

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): August 8, 2023 (August 8, 2023)



i3 Verticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-38532
(Commission
File Number)

82-4052852
(I.R.S. Employer
Identification No.)

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

37215
(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
Class A Common Stock, \$0.0001 Par Value

Trading Symbol(s)
IIV

Name of each exchange on which registered
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 Items 2.02 and 7.01 of this Current Report on Form 8-K (including Exhibit 99.1 and 99.2 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 August 8, 2023, i3 Verticals, Inc. (the “Company”) issued a press release announcing the results of its operations for the three and nine months ended June 30, 2023. 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”) providing certain supplemental financial information for the three and nine months ended June 30, 2023. 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, www.i3verticals.com.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

Exhibit No.	Description
99.1	Press release issued by i3 Verticals, Inc. on August 8, 2023
99.2	Supplemental Presentation
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).



i3 VERTICALS REPORTS THIRD QUARTER 2023 FINANCIAL RESULTS
Secures state level contracts in Public Sector

NASHVILLE, Tenn. (August 8, 2023) – i3 Verticals, Inc. (Nasdaq: IIIV) (“i3 Verticals” or the “Company”) today reported its financial results for the fiscal third quarter ended June 30, 2023.

Highlights for the fiscal third quarter and nine months ended June 30, 2023 vs. 2022

- Third quarter revenue was \$93.9 million, an increase of 16.6% over the prior year's third quarter. Revenue for the nine months ended June 30, 2023, was \$273.8 million, an increase of 17.7% over the prior year's first nine months.
- Third quarter net loss was \$6.1 million, compared to net loss of \$4.7 million in the prior year's third quarter. Net loss for the nine months ended June 30, 2023, was \$6.1 million, compared to a net loss of \$18.8 million in the prior year's first nine months.
- Third quarter net loss attributable to i3 Verticals, Inc. was \$5.2 million. Net loss attributable to i3 Verticals, Inc. for the nine months ended June 30, 2023, was \$5.4 million.
- Third quarter adjusted EBITDA¹ was \$25.3 million, an increase of 26.0% over the prior year's third quarter. Adjusted EBITDA¹ for the nine months ended June 30, 2023, was \$73.6 million, an increase of 27.3% over the prior year's first nine months.
- Third quarter adjusted EBITDA¹ as a percentage of revenue was 26.9%, compared to 24.9% in the prior year's third quarter. Adjusted EBITDA¹ as a percentage of revenue for the nine months ended June 30, 2023, was 26.9%, compared to 24.9% in the prior year's first nine months.
- Third quarter diluted net loss per share available to Class A common stock was \$0.22, compared to diluted net loss per share available to Class A common stock of \$0.17 in the prior year's third quarter. Diluted net loss per share available to Class A common stock was \$0.23 in the nine months ended June 30, 2023, compared to diluted net loss per share available to Class A common stock of \$0.62 in the prior year's first nine months.
- Third quarter pro forma adjusted diluted earnings per share¹, which gives pro forma effect to the Company's tax rate, was \$0.38 compared to \$0.37 for the prior year's third quarter. Pro forma adjusted diluted earnings per share¹ for the nine months ended June 30, 2023, was \$1.12 compared to \$1.09 for the prior year's first nine months.
- Annualized Recurring Revenue (“ARR”)² for the three months ended June 30, 2023 and 2022 was \$311.4 million and \$266.7 million, respectively, representing a period-to-period growth rate of 16.8%.
- Software and related services revenue³ as a percentage of total revenue was 50.3% for the three months ended June 30, 2023.
- As of June 30, 2023, consolidated interest coverage ratio was 4.31x and total leverage ratio was 4.00x. These ratios are defined in the Company's 2023 Credit Agreement.

¹Represents a non-GAAP financial measure. For additional information (including reconciliation information), see the attached schedules to this release.

²Annualized Recurring Revenue (ARR) is the annualized revenue derived from software-as-a-service (“SaaS”) arrangements, transaction-based software-revenue, software maintenance, recurring software-based services, payments revenue and other recurring revenue sources within the quarter. This excludes contracts that are not recurring or are one-time in nature. The Company focuses on ARR because it helps i3 Verticals to assess the health and trajectory of the business. ARR does not have a standardized definition and is therefore unlikely to be comparable to similarly titled measures presented by other companies. It should be reviewed independently of revenue and it is not a forecast. It does not take into account seasonality. The active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by our customers.

