Sterling

Q1 2022 Earnings

May 10, 2022

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 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," "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 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 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 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 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 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 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; inadequate protection of our intellectual property; our ability to implement, maintain and improve effective internal controls and remediate the material weakness; and 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.

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 Growth," "Adjusted Earnings Per Share," "organic constant currency revenue growth," "inorganic revenue growth," and "Adjusted 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," "inorganic revenue growth," and "Adjusted 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 it is 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, as applicable. 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," "organic constant currency revenue growth," and "inorganic 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

Q1 2022 Highlights
Our Strategy
Product Innovation

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Stellar Q1 2022 Results

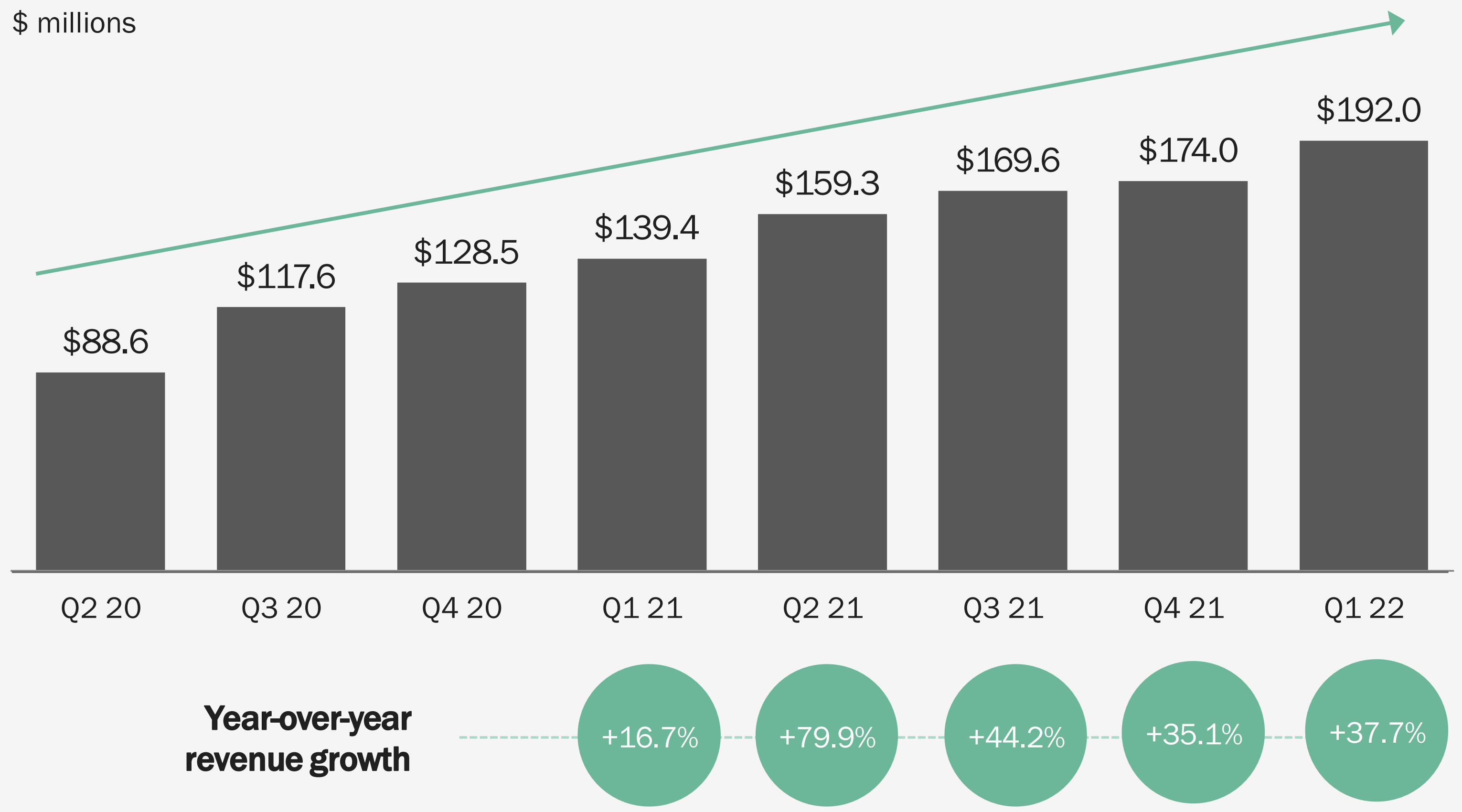
- 38% revenue growth (30% organic constant currency revenue growth[1]) even while lapping Q1 2021's 17% revenue growth
- 8% inorganic revenue growth[1] from EBI (acquired November 2021)
- At the high end or above our targets for all organic revenue drivers (base growth, up-sell / cross-sell, new business, and retention)
- 29% growth in Adjusted EBITDA and 47% growth in Adjusted Earnings Per Share[1]
- Increased 2022 guidance for revenues and Adjusted EBITDA[1]; current outlook includes 20.0 - 21.5% revenue growth (14.5 - 16.5% organic constant currency revenue growth[1])

