

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): February 8, 2024 (February 8, 2024)



**i3 Verticals, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation)

001-38532  
(Commission  
File Number)

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

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

37215  
(Zip Code)

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class  
Class A Common Stock, \$0.0001 Par Value

Trading Symbol(s)  
IIIV

Name of each exchange on which registered  
Nasdaq Global Select Market

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

Emerging growth company.

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

As provided in General Instruction B.2 of Form 8-K, the information contained in Items 2.02 and 7.01 of this Current Report on Form 8-K (including Exhibits 99.1 and 99.2 hereto) shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

**Item 2.02. Results of Operations and Financial Condition.**

On February 8, 2024, i3 Verticals, Inc. (the “Company”) issued a press release announcing the results of its operations for the three months ended December 31, 2023. A copy of the press release is furnished as Exhibit 99.1 hereto and is hereby incorporated by reference into this Item 2.02.

**Item 7.01. Regulation FD Disclosure.**

The Company has also prepared a supplemental presentation (the “Supplemental Presentation”) providing certain supplemental financial information for the three months ended December 31, 2023. A copy of the Supplemental Presentation is furnished as Exhibit 99.2 hereto and is hereby incorporated by reference into this Item 7.01. A copy of the Supplemental Presentation is also available on the Investors section of the Company’s website, [www.i3verticals.com](http://www.i3verticals.com).

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

(d) Exhibits:

Exhibit No.	Description
<a href="#">99.1</a>	<a href="#">Press release issued by i3 Verticals, Inc. on February 8, 2023</a>
<a href="#">99.2</a>	<a href="#">Supplemental Presentation</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

**SIGNATURES**

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

Date: February 8, 2024

**i3 VERTICALS, INC.**

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



**i3 VERTICALS REPORTS FIRST QUARTER 2024 FINANCIAL RESULTS**  
***Company to Explore Sale of Its Merchant Services Business***

**NASHVILLE, Tenn.** (February 8, 2024) – i3 Verticals, Inc. (Nasdaq: IIIV) (“i3 Verticals” or the “Company”) today reported its financial results for the fiscal first quarter ended December 31, 2023.

**Highlights for the three months ended December 31, 2023 vs. 2022**

- Revenue was \$92.0 million, an increase of 6.9% over the prior year’s first quarter.
- Net income was \$1.5 million, compared to net income of \$0.2 million in the prior year’s first quarter.
- Net income attributable to i3 Verticals, Inc. was \$1.1 million, compared to net loss attributable to i3 Verticals, Inc. of \$0.2 million in the prior year’s first quarter.
- Adjusted EBITDA<sup>1</sup> was \$25.2 million, an increase of 6.6% over the prior year’s first quarter.
- Adjusted EBITDA<sup>1</sup> as a percentage of revenue was 27.4%, unchanged from the prior year’s first quarter.
- Diluted net income per share available to Class A common stock was \$0.04, compared to diluted net loss per share available to Class A common stock of \$0.01 in the prior year’s first quarter.
- Pro forma adjusted diluted earnings per share<sup>1</sup>, which gives pro forma effect to the Company’s tax rate, was \$0.36 compared to \$0.37 for the prior year’s first quarter.
- Annualized Recurring Revenue (“ARR”)<sup>2</sup> for the three months ended December 31, 2023 and 2022 was \$316.9 million and \$290.2 million, respectively, representing a period-to-period growth rate of 9.2%.
- Software and related services revenue<sup>3</sup> as a percentage of total revenue was 47.4% for the three months ended December 31, 2023.
- As of December 31, 2023, consolidated interest coverage ratio was 4.40x and total leverage ratio was 3.60x. These ratios are defined in the Company’s 2023 Credit Agreement.

