Sterling

Q4 2022 Earnings

March 2, 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 headings "Risk Factors" and "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 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" of 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 "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," 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 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

2022 Highlights
2023 Strategic Focus Areas

Sterling

2022 Highlights

A year of significant strategic and business accomplishments that we expect to fuel long-term value creation

Strategy Refresh	Innovation	Mergers & Acquistions	Financial Success

2022 Highlights: Strategy Refresh

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

2022 Highlights: Innovation

Product Development

- Enhanced by Project Ignite
- 300+ product releases in 2022
- ~20% greater than 2021

Identity

- Comprehensive global identity verification
- Partnerships with ID.me and Yoti: **~250%** increase in Identity transactions
- Partnership with FINRA: **~300%** increase in fingerprinting transactions

Post Hire Monitoring

- New fully-integrated global solution
- Comprehensive real-time criminal report monitoring
- Subscription model

Fulfillment Automation at Scale

For U.S. criminal searches:

- 50% within the first 5 minutes
- 65% within the first 15 minutes
- 70% within the first hour
- 90% within the first day

45+ year History of Innovation

2022 Highlights: M&A

Following EBI's successful 2022 integration, our M&A execution has continued in 2023

SOCRATES

- Acquired January 4, 2023
- Geographic expansion acquisition, similar to our successful APAC expansion via National Crime Check deal (Nov-2018)
- Expands Sterling's global presence into LatAm to serve the rapidly growing hiring needs of multinational and local clients
- Operations centers in Brazil, Colombia, and Mexico
- Strong reputation for extensive regional coverage delivering high quality, accurate, and compliant background screening
- Funded through cash on Balance Sheet

A-Check Global

- Acquired March 1, 2023
- U.S.-based tuck-in acquisition, similar to successful EBI deal (Nov-2020)
- High quality, enterprise-focused client base diversified across attractive verticals incl. Healthcare, Industrials, and TechMedia
- Significant expected synergies from platform migration, SG&A rationalization, and cross-sell of Sterling products
- Funded through cash on Balance Sheet
- Expected to be accretive to adjusted EPS for full year 2023

2022 Highlights: Strong Financial Results[1]

- Company records for revenue ($767M), Adjusted EBITDA ($199M), and Adjusted Net Income ($107M)
- Organic constant currency revenue growth of 14%, well above our long-term 9-11% target
- At or above our targets for all organic revenue drivers (base growth, up-sell / cross-sell, new clients, and gross revenue retention)
- 9% growth from new clients, fourth consecutive year at or above our long-term 7-8% target
- Double-digit revenue growth in key U.S. verticals led by Industrials, Healthcare, and Financial Services; International revenue growth led by double-digits in APAC region

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

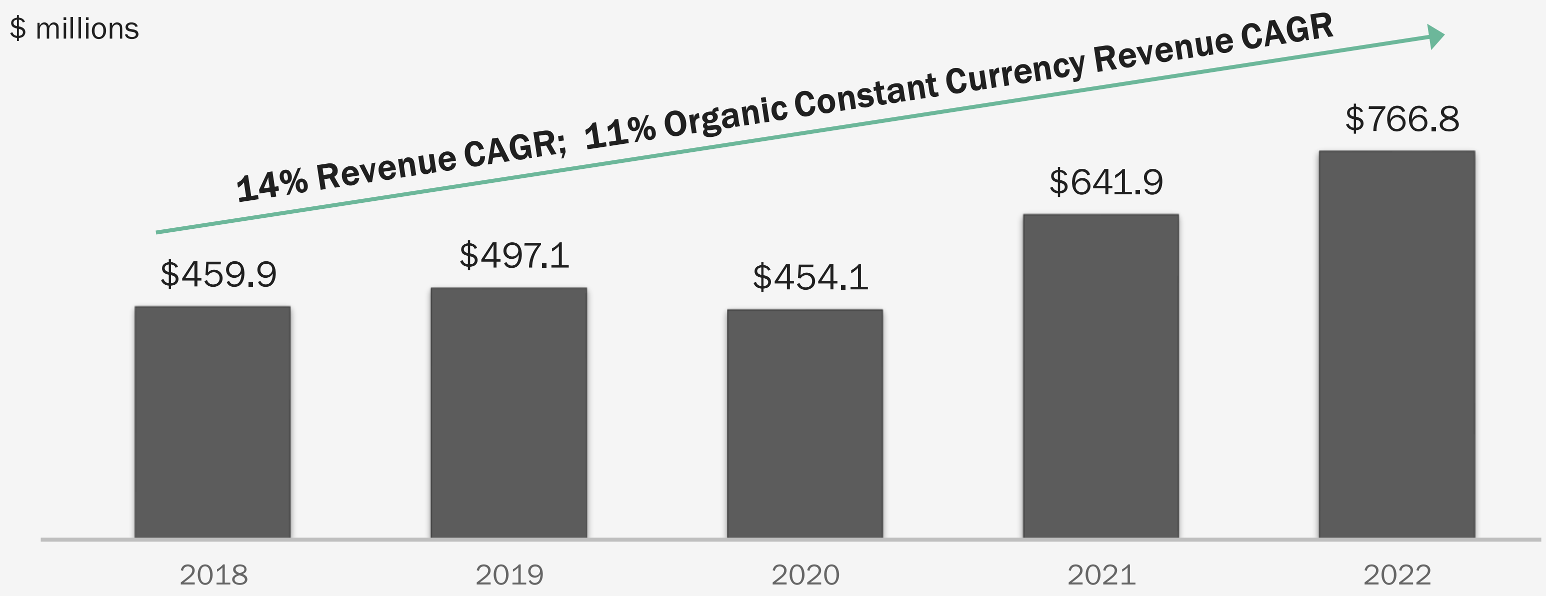
Track Record of Strong Results[1]

