

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: August 23, 2018



**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))

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 7.01. Regulation FD Disclosure.**

i3 Verticals, Inc. (the “Company”) prepared a supplemental presentation (the “Supplemental Presentation”) containing quarterly segment financial performance information for the nine months ended June 30, 2018. A copy of the Supplemental Presentation is attached hereto as Exhibit 99.1 and is incorporated herein by reference. A copy of the Supplemental Presentation is also available on the Investors section of the Company’s website.

Pursuant to the rules and regulations of the Securities and Exchange Commission, the information in this Item 7.01 disclosure, including Exhibit 99.1 and information set forth therein, is deemed to have been furnished and shall not be deemed to be “filed” under the Securities Exchange Act of 1934, as amended.

**Item 9.01. Financial Statements and Exhibits.**

(d) *Exhibits.*

<u>Exhibit No.</u>	<u>Description</u>
<a href="#">99.1</a>	<a href="#">Supplemental Presentation</a>

**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: August 23, 2018

**i3 Verticals, Inc.**

By: /s/Clay Whitson

**Clay Whitson**  
**Chief Financial Officer**



## Q3 Segment Supplemental Information

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# Q3 YTD Segment Performance<sup>(1)</sup>

(\$ in thousands)	Nine months ended June 30,		Period over period growth
	2018	2017	
<b>Net Revenue<sup>(2)</sup></b>			
Merchant Services, excluding Purchased Portfolios	\$ 62,442	\$ 36,325	72%
Purchased Portfolios	7,217	9,339	(23)%
Merchant Services	69,659	45,664	53%
Proprietary Software and Related Payments	11,222	7,445	51%
Corporate	(3)	4	nm
Other	11,219	7,449	51%
Total	\$ 80,878	\$ 53,113	52%
<b>Adjusted EBITDA<sup>(2)</sup></b>			
Merchant Services	\$ 23,585	\$ 16,298	45%
Proprietary Software and Related Payments	4,508	1,179	282%
Corporate	(5,593)	(3,964)	41%
Other	(1,085)	(2,785)	(61)%
Total	\$ 22,500	\$ 13,513	67%
Adjusted EBITDA as a percentage of Net Revenue	28%	25%	



- i3 Verticals has two segments, "Merchant Services", which includes Purchased Portfolios (a subset of merchant contracts purchased in 2014 and 2017), and "Other", which includes Proprietary Software and Related Payments, and Corporate Overhead and other Expenses.\*
- 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 net revenue is as follows:

(\$ in thousands)

	Nine months ended June 30, 2018				
	Other				Total
	Corporate	Proprietary Owned Software	Total Other	Merchant Services <sup>(1)</sup>	
Revenue	\$ (3)	\$ 14,787	\$ 14,784	\$ 224,671	\$ 239,455
Interchange and network fees	—	3,565	3,565	155,012	158,577
<b>Net Revenue</b>	<b>\$ (3)</b>	<b>\$ 11,222</b>	<b>\$ 11,219</b>	<b>\$ 69,659</b>	<b>\$ 80,878</b>

(\$ in thousands)

	Nine months ended June 30, 2017				
	Other				Total
	Corporate	Proprietary Owned Software	Total Other	Merchant Services <sup>(2)</sup>	
Revenue	\$ 4	\$ 10,343	\$ 10,347	\$ 180,445	\$ 190,792
Interchange and network fees	—	2,898	2,898	134,781	137,679
<b>Net Revenue</b>	<b>\$ 4</b>	<b>\$ 7,445</b>	<b>\$ 7,449</b>	<b>\$ 45,664</b>	<b>\$ 53,113</b>



1. Merchant Services includes purchased portfolios which had revenue of \$14,019 and interchange and network fees of \$6,802 for the nine months ended June 30, 2018.
2. Merchant Services includes purchased portfolios which had revenue of \$18,009 and interchange and network fees of \$8,670 for the nine months ended June 30, 2017.

