



# Priority Technology Holdings, Inc. (Nasdaq: PRTH) Supplemental Slides: 1Q 2024 Earnings Call

May 9, 2024

# 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”) 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](http://www.sec.gov) or [www.prioritycommerce.com](http://www.prioritycommerce.com).

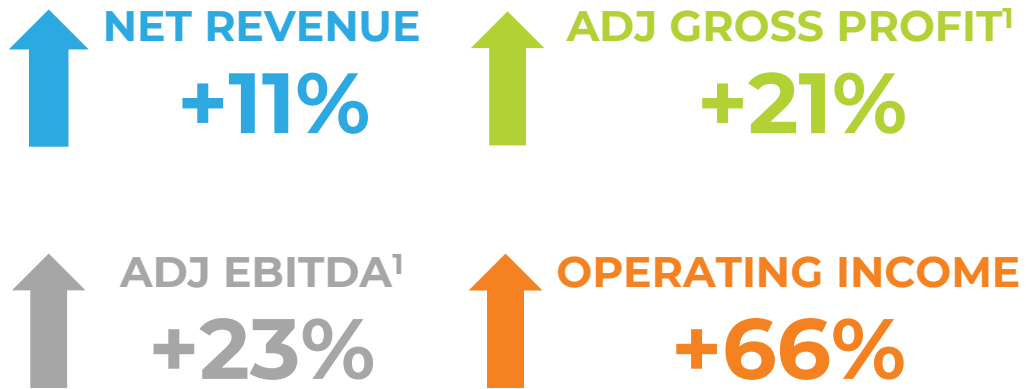
We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences 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 1<sup>st</sup> Quarter 2024 Highlights

## Q1 2024 RESULTS



## Q1 2024 KEY METRICS



~\$980MM  
Deposits



~1MM  
Total Accounts

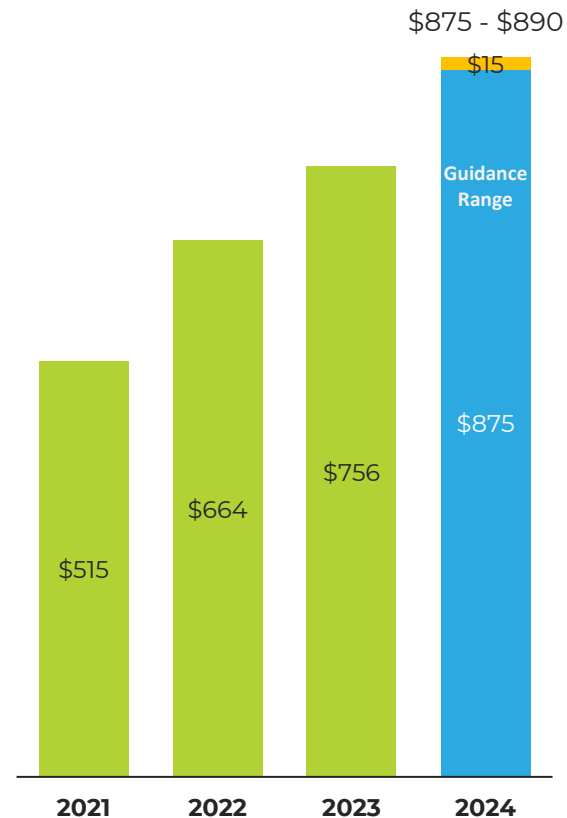


~\$120B+ in LTM  
Total Volume

## CONTINUED STRONG MOMENTUM

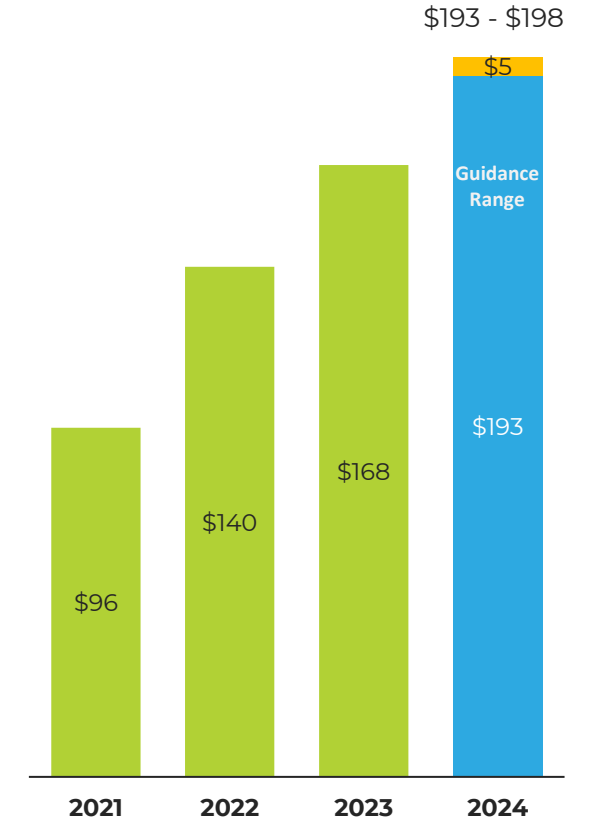
### TOTAL REVENUE

(In Millions)



