

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

May 11, 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,

(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

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 May 11, 2022, Priority Technology Holdings, Inc. ("Priority") issued a press release announcing its financial results for the quarter ended March 31, 2022. 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 May 11, 2022, Priority will hold an earnings conference call and webcast at 11:00 a.m. (Eastern Time) to discuss the financial results for the quarter ended March 31, 2022. 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 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 May 11, 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: May 11, 2022

PRIORITY TECHNOLOGY HOLDINGS, INC.

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



Priority Investor Inquiries:
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Priority Technology Holdings, Inc. Announces First Quarter Financial Results

Strong First Quarter Revenue Growth Across all Business Segments

ALPHARETTA, GA - May 11, 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 first quarter 2022 financial results including strong quarter-over-quarter diversified revenue growth.

Highlights of Consolidated Results

First Quarter 2022, Compared with First Quarter 2021

Financial highlights of the first quarter of 2022 compared with the first quarter of 2021, are as follows:

- Revenue of \$153.2 million increased 35.2% from \$113.3 million.
- Gross profit (a non-GAAP measure¹) of \$51.8 million increased \$20.4 million from \$31.4 million.
- Gross profit margin (a non-GAAP measure¹) of 33.8% increased 610 basis points from 27.7%.
- Operating income of \$10.8 million increased 140.0% from \$4.5 million.
- Adjusted EBITDA (a non-GAAP measure¹) of \$30.3 million increased 68.3% from \$18.0 million.

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

"The momentum we established in 2021 continued to build in the first quarter of 2022 driven by strong growth in each of our business segments," said Tom Priore, Chairman and CEO of Priority. "Priority's modern commerce platform is being embraced by customers in SMB, B2B and Enterprise payments and our results – particularly through the recent economic turbulence – clearly demonstrate our strong competitive positioning that can continue to achieve industry leading performance."

Full Year 2022 Financial Guidance

Priority's outlook remains strong and we are reaffirming 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 Wednesday, May 11, 2022 at 11:00 a.m. EDT to discuss its first quarter 2022 financial results. Participants can access the call by phone in the U.S. or Canada at (877) 501-3161 or internationally at (786) 815-8443.

The Internet webcast link and accompanying slide presentation can be accessed at <https://edge.media-server.com/mmc/p/sorgi7rd> 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 May 18, 2022 at 2:00 p.m. EDT. To listen to the audio replay, dial (855) 859-2056 or (404) 537-3406 and enter conference ID number **7068926**. 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:

	<i>(in thousands)</i>	
	Three Months Ended March 31,	
	2022	2021
Revenues	\$ 153,239	\$ 113,297
Costs of services	(101,480)	(81,863)
Gross profit	\$ 51,759	\$ 31,434
Gross profit margin	33.8 %	27.7 %

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:

	<i>(in thousands)</i>	
	Three Months Ended March 31,	
	2022	2021
Net loss	\$ (333)	\$ (2,679)
Interest expense	11,535	9,168
Income tax benefit	(325)	(2,231)
Depreciation and amortization	17,353	9,070
EBITDA	28,230	13,328
Selling, general and administrative	310	3,627
Non-cash stock-based compensation	1,558	558
Other non-operating expense	225	488
Adjusted EBITDA	\$ 30,323	\$ 18,001

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

	<i>(in thousands)</i>	
	Three Months Ended March 31,	
	2022	2021
Selling, general and administrative expenses:		
Certain legal fees	\$ 164	\$ 1,843
Professional, accounting and consulting fees	146	1,784
	\$ 310	\$ 3,627

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 17, 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.
Unaudited Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2022	2021
Revenues	\$ 153,239	\$ 113,297
Operating expenses		
Costs of services	101,480	81,863
Salary and employee benefits	16,077	9,548
Depreciation and amortization	17,353	9,070
Selling, general and administrative	7,503	8,289
Total operating expenses	142,413	108,770
Operating income	10,826	4,527
Other (expense) income		
Interest expense	(11,535)	(9,168)
Other income (expense), net	51	(269)
Total other expense, net	(11,484)	(9,437)
Loss before income taxes	(658)	(4,910)
Income tax benefit	(325)	(2,231)
Net loss	(333)	(2,679)
Less: Dividends and accretion attributable to redeemable senior preferred stockholders	(8,400)	—
Net loss attributable to common stockholders	\$ (8,733)	\$ (2,679)
Loss per common share:		
Basic and diluted	\$ (0.11)	\$ (0.04)
Weighted-average common shares outstanding:		
Basic and diluted	78,597	67,543

