UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 17, 2021 (November 17, 2021)

i3 Verticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**001-38532**	**82-4052852**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

40 Burton Hills Blvd., Suite 415 **Nashville, TN**	**37215**
(Address of principal executive offices)	**(Zip Code)**

(615) 465-4487
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d- 2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e- 4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.0001 Par Value	IIIV	Nasdaq Global Select 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. ☐

As provided in General Instruction B.2 of Form 8-K, the information contained in this Current Report on Form 8-K (including the exhibits hereto) shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 2.02. Results of Operations and Financial Condition.

On November 17, 2021, i3 Verticals, Inc. (the "Company") issued a press release announcing the results of its operations for the three months and year ended September 30, 2021. A copy of the press release is furnished as Exhibit 99.1 hereto and is hereby incorporated by reference into this Item 2.02.

Item 7.01. Regulation FD Disclosure.

The Company has also prepared a supplemental presentation (the "Supplemental Presentation") containing segment financial performance information for the three months and year ended September 30, 2021. A copy of the Supplemental Presentation is furnished as Exhibit 99.2 hereto and is hereby incorporated by reference into this Item 7.01. A copy of the Supplemental Presentation is also available on the Investors section of the Company's website.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits:*

Exhibit No.	Description
99.1	Press release issued by i3 Verticals, Inc. on November 17, 2021
99.2	Supplemental Presentation

SIGNATURES

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.

Date: November 17, 2021

i3 VERTICALS, INC.

By:	/s/ Clay Whitson
Name:	Clay Whitson
Title:	Chief Financial Officer

i3 VERTICALS REPORTS FOURTH QUARTER AND FULL FISCAL YEAR 2021 FINANCIAL RESULTS

Introduces 2022 Outlook

Decosta Jenkins to Join Board of Directors

NASHVILLE, Tenn. (November 17, 2021) – i3 Verticals, Inc. (Nasdaq: IIIV) ("i3 Verticals" or the "Company") today reported its financial results for the fiscal fourth quarter and year ended September 30, 2021.

Highlights for the fiscal fourth quarter and full fiscal year of 2021 vs. 2020

- Fourth quarter revenue was $67.2 million, an increase of 76% over the prior year's fourth quarter; full year revenue was $224.1 million, an increase of 49% over the prior year.
- Fourth quarter net loss was $1.9 million, compared to a net loss of $2.0 million in the prior year's fourth quarter. Net loss for the year ended September 30, 2021, was $7.8 million, compared to a net loss of $1.0 million for the year ended September 30, 2020.
- Fourth quarter net loss attributable to i3 Verticals, Inc. was $0.5 million; full year net loss attributable to i3 Verticals, Inc. was $4.5 million.
- Fourth quarter adjusted EBITDA[1] was $17.1 million, an increase of 79.0% over the prior year's fourth quarter. Adjusted EBITDA[1] for the year ended September 30, 2021, was $55.4 million, an increase of 46.8% over the prior year.
- Fourth quarter adjusted EBITDA[1] as a percentage of revenue was 25.4%, compared to 24.8% in the prior year's fourth quarter.
- Fourth quarter diluted net loss per share available to Class A common stock was $0.05, compared to $0.06 in the prior year's fourth quarter; full year diluted net loss per share available to Class A common stock was $0.22, compared to $0.03 in the prior year.
- For the fourth quarter and year ended September 30, 2021, pro forma adjusted diluted earnings per share[1], which gives pro forma effect to the Company's tax rate, was $0.33 and $1.05, respectively, compared to $0.20 and $0.75 for the fourth quarter and year ended September 30, 2020, respectively.
- Integrated payments[2] were 63% of payment volume for the three months ended September 30, 2021.
- Software and related services revenue[3] as a percentage of total revenue was 42% and 26% for the three months ended September 30, 2021 and 2020, respectively.
- As of September 30, 2021, our consolidated interest coverage ratio was 10.3x, total leverage ratio was 3.5x and consolidated senior leverage ratio was 1.6x. These ratios are defined in our Senior Secured Credit Facility.
- As previously announced in our press release dated October 4, 2021, the Company completed an acquisition that further strengthens its focus in the Healthcare vertical. The acquired business provides comprehensive revenue cycle management and related administrative and consulting services for hospitals, including academic teaching institutions with residents, practice groups and healthcare providers primarily in the southeast. The aggregate purchase price was $60.0 million in cash and an amount of contingent consideration, which is still being valued.

1. Represents a non-GAAP financial measure. For additional information (including reconciliation information), see the attached schedules to this release.
2. Integrated payments represents payment transactions that are generated in situations where payment technology is embedded within the Company's own proprietary software, a client's software or critical business process.
3. Software and related services revenue includes the sale of licenses, subscriptions, installation and implementation services, and ongoing support specific to software.

Greg Daily, Chairman and CEO of i3 Verticals, commented, “We are very pleased to deliver another quarter of sequential and year-over-year growth with new records in revenue and adjusted EBITDA. Our vision has been to grow into a vertical market software company that focuses on embedded payment opportunities. Our results highlight consistent execution of this vision as software and related services revenue has grown to 42% of our total revenue and our integrated payments now represent 63% of our total payment volume.

“We previously announced our largest acquisition in our Healthcare vertical to-date, effective October 1, which significantly enhanced our software platform and services within that vertical market. Public Sector and Healthcare are our two largest verticals and will drive us going forward, both in our organic growth and acquisition strategy. We offer comprehensive and competitive software suites in these markets, and we believe they will drive strong financial results in the future. We closed our fiscal year with great momentum that sets us up well for the coming fiscal year.

“I am pleased to announce that Decosta Jenkins will be joining our Board of Directors. Decosta is a highly respected business leader, and we are elated to add his knowledge and experience to our Board. Based on his long history as CEO with Nashville Electric Service, one of the largest public utilities in the United States, Decosta will bring a unique and helpful perspective to our Public Sector businesses, particularly in the utilities space. His experience as a public company board member, as a CFO and as an auditor with Deloitte LLP will benefit our Board and i3. I have no doubt that Decosta will prove to be a fantastic addition to our Board.”

Updates to the Presentation of Adjusted EBITDA and Pro Forma Adjusted Diluted Earnings Per Share

Under GAAP, companies historically were required to adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting. Prior to the third quarter of our fiscal 2021 we included in reported adjusted net revenue, adjusted EBITDA, pro forma adjusted net income and pro forma adjusted diluted EPS an adjustment to remove the effect of purchase accounting write-downs of deferred revenue, which we called “Acquisition Revenue Adjustments.” We also historically included an estimated amount of Acquisition Revenue Adjustments, excluding future acquisitions, in our guidance for adjusted net revenue, adjusted EBITDA and pro forma adjusted diluted EPS. As part of the ordinary course SEC comment process, however, beginning with the third quarter of our fiscal 2021, we no longer adjust revenue, adjusted EBITDA, pro forma adjusted net income and pro forma adjusted diluted EPS to remove the effect of Acquisition Revenue Adjustments.

In October 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2021-08 (the "ASU"), Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. Among other things, the ASU reversed the previous requirement to write down deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Instead it would result in acquiring companies recording deferred revenue acquired at its book value, assuming the deferred revenue had been recorded in accordance with U.S. GAAP prior to the acquisition. Early adoption is permitted and we have done so retrospectively for all acquisitions completed during fiscal year 2021. As part of this, we have adjusted our quarterly financial data for fiscal year 2021, and Acquisition Revenue Adjustments are no longer relevant for acquisitions occurring during fiscal year 2021. The remaining Acquisitions Revenue Adjustments, which relate to acquisitions completed during, or before, fiscal year 2020, are presented for information purposes, and were $15,000 and $600,000 for the three and twelve months ended September 30, 2021, respectively.

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2022 Outlook

The Company's practice is to provide annual guidance, excluding future acquisitions and transaction-related costs. The Company is providing the following outlook for the fiscal year ending September 30, 2022:

(in thousands, except share and per share amounts)	Outlook Range Fiscal year ending September 30, 2022			
Revenue	$ 280,000	-	$	300,000
Adjusted EBITDA (non-GAAP)	$ 70,000	-	$	78,000
Pro forma adjusted diluted earnings per share[1] (non-GAAP)	$ 1.25	-	$	1.40

1. Assumes an effective pro forma tax rate of 25.0% (non-GAAP).

With respect to the “2022 Outlook” above, adjusted EBITDA and pro forma adjusted diluted earnings per share guidance to the closest corresponding GAAP measure on a forward-looking basis is not available without unreasonable efforts. This inability results from the inherent difficulty in forecasting generally and quantifying certain projected amounts that are necessary for such reconciliations. In particular, sufficient information is not available to calculate certain adjustments required for such reconciliations, including changes in the fair value of contingent consideration, income tax expense of i3 Verticals, Inc. and equity-based compensation expense. The Company expects these adjustments may have a potentially significant impact on future GAAP financial results.

