

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

March 16, 2022
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, Georgia
(Address of Principal Executive Offices)

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
Common stock, \$0.001 par value

Trading Symbol
PRTH

Name of each exchange on which registered
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 March 16, 2022, Priority Technology Holdings, Inc. (“Priority”) issued a press release announcing its financial results for the fourth quarter and year ended December 31, 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 March 17, 2022, Priority will hold an earnings conference call and webcast at 11:00 a.m. (Eastern Time) to discuss the financial results for the fourth quarter and year ended December 31, 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.prh.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.

**Exhibit
Number Description**

[99.1 Press Release of Priority Technology Holdings, Inc. dated March 16, 2022](#)

[99.2 Supplemental Slide Presentation](#)

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: March 16, 2022

PRIORITY TECHNOLOGY HOLDINGS, INC.

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



Priority Investor Inquiries:
Chris Kettmann
ckettmann@lincolnchurchilladvisors.com
(773) 497-7575

Priority Technology Holdings, Inc. Announces Fourth Quarter and Full Year 2021 Financial Results

Strong Fourth Quarter Financial Performance with Diversified Growth

ALPHARETTA, GA - March 16, 2022 -- Priority Technology Holdings, Inc. (NASDAQ: PRTH) ("Priority" or the "Company"), a leading payments technology company helping customers collect, store and send money, today announced its fourth quarter and full year 2021 financial results including strong year-over-year diversified revenue growth.

Highlights of Consolidated Results

Fourth Quarter 2021, Compared with Fourth Quarter 2020

Financial highlights of the fourth quarter of 2021 compared with the fourth quarter of 2020, are as follows:

- Revenue of \$144.0 million increased 35.7% from \$106.1 million.
- Gross profit (a non-GAAP measure¹) of \$48.7 million increased 49.8% from \$32.5 million.
- Gross profit margin (a non-GAAP measure¹) of 33.8% increased 320 basis points from 30.6%.
- Operating income of \$12.9 million increased 108.1% from \$6.2 million.
- Adjusted EBITDA (a non-GAAP measure¹) of \$32.9 million increased 80.8% from \$18.2 million.
- Net debt¹ of \$611.6 million decreased \$19.9 million from net debt of \$631.5 million at September 30, 2021.

Full Year 2021, Compared with Full Year 2020

Financial highlights of the full year 2021 compared with the full year 2020, are as follows:

- Revenue of \$514.9 million increased 27.4% from \$404.3 million.
- Gross profit (a non-GAAP measure¹) of \$155.0 million increased 22.0% from \$127.0 million.
- Gross profit margin (a non-GAAP measure¹) of 30.1% decreased 130 basis points from 31.4%.
- Operating income of \$33.1 million increased 58.4% from \$20.9 million.
- Adjusted EBITDA (a non-GAAP measure¹) of \$96.3 million increased 37.0% from \$70.3 million.

¹ See "Non-GAAP Financial Measures" and the reconciliations of Gross Profit, Gross Profit Margin, Adjusted EBITDA and Net Debt, to their most comparable GAAP measures provided below for additional information.

"Our financial performance for the quarter and the year reflects the strength we anticipated and expect to achieve in the months and quarters ahead. We have built a one of a kind technology and operating platform to collect, store and send money to power modern commerce networks," said Tom Priore, Chairman and CEO of Priority. "We remain laser focused on successfully delivering solutions to the SMB, B2B and Enterprise payment segments to create value for our growing network of partners and our shareholders."

Full Year 2022 Financial Guidance

Our outlook is strong, which is reflected in our full-year 2022 guidance.

- Revenue is forecasted to range between \$650 million to \$665 million, a growth rate of 26% to 29%.
- Adjusted EBITDA (a non-GAAP measure) is forecasted to range between \$145 million to \$150 million, a growth rate of 51% to 56%.

Conference Call

Priority Technology Holdings, Inc.'s leadership will host a conference call on Thursday, March 17, 2022 at 11:00 a.m. EDT to discuss its fourth quarter and full year 2021 financial results. Participants can access the call by Phone: US/Canada: (877) 501-3161 or International: (786) 815-8443.

The Internet webcast link and accompanying slide presentation can be accessed at <https://edge.media-server.com/mmc/p/fjwjueo3> and will also be posted in the "Investor Relations" section of the Company's website at www.PRTH.com.

An audio replay of the call will be available shortly after the conference call until March 24, 2022 at 1:30 p.m. EDT. To listen to the audio replay, dial (855) 859-2056 or (404) 537-3406 and enter conference ID number **5278395**. Alternatively, you may access the webcast replay in the "Investor Relations" section of the Company's website at 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:

	(in thousands)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
Revenues	\$ 144,048	\$ 106,091	\$ 514,901	\$ 404,342
Costs of services	(95,358)	(73,641)	(359,885)	(277,374)
Gross profit	<u>\$ 48,690</u>	<u>\$ 32,450</u>	<u>\$ 155,016</u>	<u>\$ 126,968</u>
Gross Profit Margin	<u>33.8 %</u>	<u>30.6 %</u>	<u>30.1 %</u>	<u>31.4 %</u>

EBITDA and 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. 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.

