

**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 September 30, 2023

OR

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

For the transition period from _____ to _____

Commission file number: 001-39313

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

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

Yes No

As of October 31, 2023, there were 56,890,482 shares of the registrant's Class A common stock, \$0.0001 par value per share, outstanding, 23,831,883 shares of the registrant's Class B common stock, \$0.0001 par value per share, outstanding and 1,712,041 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 (“Quarterly Report”) 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 fact contained in this Quarterly Report, including, without limitation, statements relating to our position as a leader within our industry, our future results of operations and financial position, business strategy and plans, objectives of management for future operations, including, among others, statements regarding expected growth and future capital expenditures and debt covenant compliance and service obligations, 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 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 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, 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, 2022, filed on March 1, 2023 (the “2022 Form 10-K”).

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 and the documents that we reference herein 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)

	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 692.3	\$ 702.5
Restricted cash	91.0	74.0
Accounts receivable, net	232.1	195.0
Inventory	2.5	4.8
Prepaid expenses and other current assets	20.7	15.4
Total current assets	<u>1,038.6</u>	<u>991.7</u>
Noncurrent assets		
Goodwill	755.4	735.0
Residual commission buyouts, net	251.7	303.9
Other intangible assets, net	324.5	306.8
Capitalized customer acquisition costs, net	48.3	36.1
Equipment for lease, net	111.1	80.7
Property, plant and equipment, net	27.9	22.3
Right-of-use assets	21.5	19.5
Investments in securities	58.6	47.1
Other noncurrent assets	12.3	10.9
Total assets	<u>\$ 2,649.9</u>	<u>\$ 2,554.0</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 181.3	\$ 166.7
Accrued expenses and other current liabilities	110.1	80.0
Deferred revenue	14.9	16.3
Current lease liabilities	6.7	5.3
Total current liabilities	<u>313.0</u>	<u>268.3</u>
Noncurrent liabilities		
Long-term debt	1,748.1	1,741.9
Deferred tax liability	17.4	18.6
Noncurrent lease liabilities	18.8	18.1
Other noncurrent liabilities	11.6	26.5
Total liabilities	<u>2,108.9</u>	<u>2,073.4</u>
Commitments and contingencies (Note 16)		
Stockholders' equity		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized at September 30, 2023 and December 31, 2022, none issued and outstanding	—	—
Class A common stock, \$0.0001 par value per share, 300,000,000 shares authorized, 56,544,839 and 54,153,218 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Class B common stock, \$0.0001 par value per share, 100,000,000 shares authorized, 23,831,883 and 25,829,016 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Class C common stock, \$0.0001 par value per share, 100,000,000 shares authorized, 1,759,273 and 2,889,811 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	748.9	702.6
Accumulated other comprehensive income	6.3	8.3
Retained deficit	(355.0)	(363.6)
Total stockholders' equity attributable to Shift4 Payments, Inc.	<u>400.2</u>	<u>347.3</u>
Noncontrolling interests	140.8	133.3
Total stockholders' equity	<u>541.0</u>	<u>480.6</u>
Total liabilities and stockholders' equity	<u>\$ 2,649.9</u>	<u>\$ 2,554.0</u>

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gross revenue	\$ 675.4	\$ 547.3	\$ 1,859.4	\$ 1,455.9
Cost of sales (exclusive of certain depreciation and amortization expense shown separately below)	(495.1)	(411.6)	(1,366.8)	(1,129.8)
General and administrative expenses	(76.3)	(74.2)	(244.1)	(198.8)
Revaluation of contingent liabilities	(8.9)	36.9	(21.5)	37.2
Depreciation and amortization expense (a)	(40.0)	(28.9)	(111.2)	(62.9)
Professional expenses	(5.7)	(10.4)	(17.2)	(25.7)
Advertising and marketing expenses	(4.7)	(5.6)	(11.2)	(11.2)
Income from operations	44.7	53.5	87.4	64.7
Interest income	9.6	3.5	26.0	4.9
Other (expense) income, net	—	—	(0.3)	0.3
Unrealized gain on investments in securities	2.6	—	11.5	—
Change in TRA liability	(1.5)	(1.1)	(2.8)	(1.1)
Interest expense	(8.0)	(8.3)	(24.1)	(24.6)
Income before income taxes	47.4	47.6	97.7	44.2
Income tax (expense) benefit	(0.9)	(1.2)	6.0	4.0
Net income	46.5	46.4	103.7	48.2
Less: Net income attributable to noncontrolling interests	13.9	3.3	31.2	2.3
Net income attributable to Shift4 Payments, Inc.	\$ 32.6	\$ 43.1	\$ 72.5	\$ 45.9
Basic net income per share				
Class A net income per share - basic	\$ 0.56	\$ 0.78	\$ 1.24	\$ 0.82
Class A weighted average common stock outstanding - basic	56,537,008	51,502,825	56,233,959	51,804,935
Class C net income per share - basic	\$ 0.56	\$ 0.78	\$ 1.24	\$ 0.82
Class C weighted average common stock outstanding - basic	1,759,273	3,648,580	2,019,063	4,069,266
Diluted net income per share				
Class A net income per share - diluted	\$ 0.55	\$ 0.57	\$ 1.22	\$ 0.58
Class A weighted average common stock outstanding - diluted	57,673,083	77,801,346	57,697,393	78,479,541
Class C net income per share - diluted	\$ 0.55	\$ 0.57	\$ 1.22	\$ 0.58
Class C weighted average common stock outstanding - diluted	1,759,273	3,648,580	2,019,063	4,069,266

See accompanying notes to unaudited condensed consolidated financial statements.

- (a) Depreciation and amortization expense includes depreciation of equipment under lease of \$9.3 million and \$24.7 million for the three and nine months ended September 30, 2023, respectively, and \$8.2 million and \$22.6 million for the three and nine months ended September 30, 2022, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 46.5	\$ 46.4	\$ 103.7	\$ 48.2
Other comprehensive loss				
Unrealized loss on foreign currency translation adjustment	(5.6)	(0.5)	(2.7)	(1.1)
Comprehensive income	40.9	45.9	101.0	47.1
Less: Comprehensive income attributable to noncontrolling interests	12.3	3.1	30.5	1.9
Comprehensive income attributable to Shift4 Payments, Inc.	\$ 28.6	\$ 42.8	\$ 70.5	\$ 45.2

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount				
Balances at December 31, 2022	54,153,218	\$ —	25,829,016	\$ —	2,889,811	\$ —	\$ 702.6	—	\$ —	\$ (363.6)	\$ 8.3	\$ 133.3	\$ 480.6
Net income	—	—	—	—	—	—	—	—	—	14.8	—	5.6	20.4
Issuance of Class A common stock and contingent share earnout in connection with an acquisition	27,780	—	—	—	—	—	5.5	—	—	—	—	2.1	7.6
Exchange of shares held by Rook	2,465,770	—	(1,666,665)	—	(799,105)	—	4.9	—	—	—	—	(4.9)	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	(1.8)	(1.8)
Equity-based compensation	—	—	—	—	—	—	21.9	—	—	—	—	—	21.9
Vesting of restricted stock units, net of tax withholding	123,846	—	—	—	—	—	(4.7)	—	—	—	—	(0.6)	(5.3)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	2.1	0.9	3.0
Balances at March 31, 2023	56,770,614	—	24,162,351	—	2,090,706	—	730.2	—	—	(348.8)	10.4	134.6	526.4
Net income	—	—	—	—	—	—	—	—	—	25.1	—	11.7	36.8
Issuance of Class A common stock	295,699	—	—	—	—	—	6.4	—	—	—	—	4.6	11.0
Repurchases of Class A common stock to treasury stock, inclusive of excise tax	—	—	—	—	—	—	22.7	(1,515,000)	(97.3)	—	—	(22.7)	(97.3)
Retirement of treasury stock	(1,515,000)	—	—	—	—	—	(33.4)	1,515,000	97.3	(63.9)	—	—	—
Exchange of shares held by Rook	661,901	—	(330,468)	—	(331,433)	—	1.9	—	—	—	—	(1.9)	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	(0.4)	(0.4)
Equity-based compensation	—	—	—	—	—	—	13.1	—	—	—	—	—	13.1
Vesting of restricted stock units, net of tax withholding	253,919	—	—	—	—	—	(7.1)	—	—	—	—	(3.2)	(10.3)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(0.1)	—	(0.1)
Balances at June 30, 2023	56,467,133	—	23,831,883	—	1,759,273	—	733.8	—	—	(387.6)	10.3	122.7	479.2
Net income	—	—	—	—	—	—	—	—	—	32.6	—	13.9	46.5
Contingent share earnout in connection with an acquisition	—	—	—	—	—	—	8.1	—	—	—	—	5.7	13.8
Excise tax	—	—	—	—	—	—	0.1	—	—	—	—	—	0.1
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	(0.5)	(0.5)
Equity-based compensation	—	—	—	—	—	—	12.4	—	—	—	—	—	12.4
Vesting of restricted stock units, net of tax withholding	77,706	—	—	—	—	—	(5.5)	—	—	—	—	0.6	(4.9)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(4.0)	(1.6)	(5.6)
Balances at September 30, 2023	56,544,839	\$ —	23,831,883	\$ —	1,759,273	\$ —	\$ 748.9	—	\$ —	\$ (355.0)	\$ 6.3	\$ 140.8	\$ 541.0

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	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
Net income	—	—	—	—	—	—	—	—	—	43.1	—	3.3	46.4
Issuance of Class A common stock in connection with acquisitions and residual commission buyouts	2,228,663	—	—	—	—	—	63.8	—	—	—	—	31.4	95.2
Retirement of treasury stock	(726,650)	—	—	—	—	—	(15.7)	726,650	28.8	(13.1)	—	—	—
Exchange of shares held by Continuing Equity Owners	23,631	—	—	—	(23,631)	—	—	—	—	—	—	—	—
Equity-based compensation	—	—	—	—	—	—	12.8	—	—	—	—	—	12.8
Vesting of restricted stock units, net of tax withholding	22,420	—	—	—	—	—	(0.4)	—	—	—	—	(0.1)	(0.5)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(0.3)	(0.2)	(0.5)
Balances at September 30, 2022	53,006,376	\$ —	25,829,016	\$ —	3,626,749	\$ —	\$ 696.0	\$ —	\$ —	\$ (392.8)	\$ (0.7)	\$ 118.3	\$ 420.8

See accompanying notes to unaudited condensed consolidated financial statements.