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

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

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

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### Exploration of Sale of our Merchant Services Business

The Company's Board of Directors (the "Board") has initiated a process solely to explore the potential sale of certain assets related to its merchant services business (the "Merchant Services Business"), and has engaged Raymond James & Associates, Inc. as its financial advisor to assist in connection with this process. There is no assurance that the process to explore the sale of the Merchant Services Business will result in any transaction, or if the transaction is completed, the timing or terms of any such transaction. Any decision by the Board to engage in any transaction involving the Merchant Services Business will be aligned with the Board's objectives of maximizing long-term shareholder value and strengthening the Company's ongoing operations, and in all cases will be subject to then prevailing market conditions.

The Company will provide further information about this exploratory process on its conference call tomorrow, February 9, 2024, at 8:30 a.m. EST. However, following that call, the Company does not intend to make any further disclosure concerning these matters unless and until any definitive transaction agreement is reached or the Company otherwise deems further disclosure is appropriate.

Greg Daily, Chairman and CEO of i3 Verticals, commented, "We are pleased to bring you the results of our first quarter of fiscal year 2024. Revenue from recurring services grew 9%, payments revenue grew 9% and we are excited about the strategic moves we are making.

"The decision to explore a sale of our Merchant Services Business reflects the next evolution in i3's long-term strategy to focus on our vertical software businesses, and to grow those software businesses through organic growth initiatives as well as through targeted M&A activity. If a sale is completed, we expect that a substantial portion of the proceeds from the sale of the Merchant Services Business will be used to pay down our outstanding debt, which would give us significant availability to deploy productively in our software-related M&A efforts and further enhance shareholder value.

"The Merchant Services Business has been an important part of i3, and we believe it has significant growth potential. Since we hold it in such high regard, we only intend to sell this business as part of this process if we reach an agreement on acceptable terms, and would not part with it lightly. The business is led by industry veterans with decades of experience and includes best-in-class technology and a deep and mature sales team. We hope to find a partner who values the business as highly as we do, who is also excited to be a long-term partner for i3 Verticals as we bring integrated payments to our vertical market software businesses for years to come."

### Revised 2024 Outlook

The Company's practice is to provide annual guidance, excluding the impact of acquisitions, dispositions and transaction-related costs. In particular, this annual guidance does not take into account any impact of the potential sale of i3 Verticals' Merchant Services Business as described above in the Company's results of operations for the fiscal year ending September 30, 2024, in the event that such sale is completed.

The Company is providing the following revised outlook for the fiscal year ending September 30, 2024:

(in thousands, except share and per share amounts)

	Previous Outlook Range		Revised Outlook Range	
	Fiscal year ending September 30, 2024			
Revenue	\$ 385,000	- \$ 410,000	\$ 385,000	- \$ 400,000
Adjusted EBITDA (non-GAAP)	\$ 109,000	- \$ 119,000	\$ 109,000	- \$ 115,000
Depreciation and internally developed software amortization	\$ 11,000	- \$ 13,000	\$ 11,000	- \$ 13,000
Cash interest expense, net	\$ 22,000	- \$ 25,000	\$ 26,000	- \$ 29,000
Pro forma adjusted diluted earnings per share <sup>(1)</sup> (non-GAAP)	\$ 1.60	- \$ 1.78	\$ 1.52	- \$ 1.64

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

With respect to the "Revised 2024 Outlook" above, reconciliations of adjusted EBITDA and pro forma adjusted diluted earnings per share guidance to the closest corresponding GAAP measure on a forward-looking basis is not available without unreasonable efforts. This inability results from the inherent difficulty in forecasting generally and quantifying certain projected amounts that are necessary for such reconciliations. In particular, sufficient information is not available to calculate certain adjustments required for such reconciliations, including changes in the fair value

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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, February 9, 2024, at 8:30 a.m. EST, to discuss financial results and operations. To listen to the call live via telephone, participants should dial (844) 887-9399 approximately 10 minutes prior to the start of the call. A telephonic replay will be available from 11:30 a.m. EST on February 9, 2024, through February 16, 2024, by dialing (877) 344-7529 and entering Confirmation Code 4184683.

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

#### **Non-GAAP Measures**

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

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

#### **About i3 Verticals**

The Company delivers seamless integrated software and services to customers in strategic vertical markets. Building on its sophisticated and diverse platform of software and services solutions, the Company creates and acquires software products to serve the specific needs of public and private organizations in its strategic verticals, including its Public Sector (including Education) and Healthcare verticals.

