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, 2022

or

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

For the transition period from _______ to _______

Commission file number: 001-38504

EVO Payments, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**82-1304484**
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
Ten Glenlake Parkway South Tower, Suite 950 Atlanta, Georgia	**30328**
Address of Principal Executive Offices	Zip Code

(770) 336-8463

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	EVOP	Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 24, 2022, there were 48,296,028 shares of the registrant's Class A common stock, par value $0.0001 per share, and 3,741,074 shares of the registrant's Class D common stock, par value $0.0001 per share, issued and outstanding. As of October 24, 2022, there were 32,163,538 common membership interests of EVO Investco, LLC ("Common Units") issued and outstanding held by Blueapple, Inc., a New York corporation, which is controlled by entities affiliated with the registrant's founder and Chairman of the board of directors, Rafik R. Sidhom, and which Common Units are subject to Blueapple, Inc.'s right to cause the registrant to use its commercially reasonable best efforts to pursue a public offering of an equivalent number of the registrant's Class A common stock and use the net proceeds therefrom to purchase such holder's Common Units. As a result, the registrant believes that these Common Units are most appropriately viewed as equivalent to additional shares of Class A common stock when considering the registrant's overall capitalization.

EVO PAYMENTS, INC. AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements about future events and expectations that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on our current beliefs, assumptions, estimates, and expectations, taking into account the information currently available to us, and are not guarantees of future results or performance. None of the forward-looking statements in this Quarterly Report on Form 10-Q are statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements, and you should not place undue reliance on such statements. Factors that could contribute to these differences include the following: (1) disruption to our business caused by the proposed acquisition of us by Global Payments Inc. ("Global Payments"); (2) our ability to consummate the proposed transaction with Global Payments within the contemplated timeframe, or at all, including risks and uncertainties related to securing the necessary regulatory approvals and the satisfaction of other closing conditions; (3) the impact on our stock price, business, financial condition and results of operations if the proposed transaction with Global Payments is not consummated; (4) costs, charges and expenses relating to the proposed transaction with Global Payments; (5) the continuing uncertainties regarding the ultimate scope and trajectory of the COVID-19 pandemic (including its variant strains) on our business and our merchants, including the impact of social distancing, shelter-in-place, shutdowns of non-essential businesses and similar measures imposed or undertaken by governments; (6) our ability to anticipate and respond to changing industry trends and the needs and preferences of our customers and consumers; (7) the impact of substantial and increasingly intense competition; (8) the impact of changes in the competitive landscape, including disintermediation from other participants in the payments chain; (9) the effects of global economic, political, market, health and other conditions, including the continuing impact of the COVID-19 pandemic and the evolving situation with Ukraine and Russia; (10) our compliance with governmental regulations and other legal obligations, particularly related to privacy, data protection, information security, and consumer protection laws; (11) our ability to protect our systems and data from continually evolving cybersecurity risks or other technological risks; (12) failures in our processing systems, software defects, computer viruses, and development delays; (13) degradation of the quality of the products and services we offer, including support services; (14) our ability to recruit, retain and develop qualified personnel; (15) risks associated with our ability to successfully complete, integrate and realize the expected benefits of acquisitions; (16) continued consolidation in the banking and payment services industries, including the impact of the combination of Banco Popular and Grupo Santander and the related bank branch consolidation; (17) increased customer, referral partner, or sales partner attrition; (18) the incurrence of chargebacks; (19) failure to maintain or collect reimbursements; (20) fraud by merchants or others; (21) the failure of our third-party vendors to fulfill their obligations; (22) failure to maintain merchant and sales relationships or financial institution alliances; (23) ineffective risk management policies and procedures; (24) our inability to retain smaller-sized merchants and the impact of economic fluctuations on such merchants, (25) damage to our reputation, or the reputation of our partners; (26) seasonality and volatility; (27) geopolitical and other risks associated with our operations outside of the United States, such as the conflict between Russia and Ukraine; (28) any decline in the use of cards as a payment mechanism or other adverse developments with respect to the card industry in general; (29) increases in card network fees; (30) failure to comply with card networks requirements; (31) a requirement to purchase the equity interests of our eService subsidiary in Poland held by our JV partner; (32) changes in foreign currency exchange rates; (33) future impairment charges; (34) risks relating to our indebtedness, including our ability to raise additional capital to fund our operations on economized terms or at all and exposure to interest rate risks; (35) the phase out of LIBOR and the transition to other benchmarks; (36) restrictions imposed by our credit facilities and outstanding indebtedness; (37) participation in accelerated funding programs; (38) failure to enforce and protect our intellectual property rights; (39) failure to comply with, or changes in, laws, regulations and enforcement activities, including those relating to corruption, anti-money laundering, data privacy, and financial institutions; (40) impact of new or revised tax regulations; (41) legal proceedings, including the impact of potential litigation relating to the proposed transaction with Global Payments, including litigation that seeks to prevent the merger from being consummated within the contemplated timeframe, or at all; (42) our dependence on distributions from EVO, LLC (as defined in Part I – Financial Information —"Financial Statements Introductory Note") to pay our taxes and expenses, including certain payments to the Continuing LLC Owners (as defined in Part I – Financial Information—"Financial Statements Introductory Note") and, in the event that any tax benefits are disallowed, our inability to be reimbursed for payments made to the Continuing LLC Owners; (43) our organizational structure, including benefits available to the Continuing LLC Owners that are not available to holders of our Class A common stock to the same extent; (44) the risk that we could be deemed an investment company under the Investment Company Act of 1940, as amended; (45) the significant influence the Continuing LLC Owners continue to have over us, including control over decisions that require the approval of stockholders; (46) certain provisions of Delaware law and antitakeover provisions in our organizational documents could delay or prevent a change of control; (47) certain provisions in our organizational documents, including those that provide Delaware as the exclusive forum for litigation matters and that renounce the doctrine of corporate opportunity; (48) our ability to maintain effective internal control over financial reporting and disclosure controls and procedures; (49) changes in our stock price, including relating to downgrades, analyst reports, and future sales by us or by existing stockholders; and (50) the other risks and uncertainties described in Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q.

Words such as "anticipates," "believes," "continues," "estimates," "expects," "goal," "objectives," "intends," "may," "opportunity," "plans," "potential," "near-term," "long-term," "projections," "assumptions," "projects," "guidance," "forecasts," "outlook," "target," "trends," "should," "could," "would," "will" and similar expressions are intended to identify such forward-looking statements. We qualify any forward-looking statements entirely by the cautionary factors listed above, among others. Other risks, uncertainties and factors, not listed above, could also cause our actual results to differ materially from those projected in any forward-looking statements we make. We assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

PART I – FINANCIAL INFORMATION

Financial Statements Introductory Note

The unaudited condensed consolidated financial statements and other disclosures contained in this quarterly report on Form 10-Q include those of EVO Payments, Inc., which is the registrant, and those of EVO Investco, LLC, a Delaware limited liability company, which became the principal operating subsidiary of the Company following a series of reorganization transactions completed on May 25, 2018 in connection with the initial public offering of EVO, Inc.'s Class A common stock (the "IPO"). For more information regarding these transactions, see Note 21, "Shareholders' Equity," included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

EVO, Inc. is the managing member of EVO, LLC and, as of September 30, 2022, was the owner of approximately 57.4% of the LLC Interests.

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

- "EVO," "we," "us," "our," the "Company" and similar references refer (1) on or prior to the completion of the Reorganization Transactions, including our initial public offering, to EVO, LLC and, unless otherwise stated, all of its direct and indirect subsidiaries, and (2) following the consummation of the Reorganization Transactions, including our initial public offering, to EVO, Inc., and, unless otherwise stated, all of its direct and indirect subsidiaries, including EVO, LLC.
- "EVO, Inc." refers to EVO Payments, Inc., a Delaware corporation, and, unless otherwise stated, all of its direct and indirect subsidiaries.
- "EVO, LLC" refers to EVO Investco, LLC, a Delaware limited liability company, and, unless otherwise stated, all of its direct and indirect subsidiaries.
- "Continuing LLC Owners" refers collectively to the remaining holders of LLC Interests (other than EVO, Inc.), which includes Blueapple, MDP, our executive officers and certain of our current and former employees.
- "EVO LLC Agreement" refers to the second amended and restated limited liability company agreement, dated as of May 22, 2018, by and between EVO, LLC and the Continuing LLC Owners, as amended.
- "LLC Interests" refers to the single class of common membership interests of EVO, LLC.
- "Blueapple" refers to Blueapple, Inc., a New York corporation, which is controlled by entities affiliated with our founder and Chairman of our board of directors, Rafik R. Sidhom.
- "MDP" refers to entities controlled by Madison Dearborn Partners, LLC.
- "markets" refers to countries and territories where we are authorized by card networks to acquire transactions. For purposes of determining our markets, territories refers to non-sovereign geographic areas that fall under the authority of another government. As an example, we consider Gibraltar (a territory of the United Kingdom) and the United Kingdom to be two distinct markets as our licensing agreements with the card networks gives us the ability to acquire transactions in both markets.
- "merchant" refers to an organization that accepts electronic payments, including for-profit, not-for-profit and governmental entities.
- "Reorganization Transactions" refers to the series of reorganization transactions described herein that were undertaken in connection with our initial public offering to implement our "Up-C" capital structure.
- "transactions processed" refers to the number of transactions we processed during any given period of time and is a meaningful indicator of our business and financial performance, as a significant portion of our revenue is driven by the number of transactions we process. In addition, transactions processed provides a valuable measure of the level of economic activity across our merchant base. In our Americas segment, transactions include acquired Visa and Mastercard credit and signature debit, American Express, Discover, UnionPay, JCB, PIN-debit, electronic benefit transactions, and gift card transactions. In our Europe segment, transactions include acquired Visa and Mastercard credit and signature debit, other card network merchant acquiring transactions, and ATM transactions.

EVO PAYMENTS, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheets

(In thousands, except share data)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 429,760	$ 410,368
Accounts receivable, net	16,533	16,065
Other receivables	28,830	18,087
Inventory	7,296	4,210
Settlement processing assets	341,952	311,681
Other current assets	29,134	20,514
Total current assets	853,505	780,925
Equipment and improvements, net	62,410	68,506
Goodwill, net	370,571	385,651
Intangible assets, net	178,506	200,726
Deferred tax assets	245,943	238,261
Operating lease right-of-use assets	36,238	34,704
Investment in equity securities, at fair value	30,627	25,398
Other assets	18,282	19,214
Total assets	$ 1,796,082	$ 1,753,385
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Settlement lines of credit	$ 3,622	$ 7,887
Current portion of long-term debt	14,092	14,058
Accounts payable	7,719	6,889
Accrued expenses and other current liabilities	135,006	127,060
Settlement processing obligations	468,732	422,109
Current portion of operating lease liabilities, inclusive of related party liability of $1.0 million and $1.3 million at September 30, 2022 and December 31, 2021, respectively	6,779	7,122
Total current liabilities	635,950	585,125
Long-term debt, net of current portion	558,396	568,632
Deferred tax liabilities	24,105	22,207
Tax receivable agreement obligations, inclusive of related party liability of $169.7 million and $169.4 million at September 30, 2022 and December 31, 2021, respectively	180,406	180,143
Operating lease liabilities, net of current portion, inclusive of related party liability of $0.1 million and $1.0 million at September 30, 2022 and December 31, 2021, respectively	31,363	28,948
Other long-term liabilities	11,169	7,891
Total liabilities	1,441,389	1,392,946
Commitments and contingencies		
Redeemable non-controlling interests	1,288,210	1,029,090
Redeemable preferred stock (par value, $0.0001 per share), Authorized, Issued and Outstanding – 152,250 shares at September 30, 2022 and December 31, 2021. Liquidation preference: $175,900 and $168,309 at September 30, 2022 and December 31, 2021, respectively	171,816	164,007
Shareholders' equity (deficit):		
Class A common stock (par value, $0.0001 per share), Authorized - 200,000,000 shares, Issued and Outstanding - 48,293,979 and 47,446,061 shares at September 30, 2022 and December 31, 2021, respectively	5	5
Class D common stock (par value, $0.0001 per share), Authorized - 32,000,000 shares, Issued and Outstanding - 3,741,074 and 3,783,074 shares at September 30, 2022 and December 31, 2021, respectively	—	—
Additional paid-in capital	—	—
Accumulated deficit attributable to Class A common stock	(890,378)	(652,871)
Accumulated other comprehensive loss	(22,196)	(9,154)
Total EVO Payments, Inc. shareholders' deficit	(912,569)	(662,020)
Nonredeemable non-controlling interests	(192,764)	(170,638)
Total deficit	(1,105,333)	(832,658)
Total liabilities, redeemable non-controlling interests, redeemable preferred stock, and shareholders' deficit	$ 1,796,082	$ 1,753,385

See accompanying notes to unaudited condensed consolidated financial statements.

EVO PAYMENTS, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except share and per share data)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenue	$ 138,663	$ 135,041	$ 403,260	$ 363,456
Operating expenses:				
Cost of services and products	21,831	19,121	66,278	54,276
Selling, general, and administrative	81,453	71,982	224,668	198,050
Depreciation and amortization	21,136	21,941	60,453	63,562
Total operating expenses	124,420	113,044	351,399	315,888
Other operating income	6,939	—	6,939	—
Income from operations	21,182	21,997	58,800	47,568
Other income (expense):				
Interest income	769	454	2,229	1,024
Interest expense	(4,260)	(6,123)	(12,634)	(18,282)
Gain (loss) on investment in equity securities	4,425	(1,298)	2,122	968
Other income (expense), net	228	379	(658)	(340)
Total other income (expense)	1,162	(6,588)	(8,941)	(16,630)
Income before income taxes	22,344	15,409	49,859	30,938
Income tax expense	(18,513)	(8,284)	(29,614)	(19,859)
Net income	3,831	7,125	20,245	11,079
Less: Net income attributable to non-controlling interests in consolidated entities	3,845	3,259	9,545	6,484
Less: Net (loss) income attributable to non-controlling interests of EVO Investco, LLC	(220)	1,396	3,558	(196)
Net income attributable to EVO Payments, Inc.	206	2,470	7,142	4,791
Less: Accrual of redeemable preferred stock paid-in-kind dividends	2,672	2,511	7,809	7,338
Net loss attributable to Class A common stock	$ (2,466)	$ (41)	$ (667)	$ (2,547)
Earnings per share				
Basic	$ (0.05)	$ (0.00)	$ (0.01)	$ (0.05)
Diluted	$ (0.05)	$ (0.00)	$ (0.01)	$ (0.05)
Weighted-average Class A common stock outstanding				
Basic	48,151,438	47,380,034	47,853,503	46,979,057
Diluted	48,151,438	47,380,034	47,853,503	46,979,057
Comprehensive loss:				
Net income	$ 3,831	$ 7,125	$ 20,245	$ 11,079
Change in fair value of interest rate swap, net of tax(1)	(1,667)	(49)	2,589	262
Change in fair value of cross currency swap, net of tax(2)	(151)	—	417	—
Unrealized loss on foreign currency translation adjustment, net of tax (3)	(22,762)	(13,337)	(44,599)	(21,386)
Other comprehensive loss	(24,580)	(13,386)	(41,593)	(21,124)
Comprehensive loss	(20,749)	(6,261)	(21,348)	(10,045)
Less: Comprehensive (loss) income attributable to non-controlling interests in consolidated entities	(904)	394	(884)	1,781
Less: Comprehensive loss attributable to non-controlling interests of EVO Investco, LLC	(10,602)	(6,136)	(14,564)	(9,835)
Comprehensive loss attributable to EVO Payments, Inc.	$ (9,243)	$ (519)	$ (5,900)	$ (1,991)

(1) Net of tax benefit of $0.2 million and less than $0.1 million for the three months ended September 30, 2022 and 2021, respectively. Net of tax expense of $(0.4) million and less than $(0.1) million for the nine months ended September 30, 2022 and 2021, respectively.

(2) Net of tax benefit (expense) of less than $0.1 million and $(0.1) million for the three and nine months ended September 30, 2022, respectively.

(3) Net of tax benefit of $4.2 million and $6.9 million for the three months ended September 30, 2022 and 2021, respectively. Net of tax benefit of $11.7 million and $5.8 million for the nine months ended September 30, 2022 and 2021, respectively.

See accompanying notes to unaudited condensed consolidated financial statements.

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EVO PAYMENTS, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Changes in Equity (Deficit)

(In thousands)

	Redeemable Preferred Stock		Shareholders' Equity (Deficit): Class A Common Stock		Class B Common Stock		Class C Common Stock		Class D Common Stock		Additional paid-in capital	Accumulated deficit attributable to Class A common stock	Accumulated other comprehensive income (loss)	Total EVO Payments, Inc. equity (deficit)	Nonredeemable non-controlling interests	Total equity (deficit)	Redeemable non-controlling interests
	Shares	Amounts	Shares	Amounts	Shares	Amounts	Shares	Amounts	Shares	Amounts							
Balance, January 1, 2021	152	$154,118	46,402	$ 5	32,164	$ 3	1,720	$ —	2,391	$ —	$ —	$ (675,209)	$ 1,045	$(674,156)	$ (185,062)	$ (859,218)	$ 1,055,633
Net loss	—	—	—	—	—	—	—	—	—	—	—	(842)	—	(842)	(257)	(1,099)	(1,724)
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	(10,307)	(10,307)	(859)	(11,166)	(10,605)
Contributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	488
Distributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(161)	(161)	(8,500)
Share-based compensation expense	—	—	—	—	—	—	—	—	—	—	5,798	—	—	5,798	—	5,798	—
Vesting of equity awards	—	—	149	—	—	—	—	—	—	—	(2,383)	—	—	(2,383)	—	(2,383)	—
Exercise of stock options	—	—	136	—	—	—	—	—	—	—	2,813	—	—	2,813	—	2,813	—
Exchanges of Class C and Class D common stock for Class A common stock	—	—	157	—	—	—	(82)	—	(75)	—	(7,193)	—	—	(7,193)	7,193	—	—
Deferred taxes in connection with increase in ownership of EVO Investco, LLC	—	—	—	—	—	—	—	—	—	—	113	—	—	113	—	113	—
Tax receivable agreement in connection with share exchanges	—	—	—	—	—	—	—	—	—	—	173	—	—	173	—	173	—
Accrual of redeemable preferred stock paid-in-kind dividends	—	2,382	—	—	—	—	—	—	—	—	(2,382)	—	—	(2,382)	—	(2,382)	—
Change in fair value of interest rate swap	—	—	—	—	—	—	—	—	—	—	—	—	194	194	22	216	173
eService redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	—	—	—	—	—	9,247	—	9,247	781	10,028	(10,028)
Blueapple redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	—	—	—	—	—	(17,869)	—	(17,869)	(1,508)	(19,377)	19,377
Reclassification of additional paid-in capital to accumulated deficit	—	—	—	—	—	—	—	—	—	—	3,061	(3,061)	—	—	—	—	—
Balance, March 31, 2021	152	156,500	46,844	5	32,164	3	1,638	—	2,316	—	—	(687,734)	(9,068)	(696,794)	(179,851)	(876,645)	1,044,814
Net income	—	—	—	—	—	—	—	—	—	—	—	3,163	—	3,163	199	3,362	3,415
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	6,387	6,387	576	6,963	6,759
Distributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(25)	(25)	(790)
Share-based compensation expense	—	—	—	—	—	—	—	—	—	—	6,489	—	—	6,489	—	6,489	—
Vesting of equity awards	—	—	69	—	—	—	—	—	—	—	(1,096)	—	—	(1,096)	—	(1,096)	—
Exercise of stock options	—	—	278	—	—	—	—	—	—	—	4,529	—	—	4,529	—	4,529	—
Cancellation of Class B common stock	—	—	—	—	(32,164)	(3)	—	—	—	—	3	—	—	—	—	—	—
Conversion of Class C common stock to Class D common stock	—	—	—	—	—	—	(1,599)	—	1,599	—	—	—	—	—	—	—	—
Exchanges of Class C and Class D common stock for Class A common stock	—	—	132	—	—	—	(39)	—	(93)	—	(6,038)	—	—	(6,038)	6,038	—	—
Deferred taxes in connection with increase in ownership of EVO Investco, LLC	—	—	—	—	—	—	—	—	—	—	112	—	—	112	—	112	—

