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): February 10, 2020 (February 10, 2020)

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):

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

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

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

o 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. x

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. o

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 February 10, 2020, i3 Verticals, Inc. (the "Company") issued a press release announcing the results of its operations for the three months ended December 31, 2019. 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 ended December 31, 2019. 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 February 10, 2020
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: February 10, 2020

i3 VERTICALS, INC.

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

i3 VERTICALS REPORTS FIRST QUARTER 2020 FINANCIAL RESULTS

Updates Acquisition Pipeline Outlook

NASHVILLE, Tenn. (February 10, 2020) – i3 Verticals, Inc. (Nasdaq: IIIV) ("i3 Verticals" or the "Company") today reported its financial results for the fiscal first quarter ended December 31, 2019.

Highlights for the fiscal first quarter of 2020 vs. 2019

- Revenue was $41.1 million, a decrease of 52% over the prior year's first quarter. 2020 results reflect the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*.[1]
- Adjusted net revenue[2], which excludes acquisition revenue adjustments and interchange and network fees, was $41.6 million, an increase of 41% over the prior year's first quarter.

- Net income was $1.9 million, a decrease of 17.7% over the prior year's first quarter.
- Adjusted EBITDA[2] was $11.9 million, an increase of 38% over the prior year's first quarter.
- Adjusted EBITDA[2] as a percentage of adjusted net revenue[1] was 28.5%, compared to 29.0% in the prior year's first quarter.

- Diluted net loss per share available to Class A common stock was $(0.01), compared to diluted net income per share available to Class A common stock of $0.02 in the prior year's first quarter.
- Pro forma adjusted diluted earnings per share[2], which gives pro forma effect to the Company's going forward effective tax rate, was $0.24, compared to $0.20 for the prior year's first quarter.

- Integrated payments[3] were 55% of payment volume for the three months ended December 31, 2019.
- At December 31, 2019, the ratio of consolidated debt-to-EBITDA, as defined in the Company's Senior Secured Credit Facility, was 2.85x.

1. Effective October 1, 2019, our revenues are presented net of interchange and network fees in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. This change in presentation affected our reported revenues and operating expenses for the three months ended December 31, 2019, by the same amount and had no effect on our income from operations.
2. Represents a non-GAAP financial measure. For additional information (including reconciliation information), see the attached schedules to this release.
3. 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.

Greg Daily, Chairman and CEO of i3 Verticals, commented, "We are pleased with our first quarter performance and excited about our growth – both from our recent acquisitions as well as our solid internal growth. Our increased presence within the Public Sector vertical continues to be a driver for us and is a focus for the Company moving forward.

"We continue to invest in our products, and our technology team is delivering solutions across all our verticals to meet the needs of our customers' markets. As a result, our sales teams are seeing increased momentum in their channels. We anticipate our product development will continue to be streamlined, which we believe will produce growth across our current footprint and help us expand into new verticals.

"At the same time, we will continue to pursue acquisitions that complement our strategy. We have consistently noted that our goal is to deliver strong growth from a mix of acquisitions and organic growth. Our pipeline is strong, and we have several signed term sheets for acquisitions that would enhance our existing business. We are excited about our future deal opportunities," concluded Daily.

Revised 2020 Outlook

The Company is providing the following revised outlook for the fiscal year ending September 30, 2020:

(in thousands, except per share amounts)	Outlook Range Fiscal year ending September 30, 2020			
Adjusted net revenue[1] (non-GAAP)	$	162,000	-	$	166,000
Adjusted EBITDA (non-GAAP)	$	46,000	-	$	48,000
Adjusted diluted earnings per share[2] (non-GAAP)	$	0.91	-	$	0.97

1. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. For the revised 2020 outlook, the Company has removed the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the earnings release date.
2. Assumes an effective pro forma tax rate of 25.0% (non-GAAP).

