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): September 23, 2024 (September 20, 2024)

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. ☐

Item 2.01. Completion of Acquisition or Disposition of Assets.

On September 20, 2024, i3 Verticals, LLC ("LLC Seller"), a subsidiary of i3 Verticals, Inc. ("i3 Verticals" or the "Company"), and i3 Holdings Sub, Inc., a wholly-owned subsidiary of LLC Seller ("Corporation Seller," and collectively with LLC Seller, the "Sellers") completed the transactions (such closing, the "Closing") contemplated by that certain Securities Purchase Agreement dated as of June 26, 2024 (the "Purchase Agreement"), by and among LLC Seller, Corporation Seller, i3 Verticals (solely for the purpose of providing a guaranty of the obligations of Sellers as set forth in the Purchase Agreement), Payroc Buyer, LLC ("Buyer"), and Payroc WorldAccess, LLC (solely for the purpose of providing a guaranty of the obligations of Buyer as set forth in the Purchase Agreement), the entry into which Purchase Agreement was previously disclosed in a Current Report on Form 8-K filed by i3 Verticals on June 26, 2024. Pursuant to the terms of the Purchase Agreement, the Sellers sold to Buyer the equity interests of certain direct and indirect wholly-owned subsidiaries of Sellers (the "Acquired Entities") primarily comprising i3 Verticals's merchant services business, including its associated proprietary technology (the "Business"), after giving effect to the contribution of certain assets and the assignment of certain liabilities associated with the Business from LLC Seller and certain affiliates to the Acquired Entities pursuant to a contribution agreement which was entered into immediately prior to the Closing. Pursuant to the terms of the Purchase Agreement, Buyer paid to Sellers an aggregate purchase price of approximately $438 million (after giving effect to estimated net working capital, indebtedness and cash adjustments), payable in cash at the Closing, subject to post-closing purchase price adjustments.

At the Closing, the parties and/or their affiliates entered into certain ancillary agreements, including (i) a transition services agreement, pursuant to which, among other things, Sellers and/or affiliates thereof will provide certain information technology and operational transition services to Buyer for a period of time after the Closing, (ii) a processing services agreement, pursuant to which the parties will provide certain payment processing services to customers of each party, and (iii) a restrictive covenant agreement, pursuant to which i3 Verticals and Sellers will be bound by certain confidentiality covenants, non-competition and business relation non-solicitation covenants (with a term ending on the fifth anniversary of the Closing) and employee non-solicitation covenants (with a term ending on the third anniversary of the Closing), subject to certain limitations as provided therein.

The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, which is attached as Exhibit 2.1 to this Current Report on Form 8-K and is incorporated herein by reference. In addition, the Purchase Agreement is not intended to modify or supplement any factual disclosures about i3 Verticals in its reports filed with the Securities and Exchange Commission and it is not intended to be, and should not be relied upon as, disclosures regarding any facts and circumstances relating to i3 Verticals, Sellers or the Business. In particular, the representations, warranties, and covenants contained in the Purchase Agreement were made solely for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to the Purchase Agreement (except with respect to the rights of specific third-party beneficiaries enumerated in the Purchase Agreement), may have been qualified in the Purchase Agreement by confidential disclosure schedules (which disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the Purchase Agreement), may be subject to limitations and contractual risk allocation mechanisms agreed upon by the parties to the Purchase Agreement, may have been included in the Purchase Agreement for the purpose of allocating risk between the parties rather than establishing matters as facts, and may be subject to standards of materiality that differ from what an investor may view as material, and thus should not be relied upon as necessarily reflecting the actual state of facts or conditions. Investors are not third-party beneficiaries under the Purchase Agreement and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or conditions of the parties.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Appointment of Clay Whitson as Chief Strategy Officer

On September 20, 2024, the Board of Directors (the "Board") of the Company appointed Clay Whitson, age 66, who previously served as the Company's Chief Financial Officer, to serve in the newly-created position of Chief Strategy Officer, effective immediately. In Mr. Whitson's new role, he will focus on capital allocation, M&A and investor relations. There will be no adjustment in Mr. Whitson's compensation as a result of this change.

