

REPAY[®]

Realtime Electronic Payments

REPAY Holdings
Corporation

2021 Annual Report

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

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
(State or other jurisdiction of
incorporation or organization)
3 West Paces Ferry Road,
Suite 200
Atlanta, GA

(Address of principal executive offices)

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

30305
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001 per share	RPAY	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES NO

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NASDAQ Stock Market on June 30, 2021, was \$2,120,867,217.

As of February 22, 2022, there were 90,455,315 shares of the registrant's Class A common stock, par value \$0.0001 per share, outstanding (which number includes 1,904,617 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 February 22, 2021, the holders of such outstanding shares of Class V common stock also hold 7,926,576 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.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant has incorporated by reference into Part III of this report certain portions of either an amendment to this Form 10-K or its proxy statement for its 2022 Annual Meeting of Shareholders, which are expected to be filed within 120 days after the end of the registrant's fiscal year ended December 31, 2021.

Auditor Firm ID: 248

Auditor Name: Grant Thornton LLP

Auditor Location: Philadelphia, Pennsylvania

Table of Contents

	<u>Page</u>
<u>PART I</u>	
Item 1. <u>Business</u>	4
Item 1A. <u>Risk Factors</u>	15
Item 1B. <u>Unresolved Staff Comments</u>	35
Item 2. <u>Properties</u>	35
Item 3. <u>Legal Proceedings</u>	36
Item 4. <u>Mine Safety Disclosures</u>	36
<u>PART II</u>	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	36
Item 6. <u>[Reserved]</u>	38
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	39
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	54
Item 8. <u>Financial Statements and Supplementary Data</u>	56
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	102
Item 9A. <u>Controls and Procedures</u>	102
Item 9B. <u>Other Information</u>	103
Item 9C. <u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u>	103
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	104
Item 11. <u>Executive Compensation</u>	104
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	104
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	104
Item 14. <u>Principal Accounting Fees and Services</u>	104
<u>PART IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	105
Item 16. <u>Form 10-K Summary</u>	108

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This 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, the expected impact of the COVID-19 pandemic, the expected demand on our product offering, including further implementation of electronic payment options and statements regarding our market and growth opportunities, the expected benefits of our recent acquisitions, our financial performance, 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 II, Item 7 “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, those risks described under Part I, Item 1A “Risk Factors” of this Form 10-K. 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.

RISK FACTOR SUMMARY

Our business involves significant risks and uncertainties that make an investment in us speculative and risky. The following is a summary list of the principal risk factors that could materially adversely affect our business, financial condition, liquidity and results of operations. These are not the only risks and uncertainties we face, and you should carefully review and consider the full discussion of our risk factors in the section titled “Risk Factors”, together with the other information in this Annual Report on Form 10-K.

Risks Related to Our Business

- The impact of the COVID-19 pandemic outbreak and the measures implemented to mitigate the spread of the virus.
- The payment processing industry is highly competitive.
- Unauthorized disclosure of client or consumer data.
- If we cannot keep pace with rapid developments and changes in our industry.
- If our vertical markets do not increase their acceptance of electronic payments or if there are adverse developments in the electronic payment industry in general.
- Potential clients or software integration partners may be reluctant to switch to, or develop a relationship with, a new payment processor.
- If we fail to comply with the applicable requirements of payment networks and industry self-regulatory organizations, those payment networks or organizations could seek to fine us, suspend us or terminate our registrations through our sponsor banks.
- We rely on sponsor banks in order to process electronic payment transactions, and such sponsor banks have substantial discretion with respect to certain elements of our business practices. If these sponsorships are terminated and we are not able to secure new sponsor banks, we will not be able to conduct our business.
- To acquire and retain clients, we depend on our software integration partners that integrate our services and solutions into software used by our clients.
- Failure to effectively manage risk and prevent fraud could increase our chargeback liability and other liability.
- Our processes to reduce fraud losses depend in part on our ability to restrict the deposit of processing funds while we investigate suspicious transactions.
- To the extent we cannot maintain savings related to favorable pricing or incentives on interchange and other payment network fees and cannot pass along any corresponding increases in such fees to our clients, our operating results and financial condition may be materially adversely affected.
- Our systems and those of our third-party providers may fail due to factors beyond our control.
- We rely on other service and technology providers. If such providers fail in or discontinue providing their services or technology to us, our ability to provide services to clients may be interrupted.
- We are subject to economic and political risk, the business cycles of our clients and software integration partners and the overall level of consumer and commercial spending.
- Our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risks associated with providing payment processing solutions.
- We may not be able to continue to expand our share in our existing vertical markets or continue to expand into new vertical markets.
- We may not be able to successfully manage our intellectual property and may be subject to infringement claims.
- The loss of key personnel or the loss of our ability to attract, recruit, retain and develop qualified employees.
- We have been the subject of various claims and legal proceedings and may become the subject of claims, litigation or investigations.
- We may not be able to successfully execute our strategy of growth through acquisitions.
- Our acquisitions subject us to a variety of risks that could harm our business and the anticipated benefits from our acquisitions may not be realized on the expected timeline or at all.

Risks Related to Regulation

- We and our clients are subject to extensive government regulation, and any new laws and regulations, industry standards or revisions made to existing laws, regulations or industry standards affecting our business, our clients’ businesses or the electronic payments industry, or our or our clients’ actual or perceived failure to comply with such obligations.

- The businesses of many of our clients are strictly regulated in every jurisdiction in which they operate, and such regulations, and our clients' failure to comply with them.
- We may be required to become licensed under state money transmission statutes.
- We must comply with laws and regulations prohibiting unfair or deceptive acts or practices.
- Governmental regulations designed to protect or limit access to or use of consumer information could adversely affect our ability to effectively provide our products and services.
- Changes in tax laws or their judicial or administrative interpretations, or becoming subject to additional U.S., state or local taxes that cannot be passed through to our clients.
- We must maintain effective internal controls and our failure to maintain such controls could lead to litigations.
- We may face litigation and other risks as a result of the material weakness in our internal control over financial reporting.

Risks Related to Our Indebtedness

- Our level of indebtedness could adversely affect our ability to meet our obligations under our indebtedness, react to changes in the economy or our industry and to raise additional capital to fund operations.
- Future operating flexibility is limited by the restrictive covenants in the Amended Credit Agreement, and we may be unable to comply with all covenants in the future.
- We may not have the ability to raise the funds necessary to settle conversions of the 2026 Notes, or to repurchase the 2026 Notes upon a fundamental change, and our future debt may contain, limitations on our ability to pay cash upon conversion or repurchase of the 2026 Notes.
- The conditional conversion feature of the 2026 Notes, if triggered, may adversely affect our financial condition and operating results.
- The accounting method for convertible debt securities that may be settled in cash, such as the 2026 Notes, could have a material effect on our reported financial results.
- Provisions in the indenture could delay or prevent an otherwise beneficial takeover of the Company.

Risks Related to Our Ownership Structure

- We are a holding company and our only material asset is our interest in Hawk Parent, and we are accordingly dependent upon distributions made by our subsidiaries to pay taxes, make payments under the Tax Receivable Agreement, meet our financial obligations under the 2026 Notes and pay dividends.
- Under the Tax Receivable Agreement, we will be required to pay 100% of the tax benefits relating to tax depreciation or amortization deductions as a result of the tax basis step-up we receive in connection with the exchanges (including an exchange in a sale for cash) of Post-Merger Repay Units into our Class A common stock and related transactions, and those payments may be substantial.
- In certain cases, payments under the Tax Receivable Agreement may exceed the actual tax benefits we realize or be accelerated.

Risks Related to Our Class A Common Stock

- Future issuances or sales of substantial amounts of our Class A common stock in the public market, or the perception that such issuances or sales may occur, could cause the market price for our Class A common stock to decline.
- Our stock price may be volatile, which could negatively affect our business and operations.
- Because we do not currently intend to pay dividends, holders of our Class A common stock will benefit from an investment in our Class A common stock only if it appreciates in value.
- Delaware law and our governing documents contain certain provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.
- Our certificate of incorporation designates a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders.

PART I

ITEM 1. BUSINESS

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 with and into Hawk Parent Holdings, LLC, a Delaware limited liability company (“Hawk Parent”).

Unless otherwise noted or unless the context otherwise requires, the terms “we”, “us”, “Repay” and the “Company” and similar references refer (1) before the Business Combination, to Hawk Parent and its consolidated subsidiaries and (2) from and after the Business Combination, to Repay Holdings Corporation and its consolidated subsidiaries. Unless otherwise noted or unless the context otherwise requires, “Thunder Bridge” refers to Thunder Bridge Acquisition. Ltd. prior to the consummation of the Business Combination.

We are headquartered in Atlanta, Georgia. Our legacy business was founded as M & A Ventures, LLC, a Georgia limited liability company doing business as REPAY: Realtime Electronic Payments (“REPAY LLC”), in 2006 by current executives John Morris and Shaler Alias. Hawk Parent was formed in 2016 in connection with the acquisition of a majority interest in the successor entity of REPAY LLC and its subsidiaries (the “2016 Recapitalization”) by certain investment funds sponsored by, or affiliated with, Corsair Capital LLC (“Corsair”).

Business Overview

Since a significant portion of our revenue is derived from volume-based payment processing fees on card transactions, card payment volume is a key operating metric that we use to evaluate our business. We are a leading payments technology company. We provide integrated payment processing solutions to industry-oriented vertical markets in which businesses have specific and bespoke transaction processing needs. We refer to these markets as “vertical markets” or “verticals.”

We are a payments innovator, differentiated by our proprietary, integrated payment technology platform and our ability to reduce the complexity of electronic payments for businesses. We intend to continue to strategically target verticals where we believe our ability to tailor payment solutions to our clients’ needs 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 \$20.5 billion of total card payment volume in 2021. Our year-over-year card payment volume growth was approximately 35% in 2021 and 42% in 2020. As of December 31, 2021, we had over 18,000 clients. Our top 10 clients, with an average tenure of approximately four years, contributed to approximately 14% and 18% of total gross profit during the year ended December 31, 2021 and the year ended December 31, 2020, respectively.

Our leading competitive position and differentiated solutions have enabled us to realize unique advantages in fast-growing and strategically-important segments of the payments market. We provide payment processing solutions to clients primarily operating in the personal loans, automotive loans, receivables management, and business-to-business verticals. Our payment processing solutions enable consumers and businesses in these verticals to make payments using electronic payment methods, rather than cash or check, which have historically been the primary methods of payment in these verticals. We believe that a growing number of consumers and businesses prefer the convenience and efficiency of paying with cards and other electronic methods and that we are poised to benefit as these verticals continue to shift from cash and check to electronic payments. The personal loans vertical is predominately characterized by installment loans, which are typically utilized by consumers to finance everyday expenses. The automotive loans vertical predominantly includes subprime automotive loans, automotive title loans and automotive buy-here-pay-here loans and also includes near-prime and prime automotive loans. Our receivables management vertical relates to consumer loan collections, which typically enter the receivables management process due to delinquency on credit card bills or as a result of major life events, such as job loss or major medical issues. The business-to-business vertical relates to transactions occurring between a wide variety of enterprise clients, many of which operate in the manufacturing, wholesale, distribution, healthcare and education industries.

Our go-to-market strategy combines direct sales with integrations with key software providers in our target verticals. The integration of our technology with key software providers in the verticals that we serve, including loan management systems, dealer management systems (“DMS”), collection management systems, and enterprise resource planning software systems, allows us to embed our omni-channel payment processing technology into our clients’ critical workflow software and ensure seamless operation of our solutions within our clients’ enterprise management systems. We refer to these software providers as our “software integration partners.” An integration allows our sales force to readily access new client opportunities or respond to inbound leads because, in many cases, a business will prefer, or in some cases only consider, a payments provider that has already integrated or is able to integrate its solutions with the business’ primary enterprise management system. We have successfully integrated our technology solutions with numerous, widely-used enterprise management systems in the verticals that we serve, which makes our platform a more compelling choice for the businesses that use them. Moreover, our relationships with our partners help us to develop deep industry knowledge regarding trends in client needs. Our integrated model fosters long-term relationships with our clients, which supports our volume retention rates that we believe are above industry averages. As of December 31, 2021, we maintained approximately 222 integrations with various software providers.

Strategic acquisitions are another important part of our long-term strategy. Our acquisitions have enabled us to further penetrate existing vertical markets, access new strategic vertical markets, broaden our technology and solutions suite, and expand our client base. We continue to focus on identifying strategic acquisition candidates in an effort to drive accretive growth. Our growth strategy is to continue to build our company through a disciplined combination of organic and acquisitive growth.

Growth Strategies

We intend to drive future growth in the following ways:

Increase Penetration in Existing Verticals

We expect to grow meaningfully by continuing to provide innovative payment solutions and client support to our existing clients as well as new clients in the verticals that we currently serve. In addition, our business model allows us to benefit from the growth of our clients and software integration partners. As our clients’ payment volumes and transactions increase, our revenues increase as a result of the fees we charge for processing these payments. Many of the vertical markets in which we compete are continuing to shift from legacy payment mediums — primarily cash and check — to electronic forms of payment. We expect to benefit from this trend as our clients increasingly opt to process payments via the electronic forms of payment in which we specialize.

New Vertical and Geographic Expansion

We also expect that we will find attractive growth potential in certain verticals in which we currently have limited operations or do not operate. Though we offer highly customized payment solutions to our clients, our core technology platform is comprehensive and can be utilized to penetrate other strategic vertical markets. Additionally, we envision growing our geographic footprint, as new territories continue to present new business opportunities. For example, we are focused on expanding our Canadian operations, as the demand for our solutions among existing and prospective Canadian clients remains strong.

Strengthen and Extend Our Solution Portfolio through Continued Innovation.

As we further integrate our solution into our clients’ workflows, we will look to continue to innovate on our solution set and broaden our suite of services. Our acquisition of TriSource Solutions, LLC (“TriSource”) and our continued investment in our technology capabilities position us to provide value-added services that will address the evolving needs of our clients as they seek to best serve their customers. The ability to serve clients across verticals and to be integrated across various software platforms enables us to better understand the needs of clients across verticals and to scale our innovative solutions to a broad segment of the market.

Continue to Drive Operational Efficiencies

As we continue to grow, we expect to become a more significant partner to our sponsor banks, third party processors and software integration partners, which we expect will give us greater leverage as we expand our contractual relationships with them. We plan to continue to drive operating leverage in our non-technology personnel expenditures, as we believe that we can process larger payment volumes without significant increases to our personnel and operating expenses.

Strategic Acquisitions

From January 1, 2016 through December 31, 2021, we have successfully acquired eleven businesses. Given the large size and attractive growth trends of our current addressable market, we are primarily focused on growing our business organically. However, we may selectively pursue strategic acquisitions as opportunities arise that meet our internal requirements for the use of capital and return on investment. Some of these opportunities may include those that enable us to acquire new capabilities that may be harder to develop in-house, gain entrance into new segments of the market, enter new markets, or consolidate our existing market.

Solutions

We provide our clients with comprehensive solutions relating to the following methods of electronic payment:

- *Credit and Debit Processing* — Allows our clients to accept card payments. These payments can be made using any of our payment channels, as further described below.
- *Virtual Credit Card Processing* — Our virtual credit card product offering enables our clients to automate their payables transactions by sending single-use virtual credit cards to their suppliers.
- *Automated Clearing House (“ACH”) Processing* — Our ACH processing capabilities allow our clients to send and accept traditional and same-day ACH transactions.
- *Enhanced ACH Processing* — Provides the same functionality as our standard ACH processing capability, but with the added benefit of incremental transaction and reconciliation data.
- *Instant Funding* — Our instant funding capabilities allow our clients to transfer funds directly to a consumer’s debit or prepaid card. We have created a proprietary process that decreases processing delays typically associated with traditional fund disbursements.

The above payment and funding methods are processed through our proprietary payment channels:

- *Web-based*
 - *Virtual Terminal* — A terminal that provides virtual payment access for processing of ACH or card transactions.
 - *Hosted Payment Page* — A client-branded terminal that enables ACH and card transaction processing.
 - *Online Client Portal* — A consumer-facing, client-specific website that gives a client’s customer the ability to pay online and view account information anywhere, anytime. A Repay hosted website may be stand alone or integrated with any other software application.
- *Mobile Application* — We provide clients the ability to accept payments via a mobile application on a customized, white-label basis.
- *Text-to-Pay* — Allows a business’ customer to pay with a simple text message after receiving an SMS alert that reminds such customer when payments are due.
- *Interactive Voice Response (“IVR”)* — A secure and flexible option to pay over the phone, 24 hours a day, 7 days a week, via a 1-800 number with bilingual capabilities.
- *Point of Sale (“POS”)* — We provide payment acceptance at brick-and-mortar locations through POS equipment that requires a client’s customer to provide a card.

Sales and Distribution

Our sales effort primarily consists of two strategies: first, our direct sales representatives, who focus on each of our core verticals, and second, our software integration partners, which enable the direct salesforce to more effectively access new client opportunities and respond to inbound leads.

Direct Sales Representatives

Our sales representatives are organized by vertical market and account size. Direct sales representatives work with our clients and software integration partners to understand our clients' desired payment solutions and then communicate those desires to our product and technology teams, who build a customized suite of products and payment channels tailored to our clients' specific needs. We also maintain a sales support team that supports the onboarding process.

Software Integration Partners

As of December 31, 2021, we were integrated with approximately 222 software partners that are providers of our clients' primary enterprise management systems. Our integrations ensure seamless delivery of our full suite of payment processing capabilities to our clients. These integrations are also a critical part of our marketing strategy, as many clients will prefer to award their payments business to payments processors who have worked to integrate their solutions into the client's enterprise management systems.

Operations

We believe that we have developed an effective operations system, including our proprietary onboarding, compliance and client oversight processes, which is structured to enhance the performance of our platform and support our clients.

Client and Transaction Risk Management

We target clients that we identify as low-risk through the development of underwriting policies and transaction management procedures to manage approval of new accounts and to establish ongoing monitoring of client accounts. Effective risk management aids us in minimizing client losses, such as those relating to chargebacks or similar rejected transactions, and avoiding fraud for the mutual benefit of our clients, our sponsor banks and ourselves.

Proprietary Compliance Management System. We have developed proprietary onboarding, compliance, and client oversight processes, of which our Compliance Management System ("CMS") is a part. Our CMS, developed in conjunction with the Third Party Payment Processors Association, is based on four main components — board and management oversight, a compliance program with written policies and procedures and employee training and monitoring, responsiveness to consumer complaints and annual compliance audits from an independent third party — and is inclusive of the Electronic Transaction Association guidelines on underwriting and risk.

Client Onboarding. We believe we maintain rigorous underwriting standards. Prospective clients submit applications to our credit underwriting department, which performs verification and credit-related checks on all applicants. Each client is assigned a risk profile based on sponsor bank requirements, as well as additional criteria specified by us. Our sponsor banks periodically review and approve of our underwriting policies to ensure compliance with applicable law, regulations and payment network rules. Upon approval, the ongoing risk level of a client is monitored and adjusted on a monthly basis based on additional data relating to such client.

Client Monitoring. Each client's file is assigned one of three risk levels (low, medium or high) corresponding to several client behaviors. We review and adjust these risk levels on a monthly basis and additionally subject them to more in-depth quarterly reviews. We also engage third parties and rely on internal reporting to identify and monitor credit/fraud risk. We generate client-specific reports that compile daily and historical transactions, which may include average ticket, transaction volume, refund and chargeback levels and authorization history, which we utilize in order to identify suspicious processing activity. We review these reports on a daily basis and suspend any irregular processing activity, which is subject to review, remediation and, as appropriate, suspension of either an individual or batch of transactions or a particular client, as applicable.

Investigation and Loss Prevention. If a client exceeds the parameters established by our underwriting and/or risk management team or we determine that a client has violated the payment network rules or the terms of its service agreement with us, one of our team members will identify and document the incident. We then review the incident to determine the

actions taken or that we can take to reduce our exposure to loss and the exposure of our client to liability. As a part of this process, we may request additional transaction information, withhold or divert funds, verify delivery of merchandise or, in some circumstances, deactivate the client account, include the client on the Network Match List to notify our industry of the client's behavior or take legal action against the client.

Collateral. We require some of our clients to establish cash or non-cash collateral reserves, which may include certificates of deposit, letters of credit, rolling merchant reserves or upfront cash. This collateral is utilized in order to offset potential credit or fraud risk liability that we may incur. We attempt to hold such collateral reserves for as long as we are exposed to a loss resulting from a client's payment processing activity.

Chargebacks. The payment networks permit the reversal of a money transfer, a chargeback, up to six months (or in rare cases, a longer time frame) after the later of the date the transaction is processed or the delivery of the product or service to the cardholder. If the client incurring the chargeback is unable to fund the refund to the card-issuing bank, we are required to do so by the rules of the payment networks and our contractual arrangements with our sponsor banks. During the year ended December 31, 2021, we believe our chargeback rate was under 1% of our payment volume.

Security, Disaster Recovery, and Back-up Systems

We adhere to industry security standards to protect the payment information that we process. We regularly update our network and apply operating system security releases and malware defenses. We use a third party vendor solution for security education materials. Every employee and contractor is required to successfully complete annual security awareness training. We routinely retain external parties to audit our systems' compliance with current security standards as established by the Payment Card Industry Data Security Standards ("PCI DSS"), Service Organization Control ("SOC1 Type II," "SOC2 Type II"), Health Insurance Portability and Accountability Act ("HIPAA") and International Organization for Standardization ("ISO 27001") and to test our systems against vulnerability to unauthorized access. We utilize third party vendors for internal and external penetration testing. Further, we use one of the most advanced commercially available technologies to encrypt the cardholder numbers and client data that we store in our databases. Additionally, we have a dedicated team responsible for continuous monitoring and security incident response. This team also develops, maintains, tests and verifies our incident response plan. Disaster recovery is built into our infrastructure through redundant hardware and software applications hosted in two distinct cloud regions. Our primary cloud region is set up to be replicated, substantially on a real time basis, by our secondary cloud region such that if our primary cloud region becomes impaired or unavailable, operations are redirected to the secondary cloud region. Our incident response team tests these systems each quarter to assess the effectiveness of our disaster recovery plan, including staff readiness and operational capability.

Third Party Processors and Sponsor Banks

We partner with institutions in the payment chain to provide authorization, settlement and funding services in connection with our clients' transactions. These institutions include third party processors and sponsor banks, who sit between us, acting as the merchant acquirer or payment processor, and the payment networks, such as Visa, MasterCard and Discover. These processors and vendors in turn have agreements with the payment networks, which permit them to route transaction information through their networks in exchange for fees.

When we facilitate a transaction as a merchant acquirer, we utilize third party processors such as Total Systems Services, Inc. (a subsidiary of Global Payments, Inc.). Under such processing arrangements, the third-party processors and vendors receive processing fees based on a percentage of the payment volume they process.

In order for us to process and settle transactions for our clients, we have entered into sponsorship agreements with banks that are members of the payment networks. We are required to register with the payment networks through these bank partners because we, as a payment processor, are not a "member bank" as defined by the major payment networks. Our member bank partners sponsor our adherence to the rules and standards of the payment networks and enable us to route transactions under the sponsor banks' control and identification numbers (for example, known as BIN for Visa and ICA for MasterCard) across the card and ACH networks to authorize and clear transactions. Our relationships with multiple sponsor banks give us the flexibility to shift payment volumes between them, which helps us to secure more competitive pricing for our clients and to maintain redundancy.

When we facilitate a client's payment to its suppliers or vendors, we typically utilize the services of third party program managers, such as Wex Inc. and Comdata Inc. (a subsidiary of FleetCor Technologies, Inc.), who have arrangements with banks to operate card issuance programs. Under such arrangements, the program manager and issuing bank retain a portion of the interchange generated by each transaction. Under the applicable contractual arrangements, our clients are

generally required to prefund these payments. Because we are not a licensed money transmitter, we have entered into custodial agreements with banks or other financial institutions who will hold our clients' funds in trust.

Competitive Conditions and Market Trends

We compete with a variety of payment processing companies that have different business models, go-to-market strategies and technical capabilities. We compete with a large number of small payments processing companies that provide integrated payments solutions and/or related hardware to clients within our existing verticals. More broadly in the overall payments industry, our payment and software solutions compete against many forms of financial services and payment systems, including Open Edge (a division of Global Payments), ACI Worldwide, Inc., Paya, Inc., Paymentus Corporation, AvidXchange, Corporate Spending Innovations (a division of Edenred), Nvoicepay (a division of FleetCor Technologies, Inc.) and Zelis. We also compete against many traditional merchant acquirers, such as financial institutions, affiliates of financial institutions and payment processing companies in the payment processing industry, including Bank of America Merchant Services, Elavon, Inc. (a subsidiary of U.S. Bancorp), Wells Fargo Merchant Services, Global Payments, Inc., WorldPay, Inc. (a subsidiary of Fidelity National Information Services, Inc.) and Total Systems Services, Inc. (a subsidiary of Global Payments, Inc.). We believe the most significant competitive factors in the markets in which we compete are: (1) economics, including fees charged to merchants and commission payouts to software integration partners; (2) product offering, including emerging technologies and development by other participants in the payments ecosystem; (3) service, including product functionality, value-added solutions and strong client support for both clients and software integration partners; and (4) reliability, including a strong reputation for quality service and trusted software integration partners. Our competitors include large and well-established companies, including banks, credit card providers, technology and ecommerce companies and traditional retailers, many of which are larger than we are, have a dominant and secure position in the markets in which they operate or offer other products and services to consumers and clients which we do not offer. Moreover, we compete against all forms of payments, including credit cards, bank transfers, and traditional payment methods, such as cash and check.

We believe there is a significant digital shift in our industry. Many of the vertical markets in which we compete are continuing to shift from legacy payment mediums — primarily cash and check — to electronic forms of payment. In addition, the COVID-19 pandemic and the resulting changes in consumer behavior has led to an accelerated shift to electronic payments. We expect to benefit from this trend as our clients increasingly opt to process payments via the electronic forms of payment in which we specialize.

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 during the first quarter of the calendar year tend to increase in comparison to the remaining three quarters of the calendar year on a same store basis. This increase is due to consumers' receipt of tax refunds and the increases in repayment activity levels that follow.

Acquisitions

Our historical acquisition activity has allowed us to access new markets, acquire industry talent, broaden our product suite, and supplement organic growth. Our current acquisition strategy focuses on integrated payments companies serving attractive vertical markets and opportunities to broaden our product offerings. From January 1, 2016 through December 31, 2021, we have completed eleven acquisitions, which are described below. These acquisitions were of payment companies and are representative of the acquisitions we envision consummating in the future.

Sigma Acquisition

Effective as of January 1, 2016, we acquired substantially all of the assets of Sigma Payment Solutions, Inc. ("Sigma"). Sigma was an electronic payment solutions provider to the automotive finance industry. The transaction marked our expansion into the automotive finance space. We have benefitted greatly from Sigma's deep integrations with automotive finance software platforms, or DMS.

PaidSuite Acquisition

On September 28, 2017, we acquired substantially all of the assets of PaidSuite, Inc. and PaidMD, LLC (collectively, "PaidSuite"). PaidSuite was an electronic payment solutions provider to the accounts receivable management industry. The transaction accelerated our growth into the accounts receivable management space via client and software integration partner relationships.

Paymaxx Acquisition

On December 15, 2017, we acquired substantially all of the assets of Paymaxx Pro, LLC (“Paymaxx”). The acquisition of Paymaxx has been highly complementary to our earlier acquisition of Sigma and has bolstered our position in the niche automotive finance market. As part of the acquisition, we acquired increased distribution capabilities in the form of an internal sales force and numerous DMS integrations.

TriSource Acquisition

On August 14, 2019, we acquired all of the equity interests of TriSource. Since 2012, we have used TriSource as one of our primary third-party processors for settlement solutions when we facilitate transactions as a merchant acquirer. The acquisition of TriSource has provided further control over our transaction processing ecosystem and accelerated product delivery capabilities.

APS Acquisition

On October 14, 2019, we acquired substantially all of the assets of American Payment Services of Coeur D’Alene, LLC, North American Payment Solutions LLC, and North American Payment Solutions Inc. (collectively, “APS”). The acquisition of APS meaningfully expanded our addressable market by enabling us to access the business-to-business vertical.

Ventanex Acquisition

On February 10, 2020, we acquired all of the equity interests of CDT Technologies, LTD. d/b/a Ventanex (“Ventanex”). The acquisition of Ventanex accelerated our entry into the healthcare payments vertical.

cPayPlus Acquisition

On July 23, 2020, we acquired all of the equity interest of cPayPlus, LLC (“cPayPlus”). The acquisition of cPayPlus further expanded our business-to-business automation and payment offering to include accounts payable automation and payment solutions for both existing and prospective clients across all business lines.

CPS Acquisition

On November 2, 2020, we acquired all of the equity interests of CPS Payment Services, LLC, Media Payments, LLC, and Custom Payment Systems, LLC (collectively, “CPS”). The acquisition of CPS enhanced our business-to-business accounts payable automation offerings and introduced our solutions to new verticals including education, government, and media sectors.

BillingTree Acquisition

On June 15, 2021, we acquired all of the equity interests of BT Intermediate, LLC (together with its subsidiaries, “BillingTree”). The acquisition of BillingTree further expanded our position in the healthcare, credit union, and accounts receivable management industries and significantly enhanced our scale and our client diversification.

Kontrol Acquisition

On June 22, 2021, we acquired substantially all of the assets of Kontrol LLC (“Kontrol”). The acquisition of Kontrol grew our accounts payable automation business and enabled us to leverage our existing B2B technology infrastructure to increase our virtual card volume.

Payix Acquisition

On December 29, 2021, we acquired Payix Holdings Incorporated (together with its subsidiary, “Payix”). The acquisition of Payix expanded our position in the large and growing automotive finance market and provided further access to software integrations with leading loan management system and DMS integrations.

Government Regulation

We operate in an increasingly complex and ever evolving legal and regulatory environment. Our and our clients’ businesses are subject to a variety of federal, state and local laws and regulations, as well as the rules and standards of the payment networks that we utilize to provide our electronic payment services. While in some cases payment processors such

as Repay are not directly regulated by governmental agencies, because of the rules and regulations enacted at the state and federal level that affect our clients and sponsor banks, we have developed and continually evaluate and update our compliance models to keep up with the rapid evolution of the legal and regulatory regime our clients and sponsor banks face. We are also subject to legal and regulatory requirements which govern the use, storage and distribution of the information we collect from our clients and cardholders while processing transactions.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) and its related rules and regulations have resulted in significant changes to the regulation of the financial services industry, including the electronic payment industry. Under the Dodd-Frank Act, debit interchange transaction fees that a card issuer receives and are established by a payment card network for an electronic debit transaction are regulated by the Board of Governors of the Federal Reserve System (the “Federal Reserve”). The Dodd-Frank Act and the Federal Reserve’s implementing regulations require that such interchange fees be “reasonable and proportional” to the cost incurred by the issuer in processing the transactions. Federal Reserve regulations implementing this “reasonable and proportional” requirement have capped debit interchange rates for card issuers operating in the United States with assets of \$10 billion or more. In addition, the regulations contain certain prohibitions on card brand network exclusivity and merchant routing restrictions of debit card transactions. As a result of the Dodd-Frank Act, merchants are also allowed to set minimum dollar amounts (within certain parameters) for the acceptance of a credit card, and they are allowed to provide discounts or incentives to entice consumers to pay with an alternative payment method, such as cash, checks or debit cards.

The Dodd-Frank Act also created the Consumer Financial Protection Bureau (the “CFPB”), which has rulemaking authority over consumer protection laws, including the authority to regulate consumer financial products in the United States, including consumer credit, deposit, payment, and similar products. The CFPB may also have authority over us as a provider of services to regulated financial institutions in connection with consumer financial products. Any new rules or regulations implemented by the CFPB, and other similar regulatory agencies in other jurisdictions, or pursuant to the Dodd-Frank Act that are applicable to us or our clients’ businesses, or any adverse changes thereto, could increase our cost of doing business or limit our current offerings of integrated payment solutions.

Privacy and Information Security Regulations

We provide services that may be subject to various state and federal privacy laws and regulations. Relevant federal privacy laws include the Gramm-Leach-Bliley Act of 1999, which (along with its implementing regulations) restricts certain collection, processing, storage, use and disclosure of personal information, requires notice to individuals of privacy practices and provides individuals with certain rights to prevent the use and disclosure of certain nonpublic or otherwise legally protected information. These rules also impose requirements for the safeguarding and proper destruction of personal information through the issuance of data security standards or guidelines. Our business may also be subject to the Fair Credit Reporting Act of 1970, as amended by the Fair and Accurate Credit Transactions Act of 2003, which regulates the use and reporting of consumer credit information and imposes disclosure requirements on entities who take adverse action based on information obtained from credit reporting agencies. In addition, there are state laws governing the collection of personal information, including those restricting the ability to collect and utilize certain types of information such as Social Security and driver’s license numbers. Certain state laws impose similar privacy obligations as well as obligations to provide notification of security breaches of computer databases that contain personal information to affected individuals, state officers and others. For example, the California Consumer Privacy Act (“CCPA”) of 2018, which became effective January 1, 2020, imposes more stringent requirements with respect to California data privacy. The CCPA includes provisions that give California residents expanded rights to access and delete certain personal information, opt out of certain personal information sharing, and receive detailed information about how certain personal information is used.

Health Insurance Portability and Accountability Act & Health Information Technology for Economic and Clinical Health Act

HIPAA and its related rules and regulations establish policies and procedures for maintaining the privacy and security of individually identifiable health information (“Protected Health Information”). The Health Information Technology for Economic and Clinical Health Act and its related rules and regulations extended the privacy and security provisions of HIPAA to “Business Associates” of “Covered Entities” (each as defined by HIPAA).

Some of our clients are Covered Entities. In providing certain services for our Covered Entity clients, we may receive, maintain, and transmit Protected Health Information on their behalf, and we may be a Business Associate. To the extent we are a Business Associate, we are subject to HIPAA rules and regulations regarding privacy and security of Protected Health Information. In connection with certain services, we may enter into Business Associate Agreements with

our Covered Entity clients, requiring compliance with HIPAA rules and regulations, and defining permissible uses and disclosures of Protected Health Information.

Anti-Money Laundering and Counter-Terrorism Regulation

Our business is subject to U.S. federal anti-money laundering laws and regulations. We are also subject to certain economic and trade sanctions programs that are administered by OFAC that prohibit or restrict transactions to or from (or transactions dealing with) narcotics traffickers, terrorists, terrorist organizations, certain individuals, specified countries, their governments and, in certain circumstances, their nationals. Similar anti-money laundering, counter-terrorist financing and proceeds of crime laws apply to movements of currency and payments through electronic transactions and to dealings with persons specified on lists maintained by organizations similar to OFAC in several other countries and which may impose specific data retention obligations or prohibitions on intermediaries in the payment process. We have developed and continue to enhance compliance programs and policies to monitor and address related legal and regulatory requirements and developments.

Unfair or Deceptive Acts or Practices

We and many of our clients are subject to Section 5 of the Federal Trade Commission Act prohibiting unfair or deceptive acts or practices and various state laws similar in scope and subject matter thereto. In addition, laws prohibiting these activities and other laws, rules and or regulations, including the Telemarketing Sales Rule, may directly impact the activities of certain of our clients, and in some cases may subject us, as the client's payment processor or provider of certain services, to investigations, fees, fines and disgorgement of funds if we are deemed to have aided and abetted or otherwise provided the means and instrumentalities to facilitate the illegal or improper activities of a client through our services. Various federal and state regulatory enforcement agencies, including the Federal Trade Commission ("FTC") and the states attorneys general, have authority to take action against payment processors who violate such laws, rules and regulations. To the extent we are processing payments or providing services for a client suspected of violating such laws, rules and regulations, we may face enforcement actions and, as a result, incur losses and liabilities that may adversely affect our business.

