Q1 2023 Earnings

May 9, 2023

Disclaimer

This presentation (including the verbal information and discussion relating to these materials) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and we intend that all forward-looking statements that we make will be subject to the safe harbor protections created thereby. You can generally identify forward-looking statements by our use of forward-looking terminology such as “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “projection,” “seek,” “should,” “strategy,” “target” “will” or “would,” or the negative thereof or other variations thereon or comparable terminology. In particular, statements that address guidance, outlook, targets, market trends or projections about the future, and statements regarding our expectations, beliefs, plans, strategies, objectives, prospects or assumptions, or statements regarding future events or performance, contained in this presentation are forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. These and other important factors, including those discussed in our Annual Report on Form 10-K for the year ended December 31, 2022 under the heading “Risk Factors” and in our Quarterly Report on Form 10-Q for the period ended March 31, 2023 under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, may cause our actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements, or could affect our share price. Some of the factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include: changes in economic, political and market conditions, including bank failures and concerns of a potential economic downturn or recession, and the impact of these changes on our clients’ hiring trends; the sufficiency of our cash to meet our liquidity needs; the possibility of cyber-attacks, security vulnerabilities, and internet disruptions, including breaches of data security and privacy leaks, data loss and business interruptions; our ability to comply with the extensive United States (“U.S.”) and foreign laws, regulations and policies applicable to our industry, and changes in such laws, regulations and policies; our compliance with data privacy laws and regulations; potential liability for failures to provide accurate information to our clients, which may not be covered, or may be only partially covered, by insurance; the possible effects of negative publicity on our reputation and the value of our brand; our failure to compete successfully; our ability to keep pace with changes in technology and to provide timely enhancements to our products and services; the continued impact of COVID-19 on global markets, economic conditions and the response by governments and third parties; our ability to cost-effectively attract new clients and retain our existing clients; our ability to grow our Identity-as-a-Service offerings; our success in new product introductions and adjacent market penetrations; our ability to expand into new geographies; our ability to pursue and integrate strategic mergers and acquisitions; design defects, errors, failures or delays with our products and services; systems failures, interruptions, delays in services, catastrophic events and resulting interruptions; natural or man-made disasters including pandemics and other significant public health emergencies, outbreaks of hostilities or effects of climate change, and our ability to deal effectively with damage or disruption caused by the foregoing; our ability to implement our business strategies profitably; our ability to retain the services of certain members of our management; our ability to adequately protect our intellectual property; our ability to implement, maintain and improve effective internal controls; our ability to comply with public company requirements in a timely and cost-effective manner, and expense, strain on our resources and diversion of our management’s attention resulting from public company compliance requirements; and the other risks described in Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements contained in this presentation are not guarantees of future performance and our actual results of operations, financial condition, and liquidity, and the development of the industry in which we operate, may differ materially from the forward-looking statements contained in this presentation. In addition, even if our results of operations, financial condition, and liquidity, and events in the industry in which we operate, are consistent with the forward-looking statements contained in this presentation, they may not be predictive of results or developments in future periods. Any forward-looking statement that we make in this presentation speaks only as of the date of such statement. Except as required by law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this presentation.

This presentation contains “non-GAAP financial measures,” which are financial measures that are not calculated and presented in accordance with generally accepted accounting principles in the United States (“GAAP”). Specifically, we make use of the non-GAAP financial measures “Adjusted EBITDA,” “Adjusted EBITDA Margin,” "Adjusted Net Income," "Adjusted Net Income Growth," “Adjusted Earnings Per Share,” “organic constant currency revenue growth,” and “Free Cash Flow" in evaluating our past results and future prospects. We present “Adjusted EBITDA,” “Adjusted EBITDA Margin,” "Adjusted Net Income Growth," “Adjusted Earnings Per Share,” "organic constant currency revenue growth,” and “Free Cash Flow" because we believe they assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Management and our board of directors use Adjusted EBITDA to evaluate the factors and trends affecting our business to assess our financial performance and in preparing and approving our annual budget and believe they are helpful in highlighting trends in our core operating performance. The non-GAAP measures as defined by us may not be comparable to similar non-GAAP measures presented by other companies. Our presentation of such measures should not be construed as an inference that our future results will be unaffected by other unusual or non-recurring items. A reconciliation is provided elsewhere in this presentation for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. We have not presented a quantitative reconciliation of the forward-looking non-GAAP financial measures “Adjusted EBITDA,” “Adjusted EBITDA Margin,” "Adjusted Net Income Growth," “Adjusted Earnings Per Share,” and “organic constant currency revenue growth,” to their most directly comparable GAAP financial measures because it is impractical to forecast certain items without unreasonable efforts due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of and the periods in which such items may be recognized.

Josh Peirez,
Chief Executive Officer

1Q 2023 Highlights
Execution on Strategic Focus Areas

1Q 2023 Highlights[1]

- Quarter of successful execution towards long-term strategy and 2023 goals
- Organic constant currency revenue slightly favorable to our expectations; Adj. EBITDA margin expansion well above our expectations due to strong progress on realizing cost savings targets
- Continued growth from organic revenue drivers within our control (particularly up-sell / cross-sell and new clients), offset by base business declines driven by macroeconomic backdrop
- Strong progress on transformative initiatives: Identity Verification, Cost Optimization, and M&A

1. See appendix for a reconciliation of GAAP to non-GAAP measures

Long-Term Strategy Fuels Near-Term Goals[1]

Long-Term Strategy

Sterling aspires to be the world's most trusted background and identity services company, differentiated by our deep market expertise, unrivaled client service, best-in-class data, and seamless workflows.