Conference Call

The Company will host a conference call on Thursday, November 18, 2021, at 8:30 a.m. ET, to discuss financial results and operations. To listen to the call live via telephone, participants should dial (844) 887-9399 approximately 10 minutes prior to the start of the call. A telephonic replay will be available from 11:30 a.m. ET on November 18, 2021, through November 25, 2021, by dialing (877) 344-7529 and entering Confirmation Code 10161739.

To listen to the call live via webcast, participants should visit the “Investors” section of the Company’s website, www.i3verticals.com, and go to the “Events” page approximately 10 minutes prior to the start of the call. The online replay will be available on this page of the Company’s website beginning shortly after the conclusion of the call and will remain available for 30 days.

Non-GAAP Measures

This press release contains information prepared in conformity with GAAP as well as non-GAAP information. It is management’s intent to provide non-GAAP financial information to enhance understanding of the Company's consolidated financial information as prepared in accordance with GAAP. This non-GAAP information should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure and the most directly comparable GAAP financial measure are presented so as not to imply that more emphasis should be placed on the non-GAAP measure. The non-GAAP financial information presented may be determined or calculated differently by other companies.

Additional information about non-GAAP financial measures, including, but not limited to, adjusted net revenue, pro forma adjusted net income, adjusted EBITDA and pro forma adjusted diluted EPS, and a reconciliation of those measures to the most directly comparable GAAP measures is included on pages 11 to 14 in the financial schedules of this release.

About i3 Verticals

Helping drive the convergence of software and payments, i3 Verticals delivers integrated payment and software solutions to small- and medium-sized businesses (“SMBs”) and other organizations in strategic vertical markets, such as education, non-profit, the public sector, and healthcare and to the business-to-business payments market. With a broad suite of payment and software solutions that address the specific needs of its clients in each strategic vertical market, i3 Verticals processed approximately $18.8 billion in total payment volume for the 12 months ended September 30, 2021.

Forward-Looking Statements

This release contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact or relating to present facts or current conditions included in this release are forward-looking statements, including any statements regarding the Company's fiscal 2022 outlook and statements of a general economic or industry specific nature. Forward-looking statements give the Company's current expectations and projections relating to its financial condition, results of operations, guidance, plans, objectives, future performance and business. You generally can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “could have,” “exceed,” “significantly,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

The forward-looking statements contained in this release are based on assumptions that we have made in light of the Company's industry experience and its perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you review and consider information presented herein, you should understand that these statements are not guarantees of future performance or results. They depend upon future events and are subject to risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect the Company's actual future performance or results and cause them to differ materially from those anticipated in the forward-looking statements. Certain of these factors and other risks are discussed in the Company's filings with the U.S. Securities and Exchange Commission and include, but are not limited to: (i) the anticipated impact to the Company’s business operations, payment volume and volume attrition due to the global pandemic of a novel strain of the coronavirus (COVID-19); (ii) the Company’s indebtedness and the ability to maintain compliance with the financial covenants in the Company’s senior secured credit facility in light of the impacts of the COVID-19 pandemic; (iii) the ability to meet the Company’s liquidity needs in light of the impacts of the COVID-19 pandemic; (iv) the ability to raise additional funds on terms acceptable to us, if at all, whether debt, equity or a combination thereof; (v) the triggering of impairment testing of the Company’s fair-valued assets, including goodwill and intangible assets, in the event of a decline in the price of the Company’s Class A common stock; (vi) the ability to generate revenues sufficient to maintain profitability and positive cash flow; (vii) competition in the Company's industry and the ability to compete effectively; (viii) the dependence on non-exclusive distribution partners to market the Company's products and services; (ix) the ability to keep pace with rapid developments and changes in the Company's industry and provide new products and services; (x) liability and reputation damage from unauthorized disclosure, destruction or modification of data or disruption of the Company's services; (xi) technical, operational and regulatory risks related to the Company's information technology systems and third-party providers’ systems; (xii) reliance on third parties for significant services; (xiii) exposure to economic conditions and political risks affecting consumer and commercial spending, including the use of credit cards; (xiv) the ability to increase the Company's existing vertical markets, expand into new vertical markets and execute the Company's growth strategy; (xv) the ability to successfully identify acquisition targets, complete those acquisitions and effectively integrate those acquisitions into the Company's services; (xvi) potential degradation of the quality of the Company's products, services and support; (xvii) the ability to retain clients, many of which are small- and medium-sized businesses, which can be difficult and costly to retain; (xviii) the Company's ability to successfully manage its intellectual property; (xix) the ability to attract, recruit, retain and develop key personnel and qualified employees; (xx) risks related to laws, regulations and industry standards; (xxi) operating and financial restrictions imposed by the Company's senior secured credit facility; (xxii) risks related to the accounting method for the Company’s 1.0% Exchangeable Senior Notes due February 15, 2025 (the “Exchangeable Notes”); (xxiii) the ability to raise the funds necessary to settle exchanges of the Exchangeable Notes or to repurchase the Exchangeable Notes upon a fundamental change; (xxiv) risks related to the conditional exchange feature of the Exchangeable Notes; and (xxv) the risk factors included in the Company's Annual Report on Form 10-K for the year ended September 30, 2020 and in our subsequent filings. Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect, the

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Company's actual results may vary in material respects from those projected in these forward-looking statements.

Any forward-looking statement made by us in this release speaks only as of the date of this release. Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Contacts:
Clay Whitson
Chief Financial Officer
(888) 251-0987
investorrelations@i3verticals.com

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i3 Verticals, Inc. Consolidated Statements of Operations
($ in thousands, except share and per share amounts)

	Three months ended September 30,			Year ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	(unaudited)	(unaudited)		(unaudited)		
Revenue	$ 67,177	$ 38,272	76%	$ 224,124	$ 150,134	49%
Operating expenses						
Other costs of services	16,662	12,356	35%	57,706	47,230	22%
Selling general and administrative	42,103	20,117	109%	134,872	78,323	72%
Depreciation and amortization	6,480	4,549	42%	24,418	18,217	34%
Change in fair value of contingent consideration	1,305	52	2410%	7,140	(1,409)	n/m
Total operating expenses	66,550	37,074	80%	224,136	142,361	57%
Income (loss) from operations	627	1,198	(48)%	(12)	7,773	(100)%
Other expenses						
Interest expense, net	2,708	2,305	17%	9,799	8,926	10%
Other (income) expense	(242)	1,792	n/m	(2,595)	2,621	n/m
Total other expenses	2,466	4,097	(40)%	7,204	11,547	(38)%
Loss before income taxes	(1,839)	(2,899)	(37)%	(7,216)	(3,774)	91%
Provision for (benefit from) income taxes	107	(877)	n/m	623	(2,795)	n/m
Net loss	(1,946)	(2,022)	(4)%	(7,839)	(979)	701%
Net loss attributable to non-controlling interest	(1,464)	(1,371)	7%	(3,382)	(560)	504%
Net loss attributable to i3 Verticals, Inc.	$ (482)	$ (651)	(26)%	$ (4,457)	$ (419)	964%
Net loss per share available to Class A common stock:						
Basic	$ (0.02)	$ (0.04)		$ (0.21)	$ (0.03)	
Diluted	$ (0.05)	$ (0.06)		$ (0.22)	$ (0.03)	
Weighted average shares of Class A common stock outstanding:						
Basic	21,991,340	15,780,082		20,994,598	14,833,378	
Diluted	32,220,482	28,069,996		31,714,191	27,429,801	

n/m = not meaningful

i3 Verticals, Inc. Financial Highlights
(Unaudited)
($ in thousands, except per share amounts)

	Three months ended September 30, 2021	Three months ended September 30, 2020	% Change	Year ended September 30, 2021	Year ended September 30, 2020	% Change
Adjusted EBITDA[1][2]	$ 17,057	$ 9,528	79%	$ 55,407	$ 37,733	47%
Pro forma adjusted diluted earnings per share[1][2]	$ 0.33	$ 0.20	65%	$ 1.05	$ 0.75	40%
Acquisition Revenue Adjustments[1][2]	$ 15	$ 154		$ 600	$ 824	
Acquisition Revenue Adjustments impact on pro forma adjusted diluted earnings per share[1][2]	$ 0.00	$ 0.00		$ 0.01	$ 0.02	

1. Represents a non-GAAP financial measure. For additional information (including reconciliation information), see the attached schedules to this release.
2. Under GAAP, companies historically were required to adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting. Prior to the second quarter of our fiscal 2021 we included in our adjusted EBITDA and pro forma adjusted diluted earnings per share an acquisition revenue adjustment to remove the effect of purchase accounting write-downs of deferred revenue from acquisitions that have closed as of the date of the earnings release. As part of the ordinary course SEC comment process, however, beginning with the third quarter of our fiscal 2021, we no longer adjust EBITDA or pro forma adjusted diluted earnings per share to remove the effect of Acquisition Revenue Adjustments. Subsequent to the change we have presented the excluded adjustment separately for informational purposes. In October 2021, the FASB issued guidance that reversed the previous requirement to write down deferred revenue to fair value as part of acquisition accounting as defined by GAAP. We have early adopted this standard retrospectively for all acquisitions completed during fiscal year 2021. We have adjusted our quarterly financial data for fiscal year 2021, and Acquisition Revenue Adjustments are no longer relevant for acquisitions occurring during fiscal year 2021. The remaining Acquisitions Revenue Adjustments separately provided relate to acquisitions completed during, or before, fiscal year 2020, and are for information purposes.

i3 Verticals, Inc. Supplemental Volume Information
(Unaudited)
($ in thousands)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Year ended September 30, 2021	Year ended September 30, 2020
Payment volume[1]	$ 5,597,890	$ 3,979,593	$ 18,797,907	$ 14,377,148

1. Payment volume is the net dollar value of both 1) Visa, Mastercard and other payment network transactions processed by the Company's clients and settled to clients by us and 2) ACH transactions processed by the Company's clients and settled to clients by the Company.

