UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): August 8, 2019 (August 8, 2019)

i3 Verticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**001-38532**	**82-4052852**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

40 Burton Hills Blvd., Suite 415 **Nashville, TN**	**37215**
(Address of principal executive offices)	**(Zip Code)**

(615) 465-4487
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

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

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

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e- 4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.0001 Par Value	IIIV	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company. x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

As provided in General Instruction B.2 of Form 8-K, the information and exhibits contained in this Current Report on Form 8-K shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall they be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 2.02. Results of Operations and Financial Condition.

On August 8, 2019, the Company issued a press release announcing the results of its operations for the three and nine months ended June 30, 2019. A copy of the press release is furnished as Exhibit 99.1 hereto and is hereby incorporated by reference into this Item 2.02.

Item 7.01. Regulation FD Disclosure.

The Company has also prepared a supplemental presentation (the "Supplemental Presentation") containing segment financial performance information for the three and nine months ended June 30, 2019. A copy of the Supplemental Presentation is furnished as Exhibit 99.2 hereto and is hereby incorporated by reference into this Item 7.01. A copy of the Supplemental Presentation is also available on the Investors section of the Company's website.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

Exhibit No.	Description
99.1	Press release issued by i3 Verticals, Inc. on August 8, 2019
99.2	Supplemental Presentation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 8, 2019

i3 VERTICALS, INC.

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

i3 VERTICALS REPORTS THIRD QUARTER 2019 FINANCIAL RESULTS
Public Sector Vertical Drives Outperformance

NASHVILLE, Tenn. (August 8, 2019) – i3 Verticals, Inc. (Nasdaq: IIIV) (“i3 Verticals” or the “Company”) today reported its financial results for the fiscal third quarter ended June 30, 2019.

Highlights for the fiscal third quarter and nine months ended June 30, 2019 vs. 2018

- Third quarter revenue was $97.5 million, an increase of 15% over the prior year's third quarter; Revenue was $267.7 million for the nine months ended June 30, 2019, an increase of 12% over the prior year's first nine months.
- Third quarter adjusted net revenue[1], which excludes acquisition revenue adjustments and interchange and network fees, was $36.0 million, an increase of 25% over the prior year's third quarter; Adjusted net revenue[1] was $97.0 million for the nine months ended June 30, 2019, an increase of 20% over the prior year's first nine months.

- Third quarter net loss was $0.6 million; Net income was $0.5 million for the nine months ended June 30, 2019.
- Third quarter adjusted EBITDA[1] was $9.7 million, an increase of 22% over the prior year's third quarter; Adjusted EBITDA[1] was $27.0 million for the nine months ended June 30, 2019, an increase of 20% over the prior year's first nine months.
- Third quarter adjusted EBITDA[1] as a percentage of adjusted net revenue[1] was 27%, compared to 28% in the prior year's third quarter; Adjusted EBITDA[1] as a percentage of adjusted net revenue[1] was 28% for the nine months ended June 30, 2019, compared to 28% in the prior year's first nine months.

- Third quarter diluted net loss per share available to Class A common stock was $0.12, compared to $0.01 in the prior year's third quarter[2]; Diluted net loss per share available to Class A common stock was $0.23 for the nine months ended June 30, 2019, compared to $0.01 in the prior year's first nine months[2].
- For the three and nine months ended June 30, 2019, pro forma adjusted diluted earnings per share[2], which gives pro forma effect to the Company's going forward effective tax rate, was $0.20 and $0.59, respectively, compared to $0.14 and $0.39 for the three and nine months ended June 30, 2018, respectively.

- Integrated payments[3] were 51% and 49% of payment volume for the three and nine months ended June 30, 2019, respectively.
- At June 30, 2019, the ratio of consolidated debt-to-EBITDA, as defined in the Company's Senior Secured Credit Facility, was 3.28x.

-MORE-

- As previously announced the Company completed the acquisitions of Northeast Texas Data, LLC and Graves Humphries Stahl, LLC (collectively "NET Data") on April 3, 2019, and Pace Payment Systems, Inc. on May 31, 2019, which are focused on the Public Sector and Education verticals. In addition, the Company acquired an unrelated business in the Education vertical during the third quarter.

1. Represents a non-GAAP financial measure. For additional information (including reconciliation information), see the attached schedules to this release.
2. Diluted net loss per share available to Class A common stock for the three and nine months ended June 30, 2018, are presented only for the period after the Company's Reorganization Transactions (as later defined).
3. Integrated payments represents payment transactions that are generated in situations where payment technology is embedded within the Company's own proprietary software, a client's software or critical business process.

Greg Daily, Chairman and CEO of i3 Verticals, commented, "We are pleased with our third quarter performance and accomplishments. During the quarter, we closed four acquisitions, expanded our credit facility and closed on our secondary offering. I am proud of our team and their focus on serving our markets, growing our company and building shareholder value.

"Our recent acquisitions expanded our market opportunities in two of our key verticals — Public Sector and Education. We are excited about our momentum in these markets, and we remain optimistic about our prospects to deliver software solutions that meet our customers' needs and drive our revenue growth. We are also pleased with the successful implementation of our strategic plan for the company's infrastructure that will support our future growth, including the support of approximately 500 employees throughout our company.

"During the third quarter, our Public Sector vertical outperformed our expectations. The strong performance from the Public Sector group was somewhat offset by continued weakness in the integrated point-of-sale channel. Our Public Sector team continues to be successful in our markets, and we expect our recent product enhancements to add to our growth opportunities. In addition, with schools starting back, we are excited about our expanded product offerings in the Education vertical. We expect the Public Sector and Education verticals to contribute to our revenue growth in the fourth quarter and fiscal 2020.

"We are grateful for the support of both our new and existing investors. The secondary offering completed in the third quarter has increased our daily trading volume, and we will remain under lock-up with our underwriters for 90 days. Today, we also filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission. This is simply good corporate housekeeping as it allows us to quickly access the capital markets in the future, but we do not intend to sell additional equity at this time."