14%

Revenue CAGR (2018 through 2022)

11%

Organic Constant Currency Revenue CAGR (2018 through 2022)



	2018	2019	2020	2021	2022
Revenue growth		+8%	-9%	+41%	+19%
Organic constant currency revenue growth		+6%	-9%	+39%	+14%

1. Past performance is not indicative of future results. See appendix for a reconciliation of GAAP to non-GAAP measures

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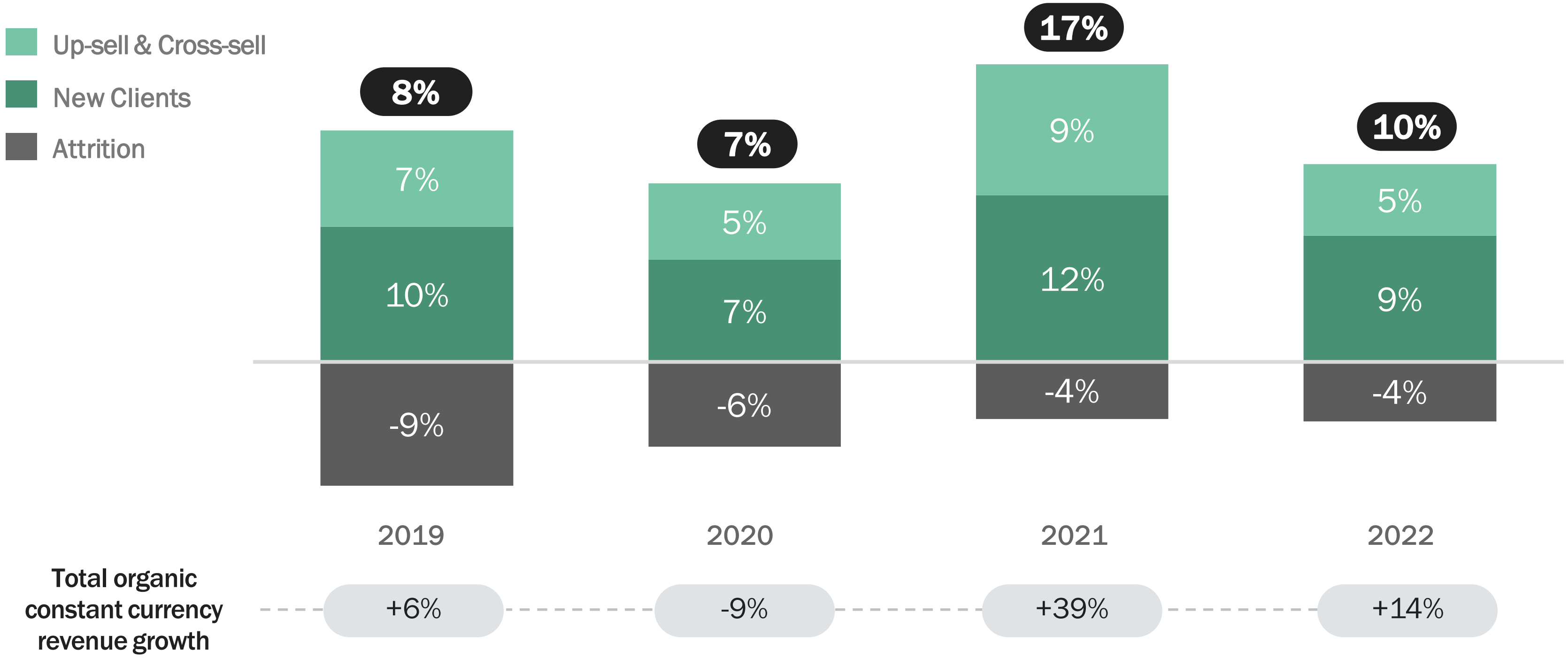
Executing on Revenue Drivers within our Control[1]

Consistent track record of organic revenue growth through new client wins, up-sell & cross-sell, and revenue retention



10%

Revenue CAGR from the combination of:

- Up-sell & Cross-sell
- New Clients
- Attrition

{versus 7 - 8 % combined target}[2]

1. Past performance is not indicative of future results. See appendix for a reconciliation of GAAP to non-GAAP measures
2. See discussion of long-term targets on slide 23.

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2023 Strategic Focus Areas[1]

Achieving Long-term Success by Focusing on Items in our Control

Organic revenue

Execution on revenue drivers we control:

1) New Clients
2) Up-sell and Cross-sell
3) Revenue Retention

Margin expansion

Increased automation, process improvements, and cost reduction measures to re-align the organization in connection with our refreshed strategy

Identity

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

M&A

1) U.S.-based tuck-ins
2) Increased scale in existing international markets
3) 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.

