



Paya Holdings Inc. Announces Third Quarter 2021 Results

November 5, 2021

ATLANTA, Nov. 05, 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 third quarter ended September 30, 2021.

"Paya performed well in the quarter, with payment volume growing 28%, revenue growing 22% and gross profit growing 26%. We signed some great new partners across our verticals and saw a certain B2B partner scale faster than expected, which is promising as we focus on our medium-term growth ambitions," said Jeff Hack, Paya CEO. "Additionally, we hired some key talent, which will serve to accelerate our sales and go to market efforts, while further enhancing our existing product offerings and technological capabilities. While there were modest headwinds in the quarter that prevented us from growing even faster, we remain focused on the continued execution of our medium-term strategy and our competitive positioning remains strong in high-growth end markets," Hack concluded.

Third Quarter 2021 Financial Highlights

- Payment volume was \$11.1 billion, an increase of 27.7% from \$8.7 billion for the third quarter of 2020.
- Total revenue was \$63.1 million, an increase of 21.8% from \$51.8 million for the third quarter of 2020.
 - Integrated Solutions segment revenue was \$39.7 million, an increase of 30.6% from \$30.4 million for the third quarter of 2020.
 - Payment Services segment revenue was \$23.4 million, an increase of 9.1% from \$21.4 million for the third quarter of 2020.
- Gross profit was \$32.6 million, resulting in a gross profit margin of 51.7%, as compared to \$25.9 million with a gross profit margin of 50.0% for the third quarter of 2020.
- Net income (loss) was \$(3.0) million, compared to \$1.6 million for the third quarter of 2020.
- Adjusted EBITDA(1) was \$16.3 million, an increase of 20.7% from \$13.5 million for the third quarter of 2020.
- Adjusted Net Income(1) was \$5.5 million.
- Earnings per share was \$(0.02).
- Adjusted earnings per share(1) was \$0.04.
- Ended September 30, 2021 with \$133.1 million of cash and \$250 million of total debt.

These financial highlights include non-GAAP measures. See below for definitions and reconciliation.

2021 Outlook

Paya provides the following updated revenue, gross margin, and Adjusted EBITDA guidance for the full year 2021, which replaces previously issued guidance. This outlook assumes no further unanticipated impacts from the COVID-19 pandemic or other factors outside of Paya's control.

	2021
Total Revenue	\$244M - \$248M
Gross Margin	52.0% - 53.0%
Adjusted EBITDA(1)	\$64M - \$66M

Conference Call

The Company has scheduled a conference call for November 5, 2021 at 8:00 a.m. Eastern Time to discuss the third 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: 3872346

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 14 days and can be accessed through the Investors section of Paya's website or by dialing 1-833-665-0668 (for Domestic callers), or 1-914-987-7320 (for International callers), with passcode 3872346.

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 \$40 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, Miamisburg, 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 expectations for future financial performance, including guidance, our future growth and business strategies.

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 (including supply chain constraints, labor shortages and inflationary pressure) 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); competition; the ability of our 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; and other risks and uncertainties discussed in our filings with the Securities and Exchange Commission.

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 and Key Performance Metrics

This press release contains historical non-GAAP financial measures and key performance metrics including Payment volume, Adjusted EBITDA, Adjusted Net Income, Adjusted earnings per share, 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.

This press release also contains Adjusted EBITDA guidance. We are unable to provide guidance for the most closely comparable GAAP measure or a reconciliation of our guidance for Adjusted EBITDA because we are unable to provide a meaningful or accurate calculation or estimation of certain reconciling items without unreasonable effort. This is due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, including stock-based compensation.

We have included Payment volume, Adjusted EBITDA, Adjusted Net Income, Adjusted earnings per share, 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.

Adjusted earnings per share represents earnings per share adjusted for non-recurring items that management believes are not indicative of ongoing operations to come to Adjusted earnings per share.

Utility and Purposes:

The Company discloses EBITDA, Adjusted EBITDA, Adjusted Net Income, and Adjusted earnings per share 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, Adjusted Net Income, and Adjusted earnings per share are useful for investors and others in understanding and evaluating our operations results in the same manner as its management. However, EBITDA, Adjusted EBITDA, Adjusted Net Income, and Adjusted earnings per share are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for net income, income before income taxes, earnings per share, 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, Adjusted Net Income, Adjusted earnings per share, 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, Adjusted Net Income, and Adjusted earnings per share alongside other financial performance measures, including net income and our other financial results presented in accordance with GAAP.

