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 June 30, 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
Realtime Electronic Payments

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

Delaware	**98-1496050**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3 West Paces Ferry Road, Suite 200 Atlanta, GA	**30305**
(Address of principal executive offices)	**(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 August 4, 2023, there are 94,700,866 shares of the registrant's Class A Common Stock, par value $0.0001 per share, outstanding (which number includes 3,776,556 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 August 4, 2023, the holders of such outstanding shares of Class V common stock also hold 5,861,271 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 June 30, 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

($ in thousands)	June 30, 2023 (Unaudited)	December 31, 2022
Assets		
Cash and cash equivalents	$ 103,784	$ 64,895
Accounts receivable	33,889	33,544
Prepaid expenses and other	13,304	18,213
Total current assets	**150,977**	**116,652**
Property, plant and equipment, net	2,956	4,375
Restricted cash	24,137	28,668
Intangible assets, net	457,921	500,575
Goodwill	792,543	827,813
Operating lease right-of-use assets, net	9,485	9,847
Deferred tax assets	135,051	136,370
Other assets	2,500	2,500
Total noncurrent assets	**1,424,593**	**1,510,148**
Total assets	**$ 1,575,570**	**$ 1,626,800**
Liabilities		
Accounts payable	$ 18,830	$ 21,781
Related party payable	—	1,000
Accrued expenses	26,128	29,016
Current operating lease liabilities	1,750	2,263
Current tax receivable agreement	—	24,454
Other current liabilities	541	3,593
Total current liabilities	**47,249**	**82,107**
Long-term debt	432,742	451,319
Noncurrent operating lease liabilities	8,480	8,295
Tax receivable agreement, net of current portion	181,596	154,673
Other liabilities	1,887	2,113
Total noncurrent liabilities	**624,705**	**616,400**
Total liabilities	**$ 671,954**	**$ 698,507**
Commitments and contingencies (Note 10)		
Stockholders' equity		
Class A common stock, $0.0001 par value; 2,000,000,000 shares authorized; 91,372,869 issued and 90,294,728 outstanding as of June 30, 2023; 89,354,754 issued and 88,276,613 outstanding as of December 31, 2022	9	9
Class V common stock, $0.0001 par value; 1,000 shares authorized and 100 shares issued and outstanding as of June 30, 2023 and December 31, 2022	—	—
Additional paid-in capital	1,132,720	1,117,736
Treasury stock, 1,078,141 shares as of June 30, 2023 and December 31, 2022	(10,000)	(10,000)
Accumulated other comprehensive loss	(3)	(3)
Accumulated deficit	(244,215)	(213,180)
Total Repay stockholders' equity	**$ 878,511**	**$ 894,562**
Non-controlling interests	**25,105**	**33,731**
Total equity	**$ 903,616**	**$ 928,293**
Total liabilities and equity	**$ 1,575,570**	**$ 1,626,800**

See accompanying notes to condensed consolidated financial statements.

REPAY HOLDINGS CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Revenue	**$ 71,783**	**$ 67,435**	**$ 146,320**	**$ 134,999**
Operating expenses				
Costs of services (exclusive of depreciation and amortization shown separately below)	16,840	16,731	34,805	33,296
Selling, general and administrative	38,177	39,130	76,695	71,348
Depreciation and amortization	26,483	29,191	52,623	57,780
Change in fair value of contingent consideration	—	(1,050)	—	(3,950)
Loss on business disposition	149	—	10,027	—
Total operating expenses	81,649	84,002	174,150	158,474
Loss from operations	**(9,866)**	**(16,567)**	**(27,830)**	**(23,475)**
Other income (expense)				
Interest expense	(910)	(1,051)	(2,070)	(2,040)
Change in fair value of tax receivable liability	4,056	19,450	(482)	44,070
Other income	457	10	544	17
Other loss	(118)	(150)	(118)	(150)
Total other income (expense)	**3,485**	**18,259**	**(2,126)**	**41,897**
Income (loss) before income tax benefit (expense)	(6,381)	1,692	(29,956)	18,422
Income tax benefit (expense)	1,051	(3,045)	(3,306)	(6,888)
Net income (loss)	**$ (5,330)**	**$ (1,353)**	**$ (33,262)**	**$ 11,534**
Less: Net loss attributable to non-controlling interests	(687)	(1,362)	(2,227)	(2,129)
Net income (loss) attributable to the Company	**$ (4,643)**	**$ 9**	**$ (31,035)**	**$ 13,663**
Income (loss) per Class A share attributable to the Company:				
Basic	$ (0.05)	$ 0.00	$ (0.35)	$ 0.15
Diluted	$ (0.05)	$ 0.00	$ (0.35)	$ 0.12
Weighted-average shares outstanding:				
Basic	89,170,814	88,903,674	88,894,820	88,756,482
Diluted	89,170,814	113,250,565	88,894,820	112,866,991

See accompanying notes to condensed consolidated financial statements.

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

	Repay Stockholders								Non-controlling	Total
	Class A Common Stock		Class V Common Stock		Additional Paid-In	Treasury	Accumulated	Accumulated Other Comprehensive		
($ in thousands)	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	(Loss) Income	Interests	Equity
Balance at March 31, 2022	88,817,111	$ 9	100	$ -	$ 1,101,432	$ -	$ (212,362)	$ (2)	$ 38,242	$ 927,319
Exchange of Post-Merger Repay Units	43,528	-		-	210	-	-	-	(210)	-
Release of share awards vested under Incentive Plan and ESPP	146,615	-		-	-	-	-	-	-	-
Shares repurchased under Incentive Plan and ESPP	(13,532)	-		-	(139)	-	-	-	(2)	(141)
Treasury shares repurchased	(100,803)	-		-	-	(1,152)	-	-	6	(1,146)
Stock-based compensation	-	-		-	5,929	-	-	-	(7)	5,922
Tax distribution from Hawk Parent	-	-		-	-	-	-		(386)	(386)
Net income (loss)	-	-		-	-	-	9	-	(1,362)	(1,353)
Balance at June 30, 2022	88,892,919	$ 9	100	$ -	$ 1,107,432	$ (1,152)	$ (212,353)	$ (2)	$ 36,281	$ 930,215
Balance at March 31, 2023	88,672,189	$ 9	100	$ -	$ 1,120,721	$ (10,000)	$ (239,572)	$ (3)	$ 32,000	$ 903,155
Exchange of Post-Merger Repay Units	1,402,118	-		-	5,655	-	-	-	(5,655)	-
Release of share awards vested under Incentive Plan and ESPP	249,367	-		-	2	-	-	-	(2)	-
Shares repurchased under Incentive Plan and ESPP	(28,946)	-		-	(174)	-	-	-	3	(171)
Stock-based compensation	-	-		-	6,516	-	-	-	1	6,517
Tax distribution from Hawk Parent	-	-		-	-	-	-	-	(555)	(555)
Net loss	-	-		-	-	-	(4,643)	-	(687)	(5,330)
Balance at June 30, 2023	90,294,728	$ 9	100	$ -	$ 1,132,720	$ (10,000)	$ (244,215)	$ (3)	$ 25,105	$ 903,616

See accompanying notes to condensed consolidated financial statements.

