Sterling

Q4 2021 Earnings

MARCH 2, 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. All statements that address expectations, guidance, outlook or projections about the future, including statements regarding our expectations, beliefs, plans, strategies, objectives, prospects, assumptions, or future events or performance, are forward-looking statements. 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 regarding our expectations about market trends, and our expectations, beliefs, plans, strategies, objectives, prospects, 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 cyberattacks, 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 US 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; 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 damages or disruptions caused by the foregoing; systems failures, interruptions, delays in services, catastrophic events and resulting interruptions; 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 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 our ability to implement, maintain and improve effective internal controls and remediate the material weakness described elsewhere in this presentation.

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 Earnings Per Share," "organic constant currency revenue growth," "inorganic revenue growth," and "Free Cash Flow" in evaluating our past results and future prospects. We present "Adjusted EBITDA," "Adjusted EBITDA Margin," "Adjusted Net Income," "Adjusted Earnings Per Share," "organic constant currency revenue growth," "inorganic revenue growth," and "Free Cash Flow" because we believe they assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Management and our board of directors use Adjusted EBITDA to evaluate the factors and trends affecting our business to assess our financial performance and in preparing and approving our annual budget and believe 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. We have not presented a quantitative reconciliation of the forward-looking non-GAAP financial measure "Adjusted EBITDA" 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 and the periods in which such items may be recognized.

Josh Peirez,

Chief Executive Officer

Company and Industry Overview
2021 Highlights
2022 Priorities

Sterling

Sterling At A Glance

50K+
Clients

95M+
Background checks annually

75+
Platform integrations

96%
Overall gross retention rate

50%+
of the Fortune 100 choose Sterling

240+
Countries and territories where Sterling has screening capabilities

9 Years
Average tenure for top 100 clients

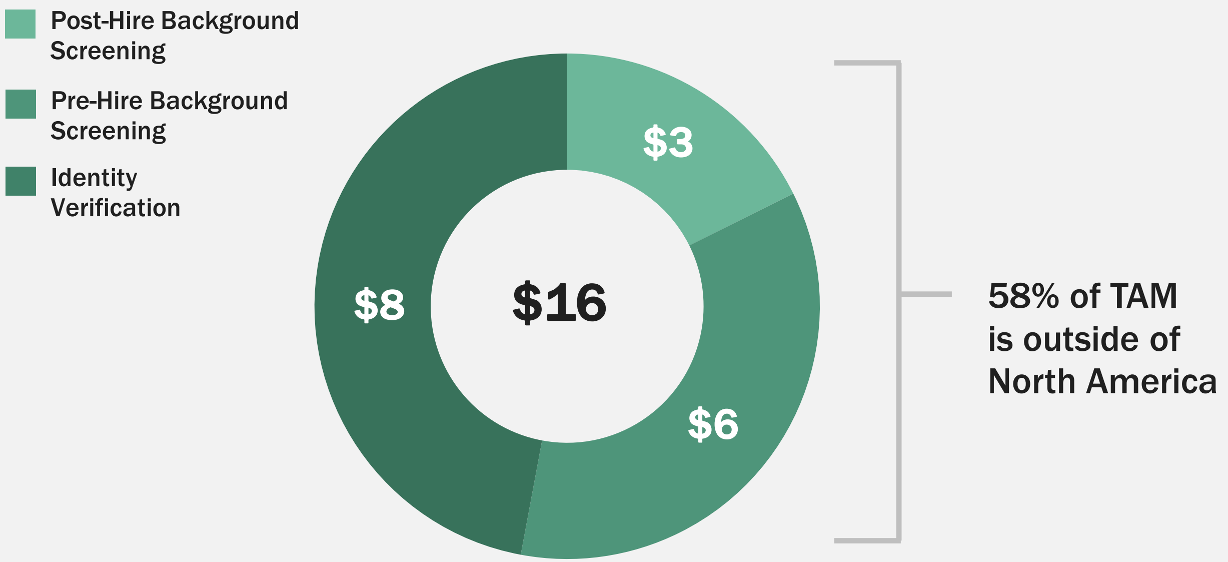
HR Tech Award
for Best Comprehensive Solution for Enterprises[1]

1. HR Tech Awards from Lighthouse Research & Advisory, June 2021

Highly-Attractive Global Market Opportunity

Total Addressable Market of $16 billion (2020) Growing at 12% CAGR by 2025

($ in billions)[1]



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

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

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

1. Dollars rounded to the nearest billion

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2021 Highlights

- +39% organic constant currency revenue growth, including double-digits in all regions and verticals, and ~600 bps of Adjusted EBITDA margin expansion[1]
- Expansion of Identify Verification offering through partnerships with ID.Me and FINRA
- Organic expansion of International footprint to 19% of total revenue in 2021 (17% in 2020) through global and local wins
- Successful IPO on the Nasdaq Global Select Market
- Acquisition of Employment Background Investigations (EBI), expected to be accretive to financial results

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

Strategic Focus Areas for 2022

Continue to deepen our success

Expand Identity

Accelerate growth in key US verticals

Continued international expansion

Complement organic growth with M&A

Identity First

Trust starts with identity; Sterling offers industry-leading identity-based solutions around the globe