	Redeemable Preferred Stock		Shareholders' Equity (Deficit) Class A Common Stock		Class B Common Stock		Class C Common Stock		Class D Common Stock		Additional paid-in capital	Accumulated deficit attributable to Class A common stock	Accumulated other comprehensive income (loss)	Total EVO Payments, Inc. equity (deficit)	Nonredeemable non-controlling interests	Total equity (deficit)	Redeemable non-controlling interests
	Shares	Amounts	Shares	Amounts	Shares	Amounts	Shares	Amounts	Shares	Amounts							
Tax receivable agreement in connection with share exchanges	—	—	—	—	—	—	—	—	—	—	156	—	—	156	—	156	—
Accrual of redeemable preferred stock paid-in-kind dividends	—	2,445	—	—	—	—	—	—	—	—	(2,445)	—	—	(2,445)	—	(2,445)	—
Change in fair value of interest rate swap	—	—	—	—	—	—	—	—	—	—	—	—	(67)	(67)	(1)	(68)	(10)
eService redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	—	—	—	—	(13,977)	—	—	(13,977)	(1,129)	(15,106)	15,106
Blueapple redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	—	—	—	—	(9,719)	—	—	(9,719)	(785)	(10,504)	10,504
Reclassification of additional paid-in capital to accumulated deficit	—	—	—	—	—	—	—	—	—	—	21,986	(21,986)	—	—	—	—	—
Balance, June 30, 2021	152	158,945	47,323	5	—	—	—	—	3,822	—	—	(706,557)	(2,748)	(709,300)	(174,978)	(884,278)	1,079,798
Net income	—	—	—	—	—	—	—	—	—	—	—	2,470	—	2,470	205	2,675	4,450
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	(2,991)	(2,991)	(790)	(3,781)	(9,556)
Contributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	999
Distributions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(28)	(28)	(1,410)
Share-based compensation expense	—	—	—	—	—	—	—	—	—	—	9,172	—	—	9,172	—	9,172	—
Vesting of equity awards	—	—	39	—	—	—	—	—	—	—	(984)	—	—	(984)	—	(984)	—
Exercise of stock options	—	—	23	—	—	—	—	—	—	—	326	—	—	326	—	326	—
Exchanges of Class D common stock for Class A common stock	—	—	39	—	—	—	—	—	(39)	—	(1,807)	—	—	(1,807)	1,807	—	—
Deferred taxes in connection with increase in ownership of EVO Investco, LLC	—	—	—	—	—	—	—	—	—	—	26	—	—	26	—	26	—
Tax receivable agreement in connection with share exchanges	—	—	—	—	—	—	—	—	—	—	(1)	—	—	(1)	—	(1)	—
Accrual of redeemable preferred stock paid-in-kind dividends	—	2,511	—	—	—	—	—	—	—	—	(2,511)	—	—	(2,511)	—	(2,511)	—
Change in fair value of interest rate swap	—	—	—	—	—	—	—	—	—	—	—	—	2	2	(5)	(3)	(46)
eService redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	—	—	—	—	—	1,391	—	1,391	111	1,502	(1,502)
Blueapple redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	—	—	—	—	—	116,729	—	116,729	9,312	126,041	(126,041)
Balance, September 30, 2021	152	$161,456	47,424	$ 5	—	$ —	—	$ —	3,783	$ —	$ 4,221	$ (585,967)	$ (5,737)	$ (587,478)	$ (164,366)	$ (751,844)	$ 946,692

See accompanying notes to unaudited condensed consolidated financial statements.

EVO PAYMENTS, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Changes in Equity (Deficit)

(In thousands)

	Redeemable Preferred Stock		Shareholders' Equity (Deficit)										
			Class A Common Stock		Class D Common Stock		Additional paid-in capital	Accumulated deficit attributable to Class A common stock	Accumulated other comprehensive loss	Total EVO Payments, Inc. equity (deficit)	Nonredeemable non-controlling interests	Total equity (deficit)	Redeemable non-controlling interests
	Shares	Amounts	Shares	Amounts	Shares	Amounts							
Balance, January 1, 2022	152	$164,007	47,446	$ 5	3,783	$ —	$ —	$ (652,871)	$ (9,154)	$(662,020)	$ (170,638)	$(832,658)	$ 1,029,090
Net income	—	—	—	—	—	—	—	2,583	—	2,583	(92)	2,491	2,665
Cumulative translation adjustment	—	—	—	—	—	—	—	—	1,901	1,901	35	1,936	(991)
Distributions	—	—	—	—	—	—	—	—	—	—	(344)	(344)	—
Share-based compensation expense	—	—	—	—	—	—	7,003	—	—	7,003	—	7,003	—
Vesting of equity awards	—	—	289	—	—	—	(2,659)	—	—	(2,659)	—	(2,659)	—
Exercise of stock options	—	—	41	—	—	—	603	—	—	603	—	603	—
Deferred taxes in connection with increase in ownership of EVO Investco, LLC	—	—	—	—	—	—	66	—	—	66	—	66	—
Accrual of redeemable preferred stock paid-in-kind dividends	—	2,534	—	—	—	—	(2,534)	—	—	(2,534)	—	(2,534)	—
Change in fair value of interest rate swap	—	—	—	—	—	—	—	—	1,595	1,595	164	1,759	1,398
eService redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	—	(5,916)	—	(5,916)	(469)	(6,385)	6,385
Blueapple redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	—	73,278	—	73,278	5,802	79,080	(79,080)
Balance, March 31, 2022	152	166,541	47,776	5	3,783	—	2,479	(582,926)	(5,658)	(586,100)	(165,542)	(751,642)	959,467
Net income	—	—	—	—	—	—	—	4,353	—	4,353	1,179	5,532	5,726
Cumulative translation adjustment	—	—	—	—	—	—	—	—	(7,933)	(7,933)	(1,099)	(9,032)	(13,750)
Distributions	—	—	—	—	—	—	—	(3,384)	—	(3,384)	(262)	(3,646)	(6,989)
Share-based compensation expense	—	—	—	—	—	—	7,707	—	—	7,707	—	7,707	—
Vesting of equity awards	—	—	126	—	—	—	(423)	—	—	(423)	—	(423)	—
Exercise of stock options	—	—	35	—	—	—	549	—	—	549	—	549	—
Deferred taxes in connection with increase in ownership of EVO Investco, LLC	—	—	—	—	—	—	31	—	—	31	—	31	—
Change in ownership of nonredeemable non-controlling interest	—	—	—	—	—	—	—	2,396	—	2,396	(2,396)	—	—
Accrual of redeemable preferred stock paid-in-kind dividends	—	2,603	—	—	—	—	(2,603)	—	—	(2,603)	—	(2,603)	—
Change in fair value of interest rate swap	—	—	—	—	—	—	—	—	556	556	57	613	486
Change in fair value of cross currency swap	—	—	—	—	—	—	—	—	288	288	29	317	251
eService redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	3,424	—	—	3,424	270	3,694	(3,694)
Blueapple redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	(16,137)	—	—	(16,137)	(1,274)	(17,411)	17,411
Reclassification of additional paid-in capital to accumulated deficit	—	—	—	—	—	—	4,973	(4,973)	—	—	—	—	—
Balance, June 30, 2022	152	169,144	47,937	5	3,783	—	—	(584,534)	(12,747)	(597,276)	(169,038)	(766,314)	958,908

	Redeemable Preferred Stock		Shareholders' Equity (Deficit)										
			Class A Common Stock		Class D Common Stock		Additional paid-in capital	Accumulated deficit attributable to Class A common stock	Accumulated other comprehensive loss	Total EVO Payments, Inc. equity (deficit)	Nonredeemable non-controlling interests	Total equity (deficit)	Redeemable non-controlling interests
	Shares	Amounts	Shares	Amounts	Shares	Amounts							
Net income (loss)	—	—	—	—	—	—	—	206	—	206	(23)	183	3,648
Cumulative translation adjustment	—	—	—	—	—	—	—	—	(8,523)	(8,523)	(992)	(9,515)	(13,247)
Contributions	—	—	—	—	—	—	—	—	—	—	—	—	2,133
Distributions	—	—	—	—	—	—	—	(65)	—	(65)	(122)	(187)	(1,681)
Share-based compensation expense	—	—	—	—	—	—	7,237	—	—	7,237	—	7,237	—
Vesting of equity awards	—	—	17	—	—	—	(74)	—	—	(74)	—	(74)	—
Exercise of stock options	—	—	298	—	—	—	6,149	—	—	6,149	—	6,149	—
Exchanges of Class D common stock for Class A common stock	—	—	42	—	(42)	—	(1,895)	—	—	(1,895)	1,895	—	—
Deferred taxes in connection with increase in ownership of EVO Investco, LLC	—	—	—	—	—	—	81	—	—	81	—	81	—
Tax receivable agreement in connection with share exchanges	—	—	—	—	—	—	46	—	—	46	—	46	—
Accrual of redeemable preferred stock paid-in-kind dividends	—	2,672	—	—	—	—	(2,672)	—	—	(2,672)	—	(2,672)	—
Change in fair value of interest rate swap	—	—	—	—	—	—	—	—	(849)	(849)	(85)	(934)	(733)
Change in fair value of cross currency swap	—	—	—	—	—	—	—	—	(77)	(77)	(8)	(85)	(66)
eService redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	(8,714)	—	—	(8,714)	(676)	(9,390)	9,390
Blueapple redeemable non-controlling interest fair value adjustment	—	—	—	—	—	—	(306,143)	—	—	(306,143)	(23,715)	(329,858)	329,858
Reclassification of additional paid-in capital to accumulated deficit	—	—	—	—	—	—	305,985	(305,985)	—	—	—	—	—
Balance, September 30, 2022	152	$171,816	48,294	$ 5	3,741	$ —	$ —	$ (890,378)	$ (22,196)	$(912,569)	$ (192,764)	$(1,105,333)	$ 1,288,210

See accompanying notes to unaudited condensed consolidated financial statements.

EVO PAYMENTS, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income	$ 20,245	$ 11,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,453	63,562
Gain on investment in equity securities	(2,122)	(968)
Amortization of deferred financing costs	890	2,006
Loss on disposal of equipment and improvements	—	872
Share-based compensation expense	21,947	21,459
Deferred taxes, net	8,090	14,118
Other	(2,541)	365
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	(2,908)	3,048
Other receivables	(12,667)	3,091
Inventory	(3,966)	631
Other current assets	971	(1,439)
Operating lease right-of-use assets	5,878	4,912
Other assets	(3,789)	(2,777)
Accounts payable	1,969	3,631
Accrued expenses and other current liabilities	17,814	683
Settlement processing funds, net	22,208	(44,270)
Operating lease liabilities	(5,676)	(5,637)
Other	(1,358)	(2,310)
Net cash provided by operating activities	125,438	72,056
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(5,254)	(18,809)
Purchase of equipment and improvements	(26,774)	(25,929)
Acquisition of intangible assets	(18,256)	(6,871)
Collections of notes receivable	—	48
Net cash used in investing activities	(50,284)	(51,561)
Cash flows from financing activities:		
Net repayments of settlement lines of credit	(3,680)	(1,433)
Proceeds from long-term debt	11,200	—
Repayments of long-term debt	(22,225)	(4,945)
Deferred and contingent consideration paid	(1,593)	(484)
Repurchases of shares to satisfy minimum tax withholding	(3,156)	(4,463)
Proceeds from exercise of common stock options	7,301	7,668
Distributions to non-controlling interest holders	(9,398)	(10,914)
Contribution from non-controlling interest holders	2,133	1,487
Net cash used in financing activities	(19,418)	(13,084)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(36,088)	(9,708)
Net increase (decrease) in cash, cash equivalents, and restricted cash	19,648	(2,297)
Cash, cash equivalents, and restricted cash, beginning of period	410,615	418,539
Cash, cash equivalents, and restricted cash, end of period	$ 430,263	$ 416,242

See accompanying notes to unaudited condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Description of Business and Summary of Significant Accounting Policies

(a) Description of Business

EVO, Inc. is a Delaware corporation whose primary asset is its ownership of approximately 57.4% of the membership interests of EVO, LLC as of September 30, 2022. EVO, Inc. was incorporated on April 20, 2017 for the purpose of completing the Reorganization Transactions, in order to consummate the IPO and to carry on the business of EVO, LLC. EVO, Inc. is the sole managing member of EVO, LLC and operates and controls all of the businesses and affairs conducted by EVO, LLC and its subsidiaries (the “Group”).

The Company is a leading payment technology and services provider, offering an array of innovative, reliable, and secure payment solutions to merchants across the Americas and Europe and servicing more than 600,000 merchants across more than 50 markets. The Company supports all major card types in the markets it serves.

The Company provides card-based payment processing services to small and middle market merchants, multinational corporations, government agencies, and other business and nonprofit enterprises located throughout the Americas and Europe. These services enable merchants to accept credit and debit cards and other electronic payment methods as payment for their products and services by providing terminal devices, card authorization, data capture, funds settlement, risk management, fraud detection, and chargeback services. The Company also offers value-added solutions such as gateway solutions, online hosted payments page capabilities, mobile-based SMS integrated payment collection services, security tokenization and encryption solutions at the physical and virtual point-of-sale (“POS”), dynamic currency conversion (“DCC”), Automated Clearing House (“ACH”), Level 2 and Level 3 data processing, management reporting solutions, loyalty programs, and Visa Direct, among other ancillary solutions. Other industry-specific processing capabilities are also in our product suite, such as recurring billing, multi-currency authorization, and cross-border processing and settlement. The Company operates two reportable segments: the Americas and Europe.

(b) Merger with Global Payments Inc.

On August 1, 2022, EVO, Inc. entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Global Payments Inc. (“Global Payments”) and Falcon Merger Sub, Inc., a wholly-owned subsidiary of Global Payments (“Merger Sub”). Subject to the terms and conditions of the Merger Agreement, Global Payments has agreed to acquire EVO, Inc. in an all-cash transaction for $34.00 per share of Class A common stock. Pursuant to the Merger Agreement, Merger Sub will merge with and into EVO, Inc. (the “Merger”) with EVO, Inc. surviving the Merger as a wholly-owned subsidiary of Global Payments. Upon the consummation of the Merger, EVO, Inc. will cease to be a publicly traded company.

The Merger Agreement contains representations, warranties, covenants, closing conditions, and termination rights customary for transactions of this type. Until the earlier of the termination of the Merger Agreement and the effective time of the Merger, the Company has agreed to operate in the ordinary course of business and has agreed to certain other operating covenants, as set forth in the Merger Agreement.

The waiting period applicable under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (“HSR Act”), expired on October 17, 2022 and on October 26, 2022, our stockholders approved a proposal to adopt the Merger Agreement, thereby satisfying two of the closing conditions contained in the Merger Agreement. The consummation of the Merger remains subject to the satisfaction or, to the extent permitted by law, waiver of other customary closing conditions, including, (i) the receipt of certain additional competition and other regulatory approvals outside of the United States, (ii) the lack of any governmental authority restraining, enjoining or otherwise prohibiting the Merger, and (iii) the absence of a “Material

Adverse Effect" (as defined in the Merger Agreement) with respect to EVO, Inc. The Company currently expects the Merger to be completed by the end of the first fiscal quarter of 2023.

(c) Basis of Presentation and Use of Estimates

Certain prior period amounts have been reclassified to conform to the current period presentation where applicable.

The accompanying unaudited condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021, the unaudited condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2022 and 2021, the unaudited condensed consolidated statements of changes in equity (deficit) for the three and nine months ended September 30, 2022 and 2021, and the unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2022 and 2021 reflect all adjustments that are of a normal, recurring nature and that are considered necessary for a fair presentation of the results for the periods shown in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the applicable rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") for interim financial reporting periods. Accordingly, certain information and footnote disclosures have been condensed or omitted in accordance with SEC rules that would ordinarily be required under U.S. GAAP for complete financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported assets and liabilities, as of the date of the unaudited condensed consolidated financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Estimates used for accounting purposes include, but are not limited to, valuation of redeemable non-controlling interests ("RNCI"), evaluation of realizability of deferred tax assets, determination of liabilities under the tax receivable agreement, determination of liabilities and corresponding right-of-use assets arising from lease agreements, determination of assets or liabilities arising from derivative transactions, determination of fair value of share-based compensation, establishment of severance liabilities, establishment of allowance for doubtful accounts, and assessment of impairment of goodwill and intangible assets.

(d) Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company. As the sole managing member of EVO, LLC, the Company exerts control over the Group. In accordance with Accounting Standards Codification ("ASC") 810, *Consolidation*, EVO, Inc. consolidates the Group's financial statements and records the interests in EVO, LLC that it does not own as non-controlling interests. All intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for investments over which it has significant influence, but not a controlling financial interest using the equity method of accounting.

(e) Cash and Cash Equivalents, Restricted Cash, Settlement Related Cash and Merchant Reserves

Cash and cash equivalents include all cash balances and highly liquid securities with original maturities of three months or less. Cash balances often exceed federally insured limits; however, concentration of credit risk is limited due to the payment of funds on the same day or the day following receipt in satisfaction of the settlement process. Included in cash and cash equivalents are settlement-related cash and merchant reserves.

Settlement-related cash represents funds that the Company holds when the incoming amount from the card networks precedes the funding obligation to the merchant. Settlement-related cash balances are not restricted; however, these funds are generally paid out in satisfaction of settlement processing obligations and therefore are not available for general purposes. As of September 30, 2022 and December 31, 2021, settlement-related cash balances were $134.3 million and $133.3 million, respectively.

Merchant reserves represent funds collected from the Company's merchants that serve as collateral to minimize contingent liabilities associated with any losses that may occur under the respective merchant agreements. While this cash is not restricted in its use, the Company believes that maintaining merchant reserves to collateralize merchant losses strengthens its fiduciary standings with its card network sponsors and is in accordance with the guidelines set by the card networks. As of September 30, 2022 and December 31, 2021, merchant reserves were $94.3 million and $101.6 million, respectively.