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

	Repay Stockholders										
	Class A Common Stock		Class V Common Stock		Additional Paid-In	Treasury	Accumulated	Accumulated Other Comprehensive	Non-controlling	Total
($ in thousands)	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	Loss	Interests	Equity
Balance at December 31, 2021	88,502,621	$ 9	100	$ -	$ 1,100,012	$ -	$ (226,016)	$ (2)	$ 39,033	$ 913,036
Exchange of Post-Merger Repay Units	43,528	-		-	210	-	-	-	(210)	-
Release of share awards vested under Incentive Plan and ESPP	574,370	-		-	-	-	-	-	-	-
Shares repurchased under Incentive Plan and ESPP	(126,797)	-		-	(1,842)	-	-	-	2	(1,840)
Treasury shares repurchased	(100,803)	-		-	-	(1,152)	-	-	6	(1,146)
Stock-based compensation	-	-		-	9,052	-	-	-	(35)	9,017
Tax distribution from Hawk Parent	-	-		-	-	-	-	-	(386)	(386)
Net income (loss)	-	-		-	-	-	13,663	-	(2,129)	11,534
Balance at June 30, 2022	88,892,919	$ 9	100	$ -	$ 1,107,432	$ (1,152)	$ (212,353)	$ (2)	$ 36,281	$ 930,215
Balance at December 31, 2022	88,276,613	$ 9	100	$ -	$ 1,117,736	$ (10,000)	$ (213,180)	$ (3)	$ 33,731	$ 928,293
Exchange of Post-Merger Repay Units	1,416,578	-		-	5,716	-	-	-	(5,716)	-
Release of share awards vested under Incentive Plan and ESPP	778,210	-		-	2	-	-	-	(2)	-
Shares repurchased under Incentive Plan and ESPP	(176,673)	-		-	(1,384)	-	-	-	8	(1,376)
Stock-based compensation	-	-		-	10,650	-	-	-	(80)	10,570
Tax distribution from Hawk Parent	-	-		-	-	-	-	-	(609)	(609)
Net loss	-	-		-	-	-	(31,035)	-	(2,227)	(33,262)
Balance at June 30, 2023	90,294,728	$ 9	100	$ -	$ 1,132,720	$ (10,000)	$ (244,215)	$ (3)	$ 25,105	$ 903,616

See accompanying notes to condensed consolidated financial statements.

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

($ in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities		
Net income (loss)	$ (33,262)	$ 11,534
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	52,623	57,780
Stock based compensation	10,570	9,016
Amortization of debt issuance costs	1,423	1,411
Loss on business disposition	10,027	—
Other loss	118	150
Fair value change in tax receivable agreement liability	482	(44,070)
Fair value change in contingent consideration	—	(3,950)
Payment of contingent consideration liability in excess of acquisition-date fair value	—	(8,896)
Deferred tax expense	3,306	6,888
Change in accounts receivable	(1,858)	1,838
Change in prepaid expenses and other	4,842	(1,172)
Change in operating lease ROU assets	87	(827)
Change in accounts payable	(3,388)	1,491
Change in related party payable	—	77
Change in accrued expenses and other	(2,957)	(5,347)
Change in operating lease liabilities	(34)	892
Change in other liabilities	(1,195)	245
Net cash provided by operating activities	**40,784**	**27,060**
Cash flows from investing activities		
Purchases of property and equipment	(114)	(1,824)
Purchases of intangible assets	(23,600)	(14,825)
Proceeds from sale of business, net of cash retained	40,273	—
Net cash provided by (used in) investing activities	**16,559**	**(16,649)**
Cash flows from financing activities		
Payments on long-term debt	(20,000)	—
Shares repurchased under Incentive Plan and ESPP	(1,376)	(1,840)
Treasury shares repurchased	—	(1,145)
Distributions to Members	(609)	(386)
Payment of contingent consideration liability up to acquisition-date fair value	(1,000)	(3,851)
Net cash used in financing activities	**(22,985)**	**(7,222)**
Increase in cash, cash equivalents and restricted cash	**34,358**	**3,189**
Cash, cash equivalents and restricted cash at beginning of period	**$ 93,563**	**$ 76,340**
Cash, cash equivalents and restricted cash at end of period	**$ 127,921**	**$ 79,529**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 647	$ 628

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 $10.0 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 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.

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.

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.

($ in thousands)	Three Months Ended June 30, 2023			
	Consumer Payments	Business Payments	Elimination of intersegment revenues	Total
Revenue				
Direct relationships	$ 62,899	$ 9,530	$ (3,970)	$ 68,459
Indirect relationships	3,025	299	—	3,324
Total Revenue	**$ 65,924**	**$ 9,829**	**$ (3,970)**	**$ 71,783**

($ in thousands)	Three Months Ended June 30, 2022			
	Consumer Payments	Business Payments	Elimination of intersegment revenues	Total
Revenue				
Direct relationships	$ 56,504	$ 9,674	$ (2,332)	$ 63,846
Indirect relationships	3,329	260	—	3,589
Total Revenue	**$ 59,833**	**$ 9,934**	**$ (2,332)**	**$ 67,435**

($ in thousands)	Six Months Ended June 30, 2023			
	Consumer Payments	Business Payments	Elimination of intersegment revenues	Total
Revenue				
Direct relationships	$ 129,373	$ 17,964	$ (8,048)	$ 139,288
Indirect relationships	6,492	539	—	7,032
Total Revenue	**$ 135,865**	**$ 18,503**	**$ (8,048)**	**$ 146,320**

($ in thousands)	Six Months Ended June 30, 2022			
	Consumer Payments	Business Payments	Elimination of intersegment revenues	Total
Revenue				
Direct relationships	$ 113,940	$ 18,284	$ (4,741)	$ 127,483
Indirect relationships	6,974	542	—	7,516
Total Revenue	**$ 120,914**	**$ 18,826**	**$ (4,741)**	**$ 134,999**