³Software and related services revenue includes the sale of subscriptions, recurring services, ongoing support, licenses, and installation and implementation services specific to software.

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Greg Daily, Chairman and CEO of i3 Verticals, commented, "The third quarter of our fiscal year 2023 was excellent and we are proud to share the results. As each quarter goes by, we have improved our position with recurring revenue sources, such as software as a service revenue, which grew 20% year over year. Overall, revenue from recurring sources grew 17%.

"We continue to weigh strategic M&A opportunities, but are keeping our standards very high in this market. At the same time, we have been laser focused on many internal optimization projects, finding ways to share resources, and best practices across our excellent portfolio of products. Professionalization of our enterprise RFP response team has allowed us to compete for larger opportunities. To illustrate the potential, we are proud to announce two new state-level wins from our Justice Tech and Transportation divisions of the Public Sector. We have never been better positioned to compete in many more similar processes. Whether it is centralizing professional services, bringing new software solutions to market, capitalizing on the plethora of cross-selling opportunities, or transitioning customers from on-premise to cloud-based solutions, best practices are winning the day and we are excited about the direction and continued potential of our business."

2023 Outlook

The Company's practice is to provide annual guidance, excluding future acquisitions and transaction-related costs.

The Company is reaffirming its outlook for the fiscal year ending September 30, 2023:

(in thousands, except share and per share amounts)

	Outlook Range	
Revenue	\$ 360,000	-\$ 380,000
Adjusted EBITDA (non-GAAP)	\$ 97,000	-\$ 103,000
Depreciation and internally developed software amortization	\$ 8,000	-\$ 9,000
Cash interest expense, net	\$ 22,000	-\$ 23,000
Pro forma adjusted diluted earnings per share ⁽¹⁾ (non-GAAP)	\$ 1.46	-\$ 1.56

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

With respect to the "2023 Outlook" above, reconciliation of 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 potentially have a significant impact on future GAAP financial results.

Conference Call

The Company will host a conference call on Wednesday, August 9, 2023, at 8:30 a.m. EDT, 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. EDT on August 9, 2023, through August 16, 2023, by dialing (877) 344-7529 and entering Confirmation Code 5255024.

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 for historical periods 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.

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Additional information about non-GAAP financial measures, including, but not limited to, 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 in the financial schedules of this release.

About i3 Verticals

The Company delivers seamless integrated software and services to customers in strategic vertical markets. Building on its broad suite of software and services solutions, the Company creates and acquires software products to serve the specific needs of its customers. The Company's primary strategic verticals are Public Sector (including Education) and Healthcare.

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 2023 financial 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 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 (many of which are beyond the Company's control) and assumptions. Factors that could cause actual results to differ from those expressed or implied by our forward-looking statements include, among other things: future economic conditions, including the impact of inflation and rising interest rates, competition in our industry and the Company's ability to compete effectively, and regulatory developments, the successful integration of acquired businesses, and future decisions made by us and our competitors. All of these factors are difficult or impossible to predict accurately and many of them are beyond our control. For a further list and description of these and other important risks and uncertainties that may affect our future operations, see Part I, Item 1A - Risk Factors in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, which we may update in Part II, Item 1A - Risk Factors in Quarterly Reports on Form 10-Q we have filed or will file hereafter.

Any forward-looking statement made by us in this release speaks only as of the date of this release and we undertake 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 Financial Officer
(888) 251-0987
investorrelations@i3verticals.com

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i3 Verticals, Inc. Consolidated Statements of Operations

(Unaudited)

(\$ in thousands, except share and per share amounts)