Restricted cash represents funds held as a liquidity reserve at our Chilean subsidiary, as required by local regulations.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the unaudited condensed consolidated balance sheets to the total amount shown in the unaudited condensed consolidated statements of cash flows:

	September 30, 2022	December 31, 2021
	(In thousands)	
Cash and cash equivalents	$ 429,760	$ 410,368
Restricted cash included in other assets	503	247
Total cash, cash equivalents, and restricted cash shown in the unaudited condensed consolidated statements of cash flows	$ 430,263	$ 410,615

(f) Derivatives

The Company recognizes derivatives on the consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of a particular derivative, whether the Company has elected to designate or not designate such derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting.

Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a cash flow hedge. Investments in foreign operations with functional currencies other than the reporting currency are subject to foreign currency risk as foreign instruments are remeasured each period resulting in fluctuations in the cumulative translation adjustment (CTA) section within other comprehensive loss. Net investment hedge accounting offers protection from remeasurement risk as changes in fair value of the derivative are also recorded in CTA. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

The Company uses a forward contract, foreign currency swap, and window forward contracts to mitigate its exposure to fluctuations in foreign currency exchange rates. The Company elected not to designate the instruments as a hedge and they are not subject to hedge accounting.

The Company entered into a cross currency swap to hedge the risk of fluctuations in the exchange rate related to a net investment in a foreign subsidiary. The Company designated the cross currency swap as a net investment hedge. Changes in the fair value of a net investment hedge are recorded in accumulated other comprehensive loss and reclassified into earnings when the hedged net investment is sold or substantially liquidated. Components excluded from the assessment of effectiveness will be recognized in earnings using a systematic and rational method over the life of the hedging instrument.

Changes in the fair value of a derivative that is designated as, and meets all the required criteria for, a cash flow hedge are recorded in accumulated other comprehensive loss and reclassified into earnings as the underlying hedged item affects earnings. Changes in the fair value of a derivative that is not designated as a cash flow hedge are recorded as a component of other income (expense).

Refer to Note 14, "Derivatives," and Note 18, "Fair Value," for further information on the derivative instruments.

(g) Recent Accounting Pronouncements

New accounting pronouncements issued by the Financial Accounting Standards Board (the "FASB") or other standards setting bodies are adopted as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial statements upon adoption.

Recently Adopted Accounting Pronouncement

Convertible Instruments and Contracts in an Entity's Own Equity

In August 2020, the FASB issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This update simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The Company adopted this ASU on January 1, 2022. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform*, with amendments in 2021. This update provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur on a prospective basis no later than December 31, 2022. In June 2020, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. The Company will continue to evaluate the effect of the discontinuance of LIBOR on our outstanding debt and hedging instrument and the related effect of ASU 2020-04 on our consolidated financial statements, as applicable.

Acquired Contract Assets and Liabilities in Business Combinations

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This update requires entities to recognize and measure contract assets and liabilities acquired in a business combination in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is effective for fiscal periods beginning after December 15, 2022, including interim periods within those years, with early adoption permitted. The guidance will be applied prospectively to acquisitions occurring on or after the effective date. The Company will continue to evaluate the impact of this ASU, which will depend on the contract assets and liabilities acquired in future business combinations.

(h) Correction to previously reported consolidated statements of cash flows

The Company has revised the financing section of its unaudited condensed consolidated statements of cash flows to separately classify net repayments on its settlement lines of credit of approximately $1.4 million for the nine months ended September 30, 2021. As a result, the accompanying unaudited condensed consolidated statements of cash flows have been revised to correct this immaterial classification error by decreasing previously reported proceeds from long-term debt by approximately $5.1 million, and decreasing previously reported repayments of long-term debt by approximately $6.5 million, for the nine months ended September 30, 2021. This revision had no effect on our previously reported net cash flows from financing activities, or on any other previously reported amounts in our unaudited condensed consolidated financial statements for the nine months ended September 30, 2021.

(i) Termination of marketing alliance agreement

The Company recognized income from liquidated damages of €7.0 million ($6.9 million, based on the foreign exchange rate as of the date presented) in other operating income in the unaudited condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2022, as a result of the termination of the marketing alliance agreement with Liberbank, S.A. ("Liberbank"). The net book value of the marketing alliance agreement intangible asset was zero as of September 30, 2022. Refer to Note 9, "Goodwill and Intangible Assets," for further information.

(2) Revenue

The Company primarily earns revenue from payment processing services, and has contractual agreements with its customers that set forth the general terms and conditions of the service relationship, including line item pricing, payment terms and contract duration.

The Company also earns revenue from the sale and rental of electronic POS equipment. The revenue recognized from the sale and rental of POS equipment totaled $8.4 million and $9.7 million for the three months ended September 30, 2022 and 2021, respectively. The revenue recognized from the sale and rental of POS equipment totaled $27.5 million and $29.3 million for the nine months ended September 30, 2022 and 2021, respectively.

The Company disaggregates revenue based on reporting segment and division. The Company's divisions are as follows:

- *Direct* – Represents the direct solicitation of merchants through referral relationships, including financial institutions and the Company's direct sales channel. The Company has long-term, exclusive referral relationships with leading international financial institutions that represent thousands of branch locations which actively pursue new merchant relationships on the Company's behalf. The Company also utilizes a direct sales team, including outbound telesales, to build and maintain relationships with its merchants and referral partners. The Company also has referral arrangements with independent sales organizations ("ISOs") that refer merchants to the Company.

- *Tech-enabled* – Represents merchants requiring a technical integration at the point of sale between the Company and a third party software vendor whereby the third party passes information to our systems to enable payment processing. These merchant acquiring arrangements are supported by partnerships with independent software providers, integrated software dealers, and eCommerce gateway providers. In the United States, this division also supports business-to-business ("B2B") customers via proprietary solutions sold directly to merchants and via enterprise resource planning software dealers and integrators.

- *Traditional* – Represents the Company's heritage United States portfolio composed primarily of ISO relationships where the merchant portfolio is not actively managed by the Company. The Company is not focused on this sales model and it will represent an increasingly smaller portion of the business over time.

	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
	Americas	Europe (In thousands)	Total	Americas	Europe (In thousands)	Total
Divisions:						
Direct	$ 35,482	$ 44,664	$ 80,146	$ 103,697	$ 125,854	$ 229,551
Tech-enabled	35,002	13,827	48,829	105,009	38,682	143,691
Traditional	9,688	—	9,688	30,018	—	30,018
Totals	$ 80,172	$ 58,491	$ 138,663	$ 238,724	$ 164,536	$ 403,260

	Three Months Ended September 30, 2021			Nine Months Ended September 30, 2021		
	Americas	Europe (In thousands)	Total	Americas	Europe (In thousands)	Total
Divisions:						
Direct	$ 33,688	$ 42,833	$ 76,521	$ 95,041	$ 106,929	$ 201,970
Tech-enabled	34,740	12,784	47,524	99,522	29,697	129,219
Traditional	10,996	—	10,996	32,267	—	32,267
Totals	$ 79,424	$ 55,617	$ 135,041	$ 226,830	$ 136,626	$ 363,456

(3) Settlement Processing Assets and Obligations

Settlement processing assets and obligations represent intermediary balances within the settlement process involving the movement of funds between consumers, card issuers, card networks, the Company, and its merchants. The Company processes funds settlement through two models, the sponsorship model and the direct membership model.

In certain markets, the Company operates under the sponsorship model whereby the Company has a sponsorship agreement with a bank that is a member of the various card networks (collectively, the "Member Banks") providing for the funds settlement by such Member Banks on behalf of the Company related to the transactions processed by the Company through card networks, such as Visa and MasterCard. Under the sponsorship model, it is the responsibility of the Member Bank to ensure that the Company adheres to the standards of the card networks.

In other markets, the Company operates under the direct membership model whereby the Company has direct membership with the various card networks for the funds settlement related to the transactions processed by the Company through the card networks. As a direct member under the direct membership model, it is the responsibility of the Company to adhere to the standards of the card networks.

The card networks operate as an intermediary between the card issuing banks, on the one hand, and, as applicable, either the Member Banks or the Company (under the sponsorship model or the direct membership model, respectively), on the other hand, whereby funds are received by the card issuing banks and remitted to the Member Bank or the Company, as applicable, via the card networks on a daily basis. The Company then remits these funds to its merchants, either through a Member Bank under the sponsorship model, or directly to merchants under the direct membership model. Incoming funds due from the card networks on behalf of the card issuing bank are classified as receivables from card networks in the table below, whereas the funds due from the Company to its merchants are classified as settlement liabilities due to merchants.

The Company enters into agreements with its merchants which outline the fees charged by the Company for processing payment transactions and performing funds settlement. Fees are either settled daily or monthly on a net basis or monthly through an invoice arrangement. Receivables from merchants as presented below represent amounts to be either net settled or invoiced to the Company's merchants related to the various fees associated with the payment processing and funds settlement services provided by the Company.

As described in Note 1, "Description of Business and Summary of Significant Accounting Policies," the Company collects funds from merchants that serve as collateral to mitigate potential future losses, and recognizes a corresponding liability which is presented as merchant reserves within the settlement processing obligations. Refer to the table below.

While receivables from card networks and settlement liabilities due to merchants represent intermediary balances in the transaction settlement process, timing differences, interchange expense, merchant reserves and exception items cause differences between the amount the Company receives through the Member Banks from the card networks and the amount funded to merchants.

A summary of settlement processing assets and obligations is as follows:

	September 30, 2022	December 31, 2021
	(In thousands)	
Settlement processing assets:		
Receivable from card networks	$ 250,481	$ 209,734
Receivable from merchants	91,471	101,947
Totals	$ 341,952	$ 311,681
Settlement processing obligations:		
Settlement liabilities due to merchants	$ (374,443)	$ (320,537)
Merchant reserves	(94,289)	(101,572)
Totals	$ (468,732)	$ (422,109)

(4) Earnings Per Share

The following table sets forth the computation of the Company's basic and diluted earnings per share of Class A common stock, as well as the anti-dilutive shares excluded (in thousands, except share and per share data):

	Three Months Ended September 30,	Nine Months Ended September 30,	Three Months Ended September 30,	Nine Months Ended September 30,
	2022		2021	
Numerator:				
Net income attributable to EVO Payments, Inc.	$ 206	$ 7,142	$ 2,470	$ 4,791
Less: Accrual of redeemable preferred stock paid-in-kind dividends	2,672	7,809	2,511	7,338
Undistributed loss attributable to shares of Class A common stock	$ (2,466)	$ (667)	$ (41)	$ (2,547)
Denominator:				
Weighted-average Class A common stock outstanding	48,151,438	47,853,503	47,380,034	46,979,057
Effect of dilutive securities	—	—	—	—
Total dilutive securities	48,151,438	47,853,503	47,380,034	46,979,057
Earnings per share:				
Basic	$ (0.05)	$ (0.01)	$ (0.00)	$ (0.05)
Diluted	$ (0.05)	$ (0.01)	$ (0.00)	$ (0.05)
Weighted-average anti-dilutive securities:				
Redeemable preferred stock	152,250	152,250	152,250	152,250
Stock options	5,418,294	5,617,149	5,919,024	5,830,193
RSUs	1,711,009	1,671,549	1,367,414	1,368,750
RSAs	—	96	219	486
PSUs	302,374	242,564	—	—
Class C common stock	—	—	—	880,876
Class D common stock	3,755,226	3,773,689	3,798,987	3,040,722

(5) Tax Receivable Agreement

In connection with the IPO, the Company entered into a Tax Receivable Agreement (“TRA”) that requires the Company to make payments to the Continuing LLC Owners that are generally equal to 85% of the applicable cash tax savings, if any, realized as a result of favorable tax attributes that will be available to the Company as a result of the Reorganization Transactions, exchanges of LLC Interests and paired Class C common stock or paired Class D common stock for Class A common stock, purchases or redemptions of LLC Interests, and payments made under the TRA. Payments will occur only after the filing of U.S. federal and state income tax returns and realization of cash tax savings from the favorable tax attributes. Due to net losses attributable to the Company in prior years, there were no realized tax savings attributable to the TRA, therefore no payments have been made related to the TRA obligation.

As a result of the purchases of LLC Interests and the exchanges of LLC Interests and paired shares of Class C common stock and paired Class D common stock for shares of Class A common stock sold in connection with and following the IPO, through September 30, 2022, the Company's deferred tax asset and payment liability pursuant to the TRA were approximately $212.2 million ($175.9 million net of amortization) and $180.4 million, respectively at September 30, 2022, and approximately $211.9 million ($184.1 million net of amortization) and $180.1 million, respectively at December 31, 2021. The Company recorded a corresponding increase to paid-in capital for the difference between the TRA liability and the related deferred tax asset. The amounts recorded as of September 30, 2022, approximate the current estimate of expected tax savings and are subject to change after the filing of the Company's U.S. federal and state income tax returns. Future payments under the TRA with respect to subsequent exchanges would be in addition to these amounts.

For the TRA, the cash savings realized by the Company are computed by comparing the actual income tax liability of the Company to the amount of such taxes the Company would have been required to pay had there been no increase to the tax basis of the assets from member exchanges or sales of LLC Interests, and no tax benefit as a result of the Net Operating Losses ("NOLs") generated by the increase in the Company's tax basis of the assets in EVO, LLC. Subsequent adjustments of the TRA obligations due to certain events (e.g., changes to the expected realization of NOLs or changes in tax rates) will be recognized within other income (expense) in the unaudited condensed consolidated statements of operations and comprehensive loss.

In May 2021, pursuant to the Company's amended and restated certificate of incorporation, each outstanding share of Class C common stock was automatically converted into one share of Class D common stock. Refer to Note 21, "Shareholders' Equity," for further information.

On August 1, 2022, EVO, Inc. entered into the Merger Agreement with Global Payments and Merger Sub. In connection with the execution and delivery of the Merger Agreement, EVO, Inc., EVO, LLC, and certain other parties to the TRA entered into Amendment No. 1 to the Tax Receivable Agreement (the "TRA Amendment"), pursuant to which such parties agreed to certain terms with respect to the treatment of the TRA upon the consummation of the Merger. In the event the Merger Agreement is terminated, the TRA Amendment will no longer be of any force and effect.

(6) Acquisitions

2022 Acquisition

(a) North49 Business Solutions, Inc.

In May 2022, a subsidiary of EVO, Inc. completed the acquisition of 100% of the outstanding shares of North49 Business Solutions, Inc. ("North49"), a certified Sage development partner based in Canada, to provide enhanced B2B integrated payment solutions for Sage customers. North49 is presented in the Company's Americas segment. This acquisition was not significant, individually or in the aggregate, to the Company's financial position, results of operations, or cash flows.

2021 Acquisitions

(a) Anderson Zaks Limited

In July 2021, a subsidiary of EVO, Inc. completed the acquisition of 100% of the outstanding shares of Anderson Zaks Ltd., an omni-channel payment gateway provider based in the United Kingdom. Anderson Zaks Ltd. is presented in the Company's Europe segment. This acquisition was not significant, individually or in the aggregate, to the Company's financial position, results of operations, or cash flows.

(b) Pago Fácil

In June 2021, subsidiaries of EVO, Inc. completed the acquisition of 100% of the outstanding shares of Pago Fácil Tecnologia SpA and PST Pago Fácil SpA (together, "Pago Fácil"), a leading eCommerce payment gateway in Chile, in partnership with its joint venture partner Banco de Crédito e Inversiones ("BCI"). The total consideration paid for the acquisition was \$20.9 million, which includes an upfront payment of \$18.0 million and deferred considerations of \$0.9 million and \$2.0 million payable 9 months and 18 months after the closing date, respectively. The deferred consideration of \$0.9 million was paid in full in March 2022.

The purchase price allocation, which was finalized during the quarter ended June 30, 2022, is provided within the table below:

	As of the acquisition date	Estimated Useful Life
Definite-lived intangible assets	(In thousands)	
Acquired software	$ 9,400	5 years
Customer relationships	3,000	7 years
Trademarks	440	2 years
Non-compete agreement	150	3 years
Deferred tax liabilities	(3,507)	
Other assets, net	855	
Goodwill	10,562	
Total purchase price	$ 20,900	

Goodwill generated from the Pago Fácil acquisition is not deductible for tax purposes. Pago Fácil is presented in the Company's Americas segment.

(7) Leases

The Company's leases consist primarily of real estate and personal property leases throughout the markets in which the Company operates. At contract inception, the Company determines whether an arrangement is or contains a lease, and for each identified lease, evaluates the classification as operating or financing. The Company had no finance leases as of September 30, 2022 and December 31, 2021. Leased assets and obligations are recognized at the lease commencement date based on the present value of fixed lease payments to be made over the term of the lease. Renewal and termination options are factored into determination of the lease term only if the option is reasonably certain to be exercised. The weighted-average remaining lease term was 5.85 years and 6.36 years at September 30, 2022 and December 31, 2021, respectively. The Company had no significant short-term leases as of September 30, 2022 and December 31, 2021.

The Company's leases do not provide a readily determinable implicit interest rate and the Company uses its incremental borrowing rate to measure the lease liability and corresponding right-of-use asset. The incremental borrowing rates were determined based on a portfolio approach considering the Company's current secured borrowing rate adjusted for market conditions and the length of the lease term. The weighted-average discount rates used in the measurement of lease liabilities were 5.48% and 5.81% as of September 30, 2022 and December 31, 2021, respectively.

Operating lease cost is recognized on a straight-line basis over the lease term. Operating lease costs for the three months ended September 30, 2022 and 2021 were \$3.2 million and \$2.6 million, respectively. These costs are included in selling, general, and administrative expenses in the unaudited condensed consolidated statements of operations and comprehensive loss. Operating lease costs for the nine months ended September 30, 2022 and 2021 were \$9.4 million and \$8.1 million, respectively. Total lease costs include variable lease costs of approximately \$0.7 million and \$0.5 million for the three months ended September 30, 2022 and 2021, respectively, which in each case are primarily comprised of costs of maintenance and utilities, and are determined based on the actual costs incurred during the period. Total lease costs include variable lease costs of \$2.0 million and \$1.5 million for the nine months ended September 30, 2022 and 2021, respectively. Variable payments are expensed in the period incurred and not included in the measurement of lease assets and liabilities.

Cash paid for amounts included in the measurement of operating lease liabilities for the nine months ended September 30, 2022 and 2021 was $6.9 million and $7.0 million, respectively, which is included as a component of cash provided by operating activities in the unaudited condensed consolidated statements of cash flows.

As of September 30, 2022, maturities of lease liabilities are as follows:

		(In thousands)
Years ending:		
2022 (remainder of the year)	$	1,800
2023		8,555
2024		8,053
2025		7,536
2026		7,020
2027 and thereafter		12,140
Total future minimum lease payments (undiscounted)		45,104
Less: present value discount		(6,962)
Present value of lease liability	$	38,142

(8) Equipment and Improvements

Equipment and improvements consisted of the following:

	Estimated Useful Lives in Years		September 30, 2022		December 31, 2021
			(In thousands)		
Card processing equipment	3-5	$	168,101	$	155,843
Office equipment	3-5		47,694		44,393
Computer software	3-5		60,039		60,226
Leasehold improvements	various		18,910		17,883
Furniture and fixtures	5-7		5,119		4,433
Totals			299,863		282,778
Less accumulated depreciation			(229,645)		(213,761)
Foreign currency translation adjustment			(7,808)		(511)
Totals		$	62,410	$	68,506

Depreciation expense related to equipment and improvements was $7.7 million and $9.6 million for the three months ended September 30, 2022 and 2021, respectively. Depreciation expense related to equipment and improvements was $24.2 million and $29.5 million for the nine months ended September 30, 2022 and 2021, respectively.