Peter Walker,
Chief Financial Officer

2022 and Q4 2022 Financial Review
2023 Guidance
Long-Term Outlook

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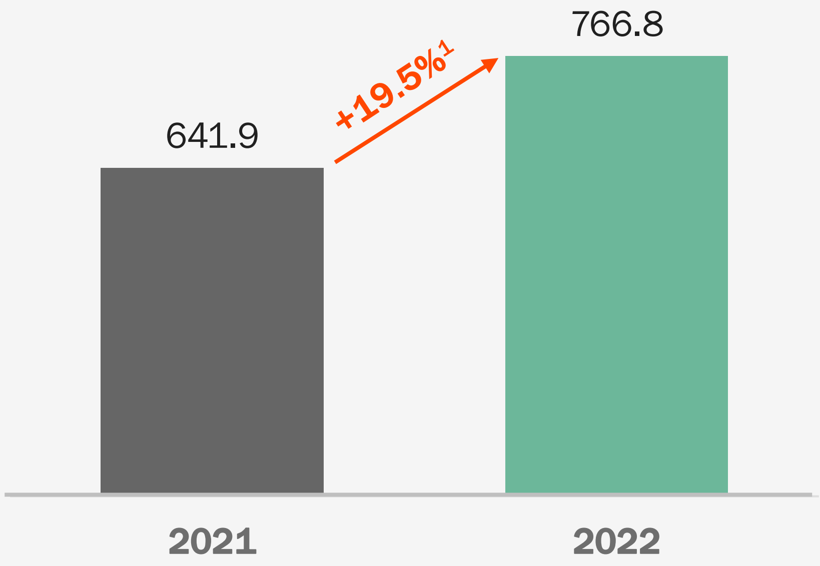
2022 Financial Highlights: Revenue

Revenue

Chart in $ millions



Strong, broad-based revenue growth

- **19.5%** revenue growth even while lapping 2021's 41% revenue growth
- **14.4%** organic constant currency revenue growth[2]
- **Within or above our targets** for all organic revenue drivers (base growth, up-sell / cross-sell, new clients, and retention)
- **96%** LTM gross retention rate
- **9%** revenue growth from new clients; 4th straight year of growth from new clients at or above our 7-8% target
- **6.5%** inorganic revenue growth from EBI, ahead of expectations at time of deal
- U.S. growth led by **Industrials**, **Healthcare**, and **FinBiz** verticals
- International growth led by **APAC** region

1. Includes +14.4% organic constant currency revenue growth[2] and +6.5% due to inorganic revenue growth, partially offset by 1.4% drag from the impact of fluctuations in foreign exchange currency rates.
2. See appendix for a reconciliation of GAAP to non-GAAP measures.

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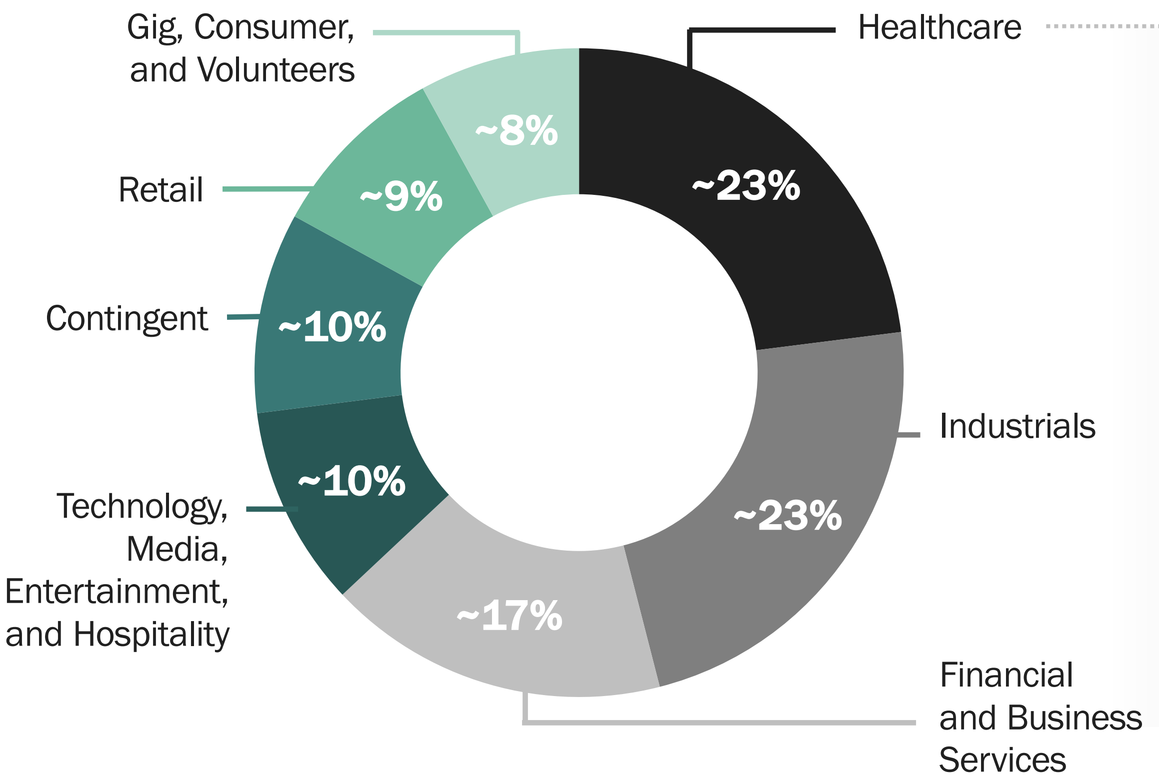
Diversified and Attractive U.S. Vertical Mix (2022)

Strong growth enabled by:

- Deep market expertise with industry-specific solutions
- Strategic increase in exposure to attractive verticals
- Secular growth
- Resilience during challenging economic times