- Increase upsell, cross-sell, and retention
- Acquire new clients
- Grow market share internationally
- Add Identity to every background screen and create standalone Identity-based offerings
- Execute M&A opportunities
- Leverage proprietary data

2023 Strategic Focus Areas

Achieving long-term success by focusing on items in our control

Organic revenue. Execution on revenue drivers we control

Identity. Continued expansion of identity capabilities / partnerships and build up of scale in the market

Cost Optimization. Increased automation, process improvements, and cost reduction measures

M&A. Market share gains and geographic expansion

1. For a discussion of some of the important factors that could prevent our strategy from being achieved, please consult the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2022 and our discussion of forward-looking statements on slide 2.

1Q 2023 Execution: Organic Revenue

Focusing on revenue drivers in our control and fast-growing Identity Verification

Organic Revenue Growth

Enhancing the Core

- Continued market share gains + increased client spend
- Strong culture of innovation driving product enhancement and feature development
- Improved turnaround times from automation in Motor Vehicle Records and outside the U.S.
- International geographic expansion
- >60% of Fortune 100 companies now choose Sterling

Identity Verification

Expanding to a New Frontier

- Continued robust global revenue growth q/q and y/y
- Enterprise clients are leading Identity adoption
- Identity clients are experiencing strong ROI post implementation
- Candidate experience and exclusive workflow offer significant competitive differentiation
- Achieved IAL2 Certification: Sterling/ID.Me's in-person verification is conformant to federal digital identity guidelines

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1Q 2023 Execution: Cost Optimization

Targeting $25 million of run rate cost savings and building a more scalable and profitable company

Cost Optimization

- Enhancing financial profile through three-pillar approach of cost initiatives
- Expected to drive **$25M** of run-rate savings, including **$10M** of in-year savings during 2023[1]
- Encouraging early progress towards achievement of margin expansion in 2023 and beyond

THREE PILLAR APPROACH:

Product Fulfillment Operations: Reduction in labor and data costs to be achieved through the re-engineering of fulfillment processes and increased automation across global business and product lines

Facilities: Sterling's virtual-first approach supports our reduction in real estate and facilities expenses

Functions: Streamlining the functional organization to align with go-to-market structure established in 2022

1. For a discussion of some of the important factors that could prevent our strategy from being achieved, please consult the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2022 and our discussion of forward-looking statements on slide 2.

1Q 2023 Execution: M&A

Successful execution on 2 deals with swift progress in integration

M&A Execution

- Acquisitions of LatAm-based Socrates (January) and US-based A-Check (March)
- Combined net purchase price of $50M reflecting attractive transaction multiples and funded through cash on BS
- Encouraging early revenue trends
- Strong early integration execution[1]
  - Expectation of synergy gains to be realized throughout the year
  - Target completion of deal integrations by end of 2023 (for Socrates) and end of 2Q 2024 (for A-Check)

SOCRATES

Expands Sterling's global presence into LatAm to serve the rapidly growing hiring needs of multinational and local clients

A-Check Global

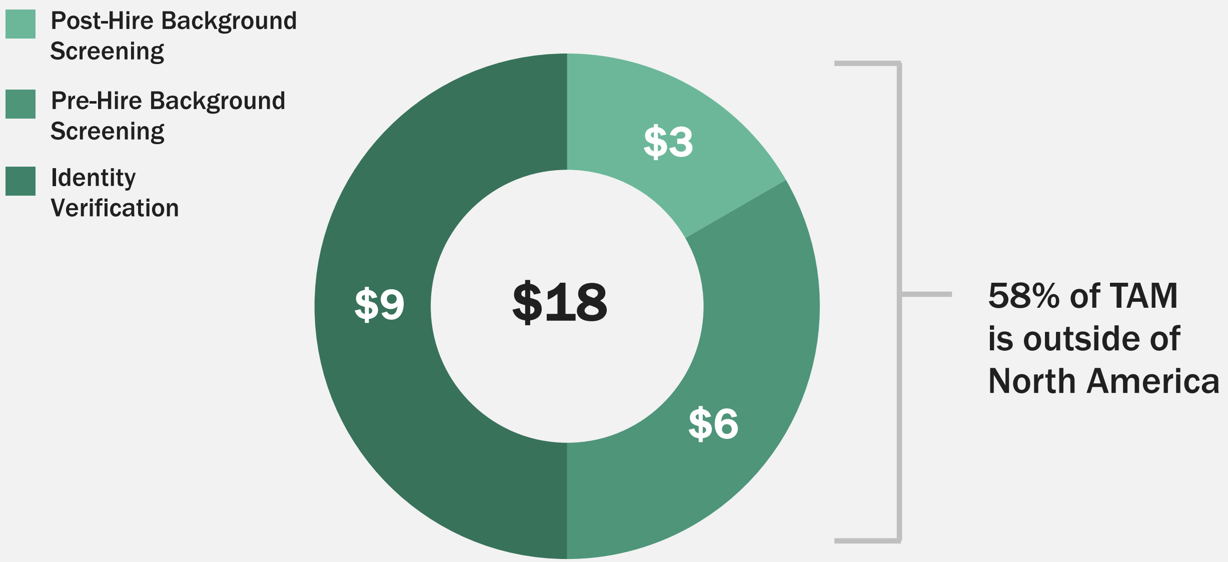
U.S.-based tuck-in acquisition with high quality, enterprise-focused client base diversified across attractive verticals

1. For a discussion of some of the important factors that could prevent our strategy from being achieved, please consult the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2022 and our discussion of forward-looking statements on slide 2.

