REPAY
Realtime Electronic Payments

REPAY Reports Third Quarter 2023 Financial Results

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Raising Full Year 2023 Revenue Outlook
Gross Profit Growth of 3% in Q3 and 7% Year-to-Date
Normalized Organic Gross Profit Growth[1] of 12% in Q3 and 13% Year-to-Date

ATLANTA--(BUSINESS WIRE)--Nov. 9, 2023-- Repay Holdings Corporation (NASDAQ: RPAY) ("REPAY" or the "Company"), a leading provider of vertically-integrated payment solutions, today reported financial results for its third quarter ended September 30, 2023.

Third Quarter 2023 Financial Highlights

(in $ millions)	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	YoY Change
Card payment volume	$ 6,416.8	$ 6,611.8	$ 6,591.3	$ 6,254.4	$ 6,401.3	0%
Revenue	71.6	72.7	74.5	71.8	74.3	4%
Gross profit (1)	54.9	57.8	56.6	54.9	56.7	3%
Net income (loss)	5.4	(8.2)	(27.9)	(5.3)	(6.5)	-
Adjusted EBITDA (2)	31.7	36.0	31.2	30.3	31.9	1%

(1) Gross profit represents revenue less costs of services.
(2) Adjusted EBITDA is a non-GAAP financial measure. See "Non-GAAP Financial Measures" and the reconciliation of Adjusted EBITDA to its most comparable GAAP measure provided below for additional information.

"REPAY delivered solid performance in the third quarter, with normalized organic revenue and gross profit growth [1] of 11% and 12%, respectively," said John Morris, CEO of REPAY. "We continued to see stable and resilient trends from our clients throughout the quarter. Our efforts in developing our go-to-market and implementation teams, as well as innovating on our payment technology, continue to be our top priorities. We remain excited about the future of REPAY as we strive to be a network to all networks."

Third Quarter 2023 Business Highlights

The Company's achievements in the quarter, including those highlighted below, reinforce management's belief in the ability of the Company to drive durable and sustained growth across REPAY's diversified business model.

- 12% year-over-year normalized organic gross profit growth[1] in Q3 and 13% year-to-date
- Consumer Payments organic gross profit growth[1] of approximately 14% year-over-year
- Business Payments normalized organic gross profit growth[1] of approximately 13% year-over-year
- Accelerated AP supplier network to over 233,000, an increase of approximately 60% year-over-year
- Added five new integrated software partners to bring the total to 257 software relationships as of the end of the third quarter
- Increased instant funding transaction volumes by approximately 50% year-over-year
- The Company now serves over 266 Credit Unions, an increase of approximately 16% year-over-year

[1] Normalized organic revenue growth, organic gross profit growth and normalized organic gross profit growth are non-GAAP financial measures. See "Non-GAAP Financial Measures" and the reconciliation to their most comparable GAAP measure provided below for additional information.

Segments

The Company reports its financial results based on two reportable segments.

Consumer Payments – The Consumer Payments segment provides payment processing solutions (including debit and credit card processing, Automated Clearing House ("ACH") processing and other electronic payment acceptance solutions, as well as REPAY's loan disbursement product) that enable its clients to collect payments and disburse funds to consumers and includes its clearing and settlement solutions ("RCS"). RCS is REPAY's proprietary clearing and settlement platform through which it markets customizable payment processing programs to other ISOs and payment facilitators. The strategic vertical markets served by the Consumer Payments segment primarily include personal loans, automotive loans, receivables management, credit unions, mortgage servicing, consumer healthcare and diversified retail.

Business Payments – The Business Payments segment provides payment processing solutions (including accounts payable automation, debit and credit card processing, virtual credit card processing, ACH processing and other electronic payment acceptance solutions) that enable REPAY's clients to collect or send payments to other businesses. The strategic vertical markets served within the Business Payments segment primarily include retail automotive, education, field services, governments and municipalities, healthcare, media, homeowner association management and hospitality.