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Exhibit 1

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 63.1	\$ 51.8	\$ 182.3	\$ 152.0
Cost of services exclusive of depreciation and amortization	(30.5)	(25.9)	(86.8)	(75.3)
Selling, general & administrative expenses	(18.8)	(14.0)	(56.6)	(43.5)
Depreciation and amortization	(7.9)	(6.0)	(22.4)	(18.0)
Income from operations	5.9	5.9	16.5	15.2
Other income (expense)				
Interest expense	(3.2)	(4.1)	(11.0)	(13.5)
Other income (expense)	—	—	(8.0)	—
Total other expense	(3.2)	(4.1)	(19.0)	(13.5)
Income (loss) before income taxes	2.7	1.8	(2.5)	1.7
Income tax (expense) benefit	(5.7)	(0.2)	(2.6)	(0.1)
Net income (loss)	<u>\$ (3.0)</u>	<u>\$ 1.6</u>	<u>\$ (5.1)</u>	<u>\$ 1.6</u>
Weighted average common shares	128,429,090	54,534,022	124,523,217	54,534,022
Basic earnings per share	\$ (0.02)	\$ 0.03	\$ (0.04)	\$ 0.03
Diluted earnings per share	\$ (0.02)	\$ 0.03	\$ (0.04)	\$ 0.03

Exhibit 2

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

	September 30,		December 31,	
	2021	2020	2021	2020
Assets				
Current assets:				
Cash and cash equivalents	\$	133.1	\$	23.6
Trade receivables, net		25.0		17.5
Other current assets		4.1		3.2

Funds held for clients	82.5	78.5
Total current assets	<u>\$ 244.7</u>	<u>\$ 122.8</u>
Noncurrent assets:		
Property and equipment, net and Other long-term assets	15.6	13.6
Goodwill and Intangibles, net	364.0	338.9
Total Assets	<u><u>\$ 624.3</u></u>	<u><u>\$ 475.3</u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Trade payables	1.3	4.0
Accrued and Other current liabilities	17.9	13.5
Accrued revenue share	10.3	7.5
Client funds obligations	80.9	78.7
Total current liabilities	<u>\$ 110.4</u>	<u>\$ 103.7</u>
Noncurrent liabilities:		
Deferred tax liability, net and Other long-term liabilities	35.2	35.4
Long-term debt	242.3	220.2
Total liabilities	<u><u>\$ 387.9</u></u>	<u><u>\$ 359.3</u></u>
Stockholders' Equity:		
Additional Paid-in-Capital	254.9	129.4
Accumulated deficit	(18.5)	(13.4)
Total stockholders' equity	<u>236.4</u>	<u>116.0</u>
Total liabilities and stockholders' equity	<u><u>\$ 624.3</u></u>	<u><u>\$ 475.3</u></u>

Exhibit 3

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash and cash equivalents, beginning of period	\$ 23.6	\$ 26.0
CASH FLOW FROM OPERATING ACTIVITIES		
Net income, (loss)	(5.1)	1.6
<i>Adjustments</i>		
Depreciation & amortization expense	22.4	18.0
Deferred taxes	(0.5)	(0.4)
Other non-cash items	9.9	3.1
Changes in operating assets and liabilities	(8.0)	(6.0)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>18.7</u>	<u>16.3</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5.0)	(4.4)
Purchases of customer lists	(16.0)	(0.6)
Acquisition of business, net of cash received	(18.3)	—
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(39.3)</u>	<u>(5.0)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Other financing activities	130.1	(5.0)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>130.1</u>	<u>(5.0)</u>
Net change in cash and cash equivalents	109.5	6.3
Cash and cash equivalents, end of period	<u><u>\$ 133.1</u></u>	<u><u>\$ 32.3</u></u>

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 September 30,		Change	
	2021	2020	Amount	%
Integrated Solutions				
Segment revenue	\$ 39.7	\$ 30.4	\$ 9.3	30.6 %
Segment gross profit	\$ 20.1	\$ 16.2	\$ 3.9	24.0 %
Segment gross profit margin	50.8 %	53.5 %		
Payment Services				
Segment revenue	\$ 23.4	\$ 21.4	\$ 2.0	9.1 %
Segment gross profit	\$ 12.4	\$ 9.7	\$ 2.7	28.5 %
Segment gross profit margin	53.0 %	45.0 %		

	Nine Months Ended September 30,		Change	
	2021	2020	Amount	%
Integrated Solutions				
Segment revenue	\$ 112.1	\$ 89.9	\$ 22.2	24.7 %
Segment gross profit	\$ 59.5	\$ 48.0	\$ 11.5	23.9 %
Segment gross profit margin	53.1 %	53.4 %		
Payment Services				
Segment revenue	\$ 70.2	\$ 62.2	\$ 8.0	12.9 %
Segment gross profit	\$ 36.0	\$ 28.7	\$ 7.3	25.3 %
Segment gross profit margin	51.2 %	46.2 %		

