

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

FORM 10-Q

- (Mark One)
- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2023
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM
TO

Commission File Number 001-38531



Repay Holdings Corporation
(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
3 West Paces Ferry Road,
Suite 200
Atlanta, GA
(Address of principal executive offices)

98-1496050
(I.R.S. Employer
Identification No.)

30305
(Zip Code)

Registrant's telephone number, including area code: (404) 504-7472

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, par value \$0.0001 per share | RPAY | The NASDAQ Stock Market LLC |

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

As of May 4, 2023, there are 92,745,684 shares of the registrant's Class A Common Stock, par value \$0.0001 per share, outstanding (which number includes 4,055,299 shares of unvested restricted stock that have voting rights) and 100 shares of the registrant's Class V Common Stock, par value of \$0.0001 per share, outstanding. As of May 4, 2023, the holders of such outstanding shares of Class V common stock also hold 7,861,271 units in a subsidiary of the registrant and such units are exchangeable into shares of the registrant's Class A common stock on a one-for-one basis.

REPAY HOLDINGS CORPORATION

Quarterly Report on Form 10-Q
For the quarter ended March 31, 2023

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements reflect our current views with respect to, among other things, anticipated benefits from our recent acquisitions, expected demand on our product offerings, including further implementation of electronic payment options and statements regarding our market and growth opportunities, and our business strategy and the plans and objectives of management for future operations. You generally can identify these statements by the use of words such as “outlook,” “potential,” “continue,” “may,” “seek,” “approximately,” “predict,” “believe,” “expect,” “plan,” “intend,” “estimate” or “anticipate” and similar expressions or the negative versions of these words or comparable words, as well as future or conditional verbs such as “will,” “should,” “would,” “likely” and “could.” These statements may be found under Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere, and are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. These risks and uncertainties include, but are not limited to: 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 we compete, including with respect to its competitive landscape, technology evolution or regulatory changes; changes in the vertical markets that we target, including the regulatory environment applicable to our clients; the ability to retain, develop and hire key personnel; risks relating to our relationships within the payment ecosystem; risk that we may not be able to execute our growth strategies, including identifying and executing acquisitions; risks relating to data security; changes in accounting policies applicable to us; the risk that we may not be able to maintain effective internal controls; and those risks described under Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2022 and under Part II, Item 1A “Risk Factors” herein. The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we disclaim any obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In light of these risks and uncertainties, there is no assurance that the events or results suggested by the forward-looking statements will in fact occur, and you should not place undue reliance on these forward-looking statements.

PART I
FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

REPAY HOLDINGS CORPORATION
Condensed Consolidated Balance Sheets

| <i>(\$ in thousands)</i> | March 31, 2023 (Unaudited) | December 31, 2022 |
|--|---|--------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 91,739 | \$ 64,895 |
| Accounts receivable | 34,572 | 33,544 |
| Prepaid expenses and other | 14,223 | 18,213 |
| Total current assets | 140,534 | 116,652 |
| Property, plant and equipment, net | 4,117 | 4,375 |
| Restricted cash | 27,090 | 28,668 |
| Intangible assets, net | 473,308 | 500,575 |
| Goodwill | 792,543 | 827,813 |
| Operating lease right-of-use assets, net | 9,302 | 9,847 |
| Deferred tax assets | 132,044 | 136,370 |
| Other assets | 2,500 | 2,500 |
| Total noncurrent assets | 1,440,904 | 1,510,148 |
| Total assets | \$ 1,581,438 | \$ 1,626,800 |
| Liabilities | | |
| Accounts payable | \$ 21,303 | \$ 21,781 |
| Related party payable | 435 | 1,000 |
| Accrued expenses | 27,300 | 29,016 |
| Current operating lease liabilities | 2,264 | 2,263 |
| Current tax receivable agreement | — | 24,454 |
| Other current liabilities | 1,681 | 3,593 |
| Total current liabilities | 52,983 | 82,107 |
| Long-term debt | 432,031 | 451,319 |
| Noncurrent operating lease liabilities | 7,737 | 8,295 |
| Tax receivable agreement, net of current portion | 183,696 | 154,673 |
| Other liabilities | 1,836 | 2,113 |
| Total noncurrent liabilities | 625,300 | 616,400 |
| Total liabilities | \$ 678,283 | \$ 698,507 |
| Commitments and contingencies (Note 10) | | |
| Stockholders' equity | | |
| Class A common stock, \$0.0001 par value; 2,000,000,000 shares authorized; 89,750,330 issued and 88,672,189 outstanding as of March 31, 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 March 31, 2023 and December 31, 2022 | — | — |
| Additional paid-in capital | 1,120,721 | 1,117,736 |
| Treasury stock, 1,078,141 shares as of March 31, 2023 and December 31, 2022 | (10,000) | (10,000) |
| Accumulated other comprehensive loss | (3) | (3) |
| Accumulated deficit | (239,572) | (213,180) |
| Total Repay stockholders' equity | \$ 871,155 | \$ 894,562 |
| Non-controlling interests | 32,000 | 33,731 |
| Total equity | \$ 903,155 | \$ 928,293 |
| Total liabilities and equity | \$ 1,581,438 | \$ 1,626,800 |

See accompanying notes to condensed consolidated financial statements.

REPAY HOLDINGS CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

| (\$ in thousands, except per share data) | Three Months Ended March 31, | |
|---|------------------------------|------------------|
| | 2023 | 2022 |
| Revenue | \$ 74,537 | \$ 67,564 |
| Operating expenses | | |
| Costs of services (exclusive of depreciation and amortization shown separately below) | 17,965 | 16,565 |
| Selling, general and administrative | 38,518 | 32,218 |
| Depreciation and amortization | 26,140 | 28,589 |
| Change in fair value of contingent consideration | — | (2,900) |
| Loss on business disposition | 9,878 | — |
| Total operating expenses | 92,501 | 74,472 |
| Loss from operations | (17,964) | (6,908) |
| Other income (expense) | | |
| Interest expense | (1,160) | (988) |
| Change in fair value of tax receivable liability | (4,538) | 24,619 |
| Other income | 87 | 6 |
| Total other income (expense) | (5,611) | 23,637 |
| Income (loss) before income tax expense | (23,575) | 16,729 |
| Income tax expense | (4,357) | (3,843) |
| Net income (loss) | \$ (27,932) | \$ 12,886 |
| Less: Net loss attributable to non-controlling interests | (1,540) | (767) |
| Net income (loss) attributable to the Company | \$ (26,392) | \$ 13,653 |
| Income (loss) per Class A share attributable to the Company: | | |
| Basic | \$ (0.30) | \$ 0.15 |
| Diluted | \$ (0.30) | \$ 0.12 |
| Weighted-average shares outstanding: | | |
| Basic | 88,615,760 | 88,607,655 |
| Diluted | 88,615,760 | 113,015,159 |

See accompanying notes to condensed consolidated financial statements.

REPAY HOLDINGS CORPORATION
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

| | Repay Stockholders | | | | | | | | | |
|---|----------------------|--------|----------------------|---------|--------------------|-------------|--------------|----------------------------------|-----------------|------------|
| | Class A Common Stock | | Class V Common Stock | | Additional Paid-In | Treasury | Accumulat ed | Accumulat ed Other Comprehensive | Non-controlling | Total |
| | Shares | Amount | Shar es | Amo unt | Capital | Stock | Deficit | Loss | Interests | Equity |
| <i>(\$ in thousands)</i> | | | | | | | | | | |
| Balance at December 31, 2021 | 88,502,621 | \$ 9 | 100 | \$ - | \$ 1,100,012 | \$ - | \$ (226,016) | \$ (2) | \$ 39,033 | \$ 913,036 |
| Release of share awards vested under Incentive Plan | 427,755 | - | - | - | - | - | - | - | - | - |
| Shares repurchased under Incentive Plan | (113,265) | - | - | - | (1,703) | - | - | - | 5 | (1,698) |
| Stock-based compensation | - | - | - | - | 3,123 | - | - | - | (29) | 3,094 |
| Net income (loss) | - | - | - | - | - | - | 13,653 | - | (767) | 12,886 |
| | 88,817,111 | \$ 9 | 100 | \$ - | \$ 1,101,432 | \$ - | \$ (212,363) | \$ (2) | \$ 38,242 | \$ 927,318 |
| Balance at March 31, 2022 | 88,276,613 | \$ 9 | 100 | \$ - | \$ 1,117,736 | \$ (10,000) | \$ (213,180) | \$ (3) | \$ 33,731 | \$ 928,293 |
| Balance at December 31, 2022 | 14,460 | - | - | - | 61 | - | - | - | (61) | - |
| Exchange of Post-Merger Repay Units | 528,843 | - | - | - | - | - | - | - | - | - |
| Release of share awards vested under Incentive Plan | (147,727) | - | - | - | (1,210) | - | - | - | 5 | (1,205) |
| Shares repurchased under Incentive Plan | - | - | - | - | 4,134 | - | - | - | (81) | 4,053 |
| Stock-based compensation | - | - | - | - | - | - | - | - | (54) | (54) |
| Tax distribution from Hawk Parent | - | - | - | - | - | - | (26,392) | - | (1,540) | (27,932) |
| Net loss | 88,672,189 | \$ 9 | 100 | \$ - | \$ 1,120,721 | \$ (10,000) | \$ (239,572) | \$ (3) | \$ 32,000 | \$ 903,155 |
| Balance at March 31, 2023 | | | | | | | | | | |

See accompanying notes to condensed consolidated financial statements.

REPAY HOLDINGS CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| (\$ in thousands) | Three Months Ended March 31, | |
|--|------------------------------|------------------|
| | 2023 | 2022 |
| Cash flows from operating activities | | |
| Net income (loss) | \$ (27,932) | \$ 12,886 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 26,140 | 28,589 |
| Stock based compensation | 4,054 | 3,094 |
| Amortization of debt issuance costs | 712 | 702 |
| Loss on business disposition | 9,878 | — |
| Fair value change in tax receivable agreement liability | 4,538 | (24,619) |
| Fair value change in contingent consideration | — | (2,900) |
| Deferred tax expense | 4,357 | 3,842 |
| Change in accounts receivable | (2,541) | (1,076) |
| Change in prepaid expenses and other | 3,921 | (362) |
| Change in operating lease ROU assets | 270 | (973) |
| Change in accounts payable | (916) | 1,656 |
| Change in related party payable | 435 | (170) |
| Change in accrued expenses and other | (1,716) | (7,266) |
| Change in operating lease liabilities | (264) | 1,030 |
| Change in other liabilities | (105) | (679) |
| Net cash provided by operating activities | 20,831 | 13,754 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (528) | (553) |
| Purchases of intangible assets | (13,201) | (7,013) |
| Proceeds from sale of business, net of cash retained | 40,423 | — |
| Net cash provided by (used in) investing activities | 26,694 | (7,566) |
| Cash flows from financing activities | | |
| Payments on long-term debt | (20,000) | — |
| Shares repurchased under Incentive Plan | (1,205) | (1,698) |
| Distributions to Members | (54) | — |
| Payment of contingent consideration liability up to acquisition-date fair value | (1,000) | — |
| Net cash used in financing activities | (22,259) | (1,698) |
| Increase in cash, cash equivalents and restricted cash | 25,266 | 4,490 |
| Cash, cash equivalents and restricted cash at beginning of period | \$ 93,563 | \$ 76,340 |
| Cash, cash equivalents and restricted cash at end of period | \$ 118,829 | \$ 80,830 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | |
|--------------------------------|--------|--------|
| Cash paid during the year for: | | |
| Interest | \$ 449 | \$ 286 |

See accompanying notes to condensed consolidated financial statements.

1. Organizational Structure and Corporate Information

Repay Holdings Corporation was incorporated as a Delaware corporation on July 11, 2019 in connection with the closing of a transaction (the “Business Combination”) pursuant to which Thunder Bridge Acquisition Ltd., a special purpose acquisition company organized under the laws of the Cayman Islands (“Thunder Bridge”), (a) domesticated into a Delaware corporation and changed its name to “Repay Holdings Corporation” and (b) consummated the merger of a wholly owned subsidiary of Thunder Bridge with and into Hawk Parent Holdings, LLC, a Delaware limited liability company (“Hawk Parent”).

Throughout this section, unless otherwise noted or unless the context otherwise requires, the terms “we”, “us”, “Repay” and the “Company” and similar references refer to Repay Holdings Corporation and its consolidated subsidiaries.

The Company is headquartered in Atlanta, Georgia.

On February 15, 2023, the Company sold Blue Cow Software, LLC and a related entity (“BCS”) for cash proceeds of \$41.9 million. The Company recognized a loss of \$9.9 million associated with the sale, comprised of the difference between the consideration received and the net carrying amount of the assets and liabilities of the business. See Note 5. Business Combinations and Dispositions for further discussion.

2. Basis of Presentation and Summary of Significant Accounting Policies

Unaudited Interim Condensed Consolidated Financial Statements

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited condensed consolidated financial statements and accompanying notes, which are included in the Annual Report on Form 10-K for the year ended December 31, 2022.

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and with instructions to Form 10-Q and Rule 10-01 of SEC Regulation S-X as they apply to interim financial information. Accordingly, the interim condensed consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements, although the Company believes that the disclosures made are adequate to make the information not misleading.

The interim condensed consolidated financial statements are unaudited, but in the Company’s opinion include all adjustments of a normal recurring nature or a description of the nature and amount of any adjustments other than normal recurring adjustments, operations and cash flows as of and for the periods presented. The interim financial results are not necessarily indicative of results that may be expected for any other interim period or the fiscal year.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Repay Holdings Corporation and its (i) wholly owned subsidiary, BT Intermediate, LLC, and (ii) majority-owned subsidiary, Hawk Parent Holdings LLC, along with Hawk Parent Holdings LLC’s wholly owned subsidiaries: Hawk Intermediate Holdings, LLC, Hawk Buyer Holdings, LLC, Repay Holdings, LLC, M&A Ventures, LLC, Repay Management Holdco Inc., Repay Management Services LLC, Sigma Acquisition, LLC, Wildcat Acquisition, LLC, Marlin Acquirer, LLC, REPAY International LLC, REPAY Canada Solutions ULC, TriSource Solutions, LLC (“TriSource”), Mesa Acquirer, LLC, CDT Technologies LTD (“Ventanex”), Viking GP Holdings, LLC, cPayPlus, LLC (“cPayPlus”), CPS Payment Services, LLC, Media Payments, LLC (“MPI”), Custom Payment Systems, LLC, Electronic Payment Providers, LLC, Internet Payment Exchange, LLC, Stratus Payment Solutions, LLC, Clear Payment Solutions, LLC, Harbor Acquisition LLC, Payix Holdings Incorporated and Payix Incorporated. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Financial Statement Presentation

The accompanying interim condensed consolidated financial statements of the Company were prepared in accordance with GAAP. The Company uses the accrual basis of accounting whereby revenues are recognized when earned, usually upon the date services are rendered, and expenses are recognized at the date services are rendered or goods are received.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported Condensed Consolidated Statements of Operations during the reporting period. Actual results could differ materially from those estimates.