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i3 Verticals, Inc. Segment Summary
(Unaudited)
($ in thousands)

	For the Three Months Ended September 30, 2021			
	Merchant Services	Proprietary Software and Payments	Other	Total
Revenue	$ 30,740	$ 36,942	$ (505)	$ 67,177
Other costs of services	(14,405)	(2,746)	489	(16,662)
Residuals	8,623	330	(459)	8,494
Processing margin	24,958	34,526	(475)	59,009
Residuals				8,494
Selling general and administrative				42,103
Depreciation and amortization				6,480
Change in fair value of contingent consideration				1,305
Income from operations				$ 627
Payment volume	$ 4,978,080	$ 619,810	$ —	$ 5,597,890

	For the Year Ended September 30, 2021			
	Merchant Services	Proprietary Software and Payments	Other	Total
Revenue	$ 111,870	$ 114,433	$ (2,179)	$ 224,124
Other costs of services	(51,234)	(8,610)	2,138	(57,706)
Residuals	29,842	1,147	(2,071)	28,918
Processing margin	90,478	106,970	(2,112)	195,336
Residuals				28,918
Selling general and administrative				134,872
Depreciation and amortization				24,418
Change in fair value of contingent consideration				7,140
Loss from operations				$ (12)
Payment volume	$ 17,138,214	$ 1,659,693	$ —	$ 18,797,907

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i3 Verticals, Inc. Segment Summary (continued)
(Unaudited)
($ in thousands)

	For the Three Months Ended September 30, 2020			
	Merchant Services	Proprietary Software and Payments	Other	Total
Revenue	$ 24,759	$ 13,924	$ (411)	$ 38,272
Other costs of services	(10,962)	(1,805)	411	(12,356)
Residuals	5,830	174	(410)	5,594
Processing margin	19,627	12,293	(410)	31,510
Residuals				5,594
Selling general and administrative				20,117
Depreciation and amortization				4,549
Change in fair value of contingent consideration				52
Income from operations				$ 1,198
Payment volume	$ 3,614,766	$ 364,827	$ —	$ 3,979,593

	For the Year Ended September 30, 2020			
	Merchant Services	Proprietary Software and Payments	Other	Total
Revenue	$ 100,949	$ 50,953	$ (1,768)	$ 150,134
Other costs of services	(43,940)	(5,057)	1,767	(47,230)
Residuals	21,618	587	(1,757)	20,448
Processing margin	78,627	46,483	(1,758)	123,352
Residuals				20,448
Selling general and administrative				78,323
Depreciation and amortization				18,217
Change in fair value of contingent consideration				(1,409)
Income from operations				$ 7,773
Payment volume	$ 13,553,263	$ 823,885	$ —	$ 14,377,148

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i3 Verticals, Inc. Consolidated Balance Sheets
($ in thousands, except share and per share amounts)

	September 30, 2021 (unaudited)	September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 3,641	$ 15,568
Accounts receivable, net	38,500	17,538
Settlement assets	4,768	—
Prepaid expenses and other current assets	11,214	4,869
Total current assets	58,123	37,975
Property and equipment, net	5,902	5,339
Restricted cash	9,522	5,033
Capitalized software, net	41,371	16,989
Goodwill	292,243	187,005
Intangible assets, net	171,706	109,233
Deferred tax asset	49,992	36,755
Operating lease right-of-use assets	14,479	—
Other assets	8,462	5,197
Total assets	$ 651,800	$ 403,526
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable	7,865	3,845
Accrued expenses and other current liabilities	50,815	24,064
Settlement obligations	4,768	—
Deferred revenue	29,862	10,986
Current portion of operating lease liabilities	3,201	—
Total current liabilities	96,511	38,895
Long-term debt, less current portion and debt issuance costs, net	200,605	90,758
Long-term tax receivable agreement obligations	39,122	27,565
Operating lease liabilities, less current portion	11,960	—
Other long-term liabilities	14,011	6,140
Total liabilities	362,209	163,358
Commitments and contingencies		
Stockholders' equity		
Preferred stock, par value $0.0001 per share, 10,000,000 shares authorized; 0 shares issued and outstanding as of September 30, 2021 and 2020	—	—
Class A common stock, par value $0.0001 per share, 150,000,000 shares authorized; 22,026,098 and 18,864,143 shares issued and outstanding as of September 30, 2021 and 2020, respectively	2	2
Class B common stock, par value $0.0001 per share, 40,000,000 shares authorized; 10,229,142 and 11,900,621 shares issued and outstanding as of September 30, 2021 and 2020, respectively	1	1
Additional paid-in-capital	211,237	157,598
Accumulated deficit	(6,480)	(2,023)
Total stockholders' equity	204,760	155,578
Non-controlling interest	84,831	84,590
Total equity	289,591	240,168
Total liabilities and equity	$ 651,800	$ 403,526

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i3 Verticals, Inc. Consolidated Cash Flow Data
($ in thousands)

	Year ended September 30,	
	2021	2020
	(unaudited)	
Net cash provided by operating activities	$ 46,774	$ 23,720
Net cash used in investing activities	$ (156,315)	$ (35,431)
Net cash provided by financing activities	$ 102,103	$ 29,112

Reconciliation of GAAP to Non-GAAP Financial Measures

The Company believes that non-GAAP financial measures are important to enable investors to understand and evaluate its ongoing operating results. Accordingly, i3 Verticals includes non-GAAP financial measures when reporting its financial results to shareholders and potential investors in order to provide them with an additional tool to evaluate the Company's ongoing business operations. i3 Verticals believes that the non-GAAP financial measures are representative of comparative financial performance that reflects the economic substance of i3 Verticals' current and ongoing business operations.

Although non-GAAP financial measures are often used to measure the Company's operating results and assess its financial performance, they are not necessarily comparable to similarly titled measures of other companies due to potential inconsistencies in the method of calculation. i3 Verticals believes that its provision of non-GAAP financial measures provides investors with important key financial performance indicators that are utilized by management to assess the Company's operating results, evaluate the business and make operational decisions on a prospective, going-forward basis. Hence, management provides disclosure of non-GAAP financial measures to give shareholders and potential investors an opportunity to see i3 Verticals as viewed by management, to assess i3 Verticals with some of the same tools that management utilizes internally and to be able to compare such information with prior periods. i3 Verticals believes that inclusion of non-GAAP financial measures provides investors with additional information to help them better understand its financial statements just as management utilizes these non-GAAP financial measures to better understand the business, manage budgets and allocate resources.

i3 Verticals, Inc. Reconciliation of GAAP Net Income to Non-GAAP Pro Forma Adjusted Net Income and Non-GAAP Adjusted EBITDA
(Unaudited)
($ in thousands)

	Three months ended September 30,		Year ended September 30,	
	2021	2020	2021	2020
Net loss attributable to i3 Verticals, Inc.	**$ (482)**	**$ (651)**	**$ (4,457)**	**$ (419)**
Net loss attributable to non-controlling interest	(1,464)	(1,371)	(3,382)	(560)
Non-GAAP Adjustments:				
Provision for (benefit from) income taxes	107	(877)	623	(2,795)
Financing-related expenses[1]	—	43	152	286
Non-cash change in fair value of contingent consideration[2]	1,305	52	7,140	(1,409)
Equity-based compensation[3]	8,166	3,002	20,860	10,452
Acquisition-related expenses[4]	254	508	2,319	1,811
Acquisition intangible amortization[5]	5,337	3,624	19,954	14,497
Non-cash interest expense[6]	1,394	1,429	5,450	3,844
Other taxes[7]	226	176	531	365
Other (income) expenses related to adjustments of liabilities under tax receivable agreement[8]	(496)	323	(496)	323
Net loss (gain) on sale of investments[9]	253	—	(2,100)	—
Non-cash loss on Exchangeable Note repurchases[10]	—	1,469	—	2,297
COVID-19 related expenses[11]	—	—	—	239
Non-GAAP pro forma adjusted income before taxes	**14,600**	**7,727**	**46,594**	**28,931**
Pro forma taxes at effective tax rate[12]	(3,650)	(1,932)	(11,649)	(7,233)
Pro forma adjusted net income[13]	**$ 10,950**	**$ 5,795**	**$ 34,945**	**$ 21,698**
Cash interest expense, net[14]	1,314	876	4,349	5,082
Pro forma taxes at effective tax rate[12]	3,650	1,932	11,649	7,233
Depreciation, non-acquired intangible asset amortization and internally developed software amortization[15]	1,143	925	4,464	3,720
Adjusted EBITDA[16]	**$ 17,057**	**$ 9,528**	**$ 55,407**	**$ 37,733**
Acquisition Revenue Adjustments[16]	**15**	**154**	**600**	**824**