#### **Forward-Looking Statements**

This release contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact or relating to present facts or current conditions included in this release are forward-looking statements, including any statements regarding the Company's fiscal 2024 financial outlook and statements of a general economic or industry specific nature. Forward-looking statements give the Company's current expectations and projections relating to its financial condition, results of operations, guidance, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "could have," "exceed," "significantly," "likely" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

The forward-looking statements contained in this release are based on assumptions that we have made in light of the Company's industry experience and its perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you review and consider information presented herein, you should understand that these statements are not guarantees of future performance or results. They depend upon future events and are subject to risks, uncertainties (many of which are beyond the Company's control) and assumptions. Factors that could cause actual results to differ from those expressed or implied by our forward-looking statements include, among other things: the impact of our Board of Directors exploring a potential sale of our Merchant Services Business, including the risks that a definitive agreement will not be reached with respect to a potential transaction or that a potential transaction will not be consummated, potential adverse effects on the market price of our Class A common stock or on our operating results because of the failure to complete such a potential transaction, potential adverse effects of the announcement or the consummation of such potential transaction on the market price of our Class A common stock,

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significant transaction costs associated with such a potential transaction, and the effect of the announcement or pendency of such potential transaction on our business relationships, operating results, and business generally,

among other factors; ongoing economic and geopolitical conditions, including the impact of inflation and elevated interest rates, competition in our industry and our ability to compete effectively, and regulatory developments; the successful integration of acquired businesses; and future decisions made by us and our competitors. All of these factors are difficult or impossible to predict accurately and many of them are beyond our control. For a further list and description of these and other important risks and uncertainties that may affect our future operations, see Part I, Item 1A - Risk Factors in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, which we may update in Part II, Item 1A - Risk Factors in Quarterly Reports on Form 10-Q we have filed or will file hereafter.

Any forward-looking statement made by us in this release speaks only as of the date of this release and we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

**Contact:**

Clay Whitson  
Chief Financial Officer  
(888) 251-0987  
investorrelations@i3verticals.com

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

	Three Months Ended December 31,		
	2023	2022	% Change
Revenue	\$ 91,990	\$ 86,029	7%
Operating expenses			
Other costs of services	20,424	19,069	7%
Selling, general and administrative	53,532	51,003	5%
Depreciation and amortization	9,739	8,676	12%
Change in fair value of contingent consideration	(237)	1,443	n/m
Total operating expenses	83,458	80,191	4%
Income from operations	8,532	5,838	46%
Interest expense, net	6,707	5,490	22%
Other expense (income)	107	(203)	n/m
Total other expenses	6,814	5,287	29%
Income before income taxes	1,718	551	212%
Provision for income taxes	182	382	(52)%
Net income	1,536	169	809%
Net income attributable to non-controlling interest	438	409	7%
Net income (loss) attributable to i3 Verticals, Inc.	\$ 1,098	\$ (240)	n/m
Net income (loss) per share attributable to Class A common stockholders:			
Basic	\$ 0.05	\$ (0.01)	
Diluted	\$ 0.04	\$ (0.01)	
Weighted average shares of Class A common stock outstanding:			
Basic	23,267,290	22,998,608	
Diluted	33,828,461	22,998,608	

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

	For the Three Months Ended December 31, 2023						
	Software and Services		Merchant Services		Other		Total
Revenue	\$	56,589	\$	35,422	\$	(21)	\$ 91,990
Income (loss) from operations	\$	13,340	\$	8,133	\$	(12,941)	\$ 8,532
Payment volume <sup>(1)</sup>	\$	781,859	\$	5,451,298	\$	—	\$ 6,233,157

  

	For the Three Months Ended December 31, 2022						
	Software and Services		Merchant Services		Other		Total
Revenue	\$	53,213	\$	32,834	\$	(18)	\$ 86,029
Income (loss) from operations	\$	11,214	\$	7,017	\$	(12,393)	\$ 5,838
Payment volume <sup>(1)</sup>	\$	652,176	\$	5,261,839	\$	—	\$ 5,914,015

