

Paya Holdings Inc. Announces First Quarter 2021 Results

ATLANTA, GA, May 7, 2021 (GLOBE NEWSWIRE) – [Paya Holdings Inc.](#) (NASDAQ: PAYA) (“Paya Holdings”, “Paya” or the “Company”), a leading provider of integrated payment and commerce solutions, today reported financial results for its first quarter ended March 31, 2021.

“Our strong first quarter performance continues to highlight Paya’s differentiated value proposition, focused on integrated payments within attractive vertical end markets,” said Jeff Hack, CEO of Paya. “In the quarter, we saw year over year growth in key verticals, led by B2B and Government, with continued acceleration in our proprietary ACH solution and notable growth in card volumes. Additionally, our recent acquisition of Paragon Payment Solutions further expands Paya’s strong presence in the non-profit and healthcare verticals while accelerating our growth trajectory in 2021 and beyond.” Hack concluded, “With an attractive and actionable pipeline of organic and inorganic opportunities, we’re confident that we can continue to execute against our growth initiatives.”

First Quarter 2021 Financial Highlights

- Payment volume was \$9.5 billion, an increase of 24.1% from \$7.6 billion for the first quarter of 2020.
- Total revenue was \$55.3 million, an increase of 12.4% from \$49.1 million for the first quarter of 2020.
 - Integrated Solutions segment revenue was \$32.9 million, an increase of 11.9% from \$29.4 million for the first quarter of 2020.
 - Payment Services segment revenue was \$22.4 million, an increase of 13.2% from \$19.7 million for the first quarter of 2020.
- Gross profit was \$29.1 million, resulting in a gross profit margin of 52.7%, as compared to \$24.6 million with a gross profit margin of 50.1% for the first quarter of 2020.
- Net income was \$1.0 million, compared to a net loss of \$(0.6) million for the first quarter of 2020.
- Adjusted EBITDA was \$14.8 million, an increase of 39.6% from \$10.6 million for the first quarter of 2020.
- Adjusted Net Income was \$9.2 million.
- Ended March 31, 2021 with \$133.8 million of cash and \$228.1 million of gross debt.

2021 Outlook

Paya provides the following revenue, gross margin, and adjusted EBITDA guidance for the full year 2021, which reflects expected contributions from Paragon Payment Solutions and replaces previously issued guidance. This outlook assumes no further unanticipated impacts from the COVID-19 pandemic.

	<u>2021</u>
Total Revenue	\$242M - \$248M
Gross Margin	50.5% - 52.0%
Adjusted EBITDA	\$64M - \$68M

Subsequent Events

On April 23, 2021 the Company closed the acquisition of Paragon Payment Solutions. The aggregate purchase price paid at closing was \$27.5 million, consisting of \$20 million in cash and \$7.5 million of common stock. In addition, up to \$5 million may become payable, subject to the achievement of certain future performance metrics.

Conference Call

The Company has scheduled a conference call for May 7, 2021 at 8:00 a.m. Eastern Time to discuss the first quarter 2021 results.

The conference call will be available by live webcast through Paya’s Investor Relations website at <https://investors.paya.com> or by dialing in as follows:

Domestic: 1-833-665-0668
International: 1-914-987-7320
Conference ID: 1959296

Please register for the webcast or dial into the conference call approximately 15 minutes prior to the scheduled start time.

A replay of the conference call will be available for approximately 30 days and can be accessed through the Investors section of Paya's website or by dialing 1-855-859-2056 (for Domestic callers), or 1-404-537-3406 (for International callers), with passcode 1959296.

About Paya

[Paya](#) (NASDAQ: PAYA) is a leading provider of integrated payment and frictionless commerce solutions that help customers accept and make payments, expedite receipt of money, and increase operating efficiencies. The company processes over \$35 billion of annual payment volume across credit/debit card, ACH, and check, making it a top 20 provider of payment processing in the US. Paya serves more than 100,000 customers through over 2,000 key distribution partners focused on targeted, high growth verticals such as healthcare, education, non-profit, government, utilities, and other B2B goods and services. The business has built its foundation on offering robust integrations into front-end CRM and back-end accounting systems to enhance customer experience and workflow. Paya is headquartered in Atlanta, GA, with offices in Reston, VA, Fort Walton Beach, FL, Dayton, OH, Mt. Vernon, OH, Dallas, TX and Tempe, AZ.

