Triumph Bancorp, Inc.

First Quarter 2022 Earnings Conference Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Stephen Moss, *B. Riley Securities*

Matthew Olney, *Stephens Inc.*

Gary Tenner, *D.A. Davidson & Co.*

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Joseph Yanchunis, *Raymond James & Associates*

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PRESENTATION

Operator

Hello, everyone, and welcome to the Triumph Bancorp's First Quarter 2022 Earnings Call. My name is Emma, and I will be coordinating your call today.

I'll now pass the call over to the Senior Vice President of Investor Relations, Luke Wyse, to begin. Please go ahead, Luke.

Luke Wyse

Good morning. Welcome to the Triumph Bancorp conference call to discuss our first quarter 2022 financial results.

Before we get started, I would like to remind you that this presentation may include forward-looking statements. The statements are subject to risks and uncertainties that could cause actual and anticipated results to differ. The Company undertakes no obligation to publicly revise any forward-looking statements. If you're logged into our webcast, please refer to the slide presentation available online including our Safe Harbor statement on Slide 2. For those joining by phone, please note that the Safe Harbor statement and presentation are available on our website at www.Triumphbancorp.com. All comments made during today's call are subject to that Safe Harbor statement.

I'm joined this morning by Triumph's Vice Chairman and CEO, Aaron Graft; our Chief Financial Officer, Brad Voss; Todd Ritterbusch, President of TBK Bank; Geoff Brenner, CEO of Triumph Business Capital; and Melissa Forman, our newly appointed President of TriumphPay.

After the presentation, we will be happy to address any questions you may have.

At this time, I'd like to turn the call over to Aaron. Aaron?

Aaron Graft

Thank you, Luke. Good morning. For the first quarter, we earned net income to common stockholders of $23.5 million or $0.93 per diluted share. This was a very good quarter for TBK. We saw the typical seasonality that accompanies the first quarter of every year. However, in this case, despite a modest pullback in volume, invoice prices remained elevated such that purchases at Triumph's business capital were flat with the fourth quarter of 2021. TriumphPay saw the number of invoices decline only slightly while the dollar value of invoices paid continued to climb.

Overall, I am incredibly proud of this team. We controlled the things we can control, executing on those items with distinction and continue to make investments in the unique opportunity before us.

In the first quarter, we announced the first conforming transactions in our TriumphPay platform. As a reminder, a conforming transaction is a payment from a fully enabled TriumphPay payor, either a freight broker or a shipper, to a fully-enabled TriumphPay payee, either a carrier or their factoring company. Parties on both sides of the transaction are connected via API with TriumphPay, which largely automates the process.

What began with a beta test of two brokers and five factors in mid-January is now 39 brokers and 17 factors, including five of the 20 largest factors and two of the 30 largest brokers. While volumes are not material from a financial perspective, the progress forward seems to validate our thesis that this is a solution the market desires. From January 11 through March 31, we processed 53,000 conforming transactions totaling 132 million in freight spent. Conforming payment volume continues to scale rapidly with February and March volumes of $43 million and $86 million respectively. As of the end of the quarter, we were processing 1,600 invoices a day or about $3.8 million in payment volume as conforming transactions.

In total, during the first quarter, TriumphPay processed approximately 4 million invoices, paying just under 127,000 distinct carriers. We have now paid 168,000 distinct carriers in the last 12 months. First quarter payments processed totaled approximately $5.7 billion, an 8.8% increase over the prior quarter and a 147.7% increase from Q1 2021. TriumphPay's annual run rate payment volume exiting the quarter was over $24 billion.

We listed as one of our metrics that matter the continued growth in both factors and brokers that make up both sides of the network. As a reminder, the sales cycle for Tier 1 brokers can be multiple years. We only announce Tier 1 additions by name when they are integrated and we are providing services on their behalf.

In the first quarter, we added another three factoring companies as TriumphPay audit clients, bringing the total number to 72. We also continued to add brokers to the network, bringing our total count of freight brokers to 558 who are TriumphPay customers, TriumphPay audit customers or both. This number is down four brokers since our announcement earlier in March because we made some minor system adjustments to consolidate customer entity reporting. This approach is more consistent with how we think about our customers and prevents a broker's subsidiary from being reported as a separate customer even if it operates as such. We think this is a more accurate way to look at things.