Strategic growth verticals >60% of U.S. portfolio

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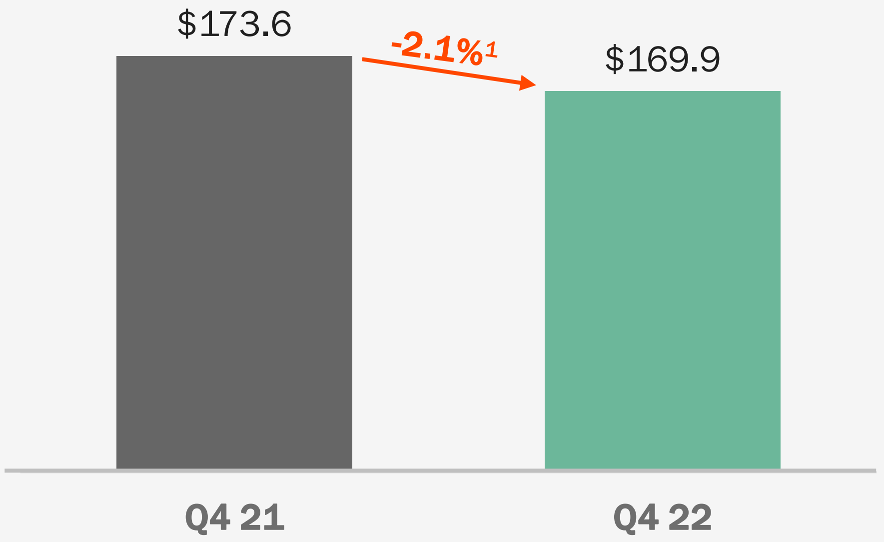
Q4 2022 Financial Highlights: Revenue

Revenue

Chart in $ millions



Strong core trends offset by base revenue moderation

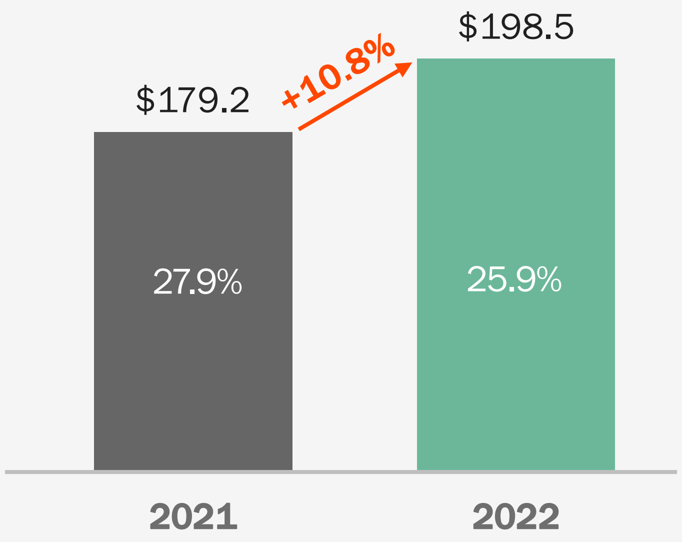
- **2.1%** revenue decline caused by continued base business moderation started in 3Q22
- **4.3%** organic constant currency revenue decline[2]
- **Base business declines** offset positive trends in other revenue drivers (new clients, up-sell / cross-sell, retention)
- **96%** LTM gross retention rate
- **7%** revenue growth from new clients; 9th straight quarter of growth from new clients at or above our 7-8% target
- **3.8%** inorganic revenue growth from EBI; acquisition anniversaried and turned organic 11/30
- U.S. growth led by **Healthcare** and **Industrials** verticals
- International growth led by **APAC** region

1. Includes 4.3% organic constant currency revenue decline[2] and 1.6% decline due to the impact of fluctuations in foreign exchange currency rates, partially offset by 3.8% inorganic revenue growth.
2. See appendix for a reconciliation of GAAP to non-GAAP measures.

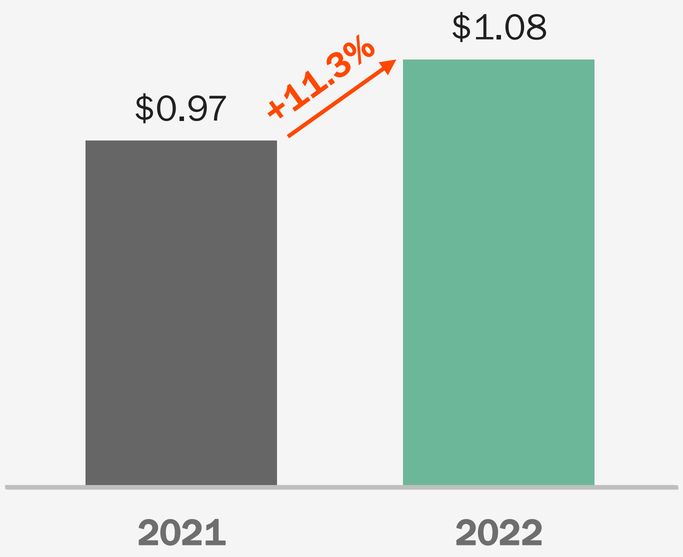
2022 Financial Highlights: Profitability

Adjusted EBITDA and Adjusted EBITDA Margin[1]

Chart in $ millions



Adjusted Earnings Per Share[1]



Focus on strong profitable growth

- **+10.8% Adjusted EBITDA growth** supported by revenue growth and cost controls
- **25.9%** Adjusted EBITDA margin, below our expectations primarily due to **base revenue moderation**
- Continued focus on cost discipline, healthy growth, automation, and process improvements to drive **long-term margin expansion**
- **+11.3% Adjusted EPS growth**, above Adjusted EBITDA growth due to lower D&A