Priority Technology Holdings, Inc.
Unaudited Consolidated Balance Sheets

(in thousands)

	March 31, 2022		December 31, 2021
Assets			
Current assets:			
Cash and cash equivalents	\$ 13,557	\$	20,300
Restricted cash	13,588		28,859
Accounts receivable, net of allowances	72,863		58,423
Prepaid expenses and other current assets	12,378		15,807
Current portion of notes receivable	652		272
Settlement assets and customer account balances	498,616		479,471
Total current assets	611,654		603,132
Notes receivable, less current portion	2,027		105
Property, equipment and software, net	25,397		25,233
Goodwill	365,740		365,740
Intangible assets, net	325,084		340,211
Deferred income taxes, net	11,493		8,265
Other noncurrent assets	8,944		9,256
Total assets	\$ 1,350,339	\$	1,351,942
Liabilities, Redeemable Senior Preferred Stock and Stockholders' Deficit			
Current liabilities:			
Accounts payable and accrued expenses	\$ 43,464	\$	42,523
Accrued residual commissions	34,372		29,532
Customer deposits and advance payments	5,008		5,021
Current portion of long-term debt	6,200		6,200
Settlement and customer account obligations	503,731		500,291
Total current liabilities	592,775		583,567
Long-term debt, net of current portion, discounts and debt issuance costs	598,403		604,105
Other noncurrent liabilities	15,677		18,349
Total noncurrent liabilities	614,080		622,454
Total liabilities	1,206,855		1,206,021
Redeemable senior preferred stock	215,053		210,158
Stockholders' deficit:			
Preferred stock	—		—
Common stock	78		77
Treasury stock, at cost	(4,248)		(4,091)
Additional paid-in capital	32,992		39,835
Accumulated deficit	(100,391)		(100,058)
Total stockholders' deficit	(71,569)		(64,237)
Total liabilities, redeemable senior preferred stock and stockholders' deficit	\$ 1,350,339	\$	1,351,942

Priority Technology Holdings, Inc.
Unaudited Consolidated Statements of Cash Flows

(in thousands)

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (333)	\$ (2,679)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of assets	17,353	9,070
Stock-based compensation	1,558	558
Amortization of debt issuance costs and discounts	848	590
Deferred income tax benefit	(3,227)	(2,299)
PIK interest	—	1,924
Other non-cash items, net	—	(64)
Change in operating assets and liabilities:		
Accounts receivable	(14,440)	(9,575)
Prepaid expenses and other current assets	164	(539)
Income taxes payable (receivable)	2,913	(44)
Notes receivable	98	862
Accounts payable and other accrued liabilities	5,316	8,633
Customer deposits and advance payments	(13)	2,604
Other assets and liabilities, net	(624)	59
Net cash provided by operating activities	9,613	9,100
Cash flows from investing activities:		
Additions to property, equipment and software	(2,370)	(2,754)
Notes receivable loan funding	(2,400)	—
Acquisitions of intangible assets	(941)	(2,937)
Net cash used in investing activities	(5,711)	(5,691)
Cash flows from financing activities:		
Repayments of long-term debt	(1,550)	(4,860)
Repayments of borrowings under revolving credit facility	(5,000)	—
Dividends paid to redeemable senior preferred stockholders	(3,505)	—
Settlement and customer accounts obligations, net	12,749	(22,526)
Other financing activities	(156)	617
Net cash provided by (used in) financing activities	2,538	(26,769)
Net change in cash and cash equivalents, and restricted cash:		
Net increase in cash and cash equivalents, and restricted cash	6,440	(23,360)
Cash and cash equivalents, and restricted cash at beginning of period	518,093	88,120
Cash and cash equivalents, and restricted cash equivalents at end of period	\$ 524,533	\$ 64,760
Reconciliation of cash and cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 13,557	\$ 5,827
Restricted cash	13,588	58,933
Customer account balances	497,388	—
Total cash and cash equivalents, and restricted cash	\$ 524,533	\$ 64,760

Priority Technology Holdings, Inc.
Reportable Segments' Results

(in thousands)