4. Earnings Per Share

During the three and six months ended June 30, 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands, except per share data)	2023	2022	2023	2022
Income (loss) before income tax benefit (expense)	$ (6,381)	$ 1,692	$ (29,956)	$ 18,422
Less: Net loss attributable to non-controlling interests	(687)	(1,362)	(2,227)	(2,129)
Income tax benefit (expense)	1,051	(3,045)	(3,306)	(6,888)
Net income (loss) attributable to the Company	$ (4,643)	$ 9	$ (31,035)	$ 13,663
Weighted average shares of Class A common stock outstanding - basic	89,170,814	88,903,674	88,894,820	88,756,482
Add weighted average effect of dilutive common stock equivalent shares:				
Post-Merger Repay Units exchangeable for Class A common stock		7,883,048		7,883,048
Unvested share-based awards of Class A common stock		3,365,729		3,130,785
Outstanding ESPP purchase rights for Class A common stock		2,876		1,438
2026 Notes convertible into Class A common stock		13,095,238		13,095,238
Weighted average shares of Class A common stock outstanding - diluted	89,170,814	113,250,565	88,894,820	112,866,991
Income (loss) per share of Class A common stock outstanding - basic	$ (0.05)	$ 0.00	$ (0.35)	$ 0.15
Income (loss) per share of Class A common stock outstanding - diluted	$ (0.05)	$ 0.00	$ (0.35)	$ 0.12

For the three and six months ended June 30, 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 June 30, 2023	Six Months Ended June 30, 2023
Post-Merger Repay Units exchangeable for Class A common stock	6,459,153	6,459,153
Unvested share-based awards of Class A common stock	5,772,187	5,772,187
Outstanding stock options for Class A common stock	1,148,822	1,148,822
2026 Notes convertible into Class A common stock	13,095,238	13,095,238
Share equivalents excluded from earnings (loss) per share	26,475,400	26,475,400

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 six months ended June 30, 2023, the Company recognized a loss of $10.0 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.

In connection with the disposition of BCS, the Company recognized a reduction in goodwill of $35.3 million within the Consumer Payments segment. See Note 8. Goodwill for further discussion. For the six months ended June 30, 2023, BCS contributed $1.2 million to the Consumer Payments segment revenue. For the three and six months ended June 30, 2022, BCS contributed $1.7 million and $3.7 million to the Consumer Payments segment revenue, respectively.

Transaction Expenses

The Company incurred transaction expenses of $0.0 million and $3.4 million for the three and six months ended June 30, 2023, respectively, related to the disposition of BCS. The Company incurred transaction expenses of $1.8 million and $4.3 million for the three and six months ended June 30, 2022, respectively, 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.

	June 30, 2023			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Other assets	$ —	$ 2,500	$ —	$ 2,500
Total assets	**$ —**	**$ 2,500**	**$ —**	**$ 2,500**
Liabilities:				
Contingent consideration	$ —	$ —	$ —	$ —
Borrowings	—	355,300	—	355,300
Tax receivable agreement	—	—	181,596	181,596
Total liabilities	**$ —**	**$ 355,300**	**$ 181,596**	**$ 536,896**

	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 June 30, 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.

	Six Months Ended June 30,	
($ in thousands)	2023	2022
Balance at beginning of period	$ 1,000	$ 17,047
Purchases	—	—
Payments	(1,000)	(12,747)
Valuation adjustment	—	(3,950)
Balance at end of period	**$ —**	**$ 350**

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.

	June 30, 2023		December 31, 2022	
($ in thousands)	Carrying value	Fair value	Carrying value	Fair value
Revolving credit facility	$ —	$ —	$ 18,177	$ 20,000
2026 Notes	432,742	355,300	433,142	324,280
Total	$ 432,742	$ 355,300	$ 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 within Change in fair value of tax receivable liability in the Company's Condensed Consolidated Statements of Operations.

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 7.04% was applied to the forecasted TRA payments at June 30, 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 $0.5 million through accretion expense and a valuation adjustment, related to an increase 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.

	Six Months Ended June 30,	
($ in thousands)	2023	2022
Balance at beginning of period	$ 179,127	$ 245,828
Purchases	1,987	165
Accretion expense	—	2,657
Valuation adjustment	482	(46,727)
Balance at end of period	**$ 181,596**	**$ 201,923**

7. Intangible Assets

The Company holds definite and indefinite-lived intangible assets. As of June 30, 2023, the indefinite-lived intangible assets consist of one trade name, arising from the acquisitions of Hawk Parent. As of 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:

($ in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life (Years)
Client relationships	$ 523,850	$ 164,815	$ 359,035	6.81
Channel relationships	16,240	3,965	12,275	7.56
Software costs	221,059	154,780	66,279	0.91
Non-compete agreements	4,580	4,248	332	0.36
Trade name	20,000	—	20,000	—
Balance as of June 30, 2023	**$ 785,729**	**$ 327,808**	**$ 457,921**	**5.08**
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 $25.7 million and $51.1 million for the three and six months ended June 30, 2023, respectively. The Company's amortization expense for intangible assets was $28.6 million and $56.7 million for the three and six months ended June 30, 2022, respectively.

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

($ in thousands) Year Ending December 31,	Estimated Future Amortization Expense
2023	$ 48,951
2024	86,945
2025	69,767
2026	57,420
2027	55,941
Thereafter	118,897

8. Goodwill

The following table presents changes to goodwill by business segment for the six months ended June 30, 2023.

($ in thousands)	Consumer Payments	Business Payments	Total
Balance at December 31, 2022	$ 609,139	$ 218,674	$ 827,813
Dispositions	(35,270)	—	(35,270)
Balance at June 30, 2023	**$ 573,869**	**$ 218,674**	**$ 792,543**

During the six months ended June 30, 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 June 30, 2023. As of June 30, 2023 and December 31, 2022, there were no accumulated impairment losses 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 June 30, 2023, the Company had $0 drawn against the revolving credit facility. The Company’s interest expense on the revolving credit facility, including unused commitment fees and amortization of deferred issuance costs, totaled $0.9 million and $2.0 million for the three and six months ended June 30, 2023, respectively. Interest expense was $1.0 million and $2.0 million for the three and six months ended June 30, 2022, respectively.