Cautionary Statement Regarding Forward Looking Statements

Certain statements made in this press release are "forward looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. When used in this press release, the words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "would," "will," "approximately," "shall" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside our control, that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements. Forward-looking statements in this press release may include, for example, statements about the benefits of the Business Combination and the future financial performance.

The forward-looking statements contained in this press release are based on our current expectations and beliefs concerning future developments and their potential effects on us. You should not place undue reliance on such statements as we cannot assure you that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. Some factors that could cause actual results to differ include, but are not limited to: exposure to economic conditions and political risk affecting the consumer loan market and consumer and commercial spending; the impacts of the ongoing COVID-19 coronavirus pandemic and the actions taken to control or mitigate its spread (which impacts are highly uncertain and cannot be reasonably estimated or predicted at this time); the ability to recognize the anticipated benefits of the Transactions, which may be affected by, among other things, competition, and the ability of the combined business to grow and manage growth profitably; changes in applicable laws or regulations; changes in the payment processing market in which Paya competes, including with respect to its competitive landscape, technology evolution or regulatory changes; changes in the vertical markets that Paya targets; risks relating to Paya's relationships within the payment ecosystem; risk that Paya may not be able to execute its growth strategies, including identifying and executing acquisitions; risks relating to data security; changes in accounting policies applicable to Paya; the risk that Paya may not be able to develop and maintain effective internal controls and other risks and uncertainties.

We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

(1) Non-GAAP Financial Measures

This press release contains historical non-GAAP financial measures including Payment volume, Adjusted EBITDA, Reconciliation of Net income, (loss) to Adjusted Net Income, Segment gross profit (revenue less cost of services excluding depreciation and amortization) and Segment gross profit margin. Reconciliations of these measures to the most directly comparable GAAP financial measures are contained herein. To the extent required, statements disclosing the definitions, utility and purposes of these measures are also set forth herein.

We have included Payment volume, Adjusted EBITDA, Reconciliation of Net income, (loss) to Adjusted Net Income, Segment gross profit (revenue less cost of services excluding depreciation and amortization) and Segment gross profit margin, which are measurements not calculated in accordance with US GAAP, in the discussion of our financial results because they are key metrics used by management to assess financial performance.

Definitions:

Payment volume is defined as the total dollar amount of all payments processed by our customers through our services.

Gross profit represents revenue less cost of services excluding depreciation and amortization.

Segment gross profit represents segment revenue less cost of services excluding depreciation and amortization.

Segment gross profit margin represents segment gross profit as a percentage of total segment revenue.

Adjusted EBITDA represents earnings before interest and other expense, income taxes, depreciation, and amortization, or EBITDA and further adjustments to EBITDA to exclude certain non-cash items and other non-recurring items that management believes are not indicative of ongoing operations to come to Adjusted EBITDA.

Adjusted Net Income represents net income (loss) adjusted to exclude amortization and certain non-cash items and other non-recurring items that management believes are not indicative of ongoing operations to come to Adjusted Net Income.

Utility and Purposes:

The Company discloses EBITDA, Adjusted EBITDA, and Adjusted Net Income because these non-GAAP measures are key measures used by its management to evaluate our business, measure its operating performance and make strategic decisions. We believe EBITDA, Adjusted EBITDA, and Adjusted Net Income are useful for investors and others in understanding and evaluating our operations results in the same manner as its management. However, EBITDA, Adjusted EBITDA, and Adjusted Net Income are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for net income, income before income taxes, or any other operating performance measure calculated in accordance with GAAP. Using these non-GAAP financial measures to analyze our business would have 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 EBITDA, Adjusted EBITDA, and Adjusted Net Income or similar measures, such non-GAAP financial measures may be calculated differently from how we calculate non-GAAP financial measures, which reduces their overall usefulness as comparative measures. Because of these limitations, you should consider EBITDA, Adjusted EBITDA and Adjusted Net Income alongside other financial performance measures, including net income and our other financial results presented in accordance with GAAP.