In the nine months ended September 30, 2022, gross equipment and improvements, and accumulated depreciation were each reduced by $8.9 million and $8.3 million, respectively, and in the nine months ended September 30, 2021 by $5.3 million and $4.5 million, respectively, primarily related to asset retirements.

(9) Goodwill and Intangible Assets

Intangible assets, net consist of the following:

	September 30, 2022				
	Gross carrying value	Accumulated amortization	Accumulated impairment charges	Translation and other adjustments	Net
	(In thousands)				
Merchant contract portfolios and customer relationships	$ 297,713	$ (206,615)	$ (5,685)	$ (33,023)	$ 52,390
Marketing alliance agreements	197,412	(93,430)	(7,557)	(24,513)	71,912
Internally developed and acquired software	131,347	(63,824)	(9,324)	(6,767)	51,432
Trademarks, definite-lived	20,851	(14,197)	-	(3,946)	2,708
Non-compete agreements	150	(56)	-	(30)	64
Total	$ 647,473	$ (378,122)	$ (22,566)	$ (68,279)	$ 178,506

	December 31, 2021				
	Gross carrying value	Accumulated amortization	Accumulated impairment charges	Translation and other adjustments	Net
	(In thousands)				
Merchant contract portfolios and customer relationships	$ 297,056	$ (197,187)	$ (5,685)	$ (30,713)	$ 63,471
Marketing alliance agreements	197,412	(79,811)	(7,557)	(20,896)	89,148
Internally developed and acquired software	110,396	(53,110)	(10,191)	(3,236)	43,859
Trademarks, definite-lived	22,068	(13,427)	(901)	(3,596)	4,144
Non-compete agreements	6,612	(6,487)	-	(21)	104
Total	$ 633,544	$ (350,022)	$ (24,334)	$ (58,462)	$ 200,726

Amortization expense related to intangible assets was $13.5 million and $12.4 million for the three months ended September 30, 2022 and 2021, respectively. Amortization expense related to intangible assets was $36.3 million and $34.1 million for the nine months ended September 30, 2022 and 2021, respectively.

As of September 30, 2022, the gross carrying value of non-compete agreements, internally developed software, and definite-lived trademarks were reduced by $6.5 million, $2.2 million, and $1.2 million, respectively, with an offset to accumulated amortization, accumulated impairment charges, and translation and other adjustments, for fully amortized or previously impaired intangible assets.

Due to the Liberbank marketing alliance agreement termination, amortization of the respective intangible asset of $2.5 million was accelerated and as a result, its net book value was zero as of September 30, 2022.

Estimated amortization expense to be recognized during each of the five years subsequent to September 30, 2022:

	(In thousands)
Years ending:	
2022 (remainder of the year)	$ 11,734
2023	40,523
2024	30,665
2025	23,535
2026	16,741
2027 and thereafter	55,308
Total	$ 178,506

For each of the three and nine months ended September 30, 2022 and 2021, there were no impairments.

The following represents intangible assets, net by segment:

	September 30, 2022	December 31, 2021
	(In thousands)	
Intangible assets, net:		
Americas		
Merchant contract portfolios and customer relationships	$ 42,906	$ 49,435
Marketing alliance agreements	51,840	56,996
Internally developed and acquired software	39,881	28,812
Trademarks, definite-lived	1,316	1,497
Non-compete agreements	64	104
Total	136,007	136,844
Europe		
Merchant contract portfolios and customer relationships	9,484	14,036
Marketing alliance agreements	20,072	32,152
Internally developed and acquired software	11,551	15,047
Trademarks, definite-lived	1,392	2,647
Total	42,499	63,882
Total intangible assets, net	$ 178,506	$ 200,726

The change in the carrying amount of goodwill for the nine months ended September 30, 2022, in total and by reportable segment, is as follows:

	Reportable Segment		
	Americas	Europe	Total
		(In thousands)	
Goodwill, gross, as of December 31, 2021	$ 274,930	$ 135,012	$ 409,942
Accumulated impairment losses	—	(24,291)	(24,291)
Goodwill, net, as of December 31, 2021	274,930	110,721	385,651
Business combinations	6,790	—	6,790
Foreign currency translation adjustment	(3,573)	(18,297)	(21,870)
Goodwill, net, as of September 30, 2022	$ 278,147	$ 92,424	$ 370,571

(10) Accounts Payable, Accrued Expenses, and Other Current Liabilities

The Company's accounts payable, accrued expenses, and other current liabilities consisted of the following:

	September 30, 2022	December 31, 2021
	(In thousands)	
Compensation and related benefits	$ 18,847	$ 23,205
Third-party processing and payment network fees	41,313	43,529
Trade payables	7,584	6,089
Taxes payable	31,136	20,399
Commissions payable to third parties	14,219	16,025
Unearned revenue	4,448	4,723
Other	25,178	19,979
Total accounts payable, accrued expenses, and other current liabilities	$ 142,725	$ 133,949

(11) Related Party Transactions

Related party balances consist of the following:

	September 30, 2022	December 31, 2021
	(In thousands)	
Due from related parties, current	$ 601	$ 782
Due to related parties, current	(3,739)	(4,207)
Due to related parties, long-term	(185)	(185)

Due from related parties, current, consists primarily of receivables due from a non-controlling interest holder of a consolidated subsidiary, which are included as a component of other current assets on the unaudited condensed consolidated balance sheets.

Due to related parties, current, consists of $2.9 million and $3.0 million as of September 30, 2022 and December 31, 2021, respectively, primarily due to a non-controlling interest holder of a consolidated subsidiary, and $0.8 million and $1.2 million as of September 30, 2022 and December 31, 2021, respectively, representing commissions payable to unconsolidated investees of the Company. The liability is included as a component of accrued expenses and other current liabilities on the unaudited condensed consolidated balance sheets.

Due to related parties, long-term, consists of ISO commission reserves in connection with an unconsolidated investee, which are included as a component of other long-term liabilities on the unaudited condensed consolidated balance sheets.

The Company leases office space located at 515 Broadhollow Road in Melville, New York from 515 Broadhollow, LLC. 515 Broadhollow, LLC is majority owned, directly and indirectly, by the Company's founder and chairman. As of September 30, 2022 and December 31, 2021, the liability related to this lease amounted to $0.8 million and $1.9 million, respectively, and is included in the operating lease liabilities on the unaudited condensed consolidated balance sheets.

The Company leases vehicles from a non-controlling interest holder of a consolidated subsidiary. As of September 30, 2022 and December 31, 2021, these lease liabilities amounted to $0.2 million and $0.4 million, respectively, and are included in the operating lease liabilities on the unaudited condensed consolidated balance sheets.

A portion of the TRA obligation is payable to members of management and current employees. Refer to Note 5, "Tax Receivable Agreement," for further information on the tax receivable agreement.

Related party commission expense incurred with unconsolidated investees of the Company amounted to $2.8 million and $3.3 million for the three months ended September 30, 2022 and 2021, respectively, and is netted against revenue in the unaudited condensed consolidated statements of operations and comprehensive loss. Related party commission expense incurred with unconsolidated investees of the Company amounted to $9.0 million and $9.7 million for the nine months ended September 30, 2022 and 2021, respectively.

The Company provides certain professional and other services to Blueapple Inc. ("Blueapple"), a member and holder of LLC interests of EVO, LLC. Blueapple is controlled by entities affiliated with the Company's founder and chairman. The expense related to these services was less than $0.1 million for each of the three months ended September 30, 2022 and 2021. The expense related to these services was $0.2 million for each of the nine months ended September 30, 2022 and 2021.

The Company, through two wholly owned subsidiaries and one unconsolidated investee, conducts business under ISO agreements with a relative of the Company's founder and chairman pursuant to which the relative of the Company's founder and chairman provides certain marketing services and equipment in exchange for a commission based on the volume of transactions processed for merchants acquired by the relative of the Company's founder and chairman. For each of the three months ended September 30, 2022 and 2021, the Company paid commissions of less than $0.1 million related to this activity. For the nine months ended September 30, 2022 and 2021, the Company paid commissions of less than $0.1 million and $0.1 million related to this activity, respectively.

NFP is the Company's benefit and insurance broker and 401(k) manager. NFP is a portfolio company of MDP and one of the Company's executive officers owns a minority interest in NFP. For each of the three months ended September 30, 2022 and 2021, the Company paid $0.1 million in brokerage fees and other expenses to NFP. For each of the nine months ended September 30, 2022 and 2021, the Company paid $0.6 million in brokerage fees and other expenses to NFP.

(12) Income Taxes

The Company's effective tax rate ("ETR") was 82.9% and 59.4% for the three and nine months ended September 30, 2022, respectively. The Company's ETR was 53.8% and 64.2% for the three and nine months ended September 30, 2021, respectively. The Company recorded a net discrete tax expense of $6.3 million in the three and nine months ended September 30, 2022. The $6.3 million net discrete tax expense primarily related to changes in uncertain tax positions. The Company recorded a net discrete tax expense of $0.8 million and $4.2 million in the three and nine months ended September 30, 2021. The $4.2 million net discrete tax expense primarily related to a valuation allowance recorded to reduce the deferred tax assets not expected to be realized in Spain. The variance in the ETR for the three and nine months ended September 30, 2022 and 2021 was also impacted by the mix of U.S. and non-U.S. earnings and related tax expense, the tax treatment of income attributable to non-controlling interests and the exclusion of tax benefits related to losses recorded in certain foreign operations. The income attributable to the non-controlling interests is taxable to EVO, LLC's individual owners other than the Company. Income tax liabilities are incurred with respect to foreign operations whereas income of EVO, LLC in the U.S. flows through and is taxable to EVO, LLC's owners.

Management assesses the available and objectively verifiable evidence to estimate whether sufficient future taxable income will be generated to use existing deferred tax assets. A significant piece of objective, negative evidence evaluated was the cumulative loss incurred in certain jurisdictions over the preceding twelve quarters ended September 30, 2022. Such objective evidence limits the ability to consider other subjective evidence such as the Company's projections of future growth. As a result, the Company considered both (i) historical core earnings, after adjusting for certain nonrecurring items, and (ii) the projected future profitability of its core operations and the impact of enacted changes in the application of the interest expense limitation rules beginning in 2022. The Company has established a valuation allowances in the current and prior periods to reduce the carrying amount of deferred tax assets to an amount that is more likely than not to be realized in certain foreign jurisdictions. Release of a valuation allowance would result in the realization of all or a portion of the related deferred tax assets and a decrease to income tax expense for the period in which the release is recorded.

(13) Long-Term Debt and Lines of Credit

Credit Facility

In November 2021, EVO Payments International, LLC ("EPI"), a wholly-owned subsidiary of EVO, Inc., entered into a Second Restatement Agreement to Amended and Restated Credit Agreement (the "Restatement Agreement") by and among EPI, as borrower, the subsidiaries of the borrower identified therein, as guarantors, Citibank, N.A., as administrative agent, Truist Bank, as the successor administrative agent and the lenders party thereto, to amend and restate our existing senior secured credit facilities (as amended and restated by the Restatement Agreement, the "Senior Secured Credit Facilities"). As of September 30, 2022, the Senior Secured Credit Facilities include revolver commitments of $200.0 million that mature in November 2026 and a $588.0 million term loan that matures in November 2026.

As of September 30, 2022, the term loan bears an interest rate of 4.87% and the revolving credit facility had no borrowings outstanding.

As of September 30, 2022 and December 31, 2021, the Company's long-term debt consists of the following:

	September 30, 2022	December 31, 2021
	(In thousands)	
Term loan	$ 576,975	$ 588,000
Less debt issuance costs	(4,487)	(5,310)
Total long-term debt	572,488	582,690
Less current portion of long-term debt, net of current portion of debt issuance costs	(14,092)	(14,058)
Total long-term debt, net of current portion	$ 558,396	$ 568,632

Principal payment requirements on the above obligations in each of the years remaining subsequent to September 30, 2022 are as follows:

Years ending:	(In thousands)
2022 (remainder of the year)	$ 3,675
2023	14,700
2024	29,400
2025	44,100
2026	485,100
2027 and thereafter	—
Total	$ 576,975

The Credit Facilities contain certain customary representations and warranties, affirmative covenants and events of default. If an event of default occurs, the lenders under the Credit Facilities will be entitled to take various actions, including the acceleration of amounts due thereunder and exercise of the remedies on the collateral. As of September 30, 2022, the Company was in compliance with all its financial covenants under the Senior Secured Credit Facilities.

The Company maintains intraday and overnight facilities to fund its settlement obligations. These facilities are short-term in nature, have variable interest rates, are subject to annual review and are denominated in local currency but may, in some cases, facilitate borrowings in multiple currencies. At September 30, 2022 and December 31, 2021, the Company had $3.6 million and $8.0 million outstanding under these lines of credit, respectively, with additional capacity of $127.3 million and $142.6 million, respectively, to fund its settlement obligations. The weighted-average interest rates on these borrowings were 8.3% and 5.2% as of September 30, 2022 and December 31, 2021, respectively.

Refer to Note 13, "Long-Term Debt and Lines of Credit," to the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, for discussion regarding the Company's long-term debt and lines of credit.

(14) Derivatives

Designated Derivatives

Interest Rate Swap

In 2020, the Company entered into an interest rate swap with a notional amount of $500.0 million to reduce a portion of the exposure to fluctuations in LIBOR interest rates associated with our variable-rate term loan. The interest rate swap has a fixed rate of 0.2025% and a maturity date of December 31, 2022.

The interest rate swap is designated as an effective cash flow hedge involving the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreement without exchange of the underlying notional amount.

The Company performed a regression analysis at inception of the hedging relationship in which it compared the historical monthly changes in the termination clean price of the actual designated interest rate swap to the historical monthly changes in the termination clean price of a hypothetically perfect interest rate swap with terms that exactly match the hedged transactions and a fair value of zero at its inception using 37 different forward curves. Based on the regression results, the Company determined that the hedging instrument was highly effective at inception. On an ongoing basis, the Company assesses hedge effectiveness prospectively and retrospectively. The hedge continued to be highly effective for the quarter ended September 30, 2022.

The interest rate swap is recognized at fair value in the consolidated balance sheets. The table below presents the fair value of the interest rate swap and its classification on the unaudited condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021, respectively:

	September 30, 2022		
	Balance Sheet Location	**Fair Value (In thousands)**	
Interest Rate Swap - current portion	Other current assets	$	4,276

	December 31, 2021		
	Balance Sheet Location	**Fair Value (In thousands)**	
Interest Rate Swap - current portion	Other current assets	$	1,297

Since the Company designated the swap as an effective cash flow hedge that qualifies for hedge accounting, unrealized gains or losses resulting from adjusting the swap to fair value is recorded as a component of other comprehensive loss and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings. Cash flows resulting from settlements are presented as a component of cash flows from operating activities within the unaudited condensed consolidated statements of cash flows.

The table below presents the effect of hedge accounting on accumulated other comprehensive loss for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,	Nine Months Ended September 30,	Three Months Ended September 30,	Nine Months Ended September 30,
	2022		2021	
	(In thousands)			
Beginning accumulated derivative gain (loss) in accumulated other comprehensive loss	$ 6,192	$ 1,297	$ (113)	$ (533)
Derivative gain (loss) recognized in the current period in accumulated other comprehensive loss	663	6,220	(250)	(36)
Less: Derivative gain (loss) reclassified from accumulated other comprehensive loss to interest expense	2,579	3,241	(131)	(337)
Ending accumulated derivative gain (loss) in accumulated other comprehensive loss	$ 4,276	$ 4,276	$ (232)	$ (232)

The table below presents the effect of hedge accounting on the unaudited condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,	Nine Months Ended September 30,	Three Months Ended September 30,	Nine Months Ended September 30,
	2022		2021	
	(In thousands)			
Total interest expense including the effects of cash flow hedges	$ (4,260)	$ (12,634)	$ (6,123)	$ (18,282)
Derivative gain (loss) reclassified from accumulated other comprehensive loss into interest expense	$ 2,579	$ 3,241	$ (131)	$ (337)

The Company estimates that an additional $4.3 million will be reclassified as a decrease to interest expense over the remaining months through expiration.

Cross Currency Swap

In April 2022, the Company entered into a float-to-float cross currency swap to hedge the risk of fluctuations in the exchange rate related to a net investment in a foreign subsidiary. The Company will deliver a notional amount of $26.2 million and receive a notional amount of EUR 25.0 million on the initial exchange date of November 15, 2022 and will deliver EUR 25.0 million and receive $26.2 million on the maturity date of November 15, 2027.

The cross currency swap is designated as a net investment hedge involving the receipt of functional currency floating rate amounts from a counterparty in exchange for the Company making foreign currency floating rate payments over the life of the agreement. The loss on the swap prior to designation was recorded in prior-period earnings.

The cross currency swap is recognized at fair value in the consolidated balance sheets. The table below presents the fair value of the cross currency swap and its classification on the unaudited condensed consolidated balance sheets as of September 30, 2022:

	September 30, 2022	
	Balance Sheet Location	Fair Value (In thousands)
Cross Currency Swap - current portion	Other current assets	$ 491
Cross Currency Swap - long-term portion	Other long-term liabilities	$ (337)

The Company recognized in earnings the initial value of the component excluded from the assessment of effectiveness using a systematic and rational method over the life of the hedging instrument. Any changes in the fair value of a net investment hedge are recorded in accumulated other comprehensive loss and reclassified into earnings when the hedged net investment is sold or substantially liquidated.

The table below presents the effect of the Company's net investment hedge on accumulated other comprehensive loss for the three and nine months ended September 30, 2022:

	Amount of Gain (Loss) Recognized in OCI	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income
	Three Months Ended September 30, 2022 (In thousands)		
Cross Currency Swap	$ (173)	Interest expense	$ —

	Amount of Gain (Loss) Recognized in OCI	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income
	Nine Months Ended September 30, 2022 (In thousands)		
Cross Currency Swap	$ 480	Interest expense	$ —

Non-designated Derivatives

In June 2021, the Company entered into a foreign currency swap and window forward contracts with notional amounts of approximately $31.0 million and $67.8 million, respectively, to mitigate exposure to fluctuations in foreign currency exchange rates related to certain foreign intercompany balances. Each of the foreign currency swap and the window forward contracts were settled during the third quarter in 2021.

In April 2022, the Company entered into a forward contract to mitigate exposure to fluctuations in foreign currency exchange rates related to certain foreign intercompany balances. The terms of the contract provide for an exchange of a notional amount of GBP 34.5 million for MXN 960.1 million, calculated using the contract rate as applicable at the settlement date.

The forward contract is recognized at fair value in the consolidated balance sheets. The table below presents the fair value of the forward contract and its classification on the unaudited condensed consolidated balance sheets as of September 30, 2022:

	Settlement Date	September 30, 2022 Balance Sheet Location	September 30, 2022 Fair Value (In thousands)
Forward Contract	April 13, 2023	Other current assets	$ 7,493

The Company did not designate the forward contract, foreign currency swap, and window forward contracts as an accounting hedge. Any realized and unrealized gains or losses resulting from adjusting the swap and forwards to fair value are recorded as a component of other income (expense), to offset the realized and unrealized gains or losses recorded within other income (expense) from the remeasurement of the intercompany balance being hedged. Cash flows resulting from the settlements will be presented as a component of cash flows from operating activities within the unaudited condensed consolidated statements of cash flows.