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ (3.0)	\$ 1.6	\$ (5.1)	\$ 1.6
Depreciation & amortization	7.9	6.0	22.4	18.0
Tax expense (benefit)	5.7	0.2	2.6	0.1
Interest and other expense	3.2	4.1	19.0	13.4
EBITDA	13.8	11.9	38.9	33.1
Transaction-related expenses(a)	0.9	0.5	2.4	0.9
Stock based compensation(b)	0.9	0.4	2.5	1.1
Restructuring costs(c)	0.2	0.1	1.2	1.3
Discontinued service costs(d)	—	—	0.2	—
Management fees and expenses(e)	—	0.3	—	0.9
Business combination costs(f)	0.2	—	0.8	—
Contingent non-income tax liability(g)	—	—	0.8	—
Other costs(h)	0.3	0.3	1.1	1.0
Total adjustments	2.5	1.6	9.0	5.2
Adjusted EBITDA	\$ 16.3	\$ 13.5	\$ 47.9	\$ 38.3

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, certain staff restructuring charges, including severance, and acquisition related restructuring charges in connection with the Paragon transaction.
- (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 non-recurring public company start-up costs.
- (g) Represents non-recurring contingent non-income tax liability.
- (h) Represents non-operational gains or losses, non-standard project expense, non-operational legal expense and legal debt refinancing expense.

Exhibit 6

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ (3.0)	\$ 1.6	\$ (5.1)	\$ 1.6
Amortization add back	6.6	5.0	19.0	15.1
Debt refinancing interest expense(a)	—	—	8.5	—
Transaction-related expenses(b)	0.9	0.5	2.4	0.9
Stock based compensation(c)	0.9	0.4	2.5	1.1
Restructuring costs(d)	0.2	0.1	1.2	1.3
Discontinued service costs(e)	—	—	0.2	—
Management fees and expenses(f)	—	0.3	—	0.9
Business combination costs(g)	0.2	—	0.8	—
Contingent non-income tax liability(h)	—	—	0.8	—
Other costs(i)	0.3	0.3	1.1	1.0
Total adjustments	9.1	6.6	36.5	20.3
Tax effect of adjustments(j)	(0.6)	—	(3.0)	—
Adjusted Net Income	\$ 5.5	\$ 8.2	\$ 28.4	\$ 21.9
Adjusted Net Income	\$ 5.5	\$ 8.2	\$ 28.4	\$ 21.9
Weighted average common shares assuming dilution	128,429,090	54,534,022	124,523,217	54,534,022
Adjusted EPS	\$ 0.04	\$ 0.15	\$ 0.23	\$ 0.40

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

- (a) Represents one-time debt refinancing expenses for the prepayment penalty and write-off of debt issuance costs.
- (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, certain staff restructuring charges, including severance, and acquisition related restructuring charges in connection with the Paragon transaction.
- (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 non-recurring public company start-up costs.
- (h) Represents non-recurring contingent non-income tax liability.
- (i) Represents non-operational gains or losses, non-standard project expense, non-operational legal expense and legal debt refinancing expense.
- (j) 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.

Exhibit 7

Payment Volume
(\$ in millions)
(unaudited)

	Three Months Ended September 30,		Change	
	2021	2020	Amount	%
Payment volume	\$ 11,054.2	\$ 8,657.8	\$ 2,396.4	27.7%

	Nine Months Ended September 30,		Change	
	2021	2020	Amount	%
Payment volume	\$ 31,201.3	\$ 24,092.0	\$ 7,109.3	29.5%

Exhibit 8

Paya Holdings Inc.
Reconciliation of Earnings (Loss) Per Share to Adjusted Earnings (Loss) Per Share
(\$ in millions)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Earnings (loss) per share	\$ (0.02)	\$ 0.03	\$ (0.04)	\$ 0.03
Items impacting adjusted earnings per share:				
Amortization add back	0.05	0.09	0.15	0.27
Debt refinancing interest expense	—	—	0.07	—
Transaction-related expenses	0.01	0.01	0.02	0.02
Stock based compensation	0.01	0.01	0.02	0.02
Restructuring costs	—	—	0.01	0.02
Discontinued service costs	—	—	—	—
Management fees and expenses	—	0.01	—	0.02
Business combination costs	—	—	0.01	—
Contingent non-income tax liability	—	—	—	—
Other costs	—	—	0.01	0.02
Total adjustments	0.07	0.12	0.29	0.37
Tax effect of adjustments	(0.01)	—	(0.02)	—
Impact to earnings per share	0.06	0.12	0.27	0.37
Adjusted Earnings Per Share	\$ 0.04	\$ 0.15	\$ 0.23	\$ 0.40