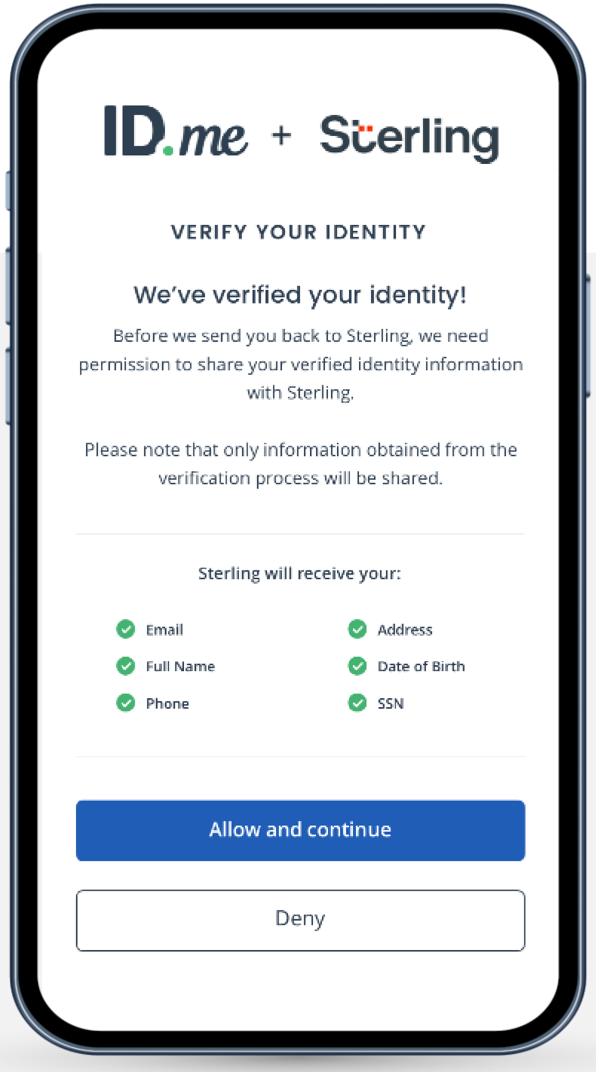
Dedicated focus through Sterling Identity

Available globally and customized by region

Constantly-evolving, innovation-based solutions

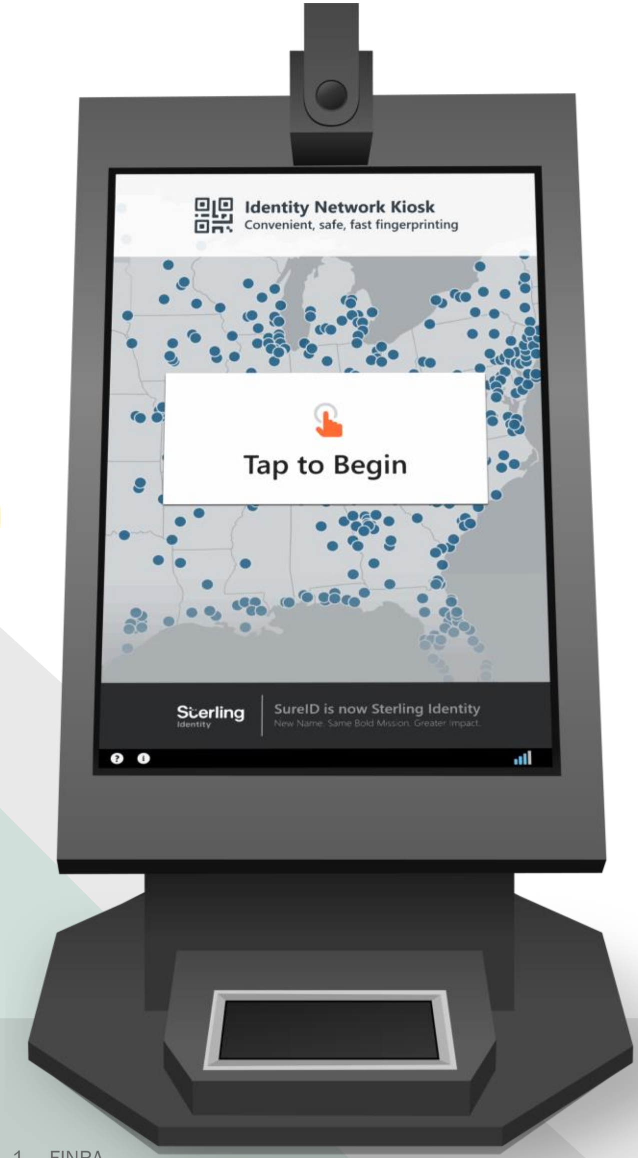
Exclusive partnership with ID.me

- Reusable, portable digital identity (verify identity once)
- Largest digital identity network in US: 70m+ users, growing at 250k/day
- Fast and convenient: process typically completed in <5 mins, with multiple verification options available
- Same solution used by SSA, VA, DOL, and over 50% of US states



ROBUST PORTFOLIO OF SERVICES

- Telecom & Device Verification
- SSN Validation
- ID Document Verification
- Live Video Chat ID Proofing
- Facial Recognition w/ Biometric Matching
- In-Person Verification



