



JetPay Corporation Announces Third Quarter Financial Results with 33.3% Increase in Quarterly Revenues, Including a 51.3% Increase in the Payment Processing Segment

Berwyn, PA – November 12, 2015 – JetPay® Corporation (“JetPay” or the “Company”) (NASDAQ: “JTPY”) announced financial results for the third quarter and nine months ended September 30, 2015.

Financial Highlights

- Revenues increased 33.3%, or \$2.57 million, to \$10.31 million for the quarter ended September 30, 2015 from \$7.74 million for the same period in 2014, and up 34.2% to \$31.72 million for the nine months ended September 30, 2015 as compared to \$23.63 million for the same period in 2014.
- Revenues within our Payment Processing Segment increased \$2.40 million, or 51.3%, to \$7.08 million in the third quarter of 2015 from the same period in 2014, and \$7.65 million, or 54.7%, to \$21.61 million in the first nine months of 2015 as compared to 2014.
- Gross profit increased 33.8% to \$3.85 million, or 37.4% of revenues, for the quarter ended September 30, 2015, up from \$2.88 million for the same period in 2014, and up 31.4% to \$12.29 million, or 38.7% of revenues for the first nine months of 2015, up from \$9.35 million for the same period in the prior year.
- Earnings before Interest, Taxes, Depreciation, and Amortization (“EBITDA”) were \$856,000 and \$(111,000) for the third quarter of 2015 and 2014, respectively, and \$2.71 million and \$180,000 for the nine months ended September 30, 2015 and 2014, respectively. EBITDA, adjusted for non-recurring and non-cash items, (“adjusted EBITDA”) - (see Non-GAAP Financial Measures definition and reconciliation of operating income to EBITDA and adjusted EBITDA below), was \$1.01 million, or 9.8% of revenues, as compared to \$383,000, or 5.0% of revenues, for the same period in 2014. Adjusted EBITDA was \$3.47 million, or 10.9% of revenues, for the nine months ended September 30, 2015, as compared to \$1.86 million, or 7.9% of revenues, for the same period in 2014. The increase in adjusted EBITDA in the third quarter of 2015 and first nine months of 2015 vs. 2014 was directly related to the Company’s increased revenues, particularly in the Payment Processing Segment.
- Net loss before accretion of convertible preferred stock was reduced from \$(2.05) million for the quarter ended September 30, 2014 to \$(384,000) in the third quarter of 2015, and from \$(5.81) million for the nine months ended September 30, 2014 to \$(999,000) in the same period in 2015.
- The ratio of our total debt to total capitalization, which consists of total debt of \$16.93 million and convertible preferred stock and stockholders’ equity totaling \$53.84 million, was 23.9% at September 30, 2015, a slight increase from 23.1% at December 31, 2014.

Recent News Highlight

- JetPay announced the addition of Thomas Tesmer as Chief Operating Officer of JetPay Payment Services. Mr. Tesmer brings significant expertise in the Payments business, both in merchant processing as well as consumer card issuing in the ATM environment. Over his distinguished 40 year history, he has brought creativity and innovation to various start-up and leadership roles, including positions as technical architect and director for the HONOR debit interchange switch in the early 1980s, founder and President of TransNet (now Chase Paymentech) in the early 1990s, and executive vice president and architect of the Heartland Payment Systems payments processing platform in the 2000s.

“With four consecutive quarters of double-digit revenue growth, JetPay is well on its way to delivering the consistent revenue and EBITDA increases expected by our shareholders,” stated Bipin C. Shah, Chairman and CEO of JetPay Corporation. “Although we still have work to do to ensure consistent growth and can expect some peaks and valleys, we are pleased to see the favorable financial results our acquisition of ACI and ongoing investments in sales and technology have delivered. Our focus continues to be on maintaining our strength in the Card-Not-Present market and investing in technology to continue to deliver innovative products and services to the marketplace such as the recent launch of new products like JetPay Unlimited Processing and our Affordable Care Act Services. Our continued investment in management strength like the addition of Thomas Tesmer allows us to build a Company that can achieve extraordinary growth and returns for our shareholders.”

