

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2022

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 001-39313

SHIFT4 PAYMENTS, INC.



(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)
2202 N. Irving Street
Allentown, Pennsylvania
(Address of principal executive offices)

84-3676340
(I.R.S. Employer Identification No.)
18109
(Zip Code)

(888) 276-2108

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report)

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, \$0.0001 par value per share	FOUR	The New York Stock Exchange

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, a 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 revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 29, 2022, there were 51,092,250 shares of the registrant's Class A common stock, \$0.0001 par value per share, outstanding, 25,829,016 shares of the registrant's Class B common stock, \$0.0001 par value per share, outstanding and 3,650,380 shares of the registrant's Class C common stock, \$0.0001 par value per share, outstanding.

SHIFT4 PAYMENTS, INC.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including, without limitation, statements relating to our future results of operations and financial position, business strategy and plans and objectives of management for future operations, including, among others, statements regarding expected growth, future capital expenditures and debt service obligations, and the anticipated impact of COVID-19 on our business, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” or “continue” or the negative of these terms or other similar expressions though not all forward-looking statements can be identified by such terms or expressions. The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of important factors that could cause actual results to differ materially from those in the forward-looking statements, including, but not limited to the following:

- the COVID-19 global pandemic has had and may continue to have an adverse effect on our business and results of operations;
- substantial and increasingly intense competition worldwide in the financial services, payments and payment technology industries may adversely affect our overall business and operations;
- potential changes in the competitive landscape, including disintermediation from other participants in the payments chain, could harm our business;
- our ability to anticipate and respond to changing industry trends and the needs and preferences of our merchants and consumers may adversely affect our competitiveness or the demand for our products and services;
- because we rely on third-party vendors to provide products and services, we could be adversely impacted if they fail to fulfill their obligations;
- acquisitions create certain risks and may adversely affect our business, financial condition or results of operations;
- we may not be able to continue to expand our share of the existing payment processing markets or expand into new markets which would inhibit our ability to grow and increase our profitability;
- our services and products must integrate with a variety of operating systems, software, device and web browsers, and our business may be materially and adversely affected if we are unable to ensure that our services interoperate with such operating systems, device, software and web browsers;
- we depend, in part, on our merchant and software partner relationships and strategic partnerships with various institutions to operate and grow our business. If we are unable to maintain these relationships and partnerships, our business may be adversely affected;
- our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets would negatively affect our business, financial condition or results of operations;
- failure to comply with the U.S. Foreign Corrupt Practices Act (“FCPA”) anti-money laundering, economic and trade sanctions regulations, and similar laws could subject us to penalties and other adverse consequences;
- our principal asset is our interest in Shift4 Payments, LLC, and, as a result, we depend on distributions from Shift4 Payments, LLC to pay our taxes and expenses, including payments under the Tax Receivable Agreement (“TRA”). Shift4 Payments, LLC’s ability to make such distributions may be subject to various limitations and restrictions;
- our Founder (as defined herein) has significant influence over us, including control over decisions that require the approval of stockholders;
- the ongoing military action between Russia and Ukraine could adversely affect our business, financial condition and results of operations; and

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- those factors described in the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the “2021 Form 10-K”) and the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report on Form 10-Q.

Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

PART I: FINANCIAL INFORMATION
Item 1. Financial Statements (unaudited)

SHIFT4 PAYMENTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (in millions, except share and per share amounts)

	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,018.2	\$ 1,231.5
Accounts receivable, net of allowance for doubtful accounts of \$ 10.8 in 2022 (\$8.0 in 2021)	251.3	205.9
Inventory	2.3	3.5
Prepaid expenses and other current assets (Note 10)	12.1	12.7
Total current assets	1,283.9	1,453.6
Noncurrent assets		
Goodwill (Note 4)	627.1	537.7
Other intangible assets, net (Note 5)	219.0	188.5
Capitalized acquisition costs, net (Note 6)	36.6	35.1
Equipment for lease, net (Note 7)	65.2	58.4
Property, plant and equipment, net (Note 8)	17.7	18.4
Right-of-use assets (Note 13)	16.2	18.5
Investments in securities	32.0	30.5
Other noncurrent assets	1.9	1.9
Total noncurrent assets	1,015.7	889.0
Total assets	\$ 2,299.6	\$ 2,342.6
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 155.2	\$ 121.1
Accrued expenses and other current liabilities (Note 10)	97.3	42.9
Deferred revenue (Note 3)	18.7	15.0
Current lease liabilities (Note 13)	4.1	4.8
Total current liabilities	275.3	183.8
Noncurrent liabilities		
Long-term debt (Note 9)	1,737.8	1,738.5
Deferred tax liability (Note 12)	1.2	0.3
Noncurrent lease liabilities (Note 13)	16.0	17.9
Other noncurrent liabilities	1.9	2.4
Total noncurrent liabilities	1,756.9	1,759.1
Total liabilities	2,032.2	1,942.9
Commitments and contingencies (Note 15)		
Stockholders' equity (Note 16)		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized at June 30, 2022 and December 31, 2021, none issued and outstanding	—	—
Class A common stock, \$0.0001 par value per share, 300,000,000 shares authorized, 51,458,312 and 51,793,127 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	—	—
Class B common stock, \$0.0001 par value per share, 100,000,000 shares authorized, 25,829,016 and 26,272,654 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	—	—
Class C common stock, \$0.0001 par value per share, 100,000,000 shares authorized, 3,650,380 and 5,035,181 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	—	—
Additional paid-in capital	635.5	619.2
Treasury stock, at cost; 726,650 shares and 378,475 shares at June 30, 2022 and December 31, 2021, respectively	(28.8)	(21.1)
Accumulated other comprehensive loss	(0.4)	—
Retained deficit	(422.8)	(325.3)
Total stockholders' equity attributable to Shift4 Payments, Inc.	183.5	272.8
Noncontrolling interests (Note 17)	83.9	126.9
Total stockholders' equity	267.4	399.7
Total liabilities and stockholders' equity	\$ 2,299.6	\$ 2,342.6

See accompanying notes to unaudited condensed consolidated financial statements.

SHIFT4 PAYMENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited) (in millions, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Gross revenue	\$ 506.7	\$ 351.0	\$ 908.6	\$ 590.3
Cost of sales	400.9	272.9	718.2	460.4
Gross profit	105.8	78.1	190.4	129.9
General and administrative expenses	58.0	51.7	124.2	105.2
Depreciation and amortization expense	16.7	15.5	34.0	30.9
Professional fees	5.2	3.5	13.9	9.7
Advertising and marketing expenses	2.9	2.5	5.6	22.6
Restructuring expenses (Note 10)	0.1	—	0.1	0.1
Transaction-related expenses (Note 9)	—	—	1.4	—
Total operating expenses	82.9	73.2	179.2	168.5
Income (loss) from operations	22.9	4.9	11.2	(38.6)
Loss on extinguishment of debt	—	—	—	(0.2)
Interest income	1.4	—	1.4	—
Other income, net	0.1	—	0.3	—
Interest expense	(8.4)	(6.3)	(16.3)	(12.8)
Income (loss) before income taxes	16.0	(1.4)	(3.4)	(51.6)
Income tax benefit (provision) (Note 12)	(1.0)	5.9	5.2	5.1
Net income (loss)	15.0	4.5	1.8	(46.5)
Net income (loss) attributable to noncontrolling interests	4.7	1.3	(1.0)	(16.9)
Net income (loss) attributable to Shift4 Payments, Inc.	\$ 10.3	\$ 3.2	\$ 2.8	\$ (29.6)
Basic net income (loss) per share:				
Class A net income (loss) per share - basic	\$ 0.19	\$ 0.06	\$ 0.05	\$ (0.56)
Class A weighted average common stock outstanding - basic	51,790,403	46,297,553	51,958,494	44,492,680
Class C net income (loss) per share - basic	\$ 0.19	\$ 0.06	\$ 0.05	\$ (0.56)
Class C weighted average common stock outstanding - basic	4,006,159	8,151,747	4,283,096	9,075,667
Diluted net income (loss) per share:				
Class A net income (loss) per share - diluted	\$ 0.18	\$ 0.05	\$ 0.02	\$ (0.56)
Class A weighted average common stock outstanding - diluted	78,514,880	76,995,332	78,823,068	44,492,680
Class C net income (loss) per share - diluted	\$ 0.18	\$ 0.05	\$ 0.02	\$ (0.56)
Class C weighted average common stock outstanding - diluted	4,006,159	8,151,747	4,283,096	9,075,667

See accompanying notes to unaudited condensed consolidated financial statements.

SHIFT4 PAYMENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited) (in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 15.0	\$ 4.5	\$ 1.8	\$ (46.5)
Other comprehensive income (loss)				
Unrealized income (loss) on foreign currency translation adjustment, net of tax	(0.6)	—	(0.6)	—
Total other comprehensive income (loss)	(0.6)	—	(0.6)	—
Comprehensive income (loss)	14.4	4.5	1.2	(46.5)
Comprehensive income (loss) attributable to noncontrolling interests	4.5	1.3	(1.2)	(16.9)
Comprehensive income (loss) attributable to Shift4 Payments, Inc.	\$ 9.9	\$ 3.2	\$ 2.4	\$ (29.6)

See accompanying notes to unaudited condensed consolidated financial statements.

SHIFT4 PAYMENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited) (in millions, except shares)

	Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount				
Balances at December 31, 2021	51,793,127	\$ —	26,272,654	\$ —	5,035,181	\$ —	\$ 619.2	(378,475)	\$ (21.1)	\$ (325.3)	\$ —	\$ 126.9	\$ 399.7
Net loss	—	—	—	—	—	—	—	—	—	(7.5)	—	(5.7)	(13.2)
Issuance of Class A common stock and fair value of equity-based compensation awards assumed in connection with The Giving Block acquisition	785,969	—	—	—	—	—	24.7	—	—	—	—	11.8	36.5
Repurchases of Class A common stock to treasury stock	—	—	—	—	—	—	4.5	(301,510)	(17.2)	—	—	(4.5)	(17.2)
Exchange of shares held by Continuing Equity Owners	732,524	—	—	—	(732,524)	—	—	—	—	—	—	—	—
Equity-based compensation	—	—	—	—	—	—	15.8	—	—	—	—	—	15.8
Vesting of restricted stock units, net of tax withholding	306,953	—	—	—	—	—	(4.6)	—	—	—	—	1.2	(3.4)
Balances at March 31, 2022	53,618,573	—	26,272,654	—	4,302,657	—	659.6	(679,985)	(38.3)	(332.8)	—	129.7	418.2
Net income	—	—	—	—	—	—	—	—	—	10.3	—	4.7	15.0
Issuance of Class A common stock	17,287	—	—	—	—	—	0.4	—	—	—	—	0.2	0.6
Repurchases of Class A common stock to treasury stock	—	—	—	—	—	—	46.8	(3,585,681)	(167.2)	—	—	(46.8)	(167.2)
Retirement of treasury stock	(3,539,016)	—	—	—	—	—	(76.4)	3,539,016	176.7	(100.3)	—	—	—
Exchange of shares held by Continuing Equity Owners	1,095,915	—	(443,638)	—	(652,277)	—	1.6	—	—	—	—	(1.6)	—
Equity-based compensation	—	—	—	—	—	—	9.3	—	—	—	—	—	9.3
Vesting of restricted stock units, net of tax withholding	265,553	—	—	—	—	—	(5.8)	—	—	—	—	(2.1)	(7.9)
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	(0.4)	(0.2)	(0.6)
Balances at June 30, 2022	51,458,312	—	25,829,016	—	3,650,380	—	\$ 635.5	(726,650)	\$ (28.8)	\$ (422.8)	\$ (0.4)	\$ 83.9	\$ 267.4

	Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid-In Capital	Retained Deficit	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances at December 31, 2020	39,737,950	\$ —	30,625,857	\$ —	10,188,852	\$ —	\$ 738.3	\$ (278.7)	\$ 210.4	\$ 670.0
Net loss	—	—	—	—	—	—	—	(32.8)	(18.2)	(51.0)
Cumulative effect of ASU 2020-06 adoption	—	—	—	—	—	—	(111.5)	1.6	—	(109.9)
Issuance of Class A common stock and fair value of equity-based compensation awards assumed in connection with VenueNext acquisition	325,127	—	—	—	—	—	13.5	—	12.8	26.3
Transfer from Founder of right associated with Inspiration4 seat	—	—	—	—	—	—	1.3	—	0.8	2.1
Exchange of shares held by Searchlight	2,000,000	—	(926,000)	—	(1,074,000)	—	6.3	—	(6.3)	—
Equity-based compensation	—	—	—	—	—	—	14.0	—	—	14.0
Vesting of restricted stock units, net of tax withholding	46,503	—	—	—	—	—	(1.4)	—	(1.0)	(2.4)
Balances at March 31, 2021	42,109,580	—	29,699,857	—	9,114,852	—	660.5	(309.9)	198.5	549.1
Net income	—	—	—	—	—	—	—	3.2	1.3	4.5
Exchange of shares held by Searchlight	3,152,165	—	(1,459,453)	—	(1,692,712)	—	7.9	—	(7.9)	—
Equity-based compensation	—	—	—	—	—	—	6.6	—	—	6.6
Vesting of restricted stock units, net of tax withholding	1,953,859	—	—	—	—	—	(73.7)	—	(40.3)	(114.0)
Balances at June 30, 2021	47,215,604	\$ —	28,240,404	\$ —	7,422,140	\$ —	\$ 601.3	\$ (306.7)	\$ 151.6	\$ 446.2

See accompanying notes to unaudited condensed consolidated financial statements.

SHIFT4 PAYMENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (in millions)

	Six Months Ended June 30,	
	2022	2021
Operating activities		
Net income (loss)	\$ 1.8	\$ (46.5)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	59.0	51.0
Amortization of capitalized financing costs	3.9	2.4
Loss on extinguishment of debt	—	0.2
Deferred income taxes	(5.5)	(2.3)
Provision for bad debts	4.3	8.1
Revaluation of contingent liabilities	(0.3)	0.2
Impairment of intangible assets	—	0.1
Equity-based compensation expense	26.2	20.6
Other noncash items	0.7	0.5
Change in operating assets and liabilities		
Accounts receivable	(49.5)	(92.0)
Prepaid expenses and other assets	1.7	(1.6)
Inventory	2.9	3.0
Accounts payable	35.8	50.8
Accrued expenses and other current liabilities	3.1	5.2
Right-of-use assets and lease liabilities, net	(0.3)	—
Deferred revenue	1.2	5.3
Net cash provided by operating activities	<u>85.0</u>	<u>5.0</u>
Investing activities		
Acquisitions, net of cash acquired	(12.6)	(40.2)
Acquisition of equipment to be leased	(24.9)	(18.9)
Capitalized software development costs	(20.3)	(8.3)
Customer acquisition costs	(14.2)	(12.7)
Residual commission buyouts	(11.8)	(0.9)
Investments in securities	(1.5)	(29.5)
Acquisition of property, plant and equipment	(1.8)	(5.0)
Net cash used in investing activities	<u>(87.1)</u>	<u>(115.5)</u>
Financing activities		
Repurchases of Class A common stock to treasury stock	(185.9)	—
Payments for withholding tax related to vesting of restricted stock units	(20.2)	(116.3)
Deferred financing costs	(4.9)	(0.4)
Repayment of debt	—	(0.9)
Net cash used in financing activities	<u>(211.0)</u>	<u>(117.6)</u>
Effect of exchange rate changes on cash and cash equivalents	(0.2)	—
Change in cash and cash equivalents	(213.3)	(228.1)
Cash and cash equivalents		
Beginning of period	1,231.5	927.8
End of period	<u>\$ 1,018.2</u>	<u>\$ 699.7</u>

Supplemental cash flows information and noncash activities are further described in Note 20.

See accompanying notes to unaudited condensed consolidated financial statements.

SHIFT4 PAYMENTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (in millions, except share, unit and per unit amounts)

1. Organization, Basis of Presentation and Significant Accounting Policies

Organization

Shift4 Payments, Inc., (“Shift4 Payments”) (“the Company”), was incorporated in Delaware on November 5, 2019 in order to carry on the business of Shift4 Payments, LLC and its consolidated subsidiaries. The Company is a leading provider of integrated payment processing and technology solutions. Through the *Shift4 Model*, the Company offers software providers a single integration to an end-to-end payments offering, a powerful gateway and a robust suite of technology solutions (including cloud enablement, business intelligence, analytics, and mobile) to enhance the value of their software suites and simplify payment acceptance. The Company provides for its merchants a seamless customer experience at scale, rather than simply acting as one of multiple providers they rely on to operate their businesses. The *Shift4 Model* is built to serve a range of merchants from small-to-medium-sized businesses to large and complex enterprises across numerous verticals, including food and beverage, hospitality, stadiums and arenas, gaming, specialty retail, non-profits, eCommerce, and exciting technology companies. This includes the Company’s point of sale (“POS”) software offerings, as well as over 425 additional software integrations in virtually every industry.