Sterling is FINRA's exclusive fingerprinting services partner

The Financial Industry Regulatory Authority (FINRA) selected Sterling for an exclusive partnership to provide fingerprint channeling to the Department of Justice (FBI) on FINRA's behalf

All broker-dealer and funding portal fingerprint submissions will be processed by Sterling

Sterling provides a modern, streamlined fingerprinting experience with state-of-the-art technology and a national network of locations available in all 50 states

~3,800 Financial services firms

12 CRAs and fingerprint service providers[1]

~300k Annual fingerprints

1. FINRA

Vertical Spotlight:
Financial & Business Services

~2,500 customers across Financial Services, Insurance, Real Estate, Law firms, Professional Services, Consulting, and Executive Search

>50% revenue growth in 2021 including robust base growth, cross-sell/up-sell, and new customer growth

>96% gross retention rate driven by customer-first mentality and focus on employee retention

KEY SUCCESS DRIVERS

- **Regulatory expertise** and strict adherence to evolving compliance environment
- **Global expansion**: many firms are simplifying processes and consolidating global spend with best-in-class vendors
- **FINRA relationship**: creating opportunities for Sterling as a trusted partner to firms across the industry
- **Product innovation**: new solutions for financial & business services firms that simplify the candidate experience

Our Global Presence

We support global and localized businesses at scale across the US, Canada, Europe, and Asia Pacific

- A market leader in US, Canada, EMEA and APAC with screening capabilities across 240+ countries and territories
- Scaled operations for future growth in each region
- Regions operate semi-autonomously with dedicated managing directors
- Optimized to serve both local and cross-border businesses

19% of Sterling revenue generated outside the US in 2021, up from 15% in 2019 and 17% in 2020

55% International revenue growth in 2021

International Snapshot

EMEA

- Significant new client wins in the UK; growing presence in continental Europe and Middle East
- 3 consecutive years of >40% revenue growth
- Substantial growth opportunities in Digital Identity

STRATEGIC FOCUS:

- Regional: UK, EU and Middle East
- Vertical: Gig, Healthcare

APAC

- Sterling Asia (SGP, AUS, and HK), NCC (AUS), and Sterling India
- >50% revenue growth in 2021; growth in established and emerging markets
- Leading market share in key verticals including gig

STRATEGIC FOCUS:

- Regional: Expansion in AUS and entry into IND and NZ
- Partnerships supporting B2B growth in Criminal checks and Identity

Canada

- Market leader delivering >40% revenue growth in 2021
- Strong position in small- and medium-sized businesses

STRATEGIC FOCUS:

- Verifications
- SMBs

Acquisition of Employment Background Investigations (EBI)

US-based tuck-in deal fits squarely into our capital allocation priorities and is highly complementary to our core strategy

Highly complementary tuck-in deal

- Expands Sterling scale in key verticals
- Blue-chip, enterprise-focused client base
- Highly diversified client base
- Minimal single-client concentration and long-tenured relationships with key clients
- Strong reputation for client service and a commitment to compliance

Attractive financial characteristics

- Priced within our M&A pricing framework
- Funded through cash on Balance Sheet
- 2022 revenues expected to be >$30M with revenue growth profile similar to Sterling's
- Robust synergy potential from migration to Sterling's fulfillment and platform
- Once integrated onto our platform/technology, expected adjusted EBITDA flow-through of ~45-50%

ebi®
a Sterling company

Peter Walker,
Chief Financial Officer

Q4 2021 Financial Review
2022 Guidance and Long-Term Outlook

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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 <5% of revenue, top 25 clients <30% of revenue (1)
- Growing international presence

Strong Free Cash Flow Generation

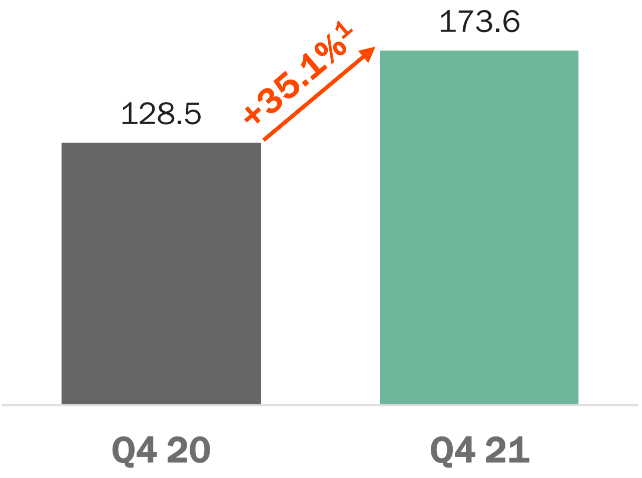
- Highly scalable cloud-based technology platform
- High incremental contribution margins
- Minimal capital requirements
- Favorable working capital dynamics