In addition, the Dodd-Frank Act gave the CFPB broad authority to prohibit "unfair, deceptive or abusive acts or practices" ("UDAAP") in connection with the provision of consumer financial products and services. The CFPB has extended certain UDAAP-related provisions of the Dodd-Frank Act to directly apply to payment processors.

Indirect Regulatory Requirements

Certain of our clients and our sponsor banks are financial institutions that are directly subject to various regulations and compliance obligations issued by the CFPB, the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration and other agencies responsible for regulating financial institutions, which includes state financial institution regulators. While these regulatory requirements and compliance obligations do not apply directly to us, many of these requirements materially affect the services we provide to our clients and us overall. The financial institution regulators have imposed requirements on regulated financial institutions to manage their third-party service providers. Among other things, these requirements include performing appropriate due diligence when selecting third-party service providers; evaluating the risk management, information security, and information management systems of third-party service providers; imposing contractual protections in agreements with third-party service providers (such as performance measures, audit and remediation rights, indemnification, compliance requirements, confidentiality and information security obligations, insurance requirements and limits on liability); and conducting ongoing monitoring, diligence and audit of the performance of third-party service providers. Accommodating these requirements applicable to our clients impose additional costs and risks in connection with our relationships with financial institutions. We expect to expend significant resources on an ongoing basis in an effort to assist our clients in meeting their legal requirements.

Additionally, our clients, particularly those in the personal loans, automotive loans and receivables management verticals, are subject to various federal, state and local laws and regulations that impose restrictions and requirements on their businesses. For personal lenders and automotive lenders, these laws and regulations could include limitations on interest rates and fees, maximum loan amounts and the number of simultaneous or consecutive loans, imposition of required waiting periods between loans, loan extensions and refinancing, requiring payment schedules (including maximum and minimum loan durations) or repayment plans for borrowers claiming inability to repay loans, mandating disclosures, security for loans, licensing requirements and, in certain jurisdictions, database reporting and loan utilization information. For receivables management companies, these laws and regulations could include laws and regulations (including the federal Fair Debt Collection Practices Act ("FDCPA") and comparable state laws) regarding the time, place and manner of communications

with consumers regarding debt collection and prohibitions or limitations on certain debt collection practices. Lastly, some of our clients are subject to various state laws and regulations that prohibit or limit the imposition of a surcharge or convenience fee in connection with their customers use of a payment card or other form of electronic payment.

Payment Network Rules and Standards

Payment networks, such as Visa, MasterCard and American Express, establish their own rules and standards that allocate liabilities and responsibilities among the payment networks and their participants. These rules and standards, including the Payment Card Industry Data Security Standards, govern a variety of areas, including how consumers and customers may use their cards, whether (and the terms under which) convenience fees or surcharges may be imposed in connection with the use of their cards, the security features of cards, security standards for processing, data security and allocation of liability for certain acts or omissions, including liability in the event of a data breach. The payment networks may change these rules and standards from time to time as they may determine in their sole discretion and with or without advance notice to their participants. These changes may be made for any number of reasons, including as a result of changes in the regulatory environment, to maintain or attract new participants, or to serve the strategic initiatives of the networks, and may impose additional costs and expenses on or be disadvantageous to certain participants. Participants are subject to audit by the payment networks to ensure compliance with applicable rules and standards. The networks may fine, penalize or suspend the registration of participants for certain acts or omissions or the failure of the participants to comply with applicable rules and standards.

In order for us to process and settle transactions for our clients, we have entered into sponsorship agreements with banks that are members of the payment networks. We are required to register with the payment networks through these bank partners because we, as a payment processor, are not a “member bank” as defined by the major payment networks’ rules and standards governing access to those networks. Our bank partners sponsor our adherence to the rules and standards of the payment networks and enable us to route transactions under the sponsor banks’ control and identification numbers (known as BIN for Visa and ICA for MasterCard) across the card and ACH networks to authorize and clear transactions. Payment network rules restrict us from performing funds settlement and require that merchant settlement funds be in the possession of the member bank until the merchant is funded. These restrictions place the settlement assets and liabilities under the control of the member bank.

Our sponsorship agreements give our sponsor banks substantial discretion in approving certain aspects of our business practices, including our solicitation, application and qualification procedures for clients and the terms of our agreements with clients, and provide them with the right to audit our compliance with the payment network rules and guidelines. We are also subject to network operating rules and guidelines promulgated by the National Automated Clearing House Association (“NACHA”) relating to payment transactions we process using the Automated Clearing House Network. Like the payment networks, NACHA may update its operating rules and guidelines at any time, which can require us to take more costly compliance measures or to develop more complex monitoring systems. Similarly, our ACH sponsor banks have the right to audit our compliance with NACHA’s rules and guidelines, and are given wide discretion to approve certain aspects of our business practices and terms of our agreements with ACH clients.

Other Regulation

We are subject to U.S. federal and state unclaimed or abandoned property (escheat) laws, which require us to turn over to certain government authorities the property of others we hold that has been unclaimed for a specified period of time, such as account balances that are due to a software integration partner or client following discontinuation of its relationship with us. The Housing Assistance Tax Act of 2008 requires certain merchant acquiring entities and third-party settlement organizations to provide information returns for each calendar year with respect to payments made in settlement of electronic payment transactions and third-party payment network transactions occurring in that calendar year. Reportable transactions are also subject to backup withholding requirements.

The foregoing is not an exhaustive list of the laws and regulations to which we are subject and the regulatory framework governing our business is changing continuously. See “Risk Factors — Risks Related to Our Business” in Part I, Item 1A of this Annual Report on Form 10-K.

Intellectual Property

Certain of our products and services are based on proprietary software and related payment systems solutions. We rely on a combination of copyright, trademark, and trade secret laws, as well as employee and third-party non-disclosure, confidentiality, and other contractual arrangements to establish, maintain, and enforce our intellectual property rights in our

technology, including with respect to our proprietary rights related to our products and services. In addition, we license technology from third parties that is integrated into some of our solutions.

We own a number of registered service marks, including REPAY® and REPAY REALTIME ELECTRONIC PAYMENTS®, and we have other pending applications. We also own a number of domain names, including www.repay.com. For additional information regarding some of the risks relating to our intellectual property see “Risk Factors — Risks Related to Our Business — We may not be able to successfully manage our intellectual property and may be subject to infringement claims.” in Part I, Item 1A of this Annual Report on Form 10-K.

Human Capital

Our employees are a critical component of our success. As of December 31, 2021, we employed approximately 552 full-time employees throughout the U.S. and Canada. We have 14 office locations in the U.S. and have a remote employee presence in 37 states. During 2021, we added 266 new employees (including 161 through acquisitions). None of our employees are represented by a labor union or covered by a collective bargaining agreement.

We strive to create and maintain a special culture at REPAY that focuses on empowerment, driving performance, collaboration, and transparency. Our strong emphasis on culture is intended to empower our employees to make decisions and develop themselves personally and professionally. Particularly in light of our acquisition strategy, one of our priorities is to maintain and enhance our culture as we grow in employee size and integrate new team members.

We participate in an annual employee engagement and feedback survey which allows all full-time employees to anonymously give us feedback on our workplace culture, employee programs, and more. In 2021, we had 90% of participants say we are a great place to work. Our employees’ feedback from the annual surveys have allowed us to be certified as a Great Place to Work® for the last five consecutive years. In 2021, we were recognized by Fortune® as a Best Workplace in Financial Services and Insurance. We take employee feedback seriously and share the results of the survey, along with an action plan of how we can continue to improve, to all employees.

Attracting, developing, and retaining top talent is a priority at REPAY and we have a dedicated human resources team that focuses on these initiatives. To ensure we stay competitive in the current talent market, we strive to make it clear to our people that we value and appreciate them. The majority of our workforce is offered flexible or fully remote work flexible schedules. We foster a culture of rewards and recognition and incentivize our people with opportunities for growth within the company. Our compensation strategy gives us competitive advantages by offering competitive salaries, bonus potential and employee ownership opportunities for a meaningful portion of our employees through equity incentive grants. New employees are welcomed through our virtual new hire onboarding experience, which consists of at-home equipment, welcome gift packages, consistent communication, and human resources orientation, and ensures our new hires have the support they need when starting with a new company. Additionally, every one of our new employees has the opportunity to meet with our CEO for a “coffee chat” within their first month of employment.

We value diverse backgrounds, perspectives, and experiences, and we are committed to providing an inclusive environment where all individuals are heard and respected. In 2021, we implemented an Employee Resource Group aimed at connecting and creating a network for women at REPAY. This group meets several times throughout the year to discuss relevant topics and connect with others at the Company. We have also partnered with diverse organizations and higher education programs, to identify a more diverse pool of qualified candidates for recruitment.

We offer a comprehensive benefits package which includes 100% coverage of employee healthcare premiums and several benefits at no cost to our employees, including life insurance, telehealth, mental health, and work-life balance resources. We perform a thorough review of our benefits package annually. In 2021, we made changes to our benefits package including offering lower insurance premiums for family coverage, offering a more generous time off policy, and implementing an Employee Stock Purchase Plan (“ESPP”). The ESPP is highly valued because it gives our employees the opportunity to become shareholders in REPAY at a discounted price. The financial future of our employees is important to us, which is why we have a generous 401(k)-employer match and performance-based bonus program. To promote personal and professional growth, we encourage our employees to pursue ongoing training and career development opportunities, and we provide tuition assistance and reimbursement for certain pre-approved continuing education programs and professional certifications.

As we continue to navigate the COVID-19 pandemic, our employees’ health and safety continue to remain a priority for us. We understand the pandemic impacted all our employees’ personal lives in different ways. Because of this, we provide flexible work schedules. We have also enhanced our employee benefits package to increase the quantity of free mental health support and telehealth options.

Available Information

We maintain a website at www.repay.com, through which you may access our public filings free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (“SEC”). Information contained on our website is not a part of this Annual Report on Form 10-K and the inclusion of our website address in this report is an inactive textual reference only.

ITEM 1A. RISK FACTORS

Our business involves significant risks. In addition to the risks and uncertainties discussed above under “Cautionary Note Regarding Forward-Looking Statements,” you should carefully consider the specific risks set forth herein. If any of these risks actually occur, it may materially harm our business, financial condition, liquidity and results of operations. As a result, the market price of our securities could decline, and you could lose all or part of your investment. Additionally, the risks and uncertainties described in this Annual Report on Form 10-K or in any document incorporated by reference herein are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may become material and adversely affect our business.

Unless the context requires otherwise, “we,” “us,” “our,” “Repay” and the “Company” refer to the business of Repay Holdings Corporation and its subsidiaries. In the sections of the Risk Factors entitled “Risks Related to Our Ownership Structure” and “Risks Related to Our Class A Common Stock,” “we,” “us” and “our” refer only to Repay Holdings Corporation excluding, unless the context requires otherwise or as expressly stated, its subsidiaries.

Risks Related to Our Business

The COVID-19 pandemic and the measures implemented to mitigate the spread of the virus has had and may continue to have an adverse effect on our business, results of operations and financial condition.

The COVID-19 pandemic and the mitigation efforts by governments and other parties to attempt to control the spread of the virus (including its variants) have adversely impacted the U.S. and global economy, leading to significant changes in consumer and business spending and economic activity and disruptions and volatility in the U.S. and global capital markets. We are diligently working to ensure that we can continue to operate with minimal disruption, mitigate the impact of the pandemic on our employees’ health and safety, and address potential business interruptions on ourselves and our clients. However, we cannot assure you that we will continue to be successful in these efforts.

Although we have experienced increased demand for some of our service offerings as a result of an accelerated shift to electronic payments, we believe that the COVID-19 pandemic, the mitigation efforts and the resulting economic impact have had, and may continue to have, an overall adverse effect on our business, results of operations and financial condition. The actual further effect in any given future period is difficult to estimate, and it will depend on numerous evolving factors and future developments that we are not able to predict, including: the duration, spread and severity of the outbreak (including whether there are continued variants or other waves of infection); the nature, extent and effectiveness of mitigation measures; the administration of vaccines and the availability of therapeutic treatments; the extent and duration of the effect on the economy, unemployment, consumer confidence and consumer and business spending; and how quickly and to what extent normal economic and operating conditions can resume.

The effects of the COVID-19 pandemic, the mitigation efforts and the resulting economic impact on our business, results of operations and financial condition have included and may continue to include the following with respect to the key industry-oriented “vertical” markets that we serve:

- A decrease in the origination of personal or automotive loans and a decrease in payments as a result of changes in consumer behavior following receipt of government stimulus, tax credits or extra unemployment benefits.
- A decrease in the amount of business-to-business payments as a result of the overall economic slowdown and reduction in business spending.
- A decrease in the amount of payments to healthcare providers from insurance companies and third-party health administrators as a result of reductions in elective medical procedures or health provider visits.

The above effects have resulted in and are likely to continue to result in an adverse impact on the amount of fees we can earn for processing payments and other transactions on behalf of our clients. There may be a delay in the timing of when our business is impacted by these matters. As an example, we earned incremental fees from processing loan payments or

payoffs that result from consumers' receipt of additional government stimulus or extra unemployment benefits, but our business, results of operations and financial condition in subsequent periods were and could continue to be adversely affected from reduced loan originations as result of such combination of government action and consumer behavior.

In addition, the ongoing reduction or suspension of non-essential travel and cancellation or postponement of various tradeshows has resulted in and is expected to continue to result in challenges in attracting new clients and growing relationships with existing clients.

To the extent the COVID-19 pandemic, the mitigation efforts and the resulting economic impact continues to adversely affect our business, results of operations and financial condition, such matters may also have the effect of heightening many of the other risks described in the risk factors disclosed herein, such as those relating to our responsibility for the prevention of unauthorized disclosure of consumer data and our ability to minimize losses relating to chargebacks, fraud and similar losses.

The payment processing industry is highly competitive. Such competition could adversely affect the fees we receive, and as a result, our margins, business, financial condition and results of operations.

The market for payment processing services is highly competitive. There are other payment processing service providers that have established a sizable market share in the markets in which we compete and service more clients than we do. Our growth will depend, in part, on a combination of the continued growth of the electronic payment market and our ability to increase our market share.

Many of our competitors have substantially greater financial, technological, management and marketing resources than we have. Accordingly, if these competitors target our business model and, in particular, the vertical markets that we serve, they may be able to offer more attractive fees or payment terms and advances to our clients and more attractive compensation to our software integration partners. They also may be able to offer and provide services and solutions that we do not offer. There are also a large number of small providers of processing services, including emerging technology and non-traditional payment processing companies, that provide various ranges of services to our existing and potential clients. This competition may effectively limit the prices we can charge, cause us to increase the compensation we pay to our software integration partners and require us to control costs aggressively in order to maintain acceptable profit margins.

Unauthorized disclosure of client or consumer data, whether through breach of our computer systems, computer viruses, or otherwise, could expose us to liability and protracted and costly litigation, and damage our reputation.

We are responsible for data security for us and for third parties with whom we partner, including with respect to rules and regulations established by the payment networks, such as Visa, MasterCard and Discover, and debit card networks. These third parties include our clients, software integration partners and other third-party service providers and agents. We and other third parties collect, process, store and/or transmit sensitive data, such as names, addresses, social security numbers, credit or debit card numbers, expiration dates, driver's license numbers, bank account numbers, and protected health information. We have ultimate liability to the payment networks and our sponsor banks that register us with the payment networks for our failure or the failure of other third parties with whom we contract to protect this data in accordance with payment network requirements. The loss, destruction or unauthorized modification of client or consumer data by us or our contracted third parties could result in significant fines, sanctions, proceedings or actions against us by the payment networks, governmental bodies, consumers or others.

Threats may result from human error, fraud or malice on the part of employees or third parties, or from accidental technological failure. For example, certain of our employees have access to sensitive data that could be used to commit identity theft or fraud. Concerns about security increase when we transmit information electronically because such transmissions can be subject to attack, interception or loss. Also, computer viruses can be distributed and spread rapidly over the Internet and could infiltrate our systems or those of our contracted third parties. Denial of service or other attacks could be launched against us for a variety of purposes, including interfering with our services or to create a diversion for other malicious activities. These types of actions and attacks and others could disrupt our delivery of services or make them unavailable.

We and our contracted third parties could be subject to breaches of security by hackers. Our encryption of data and other protective measures may not prevent unauthorized access to or use of sensitive data. A systems breach may subject us to material losses or liability, including payment network fines, assessments and claims for unauthorized purchases with misappropriated credit, debit or card information, impersonation or other similar fraud claims. A misuse of such data or a cybersecurity breach (including a ransomware attack) could harm our reputation and deter clients from using electronic payments generally and our services specifically, thus reducing our revenue. In addition, any such misuse or breach could

cause us to incur costs to correct the breaches or failures, expose us to uninsured liability, increase our risk of regulatory scrutiny, subject us to lawsuits, and result in the imposition of material penalties and fines under state and federal laws or by the payment networks or limitations on our ability to process payment transactions on such payment networks. While we maintain cyber insurance coverage (which, in certain cases, is required pursuant to certain of our contractual commitments) that may, subject to policy terms and conditions, cover certain aspects of these risks, our insurance coverage may be insufficient to cover all losses. Additionally, we may be required to increase our cyber insurance coverage pursuant to our contractual commitments entered into in the future. Our cyber insurance costs have increased significantly following well-publicized ransomware attacks involving other organizations. The costs to maintain or increase our cyber insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

Any human error, fraud, malice, accidental technological failure or attacks against us or our contracted third parties could hurt our reputation, force us to incur significant expenses in remediating the resulting impacts, expose us to uninsured liability, result in the loss of our sponsor bank relationships or our ability to participate in the payment networks, subject us to lawsuits, fines or sanctions, distract our management, increase our costs of doing business and/or materially impede our ability to conduct business.

Although we generally require that our agreements with our software integration partners or service providers include confidentiality obligations that restrict these parties from using or disclosing any client or consumer data except as necessary to perform their services under the applicable agreements, we cannot guarantee that these contractual measures will prevent the unauthorized use, modification, destruction or disclosure of data or allow us to seek reimbursement from the contracted party. In addition, many of our clients are small and medium-sized businesses that may have limited competency regarding data security and handling requirements and may thus experience data breaches. Any unauthorized use, modification, destruction or disclosure of data could result in protracted and costly litigation, and the incurrence of significant losses by us.

In addition, our agreements with our sponsor banks and our third-party payment processors (as well as payment network requirements) require us to take certain protective measures to ensure the confidentiality of client and consumer data. Any failure to adequately comply with these protective measures could result in fees, penalties, litigation or termination of our sponsor bank agreements.

Security breaches may be subject to scrutiny from governmental agencies such as the CFPB, the FTC and the U.S. Department of Health and Human Services Office for Civil Rights. See “Risks Related to Regulation” below.

If we cannot keep pace with rapid developments and changes in our industry, the use of our products and services could decline, causing a reduction in our revenues.

The electronic payments market is subject to constant and significant changes. This market is characterized by rapid technological evolution, new product and service introductions, evolving industry standards, changing client needs and the entrance of new competitors, including products and services that enable card networks and banks to transact with consumers directly. To remain competitive, we continually pursue initiatives to develop new products and services to compete with these new market entrants. These projects carry risks, such as difficulty in determining market demand and timing for delivery, cost overruns, delays in delivery, performance problems and lack of client acceptance, and some projects may require investment in non-revenue generating products or services that our software integration partners and clients expect to be included in our offerings. In addition, new products and offerings may not perform as intended or generate the business or revenue growth expected.

The continued growth and development of our payment processing services and solutions will depend on our ability to anticipate and adapt to changes in consumer and business behavior. Any failure to timely integrate emerging payment methods into our software, to anticipate consumer or business behavior changes or to contract with processing partners that support such emerging payment technologies could cause us to lose traction among our clients or referral sources, including industry associations, resulting in a corresponding loss of revenue, if those methods become popular among end-users of their services.

Our products and services are designed to process complex transactions and provide reports and other information on those transactions, all at very high volumes and processing speeds. Our technology offerings must also integrate with a variety of network, hardware, mobile and software platforms and technologies, and we need to continuously modify and enhance our products and services to adapt to changes and innovation in these technologies. Any failure to deliver an effective, reliable and secure service or any performance issue that arises with a new product or service could result in significant processing or reporting errors or other losses. If we do not deliver a promised new product or service to our clients or software integration partners in a timely manner or the product or service does not perform as anticipated, our

development efforts could result in increased costs and a loss in business, reducing our earnings and causing a loss of revenue. We also rely in part on third parties, including some of our competitors and potential competitors, for the development of and access to, or production of, new technologies, including software and hardware. For example, we rely on our software integration partners to integrate our services and products into the software platforms being used by our clients. Our future success will depend in part on our ability to develop or adapt to technological changes and evolving industry standards. If we are unable to develop, adapt to or access technological changes or evolving industry standards on a timely and cost-effective basis, our business, financial condition and results of operations could be materially adversely affected.

If our vertical markets do not increase their acceptance of electronic payments or if there are adverse developments in the electronic payment industry in general, our business, financial condition and results of operations may be adversely affected.

The vertical markets we primarily serve have traditionally not utilized electronic payments. If consumers and businesses in these vertical markets do not increase their use of cards as payment methods for their transactions or if the mix of payment methods changes in a way that is adverse to us, such developments may have a material adverse effect on our business, financial condition and results of operations. Regulatory changes may also result in our clients seeking to charge their own clients additional fees for use of credit or debit cards which may result in such clients using other payment methods. Additionally, in recent years, increased incidents of security breaches have caused some consumers to lose confidence in the ability of businesses to protect their information, causing certain consumers to discontinue use of electronic payment methods. Security breaches could result in financial institutions canceling large numbers of credit and debit cards, or consumers or businesses electing to cancel their cards following such incidents.

Potential clients or software integration partners may be reluctant to switch to, or develop a relationship with, a new payment processor, which may adversely affect our growth.

Many potential clients and software integration partners worry about potential disadvantages associated with switching payment processing providers, such as a loss of accustomed functionality, increased costs and business disruption. There can be no assurance that our strategies for overcoming potential reluctance to change payment processing providers or to initiate a relationship with us will be successful, and this resistance may adversely affect our growth and our business overall.

If we fail to comply with the applicable requirements of payment networks and industry self-regulatory organizations, those payment networks or organizations could seek to fine us, suspend us or terminate our registrations through our sponsor banks.

We rely on sponsor banks and, in certain cases, third-party processors to access the payment card networks, such as Visa, MasterCard and Discover, that enable our ability to offer to our clients the acceptance of credit cards and debit cards, and we must pay fees for such services. To provide our merchant acquiring services, we are registered through our sponsor banks with the Visa, MasterCard and Discover networks as a service provider for member institutions. As such, we, our sponsor banks and many of our clients are subject to complex and evolving payment network rules. The payment networks routinely update and modify requirements applicable to merchant acquirers, including rules regulating data integrity, third-party relationships (such as those with respect to sponsor banks and independent sales organization (“ISOs”)), merchant chargeback standards and PCI DSS. The rules of the card networks are set by their boards, which may be influenced by card issuers, some of which offer competing transaction processing services. Any changes in payment network rules or standards may be imposed on highly compressed timelines and may have a negative impact on our results of operations.

If we or our sponsor banks fail to comply with the applicable rules and requirements of any of the payment networks, such payment network could suspend or terminate our registration. Further, our transaction processing capabilities, including with respect to settlement processes, could be delayed or otherwise disrupted, and recurring non-compliance could result in the payment networks seeking to fine us or suspend or terminate our registrations that allow us to process transactions on their networks, which would make it impossible for us to conduct our business on its current scale.

Under certain circumstances specified in the payment network rules, we may be required to submit to periodic audits, self-assessments or other assessments with regard to our compliance with the PCI DSS. Such audits or assessments may reveal that we have failed to comply with the PCI DSS. In addition, even if we comply with the PCI DSS, there is no assurance that we will be protected from a security breach. The termination of our registrations with the payment networks, or any changes in payment network or issuer rules that limit our ability to provide merchant acquiring services, could have an adverse effect on our payment processing volumes, revenues and operating costs. If we are unable to comply with the requirements applicable to our payment processing activities, the payment networks could no longer allow us to provide these

solutions, which would render us unable to conduct our business. If we were precluded from processing Visa and MasterCard electronic payments, we would lose a substantial portion of our revenues.

We are also subject to the operating rules of the NACHA. NACHA is a self-regulatory organization which administers and facilitates private-sector operating rules for ACH payments and defines the roles and responsibilities of financial institutions and other ACH network participants. The NACHA Rules and Operating Guidelines impose obligations on us and our partner financial institutions. These obligations include audit and oversight by the financial institutions and the imposition of mandatory corrective action, including termination, for serious violations. If an audit or self-assessment under PCI DSS or NACHA identifies any deficiencies that we need to remediate, the remediation efforts may distract our management team and be expensive and time consuming.

We rely on sponsor banks in order to process electronic payment transactions, and such sponsor banks have substantial discretion with respect to certain elements of our business practices. If these sponsorships are terminated and we are not able to secure new sponsor banks, we will not be able to conduct our business.

Because we are not a bank, we are not eligible for membership in the Visa, MasterCard and other payment networks, and are, therefore, unable to directly access these payment networks, which are required to process transactions. We are currently registered with payment networks through our sponsor banks.

If these sponsorships are terminated and we are unable to secure a replacement sponsor bank within the applicable wind down period, we will not be able to process electronic payment transactions. While we maintain relationships with multiple sponsor banks for flexibility in the processing of payment volume and in the pricing of our clients' solutions, the loss of or termination of a relationship with a sponsor bank or a significant decrease in the amount of payment volume that a sponsor bank processes for us could reduce such flexibility and negatively affect our business. To the extent the number of our sponsor banks decreases, we will become increasingly reliant on our remaining sponsor banks, which would materially adversely affect our business should our relationship with any of such remaining banks be terminated or otherwise disrupted. Furthermore, our agreements with our sponsor banks provide the sponsor banks with substantial discretion in approving certain elements of our business practices, including our solicitation, application and underwriting procedures for clients. Our sponsor banks' actions under these agreements could be detrimental to us.

To acquire and retain clients, we depend on our software integration partners that integrate our services and solutions into software used by our clients.

We rely heavily on the efforts of our software integration partners to ensure our services and solutions are properly integrated into the software that our clients use. Generally, our agreements with software integration partners are not exclusive and these partners retain the right to refer potential clients to other payment processors. In addition, our agreements with software integration partners do not generally prohibit these partners from providing payment processing solutions to clients (including by acquiring a competing payment processing business).

We may need to provide financial concessions to maintain relationships with current software integration partners or to attract potential software integration partners from our competitors. We have been required, and expect to be required in the future, to make concessions when renewing contracts with our software integration partners, and such concessions can have a material impact on our financial condition or operating performance.

If our software integration partners focus more heavily on working with other payment processors, acquire or develop their own payment processing capabilities, cease operations or become insolvent, we may be at risk of losing existing clients with whom these software integration partners have relationships. If we are unable to maintain our existing base of software integration partners or develop relationships with new software integration partners, our business, financial condition and results of operations would be materially adversely affected. In addition, our efforts to form relationships with new software integration partners may be hindered to the extent they perceive that integrating with a new payment processor or switching to us from another payment processor is too costly or time-consuming. Many software providers choose to integrate with only a small number of payments processors due to the requisite time and cost of integrating their systems with a payment processor's solutions.

Failure to effectively manage risk and prevent fraud could increase our chargeback liability and other liability.

We are potentially liable for losses caused by fraudulent card transactions or business fraud. Card fraud occurs when a merchant's customer uses a stolen card (or a stolen card number in a card-not-present transaction) to purchase merchandise or services. In a traditional card-present transaction, if the merchant swipes the card, receives authorization for the transaction from the card issuing bank and verifies the signature on the back of the card against the paper receipt signed by its customer,

the card issuing bank remains liable for any loss. In a fraudulent card-not-present transaction, even if the merchant receives authorization for the transaction, the merchant may be liable for any loss arising from the transaction. In addition, consumers may dispute repayments on a loan by claiming it was unlawful under applicable law.

Business fraud occurs when a business or organization, rather than a cardholder, opens a fraudulent merchant account and conducts fraudulent transactions or when a business, rather than a consumer (though sometimes working together with a consumer engaged in fraudulent activities), knowingly uses a stolen or counterfeit card or card number to record a false sales transaction, intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction, or provides services in violation of applicable law. Business fraud also occurs when employees of businesses change the business demand deposit accounts to their personal bank account numbers, so that payments are improperly credited to the employee's personal account.

Certain of these types of fraud present potential liability for chargebacks associated with our clients' processing transactions. If a billing dispute between a client and a consumer is not ultimately resolved in favor of our client, the disputed transaction is "charged back" to the client's bank and credited to the consumer's bank. Anytime our client is unable to satisfy a chargeback, we are responsible for that chargeback. We have a number of contractual protections and other means of recourse to mitigate those risks, including collateral or reserve accounts that we may require our clients to maintain for these types of contingencies. Nonetheless, if we are unable to collect the chargeback from the clients' account or reserve account (if applicable), or if the client refuses or is financially unable due to bankruptcy or other reasons to reimburse us for the chargeback, we bear the loss for the amount of the refund paid to the cardholder's bank. We have established systems and procedures to detect and reduce the impact of business fraud, but these measures may not be effective, and incidents of fraud could increase in the future. During the year ended December 31, 2021, we believe our chargeback rate was less than 1% of payment volume. Any increase in chargebacks not paid by our clients could have a material adverse effect on our business, financial condition and results of operations.

Our processes to reduce fraud losses depend in part on our ability to restrict the deposit of processing funds while we investigate suspicious transactions. We could be sued by parties alleging that our restriction and investigation processes violate federal and state laws on consumer protection and unfair business practice. If we are unable to defend any such claim successfully, we could be required to restructure our anti-fraud processes in ways that would harm our business or pay substantial fines.

As part of our program to reduce fraud losses, we may temporarily restrict the ability of clients to access certain processing deposits if those transactions or their account activity are identified by our anti-fraud models as suspicious. We could be sued by parties alleging that our restriction and investigation processes violate federal and state laws on consumer protection and unfair business practice. If we are unable to defend any such claim successfully, we could be required to restructure our anti-fraud processes in ways that could harm our business, and to pay substantial fines. Even if we are able to defend a claim successfully, the litigation could damage our reputation, consume substantial amounts of our management's time and attention, and require us to change our client service and operations in ways that could increase our costs and decrease the effectiveness of our anti-fraud program.

We receive savings related to favorable pricing or incentives on certain interchange and other payment network fees. To the extent we cannot maintain such savings and cannot pass along any corresponding increases in such fees to our clients, our operating results and financial condition may be materially adversely affected.

We bear interchange, assessment, transaction and other fees set by the payment networks to the card issuing banks and the payment networks for each transaction we process as a merchant acquirer. Under certain circumstances, the payment networks afford us preferential rates or incentives with respect to such fees, which helps us to control our operating costs. From time to time, the payment networks increase the interchange fees and other fees that they charge payment processors and the sponsor banks. At their sole discretion, our sponsor banks have the right to pass any increases in interchange and other fees on to us, and they have consistently done so in the past. We are generally permitted under the contracts into which we enter with our clients, and in the past have been able to, pass these fee increases along to our clients through corresponding increases in our processing fees. However, if we are unable to pass through these and other fees in the future, or if the payment networks decline to offer us preferential rates or incentives on such fees as compared to those charged to other payment processors, our business, financial condition and results of operations could be materially adversely affected.

Our systems and those of our third-party providers may fail due to factors beyond our control, which could interrupt our service, resulting in our inability to process payments or provide ancillary services, loss of business, increase in costs and exposure to liability.

We depend on the efficient and uninterrupted operation of numerous systems, including our computer network systems, software, data centers and telecommunication networks, as well as the systems and services of our sponsor banks, the payment networks, third-party providers of processing services and other third parties. Our systems and operations, or those of our third-party providers, such as our provider of dial-up authorization services, or the payment networks themselves, could be exposed to damage or interruption from, among other things, hardware and software defects or malfunctions, telecommunications failure, computer denial-of-service and other cyberattacks, unauthorized entry, computer viruses or other malware, human error, natural disaster, power loss, acts of terrorism or sabotage, financial insolvency of such providers and similar events. These threats, and errors or delays in the processing of payment transactions, system outages or other difficulties, could result in failure to process transactions or provide ancillary services, additional operating and development costs, diversion of technical and other resources, loss of revenue, clients and software integration partners, loss of client and cardholder data, harm to our business or reputation, exposure to fraud losses or other liabilities and fines and other sanctions imposed by payment networks. Our property and business interruption insurance may not be adequate to compensate us for all losses or failures that may occur.

At present, our critical operational systems, such as our payment gateway, are fully redundant, while certain of our less critical systems are not. Therefore, certain aspects of our operations may be subject to interruption. Also, while we have disaster recovery policies and arrangements in place, they have not been tested under actual disasters or similar events. Maintaining and upgrading our system is costly and time-consuming, involves significant technical risk and may divert our resources from new features and products, and there can be no assurances that such systems will be effective. Frequent or persistent site interruptions could lead to regulatory scrutiny, significant fines and penalties, and mandatory and costly changes to our business practices.

In addition, we are continually improving and upgrading our information systems and technologies. Implementation of new systems and technologies is complex, expensive and time-consuming. If we fail to timely and successfully implement new information systems and technologies or improvements or upgrades to existing information systems and technologies, or if such systems and technologies do not operate as intended, this could have an adverse impact on our business, internal controls (including internal controls over financial reporting), results of operations and financial condition.

We rely on other service and technology providers. If such providers fail in or discontinue providing their services or technology to us, our ability to provide services to clients may be interrupted, and, as a result, our business, financial condition and results of operations could be adversely impacted.

We rely on third parties to provide or supplement card processing services and for infrastructure hosting services. We also rely on third parties for specific software and hardware used in providing our products and services. The termination by our service or technology providers of their arrangements with us or their failure to perform their services efficiently and effectively may adversely affect our relationships with our clients and, if we cannot find alternate providers quickly, may cause those clients to terminate their relationships with us.

Our third-party processors and third-party program managers, which provide us with front-end authorization services, card issuance program services and certain other services, compete with us or may compete with us in the future in the vertical markets that we serve. There can be no assurance that these processors will maintain their relationships with us in the future or that they will refrain from competing directly with the solutions that we offer.

If we are unable to renew our existing contracts with our most significant vendors, we might not be able to replace the related products or services at the same cost, which would negatively impact our profitability. Additionally, while we believe we would be able to locate alternative vendors to provide substantially similar services at comparable rates, or otherwise replicate such services internally, no assurance can be made that a change would not be disruptive to our business, which could potentially lead to a material adverse impact on our revenue and profitability until resolved.

We also rely in part on third parties for the development of and access to new technologies, and updates to existing products and services for which third parties provide ongoing support, which reliance increases the cost associated with new and existing product and service offerings. Failure by these third-party providers to devote an appropriate level of attention to our products and services could result in delays in introducing new products or services, or delays in resolving any issues with existing products or services for which third-party providers provide ongoing support.

We are subject to economic and political risk, the business cycles of our clients and software integration partners and the overall level of consumer and commercial spending, which could negatively impact our business, financial condition and results of operations.

The electronic payment industry depends heavily on the overall level of consumer and commercial spending. We are exposed to general economic conditions that affect consumer confidence, consumer spending, consumer discretionary income and changes in consumer purchasing habits, including natural disasters and health emergencies, including earthquakes, fires, power outages, typhoons, floods, pandemics or epidemics (such as the COVID-19 pandemic) and manmade events such as civil unrest, labor disruption, international trade disputes, international conflicts, terrorism, wars and critical infrastructure attacks. A sustained deterioration in general economic conditions, particularly in the United States, continued uncertainty for an extended period of time, due to the COVID-19 pandemic or otherwise, or increases in interest rates, could adversely affect our financial performance by reducing the number or aggregate volume of transactions made using electronic payments. If our clients make fewer sales of products and services using electronic payments, or consumers and businesses spend less money through electronic payments, we will have fewer transactions to process at lower dollar amounts, resulting in lower revenue.