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

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

	December 31, 2023 (unaudited)	September 30, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,159	\$ 3,112
Accounts receivable, net	68,226	65,110
Settlement assets	3,518	4,873
Prepaid expenses and other current assets	14,218	12,449
<b>Total current assets</b>	<b>90,121</b>	<b>85,544</b>
Property and equipment, net	11,142	12,308
Restricted cash	3,407	4,415
Capitalized software, net	62,153	62,577
Goodwill	410,772	409,563
Intangible assets, net	225,296	226,952
Deferred tax asset	52,332	52,514
Operating lease right-of-use assets	12,717	13,922
Other assets	8,996	13,698
<b>Total assets</b>	<b>\$ 876,936</b>	<b>\$ 881,493</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 9,711	\$ 11,064
Current portion of long term debt	90,777	—
Accrued expenses and other current liabilities	33,081	37,740
Settlement obligations	3,518	4,873
Deferred revenue	39,163	35,275
Current portion of operating lease liabilities	4,292	4,509
<b>Total current liabilities</b>	<b>180,542</b>	<b>93,461</b>
Long-term debt, less current portion and debt issuance costs, net	287,751	385,081
Long-term tax receivable agreement obligations	40,079	40,079
Operating lease liabilities, less current portion	9,417	10,433
Other long-term liabilities	21,991	24,143
<b>Total liabilities</b>	<b>539,780</b>	<b>553,197</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity</b>		
Preferred stock, par value \$0.0001 per share, 10,000,000 shares authorized; 0 shares issued and outstanding as of December 31, 2023 and September 30, 2023	—	—
Class A common stock, par value \$0.0001 per share, 150,000,000 shares authorized; 23,279,170 and 23,253,272 shares issued and outstanding as of December 31, 2023 and September 30, 2023, respectively	2	2
Class B common stock, par value \$0.0001 per share, 40,000,000 shares authorized; 10,093,394 and 10,093,394 shares issued and outstanding as of December 31, 2023 and September 30, 2023, respectively	1	1
Additional paid-in capital	254,562	249,688
Accumulated deficit	(11,846)	(12,944)
<b>Total stockholders' equity</b>	<b>242,719</b>	<b>236,747</b>
Non-controlling interest	94,437	91,549
<b>Total equity</b>	<b>337,156</b>	<b>328,296</b>
<b>Total liabilities and equity</b>	<b>\$ 876,936</b>	<b>\$ 881,493</b>

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

	Three months ended December 31,			
	2023		2022	
Net cash provided by operating activities	\$	13,050	\$	18,179
Net cash used in investing activities	\$	(7,171)	\$	(94,530)
Net cash (used in) provided by financing activities	\$	(7,195)	\$	76,925

**Reconciliation of GAAP to Non-GAAP Financial Measures**

The Company believes that the non-GAAP financial measures presented by the Company provide useful information to investors in understanding and evaluating the Company's ongoing operating results. Accordingly, the Company includes such non-GAAP financial measures when reporting its financial results to shareholders and potential investors in order to provide them with an additional tool to evaluate the Company's ongoing business operations. The Company believes that these non-GAAP financial measures are representative of comparative financial performance that reflects the economic substance of the Company's current and ongoing business operations.

