UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2024
OR

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

For the transition period from to
Commission file number: 001-38532

i3 Verticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**82-4052852**
(State or other jurisdiction of incorporation or organization)	(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)
N/A
(Former name, former address and former fiscal year, if changed since last report)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 6, 2025, there were 23,428,283 outstanding shares of Class A common stock, $0.0001 par value per share, and 9,645,843 outstanding shares of Class B common stock, $0.0001 par value per share.

TABLE OF CONTENTS

PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements

i3 Verticals, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share amounts)

	December 31, 2024	September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	$ 85,552	$ 86,541
Accounts receivable, net	51,342	55,988
Settlement assets	1,205	632
Prepaid expenses and other current assets	15,006	10,232
Total current assets	153,105	153,393
Property and equipment, net	7,583	8,677
Restricted cash	2,450	2,424
Capitalized software, net	57,249	58,592
Goodwill	280,678	280,678
Intangible assets, net	159,574	162,816
Deferred tax asset	48,481	48,445
Operating lease right-of-use assets	7,942	8,954
Other assets	9,167	6,696
Total assets	$ 726,229	$ 730,675
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable	$ 7,402	$ 5,370
Current portion of long-term debt	26,223	26,223
Accrued expenses and other current liabilities	82,997	89,972
Settlement obligations	1,205	632
Deferred revenue	42,259	39,029
Current portion of operating lease liabilities	3,345	3,505
Total current liabilities	163,431	164,731
Long-term tax receivable agreement obligations	29,326	29,347
Operating lease liabilities, less current portion	5,423	6,317
Other long-term liabilities	16,915	14,921
Total liabilities	215,095	215,316
Commitments and contingencies (see Note 14)		
Stockholders' equity		
Preferred stock, par value $0.0001 per share, 10,000,000 shares authorized; 0 shares issued and outstanding as of December 31, 2024 and September 30, 2024	—	—
Class A common stock, par value $0.0001 per share, 150,000,000 shares authorized; 23,437,250 and 23,882,035 shares issued and outstanding as of December 31, 2024 and September 30, 2024, respectively	2	2
Class B common stock, par value $0.0001 per share, 40,000,000 shares authorized; 10,015,099 and 10,032,676 shares issued and outstanding as of December 31, 2024 and September 30, 2024, respectively	1	1
Additional paid-in capital	272,532	279,335
Accumulated earnings	102,453	100,397
Total stockholders' equity	374,988	379,735
Non-controlling interest	136,146	135,624
Total equity	511,134	515,359
Total liabilities and equity	$ 726,229	$ 730,675

See Notes to the Interim Condensed Consolidated Financial Statements

i3 Verticals, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share amounts)

	Three months ended December 31,	
	2024	2023
Revenue	$ 61,691	$ 55,054
Operating expenses		
Other costs of services (excluding depreciation and amortization)[1]	21,031	19,577
Selling, general and administrative[1]	28,900	27,175
Depreciation and amortization	7,684	7,054
Change in fair value of contingent consideration	1,377	(237)
Total operating expenses	58,992	53,569
Income from operations	2,699	1,485
Other (income) expenses		
Interest expense	680	6,687
Other (income) expense	(1,826)	107
Total other (income) expenses	(1,146)	6,794
Income (loss) before income taxes	3,845	(5,309)
Provision for (benefit from) income taxes	523	(1,094)
Net income (loss) from continuing operations	3,322	(4,215)
Net (loss) income from discontinued operations, net of income taxes	(214)	5,751
Net income	3,108	1,536
Net income (loss) from continuing operations attributable to non-controlling interest	1,128	(1,330)
Net (loss) income from discontinued operations attributable to non-controlling interest	(76)	1,768
Net income attributable to non-controlling interest	1,052	438
Net income (loss) from continuing operations attributable to i3 Verticals, Inc.	2,194	(2,885)
Net (loss) income from discontinued operations attributable to i3 Verticals, Inc.	(138)	3,983
Net income attributable to i3 Verticals, Inc.	$ 2,056	$ 1,098
Net income (loss) per share attributable to Class A common stockholders from continuing operations:		
Basic	$ 0.09	$ (0.12)
Diluted	$ 0.09	$ (0.12)
Net (loss) income per share attributable to Class A common stockholders from discontinued operations:		
Basic	$ (0.01)	$ 0.17
Diluted	$ (0.01)	$ 0.16
Weighted average shares of Class A common stock outstanding:		
Basic, for continuing operations	23,551,352	23,267,290
Diluted, for continuing operations	34,057,196	23,267,290
Basic, for discontinued operations	23,551,352	23,267,290
Diluted, for discontinued operations	23,551,352	33,828,461

1. Refer to Note 3 for discussion of the change in the current and prior period presentation.

See Notes to the Interim Condensed Consolidated Financial Statements

i3 Verticals, Inc.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(In thousands, except share amounts)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Non-Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount				
Balance at September 30, 2024	23,882,035	$ 2	10,032,676	$ 1	$ 279,335	$ 100,397	$ 135,624	$ 515,359
Equity-based compensation	—	—	—	—	3,814	—	—	3,814
Net income	—	—	—	—	—	2,056	1,052	3,108
Redemption of common units in i3 Verticals, LLC	17,577	—	(17,577)	—	237	—	(237)	—
Establishment of liabilities under a tax receivable agreement and related changes to deferred tax assets associated with increases in tax basis	—	—	—	—	14	—	—	14
Exercise of equity-based awards	34,423	—	—	—	29	—	—	29
Repurchases of Class A common stock	(496,785)	—	—	—	(11,190)	—	—	(11,190)
Allocation of equity to non-controlling interests	—	—	—	—	293	—	(293)	—
Balance at December 31, 2024	23,437,250	$ 2	10,015,099	$ 1	$ 272,532	$ 102,453	$ 136,146	$ 511,134

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Non-Controlling Interest	Total Equ
	Shares	Amount	Shares	Amount				
Balance at September 30, 2023	23,253,272	$ 2	10,093,394	$ 1	$ 249,688	$ (12,944)	$ 91,549	$ 328,2
Equity-based compensation	—	—	—	—	6,508	—	—	6,5
Net income	—	—	—	—	—	1,098	438	1,5
Exercise of equity-based awards	25,898	—	—	—	(10)	—	—	(
Sale of exchangeable note hedges	—	—	—	—	1,483	—	—	1,4
Repurchases of warrants	—	—	—	—	(657)	—	—	(6
Allocation of equity to non-controlling interests	—	—	—	—	(2,450)	—	2,450	
Balance at December 31, 2023	23,279,170	$ 2	10,093,394	$ 1	$ 254,562	$ (11,846)	$ 94,437	$ 337,1

See Notes to the Interim Condensed Consolidated Financial Statements

i3 Verticals, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Three months ended December 31,	
	2024	2023
Cash flows from operating activities:		
Net income	$ 3,108	$ 1,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,684	9,739
Equity-based compensation	3,814	6,508
Amortization of debt issuance costs	280	414
(Benefit from) provision for deferred income taxes	(715)	182
Non-cash lease expense	864	1,184
Changes in non-cash contingent consideration expense from original estimate	1,377	(237)
Other non-cash adjustments to net income	(320)	513
Changes in operating assets:		
Accounts receivable	1,353	(5,321)
Prepaid expenses and other current assets	(4,779)	(1,773)
Other assets	156	6,642
Changes in operating liabilities:		
Accounts payable	1,807	(1,725)
Accrued expenses and other current liabilities	(5,899)	(534)
Acquisition escrow obligations	—	(1,009)
Deferred revenue	3,833	4,093
Operating lease liabilities	(906)	(1,212)
Other long-term liabilities	(102)	(2,677)
Contingent consideration paid in excess of original estimates	(60)	(1,918)
Net cash provided by operating activities	11,495	14,405
Cash flows from investing activities:		
Expenditures for property and equipment	(471)	(699)
Proceeds from sale of property and equipment	1,463	618
Expenditures for capitalized software	(2,410)	(3,100)
Purchases of merchant portfolios and residual buyouts	—	(2,883)
Acquisitions of businesses, net of cash and restricted cash acquired	—	(1,100)
Payments for other investing activities	—	(11)
Proceeds from other investing activities	—	4
Net cash used in investing activities	(1,418)	(7,171)

See Notes to the Interim Condensed Consolidated Financial Statements

i3 Verticals, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)

(In thousands)

	Three months ended December 31,	
	2024	2023
Cash flows from financing activities:		
Proceeds from revolving credit facility	1,743	64,694
Payments on revolving credit facility	(1,743)	(71,661)
Proceeds from sale of exchangeable senior note hedges	—	250
Payments for repurchases of warrants	—	(119)
Payments for repurchases of Class A common stock	(11,190)	—
Net proceeds from (payments for) settlement obligations[1]	573	(1,355)
Payments for required distributions to members for tax obligations	—	(155)
Proceeds from stock option exercises	150	—
Payments for employee's tax withholdings from net settled stock option exercises and RSU releases	—	(204)
Net cash used in financing activities	(10,467)	(8,550)
Net decrease in cash, cash equivalents and restricted cash	(390)	(1,316)
Cash, cash equivalents and restricted cash at beginning of period	89,597	12,400
Cash, cash equivalents and restricted cash at end of period	$ 89,207	$ 11,084
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 59	$ 6,189
Cash paid for income taxes	$ 50	$ 388

1. Refer to Note 3 for discussion of the change in the prior period presentation.

The following tables provide reconciliations of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets to that shown in the condensed consolidated statements of cash flows:

	September 30,	
	2024	2023
Beginning balance		
Cash and cash equivalents	$ 86,541	$ 3,112
Settlement assets	632	4,873
Restricted cash	2,424	4,415
Total cash, cash equivalents, and restricted cash	$ 89,597	$ 12,400

	December 31,	
	2024	2023
Ending balance		
Cash and cash equivalents	$ 85,552	$ 4,159
Settlement assets	1,205	3,518
Restricted cash	2,450	3,407
Total cash, cash equivalents, and restricted cash	$ 89,207	$ 11,084

See Notes to the Interim Condensed Consolidated Financial Statements

1. ORGANIZATION AND OPERATIONS

i3 Verticals, Inc. (the "Company") was formed as a Delaware corporation on January 17, 2018. The Company was formed for the purpose of completing an initial public offering ("IPO") of its Class A common stock and other related transactions in order to carry on the business of i3 Verticals, LLC and its subsidiaries. i3 Verticals, LLC was founded in 2012 and delivers software solutions seamlessly integrated with our proprietary payment facilitator platform to customers in strategic vertical markets. The Company's headquarters are located in Nashville, Tennessee, with operations throughout the United States. Unless the context otherwise requires, references to "we," "us," "our," "i3 Verticals" and the "Company" refer to i3 Verticals, Inc. and its subsidiaries, including i3 Verticals, LLC.

In connection with the IPO, the Company completed certain reorganization transactions, which, among other things, resulted in i3 Verticals, Inc. being the sole managing member of i3 Verticals, LLC (the "Reorganization Transactions"). Following the completion of the IPO and Reorganization Transactions, the Company is a holding company and the principal asset that it owns are the common units of i3 Verticals, LLC. i3 Verticals, Inc. operates and controls all of i3 Verticals, LLC's operations and, through i3 Verticals, LLC and its subsidiaries, conducts i3 Verticals, LLC's business. i3 Verticals, Inc. has a majority economic interest in i3 Verticals, LLC. As the sole managing member of i3 Verticals, LLC, i3 Verticals, Inc. consolidates the financial results of i3 Verticals, LLC and reports a non-controlling interest representing the Common Units of i3 Verticals, LLC held by owners other than i3 Verticals, Inc. (the "Continuing Equity Owners").

2. DISCONTINUED OPERATIONS

During the year ended September 30, 2024, the Company made the strategic decision to discontinue a significant segment of its operations constituting its Merchant Services Business (as defined below). In this regard, on September 20, 2024, i3 Verticals, LLC, and i3 Holdings Sub, Inc., a wholly-owned subsidiary of i3 Verticals, LLC ("Corporation Seller," and collectively with i3 Verticals, LLC, the "Sellers") completed the transactions (such closing, the "Closing") contemplated by that certain Securities Purchase Agreement dated as of June 26, 2024 (the "Purchase Agreement"), by and among i3 Verticals, LLC, Corporation Seller, the Company (solely for the purpose of providing a guaranty of the obligations of Sellers as set forth in the Purchase Agreement), Payroc Buyer, LLC ("Buyer"), and Payroc WorldAccess, LLC (solely for the purpose of providing a guaranty of the obligations of Buyer as set forth in the Purchase Agreement). Pursuant to the terms of the Purchase Agreement, the Sellers sold to Buyer the equity interests of certain direct and indirect wholly-owned subsidiaries of Sellers (the "Acquired Entities") primarily comprising the Company's merchant services business, including its associated proprietary technology (the "Merchant Services Business"), after giving effect to the contribution of certain assets and the assignment of certain liabilities associated with the Merchant Services Business from i3 Verticals, LLC and certain affiliates to the Acquired Entities pursuant to a contribution agreement which was entered into immediately prior to the Closing (collectively, the "Transactions"). Pursuant to the terms of the Purchase Agreement, Buyer paid to Sellers an aggregate purchase price of approximately $438 million (after giving effect to estimated net working capital, indebtedness and cash adjustments), payable in cash at the Closing, subject to post-closing purchase price adjustments. The Merchant Services Business comprised the Company's entire former Merchant Services segment and a small portion of the Company's former Software and Services segment.

In connection with the closing of the Transactions, the Company entered into a Transition Services Agreement, pursuant to which, among other things, the Company or affiliates thereof will provide certain information technology and operational transition services to Payroc for a period of time after the closing, and a Processing Services Agreement with Payroc, pursuant to which the parties provide certain payment processing services to customers of each party following the closing in accordance with the terms thereof.

Aggregate costs incurred related to the Transactions during the year ended September 30, 2024 that were not considered incremental direct costs to transact the sale, were approximately $2,626 and were expensed as incurred. These costs were primarily incurred during the second and third fiscal quarters of the year ended September 30, 2024 and include fees for third-party advisory, consulting, legal and professional services, as well as other items associated with the Transactions. The expenses are reflected within selling, general and administrative expenses within the Company's condensed consolidated statements of operations.

(in thousands, except unit, share and per share amounts)

The financial results of the Merchant Services Business are presented as income from discontinued operations, net of income taxes on the Company’s consolidated statements of operations. The following table presents financial results of Merchant Services Business for the three months ended December 31, 2024 and 2023:

	Three months ended December 31,	
	2024	2023
Revenue	$ —	$ 36,936
Operating expenses		
Other costs of services	—	16,309
Selling, general and administrative	—	10,895
Depreciation and amortization	—	2,685
Total operating expenses	—	29,889
Income from operations	—	7,047
Other expenses		
Interest expense, net	—	20
Other expense	253	—
Total other expenses	253	20
(Loss) income before income taxes from discontinued operations	(253)	7,027
(Benefit from) provision for income taxes	(39)	1,276
Net (loss) income from discontinued operations	(214)	5,751
Net (loss) income from discontinued operations attributed to non-controlling interest	(76)	1,768
Net (loss) income from discontinued operations attributable to i3 Verticals, Inc.	$ (138)	$ 3,983

(in thousands, except unit, share and per share amounts)

The Company has elected to not separately disclose discontinued operations on its condensed consolidated statement of cash flows. The Company had no significant cash flow activity pertaining to discontinued operations in the three months ended December 31, 2024. The following table presents cash flows from discontinued operations for major captions on the condensed consolidated financial statements:

	Three months ended December 31, 2023
Depreciation and amortization	$ 2,685
Equity-based compensation	$ 1,150
Amortization of capitalized customer acquisition costs	$ 211
Non-cash lease expense	$ 261
Expenditures for property and equipment	$ (189)
Expenditures for capitalized software	$ (160)
Purchases of merchant portfolios and residual buyouts	$ (2,883)

The following table presents significant non-cash investing and financing activities for major captions on the consolidated financial statements:

	Three months ended December 31, 2023
Consideration accrued for December 2023 residual buyout	$ 476

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the reporting and disclosure rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for fair presentation of the unaudited condensed consolidated financial statements of the Company and its subsidiaries as of December 31, 2024 and for the three months ended December 31, 2024 and 2023. The results of operations for the three months ended December 31, 2024 and 2023 are not necessarily indicative of the operating results for the full year.

As permitted by the rules and regulations of the SEC, certain information and disclosures otherwise included in the notes to the consolidated financial statements have been condensed or omitted from the summary of significant accounting policies. The Company believes the disclosures are adequate to make the information presented not misleading. It is recommended that these interim condensed consolidated financial statements be read in conjunction with the Company's consolidated financial statements and related footnotes for the years ended September 30, 2024 and 2023, included in the Company's Annual Report on Form 10-K for the year ended September 30, 2024 filed with the SEC on November 25, 2024.

Principles of Consolidation

These interim condensed consolidated financial statements include the accounts of the Company and its subsidiary companies. All intercompany accounts and transactions have been eliminated in consolidation.

Restricted Cash

Restricted cash represents funds held in escrow related to acquisitions or held-on-deposit with the processing bank pursuant to agreements to cover potential merchant losses. It is presented as long-term assets on the accompanying condensed consolidated balance sheets since the related agreements extend beyond the next twelve months. Following the adoption of Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows: Restricted Cash* (Topic 230), the Company includes restricted cash along with the cash and cash equivalents balance for presentation in the consolidated statements of cash flows.

Settlement Assets and Obligations

Settlement assets and obligations result when funds are temporarily held or owed by the Company on behalf of merchants, consumers, schools, and other institutions. Timing differences, interchange expenses, merchant reserves and exceptional items cause differences between the amount received from the card networks and the amount funded to counterparties. These balances arising in the settlement process are reflected as settlement assets and obligations on the accompanying consolidated balance sheets. With the exception of merchant reserves, settlement assets or settlement obligations are generally collected and paid within one to four days. Settlement assets and settlement obligations were $1,205 as of December 31, 2024 and $632 as of September 30, 2024, respectively.

Reclassifications

Certain prior period amounts have been reclassified in order to conform with the current period presentation. These reclassifications have no impact on the Company's previously reported consolidated net income (loss).

Discontinued operations

The results of operations for the Company's Merchant Services Business have been reclassified as discontinued operations for all periods presented in the condensed consolidated statements of operations. Refer to Note 2 for additional information.