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2019 Outlook

The Company reiterates the following guidance, which it issued on June 3, 2019, in connection with the Pace acquisition:

(in thousands, except per share amounts)	Outlook Range Fiscal year ending September 30, 2019				
Adjusted net revenue[1] (non-GAAP)	$	132,000	-	$	138,000
Adjusted EBITDA (non-GAAP)	$	37,000	-	$	40,000
Adjusted diluted earnings per share[2] (non-GAAP)	$	0.80	-	$	0.85

1. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. For the 2019 outlook, the Company has removed the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the earnings release date.
2. Assumes an effective pro forma tax rate of 25.0% (non-GAAP).

With respect to the "2019 Outlook," adjusted net revenue, adjusted EBITDA and adjusted diluted earnings per share are non-GAAP financial measures. Reconciliation of adjusted net revenue, adjusted EBITDA and adjusted diluted earnings per share guidance to the closest corresponding GAAP measure on a forward-looking basis is not available without unreasonable efforts. This inability results from the inherent difficulty in forecasting generally and quantifying certain projected amounts that are necessary for such reconciliations. In particular, sufficient information is not available to calculate certain adjustments required for such reconciliations, including changes in the fair value of contingent consideration, income tax expense of i3 Verticals, Inc. and equity-based compensation expense. The Company expects these adjustments may have a potentially significant impact on future GAAP financial results.

Conference Call

The Company will host a conference call on Friday, August 9, 2019, at 8:00 a.m. ET, to discuss financial results and operations. To listen to the call live via telephone, participants should dial (323) 794-2551 approximately 10 minutes prior to the start of the call. A telephonic replay will be available from 11:00 a.m. ET on August 9, 2019, through August 16, 2019, by dialing (719) 457-0820 and entering Confirmation Code 6839934.

To listen to the call live via webcast, participants should visit the "Investors" section of the Company's website, www.i3verticals.com, and go to the "Events & Presentations" page approximately 10 minutes prior to the start of the call. The online replay will be available on this page of the Company's website beginning shortly after the conclusion of the call and will remain available for 30 days.

Non-GAAP Measures

This press release contains information prepared in conformity with GAAP as well as non-GAAP information. It is management's intent to provide non-GAAP financial information to enhance understanding of the Company's consolidated financial information as prepared in accordance with GAAP. This non-GAAP information should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure and the most directly comparable GAAP financial measure are presented so as not to imply that more emphasis should be placed on the non-GAAP measure. The non-GAAP financial information presented may be determined or calculated differently by other companies.

Additional information about non-GAAP financial measures, including, but not limited to, adjusted net revenue, pro forma adjusted net income, adjusted EBITDA and pro forma adjusted diluted EPS, and a reconciliation of those measures to the most directly comparable GAAP measures is included on pages 11 through 14 in the financial schedules of this release.

About i3 Verticals

Helping drive the convergence of software and payments, i3 Verticals delivers seamlessly integrated payment and software solutions to small- and medium-sized businesses and other organizations in strategic vertical markets, such as the public sector, education, non-profit, property management, and healthcare and to the business-to-business payments market. With a broad suite of payment and software solutions that address the specific needs of its clients in each strategic vertical market, i3 Verticals processed approximately $12.3 billion in total payment volume for the 12 months ended June 30, 2019.

Forward-Looking Statements

This release contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact or relating to present facts or current conditions included in this release are forward-looking statements, including any statements regarding guidance and statements of a general economic or industry specific nature. Forward-looking statements give the Company's current expectations and projections relating to its financial condition, results of operations, guidance, plans, objectives, future performance and business. You generally can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “could have,” “exceed,” “significantly,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

The forward-looking statements contained in this release (such as our 2019 outlook) are based on assumptions that we have made in light of the Company's industry experience and its perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you review and consider information presented herein, you should understand that these statements are not guarantees of future performance or results. They depend upon future events and are subject to risks, uncertainties (many of which are beyond the Company's control) and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect the Company's actual future performance or results and cause them to differ materially from those anticipated in the forward-looking statements. Certain of these factors and other risks are discussed in the Company's filings with the U.S. Securities and Exchange Commission and include, but are not limited to: (i) the ability to generate revenues sufficient to maintain profitability and positive cash flow; (ii) competition in the Company's industry and the ability to compete effectively; (iii) the dependence on non-exclusive distribution partners to market the Company's products and services; (iv) the ability to keep pace with rapid developments and changes in the Company's industry and provide new products and services; (v) liability and reputation damage from unauthorized disclosure, destruction or modification of data or disruption of the Company's services; (vi) technical, operational and regulatory risks related to the Company's information technology systems and third-party providers’ systems; (vii) reliance on third parties for significant services; (viii) exposure to economic conditions and political risks affecting consumer and commercial spending, including the use of credit cards; (ix) the ability to increase the Company's existing vertical markets, expand into new vertical markets and execute the Company's growth strategy; (x) the ability to successfully identify acquisition targets, complete those acquisitions and effectively integrate those acquisitions into the Company's services; (xi) degradation of the quality of the Company's products, services and support; (xii) the ability to retain clients, many of which are small- and medium-sized businesses, which can be difficult and costly to retain; (xiii) the Company's ability to successfully manage its intellectual property; (xiv) the ability to attract, recruit, retain and develop key personnel and qualified employees; (xv) risks related to laws, regulations and industry standards; (xvi) the Company's indebtedness and potential increases in its indebtedness; (xvii) operating and financial restrictions imposed by the Company's senior secured credit facility; and (xviii) the risk factors included in the Company's Annual Report on Form 10-K for the year ended September 30, 2018 and in our subsequent SEC filings. Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect, the Company's actual results may vary in material respects from those projected in these forward-looking statements.

Any forward-looking statement made by us in this release speaks only as of the date of this release. Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities.