SHIFT4 PAYMENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (in millions)

	Nine Months Ended September 30,	
	2023	2022
Operating activities		
Net income	\$ 103.7	\$ 48.2
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	152.7	101.6
Amortization of capitalized financing costs	6.2	6.0
Deferred income taxes	(8.6)	(4.4)
Provision for bad debts	7.4	5.8
Revaluation of contingent liabilities	21.5	(37.2)
Unrealized gain on investments in securities	(11.5)	—
Change in TRA liability	2.8	1.1
Equity-based compensation expense	46.4	38.4
Other noncash items	1.5	0.9
Change in operating assets and liabilities		
Accounts receivable	(43.8)	(58.1)
Prepaid expenses and other assets	(5.4)	(4.6)
Inventory	5.7	3.1
Capitalized customer acquisition costs	(25.6)	(19.4)
Accounts payable	15.8	44.2
Accrued expenses and other liabilities	19.0	8.3
Payments on contingent liabilities in excess of initial fair value	(2.8)	—
Right-of-use assets and lease liabilities, net	0.1	(0.4)
Deferred revenue	(2.1)	2.4
Net cash provided by operating activities	283.0	135.9
Investing activities		
Residual commission buyouts	(9.5)	(268.2)
Acquisitions, net of cash acquired	(36.3)	(135.2)
Acquisition of equipment to be leased	(62.7)	(39.6)
Capitalized software development costs	(29.3)	(31.7)
Acquisition of property, plant and equipment	(11.3)	(6.8)
Purchase of intangible assets	(2.0)	—
Investments in securities	—	(1.5)
Net cash used in investing activities	(151.1)	(483.0)
Financing activities		
Repurchases of Class A common stock	(96.8)	(185.9)
Payments for withholding tax related to vesting of restricted stock units	(20.5)	(20.6)
Deferred financing costs	—	(4.9)
Distributions to noncontrolling interests	(2.7)	—
Payments on contingent liabilities	(4.3)	—
Net cash used in financing activities	(124.3)	(211.4)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(0.8)	(0.3)
Change in cash and cash equivalents and restricted cash	6.8	(558.8)
Cash and cash equivalents and restricted cash, beginning of period	776.5	1,231.5
Cash and cash equivalents and restricted cash, end of period	<u>\$ 783.3</u>	<u>\$ 672.7</u>

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” or “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 independent provider of software and payment processing solutions in the United States (“U.S.”) based on total volume of payments processed. The Company has achieved its leadership position through decades of solving business and operational challenges facing its customers’ overall commerce needs. The Company’s merchants range in size from small owner-operated local businesses to multinational enterprises conducting commerce throughout the world. The Company distributes its services through a scaled network of seasoned internal sales and support teams, as well as through its network of software partners. For its software partners, the Company offers a single integration to a global end-to-end payment offering, a proprietary gateway and a robust suite of technology solutions (including cloud enablement, business intelligence, analytics, and mobile) to enhance the value of their software and simplify payment acceptance. For its merchants, the Company provides a seamless, unified consumer experience and fulfills business needs that would otherwise require multiple software, hardware and payment vendors. The *Shift4 Model* is built to serve a range of merchants from small owner-operated local businesses to multinational enterprises conducting commerce throughout the world, 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 500 software integrations across virtually every industry vertical.

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 U.S. (“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, 2022 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, 2022, as disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the “2022 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. 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”). 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”), amounts payable under the Tax Receivable Agreement (“TRA”), and the aggregate principal amount of \$690.0 million of 2025 Convertible Notes and \$632.5 million of 2027 Convertible Notes (together, the “Convertible Notes”) that are held by Shift4 Payments, Inc. directly. As of September 30, 2023 and December 31, 2022, \$13.1 million and \$9.8 million of cash, respectively, was directly held by Shift4 Payments, Inc. As of December 31, 2022, the earnout liability for The Giving Block was \$10.9 million. The cash portion of the earnout was paid during the nine months ended September 30, 2023. As of September 30, 2023 and December 31, 2022, the TRA liability was \$4.5 million and \$1.7 million, respectively. In connection with the issuance of the Convertible Notes, Shift4 Payments, Inc. entered into Intercompany Convertible Notes with Shift4 Payments, LLC, whereby Shift4 Payments, Inc. provided the net proceeds from the issuance of the Convertible Notes to Shift4 Payments, LLC in the amount of \$1,322.5 million. Shift4 Payments, Inc., which was incorporated on 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.

Change in Presentation of Unaudited Condensed Consolidated Balance Sheets

Certain prior year balances have been adjusted to present “Restricted cash” on its own line item rather than within “Cash and cash equivalents” on the Company’s unaudited Condensed Consolidated Balance Sheets to conform to the current period presentation.

Change in Presentation of Unaudited Condensed Consolidated Statements of Operations

Certain prior year balances have been adjusted to present “Revaluation of contingent liabilities” in its own line item rather than within the line item “General and administrative expenses” on the Company’s unaudited Condensed Consolidated Statements of Operations.

Certain prior year balances have been adjusted to present “Restructuring expenses” within “General and administrative expenses” rather than its own line item on the Company’s unaudited Condensed Consolidated Statements of Operations.

Certain prior year balances have been adjusted to present “Transaction-related expenses” within “Professional expenses” rather than its own line item on the Company’s unaudited Condensed Consolidated Statements of Operations.

Liquidity and Management’s Plan

As of September 30, 2023, 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 with such financial covenants for at least twelve months following the issuance of these unaudited condensed consolidated financial statements. See Note 11 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 Company’s 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, deferred income tax valuation allowances, amounts associated with the Company’s tax receivable agreement with Rook and certain affiliates of Searchlight Capital Partners (together, the “Continuing Equity Owners”), 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, 2022 in the 2022 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 nine months ended September 30, 2023, except for the below.

Cash and Cash Equivalents and Restricted Cash

Highly liquid investments with maturities of three months or less at the date of purchase are considered to be cash equivalents and are stated at cost, which approximates fair value. The Company’s cash equivalents consist of highly liquid investments in money market funds, which amounted to \$514.5 million and \$652.8 million as of September 30, 2023 and December 31, 2022, respectively.

The Company classifies as restricted certain cash that is not available for use in its operations. Prior to December 2022, the Company had funds deposited in a sponsor bank merchant settlement account (“Settlement Funds”) to facilitate gross card transaction deposits for those customers the Company bills on a monthly, versus a daily basis. This amount fluctuates based upon end-to-end payment volumes and timing of billing cycles. The funds deposited at the sponsor bank were included within “Accounts receivable, net” prior to December 2022. In December 2022 and March 2023, pursuant to amendments to its agreement, the Company received in cash its Settlement Funds of \$74.0 million, which was restricted as to withdrawal by the sponsor bank. In January 2023 and April 2023, the Company, as required by the amendments, deposited \$74.0 million to its sponsor bank merchant settlement account. The Company will continue to maintain a deposit in its sponsor bank merchant settlement account. As of September 30, 2023 and December 31, 2022, Restricted cash was \$91.0 million and \$74.0 million, respectively, representing the Company’s Settlement Funds.

The Company maintains its cash with what are widely considered to be high credit quality financial institutions. The total cash balances insured by the Federal Deposit Insurance Corporation are up to \$250 thousand per bank.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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. ASU 2020-04 was subsequently amended by ASU 2022-06, *Reference Rate Reform*, which extends the date through which entities can elect these optional expedients and exceptions. In July 2023, the Company amended its Revolving Credit Facility, changing the reference rate from LIBOR to the Secured Overnight Financing Rate (“SOFR”). In conjunction with this amendment, the Company adopted ASU 2020-04 and ASU 2022-06 and elected the optional expedients in ASU 2020-04. The adoption did not have a significant impact on the Company’s unaudited condensed consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, to clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring the fair value of the equity security. ASU 2022-03 also clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments in ASU 2022-03 may be early adopted and are effective on a prospective basis for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company currently considers sale restrictions in measuring the fair value of shares of its Class A common stock equity securities issued in conjunction with acquisitions. The Company is currently evaluating whether it will early adopt the amendments in ASU 2022-03 and is evaluating the impact of the amendments on the Company’s unaudited condensed consolidated financial statements.

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.

Focus

On April 3, 2023, the Company completed the acquisition of Focus POS Systems (“Focus”) by acquiring 100% of its common stock for \$45.2 million of total purchase consideration, net of cash acquired. This acquisition adds Focus’s POS software to the Company’s suite of software and payment processing solutions and strengthens the Company’s distribution network. Total purchase consideration was as follows:

Cash	\$	36.0
Shares of Class A common stock (a)		10.2
Total purchase consideration		46.2
Less: cash acquired		(1.0)
Total purchase consideration, net of cash acquired	\$	45.2

(a) Total purchase consideration includes 152,114 shares of common stock.

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 accounts receivable and residual goodwill.

Accounts receivable	\$	0.5
Goodwill (a)		21.9
Residual commission buyouts		1.2
Other intangible assets		29.2
Deferred tax liability		(7.6)
Net assets acquired	\$	<u>45.2</u>

(a) Goodwill is not deductible for tax purposes.

The acquisition of Focus 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.

Online Payments Group

On September 29, 2022, the Company completed the acquisition of Online Payments Group AG ("Online Payments Group") by acquiring 100% of its common stock for \$125.9 million of total purchase consideration, net of cash acquired. Online Payments Group is a European payment service provider with a world-class developer portal and checkout experience that management believes will accelerate the Company's global eCommerce growth. Total purchase consideration was as follows:

Cash	\$	74.1
Shares of Class A common stock (a)		38.6
Contingent consideration (b)		22.0
Shareholder loans transfer		2.5
Total purchase consideration		<u>137.2</u>
Less: cash acquired		(11.3)
Total purchase consideration, net of cash acquired	\$	<u>125.9</u>

(a) Total purchase consideration includes 971,371 shares of common stock.

(b) The Company entered into an earnout agreement with the former shareholders of Online Payments Group, not to exceed \$60.0 million, with \$30.0 million of the earnout payable as of September 2023 ("Tranche 1") if key customers of Online Payments Group contribute a specified amount of revenue from September 29, 2022 to September 28, 2023 and the remaining \$30.0 million payable as of September 2024 ("Tranche 2") if key customers contribute a specified amount of revenue from September 29, 2022 to September 28, 2024. Each portion of the earnout will be paid 50% in shares of the Company's Class A common stock and 50% in cash. The fair value of the earnout was included in the initial purchase consideration and is revalued quarterly until the end of the earnout period as a fair value adjustment within "Revaluation of contingent liabilities" in the Company's unaudited Condensed Consolidated Statements of Operations. As of September 30, 2023, Tranche 1 had been fully earned. The \$15.0 million cash portion of Tranche 1 was included within "Accrued expenses and other current liabilities" in the Company's unaudited Condensed Consolidated Balance Sheets as of September 30, 2023 and is expected to be paid in the fourth quarter of 2023. The equity portion of Tranche 1 was recorded in "Contingent share earnout in connection with an acquisition" in the Company's unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months ended September 30, 2023. The fair value of Tranche 2 as of September 30, 2023 was estimated to be \$26.0 million, and is also included in "Accrued expenses and other current liabilities" on the Company's unaudited Condensed Consolidated Balance Sheets as of September 30, 2023.

The following table summarizes the fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

Accounts receivable	\$	2.2
Shareholder loans receivable (a)		2.5
Goodwill (b)		48.8
Other intangible assets		84.0
Indemnification asset (c)		4.6
Accounts payable		(0.4)
Accrued expenses and other current liabilities		(1.4)
Uncertain tax position (d)		(2.7)
Deferred tax liability		(9.9)
Other noncurrent liabilities		(1.8)
Net assets acquired	\$	<u>125.9</u>

(a) Amount is eliminated in consolidation and therefore has no impact to the Company's unaudited Condensed Consolidated Balance Sheets.

(b) Goodwill is not deductible for tax purposes.

(c) Included within "Other noncurrent assets" in the Company's unaudited Condensed Consolidated Balance Sheets.

(d) Included within "Other noncurrent liabilities" in the Company's unaudited Condensed Consolidated Balance Sheets.

The contingent liability arising from the expected earnout payment included in purchase consideration is measured 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. Other intangible assets consists of definite-lived intangible assets, which includes customer relationships and developed technology. The fair values of these intangible assets were estimated using inputs classified as Level 3 under the income approach using the relief-from-royalty method (developed technology) or the multi-period excess earnings method (customer relationships). Management's estimates of fair value are based upon assumptions related to projected revenues, earnings before interest expense and income tax ("EBIT") margins, customer attrition rates, and discount rates. The weighted average life of developed technology and customer relationships is eight years and 13 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 acquisition of Online Payments Group 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.

