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<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Hi everyone, I'm Rayna Kumar and I lead the Fintech Equity Research effort here at Oppenheimer. Today, I'm happy to have Priority Technology CEO, Tom Priore.

Tom, thanks for joining.

<<Thomas Priore, Chairman and Chief Executive Officer>>

Yeah, Rayna, thanks for having me.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Great. So I'm going to go through some of my questions, but Tom and I do want to make this as interactive as possible. So if you do have any questions feel free to type it in the dashboard and I'm happy to read out questions throughout this presentation. So Tom, could you just start off for people who are new to the story. If you can give a background on yourself and Priority and maybe talk a little bit about the services you provide, who your typical customer customers are and what you're trying to solve for them.

<<Thomas Priore, Chairman and Chief Executive Officer>>

Yeah, sure. So we're a 20-year-old company. In fact, this month is our 20-year anniversary and we've evolved over that time. I think we squarely fit into the definition of a payments and banking fintech at this point. We've scaled across three business segments dedicated to solving money movement. We've built a single, what we call commerce engine to collect, store, lend and send money across traditional merchant acquiring, B2B payables as well as what we call enterprise payments which you know a lot of folks would sort of maybe put into the kind of large-scale ISV. The reason why we distinguish that or kind of in that way is we are not just payments.

We – our platform not only moves money in all routes so credit, debit, ACH, direct to Fed, but we also handle checks, wires, everything in terms of moving of money in. And then we have that same engine is virtual card and physical card issuer. We can administer payments with metadata that is important for construction or healthcare, other areas like that for payables.

And our ISV partners use all those utilities to power their commerce networks that include not just money in motion which is kind of the standard for a lot of payments companies, but also money, what I'll call money at rest. So storing that money for a moment before it gets dispersed and it's really that capability that's allowed us to operate across segments, I would consider us, more of a multi line business. So as a result within the segments I mentioned acquiring B2B and

Enterprise Payments, we have different competitors that we'll run into - the very traditional acquirers on one segment like your Fiserv's, your Global's, Global TSYS, even some of the downstreams, your Paysafes of the world. In payables, more like the Avid's, Corepay's, Bottomline's. And then on the enterprise side, we'll run into your Adyen's and Stripe's. So that diversification, we think has really given us a growth advantage, particularly in the current environment.

So in terms of scale, we do about \$140 billion as of our most recent quarterly release last week in terms of annual payments volume, about 1.4 million customer accounts. And I talked, I called out that money at rest at any given day, as of last quarter, we had about 1.6 - I'm sorry, 1.6 billion in customer accounts and \$1.4 billion in money under administration. So average daily deposit balance.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Understood, that's very helpful. Can you talk a little bit about your revenue model? What are the largest drivers there and how do you get paid?

<<Thomas Priore, Chairman and Chief Executive Officer>>

Sure. Look, we're a transaction-based company so we're providing that platform I just described as a service across these verticals. And our money comes from transaction processing as well as software and platform fees. I think one of the things that people should understand about Priority which is a little different, about 60 - now over 60%, 62% of our adjusted gross profit comes from recurring revenue or recurring gross profit.

So this is non-transaction fees which we can count on every month. And then when you look at our recurring - reoccurring, so all those transaction fees, 98% of our revenue, we have high visibility into and when January 1 comes around.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Understood. If you can talk a little bit about your current market penetration, customer growth, retention rates and if you can quantify the TAM for us.

<<Thomas Priore, Chairman and Chief Executive Officer>>

Well, again we operate across the segments I described of, let's just say broadly consumer payments, right. So consumers to business, C2B and then B2B and our platform not only enables our software which is being used by our customers to power these things as well as other third-party software providers plugging into our system. Okay. So if you look at the TAM of that, just in the U.S. domestic, B2C is a \$6 trillion market. So large TAM, the other advantage to that is it's largely digital. So we're not competing, I'll just say with non-digital forms of payment there for the most part.

We're just looking to grab market share and you can look at our stats and our growth last year – sorry, this last quarter and last year has been consistently in the high single, low double-digits on that side of our business, which is outpacing our peers. So that tells us we're gaining market share. We've got a tool set that's winning. On the B2B side, that's a massive TAM just domestically. That's three times the size of the B2C market. It's just shy of \$20 trillion. So – and that is largely underpenetrated, I would just – certainly relative to consumer for digital acceptance, probably about 50% and the overwhelming majority of that is probably traveling ACH, it's not traveling the card rail.