With respect to the "Revised 2020 Outlook" above, reconciliation of adjusted net revenue, adjusted EBITDA and 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 Tuesday, February 11, 2020, at 8:30 a.m. ET, to discuss financial results and operations. To listen to the call live via telephone, participants should dial (929) 477-0324 approximately 10 minutes prior to the start of the call. A telephonic replay will be available from 11:30 a.m. ET on February 11, 2020, through February 18, 2020, by dialing (719) 457-0820 and entering Confirmation Code 8962025.

To listen to the call live via webcast, participants should visit the "Investors" section of the Company's website, www.i3verticals.com, 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 9 through 11 in the financial schedules of this release.

About i3 Verticals

Helping drive the convergence of software and payments, i3 Verticals delivers seamlessly integrated payment and software solutions to small- and medium-sized businesses and other organizations in strategic vertical markets, such as education, non-profit, the public sector, property management, 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 $14.0 billion in total payment volume for the 12 months ended December 31, 2019.

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 guidance 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. 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 (the “SEC”) and include, but are not limited to: (i) the ability to generate revenues sufficient to maintain profitability and positive cash flow; (ii) competition in the Company's industry and the ability to compete effectively; (iii) the dependence on non-exclusive distribution partners to market the Company's products and services; (iv) the ability to keep pace with rapid developments and changes in the Company's industry and provide new products and services; (v) liability and reputation damage from unauthorized disclosure, destruction or modification of data or disruption of the Company's services; (vi) technical, operational and regulatory risks related to the Company's information technology systems and third-party providers' systems; (vii) reliance on third parties for significant services; (viii) exposure to economic conditions and political risks affecting consumer and commercial spending, including the use of credit cards; (ix) the ability to increase the Company's existing vertical markets, expand into new vertical markets and execute the Company's growth strategy; (x) the ability to successfully identify acquisition targets and thereafter to complete and effectively integrate those acquisitions into the Company's services; (xi) potential degradation of the quality of the Company's products, services and support; (xii) the ability to retain clients, many of which are small- and medium-sized businesses, which can be difficult and costly to retain; (xiii) the Company's ability to successfully manage its intellectual property; (xiv) the ability to attract, recruit, retain and develop key personnel and qualified employees; (xv) risks related to laws, regulations and industry standards; (xvi) the Company's indebtedness and potential increases in its indebtedness; (xvii) operating and financial restrictions imposed by the Company's senior secured credit facility; and (xviii) the risk factors included in the Company's Annual Report on Form 10-K for the year ended September 30, 2019. Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect, the 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.

Contact:
Clay Whitson
Chief Financial Officer
(615) 988-9890
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i3 Verticals, Inc. Consolidated Statements of Operations
(Unaudited)
($ in thousands, except share and per share amounts)

	Three months ended December 31,		
	2019	2018	% Change
Revenue	$ 41,111	$ 84,868	(52)%
Operating expenses			
Interchange and network fees	—	55,829	(100)%
Other costs of services	12,918	9,790	32%
Selling general and administrative	19,287	12,516	54%
Depreciation and amortization	4,655	3,552	31%
Change in fair value of contingent consideration	154	(349)	(144)%
Total operating expenses	37,014	81,338	(54)%
Income from operations	4,097	3,530	16%
Interest expense, net	2,014	914	120%
Income before income taxes	2,083	2,616	n/m
Provision for income taxes	149	265	(44)%
Net income	1,934	2,351	n/m
Net income attributable to non-controlling interest	2,083	2,173	n/m
Net (loss) income attributable to i3 Verticals, Inc.	$ (149)	$ 178	(184)%
Net (loss) income per share available to Class A common stock[(1)]:			
Basic	$ (0.01)	$ 0.02	
Diluted	$ (0.01)	$ 0.02	
Weighted average shares of Class A common stock outstanding[(1)]:			
Basic	14,233,785	8,812,630	
Diluted	14,233,785	9,903,168	

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

	Three months ended December 31,		
	2019	2018	% Change
Adjusted net revenue (non-GAAP)	$ 41,624	$ 29,570	41%
Adjusted EBITDA (non-GAAP)	11,859	8,578	38%
Pro forma adjusted diluted earnings per share (non-GAAP)	$ 0.24	$ 0.20	20%

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

	Three months ended December 31,	
	2019	2018
Payment volume[1]	$ 3,839,118	$ 2,943,849

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.