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
Revenue	\$ 93,931	\$ 80,553	17%	\$ 273,832	\$ 232,612	18%
Operating expenses						
Other costs of services	20,532	19,749	4%	59,531	52,890	13%
Selling, general and administrative	55,426	47,775	16%	163,633	142,878	15%
Depreciation and amortization	9,158	7,506	22%	26,849	21,823	23%
Change in fair value of contingent consideration	6,183	8,254	(25)%	9,905	24,684	(60)%
Total operating expenses	91,299	83,284	10%	259,918	242,275	7%
Income (loss) from operations	2,632	(2,731)	n/m	13,914	(9,663)	n/m
Interest expense, net	6,725	3,767	79%	18,414	10,298	79%
Other income	(92)	—	n/m	(295)	—	n/m
Total other expenses	6,633	3,767	76%	18,119	10,298	76%
Loss before income taxes	(4,001)	(6,498)	(38)%	(4,205)	(19,961)	(79)%
Provision for (benefit from) income taxes	2,077	(1,810)	n/m	1,896	(1,154)	n/m
Net loss	(6,078)	(4,688)	30%	(6,101)	(18,807)	(68)%
Net loss attributable to non-controlling interest	(923)	(960)	(4)%	(742)	(5,178)	(86)%
Net loss attributable to i3 Verticals, Inc.	\$ (5,155)	\$ (3,728)	38%	\$ (5,359)	\$ (13,629)	(61)%
Net loss per share attributable to Class A common stockholders:						
Basic	\$ (0.22)	\$ (0.17)		\$ (0.23)	\$ (0.62)	
Diluted	\$ (0.22)	\$ (0.17)		\$ (0.23)	\$ (0.62)	
Weighted average shares of Class A common stock outstanding:						
Basic	23,179,638	22,229,787		23,104,212	22,116,172	
Diluted	23,179,638	22,229,787		23,104,212	22,116,172	

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

	For the Three Months Ended June 30, 2023			
	Software and Services	Merchant Services	Other	Total
Revenue	\$ 58,901	\$ 35,040	\$ (10)	\$ 93,931
Income (loss) from operations	\$ 7,951	\$ 7,883	\$ (13,202)	\$ 2,632
Payment volume ⁽¹⁾	\$ 638,967	\$ 5,618,158	\$ —	\$ 6,257,125

	For the Nine Months Ended June 30, 2023			
	Software and Services	Merchant Services	Other	Total
Revenue	\$ 172,911	\$ 100,968	\$ (47)	\$ 273,832
Income (loss) from operations	\$ 32,383	\$ 20,674	\$ (39,143)	\$ 13,914
Payment volume ⁽¹⁾	\$ 2,007,569	\$ 16,123,619	\$ —	\$ 18,131,188

	For the Three Months Ended June 30, 2022			
	Software and Services	Merchant Services	Other	Total
Revenue	\$ 47,839	\$ 32,714	\$ —	\$ 80,553
Income (loss) from operations	\$ 2,248	\$ 6,451	\$ (11,430)	\$ (2,731)
Payment volume ⁽¹⁾	\$ 517,778	\$ 5,396,964	\$ —	\$ 5,914,742

	For the Nine Months Ended June 30, 2022			
	Software and Services	Merchant Services	Other	Total
Revenue	\$ 141,575	\$ 91,071	\$ (34)	\$ 232,612
Income (loss) from operations	\$ 7,080	\$ 17,849	\$ (34,592)	\$ (9,663)
Payment volume ⁽¹⁾	\$ 1,544,203	\$ 15,018,474	\$ —	\$ 16,562,677

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

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

	June 30, 2023 (unaudited)	September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 5,043	\$ 3,490
Accounts receivable, net	60,781	53,334
Settlement assets	10,793	7,540
Prepaid expenses and other current assets	20,057	19,445
Total current assets	96,674	83,809
Property and equipment, net	12,123	5,670
Restricted cash	4,366	12,735
Capitalized software, net	65,459	52,341
Goodwill	409,042	353,639
Intangible assets, net	224,588	195,919
Deferred tax asset	42,715	43,458
Operating lease right-of-use assets	14,885	17,678
Other assets	5,972	5,063
Total assets	\$ 875,824	\$ 770,312
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable	\$ 8,296	\$ 9,342
Accrued expenses and other current liabilities	46,505	57,833
Settlement obligations	10,793	7,540
Deferred revenue	26,792	31,975
Current portion of operating lease liabilities	4,598	4,568
Total current liabilities	96,984	111,258
Long-term debt, less current portion and debt issuance costs, net	389,569	287,020
Long-term tax receivable agreement obligations	40,894	40,812
Operating lease liabilities, less current portion	11,284	13,994
Other long-term liabilities	24,151	9,540
Total liabilities	562,882	462,624
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 June 30, 2023 and September 30, 2022	—	—
Class A common stock, par value \$0.0001 per share, 150,000,000 shares authorized; 23,193,447 and 22,986,448 shares issued and outstanding as of June 30, 2023 and September 30, 2022, respectively	2	2
Class B common stock, par value \$0.0001 per share, 40,000,000 shares authorized; 10,108,218 and 10,118,142 shares issued and outstanding as of June 30, 2023 and September 30, 2022, respectively	1	1
Additional paid-in capital	239,917	241,958
Accumulated deficit	(17,492)	(23,582)
Total stockholders' equity	222,428	218,379
Non-controlling interest	90,514	89,309
Total equity	312,942	307,688
Total liabilities and equity	\$ 875,824	\$ 770,312