Restaurant Technology Partners

During the year ended December 31, 2022, the Company completed the acquisitions of six different restaurant technology partners in separate, unrelated transactions for \$80.3 million of total purchase consideration, net of cash acquired. In addition, on January 20, 2023, the Company completed the acquisition of one restaurant technology partner for \$1.5 million, net of cash acquired. The Company acquired 100% of each entity's ownership interests. These acquisitions enable the boarding of the restaurant technology partners' customers on the Company's end-to-end acquiring solution and empower the Company's distribution partners to sign the restaurant technology partners' customer accounts and leverage the combined expertise to handle all aspects of installation, service, and support. Total purchase consideration was as follows:

Cash	\$	65.1
Shares of Class A common stock (a)		20.7
Contingent consideration (b)		2.5
Settlement of preexisting relationship		(2.5)
Total purchase consideration		85.8
Less: cash acquired		(4.0)
Total purchase consideration, net of cash acquired	\$	81.8

(a) Total purchase consideration includes 598,759 shares of common stock.

(b) The Company entered into earnout agreements with certain former shareholders of the restaurant technology partners acquired in 2022, calculated as a multiple of the number of each partners' merchants that are converted to the Company's end-to-end payments platform during the 18 months following each respective acquisition date, not to exceed \$4.0 million in total. The earnouts are expected to be paid in a combination of cash and shares of the Company's Class A common stock. The fair value of the earnouts was included in the initial purchase consideration and is revalued quarterly until the end of the earnout period as a fair value adjustment within "Revaluation of contingent liabilities" in the Company's unaudited Condensed Consolidated Statements of Operations. As of September 30, 2023, the fair value of the earnouts was \$1.3 million, which is recognized in "Accrued expenses and other current liabilities" on the Company's unaudited Condensed Consolidated Balance Sheets.

The Company also entered into an earnout agreement with certain former shareholders of the restaurant technology partner acquired in 2023, calculated as a multiple of the number of the restaurant technology partner's merchants that are converted to the Company's end-to-end payments platform during the 24 months following September 1, 2022, not to exceed \$2.5 million in total. The earnout is expected to be paid in cash. The fair value of the earnout was included in the initial purchase consideration and will be revalued and recorded quarterly until the end of the earnout period as a fair value adjustment within "Revaluation of contingent liabilities" in the Company's unaudited Condensed Consolidated Statements of Operations. As of September 30, 2023, the fair value of the earnout was \$0.3 million, which is recognized in "Other noncurrent liabilities" on the Company's unaudited Condensed Consolidated Balance Sheets.

The following table summarizes the fair value assigned to the assets acquired and liabilities assumed at the acquisition dates:

Accounts receivable	\$	1.4
Inventory		1.2
Prepaid expenses and other current assets		0.1
Goodwill (a)		54.5
Residual commission buyouts		12.7
Other intangible assets		20.8
Property, plant and equipment		0.2
Right-of-use assets		1.3
Accounts payable		(2.7)
Accrued expenses and other current liabilities		(1.0)
Deferred revenue		(1.9)
Current lease liabilities		(0.5)
Deferred tax liability		(3.5)
Noncurrent lease liabilities		(0.8)
Net assets acquired	\$	<u>81.8</u>

(a) \$28.1 million of goodwill is deductible for tax purposes and \$26.4 million of goodwill is not deductible for tax purposes.

The fair values of intangible assets were estimated using inputs classified as Level 3 under the income approach using the multi-period excess earnings method (customer relationships). Four of the transactions were taxable for income tax purposes and three of the transactions were not taxable for income tax purposes. The weighted average lives of customer relationships range from six years to 14 years. The weighted average lives of residual commission buyouts range from five years to nine years. The goodwill arising from the acquisitions largely consisted of revenue synergies associated with a larger total addressable market and the ability to cross-sell existing and new customers.

The acquisitions of the restaurant technology partners 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.

The Giving Block

On February 28, 2022, the Company completed the acquisition of The Giving Block by acquiring 100% of its common stock 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. 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		(4.2)
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 entered into an earnout agreement with the former shareholders of The Giving Block, calculated as a multiple of revenue earned by The Giving Block from March 1, 2022 to February 28, 2023. Approximately 75% of the earnout was comprised of a combination of RSUs and shares of the Company's Class A common stock and approximately 25% of the earnout was comprised of cash. The final earnout was \$10.4 million, comprised of \$2.8 million of cash and \$7.6 million of equity. The cash portion of the earnout was classified as a financing outflow within the Company's unaudited Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2023.

The following table summarizes the fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

Prepaid expenses and other current assets (a)	\$	4.8
Goodwill (b)		89.4
Other intangible assets		26.0
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.

(b) Goodwill is not deductible for tax purposes.

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 eight years, 15 years, five 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 acquisition of The Giving Block 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.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Payments-based revenue	\$ 626.9	\$ 509.0	\$ 1,738.0	\$ 1,354.4
Subscription and other revenues	48.5	38.3	121.4	101.5
Total	<u>\$ 675.4</u>	<u>\$ 547.3</u>	<u>\$ 1,859.4</u>	<u>\$ 1,455.9</u>

Substantially all of the Company's revenue is recognized over time.

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 September 30, 2023 and December 31, 2022, the Company had deferred revenue of \$17.0 million and \$19.1 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 amount of gross revenue recognized that was included in the December 31, 2022 balance of deferred revenue was \$2.6 million and \$11.7 million for the three and nine months ended September 30, 2023, respectively.

Allowance for Doubtful Accounts

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

	Nine Months Ended September 30,	
	2023	2022
Beginning balance	\$ 18.1	\$ 8.0
Additions to expense	7.4	5.9
Write-offs, net of recoveries and other adjustments	(3.5)	0.8
Ending balance	<u>\$ 22.0</u>	<u>\$ 14.7</u>

4. Goodwill

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

Balance at December 31, 2022	\$ 735.0
Focus acquisition (Note 2)	21.9
Restaurant technology partner acquisition (Note 2)	1.1
Purchase price adjustments related to prior period acquisitions	(1.9)
Effect of foreign currency translation	(0.7)
Balance at September 30, 2023	<u>\$ 755.4</u>

5. Depreciation and Amortization

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

	Amortization			Depreciation		Total
	Residual Commission Buyouts (Note 6)	Other Intangible Assets (Note 7)	Capitalized Customer Acquisition Costs (Note 8)	Equipment Under Lease (Note 9)	Property, Plant and Equipment (Note 10)	
Three Months Ended September 30, 2023						
Depreciation and amortization expense	\$ 23.0	\$ 5.6	\$ —	\$ 9.3	\$ 2.1	\$ 40.0
Cost of sales	—	10.0	4.9	—	0.2	15.1
Total depreciation and amortization (a)	\$ 23.0	\$ 15.6	\$ 4.9	\$ 9.3	\$ 2.3	\$ 55.1
Three Months Ended September 30, 2022						
Depreciation and amortization expense	\$ 16.3	\$ 3.1	\$ —	\$ 8.2	\$ 1.3	\$ 28.9
Cost of sales	—	7.0	6.6	—	0.1	13.7
Total depreciation and amortization (b)	\$ 16.3	\$ 10.1	\$ 6.6	\$ 8.2	\$ 1.4	\$ 42.6
Nine Months Ended September 30, 2023						
Depreciation and amortization expense	\$ 65.3	\$ 16.3	\$ —	\$ 24.7	\$ 4.9	\$ 111.2
Cost of sales	—	27.5	13.4	—	0.6	41.5
Total depreciation and amortization (c)	\$ 65.3	\$ 43.8	\$ 13.4	\$ 24.7	\$ 5.5	\$ 152.7
Nine Months Ended September 30, 2022						
Depreciation and amortization expense	\$ 20.5	\$ 16.7	\$ —	\$ 22.6	\$ 3.1	\$ 62.9
Cost of sales	—	18.7	19.3	—	0.7	38.7
Total depreciation and amortization (d)	\$ 20.5	\$ 35.4	\$ 19.3	\$ 22.6	\$ 3.8	\$ 101.6

(a) Total amortization of \$43.5 million consisted of amortization of acquired intangibles of \$32.1 million and amortization of non-acquired intangibles of \$11.4 million.

(b) Total amortization of \$33.0 million consisted of amortization of acquired intangibles of \$22.7 million and amortization of non-acquired intangibles of \$10.3 million.

(c) Total amortization of \$122.5 million consisted of amortization of acquired intangibles of \$91.8 million and amortization of non-acquired intangibles of \$30.7 million.

(d) Total amortization of \$75.2 million consisted of amortization of acquired intangibles of \$47.0 million and amortization of non-acquired intangibles of \$28.2 million.

As of September 30, 2023, the estimated amortization expense for each of the five succeeding years and thereafter is as follows:

	Residual Commission Buyouts	Other Intangible Assets	Capitalized Customer Acquisition Costs	Total Amortization
2023 (remaining three months)	\$ 21.8	\$ 18.0	\$ 5.0	\$ 44.8
2024	86.8	68.9	18.5	174.2
2025	84.9	60.5	14.4	159.8
2026	50.9	40.3	8.3	99.5
2027	2.3	24.7	2.1	29.1
Thereafter	5.0	112.1	—	117.1
Total	\$ 251.7	\$ 324.5	\$ 48.3	\$ 624.5

6. Residual Commission Buyouts

Residual commission buyouts, net consisted of the following:

	Weighted Average Amortization Period (in years)	September 30, 2023		
		Carrying Value	Accumulated Amortization	Net Carrying Value
Residual commission buyouts from asset acquisitions	4	\$ 324.2	\$ (84.6)	\$ 239.6
Residual commission buyouts from business combinations	8	13.9	(1.8)	12.1
Total residual commission buyouts		<u>\$ 338.1</u>	<u>\$ (86.4)</u>	<u>\$ 251.7</u>

	Weighted Average Amortization Period (in years)	December 31, 2022		
		Carrying Value	Accumulated Amortization	Net Carrying Value
Residual commission buyouts from asset acquisitions	4	\$ 334.5	\$ (42.6)	\$ 291.9
Residual commission buyouts from business combinations	8	12.6	(0.6)	12.0
Total residual commission buyouts		<u>\$ 347.1</u>	<u>\$ (43.2)</u>	<u>\$ 303.9</u>

Residual commission buyouts represent transactions with certain third-party distribution partners, pursuant to which the Company acquires their ongoing merchant relationships that subscribe to the Company's end-to-end payments platform.

7. Other Intangible Assets, Net

Other intangible assets, net consisted of the following:

	Weighted Average Amortization Period (in years)	September 30, 2023		
		Carrying Value	Accumulated Amortization	Net Carrying Value
Merchant relationships	12	\$ 223.8	\$ (50.5)	\$ 173.3
Acquired technology	9	127.1	(74.4)	52.7
Trademarks and trade names	13	28.4	(5.8)	22.6
Capitalized software development costs	3	108.1	(32.2)	75.9
Total other intangible assets, net		<u>\$ 487.4</u>	<u>\$ (162.9)</u>	<u>\$ 324.5</u>

	Weighted Average Amortization Period (in years)	December 31, 2022		
		Carrying Value	Accumulated Amortization	Net Carrying Value
Merchant relationships	12	\$ 196.3	\$ (36.4)	\$ 159.9
Acquired technology	10	123.1	(64.1)	59.0
Trademarks and trade names	13	27.2	(3.8)	23.4
Capitalized software development costs	3	80.3	(15.8)	64.5
Total other intangible assets, net		<u>\$ 426.9</u>	<u>\$ (120.1)</u>	<u>\$ 306.8</u>

8. Capitalized Customer Acquisition Costs, Net

Capitalized customer acquisition costs, net were \$48.3 million and \$36.1 million at September 30, 2023 and December 31, 2022, respectively. These amounts consist of upfront processing bonuses with a gross carrying value of \$96.5 million and \$72.3 million less accumulated amortization of \$48.2 million and \$36.2 million at September 30, 2023 and December 31, 2022, respectively.