Appointment of Geoff Smith as Chief Financial Officer

Concurrently with the appointment of Mr. Whitson as set forth above, the Board appointed Geoff Smith, age 37, who previously served as the Company's Senior Vice President of Finance, to serve as the Company's Chief

Financial Officer, effective immediately. In this capacity, Mr. Smith will serve as the principal financial officer of the Company, and will also continue to serve as principal accounting officer of the Company.

In connection with Mr. Smith's appointment, the Compensation Committee of the Board approved the grant of 15,000 time-based vesting restricted stock units to Mr. Smith in accordance with the terms of the Company's 2018 Equity Incentive Plan, which restricted stock units vest ratably in four equal annual installments beginning on the first anniversary of the grant date, subject to Mr. Smith's continued service with the Company. Additionally, the Compensation Committee of the Board approved an increase to Mr. Smith's annual base salary to $260,500, effective as of the date of such appointment.

There are no arrangements or understandings between Mr. Smith and any other persons pursuant to which he was selected as the Company's Chief Financial Officer. There are no family relationships between Mr. Smith and any director or executive officer of the Company, and Mr. Smith has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

Mr. Smith has served as the Company's principal accounting officer since June 2021 and Senior Vice President of Finance since November 2022. He previously served as the Company's Vice President of Finance from June 2020 to November 2022, as Controller of the Company and i3 Verticals, LLC, a subsidiary of the Company, from June 2018 to June 2020, and as Controller of i3 Verticals, LLC from July 2017 to June 2018. Prior to joining the Company, Mr. Smith's career began at Ernst & Young, LLP in October 2010 where he served as a Manager. Mr. Smith holds a Bachelor of Science and a Masters in Accountancy from Vanderbilt University and is an inactive Certified Public Accountant in the state of Tennessee.

Item 7.01. Regulation FD Disclosure.

On September 23, 2024, i3 Verticals issued a press release announcing the Closing and the appointment of Messrs. Whitson and Smith to their new positions as set forth above. A copy of this press release is attached hereto as Exhibit 99.1 to this Current Report on Form 8-K. This information furnished pursuant to this Item 7.01 and Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(b) Pro forma financial information. The following unaudited pro forma condensed consolidated financial information of i3 Verticals is filed as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference:

- Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2024
- Unaudited Pro Forma Condensed Consolidated Statement of Operations for the nine months ended June 30, 2024, as well as for the fiscal years ended September 30, 2023, 2022 and 2021
- Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

(d) Exhibits.

Exhibit No.	Description
2.1*	Securities Purchase Agreement, dated as of June 26, 2024, by and among i3 Verticals, LLC, i3 Holdings Sub, Inc., Payroc Buyer, LLC, Payroc WorldAccess, LLC, solely for purposes of certain terms set forth therein, and i3 Verticals, Inc., solely for purposes of certain terms set forth therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on June 26, 2024) (File No. 001-38532).
99.1	Press Release issued by i3 Verticals, Inc., dated September 23, 2024
99.2	Unaudited Pro Forma Condensed Consolidated Financial Statements
104	Cover Page Interactive Date File (embedded within the Inline XBRL document).

* Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. i3 Verticals agrees to furnish, on a supplemental basis, a copy of such omitted schedules and exhibits to the Securities and Exchange Commission upon request. Pursuant to Item 601(a)(6) of Regulation S-K, certain information has been redacted or omitted and marked by brackets and asterisks.

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: September 23, 2024

i3 VERTICALS, INC.

By:	/s/ Paul Maple
Name:	Paul Maple
Title:	General Counsel and Secretary

i3 Verticals Completes Sale of Merchant Services Business

Announces Chief Financial Officer Transition and Appointment of Chief Strategy Officer

NASHVILLE, Tenn. (September 23, 2024) – i3 Verticals, Inc. ("i3 Verticals" or the "Company") (NASDAQ: IIIV), and Payroc WorldAccess, LLC ("Payroc"), a leading omni-channel payments provider, today announced the closing of the previously announced sale of i3 Verticals' merchant services business, including its associated proprietary technology, to Payroc. The purchase price paid at closing to the Company was approximately $438 million in cash (after giving effect to estimated purchase price adjustments), subject to post-closing purchase price adjustments.

Greg Daily, Chairman and CEO of i3 Verticals stated, "This completed transaction marks a significant moment for our company. Following this divestiture, i3 Verticals is a vertical market software business focused solely on the Public Sector (including Education) and Healthcare verticals. We are confident that our valued employees have found a wonderful home at Payroc."