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

	Nine months ended June 30,			
	2023		2022	
Net cash provided by operating activities	\$	29,623	\$	35,840
Net cash used in investing activities	\$	(115,415)	\$	(109,350)
Net cash provided by financing activities	\$	82,229	\$	85,695

Reconciliation of GAAP to Non-GAAP Financial Measures

The Company believes that the non-GAAP financial measures presented by the Company provide useful information to investors in understanding and evaluating the Company's ongoing operating results. Accordingly, i3 Verticals includes such 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 these non-GAAP financial measures are representative of comparative financial performance that reflects the economic substance of i3 Verticals' current and ongoing business operations.

Although these non-GAAP financial measures assist in measuring the Company's operating results and assessing 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 these 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 these 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 disclosure of these 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.

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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 June 30,		Nine Months Ended June 30,	
	2023	2022	2023	2022
Net loss attributable to i3 Verticals, Inc.	\$ (5,155)	\$ (3,728)	\$ (5,359)	\$ (13,629)
Net loss attributable to non-controlling interest	(923)	(960)	(742)	(5,178)
Non-GAAP adjustments:				
Provision for (benefit from) income taxes	2,077	(1,810)	1,896	(1,154)
Financing-related expenses ⁽¹⁾	—	7	8	13
Non-cash change in fair value of contingent consideration ⁽²⁾	6,183	8,254	9,905	24,684
Equity-based compensation ⁽³⁾	7,198	6,799	20,846	19,680
Acquisition-related expenses ⁽⁴⁾	26	136	1,103	1,017
Acquisition intangible amortization ⁽⁵⁾	7,005	6,095	21,010	17,974
Non-cash interest expense ⁽⁶⁾	583	1,459	1,312	4,312
Other taxes ⁽⁷⁾	75	80	961	251
Gain on investment ⁽⁸⁾	(92)	—	(295)	—
Non-GAAP pro forma adjusted income before taxes	16,977	16,332	50,645	47,970
Pro forma taxes at effective tax rate ⁽⁹⁾	(4,244)	(4,083)	(12,661)	(11,993)
Pro forma adjusted net income⁽¹⁰⁾	\$ 12,733	\$ 12,249	\$ 37,984	\$ 35,977
Cash interest expense, net ⁽¹¹⁾	6,142	2,308	17,102	5,986
Pro forma taxes at effective tax rate ⁽⁹⁾	4,244	4,083	12,661	11,993
Depreciation and internally developed software amortization ⁽¹²⁾	2,153	1,411	5,839	3,849
Adjusted EBITDA⁽¹³⁾	\$ 25,272	\$ 20,051	\$ 73,586	\$ 57,805

- Financing-related expenses includes expenses directly related to certain transactions as part of financing transactions.
- 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.
- Equity-based compensation expense related to stock options and restricted stock units issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan.
- 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.
- Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
- Non-cash interest expense reflects amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
- Other taxes consist of franchise taxes, commercial activity taxes, reserves for ongoing tax audit matters, the employer portion of payroll taxes related to stock option exercises and other non-income based taxes. Taxes related to salaries are not included.
- Other income reflects contingent consideration received for an investment that was sold in a prior year for the three and nine months ended June 30, 2023.
- 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 2023 and 2022, based on blended federal and state tax rates.
- Pro forma adjusted net income assumes that all net income during that period was available to the holders of the Company's Class A common stock.
- 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.
- Depreciation 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.
- Represents a non-GAAP financial measure. For additional information (including reconciliation information), see the attached schedules to this release.