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

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

	Three Months Ended December 31,	
	2023	2022
<b>Net income (loss) attributable to i3 Verticals, Inc.</b>	<b>\$ 1,098</b>	<b>\$ (240)</b>
Net income attributable to non-controlling interest	438	409
<b>Non-GAAP adjustments:</b>		
Provision for income taxes	182	382
Non-cash change in fair value of contingent consideration <sup>(1)</sup>	(237)	1,443
Equity-based compensation <sup>(2)</sup>	6,508	6,846
M&A-related expenses <sup>(3)</sup>	244	727
Acquisition intangible amortization <sup>(4)</sup>	7,145	6,732
Non-cash interest expense <sup>(5)</sup>	414	361
Other taxes <sup>(6)</sup>	375	75
Gain on investment <sup>(7)</sup>	—	(203)
Loss on disposal of property and equipment <sup>(8)</sup>	107	—
<b>Non-GAAP pro forma adjusted income before taxes</b>	<b>16,274</b>	<b>16,532</b>
Pro forma taxes at effective tax rate <sup>(9)</sup>	(4,069)	(4,133)
<b>Pro forma adjusted net income<sup>(10)</sup></b>	<b>\$ 12,205</b>	<b>\$ 12,399</b>
Cash interest expense, net <sup>(11)</sup>	6,293	5,129
Pro forma taxes at effective tax rate <sup>(9)</sup>	4,069	4,133
Depreciation and internally developed software amortization <sup>(12)</sup>	2,594	1,944
<b>Adjusted EBITDA<sup>(13)</sup></b>	<b>\$ 25,161</b>	<b>\$ 23,605</b>

1. Non-cash change in fair value of contingent consideration reflects the changes in management's estimates of future cash consideration to be paid in connection with prior acquisitions from the amount estimated as of the later of the most recent balance sheet date forming the beginning of the income statement period or the original estimates made at the closing of the applicable acquisition.
2. Equity-based compensation expense related to stock options and restricted stock units issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan.
3. M&A-related expenses are the professional service and related costs directly related to any merger, acquisition and disposition activity of the Company which we believe are not reflective of the underlying operational performance of the Company.
4. Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
5. Non-cash interest expense reflects amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
6. Other taxes consist of franchise taxes, commercial activity taxes, reserves for ongoing tax audit matters, the employer portion of payroll taxes related to stock option exercises and other non-income based taxes. Taxes related to salaries are not included.
7. Gain on investment reflects contingent consideration received for an investment that was sold in a prior year for the three months ended December 31, 2022.
8. Loss on disposal of property and equipment is related to the sale of a building purchased through an acquisition.
9. Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% for both 2023 and 2022, based on blended federal and state tax rates.
10. Pro forma adjusted net income represents a non-GAAP financial measure, and assumes that all net income during the period is available to the holders of the Company's Class A common stock.
11. Cash interest expense, net represents all interest expense net of interest income recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
12. Depreciation and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.
13. Represents a non-GAAP financial measure.

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**i3 Verticals, Inc. GAAP Diluted EPS and Non-GAAP Pro Forma Adjusted Diluted EPS**  
(Unaudited)  
(\$ in thousands, except share and per share amounts)

	Three Months Ended December 31,	
	2023	2022
Diluted net income (loss) available to Class A common stock per share	\$ 0.04	\$ (0.01)
Pro forma adjusted diluted earnings per share <sup>(1)(2)</sup>	\$ 0.36	\$ 0.37
Pro forma adjusted net income <sup>(2)</sup>	\$ 12,205	\$ 12,399
Pro forma weighted average shares of adjusted diluted Class A common stock outstanding <sup>(3)</sup>	33,828,461	33,813,177

1. Pro forma adjusted diluted earnings per share, a non-GAAP financial measure, is calculated using pro forma adjusted net income and the pro forma weighted average shares of adjusted diluted Class A common stock outstanding.
2. Pro forma adjusted net income, a non-GAAP financial measure, assumes that all net income during the period is available to the holders of the Company's Class A common stock. Further, pro forma adjusted diluted earnings per share assumes that all Common Units in i3 Verticals, LLC and the associated non-voting Class B common stock were exchanged for Class A common stock at the beginning of the period on a one-for-one basis.
3. Pro forma weighted average shares of adjusted diluted Class A common stock outstanding include 10,093,394 and 10,118,142 outstanding shares of Class A common stock issuable upon the exchange of Common Units in i3 Verticals, LLC and 467,777 and 696,427 shares resulting from estimated stock option exercises and restricted stock units vesting as calculated by the treasury stock method for the three months ended December 31, 2023 and 2022, respectively, resulting from estimated stock option exercises and restricted stock units vesting as calculated by the treasury stock method were excluded because of the effect of including them would have been anti-dilutive.