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

	As of and for the Three Months Ended December 31, 2019			
	Merchant Services	Proprietary Software and Payments	Other	Total
Revenue	$ 27,465	$ 14,056	$ (410)	$ 41,111
Operating expenses				
Other costs of services	12,113	1,215	(410)	12,918
Selling general and administrative	6,322	7,936	5,029	19,287
Depreciation and amortization	2,947	1,539	169	4,655
Change in fair value of contingent consideration	(1,206)	1,360	—	154
Income (loss) from operations	$ 7,289	$ 2,006	$ (5,198)	$ 4,097
Payment volume	$ 3,635,056	$ 204,062	$ —	$ 3,839,118

	As of and for the Three Months Ended December 31, 2018			
	Merchant Services	Proprietary Software and Payments	Other	Total
Revenue	$ 77,702	$ 7,166	$ —	$ 84,868
Operating expenses				
Interchange and network fees	54,364	1,465	—	55,829
Other costs of services	9,396	394	—	9,790
Selling general and administrative	6,091	2,987	3,438	12,516
Depreciation and amortization	2,782	661	109	3,552
Change in fair value of contingent consideration	(319)	(30)	—	(349)
Income (loss) from operations	$ 5,388	$ 1,689	$ (3,547)	$ 3,530
Payment volume	$ 2,804,139	$ 139,710	$ —	$ 2,943,849

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

	December 31, 2019 (unaudited)	September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 335	$ 1,119
Accounts receivable, net	14,412	15,335
Settlement assets	—	—
Prepaid expenses and other current assets	5,003	4,117
Total current assets	19,750	20,571
Property and equipment, net	5,129	5,026
Restricted cash	1,932	2,081
Capitalized software, net	14,779	15,454
Goodwill	166,413	168,284
Intangible assets, net	104,874	107,419
Deferred tax asset	30,137	28,138
Other assets	4,172	2,329
Total assets	$ 347,186	$ 349,302
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable	4,530	3,438
Current portion of long-term debt	—	—
Accrued expenses and other current liabilities	21,205	21,560
Settlement obligations	—	—
Deferred revenue	10,376	10,237
Total current liabilities	36,111	35,235
Long-term debt, less current portion and debt issuance costs, net	132,291	139,298
Long-term tax receivable agreement obligations	23,204	23,204
Other long-term liabilities	7,385	9,124
Total liabilities	198,991	206,861
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 December 31, 2019 and September 30, 2019	—	—
Class A common stock, par value $0.0001 per share, 150,000,000 shares authorized; 14,497,777 and 14,444,115 shares issued and outstanding as of December 31, 2019 and September 30, 2019, respectively	1	1
Class B common stock, par value $0.0001 per share, 40,000,000 shares authorized; 12,921,637 and 12,921,637 shares issued and outstanding as of December 31, 2019 and September 30, 2019, respectively	1	1
Additional paid-in-capital	84,855	82,380
Accumulated deficit	(1,753)	(2,309)
Total Stockholders' equity	83,104	80,073
Non-controlling interest	65,091	62,368
Total equity	148,195	142,441
Total liabilities and stockholders' equity	$ 347,186	$ 349,302

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

	Three months ended December 31,	
	2019	2018
Net cash provided by operating activities	$ 7,484	$ 6,072
Net cash used in investing activities	$ (1,782)	$ (22,026)
Net cash (used in) provided by financing activities	$ (6,635)	$ 16,270