Change in presentation of certain costs to other costs of services

Following the disposal of the Company's Merchant Services Business in the fourth quarter of fiscal year 2024, the Company's core business is providing software solutions for key verticals. Given the change in the Company's business model, the Company has reclassified certain expenses to better align with the primary industry in which it now operates. During the first quarter of fiscal year 2025, the Company revised its presentation of certain expenses in the Condensed Consolidated Statements of Operations from selling, general and administrative expenses to other costs of services. The Company reclassified personnel costs related to installation of the Company's software, conversion of client data, training client personnel, customer support activities and various other services provided directly to customers from selling, general and administrative to other costs of services. The Company also reclassified certain hosting and related software costs for directly supporting the Company's customers from selling, general and administrative to other costs of services.

Comparative amounts have been reclassified to conform to the current period presentation. This change has no impact on the Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Cash Flows or Condensed Consolidated Statement of Changes in Equity.

(in thousands, except unit, share and per share amounts)

This change has no impact on the total operating expenses or earnings per share as illustrated below. The following tables present the effects of the change in presentation within the Condensed Consolidated Statements of Operations:

	For the Three Months Ended December 31, 2023		
	As Previously Reported[1]	Adjustment	As Adjusted
Operating expenses			
Other costs of services	4,115	15,462	19,577
Selling, general and administrative	42,637	(15,462)	27,175

1. This column is presented after giving effect to discontinued operations of the Merchant Services Business as discussed in Note 2.

Change in presentation of cash flows associated with "Settlement obligations"

During the second quarter of 2024, the Company changed its presentation of cash flows associated with "Settlement obligations" from operating activities to financing actives within the Condensed Consolidated Statements of Cash Flows. Comparative amounts have been reclassified to conform to the current period presentation. This change has no impact on the Condensed Consolidated Balance Sheet, Condensed Consolidated Statements of Operations or Condensed Consolidated Statement of Changes in Equity.

The following tables present the effects of the change in presentation within the Condensed Consolidated Statements of Cash Flows:

	For the Three Months Ended December 31, 2023		
	As Previously Reported	Adjustment	As Adjusted
Cash flows from operating activities:			
Settlement obligations	(1,355)	1,355	—
Net cash provided by operating activities	13,050	1,355	14,405
Cash flows from financing activities:			
Net payments for settlement obligations	—	(1,355)	(1,355)
Net cash used in financing activities	(7,195)	(1,355)	(8,550)

Inventories

Inventories consist of point-of-sale equipment to be sold to customers and are stated at the lower of cost, determined on a weighted average or specific basis, or net realizable value. Inventories were $2,458 and $2,423 at December 31, 2024 and September 30, 2024, respectively, and are included within prepaid expenses and other current assets on the accompanying condensed consolidated balance sheets.

Acquisitions

Business acquisitions have been recorded using the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"), and, accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair value as of the date of acquisition. Where relevant, the fair value of contingent consideration included in an acquisition is calculated using a Monte Carlo simulation as well as a discounted cash flows analysis. The fair value of customer relationships and non-compete assets acquired is identified using the Income Approach. The fair values of trade names and internally-developed software acquired are identified using the Relief from Royalty Method. After the purchase price has been allocated, goodwill is recorded to the extent the total consideration paid for the acquisition, including the acquisition date fair value of contingent consideration, if any, exceeds the sum of the fair values of the separately identifiable acquired assets and assumed liabilities. Acquisition costs for business combinations are expensed when incurred and recorded in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

Acquisitions not meeting the accounting criteria to be accounted for as a business combination are accounted for as an asset acquisition. An asset acquisition is recorded at its purchase price, inclusive of acquisition costs, which is allocated among the acquired assets and assumed liabilities based upon their relative fair values at the date of acquisition.

Leases

Leases are recorded in accordance with ASC 842, *Leases* ("ASC 842). The Company elected the accounting policy practical expedients for all classes of underlying assets to (i) combine associated lease and non-lease components in a lease arrangement as a combined lease component and (ii) exclude recording short-term leases as right-of-use assets on the condensed consolidated balance sheets.

At contract inception the Company determines whether an arrangement is, or contains a lease, and for each identified lease, evaluates the classification as operating or financing. Leased assets and obligations are recognized at the lease commencement date based on the present value of fixed lease payments to be made over the term of the lease. Renewal and termination options are factored into determination of the lease term only if the option is reasonably certain to be exercised. The Company's leases do not provide a readily determinable implicit interest rate and the Company uses its incremental borrowing rate to measure the lease liability and corresponding right-of-use asset. The incremental borrowing rate is a fully collateralized rate that considers the Company's credit rating, market conditions and the term of the lease. The Company accounts for all components in a lease arrangement as a single combined lease component.

Operating lease cost is recognized on a straight-line basis over the lease term. Total lease costs include variable lease costs, which are primarily comprised of the consumer price index adjustments and other changes based on rates, such as costs of insurance and property taxes. Variable payments are expensed in the period incurred and not included in the measurement of lease assets and obligations.

Revenue Recognition and Deferred Revenue

Revenue is recognized as each performance obligation is satisfied, in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). The Company accrues for rights of refund, processing errors or penalties, or other related allowances based on historical experience. The Company utilized the portfolio approach practical expedient within ASC 606-10-10-4 *Revenue from Contracts with Customers —Objectives* and the significant financing component practical expedient within ASC 606-10-32-18 *Revenue from Contracts with Customers— The Existence of a Significant Financing Component in the Contract* in performing the analysis.

The Company's revenue from continuing operations for the three months ended December 31, 2024 and 2023 is derived from the following sources:

- Software and related services — Includes software as a service ("SaaS"), transaction-based fees, ongoing software maintenance and support, software licenses and other professional services related to our software offerings
- Proprietary payments — Includes volume-based payment processing fees (“discount fees”) and other related fixed transaction or service fees
- Other — Includes sales of equipment, non-software related professional services and other revenues

Revenues from the Company’s software are recognized when the related performance obligations are satisfied. Sales of software licenses are categorized into one of two categories of intellectual property in accordance with ASC 606, functional or symbolic. The key distinction is whether the license represents a right to use (functional) or a right to access (symbolic) intellectual property. The Company generates sales of one-time software licenses, which is functional intellectual property. Revenue from functional intellectual property is recognized at a point in time, when control of the software license transfers to the customer. The Company also generates revenue from maintenance services related to these software licenses, which is recognized over the term of the agreement. The Company also offers access to its software under software-as-a-service (“SaaS”) arrangements, which represent services arrangements, and under which customers do not have the right to take possession of the software. Revenue from SaaS arrangements is recognized over time, over the term of the agreement. Contracts with professional services, such as training or installation, are evaluated to determine if the customer can benefit from these services independently, whether they can be provided by other available resources, or whether they are separately identifiable from other contract promises.

Discount fees represent a percentage of the dollar amount of each credit or debit transaction processed or a specified per transaction amount, depending on the card type. The Company frequently enters into agreements with customers under which the customer engages the Company to provide both payment authorization services and transaction settlement services for all of the cardholder transactions of the customer, regardless of which issuing bank and card network to which the transaction relates. The Company’s core performance obligations are to stand ready to provide continuous access to the Company’s payment authorization services and transaction settlement services in order to be able to process as many transactions as its customers require on a daily basis over the contract term. These services are stand ready obligations, as the nature of the promise is to stand ready to process an undetermined quantity of transactions. Under a stand-ready obligation, the Company’s performance obligation is defined by each time increment rather than by the underlying activities satisfied over time based on days elapsed. Because the service of standing ready is substantially the same each day and has the same pattern of transfer to the customer, the Company has determined that its stand-ready performance obligation comprises a series of distinct days of service. Discount fees are recognized each day based on the volume or transaction count at the time the merchants’ transactions are processed.

The Company follows the requirements of ASC 606-10-55 *Revenue from Contracts with Customers—Principal versus Agent Considerations*, which states that the determination of whether a company should recognize revenue based on the gross amount billed to a customer or the net amount retained is a matter of judgment that depends on the facts and circumstances of the arrangement. The determination of gross versus net recognition of revenue requires judgment that depends on whether the Company controls the good or service before it is transferred to the merchant or whether the Company is acting as an agent of a third party. The assessment is provided separately for each performance obligation identified. Under its agreements, the Company incurs interchange and network pass-through charges from the third-party card issuers and card networks, respectively, related to the provision of payment authorization services. The Company has determined that it is acting as an agent with respect to these payment authorization services, based on the following factors: (1) the Company has no discretion over which card issuing bank will be used to process a transaction and is unable to direct the activity of the merchant to another card issuing bank, and (2) interchange and card network rates are pre-established by the card issuers or card networks, and the Company has no latitude in determining these fees. Therefore, revenue allocated to the payment authorization performance obligation is presented net of interchange and card network fees paid to the card issuing bank and card network, respectively, for the three months ended December 31, 2024 and 2023.

With regards to the Company's discount fees, generally, where the Company has control over merchant pricing, merchant portability, credit risk and ultimate responsibility for the merchant relationship, revenues are reported at the time of sale equal to the full amount of the discount charged to the merchant, less interchange and network fees.

Revenues are also derived from a variety of transaction fees, which are charged for transacting on our proprietary payment facilitator platform and software solutions, and fees for other miscellaneous services. Revenues derived from such fees are recognized in the time the transactions occur and when there are no further performance obligations. Revenue from the sale of equipment, is recognized upon transfer of ownership to the customer, after which there are no further performance obligations.

Arrangements may contain multiple performance obligations, such as payment authorization services, transaction settlement services, hardware, software products, SaaS, maintenance, and professional installation and training services. Revenues are allocated to each performance obligation based on the standalone selling price of each good or service. The selling price for a deliverable is based on standalone selling price, if available, the adjusted market assessment approach, estimated cost plus margin approach, or residual approach. The Company establishes estimated selling price, based on the judgment of the Company's management, considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life cycle. In arrangements with multiple performance obligations, the Company applies significant judgement in determining the allocation of the transaction price at inception of the arrangement and uses the standalone selling prices for the majority of the Company's revenue recognition.

Revenues from sales of the Company’s hardware and software elements are recognized when each performance obligation has been satisfied which has been determined to be upon the delivery of the product. Revenues derived from service fees are recognized over time in accordance with our satisfaction of our performance obligations. The Company’s professional services, including training, installation, and repair services are recognized as revenue as these services are performed.

ASC 606 provides various optional practical expedients. The Company elected the use of the practical expedient relating to the disclosure of remaining performance obligations within a contract and will not disclose remaining performance obligations for contracts (i) with an original expected duration of one year or less or (ii) in which revenue from the satisfaction of the performance obligations is recognized in the amounts invoiced in accordance with ASC 606-10-55-18. The Company also has additional contracts with an original expected duration of greater than one year for which revenue had not yet been recognized. These contracts do not allow for termination for convenience, which reduces the risks related to future revenue recognition. The transaction price allocated to the remaining performance obligations related to these contracts is not considered useful to the users of the financial statements due to the exclusion of certain revenue based on the aforementioned practical expedients.

(in thousands, except unit, share and per share amounts)

The tables below present a disaggregation of the Company's revenue from contracts with customers for continuing operations by product by segment. The Company's products are defined as follows:

- Software and related services — Includes SaaS, transaction-based fees, ongoing software maintenance and support, software licenses and other professional services related to our software offerings;
- Proprietary payments — Includes discount fees and other related fixed transaction or service fees; and
- Other — Includes sales of equipment, non-software related professional services and other revenues.

	For the Three Months Ended December 31, 2024			
	Public Sector	Healthcare	Other	Total
Software and related services revenue	$ 33,203	$ 12,738	$ (266)	$ 45,675
Proprietary payments revenue	13,435	75	1	13,511
Other revenue	2,147	358	—	2,505
Total revenue	$ 48,785	$ 13,171	$ (265)	$ 61,691

	For the Three Months Ended December 31, 2023			
	Public Sector	Healthcare	Other	Total
Software and related services revenue	$ 28,983	$ 11,135	$ (15)	$ 40,103
Proprietary payments revenue	12,630	56	(9)	12,677
Other revenue	1,885	389	—	2,274
Total revenue	$ 43,498	$ 11,580	$ (24)	$ 55,054

The tables below present a disaggregation of the Company's revenue from contracts with customers from continuing operations by timing of transfer of goods or services by segment. The Company's revenue included in each category are defined as follows:

- Revenue earned over time — Includes SaaS, professional services, ongoing support, discount fees or other stand-ready obligations; and
- Revenue earned at a point in time — Includes software licenses sold as functional intellectual property, equipment, or point in time service fees that are not stand-ready obligations.

	For the Three Months Ended December 31, 2024			
	Public Sector	Healthcare	Other	Total
Revenue earned over time	$ 45,665	$ 11,468	$ (266)	$ 56,867
Revenue earned at a point in time	3,120	1,703	1	4,824
Total revenue	$ 48,785	$ 13,171	$ (265)	$ 61,691

(in thousands, except unit, share and per share amounts)

	For the Three Months Ended December 31, 2023			
	Public Sector	Healthcare	Other	Total
Revenue earned over time	$ 41,405	$ 11,440	$ (15)	$ 52,830
Revenue earned at a point in time	2,093	140	(9)	2,224
Total revenue	$ 43,498	$ 11,580	$ (24)	$ 55,054

Contract Assets

The Company bills for certain software and related services sales and fixed fee professional services upon pre-determined milestones in the contracts. Therefore, the Company may have contract assets other than trade accounts receivable for performance obligations that are partially completed, which would typically represent consulting services provided before a milestone is completed in a contract. Additionally, contract assets also include software licenses sold as a right to use license but paid for under a subscription model. Under this structure, the license revenue is recognized upfront while a portion of the revenue is unbilled. Unbilled amounts associated with these professional services and software licenses sold under the subscription model are presented as accounts receivable as the Company has an unconditional right to payment for services performed.

As of December 31, 2024 and September 30, 2024, the Company’s contract assets from contracts with customers was $8,723 and $8,680, respectively.

Contract Liabilities

Deferred revenue represents amounts billed to customers by the Company for services contracts. Payment is typically collected at the start of the contract term. The initial prepaid contract agreement balance is deferred. The balance is then recognized as the services are provided over the contract term. Deferred revenue that is expected to be recognized as revenue within one year is recorded as short-term deferred revenue and the remaining portion is recorded as other long-term liabilities in the condensed consolidated balance sheets. The terms for most of the Company's contracts with a deferred revenue component are one year. Substantially all of the Company's deferred revenue is anticipated to be recognized within the next year.

The following tables present the changes in deferred revenue as of and for the three months ended December 31, 2024 and 2023, respectively:

Balance at September 30, 2024	$ 39,824
Deferral of revenue	17,264
Recognition of unearned revenue	(14,150)
Balance at December 31, 2024	$ 42,938

Balance at September 30, 2023	$ 32,985
Deferral of revenue	19,156
Recognition of unearned revenue	(14,681)
Balance at December 31, 2023	$ 37,460

Costs to Obtain and Fulfill a Contract

The Company capitalizes incremental costs to obtain new contracts and contract renewals and amortizes these costs on a straight-line basis as an expense over the benefit period, which is generally the expected customer life, unless a commensurate payment is not expected at renewal. As of December 31, 2024 and September 30, 2024, the Company had $936 and $857, respectively, of capitalized contract costs, which relates to commissions paid to employees and agents as well as other incentives given to customers to obtain new sales, included within “Other assets" on the condensed consolidated balance sheets. The Company recorded expense from continuing operations related to these costs of $31 for the three months ended December 31, 2024 and $18 for the three months ended December 31, 2023.

The Company expenses sales commissions as incurred for the Company's sales commission plans that are paid on recurring monthly revenues, portfolios of existing customers, or have a substantive stay requirement prior to payment.

Other Cost of Services

Other costs of services include costs directly related to the Company's software and related services. Additionally, other costs of services include costs directly attributable to payment processing services such as processing and bank sponsorship. Losses resulting from chargebacks against a customer are included in other cost of services. Residual payments to the Company's distribution partners and the cost of equipment sold is also included in cost of services. Amortization arising from capitalized software development is not included in other cost of services. Other costs of services are recognized at the time the related revenue is recognized. Following the disposal of the Company's Merchant Services Business in the fourth quarter of fiscal year 2024, the Company’s core business is providing software solutions for key verticals. Given the change in the Company's business model, the Company has reclassified certain expenses to better align with the primary industry in which it now operates. During the first quarter of fiscal year 2025, the Company revised its presentation of certain expenses in the Condensed Consolidated Statements of Operations from selling, general and administrative expenses to other costs of services. The Company reclassified personnel costs related to installation of the Company's software, conversion of client data, training client personnel, customer support activities and various other services provided directly to customers from selling, general and administrative to other costs of services. The Company also reclassified certain hosting and related software costs for directly supporting the Company's customers from selling, general and administrative to other costs of services. Refer to Note 3 for discussion of the change in the current and prior period presentation.

The Company accounts for all governmental taxes associated with revenue transactions on a net basis.

Use of Estimates

The preparation of condensed consolidated financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, the value of purchase consideration paid and identifiable assets acquired and assumed in acquisitions, goodwill and intangible asset impairment review, determination of performance obligations for revenue recognition, loss reserves, assumptions used in the calculation of equity-based compensation and in the calculation of income taxes, and certain tax assets and liabilities as well as the related valuation allowances. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740)—Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 will provide improvements to the income tax disclosures primarily related to the income taxes paid and rate reconciliation, and how legislation changes may affect future capital allocation and cash flow forecasts. The amendment will improve the consistency in which companies provide tax information, and will further increase the transparency of related tax risks and operational opportunities. The amendments in ASU 2023-09 are effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company will not be required to adopt ASU 2023-09 until October 1, 2025. The Company is currently evaluating the impact of the adoption of ASU 2023-09 on the Company’s financial statement disclosures.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures (“ASU 2023-07”). ASU 2023-07 improves interim disclosure requirements for segment reporting, including clarifications regarding the measure of profit and loss used to assess segment performance and the allocation of resources. Further, it enhances the disclosures for reporting segment expenses and will require the Company to report significant expenses regularly provided by the chief operating decision maker. The amendment will require companies to disclose a more granular level of information with regards to segment reporting to further enhance the transparency of what specified amounts are included within each segment. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2023-07 on the Company’s financial statement disclosures.