Segment Reporting

Effective December 31, 2022, the Company revised the presentation of segment information to reflect changes in the way the Company manages and evaluates the business. Therefore, the Company reports operating results through two reportable segments: (1) Consumer Payments and (2) Business Payments, as further discussed in Note 14. Segments. Accordingly, segment information for the comparable prior year periods has been revised.

Recently Adopted Accounting Pronouncements

Reference Rate Reform

In March 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-04, “*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“ASU 2020-04”)*”, which provides optional expedients and exceptions to contracts, hedging relationships and other transactions affected by the transition away from LIBOR to alternative reference rates. In January 2021, the FASB issued ASU 2021-01, “*Reference Rate Reform (Topic 848): Scope*”, to expand the scope of this guidance to include derivatives. The guidance was effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into on or before December 31, 2022. In December 2022, the FASB issued ASU 2022-06, “*Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*”, which extends the period of time entities can utilize the reference rate reform relief guidance under ASU 2020-04 from December 31, 2022, to December 31, 2024.

The Company adopted these ASUs as of February 9, 2023. The adoption of these standards does not have a material impact on the Company’s Consolidated Financial Statements.

Business Combinations

In August 2021, the FASB issued Accounting Standards Update No. 2021-08, “*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (“ASU 2021-08”)*”. ASU 2021-08 requires an entity (acquirer) to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with *Revenue (Topic 606)*, and is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. Amendments within ASU 2021-08 are required to be applied prospectively to business combinations occurring on or after the effective date of the amendments.

The Company adopted ASU 2021-08 as of January 1, 2023. The adoption of this standard does not have a material impact on the Company’s Consolidated Financial Statements.

3. Revenue

Disaggregation of revenue

The Company’s revenue is from two types of relationships: (i) direct relationships and (ii) indirect relationships. The following table presents the Company’s revenue disaggregated by segment and by the type of relationship for the periods indicated.

REPAY HOLDINGS CORPORATION
Notes to the Unaudited Consolidated Financial Statements

Three Months Ended March 31, 2023

| <i>(\$ in thousands)</i> | Consumer Payments | Business Payments | Elimination of intersegment revenues | Total |
|--------------------------|--------------------------|--------------------------|---|------------------|
| Revenue | | | | |
| Direct relationships | \$ 66,473 | \$ 8,434 | \$ (4,078) | \$ 70,829 |
| Indirect relationships | 3,467 | 241 | — | 3,708 |
| Total Revenue | \$ 69,940 | \$ 8,675 | \$ (4,078) | \$ 74,537 |

Three Months Ended March 31, 2022

| <i>(\$ in thousands)</i> | Consumer Payments | Business Payments | Elimination of intersegment revenues | Total |
|--------------------------|--------------------------|--------------------------|---|------------------|
| Revenue | | | | |
| Direct relationships | \$ 57,436 | \$ 8,611 | \$ (2,409) | \$ 63,638 |
| Indirect relationships | 3,645 | 281 | — | 3,926 |
| Total Revenue | \$ 61,081 | \$ 8,892 | \$ (2,409) | \$ 67,564 |

4. Earnings Per Share

During the three months ended March 31, 2023, basic and diluted net loss per common share are the same since the inclusion of the assumed exchange of all limited liability company interests of Hawk Parent (“Post-Merger Repay Units”), unvested share-based awards, outstanding stock options and the Company’s Convertible Senior Notes due 2026 (“2026 Notes”) would have been anti-dilutive.

The following table summarizes net income (loss) attributable to the Company and the weighted average basic and diluted shares outstanding:

| <i>(\$ in thousands, except per share data)</i> | Three Months Ended March 31, | |
|---|-------------------------------------|--------------------|
| | 2023 | 2022 |
| Income (loss) before income tax expense | \$ (23,575) | \$ 16,729 |
| Less: Net loss attributable to non-controlling interests | (1,540) | (767) |
| Income tax expense | (4,357) | (3,843) |
| Net income (loss) attributable to the Company | \$ (26,392) | \$ 13,653 |
| Weighted average shares of Class A common stock outstanding - basic | 88,615,760 | 88,607,655 |
| Add weighted average effect of dilutive common stock equivalent shares: | | |
| Post-Merger Repay Units exchangeable for Class A common stock | | 7,926,576 |
| Unvested share-based awards of Class A common stock | | 3,385,690 |
| 2026 Notes convertible into Class A common stock | | 13,095,238 |
| Weighted average shares of Class A common stock outstanding - diluted | 88,615,760 | 113,015,159 |
| Income (loss) per share of Class A common stock outstanding - basic | \$ (0.30) | \$ 0.15 |
| Income (loss) per share of Class A common stock outstanding - diluted | \$ (0.30) | \$ 0.12 |

For the three months ended March 31, 2023, the following common stock equivalent shares were excluded from the computation of the diluted loss per share, since their inclusion would have been anti-dilutive:

| | Three Months Ended March 31, 2023 |
|---|--|
| Post-Merger Repay Units exchangeable for Class A common stock | 7,861,271 |
| Unvested share-based awards of Class A common stock | 5,906,580 |
| Outstanding stock options for Class A common stock | 1,148,822 |
| 2026 Notes convertible into Class A common stock | 13,095,238 |
| Share equivalents excluded from earnings (loss) per share | <u>28,011,911</u> |

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

5. Business Combinations and Dispositions

On February 15, 2023, the Company sold Blue Cow Software, LLC and a related entity ("BCS") within the Consumer Payments segment for cash proceeds of \$41.9 million. During the three months ended March 31, 2023, the Company recognized a loss of \$9.9 million associated with the sale, comprised of the difference between the consideration received and the net carrying amount of the assets and liabilities of the business within Loss on business disposition in the Company's Condensed Consolidated Statement of Operations.

The Company recognized a reduction of \$35.3 million in goodwill which was related to the disposition of BCS, during the three months ended March 31, 2023 in the Consumer Payments segment, see Note 8. Goodwill for further discussion. For the three months ended March 31, 2023 and 2022, BCS contributed \$1.2 million and \$2.0 million to the Consumer Payments segment revenue, respectively.

Transaction Expenses

The Company incurred transaction expenses of \$3.4 million for the three months ended March 31, 2023, related to the disposition of BCS. The Company incurred transaction expenses of \$2.8 million for the three months ended March 31, 2022, related to the acquisitions of BillingTree, Kontrol and Payix. Transaction expenses are included within Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

6. Fair Value

The following table summarizes, by level within the fair value hierarchy, estimated fair values of the Company's assets and liabilities measured at fair value on a recurring or nonrecurring basis or disclosed, but not carried, at fair value in the Condensed Consolidated Balance Sheets as of the dates presented. There were no transfers into, out of, or between levels within the fair value hierarchy during any of the periods presented.

| (\$ in thousands) | March 31, 2023 | | | |
|--------------------------|----------------|-------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Other assets | \$ — | \$ 2,500 | \$ — | \$ 2,500 |
| Total assets | \$ — | \$ 2,500 | \$ — | \$ 2,500 |
| Liabilities: | | | | |
| Contingent consideration | \$ — | \$ — | \$ — | \$ — |
| Borrowings | — | 330,748 | — | 330,748 |
| Tax receivable agreement | — | — | 183,696 | 183,696 |
| Total liabilities | \$ — | \$ 330,748 | \$ 183,696 | \$ 514,444 |
| December 31, 2022 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Other assets | \$ — | \$ 2,500 | \$ — | \$ 2,500 |
| Total assets | \$ — | \$ 2,500 | \$ — | \$ 2,500 |
| Liabilities: | | | | |
| Contingent consideration | \$ — | \$ — | \$ 1,000 | \$ 1,000 |
| Borrowings | — | 344,280 | — | 344,280 |
| Tax receivable agreement | — | — | 179,127 | 179,127 |
| Total liabilities | \$ — | \$ 344,280 | \$ 180,127 | \$ 524,407 |

Other assets

Other assets contain a minority equity investment in a privately-held company. The Company elected a measurement alternative for measuring this investment, in which the carrying amount is adjusted based on any observable price changes in orderly transactions. The investment is classified as Level 2 as observable adjustments to value are infrequent and occur in an inactive market.

Contingent consideration

Contingent consideration relates to potential payments that the Company may be required to make associated with acquisitions. The contingent consideration is recorded at fair value based on actuals or estimates of discounted future cash flows associated with the acquired businesses. To the extent that the valuation of these liabilities is based on inputs that are less observable or not observable in the market, the determination of fair value requires more judgment. Accordingly, the fair value of contingent consideration is classified within Level 3 of the fair value hierarchy, under ASC 820. The change in fair value is re-measured at each reporting period with the change in fair value being recognized in accordance with ASC 805, *Business Combinations* ("ASC 805").

As of March 31, 2023 and December 31, 2022, the present value of contingent consideration reflects the actual anticipated payments.

The following table provides a rollforward of the contingent consideration related to previous business acquisitions.

| (\$ in thousands) | Three Months Ended March 31, | |
|---------------------------------|------------------------------|------------------|
| | 2023 | 2022 |
| Balance at beginning of period | \$ 1,000 | \$ 17,047 |
| Purchases | — | — |
| Payments | (1,000) | — |
| Valuation adjustment | — | (2,900) |
| Balance at end of period | \$ — | \$ 14,147 |

Borrowings

The revolving credit facility and 2026 Notes are measured at amortized cost, which the carrying value is unpaid principal net of unamortized debt discount and debt issuance costs. The carrying value of the revolving credit facility approximates fair value because its interest rate approximates market interest rates. The estimated fair value of the 2026 Notes is determined using the quoted prices from over-the-counter markets. The estimated fair value of the Company's borrowings is classified within Level 2 of the fair value hierarchy, as the market interest rates and quoted prices are generally observable and do not contain a high level of subjectivity.

The following table provides the carrying value and estimated fair value of borrowings. See Note 9. Borrowings for further discussion on borrowings.

| (\$ in thousands) | March 31, 2023 | | December 31, 2022 | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Revolving credit facility | \$ — | \$ — | \$ 18,177 | \$ 20,000 |
| 2026 Notes | 432,031 | 330,748 | 433,142 | 324,280 |
| Total | \$ 432,031 | \$ 330,748 | \$ 451,319 | \$ 344,280 |

Tax Receivable Agreement

Upon the completion of the Business Combination, the Company entered into the Tax Receivable Agreement (the "TRA") with holders of Post-Merger Repay Units. As a result of the TRA, the Company established a liability in its condensed consolidated financial statements. The TRA is recorded at fair value based on estimates of discounted future cash flows associated with the estimated payments to the Post-Merger Repay Unit holders. These inputs are not observable in the market; thus, the TRA is classified within Level 3 of the fair value hierarchy, under ASC 820. The change in fair value is re-measured at each reporting period with the change in fair value being recognized in accordance with ASC 805.

The Company used a discount rate, also referred to as the Early Termination Rate, as defined in the TRA, to determine the present value, based on a risk-free rate plus a spread, pursuant to the TRA. A rate of 6.31% was applied to the forecasted TRA payments at March 31, 2023, in order to determine the fair value. A significant increase or decrease in the discount rate could have resulted in a lower or higher balance, respectively, as of the measurement date. The TRA balance was adjusted by \$4.5 million through accretion expense and a valuation adjustment, related to a decrease in the discount rate, which was 6.48% as of December 31, 2022.

The following table provides a rollforward of the TRA related to the acquisition and exchanges of Post-Merger Repay Units. See Note 13. Taxation for further discussion on the TRA.

| (\$ in thousands) | Three Months Ended March 31, | |
|---------------------------------|------------------------------|-------------------|
| | 2023 | 2022 |
| Balance at beginning of period | \$ 179,127 | \$ 245,828 |
| Purchases | 31 | — |
| Accretion expense | — | 961 |
| Valuation adjustment | 4,538 | (25,580) |
| Balance at end of period | \$ 183,696 | \$ 221,209 |

7. Intangible Assets

The Company holds definite and indefinite-lived intangible assets. As of March 31, 2023 and December 31, 2022, the indefinite-lived intangible assets consist of two trade names, arising from the acquisitions of Hawk Parent and MPI.

Intangible assets consisted of the following:

| <i>(\$ in thousands)</i> | Gross Carrying Value | Accumulated Amortization | Net Carrying Value | Weighted Average Useful Life (Years) |
|--|-----------------------------|---------------------------------|---------------------------|---|
| Client relationships | \$ 523,850 | \$ 148,498 | \$ 375,352 | 7.37 |
| Channel relationships | 16,240 | 3,580 | 12,660 | 7.81 |
| Software costs | 206,009 | 141,464 | 64,545 | 0.96 |
| Non-compete agreements | 4,580 | 4,129 | 451 | 0.45 |
| Trade name | 20,300 | — | 20,300 | — |
| Balance as of March 31, 2023 | \$ 770,979 | \$ 297,671 | \$ 473,308 | 5.58 |
| Customer relationships | \$ 539,850 | \$ 137,515 | \$ 402,335 | 7.40 |
| Channel relationships | 16,240 | 3,168 | 13,072 | 8.06 |
| Software costs | 196,890 | 132,322 | 64,568 | 0.99 |
| Non-compete agreements | 4,580 | 4,030 | 550 | 0.54 |
| Trade name | 20,050 | — | 20,050 | — |
| Balance as of December 31, 2022 | \$ 777,610 | \$ 277,035 | \$ 500,575 | 5.71 |

The Company's amortization expense for intangible assets was \$25.4 million and \$28.1 million for the three months ended March 31, 2023 and 2022, respectively.

The estimated amortization expense for the next five years and thereafter in the aggregate is as follows:

| <i>(\$ in thousands)</i> | Year Ending December 31, | Estimated Future Amortization Expense |
|--------------------------|---------------------------------|--|
| | 2023 | \$ 71,714 |
| | 2024 | 82,931 |
| | 2025 | 65,752 |
| | 2026 | 56,047 |
| | 2027 | 55,941 |
| | Thereafter | 120,623 |

8. Goodwill

The following table presents changes to goodwill by business segment for the three months ended March 31, 2023.

| <i>(\$ in thousands)</i> | Consumer Payments | Business Payments | Total |
|----------------------------------|--------------------------|--------------------------|-------------------|
| Balance at December 31, 2022 | \$ 609,139 | \$ 218,674 | \$ 827,813 |
| Dispositions | (35,270) | — | (35,270) |
| Balance at March 31, 2023 | \$ 573,869 | \$ 218,674 | \$ 792,543 |

During the three months ended March 31, 2023, the Company recognized a reduction in goodwill of \$35.3 million related to the disposition of BCS.

The Company concluded that goodwill was not impaired for either the Consumer Payments or Business Payments segment as of March 31, 2023. As of March 31, 2023 and December 31, 2022, there were no accumulated impairment losses on the goodwill for either the Consumer Payments or Business Payments segment.