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 December 31,	
	2019	**2018**
Net income (loss) attributable to i3 Verticals, Inc.	**$ (149)**	**$ 178**
Net income attributable to non-controlling interest	2,083	2,173
Non-GAAP Adjustments:		
Provision for income taxes	149	265
Non-cash change in fair value of contingent consideration[(1)]	154	(349)
Equity-based compensation[(2)]	2,124	951
Acquisition revenue adjustments[(3)]	513	531
Acquisition-related expenses[(4)]	262	360
Acquisition intangible amortization[(5)]	3,721	2,905
Non-cash interest expense[(6)]	100	233
Other taxes[(7)]	54	3
Non-GAAP pro forma adjusted income before taxes	**9,011**	**7,250**
Pro forma taxes at effective tax rate[(8)]	(2,253)	(1,812)
Pro forma adjusted net income[(9)]	**$ 6,758**	**$ 5,438**
Cash interest expense, net[(10)]	1,914	681
Pro forma taxes at effective tax rate[(8)]	2,253	1,812
Depreciation and internally developed software amortization[(11)]	934	647
Adjusted EBITDA	**$ 11,859**	**$ 8,578**

1. 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.
2. Equity-based compensation expense consisted of $2,124 and $951 related to stock options issued under the Company's 2018 Equity Incentive Plan during the three months ended December 31, 2019 and 2018, respectively.
3. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of this earnings release.
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 deferred financing costs.
7. Other taxes consist of franchise taxes, commercial activity taxes and other non-income based taxes. Taxes related to salaries or employment are not included.
8. 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 2019 and 2018, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
9. Pro forma adjusted net income assumes that all net income during the period is available to the Class A common stockholders.
10. Cash interest expense, net represents all interest expense recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of deferred financing costs.
11. 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.

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 December 31,	
	2019	2018
Diluted net (loss) income available to Class A common stock per share	$ (0.01)	$ 0.02
Pro forma adjusted diluted earnings per share (non-GAAP)(1)	$ 0.24	$ 0.20
Pro forma adjusted net income(2)	$ 6,758	$ 5,438
Pro forma weighted average shares of adjusted diluted Class A common stock outstanding(3)	28,364,844	27,116,974

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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. Pro forma adjusted net income assumes that all net income during the period is available to the Class A common stockholders. 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 12,921,637 outstanding shares of Class A common stock issuable upon the exchange of Common Units in i3 Verticals, LLC and 1,209,422 shares of unvested Class A common stock and options for the three months ended December 31, 2019.

i3 Verticals, Inc. Reconciliation of GAAP Revenue to Non-GAAP Adjusted Net Revenue
(Unaudited)
($ in thousands)

	Three months ended December 31,	
	2019	2018
Revenue	$ 41,111	$ 84,868
Acquisition revenue adjustments(1)	513	531
Interchange and network fees	—	(55,829)
Adjusted Net Revenue	**$ 41,624**	**$ 29,570**

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1. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of this earnings release.

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VERTICALS

Q1 Fiscal 2020
Supplemental Segment Information

Q1 Fiscal 2020 Segment Performance(1)

($ in thousands)	Three months ended December 31, 2019		Three months ended December 31, 2018		Period over period growth
Adjusted Net Revenue[2]					
Merchant Services, excluding Purchased Portfolios	$	26,132	$	21,301	23%
Purchased Portfolios		1,333		2,037	(35)%
Merchant Services		27,465		23,338	18%
Proprietary Software and Payments		14,569		6,232	134%
Other		(410)		—	nm
Total	$	41,624	$	29,570	41%
Adjusted EBITDA[2]					
Merchant Services	$	9,034	$	7,851	15%
Proprietary Software and Payments		5,418		2,851	90%
Other		(2,593)		(2,124)	22%
Total	$	11,859	$	8,578	38%
Adjusted EBITDA as a percentage of Net Revenue		28.5 %		29.0 %	
Volume					
Merchant Services	$	3,635,056	$	2,804,139	30%
Proprietary Software and Payments		204,062		139,710	46%
Total	$	3,839,118	$	2,943,849	30%

i3 VERTICALS

1. i3 Verticals has two segments, "Merchant Services," which includes Purchased Portfolios (a subset of merchant contracts purchased in 2014 and 2017) and "Proprietary Software and Payments." i3 Verticals also has an "Other" category, which includes corporate overhead.
2. Adjusted Net Revenue and Adjusted EBITDA are non-GAAP financial measures. Refer to the following slides for the reconciliation of non-GAAP financial measures.