Financial Results, Third Quarter 2015 Compared to Third Quarter 2014

Revenues were \$10.31 million for the three months ended September 30, 2015, comparable to \$7.74 million for the same period in 2014, an increase of \$2.57 million, or 33.3%. Revenues for our Payment Processing Segment increased \$2.40 million, or 51.3%, for the three months ended September 30, 2015 compared to the same period in 2014. The increase was partially related to JetPay Strategic Partners, which was acquired in November 2014, contributing \$2.08 million of revenues, an increase of \$134,000, or 6.0%, in our Third Party business and an increase of \$212,000, or 11.3%, in direct merchant services revenues. Revenues for our Payroll Segment increased \$159,000, or 5.2%, for the three months ended September 30, 2015 as compared to the same period in 2014. This increase was attributable to net growth in the volume of payroll and related payroll taxes processed and continued strong revenue growth from our Human Resources (“HR”) and Affordable Care Act (“ACA”) services.

Operating loss for the three months ended September 30, 2015 was \$(34,000), compared to \$(763,000) for the same period in 2014. Operating loss is after subtracting depreciation and amortization expense of \$891,000 and \$654,000 for the three months ended September 30, 2015 and 2014, respectively. The decrease in the operating loss was attributable to an increase in gross profit of \$973,000, partially offset by a slight increase in selling, general, and administrative (“SG&A”) expenses of \$6,000. SG&A expenses in the third quarter of 2015 included professional fees for non-recurring matters of \$92,000. SG&A expenses in the third quarter of 2014 included professional fees and settlement costs for non-recurring matters of \$402,000. Operating loss was also affected by our significant investment in sales and technology personnel in 2014 as well as the first nine months of 2015.

Net loss for the three months ended September 30, 2015 was \$(384,000), or a net loss applicable to common stockholders of \$(1.70) million after accretion of convertible preferred stock of \$1.32 million, a loss per share applicable to common stockholders of \$(0.12), compared to a net loss of approximately \$(2.05) million, or a net loss applicable to common stockholders of \$(2.63) million after accretion of convertible preferred stock of \$574,000, a loss per share applicable to common stockholders of \$(0.22) for the three months ended September 30, 2014. The decrease in net loss was primarily related to the increase in revenues combined with the decrease in amortization of deferred financing costs, debt discounts and conversion options of \$882,000, and the decrease in interest expense of \$201,000, both related to the redemption of the \$10 million secured promissory notes on December 31, 2014.

Financial Results, First Nine Months of 2015 Compared to First Nine Months of 2014

Revenues were \$31.72 million for the nine months ended September 30, 2015, comparable to \$23.63 million for the same period in 2014, an increase of \$8.09 million, or 34.2%. Revenues for our Payment Processing Segment increased \$7.65 million, or 54.7%, for the nine months ended September 30, 2015 compared to the same period in 2014. The increase was partially related to the acquisition of ACI in November 2014, contributing \$5.41 million of revenues, an increase of \$1.59 million, or 27.0%, in our Third Party business and an increase of \$815,000, or 12.9%, in direct merchant services revenues. Revenues for our Payroll Segment increased \$409,000, or 4.2%, for the nine months ended September 30, 2015 as compared to the same period in 2014. This increase was attributable to net growth in the volume of payroll and related payroll taxes processed in addition to revenues generated from our new HR and ACA services.

Operating income (loss) for the nine months ended September 30, 2015 was \$28,000, compared to \$(1.79) million for the same period in 2014. Operating income (loss) is after subtracting depreciation and amortization expense of \$2.65 million and \$1.98 million for the nine months ended September 30, 2015 and 2014, respectively. The increase in the operating income was attributable to an increase in gross profit of \$2.93 million, partially offset by an increase in selling, general, and administrative (“SG&A”) expenses of \$399,000. SG&A expenses in the first nine months of 2015 included professional fees and settlement costs for non-recurring matters of \$549,000. SG&A expenses in the first nine months of 2014 included professional fees and settlement costs for non-recurring matters of \$1.18 million. Operating income (loss) was also affected by our significant investment in sales and technology personnel in 2014 as well as the first three quarters of 2015.