As a result of this move, 28 brokers were removed from the broker count, but they didn't actually leave the ecosystem. These reductions were offset by 27 new broker additions. Those changes, along with the removal of some brokers due to acquisitions and the consolidation, also affected counts for the quarter. Of the 27 brokers added in the quarter, all were Tier 2s, 3s and 4s. Seven of the brokers were integrated on Triumph payments, 14 on audit and six on both payments and audit. Overall, we have three factors and 44 brokers currently in the integration queue including one Tier 1 factor and four Tier 1 brokers with expected go lives over the next three quarters.

Every quarter we discuss how many distinct carriers we paid in the last quarter and trailing 12 months or since inception. Another important carrier number is the number of registered carriers on the network. These are carriers that have claimed their profile and TriumphPay and are now fully integrated for payments, paperwork and all the benefits of the network. We added 15,000 new registered carriers in the first quarter, bringing the total number to just over 106,000 carriers who have claimed their profile on the TriumphPay network.

Triumph business capital also had a very strong quarter. Average purchases per day exceeded $60 million again for the quarter and the dollar volume of invoices purchased was $4.04 billion, a 62.2% increase over the first quarter of 2021. That's an annualized run rate of approximately $16.1 billion in purchases. Average transportation invoice sizes were $2,401 for the quarter, up $110 from Q4 of 2021. Triumph business capital purchased approximately 1.6 million invoices, down just 3.9% from the prior quarter and a 34.9% increase over the first quarter of 2021. Triumph business capital ended the quarter with $1.67 billion in accounts receivable and receivables held for sale, a 48.9% increase over the first quarter of 2021. This team just continues to surpass expectations, achieving results that, even without the benefit of strong invoice prices, continue to break previous internal records.

There's been a lot written and said over the last few weeks about an imminent freight recession. Our outlook is not as negative as the prevailing narrative in the media. Indeed, the market has rationalized as anyone would expect. But consider this fact, our April month-to-date average transportation invoice size is approximately $2,300. That threshold of $2,300 per invoice has only been exceeded in four individual months since 2007.

We are not economists but we do closely follow several key market indicators in the sector in addition to our own internal statistics. What our data shows is a gradual drop-off from historic rates per mile offset by rising fuel costs. There has not been a significant drop-off in freight tonnage. At Triumph business capital, we have seen trucking clients adjust to small rate adjustments on a downward curve. But the carnage some are predicting typically only occurs when a recession dramatically and swiftly reduces tonnage, which leaves trucks parked. We do not see any sign of that in the near future. In my opinion, the media has seized on one side of a narrative to drive clicks and the market has just followed along.

Regardless of the direction of freight, our job is to serve our customers in good times and in recessionary times. We have to be nimble enough to keep the business when everyone wants in and wise enough to structure our deals to weather the inevitable headwinds. Our history shows we know how to do this well and we plan to continue that trend. Our revenue may fluctuate with the transportation market, but we are well prepared to handle a slowdown in trucking.

One benefit of a slowdown in the trucking market is a heightened focus on the bottom line among our prospects. When margins are thin people have to look for every advantage. The promise of TriumphPay is to save our customers more than they pay us to use it. Getting the market's attention is easier when the tide goes out a bit and it's not just a race to cover loads or buy (phon) invoices. Thus, I expect any market weakness to create opportunities for us. Our focus doesn't change with short-term moves in our stock price or the transportation market. We are building something that will benefit everyone. It is our primary mission and we will accomplish it.

Last quarter, I offered expectations on Q1 expenses at about $80 million excluding any strategic equity grant adjustments and we were just short of that estimate. We currently expect Q2 expenses of about $85 million, inclusive of expenses related to the disposal group as we continue to invest in the opportunity we see in front of us.

Finally, let's turn to some unusual items this quarter. As we continue to focus our efforts on the opportunities in the transportation market, we are in discussions to sell 15 TBK Bank branches in rural Colorado and Kansas. The $159 million of loans and $20 million of other assets in these branches are now reflected in assets held for sale on our balance sheet, and $367 million of branch deposits likewise are reflected as deposits held for sale.

Moving the loans to held for sale status created a $970,000 benefit to our credit loss expense in the first quarter. Once closed, we expect a reduction in quarterly revenue in expenses of about $2.25 million for revenue and $2 million for expenses respectively.

