

United States  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 8-K

Current Report  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

August 9, 2021  
Date of Report (Date of earliest event reported)

**Priority Technology Holdings, Inc.**  
(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation)

001-37872

(Commission File Number)

47-4257046

(I.R.S. Employer Identification No.)

2001 Westside Parkway  
Suite 155

Alpharetta,

(Address of Principal Executive Offices)

Georgia

30004

(Zip Code)

Registrant's telephone number, including area code: (800) 935-5961

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, \$0.001 par value	PRTH	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of (1933 §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02. Results of Operations and Financial Condition.**

On August 9, 2021, Priority Technology Holdings, Inc. ("Priority") issued a press release announcing its financial results for the quarter ended June 30, 2021. A copy of that press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

**Item 7.01 Regulation FD Disclosure**

On August 9, 2021, Priority will hold an earnings conference call and webcast at 11:00 a.m. (Eastern Time) to discuss the financial results for the second quarter of 2021. The press release referenced in Item 2.02 contains information about how to access the conference call and webcast. A copy of the slide presentation to be used during the earnings call and webcast is furnished as Exhibit 99.2 to this Current Report on Form 8-K. The slide presentation also will be available on our website, [www.prth.com](http://www.prth.com) under the "Investor Relations" section.

The information in this Current Report on Form 8-K, including Exhibit 99.1, is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Current Report on Form 8-K shall not be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits – The following exhibit is furnished as part of this Current Report on Form 8-K.

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
<a href="#">99.1</a>	<a href="#">Press Release of Priority Technology Holdings, Inc. dated August 9, 2021</a>
<a href="#">99.2</a>	<a href="#">Slide Presentation</a>
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: August 9, 2021

PRIORITY TECHNOLOGY HOLDINGS, INC.

By: /s/ Michael Vollkommer  
Name: Michael Vollkommer  
Title: Chief Financial Officer

## Priority Technology Holdings, Inc. Announces Second Quarter 2021 Financial Results

### **Strong Second Quarter Financial Performance and Increased Full Year Guidance**

*Capital Refinancing Strengthened the Balance Sheet, Increased Liquidity and Reduced Leverage*

*Pending Acquisition of Finxera Expected to Close in Third Quarter 2021*

ALPHARETTA, Ga., Aug. 9, 2021 /PRNewswire/ -- Priority Technology Holdings, Inc. (NASDAQ: PPTH) ("Priority" or the "Company"), a leading payments technology company helping customers collect, store and send money, today announced its second quarter 2021 financial results.

### **Highlights of Consolidated Results**

#### **Second Quarter 2021, Compared with Second Quarter 2020**

The second quarter 2020 includes results of the RentPayment business sold to MRI Software in September 2020. Financial highlights of second quarter 2021 compared with second quarter 2020, are as follows (gross profit, gross profit margin, and adjusted EBITDA are non-GAAP measures<sup>1</sup>):

- Revenue of \$125.0 million increased 35.4% from \$92.4 million.
- Gross profit of \$35.2 million increased 17.4% from \$30.0 million.
- Gross profit margin of 28.1% decreased from 32.4%.
- Income from operations of \$7.4 million increased 83.7% from \$4.0 million, including non-recurring expenses of \$1.8 million and \$1.4 million in second quarter 2021 and 2020, respectively.
- Loss before income taxes of \$8.0 million includes \$8.3 million of debt extinguishment and modification costs, and compares with a loss before income taxes of \$7.4 million in second quarter 2020.
- Diluted loss per share of \$0.35, which includes the impact of \$8.3 million of debt extinguishment and modification costs and a \$10.8 million non-controlling interest preferred unit redemption in second quarter 2021, compares with a diluted loss per share of \$0.12 in second quarter 2020.
- Adjusted EBITDA of \$21.0 million increased 26.1% from \$16.7 million.
- Total net leverage ratio of 3.43x at June 30, 2021 decreased from 5.44x at March 31, 2021<sup>1</sup>.

The second quarter 2021 results compared with second quarter 2020 results, excluding the RentPayment business sold in September 2020 and non-recurring expenses from both quarters<sup>2,3</sup>, are as follows:

- Revenue of \$125.0 million increased 42.1% from \$88.0 million.
- Gross profit of \$35.2 million increased 35.0% from \$26.1 million.
- Gross profit margin of 28.1% decreased from 29.6%.
- Income from operations of \$9.2 million increased 161.3% from \$3.5 million.
- Adjusted EBITDA of \$21.0 million increased 54.9% from \$13.6 million.

"Our strong second quarter results reinforce the power of our payments platform and relentless focus on execution," said Tom Priore, Chairman and Chief Executive Officer of Priority. "As we advance the full integration of Finxera's virtual banking capabilities in the coming quarter, we are poised to achieve our mission to be the premier partner for merchants and ISVs to collect, store, and send money."

The Company announced during first quarter 2021 that it entered into an agreement to acquire Finxera Holdings, Inc. ("Finxera"). That acquisition is expected to close in third quarter 2021. In second quarter 2021, Finxera generated revenue of \$16.6 million, gross profit of \$15.5 million, and Adjusted EBITDA of \$11.1 million. On a pro forma basis<sup>4</sup>, including second quarter and first half results of Finxera, together with pro forma adjustments for June 2021 and April 2021 tuck-in reseller acquisitions, second quarter and first half 2021 financial results (excluding revenue and cost synergies) are as follows:

- Revenue of \$142.9 million in second quarter 2021, and \$275.1 million in first half 2021.
- Gross profit of \$51.7 million in second quarter 2021, and \$104.6 million in first half 2021.
- Gross profit margin of 36.2% in second quarter 2021, and 38.0% million in first half 2021.
- Adjusted EBITDA of \$32.8 million in second quarter 2021, and \$67.9 million in first half 2021.

(1) See "Non-GAAP Financial Measures" and the reconciliations of Gross Profit, Gross Profit Margin, and Adjusted EBITDA to their most comparable GAAP measures, and the calculation of Total Net Leverage Ratio as of June 30, 2021 provided below for additional information.

(2) See "Results With and Without RentPayment" for a summary of the results for the three months ended June 30, 2020, excluding the actual results of the RentPayment business sold in September 2020.