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 six months ended June 30, 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:

($ in thousands)	June 30, 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)	7,258	8,681
Total non-current borrowings	$ 432,742	$ 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 and $1.4 million of interest expense for the amortization of deferred debt issuance costs for the three and six months ended June 30, 2023, respectively. 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 2035. Most of these leases include one or more renewal options for five 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	**2023**	**2022**	**2023**	**2022**
Components of total lease costs:				
Operating lease cost	$ 721	$ 679	$ 1,380	$ 1,368
Short-term lease cost	7	22	34	34
Variable lease cost	—	—	—	—
Total lease cost	$ 728	$ 701	$ 1,414	$ 1,402

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

($ in thousands)	**June 30, 2023**	**December 31, 2022**
Operating leases:		
ROU assets	$ 9,485	$ 9,847
Lease liability, current	1,750	2,263
Lease liability, long-term	8,480	8,295
Total lease liabilities	$ 10,230	$ 10,558
Weighted-average remaining lease term (in years)	4.1	4.7
Weighted-average discount rate (annualized)	5.7 %	4.5 %

Other information related to leases are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2023	2022	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 667	$ 684	$ 1,341	$ 1,329
ROU assets obtained in exchange for lease liabilities:				
Operating leases	—	980	—	2,511

The following table presents a maturity analysis of the Company's operating leases liabilities as of June 30, 2023:

($ in thousands)	
2023	$ 1,111
2024	2,246
2025	2,222
2026	2,188
2027	1,269
Thereafter	3,542
Total undiscounted lease payments	12,578
Less: Imputed interest	2,348
Total lease liabilities	$ 10,230

11. Related Party Transactions

Related party payables consisted of the following:

($ in thousands)	June 30, 2023	December 31, 2022
CPS accrued earnout liability	$ —	$ 1,000
Other payables to related parties	—	—
	$ —	$ 1,000

The Company held receivables from related parties of $0.3 million as of both June 30, 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 June 30, 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 June 30, 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Share-based compensation expense	$ 6.5	$ 5.9	$ 10.6	$ 9.0
Income tax benefit	0.2	1.0	1.3	2.2

Activities for RSAs for the six months ended June 30, 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	2,533,649	6.16
Forfeited [1][2]	251,387	15.83
Vested	529,614	15.75
Unvested at June 30, 2023	3,864,283	$ 9.72

Activities for RSUs for the six months ended June 30, 2023 are as follows:

	Class A Common Stock	**Weighted Average Grant Date Fair Value**
Unvested at December 31, 2022	108,909	$ 13.22
Granted	171,384	7.41
Forfeited	—	
Vested	108,909	13.22
Unvested at June 30, 2023	171,384	$ 7.41

Activities for PSUs for the six months ended June 30, 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 June 30, 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 six months ended June 30, 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 $36.6 million at June 30, 2023, which is expected to be recognized as expense over the weighted-average period of 2.1 years.

Stock Options

Activities for PSOs for the six months ended June 30, 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 June 30, 2023	1,148,822	$ 6.13	7.0	$ 1,952,997
Options vested and exercisable at June 30, 2023	—	$ —	—	$ —

The Company recognized compensation expense for PSOs of $0.4 million and $0.5 million during the three and six months ended June 30, 2023, respectively. Unrecognized compensation expense related to outstanding PSOs was $2.5 million at June 30, 2023, which is expected to be recognized as expense over the weighted-average period of 1.8 years.

The weighted average grant date fair value of PSOs granted during the three and six months ended June 30, 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 June 30, 2023	Six Months Ended June 30, 2023
Risk-free interest rate	3.42 %	3.42 %
Expected volatility	52.82 %	52.82 %
Dividend yield	0 %	0 %
Expected term (in years)	4.5	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.

Employee Stock Purchase Plan

On August 18, 2021, the Company's stockholders approved the Repay Holdings Corporation 2021 Employee Stock Purchase Plan (the "ESPP"). The purpose of the ESPP is to provide eligible employees with the opportunity to purchase the Company's Class A common stock through accumulated payroll deductions. A total of 1,000,000 shares of the Company's Class A common stock are available for issuance under the ESPP. Under the ESPP, participants are offered the right to purchase shares of the Company's Class A common stock at a discount during a series of offering periods. The length of the offering periods under the ESPP will be determined by the administrator and may be up to twenty-seven months long.

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 19% and (11%) for the three and six months ended June 30, 2023, respectively. The Company recorded an income tax benefit of $1.1 million and an income tax expense of $3.3 million for the three and six months ended June 30, 2023, respectively. The effective tax rate for the three and six months ended June 30, 2023 includes a stock-based compensation adjustments net tax shortfall of $2.3 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 181% and 37.4% for the three and six months ended June 30, 2022, respectively. The Company recorded an income tax expense of $3.0 million and $6.9 million for the three and six months ended June 30, 2022, respectively. The effective tax rate for the three and six months ended June 30, 2022 includes a stock-based compensation adjustments net tax shortfall related to restricted stock awards vesting, which is required to be recorded discretely in the interim period in which it occurs.

The Company recognized adjustments of $1.1 million and ($3.3) million for the three and six months ended June 30, 2023, respectively, of deferred tax assets related to the income tax benefit and expense, respectively, derived from the net operating income generated over the same period. The Company recognized $3.0 million and $6.9 million for the three and six months ended June 30, 2022, respectively, of deferred tax assets related to the income tax expense derived from the net operating income generated over the same period.

Deferred tax assets, net of $135.1 million as of June 30, 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 and six months ended June 30, 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 June 30, 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 June 30, 2023, the Company had a liability of $181.6 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 $2.5 million in the TRA liability for the six months ended June 30, 2023, was primarily a result of subsequent exchanges of Post-Merger Repay Units occurring during the three months ended June 30, 2023, as well as an offsetting decrease to the TRA liability as a result of a 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 86% and 87% of the Company’s total revenue after any intersegment eliminations for the three and six months ended June 30, 2023, respectively.

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 14% and 13% of the Company’s total revenue after any intersegment eliminations for the three and six months ended June 30, 2023, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousand)	**2023**	**2022**	**2023**	**2022**
Revenue				
Consumer Payments	$ 65,924	$ 59,833	$ 135,865	$ 120,914
Business Payments	9,829	9,934	18,503	18,826
Elimination of intersegment revenues [1]	(3,970)	(2,332)	(8,048)	(4,741)
Total revenue	**$ 71,783**	**$ 67,435**	**$ 146,320**	**$ 134,999**
Gross profit [2]				
Consumer Payments	$ 51,704	$ 46,082	$ 106,329	$ 93,572
Business Payments	7,209	6,954	13,234	12,872
Elimination of intersegment revenues	(3,970)	(2,332)	(8,048)	(4,741)
Total gross profit	**$ 54,943**	**$ 50,704**	**$ 111,515**	**$ 101,703**
Total other operating expenses [3]	$ 64,809	$ 67,271	$ 139,345	$ 125,178
Total other income (expense)	3,485	18,259	(2,126)	41,897
Income (loss) before income tax benefit (expense)	(6,381)	1,692	(29,956)	18,422
Income tax benefit (expense)	1,051	(3,045)	(3,306)	(6,888)
Net income (loss)	**$ (5,330)**	**$ (1,353)**	**$ (33,262)**	**$ 11,534**

(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 June 30, 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 $6.3 billion and $12.8 billion of total card payment volume for the three and six months ended June 30, 2023, respectively, and our card payment volume growth over the same periods in 2022 was approximately 1% and 2%, respectively.