	Three Months Ended March 31,	
	2022	2021
SMB Payments:		
Revenue	\$ 129,959	\$ 109,101
Operating expenses	117,473	95,812
Operating income	\$ 12,486	\$ 13,289
Operating margin	9.6 %	12.2 %
Depreciation and amortization	\$ 10,824	\$ 8,708
Key indicators:		
Merchant bankcard processing dollar value	\$ 14,076,847	\$ 11,883,166
Merchant bankcard transaction volume	145,948	127,583
B2B Payments:		
Revenue	\$ 5,925	\$ 3,500
Operating expenses	5,516	3,909
Operating income (loss)	\$ 409	\$ (409)
Operating margin	6.9 %	(11.7) %
Depreciation and amortization	\$ 73	\$ 74
Key indicators:		
Merchant bankcard processing dollar value	\$ 108,407	\$ 63,650
Merchant bankcard transaction volume	88	39
Enterprise Payments:		
Revenue	\$ 17,355	\$ 696
Operating expenses	12,861	532
Operating income	\$ 4,494	\$ 164
Operating margin	25.9 %	23.6 %
Depreciation and amortization	\$ 6,197	\$ —
Key indicators:		
Merchant bankcard processing dollar value	\$ 216,398	\$ —
Merchant bankcard transaction volume	372	—
Operating income of reportable segments	\$ 17,389	\$ 13,044
Less: Corporate expense	(6,563)	(8,517)
Consolidated operating income	\$ 10,826	\$ 4,527
Corporate depreciation and amortization	\$ 259	\$ 288
Key indicators:		
Merchant bankcard processing dollar value	\$ 14,401,652	\$ 11,946,816
Merchant bankcard transaction volume	146,408	127,622



PRIORITY TECHNOLOGY HOLDINGS

Priority (Nasdaq: PRTH)

Supplemental Slides: First Quarter 2022 Earnings Call
May 11, 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.



First Quarter 2022 Highlights

- **Revenue of \$153.2 million** increased 35.2% from \$113.3 million in Q1 2021
- **Gross profit of \$51.8 million** increased 65.0% from \$31.4 million in Q1 2021
- **Gross profit margin of 33.8%** increased 610 basis points from 27.7% in Q1 2021
- **Operating income of \$10.8 million** increased 140.0% from \$4.5 million in Q1 2021
- **Adjusted EBITDA of \$30.3 million** increased 68.3% from \$18.0 million in Q1 2021

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





Excluding CFTPay and Specialized Acquiring

- **Revenue of \$132.2 million** increased 30.9% from \$101.0 million in Q1 2021
- **Adjusted EBITDA of \$17.0 million** increased 63.5% from \$10.4 million in Q1 2021

Revenue and Adjusted EBITDA, Adjusted to Exclude CFTPay and Specialized Acquiring

(dollars in millions)

	First Quarter		Growth	
	2022	2021	\$	%
REVENUE				
Consolidated	\$153.2	\$113.3	\$39.9	35.2%
CFTPay	16.9		16.9	
Specialized Acquiring	4.1	12.3	(8.2)	
Excluding CFTPay and Specialized Acquiring	<u>\$132.2</u>	<u>\$101.0</u>	<u>\$31.2</u>	<u>30.9%</u>
ADJUSTED EBITDA				
Consolidated	\$30.3	\$18.0	\$12.3	68.3%
CFTPay	11.1		11.1	
Specialized Acquiring	2.2	7.6	(5.4)	
Excluding CFTPay and Specialized Acquiring	<u>\$17.0</u>	<u>\$10.4</u>	<u>\$6.6</u>	<u>63.5%</u>

Any differences are due to rounding.