Basis of Presentation

The accompanying interim condensed consolidated financial statements of the Company are unaudited. These interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) and the applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) for interim financial information. As such, these financial statements do not include all information and footnotes required by U.S. GAAP for complete financial statements. The December 31, 2021 Condensed Consolidated Balance Sheet was derived from audited financial statements as of that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments consisting only of normal recurring adjustments necessary to state fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP applicable to interim periods. The results of operations for the interim periods presented are not necessarily indicative of results for the full year or future periods. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the fiscal year ended December 31, 2021, as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the “2021 Form 10-K”).

The unaudited condensed consolidated financial statements include the accounts of Shift4 Payments, Inc. and its wholly-owned subsidiaries. Shift4 Payments, Inc. consolidates the financial results of Shift4 Payments, LLC, which is considered a variable interest entity (“VIE”). Shift4 Payments, Inc. is the primary beneficiary and sole managing member of Shift4 Payments, LLC and has decision making authority that significantly affects the economic performance of the entity. As a result, the Company consolidates Shift4 Payments, LLC and reports a noncontrolling interest representing the economic interest in Shift4 Payments, LLC held by Rook Holdings Inc. (“Rook”). Prior to May 24, 2022, the noncontrolling interest also included the economic interest in Shift4 Payments, LLC held by certain affiliates of Searchlight Capital Partners (“Searchlight”) (together with Rook, the “Continuing Equity Owners”).

All intercompany balances and transactions have been eliminated in consolidation.

The assets and liabilities of Shift4 Payments, LLC represent substantially all of the consolidated assets and liabilities of Shift4 Payments, Inc. with the exception of certain cash balances, contingent consideration for earnout liabilities for The Giving Block, Inc. (“The Giving Block”), and the aggregate principal amount of \$690.0 million of 2025 Convertible Notes and \$632.5 million of 2027 Convertible Notes that are held by Shift4 Payments, Inc. directly. As of both June 30, 2022 and December 31, 2021, \$9.8 million of cash was held by Shift4 Payments, Inc. As of June 30, 2022, the earnout liabilities for The Giving Block were \$58.9 million. Shift4 Payments, Inc., which was established November 5, 2019, has not had any material operations on a standalone basis since its inception, and all of the operations of the Company are carried out by Shift4 Payments, LLC and its subsidiaries.

Certain prior year balances have been adjusted to present contract assets within the line item “Prepaid expenses and other current assets” rather than in its own line item on the Company’s unaudited Condensed Consolidated Balance Sheets.

SHIFT4 PAYMENTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (in millions, except share, unit and per unit amounts)

Liquidity and Management's Plan

As of June 30, 2022, the Company had \$1,772.5 million total principal amount of debt outstanding and was in compliance with the financial covenants under its debt agreements. The Company expects to be in compliance for at least 12 months following issuance of these unaudited condensed consolidated financial statements. See Note 9 for further information on the Company's debt obligations.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Significant estimates inherent in the preparation of the accompanying unaudited condensed consolidated financial statements include estimates of fair value of acquired assets and liabilities through business combinations, fair value of contingent liabilities related to earnout payments, fair value of debt instruments, allowance for doubtful accounts, income taxes, investments in securities and noncontrolling interests. Estimates are based on past experience and other considerations reasonable under the circumstances. Actual results may differ from these estimates.

Significant Accounting Policies

The Company's significant accounting policies are discussed in Note 2 to Shift4 Payments, Inc.'s consolidated financial statements as of and for the year ended December 31, 2021 in the 2021 Form 10-K. There have been no significant changes to these policies which have had a material impact on the Company's unaudited condensed consolidated financial statements and related notes during the six months ended June 30, 2022 except for the below.

Crypto Settlement Assets and Liabilities

The Company recognizes a liability accompanied by an asset of the same value to reflect its obligation to safeguard the crypto settlement assets it holds on behalf of users of The Giving Block's platform. These crypto settlement assets are comprised of numerous cryptocurrencies that are traded on numerous cryptocurrency exchanges. The liability and asset are remeasured at each reporting date at the fair value of the crypto settlement assets, which is determined using quoted prices from cryptocurrency exchanges. The Company's agent, which acts as a cryptocurrency exchange and custodian, holds the cryptographic key information of the crypto settlement assets and is primarily obligated to secure the assets and protect them from loss or theft. The Company maintains the internal recordkeeping of the assets.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, Leases ("ASC 842") with amendments in 2018 and 2019. This accounting guidance requires a lessee to record assets and liabilities on the balance sheet for the rights and obligations arising from leases with terms of more than 12 months. On January 1, 2021, the Company adopted ASC 842 using the modified retrospective method, reflecting the adoption in the Company's annual results for the period ended December 31, 2021. Prior period amounts were not adjusted and continue to be reported in accordance with historic accounting under previous lease guidance, ASC 840, Leases ("ASC 840"). The Company elected to use the package of practical expedients permitted under the transition guidance. The Company did not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct costs for any existing leases. For lease agreements where the Company is a lessee that include lease and non-lease components, the Company elected to use the practical expedient on all leases entered into or modified after January 1, 2021 to combine lease and non-lease components for all classes of assets. Additionally, the Company elected to not record leases with a term of twelve months or less on the balance sheet. Upon adoption, the Company recorded right-of-use assets of \$21.4 million and lease liabilities of \$25.7 million. The adoption of ASC 842 did not result in a material impact to the unaudited Condensed Consolidated Statements of Operations or unaudited Condensed Consolidated Statements of Cash Flows. See Note 13 for ASC 842-related disclosures.

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In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which changes the impairment model for most financial assets, including accounts receivable, and replaces the existing incurred loss impairment model with a current expected credit loss (“CECL”) methodology, which will result in more timely recognition of credit losses. The Company adopted ASU 2016-13 on a modified retrospective basis on December 31, 2021, reflecting the adoption as of January 1, 2021 in the Company's annual results for the period ended December 31, 2021 and interim periods beginning January 1, 2022. The adoption of ASU 2016-13 did not result in a material impact on the Company's unaudited condensed consolidated financial statements and disclosures.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU requires an acquirer to account for revenue contracts acquired in a business combination in accordance with ASC 606, as if it had originated the contracts. Prior to ASU 2021-08, an acquirer generally recognized assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers and other similar contracts, at fair value on the acquisition date. The Company adopted ASU 2021-08 in the third quarter of 2021 and retrospectively applied the ASU to its acquisitions that occurred in 2021. The adoption of ASU 2021-08 resulted in an increase to “Deferred revenue” of \$5.7 million, of which \$1.8 million was recognized as an increase to “Gross revenue” for the fiscal year ended December 31, 2021.

In July 2021, the FASB issued ASU 2021-05, *Lessors—Certain Leases with Variable Lease Payments*, to amend lessor accounting for certain leases with variable lease payments that do not depend on a reference index or a rate and would have resulted in the recognition of a loss at lease commencement if classified as a sales-type or a direct financing lease. ASU 2021-05 amends the classification requirements of such leases for lessors to require operating lease classification. The Company adopted ASU 2021-05 on a retrospective basis effective January 1, 2022. The adoption did not have a significant impact on the Company's unaudited condensed consolidated financial statements.

In March 2022, the SEC issued Staff Accounting Bulletin No. 121 (“SAB 121”), which provided interpretive guidance regarding the accounting for obligations to safeguard crypto-assets an entity holds for users of its crypto platform. This guidance requires entities that hold crypto-assets on behalf of platform users to recognize a liability accompanied by an asset of the same value on its balance sheet to reflect the entity's obligation to safeguard the crypto-assets held for its platform users. The liability and asset should be measured at initial recognition and each reporting date at the fair value of the crypto-assets that the entity is responsible for holding for its platform users. The entity should also describe in the footnotes to the financial statements the nature and amount of crypto-assets the entity is responsible for safeguarding for its platform users and how the fair value is determined, and should also consider including information regarding who (e.g. the entity, its agent, or another third party) holds the cryptographic key information, maintains the internal recordkeeping of those assets, and is obligated to secure the assets and protect them from loss or theft. This guidance is effective from the first interim period after June 15, 2022 and should be applied retrospectively. The Company adopted SAB 121 on a retrospective basis effective June 30, 2022, resulting in the recognition of \$1.2 million of crypto settlement assets within “Prepaid expenses and other current assets” and \$1.2 million of crypto settlement liabilities within “Accrued expenses and other current liabilities” on the Company's unaudited Condensed Consolidated Balance Sheets as of June 30, 2022 associated with The Giving Block. The adoption of this guidance had no impact on the Company's unaudited Condensed Consolidated Statements of Operations and unaudited Condensed Consolidated Statements of Cash Flows.

Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform*, which provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, subject to certain criteria, that reference the London Interbank Offered Rate (“LIBOR”), or another reference rate that is expected to be discontinued. Companies may elect to apply these amendments through December 31, 2022. The Company is currently evaluating whether we will elect the optional expedients, as well as evaluating the impact of ASU 2020-04 on the Company's unaudited condensed consolidated financial statements.

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2. Acquisitions

Each of the following acquisitions was accounted for as a business combination using the acquisition method of accounting. The respective purchase prices were allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill and represents the future economic benefits arising from other assets acquired, which cannot be individually identified or separately recognized. Under the acquisition method of accounting for business combinations, if there are changes to acquired deferred tax balances, valuation allowances or liabilities related to uncertain tax positions during the measurement period, and they are related to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement-period adjustment, with the offset recorded to goodwill.

The Giving Block

On February 28, 2022, the Company acquired The Giving Block by acquiring 100% of its common stock for \$106.9 million of estimated total purchase consideration, net of cash acquired. The Giving Block is a cryptocurrency donation marketplace that the Company expects to accelerate its growth in the non-profit sector with significant cross-sell potential. Total purchase consideration was as follows:

Cash	\$	16.8
Shares of Class A common stock (a)		36.4
RSUs granted for fair value of equity-based compensation awards (b)		0.1
Contingent consideration (c)		57.8
Total purchase consideration		<u>111.1</u>
Less: cash acquired		<u>(4.2)</u>
Total purchase consideration, net of cash acquired	\$	<u>106.9</u>

(a) Total purchase consideration includes 785,969 shares of common stock.

(b) The Company assumed all equity awards held by continuing employees. The portion of the fair value of the equity-based compensation awards associated with prior service of The Giving Block employees represents a component of the total consideration as presented above and was valued based on the fair value of The Giving Block awards on February 28, 2022, the acquisition date.

(c) The Company agreed to an earnout due to the former shareholders of The Giving Block in April 2023, calculated as a multiple of revenue earned by The Giving Block from March 1, 2022 to February 28, 2023, not to exceed \$246.0 million. The earnout will be paid 75% in a combination of RSUs and shares of the Company's Class A common stock and 25% in cash. The fair value of the earnout was included in the initial purchase consideration and will be revalued quarterly until the end of the earnout period as a fair value adjustment within "General and administrative expenses" in the Company's unaudited Condensed Consolidated Statements of Operations. As of June 30, 2022, the fair value of the earnout included in the purchase consideration was \$57.5 million, which is recognized in "Accrued expenses and other current liabilities" on the Company's unaudited Condensed Consolidated Balance Sheets. In addition, a portion of the earnout due in April 2023 is considered post-acquisition compensation expense and will be accrued throughout the earnout period within "General and administrative expenses" on the Company's unaudited Condensed Consolidated Statements of Operations. As of June 30, 2022, \$1.4 million is included in "Accrued expenses and other current liabilities" on the Company's unaudited Condensed Consolidated Balance Sheets.

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The following table summarizes the fair value assigned to the assets acquired and liabilities assumed at the acquisition date. These amounts reflect various preliminary fair value estimates and assumptions, and are subject to change within the measurement period as valuations are finalized. The primary areas of preliminary purchase price allocation subject to change relate to the valuation of contingent consideration, accrued expenses and other current liabilities assumed, and residual goodwill.

Prepaid expenses and other current assets (a)	\$	4.8
Other intangible assets		26.0
Goodwill (b)		89.4
Accrued expenses and other current liabilities (a)		(4.9)
Deferred revenue		(2.0)
Deferred tax liability		(6.4)
Net assets acquired	<u>\$</u>	<u>106.9</u>

(a) Includes \$4.8 million of crypto settlement assets and liabilities. See the disclosure under “Accounting Pronouncements Adopted” in Note 1 for further information.

(b) Goodwill is not deductible for tax purposes.

In the six months ended June 30, 2022, the Company incurred expenses in connection with The Giving Block acquisition of \$2.2 million. These expenses are included in “Professional fees” in the Company’s unaudited Condensed Consolidated Statements of Operations.

The fair values of intangible assets were estimated using inputs classified as Level 3 under the income approach using either the relief-from-royalty method (developed technology and trade name), the with or without method (donor relationships) or the multi-period excess earnings method (customer relationships). The contingent liability arising from the expected earnout payment included in purchase consideration was measured on the acquisition date using a Monte Carlo simulation in a risk-neutral framework, calibrated to Management’s revenue forecasts. The transaction was not taxable for income tax purposes. The weighted average life of developed technology, the trade name, donor relationships and customer relationships is 8 years, 15 years, 5 years and 15 years, respectively. The goodwill arising from the acquisition largely consisted of revenue synergies associated with a larger total addressable market and the ability to cross-sell existing customers, new customers and technology capabilities.

The Giving Block acquisition did not have a material impact on the Company’s unaudited condensed consolidated financial statements. Accordingly, revenue and expenses related to the acquisition and pro forma financial information have not been presented.

Postec

On September 1, 2021, the Company acquired Postec, Inc. (“Postec”) by acquiring 100% of its membership interests for \$14.3 million in cash, net of cash acquired. The purchase was funded with cash on hand. This acquisition enables the boarding of the vendor’s customers on the Company’s end-to-end acquiring solution and empowers the Company’s distribution partners to sign the vendor’s customer accounts and leverage the combined expertise to handle all aspects of installation, service, and support, similar to the hospitality technology vendor acquired in October 2020.

Pending Finaro Acquisition

On March 1, 2022, the Company entered into a definitive agreement to acquire Credorax, Inc. d/b/a Finaro (“Finaro”) for \$200.0 million in cash on hand, 6,439,316 shares of the Company’s Class A common stock with a value of approximately \$ 325.0 million as of March 1, 2022, determined by the volume weighted average price for the thirty trading days preceding the date of the agreement, and a performance-based earnout of up to \$50.0 million in the Company’s Class A common stock. Consummation of the merger is subject to regulatory approvals, which the Company expects to receive in the fourth quarter of 2022. Finaro is a cross-border eCommerce platform and bank specializing in solving complex payment problems for multi-national merchants that the Company believes will accelerate its growth in international markets. In the three and six months ended June 30, 2022, the Company incurred expenses in connection with the Finaro acquisition of \$1.1 million and \$4.7 million, respectively. These expenses are included in “Professional fees” in the Company’s unaudited Condensed Consolidated Statements of Operations.

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3. Revenue

ASC 606, Revenue from Contracts with Customers (“ASC 606”)

Under ASC 606, the Company has three separate performance obligations under its recurring software as a service agreements (“SaaS”) arrangements for point-of-sale systems provided to merchants: (1) point-of-sale software, (2) lease of hardware and (3) other support services.

Disaggregated Revenue

Based on similar operational characteristics, the Company’s revenue from contracts with customers is disaggregated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Payments-based revenue	\$ 473.9	\$ 324.8	\$ 845.4	\$ 540.7
Subscription and other revenues	32.8	26.2	63.2	49.6
Total	\$ 506.7	\$ 351.0	\$ 908.6	\$ 590.3

Based on similar economic characteristics, the Company’s revenue from contracts with customers is disaggregated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Over-time revenue	\$ 495.0	\$ 341.1	\$ 887.0	\$ 571.3
Point-in-time revenue	11.7	9.9	21.6	19.0
Total	\$ 506.7	\$ 351.0	\$ 908.6	\$ 590.3

Contract Assets

Contract assets of \$0.2 million and \$0.3 million as of June 30, 2022 and December 31, 2021, respectively, are included within “Prepaid expenses and other current assets” on the Company’s unaudited Condensed Consolidated Balance Sheets. There was no allowance for contract assets as of June 30, 2022 and December 31, 2021.

Contract Liabilities

The Company charges merchants for various post-contract license support/service fees and annual regulatory compliance fees. These fees typically relate to a period of one year. The Company recognizes the revenue on a straight-line basis over its respective period. As of June 30, 2022 and December 31, 2021, the Company had deferred revenue of \$20.6 million and \$17.4 million, respectively. The change in the contract liabilities was primarily the result of a timing difference between payment from the customer and the Company’s satisfaction of each performance obligation.

The following reflects the amounts the Company recognized as annual service fees and regulatory compliance fees within “Gross revenue” in the Company’s unaudited Condensed Consolidated Statements of Operations and the amount of such fees that was included in deferred revenue at the beginning of the respective period:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Annual service fees and regulatory compliance fees	\$ 10.0	\$ 5.7	\$ 19.6	\$ 10.1
Amount of these fees included in deferred revenue at beginning of period	8.5	4.6	8.8	4.0

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Accounts Receivable

The change in the Company's allowance for doubtful accounts was as follows:

	June 30, 2022	June 30, 2021
Beginning balance	\$ 8.0	\$ 5.7
Additions to expense (a)	4.3	8.1
Write-offs, net of recoveries and other adjustments	(1.5)	(1.0)
Ending balance	<u>\$ 10.8</u>	<u>\$ 12.8</u>

(a) For the six months ended June 30, 2021, includes a \$ 5.5 million allowance on chargebacks from a single merchant, which is included in "Cost of sales" on the unaudited Condensed Consolidated Statements of Operations.

