



Priority Technology Holdings, Inc. (Nasdaq: PRTH) Supplemental Slides: 4Q 2023 Earnings Call

March 12, 2024

DISCLAIMER

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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”) 2024 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 12, 2024. These filings are available online at www.sec.gov or www.prioritycommerce.com.

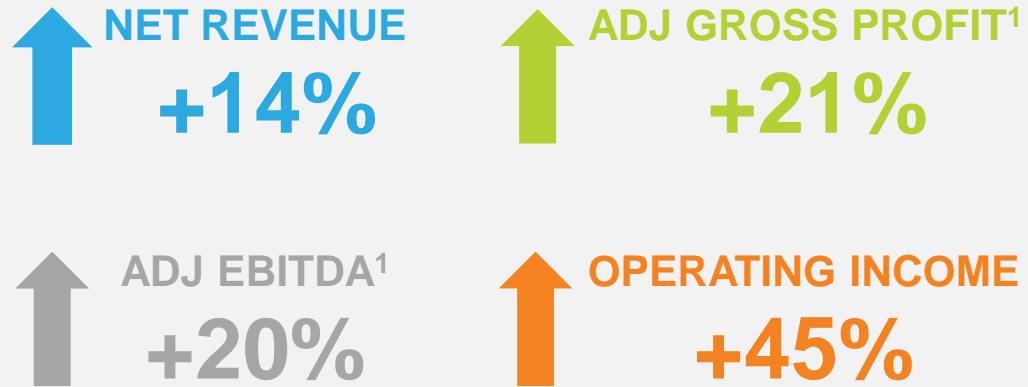
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This presentation includes certain non-GAAP financial measures that are not prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and that may be different from non-GAAP financial measures used by other 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 2023 Highlights