PRIORITY – THE PAYMENTS POWERHOUSE

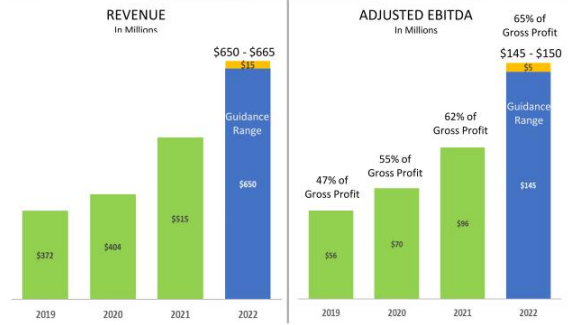
PRIORITY OVERVIEW

- 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



360K+ Subscriber Bank Accounts



245k+ Active Merchants



\$90B+ in Annual Payment Volume



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



SMB PAYMENTS

MX™ CONNECT

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

MX™ MERCHANT SUITE

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

COMPARATIVE FINANCIAL PERFORMANCE¹

Peer Group	FY 2021 Revenue Growth	FY 2021 EBITDA Growth
Priority Technology	27.3%	36.9%
Global Payments	14.8%	40.3%
FIS Global	10.6%	16.3%
Fiserv	9.3%	17.7%
Paysafe	4.2%	4.3%

(1) Management calculations based on recent publicly available information



1,250+

PARTNER / RESELLER ACCOUNTS



4,600+

NEW MERCHANT ONBOARDS PER MONTH



80%+

PERCENT OF INTEGRATED OR SEMI-INTEGRATED REVENUE



245K+

MERCHANT ACCOUNTS



687M+

ANNUAL TOTAL TRANSACTIONS



\$64B+

ANNUAL CARD VOLUME PROCESSED



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



Revenue

SMB Revenue of \$130.0 million increased 19.2% from \$109.1 million

- **SMB revenue** key growth drivers included:
 - **Bankcard Volume of \$14.1 billion** increased \$2.2 billion, or 18.5%, from \$11.9 billion
 - **Bankcard Transactions of 145.9 million** increased 18.4 million, or 14.4%, from 127.6 million
 - **Average Ticket of \$96.45** increased \$3.31, or 3.6%, from \$93.14
- **Average Merchant Count of 243,383** in first quarter 2022 grew 7.3% over first quarter 2021
- **New monthly merchant boards** averaged 4,675 during Q1 2022
 - Historically, new monthly boards average 4,300 – 5,000

	First Quarter		
	2022	2021	Variance
SMB Payments:			
Merchant bankcard processing dollar value	\$ 14,076.8	\$ 11,883.2	18.5%
Merchant bankcard transaction volume	145.9	127.6	14.4%
Average Ticket	\$ 96.45	\$ 93.14	3.6%

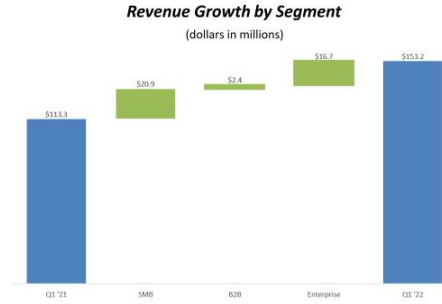
Any differences are due to rounding.



Revenue

B2B Revenue of \$5.9 million increased 68.6% from \$3.5 million
Enterprise Revenue of \$17.4 million increased \$16.7 million from \$0.7 million

- **B2B revenue** key growth drivers included:
 - **Managed Services** increased 44.4% to \$2.6 million from \$1.8 million, driven by program growth
 - **CPX** increased 94.1% to \$3.3 million from \$1.7 million driven by new customer additions, volume increases within existing customers, and a minimum revenue recovery from a 2020 contract termination. The growth rate was 41.2% excluding the recovery.
- **Enterprise revenue** increased \$16.7 million from \$0.7 million. CFTPay (Finxera), acquired in September 2021, drove the growth.



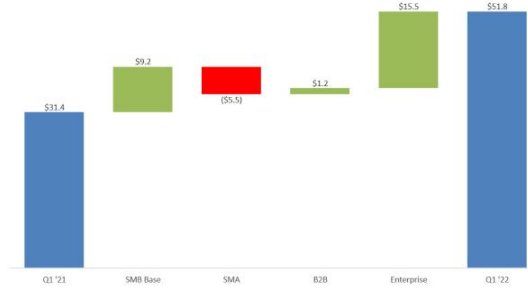


Gross Profit

Gross Profit of \$51.8 million increased 65.0% from \$31.4 million

- **SMB gross profit of \$32.9 million** increased 12.7% from \$29.2 million in Q1 2021
 - Specialized Merchant Acquiring (SMA) gross profit of \$2.2 million declined \$5.5 million from \$7.7 million in Q1 2021 due to a temporary pullback from risk paring actions
 - SMB gross profit increased 44.3%, excluding the SMA decline
- **B2B gross profit of \$3.2 million** increased 60.0% from \$2.0 million in Q1 2021
- **Enterprise gross profit of \$15.7 million** increased \$15.5 million from \$0.2 million in Q1 2021