### ADJUSTED EBITDA<sup>1</sup>

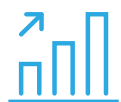
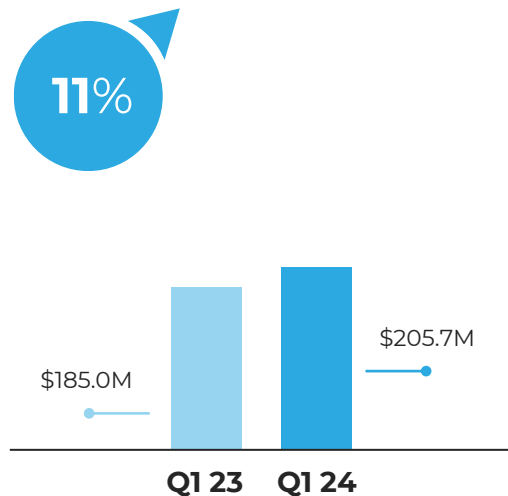
(In Millions)



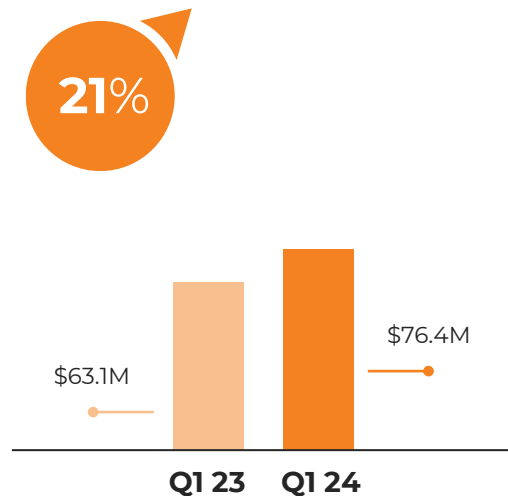
<sup>1</sup> Adjusted Gross Profit, Adjusted Gross Profit margin and Adjusted EBITDA referred to in this presentation are non-GAAP measures. See slide 2 for further details.



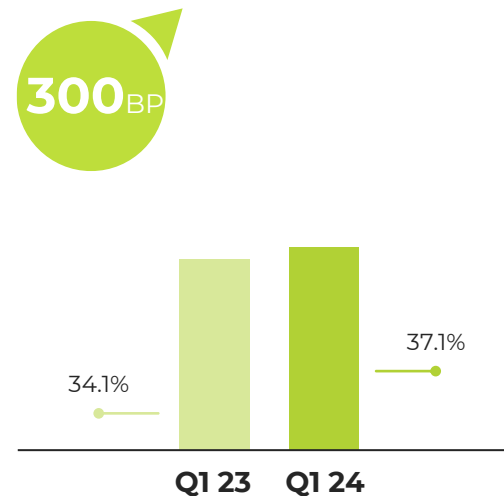
# Q1 2024 Consolidated Results



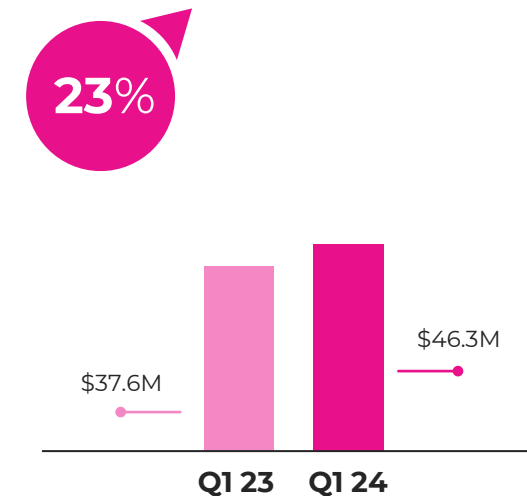
Revenue increased **11%** to **\$205.7 million**



Adj Gross Profit<sup>1</sup> increased **21%** to **\$76.4 million**



Adj Gross Profit margin<sup>1</sup> increased **300 basis points** to **37.1%**



Adjusted EBITDA<sup>1</sup> increased **23%** to **\$46.3 million**

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



# Unified Commerce Platform

## Acquiring

A

Full featured POS & Merchant Acquiring Solutions that **Accelerate your Cash Flow** & work seamlessly with our ...