4. Goodwill

The changes in the carrying amount of goodwill were as follows:

Balance at December 31, 2021	\$ 537.7
The Giving Block Acquisition (Note 2)	89.4
Balance at June 30, 2022	<u>\$ 627.1</u>

5. Other Intangible Assets, Net

Other intangible assets, net consisted of the following:

	Weighted Average Amortization Period (in years)	June 30, 2022		
		Carrying Value	Accumulated Amortization	Net Carrying Value
Merchant relationships	11	\$ 96.5	\$ 28.7	\$ 67.8
Acquired technology	9	116.2	61.5	54.7
Trademarks and trade names	17	29.3	4.6	24.7
Capitalized software development costs	3	61.7	12.5	49.2
Residual commission buyouts (a)	3	32.3	9.7	22.6
Total other intangible assets, net		<u>\$ 336.0</u>	<u>\$ 117.0</u>	<u>\$ 219.0</u>

	Weighted Average Amortization Period (in years)	December 31, 2021		
		Carrying Value	Accumulated Amortization	Net Carrying Value
Merchant relationships	8	\$ 200.1	\$ 133.7	\$ 66.4
Acquired technology	9	113.2	54.9	58.3
Trademarks and trade names	18	20.3	3.8	16.5
Capitalized software development costs	4	42.6	9.1	33.5
Residual commission buyouts (a)	3	20.3	6.5	13.8
Total other intangible assets, net		<u>\$ 396.5</u>	<u>\$ 208.0</u>	<u>\$ 188.5</u>

(a) Residual commission buyouts include contingent payments of \$3.7 million and \$4.2 million as of June 30, 2022 and December 31, 2021, respectively.

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As of June 30, 2022, the estimated amortization expense for other intangible assets for each of the five succeeding years and thereafter is as follows:

2022 (remaining six months)	\$ 27.4
2023	50.8
2024	45.2
2025	29.2
2026	17.6
Thereafter	48.8
Total	\$ 219.0

Amounts charged to expense in the Company's unaudited Condensed Consolidated Statements of Operations for amortization of other intangible assets were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Depreciation and amortization expense	\$ 8.4	\$ 9.4	\$ 17.7	\$ 19.5
Cost of sales	6.3	4.7	11.7	9.2
Total	\$ 14.7	\$ 14.1	\$ 29.4	\$ 28.7

6. Capitalized Acquisition Costs, Net

Capitalized acquisition costs, net were \$36.6 million and \$35.1 million at June 30, 2022 and December 31, 2021, respectively, consisting of upfront processing bonuses with a gross carrying value of \$73.0 million and \$69.1 million less accumulated amortization of \$36.4 million and \$34.0 million at June 30, 2022 and December 31, 2021, respectively.

Capitalized acquisition costs had a weighted average amortization period of three years at both June 30, 2022 and December 31, 2021. Amortization expense for capitalized acquisition costs was \$6.6 million and \$12.7 million for the three and six months ended June 30, 2022, respectively, \$5.1 million and \$10.1 million for the three and six months ended June 30, 2021, respectively, and is included in "Cost of sales" in the Company's unaudited Condensed Consolidated Statements of Operations.

As of June 30, 2022, the estimated future amortization expense for capitalized acquisition costs is as follows:

2022 (remaining six months)	\$ 11.1
2023	16.4
2024	8.2
2025	0.9
Total	\$ 36.6

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7. Equipment for Lease, Net

Equipment for lease, net consisted of the following:

	Weighted Average Depreciation Period <i>(in years)</i>	June 30, 2022		
		Carrying Value	Accumulated Depreciation	Net Carrying Value
Equipment under lease	3	\$ 89.8	\$ (34.9)	\$ 54.9
Equipment held for lease (a)	N/A	10.3	—	10.3
Total equipment for lease		\$ 100.1	\$ (34.9)	\$ 65.2

	Weighted Average Depreciation Period <i>(in years)</i>	December 31, 2021		
		Carrying Value	Accumulated Depreciation	Net Carrying Value
Equipment under lease	3	\$ 72.9	\$ (24.2)	\$ 48.7
Equipment held for lease (a)	N/A	9.7	—	9.7
Total equipment for lease, net		\$ 82.6	\$ (24.2)	\$ 58.4

(a) Represents equipment that was not yet initially deployed to a merchant and, accordingly, is not being depreciated.

The amount charged to “Depreciation and amortization expense” in the Company’s unaudited Condensed Consolidated Statements of Operations for depreciation of equipment under lease was \$7.4 million and \$14.4 million for the three and six months ended June 30, 2022, respectively, and \$5.1 million and \$9.6 million for the three and six months ended June 30, 2021, respectively.

8. Property, Plant and Equipment, Net

Property, plant and equipment, net consisted of the following:

	June 30, 2022	December 31, 2021
Equipment	\$ 11.6	\$ 10.5
Capitalized software	4.1	5.1
Leasehold improvements	9.4	9.1
Furniture and fixtures	1.7	2.0
Vehicles	0.2	0.3
Total property, plant and equipment, gross	27.0	27.0
Less: Accumulated depreciation	(9.3)	(8.6)
Total property, plant and equipment, net	\$ 17.7	\$ 18.4

Amounts charged to expense in the Company’s unaudited Condensed Consolidated Statements of Operations for depreciation of property, plant and equipment were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Depreciation and amortization expense	\$ 0.9	\$ 1.0	\$ 1.9	\$ 1.8
Cost of sales	0.3	0.4	0.6	0.8
Total depreciation expense	\$ 1.2	\$ 1.4	\$ 2.5	\$ 2.6

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9. Debt

The Company's outstanding debt consisted of the following:

	Maturity	Effective Interest Rate	June 30, 2022	December 31, 2021
Convertible Notes due 2025 (2025 Convertible Notes)	December 15, 2025	0.49%	\$ 690.0	\$ 690.0
Convertible Notes due 2027 (2027 Convertible Notes)	August 1, 2027	0.90%	632.5	632.5
Senior Notes due 2026 (2026 Senior Notes)	November 1, 2026	5.13%	450.0	450.0
Total borrowings			1,772.5	1,772.5
Less: Unamortized capitalized financing fees			(34.7)	(34.0)
Total long-term debt			\$ 1,737.8	\$ 1,738.5

Amortization of capitalized financing fees is included in "Interest expense" in the Company's unaudited Condensed Consolidated Statements of Operations. Amortization expense for capitalized financing fees was \$2.0 million and \$3.9 million for the three and six months ended June 30, 2022, respectively, and \$1.2 million and \$2.4 million for the three and six months ended June 30, 2021, respectively.

Future principal payments

As of June 30, 2022, future principal payments associated with the Company's long-term debt were as follows:

2025	\$ 690.0
2026	450.0
2027	632.5
Total	\$ 1,772.5

Convertible Notes due 2025

The net carrying amount of the Convertible Senior Notes due 2025 ("2025 Convertible Notes") was as follows:

	June 30, 2022	December 31, 2021
Principal outstanding	\$ 690.0	\$ 690.0
Unamortized debt issuance costs	(11.3)	(13.0)
Net carrying value	\$ 678.7	\$ 677.0

Convertible Notes due 2027

The net carrying amount of the 0.50% Convertible Senior Notes due 2027 ("2027 Convertible Notes") was as follows:

	June 30, 2022	December 31, 2021
Principal outstanding	\$ 632.5	\$ 632.5
Unamortized debt issuance costs	(12.8)	(13.8)
Net carrying value	\$ 619.7	\$ 618.7

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Senior Notes due 2026

In March 2022, Shift4 Payments, LLC (the “Issuer”) and Shift4 Payments Finance Sub, Inc. (the “Co-Issuer” and together with the Issuer, the “Issuers”), completed a consent solicitation to amend the indenture governing the \$450.0 million principal amount of 4.625% Senior Notes due 2026 (“2026 Senior Notes”) to allow for the repurchase of capital stock as part of the Market Capitalization exception that had been included. In connection with the solicitation, the Company paid \$4.5 million of consent payments to note holders, which was capitalized and recognized in the unaudited Condensed Consolidated Balance Sheets as a reduction of long-term debt, and incurred fees of \$1.4 million, which were recorded to “Transaction-related expenses” in the unaudited Condensed Consolidated Statements of Operations in the six months ended June 30, 2022.

Revolving Credit Facility

Borrowing capacity on the Company’s Revolving Credit Facility under the First Lien Credit Agreement (“Revolving Credit Facility”) was \$99.5 million as of June 30, 2022, net of a \$0.5 million letter of credit.

Restrictions and Covenants

The 2025 Convertible Notes, 2026 Senior Notes, 2027 Convertible Notes (collectively, the “Notes”) and Revolving Credit Facility include certain restrictions on the ability of Shift4 Payments, LLC to make loans, advances, or pay dividends to Shift4 Payments, Inc.

At June 30, 2022 and December 31, 2021, the Company was in compliance with all financial covenants.

Other than as provided above, there are no significant changes to the information disclosed in the 2021 Form 10-K.

10. Other Consolidated Balance Sheet Components*Prepaid expenses and other current assets*

Prepaid expenses and other current assets consisted of the following:

	June 30, 2022	December 31, 2021
Crypto settlement assets (a)	\$ 1.2	\$ —
Prepaid insurance	0.9	3.3
Prepaid merchant signing bonuses (b)	0.2	0.7
Other prepaid expenses (c)	7.2	6.1
Taxes receivable	1.7	1.8
Contract assets	0.2	0.3
Agent and employee loan receivables	0.1	0.2
Other current assets	0.6	0.3
Total prepaid expenses and other current assets	\$ 12.1	\$ 12.7

(a) See the disclosure within “Accounting Pronouncements Adopted” in Note 1 for information regarding the Company’s crypto settlement assets.

(b) Represents deal bonuses paid to merchants to obtain processing contracts, which are amortized over their contractual term of one year.

(c) Includes prepayments related to information technology, rent, tradeshows and conferences.

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Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2022	December 31, 2021
Contingent liability earnout - The Giving Block (a)	\$ 58.9	\$ —
Residuals payable	17.0	13.1
Accrued interest	4.8	4.8
Accrued payroll	5.6	15.3
Taxes payable	2.1	1.6
Deferred employer social security tax pursuant to the CARES Act	1.6	1.6
Crypto settlement liabilities (b)	1.2	—
Restructuring accrual (c)	0.7	1.5
Other current liabilities	5.4	5.0
Total accrued expenses and other current liabilities	<u>\$ 97.3</u>	<u>\$ 42.9</u>

(a) Represents the fair value of the contingent liability earnout for The Giving Block as of June 30, 2022, including \$ 57.5 million of estimated purchase consideration and \$1.4 million of post-acquisition compensation expense. See Note 2 for more information.

(b) See the disclosure within "Accounting Pronouncements Adopted" in Note 1 for information regarding the Company's crypto settlement liabilities.

(c) The Company made severance payments of \$0.9 million for the six months ended June 30, 2022. The restructuring accrual of \$ 0.7 million as of June 30, 2022 is expected to be paid in 2022.

11. Fair Value Measurement

U.S. GAAP defines a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Company determines the fair values of its assets and liabilities that are recognized or disclosed at fair value in accordance with the hierarchy described below. The following three levels of inputs may be used to measure fair value:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation.

The Company makes recurring fair value measurements of contingent liabilities arising from certain acquisitions using Level 3 unobservable inputs. These amounts relate to expected earnout payments related to the number of existing point-of-sale merchants that convert to full acquiring merchants.

In conjunction with the acquisition of The Giving Block, Inc. on February 28, 2022, the Company entered into a contingent consideration agreement that requires the Company to pay up to \$246.0 million if certain revenue thresholds of the acquired business are achieved for the twelve months ending February 28, 2023. The fair value of the contingent consideration was estimated using a Monte-Carlo simulation model, which included significant unobservable Level 3 inputs, such as projected financial performance over the earn-out period along with estimates for revenue volatility of 20.9% and 16.7% as of June 30, 2022 and February 28, 2022, respectively, and the discount rate of 8.5% and 7.1% as of June 30, 2022 and February 28, 2022, respectively. Changes in the volatility and discount rate were due to broader market conditions. See Note 2 for more information on the terms of the earnout agreement. The estimated fair value of the contingent consideration related to purchase consideration of \$57.5 million as of June 30, 2022 is recognized in "Accrued expenses and other current liabilities" on the Company's unaudited Condensed Consolidated Balance Sheets.

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The table below provides a reconciliation of the beginning and ending balances for the Level 3 contingent liabilities:

	Six Months Ended June 30,	
	2022	2021
Balance at beginning of period	\$ —	\$ —
Contingent consideration for The Giving Block acquisition	57.8	—
Cash payments made for contingent liabilities related to earnout payments	—	(0.2)
Fair value adjustments	(0.3)	0.2
Balance at end of period	<u>\$ 57.5</u>	<u>\$ —</u>

Fair value adjustments are recorded within “General and administrative expenses” in the Company’s unaudited Condensed Consolidated Statements of Operations. There were no transfers into or out of Level 3 during the six months ended June 30, 2022 and 2021.

The estimated fair value of the Company’s outstanding debt using quoted prices from over-the-counter markets, considered Level 2 inputs, was as follows:

	June 30, 2022		December 31, 2021	
	Carrying Value (a)	Fair Value	Carrying Value (a)	Fair Value
2025 Convertible Notes	\$ 678.7	\$ 560.4	\$ 677.0	\$ 735.4
2027 Convertible Notes	619.7	448.7	618.7	556.5
2026 Senior Notes	440.4	402.1	443.9	465.7
Total	<u>\$ 1,738.8</u>	<u>\$ 1,411.2</u>	<u>\$ 1,739.6</u>	<u>\$ 1,757.6</u>

(a) Carrying value excludes unamortized debt issuance costs related to the Revolving Credit Facility of \$ 1.0 million and \$ 1.1 million as of June 30, 2022 and December 31, 2021, respectively.

The estimated fair value of the Company’s crypto settlement assets and crypto settlement liabilities using quoted prices from active cryptocurrency exchanges, considered Level 1 inputs, was \$1.2 million as of June 30, 2022. See Note 1 for more information on the Company’s crypto settlement assets and crypto settlement liabilities.

Other financial instruments not measured at fair value on the Company’s unaudited Condensed Consolidated Balance Sheets at June 30, 2022 and December 31, 2021 include cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, other noncurrent assets, accounts payable, and accrued expenses and other current liabilities, as their estimated fair values reasonably approximate their carrying value as reported on the Company’s unaudited Condensed Consolidated Balance Sheets.

12. Income Taxes

The Company holds an economic interest in Shift4 Payments, LLC and consolidates its financial position and results. The remaining ownership of Shift4 Payments, LLC not held by the Company is considered a noncontrolling interest. Shift4 Payments, LLC is treated as a partnership for income tax reporting and its members, including the Company, are liable for federal, state, and local income taxes based on their share of the LLC’s taxable income. In addition, Shift4 Corporation and VenueNext, Inc., two operating subsidiaries of Shift4 Payments, LLC, are considered C-Corporations for U.S. federal, state and local income tax purposes. Taxable income or loss from Shift4 Corporation and VenueNext Inc. is not passed through to Shift4 Payments, LLC. Instead, it is taxed at the corporate level subject to the prevailing corporate tax rates.

The Company has assessed the realizability of the net deferred tax assets and in that analysis has considered the relevant positive and negative evidence available to determine whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The Company has recorded a full valuation allowance against the deferred tax assets at Shift4 Payments, Inc. as of June 30, 2022, which will be maintained until there is sufficient evidence to support the reversal of all or some portion of these allowances.

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The Company's effective tax rate was 6.3% and (152.9)% for the three and six months ended June 30, 2022, respectively. The Company's effective tax rate was (421.4)% and (9.9)% for the three and six months ended June 30, 2021, respectively. The effective tax rate for the three and six months ended June 30, 2022 was different than the U.S. federal statutory income tax rate of 21% primarily due to the loss allocated to the noncontrolling interest and the full valuation allowances on Shift4 Payments, Inc. and VenueNext, Inc. in the United States. In addition, the six months ended June 30, 2022 also includes the impact of a \$6.4 million income tax benefit related to the valuation allowance release due to acquired deferred tax liabilities from The Giving Block. The effective tax rate for the three and six months ended June 30, 2021 was different than the U.S. federal statutory income tax rate of 21% primarily due to the loss allocated to the noncontrolling interest, the full valuation allowances on Shift4 Payments, Inc. and VenueNext, Inc. in the United States, the tax windfall related to vested equity-based compensation awards, and the near break-even loss before income taxes for the three months ended June 30, 2021.

