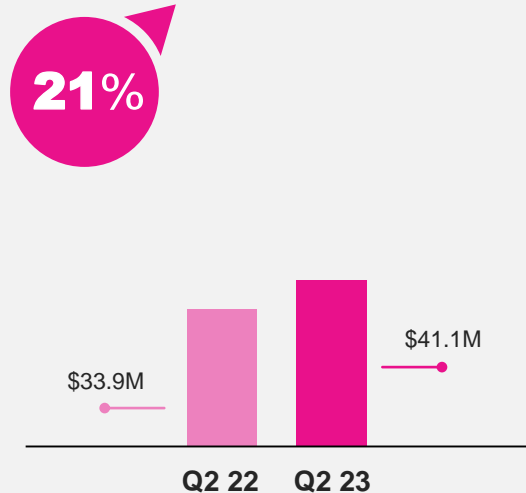
Revenue increased **10%** to **\$182.3 million**



Adj Gross Profit<sup>1</sup> increased **20%** to **\$67.0 million**



Adj Gross Profit margin<sup>1</sup> increased **330 basis points** to **36.8%**

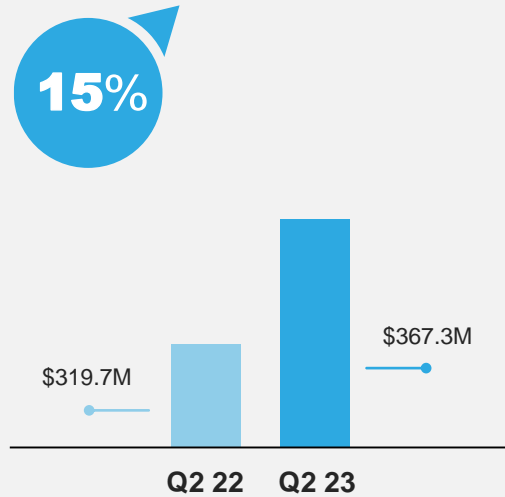


Adjusted EBITDA<sup>1</sup> increased **21%** to **\$41.1 million**

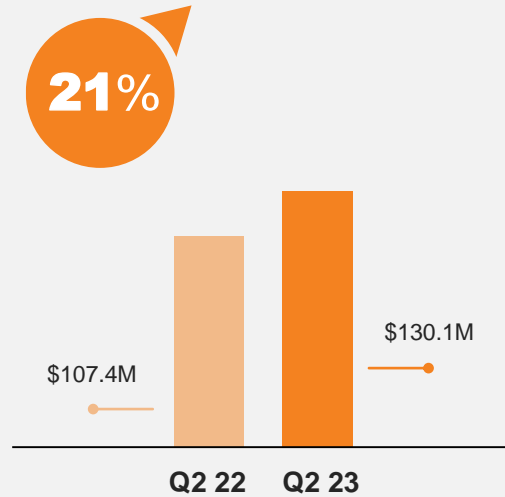
<sup>1</sup>Adjusted Gross Profit, Adjusted Gross Profit margin and Adjusted EBITDA referred in this presentation are non-GAAP measures. See slide 2 for further details.



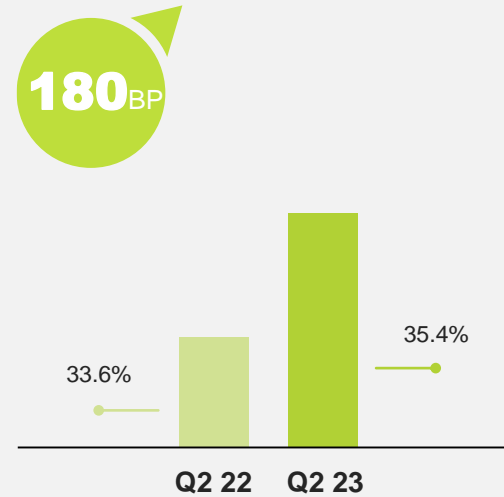
# Year-to-Date Consolidated Results



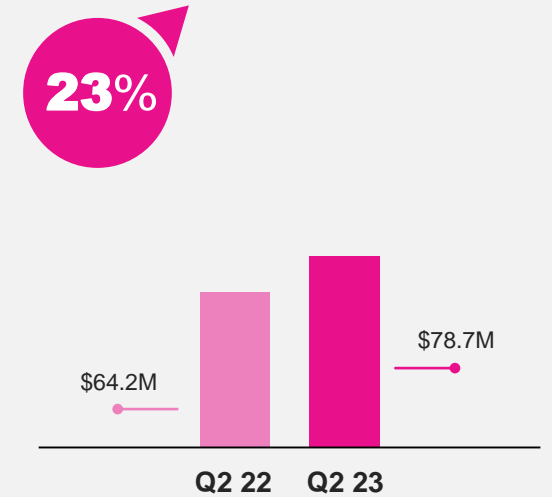
Revenue increased **15%** to **\$367.3 million**