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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 June 30,				Nine Months Ended June 30,			
	2023		2022		2023		2022	
Diluted net loss available to Class A common stock per share	\$	(0.22)	\$	(0.17)	\$	(0.23)	\$	(0.62)
Pro forma adjusted diluted earnings per share ⁽¹⁾⁽²⁾	\$	0.38	\$	0.37	\$	1.12	\$	1.09
Pro forma adjusted net income ⁽²⁾	\$	12,733	\$	12,249	\$	37,984	\$	35,977
Pro forma weighted average shares of adjusted diluted Class A common stock outstanding ⁽³⁾		33,845,584		33,077,941		33,956,879		33,029,025

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. 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.
3. Pro forma weighted average shares of adjusted diluted Class A common stock outstanding include 10,108,218 and 10,131,878 outstanding shares of Class A common stock issuable upon the exchange of Common Units in i3 Verticals, LLC and 557,728 and 716,276 shares resulting from estimated stock option exercises and restricted stock units vesting as calculated by the treasury stock method for the three months ended June 30, 2023 and 2022, respectively, resulting from estimated stock option exercises and restricted stock units vesting as calculated by the treasury stock method were excluded because of the effect of including them would have been anti-dilutive. Pro forma weighted average shares of adjusted diluted Class A common stock outstanding include 10,112,471 and 10,188,369 outstanding shares of Class A common stock issuable upon the exchange of Common Units in i3 Verticals, LLC and 740,196 and 724,484 shares resulting from estimated stock option exercises and restricted stock units vesting as calculated by the treasury stock method for the nine months ended June 30, 2023 and 2022, respectively.

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VERTICALS

Q3 Fiscal 2023
Supplemental Information

Revenue Composition

	Quarter Ended									
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	
Software and related service revenue										
SaaS ⁽¹⁾	\$ 10,170	\$ 9,901	\$ 9,230	\$ 8,833	\$ 8,450	\$ 7,899	\$ 6,310	\$ 6,173	\$ 6,107	
Transaction-based ⁽²⁾	3,461	3,319	3,331	3,137	3,253	2,642	2,325	2,081	2,144	
Maintenance ⁽³⁾	8,478	8,140	7,417	5,600	5,720	5,672	5,897	5,776	5,644	
Recurring software services ⁽⁴⁾	11,804	11,266	10,164	10,945	10,768	11,107	10,311	3,237	3,587	
Professional services ⁽⁵⁾	10,600	11,202	9,775	8,492	8,743	8,251	9,386	9,086	7,630	
Software licenses	2,755	3,479	1,197	3,485	2,072	3,401	2,109	2,375	1,707	
Total	\$ 47,268	\$ 47,307	\$ 41,114	\$ 40,492	\$ 39,006	\$ 38,972	\$ 36,338	\$ 28,728	\$ 26,819	
Year-over-year growth	21%	21%	13%	41%	45%	45%				
Payments revenue										
	\$ 41,990	\$ 41,909	\$ 40,354	\$ 39,775	\$ 36,683	\$ 34,528	\$ 33,466	\$ 33,510	\$ 32,223	
Year-over-year growth	14%	21%	21%	19%	14%	7%				
Other revenue										
Recurring ⁽⁶⁾	\$ 1,956	\$ 1,880	\$ 2,045	\$ 2,001	\$ 1,792	\$ 1,780	\$ 1,802	\$ 1,923	\$ 1,516	
Other	2,717	2,776	2,516	2,982	3,072	2,840	2,333	3,016	2,571	
Total	\$ 4,673	\$ 4,656	\$ 4,561	\$ 4,983	\$ 4,864	\$ 4,620	\$ 4,135	\$ 4,939	\$ 4,087	
Year-over-year growth	(4)%	1%	10%	1%	19%	13%				
Total revenue	\$ 93,931	\$ 93,872	\$ 86,029	\$ 85,250	\$ 80,553	\$ 78,120	\$ 73,939	\$ 67,177	\$ 63,129	
Recurring revenue⁽⁷⁾	\$ 77,859	\$ 76,415	\$ 72,541	\$ 70,291	\$ 66,666	\$ 63,628	\$ 60,111	\$ 52,700	\$ 51,221	
Annualized Recurring Revenue "ARR"⁽⁸⁾										
Software and related service revenue	\$ 135,652	\$ 130,504	\$ 120,568	\$ 114,060	\$ 112,764	\$ 109,280	\$ 99,372	\$ 69,068	\$ 69,928	
Payments revenue	167,960	167,636	161,416	159,100	146,732	138,112	133,864	134,040	128,892	
Other revenue	7,824	7,520	8,180	8,004	7,168	7,120	7,208	7,692	6,064	
Total ARR	\$ 311,436	\$ 305,660	\$ 290,164	\$ 281,164	\$ 266,664	\$ 254,512	\$ 240,444	\$ 210,800	\$ 204,884	
Year-over-year growth	17%	20%	21%	33%	30%	24%				