So there's a lot of penetration adoption that is available in that marketplace. And I think you've seen – if you look at some of the transactions lately that have been B2B related, Avid, Bottomline, all these take privates. That's an area of the market that's really accelerating. If you look at our most recent quarterly performance like that sector of our business gross profit grew on an annualized basis 30% year-over-year gross profit, EBITDA grew over 100%. So it's really a segment that's got a lot of momentum behind it. So we're seeing that large TAM that I just described, really start to convert.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

And then do you have any market share data you could, that you're able to share with us?

<<Thomas Priore, Chairman and Chief Executive Officer>>

When you say market share data, I mean kind of ours relative to our peers?

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Correct. Yes.

<<Thomas Priore, Chairman and Chief Executive Officer>>

I'll be honest, I really, I couldn't. In the B2B space, in the acquiring space, it's actually published, right. So the Nielsen report comes out. Priority would fall in the fifth largest non-bank merchant acquiring business. So those above us would be your TSYS, your Fiserv. And then you sort of get into your Shift4, Paysafe and that's sort of where we would fall. So, obviously at scale fifth largest non-bank, U.S. acquirer and we're beginning right now, we're actually in the early stages of moving globally in the acquiring business. We're just going live in Canada and will be a fast follow into other non-U.S. jurisdictions. So we expect that to be a growth catalyst as well.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Understood. And then if you could talk a little bit about your market strategy, like your go-to-market strategy – do your customers self onboard or do you have a dedicated sales force? And how large is that sales force?

<<Thomas Priore, Chairman and Chief Executive Officer>>

Yeah, it really depends on what segment. So we use both what I'll describe as a variable cost sales force. So resellers in the acquiring space, we found that that's probably the most efficient although we also have direct sales in that arena. But we're – it's probably two-thirds what I would describe as resellers and that's a combination of your traditional ISOs – ISOs, independent sales organizations and integrated software partners that are using us purely for payments. And then a third is direct into both our direct sales force as well as what I would describe as more referral partners where we're the sales engine helping power their relationship. And those are your community banks, your associations, that sort of thing.

On the Enterprise and B2B side, we are direct. Those – that's a much more curated experience. Our go-to-market across both of those is we're leading with a software solution to accelerate cash flow and optimize working capital. The days of – I'll describe as traditional sort of payments is diminishing. The solution set customers are looking for is, they want a counterparty that's going to provide multiple solutions on a single platform. So in the acquiring space we deliver a product called MX Merchant or our MX Merchant suite.

And that includes not just merchant acquiring, but also embedded banking that they can leverage that will help them settle their transactions faster, give visibility to cash flow. Within that they can pay bills and do a host of traditional banking functions and also borrow money. So that suite of products is what we deliver out to resellers really to make them consultants and then we deliver direct to merchant.

On the payables side, we're delivering a product called Priority Payables, which is just all about automating the spend file, the vendor files from whatever ERP, middle market large customers are using to get vendors paid in a much more efficient way to extend their working capital and optimize their working capital. So, that's the narrative that that we found is starting to – frankly, it's starting to change the way businesses large and small think about providers in this space. It's not just about the features of moving money it's hey, what's the utility? What value are you bringing me? And that's where we really center on.

We're going to help you accelerate your cash flow and optimize your working capital. Here are the tools to do it. Choose your adventure and we'll make it happen. And then that enterprise segment, they're just – they're tying in and integrating and they're using our feature set to optimize their software offering.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Understood. That's very helpful detail. So you just reported second quarter earnings. For people who are new to the story, can you just give us some highlights of your second quarter earnings report and talk to us a little bit about how your second half growth could look?

<<Thomas Priore, Chairman and Chief Executive Officer>>

Yeah. We've – so second quarter our net revenue was up 9%. And we had a few, I'll say that includes some drag from some portfolios that are just in natural runoff we had bought years ago.

And so our – I'll say our organic was a bit higher than that given that adjustment. Adjusted gross Profit was up 13%. Adjusted EBITDA was up 9%. And our EPS was \$0.26 a share, up about \$0.15 year-over-year.

So that was very consistent with the first quarter. And based on our visibility of our pipeline converting, we affirmed our guidance. In fact, we raised the low end of our revenue guidance up to \$970 million to \$990 million for the year on revenue which is about 10% to 12.5% growth. Adjusted gross profit of \$365 million to \$380 million and adjusted EBITDA was – we feel very confident in that \$222.5 million to \$227.5 million range. So we're right on track. We're right on track.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

What do you think are the biggest catalysts that investors should look out for growth of Priority Technology in the next six to 12 months? And I guess like what are you most – what are you most excited about here?

<<Thomas Priore, Chairman and Chief Executive Officer>>

You know, I would say our – look, what we've described about the business is look, we're a winner in acquiring. We have a very developed distribution channel, long standing market product that continues to add features as market demand is there and that's continuing to gain market share. And we just got to keep, putting men on base, as simple as that. It's very consistent, bringing in kind of net growth of over 2,500, 3,000 customers a month and is a very steady business.