In November 2024, the FASB issued ASU No. 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40) ("ASU 2024-03"). ASU 2024-03 will require companies to disaggregate, within the notes to the financial statements, certain expenses presented on the face of the financial statements to enhance transparency and help investors better understand an entity's performance. The amendment will specifically require that an entity disclose the amounts related to purchases of inventory, employee compensation, depreciation and intangible asset amortization. Entities will also be required to provide a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, disclose the total amount of selling expenses and, in annual reporting periods, provide a definition of what constitutes selling expenses. The amendments in ASU 2024-03 are effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company will not be required to adopt ASU 2024-03 until October 1, 2027. The Company is currently evaluating the impact of the adoption of ASU 2024-03 on the Company’s financial statement disclosures.

4. ACQUISITIONS

During the three months ended December 31, 2024, the Company did not acquire any businesses. During the year ended September 30, 2024, the Company acquired the following businesses:

Purchase of Eduloka, Ltd.

On August 1, 2024, the Company completed the acquisition of substantially all of the assets of Eduloka Ltd. ("inLumon") to expand the Company's permitting and licensing software offerings in the Public Sector segment. Total purchase consideration was $27,477, including $18,000 in cash funded by proceeds from the Company's revolving credit facility, the issuance of 311,634 shares of the Company's Class A common stock (valued at $7,517) and $1,960 in contingent consideration.

The goodwill associated with the inLumon acquisition is deductible for tax purposes. The acquired customer relationships intangible asset has an estimated amortization period of eighteen years. The acquired trade name has an amortization period of two years. The acquired capitalized software has an amortization period of seven years.

Acquisition-related costs for this acquisition amounted to approximately $294 and were included in selling, general and administrative on our consolidated statement of operations and were expensed as incurred.

Certain provisions in the purchase agreement provides for additional consideration of up to $22,000, in the aggregate, to be paid based upon the achievement of specified financial performance targets, as defined in the purchase agreement, through no later than July 2027. The Company determined the acquisition date fair value of the liability for the contingent consideration using a Monte Carlo simulation as well as a discounted cash flow analysis. In each subsequent reporting period, the Company will reassess its current estimates of performance relative to the targets and adjust the contingent liabilities to their fair values through earnings. See additional disclosures in Note 12.

(in thousands, except unit, share and per share amounts)

Summary of inLumon

The preliminary fair values assigned to certain assets and liabilities assumed, as of the acquisition date, were as follows:

Accounts receivable	$	3,060
Property and equipment		20
Capitalized software		3,000
Customer relationships		11,800
Trade name		100
Goodwill		11,486
Total assets acquired		29,466
Accrued expenses and other current liabilities		1,692
Deferred revenue, current		297
Net assets acquired	$	27,477

Other Business Combinations during the year ended September 30, 2024

During the three months ended December 31, 2023, the Company completed the acquisition of substantially all of the assets of a business to expand the Company’s software offerings within the Public Sector segment. Total purchase consideration was $1,270, including$1,100 in cash consideration, funded by proceeds from the Company's revolving credit facility, and $170 of contingent consideration.

In connection with this acquisition, the Company allocated approximately $5 to property and equipment, approximately $40 to capitalized software, approximately $220 to customer relationships and the remainder, approximately $1,005, to goodwill, all of which is deductible for tax purposes. The acquired customer relationships intangible asset has an estimated amortization period of ten years. The acquired capitalized software has an amortization period of seven years.

Acquisition-related costs for this acquisition amounted to approximately $8 and were expensed as incurred.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

A summary of the Company's prepaid expenses and other current assets as of December 31, 2024 and September 30, 2024 is as follows:

	December 31, 2024		September 30, 2024	
Inventory	$	2,458	$	2,423
Prepaid licenses		6,582		5,148
Prepaid insurance		2,512		129
Notes receivable — current portion		195		195
Other current assets		3,259		2,337
Prepaid expenses and other current assets	$	15,006	$	10,232

(in thousands, except unit, share and per share amounts)

6. GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill are as follows:

	Public Sector	Healthcare	Other	Total
Balance at September 30, 2024	$ 233,850	$ 46,828	$ —	$ 280,678
Goodwill attributable to preliminary purchase price adjustments during the three months ended December 31, 2024	—	—	—	—
Balance at December 31, 2024	$ 233,850	$ 46,828	$ —	$ 280,678

Intangible assets consisted of the following as of December 31, 2024:

	Cost	Accumulated Amortization	Carrying Value	Amortization Life and Method
Finite-lived intangible assets:				
Customer relationships	$ 199,720	$ (41,816)	$ 157,904	9 to 25 years – accelerated or straight-line
Trade names	4,741	(3,233)	1,508	2 to 5 years – straight-line
Non-compete agreements and other intangible assets	359	(215)	144	3 to 8 years – straight-line
Total finite-lived intangible assets	204,820	(45,264)	159,556	
Indefinite-lived intangible assets:				
Trademarks	18	—	18	
Total identifiable intangible assets[(1)]	$ 204,838	$ (45,264)	$ 159,574	

Amortization expense from continuing operations for intangible assets amounted to $3,243 for the three months ended December 31, 2024, and $3,146 and for the three months ended December 31, 2023.

Based on net carrying amounts at December 31, 2024, the Company's estimate of future amortization expense for continuing operations for intangible assets are presented in the table below for fiscal years ending September 30:

2025 (nine months remaining)	$ 9,720
2026	12,528
2027	12,069
2028	11,906
2029	11,879
Thereafter	101,454
	$ 159,556

(in thousands, except unit, share and per share amounts)

7. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of the Company's accrued expenses and other current liabilities as of December 31, 2024 and September 30, 2024 is as follows is as follows:

	December 31, 2024	September 30, 2024
Accrued wages, bonuses, commissions and vacation	$ 7,362	$ 5,737
Accrued interest	384	43
Accrued contingent consideration — current portion	339	716
Escrow liabilities	2,200	2,174
Accrued tax distributions	22,185	24,276
Accrued income tax expense	31,670	30,520
Tax receivable agreement liability — current portion	9,897	9,850
Customer deposits	995	634
Employee health self-insurance liability	1,021	917
Accrued Hyland expenses	653	1,165
Accrued interchange	2,492	1,946
Other accrued liabilities related to the Sale of the Merchant Services Business	188	7,887
Accrued liabilities owed to sellers	228	355
Other accrued expenses	3,383	3,752
Accrued expenses and other current liabilities	$ 82,997	$ 89,972

A summary of the Company's long-term liabilities as of December 31, 2024 and September 30, 2024 is as follows:

	December 31, 2024	September 30, 2024
Accrued contingent consideration — long-term portion	$ 3,330	$ 1,636
Deferred tax liability — long-term	10,627	11,402
Other long-term liabilities	2,958	1,883
Total other long-term liabilities	$ 16,915	$ 14,921

(in thousands, except unit, share and per share amounts)

8. LONG-TERM DEBT, NET

A summary of long-term debt, net as of December 31, 2024 and September 30, 2024 is as follows:

	Maturity	December 31, 2024	September 30, 2024
Revolving lines of credit to banks under the 2023 Senior Secured Credit Facility	May 8, 2028	$ —	$ —
1% Exchangeable Senior Notes due 2025	February 15, 2025	26,223	26,223
Total long-term debt		26,223	26,223
Less current portion of long-term debt		(26,223)	(26,223)
Long-term debt, net of current portion		$ —	$ —

2020 Exchangeable Notes Offering

On February 18, 2020, i3 Verticals, LLC issued $138,000 aggregate principal amount of 1.0% Exchangeable Senior Notes due 2025 (the “Exchangeable Notes”) in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). The Company received approximately $132,762 in net proceeds from the sale of the Exchangeable Notes, as determined by deducting estimated offering expenses paid to third-parties from the aggregate principal amount.

i3 Verticals, LLC issued the Exchangeable Notes pursuant to an Indenture, dated as of February 18, 2020, among i3 Verticals, LLC, the Company and U.S. Bank Trust Company National Association, as trustee (the “Indenture”).

The Exchangeable Notes bear interest at a fixed rate of 1.00% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2020. In accordance with the terms of the Indenture, as of August 15, 2024, the Exchangeable Notes became exchangeable at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The Exchangeable Notes will mature on February 15, 2025, unless exchanged or repurchased at an earlier date.

For a discussion of the terms of the Exchangeable Notes, refer to the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2024.

During the fiscal year ended September 30, 2020, we repurchased $21,000 in aggregate principal amount of Exchangeable Notes in open market purchases. In addition, on December 21, 2023, i3 Verticals, LLC entered into agreements to repurchase an additional portion of its Exchangeable Notes pursuant to privately negotiated transactions with a limited number of holders of the Exchangeable Notes (the "Exchangeable Note Repurchases"). The repurchase payments were determined by the Company’s average stock price over the 15 trading-day measurement period ended January 16, 2024. The closing of the Exchangeable Note Repurchases occurred on January 18, 2024, and the Company paid $87,391 to repurchase $90,777 in aggregate principal amount of its Exchangeable Notes and to repay approximately $386 in accrued interest on the repurchased portion of the Exchangeable Notes. The Company wrote off $926 of debt issuance costs in connection with the repurchase transactions. These repurchases resulted in a decrease in the Company's total leverage ratio, and following the completion of the repurchases of these Exchangeable Notes, approximately $26,223 in aggregate principal amount of the Exchangeable Notes remained outstanding, with terms unchanged. The Company recorded a gain on retirement of debt of $2,397 due to the estimated acquisition price exceeding the net carrying amount of the repurchased portion of the Exchangeable Notes, adjusted for unamortized debt issuance costs and costs and third-party fees related to the transaction.

As of December 31, 2024, the aggregate principal amount outstanding of the Exchangeable Notes was $26,223. The estimated fair value of the Exchangeable Notes was $26,053 as of December 31, 2024. The estimated fair value of the Exchangeable Notes was determined through consideration of quoted market prices for similar instruments. The fair value is classified as Level 2, as defined in Note 12.

Exchangeable Note Hedge Transactions

On February 12, 2020, concurrently with the pricing of the Exchangeable Notes, and on February 13, 2020, concurrently with the exercise by the initial purchasers of their right to purchase additional Exchangeable Notes, i3 Verticals, LLC entered into exchangeable note hedge transactions with respect to Class A common stock (the "Note Hedge Transactions") with certain financial institutions (collectively, the "Counterparties"). The Note Hedge Transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Exchangeable Notes, the same number of shares of Class A common stock that initially underlie the Exchangeable Notes in the aggregate and are exercisable upon exchange of the Exchangeable Notes. The Note Hedge Transactions are intended to reduce potential dilution to the Class A common stock upon any exchange of the Exchangeable Notes. The Note Hedge Transactions will expire upon the maturity of the Exchangeable Notes, if not earlier exercised. The Note Hedge Transactions are separate transactions, entered into by i3 Verticals, LLC with the Counterparties, and are not part of the terms of the Exchangeable Notes. Holders of the Exchangeable Notes will not have any rights with respect to the Note Hedge Transactions. i3 Verticals, LLC used approximately $28,676 of the net proceeds from the offering of the Exchangeable Notes (net of the premiums received for the warrant transactions described below) to pay the cost of the Note Hedge Transactions.

The Note Hedge Transactions do not require separate accounting as a derivative as they meet a scope exception for certain contracts involving an entity's own equity. The premiums paid for the Note Hedge Transactions have been included as a net reduction to additional paid-in capital within stockholders' equity.

In December 2023, i3 Verticals, LLC received $250 from the Counterparties to terminate the portion of the Note Hedge Transactions corresponding to the Exchangeable Notes that were repurchased in fiscal year 2020. Also in December 2023, i3 Verticals, LLC entered into agreements with the Counterparties to terminate the portion of the Note Hedge Transactions corresponding to the Exchangeable Note Repurchases. On January 18, 2024, in connection with the Exchangeable Note Repurchases, the Company and i3 Verticals, LLC terminated the corresponding portions of the Note Hedge Transactions ("Note Hedge Unwinds"), and i3 Verticals, LLC received $987 for the sale of the Note Hedge Unwinds and recorded a loss on the sale of the Note Hedge Unwinds of $245.

Warrant Transactions

On February 12, 2020, concurrently with the pricing of the Exchangeable Notes, and on February 13, 2020, concurrently with the exercise by the initial purchasers of their right to purchase additional Exchangeable Notes, the Company entered into warrant transactions to sell to the Counterparties warrants (the "Warrants") to acquire, subject to customary adjustments, up to initially 3,376,391 shares of Class A common stock in the aggregate at an initial exercise price of $62.88 per share. The Company offered and sold the Warrants in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act. The Warrants will expire over a period beginning on May 15, 2025.

The Warrants are separate transactions, entered into by the Company with the Counterparties, and are not part of the terms of the Exchangeable Notes. Holders of the Exchangeable Notes will not have any rights with respect to the Warrants. The Company received approximately $14,669 from the offering and sale of the Warrants. The Warrants do not require separate accounting as a derivative as they meet a scope exception for certain contracts involving an entity's own equity. The premiums paid for the Warrants have been included as a net increase to additional paid-in capital within stockholders' equity.

In December 2023, the Company paid $119 to the Counterparties to terminate the portion of the Warrants corresponding to the Exchangeable Notes that were repurchased in fiscal year 2020. Also in December 2023, i3 Verticals, LLC entered into agreements with the Counterparties to terminate the portion of the Warrants corresponding to the Exchangeable Note Repurchases. On January 18, 2024, in connection with the

Exchangeable Note Repurchases, the Company and i3 Verticals, LLC terminated the corresponding portions of the Warrants ("Warrant Unwinds"), and the Company paid $433 for the repurchase of the Warrant Unwinds and recorded a gain on the repurchase of the Warrant Unwinds of $105.

2023 Senior Secured Credit Facility

On May 8, 2023, i3 Verticals, LLC (the “Borrower”), entered into that certain Credit Agreement (as amended, the “2023 Senior Secured Credit Facility”) with the guarantors and lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (“JPMorgan”). The 2023 Senior Secured Credit Facility replaced the prior senior secured credit facility of the Company which was entered into on May 9, 2019 (the "Prior Senior Secured Credit Facility"). The 2023 Senior Secured Credit Facility provides for aggregate commitments of $450,000 in the form of a senior secured revolving credit facility (the “Revolver”).

The 2023 Senior Secured Credit Facility provides that the Borrower has the right to seek additional commitments to provide additional term loan facilities or additional revolving credit commitments in an aggregate principal amount up to, as of any date of determination, the sum of (i) the greater of $100,000 and 100% of the Borrower’s consolidated EBITDA (as defined in the 2023 Senior Secured Credit Facility) for the most recently completed four quarter period, plus (ii) the amount of certain prepayments of certain indebtedness, so long as, among other things, after giving pro forma effect to the incurrence of such additional borrowings and any related transactions, the Borrower’s consolidated interest coverage ratio (as defined in the 2023 Senior Secured Credit Facility) would not be less than 3.0 to 1.0 and the Borrower’s consolidated total net leverage ratio (as defined in the 2023 Senior Secured Credit Facility) would not exceed 5.0 to 1.0. As of December 31, 2024, the Borrower's consolidated interest coverage ratio was 3.7x and total leverage ratio was 0.1x.

The provision of any such additional amounts under the additional term loan facilities or additional revolving credit commitments are subject to certain additional conditions and the receipt of certain additional commitments by existing or additional lenders. The lenders under the 2023 Senior Secured Credit Facility are not under any obligation to provide any such additional term loan facilities or revolving credit commitments.

The proceeds of the Revolver, together with proceeds from any additional amounts under the additional term loan facilities or additional revolving credit commitments, may only be used by the Borrower to (i) finance working capital, capital expenditures and other lawful corporate purposes, (ii) finance permitted acquisitions (as defined in the 2023 Senior Secured Credit Facility) and (iii) to refinance certain existing indebtedness.

Borrowings under the Revolver will be made, at the Borrower’s option, at the Adjusted Term SOFR rate or the base rate, plus, in each case, an applicable margin.

The Adjusted Term SOFR rate will be the rate of interest per annum equal to the Term SOFR rate (based upon an interest period of one, three or six months), plus 0.10%, plus an applicable margin of 2.00% to 3.00% (2.00% at December 31, 2024). The Adjusted Term SOFR rate shall not be less than 0% in any event.

The base rate is a fluctuating rate of interest per annum equal to the highest of (a) the greater of the federal funds rate or the overnight bank funding rate, plus ½ of 1%, (b) Wall Street Journal prime rate and (c) the Adjusted Term SOFR rate for an interest period of one month, plus 1%, plus an applicable margin of 1.00% to 2.00% (1.00% at December 31, 2024). The base rate shall not be less than 1% in any event.

(in thousands, except unit, share and per share amounts)

The applicable margin is based upon the Borrower’s consolidated total net leverage ratio (as defined in the 2023 Senior Secured Credit Facility), as reflected in the schedule below:

Consolidated Total Net Leverage Ratio	Commitment Fee	Letter of Credit Fee	Term Benchmark Loans	Base Rate Loans
> 3.0 to 1.0	0.30 %	3.00 %	3.00 %	2.00 %
> 2.5 to 1.0 but < 3.00 to 1.0	0.25 %	2.50 %	2.50 %	1.50 %
> 2.0 to 1.0 but < 2.50 to 1.0	0.20 %	2.25 %	2.25 %	1.25 %
< 2.0 to 1.0	0.15 %	2.00 %	2.00 %	1.00 %

In addition to paying interest on outstanding principal under the Revolver, the Borrower will be required to pay a commitment fee equal to the product of between 0.15% and 0.30% (the applicable percentage depending on the Borrower’s consolidated total net leverage ratio as reflected in the schedule above, 0.15% at December 31, 2024) times the actual daily amount by which $450,000 exceeds the total amount outstanding under the Revolver and available to be drawn under all outstanding letters of credit.

The Borrower will be permitted to voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans under the 2023 Senior Secured Credit Facility, whether such amounts are issued under the Revolver or under the additional term loan facilities or additional revolving credit facilities, at any time without premium or penalty.

In addition, if the total amount borrowed under the Revolver exceeds $450,000 at any time, the 2023 Senior Secured Credit Facility requires the Borrower to prepay such excess outstanding amounts.