FY 2023 RESULTS



FY 2023 KEY METRICS



~\$900MM
Deposits

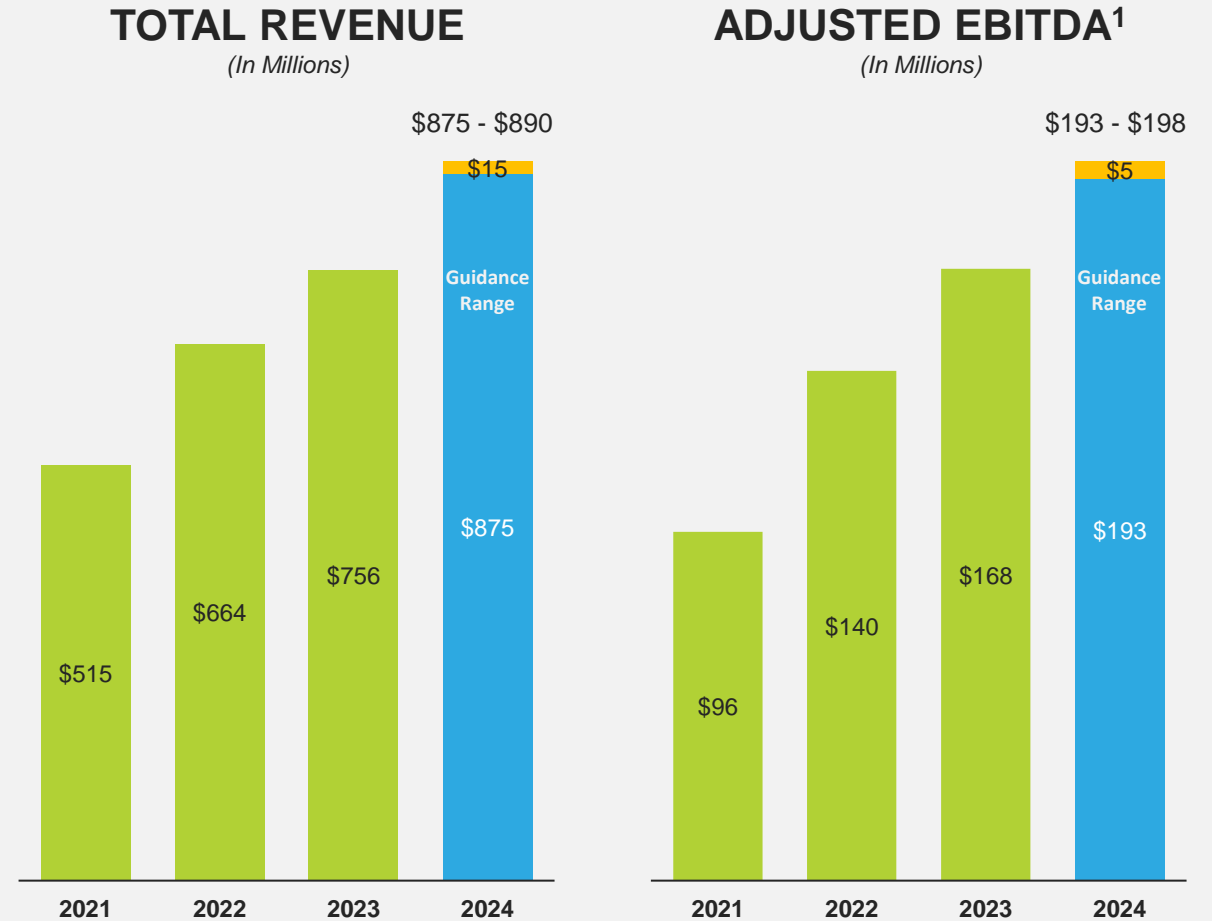


860K+
Total Accounts

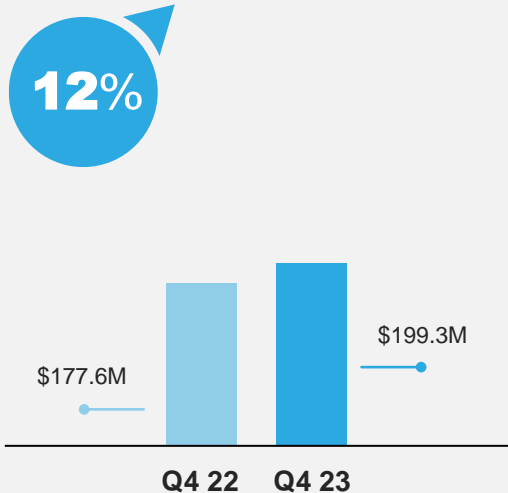


~\$120B+ in LTM
Total Volume

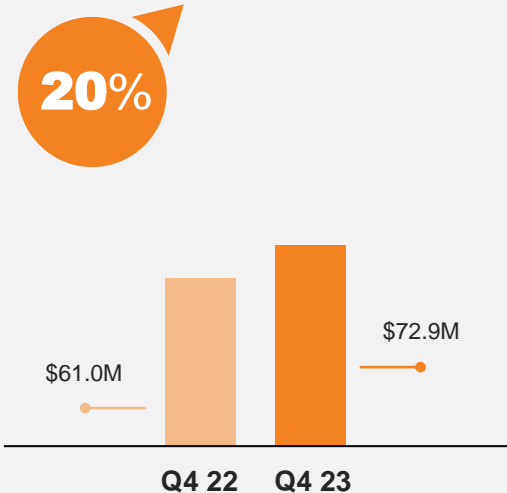
CONTINUED STRONG MOMENTUM



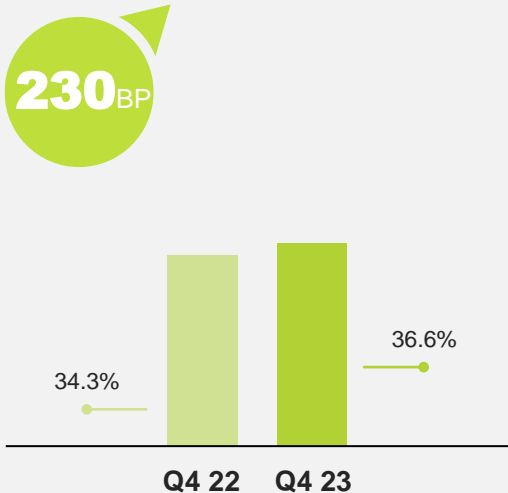
Q4 2023 Consolidated Results



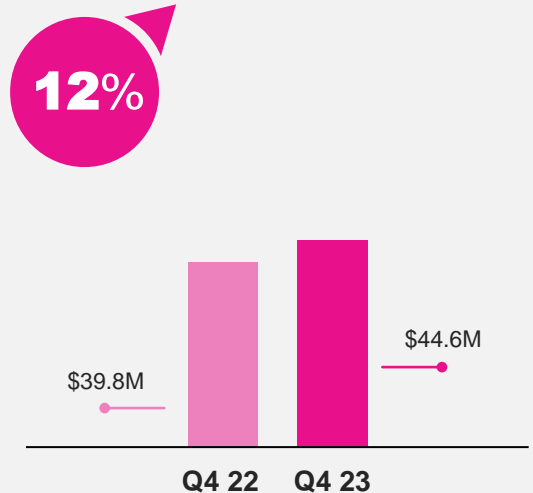
Revenue increased **12%** to **\$199.3 million**