1. As of December 31, 2021.

Q4 2021 Financial Highlights

Revenue

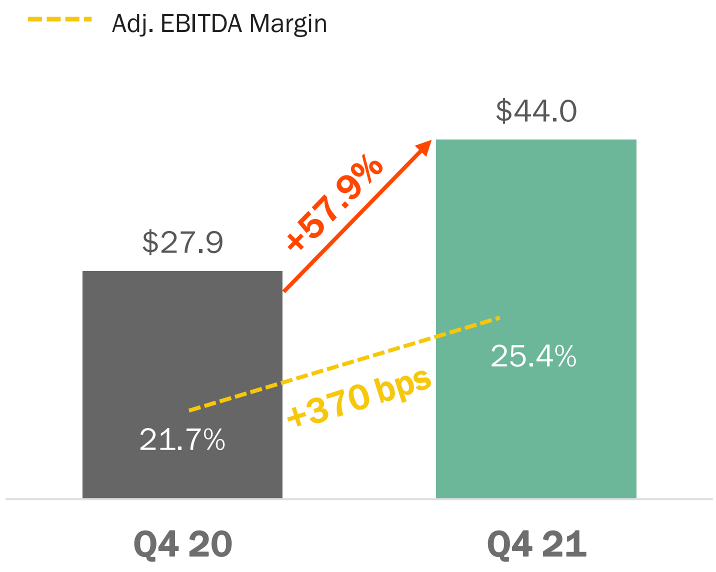
Chart in $ millions



+32.3% organic constant currency revenue growth[2] driven by robust base growth, up-sell/cross-sell, new client wins, and client retention

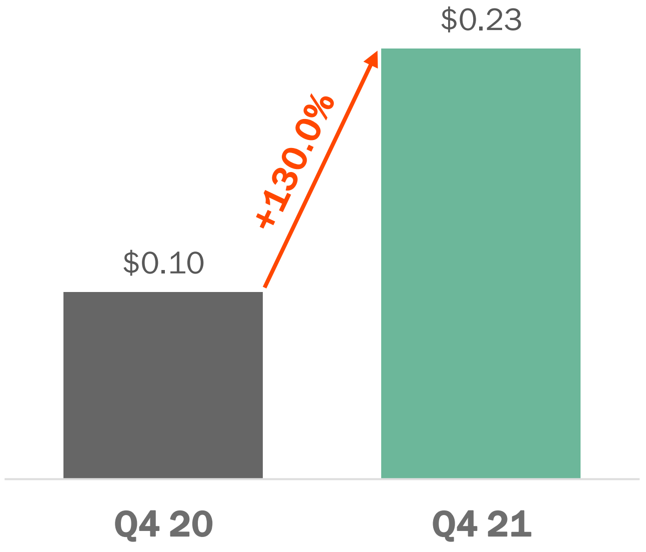
Adjusted EBITDA and Margin[2]

Chart in $ millions



370 bps of margin expansion driven by strong revenue growth, operating leverage, and cost controls

Adjusted Earnings Per Share[2]



+130.0% EPS growth driven by strong revenue growth, improved operating leverage, and modest improvement in D&A

1. Includes +32.3% organic constant currency revenue growth, +0.5% due to the impact of fluctuations in foreign exchange currency rates, and +2.3% due to inorganic revenue growth.
2. See appendix for a reconciliation of GAAP to Non-GAAP measures

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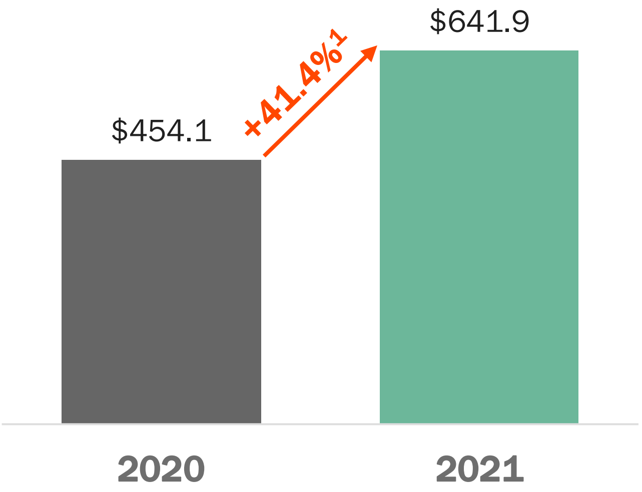
Full year 2021 Financial Highlights

Revenue

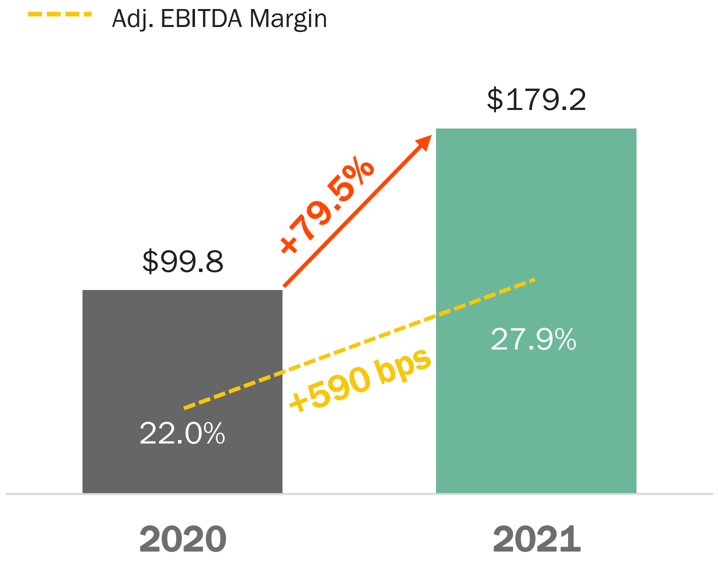
Chart in $ millions



+39.0% organic constant currency revenue growth[2] driven by robust base growth, up-sell/cross-sell, new client wins, and client retention