The changes in the economy as a result of the COVID-19 pandemic has had and may continue to have various types of impact on our business. See the risk factor entitled “The continued impact of the COVID-19 outbreak and the measures implemented to mitigate the spread of the virus on our business, results of operations and financial condition will depend on future developments, which are highly uncertain and largely without precedent.”

Our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risks associated with providing payment processing solutions.

We operate in a rapidly changing industry. Accordingly, our risk management policies and procedures may not be fully effective to identify, monitor, manage and remediate our risks associated with providing payment processing solutions. Some of our risk evaluation methods depend upon information provided by others and public information regarding markets, clients or other matters that are otherwise inaccessible by us. In some cases, that information may not be accurate, complete or up-to-date. Additionally, our risk detection system is subject to a high degree of “false positive” risks being detected, which makes it difficult for us to identify real risks in a timely manner. If our policies and procedures are not fully effective or we are not always successful in capturing all risks to which we are or may be exposed, we may suffer harm to our reputation or be subject to litigation or regulatory actions that materially increase our costs and limit our ability to grow and may cause us to lose existing clients.

We may not be able to continue to expand our share in our existing vertical markets or continue to expand into new vertical markets, which would inhibit our ability to grow and increase our profitability.

Our future growth and profitability depend, in part, upon our continued expansion within the vertical markets in which we currently operate, the emergence of other vertical markets for electronic payments and our integrated solutions, and our ability to penetrate new vertical markets and our current software integration partners’ client bases. As part of our strategy to expand into new vertical markets and increase our share in our existing vertical markets, we look for acquisition opportunities and partnerships with other businesses that will allow us to increase our market penetration, technological capabilities, product offerings and distribution capabilities. We may not be able to successfully identify suitable acquisition or partnership candidates in the future, and if we do identify them, they may not provide us with the benefits we anticipated. In addition, our ability to continue to grow and profitably service clients in Canada is uncertain and will require additional resources and controls, and we may encounter unanticipated challenges.

Our expansion into new vertical markets also depends on our ability to adapt our existing technology or to develop new technologies to meet the particular needs of each new vertical market. We may not have adequate financial or technological resources to develop effective and secure services or distribution channels that will satisfy the demands of these new vertical markets. Penetrating these new vertical markets may also prove to be more challenging or costly or may take longer than we may anticipate. If we fail to expand into new vertical markets and increase our penetration into existing vertical markets, we may not be able to continue to grow our revenues and earnings.

We may not be able to successfully manage our intellectual property and may be subject to infringement claims.

We rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our proprietary technology, which is critical to our success, particularly in our strategic verticals where we may offer proprietary software solutions to our clients. Third parties have and in the future may challenge, circumvent, infringe or misappropriate our intellectual property, or such intellectual property may not be sufficient to permit us to take advantage of current market trends or otherwise to provide competitive advantages, which could result in costly redesign efforts, discontinuance of service offerings or other competitive harm. Other parties, including our competitors, may independently develop similar technology and duplicate our services or design around our intellectual property and, in such cases, we may not be able to assert our intellectual property rights against such parties. Further, our contractual arrangements may be subject

to termination or renegotiation with unfavorable terms to us, and our third-party licensors may be subject to bankruptcy, insolvency and other adverse business dynamics, any of which might affect our ability to use and exploit the products licensed to us by such third-party licensors. Additionally, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential information. We may have to litigate to enforce or determine the scope and enforceability of our intellectual property rights and know-how, which is expensive, could cause a diversion of resources and may not prove successful. Also, because of the rapid pace of technological change in our industry, aspects of our business and our services rely on technologies developed or licensed by third parties, and we may not be able to obtain or retain licenses and technologies from these third parties on reasonable terms or at all. The loss of intellectual property protection or the inability to license or otherwise use third-party intellectual property could harm our business and ability to compete.

We may also be subject to costly litigation if our services and technology are alleged to infringe upon or otherwise violate a third party's proprietary rights. Third parties may have, or may eventually be issued, patents that could be infringed by our products, services or technology. Any of these third parties could make a claim of infringement, breach or other violation of third-party intellectual property rights against us with respect to our products, services or technology. Any claim from third parties may result in a limitation on our ability to use the intellectual property subject to these claims. Additionally, in recent years, individuals and groups have been purchasing intellectual property assets for the sole purpose of making claims of infringement or other violations and attempting to extract settlements from companies like us. Even if we believe that intellectual property related claims are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of our management and employees. Claims of intellectual property infringement or violation also may require us to redesign affected products or services, enter into costly settlement or license agreements, pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our products or services. Even if we have an agreement for indemnification against such costs, the indemnifying party, if any in such circumstance, may be unable to uphold its contractual obligations. If we cannot or do not license the infringed technology on reasonable terms or substitute similar technology from another source, our revenue and earnings could be adversely impacted.

The loss of key personnel or the loss of our ability to attract, recruit, retain and develop qualified employees, could adversely affect our business, financial condition and results of operations.

We depend on the ability and experience of a number of our key personnel who have substantial experience with our operations, the rapidly changing payment processing industry and the vertical markets in which we offer our products and services. Many of our key personnel have worked for us for a significant amount of time or were recruited by us specifically due to their experience. Our success depends in part upon the reputation and influence within the industry of our senior managers who have, over the years, developed long standing and favorable relationships with our software integration partners, vendors, card associations, sponsor banks and other payment processing and service providers. It is possible that the loss of the services of one or a combination of our senior executives or key managers could have a material adverse effect on our business, financial condition and results of operations. In addition, contractual obligations related to confidentiality assignment of intellectual property rights, non-solicitation and non-competition may be ineffective or unenforceable, and departing employees may share our proprietary information with competitors or seek to solicit our software integration partners or clients or recruit our key personnel to competing businesses in ways that could adversely impact us.

Further, in order for us to continue to successfully compete and grow, we must attract, recruit, develop and retain personnel who will provide us with the expertise we need. Our success also depends on the skill and experience of our sales force, which we must continuously work to maintain. While we have a number of key personnel who have substantial experience with our operations, we must also develop our personnel so that our personnel are capable of maintaining the continuity of our operations, supporting the development of new services and solutions, and expanding our client base. The market for qualified personnel is highly competitive, and we may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors. Our efforts to retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability.

We have been the subject of various claims and legal proceedings and may become the subject of claims, litigation or investigations which could have a material adverse effect on our business, financial condition or results of operations.

In the ordinary course of business, we are the subject of various claims and legal proceedings and may become the subject of claims, litigation or investigations, including commercial disputes and employee claims, such as claims of age discrimination, sexual harassment, gender discrimination, immigration violations or other local, state and federal labor law violations, and from time to time may be involved in governmental or regulatory investigations or similar matters arising out of our current or future business. Any claims asserted against us or our management, regardless of merit or eventual outcome,

could harm our reputation and have an adverse impact on our relationships with our clients, software integration partners and other third parties and could lead to additional related claims. In light of the potential cost and uncertainty involved in litigation, we have in the past and may in the future settle matters even when we believe we have a meritorious defense. Certain claims may seek injunctive relief, which could disrupt the ordinary conduct of our business and operations or increase our costs of doing business. Our insurance or indemnities may not cover all claims that may be asserted against us. Furthermore, there is no guarantee that we will be successful in defending pending or future litigation or similar matters under various laws. Any judgments or settlements in any pending or future claims, litigation or investigations could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully execute our strategy of growth through acquisitions.

A significant part of our growth strategy is to enter into new vertical markets through platform acquisitions of vertically-focused integrated payment and software solutions providers, to expand within our existing vertical markets through selective tuck-in acquisitions and to otherwise increase our presence in the payments processing market.

Although we expect to continue to execute our acquisition strategy:

- we may not be able to identify suitable acquisition candidates or acquire additional assets on favorable terms;
- we may compete with others to acquire assets, which competition may increase, and any level of competition could result in decreased availability or increased prices for acquisition candidates;
- competing bidders for such acquisitions may be larger, better-funded organizations with more resources and easier access to capital;
- we may experience difficulty in anticipating the timing and availability of acquisition candidates;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential acquisitions;
- potential acquisitions may be subject to regulatory approvals, which may cause delays and uncertainties; and
- we may not be able to generate cash necessary to execute our acquisition strategy.

The occurrence of any of these factors could adversely affect our growth strategy.

Our acquisitions subject us to a variety of risks that could harm our business and the anticipated benefits from our acquisitions may not be realized on the expected timeline or at all.

We may experience various challenges associated with our acquired businesses, such as:

- we may need to allocate substantial operational, financial and management resources in integrating new businesses, technologies and products, and management may encounter difficulties in integrating the operations, personnel or systems of the acquired business;
- the acquisition may have a material adverse effect on our business relationships with existing or future clients or software integration partners;
- we may assume substantial actual or contingent liabilities, known and unknown;
- the acquisition may not meet our expectations of future financial performance on our expected timeline or at all;
- we may experience delays or reductions in realizing expected synergies or benefits;
- we may incur substantial unanticipated costs or encounter other problems associated with the acquired business, including challenges associated with transfer of various data processing functions and connections to our systems and those of our third-party service providers;

- we may be required to take write-downs or write-offs, restructuring and impairment or other charges;
- we may be unable to achieve our intended objectives for the transaction; and
- we may not be able to retain the key personnel, clients and suppliers of the acquired business.

These challenges and costs and expenses may adversely affect our business, financial condition and results of operations.

Risks Related to Regulation

We and our clients are subject to extensive government regulation, and any new laws and regulations, industry standards or revisions made to existing laws, regulations or industry standards affecting our business, our clients' businesses or the electronic payments industry, or our or our clients' actual or perceived failure to comply with such obligations, may have an unfavorable impact on our business, financial condition and results of operations.

We and the clients we serve are subject to numerous federal and state regulations that affect the electronic payments industry. Regulation of our industry has increased significantly in recent years and is constantly evolving. Changes to statutes, regulations or industry standards, including interpretation and implementation of statutes, regulations or standards, could increase our cost of doing business or affect the competitive balance. Failure to comply with regulations may have an adverse effect on our business, including the limitation, suspension or termination of services provided to, or by, third parties, and the imposition of penalties or fines. To the extent these regulations negatively impact the business, operations or financial condition of our clients, our business and results of operations could be materially and adversely affected because, among other matters, our clients could have less capacity to purchase products and services from us, could decide to avoid or abandon certain lines of business, or could seek to pass on increased costs to us by negotiating price reductions. We could be required to invest a significant amount of time and resources to comply with additional regulations or oversight or to modify the manner in which we contract with or provide products and services to our clients; and those regulations could directly or indirectly limit how much we can charge for our services. We may not be able to update our existing products and services, or develop new ones, to satisfy our client' needs. Any of these events, if realized, could have a material adverse effect on our business, results of operations and financial condition.

Interchange fees, which are typically paid to the card issuer in connection with credit and debit card transactions, are subject to increasingly intense legal, regulatory and legislative scrutiny. In particular, the Dodd-Frank Act significantly changed the U.S. financial regulatory system by regulating and limiting debit card fees charged by certain issuers, allowing merchants to set minimum dollar amounts for the acceptance of credit cards and allowing merchants to offer discounts or other incentives for different payment methods. These regulations (as well as any related modifications or changes in interpretation) could negatively affect the number of debit transactions, and prices charged per transaction, which would negatively affect our business.

Many of our clients desire to impose a convenience fee or a surcharge in connection with their customers' use of a credit or debit card or other form of electronic payment. Various state laws and regulations impose prohibitions or other limitations on those types of fees or charges, and interpretation of those state laws and regulations is constantly evolving. State laws and regulations (as well as any related modifications or changes in interpretation in the payment network rules related to those fees and costs) could negatively the willingness of some of our clients to accept credit or debit card or other electronic payment or result in less favorable terms to us in exchange for our clients to absorb those fees and costs, all of which would negatively affect our business.

Laws and regulations, even if not directed at us, may require us to take significant efforts to change our services and solutions and may require that we incur additional compliance costs and change how we price our products and services to our clients and software integration partners. Implementing new compliance efforts is difficult because of the complexity of new regulatory requirements, and we are devoting and will continue to devote significant resources to ensure compliance. Furthermore, regulatory actions may precipitate changes in business practices by us and other industry participants which could affect how we market, price and distribute our products and services, and which could materially adversely affect our business, financial condition and results of operations. In addition, even an inadvertent failure to comply with laws and regulations or evolving public perceptions of our business could damage our business or our reputation.

Depending on how our products and services evolve, we may be subject to a variety of additional laws and regulations, including those governing money transmission, gift cards and other prepaid access instruments, electronic funds

transfers, anti-money laundering, counter-terrorist financing, restrictions on foreign assets, gambling, banking and lending, and import and export restrictions.

Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. In addition, to the extent we decide to offer our products and services in additional jurisdictions (for example, our expansion into Canada), we may incur additional compliance-related costs with respect to operating in such jurisdictions. Additionally, as our products and services evolve, and as regulators continue to increase their scrutiny of compliance with these obligations, we may be subject to a variety of additional laws and regulations, or we may be required to further revise or expand our compliance management system, including the procedures we use to verify the identity of our clients, their end customers, and to monitor transactions. If we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties, such as a cease and desist order, or we may be required to alter the nature or packaging of our services and solutions, any of which could adversely affect our business or operating results.

The businesses of many of our clients are strictly regulated in every jurisdiction in which they operate, and such regulations, and our clients' failure to comply with them, could have an adverse effect on our clients' businesses and, as a result, our results of operations.

A meaningful portion of our clients are consumer lenders that provide personal loans and automotive loans to consumers that have varying degrees of credit risk. The regulatory environment that these clients operate in is very complex because applicable regulations are often enacted by multiple agencies in the state and federal governments. For example, the CFPB previously proposed new rules applicable to such loans that could have an adverse effect on our clients' businesses, and numerous state laws impose similar requirements. Such clients are also subject to negative public perceptions that their consumer lending activities constitute predatory or abusive lending to consumers, and concerns raised by consumer advocacy groups and government officials may lead to efforts to further regulate the industry in which many of our clients operate.

Similarly, our clients in the receivables management industry are typically subject to federal and state rules and regulations that establish specific requirements and procedures that debt collectors must follow when collecting consumer accounts. The CFPB and the FTC devote substantial attention to debt collection activities, and, as a result, the CFPB and the FTC have brought multiple investigations and enforcement actions against debt collectors for violations of the FDCPA and other applicable laws. Continued regulatory scrutiny by the CFPB and the FTC over debt collection practices may result in additional investigations and enforcement actions against our clients in the receivables management industry. The FDCPA also provides for private rights of action against debt collectors, and permits debtors to recover actual damages, statutory damages and attorneys' fees and costs for violations of its terms.

The combination of these factors, and in particular any changes implemented at the CFPB under the Biden administration, could materially adversely affect the business of our clients and may force our consumer lender or receivables management clients to change their business models. As a result, we may need to be nimble and quickly respond to the evolving needs of the vertical markets that we serve.

If the business of our clients is materially adversely affected by the uncertainties described above and if we or our clients fail to respond to such changes in the industry in a timely manner, or if there are significant changes in such vertical markets that we do not anticipate, our business, financial condition and results of operations would be materially adversely affected.

We may be required to become licensed under state money transmission statutes.

We provide payment processing services through our various operating subsidiaries. We, along with our third party service providers, use structural arrangements designed to remove our activities from the scope of money transmitter regulation. There can be no assurance that these structural arrangements will remain effective as money transmitter laws continue to evolve or that the applicable regulatory bodies, particularly state agencies, will view our payment processing activities as compliant. Any determination that we are in fact required to be licensed under the state money transmission statutes may require substantial expenditures of time and money and could lead to liability in the nature of penalties or fines, which would have a materially adverse effect on our business and our financial results.

We must comply with laws and regulations prohibiting unfair or deceptive acts or practices, and any failure to do so could materially and adversely affect our business.

We and many of our clients are subject to Section 5 of the Federal Trade Commission Act prohibiting unfair or deceptive acts or practices and various state laws that are similar in scope and subject matter. In addition, provisions of the

Dodd-Frank Act that prohibit unfair, deceptive or abusive acts or practices, the Telemarketing Sales Act and other laws, rules and/or regulations, may directly impact the activities of certain of our clients, and in some cases may subject us, as the electronic payment processor or provider of payment settlement services, to investigations, fees, fines and disgorgement of funds if we are found to have improperly aided and abetted or otherwise provided the means and instrumentalities to facilitate the illegal or improper activities of a client through our services. Various federal and state regulatory enforcement agencies, including the FTC and state attorneys general have authority to take action against non-banks that engage in UDAAP, or violate other laws, rules and regulations. To the extent we are processing payments or providing products and services for a client suspected of violating such laws, rules and regulations, we may face enforcement actions and incur losses and liabilities that may adversely affect our business.

Governmental regulations designed to protect or limit access to or use of consumer information could adversely affect our ability to effectively provide our products and services.

In addition to those regulations discussed previously that are imposed by the card networks and NACHA, governmental bodies in the United States have adopted, or are considering the adoption of, laws and regulations restricting the use, collection, storage, transfer and disposal of, and requiring safeguarding of, non-public personal information. Our operations are subject to certain provisions of these laws. Applicable federal privacy laws may restrict our collection, processing, storage, use and disclosure of personal information, may require us to notify individuals of our privacy practices and provide individuals with certain rights to prevent the use and disclosure of protected information, and mandate certain procedures with respect to safeguarding and proper description of stored information. Certain state laws impose similar privacy obligations as well as obligations to provide notification of security breaches of personal information to affected individuals, state officers, consumer reporting agencies and businesses and governmental agencies. The applicable regulatory framework for privacy issues is evolving and is likely to continue doing so for the foreseeable future, which creates uncertainty. For example, the California Consumer Privacy Act (“CCPA”) of 2018, which became effective January 1, 2020, imposes more stringent requirements with respect to California data privacy. The CCPA includes provisions that give California residents expanded rights to access and delete certain personal information, opt out of certain personal information sharing, and receive detailed information about how certain personal information is used. On November 2, 2020, California voters passed Proposition 24, enacting the California Privacy Rights Act (“CPRA”), which will become effective on January 1, 2023. CPRA amends and expands the CCPA to create additional consumer privacy rights, such as the right of correction and the right to limit the use and disclosure of sensitive personal information.

Further, we are obligated by our clients, sponsor banks and software integration partners to maintain the confidentiality and security of non-public consumer information that our clients and their end customers share with us. Our contracts may require periodic audits by independent parties regarding our compliance with applicable standards, and may permit our counterparties to audit our compliance with best practices established by regulatory guidelines with respect to confidentiality and security of non-public personal information. Our ability to maintain compliance with these standards and satisfy these audits will affect our ability to attract, grow and maintain business in the future, and any failure to do so could subject us to contractual liability, each of which could have a material effect on our business and results of operations.

If we fail to comply with these laws, regulations or contractual terms, or if we experience security breaches, we could face regulatory enforcement proceedings, suits for breach of contract and monetary liabilities. Additionally, any such failure could harm the relationships and reputation we depend on to retain existing clients and software integration partners and obtain new clients and software integration partners. If federal and state governmental bodies adopt more restrictive privacy laws in the future, our compliance costs could increase, and it could make our due diligence reviews and monitoring regarding the risk of our clients more difficult, complex and expensive. As our business grows, we may also be required to invest in a more substantive and complex compliance management system than the one we currently employ.

Changes in tax laws or their judicial or administrative interpretations, or becoming subject to additional U.S., state or local taxes that cannot be passed through to our clients, could negatively affect our business, financial condition and results of operations.

Our operations are subject to extensive tax liabilities, including federal and state and transactional taxes such as excise, sales/use, payroll, franchise, withholding, and ad valorem taxes. Changes in tax laws or their judicial or administrative interpretations could decrease the amount of revenues we receive, the value of any tax loss carryforwards and tax credits recorded on our balance sheet and the amount of our cash flow, and may have a material adverse impact on our business, financial condition and results of operations. Some of our tax liabilities are subject to periodic audits by the applicable taxing authority which could increase our tax liabilities. Furthermore, companies in the payment processing industry, including us, may become subject to incremental taxation in various taxing jurisdictions. Taxing jurisdictions have not yet adopted uniform positions on this topic. If we are required to pay additional taxes and are unable to pass the tax expense through to our clients,

our costs would increase and our net income would be reduced, which could have a material adverse effect on our business, financial condition and results of operations.

Failure to maintain effective systems of internal and disclosure control could have a material adverse effect on our results of operation and financial condition.

Following the issuance of SEC guidance relating to warrant accounting, on April 30, 2021, our management and our audit committee concluded that, it was appropriate to restate certain of our previously issued financial statements. As part of such process, we identified a material weakness in our internal controls over financial reporting, which has since been remediated. Effective internal and disclosure controls are necessary for us to provide reliable financial reports and effectively prevent fraud, and to operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. As part of our ongoing monitoring of internal control, we have discovered in the past and may discover in the future material weaknesses or significant deficiencies in internal control that require remediation. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis.

In addition to the material weakness relating to the restatement, we have in the past discovered, and may in the future discover, other areas of our internal controls that need improvement. We continue to work to improve our internal controls. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to maintain effective controls or to timely implement any necessary improvement of our internal and disclosure controls could, among other things, result in losses from fraud or error, harm our reputation, or cause investors to lose confidence in the reported financial information, all of which could have a material adverse effect on our results of operation and financial condition.

We may face litigation and other risks as a result of the material weakness in our internal control over financial reporting.

As part of our review of accounting and internal controls we undertook in connection with the restatement, we identified a material weakness in our internal controls over financial reporting.

As a result of such material weakness, the restatement described above, the change in accounting for warrants, and other matters raised or that may in the future be raised by the SEC, we face potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from the restatement and material weaknesses in our internal controls over financial reporting and the preparation of our financial statements. As of the date of this Form 10-K, we have no knowledge of any such litigation or dispute arising due to restatement or material weakness of our internal controls over financial reporting. However, we can provide no assurance that such litigation or dispute will not arise in the future. Any such litigation or dispute, whether successful or not, could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Indebtedness

Our level of indebtedness could adversely affect our ability to meet our obligations under our indebtedness, react to changes in the economy or our industry and to raise additional capital to fund operations.

On December 29, 2021, we increased our existing senior secured credit facilities to a \$185.0 million revolving credit facility pursuant to an amendment to the revolving credit agreement with Truist Bank and certain other lenders (as amended, the “Amended Credit Agreement”). On January 19, 2021, we issued \$440.0 million in aggregate principal amount of our 0.00% convertible senior notes due 2026 (the “2026 Notes”). Our ability to service our obligations under our indebtedness, including the 2026 Notes and any indebtedness we may incur under the Amended Credit Agreement, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. If we are unable to generate the necessary cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive.

Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. and such level of indebtedness could have important consequences to our stockholders.

We may also incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility.

Our indebtedness under the Amended Credit Agreement bears interest at a variable rate, currently based on adjusted LIBOR. LIBOR is expected to be eliminated as a benchmark rate for commercial loans, and the Amended Credit Agreement provides for the replacement of LIBOR with an alternative benchmark rate, which may include term Secured Overnight Financing Rate (“SOFR”). The benchmark replacement may be higher than the adjusted LIBOR currently available under the Amended Credit Agreement, which could in turn increase our interest expense. Any benchmark replacement may also include administrative and operational changes that affect our borrowing practices under the Amended Credit Agreement.

Future operating flexibility is limited by the restrictive covenants in the Amended Credit Agreement, and we may be unable to comply with all covenants in the future.

The Amended Credit Agreement imposes restrictions that could impede our ability to enter into certain corporate transactions, as well as increases our vulnerability to adverse economic and industry conditions, by limiting our flexibility in planning for, and reacting to, changes in our business and industry. These restrictions will limit our ability to, among other things:

- incur or guarantee additional debt;
- pay dividends on capital stock or redeem, repurchase, retire or otherwise acquire any capital stock;
- make certain payments, dividends, distributions or investments; and
- merge or consolidate with other companies or transfer all or substantially all of our assets.

In addition, the Amended Credit Agreement contains certain negative covenants that restrict the incurrence of indebtedness unless certain incurrence-based financial covenant requirements are met. The restrictions may prevent us from taking actions that we believe would be in the best interests of the business and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. Our ability to comply with these restrictive covenants in future periods will largely depend on our ability to successfully implement our overall business strategy. The breach of any of these covenants or restrictions could result in a default, which could result in the acceleration of our debt. In the event of an acceleration of our indebtedness, we could be forced to apply all available cash flows to repay such debt, which would reduce or eliminate distributions to us, which could also force us into bankruptcy or liquidation.

We may not have the ability to raise the funds necessary to settle conversions of the 2026 Notes, or to repurchase the 2026 Notes upon a fundamental change, and our future debt may contain, limitations on our ability to pay cash upon conversion or repurchase of the 2026 Notes.

Holders of the 2026 Notes have the right to require us to repurchase their 2026 Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any. In addition, upon conversion of the 2026 Notes, unless we elect to cause to be delivered solely shares of our Class A common stock to settle such conversion, we will be required to make cash payments in respect of the 2026 Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the 2026 Notes surrendered therefor or to pay cash with respect to the 2026 Notes being converted.

In addition, our ability to repurchase the 2026 Notes or to pay cash upon conversion of the 2026 Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase the 2026 Notes at a time when the repurchase is required by the indenture governing the 2026 Notes (the “indenture”) or to pay any cash payable on future conversions of the 2026 Notes as required by the indenture, would constitute a default under the indenture. A default under the indenture, or the fundamental change itself, could also lead to a default under our Amended Credit Agreement and other agreements governing our existing or future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness, repurchase, make interest payments on or make cash payments upon conversion of the 2026 Notes.

The conditional conversion feature of the 2026 Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the 2026 Notes is triggered, holders of the 2026 Notes will be entitled to convert their 2026 Notes at any time during specified periods at their option. If one or more holders elect to convert their 2026 Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock, we would be required to settle a portion or all of our conversion obligation through the payment of cash,

which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 2026 Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2026 Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the 2026 Notes, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board, which we refer to as FASB, issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, which we refer to as Accounting Standards Codification (“ASC”) 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s economic interest cost. The effect of ASC 470-20 on the accounting for the 2026 Notes is that the equity component is required to be included in the additional paid-in capital section of shareholders’ equity on our consolidated balance sheet, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the 2026 Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the notes to their face amount over the term of the notes. We will report lower net income (or larger net losses) in our financial results because ASC 470-20 will require interest to include both the current period’s amortization of the debt discount and the instrument’s coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes. In August 2020, FASB published an Accounting Standards Update 2020-06, which we refer to as ASU 2020-06, eliminating the separate accounting for the debt and equity components as described above. ASU 2020-06 will be effective for us for the fiscal year 2022, including interim periods within fiscal years. When effective, we expect the elimination of the separate accounting described above to reduce the interest expense that we expect to recognize for the 2026 Notes under current accounting principles.

In addition, under certain circumstances, convertible debt instruments (such as the 2026 Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the 2026 Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. ASU 2020-06 described above amends these accounting standards, effective as of the date referred to above, to instead require entities to apply the “if-converted” method under which diluted earnings per share are generally calculated assuming that all the 2026 Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive. The application of the if-converted method may result in a reduction of our reported diluted earnings per share.

Provisions in the indenture could delay or prevent an otherwise beneficial takeover of the Company

Certain provisions of the 2026 Notes and the indenture could make a third party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then we will be required to make an offer to the holders of the 2026 Notes to repurchase for cash all or part of their outstanding 2026 Notes. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to increase the conversion rate temporarily. In either case, and in other cases, our obligations under the 2026 Notes could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that you may view as favorable.

Risks Related to Our Ownership Structure

We are a holding company and our only material asset is our interest in Hawk Parent, and we are accordingly dependent upon distributions made by our subsidiaries to pay taxes, make payments under the Tax Receivable Agreement, meet our financial obligations under the 2026 Notes and pay dividends.

We are a holding company with no material assets other than our ownership of limited liability company interests of Hawk Parent (the “Post-Merger Repay Units” and holders of such Post-Merger Repay Units other than the Company, the “Repay Unitholders”) and our managing member interest in Hawk Parent, and we have no independent means of generating revenue or cash flow. Upon the completion of the Business Combination, we entered into that certain Tax Receivable Agreement (the “Tax Receivable Agreement” or “TRA”) with the Repay Unitholders. Our ability to pay taxes, make payments under the Tax Receivable Agreement, meet our financial obligations under the 2026 Notes and pay dividends will

depend on the financial results and cash flows of Hawk Parent and its subsidiaries and the distributions we receive from Hawk Parent. Deterioration in the financial condition, earnings or cash flow of Hawk Parent and its subsidiaries, including its operating subsidiaries, for any reason could limit or impair Hawk Parent's ability to pay such distributions. Additionally, to the extent that we need funds and Hawk Parent and/or any of its subsidiaries are restricted from making such distributions under applicable law or regulation or under the terms of any financing arrangements, or Hawk Parent is otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition.

Hawk Parent is treated as a partnership for U.S. federal income tax purposes and, as such, generally is not subject to any entity-level U.S. federal income tax. Instead, taxable income is allocated to Repay Unitholders (including us). Accordingly, we will be required to pay income taxes on our allocable share of any net taxable income of Hawk Parent. Under the terms of Hawk Parent's Amended and Restated Operating Agreement, Hawk Parent is obligated to make tax distributions to Repay Unitholders (including us) calculated at certain assumed tax rates. In addition to tax expenses, we will also incur expenses related to our operations, including payment obligations under the Tax Receivable Agreement (and the cost of administering such payment obligations), which could be significant. We intend to cause Hawk Parent to make distributions to Repay Unitholders in amounts sufficient to cover all applicable taxes (calculated at assumed tax rates), relevant operating expenses, payments under the Tax Receivable Agreement and dividends, if any, declared by Hawk Parent. However, as discussed below, Hawk Parent's ability to make such distributions may be subject to various limitations and restrictions including, but not limited to, restrictions on distributions that would either violate any contract or agreement to which Hawk Parent is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering Hawk Parent insolvent. If our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement and to fund our obligations, we may be required to incur additional indebtedness to provide the liquidity needed to make such payments, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, such payments will be deferred and will accrue interest until paid; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreement and therefore accelerate payments due under the Tax Receivable Agreement.

Additionally, although Hawk Parent generally is not subject to any entity-level U.S. federal income tax, it may be liable under recent federal tax legislation for adjustments to its tax return, absent an election to the contrary. In the event Hawk Parent's calculations of taxable income are incorrect, its members, including us, in later years may be subject to material liabilities pursuant to this federal legislation and its related guidance.

We anticipate that the distributions we will receive from Hawk Parent may, in certain periods, exceed our actual tax liabilities and obligations to make payments under the Tax Receivable Agreement. Our board of the directors, in its sole discretion, will make any determination from time to time with respect to the use of any such excess cash so accumulated, which may include, among other uses, to acquire additional newly issued Post-Merger Repay Units from Hawk Parent at a per unit price determined by reference to the market value of the Class A common stock; to pay dividends, which may include special dividends, on our Class A common stock; to fund repurchases of Class A common stock; or any combination of the foregoing. We will have no obligation to distribute such cash (or other available cash other than any declared dividend) to our stockholders. To the extent that we do not distribute such excess cash as dividends on Class A common stock or otherwise undertake ameliorative actions between Post-Merger Repay Units and shares of Class A common stock and instead, for example, hold such cash balances, Repay Unitholders that hold interests in Hawk Parent pre-Business Combination may benefit from any value attributable to such cash balances as a result of their ownership of Class A common stock following an exchange of their Post-Merger Repay Units, notwithstanding that such holders may previously have participated as holders of Post-Merger Repay Units in distributions by Hawk Parent that resulted in such excess cash balances being held by us.

Dividends on our common stock, if any, will be paid at the discretion of our board of directors, which will consider, among other things, our business, operating results, financial condition, current and expected cash needs, plans for expansion and any legal or contractual limitations on our ability to pay such dividends. Financing arrangements may include restrictive covenants that restrict our ability to pay dividends or make other distributions to our stockholders. In addition, Hawk Parent is generally prohibited under Delaware law from making a distribution to a member to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Hawk Parent (with certain exceptions) exceed the fair value of its assets. Hawk Parent's subsidiaries are generally subject to similar legal limitations on their ability to make distributions to Hawk Parent. If Hawk Parent does not have sufficient funds to make distributions, our ability to declare and pay cash dividends may also be restricted or impaired.

Under the Tax Receivable Agreement, we will be required to pay 100% of the tax benefits relating to tax depreciation or amortization deductions as a result of the tax basis step-up we receive in connection with the exchanges (including an

exchange in a sale for cash) of Post-Merger Repay Units into our Class A common stock and related transactions, and those payments may be substantial.

The Repay Unitholders may exchange their Post-Merger Repay Units for shares of Class A common stock pursuant to the Exchange Agreement, subject to certain conditions as set forth therein and in Hawk Parent's Amended and Restated Operating Agreement, or in an exchange in a sale for cash. These exchanges are expected to result in increases in our allocable share of the tax basis of the tangible and intangible assets of Hawk Parent. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of income or franchise tax that we would otherwise be required to pay in the future had such exchanges never occurred.

In connection with the Business Combination, we entered into the Tax Receivable Agreement, which generally provides for the payment to the Repay Unitholders by us of 100% of certain tax benefits, if any, that we realize (or in certain cases are deemed to realize) (a portion of which will be paid in turn to certain service providers on behalf of them in respect of certain transaction expenses) as a result of these increases in tax basis and certain other tax attributes of Hawk Parent and tax benefits related to entering into the Tax Receivable Agreement, including tax benefits attributable to payments under the Tax Receivable Agreement. These payments are our obligation and not an obligation of Hawk Parent. The actual increase in our allocable share of Hawk Parent's tax basis in its assets, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges, the market price of the Class A common stock at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of the recognition of our income. While many of the factors that will determine the amount of payments that we will make under the Tax Receivable Agreement are outside of our control, we expect that the payments we will make under the Tax Receivable Agreement will be substantial and could have a material adverse effect on our financial condition. Any payments made by us under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to us. To the extent that we are unable to make timely payments under the Tax Receivable Agreement for any reason, the unpaid amounts will be deferred and will accrue interest until paid. Furthermore, our future obligation to make payments under the Tax Receivable Agreement could make us a less attractive target for an acquisition, particularly in the case of an acquirer that cannot use some or all of the tax benefits that may be deemed realized under the Tax Receivable Agreement.

In certain cases, payments under the Tax Receivable Agreement may exceed the actual tax benefits we realize or be accelerated.

Payments under the Tax Receivable Agreement will be based on the tax reporting positions that we determine, and the Internal Revenue Service or another taxing authority may challenge all or any part of the tax basis increases, as well as other tax positions that we take, and a court may sustain such a challenge. In the event any tax benefits initially claimed by us are disallowed, the current Repay Unitholders will not be required to reimburse us for any excess payments that may previously have been made under the Tax Receivable Agreement, for example, due to adjustments resulting from examinations by taxing authorities. Rather, excess payments made to such holders will be netted against any future cash payments otherwise required to be made by us, if any, after the determination of such excess. However, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement and, as a result, there might not be future cash payments from which to net against. As a result, in certain circumstances, we could make payments under the Tax Receivable Agreement in excess of our actual income or franchise tax savings, which could materially impair our financial condition.

Moreover, the Tax Receivable Agreement provides that, in the event that (i) we exercise our early termination rights under the Tax Receivable Agreement, (ii) we become bankrupt or undergo a similar insolvency event, (iii) certain changes of control of us occur (as described in the Tax Receivable Agreement) or (iv) we are more than three months late in making of a payment due under the Tax Receivable Agreement (unless we in good faith determine that we have insufficient funds to make such payment), our obligations under the Tax Receivable Agreement will accelerate and we will be required to make an immediate lump-sum cash payment to the Repay Unitholders equal to the present value of all forecasted future payments that would have otherwise been made under the Tax Receivable Agreement, which lump-sum payment would be based on certain assumptions, including those relating to our future taxable income. The lump-sum payment to the Repay Unitholders could be substantial and could exceed the actual tax benefits that we realize subsequent to such payment because such payment would be calculated assuming, among other things, that we would be able to use the assumed potential tax benefits in future years, and that tax rates applicable to us would be the same as they were in the year of the termination.