Segment Card Payment Volume, Revenue, Gross Profit, and Gross Profit Margin

	Three Months Ended September 30,			Nine Months Ended September 30,		
($ in thousand)	2023	2022	% Change	2023	2022	% Change
Card payment volume						
Consumer Payments	$ 5,338,250	$ 4,937,825	8%	$ 16,057,365	$ 15,146,967	6%
Business Payments	1,063,088	1,479,002	(28%)	3,189,640	3,880,064	(18%)
Total card payment volume	**$ 6,401,338**	**$ 6,416,827**	**0%**	**$ 19,247,005**	**$ 19,027,031**	**1%**
Revenue						
Consumer Payments	$ 68,720	$ 62,977	9%	$ 204,622	$ 183,890	11%
Business Payments	9,704	11,440	(15%)	28,170	30,266	(7%)
Elimination of intersegment revenues	(4,104)	(2,862)		(12,152)	(7,602)	
Total revenue	**$ 74,320**	**$ 71,555**	**4%**	**$ 220,640**	**$ 206,554**	**7%**
Gross profit (1)						
Consumer Payments	$ 53,599	$ 49,724	8%	$ 159,929	$ 143,295	12%
Business Payments	7,188	8,059	(11%)	20,421	20,931	(2%)
Elimination of intersegment revenues	(4,104)	(2,862)		(12,152)	(7,602)	
Total gross profit	**$ 56,683**	**$ 54,921**	**3%**	**$ 168,198**	**$ 156,624**	**7%**
Total gross profit margin (2)	**76%**	**77%**		**76%**	**76%**	

(1) Gross profit represents revenue less costs of services.
(2) Gross profit margin represents total gross profit / total revenue.

2023 Outlook Update

"We have solid momentum heading into the fourth quarter and are confident in the fundamentals of our business model. Based on the results from the first nine months of the year, as well as current trends, we are raising the midpoint of our 2023 revenue outlook," said Tim Murphy, CFO of REPAY. "We expect adjusted free cash flow conversion to accelerate into 2024 as we realize the benefits from investments we've made in sales, product and technology over the past several years."

REPAY now expects the following financial results for full year 2023, which replaces the previously provided outlook.

	Full Year 2023 Outlook
Card Payment Volume	$26.0 - 27.2 billion
Revenue	$286 - 292 million
Gross Profit	$218 - 228 million
Adjusted EBITDA	$122 - 130 million

REPAY does not provide quantitative reconciliation of forward-looking, non-GAAP financial measures, such as forecasted 2023 Adjusted EBITDA, to the most directly comparable GAAP financial measure, because it is difficult to reliably predict or estimate the relevant components without unreasonable effort due to future uncertainties that may potentially have a significant impact on such calculations, and providing them may imply a degree of precision that would be confusing or potentially misleading.

Conference Call

REPAY will host a conference call to discuss third quarter 2023 financial results today, November 9, 2023 at 5:00 pm ET. Hosting the call will be John Morris, CEO, and Tim Murphy, CFO. The call will be webcast live from REPAY's investor relations website at https://investors.repay.com/investor-relations. The conference call can also be accessed live over the phone by dialing (877) 407-3982, or for international callers (201) 493-6780. A replay will be available one hour after the call and can be accessed by dialing (844) 512-2921 or (412) 317-6671 for international callers; the conference ID is 13741455. The replay will be available at https://investors.repay.com/investor-relations.