9. Borrowings

Amended Credit Agreement

On February 3, 2021, the Company announced the closing of a new undrawn \$125.0 million senior secured revolving credit facility through Truist Bank (the “Amended Credit Agreement”). The Amended Credit Agreement replaced the Company’s prior senior secured credit facility, which included an undrawn \$30.0 million revolving credit facility.

On December 29, 2021, the Company increased its existing senior secured credit facility by \$60.0 million to provide for a \$185.0 million revolving credit facility in favor of Hawk Parent pursuant to an amendment to the Amended Credit Agreement. The revolving credit facility is guaranteed by Repay Holdings Corporation and certain of its subsidiaries.

On February 9, 2023, the Company further amended the Amended Credit Agreement to replace London Inter-bank Offer Rate (“LIBOR”) with term Secured Overnight Financing Rate (“SOFR”) as the interest rate benchmark.

On February 28, 2023, the Company repaid in full the entire amount of \$20.0 million of the outstanding revolving credit facility. The undrawn capacity of the existing revolving credit facility under the Amended Credit Agreement became \$185.0 million after the repayment.

As of March 31, 2023, the Company had \$0 drawn against the revolving credit facility. The Company paid \$0.1 million and \$0.2 million in fees related to unused commitments for the three months ended March 31, 2023 and 2022, respectively. The Company’s interest expense on the revolving credit facility totaled \$0.2 million and \$0.1 million for three months ended March 31, 2023 and 2022, respectively. The Company was in compliance with its restrictive covenants under the Amended Credit Agreement at March 31, 2023.

Convertible Senior Debt

On January 19, 2021, the Company issued \$440.0 million in aggregate principal amount of 0.00% Convertible Senior Notes due 2026 in a private placement. The conversion rate of any 2026 Notes was 29.7619 shares of Class A common stock per \$1,000 principal amount of 2026 Notes (equivalent to an initial conversion price of approximately \$33.60 per share of Class A common stock). Upon conversion of the 2026 Notes, the Company may choose to pay or deliver cash, shares of the Company’s Class A common stock, or a combination of cash and shares of the Company’s Class A common stock. The 2026 Notes will mature on February 1, 2026, unless earlier converted, repurchased or redeemed. Subject to Nasdaq requirements, the Company controls the conversion rights prior to November 3, 2025, unless a fundamental change or an event of default occurs.

During the three months ended March 31, 2023, the conversion contingencies of the 2026 Notes were not met, and the conversion terms of the 2026 Notes were not significantly changed.

The following table summarizes the total borrowings under the Amended Credit Agreement and 2026 Notes:

| <i>(\$ in thousands)</i> | March 31, 2023 | December 31, 2022 |
|--|-----------------------|--------------------------|
| Non-current indebtedness: | | |
| Revolving Credit Facility ⁽¹⁾ | \$ — | \$ 20,000 |
| Convertible Senior Debt | 440,000 | 440,000 |
| Total borrowings | 440,000 | 460,000 |
| Less: Long-term loan debt issuance cost ⁽²⁾ | 7,969 | 8,681 |
| Total non-current borrowings | \$ 432,031 | \$ 451,319 |

⁽¹⁾ The revolving credit facility bears interest at a variable rate, which was 6.63% as of December 31, 2022.

⁽²⁾ The Company incurred \$0.7 million of interest expense for the amortization of deferred debt issuance costs for the three months ended March 31, 2023. The Company incurred \$2.8 million of interest expense for the amortization of deferred debt issuance costs for the year ended December 31, 2022.

The following is a summary of principal maturities of long-term debt for each of the next five years ending December 31 and in the aggregate:

(\$ in thousands)

| | | |
|------|-----------|----------------|
| 2023 | \$ | — |
| 2024 | | — |
| 2025 | | — |
| 2026 | | 440,000 |
| 2027 | | — |
| | \$ | 440,000 |

10. Commitments and Contingencies

Legal Matters

The Company is a party to various claims and lawsuits incidental to its business. In the Company's opinion, the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, are not expected to have a material adverse effect on its financial position, liquidity, results of operations or cash flows.

Leases

The Company has commitments under operating leases for real estate leased from third parties under non-cancelable operating leases. The Company's leases typically have lease terms between three years and ten years, with the longest lease term having an expiration date in 2029. Most of these leases include one or more renewal options for six years or less, and certain leases also include lessee termination options. At lease commencement, the Company assesses whether it is reasonably certain to exercise a renewal option, or reasonably certain not to exercise a termination option, by considering various economic factors. Options that are reasonably certain of being exercised are factored into the determination of the lease term, and related payments are included in the calculation of the right-of-use ("ROU") asset and lease liability.

The components of lease cost are presented in the following table:

| (\$ in thousands) | Three Months Ended March 31, | |
|---|------------------------------|---------------|
| | 2023 | 2022 |
| Components of total lease costs: | | |
| Operating lease cost | \$ 659 | \$ 690 |
| Short-term lease cost | 5 | 12 |
| Variable lease cost | — | — |
| Total lease cost | \$ 664 | \$ 702 |

Amounts reported in the Condensed Consolidated Balance Sheets were as follows:

| (\$ in thousands) | March 31, 2023 | December 31, 2022 |
|--|------------------|-------------------|
| Operating leases: | | |
| ROU assets | \$ 9,302 | \$ 9,847 |
| Lease liability, current | 2,264 | 2,263 |
| Lease liability, long-term | 7,737 | 8,295 |
| Total lease liabilities | \$ 10,001 | \$ 10,558 |
| Weighted-average remaining lease term (in years) | 3.7 | 4.7 |
| Weighted-average discount rate (annualized) | 4.5 % | 4.5 % |

Other information related to leases are as follows:

| (\$ in thousands) | Three Months Ended March 31, | |
|---|------------------------------|--------|
| | 2023 | 2022 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 675 | \$ 645 |
| ROU assets obtained in exchange for lease liabilities: | | |
| Operating leases | — | 1,532 |

The following table presents a maturity analysis of the Company's operating leases liabilities as of March 31, 2023:

| (\$ in thousands) | | |
|-----------------------------------|----|--------|
| 2023 | \$ | 2,011 |
| 2024 | | 2,499 |
| 2025 | | 2,328 |
| 2026 | | 2,232 |
| 2027 | | 1,410 |
| Thereafter | | 561 |
| Total undiscounted lease payments | | 11,041 |
| Less: Imputed interest | | 1,040 |
| Total lease liabilities | \$ | 10,001 |

11. Related Party Transactions

Related party payables consisted of the following:

| (\$ in thousands) | March 31, 2023 | December 31, 2022 |
|-----------------------------------|----------------|-------------------|
| CPS accrued earnout liability | \$ — | \$ 1,000 |
| Other payables to related parties | 435 | — |
| | \$ 435 | \$ 1,000 |

The Company held receivables from related parties of \$0.3 million as of both March 31, 2023 and December 31, 2022. These amounts were due from employees, related to tax withholding on vesting of equity compensation. See Note 12. Share Based Compensation for more detail on these restricted share awards. Further, the Company owed employees \$0.0 million for amounts paid on behalf of the Company as of both March 31, 2023 and December 31, 2022.

The Company owed \$0 and \$1.0 million to related parties, in the form of contingent consideration payable to the sellers of CPS, who were employees of Repay, as of March 31, 2023 and December 31, 2022, respectively. In March 2023, the Company paid the CPS earnout payment of \$1.0 million.

12. Share Based Compensation

Omnibus Incentive Plan

At the 2019 Annual Shareholders Meeting of Thunder Bridge, the shareholders considered and approved the 2019 Omnibus Incentive Plan (the "Incentive Plan") which resulted in the reservation of 7,326,728 shares of Class A common stock for issuance thereunder. The Incentive Plan initially became effective immediately upon the closing of the Business Combination. In June 2022, the Incentive Plan was amended and restated to reserve a total of 13,826,728 shares of Class A common stock for issuance thereunder.

Under this plan, the Company currently has four types of share-based compensation awards outstanding: performance stock units ("PSUs"), restricted stock awards ("RSAs"), restricted stock units ("RSUs") and performance-based stock options ("PSOs").

Share-Based Awards

The following table summarizes share-based compensation expense and the related income tax benefit recognized for the Company's share-based compensation awards. Share-based compensation expenses are recorded within Selling, general and administrative in the Company's Condensed Consolidated Statement of Operations.

| (\$ in millions) | Three Months Ended March 31, | | | |
|----------------------------------|------------------------------|-----|------|-----|
| | 2023 | | 2022 | |
| Share-based compensation expense | \$ | 4.1 | \$ | 3.1 |
| Income tax (expense) benefit | | 1.1 | | 1.2 |

Activities for RSAs for the three months ended March 31, 2023 are as follows:

| | Class A Common Stock | | Weighted Average Grant Date Fair Value | |
|-----------------------------|-------------------------------|-----------|---|-------|
| | Unvested at December 31, 2022 | 2,111,635 | \$ | 16.23 |
| Granted | 2,519,355 | | 6.16 | |
| Forfeited ⁽¹⁾⁽²⁾ | 179,419 | | 17.53 | |
| Vested | 381,116 | | 17.26 | |
| Unvested at March 31, 2023 | 4,070,455 | \$ | 9.84 | |

Activities for RSUs for the three months ended March 31, 2023 are as follows:

| | Class A Common Stock | | Weighted Average Grant Date Fair Value | |
|----------------------------|-------------------------------|---------|---|-------|
| | Unvested at December 31, 2022 | 108,909 | \$ | 13.22 |
| Granted | — | | — | |
| Forfeited | — | | — | |
| Vested | 9,304 | | 18.27 | |
| Unvested at March 31, 2023 | 99,605 | \$ | 12.75 | |

Activities for PSUs for the three months ended March 31, 2023 are as follows:

| | Class A Common Stock ⁽³⁾ | | Weighted Average Grant Date Fair Value | |
|----------------------------|-------------------------------------|---------|---|-------|
| | Unvested at December 31, 2022 | 634,023 | \$ | 19.19 |
| Granted | 1,102,497 | | 8.87 | |
| Forfeited | — | | — | |
| Vested | — | | — | |
| Unvested at March 31, 2023 | 1,736,520 | \$ | 12.64 | |

⁽¹⁾ The forfeited shares include the Company's failure to meet certain performance measures and employee terminations during the three months ended March 31, 2023; further, these forfeited shares are added back to the amount of shares available for grant under the Incentive Plan.

⁽²⁾ Upon vesting, award-holders elected to sell shares to the Company in order to satisfy the associated tax obligations. The awards are not deemed outstanding; further, these forfeited shares are added back to the amount of shares available for grant under the Incentive Plan.

⁽³⁾ Represent shares to be paid out at target level.

Unrecognized compensation expense related to unvested PSUs, RSAs and RSUs was \$41.1 million at March 31, 2023, which is expected to be recognized as expense over the weighted-average period of 2.9 years.

Stock Options

Activities for PSOs for the three months ended March 31, 2023 are as follows:

| | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|--|------------------|------------------------------------|---|------------------------------|
| Outstanding at December 31, 2022 | — | \$ — | | |
| Granted | 1,148,822 | 6.13 | | |
| Forfeited | — | — | | |
| Exercised | — | — | | |
| Outstanding at March 31, 2023 | <u>1,148,822</u> | \$ 6.13 | 7.0 | \$ 505,482 |
| Options vested and exercisable at March 31, 2023 | — | \$ — | — | \$ — |

The Company recognized compensation expense for PSOs of \$0.1 million during the three months ended March 31, 2023. Unrecognized compensation expense related to outstanding PSOs was \$2.9 million at March 31, 2023, which is expected to be recognized as expense over the weighted-average period of 3.0 years.

The weighted average grant date fair value of PSOs granted during the three months ended March 31, 2023 was \$2.61. Fair value was estimated on the date of grant using Monte Carlo simulation with the following weighted average assumptions:

| | Three Months Ended March 31, 2023 |
|--------------------------|-----------------------------------|
| Risk-free interest rate | 3.42 % |
| Expected volatility | 52.82 % |
| Dividend yield | 0 % |
| Expected term (in years) | 4.5 |

The risk-free interest rate was based on the yield of a zero coupon U.S. Treasury security with a maturity equal to the contractual term of seven years. The assumption on expected volatility was based on the average of historical peer group volatilities using daily prices. The dividend yield assumption was determined as 0% since the Company pays no dividends. Expected term was based on the simplified method outlined in Staff Accounting Bulletin No. 14, Share-Based Payment due to the fact that Company does not have sufficient historical data upon which to estimate an expected term. Given that the Company's Class A common stock has been publicly traded for less than seven years, the Company believes that the simplified method is an applicable methodology to estimate the expected term of the options as of the grant date.

13. Taxation

Repay Holdings Corporation is taxed as a corporation and is subject to paying corporate federal, state and local taxes on the income allocated to it from Hawk Parent, based upon Repay Holding Corporation's economic interest held in Hawk Parent, as well as any stand-alone income or loss it generates. Hawk Parent is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Hawk Parent is not subject to U.S. federal and certain state and local income taxes. Hawk Parent's members, including Repay Holdings Corporation, are liable for federal, state and local income taxes based on their allocable share of Hawk Parent's pass-through taxable income.

The Company's effective tax rate was (18%) for the three months ended March 31, 2023. The Company recorded an income tax expense of \$4.4 million for the three months ended March 31, 2023. The effective tax rate for the three months ended March 31, 2023 includes a stock-based compensation adjustments net tax shortfall of \$2.1 million related to restricted stock awards vesting, which is required to be recorded discretely in the interim period in which it occurs. In addition, the effective tax rate includes a net tax impact of \$5.8 million related to the disposition of BCS, which is required to be recorded discretely in the interim period in which it occurs due to it being a significant, infrequently occurring item

disclosed separately in the quarterly financial statements. The effective tax rate of the Company differs from the federal statutory rate of 21% primarily due to the tax structure of the Company, the relative weighting of the noncontrolling interest, and lower income from operations over the current relevant period, as well as the aforementioned items required to be reported discretely in the interim period. The Company's effective tax rate was 23.0% for the three months ended March 31, 2022. The Company recorded an income tax expense of \$3.8 million for the three months ended March 31, 2022. The effective tax rate is dependent on many factors, including the estimated amount of income subject to income tax. As such, the effective tax rate can vary from period to period.

The Company recognized adjustments of (\$4.4) million for the three months ended March 31, 2023, of deferred tax assets related to the income tax expense derived from the net operating income generated over the same period. The Company recognized (\$3.8) million for the three months ended March 31, 2022, of deferred tax assets related to the income tax expense derived from the net operating loss over the same period.