(3) See "Non-GAAP Financial Measures" for the details of non-recurring expenses for the three months ended June 30, 2021 and 2020.

(4) See "Pro Forma Results" for a presentation of second quarter and first half 2021 results including the actual second quarter and first half 2021 results of Finxera and the April 2021 and June 2021 tuck-in acquisitions.

#### **Revised Full Year 2021 Financial Guidance**

The Company outperformed its plan for revenue and adjusted EBITDA in the six months ended June 30, 2021. As a result of stronger than expected organic growth and the impact of the second quarter 2021 tuck-in acquisitions, the Company has updated its outlook for full year 2021, before any further increases related to the anticipated acquisition of Finxera, as follows:

- Revenue is forecast to range between \$480 to \$500 million, a growth of 22% to 28% above 2020 revenue of \$392.3 million, excluding RentPayment.
- Adjusted EBITDA (a non-GAAP measure) is forecast to range between \$82 to \$86 million, a growth of 32% to 39% above 2020 adjusted EBITDA of \$62.1 million, excluding RentPayment.

#### **Conference Call**

Priority's leadership will host a conference call on Monday, August 9, 2021 at 11:00 a.m. EDT to discuss its second quarter financial results and business developments. Participants can access the call by Phone: US/Canada: (877) 501-3161 or International: (786) 815-8443.

Internet webcast link and accompanying slide presentation can be accessed at <https://edge.media-server.com/mmc/p/kwi9t7p3> and will also be posted in the "Investor Relations" section of the Company's website at [www.PRTH.com](http://www.PRTH.com).

An audio replay of the call will be available shortly after the conference call until August 12, 2021 at 1:30 pm Eastern Time. To listen to the audio replay, dial (855) 859-2056 or (404) 537-3406 and enter conference ID number **1214468**. Alternatively, you may access the webcast replay in the "Investor Relations" section of the Company's website at [www.PRTH.com](http://www.PRTH.com).

#### **Non-GAAP Financial Measures**

This communication includes certain non-GAAP financial measures that we regularly review to evaluate our business and trends, measure our performance, prepare financial projections, allocate resources, and make strategic decisions. We believe these non-GAAP measures help to illustrate the underlying financial and business trends relating to our results of operations and comparability between current and prior periods. We also use these non-GAAP measures to establish and monitor operational goals. However, these non-GAAP measures are not superior to or a substitute for prominent measurements calculated in

accordance with GAAP. Rather, the non-GAAP measures are meant to be a complement to understanding measures prepared in accordance with GAAP.

**Gross Profit and Gross Profit Margin**

The Company's non-GAAP gross profit metric represents revenues less costs of services. Gross profit margin is gross profit divided by revenues. We review these non-GAAP measures to evaluate our underlying profit trends. The reconciliation of gross profit to its most comparable GAAP measure is provided below:

<i>(in thousands)</i>				
Three Months Ended June 30,				
	2021		2020	
Revenues	\$	125,014	\$	92,356
Costs of Services		89,831		62,398
Gross Profit	\$	35,183	\$	29,958
Gross Profit Margin		28.1%		32.4%

**EBITDA, Adjusted EBITDA and Consolidated Adjusted EBITDA**

EBITDA and adjusted EBITDA are performance measures. EBITDA is earnings before interest, income tax, and depreciation and amortization expenses ("EBITDA"). Adjusted EBITDA begins with EBITDA but further excludes certain non-cash costs, such as stock-based compensation and the write-off of the carrying value of investments or other assets, as well as debt extinguishment and modification expenses and other expenses and income items considered non-recurring, such as acquisition integration expenses, certain professional fees, and litigation settlements. Consolidated adjusted EBITDA, which is a liquidity measure used in determining our total net leverage ratio, is adjusted EBITDA further adjusted for items specified in the definition of consolidated adjusted EBITDA within our debt agreements, which include the pro-forma impact of acquisitions and dispositions and other specified adjustments. We review the non-GAAP adjusted EBITDA measure to evaluate our business and trends, measure our performance, prepare financial projections, allocate resources, and make strategic decisions.

We review the non-GAAP consolidated adjusted EBITDA to evaluate compliance with our total net leverage ratio at each measurement period. The reconciliation of adjusted EBITDA to its most comparable GAAP measure is provided below:

<i>(in thousands)</i>				
Three Months Ended June 30,				
	2021		2020	
Net loss (GAAP)	\$	(9,477)	\$	(7,858)
Interest expense		7,285		11,668
Income tax expense		1,490		415
Depreciation and amortization		10,723		10,363
EBITDA (Non-GAAP)		10,021		14,588
Non-cash stock-based compensation		856		688
Selling, general and administrative		1,834		1,385
Debt extinguishment and modification costs		8,322		—
Other non-operating expense		(17)		—
Adjusted EBITDA (Non-GAAP)	\$	21,016	\$	16,661

Reconciliation of Adjusted EBITDA to Consolidated Adjusted EBITDA for the last twelve months ended June 30, 2021 and the calculation of the Total Net Leverage Ratio at June 30, 2021 are provided below:

Adjusted EBITDA (Non-GAAP)	\$	76,885
Allowable Board fee add-back		1,723
Other adjustments		(145)
Pro-formal impact of acquisitions		16,900
RentPayment adjusted EBITDA		(2,459)
<b>Consolidated Adjusted EBITDA (Non-GAAP)</b>	<b>\$</b>	<b>92,904</b>
Consolidated Total Debt at June 30, 2021:		
Current portion of long-term debt	\$	3,000
Long-term debt, net of current portion		318,187
Unamortized discounts and costs		8,813
		330,000
Less unrestricted cash		(11,111)
<b>Consolidated Net Debt</b>	<b>\$</b>	<b>318,889</b>
<b>Total Net Leverage Ratio</b>		<b>3.43x</b>

Further detail of certain of these adjustments, and where these items are recorded in our consolidated statements of operations, is provided below:

(in thousands)	Three Months Ended June 30,		Segment
	2021	2020	
<b>Selling, general and administrative expense:</b>			
Litigation settlement costs	\$ —	\$ 100	Integrated Partners
Litigation settlement recoveries	—	(23)	Consumer
Certain legal fees and expenses	1,587	348	Corporate
Professional, accounting and consulting fees	237	121	Corporate
Acquisition transition services	—	839	Integrated Partners
Acquisition transition services	10	—	Consumer
	<b>\$ 1,834</b>	<b>\$ 1,385</b>	
<b>Salary and employee benefit expense:</b>			
Non-cash stock-based compensation	\$ 146	\$ 114	Consumer
Non-cash stock-based compensation	32	31	Commercial
Non-cash stock-based compensation	678	543	Corporate
	<b>\$ 856</b>	<b>\$ 688</b>	
<b>Other expenses, net:</b>			
Debt extinguishment and modification costs	8,322	—	
Other non-operating expense	(17)	—	
	<b>\$ 8,305</b>	<b>\$ —</b>	

Priority does not provide a reconciliation of forward-looking 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 and due to the variability, complexity and limited visibility of the adjusting items that would be excluded from the non-GAAP financial measures in future periods. When planning, forecasting and analyzing future periods, the Company does so primarily on a non-GAAP basis without preparing a GAAP analysis as that would require estimates for various cash and non-cash reconciling items that would be difficult to predict with reasonable accuracy. For example, stock-based compensation expense would be difficult to estimate because it depends on the Company's future hiring and retention needs, as well as the future fair market value of the Company's common stock, all of which are difficult to predict and subject to constant change. As a result, the Company does not believe that a GAAP reconciliation would provide meaningful supplemental information about the Company's outlook.

#### Pro-Forma Results

On a pro forma basis, including second quarter results of Finxera, together with the June 2021 tuck-in reseller acquisition, second quarter 2021 financial results (excluding revenue and cost synergies) are as follows:

<i>(in thousands)</i>									
Three Months Ended June 30, 2021 (a)									
	Priority		Finxera		Tuck-in Acquisition		Pro Forma		
Revenues	\$	125,014	\$	16,585	\$	1,309	\$	142,908	
Gross Profit	\$	35,183	\$	15,533	\$	1,030	\$	51,746	
Gross Profit Margin		28.1%		93.7%		78.7%		36.2%	
Adjusted EBITDA	\$	21,016	\$	11,123	\$	672	\$	32,811	

(a) Actual second quarter 2021 results of Priority, Finxera and the June 2021 tuck-in reseller acquisition.

On a pro forma basis, including first half results of Finxera, together with the April 2021 and June 2021 tuck-in reseller acquisitions, first half 2021 financial results (excluding revenue and cost synergies) are as follows:

<i>(in thousands)</i>									
Six Months Ended June 30, 2021 (a)									
	Priority		Finxera		Tuck-in Acquisitions		Pro Forma		
Revenues	\$	238,311	\$33,353		\$	3,479		\$275,143	
Gross Profit	\$	66,617	\$31,180		\$	6,822		\$104,619	
Gross Profit Margin		28.0%		93.5%		196.1%		38.0%	
Adjusted EBITDA	\$	39,017	\$22,817		\$	6,100		\$67,934	

(a) Actual first half 2021 results of Priority, Finxera and the April 2021 and June 2021 tuck-in reseller acquisitions.

#### **About Priority Technology Holdings, Inc.**

Priority is a leading provider of merchant acquiring, integrated payment software and commercial payment solutions, offering unique product and service capabilities to its merchant network and distribution partners. Priority's enterprise operates from a purpose-built business platform that includes tailored customer service offerings and bespoke technology development, allowing the Company to provide end-to-end solutions for payment and payment-adjacent opportunities. Additional information can be found at [www.PRTH.com](http://www.PRTH.com).

#### **Forward-Looking Statements**

This press release 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," "outlook" or words of similar meaning. These forward-looking statements include, but are not limited to, expected timing of the closing of Priority Technology Holdings, Inc.'s ("Priority", "we", "our", or "us") merger with Finxera Holdings, Inc. ("Finxera") and our 2021 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 press release in the context of the risks and uncertainties disclosed in our SEC filings, including our most recent Annual Report on Form 10-K filed with the SEC on March 31, 2021. These filings are available online at [www.sec.gov](http://www.sec.gov) or [www.PRTH.com](http://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 press release 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.

<b>PRIORITY TECHNOLOGY HOLDINGS, INC.</b>								
<b>Condensed Consolidated Statements of Operations</b>								
<i>Unaudited</i>								
<i>(in thousands, except per share amounts)</i>	<b>Three Months Ended June 30,</b>			<b>Six Months Ended June 30,</b>				
	<b>2021</b>		<b>2020</b>		<b>2021</b>		<b>2020</b>	
<b>REVENUES</b>	\$	125,014	\$	92,356	\$	238,311	\$	189,289
<b>OPERATING EXPENSES:</b>								
Costs of services		89,831		62,398		171,694		128,762
Salary and employee benefits		10,351		9,556		19,899		19,685
Depreciation and amortization		10,723		10,363		19,793		20,635
Selling, general and administrative		6,704		6,008		14,993		12,617
Total operating expenses		117,609		88,325		226,379		181,699
<b>Income from operations</b>		7,405		4,031		11,932		7,590
<b>OTHER EXPENSES:</b>								
Interest expense		(7,285)		(11,668)		(16,453)		(21,983)
Debt extinguishment and modification costs		(8,322)		—		(8,322)		(376)
Other income (expenses), net		215		194		(54)		224
Total other expenses, net		(15,392)		(11,474)		(24,829)		(22,135)
Loss before income taxes		(7,987)		(7,443)		(12,897)		(14,545)
Income tax expense (benefit)		1,490		415		(741)		(818)
<b>Net loss</b>		(9,477)		(7,858)		(12,156)		(13,727)
Dividends attributable to senior preferred stockholders		(3,911)		—		(3,911)		—
Non-controlling interest preferred unit redemptions		(10,777)		—		(10,777)		—
<b>Net loss attributable to common stockholders of PRTH</b>	\$	(24,165)	\$	(7,858)	\$	(26,844)	\$	(13,727)
<b>Loss per common share:</b>								
Basic and diluted	\$	(0.35)	\$	(0.12)	\$	(0.39)	\$	(0.2)
<b>Weighted-average common shares outstanding:</b>								
Basic and diluted		69,496		67,114		68,525		67,088



PRIORITY TECHNOLOGY HOLDINGS, INC.