The table below presents the realized and unrealized gains (losses) on the unaudited condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2022:

	Realized/ Unrealized Gain (Loss)	Location of Gain (Loss)	Three Months Ended September 30,	Nine Months Ended September 30,	Three Months Ended September 30,	Nine Months Ended September 30,
			2022		2021	
			(In thousands)			
Forward Contract	Unrealized gain	Other income	$ 4,725	$ 7,493	$ —	$ —
Foreign Currency Swap	Realized loss	Other expense	—	—	(13)	(13)
Window Forwards	Realized loss	Other expense	—	—	(43)	(43)

(15) Supplemental Cash Flows Information

Supplemental cash flow disclosures and non-cash investing and financing activities are as follows:

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(In thousands)	
Supplemental disclosure of cash flow data:		
Interest paid	$ 11,958	$ 16,437
Income taxes paid	8,990	7,855
Supplemental disclosure of non-cash investing and financing activities:		
Operating lease liabilities arising from obtaining new or modified right-of-use assets	$ 9,583	$ 2,572
Decrease in operating lease liabilities and corresponding right-of-use assets resulting from lease modifications	—	(3,157)
Software and equipment assets acquired by assuming directly related liabilities	1,254	—
Deferred consideration payable	5,182	3,438
Contingent consideration payable	—	471
Accrual of redeemable preferred stock paid-in-kind-dividends	7,809	7,338
Exchanges of Class C and Class D common stock for Class A common stock	1,895	15,038

(16) Redeemable Preferred Stock

On April 21, 2020, the Company issued 152,250 shares of Preferred Stock. The Company received approximately $149.3 million in total net proceeds from the sale of the Preferred Stock and incurred approximately $1.7 million in stock issuance costs as part of the sale.

The Preferred Stock ranks senior to the Class A common stock with respect to dividends and distributions on liquidation, winding-up, and dissolution. Each share of Preferred Stock had an initial liquidation preference of $1,000 per share. Holders of shares of Preferred Stock are entitled to cumulative, paid-in-kind ("PIK") dividends, which are payable semi-annually in arrears by increasing the liquidation preference for each outstanding share of Preferred Stock. These PIK dividends accrue at an annual rate of (i) 6.00% per annum for the first ten years and (ii) 8.00% per annum thereafter. At the 2021 annual meeting of stockholders, the Company's stockholders voted to approve the elimination of the limitation on conversion of the Preferred Stock in the event the conversion results in Class A Common Stock ownership in excess of 19.99% if the aggregate voting power as required by Nasdaq Listing Rule 5635. Holders of Preferred Stock are also entitled, on an as-converted basis, to participate in and receive any dividends declared or paid on the Class A Common Stock, and no dividends may be paid to holders of Class A Common Stock unless full participating dividends are concurrently paid to holders of Preferred Stock.

The Preferred Stock's initial carrying value is recorded at a discount to its liquidation preference. In accordance with the SEC's Staff Accounting Bulletin Topic 5.Q, *Increasing Rate Preferred Stock*, the discount is considered an unstated dividend cost that must be amortized over the period preceding commencement of the perpetual dividend using the effective interest method, by charging the imputed dividend cost against retained earnings and increasing the carrying amount of the preferred stock by a corresponding amount. The discount is therefore being amortized over ten years using a 6.22% effective interest rate. The total PIK dividends and accretion of the discount combined represents a period's total preferred stock dividend cost, which is subtracted from net income or added to net loss to arrive at net loss attributable to Class A common stockholders on the unaudited condensed consolidated statements of operations and comprehensive loss. For the three and nine months ended September 30, 2022, the carrying value of the preferred stock has been increased by $2.7 million and $7.8 million, respectively, for the accretion of the PIK dividend. For the three and nine months ended September 30, 2021, the carrying value of the preferred stock has been increased by $2.5 million and $7.3 million, respectively, for the accretion of the PIK dividend.

Each holder of Preferred Stock has the right, at its option, to convert its Preferred Stock, in whole or in part, into fully paid and non-assessable shares of Class A Common Stock, at any time. The number of shares of Class A Common Stock into which a share of Preferred Stock will convert at any time is equal to the product of (i) the then-effective conversion rate and (ii) the quotient obtained by dividing the sum of the then-effective liquidation preference per share of Preferred Stock and the amount of any accrued and unpaid PIK dividends by the initial liquidation preference of $1,000. The conversion rate of the Preferred Stock was initially set at 63.2911 shares of Class A Common Stock, based on an implied conversion price of $15.80 per share of Class A Common Stock. The conversion rate is subject to customary anti-dilution adjustments, including in the event of any stock split, stock dividend, recapitalization or similar events. The Company has the right to settle any conversion at the request of a holder of Preferred Stock in cash based on the last reported sale price of the Class A Common Stock.

Subject to certain conditions, the Company may, at its option, require conversion of all (but not less than all) of the outstanding shares of Preferred Stock to Class A Common Stock if, for at least 20 trading days during the 30 consecutive trading days immediately preceding notification of the election to convert, the last reported closing price of the Company's Class A common stock is at least (i) 180% of the conversion price prior to the fourth semi-annual PIK dividend payment date, (ii) 170% of the conversion price on or after the fourth and prior to the sixth semi-annual PIK dividend payment date, (iii) 160% of the conversion price on or after the sixth and prior to the eighth semi-annual PIK dividend payment date, or (iv) 150% of the conversion price on or after the eighth semi-annual PIK dividend payment date. If the Company elects to mandatorily convert all outstanding shares of Preferred Stock prior to the sixth semi-annual PIK dividend payment date, then, for purposes of such conversion, the liquidation preference of each outstanding share of Preferred Stock will be increased by the compounded amount of all remaining scheduled PIK dividend payments on the Preferred Stock through, and including, the sixth semi-annual PIK dividend payment date.

The holders of the Preferred Stock are generally entitled to vote with the holders of the shares of Class A common stock on all matters submitted for a vote to the Class A common stockholders (voting together with the holders of shares of Class A common stock as one class) on an as-converted basis, subject to certain limitations.

The Preferred Stock may be redeemed by the Company at any time after ten years for a cash purchase price equal to the liquidation preference as of the redemption date plus accumulated and unpaid regular PIK dividends. If the Company undergoes a change of control (as defined in the certificate of designations for the Preferred Stock), each holder of Preferred Stock may require the Company to repurchase all or a portion of its then-outstanding shares of Preferred Stock for cash consideration equal to 150% of the then-current liquidation preference per share of Preferred Stock plus accumulated and unpaid dividends, if any (or, if the repurchase date for such change of control is on or after the sixth semi-annual PIK dividend payment date, 100% of the liquidation preference per share of Series A Preferred Stock plus accumulated and unpaid dividends, if any). Because the occurrence of a change of control may be outside of the Company's control, the Company has classified the Preferred Stock as mezzanine equity on the unaudited condensed consolidated balance sheets. If a change of control were to occur as of September 30, 2022, the Company might have been required to repurchase the Preferred Stock for $263.8 million. As of September 30, 2022, the Company believed that the occurrence of a change of control outside of the Company's control that would trigger the right of the holder of Preferred Stock to require the Company to repurchase all or a portion of the Preferred Stock for cash was not probable, as the occurrence of a business combination as defined under generally accepted accounting principles would not be considered probable until it has been consummated. Therefore, the Preferred Stock is not accreted to the current redemption value.

(17) Redeemable Non-controlling Interests

The Company owns 66% of eService, the Company's Polish subsidiary. The eService shareholders' agreement includes a provision whereby PKO Bank Polski, the owner of 34% of eService, has the option to compel the Company to purchase the shares of eService held by PKO Bank Polski, at a price per share based on the fair value of the shares. The option expires on January 1, 2024. Because the exercise of this option is not solely within the Company's control, the Company has classified this interest as RNCI and presents the redemption value within the mezzanine equity section of the unaudited condensed consolidated balance sheets. At each balance sheet date, the RNCI is reported at its redemption value, which represents the estimated fair value, with a corresponding adjustment to additional paid-in capital, or accumulated deficit in absence of additional paid-in capital.

In October 2020, the Company, through its Mexican subsidiary, formed a joint venture with BCI, pursuant to which the Company owns 50.1% and BCI owns 49.9% of the equity of the Chilean subsidiary pursuant to the terms of a shareholders agreement between the parties. Under the shareholders agreement, BCI has the option to compel the Company to purchase BCI's shares in the Chilean subsidiary at a price per share based on the fair value of the shares. The option becomes effective two years after the agreement date. Because the exercise of this option is not solely within the Company's control, the Company has classified this interest as RNCI and presents the redemption value within the mezzanine equity section of the unaudited condensed consolidated balance sheets. At each balance sheet date, the RNCI is reported at its redemption value, which represents the estimated fair value, with a corresponding adjustment to additional paid-in capital, or accumulated deficit in absence of additional paid-in capital.

As of September 30, 2022, EVO, Inc. owns 57.4% of EVO, LLC. The EVO, LLC operating agreement includes a provision whereby Blueapple may deliver a sale notice to EVO, Inc., upon receipt of which EVO, Inc. will use its commercially reasonable best efforts to pursue a public offering of shares of its Class A common stock and use the net proceeds therefrom to purchase LLC Interests from Blueapple. Upon receipt of such a sale notice, the Company may elect, at the Company's option (determined solely by its independent directors (within the meaning of the rules of the Nasdaq stock market) who are disinterested), to cause EVO, LLC to instead redeem the applicable LLC Interests for cash; provided that Blueapple consents to any election by the Company to cause EVO, LLC to redeem the LLC Interests based on the fair value of the Company's Class A common shares on such date. Because this option is not solely within the Company's control, the Company has classified this interest as RNCI and reports the RNCI at redemption value, which represents the fair value, as temporary within the mezzanine equity section of the unaudited condensed consolidated balance sheets. The changes in redemption value are recorded with a corresponding adjustment to additional paid-in capital, or accumulated deficit in the absence of additional paid-in capital.

The following table details the components of RNCI for the nine months ended September 30, 2022 and for the year ended December 31, 2021:

	Blueapple	eService	Chile	Total
		(In thousands)		
Beginning balance, January 1, 2022	$ 823,386	$ 198,531	$ 7,173	$ 1,029,090
Contributions	—	—	2,133	2,133
Distributions	—	(8,670)	—	(8,670)
Net income (loss) attributable to RNCI	3,183	9,951	(1,095)	12,039
Unrealized loss on foreign currency translation adjustment	(17,559)	(10,036)	(393)	(27,988)
Unrealized gain on change in fair value of interest rate swap	1,151	—	—	1,151
Unrealized gain on change in fair value of cross currency swap	185	—	—	185
Increase in the maximum redemption amount of RNCI	268,189	19,569	—	287,758
Allocation of eService fair value RNCI adjustment to Blueapple	(7,488)	—	—	(7,488)
Ending balance, September 30, 2022	$ 1,071,047	$ 209,345	$ 7,818	$ 1,288,210

	Blueapple	eService	Chile	Total
		(In thousands)		
Beginning balance, January 1, 2021	$ 868,738	$ 186,436	$ 459	$ 1,055,633
Contributions	—	—	1,487	1,487
Distributions	—	(13,655)	—	(13,655)
Net income (loss) attributable to RNCI	47	10,329	(1,595)	8,781
Unrealized loss on foreign currency translation adjustment	(10,313)	(5,045)	(721)	(16,079)
Unrealized gain on change in fair value of interest rate swap	707	—	—	707
(Decrease) increase in the maximum redemption amount of RNCI	(25,009)	20,466	7,543	3,000
Allocation of eService fair value RNCI adjustment to Blueapple	(7,869)	—	—	(7,869)
Allocation of Chile fair value RNCI adjustment to Blueapple	(2,915)	—	—	(2,915)
Ending balance, December 31, 2021	$ 823,386	$ 198,531	$ 7,173	$ 1,029,090

(18) Fair Value

The table below presents information about items, which are carried at fair value on a recurring basis:

	September 30, 2022 (In thousands)			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 43,003	$ —	$ —	$ 43,003
Contingent consideration	—	—	(377)	(377)
Blueapple RNCI	(1,071,047)	—	—	(1,071,047)
eService RNCI	—	—	(209,345)	(209,345)
Chile RNCI	—	—	(7,818)	(7,818)
Interest rate swap	—	4,276	—	4,276
Cross currency swap	—	154	—	154
Forward contract	—	7,493	—	7,493
Investment in equity securities	—	30,627	—	30,627
Total	$ (1,028,044)	$ 42,550	$ (217,540)	$ (1,203,034)

	December 31, 2021 (In thousands)			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 95,919	$ —	$ —	$ 95,919
Contingent consideration	—	—	(611)	(611)
Blueapple RNCI	(823,386)	—	—	(823,386)
eService RNCI	—	—	(198,531)	(198,531)
Chile RNCI	—	—	(7,173)	(7,173)
Interest rate swap	—	1,297	—	1,297
Investment in equity securities	—	25,398	—	25,398
Total	$ (727,467)	$ 26,695	$ (206,315)	$ (907,087)

Cash equivalents consist of a money market fund that is valued using a market price in an active market (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Contingent consideration relates to potential payments that the Company may be required to make associated with acquisitions. The fair values are based on the present value of expected payments made to the acquired businesses in accordance with the provisions outlined in the respective purchase agreements. These estimates are based on inputs not observable in the market and thus represent a Level 3 measurement.

The estimated fair value of Blueapple's RNCI is derived from the closing stock price of the Company's Class A common stock on the last day of the period.

The estimated fair value of eService's RNCI is determined utilizing an income approach, weighted at 50%, based on the forecasts of expected future cash flows, and the market approach, weighted at 50%, based on the guideline public company data. In applying the income approach, significant unobservable inputs included (i) the weighted-average cost of capital ("WACC") used to discount the future cash flows, which was 14.0%, based on the markets in which the business operates and (ii) growth rates used within the future cash flows, which were up to 11.5%, based on historic trends, current and expected market conditions, and management's forecast assumptions. A future increase in the WACC would result in a decrease in the fair value of RNCI in eService. Conversely, a decrease in the WACC would result in an increase in the fair value of RNCI in eService. In applying the market approach, the ranges of the valuation multiples as of September 30, 2022 were 5.25x-5.75x and 9.25x-10.75x for revenue and EBITDA, respectively.

The estimated fair value of Chile’s RNCI is determined utilizing an income approach, weighted at 50%, based on the forecasts of expected future cash flows, and the market approach, weighted at 50%, based on the guideline public company data. In applying the income approach, significant unobservable inputs included (i) the WACC used to discount the future cash flows, which was 17.0%, based on the markets in which the business operates and (ii) growth rates used within the future cash flows, which were up to 17.9%, based on historic trends, current and expected market conditions, and management’s forecast assumptions. A future increase in the WACC would result in a decrease in the fair value of RNCI in Chile. Conversely, a decrease in the WACC would result in an increase in the fair value of RNCI in Chile. In applying the market approach, the valuation multiples as of September 30, 2022 were 1.75x and 6.00x for revenue and EBITDA, respectively.

In May 2020, the Company entered into an interest rate swap to reduce a portion of the exposure to fluctuations in LIBOR interest rates associated with its variable-rate debt. The fair value of the interest rate swap was determined based on the present value of the estimated future net cash flows using the LIBOR forward rate curve as of September 30, 2022. The future interest rates are derived from observable market interest rate curves and thus fall within Level 2 of the valuation hierarchy. The credit valuation adjustment associated with the derivative, related to the likelihood of default by the Company and the counterparty, was not significant to the overall valuation. As a result, the fair value of the interest rate swap is classified as Level 2 of the fair value hierarchy. As described in Note 14, “Derivatives,” the fair value of the interest rate swap was a $4.3 million asset and $1.3 million asset at September 30, 2022 and December 31, 2021, respectively.

In April 2022, the Company entered into a cross currency swap to hedge the risk of fluctuations in the exchange rate related to a net investment in a foreign subsidiary. The fair value of the cross currency swap was determined based on the cash flows of the swap contract, forward foreign exchange points and interest rate market data, which are derived from readily observable market inputs. The credit valuation adjustment associated with the derivative, related to the likelihood of default by the Company and the counterparty, was significant to the overall valuation. As a result, the fair value of the cross currency swap is classified as Level 2 of the fair value hierarchy. As described in Note 14, “Derivatives,” the fair value of the cross currency swap was a $0.2 million asset at September 30, 2022.

In April 2022, the Company entered into a forward contract to mitigate exposure to fluctuations in foreign currency exchange rates related to certain foreign intercompany balances. The fair value of the forward contract was determined based on an estimate of the expected cash flows using the mark-to-market rate as of September 30, 2022. The Company also considers counterparty credit risk in the determination of fair value. The mark-to-market rates are derived from observable inputs and thus fall within Level 2 of the valuation hierarchy. As described in Note 14, “Derivatives,” the fair value of the forward contract was a $7.5 million asset at September 30, 2022.

The Company was a member of Visa Europe Limited (“Visa Europe”) through certain of the Company’s subsidiaries in Europe. In 2016, Visa Inc. (“Visa”) acquired all of the membership interests in Visa Europe. As part of the proceeds from the sale of its membership interests, one of the Company’s subsidiaries received shares of Visa Series C preferred stock and another subsidiary received economic rights relating to shares of Visa Series C preferred stock under a contractual arrangement with a former member of Visa Europe.

The Visa Series C preferred stock is convertible into Visa Series A preferred stock at periodic intervals over the 12 year period following the acquisition date at Visa’s discretion. In July 2022 and September 2020, Visa issued a partial conversion and conversion adjustment with respect to its Series C preferred stock. Pursuant to the partial conversion and conversion adjustment, holders of Series C preferred stock received shares of Series A preferred stock and the conversion ratio for such holder’s shares of Series C preferred stock was reduced. The Series A preferred stock is convertible into shares of Visa Class A common stock upon a transfer to any holder that is eligible to hold Visa Class A common stock. Holders of Series A preferred stock are able to effectuate a transfer to an eligible holder through a sales facility established by Visa’s transfer agent or through a third party broker.

The Visa Series A preferred stock, which is presented in investments in equity securities on the unaudited condensed consolidated balance sheets, is reported at fair value. In connection with the measurement of the investment in Visa Series A preferred stock at fair value, the Company recognized a gain of $4.4 million and $2.1 million for the three and nine months ended September 30, 2022, respectively, and a loss of $1.3 million and a gain of $1.0 million for the three and nine months ended September 30, 2021, respectively. The fair value of Visa Series A preferred stock is determined using a market approach based on the quoted market price of Visa Class A common stock, and as a result is classified as Level 2 of the fair value hierarchy.

The remaining Visa Series C preferred stock is carried at cost in the amount of €3.5 million and €6.5 million ($4.0 million and $7.4 million based on the foreign exchange rate at the time of the acquisition) as of September 30, 2022 and December 31, 2021, respectively, and is presented in other assets on the unaudited condensed consolidated balance sheets. The estimated fair value of the remaining Visa Series C preferred stock of $8.9 million and $20.3 million as of September 30, 2022 and December 31, 2021, respectively, is based upon inputs classified as Level 3 of the fair value hierarchy. These inputs include the fair value of Visa Class A common stock as of September 30, 2022, the conversion factor of Visa Series C preferred stock to Visa Class A common stock, and a discount due to the lack of liquidity, which represents a measure of fair value that is unobservable or requires management's judgment.