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

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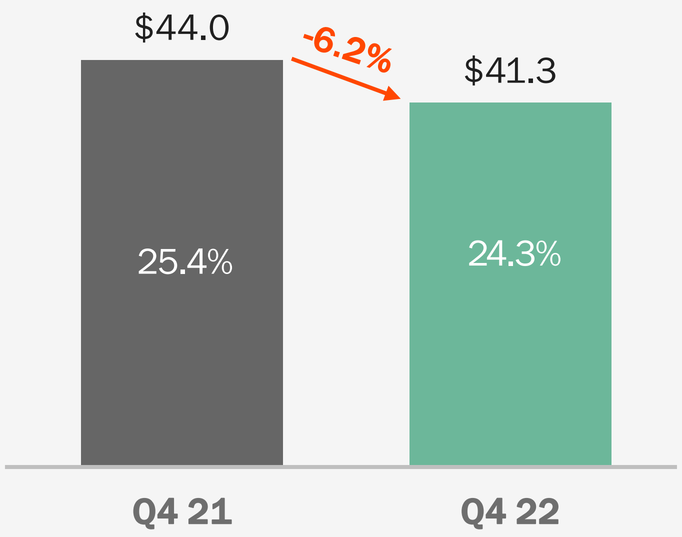
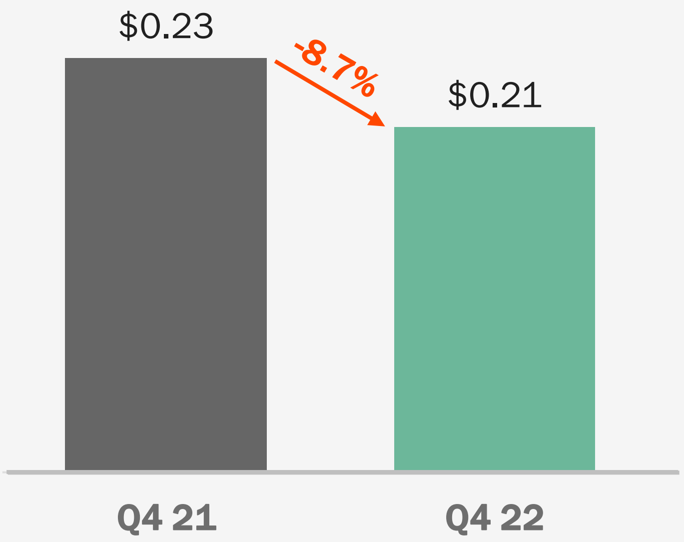
Q4 2022 Financial Highlights: Profitability

Adjusted EBITDA and Adjusted EBITDA Margin[1]

Chart in $ millions



Adjusted Earnings Per Share[1]



Cost actions expected to benefit in 2023

- **Adjusted EBITDA declined** due primarily to base revenue decline
- **24.3%** Adjusted EBITDA margin, well below our expectations due to **base revenue moderation**
- **Ongoing cost actions** expected to yield meaningful benefits in 2023 and beyond
- **Adjusted EPS declined** due to Adjusted EBITDA decline coupled by higher effective tax rate in Q4 2022

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

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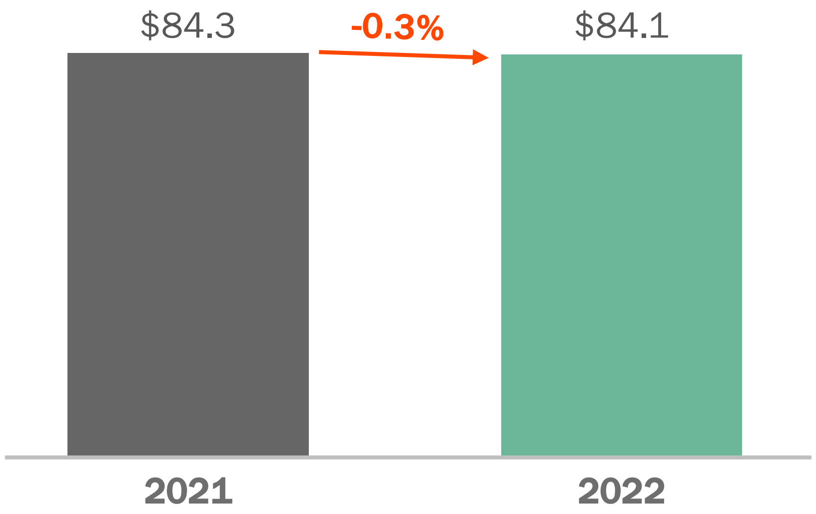
Cash Flow, Balance Sheet and Capital Expenditures

Adjusted Free Cash Flow [1]

Chart in $ millions



Adjusted Free Cash Flow roughly flat y/y with higher operating income offset by higher cash tax and interest payments

Net Leverage

Total Debt	$505.5M
Cash & Cash Equivalents	$103.1M
LTM Adjusted EBITDA[1]	$198.5M
Net Leverage	**2.0x**

Net leverage continues to decline due to growth in cash and LTM Adjusted EBITDA. Cash reflects usage for ~$14M on share repurchase activity in Q4 2022.

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

Full Year 2023 Guidance[1]

	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.

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	~$40 million
Interest expense	~$35 million
D&A net of intangible amortization	~$16 million
Adjusted effective tax rate	26.0 – 27.0%
Diluted shares outstanding	~98 million

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

Full Year 2023 Guidance[1]

	FULL YEAR 2023
Organic constant currency revenue growth[2]	**(3.0)% — 1.0%**
Impact of foreign currency translation	0.4% — 0.4%
Impact of inorganic revenue growth from M&A	2.0% — 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.