Net loss for the nine months ended September 30, 2015 was \$(999,000), or a net loss applicable to common stockholders of \$(4.78) million after accretion of convertible preferred stock of \$3.78 million, a loss per share applicable to common stockholders of \$(0.34), compared to a net loss of approximately \$(5.81) million, or a net loss applicable to common stockholders of \$(7.43) million after accretion of convertible preferred stock of \$1.62 million, a loss per share applicable to common stockholders of \$(0.63) for the nine months ended September 30, 2014. The decrease in net loss was primarily related to the increase in revenues combined with the decrease in amortization of deferred financing costs, debt discounts and conversion options of \$2.58 million, and the decrease in interest expense of \$613,000, both related to the redemption of the \$10 million secured promissory notes on December 31, 2014.

Conference Call

JetPay will conduct a conference call on Wednesday, November 18, 2015 at 9:00 AM EST (6:00 AM PST) to discuss these results and conduct a question and answer session. The participant conference call number is (855) 793-3263 (International Dial-In (631) 485-4960, conference ID: 80422698. There will also be access to a digital recording of the teleconference by calling (855) 859-2056 and entering the conference ID: 80422698. This will be available approximately two hours following the teleconference until Wednesday, November 25, 2015.

About JetPay Corporation

JetPay Corporation, based in Berwyn, PA, is a leading provider of vertically integrated solutions for businesses including card acceptance, processing, payroll, payroll tax filing and other financial transactions. JetPay provides a one vendor solution for payment services, debit and credit card processing, ACH services, and payroll and tax processing needs for businesses throughout the United States. The Company also offers low-cost payment choices for the employees of these businesses to replace costly alternatives. The Company’s vertically aligned services provide customers with convenience and increased revenues by lowering payments-related costs and by designing innovative, customized solutions for internet, mobile, and cloud-based payments. Please visit www.jetpay.com for more information on what JetPay has to offer or call 866-4JetPay (866-453-8729).

Non-GAAP Financial Measures

This press release includes non-GAAP financial measures, EBITDA and adjusted EBITDA, as defined in Regulation G of the Securities and Exchange Act of 1934, as amended. The Company reports its financial results in compliance with GAAP, but believes that also discussing non-GAAP measures provides investors with financial measures it uses in the management of its business. The Company defines EBITDA as operating income (loss), before interest, taxes, depreciation, amortization of intangibles, and non-cash changes in the fair value of contingent consideration liability. The Company defines adjusted EBITDA as EBITDA, as defined above, plus certain non-recurring items, including certain legal and professional costs for non-repetitive matters, legal settlement costs, non-cash stock option costs, and non-cash losses on the disposal of fixed assets. These measures may not be comparable to similarly titled measures reported by other companies. Management uses EBITDA and adjusted EBITDA as indicators of the Company's operating performance and ability to fund acquisitions, capital expenditures and other investments and, in the absence of refinancing options, to repay debt obligations. Management believes EBITDA and adjusted EBITDA are helpful to investors in evaluating the Company's operating performance because non-cash costs and other items that management believes are not indicative of its results of operations are excluded. EBITDA and adjusted EBITDA are supplemental non-GAAP measures, which have limitations as an analytical tool. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. Non-GAAP financial measures do not reflect a comprehensive system of accounting, may differ from GAAP measures with the same names, and may differ from non-GAAP financial measures with the same or similar names that are used by other companies. For a description of our use of EBITDA and adjusted EBITDA and a reconciliation of EBITDA and adjusted EBITDA to operating income (loss), see the section of this press release titled "EBITDA and adjusted EBITDA Reconciliation."

EBITDA and adjusted EBITDA Reconciliation

(000's omitted)	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Operating (loss) income	\$ (34)	\$ (763)	\$ 28	\$ (1,790)
Change in fair value of contingent consideration liability	(1)	(2)	36	(10)
Amortization of intangibles	768	560	2,303	1,680
Depreciation	123	94	347	300
EBITDA	\$ 856	\$ (111)	\$ 2,714	\$ 180
Professional fees for non-repetitive matters	92	313	541	611
Legal settlement costs	-	89	8	571
Non-cash stock option costs	61	92	203	260
Non-cash loss on disposal of fixed asset	-	-	-	237
Adjusted EBITDA	\$ 1,009	\$ 383	\$ 3,466	\$ 1,859

Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. JetPay's actual results may differ from its expectations, estimates and projections and consequently, you should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believes," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. Most of these factors are outside JetPay's control and are difficult to predict. Factors that may cause such differences include, but are not limited to, those described under the heading "Risk Factors" in the Company's Annual Report filed with the Securities and Exchange Commission ("SEC") on Form 10-K for the fiscal year ended December 31, 2014, the Company's Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K.