Second, in another focusing effort, we have moved approximately half of the non-transportation portion of our factoring business, about $70 million in net funds employed to held for sale, anticipating a divestiture in the second quarter. This move created a $420,000 benefit to our credit loss expense in the first quarter and once closed we expect a reduction in quarterly revenue and expenses of about $2.7 million in revenue and $300,000 in expenses respectively.

As evidenced by these moves, we will continue to simplify our operating model, focusing our strategy, capital and energy on the opportunities we see before us in our transportation related businesses.

Let me be clear, for Triumph, nothing is as important as establishing a ubiquitous payments network for the trucking industry. Everything we do begins with that end in mind. We will continue to maintain diversity of revenue and funding as appropriate. But overall our business model is narrowing its focus on to our ultimate goal.

With that, we will turn the call over for questions.

Operator

Our first question today comes from Steve Moss from B. Riley Securities. Your line is now open.

Stephen Moss

Good morning, guys. Maybe just following up on the factor receivable business here and, Aaron, you mentioned the rising fuel costs. Just, if you could break down kind of what percentage that represents of the invoice these days?

Aaron Graft

Just to clarify, Steve, what percentage is fuel?

Stephen Moss

Yes, fuel-related costs in the invoice of (inaudible).

Aaron Graft

Yes. The market, it really doesn't break out that way, Steve. If you think about, there's two primary ways in which loads are priced. There's long-term contractual pricing, which may or may not include fuel surcharges. That's generally what larger carriers have when they're engaged with shippers.

For the factoring industry, most of our invoices are being purchased from smaller carriers, many of whom primarily rely on the spot market. Of course, the spot market reprices every day, just like the equities market.

There isn't a specific breakout for fuel in the spot market; it's encompassed in the spot rate. A reason that rates have stayed where they are, even though revenues per mile or the rate per mile if you exclude fuel, is falling is because fuel prices have gone up.

Brokers are having to offer a spot rate that covers that additional fuel cost or the driver is not going to take the load, so we can't really break it out. What we would say is, directionally, roughly 40% of the cost of an invoice is associated with fuel and that applies—that generally applies no matter where fuel is moving.

Stephen Moss

Okay, that's helpful. Then, Aaron, in terms of the level of payments being processed, fully automated conforming transactions here, quite the ramp as February and March goes on. Maybe just any color as to where things are in April and, if you can, any idea of where you think that will head over the next, call it, three to six months?

Melissa Forman

Steve, thank you for that question. This is Melissa. We are seeing daily average transaction counts where we ended Q1 at around 1,600 per day, moving towards the 2,000 transactions per day that are conforming transactions.

Aaron Graft

Steve, on top of that, I would say, you heard us call out Tier 1 factors and Tier 1 freight brokers who are in the queue. Each of those going live will create gaps upwards in the number of conforming transactions because one Tier 1 freight broker is the size of 500 Tier 4 freight brokers. You can't draw a straight line; it will gap upwards as you continue to land large clients.

Stephen Moss

Maybe to that point, Aaron, I apologize if I missed it. But did you say when they would be coming online? Is it this quarter or just over the next couple of several quarters?

Aaron Graft

We did not give a specific timing because if the sales cycle is long in and of itself, the integration cycle requires both parties, us and our client, to do some sophisticated API integrations. I think what we are saying is over the next few quarters, we expect those four Tier 1 freight brokers and the one Tier 1 factor to come live, and there are other people in the queue. Those are just those that are far enough along, we felt like we could call them out as being in the queue.

Stephen Moss

Okay, great. One last one for me on expenses here just in terms of step up to $85 million. You mentioned that some of that includes disposal costs; is there, maybe, so imply—maybe implying some one-time item just traces their underlying number, if that does include some one-time items?

Aaron Graft

There're always one-time items that move through our expenses. Let's step back and talk about what we called out for you on last call—on the last call. We said that we could see or foresee over the course of this year 15% expense growth and that the majority of that expense growth was going to be tied to investing in technology and people to accelerate the TriumphPay integration sales cycle, development build out and also for Triumph business capital. We are capturing a significant amount of that gain in Q2.

We stand by what we said for full year expense guidance. If that were to change because of inflation-related items, we will call that out. For now, we stand by that number. We're obviously capturing a significant portion of that planned, annualized expense increase in Q2. We still think we'll finish roughly where we told you by the end of the year.