[Play Video](#)

## Banking

B

... Passport Financial Toolset that **automates reconciliation**, streamlines financial operations & provides full transparency to surplus cash ...



[Play Video](#)

## Payables

P

... helping you **optimize your Working Capital** by leveraging our integrated bill payment & financing solutions.



[Play Video](#)

## Accelerated Commerce Engine

ACE

Is a single **API for Acquiring, Banking & Payable solutions** to accelerate your commerce network that can easily integrate into your enterprise systems



[Play Video](#)



# Financial Results

# SMB Highlights – 1Q 2024



Revenue

**\$143.8MM**

(7%) YoY



Adj. Gross Profit<sup>1</sup>

**\$31.6MM**

(11%) YoY



Adj. Gross Profit Margin<sup>1</sup>

**22.0%**

(90) Bps YoY



Operating Income

**\$12.4MM**

+3% YoY

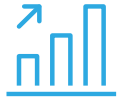
## 1Q 2024 Segment Highlights

- Revenue is 7% lower than Q1 2023 (up over 8% y-o-y excl. large reseller) but improved 3% sequentially from Q4 2023
- Bankcard \$ Volumes decreased 3% to \$14.8 billion (up 8% y-o-y excl. large reseller)
- New monthly boards averaged 4.3K during quarter

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



# B2B Highlights – 1Q 2024



Revenue

**\$21.1MM**

+658% YoY



Adj. Gross Profit<sup>1</sup>

**\$6.2MM**

+220% YoY



Adj. Gross Profit Margin<sup>1</sup>

**29.6%**

(4,040) bps YoY



Operating Income

**(\$0.8)MM**

+7% YoY

## 1Q 2024 Segment Highlights

- Revenue growth driven by both PlastiQ (\$17.3 million) and CPX (+61% y-o-y)
- Adjusted Gross Profit Margin declined y-o-y but improved 470 bps from Q4 2023

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





# Enterprise Highlights – 1Q 2024



Revenue

**\$40.9MM**

+50% YoY



Adj. Gross Profit<sup>1</sup>

**\$38.6MM**

+50% YoY



Adj. Gross Profit Margin<sup>1</sup>

**94.5%**

+50 bps YoY



Operating Income

**\$25.5MM**

+102% YoY

## 1Q 2024 Segment Highlights

- CFTPay Avg Monthly New Enrollments of 54K increased 17% from 46K
- CFTPay Avg Number of Billed Clients increased 51% to 704K from 465K
- Increases in Passport program managers, deposit balances and interest rates continues to drive growth

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



# Consolidated Operating Expenses – 1Q 2024



Salaries & Benefits

**\$22.2MM**

+16% YoY



SG&A

**\$11.0MM**

+21% YoY



Depreciation & Amortization

**\$15.3MM**

(15%) YoY

## 1Q 2024 Highlights

- Higher Salaries and Benefits expense driven by merit increases, certain performance based non-recurring bonuses, and headcount adds related to the PlastiQ acquisition
- Increase in SG&A expenses primarily due to certain software maintenance expenses incurred to further support the overall growth of the Company



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

**Adjusted EBITDA** experienced strong growth in Q1 2024

- Q1 2024 Adjusted EBITDA of **\$46.3 million** increased **23%** from **\$37.6 million** in Q1 2023

<b>EBITDA Walk</b>			
<i>(in Millions)</i>			
	<b>2024</b>	<b>2023</b>	<b>LTM</b>
	<b>Q1</b>	<b>Q1</b>	<b>Q1 2024</b>
<b>Consolidated net income (loss) (GAAP)</b>	<b>\$ 5.2</b>	<b>\$ (0.5)</b>	<b>\$ 4.4</b>
Add: Interest expense	20.9	17.7	79.3
Add: Depreciation and amortization	15.3	18.0	65.6
Add: Income tax expense (benefit)	2.6	(0.1)	11.2
<b>EBITDA (non-GAAP)</b>	<b>43.9</b>	<b>35.1</b>	<b>160.5</b>
<b>Further adjusted by:</b>			
Add: Non-cash stock-based compensation	1.6	1.9	6.5
Add: Non-recurring expenses:			
Gain on sale of PRET/Payix, net of NCI	-	-	0.1
Legal, professional, accounting and other SG&A	0.8	0.6	10.0
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 46.3</b>	<b>\$ 37.6</b>	<b>\$ 177.0</b>

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



# Capital Structure & Liquidity

Outstanding Debt	
Balance as of December 31, 2023	\$654.4
(+/-) Net Revolver Borrowings	--
(+/-) Net Term Loan Borrowings	(\$1.7)
<b>Balance as of March 31, 2024</b>	<b>\$652.7</b>