Adj Gross Profit¹ increased **20%** to **\$72.9 million**



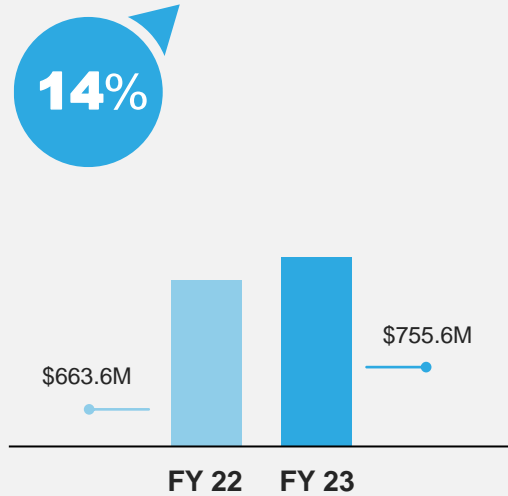
Adj Gross Profit margin¹ increased **230 basis points** to **36.6%**



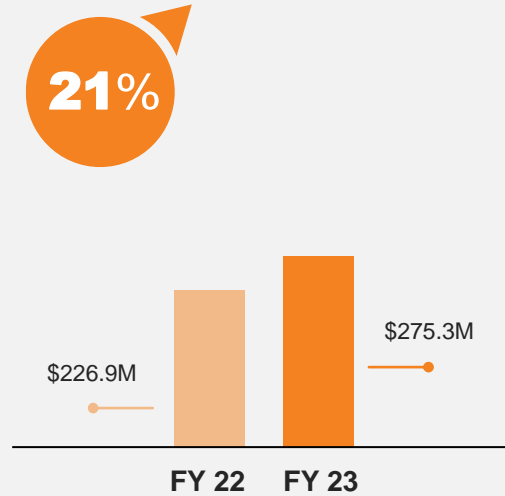
Adjusted EBITDA¹ increased **12%** to **\$44.6 million**



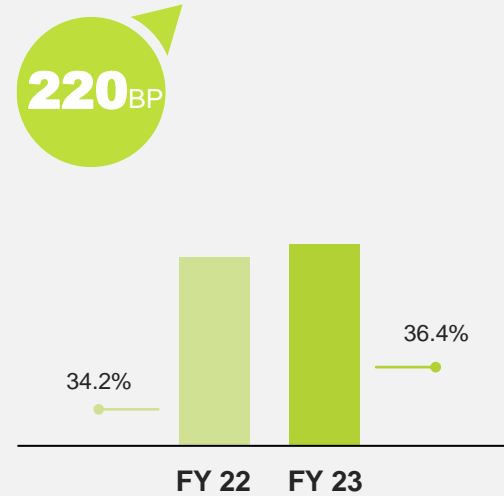
FY 2023 Consolidated Results



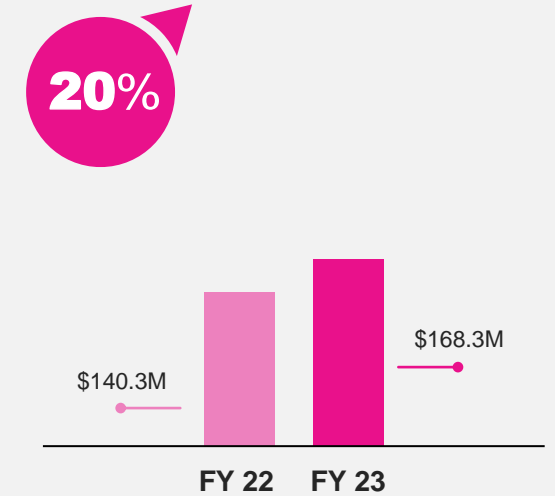
Revenue increased **14%** to **\$755.6 million**