The segments of our growth that we think, number one, we're just seeing market conversion come our way is in, I mentioned B2B, given that growth trajectory and the large TAM that is there, starting to convert at a higher pace and then adoption of our enterprise suite. Demands being put on businesses within our segments and I'll give you a few examples of how folks are thinking about it is particularly among, I'll call it the software crowd.

They want to come to a single provider to not just process payments, but to process – I'll say, to collect, store money, and then redistribute it. And that's a result of new segments like property management becoming highly automated, right? It's very complex. A lot of renters, I got a lot of different property owners. It's a different environment. I'll call it a multi-party environment. Construction, same thing. Health care, same thing.

All these areas are looking to digitize. That can't just happen on traditional payment rails and be a complete connected experience. Well, we've built for that future state and we're seeing it resonate and win in those segments. So that's probably the area we're most excited about because we think we have a competitive advantage and we're seeing that in the pipeline growth and pipeline execution. So we don't see that changing in terms of the orientation. So, we've got to make sure our product just continues to be on the cutting edge, continues to get delivered with precision and scale and that'll be momentum for years. And that's, I think the biggest advantage

frankly of our platform is, we have these very sticky businesses that combine with this embedded finance experience. I said, I mentioned transactions.

Look at things like the Acrisure Advantage acquisition of Heartland Payroll, right, for \$1.1 billion. Payroll and benefits, a benefits provider, they want to embed more payroll, right? That's a connected single location. I want to provide all these experiences. Well, that's all money movement. Okay? Avid's take private same philosophy and what TPG did there. So look at Xero's acquisition of Melio, right? I want to, they want to bring payables into that accounting arena. So these connected experiences where the customer is getting maybe not everything, but a lot more in one spot, that's what businesses are calling for. And we feel really well positioned to deliver that.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Understood. And then I guess, like on the other hand – you just explained what you are most excited about - I guess on the other hand, what do you think are the biggest risks to your business? Or what keeps you up at night?

<<Thomas Priore, Chairman and Chief Executive Officer>>

The – I don't know, if I would say it. What, it – it's something keeps us up at night from a risk standpoint. Right. The – but it's all about execution, and it's all about delivery. So, I'll say, what motivates us is, hey, we think the numbers already show and they're not disputable. I mean, we've had the last five years, 20% compound annual growth rate on the bottom line, right? So, we've delivered, but it's, hey, we have to keep delivering. And I'll say, those are the things that motivate us as a business is, we've got a really strong utility we've developed, but just can't get complacent. Have to continue to deliver with precision, make sure we're built for scale. Make sure we're delivering, security, consistency across the board. And those are that, I'll say, those are the things that occupy our mind to ensure we've protected our flank, protected our downside.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Understood. That's really helpful. And then talk to us a little bit about your capital allocation priorities and maybe discuss your M&A strategy as well?

<<Thomas Priore, Chairman and Chief Executive Officer>>

Yes, sure. Well, on that topic, we've – so we just closed a refinance and an increase in our debt facility. The rating agencies, S&P in particular, has us on watch for an upgrade. We were just able to refi and reduce the cost of capital by 100 basis points. And also given the size and scale of our facility, about a \$1 billion. Like, we just, we have a broad base of investors. So, we're well positioned to access liquidity in that segment. And we're a little over four times levered. Our continued focus is, is to bring that down sort of in the mid-to-high 3s, over the course of the next handful of months' kind of moving into the remainder of the year by both debt reduction in principal pay downs and just our growth in the trajectory we're on.

So, we'll – where we're using that capital. We've kind of done a couple of things. One, we see opportunities now to, while some of our peers are, their growth numbers are languishing a bit, and we want to, as I said, we have goals to grab market share in acquiring. We're finding distribution channels that we can acquire that we think we can really turbocharge. So that's one area of M&A. And then the other, and we've historically done this, I haven't touched on it yet, but we're – we've been very intentional about buying what I would describe as either countercyclical segments within this payments and banking fintech arena or early in the cycle of conversion. One such area, for instance performed exceedingly well for us is a consumer finance consumer wellness segment.

We have a large presence there and that business has grown consistently, high 20s, 30% bottom line, over the last handful of years. And it's in the consumer wellness segment where when the market turns down, we'll see consumers looking for assistance with resolution of their debt. We power many debt solution providers or debt resolution providers. We power their back end for payments and banking. And that's a segment that has done exceedingly well and given the current economic backdrop and some other we think systemic changes in that space, that's not going to change anytime soon. But it's a very countercyclical benefit to traditional payments.