Stephen Moss

Okay, great. Thank you very much. That's helpful.

Operator

Thank you, Steve. Our next question today comes from Matt Olney from Stephens. Please go ahead. Your line is now open.

Matthew Olney

Hey, thanks for taking the question. Want to dig more into TPay. In the segmented data, I think there was a loss of $57 million. Just help us appreciate how you see this trending over the next few quarters. I think last time you said you were hopeful that could break even towards the end of 2023. Any updated thoughts around that?

Aaron Graft

I think, Matt, that's still our goal. But understand, I hope we made clear in the past, 2022 is a year to expand the reach of the network and we are investing heavily to do that. Some of the things that are hitting our expense line item in 2022, for example, would be commissions paid to our producers. Those commissions don't last for forever. Now, the idea is once you add clients to the network, it is a very sticky ecosystem because of the value it creates for the parties involved.

Our goal is to push towards breakeven in 2023 and we see the revenue opportunity grow, especially as more conforming transactions come into the ecosystem. But the most important thing is to have Tier 1 factors and freight brokers using our system and finding it to improve their operating economics. If that is true, which has been true so far and it continues to be true, then the expansion of the TriumphPay network and the ultimate monetization will follow naturally from that.

Matthew Olney

Got it. That's helpful, Aaron. Then, sticking on TPay, I know there're some normal seasonal headwinds in the freight business in the first quarter, but I was still surprised the number of invoices was flat sequentially. Any more color on what would drove that being relatively flat?

Melissa Forman

Thank you, Matt. This is Melissa. We've seen some mostly Tier 3s and Tier 4s, Tiers 2s, 3s and 4s, get onboarded in the last quarter. As we've mentioned in previous calls, the Tier 1 brokers tend to scale up their operation over time. We don't get 100% of their volume day one. We're starting to see that scale offset with the seasonal dip that you would typically see in the first quarter and so it's evening out. I think that as you look at the seasonal flow, you'll start to feel those transaction volumes come back up in this next quarter.

Matthew Olney

Okay. Thanks for that. Then just lastly, Aaron, you mentioned lots of talking heads on the media about expectations of freight and who knows what's going to happen and not asking you to opine more on this. Just more of a thought as far as if the environment does slow, are there any strategic shift the Company would consider in that scenario?

Aaron Graft

That's a great question, Matt. Number one, if it creates a perfect storm from the way we would see it, that would hurt the trucking industry as you have rising interest rates, high fuel prices and softening spot market. Now you've got small truckers who've just come into the ecosystem, they borrowed heavily to buy a truck. Their margins are getting compressed. The fuel surcharges that exist for the freight brokerage community may not be getting passed along to the drivers if the demand is—if the market is not as tight. What would that mean for us?

Well, we've owned Triumph Business Capital since 2012, and we have data on it going back to 2004. Since we've owned it, the worst ROA that the Triumph Business Capital segment has ever delivered on an after-tax basis was 3.2%, like 4.4% pretax, 3.2% after tax. There is nothing we're going to do differently in Triumph Business Capital. We will continue to serve those customers the best we can. We will onboard customers as the opportunities come towards us.

If we're talking with respect to TriumphPay, I would probably accelerate our investment. While that would be painful in the short term, I go back to what I said in the opening line of this call. For the last year, there has been—if you were in transportation, you were generally doing very well. Historically, this is a thin-margin business. The promise of TriumphPay to save $15 to $20 of friction cost per invoice on hundreds of millions of transactions a year is an incredible value proposition for our shareholders, but for the market at large. We have the retained earnings to do it. We have the profitability to do it. I can't foresee anything that would slow down our sprint to making TriumphPay what we believe it will be for the market.

Beyond those two items at the margins, would we tighten things up? Of course we would. We want to be good stewards in the short term, but we are way more focused on creating the value of the network for the long term.

Matthew Olney

Okay. That's helpful, Aaron. Thanks for taking my questions.

Operator

Thank you, Matt. Our next question today comes from Gary Tenner from D.A. Davidson. Your line is now open.

Gary Tenner

Thanks. Good morning. Aaron, I wanted to just ask about the timing of the decision to exit that non-transportation factor receivable part of the business. If I heard your numbers right, you said revenue declined to $2.7 million a quarter, a $300,000 expense reduction, so a pretty significant piece of pretax earnings if you look back to 2021.

