

IIIV Earnings Call Transcript

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Quarter: 4

Clay M. Whitson: The cadence driven by the cadence of revenue recognition on certain projects in our utilities and transportation markets. This will be particularly true in Q1. Despite the lower outlook for those markets in fiscal 2026, they are well positioned to rebound in fiscal 2027 and beyond. Our long-term expectation for organic revenue growth remains high single digit. While we are now a single operating segment, we would like to provide some detail regarding the size and relative contributions to revenues by our core markets. 25% of revenues utilities, transportation, education, and public administration are all roughly equally weighted. From a seasonality standpoint, software license sales and professional services represent the most variable line items to forecast and can distort seasonality in a given quarter. We currently expect our revenue distribution to approximate the following: Q1, 23%; Q2, 25.5%; Q3, 24.5%; Q4, 27%. I'll now turn the call over to Rick Stanford for updates on the M&A.; Thank you, Geoff. Good morning, everyone. I'll briefly address M&A; and then I'll hand the call off to Paul Christians.

Rick Stanford: This past quarter has presented various opportunities to assess potential acquisition targets. Our interest in some of these companies remains strong and discussions are ongoing. Acquisition philosophy remains steady. We will pursue opportunities that align with our strategic goals while maintaining a disciplined approach to pricing. Additionally, each potential acquisition must fit well within our operational framework ensuring compatibility. We remain optimistic as our acquisition pipeline is constantly churning and continually filled with promising opportunities. Our primary focus remains on strengthening our public sector vertical where we see significant potential for growth and innovation. I'll now turn the call over to Paul Christians for final comments.

Paul Christians: Thank you, Rick. i3 Verticals, Inc. is structured into five primary markets: Justice tech, transportation, public administration, education, and utilities. Because we intentionally structured our organization in a market-centric model to remain as close to the customer as possible, intra-market cross-selling naturally progressed into solution bundling. As solutions have evolved, some are applicable cross-market. Given that, leadership is actively identifying synergistic opportunities across markets further accelerating revenue and deepening customer engagements. Governments are prioritizing the modernization of legacy systems, enhanced user experience, and improved transparency for constituents. The combination of modernization needs and scope expansion creates a unique market opportunity for i3 Verticals, Inc. to address the gap by providing solutions that include ancillary modules such as payments and other revenue cycle activities, that may reduce costs of systems modernizations. Additionally, i3 Verticals, Inc. is positioned to address the needs of all sides of the state and local government agencies. Our solutions architecture and service delivery model allows us to scale from a single agency to an entire state system broadening our addressable market. Recently, i3 Verticals, Inc. announced the expansion of our partnership with the West Virginia Supreme Court to deliver the i3 Court One case management solution to the state's circuit, family, and magistrate courts. With the new contract, i3 Verticals, Inc. provides ancillary value-added services designed to maximize efficiency and offset project costs for West Virginia's unified judicial system. An expanded platform will empower citizens to gain greater access to aggregated public court data, while the revenue cycle management module will streamline financial processes and improve court's case disposition rates. We are experiencing a heightened awareness and demand for technology-forward

platform solutions across the public sector. Platform offerings support decision-makers' ability to manage results versus managing assembly of multiple systems, vendors, and ongoing maintenance. Recent evidence of market platform orientation includes a higher number of RFPs, an increase in the scope of the solutions covered, unified data structure for analytics, and ongoing systems evolution and maintenance requirements. The shift from traditional licensing and capital expenditure models to SaaS introduces a new budgeting paradigm for government clients. One of our differentiators is that i3 Verticals, Inc. is organized both in solution bundling and delivery structure to scale implementation from a single agency to statewide deployment. To address evolving platform market trends, we bundle ancillary services to reduce upfront costs and deliver integrated, modular solutions that deliver modernization with extended scope and enable rapid rollout of additional modules. As referenced earlier, we're observing increased RFP activity alongside continued pipeline growth. This momentum in part reflects increased recognition of i3 Verticals, Inc. as a trusted platform provider and the enhanced market visibility achieved through our brand unification over the past year. This concludes my comments, Drew. At this time, we will open the call for Q&A; please.