Non-GAAP Financial Measures

This report includes certain non-GAAP financial measures that management uses to evaluate the Company's operating business, measure performance, and make strategic decisions. Adjusted EBITDA is a non-GAAP financial measure that represents net income prior to interest expense, tax expense, depreciation and amortization, as adjusted to add back certain charges deemed to not be part of normal operating expenses, non-cash charges and/or non-recurring charges, such as loss on business disposition, non-cash change in fair value of contingent consideration, non-cash impairment loss, non-cash change in fair value of assets and liabilities, share-based compensation charges, transaction expenses, restructuring and other strategic initiative costs and other non-recurring charges. Adjusted Net Income is a non-GAAP financial measure that represents net income prior to amortization of acquisition-related intangibles, as adjusted to add back certain charges deemed to not be part of normal operating expenses, loss on business disposition, non-cash charges and/or non-recurring charges, such as non-cash change in fair value of contingent consideration, non-cash impairment loss, non-cash change in fair value of assets and liabilities, share-based compensation expense, transaction expenses, restructuring and other strategic initiative costs, other non-recurring charges, non-cash interest expense and net of tax effect associated with these adjustments. Adjusted Net Income is adjusted to exclude amortization of all acquisition-related intangibles as such amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Management believes that the adjustment of acquisition-related intangible amortization supplements GAAP financial measures because it allows for greater comparability of operating performance. Although REPAY excludes amortization from acquisition-related intangibles from its non-GAAP expenses, management believes that it is important for investors to understand that such intangibles were recorded as part of purchase accounting and contribute to revenue generation. Adjusted Net Income per share is a non-GAAP financial measure that represents Adjusted Net Income divided by the weighted average number of shares of Class A common stock outstanding (on an as-converted basis assuming conversion of the outstanding units exchangeable for shares of Class A common stock) for the three and nine months ended September 30, 2023 and 2022 (excluding shares subject to forfeiture). Normalized organic revenue growth is a non-GAAP financial measure that represents year-on-year revenue growth that excludes incremental revenue attributable to acquisitions, dispositions and REPAY's media payments business related to the cyclical political media spending in the applicable prior period or any subsequent period. Organic gross profit growth is a non-GAAP financial measure that represents year-on-year gross profit growth that excludes incremental gross profit attributable to acquisitions and divestitures made in the applicable prior period or any subsequent period. Normalized organic gross profit growth is a non-GAAP financial measure that represents year-on-year organic gross profit growth that excludes incremental gross profit attributable to REPAY's media payments business related to the cyclical political media spending in the applicable prior period or any subsequent period. Free Cash Flow and Adjusted Free Cash Flow are non-GAAP financial measures that represents net cash flow provided by operating activities less total capital expenditures, and Adjusted Free Cash Flow is further adjusted to add back certain charges deemed to not be part of normal operating expenses and/or non-recurring charges, such as transaction expenses, restructuring and other strategic initiative costs and other non-recurring charges. REPAY believes that Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income per share, normalized organic revenue growth, organic gross profit growth, normalized organic gross profit growth, Free Cash Flow and Adjusted Free Cash Flow provide useful information to investors and others in understanding and evaluating its operating results in the same manner as management. However, these non-GAAP financial measures are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for net income, operating profit, net cash provided by operating activities, or any other operating performance measure calculated in accordance with GAAP. Using these non-GAAP financial measures to analyze REPAY's business has material limitations because the calculations are based on the subjective determination of management regarding the nature and classification of events and circumstances that investors may find significant. In addition, although other companies in REPAY's industry may report measures titled as the same or similar measures, such non-GAAP financial measures may be calculated differently from how REPAY calculates its non-GAAP financial measures, which reduces their overall usefulness as comparative measures. Because of these limitations, you should consider REPAY's non-GAAP financial measures alongside other financial performance measures, including net income, net cash provided by operating activities and REPAY's other financial results presented in accordance with GAAP.

Forward-Looking Statements

This communication contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about future financial and operating results, REPAY's plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as "guidance," "will likely result," "are expected to," "will continue," "should," "is anticipated," "estimated," "believe," "intend," "plan," "projection," "outlook" or words of similar meaning. These forward-looking statements include, but are not limited to, REPAY's 2023 outlook update and other financial guidance, expected demand on REPAY's product offering, including further implementation of electronic payment options and statements regarding REPAY's market and growth opportunities, and REPAY's business strategy and the plans and objectives of management for future operations. Such forward-looking statements are based upon the current beliefs and expectations of REPAY's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond REPAY's control.

In addition to factors disclosed in REPAY's reports filed with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2022 and subsequent Form 10-Qs, and those identified elsewhere in this communication, the following factors, among others, could cause actual results and the timing of events to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: exposure to economic conditions and political risk affecting the consumer loan market, the receivables management industry and consumer and commercial spending, including bank failures or other adverse events affecting financial institutions, inflationary pressures, general economic slowdown or recession; changes in the payment processing market in which REPAY competes, including with respect to its competitive landscape, technology evolution or regulatory changes; changes in the vertical markets that REPAY targets, including the regulatory environment applicable to REPAY's clients; the ability to retain, develop and hire key personnel; risks relating to REPAY's relationships within the payment ecosystem; risk that REPAY may not be able to execute its growth strategies, including identifying and executing acquisitions; risks relating to data security; changes in accounting policies applicable to REPAY; and the risk that REPAY may not be able to maintain effective internal controls.

Actual results, performance or achievements may differ materially, and potentially adversely, from any projections and forward-looking statements and the assumptions on which those forward-looking statements are based. There can be no assurance that the data contained herein is reflective of future performance to any degree. You are cautioned not to place undue reliance on forward-looking statements as a predictor of future performance. All information set forth herein speaks only as of the date hereof in the case of information about REPAY or the date of such information in the case of information from persons other than REPAY, and REPAY disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this communication. Forecasts and estimates regarding REPAY's industry and end markets are based on sources it believes to be reliable, however there can be no assurance these forecasts and estimates will prove accurate in whole or in part. Pro forma, projected and estimated numbers are used for illustrative purpose only, are not forecasts and may not reflect actual results.