Tax Receivable Agreement

The Company expects to obtain an increase in its share of the tax basis in the net assets of Shift4 Payments, LLC as LLC Interests are redeemed from or exchanged by Rook, at the option of the Company, determined solely by the Company's independent directors. The Company intends to treat any redemptions and exchanges of LLC Interests as direct purchases of LLC Interests for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that it would otherwise pay in the future to various tax authorities. In connection with the Reorganization Transactions and the IPO, the Company entered into the Tax Receivable Agreement ("TRA") with the Continuing Equity Owners.

The TRA provides for the payment by Shift4 Payments, Inc. of 85% of the amount of any tax benefits the Company actually realizes, or in some cases is deemed to realize, as a result of (i) increases in the Company's share of the tax basis in the net assets of Shift4 Payments, LLC resulting from any redemptions or exchanges of LLC Interests, (ii) tax basis increases attributable to payments made under the TRA, and (iii) deductions attributable to imputed interest pursuant to the TRA. The Company expects to benefit from the remaining 15% of any of cash savings that it realizes.

The Company has not recognized a \$248.3 million liability under the TRA after concluding it was not probable that such TRA Payments would be paid based on its estimates of future taxable income. No payments were made to the Continuing Equity Owners pursuant to the TRA during the three and six months ended June 30, 2022. The amounts payable under the TRA will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of Shift4 Payments, Inc. in the future. If the valuation allowance recorded against the deferred tax assets applicable to the tax attributes referenced above is released in a future period, the TRA liability may be considered probable at that time and recorded within earnings.

If Rook were to exchange all of its LLC Units, the Company does not expect the deferred tax asset or TRA liability to vary substantially from the amounts reported in the 2021 Form 10-K. The actual amount of deferred tax assets and related liabilities are impacted by the timing of the exchanges, the valuation of Shift4 Corporation, the price of the Company's shares of Class A common stock at the time of the exchange, and the tax rates then in effect.

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13. Lease Agreements

As Lessee

The Company has operating leases primarily for office space and equipment. The following amounts were recorded on the Company's unaudited Condensed Consolidated Balance Sheets relating to operating leases:

	June 30, 2022	December 31, 2021
Assets		
Right-of-use assets	\$ 16.2	\$ 18.5
Liabilities		
Current lease liabilities	\$ 4.1	\$ 4.8
Noncurrent lease liabilities	16.0	17.9
Total lease liabilities	\$ 20.1	\$ 22.7

The expected future payments related to leases with initial non-cancellable lease terms in excess of one year at June 30, 2022 were as follows:

2022 (remaining six months)	\$ 2.4
2023	4.5
2024	4.4
2025	3.4
2026	2.9
Thereafter	4.4
Total lease payments	22.0
Less: Interest	(1.9)
Present value of minimum payments	\$ 20.1

Total operating lease expense, which is included in "General and administrative expenses" in the Company's unaudited Condensed Consolidated Statements of Operations, was \$1.4 million and \$2.8 million for the three and six months ended June 30, 2022, respectively, and \$1.4 million and \$2.9 million for the three and six months ended June 30, 2021, respectively.

Supplemental balance sheet information related to leases was as follows:

	June 30, 2022	December 31, 2021
Weighted average remaining lease term (in years):	5.4	5.6
Weighted average discount rate	3.2 %	3.2 %

Operating lease payments included in operating cash flows were \$3.0 million and \$3.2 million for the six months ended June 30, 2022 and 2021, respectively.

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As Lessor

The Company provides hardware, including terminals and point-of-sale equipment, to its merchants under operating leases. The Company's operating leases generally include options to extend the contract for successive one-year periods. Extension options are not included in the determination of lease income unless, at lease inception, it is reasonably certain that the option will be exercised. The Company's operating leases do not generally include purchase options.

Lease payments received are recognized as income on a straight-line basis over the term of the agreement in accordance with ASC 606 and classified as gross revenue on the Company's unaudited Condensed Consolidated Statements of Operations.

Total lease income for the three and six months ended June 30, 2022 was \$4.4 million and \$8.7 million, respectively, and \$4.2 million and \$8.2 million for the three and six months ended June 30, 2021, respectively. Variable lease income was not material for the three and six months ended June 30, 2022 or 2021.

The Company expects to receive future minimum lease payments for hardware provided under the Company's SaaS agreements of \$10.3 million from July 1, 2022 through June 30, 2023. See Note 3 and Note 7 for more information on the accounting for these operating leases.

14. Related Party Transactions

The Company has a service agreement with Jared Isaacman, the Company's Chief Executive Officer and founder ("Founder"), including access to aircrafts and a property. Total expense for this service, which is included in "General and administrative expenses" in the unaudited Condensed Consolidated Statements of Operations, was \$0.3 million and \$0.5 million for the three and six months ended both June 30, 2022 and 2021, respectively. There were no amounts outstanding at June 30, 2022 or December 31, 2021.

In the third and fourth quarters of 2021, the Company incurred \$1.1 million in costs associated with a proposed Follow-on Offering that were reimbursable by Searchlight, which were included in "Accounts receivable, net" on the Company's unaudited Condensed Consolidated Balance Sheets as of December 31, 2021. There were no amounts outstanding at June 30, 2022. In addition, on May 24, 2022, Searchlight redeemed all of its remaining LLC Interests. As a result, Searchlight is no longer a Continuing Equity Owner or a related party of the Company as of May 24, 2022.

In February 2021, the Company accepted the transfer of the right to select a participant for one seat on board Inspiration4, the first all-civilian mission to space, from the Founder, who is also the commander of the mission. The right was transferred to the Company as a non-cash contribution and recorded at its estimated fair value of \$2.1 million in "Additional paid-in capital" on the Company's unaudited Condensed Consolidated Balance Sheets and expensed within "Advertising and marketing" on the Company's unaudited Condensed Consolidated Statements of Operations in March 2021 when the participant was selected for the mission through a contest held by the Company.

In the fiscal year ended December 31, 2021, the Company incurred a significant amount of nonrecurring expenses to integrate, rebrand and promote 3dcart to Shift4Shop in conjunction with the Inspiration4 announcement. Certain expenses, totaling \$0.9 million, were directly associated with the Inspiration4 mission and were reimbursable by the Founder. As of December 31, 2021, a \$0.1 million receivable from the Founder was recorded as "Accounts receivable" on the Company's unaudited Condensed Consolidated Balance Sheets. There were no amounts outstanding at June 30, 2022.

In March 2021, the Founder, through a wholly-owned special purpose vehicle ("SPV"), entered into a variable prepaid forward contract ("VPF Contract") with an unaffiliated dealer ("Dealer"), covering approximately 2.0 million shares of the Company's Class A common stock. The VPF Contract is scheduled to settle on specified dates in February, March and April 2023, at which time the actual number of shares of the Company's Class A common stock to be delivered by the SPV will be determined based on the price of the Company's Class A common stock on such dates relative to the forward floor price of \$73.19 per share and the forward cap price of \$137.24 per share, with the aggregate number not to exceed approximately 2.0 million shares, which is the number of shares of Company's Class B common stock and LLC units pledged by Rook to secure its obligations under the contract. Subject to certain conditions, the SPV can also elect to settle the VPF Contract in cash and thereby retain full ownership of the pledged shares and units.

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In September 2021, the Founder, through the SPV, entered into two VPF Contracts with a Dealer, one covering approximately 2.18 million shares of the Company's Class A common stock and the other covering approximately 2.26 million shares of the Company's Class A common stock. The VPF Contracts are both scheduled to settle on specified dates in June, July, August and September 2024, at which time the actual number of shares of the Company's Class A common stock to be delivered by the SPV will be determined based on the price of the Company's Class A common stock on such dates relative to the forward floor price of approximately \$ 66.424 per share and the forward cap price of approximately \$112.09 per share for the contract covering approximately 2.18 million shares of the Company's Class A common stock, and to the forward floor price of \$66.424 per share and the forward cap price of approximately \$120.39 per share for the contract covering approximately 2.26 million shares of the Company's Class A common stock, with the aggregate number not to exceed approximately 4.44 million shares, which is the aggregate number of shares of Company's Class B common stock and their associated common units of Shift4 Payments, LLC pledged by the SPV to secure its obligations under the contracts. Subject to certain conditions, the SPV can also elect to settle the VPF Contracts in cash and thereby retain full ownership of the pledged shares and units.

If Rook were to default on its obligations under the VPF Contracts and fail to cure such default, the Dealer would have the right to exchange the pledged Class B stock and LLC interests for an equal number of the Company's Class A common stock, and sell such Class A common stock to satisfy Rook's obligation.

In June 2022, the Company entered into a \$3.6 million residual commission buyout agreement with a relative of the Founder, consisting of an initial payment of \$2.5 million in cash and \$0.6 million in shares of the Company's Class A common stock, and a contingent payment of \$0.5 million in cash payable after 12 months, subject to certain conditions related to the performance of the acquired assets.

15. Commitments and Contingencies

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these, or other matters, may arise from time to time that may harm the Company's business. In August 2021, TSYS, a Global Payments company and an important vendor to the Company, experienced a significant platform outage resulting in a payment processing service disruption that lasted for several hours. TSYS is utilized by many major credit card issuers and payment processors, which meant the impact of the outage was felt by many card accepting merchants and cardholders across the nation. The Company took steps to lessen the financial impact to its merchants and partners due to the TSYS outage and is seeking compensation through a variety of channels, including engaging with the responsible party.

The Company is currently not aware of any legal proceedings or claims that the Company believes will have a material adverse effect on its business, financial condition or operating results.

16. Stockholders' Equity/Members' Deficit

Stock Repurchases

On December 16, 2021, the Company's Board of Directors (the "Board") authorized a stock repurchase program (the "December 2021 Program"), pursuant to which the Company was authorized to repurchase up to \$100.0 million of shares of its Class A common stock through December 31, 2022. On May 11, 2022, the Board authorized a stock repurchase program (the "May 2022 Program"), pursuant to which the Company was authorized to repurchase up to an additional \$100.0 million of shares of its Class A common stock through December 31, 2022, and on June 15, 2022, the Board authorized a stock repurchase program (the "June 2022 Program" and, together with the December 2021 Program and the May 2022 Program, the "Programs"), pursuant to which the Company was authorized to repurchase up to an additional \$50.0 million of shares of its Class A common stock through December 31, 2022.

Repurchases under the Programs may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases depending on market conditions and corporate needs. Open market repurchases will be structured to occur within the pricing and volume requirements of Rule 10b-18. The Company may also, from time to time, enter into Rule 10b5-1 plans to facilitate repurchases of its shares pursuant to the Programs.

The Programs do not obligate the Company to acquire any particular amount of common stock. The Programs may be extended, modified, suspended or discontinued at any time at the Company's discretion.

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As of December 31, 2021, the Company had repurchased 378,475 shares of Class A common stock under the December 2021 Program for \$21.1 million, including commissions paid, at an average price paid of \$55.81 per share.

On May 24, 2022, Searchlight exchanged its shares of the Company's Class B and Class C common stock for an equal number of shares of Class A common stock, which Searchlight subsequently redeemed. During the six months ended June 30, 2022, the Company repurchased 3,887,191 shares of Class A common stock under the Programs for \$184.4 million, including commissions paid, at an average price paid of \$47.40 per share. Included in these amounts during the six months ended June 30, 2022 is the Company's repurchase of all 967,600 shares of Searchlight's Class A common stock for \$43.1 million at an average price paid of \$44.54 per share. As of June 30, 2022, approximately \$44.5 million remained available for future purchases under the Programs.

Repurchased shares of common stock that have not been retired are recorded as "Treasury stock" on the Company's unaudited Condensed Consolidated Balance Sheets. Upon retirement, the Company allocates the value of treasury stock between Additional paid-in capital and Retained earnings. During the six months ended June 30, 2022, the Company retired 3,539,016 shares of common stock it had repurchased under the Programs. There were 726,650 shares of treasury stock outstanding as of June 30, 2022, which were retired on July 1, 2022.

17. Noncontrolling Interests

Shift4 Payments, Inc. is the sole managing member of Shift4 Payments, LLC, and consolidates the financial results of Shift4 Payments, LLC. The noncontrolling interests balance represents the economic interest in Shift4 Payments, LLC held by the Continuing Equity Owners. On May 24, 2022, Searchlight redeemed all of its outstanding LLC Interests and is therefore no longer a Continuing Equity Owner or a component of noncontrolling interests as of that date. The following table summarizes the ownership of LLC Interests in Shift4 Payments, LLC:

	June 30, 2022		December 31, 2021	
	LLC Interests	Ownership %	LLC Interests	Ownership %
Shift4 Payments, Inc.	54,382,042	67.8 %	56,449,833	68.2 %
Continuing Equity Owners	25,829,016	32.2 %	26,272,654	31.8 %
Total	80,211,058	100.0 %	82,722,487	100.0 %

18. Equity-based Compensation

2020 Incentive Award Plan

In June 2020, the Company adopted the 2020 Incentive Award Plan ("2020 Plan"), which provides for the grant of stock options, restricted stock dividend equivalents, stock payments, restricted stock units ("RSUs"), performance restricted stock units ("PRSUs"), stock appreciation rights, and other stock or cash awards. A maximum of 418,973 shares of the Company's Class A common stock is available for issuance under the 2020 Plan. The number of shares available for issuance is subject to an annual increase on the first day of each year beginning in 2021 and ending in and including 2030, equal to the lesser of (1) 1% of the shares outstanding (on an as-converted basis, taking into account any and all securities convertible into, or exercisable, exchangeable or redeemable for, shares of Class A common stock (including LLC Interests of Shift4 Payments, LLC)) on the last day of the immediately preceding fiscal year and (2) such smaller number of shares as determined by the Board.

On April 28, 2022, the Board adopted, and on June 10, 2022, the Company's shareholders approved, the amendment and restatement of the Shift4 Payments, Inc. 2020 Incentive Award Plan (the "Restated Equity Plan"). The Restated Equity Plan (a) increased the number of shares of the Company's Class A common stock available for issuance under the Restated Equity Plan to a total of 7,500,000 shares, (b) increased the annual "evergreen" increase to the number of shares of the Company's Class A common stock available for issuance under the Restated Equity Plan from 1% of the shares outstanding to 2% of the shares outstanding, (c) limited the number of shares of the Company's Class A common stock that may be issued upon the exercise of incentive stock options to no more than 7,500,000 shares, and (d) extended the term of the Restated Equity Plan to ten years from the date it was adopted by the Board.

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RSUs and PRSUs

RSUs represent the right to receive shares of the Company's Class A common stock at a specified date in the future.

The RSU activity for the six months ended June 30, 2022 was as follows:

	Six Months Ended June 30, 2022	
	Number of RSUs	Weighted Average Grant Date Fair Value
Unvested balance at beginning of period	2,402,694	\$ 43.28
Granted (a)	604,188	45.51
Vested	(619,175)	29.77
Forfeited or cancelled	(143,591)	55.94
Unvested balance at end of period	<u>2,244,116</u>	<u>\$ 48.93</u>

(a) Includes 157,330 RSUs not subject to continued service, which vested immediately in March 2022 and 16,422 RSUs issued in connection with The Giving Block acquisition, of which 9,347 RSUs vest in equal installments in December 2022, 2023 and 2024 and 7,075 RSUs which are not subject to continued service, and vested immediately in March 2022.

The grant date fair value of RSUs and PRSUs subject to continued service or those that vest immediately was determined based on the price of the Company's Class A common stock on the grant date.

The Company recognized equity-based compensation expense of \$9.3 million and \$26.2 million for the three and six months ended June 30, 2022, respectively, and \$6.6 million and \$20.6 million for the three and six months ended June 30, 2021, respectively. At June 30, 2022, the total unrecognized equity-based compensation expense related to outstanding RSUs and PRSUs was \$92.9 million, which is expected to be recognized over a weighted-average period of 3.33 years.