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

	(in thousands)			
	Three Months Ended December 31,		Years Ended December 31,	
	2021	2020	2021	2020
Net (loss) income	\$ 14,094	\$ (1,004)	\$ 1,389	\$ 25,661
Interest expense	11,877	9,385	36,485	44,839
Income tax (benefit) expense	(5,307)	(2,020)	(5,258)	10,899
Depreciation and amortization	17,574	9,889	49,697	40,775
EBITDA	<u>38,238</u>	<u>16,250</u>	<u>82,313</u>	<u>122,174</u>
Debt extinguishment and modification	—	—	8,322	1,899
Gain on sale of business and investment	(7,643)	—	(7,643)	(62,091)
Write-off of equity method investment	—	—	—	211
Selling, general and administrative	1,403	1,180	10,089	5,710
Non-cash stock-based compensation	864	803	3,213	2,430
Adjusted EBITDA	<u>\$ 32,862</u>	<u>\$ 18,233</u>	<u>\$ 96,294</u>	<u>\$ 70,333</u>

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 December 31,		Years Ended December 31,		Segment
	2021	2020	2021	2020	
Selling, general and administrative expenses:					
Legal, professional, accounting and consulting fees	\$ 170	\$ 419	\$ 7,291	\$ 1,222	Corporate
Acquisition transaction services	—	(119)	69	2,628	Enterprise
Other expense, net	1,233	—	2,729	—	Corporate
Intangible carrying value adjustment	—	773	—	1,753	SMB
Change in fair value of contingent consideration	—	(360)	—	(360)	SMB
Write-down of note receivable	—	467	—	467	SMB
	<u>\$ 1,403</u>	<u>\$ 1,180</u>	<u>\$ 10,089</u>	<u>\$ 5,710</u>	

Consolidated Total Debt at December 31, 2021:

Term Facility	\$ 616,900
Revolving Credit Facility	15,000
	<u>631,900</u>
Less unrestricted cash	(20,300)
Consolidated Net Debt	<u>\$ 611,600</u>

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.

About Priority Technology Holdings, Inc.

Priority is a payments powerhouse driving the convergence of payments and banking. The company has built a single platform to collect, store, and send money that operates at scale. We help our customers take and make payments while managing business and consumer operating accounts to monetize payment networks. Our tailored, agile technology powers high-value, payments products bolstered by our industry-leading personalized support. Additional information can be found at 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, our 2022 outlook and statements regarding our market and growth opportunities. Such forward-looking statements are based upon the current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive risks, trends and uncertainties that could cause actual results to differ materially from those projected, expressed, or implied by such forward-looking statements. 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 16, 2022. These filings are available online at www.sec.gov or www.PRTH.com.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences we anticipate or affect us or our operations in the way we expect. You are cautioned not to place undue reliance on forward-looking statements as a predictor of future performance. The forward-looking statements included in this 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.

Priority Technology Holdings, Inc.
Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended December 31,		Years Ended December 31,	
	2021	2020	2021	2020
Revenues	\$ 144,048	\$ 106,091	\$ 514,901	\$ 404,342
Operating expenses				
Costs of services	95,358	73,641	359,885	277,374
Salary and employee benefits	12,010	9,812	43,818	39,507
Depreciation and amortization	17,574	9,889	49,697	40,775
Selling, general and administrative	6,195	6,520	28,408	25,825
Total operating expenses	131,137	99,862	481,808	383,481
Operating income	12,911	6,229	33,093	20,861
Other (expenses) income				
Interest expense	(11,877)	(9,385)	(36,485)	(44,839)
Debt extinguishment and modification costs	—	—	(8,322)	(1,899)
Gain on sale of business and investment	7,643	—	7,643	107,239
Other income, net	110	182	202	596
Total other (expenses) income, net	(4,124)	(9,203)	(36,962)	61,097
Income (loss) before income taxes	8,787	(2,974)	(3,869)	81,958
Income tax (benefit) expense	(5,307)	(2,020)	(5,258)	10,899
Net income (loss)	14,094	(954)	1,389	71,059
Less: Dividends and accretion attributable to redeemable senior preferred stockholders	(8,285)	—	(18,009)	—
Less: NCI preferred unit redemptions, net of deferred tax benefit	2,756	—	(8,021)	—
Less: Net income attributable to redeemable and redeemed NCIs	—	(50)	—	(45,398)
Net income (loss) attributable to common stockholders	\$ 8,565	\$ (1,004)	\$ (24,641)	\$ 25,661
Earnings (loss) per common share:				
Basic	\$ 0.11	\$ (0.01)	\$ (0.34)	\$ 0.38
Diluted	\$ 0.11	\$ (0.01)	\$ (0.34)	\$ 0.38
Weighted-average common shares outstanding:				
Basic	78,467	67,288	71,902	67,158
Diluted	79,013	67,532	71,902	67,263