Deferred tax assets, net of \$132.0 million as of March 31, 2023, relates primarily to the basis difference in the Company's investment in Hawk Parent. The basis difference arose primarily as a result of the subsequent purchase of Post-Merger Repay Units by the Company pursuant to the Unit Purchase Agreements entered into in 2020 with CC Payment Holdings, LLC, an entity controlled by Corsair, and the subsequent exchanges of Post-Merger Repay Units for shares of the Company's Class A common stock in accordance with the Exchange Agreement. In addition, as a result of the merger with BillingTree on June 15, 2021, an estimated opening deferred tax liability net of \$36.1 million, as adjusted, was recorded. The merger was recognized as a Qualified Stock Purchase within the meaning of Internal Revenue Code (the "Code") Section 338(d)(3). As such, no step up in the tax asset basis was permitted creating an estimated net deferred tax liability related to the tax asset basis difference in the investment in Hawk Parent on the opening balance sheet date.

The Company did not recognize any adjustment to the deferred tax asset ("DTA") and offsetting deferred tax liability ("DTL") recorded as a result of the ceiling rule limitation arising under Code Sec. 704(c) for the three months ended March 31, 2023, to account for the portion of the Company's outside basis in the partnership interest that it will not recover through tax deductions. As the ceiling rule causes taxable income allocations to be in excess of 704(b) book allocations the DTL will unwind, leaving only the DTA, which may only be recovered through the sale of the partnership interest in Hawk Parent. The Company has concluded, based on the weight of all positive and negative evidence, that all of the DTA associated with the ceiling rule limitation is not likely to be realized. As such, a 100% valuation allowance was recognized.

No uncertain tax positions existed as of March 31, 2023.

Tax Receivable Agreement Liability

Pursuant to the Company's election under Section 754 of the Code, the Company expects to obtain an increase in its share of the tax basis in the net assets of Hawk Parent when Post-Merger Repay Units are redeemed or exchanged for Class A common stock of Repay Holdings Corporation. The Company intends to treat any redemptions and exchanges of Post-Merger Repay Units as direct purchases for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that the Company would otherwise pay in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

On July 11, 2019, the Company entered into a TRA that provides for the payment by the Company of 100% of the amount of any tax benefits realized, or in some cases are deemed to realize, as a result of (i) increases in its share of the tax basis in the net assets of Hawk Parent resulting from any redemptions or exchanges of Post-Merger Repay Units and from its acquisition of the equity of the selling Hawk Parent members, (ii) tax basis increases attributable to payments made under the TRA, and (iii) deductions attributable to imputed interest pursuant to the TRA (the "TRA Payments"). The TRA Payments are not conditioned upon any continued ownership interest in Hawk Parent or the Company. The rights of each party under the TRA other than the Company are assignable. The timing and amount of aggregate payments due under the TRA may vary based on a number of factors, including the timing and amount of taxable income generated by the Company each year, as well as the tax rate then applicable, among other factors.

As of March 31, 2023, the Company had a liability of \$183.7 million related to its projected obligations under the TRA, which is captioned as tax receivable agreement liability in the Company's Unaudited Condensed Consolidated

Balance Sheet. The increase of \$4.6 million in the TRA liability for the three months ended March 31, 2023, was primarily a result of the change in the Early Termination Rate.

14. Segments

For performance assessment and resource allocation purposes, the Company's chief operating decision maker ("CODM") reviews discrete financial results of two operating segments as of December 31, 2022: (1) Consumer Payments and (2) Business Payments. These operating segments represent reportable segments based on ASC 280, *Segment Reporting*. Prior year amounts have been reclassified to conform to the current presentation.

Consumer Payments

The Consumer Payments segment provides payment processing solutions (including debit and credit card processing, ACH processing and other electronic payment acceptance solutions, as well as our loan disbursement product) that enable the Company's clients to collect payments and disburse funds to consumers and includes the Company's clearing and settlement solutions ("RCS"). RCS is the Company's proprietary clearing and settlement platform through which the Company 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. The Consumer Payments segment represented approximately 88% of the Company's total revenue after any intersegment eliminations for the three months ended March 31, 2023.

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 the Company'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, HOA management and hospitality. The Business Payments segment represented approximately 12% of the Company's total revenue after any intersegment eliminations for the three months ended March 31, 2023.

The following table presents revenue and gross profit for each reportable segment.

| (\$ in thousand) | Three Months Ended March 31, | |
|---|------------------------------|------------------|
| | 2023 | 2022 |
| Revenue | | |
| Consumer Payments | \$ 69,940 | \$ 61,081 |
| Business Payments | 8,675 | 8,892 |
| Elimination of intersegment revenues ⁽¹⁾ | (4,078) | (2,409) |
| Total revenue | \$ 74,537 | \$ 67,564 |
| Gross profit ⁽²⁾ | | |
| Consumer Payments | \$ 54,625 | \$ 47,491 |
| Business Payments | 6,025 | 5,917 |
| Elimination of intersegment revenues | (4,078) | (2,409) |
| Total gross profit | \$ 56,572 | \$ 50,999 |
| Total other operating expenses ⁽³⁾ | \$ 74,536 | \$ 57,907 |
| Total other income (expense) | (5,611) | 23,637 |
| Income (loss) before income tax expense | (23,575) | 16,729 |
| Income tax expense | (4,357) | (3,843) |
| Net income (loss) | \$ (27,932) | \$ 12,886 |

⁽¹⁾ Represents intercompany eliminations between segments for consolidation purpose.

⁽²⁾ Represents revenue less costs of services.

⁽³⁾ Represents total operating expenses less costs of services.

Revenue and costs of services are attributed directly to each segment. There is no significant concentration of revenue or assets in foreign countries as of March 31, 2023. The CODM reporting package does not include discrete asset details of the operating segments as this information is not considered by the CODM for resource allocation or other segment analysis purposes.

15. Subsequent events

Management has evaluated subsequent events and their potential effects on these unaudited condensed consolidated financial statements. Based upon the review, management did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For purposes of this section, "Repay", the "Company", "we", or "our" refer to Repay Holdings Corporation and its subsidiaries, unless the context otherwise requires. Certain figures have been rounded for ease of presentation and may not sum due to rounding.

Cautionary Note Regarding Forward-Looking Statements

Statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including those set forth under Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022.

Overview

We provide integrated payment processing solutions to industry-oriented markets in which clients have specific transaction processing needs. We refer to these markets as “vertical markets” or “verticals.” Our proprietary, integrated payment technology platform reduces the complexity of the electronic payments process for businesses, while enhancing their consumers’ overall experience. We are a payments innovator, differentiated by our proprietary, integrated payment technology platform and our ability to reduce the complexity of the electronic payments for businesses. We intend to continue to strategically target verticals where we believe our ability to tailor payment solutions to our client needs, our deep knowledge of our vertical markets and the embedded nature of our integrated payment solutions will drive strong growth by attracting new clients and fostering long-term client relationships.

Since a significant portion of our revenue is derived from volume-based payment processing fees, card payment volume is a key operating metric that we use to evaluate our business. We processed approximately \$6.6 billion of total card payment volume for the three months ended March 31, 2023, and our card payment volume growth over the same period in 2022 was approximately 3%.

We report our financial results based on two reportable segments.

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

Business Payments – Our 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 our clients to collect or send payments to other businesses. The strategic vertical markets served within our Business Payments segment primarily include retail automotive, education, field services, governments and municipalities, healthcare, HOA management and hospitality.

Macroeconomic Conditions

We have been monitoring the current economic environment in the U.S. and globally – characterized by heightened inflation (including changes in wages), rising interest rates, supply chain issues, slower growth and recent banking system volatility. Such macroeconomic conditions may continue to evolve in ways that are difficult to fully anticipate and may also include increased levels of unemployment and/or a recession. Some or all of these market factors have and could continue to adversely affect our payment volumes from the consumer loan market, the receivables management industry and consumer and commercial spending. The effect of these events on our financial condition, results of operations and cash flows is uncertain and cannot be predicted at this time. Finally, the impact of all of these

various events on our results in the first three months of 2023 may not be necessarily indicative of their impact on our results for the remainder of 2023.

Business Combination

The Company was formed upon closing of the merger of Hawk Parent with a subsidiary of Thunder Bridge, a special purpose acquisition company, on July 11, 2019. On the closing of the Business Combination, Thunder Bridge changed its name to “Repay Holdings Corporation.”

Key Factors Affecting Our Business

Key factors that we believe impact our business, results of operations and financial condition include, but are not limited to, the following:

- the dollar amount volume and the number of transactions that are processed by the clients that we currently serve;
- our ability to attract new clients and onboard them as active processing clients;
- our ability to (i) successfully integrate recent acquisitions and (ii) complete future acquisitions;
- our ability to offer new and competitive payment technology solutions to our clients; and
- general economic conditions and consumer finance trends.

Key Components of Our Revenues and Expenses

Revenues

Revenue. As our clients process increased volumes of payments, our revenues increase as a result of the fees we charge for processing these payments. Most of our revenues are derived from volume-based payment processing fees (“discount fees”) and other related fixed per transaction fees. Discount fees represent a percentage of the dollar amount of each credit or debit transaction processed and include fees relating to processing and services that we provide. The transaction price for such processing services is determined, based on the judgment of management, considering factors such as margin objectives, pricing practices and controls, client segment pricing strategies, the product life cycle and the observable price of the service charged to similarly situated clients. During the three months ended March 31, 2023 and 2022, our chargeback rate was less than 1% of our card payment volume.

Expenses

Costs of services. Costs of services primarily include commissions to our software integration partners and other third-party processing costs, such as front and back-end processing costs and sponsor bank fees.

Selling, general and administrative. Selling, general and administrative expenses include salaries, share-based compensation and other employment costs, professional service fees, rent and utilities, and other operating costs.

Depreciation and amortization. Depreciation expense consists of depreciation on our investments in property, equipment and computer hardware. Depreciation expense is recognized on a straight-line basis over the estimated useful life of the asset. Amortization expense for software development costs and purchased software is recognized on the straight-line method over a three-year estimated useful life, between eight to ten years estimated useful life for client relationships and channel relationships, and between two to five years estimated useful life for non-compete agreements.

Interest expense. Interest expense consists of interest in respect of our indebtedness under the Amended Credit Agreement.

Change in fair value of tax receivable liability. This amount represents the change in fair value of the tax receivable agreement liability. The TRA liability is carried at fair value; so, any change to the valuation of this liability is recognized through this line in other expense. The change in fair value can result from the redemption or exchange of Post-Merger Repay Units for Class A common stock of Repay Holdings Corporation, or through accretion of the discounted fair value of the expected future cash payments.

Results of Operations (Unaudited)

| (in \$ thousands, except per share data) | Three Months ended March 31, | | | |
|---|------------------------------|-----------------|------|----------------|
| | 2023 | | 2022 | |
| Revenue | \$ | 74,537 | \$ | 67,564 |
| Operating expenses | | | | |
| Costs of services (exclusive of depreciation and amortization shown separately below) | | 17,965 | | 16,565 |
| Selling, general and administrative | | 38,518 | | 32,218 |
| Depreciation and amortization | | 26,140 | | 28,589 |
| Change in fair value of contingent consideration | | — | | (2,900) |
| Loss on business disposition | | 9,878 | | — |
| Total operating expenses | | 92,501 | | 74,472 |
| Loss from operations | | (17,964) | | (6,908) |
| Other income (expense) | | | | |
| Interest expense | | (1,160) | | (988) |
| Change in fair value of tax receivable liability | | (4,538) | | 24,619 |
| Other income | | 87 | | 6 |
| Total other income (expense) | | (5,611) | | 23,637 |
| Income (loss) before income tax expense | | (23,575) | | 16,729 |
| Income tax expense | | (4,357) | | (3,843) |
| Net income (loss) | \$ | (27,932) | \$ | 12,886 |
| Net loss attributable to non-controlling interest | | (1,540) | | (767) |
| Net income (loss) attributable to the Company | \$ | (26,392) | \$ | 13,653 |
| Weighted-average shares of Class A common stock outstanding - basic | | 88,615,760 | | 88,607,655 |
| Weighted-average shares of Class A common stock outstanding - diluted | | 88,615,760 | | 113,015,159 |
| Income (loss) per Class A share - basic | \$ | (0.30) | \$ | 0.15 |
| Income (loss) per Class A share - diluted | \$ | (0.30) | \$ | 0.12 |

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Revenue

Total revenue was \$74.5 million for the three months ended March 31, 2023 and \$67.6 million for the three months ended March 31, 2022, an increase of \$7.0 million or 10.3%. This increase was the result of newly signed clients and the growth of our existing clients. For the three months ended March 31, 2022, incremental revenues of approximately \$0.9 million are attributable to BCS.

Costs of Services

Costs of services were \$18.0 million for the three months ended March 31, 2023 and \$16.6 million for the three months ended March 31, 2022, an increase of \$1.4 million or 8.5%. This increase was the result of newly signed clients and the growth of our existing clients. For the three months ended March 31, 2022, incremental costs of services of less than \$0.1 million are attributable to BCS.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$38.5 million for the three months ended March 31, 2023 and \$32.2 million for the three months ended March 31, 2022, an increase of \$6.3 million or 19.6%, primarily due to a \$2.8 million increase in equity compensation expense related to restricted shares and stock options granted and a \$1.8 million increase in software and technological services expenses related to the integration of acquired businesses.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were \$26.1 million for the three months ended March 31, 2023 and \$28.6 million for the three months ended March 31, 2022, a decrease of \$2.4 million or 8.6%, primarily due to a \$2.8 million decrease in the amortization of software, offset by a \$0.2 million increase in the depreciation of computers.

Interest Expense

Interest expense was \$1.2 million for the three months ended March 31, 2023 and \$1.0 million for the three months ended March 31, 2022, an increase of \$0.2 million or 17.4%. This increase was due to a higher interest rate on the outstanding principal balance under our Amended Credit Agreement.

Change in Fair Value of Tax Receivable Liability

We incurred a loss, related to accretion expense and fair value adjustment of the tax receivable liability of \$4.5 million for the three months ended March 31, 2023, compared to a \$24.6 million net gain for the three months ended March 31, 2022, a decrease of \$29.2 million. This decrease was due to lower fair value adjustments related to the tax receivable liability, primarily as a result of changes to the discount rate, or Early Termination rate, used to determine the fair value of the liability.

Income Tax Expense

The income tax expense was \$4.4 million for the three months ended March 31, 2023. This was a result of the operating loss incurred by the Company, primarily driven by the change in fair value of the tax receivable liability, stock-based compensation deductions and the amortization of assets acquired in the Business Combination and prior acquisitions, offset by stock-based compensation expense adjustments and the impact of the BCS disposition which are both required to be reported discretely in the interim period in which they occur. The income tax expense was \$3.8 million for the three months ended March 31, 2022, which reflected the expected income tax benefit to be received on the net earnings related to the Company's economic interest in Hawk Parent.

Segments (Unaudited)

We provided our services through two reportable segments: (1) Consumer Payments and (2) Business Payments. During the three months ended March 31, 2023, we reclassified the distribution of the legacy Ventanex businesses between the segments. Certain prior year amounts have been reclassified to conform to the current year presentation.