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

Strong Business Momentum

5 consecutive quarters of double-digit y/y revenue growth

7 consecutive quarters of sequential revenue growth



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Strategy Statement

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

GROWTH STRATEGIES

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

Q1 2022 Highlights

Innovation

Seamless workflows

Enhancement of user experience through new features and tools in our client and candidate platforms

Identity offerings

Continued strong traction in Identity Verification offerings, including ID.Me and FINRA partnerships

Execution

Market Share

10% growth from new business; deep pipeline of prospects

M&A

Successful integration of EBI underway; client retention above pre-deal expectations

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

Innovation: Candidate Experience

New features and tools enhance the candidate experience throughout the screening process

New self-service "Check My Status" tool

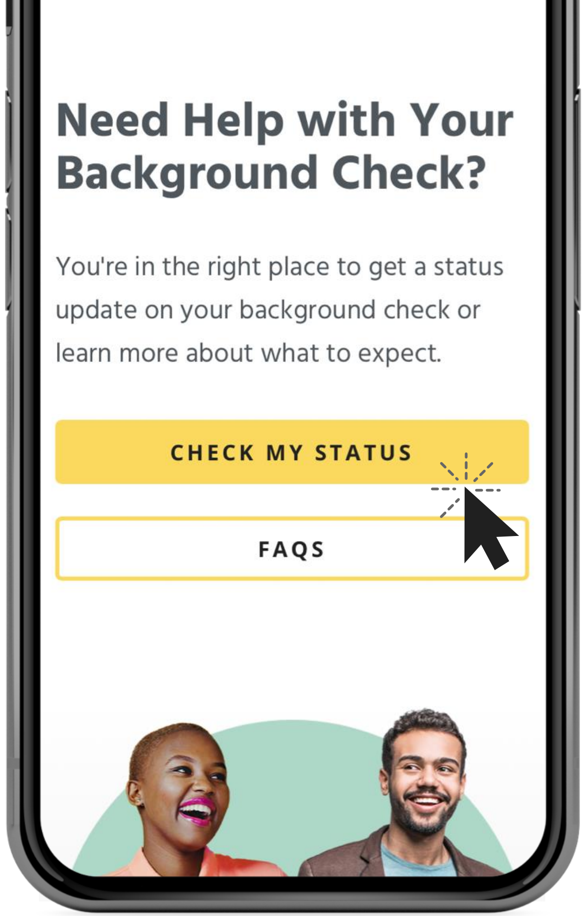
Provides candidates with a quick, streamlined way to check the status of their background check