# 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)	Nine months ended June 30, 2018					Nine months ended June 30, 2017				
	Other				Total	Other				Total
	Corporate	Proprietary Owned Software	Total Other	Merchant Services		Corporate	Proprietary Owned Software	Total Other	Merchant Services	
Income (loss) from operations	\$ (7,190)	\$ 1,148	\$ (6,042)	\$ 14,908	\$ 8,866	\$ (4,413)	\$ 161	\$ (4,252)	\$ 9,774	\$ 5,522
Interest expense, net	6,726	—	6,726	923	7,649	4,961	—	4,961	—	4,961
Change in fair value of warrant liability	8,487	—	8,487	—	8,487	(58)	—	(58)	—	(58)
Provision for income taxes	824	—	824	(271)	553	43	1	44	57	101
Net income (loss)	(23,227)	1,148	(22,079)	14,256	(7,823)	(9,359)	160	(9,199)	9,717	518
Non-GAAP Adjustments:										
Provision for income taxes	824	—	824	(271)	553	43	1	44	57	101
Offering-related expenses <sup>(1)</sup>	124	—	124	—	124	—	—	—	—	—
Non-cash change in fair value of contingent consideration <sup>(2)</sup>	—	1,745	1,745	1,535	3,280	—	(415)	(415)	592	177
Non-cash change in fair value of warrant liability <sup>(3)</sup>	8,487	—	8,487	—	8,487	(58)	—	(58)	—	(58)
Equity-based compensation <sup>(4)</sup>	818	—	818	—	818	—	—	—	—	—
Acquisition-related expenses <sup>(5)</sup>	478	—	478	—	478	336	—	336	—	336
Acquisition intangible amortization <sup>(6)</sup>	4	247	251	6,755	7,006	7	189	196	5,470	5,666
Non-cash interest <sup>(7)</sup>	839	—	839	—	839	329	—	329	—	329
Other taxes <sup>(8)</sup>	56	—	56	2	58	25	—	25	—	25
Non-GAAP adjusted income before taxes	(11,597)	3,140	(8,457)	22,277	13,820	(8,677)	(65)	(8,742)	15,836	7,094
Pro forma taxes at effective tax rate <sup>(9)</sup>	2,957	(801)	2,157	(5,681)	(3,524)	2,213	17	2,229	(4,038)	(1,809)
<b>Pro forma adjusted net income<sup>(10)</sup></b>	<b>(8,640)</b>	<b>2,339</b>	<b>(6,300)</b>	<b>16,596</b>	<b>10,296</b>	<b>(6,464)</b>	<b>(48)</b>	<b>(6,513)</b>	<b>11,798</b>	<b>5,285</b>
Plus:										
Cash interest expense, net <sup>(11)</sup>	5,887	—	5,887	923	6,810	4,632	—	4,632	—	4,632
Pro forma taxes at effective tax rate <sup>(9)</sup>	(2,957)	801	(2,157)	5,681	3,524	(2,213)	(17)	(2,229)	4,038	1,809
Depreciation and software amortization <sup>(12)</sup>	117	1,368	1,485	385	1,870	81	1,244	1,325	462	1,787
<b>Adjusted EBITDA</b>	<b>\$ (5,593)</b>	<b>\$ 4,508</b>	<b>\$ (1,085)</b>	<b>\$ 23,585</b>	<b>\$ 22,500</b>	<b>\$ (3,964)</b>	<b>\$ 1,179</b>	<b>\$ (2,785)</b>	<b>\$ 16,298</b>	<b>\$ 13,513</b>



See footnotes continued on the next slide.

# Reconciliation of Non-GAAP Financial Measures

1. Includes costs associated with forming i3 Verticals, Inc. and other expenses directly related to the certain transactions as part of any offering.
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. Non-cash change in warrant liability reflects the fair value change in certain warrants for our common units associated with our mezzanine notes in the aggregate principal amount of \$10.5 million. These warrants are accounted for as liabilities on our consolidated balance sheets.
4. Equity-based compensation expense recognized during the three and nine months ended June 30, 2018 consisted of \$76 related to stock options issued under the Company's 2018 Equity Incentive Plan and \$741 related to tax receivables agreement (TRA) non-participation compensatory shares. TRA non-participation compensatory shares were issued to former equity owners as part of the Reorganization Transactions in conjunction with the IPO.
5. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
6. Acquisition intangible amortization reflects amortization of intangible assets acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
7. Non-cash interest expense reflects amortization of deferred financing costs.
8. Other taxes consist of franchise taxes, commercial activity taxes and other non-income based taxes. Taxes related to salaries or employment are not included.
9. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using tax rates of 25.5% for 2018 and 2017, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
10. Pro forma adjusted net income assumes that the effect of the Reorganization Transactions and the Company's IPO occurred prior to the three and nine months ending June 30, 2018, and that all net income during that period is available to the Class A common shareholders. 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.
11. Cash interest expense, net represents all interest expense recorded on statement of operations other than non-cash interest expense, which represents amortization of deferred financing costs.
12. Depreciation and software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its capitalized software.