About REPAY

REPAY provides integrated payment processing solutions to verticals that have specific transaction processing needs. REPAY's proprietary, integrated payment technology platform reduces the complexity of electronic payments for clients, while enhancing the overall experience for consumers and businesses.

Condensed Consolidated Statement of Operations (Unaudited)

	Three Months ended September 30,		Nine Months ended September 30,	
(in $ thousands, except per share data)	2023	2022	2023	2022
Revenue	**$ 74,320**	**$ 71,555**	**$ 220,640**	**$ 206,554**
Operating expenses				
Costs of services (exclusive of depreciation and amortization shown separately below)	17,637	16,634	52,442	49,930
Selling, general and administrative	35,279	36,032	111,974	107,379
Depreciation and amortization	26,523	24,662	79,146	82,442
Change in fair value of contingent consideration	—	(340)	—	(4,290)
Loss on business disposition	—	—	10,027	—
Total operating expenses	**79,439**	**76,988**	**253,589**	**235,461**
Loss from operations	**(5,119)**	**(5,433)**	**(32,949)**	**(28,907)**
Other income (expense)				

Interest (expense) income, net	(103)	(1,100)	(1,413)	(3,128)
Change in fair value of tax receivable liability	(3,234)	11,411	(3,716)	55,481
Other (loss) income	(26)	20	(360)	(126)
Total other income (expense)	(3,363)	10,331	(5,489)	52,227
Income (loss) before income tax benefit (expense)	**(8,482)**	**4,898**	**(38,438)**	**23,320**
Income tax benefit (expense)	1,998	474	(1,308)	(6,414)
Net income (loss)	**$ (6,484)**	**$ 5,372**	**$ (39,746)**	**$ 16,906**
Net loss attributable to non-controlling interest	(316)	(473)	(2,543)	(2,602)
Net income (loss) attributable to the Company	**$ (6,168)**	**$ 5,845**	**$ (37,203)**	**$ 19,508**
Weighted-average shares of Class A common stock outstanding - basic	91,160,415	88,735,518	89,658,318	88,749,417
Weighted-average shares of Class A common stock outstanding - diluted	91,160,415	110,114,054	89,658,318	110,789,646
Income (loss) per Class A share - basic	**$ (0.07)**	**$ 0.07**	**$ (0.41)**	**$ 0.22**
Income (loss) per Class A share - diluted	**$ (0.07)**	**$ 0.05**	**$ (0.41)**	**$ 0.18**

Condensed Consolidated Balance Sheets

(in $ thousands)	**September 30, 2023 (Unaudited)**	**December 31, 2022**
Assets		
Cash and cash equivalents	$ 117,730	$ 64,895
Accounts receivable	36,889	33,544
Prepaid expenses and other	13,984	18,213
Total current assets	**168,603**	**116,652**
Property, plant and equipment, net	3,557	4,375
Restricted cash	23,660	28,668
Intangible assets, net	444,822	500,575
Goodwill	792,543	827,813
Operating lease right-of-use assets, net	8,961	9,847
Deferred tax assets	138,121	136,370
Other assets	2,500	2,500
Total noncurrent assets	**1,414,164**	**1,510,148**
Total assets	**$ 1,582,767**	**$ 1,626,800**
Liabilities		
Accounts payable	$ 20,271	$ 21,781
Related party payable	—	1,000
Accrued expenses	27,473	29,016
Current operating lease liabilities	1,786	2,263
Current tax receivable agreement	—	24,454
Other current liabilities	1,603	3,593
Total current liabilities	**51,133**	**82,107**
Long-term debt	433,454	451,319
Noncurrent operating lease liabilities	8,054	8,295
Tax receivable agreement, net of current portion	185,901	154,673
Other liabilities	1,879	2,113
Total noncurrent liabilities	**629,288**	**616,400**
Total liabilities	**$ 680,421**	**$ 698,507**
Commitments and contingencies		
Stockholders' equity		
Class A common stock, $0.0001 par value; 2,000,000,000 shares authorized; 92,014,648 issued and 90,936,507 outstanding as of September 30, 2023; 89,354,754 issued and 88,276,613 outstanding as of December 31, 2022	9	9
Class V common stock, $0.0001 par value; 1,000 shares authorized and 100 shares issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
Additional paid-in capital	1,140,588	1,117,736
Treasury stock, 1,078,141 shares as of September 30, 2023 and December 31, 2022	(10,000)	(10,000)
Accumulated other comprehensive loss	(3)	(3)