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 six 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 and six months ended June 30, 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 June 30, 2023	Three Months ended June 30, 2022	Six Months ended June 30, 2023	Six Months ended June 30, 2022
Revenue	**$ 71,783**	**$ 67,435**	**$ 146,320**	**$ 134,999**
Operating expenses				
Costs of services (exclusive of depreciation and amortization shown separately below)	16,840	16,731	34,805	33,296
Selling, general and administrative	38,177	39,130	76,695	71,348
Depreciation and amortization	26,483	29,191	52,623	57,780
Change in fair value of contingent consideration	—	(1,050)	—	(3,950)
Loss on business disposition	149	—	10,027	—
Total operating expenses	**81,649**	**84,002**	**174,150**	**158,474**
Loss from operations	**(9,866)**	**(16,567)**	**(27,830)**	**(23,475)**
Other income (expense)				
Interest expense	(910)	(1,051)	(2,070)	(2,040)
Change in fair value of tax receivable liability	4,056	19,450	(482)	44,070
Other income	457	10	544	17
Other loss	(118)	(150)	(118)	(150)
Total other income (expense)	3,485	18,259	(2,126)	41,897
Income (loss) before income tax benefit (expense)	**(6,381)**	**1,692**	**(29,956)**	**18,422**
Income tax benefit (expense)	1,051	(3,045)	(3,306)	(6,888)
Net income (loss)	**$ (5,330)**	**$ (1,353)**	**$ (33,262)**	**$ 11,534**
Net loss attributable to non-controlling interest	(687)	(1,362)	(2,227)	(2,129)
Net income (loss) attributable to the Company	**$ (4,643)**	**$ 9**	**$ (31,035)**	**$ 13,663**
Weighted-average shares of Class A common stock outstanding - basic	89,170,814	88,903,674	88,894,820	88,756,482
Weighted-average shares of Class A common stock outstanding - diluted	89,170,814	113,250,565	88,894,820	112,866,991
Income (loss) per Class A share - basic	**$ (0.05)**	**$ 0.00**	**$ (0.35)**	**$ 0.15**
Income (loss) per Class A share - diluted	**$ (0.05)**	**$ 0.00**	**$ (0.35)**	**$ 0.12**

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Revenue

Total revenue was $71.8 million for the three months ended June 30, 2023 and $67.4 million for the three months ended June 30, 2022, an increase of $4.3 million or 6.4%. This increase was the result of newly signed clients and the growth of our existing clients. For the three months ended June 30, 2022, revenues of approximately $1.7 million are attributable to BCS.

Costs of Services

Costs of services were $16.8 million for the three months ended June 30, 2023 and $16.7 million for the three months ended June 30, 2022, an increase of $0.1 million or 0.7%. This increase was the result of newly signed clients and the growth of our existing clients. For the three months ended June 30, 2022, costs of services of less than $0.1 million are attributable to BCS.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $38.2 million for the three months ended June 30, 2023 and $39.1 million for the three months ended June 30, 2022, a decrease of $1.0 million or 2.4%, primarily due to a decrease in transaction expenses.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were $26.5 million for the three months ended June 30, 2023 and $29.2 million for the three months ended June 30, 2022, a decrease of $2.7 million or 9.3%. This decrease was driven by a significant component of capitalized software related to the Business Combination being fully amortized in the prior year, partially offset by additional amortization related to newly capitalized software.

Interest Expense

Interest expense was $0.9 million for the three months ended June 30, 2023 and $1.1 million for the three months ended June 30, 2022, a decrease of $0.2 million or 13.4%. This decrease was due to a lower outstanding principal balance under our Amended Credit Agreement.

Change in Fair Value of Tax Receivable Liability

We incurred a gain, related to accretion expense and fair value adjustment of the tax receivable liability of $4.1 million for the three months ended June 30, 2023, compared to a $19.5 million net gain for the three months ended June 30, 2022, a decrease of $15.4 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 Benefit and Expense

The income tax benefit was $1.1 million for the three months ended June 30, 2023. This was a result of the operating loss incurred by us, 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 net tax shortfall 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 $3.0 million for the three months ended June 30, 2022, which reflected the expected income tax benefit to be received on the net earnings related to our economic interest in Hawk Parent.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenue

Total revenue was $146.3 million for the six months ended June 30, 2023 and $135.0 million for the six months ended June 30, 2022, an increase of $11.3 million or 8.4%. This increase was the result of newly signed clients and the growth of our existing clients. For the six months ended June 30, 2022, incremental revenues of approximately $2.7 million are attributable to BCS.

Costs of Services

Costs of services were $34.8 million for the six months ended June 30, 2023 and $33.3 million for the six months ended June 30, 2022, an increase of $1.5 million or 4.5%. This increase was the result of newly signed clients and the growth of our existing clients. For the six months ended June 30, 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 $76.7 million for the six months ended June 30, 2023 and $71.3 million for the six months ended June 30, 2022, an increase of $5.4 million or 7.5%, primarily due to a $3.8 million increase in software and technological services expenses related to the integration of acquired businesses and a $1.6 million increase in equity compensation expense related to restricted shares and stock options granted.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were $52.6 million for the six months ended June 30, 2023 and $57.8 million for the six months ended June 30, 2022, a decrease of $5.2 million or 8.9%. This decrease was driven by a significant component of capitalized software related to the Business Combination being fully amortized in the prior year, partially offset by additional amortization related to newly capitalized software.

Interest Expense

Interest expense was $2.1 million for the six months ended June 30, 2023 and $2.0 million for the six months ended June 30, 2022, an increase of $0.1 million or 1.5%. 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 net loss, related to accretion expense and fair value adjustment of the tax receivable liability of $0.5 million for the six months ended June 30, 2023, compared to a $44.1 million net gain for the six months ended June 30, 2022, a decrease of $44.6 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 $3.3 million for the six months ended June 30, 2023. This was a result of the operating loss incurred by us, 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 net tax shortfall 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 $6.9 million for the six months ended June 30, 2022, which reflected the expected income tax benefit to be received on the net earnings related to our economic interest in Hawk Parent.