Investor Contact:

Matt Humphries, CFA
Head of Investor Relations
matt.humphries@paya.com

Media Contact:

Kerry Close
212-784-5717
kclose@groupgordon.com

Paya Holdings Inc.
Consolidated Statements of Income and Other Comprehensive Income
(\$ in millions)
(unaudited)

	Three Months Ended March 31,		Change	
	2021	2020	Amount	%
Revenue	\$ 55.3	\$ 49.1	\$ 6.2	12.4 %
Cost of services exclusive of depreciation and amortization	(26.1)	(24.5)	(1.6)	(6.7 %)
Selling, general & administrative expenses	(17.0)	(15.5)	(1.5)	(8.6 %)
Depreciation and amortization	(7.0)	(6.0)	(1.0)	(17.3 %)
Income from operations	5.2	3.1	2.1	68.7 %
Other income (expense)				
Interest expense	(4.0)	(4.6)	0.6	13.0 %
Other income (expense)	0.4	—	0.4	2994.1 %
Total other expense	(3.6)	(4.6)	1.0	23.8 %
Income (loss) before income taxes	1.6	(1.5)	3.1	201.5 %
Income tax (expense) benefit	(0.6)	0.9	(1.5)	(162.5 %)
Net income (loss)	\$ 1.0	\$ (0.6)	\$ 1.6	254.8 %

Paya Holdings Inc.
Condensed Consolidated Balance Sheet Data
(\$ in millions)
(unaudited)

	<u>March 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 133.8	\$ 23.6
Trade receivables, net	22.1	17.5
Other current assets	4.0	3.2
Funds held for clients	69.4	78.5
Total current assets	<u>\$ 229.3</u>	<u>\$ 122.8</u>
Noncurrent assets:		
Property and equipment, net and Other long-term assets	14.8	13.6
Goodwill and Intangibles, net	339.6	338.9
Total Assets	<u><u>\$ 583.7</u></u>	<u><u>\$ 475.3</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Trade payables	2.9	4.0
Accrued and Other current liabilities	14.1	13.5
Accrued revenue share	8.4	7.5
Client funds obligations	69.0	78.7
Total current liabilities	<u>\$ 94.4</u>	<u>\$ 103.7</u>
Noncurrent liabilities:		
Deferred tax liability, net and Other long-term liabilities	34.7	35.4
Long-term debt	219.8	220.2
Total liabilities	<u>\$ 348.9</u>	<u>\$ 359.3</u>
Stockholders' Equity:		
Additional Paid-in-Capital	247.2	129.4
Accumulated deficit	(12.4)	(13.4)
Total stockholders' equity	<u>234.8</u>	<u>116.0</u>
Total liabilities and stockholders' equity	<u><u>\$ 583.7</u></u>	<u><u>\$ 475.3</u></u>

Paya Holdings Inc.
Condensed Consolidated Cash Flow Data
(\$ in millions)
(unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash and cash equivalents, beginning of period	\$ 23.6	\$ 26.0
CASH FLOW FROM OPERATING ACTIVITIES		
Net income, (loss)	1.0	(0.7)
<i>Adjustments</i>		
Depreciation & amortization expense	7.0	6.0
Deferred taxes	(0.2)	0.9
Other non-cash items	0.8	1.2
Changes in operating assets and liabilities	(5.6)	(10.0)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3.0	(2.6)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2.3)	(1.0)
Purchases of customer lists	(6.9)	(0.1)
NET CASH (USED IN) INVESTING ACTIVITIES	(9.2)	(1.1)
CASH FLOWS FROM FINANCING ACTIVITIES		
Other financing activities	116.4	23.9
NET CASH PROVIDED BY FINANCING ACTIVITIES	116.4	23.9
Net change in cash and cash equivalents	110.2	20.2
Cash and cash equivalents, end of period	\$ 133.8	\$ 46.2

Paya Holdings Inc.