There may be a material negative effect on our liquidity if the payments under the Tax Receivable Agreement exceed the actual income or franchise tax savings that we realize. Furthermore, our obligations to make payments under the

Tax Receivable Agreement could also have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. We may need to incur additional indebtedness to finance payments under the Tax Receivable Agreement to the extent our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement as a result of timing discrepancies or otherwise. Such indebtedness may have a material adverse effect on our financial condition.

Risks Related to our Class A Common Stock

Future issuances or sales of substantial amounts of our Class A common stock in the public market, or the perception that such issuances or sales may occur, could cause the market price for our Class A common stock to decline.

Hawk Parent has outstanding an aggregate of 7,926,576 Post-Merger Repay Units as of February 22, 2022. Pursuant to the Exchange Agreement, Repay Unitholders have the right to elect to exchange such Post-Merger Repay Units into shares of our Class A common stock on a one-for-one basis, subject to the terms of the Exchange Agreement. However, Hawk Parent may elect to settle such exchange in cash in lieu of delivering shares of our Class A common stock pursuant to the terms of the Exchange Agreement.

In addition, we have reserved a total of 7,326,728 shares of Class A common stock for issuance under our Repay Holdings Corporation Omnibus Incentive Plan (as amended, the “Incentive Plan.”). Of these shares, 1,948,253 shares of Class A common stock remain available for future issuance under the Incentive Plan as of February 22, 2022. To the extent such shares have vested or vest in the future (and settle into shares, in the case of restricted stock units), they can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates.

If these stockholders exercise their sale or exchange rights and sell shares or are perceived by the market as intending to sell shares, the market price of our shares of Class A common stock could drop significantly. These factors could also make it more difficult for us to raise additional funds through offerings of our shares of Class A common stock or other securities at a time and at a price that we deem appropriate.

We also have outstanding \$440.0 million aggregate principal amount of our 2026 Notes which are convertible into shares of our Class A common stock in certain circumstances. Investors will incur further dilution upon the conversion of any of our 2026 Notes if we elect to deliver shares of Class A common stock upon such conversion. In the future, we may also issue additional securities in connection with investments, acquisitions or capital raising activities, which could constitute a material portion of our then-outstanding shares of our Class A common stock and may result in additional dilution to investors or adversely impact the price of our Class A common stock.

Our stock price may be volatile, which could negatively affect our business and operations.

Historically, our Class A common stock has experienced substantial price volatility. For example, the closing price per share of our Class A common stock on The Nasdaq Capital Market ranged from a low of \$16.05 to a high of \$26.93 during the period from January 4, 2021 to December 31, 2021. This volatility could be the result of changes in our volumes, revenue, earnings and margins or general market and economic factors. If our future operating results or margins are below the expectations of stock market analysts or our investors, our stock price will likely decline.

Speculation and opinions in the press or investment community about our strategic position, financial condition, results of operations or significant transactions can also cause changes in our stock price. In particular, speculation on our go-forward strategy, competition in some of the markets we address and the effect of COVID-19 on our business, may have a dramatic effect on our stock price.

Volatility in the stock price of our common stock or other reasons may in the future cause us to become the target of securities litigation or shareholder activism. Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert management’s and board of directors’ attention and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist shareholder matters.

Because we do not currently intend to pay dividends, holders of our Class A common stock will benefit from an investment in our Class A common stock only if it appreciates in value.

We have never declared or paid any dividends on our Class A common stock, and do not expect to pay cash dividends in the foreseeable future. As a result, the success of an investment in our common stock will depend entirely upon future appreciation in its value. There is no guarantee that our Class A common stock will maintain its value or appreciate in value.

Delaware law and our governing documents contain certain provisions, including anti-takeover provisions that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our certificate of incorporation, bylaws and Delaware General Corporation Law (“DGCL”) contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors and therefore depress the trading price of our Class A common stock. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of our board of directors or taking other corporate actions, including effecting changes in management. Among other things, our certificate of incorporation and bylaws include provisions regarding:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock, including “blank check” preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- the requirement that directors may only be removed from the board of directors for cause;
- a prohibition on stockholder action by written consent (except in limited circumstances), which forces stockholder action to be taken at an annual or special meeting of stockholders and could delay the ability of stockholders to force consideration of a stockholder proposal or to take action, including the removal of directors;
- the requirement that a special meeting of stockholders may be called only by our board of directors, the chairman of our board of directors or our chief executive officer, which could delay the ability of stockholders to force consideration of a proposal or to take action, including the removal of directors;
- controlling the procedures for the conduct and scheduling of our board of directors and stockholder meetings;
- the requirement for the affirmative vote of the holders of a supermajority of our voting stock to amend, alter, change or repeal any provision of our bylaws and certain provisions in our certificate of incorporation, respectively, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our board of directors and also may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our board of directors to amend our bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend our bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders’ meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our board of directors and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are generally subject to provisions of Delaware law, including the DGCL. Although we have elected not to be governed by Section 203 of the DGCL, certain provisions of our certificate of

incorporation, in a manner substantially similar to Section 203 of the DGCL, prohibit certain of our stockholders (other than those stockholders who are party to a stockholders' agreement with us) who hold 15% or more of our outstanding capital stock from engaging in certain business combination transactions with us for a specified period of time unless certain conditions are met.

Our certificate of incorporation designates a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware, or if such court does not have subject matter jurisdiction, any other court located in the State of Delaware with subject matter jurisdiction, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of us, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, other employees or stockholders to us or our stockholders, (iii) any action asserting a claim against us or our officers or directors arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) any action asserting a claim against us or any of our directors or officers governed by the internal affairs doctrine of the law of the State of Delaware.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities will be deemed to have notice of and consented to this provision. These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us or our directors, officers, and other employees. If a court were to find these exclusive-forum provisions to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The following table sets forth selected information concerning our principal facilities, as of December 31, 2021.

Location	Owned/Leased	Approximate Square Footage
Corporate Headquarters:		
Atlanta, Georgia	Leased	8,700
Additional Facilities:		
Atlanta, Georgia	Leased	13,300
Bedford, Texas	Leased	3,200
Bettendorf, IA	Leased	12,900
Chattanooga, Tennessee	Leased	1,000
Chicago, Illinois	Leased	1,700
The Colony, Texas	Leased	14,100
East Moline, Illinois	Leased	7,500
Ft. Worth, Texas	Leased	6,300
Mesa, Arizona	Leased	12,900
Middleton, Massachusetts	Leased	3,600
Tempe, Arizona	Leased	7,500
Sandy, Utah	Leased	5,200
Sarasota, Florida	Leased	8,900
Scottsdale, Arizona	Leased	9,800
Toledo, Ohio	Leased	6,900

ITEM 3. LEGAL PROCEEDINGS.

We are currently not a party to any legal proceedings that would be expected to have a material adverse effect on our business or financial condition. From time to time, we may be subject to litigation incidental to our business, as well as other litigation of a non-material nature in the ordinary course of business.

ITEM 4. MINE SAFETY DISCLOSURE.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our Class A common stock is traded on Nasdaq under the symbol "RPAY". As of February 22, 2022, the closing price for our Class A common stock was \$17.22.

Market price information regarding our Class V common stock and Post-Merger Repay Units is not provided because there is no public market for our Class V common stock or our Post-Merger Repay Units.

Holders

As of February 22, 2022, there were 12 holders of record of our Class A common stock, 24 holders of record of our Class V common stock and 24 holders of record of Post-Merger Repay Units (not including the Company). The number of record holders does not include beneficial owners of our securities whose shares are held in the names of various security brokers, dealers, and registered clearing agencies.

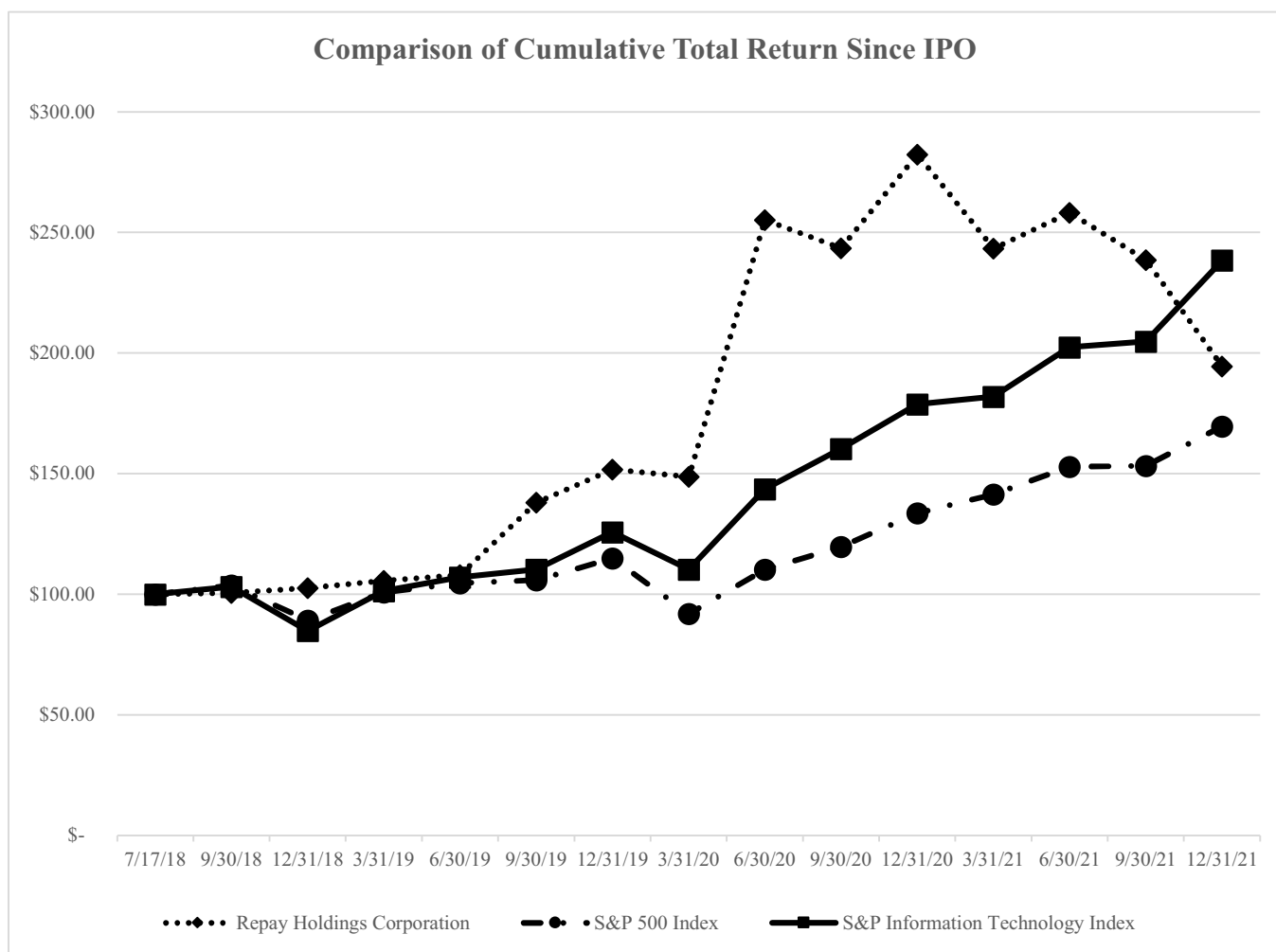
Dividends

We have never declared or paid cash dividends on our Class A common stock. We currently do not intend to pay cash dividends in the foreseeable future.

Performance

The following graph compares the total shareholder return from July 17, 2018, the date on which our Class A common shares commenced trading on the Nasdaq, through December 31, 2021 of (i) our Class A common stock, (ii) the Standard and Poor's 500 Stock Index ("S&P 500 Index") and (iii) the Standard and Poor's 500 Information Technology Index ("S&P Information Technology Index"). The stock performance graph and table assume an initial investment of \$100 on July 17, 2018, and that all dividends of the S&P 500 Index and S&P Information Technology Index, were reinvested.

The performance graph and table are not intended to be indicative of future performance. The performance graph and table shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933 or the Exchange Act.



	Repay Holdings Corporation	S&P 500 Index	S&P Information Technology Index
July 17, 2018	\$100.00	\$100.00	\$100.00
September 30, 2018	100.62	103.72	103.16
December 31, 2018	102.59	89.23	84.92
March 31, 2019	105.70	100.88	101.37
June 30, 2019	108.08	104.71	107.10
September 30, 2019	138.13	105.95	110.28
December 31, 2019	151.81	114.99	125.72
March 31, 2020	148.70	91.99	110.36
June 30, 2020	255.23	110.35	143.58
September 30, 2020	243.52	119.70	160.32
December 31, 2020	282.38	133.69	178.79
March 31, 2021	243.32	141.41	181.89
June 30, 2021	258.13	152.96	202.45
September 30, 2021	238.65	153.32	204.74
December 31, 2021	194.51	169.64	238.42

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In connection with the vesting of restricted stock awards, shares of Class A common stock are delivered to the Company by employees to satisfy tax withholding obligations. The following table summarizes such purchases of Class A common stock for the three months ended December 31, 2021:

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May yet be Purchased Under the Plans or Programs
October 1-31, 2021	10,245	\$21.57	—	\$ —
November 1-30, 2021	40,940	19.29	—	—
December 1-31, 2021	3,188	17.51	—	—
Total	<u>54,373</u>	<u>\$19.61</u>	<u>—</u>	<u>\$ —</u>

- (1) During the three months ended December 31, 2021, pursuant to the Incentive Plan, we withheld 54,373 shares at an average price per share of \$19.61 in order to satisfy employees' tax withholding and payment obligations in connection with the vesting of awards of restricted stock, which we withheld at fair market value on the vesting date.

ITEM 6. [Reserved].

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of financial condition and results of operations should be read together with our audited consolidated financial statements and the related notes to those statements included under Item 8, hereof. For purposes of this section, "Repay", the "Company", "we", or "our" refer to (i) Hawk Parent Holdings, LLC and its subsidiaries ("Predecessor") for the period from January 1, 2019 through July 10, 2019 (each referred to herein as a "Predecessor Period") prior to the consummation of the Business Combination and (ii) Repay Holdings Corporation and its subsidiaries (the "Successor") for the period from July 11, 2019 through December 31, 2019 (the "Successor Period"), the year ended December 31, 2020, and the year ended December 31, 2021 after the consummation of the Business Combination, unless the context otherwise requires. Certain figures have been rounded for ease of presentation and may not sum due to rounding. The combined year ended December 31, 2019 represents the aggregated total of the Predecessor Period and Successor Period.

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 this Annual Report on Form 10-K.

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 \$20.5 billion of total card payment volume for the year ending December 31, 2021, and our year-over-year card payment volume growth was approximately 35%.

The ultimate impacts of the COVID-19 pandemic and related economic conditions on our results remain uncertain. The scope, duration and magnitude of the direct and indirect effects of the COVID-19 pandemic continue to evolve and in ways that are difficult to fully anticipate. At this time, we cannot reasonably estimate the full impact of the pandemic on the Company, given the uncertainty over the duration and severity of the economic crisis. In addition, the impact of COVID-19 on our results in 2021 may not be necessarily indicative of its impact on our results in 2022.

Business Combination

The Company was formed upon closing of the merger (the “Business Combination”) of Hawk Parent Holdings LLC (together with Repay Holdings, LLC and its other subsidiaries, “Hawk Parent”) with a subsidiary of Thunder Bridge Acquisition, Ltd., (“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.”

As a result of the Business Combination, Thunder Bridge was identified as the acquirer for accounting purposes, and Hawk Parent, which is the business conducted prior to the closing of the Business Combination, is the acquiree and accounting Predecessor. The acquisition was accounted for as a business combination using the acquisition method of accounting, and the Successor’s financial statements reflect a new basis of accounting that is based on the fair value of net assets acquired. As a result of the application of the acquisition method of accounting as of the effective time of the Business Combination, the financial statements for the Predecessor period and for the Successor period are presented on different bases. The historical financial information of Thunder Bridge prior to the Business Combination has not been reflected in the Predecessor period financial statements.

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.

Recent Acquisitions

On June 15, 2021, we completed the acquisition of BillingTree for approximately \$505.8 million, consisting of approximately \$277.5 million in cash from our balance sheet and approximately 10 million shares of newly issued Class A common stock, representing approximately 10% of the voting power of our outstanding shares of common stock at that time. See Note 5 to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

On June 22, 2021, we completed the acquisition of Kontrol LLC (“Kontrol”) for up to \$10.5 million, of which approximately \$7.4 million was paid at closing. The acquisition was financed with cash on hand. See Note 5 to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

On December 29, 2021, we completed the acquisition of Payix for up to \$115.0 million, which includes \$95.6 million paid at closing and up to \$20.0 million in performance-based earnouts. The acquisition was financed with cash on hand and available revolver capacity.

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 are determined, based on the judgment of our 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. We believe our chargeback rate was less than 1% of our card payment volume, during the years ended December 31, 2021, 2020 and 2019.

Expenses

Other costs of services. Other 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. Prior to the closing of the Business Combination, interest expense consisted of interest in respect of our indebtedness under our Predecessor Credit Agreement (as defined below), which was terminated in connection with the

closing of the Business Combination. In periods after the closing of the Business Combination, interest expense consists of interest in respect of our indebtedness under the Successor Credit Agreement (as defined below), which was entered into in connection with the Business Combination, and the Amended Credit Agreement, which replaced the Successor Credit Agreement in February 2021.

Change in fair value of warrant liabilities. This amount represents the change in fair value of the warrant liabilities. The warrant liabilities are 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 results from the change of underlying publicly listed trading price of our Class A common stock at each measurement date.

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

	<i>Successor</i>			<i>Predecessor</i>
	Year ended December 31, 2021	Year ended December 31, 2020	July 11, 2019 through December 31, 2019	January 1, 2019 through July 10, 2019
<i>(\$ in thousands)</i>				
Revenue	\$219,258	\$155,036	\$57,560	\$47,043
Operating expenses				
Costs of services	\$55,484	41,447	15,657	10,216
Selling, general and administrative	120,053	87,302	45,758	51,201
Depreciation and amortization	89,692	60,807	23,757	6,223
Change in fair value of contingent consideration	5,846	(2,510)	—	—
Impairment loss	2,180	—	—	—
Total operating expenses	\$273,255	\$187,046	\$85,172	\$67,640
Loss from operations	\$(53,997)	\$(32,010)	\$(27,612)	\$(20,597)
Interest expense	(3,679)	(14,445)	(5,922)	(3,145)
Loss on extinguishment of debt	(5,941)	—	—	—
Change in fair value of warrant liabilities	—	(70,827)	(15,258)	—
Change in fair value of tax receivable liability	(14,109)	(12,439)	(1,638)	—
Other income (expense)	97	(3)	(1,380)	—
Other loss	(9,099)	—	—	—
Total other expense	(32,731)	(97,714)	(24,198)	(3,145)
Loss before income tax benefit	(86,728)	(129,724)	(51,810)	(23,742)
Income tax benefit	30,691	12,358	4,991	—
Net loss	\$(56,037)	\$(117,366)	\$(46,819)	\$(23,742)
Net loss attributable to non-controlling interests	(5,952)	(11,770)	(15,271)	—
Net loss attributable to the Company	\$(50,085)	\$(105,596)	\$(31,548)	\$(23,742)
Weighted-average shares of Class A common stock outstanding - basic and diluted	83,318,189	52,180,911	35,731,220	
Loss per Class A share - basic and diluted	(\$0.60)	(\$2.02)	(\$0.88)	

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Total revenue was \$219.3 million for the year ended December 31, 2021 and \$155.0 million for the year ended December 31, 2020, an increase of \$64.3 million or 41.4%. This increase was the result of newly signed clients, the growth of our existing clients, as well as the acquisitions of BillingTree and Kontrol. For the year ended December 31, 2021, incremental revenues of approximately \$42.7 million are attributable to BillingTree, Kontrol and Payix.

Costs of Services

Costs of services were \$55.5 million for the year ended December 31, 2021 and \$41.4 million for the year ended December 31, 2020, an increase of \$14.1 million or 33.9%. For the year ended December 31, 2020, incremental costs of services of approximately \$8.4 million are attributable to BillingTree, Kontrol and Payix.

Selling, General and Administrative

Selling, general and administrative expenses were \$120.1 million for the year ended December 31, 2021 and \$87.3 million for the year ended December 31, 2020, an increase of \$32.8 million or 37.5%. This increase was primarily due to increased compensation expenses with general business growth and increased expenses relating to software and technological services.

Depreciation and Amortization

Depreciation and amortization expenses were \$89.7 million for the year ended December 31, 2021 and \$60.8 million for year ended December 31, 2020, an increase of \$28.9 million or 47.5%. The increase was primarily due to depreciation and amortization of fixed assets and intangibles from the acquisitions of BillingTree and Kontrol.

Change in Fair Value of Contingent Consideration

Change in the fair value of contingent consideration was \$5.8 million for the year ended December 31, 2021, which consisted of fair value adjustments related to the contingent consideration for the acquisitions of Ventanex, CPS, BillingTree and Kontrol.

Impairment Loss

We incurred an impairment loss of \$2.2 million for the year ended December 31, 2021, due to trade names write-offs related to TriSource, APS, Ventanex, cPayPlus and CPS.

Interest Expense

Interest expense was \$3.7 million for the year ended December 31, 2021 and \$14.4 million for the year ended December 31, 2020, a decrease of \$10.7 million or 74.5%. This decrease was due to a lower average outstanding principal balance under our Amended Credit Agreement as compared to the average outstanding principal balance under the Successor Credit Agreement.

Loss on Extinguishment of Debt

We incurred a loss of \$5.9 million on extinguishment of debt for the year ended December 31, 2021, due to the termination in full of all outstanding Delayed Draw Term Loan commitments under the Successor Credit Agreement.

Change in Fair Value of Warrant Liabilities

We incurred a change in the fair value of warrant liabilities of \$70.8 million for the year ended December 31, 2020, which was due to the mark-to-market valuation adjustments related to the increase in the publicly listed trading price of our stock. In July 2020, we completed the redemption of all of our outstanding warrants.

Change in Fair Value of Tax Receivable Liability

We incurred a change in the fair value of the tax receivable liability of \$14.1 million for the year ended December 31, 2021 compared to \$12.4 million for the year ended December 31, 2020, an increase of \$1.7 million. This increase was due to lower fair value adjustments related to the tax receivable liability, primarily as a result of changes to the discount rate used to determine the fair value of the liability, as well as final adjustments related to the value of the 2020 exchanges of Post-Merger Repay Units.

Other Loss

We incurred a loss of \$9.1 million on the settlement of interest rate swaps and disposal of property and equipment for the year ended December 31, 2021.

Income Tax Benefit

The income tax benefit was \$30.7 million for the year ended December 31, 2021 and \$12.4 million for year ended December 31, 2020, which reflected the expected income tax benefit to be received on the net earnings related to the Company's economic interest in Hawk Parent. This was a result of the operating loss incurred by the Company, primarily driven by stock-based compensation deductions, the amortization of assets acquired in the Business Combination and prior acquisitions, the write-off of deferred debt issuance costs and the loss recognized as part of the settlement of interest rate swaps, in addition to, the state rate change impact on deferred taxes.

For results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019, see Part II, Item 7 of our 2020 Form 10-K, as amended, which is incorporated herein by reference.

Non-GAAP Financial Measures

This report includes certain non-GAAP financial measures that our 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 extinguishment of debt, loss on termination of interest rate hedge, non-cash change in fair value of warrant liabilities, non-cash change in fair value of contingent consideration, non-cash change in fair value of assets and liabilities, share-based compensation charges, transaction expenses, management fees, employee recruiting costs, other taxes, 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 extinguishment of debt, loss on termination of interest rate hedge, non-cash change in fair value of warrant liabilities, non-cash change in fair value of contingent consideration, non-cash change in fair value of assets and liabilities, share-based compensation expense, transaction expenses, management fees, employee recruiting costs, 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 Successor Period from July 11, 2019 to December 31, 2019, the year ended December 31, 2020, and the year ended December 31, 2021 (excluding certain shares that were 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 years ended December 31, 2021, 2020, and 2019. Due to the Predecessor and Successor periods, for the convenience of readers, we have presented the year ended December 31, 2019 on both a Predecessor and Successor basis and a combined basis (reflecting simple arithmetic combination of the GAAP Predecessor and Successor periods with adjustments) in order to present a meaningful comparison against the corresponding periods.

Beginning with the quarter ended December 31, 2021, we changed our method of calculating Adjusted EBITDA and Adjusted Net Income by removing the adjustment related to legacy commission restructuring charges and their tax effects. Our Adjusted EBITDA and Adjusted Net Income for the years ended December 31, 2020 and 2019 were also adjusted to conform to the current presentation, resulting in reductions in the Adjusted EBITDA and Adjusted Net Income. The presentation for Adjusted EBITDA and Adjusted Net Income for all periods presented have been recast to reflect these changes and a reconciliation between the revised and previous definitions of Adjusted EBITDA and Adjusted Net Income have been provided within the tables below.

REPAY HOLDINGS CORPORATION
Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA

	<i>Successor</i>	<i>Successor</i>	<i>Successor</i>	<i>Predecessor</i>	
	Year Ended December 31, 2021	Year Ended December 31, 2020 ^(k)	July 11, 2019 through December 31, 2019	January 1, 2019 through July 10, 2019	Combined ^(k)
<i>(\$ in thousands)</i>					
Revenue	\$219,258	\$155,036	\$57,560	\$47,043	\$104,603
Operating expenses					
Costs of services	55,484	41,447	15,657	10,216	25,873
Selling, general and administrative	120,053	87,302	45,758	51,201	96,959
Depreciation and amortization	89,692	60,807	23,757	6,223	29,980
Change in fair value of contingent consideration	5,846	(2,510)	—	—	—
Impairment loss	2,180	—	—	—	—
Total operating expenses	\$273,255	\$187,046	\$85,172	\$67,640	\$152,812
Loss from operations	\$(53,997)	\$(32,010)	\$(27,612)	\$(20,597)	\$(48,209)
Other (expense) income					
Interest expense	(3,679)	(14,445)	(5,922)	(3,145)	(9,067)
Loss on extinguishment of debt	(5,941)	—	—	—	—
Change in fair value of warrant liabilities	—	(70,827)	(15,258)	—	(15,258)
Change in fair value of tax receivable liability	(14,109)	(12,439)	(1,638)	—	(1,638)
Other income (expense)	97	(3)	(1,380)	—	(1,380)
Other loss	(9,099)	—	—	—	—
Total other expense	(32,731)	(97,714)	(24,198)	(3,145)	(27,343)
Loss before income tax benefit	(86,728)	(129,724)	(51,810)	(23,742)	(75,552)
Income tax benefit	30,691	12,358	4,991	—	4,991
Net loss	\$(56,037)	\$(117,366)	\$(46,819)	\$(23,742)	\$(70,561)
Add:					
Interest expense	3,679	14,445	—	—	9,067
Depreciation and amortization ^(a)	89,692	60,807	—	—	29,980
Income tax benefit	(30,691)	(12,358)	—	—	(4,991)
EBITDA	\$6,643	\$(54,472)	\$—	\$—	\$(36,505)
Loss on extinguishment of debt ^(l)	5,941	—	—	—	1,380
Loss on termination of interest rate hedge ^(m)	9,080	—	—	—	—
Non-cash change in fair value of warrant liabilities ⁽ⁿ⁾	—	70,827	—	—	15,258
Non-cash change in fair value of contingent consideration ^(b)	5,846	(2,510)	—	—	—
Non-cash change in fair value of assets and liabilities ^(c)	14,109	12,439	—	—	1,638
Share-based compensation expense ^(d)	22,311	19,446	—	—	22,922
Transaction expenses ^(e)	19,250	10,924	—	—	40,126
Management fees ^(l)	—	—	—	—	211
Employee recruiting costs ^(l)	612	214	—	—	51
Other taxes ^(g)	977	426	—	—	226
Restructuring and other strategic initiative costs ^(h)	4,578	1,103	—	—	352
Other non-recurring charges ⁽ⁱ⁾	3,853	1,154	—	—	215
Adjusted EBITDA, revised definition	\$93,200	\$59,551	\$—	\$—	\$45,875
Revised definition no longer adjusts for:					
Commission restructuring charges ⁽ⁱ⁾	2,527	8,614	—	—	2,557
Adjusted EBITDA, previous definition	\$95,727	\$68,165	\$—	\$—	\$48,432

REPAY HOLDINGS CORPORATION
Reconciliation of GAAP Net Income to Non-GAAP Adjusted Net Income

	<i>Successor</i>	<i>Successor</i>	<i>Successor</i>	<i>Predecessor</i>	
	Year Ended December 31, 2021	Year Ended December 31, 2020 ^(b)	July 11, 2019 through December 31, 2019	January 1, 2019 through July 10, 2019	Combined ^(k)
<i>(\$ in thousands)</i>					
Revenue	\$219,258	\$155,036	\$57,560	\$47,043	\$104,603
Operating expenses					
Costs of services	55,484	41,447	15,657	10,216	25,873
Selling, general and administrative	120,053	87,302	45,758	51,201	96,959
Depreciation and amortization	89,692	60,807	23,757	6,223	29,980
Change in fair value of contingent consideration	5,846	(2,510)	—	—	—
Impairment loss	2,180	—	—	—	—
Total operating expenses	\$273,255	\$187,046	\$85,172	\$67,640	\$152,812
Loss from operations	\$(53,997)	\$(32,010)	\$(27,612)	\$(20,597)	\$(48,209)
Other (expense) income					
Interest expense	(3,679)	(14,445)	(5,922)	(3,145)	(9,067)
Loss on extinguishment of debt	(5,941)	—	—	—	—
Change in fair value of warrant liabilities	—	(70,827)	(15,258)	—	(15,258)
Change in fair value of tax receivable liability	(14,109)	(12,439)	(1,638)	—	(1,638)
Other income (expense)	97	(3)	(1,380)	—	(1,380)
Other loss	(9,099)	—	—	—	—
Total other expense	(32,731)	(97,714)	(24,198)	(3,145)	(27,343)
Loss before income tax benefit	(86,728)	(129,724)	(51,810)	(23,742)	(75,552)
Income tax benefit	30,691	12,358	4,991	—	4,991
Net loss	\$(56,037)	\$(117,366)	\$(46,819)	\$(23,742)	\$(70,561)
Add:					
Amortization of acquisition-related intangibles ^(a)	79,932	52,126	—	—	25,329
Loss on extinguishment of debt ^(l)	5,941	—	—	—	1,380
Loss on extinguishment of interest rate hedge ^(m)	9,080	—	—	—	—
Non-cash change in fair value of warrant liabilities ⁽ⁿ⁾	—	70,827	—	—	15,258
Non-cash change in fair value of contingent consideration ^(b)	5,846	(2,510)	—	—	—
Non-cash change in fair value of assets and liabilities ^(c)	14,109	12,439	—	—	1,638
Share-based compensation expense ^(d)	22,311	19,446	—	—	22,922
Transaction expenses ^(e)	19,250	10,924	—	—	40,126
Management fees ^(f)	—	—	—	—	211
Employee recruiting costs ^(g)	612	214	—	—	51
Restructuring and other strategic initiative costs ^(h)	4,578	1,103	—	—	352
Other non-recurring charges ⁽ⁱ⁾	3,853	1,154	—	—	215
Non-cash interest expense ^(p)	2,536	—	—	—	—
Pro forma taxes at effective rate ^(q)	(38,998)	(11,813)	—	—	(1,602)
Adjusted Net Income, revised definition	\$73,013	\$36,544	\$—	\$—	\$35,319
Shares of Class A common stock outstanding (on an as-converted basis) ^(r)	91,264,512	73,373,106	—	—	59,721,429
Adjusted Net Income per share, revised definition	\$0.80	\$0.50	\$—	\$—	\$0.59
Revised definition no longer adjusts for:					
Commission restructuring charges ^(j)	2,527	8,614	—	—	2,557
Change in tax effect of adjustment ^(s)	(571)	(1,413)	—	—	(88)
Adjusted Net Income, previous definition	\$74,969	\$43,745	\$—	\$—	\$37,788
Adjusted Net Income per share, previous definition	\$0.82	\$0.60	\$—	\$—	\$0.63

- (a) See footnote (p) for details on our amortization and depreciation expenses.
- (b) 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.
- (c) Reflects the changes in management's estimates of the fair value of the liability relating to TRA.
- (d) Represents compensation expense associated with equity compensation plans, totaling \$22,311,251 for the year ended December 31, 2021, \$19,445,800 for the year ended December 31, 2020, \$22,013,287 as a result of new grants made in the Successor Period from July 11, 2019 to December 31, 2019, and \$908,978 for the period from January 1, 2019 to July 10, 2019.

- (e) Primarily consists of (i) during the year ended December 31, 2021, professional service fees and other costs incurred in connection with the acquisitions of Ventanex, cPayPlus, CPS, BillingTree, Kontrol and Payix, as well as professional service expenses related to the January 2021 equity and convertible notes offerings, (ii) during the year ended December 31, 2020, professional service fees and other costs incurred in connection with the acquisition of CPS, and additional transaction expenses incurred in connection with the Business Combination and the acquisitions of TriSource, APS, Ventanex and cPayPlus, as well as professional service expenses related to the June and September 2020 equity offerings, (iii) during the period from July 11 2019 to December 31, 2019, professional service fees and other costs in connection with the Business Combination, the acquisitions of TriSource and APS, and (iv) during the period from January 1, 2019 to July 10, 2019, professional service fees and other costs in connection with the Business Combination.
- (f) Represents payments made to third-party recruiters in connection with a significant expansion of our personnel, which Repay expects will become more moderate in subsequent periods.
- (g) Reflects franchise taxes and other non-income based taxes.
- (h) Reflects consulting fees related to our processing services and other operational improvements, including restructuring and integration activities related to our acquired businesses, that were not in the ordinary course during the years ended December 31, 2021, 2020, and 2019. Additionally, one-time expenses related to the creation of a new entity in connection with equity arrangements for the members of Hawk Parent in connection with the Business Combination are reflected in the year ended December 31, 2019.
- (i) For the year ended December 31, 2021, reflects extraordinary refunds to clients and other payments related to COVID-19, trade names impairment, non-cash rent expense and loss on disposal of fixed assets. For the year ended December 31, 2020, reflects expenses incurred related to one-time accounting system and compensation plan implementation related to becoming a public company, as well as extraordinary refunds to clients and other payments related to COVID-19. For the year ended December 31, 2019, reflects expenses incurred related to other one-time legal and compliance matters, as well as a one-time credit issued to a client which was not in the ordinary course of business.
- (j) Represents fully discretionary charges incurred to restructure certain sales representatives' commission arrangements, by making a one-time payment to the representative to buy out the right to receive future monthly commission payments associated with a portfolio of client contracts. Beginning the quarter ended December 31, 2021, we changed our method of calculating Adjusted EBITDA and Adjusted Net Income by removing the adjustment related to legacy commission restructuring charges.
- (k) Does not include adjustments of \$32.6 million and \$15.4 million for the year ended December 31, 2020 and 2019, respectively, which were presented as pro forma adjustments in previously filed annual reports, for incremental depreciation and amortization recorded due to fair-value adjustments for Hawk Parent under ASC 805 as a result of Business Combination.
- (l) Reflects write-offs of debt issuance costs relating to Hawk Parent's term loans.
- (m) Reflects realized loss of our interest rate hedging arrangement which terminated in conjunction with the repayment of Term Loans.
- (n) Reflects the mark-to-market fair value adjustments of the warrant liabilities.
- (o) For the year ended December 31, 2021, 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. For the year ended December 31, 2020 reflects (i) amortization of the client relationships intangibles acquired through Hawk Parent's acquisitions of PaidSuite and Paymaxx during the year ended December 31, 2017 and the recapitalization transaction in 2016, through which Hawk Parent was formed in connection with the acquisition of a majority interest in Repay Holdings, LLC by certain investment funds sponsored by, or affiliated with, Corsair, (ii) client relationships, non-compete agreement, software, and channel relationship intangibles acquired through the Business Combination, and (iii) client relationships, non-compete agreement, and software intangibles acquired through Repay Holdings, LLC's acquisitions of TriSource, APS, Ventanex, cPayPlus and CPS. For the year ended December 31, 2019, reflects amortization of client relationships intangibles acquired through Hawk Parent's acquisitions and the 2016 Recapitalization transaction and the acquisition of TriSource and APS. 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)	Year ended December 31,		
	2021	2020	2019
Acquisition-related intangibles	\$79,932	\$52,126	\$25,329
Software	8,464	7,467	3,895
Reseller buyouts	—	58	58
Amortization	\$88,396	\$59,651	\$29,282
Depreciation	1,296	1,156	698
Total Depreciation and amortization ⁽¹⁾	\$89,692	\$60,807	\$29,980

(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 may 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.