Annualized Recurring Revenue (“ARR”)

1. SaaS revenue is earned when we provide, as a service to our customers over time, the right to access our software, generally hosted in a cloud environment.
2. Transaction-based software revenue is earned when we provide services through our software and charge a per-transaction fee. For example, when we provide electronic filing services for courts and charge fees per filing, or when we stand-ready to process and bill utility customers and charge the utility a fee per bill electronically presented.
3. Software maintenance revenue is earned when, following the implementation of our software systems, we provide ongoing software support services to assist our customers in operating the systems and to periodically update the software.
4. Recurring software services are earned when we provide long-term, usually evergreen, contracted services to our customers through our software. The services provided, such as healthcare revenue cycle management, or automated collections management, are integrated into one of our software solutions.
5. Professional services are earned when we provide customized services to our customers who utilize our software products. Many of our customers contract with us for installation, configuration, training, and data conversion projects, which do not necessarily recur, and as such are excluded from our calculation of ARR.
6. Recurring other revenue primarily consists of recurring long-term contracts that are not specific to software, such as hardware maintenance plans or field service plans.
7. Recurring revenue consists of software-as-a-service (“SaaS”) arrangements, transaction-based software-revenue, software maintenance revenue, recurring software-based services, payments revenue and other recurring revenue sources. This excludes contracts that are not recurring or are one-time in nature.
8. Annualized Recurring Revenue (ARR) is the quarterly recurring revenue multiplied by 4. The Company focuses on ARR because it helps us to assess the health and trajectory of the business. ARR does not have a standardized definition and is therefore unlikely to be comparable to similarly titled measures presented by other companies. It should be reviewed independently of revenue and it is not a forecast. It does not take into account seasonality. The active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by the Company’s customers.

Q3 Fiscal 2023 GAAP Measures

The following is our income (loss) from operations for the three and nine months ended June 30, 2023 and 2022 calculated in accordance with GAAP. The presentation also includes references to non-GAAP financial measures presented by the Company. The Company believes that the non-GAAP financial measures presented by the Company provide useful information to investors in understanding and evaluating the Company's ongoing operating results. Accordingly, the Company includes such 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. The Company believes that these non-GAAP financial measures are representative of comparative financial performance that reflects the economic substance of the Company's current and ongoing business operations.

Although these non-GAAP financial measures assist in measuring the Company's operating results and assessing its financial performance, they are not necessarily comparable to similarly titled measures of other companies due to potential inconsistencies in the method of calculation. The Company believes that its provision of these 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 these non-GAAP financial measures to give shareholders and potential investors an opportunity to see the Company as viewed by management, to assess the Company with some of the same tools that management utilizes internally and to be able to compare such information with prior periods. The Company believes that disclosure of these 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.

(\$ in thousands)	Three Months Ended June 30, 2023				Three Months Ended June 30, 2022			
	Software and Services	Merchant Services	Other	Total	Software and Services	Merchant Services	Other	Total
Income (loss) from operations	\$ 7,951	\$ 7,883	\$ (13,202)	\$ 2,632	\$ 2,248	\$ 6,451	\$ (11,430)	\$ (2,731)

(\$ in thousands)	Nine Months Ended June 30, 2023				Nine Months Ended June 30, 2022			
	Software and Services	Merchant Services	Other	Total	Software and Services	Merchant Services	Other	Total
Income (loss) from operations	\$ 32,383	\$ 20,674	\$ (39,143)	\$ 13,914	\$ 7,080	\$ 17,849	\$ (34,592)	\$ (9,663)

Q3 Fiscal 2023 Segment Performance⁽¹⁾

(\$ in thousands)	Three Months Ended June 30,		Period over period growth
	2023	2022	
Revenue			
Software and Services	\$ 58,901	\$ 47,839	23%
Merchant Services	35,040	32,714	7%
Other	(10)	—	—%
Total	\$ 93,931	\$ 80,553	17%
Adjusted EBITDA⁽²⁾			
Software and Services	\$ 20,839	\$ 15,625	33%
Merchant Services	10,183	8,761	16%
Other	(5,750)	(4,335)	(33)%
Total	\$ 25,272	\$ 20,051	26%
Volume			
Software and Services	\$ 638,967	\$ 517,778	23%
Merchant Services	5,618,158	5,396,964	4%
Total	\$ 6,257,125	\$ 5,914,742	6%



1. i3 Verticals has two segments: "Merchant Services" and "Software and Services." i3 Verticals also has an "Other" category, which includes corporate overhead.
2. Adjusted EBITDA is a non-GAAP financial measure. Refer to the following slides for the reconciliation of non-GAAP financial measures.