# Q3 Segment Performance<sup>(1)</sup>

(\$ in thousands)	Three months ended June 30,		Period over period growth
	2018	2017	
<b>Net Revenue<sup>(2)</sup></b>			
Merchant Services, excluding Purchased Portfolios	\$ 23,025	\$ 12,737	81%
Purchased Portfolios	2,068	2,939	(30)%
Merchant Services	25,093	15,676	60%
Proprietary Software and Related Payments	3,738	2,121	76%
Corporate	—	(34)	nm
Other	3,738	2,087	79%
Total	\$ 28,831	\$ 17,763	62%
<b>Adjusted EBITDA<sup>(2)</sup></b>			
Merchant Services	\$ 8,276	\$ 5,638	47%
Proprietary Software and Related Payments	1,462	220	565%
Corporate	(1,800)	(1,422)	27%
Other	(338)	(1,202)	(72)%
Total	\$ 7,938	\$ 4,436	79%
Adjusted EBITDA as a percentage of Net Revenue	28%	25%	



- i3 Verticals has two segments, "Merchant Services", which includes Purchased Portfolios (a subset of merchant contracts purchased in 2014 and 2017), and "Other", which includes Proprietary Software and Related Payments, and Corporate Overhead and other Expenses.\*
- 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 net revenue is as follows:

(\$ in thousands)

	Three months ended June 30, 2018					
	Other					Total
	Corporate	Proprietary Owned Software	Total Other	Merchant Services <sup>(1)</sup>		
Revenue	\$ —	\$ 4,770	\$ 4,770	\$ 79,766	\$ 84,536	
Interchange and network fees	—	1,032	1,032	54,673	55,705	
<b>Net Revenue</b>	<b>\$ —</b>	<b>\$ 3,738</b>	<b>\$ 3,738</b>	<b>\$ 25,093</b>	<b>\$ 28,831</b>	

(\$ in thousands)

	Three months ended June 30, 2017					
	Other					Total
	Corporate	Proprietary Owned Software	Total Other	Merchant Services <sup>(2)</sup>		
Revenue	\$ (34)	\$ 2,947	\$ 2,913	\$ 63,413	\$ 66,326	
Interchange and network fees	—	826	826	47,737	48,563	
<b>Net Revenue</b>	<b>\$ (34)</b>	<b>\$ 2,121</b>	<b>\$ 2,087</b>	<b>\$ 15,676</b>	<b>\$ 17,763</b>	



1. Merchant Services includes purchased portfolios which had revenue of \$4,218 and interchange and network fees of \$2,150 for the three months ended June 30, 2018.
2. Merchant Services includes purchased portfolios which had revenue of \$5,890 and interchange and network fees of \$2,951 for the three months ended June 30, 2017.