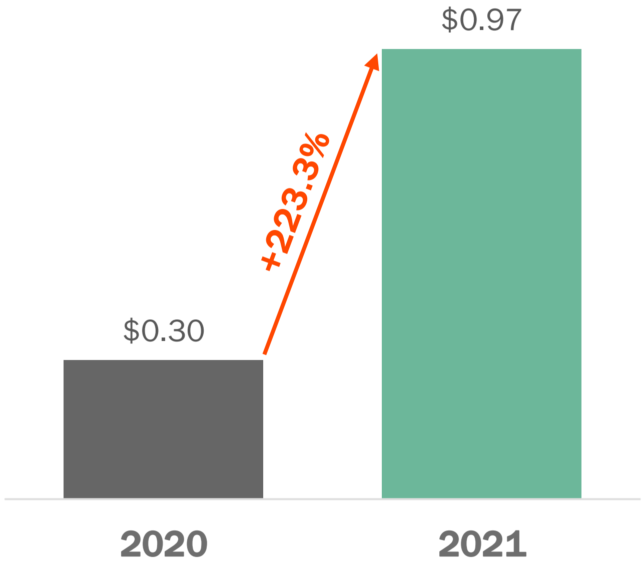
Adjusted EBITDA and Margin[2]

Chart in $ millions



590 bps of margin expansion driven by strong revenue growth, operating leverage, and cost controls

Adjusted Earnings Per Share[2]



+223.3% EPS growth driven by strong revenue growth, improved operating leverage, and improvements in D&A and interest expense

1. Includes +39.0% organic constant currency revenue growth, +1.7% due to the impact of fluctuations in foreign exchange currency rates, and +0.7% due to inorganic revenue growth.
2. See appendix for a reconciliation of GAAP to Non-GAAP measures