Q3 YTD Fiscal 2023 Segment Performance⁽¹⁾

(\$ in thousands)	Nine Months Ended June 30,		Period over period growth
	2023	2022	
Revenue			
Software and Services	\$ 172,911	\$ 141,575	22%
Merchant Services	100,968	91,071	11%
Other	(47)	(34)	38%
Total	\$ 273,832	\$ 232,612	18%
Adjusted EBITDA⁽²⁾			
Software and Services	\$ 61,776	\$ 45,592	35%
Merchant Services	28,177	25,529	10%
Other	(16,367)	(13,316)	(23)%
Total	\$ 73,586	\$ 57,805	27%
Volume			
Software and Services	\$ 2,007,569	\$ 1,544,203	30%
Merchant Services	16,123,619	15,018,474	7%
Total	\$ 18,131,188	\$ 16,562,677	9%



1. 3 Verticals has two segments: "Merchant Services" and "Software and Services." 3 Verticals also has an "Other" category, which includes corporate overhead.
2. Adjusted EBITDA is a non-GAAP financial measure. Refer to the following slides for the reconciliation of non-GAAP financial measures.

Reconciliation of Non-GAAP Financial Measures

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

(\$ in thousands)	Three Months Ended June 30, 2023				Three Months Ended June 30, 2022			
	Software and Services	Merchant Services	Other	Total	Software and Services	Merchant Services	Other	Total
Income (loss) from operations	\$ 7,951	\$ 7,883	\$ (13,202)	\$ 2,632	\$ 2,248	\$ 6,451	\$ (11,430)	\$ (2,731)
Interest expense, net	—	—	6,725	6,725	—	—	3,767	3,767
Provision for (benefit from) income taxes	19	—	2,058	2,077	—	—	(1,810)	(1,810)
Net income (loss)	7,932	7,883	(21,893)	(6,078)	2,248	6,451	(13,387)	(4,688)
Non-GAAP Adjustments:								
Provision for (benefit from) income taxes	19	—	2,058	2,077	—	—	(1,810)	(1,810)
Financing-related expenses ⁽¹⁾	—	—	—	—	—	—	7	7
Non-cash change in fair value of contingent consideration ⁽²⁾	6,183	—	—	6,183	8,255	(1)	—	8,254
Equity-based compensation ⁽³⁾	—	—	7,198	7,198	—	—	6,799	6,799
Acquisition-related expenses ⁽⁴⁾	—	—	26	26	—	—	136	136
Acquisition intangible amortization ⁽⁵⁾	5,054	1,951	—	7,005	4,085	2,010	—	6,095
Non-cash interest ⁽⁶⁾	—	—	583	583	—	—	1,459	1,459
Other taxes ⁽⁷⁾	5	1	69	75	8	8	64	80
Gain on investment ⁽⁸⁾	—	—	(92)	(92)	—	—	—	—
Non-GAAP adjusted income (loss) before taxes	19,193	9,835	(12,051)	16,977	14,596	8,468	(6,732)	16,332
Pro forma taxes at effective tax rate ⁽⁹⁾	(4,798)	(2,459)	3,013	(4,244)	(3,650)	(2,117)	1,684	(4,083)
Pro forma adjusted net income (loss) ⁽¹⁰⁾	14,395	7,376	(9,038)	12,733	10,946	6,351	(5,048)	12,249
Plus:								
Cash interest expense, net ⁽¹¹⁾	—	—	6,142	6,142	—	—	2,308	2,308
Pro forma taxes at effective tax rate ⁽⁹⁾	4,798	2,459	(3,013)	4,244	3,650	2,117	(1,684)	4,083
Depreciation and internally developed software amortization ⁽¹²⁾	1,646	348	159	2,153	1,029	293	89	1,411
Adjusted EBITDA	\$ 20,839	\$ 10,183	\$ (5,750)	\$ 25,272	\$ 15,625	\$ 8,761	\$ (4,335)	\$ 20,051

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 related to stock options and restricted stock units issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan.
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, reserves for ongoing tax audit matters, the employer payroll taxes related to stock exercises and other non-income based taxes. Taxes related to salaries are not included.
8. Other income reflects \$92 related to continent consideration received for an investment that was sold in a prior year for the three months ended June 30, 2023.
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 2023 and 2022, 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 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.