Sterling At A Glance[1]

50K+
Clients

110M+
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 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 December 31, 2022
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
- 96% gross retention rate[1]

Diversified Client Base and Low Client Concentration

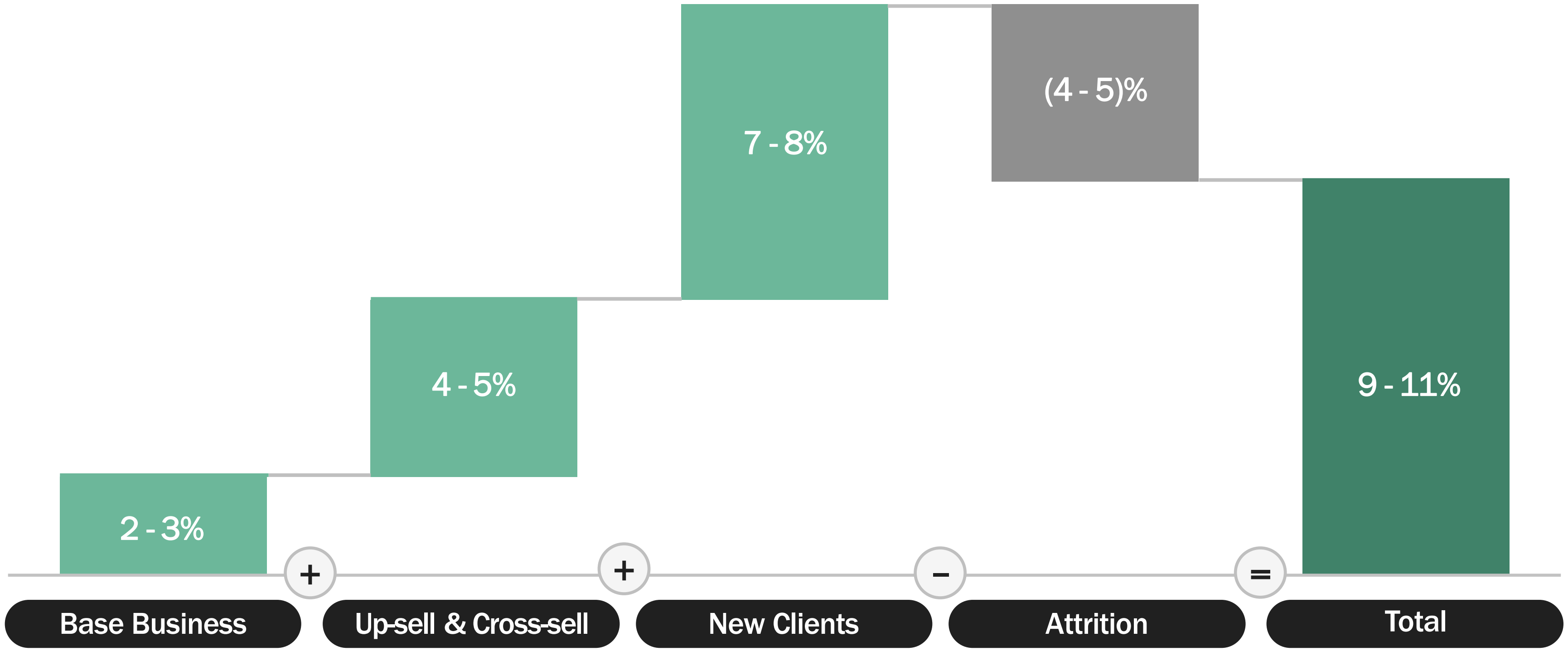
- 50,000+ clients[2]
- 50%+ of Fortune 100[2]
- Top client <3% of revenue, top 25 clients <25% of revenue[2]
- Growing international presence

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 December 31, 2022
2. As of December 31, 2022

3-5 Year Organic Revenue Growth Target[1]



Base Business: Revenue from existing clients[2] due to increased volumes

Up-sell & Cross-sell: Revenue from existing clients[2] due to additional products, geographies, or divisions

New Clients: Revenue from new clients (in first 12 months)

Attrition: Revenue declines due to lost clients

REVENUE DRIVERS

Base Growth
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

Organic constant currency revenue growth is 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. For the years ended December 31, 2021 and 2022, we have provided the impact of revenue from the acquisition of EBI in November 2021. 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 (loss) adjusted for (benefit) provision 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.

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. For the year ended December 31, 2021, Adjusted Free Cash Flow reflects adjustments for one-time, cash non-operating expenses related to the IPO. 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 (loss), the most directly comparable US GAAP measure, to Adjusted EBITDA for the three months ended December 31, 2021, March 31, 2022, June 30, 2022, September 30, 2022, and December 31, 2022, respectively, and for the twelve months ended December 31, 2021 and December 31, 2022, respectively.