Condensed Consolidated Balance Sheets

<i>(in thousands)</i>	<i>Unaudited</i>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 11,111	\$ 9,241
Restricted cash	18,232	78,879
Accounts receivable, net of allowance	50,596	41,321
Prepaid expenses and other current assets	5,443	3,500
Current portion of notes receivable, net of allowance	230	2,190
Settlement assets	722	753
<b>Total current assets</b>	<b>86,334</b>	<b>135,884</b>
Notes receivable, less current portion	3,915	5,527
Property, equipment, and software, net	24,245	22,875
Goodwill	124,078	106,832
Intangible assets, net	145,836	98,057
Deferred income taxes, net	47,578	46,697
Other non-current assets	10,890	1,957
<b>Total assets</b>	<b>\$ 442,876</b>	<b>\$ 417,829</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 37,420	\$ 29,821
Accrued residual commissions	28,201	23,824
Customer deposits and advance payments	4,269	2,883
Current portion of long-term debt	3,000	19,442
Settlement obligations	11,278	72,878
<b>Total current liabilities</b>	<b>84,168</b>	<b>148,848</b>
Long-term debt, net of current portion, discounts and debt issuance costs	318,187	357,873
Other non-current liabilities	8,333	9,672
<b>Total long-term liabilities</b>	<b>326,520</b>	<b>367,545</b>
<b>Total liabilities</b>	<b>410,688</b>	<b>516,393</b>
Senior preferred stock	133,762	—
Stockholders' deficit:		
Preferred stock	—	—
Common stock	70	68
Additional paid-in capital	14,913	5,769
Treasury stock, at cost	(2,388)	(2,388)
Accumulated deficit	(114,169)	(102,013)
<b>Total stockholders' deficit</b>	<b>(101,574)</b>	<b>(98,564)</b>
<b>Total liabilities, senior preferred stock and stockholders' deficit</b>	<b>\$ 442,876</b>	<b>\$ 417,829</b>

**PRIORITY TECHNOLOGY HOLDINGS, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
*Unaudited*

<i>(in thousands)</i>	Six Months Ended June 30,		
	2021		2020
<b>Cash flows from operating activities:</b>			
Net loss	\$ (12,156)		\$ (13,727)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization of assets	19,793		20,635
Equity-classified and liability-classified stock-based compensation	1,414		1,026
Amortization of debt issuance costs and discounts	1,158		1,116
Write off of deferred loan costs and discount	3,006		—
Deferred income tax benefit	(3,446)		(3,569)
Change in allowance for deferred tax assets	2,565		2,642
Payment-in-kind interest	2,512		3,415
Other non-cash items, net	(39)		206
Change in operating assets and liabilities:			
Accounts receivable	(9,115)		974
Settlement assets and obligations, net	(61,570)		1,584
Prepaid expenses and other current assets	(1,626)		851
Notes receivable	198		(888)
Accounts payable and other accrued liabilities	10,490		(1,845)
Customer deposits and advance payments	1,385		(2,046)
Other assets and liabilities, net	307		(552)
<b>Net cash (used in) provided by operating activities</b>	<b>(45,124)</b>		<b>9,822</b>
<b>Cash flows from investing activities:</b>			
Acquisition of business	(34,507)		—
Additions to property, equipment, and software	(5,222)		(4,249)
Acquisitions of intangible assets	(43,353)		(3,286)
<b>Net cash used in investing activities</b>	<b>(83,082)</b>		<b>(7,535)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt, net of issue discount	293,619		—
Debt issuance and modification costs paid	(7,597)		(2,749)
Repayments of long-term debt	(384,552)		(2,003)
Borrowings under revolving credit facility	30,000		7,000
Repayments under revolving credit facility	—		(4,000)
Proceeds from issuance of senior preferred equity	150,000		—
Senior preferred equity issuance fees and costs	(10,472)		—
Dividends paid to senior preferred stockholders	(1,575)		—
Redemptions of non-controlling interests of subsidiary	(815)		—
Proceeds from exercise of stock options	821		—
<b>Net cash provided by (used in) financing activities</b>	<b>69,429</b>		<b>(1,752)</b>
<b>Net change in cash and restricted cash:</b>			
Net (decrease) increase in cash and restricted cash	(58,777)		535
Cash and restricted cash at beginning of period	88,120		50,465
Cash and restricted cash at end of period	\$ 29,343		\$ 51,000

PRIORITY TECHNOLOGY HOLDINGS, INC.

Reportable Segments' Results

Unaudited

(in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
<b>Consumer Payments:</b>								
Revenue	\$	119,625	\$	81,707	\$	228,018	\$	167,738
Operating expenses		105,177		74,437		200,207		153,316
Income from operations	\$	14,448	\$	7,270	\$	27,811	\$	14,422
Operating margin		12.1%		8.9%		12.2%		8.6%
Depreciation and amortization	\$	10,297	\$	8,657	\$	18,876	\$	17,240
Key indicators:								
Merchant bankcard processing dollar value	\$	13,875,957	\$	9,010,908	\$	25,747,896	\$	19,397,656
Merchant bankcard transaction volume		150,598		92,842		278,086		212,273
<b>Commercial Payments:</b>								
Revenue	\$	4,041	\$	5,654	\$	7,541	\$	12,022
Operating expenses		4,020		5,179		7,929		10,783
Income (loss) from operations	\$	21	\$	475	\$	(388)	\$	1,239
Operating margin		0.5%		8.4%		(5.1)%		10.3%
Depreciation and amortization	\$	73	\$	78	\$	147	\$	154
Key indicators:								
Merchant bankcard processing dollar value	\$	75,070	\$	64,247	\$	138,518	\$	136,925
Merchant bankcard transaction volume		47		21		86		46
<b>Integrated Partners:</b>								
Revenue	\$	1,348	\$	4,995	\$	2,752	\$	9,529
Operating expenses		1,183		4,150		2,495		8,316
Income from operations	\$	165	\$	845	\$	257	\$	1,213
Operating margin		12.2%		16.9%		9.3%		12.7%
Depreciation and amortization	\$	76	\$	1,334	\$	205	\$	2,645
Key indicators:								
Merchant bankcard processing dollar value	\$	13,051	\$	122,089	\$	24,424	\$	246,607
Merchant bankcard transaction volume		136		388		231		836
<b>Income from operations of reportable segments</b>	\$	14,634	\$	8,590	\$	27,680	\$	16,874
Less: Corporate expense		(7,229)		(4,559)		(15,748)		(9,284)
<b>Consolidated income from operations</b>	\$	7,405	\$	4,031	\$	11,932	\$	7,590
Corporate depreciation and amortization	\$	277	\$	294	\$	565	\$	596
Key indicators:								
Merchant bankcard processing dollar value	\$	13,964,078	\$	9,197,244	\$	25,910,838	\$	19,781,188
Merchant bankcard transaction volume		150,781		93,251		278,403		213,155

PRIORITY TECHNOLOGY HOLDINGS, INC.