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19. Basic and Diluted Net Income (Loss) per Share

Basic net income (loss) per share has been computed by dividing net income (loss) attributable to common shareholders by the weighted average number of shares of common stock outstanding for the same period. Shares issued during the period and shares reacquired during the period are weighted for the portion of the period in which the shares were outstanding. Diluted net income (loss) per share has been computed in a manner consistent with that of basic net income (loss) per share while giving effect to all shares of potentially dilutive common stock that were outstanding during the period. The following table presents the calculation of basic and diluted net income (loss) per share under the two-class method:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 15.0	\$ 4.5	\$ 1.8	\$ (46.5)
Less: Net income (loss) attributable to noncontrolling interests	4.7	1.3	(1.0)	(16.9)
Net income (loss) attributable to Shift4 Payments, Inc.	10.3	3.2	2.8	(29.6)
Adjustment to net income (loss) attributable to common stockholders	—	—	0.1	(0.3)
Net income (loss) attributable to common stockholders	<u>\$ 10.3</u>	<u>\$ 3.2</u>	<u>\$ 2.9</u>	<u>\$ (29.9)</u>
Numerator - allocation of net income (loss) attributable to common stockholders:				
Net income (loss) allocated to Class A common stock - basic	\$ 9.6	\$ 2.7	\$ 2.7	\$ (24.8)
Reallocation of net income (loss) attributable to common stockholders from assumed conversion of LLC interests and assumed vesting of RSUs	4.7	1.4	(1.0)	—
Net income (loss) allocated to Class A common stock - diluted	<u>\$ 14.3</u>	<u>\$ 4.1</u>	<u>\$ 1.7</u>	<u>\$ (24.8)</u>
Net income (loss) allocated to Class C common stock - basic	\$ 0.7	\$ 0.5	\$ 0.2	\$ (5.1)
Reallocation of net income attributable to common stockholders from assumed conversion of LLC interests and assumed vesting of RSUs	—	(0.1)	(0.1)	—
Net income (loss) allocated to Class C common stock - diluted	<u>\$ 0.7</u>	<u>\$ 0.4</u>	<u>\$ 0.1</u>	<u>\$ (5.1)</u>
Denominator:				
Weighted average shares of Class A common stock outstanding - basic	51,790,403	46,297,553	51,958,494	44,492,680
Effect of dilutive securities:				
LLC Interests	26,087,399	28,869,471	26,179,515	—
RSUs	637,078	1,726,595	685,059	—
2025 Convertible Notes	—	101,713	—	—
Weighted average shares of Class A common stock outstanding - diluted	<u>78,514,880</u>	<u>76,995,332</u>	<u>78,823,068</u>	<u>44,492,680</u>
Weighted average shares of Class C common stock outstanding - basic and diluted	<u>4,006,159</u>	<u>8,151,747</u>	<u>4,283,096</u>	<u>9,075,667</u>
Net income (loss) per share - Basic:				
Class A common stock	\$ 0.19	\$ 0.06	\$ 0.05	\$ (0.56)
Class C common stock	\$ 0.19	\$ 0.06	\$ 0.05	\$ (0.56)
Net income (loss) per share - Diluted:				
Class A Common Stock	\$ 0.18	\$ 0.05	\$ 0.02	\$ (0.56)
Class C Common Stock	\$ 0.18	\$ 0.05	\$ 0.02	\$ (0.56)

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The following were excluded from the calculation of diluted net income (loss) per share as the effect would be anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
LLC Interests that convert into potential Class A common shares	—	—	—	28,240,404
RSUs and performance RSUs - employee	999,475	—	999,475	1,742,656
RSUs - non-employee directors	10,742	—	10,742	10,244
Total	1,010,217	—	1,010,217	29,993,304

For the three and six months ended June 30, 2022, the Company has excluded from the calculation of diluted net income per share the effect of the conversion of the 2025 Convertible Notes and 2027 Convertible Notes, as the last reported sales price of the Company's Class A common stock was not greater than or equal to 130% of the conversion price for 20 trading days during a period of 30 consecutive trading days prior to June 30, 2022, per the terms of the agreement.

For the six months ended June 30, 2021, the Company has excluded from the calculation of diluted net income (loss) per share the effect of the conversion of the 2025 Convertible Notes, as the last reported sales price of the Company's Class A common stock was not greater than or equal to 130% of the conversion price for 20 trading days during a period of 30 consecutive trading days prior to June 30, 2021, per the terms of the agreement.

The Company will pay in cash the \$690.0 million principal of the 2025 Convertible Notes and the \$632.5 million principal of the 2027 Convertible Notes with any excess to be paid or delivered in cash or shares of the Company's Class A common stock or a combination of both at the Company's election.

In addition, for the three and six months ended June 30, 2022, the Company has excluded from the calculation of diluted net income per share the effect of shares of the Company's Class A common stock to be issued in connection with the earnout due to the former shareholders of The Giving Block. The earnout will be calculated as a multiple of revenue earned by The Giving Block from March 1, 2022 to February 28, 2023, not to exceed \$246.0 million in total, of which 75% will be paid in a combination of RSUs and shares of the Company's Class A common stock. See Note 2 for more information.

20. Supplemental Cash Flows Information

Supplemental cash flows disclosures and noncash information consisted of the following:

	Six Months Ended June 30,	
	2022	2021
Cash paid for interest	\$ 12.4	\$ 10.5
Cash paid for income taxes, net of refunds	0.1	0.3
Noncash investing activities		
Shares and equity-based compensation awards issued in connection with The Giving Block acquisition	36.5	—
Shares and equity-based compensation awards issued in connection with VenueNext acquisition	—	26.3
Shares issued in connection with residual commission buyouts	0.6	—
Equipment for lease	2.0	5.8
Capitalized software development costs	1.6	0.5
Noncash financing activities		
Right-of-use assets obtained in exchange for operating lease liabilities	0.5	—
Right associated with Inspiration4 seat	—	2.1

SHIFT4 PAYMENTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (in millions, except share, unit and per unit amounts)

21. Segments

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the Chief Operating Decision Maker (“CODM”) for the purposes of allocating resources and evaluating financial performance. The Company’s CODM is the chief executive officer, who reviews financial information on a consolidated level for purposes of allocating resources and evaluating financial performance, and as such, the Company’s operations constitute one operating segment and one reportable segment.

The following table summarizes gross revenue by revenue type:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Payments-based revenue	\$ 473.9	\$ 324.8	\$ 845.4	\$ 540.7
Subscription and other revenues	32.8	26.2	63.2	49.6
Gross revenue	506.7	351.0	908.6	590.3
Less: network fees	324.1	214.7	577.2	356.5
Less: Other costs of sales	76.8	58.2	141.0	103.9
Gross profit	\$ 105.8	\$ 78.1	\$ 190.4	\$ 129.9

22. Subsequent Events*Acquisitions and Investments*

Subsequent to June 30, 2022, the Company acquired three technology vendors for approximately \$56.8 million of total purchase consideration, comprised of a combination of cash and shares of the Company’s Class A common stock. Due to the timing of these acquisitions, the initial accounting for the acquisitions, including the valuation of assets and liabilities acquired, is incomplete. As such, the Company is unable to disclose certain information, including the preliminary fair value of assets acquired and liabilities assumed, at this time.

In addition, subsequent to June 30, 2022, the Company committed approximately \$120.0 million, comprised of a combination of cash and shares of the Company’s Class A common stock, to acquire ongoing merchant relationships and secure non-solicitation rights from third-party distribution partners.

Departure of Bradley Herring and Appointment of Nancy Disman as Chief Financial Officer

On August 3, 2022, Bradley Herring and the Company agreed that Mr. Herring will no longer serve as the Company’s Chief Financial Officer, effective August 5, 2022. In connection with Mr. Herring’s resignation, the Company entered into a separation and release of claims agreement with Mr. Herring on August 3, 2022.

On August 3, 2022, Nancy Disman tendered her resignation as a Class II director of the Board and stepped down from the Board and its Audit, Compensation and Nominating and Corporate Governance Committees, in each case effective August 5, 2022.

On August 3, 2022, the Board appointed Ms. Disman as the Company’s Chief Financial Officer and principal financial officer, in each case effective August 5, 2022, (the “Transition Date”). In connection with Ms. Disman’s appointment as the Chief Financial Officer, the Company entered into an employment agreement (the “Employment Agreement”) with Ms. Disman on August 3, 2022, effective the Transition Date. The Employment Agreement provides for an initial three-year term of employment with automatic one-year renewal terms unless otherwise terminated in accordance with the terms of the Employment Agreement.

SHIFT4 PAYMENTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (in millions, except share, unit and per unit amounts)

Realignment of Board Classification

On August 3, 2022, in accordance with the Company's amended and restated bylaws, the Board decreased the size of the Board to six members and, in order to achieve an equal balance of membership among the classes of directors, determined to move Christopher N. Cruz from Class III with a term expiring at the 2023 Annual Meeting of Stockholders to Class II with a term expiring at the 2025 Annual Meeting of Stockholders, in each case effective August 5, 2022. Accordingly, on the same date, Mr. Cruz, who was a Class III director, resigned as a director and was immediately elected by the Board as a Class II director. The resignation and re-election of Mr. Cruz was effected solely to rebalance the Board's classes and, for all other purposes, including compensation, Mr. Cruz's service on the Board is deemed to have continued uninterrupted. The Board now consists of two Class I directors, two Class II directors and two Class III directors. The current Class I Directors are now Karen Roter Davis and Jared Isaacman; the current Class II Directors are Christopher Cruz and Sarah Goldsmith-Grover; and the current Class III Directors are Jonathan Halkyard and Donald Isaacman.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the information presented in unaudited condensed consolidated financial statements and the related notes and other financial data included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in our Annual Report on Form 10-K ("Form 10-K") for the fiscal year ended December 31, 2021, filed with the U.S. Securities and Exchange Commission ("SEC") on March 1, 2022 (the "2021 Form 10-K"). In addition to historical information, the following discussion contains forward-looking statements, such as statements regarding our expectation for future performance, liquidity and capital resources, that involve risks, uncertainties and assumptions that could cause actual results to differ materially from our expectations. Our actual results may differ materially from those contained in or implied by any forward-looking statements. Factors that could cause such differences include those identified below and those described in "Cautionary Note Regarding Forward-Looking Statements," and "Risk Factors" in Part I, Item 1A. of our 2021 Form 10-K. We assume no obligation to update any of these forward-looking statements.

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, references to:

- "we," "us," "our," the "Company," "Shift4" and similar references refer to Shift4 Payments, Inc. and, unless otherwise stated, all of its subsidiaries.
- "Continuing Equity Owners" refers collectively to our Founder and their respective permitted transferees who may redeem at each of their options, in whole or in part from time to time, their LLC Interests for, at our election, cash or newly-issued shares of Shift4 Payments, Inc.'s Class A common stock. Searchlight was a Continuing Equity Owner prior to May 24, 2022.
- "LLC Interests" refers to the common units of Shift4 Payments, LLC.
- "Founder" refers to Jared Isaacman, our Chief Executive Officer and the sole stockholder of Rook Holdings Inc. Our Founder is a Continuing Equity Owner and an owner of Class C common stock.
- "Rook" refers to Rook Holdings Inc., a Delaware corporation wholly-owned by our Founder and for which our Founder is the sole stockholder.
- "Searchlight" refers to Searchlight Capital Partners, L.P., a Delaware limited partnership, and certain funds affiliated with Searchlight. Searchlight was a Continuing Equity Owner prior to May 24, 2022.

Overview

We are a leading independent provider of payment acceptance and payment processing and technology solutions in the United States based on total volume of payments processed. We have achieved our leadership position through decades of solving business and operational challenges facing our customers' overall commerce needs. We distribute our services through our internal sales and support teams, as well as through our network of independent software vendors ("ISVs") and value-added resellers ("VARs"). For our software partners, we offer a single integration to an end-to-end payments offering, a proprietary gateway and a robust suite of technology solutions to enhance the value of their software and simplify payment acceptance. For our merchants, we provide a seamless, unified consumer experience as an alternative to relying on multiple providers to accept card-based payments, while providing the digital tools necessary to provide their end-customers a seamless commerce experience.

At the heart of our business is our **payments platform**. Our payments platform is a full suite of integrated payment products and services that can be used across multiple channels (in-store, online, mobile and tablet-based) and industry verticals, including:

- end-to-end payment processing for a broad range of payment types;
- merchant acquiring;
- proprietary omni-channel gateway capable of multiple methods of mobile, contactless and QR code-based payments;
- complementary software integrations;
- full eCommerce capabilities, including web-store design, hosting, shopping cart management and fulfillment integrations;
- integrated and mobile POS solutions;
- security and risk management solutions; and
- reporting and analytical tools.

In addition, we offer innovative **technology solutions** that go beyond payment processing. Some of our solutions are developed in-house, such as business intelligence and POS software, while others are powered by our network of complementary third-party applications. Our focus on innovation, combined with our product-driven culture, enables us to create scalable technology solutions that benefit from an extensive library of intellectual property.

We have a **partner-centric distribution** approach. We market and sell our solutions through a diversified network of over 7,000 software partners, which consists of ISVs and VARs. ISVs are technology providers that develop commerce-enabling software suites with which they can bundle our payments platform. VARs are organizations that provide distribution support for ISVs and act as trusted and localized service providers to merchants by providing them with software and services. Together, our ISVs and VARs provide us immense distribution scale and provide our merchants with front-line service and support.

Our end-to-end payments offering combines our payments platform, including our proprietary gateway and breadth of software integrations, and our suite of technology solutions to create a compelling value proposition for our merchants. Our end-to-end payment volume was \$16.9 billion and \$11.8 billion for the three months ended June 30, 2022 and 2021, respectively, and \$30.3 billion and \$19.8 billion for the six months ended June 30, 2022 and 2021, respectively. This end-to-end payment volume contributed 72% and 68% of gross revenue less network fees for the three months ended June 30, 2022 and 2021, respectively, and 70% and 65% of gross revenue less network fees for the six months ended June 30, 2022 and 2021, respectively.

Our merchants range from small to medium sized businesses (“SMBs”) to large enterprises across numerous verticals including food and beverage, hospitality, stadiums and arenas, gaming, specialty retail, non-profits, eCommerce, and exciting technology companies. We expect our newest verticals, including stadiums and arenas, gaming, non-profits, and exciting technology companies, to contribute to our end-to-end payment volume significantly more in future periods than they have to date.

Recent Developments

Stock Repurchases

On December 16, 2021, our Board of Directors (the “Board”) authorized a stock repurchase program (the “December 2021 Program”), pursuant to which we were authorized to repurchase up to \$100.0 million of shares of our Class A common stock through December 31, 2022. On May 11, 2022, the Board authorized a stock repurchase program (the “May 2022 Program”), pursuant to which we were authorized to repurchase up to an additional \$100.0 million of shares of our Class A common stock through December 31, 2022, and on June 15, 2022, the Board authorized a stock repurchase program (the “June 2022 Program” and, together with the December 2021 Program and the May 2022 Program, the “Programs”), pursuant to which we were authorized to repurchase up to an additional \$50.0 million of shares of our Class A common stock through December 31, 2022.

During the six months ended June 30, 2022, we repurchased 3,887,191 shares of our Class A common stock for \$184.4 million, including commissions paid, at an average price paid of \$47.40 per share. As of June 30, 2022, approximately \$44.5 million remained available for future purchases under the Programs. See Note 16 to the accompanying unaudited condensed consolidated financial statements for more information and Part II, Item 2. “Unregistered Sales of Equity Securities and Use of Proceeds.”

Recent Acquisition

The Giving Block

On February 28, 2022, we acquired The Giving Block for \$106.9 million of total purchase consideration, net of cash acquired. The Giving Block is a cryptocurrency donation marketplace that the Company expects to accelerate its growth in the non-profit sector with significant cross-sell potential.

Pending Acquisition

Finaro

On March 1, 2022, we entered into a definitive agreement to acquire Credorax, Inc. d/b/a Finaro (“Finaro”) for \$200.0 million in cash on hand, 6,439,316 shares of our Class A common stock with a value of approximately \$325.0 million as of March 1, 2022, determined by the volume weighted average price for the thirty trading days preceding the date of the agreement, and a performance-based earnout of up to \$50.0 million in shares of our Class A common stock. Consummation of the merger is subject to regulatory approvals, which we expect to receive in the fourth quarter of 2022. Finaro is a cross-border eCommerce platform and bank specializing in solving complex payment problems for multi-national merchants that we believe will accelerate our growth in international markets.

Factors Impacting Our Business and Results of Operations

In general, our results of operations are impacted by factors such as the adoption of software solutions that are integrated with our payment solutions, continued investment in our core capabilities, ongoing pursuit of strategic acquisitions, and macro-level economic trends.

Increased adoption of software-integrated payments. We primarily generate revenue through fees assessed on end-to-end payment volume initiated through our integrated software partners. These fees include volume-based payments, transaction fees and subscription fees for software and technology solutions. We expect to grow this volume by attracting new integrated software partners through our market-leading and innovative solutions. These integrated software partners have proven to be an effective and efficient way of acquiring new merchants and servicing these relationships.

Continued focus on converting our gateway-only customers to our end-to-end payments offering. Currently, a large percentage of our merchant base relies only on our proprietary gateway technology solution to process card-based payments. However, as more of these gateway-only merchants choose to also adopt our end-to-end payment solutions, our revenue per merchant and merchant retention are expected to increase given the fees we generate on end-to-end payment processing services are significantly higher than the per transaction fees we earn on gateway-only services.

Mix of our merchant base. We continue to experience a shift to higher average revenue and higher average volume per merchant. The revenue and volume contribution of each merchant within our portfolio is affected by several factors, including the amount of payment volume processed per merchant, the industry vertical in which the merchant operates, and the number of solutions implemented by the merchant. The size and sophistication of our average merchant continues to increase, and we may experience shifts in the average revenue per merchant and the weighted average pricing of the portfolio.

Ability to attract and retain software partners. A key pillar of our *Shift4 Model* is our partner-centric distribution approach. We work with our software partners who rely on our suite of payment-related technology solutions to simplify the commerce needs of their end clients. Our ability to attract and retain our software partners is essential for our future growth and our ability to service our existing base of merchants. To this end, it is critical we maintain our product leadership through continued investment in innovative technology solutions as a means to ensure we retain our current software partners while attracting new software partners.

Investment in product, distribution and operations. We make significant investments in both new product development and existing product enhancements, such as mobile point-of-sale, cloud enablement for our software partners’ existing systems, and contactless payments, including QR code based mobile payment technologies. New product features and functionality are brought to market through varied distribution and promotional activities, including collaborative efforts with industry leading software providers, tradeshow, and customer conferences. Further, we will continue to invest in operational support in order to maintain service levels expected by our merchant customers. We believe these investments in product development and software integrations will lead to long-term growth and profitability.