Segments

We provided our services through two reportable segments: (1) Consumer Payments and (2) Business Payments.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousand)	**2023**	**2022**	**2023**	**2022**
Revenue				
Consumer Payments	$ 65,924	$ 59,833	$ 135,865	$ 120,914
Business Payments	9,829	9,934	18,503	18,826
Elimination of intersegment revenues	(3,970)	(2,332)	(8,048)	(4,741)
Total revenue	**$ 71,783**	**$ 67,435**	**$ 146,320**	**$ 134,999**
Gross profit [(1)]				
Consumer Payments	$ 51,704	$ 46,082	$ 106,329	$ 93,572
Business Payments	7,209	6,954	13,234	12,872
Elimination of intersegment revenues	(3,970)	(2,332)	(8,048)	(4,741)
Total gross profit	**$ 54,943**	**$ 50,704**	**$ 111,515**	**$ 101,703**
Total gross profit margin [(2)]	**77%**	**75%**	**76%**	**75%**

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

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Consumer Payments

Revenue for the Consumer Payments segment was $65.9 million for the three months ended June 30, 2023 and $59.8 million for the three months ended June 30, 2022, representing a $6.1 million or 10.2% year-over-year increase. This increase was the result of newly signed clients and the growth of existing clients. For the three months ended June 30, 2022, revenues of approximately $1.7 million are attributable to BCS.

Gross profit for the Consumer Payments segment was $51.7 million for the three months ended June 30, 2023 and $46.1 million for three months ended June 30, 2022, representing a $5.6 million or 12.2% year-over-year increase.

This increase was the result of newly signed clients and the growth of existing clients. For the three months ended June 30, 2022, gross profit of approximately $1.7 million is attributable to BCS.

Business Payments

Revenue for the Business Payments segment was $9.8 million for the three months ended June 30, 2023 and $9.9 million for the three months ended June 30, 2022, representing a $0.1 million or 1.1% year-over-year decrease. Growth from newly signed clients and existing clients was more than offset by declines in our media payments business.

Gross profit for the Business Payments segment was $7.2 million for the three months ended June 30, 2023 and $7.0 million for the three months ended June 30, 2022, representing a $0.3 million or 3.7% year-over-year increase. Growth from newly signed and existing clients, and processing cost savings initiatives were partially offset by declines in our media payments business.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Consumer Payments

Revenue for the Consumer Payments segment was $135.9 million for the six months ended June 30, 2023 and $120.9 million for the six months ended June 30, 2022, representing a $15.0 million or 12.4% year-over-year increase. This increase was the result of newly signed clients and the growth of existing clients. For the six months ended June 30, 2022, incremental revenues of approximately $2.7 million are attributable to BCS.

Gross profit for the Consumer Payments segment was $106.3 million for the six months ended June 30, 2023 and $93.6 million for six months ended June 30, 2022, representing a $12.8 million or 13.6% year-over-year increase. This increase was the result of newly signed clients and the growth of existing clients. For the six months ended June 30, 2022, incremental gross profit of approximately $2.6 million is attributable to BCS.

Business Payments

Revenue for the Business Payments segment was $18.5 million for the six months ended June 30, 2023 and $18.8 million for the six months ended June 30, 2022, representing a $0.3 million or 1.7% year-over-year decrease. Growth from newly signed clients and existing clients was more than offset by declines in our media payments business.

Gross profit for the Business Payments segment was $13.2 million for the six months ended June 30, 2023 and $12.9 million for the six months ended June 30, 2022, representing a $0.4 million or 2.8% year-over-year increase. Growth from newly signed and existing clients, and processing cost savings initiatives were partially offset by declines in our media payments business.

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 impairment loss, non-cash change in fair value of assets and liabilities, share-based compensation charges, transaction expenses, restructuring and other strategic initiative costs and other non-recurring charges.

Adjusted Net Income is a non-GAAP financial measure that represents net income prior to amortization of acquisition-related intangibles, as adjusted to add back certain charges deemed to not be part of normal operating expenses, non-cash charges and/or non-recurring charges, such as loss on business disposition, non-cash change in fair value of contingent consideration, non-cash impairment loss, non-cash change in fair value of assets and liabilities, share-based compensation 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 and six months ended June 30, 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 and six months ended June 30, 2023 and 2022.

REPAY HOLDINGS CORPORATION
Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA
For the three months ended June 30, 2023 and 2022
(Unaudited)

	Three Months ended June 30,	
(in $ thousands)	**2023**	**2022**
Revenue	**$ 71,783**	**$ 67,435**
Operating expenses		
Costs of services (exclusive of depreciation and amortization shown separately below)	$ 16,840	$ 16,731
Selling, general and administrative	38,177	39,130
Depreciation and amortization	26,483	29,191
Change in fair value of contingent consideration	—	(1,050)
Loss on business disposition	149	—
Total operating expenses	$ 81,649	$ 84,002
Loss from operations	**$ (9,866)**	**$ (16,567)**
Other income (expense)		
Interest expense	(910)	(1,051)
Change in fair value of tax receivable liability	4,056	19,450
Other income	457	10
Other loss	(118)	(150)
Total other income (expense)	3,485	18,259
Income (loss) before income tax benefit (expense)	**(6,381)**	**1,692**
Income tax benefit (expense)	1,051	(3,045)
Net income (loss)	**$ (5,330)**	**$ (1,353)**
Add:		
Interest expense	910	1,051
Depreciation and amortization [(a)]	26,483	29,191
Income tax (benefit) expense	(1,051)	3,045
EBITDA	**$ 21,012**	**$ 31,934**
Loss on business disposition [(b)]	149	—
Non-cash change in fair value of contingent consideration [(c)]	—	(1,050)
Non-cash impairment loss [(d)]	50	—
Non-cash change in fair value of assets and liabilities [(e)]	(4,056)	(19,450)
Share-based compensation expense [(f)]	6,517	5,934
Transaction expenses [(g)]	793	7,069
Restructuring and other strategic initiative costs [(h)]	4,041	1,435
Other non-recurring charges [(i)]	1,782	1,764
Adjusted EBITDA	**$ 30,288**	**$ 27,636**

REPAY HOLDINGS CORPORATION
Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA
For the six months ended June 30, 2023 and 2022
(Unaudited)