Priority Technology Holdings, Inc.
Consolidated Balance Sheets

(in thousands)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,300	\$ 9,241
Restricted cash	28,859	78,879
Accounts receivable, net of allowances	58,423	41,321
Prepaid expenses and other current assets	15,807	3,500
Current portion of notes receivable, net of allowances	272	2,190
Settlement assets and customer account balances	479,471	753
Total current assets	603,132	135,884
Notes receivable, less current portion	105	5,527
Property, equipment and software, net	25,233	22,875
Goodwill	365,740	106,832
Intangible assets, net	340,211	98,057
Deferred income taxes, net	8,265	46,697
Other noncurrent assets	9,256	1,957
Total assets	\$ 1,351,942	\$ 417,829
Liabilities, Redeemable Senior Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	\$ 42,523	\$ 29,821
Accrued residual commissions	29,532	23,824
Customer deposits and advance payments	5,021	2,883
Current portion of long-term debt	6,200	19,442
Settlement and customer account obligations	500,291	72,878
Total current liabilities	583,567	148,848
Long-term debt, net of current portion, discounts and debt issuance costs	604,105	357,873
Other noncurrent liabilities	18,349	9,672
Total noncurrent liabilities	622,454	367,545
Total liabilities	1,206,021	516,393
Redeemable senior preferred stock	210,158	—
Stockholders' deficit:		
Preferred stock	—	—
Common stock	77	68
Treasury stock, at cost	(4,091)	(2,388)
Additional paid-in capital	39,835	5,769
Accumulated deficit	(100,058)	(102,013)
Total stockholders' deficit	(64,237)	(98,564)
Total liabilities, redeemable senior preferred stock and stockholders' deficit	\$ 1,351,942	\$ 417,829

Priority Technology Holdings, Inc.
Consolidated Statements of Cash Flows

(in thousands)

	Years Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 1,389	\$ 71,059
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain and transaction costs recognized on sale of business and investment	(7,643)	(112,622)
Depreciation and amortization of assets	49,697	40,775
Stock-based compensation	3,213	2,430
Amortization of debt issuance costs and discounts	2,305	2,396
Write-off of deferred loan costs and discount	2,580	1,523
Deferred income tax (benefit) provision	(2,559)	2,960
Change in fair value of contingent consideration	—	(360)
Payment-in-kind interest	(23,715)	8,573
Impairment charges for intangible asset	—	1,753
Other non-cash items, net	462	444
Change in operating assets and liabilities (net of acquisitions and sale of business and investment):		
Accounts receivable	(16,694)	(5,160)
Prepaid expenses and other current assets	(1,597)	303
Income taxes (receivable) payable	(5,107)	(238)
Notes receivable	333	(2,230)
Accounts payable and other accrued liabilities	7,018	1,343
Customer deposits and advance payments	2,138	(2,045)
Other assets and liabilities, net	(2,443)	1,298
Net cash provided by operating activities	9,377	12,202
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(407,129)	—
Proceeds from sale of business and investment	15,278	179,416
Additions to property, equipment and software	(9,719)	(7,461)
Notes receivable loan funding	—	—
Acquisitions of intangible assets	(49,463)	(5,559)
Net cash (used in) provided by investing activities	(451,033)	166,396
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of issue discount	607,318	—
Debt issuance and modification costs paid	(9,073)	(2,749)
Repayments of long-term debt	(361,425)	(110,507)
Borrowings under revolving credit facility	30,000	7,000
Repayments of borrowings under revolving credit facility	(15,000)	(18,505)
Proceeds from the issuance of redeemable senior preferred stock, net of discount	219,062	—
Redeemable senior preferred stock issuance fees and costs	(8,098)	—
Redemption of redeemable NCI in subsidiary	—	(5,654)
Repurchases of common stock and shares withheld for taxes	(1,703)	—
Dividends paid to redeemable senior preferred stockholders	(7,460)	—
Profit distributions to redeemable non-controlling interests of subsidiaries	(815)	(45,398)
Proceeds from exercise of stock options	1,196	—
Settlement and customer accounts obligations, net	417,627	34,870
Net cash provided by (used in) financing activities	871,629	(140,943)
Net change in cash and cash equivalents, and restricted cash:		
Net increase in cash and cash equivalents, and restricted cash	429,973	37,655
Cash and cash equivalents, and restricted cash at beginning of period	88,120	50,465
Cash and cash equivalents, and restricted cash equivalents at end of period	\$ 518,093	\$ 88,120

Reconciliation of cash and cash equivalents, and restricted cash:
Cash and cash equivalents
Restricted cash
Cash and cash equivalents included in customer account balances
Total cash and cash equivalents, and restricted cash

Years Ended December 31,	
2021	2020
\$ 20,300	\$ 9,241
28,859	78,879
468,934	—
\$ 518,093	\$ 88,120

Priority Technology Holdings, Inc.
Reportable Segments' Results

(in thousands)