Pursuit of strategic acquisitions. From time to time, we may pursue acquisitions as part of our ongoing growth strategy that includes adding complementary technology capabilities to service our base of customers and adding critical sales and support capabilities within a specific industry vertical or geography. While these acquisitions are intended to add long-term value, in the short term they may add redundant operating expenses or additional carrying costs until the underlying value is unlocked.

Economic conditions and resulting consumer spending trends. Changes in macro-level consumer spending trends, including as a result of the COVID-19 pandemic, could affect the amount of volume processed on our platform, thus resulting in fluctuations in our quarterly reported revenue. Our quarterly revenue is also impacted by seasonal, consumer spending habit patterns, which historically have resulted in higher volumes and revenue being reported in our second and third fiscal quarters.

Key Financial Definitions

The following briefly describes the components of revenue and expenses as presented in the accompanying unaudited Condensed Consolidated Statements of Operations.

Gross revenue consists primarily of payments-based revenue and subscription and other revenues:

Payments-based revenue includes fees for payment processing services and gateway services. Payment processing fees are primarily driven as a percentage of end-to-end payment volume. They may also have a fixed fee, a minimum monthly usage fee and a fee based on transactions. Gateway services, data encryption and tokenization fees are primarily driven by per transaction fees as well as monthly usage fees.

Subscription and other revenues include software as a service (“SaaS”) fees for point-of-sale systems and terminals provided to merchants and our Shift4Shop eCommerce platform. Point-of-sale and terminal SaaS fees are assessed based on the type and quantity of equipment deployed to the merchant. Shift4Shop SaaS fees are based on the eCommerce platform chosen by the merchant. SaaS fees also include statement fees, fees for our proprietary business intelligence software, annual fees, regulatory compliance fees and other miscellaneous services such as help desk support and warranties on equipment. Subscription and other revenues also includes revenue derived from software license sales, hardware sales, third-party residuals and fees charged for technology support.

Cost of sales consists of interchange and processing fees, residual commissions, equipment and other costs of sales:

Interchange and processing fees represent payments to card issuing banks and assessments paid to card associations based on transaction processing volume. These also include fees incurred by third-parties for data transmission and settlement of funds, such as processors and sponsor banks.

Residual commissions represent monthly payments to third-party distribution partners. These costs are typically based on a percentage of payment-based revenue.

Equipment represents our costs of devices that are purchased by the merchant.

Other costs of sales includes amortization of capitalized software development costs, capitalized software, acquired technology and capitalized customer acquisition costs. It also includes incentives and shipping and handling costs related to the delivery of devices. Capitalized software development costs are amortized using the straight-line method on a product-by-product basis over the estimated useful life of the software. Capitalized software, acquired technology and capitalized acquisition costs are amortized on a straight-line basis in accordance with our accounting policies.

General and administrative expenses consist primarily of compensation, benefits and other expenses associated with corporate management, finance, human resources, shared services, information technology and other activities.

Depreciation and amortization expense consists of depreciation and amortization expenses related to merchant relationships, trademarks and trade names, residual commission buyouts, equipment, leasehold improvements, other intangible assets, and property, plant and equipment. We depreciate and amortize our assets on a straight-line basis in accordance with our accounting policies. Leasehold improvements are depreciated over the lesser of the estimated life of the leasehold improvement or the remaining lease term. Maintenance and repairs, which do not extend the useful life of the respective assets, are charged to expense as incurred. Intangible assets are amortized on a straight-line basis over their estimated useful lives which range from two years to twenty years.

Professional fees consists of costs incurred for accounting, tax, legal, and consulting services.

Advertising and marketing expenses relate to costs incurred to participate in industry tradeshows and dealer conferences, advertising initiatives to build brand awareness, and expenses to fulfill loyalty program rewards earned by software partners.

Restructuring expenses relate to strategic initiatives we have taken that include, but are not limited to, severance or separation costs and other exit and disposal costs. These expenses are typically not reflective of our ongoing operations.

Transaction-related expenses relate to debt issuance or modification costs that are not capitalizable. These expenses are typically not reflective of our ongoing operations.

Loss on extinguishment of debt represents losses recorded for unamortized capitalized financing costs associated with debt prepayments.

Interest income primarily consists of interest income earned on our cash and cash equivalents.

Other income, net primarily consists of other non-operating items.

Interest expense consists of interest costs incurred on our borrowings and amortization of capitalized financing costs.

Income tax benefit (provision) represents federal, state and local taxes based on income in multiple domestic jurisdictions.

Net income (loss) attributable to noncontrolling interests arises from net income (loss) from the non-owned portion of businesses where we have a controlling interest but less than 100% ownership. This represents the noncontrolling interests in Shift4 Payments, LLC and its consolidated subsidiaries, which is comprised of the income (loss) allocated to Continuing Equity Owners as a result of their proportional ownership of LLC Interests.

Comparison of Results for the Three Months Ended June 30, 2022 and 2021

The following table sets forth the consolidated statements of operations for the periods presented:

(in millions)	Three Months Ended June 30,		\$ change	% change
	2022	2021		
Payments-based revenue	\$ 473.9	\$ 324.8	\$ 149.1	45.9 %
Subscription and other revenues	32.8	26.2	6.6	25.2 %
Gross revenue	506.7	351.0	155.7	44.4 %
Less: Network fees	324.1	214.7	109.4	51.0 %
Less: Other costs of sales	76.8	58.2	18.6	32.0 %
Gross profit	105.8	78.1	27.7	35.5 %
General and administrative expenses	58.0	51.7	6.3	12.2 %
Depreciation and amortization expense	16.7	15.5	1.2	7.7 %
Professional fees	5.2	3.5	1.7	48.6 %
Advertising and marketing expenses	2.9	2.5	0.4	16.0 %
Restructuring expenses	0.1	—	0.1	NM
Transaction-related expenses	—	—	—	NM
Total operating expenses	82.9	73.2	9.7	13.3 %
Income from operations	22.9	4.9	18.0	NM
Loss on extinguishment of debt	—	—	—	NM
Interest income	1.4	—	1.4	NM
Other income, net	0.1	—	0.1	NM
Interest expense	(8.4)	(6.3)	(2.1)	33.3 %
Income (loss) before income taxes	16.0	(1.4)	17.4	NM
Income tax benefit (provision)	(1.0)	5.9	(6.9)	NM
Net income	15.0	4.5	10.5	233.3 %
Net income attributable to noncontrolling interests	4.7	1.3	3.4	NM
Net income attributable to Shift4 Payments, Inc.	\$ 10.3	\$ 3.2	\$ 7.1	221.9 %

Gross revenue

Gross revenue was \$506.7 million for the three months ended June 30, 2022, compared to \$351.0 million for the three months ended June 30, 2021, an increase of \$155.7 million or 44.4%. Gross revenue is comprised of payments-based revenue and subscription and other revenues.

Payments-based revenue was \$473.9 million for the three months ended June 30, 2022, compared to \$324.8 million for the three months ended June 30, 2021, an increase of \$149.1 million or 45.9%. The increase in payments-based revenue was primarily driven by the increase in end-to-end payment volume of \$5.0 billion, or 43%, for the three months ended June 30, 2022, compared to the three months ended June 30, 2021.

Subscription and other revenues were \$32.8 million for the three months ended June 30, 2022, compared to \$26.2 million for the three months ended June 30, 2021, an increase of \$6.6 million or 25.2%. The increase in subscription and other revenues was primarily driven by the Postec and The Giving Block acquisitions, which collectively contributed \$4.4 million more to subscription and other revenues in the three months ended June 30, 2022, compared to the three months ended June 30, 2021. In addition, deferred revenue increased \$2.4 million for the three months ended June 30, 2022, compared to the three months ended June 30, 2021.

Network fees

Network fees were \$324.1 million for the three months ended June 30, 2022, compared to \$214.7 million for the three months ended June 30, 2021, an increase of \$109.4 million or 51.0%. This increase is correlated with the increase in end-to-end payment volume as described above.

Gross revenue less network fees was \$182.6 million for the three months ended June 30, 2022, compared to \$136.3 million for the three months ended June 30, 2021, an increase of \$46.3 million or 34.0%. The increase in gross revenue less network fees was largely correlated with the increase in end-to-end payment volume. See “Key Performance Indicators and Non-GAAP Measures” below for a reconciliation of gross profit to gross revenue less network fees.

Other costs of sales

Other costs of sales was \$76.8 million for the three months ended June 30, 2022, compared to \$58.2 million for the three months ended June 30, 2021, an increase of \$18.6 million, or 32.0%. This increase was primarily driven by:

- higher residual commissions, which increased other costs of sales \$12.9 million, primarily driven by the growth in gross revenue less network fees;
- the Postec and The Giving Block acquisitions which collectively increased other costs of sales \$1.7 million in the three months ended June 30, 2022;
- higher capitalized software development amortization, which increased other costs of sales \$1.5 million; and
- higher capitalized acquisition cost amortization, which increased other costs of sales \$1.3 million, related to deal bonuses paid to third-party distribution partners to obtain processing contracts.

Operating expenses

General and administrative expenses. General and administrative expenses were \$58.0 million for the three months ended June 30, 2022, compared to \$51.7 million for the three months ended June 30, 2021, an increase of \$6.3 million or 12.2%. The increase was primarily driven by the acquisitions of Postec and The Giving Block, which collectively increased general and administrative expenses \$2.4 million in the three months ended June 30, 2022, and higher insurance and travel expenses of \$1.3 million and \$0.7 million, respectively, in the three months ended June 30, 2022, compared to the three months ended June 30, 2021, as a result of our continued growth and expansion.

Depreciation and amortization expense. Depreciation and amortization expense was \$16.7 million for the three months ended June 30, 2022, compared to \$15.5 million for the three months ended June 30, 2021, an increase of \$1.2 million or 7.7%. The increase was primarily driven by higher depreciation for equipment under lease of \$2.3 million in the three months ended June 30, 2022, compared to the three months ended June 30, 2021. In addition, the acquisitions of Postec and The Giving Block collectively increased depreciation and amortization expense \$0.6 million in the three months ended June 30, 2022. This was partially offset by lower amortization of intangible assets of \$1.6 million in the three months ended June 30, 2022.

Professional fees. Professional fees were \$5.2 million for the three months ended June 30, 2022, compared to \$3.5 million for the three months ended June 30, 2021, an increase of \$1.7 million or 48.6%. The increase was due to higher acquisition-related costs.

Interest income

Interest income was \$1.4 million for the three months ended June 30, 2022, consisting primarily of interest income earned on our cash and cash equivalents.

Interest expense

Interest expense was \$8.4 million for the three months ended June 30, 2022, compared to \$6.3 million for the three months ended June 30, 2021, an increase of \$2.1 million or 33.3%. The increase in interest expense was primarily driven by the issuance of the Convertible Senior Notes due 2027 (“2027 Convertible Notes”) in July 2021, as well as a \$0.4 million special interest payment made for the Convertible Senior Notes due 2025 (“2025 Convertible Notes”) during the three months ended June 30, 2022.

Income tax benefit (provision)

The effective tax rate for the three months ended June 30, 2022 was 6.3%, compared to the effective tax rate for the three months ended June 30, 2021 of (421.4)%.

The effective tax rate for the three months ended June 30, 2022 was different than the U.S. federal statutory income tax rate of 21% primarily due to the loss allocated to the noncontrolling interest and the full valuation allowances on Shift4 Payments, Inc. and VenueNext, Inc. in the United States. The effective tax rate for the three months ended June 30, 2021 was different than the U.S. federal statutory income tax rate of 21% primarily due to the loss allocated to the noncontrolling interest, the full valuation allowances on Shift4 Payments, Inc. and VenueNext, Inc. in the United States, the tax windfall related to vested equity-based compensation awards, and the near break-even loss before income taxes for the three months ended June 30, 2021.

Net income attributable to noncontrolling interests

Net income attributable to noncontrolling interests of Shift4 Payments, LLC was \$4.7 million for the three months ended June 30, 2022, compared to \$1.3 million for the three months ended June 30, 2021.

Comparison of Results for the Six Months Ended June 30, 2022 and 2021

The following table sets forth the consolidated statements of operations for the periods presented:

(in millions)	Six Months Ended June 30,		\$ change	% change
	2022	2021		
Payments-based revenue	\$ 845.4	\$ 540.7	\$ 304.7	56.4 %
Subscription and other revenues	63.2	49.6	13.6	27.4 %
Gross revenue	908.6	590.3	318.3	53.9 %
Less: Network fees	577.2	356.5	220.7	61.9 %
Less: Other costs of sales	141.0	103.9	37.1	35.7 %
Gross profit	190.4	129.9	60.5	46.6 %
General and administrative expenses	124.2	105.2	19.0	18.1 %
Depreciation and amortization expense	34.0	30.9	3.1	10.0 %
Professional fees	13.9	9.7	4.2	43.3 %
Advertising and marketing expenses	5.6	22.6	(17.0)	(75.2)%
Restructuring expenses	0.1	0.1	—	NM
Transaction-related expenses	1.4	—	1.4	NM
Total operating expenses	179.2	168.5	10.7	6.4 %
Income (loss) from operations	11.2	(38.6)	49.8	(129.0)%
Loss on extinguishment of debt	—	(0.2)	0.2	(100.0)%
Interest income	1.4	—	1.4	NM
Other income, net	0.3	—	0.3	NM
Interest expense	(16.3)	(12.8)	(3.5)	27.3 %
Loss before income taxes	(3.4)	(51.6)	48.2	(93.4)%
Income tax benefit	5.2	5.1	0.1	2.0 %
Net income (loss)	1.8	(46.5)	48.3	NM
Net loss attributable to noncontrolling interests	(1.0)	(16.9)	15.9	(94.1)%
Net income (loss) attributable to Shift4 Payments, Inc.	\$ 2.8	\$ (29.6)	\$ 32.4	NM

Gross revenue

Gross revenue was \$908.6 million for the six months ended June 30, 2022, compared to \$590.3 million for the six months ended June 30, 2021, an increase of \$318.3 million or 53.9%. Gross revenue is comprised of payments-based revenue and subscription and other revenues.

Payments-based revenue was \$845.4 million for the six months ended June 30, 2022, compared to \$540.7 million for the six months ended June 30, 2021, an increase of \$304.7 million or 56.4%. The increase in payments-based revenue was primarily driven by the increase in end-to-end payment volume of \$10.5 billion, or 52.8%, for the six months ended June 30, 2022, compared to the six months ended June 30, 2021.

Subscription and other revenues were \$63.2 million for the six months ended June 30, 2022, compared to \$49.6 million for the six months ended June 30, 2021, an increase of \$13.6 million or 27.4%. The increase in subscription and other revenues was driven primarily by the VenueNext, Postec and The Giving Block acquisitions, which collectively contributed \$12.4 million more to subscription and other revenues in the six months ended June 30, 2022, compared to the six months ended June 30, 2021. In addition, deferred revenue increased \$2.0 million for the six months ended June 30, 2022, compared to the six months ended June 30, 2021.

Network fees

Network fees were \$577.2 million for the six months ended June 30, 2022, compared to \$356.5 million for the six months ended June 30, 2021, an increase of \$220.7 million or 61.9%. This increase is correlated with the increase in end-to-end payment volume as described above.

Gross revenue less network fees was \$331.4 million for the six months ended June 30, 2022, compared to \$233.8 million for the six months ended June 30, 2021, an increase of \$97.6 million or 41.7%. The increase in gross revenue less network fees was largely correlated with the increase in end-to-end payment volume. See “Key Performance Indicators and Non-GAAP Measures” below for a reconciliation of gross profit to gross revenue less network fees.

Other costs of sales

Other costs of sales was \$141.0 million for the six months ended June 30, 2022, compared to \$103.9 million for the six months ended June 30, 2021, an increase of \$37.1 million, or 35.7%. This increase was primarily driven by:

- higher residual commissions, which increased other costs of sales \$29.1 million, were driven by the growth in gross revenue less network fees;
- the VenueNext, Postec and The Giving Block acquisitions which collectively increased other costs of sales \$3.8 million in the six months ended June 30, 2022;
- higher variable costs associated with processing fees of \$3.2 million;
- higher capitalized acquisition cost amortization, which increased other costs of sales \$2.5 million, related to deal bonuses paid to third-party distribution partners to obtain processing contracts; and
- higher capitalized software development amortization, which increased other costs of sales \$2.0 million; partially offset by
- higher than normal chargeback losses during the six months ended June 30, 2021 driven by the business failure of one merchant causing \$5.5 million in estimated unrecoverable chargeback transactions in 2021.

Operating expenses

General and administrative expenses. General and administrative expenses were \$124.2 million for the six months ended June 30, 2022, compared to \$105.2 million for the six months ended June 30, 2021, an increase of \$19.0 million or 18.1%. The increase was primarily driven by higher compensation and other employee-related expenses of \$7.2 million, higher insurance expenses of \$1.5 million, and higher travel expenses of \$1.2 million in the six months ended June 30, 2022, compared to the six months ended June 30, 2021, as a result of our continued growth and expansion. In addition, the acquisitions of VenueNext, Postec and The Giving Block collectively increased general and administrative expenses \$6.7 million in the six months ended June 30, 2022.