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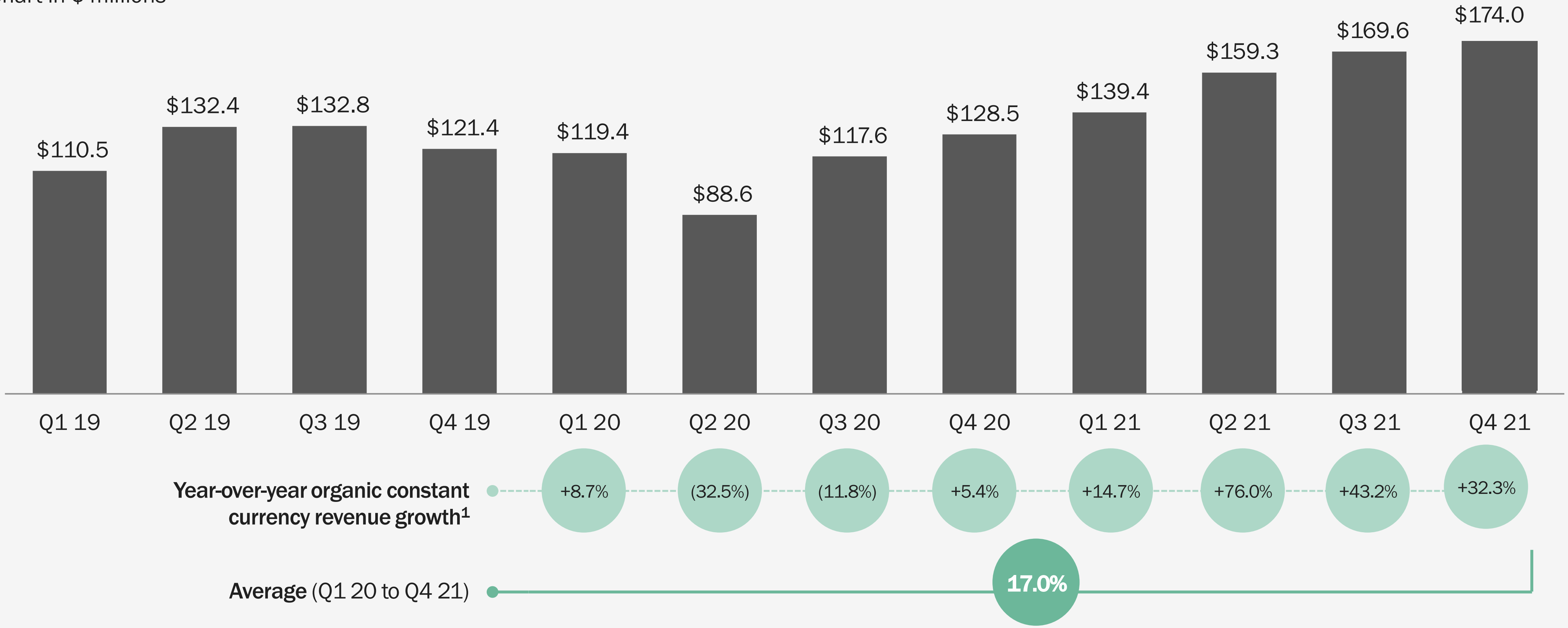
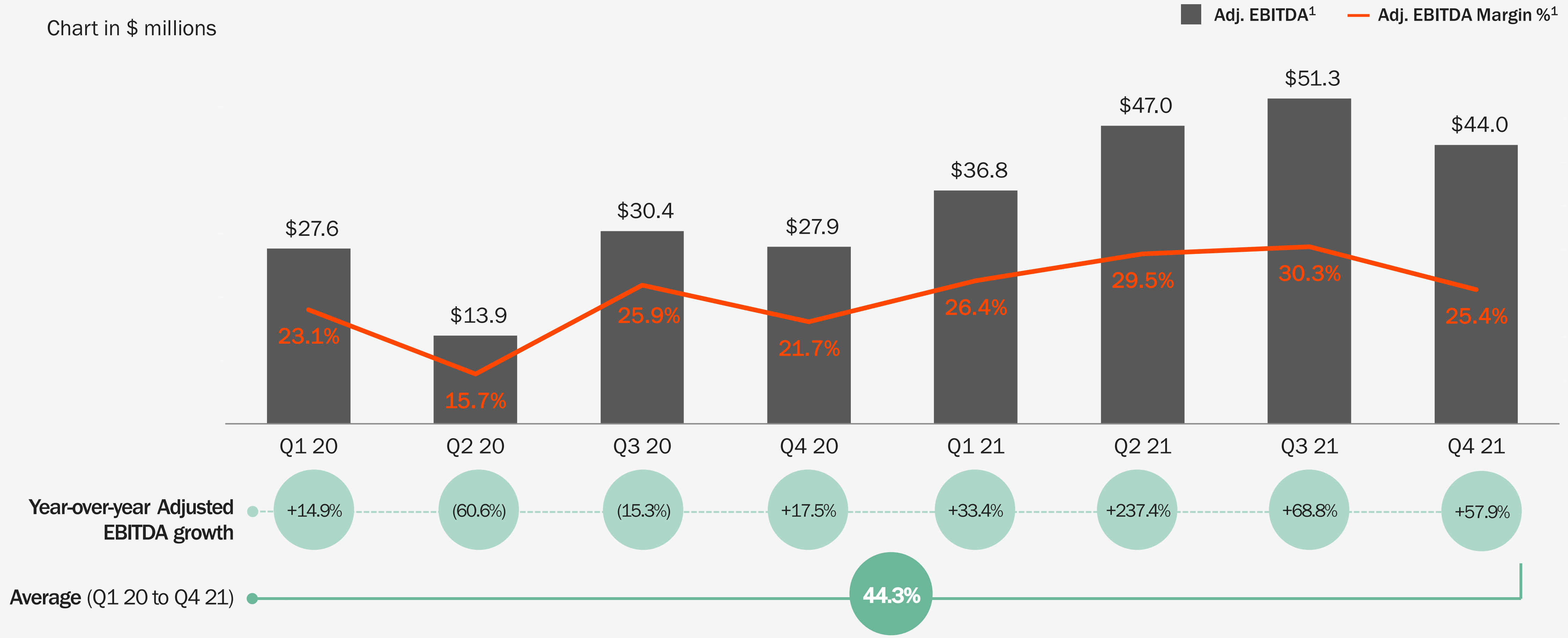
Strong Historical Revenue Performance

Chart in $ millions



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

Track Record of Adjusted EBITDA Growth

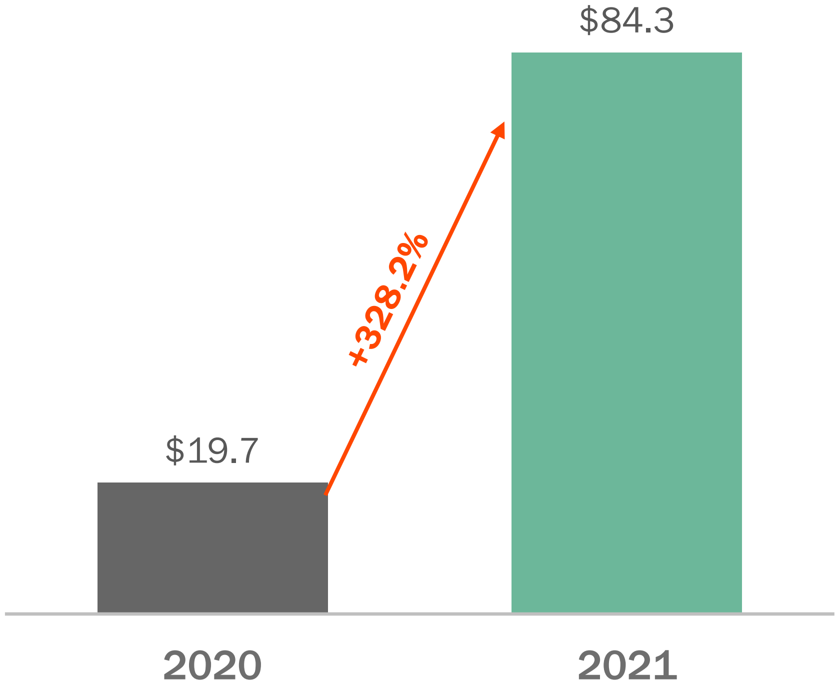


1. See appendix for a reconciliation of GAAP to Non-GAAP measures

Cash Flow, Balance Sheet and Capital Expenditures

Adjusted Free Cash Flow [1,2]