Capitalized customer acquisition costs had a weighted average amortization period of four years at both September 30, 2023 and December 31, 2022.

9. Equipment for Lease, Net

Equipment for lease, net consisted of the following:

	Weighted Average Depreciation Period (in years)	September 30, 2023		
		Carrying Value	Accumulated Depreciation	Net Carrying Value
Equipment under lease	4	\$ 162.1	\$ (62.9)	\$ 99.2
Equipment held for lease (a)	N/A	11.9	—	11.9
Total equipment for lease		\$ 174.0	\$ (62.9)	\$ 111.1

	Weighted Average Depreciation Period (in years)	December 31, 2022		
		Carrying Value	Accumulated Depreciation	Net Carrying Value
Equipment under lease	4	\$ 107.7	\$ (40.3)	\$ 67.4
Equipment held for lease (a)	N/A	13.3	—	13.3
Total equipment for lease, net		\$ 121.0	\$ (40.3)	\$ 80.7

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

10. Property, Plant and Equipment, Net

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

	September 30, 2023	December 31, 2022
Equipment	\$ 19.0	\$ 17.0
Capitalized software	3.9	3.8
Leasehold improvements	18.2	10.4
Furniture and fixtures	1.9	1.3
Vehicles	0.4	0.5
Total property, plant and equipment, gross	43.4	33.0
Less: Accumulated depreciation	(15.5)	(10.7)
Total property, plant and equipment, net	\$ 27.9	\$ 22.3

11. Debt

The Company's outstanding debt consisted of the following:

	Maturity	Effective Interest Rate	September 30, 2023	December 31, 2022
Convertible Senior Notes due 2025 ("2025 Convertible Notes")	December 15, 2025	0.49%	\$ 690.0	\$ 690.0
Convertible Senior Notes due 2027 ("2027 Convertible Notes")	August 1, 2027	0.90%	632.5	632.5
4.625% 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			(24.4)	(30.6)
Total long-term debt			\$ 1,748.1	\$ 1,741.9

Amortization of capitalized financing fees is included within "Interest expense" in the Company's unaudited Condensed Consolidated Statements of Operations. Amortization of capitalized financing fees was \$2.1 million for both the three months ended September 30, 2023 and 2022, respectively, and \$6.2 million and \$6.0 million for the nine months ended September 30, 2023 and 2022, respectively.

Future principal payments

As of September 30, 2023, future principal payments associated with the Company's long-term debt were as follows:

2025	\$	690.0
2026		450.0
2027		632.5
Total	\$	<u>1,772.5</u>

Revolving Credit Facility

In June 2023, Shift4 Payments, LLC (the Borrower) amended its Amended and Restated First Lien Credit Agreement (the "Second Amended Credit Agreement") to transition the reference rate of its Revolving Credit Facility from LIBOR to SOFR, effective July 1, 2023. All other terms of the Second Amended Credit Agreement remain unchanged.

Loans incurred under the Revolving Credit Facility bear interest at the Borrower's option at either the SOFR Rate plus a margin ranging from 3.00% to 3.50% per year or the alternate base rate plus a margin ranging from 2.00% to 2.50% per year (such margins being referred to as the "Applicable Rate"). The Applicable Rate varies depending on the Borrower's total leverage ratio (as defined in the Second Amended Credit Agreement). The alternate base rate and the SOFR rate are each subject to a zero percent floor.

Borrowing capacity on the Revolving Credit Facility was \$100.0 million as of September 30, 2023.

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 September 30, 2023 and December 31, 2022, 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 2022 Form 10-K.

12. 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 prices 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 and residual commission buyouts using Level 3 unobservable inputs. Contingent liabilities for residual commission buyouts are expected earnout payments related to the number of existing point-of-sale merchants that convert to full acquiring merchants. Contingent liabilities included in the purchase price of an acquisition are based on achievement of specified performance metrics as defined in the purchase agreement.

Acquisition-Related Contingent Consideration

The Company's acquisitions often include contingent consideration, or earnout, provisions. The contingent consideration related to the acquisitions of Online Payments Group, The Giving Block, and Restaurant Technology Partners, are further discussed in Note 2. The total fair value of these contingent liabilities as of September 30, 2023 was \$42.6 million, of which \$42.3 million is included in "Accrued expenses and other current liabilities" and \$0.3 million is included in "Other noncurrent liabilities" within the Company's unaudited Condensed Consolidated Balance Sheets. The change in fair value of these liabilities is included in "Revaluation of contingent liabilities" on the Company's unaudited Condensed Consolidated Statements of Operations. All of these fair value measurements utilize Level 3 inputs, such as projected revenues, discount rates and other subjective inputs.

Asset-Related Contingent Consideration

As of September 30, 2023, the estimated fair value of the Company's contingent consideration agreements entered into in conjunction with residual commission buyouts and the acquisition of other intangible assets was \$12.3 million, which is included in "Accrued expenses and other current liabilities" on the Company's unaudited Condensed Consolidated Balance Sheets. The fair values of the contingent consideration were estimated based on the projected attrition rates and other financial metrics within the respective merchant portfolios over the earnout periods.

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

	Nine Months Ended September 30, 2023		
	Contingent Liabilities for Acquisitions	Contingent Liabilities for Assets Acquired	Total Contingent Liabilities
Balance at beginning of period	\$ 45.2	\$ 10.0	\$ 55.2
Contingent consideration	0.3	1.8	2.1
Fair value adjustments	21.5	4.4	25.9
Contingent liabilities that achieved earnout	(24.4)	(3.9)	(28.3)
Balance at end of period	\$ 42.6	\$ 12.3	\$ 54.9

Fair value adjustments for contingent liabilities for acquisitions are recorded within "Revaluation of contingent liabilities" in the Company's unaudited Condensed Consolidated Statements of Operations. There were no transfers into or out of Level 3 during the nine months ended September 30, 2023.

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:

	September 30, 2023		December 31, 2022	
	Carrying Value (a)	Fair Value	Carrying Value (a)	Fair Value
2025 Convertible Notes	\$ 682.8	\$ 681.7	\$ 680.3	\$ 686.9
2027 Convertible Notes	622.8	541.7	621.0	533.7
2026 Senior Notes	443.1	423.7	441.4	423.0
Total	\$ 1,748.7	\$ 1,647.1	\$ 1,742.7	\$ 1,643.6

(a) Carrying value excludes unamortized debt issuance costs related to the Revolving Credit Facility of \$0.6 million and \$0.8 million as of September 30, 2023 and December 31, 2022, respectively.

The estimated fair value of the Company's investments in securities was \$58.6 million and \$47.1 million as of September 30, 2023 and December 31, 2022, respectively. These non-marketable equity investments have no readily determinable fair values and are measured using the measurement alternative, which is defined as cost, less impairment, adjusted for observable price changes from orderly transactions for identical or similar investments of the same issuer. Adjustments for these investments, if any, are recorded in "Unrealized gain on investments in securities" on the Company's unaudited Condensed Consolidated Statements of Operations. The Company recognized fair value adjustments to its investments in securities of \$2.6 million and \$11.5 million for the three and nine months ended September 30, 2023, respectively, the entire amount of which related to securities still held as of September 30, 2023, based on secondary offerings of identical securities by the respective companies in 2023. The Company has recognized cumulative fair value adjustments to its investments in securities of \$26.6 million.

The estimated fair value of the Company's crypto settlement assets and crypto settlement liabilities was \$2.2 million and \$1.8 million as of September 30, 2023 and December 31, 2022, respectively. There are no active markets for the Company's crypto settlement liabilities and the corresponding crypto settlement assets. Accordingly, the Company has valued the assets and liabilities using quoted prices from active cryptocurrency exchanges for the underlying crypto assets, considered Level 2 inputs.

Other financial instruments not measured at fair value on the Company's unaudited Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022 include cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and other current assets, other noncurrent assets, accounts payable, accrued expenses and other current liabilities, and other noncurrent liabilities, as their estimated fair values reasonably approximate their carrying value as reported on the Company's unaudited Condensed Consolidated Balance Sheets.

13. 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 Payments, LLC wholly owns various U.S. and foreign subsidiaries which are taxed as corporations for tax reporting. Taxable income or loss from these subsidiaries is not passed through to Shift4 Payments, LLC. Instead, such taxable income or loss 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 September 30, 2023, which will be maintained until there is sufficient evidence to support the reversal of all or some portion of these allowances.

The Company's effective tax rate was 1.9% and (6.1)% for the three and nine months ended September 30, 2023, respectively. The Company's effective tax rate was 2.5% and (9.0)% for the three and nine months ended September 30, 2022, respectively. The effective tax rate for the three and nine months ended September 30, 2023 was different than the U.S. federal statutory income tax rate of 21% primarily due to the income allocated to the noncontrolling interest and the full valuation allowances on Shift4 Payments, Inc. and certain corporate subsidiaries in the U.S. In addition, the nine months ended September 30, 2023 includes a \$4.8 million tax benefit related to the valuation allowance release due to a legal entity restructuring and a \$1.5 million tax benefit related to the valuation allowance release due to acquired deferred tax liabilities from Focus. The effective tax rate for the three and nine months ended September 30, 2022 was different than the U.S. federal statutory income tax rate of 21% primarily due to the income allocated to the noncontrolling interest, the full valuation allowance on Shift4 Payments, Inc. and certain corporate subsidiaries in the U.S., and the nontaxable adjustment related to the revaluation of the contingent liability of The Giving Block. In addition, the nine months ended September 30, 2022 included a \$6.4 million income tax benefit related to the valuation allowance release due to acquired deferred tax liabilities from The Giving Block.

Uncertain Tax Positions

The effects of uncertain tax positions are recognized in the condensed consolidated financial statements if these positions meet a "more-likely-than-not" threshold. For those uncertain tax positions that are recognized in the condensed consolidated financial statements, liabilities are established to reflect the portion of those positions it cannot conclude "more-likely-than-not" to be realized upon ultimate settlement. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits within "Income tax (expense) benefit" in the Company's unaudited Condensed Consolidated Statements of Operations. Accrued interest and penalties, if any, are included within "Deferred tax liability" in the Company's Condensed Consolidated Balance Sheets. As of September 30, 2023 and December 31, 2022, \$3.1 million and \$8.0 million, respectively, of uncertain tax positions were recognized within "Other noncurrent liabilities" in the Company's unaudited Condensed Consolidated Balance Sheets, which were recognized in conjunction with acquisitions.

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 the Continuing Equity Owners, 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 Company's initial public offering in June 2020 and certain organizational transactions that the Company effected in connection with it, the Company entered into the 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.

As of September 30, 2023 and December 31, 2022, the Company recognized a TRA liability of \$4.5 million and \$1.7 million, respectively, after concluding it was probable that, based on estimates of future taxable income, the Company will realize tax benefits associated with the TRA. The liability is recognized in "Other noncurrent liabilities" on the Company's unaudited Condensed Consolidated Balance Sheets. As of September 30, 2023, the Company has not recognized the remaining \$296.0 million liability under the TRA after concluding it was not probable that the Company will be able to realize the remaining tax benefits based on estimates of future taxable income. No payments were made to the Continuing Equity Owners pursuant to the TRA during the nine months ended September 30, 2023 and 2022. The estimation of liability under the tax receivable agreement is by its nature imprecise and subject to significant assumptions regarding 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 remaining TRA liability may be considered probable at that time and recorded within earnings.