Depreciation and amortization expense. Depreciation and amortization expense was \$34.0 million for the six months ended June 30, 2022, compared to \$30.9 million for the six months ended June 30, 2021, an increase of \$3.1 million or 10.0%. The increase was primarily driven by higher depreciation for equipment under lease of \$4.8 million in the six months ended June 30, 2022, compared to the six months ended June 30, 2021. In addition, the acquisitions of VenueNext, Postec and The Giving Block collectively increased depreciation and amortization expense \$1.1 million in the six months ended June 30, 2022. This was partially offset by lower amortization of intangible assets of \$2.9 million in the six months ended June 30, 2022.

Professional fees. Professional fees were \$13.9 million for the six months ended June 30, 2022, compared to \$9.7 million for the six months ended June 30, 2021, an increase of \$4.2 million or 43.3%. The increase was primarily due to higher acquisition-related costs.

Advertising and marketing expenses. Advertising and marketing expenses were \$5.6 million for the six months ended June 30, 2022, compared to \$22.6 million for the six months ended June 30, 2021, a decrease of \$17.0 million or 75.2%. The decrease was primarily driven by expenses in the six months ended June 30, 2021 related to the integration of 3dcart and its rebranding as Shift4Shop that were nonrecurring in nature. This was partially offset by the VenueNext, Postec and The Giving Block acquisitions, which collectively increased advertising and marketing expenses \$1.1 million in the six months ended June 30, 2022.

Transaction-related expenses. Transaction-related expenses were \$1.4 million for the six months ended June 30, 2022. These expenses were associated with a consent solicitation for the 2026 Senior Notes in March 2022. See Note 9 in the notes to the accompanying unaudited condensed consolidated financial statements for more information.

Interest income

Interest income was \$1.4 million for the six months ended June 30, 2022, consisting primarily of interest income earned on our cash and cash equivalents.

Interest expense

Interest expense was \$16.3 million for the six months ended June 30, 2022, compared to \$12.8 million for the six months ended June 30, 2021, an increase of \$3.5 million or 27.3%. The increase in interest expense was primarily driven by the issuance of the 2027 Convertible Notes in July 2021, as well as a \$0.4 million special interest payment made for the 2025 Convertible Notes during the six months ended June 30, 2022.

Income tax benefit

The effective tax rate for the six months ended June 30, 2022 was (152.9)%, compared to the effective tax rate for the six months ended June 30, 2021 of (9.9)%.

The effective tax rate for the six months ended June 30, 2022 was different than the U.S. federal statutory income tax rate of 21% primarily due to the loss allocated to the noncontrolling interest, the full valuation allowances on Shift4 Payments, Inc. and VenueNext, Inc. in the United States, and a \$6.4 million income tax benefit related to the valuation allowance release due to acquired deferred tax liabilities from The Giving Block. The effective tax rate for the six months ended June 30, 2021 was different than the U.S. federal statutory income tax rate of 21% primarily due to the loss allocated to the noncontrolling interest, the full valuation allowances on Shift4 Payments, Inc. and VenueNext, Inc. in the United States, and the tax windfall related to vested equity-based compensation awards.

Net loss attributable to noncontrolling interests

Net loss attributable to noncontrolling interests of Shift4 Payments, LLC was \$(1.0) million for the six months ended June 30, 2022, compared to \$(16.9) million for the six months ended June 30, 2021.

Key Performance Indicators and Non-GAAP Measures

The following table sets forth our key performance indicators and non-GAAP measures for the periods presented.

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
End-to-end payment volume	\$ 16,873.1	\$ 11,833.9	\$ 30,294.0	\$ 19,820.7
Gross revenue less network fees	182.6	136.3	331.4	233.8
EBITDA	52.9	30.6	70.5	12.2
Adjusted EBITDA	65.6	45.2	109.9	67.4

End-to-end payment volume

End-to-end payment volume is defined as the total dollar amount of card payments that we authorize and settle on behalf of our merchants plus total cryptocurrency amounts transacted, translated at the spot price to U.S. dollars. This volume does not include volume processed through our gateway-only merchants.

Gross revenue less network fees, EBITDA and Adjusted EBITDA

We use supplemental measures of our performance which are derived from our consolidated financial information but which are not presented in our consolidated financial statements prepared in accordance with GAAP. These non-GAAP financial measures include: gross revenue less network fees, which includes interchange and assessment fees; earnings before interest, income taxes, depreciation, and amortization (“EBITDA”); and Adjusted EBITDA. Gross revenue less network fees represents a key performance metric that management uses to measure changes in the mix and value derived from our customer base as we continue to execute our strategy to expand our reach to serve larger, complex merchants. Adjusted EBITDA is the primary financial performance measure used by management to evaluate its business and monitor results of operations. Adjusted EBITDA represents EBITDA further adjusted for certain non-cash and other nonrecurring items that management believes are not indicative of ongoing operations. These adjustments include acquisition, restructuring and integration costs, equity-based compensation expense and other nonrecurring items. The financial impact of certain elements of these activities is often large relative to the Company’s overall financial performance and can adversely affect the comparability of our operating results and investors’ ability to analyze the business from period to period.

We use non-GAAP financial measures to supplement financial information presented on a GAAP basis. We believe that excluding certain items from our GAAP results allows management to better understand our consolidated financial performance from period to period and better project our future consolidated financial performance as forecasts are developed at a level of detail different from that used to prepare GAAP-based financial measures. Moreover, we believe these non-GAAP financial measures provide our stakeholders with useful information to help them evaluate our operating results by facilitating an enhanced understanding of our operating performance and enabling them to make more meaningful period to period comparisons. There are limitations to the use of the non-GAAP financial measures presented in this Quarterly Report on Form 10-Q. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

The non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from, or as a substitute for, net income (loss) prepared in accordance with GAAP, and should be read only in conjunction with financial information presented on a GAAP basis. Reconciliations of gross revenue less network fees, EBITDA and Adjusted EBITDA to its most directly comparable GAAP financial measure are presented below. We encourage you to review the reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items.

Reconciliations of gross revenue less network fees, EBITDA and Adjusted EBITDA

The tables below provide reconciliations of gross profit to gross revenue less network fees and net loss on a consolidated basis for the periods presented to EBITDA and Adjusted EBITDA.

Gross revenue less network fees:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Gross profit	\$ 105.8	\$ 78.1	\$ 190.4	\$ 129.9
Add back: Other costs of sales	76.8	58.2	141.0	103.9
Gross revenue less network fees	\$ 182.6	\$ 136.3	\$ 331.4	\$ 233.8

EBITDA and Adjusted EBITDA:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 15.0	\$ 4.5	\$ 1.8	\$ (46.5)
Interest expense	8.4	6.3	16.3	12.8
Interest income	(1.4)	—	(1.4)	—
Income tax provision (benefit)	1.0	(5.9)	(5.2)	(5.1)
Depreciation and amortization expense	29.9	25.7	59.0	51.0
EBITDA	52.9	30.6	70.5	12.2
Acquisition, restructuring and integration costs (a)	2.4	3.2	10.2	29.0
Equity-based compensation (b)	9.7	11.3	26.8	25.4
Other nonrecurring items (c)	0.6	0.1	2.4	0.8
Adjusted EBITDA	\$ 65.6	\$ 45.2	\$ 109.9	\$ 67.4

(a) For the three months ended June 30, 2022, primarily consisted of \$2.5 million of acquisition-related costs, partially offset by a \$0.3 million adjustment to contingent consideration for the The Giving Block acquisition. For the three months ended June 30, 2021, primarily consisted of \$1.4 million of acquisition-related costs and \$1.3 million of expenses related to the integration of 3dcart and its rebranding as Shift4Shop. For the six months ended June 30, 2022, primarily consisted of \$8.3 million of acquisition-related costs and \$1.4 million of transaction-related expenses associated with a consent solicitation for the 2026 Senior Notes in March 2022, partially offset by a \$0.3 million adjustment to contingent consideration for the The Giving Block acquisition. For the six months ended June 30, 2021, primarily consisted of \$20.4 million of expenses related to the integration of 3dcart and its rebranding as Shift4Shop, \$4.3 million of acquisition-related costs, and \$2.1 million of expense for the Inspiration4 seat.

(b) Represents equity-based compensation expense for RSUs, including employer taxes for vested RSUs. See Note 18 in the notes to the accompanying unaudited condensed consolidated financial statements for more information on equity-based compensation.

(c) For the six months ended June 30, 2022, primarily consisted of \$1.2 million of costs associated with an internal processing system disruption that required technical remediation, \$0.4 million of costs associated with an early retirement initiative completed in the first quarter of 2022 and \$0.3 million of legal and professional fees for one-time matters.

Liquidity and Capital Resources

Overview

We have historically sourced our liquidity requirements primarily with cash flow from operations and, when needed, with debt borrowings or equity transactions. The principal uses for liquidity have been debt service, capital expenditures (including research and development) and funds required to finance acquisitions.

We do not intend to pay cash dividends on our Class A common stock in the foreseeable future. Shift4 Payments, Inc. is a holding company that does not conduct any business operations of its own. As a result, Shift4 Payments, Inc.'s ability to pay cash dividends on its common stock, if any, is dependent upon cash dividends and distributions and other transfers from Shift4 Payments, LLC. The amounts available to Shift4 Payments, Inc. to pay cash dividends are subject to the covenants and distribution restrictions in its subsidiaries' agreements governing its indebtedness, including covenants in such agreements providing that the payments of dividends or other distributions are subject to annual limitations based on our market capitalization.

The following table sets forth summary cash flow information for the periods presented.

<i>(in millions)</i>	Six Months Ended June 30,	
	2022	2021
Net cash provided by operating activities	\$ 85.0	\$ 5.0
Net cash used in investing activities	(87.1)	(115.5)
Net cash used in financing activities	(211.0)	(117.6)
Effect of exchange rate changes on cash and cash equivalents	(0.2)	—
Total	\$ (213.3)	\$ (228.1)

Operating activities

Net cash provided by operating activities consists of net income (loss) adjusted for certain non-cash items and changes in other assets and liabilities.

For the six months ended June 30, 2022, net cash provided by operating activities of \$85.0 million was primarily a result of:

- net income of \$1.8 million adjusted for non-cash expenses, including depreciation and amortization of \$59.0 million, equity-based compensation of \$26.2 million, deferred income taxes of \$(5.5) million and provision for bad debts of \$4.3 million; plus,
- an impact from working capital of \$(5.1) million, due primarily to the timing of interest payments and \$15.6 million of additional funds deposited in our sponsor bank merchant settlement account to facilitate gross card transaction deposits for those customers we bill on a monthly, versus a daily basis.

For the six months ended June 30, 2021, net cash provided by operating activities of \$5.0 million was primarily a result of:

- net loss of \$46.5 million adjusted for non-cash expenses, including depreciation and amortization of \$51.0 million, equity-based compensation of \$20.6 million, provision for bad debts of \$8.1 million and amortization of capitalized financing cost of \$2.4 million; partially offset by,
- an impact from working capital of \$(29.3) million, which is primarily a result of \$24.1 million of funds deposited in our sponsor bank merchant settlement account to facilitate gross card transaction deposits for those customers we bill on a monthly, versus a daily basis.

Investing activities

Net cash used in investing activities includes cash paid for acquisitions, purchases of future commission streams of our software partners, purchases of property, plant and equipment, purchases of equipment to be leased, capitalized software development costs, upfront processing bonuses provided to software partners and investments in non-marketable securities.

Net cash used in investing activities was \$87.1 million for the six months ended June 30, 2022, a decrease of \$28.4 million compared to net cash used in investing activities of \$115.5 million for the six months ended June 30, 2021. This decrease was primarily the result of:

- the acquisition of The Giving Block in March 2022 for \$106.9 million in aggregate purchase consideration, including \$12.6 million in cash, net of cash acquired of \$4.2 million;
- higher capitalized software development costs of \$12.0 million;
- higher residual commission buyouts of \$10.9 million; partially offset by
- the acquisition of VenueNext in March 2021 for \$68.5 million in aggregate purchase consideration, including \$40.6 million in cash, net of cash acquired of \$1.6 million; and
- the investment in SpaceX of \$27.5 million in the six months ended June 30, 2021.

Financing activities

Net cash used in financing activities was \$211.0 million for the six months ended June 30, 2022, an increase of \$93.4 million, compared to net cash used in financing activities of \$117.6 million for the six months ended June 30, 2021. This increase was primarily the result of:

- payments for the repurchase of common stock of \$185.9 million during the six months ended June 30, 2022 pursuant to the Programs; and
- payments associated with solicitation for the 2026 Senior Notes in March 2022 of \$4.5 million; partially offset by
- lower employee taxes paid on vested RSUs of \$96.1 million during the six months ended June 30, 2022 compared to the six months ended June 30, 2021, primarily the result of RSUs that vested in the six months ended June 30, 2021 related to our IPO.

Convertible Notes, Senior Notes and Revolving Credit Facility

As of June 30, 2022 and December 31, 2021, we had \$1,772.5 million total principal amount of debt outstanding, including \$690.0 million of 2025 Convertible Notes, \$632.5 million of 2027 Convertible Notes and \$450.0 million of 2026 Senior Notes. See Note 9 to the accompanying unaudited condensed consolidated financial statements for more information about our debt.

On March 17, 2022, we announced the expiration of our Consent Solicitation Statement (the “Consent Solicitation Statement”), dated as of March 11, 2022, to amend the indenture related to the 2026 Senior Notes. In connection with the results of the Consent Solicitation Statement, we received the requisite consents to amend the indenture governing the 2026 Senior Notes and entered into a supplemental indenture to allow for the repurchase of capital stock as part of the Market Capitalization exception under the original indenture.

Revolving Credit Facility

The Revolving Credit Facility has a borrowing capacity of \$99.5 million, net of a \$0.5 million letter of credit. As of June 30, 2022, we had no outstanding borrowings under the Revolving Credit Facility.

Stock repurchases

On December 16, 2021, our Board authorized the December 2021 Program, pursuant to which we were authorized repurchase up to \$100.0 million of shares of our Class A common stock through December 31, 2022. On May 11, 2022, the Board authorized the May 2022 Program, pursuant to which we were authorized to repurchase up to an additional \$100.0 million of shares of our Class A common stock through December 31, 2022, and on June 15, 2022, the Board authorized the June 2022 Program pursuant to which we were authorized to repurchase up to an additional \$50.0 million of shares of our Class A common stock through December 31, 2022.

In the six months ended June 30, 2022, we repurchased 3,887,191 shares of Class A common stock for \$184.4 million, including commissions paid, at an average price paid of \$47.40 per share. As of June 30, 2022, approximately \$44.5 million remained available for future purchases under the Program. See Note 16 to the accompanying unaudited condensed consolidated financial statements for more information.

Cash Requirements

Our material cash requirements include the following contractual obligations.

Debt

As of June 30, 2022, we had \$1,772.5 million of fixed rate debt outstanding with maturities beginning in 2025. Future interest payments associated with the outstanding debt total \$111.1 million, with \$24.0 million payable within twelve months.

Leases

As of June 30, 2022, we are obligated under non-cancellable operating leases for our premises, which expire through November 2030. Rent expense incurred under operating leases, which totaled \$2.8 million for the six months ended June 30, 2022, is included in “General and administrative expenses” in our accompanying unaudited Condensed Consolidated Statements of Operations.

Critical Accounting Estimates

Our discussion and analysis of our historical financial condition and results of operations for the periods described is based on our audited consolidated financial statements, and our accompanying unaudited condensed consolidated financial statements, each of which have been prepared in accordance with U.S. GAAP. The preparation of these historical financial statements in conformity with U.S. GAAP requires management to make estimates, assumptions and judgments in certain circumstances that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Additionally, the full impact of the COVID-19 pandemic is unknown and cannot be reasonably estimated. However, we have made accounting estimates for our allowance for doubtful accounts, valuation of our contingent liabilities, other intangible assets and goodwill based on the facts and circumstances available as of the reporting date. Actual results may differ from these estimates under different assumptions or conditions.

We have provided a summary of our significant accounting policies in Note 1 in the notes to the accompanying unaudited condensed consolidated financial statements. The following critical accounting discussion pertains to accounting policies management believes are most critical to the portrayal of our historical financial condition and results of operations and that require significant, difficult, subjective or complex judgments. Other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our financial condition, results of operations and cash flows to those of other companies.

New accounting pronouncements

For information regarding new accounting pronouncements, and the impact of these pronouncements on our unaudited condensed consolidated financial statements, if any, refer to Note 1 in the notes to the accompanying unaudited condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments are subject to risks relating to interest rates.

As of June 30, 2022, we had approximately \$1,772.5 million of fixed rate debt outstanding pursuant to the Notes, with a fair value of \$1,411.2 million, none of which was subject to an interest rate hedge. Since these Notes bear interest at fixed rates, they do not result in any financial statement risk associated with changes in interest rates. However, the fair value of these Notes fluctuates when interest rates change.