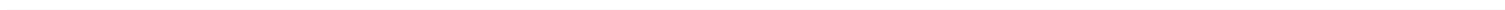
	Three Months Ended December 31,		Years Ended December 31,	
	2021	2020	2021	2020
SMB Payments:				
Revenue	\$ 121,482	\$ 101,483	\$ 475,630	\$ 370,521
Operating expenses	110,978	88,855	422,746	332,624
Operating income	\$ 10,504	\$ 12,628	\$ 52,884	\$ 37,897
Operating margin	8.6 %	12.4 %	11.1 %	10.2 %
Depreciation and amortization	\$ 11,014	\$ 9,532	\$ 41,144	\$ 35,627
Key indicators:				
Merchant bankcard processing dollar value	\$ 13,847,825	\$ 11,070,839	\$ 53,411,622	\$ 42,020,429
Merchant bankcard transaction volume	147,138	120,340	578,102	456,066
B2B Payments:				
Revenue	\$ 5,416	\$ 3,905	17,138	20,922
Operating expenses	4,865	4,390	17,003	19,999
Operating income (loss)	\$ 551	\$ (485)	\$ 135	\$ 923
Operating margin	10.2 %	(12.4) %	0.8 %	4.4 %
Depreciation and amortization	\$ 74	\$ 76	\$ 294	\$ 306
Key indicators:				
Merchant bankcard processing dollar value	\$ 97,447	\$ 53,984	\$ 323,502	\$ 249,779
Merchant bankcard transaction volume	77	30	220	102
Enterprise Payments:				
Revenue	\$ 17,150	\$ 703	\$ 22,133	\$ 12,899
Operating expenses	11,952	\$ 523	15,370	11,000
Operating income	\$ 5,198	\$ 180	\$ 6,763	\$ 1,899
Operating margin	30.3 %	25.6 %	30.6 %	14.7 %
Depreciation and amortization	\$ 6,219	\$ (1)	\$ 7,158	\$ 3,674
Key indicators:				
Merchant bankcard processing dollar value	\$ 13,573	\$ 11,857	\$ 52,376	\$ 46,542
Merchant bankcard transaction volume	144	113	549	487
Operating income of reportable segments	\$ 16,253	\$ 12,323	\$ 59,782	\$ 40,719
Less: Corporate expense	(3,342)	(6,094)	(26,689)	(19,858)
Consolidated operating income	\$ 12,911	\$ 6,229	\$ 33,093	\$ 20,861
Corporate depreciation and amortization	\$ 268	\$ 282	\$ 1,101	\$ 1,168
Key indicators:				
Merchant bankcard processing dollar value	\$ 13,958,845	\$ 11,136,680	\$ 53,787,500	\$ 42,316,750
Merchant bankcard transaction volume	147,359	120,483	578,871	456,655



PRIORITY TECHNOLOGY HOLDINGS

Priority (Nasdaq: PRTH)

Supplemental Slides: Fourth Quarter 2021 Earnings Call
March 17, 2022





DISCLAIMER

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

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

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

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

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



PRIORITY – THE PAYMENTS POWERHOUSE

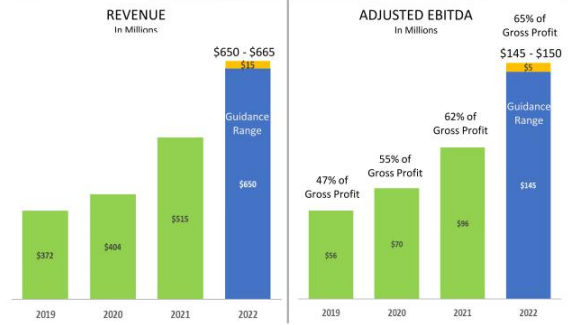
PRIORITY OVERVIEW

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

Priority's solutions are delivered via internally developed payment applications and services to the **SMB Payments**, **B2B Payments**, and **Enterprise Payments** business segments

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

PRIORITY AT A GLANCE



340K+ Subscriber Bank Accounts



240k+ Active Merchants

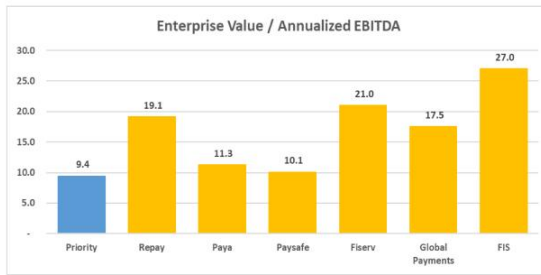


\$90B+ in Annual Payment Volume



STRONG FINANCIAL PERFORMANCE with PEER VALUATION DISCOUNT

ENTERPRISE VALUE MULTIPLE¹



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

PRTH KEY 2021 PERFORMANCE METRICS³

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

(2) 2-year CAGR

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

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



PRIORITY

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

Direct | ISV | Reseller

SMB PAYMENTS	
MX Merchant	MX Connect
e tab	LandlordStation
PayRight	Cumulus

Direct | ISV | Reseller

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

Direct | ISV

ENTERPRISE PAYMENTS	
CFTPay	CFTConnect
Passport Enterprise	

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

PASSPORT PLATFORM ARCHITECTURE (SHARED MACRO/MICRO SERVICES)