The estimated fair value of receivables, settlement processing assets and obligations, due to and from related parties and settlement lines of credit approximate their respective carrying values due to their short term nature.

The estimated fair value of long-term debt as of September 30, 2022 and December 31, 2021 was $577.0 million and $588.0 million, respectively, which approximated its carrying value as long-term debt bore interest based on prevailing variable market rates and as such was categorized as a Level 2 in the fair value hierarchy.

There were no transfers in or out of Level 3 from other levels in the fair value hierarchy as of September 30, 2022 and December 31, 2021.

(19) Commitments and Contingencies

Litigation

One of the Company's financial institution referral partners, Grupo Banco Popular, was acquired by Santander in June 2017, which has adversely impacted the Company's business in Spain. Revenues from this channel have declined significantly due primarily to reduced merchant referrals following Santander's consolidation of Grupo Banco Popular branches and the bank's lack of performance of certain of its obligations under our agreements. The Company believes that its agreements with Santander, including the bank's referral obligations, remain in full force and effect and the Company is pursuing the contractual and legal remedies available to the Company as it works to resolve these and other matters.

In December 2020, the Company filed a claim in the Court of First Instance in Madrid, Spain seeking recovery in connection with Santander's breach of certain of its exclusivity, non-compete and merchant referral obligations under the commercial agreements between the parties. The matter has been scheduled for trial commencing in November 2022 and the Company cannot at this time determine the likelihood of any outcome or any damages that may be awarded to it. There can be no assurance as to when or if the Company will recover the amounts to which the Company believes it is entitled.

As previously disclosed, following announcement of the Merger, ten purported stockholders of EVO, Inc. filed complaints against EVO, Inc., members of the Board and/or Global Payments alleging claims under (i) Section 14(a) and Section 20(a) of the Exchange Act, (ii) the Georgia Uniform Securities Act of 2008 and/or (iii) New York common law (collectively, the "Complaints"). Seven suits were filed in the U.S. District Court for the Southern District of New York, one suit was filed in the U.S. District Court for the Northern District of Georgia, Atlanta Division, one suit was filed in the U.S. District Court for the District of Delaware and one suit was filed in the Supreme Court of the State of New York for the County of Nassau. As of the date of this Quarterly Report on Form 10-Q, all ten lawsuits have been voluntarily dismissed.

The Company is also party to various claims and lawsuits incidental to its business. The Company does not believe the ultimate outcome of such matters, individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

(20) Segment Information

Information on segments and reconciliations to revenue and net income attributable to the shareholders of EVO, Inc. and members of EVO, LLC are set forth below. Segment profit, which is the measure used by our chief operating decision maker to evaluate the performance of and allocate resources to our segments, is calculated as segment revenue less (1) segment expenses, plus (2) segment income from unconsolidated investees, plus (3) segment other income, net, less (4) segment non-controlling interests.

Certain corporate-wide governance functions, as well as depreciation and amortization, are not allocated to our segments. The Company does not evaluate performance or allocate resources based on segment assets, and therefore, such information is not presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(In thousands)		(In thousands)	
Segment revenue:				
Americas	$ 80,172	$ 79,424	$ 238,724	$ 226,830
Europe	58,491	55,617	164,536	136,626
Revenue	$ 138,663	$ 135,041	$ 403,260	$ 363,456
Segment profit:				
Americas	$ 36,558	$ 37,327	$ 105,167	$ 105,084
Europe	33,251	22,086	65,371	48,267
Total segment profit	69,809	59,413	170,538	153,351
Corporate	(19,446)	(10,481)	(37,419)	(26,618)
Depreciation and amortization	(21,136)	(21,941)	(60,453)	(63,562)
Net interest expense	(3,491)	(5,669)	(10,405)	(17,258)
Provision for income tax expense	(18,513)	(8,284)	(29,614)	(19,859)
Share-based compensation expense	(7,237)	(9,172)	(21,947)	(21,459)
Less: Net (loss) income attributable to non-controlling interests of EVO Investco, LLC	(220)	1,396	3,558	(196)
Net income attributable to EVO Payments, Inc.	$ 206	$ 2,470	$ 7,142	$ 4,791
Capital expenditures:				
Americas	$ 4,302	$ 2,556	$ 12,605	$ 9,244
Europe	4,395	3,414	14,169	16,685
Consolidated total capital expenditures	$ 8,697	$ 5,970	$ 26,774	$ 25,929

The Company's long-lived assets, which consist of equipment and improvements, net, and operating lease right-of-use assets, by geographic location are as follows:

	September 30, 2022	December 31, 2021
	(In thousands)	
Long-lived assets:		
United States	$ 29,095	$ 30,228
Poland	28,093	31,534
Mexico	17,420	18,554
Other	24,040	22,894
Totals	$ 98,648	$ 103,210

Revenue is attributed to individual countries based on the location where the relationship is managed. For the three months ended September 30, 2022, revenue in the United States, Mexico, and Poland, as a percentage of total consolidated revenue, was 34.4%, 19.8%, and 18.7%, respectively. For the three months ended September 30, 2021, revenue in the United States, Mexico, and Poland, as a percentage of total consolidated revenue, was 36.5%, 18.8%, and 19.4%, respectively. For the nine months ended September 30, 2022, revenue in the United States, Mexico, and Poland, as a percentage of total consolidated revenue, was 35.5%, 20.2%, and 18.2%, respectively. For the nine months ended September 30, 2021, revenue in the United States, Mexico, and Poland, as a percentage of total consolidated revenue, was 39.1%, 20.1%, and 17.7%, respectively. For the three and nine months ended September 30, 2022 and 2021, no individual customer represented more than 10% of total revenue.

(21) Shareholders' Equity

EVO, Inc. was incorporated under the laws of the State of Delaware on April 20, 2017. On May 25, 2018, we completed the IPO and shares of our Class A common stock began trading on the Nasdaq stock exchange on May 23, 2018 under the symbol "EVOP." In connection with the IPO, we completed the Reorganization Transactions to implement an "Up-C" capital structure. As a result of the Reorganization Transactions and the IPO, EVO, Inc. is the sole managing member of EVO, LLC and a holding company whose principal assets are the LLC Interests and the preferred membership interests ("Preferred LLC Interests") in EVO, LLC. As the sole managing member of EVO, LLC, the Company operates and controls all of the business and affairs of EVO, LLC and its subsidiaries. The Company has the sole voting interest in, and controls the management of, EVO, LLC. Therefore, EVO, Inc. has consolidated the financial results of EVO, LLC and its subsidiaries.

From the date of the Reorganization Transactions and the IPO until May 24, 2021, the Company had four classes of common stock: Class A common stock, Class B common stock (classified as redeemable non-controlling interest), Class C common stock (classified as non-redeemable non-controlling interest) and Class D common stock (classified as non-redeemable non-controlling interest).

On May 25, 2021, pursuant to the Company's amended and restated certificate of incorporation, all 32,163,538 outstanding shares of Class B common stock were automatically cancelled for no consideration, and each outstanding share of Class C common stock was automatically converted into one share of Class D common stock. Following the cancellation of Class B common stock, Blueapple continues to hold 32,163,538 LLC Interests and maintains all of its rights under the EVO LLC Agreement.

Following these changes in the Company's equity capital structure, the Company has two classes of common stock outstanding: Class A common stock and Class D common stock.

The Company has one class of preferred stock outstanding, which is convertible into shares of Class A common stock. The Preferred Stock was issued on April 21, 2020 in connection with an investment by MDP. Refer to Note 16, "Redeemable Preferred Stock," for additional details regarding the transaction.

The voting and economic rights associated with our classes of common and preferred stock are summarized in the following table:

Class of Common Stock	Holders	Voting rights	Economic rights
Class A common stock	Public, MDP, Executive Officers, and Current and Former Employees	One vote per share	Yes
Class D common stock	MDP and Current and Former Employees, and Executive Officers	One vote per share	No
Series A Preferred Stock	MDP	On an as-converted basis	Yes

Following the cancellation of Class B common stock on May 25, 2021, Blueapple continues to hold 32,163,538 LLC Interests and maintains all of its rights under the EVO LLC Agreement, including the sale right that provides that, upon the receipt of a sale notice from Blueapple, the Company will use its commercially reasonable best efforts to pursue a public offering of shares of Class A common stock and use the net proceeds therefrom to purchase LLC Interests from Blueapple. Upon the Company's receipt of such a sale notice, the Company may elect, at its option (determined solely by its independent directors (within the meaning of the rules of Nasdaq) who are disinterested), to cause EVO, LLC to instead redeem the applicable LLC Interests for cash; provided that Blueapple consents to any election by the Company to cause EVO, LLC to redeem the LLC Interests.

Continuing LLC Owners (other than Blueapple) have an exchange right providing that, upon receipt of an exchange notice from such Continuing LLC Owners, the Company will exchange the applicable LLC Interests from such Continuing LLC Owners for newly issued shares of its Class A common stock on a one-for-one basis pursuant to an exchange agreement (the "Exchange Agreement"). Upon its receipt of such an exchange notice, the Company may elect, at its option (determined solely by its independent directors (within the meaning of the rules of Nasdaq) who are disinterested), to cause EVO, LLC to instead redeem the applicable LLC Interests for cash; provided that such Continuing LLC Owners consents to any election by the Company to cause EVO, LLC to redeem the LLC Interests. In the event that Continuing LLC Owners do not consent to an election by the Company to cause EVO, LLC to redeem the LLC Interests, the Company is required to exchange the applicable LLC Interests for newly issued shares of Class A common stock.

If the Company elects to cause EVO, LLC to redeem LLC Interests for cash in lieu of exchanging LLC Interests for newly issued shares of its Class A common stock, the Company will offer the other Continuing LLC Owners the right to have their respective LLC Interests redeemed in an amount up to such person's pro rata share of the aggregate LLC Interests to be redeemed. The Company is not required to redeem any LLC Interests from Blueapple or any other Continuing LLC Owners in response to a sale notice from Blueapple if the Company elects to pursue, but is unable to complete, a public offering of shares of its Class A common stock.

Continuing LLC Owners also hold certain registration rights pursuant to a registration rights agreement. MDP holds demand registration rights that require the Company to register shares of Class A common stock held by it, including any Class A common stock received upon its exchange of Class A common stock for its LLC Interests, or upon conversion of any shares of Preferred Stock held by MDP. All Continuing LLC Owners (other than Blueapple) hold customary piggyback registration rights, which includes the right to participate on a pro rata basis in any public offering the Company conducts in response to its receipt of a sale notice from Blueapple. Blueapple also has the right, in connection with any public offering the Company conducts (including any offering conducted as a result of an exercise by MDP of its registration rights), to request that the Company uses its commercially reasonable best efforts to pursue a public offering of shares of its Class A common stock and use the net proceeds therefrom to purchase a like amount of Blueapple's LLC Interests.

(22) Stock Compensation Plans and Share-Based Compensation Awards

The Company provides share-based compensation awards to its employees under the Amended and Restated 2018 Omnibus Incentive Stock Plan (the "Amended and Restated 2018 Plan"). The original Omnibus Equity Incentive Plan (the "2018 Plan") was adopted in conjunction with the Company's IPO and became effective on May 22, 2018. In February 2020, the Company adopted the Amended and Restated 2018 Plan, which was approved by the Company's stockholders at the Company's 2020 annual meeting of stockholders held in June 2020. The Amended and Restated 2018 Plan amended and restated the 2018 Plan in its entirety and increased the number of shares of the Company's Class A common stock available for grant and issuance under the 2018 Plan from 7,792,162 shares to 15,142,162 shares. The Amended and Restated 2018 Plan was further amended in November 2021 solely to clarify certain provisions in anticipation of the implementation of the Company's performance-based equity awards. The Amended and Restated 2018 Plan provides for accelerated vesting under certain conditions.

The following table summarizes share-based compensation expense, and the related income tax benefit recognized for share-based compensation awards. Share-based compensation expense is presented within selling, general, and administrative expenses within the unaudited condensed consolidated statements of operations and comprehensive loss:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(In thousands)			
Share-based compensation expense	$ 7,237	$ 9,172	$ 21,947	$ 21,459
Income tax benefit	$ (1,284)	$ (1,350)	$ (3,649)	$ (3,271)

Restricted stock units

<u>*Service-Based Restricted Stock Units*</u>

The Company recognized share-based compensation expense for RSUs granted of $4.4 million and $4.7 million, for the three months ended September 30, 2022 and 2021, respectively. The Company recognized share-based compensation expense for RSUs granted of $12.7 million and $10.4 million for the nine months ended September 30, 2022 and 2021, respectively.

A summary of RSUs activity is as follows (in thousands, except per share data):

	Number of RSUs	Weighted-average grant date fair value
Balance at December 31, 2021	1,339	$ 24.35
Granted	989	23.74
Vested	(567)	22.56
Forfeited	(65)	24.32
Balance at September 30, 2022	1,696	$ 24.58

As of September 30, 2022 and 2021, total unrecognized share-based compensation expense related to outstanding RSUs was $31.6 million and $25.7 million, respectively. RSUs settle in Class A common stock. RSUs granted in connection with the Company's annual long-term incentive plan and off-cycle grants vest in equal annual vesting installments over a period of three or four years from the grant date. RSUs granted to the Company's executive officers as part of the annual 2021 and all participants as part of the annual 2022 grant, vest in equal annual vesting installments over a period of three years from the grant date. The weighted-average remaining vesting period over which expense will be recognized for unvested RSUs is 2.0 years as of September 30, 2022 and 2.3 years as of September 30, 2021. The total fair value of shares vested during the nine months ended September 30, 2022 and 2021 was $12.8 million and $9.6 million, respectively.

Stock options

Service-Based Stock Options

The Company recognized share-based compensation expense for the service-based stock options granted of $1.9 million and $4.1 million, for the three months ended September 30, 2022 and 2021, respectively. The Company recognized share-based compensation expense for the service-based stock options granted of $6.8 million and $10.1 million, for the nine months ended September 30, 2022 and 2021, respectively.

A summary of service-based stock option activity is as follows (in thousands, except per share and term data):

	Number of Options	Weighted-average grant date fair value	Weighted-average exercise price	Weighted-average remaining contractual term	Total intrinsic value
Balance at December 31, 2021	5,491	$ 8.11	$ 22.19	7.67	$ 19,802
Granted	—	—	—	—	—
Exercised	(374)	7.23	19.53	—	3,759
Forfeited	(114)	9.18	25.32	—	—
Balance at September 30, 2022	5,003	$ 8.15	22.31	6.91	$ 55,000
Exercisable at September 30, 2022	3,409	$ 7.72	$ 20.75	6.55	$ 42,798

As of September 30, 2022 and 2021, total unrecognized share-based compensation expense related to unvested service-based stock options was $10.0 million and $21.0 million, respectively. The weighted-average remaining vesting period over which expense will be recognized for unvested stock options is 1.5 years as of September 30, 2022 and 2.3 years as of September 30, 2021. Stock options granted in connection with the Company's annual long-term incentive plan and off-cycle grants vest in equal annual installments over a period of four years from grant date. Stock options granted to the Company's executive officers (excluding the Chief Executive Officer ("CEO")) as part of the annual 2021 grant vest in equal annual vesting installments over a period of three years from the grant date. Stock options expire no later than 10 years from the date of grant.

Market and Service-Based Stock Options

During the quarter ended March 31, 2021, 287,395 stock options with a fair value of approximately $2.9 million were granted to the Company's CEO. These options vest only upon the satisfaction of certain market-based and service-based vesting conditions. The market-based vesting condition, which was met in the second quarter of 2021, required that the twenty trading day trailing average price for the Company's Class A common stock must equal or exceed 110% of the closing price of the Company's Class A common stock on the grant date for a period of twenty consecutive trading days. In addition, the options are subject to a service-based vesting condition that is satisfied in three equal annual installments on the first, second and third anniversaries of the grant date. As of September 30, 2022, 95,798 stock options were exercisable.

For the purpose of calculating share-based compensation expense, the fair value of this grant was determined through the application of the Monte-Carlo simulation model with the following assumptions:

Expected life (in years)		7.00
Weighted-average risk-free interest rate		1.15%
Expected volatility		34.65%
Dividend yield		0.00%
Exercise price	$	25.46

The Company recognizes share-based compensation expense related to this award with market-based and service-based conditions over the derived service period of 3.0 years using the graded vesting method. The Company recognized share-based compensation expense for these stock options of $0.2 million and $0.8 million for the three and nine months ended September 30, 2022, respectively. The Company recognized share-based compensation expense for these stock options of $0.4 million and $1.0 million for the three and nine months ended September 30, 2021, respectively. As of September 30, 2022 and 2021, total unrecognized share-based compensation expense related to these stock options was $0.7 million and $1.9 million, respectively. The weighted-average remaining vesting period over which expense will be recognized for these stock options is 1.1 years as of September 30, 2022 and 1.6 years as of September 30, 2021.

Performance-stock units

Performance and service based stock units

During the quarter ended March 31, 2022, the Compensation Committee of the Board of Directors granted 151,187 Performance Stock Units ("PSUs") with a grant date fair value of approximately $3.6 million to the Company's executive officers under the Company's long-term incentive plan. The PSUs will cliff vest three years from the grant date at a range between 0% and 200% based upon annual performance cycles and settle in Class A common stock. The vesting criteria is based on financial performance measures including revenue and EPS growth targets. Compensation costs recognized on the performance and service based stock units are adjusted, as applicable, for performance above or below the target specified in the award.

The Company recognized share-based compensation expense for PSUs granted of $0.4 million and $0.9 million for the three and nine months ended September 30, 2022, respectively. As of September 30, 2022, total unrecognized share-based compensation expense related to outstanding PSUs was $3.5 million. The weighted-average remaining vesting period over which expense will be recognized for unvested PSUs is 2.4 years as of September 30, 2022.

Market and service-based performance stock units

During the quarter ended March 31, 2022, the Compensation Committee of the Board of Directors granted 151,187 market and service-based performance stock units ("MPSUs") with a grant date fair value of approximately $3.9 million to the Company's executive officers under the Company's long-term incentive plan. These MPSUs will cliff vest on March 31, 2025, the last day of the performance period, if the twenty trading day trailing average closing stock price for the Company's Class A common stock meets or exceeds the threshold stock price for a twenty trading day period at any time during the performance period.

For the purpose of calculating share-based compensation expense, the fair value of this grant was determined through the application of the Monte-Carlo simulation model with the following assumptions:

Expected life (in years)		3.10
Weighted-average risk-free interest rate		1.74%
Expected volatility		47.62%
Dividend yield		0.00%
Estimated grant date fair value (per share)	$	23.69

The Company recognized share-based compensation expense for these MPSUs of $0.4 million and $0.8 million for the three and nine months ended September 30, 2022, respectively. As of September 30, 2022, total unrecognized share-based compensation expense related to these MPSUs was $3.2 million. The weighted-average remaining vesting period over which expense will be recognized for these MPSUs is 2.5 years as of September 30, 2022.