Results With and Without RentPayment

Unaudited

(in thousands)

	Second Quarter 2020			Six Months Ended June 30, 2020		
	Consolidated	RentPayment	Excl RentPayment	Consolidated	RentPayment	Excl RentPayment
<b>Revenues</b>	\$ 92,356	\$ 4,391	\$ 87,965	\$ 189,289	\$ 8,235	\$ 181,054
<b>Operating Expenses:</b>						
Costs of services	62,398	498	61,900	128,762	872	127,890
Salary and employee benefits	9,556	507	9,049	19,685	1,046	18,639
Depreciation and amortization	10,363	1,214	9,149	20,635	2,430	18,205
Selling, general and administrative	6,008	1,231	4,777	12,617	2,390	10,227
Total operating expenses	88,325	3,450	84,875	181,699	6,738	174,961
<b>Income from operations</b>	\$ 4,031	\$ 941	\$ 3,090	\$ 7,590	\$ 1,497	\$ 6,093
Depreciation and amortization	10,363	1,214	9,149	20,635	2,430	18,205
Other income, net	194	—	194	435	—	435
Non-cash stock-based compensation	688	—	688	1,026	—	1,026
Legal and professional fees	469	—	469	965	—	965
Legal settlements	77	100	(23)	79	100	(21)
Acquisition integration services	839	839	—	1,735	1,735	—
<b>Adjusted EBITDA</b>	\$ 16,661	\$ 3,094	\$ 13,567	\$ 32,465	\$ 5,762	\$ 26,703

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# Priority Technology Holdings, Inc.

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Supplemental Slides for the Second Quarter 2021 Earnings Call

August 9, 2021



# Forward-Looking Statements

The press release and this presentation contain “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,” “outlook” or words of similar meaning. These forward-looking statements include, but are not limited to, expected timing of the closing of Priority Technology Holdings, Inc.’s (“Priority”, “we”, “our”, or “us”) merger with Finxera Holdings, Inc. (“Finxera”) and our 2021 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 press release in the context of the risks and uncertainties disclosed in our SEC filings, including our most recent Annual Report on Form 10-K filed with the SEC on March 31, 2021. These filings are available online at [www.sec.gov](http://www.sec.gov) or [www.PRTH.com](http://www.PRTH.com).

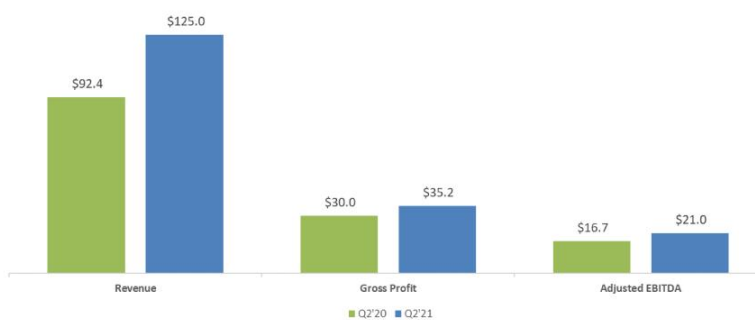
We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences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



## Second Quarter Highlights

- Revenue of \$125.0 million increased 35.4% from \$92.4 million in 2020
- Gross profit of \$35.2 million increased 17.4% from \$30.0 million in 2020
- Gross profit margin of 28.1% decreased 429 basis points from 32.4% in 2020
- Income from operations of \$7.4 million increased 83.7% from \$4.0 million in 2020
- Adjusted EBITDA of \$21.0 million increased 26.1% from \$16.7 million in 2020
- Net debt of \$318.9 million decreased \$60.2 million from \$379.1 million at end of Q1 2021
- Net leverage ratio of 3.43x decreased from 5.85x at December 31, 2020 and 5.44x at March 31, 2021

Revenue, Gross Profit and Adjusted EBITDA  
(dollars in millions)



## Second Quarter Highlights (Non-GAAP Adjusted)

The second quarter 2021 results compared with second quarter 2020 results, excluding the RentPayment business sold in September 2020, and excluding non-recurring expenses from both quarters, are as follows:

- Revenue of \$125.0 million increased 42.1% from \$88.0 million in 2020
- Gross profit of \$35.2 million increased 35.0% from \$26.1 million in 2020
- Gross profit margin of 28.1% decreased 150 basis points from 29.6% in 2020
- Income from operations of \$9.2 million increased 161.3% from \$3.5 million in 2020
- Adjusted EBITDA of \$21.0 million increased 54.9% from \$13.6 million in 2020

Revenue, Gross Profit and Adjusted EBITDA (Non-GAAP)

(dollars in millions)





## Reconciliation of GAAP to Non-GAAP

(dollars in millions)