(p) Represents non-cash deferred debt issuance costs.

(q) Represents pro forma income tax adjustment effect associated with items adjusted above and the tax effect adjustment of removing legacy commission restructuring charges for the years ended December 31, 2021 and 2020, and the period from July 11, 2019 to December 31, 2019 (reflected in the “Combined” 2019 column above). Beginning the quarter ended December 31, 2021, we changed our method of calculating Adjusted EBITDA and Adjusted Net Income by removing the adjustment related to legacy commission restructuring charges and their tax effects.

(r) 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 years ended December 31, 2021 and 2020, and the period from July 11, 2019 to December 31, 2019. 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:

	Year Ended December 31,		July 11, 2019 through
	2021	2020	December 31, 2019
Weighted average shares of Class A common stock outstanding - basic	83,318,189	52,180,911	35,731,220
Add: Non-controlling interests			
Weighted average Post-Merger Repay Units exchangeable for Class A common stock	7,946,323	21,192,195	23,990,209
Shares of Class A common stock outstanding (on an as-converted basis)	91,264,512	73,373,106	59,721,429

(s) Represents tax effect adjustment of legacy commission restructuring charges. Beginning the quarter ended December 31, 2021, we changed our method of calculating Adjusted EBITDA and Adjusted Net Income by removing the adjustment related to legacy commission restructuring charges and their tax effects.

(t) Reflects management fees paid to Corsair Investments, L.P. pursuant to the management agreement, which terminated upon the completion of the Business Combination.

Adjusted EBITDA, revised definition for the years ended December 31, 2021 and 2020 was \$93.2 million and \$59.6 million, respectively, representing a 56.5% year-over-year increase. Adjusted Net Income, revised definition for the years ended December 31, 2021 and 2020 was \$73.0 million and \$36.5 million, respectively, representing a 100.0% year-over-year increase. Our net loss attributable to the Company for the years ended December 31, 2021 and 2020 was \$50.1 million and \$105.6 million, respectively, representing a 52.6% year-over-year decrease.

These increases in Adjusted EBITDA, revised definition and Adjusted Net Income, revised definition for the year ended December 31, 2021 were primarily due to the organic growth of our business, along with contributions from

acquisitions. The decreases in net loss attributable to the Company for the year ended December 31, 2021 were primarily due to the change in fair value of warrant liabilities which occurred in 2020.

For discussion on Adjusted EBITDA, Adjusted Net income, and net income (loss) attributable to the Company for the year ended December 31, 2020 compared to the year ended December 31, 2019, see Part II, Item 7 of the Company's 2020 Form 10-K, as amended.

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 during the first quarter of the calendar year tend to increase in comparison to the remaining three quarters of the calendar year on a same store basis. 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. We also finance our operations through proceeds from the issuance of our Class A common stock in June 2020 and our January 2021 convertible notes offering. As of December 31, 2021, we had \$50.0 million of cash and cash equivalents and available borrowing capacity of \$165.0 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 \$26.3 million as of December 31, 2021. In February 2021, we used a portion of the proceeds from the January 2021 convertible notes offering to prepay in full the entire principal amount of the term loans then outstanding under the Successor Credit Agreement and also terminated in full all delayed draw term loan commitments then outstanding. At that time, we also amended and restated the Successor Credit Agreement and entered into the Amended Credit Agreement, which established a \$125.0 million senior secured revolving credit facility in favor of Hawk Parent. In December 2021, we increased our existing senior secured credit facilities by \$60.0 million to a \$185.0 million revolving credit facility pursuant to an amendment to the Amended Credit Agreement.

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.

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 II, Item 1A "Risk Factors - Risks Related to Our Class A Common Stock."

As of December 31, 2021, our material contractual obligations primarily consist of operating leases liabilities and contingent considerations. See Note 5. Business Combinations and Note 12. Commitments and Contingencies to the financial statements in Item 8 of this Annual Report on Form 10-K for more information related to contingent considerations and operating leases liabilities, respectively. Contingent considerations are associated with the acquisitions of Ventanex, CPS, Kontrol, and Payix, which include approximately \$17.0 million due within the next twelve months. Based on our current lease terms, \$2.4 million of operating lease liabilities are due within the next twelve months, and the remaining lease liabilities are due within the next 7 years. We believe the cash flows from operations and available borrowing capacity from our existing revolving credit facility will be sufficient to satisfy our cash requirement for the next twelve months.

Cash Flows

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

	<i>Successor</i>			<i>Predecessor</i>
	Year Ended December 31, 2021	Year Ended December 31, 2020	July 11, 2019 through December 31, 2019	January 1, 2019 through July 10, 2019
<i>(\$ in thousands)</i>				
Net cash provided by operating activities	\$53,330	\$28,487	\$12,936	\$8,350
Net cash used in investing activities	(397,335)	(145,980)	(335,084)	(4,046)
Net cash provided by (used in) financing activities	313,840	186,097	360,049	(9,355)

Cash Flow from Operating Activities

Net cash provided by operating activities was \$53.3 million for the year ended December 31, 2021.

Net cash provided by operating activities was \$28.5 million for the year ended December 31, 2020.

Net cash provided by operating activities was \$12.9 million from July 11, 2019 to December 31, 2019.

Net cash provided by operating activities was \$8.4 million from January 1, 2019 to July 10, 2019.

Cash provided by operating activities for the years ended December 31, 2021 and 2020, the period from July 11, 2019 to December 31, 2019, and the period from January 1, 2019 to July 10, 2019, 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 used in investing activities was \$397.3 million for the year ended December 31, 2021, due to the acquisitions of BillingTree, Kontrol and Payix, as well as the capitalization of software development activities.

Net cash used in investing activities was \$146.0 million for the year ended December 31, 2020, due to the acquisition of Ventanex, cPayPlus, and CPS, as well as capitalization of software development activities.

Net cash used in investing activities was \$335.1 million from July 11, 2019 to December 31, 2019, due to the Business Combination, the acquisitions of TriSource and APS, and capitalization of software development activities.

Net cash used in investing activities was \$4.0 million from January 1, 2019 to July 10, 2019 due to capitalization of software development activities and fixed asset additions.

Cash Flow from Financing Activities

Net cash provided by financing activities was \$313.8 million for the year ended December 31, 2021, due to proceeds from the issuance of new shares in the Equity Offering, and proceeds from the 2026 Notes, offset by repayment of the outstanding revolver balance related to the Successor Credit Agreement, repayments of the Term Loan principal balance under the Successor Credit Agreement and the cPayPlus earnout payment.

Net cash provided by financing activities was \$186.1 million for the year ended December 31, 2020, due to proceeds from the issuance of new shares in the June 2020 offering of Class A common stock, new borrowings related to the acquisition of Ventanex under the Successor Credit Agreement, as well as funds received related to the exercise of warrants, offset by repayment of the outstanding revolver balance related to the Successor Credit Agreement in connection with its amendment and the acquisition of Ventanex, and repayments of the term loan principal balance under the Successor Credit Agreement.

Net cash provided by financing activities was \$360.0 million from July 11, 2019 to December 31, 2019, due to borrowings under our Successor Credit Agreement of \$220.0 million, offset by debt issuance costs of \$6.1 million. The Company received proceeds from the Business Combination of \$148.9 million and a private placement offering of \$135.0

million, offset by payments of \$93.3 million to settle our Predecessor Credit Agreement and \$38.7 million to repurchase outstanding warrants.

Net cash used in financing activities was \$9.4 million from January 1, 2019 to July 11, 2019 due to \$2.5 million of principal payments related to our Predecessor Credit Agreement and tax distributions of \$6.9 million to Hawk Parent's members.

Indebtedness

Predecessor Credit Agreement

Hawk Parent was previously party to the Revolving Credit and Term Loan Agreement, dated as of September 28, 2017, and amended at December 15, 2017 (the "Predecessor Credit Agreement"), with SunTrust Bank, as administrative agent and lender, and the other lenders party thereto. In connection with the completion of the Business Combination, all outstanding loans were repaid and the Predecessor Credit Agreement was terminated.

Successor Credit Agreement

In connection with the Business Combination, on July 11, 2019, TB Acquisition Merger Sub LLC, Hawk Parent and certain subsidiaries of Hawk Parent, as guarantors, entered into a Revolving Credit and Term Loan Agreement (the "Successor Credit Agreement") with certain financial institutions, as lenders, and Truist Bank (formerly SunTrust Bank), as the administrative agent.

On February 10, 2020, we announced the acquisition of Ventanex. The closing of the acquisition was financed partially from new borrowings under our existing credit facility. As part of the financing for the transaction, we entered into an agreement with Truist Bank and other members of its existing bank group to amend and upsize the Successor Credit Agreement.

On January 20, 2021, we used a portion of the proceeds from the 2026 Notes to prepay in full the entire amount of the outstanding term loans under the Successor Credit Agreement. We also terminated in full all outstanding delayed draw term loan commitments under such credit facilities.

Amended Credit Agreement

In February 2021, we also amended and restated the Successor Credit Agreement and entered into the Amended Credit Agreement, which establishes a \$125.0 million senior secured revolving credit facility in favor of Hawk Parent.

In December 2021, we increased our existing senior secured credit facilities by \$60.0 million to a \$185.0 million revolving credit facility pursuant to an amendment to the Amended Credit Agreement. We currently expect that we will remain in compliance with the restrictive financial covenants of the Amended Credit Agreement, prospectively.

As of December 31, 2021, the Amended Credit Agreement provides for a revolving credit facility of \$185.0 million. As of December 31, 2021, we had \$20.0 million drawn against the revolving credit facility at a variable interest rate of 2.25% plus 1-month LIBOR due 2026. We paid \$0.4 million and \$0.2 million in fees related to unused commitments for the years ended December 31, 2021 and 2020, respectively. See Note 10. Borrowings to the financial statements in Item 8 of this Annual Report on Form 10-K for more information.

Convertible Senior Debt

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

As of December 31, 2021, we had convertible senior debt outstanding of \$429.3 million, net of deferred issuance costs, under the 2026 Notes, and revolving credit facility debt outstanding of \$19.2 million, net of deferred issuance costs,

under the Amended Credit Agreement. 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 prospectively.

Tax Receivable Agreement

Upon the completion of the Business Combination, we entered into that certain Tax Receivable Agreement (the "Tax Receivable Agreement" or "TRA") with holders (other than the Company) of limited liability company interests of Hawk Parent (the "Post-Merger Repay Units"). As a result of the TRA, we established a liability in our consolidated financial statements. Such liability, which will increase upon the exchanges of Post-Merger Repay Units for Class A common stock, generally represents 100% of the estimated future tax benefits, if any, relating to the increase in tax basis that will result from 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 consolidated financial statements may be increased. We expect that the payment obligations of the Company required under the TRA will be substantial. The actual increase in tax basis, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, including the timing of redemptions or exchanges by the holders of Post-Merger Repay Units, the price of 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 the 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 Estimates

Recently Issued Accounting Standards

For information related to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 2. Basis of Presentation and Summary of Significant Accounting Policies, to our Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

Critical Accounting 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 consolidated statements of operations during the reporting period. We base our estimates and judgments on historical experience and available relevant information that we believe to be reasonable under the circumstances, and we continue to review and evaluate these estimates. Actual results may materially differ from these estimates under different assumptions or conditions as new or additional information become available in future periods. Accounting policies require numerous estimates or economic assumptions that may prove inaccurate or may be subject to variations which may significantly affect our reported results and financial condition for the period or in future periods. Subsequent changes in economic or market conditions could have a material impact on these estimates and our financial condition and operating results in future periods. There have been no significant changes in our application of accounting estimates during the year ended December 31, 2021.

Revenue Recognition

The consideration to be received in our contracts with clients consists of variable consideration where the timing and quantity of transactions to be processed is not determinable at contract inception. Our performance obligation in our contracts with clients is the promise to stand-ready to provide front-end authorization and back-end settlement payment processing services ("processing services") for an unknown or unspecified quantity of transactions and the consideration received is contingent upon the client's use (e.g., number of transactions submitted and processed) of the related processing services. Accordingly, the total transaction price is variable. These services are stand-ready obligations, as the timing and quantity of transactions to be processed is not determinable.

The transaction price for such processing services are determined, based on the judgment of our 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.

We follow the requirements of ASC 606-10-55-36 through -40, *Revenue from Contracts with Customers, Principal Agent Considerations*, in determining the gross versus net revenue recognition for performance obligation(s) in the contract with a client.

The principal versus agent evaluation is matter of judgment that depends on the facts and circumstances of the arrangement and is dependent on whether we control the good or service before it is transferred to the client or whether we are acting as an agent of a third party. This evaluation is performed separately for each performance obligation identified.

Business Combinations

We account for business combinations using the acquisition method of accounting. Under the acquisition method, the consolidated financial statements reflect the operations of an acquired business starting from the closing date of the acquisition.

All assets acquired and liabilities assumed are recorded at fair value as of the acquisition date. We allocate the purchase price of an acquired business to the fair values of the tangible and identifiable intangible assets acquired and liabilities assumed, with any excess purchase price recorded as goodwill. Contingent consideration, if any, is included within the purchase price and is recognized at its fair value on the acquisition date. The application of the acquisition method of accounting for business combinations and determination of fair value requires management to make judgments and may involve the use of significant estimates, including assumptions related to estimated future revenues, growth rates, cash flows, and discount rates, among other items. Management generally evaluates fair value at acquisition using three valuation techniques - the replacement cost, market and income methods - and weights the valuation methods based on what is most appropriate in the circumstances. The process of assigning fair values, particularly to acquired intangible assets, is highly subjective. Management also typically utilizes third party valuation specialists to assist in the determination of the fair value of assets acquired and liabilities assumed. Fair value estimates are based on assumptions believed to be reasonable, but are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. If the actual results differ from the estimates and judgments used, the amounts recorded in the consolidated financial statements may be exposed to potential impairment of the intangible assets and goodwill as discussed in the "Impairment" section below. The determination of fair value is considered a critical accounting estimate because the valuation techniques mentioned use significant estimates and assumptions, including projected future revenues, the expected economic life of the asset, tax rates and a discount rate that reflects the level of risk associated with the future earnings attributable to the asset.

During the measurement period, which is up to one year from the acquisition date, adjustments to the assets acquired and liabilities assumed may be recorded, with the corresponding offset to goodwill.

Impairment

We review goodwill and indefinite-lived intangible assets for impairment annually in the fourth quarter of our fiscal year, or more frequently as warranted by events or changes in circumstances which indicate that the carrying amount may not be recoverable. We may first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit or indefinite-lived intangible asset is less than its carrying amount. If, based on the results of the qualitative assessment, it is concluded that it is not more likely than not that the fair value of a reporting unit or indefinite-lived asset exceeds its carrying value, a quantitative test is performed. Under the quantitative test, we compare the carrying value of the reporting unit or indefinite-lived intangible asset to its fair value, which we estimate using a discounted cash flow analysis or by comparison to the market values of similar assets. If the carrying value exceeds its fair value, we record an impairment charge equal to the excess of the carrying value over the related fair value. The assumptions used in such valuations such as projected future cash flows, discount rates, growth rates, and determination of appropriate market comparables and recent transactions, are subject to volatility and may differ from actual results. Under a qualitative assessment, we assess various factors including industry and market conditions, macroeconomic conditions and performance of our businesses.

We review other long-lived assets, including ROU assets, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or an asset group may not be recoverable. In evaluating long-lived assets for recoverability, we estimate the future cash flows at the individual asset or asset group level. Impairment losses are measured and recorded for the excess of an asset's carrying value over its fair value. To determine the fair value of long-lived assets, included ROU assets, we utilize the valuation technique or techniques deemed most appropriate based on the nature of

the asset or asset group, which may include the use of quoted market prices, prices for similar assets or other valuation techniques such as discounted future cash flows or earnings.

The determination of fair value is considered a critical accounting estimate because the valuation techniques mentioned use significant estimates and assumptions, including projected future cash flows, discount rates and growth rates.

Income Taxes

Under ASC 740, Income Taxes, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to net operating losses, tax credits, and temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, which will result in taxable or deductible amounts in the future. Our income tax expense/benefit, deferred tax assets and tax receivable liability reflect management's best assessment of estimated current and future taxes. Significant judgments and estimates are required in determining the consolidated income tax expense/benefits, deferred tax assets and tax receivable agreement liability. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including projected future taxable income and results of recent operations. Estimating future taxable income is inherently uncertain, requires judgment and is consistent with estimates we are using to manage our business. If we determine in the future that we will not be able to fully utilize all or part of the deferred tax assets, we would record a valuation allowance through earnings in the period the determination was made.

We record the TRA liability 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. Therefore, in estimating fair value, management uses a discount rate, also referred to as the early termination rate, to determine the present value based on a risk-free rate plus a spread pursuant to the TRA. A significant increase or decrease in the discount rate could result in a lower or higher balance, respectively, as of the measurement date.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 LIBOR. Therefore, increases in interest rates may reduce our net income or loss by increasing the cost of debt.

As of December 31, 2021, we had convertible senior debt of \$429.3 million, net of deferred issuance costs, and revolver borrowings of \$19.2 million, net of deferred issuance costs, outstanding under the respective credit agreements. As of December 31, 2020, we had term loan borrowings of \$256.7 million, and revolver borrowings of \$0.0 million outstanding under the respective credit agreements. The borrowings 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 LIBOR 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 respective agreements governing the Amended Credit Agreement.

In October 2019, we entered into a \$140.0 million notional interest rate swap agreement, and in February 2020, we entered into a \$30.0 million notional interest rate swap agreement, then a revised notional amount of \$65.0 million beginning on September 30, 2020. These interest rate swap agreements reduce a portion of our exposure to market interest rate risk on certain of our variable-rate debt as discussed in Item II, Part 8, Note 11, "Derivatives." These interest rate swaps effectively converted \$205.0 million of the outstanding term loan into to fixed rate payments for 57 months and 60 months, respectively. A 1.0% increase or decrease in the interest rate applicable to such borrowings under the Successor Credit Agreement would have increased or decreased cash interest expense on our indebtedness by approximately \$1.0 million per annum and \$1.0

million per annum, for the year ended December 31, 2020, respectively. Both interest rate swaps were settled in January 2021.

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

In July 2017, the U.K. Financial Conduct Authority announced its intention to phase out LIBOR rates by the end of 2021. The deadline has been mostly extended and most U.S. dollar-denominated LIBOR maturity tenors will continue to be published until June 30, 2023. It is not possible to predict the effect of any changes in the methods by which the LIBOR is determined, or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. Such developments may cause LIBOR to perform differently than in the past, including sudden or prolonged increases or decreases in LIBOR, or cease to exist, resulting in the application of a successor base rate under the Amended Credit Agreement, which in turn could have unpredictable effects on our interest payment obligations under the Amended Credit Agreement.

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Index to the Financial Statements

<u>Reports of Independent Registered Public Accounting Firm (PCAOB ID Number 248)</u>	57
<u>Consolidated Balance Sheets as of December 31, 2021 and 2020</u>	61
<u>Consolidated Statements of Operations for the years ended December 31, 2021 and 2020, and the periods ended December 31, 2019 and July 10, 2019</u>	62
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2021 and 2020, and the periods ended December 31, 2019 and July 10, 2019</u>	63
<u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2021, 2020, the periods ended December 31, 2019 and July 10, 2019</u>	64
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020, and the periods ended December 31, 2019 and July 10, 2019</u>	65
<u>Notes to Consolidated Financial Statements</u>	67

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Repay Holdings Corporation

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Repay Holdings Corporation (a Delaware corporation) and subsidiaries (the “Company” or “Successor”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows of the Successor and Hawk Parent Holdings LLC (“Predecessor”) for the years ended December 31, 2021 and 2020 (Successor), and the periods from July 11, 2019 to December 31, 2019 (Successor) and January 1, 2019 to July 10, 2019 (Predecessor), and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years ended December 31, 2021 and 2020 (Successor), and the periods from July 11, 2019 to December 31, 2019 (Successor) and January 1, 2019 to July 10, 2019 (Predecessor), in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated March 1, 2022 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s and Predecessor’s management. Our responsibility is to express an opinion on the Company’s and Predecessor’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition

As described further in Note 2 to the consolidated financial statements, the Company’s revenue primarily consists of transaction-based fees from payment processing services that are made up of a significant volume of low-dollar transactions, sourced from multiple systems, platforms, and applications. The processing of such transactions and recording of revenue is system-driven and based on contractual terms with merchants, financial institutions, payment networks, and other parties. Because of the nature of the payment processing services, the Company relies on automated systems and third parties to process and record its revenue transactions.

The principal consideration for our determination that the complexity of revenue recognition is a critical audit matter is the increased extent of effort and involvement of professionals with specialized skills in information technology (IT) to identify, test, and evaluate the Company’s systems and automated controls.

Our audit procedures relating to revenue recognized during the year ended December 31, 2021 included the following, among others:

- With the assistance of our IT professionals, we:
 - Identified the significant systems used to process revenue transactions and tested the general IT controls over each of these systems, including testing of user access controls, change management controls, and IT operations controls.
 - Tested system interface controls and automated controls within the relevant revenue streams, as well as the controls designed to ensure the accuracy and completeness of revenue.
- We tested internal controls within the relevant revenue business processes, including those in place to reconcile the various reports extracted from the IT systems to the Company's general ledger.
- For a sample of revenue transactions, we tested selected transactions by agreeing the inputs to the calculation of revenue recognized to source documents, including merchant contracts and processor reports and testing the mathematical accuracy of the recorded revenue.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2018.

Atlanta, Georgia
March 1, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Repay Holdings Corporation

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Repay Holdings Corporation (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2021, and our report dated March 1, 2022 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting (“Management’s Report”). Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company’s internal control over financial reporting does not include the internal control over financial reporting of BT Intermediate, LLC (“BillingTree”), Kontrol LLC (“Kontrol”) and Payix Holdings Incorporated (“Payix”), wholly-owned subsidiaries, which constituted 4.0 percent of total assets (excluding goodwill and intangible assets related to the acquisitions which are a part of the Company’s existing control environment) and 15.2 percent of revenues of the related consolidated financial statement amounts as of and for the year ended December 31, 2021. As indicated in Management’s Report, BillingTree, Kontrol and Payix were each acquired during 2021. Management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of BillingTree, Kontrol and Payix.

Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Atlanta, Georgia
March 1, 2022

REPAY HOLDINGS CORPORATION
Consolidated Balance Sheets

	December 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$50,048,657	\$91,129,888
Accounts receivable	33,235,745	21,310,724
Prepaid expenses and other	12,427,032	6,925,115
Total current assets	95,711,434	119,365,727
Property, plant and equipment, net	3,801,199	1,628,439
Restricted cash	26,291,269	15,374,846
Intangible assets, net	577,693,902	369,227,138
Goodwill	824,081,632	458,970,255
Operating lease right-of-use assets, net	10,499,751	10,074,506
Deferred tax assets	145,259,883	135,337,229
Other assets	2,499,996	—
Total noncurrent assets	1,590,127,632	990,612,413
Total assets	\$1,685,839,066	\$1,109,978,140
Liabilities		
Accounts payable	\$20,082,651	\$11,879,638
Related party payable	17,394,125	15,811,597
Accrued expenses	26,819,083	19,216,258
Current maturities of long-term debt	—	6,760,650
Current operating lease liabilities	1,990,416	1,527,224
Current tax receivable agreement	24,495,556	10,240,310
Other current liabilities	1,565,931	—
Total current liabilities	92,347,762	65,435,677
Long-term debt, net of current maturities	448,484,696	249,952,746
Noncurrent operating lease liabilities	9,090,867	8,836,655
Tax receivable agreement, net of current portion	221,332,863	218,987,795
Other liabilities	1,547,087	10,583,196
Total noncurrent liabilities	680,455,513	488,360,392
Total liabilities	\$772,803,275	\$553,796,069
Commitments and contingencies (Note 12)		
Stockholders' equity		
Class A common stock, \$0.0001 par value; 2,000,000,000 shares authorized, and 88,502,621 and 71,244,682 issued and outstanding as of December 31, 2021 and 2020, respectively	8,850	7,125
Class V common stock, \$0.0001 par value; 1,000 shares authorized and 100 shares issued and outstanding as of December 31, 2021 and 2020	—	—
Additional paid-in capital	1,100,012,082	691,675,072
Accumulated other comprehensive loss	(2,205)	(6,436,763)
Accumulated deficit	(226,015,886)	(175,931,713)
Total Repay stockholders' equity	874,002,841	509,313,721
Non-controlling interests	39,032,950	46,868,350
Total equity	\$913,035,791	\$556,182,071
Total liabilities and equity	\$1,685,839,066	\$1,109,978,140

See accompanying notes to consolidated financial statements.

REPAY HOLDINGS CORPORATION
Consolidated Statements of Operations

	Year Ended December 31, 2021	Year Ended December 31, 2020 (Successor)	From July 11, 2019 to December 31, 2019	From January 1, 2019 to July 10, 2019 (Predecessor)
Revenue	\$219,258,038	\$155,035,943	\$57,560,470	\$47,042,917
Operating Expenses				
Costs of services	55,483,804	41,447,056	15,656,730	10,216,079
Selling, general and administrative	120,052,895	87,301,814	45,758,335	51,201,322
Depreciation and amortization	89,691,707	60,806,659	23,756,888	6,222,917
Change in fair value of contingent consideration	5,845,626	(2,510,000)	—	—
Impairment loss	2,180,000	—	—	—
Total operating expenses	273,254,032	187,045,529	85,171,953	67,640,318
Loss from operations	(53,995,994)	(32,009,586)	(27,611,483)	(20,597,401)
Other (expense) income				
Interest expense	(3,679,116)	(14,445,000)	(5,921,893)	(3,145,167)
Loss on extinguishment of debt	(5,940,600)	—	—	—
Change in fair value of warrant liabilities	—	(70,827,214)	(15,258,497)	—
Change in fair value of tax receivable liability	(14,109,063)	(12,439,485)	(1,638,465)	—
Other income (expense)	96,505	(2,985)	(1,379,824)	38
Other loss	(9,099,451)	—	—	—
Total other expense	(32,731,725)	(97,714,684)	(24,198,679)	(3,145,129)
Loss before income tax benefit	(86,727,719)	(129,724,270)	(51,810,162)	(23,742,530)
Income tax benefit	30,691,156	12,358,025	4,990,989	—
Net loss	\$(56,036,563)	\$(117,366,245)	\$(46,819,173)	\$(23,742,530)
Less: Net loss attributable to non-controlling interests	(5,952,390)	(11,769,683)	(15,271,043)	—
Net loss attributable to the Company	\$(50,084,173)	\$(105,596,562)	\$(31,548,130)	\$(23,742,530)
Loss per Class A share attributable to the Company:				
Basic and diluted	\$(0.60)	\$(2.02)	\$(0.88)	
Weighted-average shares outstanding:				
Basic and diluted	83,318,189	52,180,911	35,731,220	

See accompanying notes to consolidated financial statements.

REPAY HOLDINGS CORPORATION
Consolidated Statements of Comprehensive Income

	Year Ended December 31, 2021	Year Ended December 31, 2020	From July 11, 2019 to December 31, 2019	From January 1, 2019 to July 10, 2019
	(Successor)			(Predecessor)
Net loss	\$(56,036,563)	\$(117,366,245)	\$(46,819,173)	\$(23,742,530)
Other comprehensive (loss) income, before tax				
Change in fair value of cash flow hedges	—	(9,867,782)	555,449	—
Reclassification of net unrealized loss on cash flow hedges to other loss	9,317,244	—	—	—
Foreign currency translation adjustments	(3,020)	—	—	—
Total other comprehensive (loss) income, before tax	9,314,224	(9,867,782)	555,449	—
Income tax related to items of other comprehensive income:				
Tax benefit (expense) on change in fair value of cash flow hedges	—	1,672,742	(54,303)	—
Tax expense on reclassification of net unrealized loss on cash flow hedges to other loss	(1,672,742)	—	—	—
Tax benefit on foreign currency translation adjustments	815	—	—	—
Total income tax benefit (expense) on related to items of other comprehensive income	(1,671,927)	1,672,742	(54,303)	—
Total other comprehensive (loss) income, net of tax	7,642,297	(8,195,040)	501,146	—
Total comprehensive loss	<u>\$(48,394,266)</u>	<u>\$(125,561,285)</u>	<u>\$(46,318,027)</u>	<u>\$(23,742,530)</u>
Less: Comprehensive loss attributable to non-controlling interests	(4,744,651)	(14,668,288)	(15,027,371)	—
Comprehensive loss attributable to the Company	<u>\$(43,649,616)</u>	<u>\$(110,892,997)</u>	<u>\$(31,290,656)</u>	<u>\$(23,742,530)</u>

See accompanying notes to consolidated financial statements.

REPAY HOLDINGS CORPORATION
Consolidated Statements of Changes in Equity

	Total Equity (Predecessor)
Balance at December 31, 2018	\$109,078,357
Net loss	(23,742,530)
Contributions by members	—
Stock based compensation	908,978
Distribution to members	(6,904,991)
Balance at July 10, 2019	\$79,339,814

	Repay Stockholders								
	Class A Common Stock		Class V Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Interests	Equity
Balance at July 11, 2019	33,430,259	\$3,343	100	\$ —	\$290,408,807	\$(37,588,827)	\$ —	\$221,375,364	\$474,198,687
Release of Founder Shares	2,965,000	297	—	—	(297)	—	—	—	—
Release of share awards vested under Incentive Plan	1,135,291	113	—	—	(113)	—	—	—	—
Treasury shares repurchased	—	—	—	—	(4,507,544)	—	—	—	(4,507,544)
Stock-based compensation	—	—	—	—	22,013,286	—	—	—	22,013,286
Warrant exercise	18	—	—	—	207	—	—	—	207
Tax distribution from Hawk Parent	—	—	—	—	—	—	—	(185,957)	(185,957)
Reclassification to warrant liabilities	—	—	—	—	(24,359,228)	(1,198,194)	—	—	(25,557,422)
Net loss	—	—	—	—	—	(31,548,130)	—	(15,271,043)	(46,819,173)
Other comprehensive income	—	—	—	—	—	—	313,397	243,671	557,068
Balance at December 31, 2019	37,530,568	\$3,753	100	\$ —	\$283,555,118	\$(70,335,151)	\$313,397	\$206,162,035	\$419,699,152
Issuance of new shares	23,564,816	2,356	—	—	514,451,331	—	(99,022)	(4,454,472)	509,900,193
Exchange of Post-Merger Repay Units	1,606,647	161	—	—	10,065,244	—	(228,090)	(9,837,154)	161
Redemption of Post-Merger Repay Units	—	—	—	—	(311,736,352)	—	(2,614,996)	(120,944,910)	(435,296,258)
Release of share awards vested under Incentive Plan	516,398	52	—	—	(52)	—	—	—	—
Treasury shares repurchased	—	—	—	—	(1,431,172)	—	376	16,064	(1,414,732)
Stock-based compensation	—	—	—	—	20,489,298	—	(15,759)	(1,027,739)	19,445,800
Warrant exercise	8,026,253	803	—	—	92,178,915	—	(124,570)	(5,255,431)	86,799,717
Tax distribution from Hawk Parent	—	—	—	—	—	—	—	(1,496,213)	(1,496,213)
Valuation allowance on Ceiling Rule DTA	—	—	—	—	(27,540,391)	—	2,794	—	(27,537,597)
Reclassification to warrant liabilities	—	—	—	—	111,643,133	—	—	—	111,643,133
Net loss	—	—	—	—	—	(105,596,562)	—	(11,769,683)	(117,366,245)
Other comprehensive loss	—	—	—	—	—	—	(3,670,893)	(4,524,147)	(8,195,040)
Balance at December 31, 2020	71,244,682	\$7,125	100	\$ —	\$691,675,072	\$(175,931,713)	\$(6,436,763)	\$46,868,350	\$556,182,071
Issuance of new shares	16,295,802	1,629	—	—	371,048,331	—	—	(701,599)	370,348,361
Exchange of Post-Merger Repay Units	407,584	41	—	—	(166,450)	—	—	(2,331,486)	(2,497,895)
Release of share awards vested under Incentive Plan	554,553	55	—	—	(55)	—	—	—	—
Treasury shares repurchased	—	—	—	—	(4,074,937)	—	—	33,014	(4,041,923)
Stock-based compensation	—	—	—	—	22,339,602	—	—	(28,351)	22,311,251
Tax distribution from Hawk Parent	—	—	—	—	—	—	—	(62,327)	(62,327)
Valuation allowance on Ceiling Rule DTA	—	—	—	—	19,190,519	—	—	—	19,190,519
Net loss	—	—	—	—	—	(50,084,173)	—	(5,952,390)	(56,036,563)
Other comprehensive income	—	—	—	—	—	—	6,434,558	1,207,739	7,642,297
Balance at December 31, 2021	88,502,621	\$8,850	100	\$ —	\$1,100,012,082	\$(226,015,886)	\$(2,205)	\$39,032,950	\$913,035,791

See accompanying notes to consolidated financial statements.