Accumulated deficit	(250,383)	(213,180)
Total Repay stockholders' equity	**$ 880,211**	**$ 894,562**
Non-controlling interests	**22,135**	**33,731**
Total equity	**902,346**	**928,293**
Total liabilities and equity	**$ 1,582,767**	**$ 1,626,800**

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in $ thousands)	**2023**	**2022**
Cash flows from operating activities		
Net income (loss)	$ (39,746)	$ 16,906
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	79,146	82,442
Stock based compensation	16,256	14,265
Amortization of debt issuance costs	2,136	2,123
Loss on business disposition	10,027	—
Other loss	273	154
Fair value change in tax receivable agreement liability	3,716	(55,481)
Fair value change in contingent consideration	—	(4,290)
Payment of contingent consideration liability in excess of acquisition-date fair value	—	(8,896)
Deferred tax expense	1,308	6,414
Change in accounts receivable	(4,857)	(246)
Change in prepaid expenses and other	4,161	(3,056)
Change in operating lease ROU assets	389	(275)
Change in accounts payable	(1,948)	3,168
Change in related party payable	—	(257)
Change in accrued expenses and other	(1,544)	(2,200)
Change in operating lease liabilities	(424)	394
Change in other liabilities	(142)	1,227
Net cash provided by operating activities	**68,751**	**52,392**
Cash flows from investing activities		
Purchases of property and equipment	(1,062)	(2,623)
Capitalized software development costs	(36,678)	(26,232)
Proceeds from sale of business, net of cash retained	40,273	—
Net cash provided by (used in) investing activities	**2,533**	**(28,855)**
Cash flows from financing activities		
Payments on long-term debt	(20,000)	—
Shares repurchased under Incentive Plan and ESPP	(1,510)	(1,981)
Treasury shares repurchased	—	(6,831)
Distributions to Members	(947)	(488)
Payment of contingent consideration liability up to acquisition-date fair value	(1,000)	(3,851)
Net cash used in financing activities	**(23,457)**	**(13,151)**
Increase in cash, cash equivalents and restricted cash	**47,827**	**10,386**
Cash, cash equivalents and restricted cash at beginning of period	**$ 93,563**	**$ 76,340**
Cash, cash equivalents and restricted cash at end of period	**$ 141,390**	**$ 86,726**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 840	$ 1,047

Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA
For the Three Months Ended September 30, 2023 and 2022
(Unaudited)

	Three Months ended September 30,	
(in $ thousands)	**2023**	**2022**
Revenue	**$ 74,320**	**$ 71,555**
Operating expenses		
Costs of services (exclusive of depreciation and amortization shown separately below)	$ 17,637	$ 16,634

Selling, general and administrative	35,279	36,032
Depreciation and amortization	26,523	24,662
Change in fair value of contingent consideration	—	(340)
Total operating expenses	$ 79,439	$ 76,988
Loss from operations	**$ (5,119)**	**$ (5,433)**
Other income (expense)		
Interest (expense) income, net	(103)	(1,100)
Change in fair value of tax receivable liability	(3,234)	11,411
Other (loss) income	(26)	20
Total other income (expense)	(3,363)	10,331
Income (loss) before income tax benefit (expense)	**(8,482)**	**4,898**
Income tax benefit (expense)	1,998	474
Net income (loss)	**$ (6,484)**	**$ 5,372**
Add:		
Interest expense (income), net	103	1,100
Depreciation and amortization [(a)]	26,523	24,662
Income tax (benefit) expense	(1,998)	(474)
EBITDA	**$ 18,144**	**$ 30,660**
Non-cash change in fair value of contingent consideration [(b)]	—	(340)
Non-cash change in fair value of assets and liabilities [(c)]	3,234	(11,411)
Share-based compensation expense [(d)]	5,686	5,250
Transaction expenses [(e)]	812	4,117
Restructuring and other strategic initiative costs [(f)]	3,084	1,484
Other non-recurring charges [(g)]	894	1,903
Adjusted EBITDA	**$ 31,854**	**$ 31,663**

Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA
For the Nine Months Ended September 30, 2023 and 2022
(Unaudited)