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FISCAL YEAR 2024

Supplemental  
Information

# Revenue Composition

(\$ in thousands)	Quarter Ended									
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	
<b>Software and related service revenue</b>										
SaaS <sup>(1)</sup>	\$ 10,453	\$ 10,864	\$ 10,170	\$ 9,901	\$ 9,230	\$ 8,833	\$ 8,450	\$ 7,899	\$ 6,310	
Transaction-based <sup>(2)</sup>	3,776	3,827	3,461	3,319	3,331	3,137	3,253	2,642	2,325	
Maintenance <sup>(3)</sup>	8,257	7,986	8,478	8,140	7,417	5,600	5,720	5,672	5,897	
Recurring software services <sup>(4)</sup>	10,859	10,966	11,804	11,266	10,164	10,945	10,768	11,107	10,311	
Professional services <sup>(5)</sup>	9,622	11,443	10,600	11,202	9,775	8,492	8,743	8,251	9,386	
Software licenses	655	3,256	2,755	3,479	1,197	3,485	2,072	3,401	2,109	
<b>Total</b>	<b>\$ 43,622</b>	<b>\$ 48,342</b>	<b>\$ 47,268</b>	<b>\$ 47,307</b>	<b>\$ 41,114</b>	<b>\$ 40,492</b>	<b>\$ 39,006</b>	<b>\$ 38,972</b>	<b>\$ 36,338</b>	
<i>Year-over-year growth</i>	6%	19%	21%	21%	13%					
<b>Payments revenue</b>										
	\$ 43,995	\$ 42,601	\$ 41,990	\$ 41,909	\$ 40,354	\$ 39,775	\$ 36,683	\$ 34,528	\$ 33,466	
<i>Year-over-year growth</i>	9%	7%	14%	21%	21%					
<b>Other revenue</b>										
Recurring <sup>(6)</sup>	\$ 1,890	\$ 1,992	\$ 1,956	\$ 1,880	\$ 2,045	\$ 2,001	\$ 1,792	\$ 1,780	\$ 1,802	
Other	2,483	3,472	2,717	2,776	2,516	2,982	3,072	2,840	2,333	
<b>Total</b>	<b>\$ 4,373</b>	<b>\$ 5,464</b>	<b>\$ 4,673</b>	<b>\$ 4,656</b>	<b>\$ 4,561</b>	<b>\$ 4,983</b>	<b>\$ 4,864</b>	<b>\$ 4,620</b>	<b>\$ 4,135</b>	
<i>Year-over-year growth</i>	(4)%	10%	(4)%	1%	10%					
<b>Total revenue</b>	<b>\$ 91,990</b>	<b>\$ 96,407</b>	<b>\$ 93,931</b>	<b>\$ 93,872</b>	<b>\$ 86,029</b>	<b>\$ 85,250</b>	<b>\$ 80,553</b>	<b>\$ 78,120</b>	<b>\$ 73,939</b>	
<b>Recurring revenue<sup>(7)</sup></b>	<b>\$ 79,230</b>	<b>\$ 78,236</b>	<b>\$ 77,859</b>	<b>\$ 76,415</b>	<b>\$ 72,541</b>	<b>\$ 70,291</b>	<b>\$ 66,666</b>	<b>\$ 63,628</b>	<b>\$ 60,111</b>	
<b>Annualized Recurring Revenue "ARR"<sup>(8)</sup></b>										
Software and related service revenue	\$ 133,380	\$ 134,572	\$ 135,652	\$ 130,504	\$ 120,568	\$ 114,060	\$ 112,764	\$ 109,280	\$ 99,372	
Payments revenue	175,980	170,404	167,960	167,636	161,416	159,100	146,732	138,112	133,864	
Other revenue	7,560	7,968	7,824	7,520	8,180	8,004	7,168	7,120	7,208	
<b>Total ARR</b>	<b>\$ 316,920</b>	<b>\$ 312,944</b>	<b>\$ 311,436</b>	<b>\$ 305,660</b>	<b>\$ 290,164</b>	<b>\$ 281,164</b>	<b>\$ 266,664</b>	<b>\$ 254,512</b>	<b>\$ 240,444</b>	
<i>Year-over-year growth</i>	9%	11%	17%	20%	21%					

See footnotes continued on the next slide.