Jim Oberman, Chief Executive Officer of Payroc, expressed his excitement, "We are thrilled that this transaction has closed. This business is an ideal fit for Payroc, and I am especially eager to meet those i3 team members and i3 partners who will be joining us on our journey with Payroc."

Chief Financial Officer Transition and Appointment of Chief Strategy Officer

i3 Verticals also announced today that Geoff Smith, who previously served as the Company's Senior Vice President of Finance, has been appointed to serve as the Company's Chief Financial Officer, and Clay Whitson, who previously served as the Company's Chief Financial Officer, has been appointed to a newly created position of Chief Strategy Officer. In Mr. Whitson's new role, he will focus on capital allocation, M&A and investor relations.

Greg Daily stated, "We are excited to announce the appointment of Geoff as Chief Financial Officer and Clay's new role as our Chief Strategy Officer. Geoff has excelled at taking on increasing responsibilities over the last few years and we are confident this will be a smooth transition. This transition will give Clay time to work side-by-side with Rick Stanford, our President, and me on a variety of projects across the Company. In addition to continuing as a vital member of our executive team, Clay will also remain a member of our Board of Directors. I would like to congratulate Geoff and Clay on their new roles, and we look forward to their continued leadership."

About i3 Verticals

The Company delivers seamless integrated software to customers in strategic vertical markets. Building on its sophisticated and diverse platform of software and services solutions, the Company creates and acquires software products to serve the specific needs of public and private organizations in its strategic verticals, including its Public Sector (including Education) and Healthcare verticals.

About Payroc

Payroc WorldAccess, LLC is a high-growth merchant acquirer, processor, and payment integrations powerhouse that offers best-in-class sales enablement and payment processing technology on a global scale, delivering proprietary, innovative, and full-service merchant acquiring solutions together with key card brand network payment sponsorship registrations. Payroc (through its subsidiaries) is a registered Visa third party processor, a Visa independent sales organization, a Mastercard third-party service provider, a Mastercard member service provider, a payment facilitator, an encryption support organization for Fifth Third Bank, National Association ("Fifth Third"), and, in Canada is registered with Peoples Trust Company, among many others.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities

-MORE-

Litigation Reform Act of 1995, which involve risk and uncertainties. You 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. These forward-looking statements are based on the Company’s current beliefs, understandings and expectations. These forward-looking statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond the Company’s control, which could cause actual results to differ materially from those contemplated in these forward-looking statements. Factors that could cause actual results to differ materially from those expressed or implied include: (i) post-closing risks related to the ancillary agreements entered into in connection with the closing of the divestiture of the Company's merchant services business; and (ii) the Company’s ability to execute on its strategy and achieve its goals and other expectations after the completion of the divestiture of the Company's merchant services business, as well as the risks set forth in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed with the Securities and Exchange Commission on February 21, 2024, the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2024, filed with the Securities and Exchange Commission on August 9, 2024, and the Company’s other filings with the Securities and Exchange Commission. Any forward-looking statement made by the Company in this press release speaks only as of the date of this press release, and 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.

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

-END-

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On September 20, 2024, i3 Verticals, LLC (“LLC Seller”), a Delaware limited liability company and subsidiary of i3 Verticals, Inc., a Delaware corporation (the “Company”), i3 Holdings Sub, Inc., a Delaware corporation and wholly-owned subsidiary of LLC Seller (“Corporation Seller,” and collectively with LLC Seller, the “Sellers”), and (solely for the purpose of providing a guaranty of the obligations of Sellers as set forth in the Purchase Agreement (as defined below)) the Company, completed the sale (the “Sale”) of the equity interests of certain direct and indirect wholly-owned subsidiaries of Sellers primarily comprising the Company’s merchant services business, including its associated proprietary technology (the “Merchant Services Business”) pursuant to terms of the Securities Purchase Agreement (the “Purchase Agreement”) dated as of June 26, 2024, by and between LLC Seller, Corporation Seller, the Company, Payroc Buyer, LLC, a Delaware limited liability company (“Buyer”), and (solely for the purpose of providing a guaranty of the obligations of Buyer as set forth in the Purchase Agreement) Payroc WorldAccess, LLC, a Delaware limited liability company. In connection with the Company’s entry into the Purchase Agreement, as previously disclosed, the Merchant Services Business met the criteria for discontinued operations reporting as of June 30, 2024, and the Company no longer presents a merchant services segment.