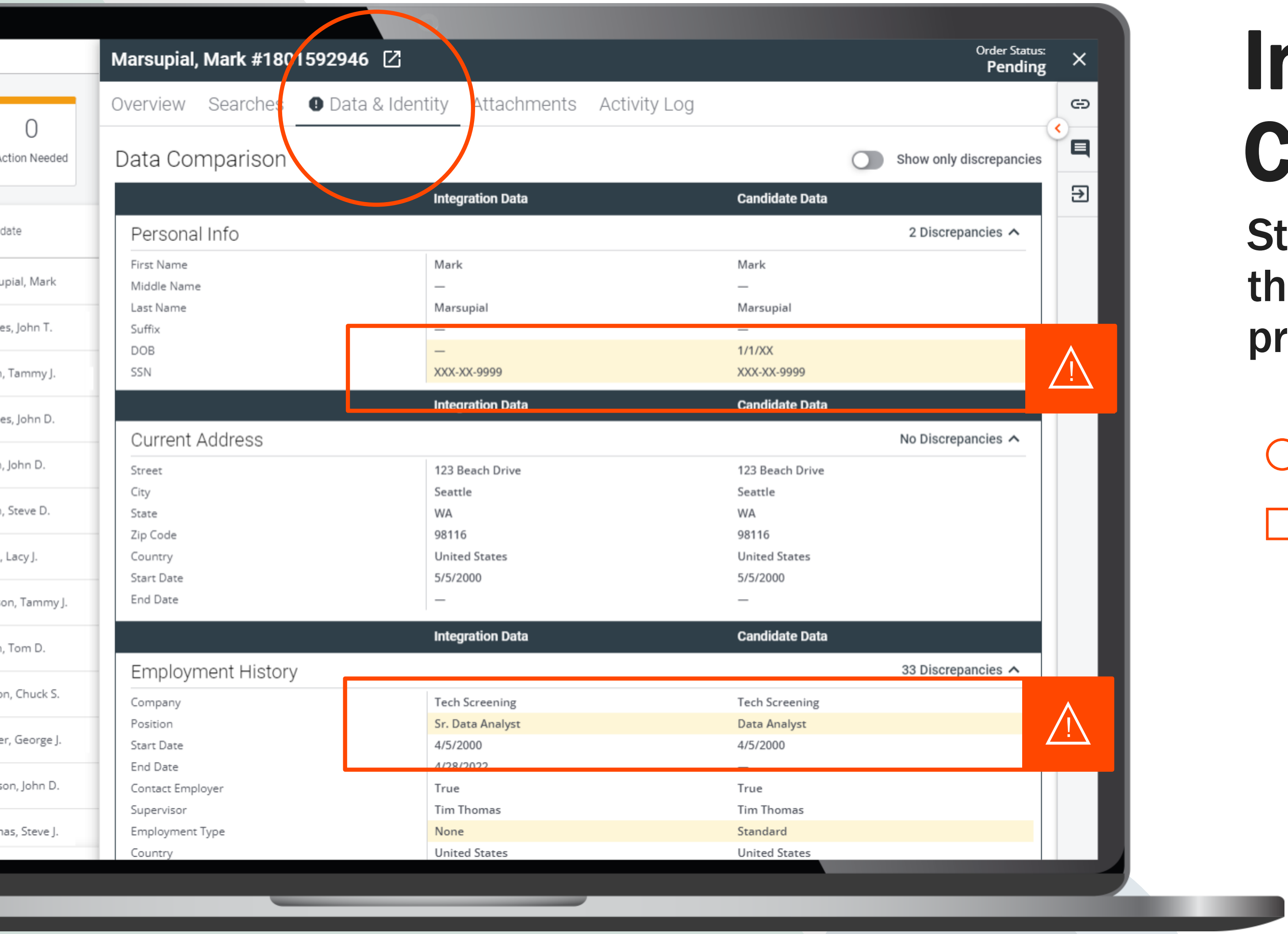
New language options

Nine new languages added in last 6 months (15 languages total) help more candidates complete screening tasks with ease

New WCAG accessibility enhancements

We continuously strive to meet Web Content Accessibility Guidelines (WCAG), which enhance our candidate experience by improving accessibility to all audiences, regardless of technology or ability





Innovation: Client Experience

Sterling continuously introduces new features that help clients manage the screening process more efficiently and effectively

New Data Comparison feature highlights candidate discrepancies

Provides a quick, easy way to detect candidate data differences between information provided via an integration vs Candidate Hub

New Overview Tab streamlines how clients interact with searches

An easy-to-read, high-level summary of all services associated with an order, helping clients quickly review and manage searches

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Continued Traction in Identity

Innovative product development and strategic alliances are fueling Sterling Identity's success

FINRA

~30%
of ~3800 FINRA member firms have voluntarily chosen to move their fingerprinting services to Sterling

ID.Me

>10%
increase in package price with the addition of identity services

Trends driving Identity Verification demand

18%
Increase in total number of fraud and identity thefts from 2020 to 2021[1]

>40%
of data breaches in 2021 involved personal data such as names, phone numbers, and physical addresses[2]

1.3M+
Identity theft incidents in 2020, and publicly-reported US data breaches were up 38% in Q2-21 vs. Q1-21[3]

4 out of 5
Employers plan to adopt a flexible, hybrid work model in 2021-2022[4]

[1] Consumer Sentinel Network Data Book 2021, Federal Trade Commission, Feb 2022, [2] Verizon 2021 Data Breach Investigations Report, [3] Federal Trade Commission 2020 Fraud Report, [4] Envoy's Return to the Workplace Survey, August 2021

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Peter Walker,
Chief Financial Officer