Adj Gross Profit<sup>1</sup> increased **21%** to **\$130.1 million**



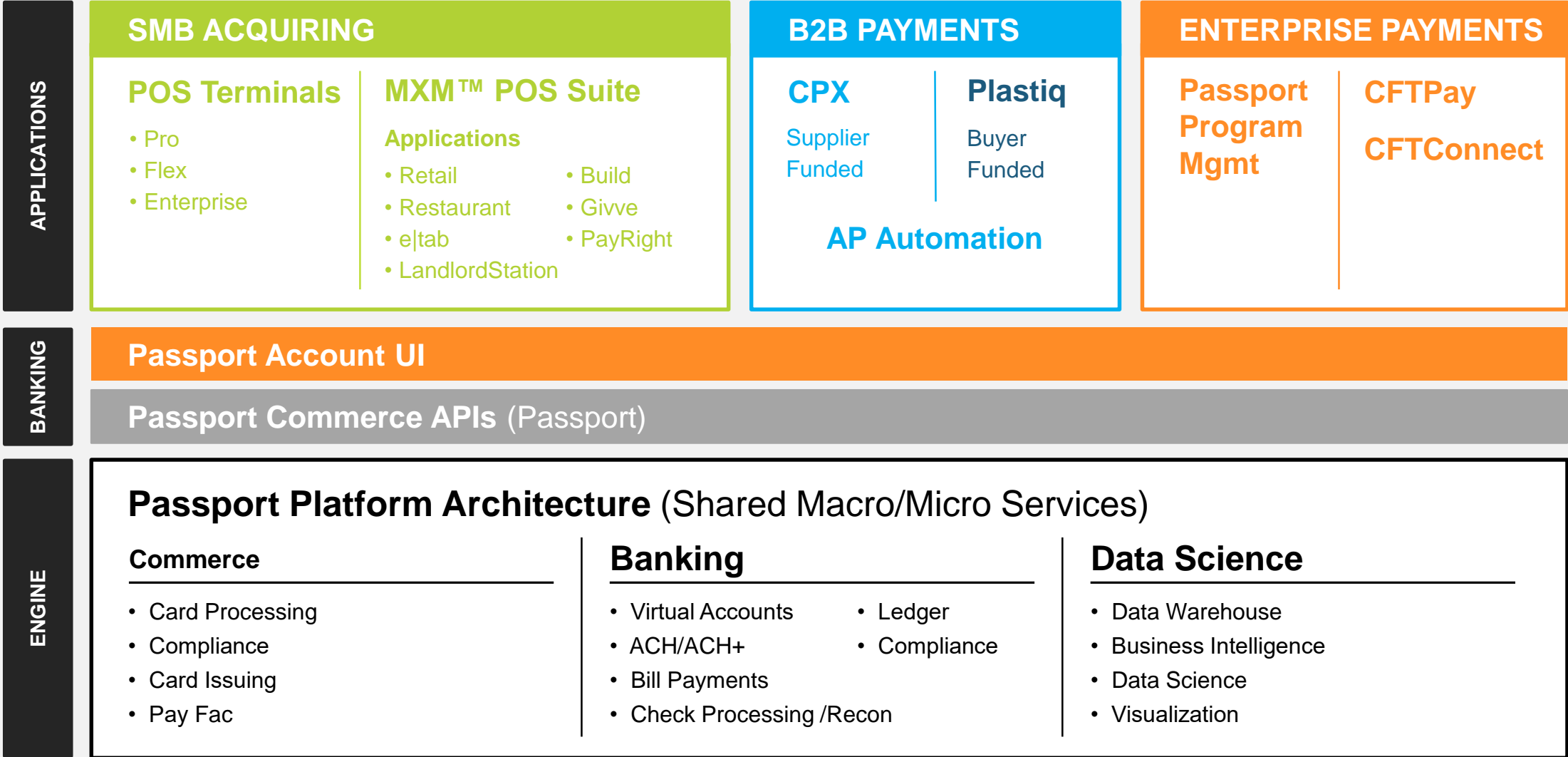
Adj Gross Profit margin<sup>1</sup> increased **180 basis points** to **35.4%**