## Annualized Recurring Revenue (“ARR”)

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



# Q1 Fiscal 2024 GAAP Measures

The following is our income (loss) from operations for the three months ended December 31, 2023 and 2022 calculated in accordance with GAAP. The presentation also includes references to non-GAAP financial measures presented by the Company. The Company believes that the non-GAAP financial measures presented by the Company provide useful information to investors in understanding and evaluating the Company's ongoing operating results. Accordingly, the Company includes such non-GAAP financial measures when reporting its financial results to shareholders and potential investors in order to provide them with an additional tool to evaluate the Company's ongoing business operations. The Company believes that these non-GAAP financial measures are representative of comparative financial performance that reflects the economic substance of the Company's current and ongoing business operations.

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

(\$ in thousands)	Three Months Ended December 31, 2023				Three Months Ended December 31, 2022			
	Software and Services	Merchant Services	Other	Total	Software and Services	Merchant Services	Other	Total
Income (loss) from operations	\$ 13,340	\$ 8,133	\$ (12,941)	\$ 8,532	\$ 11,214	\$ 7,017	\$ (12,393)	\$ 5,838

# Q1 Fiscal 2024 Segment Performance<sup>(1)</sup>

(\$ in thousands)	Three Months Ended December 31,		Period over period growth
	2023	2022	
<b>Revenue</b>			
Software and Services	\$ 56,589	\$ 53,213	6%
Merchant Services	35,422	32,834	8%
Other	(21)	(18)	17%
<b>Total</b>	<b>\$ 91,990</b>	<b>\$ 86,029</b>	<b>7%</b>
<b>Adjusted EBITDA<sup>(2)</sup></b>			
Software and Services	\$ 20,167	\$ 18,862	7%
Merchant Services	10,708	9,384	14%
Other	(5,714)	(4,641)	(23)%
<b>Total</b>	<b>\$ 25,161</b>	<b>\$ 23,605</b>	<b>7%</b>
<b>Volume</b>			
Software and Services	\$ 781,859	\$ 652,176	20%
Merchant Services	5,451,298	5,261,839	4%
<b>Total</b>	<b>\$ 6,233,157</b>	<b>\$ 5,914,015</b>	<b>5%</b>

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

# 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 excluding acquisition revenue adjustments is as follows:

(\$ in thousands)	Three Months Ended December 31, 2023				Three Months Ended December 31, 2022			
	Software and Services	Merchant Services	Other	Total	Software and Services	Merchant Services	Other	Total
Income (loss) from operations	\$ 13,340	\$ 8,133	\$ (12,941)	\$ 8,532	\$ 11,214	\$ 7,017	\$ (12,393)	\$ 5,838
Interest expense, net	7	20	6,680	6,707	—	—	5,490	5,490
Provision for income taxes	5	—	177	182	—	—	382	382
Net income (loss)	13,221	8,113	(19,798)	1,536	11,214	7,017	(18,062)	169
Non-GAAP Adjustments:								
Provision for income taxes	5	—	177	182	—	—	382	382
Non-cash change in fair value of contingent consideration <sup>(1)</sup>	(237)	—	—	(237)	1,430	13	—	1,443
Equity-based compensation <sup>(2)</sup>	—	—	6,508	6,508	—	—	6,846	6,846
M&A-related expenses <sup>(3)</sup>	—	—	244	244	—	—	727	727
Acquisition intangible amortization <sup>(4)</sup>	4,968	1,939	238	7,145	4,701	2,031	—	6,732
Non-cash interest <sup>(5)</sup>	—	—	414	414	—	—	361	361
Other taxes <sup>(6)</sup>	38	294	43	375	9	5	61	75
Gain on investment <sup>(7)</sup>	—	—	—	—	—	—	(203)	(203)
Loss on disposal of property and equipment <sup>(8)</sup>	107	—	—	107	—	—	—	—
Non-GAAP adjusted income (loss) before taxes	17,995	10,346	(12,174)	16,167	17,354	9,066	(9,888)	16,532
Pro forma taxes at effective tax rate <sup>(9)</sup>	(4,526)	(2,587)	3,044	(4,069)	(4,339)	(2,267)	2,473	(4,133)
Pro forma adjusted net income (loss) <sup>(10)</sup>	13,576	7,759	(9,130)	12,205	13,015	6,799	(7,415)	12,399
Plus:								
Cash interest expense, net <sup>(11)</sup>	7	20	6,266	6,293	—	—	5,129	5,129
Pro forma taxes at effective tax rate <sup>(9)</sup>	4,526	2,587	(3,044)	4,069	4,339	2,267	(2,473)	4,133
Depreciation and internally developed software amortization <sup>(12)</sup>	2,058	342	194	2,594	1,508	318	118	1,944
<b>Adjusted EBITDA<sup>(13)</sup></b>	<b>\$ 20,167</b>	<b>\$ 10,708</b>	<b>\$ (5,714)</b>	<b>\$ 25,161</b>	<b>\$ 18,862</b>	<b>\$ 9,384</b>	<b>\$ (4,641)</b>	<b>\$ 23,605</b>