Q1 2022 Financial Review
2022 Updated Guidance
Long-Term Outlook

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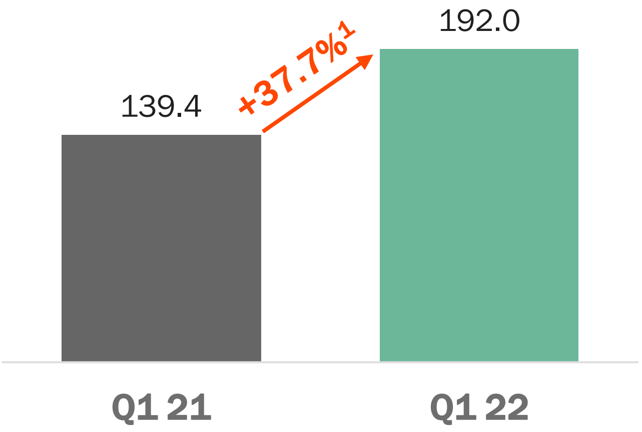
Q1 2022 Financial Highlights

Revenue

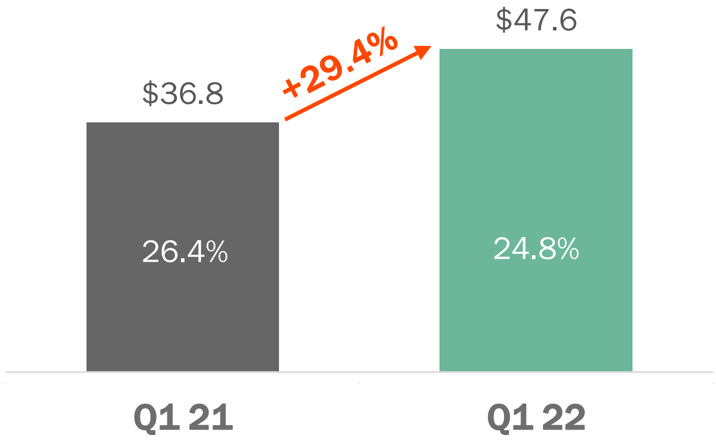
Chart in $ millions



+30.4% organic constant currency revenue growth[2] driven by robust base growth, up-sell/cross-sell, new client wins, and client retention; +8.0% inorganic revenue growth[2] from EBI

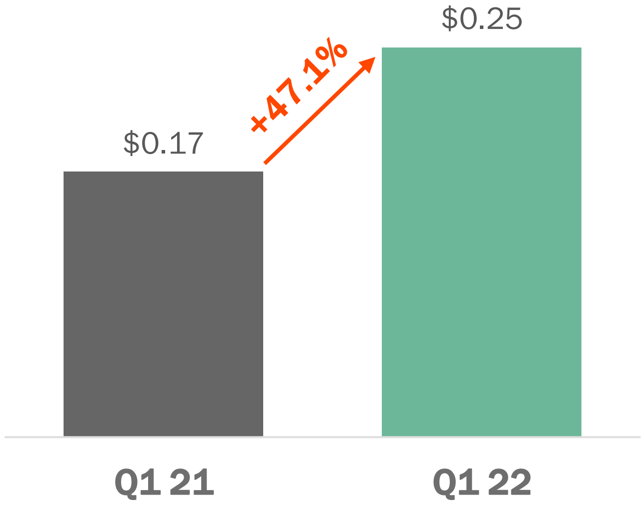
Adjusted EBITDA and Margin[2]

Chart in $ millions



+29.4% increase due to strong revenue growth and cost controls; Adjusted EBITDA margin of 24.8% in line with expectations

Adjusted Earnings Per Share[2]