Adj Gross Profit¹ increased **21%** to **\$275.3 million**



Adj Gross Profit margin¹ increased **220 basis points** to **36.4%**



Adjusted EBITDA¹ increased **20%** to **\$168.3 million**



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P

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lastiq[®]

B

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FINANCIAL RESULTS

SMB Highlights – 4Q 2023



Revenue

\$139.9MM

(7%) YoY



Adj. Gross Profit¹

\$31.6MM

(12%) YoY



Adj. Gross Profit Margin¹

22.6%

(140) Bps YoY



Operating Income

\$11.1MM

(26%) YoY

4Q 2023 Segment Highlights

- Bankcard \$ Volumes decreased 2% to \$14.6 billion (up 7% excluding impact of large reseller)
- Avg Number of Accounts down 26% to ~205K (up ~4.3K excluding impact of large reseller)
- New monthly boards averaged 3.7K during quarter



B2B Highlights – 4Q 2023



Revenue

\$21.2MM

+657% YoY



Adj. Gross Profit¹

\$5.3MM

+204% YoY



Adj. Gross Profit Margin¹

24.9%

(3,720) bps YoY



Operating Income

(\$1.7)MM

(61%) YoY

4Q 2023 Segment Highlights

- Revenue growth driven by PlastiQ and CPX (+57%)
- Adjusted Gross Profit Margin declined due to higher mix of PlastiQ revenue



Enterprise Highlights – 4Q 2023



Revenue

\$38.1MM

+53% YoY



Adj. Gross Profit¹

\$36.0MM

+55% YoY



Adj. Gross Profit Margin¹

94.5%

+110 bps YoY



Operating Income

\$23.9MM

+109% YoY

4Q 2023 Segment Highlights

- Avg Monthly New Enrollments of 49K increased 26% from 39K
- Avg Number of Billed Clients increased 53% to 650K from 425K
- Increase in deposit balances and interest rates continues to drive growth in revenue



Consolidated Operating Expenses – 4Q 2023



Salaries & Benefits

\$21.7MM

+29% YoY



SG&A

\$14.1MM

+77% YoY



Depreciation & Amortization

\$15.1MM

(16%) YoY

4Q 2023 Highlights

- Higher Salaries and Benefits expense driven by headcount adds in late 2022 combined with a full quarter impact of the PlastiQ acquisition
- Increase in SG&A expenses primarily due to certain non-recurring items including acquisition related costs and restructuring costs



Adjusted EBITDA¹ Walk

Adjusted EBITDA experienced strong growth in Q4 and FY 2023

- Q4 2023 Adjusted EBITDA of **\$44.6 million** increased **12%** from **\$39.8 million** in Q4 2022
- Full-Year 2023 Adjusted EBITDA grew **20%** to **\$168.3 million**

EBITDA Walk		
<i>(in Millions)</i>		
	2023	2022
	Q4	Q4
Consolidated net income (loss) (GAAP)	\$ (0.1)	\$ (1.3)
Add: Interest expense	20.6	16.3
Add: Depreciation and amortization	15.1	18.0
Add: Income tax expense (benefit)	1.9	3.5
EBITDA (non-GAAP)	37.5	36.5
Further adjusted by:		
Add: Non-cash stock-based compensation	1.6	2.0
Add: Non-recurring expenses:		
Debt extinguishment and modification costs	-	-
Change in fair value of contingent consideration	-	0.2
Gain on sale of PRET/Payix, net of NCI	0.3	-
Legal, professional, accounting and other SG&A	5.3	1.1
Adjusted EBITDA (non-GAAP)	\$ 44.6	\$ 39.8