COMMERCE

Card Processing • Compliance
Card Issuing • Pay Fac

BANKING

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

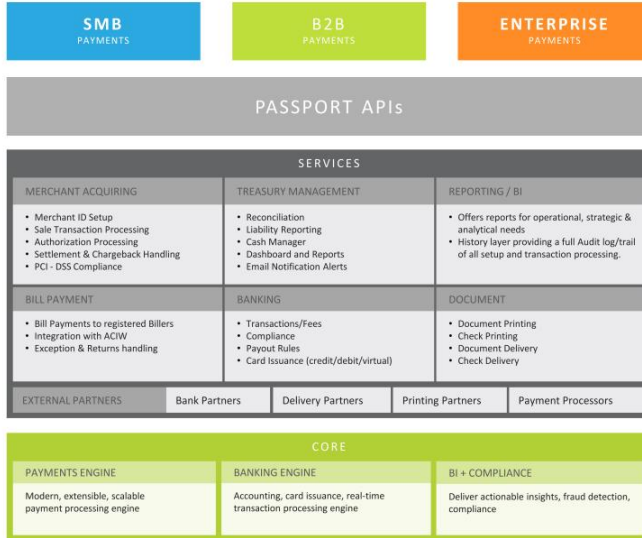
DATA SCIENCE

Data Warehouse • Business Intelligence
Data Science • Visualization

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



PASSPORT ARCHITECTURE



SIMPLE

Choose Your Own Adventure...

- Simple APIs that are Functionally Rich
- Component Design Allows for Configuration at Level You Want
- Pick & Choose Services You Need



SCALABLE

Even sky is not the limit...

- Cloud native microservice architecture
- Scales with your needs



SECURED

Compliant, security first infrastructure and operations

- Data Events Processed Against Fraud Rulesets
- Automated Reconciliation
- SOC Operations with MI, AI & UEBA
- 99.999% Uptime Target
- Multidata center
- Multi Cloud — Enterprise Grade



& more...



MX™ CONNECT

SMB
PAYMENTS

Enterprise Operating System Monetizing Merchant Networks and Driving Operational Efficiency

Overview

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

- Seamless, electronic onboarding to improve merchant acquisition
- Superior data sharing capability and reporting, enabling partners to better manage business needs and retain merchants
- Automated risk & underwriting management
- Operational efficiencies afforded through client services and commission processing
- Serves a range of reseller partners, including:
 - ISOs & Agents
 - Direct Sales Channels
 - ISVs & VARs
 - Banks & FIs



1,250+

PARTNER / RESELLER
ACCOUNTS



4,300+

NEW MERCHANT ONBOARDS PER
MONTH



80%+

PERCENT OF INTEGRATED OR
SEMI-INTEGRATED REVENUE



MX™ MERCHANT SUITE

SMB
PAYMENTS

The MX™ Merchant platform offers full-service payment processing and payment-enabled solutions for B2C transactions

Overview

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

- Fully customizable platform through proprietary & 3rd party add-on applications, including (but not limited to):
 - MX™ Merchant
 - MX™ Invoice
 - MX™ QuickBooks Sync
 - MX™ Insights
 - MX™ B2B Interchange Optimizer
 - ACH.COM
- Safe and secure, cloud-based payments platform
- Process credit card, cash and/or checks/ACH
- PCI compliant



240K+

MERCHANT ACCOUNTS



666M+

ANNUAL TOTAL
TRANSACTIONS



\$62B+

ANNUAL CARD VOLUME
PROCESSED



Commercial Payments Exchange (CPX)

B2B
PAYMENTS

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

Overview

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

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



75K
SUPPLIERS ENROLLED



\$26B
ISSUING VOLUME (ANNUAL)
ENROLLED



46
FINANCIAL INSTITUTIONS
SUPPORTED



ENTERPRISE PAYMENTS



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

PASSPORT APIS



Integrate with Existing Financial Solutions or with In-House Products



CORE BANKING



LENDING



CARD MANAGEMENT & PAYMENTS



MORE...



INNOVATIVE PAYMENT SOLUTIONS DONE WITH EASE...