All obligations under the 2023 Senior Secured Credit Facility are unconditionally guaranteed by the Company, and each of the Company’s existing and future direct and indirect material, wholly owned domestic subsidiaries, subject to certain exceptions. The obligations are secured by first-priority security interests in substantially all tangible and intangible assets of the Borrower, the Company and each subsidiary guarantor, in each case whether owned on the date of the initial borrowings or thereafter acquired.

The 2023 Senior Secured Credit Facility places certain restrictions on the ability of the Borrower, the Company and their subsidiaries to, among other things, incur debt and liens; merge, consolidate or liquidate; dispose of assets; enter into hedging arrangements; make certain restricted payments; undertake transactions with affiliates; enter into sale-leaseback transactions; make certain investments; prepay or modify the terms of certain indebtedness; and modify the terms of certain organizational agreements.

The 2023 Senior Secured Credit Facility contains customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to other material indebtedness, certain events of bankruptcy and insolvency, material judgments, certain events with respect to employee benefit plans, invalidity of loan documents and certain changes in control.

Debt issuance costs

The Company did not incur any debt issuance costs during the three months ended December 31, 2024 and 2023. The Company's debt issuance costs are being amortized over the related term of the debt using the straight-line method, which is not materially different than the effective interest rate method, and are presented within other assets in the condensed consolidated balance sheets. The amortization of deferred debt issuance costs is included in interest expense and amounted to approximately $280 during the three months ended December 31, 2024 and $414 during the three months ended December 31, 2023.

9. STOCKHOLDERS' EQUITY

Share Repurchase Program

On August 8, 2024, the Company entered into a share repurchase program for the Company's Class A common stock, under which the Company is authorized to repurchase up to $50,000 of outstanding shares of our Class A common stock (exclusive of fees, commissions or other expenses related to such repurchases) (the "Share Repurchase Program"). The Share Repurchase Program will terminate on the earlier of August 8, 2025, or when the maximum dollar amount under the Share Repurchase Program has been expended. Pursuant to the Share Repurchase Program, the Company is authorized to make repurchases of our Class A Common Stock in the open market, through privately negotiated transactions, or otherwise, including under Rule 10b5-1 plans.

During the three months ended December 31, 2024 the Company repurchased 496,785 shares of Class A Common Stock under the Share Repurchase Program at an average price of $22.49 per share for a total cost of $11,190. The repurchased shares were cancelled and retired, resulting in a permanent reduction in both the number of shares outstanding and the Company's total stockholders' equity.

When the Company repurchases shares of Common Stock, the amount paid to repurchase the shares in excess of the par or stated value is allocated to additional paid-in-capital unless subject to limitation or the balance in additional paid-in-capital is exhausted. Remaining amounts are recognized as a reduction in retained earnings.

As of December 31, 2024 the remaining total available authorization was under the Share Repurchase Program was $38,825.

10. INCOME TAXES

i3 Verticals, Inc. is taxed as a corporation and pays corporate federal, state and local taxes on income allocated to it from i3 Verticals, LLC based on i3 Verticals, Inc.’s economic interest in i3 Verticals, LLC. i3 Verticals, LLC's members, including the Company, are liable for federal, state and local income taxes based on their share of i3 Verticals, LLC's pass-through taxable income. i3 Verticals, LLC is not a taxable entity for federal income tax purposes but is subject to and reports entity level tax in both Tennessee and Texas. In addition, certain subsidiaries of i3 Verticals, LLC are corporations that are subject to state and federal income taxes.

The Company’s tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. When the estimate of the annual effective tax rate is unreliable, the Company records its income tax expense or benefit based up on a period to date effective tax rate. Each quarter, the Company updates its estimate of the annual effective tax rate, and if the Company’s estimated tax rate changes, it makes a cumulative adjustment in that period. The Company’s provision for income taxes for continuing operations was a provision of $523 for the three months ended December 31, 2024 and a benefit of $1,094 during the three months ended December 31, 2023.

Tax Receivable Agreement

On June 25, 2018, the Company entered into a Tax Receivable Agreement with i3 Verticals, LLC and each of the Continuing Equity Owners (the “Tax Receivable Agreement”) that provides for the payment by the Company to the Continuing Equity Owners of 85% of the amount of certain tax benefits, if any, that it actually realizes, or in some circumstances, is deemed to realize in its tax reporting, as a result of (i) future redemptions funded by the Company or exchanges, or deemed exchanges in certain circumstances, of Common Units of i3 Verticals, LLC for Class A common stock of i3 Verticals, Inc. or cash, and (ii) certain additional tax benefits attributable to payments made under the Tax Receivable Agreement. These tax benefit payments are not conditioned upon one or more of the Continuing Equity Owners maintaining a continued ownership interest in i3 Verticals, LLC. If a Continuing Equity Owner transfers Common Units but does not assign to the transferee of such units its rights under the Tax Receivable Agreement, such Continuing Equity Owner generally will continue to be entitled to receive payments under the Tax Receivable Agreement arising in respect of a subsequent exchange of such Common Units. In general, the Continuing Equity Owners' rights under the Tax Receivable Agreement may not be assigned, sold, pledged or otherwise alienated to any person, other than certain permitted transferees, without (a) the Company's prior written consent, which should not be unreasonably withheld, conditioned or delayed, and (b) such persons becoming a party to the Tax Receivable Agreement and agreeing to succeed to the applicable Continuing Equity Owner's interest therein. The Company expects to benefit from the remaining 15% of the tax benefits, if any, that the Company may realize.

During the three months ended December 31, 2024, the Company acquired an aggregate of 17,577 Common Units in i3 Verticals, LLC in connection with the redemption of Common Units from the Continuing Equity Owners. which resulted in an increase in the tax basis of our investment in i3 Verticals, LLC subject to the provisions of the Tax Receivable Agreement. As a result of the exchange, during the three months ended December 31, 2024, the Company recognized an increase to its net deferred tax assets in the amount of $96, and corresponding Tax Receivable Agreement liabilities of $82, representing 85% of the tax benefits due to Continuing Equity Owners.

The deferred tax asset and corresponding Tax Receivable Agreement liability balances were $34,560 and $39,223, respectively, as of December 31, 2024.

Payments to the Continuing Equity Owners related to exchanges through December 31, 2024 will range from $0 to $9,897 per year and are expected to be paid over the next 22 years. The amounts recorded as of December 31, 2024, approximate the current estimate of expected tax savings and are subject to change after the filing of the Company's U.S. federal and state income tax returns. Future payments under the Tax Receivable Agreement with respect to subsequent exchanges would be in addition to these amounts.

11. LEASES

The Company's leases consist primarily of real estate leases throughout the markets in which the Company operates. At contract inception, the Company determines whether an arrangement is or contains a lease, and for each identified lease, evaluates the classification as operating or financing. The Company had no finance leases as of December 31, 2024. Leased assets and obligations are recognized at the lease commencement date based on the present value of fixed lease payments to be made over the term of the lease. Renewal and termination options are factored into determination of the lease term only if the option is reasonably certain to be exercised. The weighted-average remaining lease term at December 31, 2024 and 2023 were both 2 years. The Company had no significant short-term leases during the three months ended December 31, 2024 and 2023.

The Company's leases do not provide a readily determinable implicit interest rate and the Company uses its incremental borrowing rate to measure the lease liability and corresponding right-of-use asset. The incremental borrowing rates were determined based on a portfolio approach considering the Company's current secured borrowing rate adjusted for market conditions and the length of the lease term. The weighted-average discount rate used in the measurement of our lease liabilities was 7.9% and 7.6% as of December 31, 2024 and 2023, respectively.

Operating lease cost is recognized on a straight-line basis over the lease term. Operating lease costs from continuing operations were $972 for the three months ended December 31, 2024 and $1,036 for the three months ended December 31, 2023, which are included in selling, general and administrative expenses in the condensed consolidated statements of operations.

Total operating lease costs from continuing operations include variable lease costs of approximately $26 for the three months ended December 31, 2024, and $10 for the three months ended December 31, 2023, which are primarily comprised of costs of maintenance and utilities and changes in rates, and are determined based on the actual costs incurred during the period. Variable payments are expensed in the period incurred and not included in the measurement of lease assets and liabilities.

(in thousands, except unit, share and per share amounts)

Short-term rent expense from continuing operations was $24 for the three months ended December 31, 2024, and $6 for the three months ended December 31, 2023, and are included in selling, general and administrative expenses in the condensed consolidated statements of operations.

As of December 31, 2024, maturities of lease liabilities for continuing operations are as follows:

Fiscal Years ending September 30:		
2025 (nine months remaining)	$	2,997
2026		3,366
2027		1,457
2028		680
2029		664
Thereafter		620
Total future minimum lease payments (undiscounted)[1]		9,784
Less: present value discount		(1,016)
Present value of lease liability	$	8,768

1. Total future minimum lease payments excludes payments of $59 for leases designated as short-term leases, which are excluded from the Company's right-of-use assets. These payments will be made within the next twelve months.

12. FAIR VALUE MEASUREMENTS

The Company applies the provisions of ASC 820, *Fair Value Measurement*, which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or the price paid to transfer a liability as of the measurement date. A three-tier, fair-value reporting hierarchy exists for disclosure of fair value measurements based on the observability of the inputs to the valuation of financial assets and liabilities. The three levels are:

Level 1 — Quoted prices for identical instruments in active markets.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable in active exchange markets.

The carrying value of the Company’s financial instruments, including cash and cash equivalents, restricted cash, settlement assets and obligations, accounts receivable, other assets, accounts payable, and accrued expenses, approximated their fair values as of December 31, 2024 and 2023, because of the relatively short maturity dates on these instruments. The carrying amount of debt approximates fair value as of December 31, 2024 and 2023, because interest rates on these instruments approximate market interest rates.

(in thousands, except unit, share and per share amounts)

The Company has no Level 1 or Level 2 financial instruments measured at fair value on a recurring basis. The following tables present the changes in the Company's Level 3 financial instruments that are measured at fair value on a recurring basis.

	Accrued Contingent Consideration
Balance at September 30, 2024	$ 2,352
Contingent consideration accrued at time of business combination	—
Change in fair value of contingent consideration included in Operating expenses	1,377
Contingent consideration paid	(60)
Balance at December 31, 2024	$ 3,669

	Accrued Contingent Consideration
Balance at September 30, 2023	$ 8,239
Contingent consideration accrued at time of business combination	170
Change in fair value of contingent consideration included in Operating expenses	(237)
Contingent consideration paid	(1,918)
Balance at December 31, 2023	$ 6,254

The fair value of contingent consideration obligations includes inputs not observable in the market and thus represents a Level 3 measurement. The amount to be paid under these obligations is contingent upon the achievement of certain growth metrics related to the financial performance of the entities subsequent to acquisition. The fair value of material contingent consideration included in an acquisition is calculated using a Monte Carlo simulation as well as a discounted cash flows analysis. The contingent consideration is revalued each period until it is settled. Management reviews the historical and projected performance of each acquisition with contingent consideration and uses an income probability method to revalue the contingent consideration. The revaluation requires management to make certain assumptions and represent management's best estimate at the valuation date. The probabilities are determined based on a management review of the expected likelihood of triggering events that would cause a change in the contingent consideration paid. The Company develops the projected future financial results based on an analysis of historical results, market conditions, and the expected impact of anticipated changes in the Company's overall business and/or product strategies.

Approximately $339 and $716 of contingent consideration was recorded in accrued expenses and other current liabilities as of December 31, 2024 and September 30, 2024, respectively. Approximately $3,330 and $1,636 of contingent consideration was recorded in other long-term liabilities as of December 31, 2024 and September 30, 2024, respectively.

Disclosure of Fair Values

The Company's financial instruments that are not remeasured at fair value include the Exchangeable Notes (see Note 8). The Company estimates the fair value of the Exchangeable Notes through consideration of quoted market prices of similar instruments, classified as Level 2 as described above. The estimated fair value of the Exchangeable Notes was $26,053 as of December 31, 2024.

(in thousands, except unit, share and per share amounts)

13. EQUITY-BASED COMPENSATION

A summary of equity-based compensation expense for continuing operations recognized during the three months ended December 31, 2024 and 2023 is as follows:

	Three Months Ended December 31,	
	2024	2023
Stock options	$ 2,416	$ 4,236
Restricted stock units	1,398	1,122
Equity-based compensation expense	$ 3,814	$ 5,358

In connection with the sale of the Merchant Services Business, $1,150 of the Company's equity-based compensation expense was classified as "net income from discontinued operations" in the accompanying condensed consolidated statements of operations during three months ended December 31, 2023.

Amounts are included in other costs of services and in selling, general and administrative expense on the condensed consolidated statements of operations. Current and deferred income tax benefits for continuing operations of $611 were recognized during the three months ended December 31, 2024, and $897 during the three months ended December 31, 2023.

Stock Options

In May 2018, the Company adopted the 2018 Equity Incentive Plan (the “2018 Plan”) under which the Company may grant up to 3,500,000 stock options and other equity-based awards to employees, directors and officers. The number of shares of Class A common stock available for issuance under the 2018 Plan includes an annual increase on the first day of each calendar year equal to 4.0% of the outstanding shares of all classes of the Company's common stock as of the last day of the immediately preceding calendar year, unless the Company’s board of directors determines prior to the last trading day of December of the immediately preceding calendar year that the increase shall be less than 4.0%. As of December 31, 2024, equity awards with respect to 2,314,177 shares of the Company's Class A common stock were available for grant under the 2018 Plan.

In September 2020, the Company adopted the 2020 Acquisition Equity Incentive Plan (the “2020 Inducement Plan”) under which the Company may grant up to 1,500,000 stock options and other equity-based awards to individuals that were not previously employees of the Company or its subsidiaries in connection with acquisitions, as a material inducement to the individual's entry into employment with the Company or its subsidiaries within the meaning of Rule 5635(c)(4) of the Nasdaq Listing Rules. In May 2021, the Company amended the 2020 Inducement Plan to increase the number of shares of the Company's Class A common stock available for issuance from 1,500,000 to 3,000,000 shares. As of December 31, 2024, equity awards with respect to 1,408,363 shares of the Company's Class A common stock were available for grant under the 2020 Inducement Plan.

Share-based compensation expense includes the estimated effects of forfeitures, which will be adjusted over the requisite service period to the extent actual forfeitures differ or are expected to differ from such estimates.

(in thousands, except unit, share and per share amounts)

A summary of stock option activity for the three months ended December 31, 2024 is as follows:

	Stock Options	Weighted Average Exercise Price
Outstanding at September 30, 2024	9,120,944	$ 24.48
Granted	50,000	24.11
Exercised	(98,972)	19.32
Forfeited	(26,631)	30.76
Outstanding at December 31, 2024	9,045,341	$ 24.52
Exercisable at December 31, 2024	7,144,049	$ 25.19

The weighted-average grant date fair value of stock options granted during the three months ended December 31, 2024 was $13.07.

As of December 31, 2024, total unrecognized compensation expense related to unvested stock options, including an estimate for pre-vesting forfeitures, was $13,706, which is expected to be recognized over a weighted-average period of 2.6 years. The Company's policy is to account for forfeitures of stock-based compensation awards as they occur.

The total fair value of stock options that vested during the three months ended December 31, 2024 was $3,209.

Restricted Stock Units

The Company has issued Class A common stock in the form of restricted stock units ("RSUs") under the 2018 Plan.

A summary of activity related to restricted stock units for the three months ended December 31, 2024 is as follows:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at September 30, 2024	771,214	$ 22.71
Granted	419,717	24.11
Vested	(15,220)	21.91
Forfeited	(5,000)	21.41
Outstanding at December 31, 2024	1,170,711	$ 23.18

As of December 31, 2024, total unrecognized compensation expense related to unvested RSUs, including an estimate for pre-vesting forfeitures, was $16,862, which is expected to be recognized over a weighted average period of 3.1 years.

The total fair value of RSUs that vested during the three months ended December 31, 2024 was $408.

14. COMMITMENTS AND CONTINGENCIES

Leases

The Company utilizes office space and equipment under operating leases. Rent expense from continuing operations under these leases amounted to $996 during the three months ended December 31, 2024, and $1,042 during the three months ended December 31, 2023. Refer to Note 11 for further discussion and a table of the future minimum payments under these leases.

Litigation

With respect to all legal, regulatory and governmental proceedings, and in accordance with ASC 450-20, *Contingencies—Loss Contingencies*, the Company considers the likelihood of a negative outcome. If the Company determines the likelihood of a negative outcome with respect to any such matter is probable and the amount of the loss can be reasonably estimated, the Company records an accrual for the estimated amount of loss for the expected outcome of the matter. If the likelihood of a negative outcome with respect to material matters is reasonably possible and the Company is able to determine an estimate of the amount of possible loss or a range of loss, whether in excess of a related accrued liability or where there is no accrued liability, the Company discloses the estimate of the amount of possible loss or range of loss. However, the Company in some instances may be unable to estimate an amount of possible loss or range of loss based on the significant uncertainties involved in, or the preliminary nature of, any such material matter, and in these instances the Company will disclose the nature of the contingency and describe why the Company is unable to determine an estimate of possible loss or range of loss.

The Company is involved in ordinary course legal proceedings, which include all claims, lawsuits, investigations and proceedings, including unasserted claims, which are probable of being asserted, arising in the ordinary course of business. The Company has considered all such ordinary course legal proceedings in formulating its disclosures and assessments. After taking into consideration the evaluation of such legal matters by the Company's legal counsel, the Company's management believes at this time such matters will not have a material impact on the Company's consolidated balance sheet, results of operations or cash flows.

S&S Litigation

On June 2, 2021, the State of Louisiana, Division of Administration (the “State”) and a putative class of Louisiana sheriffs and law enforcement districts (collectively "Plaintiffs") filed a Petition (as amended on October 4, 2021, the “Petition”), in the 19th Judicial District Court for the Parish of East Baton Rouge against i3-Software & Services, LLC (“S&S”), a subsidiary of the Company located in Shreveport, Louisiana, the Company, i3 Verticals, LLC, the current leader of the S&S business, the former leader of the S&S business, and 1120 South Pointe Properties, LLC (“South Pointe”), the former owner of the assets of the S&S business (collectively "Defendants"). See *State of Louisiana, by and through its Division of Administration, East Baton Rouge Parish Law Enforcement District, by and through the duly elected East Baton Rouge Parish Sheriff, Sid J. Gautreaux, III, et. al., individually and as class representatives vs. i3-Software & Services, LLC; 1120 South Pointe Properties, LLC, formerly known as Software and Services of Louisiana, L.L.C.; i3 Verticals, Inc.; i3 Verticals, LLC; Gregory R. Teeters; and Scott Carrington*.