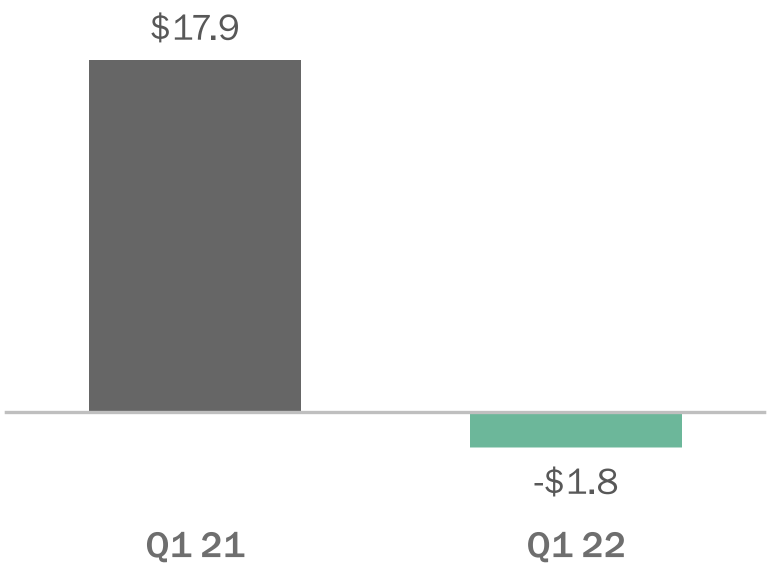
+47.1% Adjusted EPS growth driven by strong revenue growth, improved operating leverage, and modest reduction in interest expense

1. Includes +30.4% organic constant currency revenue growth and +8.0% due to inorganic revenue growth, partially offset by (0.7)% drag from the impact of fluctuations in foreign exchange currency rates.
2. See appendix for a reconciliation of GAAP to Non-GAAP measures.

Cash Flow, Balance Sheet and Capital Expenditures

Adjusted Free Cash Flow [1]

Chart in $ millions



Q1 2022 Adjusted Free Cash Flow impacted by a return to our normal bonus payment structure and the timing of interest and tax payments

Net Leverage

Total Debt	$508.7M
Cash & Cash Equivalents	$44.3M
LTM Adjusted EBITDA[1]	$190.0M
Net Leverage	**2.4x**

Net leverage continues to decline due to strong growth in Adjusted EBITDA

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

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Updated Full Year Fiscal 2022 Guidance[1]

	Previous (3/2/22)	Updated (5/10/22)	Year-over-Year Growth
Revenue	$740M – $755M	$770M – $780M	20.0% – 21.5%[3]
Adjusted EBITDA[2]	$205M – $212M	$210M – $216M	17.0% – 20.5%
Adjusted Net Income[2]	$112M – $118M	$112M – $115M	21.0% – 25.0%

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 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.
3. Includes 5.5% contribution from inorganic revenue growth, partially offset by (0.25)% drag from fluctuation in foreign currency; see slide 15.

Updated Full Year Fiscal 2022 Guidance[1]

cont'd

	Previous (3/2/22)	Updated (5/10/22)
Organic constant currency revenue growth[2]	10.0% — 12.0%	**14.5% — 16.5%**
Impact of foreign currency translation	0.0%	(0.25)%
Impact of inorganic revenue growth from M&A	5.0% — 5.5%	5.5%
Total revenue growth	**15.0% — 17.5%**	**20.0% — 21.5%**

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.
3. See appendix for a reconciliation of GAAP to Non-GAAP measures.

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 Form 10-K, filed with the SEC on March 16, 2022. Nothing in this presentation should be regarded as a representation by any person that these goals will be achieved and we undertake no duty to update our goals.
2. We have not presented a quantitative reconciliation of the forward-looking non-GAAP financial measures “Adjusted EBITDA” and “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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Appendix

Full Year Fiscal 2022 Modeling Assumptions

LINE ITEM	AMOUNT
Capital expenditures	~$20 million
Stock-based compensation	~$23 million
Interest expense	~$30 million
D&A net of intangible amortization	~$26 million
Adjusted effective tax rate	27 - 29%
Diluted shares outstanding	~101 million

Sterling At A Glance[1]

50K+
Clients

95M+
Background checks annually

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

96%
Overall gross retention rate[2]

50%+
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 Award
for Best Comprehensive Solution for Enterprises[3]

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

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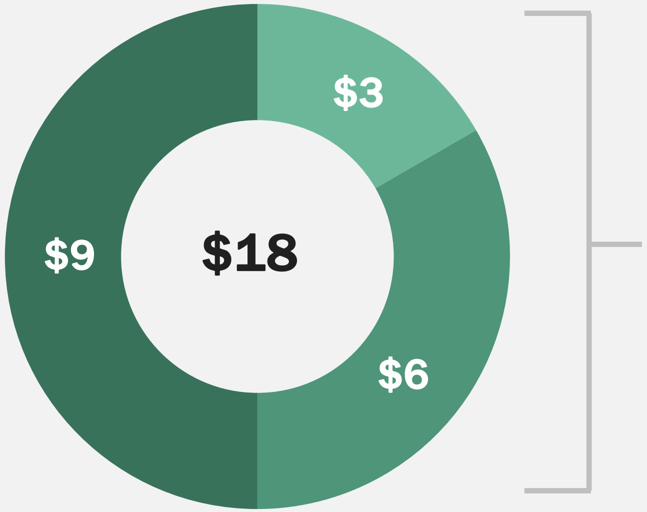
Highly Attractive Global Market Opportunity

