



# Third Quarter 2021 Presentation

November 5<sup>th</sup>, 2021

# Disclaimer

## **Forward Looking Statements**

This presentation includes “forward looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements may be identified by the use of words such as “forecast,” “intend,” “seek,” “target,” “anticipate,” “believe,” “expect,” “estimate,” “plan,” “outlook,” and “project” and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters.

Such forward looking statements include estimated financial information. Such forward looking statements with respect to revenues, earnings, performance, strategies, prospects and other aspects of the businesses of Paya Holdings Inc. or its subsidiaries (collectively, “Paya”) are based on current expectations that are subject to risks and uncertainties. A number of factors could cause actual results or outcomes to differ materially from those indicated by such forward looking statements. These factors include, but are not limited to: (1) exposure to economic conditions and political risk affecting the consumer loan market and consumer and commercial spending; (2) the impacts of the ongoing COVID-19 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); (3) competition; (4) the ability of our business to grow and manage growth profitably; (5) changes in applicable laws or regulations; (6) changes in the payment processing market in which Paya competes, including with respect to its competitive landscape, technology evolution or regulatory changes; (7) changes in the vertical markets that Paya targets; (8) risks relating to Paya's relationships within the payment ecosystem; (9) risk that Paya may not be able to execute its growth strategies, including identifying and executing acquisitions; (10) risks relating to data security; (11) changes in accounting policies applicable to Paya; (12) the risk that Paya may not be able to develop and maintain effective internal controls and other risks and uncertainties; and (13) other risks and uncertainties discussed in our filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Paya undertakes no commitment to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

## **Use of Non-GAAP Financial Measures**

This presentation includes certain non-GAAP financial measures that are not prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and that may be different from non-GAAP financial measures used by other companies. Paya believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends of Paya. These non-GAAP measures should not be considered in isolation from, or as an alternative to, financial measures determined in accordance with GAAP. See the footnotes on the slides where these measures are discussed and the slides at the end of this presentation for a reconciliation of such non-GAAP financial measures to the most comparable GAAP numbers. Additionally, we present guidance for Adjusted EBITDA a non-GAAP measure without reconciliation due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation. See more information in Paya’s earnings press release.

# Paya at a Glance

*Paya is a leading independent integrated payments platform*

Growing, innovative provider serving **software partners** and merchants across attractive **middle market verticals**



HQ in Atlanta, GA



~300 Employees

## Key Business Highlights

<b>&gt;100K</b> Customers (Merchants)	<b>~70%</b> Integrated Solutions Revenue <sup>1</sup>	<b>87%</b> Card Not Present (CNP) Volume
<b>\$200+</b> Average Transaction Size <sup>2</sup>	<b>~95%</b> Net Volume Retention	