If Rook were to exchange any of its LLC Interests subsequent to September 30, 2023, such exchanges could generate additional deferred tax assets and TRA liability. As of December 31, 2022, the estimated impact of the exchange of all of Rook's LLC Interests was an additional deferred tax asset of approximately \$457 million and a TRA liability of approximately \$389 million. The actual amounts as of September 30, 2023 could differ materially from those disclosed as of December 31, 2022 as they are impacted by the timing of the exchanges, the valuation of corporate subsidiaries, 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.

Inflation Reduction Act

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA includes implementation of a new alternative minimum tax, an excise tax on stock repurchases, and significant tax incentives for energy and climate initiatives, among other provisions. During the three and nine months ended September 30, 2023, the Company recognized (\$0.1) million and \$0.4 million of excise tax in connection with its stock repurchases, net of issuances. The Company is evaluating the provisions included under the IRA and does not expect the provisions to have a material impact to the Company's condensed consolidated financial statements.

14. Lease Agreements

The Company provides hardware, including terminals and point-of-sale equipment, to its merchants under operating leases as the lessor. 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 nine months ended September 30, 2023 was \$5.6 million and \$16.1 million, respectively, and \$4.5 million and \$13.2 million for the three and nine months ended September 30, 2022, respectively. Variable lease income was not material for the three and nine months ended September 30, 2023 or 2022.

The Company expects to receive future minimum lease payments for hardware provided under the Company's SaaS agreements of \$13.1 million from October 1, 2023 through September 30, 2024. See Note 3 and Note 9 for more information on the accounting for these operating leases.

15. 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 Company's unaudited Condensed Consolidated Statements of Operations, was \$0.2 million and \$0.7 million for the three and nine months ended both September 30, 2023 and 2022. There were no amounts outstanding at September 30, 2023 or December 31, 2022. In addition, during the nine months ended September 30, 2023, the Company made \$2.7 million of distributions related to income taxes paid on behalf of Rook, which are included in "Distributions to noncontrolling interests" in the Company's unaudited Condensed Consolidated Statements of Cash Flows.

In November 2021, the Company implemented a one-time discretionary equity award program for non-management employees. The Founder agreed to fund 50% of this program through a contribution of shares of his Class C common stock. As of September 30, 2023, the expected contribution from the Founder totaled 678,488 shares of his Class C common stock. The one-time discretionary equity award program will vest in three equal installments annually beginning in the third year. Vesting of the awards is subject to the continued employment of non-management employees.

Rook has entered into margin loan agreements, pursuant to which, in addition to other collateral, it has pledged LLC Interests and shares of the Company's Class A and Class B common stock (collectively, "Rook Units") to secure a margin loan. If Rook were to default on its obligations under the margin loan and fail to cure such default, the lender would have the right to exchange and sell up to 15,000,000 Rook units to satisfy Rook's obligation.

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 settled 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 were 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 the Company's Class B common stock and LLC units pledged by Rook to secure its obligations under the contract. During the nine months ended September 30, 2023, 1,997,133 shares of the Company's Class B common stock owned by the SPV were effectively converted to Class A common stock and delivered to the SPV through the VPF Contract.

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.

16. 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. In June 2023, the Company agreed to a settlement of \$0.9 million of insurance proceeds as compensation for the outage and has released TSYS from further liability related to the outage.

On August 18, 2023, a shareholder filed a putative securities class action against the Company and certain of its current and former executive officers in the United States District Court for the Eastern District of Pennsylvania, captioned *O'Meara v. Shift4 Payments, Inc., et al.*, Case No. 5:23-cv-03206-JFL (the "O'Meara Action"). Plaintiff O'Meara seeks to represent purchasers of the Company's securities between November 10, 2021 and April 18, 2023. On October 13, 2023, another shareholder represented by the same law firm as O'Meara filed a similar complaint against the same defendants in the same court, captioned *Baer v. Shift4 Payments, Inc., et al.*, Case No. 5:23-cv-03969-JFL (the "Baer Action"). Plaintiff Baer seeks to represent purchasers of the Company's securities between June 5, 2020, and April 18, 2023. Both complaints allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, based on allegedly false and misleading statements about the Company's business, operations, and compliance policies, and both seek unspecified damages. On October 19, 2023, Plaintiff Baer filed a motion to consolidate the O'Meara Action and the Baer Action and appoint Baer as lead plaintiff. Once a lead plaintiff is appointed, a consolidated amended complaint will be filed, which the Company expects to move to dismiss on behalf of all defendants.

The Company disputes the allegations in the above-referenced matters, intends to defend the matters vigorously, and believes that the claims are without merit. Certain legal and regulatory proceedings, such as the above-referenced matters, may be based on complex claims involving substantial uncertainties and unascertainable damages. Accordingly, it is not possible to determine the probability of loss or estimate damages for any of the above matters, and therefore, the Company has not established reserves for any of these proceedings. When the Company determines that a loss is both probable and reasonably estimable, the Company records a liability, and, if the liability is material, discloses the amount of the liability reserved. Given that such proceedings are subject to uncertainty, there can be no assurance that such legal proceedings, either individually or in the aggregate, will not have a material adverse effect on our business, results of operations, financial condition or cash flows.

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

17. Stockholders' Equity

Stock Repurchases

In 2021 and 2022, the Company's Board of Directors (the "Board") authorized three sequential stock repurchase programs (the "Prior Programs"), pursuant to which the Company was authorized to repurchase up to an aggregate of \$250.0 million of shares of its Class A common stock through December 31, 2022.

On May 3, 2023, the Board authorized a new stock repurchase program (the "May 2023 Program"), pursuant to which the Company is authorized to repurchase up to \$250.0 million of shares of its Class A common stock through December 31, 2023. The remaining amount available under the current authorization as of September 30, 2023 was \$153.2 million.

Repurchases under the May 2023 Program may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases depending on market conditions and corporate needs. 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 May 2023 Program.

The May 2023 Program does not obligate the Company to acquire any particular amount of common stock. The May 2023 Program may be extended, modified, suspended or discontinued at any time at the Company's discretion.

During the nine months ended September 30, 2023, the Company repurchased 1,515,000 shares of Class A common stock under the May 2023 Program for \$97.3 million, including commissions paid and accrued excise tax, at an average price paid of \$63.89 per share. During the nine months ended September 30, 2022, the Company repurchased 3,887,191 shares of Class A common stock under the Prior Programs for \$184.4 million, including commissions paid, at an average price paid of \$47.40 per share. The Company did not repurchase any shares of its Class A common stock during the three months ended September 30, 2023 or 2022.

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. There were no shares of treasury stock outstanding as of September 30, 2023 or December 31, 2022.

18. 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 Rook. The following table summarizes the ownership of LLC Interests in Shift4 Payments, LLC:

	September 30, 2023		December 31, 2022	
	LLC Interests	Ownership %	LLC Interests	Ownership %
Shift4 Payments, Inc.	58,578,199	71.1 %	57,121,314	68.9 %
Rook	23,831,883	28.9 %	25,829,016	31.1 %
Total	82,410,082	100.0 %	82,950,330	100.0 %

19. Equity-based Compensation

2020 Incentive Award Plan

The Company’s 2020 Incentive Award Plan, as amended and restated in June 2022 (the “Restated Equity Plan”), 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. The number of shares available for issuance is subject to an annual increase on the first day of each year beginning in 2023 and ending in and including 2032, equal to the lesser of (1) 2% 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.

As of September 30, 2023, a maximum of 862,126 shares of the Company’s Class A common stock were available for issuance under the Restated Equity Plan.

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 nine months ended September 30, 2023 was as follows:

	Nine Months Ended September 30, 2023	
	Number of RSUs	Weighted Average Grant Date Fair Value
Unvested balance at December 31, 2022	2,465,355	\$ 47.57
Granted	1,361,016	64.20
Vested	(747,141)	38.27
Forfeited or cancelled	(385,252)	55.33
Unvested balance at September 30, 2023	2,693,978	\$ 57.28

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 (or, in the case of the RSUs granted in connection with the IPO, the IPO price of \$23.00 per share). The grant date fair value of the RSUs issued in connection with the IPO, that are not subject to continued service, was determined using the Finnerty discount for lack of marketability pricing model, taking into account the vesting provisions on the shares prior to June 2021.

The Company recognized equity-based compensation expense of \$12.4 million and \$46.4 million for the three and nine months ended September 30, 2023, respectively, and \$12.2 million and \$38.4 million for the three and nine months ended September 30, 2022, respectively. As of September 30, 2023, the Company had \$106.7 million of total unrecognized equity-based compensation expense related to outstanding RSUs and PRSUs, which is expected to be recognized over a weighted-average period of 2.89 years.

20. Basic and Diluted Net Income per Share

Basic net income per share has been computed by dividing net income 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 per share has been computed in a manner consistent with that of basic net income 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 per share under the two-class method:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 46.5	\$ 46.4	\$ 103.7	\$ 48.2
Less: Net income attributable to noncontrolling interests	13.9	3.3	31.2	2.3
Net income attributable to Shift4 Payments, Inc. and common stockholders	<u>\$ 32.6</u>	<u>\$ 43.1</u>	<u>\$ 72.5</u>	<u>\$ 45.9</u>
Numerator - allocation of net income attributable to common stockholders:				
Net income allocated to Class A common stock - basic	\$ 31.6	\$ 40.2	\$ 70.0	\$ 42.6
Reallocation of net income attributable to common stockholders due to effect of dilutive securities	0.2	4.1	0.5	3.2
Net income allocated to Class A common stock - diluted	<u>\$ 31.8</u>	<u>\$ 44.3</u>	<u>\$ 70.5</u>	<u>\$ 45.8</u>
Net income allocated to Class C common stock - basic	\$ 1.0	\$ 2.9	\$ 2.5	\$ 3.3
Reallocation of net income attributable to common stockholders due to effect of dilutive securities	—	(0.8)	—	(0.9)
Net income allocated to Class C common stock - diluted	<u>\$ 1.0</u>	<u>\$ 2.1</u>	<u>\$ 2.5</u>	<u>\$ 2.4</u>
Denominator:				
Weighted average shares of Class A common stock outstanding - basic	56,537,008	51,502,825	56,233,959	51,804,935
Effect of dilutive securities:				
LLC Interests	—	25,829,016	—	26,061,398
RSUs	873,107	469,505	1,200,466	613,208
Contingent shares	262,968	—	262,968	—
Weighted average shares of Class A common stock outstanding - diluted	<u>57,673,083</u>	<u>77,801,346</u>	<u>57,697,393</u>	<u>78,479,541</u>
Weighted average shares of Class C common stock outstanding - basic and diluted	<u>1,759,273</u>	<u>3,648,580</u>	<u>2,019,063</u>	<u>4,069,266</u>
Net income per share - Basic:				
Class A common stock	\$ 0.56	\$ 0.78	\$ 1.24	\$ 0.82
Class C common stock	\$ 0.56	\$ 0.78	\$ 1.24	\$ 0.82
Net income per share - Diluted:				
Class A Common Stock	\$ 0.55	\$ 0.57	\$ 1.22	\$ 0.58
Class C Common Stock	\$ 0.55	\$ 0.57	\$ 1.22	\$ 0.58

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
LLC Interests	23,831,883	—	24,399,635	—
RSUs	51,965	924,132	37,962	924,132
Total	23,883,848	924,132	24,437,597	924,132

For the three and nine months ended September 30, 2023, the Company has excluded from the calculation of diluted net income per share the effect of the following:

- 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 less than the conversion price, per the terms of each respective agreement, and
- shares of the Company's Class A common stock to be issued in connection with Tranche 2 of the earnout due to the former shareholders of Online Payments Group and the earnout due to the former shareholders of certain restaurant technology partners. See Note 2 for more information about shares to be issued in connection with earnouts.