The following table presents our segment revenue and selected performance measures.

| (\$ in thousand) | Three Months Ended March 31, | |
|---|------------------------------|------------------|
| | 2023 | 2022 |
| Revenue | | |
| Consumer Payments | \$ 69,940 | \$ 61,081 |
| Business Payments | 8,675 | 8,892 |
| Elimination of intersegment revenues | (4,078) | (2,409) |
| Total revenue | \$ 74,537 | \$ 67,564 |
| Gross profit ⁽¹⁾ | | |
| Consumer Payments | \$ 54,625 | \$ 47,491 |
| Business Payments | 6,025 | 5,917 |
| Elimination of intersegment revenues | (4,078) | (2,409) |
| Total gross profit | \$ 56,572 | \$ 50,999 |
| Total gross profit margin ⁽²⁾ | 76% | 75% |

(1) Gross profit represents revenue less cost of services.

(2) Gross profit margin represents total gross profit / total revenue.

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Consumer Payments

Revenue for the Consumer Payments segment was \$69.9 million for the three months ended March 31, 2023 and \$61.1 million for the three months ended March 31, 2022, representing a \$8.9 million or 14.5% year-over-year increase. This increase was the result of newly signed clients and the growth of existing clients. For the three months ended March 31, 2022, incremental revenues of approximately \$0.9 million are attributable to BCS.

Gross profit for the Consumer Payments segment was \$54.6 million for the three months ended March 31, 2023 and \$47.5 million for three months ended March 31, 2022, representing a \$7.1 million or 15.0% year-over-year increase. This increase was the result of newly signed clients and the growth of existing clients. For the three months ended March 31, 2022, incremental gross profit of approximately \$0.9 million is attributable to BCS.

Business Payments

Revenue for the Business Payments segment was \$8.7 million for the three months ended March 31, 2023 and \$8.9 million for the three months ended March 31, 2022, representing a \$0.2 million or 2.4% year-over-year decrease. Growth from newly signed clients and existing clients was offset by declines in our media payments business and a large client reducing volumes after being acquired.

Gross profit for the Business Payments segment was \$6.0 million for the three months ended March 31, 2023 and \$5.9 million for the three months ended March 31, 2022, representing a \$0.1 million or 1.8% year-over-year increase. Growth from newly signed clients and existing clients was partially offset by declines in our media payments business and a large client reducing volumes after being acquired.

Non-GAAP Financial Measures

This report includes certain non-GAAP financial measures that management uses to evaluate our operating business, measure our 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 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, 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 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 we exclude amortization from acquisition-related intangibles from our 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 Post-Merger Repay Units) for the three months ended March 31, 2023 and 2022 (excluding shares subject to forfeiture).

We believe that Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per share provide useful information to investors and others in understanding and evaluating its operating results in the same manner as management. However, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per share are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for net income, operating profit or any other operating performance measure calculated in accordance with GAAP. Using these non-GAAP financial measures to analyze our 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 our industry may report measures titled Adjusted EBITDA, Adjusted Net Income, Adjusted Net Income per share or similar measures, such non-GAAP financial measures may be calculated differently from how we calculate our non-GAAP financial measures, which reduces their overall usefulness as comparative measures. Because of these limitations, you should consider Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per share alongside other financial performance measures, including net income and our other financial results presented in accordance with GAAP.

The following tables set forth a reconciliation of our results of operations for the three months ended March 31, 2023 and 2022.

REPAY HOLDINGS CORPORATION
Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA
For the three months ended March 31, 2023 and 2022
(Unaudited)

| (in \$ thousands) | Three Months ended March 31, | |
|---|------------------------------|-------------------|
| | 2023 | 2022 |
| Revenue | \$ 74,537 | \$ 67,564 |
| Operating expenses | | |
| Costs of services (exclusive of depreciation and amortization shown separately below) | \$ 17,965 | \$ 16,565 |
| Selling, general and administrative | 38,518 | 32,218 |
| Depreciation and amortization | 26,140 | 28,589 |
| Change in fair value of contingent consideration | — | (2,900) |
| Loss on business disposition | 9,878 | — |
| Total operating expenses | \$ 92,501 | \$ 74,472 |
| Loss from operations | \$ (17,964) | \$ (6,908) |
| Other income (expense) | | |
| Interest expense | (1,160) | (988) |
| Change in fair value of tax receivable liability | (4,538) | 24,619 |
| Other income | 87 | 6 |
| Total other income (expense) | (5,611) | 23,637 |
| Income (loss) before income tax expense | (23,575) | 16,729 |
| Income tax expense | (4,357) | (3,843) |
| Net income (loss) | \$ (27,932) | \$ 12,886 |
| Add: | | |
| Interest expense | 1,160 | 988 |
| Depreciation and amortization ^(a) | 26,140 | 28,589 |
| Income tax expense (benefit) | 4,357 | 3,843 |
| EBITDA | \$ 3,725 | \$ 46,306 |
| Loss on business disposition ^(b) | 9,878 | — |
| Non-cash change in fair value of contingent consideration ^(c) | — | (2,900) |
| Non-cash change in fair value of assets and liabilities ^(d) | 4,538 | (24,619) |
| Share-based compensation expense ^(e) | 4,054 | 3,357 |
| Transaction expenses ^(f) | 5,997 | 4,930 |
| Restructuring and other strategic initiative costs ^(g) | 1,411 | 1,246 |
| Other non-recurring charges ^(h) | 1,572 | 1,007 |
| Adjusted EBITDA | \$ 31,175 | \$ 29,327 |

REPAY HOLDINGS CORPORATION
Reconciliation of GAAP Net Income to Non-GAAP Adjusted Net Income
For the three months ended March 31, 2023 and 2022
(Unaudited)

| <i>(in \$ thousands)</i> | Three Months ended March 31, | |
|---|------------------------------|-------------------|
| | 2023 | 2022 |
| Revenue | \$ 74,537 | \$ 67,564 |
| Operating expenses | | |
| Costs of services (exclusive of depreciation and amortization shown separately below) | \$ 17,965 | \$ 16,565 |
| Selling, general and administrative | 38,518 | 32,218 |
| Depreciation and amortization | 26,140 | 28,589 |
| Change in fair value of contingent consideration | — | (2,900) |
| Loss on business disposition | 9,878 | — |
| Total operating expenses | \$ 92,501 | \$ 74,472 |
| Loss from operations | \$ (17,964) | \$ (6,908) |
| Interest expense | (1,160) | (988) |
| Change in fair value of tax receivable liability | (4,538) | 24,619 |
| Other income | 87 | 6 |
| Total other income (expense) | (5,611) | 23,637 |
| Income (loss) before income tax expense | (23,575) | 16,729 |
| Income tax expense | (4,357) | (3,843) |
| Net income (loss) | \$ (27,932) | \$ 12,886 |
| Add: | | |
| Amortization of acquisition-related intangibles ⁽ⁱ⁾ | 19,924 | 23,136 |
| Loss on business disposition ^(b) | 9,878 | — |
| Non-cash change in fair value of contingent consideration ^(c) | — | (2,900) |
| Non-cash change in fair value of assets and liabilities ^(d) | 4,538 | (24,619) |
| Share-based compensation expense ^(e) | 4,054 | 3,357 |
| Transaction expenses ^(f) | 5,997 | 4,930 |
| Restructuring and other strategic initiative costs ^(g) | 1,411 | 1,246 |
| Other non-recurring charges ^(h) | 1,572 | 1,007 |
| Non-cash interest expense ⁽ⁱ⁾ | 712 | 703 |
| Pro forma taxes at effective rate ^(k) | (961) | (1,194) |
| Adjusted Net Income | \$ 19,193 | \$ 18,552 |
| Shares of Class A common stock outstanding (on an as-converted basis) ^(l) | 96,481,208 | 96,534,231 |
| Adjusted Net Income per share | \$ 0.20 | \$ 0.19 |

- (a) See footnote (i) for details on amortization and depreciation expenses.
- (b) Reflects the loss recognized related to the disposition of BCS.
- (c) 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.
- (d) Reflects the changes in management's estimates of the fair value of the liability relating to TRA.
- (e) Represents compensation expense associated with equity compensation plans, totaling \$4.1 million and \$3.4 million for the three months ended March 31, 2023 and 2022, respectively.
- (f) Primarily consists of (i) during the three months ended March 31, 2023, professional service fees and other costs incurred in connection with the disposition of BCS, and (ii) during the three months ended March 31, 2022, professional service fees and other costs incurred in connection with the acquisitions of BillingTree, Kontrol and Payix.
- (g) 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 months ended March 31, 2023 and 2022.
- (h) For the three months ended March 31, 2023, reflects payments made to third-parties in connection with a significant expansion of our personnel, one-time payments to certain partners and non-cash rent expense. For the three months ended March 31, 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.

- (i) For the three months ended March 31, 2023 and 2022, reflects amortization of client relationships, non-compete agreement, software, and channel relationship intangibles acquired through the Business Combination, and client relationships, non-compete agreement, and software intangibles acquired through our acquisitions of TriSource, APS, Ventanex, cPayPlus, CPS, BillingTree, Kontrol 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 our amortization expenses:

| <i>(in \$ thousands)</i> | Three Months ended March 31, | |
|---|-------------------------------------|------------------|
| | 2023 | 2022 |
| Acquisition-related intangibles | \$ 19,924 | \$ 23,136 |
| Software | 5,475 | 4,946 |
| Amortization | \$ 25,399 | \$ 28,082 |
| Depreciation | 741 | 507 |
| Total Depreciation and amortization ⁽¹⁾ | \$ 26,140 | \$ 28,589 |

- (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 we exclude amortization from acquisition-related intangibles from our 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.

- (j) Represents amortization of non-cash deferred debt issuance costs.
- (k) Represents pro forma income tax adjustment effect associated with items adjusted above.
- (l) 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 months ended March 31, 2023 and 2022. These numbers do not include any shares issuable upon conversion of our 2026 Notes. 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 March 31, | |
|--|-------------------------------------|-------------------|
| | 2023 | 2022 |
| Weighted average shares of Class A common stock outstanding - basic | 88,615,760 | 88,607,655 |
| Add: Non-controlling interests | | |
| Weighted average Post-Merger Repay Units exchangeable for Class A common stock | 7,865,448 | 7,926,576 |
| Shares of Class A common stock outstanding (on an as-converted basis) | 96,481,208 | 96,534,231 |

Adjusted EBITDA for the three months ended March 31, 2023 and 2022 was \$31.2 million and \$29.3 million, respectively, representing a 6.3% year-over-year increase. Adjusted Net Income for the three months ended March 31, 2023 and 2022 was \$19.2 million and \$18.6 million, respectively, representing a 3.5% year-over-year increase. Our net income (loss) attributable to the Company for the three months ended March 31, 2023 and 2022 was (\$26.4) million and \$13.7 million, respectively, representing a 293.3% year-over-year decrease.

The increases in Adjusted EBITDA and Adjusted Net Income for the three months ended March 31, 2023 were primarily due to the organic growth of our business, which was partially offset from the disposition of BCS.

The decrease in net income (loss) attributable to the Company for the three months ended March 31, 2023 was primarily due to the disposition of BCS and a loss in fair value adjustment of the tax receivable liability compared to a net gain in prior year.

Seasonality

We have experienced in the past, and may continue to experience, seasonal fluctuations in our volumes and revenues as a result of consumer spending patterns. Volumes and revenues, per each client store, during the first quarter of the calendar year tend to increase in comparison to the remaining three quarters of the calendar year. This increase is due to consumers' receipt of tax refunds and the increases in repayment activity levels that follow. Operating expenses show less seasonal fluctuation, with the result that net income is subject to the similar seasonal factors as our volumes and revenues.

Liquidity and Capital Resources

We have historically financed our operations and working capital through net cash from operating activities. As of March 31, 2023, we had \$91.7 million of cash and cash equivalents and available borrowing capacity of \$185.0 million under the Amended Credit Agreement. This balance does not include restricted cash, which reflects cash accounts holding reserves for potential losses and client settlement funds of \$27.1 million as of March 31, 2023. Our primary cash needs are to fund working capital requirements, invest in technology development, fund acquisitions and related contingent consideration, make scheduled principal payments and interest payments on our outstanding indebtedness and pay tax distributions to members of Hawk Parent. We expect that our cash flow from operations, current cash and cash equivalents and available borrowing capacity under the Amended Credit Agreement will be sufficient to fund our operations and planned capital expenditures and to service our debt obligations for the next twelve months and the following five years.

We are a holding company with no operations and depend on our subsidiaries for cash to fund all of our consolidated operations, including future dividend payments, if any. We depend on the payment of distributions by our current subsidiaries, including Hawk Parent, which distributions may be restricted by law or contractual agreements, including agreements governing their indebtedness. For a discussion of those considerations and restrictions, refer to Part I, Item 1A "Risk Factors - Risks Related to Our Class A Common Stock" in our Annual Report on Form 10-K for the year ended December 31, 2022.

On May 16, 2022, our board of directors approved a share repurchase program under which we may repurchase up to \$50 million of our outstanding Class A common stock (the "Share Repurchase Program"). The Share Repurchase Program has no expiration date but may be modified, suspended or discontinued at any time at our discretion.

Cash Flows

The following table presents a summary of cash flows from operating, investing and financing activities for the periods indicated:

| <i>(in \$ thousands)</i> | Three Months ended March 31, | |
|---|-------------------------------------|-------------|
| | 2023 | 2022 |
| Net cash provided by operating activities | \$ 20,831 | \$ 13,754 |
| Net cash provided by (used in) investing activities | 26,694 | (7,566) |
| Net cash used in financing activities | (22,259) | (1,698) |

Cash Flow from Operating Activities

Net cash provided by operating activities was \$20.8 million and \$13.8 million for the three months ended March 31, 2023 and 2022, respectively, which reflects net income as adjusted for non-cash operating items including depreciation and amortization, share-based compensation, and changes in working capital accounts.

Cash Flow from Investing Activities

Net cash provided by investing activities was \$26.7 million for the three months ended March 31, 2023, due to cash received from the disposition of BCS, partially offset by the capitalization of software development activities.

Net cash used in investing activities was \$7.6 million for the three months ended March 31, 2022, due to the capitalization of software development activities.

Cash Flow from Financing Activities

Net cash used in financing activities was \$22.3 million for the three months ended March 31, 2023, due to the repayment of the outstanding revolving credit facility balance and the CPS earnout payment.

Net cash used in financing activities was \$1.7 million for the three months ended March 31, 2022, due to the shares repurchased under the Incentive Plan.

Indebtedness

Amended Credit Agreement

On February 3, 2021, the Company announced the closing of a new undrawn \$125.0 million senior secured revolving credit facility through Truist Bank. The Amended Credit Agreement replaced the Company's prior senior secured credit facility, which included an undrawn \$30.0 million revolving credit facility.

On December 29, 2021, we increased our existing senior secured credit facilities by \$60.0 million to provide for a \$185.0 million revolving credit facility pursuant to an amendment to the Amended Credit Agreement.

On February 9, 2023, we further amended the Amended Credit Agreement to replace LIBOR with term SOFR as the interest rate benchmark.