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i3 Verticals, Inc. Consolidated Statements of Operations
(Unaudited)
($ in thousands, except share and per share amounts)

	Three months ended June 30,			Nine months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Revenue	$ 97,483	$ 84,536	15%	$ 267,745	$ 239,455	12%
Operating expenses						
Interchange and network fees	63,263	55,705	14%	173,777	158,577	10%
Other costs of services	11,431	11,061	3%	31,414	30,119	4%
Selling general and administrative	17,587	10,696	64%	44,422	29,737	49%
Depreciation and amortization	4,425	3,000	48%	11,875	8,876	34%
Change in fair value of contingent consideration	(417)	1,151	(136)%	1,736	3,280	(47)%
Total operating expenses	96,289	81,613	18%	263,224	230,589	14%
Income from operations	1,194	2,923	(59)%	4,521	8,866	(49)%
Other expenses						
Interest expense, net	1,918	2,644	(27)%	3,987	7,649	(48)%
Change in fair value of warrant liability	—	242	n/m	—	8,487	n/m
Total other expenses	1,918	2,886	(34)%	3,987	16,136	(75)%
(Loss) income before income taxes	(724)	37	n/m	534	(7,270)	n/m
(Benefit from) provision for income taxes	(131)	692	(119)%	(2)	553	(100)%
Net (loss) income	(593)	(655)	n/m	536	(7,823)	n/m
Net income (loss) attributable to non-controlling interest	598	(91)	n/m	2,651	(91)	n/m
Net (loss) attributable to i3 Verticals, Inc.	$ (1,191)	$ (564)	111%	$ (2,115)	$ (7,732)	(73)%
Net loss per share available to Class A common stock[1]:						
Basic	$ (0.12)	$ (0.01)		$ (0.23)	$ (0.01)	
Diluted	$ (0.12)	$ (0.01)		$ (0.23)	$ (0.01)	
Weighted average shares of Class A common stock outstanding[1]:						
Basic	10,064,785	8,812,630		9,254,549	8,812,630	
Diluted	10,064,785	8,812,630		9,254,549	8,812,630	

n/m = not meaningful

1. Basic and diluted net loss per Class A common stock are presented only for the period after certain reorganization transactions ("Reorganization Transactions") undertaken in connection with the Company's initial public offering ("IPO").

-MORE-

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

	Three months ended June 30,			Nine months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Adjusted net revenue (non-GAAP)	$ 36,014	$ 28,831	25%	$ 97,032	$ 80,878	20%
Adjusted EBITDA (non-GAAP)	9,694	7,937	22%	27,019	22,499	20%
Pro forma adjusted diluted earnings per share (non-GAAP)	$ 0.20	$ 0.14	43%	$ 0.59	$ 0.39	51%

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

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	2019	2018
Payment volume(1)	$ 3,409,222	$ 2,997,366	$ 9,295,879	$ 8,583,586

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

-MORE-

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

	For the Three Months Ended June 30, 2019			
	Merchant Services	Proprietary Software and Payments	Other	Total
Revenue	$ 87,264	$ 10,219	$ —	$ 97,483
Operating expenses				
Interchange and network fees	61,744	1,519	—	63,263
Other costs of services	10,527	904	—	11,431
Selling general and administrative	6,244	6,066	5,277	17,587
Depreciation and amortization	2,972	1,308	145	4,425
Change in fair value of contingent consideration	155	(572)	—	(417)
Income (loss) from operations	$ 5,622	$ 994	$ (5,422)	$ 1,194
Payment volume	$ 3,268,141	$ 141,081	$ —	$ 3,409,222

	For the Nine Months Ended June 30, 2019			
	Merchant Services	Proprietary Software and Payments	Other	Total
Revenue	$ 241,841	$ 25,904	$ —	$ 267,745
Operating expenses				
Interchange and network fees	169,229	4,548	—	173,777
Other costs of services	29,648	1,766	—	31,414
Selling general and administrative	18,561	12,728	13,133	44,422
Depreciation and amortization	8,671	2,811	393	11,875
Change in fair value of contingent consideration	(554)	2,290	—	1,736
Income (loss) from operations	$ 16,286	$ 1,761	$ (13,526)	$ 4,521
Payment volume	$ 8,866,400	$ 429,479	$ —	$ 9,295,879

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

	For the Three Months Ended June 30, 2018			
	Merchant Services	Proprietary Software and Payments	Other	Total
Revenue	$ 79,766	$ 4,770	$ —	$ 84,536
Operating expenses				
Interchange and network fees	54,673	1,032	—	55,705
Other costs of services	10,693	368	—	11,061
Selling general and administrative	6,126	1,908	2,662	10,696
Depreciation and amortization	2,424	517	59	3,000
Change in fair value of contingent consideration	88	1,063	—	1,151
Income (loss) from operations	$ 5,762	$ (118)	$ (2,721)	$ 2,923
Payment volume	$ 2,888,278	$ 109,088	$ —	$ 2,997,366

	For the Nine Months Ended June 30, 2018			
	Merchant Services	Proprietary Software and Payments	Other	Total
Revenue	$ 224,671	$ 14,788	$ (4)	$ 239,455
Operating expenses				
Interchange and network fees	155,012	3,565	—	158,577
Other costs (benefits) of services	28,949	1,171	(1)	30,119
Selling general and administrative	17,127	5,546	7,064	29,737
Depreciation and amortization	7,140	1,615	121	8,876
Change in fair value of contingent consideration	1,535	1,745	—	3,280
Income (loss) from operations	$ 14,908	$ 1,146	$ (7,188)	$ 8,866
Payment volume	$ 8,221,763	$ 361,823	$ —	$ 8,583,586

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

	June 30, 2019 (unaudited)	September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 1,509	$ 572
Accounts receivable, net	13,173	12,500
Settlement assets	439	863
Prepaid expenses and other current assets	4,940	2,630
Total current assets	20,061	16,565
Property and equipment, net	3,835	2,958
Restricted cash	1,616	665
Capitalized software, net	14,999	3,372
Goodwill	165,865	83,954
Intangible assets, net	106,468	66,023
Deferred tax asset	28,344	1,152
Other assets	2,057	453
Total assets	$ 343,245	$ 175,142
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable	$ 7,409	$ 4,114
Current portion of long-term debt	—	5,000
Accrued expenses and other current liabilities	15,622	11,538
Settlement obligations	439	863
Deferred revenue	4,916	4,927
Total current liabilities	28,386	26,442
Long-term debt, less current portion and debt issuance costs, net	137,645	31,776
Long-term tax receivable agreement obligations	23,904	791
Other long-term liabilities	12,932	3,935
Total liabilities	202,867	62,944
Commitments and contingencies		
Stockholders' equity		
Preferred stock, par value $0.0001 per share, 10,000,000 shares authorized; 0 shares issued and outstanding as of June 30, 2019 and September 30, 2018	—	—
Class A common stock, par value $0.0001 per share, 150,000,000 shares authorized; 14,420,199 and 9,112,042 shares issued and outstanding as of June 30, 2019 and September 30, 2018, respectively	1	1
Class B common stock, par value $0.0001 per share, 40,000,000 shares authorized; 12,921,637 and 17,213,806 shares issued and outstanding as of June 30, 2019 and September 30, 2018, respectively	1	2
Additional paid-in-capital	80,344	38,562
Accumulated (deficit) earnings	(1,379)	736
Total Stockholders' equity	78,967	39,301
Non-controlling interest	61,411	72,897
Total equity	140,378	112,198
Total liabilities and stockholders' equity	$ 343,245	$ 175,142