The Petition was amended on October 4, 2021 to amend and expand the putative class and subsequently removed to the United States District Court for the Middle District of Louisiana. The Petition seeks monetary damages for the cost of network remediation of $15,000 purportedly spent by the State and $7,000 purportedly spent by the Plaintiffs, return of purchase prices, potential additional expenses related to remediation and any obligation to notify parties of an alleged data breach as and if required by applicable law, and reasonable attorneys’ fees. The claimed damages relate to a third-party remote access software product used in connection with services provided by S&S to certain Louisiana law enforcement districts and alleged inadequacies in the Company’s cybersecurity practices. Plaintiffs moved to remand the action to state court on November 5, 2021, and the motion was referred to a magistrate to make a report and recommendation to the district court judge. On July 5, 2022, the magistrate recommended that the matter be remanded to state court. On July 19, 2022, the Company and all other defendants filed objections to the recommendation. On August 3, 2022, the Plaintiffs filed a response to those objections. On August 16, 2022, the district court granted the Plaintiffs’ motion to remand, and all Defendants appealed. Oral argument on this motion in front of the United States Fifth Circuit Court of Appeals took place on April 4, 2023, and on September 1, 2023, the Fifth Circuit panel affirmed the District Court order to remand the case back to state court. On September 29, 2023, all Defendants-Appellants filed a Petition for

Rehearing En Banc, which the Plaintiffs-Appellees opposed on October 12, 2023. As a result of Defendants' petition, the Fifth Circuit held its mandate, effectively staying the effective date of its decision, but the Fifth Circuit ultimately denied the petition for rehearing on February 22, 2024, sending the case back to the 19th Judicial District Court for the Parish of East Baton Rouge, where the case remains pending.

All Defendants have filed pleading-stage motions to dismiss, some of which were granted. The Court allowed plaintiffs to re-plead certain claims and has severed the claims brought by the Division of Administration from the claims brought by the parish Sheriffs and Districts. The Division of Administration chose not to re-plead their claims, which leaves some of their claims now dismissed with prejudice. The Sheriffs re-plead their claims, and certain Defendants have filed renewed pleading-stage motions to dismiss, which remain pending.

The assets of the S&S business were acquired from South Pointe by the Company in 2018 for $17,000, including upfront cash consideration and contingent consideration, and provides software and payments services within the Company's Public Sector vertical to local government agencies almost exclusively in Louisiana.

The Company is unable to predict the outcome of this litigation. While we do not believe that this matter will have a material adverse effect on our business or financial condition, we cannot give assurance that this matter will not have a material effect on our results of operations or cash flows for the period in which it is resolved.

15. RELATED PARTY TRANSACTIONS

In connection with the Company's IPO, the Company and i3 Verticals, LLC entered into a Tax Receivable Agreement with the Continuing Equity Owners that provides for the payment by the Company to the Continuing Equity Owners of 85% of the amount of certain tax benefits, if any, that it actually realizes, or in some circumstances, is deemed to realize in its tax reporting, as a result of (i) future redemptions funded by the Company or exchanges, or deemed exchanges in certain circumstances, of Common Units of i3 Verticals, LLC for Class A common stock of i3 Verticals, Inc. or cash, and (ii) certain additional tax benefits attributable to payments made under the Tax Receivable Agreement. See Note 10 for further information. As of December 31, 2024, the total amount due under the Tax Receivable Agreement was $39,223.

See Note 20 for information regarding certain recapitalization actions involving the Continuing Equity Owners that the Company and i3 Verticals, LLC effected subsequent to December 31, 2024 in order to reduce excess cash held at the Company as a result of its "Up-C" structure.

16. SEGMENTS

The Company determines its operating segments based on ASC 280, *Segment Reporting*, in alignment with how the chief operating decision making group monitors and manages the performance of the business as well as the level at which financial information is reviewed. The Company's operating segments are strategic business units that offer different products and services.

As noted above, on September 20, 2024, the Company completed the transactions contemplated by the Purchase Agreement dated June 26, 2024, and sold the equity interests of the Acquired Entities comprising the Merchant Services Business. The Merchant Services Business comprised the Company's entire former Merchant Services segment and a small portion of the Company's former Software and Services segment. As a result of the sale of the Merchant Services Business, the historical results of the Merchant Services Business have been reflected as discontinued operations in our consolidated financial statements, and the Company no longer presents a Merchant Services segment. See Note 2 to our condensed consolidated financial statements for additional information.

After giving effect to these developments, the Company's core business for continuing operations is delivering seamlessly software solutions integrated with our proprietary payment facilitator platform to customers in strategic vertical markets. The Company has since updated its segmentation, and the core business consists of two new operating segments and reportable segments, Public Sector and Healthcare.

The Public Sector has products and solutions that create an efficient flow of information throughout a variety of public sector entities. We serve customers at both the state and local level and our geographic reach covers most of the United States and some of Canada. Our solutions help our customers provide more responsive and efficient services to their citizens and stakeholders.

The Healthcare segment is dedicated to delivering integrated solutions across the healthcare ecosystem, catering to providers and payers, with a strong emphasis on enhancing process efficiency and ensuring compliance.

The Other category includes corporate overhead expenses, technology resources shared across segments and inter-segment eliminations.

The Company has since updated its intercompany transactions and allocations to adhere to the updated segment structure, which includes Public Sector intercompany, Healthcare intercompany, and intercompany locations within its business. As described above, these transactions include, but are not limited to, resources shared across segments and also exist to eliminate revenue and cost between components that should not be included on a consolidated basis. Although our intercompany structure and allocations have changed due to our updated segments, this reporting is consistent with our accounting policies from prior periods.

(in thousands, except unit, share and per share amounts)

The Company primarily uses adjusted EBITDA margin to measure operating performance and for purposes of making decisions about allocating resources to the Company's business segments. The following is a summary of reportable segment operating performance for continuing operations for the three months ended December 31, 2024 and 2023.

	As of and for the Three Months Ended December 31,	
	2024	2023
Public Sector adjusted EBITDA margin[(1)]	39 %	40 %
Healthcare adjusted EBITDA margin[(1)]	28 %	24 %
Public Sector revenue	$ 48,785	$ 43,498
Healthcare revenue	13,171	11,580
Other revenue	(265)	(24)
Total revenue	$ 61,691	$ 55,054
Public sector adjusted EBITDA	19,243	17,359
Healthcare adjusted EBITDA	3,748	2,794
Corporate, eliminations and other	(6,619)	(6,165)
Stock compensation expense	(3,814)	(5,358)
M&A-related expenses	(546)	(244)
Other taxes and one-time expenses	(252)	(84)
Depreciation and amortization	(7,684)	(7,054)
Change in fair value of contingent consideration	(1,377)	237
Income from operations	2,699	1,485
Other income		
Interest expense	680	6,687
Other income	(1,826)	107
Total other income	(1,146)	6,794
Income before income taxes	$ 3,845	$ (5,309)
Public Sector total assets	$ 482,659	$ 475,548
Healthcare total assets	94,904	94,903
Other total assets	148,666	67,683
Total assets	$ 726,229	$ 638,134
Public Sector goodwill	$ 233,850	$ 222,364
Healthcare goodwill	46,828	46,828
Total goodwill	$ 280,678	$ 269,192

n/m = not meaningful

1. Adjusted EBITDA Margin represents adjusted EBITDA as a percentage of revenue. The chief operating decision maker primarily uses adjusted EBITDA margin to measure operating performance and for purposes of making decisions about allocating resources to the Company's business segments.

(in thousands, except unit, share and per share amounts)

The Company has not disclosed expenditures on long-lived assets at a segment level as such expenditures are not reviewed by or provided to the chief operating decision maker at a segment level.

17. NON-CONTROLLING INTEREST

i3 Verticals, Inc. is the sole managing member of i3 Verticals, LLC, and as a result, consolidates the financial results of i3 Verticals, LLC and reports a non-controlling interest representing the Common Units of i3 Verticals, LLC held by the Continuing Equity Owners. Changes in i3 Verticals, Inc.'s ownership interest in i3 Verticals, LLC while i3 Verticals, Inc. retains its controlling interest in i3 Verticals, LLC will be accounted for as equity transactions. As such, future redemptions or direct exchanges of Common Units of i3 Verticals, LLC by the Continuing Equity Owners will result in a change in ownership and reduce or increase the amount recorded as non-controlling interest and increase or decrease additional paid-in capital when i3 Verticals, LLC has positive or negative net assets, respectively.

As of December 31, 2024 and 2023, respectively, i3 Verticals, Inc. owned 23,437,250 and 23,279,170 of i3 Verticals, LLC's Common Units, representing a 70.1% and 69.8% economic ownership interest in i3 Verticals, LLC.

The following table summarizes the impact on equity due to changes in the Company's ownership interest in i3 Verticals, LLC:

	Three Months Ended December 31,	
	2024	2023
Net income attributable to non-controlling interest	$ 1,052	$ 438
Transfers (from) to non-controlling interests:		
Redemption of common units in i3 Verticals, LLC	(237)	—
Allocation of equity (from) to non-controlling interests	(293)	2,450
Net transfers (from) to non-controlling interests	(530)	2,450
Change from net income attributable to non-controlling interests and net transfers to non-controlling interests	$ 522	$ 2,888

See Note 20 for information regarding certain recapitalization actions the Company and i3 Verticals, LLC effected subsequent to December 31, 2024 in order to reduce excess cash held at the Company as a result of its "Up-C" structure, which adjusted the Company's and the Continuing Equity Holders' respective ownership interests in i3 Verticals, LLC.

18. EARNINGS PER SHARE

Basic earnings per share of Class A common stock is computed by dividing net income available to i3 Verticals, Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted earnings per share of Class A common stock is computed by dividing net income available to i3 Verticals, Inc. by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities.

(in thousands, except unit, share and per share amounts)

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock from continuing operations for the three months ended December 31, 2024 and 2023:

	Three Months Ended December 31,	
	2024	2023
Basic net income (loss) per share:		
Numerator		
Net income (loss)	$ 3,322	$ (4,215)
Less: Net income (loss) attributable to non-controlling interest	1,128	(1,330)
Net income (loss) attributable to Class A common stockholders	$ 2,194	$ (2,885)
Denominator		
Weighted average shares of Class A common stock outstanding	23,551,352	23,267,290
Basic net income (loss) per share[1]	$ 0.09	$ (0.12)
Diluted net income per share:		
Numerator		
Net income attributable to Class A common stockholders	$ 2,194	
Reallocation of net income assuming conversion of common units[2]	858	
Net income attributable to Class A common stockholders - diluted	$ 3,052	
Denominator		
Weighted average shares of Class A common stock outstanding	23,551,352	
Weighted average effect of dilutive securities[3]	10,505,844	
Weighted average shares of Class A common stock outstanding - diluted	34,057,196	
Diluted net income per share	$ 0.09	

1. For the three months ended December 31, 2023, all potentially dilutive securities were anti-dilutive, so diluted net loss per share was equivalent to basic net loss per share. The following securities were excluded from the weighted average effect of dilutive securities in the computation of diluted net loss per share of Class A common stock for continuing operations:
   a. 10,093,394 weighted average shares of Class B common stock for the three months ended December 31, 2023, along with the reallocation of net income assuming conversion of these shares, were excluded because the effect would have been anti-dilutive.
   b. 7,496,394 stock options for the three months ended December 31, 2023, were excluded because the exercise price of these stock options exceeded the average market price of our Class A common stock during the period (“out-of-the-money”) and the effect of including them would have been anti-dilutive, and
   c. 467,777 shares for the three months ended December 31, 2023, 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.
2. The reallocation of net income assuming conversion of common units represents the tax effected net income attributable to non-controlling interest using the effective income tax rates described in Note 10 above and assuming all common units of i3 Verticals, LLC were exchanged for Class A common stock at the beginning of the period. The common units of i3 Verticals, LLC held by the Continuing Equity Owners are potentially dilutive securities, and the computations of pro forma diluted net income per share assume that all common units of i3 Verticals, LLC were exchanged for shares of Class A common stock at the beginning of the period.
3. For the three months ended December 31, 2024, the following securities were excluded from the weighted average effect of dilutive securities in the computation of diluted net income per share of Class A common stock for continuing operations:
   a. 6,236,721 stock options for the three months ended December 31, 2024, were excluded because the exercise price of these stock options exceeded the average market price of our Class A common stock during the period (“out-of-the-money”) and the effect of including them would have been anti-dilutive.

(in thousands, except unit, share and per share amounts)

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock from discontinued operations for the three months ended December 31, 2023:

	Three Months Ended December 31,	
	2024	2023
Basic net (loss) income per share:		
Numerator		
Net (loss) income	$ (214)	$ 5,751
Less: Net (loss) income attributable to non-controlling interest	(76)	1,768
Net (loss) income attributable to Class A common stockholders	$ (138)	$ 3,983
Denominator		
Weighted average shares of Class A common stock outstanding	23,551,352	23,267,290
Basic net (loss) income per share[(1)]	$ (0.01)	$ 0.17
Diluted net income per share:		
Numerator		
Net income attributable to Class A common stockholders		$ 3,983
Reallocation of net income assuming conversion of common units[(2)]		1,336
Net income attributable to Class A common stockholders - diluted		$ 5,319
Denominator		
Weighted average shares of Class A common stock outstanding		23,267,290
Weighted average effect of dilutive securities[(3)]		10,561,171
Weighted average shares of Class A common stock outstanding - diluted		33,828,461
Diluted net income per share		$ 0.16

1. For the three months ended December 31, 2024, all potentially dilutive securities were anti-dilutive, so diluted net loss per share was equivalent to basic net loss per share. The following securities were excluded from the weighted average effect of dilutive securities in the computation of diluted net loss per share of Class A common stock for discontinued operations:
   a. 10,026,180 weighted average shares of Class B common stock for the three months ended December 31, 2024, along with the reallocation of net income assuming conversion of these shares, were excluded because the effect would have been anti-dilutive.
   b. 6,236,721 stock options for the three months ended December 31, 2024 were excluded because the exercise price of these stock options exceeded the average market price of our Class A common stock during the period ("out-of-the-money") and the effect of including them would have been anti-dilutive.
   c. 479,664 shares for the three months ended December 31, 2024, 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.

(in thousands, except unit, share and per share amounts)

2. The reallocation of net income assuming conversion of common units represents the tax effected net income attributable to non-controlling interest using the effective income tax rates described in Note 10 above and assuming all common units of i3 Verticals, LLC were exchanged for Class A common stock at the beginning of the period. The common units of i3 Verticals, LLC held by the Continuing Equity Owners are potentially dilutive securities, and the computations of pro forma diluted net income per share assume that all common units of i3 Verticals, LLC were exchanged for shares of Class A common stock at the beginning of the period.
3. For the three months ended December 31, 2023, the following securities were excluded from the weighted average effect of dilutive securities in the computation of diluted net income per share of Class A common stock for discontinued operations:
   a. 7,496,394 stock options for the three months ended December 31, 2023 were excluded because the exercise price of these stock options exceeded the average market price of our Class A common stock during the period ("out-of-the-money") and the effect of including them would have been anti-dilutive.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock from the consolidated operations for three months ended December 31, 2023:

	Three Months Ended December 31, 2024	2023
Basic net income per share:		
Numerator		
Net income	$ 3,108	$ 1,536
Less: Net income attributable to non-controlling interest	1,052	438
Net income attributable to Class A common stockholders	$ 2,056	$ 1,098
Denominator		
Weighted average shares of Class A common stock outstanding	23,551,352	23,267,290
Basic net income per share	$ 0.09	$ 0.05
Diluted net income per share:		
Numerator		
Net income attributable to Class A common stockholders	$ 2,056	$ 1,098
Reallocation of net income assuming conversion of common units[(1)]	800	331
Net income attributable to Class A common stockholders - diluted	$ 2,856	$ 1,429
Denominator		
Weighted average shares of Class A common stock outstanding	23,551,352	23,267,290
Weighted average effect of dilutive securities[(2)]	10,505,844	10,561,171
Weighted average shares of Class A common stock outstanding - diluted	34,057,196	33,828,461
Diluted net income per share	$ 0.08	$ 0.04

1. The reallocation of net income assuming conversion of common units represents the tax effected net income attributable to non-controlling interest using the effective income tax rates described in Note 10 above and assuming all common units of i3 Verticals, LLC were exchanged for Class A common stock at the beginning of the period. The common units of i3 Verticals, LLC held by the Continuing Equity Owners are potentially dilutive securities, and the computations of pro forma diluted net income per share assume that all common units of i3 Verticals, LLC were exchanged for shares of Class A common stock at the beginning of the period.
2. For the three months ended December 31, 2024 and 2023, the following securities were excluded from the weighted average effect of dilutive securities in the computation of diluted net income per share of Class A common stock from consolidated operations:
   a. 6,236,721 and 7,496,394 stock options for the three months ended December 31, 2024 and 2023, respectively, were excluded because the exercise price of these stock options exceeded the average market price of our Class A common stock during the period ("out-of-the-money") and the effect of including them would have been anti-dilutive.

(in thousands, except unit, share and per share amounts)

In September 2022 the Company made the irrevocable election to settle the principal portion of its Exchangeable Notes only in cash, the Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on diluted net loss per share, if applicable. The conversion spread will have a dilutive impact on diluted net loss per share of common stock when the average market price of the Company's Class A common stock for a given period exceeds the exchange price of $40.87 per share for the Exchangeable Notes.

The Warrants sold in connection with the issuance of the Exchangeable Notes are considered to be dilutive when the average price of the Company's Class A common stock during the period exceeds the Warrants' stock price of $62.88 per share. The effect of the additional shares that may be issued upon exercise of the Warrants will be included in the weighted average shares of Class A common stock outstanding—diluted using the treasury stock method. The Note Hedge Transactions purchased in connection with the issuance of the Exchangeable Notes are considered to be anti-dilutive and therefore do not impact our calculation of diluted net income per share. Refer to Note 8 for further discussion regarding the Exchangeable Notes.

Shares of the Company's Class B common stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented.