Rick Stanford: We will now begin the question and answer session. The first question comes from John Kimbrough Davis with Raymond James. Please go ahead. Good morning, guys. Geoff, just wanted to dive into the '26 organic growth outlook. Our math is about 5%. I heard 8% to 10% recurring and professional services down. Is that a function of you're no longer selling those professional services or maybe you're not putting things like Manitoba in the guide because they're lumpy and you don't know if they can if they're going to hit or when they're going to hit. Just trying to get a sense for the level of conservatism and almost have and also how much you expect professional services to be down on a year-over-year basis?

Clay M. Whitson: Yes. Thanks for the question, J.D. So it's absolutely true that we are leaning into recurring revenue any chance we get. When it comes to negotiations, the West Virginia deal we just did, or any opportunity where we can push and lean on the SaaS and defer over, you know, opt for the recurring sources instead of the professional services implementation sources and contract negotiations, we're absolutely doing that. At each turn. That being said, the professional services, we don't expect that to go away. We don't think that what we have clear line of sight on in 2026 is reflective of any kind of long-term trend necessarily. There's a number of things. The West Virginia deal, utilities pipeline, they look really strong on the professional services and implementation front. Further out. Just true that for 2026, we think that the cadence and timing of some of those things is going to be a little bit lighter. And so we expect to see that line drop off a little bit here. And it was strong in Q4, some of that was a little bit of pull forward, but most of it is kind of things that we just think that the actual performance obligation fulfillment, the cadence of when we get to rev rec on these is further back end of 2026 or slipping into 2027.

John Kimbrough Davis: Okay. Thanks. And then I just wanted to drill down a little bit on that dollar I think you called out 104 for the year. How much of that was priced? And how should we think about kind of the pricing tailwind going forward? So we addressed this a little bit with the market but just to kinda recap some of these things. The company has been extremely conservative on price increases historically. And I'm going to say that we are isn't like a pendulum swing to the ops end of the spectrum at all. But we're much more bought in and have been, you know, working through the contracts and the expectations to make sure we kind of get to more of a 3% to 5% price increase range. On a consistent basis with our customers. We've kind of guided that you might expect if price increases were historically contributing one, all things that we think we're gonna get a great return on. You know, West Virginia is just one of kind of, you know, the sources where that's gonna kinda come from. We're really excited about that deal. The cost is I'd say it's relatively in line with where we thought it was going to be for Q4, but these are people who are going to be with us for the foreseeable future here. And that's going to that elevated cost is going to continue into the next fiscal year here. Okay. And then Greg, \$85 million cash balance on the balance sheet. Here. How do we think about buyback versus M&A; just remind us how much you have them on the buyback? It looks like this year can be a little bit of a transition year at least on the revenue front. Just how are you thinking about that? M&A; versus buyback here? And remind us how much you guys have authorized left?

Rick Stanford: We just regarding buybacks, and I'll let Greg hit M&A.; But Hey. Buybacks, we just

refreshed the approval to \$50 million. Not a lot of activity in this current period. See obviously the detail in our 10-Ks. That's something that the emphasis is on being opportunistic. We'll do it when we think we get a good return. And we'll we're not going to chase it when we don't think that we're given. On the M&A;, we've worked in our pipeline for thirteen years. And I think you'll see some activity sooner than later. We've done a couple of small ones that we'd really don't talk a lot about. And I think we'll still do those, but I think there'll be a couple of meaningful ones we get done in 'twenty six.

John Kimbrough Davis: And Greg, when you say meaningful, more tuck in but announced deals that are big enough that you're going to announce them versus maybe some that are just immaterial and not even worth kind of press releasing or talking about?

Rick Stanford: Exactly. But nothing transformative.

Clay M. Whitson: Yeah. Nothing transforming. They're larger. We say our sweet spot is \$2 million to \$5 million of EBITDA and we pay 10 times. We could get a little bit above that, but nothing dramatically.

John Kimbrough Davis: Okay. Appreciate it. Thanks, guys. This concludes our question and answer session. I would like to turn the conference back over to Greg Daily for any closing remarks.

Rick Stanford: Thank you. We do appreciate your interest. We're here if you need to talk discuss. The Duke We do appreciate your support. Thank you. Have a good day.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.