Reconciliation of Non-GAAP Financial Measures

The reconciliation of our fiscal year to date income (loss) from operations to non-GAAP pro forma adjusted net income and non-GAAP adjusted EBITDA excluding acquisition revenue adjustments is as follows:

(\$ in thousands)	Nine Months Ended June 30, 2023				Nine Months Ended June 30, 2022			
	Software and Services	Merchant Services	Other	Total	Software and Services	Merchant Services	Other	Total
Income (loss) from operations	\$ 32,383	\$ 20,674	\$ (39,143)	\$ (18,469)	\$ 7,080	\$ 17,849	\$ (34,592)	\$ (16,743)
Interest expense, net	—	—	18,414	18,414	—	—	10,298	10,298
Other income	—	—	(295)	(295)	—	—	—	—
(Benefit from) provision for income taxes	19	—	1,877	1,877	—	—	(1,154)	(1,154)
Net income (loss)	32,364	20,674	(59,139)	(38,465)	7,080	17,849	(43,736)	(25,887)
Non-GAAP Adjustments:								
(Benefit from) provision for income taxes	19	—	1,877	1,877	—	—	(1,154)	(1,154)
Financing-related expenses ⁽¹⁾	—	—	8	8	—	—	13	13
Non-cash change in fair value of contingent consideration ⁽²⁾	9,892	13	—	13	24,184	500	—	500
Equity-based compensation ⁽³⁾	—	—	20,846	20,846	—	—	19,680	19,680
Acquisition-related expenses ⁽⁴⁾	—	—	1,103	1,103	—	—	1,017	1,017
Acquisition intangible amortization ⁽⁵⁾	15,019	5,991	—	5,991	11,697	6,277	—	6,277
Non-cash interest ⁽⁶⁾	—	—	1,312	1,312	—	—	4,312	4,312
Other taxes ⁽⁷⁾	64	496	401	897	45	16	190	206
Gain on investment ⁽⁸⁾	—	—	(295)	(295)	—	—	—	—
Non-GAAP adjusted income (loss) before taxes	57,358	27,174	(33,887)	(6,713)	43,006	24,642	(19,678)	4,964
Pro forma taxes at effective tax rate ⁽⁹⁾	(14,340)	(6,794)	8,473	1,679	(10,752)	(6,161)	4,920	(1,241)
Pro forma adjusted net income (loss) ⁽¹⁰⁾	43,018	20,380	(25,414)	(5,034)	32,254	18,481	(14,758)	3,723
Plus:								
Cash interest expense, net ⁽¹¹⁾	—	—	17,102	17,102	—	—	5,986	5,986
Pro forma taxes at effective tax rate ⁽⁹⁾	14,340	6,794	(8,473)	(1,679)	10,752	6,161	(4,920)	1,241
Depreciation and internally developed software amortization ⁽¹²⁾	4,418	1,003	418	1,421	2,586	887	376	1,263
Adjusted EBITDA	\$ 61,776	\$ 28,177	\$ (16,367)	\$ 11,810	\$ 45,592	\$ 25,529	\$ (13,316)	\$ 12,213

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 related to stock options and restricted stock units issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan.
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, reserves for ongoing tax audit matters, the employer payroll taxes related to stock exercises and other non-income based taxes. Taxes related to salaries are not included.
8. Other income reflects \$295 related to contingent consideration received for an investment that was sold in a prior year for the nine months ended June 30, 2023.
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 2023 and 2022, based on blended federal and state tax rates.
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 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.+

Reconciliation Between GAAP Debt and Covenant Debt

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

(\$ in millions)	As of June 30, 2023
Revolving lines of credit to banks under the 2023 Senior Secured Credit Facility	\$ 277.4
1% Exchangeable Senior Notes due 2025	117.0
Less: Cash and Cash Equivalents	<u>(5.0)</u>
Total long-term debt for use in our Total Leverage Ratio	\$ 389.4