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

	Nine months ended June 30,	
	2019	2018
Net cash provided by operating activities	$ 16,297	$ 14,659
Net cash used in investing activities	$ (131,705)	$ (30,956)
Net cash provided by financing activities	$ 117,296	$ 17,467

Reconciliation of GAAP to Non-GAAP Financial Measures

The Company believes that non-GAAP financial measures are important to enable investors to understand and evaluate its ongoing operating results. Accordingly, i3 Verticals includes non-GAAP financial measures when reporting its financial results to shareholders and potential investors in order to provide them with an additional tool to evaluate the Company's ongoing business operations. i3 Verticals believes that the non-GAAP financial measures are representative of comparative financial performance that reflects the economic substance of i3 Verticals' current and ongoing business operations.

Although non-GAAP financial measures are often used to measure the Company's operating results and assess its financial performance, they are not necessarily comparable to similarly titled measures of other companies due to potential inconsistencies in the method of calculation. i3 Verticals believes that its provision of non-GAAP financial measures provides investors with important key financial performance indicators that are utilized by management to assess the Company's operating results, evaluate the business and make operational decisions on a prospective, going-forward basis. Hence, management provides disclosure of non-GAAP financial measures to give shareholders and potential investors an opportunity to see i3 Verticals as viewed by management, to assess i3 Verticals with some of the same tools that management utilizes internally and to be able to compare such information with prior periods. i3 Verticals believes that inclusion of non-GAAP financial measures provides investors with additional information to help them better understand its financial statements just as management utilizes these non-GAAP financial measures to better understand the business, manage budgets and allocate resources.

i3 Verticals, Inc. Reconciliation of GAAP Net Income to Non-GAAP Pro Forma Adjusted Net Income and Non-GAAP Adjusted EBITDA
(Unaudited)
($ in thousands)

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	2019	2018
Net loss attributable to i3 Verticals, Inc.	**$ (1,191)**	**$ (564)**	**$ (2,115)**	**$ (7,732)**
Net income (loss) attributable to non-controlling interest	598	(91)	2,651	(91)
Non-GAAP adjustments:				
(Benefit from) provision for income taxes	(131)	692	(2)	553
Offering-related expenses[1]	—	—	—	124
Non-cash change in fair value of contingent consideration[2]	(417)	1,151	1,736	3,280
Non-cash change in fair value of warrant liability[3]	—	242	—	8,487
Equity-based compensation[4]	1,808	817	4,122	817
Acquisition revenue adjustments[5]	1,794	—	3,064	—
Acquisition-related expenses[6]	826	30	1,447	478
Acquisition intangible amortization[7]	3,641	2,376	9,751	7,006
Non-cash interest expense[8]	306	370	771	835
Other taxes[9]	64	16	254	58
Non-GAAP adjusted income before taxes	**7,298**	**5,039**	**21,679**	**13,815**
Pro forma taxes at effective tax rate[10]	(1,825)	(1,259)	(5,420)	(3,454)
Pro forma adjusted net income[11]	**$ 5,473**	**$ 3,780**	**$ 16,259**	**$ 10,361**
Cash interest expense, net[12]	1,612	2,274	3,216	6,814
Pro forma taxes at effective tax rate[10]	1,825	1,259	5,420	3,454
Depreciation and internally developed software amortization[13]	784	624	2,124	1,870
Adjusted EBITDA	**$ 9,694**	**$ 7,937**	**$ 27,019**	**$ 22,499**

1. Includes costs associated with forming i3 Verticals, Inc. and other expenses directly related to the certain transactions as part of any offering.
2. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
3. Non-cash change in warrant liability reflects the fair value change in certain warrants for the Company's common units associated with the Company's mezzanine notes in the aggregate principal amount of $10.5 million. These warrants are accounted for as liabilities on the Company's consolidated balance sheets and were repaid with proceeds from its IPO.
4. Equity-based compensation expense consisted of $1,808 thousand and $4,122 thousand related to stock options issued under the Company's 2018 Equity Incentive Plan during the three and nine months ended June 30, 2019, respectively. Equity-based compensation expense recognized during the three and nine months ended June 30, 2018 consisted of $76 thousand related to stock options issued under the Company's 2018 Equity Incentive Plan and $741 thousand related to tax receivables agreement (TRA) non-participation compensatory shares. TRA non-participation compensatory shares were issued to former equity owners as part of the Reorganization Transactions in conjunction with the IPO.
5. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of this earnings release.
6. Acquisition-related expenses are the professional service and related costs directly related to the Company's acquisitions and are not part of its core performance.
7. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
8. Non-cash interest expense reflects amortization of deferred financing costs.
9. Other taxes consist of franchise taxes, commercial activity taxes and other non-income based taxes. Taxes related to salaries or employment are not included.
10. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% and 25.0% for 2019 and 2018, respectively, based on blended federal and state tax rates.
11. Pro forma adjusted net income assumes that the effect of the Reorganization Transactions and the Company's IPO occurred prior to the year ended September 30, 2018, and that all net income during that period was available to the Class A common shareholders.
12. Cash interest expense, net represents all interest expense recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of deferred financing costs.
13. Depreciation and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.

i3 Verticals, Inc. GAAP Diluted EPS and Non-GAAP Pro Forma Adjusted Diluted EPS
(Unaudited)
($ in ones)

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	2019	2018
Diluted net loss available to Class A common stock per share	$ (0.12)	$ (0.01)	$ (0.23)	$ (0.01)
Pro forma adjusted diluted earnings per share (non-GAAP)[1]	$ 0.20	$ 0.14	$ 0.59	$ 0.39
Pro forma weighted average shares of adjusted diluted Class A common stock outstanding[2]	27,723,231	26,683,246	27,360,396	26,683,246