	Second Quarter 2021			Second Quarter 2020			
	GAAP	NR Exp	Adjusted	GAAP	RentPayment	NR Exp	Adjusted
Revenue	\$ 125.0		\$ 125.0	\$ 92.4	\$ (4.4)		\$ 88.0
Cost of services	89.8		89.8	62.4	(0.5)		61.9
Gross Profit	<u>\$ 35.2</u>		<u>\$ 35.2</u>	<u>\$ 30.0</u>	<u>\$ (3.9)</u>		<u>\$ 26.1</u>
Gross Profit Margin	28.1%		28.1%	32.4%	88.7%		29.6%
Salary and employee benefits <sup>1</sup>	10.4		10.4	9.6	(0.5)		9.0
Depreciation and amortization	10.7		10.7	10.4	(1.2)		9.2
Selling, general and administrative <sup>2</sup>	6.7	(1.8)	4.9	6.0	(1.3)	(0.4)	4.3
Total operating expenses	<u>27.8</u>	<u>(1.8)</u>	<u>25.9</u>	<u>26.0</u>	<u>(3.0)</u>	<u>(0.4)</u>	<u>22.5</u>
Income (loss) from operations	<u>\$ 7.4</u>	<u>\$ 1.8</u>	<u>\$ 9.2</u>	<u>\$ 4.0</u>	<u>\$ (0.9)</u>	<u>\$ 0.4</u>	<u>\$ 3.5</u>
Adjusted EBITDA	<u>\$ 21.0</u>		<u>\$ 21.0</u>	<u>\$ 16.7</u>	<u>\$ (3.1)</u>		<u>\$ 13.6</u>

1. Salary and employee benefits includes \$8556k and \$688k of non-cash compensation in the second quarter of 2021 and 2020, respectively.

2. Selling, general and administrative includes the following non-recurring expenses:

	2021	2020	Segment
Professional, Accounting, and Legal	\$ 1.8	\$ 0.4	Corporate
Acquisition transition	\$ 0.0	\$ 0.9	Integrated Partners (PRET)
	<u>\$ 1.8</u>	<u>\$ 1.4</u>	

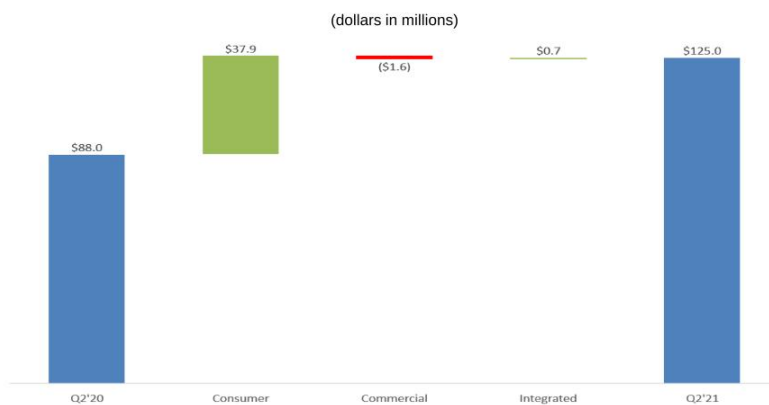


## Revenue – Non-GAAP Adjusted in 2020

Second Quarter 2021 Revenue of \$125.0 million increased 42.1% from \$88.0 million in 2020

- Consumer Payments increased 46.4% to \$119.6 million from \$81.7 million
- Commercial Payments decreased 28.5% to \$4.0 million from \$5.7 million
  - CPX increased 16.3% to \$1.6 million from \$1.4 million
  - Managed Services decreased 43.3% to \$2.4 million from \$4.2 million
- Integrated Partners increased 123.1% to \$1.3 million from \$0.6 million

Revenue Growth (Decline) by Segment

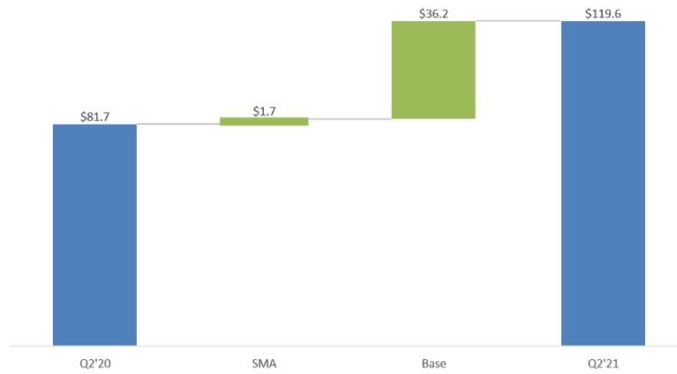


# Key Consumer Payments Revenue Growth Contributors

Base and Specialized Merchant Acquiring were both Strong Key Contributors to Revenue Growth

- Revenue of \$119.6 million increased \$37.9 million, or 46.4%, from \$81.7 million
  - Base Revenue of \$112.2 million increased \$36.2 million, or 48%, from \$76.0 million
  - SMA Revenue of \$7.4 million increased \$1.7 million, or 30.6%, from \$5.7 million

Strong Revenue Growth Momentum  
in Base and SMA  
(dollars in millions)



# Merchant Bankcard Volume

Q2 2021 Total Merchant Bankcard volume of \$14.0 billion increased 51.8% from \$9.2 billion

	Second Quarter		
	2021	2020	Variance
<b>Consumer Payments:</b>			
Merchant bankcard processing dollar value	\$ 13,876.0	\$ 9,010.9	54.0%
Merchant bankcard transaction volume	150.6	92.8	62.2%
Average Ticket	\$ 92.14	\$ 97.06	-5.1%
<b>Commercial Payments:</b>			
Merchant bankcard processing dollar value	\$ 75.1	\$ 64.2	16.8%
Merchant bankcard transaction volume	0.0	0.0	129.9%
Average Ticket	\$ 1,580.89	\$ 3,110.95	-49.2%
<b>Integrated Partners:</b>			
Merchant bankcard processing dollar value	\$ 13.1	\$ 122.1	-89.3%
Merchant bankcard transaction volume	0.1	0.4	-65.0%
Average Ticket	\$ 96.27	\$ 314.91	-69.4%
<b>Total:</b>			
Merchant bankcard processing dollar value	\$ 13,964.1	\$ 9,197.2	51.8%
Merchant bankcard transaction volume	150.8	93.3	61.7%
Average Ticket	\$ 92.61	\$ 98.63	-6.1%