Reconciliation of Non-GAAP Financial Measures

The reconciliation of our revenue to non-GAAP adjusted net revenue is as follows:

($ in thousands)	Three months ended December 31, 2019			
	Merchant Services[2]	Proprietary Software and Payments	Other	Total
Revenue	$ 27,465	$ 14,056	$ (410)	$ 41
Acquisition revenue adjustments[1]	—	513	—	
Interchange and nework fees	—	—	—	
Adjusted Net Revenue	$ 27,465	$ 14,569	$ (410)	$ 41

($ in thousands)	Three months ended December 31, 2018			
	Merchant Services[3]	Proprietary Software and Payments	Other	Total
Revenue	$ 77,702	$ 7,166	—	$ 84
Acquisition revenue adjustments[1]	—	531	—	
Interchange and nework fees	(54,364)	(1,465)	—	(55
Adjusted Net Revenue	$ 23,338	$ 6,232	—	$ 29

i3 VERTICALS

1. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of the earnings release.
2. Merchant Services includes purchased portfolios which had revenue of $1,333, acquisition revenue adjustments of $0 and interchange and network fees of $0 for the three months ended December 31, 2019.
3. Merchant Services includes purchased portfolios which had revenue of $3,846, acquisition revenue adjustments of $0 and interchange and network fees of $1,809 for the three months ended December 31, 2018.

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, 2019				Three months ended December 31, 2019			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	
Income (loss) from operations	$ 7,289	$ 2,006	$ (5,198)	$ 4,097	$ 5,388	$ 1,689	$ (3,547)	$
Interest expense, net	—	—	2,014	2,014	289	—	625	
Provision for income taxes	—	—	149	149	247	—	18	
Net income (loss)	7,289	2,006	(7,361)	1,934	4,852	1,689	(4,190)	
Non-GAAP Adjustments:								
Provision for income taxes	—	—	149	149	247	—	18	
Non-cash change in fair value of contingent consideration[1]	(1,206)	1,360	—	154	(319)	(30)	—	
Equity-based compensation[2]	—	—	2,124	2,124	—	—	951	
Acquisition revenue adjustments[3]	—	513	—	513	—	531	—	
Acquisition-related expenses[4]	—	—	262	262	—	—	360	
Acquisition intangible amortization[5]	2,746	975	—	3,721	2,623	282	—	
Non-cash interest[6]	—	—	100	100	—	—	233	
Other taxes[7]	4	—	50	54	—	—	3	
Non-GAAP adjusted income before taxes	8,833	4,854	(4,676)	9,011	7,403	2,472	(2,625)	
Pro forma taxes at effective tax rate[8]	(2,208)	(1,214)	1,169	(2,253)	(1,850)	(618)	656	
Pro forma adjusted net income[9]	6,625	3,640	(3,507)	6,758	5,553	1,854	(1,969)	
Plus:								
Cash interest expense, net[10]	—	—	1,914	1,914	289	—	392	
Pro forma taxes at effective tax rate[8]	2,208	1,214	(1,169)	2,253	1,850	618	(656)	
Depreciation and internally developed software amortization[11]	201	564	169	934	159	379	109	
Adjusted EBITDA	$ 9,034	$ 5,418	$ (2,593)	$ 11,859	$ 7,851	$ 2,851	$ (2,124)	$

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See footnotes continued on the next slide.

Reconciliation of Non-GAAP Financial Measures

1. 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 balan sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
2. Equity-based compensation expense consisted of $2,124 related to stock options issued under the Company's 2018 Equity Incentive Plan during the three months ended December 31, 2019.
3. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisiti date fair value from acquisitions that have closed as of the date of the earnings release.
4. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part o 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 deferred financing costs.
7. Other taxes consist of franchise taxes, commercial activity taxes and other non-income based taxes. Taxes related to salaries o employment are not included.
8. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rat of 25.0% for both 2019 and 2018, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
9. Pro forma adjusted net income assumes that all net income during the period is available to the Class A common stockholders.
10. Cash interest expense, net represents all interest expense recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of deferred financing costs.
11. 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.