1. Pro forma adjusted diluted earnings per share is calculated using pro forma adjusted net income and the pro forma weighted average shares of adjusted diluted Class A common stock outstanding.
2. Pro forma weighted average shares of adjusted diluted Class A common stock outstanding include 16,184,026 outstanding shares of Class A common stock issuable upon the exchange of Common Units in i3 Verticals, LLC and 1,474,420 and 1,259,835 shares of unvested Class A common stock and options for the three and nine months ended June 30, 2019, respectively. Pro forma weighted average shares of adjusted diluted Class A common stock outstanding include 17,213,806 outstanding shares of Class A common stock issuable upon the exchange of Common Units in i3 Verticals, LLC and 656,810 shares of unvested Class A common stock and options for the for the three and nine months ended June 30, 2019.

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

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	2019	2018
Revenue	$ 97,483	$ 84,536	$ 267,745	$ 239,455
Acquisition revenue adjustments[1]	1,794	—	3,064	—
Interchange and network fees	(63,263)	(55,705)	(173,777)	(158,577)
Adjusted Net Revenue	**$ 36,014**	**$ 28,831**	**$ 97,032**	**$ 80,878**

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

-END-

Q3 Fiscal 2019
Supplemental Segment Information

Q3 YTD Fiscal 2019 Segment Performance[1]

($ in thousands)	Nine months ended June 30, 2019	Nine months ended June 30, 2018	Period over period growth
Adjusted Net Revenue[2]			
Merchant Services, excluding Purchased Portfolios	$ 67,647	$ 62,442	8%
Purchased Portfolios	4,965	7,217	(31)%
Merchant Services	72,612	69,659	4%
Proprietary Software and Payments	24,420	11,223	118%
Other	—	(4)	nm
Total	$ 97,032	$ 80,878	20%
Adjusted EBITDA[2]			
Merchant Services	$ 24,438	$ 23,585	4%
Proprietary Software and Payments	9,931	4,506	120%
Other	(7,350)	(5,592)	(31)%
Total	$ 27,019	$ 22,499	20%
Adjusted EBITDA as a percentage of Net Revenue	28%	28%	
Volume			
Merchant Services	$ 8,866,400	$ 8,221,763	8%
Proprietary Software and Payments	429,479	361,823	19%
Total	$ 9,295,879	$ 8,583,586	8%

i3 Verticals

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

Reconciliation of Non-GAAP Financial Measures

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

($ in thousands)	Nine Months Ended June 30, 2019			
	Merchant Services[2]	Proprietary Software and Payments	Other	Total
Revenue	$ 241,841	$ 25,904	$ —	$ 267,745
Acquisition revenue adjustments[1]	—	3,064	—	3,064
Interchange and network fees	(169,229)	(4,548)	—	(173,777)
Net Revenue	$ 72,612	$ 24,420	$ —	$ 97,032

($ in thousands)	Nine Months Ended June 30, 2018			
	Merchant Services[3]	Proprietary Software and Payments	Other	Total
Revenue	$ 224,671	$ 14,788	$ (4)	$ 239,455
Interchange and network fees	(155,012)	(3,565)	—	(158,577)
Net Revenue	$ 69,659	$ 11,223	$ (4)	$ 80,878

1. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of the earnings release.
2. Merchant Services includes purchased portfolios which had revenue of $9,761, acquisition revenue adjustments of $0 and interchange and network fees of $4,796 for the nine months ended June 30, 2019.
3. Merchant Services includes purchased portfolios which had revenue of $14,019 and interchange and network fees of $6,802 for the nine months ended June 30, 2018.

Reconciliation of Non-GAAP Financial Measures

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

($ in thousands)	Nine Months Ended June 30, 2019				Nine Months Ended June 30, 2018			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 16,286	$ 1,761	$ (13,526)	$ 4,521	$ 14,908	$ 1,146	$ (7,188)	$ 8,866
Interest expense, net	577	(8)	3,418	3,987	923	—	6,726	7,649
Change in fair value of warrant liability	—	—	—	—	—	—	8,487	8,487
Provision for income taxes	435	—	(437)	(2)	(271)	—	824	553
Net income (loss)	15,274	1,769	(16,507)	536	14,256	1,146	(23,225)	(7,823
Non-GAAP Adjustments:								
Provision for income taxes	435	—	(437)	(2)	(271)	—	824	553
Offering-related expenses[1]	—	—	—	—	—	—	124	124
Non-cash change in fair value of contingent consideration[2]	(554)	2,290	—	1,736	1,535	1,745	—	3,280
Non-cash change in fair value of warrant liability[3]	—	—	—	—	—	—	8,487	8,487
Equity-based compensation[4]	—	—	4,122	4,122	—	—	817	817
Acquisition revenue adjustments[5]	—	3,064	—	3,064	—	—	—	—
Acquisition-related expenses[6]	—	—	1,447	1,447	—	—	478	478
Acquisition intangible amortization[7]	8,179	1,571	1	9,751	6,755	247	4	7,006
Non-cash interest[8]	—	—	771	771	—	—	835	835
Other taxes[9]	35	5	214	254	2	—	56	58
Non-GAAP adjusted income before taxes	23,369	8,699	(10,389)	21,679	22,277	3,138	(11,600)	13,815
Pro forma taxes at effective tax rate[10]	(5,842)	(2,175)	2,597	(5,420)	(5,569)	(785)	2,900	(3,454
Pro forma adjusted net income	17,527	6,524	(7,792)	16,259	16,708	2,353	(8,700)	10,361
Plus:								
Cash interest expense, net[11]	577	(8)	2,647	3,216	923	—	5,891	6,814
Pro forma taxes at effective tax rate[10]	5,842	2,175	(2,597)	5,420	5,569	785	(2,900)	3,454
Depreciation and internally developed software amortization[12]	492	1,240	392	2,124	385	1,368	117	1,870
Adjusted EBITDA	$ 24,438	$ 9,931	$ (7,350)	$ 27,019	$ 23,585	$ 4,506	$ (5,592)	$ 22,499

See footnotes continued on the next slide.