	Nine Months ended September 30,	
(in $ thousands)	**2023**	**2022**
Revenue	**$ 220,640**	**$ 206,554**
Operating expenses		
Costs of services (exclusive of depreciation and amortization shown separately below)	$ 52,442	$ 49,930
Selling, general and administrative	111,974	107,379
Depreciation and amortization	79,146	82,442
Change in fair value of contingent consideration	—	(4,290)
Loss on business disposition	10,027	—
Total operating expenses	$ 253,589	$ 235,461
Loss from operations	**$ (32,949)**	**$ (28,907)**
Other income (expense)		
Interest (expense) income, net	(1,413)	(3,128)
Change in fair value of tax receivable liability	(3,716)	55,481
Other (loss) income	(360)	(126)
Total other income (expense)	(5,489)	52,227
Income (loss) before income tax benefit (expense)	**(38,438)**	**23,320**
Income tax benefit (expense)	(1,308)	(6,414)
Net income (loss)	**$ (39,746)**	**$ 16,906**
Add:		
Interest expense (income), net	1,413	3,128
Depreciation and amortization [(a)]	79,146	82,442
Income tax (benefit) expense	1,308	6,414
EBITDA	**$ 42,121**	**$ 108,890**
Loss on business disposition [(h)]	10,027	—
Non-cash change in fair value of contingent consideration [(b)]	—	(4,290)
Non-cash impairment loss [(i)]	50	
Non-cash change in fair value of assets and liabilities [(c)]	3,716	(55,481)
Share-based compensation expense [(d)]	16,257	14,542

Transaction expenses [e]		7,602		16,116
Restructuring and other strategic initiative costs [f]		8,536		4,165
Other non-recurring charges [g]		5,008		4,671
Adjusted EBITDA	**$**	**93,317**	**$**	**88,613**

Reconciliation of GAAP Net Income to Non-GAAP Adjusted Net Income
For the Three Months Ended September 30, 2023 and 2022
(Unaudited)

	Three Months ended September 30,			
(in $ thousands)	2023		2022	
Revenue	**$**	**74,320**	**$**	**71,555**
Operating expenses				
Costs of services (exclusive of depreciation and amortization shown separately below)	$	17,637	$	16,634
Selling, general and administrative		35,279		36,032
Depreciation and amortization		26,523		24,662
Change in fair value of contingent consideration		—		(340)
Total operating expenses	$	79,439	$	76,988
Loss from operations	**$**	**(5,119)**	**$**	**(5,433)**
Interest (expense) income, net		(103)		(1,100)
Change in fair value of tax receivable liability		(3,234)		11,411
Other (loss) income		(26)		20
Total other income (expense)		(3,363)		10,331
Income (loss) before income tax benefit (expense)		**(8,482)**		**4,898**
Income tax benefit (expense)		1,998		474
Net income (loss)	**$**	**(6,484)**	**$**	**5,372**
Add:				
Amortization of acquisition-related intangibles [j]		19,786		20,847
Non-cash change in fair value of contingent consideration [b]		—		(340)
Non-cash change in fair value of assets and liabilities [c]		3,234		(11,411)
Share-based compensation expense [d]		5,686		5,250
Transaction expenses [e]		812		4,117
Restructuring and other strategic initiative costs [f]		3,084		1,484
Other non-recurring charges [g]		894		1,903
Non-cash interest expense [k]		712		712
Pro forma taxes at effective rate [l]		(7,828)		(5,152)
Adjusted Net Income	**$**	**19,896**	**$**	**22,782**
Shares of Class A common stock outstanding (on an as-converted basis) [m]		97,052,574		96,618,566
Adjusted Net Income per share	**$**	**0.21**	**$**	**0.24**

Reconciliation of GAAP Net Income to Non-GAAP Adjusted Net Income
For the Nine Months Ended September 30, 2023 and 2022
(Unaudited)

	Nine Months ended September 30,			
(in $ thousands)	2023		2022	
Revenue	**$**	**220,640**	**$**	**206,554**
Operating expenses				
Costs of services (exclusive of depreciation and amortization shown separately below)	$	52,442	$	49,930
Selling, general and administrative		111,974		107,379
Depreciation and amortization		79,146		82,442
Change in fair value of contingent consideration		—		(4,290)
Loss on business disposition		10,027		—
Total operating expenses	$	253,589	$	235,461
Loss from operations	**$**	**(32,949)**	**$**	**(28,907)**
Other expenses				
Interest (expense) income, net		(1,413)		(3,128)
Change in fair value of tax receivable liability		(3,716)		55,481
Other income		—		—
Other (loss) income		(360)		(126)
Total other income (expense)		(5,489)		52,227