**Total Debt** of **\$652.7 million** at end of Q1 2024 declined from **\$654.4 million** in Q4 2023

- Net Debt of \$618.4 million increased \$3.6 million compared to Q4 2023 due to lower cash balances
- Revolver Capacity at the end of Q1 2024 was \$65.0 million
- LTM Adj. EBITDA<sup>1</sup> of \$177.0 million at end of Q1 2024

Senior Redeemable Preferred Stock	
Balance as of December 31, 2023	\$258.6
(+/-) Dividend Payable <sup>2</sup>	\$0.1
(+/-) PIK Dividend	\$4.7
(+/-) Accretion	\$0.9
<b>Balance as of March 31, 2024</b>	<b>\$264.2</b>

**Preferred Stock** of **\$264.2 million**, Net of \$16.0 million of Unaccreted Discounts and Issuance Costs

<i>(dollars in Millions)</i>	1st Quarter	
	2024	
<b>Dividend:</b>		
<b>Payment in Kind</b>	\$	<b>4.70</b>
<b>Cash</b>		<b>7.12</b>
		<b>11.82</b>
<b>Accretion</b>		<b>0.84</b>
	\$	<b>12.66</b>

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

<sup>2</sup> Represents \$7.1MM of outstanding cash dividend net of \$7.0MM payment of the cash portion of dividend outstanding at 12/31/2023 | Dividend payable for the three months ended 03/31/2024 was paid on 04/01/2024



# Pending Recapitalization (Q2 2024)

Sources (est.)	
New \$70MM Revolver	--
New \$835MM Term Loan	\$835.0
Cash on Hand	\$0.7
<b>Total Sources</b>	<b>\$835.7</b>

Uses (est.)	
Refinance Senior Debt	\$652.7
Redeem Preferred Equity	\$170.0
Transaction Fees	\$13.0
<b>Total Uses</b>	<b>\$835.7</b>

Pro Forma Capitalization			
	Q1 2024	Adjustments	PF Q1 2024
Unrestricted Cash	\$34.3	(\$0.7)	\$33.6
Revolver	--	--	--
Term Loan	\$652.7	\$182.3	\$835.0
<b>Senior Debt</b>	<b>\$652.7</b>		<b>\$835.0</b>
Preferred Equity	\$280.2	(\$170.0)	\$110.2
<b>Total Capitalization</b>	<b>\$932.9</b>		<b>\$945.2</b>
<b>LTM Adj. EBITDA<sup>1</sup> as of Q1 2024</b>	<b>\$177.0</b>		<b>\$177.0</b>
Senior Leverage, Net	3.49x		4.53x
Senior + Pref Leverage, Net	5.08x		5.15x

**Refinance Existing Debt of \$652.7 million and Redeem approximately \$170 million of Preferred Equity with new \$835.0 million Term Loan in Q2 2024 – targeted to close in May 2024 (subject to legal documentation)**

- Lower interest rate on the Term Loan by 100 bps
- Improve annualized free cash flow by over \$5.5 million with lower cash dividend on Preferred Equity
- Extend debt maturity profile by 4 years (2031 maturity of Term Loan)

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





# 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>			
	<b>Three Months Ended March 31, 2024</b>				<b>Three Months Ended March 31, 2023</b>			
	<b>SMB</b>	<b>B2B</b>	<b>Enterprise</b>	<b>Total</b>	<b>SMB</b>	<b>B2B</b>	<b>Enterprise</b>	<b>Total</b>
Revenues	\$ 143.8	\$ 21.1	\$ 40.9	\$ 205.7	\$ 154.9	\$ 2.8	\$ 27.3	\$ 185.0
Cost of revenue (excluding depreciation and amortization)	(112.2)	(14.9)	(2.2)	(129.3)	(119.5)	(0.8)	(1.6)	(122.0)
Adjusted Gross Profit	<b>31.6</b>	<b>6.2</b>	<b>38.6</b>	<b>76.4</b>	<b>35.4</b>	<b>2.0</b>	<b>25.7</b>	<b>63.1</b>
Adjusted Gross Profit Margin	22.0%	29.6%	94.5%	37.1%	22.9%	70.0%	94.0%	34.1%
Depreciation and amortization of revenue generating assets	(1.8)	(0.8)	(1.4)	(3.9)	(1.6)	(0.1)	(1.2)	(3.0)
Gross profit	<b>\$ 29.8</b>	<b>\$ 5.5</b>	<b>\$ 37.2</b>	<b>\$ 72.5</b>	<b>\$ 33.8</b>	<b>\$ 1.9</b>	<b>\$ 24.5</b>	<b>\$ 60.1</b>
Gross profit margin	20.7%	25.9%	91.2%	35.3%	21.8%	66.5%	89.6%	32.5%