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1. Financing-related expenses includes expenses directly related to certain transactions as part of financing transactions.
2. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
3. Equity-based compensation expense consisted of $8,166 and $20,860 related to stock options issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan during the three months and year ended September 30, 2021, respectively, and $3,002 and $10,452 during the three months and year ended September 30, 2020, respectively.
4. Acquisition-related expenses are the professional service and related costs directly related to the Company's acquisitions and are not part of its core performance.
5. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
6. Non-cash interest expense reflects amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
7. Other taxes consist of franchise taxes, commercial activity taxes, employer portion payroll taxes related to stock option exercises and other non-income based taxes. Taxes related to salaries are not included.
8. Under our Tax Receivable Agreement we have a liability equal to 85% of certain deferred tax assets resulting from an increase in the tax basis of our investment in i3 Verticals, LLC. Other expenses related to adjustments of liabilities under our Tax Receivable Agreement relate to the remeasurement of the underlying deferred tax asset for changes in estimated income tax rates.
9. When the Company becomes aware of an observable price change in an investment, such as a planned third party acquisition of the entity underlying the investment, we will adjust the carry value of the investment, which the Company recognizes in other income.
10. Non-cash loss on Exchangeable Note repurchases reflects the loss on retirement of debt the Company recorded during the relevant periods due to the carrying value exceeding the fair value of the repurchased portion of the 1.0% Exchangeable Senior Notes due 2025 (the “Exchangeable Notes”) at the dates of repurchases.
11. COVID-19 related expenses reflects incremental expenses incurred as a result of the COVID-19 pandemic, including employee severance expenses and legal expenses.
12. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using tax rates of 25.0% for 2021 and 2020, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
13. Pro forma adjusted net income assumes that all net income during the period is available to the holders of the Company's Class A common stock.
14. Cash interest expense, net represents all interest expense net of interest income recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
15. Depreciation, non-acquired intangible asset amortization and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.
16. Under GAAP, companies historically were required to adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting. Prior to the second quarter of our fiscal 2021 we included in our adjusted EBITDA an acquisition revenue adjustment to remove the effect of purchase accounting write-downs of deferred revenue from acquisitions that have closed as of the date of the earnings release. As part of the ordinary course SEC comment process, however, beginning with the third quarter of our fiscal 2021, we no longer adjust EBITDA to remove the effect of Acquisition Revenue Adjustments. Subsequent to the change we have presented the excluded adjustment separately for informational purposes. In October 2021, the FASB issued guidance that reversed the previous requirement to write down deferred revenue to fair value as part of acquisition accounting as defined by GAAP. We have early adopted this standard retrospectively for all acquisitions completed during fiscal year 2021. We have adjusted our quarterly financial data for fiscal year 2021, and Acquisition Revenue Adjustments are no longer relevant for acquisitions occurring during fiscal year 2021. The remaining Acquisitions Revenue Adjustments separately provided relate to acquisitions completed during, or before, fiscal year 2020, and are for information purposes.

i3 Verticals, Inc. GAAP Diluted EPS and Non-GAAP Pro Forma Adjusted Diluted EPS
(Unaudited)
($ in thousands, except share and per share amounts)

	Three months ended September 30,		Year ended September 30,	
	2021	2020	2021	2020
Diluted net loss available to Class A common stock per share	$ (0.05)	$ (0.06)	$ (0.22)	$ (0.03)
Pro forma adjusted diluted earnings per share[(1)(2)]	$ 0.33	$ 0.20	$ 1.05	$ 0.75
Pro forma adjusted net income[(2)(3)]	$ 10,950	$ 5,795	$ 34,945	$ 21,698
Pro forma weighted average shares of adjusted diluted Class A common stock outstanding[(3)]	33,517,066	29,390,270	33,191,924	28,814,308
Acquisition Revenue Adjustments impact on pro forma adjusted diluted earnings per share[(2)]	$ 0.00	$ 0.00	$ 0.01	$ 0.02

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1. Pro forma adjusted diluted earnings per share is calculated using pro forma adjusted net income and the pro forma weighted average shares of adjusted diluted Class A common stock outstanding.
2. Under GAAP, companies historically were required to adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting. Prior to the second quarter of our fiscal 2021 we included in our pro forma adjusted diluted earnings per share and pro forma adjusted net income an acquisition revenue adjustment to remove the effect of purchase accounting write-downs of deferred revenue from acquisitions that have closed as of the date of the earnings release. As part of the ordinary course SEC comment process, however, beginning with the third quarter of our fiscal 2021, we no longer adjust pro forma adjusted diluted earnings per share and pro forma adjusted net income to remove the effect of Acquisition Revenue Adjustments. Subsequent to the change we have presented the excluded adjustment separately for informational purposes. In October 2021, the FASB issued guidance that reversed the previous requirement to write down deferred revenue to fair value as part of acquisition accounting as defined by GAAP. We have early adopted this standard retrospectively for all acquisitions completed during fiscal year 2021. We have adjusted our quarterly financial data for fiscal year 2021, and Acquisition Revenue Adjustments are no longer relevant for acquisitions occurring during fiscal year 2021. The remaining Acquisitions Revenue Adjustments separately provided relate to acquisitions completed during, or before, fiscal year 2020, and are for information purposes.
3. Pro forma adjusted net income assumes that all net income during the period is available to the holders of the Company's Class A common stock. Further, pro forma adjusted diluted earnings per share assumes that all Common Units in i3 Verticals, LLC and the associated non-voting Class B common stock were exchanged for Class A common stock at the beginning of the period on a one-for-one basis.
4. Pro forma weighted average shares of adjusted diluted Class A common stock outstanding include 10,229,142 and 10,719,593 weighted average outstanding shares of Class A common stock issuable upon the exchange of Common Units in i3 Verticals, LLC and 1,296,584 and 1,477,733 shares of unvested Class A common stock and options for the three months and year ended September 30, 2021, respectively. Pro forma weighted average shares of adjusted diluted Class A common stock outstanding include 12,289,914 and 12,596,423 outstanding shares of Class A common stock issuable upon the exchange of Common Units in i3 Verticals, LLC and 1,320,274 and 1,384,507 shares of unvested Class A common stock and options for the for the three months and year ended September 30, 2020, respectively.

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VERTICALS

Q4 Fiscal 2021
Supplemental Information

Updates to Acquisition Revenue Adjustments

Under GAAP, companies historically were required to adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting. Prior to the second quarter of our fiscal 2021 we included adjusted net revenue, adjusted EBITDA and pro forma adjusted diluted EPS inclusive of an “Acquisition Revenue Adjustment” which removed the effect of purchase accounting write-downs of deferred revenue from acquisitions that had closed prior to the date of the earnings release. We also historically included an estimated amount of Acquisition Revenue Adjustments, excluding future acquisitions, in our guidance for adjusted net revenue, adjusted EBITDA and pro forma adjusted diluted EPS.

As part of the ordinary course SEC comment process, however, beginning with the third quarter of our fiscal 2021, we no longer adjust revenue, EBITDA and pro forma diluted EPS to remove the effect of Acquisition Revenue Adjustments. Subsequent to the change we presented the excluded adjustment separately for informational purposes below adjusted EBITDA in our press release and in the supplement.

In October 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2021-08 (the "ASU"), Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. Among other things, the ASU reversed the previous requirement to write down deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Instead it would result in acquiring companies recording deferred revenue acquired at its book value, assuming the deferred revenue had been recorded in accordance with U.S. GAAP prior to the acquisition. Early adoption is permitted and we have done so retrospectively for all acquisitions completed during fiscal year 2021. As part of this, we have adjusted our quarterly financial data for fiscal year 2021, and Acquisition Revenue Adjustments are no longer relevant for acquisitions occurring during fiscal year 2021. The remaining Acquisitions Revenue Adjustments relate to acquisitions completed during, or before, fiscal year 2020.

Q4 Fiscal 2021 GAAP Measures

The following is our Income (loss) from operations for the three and twelve months ended September 30, 2021 and 2020 calculated in accordance with GAAP. The presentation also includes references to the Company's non-GAAP financials measures. The Company believes that, in addition to the financial measures calculated in accordance with GAAP, adjusted EBITDA and adjusted net income (loss) are appropriate indicators to assist in the evaluation of its operating performance on a period-to-period basis. The Company also uses adjusted EBITDA internally as a performance measure for planning purposes, including forecasting and for calculations of earnout liabilities. Adjusted EBITDA is also used to evaluate the Company's ability to service debt.These non-GAAP financials measures presented throughout should be considered as a supplement to, not a substitute for, revenue, income from operations, net income, or other financials performance and liquidity measures prepared in accordance with GAAP.