	Three Months Ended					Twelve Months Ended	
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	December 31, 2021	December 31, 2022
(dollars in thousands)							
Net income (loss)	$ 2,704	$ 6,236	$11,571	$ 9,303	$ (7,700)	$ (18,527)	$ 19,410
Income tax (benefit) provision	(2,381)	4,085	5,392	3,481	(4,252)	(10,461)	8,706
Interest expense, net	8,016	6,336	6,619	7,764	8,828	30,857	29,547
Depreciation and amortization	20,871	20,156	19,872	16,570	16,542	82,064	73,140
Stock-based compensation	5,344	5,108	6,023	6,293	6,381	32,580	23,805
Loss on extinguishment of debt	—	—	—	—	3,673	—	3,673
Transaction expenses(1)	4,292	1,888	1,894	2,809	4,902	43,046	11,493
Restructuring(2)	655	346	836	2,730	5,112	4,915	9,024
Technology Transformation(3)	3,950	3,762	4,537	4,767	3,728	13,088	16,794
Settlements impacting comparability(4)	468	—	—	213	3,106	468	3,319
(Gain) loss on interest rate swaps(5)	(168)	(328)	32	—	(1)	31	(297)
Other(6)	298	47	(304)	(832)	978	1,123	(111)
Adjusted EBITDA	$ 44,049	$47,636	$56,472	$ 53,098	$ 41,297	$ 179,184	$ 198,503
Adjusted EBITDA Margin	25.4 %	24.8 %	27.5 %	26.6 %	24.3 %	27.9 %	25.9 %
Net income (loss)	$ 2,704	$ 6,236	$11,571	$ 9,303	$ (7,700)	$ (18,527)	$ 19,410
Adjusted EBITDA	$ 44,049	$47,636	$56,472	$ 53,098	$ 41,297	$ 179,184	$ 198,503
Revenues	$ 173,629	$191,972	$205,591	$ 199,299	$ 169,920	$ 641,884	$ 766,782
Net (Loss) Income Margin	1.6 %	3.2 %	5.6 %	4.7 %	(4.5)%	(2.9)%	2.5 %
Adjusted EBITDA Margin	25.4 %	24.8 %	27.5 %	26.6 %	24.3 %	27.9 %	25.9 %

Sterling

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 and one-time public company transition expenses. 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 M&A. For the three months ended June 30, 2022, costs consisted primarily of $1.1 million of one-time public company transition expenses and $0.8 million in costs 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 year ended December 31, 2021, IPO related expenses of $38.2 million included $16.8 million of contractual compensation payments to former executives (of which, $15.6 million was funded by certain stockholders), $7.5 million associated with the final settlement of fees in connection with the MSA and $13.9 million of professional fees and other related expenses. The year ended December 31, 2021 also includes $1.9 million in costs related to the acquisition of EBI, $1.4 million of earn-out and performance-based incentive payments associated with an acquisition in 2018 and $1.4 million of investor management fees in connection with the MSA, associated with the terms prior to the final settlement. For the year ended December 31, 2022, costs consisted primarily of $5.4 million of one-time public company transition expenses and $6.1 million related to M&A activity for the acquisitions of EBI and Socrates.

(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 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, costs consisted of $0.3 million in expenses related to our real estate consolidation program. 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 year ended December 31, 2021, costs include $0.5 million of restructuring-related executive recruiting and severance charges and $4.4 million of lease termination costs and write-offs on disposal of fixed assets related to our real estate consolidation program. For the year ended December 31, 2022, costs include approximately $6.9 million of restructuring-related severance and other charges.

(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 substantially completed as of December 31, 2022. 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 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 years ended December 31, 2021 and 2022, investments related to Project Ignite were $12.7 million and $14.4 million, respectively. Additional investment made to modernize internal functional systems was $0.4 million in 2021. For the year ended December 31, 2022, $2.4 million related primarily to 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, 2021, costs include a $0.5 million settlement related to sales tax. 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. For the year ended December 31, 2021, costs include $0.5 million incurred in a settlement related to sales tax. For the year ended December 31, 2022, costs include legal settlements totaling $3.3 million, net of insurance recovery, for certain class action cases settled in the year. These sales tax costs and 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 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 periods ended March 31, 2022, June 30, 2022, and September 30, 2022 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 December 31, 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 $0.04 million loss on translation of foreign exchange. 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. For the three months ended December 31, 2021, there was a $1.4 million loss on translation of foreign exchange and $0.2 million charge for impairment of capitalized software, partially offset by a $0.5 million insurance reimbursement related to duplicate fulfillment charges incurred in 2019. For the twelve months ended December 31, 2022, there was a $0.3 million gain 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 (loss), the most directly comparable US GAAP measure, to Adjusted Net Income and Adjusted Earnings per Share for the three months and year ended December 31, 2021 and 2022.

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2022	2021	2022
(in thousands, except per share amounts)				
Net income (loss)	$ 2,704	$ (7,700)	$ (18,527)	$ 19,410
Income tax (benefit) provision	(2,381)	(4,252)	(10,461)	8,706
Income (loss) before income taxes	323	(11,952)	(28,988)	28,116
Amortization of acquired intangible assets	13,545	10,753	52,777	48,783
Stock-based compensation	5,344	6,381	32,580	23,805
Loss on extinguishment of debt	—	3,673	—	3,673
Transaction expenses[(1)]	4,292	4,902	43,046	11,493
Restructuring[(2)]	655	5,112	4,915	9,024
Technology Transformation[(3)]	3,950	3,728	13,088	16,794
Settlements impacting comparability[(4)]	468	3,106	468	3,319
(Gain) loss on interest rate swaps[(5)]	(168)	—	31	(297)
Other[(6)]	298	978	1,123	(111)
Adjusted Net Income before income tax effect	28,707	26,680	119,040	144,599
Income tax effect[(7)]	6,123	6,206	26,808	38,054
Adjusted Net Income	$ 22,584	$ 20,474	$ 92,232	$ 106,545
Net income (loss) per share-basic	$ 0.03	$ (0.08)	$ (0.21)	$ 0.21
Net income (loss) per share-diluted	0.03	(0.07)	(0.21)	0.20
Adjusted Earnings Per Share-basic	0.24	0.22	1.02	1.13
Adjusted Earnings Per Share-diluted	0.23	0.21	0.97	1.08