Adjusted EBITDA<sup>1</sup> increased **23%** to **\$78.7 million**




# Priority Unified Commerce Platform




# Plastiq Overview

- Leading software platform for B2B payments automation that powers all aspects of accounts payable (“AP”) and accounts receivable (“AR”) operations for SMBs
- Plastiq’s buyer funded AP solution combines seamlessly with CPX’s supplier funded model to offer a complete automated payables solution to address working capital needs and cash flow acceleration for businesses of all sizes

## Plastiq at a glance


 **> 215,000**  
SMBs have used Plastiq

 **~\$70 million**  
Net Revenue run rate<sup>4</sup>

 **> 230,000+**  
Suppliers connected to Plastiq

 **\$1+ trillion**  
TAM unlocked with B2B modernization

 **~\$3 billion**  
Volume run rate<sup>3</sup>

 **50+**  
Countries served, 20+ currencies

### plastiq pay

Helps SMBs to pay any invoice with a credit card regardless of card acceptance by the suppliers; centralized cash management incl. payments and monitoring

### plastiq accept

Enable businesses to get paid with credit cards without any processing fees

### plastiq Credit

Working capital financing for SMBs

### plastiq connect

Automated integrations with accounting software, ERPs and marketplaces

### plastiq SmartPay

End-to-end control center for all bills, payments with workflow and insights



<sup>1</sup>Aggregated unique SMB payers from inception to December 2022 | <sup>2</sup>Aggregated unique suppliers from inception to December 2022 | <sup>3</sup>1H'23 Annualized Card Volume | <sup>4</sup>1H'23 Annualized Net Revenue; represents net of customer rebates and concessions but inclusive of interchange and network fees



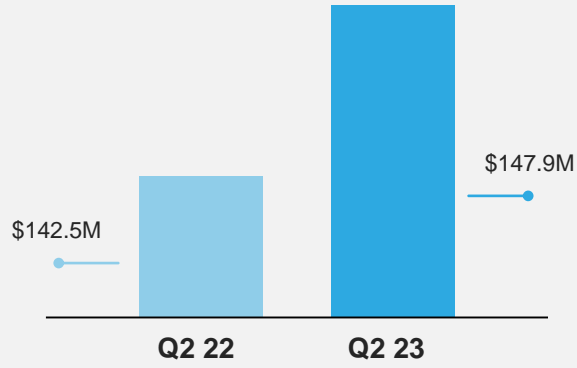


# FINANCIAL RESULTS



# Second Quarter 2023 – SMB (Revenue)

4%



## Key Revenue Drivers

**SMB** revenue of **\$147.9 million** increased **4%** from **\$142.5 million** in Q2 2022

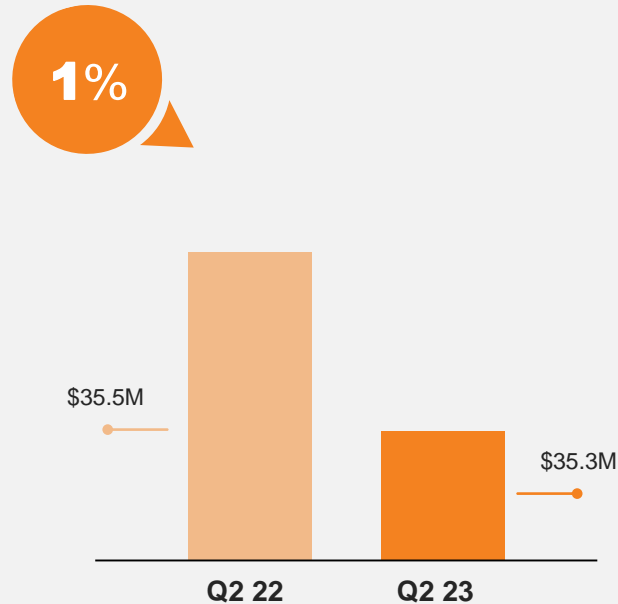
- Bankcard \$ Volumes of \$15.1 billion decreased 2%
- Average Merchant Count of 257K increased by 4%
- New Merchant Boards averaged 4K per month in Q2



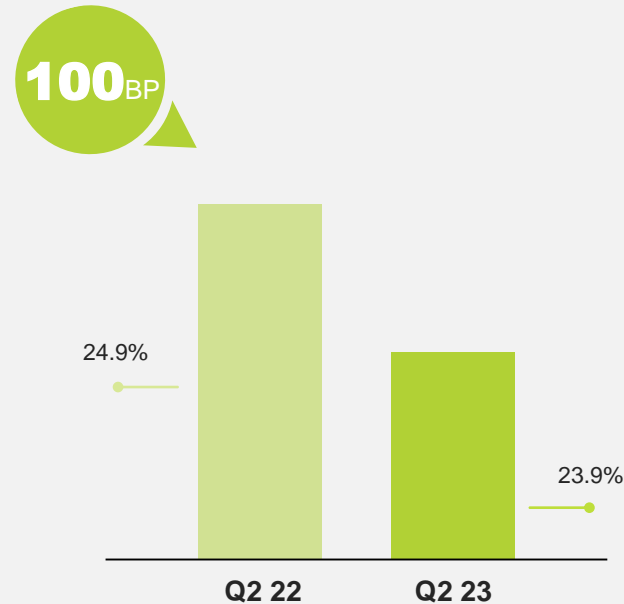
Revenue increased **4%** to **\$147.9 million**