JetPay cautions that the foregoing list of factors is not exclusive. Additional information concerning these and other risk factors is contained in JetPay's most recent filings with the Securities and Exchange Commission. All subsequent written and oral forward-looking statements concerning JetPay or other matters and attributable to JetPay or any person acting on its behalf, are expressly qualified in their entirety by the cautionary statements above. JetPay cautions readers not to place undue reliance upon any forward-looking statements, which speak only as of the date made. JetPay does not undertake or accept any

obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based.

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JetPay Corporation
Condensed Consolidated Statements of Operations
(In thousands, except share and per share information)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Processing revenues	\$ 10,308	\$ 7,735	\$ 31,718	\$ 23,630
Cost of processing revenues	<u>6,456</u>	<u>4,856</u>	<u>19,432</u>	<u>14,277</u>
Gross profit	3,852	2,879	12,286	9,353
Selling, general and administrative expenses	2,996	2,990	9,572	9,173
Change in fair value of contingent consideration liability	(1)	(2)	36	(10)
Amortization of intangibles	768	560	2,303	1,680
Depreciation	<u>123</u>	<u>94</u>	<u>347</u>	<u>300</u>
Operating (loss) income	(34)	(763)	28	(1,790)
Other expenses (income)				
Interest expenses	210	411	613	1,226
Amortization of deferred financing costs, debt discounts and conversion options	98	980	274	2,855
Change in fair value of derivative liability	-	(150)	-	(210)
Other income	<u>-</u>	<u>(1)</u>	<u>(3)</u>	<u>(5)</u>
Loss before income taxes	(342)	(2,003)	(856)	(5,656)
Income tax expense	<u>42</u>	<u>51</u>	<u>143</u>	<u>155</u>
Net loss	(384)	(2,054)	(999)	(5,811)
Accretion of convertible preferred stock	<u>(1,316)</u>	<u>(574)</u>	<u>(3,781)</u>	<u>(1,621)</u>
Net loss applicable to common stockholders	<u>\$ (1,700)</u>	<u>\$ (2,628)</u>	<u>\$ (4,780)</u>	<u>\$ (7,432)</u>
Basic and diluted loss per share applicable to common stockholders	<u>\$ (0.12)</u>	<u>\$ (0.22)</u>	<u>\$ (0.34)</u>	<u>\$ (0.63)</u>
Weighted average shares outstanding:				
Basic and diluted	<u>13,892,990</u>	<u>11,863,823</u>	<u>13,875,041</u>	<u>11,750,122</u>

JetPay Corporation
Condensed Consolidated Balance Sheets
(In thousands)

	September 30, 2015	December 31, 2014
	Unaudited	Audited
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,482	\$ 5,359
Restricted cash	227	1,386
Accounts receivable, less allowance for doubtful accounts	1,909	2,634
Settlement processing assets	12,659	18,893
Prepaid expenses and other current assets	780	828
	21,057	29,100
Current assets before funds held for clients	35,503	40,833
Funds held for clients	56,560	69,933
Total current assets	56,560	69,933
Property and equipment, net	1,528	1,226
Goodwill	41,760	41,760
Identifiable intangible assets, net	24,589	26,892
Deferred financing costs, net	102	89
Other assets	4,522	4,502
	\$ 129,061	\$ 144,402
LIABILITIES		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 3,203	\$ 1,571
Accounts payable and accrued expenses	8,766	9,153
Settlement processing liabilities	11,777	18,024
Deferred revenue and other current liabilities	1,655	3,770
	25,401	32,518
Current liabilities before client fund obligations	35,503	40,833
Client fund obligations	60,904	73,351
Total current liabilities	60,904	73,351
Long-term debt and capital lease obligations, net of current portion	13,725	14,795
Deferred income taxes	284	284
Other liabilities	304	1,411
	75,217	89,841
Commitments and Contingencies		
Redeemable Convertible Preferred Stock	33,163	29,779
Stockholders' Equity	20,681	24,782
	\$ 129,061	\$ 144,402
Total Liabilities and Stockholders' Equity	\$ 129,061	\$ 144,402