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

Introduction

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") is intended to provide an understanding of our financial condition, cash flow, liquidity and results of operations. This MD&A should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2021 and our unaudited condensed consolidated financial statements and the notes to the accompanying unaudited condensed consolidated financial statements appearing elsewhere in this Form 10-Q and the Risk Factors included in Part II, Item 1A of this Form 10-Q, as well as other cautionary statements and risks described elsewhere in this Form 10-Q.

Company background

We are a leading payments technology and services provider offering an array of payment solutions to merchants ranging from small and mid-size enterprises to multinational companies and organizations across the Americas and Europe. As a fully integrated merchant acquirer and payment processor across more than 50 markets and 150 currencies worldwide, we provide competitive solutions that promote business growth, increase customer loyalty, and enhance data security in the markets we serve.

Founded in 1989 as an individually owned, independent sales organization in the United States, we have transformed into a publicly traded company that today derives approximately 65% of its revenues from markets outside of the United States. Our revenue consists primarily of transaction and volume based fees, as well as fixed fees for certain services we perform.

We are a global merchant acquirer and payment processor, with approximately 2,400 employees on four continents, servicing over 600,000 merchants in the Americas and Europe. We differentiate ourselves from our competitors through (1) a highly productive and scaled sales distribution network, including exclusive global financial institution and tech-enabled referral partnerships, (2) our three proprietary, in-house processing platforms that are connected by a single point of integration, and (3) a comprehensive suite of payment and commerce solutions, including integrated software, at the POS, eCommerce, and B2B solutions. We believe these points of differentiation allow us to deliver strong organic growth, increase market share, and attract additional relationships with financial institutions, technology companies, and other strategic partners.

We classify our business into two segments: the Americas and Europe. The alignment of our segments is designed to establish lines of business that support the various geographical markets we operate in and allow us to further globalize our solutions while working seamlessly with our teams across these markets. In both of our segments, we provide our customers with merchant acquiring solutions, including integrated solutions for retail transactions at the physical and virtual POS, as well as B2B transactions.

We plan to continue to grow our business and improve our operations by expanding market share in our existing markets and entering new markets. In our current markets, we seek to grow our business through broadening our distribution network, leveraging our innovative payment technology solutions and direct sales force, and acquiring additional merchant portfolios and tech-enabled businesses. We seek to enter new markets through acquisitions and partnerships in Latin America, Europe, and certain other markets.

Executive overview

We delivered solid financial performance in the three and nine months ended September 30, 2022, as demonstrated by the highlights below:

- Revenue for the three months ended September 30, 2022 was $138.7 million, an increase of 2.7% compared to the three months ended September 30, 2021. Revenue for the nine months ended September 30, 2022 was $403.3 million, an increase of 11.0% compared to the nine months ended September 30, 2021. The increase was due to the growth in our merchant portfolio, processing volumes and transactions, increased card adoption, sales-related activity, including the expansion of our tech-enabled partners, and the increase in economic activity from the abatement of COVID-19 related restrictions, especially in Europe for the nine months ended September 30, 2022. This growth was partially offset by the impact of the strong U.S. dollar on foreign exchange rates.

- Americas segment profit for the three months ended September 30, 2022 was $36.6 million, 2.1% lower than the three months ended September 30, 2021. The decrease was primarily due to higher employee compensation as a result of headcount growth. Americas segment profit for the nine months ended September 30, 2022 was $105.2 million, 0.1% higher than the nine months ended September 30, 2021.

- Europe segment profit for the three months ended September 30, 2022 was $33.3 million, 50.6% higher than the three months ended September 30, 2021. Europe segment profit for the nine months ended September 30, 2022 was $65.4 million, 35.4% higher than the nine months ended September 30, 2021. The increase was primarily due to the recognition of a gain related to our investment in Visa Series A preferred stock, operating income from the termination of the marketing alliance agreement with Liberbank, and an increase in revenue driven by growth in our merchant portfolio, processing volumes and transactions, increased card adoption, sales-related activity, including the expansion of tech-enabled partners, and the increase in economic activity from the abatement of COVID-19 related restrictions, especially for the nine months ended September 30, 2022. This growth was partially offset by the impact of the strong U.S. dollar on foreign exchange rates.

- We processed approximately 1.3 billion transactions in the three months ended September 30, 2022, an increase of 12.1% from the three months ended September 30, 2021. We processed approximately 3.6 billion transactions in the nine months ended September 30, 2022, an increase of 19.7% from the nine months ended September 30, 2021.

Merger with Global Payments Inc.

On August 1, 2022, we entered into the Merger Agreement with Global Payments and Merger Sub. Subject to the terms and conditions of the Merger Agreement, Global Payments has agreed to acquire EVO, Inc. in an all-cash transaction for $34.00 per share of Class A common stock. Upon the consummation of the Merger, we will cease to be a publicly traded company. We have agreed to various customary covenants and agreements, including, among others, agreements to conduct our business in the ordinary course during the period between the execution of the Merger Agreement and the effective time of the Merger. We do not believe these restrictions will prevent us from meeting our debt service obligations, ongoing costs of operations, working capital needs, or capital expenditure requirements.

The Merger Agreement has been unanimously adopted by our board of directors, and the stockholders of EVO, Inc. approved the Merger at the Special Meeting held on October 26, 2022. In addition, the waiting period applicable under the HSR Act expired on October 17, 2022. The consummation of the Merger remains subject to the satisfaction or, to the extent permitted by law, waiver of other customary closing conditions, including, (i) the receipt of certain additional competition and other regulatory approvals outside of the United States, (ii) the lack of any governmental authority restraining, enjoining or otherwise prohibiting the Merger, and (iii) the absence of a "Material Adverse Effect" (as defined in the Merger Agreement) with respect to EVO, Inc. We currently expect the Merger to be completed by the end of the first fiscal quarter of 2023.

In connection with the execution and delivery of the Merger Agreement, EVO, Inc., EVO, LLC and certain other parties to the TRA entered into the TRA Amendment, pursuant to which such parties agreed to certain terms with respect to the treatment of the TRA upon the consummation of the Merger. In the event the Merger Agreement is terminated, the TRA Amendment will no longer be of any force and effect.

Business trends and challenges

Economic conditions and uncertainties

Global economic challenges, including the impact of the crisis in Russia and Ukraine, the COVID-19 pandemic, severe and sustained inflation, rising interest rates, supply chain disruptions, and foreign exchange fluctuations could cause economic uncertainty and volatility. The impact of these issues on our business will vary by geographic market. We closely monitor economic conditions and the impact to our revenue. In response to potential reductions in revenue, we can take actions to align our cost structure and manage our working capital. However, there can be no assurance as to the effectiveness of our efforts to mitigate any impact of potential future adverse economic conditions and reductions in our revenue.

COVID-19

We have seen increased economic activity resulting from the abatement of COVID-19 related restrictions; however, the COVID-19 pandemic continues to evolve, impacting global economic conditions and causing market volatility which has impacted, and will likely continue to impact our business. We continue to monitor the COVID-19 pandemic to assess and mitigate potential adverse impacts to our business. Longer term, we believe the pandemic will serve as a catalyst for greater utilization of digital payments, a trend we are continuing to see in our markets.

For additional discussion regarding our risks related to the COVID-19 pandemic, see Part I, Item 1A, "Risk Factors" included in our 2021 Annual Report on Form 10-K.

Russia and Ukraine conflict

The crisis in Russia and Ukraine that began in February 2022 continues as of the date of this quarterly report. The current conflict between Russia and Ukraine and the related sanctions and other penalties imposed by countries across the globe against Russia are creating substantial uncertainty in the global economy. While we do not have operations or merchants in Russia or Ukraine, we are unable to predict the future impact of this evolving situation, including on the political and economic environment in Europe. We will continue to monitor the conflict and assess any potential impact to our operations.

Other factors impacting our business and results of operations

In general, our revenue is impacted by factors such as global consumer spending trends, foreign exchange rates, the pace of adoption of commerce-enablement and payment solutions, acquisitions and dispositions, types and quantities of products and services provided to merchants, timing and length of contract renewals, new merchant wins, retention rates, mix of payment solution types employed by consumers, and changes in card network fees, including interchange rates and size of merchants served. In addition, we may pursue acquisitions from time to time. These acquisitions could result in redundant costs, such as increased interest expense resulting from indebtedness incurred to finance such acquisitions, or could require us to incur additional costs as we restructure or reorganize our operations following these acquisitions.

Seasonality

We have experienced in the past, and expect to continue to experience, seasonality in our revenues as a result of consumer spending patterns. Historically, in both the Americas and Europe, our revenue has been strongest in the fourth quarter and weakest in the first quarter as many of our merchants experience a seasonal lift during the traditional vacation and holiday months. Operating expenses do not typically fluctuate seasonally.

Foreign currency translation impact on our operations

We present our financial statements in U.S. dollars and have approximately 65% of our revenues in non-U.S. dollar currencies. The primary non-U.S. dollar currencies are the Euro, Polish Zloty, and Mexican Peso. Accordingly, we are exposed to foreign currency exchange rate risk arising from transactions in the normal course of business. It is difficult to predict the future fluctuations of foreign currency exchange rates and how those fluctuations will impact our unaudited condensed consolidated statements of operations and comprehensive loss in the future. As a result of the relative size of our international operations, these fluctuations may be material on individual balances. Our revenues and expenses from our international operations are generally denominated in the local currency of the country in which they are derived or incurred. Therefore, the impact of currency fluctuations on our operating results and margins is partially mitigated.

Financial institution partners

We maintain referral partnerships with a number of leading financial institutions, including Deutsche Bank USA, Deutsche Bank Group, Grupo Santander, PKO Bank Polski, Bank of Ireland, Raiffeisen Bank, Moneta, Citibanamex, Sabadell, and BCI, among others. We commenced operations in Chile through our joint venture with BCI at the end of the second quarter in 2021. Our pending joint venture and exclusive referral relationship with the National Bank of Greece is expected to be completed by the end of 2022, subject to regulatory approvals and other customary conditions.

These long-term relationships are structured in various ways, such as commercial alliance relationships and joint ventures, and our bank partners typically provide exclusive merchant referrals and credit facilities to support the settlement process. Prior to entering in to the Merger Agreement, we actively evaluated opportunities to expand our business through entry into additional long-term relationships consistent with our strategy. Our relationships with our financial institution partners may be impacted by, among other things, consolidations and other transactions in the banking and payments industries.

In January 2022, Citigroup Inc. announced its decision to exit the consumer, small-business and middle-market banking operations of Citibanamex, our financial institution partner in Mexico. The details of the proposed transaction are unknown, including structural complexity and anticipated timing of the consummation of their transaction. While our long term, exclusive commercial agreement with Citibanamex remains in place, at this time, we cannot estimate the potential impact of this development to our referral relationship with Citibanamex or our Mexican business.

Following the merger of Unicaja Banco, S.A. and Liberbank, and pursuant to the procedures set forth in the marketing alliance agreement related to a change of control of Liberbank, the parties elected to terminate the marketing alliance agreement in the third quarter of 2022. Income from liquidated damages of €7.0 million ($6.9 million, based on the foreign exchange rate as of the date presented) was recognized in other operating income on the unaudited condensed consolidated statements of operations. The termination of the Liberbank marketing alliance agreement will not have a material impact to our financial position, results of operations, or cash flows.

One of our Spanish financial institution referral partners, Banco Popular, was acquired by Santander in June 2017. As reported previously and reflected in our previous years' financial statements, Santander's acquisition of Banco Popular has adversely impacted our business in Spain. Revenues from this channel have declined significantly primarily due to reduced merchant referrals following the acquisition and the bank's failure to perform certain of its other obligations under our agreements. See Note 19, "Commitments and Contingencies," in the notes to the accompanying unaudited condensed consolidated financial statements for additional information.

Increased regulations and compliance

We, our partners and our merchants are subject to various laws and regulations that affect the electronic payments industry in the many countries in which our services are used, including numerous laws and regulations applicable to banks, financial institutions, and card issuers. A number of our subsidiaries in our Europe segment hold a Payments Institution ("PI") license, allowing them to operate in the European Union (the "EU") member states in which such subsidiaries do business. As a PI, we are subject to regulation and oversight, which include, among other obligations, a requirement to maintain specific regulatory capital and adhere to certain rules regarding the conduct of our business, including the European Payment Services Directive of 2015 ("PSD2").

PSD2 contains a number of additional regulatory mandates, such as provisions relating to Strong Customer Authentication ("SCA"), which aim to increase the security of electronic payments by requiring multi-factor user authentication. Failure to comply with SCA requirements may result in fines from card networks as well as declined payments from card issuers. The EU has also enacted legislation relating to the offering of DCC services, which went into effect in April 2020. These new rules require additional disclosures of foreign exchange margins in connection with our DCC product offerings.

We are currently operating in the United Kingdom within the scope of its temporary permissions regime pending approval of our application for a stand alone PI license. In addition, we continue to closely monitor the impact of Brexit on our operations as further details emerge regarding the post-Brexit regulatory landscape.

Key performance indicators

Transactions Processed

Transactions processed refers to the number of transactions we processed during any given period of time and is a meaningful indicator of our business and financial performance, as a significant portion of our revenue is driven by the number and/or value of transactions we process. In addition, transactions processed provides a valuable measure of the level of economic activity across our merchant base. In our Americas segment, transactions include acquired Visa and Mastercard credit and signature debit, American Express, Discover, UnionPay, JCB, PIN-debit, electronic benefit transactions and gift card transactions. In our Europe segment, transactions include acquired Visa and Mastercard credit and signature debit, other card network merchant acquiring transactions, and ATM transactions.

For the three months ended September 30, 2022, we processed approximately 1.3 billion transactions, which included approximately 0.3 billion transactions in the Americas and approximately 1.0 billion transactions in Europe. This represents a decrease of 0.7% in the Americas and an increase of 16.1% in Europe for an aggregate increase of 12.1% compared to the three months ended September 30, 2021. Transactions processed in the Americas and Europe accounted for 20.9% and 79.1%, respectively, of the total transactions we processed for the three months ended September 30, 2022.

For the nine months ended September 30, 2022, we processed approximately 3.6 billion transactions, which included approximately 0.8 billion transactions in the Americas and approximately 2.8 billion transactions in Europe. This represents an increase of 3.3% in the Americas and an increase of 25.4% in Europe for an aggregate increase of 19.7% compared to the nine months ended September 30, 2021. Transactions processed in the Americas and Europe accounted for 22.2% and 77.8%, respectively, of the total transactions we processed for the nine months ended September 30, 2022.

The changes in the transactions processed in the three and nine months ended September 30, 2022 were primarily driven by the growth in our merchant portfolio, increased card adoption, sales-related activity, including the expansion of our tech-enabled partners, and the increase in economic activity from the abatement of COVID-19 related restrictions especially in Europe.

Comparison of results for the three months ended September 30, 2022 and 2021

The following table sets forth the unaudited condensed consolidated statements of operations in dollars and as a percentage of revenue for the period presented.

(dollar amounts in thousands)	Three Months Ended September 30, 2022	% of revenue	Three Months Ended September 30, 2021	% of revenue	$ change	% change
Segment revenue:						
Americas	$ 80,172	57.8%	$ 79,424	58.8%	$ 748	0.9%
Europe	58,491	42.2%	55,617	41.2%	2,874	5.2%
Revenue	$ 138,663	100.0%	$ 135,041	100.0%	$ 3,622	2.7%
Operating expenses:						
Cost of services and products	$ 21,831	15.7%	$ 19,121	14.2%	$ 2,710	14.2%
Selling, general, and administrative	81,453	58.7%	71,982	53.3%	9,471	13.2%
Depreciation and amortization	21,136	15.2%	21,941	16.2%	(805)	(3.7%)
Total operating expenses	124,420	89.7%	113,044	83.7%	11,376	10.1%
Other operating income	6,939	5.0%	—	0.0%	6,939	100.0%
Income from operations	$ 21,182	15.3%	$ 21,997	16.3%	$ (815)	(3.7%)
Segment profit:						
Americas	$ 36,558	26.4%	$ 37,327	27.6%	$ (769)	(2.1%)
Europe	$ 33,251	24.0%	$ 22,086	16.4%	$ 11,165	50.6%

Revenue

Revenue was $138.7 million for the three months ended September 30, 2022, an increase of $3.6 million, or 2.7%, compared to the three months ended September 30, 2021.

Americas segment revenue was $80.2 million for the three months ended September 30, 2022, an increase of $0.7 million, or 0.9% compared to the three months ended September 30, 2021.

Europe segment revenue was $58.5 million for the three months ended September 30, 2022, an increase of $2.9 million, or 5.2%, compared to the three months ended September 30, 2021. The increase was primarily due to the growth in our merchant portfolio, processing volumes and transactions, increased card adoption, and sales-related activity, including the expansion of our tech-enabled partners. This growth was negatively impacted by the changes in foreign exchange rates.

Operating expenses

Cost of services and products
Cost of services and products was $21.8 million for the three months ended September 30, 2022, an increase of $2.7 million, or 14.2%, compared to the three months ended September 30, 2021, primarily due to the increase in transactions processed, which was partially offset by the impact of the strong U.S. dollar on foreign exchange rates.

Selling, general, and administrative expenses
Selling, general, and administrative expenses were $81.5 million for the three months ended September 30, 2022, an increase of $9.5 million, or 13.2%, compared to the three months ended September 30, 2021. The increase was primarily due to higher professional fees related to the Merger.

Depreciation and amortization
Depreciation and amortization was $21.1 million for the three months ended September 30, 2022, a decrease of $0.8 million, or 3.7%, compared to the three months ended September 30, 2021, primarily due to the impact of the strong U.S. dollar on foreign exchange rates, partially offset by the accelerated amortization related to the termination of the Liberbank marketing alliance agreement.

Other operating income
Other operating income was $6.9 million for the three months ended September 30, 2022. This income was recognized as a result of the termination of the marketing alliance agreement with Liberbank, in lieu of future merchant referrals and revenue that would have otherwise been earned.

Interest expense
Interest expense was $4.3 million for the three months ended September 30, 2022, a decrease of $1.8 million, or 30.4%, compared to the three months ended September 30, 2021. The decrease was primarily due to the reduction in the credit spread on the term loan as a result of the refinancing on November 1, 2021.

Income tax expense
Income tax expense represents federal, state, local, and foreign taxes based on income in multiple domestic and foreign jurisdictions. Historically, as a limited liability company treated as a partnership for U.S. federal income tax purposes, EVO, LLC's income was not subject to corporate tax in the United States, but only on income earned in foreign jurisdictions. In the United States, our members were taxed on their proportionate share of income of EVO, LLC. However, following the Reorganization Transactions, we incur corporate tax on our share of taxable income of EVO, LLC. Our income tax expense reflects such U.S. federal, state, and local income tax as well as taxes payable in foreign jurisdictions by certain of our subsidiaries. For the three months ended September 30, 2022, we recorded a tax expense of $18.5 million, which included a net discrete tax expense of $6.3 million primarily related to changes in uncertain tax positions. For the three months ended September 30, 2021, we recorded a tax expense of $8.3 million, which included a net discrete tax expense of $0.8 million.

Segment performance

Americas segment profit for the three months ended September 30, 2022 was $36.6 million, compared to $37.3 million for the three months ended September 30, 2021, a decrease of 2.1%. The decrease was primarily due to higher employee compensation as a result of headcount growth. Americas segment profit margin was 45.6% for the three months ended September 30, 2022, compared to 47.0% for the three months ended September 30, 2021.