The unaudited pro forma condensed consolidated financial information presented below consists of an unaudited pro forma condensed consolidated balance sheet as of June 30, 2024 and unaudited pro forma condensed consolidated statements of operations for the nine months ended June 30, 2024 and for the three years ended September 30, 2023, 2022 and 2021. The unaudited pro forma condensed consolidated financial information presented below has been derived from and is based on the historical annual and interim condensed consolidated financial statements of the Company for each period presented. The unaudited pro forma condensed consolidated financial information presented below should be read in conjunction with, the Company’s financial statements and notes thereto for the three and nine months ended June 30, 2024, included in the Company’s Quarterly Report on Form 10-Q filed on August 9, 2024, as well as the Company’s financial statements and notes thereto for the fiscal year ended September 30, 2023, included in the Company’s Annual Report on Form 10-K filed on November 22, 2023.

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2024 has been prepared giving effect to the Sale as if it had occurred on June 30, 2024. The unaudited pro forma condensed consolidated statements of operations for the nine months ended June 30, 2024, and for the three years ended September 30, 2023, 2022 and 2021 have been prepared giving effect to the Sale as if it had occurred on October 1, 2022, and as it relates to the classification of the Merchant Services Business as discontinued operations, October 1, 2020, the beginning of the earliest period presented.

The “Historical” column in the unaudited pro forma condensed consolidated financial statements reflects our historical condensed consolidated financial statements for the periods presented and does not reflect any adjustments related to the Sale.

The “Sale of Merchant Services Business” column in the unaudited pro forma condensed consolidated financial statements reflects the operations, assets, liabilities and equity of the Merchant Services Business.

The unaudited pro forma condensed consolidated financial information has been presented in conformity with Article 11 of Regulation S-X. The unaudited pro forma condensed consolidated financial information is based on information currently available and includes certain assumptions and adjustments that management believes are reasonable. The unaudited pro forma financial information has been prepared for illustrative purposes only, and does not purport to show the results that would have occurred had such transactions been completed as of the date and for the periods presented, and may not be useful in predicting the impact of the Sale on the future financial condition and results of operations of the Company due to a variety of factors.

i3 Verticals, Inc.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

As of June 30, 2024

($ in thousands)	Historical	Sale of Merchant Services Business		Transaction Accounting Adjustments		Pro Forma
Assets						
Current assets						
Cash and cash equivalents	$ 9,745	$ —		$ 86,904	2(b)	$ 96,649
Accounts receivable, net	48,655	—		—		48,655
Settlement assets	1,355	—		—		1,355
Prepaid expenses and other current assets	11,279	—		—		11,279
Current assets held for sale	237,002	(237,002)	2(a)	—		—
Total current assets	308,036	(237,002)		86,904		157,938
Property and equipment, net	8,928	—		—		8,928
Restricted cash	2,396	—		—		2,396
Capitalized software, net	56,634	—		—		56,634
Goodwill	269,192	—		—		269,192
Intangible assets, net	154,039	—		—		154,039
Deferred tax asset	50,307	—		—		50,307
Operating lease right-of-use assets	9,564	—		—		9,564
Other assets	2,626	—		3,508	2(b)	6,134
Total assets	$ 861,722	$ (237,002)		$ 90,412		$ 715,132
Liabilities and equity						
Liabilities						
Current liabilities						
Accounts payable	$ 5,955	$ —		$ —		$ 5,955
Current portion of long term debt	26,223	—		—		26,223
Accrued expenses and other current liabilities	22,827	—		79,718	2(b)	102,545
Settlement obligations	1,355	—		—		1,355
Deferred revenue	29,497	—		—		29,497
Current portion of operating lease liabilities	3,477	—		—		3,477
Current liabilities held for sale	13,953	(13,953)	2(a)	—		—
Total current liabilities	103,287	(13,953)		79,718		169,052
Long-term debt, less current portion and debt issuance costs, net	347,892	—		(347,892)	2(b)	—
Long-term tax receivable agreement obligations	40,441	—		—		40,441
Operating lease liabilities, less current portion	6,949	—		—		6,949
Other long-term liabilities	17,238	—		—		17,238
Total liabilities	515,807	(13,953)		(268,174)		233,680
Commitments and contingencies (see Note 12)						
Stockholders' equity						
Preferred stock, par value $0.0001 per share, 10,000,000 shares authorized; 0 shares issued and outstanding as of March 31, 2024	—	—		—		—
Class A common stock, par value $0.0001 per share, 150,000,000 shares authorized; 23,442,698 shares issued and outstanding as of June 30, 2024	2	—		—		2
Class B common stock, par value $0.0001 per share, 40,000,000 shares authorized; 10,032,676 shares issued and outstanding as of June 30, 2024	1	—		—		1
Additional paid-in capital	267,176	—		—		267,176
(Accumulated deficit) retained earnings	(17,513)	(156,201)	2(a), 2(c)	251,117	2(c)	77,403
Total stockholders' equity	249,666	(156,201)		251,117		344,582
Non-controlling interest	96,249	(66,848)	2(a), 2(c)	107,469	2(c)	136,870
Total equity	345,915	(223,049)		358,586		481,452
Total liabilities and equity	$ 861,722	$ (237,002)		$ 90,412		$ 715,132