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

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

★
Single Virtual Ledger for Having One View of Customer
Eases reconciliation to allow 'closing your books daily or even more frequent'
Automated reconciliation so you build your workflow with confidence

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

★
Time Tested & Improving Continuously
PRTH existing products utilize Passport and are thriving
and stays at par with changing regulatory requirements

★
Talented & Matured Fintech Operations Resource
Pool to Support Your Journey

PRIORITY VALUE PROPOSITION

PASSPORT PLATFORM SOLUTIONS

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

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



Fourth Quarter 2021 Highlights

- **Revenue of \$144.0 million** increased 35.7% from \$106.1 million in Q4 2020
- **Gross profit of \$48.7 million** increased 49.8% from \$32.5 million in Q4 2020
- **Gross profit margin of 33.8%** increased 320 basis points from 30.6% in Q4 2020
- **Operating income of \$12.9 million** increased 108.1% from \$6.2 million in Q4 2020
- **Adjusted EBITDA of \$32.9 million** increased 80.8% from \$18.2 million in Q4 2020

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





Revenue

SMB Revenue of \$121.5 million increased 19.7% from \$101.5 million

- **SMB revenue** key growth drivers included:
 - **Bankcard Volume of \$13.848 billion** increased \$2.777 billion, or 25.1%, from \$11.071 billion
 - **Bankcard Transactions of 147.1 million** increased 26.8 million, or 22.3%, from 120.3 million
 - **Average Ticket of \$94.11** increased \$2.11, or 2.3%, from \$92.00
- **Average Merchant Count of 240,092** in fourth quarter 2021 grew 8.4% over fourth quarter 2020
- **New monthly merchant boards** averaged 4,486 during 2021
 - Historically, new monthly boards average of 4,300 – 5,000

	Fourth Quarter		
	2021	2020	Variance
SMB Payments:			
Merchant bankcard processing dollar value	\$ 13,847.8	\$ 11,070.8	25.1%
Merchant bankcard transaction volume	147.1	120.3	22.3%
Average Ticket	\$ 94.11	\$ 92.00	2.3%

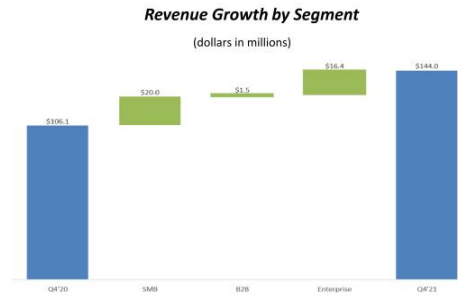
	Year to Date - Dec 2021		
	2021	2020	Variance
SMB Payments:			
Merchant bankcard processing dollar value	\$ 53,411.6	\$ 41,570.2	28.5%
Merchant bankcard transaction volume	578.1	453.2	27.6%
Average Ticket	\$ 92.39	\$ 91.73	0.7%



Revenue

B2B Revenue of \$5.4 million increased 38.5% from \$3.9 million
Enterprise Revenue of \$17.1 million increased \$16.4 million from \$0.7 million

- **B2B revenue** key growth drivers included:
 - **CPX** increased 73.3% to \$2.6 million from \$1.5 million driven by volume and customer growth
 - **Managed Services** increased 20.8% to \$2.9 million from \$2.4 million, driven by program growth
- **Enterprise revenue** key growth driver was the September 2021 acquisition of CFT Pay (Finxera)



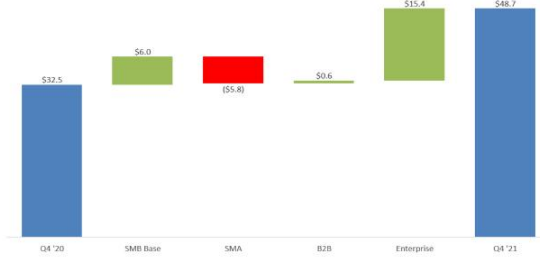


Gross Profit

Gross Profit of \$48.7 million increased 49.8% from \$32.5 million

- **SMB gross profit of \$30.5 million** increased 0.7% from \$30.3 million in Q4 2020
 - Specialized Merchant Acquiring (SMA) gross profit of \$1.5 million declined \$5.8 million from \$7.3 million in Q4 2020 due to a temporary pullback from risk paring actions
 - SMB gross profit increased 26.0%, excluding the SMA decline
- **B2B gross profit of \$2.6 million** increased 30.0% from \$2.0 million in Q4 2020
- **Enterprise gross profit of \$15.6 million** increased \$15.5 million from \$0.1 million in Q4 2020

Gross Profit Growth by Segment
(dollars in millions)