19. SIGNIFICANT NON-CASH TRANSACTIONS

The Company engaged in the following significant non-cash investing and financing activities related to continuing operations during the three months ended December 31, 2024 and 2023:

	Three months ended December 31,	
	2024	2023
Acquisition date fair value of contingent consideration in connection with business combinations	$ —	$ 170
Right-of-use assets obtained in exchange for operating lease obligations	$ 288	$ 18

20. SUBSEQUENT EVENTS

On January 23, 2025, the Company and i3 Verticals, LLC effected certain recapitalization actions in order to reduce excess cash held at the Company as a result of its “Up-C” structure following a tax distribution received by the Company and the Continuing Equity Owners earlier in January 2025 (the “LLC Tax Distribution”) related to the taxable income associated with the gain on the sale of the Merchant Services Business completed in September 2024 that is anticipated to be recognized for 2024 federal income tax purposes by members of the Company. As a result of differences in the amount of net taxable income allocable to the Company and to the Continuing Equity Owners and the higher assumed tax rate of the Continuing Equity Owners than the tax rate of the Company, this LLC Tax Distribution resulted in the Company holding cash in excess of the Company’s tax liabilities, its obligation to make payments under its tax receivables agreement, and any other expected liabilities of the Company.

Accordingly, in order to make such cash held by the Company accessible in connection with our operations, on January 23, 2025, the Company contributed approximately $21,396 in cash (the “Capital Contribution”) held by the Company to i3 LLC in exchange for 896,763 newly-issued common units of i3 Verticals, LLC (“Common Units”) at a price per Common Unit of $23.86, such price being equal to the to the 50-day volume-weighted average price of the Company’s Class A common stock for the period ended January 22, 2025. Immediately following the Capital Contribution, the Common Units were recapitalized through a reverse unit split of the Common Units at a ratio of approximately 0.9631 to 1 (the “Reverse Unit Split”) which caused the number of Common Units held by the Company immediately following the Reverse Unit Split to equal to the number of

Common Units held by the Company immediately prior to the Contribution, thereby maintaining a one-to-one ratio between the number of Common Units owned by the Company and the number of outstanding shares of Class A Common Stock. Upon the effectiveness of the Reverse Unit Split, 369,256 outstanding shares of Class B common stock of the Company were retired without consideration, thereby maintaining a one-to-one ratio between the number of Common Units owned by the Continuing Equity Owners after giving to the Reverse Unit Split and the number of outstanding shares of Class B Common Stock.

After giving effect to these recapitalization actions, as of January 23, 2025, the Company holds approximately 70.83% of the outstanding Common Units (an increase of approximately 0.78% compared to the Company’s ownership of approximately 70.05% of the outstanding Common Units immediately prior to giving effect to these recapitalization actions) and the Continuing Equity Owners hold approximately 29.17% of the outstanding Common Units (a decrease of approximately 0.78% compared to the Continuing Equity Owners’ ownership of approximately 29.95% of the outstanding Common Units immediately prior to giving effect to these recapitalization actions).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in our Annual Report on Form 10-K for the year ended September 30, 2024 ("Form 10-K"), filed with the SEC on November 25, 2024. The terms "i3 Verticals," "we," "us" and "our" and similar references refer (1) before the completion of our IPO or the reorganization transactions entered into in connection therewith (the "Reorganization Transactions"), which are described in the notes to the condensed consolidated financial statements, to i3 Verticals, LLC and, where appropriate, its subsidiaries, and (2) after the Reorganization Transactions to i3 Verticals, Inc. and, where appropriate, its subsidiaries.

Note Regarding Forward-looking Statements

This Quarterly Report on Form 10-Q includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements" within the meaning of the federal securities laws. All statements other than statements of historical facts contained in this report may be forward-looking statements. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "pro forma," "continues," "anticipates," "expects," "seeks," "projects," "intends," "plans," "may," "will," "would" or "should" or, in each case, their negative or other variations or comparable terminology.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These factors include, but are not limited to, the following:

- *our ability to protect our systems and data from continually evolving cybersecurity risks or other technological risks, including the impact of any cybersecurity incidents or security breaches;*
- *liability and reputation damage from unauthorized disclosure, destruction or modification of data or disruption of our services;*
- *technical, operational and regulatory risks related to our information technology systems and third-party providers' systems;*
- *our ability to execute on our strategy and achieve our goals following the completion of the sale of our Merchant Services Business;*
- *our ability to successfully manage our intellectual property;*
- *the triggering of impairment testing of our fair-valued assets, including goodwill and intangible assets, in the event of a decline in the price of our Class A common stock or otherwise;*
- *our ability to generate revenues sufficient to maintain profitability and positive cash flow;*
- *competition in our industry and our ability to compete effectively;*
- *consolidation in the banking and financial services industry;*
- *risk of shortages, price increases, changes, delays or discontinuations of hardware due to supply chain disruptions with respect to our limited number of suppliers;*
- *impact of inflation and fluctuations in interest rates (including current elevated interest rate levels) and the potential effect of such fluctuations on revenues, expenses and resulting margins;*
- *our ability to keep pace with rapid developments and changes in our industry and provide new products and services;*
- *reliance on third parties for significant services;*
- *exposure to economic conditions and political risks affecting consumer, commercial and government spending, including any decline in the use of credit cards;*
- *changes in the budgets or regulatory environments of our Public Sector customers, primarily local and state governments, that could negatively impact spending;*
- *our ability to increase our existing vertical markets, grow within the current vertical markets in which we operate and execute our growth strategy;*
- *our ability to successfully identify acquisition targets, complete those acquisitions and effectively integrate those acquisitions into our services;*

- *potential degradation of the quality of our products, services and support;*
- *our ability to retain customers;*
- *our ability to attract, recruit, retain and develop key personnel and qualified employees;*
- *risks related to laws, regulations, and industry standards;*
- *risk of chargeback liabilities if our customers refuse or cannot reimburse chargebacks resolved in favor of their customers;*
- *risks related to laws, regulations and industry standards, including our ability to comply with complex laws and regulations applicable to the healthcare industry or to adjust our operations in response to changing laws and regulations;*
- *the impact of recent decisions of the U.S. Supreme Court regarding the actions of federal agencies;*
- *the impact of government investigations, claims, and litigation;*
- *the effects of health reform initiatives;*
- *risks related to our international operations;*
- *our indebtedness and our ability to maintain compliance with the financial covenants in our 2023 Senior Secured Credit Facility (as defined below);*
- *our ability to meet our liquidity needs;*
- *our ability to raise additional funds on terms acceptable to us, if at all, whether through debt, equity or a combination thereof;*
- *operating and financial restrictions imposed by our 2023 Senior Secured Credit Facility;*
- *risks related to the accounting method for i3 Verticals, LLC's 1.0% Exchangeable Notes due February 15, 2025 (the "Exchangeable Notes");*
- *our ability to raise the funds necessary to settle exchanges of the Exchangeable Notes or to repurchase the Exchangeable Notes upon a fundamental change; and*
- *the "Risk Factors" included in our Form 10-K and included in Part II, Item 1A of this Quarterly Report on Form 10-Q, if any.*

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this Quarterly Report on Form 10-Q. The matters summarized in “Risk Factors” in our Form 10-K, and in subsequent filings could cause our actual results to differ significantly from those contained in our forward-looking statements. In addition, even if our results of operations, financial condition and liquidity, and industry developments are consistent with the forward-looking statements contained in this filing, those results or developments may not be indicative of results or developments in subsequent periods.

In light of these risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this filing speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statement or to publicly announce the results of any revision to any of those statements to reflect future events or developments, except as required by applicable law. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

Executive Overview

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 and Healthcare.

Economic Trends

Inflationary pressures, elevated interest rate levels, monetary policy, and the current geopolitical situation (including the military conflicts in the Middle East and Ukraine), are causing broad economic uncertainty and could potentially cause new, or exacerbate existing, economic challenges that may impact us. These conditions could worsen as a result of adverse economic developments impacting the U.S. and/or global economies, including as a result of monetary policy designed to curb inflation. As the future magnitude, duration and effects of these conditions are difficult to predict at this time, we are unable to predict the extent of the potential effect on our financial results.

Liquidity

At December 31, 2024, we had $85.6 million of cash and cash equivalents and $450.0 million of available capacity under our 2023 Senior Secured Credit Facility subject to our financial covenants. As of December 31, 2024, we were in compliance with these covenants with a consolidated interest coverage ratio and total leverage ratio 3.7x, and 0.1x, respectively. For additional information about our Exchangeable Notes and 2023 Senior Secured Credit Facility, see the section entitled “Liquidity and Capital Resources” below.

Sale of Merchant Services Business

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

Acquisitions

A core component of our growth strategy includes a disciplined approach to acquisitions of companies and technology, evidenced by numerous platform acquisitions and tuck-in acquisitions since our inception in 2012. Our acquisitions have increased the number of businesses and organizations to whom we provide solutions and augmented our existing proprietary payment facilitator platform and software solutions and capabilities.

Acquisitions during the three months ended December 31, 2024

During the three months ended December 31, 2024, we did not complete any acquisitions.

Acquisitions during the three months ended December 31, 2023

During the three months ended December 31, 2023, we completed the acquisition of one business to expand our software offerings. Total purchase consideration was $1.3 million, including $1.1 million in cash funded by the proceeds from our revolving credit facility and $0.2 million in contingent consideration.

Our Revenue and Expenses

Revenues

We generate revenue from software and related services revenue, including the sale of subscriptions, recurring services, ongoing support, licenses, and installation and implementation services specific to software. We also generate revenue from volume-based payment processing fees (“discount fees”) that we provide to our customers directly through our software. Volume-based fees represent a percentage of the dollar amount of each credit or debit transaction processed. Revenues are also derived from a variety of fixed transaction or service fees, including authorization fees, convenience fees, statement fees, annual fees and fees for other miscellaneous services, such as handling chargebacks.

Interchange and network fees. Interchange and network fees consist primarily of pass-through fees that make up a portion of discount fee revenue. These include assessment fees payable to card associations, which are a percentage of the processing volume we generate from Visa and Mastercard. These fees are presented net of revenue.

Expenses

Other costs of services. Other costs of services include costs directly related to our software and related services. Additionally, other costs of services include costs directly attributable related to payment processing services such as processing and bank sponsorship. Losses resulting from chargebacks against a customer are included in other cost of services. Residual payments to our distribution partners and the cost of equipment sold is also included in cost of services. Amortization arising from capitalized software development is not included in other cost of services. Other costs of services are recognized at the time the related revenue is recognized. Following the disposal of our Merchant Services Business in the fourth quarter of fiscal year 2024, our core business is providing software solutions for key verticals. Given the change in our business model, we have reclassified certain expenses to better align with the primary industry in which we now operate. During the first quarter of fiscal year 2025, we revised our presentation of certain expenses in the Condensed Consolidated Statements of Operations from selling, general and administrative expenses to other costs of services. We reclassified personnel costs related to installation of our software, conversion of client data, training client personnel, customer support activities and various other services provided directly to customers from selling, general and administrative to other costs of services. We also reclassified certain hosting and related software costs for directly supporting our customers from selling, general and administrative to other costs of services. Refer to Note 3 for discussion of the change in the current and prior period presentation.

Selling, general and administrative. Selling, general and administrative expenses include certain salaries and other employment costs, professional services, internal technology expenses, rent and utilities and other operating costs. Salaries and other employment costs within selling, general and administrative include individuals associated with shared services, product development, sales and other functions. Following the disposal of our Merchant Services Business in the fourth quarter of fiscal year 2024, our core business is providing software solutions for key verticals. Given the change in our business model, we have reclassified certain expenses to better align with the primary industry in which we now operate. During the first quarter of fiscal year 2025, we revised our presentation of certain expenses in the Condensed Consolidated Statements of Operations from selling, general and administrative expenses to other costs of services. Refer to Note 3 for discussion of the change in the current and prior period presentation.

Depreciation and amortization. Depreciation expense consists of depreciation on our investments in property, equipment and computer hardware and software. Depreciation expense is recognized on a straight-line basis over the estimated useful life of the asset. Amortization expense for acquired intangible assets and internally developed software is recognized using a proportional cash flow method. Amortization expense for internally developed software is recognized over the estimated useful life of the asset. The useful lives of contract-based intangible assets are equal to the terms of the agreement.

Interest (income) expense, net. Our interest expense consists of interest on our outstanding indebtedness under our 2023 Senior Secured Credit Facility, our Prior Senior Secured Credit Facility and Exchangeable Notes, and amortization of debt issuance costs. Interest income is generated from cash and cash equivalents held at financial institutions.

How We Assess Our Business

As a result of the sale of the Merchant Services Business, the historical results of the Merchant Services segment and a small portion of the historical Software and Services segment which had been included in the Merchant Services Business have been reflected as discontinued operations in our consolidated financial statements. After giving effect to these developments, the Company has two reportable segments, Public Sector and Healthcare, and an Other category.

Public Sector

Our Public Sector segment has products and solutions that create an efficient flow of information throughout a variety of public sector entities. We serve customers at both the state and local level and our geographic reach covers most of the United States and some of Canada. Our solutions help our customers provide more responsive and efficient services to their citizens and stakeholders.

Healthcare

Our Healthcare segment is dedicated to delivering integrated solutions across the healthcare ecosystem, catering to providers and payers, with a strong emphasis on enhancing process efficiency and ensuring compliance.

Other

The Other category includes corporate overhead expenses, technology resources shared across segments and inter-segment eliminations.

For additional information on our segments, see Note 16 to our condensed consolidated financial statements.

Key Performance Indicators

We evaluate our performance through various metrics, including the following key performance indicators:

- Annualized recurring revenue ("ARR");
- Adjusted EBITDA margin

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. We focus on ARR because it helps us to assess the health and trajectory of our 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. Additionally, ARR 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. ARR from continuing operations for the three months ended December 31, 2024 and 2023 was $193.3 million and $179.6 million, respectively, representing a period-to-period growth rate of 8%.

Adjusted EBITDA margin is used by the Company to measure operating performance and for purposes of making decisions about allocating resources to our business segments. Adjusted EBITDA margin for any particular period is adjusted EBITDA as a percentage of revenue for such period. Adjusted EBITDA is calculated as earnings adjusted to exclude interest, tax, depreciation, amortization, stock-compensation expense, non-cash changes in the fair value of contingent consideration, M&A-related expenses, and certain other adjustments that management believes are not reflective of our underlying operations. Adjusted EBITDA and Adjusted EBITDA margin are presented at a segment level in our financial statement footnotes in accordance with ASC 280 – “Segment Reporting.” Adjusted EBITDA margin for our public sector segment was 39% and 40% for the three months ended December 31, 2024 and 2023, respectively. Further, Adjusted EBITDA margin for our healthcare segment was 28% and 24% for the three months ended December 31, 2024 and 2023, respectively. For additional information regarding Adjusted EBITDA and Adjusted EBITDA margin, see Note 16. Adjusted EBITDA and Adjusted EBITDA margin, when presented on a consolidated basis in our other public disclosures, are non-GAAP financial measures.

Results of Operations

As a result of the sale of the Merchant Services Business, the historical results of the Merchant Services Business have been reflected as discontinued operations in our condensed consolidated financial statements. Prior period results of operations and balance sheet information have been recast to reflect this presentation, and the discussion below relates to our continuing operations after giving effect to the reclassification for the Merchant Services Business as discontinued operations.

Three Months Ended December 31, 2024 Compared to Three Months Ended December 31, 2023

The following table presents our historical results of operations for the periods indicated:

	Three Months Ended December 31,		Change	
(in thousands)	2024	2023	Amount	%
Revenue	$ 61,691	$ 55,054	$ 6,637	12.1 %
Operating expenses				
Other costs of services (excluding depreciation and amortization)[1]	21,031	19,577	1,454	7.4 %
Selling, general and administrative[1]	28,900	27,175	1,725	6.3 %
Depreciation and amortization	7,684	7,054	630	8.9 %
Change in fair value of contingent consideration	1,377	(237)	1,614	n/m
Total operating expenses	58,992	53,569	5,423	10.1 %
Income from operations	2,699	1,485	1,214	81.8 %
Other (income) expenses				
Interest expense	680	6,687	(6,007)	(89.8)%
Other (income) expense	(1,826)	107	(1,933)	n/m
Total other (income) expenses	(1,146)	6,794	(7,940)	n/m
Income (loss) before income taxes	3,845	(5,309)	9,154	n/m
Provision for (benefit from) income taxes	523	(1,094)	1,617	n/m
Net income (loss) from continuing operations	3,322	(4,215)	7,537	n/m
Net (loss) income from discontinued operations, net of income taxes	(214)	5,751	(5,965)	n/m
Net income	3,108	1,536	1,572	102.3 %
Net income (loss) from continuing operations attributable to non-controlling interest	1,128	(1,330)	2,458	n/m
Net (loss) income from discontinued operations attributable to non-controlling interest	(76)	1,768	(1,844)	n/m
Net income attributable to non-controlling interest	1,052	438	614	140.2 %
Net income (loss) from continuing operations attributable to i3 Verticals, Inc.	2,194	(2,885)	5,079	n/m
Net (loss) income from discontinued operations attributable to i3 Verticals, Inc.	(138)	3,983	(4,121)	n/m
Net income attributable to i3 Verticals, Inc.	$ 2,056	$ 1,098	$ 958	87.2 %

n/m = not meaningful

1. Refer to Note 3 for discussion of the change in the current and prior period presentation.

Revenue

Revenue increased $6.6 million, or 12.1%, to $61.7 million for the three months ended December 31, 2024 from $55.1 million for the three months ended December 31, 2023. This increase included incremental revenue from an acquisition within the Public Sector vertical of $1.2 million, net of intercompany eliminations. The remaining increase was primarily driven by an increase of $2.9 million in recurring revenues, an increase of $2.3 million in software license revenue.

Revenue within Public Sector increased $5.3 million, or 12.2%, to $48.8 million for the three months ended December 31, 2024 from $43.5 million for the three months ended December 31, 2023. This increase included incremental revenue from an acquisition of $1.2 million, net of intercompany eliminations. The remaining increase was primarily driven by an increase in recurring revenues of $3.0 million and an increase of $0.7 million in software license revenue.

Revenue within Healthcare increased $1.6 million, or 13.7%, to $13.2 million for the three months ended December 31, 2024 from $11.6 million for the three months ended December 31, 2023. This increase was mostly driven by an increase in software license revenue of $1.6 million.