Reconciliation of Non-GAAP Financial Measures

1. Includes costs associated with forming i3 Verticals, Inc. and other expenses directly related to the certain transactions as part of any offering.
2. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
3. Non-cash change in warrant liability reflects the fair value change in certain warrants for our common units associated with our mezzanine notes in the aggregate principal amount of $10.5 million. These warrants are accounted for as liabilities on our consolidated balance sheets.
4. Equity-based compensation expense consisted of $4,122 thousand related to stock options issued under the Company's 2018 Equity Incentive Plan during the nine months ended June 30, 2019. Equity-based compensation expense recognized during the nine months ended June 30, 2018 consisted of $76 thousand related to stock options issued under the Company's 2018 Equity Incentive Plan and $741 thousand related to tax receivables agreement (TRA) non-participation compensatory shares. TRA non-participation compensatory shares were issued to former equity owners as part of the Reorganization Transactions in conjunction with the IPO.
5. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of the earnings release.
6. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
7. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
8. Non-cash interest expense reflects amortization of deferred financing costs.
9. Other taxes consist of franchise taxes, commercial activity taxes and other non-income based taxes. Taxes related to salaries or employment are not included.
10. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% for both 2019 and 2018, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
11. Cash interest expense, net represents all interest expense recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of deferred financing costs.
12. Depreciation and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.

Q3 QTD Fiscal 2019 Segment Performance[1]

($ in thousands)	Three months ended June 30, 2019	Three months ended June 30, 2018	Period over period growth
Adjusted Net Revenue[2]			
Merchant Services, excluding Purchased Portfolios	$ 24,133	$ 23,025	5%
Purchased Portfolios	1,387	2,068	(33)%
Merchant Services	25,520	25,093	2%
Proprietary Software and Payments	10,494	3,738	181%
Other	—	—	nm
Total	$ 36,014	$ 28,831	25%
Adjusted EBITDA[2]			
Merchant Services	$ 8,761	$ 8,275	6%
Proprietary Software and Payments	3,525	1,463	141%
Other	(2,592)	(1,801)	(44)%
Total	$ 9,694	$ 7,937	22%
Adjusted EBITDA as a percentage of Net Revenue	27%	28%	
Volume			
Merchant Services	$ 3,268,141	$ 2,888,278	13%
Proprietary Software and Payments	141,081	109,088	29%
Total	$ 3,409,222	$ 2,997,366	14%

i3 Verticals

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

Reconciliation of Non-GAAP Financial Measures

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

($ in thousands)	Three Months Ended June 30, 2019			
	Merchant Services[2]	Proprietary Software and Payments	Other	Total
Revenue	$ 87,264	$ 10,219	$ —	$ 97,483
Acquisition revenue adjustments[1]	—	1,794	—	1,794
Interchange and network fees	(61,744)	(1,519)	—	(63,263)
Adjusted Net Revenue	$ 25,520	$ 10,494	$ —	$ 36,014

($ in thousands)	Three Months Ended June 30, 2018			
	Merchant Services[3]	Proprietary Software and Payments	Other	Total
Revenue	$ 79,766	$ 4,770	$ —	$ 84,536
Interchange and network fees	(54,673)	(1,032)	—	(55,705)
Adjusted Net Revenue	$ 25,093	$ 3,738	$ —	$ 28,831

1. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of the earnings release.
2. Merchant Services includes purchased portfolios which had revenue of $2,884, acquisition revenue adjustments of $0 and interchange and network fees of $1,497 for the three months ended June 30, 2019.
3. Merchant Services includes purchased portfolios which had revenue of $4,218 and interchange and network fees of $2,150 for the three months ended June 30, 2018.

Reconciliation of Non-GAAP Financial Measures

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

($ in thousands)	Three Months Ended June 30, 2019				Three Months Ended June 30, 2018			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 5,622	$ 994	$ (5,422)	$ 1,194	$ 5,762	$ (118)	$ (2,721)	$ 2,923
Interest expense, net	(1)	(8)	1,927	1,918	360	—	2,284	2,644
Change in fair value of warrant liability	—	—	—	—	—	—	242	242
Provision for income taxes	—	—	(131)	(131)	(39)	—	731	692
Net income (loss)	5,623	1,002	(7,218)	(593)	5,441	(118)	(5,978)	(655
Non-GAAP Adjustments:								
Provision for income taxes	—	—	(131)	(131)	(39)	—	731	692
Non-cash change in fair value of contingent consideration[1]	155	(572)	—	(417)	87	1,064	—	1,151
Non-cash change in fair value of warrant liability[2]	—	—	—	—	—	—	242	242
Equity-based compensation[3]	—	—	1,808	1,808	—	—	817	817
Acquisition revenue adjustments[4]	—	1,794	—	1,794	—	—	—	—
Acquisition-related expenses[5]	—	—	826	826	—	—	30	30
Acquisition intangible amortization[6]	2,792	849	—	3,641	2,297	79	—	2,376
Non-cash interest[7]	—	—	306	306	—	—	370	370
Other taxes[8]	12	1	51	64	2	—	14	16
Non-GAAP adjusted income before taxes	8,582	3,074	(4,358)	7,298	7,788	1,025	(3,774)	5,039
Pro forma taxes at effective tax rate[9]	(2,146)	(769)	1,090	(1,825)	(1,946)	(256)	943	(1,259
Pro forma adjusted net income	6,436	2,305	(3,268)	5,473	5,842	769	(2,831)	3,780
Plus:								
Cash interest expense, net[10]	(1)	(8)	1,621	1,612	360	—	1,914	2,274
Pro forma taxes at effective tax rate[9]	2,146	769	(1,090)	1,825	1,946	256	(943)	1,259
Depreciation and internally developed software amortization[11]	180	459	145	784	127	438	59	624
Adjusted EBITDA	$ 8,761	$ 3,525	$ (2,592)	$ 9,694	$ 8,275	$ 1,463	$ (1,801)	$ 7,937

See footnotes continued on the next slide.