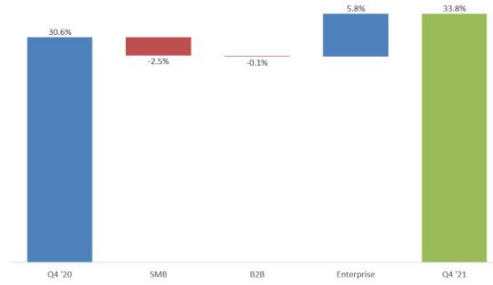




Gross Profit Margin

Gross Profit Margin of 33.8% increased 320 basis points from 30.6%

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

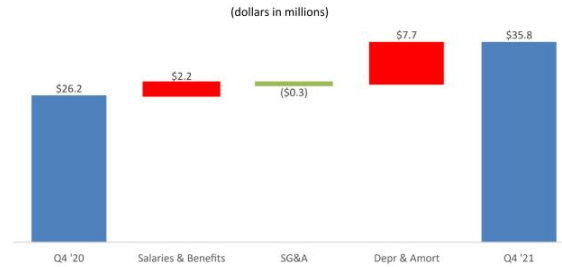




Other Operating Expenses

Other Operating Expenses of \$35.8 million increased 36.6% from \$26.2 million

- **Salaries and Benefits of \$12.0 million** increased 22.4% from \$9.8 million in Q4 2020
 - Growth driven by Finxera acquisition and headcount growth
- **SG&A of \$6.2 million** decreased 4.6% from \$6.5 million in Q4 2020
- **Depreciation & Amortization of \$17.6 million** increased \$7.7 million from \$9.9 million in Q4 2020
 - Growth driven by acquisitions





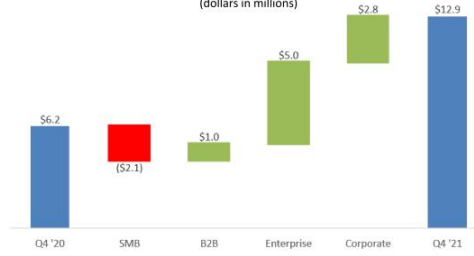
Operating Income

Operating Income of \$12.9 million increased 108.1% from \$6.2 million

- **SMB operating income of \$10.5 million** decreased \$2.1 million from \$12.6 million in Q4 2020
 - Specialized Merchant Acquiring (SMA) gross profit decline \$5.8 million
 - SMB operating income increased \$3.7 million, excluding the SMA decline
- **B2B operating income of \$0.5 million** increased \$1.0 million from a loss of (\$0.5) million in Q4 2020
- **Enterprise operating income of \$5.2 million** increased \$5.0 million from \$0.2 million in Q4 2020
- **Corporate expense of (\$3.3) million** decreased \$2.8 million from (\$6.1) million in Q4 2020

Increase in Operating Income by Segment

(dollars in millions)





Adjusted EBITDA

Strong Adjusted EBITDA Growth in Q4 and Full Year

- Q4 Adjusted EBITDA of \$32.9 million increased 80.8% from \$18.2 million
- Full Year Adjusted EBITDA of \$96.3 million increased 37.0% from \$70.3 million

(dollars in millions)

	2021					2020	
	Q1	Q2	Q3	Q4	Year	Q4	Year
EBITDA Walk							
Consolidated net income (loss) (GAAP)	(\$2.7)	(\$9.5)	(\$0.5)	\$14.1	\$1.4	(\$1.0)	\$25.7
Add: Interest expense	9.2	7.3	8.2	11.9	36.5	9.4	44.8
Add: Depreciation and amortization	9.1	10.7	12.3	17.6	49.7	9.9	40.8
Add: Income tax expense (benefit)	(2.2)	1.5	0.8	(5.3)	(5.3)	(2.0)	10.9
EBITDA (non-GAAP)	13.3	10.0	20.7	38.2	82.3	16.3	122.2
Further adjusted by:							
Add: Non-cash stock-based compensation	0.6	0.9	0.9	0.9	3.2	0.8	2.4
Add (Deduct): Non-recurring expenses (income):							
Debt extinguishment and modification costs	0.0	8.3	0.0	0.0	8.3	0.0	1.9
(Gain) on Investment	0.0	0.0	0.0	(7.6)	(7.6)	0.0	(61.9)
Legal, professional, accounting and other SG&A ⁽¹⁾	4.4	2.1	2.2	1.4	10.1	1.2	5.7
Adjusted EBITDA (non-GAAP Performance Measure)	\$18.3	\$21.3	\$23.9	\$32.9	\$96.3	\$18.2	\$70.3
⁽¹⁾ Previously reported	\$4.1	\$1.8	\$1.9				



Other Income (Expense)

Components of Q4 and Full Year 2021 and 2020 Other Income (Expense)

- **Other income of \$7.8 million** in Q4 2021 includes a \$7.6 million net gain on disposition of an investment

	Fourth Quarter		YTD	
	2021	2020	2021	2020
<i>(dollars in Millions)</i>				
Other Income (Expense):				
Debt extinguishment and modification costs	\$ -	\$ -	\$ (8.3)	\$ (1.9)
Gain / (Loss) Investments ¹	7.6	-	7.6	107.2
Other income, net	0.1	0.2	0.2	0.6
Total Other Income (Expense)	\$ 7.8	\$ 0.2	\$ (0.5)	\$ 105.9

¹ Gain / (Loss) Investments for 2020 Excludes Non-controlling Interest Exp of \$45 million