# Reconciliation of Non-GAAP Financial Measures

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

(\$ in thousands)	Three months ended June 30, 2018					Three months ended June 30, 2017				
	Other				Merchant Services	Total	Other			
	Corporate	Proprietary Owned Software	Total Other				Corporate	Proprietary Owned Software	Total Other	Merchant Services
Income (loss) from operations	\$ (2,721)	\$ (118)	\$ (2,839)	\$ 5,762	\$ 2,923	\$ (1,535)	\$ 546	\$ (989)	\$ 3,706	\$ 2,717
Interest expense, net	2,284	—	2,284	360	2,644	1,717	—	1,717	—	1,717
Change in fair value of warrant liability	242	—	242	—	242	(58)	—	(58)	—	(58)
Provision for income taxes	731	—	731	(39)	692	113	1	114	57	171
Net income (loss)	(5,978)	(118)	(6,096)	5,441	(655)	(3,307)	545	(2,762)	3,649	887
Non-GAAP Adjustments:										
Provision for income taxes	731	—	731	(39)	692	113	1	114	57	171
Offering-related expenses <sup>(1)</sup>	—	—	—	—	—	—	—	—	—	—
Non-cash change in fair value of contingent consideration <sup>(2)</sup>	—	1,064	1,064	87	1,151	—	(775)	(775)	29	(746)
Non-cash change in fair value of warrant liability <sup>(3)</sup>	242	—	242	—	242	(58)	—	(58)	—	(58)
Equity-based compensation <sup>(4)</sup>	818	—	818	—	818	—	—	—	—	—
Acquisition-related expenses <sup>(5)</sup>	30	—	30	—	30	60	—	60	—	60
Acquisition intangible amortization <sup>(6)</sup>	—	79	79	2,297	2,376	3	61	64	1,736	1,800
Non-cash interest <sup>(7)</sup>	370	—	370	—	370	108	—	108	—	108
Other taxes <sup>(8)</sup>	14	—	14	2	16	23	—	23	—	23
Non-GAAP adjusted income before taxes	(3,773)	1,025	(2,748)	7,788	5,040	(3,058)	(168)	(3,226)	5,471	2,245
Pro forma taxes at effective tax rate <sup>(9)</sup>	962	(261)	701	(1,986)	(1,285)	780	43	823	(1,395)	(572)
<b>Pro forma adjusted net income<sup>(10)</sup></b>	<b>(2,811)</b>	<b>764</b>	<b>(2,047)</b>	<b>5,802</b>	<b>3,755</b>	<b>(2,278)</b>	<b>(125)</b>	<b>(2,403)</b>	<b>4,076</b>	<b>1,673</b>
Plus:										
Cash interest expense, net <sup>(11)</sup>	1,914	—	1,914	360	2,274	1,609	—	1,609	—	1,609
Pro forma taxes at effective tax rate <sup>(9)</sup>	(962)	261	(701)	1,986	1,285	(780)	(43)	(823)	1,395	572
Depreciation and software amortization <sup>(12)</sup>	59	437	496	128	624	27	388	415	167	582
<b>Adjusted EBITDA</b>	<b>\$ (1,800)</b>	<b>\$ 1,462</b>	<b>\$ (338)</b>	<b>\$ 8,276</b>	<b>\$ 7,938</b>	<b>\$ (1,422)</b>	<b>\$ 220</b>	<b>\$ (1,202)</b>	<b>\$ 5,638</b>	<b>\$ 4,436</b>



See footnotes continued on the next slide.

# Reconciliation of Non-GAAP Financial Measures

1. Includes costs associated with forming i3 Verticals, Inc. and other expenses directly related to the certain transactions as part of any offering.
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. Non-cash change in warrant liability reflects the fair value change in certain warrants for our common units associated with our mezzanine notes in the aggregate principal amount of \$10.5 million. These warrants are accounted for as liabilities on our consolidated balance sheets.
4. Equity-based compensation expense recognized during the three and nine months ended June 30, 2018 consisted of \$76 related to stock options issued under the Company's 2018 Equity Incentive Plan and \$741 related to tax receivables agreement (TRA) non-participation compensatory shares. TRA non-participation compensatory shares were issued to former equity owners as part of the Reorganization Transactions in conjunction with the IPO.
5. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
6. Acquisition intangible amortization reflects amortization of intangible assets acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
7. Non-cash interest expense reflects amortization of deferred financing costs.
8. Other taxes consist of franchise taxes, commercial activity taxes and other non-income based taxes. Taxes related to salaries or employment are not included.
9. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using tax rates of 25.5% for 2018 and 2017, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
10. Pro forma adjusted net income assumes that the effect of the Reorganization Transactions and the Company's IPO occurred prior to the three and nine months ending June 30, 2018, and that all net income during that period is available to the Class A common shareholders. 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.
11. Cash interest expense, net represents all interest expense recorded on statement of operations other than non-cash interest expense, which represents amortization of deferred financing costs.
12. Depreciation and software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its capitalized software.