REPAY HOLDINGS CORPORATION
Consolidated Statements of Cash Flows

	Year Ended December 31, 2021	Year Ended December 31, 2020 (Successor)	From July 11, 2019 to December 31, 2019	From January 1, 2019 to July 10, 2019 (Predecessor)
Cash flows from operating activities				
Net loss	\$(56,036,563)	\$(117,366,245)	\$(46,819,173)	\$(23,742,530)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	89,691,707	60,806,659	23,756,888	6,222,917
Stock based compensation	22,311,251	19,445,800	22,013,287	908,978
Amortization of debt issuance costs	2,536,075	1,416,012	570,671	215,658
Loss on disposal of property and equipment	19,039	—	—	—
Loss on extinguishment of debt	5,940,600	—	—	—
Loss on sale of interest rate swaps	9,315,854	—	—	—
Fair value change in warrant liability	—	70,827,214	15,258,497	—
Fair value change in tax receivable agreement liability	14,109,063	12,439,485	1,638,465	—
Fair value change in other assets and liabilities	5,845,626	(2,509,840)	—	—
Impairment loss	2,180,000	—	—	—
Payments of contingent consideration in excess of acquisition date fair value	(1,500,000)	(4,070,549)	—	—
Deferred tax benefit	(30,727,924)	(12,358,025)	(4,990,989)	—
Change in accounts receivable	(6,518,325)	(2,890,762)	779,008	(4,614,620)
Change in related party receivable	—	563,084	(563,084)	—
Change in prepaid expenses and other	(3,800,600)	541,639	(3,579,300)	(73,533)
Change in operating lease ROU assets	2,012,832	(10,074,506)	—	—
Change in accounts payable	4,771,635	38,185	2,656,630	1,297,035
Change in related party payable	1,335,688	(309,669)	14,571,266	—
Change in accrued expenses and other	637,056	370,343	(12,356,519)	28,136,310
Change in operating lease liabilities	(1,322,592)	10,363,879	—	—
Change in other liabilities	(7,470,178)	1,254,000	—	—
Net cash provided by operating activities	53,330,244	28,486,704	12,935,647	8,350,215
Cash flows from investing activities				
Purchases of property and equipment	(2,862,903)	(994,147)	(498,513)	(203,026)
Purchases of intangible assets	(20,642,675)	(23,279,349)	(3,375,751)	(3,842,744)
Purchases of equity investment	(2,499,996)	—	—	—
Acquisition of Hawk Parent, net of cash and restricted cash acquired	—	—	(242,599,551)	—
Acquisition of TriSource, net of cash and restricted cash acquired	—	—	(59,160,005)	—
Acquisition of APS, net of cash and restricted cash acquired	—	(465,454)	(29,450,022)	—
Acquisition of Ventanex, net of cash and restricted cash acquired	—	(35,460,153)	—	—
Acquisition of cPayPlus, net of cash and restricted cash acquired	—	(7,694,632)	—	—
Acquisition of CPS, net of cash and restricted cash acquired	10,779	(78,086,739)	—	—
Acquisition of BillingTree, net of cash and restricted cash acquired	(269,002,616)	—	—	—
Acquisition of Kontrol, net of cash and restricted cash acquired	(7,439,373)	—	—	—
Acquisition of Payix, net of cash and restricted cash acquired	(94,898,220)	—	—	—
Net cash used in investing activities	(397,335,004)	(145,980,474)	(335,083,842)	(4,045,770)
Cash flows from financing activities				
Payment on line of credit	—	(10,000,000)	6,500,000	—
Issuance of long-term debt	460,000,000	60,425,983	210,000,000	—
Payments on long-term debt	(262,653,996)	(6,709,486)	(90,862,500)	(2,450,000)
Public issuance of Class A Common Stock	142,098,364	509,900,193	135,000,000	—
Repurchase of outstanding warrants	—	—	(38,700,000)	—
Repurchase of treasury shares	(4,041,923)	(1,414,732)	(4,507,544)	—
Issuance of warrants	—	—	207	—
Exercise of warrants	—	86,799,717	—	—
Transfer of cash from trust upon conversion of Thunder Bridge Class A ordinary shares	—	—	148,870,571	—
Redemption of Post-Merger Repay Units	—	(435,296,258)	—	—
Distributions to Members	(62,327)	(1,496,213)	(185,957)	(6,904,991)
Payment of loan costs	(14,051,380)	(1,861,817)	(6,065,465)	—
Payments of contingent consideration up to acquisition date fair value	(7,448,786)	(14,250,000)	—	—
Net cash provided by (used in) financing activities	313,839,952	186,097,387	360,049,312	(9,354,991)
Increase (decrease) in cash, cash equivalents and restricted cash	(30,164,808)	68,603,617	37,901,117	(5,050,546)
Cash, cash equivalents and restricted cash at beginning of period	\$106,504,734	\$37,901,117	\$ —	\$23,262,058
Cash, cash equivalents and restricted cash at end of period	\$76,339,926	\$106,504,734	\$37,901,117	\$18,211,512

REPAY HOLDINGS CORPORATION
Consolidated Statements of Cash Flows (Continued)

	Year Ended December 31, 2021	Year Ended December 31, 2020 (Successor)	From July 11, 2019 to December 31, 2019	From January 1, 2019 to July 10, 2019 (Predecessor)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for:				
Interest	\$1,143,040	\$11,486,760	\$5,351,222	\$2,929,509
SUPPLEMENTAL SCHEDULE OF NONCASH				
INVESTING AND FINANCING ACTIVITIES				
Acquisition of Hawk Parent in exchange for Class A Common Stock	\$ —	\$ —	\$220,056,226	
Acquisition of Hawk Parent in exchange for amounts payable under Tax Receivable Agreement	\$ —	\$ —	\$229,228,105	
Acquisition of Hawk Parent in exchange for contingent consideration	\$ —	\$ —	\$12,300,000	
Acquisition of TriSource in exchange for contingent consideration	\$ —	\$1,750,000	\$2,250,000	
Acquisition of APS in exchange for contingent consideration	\$ —	\$6,580,549	\$12,000,000	
Acquisition of Ventanex in exchange for contingent consideration	\$ —	\$4,800,000		
Acquisition of cPayPlus in exchange for contingent consideration	\$ —	\$6,500,000		
Acquisition of CPS in exchange for contingent consideration	\$ —	\$4,500,000		
Acquisition of BillingTree in exchange for Class A Common Stock	\$228,250,000	\$ —		
Acquisition of Kontrol in exchange for contingent consideration	\$500,000	\$ —		
Acquisition of Payix in exchange for contingent consideration	\$2,850,000			

See accompanying notes to consolidated financial statements.

REPAY HOLDINGS CORPORATION
Notes to 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 (1) before the Business Combination, to Hawk Parent and its consolidated subsidiaries and (2) from and after the Business Combination, to Repay Holdings Corporation and its consolidated subsidiaries. Throughout this section, unless otherwise noted or unless the context otherwise requires, “Thunder Bridge” refers to Thunder Bridge Acquisition. Ltd. prior to the consummation of the Business Combination. Thunder Bridge issued public warrants and private placement warrants (collectively, the “Warrants”), which were outstanding and recorded on the Company’s consolidated financial statements at the time of the Business Combination. On July 27, 2020, the Company completed the redemption of all outstanding Warrants.

The Company is headquartered in Atlanta, Georgia. The Company’s legacy business was founded as M & A Ventures, LLC, a Georgia limited liability company doing business as REPAY: Realtime Electronic Payments (“REPAY LLC”), in 2006 by current executives John Morris and Shaler Alias. Hawk Parent was formed in 2016 in connection with the acquisition of a majority interest in the successor entity of REPAY LLC and its subsidiaries by certain investment funds sponsored by, or affiliated with, Corsair Capital LLC (“Corsair”).

On January 19, 2021, the Company completed an underwritten public offering (the “Equity Offering”) of 6,244,500 shares of its Class A common stock at a public offering price of \$24.00 per share. 814,500 shares of such Class A common stock were sold in the Equity Offering in connection with the full exercise of the underwriters’ option to purchase additional shares of Class A common stock pursuant to the underwriting agreement.

On January 19, 2021, the Company also completed an offering of \$440.0 million in aggregate principal amount of 0.00% Convertible Senior Notes due 2026 (the “2026 Notes”) 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. The Notes will mature on February 1, 2026, unless earlier converted, repurchased or redeemed.

On June 15, 2021, the Company acquired all of the equity interests of BT Intermediate, LLC (together with its subsidiaries, “BillingTree”) for approximately \$505.8 million, consisting of approximately \$277.5 million in cash from the Company’s balance sheet and approximately 10 million shares of newly issued Class A common stock, representing approximately 10% of the voting power of the Company’s outstanding shares of common stock.

On June 22, 2021, the Company acquired substantially all of the assets of Kontrol LLC (“Kontrol”) for up to \$10.5 million, of which approximately \$7.4 million was paid at closing. The acquisition was financed with cash on hand.

On December 29, 2021, the Company acquired Payix Holdings Incorporated (together with its subsidiary, “Payix”) for up to \$115.0 million, which includes \$95.6 million paid at closing and up to \$20.0 million in performance-based earnouts. The acquisition was financed with cash on hand and available revolver capacity.

Business Overview

The Company provides integrated payment processing solutions to industry-oriented markets in which businesses have specific transaction processing needs. The Company refers to these markets as “vertical markets” or “verticals.” The Company’s proprietary, integrated payment technology platform reduces the complexity of the electronic payments process for business. The Company charges its clients processing fees based on the volume of payment transactions processed and other transaction or service fees. The Company intends to continue to strategically target verticals where the Company believes its ability to tailor payment solutions to its clients’ needs, its deep knowledge of the Company’s vertical markets and

the embedded nature of its integrated payment solutions will drive strong growth by attracting new clients and fostering long-term client relationships.

The Company provides payment processing solutions to clients primarily operating in the personal loans, automotive loans, receivables management, and business-to-business verticals. The Company's payment processing solutions enable consumers and businesses in these verticals to make payments using electronic payment methods, rather than cash or check, which have historically been the primary methods of payment in these verticals. The Company believes that a growing number of consumers and businesses prefer the convenience and efficiency of paying with cards and other electronic methods and that the Company is poised to benefit from the significant growth opportunity of electronic payment processing as these verticals continue to shift from cash and check to electronic payments. The personal loans vertical is predominately characterized by installment loans, which are typically utilized by consumers to finance everyday expenses. The automotive loans vertical predominantly includes subprime automotive loans, automotive title loans and automotive buy-here-pay-here loans and also includes near-prime and prime automotive loans. The Company's receivables management vertical relates to consumer loan collections, which typically enter the receivables management process due to delinquency on credit card bills or as a result of major life events, such as job loss or major medical issues. The business-to-business vertical relates to transactions occurring between a wide variety of enterprise clients, many of which operate in the manufacturing, wholesale, distribution, healthcare, and education industries.

The Company's go-to-market strategy combines direct sales with integrations with key software providers in its target verticals. The integration of the Company's technology with key software providers in the verticals that the Company serves, including loan management systems, DMS, collection management systems, and enterprise resource planning software systems, allows the Company to embed its omni-channel payment processing technology into its clients' critical workflow software and ensure seamless operation of the Company's solutions within its clients' enterprise management systems. The Company refers to these software providers as its "software integration partners." This integration allows the Company's sales force to readily access new client opportunities or respond to inbound leads because, in many cases, a business will prefer, or in some cases only consider, a payments provider that has already integrated or is able to integrate its solutions with the business' primary enterprise management system. The Company has successfully integrated its technology solutions with numerous, widely-used enterprise management systems in the verticals that it serves, which makes its platform a more compelling choice for the businesses that use them. Moreover, the Company's relationships with its partners help it to develop deep industry knowledge regarding trends in client needs. The Company's integrated model fosters long-term relationships with its clients, which supports its volume retention rates that the Company believes are above industry averages. As of December 31, 2021, the Company maintained approximately 222 integrations with various software providers.

In March 2020, the World Health Organization declared the outbreak of the COVID-19 virus a global pandemic. The ultimate impacts of the COVID-19 pandemic and related economic conditions on the Company's results remain uncertain. The scope, duration and magnitude of the direct and indirect effects of the COVID-19 pandemic continue to evolve and in ways that are difficult to fully anticipate. At this time, the Company cannot reasonably estimate the full impact of the pandemic on the Company, given the uncertainty over the duration and severity of the economic crisis.

As previously disclosed in Company's Annual Report on Form 10-K for the year ended December 31, 2020, as amended, the Company restated its previously issued consolidated financial statements for periods following the Business Combination through December 31, 2020 to make accounting corrections related to Warrant accounting. This Annual Report on Form 10-K reflects the restated consolidated financial statements as of December 31, 2020 and 2019, for the period from July 11, 2019 to December 31, 2019, for the year ended December 31, 2020 and the quarterly periods therein.

2. Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Repay Holdings Corporation, the majority-owned Hawk Parent Holdings LLC and its 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 ("PaidSuite"), Marlin Acquirer, LLC ("Paymaxx"), REPAY International LLC, REPAY Canada Solutions ULC, TriSource Solutions ("TriSource"), LLC, Mesa Acquirer, LLC, CDT Technologies LTD, Viking GP Holdings, LLC, cPayPlus, LLC, CPS Payment Services, LLC, Media Payments, LLC, Custom Payment Systems, LLC, BT Intermediate, LLC, Electronic Payment Providers, LLC, Blue Cow Software, LLC, Hoot Payment Solutions, LLC, Internet Payment Exchange, LLC, Stratus Payment Solutions, LLC, Clear Payment Solutions, LLC, Harbor Acquisition LLC, and Payix Holdings Incorporated. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Financial Statement Presentation

The accompanying consolidated financial statements of the Company were prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The Company uses the accrual basis of accounting whereby revenues are recognized when earned, usually upon the date services are rendered, and expenses are recognized at the date services are rendered or goods are received.

Use of Estimates

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

Segment Reporting

Operating segments are defined as components of an enterprise about which discrete financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in making decisions on how to allocate resources and assess performance for the organization. The Company’s chief decision maker is the Chief Executive Officer. The Company’s chief decision maker reviews consolidated operating results to make decisions about allocating resources and assessing performance for the entire Company. Accordingly, the Company has determined that it has one operating segment: Merchant services.

There are no significant concentrations by state or geographical location, nor are there any significant individual client concentrations by balance.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposit accounts, and short-term investments with original maturities of three months or less. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Restricted Cash

Restricted cash consists of funds required to serve as security for services rendered by a service provider under a service provider agreement.

Accounts Receivable

Accounts receivable represent amounts due from clients and payment processors for services rendered. The Company has an established process for aging, provisioning and writing-off its uncollectible accounts receivable. Within this process the Company aggregates accounts receivable to the pools of receivables of similar risk characteristics. The allowance for credit losses on accounts receivables is estimated based on how long a receivable has been outstanding (e.g., under 30 days, 30–60 days, etc.). For accounts receivable outstanding more than 90 days, the Company evaluates and assesses whether the loss reserve percentage requires adjustment for reasonable and supportable forecast of relevant economic factors. As of December 31, 2021, the Company’s estimated credit losses on accounts receivable was immaterial.

Concentration of Credit Risk

The Company is highly diversified, and no single client represents greater than 10% of the business on a volume or profit basis.

Earnings per Share

Basic earnings per share of Class A common stock is computed by dividing net loss attributable to the Company by the weighted average number of shares of Class A common stock outstanding during the period. Diluted earnings per share of Class A common stock is computed by dividing net loss attributable to the Company, by the weighted average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive elements.

The Predecessor’s LLC membership structure included several different types of LLC interests including ownership interests and profits interests. The Company analyzed the calculation of earnings per unit by using the two-class method and

determined that it resulted in values that would not be meaningful to the users of these consolidated financial statements. Therefore, the Predecessor's earnings per share information has not been presented for any period.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and includes expenditures which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor renovations are charged to operations as incurred. When property and equipment is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from their respective accounts, and any gain or loss on the disposition is credited or charged to operations.

The Company provides for depreciation of property and equipment using the straight-line method designed to amortize costs over estimated useful lives as follows:

	Estimated Useful Life
Furniture, fixtures, and office equipment	5 years
Computers	3 years
Leasehold improvements	5 years

The Company evaluates the recoverability of property and equipment at least annually or whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be recoverable. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment, and actual results may differ from assumed and estimated amounts. If the carrying amount of property and equipment is determined not to be recoverable, a write-down to fair value is recorded. No impairments were recognized for the years ended December 31, 2021 and 2020.

Intangible Assets

Intangible assets consist of internal-use software development costs, purchased software, channel relationships, client relationships, certain key personnel non-compete agreements, and trade names. The Company capitalizes internal-use software development costs when the Company has completed the preliminary project stage, management authorizes the project, management commits to funding the project, it is probable the project will be completed and the project will be used to perform the function intended. The Company is amortizing internal-use software development costs and purchased software on the straight-line method over a three-year estimated useful life, a ten-year estimated useful life for channel and client relationships, and an estimated useful life for non-compete agreements equal to the term of the agreement. Trade names are determined to have an indefinite useful life. The Company evaluates the recoverability of intangible assets at least annually or whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment, and actual results may differ from assumed and estimated amounts. During the year ended December 31, 2021, the Company recognized impairments of \$2.2 million related to a trade names write-off, as the Company strategically phased out the trade names of several acquired business, which included TriSource, APS, Ventanex, cPayPlus and CPS. No indicators of impairment were identified for the year ended December 31, 2020.

Goodwill

Goodwill represents the excess of purchase price over tangible and intangible assets acquired less liabilities assumed arising from business combinations. Goodwill is generally allocated to reporting units based upon relative fair value (taking into consideration other factors such as synergies) when an acquired business is integrated into multiple reporting units. The Company's reporting units are at the operating segment level or one level below the operating segment level for which discrete financial information is prepared and regularly reviewed by management. When a business within a reporting unit is disposed of, goodwill is allocated to the disposed business using the relative fair value method. Relative fair value is estimated using a discounted cash flow analysis.

The Company performs a qualitative goodwill assessment at the reporting unit level at least annually, or more frequently as events occur or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. Factors considered in the Company's qualitative assessment include financial performance, financial forecasts, macroeconomic conditions, industry and market conditions, cost factors, market capitalization, carrying

value, and events affecting the reporting units. If, after considering all relevant events and circumstances, the Company determines it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then it is necessary to perform a quantitative impairment test. If the Company elects to bypass the qualitative analysis, or concludes from the Company's qualitative analysis that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, a quantitative impairment test is performed by comparing the fair value of each reporting unit with its carrying amount. If the fair value is greater than the carrying amount, then the reporting unit's goodwill is deemed not to be impaired. If the fair value is less than the carrying amount, an impairment loss is recognized for the amount by which a reporting unit's carrying amount exceeds its fair value, without exceeding the total amount of goodwill allocated to that reporting unit.

The Company determined that no impairment of goodwill existed as of the last testing date, December 31, 2021. Future impairment reviews may require write-downs in the Company's goodwill and could have a material adverse impact on the Company's operating results for the periods in which such write-downs occur.

Revenue

Repay provides integrated payment processing solutions to niche markets that have specific transaction processing needs; for example, personal loans, automotive loans, and receivables management. The Company contracts with its clients through contractual agreements that set forth the general terms and conditions of the service relationship, including rights of obligations of each party, line item pricing, payment terms and contract duration. 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. As our clients process increased volumes of payments, our revenues increase as a result of the fees we charge for processing these payments.

The Company's performance obligation in its contracts with clients is the promise to stand-ready to provide front-end authorization and back-end settlement payment processing services ("processing services") for an unknown or unspecified quantity of transactions and the consideration received is contingent upon the client's use (e.g., number of transactions submitted and processed) of the related processing services. Accordingly, the total transaction price is variable. These services are stand-ready obligations, as the timing and quantity of transactions to be processed is not determinable. Under a stand-ready obligation, the Company's performance obligation is satisfied over time throughout the contract term rather than at a point in time. Because the service of standing ready to perform processing services is substantially the same each day and has the same pattern of transfer to the client, the Company has determined that its stand-ready performance obligation comprises a series of distinct days of service. Discount fees and other fixed per transaction fees are recognized each day using a time-elapsed output method based on the volume or transaction count at the time the clients' transactions are processed.

Revenues are also derived from transaction or service fees (e.g. chargebacks, gateway) as well as other miscellaneous service fees. These services are considered immaterial in the overall context of our contractual arrangements and, as such, do not represent distinct performance obligations. Instead, the fees associated with these services are bundled with the processing services performance obligation identified.

The transaction price for such processing services is determined, based on the judgment of the Company's 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.

The Company follows the requirements of ASC 606-10-55-36 through -40, *Revenue from Contracts with Customers, Principal Agent Considerations*, in determining the gross versus net revenue presentation for each performance obligation in the contract with a client. Revenue recorded by the Company in the capacity as a principal is reported on a gross basis equal to the full amount of consideration to which the Company expects in exchange for the good or service transferred. Revenue recorded with the Company acting in the capacity of an agent is reported on a net basis, exclusive of any consideration provided to the principal party in the transaction.

The principal versus agent evaluation is matter of judgment that depends on the facts and circumstances of the arrangement and is dependent on whether the Company controls the good or service before it is transferred to the client or whether the Company is acting as an agent of a third party. This evaluation is performed separately for each performance obligation identified. When the Company acts as an agent, the fees collected from clients on behalf of the payment networks and card issuer is netted with the gross fees collected so that the net revenue is presented within Revenue in the Consolidated Statements of Operations.

Indirect relationships

As a result of its past acquisitions, the Company has legacy relationships with Independent Sales Organizations (each an “ISO”), whereby the Company acts as the merchant acquirer for the ISO. The ISO maintains a direct relationship with the sponsor bank and the transaction processor, rather than the Company. Consequently, the Company recognizes revenue for these relationships net of the residual amount remitted to the ISO, based on the fact that the ISO is primarily responsible for providing the transaction processing services to the merchant. The Company is not focused on this sales model, and this relationship will represent an increasingly smaller portion of the business over time.

Software Revenue

As a result of the acquisition of BillingTree, the Company has acquired a software revenue stream. Software revenue is presented within Revenue in the Consolidated Statements of Operations.

Software revenue consists of term license fees related to software products, and software maintenance and support (“PCS”). Clients typically enter into software contracts for contractual terms of three to twelve months. The term license and PCS are each distinct performance obligations. The total consideration in the contract is allocated based on management’s assessment of the relative standalone selling price for each performance obligation. The Company determines the standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price by making use of all reasonably available data such as market conditions, type of deliverable, information about the client, current and historical pricing practices and entity-specific factors such as labor hours and standard rates per labor hour.

Revenue is recognized when the related performance obligations are satisfied. Revenue from the term license is recognized at a point in time, upon delivery to the client. Revenue from PCS is recognized over the term of the contract. When the Company receives an up-front deposit, the revenue is deferred until such a time that the term license or PCS is provided to the client. Deferred revenue is expected to be recognized as revenue within one year and is classified within Other current liabilities in the Consolidated Balance Sheets.

Contract Costs

The incremental costs of obtaining a contract are recognized as an asset if the cost is incremental to obtaining a contract, and whether the costs are recoverable from the client. If both criteria are not met, costs are expensed as incurred. If the amortization period of the capitalized commission cost asset is less than one year, the Company may elect a practical expedient per ASC 340-40-25-4 to expense commissions as incurred. The amortization period is consistent with the concept of useful life under other accounting guidance, which is defined as the period over which an asset is expected to contribute directly or indirectly to future cash flows.

The Company currently incurs costs to obtain a contract through payments made to external referral partners. Commission payments are made to the external referral partner on a monthly basis based on a percentage of the profit on the contract, for as long as the client and the external referral partner have agreements with the Company. Any capitalized commission cost assets have an amortization period of one year or less, therefore the Company utilizes the practical expedient to expense commissions as incurred.

Costs to fulfill contracts with clients either give rise to an asset or are expensed as incurred. If the cost is not already covered by other applicable accounting literature, fulfillment costs are capitalized to the extent they directly relate to a specific contract, are used to generate or enhance resources used in satisfying performance obligations and are expected to be recovered. The Company does not have any costs incurred to fulfill a contract.

Practical Expedients

The Company has utilized the portfolio approach practical expedient per ASC 606-10-10-4, which allows the application of ASC 606 to a portfolio of contracts with similar characteristics provided the accounting does not differ materially to application of ASC 606 to the individual contract.

The Company has also utilized the practical expedient for immaterial goods and services per ASC 606-10-25-16A, which permits the Company not to recognize a promised good or service as a performance obligation if it is considered an immaterial promise in the context of the contract.

Transaction Costs

The Company expenses all transactions costs associated with a business combination as incurred and such expenses are included in Selling, general, and administrative expenses in the Consolidated Statements of Operations. For the years ended December 31, 2021 and 2020, the Company incurred \$9.3 million and \$4.2 million transaction costs, respectively. For the period from July 11, 2019 to December 31, 2019, the Successor incurred \$3.9 million of transaction costs for closed and pending transactions. The Predecessor incurred transaction costs of \$16.2 million for the period from January 1, 2019 to July 10, 2019.

Equity Units Awarded

The Repay Holdings Corporation 2019 Omnibus Incentive Plan (the “Incentive Plan”) provides for the grant of various equity-based incentive awards to employees, directors, consultants and advisors to the Company. The types of equity-based awards that may be granted under the Incentive Plan include: stock options, stock appreciation rights (“SARs”), performance stock units (“PSUs”), restricted stock awards (“RSAs”), restricted stock units (“RSUs”), and other stock-based awards. As of December 31, 2021, there were 7,326,728 shares of Class A common stock reserved for issuance under the Incentive Plan.

The Company accounts for stock-based compensation for employees and directors in accordance with ASC 718, Compensation (“ASC 718”). ASC 718 requires all share-based payments to employees to be recognized in the statement of operations based on their fair values. Under the provisions of ASC 718, stock-based compensation costs are measured at the grant date, based on the fair value of the award, and are recognized as expense over the employee’s requisite or derived service period.

The Predecessor accounted for profit units awarded to management based on the fair value of the awards on the date of the grant and recognized compensation expense for those awards over the requisite service period. The profit interests granted under the profit unit plan of the Predecessor were estimated on the grant date using the Black-Scholes option valuation model. The profits units were fully vested as of the Closing.

PSUs, RSAs and RSUs granted under the Incentive Plan are measured based on the fair value of the awards on the date of the grant. Compensation expense is recognized for those awards over the requisite service period. Forfeitures are accounted for as they occur.

Debt Issuance Costs

The Company accounts for debt issuance costs according to the Financial Accounting Standards Board Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, to present debt issuance costs as a reduction of the carrying amount of the debt.

Fair Value of Financial Instruments

The Company accounts for fair value measurements in accordance with ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or the price paid to transfer a liability as of the measurement date. A three-tier, fair-value reporting hierarchy exists for disclosure of fair value measurements based on the observability of the inputs to the valuation of financial assets and liabilities. The three levels are:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable in active exchange markets.

The carrying value of the Company’s financial instruments, including cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximated their fair values as of December 31, 2021, and 2020, because of the relatively short maturity dates on these instruments. The carrying amount of debt approximates fair value as of December 31, 2021 and 2020, because interest rates on these instruments approximate market interest rates.

Leases

The Company adopted ASC 842, Leases, using a modified retrospective transition approach as of January 1, 2020. The Company has elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized. The Company also elected the practical expedient to use hindsight for leases existing as of January 1, 2020.

The Company evaluates each of its lease and service arrangements at inception to determine if the arrangement is, or contains, a lease and the appropriate classification of each identified lease. A lease exists if the Company obtains substantially all of the economic benefits of, and has the right to control the use of, an asset for a period of time. The Company has operating leases for real estate. Operating leases with an original lease term in excess of twelve months are included in Other assets and Other liabilities in the Consolidated Balance Sheets. Right-of-use (“ROU”) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate to calculate the present value of lease payments. Lease terms consider options to extend or terminate based on the determination of whether such renewal or termination options are deemed reasonably certain. Lease agreements that contain non-lease components are generally accounted for as a single lease component.

Operating lease costs are recorded in Selling, general and administrative in the Consolidated Statements of Operations based on the underlying asset. Variable costs, such as maintenance expenses, property and sales taxes, association dues and index-based rate increases, are expensed as they are incurred. Variable lease payments associated with the Company’s leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expenses in Selling, general and administrative in the Consolidated Statements of Operations.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases of all applicable class of underlying assets that have a lease term of twelve months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other Company leases.

ROU assets for operating leases are periodically reduced by impairment losses. As of December 31, 2021, the Company has not encountered any impairment losses. The Company monitors for events or changes in circumstances that require a reassessment of a lease. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in gain or loss in the Consolidated Statements of Operations.

Taxation

Income taxes are provided for in accordance with ASC 740. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to net operating losses, tax credits, and temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of the enactment date. Valuation allowances are established when it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company reports a liability or a reduction of deferred tax assets for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. When applicable, the Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense.

Noncontrolling Interest

As of December 31, 2021, the Company held an 91.9% interest in Hawk Parent. For the year ended December 31, 2021, the noncontrolling interest in the net loss of subsidiaries was \$6.0 million. As of December 31, 2020, the Company held an 89.8% interest in Hawk Parent. For the year ended December 31, 2020, the noncontrolling interest in the net loss of subsidiaries was \$11.8 million. As of July 11, 2019, the Company held a 55.9% interest in Hawk Parent. For the period from July 11, 2019 to December 31, 2019, the noncontrolling interest in the net loss of subsidiaries was \$15.3 million.

Contingent Consideration

The Company estimates and records the acquisition date estimated fair value of contingent consideration as part of purchase price consideration for acquisitions. Additionally, each reporting period, the Company estimates changes in the fair value of contingent consideration, and any change in fair value is recognized in the Consolidated Statements of Operations. An increase in the contingent consideration expected to be paid will result in a charge to operations in the period that the anticipated fair value of contingent consideration increases, while a decrease in the earn-out expected to be paid will result in a credit to operations in the period that the anticipated fair value of contingent consideration decreases. The estimate of the fair value of contingent consideration requires subjective assumptions to be made of future operating results, discount rates, and probabilities assigned to various potential operating result scenarios.

Recently Adopted Accounting Pronouncements

Accounting for Income Taxes

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. ASU 2019-12 simplifies the accounting for income taxes, eliminates certain exceptions within *Income Taxes (Topic 740)*, and clarifies certain aspects of the current guidance to promote consistency among reporting entities, and is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. Most amendments within ASU 2019-12 are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis.

The Company adopted ASU 2019-12 as of January 1, 2021, using a modified retrospective transition approach. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements or related disclosures.

Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity*, which made targeted improvements to an issuer’s accounting for convertible instruments under *ASC Topic No. 470 Debt*, and the derivative scope exception for contracts in an entity’s own equity under *ASC Topic No. 815 Derivatives and Hedging*. Specifically, ASU 2020-06 reduces the number of accounting models that exist under GAAP as well as the number of settlement conditions which will likely result in more convertible instruments being accounted for as a single unit of account, a reduction in the amount of interest expense recognized for convertible debt, and more embedded derivatives meeting the derivative scope exception. In addition, ASU 2020-06 amends *ASC Topic No. 260 Earnings Per Share*, which will result in more dilutive earnings per share results.

ASU 2020-06 is effective for public companies beginning January 1, 2022, including interim periods within the fiscal years after the adoption date. Early adoption is also permitted beginning January 1, 2021, including interim periods within those fiscal years.

The Company early adopted ASU 2020-06 as of January 1, 2021. The Company issued the 2026 Notes in January 2021, which resulted in recognition of \$440.0 million in noncurrent long-term debt and \$11.4 million in debt issuance costs. In determining the impact of the 2026 Notes on the Company’s diluted earnings per share calculations, the Company applies the if-converted method. For additional information and required disclosures related to 2026 Notes, see Note 10. Borrowings.

Recently Issued Accounting Pronouncements not yet Adopted

Business Combinations

In August 2021, the FASB issued ASU No. 2021-08, “*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (“ASU No. 2021-08”). ASU No. 2021-18 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 No. 2021-08 are required to be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company is currently in the process of evaluating the effects of ASU No. 2021-08 on its consolidated financial statements.

3. Revenue

Disaggregation of Revenue

The table below presents a disaggregation of revenue by direct and indirect relationships.

	Year Ended December 31, 2021	Year Ended December 31, 2020 (Successor)	From July 11, 2019 to December 31, 2019	From January 1, 2019 to July 10, 2019 (Predecessor)
Revenue				
Direct relationships	\$213,251,782	\$152,247,190	\$56,370,030	\$45,693,961
Indirect relationships	6,006,256	2,788,753	1,190,440	1,348,956
Total Revenue	\$219,258,038	\$155,035,943	\$57,560,470	\$47,042,917

4. Earnings Per Share

During the years ended December 31, 2021 and 2020, and the period from July 11, 2019 to December 31, 2019, basic and diluted net loss per common share is the same since the inclusion of the assumed exchange of all Post-Merger Repay Units, unvested restricted share awards, Warrants and 2026 Notes would have been anti-dilutive.

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

	Year Ended December 31, 2021	Year Ended December 31, 2020	From July 11, 2019 to December 31, 2019
Loss before income tax expense	\$(86,727,719)	\$(129,724,270)	\$(51,810,162)
Less: Net loss attributable to non-controlling interests	(5,952,390)	(11,769,683)	(15,271,043)
Income tax benefit	30,691,156	12,358,025	4,990,989
Net loss attributable to the Company	<u>\$(50,084,173)</u>	<u>\$(105,596,562)</u>	<u>\$(31,548,130)</u>
Weighted average shares of Class A common stock outstanding - basic and diluted	83,318,189	52,180,911	35,731,220
Loss per share of Class A common stock outstanding - basic and diluted	<u>\$(0.60)</u>	<u>\$(2.02)</u>	<u>\$(0.88)</u>

For the years ended December 31, 2021 and 2020, and the period from July 11, 2019 to December 31, 2019, 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:

	Year Ended December 31, 2021	Year Ended December 31, 2020	From July 11, 2019 to December 31, 2019
Post-Merger Repay Units exchangeable for Class A common stock	7,926,576	8,334,160	21,985,297
Earnout Post-Merger Repay Units exchangeable for Class A common stock	—	—	7,500,000
Dilutive warrants exercisable for Class A common stock	—	—	1,816,890
Unvested restricted share awards of Class A common stock	2,515,634	2,209,551	1,731,560
2026 Notes convertible for Class A common stock	13,095,238	—	—
Share equivalents excluded from earnings (loss) per share	<u>23,537,448</u>	<u>10,543,711</u>	<u>33,033,747</u>

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

5. Business Combinations

Hawk Parent Holdings LLC

Thunder Bridge and Hawk Parent entered into the Merger Agreement effective as of January 21, 2019 and announced consummation of the transactions contemplated by the Merger Agreement on July 11, 2019. Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, at the closing of the Business Combination, (a) Thunder Bridge effected the domestication to become a Delaware corporation and (b) a wholly-owned subsidiary of Thunder Bridge merged with and into Hawk Parent, with Hawk Parent continuing as the surviving entity and becoming a subsidiary of the Company (with Thunder Bridge receiving membership interests in Hawk Parent as the surviving entity and becoming the managing member of the surviving entity). At the effective time of the Business Combination, Thunder Bridge changed its corporate name to "Repay Holdings Corporation" and all outstanding securities of Hawk Parent converted into the right to receive the consideration specified in the Merger Agreement.

Each member of Hawk Parent received in exchange for their limited liability interests (i) one share of Class V common stock of the Company and (ii) a pro rata share of (A) non-voting limited liability units of Hawk Parent as the surviving entity, referred to as Post-Merger Repay Units, (B) certain cash consideration, and (C) the contingent right to receive certain additional Post-Merger Repay Units issued as an earn-out under the Merger Agreement after the closing of the Business Combination ("Earnout Units"). Shares of Class A common stock of the Company will provide the holder with voting and economic rights with respect to the Company as a holder of common stock. Each share of Class V common stock of the Company entitles the holder to vote as a stockholder of the Company, with the number of votes equal to the number of Post-Merger Repay Units held by the holder but provides no economic rights to the holder. At any time after the six month anniversary of the closing of the Business Combination, pursuant to the terms of the Exchange Agreement, each holder of a Post-Merger Repay Unit will be entitled to exchange such unit for one share of Class A common stock of the Company.

The amount of cash consideration paid to selling Hawk Parent members at the closing of the Business Combination was equal to the following: (i) the total cash and cash equivalents of Thunder Bridge (including funds in its trust account after the redemption of its public stockholders and the proceeds of any debt or equity financing), *minus* (ii) the amount of Thunder Bridge's unpaid expenses and obligations, *plus* (iii) the cash and cash equivalents of Hawk Parent as of immediately prior to the effective time of the Business Combination (excluding restricted cash), *minus* (iv) the amount of unpaid transaction expenses of Hawk Parent as of the closing of the Business Combination, *minus* (v) the amount of the indebtedness and other debt-like items of Hawk Parent and its subsidiaries as of the closing of the Business Combination, *minus* (vi) the amount of change of control and similar payments payable to employees of Hawk Parent in connection with the Business Combination, *minus* (vii) an amount of cash reserves equal to \$10,000,000, *minus* (viii) a cash escrow of \$150,000, *minus* (ix) an amount equal to \$2,000,000 to be held by a representative of the selling Hawk Parent members, *minus* (x) the cash payment required in connection with the Warrant Amendment, *minus* (xi) an amount required to be deposited on the balance sheet of Hawk Parent in connection with the Business Combination.