On February 28, 2023, we repaid in full the entire amount of \$20.0 million of the outstanding revolving credit facility. The undrawn capacity of the existing revolving credit facility under the Amended Credit Agreement became \$185.0 million after the repayment.

As of March 31, 2023, the Amended Credit Agreement provides for a revolving credit facility of \$185.0 million. As of March 31, 2023, we had \$0 million drawn against the revolving credit facility. We paid \$0.1 million and \$0.2 million in fees related to unused commitments for the three months ended March 31, 2023 and 2022.

Convertible Senior Debt

On January 19, 2021, we issued \$440.0 million in aggregate principal amount of 0.00% Convertible Senior Notes due 2026 in a private placement (the "Notes Offering") to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. \$40.0 million in aggregate principal amount of such 2026 Notes were sold in the Notes Offering in connection with the full exercise of the initial purchasers' option to purchase such additional 2026 Notes pursuant to the purchase agreement. Upon conversion, the Company may choose to pay or deliver cash, shares of the Company's Class A Common Stock, or a combination of cash and shares of the Company's Class A Common Stock. The 2026 Notes will mature on February 1, 2026, unless earlier converted, repurchased or redeemed.

As of March 31, 2023, we had convertible senior debt outstanding of \$432.0 million, net of deferred issuance costs, under the 2026 Notes. We were in compliance with the related restrictive financial covenants. Additionally, we currently expect that we will remain in compliance with the restrictive financial covenants under the 2026 Notes and the Amended Credit Agreement, prospectively.

Tax Receivable Agreement

Upon the completion of the Business Combination, we entered into the TRA with holders of Post-Merger Repay Units. As a result of the TRA, we established a liability in our condensed consolidated financial statements. Such liability, which will increase upon the redemptions or exchanges of Post-Merger Repay Units for the Class A common stock of the Company, generally represents 100% of the estimated future tax benefit, if any, relating to the increase in tax basis that will result from redemptions or exchanges of the Post-Merger Repay Units for shares of Class A common stock pursuant to the Exchange Agreement and certain other tax attributes of the Company and tax benefits of entering into the TRA, including tax benefits attributable to payments under the TRA.

Under the terms of the TRA, we may elect to terminate the TRA early but will be required to make an immediate payment equal to the present value of the anticipated future cash tax savings. As a result, the associated liability reported on our condensed consolidated financial statements may be increased. We expect that the payment obligations of the Company required under the TRA will be substantial. The actual increase in tax basis, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, including the timing of redemptions or exchanges by the holders of Post-Merger Repay Units, the price of the Class A common stock of the Company at the time of the redemption or exchange, whether such redemptions or exchanges are taxable, the amount and timing of the taxable income we generate in the future, the tax rate then applicable and the portion of our payments under the TRA constituting imputed interest. We expect to fund the payment of the amounts due under the TRA out of the cash savings that we actually realize in respect of the attributes to which TRA relates. However, the payments required to be made could be in excess of the actual tax benefits that we realize and there can be no assurance that we will be able to finance our obligations under the TRA.

Critical Accounting Policies and Recently Issued Accounting Pronouncements

There have been no significant changes to our critical accounting policies and critical accounting estimates for the three months ended March 31, 2023. See Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2022, for a complete discussion of critical accounting policies and critical accounting estimates.

For information related to recent accounting pronouncements and the impact of these pronouncements on our condensed consolidated financial statements, see Note 2. Basis of Presentation and Summary of Significant Accounting Policies, to our Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Effects of Inflation

While inflation may impact our revenues and cost of services, we believe the effects of inflation, if any, on our results of operations and financial condition have not been significant. However, there can be no assurance that our results of operations and financial condition will not be materially impacted by inflation in the future.

Interest Rate Risk

Interest rates are highly sensitive to many factors, including U.S. fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control. Interest rate risk is the exposure to loss resulting from changes in the level of interest rates and the spread between different interest rates. We are exposed to market risk from changes in interest rates on debt, which bears interest at variable rates. Our debt has floating interest rates. We are exposed to changes in the level of interest rates and to changes in the relationship or spread between interest rates for its floating rate debt. Our floating rate debt requires payments based on variable interest rates such as the federal funds rate, prime rate, eurocurrency rate, and SOFR. Therefore, increases in interest rates may reduce our net income or loss by increasing the cost of debt. As of March 31, 2023, we had convertible senior debt of \$432.0 million, net of deferred issuance costs outstanding under the respective debt agreement. As of December 31, 2022, we had convertible senior debt of \$433.1 million, net of deferred issuance costs, and revolving credit facility borrowings of \$18.2 million, net of deferred issuance costs, outstanding. The borrowings under the Amended Credit Agreement accrue interest at either base rate, described above under "*Liquidity and Capital Resources — Indebtedness*," plus a margin of 1.50% to 2.50% or at an adjusted SOFR rate plus a margin of 2.50% to 3.50% under the Amended Credit Agreement, in each case depending on the total net leverage ratio, as defined in the Amended Credit Agreement.

We may incur additional borrowings from time to time for general corporate purposes, including working capital and capital expenditures.

Foreign Currency Exchange Rate Risk

Invoices for our services are denominated in U.S. dollars and Canadian dollars. We do not expect our future operating results to be significantly affected by foreign currency transaction risk.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2023, our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time we are named as a defendant in legal actions arising from our normal business activities. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, we do not believe any currently pending legal proceeding to which we are a party will have a material adverse effect on our business, prospects, financial condition, cash flows or results of operations.

ITEM 1A. RISK FACTORS

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, except as set forth below. The disclosure set forth below supplements and updates, and should be read together with the risk factors in such Form 10-K.

Actual or perceived adverse developments affecting financial institutions could have a material and adverse impact on our business, financial condition or results of operations.

In our business, we maintain relationships with financial institutions in various capacities. Our cash and cash equivalents are held in accounts with banks or other financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”). In most cases, the amounts held in these accounts exceed the FDIC insurance limits. We also rely on financial institutions to act as our sponsor banks in order to enable us to process electronic payment transactions for our clients. In this regard, we maintain relationships with multiple sponsor banks in an effort to secure competitive pricing for our clients and to maintain redundancy. In addition, our clients include credit unions, banks and non-bank lenders who utilize our payment technology solutions in exchange for processing fees.

Since March 2023, Silicon Valley Bank, Signature Bank and First Republic Bank were each closed by their applicable regulators and the FDIC was appointed as receiver. We did not use Silicon Valley Bank, Signature Bank or First Republic Bank for any of our depository or investment accounts nor did we have any payment processing relationships with these particular financial institutions. However, we cannot guarantee that there will not be similar issues with any of the financial institutions with whom we maintain relationships.

The failure of or any other adverse development impacting one or more of our financial institution relationships (or rumors or concerns about such events) could adversely affect our liquidity, our ability to process transactions for our clients or our client relationships. Similarly, our clients could be adversely affected by any bank failure or other adverse event involving their financial institution relationships, which could result in a decrease in the amount of payment volume we receive from these clients.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes such purchases of Class A common stock made by the Company or any “affiliate purchaser” (as defined in Rule 10b-18(a)(3) of the Exchange Act) for the three months ended March 31, 2023:

| | Total Number of Shares Purchased⁽¹⁾ | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽²⁾ | Approximate Dollar Value of Shares that May yet be Purchased Under the Plans or Programs |
|-----------------------|---|-------------------------------------|---|---|
| January 1 - 31, 2023 | 18,673 | \$ 8.84 | — | \$ 40,000,000 |
| February 1 - 28, 2023 | 82,547 | 8.74 | — | — |
| March 1 - 31, 2023 | 46,507 | 7.05 | — | — |
| Total | 147,727 | \$ 8.22 | — | \$ 40,000,000 |

(1) Includes 147,727 shares that we withheld pursuant to the Incentive Plan in order to satisfy employees’ tax withholding and payment obligations in connection with the vesting of awards of restricted stock under the Incentive Plan and share purchases, which we withheld at fair market value on the applicable vesting date or purchase date.

(2) On May 16, 2022, our board of directors approved the Share Repurchase Program under which we may repurchase up to \$50 million of our outstanding Class A common stock. The Share Repurchase Program has no expiration date but may be modified, suspended or discontinued at any time at our discretion. Repurchases under the Share Repurchase Program may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases depending on market conditions and corporate needs.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits listed in the following exhibit index are furnished as part of this report.

EXHIBIT INDEX

| Exhibit Number | Exhibit Description |
|-----------------------|--|
| 3.1 | <u>Certificate of Corporate Domestication of Repay Holdings Corporation (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on July 17, 2019).</u> |
| 3.2(a) | <u>Certificate of Incorporation of Repay Holdings Corporation (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed on July 17, 2019).</u> |
| 3.2(b) | <u>Amendment to the Certificate of Incorporation of Repay Holdings Corporation (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on June 9, 2022).</u> |
| 3.3 | <u>Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, filed on February 24, 2023).</u> |
| 10.1 | <u>Second Amendment to Employment Agreement, dated March 20, 2023, between Repay Management Services LLC and Jacob H. Moore (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 23, 2023).</u> |
| 10.2 | <u>Form of Restricted Stock Award Agreement between the Company and the Grantee named therein (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on March 23, 2023).</u> |
| 10.3 | <u>Form of Performance-Based Restricted Stock Units Award Agreement between the Company and the Grantee named therein (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on March 23, 2023).</u> |
| 10.4 | <u>Form of Performance-Based Non-Qualified Stock Option Award Agreement between the Company and the Grantee named therein (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 23, 2023).</u> |
| 10.5* | <u>Employment Agreement, dated as of January 20, 2022, by and between Repay Management Services LLC and David Guthrie.</u> |
| 10.6* | <u>First Amendment to Employment Agreement, dated March 20, 2023, between Repay Management Services LLC and David Guthrie.</u> |
| 31.1* | <u>Certification of Principal Executive Officer of Repay Holdings Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 31.2* | <u>Certification of Principal Financial Officer of Repay Holdings Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 32.1* | <u>Certification of Principal Executive Officer of Repay Holdings Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| 32.2* | <u>Certification of Principal Financial Officer of Repay Holdings Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| 101* | The following financial statements from the Company's Form 10-Q for the quarter ended March 31, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Changes In Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Unaudited Condensed Consolidated Financial Statements. |
| 104* | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed herewith.

SIGNATURES

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

REPAY HOLDINGS CORPORATION
(Registrant)

Date: May 10, 2023

By: /s/ John Morris
John Morris
Chief Executive Officer
(Principal Executive Officer)

Date: May 10, 2023

By: /s/ Timothy J. Murphy
Timothy J. Murphy
Chief Financial Officer
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of January 20, 2022 (the “Effective Date”), by and between Repay Management Services LLC, a Delaware limited liability company (the “Company”), and David Guthrie, a resident of the State of Georgia (“Executive”).

RECITALS:

WHEREAS, the Company is an indirect subsidiary of Repay Holdings Corporation, a Delaware corporation (“Parent”); and

WHEREAS, as of the Effective Date, the Company desires to employ Executive, and Executive desires to be employed by the Company, all in accordance with the terms and subject to the conditions provided herein.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Employment. As of the Effective Date, the Company shall employ Executive, and Executive hereby agrees to serve the Company, on the terms and conditions set forth herein. The term of this Agreement shall commence on the Effective Date and shall continue until Executive’s employment relationship is terminated under Section 4(a) hereof or as otherwise agreed by the parties hereto (the “Employment Period”).

2. Position and Duties. During the Employment Period, Executive shall serve as Chief Technology Officer, and shall have such duties and responsibilities as are customarily assigned to such position and such other responsibilities, duties, powers, authority and obligations delegated to Executive directly by the Chief Executive Officer or the Parent’s board of directors (or its designated committee, the “Governing Authority”) that are consistent with Executive’s position. Executive shall use Executive’s best efforts to promote and develop the business of the Company; shall devote substantially all of Executive’s working time and effort exclusively to the business and affairs of the Company; shall act in good faith in performing all duties required to be rendered under this Agreement; and shall conduct himself in a manner consistent with the best interests of the Company and in accordance with the Company’s written policies as are in effect from time to time. If requested by the Company, Executive will also provide services to the affiliates and subsidiaries of the Company, in the same capacity as described above. Executive will follow and comply with, and hereby agrees to be bound by, applicable legal policies and procedures adopted in writing by the Company or the Governing Authority from time to time and presented to Executive, including without limitation, policies relating to business ethics and conflict of interest, securities trading, prohibiting discrimination, prohibiting harassment, confidentiality and trade secrets. Notwithstanding the foregoing, Executive will be permitted to act or serve as a director, trustee, committee member or principal of any type of business, civic organization or charitable organization as long as such activities do not conflict with or interfere in any material respect with the performance of Executive’s services to the Company. The principal place of employment of

Executive shall be the Company's executive offices in Atlanta, Georgia, subject to travel required for the business of the Company or the Company's affiliates or subsidiaries.

3. Compensation and Benefits.

(a) Salary. During the Employment Period, Executive shall receive from the Company a base salary for each twelve (12) month period commencing on the Effective Date of not less than \$350,000 (the "Base Salary") or, in the event that Executive is employed for any portion thereof, a pro rata amount of the Base Salary. The Base Salary shall be reviewed at least annually by the Company and the Company may, but shall not be required to, increase the Base Salary during the Employment Period. The Base Salary shall be paid in arrears in substantially equal installments at monthly or more frequent intervals, in accordance with the normal payroll practices of the Company.

(b) Signing Bonus. The Company shall pay Executive a lump sum cash signing bonus of \$50,000 (the "Signing Bonus") within 30 days after the Effective Date. If, prior to the date that is twelve (12) months following the Effective Date (the "First Anniversary Date"), Executive voluntarily terminates Executive's employment hereunder for any reason other than Good Reason (as defined below) or Executive's employment hereunder is terminated by the Company for Cause (as defined below), then Executive shall repay to the Company an amount equal to the product of (i) the Signing Bonus and (ii) a fraction, the numerator of which is the number of days remaining between the effective date of termination and the First Anniversary Date and the denominator of which is 365. Such repayment shall be due and payable within ten (10) days after written demand by the Company. To the extent not prohibited by applicable law and in addition to any other remedy, the Company and its affiliates shall have the right to offset all or any portion of such amount owed to the Company against any amounts owed to Executive by the Company or its affiliates.

(c) Annual Bonus. During the Employment Period, Executive shall be eligible to receive an annual cash performance-based bonus award (the "Annual Bonus") in respect of each fiscal year or portion thereof (the "Annual Bonus Period") during the Employment Period. The target Annual Bonus opportunity for each such Annual Bonus Period (the "Target Annual Bonus") shall be an amount equal to 50% of Executive's then current Base Salary, with the actual Annual Bonus payable being based upon the level of achievement of the Company and/or individual performance objectives for such Annual Bonus Period, as established by the Governing Authority. Achievement of the Company and/or individual performance objectives shall be determined by the Governing Authority, in its reasonable discretion, by no later than the last day of February following the applicable Annual Bonus Period. The Annual Bonus shall be paid, if at all, by no later than the fifteenth (15th) day of March following the applicable Annual Bonus Period with respect to which the performance goals are measured.