# Q2 Segment Performance<sup>(1)</sup>

(\$ in thousands)	Three months ended March 31,		Period over period growth
	2018	2017	
<b>Net Revenue<sup>(2)</sup></b>			
Merchant Services, excluding Purchased Portfolios	\$ 20,628	\$ 11,752	76%
Purchased Portfolios	2,305	3,076	(25)%
Merchant Services	22,933	14,828	55%
Proprietary Software and Related Payments	4,131	2,728	51%
Corporate	—	158	nm
Other	4,131	2,886	43%
Total	\$ 27,064	\$ 17,714	53%
<b>Adjusted EBITDA<sup>(2)</sup></b>			
Merchant Services	\$ 7,706	\$ 5,095	51%
Proprietary Software and Related Payments	1,798	705	155%
Corporate	(1,791)	(1,052)	70%
Other	7	(347)	(102)%
Total	\$ 7,713	\$ 4,748	62%
Adjusted EBITDA as a percentage of Net Revenue	28%	27%	



- i3 Verticals has two segments, "Merchant Services", which includes Purchased Portfolios (a subset of merchant contracts purchased in 2014 and 2017), and "Other", which includes Proprietary Software and Related Payments, and Corporate Overhead and other Expenses.\*
- 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 net revenue is as follows:

(\$ in thousands)

	Three Months Ended March 31, 2018				
	Other				Total
	Corporate	Proprietary Owned Software	Total Other	Merchant Services <sup>(1)</sup>	
Revenue	\$ —	\$ 5,472	\$ 5,472	\$ 72,226	\$ 77,698
Interchange and network fees	—	1,341	1,341	49,293	50,634
<b>Net Revenue</b>	<b>\$ —</b>	<b>\$ 4,131</b>	<b>\$ 4,131</b>	<b>\$ 22,933</b>	<b>\$ 27,064</b>

(\$ in thousands)

	Three Months Ended March 31, 2017				
	Other				Total
	Corporate	Proprietary Owned Software	Total Other	Merchant Services <sup>(2)</sup>	
Revenue	\$ 410	\$ 3,835	\$ 4,245	\$ 57,890	\$ 62,135
Interchange and network fees	252	1,107	1,359	43,062	44,421
<b>Net Revenue</b>	<b>\$ 158</b>	<b>\$ 2,728</b>	<b>\$ 2,886</b>	<b>\$ 14,828</b>	<b>\$ 17,714</b>



1. Merchant Services includes purchased portfolios which had revenue of \$4,466 and interchange and network fees of \$2,161 for the three months ended March 31, 2018.
2. Merchant Services includes purchased portfolios which had revenue of \$5,719 and interchange and network fees of \$2,643 for the three months ended March 31, 2017.

# Reconciliation of Non-GAAP Financial Measures

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

(\$ in thousands)	Three Months Ended March 31, 2018					Three Months Ended March 31, 2017				
	Other				Total	Other				Total
	Corporate	Proprietary Owned Software	Total Other	Merchant Services		Corporate	Proprietary Owned Software	Total Other	Merchant Services	
Income (loss) from operations	\$ (2,174)	\$ 1,042	\$ (1,132)	\$ 3,728	\$ 2,596	\$ (1,228)	\$ (190)	\$ (1,418)	\$ 3,126	\$ 1,708
Interest expense, net	2,281	—	2,281	338	2,619	1,649	—	1,649	—	1,649
Change in fair value of warrant liability	6,563	—	6,563	—	6,563	—	—	—	—	—
Provision for income taxes	110	—	110	140	250	10	—	10	—	10
Net income (loss)	(11,128)	1,042	(10,086)	3,250	(6,836)	(2,887)	(190)	(3,077)	3,126	49
Non-GAAP Adjustments:										
Provision for income taxes	110	—	110	140	250	10	—	10	—	10
Offering-related expenses <sup>(1)</sup>	124	—	124	—	124	—	—	—	—	—
Non-cash change in fair value of contingent consideration <sup>(2)</sup>	—	174	174	1,573	1,747	—	360	360	—	360
Non-cash change in fair value of warrant liability <sup>(3)</sup>	6,563	—	6,563	—	6,563	—	—	—	—	—
Equity-based compensation <sup>(4)</sup>	—	—	—	—	—	—	—	—	—	—
Acquisition-related expenses <sup>(5)</sup>	220	—	220	—	220	145	—	145	—	145
Acquisition intangible amortization <sup>(6)</sup>	2	88	90	2,280	2,370	2	65	67	1,819	1,886
Non-cash interest <sup>(7)</sup>	245	—	245	—	245	111	—	111	—	111
Other taxes <sup>(8)</sup>	6	—	6	—	6	2	—	2	—	2
Non-GAAP adjusted income before taxes	(4)	1	(3)	7	5	(3)	—	(2)	5	3
Pro forma taxes at effective tax rate <sup>(9)</sup>	1	—	1	(2)	(1)	1	—	1	(1)	(1)
<b>Pro forma adjusted net income<sup>(10)</sup></b>	(3)	1	(2)	5	3	(2)	—	(2)	4	2
Plus:										
Cash interest expense, net <sup>(11)</sup>	2	—	2	—	2	2	—	2	—	2
Pro forma taxes at effective tax rate <sup>(9)</sup>	(1)	—	(1)	2	1	(1)	—	(1)	1	1
Depreciation and software amortization <sup>(12)</sup>	—	—	1	—	1	—	—	—	—	1
<b>Adjusted EBITDA</b>	\$ (1,791)	\$ 1,798	\$ —	\$ 7,706	\$ 8	\$ (1,052)	\$ 705	\$ —	\$ 5,095	\$ 5