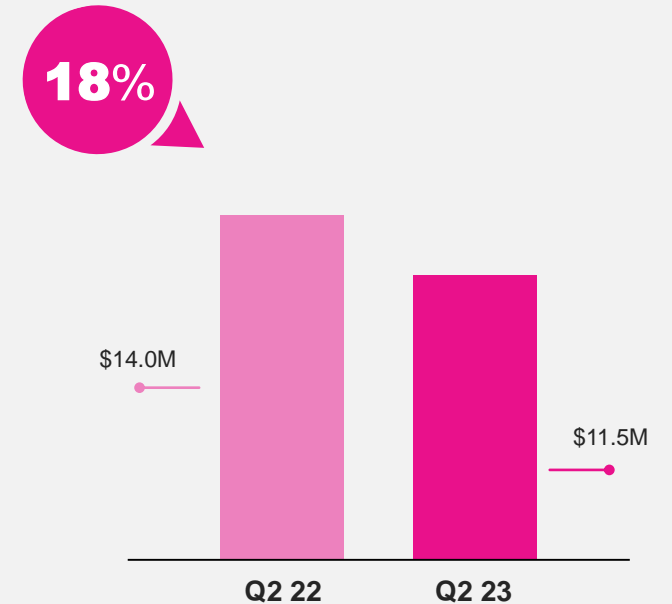
# Second Quarter 2023 – SMB (Profits)



Adj Gross Profit<sup>1</sup>  
decreased **1%** to **\$35.3 million**



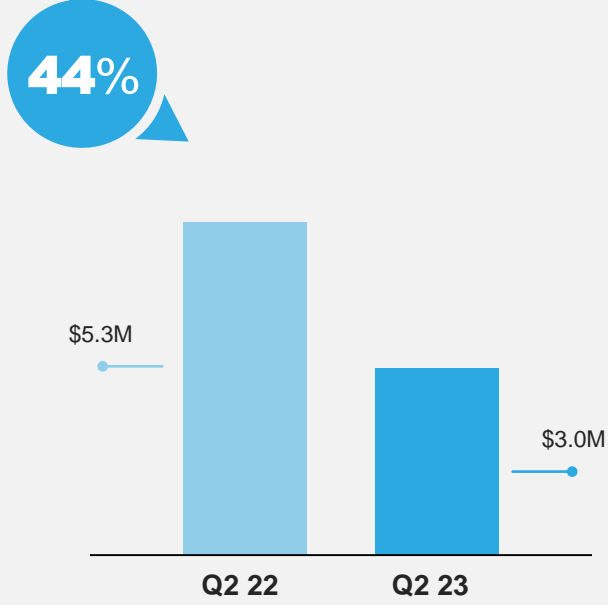
Adj Gross Profit margin<sup>1</sup>  
decreased **100 basis points** to **23.9%**