Chart in $ millions



Net Leverage

Total Debt	$510.3M
Cash & Cash Equivalents	$48.0M
LTM Adjusted EBITDA[2]	$179.2M
Net Leverage	2.6x

1. Adjusted Free Cash Flow is a non-GAAP financial measure and 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, normalized for one-time, cash, non-operating expenses related to the IPO.
2. See appendix for a reconciliation of GAAP to non-GAAP measures

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Capital Allocation Strategy

Invest In Organic Growth

Pursue Strategic M&A

Target Leverage Ratio 2x – 3x

Full Year Fiscal 2022 Guidance[1]

	FULL YEAR 2022	YEAR-OVER-YEAR GROWTH
Revenue	\$740M – \$755M	15.0% – 17.5%[3]
Adjusted EBITDA[2]	\$205M – \$212M	14.5% – 18.5%
Adjusted Net Income[2]	\$112M – \$118M	21.5% – 28.0%

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" 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 no material impact from fluctuation in foreign currency and 5.0-5.5% contribution from inorganic revenue growth; see slide 22.

Full Year Fiscal 2022 Guidance[1]

cont'd

	FULL YEAR 2022
Organic constant currency revenue growth[2]	**10.0% — 12.0%**
Impact of foreign currency translation	0.0% — 0.0%
Impact of inorganic revenue growth from M&A	5.0% — 5.5%
Total revenue growth	**15.0% — 17.5%**

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

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 final prospectus, filed with the SEC on September 24, 2021. 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.

Appendix

Appendix – Non-GAAP to GAAP Reconciliation

Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Free Cash Flow

Adjusted EBITDA is a non-GAAP measure and is defined as net income adjusted for provision for income taxes, interest expense, depreciation and amortization, stock-based compensation, costs related to M&A, 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. Adjusted Free Cash Flow is a non-GAAP financial measure and 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. In the fourth quarter of 2021, we have adjusted Free Cash Flow for one-time, cash, non-operating charges related to the completed initial public offering. These measures are not recognized under accounting principles generally accepted in the United States of America ("GAAP") and do not purport to be alternatives to net income (loss) as a measure of our performance. Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Free Cash Flow have limitations as analytical tools and should not be considered in isolation or as substitutes for our results as reported under 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 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

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, costs related to M&A, optimization and restructuring, technology transformation costs, and certain other costs affecting comparability, adjusted for an applicable tax rate of 26% in 2020, 18% for the three months ended December 31, 2021, and 22% in 2021. 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 GAAP.

Appendix – Non-GAAP to GAAP Reconciliation

Organic Constant Currency Revenue Growth

Organic constant currency revenue growth is a "non-GAAP financial measure," which is a financial measure that is not calculated and presented in accordance with generally accepted accounting principles in the United States ("GAAP"). The Company calculates organic constant currency revenue growth by adjusting for any M&A activity that contributed revenue in the current period, which was not present in the prior period, and converting the current period revenue at foreign currency exchange rates consistent with the prior period. There was no impact of M&A activity on the Company's revenue in the three months and year ended December 31, 2021 or in the three months and year ended December 31, 2020. Organic constant currency revenue growth has limitations as an analytical tool, and you should not consider such a measure either in isolation or as substitutes for analyzing the Company's results as reported under GAAP. In particular, organic constant currency revenue growth does not reflect M&A activity or the impact of foreign currency exchange rate fluctuations. Inorganic revenue growth is a non-GAAP financial measure defined as the impact to revenue growth in the current period from acquisitions and dispositions that have occurred over the past 12 months.

Appendix – Non-GAAP to GAAP Reconciliation

Adjusted EBITDA and Adjusted EBITDA Margin Reconciliation

	For the three months ended							
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Net (loss) income	$ (15,900)	$ (24,947)	$ (10,385)	$ (1,060)	$ 628	$ 3,398	$ (25,256)	$ 2,704
Income tax (benefit) provision	(3,556)	(1,453)	5,727	(12,280)	526	4,026	(12,633)	(2,381)
Interest expense, net	9,056	8,237	7,817	7,837	7,570	7,603	7,668	8,016
Depreciation & amortization	22,935	22,643	22,863	22,758	20,549	20,299	20,346	20,871
Stock-based compensation	545	641	570	1,708	898	756	25,582	5,344
Transaction costs (1)	538	546	539	1,406	1,089	6,169	31,513	4,292
Restructuring (2)	526	5,484	1,060	1,768	3,035	574	634	655
Technology Transformation (3)	3,009	2,458	2,581	2,872	2,059	3,942	3,137	3,950
Settlements impacting comparability (4)	97	43	120	2,662	-	-	-	468
Gain (loss) on interest rate swaps (5)	8,755	899	(49)	(153)	(46)	133	112	(168)
Other (6)	1,584	(611)	(439)	383	496	134	196	298
Adjusted EBITDA	**$ 27,590**	**$ 13,940**	**$ 30,404**	**$ 27,901**	**$ 36,803**	**$ 47,034**	**$ 51,300**	**$ 44,049**