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.) Equity-based compensation expense related to stock options and restricted stock units issued under the Company's 2018 Equity Incentive Plan and 2020 Acquisition Equity Incentive Plan.
- 3.) M&A-related expenses are the professional service and related costs directly related to any merger, acquisition and disposition activity of the Company which the Company believes are not reflective of its underlying operational performance.
- 4.) Acquisition intangible amortization reflects amortization of intangible assets and software acquired through business combinations, acquired customer portfolios, acquired referral agreements and related asset acquisitions.
- 5.) Non-cash interest expense reflects amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
- 6.) Other taxes consist of franchise taxes, commercial activity taxes, reserves for ongoing tax audit matters, the employer portion of payroll taxes related to stock option exercises and other non-income based taxes. Taxes related to salaries are not included.
- 7.) Gain on investment reflects \$203k related to contingent consideration received for an investment that was sold in a prior year for the three months ended December 31, 2022.
- 8.) Loss on disposal of property and equipment is related to the sale of a building purchased through an acquisition.
- 9.) Pro forma corporate income tax expense is based on Non-GAAP adjusted income before taxes and is calculated using a tax rate of 25.0% for both 2023 and 2022, based on blended federal and state tax rates.
- 10.) Pro forma adjusted net income represents a non-GAAP financial measure, and assumes that all net income during the period is available to the holders of the Company's Class A common stock.
- 11.) Cash interest expense, net represents all interest expense net of interest income recorded on the Company's statement of operations other than non-cash interest expense, which represents amortization of debt discount and debt issuance costs and any write-offs of debt issuance costs.
- 12.) Depreciation and internally developed software amortization reflects depreciation on the Company's property, plant and equipment, net, and amortization expense on its internally developed capitalized software.
- 13.) Represents a non-GAAP financial measure.

## Reconciliation Between GAAP Debt and Covenant Debt

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

(\$ in millions)	As of December 31, 2023	
Revolving lines of credit to banks under the 2023 Senior Secured Credit Facility	\$	265.5
1% Exchangeable Senior Notes due 2025		117.0
Less: Cash and Cash Equivalents		<u>(4.2)</u>
<b>Total long-term debt for use in our Total Leverage Ratio</b>	<b>\$</b>	<b>378.3</b>

(\$ in millions)	Pro forma adjusted	
Revolving lines of credit to banks under the 2023 Senior Secured Credit Facility	\$	352.5
1% Exchangeable Senior Notes due 2025		26.2
Less: Cash and Cash Equivalents		<u>(4.2)</u>
<b>Total long-term debt for use in our Total Leverage Ratio</b>	<b>\$</b>	<b>374.5</b>