(in $ thousands)	Six Months ended June 30, 2023	Six Months ended June 30, 2022
Revenue	**$ 146,320**	**$ 134,999**
Operating expenses		
Costs of services (exclusive of depreciation and amortization shown separately below)	$ 34,805	$ 33,296
Selling, general and administrative	76,695	71,348
Depreciation and amortization	52,623	57,780
Change in fair value of contingent consideration	—	(3,950)
Loss on business disposition	10,027	—
Total operating expenses	$ 174,150	$ 158,474
Loss from operations	**$ (27,830)**	**$ (23,475)**
Other income (expense)		
Interest expense	(2,070)	(2,040)
Change in fair value of tax receivable liability	(482)	44,070
Other income	544	17
Other loss	(118)	(150)
Total other income (expense)	(2,126)	41,897
Income (loss) before income tax benefit (expense)	**(29,956)**	**18,422**
Income tax benefit (expense)	(3,306)	(6,888)
Net income (loss)	**$ (33,262)**	**$ 11,534**
Add:		
Interest expense	2,070	2,040
Depreciation and amortization [(a)]	52,623	57,780
Income tax (benefit) expense	3,306	6,888
EBITDA	**$ 24,737**	**$ 78,242**
Loss on business disposition [(b)]	10,027	—
Non-cash change in fair value of contingent consideration [(c)]	—	(3,950)
Non-cash impairment loss [(d)]	50	
Non-cash change in fair value of assets and liabilities [(e)]	482	(44,070)
Share-based compensation expense [(f)]	10,571	9,292
Transaction expenses [(g)]	6,790	11,999
Restructuring and other strategic initiative costs [(h)]	5,452	2,681
Other non-recurring charges [(i)]	3,354	2,771
Adjusted EBITDA	**$ 61,463**	**$ 56,965**

REPAY HOLDINGS CORPORATION
Reconciliation of GAAP Net Income to Non-GAAP Adjusted Net Income
For the three months ended June 30, 2023 and 2022
(Unaudited)

	Three Months ended June 30,	
(in $ thousands)	**2023**	**2022**
Revenue	**$ 71,783**	**$ 67,435**
Operating expenses		
Costs of services (exclusive of depreciation and amortization shown separately below)	$ 16,840	$ 16,731
Selling, general and administrative	38,177	39,130
Depreciation and amortization	26,483	29,191
Change in fair value of contingent consideration	—	(1,050)
Loss on business disposition	149	—
Total operating expenses	$ 81,649	$ 84,002
Loss from operations	**$ (9,866)**	**$ (16,567)**
Interest expense	(910)	(1,051)
Change in fair value of tax receivable liability	4,056	19,450
Other income	457	10
Other loss	(118)	(150)
Total other income (expense)	3,485	18,259
Income (loss) before income tax benefit (expense)	**(6,381)**	**1,692**
Income tax benefit (expense)	1,051	(3,045)
Net income (loss)	**$ (5,330)**	**$ (1,353)**
Add:		
Amortization of acquisition-related intangibles [j]	20,963	25,941
Loss on business disposition [b]	149	—
Non-cash change in fair value of contingent consideration [c]	—	(1,050)
Non-cash impairment loss [d]	50	—
Non-cash change in fair value of assets and liabilities [e]	(4,056)	(19,450)
Share-based compensation expense [f]	6,517	5,934
Transaction expenses [g]	793	7,069
Restructuring and other strategic initiative costs [h]	4,041	1,435
Other non-recurring charges [i]	1,782	1,764
Non-cash interest expense [k]	712	709
Pro forma taxes at effective rate [l]	(6,869)	(4,368)
Adjusted Net Income	**$ 18,752**	**$ 16,631**
Shares of Class A common stock outstanding (on an as-converted basis) [m]	96,796,143	96,787,200
Adjusted Net Income per share	**$ 0.19**	**$ 0.17**

REPAY HOLDINGS CORPORATION
Reconciliation of GAAP Net Income to Non-GAAP Adjusted Net Income
For the six months ended June 30, 2023 and 2022
(Unaudited)

	Six Months ended June 30,	
(in $ thousands)	2023	2022
Revenue	**$ 146,320**	**$ 134,999**
Operating expenses		
Costs of services (exclusive of depreciation and amortization shown separately below)	$ 34,805	$ 33,296
Selling, general and administrative	76,695	71,348
Depreciation and amortization	52,623	57,780
Change in fair value of contingent consideration	—	(3,950)
Loss on business disposition	10,027	—
Total operating expenses	$ 174,150	$ 158,474
Loss from operations	**$ (27,830)**	**$ (23,475)**
Other expenses		
Interest expense	(2,070)	(2,040)
Change in fair value of tax receivable liability	(482)	44,070
Other income	544	17
Other loss	(118)	(150)
Total other income (expense)	(2,126)	41,897
Income (loss) before income tax benefit (expense)	**(29,956)**	**18,422**
Income tax benefit (expense)	(3,306)	(6,888)
Net income (loss)	**$ (33,262)**	**$ 11,534**
Add:		
Amortization of acquisition-related intangibles[j]	40,887	49,077
Loss on business disposition [b]	10,027	—
Non-cash change in fair value of contingent consideration [c]	—	(3,950)
Non-cash impairment loss [d]	50	—
Non-cash change in fair value of assets and liabilities [e]	482	(44,070)
Share-based compensation expense [f]	10,571	9,292
Transaction expenses [g]	6,790	11,999
Restructuring and other strategic initiative costs [h]	5,452	2,681
Other non-recurring charges [i]	3,354	2,771
Non-cash interest expense [k]	1,424	1,411
Pro forma taxes at effective rate [l]	(7,830)	(5,562)
Adjusted Net Income	**$ 37,945**	**$ 35,183**
Shares of Class A common stock outstanding (on an as-converted basis) [m]	96,639,545	96,661,414
Adjusted Net Income per share	**$ 0.39**	**$ 0.36**

(a) See footnote (j) 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) For the three and six months ended June 30, 2023, reflects impairment loss related to trade name write-off of MPI.
(e) Reflects the changes in management's estimates of the fair value of the liability relating to TRA.
(f) Represents compensation expense associated with equity compensation plans, totaling $6.6 million and $10.6 million for the three and six months ended June 30, 2023, respectively, and totaling $5.9 million and $9.3 million for the three and six months ended June 30, 2022, respectively.
(g) Primarily consists of (i) during the three and six months ended June 30, 2023, professional service fees and other costs incurred in connection with the disposition of BCS, and (ii) during the three and six months ended June 30, 2022, professional service fees and other costs incurred in connection with the acquisitions of BillingTree, Kontrol and Payix.

(h) Reflects costs associated with reorganization of operations, consulting fees related to processing services and other operational improvements, including restructuring and integration activities related to acquired businesses, that were not in the ordinary course during the three and six months ended June 30, 2023 and 2022.