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

i3 Verticals, Inc.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the Nine Months Ended June 30, 2024

($ in thousands except per share amounts)	Historical	Sale of Merchant Services Business	Transaction Accounting Adjustments		Pro Forma
Revenue	$ 169,059	$ —	$ —		$ 169,059
Operating expenses					
Other costs of services	13,540	—	—		13,540
Selling, general and administrative	131,548	—	(2,626)	2(d)	128,922
Depreciation and amortization	21,216	—	—		21,216
Change in fair value of contingent consideration	(545)	—	—		(545)
Total operating expenses	165,759	—	(2,626)		163,133
Income from operations	3,300	—	2,626		5,926
Interest expense, net	22,307	—	(20,690)	2(e)	1,617
Other income	(2,150)	—	—		(2,150)
Total other expenses	20,157	—	(20,690)		(533)
(Loss) income before income taxes	(16,857)	—	23,316		6,459
Provision for income taxes	3,507	—	5,829	2(f)	9,336
Net loss from continuing operations	(20,364)	—	17,487		(2,877)
Net loss from continuing operations attributable to non-controlling interest	(3,944)	—	413	2(g)	(3,531)
Net loss (income) from continuing operations attributable to i3 Verticals, Inc.	$ (16,420)	$ —	$ 17,074		$ 654
Net (loss) income per share attributable to Class A common stockholders from continuing operations:					
Basic	$ (0.70)			2(h)	$ 0.03
Diluted	$ (0.70)			2(h)	$ (0.06)
Weighted average shares of Class A common stock outstanding:					
Basic	23,339,598			2(h)	23,339,598
Diluted, for continuing operations	23,339,598			2(h)	33,781,826

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

i3 Verticals, Inc.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended September 30, 2023

($ in thousands except per share amounts)	Historical	Sale of Merchant Services Business		Transaction Accounting Adjustments		Pro Forma
Revenue	$ 370,239	$ (143,517)	2(i)	$ —		$ 226,722
Operating expenses						
Other costs of services	80,552	(65,197)	2(i)	—		15,355
Selling general and administrative	219,736	(42,005)	2(i)	—		177,731
Depreciation and amortization	36,461	(10,023)	2(i)	—		26,438
Change in fair value of contingent consideration	10,781	(14)	2(i)	—		10,767
Total operating expenses	347,530	(117,239)		—		230,291
Income (loss) from operations	22,709	(26,278)		—		(3,569)
Interest expense, net	25,128	—	2(i)	(21,817)	2(e)	3,311
Other income	1,436	(2,660)	2(i)	—		(1,224)
Total other expenses	26,564	(2,660)		(21,817)		2,087
Loss before income taxes	(3,855)	(23,618)		21,817		(5,656)
(Benefit from) provision for income taxes	(1,203)	(2,585)	2(i)	5,454	2(f)	1,666
Net loss from continuing operations	(2,652)	(21,033)		16,363		(7,322)
Net loss from continuing operations attributable to non-controlling interest	(1,841)	(6,367)	2(i)	4,953	2(g)	(3,255)
Net loss from continuing operations attributable to i3 Verticals, Inc.	$ (811)	$ (14,666)		$ 11,410		$ (4,067)
Net loss per share attributable to Class A common stockholders from continuing operations:						
Basic	$ (0.04)				2(j)	$ (0.18)
Diluted	$ (0.07)				2(j)	$ (0.20)
Weighted average shares of Class A common stock outstanding:						
Basic	23,137,586				2(j)	23,137,586
Diluted	33,246,833				2(j)	33,246,833