Europe segment profit was $33.3 million for the three months ended September 30, 2022, compared to $22.1 million for the three months ended September 30, 2021, an increase of 50.6%. The increase was primarily due to the recognition of a gain related to our investment in Visa Series A preferred stock, operating income from the termination of the marketing alliance agreement with Liberbank, and an increase in revenue driven by growth in our merchant portfolio, processing volumes and transactions, increased card adoption, and sales-related activity, including the expansion of tech-enabled partners. This growth was partially offset by the impact of the strong U.S. dollar on foreign exchange rates. Europe segment profit margin was 56.8% for the three months ended September 30, 2022, compared to 39.7% for the three months ended September 30, 2021.

Corporate expenses not allocated to a segment were $19.4 million for the three months ended September 30, 2022, compared to $10.5 million for the three months ended September 30, 2021. The increase was primarily due to higher professional fees related to the Merger.

Comparison of results for the nine months ended September 30, 2022 and 2021

The following table sets forth the unaudited condensed consolidated statements of operations in dollars and as a percentage of revenue for the period presented.

(dollar amounts in thousands)	Nine Months Ended September 30, 2022	% of revenue	Nine Months Ended September 30, 2021	% of revenue	$ change	% change
Segment revenue:						
Americas	$ 238,724	59.2%	$ 226,830	62.4%	$ 11,894	5.2%
Europe	164,536	40.8%	136,626	37.6%	27,910	20.4%
Revenue	$ 403,260	100.0%	$ 363,456	100.0%	$ 39,804	11.0%
Operating expenses:						
Cost of services and products	$ 66,278	16.4%	$ 54,276	14.9%	$ 12,002	22.1%
Selling, general, and administrative	224,668	55.7%	198,050	54.5%	26,618	13.4%
Depreciation and amortization	60,453	15.0%	63,562	17.5%	(3,109)	(4.9%)
Total operating expenses	351,399	87.1%	315,888	86.9%	35,511	11.2%
Other operating income	6,939	1.7%	—	0.0%	6,939	100.0%
Income from operations	$ 58,800	14.6%	$ 47,568	13.1%	$ 11,232	23.6%
Segment profit:						
Americas	$ 105,167	26.1%	$ 105,084	28.9%	$ 83	0.1%
Europe	$ 65,371	16.2%	$ 48,267	13.3%	$ 17,104	35.4%

Revenue

Revenue was $403.3 million for the nine months ended September 30, 2022, an increase of $39.8 million, or 11.0%, compared to the nine months ended September 30, 2021.

Americas segment revenue was $238.7 million for the nine months ended September 30, 2022, an increase of $11.9 million, or 5.2%, compared to the nine months ended September 30, 2021. The increase was primarily due to the growth in our merchant portfolio, processing volumes and transactions, increased card adoption, and sales-related activity.

Europe segment revenue was $164.5 million for the nine months ended September 30, 2022, an increase of $27.9 million, or 20.4%, compared to the nine months ended September 30, 2021. The increase was primarily due to the growth in our merchant portfolio, processing volumes and transactions, increased card adoption, sales-related activity, including the expansion of our tech-enabled partners, and the increase in economic activity from the abatement of COVID-19 related restrictions. This growth was negatively impacted by the changes in foreign exchange rates.

Operating expenses

Cost of services and products
Cost of services and products was $66.3 million for the nine months ended September 30, 2022, an increase of $12.0 million, or 22.1%, compared to the nine months ended September 30, 2021, primarily due to the increase in transactions processed, which was partially offset by the impact of the strong U.S. dollar on foreign exchange rates.

Selling, general, and administrative expenses
Selling, general, and administrative expenses were $224.7 million for the nine months ended September 30, 2022, an increase of $26.6 million, or 13.4%, compared to the nine months ended September 30, 2021. The increase was primarily due to higher professional fees related to the Merger, personnel costs due to growth in headcount, and incentive compensation expenses based on business performance.

Depreciation and amortization
Depreciation and amortization was $60.5 million for the nine months ended September 30, 2022, a decrease of $3.1 million, or 4.9%, compared to the nine months ended September 30, 2021, primarily due to the impact of the strong U.S. dollar on foreign exchange rates, partially offset by the accelerated amortization related to the termination of the Liberbank marketing alliance agreement.

Other operating income
Other operating income was $6.9 million for the nine months ended September 30, 2022. This income was recognized as a result of the termination of the marketing alliance agreement with Liberbank, in lieu of future merchant referrals and revenue that would have otherwise been earned.

Interest expense
Interest expense was $12.6 million for the nine months ended September 30, 2022, a decrease of $5.7 million, or 30.9%, compared to the nine months ended September 30, 2021. The decrease was primarily due to the reduction in the credit spread on the term loan as a result of the refinancing on November 1, 2021.

Income tax expense
Income tax expense represents federal, state, local and foreign taxes based on income in multiple domestic and foreign jurisdictions. Historically, as a limited liability company treated as a partnership for U.S. federal income tax purposes, EVO, LLC's income was not subject to corporate tax in the United States, but only on income earned in foreign jurisdictions. In the United States, our members were taxed on their proportionate share of income of EVO, LLC. However, following the Reorganization Transactions, we incur corporate tax on our share of taxable income of EVO, LLC. Our income tax expense reflects such U.S. federal, state, and local income tax as well as taxes payable in foreign jurisdictions by certain of our subsidiaries. For the nine months ended September 30, 2022, we recorded a tax expense of $29.6 million, which included a net discrete tax expense of $6.3 million primarily related to changes in uncertain tax positions. For the nine months ended September 30, 2021, we recorded a tax expense of $19.9 million, which included a net discrete tax expense of $4.2 million primarily related to a valuation allowance recorded to reduce the deferred tax assets not expected to be realized in Spain.

Segment performance

Americas segment profit for the nine months ended September 30, 2022 was $105.2 million, compared to $105.1 million for the nine months ended September 30, 2021, an increase of 0.1%. Americas segment profit margin was 44.1% for the nine months ended September 30, 2022, compared to 46.3% for the nine months ended September 30, 2021.

Europe segment profit was $65.4 million for the nine months ended September 30, 2022, compared to $48.3 million for the nine months ended September 30, 2021, an increase of 35.4%. The increase was primarily due to the recognition of a gain related to our investment in Visa Series A preferred stock, operating income from the termination of the marketing alliance agreement with Liberbank, and an increase in revenue driven by growth in our merchant portfolio, processing volumes and transactions, increased card adoption, sales-related activity, including the expansion of tech-enabled partners, and the increase in economic activity from the abatement of COVID-19 related restrictions. This growth was partially offset by the impact of the strong U.S. dollar on foreign exchange rates. Europe segment profit margin was 39.7% for the nine months ended September 30, 2022, compared to 35.3% for the nine months ended September 30, 2021.

Corporate expenses not allocated to a segment were $37.4 million for the nine months ended September 30, 2022, compared to $26.6 million for the nine months ended September 30, 2021. The increase was primarily due to higher professional fees related to the Merger.

Liquidity and capital resources for the nine months ended September 30, 2022 and 2021

Overview

We have historically funded our operations primarily with cash flow from operations and, when needed, with borrowings, including under our Senior Secured Credit Facilities. Our principal uses for liquidity have been debt service, capital expenditures, working capital, and funds required to finance acquisitions. However, the Merger Agreement with Global Payments imposes certain limitations on how we conduct our business during the period between the execution of the Merger Agreement and the effective time of the Merger, including limitations on our ability to, among other things, engage in certain acquisitions, incur indebtedness or issue or sell new debt securities.

We expect to continue to use capital to innovate and advance our products as new technologies emerge and to accommodate new regulatory requirements in the markets in which we operate. We expect these strategies to be funded primarily through cash flow from operations and borrowings from our Senior Secured Credit Facilities. Short-term liquidity needs will primarily be funded through the revolving credit facility portion of our Senior Secured Credit Facilities.

To the extent that additional funds are necessary to finance future acquisitions, and to meet our long-term liquidity needs as we continue to execute on our strategy, we anticipate that they will be obtained through additional indebtedness, equity, or debt issuances, or both.

As of September 30, 2022, our capacity under the revolving credit facility portion of our Senior Secured Credit Facilities was $200.0 million, with availability of $198.9 million for additional borrowings and utilization of $1.1 million in standby letters of credit.

We have structured our operations in a manner to allow for cash to be repatriated through tax-efficient methods using dividends or long-term loans from foreign jurisdictions as our main source of repatriation. We follow local government regulations and contractual restrictions on cash as well as how much and when dividends can be repatriated. As of September 30, 2022, cash and cash equivalents of $429.8 million includes cash in the United States of $101.2 million and $328.6 million in foreign jurisdictions, respectively. Of the United States cash balances, $2.1 million is available for general purposes, and the remaining $99.1 million is considered merchant reserves and settlement-related cash and is therefore unavailable for our general use. Of the foreign cash balances, $199.1 million is available for general purposes, and the remaining $129.5 million is considered merchant reserves and settlement-related cash and is therefore unable to be repatriated. Refer to Note 1, “Description of Business and Summary of Significant Accounting Policies,” in the notes to the accompanying unaudited condensed consolidated financial statements for additional information on our cash and cash equivalents.

We do not intend to pay cash dividends on our Class A common stock in the foreseeable future. EVO, Inc. is a holding company that does not conduct any business operations of its own. As a result, EVO, Inc.’s ability to pay cash dividends on its common stock, if any, is dependent upon cash dividends and distributions and other transfers from EVO, LLC. The amounts available to EVO, Inc. to pay cash dividends are subject to the covenants and distribution restrictions in our Senior Secured Credit Facilities. Further, EVO, Inc. may not pay cash dividends to holders of Class A common stock unless it concurrently pays full participating dividends to holders of the Preferred Stock on an “as converted” basis.

In connection with our IPO, we entered into the Exchange Agreement with certain of the Continuing LLC Owners, under which these Continuing LLC Owners have the right, from time to time, to exchange their units in EVO, LLC and related Class D common shares of EVO, Inc. for shares of our Class A common stock or, at our option, cash. If we choose to satisfy the exchange in cash, we anticipate that we will fund such exchange through cash from operations, funds available under the revolving portion of our Senior Secured Credit Facilities, equity, or debt issuances or a combination thereof.

In addition, in connection with the IPO, we entered into the TRA with the Continuing LLC Owners. Payments required under the TRA are generally funded by taxable income and represent the tax benefit from the step-up in tax basis that is passed on to the TRA holders. Any payments made by us to non-controlling LLC owners under the TRA will generally reduce the amount of overall cash flow that might have otherwise been available to us and, to the extent that we are unable to make payments under the TRA for any reason, the unpaid amounts generally will be deferred and will accrue interest in accordance with the terms of the TRA until paid by us. Refer to Note 5, "Tax Receivable Agreement," in the notes to the accompanying unaudited condensed consolidated financial statements for additional information on the TRA.

The following table sets forth summary cash flow information for the nine months ended September 30, 2022 and 2021:

(in thousands)	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net cash provided by operating activities	$ 125,438	$ 72,056
Net cash used in investing activities	(50,284)	(51,561)
Net cash used in financing activities	(19,418)	(13,084)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(36,088)	(9,708)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 19,648	$ (2,297)

Operating activities

Net cash provided by operating activities was $125.4 million for the nine months ended September 30, 2022, an increase of $53.3 million compared to net cash provided by operating activities of $72.1 million for the nine months ended September 30, 2021. The increase was primarily due to net income and changes in working capital, including the timing of settlement-related assets and liabilities.

Investing activities

Net cash used in investing activities was $50.3 million for the nine months ended September 30, 2022, a decrease of $1.3 million compared to net cash used in investing activities of $51.6 million for the nine months ended September 30, 2021. The decrease was primarily due to the acquisition of Pago Fácil in the prior year, partially offset by the purchases of North49 and intellectual property in the current year.

Financing activities

Net cash used in financing activities was $19.4 million for the nine months ended September 30, 2022, an increase of $6.3 million compared to net cash used in financing activities of $13.1 million for the nine months ended September 30, 2021. The increase was primarily due to a net increase in repayments of long-term debt and settlement lines of credit.

Effect of exchange rate changes on cash, cash equivalents, and restricted cash

Cash, cash equivalents, and restricted cash are impacted by the fluctuation of foreign exchange rates upon translation of non-U.S. currencies to U.S. dollars. The foreign exchange rate volatility in the current year, due to the strengthening of the U.S. dollar relative to other currencies, impacted the translation during the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021.

Senior Secured Credit Facilities

The Company (through its subsidiary EPI) entered into the Restatement Agreement in November 2021 to amend and restate our senior secured credit facilities (as amended and restated by the Restatement Agreement, the "Senior Secured Credit Facilities"). The Senior Secured Credit Facilities are comprised of a $200.0 million revolving credit facility maturing in November 2026 and a $588.0 million term loan maturing in November 2026. In addition, our Senior Secured Credit Facilities also provide us with the option to access incremental credit facilities, refinance the loans with debt incurred outside our Senior Secured Credit Facilities, and extend the maturity date of the revolving loans and term loans, subject to certain limitations and terms.

Refer to Note 13, “Long-Term Debt and Lines of Credit,” in the notes to the accompanying unaudited condensed consolidated financial statements for additional information on our long-term debt and settlement lines of credit.

Settlement lines of credit

We have specialized lines of credit which are restricted for use in funding settlement. The settlement lines of credit generally have variable interest rates and are subject to annual review. As of September 30, 2022, we had $3.6 million outstanding under these lines of credit with additional capacity of $127.3 million to fund settlement.

Contractual obligations

Other than changes which occur in the ordinary course of business, as of September 30, 2022, there were no significant changes to the contractual obligations reported as of December 31, 2021 in our Annual Report on Form 10-K for the year ended December 31, 2021.

Critical accounting policies and estimates

Our critical accounting policies have not changed from those reported as of December 31, 2021 in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2021.

New accounting pronouncements

For information regarding new accounting pronouncements, and the impact of these pronouncements on our unaudited condensed consolidated financial statements, if any, refer to Note 1, “Description of Business and Summary of Significant Accounting Policies,” in the notes to the accompanying unaudited condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk, see Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to the quantitative and qualitative disclosures about market risk disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021. See Note 14, “Derivatives,” in the notes to the accompanying unaudited condensed consolidated financial statements for further discussion.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”)), as of September 30, 2022. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2022, our disclosure controls and procedures were effective to ensure information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the Securities and Exchange Commission’s rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error and mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of controls.

The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Changes to Internal Control over Financial Reporting

There have been no changes to the Company's internal control over financial reporting during the nine months ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is party to various claims and lawsuits incidental to the normal conduct of its business.

For additional information on legal proceedings, see Note 19, "Commitments and Contingencies," in the notes to the accompanying unaudited condensed consolidated financial statements.

ITEM 1A. RISK FACTORS

For a discussion of our risk factors, see Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021 and Part II, Item 1A. "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022.

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

Recent sales of unregistered securities

There were no unregistered sales of equity during the quarter ended September 30, 2022.

The Continuing LLC Owners (other than Blueapple) have the right to require us to exchange all or a portion of their LLC Interests for newly-issued shares of Class A common stock on a one-for-one basis (simultaneously cancelling an equal number of shares of Class D common stock of the exchanging member). We may, under certain circumstances, elect to redeem the LLC Interests from any exchanging holder under the terms of the EVO LLC Agreement in lieu of any such exchange. In May 2021, pursuant to the Company's amended and restated certificate of incorporation, each outstanding share of Class C common stock was automatically converted into one share of Class D common stock.

Following the cancellation of our Class B common stock in May 2021, Blueapple continues to hold 32,163,538 LLC Interests and maintains all of its rights under the EVO LLC Agreement, including the sale right under the EVO LLC Agreement that provides that, upon the receipt of a sale notice from Blueapple, the Company will use its commercially reasonable best efforts to pursue a public offering of shares of Class A common stock and use the net proceeds therefrom to purchase LLC Interests from Blueapple. Upon the Company's receipt of such a sale notice, the Company may elect, at its option (determined solely by its independent directors (within the meaning of the rules of Nasdaq) who are disinterested), to cause EVO LLC to instead redeem the applicable LLC Interests for cash; provided that Blueapple consents to any election by the Company to cause EVO LLC to redeem the LLC Interests.

Issuer purchases of equity securities

In connection with the vesting of restricted stock awards, shares of Class A common stock are delivered to the Company by employees to satisfy tax withholding obligations. The following table summarizes such purchases of Class A common stock for the quarter ended September 30, 2022:

Period	Total Number of Shares [(1)]	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1, 2022 to July 31, 2022	1,078	$ 23.80	—	$ —
August 1, 2022 to August 31, 2022	373	$ 33.54	—	$ —
September 1, 2022 to September 30, 2022	1,165	$ 33.33	—	$ —
Total	2,616	$ 29.43		

(1) Shares surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of restricted stock awards issued to employees.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

List of Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated August 1, 2022, by and among EVO Payments, Inc., Global Payments Inc. and Falcon Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 2, 2022)
10.1	Voting Agreement, dated as of August 1, 2022, by and among EVO Payments, Inc., Global Payments Inc., Falcon Merger Sub Inc., James G. Kelly and the James G. Kelly Grantor Trust Dated January 12, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 2, 2022)
10.2	Voting Agreement, dated as of August 1, 2022, by and among EVO Payments, Inc., Global Payments Inc., Falcon Merger Sub Inc., MDCP Cardservices II LLC, Madison Dearborn Capital Partners VI-C, L.P. and MDCP Cardservices LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 2, 2022)
10.3	Common Unit Purchase Agreement, dated as of August 1, 2022, by and between Global Payments Inc., EVO Payments, Inc. and Blueapple, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 2, 2022)
10.4	Amendment No. 1 to the Tax Receivable Agreement, dated as of August 1, 2022, by and among EVO Payments, Inc., OpCo, Blueapple, Inc., Madison Dearborn Capital Partners VI-B, L.P., Madison Dearborn Capital Partners VI Executive-B, L.P., Madison Dearborn Capital Partners VI-C, L.P. and MDCP Cardservices LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on August 2, 2022)
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a).
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a).
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

Name	Title	Date
/S/ JAMES G. KELLY **James G. Kelly**	Chief Executive Officer and Director (principal executive officer)	November 2, 2022
/S/ THOMAS E. PANTHER **Thomas E. Panther**	Executive Vice President, Chief Financial Officer (principal financial officer)	November 2, 2022

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)

I, James G. Kelly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EVO 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(s) 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(s) 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.

Dated: November 2, 2022

By: /s/ James G. Kelly
James G. Kelly
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)

I, Thomas E. Panther, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EVO 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(s) 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(s) 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.

Dated: November 2, 2022

By: /s/ Thomas E. Panther
Thomas E. Panther
Chief Financial Officer

EXHIBIT 32

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002 (18 U.S.C. 1350)**

In connection with the Quarterly Report of EVO Payments, Inc. (the "Company"), on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, James G. Kelly, Chief Executive Officer of the Company, and Thomas E. Panther, Chief Financial Officer of the Company, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) that, to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James G. Kelly
James G. Kelly
Chief Executive Officer
November 2, 2022

/s/ Thomas E. Panther
Thomas E. Panther
Chief Financial Officer
November 2, 2022