The other countercyclical area is, is B2B, right. We've seen that area take off, because of uncertainty of businesses over working capital challenges that could be associated to economic growth which diminished a bit in the first quarter as well as the tariffs volatility. So these businesses provide countercyclical balance. And then we've been investing in areas like payroll and benefits in construction technology and property technology that are early in this conversion to digital. This will shock you, but rent payments is like a perfect example. So nearly diminished some, but over 70% of rent payments are still paid on a check. That just doesn't, in today's world that doesn't make a lot of sense. So there's a lot of conversion of providing great technology to property managers. And renting is probably becoming a bigger part of the real estate market as opposed to ownership.

So, we think there's some tailwinds to things like that. Construction is really an archaic space of money movement. So these are all areas where we don't have to be perfect. We have to be solution oriented, work with our customers, and develop these solutions and really have, I'll say some, some time to get all that perfected. So those are areas where we're investing judiciously, and we see large upside.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Do you anticipate any impact to your business from Trump's tariff policies?

<<Thomas Priore, Chairman and Chief Executive Officer>>

I'll tell you what we've seen, and the answer is yes, but we were kind of positioned for a benefit from tariffs. So one, I already called out is, is the B2B payables space. We have seen a lift because of businesses trying to make sure they're preserving working capital given the tariff uncertainty, and they're using our tools to help do that. We allow customers to use their credit

card for vendors that do not accept card in something we call buyer funded or bill payment service provider.

And that allows for some flexibility of their working capital, and we've seen adoption from that. We expect that to continue, because it's a cheaper source of capital for businesses than using their credit lines. The other area which, there's been a lot of concern over is, hey, what are small businesses going to do in this environment?

We've not yet seen a drop off that I would say we would absolutely tie to tariffs. Same store sales growth has been actually a drag on volumes that we've seen, but it's unclear whether that's more of the economic cycle driven versus tariff driven. Our instinct is it's just more economic cycle from a pretty robust 2024.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Understood. Very helpful detail. I know we're close to the end of our session. So just one final question for you, Tom. What do you think is most underappreciated about your stock, and what do you think maybe investors or the buy side don't fully understand about your story?

<<Thomas Priore, Chairman and Chief Executive Officer>>

Oh, gosh. Well, look I think it's just there's some straight up math that folks should take a look at. It doesn't get more complicated than if you took apart our businesses, their revenue, just look at a sum of the parts, and we had an analyst who did this. Based on our multiple of our total EBITDA, and we have business lines that are valued at zero, they make no sense.

On a sum of a parts analysis, this is clearly a double-digit, probably mid-teens valuation versus the peer set in our business, in our different business lines, and all of those we're outgrowing. So I think that's the – that's really the takeaway. Look at the diversification, the multiline nature of our business. It's been very – it's been built intentionally, and it performs in varying economic cycles. And I'll submit this at a personal level. I'm the largest shareholder. So with over 60% of the available shares. So across management, it's close to 80%. So you have people's attention as an investor in our business, and we're laser focused on performing.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Tom, well that's wonderful you own 60% of the stocks, so that says a lot about, how you think the growth potential of your business looks in the coming months and years. I know I said that was my final question, but I do have one more based off of that answer. So you said, like, looking at your business on a similar price is a good way to value the company. I mean, given you said that, do you think – would you potentially look at strategic options for different parts of your business, or do you think all of these business lines belong under the Priority Technology umbrella? Or are there options to potentially sell and see more value to the stock that way?

<<Thomas Priore, Chairman and Chief Executive Officer>>

Yeah. Look we're all about creating shareholder equity value. So there's things that absolutely should be evaluated, and we're doing that on a regular basis. The advantageous position we're in is we're growing top line, we're driving more to the bottom line, we have a very efficient business. When you look at our pull through from gross profit to EBITDA, it is a software margin performance because we're selling software. We're just embedding that payment experience within that value story to our customers.

And the – so to the extent there's better ways to reflect that from a shareholder perspective, we're absolutely evaluating those on a regular basis. And, but we see a lot of opportunity within to grow organically and to find those segments I already noted that are I'll say others have, maybe initiated an effort and haven't scaled where we can pick up great value by bringing them onto the platform and synergizing. So we want to be very intentional about our use of capital in that way, and, but we're evaluating it all.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Wonderful. Well, Tom, really great chatting with you today. Thank you for the opportunity. And for everyone else on who's been watching, thanks for joining. And if you have any questions, feel free to reach out to me.

<<Thomas Priore, Chairman and Chief Executive Officer>>

Thanks very much, Rayna. Thanks, everyone for the time.

<<Rayna Kumar, Analyst, Oppenheimer & Co. Inc.>>

Thanks.