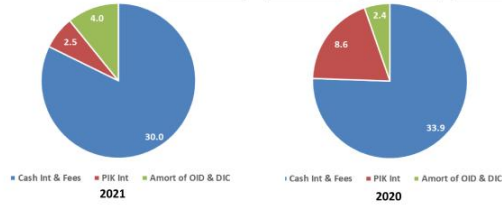
Interest Expense

Components of Q4 and Full Year 2021 and 2020 Interest Expense

- **Interest expense of \$11.9 million** increased \$2.5 million from \$9.4 million in Q4 2020
 - Total outstanding debt of \$631.9 million at December 31, 2021 increased \$249.9 million from \$382.0 million at December 31, 2020 due to acquisition financing
 - Lower interest rates on borrowing in Q4 2021 compared with Q4 2020
 - Term loan interest rate of 6.75% in Q4 2021 is 75 bps below 7.5% in Q4 2020
 - Subordinated loan, fully repaid in April 2021, carried an interest rate of 12.5%

(dollars in Millions)

	Fourth Quarter		Full Year	
	2021	2020	2021	2020
Cash Interest & Fees	\$ 11.2	\$ 6.9	\$ 30.0	\$ 33.9
PIK Interest	-	1.9	2.5	8.6
Amortization of OID & DIC	0.7	0.6	4.0	2.4
	<u>\$ 11.9</u>	<u>\$ 9.4</u>	<u>\$ 36.5</u>	<u>\$ 44.8</u>



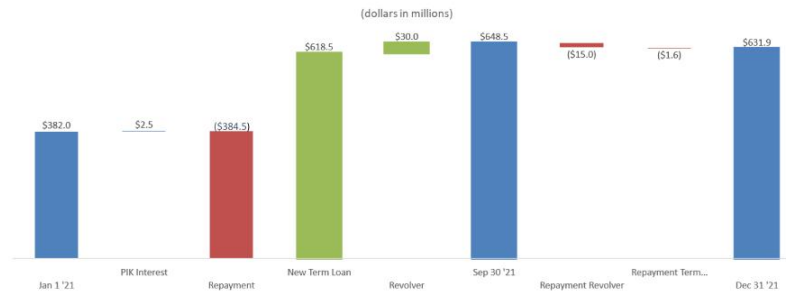


Outstanding Debt Walk

Declining Debt Balances

- Total Debt of \$631.9 million decreased \$16.6 million from \$648.5 million at September 30, 2021
 - Net Debt of \$611.6 million decreased by \$19.9 million from \$631.5 million at September 30, 2021

	Q4 2021	Q3 2021	Change
Debt:			
Long-term portion, net	\$604.1	\$620.0	(\$15.9)
Current portion	6.2	6.2	0.0
Balance Sheet	610.3	626.2	(15.9)
Unamortized Deferred	21.6	22.3	(0.7)
Total Debt	631.9	648.5	(16.6)
Unrestricted Cash	20.3	17.0	3.3
Net Debt	\$611.6	\$631.5	(\$19.9)





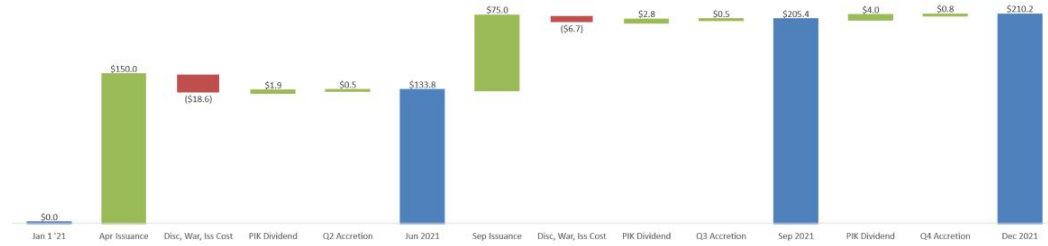
Senior Preferred Stock Walk

Senior Preferred Stock of \$210.2 million, Net of \$23.5 million of Unaccreted Discounts and Issuance Costs

- Fourth quarter and full year dividends and accretion is as follows:

(dollars in millions)

	Q4	Year
Dividend:		
Payment-in-Kind	\$4.0	\$8.7
Cash	3.4	7.5
	<u>7.4</u>	<u>16.2</u>
Accretion	<u>0.8</u>	<u>1.8</u>
	<u>\$8.2</u>	<u>\$18.0</u>





2022 Financial Guidance

- The Company's outlook for full year 2022 is follows:
 - **Revenue is forecast to range between \$650 to \$665 million**, a growth rate of 26% to 29%, and
 - **Adjusted EBITDA is forecast to range between \$145 to \$150 million**, a growth rate of 51% to 56%
 - EBITDA is forecast to strengthen in each successive quarter of 2022, reflecting the increasing build of positive EBITDA trends in each of our segments
 - **Free cash flow conversion⁽¹⁾ is forecast to be approximately 50%**
 - Available for strategic investment (capital expenditures and acquisitions), any unplanned non-recurring expenses, and net debt reduction

(1) Free cash flow conversion is defined as free cash flow as a percentage of adjusted EBITDA. Free cash flow is defined as adjusted EBITDA less cash interest, cash dividends, cash taxes and scheduled debt amortization.



BUILT TO POWER MODERN COMMERCE

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