Amounts in millions, except Average Ticket



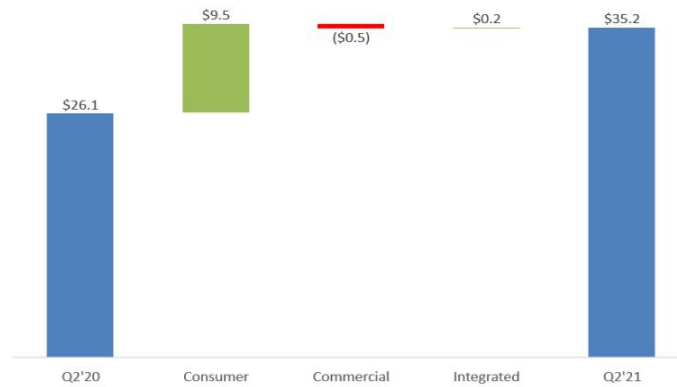
# Gross Profit (a Non-GAAP Measure) - Adjusted in 2020

Second Quarter 2021 Gross Profit of \$35.2 million increased 35.0% from \$26.1 million in 2020

- Consumer Payments increased 42.0% to \$32.1 million from \$22.6 million
- Commercial Payments decreased 17.1% to \$2.5 million from \$3.1 million
  - CPX increased 8.0% to \$1.2 million from \$1.1 million
  - Managed Services decreased 30.5% to \$1.4 million from \$2.0 million
- Integrated Partners increased 37.9% to \$0.6 million from \$0.4 million

Gross Profit Growth (Decline) by Segment

(dollars in millions)

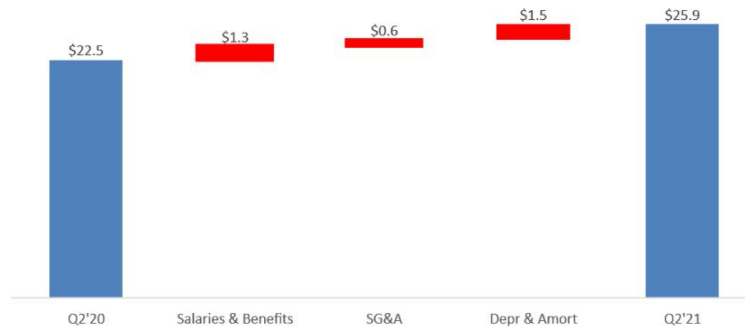


# Operating Expenses – Non-GAAP Adjusted

Second Quarter 2021 Operating Expense of \$25.9 million increased \$3.4 million from \$22.5 million in 2020

- Salaries and benefits of \$10.3 million increased \$1.3 million from \$9.0 million in 2020
- SG&A of \$4.9 million increased 0.6 million from \$4.3 million in 2020
- Depreciation and amortization of \$10.7 million increased \$1.5 million from \$9.2 million in 2020

Increase by Type  
Excluding non-recurring expenses in 2021 and 2020  
(dollars in millions)



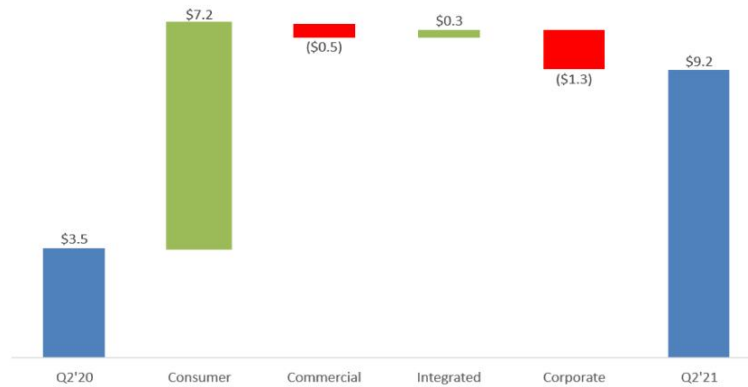
# Income from Operations - Non-GAAP Adjusted

Second Quarter 2021 Income from Operations of \$9.2 million increased 161.3% from \$3.5 million in 2020

- Consumer Payments increased \$7.2M or 98.7% to \$14.5 million from \$7.3 million
- Commercial Payments decreased \$0.5 million to \$0.0 million from \$0.5 million
- Integrated Partners increased \$0.3 million to \$0.2 million from (\$0.1) million
- Corporate expense increased \$1.3 million to \$5.4 million from \$4.1 million
  - Salary & Benefits increased \$0.6 million driven by higher incentive compensation accrual
  - SG&A increased by \$0.7 million driven by professional services

## Increase (Decrease) in Income from Operations by Segment

(dollars in millions)



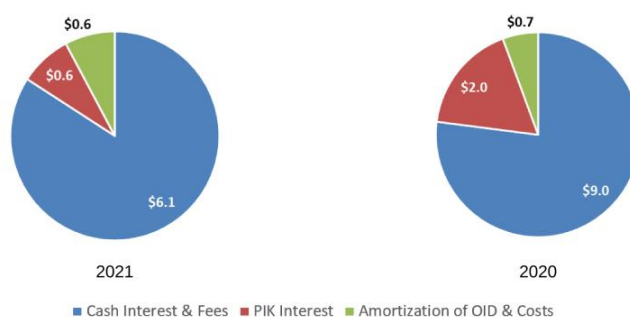
## Interest Expense

Second Quarter 2021 Interest expense of \$7.3 million decreased by \$4.4 million from \$11.7 million in 2020

(dollars in millions)	Second Quarter	
	2021	2020
<b>Cash Interest &amp; Fees</b>	\$ 6.1	\$ 9.0
<b>PIK Interest</b>	0.6	2.0
<b>Amortization of OID &amp; DIC</b>	0.6	0.7
	\$ 7.3	\$ 11.7

- Cash interest includes administrative fees of \$0.5 million in Q2 2021 and \$0.15 million in 2020

Components of First Quarter Interest Expense





## Cash Flow

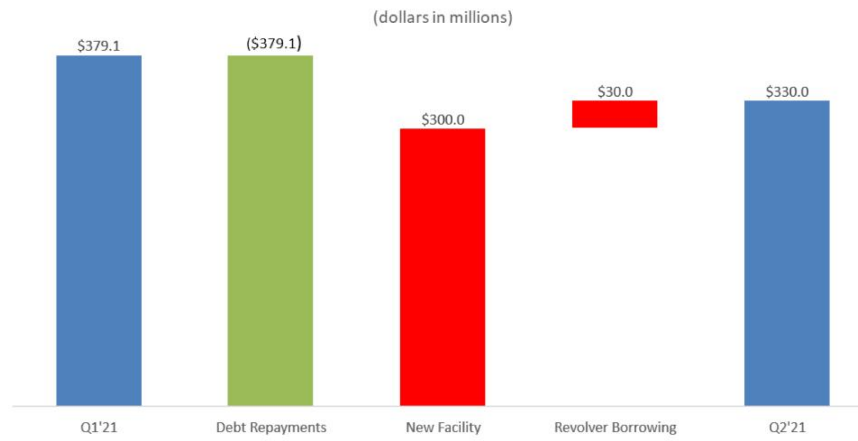
### Second Quarter 2021 Comparative Cash Flows – Unrestricted & Restricted Cash Activity