($ in thousands)	Three months ended September 30, 2021				Three months ended September 30, 2020			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 6,546	$ 5,958	$ (11,877)	$ 627	$ 5,147	$ 2,729	$ (6,678)	$ 1,198

($ in thousands)	Year ended September 30, 2021				Year ended September 30, 2020			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 21,652	$ 16,207	$ (37,871)	$ (12)	$ 23,528	$ 8,704	$ (24,459)	$ 7,773

Q4 Fiscal 2021 Segment Performance[1]

($ in thousands)	Three months ended September 30, 2021	2020	Period over period growth
Revenue[2]			
Merchant Services	$ 30,740	$ 24,759	24%
Proprietary Software and Payments	36,942	13,924	165%
Other	(505)	(411)	nm
Total	$ 67,177	$ 38,272	76%
Adjusted EBITDA[2][3]			
Merchant Services	$ 9,075	$ 7,525	21%
Proprietary Software and Payments	11,063	4,783	131%
Other	(3,081)	(2,780)	(11)%
Total	$ 17,057	$ 9,528	79%
Acquisition Revenue Adjustments[2]			
Merchant Services	$ —	$ —	
Proprietary Software and Payments	15	154	
Total	$ 15	$ 154	
Volume			
Merchant Services	$ 4,978,080	$ 3,614,766	38%
Proprietary Software and Payments	619,810	364,827	70%
Total	$ 5,597,890	$ 3,979,593	41%

i3 VERTICALS

1. i3 Verticals has two segments, "Merchant Services" and "Proprietary Software and Payments." i3 Verticals also has an "Other" category, which includes corporate overhead.
2. Revenue and adjusted EBITDA exclude acquisition revenue adjustments for acquisitions occurring prior to October 1, 2020. See slide 2.
3. Adjusted EBITDA is a non-GAAP financial measure. Refer to the following slides for the reconciliation of non-GAAP financial measures.

Q4 Fiscal 2021 Segment Performance[1]

($ in thousands)	Years ended September 30, 2021	2020	Period over period growth
Revenue[2]			
Merchant Services	$ 111,870	$ 100,949	11%
Proprietary Software and Payments	114,433	50,953	125%
Other	(2,179)	(1,768)	nm
Total	$ 224,124	$ 150,134	49%
Adjusted EBITDA[2][3]			
Merchant Services	$ 33,162	$ 30,754	8%
Proprietary Software and Payments	35,600	17,818	100%
Other	(13,355)	(10,839)	(23)%
Total	$ 55,407	$ 37,733	47%
Acquisition Revenue Adjustments[2]			
Merchant Services	$ —	$ —	
Proprietary Software and Payments	600	824	
Total	$ 600	$ 824	
Volume			
Merchant Services	$ 17,138,214	$ 13,553,263	26%
Proprietary Software and Payments	1,659,693	823,885	101%
Total	$ 18,797,907	$ 14,377,148	31%

i3 VERTICALS

1. i3 Verticals has two segments, "Merchant Services" and "Proprietary Software and Payments." i3 Verticals also has an "Other" category, which includes corporate overhead.
2. Revenue and adjusted EBITDA exclude acquisition revenue adjustments for acquisitions occurring prior to October 1, 2020. See slide 2.
3. Adjusted EBITDA is a non-GAAP financial measure. Refer to the following slides for the reconciliation of non-GAAP financial measures.
4. Effective July 1, 2020, the Company reassigned a component from the Proprietary Software and Payments segment to the Merchant Services segment to better align the Company's business within its segments. The prior period comparatives have been retroactively adjusted to reflect the Company's current segment presentation.

Reconciliation of Non-GAAP Financial Measures

The reconciliation of our income (loss) from operations to non-GAAP pro forma adjusted net income and non-GAAP adjusted EBITDA is as follows:

($ in thousands)	Three months ended September 30, 2021				Three months ended September 30, 2020			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 6,546	$ 5,958	$ (11,877)	$ 627	$ 5,147	$ 2,729	$ (6,678)	$ 1,198
Interest expense, net	—	—	2,708	2,708	—	—	2,305	2,305
Other (income) expense	—	—	(242)	(242)	—	—	1,792	1,792
Benefit from income taxes	—	—	107	107	—	—	(877)	(877)
Net income (loss)	6,546	5,958	(14,450)	(1,946)	5,147	2,729	(9,898)	(2,022)
Non-GAAP Adjustments:								
Benefit from income taxes	—	—	107	107	—	—	(877)	(877)
Financing-related expenses[(1)]	—	—	—	—	—	—	43	43
Non-cash change in fair value of contingent consideration[(2)]	(179)	1,484	—	1,305	(400)	452	—	52
Equity-based compensation[(3)]	—	—	8,166	8,166	—	—	3,002	3,002
Acquisition-related expenses[(4)]	—	—	254	254	—	—	508	508
Acquisition intangible amortization[(5)]	2,387	2,950	—	5,337	2,539	1,085	—	3,624
Non-cash interest expense[(6)]	—	—	1,394	1,394	—	—	1,429	1,429
Other taxes[(7)]	2	6	218	226	3	—	173	176
Other expenses related to adjustments of liabilities under Tax Receivable Agreement[(8)]	—	—	(496)	(496)	—	—	323	323
Non-cash loss on Exchangeable Note repurchases[(9)]	—	—	—	—	—	—	1,469	1,469
COVID-19 related expenses[(10)]	—	—	—	—	—	—	—	—
Net loss on sale of investment[(11)]	—	—	253	253	—	—	—	—
Non-GAAP adjusted income (loss) before taxes	8,756	10,398	(4,554)	14,600	7,289	4,266	(3,828)	7,727
Pro forma taxes at effective tax rate[(12)]	(2,188)	(2,600)	1,138	(3,650)	(1,823)	(1,067)	958	(1,932)
Pro forma adjusted net income (loss)[(13)]	6,568	7,798	(3,416)	10,950	5,466	3,199	(2,870)	5,795
Plus:								
Cash interest expense (income), net[(14)]	—	—	1,314	1,314	—	—	876	876
Pro forma taxes at effective tax rate[(12)]	2,188	2,600	(1,138)	3,650	1,823	1,067	(958)	1,932
Depreciation, non-acquired intangible asset amortization and internally developed software amortization[(15)]	319	665	159	1,143	236	517	172	925
Adjusted EBITDA[(16)]	$ 9,075	$ 11,063	$ (3,081)	$ 17,057	$ 7,525	$ 4,783	$ (2,780)	$ 9,528
Acquisition revenue adjustments[(16)]	$ —	$ 15	$ —	$ 15	$ —	$ 154	$ —	$ 154

See footnotes continued on the next slide.

Reconciliation of Non-GAAP Financial Measures

1. Financing-related expenses includes expenses directly related to certain transactions as part of financing transactions.
2. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
3. Equity-based compensation expense consisted of $8,166 related to stock options issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan and $3,002 related to stock options issued under the Company's 2018 Equity Incentive Plan during the three months ended September 30, 2021 and 2020, respectively.
4. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
5. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
6. Non-cash interest expense reflects amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
7. Other taxes consist of franchise taxes, commercial activity taxes, employer portion payroll taxes related to stock option exercises and other non-income based taxes. Taxes related to salaries are not included.
8. Under our Tax Receivable Agreement we have a liability equal to 85% of certain deferred tax assets resulting from an increase in the tax basis of our investment in i3 Verticals, LLC. Other expenses related to adjustments of liabilities under our Tax Receivable Agreement relate to the remeasurement of the underlying deferred tax asset for changes in estimated income tax rates.
9. Non-cash loss on Exchangeable Note repurchases reflects the loss on retirement of debt the Company recorded during the relevant periods due to the carrying value exceeding the fair value of the repurchased portion of the 1.0% Exchangeable Senior Notes due 2025 (the "Exchangeable Notes") at the dates of repurchases.
10. COVID-19 related expenses reflects incremental expenses incurred as a result of the COVID-19 pandemic, including employee severance expenses and legal expenses.
11. When the Company becomes aware of an observable price change in an investment, such as a planned third party acquisition of the entity underlying the investment, we will adjust the carry value of the investment, which the Company recognizes in other income.
12. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% for both 2021 and 2020, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
13. Pro forma adjusted net income assumes that all net income during the period is available to the holders of the Company's Class A common stock.
14. Cash interest expense, net represents all interest expense net of interest income recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
15. Depreciation, non-acquired intangible asset amortization and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.
16. Adjusted EBITDA excludes acquisition revenue adjustments for acquisitions occurring prior to October 1, 2020. See slide 2. We have presented the excluded adjustment separately for informational purposes.