(i) Notwithstanding the foregoing provisions of this Section 3(c), but subject to Section 4(e), Executive must be employed by the Company on the last day of the applicable Annual Bonus Period to be eligible for receipt of the Annual Bonus relating to such Annual Bonus Period (and, if Executive is not so employed at such time, Executive shall not be considered to have "earned" any such Annual Bonus).

(ii) Except as provided in this Section 3, Executive shall not be entitled to receive any other cash-based incentive compensation provided by the Company or any of its subsidiaries or affiliates.

(d) Equity Awards. During the Employment Period, Executive shall be eligible to participate in Parent's Omnibus Incentive Plan or any successor plan, subject to the terms of such plan, as determined by the Governing Authority.

(e) Employee Benefits. During the Employment Period, Executive also shall be entitled to such health, welfare and vacation benefits which are consistent with the Company's plans or policies then in effect, as determined from time to time by the Company or the Governing Authority in accordance with the terms of such plans and policies. The Company provides no guarantee related to the adoption or continuation of any particular benefit plan or program and Executive's participation in such benefit plan or program shall be subject to the provisions, rules and regulations applicable to each benefit plan or program. During the Employment Period, Executive will be entitled to paid vacation on a basis that is at least as favorable as that provided to other similarly situated executives of the Company. Any such vacation leave shall be taken in accordance with the terms of the Company's PTO policy, as in effect from time to time, at such times so as not to disrupt in any material respect the normal business operations of the Company.

(f) Business Expenses. Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by Executive in connection with the performance of Executive's duties hereunder. Such reimbursement shall be subject to the Company's normal policies and procedures for expense pre-approval and verification, documentation and reimbursement.

4. Termination; Effects of Termination.

(a) Executive's employment hereunder shall be terminated upon:

(i) Executive's receipt of written notice from the Company of the termination of his employment, effective as of the date indicated in such notice (which date shall be no fewer than fifteen (15) days from the Company's delivery of such notice);

(ii) Executive's receipt of written notice from the Company that Executive's employment with the Company shall be terminated for Cause, effective as of the date indicated in such notice;

(iii) The Company's receipt of written notice from Executive of Executive's resignation or other voluntary termination of his employment, effective as of the date indicated in such notice (except as otherwise set forth in Section 4(d));

(iv) Executive's receipt of written notice from the Company of the termination of his employment on account of Executive's Incapacity, effective as of the date indicated in such notice (which date shall be no fewer than thirty (30) days from the Company's delivery of such notice and provided that such Incapacity continues as of the date set forth in such notice); or

- (v) Automatically upon Executive's death.

(b) For purposes of this Agreement, "Cause" means an omission, act or action or series of omissions, acts or actions of Executive that constitutes, causes or results in (i) Executive's conviction of, or plea of guilty or *nolo contendere* (or any similar plea or admission) to, a felony or a crime involving theft, embezzlement, deceit or moral turpitude; (ii) the abandonment or intentional neglect by Executive of his duties of employment hereunder (other than by reason of Incapacity); (iii) the misappropriation (or attempted misappropriation) by Executive of any funds or other property of the Company; (iv) a breach by Executive of any of the material terms and conditions of this Agreement or any other written agreement between Executive and the Company containing non-competition, non-solicitation or similar obligations; (v) Executive's possession or use of any drug illegally; (vi) Executive's material violation of any of the Company's written policies, if such violation affects in any material respect the general reputation or marketability of the Company; (vii) unlawful conduct or gross misconduct that is willful and deliberate on Executive's part and that, in either event, in the reasonable judgment of the Governing Authority, materially injures the Company; or (viii) Executive's willful failure to comply with reasonable directions, duties or responsibilities assigned to him by the Chief Executive Officer or the Governing Authority; provided, however, each of the foregoing matters described in clauses (ii), (iv), (vi) and (viii) hereof shall be deemed Cause only if not cured by Executive within thirty (30) days of his receipt of written notice thereof from the Company specifying in reasonable detail the alleged Cause. For purposes of this provision, any act or failure to act based upon specific directions given to Executive pursuant to a resolution duly adopted by the Governing Authority or upon the advice of counsel for the Company cannot give rise to a termination for Cause.

(c) For purposes of this Agreement, "Incapacity" means, as a result of a physical or mental injury, impairment or illness, the inability of Executive to perform the essential functions of Executive's job with reasonable accommodation for a period of (i) one hundred twenty (120) consecutive days or (ii) one hundred eighty (180) days in any twelve (12) month period. Any question as to the existence of an Incapacity to which Executive and the Company cannot agree will be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each will appoint a physician and those two physicians will select a third who shall make such determination in writing. This written determination of Incapacity will be final and conclusive for all purposes under this Agreement.

(d) Executive's employment may be terminated by Executive at any time and for any reason; provided, however, that in the event of termination by Executive without Good Reason, Executive shall give the Company at least thirty (30) days' prior written notice of such termination. For purposes of this Agreement, "Good Reason" means, prior to such time that Executive has committed acts or omissions giving rise to the Company's right to terminate Executive's employment for Cause and, if required, notice is given to Executive pursuant to Paragraph 4(a)(ii) and the Company does not terminate Executive's employment for Cause within thirty (30) days after Executive's receipt of such notice, the occurrence of any of the following conditions during the Term without Executive's consent:

- (i) Any breach by the Company of any of the material terms and conditions of this Agreement;
-

(ii) A relocation of Executive's principal place of employment to a location that would increase Executive's commute by more than fifty (50) miles to Executive's current principal place of employment (it being understood that travel reasonably required on business of the Company shall not be considered a relocation);

(iii) any material diminution in the nature or scope of the responsibilities or duties of Executive as contemplated by this Agreement; or

(iv) the assignment to Executive of duties that are materially inconsistent with Executive's authority, duties or responsibilities.

provided, that (A) "Good Reason" shall cease to exist for an event on the ninetieth (90th) day following the later of its occurrence or Executive's knowledge thereof, unless Executive has given the Company written notice thereof prior to such date; (B) the Company shall have thirty (30) days after receipt of such written notice to cure such breach or event; and (C) Executive must terminate his employment no later than sixty (60) days after the expiration of the period for curing such breach or event without the Company having cured the same.

(e) Payments upon Termination.

(i) In the event Executive voluntarily terminates Executive's employment hereunder for any reason other than Good Reason or Executive's employment hereunder is terminated by the Company for Cause, the Company shall pay and provide to Executive the Accrued Rights due to Executive, if any. In the event Executive's employment hereunder is terminated by reason of Executive's death or by the Company because of Executive's Incapacity, the Company shall pay and provide to Executive or to Executive's representatives or estate (A) the Accrued Rights due Executive, if any, plus (B) the Annual Bonus that would be due and payable to Executive had he remained employed by the Company until the end of the Annual Bonus Period during which Executive's death occurred or during which Executive's employment was terminated by the Company on account of Executive's Incapacity, payable when such bonuses are paid to other management employees. "Accrued Rights" shall mean a lump-sum amount equal to the sum of (1) Executive's earned but unpaid Base Salary through the date of termination, (2) any Annual Bonuses earned for prior Annual Bonus Periods that remain unpaid as of the date of termination, (3) any unreimbursed business expenses or other amounts due to Executive from the Company as of the date of termination and (4) such vested and accrued employee benefits (including equity compensation), if any, to which Executive may be entitled under the Company's employee benefit plans as of the date of termination; provided, that in no event shall Executive be entitled to any payments in the nature of severance or termination payments except as specifically provided herein; and, provided further, all such amounts shall be paid as otherwise described in this Agreement.

(ii) In the event Executive voluntarily terminates Executive's employment hereunder for Good Reason or Executive's employment is terminated by the Company without Cause, the Company shall pay and provide Executive (A) the Accrued Rights due to Executive, if any and (B) during the Severance Period, and subject to Executive's execution and non-revocation of a release of claims with respect to Executive's employment and termination

in favor of the Company, its affiliates and their respective officers, directors and managers in a form provided by the Company (the “Release”) and such Release becoming effective and irrevocable within sixty (60) days following the date of such termination (such sixty (60)-day period, the “Release Execution Period”), an amount equal to the sum of Executive’s then current Base Salary and Target Annual Bonus for each fiscal year during the Severance Period, payable in regular installments at monthly or more frequent intervals, in accordance with the normal payroll practices of the Company; provided, however, that if the Release Execution Period begins in one taxable year and ends in another taxable year, payments pursuant to clause (B) hereof shall not begin until the beginning of the second taxable year, and provided further that the first installment payment under clause (B) then shall include all amounts that would otherwise have been paid to Executive during the period beginning on the termination date and ending on the first payment date if no such delay had been imposed. The “Severance Period” shall be eighteen (18) months; provided, however, that the “Severance Period” shall be thirty (30) months in the event of a termination on or within twenty-four (24) months following a Change of Control or prior to and in anticipation of a Change of Control. For purposes of this Agreement, “Change of Control” shall have the meaning ascribed to such term in the Incentive Plan, as may be in effect from time to time. For purposes of this Agreement, termination of Executive’s employment shall be considered to be in anticipation of a Change of Control if termination occurs during the period in which Parent is engaged in substantive discussions with unrelated third parties about a transaction that, if consummated, would constitute a Change of Control.

In addition to the foregoing, in the event Executive voluntarily terminates Executive’s employment hereunder for Good Reason or Executive’s employment is terminated by the Company without Cause, (1) Executive shall be vested with respect to that number of Executive’s outstanding unvested options, restricted stock and other equity-based awards that would have vested based solely on the continued employment of Executive through the Severance Period, effective as of the date the Release becomes effective and irrevocable, (2) Executive’s outstanding unvested options, restricted stock and other equity-based awards that were eligible to vest based on the achievement of certain specified performance objectives and the continued employment of Executive shall remain outstanding and eligible to vest in accordance with the terms of such options, restricted stock and other equity-based awards (notwithstanding the termination of Executive’s employment) through the Severance Period, effective as of the date the Release becomes effective and irrevocable, and (3) all of Executive’s outstanding stock options shall remain outstanding until the earlier of (I) the expiration of the Severance Period or (II) the original expiration date of the options (disregarding any earlier expiration date provided for in any other agreement, including without limitation any related grant agreement, based solely on the termination of Executive’s employment).

5. Business Protection Covenants.

(a) For purposes of this Section 5, the following definitions shall apply:

(i) “Business of Company” means the business of providing electronic payment processing services to businesses in any or all of the following industries (collectively, the

“Target Verticals”): personal lending, automotive lending, receivables management, healthcare, mortgage, business-to-business and such other industries that are publicly-identified by the Company as included among its primary “verticals” or “vertical markets” during the Employment Period.

(ii) “Competing Business” means any person, business or subdivision of a business which substantially engages in the Business of Company, or which is actively planning to engage in the Business of Company, excluding subdivisions of a business, if any, which are unrelated to the Business of Company and excluding any business that provides electronic payment processing services so long as the revenues or gross profits derived by such business from customers in the Target Verticals do not exceed twenty percent (20%) of the total revenue or total gross profits, respectively, of such business during any twelve (12)-month period during Executive’s employment with the Company and the twenty-four (24) months after such employment ends.

(iii) “Confidential Information” means all valuable data and/or proprietary information (in oral, written, electronic or other form) belonging to or pertaining to the Company, its customers or vendors which is not generally known or publicly available and which would be useful to competitors of the Company or otherwise damaging to the Company if disclosed. Confidential Information includes (but is not limited to) methods of operation, sales records, profit and performance reports, pricing manuals, sales manuals, training manuals, selling and pricing procedures and financing methods, customer data (including customer lists, names of customers and their representatives, merchant names, merchant lists, names of referral partners, lists of referral partners, names of vendors, lists of vendors, data provided by or about prospective, existing or past customers, merchants, referral partners or vendors, customer service materials and the type, quantity and specifications of products purchased, leased or licensed by customers), any strategic or other marketing or sales plans, financial information and projections, personnel data, proprietary software, inventions, business plans, business strategies and similar information and secret designs, processes, formulae, devices or material (whether or not patented or patentable or subject to any other statutory protection) directly or indirectly useful in any aspect of the business of the Company. However, Confidential Information does not include data or information (A) which has been disclosed to the public (except where such public disclosure has been made by Executive in violation of the terms hereof), (B) which has been independently developed and disclosed by others, or (C) which has otherwise entered the public domain through lawful means.

(iv) “Material Communications” means contact in person, by telephone or by paper or electronic correspondence in furtherance of the business interests of the Company during the last twenty-four (24) months of Executive’s employment with the Company.

(v) “Material Contact” means contact, within twenty-four (24) months prior to Executive’s termination or resignation, between Executive and a customer or potential customer of the Company (A) with whom Executive dealt on behalf of the Company, (B) whose dealings with the Company were coordinated or supervised by Executive, (C) about whom Executive obtained confidential information as a result of Executive’s association with the Company, or (D) who received services or products authorized by the Company,

the sale or provision of which resulted in compensation, commissions or earnings for Executive within the last twenty-four (24) months of Executive's employment with the Company.

(vi) "Restricted Territory," means the United States and Canada.

(vii) "Trade Secret" means a trade secret of the Company as defined by applicable law and may include any confidential formula, pattern, process, device or compilation of information which an entity uses in its business and which gives that entity an opportunity to obtain an advantage over its competitors.

Unless the context otherwise requires, the term "Company" shall mean the Company and its affiliated companies, successors and predecessors for purposes of this Section 5.

(b) Nondisclosure. Executive agrees that during the Employment Period and following cessation of employment with the Company for any reason, Executive shall not, directly or indirectly, divulge or make use of any Confidential Information or Trade Secrets. In the event that Executive becomes aware of unauthorized disclosures of any Confidential Information or Trade Secrets at any time, whether intentionally or by accident, Executive shall promptly notify the Company. This Agreement does not limit the remedies available to the Company under common or statutory law as to trade secrets or other types of confidential information, which may impose additional duties of non-use or non-disclosure.

An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (1) files any document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order.

(c) Inventions, Patents and Copyrights. Executive hereby assigns and grants to the Company sole and exclusive ownership of (and will upon request take any actions needed to formally assign and grant to the Company and/or to obtain patents, trademark registrations or copyrights belonging to the Company with regard to) any and all inventions, information, reports, computer software or programs, writings, technical information or work product collected or developed by Executive, alone or with others, during the term of Executive's employment and relating to the Company. This obligation applies whether or not the foregoing inventions or information are made or prepared in the course of Executive's employment with the Company, so long as such inventions or information relate to the Business of Company and have been developed in whole or in part during the term of Executive's employment with the Company. Executive agrees to advise the Company in writing of each invention that Executive, alone or with others, makes or conceives during the term of Executive's employment and which relates to the Business of Company. Notwithstanding any provision of this Agreement to the contrary, Executive shall not be required to assign, nor shall Executive be deemed to have assigned, any of Executive's

rights in any invention that Executive develops entirely on his own time without using the Company's equipment, supplies, facilities or Trade Secrets, except for inventions that either (i) relate, at the time conceived or reduced to practice, to the Business of Company or to actual or demonstrably anticipated research or development of the Company or (ii) result from any work performed by Executive for the Company or on behalf of the Company. Inventions Executive developed before Executive came to work for the Company, if any, are described in the attached Exhibit A, and are excluded from this Section 5(c). The failure of the parties to attach any Exhibit A to this Agreement shall be deemed an admission by Executive that Executive does not have any pre-existing inventions.