Operating Income  
decreased **18%** to **\$11.5 million**



# Second Quarter 2023 – B2B (Revenue)



Revenue decreased **44%** to **\$3.0 million**

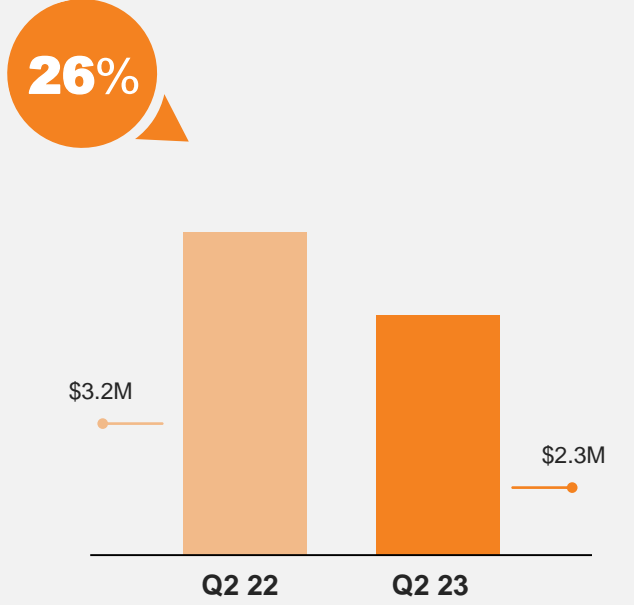
## Key Revenue Drivers

**B2B** revenue of **\$3.0 million** decreased **44%** from **\$5.3 million** in Q2 2022

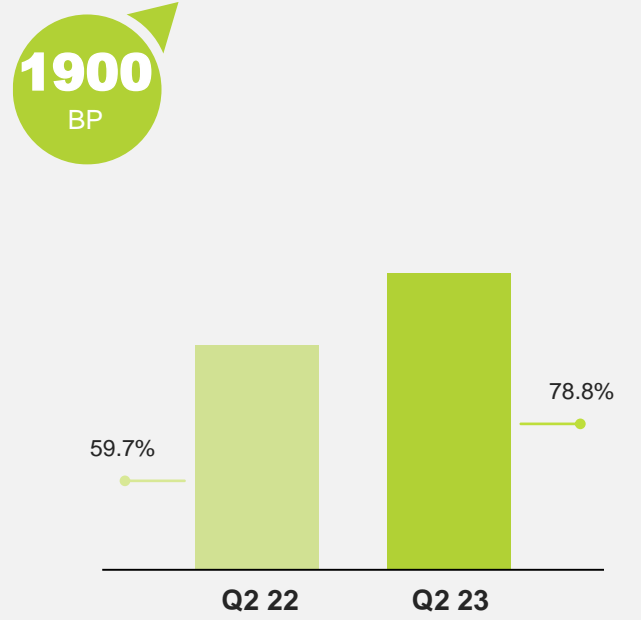
- Largely driven by Managed Services decrease from \$2.8 million to \$0.2 million due to final wind down of a specific customer program
- CPX increased from \$2.5 million in Q2 2022 to \$2.8 million in Q2 2023 due to volume growth in core business



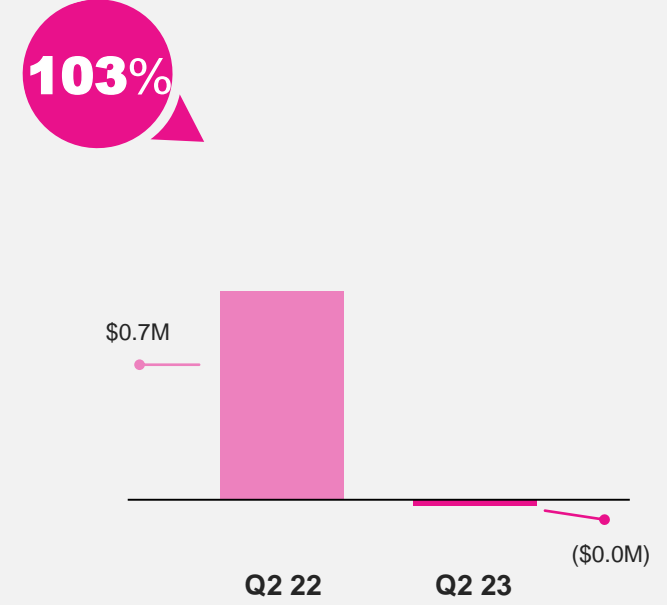
# Second Quarter 2023 – B2B (Profits)



Adj Gross Profit<sup>1</sup> decreased **26%** to **\$2.3 million**



Adj Gross Profit margin<sup>1</sup> increased from **59.7%** to **78.8%**

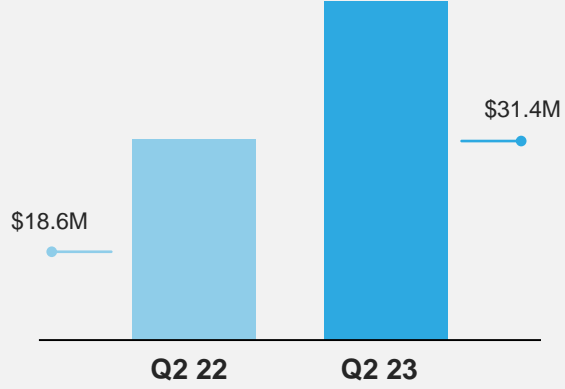


Operating Loss of **\$0.0 million** decreased from Operating Income of **\$0.7M**