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

($ in billions)[1]

- Post-Hire Background Screening
- Pre-Hire Background Screening
- Identity Verification



58% of TAM is outside of North America

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

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
- 96% gross retention rate for 2021

Diversified Client Base and Low Client Concentration

- 50,000+ clients (1)
- 50%+ of Fortune 100 (1)
- Top client <3% of revenue, top 25 clients <25% of revenue (1)
- 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] As of December 31, 2021.

Capital Allocation Strategy

Invest In Organic Growth

Pursue Strategic M&A

Target Leverage Ratio 2x – 3x

Non-GAAP to GAAP Reconciliation

Organic constant currency revenue growth

Organic constant currency revenue growth is a non-GAAP financial measure calculated by adjusting for inorganic revenue growth, which is defined as the impact to revenue growth 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. We present organic constant currency revenue growth 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 US GAAP. In particular, organic constant currency revenue growth 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 adjusted for provision for income taxes, interest expense, depreciation and amortization, stock-based compensation, transaction expenses related to our public offering 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 to evaluate the factors and trends affecting our business to assess our financial performance and in preparing and approving our annual budget and believe it is 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. Our management uses Adjusted EBITDA to supplement US GAAP results to evaluate the factors and trends affecting the business to assess our financial performance and in preparing and approving our annual budget and believe it is helpful in highlighting trends in our core operating performance. 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 adjusted for amortization of acquired intangible assets, stock-based compensation, transaction expenses related to our public offering 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.

Adjusted Free Cash Flow

Adjusted 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 Adjusted Free Cash Flow because we believe it assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding certain material non-recurring, non-operating cash items that we do not expect to continue at the same level in the future. Adjusted 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.

Non-GAAP to GAAP Reconciliation

Adjusted EBITDA and Adjusted EBITDA Margin Reconciliation

The following table reconciles net income, the most directly comparable US GAAP measure, to Adjusted EBITDA for the three months ended June 30, 2021, September 30, 2021, December 31, 2021 and March 31, 2022, respectively, and for the twelve months ended March 31, 2022.

	Three Months Ended				Twelve Months Ended
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	March 31, 2022
(dollars in thousands)					
Net income (loss)	$ 3,398	$ (25,256)	$ 2,703	$ 6,236	$ (12,919)
Income tax provision (benefit)	4,026	(12,633)	(2,380)	4,085	(6,902)
Interest expense, net	7,603	7,668	8,015	6,336	29,622
Depreciation and amortization	20,299	20,346	20,870	20,156	81,671
Stock-based compensation	756	25,582	5,344	5,108	36,790
Transaction expenses(1)	6,139	31,526	4,292	1,888	43,845
Restructuring(2)	604	621	655	346	2,226
Technology Transformation(3)	3,942	3,137	3,950	3,762	14,791
Settlements impacting comparability(4)	—	—	468	—	468
(Gain) loss on interest rate swaps(5)	133	112	(168)	(328)	(251)
Other(6)	134	196	297	47	674
Adjusted EBITDA	$ 47,034	$ 51,299	$ 44,046	$ 47,636	$ 190,015
Adjusted EBITDA Margin	29.5 %	30.3 %	25.4 %	24.8 %	27.4 %
Net income (loss)	$ 3,398	$ (25,256)	$ 2,703	$ 6,236	$ (12,919)
Adjusted EBITDA	$ 47,034	$ 51,299	$ 44,046	$ 47,636	$ 190,015
Revenues	$ 159,328	$ 169,557	$ 173,629	$ 191,972	$ 694,486
Net Income (Loss) Margin	2.1 %	(14.9)%	1.6 %	3.2 %	(1.9)%
Adjusted EBITDA Margin	29.5 %	30.3 %	25.4 %	24.8 %	27.4 %

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Non-GAAP to GAAP Reconciliation