See footnotes continued on the next slide.

# Reconciliation of Non-GAAP Financial Measures

1. Includes costs associated with forming i3 Verticals, Inc. and other expenses directly related to the certain transactions as part of any offering.
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. Non-cash change in warrant liability reflects the fair value change in certain warrants for our common units associated with our mezzanine notes in the aggregate principal amount of \$10.5 million. These warrants are accounted for as liabilities on our consolidated balance sheets.
4. Equity-based compensation expense was not relevant during the three months ended March 31, 2018 or 2017. However, it is expected to be relevant in future periods.
5. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
6. Acquisition intangible amortization reflects amortization of intangible assets acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
7. Non-cash interest expense reflects amortization of deferred financing costs.
8. Other taxes consist of franchise taxes, commercial activity taxes and other non-income based taxes. Taxes related to salaries or employment are not included.
9. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using tax rates of 25.5% for 2018 and 2017, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
10. Pro forma adjusted net income assumes that the effect of the Reorganization Transactions and the Company's IPO occurred prior to the three and nine months ending June 30, 2018, and that all net income during that period is available to the Class A common shareholders. 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.
11. Cash interest expense, net represents all interest expense recorded on statement of operations other than non-cash interest expense, which represents amortization of deferred financing costs.
12. Depreciation and software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its capitalized software.



# Q1 Segment Performance<sup>(1)</sup>

(\$ in thousands)	Three months ended December 31,		Period over period growth
	2017	2016	
<b>Net Revenue<sup>(2)</sup></b>			
Merchant Services, excluding Purchased Portfolios	\$ 18,789	\$ 11,835	59%
Purchased Portfolios	2,844	3,325	(14)%
Merchant Services	21,633	15,160	43%
Proprietary Software and Related Payments	3,353	2,596	29%
Corporate	(3)	(120)	nm
Other	3,350	2,476	35%
Total	\$ 24,983	\$ 17,636	42%
<b>Adjusted EBITDA<sup>(2)</sup></b>			
Merchant Services	\$ 7,603	\$ 5,565	37%
Proprietary Software and Related Payments	1,248	254	391%
Corporate	(2,002)	(1,490)	34%
Other	(754)	(1,236)	(39)%
Total	\$ 6,849	\$ 4,329	58%
Adjusted EBITDA as a percentage of Net Revenue	27%	25%	



- i3 Verticals has two segments, "Merchant Services", which includes Purchased Portfolios (a subset of merchant contracts purchased in 2014 and 2017), and "Other", which includes Proprietary Software and Related Payments, and Corporate Overhead and other Expenses.\*
- 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 net revenue is as follows:

(\$ in thousands)

	Three Months Ended December 31, 2017				
	Other				
	Corporate	Proprietary Owned Software	Total Other	Merchant Services <sup>(1)</sup>	Total
Revenue	\$ (3)	\$ 4,545	\$ 4,542	\$ 72,679	\$ 77,221
Interchange and network fees	—	1,192	1,192	51,046	52,238
<b>Net Revenue</b>	<b>\$ (3)</b>	<b>\$ 3,353</b>	<b>\$ 3,350</b>	<b>\$ 21,633</b>	<b>\$ 24,983</b>

(\$ in thousands)