# Second Quarter 2023 – Enterprise (Revenue)

69%



Revenue increased **69%** to **\$31.4 million**

## Key Revenue Drivers

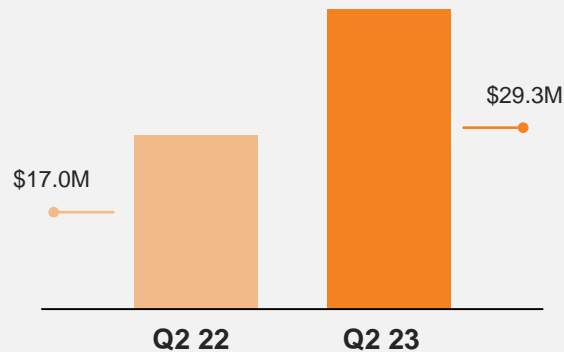
**ENTERPRISE** revenue of **\$31.4 million** increased **69%** from **\$18.6 million** in Q2 2022

- Avg Monthly New Enrollments of 53K increased 89% from 28K
- Avg Number of Billed Clients increased 44% to 520K from 362K
- Increase in deposit balances and interest rates continues to drive growth in revenue



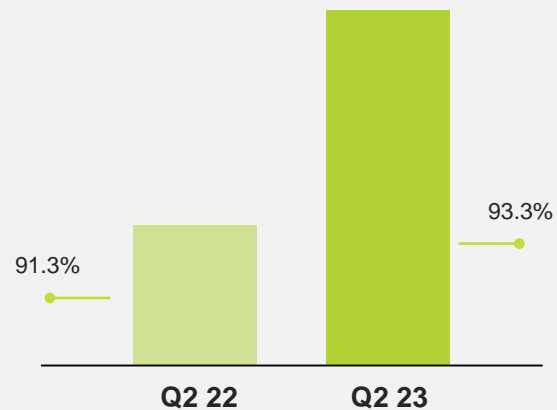
# Second Quarter 2023 – Enterprise (Profits)

72%



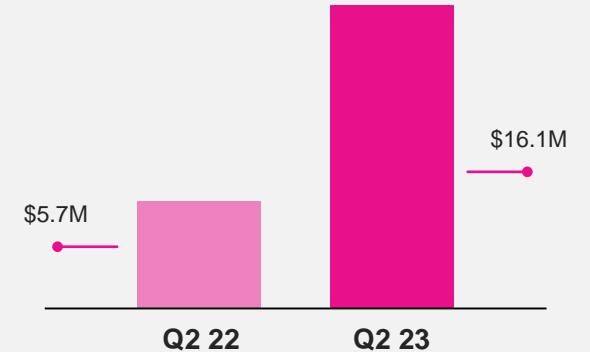
Adj Gross Profit<sup>1</sup> increased **72%** to **\$29.3 million**

200<sub>BP</sub>



Adj Gross Profit margin<sup>1</sup> increased **200 basis points** to **93.3%**

182%

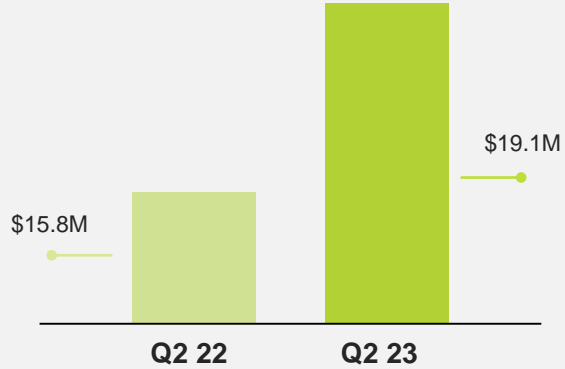


Operating Income increased **182%** to **\$16.1 million**



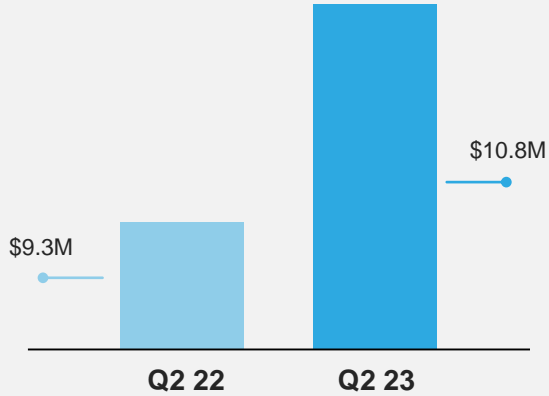
# Operating Expenses

21%



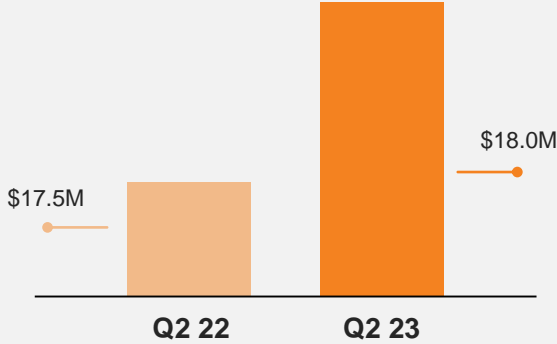
**Salaries & Benefits** increased **21%** to **\$19.1 million**