Income (loss) before income tax benefit (expense)	**(38,438)**	**23,320**
Income tax benefit (expense)	(1,308)	(6,414)
Net income (loss)	**$ (39,746)**	**$ 16,906**
Add:		
Amortization of acquisition-related intangibles (j)	60,673	69,924
Loss on business disposition (h)	10,027	—
Non-cash change in fair value of contingent consideration (b)	—	(4,290)
Non-cash impairment loss (i)	50	—
Non-cash change in fair value of assets and liabilities (c)	3,716	(55,481)
Share-based compensation expense (d)	16,257	14,542
Transaction expenses (e)	7,602	16,116
Restructuring and other strategic initiative costs (f)	8,536	4,165
Other non-recurring charges (g)	5,008	4,671
Non-cash interest expense (k)	2,136	2,123
Pro forma taxes at effective rate (l)	(15,658)	(10,714)
Adjusted Net Income	**$ 58,601**	**$ 57,962**
Shares of Class A common stock outstanding (on an as-converted basis) (m)	96,778,735	96,646,974
Adjusted Net Income per share	**$ 0.61**	**$ 0.60**

Reconciliation of Operating Cash Flow to Free Cash Flow and Adjusted Free Cash Flow
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited)

	Three Months ended September 30,		**Nine Months ended September 30,**	
(in $ thousands)	**2023**	**2022**	**2023**	**2022**
Net cash provided by operating activities	**$ 27,967**	**$ 25,332**	**$ 68,751**	**$ 52,392**
Capital expenditures				
Cash paid for property and equipment	(948)	(799)	(1,062)	(2,623)
Cash paid for intangible assets (n)	(13,078)	(8,657)	(36,678)	(23,482)
Total capital expenditures	(14,026)	(9,456)	(37,740)	(26,105)
Free cash flow	**$ 13,941**	**$ 15,876**	**$ 31,011**	**$ 26,287**
Adjustments				
Transaction expenses (e)	812	4,117	7,602	16,116
Restructuring and other strategic initiative costs (f)	3,084	1,484	8,536	4,165
Other non-recurring charges (g)	894	1,903	5,008	4,671
Adjusted free cash flow	**$ 18,731**	**$ 23,380**	**$ 52,157**	**$ 51,239**

Reconciliation of Revenue Growth to Organic Revenue Growth and Normalized Organic Revenue Growth
For the Year-over-Year Change Between the Three Months Ended September 30, 2023 and 2022
(Unaudited)

	Q3 YoY Change
Total Revenue growth	4%
Less: Growth from acquisitions and dispositions	(4%)
Organic revenue growth (o)	8%
Less: Growth from contributions related to political media	(3%)
Normalized organic revenue growth (p)	11%

Reconciliation of Gross Profit Growth to Organic Gross Profit Growth and Normalized Organic Gross Profit Growth by Segment
For the Year-over-Year Change Between the Three Months Ended September 30, 2023 and 2022
(Unaudited)

	Consumer Payments	**Business Payments**	**Total**
Gross profit growth	8%	(11%)	3%
Less: Growth from acquisitions and dispositions	(6%)	—	(6%)
Organic gross profit growth (q)	14%	(11%)	9%
Less: Growth from contributions related to political media	—	(24%)	(3%)
Normalized organic gross profit growth (r)	14%	13%	12%

Reconciliation of Gross Profit Growth to Organic Gross Profit Growth and Normalized Organic Gross Profit Growth
For the Year-over-Year Change Between the Nine Months Ended September 30, 2023 and 2022
(Unaudited)

	Q3 Year-to-Date YoY Change
Gross profit growth	7%
Less: Growth from acquisitions and dispositions	(4%)
Organic gross profit growth (q)	11%
Less: Growth from contributions related to political media	(2%)
Normalized organic gross profit growth (r)	13%