(i) For the three and six months ended June 30, 2023, reflects payments made to third-parties in connection with an expansion of our personnel, franchise taxes and other non-income based taxes, one-time payments to certain partners and non-cash rent expense. For the three and six months ended June 30, 2022, reflects one-time payments to certain clients and partners, payments made to third-parties in connection with a significant expansion of our personnel, franchise taxes and other non-income based taxes, other payments related to COVID-19 and non-cash rent expense.

(j) For the three and six months ended June 30, 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:

(in $ thousands)	Three Months ended June 30, 2023	Three Months ended June 30, 2022	Six Months ended June 30, 2023	Six Months ended June 30, 2022
Acquisition-related intangibles	$ 20,963	$ 25,941	$ 40,887	$ 49,077
Software	4,772	2,700	10,247	7,646
Amortization	**$ 25,735**	**$ 28,641**	**$ 51,134**	**$ 56,723**
Depreciation	748	550	1,489	1,057
Total Depreciation and amortization [1]	**$ 26,483**	**$ 29,191**	**$ 52,623**	**$ 57,780**

[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.

(k) Represents amortization of non-cash deferred debt issuance costs.

(l) Represents pro forma income tax adjustment effect associated with items adjusted above.

(m) Represents the weighted average number of shares of Class A common stock outstanding (on an as-converted basis assuming conversion of outstanding Post-Merger Repay Units) for the three and six months ended June 30, 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 June 30, 2023	Three Months ended June 30, 2022	Six Months ended June 30, 2023	Six Months ended June 30, 2022
Weighted average shares of Class A common stock outstanding - basic	89,170,814	88,903,674	88,894,820	88,756,482
Add: Non-controlling interests				
Weighted average Post-Merger Repay Units exchangeable for Class A common stock	7,625,329	7,883,526	7,744,725	7,904,932
Shares of Class A common stock outstanding (on an as-converted basis)	**96,796,143**	**96,787,200**	**96,639,545**	**96,661,414**

Adjusted EBITDA for the three months ended June 30, 2023 and 2022 was $30.3 million and $27.6 million, respectively, representing a 9.6% year-over-year increase. Adjusted EBITDA for the six months ended June 30, 2023 and 2022 was $61.5 million and $57.0 million, respectively, representing a 7.9% year-over-year increase.

Adjusted Net Income for the three months ended June 30, 2023 and 2022 was $18.8 million and $16.6 million, respectively, representing a 12.8% year-over-year increase. Adjusted Net Income for the six months ended June 30, 2023 and 2022 was $37.9 million and $35.2 million, respectively, representing a 7.9% year-over-year increase.

Our net income (loss) attributable to the Company for the three months ended June 30, 2023 and 2022 was ($4.6) million and $0.0 million, respectively. Our net income (loss) attributable to the Company for the six months ended June 30, 2023 and 2022 was ($33.3) million and $11.5 million, respectively, representing a (388.4%) year-over-year decrease.

The increases in Adjusted EBITDA and Adjusted Net Income for the three and six months ended June 30, 2023 were primarily due to the organic growth of our business, which was partially offset from the disposition of BCS and declines in our media payments business.

The decrease in net income (loss) attributable to the Company for the three and six months ended June 30, 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 June 30, 2023, we had $103.8 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 $24.1 million as of June 30, 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:

	Six Months ended June 30,	
(in $ thousands)	**2023**	**2022**
Net cash provided by operating activities	$ 40,784	$ 27,060
Net cash provided by (used in) investing activities	16,559	(16,649)
Net cash used in financing activities	(22,985)	(7,222)

Cash Flow from Operating Activities

Net cash provided by operating activities was $40.8 million and $27.1 million for the six months ended June 30, 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 $16.6 million for the six months ended June 30, 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 $16.6 million for the six months ended June 30, 2022, due to the capitalization of software development activities.

Cash Flow from Financing Activities

Net cash used in financing activities was $23.0 million for the six months ended June 30, 2023, due to the repayment of the outstanding revolving credit facility balance, shares repurchased under the Incentive Plan and ESPP and the CPS earnout payment.

Net cash used in financing activities was $7.2 million for the six months ended June 30, 2022, due to the shares repurchased under the Incentive Plan, ESPP and Share Repurchase Program, as well as the Ventanex earnout payment.

Indebtedness

Amended Credit Agreement

On February 3, 2021, we announced the closing of a new undrawn $125.0 million senior secured revolving credit facility through Truist Bank. The Amended Credit Agreement replaced our 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 June 30, 2023, the Amended Credit Agreement provides for a revolving credit facility of $185.0 million. As of June 30, 2023, we had $0 million drawn against the revolving credit facility. We paid $0.2 million and $0.3 million in fees related to unused commitments for the three and six months ended June 30, 2023, respectively. We paid $0.1 million and $0.3 million in fees related to unused commitments for the three and six months ended June 30, 2022, respectively.

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, we may choose to pay or deliver cash, shares of our Class A Common Stock, or a combination of cash and shares of our Class A Common Stock. The 2026 Notes will mature on February 1, 2026, unless earlier converted, repurchased or redeemed.

As of June 30, 2023, we had convertible senior debt outstanding of $432.7 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 our Class A common stock, 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 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 our Class A common stock 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 six months ended June 30, 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 June 30, 2023, we had convertible senior debt of $432.7 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

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit 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 management, including our 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 June 30, 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 our 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 June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our 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, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table summarizes such purchases of Class A common stock made by us or any "affiliate purchaser" (as defined in Rule 10b-18(a)(3) of the Exchange Act) for the three months ended June 30, 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
April 1 - 30, 2023	6,803	$ 6.75	—	$ 40,000,000
May 1 - 31, 2023	13,592	6.45	—	—
June 1 - 30, 2023	8,551	7.16	—	—
Total	28,946	$ 6.73	—	$ 40,000,000

(1) Reflects shares that we withheld pursuant to the Incentive Plan and the ESPP 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 under the ESPP, which, in each case, 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

During the three months ended June 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

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	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).
3.2(a)	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).
3.2(b)	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).
3.3	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).
31.1*	Certification of Principal Executive Officer of Repay Holdings Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer of Repay Holdings Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer of Repay Holdings Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer of Repay Holdings Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following financial statements from the Company's Form 10-Q for the quarter ended June 30, 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: August 9, 2023	By:	/s/ John Morris
		John Morris Chief Executive Officer (Principal Executive Officer)
Date: August 9, 2023	By:	/s/ Timothy J. Murphy
		Timothy J. Murphy Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

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: August 9, 2023

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

Exhibit 31.2

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: August 9, 2023	By:	/s/ Timothy J. Murphy
		Timothy J. Murphy
		Chief Financial Officer

Exhibit 32.1

**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 June 30, 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: August 9, 2023

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

Exhibit 32.2

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 June 30, 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: August 9, 2023

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