Reconciliation of Non-GAAP Financial Measures

1. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
2. Non-cash change in warrant liability reflects the fair value change in certain warrants for our common units associated with our mezzanine notes in the aggregate principal amount of $10.5 million. These warrants are accounted for as liabilities on our consolidated balance sheets.
3. Equity-based compensation expense consisted of $1,808 thousand related to stock options issued under the Company's 2018 Equity Incentive Plan during the three months ended June 30, 2019. Equity-based compensation expense recognized during the three months ended June 30, 2018 consisted of $76 thousand related to stock options issued under the Company's 2018 Equity Incentive Plan and $741 thousand related to tax receivables agreement (TRA) non-participation compensatory shares. TRA non-participation compensatory shares were issued to former equity owners as part of the Reorganization Transactions in conjunction with the IPO.
4. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of the earnings release.
5. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
6. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
7. Non-cash interest expense reflects amortization of deferred financing costs.
8. Other taxes consist of franchise taxes, commercial activity taxes and other non-income based taxes. Taxes related to salaries or employment are not included.
9. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% for both 2019 and 2018, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
10. Cash interest expense, net represents all interest expense recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of deferred financing costs.
11. Depreciation and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.

i3 Verticals

Q2 Fiscal 2019 Segment Performance[1]

($ in thousands)	Three months ended March 31, 2019	2018	Period over period growth
Adjusted Net Revenue[2]			
Merchant Services, excluding Purchased Portfolios	$ 22,213	$ 20,629	8%
Purchased Portfolios	1,541	2,305	(33)%
Merchant Services	23,754	22,934	4%
Proprietary Software and Payments	7,694	4,132	86%
Other	—	(1)	nm
Total	$ 31,448	$ 27,065	16%
Adjusted EBITDA[2]			
Merchant Services	$ 7,826	$ 7,707	2%
Proprietary Software and Payments	3,555	1,796	98%
Other	(2,634)	(1,790)	(47)%
Total	$ 8,747	$ 7,713	13%
Adjusted EBITDA as a percentage of Net Revenue	28%	28%	
Volume			
Merchant Services	$ 2,794,120	$ 2,627,705	6%
Proprietary Software and Payments	148,688	130,587	14%
Total	$ 2,942,808	$ 2,758,292	7%

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

i3 Verticals

Reconciliation of Non-GAAP Financial Measures

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

($ in thousands)	Three Months Ended March 31, 2019			
	Merchant Services[2]	Proprietary Software and Payments	Other	Total
Revenue	$ 76,875	$ 8,519	$ —	$ 85,394
Acquisition revenue adjustments[1]	—	739	—	739
Interchange and network fees	(53,121)	(1,564)	—	(54,685)
Adjusted Net Revenue	$ 23,754	$ 7,694	$ —	$ 31,448

($ in thousands)	Three Months Ended March 31, 2018			
	Merchant Services[3]	Proprietary Software and Payments	Other	Total
Revenue	$ 72,226	$ 5,473	$ —	$ 77,699
Interchange and network fees	(49,292)	(1,341)	(1)	(50,634)
Adjusted Net Revenue	$ 22,934	$ 4,132	$ (1)	$ 27,065

i3 Verticals

1. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments move the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of the first quarter earnings release.
2. Merchant Services includes purchased portfolios which had revenue of $3,031, acquisition revenue adjustments of $0 and interchange and network fees of $1,490 for the three months ended March 31, 2019.
3. Merchant Services includes purchased portfolios which had revenue of $4,466 and interchange and network fees of $2,161 for the three months ended March 31, 2018.

Reconciliation of Non-GAAP Financial Measures

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

($ in thousands)	Three Months Ended March 31, 2019				Three Months Ended March 31, 2018			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 5,276	$ (922)	$ (4,557)	$ (203)	$ 3,728	$ 1,041	$ (2,173)	$ 2,596
Interest expense, net	289	—	866	1,155	338	—	2,280	2,618
Change in fair value of warrant liability	—	—	—	—	—	—	6,564	6,564
Provision for (benefit from) income taxes	188	—	(324)	(136)	140	—	110	250
Net income (loss)	4,799	(922)	(5,099)	(1,222)	3,250	1,041	(11,127)	(6,836)
Non-GAAP Adjustments:								
Provision for (benefit from) income taxes	188	—	(324)	(136)	140	—	110	250
Offering-related expenses[1]	—	—	—	—	—	—	124	124
Non-cash change in fair value of contingent consideration[2]	(390)	2,892	—	2,502	1,573	174	—	1,747
Non-cash change in fair value of warrant liability[3]	—	—	—	—	—	—	6,564	6,564
Equity-based compensation[4]	—	—	1,363	1,363	—	—	—	—
Acquisition revenue adjustments[5]	—	739	—	739	—	—	—	—
Acquisition-related expenses[6]	—	—	261	261	—	—	220	220
Acquisition intangible amortization[7]	2,764	440	1	3,205	2,280	88	2	2,370
Non-cash interest[8]	—	—	232	232	—	—	248	248
Other taxes[9]	23	4	160	187	—	—	6	6
Non-GAAP adjusted income (loss) before taxes	7,384	3,153	(3,406)	7,131	7,243	1,303	(3,853)	4,693
Pro forma taxes at effective tax rate[10]	(1,846)	(788)	851	(1,783)	(1,811)	(326)	964	(1,173)
Pro forma adjusted net income (loss)	5,538	2,365	(2,555)	5,348	5,432	977	(2,889)	3,520
Plus:								
Cash interest expense, net[11]	289	—	634	923	338	—	2,032	2,370
Pro forma taxes at effective tax rate[10]	1,846	788	(851)	1,783	1,811	326	(964)	1,173
Depreciation and internally developed software amortization[12]	153	402	138	693	126	493	31	650
Adjusted EBITDA	$ 7,826	$ 3,555	$ (2,634)	$ 8,747	$ 7,707	$ 1,796	$ (1,790)	$ 7,713

See footnotes continued on the next slide.