	Three Months Ended December 31, 2016				
	Other				
	Corporate	Proprietary Owned Software	Total Other	Merchant Services <sup>(2)</sup>	Total
Revenue	\$ (372)	\$ 3,561	\$ 3,189	\$ 59,142	\$ 62,331
Interchange and network fees	(252)	965	713	43,982	44,695
<b>Net Revenue</b>	<b>\$ (120)</b>	<b>\$ 2,596</b>	<b>\$ 2,476</b>	<b>\$ 15,160</b>	<b>\$ 17,636</b>



1. Merchant Services includes purchased portfolios which had revenue of \$5,335 and interchange and network fees of \$2,491 for the three months ended December 31, 2017.
2. Merchant Services includes purchased portfolios which had revenue of \$6,401 and interchange and network fees of \$3,076 for the three months ended December 31, 2016.

# 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, 2017					Three Months Ended December 31, 2016				
	Other				Total	Other				Total
	Corporate	Proprietary Owned Software	Total Other	Merchant Services		Corporate	Proprietary Owned Software	Total Other	Merchant Services	
Income (loss) from operations	\$ (2,295)	\$ 224	\$ (2,071)	\$ 5,418	\$ 3,347	\$ (1,650)	\$ (195)	\$ (1,845)	\$ 2,942	\$ 1,097
Interest expense, net	2,161	—	2,161	225	2,386	1,595	—	1,595	—	1,595
Change in fair value of warrant liability	1,682	—	1,682	—	1,682	—	—	—	—	—
Provision for income taxes	(17)	—	(17)	(372)	(389)	(80)	—	(80)	—	(80)
Net income (loss)	(6,121)	224	(5,897)	5,565	(332)	(3,165)	(195)	(3,360)	2,942	(418)
Non-GAAP Adjustments:										
Provision for income taxes	(17)	—	(17)	(372)	(389)	(80)	—	(80)	—	(80)
Offering-related expenses <sup>(1)</sup>	—	—	—	—	—	—	—	—	—	—
Non-cash change in fair value of contingent consideration <sup>(2)</sup>	—	507	507	(125)	382	—	—	—	563	563
Non-cash change in fair value of warrant liability <sup>(3)</sup>	1,682	—	1,682	—	1,682	—	—	—	—	—
Equity-based compensation <sup>(4)</sup>	—	—	—	—	—	—	—	—	—	—
Acquisition-related expenses <sup>(5)</sup>	228	—	228	—	228	131	—	131	—	131
Acquisition intangible amortization <sup>(6)</sup>	2	80	82	2,178	2,260	2	63	65	1,915	1,980
Non-cash interest <sup>(7)</sup>	224	—	224	—	224	110	—	110	—	110
Other taxes <sup>(8)</sup>	36	—	36	—	36	—	—	—	—	—
Non-GAAP adjusted income before taxes	(3,966)	811	(3,155)	7,246	4,091	(3,002)	(132)	(3,134)	5,420	2,286
Pro forma taxes at effective tax rate <sup>(9)</sup>	1,011	(207)	805	(1,848)	(1,043)	766	34	799	(1,382)	(583)
<b>Pro forma adjusted net income<sup>(10)</sup></b>	<b>(2,955)</b>	<b>604</b>	<b>(2,350)</b>	<b>5,398</b>	<b>3,048</b>	<b>(2,236)</b>	<b>(98)</b>	<b>(2,335)</b>	<b>4,038</b>	<b>1,703</b>
Plus:										
Cash interest expense, net <sup>(11)</sup>	1,937	—	1,937	225	2,162	1,485	—	1,485	—	1,485
Pro forma taxes at effective tax rate <sup>(9)</sup>	(1,011)	207	(805)	1,848	1,043	(766)	(34)	(799)	1,382	583
Depreciation and software amortization <sup>(12)</sup>	27	437	464	132	596	27	386	413	145	558
<b>Adjusted EBITDA</b>	<b>\$ (2,002)</b>	<b>\$ 1,248</b>	<b>\$ (754)</b>	<b>\$ 7,603</b>	<b>\$ 6,849</b>	<b>\$ (1,490)</b>	<b>\$ 254</b>	<b>\$ (1,236)</b>	<b>\$ 5,565</b>	<b>\$ 4,329</b>



See footnotes continued on the next slide.

# Reconciliation of Non-GAAP Financial Measures

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