For the three and nine months ended September 30, 2022, the Company has excluded from the calculation of diluted net income per share the effect of the following:

- 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 less than the conversion price, per the terms of each respective agreement, and
- 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, Online Payments Group, and certain restaurant technology partners. See Note 2 for more information about shares to be issued in connection with earnouts.

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.

21. Subsequent Events

Acquisitions

On October 26, 2023, the Company acquired Credorax, Inc. d/b/a Finaro ("Finaro") for \$200.0 million of cash, \$287.6 million of shares of the Company's Class A common stock, and an earnout of up to \$50.0 million in shares of the Company's Class A common stock.

On October 2, 2023, the Company acquired SpotOn Technologies, Inc.'s ("SpotOn") sports and entertainment division, formerly known as Appetize, for \$100.0 million of cash.

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.

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 our unaudited condensed consolidated financial statements and the related notes and other financial data included elsewhere in this Quarterly Report on Form 10-Q ("Quarterly Report"), as well as our audited consolidated financial statements and related notes as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission ("SEC") on March 1, 2023 (the "2022 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 2022 Form 10-K. We assume no obligation to update any of these forward-looking statements.

As used in this Quarterly Report, 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" prior to May 24, 2022 refers collectively to Searchlight Capital Partners, L.P., a Delaware limited partnership, and certain of its affiliated funds, 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. From May 24, 2022 onwards, the Founder is the sole remaining Continuing Equity Owner.
- "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 an owner of Class C common stock and the sole remaining Continuing Equity Owner.
- "Rook" refers to Rook Holdings Inc., a Delaware corporation wholly-owned by our Founder and for which our Founder is the sole stockholder.

Overview

We are a leading independent provider of software and payment processing solutions in the United States ("U.S.") 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. Our merchants range in size from small owner-operated local businesses to multinational enterprises conducting commerce throughout the world. We distribute our services through a scaled network of seasoned internal sales and support teams, as well as through our network of software partners. Our software partners are comprised of independent software vendors ("ISVs") and value-added resellers ("VARs"). For our software partners, we offer a single integration to a global end-to-end payment 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 and fulfill business needs that would otherwise require multiple software, hardware and payment vendors.

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 point of sale ("POS") solutions;
- security and risk management solutions; and
- reporting and analytical tools.

We also 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.

In addition to our scaled network of seasoned internal sales and support teams, we market and sell our solutions through a diversified network of thousands of 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 \$27.9 billion and \$20.6 billion for the three months ended September 30, 2023 and 2022, respectively, and \$77.0 billion and \$50.9 billion for the nine months ended September 30, 2023 and 2022, respectively.

We operate 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.

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 POS systems and terminals provided to merchants. POS and terminal SaaS fees are assessed based on the type and quantity of equipment deployed to the merchant. SaaS fees also include statement fees, fees for our proprietary business intelligence software and other annual fees. 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 amounts owed 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 our sponsor bank.

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 sold to merchants.

Other costs of sales includes amortization of capitalized software development costs, capitalized software, acquired technology and capitalized customer acquisition costs. It also includes 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 customer acquisition costs are also amortized on a straight-line basis.

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

Revaluation of contingent liabilities represents adjustments to the fair value of contingent liabilities associated with acquisitions.

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. 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 expenses 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.

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

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

Unrealized gain on investments in securities represents adjustments to the fair value of our investments in non-marketable securities.

Change in TRA liability represents adjustments to the Tax Receivable Agreement (“TRA”) liability.

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

Income tax (expense) benefit represents federal, state and local taxes based on income in multiple jurisdictions, in addition to income taxes incurred in foreign jurisdictions.

Net income attributable to noncontrolling interests arises from net income 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 allocated to Continuing Equity Owners as a result of their proportional ownership of LLC Interests.

Comparison of Results for the Three Months Ended September 30, 2023 and 2022

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

<i>(in millions)</i>	Three Months Ended September 30,		\$ change	% change*
	2023	2022		
Payments-based revenue	\$ 626.9	\$ 509.0	\$ 117.9	23 %
Subscription and other revenues	48.5	38.3	10.2	27 %
Gross revenue	675.4	547.3	128.1	23 %
Network fees	(432.4)	(350.6)	(81.8)	23 %
Other costs of sales (exclusive of certain depreciation and amortization expense shown separately below)	(62.7)	(61.0)	(1.7)	3 %
General and administrative expenses	(76.3)	(74.2)	(2.1)	3 %
Revaluation of contingent liabilities	(8.9)	36.9	(45.8)	NM
Depreciation and amortization expense (a)	(40.0)	(28.9)	(11.1)	38 %
Professional expenses	(5.7)	(10.4)	4.7	(45)%
Advertising and marketing expenses	(4.7)	(5.6)	0.9	(16)%
Income from operations	44.7	53.5	(8.8)	(16)%
Interest income	9.6	3.5	6.1	174 %
Unrealized gain on investments in securities	2.6	—	2.6	NM
Change in TRA liability	(1.5)	(1.1)	(0.4)	36 %
Interest expense	(8.0)	(8.3)	0.3	(4)%
Income before income taxes	47.4	47.6	(0.2)	— %
Income tax expense	(0.9)	(1.2)	0.3	(25)%
Net income	46.5	46.4	0.1	— %
Less: Net income attributable to noncontrolling interests	13.9	3.3	10.6	NM
Net income attributable to Shift4 Payments, Inc.	\$ 32.6	\$ 43.1	\$ (10.5)	(24)%

* NM = Not Meaningful

(a) Depreciation and amortization expense includes depreciation of equipment under lease of \$9.3 million and \$8.2 million for the three months ended September 30, 2023 and 2022, respectively.

Gross revenue

Gross revenue was \$675.4 million for the three months ended September 30, 2023, compared to \$547.3 million for the three months ended September 30, 2022, an increase of \$128.1 million or 23%. Gross revenue is comprised of payments-based revenue and subscription and other revenues.

Payments-based revenue was \$626.9 million for the three months ended September 30, 2023, compared to \$509.0 million for the three months ended September 30, 2022, an increase of \$117.9 million or 23%. The increase in payments-based revenue was primarily driven by the increase in end-to-end payment volume of \$7.4 billion, or 36%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. End-to-end payment volume growth outpaced payments-based revenue growth primarily due to our continued onboarding of larger merchants that have lower unit pricing than our existing customer base.

Subscription and other revenues were \$48.5 million for the three months ended September 30, 2023, compared to \$38.3 million for the three months ended September 30, 2022, an increase of \$10.2 million or 27%. The increase in subscription and other revenues was primarily driven by higher SaaS fee revenue, which increased \$10.4 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

Network fees

Network fees were \$432.4 million for the three months ended September 30, 2023, compared to \$350.6 million for the three months ended September 30, 2022, an increase of \$81.8 million or 23%. This increase was related to the increase in payments-based revenue.

Gross revenue less network fees was \$243.0 million for the three months ended September 30, 2023, compared to \$196.7 million for the three months ended September 30, 2022, an increase of \$46.3 million or 24%. The increase in gross revenue less network fees was driven by 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 \$62.7 million for the three months ended September 30, 2023, compared to \$61.0 million for the three months ended September 30, 2022, an increase of \$1.7 million, or 3%. This increase was primarily driven by higher capitalized software development cost amortization.

General and administrative expenses

General and administrative expenses were \$76.3 million for the three months ended September 30, 2023, compared to \$74.2 million for the three months ended September 30, 2022, an increase of \$2.1 million or 3%. The increase was primarily driven by our recent acquisitions, which were partially offset by lower compensation and other employee-related expenses as a result of one-time expenses and bonuses in the three months ended September 30, 2022.

Revaluation of contingent liabilities

Revaluation of contingent liabilities resulted in expense of \$8.9 million and income of \$36.9 million for the three months ended September 30, 2023 and 2022, respectively. The expense for the three months ended September 30, 2023 was primarily driven by the remeasurement of the contingent liability related to the acquisition of Online Payments Group. The income for the three months ended September 30, 2022 was primarily driven by a decrease in the contingent liability for The Giving Block.

Depreciation and amortization expense

Depreciation and amortization expense was \$40.0 million for the three months ended September 30, 2023, compared to \$28.9 million for the three months ended September 30, 2022, an increase of \$11.1 million or 38%. The increase was primarily driven by higher residual commission buyout amortization due to residual commission buyouts completed in 2022, in addition to higher amortization of new intangible assets as a result of acquisitions.

Professional expenses

Professional expenses were \$5.7 million for the three months ended September 30, 2023, compared to \$10.4 million for the three months ended September 30, 2022, a decrease of \$4.7 million or 45%. The decrease was primarily driven by lower acquisition-related costs.

Advertising and marketing expenses

Advertising and marketing expenses were \$4.7 million for the three months ended September 30, 2023, compared to \$5.6 million for the three months ended September 30, 2022, a decrease of \$0.9 million or 16%. The decrease was primarily driven by lower expenses related to conferences and trade shows.

Interest income

Interest income was \$9.6 million for the three months ended September 30, 2023, compared to \$3.5 million for the three months ended September 30, 2022, an increase of \$6.1 million or 174%. The increase was primarily driven by higher weighted average interest rates on our cash and cash equivalents.

Unrealized gain on investments in securities

The unrealized gain on investments in securities resulted in \$2.6 million of non-cash income for the three months ended September 30, 2023. There was no corresponding gain for the three months ended September 30, 2022.

Change in TRA liability

The change in TRA liability resulted in \$1.5 million of non-cash expense for the three months ended September 30, 2023, compared to \$1.1 million for the three months ended September 30, 2022. See Note 13 to the accompanying unaudited condensed consolidated financial statements for more information on the TRA.

Interest expense

Interest expense remained consistent for the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

Income tax expense

The effective tax rate for the three months ended September 30, 2023 was approximately 2%, compared to the effective tax rate for the three months ended September 30, 2022 of approximately 3%.

The effective tax rate for the three months ended September 30, 2023 was different than the U.S. federal statutory income tax rate of 21% primarily due to the income allocated to the noncontrolling interest and the full valuation allowances on Shift4 Payments, Inc. and certain corporate subsidiaries in the U.S. The effective tax rate for the three months ended September 30, 2022 was different than the U.S. federal statutory income tax rate of 21% primarily due to the income allocated to the noncontrolling interest, the full valuation allowance on Shift4 Payments, Inc. and certain corporate subsidiaries in the U.S., and the nontaxable adjustment related to the revaluation of the contingent liability of The Giving Block.

Comparison of Results for the Nine Months Ended September 30, 2023 and 2022

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

<i>(in millions)</i>	Nine Months Ended September 30,		\$ change	% change*
	2023	2022		
Payments-based revenue	\$ 1,738.0	\$ 1,354.4	\$ 383.6	28 %
Subscription and other revenues	121.4	101.5	19.9	20 %
Gross revenue	1,859.4	1,455.9	403.5	28 %
Network fees	(1,188.3)	(927.8)	(260.5)	28 %
Other costs of sales (exclusive of certain depreciation and amortization expense shown separately below)	(178.5)	(202.0)	23.5	(12)%
General and administrative expenses	(244.1)	(198.8)	(45.3)	23 %
Revaluation of contingent liabilities	(21.5)	37.2	(58.7)	NM
Depreciation and amortization expense (a)	(111.2)	(62.9)	(48.3)	77 %
Professional expenses	(17.2)	(25.7)	8.5	(33)%
Advertising and marketing expenses	(11.2)	(11.2)	—	— %
Income from operations	87.4	64.7	22.7	35 %
Interest income	26.0	4.9	21.1	NM
Other (expense) income, net	(0.3)	0.3	(0.6)	NM
Unrealized gain on investments in securities	11.5	—	11.5	NM
Change in TRA liability	(2.8)	(1.1)	(1.7)	155 %
Interest expense	(24.1)	(24.6)	0.5	(2)%
Income before income taxes	97.7	44.2	53.5	121 %
Income tax benefit	6.0	4.0	2.0	50 %
Net income	103.7	48.2	55.5	115 %
Less: Net income attributable to noncontrolling interests	31.2	2.3	28.9	NM
Net income attributable to Shift4 Payments, Inc.	\$ 72.5	\$ 45.9	\$ 26.6	58 %

* NM = Not Meaningful

(a) Depreciation and amortization expense includes depreciation of equipment under lease of \$24.7 million and \$22.6 million for the nine months ended September 30, 2023 and 2022, respectively.