Other Costs of Services

Other costs of services increased $1.5 million, or 7.4%, to $21.0 million for the three months ended December 31, 2024 from $19.6 million for the three months ended December 31, 2023. This increase included incremental other costs of services from an acquisition within the Public Sector vertical of $0.3 million, net of intercompany eliminations. The remaining increase was primarily driven by an increase in internal personnel costs of $1.4 million partially offset by a decrease of $0.5 million in stock compensation expense within other costs of services for the three months ended December 31, 2024 from the three months ended December 31, 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $1.7 million to $28.9 million for the three months ended December 31, 2024 from from $27.2 million for the three months ended December 31, 2023. This increase included incremental SG&A expenses from an acquisition within the Public Sector vertical of $0.9 million, net of intercompany eliminations The remaining increase was primarily driven by an increase in internal personnel costs of $1.6 million and internal technology costs $0.5 million for the three months ended December 31, 2024 from the three months ended December 31, 2023, partially offset by a decrease in stock compensation expense within selling, general and administrative expenses of $1.0 million and a decrease in professional services expense of $0.3 million for the three months ended December 31, 2024 from the three months ended December 31, 2023.

Depreciation and Amortization

Depreciation and amortization increased $0.6 million, or 8.9%, to $7.7 million for the three months ended December 31, 2024 from $7.1 million for the three months ended December 31, 2023. Amortization expense increased $0.6 million to $7.0 million for the three months ended December 31, 2024 from $6.4 million for the three months ended December 31, 2023 primarily due to an increase in capitalized software project releases, driving an increase in amortization expense. Depreciation expense increased slightly by $48 thousand to $0.7 million for the three months ended December 31, 2024 from $0.6 million for the three months ended December 31, 2023.

Change in Fair Value of Contingent Consideration

Change in fair value of contingent consideration to be paid in connection with acquisitions was a charge of $1.4 million for the three months ended December 31, 2024 related to adjustments to the expected present value of consideration to be paid for earnouts. The change in fair value of contingent consideration for the three months ended December 31, 2023 was a benefit of $0.2 million.

Interest Expense

Interest expense decreased $6.0 million, or 89.8%, to $0.7 million for the three months ended December 31, 2024 from $6.7 million for the three months ended December 31, 2023. The decrease reflects a lower average outstanding debt balance for the three months ended December 31, 2024, as compared to the three months ended December 31, 2023.

Other (Income) Expense

Other income was $1.8 million during the three months ended December 31, 2024, and other expense was $0.1 million during the three months ended December 31, 2023. Other income during the the three months ended December 31, 2024 reflects income generated from cash held at financial institutions of $0.7 million, a gain on disposal of property and equipment of $0.6 million related to the sale of a building and automobiles purchased through previous acquisitions and income from the Transition Services Agreement and Processing Services Agreement related to the sale of the Merchant Services Business of $0.5 million. Other expense during the three months ended December 31, 2023 reflects a loss on disposal of property and equipment related to the sale of a building purchased through an acquisition.

Provision for (Benefit from) Income Taxes

The provision for income taxes increased to a provision for $0.5 million for the three months ended December 31, 2024 from a benefit of $1.1 million for three months ended December 31, 2023. Our effective tax rate was 14% for the three months ended December 31, 2024. Our effective tax rate differs from the federal statutory rate of 21% primarily due to the tax structure of the Company. The income of majority-owned i3 Verticals, LLC is not taxed at the entity-level. i3 Verticals, Inc. is subject to federal, state and local income taxes with respect to its allocable share of any taxable income of i3 Verticals, LLC and is taxed at the prevailing corporate tax rates.

Net (Loss) Income from Discontinued Operations, Net of Income Taxes

We had $0.2 million in net loss from discontinued operations, net of income tax, for the three months ended December 31, 2024 compared to $5.8 million in net income from discontinued operations, net of income tax, for the three months ended December 31, 2023. See Note 2 to our condensed consolidated financial statements for additional information and detail on the financial results of discontinued operations.

The net loss from discontinued operations, net of income tax, for the three months ended December 31, 2024 reflects adjustments to the gain on the sale of the Merchant Services Business. The net income from discontinued operations, net of income tax, for the three months ended December 31, 2023 included a complete quarter of business activity, including revenue of $36.9 million, operating expenses of $29.9 million, and a provision for income taxes of $1.3 million.

Seasonality

We have experienced in the past, and may continue to experience, seasonal fluctuations in our revenues as a result of consumer and business spending patterns. The number of business days in a month or quarter also may affect seasonal fluctuations. Certain revenues in our Public Sector segment fluctuate with the fiscal calendars of our customers. Transactional revenue for our Education customers is strongest in August, September, October, January and February, at the start of each semester, and generally weakens throughout the semester, with little revenue in the summer months of June and July. Operating expenses show less seasonal fluctuation, with the result that net income is subject to the same seasonal factors as our revenues. The growth in our business may have partially overshadowed seasonal trends to date, and seasonal impacts on our business may be more pronounced in the future.

Liquidity and Capital Resources

We have historically financed our operations and working capital through net cash from operating activities. As of December 31, 2024, we had $85.6 million of cash and cash equivalents and available borrowing capacity of $450.0 million under our 2023 Senior Secured Credit Facility, subject to the financial covenants. We usually minimize cash balances by making payments on our revolving line of credit to minimize borrowings and interest expense. As of December 31, 2024, we had no borrowings outstanding under the 2023 Senior Secured Credit Facility. For additional information about our 2023 Senior Secured Credit Facility, see the section entitled "— 2023 Senior Secured Credit Facility" below.

Our primary cash needs are to fund working capital requirements, make capital expenditures and otherwise invest in our technology infrastructure, fund acquisitions and related contingent consideration, make scheduled principal and interest payments on our outstanding indebtedness, pay tax distributions to members of i3 Verticals, LLC as discussed below, and make repurchases of shares of Class A common stock under our share repurchase program as discussed below. We consistently have positive cash flow provided by operations and expect that our cash flow from operations, current cash and cash equivalents and available borrowing capacity under the 2023 Senior Secured Credit Facility will be sufficient to fund our cash needs as described above for at least the next twelve months and foreseeable future. Our growth strategy includes acquisitions. We expect to fund acquisitions through a combination of net cash from operating activities, borrowings under our 2023 Senior Secured Credit Facility and through the issuance of equity and debt securities. As a holding company, we depend on distributions or loans from i3 Verticals, LLC to access funds earned by our operations. The covenants contained in the 2023 Senior Secured Credit Facility may restrict i3 Verticals, LLC's ability to provide funds to i3 Verticals, Inc.

Our liquidity profile reflects our completed offering in February 2020 of an aggregate principal amount of $138.0 million in 1.0% Exchangeable Senior Notes due 2025, with substantially all the proceeds being used to pay down outstanding borrowings under our Prior Senior Secured Credit Facility. After giving effect to the repurchase of $90.8 million in aggregate principal amount of the 1.0% Exchangeable Senior Notes on January 18, 2024 as described below as well as the repurchase of $21.0 million in aggregate principal amount of Exchangeable Senior Notes in open market purchases in 2020, the aggregate principal amount of the Exchangeable Notes that is currently outstanding is $26.2 million. The Exchangeable Notes mature on February 15, 2025, unless earlier exchanged, redeemed or repurchased. We may elect from time to time to purchase our outstanding debt in open market purchases, privately negotiated transactions or otherwise. Any such debt repurchases will depend upon prevailing market conditions, our liquidity requirements, contractual restrictions, applicable securities law and other factors.

Our 2023 Senior Secured Credit Facility, as amended, requires us to maintain a consolidated interest coverage ratio not less than 3.0 to 1.0 and total leverage ratio not exceeding 5.0 to 1.0. As of December 31, 2024, we were in compliance with these covenants with a consolidated interest coverage ratio and total leverage ratio of 3.7x and 0.1x, respectively. Although we believe our liquidity position remains strong, there can be no assurance that we will be able to raise additional funds, in the form of debt or equity, or to amend our 2023 Senior Secured Credit Facility on terms acceptable to us, if at all, even if we determined such actions were necessary in the future. Although we believe our liquidity position remains strong, there can be no assurance that we will be able to raise additional funds, in the form of debt or equity, or to amend our 2023 Senior Secured Credit Facility on terms acceptable to us, if at all, even if we determined such actions were necessary in the future. Upon the completion of the sale of our Merchant Services Business, we used the net proceeds from such transactions to fully satisfy the then outstanding amount of the Revolver under the 2023 Senior Secured Credit Facility, and have used and expect to continue to use the remaining net proceeds for general corporate purposes, including repurchases under our share repurchase authorization as described below.

In January 2025, i3 Verticals, LLC, a pass-through entity in which the Company holds a majority ownership interest, made a tax distribution (the "LLC Tax Distribution") to the Company and the other members of i3 Verticals, LLC (the "Continuing Equity Owners") related to the taxable income associated with the gain on the sale of the Merchant Services Business completed in September 2024 that is anticipated to be recognized for 2024 federal income tax purposes by members of the Company. As a result of differences in the amount of net taxable income allocable to the Company and to the Continuing Equity Owners and the higher assumed tax rate of the Continuing Equity Owners than the tax rate of the Company, this LLC Tax Distribution resulted in the Company holding cash in excess of the Company's tax liabilities, its obligation to make payments under its tax receivables agreement, and any other expected liabilities of the Company. Thereafter, on January 23, 2025, the Company and i3 Verticals, LLC effected certain recapitalization actions in order to reduce excess cash held at the Company following this LLC Tax Distribution. For additional information regarding the ownership interest of the Company in i3 Verticals, LLC and the capitalization of i3 Verticals, LLC, see Note 1 to the accompanying unaudited condensed consolidated financial statements contained in this report. For additional information regarding these recapitalization transactions, see Note 20 to the accompanying unaudited condensed consolidated financial statements contained in this report.

Cash Flows

The discussion of our cash flows that follows does not include the impact of any adjustments to remove the Merchant Services Business as discontinued operations and is stated on a total company consolidated basis. The following table presents a summary of cash flows from operating, investing and financing activities for the following comparative periods.

Three Months Ended December 31, 2024 and 2023

	Three months ended December 31,	
	2024	2023
	(in thousands)	
Net cash provided by operating activities	$ 11,495	$ 14,405
Net cash used in investing activities	$ (1,418)	$ (7,171)
Net cash used in financing activities	$ (10,467)	$ (8,550)

Cash Flow from Operating Activities

Net cash provided by operating activities decreased $2.9 million to $11.5 million for the three months ended December 31, 2024 from $14.4 million for the three months ended December 31, 2023. Our net income increased from $1.5 million for the three months ended December 31, 2023 to $3.1 million for the three months ended December 31, 2024. The primary driver of the decrease in cash provided by operating activities despite the increase in net income was reductions in non-cash expenses that increase net income but do not impact cash flows from operating activities. These changes in non-cash income and expenses included a decrease in equity-based compensation expense of $2.7 million, a decrease in depreciation and amortization of $2.1 million, a decrease in the provision for deferred income taxes of $0.9 million and a decrease in other non-cash adjustments to net income of $0.8 million, which includes gains on sales of property and equipment as well as other non-cash adjustments to net income. These reductions in non-cash expenses were partially offset by an increase in changes in non-cash contingent consideration of $1.6 million and an increase in changes in net operating assets and liabilities of $0.8 million, which are impacted by the timing of collections and payments, for the three months ended December 31, 2024 compared to the three months ended December 31, 2023.

Cash Flow from Investing Activities

Net cash used in investing activities decreased $5.8 million to $1.4 million for the three months ended December 31, 2024 from $7.2 million for the three months ended December 31, 2023. The largest drivers of the decrease in cash used in investing activities were a decrease of $2.9 million in purchases of merchant portfolios and residual buyouts, a decrease of $1.1 million in cash used in acquisitions, net of cash acquired, an increase of $0.8 million in proceeds from the sale of property and equipment and a decrease of $0.7 million in expenditures for capitalized software during the three months ended December 31, 2024 compared to the three months ended December 31, 2023.

Cash Flow from Financing Activities

Net cash used in financing activities increased $1.9 million to $10.5 million net cash used in financing activities for the three months ended December 31, 2024 from $8.6 million net cash provided by financing activities for the three months ended December 31, 2023. The largest driver of the increase in cash used in financing activities was $11.2 million cash paid for repurchases of class A common stock during the three months ended December 31, 2024. This increase in cash used in financing activities was partially offset by no net activity in the revolving credit facility during the three months ended December 31, 2024, compared to a net $7.0 million in payments on the revolving credit facility in excess of proceeds from the revolving credit facilities during the three months ended December 31, 2023, and a decrease in net payments for settlement obligations of $1.9 million during the three months ended December 31, 2024 compared to the three months ended December 31, 2023.

2023 Senior Secured Revolving Credit Facility

On May 8, 2023, i3 Verticals, LLC (the “Borrower”), entered into that certain Credit Agreement (as amended, the “2023 Senior Secured Credit Facility”) with the guarantors and lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (“JPMorgan”). The 2023 Senior Secured Credit Facility replaces the Prior

Senior Secured Credit Facility. The 2023 Senior Secured Credit Facility provides for aggregate commitments of $450 million in the form of a senior secured revolving credit facility (the “Revolver”). In addition, on June 26, 2024, the Borrower entered into the first amendment to the 2023 Senior Secured Credit Facility (the “Amendment”). Among other things, the Amendment permitted the execution of the Purchase Agreement and the consummation of the sale of the Merchant Services Business. Certain provisions of the Amendment were effective as of the date of the Amendment, and certain other provisions became effective upon the closing of the sale of the Merchant Services Business.

The 2023 Senior Secured Credit Facility provides that the Borrower has the right to seek additional commitments to provide additional term loan facilities or additional revolving credit commitments in an aggregate principal amount up to, as of any date of determination, the sum of (i) the greater of $100 million and 100% of the Borrower’s consolidated EBITDA (as defined in the 2023 Senior Secured Credit Facility) for the most recently completed four quarter period, plus (ii) the amount of certain prepayments of certain indebtedness, so long as, among other things, after giving pro forma effect to the incurrence of such additional borrowings and any related transactions, the Borrower’s consolidated interest coverage ratio (as defined in the 2023 Senior Secured Credit Facility) would not be less than 3.0 to 1.0 and the Borrower’s consolidated total net leverage ratio (as defined in the 2023 Senior Secured Credit Facility) would not exceed 5.0 to 1.0. As of December 31, 2024, the Borrower's consolidated interest coverage ratio was 3.7x and total leverage ratio was 0.1x.

The provision of any such additional amounts under the additional term loan facilities or additional revolving credit commitments are subject to certain additional conditions and the receipt of certain additional commitments by existing or additional lenders. The lenders under the 2023 Senior Secured Credit Facility are not under any obligation to provide any such additional term loan facilities or revolving credit commitments.

The proceeds of the Revolver, together with proceeds from any additional amounts under the additional term loan facilities or additional revolving credit commitments, may only be used by the Borrower to (i) finance working capital, capital expenditures and other lawful corporate purposes, (ii) finance permitted acquisitions (as defined in the 2023 Senior Secured Credit Facility) and (iii) to refinance certain existing indebtedness.

Borrowings under the Revolver will be made, at the Borrower’s option, at the Adjusted Term SOFR rate or the base rate, plus, in each case, an applicable margin.

The Adjusted Term SOFR rate will be the rate of interest per annum equal to the Term SOFR rate (based upon an interest period of one, three or six months), plus 0.10%; plus an applicable margin of 2.00% to 3.00% (2.00% at December 31, 2024). The Adjusted Term SOFR rate shall not be less than 0% in any event.

The base rate is a fluctuating rate of interest per annum equal to the highest of (a) the greater of the federal funds rate or the overnight bank funding rate, plus ½ of 1%, (b) Wall Street Journal prime rate and (c) the Adjusted Term SOFR rate for an interest period of one month, plus 1%; plus an applicable margin of 1.00% to 2.00% (1.00% at December 31, 2024). The base rate shall not be less than 1% in any event.

The applicable margin is based upon the Borrower’s consolidated total net leverage ratio (as defined in the 2023 Senior Secured Credit Facility), as reflected in the schedule below:

Consolidated Total Net Leverage Ratio	**Commitment Fee**	**Letter of Credit Fee**	**Term Benchmark Loans**	**Base Rate Loans**
> 3.0 to 1.0	0.30 %	3.00 %	3.00 %	2.00 %
> 2.5 to 1.0 but < 3.0 to 1.0	0.25 %	2.50 %	2.50 %	1.50 %
> 2.0 to 1.0 but < 2.5 to 1.0	0.20 %	2.25 %	2.25 %	1.25 %
< 2.0 to 1.0	0.15 %	2.00 %	2.00 %	1.00 %

In addition to paying interest on outstanding principal under the Revolver, the Borrower will be required to pay a commitment fee equal to the product of between 0.15% and 0.30% (the applicable percentage depending on the Borrower's consolidated total net leverage ratio as reflected in the schedule above, 0.15% at December 31, 2024) times the actual daily amount by which $450 million exceeds the total amount outstanding under the Revolver and available to be drawn under all outstanding letters of credit.

The Borrower will be permitted to voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans under the 2023 Senior Secured Credit Facility, whether such amounts are issued under the Revolver or under the additional term loan facilities or additional revolving credit facilities, at any time without premium or penalty.

In addition, if the total amount borrowed under the Revolver exceeds $450 million at any time, the 2023 Senior Secured Credit Facility requires the Borrower to prepay such excess outstanding amounts.

All obligations under the 2023 Senior Secured Credit Facility are unconditionally guaranteed by the Company, and each of the Company's existing and future direct and indirect material, wholly owned domestic subsidiaries, subject to certain exceptions. The obligations are secured by first-priority security interests in substantially all tangible and intangible assets of the Borrower, the Company and each subsidiary guarantor, in each case whether owned on the date of the initial borrowings or thereafter acquired.

The 2023 Senior Secured Credit Facility places certain restrictions on the ability of the Borrower, the Company and their subsidiaries to, among other things, incur debt and liens; merge, consolidate or liquidate; dispose of assets; enter into hedging arrangements; make certain restricted payments; undertake transactions with affiliates; enter into sale-leaseback transactions; make certain investments; prepay or modify the terms of certain indebtedness; and modify the terms of certain organizational agreements.