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

i3 Verticals, Inc.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended September 30, 2022

($ in thousands except per share amounts)	Historical	Sale of Merchant Services Business		Transaction Accounting Adjustments		Pro Forma
Revenue	$ 317,862	$ (130,110)	2(i)	$ —		$ 187,752
Operating expenses						
Other costs of services	73,367	(60,533)	2(i)	—		12,834
Selling general and administrative	193,790	(37,124)	2(i)	—		156,666
Depreciation and amortization	29,424	(10,094)	2(i)	—		19,330
Change in fair value of contingent consideration	23,725	(1,662)	2(i)	—		22,063
Total operating expenses	320,306	(109,413)		—		210,893
Loss from operations	(2,444)	(20,697)		—		(23,141)
Interest expense, net	14,775	—	2(i)	—		14,775
Other expense	991	—	2(i)	—		991
Total other expenses	15,766	—		—		15,766
Loss before income taxes	(18,210)	(20,697)		—		(38,907)
Provision for income taxes	5,007	(4,855)	2(i)	—		152
Net loss from continuing operations	(23,217)	(15,842)		—		(39,059)
Net loss from continuing operations attributable to non-controlling interest	(6,115)	(4,841)	2(i)	—		(10,956)
Net loss from continuing operations attributable to i3 Verticals, Inc.	$ (17,102)	$ (11,001)		$ —		$ (28,103)
Net loss per share attributable to Class A common stockholders from continuing operations:						
Basic	$ (0.77)				2(j)	$ (1.26)
Diluted	$ (0.77)				2(j)	$ (1.26)
Weighted average shares of Class A common stock outstanding:						
Basic	22,249,656				2(j)	22,249,656
Diluted	22,249,656				2(j)	22,249,656

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

i3 Verticals, Inc.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended September 30, 2021

($ in thousands except per share amounts)	Historical	Sale of Merchant Services Business		Transaction Accounting Adjustments		Pro Forma
Revenue	$ 224,124	$ (116,558)	2(i)	$ —		$ 107,566
Operating expenses						
Other costs of services	57,706	(52,191)	2(i)	—		5,515
Selling general and administrative	134,872	(32,919)	2(i)	—		101,953
Depreciation and amortization	24,418	(11,859)	2(i)	—		12,559
Change in fair value of contingent consideration	7,140	(177)	2(i)	—		6,963
Total operating expenses	224,136	(97,146)		—		126,990
Loss from operations	(12)	(19,412)		—		(19,424)
Interest expense, net	9,799	—	2(i)	—		9,799
Other income	(2,595)	—	2(i)	—		(2,595)
Total other expenses	7,204	—		—		7,204
Loss before income taxes	(7,216)	(19,412)		—		(26,628)
Provision for income taxes	623	(4,336)	2(i)	—		(3,713)
Net loss from continuing operations	(7,839)	(15,076)		—		(22,915)
Net loss from continuing operations attributable to non-controlling interest	(3,382)	(4,781)	2(i)	—		(8,163)
Net loss from continuing operations attributable to i3 Verticals, Inc.	$ (4,457)	$ (10,295)		$ —		$ (14,752)
Net loss per share attributable to Class A common stockholders from continuing operations:						
Basic	$ (0.21)				2(k)	$ (0.70)
Diluted	$ (0.22)				2(k)	$ (0.70)
Weighted average shares of Class A common stock outstanding:						
Basic	20,994,598				2(k)	20,994,598
Diluted	31,714,191				2(k)	20,994,598

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

($ in thousands)

1. BASIS OF PRESENTATION

The Company's historical consolidated financial statements have been adjusted in the unaudited pro forma condensed consolidated financial statements to give effect to pro forma events that are (1) directly attributable to the Sale and (2) factually supportable. The pro forma condensed consolidated statements of income do not reflect the estimated gain on the Sale since this will be recognized in discontinued operations.