Highly Attractive Global Market Opportunity

Total Addressable Market of $18 billion (2021) Projected to Grow at 12% CAGR by 2026

($ in billions)[1]



Our addressable market is rapidly evolving and benefits from a number of key demand drivers:

- Gig economy
- International
- Contingent workforce
- Post-hire screening
- Employee churn
- Reputational risk
- Identity verification
- Regulation

Sources: Acclaro Partners, Markets and Markets, and Sterling analysis

1. Dollars rounded to the nearest billion

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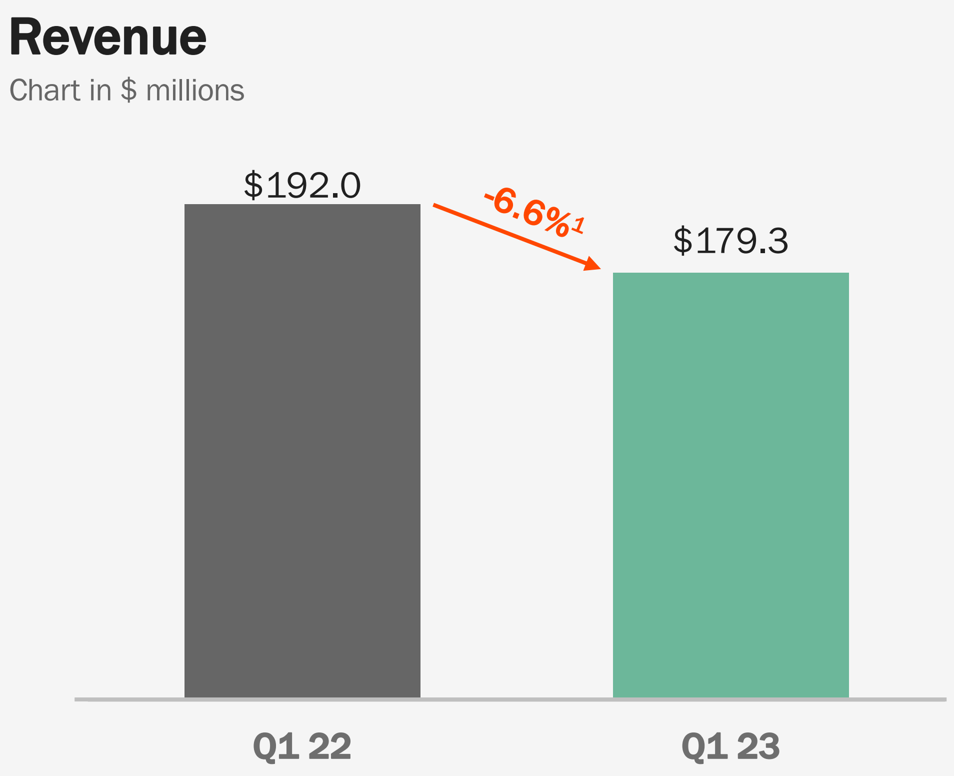
Peter Walker,
Chief Financial Officer

Q1 2023 Financial Review
2023 Guidance
Long-Term Outlook

Q1 2023 Revenue



Strong core trends offset by base revenue declines

- **7.1%** organic constant currency revenue decline[2], slightly favorable to our expectations
- **1.5%** inorganic revenue growth from Socrates and A-Check
- **Base business declines** offset positive results in other revenue drivers (particularly new clients and up-sell / cross-sell)
- **10%** revenue growth from new clients + up-sell / cross-sell: strong new client wins and traction in new products, tempered by lower volumes at new clients
- Strong global adoption of **Identity Verification** with robust q/q and y/y growth
- U.S. led by **Healthcare** and **Industrials** verticals
- International led by **EMEA** region

1. Includes 7.1% organic constant currency revenue decline[2] and 1.0% decline due to the impact of fluctuations in foreign exchange currency rates, partially offset by 1.5% inorganic revenue growth.
2. See appendix for a reconciliation of GAAP to non-GAAP measures.

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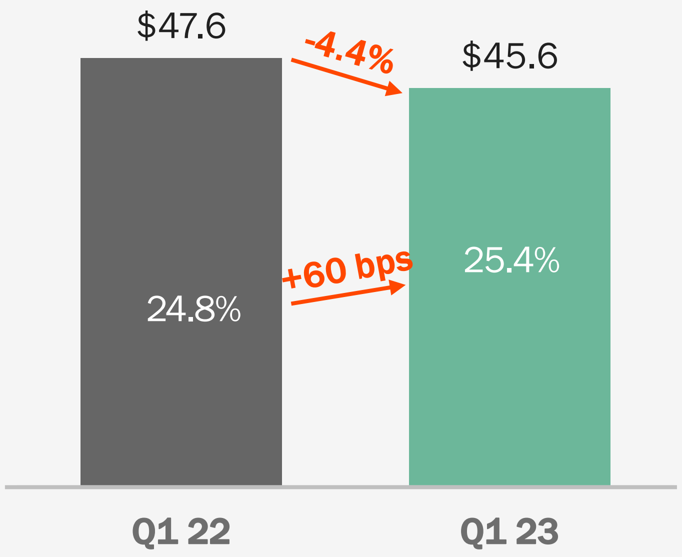
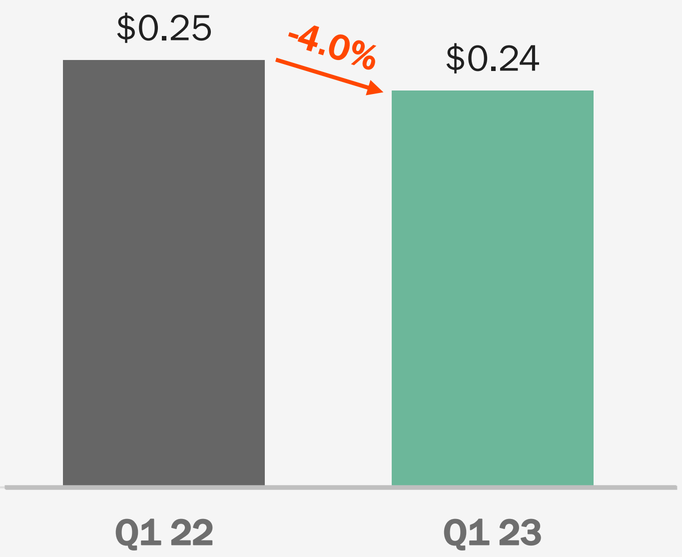
Q1 2023 Profitability