Gross revenue

Gross revenue was \$1,859.4 million for the nine months ended September 30, 2023, compared to \$1,455.9 million for the nine months ended September 30, 2022, an increase of \$403.5 million or 28%. Gross revenue is comprised of payments-based revenue and subscription and other revenues.

Payments-based revenue was \$1,738.0 million for the nine months ended September 30, 2023, compared to \$1,354.4 million for the nine months ended September 30, 2022, an increase of \$383.6 million or 28%. The increase in payments-based revenue was primarily driven by the increase in end-to-end payment volume of \$26.1 billion, or 51%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. End-to-end payment volume growth outpaced payments-based revenue growth primarily due to our continued onboarding of larger merchants that have lower unit pricing than our existing customer base.

Subscription and other revenues were \$121.4 million for the nine months ended September 30, 2023, compared to \$101.5 million for the nine months ended September 30, 2022, an increase of \$19.9 million or 20%. The increase in subscription and other revenues was driven primarily by higher SaaS fee revenue, which increased \$15.9 million in the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. In addition, our acquisitions collectively contributed \$7.0 million more to subscription and other revenues in the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. This was partially offset by a decrease in software license sales of \$3.0 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

Network fees

Network fees were \$1,188.3 million for the nine months ended September 30, 2023, compared to \$927.8 million for the nine months ended September 30, 2022, an increase of \$260.5 million or 28%. This increase was related to the increase in payments-based revenue.

Gross revenue less network fees was \$671.1 million for the nine months ended September 30, 2023, compared to \$528.1 million for the nine months ended September 30, 2022, an increase of \$143.0 million or 27%. The increase in gross revenue less network fees was largely correlated with the increase in end-to-end payment volume growth. 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 \$178.5 million for the nine months ended September 30, 2023, compared to \$202.0 million for the nine months ended September 30, 2022, a decrease of \$23.5 million, or 12%. This decrease was primarily the result of lower residual commissions, which were driven by the impact of residual commission buyouts.

General and administrative expenses

General and administrative expenses were \$244.1 million for the nine months ended September 30, 2023, compared to \$198.8 million for the nine months ended September 30, 2022, an increase of \$45.3 million or 23%. The increase was primarily driven by our acquisitions, as well as our continued growth and expansion.

Revaluation of contingent liabilities

Revaluation of contingent liabilities resulted in expense of \$21.5 million and income of \$37.2 million for the nine months ended September 30, 2023 and 2022, respectively. The expense for the nine months ended September 30, 2023 was primarily driven by the remeasurement of the contingent liability related to the acquisition of Online Payments Group. The income for the nine months ended September 30, 2022 was primarily driven by a decrease in the contingent liability for The Giving Block.

Depreciation and amortization expense

Depreciation and amortization expense was \$111.2 million for the nine months ended September 30, 2023, compared to \$62.9 million for the nine months ended September 30, 2022, an increase of \$48.3 million or 77%. The increase was primarily driven by higher residual commission buyout amortization due to the residual commission buyouts completed in 2022, in addition to the amortization of new intangible assets as a result of acquisitions. This was offset by a decline in other intangible asset amortization, driven by intangibles that reached the end of their useful life.

Professional expenses

Professional expenses were \$17.2 million for the nine months ended September 30, 2023, compared to \$25.7 million for the nine months ended September 30, 2022, a decrease of \$8.5 million or 33%. The decrease was primarily driven by lower acquisition-related costs, in addition to transaction-related expenses associated with a consent solicitation for the 2026 Senior Notes in March 2022.

Advertising and marketing expenses

Advertising and marketing expenses remained consistent for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

Interest income

Interest income was \$26.0 million for the nine months ended September 30, 2023, compared to \$4.9 million for the nine months ended September 30, 2022, an increase of \$21.1 million. The increase was primarily driven by a higher weighted average interest rate earned on our cash and cash equivalents.

Unrealized gain on investments in securities

The unrealized gain on investments in securities resulted in \$11.5 million of non-cash income for the nine months ended September 30, 2023. There was no corresponding gain for the nine months ended September 30, 2022. See Note 12 to the accompanying unaudited condensed consolidated financial statements for more information on our investments in securities.

Change in TRA liability

The change in TRA liability resulted in \$2.8 million of expense for the nine months ended September 30, 2023, compared to \$1.1 million of expense for the nine months ended September 30, 2022, a decrease of \$1.7 million or 155%. See Note 13 in the notes to the accompanying unaudited condensed consolidated financial statements for more information on the TRA.

Interest expense

Interest expense remained consistent for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

Income tax benefit

The effective tax rate for the nine months ended September 30, 2023 was approximately (6)%, compared to the effective tax rate for the nine months ended September 30, 2022 of approximately (9)%.

The effective tax rate for the nine months ended September 30, 2023 was different than the U.S. federal statutory income tax rate of 21% primarily due to the income allocated to the noncontrolling interest, the full valuation allowances on Shift4 Payments, Inc. and certain corporate subsidiaries in the U.S., a \$4.8 million tax benefit related to the valuation allowance release due to a legal entity restructuring, and a \$1.5 million tax benefit related to the valuation allowance release due to acquired deferred tax liabilities from Focus POS Systems. The effective tax rate for the nine months ended September 30, 2022 was different than the U.S. federal statutory income tax rate of 21% primarily due to the income allocated to the noncontrolling interest, the full valuation allowance on Shift4 Payments, Inc. and certain corporate subsidiaries in the U.S., the nontaxable adjustment related to the revaluation of the contingent liability of The Giving Block, and a \$6.4 million income tax benefit related to the valuation allowance release due to acquired deferred tax liabilities from The Giving Block.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
End-to-end payment volume	\$ 27,933.0	\$ 20,579.4	\$ 76,983.4	\$ 50,873.4
Gross revenue less network fees	243.0	196.7	671.1	528.1
EBITDA	100.9	95.0	248.5	165.5
Adjusted EBITDA	124.5	85.4	323.8	195.3

End-to-end payment volume

End-to-end payment volume is defined as the total dollar amount of payments that we deliver for settlement on behalf of our merchants. Included in end-to-end volume are dollars routed via our international payments platform and alternative payment methods, including cryptocurrency and stock donations, plus volume we route to one or more third party merchant acquirers on behalf of strategic enterprise merchant relationships. This volume does not include volume processed through our legacy gateway-only offering.

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 expense, interest income, 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, revaluation of contingent liabilities, unrealized gain on investments in securities, change in TRA liability, equity-based compensation expense, and other nonrecurring items. The financial impact of certain elements of these activities is often largely relative to our 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. 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, financial information 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 income on a consolidated basis for the periods presented to EBITDA and Adjusted EBITDA.

Gross revenue less network fees:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gross revenue	\$ 675.4	\$ 547.3	\$ 1,859.4	\$ 1,455.9
Less: Network fees	(432.4)	(350.6)	(1,188.3)	(927.8)
Less: Other costs of sales (exclusive of depreciation of equipment under lease)	(62.7)	(61.0)	(178.5)	(202.0)
	180.3	135.7	492.6	326.1
Less: Depreciation of equipment under lease	(9.3)	(8.2)	(24.7)	(22.6)
Gross profit (a)	\$ 171.0	\$ 127.5	\$ 467.9	\$ 303.5
Gross profit (a)	\$ 171.0	\$ 127.5	\$ 467.9	\$ 303.5
Add back: Other costs of sales	62.7	61.0	178.5	202.0
Add back: Depreciation of equipment under lease	9.3	8.2	24.7	22.6
Gross revenue less network fees	\$ 243.0	\$ 196.7	\$ 671.1	\$ 528.1

(a) The determination of gross profit is inclusive of depreciation of equipment under lease that is included in "Depreciation and amortization expense" on the Condensed Consolidated Statements of Operations. The table reflects the determination of gross profit for all periods presented. Although gross profit is not presented on the Condensed Consolidated Statements of Operations, it represents the most comparable metric calculated under U.S. GAAP to non-GAAP gross revenues less network fees.

EBITDA and Adjusted EBITDA:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 46.5	\$ 46.4	\$ 103.7	\$ 48.2
Interest expense	8.0	8.3	24.1	24.6
Interest income	(9.6)	(3.5)	(26.0)	(4.9)
Income tax expense (benefit)	0.9	1.2	(6.0)	(4.0)
Depreciation and amortization	55.1	42.6	152.7	101.6
EBITDA	100.9	95.0	248.5	165.5
Acquisition, restructuring and integration costs (a)	3.2	13.0	13.3	23.5
Revaluation of contingent liabilities (b)	8.9	(36.9)	21.5	(37.2)
Change in unrealized gain on investments in securities (c)	(2.6)	—	(11.5)	—
Change in TRA liability (d)	1.5	1.1	2.8	1.1
Equity-based compensation (e)	12.6	12.3	47.5	39.1
Other nonrecurring items (f)	—	0.9	1.7	3.3
Adjusted EBITDA	\$ 124.5	\$ 85.4	\$ 323.8	\$ 195.3

(a) For the three months ended September 30, 2023, primarily consisted of \$3.0 million of acquisition-related costs. For the nine months ended September 30, 2023, primarily consisted of \$8.8 million of acquisition-related costs and \$4.3 million of restructuring costs. For the three months ended September 30, 2022, primarily consisted of \$10.3 million of acquisition-related costs. For the nine months ended September 30, 2022, primarily consisted of \$19.1 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.

(b) Consisted of fair value adjustments to contingent liabilities arising from acquisitions.

(c) See Note 12 to the accompanying unaudited condensed consolidated financial statements for more information on the investments in non-marketable securities.

(d) See Note 13 to the accompanying unaudited condensed consolidated financial statements for more information on the TRA.

(e) Consisted of equity-based compensation expense for RSUs, including employer taxes for vested RSUs. See Note 19 to the accompanying unaudited condensed consolidated financial statements for more information on equity-based compensation.

(f) For the nine months ended September 30, 2023, primarily consisted of \$1.5 million of professional and legal expenses associated with one-time matters. For the three months ended September 30, 2022, primarily consisted of a \$0.5 million donation and \$0.4 million of nonrecurring advertising and marketing expenses. For the nine months ended September 30, 2022, primarily consisted of \$1.1 million of costs associated with an internal processing system disruption that required technical remediation, \$0.8 million of nonrecurring advertising and marketing expenses, \$0.5 million of legal and professional fees for one-time matters, a \$0.5 million donation and \$0.4 million of costs associated with an early retirement initiative completed in the first quarter of 2022.