Reconciliation of Non-GAAP Financial Measures

The reconciliation of our income (loss) from operations to non-GAAP pro forma adjusted net income and non-GAAP adjusted EBITDA is as follows:

($ in thousands)	Year ended September 30, 2021				Year ended September 30, 2020			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 21,652	$ 16,207	$ (37,871)	$ (12)	$ 23,528	$ 8,704	$ (24,459)	$ 7,773
Interest expense, net	—	—	9,799	9,799	(1)	—	8,927	8,926
Other expense	—	—	(2,595)	(2,595)	—	—	2,621	2,621
Benefit from income taxes	—	—	623	623	—	—	(2,795)	(2,795)
Net income (loss)	21,652	16,207	(45,698)	(7,839)	23,529	8,704	(33,212)	(979)
Non-GAAP Adjustments:								
Benefit from income taxes	—	—	623	623	—	—	(2,795)	(2,795)
Financing-related expenses[(1)]	—	—	152	152	—	—	286	286
Non-cash change in fair value of contingent consideration[(2)]	177	6,963	—	7,140	(4,691)	3,282	—	(1,409)
Equity-based compensation[(3)]	—	—	20,860	20,860	—	—	10,452	10,452
Acquisition-related expenses[(4)]	—	—	2,319	2,319	—	—	1,811	1,811
Acquisition intangible amortization[(5)]	10,115	9,839	—	19,954	10,780	3,717	—	14,497
Non-cash interest expense[(6)]	—	—	5,450	5,450	—	—	3,844	3,844
Other taxes[(7)]	23	34	474	531	14	—	351	365
Other expenses related to adjustments of liabilities under Tax Receivable Agreement[(8)]	—	—	(496)	(496)	—	—	323	323
Non-cash loss on Exchangeable Note repurchases[(9)]	—	—	—	—	—	—	2,297	2,297
COVID-19 related expenses[(10)]	—	—	—	—	107	109	23	239
Net gain on sale of investments[(11)]	—	—	(2,100)	(2,100)	—	—	—	—
Non-GAAP adjusted income (loss) before taxes	31,967	33,043	(18,416)	46,594	29,739	15,812	(16,620)	28,931
Pro forma taxes at effective tax rate[(12)]	(7,992)	(8,261)	4,604	(11,649)	(7,435)	(3,953)	4,155	(7,233)
Pro forma adjusted net income (loss)[(13)]	23,975	24,782	(13,812)	34,945	22,304	11,859	(12,465)	21,698
Plus:								
Cash interest (income) expense, net[(14)]	—	—	4,349	4,349	(1)	—	5,083	5,082
Pro forma taxes at effective tax rate[(12)]	7,992	8,261	(4,604)	11,649	7,435	3,953	(4,155)	7,233
Depreciation, non-acquired intangible asset amortization and internally developed software amortization[(15)]	1,195	2,557	712	4,464	1,016	2,006	698	3,720
Adjusted EBITDA[(16)]	$ 33,162	$ 35,600	$ (13,355)	$ 55,407	$ 30,754	$ 17,818	$ (10,839)	$ 37,733
Acquisition revenue adjustments[(16)]	$ —	$ 600	$ —	$ 600	$ —	$ 824	$ —	$ 824

Reconciliation of Non-GAAP Financial Measures

1. Financing-related expenses includes expenses directly related to certain transactions as part of financing transactions.
2. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
3. Equity-based compensation expense consisted of $20,860 related to stock options issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan and $10,452 related to stock options issued under the Company's 2018 Equity Incentive Plan during the years ended September 30, 2021 and 2020, respectively.
4. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
5. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
6. Non-cash interest expense reflects amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
7. Other taxes consist of franchise taxes, commercial activity taxes, employer portion payroll taxes related to stock option exercises and other non-income based taxes. Taxes related to salaries are not included.
8. Under our Tax Receivable Agreement we have a liability equal to 85% of certain deferred tax assets resulting from an increase in the tax basis of our investment in i3 Verticals, LLC. Other expenses related to adjustments of liabilities under our Tax Receivable Agreement relate to the remeasurement of the underlying deferred tax asset for changes in estimated income tax rates.
9. Non-cash loss on Exchangeable Note repurchases reflects the loss on retirement of debt the Company recorded during the relevant periods due to the carrying value exceeding the fair value of the repurchased portion of the 1.0% Exchangeable Senior Notes due 2025 (the "Exchangeable Notes") at the dates of repurchases.
10. COVID-19 related expenses reflects incremental expenses incurred as a result of the COVID-19 pandemic, including employee severance expenses and legal expenses.
11. When the Company becomes aware of an observable price change in an investment, such as a planned third party acquisition of the entity underlying the investment, we will adjust the carry value of the investment, which the Company recognizes in other income.
12. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% for both 2021 and 2020, based on blended federal and state tax rates.
13. Pro forma adjusted net income assumes that all net income during the period is available to the holders of the Company's Class A common stock.
14. Cash interest expense, net represents all interest expense net of interest income recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
15. Depreciation, non-acquired intangible asset amortization and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.
16. Adjusted EBITDA excludes acquisition revenue adjustments for acquisitions occurring prior to October 1, 2020. See slide 2. We have presented the excluded adjustment separately for informational purposes.

Reconciliation Between GAAP Debt and Covenant Debt

The reconciliation of our GAAP Long-term debt, net of issuance costs and the debt balance used in our Total Leverage Ratio:

($ in millions)		As of September 30, 2021
Revolving lines of credit to banks under the Senior Secured Credit Facility	$	104.4
Exchangeable Notes		99.8
Debt issuance costs, net		(3.6)
Total long-term debt, net of issuance costs	$	200.6
Non-GAAP Adjustments:		
Discount on Exchangeable Notes[1]	$	17.2
Exchangeable Notes		99.8
Exchangeable Notes Face Value	$	117.0
Revolving lines of credit to banks under the Senior Secured Credit Facility	$	104.4
Exchangeable Notes Face Value		117.0
Less: Cash and Cash Equivalents[2]		(10.0)
Total long-term debt for use in our Total Leverage Ratio	$	211.4

1. In accordance with Financial Accounting Standards Board Accounting Standards Codification 470-20, Debt with Conversion and Other Options ("ASC 470-20"), convertible debt that may be entirely or partially settled in cash (such as the notes) is required to be separated into a liability and an equity component, such that interest expense reflects the issuer's non-convertible debt interest cost. On the issue date, the value of the exchange option of the notes, representing the equity component was recorded as additional paid-in capital within shareholders' equity and as a discount to the notes, which reduces their initial carrying value. The carrying value of the notes, net of the discount recorded, was accrued up to the principal amount of such notes from the issue date until maturity. ASC 470-20 does not affect the actual amount that the Issuer is required to repay. The amount shown in the table above for the discount reflects the debt discount for the value of the exchange option.
2. Although our cash and cash equivalents balance at September 30, 2021 was $3,641, in accordance with our Senior Secured Credit Facility, only up to $10,000 of unrestricted cash and cash equivalents may be subtracted from the calculation of long-term debt for use in our Total Leverage Ratio.

i3 VERTICALS

Q3 Fiscal 2021
Supplemental Information

Q3 Fiscal 2021 GAAP Measures

The following is our Income (loss) from operations for the three months ended June 30, 2021 and 2020 calculated in accordance with GAAP. The presentation also includes references to the Company's non-GAAP financials measures. The Company believes that, in addition to the financial measures calculated in accordance with GAAP, adjusted EBITDA and adjusted net income (loss) are appropriate indicators to assist in the evaluation of its operating performance on a period-to-period basis. The Company also uses adjusted EBITDA internally as a performance measure for planning purposes, including forecasting and for calculations of earnout liabilities. Adjusted EBITDA is also used to evaluate the Company's ability to service debt.These non-GAAP financials measures presented throughout should be considered as a supplement to, not a substitute for, revenue, income from operations, net income, or other financials performance and liquidity measures prepared in accordance with GAAP.

($ in thousands)	Three months ended June 30, 2021				Three months ended June 30, 2020			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 5,569	$ 3,054	$ (9,458)	$ (835)	$ 4,975	$ 1,265	$ (5,803)	$ 437

i3 VERTICALS

Q3 Fiscal 2021 Segment Performance[1]

($ in thousands)	Three months ended June 30, 2021		Three months ended June 30, 2020[4]		Period over period growth
Revenue[2]					
Merchant Services	$	29,963	$	22,222	35%
Proprietary Software and Payments		33,729		9,767	245%
Other		(563)		(416)	nm
Total	$	63,129	$	31,573	100%
Adjusted EBITDA[2][3]					
Merchant Services	$	8,744	$	6,695	31%
Proprietary Software and Payments		10,326		2,589	299%
Other		(3,536)		(2,257)	(57)%
Total	$	15,534	$	7,027	121%
Acquisition Revenue Adjustments[2]					
Merchant Services	$	—	$	—	
Proprietary Software and Payments		89		24	
Total	$	89	$	24	
Volume					
Merchant Services	$	4,761,350	$	2,909,731	64%
Proprietary Software and Payments		374,935		70,971	428%
Total	$	5,136,285	$	2,980,702	72%

i3 VERTICALS

1. i3 Verticals has two segments, "Merchant Services" and "Proprietary Software and Payments." i3 Verticals also has an "Other" category, which includes corporate overhead.
2. Revenue and adjusted EBITDA exclude acquisition revenue adjustments for acquisitions occurring prior to October 1, 2020. See slide 2.
3. Adjusted EBITDA is a non-GAAP financial measures. Refer to the following slides for the reconciliation of non-GAAP financial measures.
4. Effective July 1, 2020, the Company reassigned a component from the Proprietary Software and Payments segment to the Merchant Services segment to better align the Company's business within its segments. The prior period comparatives have been retroactively adjusted to reflect the Company's current segment presentation.