Adjusted EBITDA and Adjusted EBITDA Margin[1]

Chart in $ millions



Adjusted Earnings Per Share[1]



Cost actions benefiting in 2023

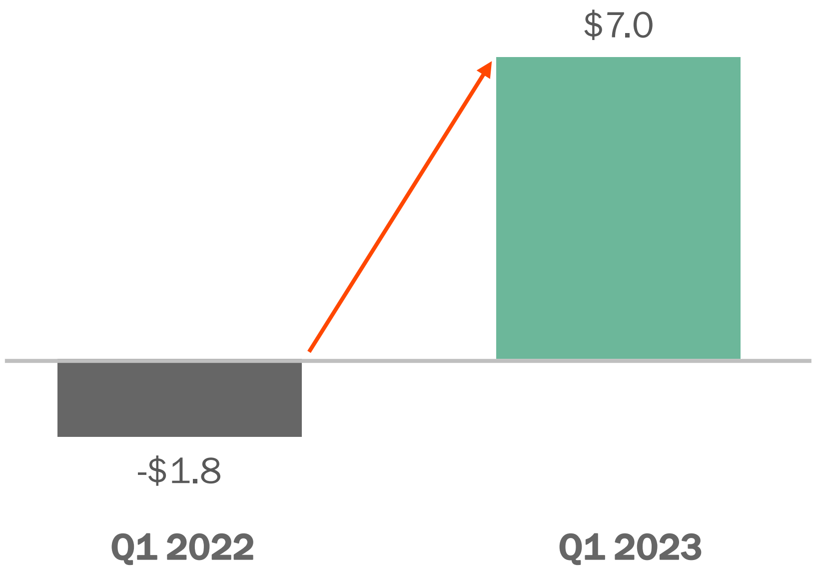
- **Adjusted EBITDA decline** due primarily to base revenue decline
- **25.4%** Adjusted EBITDA margin reflecting **60bps of margin expansion y/y,** above our expectations due to early progress in achieving 2023 margin targets
- **Ongoing cost optimization actions** yielding meaningful benefits for 2023 and beyond through focus on automation, efficiency, and process re-engineering
- **Adjusted EPS decline** in line with Adjusted EBITDA decline

1. See appendix for a reconciliation of GAAP to non-GAAP measures.

Cash Flow, Balance Sheet and Capital Expenditures

Free Cash Flow [1]

Chart in $ millions



Free Cash Flow up strongly y/y due to increased collections, lower cash paid for taxes, and a decrease in purchases of property and equipment, partially offset by higher interest paid.

Net Leverage

Total Debt	$503.6M
Cash & Cash Equivalents	$51.0M
LTM Adjusted EBITDA[1]	$196.4M
Net Leverage	**2.3x**

Net leverage remains at the lower end of our 2-3x long-term target due to strong cash generation. Cash balance includes impact of 2 acquisitions (~$50M) and share buyback activity (~$8M) during Q1 2023.

1. See appendix for a reconciliation of GAAP to non-GAAP measures.

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Full Year 2023 Guidance[1]: No Change

	2023 Ranges	Year-over-Year Growth
Revenue	$760M – $800M	(1.0)% – 4.0%
Adjusted EBITDA[2]	$198M – $218M	0.0% – 10.0%
Adjusted Net Income[2]	$106M – $121M	0.0% – 14.0%

The Company's full-year 2023 guidance ranges reflect expectations that existing macroeconomic conditions will continue through the year and the Company's results improve through the year.

1. See discussion of forward-looking statements on slide 2.
2. We have not presented a quantitative reconciliation of the forward-looking non-GAAP financial measures "Adjusted EBITDA" and "Adjusted Net Income" to their most directly comparable GAAP financial measures because it is impractical to forecast certain items without unreasonable efforts due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of the periods in which such items may be recognized.

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Long-term Targets Remain the Same

Three- To Five-Year Targets[1]

9% – 11%	29% – 32%+	15% – 20%
ANNUAL ORGANIC CONSTANT CURRENCY REVENUE GROWTH[2]	ADJUSTED EBITDA MARGIN[2]	ANNUAL ADJUSTED NET INCOME GROWTH[2]

1. These are not projections. They are targets and are forward-looking, are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and the control of management, and are based upon assumptions with respect to future decisions, which are subject to change. Actual results may vary and these variations may be material. For a discussion of some of the important factors that could cause these variations, please consult the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2022. Nothing in this presentation should be regarded as a representation by any person that these targets will be achieved and we undertake no duty to update our goals. See discussion of forward-looking statements on slide 2.
2. We have not presented a quantitative reconciliation of the forward-looking non-GAAP financial measures “Adjusted EBITDA”, “Adjusted Net Income,” and “organic constant currency revenue growth” to their most directly comparable GAAP financial measures because it is impractical to forecast certain items without unreasonable efforts due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of the periods in which such items may be recognized.