Pursuant to a Tax Receivable Agreement ("Tax Receivable Agreement" or "TRA") between the Company and the selling Hawk Parent members, the Company will pay to exchanging holders of Post-Merger Repay Units 100% of the tax savings that the Company realizes as a result of increases in tax basis in the Company's assets as a result of the exchange of the Post-Merger Repay Units for shares of Class A common stock pursuant to the Exchange Agreement between the Company and the Class A unit holders of Hawk Parent Holdings LLC, excluding the Company, dated as of July 11, 2019, and certain other tax attributes of Repay and tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA.

Hawk Parent constitutes a business, with inputs, processes, and outputs. Accordingly, the Business Combination constitutes the acquisition of a business for purposes of ASC 805 and, due to the changes in control from the Business Combination, is accounted for using the acquisition method. Under the acquisition method, the acquisition date fair value of the gross consideration paid by Thunder Bridge to close the Business Combination was allocated to the assets acquired and the liabilities assumed based on their estimated fair values.

The following summarizes the purchase consideration paid to the selling members of Hawk Parent:

Cash Consideration	\$260,811,062
Unit Consideration ⁽¹⁾	220,452,964
Contingent consideration ⁽²⁾	12,300,000
Tax receivable agreement liability ⁽³⁾	65,537,761
Net working capital adjustment	<u>(396,737)</u>
Total purchase price	<u><u>\$558,705,050</u></u>

⁽¹⁾ The Company issued 22,045,297 shares of Post-Merger Repay Units valued at \$10.00 per share as of July 11, 2019.

⁽²⁾ Reflects the fair value of Earnout Units, the contingent consideration paid to the selling members of Hawk Parent, pursuant to the Merger Agreement. The Company reflected this as noncontrolling interests on its balance sheet. The Repay Unitholders received 7,500,000 Earnout Units based on the stock price of the Company.

⁽³⁾ Represents liability with an estimated fair value of \$65.5 million as a result of the TRA. If all the Post-Merger Repay Units are ultimately exchanged, the liability will significantly increase based on a variety of factors present at the time of exchange including, but not limited to, the market price at the time of the exchange. If the Company were to elect to terminate the Tax Receivable Agreement early, the Company would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits.

The Company recorded an allocation of the purchase price to Hawk Parent's tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the July 11, 2019 closing date. The final purchase price allocation is as follows:

Cash and cash equivalents	\$11,281,078
Accounts receivable	10,593,867
Prepaid expenses and other current assets	<u>890,745</u>
Total current assets	22,765,690
Property, plant and equipment, net	1,167,872
Restricted cash	6,930,434
Identifiable intangible assets	<u>301,000,000</u>
Total identifiable assets acquired	331,863,996
Accounts payable	(4,206,413)
Accrued expenses	(8,831,363)
Accrued employee payments	(6,501,123)
Other liabilities	(16,864)
Repay debt assumed	<u>(93,514,583)</u>
Net identifiable assets acquired	218,793,650
Goodwill	<u>339,911,400</u>
Total purchase price	<u><u>\$558,705,050</u></u>

The values allocated to identifiable intangible assets and their estimated useful lives are as follows:

Identifiable intangible assets	Fair Value (in millions)	Useful life (in years)
Non-compete agreements	\$3.0	2
Trade names	20.0	Indefinite
Developed technology	65.0	3
Merchant relationships	210.0	10
Channel relationships	<u>3.0</u>	10
	<u><u>\$301.0</u></u>	

Goodwill recognized of \$339.9 million represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired, of which \$279.2 million is expected to be deductible for tax purposes. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets apart from goodwill.

TriSource

On August 13, 2019, the Company acquired all of the ownership interests of TriSource. Under the terms of the securities purchase agreement, between Repay Holdings, LLC and the direct and indirect owners of TriSource, as of August 13, 2019, the aggregate consideration paid at closing by Repay was approximately \$60.2 million in cash. In addition to the closing consideration, the TriSource purchase agreement contains a performance based earnout based on future results of the acquired business, which could result in an additional payment to the former owners of TriSource of up to \$5.0 million. The TriSource acquisition was financed with a combination of cash on hand and committed borrowing capacity under the Company's existing credit facility. The TriSource purchase agreement contains customary representations, warranties and covenants by the Company and the former owners of TriSource, as well as a customary post-closing adjustment provision relating to working capital and similar items.

The following summarizes the purchase consideration paid to the selling members of TriSource:

Cash Consideration	\$60,235,090
Contingent consideration ⁽¹⁾	2,250,000
Total purchase price	\$62,485,090

⁽¹⁾ Reflects the fair value of TriSource earnout payment, the contingent consideration to be paid to the selling members of TriSource, pursuant to the TriSource purchase agreement. The selling members of TriSource had the contingent earnout right to receive a payment of up to \$5.0 million dependent upon the Gross Profit, as defined in the TriSource purchase agreement, for the period commencing on July 1, 2019 and ending on June 30, 2020. In October 2020, the Company paid the TriSource earnout payment of \$4.0 million.

The Company recorded an allocation of the purchase price to TriSource's tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the August 13, 2019 closing date. The final purchase price allocation is as follows:

Cash and cash equivalents	\$383,236
Accounts receivable	2,290,441
Prepaid expenses and other current assets	95,763
Total current assets	2,769,440
Property, plant and equipment, net	215,739
Restricted cash	509,019
Identifiable intangible assets	30,500,000
Total identifiable assets acquired	33,994,198
Accounts payable	(1,621,252)
Accrued expenses	(756,117)
Net identifiable assets acquired	31,616,829
Goodwill	30,868,261
Total purchase price	\$62,485,090

The values allocated to identifiable intangible assets and their estimated useful lives are as follows:

Identifiable intangible assets	Fair Value (in millions)	Useful life (in years)
Non-compete agreements	\$0.4	5
Trade names	0.7	Indefinite
Developed technology	3.9	3
Merchant relationships	25.5	10
	\$30.5	

Goodwill recognized of \$30.9 million represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired, of which \$32.2 million is expected to be deductible for tax purposes. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets apart from goodwill. Intangible assets not recognized apart from goodwill consist primarily of the strong market position and the assembled workforce of TriSource.

APS

On October 14, 2019, the Company acquired substantially all of the assets of APS for \$30.5 million in cash. In addition to the cash consideration, the APS selling equity holders may be entitled to a total of \$30.0 million in three separate cash earnout payments, dependent on the achievement of certain growth targets.

The following summarizes the purchase consideration paid to the selling members of APS:

Cash consideration	\$30,465,454
Contingent consideration ⁽¹⁾	18,580,549
Total purchase price	\$49,046,003

⁽¹⁾ Reflects the fair value of APS earnout payment, the contingent consideration to be paid to the selling members of APS, pursuant to the APS purchase agreement. On April 6, 2020, the Company paid the first APS earnout payment of \$14.3 million. As of December 31, 2020, the remaining APS earnout was adjusted to \$0, net of the first payment, which resulted in a \$4.3 million adjustment included in the change in fair value of contingent consideration in the Consolidated Statements of Operations for the year ended December 31, 2020.

The Company recorded an allocation of the purchase price to APS' tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the October 11, 2019 closing date. The final purchase price allocation is as follows:

Cash and cash equivalents	\$ —
Accounts receivable	1,963,177
Prepaid expenses and other current assets	67,158
Total current assets	2,030,335
Property, plant and equipment, net	159,553
Restricted cash	549,978
Identifiable intangible assets	21,500,000
Total identifiable assets acquired	24,239,866
Accounts payable	(1,101,706)
Accrued expenses	(19,018)
Net identifiable assets acquired	23,119,142
Goodwill	25,926,861
Total purchase price	\$49,046,003

The values allocated to identifiable intangible assets and their estimated useful lives are as follows:

Identifiable intangible assets	Fair Value (in millions)	Useful life (in years)
Non-compete agreements	\$0.5	5
Trade names	0.5	Indefinite
Merchant relationships	20.5	9
	<u>21.5</u>	

Goodwill recognized of \$25.9 million represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired, of which \$21.7 million is expected to be deductible for tax purposes. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets apart from goodwill. Intangible assets not recognized apart from goodwill consist primarily of the strong market position and the assembled workforce of APS.

Ventanex

On February 10, 2020, the Company acquired all of the ownership interests of Ventanex. Under the terms of the securities purchase agreement between Repay Holdings, LLC and the direct and indirect owners of CDT Technologies, LTD. (“Ventanex Purchase Agreement”), the aggregate consideration paid at closing by the Company was approximately \$36.0 million in cash. In addition to the closing consideration, the Ventanex Purchase Agreement contains a performance-based earnout (the “Ventanex Earnout Payment”), which was based on future results of the acquired business and could result in an additional payment to the former owners of Ventanex of up to \$14.0 million. The Ventanex acquisition was financed with a combination of cash on hand and committed borrowing capacity under the Company’s existing credit facility. The Ventanex Purchase Agreement contains customary representations, warranties and covenants by Repay and the former owners of Ventanex, as well as a customary post-closing adjustment provision relating to working capital and similar items.

The following summarizes the purchase consideration paid to the selling members of Ventanex:

Cash consideration	\$35,939,129
Contingent consideration ⁽¹⁾	4,800,000
Total purchase price	\$40,739,129

⁽¹⁾ Reflects the fair value of the Ventanex Earnout Payment, the contingent consideration to be paid to the selling members of Ventanex, pursuant to the Ventanex Purchase Agreement as of February 10, 2020. The selling partners of Ventanex will have the contingent earnout right to receive a payment of up to \$14.0 million dependent upon the Gross Profit, as defined in the Ventanex Purchase Agreement, for the years ended December 31, 2020 and 2021. In February 2021, the Company paid the sellers of Ventanex \$0.9 million, pursuant to the terms of the Ventanex Purchase Agreement. As of December 31, 2021, the fair value of Ventanex earnout was \$12.7 million, which resulted in a \$7.9 million adjustment included in the change in fair value of contingent consideration in the Consolidated Statements of Operations for the year ended December 31, 2021.

The Company recorded an allocation of the purchase price to Ventanex’s tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the February 10, 2020 closing date. The purchase price allocation is as follows:

Cash and cash equivalents	\$50,663
Accounts receivable	1,376,539
Prepaid expenses and other current assets	180,514
Total current assets	1,607,716
Property, plant and equipment, net	137,833
Restricted cash	428,313
Identifiable intangible assets	26,890,000
Total identifiable assets acquired	29,063,862
Accounts payable	(152,035)
Accrued expenses	(373,159)
Net identifiable assets acquired	28,538,668
Goodwill	12,200,461
Total purchase price	\$40,739,129

The values allocated to identifiable intangible assets and their estimated useful lives are as follows:

Identifiable intangible assets	Fair Value (in millions)	Useful life (in years)
Non-compete agreements	\$0.1	5
Trade names	0.4	Indefinite
Developed technology	4.1	3
Merchant relationships	22.3	10
	<u>\$26.9</u>	

Goodwill recognized of \$12.2 million represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired, of which \$8.3 million is expected to be deductible

for tax purposes. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets apart from goodwill. Intangible assets not recognized apart from goodwill consist primarily of the strong market position and the assembled workforce of Ventanex.

cPayPlus

On July 23, 2020, the Company acquired all of the ownership interests of cPayPlus. Under the terms of the securities purchase agreement between Repay Holdings, LLC and the direct and indirect owners of cPayPlus (“cPayPlus Purchase Agreement”), the aggregate consideration paid at closing by the Company was approximately \$8.0 million in cash. In addition to the closing consideration, the cPayPlus Purchase Agreement contains a performance-based earnout (the “cPayPlus Earnout Payment”), which was based on future results of the acquired business and could result in an additional payment to the former owners of cPayPlus of up to \$8.0 million. The cPayPlus acquisition was financed with cash on hand. The cPayPlus Purchase Agreement contains customary representations, warranties and covenants by Repay and the former owners of cPayPlus, as well as a customary post-closing adjustment provision relating to working capital and similar items.

The following summarizes the purchase consideration paid to the selling members of cPayPlus:

Cash consideration	\$7,956,963
Contingent consideration ⁽¹⁾	6,500,000
Total purchase price	\$14,456,963

⁽¹⁾ Reflects the fair value of the cPayPlus Earnout Payment, the contingent consideration to be paid to the selling members of cPayPlus, pursuant to the cPayPlus Purchase Agreement as of July 23, 2020. The selling partners of cPayPlus will have the contingent earnout right to receive a payment of up to \$8.0 million dependent upon the Gross Profit, as defined in the cPayPlus Purchase Agreement, in the third quarter of 2021. On September 17, 2021, the Company paid the cPayPlus Earnout Payment of \$8.0 million.

The Company recorded an allocation of the purchase price to cPayPlus’s tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the July 23, 2020 closing date. The purchase price allocation is as follows:

Cash and cash equivalents	\$262,331
Accounts receivable	164,789
Prepaid expenses and other current assets	37,660
Total current assets	464,780
Property, plant and equipment, net	20,976
Identifiable intangible assets	7,720,000
Total identifiable assets acquired	8,205,756
Accounts payable	(99,046)
Accrued expenses	(363,393)
Net identifiable assets acquired	7,743,317
Goodwill	6,713,646
Total purchase price	\$14,456,963

The values allocated to identifiable intangible assets and their estimated useful lives are as follows:

Identifiable intangible assets	Fair Value (in millions)	Useful life (in years)
Non-compete agreements	\$0.1	5
Trade names	0.1	Indefinite
Developed technology	6.7	3
Merchant relationships	0.8	10
	<u>\$7.7</u>	

Goodwill recognized of \$6.7 million represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired, of which \$8.2 million is expected to be deductible for tax purposes. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not

recognized as separate identifiable intangible assets apart from goodwill. Intangible assets not recognized apart from goodwill consist primarily of the strong market position and the assembled workforce of cPayPlus.

CPS

On November 2, 2020, the Company acquired all of the ownership interests of CPS. Under the terms of the securities purchase agreement between Repay Holdings, LLC and the direct and indirect owners of CPS. (“CPS Purchase Agreement”), the aggregate consideration paid at closing by the Company was approximately \$83.9 million in cash. In addition to the closing consideration, the CPS Purchase Agreement contains a performance-based earnout (the “CPS Earnout Payment”), which was based on future results of the acquired business and could result in an additional payment to the former owners of CPS of up to \$15.0 million in two separate earnouts. The CPS acquisition was financed with cash on hand. The CPS Purchase Agreement contains customary representations, warranties and covenants by Repay and the former owners of CPS, as well as a customary post-closing adjustment provision relating to working capital and similar items.

The following summarizes the purchase consideration paid to the selling members of CPS:

Cash consideration	\$83,886,556
Contingent consideration ⁽¹⁾	4,500,000
Total purchase price	\$88,386,556

⁽¹⁾ Reflects the fair value of the CPS Earnout Payment, the contingent consideration to be paid to the selling members of CPS, pursuant to the CPS Purchase Agreement as of November 2, 2020. The selling partners of CPS will have the contingent earnout right to receive a payment of up to \$15.0 million in two separate earnouts, dependent upon the Gross Profit, as defined in the CPS Purchase Agreement. As of December 31, 2021, the fair value of the CPS earnout was \$0.6 million, which resulted in a (\$3.9) million adjustment included in the change in fair value of contingent consideration in the Consolidated Statements of Operations for the year ended December 31, 2021.

The Company recorded an allocation of the purchase price to CPS’ and MPI’s tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the November 2, 2020 closing date. The purchase price allocation is as follows:

	CPS	MPI
Cash and cash equivalents	\$1,667,066	\$2,097,921
Accounts receivable	2,810,158	5,556,958
Prepaid expenses and other current assets	2,615,615	934,751
Total current assets	7,092,839	8,589,630
Property, plant and equipment, net	19,391	2,995
Restricted cash	407	35,318
Identifiable intangible assets	30,830,000	7,110,000
Total identifiable assets acquired	37,942,637	15,737,943
Accounts payable	(2,004,371)	(4,495,599)
Accrued expenses	(2,143,680)	—
Net identifiable assets acquired	33,794,586	11,242,344
Goodwill	40,747,939	2,601,687
Total purchase price	\$74,542,525	\$13,844,031

The values allocated to identifiable intangible assets and their estimated useful lives are as follows:

Identifiable intangible assets	Fair Value (in millions)		Useful life (in years)
	CPS	MPI	
Non-compete agreements	\$0.1	\$0.1	4
Trade names	0.5	0.1	Indefinite
Developed technology	7.2	0.7	3
Merchant relationships	23.0	6.3	10
	\$30.8	\$7.2	

Goodwill recognized of \$43.3 million represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired, of which \$38.8 million is expected to be deductible for tax purposes. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets apart from goodwill. Intangible assets not recognized apart from goodwill consist primarily of the strong market position and the assembled workforce of CPS.

BillingTree

On June 15, 2021, the Company acquired BillingTree. Under the terms of the agreement and plan of merger between BT Intermediate, LLC, the Company, two newly formed subsidiaries of the Company and the owner of BT Intermediate, LLC (“BillingTree Merger Agreement”), the aggregate consideration paid at closing by the Company was approximately \$505.8 million, consisting of approximately \$277.5 million in cash and approximately 10 million shares of Class A common stock. The BillingTree Merger Agreement contains customary representations, warranties and covenants by Repay and the former owner of BillingTree, as well as a customary post-closing adjustment provision relating to working capital and similar items.

The following summarizes the preliminary purchase consideration paid to the seller of BillingTree:

Cash consideration	\$277,521,139
Class A common stock issued	228,250,000
Total purchase price	\$505,771,139

The Company recorded a preliminary allocation of the purchase price to BillingTree’s tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the June 15, 2021 closing date. The preliminary purchase price allocation is as follows:

Cash and cash equivalents	\$8,243,570
Accounts receivable	3,623,894
Prepaid expenses and other current assets	1,601,854
Total current assets	13,469,318
Property, plant and equipment, net	541,244
Restricted cash	274,954
Other assets	1,782,489
Identifiable intangible assets	236,810,000
Total identifiable assets acquired	252,878,005
Accounts payable	(2,552,251)
Accrued expenses and other liabilities	(6,982,919)
Deferred tax liability	(31,371,590)
Net identifiable assets acquired	211,971,245
Goodwill	293,799,895
Total purchase price	\$505,771,140

The preliminary values allocated to identifiable intangible assets and their estimated useful lives are as follows:

Identifiable intangible assets	Fair Value (in millions)	Useful life (in years)
Non-compete agreements	\$0.3	2
Trade names	7.8	Indefinite
Developed technology	26.2	3
Merchant relationships	202.5	10
	\$236.8	

Goodwill recognized of \$293.8 million represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired, of which \$47.7 million is expected to be deductible for tax purposes. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets

that are not recognized as separate identifiable intangible assets apart from goodwill. Intangible assets not recognized apart from goodwill consist primarily of the strong market position and the assembled workforce of BillingTree.

BillingTree contributed \$31.3 million to revenue and \$(0.0) million in net income to the Company's Consolidated Statements of Operations, from June 15, 2021 through December 31, 2021.

Kontrol

On June 22, 2021, the Company acquired substantially all of the assets of Kontrol LLC ("Kontrol"). Under the terms of the asset purchase agreement between a newly formed subsidiary of Repay Holdings, LLC and the owner of Kontrol ("Kontrol Purchase Agreement"), the aggregate consideration to be paid by the Company was up to \$10.5 million, of which \$7.4 million was paid at closing. The Kontrol Purchase Agreement contains customary representations, warranties and covenants by Repay and the former owner of Kontrol, as well as a customary post-closing adjustment provision relating to working capital and similar items.

The following summarizes the preliminary purchase consideration paid to the owner of Kontrol:

Cash consideration	\$7,439,373
Contingent consideration ⁽¹⁾	500,000
Total purchase price	\$7,939,373

⁽¹⁾ Reflects the fair value of the Kontrol earnout payment, the contingent consideration to be paid to the selling members of Kontrol, pursuant to the Kontrol Purchase Agreement as of June 22, 2021. The selling partners of Kontrol will have the contingent earnout right to receive a payment of up to \$3.0 million, dependent upon the Gross Profit, as defined in the Kontrol Purchase Agreement. As of December 31, 2021, the fair value of the Kontrol earnout was \$0.9 million, which resulted in a \$0.4 million adjustment included in the change in fair value of contingent consideration in the Consolidated Statements of Operations for the year ended December 31, 2021.

The Company recorded a preliminary allocation of the purchase price to Kontrol's tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the June 22, 2021 closing date. The preliminary purchase price allocation is as follows:

Accounts receivable	\$67,510
Prepaid expenses and other current assets	5,572
Total current assets	73,082
Identifiable intangible assets	6,940,000
Total identifiable assets acquired	7,013,082
Accounts payable	(664,932)
Net identifiable assets acquired	6,348,150
Goodwill	1,591,223
Total purchase price	\$7,939,373

The preliminary values allocated to identifiable intangible assets and their estimated useful lives are as follows:

Identifiable intangible assets	Fair Value (in millions)	Useful life (in years)
Trade names	\$0.0	Indefinite
Merchant relationships	6.9	8
	<u>\$6.9</u>	

Goodwill of \$1.6 million represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired, of which \$1.1 million on a gross basis is expected to be deductible for tax purposes. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets apart from goodwill. Intangible assets not recognized apart from goodwill consist primarily of the strong market position and the assembled workforce of Kontrol.

Kontrol contributed \$1.7 million to revenue and \$0.6 million in net income to the Company's Consolidated Statements of Operations, from June 22, 2021 through December 31, 2021.

Payix

On December 29, 2021, the Company acquired Payix. Under the terms of the merger agreement with Payix. (“Payix Purchase Agreement”), the aggregate consideration paid at closing by the Company was approximately \$95.6 million in cash. In addition to the closing consideration, the Payix Purchase Agreement contains a performance-based earnout (the “Payix Earnout Payment”), which was based on future results of the acquired business and could result in an additional payment to the former owners of Payix of up to \$20.0 million. The Payix acquisition was financed with cash on hand and available revolver capacity. The Payix Purchase Agreement contains customary representations, warranties and covenants by Repay and the former owners of Payix, as well as a customary post-closing adjustment provision relating to working capital and similar items.

The following summarizes the preliminary purchase consideration paid to the sellers of Payix:

Cash consideration	\$95,627,972
Contingent consideration ⁽¹⁾	2,850,000
Total purchase price	\$98,477,972

⁽¹⁾ Reflects the fair value of the Payix earnout payment, the contingent consideration to be paid to the former owners of Payix, pursuant to the Payix Purchase Agreement as of December 31, 2021. The former owners of Payix will have the contingent earnout right to receive a payment of up to \$20.0 million, dependent upon the Gross Profit, as defined in the Payix Purchase Agreement. As of December 31, 2021, the fair value of the Payix earnout was \$2.9 million.

The Company recorded a preliminary allocation of the purchase price to Payix’s tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the December 29, 2021 closing date. The preliminary purchase price allocation is as follows:

Cash and cash equivalents	\$702,575
Accounts receivable	1,715,292
Prepaid expenses and other current assets	93,891
Total current assets	2,511,758
Property, plant and equipment, net	83,449
Restricted cash	27,177
Other assets	655,588
Identifiable intangible assets	33,150,000
Total identifiable assets acquired	36,427,972
Accounts payable	(214,195)
Accrued expenses and other liabilities	(2,022,846)
Deferred tax liability	(6,943,998)
Net identifiable assets acquired	27,246,933
Goodwill	71,231,039
Total purchase price	\$98,477,972

The preliminary values allocated to identifiable intangible assets and their estimated useful lives are as follows:

Identifiable intangible assets	Fair Value (in millions)	Useful life (in years)
Trade names	\$0.3	Indefinite
Developed technology	12.4	3
Merchant relationships	20.5	10
	<u>\$33.2</u>	

Goodwill recognized of \$71.2 million represents the excess of the gross consideration transferred over the fair value of the underlying net tangible and identifiable intangible assets acquired, none of which is expected to be deductible for tax purposes. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets apart from goodwill. Intangible assets not recognized apart from goodwill consist primarily of the strong market position and the assembled workforce of Payix.

Payix contributed \$0.1 million to revenue and \$(0.0) million in net income to the Company's Consolidated Statements of Operations, from December 29, 2021 through December 31, 2021.

Measurement Period

The preliminary purchase price allocations for the acquisitions of BillingTree, Kontrol, and Payix are based on initial estimates and provisional amounts. For the acquisitions completed during the year ended December 31, 2021, the Company continues to refine its inputs and estimates inherent in the valuation of intangible assets, deferred income taxes, realization of tangible assets and the accuracy and completeness of liabilities within the measurement period.

Pro Forma Financial Information (Unaudited)

The supplemental condensed consolidated results of the Company on an unaudited pro forma basis give effect to Ventanex, cPayPlus, CPS, BillingTree, Kontrol and Payix acquisitions as if the transactions had occurred on January 1, 2020. The unaudited pro forma information reflects adjustments for the issuance of the Company's common stock, debt incurred in connection with the transactions, the impact of the fair value of intangible assets acquired and related amortization and other adjustments the Company believes are reasonable for the pro forma presentation. In addition, the pro forma earnings exclude acquisition-related costs.

	Pro Forma Year Ended December 31, 2021	Pro Forma Year Ended December 31, 2020
Revenue	\$257,014,219	\$234,656,115
Net loss	(54,626,915)	(120,849,273)
Net loss attributable to non-controlling interests	(5,813,388)	(12,792,802)
Net loss attributable to the Company	(48,813,527)	(108,056,471)
Loss per Class A share - basic and diluted	<u>\$ (0.56)</u>	<u>\$ (1.74)</u>

6. Fair Value of Assets and Liabilities

The following table summarizes, by level within the fair value hierarchy, the carrying amounts and estimated fair values of our assets and liabilities measured at fair value on a recurring or nonrecurring basis or disclosed, but not carried, at fair value in the 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. Refer to Note 5, Note 9 and Note 10 for additional information on these assets and liabilities.

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Other assets	—	2,499,996	—	2,499,996
Total assets	\$ —	\$2,499,996	\$ —	\$2,499,996
Liabilities:				
Contingent consideration	\$ —	\$ —	\$17,046,840	\$17,046,840
Borrowings	—	448,484,696	—	448,484,696
Tax receivable agreement	—	—	245,828,419	245,828,419
Total liabilities	\$ —	\$448,484,696	\$262,875,259	\$711,359,955

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Contingent consideration	\$ —	\$ —	\$15,800,000	\$15,800,000
Borrowings	—	256,713,396	—	256,713,396
Tax receivable agreement	—	—	229,228,105	229,228,105
Interest rate swap	—	9,312,332	—	9,312,332
Total liabilities	\$ —	\$266,025,728	\$245,028,105	\$511,053,833

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 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”).

The Company used a discount rate to determine the present value, based on a risk-free rate adjusted for a credit spread, of the contingent consideration in the simulation approach. A range of 3.4% to 3.5% and weighted average of 3.4% was applied to the simulated contingent consideration payments, 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 following table provides a rollforward of the contingent consideration related to previous business acquisitions. Refer to Note 5 for more details.

	Year Ended December 31, 2021	Year Ended December 31, 2020 (Successor)	From July 11, 2019 to December 31, 2019	From January 1, 2019 to July 10, 2019 (Predecessor)
Balance at beginning of period	\$15,800,000	\$14,250,000	\$ —	\$1,816,988
Measurement period adjustment	—	6,580,549	—	—
Purchases	4,350,000	15,800,000	14,250,000	—
Payments	(8,948,786)	(18,320,549)	—	(1,816,988)
Valuation adjustment	5,845,626	(2,510,000)	—	—
Balance at end of period	\$17,046,840	\$15,800,000	\$14,250,000	\$ —

Borrowings

The carrying value of the Company's 2026 Notes, revolving credit facility and term loan is net of unamortized debt discount and debt issuance costs. The carrying amount of the Company's borrowings approximates fair value because interest rates on these instruments approximate market interest rates. The fair value of Company's borrowings is classified within Level 2 of the fair value hierarchy, as the market interest rates are generally observable and do not contain a high level of subjectivity. See Note 10 for further discussion on borrowings.

Tax Receivable Agreement

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

The Company used a discount rate, also referred to as the early termination rate, to determine the present value, based on a risk-free rate plus a spread, pursuant to the TRA. A rate of 1.58% was applied to the forecasted TRA payments as of December 31, 2021, 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 increased as a result of exchanges of Post-Merger Repay Units for Class A common stock pursuant to the Exchange Agreement. In addition, the TRA balance increased \$14.1 million through accretion expense and a valuation adjustment, related to a decrease in the discount rate, which was 1.34%, as of December 31, 2020, and the finalization of the various components related to the 2020 exchanges of Post-Merger Repay Units.

The following table provides a rollforward of the TRA related to the Business Combination and subsequent acquisition of Post-Merger Repay Units held by Corsair, pursuant to the Unit Purchase Agreements. See Note 15 for further discussion on the TRA.

	Year Ended December 31, 2021	Year Ended December 31, 2020 (Successor)	From July 11, 2019 to December 31, 2019	From January 1, 2019 to July 10, 2019 (Predecessor)
Balance at beginning of period	\$229,228,105	\$67,176,226	\$ —	\$ —
Purchases	2,491,251	149,612,393	67,176,226	—
Payments	—	—	—	—
Accretion expense	5,065,507	2,955,148	—	—
Valuation adjustment	9,043,556	9,484,338	—	—
Balance at end of period	\$245,828,419	\$229,228,105	\$67,176,226	\$ —

Interest Rate Swap

In October 2019, the Company entered into a \$140.0 million notional, fifty-seven month interest rate swap agreement, and in February 2020, the Company entered into a \$30.0 million notional, sixty month interest rate swap agreement, then a revised notional amount of \$65.0 million beginning on September 30, 2020. These interest rate swap agreements are to hedge changes in its cash flows attributable to interest rate risk on a combined \$205.0 million of Company's variable-rate term loan to a fixed-rate basis, thus reducing the impact of interest rate changes on future interest expense.

These swaps involve the receipt of variable-rate amounts in exchange for fixed interest rate payments over the life of the agreement without an exchange of the underlying notional amount and was designated for accounting purposes as a cash flow hedge. The interest rate swap is carried at fair value on a recurring basis in the Consolidated Balance Sheets and is classified within Level 2 of the fair value hierarchy, as the inputs to the derivative pricing model are generally observable and do not contain a high level of subjectivity. The fair value was determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date.

Both interest rate swaps were settled in January 2021, with \$6.4 million, net of taxes of \$1.7 million reclassified from Accumulated other comprehensive loss into Other loss in the Consolidated Statements of Operations for the year ended December 31, 2021.

7. Property and Equipment

Property and equipment consisted of the following:

	December 31, 2021	December 31, 2020
Furniture, fixtures, and office equipment	\$2,763,380	\$1,112,702
Computers	3,408,336	1,733,672
Leasehold improvements	<u>430,894</u>	<u>340,333</u>
Total	6,602,610	3,186,707
Less: Accumulated depreciation and amortization	<u>2,801,411</u>	<u>1,558,268</u>
	<u>\$3,801,199</u>	<u>\$1,628,439</u>

Depreciation expense for property and equipment was \$1.3 million, \$1.2 million and \$0.4 million for the years ended December 31, 2021 and 2020, and the period from July 11, 2019 to December 31, 2019, respectively. Depreciation expense was \$0.2 million for the Predecessor period from January 1, 2019 to July 10, 2019.

8. Intangible Assets

The Company holds definite and indefinite-lived intangible assets. As of December 31, 2021, the indefinite-lived intangible assets consist of five trade names, arising from the acquisitions of Hawk Parent, MPI, BillingTree, Kontrol, and Payix. As of December 31, 2020, the indefinite-lived intangible assets consist of six trade names, arising from the acquisitions of Hawk Parent, TriSource, APS, Ventanex, cPayPlus, and CPS.

Intangible assets consisted of the following:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life (Years)
Client relationships	\$539,850,000	\$83,014,231	\$456,835,769	8.40
Channel relationships	12,550,000	1,146,935	11,403,065	8.65
Software costs	163,957,560	83,162,612	80,794,948	1.48
Non-compete agreements	4,580,000	4,059,880	520,120	0.88
Trade name	28,140,000	—	28,140,000	—
Balance as of December 31, 2021	\$749,077,560	\$171,383,658	\$577,693,902	6.79
Client relationships	\$308,450,000	\$39,920,578	\$268,529,422	8.64
Channel relationships	12,550,000	191,936	12,358,064	9.65
Software costs	104,715,101	40,280,116	64,434,985	1.85
Non-compete agreements	4,270,000	2,595,333	1,674,667	1.52
Trade name	22,230,000	—	22,230,000	—
Balance as of December 31, 2020	\$452,215,101	\$82,987,963	\$369,227,138	6.94

The Company's amortization expense for intangible assets was \$88.4 million, \$59.7 million and \$23.3 million for the years ended December 31, 2021 and 2020, and the period from July 11, 2019 to December 31, 2019, respectively. Amortization expense for intangible assets was \$5.9 million for the Predecessor period from January 1, 2019 to July 10, 2019.

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

Year Ending December 31,	Estimated Future Amortization Expense
2022	\$99,941,015
2023	81,630,840
2024	67,608,133
2025	55,288,759
2026	55,571,944
Thereafter	189,513,211

9. Goodwill

The following table presents changes to goodwill for the years ended December 31, 2021, 2020 and 2019:

	Total
Balance at December 31, 2018 (Predecessor)	\$119,529,202
Acquisitions	—
Dispositions	—
Impairment Loss	—
Balance at July 10, 2019 (Predecessor)	<u>\$119,529,202</u>
Balance at July 11, 2019 (Successor)	\$339,911,400
Acquisitions	49,749,119
Dispositions	—
Impairment Loss	—
Balance at December 31, 2019 (Successor)	\$389,660,519
Acquisitions	62,263,733
Dispositions	—
Impairment Loss	—
Measurement period adjustment	7,046,003
Balance at December 31, 2020	458,970,255
Acquisitions	366,622,156
Dispositions	—
Impairment Loss	—
Measurement period adjustment	(10,779)
Other	(1,500,000)
Balance at December 31, 2021	<u>\$824,081,632</u>

During the year ended December 31, 2020, the Company recognized a \$7.0 million measurement period adjustment in accordance with APS acquisition, of which \$6.6 million was due to a valuation adjustment on contingent consideration.

The Company has only one operating segment and, based on the criteria outlined in ASC 350, *Intangibles – Goodwill and Other* (“ASC 350”), only one reporting unit that needs to be tested for goodwill impairment. Accordingly, goodwill was reviewed for impairment at the consolidated entity level. The Company concluded that goodwill was not impaired as of December 31, 2021. As of December 31, 2021 and 2020, there were no accumulated impairment losses on the Company’s goodwill.

10. Borrowings

Predecessor Credit Agreement

The Predecessor entered into a Revolving Credit and Term Loan Agreement (the “Predecessor Credit Agreement”), with SunTrust Bank and the other lenders party thereto on September 28, 2017, and amended December 15, 2017, which included a revolving loan component, the term loan and a delayed draw term loan. The Predecessor Credit Agreement was collateralized by substantially all assets of the Predecessor, based on the Predecessor Credit Agreement’s collateral documents, and it included restrictive qualitative and quantitative covenants, as defined in the Predecessor Credit Agreement. The Predecessor was in compliance with its restrictive covenants under the Predecessor Credit Agreement as of December 31, 2018.

The Predecessor Credit Agreement provided for a maximum \$10.0 million revolving loan at a variable interest rate. This facility was terminated upon the closing of the Business Combination and execution of the Successor Credit Agreement (defined below). At the closing of the Business Combination and December 31, 2018, the outstanding balance on the revolving loan was \$3.5 million. This balance was settled upon the closing of the Business Combination. Interest expense on the line of credit totaled \$0.1 million for the period from January 1, 2019 to July 10, 2019. Interest expense on the line of credit totaled \$0.2 million for the year ended December 31, 2018.