Capital Structure & Liquidity

Outstanding Debt	
Balance as of September 30, 2023	\$639.1
(+/-) Net Revolver Borrowings	(\$33.0)
(+/-) Net Term Loan Borrowings	\$48.3
Balance as of December 31, 2023	\$654.4

Total Debt of **\$654.4 million** at end of Q4 2023 increased from **\$639.1 million** in Q3 2023

- Net Debt of \$614.8 million increased \$0.3 million compared to Q3 2023 due to the October add-on to our term loan facility
- Revolver Capacity at the end of Q4 2023 was \$65.0 million
- LTM Adj. EBITDA¹ of \$168.3 million at end of Q4 2023

Senior Redeemable Preferred Stock	
Balance as of September 30, 2023	\$252.9
(+/-) Dividend Payable ²	\$0.2
(+/-) PIK Dividend	\$4.6
(+/-) Accretion	\$0.8
Balance as of December 31, 2023	\$258.6

Preferred Stock of **\$258.6 million**, Net of \$16.9 million of Unaccreted Discounts and Issuance Costs

	4th Quarter
<i>(dollars in Millions)</i>	2023
Dividend:	
Payment in Kind	\$ 4.62
Cash	7.03
	11.65
Accretion	0.85
	\$ 12.49



2024 Financial Guidance

The Company's outlook for full-year 2024 financial results are:

TOTAL REVENUE

\$875 to \$890 million

(16-18% Growth)

ADJUSTED GROSS PROFIT¹

\$325 to \$335 million

(18-22% Growth)

ADJUSTED EBITDA¹

\$193 to \$198 million

(15-18% Growth)

Quarterly Revenue, Adjusted Gross Profit¹, and Adjusted EBITDA¹ are each projected to grow on a year-over-year and sequential basis throughout 2024





APPENDIX

Appendix 1 – 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 December 31, 2023				Three Months Ended December 31, 2022			
	SMB	B2B	Enterprise	Total	SMB	B2B	Enterprise	Total
Revenues	\$ 139.9	\$ 21.2	\$ 38.1	\$ 199.3	\$ 149.9	\$ 2.8	\$ 24.9	\$ 177.6
Cost of revenue (excluding depreciation and amortization)	(108.3)	(15.9)	(2.1)	(126.4)	(113.9)	(1.1)	(1.6)	(116.6)
Adjusted Gross Profit	31.6	5.3	36.0	72.9	36.0	1.7	23.2	61.0
Adjusted Gross Profit Margin	22.6%	24.9%	94.5%	36.6%	24.0%	62.1%	93.4%	34.3%
Depreciation and amortization of revenue generating assets	(2.1)	(0.6)	(1.0)	(3.6)	(1.9)	-	(0.9)	(2.8)
Gross profit	\$ 29.5	\$ 4.7	\$ 35.0	\$ 69.3	\$ 34.1	\$ 1.7	\$ 22.4	\$ 58.2
Gross profit margin	21.1%	22.3%	91.9%	34.8%	22.8%	62.1%	90.0%	32.8%

	<i>(in Millions)</i>				<i>(in Millions)</i>			
	Full Year Ended December 31, 2023				Full Year Ended December 31, 2022			
	SMB	B2B	Enterprise	Total	SMB	B2B	Enterprise	Total
Revenues	\$ 582.9	\$ 40.7	\$ 132.0	\$ 755.6	\$ 562.2	\$ 18.9	\$ 82.5	\$ 663.6
Cost of revenue (excluding depreciation and amortization)	(446.3)	(26.2)	(7.9)	(480.3)	(422.4)	(7.8)	(6.6)	(436.8)
Adjusted Gross Profit	136.6	14.6	124.1	275.3	139.9	11.1	75.9	226.9
Adjusted Gross Profit Margin	23.4%	35.8%	94.0%	36.4%	24.9%	58.8%	92.0%	34.2%
Depreciation and amortization of revenue generating assets	(7.1)	(1.4)	(4.2)	(12.6)	(6.9)	-	(3.4)	(10.4)
Gross profit	\$ 129.5	\$ 13.2	\$ 119.9	\$ 262.7	\$ 132.9	\$ 11.1	\$ 72.5	\$ 216.5
Gross profit margin	22.2%	32.4%	90.8%	34.8%	23.6%	58.8%	87.9%	32.6%