(a) See footnote (j) for details on amortization and depreciation expenses.
(b) 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 most recent balance sheet date.
(c) Reflects the changes in management's estimates of the fair value of the liability relating to the Tax Receivable Agreement.
(d) Represents compensation expense associated with equity compensation plans, totaling \$5.7 million and \$16.3 million for the three and nine months ended September 30, 2023, respectively, and totaling \$5.3 million and \$14.5 million for the three and nine months ended September 30, 2022, respectively.
(e) Primarily consists of (i) during the three and nine months ended September 30, 2023, professional service fees and other costs incurred in connection with the disposition of Blue Cow Software, and (ii) during the three and nine months ended September 30, 2022, professional service fees and other costs incurred in connection with the acquisitions of BillingTree, Kontrol Payables and Payix.
(f) Reflects costs associated with reorganization of operations, consulting fees related to processing services and other operational improvements, including restructuring and integration activities related to acquired businesses, that were not in the ordinary course during the three and nine months ended September 30, 2023 and 2022.
(g) For the three and nine months ended September 30, 2023, reflects payments made to third-parties in connection with an expansion of our personnel, franchise taxes and other non-income based taxes and one-time payments to certain partners. For the three and nine months ended September 30, 2022, reflects one-time payments to certain clients and partners, payments made to third-parties in connection with a significant expansion of our personnel, franchise taxes and other non-income based taxes, other payments related to COVID-19 and non-cash rent expense. Beginning in the period ended September 30, 2023, no longer reflects non-cash rent expense.
(h) Reflects the loss recognized related to the disposition of Blue Cow.
(i) Reflects impairment loss related to trade name write-off of Media Payments.
(j) For the three and nine months ended September 30, 2023 and 2022, reflects amortization of client relationships, non-compete agreement, software, and channel relationship intangibles acquired through the business combination with Thunder Bridge, and client relationships, non-compete agreement, and software intangibles acquired through REPAY's acquisitions of TriSource Solutions, APS Payments, Ventanex, cPayPlus, CPS Payments, BillingTree, Kontrol Payables and Payix. This adjustment excludes the amortization of other intangible assets which were acquired in the regular course of business, such as capitalized internally developed software and purchased software. See additional information below for an analysis of amortization expenses:

	Three Months ended September 30,		Nine Months ended September 30,	
(in \$ thousands)	**2023**	**2022**	**2023**	**2022**
Acquisition-related intangibles	\$ 19,786	\$ 20,847	\$ 60,673	\$ 69,924
Software	6,391	3,209	16,639	10,855
Amortization	**\$ 26,177**	**\$ 24,056**	**\$ 77,312**	**\$ 80,779**
Depreciation	346	606	1,834	1,663
Total Depreciation and amortization (1)	**\$ 26,523**	**\$ 24,662**	**\$ 79,146**	**\$ 82,442**

(1) Adjusted Net Income is adjusted to exclude amortization of all acquisition-related intangibles as such amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions (see corresponding adjustments in the reconciliation of net income to Adjusted Net Income presented above). Management believes that the adjustment of acquisition-related intangible amortization supplements GAAP financial measures because it allows for greater comparability of operating performance. Although REPAY excludes amortization from acquisition-related intangibles from its non-GAAP expenses, management believes that it is important for investors to understand that such intangibles were recorded as part of purchase accounting and contribute to revenue generation. Amortization of intangibles that relate to past acquisitions will recur in future periods until such intangibles have been fully amortized. Any future acquisitions may result in the amortization of additional intangibles.

(k) Represents amortization of non-cash deferred debt issuance costs.
(l) Represents pro forma income tax adjustment effect associated with items adjusted above.
(m) Represents the weighted average number of shares of Class A common stock outstanding (on an as-converted basis assuming conversion of outstanding Post-Merger Repay Units) for the three and nine months ended September 30, 2023 and 2022. These numbers do not include any shares issuable upon conversion of the Company's convertible senior notes due 2026. See the reconciliation of basic weighted average shares outstanding to the non-GAAP Class A common stock outstanding on an as-converted basis for each respective period below:

	Three Months ended September 30,		Nine Months ended September 30,	
	2023	**2022**	**2023**	**2022**
Weighted average shares of Class A common stock outstanding - basic	91,160,415	88,735,518	89,658,318	88,749,417
Add: Non-controlling interests				
Weighted average Post-Merger Repay Units exchangeable for Class A common stock	5,892,159	7,883,048	7,120,417	7,897,557

Shares of Class A common stock outstanding (on an as-converted basis)	**97,052,574**	**96,618,566**	**96,778,735**	**96,646,974**

(n) Excludes acquisition costs that are capitalized as channel relationships.
(o) Represents year-on-year revenue growth that excludes incremental revenue attributable to acquisitions and dispositions made in the applicable prior period or any subsequent period.
(p) Represents year-on-year organic revenue growth that excludes incremental revenue attributable to REPAY's media payments business related to the cyclical political media spending associated with the 2022 mid-term elections in the applicable prior period or any subsequent period.
(q) Represents year-on-year gross profit growth that excludes incremental gross profit attributable to acquisitions and dispositions made in the applicable prior period or any subsequent period.
(r) Represents year-on-year organic gross profit growth that excludes incremental gross profit attributable to REPAY's media payments business related to the cyclical political media spending associated with the 2022 mid-term elections in the applicable prior period or any subsequent period.

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