Successor Credit Agreement

The Company entered into a Revolving Credit and Term Loan Agreement (the “Successor Credit Agreement”) on July 11, 2019, with Truist Bank (formerly SunTrust Bank) and the other lenders party thereto, which provided a revolving credit facility (the “Revolving Credit Facility”), a term loan A (the “Term Loan”), and a delayed draw term loan at a variable interest rate (3.65% as of December 31, 2020) (the “Delayed Draw Term Loan”). The Successor Credit Agreement provided for an aggregate revolving commitment of \$20.0 million at a variable interest rate.

On February 10, 2020, as part of the financing for the acquisition of Ventanex, Repay entered into an agreement with Truist Bank and other members of its existing bank group to amend and upsize its previous credit agreement from \$230.0 million to \$346.0 million. The Successor Credit Agreement was collateralized by substantially all of the Company’s assets, and included qualitative and quantitative covenants, as defined in the Successor Credit Agreement.

The Successor Credit Agreement provided for a Term Loan of \$256.0 million, a Delayed Draw Term Loan of \$60.0 million, and a Revolving Credit Facility of \$30.0 million. As of December 31, 2020, the Company had \$14.4 million drawn against the Delayed Draw Term Loan and had \$0.0 million drawn against the Revolving Credit Facility.

On January 20, 2021, the Company used a portion of the proceeds from the 2026 Notes to prepay in full the entire amount of the outstanding Term Loans under the Successor Credit Agreement. The Company also terminated in full all outstanding Delayed Draw Term Loan commitments under such credit facilities.

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 replaces the Company’s Successor Credit Agreement, which included an undrawn \$30.0 million Revolving Credit Facility.

On December 29, 2021, the Company increased its existing senior secured credit facilities by \$60.0 million to a \$185.0 million revolving credit facility pursuant to an amendment to the Amended Credit Agreement. The Company was in compliance with its restrictive covenants under the Amended Credit Agreement at December 31, 2021.

As of December 31, 2021, the Company had \$20.0 million drawn against the revolving credit facility at a variable interest rate of 2.25% plus 1-month LIBOR due 2026. The Company paid \$0.4 million and \$0.2 million in fees related to unused commitments for the years ended December 31, 2021 and 2020, respectively. The Company’s interest expense on the line of credit totaled \$0, \$0.1 million and \$0.1 million for the years ended December 31, 2021 and 2020, and the period from July 11, 2019 to December 31, 2019 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 initial conversion rate of the 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 year ended December 31, 2021, the conversion contingencies of the 2026 Notes were not met, and the conversion terms of the 2026 Notes were not significantly changed. The shares issuable upon conversion of the 2026 Notes were excluded from the computation of the diluted loss per share, since their inclusion would have been anti-dilutive.

As of December 31, 2021 and 2020, total borrowings under the Successor Credit Agreement, Amended Credit Agreement, and 2026 Notes consisted of the following, respectively:

	December 31, 2021	December 31, 2020
Non-current indebtedness:		
Term Loan ⁽¹⁾	\$ —	\$262,653,996
Revolving Credit Facility ⁽²⁾	20,000,000	—
Convertible Senior Debt	440,000,000	—
Total borrowings under credit facility	460,000,000	262,653,996
Less: Current maturities of long-term debt ⁽³⁾	—	6,760,650
Less: Long-term loan debt issuance cost ⁽⁴⁾	11,515,304	5,940,600
Total non-current borrowings	\$448,484,696	\$249,952,746

(1) The Term Loan bears interest at a variable rate, which was 3.65 % as of December 31, 2020.

(2) The Revolving Credit Facility bears interest at a variable rate, which was 2.35% as of December 31, 2021.

(3) Pursuant to the terms of the Amended Credit Agreement, the Company was required to make quarterly principal payments equal to 0.625% of the initial principal amount of the Term Loan and Delayed Draw Term Loan (collectively the “Term Loans”).

(4) The Company incurred \$2.5 million, \$1.4 million and \$0.6 million of interest expense for the amortization of deferred debt issuance costs for the years ended December 31, 2021 and 2020, and the period from July 11, 2020 to December 31, 2019, respectively. The Predecessor incurred \$0.2 million for the period from January 1, 2019 to July 10, 2019.

The Company incurred interest expense on the Term Loans of \$11.5 million and \$5.3 million for the year ended December 31, 2020 and the period from July 11, 2019 to December 31, 2019, respectively. The Predecessor incurred interest expense of \$2.8 million and \$5.5 million and \$4.4 million for the period from January 1, 2019 to July 10, 2019.

Following is a summary of principal maturities of the Term Loans outstanding as of December 31, 2021 for each of the next five years ending December 31 and in the aggregate:

2022	\$ —
2023	—
2024	—
2025	—
2026	460,000,000
2027	—
	<u>\$460,000,000</u>

11. Derivative Instruments

The Company does not hold or use derivative instruments for trading purposes.

Derivative Instruments Designated as Hedges

Interest rate fluctuations expose the Company’s variable-rate term loan to changes in interest expense and cash flows. As part of its risk management strategy, the Company may use interest rate derivatives, such as interest rate swaps, to manage its exposure to interest rate movements.

In October 2019, the Company entered into a \$140.0 million notional, five-year interest rate swap agreement to hedge changes in cash flows attributable to interest rate risk on \$140.0 million of its variable-rate term loan. This agreement involves the receipt of variable-rate amounts in exchange for fixed interest rate payments over the life of the agreement without an exchange of the underlying notional amount. This interest rate swap was designated for accounting purposes as a cash flow hedge. As such, changes in the interest rate swap’s fair value are deferred in accumulated other comprehensive income (loss) in the Consolidated Balance Sheets and are subsequently reclassified into interest expense in each period that a hedged interest payment is made on the Company’s variable-rate term loan. Pre-tax gain (loss) reclassified from accumulated other comprehensive income (loss) into interest expense was \$1.4 million and (\$0.1) million for the year ended December 31, 2020 and 2019, respectively.

On February 21, 2020, the Company entered into a swap transaction with Regions Bank. On a quarterly basis, commencing on March 31, 2020 up to and including the termination date of February 10, 2025, the Company will make fixed payments on a beginning notional amount of \$30.0 million, then a revised notional amount of \$65.0 million beginning on September 30, 2020. On a quarterly basis, commencing on February 21, 2020 up to and including the termination date of February 10, 2025, the counterparty will make floating rate payments based on the 3-month LIBOR on the beginning notional amount of \$30.0 million, then a revised notional amount of \$65.0 million beginning on September 30, 2020.

Both interest rate swaps were settled in January 2021, with \$6.4 million, net of taxes of \$1.7 million reclassified from Accumulated other comprehensive loss into Other loss in the Consolidated Statements of Operations for the year ended December 31, 2021.

12. Commitments and Contingencies

Legal Matters

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

Leases

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

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Components of total lease costs:		
Operating lease cost	\$2,370,643	\$1,745,575
Short-term lease cost	100,607	48,150
Variable lease cost	—	—
Total lease cost	<u>\$2,471,250</u>	<u>\$1,793,725</u>

Amounts reported in the Consolidated Balance Sheets were as follows:

	December 31, 2021	December 31, 2020
Operating Leases:		
Right-of-use assets	\$10,499,751	\$10,074,506
Lease liability, current	1,990,416	1,527,224
Lease liability, long-term	9,090,867	8,836,655
Total lease liabilities	<u>\$11,081,283</u>	<u>\$10,363,879</u>
Weighted-average remaining lease term (in years)	5.2	6.2
Weighted-average discount rate (annualized)	4.3%	4.6%

Other information related to leases are as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$2,168,767	\$1,504,352
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	2,438,075	11,430,120

The following table presents a maturity analysis of the Company's operating leases liabilities as of December 31, 2021:

2022	\$2,423,447
2023	2,481,751
2024	2,303,054
2025	2,124,094
2026	1,835,155
Thereafter	1,260,395
Total undiscounted lease payments	12,427,896
Less: Imputed interest	1,346,613
Total lease liabilities	<u>\$11,081,283</u>

13. Related Party Transactions

Related party payables consisted of the following:

	December 31, 2021	December 31, 2020
Ventanex accrued earnout liability	\$12,746,840	\$4,800,000
cPayPlus accrued earnout liability	—	6,500,000
CPS accrued earnout liability	600,000	4,500,000
Kontrol accrued earnout liability	850,000	—
Payix accrued earnout liability	2,850,000	—
Other payables to related parties	347,285	11,597
	<u>\$17,394,125</u>	<u>\$15,811,597</u>

The Company incurred transaction costs on behalf of related parties of \$8.2 million, \$3.1 million and \$1.3 million for the years ended December 31, 2021 and 2020, and the period from July 11, 2019 to December 31, 2019, respectively. These costs consist of retention bonuses and other compensation to employees, associated with the costs resulting from the integration of new businesses. The Predecessor incurred transaction costs on behalf of related parties of \$6.8 million for the period from January 1, 2019 to July 10, 2019.

The Company held receivables from related parties of \$0.3 million and \$0.1 million as of December 31, 2021 and 2020, respectively. These amounts were due from employees, related to tax withholding on vesting of equity compensation. See Note 14. Share based compensation for more detail on these restricted share awards.

The Company owed \$17.4 million and \$15.8 million to related parties, in the form of contingent consideration payable to the sellers of Ventanex, CPS, BillingTree, Kontrol and Payix, who were employees of REPAY, as of December 31, 2021 and 2020, respectively. Further, the Company owed employees \$0.0 million and \$0.0 million for amounts paid on behalf of the Company as of December 31, 2021 and 2020, respectively.

14. Share Based Compensation

Omnibus Incentive Plan

At the Shareholders Meeting, Thunder Bridge shareholders considered and approved the Incentive Plan which resulted in the reservation of 7,326,728 shares of common stock for issuance thereunder. The Incentive Plan became effective immediately upon the closing of the Business Combination.

Under this plan, the Company currently has three types of share-based compensation awards outstanding: PSUs, RSAs and RSUs.

PSU

The grant date fair value of a PSU, which is based on quoted market value of the Company's Class A common stock on the grant date and the number of shares expected to be earned according to the level of achievement of performance measures, is recognized on a straight-line basis over the applicable performance or service period. The performance or service period for awards granted generally range from one to three years.

RSA and RSU

RSAs and RSUs vest in equal annual installments over a three-year period. Restricted shares cannot be sold or transferred until they have vested. The grant date fair value of RSAs and RSUs, which is based on the quoted market value of the Company's Class A common stock on the grant date, is recognized as share-based compensation expense on a straight-line basis over the vesting period.

The following table summarized share-based compensation expense and the related income tax benefit recognized for the Company's share-based compensation awards:

(\$ in millions)	Year Ended December 31,		From July 11, 2019 to
	2021	2020	December 31, 2019
Share-based compensation expense	\$22.3	\$19.4	\$22.0
Income tax benefit	3.4	0.5	1.1

Activity for the years ended December 31, 2021 and 2020, and the period from July 11, 2019 to December 31, 2019 were as follows:

	Class A Common Stock	Weighted Average Grant Date Fair Value
Unvested at July 11, 2019	—	\$ —
Granted	3,275,229	12.07
Forfeited ⁽¹⁾	321,263	11.81
Vested	1,135,291	11.68
Unvested at December 31, 2019	1,818,675	12.39
Granted	1,389,063	18.40
Forfeited ⁽¹⁾⁽²⁾	80,794	13.40
Vested	603,513	12.10
Unvested at December 31, 2020	2,523,431	15.71
Granted	994,287	22.68
Forfeited ⁽¹⁾⁽²⁾	418,330	16.46
Vested	583,754	15.63
Unvested at December 31, 2021	2,515,634	\$18.30

⁽¹⁾ 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.

⁽²⁾ The forfeited shares include employee terminations during the years ended December 31, 2021 and 2020; further, these forfeited shares are added back to the amount of shares available for grant under the Incentive Plan.

Unrecognized compensation expense related to unvested PSUs, RSAs and RSUs was \$22.7 million as of December 31, 2021, which is expected to be recognized as expense over the weighted-average period of 2.45 years. Unrecognized compensation expense related to unvested PSUs, RSAs, and RSUs was \$23.7 million as of December 31, 2020, which is expected to be recognized as expense over the weighted-average period of 2.61 years. Unrecognized compensation expense related to unvested RSAs, RSUs and PSUs was \$17.5 million as of December 31, 2019, which is expected to be recognized as expense over the weighted-average period of 2.26 years.

Original Equity Incentives

As a result of the change in ownership of Hawk Parent, 9,171 previously unvested profit interest units of the Predecessor with a weighted average grant date fair value of \$180.87 were automatically vested, upon the closing of the Business Combination. A summary of the changes in non-vested units outstanding for the period from January 1, 2019 to July 10, 2019 is presented below:

	Units	Weighted average fair value per unit
Non-vested units at January 1, 2019	9,460	\$182.83
Activity during the period:		
Granted	—	—
Vested	(9,460)	(182.83)
Non-vested units at July 10, 2019	—	\$ —

During the period from January 1, 2019 to July 10, 2019, the Predecessor incurred \$0.9 million of share-based compensation expense, respectively, included in Selling, general and administrative costs in the Consolidated Statements of Operations.

15. 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 components of loss before income taxes are as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020	July 11, 2019 to December 31, 2019	January 1, 2019 to July 10, 2019
		(Successor)		(Predecessor)
Domestic	\$(87,352,396)	\$(129,267,523)	\$(51,540,441)	\$(23,668,078)
Foreign	624,677	(456,747)	(269,721)	(74,452)
Loss before income tax benefit	\$(86,727,719)	\$(129,724,270)	\$(51,810,162)	\$(23,742,530)

The Company recorded a provision for income tax as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020	July 11, 2019 to December 31, 2019	January 1, 2019 to July 10, 2019
	(Successor)			(Predecessor)
Current expense				
Federal	\$34,401	\$ —	\$ —	\$ —
State	2,367	—	—	—
Foreign	—	—	—	—
Total current expense	\$36,768	\$ —	\$ —	\$ —
Deferred expense				
Federal	\$(18,113,316)	\$(10,523,778)	\$(4,343,013)	\$ —
State	(12,799,753)	(1,708,969)	(575,152)	—
Foreign	185,145	(125,278)	(72,824)	—
Total deferred benefit	(30,727,924)	(12,358,025)	(4,990,989)	—
Income tax benefit	\$(30,691,156)	\$(12,358,025)	\$(4,990,989)	\$ —

A reconciliation of the United States statutory income tax rate to the Company's effective income tax rate is as follows for the years indicated:

	Year Ended December 31, 2021	Year Ended December 31, 2020	July 11, 2019 to December 31, 2019	January 1, 2019 to July 10, 2019
	(Successor)			(Predecessor)
Federal income tax expense	21.0%	21.0%	21.0%	0.0%
State taxes, net of federal benefit	5.2%	1.3%	1.1%	0.0%
Income attributable to noncontrolling interest	(1.4%)	(1.8%)	(6.1%)	0.0%
Excess tax benefit related to share-based compensation	0.6%	0.4%	0.4%	0.0%
Change in fair value of warrant liabilities	0.0%	(11.5%)	(6.2%)	0.0%
State rate change impact on deferred taxes	9.5%	0.0%	0.0%	0.0%
Other, net	0.5%	0.1%	(0.6%)	0.0%
Total deferred benefit	35.4%	9.5%	9.6%	0.0%

The Company's effective tax rate was 35.4%, 9.5% and 9.6% for the years ended December 31, 2021 and 2020, and the period from July 11, 2019 to December 31, 2019, respectively. The comparison of the Company's effective tax rate to the U.S. statutory tax rate of 21% was primarily influenced by the fact that the Company is not liable for the income taxes on the portion of Hawk Parent's earnings that are attributable to noncontrolling interests. Further, the comparison is reflective of the effect of remeasuring net deferred tax assets for state tax rate changes. The results for the Predecessor do not reflect income tax expense because, prior to the closing of the Business Combination, the consolidated Hawk Parent was treated as a partnership for U.S. federal and most applicable state and local income tax purposes and was not subject to corporate tax.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Details of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2021	December 31, 2020
Deferred tax assets		
Tax Credits	\$1,547,569	\$522,081
Section 163(j) Limitation Carryover	26,800	250,095
Acquisition Costs	348,158	352,291
Federal Net Operating Losses	25,283,737	8,834,924
State Net Operating Losses	4,907,835	1,264,059
Foreign Net Operating Losses	16,556	202,517
Other Assets	6,794,593	2,997,426
Partnership basis tax differences	130,440,236	154,253,345
Total deferred tax asset	169,365,484	168,676,738
Valuation allowance	(16,393,745)	(33,339,509)
Total deferred tax asset, net of valuation allowance	152,971,739	135,337,229
Deferred tax liabilities		
Other Intangibles - Payix	(7,711,856)	—
Total deferred tax liabilities	(7,711,856)	—
Net deferred tax assets	\$145,259,883	\$135,337,229

As a result of the equity offering by the Company, BillingTree acquisition, finalization of 2020 income tax returns and Post-Merger Repay Unit exchanges during the year ended December 31, 2021, the Company recognized a reduction of the deferred tax asset (“DTA”) and offsetting deferred tax liability (“DTL”) in the amount of \$19.2 million, compared to an increase of \$27.5 million as a result of equity offerings by the Company, warrant exercises and Post-Merger Repay unit exchanges during the year ended December 31, 2020, to account for the portion of the Company’s outside basis in the partnership interest that it will not recover through tax deductions, a ceiling rule limitation arising under Internal Revenue Code (the “Code”) sec. 704(c). 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 of December 31, 2021. As such, a 100% valuation allowance was recognized.

As of December 31, 2021, the Company had net tax effected federal and state (net of federal benefit) net operating losses (“NOLs”) of \$30.2 million, of which approximately \$25.8 million have an indefinite life. NOLs of approximately \$4.4 million will begin to expire in 2030. As of December 31, 2021, the Company had federal and state tax credit carryforwards of \$1.1 million and \$0.4 million, respectively, which will begin to expire in 2037 and 2034, respectively. The Company believes as of December 31, 2021, based on the weight of all positive and negative evidence, it is more likely than not that the results of future operations will generate sufficient taxable income to realize the NOLs and tax credits and, as such, no valuation allowance was recorded.

No uncertain tax positions existed as of December 31, 2021.

Tax Receivable Agreement Liability

Pursuant to our election under Section 754 of the Code, we expect to obtain an increase in our 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 our 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 our 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 Repay. 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 December 31, 2021, the Company had a liability of \$245.8 million related to its projected obligations under the TRA, which is captioned as the tax receivable agreement liability in the Company's Consolidated Balance Sheets. The increase in the TRA liability for the year ended December 31, 2021, was primarily a result of the change in the Early Termination Rate, as defined in the TRA, selling members of Hawk Parent exchanging 407,584 Post-Merger Repay Units during the year ended December 31, 2021 in accordance with the Exchange Agreement, the finalization of the various components related to the 2020 exchanges of Post-Merger Repay Units, and the impact of the remeasurement of the state tax rate. This resulted in an increase to the Company's share of the tax basis in the net assets of Hawk Parent.

16. Subsequent Events

Management has evaluated subsequent events and their potential effects on these 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 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Executive Vice President and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, 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 our management, including our Chief Executive Officer and Executive Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial and accounting officers and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our internal control over financial reporting, specifically the review controls over the evaluation of complex, non-routine transactions, were previously determined to be insufficient to detect the proper accounting and reporting for the public warrants and private placement Warrants previously issued by Thunder Bridge, which were outstanding and recorded on our consolidated financial statements at the time of the Business Combination. Management identified this error when the Securities and Exchange Commission issued a statement (the "Statement") on the accounting and reporting considerations for warrants issued by special purpose acquisition companies on April 12, 2021. The Statement addressed certain accounting and reporting considerations related to warrants of a kind similar to the Warrants. This control deficiency resulted in the Company having to restate certain of our audited consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 and the quarterly periods included therein, and if not remediated, could have resulted in a material misstatement to future annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management previously determined that this control deficiency constituted a material weakness during the quarter ended March 31, 2021. Since the restatement, management has implemented remediation steps to address that material weakness and to improve our internal control over financial reporting. Specifically, we expanded and improved our review process for complex securities and related accounting standards. We have further improved this process by enhancing access to accounting literature, identification of third-party professionals with whom to consult regarding complex accounting applications and consideration of additional staff with the requisite experience and training to supplement existing accounting professionals. As of September 30, 2021, the control deficiency related to the restatement had been remediated.

Our management, with the participation of our principal executive and principal financial and accounting officers, assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway

Commission (“COSO”) in its 2013 Internal Control — Integrated Framework. Based on this assessment, our management has concluded that, as of December 31, 2021, our internal control over financial reporting is effective based on those criteria.

Management excluded BillingTree, Kontrol and Payix from its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2021 because those entities were acquired in business combinations in the past year. BillingTree’s total assets (excluding goodwill and intangible assets related to the acquisitions which are a part of the Company’s existing control environment) and total revenue represented approximately 3.0% and 14.3%, respectively, of our consolidated total assets and total revenues, as of and for the year ended December 31, 2021. Kontrol’s total assets (excluding goodwill and intangible assets related to the acquisitions which are a part of the Company’s existing control environment) and total revenue represented approximately 0.1% and 0.8%, respectively, of our consolidated total assets and total revenues, as of and for the year ended December 31, 2021. Payix’s total assets (excluding goodwill and intangible assets related to the acquisitions which are a part of the Company’s existing control environment) and total revenue represented approximately 0.9% and 0.1%, respectively, of our consolidated total assets and total revenues, as of and for the year ended December 31, 2021.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their Report of Independent Registered Certified Public Accounting Firm on Internal Control Over Financial Reporting which is included with the Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K and is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2021, no change in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Act) occurred that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

Information called for by Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K has been omitted as we intend to file with the SEC not later than 120 days after the end of our fiscal year ended December 31, 2021, an amendment to this Form 10-K or a definitive Proxy Statement pursuant to Regulation 14A promulgated under the Exchange Act relating to the Company's annual meeting of stockholders to be held in 2022 (as applicable, the "Part III Filing"). Such information will be set forth in such Part III Filing and is incorporated herein by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required to be included by Item 10 of Form 10-K will be included in our Part III Filing and such information is incorporated by reference herein.

We have a code of ethics that applies to each of our directors and employees, including our Chief Executive Officer, Chief Financial Officer and principal accounting officer. Our code of ethics is available on our website at www.repay.com under the Investor Relations section titled Corporate Governance. We intend to disclose any amendment to, or waiver from, a provision of our code of ethics that applies to our Chief Executive Officer, Chief Financial Officer or principal accounting officer by posting such information on the Investors section of our website.

ITEM 11. EXECUTIVE COMPENSATION.

The information required to be included by Item 11 of the Form 10-K will be included in our Part III Filing and such information is incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required to be included by Item 12 of Form 10-K will be included in our Part III Filing and such information is incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required to be included by Item 13 of Form 10-K will be included in our Part III Filing and such information is incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required to be included by Item 14 of Form 10-K will be included in our Part III Filing and such information is incorporated by reference herein.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(1) **Financial Statements**

The following Consolidated Financial Statements of Repay Holdings Corporation and the Report of the Independent Registered Public Accounting Firm are included in Part II, Item 8 of this report.

<u>Reports of Independent Registered Public Accounting Firm (PCAOB ID Number 248)</u>	57
<u>Consolidated Balance Sheets as of December 31, 2021 and 2020</u>	61
<u>Consolidated Statements of Operations for the years ended December 31, 2021 and 2020, and the periods ended December 31, 2019 and July 10, 2019</u>	62
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2021 and 2020, and the periods ended December 31, 2019 and July 10, 2019</u>	63
<u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2021 and 2020, and the periods ended December 31, 2019 and July 10, 2019</u>	64
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020, and the periods ended December 31, 2019 and July 10, 2019</u>	65
<u>Notes to Consolidated Financial Statements</u>	67

(2) **Financial Statement Schedules**

All financial statement schedules have been omitted as the information is not required under the related instruction or is not applicable or because the information required is already included in the financial statements or the notes to those financial statements.

(3) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
2.1†	<u>Agreement and Plan of Merger, dated as of January 21, 2019, by and among Thunder Bridge, Merger Sub, Hawk Parent, and the Repay Securityholder Representative named therein (incorporated by reference to Exhibit 2.1 of Thunder Bridge's Form 8-K (File No. 001-38531), filed with the SEC on January 22, 2019).</u>
2.2†	<u>First Amendment to Agreement and Plan of Merger, dated February 11, 2019, by and among Thunder Bridge, Merger Sub, Hawk Parent, and the Repay Securityholder Representative named therein (incorporated by reference to Exhibit 2.1 of Thunder Bridge's Form 8-K (File No. 001-38531), filed with the SEC on February 12, 2019).</u>
2.3†	<u>Second Amendment to Agreement and Plan of Merger, dated May 9, 2019, by and among Thunder Bridge, Merger Sub, Hawk Parent, and the Repay Securityholder Representative named therein (incorporated by reference to Exhibit 2.1 of Thunder Bridge's Form 8-K (File No. 001-38531), filed with the SEC on May 9, 2019).</u>
2.4†	<u>Third Amendment to Agreement and Plan of Merger, dated June 19, 2019, by and among Thunder Bridge, Merger Sub, Hawk Parent, and the Repay Securityholder Representative named therein (incorporated by reference to Exhibit 2.1 of Thunder Bridge's Form 8-K (File No. 001-38531), filed with the SEC on June 20, 2019).</u>
2.5†	<u>Securities Purchase Agreement, dated as February 10, 2020, by and among Repay Holdings, LLC and the direct and indirect owners of CDT Technologies, LTD. (incorporated by reference to Exhibit 2.1 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on February 10, 2020).</u>
2.6†	<u>Purchase Agreement, dated October 26, 2020, by and among Repay Holdings, LLC and CPS Holdings, LLC, CPS Media, LLC, DB & AS Enterprises, Inc., and James F. Hughes, LLC (incorporated by reference to Exhibit 2.1 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on October 27, 2020).</u>
2.7†	<u>Agreement and Plan of Merger, dated as of May 7, 2021, by and among BT Intermediate, LLC, Repay Holdings Corporation, Beckham Acquisition LLC, Beckham Merger Sub LLC and BillingTree Parent, L.P. (incorporated by reference to Exhibit 2.1 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on May 10, 2021).</u>
3.1	<u>Certificate of Corporate Domestication of Repay Holdings Corporation (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 001-38531), filed with the SEC on July 17, 2019).</u>
3.2	<u>Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.2 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on July 17, 2019).</u>
3.3	<u>Bylaws of the Company (incorporated by reference to Exhibit 3.3 of the Company's Form 8-K (001-38531), filed with the SEC on July 17, 2019).</u>
4.1	<u>Indenture, dated as of January 19, 2021 between Repay Holdings Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on January 19, 2021).</u>
4.2*	<u>Description of Registrant's Securities.</u>
10.1	<u>Exchange Agreement, dated July 11, 2019, by and among the Company, Repay and the other holders of Class A units of Repay (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on July 17, 2019).</u>
10.2	<u>Tax Receivable Agreement, dated July 11, 2019, by and among the Company and the other Repay Unitholders (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on July 17, 2019).</u>
10.3	<u>Founder Stockholders Agreement, dated as of July 11, 2019, between the Company, John A. Morris, Shaler V. Alias, The JAM Family Charitable Trust dated March 1, 2018, JOSEH Holdings, LLC and Alias Holdings, LLC (incorporated by reference to Exhibit 10.5 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on July 17, 2019).</u>
10.4	<u>Registration Rights Agreement, dated July 11, 2019, by and among the Company, Repay, and the Repay Unitholders (incorporated by reference to Exhibit 10.6 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on July 17, 2019).</u>
10.5	<u>Registration Rights Agreement, dated June 18, 2018, by and between the Company, the Sponsor and the holders party thereto (incorporated by reference to Exhibit 10.4 of Thunder Bridge's Form 8-K (File No. 001-38531), filed with the SEC on June 22, 2018).</u>

- 10.6 First Amendment to Registration Rights Agreement, dated July 11, 2019, by and among Thunder Bridge Acquisition Ltd. and Thunder Bridge Acquisition LLC (incorporated by reference to Exhibit 10.7 to the Company's Form 8-K (File No. 001-38531), filed with the SEC on July 17, 2019).
- 10.7 Registration Rights Agreement, dated as of May 7, 2021, by and among Repay Holdings Corporation and BillingTree Parent, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 001-38531), filed with the SEC on May 10, 2021).
- 10.8+ Amended and Restated Revolving Credit Agreement, dated February 3, 2021, by and among Repay Holdings Corporation, Hawk Parent Holdings LLC, Truist Bank, as Administrative Agent, and the other parties thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on February 5, 2021).
- 10.9+ Limited Consent, Waiver and First Amendment to Amended and Restated Revolving Credit Agreement, dated June 15, 2021, by and among Repay Holdings Corporation, Hawk Parent Holdings LLC, Truist Bank, as administrative agent, and the other parties thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on January 3, 2022).
- 10.10+ Second Amendment to Amended and Restated Revolving Credit Agreement, dated December 29, 2021, by and among Repay Holdings Corporation, Hawk Parent Holdings LLC, Truist Bank, as Administrative Agent, and the other parties thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-38531), filed with the SEC on January 3, 2022).
- 10.11+ Repay Holdings Corporation Omnibus Incentive Plan, effective as of July 11, 2019 (incorporated by reference to Exhibit 10.10 to the Company's Form 8-K (File No. 001-38531), filed with the SEC on July 17, 2019).
- 10.12+ Amendment No. 1 to the Repay Holdings Corporation Omnibus Incentive Plan, effective as of September 20, 2019 (incorporated by reference to Exhibit 99.2 to the Company's Form S-8 (Registration No. 233879), filed with the SEC on September 20, 2019).
- 10.13+ Employment Agreement, dated January 21, 2019, between M & A Ventures, LLC and John Morris (incorporated by reference to Exhibit 10.24 of the Company's Form S-4 (Registration No. 333-229616), filed with the SEC on February 12, 2019).
- 10.14+ Amendment No. 1 to Employment Agreement, dated March 1, 2021, between Repay Management Services LLC (as assignee of M & A Ventures, LLC) and John Morris (incorporated by reference to Exhibit 10.11 to the Company's Form 10-K/A (File No. 001-38531), filed with the SEC on April 23, 2021).
- 10.15+ Employment Agreement, dated January 21, 2019, between M & A Ventures, LLC and Shaler Alias (incorporated by reference to Exhibit 10.25 of the Company's Form S-4 (Registration No. 333-229616), filed with the SEC on February 12, 2019).
- 10.16+ Amendment No. 1 to Employment Agreement, dated March 1, 2021, between Repay Management Services LLC (as assignee of M & A Ventures, LLC) and Shaler Alias (incorporated by reference to Exhibit 10.13 to the Company's Form 10-K/A (File No. 001-38531), filed with the SEC on April 23, 2021).
- 10.17+ Employment Agreement, dated January 21, 2019, between M & A Ventures, LLC and Timothy J. Murphy (incorporated by reference to Exhibit 10.26 of the Company's Form S-4 (Registration No. 333-229616), filed with the SEC on February 12, 2019).
- 10.18+ Amendment No. 1 to Employment Agreement, dated March 1, 2021, between Repay Management Services LLC (as assignee of M & A Ventures, LLC) and Timothy J. Murphy (incorporated by reference to Exhibit 10.15 to the Company's Form 10-K/A (File No. 001-38531), filed with the SEC on April 23, 2021).
- 10.19+ Employment Agreement dated September 1, 2019, between Repay Management Services LLC and Tyler B. Dempsey (incorporated by reference to Exhibit 10.16 to the Company's Form 10-K/A (File No. 001-38531), filed with the SEC on April 23, 2021).
- 10.20+ Amendment No. 1 to Employment Agreement, dated March 1, 2021, between Repay Management Services LLC and Tyler B. Dempsey (incorporated by reference to Exhibit 10.17 to the Company's Form 10-K/A (File No. 001-38531), filed with the SEC on April 23, 2021).
- 10.21+ Employment Agreement, dated January 21, 2019, between M & A Ventures, LLC and Michael F. Jackson (incorporated by reference to Exhibit 10.29 of the Company's Form S-4 (Registration No. 333-229616), filed with the SEC on February 12, 2019).
- 10.22+ Amendment No. 1 to Employment Agreement, dated March 1, 2021, between Repay Management Services LLC (as assignee of M & A Ventures, LLC) and Michael F. Jackson (incorporated by reference to Exhibit 10.19 to the Company's Form 10-K/A (File No. 001-38531), filed with the SEC on April 23, 2021).
- 10.23+ Repay Holdings Corporation Form of Restricted Stock Award Agreement (Time Vested) (incorporated by reference to Exhibit 10.17 to the Company's Form 8-K (File No. 001-38531), filed with the SEC on July 17, 2019).

- 10.24+ Repay Holdings Corporation Form of Restricted Stock Unit Agreement between the Company and the Grantee named therein (incorporated by reference to Exhibit 10.13 of the Company's Form 10-Q (File No. 001-38531), filed with the SEC on November 14, 2019).
- 10.25+ Repay Holdings Corporation Summary of Non-Employee Director Compensation, as of September 20, 2019 (incorporated by reference to Exhibit 10.14 of the Company's Form 10-Q (File No. 001-38531), filed with the SEC on November 14, 2019).
- 10.26+* Repay Holdings Corporation Summary of Non-Employee Director Compensation, as of April 1, 2022.
- 10.27+ Repay Holdings Corporation Form of Restricted Stock Award Agreement between the Company and the Grantee named therein (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-38531) filed with the SEC on March 17, 2020).
- 10.28+ Repay Holdings Corporation Form of Performance-Based Restricted Stock Units Award Agreement between the Company and the Grantee named therein (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K (File No. 001-38531) filed with the SEC on March 17, 2020).
- 10.29+ Form of Indemnification Agreement between the Company and the Indemnitee named therein (incorporated by reference to Exhibit 10.32 of the Company's Form 10-K/A (File No. 001-38531) filed with the SEC on April 17, 2020).
- 10.30+* Repay Holdings Corporation Form of Restricted Stock Award Agreement (2022).
- 21.1* Subsidiaries of the registrant
- 23.1* Consent of Grant Thornton LLP
- 31.1* Certification of Principal Executive Officer 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.
- 31.2* Certification of Principal Financial Officer 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.
- 32.1* Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101* Interactive Data File
 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. 101.SCH XBRL Taxonomy Extension Schema Document 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document 101.DEF XBRL Taxonomy Extension Definition Linkbase Document 101.LAB XBRL Taxonomy Extension Label Linkbase Document 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section and shall not be part of any registration or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.
- 104* Cover Page Interactive Data File (Included in Exhibits 101)

* Filed herewith.

† Schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Registration S-K. The registrant hereby agrees to furnish a copy of any omitted schedules to the Commission upon request.

+ Indicates a management or compensatory plan.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

March 1, 2022

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

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities as of March 1, 2022.

Name	Title
/s/ John Morris	Chief Executive Officer, Director
John Morris	(Principal Executive Officer)
/s/ Tim Murphy	Chief Financial Officer
Tim Murphy	(Principal Financial Officer)
/s/ Thomas Sullivan	Vice President, Corporate Controller
Thomas Sullivan	(Principal Accounting Officer)
/s/ Shaler Alias	President, Director
Shaler Alias	
/s/ Peter Kight	Chairman of the Board
Peter Kight	
/s/ Paul Garcia	Director
Paul Garcia	
/s/ Maryann Goebel	Director
Maryann Goebel	
/s/ Robert H. Hartheimer	Director
Robert H. Hartheimer	
/s/ William Jacobs	Director
William Jacobs	
/s/ Richard Thornburgh	Director
Richard Thornburgh	
/s/ Emnet Rios	Director
Emnet Rios	