(1) Consists of transaction expenses related to mergers and acquisitions, associated earn-outs, investor management fees in connection with the Fourth Amended and Restated Management Services Agreement and costs related to preparation of our IPO and one-time public company transition expenses. For the three months ended June 30, 2021 costs include $0.8 million of earn-out contingent consideration related to an acquisition in 2018, $0.5 million of investor management fees in connection with the Fourth Amended and Restated Management Services Agreement, and $4.9 million in costs related to the preparation of the IPO. For the three months ended September 30, 2021, costs consisted primarily of IPO related expenses of $30.6 million, including $16.8 million of contractual compensation payments to former executives (of which, $15.6 million was funded by a stockholder), $8.3 million final settlement of investor management fees, and $5.5 million of professional fees and other related expenses. The period also included $0.6 million of earn-out and performance-based incentive payments associated with an acquisition in 2018. For the three months ended December 31, 2021, costs consisted primarily of IPO related expenses of $2.3 million, and $2.0 million in costs related to the EBI acquisition. 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 in costs related to mergers and acquisitions.

(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 2019 and 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. For the three months ended June 30, 2021 costs include $0.8 million of earn-out contingent consideration related to the 2018 acquisition of NCC, $0.5 million of investor management fees in connection with the Fourth Amended and Restated Management Services Agreement, and $4.9 million in costs related to the preparation of the initial public offering. For the three months ended September 30, 2020, the costs primarily comprised of $0.5 million of restructuring-related executive recruiting and severance charges, and $0.6 million related to our real estate consolidation program. For the three months ended December 31, 2021, costs of $0.6 million pertain to lease termination costs and write-offs on disposal of fixed assets related to our real estate consolidation program. For the three months ended March 31, 2022, the costs consisted of $0.3 million in expenses related to our real estate consolidation program.

(3) Includes costs related to technology modernization efforts, as well as costs related to decommissioning of on premise production systems and redundant fulfillment systems of acquired companies and the migration to the Company's 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, with the remainder related to an investment made to modernize internal functional systems in preparation for our public company infrastructure. For the three months ended June 30, 2021, investment related to Project Ignite were $3.9 million. For the three months ended September 30, 2020, investment related to Project Ignite was $2.4 million, and additional investment made to modernize internal functional systems was $0.2 million. For the three months ended December 30, 2021, investment related to Project Ignite was $3.5 million, and additional investment made to modernize internal functional systems was $0.4 million. For the three months ended March 31, 2022, investment related to Project Ignite was $3.2 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 the Company's platform..

(4) Consists of non-recurring settlements impacting comparability. For the three months ended December 31, 2021, costs include a $0.5 million settlement related to sales tax.

(5) Consists of loss / (gain) on 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, 2021 and "Part I. Item 3. Quantitative and Qualitative Disclosures about Market Risk— Interest Rate Risk" in our Form 10-Q for the period ended March 31, 2022 for additional information on interest rate swaps.

(6) Consists of costs related to gain or loss on foreign currency transactions and costs related to impairment of capitalized software. For the three months ended June 30, 2021 there was a $0.6 million loss on translation of foreign exchange and a charge of less than $0.1 million for impairment of capitalized software. These costs were partially offset by a $0.5 million insurance reimbursement related to duplicate fulfillment charges incurred in 2019. For the three months ended September 30, 2021, there was a $0.2 million loss on translation of foreign exchange. For the three months ended December 21, 2021, there was a $0.1 million loss on translation of foreign exchange and $0.2 million charge for impairment of capitalized software. For the three months ended March 31, 2022, there was a $0.04M loss on translation of foreign exchange.

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, 2021 and 2022.

	Three Months Ended March 31,	
(in thousands, except per share amounts)	2021	2022
Net income	$ 628	$ 6,236
Income tax provision	526	4,085
Income before income taxes	1,154	10,321
Amortization of acquired intangible assets	13,263	13,764
Stock-based compensation	898	5,108
Transaction expenses(1)	1,089	1,888
Restructuring(2)	3,035	346
Technology Transformation(3)	2,059	3,762
Gain on interest rate swaps(4)	(46)	(328)
Other(5)	496	47
Adjusted Net Income before income tax effect	21,948	34,908
Income tax effect(6)	6,498	10,507
Adjusted Net Income	15,450	24,401
Net Income per share – basic	$ 0.01	$ 0.07
Net Income per share – diluted	$ 0.01	$ 0.06
Adjusted Earnings Per Share – basic	0.17	0.26
Adjusted Earnings Per Share – diluted	0.17	0.25