Appendix

Full Year 2023 Modeling Assumptions[1]

LINE ITEM	AMOUNT
Capital expenditures	~$21 million
Stock-based compensation	~$39 million
Interest expense	~$36 million
D&A net of intangible amortization	~$16 million
Adjusted effective tax rate	25.5 – 27.5%
Diluted shares outstanding	~98 million

1. See discussion of forward-looking statements on slide 2.

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Full Year 2023 Guidance[1]

	FULL YEAR 2023
Organic constant currency revenue growth[2]	**(3.0)% — 1.0%**
Impact of foreign currency translation	0.0% — 0.0%
Impact of inorganic revenue growth from M&A	2.5% — 3.0%
Total revenue growth	**(1.0)% — 4.0%**

1. See discussion of forward-looking statements on slide 2.
2. We have not presented a quantitative reconciliation of the forward-looking non-GAAP financial measure "Organic constant currency revenue growth" to its most directly comparable GAAP financial measure because it is impractical to forecast certain items without unreasonable efforts due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of the periods in which such items may be recognized.

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Sterling At A Glance[1]

50K+
Clients

110M+
Background checks annually

75+
Platform integrations, with 60%+ of revenue integrated

95%
Overall gross retention rate[2]

60%+
of the Fortune 100 choose Sterling

240+
Countries and territories where Sterling has screening capabilities

9 Years
Average tenure for top 100 clients

HR Tech Awards
in 2021 and 2022 for Best Comprehensive Solution for Enterprises & Talent Acquisition[3]

1. As of December 31, 2022 except where otherwise noted
2. For the last twelve months ended March 31, 2023
3. Tech Awards from Lighthouse Research & Advisory, 2021 and 2022

Key Attributes of Our Financial Model

Long-Term Contracts

- Multi-year terms with auto-renew
- Exclusivity or primary designation
- Fixed pricing with annual price increases

Strong Base of Recurring Revenue

- "Mission-critical" services drive significant revenue visibility
- Entrenched, long-tenured clients provide strong repeat revenue base
- 95% gross retention rate[1]

Diversified Client Base and Low Client Concentration

- 50,000+ clients[2]
- 60%+ of Fortune 100[2]
- Top client <3% of revenue, top 25 clients <25% of revenue[2]
- Growing international presence

Strong Free Cash Flow Generation

- Highly scalable cloud-based technology platform
- High incremental contribution margins
- Minimal capital requirements
- Favorable working capital dynamics

1. For the last twelve months ended March 31, 2023
2. As of December 31, 2022

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3-5 Year Organic Revenue Growth Target[1]

REVENUE DRIVERS

Base Business
Secular tailwinds, strategic verticals, client-specific factors, client M&A, economic cycles

Up-sell and Cross-sell
Increasing package density, product innovation, serving new geographies or divisions

New Business
Go-to-market strategy, deep market expertise, global scale, cloud-based technology

Attrition
World-class team and customer service excellence built on vertical expertise, speed, accuracy, compliance

1. These are not projections. They are targets and are forward-looking, are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and the control of management, and are based upon assumptions with respect to future decisions, which are subject to change. Actual results may vary and these variations may be material. For a discussion of some of the important factors that could cause these variations, please consult the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2022. Nothing in this presentation should be regarded as a representation by any person that these targets will be achieved and we undertake no duty to update our targets. See discussion of forward-looking statements on slide 2.
2. Defined as clients with tenures over 12 months.

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Capital Allocation Strategy

Invest In Organic Growth

Pursue Strategic M&A

Target Leverage Ratio 2x – 3x [1]

1. This is not a projection. This is a target and is forward-looking, is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and the control of management, and is based upon assumptions with respect to future decisions, which are subject to change. Actual results may vary and these variations may be material. For a discussion of some of the important factors that could cause these variations, please consult the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2022. Nothing in this presentation should be regarded as a representation by any person that this target will be achieved and we undertake no duty to update this target. See discussion of forward-looking statements on slide 2.

Non-GAAP to GAAP Reconciliation

Organic constant currency revenue growth (decline)

Organic constant currency revenue growth (decline) is calculated by adjusting for inorganic revenue, which is defined as the impact to revenue in the current period from merger and acquisition ("M&A") activity that has occurred over the past twelve months, and converting the current period revenue at foreign currency exchange rates consistent with the prior period. For the three months ended March 31, 2023, we have provided the impact of revenue from the acquisitions of Employment Background Investigations, Inc ("EBI) in November 2021 and Socrates during the first quarter of 2023. We present organic constant currency revenue growth (decline) because we believe it assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance; however, it has limitations as an analytical tool, and you should not consider such a measure either in isolation or as a substitute for analyzing our results as reported under GAAP. In particular, organic constant currency revenue growth (decline) does not reflect M&A activity or the impact of foreign currency exchange rate fluctuations.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA is defined as net income (loss) adjusted for provision (benefit) for income taxes, interest expense, depreciation and amortization, stock-based compensation, transaction expenses related to the IPO and one-time public company transition expenses, M&A activity, optimization and restructuring, technology transformation costs, foreign currency (gains) and losses and other costs affecting comparability. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue for the applicable period. We present Adjusted EBITDA and Adjusted EBITDA Margin because we believe they assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Management and our board of directors use Adjusted EBITDA and Adjusted EBITDA Margin to evaluate the factors and trends affecting our business to assess our financial performance and in preparing and approving our annual budget and believe they are helpful in highlighting trends in our core operating performance. Further, our executive incentive compensation is based in part on components of Adjusted EBITDA. Adjusted EBITDA and Adjusted EBITDA Margin have limitations as analytical tools and should not be considered in isolation or as substitutes for our results as reported under US GAAP. Adjusted EBITDA excludes items that can have a significant effect on our profit or loss and should, therefore, be considered only in conjunction with net income (loss) for the period. Because not all companies use identical calculations, these measures may not be comparable to other similarly titled measures of other companies.