15%



**SG&A** increased **15%** to **\$10.8 million**

3%



**Depreciation & Amortization** increased **3%** to **\$18.0 million**



# Adjusted EBITDA<sup>1</sup> Walk

**Adjusted EBITDA** experienced strong growth in Q2 2023

- Q2 2023 Adjusted EBITDA of **\$41.1 million** increased **21.2%** from **\$33.9 million** in Q2 2022

EBITDA Walk				
<i>(In millions)</i>				
	2023		2022	
	Q2		Q2	
<b>Consolidated net income (loss) (GAAP)</b>	\$	(0.6)	\$	0.3
Add: Interest expense		17.8		12.3
Add: Depreciation and amortization		18.0		17.5
Add: Income tax expense (benefit)		2.3		0.5
<b>EBITDA (non-GAAP)</b>		<b>37.5</b>		<b>30.6</b>
<b>Further adjusted by:</b>				
Add: Non-cash stock-based compensation		1.7		1.5
Add: Non-recurring expenses:				
Legal, professional, accounting and other SG&A		1.9		1.8
<b>Adjusted EBITDA (non-GAAP)</b>	\$	<b>41.1</b>	\$	<b>33.9</b>





# Outstanding Debt

**Total Debt** of **\$612.7 million** at end of Q2 2023 decreased from \$615.7 million in Q1 2023

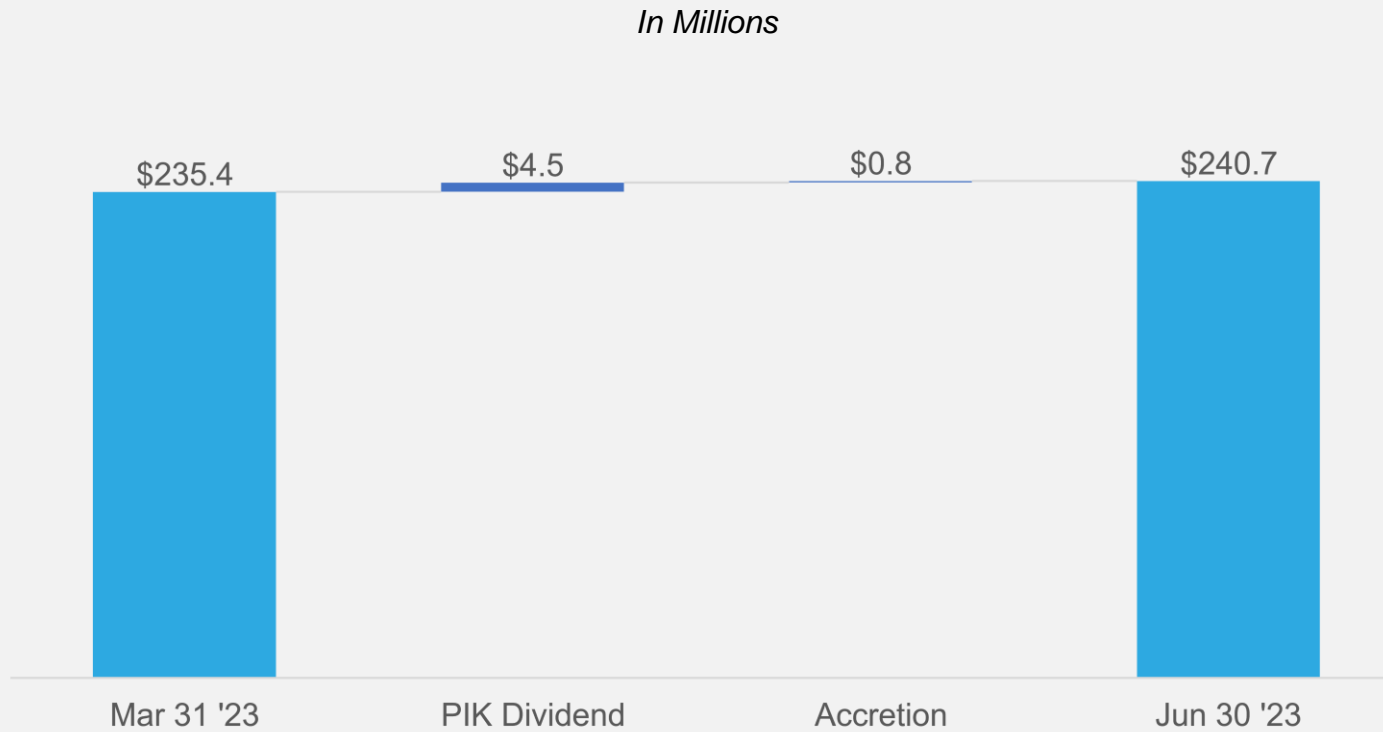
- Decrease driven by net \$1.0 million Revolver decrease and \$2.0 million in Term Loan Repayments
- Net Debt of **\$595.1 million** decreased \$4.7 million compared to Q1 2023
- Revolver Capacity at the end of Q2 2023 was **\$49.5 million**