We also have a Revolving Credit Facility available to us with available borrowing capacity of \$99.5 million, net of a \$0.5 million letter of credit. We are obligated to pay interest on loans under the Revolving Credit Facility as well as other customary fees, including an upfront fee and an unused commitment fee based on our debt rating. Borrowings under the Revolving Credit Facility, if any, bear interest at floating rates. As a result, we are exposed to the risk related to fluctuations in interest rate to the extent of our borrowings. As of June 30, 2022 and December 31, 2021, we had no amounts outstanding under the Revolving Credit Facility. See “Liquidity and Capital Resources” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 2. of this Quarterly Report on Form 10-Q and Note 9 in the notes to the accompanying unaudited condensed consolidated financial statements for more information.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are, from time to time, party to various claims and legal proceedings arising out of our ordinary course of business, but we do not believe that any of these existing claims or proceedings will have a material effect on our business, consolidated financial condition or results of operations.

ITEM 1A. RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks described under the heading “Risk Factors” in Part I, Item 1A. of our 2021 Form 10-K, the other information in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and the related notes, as well as our other public filings with the SEC, before deciding to invest in our Class A common stock. Other than as described below, there have been no material changes to the Company’s risk factors previously disclosed in our 2021 Form 10-K. The occurrence of any of the events described therein could harm our business, financial condition, results of operations, liquidity or prospects. In such an event, the market price of our Class A common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business.

Business risks

We are subject to governmental regulation and other legal obligations, particularly related to privacy, data protection and information security, cryptocurrency, and consumer protection laws across different markets where we conduct our business. Our actual or perceived failure to comply with such obligations could harm our business.

In the United States and other jurisdictions in which our services are used, we are subject to various privacy, data protection and information security, and consumer protection laws (including laws on disputed transactions) and related regulations. If we are found to have breached such laws or regulations in any such market, we may be subject to enforcement actions that require us to change our business practices in a manner which may negatively impact our revenue, as well as expose ourselves to litigation, fines, civil and/or criminal penalties and adverse publicity that could cause our customers to lose trust in us, negatively impacting our reputation and business in a manner that harms our financial position.

As part of our business, we collect personal information, also referred to as personal data, and other potentially sensitive and/or regulated data from our consumers and the merchants we work with. Laws and regulations in the United States restrict how personal information is collected, processed, stored, transferred, used and disclosed, as well as set standards for its security, implement notice requirements regarding privacy practices, and provide individuals with certain rights regarding the use, disclosure and sale of their protected personal information. For example, the Federal Trade Commission (“FTC”) and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination, and security of data. Such standards require us to publish statements that describe how we handle personal data and choices individuals may have about the way we handle their personal data. If such information that we publish is considered untrue or inaccurate, we may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Moreover, according to the FTC, violating consumers’ privacy rights or failing to take appropriate steps to keep consumers’ personal data secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act. State consumer protection laws provide similar causes of action for unfair or deceptive practices. Some states, such as California and Massachusetts, have passed specific laws mandating reasonable security measures for the handling of consumer data. Further, privacy advocates and industry groups have regularly proposed and sometimes approved, and may propose and approve in the future, self-regulatory standards with which we must legally comply or that contractually apply to us.

The Gramm-Leach-Bliley Act (“GLBA”) regulates, among other things, the use of non-public personal information of consumers that is held by financial institutions. We are subject to various GLBA provisions, including rules relating to the use or disclosure of the underlying data and rules relating to the physical, administrative and technological protection of non-public personal financial information. Breach of the GLBA can result in civil and/or criminal liability and sanctions by regulatory authorities.

Several foreign jurisdictions, including the EU and the United Kingdom, have laws and regulations which are more restrictive in certain respects than those in the United States. We are also subject to data privacy and security laws in foreign jurisdictions which have laws and regulations which are more restrictive in certain respects than the United States. For example, in the European Economic Area (“EEA”), we are subject to the General Data Protection Regulation 2016/679 (“GDPR”) and in the United Kingdom, we are subject to the United Kingdom data protection regime consisting primarily of the UK General Data Protection Regulation and the UK Data Protection Act 2018, in each case in relation to our collection, control, processing, sharing, disclosure and other use of data relating to an identifiable living individual (personal data). The GDPR, and national implementing legislation in EEA member states, and the United Kingdom regime, impose a strict data protection compliance regime including: providing detailed disclosures about how personal data is collected and processed (in a concise, intelligible and easily accessible form); demonstrating that an appropriate legal basis is in place or otherwise exists to justify data processing activities; granting rights for data subjects in regard to their personal data (including data access rights, the right to be “forgotten” and the right to data portability); introducing the obligation to notify data protection regulators or supervisory authorities (and in certain cases, affected individuals) of significant data breaches; defining pseudonymized (i.e., key-coded) data; imposing limitations on retention of personal data; maintaining a record of data processing; and complying with the principal of accountability and the obligation to demonstrate compliance through policies, procedures, training and audit.

We are also subject to European Union and United Kingdom rules with respect to cross-border transfers of personal data out of the EEA and the United Kingdom, respectively. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA and the United Kingdom to the United States. Most recently, on July 16, 2020, the Court of Justice of the European Union (“CJEU”) invalidated the EU-US Privacy Shield Framework (“Privacy Shield”) under which personal data could be transferred from the EEA to US entities who had self-certified under the Privacy Shield scheme.

While the CJEU upheld the adequacy of the standard contractual clauses (a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism, and potential alternative to the Privacy Shield), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances. Use of the standard contractual clauses must now be assessed on a case-by-case basis taking into account the legal regime applicable in the destination country, in particular applicable surveillance laws and rights of individuals and additional measures and/or contractual provisions may need to be put in place.

We have previously relied on our own Privacy Shield certification and our relevant customers’ and partners’ Privacy Shield certifications for the purposes of transferring personal data from the EEA to the U.S. in compliance with the GDPR’s data export conditions. These recent developments will require us to review and amend the legal mechanisms by which we make and/ or receive personal data transfers to/ in the U.S., including updating agreements to put in place standard contractual clauses. The developments also create uncertainty and increase the risk around our international operations. European court and regulatory decisions subsequent to the CJEU decision of July 16, 2020 have taken a restrictive approach to international data transfers. For example, the Austrian and the French data protection supervisory authorities, as well as the European Data Protection Supervisor, have recently ruled that use of Google Analytics by European website operators involves the unlawful transfer of personal data to the United States; a number of other EU supervisory authorities are expected to take a similar approach which may impact other business tools that we use. As the enforcement landscape further develops, and supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used, we could suffer additional costs, complaints and/or regulatory investigations or fines, have to stop using certain tools and vendors and make other operational changes, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results.

We are also subject to evolving EU and UK privacy laws on cookies, tracking technologies and e-marketing. In the EU and the UK under national laws derived from the ePrivacy Directive, informed consent is required for the placement of a cookie or similar technologies on a user’s device and for direct electronic marketing. The GDPR also imposes conditions on obtaining valid consent for cookies, such as a prohibition on pre-checked consents and a requirement to ensure separate consents are sought for each type of cookie or similar technology. The current national laws that implement the ePrivacy Directive are highly likely to be replaced across the EU (but not directly in the UK) by an EU regulation known as the ePrivacy Regulation which will significantly increase fines for non-compliance.

In the United States, both the federal and various state governments have adopted or are considering, laws, guidelines or rules for the collection, distribution, use and storage of information collected from or about consumers or their devices. For example, California enacted the California Consumer Privacy Act (“CCPA”), which became enforceable by the California Attorney General on July 1, 2020, and requires new disclosures to California consumers, imposes new rules for collecting or using information about minors, and affords consumers new abilities to opt out of certain disclosures of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The effects of the CCPA, its implementing regulations, and uncertainties about the scope and applicability of exemptions that may apply to our business, are potentially significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply. Additionally, the California Privacy Rights Act (“CPRA”), recently passed in California. The CPRA significantly amends the CCPA, and imposes additional data protection obligations on covered companies doing business in California, including additional consumer rights processes and opt outs for certain uses of sensitive data. It also creates a new California data protection agency specifically tasked to enforce the law, which would likely result in increased regulatory scrutiny of California businesses in the areas of data protection and security. The substantive requirements for businesses subject to the CPRA will go into effect on January 1, 2023, and become enforceable on July 1, 2023. In addition, Virginia and Colorado have enacted the Consumer Data Protection Act (“VCDPA”) and the Colorado Data privacy Act (“CDPA”), respectively, which will go into effect in 2023 and will impose obligations similar to or more stringent than those we may face under other data protection laws.

Restrictions on the collection, use, sharing or disclosure of personal information or additional requirements and liability for security and data integrity could require us to modify our solutions and features, possibly in a material manner, could limit our ability to develop new services and features and could subject us to increased compliance obligations and regulatory scrutiny. Non-compliance with data protection and privacy requirements may result in regulatory fines (which for certain breaches of the GDPR (“UK GDPR”) are up to the greater of €20/£17.5 or 4% of total global annual turnover), regulatory investigations, reputational damage, orders to cease/change our processing of our data, enforcement notices, and/ or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

Furthermore, our current and planned cryptocurrency offerings could subject us to additional regulations, licensing requirements, or other obligations. The rapidly evolving regulatory landscape with respect to cryptocurrency may subject us to inquiries or investigations from regulators and governmental authorities, require us to make product changes, restrict or discontinue product offerings, and implement additional and potentially costly controls. If we fail to comply with regulations, requirements, prohibitions or other obligations applicable to us, we could face regulatory or other enforcement actions and potential fines and other consequences.

In addition, financial and third party risks related to our cryptocurrency offerings, such as inappropriate access to or theft or destruction of cryptocurrency assets held by our custodian, insufficient insurance coverage by the custodian to reimburse us for all such losses, the custodian’s failure to maintain effective controls over the custody and settlement services provided to us, the custodian’s inability to purchase or liquidate cryptocurrency holdings, and defaults on financial or performance obligations by counterparty financial institutions, could materially and adversely affect our financial performance and significantly harm our business.

General Risk Factors

The ongoing military action between Russia and Ukraine could adversely affect our business, financial condition and results of operations.

On February 24, 2022, Russian military forces launched a military action in Ukraine, and sustained conflict and disruption in the region is likely. Although the length, impact and outcome of the ongoing military conflict in Ukraine is highly unpredictable, this conflict could lead to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences as well as increase in cyberattacks and espionage.

Russia's recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military action against Ukraine have led to an unprecedented expansion of sanction programs imposed by the United States, the European Union, the UK, Canada, Switzerland, Japan and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic, including, among others:

- blocking sanctions against some of the largest state-owned and private Russian financial institutions (and their subsequent removal from the Society for Worldwide Interbank Financial Telecommunication, or SWIFT, payment system) and certain Russian businesses, some of which have significant financial and trade ties to the European Union;
- blocking sanctions against Russian and Belarusian individuals, including the Russian President, other politicians and those with government connections or involved in Russian military activities; and
- blocking of Russia's foreign currency reserves as well as expansion of sectoral sanctions and export and trade restrictions, limitations on investments and access to capital markets and bans on various Russian imports.

In retaliation against new international sanctions and as part of measures to stabilize and support the volatile Russian financial and currency markets, the Russian authorities also imposed significant currency control measures aimed at restricting the outflow of foreign currency and capital from Russia, imposed various restrictions on transacting with non-Russian parties, banned exports of various products and other economic and financial restrictions. The situation is rapidly evolving as a result of the conflict in Ukraine, and the United States, the European Union, the UK and other countries may implement additional sanctions, export controls or other measures against Russia, Belarus and other countries, regions, officials, individuals or industries in the respective territories. Such sanctions and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, tensions and military actions, could adversely affect the global economy and financial markets and could adversely affect our business, financial condition and results of operations.

We are actively monitoring the situation in Ukraine and assessing its impact on our business, including our business partners and customers. To date we have not experienced any material interruptions in our infrastructure, supplies, technology systems or networks needed to support our operations. We have no way to predict the progress or outcome of the conflict in Ukraine or its impacts in Ukraine, Russia or Belarus as the conflict, and any resulting government reactions, are evolving and beyond our control. The extent and duration of the military action, sanctions and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and our business for an unknown period of time. Any of the above mentioned factors could affect our business, financial condition and results of operations. Any such disruptions may also magnify the impact of other risks described in our 2021 Form 10-K.

We are exposed to fluctuations in inflation, which could negatively affect our business, financial condition and results of operations.

The United States has recently experienced historically high levels of inflation. According to the U.S. Department of Labor, the annual inflation rate for the United States was approximately 7.0% for 2021. If the inflation rate continues to increase, it will likely affect our expenses, including, but not limited to, employee compensation expenses, increased costs for supplies. In the event inflation continues to increase, we may seek to increase the sales prices of our products and services in order to maintain satisfactory margins. Any attempts to offset cost increases with price increases may result in reduced sales, increase customer dissatisfaction or otherwise harm our reputation. Moreover, to the extent inflation results in rising interest rates and has other adverse effects on the market, it may adversely affect our business, financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following indicates our purchases of Class A common stock during the three months ended June 30, 2022.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (in millions)
April 1-30, 2022	1,126,277	\$ 54.39	1,126,277	\$ —
May 1-31, 2022	1,793,954	44.58	1,793,954	20.4
June 1-30, 2022	665,450	38.92	665,450	44.5
Total	<u>3,585,681</u>			

(a) On December 16, 2021, our Board authorized a stock repurchase program (the “December 2021 Program”), pursuant to which we were authorized to repurchase up to \$100.0 million of shares of our Class A common stock through December 31, 2022. On May 11, 2022, the Board authorized a stock repurchase program (the “May 2022 Program”), pursuant to which we were authorized to repurchase up to an additional \$100.0 million of shares of our Class A common stock through December 31, 2022. On June 15, 2022, the Board authorized a stock repurchase program (the “June 2022 Program” and, together with the December 2021 Program and the May 2022 Program, the “Programs”), pursuant to which we were authorized to repurchase up to an additional \$50.0 million of shares of our Class A common stock through December 31, 2022. Repurchases under the Programs may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases depending on market conditions and corporate needs. Open market repurchases will be structured to occur within the pricing and volume requirements of Rule 10b-18 of the Exchange Act. We may also, from time to time, enter into Rule 10b5-1 of the Exchange Act plans to facilitate repurchases of our shares under this authorization. The exact number of shares to be repurchased by us is not guaranteed and the Programs may be suspended, modified, or discontinued at any time at our discretion and without prior notice.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/Furnished Herewith
		Form	File No.	Exhibit	
3.1	Amended and Restated Certificate of Incorporation of Shift4 Payments, Inc.	S-8	333-239042	4.1	06/09/2020
3.2	Amended and Restated By-Laws of Shift4 Payments, Inc.	S-8	333-239042	4.2	06/09/2020
4.1	Specimen Stock Certificate evidencing the shares of Class A common stock.	S-1/A	333-238307	4.1	06/01/2020
4.2	Indenture, by and among Shift4 Payments, LLC, Shift4 Payments Finance Sub, Inc. the subsidiary guarantors named therein and U.S. Bank National Association, as trustee, dated October 29, 2020 (and Form of Global Note).	8-K	001-39313	4.1	10/29/2020

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4.3	Indenture, dated as of December 7, 2020, between Shift4 Payments, Inc. and U.S. Bank National Association, as trustee (and Form of Global Note).	8-K	001-39313	4.1	12/07/2020	
4.4	Indenture, dated as of July 26, 2021, between Shift4 Payments, Inc. and U.S. Bank National Association, as trustee (and Form of Global Note).	8-K	001-39313	4.1	07/26/2021	
4.5	Fourth Supplemental Indenture dated March 16, 2022, 4.625% Senior Notes due 2026.	10-Q	001-39313	4.5	05/06/2022	
10.1	Amended and Restated Shift4 Payments, Inc. 2020 Incentive Award Plan.	8-K	001-39313	10.1	06/13/2022	
31.1	Certification of Registrant's Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Certification of Registrant's Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Certification of Registrant's Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.					**
32.2	Certification of Registrant's Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.					**
101.INS	Inline XBRL Instance Document.					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					*
104*	Cover Page Interactive Data File (formatting as Inline XBRL and contained in Exhibit 101).					

* Filed herewith.

** Furnished herewith.

ITEM 4. CONTROLS AND PROCEDURES

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Shift4 Payments, Inc.

Date: August 5, 2022

By: */s/ Jared Isaacman*
Jared Isaacman
Chief Executive Officer (principal executive officer)

Date: August 5, 2022

By: */s/ Bradley Herring*
Bradley Herring
Chief Financial Officer (principal financial officer)

CERTIFICATION

I, Jared Isaacman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Shift4 Payments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2022

By:

/s/Jared Isaacman

Jared Isaacman
Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Bradley Herring, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Shift4 Payments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2022

By:

/s/ Bradley Herring

Bradley Herring

Chief Financial Officer

(principal financial officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Shift4 Payments, Inc. (the "Company") for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2022

By:

/s/ Jared Isaacman

Jared Isaacman
Chief Executive Officer
(principal executive officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Shift4 Payments, Inc. (the "Company") for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2022

By:

/s/ Bradley Herring

Bradley Herring
Chief Financial Officer
(principal financial officer)