Given the investment that you're making in TriumphPay and what I assume this is a pretty steady business that doesn't take a lot of incremental attention for Management, why not keep that around to help fund the other investments you're making in the rest of the business?

Aaron Graft

Great question, Gary, and I'll let Geoff speak to the operational implications of having a non-transportation portfolio inside of the transportation portfolio, but let me speak to it from a profitability standpoint. Assuming the transportation market stays relatively flat, we will backfill that revenue in a quarter. If you think about the growth of Triumph Business Capital, I'm not worried about backfilling that revenue. Of course, we're making investments in Triumph Business Capital to improve its operational efficiency.

Then the other reason, Gary, that we're—that with the catalyst in doing this is we understand transportation, I think, as well as anyone in the world, as far as what we do. That's not true of every other industry out there. As we narrow our focus, we want to be the best in the world at providing these services to transportation and understanding the nuances and the fraud mitigation that comes with that.

Geoff, what would you add to that?

Geoff Brenner

To your point, Aaron, I would say in the transportation sector, when you're factoring these invoices, it's a very repeatable process of underwriting and buying the invoice. When you get outside transportation, you're dealing with everything from apparel, garments to staffing and each deal is so unique. You don't get the same synergies and the same efficiencies from repeatability. With a focus on our core business of transportation, it made sense to focus on the core business.

Gary Tenner

All right. I appreciate that. Then just a follow-up question. In the quarter, the fee income decline versus where it was in the fourth quarter, it looks like primarily other income and primarily in the bank segment. Just wonder if you could talk to what maybe some of the noise was there.

William Voss

Yes, Gary, this is Brad. There's always some noise in that line item. Historically, most of that noise has been on the positive side. We had a handful of six-figure unusual items (phon) in the fourth quarter that did not and were not going to repeat. We had some negative items in the first quarter. Couple of examples of that, we had a reduction in our indemnification asset related to our—some collections that we actually had from some of those misdirect or from some of the over advances. We had a BOLI claim in the fourth quarter that didn't repeat. Just a handful of things that just continued to pop up. I think if you were to normalize all of that, that what looks like a $3.2 million drop in the quarter was probably more like $800,000. Had some small realized losses on loan sales, just things like that, that top-up. You look on an ongoing basis, our core noninterest income was probably about $12 million, and that was down just a touch from the previous quarter.

One other thing to—just to note, and this is more for a go-forward basis, we did just institute in April some more consumer-friendly changes to our overdraft policies that probably take about $600,000 or $700,000 a quarter and out of fee income going forward. I don't think that should really surprise anybody. I think a lot of banks are doing that. We're just trying to be better citizens in the (inaudible) there.

Gary Tenner

Thanks for taking my questions.

Operator

Thank you, Gary. Our next question comes from Brady Gailey from KBW. Please go ahead. Your line is now open.

Brady Gailey

Thanks. Good morning, guys. I was just wondering, if we were to head into a scenario where we saw a freight recession, obviously, the average invoice price and volumes could come under pressure. But how do you think a recessionary scenario would impact TPay's interchange fee? I think the last time we talked about it, you guys said that over time that could be roughly 20 basis points. Would a recession have any negative or positive impact on that interchange fee?

Aaron Graft

I think in the short term a recession is going to be painful on short-term earnings. But no matter whether you're dealing with $1,500 invoices or $2,400 invoices, the friction cost is still the same. That's why TriumphPay is going to succeed, because you have certain fixed costs in the presentment audit and payment of invoices that exist in a recessionary environment and in a strong environment like we've seen.

I don't think it changes the value proposition to the market in a recessionary environment. The change would just be that every dollar of incremental value we can deliver to shippers, freight brokers, factors and carriers by virtue of taking out manual processes becomes more important in a recessionary environment because margins get squeezed.

As far as what we will earn going back to our shareholders, we said we intend to—or the value proposition for our shareholders is we believe we will retain roughly half of the savings we deliver to our constituents. Revenue volatility will move, of course, over time. But it would be impossible to say an interchange fee is going to go from this point to this point in a certain recessionary environment when we're still on the very front end of even creating that pricing concept.