	Three Months Ended December 31,		Year Ended December 31,	
(in thousands, except share and per share amounts)	**2021**	**2022**	**2021**	**2022**
Net income (loss)	$ 2,704	$ (7,700)	$ (18,527)	$ 19,410
Less: Undistributed amounts allocated to participating securities	—	—	—	—
Undistributed losses (income) allocated to stockholders	$ 2,704	$ (7,700)	$ (18,527)	$ 19,410
Weighted average number of shares outstanding – basic	93,963,227	94,080,123	90,218,386	94,052,435
Weighted average number of shares outstanding – diluted	99,690,693	94,080,123	90,218,386	98,866,004
Net income (loss) per share – basic	$ 0.03	$ (0.08)	$ (0.21)	$ 0.21
Net income (loss) per share – diluted	0.03	(0.08)	(0.21)	0.20
Adjusted Net Income	$ 22,584	$ 20,474	$ 92,232	$ 106,545
Less: Undistributed amounts allocated to participating securities	—	—	—	—
Undistributed adjusted earnings allocated to stockholders	$ 22,584	$ 20,474	$ 92,232	$ 106,545
Weighted average number of shares outstanding – basic	93,963,227	94,080,123	90,218,386	94,052,435
Weighted average number of shares outstanding – diluted	99,690,693	97,812,339	95,082,550	98,866,004
Adjusted Earnings Per Share - basic	$ 0.24	$ 0.22	$ 1.02	$ 1.13
Adjusted Earnings Per Share - diluted	0.23	0.21	0.97	1.08

Non-GAAP to GAAP Reconciliation

Adjusted Net Income and Adjusted EPS Reconciliation cont'd

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2022	2021	2022
Net income (loss) per share – diluted	$ 0.03	$ (0.08)	$ (0.21)	$ 0.20
Adjusted Net Income adjustments per share				
Income tax (benefit) provision	(0.02)	(0.04)	(0.11)	0.09
Amortization of acquired intangible assets	0.14	0.11	0.56	0.49
Stock-based compensation	0.05	0.06	0.34	0.24
Loss on extinguishment of debt	—	0.04	—	0.04
Transaction expenses(1)	0.04	0.05	0.46	0.12
Restructuring(2)	0.01	0.05	0.05	0.09
Technology Transformation(3)	0.04	0.04	0.14	0.17
Settlements impacting comparability(4)	—	0.03	0.01	0.03
(Gain) loss on interest rate swaps(5)	—	—	—	(0.01)
Other(6)	—	0.01	0.01	—
Income tax effect(7)	(0.06)	(0.06)	(0.28)	(0.38)
Adjusted Earnings Per Share - diluted	$ 0.23	$ 0.21	$ 0.97	$ 1.08
Weighted average number of shares outstanding used in computation of Adjusted Diluted Earnings Per Share:				
Weighted average number of shares outstanding – diluted (GAAP)	99,690,693	94,080,123	90,218,386	98,866,004
Options not included in weighted average number of shares outstanding – diluted (GAAP) (using treasury stock method)	—	3,732,216	4,864,164	—
Weighted average number of shares outstanding – diluted (non-GAAP) (using treasury stock method)	99,690,693	97,812,339	95,082,550	98,866,004

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Non-GAAP to GAAP Reconciliation

(1) Consists of transaction expenses related to M&A, associated earn-outs, investor management fees, and costs related to the preparation of the 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 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.

(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 non-recurring settlements and the related legal fees impacting comparability.

(5) Consists of loss (gain) on interest rate swaps. See Part II. Item 7A. “Quantitative and Qualitative Disclosures about Market Risk— Interest Rate Risk” in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information on interest rate swaps.

(6) Consists of costs related to a local government mandate in India, gain (loss) on foreign currency transactions, impairment of capitalized software and other costs outside of the ordinary course of business.

(7) Normalized effective tax rates of 22.5% and 26.3% have been used to compute Adjusted Net Income for the twelve months ended December 31, 2021 and 2022, 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 II. Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” in our most recently filed Annual Report on Form 10-K for the period ended December 31, 2022.

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 twelve months ended December 31, 2021 and 2022, respectively. For the twelve months ended December 31, 2021, Adjusted Free Cash Flow included adjustments for one-time, non-operating cash expenses related to the IPO.

	Year Ended December 31,			
(in thousands)		**2021**		**2022**
Net Cash provided by Operating Activities	$	68,605	$	104,263
Total IPO adjustments[(1)]	$	34,777	$	—
Purchases of intangible assets and capitalized software	$	(15,860)	$	(15,689)
Purchases of property and equipment	$	(3,234)	$	(4,498)
Adjusted Free Cash Flow	$	84,288	$	84,076

(1) Includes one-time, non-operating cash expenses related to the IPO. Costs for the year ended December 31, 2021 include $34.8 million of professional fees incurred in preparation of the IPO. Total IPO adjustments for the year ended December 31, 2021 include $16.8 million of contractual compensation payments to former executives (of which $15.6 million was funded by certain stockholders), $7.5 million final settlement of investor management fees in connection with the MSA and $10.5 million related primarily to professional fees and other expenses incurred for the preparation of the IPO.

Non-GAAP to GAAP Reconciliation

Organic Constant Currency Revenue Growth

The following table reconciles revenue growth, the most directly comparable US GAAP measure, to organic constant currency revenue growth for the three and twelve months ended December 31, 2022. For the three and twelve months ended December 31, 2022, we have provided the impact of revenue from the acquisition of EBI.

	Three Months Ended December 31,	Year Ended December 31,
	2022	2022
Reported revenue growth	(2.1)%	19.5 %
Inorganic revenue growth[1]	3.8 %	6.5 %
Impact from foreign currency exchange[2]	(1.6)%	(1.4)%
Organic Constant Currency Revenue Growth	(4.3)%	14.4 %

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