Enterprise

**Middle Market**

SMB



B2B Goods and Services



Healthcare



Non-Profit



Government & Utilities

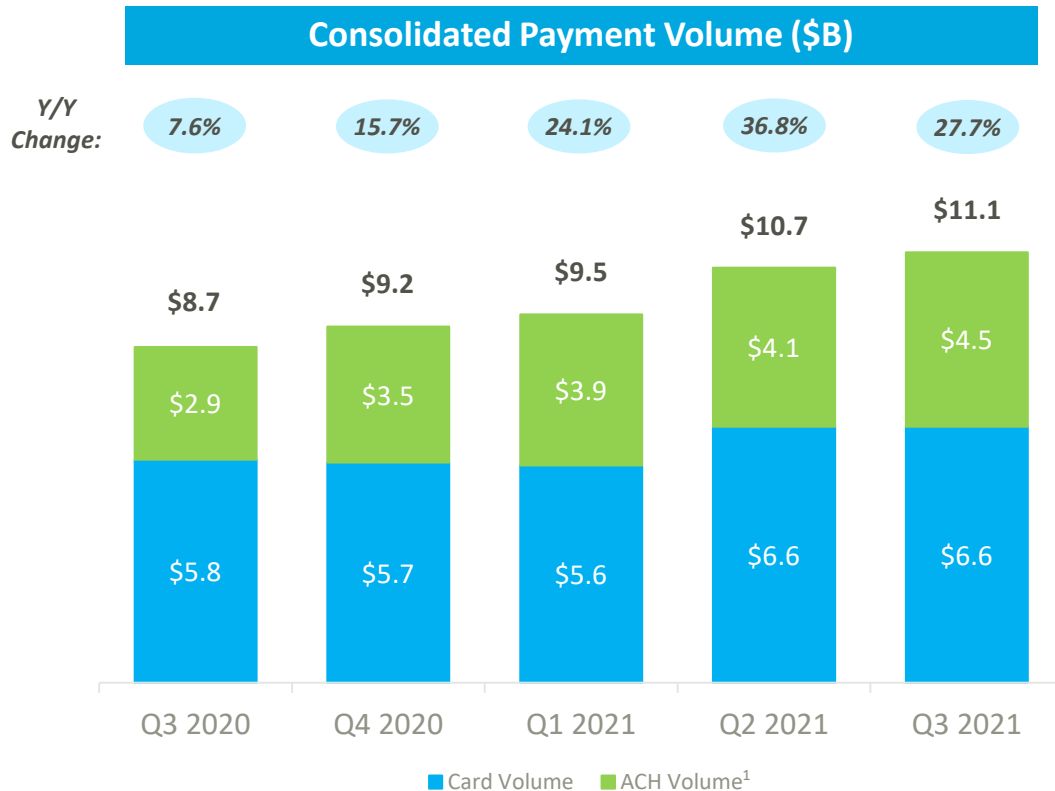


Education

**Attractive End Markets: High-Growth, Underpenetrated, Non-Cyclical**

1. Q3 2021A, excludes ACH  
2. 2020A, includes ACH

# Payment Volume



- Total volume growth +28% y/y
- Card volume growth +14% y/y
- ACH volume growth +54% y/y
  - ACH transaction growth +37% y/y
- Continued strength in B2B and Government verticals

1. ACH payments volume included in Payment Services

# Q3 2021 Results

(\$ in millions, unless noted)

	Q3 2021	Q3 2020	Change	% Change
<b>Payment Volume</b>	\$11.1B	\$8.7B	\$2.4B	27.7%
<b>Revenue</b>	\$63.1	\$51.8	\$11.3	21.8%
<b>Gross Profit<sup>1</sup> &amp; Gross Profit Margin</b>	\$32.6 51.7%	\$25.9 50.0%	\$6.7 1.7%	25.9%
<b>Adj. EBITDA<sup>2</sup> &amp; Adj. EBITDA Margin</b>	\$16.3 25.8%	\$13.5 26.1%	\$2.8 (0.3)%	20.7%

1. Gross profit does not include any allocation for depreciation or amortization
2. See "Adjusted EBITDA Reconciliation"

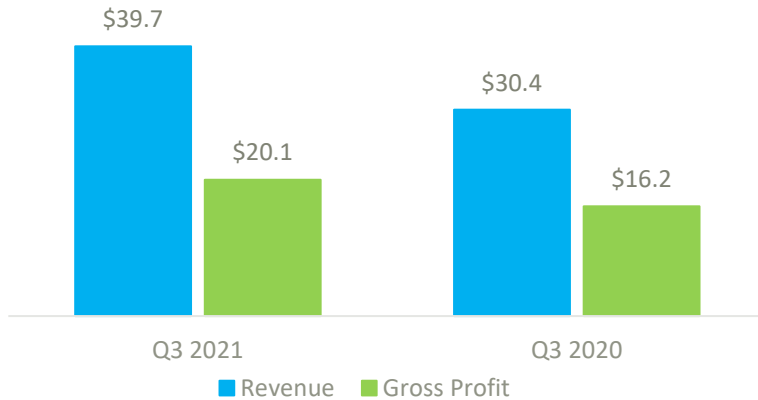
# Q3 2021 Segment Results

## Integrated Solutions

Gross Profit Margin:

50.8%

53.5%



## Key Business Highlights

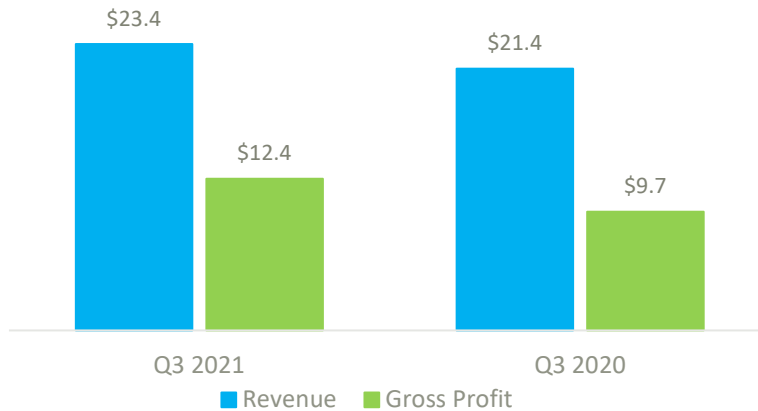
- Integrated Solutions revenue +31% y/y
- Continued growth in Government and B2B verticals
- Gross Margin down 270 bps y/y primarily due to higher revenue share from a faster growing partner, mix shift and Paragon

## Payment Services

Gross Profit Margin:

53.0%

45.0%



## Key Business Highlights

- Payment Services revenue +9% y/y
- Strong ACH transaction and revenue growth; ACH revenue +24% y/y
- Gross Margin expanded 800 bps primarily due to ACH growth and mix shift

Note: Numbers may not tie due to rounding

# 2021 Outlook

(\$ in millions, unless noted)

	2021
Revenue	\$244 - \$248
Gross Profit Margin	52.0% - 53.0%
Adj. EBITDA <sup>1</sup>	\$64 - \$66

*This outlook assumes no further unanticipated impacts from the COVID-19 pandemic*

1. See "Use of Non-GAAP Financial Measures"

The background features a large white curved shape in the center, flanked by blue curved shapes above and green curved shapes below, creating a stylized landscape or sky effect.

# Appendix



# Share Count - Illustrative

Category	Shares as of 9/30/21	Shares at \$15.00	Shares at \$17.50	Notes
Public Shares	81.8	81.8	81.8	<ul style="list-style-type: none"> <li>Shares held by public shareholders, together with shares issued related to warrant exchange</li> </ul>
Paya Rollover Shares	44.5	44.5	44.5	<ul style="list-style-type: none"> <li>Held by pre-Business Combination Paya equity holders, including company management who own ~10% of rollover shares</li> </ul>
<b>Shares Outstanding</b>	<b>126.3</b>	<b>126.3</b>	<b>126.3</b>	
Sponsor Earnout	5.7	5.7	5.7	<ul style="list-style-type: none"> <li>As of 9/30/21, no sponsor earnout shares have been issued; full amount is included per SEC reporting requirements</li> <li>Represents earnout shares associated with the Business Combination contingently issuable in two equal tranches if the closing price of Paya stock exceeds certain price thresholds (\$15.00 and \$17.50, respectively) for 20 out of any 30 consecutive trading days during the first five years following the close of the Business Combination</li> </ul>
<b>Shares Outstanding, Inclusive of Sponsor Earnout</b>	<b>132.0</b>	<b>132.0</b>	<b>132.0</b>	
Seller Earnout	-	7.0	14.0	<ul style="list-style-type: none"> <li>14M shares contingently issuable in two equal tranches if the closing price of Paya stock exceeds certain price thresholds (\$15.00 and \$17.50, respectively) for 20 out of any 30 consecutive trading days during the first five years following the close of the Business Combination</li> </ul>
<b>Fully Diluted Share Count</b>	<b>132.0</b>	<b>139.0</b>	<b>146.0</b>	

# Income Statement

Unaudited (in millions)	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)	\$ (3.0)	\$ 1.6	\$ (5.1)	\$ 1.6
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

# Reconciliation of Non-GAAP Financial Measures

Unaudited (in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net income (loss)</b>	\$ (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
<b>EBITDA</b>	<b>13.8</b>	<b>11.9</b>	<b>38.9</b>	<b>33.1</b>
Transaction-related expenses <sup>(a)</sup>	0.9	0.5	2.4	0.9
Stock based compensation <sup>(b)</sup>	0.9	0.4	2.5	1.1
Restructuring costs <sup>(c)</sup>	0.2	0.1	1.2	1.3
Discontinued service costs <sup>(d)</sup>	—	—	0.2	—
Management fees and expenses <sup>(e)</sup>	—	0.3	—	0.9
Business combination costs <sup>(f)</sup>	0.2	—	0.8	—
Contingent non-income tax liability <sup>(g)</sup>	—	—	0.8	—
Other costs <sup>(h)</sup>	0.3	0.3	1.1	1.0
Total adjustments	2.5	1.6	9.0	5.2
<b>Adjusted EBITDA</b>	<b>\$ 16.3</b>	<b>\$ 13.5</b>	<b>\$ 47.9</b>	<b>\$ 38.3</b>

- 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.