The unaudited pro forma condensed consolidated financial information is based on information currently available and includes certain assumptions and adjustments that management believes are reasonable. The unaudited pro forma financial information has been prepared for illustrative purposes only, and does not purport to show the results that would have occurred had such transactions been completed as of the date and for the periods presented, and may not be useful in predicting the impact of the Sale on the future financial condition and results of operations of the Company due to a variety of factors.

2. PRO FORMA ADJUSTMENTS

a) Adjustments reflect the disposition of assets and liabilities attributable to the Merchant Services Business, which were included as assets and liabilities held for sale in the Company's financial statements for the three and nine months ended June 30, 2024, included in the Company's Quarterly Report on Form 10-Q filed on August 9, 2024.

b) Adjustments reflect the cash purchase price paid upon the closing of the Sale of $438,304 (after giving effect to estimated net working capital, indebtedness and cash purchase price adjustments), and subject to post-closing purchase price adjustments. Of the cash proceeds received at the closing of the Sale, a portion of these proceeds will be utilized to pay down all outstanding principal and interest under the revolver at the closing pursuant to the 2023 Senior Secured Credit Facility, the principal of which was $351,400 as of June 30, 2024. The debt issuance costs of $3,508 related to the revolver pursuant to the 2023 Senior Secured Credit Facility are reclassified as an asset rather than a reduction in the related liability as the previously drawn amounts on the 2023 Senior Secured Credit Facility will be repaid. The remaining proceeds have been allocated to cash and cash equivalents. The remaining proceeds from the Sale are anticipated to be used to pay estimated transaction costs, estimated cash taxes distributions to LLC members for taxes estimated to be $79,718, and/or for general corporate purposes. Additionally, in early 2025, we expect to pay $10,152 for tax liabilities under our Tax Receivable Agreement as a result of the gain from the transaction and utilization of deferred tax assets.

c) Adjustments reflect the estimated net gain of $135,537 from the Sale, net of tax effects. The net gain is comprised of the $438,304 purchase price (after giving effect to estimated net working capital, indebtedness and cash purchase price adjustments), and subject to post-closing purchase price adjustments, less the estimated net carrying value of the Merchant Services business of $223,049, and estimated incremental transaction costs, estimated cash taxes and distributions to LLC members for taxes estimated to be $79,718.

d) Adjustments reflect the costs incurred related to the Sale during the nine months ending June 30, 2024.

e) Adjustment reflects the estimated reduction in interest expense resulting from the repayment of debt described in the balance sheet adjustments.

f) Adjustments reflect the income tax effects of all pro forma adjustments based on an estimated blended federal and state statutory tax rate of 25.00%.

g) Adjustment reflects the removal of the income (loss) attributable to the non-controlling interest associated with the transaction accounting adjustments.

h) The changes in basic and diluted earnings per share (“EPS”) from continuing operations reflect (i) changes to net income (loss) from continuing operations resulting from the pro forma adjustments herein; and (ii) changes to weighted average diluted shares outstanding due to the inclusion of potentially dilutive securities that were not considered for the historical periods because the impact would have been anti-dilutive in the historical period. These potentially dilutive securities that were included in the pro forma calculation but were excluded from the historical calculation consist of the weighted average shares of Class B common stock along with the reallocation of net income assuming conversion of these shares and estimated stock option exercises and restricted stock units vesting as calculated by the treasury stock method.

i) Adjustments reflect the elimination of revenues and expenses attributable to the Merchant Services Business, which were included in the Company’s historical financial statements.

j) The changes in basic and diluted EPS from continuing operations reflect changes to net income (loss) from continuing operations resulting from the pro forma adjustments herein.

k) The changes in basic and diluted EPS from continuing operations reflect (i) changes to net income (loss) from continuing operations resulting from the pro forma adjustments herein; and (ii) changes to weighted average diluted shares outstanding due to the exclusion of potentially dilutive securities in the pro forma calculation that were considered for the historical periods because the impact would have been anti-dilutive to the Company in the pro forma calculation. These potentially dilutive securities that have been excluded from the pro forma calculation but were included in the historical calculation consist of the weighted average shares of Class B common stock along with the reallocation of net income assuming conversion of these shares.