Gross Profit Growth by Segment
(dollars in millions)



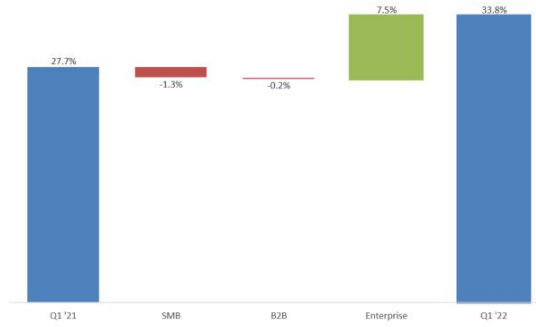


Gross Profit Margin

Gross Profit Margin of 33.8% increased 610 basis points from 27.7%

- **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

Gross Profit Margin change by Segment

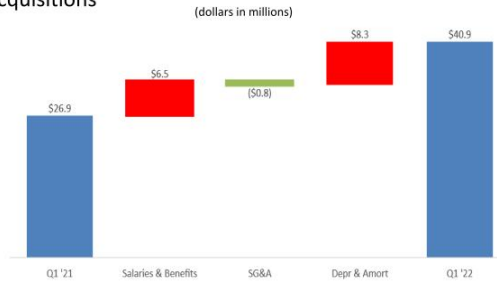




Other Operating Expenses

Other Operating Expenses of \$40.9 million increased 52.0% from \$26.9 million

- **Salaries and Benefits of \$16.1 million** increased 67.8% from \$9.6 million in Q1 2021
 - Growth driven by the CFTPay (Finxera) acquisition, other headcount growth and \$1.0 million of higher non-cash, stock-based compensation
- **SG&A of \$7.5 million** decreased 9.6% from \$8.3 million in Q1 2021
 - Includes non-recurring expenses of \$4.1 million in Q1 2021 and \$0.5M in Q1 2022
 - Recurring growth is largely the result of the significant increase in size of the Company
- **Depreciation & Amortization of \$17.4 million** increased \$8.3 million from \$9.1 million in Q1 2021, driven by acquisitions



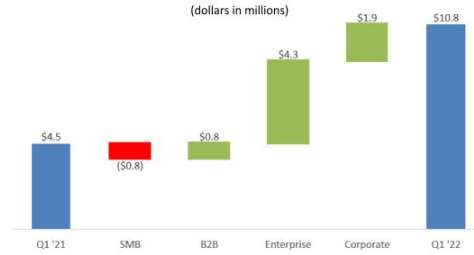


Operating Income

Operating Income of \$10.8 million increased 140.0% from \$4.5 million

- **SMB operating income of \$12.5 million** decreased \$0.8 million from \$13.3 million in Q1 2021
 - Specialized Merchant Acquiring (SMA) gross profit declined \$5.5 million
 - SMB operating income increased \$4.7 million, excluding the SMA decline
- **B2B operating income of \$0.4 million** increased \$0.8 million from a loss of (\$0.4) million in Q1 2021
- **Enterprise operating income of \$4.5 million** increased \$4.3 million from \$0.2 million in Q1 2021
- **Corporate expense of (\$6.6) million** decreased \$1.9 million from (\$8.5) million in Q1 2021
 - Includes non-recurring expenses of \$4.1 million in Q1 2021 and \$0.5M in Q1 2022
 - Recurring growth is largely the result of increased headcount, non-cash stock-based compensation, and other administrative expenses.