- Investing Activities used \$77.4 million in cash in Second Quarter, including:
  - Acquisitions of \$74.9 million
  - Software development and Equipment Purchases of \$2.5 million
- Financing Activities provided \$73.7 million in Second Quarter 2021 including:
  - Senior debt repayments of \$379.7 million
  - Long-term debt proceeds, net of costs and discounts, of \$286.0 million
  - Revolving Credit facility proceeds of \$30.0 million
  - Senior Preferred Equity proceeds, net of issuance costs, of \$139.5 million
  - Cash portion of preferred dividend and NCI redemption of \$2.4 million
  - Stock option exercise proceeds of \$0.3 million

	Second Quarter		Second Quarter 2021		Second Quarter 2020	
	2021	2020	Unrestricted	Restricted	Unrestricted	Restricted
<i>(dollars in millions)</i>						
<b>Net Cash Used in Operating Activities</b>	\$ (31.7)	\$ 17.1	\$ 9.0	\$ (40.7)	\$ 8.8	\$ 8.3
<b>Net Cash Used in Investing Activities</b>	(77.4)	(4.3)	(77.4)	-	(4.3)	-
<b>Net Cash Used in Financing Activities</b>	73.7	(1.5)	73.7	-	(1.5)	-
<b>Net Increase (Decrease) in Cash</b>	(35.4)	11.3	5.3	(40.7)	3.0	8.3
<b>Cash at the Beginning of Period</b>	64.8	39.7	5.8	58.9	2.9	36.9
<b>Cash at End of Period</b>	<b>\$ 29.3</b>	<b>\$ 51.0</b>	<b>\$ 11.1</b>	<b>\$ 18.2</b>	<b>\$ 5.9</b>	<b>\$ 45.1</b>



# Total Debt Walk



## EBITDA Walk

- Net leverage ratio of 3.43x at June 30, 2021 with Net Debt of \$318.9 million and LTM consolidated adjusted EBITDA of \$92.9 million
- EBITDA adjustments are a summary of specific clauses within the Senior Term Loan Facility

*(in thousands)*

<b>LTM Adjusted EBITDA (Non-GAAP)</b>	<b>\$ 76,885</b>
Pro forma impact of acquisitions	16,900
Pro forma impact of RentPayment disposition	(2,459)
Allowable Board fee add-back	1,723
Other adjustments	(145)
<b>LTM Consolidated aAdjusted EBITDA (Non-GAAP)</b>	<b><u>\$ 92,904</u></b>
<b>Consolidated Net Debt at June 30, 2021</b>	
Current portion of Term Loan	\$ 3,000
Revolving credit	30,000
Long-term protion of Term Loan	<u>297,000</u>
Total debt	330,000 (a)
Unrestricted cash	<u>11,111</u>
<b>Consolidated Net Debt</b>	<b><u>\$ 318,889</u></b>
<b>Total Net Leverage Ratio</b>	<b><u>3.43x</u></b>

(a) Total debt, including unamortized discounts and costs



## Senior Preferred Stock Dividend

The Senior Preferred Stock has a quarterly cumulative preferred dividend at LIBOR plus 12.0%, with a cash portion at the discretion of the Company at LIBOR (1.0% floor) plus 5.0% and payment-in-kind ("PIK") portion at 7.0%. The dividend is subject to a 2.0% increase if the Company elects the cash portion to be added to PIK. There are scheduled dividend rate increases after the fifth anniversary of issuance. In June 2021, the Company's Board of Directors declared and authorized the second quarter 2021 dividend with a 6.0% cash portion of \$1.6 million and a 7.0% PIK portion of \$1.8 million. The Company paid the dividend on June 30, 2021.



## Preferred Unit Redemption

### \$10.8 million Distribution to Non-Controlling Interests in a Subsidiary

In February 2019, a subsidiary of the Company, Priority Hospitality Technology (“PHOT”), received a contribution of substantially all of the operating assets of eTab, LLC (“eTab”) and CUMULUS POS, LLC (“Cumulus”) under asset contribution agreements. PHOT is a part of the Company’s Integrated Partners reportable segment. These contributed assets were composed substantially of technology-related assets. No cash consideration was paid to the contributors of the eTab or Cumulus assets on the date of the transactions. As consideration for these contributed assets, the contributors were issued redeemable non-controlling preferred equity interests (“NCIs”) in PHOT. Under these redeemable NCIs, the contributors were eligible to receive up to \$4.5 million of profits earned by PHOT, plus a preferred yield (6.0% per annum) on any undistributed preferred equity interest (“Total Preferred Equity Interest”).

In November 2020, the Company agreed with the contributors to an exchange of shares of common stock of the Company and/or cash for the remaining undistributed Total Preferred Equity Interest. This established an agreed valuation as of November 12, 2020 for the Company’s common stock to be exchanged at the prior 20-day volume weighted average price of \$2.78. The agreement was contingent upon lender approval. The binding agreements for the exchange, therefore, were not entered into until the lender approval was received.

Subsequent to receipt of lender approval in April 2021, the Company completed the exchange of 1,428,358 shares of common stock and \$814,219 of cash for the Total Preferred Equity Interests. Between the time of the November 2020 agreement and the date of exchange, the Company’s common stock price appreciated to \$7.75 per share; therefore, the Company’s financial statements for the three-months ended June 30, 2021 reflect this exchange as a distribution to non-controlling interests at the common stock value of \$7.75 reduced by a 10% liquidity discount of \$0.775 due to Rule 144 trading restrictions. The total distribution amounted to \$10.8 million, comprised of \$10.0 million of common stock and \$0.8 million of cash.