Non-GAAP to GAAP Reconciliation

Adjusted Net Income and Adjusted Earnings Per Share

Adjusted Net Income is a non-GAAP profitability measure. Adjusted Net Income is defined as net income (loss) adjusted for amortization of acquired intangible assets, stock-based compensation, transaction expenses related to the IPO and one-time public company transition expenses, M&A activity, optimization and restructuring, technology transformation costs, and certain other costs affecting comparability, adjusted for the applicable tax rate. Adjusted Earnings Per Share is defined as Adjusted Net Income divided by diluted weighted average shares for the applicable period. We present Adjusted Net Income and Adjusted Earnings Per Share because we believe they assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding certain material non-cash items and unusual items that we do not expect to continue at the same level in the future. Our management believes that the inclusion of supplementary adjustments to net income (loss) applied in presenting Adjusted Net Income provide additional information to investors about certain material non-cash items and about items that we do not expect to continue at the same level in the future. Adjusted Net Income and Adjusted Earnings Per Share have limitations as analytical tools, and you should not consider such measures either in isolation or as substitutes for analyzing our results as reported under US GAAP.

Free Cash Flow

Free Cash Flow is defined as Net Cash provided by (used in) Operating Activities minus purchases of property and equipment and purchases of intangible assets and capitalized software. We present Free Cash Flow because we believe it provides cash available for strategic measures, after making necessary capital investments in property and equipment to support ongoing business operations, and provides investors with the same measures that management uses as the basis for making resource allocation decisions. Free Cash Flow has limitations as an analytical tool, and you should not consider such measure either in isolation or as a substitute for analyzing our results as reported under US GAAP. Historically, we presented Adjusted Free Cash Flow, defined as Net Cash provided by (used in) Operating Activities minus purchases of property and equipment and purchases of intangible assets and capitalized software and reflecting adjustments for one-time, cash, non-operating expenses related to the IPO. As there are no adjustments related to the IPO for the three months ended March 31, 2022 and 2023, nor in the subsequent periods from such dates, management believes that Free Cash Flow is a more relevant measure.

Non-GAAP to GAAP Reconciliation

Adjusted EBITDA and Adjusted EBITDA Margin Reconciliation

The following table reconciles net income (loss), the most directly comparable US GAAP measure, to Adjusted EBITDA for the three months ended March 31, 2022, June 30, 2022, September 30, 2022, December 31, 2022, and March 31, 2023, respectively, and for the twelve months ended March 31, 2023.

	Three Months Ended					Twelve Months Ended
(dollars in thousands)	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	March 31, 2023
Net income (loss)	$ 6,236	$ 11,571	$ 9,303	$ (7,700)	$ 591	$ 13,765
Income tax provision (benefit)	4,085	5,392	3,481	(4,252)	1,102	5,723
Interest expense, net	6,336	6,619	7,764	8,828	8,608	31,819
Depreciation and amortization	20,156	19,872	16,570	16,542	15,122	68,106
Stock-based compensation	5,108	6,023	6,293	6,381	8,043	26,740
Loss on extinguishment of debt	—	—	—	3,673	—	3,673
Transaction expenses(1)	1,888	1,894	2,809	4,902	5,126	14,731
Restructuring(2)	346	836	2,730	5,112	3,273	11,951
Technology Transformation(3)	3,762	4,537	4,767	3,728	3,233	16,265
Settlements impacting comparability(4)	—	—	213	3,106	—	3,319
(Gain) loss on interest rate swaps(5)	(328)	32	—	(1)	—	31
Other(6)	47	(304)	(832)	978	457	299
Adjusted EBITDA	$ 47,636	$ 56,472	$ 53,098	$ 41,297	$ 45,555	$ 196,422
Adjusted EBITDA Margin	24.8 %	27.5 %	26.6 %	24.3 %	25.4 %	26.0 %
Net income (loss)	$ 6,236	$ 11,571	$ 9,303	$ (7,700)	$ 591	$ 13,765
Adjusted EBITDA	$ 47,636	$ 56,472	$ 53,098	$ 41,297	$ 45,555	$ 196,422
Revenues	$ 191,972	$ 205,591	$ 199,299	$ 169,920	$ 179,274	$ 754,084
Net Income (Loss) Margin	3.2 %	5.6 %	4.7 %	(4.5)%	0.3 %	1.8 %
Adjusted EBITDA Margin	24.8 %	27.5 %	26.6 %	24.3 %	25.4 %	26.0 %

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Non-GAAP to GAAP Reconciliation

(1) Consists of transaction expenses related to M&A, associated earn-outs, investor management fees in connection with the Fourth Amended and Restated Management Services Agreement, dated December 3, 2019 ("the MSA"), costs related to the preparation of the IPO, one-time public company transition expenses and fees associated with financing transaction. For the three months ended March 31, 2022, costs consisted primarily of $1.5 million of one-time public company transition expenses and $0.3 million related to M&A. For the three months ended September 30, 2022, costs consisted primarily of $1.3 million of one-time public company transition expenses and $1.5 million in costs related to M&A. For the three months ended December 31, 2022, costs included approximately $1.4 million of one-time public company transition expenses and approximately $3.4 million related to M&A activity for the acquisitions of EBI and Socrates. For the three months ended March 31, 2023, costs consisted primarily of $2.7 million of M&A related costs for the acquisitions of Socrates and A-Check, $1.1 million of M&A costs for the EBI acquisition primarily due to the acceleration of contract costs related to completion of the EBI platform migration and $1.3 million of registration statement costs, one-time public company transition expenses and expenses related to executing our interest rate swap.