(d) Competitive Activities. Executive agrees that during Executive's employment with the Company and for a period of twenty-four (24) months after such employment ends and within the Restricted Territory, Executive will not, directly or indirectly, whether on Executive's own behalf or on behalf of any other person or entity, own, operate, manage, control, engage in, participate in, invest in, permit his name to be used by, hold any interest in, assist, aid, act as a consultant to or otherwise advise in any way, or perform any services for, a Competing Business (alone or in association with any person or entity that performs services for a Competing Business) where those services are the same as or similar to those types of services conducted, authorized, supervised, offered or provided by Executive to the Company at any time during the last twenty-four (24) months of Executive's employment with the Company. Nothing herein shall prohibit Executive from being a passive owner of not more than two percent (2%) of the outstanding stock or any class of securities of any entity listed on a national securities exchange which is engaged in a Competing Business, so long as Executive has no active participation in the Competing Business and does not serve on the board of directors or similar body of such entity.

(e) Conflicting Activities. If, during his employment with the Company, Executive is engaged in or associated with the planning or implementing of any project, program or venture involving the Company and a third party or parties, all rights in such project, program or venture shall belong to the Company. Except as approved in writing by the Company, Executive shall not be entitled to any interest in any such project, program or venture or to any commission, finder's fee or other compensation in connection therewith, other than the compensation to be paid to Executive by the Company as provided in this Agreement. During Executive's employment, Executive shall have no interest, direct or indirect, in any customer or supplier that conducts business with the Company, unless such interest has been disclosed in writing to and approved by the Company before such customer or supplier seeks to do business with the Company.

(f) Non-Solicitation of Customers. Executive agrees that during Executive's employment with the Company and for a period of twenty-four (24) months after such employment ends, Executive will not, directly or indirectly, whether on Executive's own behalf or on behalf of any other person or entity, solicit or attempt to solicit any current or prospective customer of the Company with whom Executive had Material Contact for the purpose of selling any products or services of a Competing Business.

(g) Non-Solicitation of Vendors. Executive agrees that during Executive's employment with the Company and for a period of twenty-four (24) months after such employment ends, Executive will not, directly or indirectly, whether on Executive's own behalf or on behalf of any other person or entity, solicit any sponsor bank or other vendor of the Company with whom

Executive had Material Communications for the purpose of procuring products or services to support a Competing Business.

(h) Non-Solicitation of Employees and Contractors. Executive agrees that during Executive's employment with the Company and for a period of twenty-four (24) months after such employment ends, Executive will not, directly or indirectly, whether on Executive's own behalf or on behalf of any other person or entity, solicit, recruit or induce, or attempt to solicit, recruit or induce, any employee or independent contractor of the Company to terminate or lessen such employment or contract with the Company.

(i) Return of Company Property. Upon the termination of Executive's employment with the Company or upon the Company's earlier request, Executive will promptly deliver to the Company any and all of the Company's records and any and all of the Company's property in his possession or control, including manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, source codes, data, tables or calculations and all copies thereof, documents that in whole or in part contain any trade secrets or confidential information of the Company and all copies thereof, and keys, access cards, access codes, passwords, credit cards, personal computers, tablets, telephones and other electronic equipment belonging to the Company. Moreover, if Confidential Information has been communicated to or placed on any electronic device owned by Executive, then Executive shall submit the device to the Company so that the Confidential Information can be erased or deleted. If requested by the Company in writing in advance of such time, within fourteen (14) days after the termination of Executive's employment, Executive will certify in writing that Executive has complied with this Section 5(i).

(j) Specific Performance. Executive acknowledges and agrees that any breach by Executive of any of the covenants contained in Sections 5(b), 5(d), 5(e), 5(f), 5(g) or 5(h) will cause irreparable damage to the Company, and that the remedies at law for any such breach will be inadequate. Accordingly, Executive agrees that in addition to any other remedies that may be available at law, in equity or under this Agreement, the Company shall be entitled to seek specific performance and injunctive relief, without posting bond or other security, to enforce or prevent any violation by Executive of the covenants in Sections 5(b), 5(d), 5(e), 5(f), 5(g) or 5(h).

(k) Survival and Limitations. The provisions of this Section 5 shall survive the expiration or termination of Executive's employment hereunder for any reason.

Notwithstanding any other provision of this Agreement, the parties hereto acknowledge and agree that nothing in this Agreement shall prohibit Executive from reporting possible violations of Federal, State or other law or regulation to, or filing a charge or other complaint with, any governmental agency or entity, including but not limited to the Department of Justice, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, Congress, and any Inspector General, or making any other disclosures that are protected under any whistleblower provisions of Federal, State or other law or regulation or assisting in any investigation or proceeding. The parties hereto further acknowledge that nothing herein limits Executive's ability to communicate with any such governmental agency or entity or otherwise participate in any such investigation or proceeding that may be conducted by any such

governmental agency or entity, including providing documents or other information, without notice to the Company. Executive does not need the prior authorization of the Company to make any such reports or disclosures, and Executive is not required to notify the Company that Executive made any such reports or disclosures or is assisting in any such investigation. Additionally, Executive (a) does not waive any rights to any individual monetary recovery or other awards in connection with reporting any such information to any such governmental agency or entity, (b) does not breach any confidentiality or other provision hereunder in connection with any such reporting or disclosures, and (c) will not be prohibited from receiving any amounts hereunder as a result of making any such reports or disclosures or assisting with any such investigation or proceeding.

6. Section 280G. Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), then, prior to the making of any Payment to Executive, a calculation shall be made comparing (i) the net benefit to Executive of the Payment after payment of the Excise Tax to (ii) the net benefit to Executive if the Payment were limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to the extent necessary to avoid being subject to the Excise Tax. In such event, cash payments shall be modified or reduced first (against the amounts payable latest in time) and then any other benefits pro rata. The determination of whether an Excise Tax would be imposed, the amount of such Excise Tax, and the calculation of the amounts referred to in clauses (i) and (ii) above shall be made by an independent accounting firm selected by the Company and reasonably acceptable to Executive, at the Company's expense (the "Accounting Firm"), and the Accounting Firm shall provide detailed supporting calculations. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments Executive would have been entitled to, but did not, receive could have been made without the imposition of the Excise Tax ("Underpayment"). In such event, the Accounting Firm shall determine the amount of the Underpayment that has occurred, and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

7. Section 409A. The intent of the parties is that payments and benefits under this Agreement either comply with or are exempt from Section 409A of the Code and, accordingly, to the maximum extent permitted, all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Executive is hereby advised to seek independent advice from his tax advisor(s) with respect to any payments or benefits under this Agreement. Notwithstanding the foregoing, the Company does not guarantee the tax treatment of any payments or benefits provided under this Agreement under Section 409A of the Code or under any other federal, state, local or foreign tax laws and regulations. For purposes of this Agreement, termination of employment will be construed consistent with the meaning of "separation from service" under Section 409A of the Code. All payments under this Agreement shall be treated as a series of separate payments to the maximum extent permitted under Section 409A of the Code. If Executive is a key employee (as defined in

Section 416(i) of the Code without regard to paragraph (5) thereof) and either Parent's or the Company's stock is publicly traded on an established securities market or otherwise, then payment of any amount or provision of any benefit under this Agreement which is considered nonqualified deferred compensation subject to Section 409A of the Code and payable upon a separation from service shall be deferred for six (6) months after termination of Executive's employment or, if earlier, Executive's death, as and to the extent required by Section 409A(a)(2)(B)(i) of the Code (the "409A Deferral Period"). In the event such payments are otherwise due to be made in installments or periodically during the 409A Deferral Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. In the event benefits are required to be deferred, any such benefit may be provided during the 409A Deferral Period at Executive's expense, with Executive having a right to reimbursement from the Company once the 409A Deferral Period ends, and the balance of the benefits shall be provided as otherwise scheduled. Additionally, (a) any reimbursement of eligible expenses or other in-kind benefits payable to Executive under this Agreement shall be paid within the time period required by Section 409A of the Code; (b) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, during any other calendar year; (c) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; and (d) each payment shall be treated as a separate payment.

8. Representations and Warranties. Executive represents and warrants to the Company that Executive is under no contractual or other restriction or obligation which would prevent the performance of Executive's duties hereunder or interfere with the rights of the Company hereunder.

9. Successors; Binding Agreement. As used in this Agreement, the "Company" shall mean the Company as hereinbefore defined and any successor to substantially all of the business and/or assets of the Company which executes and delivers an agreement to assume and be bound by the terms hereof or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

10. Assignment. Executive may not assign this Agreement or any part hereof without the prior written consent of the Company, which consent may be withheld for any reason. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, assigns and legal representatives.

11. Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of delivery when delivered by hand, (b) on the date of transmission when sent by facsimile or electronic transmission during normal business hours with electronic confirmation of receipt, (c) one day after dispatch when sent by reputable overnight courier maintaining records of receipt, or (d) three days after dispatch when sent by registered or certified mail, postage prepaid, return receipt requested, all addressed as follows:

If to the Company:

3 West Paces Ferry Road, Suite 200
Atlanta, Georgia 30305
Attention: John A. Morris, CEO
E-mail: jmorris@repay.com

If to Executive:

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

12. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and by the Chief Executive Officer or Chief Financial Officer of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of any similar or dissimilar provision or condition at the same or at any prior or subsequent time. Except where the context otherwise requires, wherever used, the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders and the word "or" is used in the inclusive sense. Headings contained in this Agreement are inserted for reference and convenience only and in no way define, limit, extend or describe the scope of this Agreement or the meaning or construction of any of the provisions hereof.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Georgia without regard to the conflict of law provisions thereof.

14. Severability. Should any court of competent jurisdiction decide, hold, adjudge or decree that any provision, clause or term of this Agreement is invalid, void or unenforceable, such determination shall not affect any other provision of this Agreement, and all other provisions of this Agreement shall remain in full force and effect as if such invalid, void or unenforceable provision, clause or term had not been included herein. Such determination shall not be deemed to affect the validity or enforceability of this entire Agreement in any other situation or circumstance and, so far as is reasonably possible, effect shall be given to the intent of the parties hereto manifested by the portion held invalid, void or unenforceable to the maximum extent permitted by law.

15. Counterparts. This Agreement may be signed in one or more counterparts (including by facsimile), each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. The exchange of copies of this Agreement and of signature pages by facsimile transmission or electronic mail shall constitute effective signing and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all

purposes. Signatures of the parties transmitted by facsimile or electronic mail shall be deemed to be original signatures for all purposes.

16. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and related transactions contemplated hereby, and supersedes all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein.

17. Mitigation. Executive shall not be required to mitigate the amount of any payment the Company becomes obligated to make to Executive in connection with this Agreement by seeking other employment or otherwise. The amount of any payment provided for in Section 4(e) above shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by Executive as a result of employment by another employer after the termination of Executive's employment, or otherwise.

18. Remedies and Forum. The parties agree that they will not file any action arising out of this Agreement other than in the United States District Court for the Northern District of Georgia or the State or Superior Courts of Fulton County, Georgia. Notwithstanding the pendency of any proceeding, either party shall be entitled to injunctive relief in a state or federal court located in Fulton County, Georgia upon a showing of irreparable injury. The parties consent to personal jurisdiction and venue solely within these forums and solely in Fulton County, Georgia and waive all otherwise possible objections thereto. The prevailing party shall be entitled to recover its costs and attorney's fees from the non-prevailing party(ies) in any such proceeding no later than ninety (90) days following the final resolution of any such proceeding. The existence of any claim or cause of action by Executive against the Company or the Company's affiliates or subsidiaries, including any dispute relating to the termination of this Agreement, shall not constitute a defense to enforcement of said covenants by injunction. THE PARTIES HEREBY KNOWINGLY AND VOLUNTARILY, AND HAVING HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL, WAIVE ALL RIGHTS TO TRIAL BY JURY, AND AGREE THAT ANY AND ALL MATTERS SHALL BE DECIDED BY A JUDGE WITHOUT A JURY TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW.

[Signature page follows]

IN WITNESS WHEREOF, the parties have signed this Agreement on the date and year first above written.

THE COMPANY:

REPAY MANAGEMENT SERVICES LLC

By: /s/ John Morris
John A. Morris
Chief Executive Officer

EXECUTIVE:

/s/ David M. Guthrie
David Guthrie

[Signature Page to Employment Agreement]

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

March 20, 2023

This First Amendment (this "Amendment") to the Employment Agreement (as defined below) is made and entered into as of the date first written above by and between Repay Management Services LLC (the "Company") and David Guthrie ("Executive"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Employment Agreement.

WHEREAS, Executive and the Company are parties to that certain Employment Agreement, dated as of January 20, 2022 (the "Employment Agreement"); and

WHEREAS, Executive and the Company now desire to amend the Employment Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in accordance with the terms of the Employment Agreement, the parties hereto, intending to be legally bound, do hereby acknowledge and agree as follows:

1. Target Bonus Adjustment. The parties agree that the reference to "50%" in Section 3(c) of the Employment Agreement is hereby deleted and replaced with "75%."

2. Scope of Amendment. The parties hereto agree that nothing in this Amendment shall be deemed to modify any of the provisions of the Employment Agreement except as expressly set forth herein, and that, except as expressly set forth herein, the terms of the Employment Agreement remain in full force and effect.

3. Miscellaneous. The provisions of Section 11, Section 12, Section 13, Section 14, Section 15 and Section 18 of the Employment Agreement shall apply *mutatis mutandis* to this Amendment. Any reference to the Employment Agreement in the Employment Agreement or any other agreement, document, instrument or certificate entered into or issued in connection therewith shall hereinafter mean the Employment Agreement, as amended by this Amendment (or as the Employment Agreement may be further amended or modified after the date hereof in accordance with the terms thereof).

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first written above.

COMPANY:

REPAY MANAGEMENT SERVICES LLC

By: /s/ John Morris

Name: John A. Morris

Title: Chief Executive Officer

EXECUTIVE:

/s/ David M. Guthrie

Name: David Guthrie

[Signature Page to First Amendment to Employment Agreement]

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Morris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Repay Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

By: _____
/s/ John Morris
John Morris
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy J. Murphy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Repay Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

By: _____ /s/ Timothy J. Murphy
Timothy J. Murphy
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Repay Holdings Corporation (the “Company”) on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Morris, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2023

By: _____
/s/ John Morris
John Morris
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Repay Holdings Corporation (the "Company") on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy J. Murphy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2023

By: _____ /s/ Timothy J. Murphy
Timothy J. Murphy
Chief Financial Officer