# Reconciliation of Non-GAAP Financial Measures (Cont'd)

Unaudited (in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net income (loss)</b>	\$ (3.0)	\$ 1.6	\$ (5.1)	\$ 1.6
Amortization add back	6.6	5.0	19.0	15.1
Debt refinancing interest expense <sup>(a)</sup>	—	—	8.5	—
Transaction-related expenses <sup>(b)</sup>	0.9	0.5	2.4	0.9
Stock based compensation <sup>(c)</sup>	0.9	0.4	2.5	1.1
Restructuring costs <sup>(d)</sup>	0.2	0.1	1.2	1.3
Discontinued service costs <sup>(e)</sup>	—	—	0.2	—
Management fees and expenses <sup>(f)</sup>	—	0.3	—	0.9
Business combination costs <sup>(g)</sup>	0.2	—	0.8	—
Contingent non-income tax liability <sup>(h)</sup>	—	—	0.8	—
Other costs <sup>(i)</sup>	0.3	0.3	1.1	1.0
<b>Total adjustments</b>	<b>9.1</b>	<b>6.6</b>	<b>36.5</b>	<b>20.3</b>
Tax effect of adjustments <sup>(j)</sup>	(0.6)	—	(3.0)	—
<b>Adjusted Net Income</b>	<b>\$ 5.5</b>	<b>\$ 8.2</b>	<b>\$ 28.4</b>	<b>\$ 21.9</b>

- 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.

# Balance Sheet

Unaudited (in millions)	September 30,		December 31,	
	2021		2020	
<b>Assets</b>				
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	\$	244.7	\$	122.8
Noncurrent assets:				
Property and equipment, net and Other long-term assets		15.6		13.6
Goodwill and Intangibles, net		364.0		338.9
<b>Total Assets</b>	\$	624.3	\$	475.3
<b>Liabilities and stockholders' equity</b>				
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	\$	110.4	\$	103.7
Noncurrent liabilities:				
Deferred tax liability, net and Other long-term liabilities		35.2		35.4
Long-term debt		242.3		220.2
<b>Total liabilities</b>	\$	387.9	\$	359.3
<b>Stockholders' Equity:</b>				
Additional Paid-in-Capital		254.9		129.4
Accumulated deficit		(18.5)		(13.4)
<b>Total stockholders' equity</b>		236.4		116.0
<b>Total liabilities and stockholders' equity</b>	\$	624.3	\$	475.3

# Statement of Cash Flows

Unaudited (in millions)	Three Months ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cash and cash equivalents, beginning of period	\$ 135.6	\$ 24.9	\$ 23.6	\$ 26.0
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income, (loss)	(3.0)	1.6	(5.1)	1.6
<i>Adjustments</i>				
Depreciation & amortization expense	7.9	6.0	22.4	18.0
Deferred taxes	2.8	(0.5)	(0.5)	(0.4)
Other non-cash items	1.5	1.0	9.9	3.1
Changes in operating assets and liabilities	(1.4)	5.0	(8.0)	(6.0)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>7.8</b>	<b>13.1</b>	<b>18.7</b>	<b>16.3</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property and equipment	(1.4)	(2.0)	(5.0)	(4.4)
Purchases of customer lists	(7.3)	(0.5)	(16.0)	(0.6)
Acquisition of business, net of cash received	—	—	(18.3)	—
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(8.7)</b>	<b>(2.5)</b>	<b>(39.3)</b>	<b>(5.0)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Other financing activities	(1.6)	(3.2)	130.1	(5.0)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(1.6)</b>	<b>(3.2)</b>	<b>130.1</b>	<b>(5.0)</b>
Net change in cash and cash equivalents	(2.5)	7.4	109.5	6.3
Cash and cash equivalents, end of period	\$ 133.1	\$ 32.3	\$ 133.1	\$ 32.3