(2) Consists of restructuring-related costs, including executive recruiting and severance charges, and lease termination costs and disposal of fixed assets related to our real estate consolidation efforts. During 2020, we executed an extensive restructuring program, significantly strengthening our management team and creating a client facing industry-specific Vertical organization. This program was completed by the end of 2020 and the final costs related to this program were incurred through the first quarter of 2021. Beginning in 2020, we began executing a virtual-first strategy, closing offices and reducing office space globally. In 2022, we began executing on a restructuring program to realign senior leadership and functions with the goal of elevating our go-to-market strategy and accelerating our technology and product innovation. For the three months ended June 30, 2022, costs include $0.8 million of charges related to our real estate consolidation program. For the three months ended September 30, 2022, costs include $0.7 million of charges related to our real estate consolidation program primarily related to the exit of EBI's office. The period also included approximately $2.0 million of restructuring-related executive recruiting and severance charges as well as one-time consulting and other costs. For the three months ended December 31, 2022, costs include approximately $4.8 million of restructuring-related severance charges as well as one-time consulting and other costs and approximately $0.2 million in expenses related to our real estate consolidation program, primarily due to the exit of EBI's office. For the three months ended March 31, 2022, costs consisted of $0.3 million in expenses related to our real estate consolidation program. For the three months ended March 31, 2023, costs consisted of $2.9 million of restructuring-related charges and $0.3 million of real estate consolidation costs.

(3) Includes costs related to technology modernization, as well as costs related to decommissioning of on-premise production systems and redundant fulfillment systems of acquired companies and the migration to our platform. We believe that these costs are discrete and non-recurring in nature, as they relate to a one-time restructuring and decommissioning of our on-premise production systems and corporate technological infrastructure and the move to a managed service provider, decommissioning redundant fulfillment systems and modernizing internal functional systems. As such, they are not normal, recurring operating expenses and are not reflective of ongoing trends in the cost of doing business. The significant majority of these are related to the last two phases of Project Ignite, a three-phase strategic investment initiative launched in 2019 to create a cloud-native enterprise-class global platform, with the remainder related to an investment made to modernize internal functional systems in preparation for our public company infrastructure. Phase two of Project Ignite was completed in 2022 and phase three of Project Ignite was complete as of March 31, 2023. For the three months ended March 31, 2022, investment related to Project Ignite was approximately $3.2 million and the remaining $0.6 million related to costs for decommissioning of the on-premise production system and decommissioning of the redundant fulfillment system of EBI and migrating onto our platform. For the three months ended June 30, 2022, investment related to Project Ignite was $3.7 million. The remaining $0.8 million relates to costs for decommissioning of the on-premise production system and decommissioning of the redundant fulfillment system of EBI and migrating onto our platform. For the three months ended September 30, 2022, investment related to Project Ignite was $4.2 million. The remaining $0.6 million relates to costs for decommissioning of the on-premise production system and decommissioning of the redundant fulfillment system of EBI and migrating onto our platform. For the three months ended December 31, 2022, investment related to Project Ignite was $3.2 million and $0.5 million for decommissioning of the on-premise production system and decommissioning of the redundant fulfillment system of EBI and migrating onto our platform. For the three months ended March 31, 2023, investment related to Project Ignite was approximately $3.1 million. The remaining $0.1 million for the three months ended March 31, 2023 relates to costs for decommissioning of the on-premise production system and decommissioning of the redundant fulfillment system of EBI and migrating onto our platform.

4) Consists of non-recurring settlements and the related legal fees impacting comparability. For the three months ended December 31, 2022, costs include $3.1 million, net of insurance recovery, for certain class action cases settled during the period. These legal settlement related costs were discrete and non-recurring in nature, and we do not expect them to occur in future periods.

5) Consists of (gain) loss on historical non-designated derivative interest rate swaps. See "Part II. Item 7A. Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Risk" of our Annual Report on Form 10-K for the period ended December 31, 2022 and "Part I. Item 3. Quantitative and Qualitative Disclosures about Market Risk— Interest Rate Risk" in our Form 10-Q for the quarterly periods ended March 31, 2022, June 30, 2022, September 30, 2022, and March 31, 2023 for additional information on interest rate swaps.

6) Consists of costs related to a local government mandate in India, loss (gain) on foreign currency transactions, impairment of capitalized software and other costs outside of the ordinary course of business. For the three months ended June 30, 2022, there was a $0.3 million loss on translation of foreign exchange. For the three months ended September 30, 2022, there was a $0.8 million loss on translation of foreign exchange. For the three months ended December 31, 2022, there was a $0.8 million loss on translation of foreign exchange and $0.2 million charge for impairment of capitalized software.

Non-GAAP to GAAP Reconciliation

Adjusted Net Income and Adjusted EPS Reconciliation

The following table reconciles net income, the most directly comparable US GAAP measure, to Adjusted Net Income and Adjusted Earnings per Share for the three months ended March 31, 2022 and 2023.

	Three Months Ended March 31,	
	2022	2023
(in thousands, except per share amounts)		
Net income	$ 6,236	$ 591
Income tax provision	4,085	1,102
Income before income taxes	10,321	1,693
Amortization of acquired intangible assets	13,764	10,061
Stock-based compensation	5,108	8,043
Transaction expenses(1)	1,888	5,126
Restructuring(2)	346	3,273
Technology Transformation(3)	3,762	3,233
Gain on interest rate swaps(4)	(328)	—
Other(5)	47	457
Adjusted Net Income before income tax effect	34,908	31,886
Income tax effect(6)	10,507	8,600
Adjusted Net Income	$ 24,401	23,286
Net income per share – basic	$ 0.07	$ 0.01
Net income per share – diluted	$ 0.06	$ 0.01
Adjusted Earnings Per Share – basic	0.26	0.25
Adjusted Earnings Per Share – diluted	0.25	0.24