# Senior Redeemable Preferred Stock

**Preferred Stock** of **\$240.7 million**, Net of \$19.5 million of Unaccreted Discounts and Issuance Costs

➤ Second Quarter Dividends and Accretion as follows:



	<u>2nd Quarter</u>
<i>(dollars in Millions)</i>	<u>2023</u>
<b>Dividend:</b>	
<b>Payment in Kind</b>	<b>\$ 4.46</b>
<b>Cash</b>	<b>6.47</b>
	<hr/> <b>10.93</b>
<b>Accretion</b>	<b>0.83</b>
	<hr/> <b>\$ 11.76</b>





# APPENDIX

# Adjusted Gross Profit Reconciliation

The reconciliation of adjusted gross profit to its most comparable GAAP measure is provided below:

	<i>(in Millions)</i>				<i>(in Millions)</i>			
	Three Months Ended June 30, 2023				Three Months Ended June 30, 2022			
	SMB	B2B	Enterprise	Total	SMB	B2B	Enterprise	Total
Revenues	\$ 147.9	\$ 3.0	\$ 31.4	\$ 182.3	\$ 142.5	\$ 5.3	\$ 18.6	\$ 166.4
Costs of services (excluding depreciation and amortization)	(112.6)	(0.6)	(2.1)	(115.3)	(107.0)	(2.1)	(1.6)	(110.7)
Adjusted Gross Profit	<b>35.3</b>	<b>2.4</b>	<b>29.3</b>	<b>67.0</b>	<b>35.5</b>	<b>3.2</b>	<b>17.0</b>	<b>55.7</b>
Adjusted Gross Profit Margin	23.9%	80.0%	93.3%	36.8%	24.9%	60.4%	91.4%	33.5%
Depreciation and amortization of revenue generating assets	(1.7)	(1.0)	(0.3)	(3.0)	(1.4)	(1.0)	(0.2)	(2.6)
Gross Profit	<b>\$ 33.6</b>	<b>\$ 1.4</b>	<b>\$ 29.0</b>	<b>\$ 64.0</b>	<b>\$ 34.1</b>	<b>\$ 2.2</b>	<b>\$ 16.8</b>	<b>\$ 53.1</b>
Gross Profit Margin	22.7%	46.7%	92.4%	35.1%	23.9%	41.5%	90.3%	31.9%

	<i>(in Millions)</i>				<i>(in Millions)</i>			
	Six Months Ended June 30, 2023				Six Months Ended June 30, 2022			
	SMB	B2B	Enterprise	Total	SMB	B2B	Enterprise	Total
Revenues	\$ 302.8	\$ 5.8	\$ 58.7	\$ 367.3	\$ 272.5	\$ 11.2	\$ 36.0	\$ 319.7
Costs of services (excluding depreciation and amortization)	(232.0)	(1.5)	(3.7)	(237.2)	(204.1)	(4.9)	(3.3)	(212.3)
Adjusted Gross Profit	<b>70.8</b>	<b>4.3</b>	<b>55.0</b>	<b>130.1</b>	<b>68.4</b>	<b>6.3</b>	<b>32.7</b>	<b>107.4</b>
Adjusted Gross Profit Margin	23.4%	74.1%	93.7%	35.4%	25.1%	56.3%	90.8%	33.6%
Depreciation and amortization of revenue generating assets	(3.4)	(2.2)	(0.4)	(6.0)	(2.8)	(1.9)	(0.3)	(5.0)
Gross Profit	<b>\$ 67.4</b>	<b>\$ 2.1</b>	<b>\$ 54.6</b>	<b>\$ 124.1</b>	<b>\$ 65.6</b>	<b>\$ 4.4</b>	<b>\$ 32.4</b>	<b>\$ 102.4</b>
Gross Profit Margin	22.3%	36.2%	93.0%	33.8%	24.1%	39.3%	90.0%	32.0%