	Three Months Ended March 31,	
(in thousands, except share and per share amounts)	2021	2022
Net income	$ 628	$ 6,236
Less: Undistributed amounts allocated to participating securities	3	—
Undistributed income allocated to stockholders	$ 625	$ 6,236
Weighted average number of shares outstanding – basic	88,602,167	93,967,819
Weighted average number of shares outstanding – diluted	92,165,163	99,186,456
Net income per share – basic	$ 0.01	$ 0.07
Net income per share – diluted	$ 0.01	$ 0.06
Adjusted Net Income	$ 15,450	$ 24,401
Less: Undistributed amounts allocated to participating securities	64	—
Undistributed earnings allocated to stockholders	$ 15,386	$ 24,401
Weighted average number of shares outstanding – basic	88,602,167	93,967,819
Weighted average number of shares outstanding – diluted	92,165,163	99,186,456
Adjusted Earnings Per Share - basic	$ 0.17	$ 0.26
Adjusted Earnings Per Share - diluted	$ 0.17	$ 0.25

Sterling

Non-GAAP to GAAP Reconciliation

Adjusted Net Income and Adjusted EPS Reconciliation cont'd

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2022
Net income per share – diluted	$ 0.01	$ 0.06
Adjusted Net Income adjustments per share		
Income tax provision	0.01	0.04
Amortization of acquired intangible assets	0.14	0.14
Stock-based compensation	0.01	0.05
Transaction expenses(1)	0.01	0.02
Restructuring(2)	0.03	—
Technology Transformation(3)	0.02	0.04
Gain on interest rate swaps(4)	—	—
Other(5)	0.01	—
Income tax effect(6)	(0.07)	(0.11)
Adjusted Earnings Per Share – diluted	$ 0.17	$ 0.25
Weighted average number of shares outstanding used in computation of Adjusted Diluted Earnings Per Share:		
Weighted average number of shares outstanding – diluted (GAAP)	92,165,163	99,186,456
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)	92,165,163	99,186,456

Sterling

Non-GAAP to GAAP Reconciliation

(1) Consists of transaction expenses related to mergers and acquisitions, associated earn-outs, investor management fees, and costs related to our IPO and one-time public company transition expenses.

(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 2019 and 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.

(3) Includes costs related to technology modernization efforts 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 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, 2022 for additional information on interest rate swaps.

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

(6) Normalized effective tax rates of 29.6% and 30.1% have been used to compute Adjusted Net Income for the three months ended March 31, 2021 and 2022, respectively. As of December 31, 2021, we had net operating loss carryforwards of approximately $80.7 million for federal income tax purposes and deferred tax assets of approximately $8.2 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 footnotes of our Quarterly Report on Form 10-Q for the period ended March 31, 2022 in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Non-GAAP to GAAP Reconciliation

Adjusted Free Cash Flow

The following table reconciles net cash flow provided by operating activities, the most directly comparable US GAAP Measure, to Adjusted Free Cash Flow for the three months ended March 31, 2021 and 2022. For the three months ended March 31, 2021, we adjusted Free Cash Flow for one-time, cash, non-operating charges related to the completed IPO.

	Three Months Ended March 31,	
(in thousands)	**2021**	**2022**
Net Cash provided by Operating Activities	$ 21,983	$ 3,445
Total IPO adjustments (1)	122	—
Purchases of intangible assets and capitalized software	(3,839)	(3,742)
Purchases of property and equipment	(346)	(1,495)
Adjusted Free Cash Flow	$ 17,920	$ (1,792)

(1) Includes one-time, cash, non-operating charges related to our IPO. Costs include $0.1 million of professional fees in preparation of our IPO.

Non-GAAP to GAAP Reconciliation

Organic Constant Currency Revenue Growth

The following table reconciles reported revenue growth, the most directly comparable GAAP measure, to organic constant currency revenue growth for the three months ended March 31, 2021 and 2022. There was no impact from inorganic revenue growth on our revenue in the three months ended March 31, 2021. For the three months ended March 31, 2022, we have provided the impact of revenue from the acquisition of EBI.

	Three Months Ended March 31,	
	2021	2022
Reported revenue growth	16.7 %	37.7 %
Inorganic revenue growth (1)	— %	8.0 %
Impact from foreign currency exchange (2)	2.1 %	(0.7)%
Organic constant currency revenue growth	14.6 %	30.4 %

(1) Impact to revenue growth in the current period from acquisitions and dispositions that have occurred over the past 12 months.

(2) Impact to revenue growth in the current period from fluctuations in foreign currency exchange rates.