Reconciliation of Non-GAAP Financial Measures

The reconciliation of our income (loss) from operations to non-GAAP pro forma adjusted net income and non-GAAP adjusted EBITDA is as follows:

($ in thousands)	Three months ended June 30, 2021				Three months ended June 30, 2020[1]			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 5,569	$ 3,054	$ (9,458)	$ (835)	$ 4,975	$ 1,265	$ (5,803)	$ 437
Interest (income) expense, net	—	—	2,704	2,704	(1)	—	2,424	2,423
Other expense	—	—	—	—	—	—	829	829
Benefit from income taxes	—	—	662	662	—	—	(5)	(5)
Net income (loss)	5,569	3,054	(12,824)	(4,201)	4,976	1,265	(9,051)	(2,810)
Non-GAAP Adjustments:								
Benefit from income taxes	—	—	662	662	—	—	(5)	(5)
Financing-related expenses[2]	—	—	36	36	—	—	22	22
Non-cash change in fair value of contingent consideration[3]	36	3,573	—	3,609	(1,345)	(128)	—	(1,473)
Equity-based compensation[4]	—	—	5,111	5,111	—	—	2,816	2,816
Acquisition-related expenses[5]	—	—	535	535	—	—	458	458
Acquisition intangible amortization[6]	2,823	2,850	—	5,673	2,674	878	—	3,552
Non-cash interest expense[7]	—	—	1,372	1,372	—	—	1,436	1,436
Other taxes[8]	13	19	50	82	4	—	50	54
Non-cash loss on Exchangeable Note repurchases[9]	—	—	—	—	—	—	828	828
COVID-19 related expenses[10]	—	—	—	—	107	109	23	239
Non-GAAP adjusted income (loss) before taxes	8,441	9,496	(5,058)	12,879	6,416	2,124	(3,423)	5,117
Pro forma taxes at effective tax rate[11]	(2,111)	(2,374)	1,265	(3,220)	(1,604)	(531)	855	(1,280)
Pro forma adjusted net income (loss)[12]	6,330	7,122	(3,793)	9,659	4,812	1,593	(2,568)	3,837
Plus:								
Cash interest (income) expense, net[13]	—	—	1,333	1,333	(1)	—	988	987
Pro forma taxes at effective tax rate[11]	2,111	2,374	(1,265)	3,220	1,604	531	(855)	1,280
Depreciation, non-acquired intangible asset amortization and internally developed software amortization[14]	303	830	189	1,322	280	465	178	923
Adjusted EBITDA[15]	$ 8,744	$ 10,326	$ (3,536)	$ 15,534	$ 6,695	$ 2,589	$ (2,257)	$ 7,027
Acquisition revenue adjustments[15]	$ —	$ 89	$ —	$ 89	$ —	$ 24	$ —	$ 24

i3 VERTICALS

See footnotes continued on the next slide.

Reconciliation of Non-GAAP Financial Measures

1. Effective July 1, 2020, the Company reassigned a component from the Proprietary Software and Payments segment to the Merchant Services segment to better align the Company's business within its segments. The prior period comparatives have been retroactively adjusted to reflect the Company's current segment presentation.
2. Financing-related expenses includes expenses directly related to certain transactions as part of financing transactions.
3. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
4. Equity-based compensation expense consisted of $5,111 related to stock options issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan and $2,816 related to stock options issued under the Company's 2018 Equity Incentive Plan during the three months ended June 30, 2021 and 2020, respectively.
5. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
6. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
7. Non-cash interest expense reflects amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
8. Other taxes consist of franchise taxes, commercial activity taxes, employer portion payroll taxes related to stock option exercises and other non-income based taxes. Taxes related to salaries are not included.
9. Non-cash loss on Exchangeable Note repurchases reflects the loss on retirement of debt the Company recorded during the relevant periods due to the carrying value exceeding the fair value of the repurchased portion of the 1.0% Exchangeable Senior Notes due 2025 (the "Exchangeable Notes") at the dates of repurchases.
10. COVID-19 related expenses reflects incremental expenses incurred as a result of the COVID-19 pandemic, including employee severance expenses and legal expenses.
11. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% for both 2021 and 2020, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
12. Pro forma adjusted net income assumes that all net income during the period is available to the holders of the Company's Class A common stock.
13. Cash interest expense, net represents all interest expense net of interest income recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
14. Depreciation, non-acquired intangible asset amortization and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.
15. Adjusted EBITDA excludes acquisition revenue adjustments for acquisitions occurring prior to October 1, 2020. See slide 2. We have presented the excluded adjustment separately for informational purposes.

Q2 Fiscal 2021
Supplemental Information

Q2 Fiscal 2021 GAAP Measures

The following is our Income (loss) from operations for the three months ended March 31, 2021 and 2020 calculated in accordance with GAAP. The presentation also includes references to the Company's non-GAAP financials measures. The Company believes that, in addition to the financial measures calculated in accordance with GAAP, adjusted EBITDA and adjusted net income (loss) are appropriate indicators to assist in the evaluation of its operating performance on a period-to-period basis. The Company also uses adjusted EBITDA internally as a performance measure for planning purposes, including forecasting and for calculations of earnout liabilities. Adjusted EBITDA is also used to evaluate the Company's ability to service debt.These non-GAAP financials measures presented throughout should be considered as a supplement to, not a substitute for, revenue, income from operations, net income, or other financials performance and liquidity measures prepared in accordance with GAAP.

($ in thousands)	Three months ended March 31, 2021				Three months ended March 31, 2020			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 4,684	$ 5,250	$ (8,735)	$ 1,199	$ 4,979	$ 3,842	$ (6,780)	$ 2,041

i3 VERTICALS

Q2 Fiscal 2020 Segment Performance[1]

($ in thousands)	Three months ended March 31, 2021		Three months ended March 31, 2020[3]		Period over period growth
Revenue[2]					
Merchant Services	$	26,106	$	25,729	1%
Proprietary Software and Payments		23,769		13,980	70%
Other		(678)		(531)	nm
Total	$	49,197	$	39,178	26%
Adjusted EBITDA[2]					
Merchant Services	$	7,560	$	7,328	3%
Proprietary Software and Payments		8,370		5,713	47%
Other		(3,704)		(3,209)	(15)%
Total	$	12,226	$	9,832	24%
Acquisition Revenue Adjustments[2]					
Merchant Services	$	—	$	—	
Proprietary Software and Payments		209		133	
Total	$	209	$	133	
Volume					
Merchant Services	$	3,816,170	$	3,393,710	12%
Proprietary Software and Payments		447,035		184,025	143%
Total	$	4,263,205	$	3,577,735	19%

i3 VERTICALS

1. i3 Verticals has two segments, "Merchant Services" and "Proprietary Software and Payments." i3 Verticals also has an "Other" category, which includes corporate overhead.
2. Revenue and adjusted EBITDA exclude acquisition revenue adjustments for acquisitions occurring prior to October 1, 2020. See slide 2.
3. Adjusted EBITDA is a non-GAAP financial measure. Refer to the following slides for the reconciliation of non-GAAP financial measures.
4. Effective July 1, 2020, the Company reassigned a component from the Proprietary Software and Payments segment to the Merchant Services segment to better align the Company's business within its segments. The prior period comparatives have been retroactively adjusted to reflect the Company's current segment presentation.

Reconciliation of Non-GAAP Financial Measures

The reconciliation of our income (loss) from operations to non-GAAP pro forma adjusted net income and non-GAAP adjusted EBITDA is as follows:

($ in thousands)	Three months ended March 31, 2021				Three months ended March 31, 2020[1]			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 4,684	$ 5,250	$ (8,735)	$ 1,199	$ 4,979	$ 3,842	$ (6,780)	$ 2,041
Interest expense, net	—	—	2,358	2,358	—	—	2,184	2,184
Benefit from income taxes	—	—	(136)	(136)	—	—	(2,062)	(2,062)
Net income (loss)	4,684	5,250	(10,957)	(1,023)	4,979	3,842	(6,902)	1,919
Non-GAAP Adjustments:								
Benefit from income taxes	—	—	(136)	(136)	—	—	(2,062)	(2,062)
Financing-related expenses[2]	—	—	63	63	—	—	221	221
Non-cash change in fair value of contingent consideration[3]	163	159	—	322	(649)	507	—	(142)
Equity-based compensation[4]	—	—	4,142	4,142	—	—	2,510	2,510
Acquisition-related expenses[5]	—	—	520	520	—	—	583	583
Acquisition intangible amortization[6]	2,419	2,408	—	4,827	2,728	872	—	3,600
Non-cash interest expense[7]	—	—	1,352	1,352	—	—	879	879
Other taxes[8]	1	9	119	129	3	—	78	81
Gain on investment[9]	—	—	(2,353)	(2,353)	—	—	—	—
Non-GAAP adjusted income (loss) before taxes	7,267	7,826	(7,250)	7,843	7,061	5,221	(4,693)	7,589
Pro forma taxes at effective tax rate[10]	(1,817)	(1,956)	1,224	(2,549)	(1,765)	(1,305)	1,173	(1,897)
Pro forma adjusted net income (loss)[11]	5,450	5,870	(6,026)	5,294	5,296	3,916	(3,520)	5,692
Plus:								
Cash interest expense (income), net[12]	—	—	1,006	1,006	—	—	1,305	1,305
Pro forma taxes at effective tax rate[10]	1,817	1,956	(1,224)	2,549	1,765	1,305	(1,173)	1,897
Depreciation, non-acquired intangible asset amortization and internally developed software amortization[13]	293	544	187	1,024	267	492	179	938
Adjusted EBITDA[14]	$ 7,560	$ 8,370	$ (6,057)	$ 9,873	$ 7,328	$ 5,713	$ (3,209)	$ 9,832
Acquisition revenue adjustments[14]	$ —	$ 209	$ —	$ 209	$ —	$ 133	$ —	$ 133