Increase in Operating Income by Segment





Adjusted EBITDA

Strong Adjusted EBITDA Growth in Q1

- Q1 2022 Adjusted EBITDA of \$30.3 million increased 68.3% from \$18.0 million in Q1 2021

EBITDA Walk		
(dollars in millions)		
	2022	2021
	Q1	Q1
Consolidated net income (loss) (GAAP)	\$ (0.3)	\$ (2.7)
Add: Interest expense	11.5	9.2
Add: Depreciation and amortization	17.4	9.1
Add: Income tax expense (benefit)	(0.3)	(2.2)
EBITDA (non-GAAP)	28.2	13.3
Further adjusted by:		
Add: Non-cash stock-based compensation	1.6	0.6
Add: Non-recurring expenses:	-	-
Debt extinguishment and modification costs	-	-
(Gain) on Investment	-	-
Legal, professional, accounting and other SG&A	0.5	4.1
Adjusted EBITDA (non-GAAP)	\$ 30.3	\$ 18.0



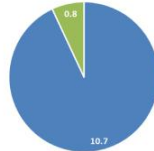
Interest Expense

Components of Q1 2022 and 2021 Interest Expense

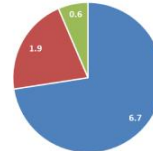
- **Interest expense of \$11.5 million** increased \$2.3 million from \$9.2 million in Q1 2021
 - Total outstanding debt of \$625.4 million at March 31, 2022 increased \$246.3 million from \$379.1 million at March 31, 2021 due to acquisition financing
 - Lower interest rates on borrowing in Q1 2022 compared with Q1 2021
 - Term loan interest rate of 6.75% in Q1 2022 is 75 bps below 7.5% in Q1 2021
 - Subordinated loan, fully repaid in April 2021, carried an interest rate of 12.5%

(dollars in Millions)

	First Quarter	
	2022	2021
Cash Interest & Fees	\$ 10.7	\$ 6.7
PIK Interest	-	1.9
Amortization of OID & DIC	0.8	0.6
	<u>\$ 11.5</u>	<u>\$ 9.2</u>



■ Cash Int & Fees ■ PIK Int ■ Amort of OID & DIC
2022



■ Cash Int & Fees ■ PIK Int ■ Amort of OID & DIC
2021

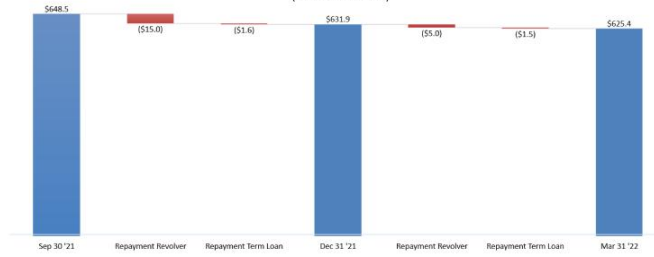


Outstanding Debt

Declining Debt Balances

- **Total Debt of \$625.4 million decreased \$6.5 million** from \$631.9 million at December 31, 2021
 - Scheduled amortization payment of \$1.5 million, and
 - Revolver repayment of \$5.0 million
- **Total Debt reduced further to \$621.4 million** in April
 - Revolver repayment of \$4.0 million
- **Total Debt repayments of \$27.1 million** since Q3 2021
 - Scheduled amortization payments of \$3.1 million, and
 - Revolver repayments of \$24.0 million

Debt Repayments
(dollars in millions)





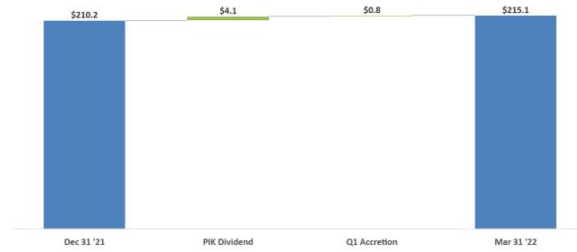
Senior Preferred Stock

Senior Preferred Stock of \$215.1 million, Net of \$22.7 million of Unaccreted Discounts and Issuance Costs

- First quarter dividends and accretion is as follows:

(dollars in millions)

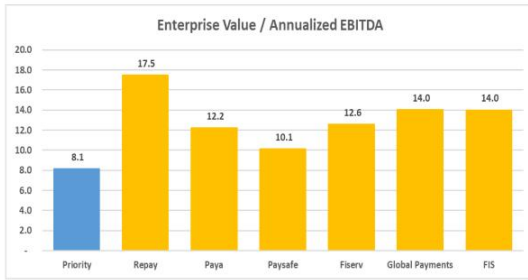
		First Quarter
		2022
<i>(dollars in Millions)</i>		
Dividend:		
Payment in Kind	\$	4.1
Cash		3.5
		<u>7.6</u>
Accretion		<u>0.8</u>
	\$	<u>8.4</u>





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 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



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
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