Brady Gailey

Okay. All right. Then my second question, you're selling some of your funding and some of your deposits here. I know over time you guys continue to narrow the focus on TPay and the transportation industry and away from the bank. Do you expect to continue to wind down the bank from here? Could we see additional divestitures over time?

Aaron Graft

At this time, there is nothing beyond what we just did. The moves we just made were made because as we've gotten more transportation centric in our line, in what we do, those 15—the 15 branches that are part of the disposal group, our business model was moving away from agricultural lending and the things that need—is needed in those communities. We weren't serving those communities as well as we would like and nor were the assets they generated moving towards our ultimate goal.

We believe there is value in a diversity of revenue. We have a singular—our focus is, of course, on transportation, but there's a value in maintaining the diversity of funding and revenue at this point in our transition towards a financial technology company that is a bank. You're not going to see us expand into anything new as far as additional dispositions. There's nothing in the queue at this time.

Brady Gailey

All right. Then finally for me, Aaron, I know you're not interested in bank M&A anymore or you're just not interested there. But when you look at Fintech M&A, is there anything out there that you think could make sense for you guys to purchase?

Aaron Graft

Yes. There are companies that are in and around what TriumphPay is setting out to do that we are always in various forms of dialogue with. But any M&A for us has to be accretive or has to move us to not accretive necessarily from a short-term earnings perspective, but it has to advance the cause of the TriumphPay network becoming a ubiquitous payments network for trucking. If it doesn't fit that, it's not on the table.

Brady Gailey

Okay, great. Thanks.

Operator

Thank you. Our next question today comes from Joe Yanchunis from Raymond James. Your line is now open.

Joseph Yanchunis

Good morning. Hi, there. You had previously stated that you believe Triumph Business Capital can reach $240 million of revenue in 2022. Given the current market, do you still feel comfortable with that outlook?

Aaron Graft

At this moment, we do.

Joseph Yanchunis

Perfect. Then again, earlier this month, you announced the formation of TriumphX. I was hoping you could discuss the expected benefits you hope to achieve from this initiative.

Aaron Graft

Sure. The transformation that we have undergone as a Company has required a lot of technical talent, from systems engineers to developers, to people who are user experience, designers of the user and customer experience, data scientists. It is not easy to recruit people from those backgrounds into a bank. It's impossible, almost, to recruit those people into a factoring company. You can recruit some of those people into a payments network. But the fact of the matter is we need that talent throughout our enterprise.

TriumphX is an effort to engage with people with skill sets that I just mentioned and to give them a career path inside of our organization that doesn't just pigeonhole them to doing one thing, but allows them to work on some really exciting products and be on the leading edge of technology as it relates to the transportation space. That's why TriumphX was created. That's the people we're going after who will sit within that part of the organization and they will serve the entire organization.

Joe Yanchunis

Understood. I appreciate it. That was it for my questions.

Operator

Thank you, Joe. Our next question today comes from Jared Shaw from Wells Fargo. Please go ahead. Your line is now open.

Timur Braziler

Hi. Good morning. This is Timur Braziler filling in for Jared. Just wanted to dig in a little deeper on TriumphPay and looking at when you're bringing on new relationships, whether it's the brokers or the factors, I know Melissa had mentioned that you don't get all their business at once, and that volume slowly comes on board. When you bring on a new relationship, what's the typical percentage of their payments volumes that goes through TPay and how should we expect that to ramp in the future? What's the typical ramp for a company to start giving you more of their business?

Melissa Forman

That's a great question. I think it's really hard to answer because it tends to be all over the place. In some cases, we'd have a broker that has multiple divisions, and they may bring on one division at a time, just as a result of having multiple TMSs that we're integrating with. Some of them will bring on certain modes at a time. As we've seen to date, it's really hard to predict. One might bring everything on at once. The next one, it could take a year to 1.5 years to get all that volume on board.

Timur Braziler

Okay. Then maybe following up on Brady's question, if we do enter a recessionary environment and the expense side becomes a greater focus for everybody, does that accelerate the adoption of TPay in your view? Do you get more of that business coming through your platform if it's able to alleviate some of the cost pressures?

Aaron Graft

That's our thesis that the value—as I said earlier, the expense, the fixed expense to present, audit, pay and do cash application of invoices is roughly the same whether invoices are $2,300 a piece or $1,500 a piece. The market needs this solution. Somebody is going to deliver this to the market. It makes no sense to spend billions of dollars on friction around $2,300 highly repeatable invoices and it makes even less sense to do so when those invoices are $1,500 a piece.