i3 Verticals

Reconciliation of Non-GAAP Financial Measures

1. Includes costs associated with forming i3 Verticals, Inc. and other expenses directly related to the certain transactions as part of any offering.
2. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
3. Non-cash change in warrant liability reflects the fair value change in certain warrants for our common units associated with our mezzanine notes in the aggregate principal amount of $10.5 million. These warrants are accounted for as liabilities on our consolidated balance sheets.
4. Equity-based compensation expense consisted of $1,363 thousand related to stock options issued under the Company's 2018 Equity Incentive Plan during the three months ended March 31, 2019.
5. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of the earnings release.
6. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
7. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
8. Non-cash interest expense reflects amortization of deferred financing costs.
9. Other taxes consist of franchise taxes, commercial activity taxes and other non-income based taxes. Taxes related to salaries or employment are not included.
10. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% for both 2019 and 2018, based on blended federal and state tax rates, considering the Tax Reform Act for 2018.
11. Cash interest expense, net represents all interest expense recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of deferred financing costs.
12. Depreciation and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.

i3 Verticals

Q1 Fiscal 2019 Segment Performance[1]

($ in thousands)	Three months ended December 31, 2018	2017	Period over period growth
Adjusted Net Revenue[2]			
Merchant Services, excluding Purchased Portfolios	$ 21,301	$ 18,788	13%
Purchased Portfolios	2,037	2,844	(28)%
Merchant Services	23,338	21,632	8%
Proprietary Software and Payments	6,232	3,353	86%
Other	—	(2)	nm
Total	$ 29,570	$ 24,983	18%
Adjusted EBITDA[2]			
Merchant Services	$ 7,851	$ 7,603	3%
Proprietary Software and Payments	2,851	1,248	128%
Other	(2,124)	(2,002)	(6)%
Total	$ 8,578	$ 6,849	25%
Adjusted EBITDA as a percentage of Net Revenue	29%	27%	
Volume			
Merchant Services	$ 2,804,139	$ 2,705,780	4%
Proprietary Software and Payments	139,710	122,149	14%
Total	$ 2,943,849	$ 2,827,929	4%

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

i3 Verticals

Reconciliation of Non-GAAP Financial Measures

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

($ in thousands)	Three Months Ended December 31, 2018			
	Merchant Services[2]	Proprietary Software and Payments	Other	Total
Revenue	$ 77,702	$ 7,166	$ —	$ 84,868
Acquisition revenue adjustments[1]	—	531	—	531
Interchange and network fees	(54,364)	(1,465)	—	(55,829)
Adjusted Net Revenue	$ 23,338	$ 6,232	$ —	$ 29,570

($ in thousands)	Three Months Ended December 31, 2017			
	Merchant Services[3]	Proprietary Software and Payments	Other	Total
Revenue	$ 72,679	$ 4,545	$ (3)	$ 77,221
Interchange and network fees	(51,047)	(1,192)	1	(52,238)
Adjusted Net Revenue	$ 21,632	$ 3,353	$ (2)	$ 24,983

1. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments move the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of the first quarter earnings release.
2. Merchant Services includes purchased portfolios which had revenue of $3,846, acquisition revenue adjustments of $0 and interchange and network fees of $1,809 for the three months ended December 31, 2018.
3. Merchant Services includes purchased portfolios which had revenue of $5,335 and interchange and network fees of $2,491 for the three months ended December 31, 2017.

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Reconciliation of Non-GAAP Financial Measures

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

($ in thousands)	Three Months Ended December 31, 2018				Three Months Ended December 31, 2017			
	Merchant Services	Proprietary Software and Payments	Other	Total	Merchant Services	Proprietary Software and Payments	Other	Total
Income (loss) from operations	$ 5,388	$ 1,689	$ (3,547)	$ 3,530	$ 5,418	$ 224	$ (2,295)	$ 3,347
Interest expense, net	289	—	625	914	225	—	2,162	2,387
Change in fair value of warrant liability	—	—	—	—	—	—	1,681	1,681
Provision for (benefit from) income taxes	247	—	18	265	(372)	—	(17)	(389)
Net income (loss)	4,852	1,689	(4,190)	2,351	5,565	224	(6,121)	(332)
Non-GAAP Adjustments:								
Provision for (benefit from) income taxes	247	—	18	265	(372)	—	(17)	(389)
Non-cash change in fair value of contingent consideration[1]	(319)	(30)	—	(349)	(125)	507	—	382
Non-cash change in fair value of warrant liability[2]	—	—	—	—	—	—	1,681	1,681
Equity-based compensation[3]	—	—	951	951	—	—	—	—
Acquisition revenue adjustments[4]	—	531	—	531	—	—	—	—
Acquisition-related expenses[5]	—	—	360	360	—	—	228	228
Acquisition intangible amortization[6]	2,623	282	—	2,905	2,178	80	2	2,260
Non-cash interest[7]	—	—	233	233	—	—	221	221
Other taxes[8]	—	—	3	3	—	—	36	36
Non-GAAP adjusted income (loss) before taxes	7,403	2,472	(2,625)	7,250	7,246	811	(3,970)	4,087
Pro forma taxes at effective tax rate[9]	(1,850)	(618)	656	(1,812)	(1,812)	(203)	993	(1,022)
Pro forma adjusted net income (loss)	5,553	1,854	(1,969)	5,438	5,434	608	(2,977)	3,065
Plus:								
Cash interest expense, net[10]	289	—	392	681	225	—	1,941	2,166
Pro forma taxes at effective tax rate[9]	1,850	618	(656)	1,812	1,812	203	(993)	1,022
Depreciation and internally developed software amortization[11]	159	379	109	647	132	437	27	596
Adjusted EBITDA	$ 7,851	$ 2,851	$ (2,124)	$ 8,578	$ 7,603	$ 1,248	$ (2,002)	$ 6,849

See footnotes continued on the next slide.

Reconciliation of Non-GAAP Financial Measures

1. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
2. Non-cash change in warrant liability reflects the fair value change in certain warrants for our common units associated with our mezzanine notes in the aggregate principal amount of $10.5 million. These warrants are accounted for as liabilities on our consolidated balance sheets.
3. Equity-based compensation expense consisted of $951 thousand related to stock options issued under the Company's 2018 Equity Incentive Plan during the three months ended December 31, 2018.
4. Acquisition-related expenses are the professional service and related costs directly related to our acquisitions and are not part of our core performance.
5. Under GAAP, companies must adjust, as necessary, beginning balances of acquired deferred revenue to fair value as part of acquisition accounting as defined by GAAP. Acquisition revenue adjustments remove the effect of these adjustments to acquisition date fair value from acquisitions that have closed as of the date of the first quarter earnings release.
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