	Three Months Ended March 31,	
(in thousands, except share and per share amounts)	**2022**	**2023**
Net income	$ 6,236	$ 591
Less: Undistributed amounts allocated to participating securities	—	—
Undistributed income allocated to stockholders	$ 6,236	$ 591
Weighted average number of shares outstanding – basic	93,967,819	92,877,506
Weighted average number of shares outstanding – diluted	99,186,456	95,350,342
Net income per share – basic	$ 0.07	$ 0.01
Net income per share – diluted	$ 0.06	$ 0.01
Adjusted Net Income	$ 24,401	$ 23,286
Less: Undistributed amounts allocated to participating securities	—	—
Undistributed income allocated to stockholders	$ 24,401	$ 23,286
Weighted average number of shares outstanding – basic	93,967,819	92,877,506
Weighted average number of shares outstanding – diluted	99,186,456	95,350,342
Adjusted Earnings Per Share - basic	$ 0.26	$ 0.25
Adjusted Earnings Per Share - diluted	$ 0.25	$ 0.24

Non-GAAP to GAAP Reconciliation

Adjusted Net Income and Adjusted EPS Reconciliation cont'd

	Three Months Ended March 31,			
	2022		2023	
Net income per share – diluted	$	0.06	$	0.01
Adjusted Net Income adjustments per share				
Income tax expense		0.04		0.01
Amortization of acquired intangible assets		0.14		0.11
Stock-based compensation		0.05		0.08
Transaction expenses(1)		0.02		0.05
Restructuring(2)		—		0.03
Technology Transformation(3)		0.04		0.03
Gain on interest rate swaps(4)		—		—
Other(5)		—		—
Income tax effect(6)		(0.11)		(0.09)
Adjusted Earnings Per Share – diluted	$	0.25	$	0.24
Weighted average number of shares outstanding used in computation of Adjusted Diluted Earnings Per Share:				
Weighted average number of shares outstanding – diluted (GAAP)		99,186,456		95,350,342
Options not included in weighted average number of shares outstanding – diluted (GAAP) (using treasury stock method)		—		—
Weighted average number of shares outstanding – diluted (non-GAAP) (using treasury stock method)		99,186,456		95,350,342

Non-GAAP to GAAP Reconciliation

(1) Consists of transaction expenses related to M&A, associated earn-outs, investor management fees, costs related to the preparation of the IPO, one-time public company transition expenses and fees associated with financing transactions.

(2) Consists of restructuring-related costs, including executive recruiting and severance charges, and lease termination costs and disposal of fixed assets related to our real estate consolidation efforts. Beginning in 2020, we began executing a virtual-first strategy, closing offices and reducing office space globally. In 2022, we began executing on a restructuring program to realign senior leadership and functions with the goal of elevating our go-to-market strategy and accelerating our technology and product innovation.

(3) Includes costs related to technology modernization and acquisition-related technology integration and migration efforts. We believe that these costs are discrete and non-recurring in nature, as they relate to a one-time restructuring and decommissioning of our on-premise production systems and corporate technological infrastructure and the move to a managed service provider, decommissioning redundant fulfillment systems and modernizing internal functional systems. As such, they are not normal, recurring operating expenses and are not reflective of ongoing trends in the cost of doing business. The significant majority of these are related to the last two phases of Project Ignite, with the remainder related to an investment made to modernize internal functional systems in preparation for our public company infrastructure.

(4) Consists of gain on historical non-designated derivative interest rate swaps. See Part I. Item 3. “Quantitative and Qualitative Disclosures about Market Risk— Interest Rate Risk” in our Form 10-Q for the quarterly period ended March 31, 2023 for additional information on interest rate swaps.

(5) Consists of costs related to loss on foreign currency transactions.

(6) Normalized effective tax rates of 30.1% and 27.0% have been used to compute Adjusted Net Income for the three months ended March 31, 2022 and 2023, respectively. As of December 31, 2022, we had net operating loss carryforwards of approximately $16.3 million for federal income tax purposes and deferred tax assets of approximately $6.3 million related to state and foreign income tax loss carryforwards available to reduce future income subject to income taxes. The amount of actual cash taxes we pay for federal, state, and foreign income taxes differs significantly from the effective income tax rate computed in accordance with US GAAP, and from the normalized rate shown above.

For further detail, see the footnotes to Part I. Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023.

Non-GAAP to GAAP Reconciliation

Free Cash Flow

The following table reconciles net cash flow provided by operating activities, the most directly comparable US GAAP measure, to Free Cash Flow for the three months ended March 31, 2022 and 2023, respectively.

	Three Months Ended March 31,	
(in thousands)	**2022**	**2023**
Net cash provided by operating activities	$ 3,445	$ 11,282
Purchases of intangible assets and capitalized software	(3,742)	(4,120)
Purchases of property and equipment	(1,495)	(140)
Free Cash Flow	$ (1,792)	$ 7,022

Sterling

Non-GAAP to GAAP Reconciliation

Organic Constant Currency Revenue

The following table reconciles revenue growth (decline), the most directly comparable US GAAP measure, to organic constant currency revenue growth (decline) for the three months ended March 31, 2023. For the three months ended March 31, 2023, we have provided the impact of revenue from the acquisitions of Socrates and A-Check.

	Three Months Ended March 31, 2023
Reported revenue decline	(6.6)%
Inorganic revenue growth(1)	1.5 %
Impact from foreign currency exchange(2)	(1.0)%
Organic constant currency revenue decline	(7.1)%

(1) Impact to revenue in the current period from M&A activity that has occurred over the past twelve months.
(2) Impact to revenue in the current period from fluctuations in foreign currency exchange rates.

Sterling