The 2023 Senior Secured Credit Facility contains customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to other material indebtedness, certain events of bankruptcy and insolvency, material judgments, certain events with respect to employee benefit plans, invalidity of loan documents and certain changes in control.

As of December 31, 2024, we were in compliance with these covenants, with a consolidated interest coverage ratio and total leverage ratio of 3.71x and 0.07x, respectively.

Exchangeable Notes

On February 18, 2020, i3 Verticals, LLC issued $138.0 million aggregate principal amount of its 1.0% Exchangeable Notes due February 15, 2025. The Exchangeable Notes bear interest at a fixed rate of 1.0% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2020. The Exchangeable Notes are exchangeable into cash, shares of the Company's Class A common stock, or a combination thereof, at i3 Verticals, LLC's election. As of August 15, 2024, the Exchangeable Notes became exchangeable by the holders thereof at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The Exchangeable Notes mature on February 15, 2025, unless earlier exchanged, redeemed or repurchased. The net proceeds from the sale of the Exchangeable Notes were approximately $132.8 million, after deducting discounts and commissions to the certain initial purchasers and other estimated fees and expenses. i3 Verticals, LLC used a portion of the net proceeds of the Exchangeable Notes offering to pay down outstanding borrowings under the Prior Senior Secured Credit Facility in connection with the effectiveness of the operative provisions of the amendment to the Prior Senior Secured Credit Facility and to pay the cost of the Note Hedge Transactions. As of December 31, 2024, $26.2 million of the original aggregate principal amount of $138.0 million was outstanding.

On December 21, 2023, i3 Verticals, LLC entered into agreements to repurchase a portion of its Exchangeable Notes pursuant to privately negotiated transactions with a limited number of holders of the Exchangeable Notes (the "Exchangeable Note Repurchases"). The Exchangeable Note Repurchases were completed on January 18, 2024, and the Company paid $87.4 million to repurchase $90.8 million in aggregate principal amount of its Exchangeable Notes and to repay approximately $0.4 million in accrued interest on the repurchased portion of the Exchangeable Notes. Following the closing of the Exchangeable Note Repurchases, approximately $26.2 million in aggregate principal amount of the Exchangeable Notes remained outstanding, with terms unchanged. For additional information, see Note 8 to our condensed consolidated financial statements.

Material Cash Requirements

The following table summarizes our material cash requirements as of December 31, 2024, including those related to leases and borrowings:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
(in thousands)					
Facility leases[1]	$ 9,784	$ 3,983	$ 4,017	$ 1,313	$ 471
2023 Senior Secured Credit Facility and related interest[2]	2,266	675	1,350	241	—
Exchangeable Notes and related interest[3]	26,256	26,256	—	—	—
Contingent consideration[4]	3,669	339	3,330	—	—
Total	$ 41,975	$ 31,253	$ 8,697	$ 1,554	$ 471

1. In addition to the facility leases presented, we have $59.0 thousand in short-term leases. These payments will be made within the next twelve months.
2. We estimated interest payments through the maturity of our 2023 Senior Secured Credit Facility by the unused fee rate of 0.15% in effect as of December 31, 2024.
3. The chart set forth above calculates interest payments through the maturity of our Exchangeable Notes by applying the coupon interest rate of 1.0% on the principal balance as of December 31, 2024 of $26.2 million.
4. In connection with certain of our acquisitions, we may be obligated to pay the seller of the acquired entity certain amounts of contingent consideration as set forth in the relevant purchasing documents, whereby additional consideration may be due upon the achievement of certain specified financial performance targets. i3 Verticals, Inc. accounts for the fair values of such contingent payments in accordance with the Level 3 financial instrument fair value hierarchy at the close of each subsequent reporting period. The acquisition-date fair value of contingent consideration is valued using a Monte Carlo simulation. i3 Verticals, Inc. subsequently reassesses such fair value based on probability estimates with respect to the acquired entity's likelihood of achieving the respective financial performance targets.

Potential payments under the Tax Receivable Agreement are not reflected in this table. See "—Tax Receivable Agreement" below.

Share Repurchase Program

On August 8, 2024, the Company announced that our Board of Directors had approved a share repurchase program for the Company's Class A common stock, under which the Company is authorized to repurchase up to $50.0 million of outstanding shares of our Class A common stock (exclusive of fees, commissions or other expenses related to such repurchases) (the "Share Repurchase Program"). The Share Repurchase Program will terminate on the earlier of August 8, 2025, or when the maximum dollar amount under the Share Repurchase Program has been expended. Pursuant to the Share Repurchase Program, the Company is authorized to make repurchases of our Class A Common Stock in the open market, through privately negotiated transactions, or otherwise, including under Rule 10b5-1 plans.

Repurchases under the Share Repurchase Program are subject to prevailing market conditions, liquidity and cash flow considerations, applicable securities laws requirements (including under Rule 10b-18 and Rule 10b5-1 of the Securities Exchange Act of 1934, as applicable), compliance with contractual restrictions under the 2023 Senior Secured Credit Facility, and other factors. In addition, the terms of the Share Repurchase Program provide that, immediately prior to repurchases of Class A common stock under the Share Repurchase Program, i3 Verticals, LLC redeems for cash an equal number of units held by the Company in i3 Verticals, LLC in order to fund such repurchases and maintain a 1-1 ratio between the number of outstanding shares of Class A common stock and the units held by the Company in i3 Verticals, LLC. The Share Repurchase Program does not obligate us to acquire any particular amount of Class A Common Stock, and the Share Repurchase Program may be suspended or discontinued at any time at our discretion.

The Company repurchased 496,785 shares of Class A Common Stock at an average price of $22.49 under the Share Repurchase Program during the three months ended December 31, 2024.

Tax Receivable Agreement

We are a party to a Tax Receivable Agreement with i3 Verticals, LLC and each of the Continuing Equity Owners, as described in Note 10 of our condensed consolidated financial statements. As a result of the Tax Receivable Agreement, we have been required to establish a liability in our condensed consolidated financial statements. That liability, which will increase upon the redemptions or exchanges of Common Units for our Class A common stock, generally represents 85% of the estimated future tax benefits, if any, relating to the increase in tax basis associated with the Common Units we received as a result of the Reorganization Transactions and other redemptions or exchanges by holders of Common Units. If this election is made, the accelerated payment will be based on the present value of 100% of the estimated future tax benefits and, as a result, the associated liability reported on our condensed consolidated financial statements may be increased. We expect that the payments required under the Tax Receivable Agreement will be substantial. The actual increase in tax basis, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of redemptions or exchanges by the holders of Common Units, the price of our Class A common stock at the time of the redemption or exchange, whether such redemptions or exchanges are taxable, the amount and timing of the taxable income we generate in the future and the tax rate then applicable as well as the portion of our payments under the Tax Receivable Agreement constituting imputed interest. We intend to fund the payment of the amounts due under the Tax Receivable Agreement out of the cash savings that we actually realize in respect of the attributes to which Tax Receivable Agreement relates.

As of December 31, 2024, the total amount due under the Tax Receivable Agreement was $39.2 million, and payments to the Continuing Equity Owners related to exchanges through December 31, 2024 will range from $0 to $9.9 million per year and are expected to be paid over the next 22 years. The amounts recorded as of December 31, 2024, approximate the current estimate of expected tax savings and are subject to change after the filing of the Company's U.S. federal and state income tax returns. Future payments under the Tax Receivable Agreement with respect to subsequent exchanges would be in addition to these amounts.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, goodwill and intangible assets, contingent consideration, and equity-based compensation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that we consider the most critical to understanding our financial condition and results of operations.

As of December 31, 2024, there have been no significant changes to our critical accounting estimates disclosed in the Form 10-K filed with the SEC on November 25, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

As of December 31, 2024, the 2023 Senior Secured Credit Facility, as amended, consisted of a $450 million revolving credit facility, together with an option to increase the revolving credit facility and/or obtain incremental term loans in an additional principal amount of up, as of any date of determination, the greater of $100 million and 100% of consolidated EBITDA (as defined in the 2023 Senior Secured Credit Facility) for the most recently completed four quarter period (subject to the receipt of additional commitments for any such incremental loan amounts).

As of December 31, 2024, the 2023 Senior Secured Credit Facility accrued interest at Term SOFR (based upon an interest period of one, three or six months), plus 0.10%, plus an applicable margin of 2.00% to 3.00% (2.00% at December 31, 2024), or the base rate (defined as the highest of (a) the greater of the federal funds rate or the overnight bank funding rate, plus ½ of 1%, (b) Wall Street Journal prime rate and (c) the Adjusted Term SOFR rate for an interest period of one month, plus 1%, plus an applicable margin of 1.00% to 2.00%) (1.00% at December 31, 2024), in each case depending upon the consolidated total leverage ratio, as defined in the agreement. Interest is payable at the end of the selected interest period, but no less frequently than quarterly. Additionally, the 2023 Senior Secured Credit Facility requires us to pay unused commitment fees of 0.15% to 0.30% (0.15% as of December 31, 2024) on any undrawn amounts under the revolving credit facility and letter of credit fees of up to 3.00% on the maximum amount available to be drawn under each letter of credit issued under the agreement. The 2023 Senior Secured Credit Facility requires maintenance of certain financial ratios on a quarterly basis as follows: (i) a minimum consolidated interest coverage ratio of 3.0 to 1.0 (ii) a maximum total leverage ratio of 5.0 to 1.0.

As of December 31, 2024, we were in compliance with these covenants, and there was $450.0 million available for borrowing under the revolving credit facility, subject to the financial covenants.

As of December 31, 2024, we had no borrowings outstanding under the 2023 Senior Secured Credit Facility. Therefore, an increase or decrease in the interest rate applicable to the 2023 Senior Secured Credit Facility would not have had an impact on the results of the business.

Foreign Currency Exchange Rate Risk

As a result of our international operations, we are also exposed to foreign currency exchange rate risks. Because our international operations are not yet material to our consolidated results of operations, a 10% change in foreign currency exchange rates would not have had a material impact on our consolidated results of operations, financial position, or cash flows for the three months ended December 31, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, with the participation of other members of management, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report. Based on such evaluations, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective (at the reasonable assurance level) to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act has been recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and to ensure that the information required to be included in this report was accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2024 that materially affected, or which are reasonably likely to materially affect, our internal control over financial reporting.

PART II. - OTHER INFORMATION

Item 1. Legal Proceedings

The information required with respect to this item can be found in Note 14 to the accompanying unaudited condensed consolidated financial statements contained in this report and is incorporated by reference into this Part II, Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed under the heading "Risk Factors" in our Form 10-K for the fiscal year ended September 30, 2024 filed with the SEC on November 25, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended December 31, 2024, we issued an aggregate of 17,577 shares, of Class A common stock in exchange for an equivalent number of shares of Class B common stock and Common Units pursuant to the terms of the i3 Verticals, LLC Limited Liability Company Agreement. These shares were issued in reliance on an exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933.

Issuer Purchases of Equity Securities

The following table provides information with respect to purchases of shares of the Company's Class A Common Stock made during the three months ended December 31, 2024 on behalf of the Company:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	(a) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(a) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
10/1/2024 - 10/31/2024	403,748	$ 22.41	403,748	$ 40,952
11/1/2024 - 11/30/2024	892	$ 22.96	892	$ 40,931
12/1/2024 - 12/31/2024	92,145	$ 22.85	92,145	$ 38,825
Total	496,785	$ 22.49	496,785	$ 38,825

____

a. On August 8, 2024, the Company announced that its Board of Directors had approved a new share repurchase program for up to $50.0 million of outstanding shares of Class A common stock. The Share Repurchase Program will terminate on the earlier of August 8, 2025, or when the maximum dollar amount under the Share Repurchase Program has been expended.

During the three months ended December 31, 2024, the Company purchased 496,785 of its outstanding shares of Class A common stock at an average price of $22.49 for a total cost of $11.2 million. When the Company repurchases shares of Common Stock, the amount paid to repurchase the shares in excess of the par or stated value is allocated to additional paid-in-capital unless subject to limitation or the balance in additional paid-in-capital is exhausted. Remaining amounts are recognized as a reduction in retained earnings.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None. Without limiting the generality of the foregoing, during the three months ended December 31, 2024, no director or officer of the Company adopted or terminated any "Rule 10b5-1 trading arrangement," or any "non-Rule 10b-5 trading arrangement," as such terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibit Index

Exhibit Number	Exhibit Description
2.1	Securities Purchase Agreement, dated as of June 26, 2024, by and among i3 Verticals, LLC, i3 Holdings Sub, Inc., Payroc Buyer, LLC, Payroc WorldAccess, LLC, solely for purposes of certain terms set forth therein, and i3 Verticals, Inc., solely for purposes of certain terms set forth therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on June 26, 2024) (File No. 001-38532).
3.1	Amended and Restated Certificate of Incorporation of i3 Verticals, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 25, 2018) (File No. 001-38532).
3.2	Amended and Restated Bylaws of i3 Verticals, Inc., as amended and restated on November 16, 2022 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on November 16, 2022) (File No. 001-38532)
10.1*	Amendment No. 1 to Limited Liability Company Agreement of i3 Verticals, LLC, dated January 23, 2025
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2024, formatted in Inline XBRL and contained in Exhibit 101.

* Filed herewith.
** Furnished herewith.

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 thereunto duly authorized.

i3 Verticals, Inc.

By: /s/ Geoff Smith
Geoff Smith
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: February 7, 2025

AMENDMENT NO. 1 TO
LIMITED LIABILITY COMPANY AGREEMENT OF
i3 VERTICALS, LLC

This Amendment No. 1 to the Limited Liability Company Agreement (this "Amendment") of i3 Verticals, LLC, a Delaware limited liability company (the "Company"), is entered into as of January 23, 2025, by and among the Company, i3 Verticals, Inc., a Delaware corporation (the "Corporation" and, in its capacity as Manager under the LLC Agreement (as defined below), the "Manager"), and the Members of the Company listed on the signature pages hereof (collectively, the "Amending Members"). Capitalized terms used and not defined herein shall have the meaning set forth in the LLC Agreement (as defined below).

RECITALS

WHEREAS, the Company and its Members entered into a Limited Liability Company Agreement, dated as of June 25, 2018 (together with all schedules, exhibits and annexes thereto, the "LLC Agreement");

WHEREAS, Section 16.03 of the LLC Agreement provides that the LLC Agreement may be amended or modified upon the consent of the Manager and a majority of the Common Units entitled to vote then outstanding (excluding all Common Units held directly or indirectly by the Corporation); and

WHEREAS, the Company, the Manager and the Amending Members, who hold a majority of the outstanding Common Units (excluding all Common Units held directly or indirectly by the Corporation), desire to amend the LLC Agreement as set forth herein.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agree as follows:

1. The following amendments are hereby made to the LLC Agreement:

   2. (i) The last sentence of Section 3.04(a) of the LLC Agreement is hereby deleted in its entirety and replaced by the following sentence:

      "In the event of any Recapitalization Event (as defined in Section 3.02(d) of this Agreement), including, without limitation, in connection with any Corporation Cash Contribution (as defined in Section 3.02(d) of this Agreement), the Manager in its sole discretion shall make such adjustments and shall take such other actions with respect to the capitalization of the Corporation and the Company, as applicable, necessary (i) to maintain at all times a one-to-one ratio between the number of Common Units owned by the Corporation and the number of outstanding shares of Class A Common Stock as contemplated by the first sentence of this Section 3.04(a), and (ii) to maintain a one-to-one ratio between the number of Common Units (other than Common Units issuable upon the exercise of any options, warrants or rights) owned by all Members (other than the Corporation) and the number of shares of Class B Common Stock owned by such Members, in any such case in accordance with the terms of this Agreement and the Company's certificate of incorporation."

3. (ii) Section 3.02(d) is hereby added to the LLC Agreement:

"(d) The Manager may in its sole discretion, without the consent of any Member or any other Person, approve any subdivision of Common Units (by any Common Unit split, Common Unit distribution, reclassification, recapitalization or similar event) or combination of Common Units (by reverse Common Unit split, reclassification, recapitalization or similar event) (any of the foregoing recapitalization events, collectively, a "Recapitalization Event"), including, without limitation, in connection with any contribution of cash made by the Corporation to the Company in exchange for Units pursuant to clause (i) of Section 3.02 (any such contribution a "Corporation Cash Contribution"). In connection with any such Recapitalization Event, the Manager may, in its discretion, (i) cause any fractional Common Unit resulting from such Recapitalization Event, to be rounded up or down to a whole Common Unit, (ii) cause the Company to pay in cash to any Member the fair value of any such fractional Common Units held by such Member in respect thereof, and/or (iii) cause the Company to issue any such fractional Common Units."

4. Except as expressly set forth herein, this Amendment shall not alter, modify, amend or in any way affect any of the provisions contained in the LLC Agreement, all of which shall remain in full force and effect. This Amendment is governed by and shall be construed in accordance with the laws of the State of Delaware, excluding any conflict of laws rule or principle that would refer the governance or the construction of this amendment to the law of another jurisdiction. This Amendment may be executed in separate counterparts, each of which will be an original and all of which together shall constitute one and the same agreement binding on all the parties hereto.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first written above.

COMPANY:

i3 VERTICALS, LLC

By: i3 VERTICALS, INC., its Manager

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

Manager:

i3 VERTICALS, INC.

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

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first written above.

AMENDING MEMBERS:

Daily Family Investments, LLC

By: /s/ Austin S. Daily
Name: Austin S. Daily
Title: Sole Member

Gregory Daily

/s/ Gregory S. Daily
Gregory S. Daily (Individually)

Gregory & Collie Daily (Joint Tenants)

/s/ Gregory S. Daily
Gregory S. Daily

/s/ Collie F. Daily
Collie F. Daily

Exhibit 31.1

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Gregory S. Daily, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of i3 Verticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 07, 2025

By: /s/ Gregory S. Daily

Gregory S. Daily

Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Geoff Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of i3 Verticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 07, 2025

By: /s/ Geoff Smith

Geoff Smith
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of i3 Verticals, Inc. (the “Company”) on Form 10-Q for the quarter ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 07, 2025

By: /s/ Gregory S. Daily
Gregory S. Daily
Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of i3 Verticals, Inc. (the “Company”) on Form 10-Q for the quarter ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 07, 2025

By: /s/ Geoff Smith
Geoff Smith
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)