Reconciliation of Non-GAAP Financial Measures

1. Effective July 1, 2020, the Company reassigned a component from the Proprietary Software and Payments segment to the Merchant Services segment to better align the Company's business within its segments. The prior period comparatives have been retroactively adjusted to reflect the Company's current segment presentation.
2. Financing-related expenses includes expenses directly related to certain transactions as part of financing transactions.
3. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
4. Equity-based compensation expense consisted of $4,142 related to stock options issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan and $2,510 related to stock options issued under the Company's 2018 Equity Incentive Plan during the three months ended March 31, 2021 and 2020, respectively.
5. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
6. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
7. Non-cash interest expense reflects amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
8. Other taxes consist of franchise taxes, commercial activity taxes, employer portion payroll taxes related to stock option exercises and other non-income based taxes. Taxes related to salaries are not included.
9. In March 2021, the Company became aware of an observable price change in an investment due to a planned third party acquisition of the entity underlying the investment. This resulted in an increase of $2,353 to the fair value of the investment at March 31, 2021, which the Company recognized in other income.
10. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% for both 2021 and 2020, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
11. Pro forma adjusted net income assumes that all net income during the period is available to the holders of the Company's Class A common stock.
12. Cash interest expense, net represents all interest expense net of interest income recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
13. Depreciation, non-acquired intangible asset amortization and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.
14. Adjusted EBITDA excludes acquisition revenue adjustments for acquisitions occurring prior to October 1, 2020. See slide 2. We have presented the excluded adjustment separately for informational purposes.

Q1 Fiscal 2021
Supplemental Information

Q1 Fiscal 2021 GAAP Measures

The following is our Income (loss) from operations for the three months ended December 31, 2020 and 2019 calculated in accordance with GAAP. The presentation also includes references to the Company's non-GAAP financials measures. The Company believes that, in addition to the financial measures calculated in accordance with GAAP, adjusted EBITDA and adjusted net income (loss) are appropriate indicators to assist in the evaluation of its operating performance on a period-to-period basis. The Company also uses adjusted EBITDA internally as a performance measure for planning purposes, including forecasting and for calculations of earnout liabilities. Adjusted EBITDA is also used to evaluate the Company's ability to service debt.These non-GAAP financials measures presented throughout should be considered as a supplement to, not a substitute for, revenue, income from operations, net income, or other financials performance and liquidity measures prepared in accordance with GAAP.

($ in thousands)	Three months ended December 31, 2020				Three months ended December 31, 2019			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 4,853	$ 1,945	$ (7,801)	$ (1,003)	$ 8,427	$ 868	$ (5,198)	$ 4,097

Q1 Fiscal 2021 Segment Performance[1]

($ in thousands)	Three months ended December 31, 2020	Three months ended December 31, 2019[3]	Period over period growth
Revenue[2]			
Merchant Services	$ 25,061	$ 28,239	(11)%
Proprietary Software and Payments	19,993	13,282	51%
Other	(433)	(410)	nm
Total	$ 44,621	$ 41,111	9%
Adjusted EBITDA[2]			
Merchant Services	$ 7,783	$ 9,206	(15)%
Proprietary Software and Payments	5,841	4,733	23%
Other	(3,033)	(2,593)	(17)%
Total	$ 10,591	$ 11,346	(7)%
Acquisition Revenue Adjustments[2]			
Merchant Services	$ —	$ —	
Proprietary Software and Payments	287	513	
Total	$ 287	$ 513	
Volume			
Merchant Services	$ 3,582,614	$ 3,635,056	(1)%
Proprietary Software and Payments	217,913	204,062	7%
Total	$ 3,800,527	$ 3,839,118	(1)%

i3 VERTICALS

1. i3 Verticals has two segments, "Merchant Services" and "Proprietary Software and Payments." i3 Verticals also has an "Other" category, which includes corporate overhead.
2. Revenue and adjusted EBITDA exclude acquisition revenue adjustments for acquisitions occurring prior to October 1, 2020. See slide 2.
3. Adjusted EBITDA is a non-GAAP financial measure. Refer to the following slides for the reconciliation of non-GAAP financial measures.
4. Effective July 1, 2020, the Company reassigned a component from the Proprietary Software and Payments segment to the Merchant Services segment to better align the Company's business within its segments. The prior period comparatives have been retroactively adjusted to reflect the Company's current segment presentation.

Reconciliation of Non-GAAP Financial Measures

The reconciliation of our income (loss) from operations to non-GAAP pro forma adjusted net income and non-GAAP adjusted EBITDA is as follows:

($ in thousands)	Three months ended December 31, 2020				Three months ended December 31, 2019[1]			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 4,853	$ 1,945	$ (7,801)	$ (1,003)	$ 8,427	$ 868	$ (5,198)	$ 4,097
Interest expense, net	—	—	2,029	2,029	—	—	2,014	2,014
Provision for income taxes	—	—	(10)	(10)	—	—	149	149
Net income (loss)	4,853	1,945	(9,820)	(3,022)	8,427	868	(7,361)	1,934
Non-GAAP Adjustments:								
Provision for income taxes	—	—	(10)	(10)	—	—	149	149
Financing-related expenses[2]	—	—	53	53	—	—	—	—
Non-cash change in fair value of contingent consideration[3]	157	1,747	—	1,904	(2,297)	2,451	—	154
Equity-based compensation[4]	—	—	3,441	3,441	—	—	2,124	2,124
Acquisition-related expenses[5]	—	—	1,010	1,010	—	—	262	262
Acquisition intangible amortization[6]	2,486	1,631	—	4,117	2,839	882	—	3,721
Non-cash interest expense[7]	—	—	1,332	1,332	—	—	100	100
Other taxes[8]	7	—	87	94	4	—	50	54
Non-GAAP adjusted income (loss) before taxes	7,503	5,323	(3,907)	8,919	8,973	4,201	(4,676)	8,498
Pro forma taxes at effective tax rate[9]	(1,876)	(1,331)	977	(2,230)	(2,243)	(1,050)	1,169	(2,124)
Pro forma adjusted net income (loss)[10]	5,627	3,992	(2,930)	6,689	6,730	3,151	(3,507)	6,374
Plus:								
Cash interest expense, net[11]	—	—	697	697	—	—	1,914	1,914
Pro forma taxes at effective tax rate[9]	1,876	1,331	(977)	2,230	2,243	1,050	(1,169)	2,124
Depreciation, non-acquired intangible asset amortization and internally developed software amortization[12]	280	518	177	975	233	532	169	934
Adjusted EBITDA[13]	$ 7,783	$ 5,841	$ (3,033)	$ 10,591	$ 9,206	$ 4,733	$ (2,593)	$ 11,346
Acquisition revenue adjustments[13]	$ —	$ 287	$ —	$ 287	$ —	$ 513	$ —	$ 513

See footnotes continued on the next slide.

Reconciliation of Non-GAAP Financial Measures

1. Effective July 1, 2020, the Company reassigned a component from the Proprietary Software and Payments segment to the Merchant Services segment to better align the Company's business within its segments. The prior period comparatives have been retroactively adjusted to reflect the Company's current segment presentation.
2. Financing-related expenses includes expenses directly related to certain transactions as part of financing transactions.
3. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
4. Equity-based compensation expense consisted of $3,441 related to stock options issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan and $2,124 related to stock options issued under the Company's 2018 Equity Incentive Plan during the three months ended December 31, 2020 and 2019, respectively.
5. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
6. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
7. Non-cash interest expense reflects amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
8. Other taxes consist of franchise taxes, commercial activity taxes, employer portion payroll taxes related to stock option exercises and other non-income based taxes. Taxes related to salaries are not included.
9. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% for both 2020 and 2019, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
10. Pro forma adjusted net income assumes that all net income during the period is available to the holders of the Company's Class A common stock.
11. Cash interest expense, net represents all interest expense net of interest income recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
12. Depreciation, non-acquired intangible asset amortization and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software..
13. Adjusted EBITDA excludes acquisition revenue adjustments for acquisitions occurring prior to October 1, 2020. See slide 2. We have presented the excluded adjustment separately for informational purposes.