Segment revenue, gross profit (revenue less cost of services excluding depreciation and amortization), gross profit margin
(\$ in millions)
(unaudited)

	Three Months Ended March 31,		Change	
	2021	2020	Amount	%
Integrated Solutions				
Segment revenue	\$ 32.9	\$ 29.4	\$ 3.5	11.9 %
Segment gross profit	\$ 18.2	\$ 15.5	\$ 2.7	17.5 %
Segment gross profit margin	55.3 %	52.7 %		
Payment Services				
Segment revenue	\$ 22.4	\$ 19.7	\$ 2.7	13.2 %
Segment gross profit	\$ 10.9	\$ 9.1	\$ 1.8	19.2 %
Segment gross profit margin	48.8 %	46.4 %		

Paya Holdings Inc.
Reconciliation of Net income (loss) to EBITDA and Adjusted EBITDA
(\$ in millions)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Net income (loss)	\$ 1.0	\$ (0.6)
Depreciation & amortization	7.0	6.0
Income tax expense (benefit)	0.6	(0.9)
Interest and other expense	3.6	4.6
EBITDA	\$ 12.2	\$ 9.1
Transaction-related expenses (a)	0.8	—
Stock based compensation (b)	0.7	0.4
Restructuring costs (c)	0.2	0.6
Discontinued service costs (d)	0.2	—
Management fees and expenses (e)	—	0.2
Business combination costs (f)	0.3	—
Other costs (g)	0.4	0.3
Total adjustments	2.6	1.5
Adjusted EBITDA	\$ 14.8	\$ 10.6
Adjusted EBITDA Margin	26.8 %	21.6 %

Reconciliation of Net income (loss) to EBITDA and Adjusted EBITDA Definitions

- (a) Represents professional service fees related to mergers and acquisitions such as legal fees, consulting fees, accounting advisory fees, and other costs.
- (b) Represents non-cash charges associated with stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy.
- (c) Represents costs associated with restructuring plans designed to streamline operations and reduce costs including costs associated with the relocation of headquarters from Reston, VA to Atlanta, GA and certain staff restructuring charges, including severance.
- (d) Represents costs incurred to retire certain tools, applications and services that are no longer in use.
- (e) Represents advisory fees that we will not be required to pay going forward.
- (f) Represents business combination costs.
- (g) Represents non-operational gains or losses, non-standard project expense, non-operational legal expense and other.

Paya Holdings Inc.
Reconciliation of Net income (loss) to Adjusted Net Income
(\$ in millions)
(unaudited)

		Three Months Ended March 31,	
		2021	2020
Net income (loss)		\$ 1.0	\$ (0.6)
Amortization add back	(a)	6.0	5.0
Transaction-related expenses	(b)	0.8	—
Stock based compensation	(c)	0.7	0.4
Restructuring costs	(d)	0.2	0.6
Discontinued service costs	(e)	0.2	—
Management fees and expenses	(f)	—	0.2
Business combination costs	(g)	0.3	—
Other costs	(h)	0.4	0.3
Pro forma taxes at effective rate	(i)	(0.4)	—
Total adjustments		\$ 8.2	\$ 6.5
Adjusted Net Income		\$ 9.2	\$ 5.9

Reconciliation of Net income (loss) to Adjusted Net Income Definitions

- (a) Represents acquisition related amortization expense.
- (b) Represents professional service fees related to mergers and acquisitions such as legal fees, consulting fees, accounting advisory fees, and other costs.
- (c) Represents non-cash charges associated with stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy.
- (d) Represents costs associated with restructuring plans designed to streamline operations and reduce costs including costs associated with the relocation of headquarters from Reston, VA to Atlanta, GA and certain staff restructuring charges, including severance.
- (e) Represents costs incurred to retire certain tools, applications and services that are no longer in use.
- (f) Represents advisory fees that we will not be required to pay going forward.
- (g) Represents business combination costs.
- (h) Represents non-operational gains or losses, non-standard project expense, non-operational legal expense and other.
- (i) Represents pro forma income tax adjustment effect, at the anticipated blended rate, for all items expected to have a cash tax impact (i.e. items that were not originally recorded through goodwill). Any impact to the valuation allowance assessment for these adjustments has not been considered. The Company has not applied a pro forma tax adjustment in 2020 due to the different ownership structure.

Paya Holdings Inc.
Payment Volume
(\$ in millions)
(unaudited)

	Three Months Ended March 31,		Change	
	2021	2020	Amount	%
Payment volume	\$ 9,462.3	\$ 7,624.5	1,837.8	24.1 %