It would be rational to think that in a market where margins are getting compressed and TriumphPay is delivering you more cost savings than we're charging you, that your incentive to do what you need to do on—in your technology stack to integrate with ours, that that would be a heightened focus.

Timur Braziler

Okay. Then maybe, Aaron, just tying it all together, as you look towards that breakeven point, what's the largest driver? Is it getting larger utilization of the system from existing clients? Is it bringing on additional Tier 1, Tier 2, 3s and 4s on to the platform? Is it the reduction or stability of the expense base? Is it combination of all three? What's the largest driver as we get towards breakeven next year?

Aaron Graft

Yes. That's a great question. Taking the third one first. We acknowledge the expenses in TriumphPay are real. If you were to exclude TriumphPay from our overall enterprise, we'd be running at over a 2% ROA as an institution. That is not lost on us. This is an intentional investment and we're overinvesting in some areas at this time to make sure that the platform is stable, that the platform accelerates and that the platform does everything that our customers need.

There will be—a time will come, whether it's 2023 or 2024, where you need to optimize the expense structure for TriumphPay, but that day is not today. Today, we need to make sure the platform never goes down, that the platform is available to anyone who wants to join it, and that we design the feature sets that are needed by our customers.

The most important thing towards moving towards profitability, which we've called out, $75 billion in payment volume generates $100 million in revenue, we believe we will be profitable at that time, probably well before that time. Note, we're a 1/3 of the way there; $24 billion run rate, we're 1/3 of the way there, growing 10% quarter-over-quarter or 8.8% quarter-over-quarter in what historically has been the weakest quarter of the year going from Q4 to Q1.

The most important thing for the value proposition, for the constituents of the network as it sits now, is for Tier 1 brokers, the 30 brokers who control 40% of all brokered freight in the United States and the Tier 1 factors, the 20 factors who control 75% of the factoring industry, for both of those parties to see a level of adoption on either side of the network so that they can begin to change their operating processes and procedures to realize the efficiencies that the network offers. That is the thing, and we are headed towards that.

We gave you the parties, the number of the parties that are in the queue to do these integrations. When you achieve that where parties on both sides of the network are able to make their processes of how they handle presentment audit, payment and cash application, they're able to change those because of the volume that's coming from the network, then our opportunity to monetize that becomes real. We think that, really, you start to see that at the end of 2023. From there, we expect it to continue to grow.

Timur Braziler

Great color. Thank you.

Operator

Thank you. Our next question is a follow-up from Matt Olney from Stephens. Please go ahead, Matt. Your line is now open.

Matthew Olney

Yes. Thanks for taking the follow up. Just want to ask more about capital and M&A and capital is obviously strong today. It looks like it's going to build even more from here with some of those pending sales that you mentioned. How do you weigh M&A against repurchasing some of your own stock? It looks like there was some modest activity in 1Q. How do you weigh those two things?

Aaron Graft

All things being equal, if we can make an investment, especially if we can do it with out of cash and not dilute our shareholders, that moves TriumphPay towards its ultimate goal, that is our first and foremost focus. If none of those opportunities present themselves or if a recession comes, which continues to depress our share price, we are, long term, incredibly optimistic on what we are building here and we will be happy to buy back our own shares.

We bought back a little bit, as you noted, last quarter. We don't feel the need to rush to do either. To deploy money into an M&A transaction, it has to be the right M&A transaction that helps the network. To support our share price, that matters, but we're going to be thoughtful about when we do it. But overall, even though we trade at a high multiple relative to a bank peer group, we don't really think banks are our peer group. We think our shares are underpriced.

The call option of what TriumphPay can be is severely underpriced in our view. It is highly unlikely that you will see us use our stock in an M&A transaction or for a material part of an M&A transaction in any event until we believe the market more appropriately values the option value of what TriumphPay will be.

Matt Olney

Okay. Thanks for taking the questions.

Operator

Thanks, Matt. We have no further questions. I'd like to turn today's call back to CEO, Aaron Graft.

Aaron Graft

Thank you, all, for joining us. Have a great day.

Operator

This concludes Triumph Bancorp First Quarter 2022 Earnings Call. You may now disconnect your lines. Have a good day.