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>	Nine Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 283.0	\$ 135.9
Net cash used in investing activities	(151.1)	(483.0)
Net cash used in financing activities	(124.3)	(211.4)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(0.8)	(0.3)
Change in cash and cash equivalents and restricted cash	\$ 6.8	\$ (558.8)

Operating activities

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

For the nine months ended September 30, 2023, net cash provided by operating activities of \$283.0 million was primarily a result of net income of \$103.7 million adjusted for non-cash expenses, including depreciation and amortization of \$152.7 million, equity-based compensation of \$46.4 million, revaluation of contingent liabilities of \$21.5 million, and unrealized gain on investments in securities of \$(11.5) million. This was partially offset by an impact from working capital items of \$(39.1) million.

For the nine months ended September 30, 2022, net cash provided by operating activities of \$135.9 million was primarily a result of net income of \$48.2 million adjusted for non-cash expenses, including depreciation and amortization of \$101.6 million, equity-based compensation of \$38.4 million, and revaluation of contingent liabilities of \$(37.2) million. This was partially offset by an impact from working capital items of \$(24.5) million.

Investing activities

Net cash used in investing activities includes cash paid for acquisitions, residual commission buyouts, purchases of property, plant and equipment, purchases of equipment to be leased, purchases of intangible assets, investments in securities, and capitalized software development costs.

Net cash used in investing activities was \$151.1 million for the nine months ended September 30, 2023, a decrease of \$331.9 million, compared to net cash used in investing activities of \$483.0 million for the nine months ended September 30, 2022. This decrease was primarily the result of a \$258.7 million decrease in residual commission buyouts and a \$98.9 million decrease in net cash paid for acquisitions. This was partially offset by a \$23.1 million increase in purchases of equipment to be leased.

Financing activities

Net cash used in financing activities was \$124.3 million for the nine months ended September 30, 2023, a decrease of \$87.1 million, compared to net cash used in financing activities of \$211.4 million for the nine months ended September 30, 2022. This decrease was primarily the result of lower payments for the repurchase of common stock of \$89.1 million.

Convertible Notes, Senior Notes and Revolving Credit Facility

As of September 30, 2023 and December 31, 2022, 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 11 to the accompanying unaudited condensed consolidated financial statements for more information about our debt.

The Revolving Credit Facility has a borrowing capacity of \$100.0 million. As of September 30, 2023, we had no outstanding borrowings under the Revolving Credit Facility.

Stock repurchases

On May 3, 2023, our Board authorized the May 2023 Program, pursuant to which we were authorized to repurchase up to \$250.0 million of shares of our Class A common stock through December 31, 2023. In the nine months ended September 30, 2023, we repurchased 1,515,000 shares of Class A common stock for \$97.3 million, including commissions paid and accrued excise tax, at an average price paid of \$63.89 per share. See Note 17 to the accompanying consolidated financial statements for more information. The remaining amount available under the current authorization as of September 30, 2023 was \$153.2 million.

Cash Requirements

Our material cash requirements include the following contractual obligations.

Debt

As of September 30, 2023, we had \$1,772.5 million of fixed rate debt principal outstanding with maturities beginning in 2025. Future interest payments associated with the outstanding debt total \$85.5 million, with \$24.0 million payable within twelve months.

Contingent Liabilities

As of September 30, 2023, the fair value of contingent liabilities to potentially be paid out in cash was \$41.2 million, with \$40.9 million payable within twelve months. As of September 30, 2023, the maximum amount of contingent liabilities to potentially be paid out in cash was \$45.8 million, with \$43.3 million payable within twelve months.

Leases

As of September 30, 2023, we are obligated under non-cancellable operating leases for our premises, which expire through November 2030. Future rent payments associated with outstanding operating leases total \$28.4 million, with \$7.8 million payable within twelve months.

We believe that our cash and cash equivalents and future cash flow from operations will be sufficient to fund our operating expenses and capital expenditure requirements for at least the next twelve months and into the foreseeable future based on our current operating plan.

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. 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.

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 September 30, 2023, we had \$1,772.5 million of fixed rate debt principal outstanding pursuant to the notes with a fair value of \$1,647.1 million. 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 \$100.0 million. 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 risks related to fluctuations in interest rates to the extent it impacts our borrowings. As of September 30, 2023 and December 31, 2022, 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 and Note 11 to the accompanying unaudited condensed consolidated financial statements for more information.

ITEM 4. CONTROLS AND PROCEDURES

Limitations on Effectiveness of Disclosure 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 September 30, 2023, 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 September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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. See Note 16 to the accompanying unaudited condensed consolidated financial statements for more information.

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 2022 Form 10-K, the other information in this Quarterly Report, 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. There have been no material changes to the Company’s risk factors previously disclosed in our 2022 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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

The following is a list of exhibits filed as part of this Quarterly Report.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
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	
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	Second Amended and Restated Credit Agreement, dated July 1, 2023.					***
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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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.

*** Annexes, schedules and/or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company undertakes to furnish supplemental copies of any of the omitted schedules or similar attachments upon request by the SEC.

Execution Version

SECOND AMENDMENT TO AMENDED AND RESTATED
FIRST LIEN CREDIT AGREEMENT

This SECOND AMENDMENT TO THE AMENDED AND RESTATED FIRST LIEN CREDIT AGREEMENT (this "Second Amendment"), dated as of June 27, 2023, is executed and delivered by Credit Suisse AG, Cayman Islands Branch, as administrative agent (in such capacity, the "Administrative Agent"), pursuant to Section 2.14 of the Credit Agreement (as defined below).

WITNESSETH:

WHEREAS, Shift4 Payments, LLC (formerly known as Lighthouse Network, LLC), a Delaware limited liability company (the "Borrower"), and the Administrative Agent are parties to an Amended and Restated First Lien Credit Agreement, dated as of January 29, 2021 (as amended by the First Amendment, dated as of December 23, 2021, and as further amended, reaffirmed, restated, amended and restated, modified or supplemented from time to time through the date hereof, the "Credit Agreement", and the Credit Agreement, as further amended by this Second Amendment, the "Amended Credit Agreement"; capitalized terms not otherwise defined in this Second Amendment having the meanings assigned thereto in the Credit Agreement or, if not defined therein, in the Amended Credit Agreement);

WHEREAS, pursuant to Section 2.14 of the Credit Agreement, (x) the Administrative Agent has determined that a Benchmark Transition Event has occurred with respect to the LIBO Rate, with a Benchmark Replacement Date of July 1, 2023 (the "Second Amendment Effective Date") and (y) in connection with the implementation and administration of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes in connection with the implementation of Term SOFR and such amendments will become effective without any further action or consent of any other party to the Credit Agreement; and

WHEREAS, in accordance with Section 2.14 of the Credit Agreement, on July 1, 2023, without further action under the Credit Agreement, a Benchmark Replacement under clause (a)(i) of such definition shall occur and Adjusted Term SOFR (as defined in the Amended Credit Agreement) shall automatically replace the LIBO Rate as the Benchmark for all purposes under the Loan Documents;

NOW, THEREFORE, in consideration of the premises herein contained, the Administrative Agent provides as follows:

SECTION 1. Amendments to Credit Agreement; Conversion to SOFR.

(a) Amendments to Credit Agreement.

Effective as of the Second Amendment Effective Date, (i) the Credit Agreement, excluding the Schedules and Exhibits thereto (except as expressly provided herein), is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the Amended Credit Agreement attached as Annex I hereto, (ii) Exhibit B to the Credit Agreement is hereby amended to delete the stricken text (indicated

textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth Annex II hereto, (iii) Exhibit H to the Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth Annex III hereto and (iv) Exhibit L to the Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth Annex IV hereto.

(b) Conversion to SOFR.

Notwithstanding any other provision herein or in any other Loan Document, (i) any Loan that is a LIBO Rate Loan (as defined in the Credit Agreement) (collectively, the "Existing LIBO Rate Loans") that is outstanding as of the Second Amendment Effective Date prior to giving effect to this Second Amendment shall continue to accrue interest based on the LIBO Rate (as defined in the Credit Agreement) plus the Applicable Rate (as defined in the Credit Agreement) until the last day of the Interest Period (as defined in the Credit Agreement) applicable to each such Existing LIBO Rate Loan and (ii) subject to any express limitations set forth in the immediately preceding clause (i) the terms of the Credit Agreement in respect of the administration of LIBO Rate Loans (solely with respect to the Existing LIBO Rate Loans) shall remain in effect from and after the date hereof until the last day of the Interest Period applicable to each such Existing LIBO Rate Loan, in each case, solely for purposes of administering the Existing LIBO Rate Loans; provided that, for the avoidance of doubt, at any time from and after the Second Amendment Effective Date, the Borrower shall not be permitted to request a conversion to a LIBO Rate Loan or a continuation of a LIBO Rate Loan as a LIBO Rate Loan.

SECTION 2. Reference to and Effect on the Credit Agreement and the other Loan Documents.

(a) On and after the Second Amendment Effective Date, (i) each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement will mean and be a reference to the Amended Credit Agreement and (ii) each reference to the Credit Agreement in any Loan Document will be deemed to be a reference to the Amended Credit Agreement.

(b) The Credit Agreement and each of the other Loan Documents, as specifically amended by this Second Amendment, are and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, (i) the Collateral Documents and all of the Collateral described therein shall continue to secure the payment of all Secured Obligations of the Loan Parties, as amended by this Second Amendment, and (ii) neither the modification of the Credit Agreement effected pursuant to this Second Amendment nor the execution, delivery, performance or effectiveness of this Second Amendment will impair the validity, effectiveness or priority of the Liens granted pursuant to any Loan Document and such Liens shall continue unimpaired with the same priority to secure repayment of all Secured Obligations, whether heretofore or hereafter incurred.

(c) The execution, delivery and effectiveness of this Second Amendment shall not operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents, in each case, except as expressly provided herein. On and after the Second Amendment Effective Date, this Second Amendment shall for all purposes constitute a Loan Document.

(d) This Second Amendment shall not constitute a novation of the Credit Agreement or any other Loan Document.

(e) This Second Amendment and the other Loan Documents constitute the entire agreement among the parties hereto or thereto, as applicable, with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties hereto or thereto, as applicable, with respect to the subject matter hereof.

SECTION 3. Execution in Counterparts. This Second Amendment may be executed in counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument. Any signature to this agreement may be delivered by facsimile, electronic mail (including pdf) or any electronic signature complying with the U.S. federal ESIGN Act of 2000 or the New York Electronic Signature and Records Act or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes to the fullest extent permitted by applicable law. For the avoidance of doubt, the foregoing also applies to any amendment, extension or renewal of this Second Amendment.

SECTION 4. Governing Law; Jurisdiction; Waiver of Jury Trial; etc.. Sections 9.10 (Governing Law; Jurisdiction; Consent to Service of Process) and 9.11 (Waiver of Jury Trial) of the Credit Agreement are hereby incorporated by reference into this Second Amendment and shall apply to this Second Amendment, mutatis mutandis.

SECTION 5. Headings. Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Second Amendment.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Administrative Agent has duly executed and delivered this Second Amendment as of the date first above written.

CREDIT SUISSE AG, CAYMAN ISLANDS
BRANCH, as Administrative Agent

By: _____
Name
Title

By: _____
Name
Title

[Second Amendment to Amended and Restated First Lien Credit Agreement]

ANNEX I

AMENDED CREDIT AGREEMENT



ANNEX II

EXHIBIT B

ANNEX III

EXHIBIT H

ANNEX IV

EXHIBIT L

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: November 9, 2023

By: _____ /s/Jared Isaacman

Jared Isaacman
Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Nancy Disman, 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: November 9, 2023

By: _____ /s/ Nancy Disman

Nancy Disman
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 September 30, 2023 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: November 9, 2023

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 September 30, 2023 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: November 9, 2023

By:

/s/ Nancy Disman

Nancy Disman
Chief Financial Officer
(principal financial officer)