	For the three months ended							
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Net (loss) income	$ (15,900)	$ (24,947)	$ (10,385)	$ (1,060)	$ 628	$ 3,398	$ (25,256)	$ 2,704
Adjusted EBITDA	27,590	13,940	30,404	27,901	36,803	47,034	51,300	44,049
Revenues	119,376	88,571	117,602	128,503	139,370	159,328	169,557	173,629
Net (loss) income margin	(13.3%)	(28.2%)	(8.8%)	(0.8%)	0.5%	2.1%	(14.9%)	1.6%
Adjusted EBITDA margin	23.1%	15.7%	25.9%	21.7%	26.4%	29.5%	30.3%	25.4%

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(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 the IPO. For the three months ended March 31, 2020, June 30, 2020, and September 30, 2020, these costs include $0.5 million of investor management fees in connection with the Fourth Amended and Restated Management Services Agreement. For the three months ended December 31, 2020 these costs include $0.9 million of earn-out contingent consideration related an acquisition in 2018 and $0.5 million of investor management fees in connection with the Fourth Amended and Restated Management Services Agreement. For the three months ended March 31, 2021 costs include $0.5 million of investor management fees in connection with the Fourth Amended and Restated Management Services Agreement and $0.6 million of costs related to preparation of the initial public offering. 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.

(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. We expect this real estate consolidation effort to be completed by the end of 2021. For the three months ended March 31, 2020, June 30, 2020, September 30, 2020, and December 31, 2020, these costs include $0.5 million, $4.8 million, $0.5 million, and $0.9 million of restructuring-related severance and executive recruiting charges, respectively. For the three months ended June 30, 2020, September 30, 2020, and December 31, 2020, these costs also include, $0.7 million, $0.6 million, $0.8 million of costs related to our real estate consolidation program, respectively. For the three months ended March 31, 2021 costs include $0.5 million of investor management fees in connection with the Fourth Amended and Restated Management Services Agreement and $0.6 million of costs related to preparation of the initial public offering. 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.

(3) Includes costs related to technology modernization efforts. We believe that these costs related to “Project Ignite”, 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 March 31, 2020, June 30, 2020, September 30, 2020, and December 31, 2020, investment related to Project Ignite was $2.2 million, $2.1 million, and $2.4 million, and $2.4 million respectively. For the same periods, additional investments made to modernize internal functional systems were $0.9 million, $0.4 million, $0.2 million, and $0.5 million, respectively. For the three months ended March 31, 2021, and June 30, 2021, these costs included investment related to Project Ignite of $2.1 million, and $3.9 million respectively. 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.

4) Consists of non-recurring settlements impacting comparability. For the three months ended March 31, 2020, June 30, 2020, September 30, 2020, the costs include charges related to legal settlements outside the ordinary course of business, of $0.1 million in each period, primarily related to the 2019 settlement with the Consumer Financial Protection Bureau (“CFPB”). For the three months ended December 31, 2020 the costs include a $2.3 million settlement related to sales tax and $0.4 million of charges related to legal settlements outside the ordinary course of business. For the three months ended December 31, 2021, costs include a $0.5 million settlement related to sales tax.

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 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. For the three months ended March 31, 2020 charges there was a loss on translation of foreign exchange of $1.6 million. For the three months ended June 30, 2020 charges include $1.3M related to a local government mandate in India and $0.1 million for the impairment of capitalized software. These were offset by a gain on translation of foreign exchange of $1.3 million and an insurance reimbursement of $0.7 million related to duplicate fulfillment charges incurred in 2019. For the three months ended September 30, 2020 there was a $0.4 million gain on translation of foreign exchange. For the three months ended December 31, 2020 there was a $0.2 million gain on translation of foreign exchange and $0.6 million charge for impairment of capitalized software. For the three months ended March 30, 2021 there was a $0.5 million loss on translation of foreign exchange. 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 gain 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.

Appendix – Non-GAAP to GAAP Reconciliation

Adjusted Net Income and Adjusted EPS Reconciliation

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2021
(in thousands, except per share amounts)				
Net (loss) income	$ (1,060)	$ 2,704	$ (52,293)	$ (18,527)
Income tax benefit	(12,280)	(2,381)	(11,562)	(10,461)
(Loss) income before income taxes	(13,340)	323	(63,855)	(28,988)
Amortization of acquired intangible assets	15,056	13,545	60,346	52,777
Stock-based compensation	1,708	5,344	3,465	32,580
Transaction expenses(1)	1,406	4,292	3,029	43,046
Restructuring(2)	1,768	655	8,838	4,915
Technology Transformation(3)	2,872	3,950	10,920	13,088
Settlements impacting comparability(4)	2,662	468	2,922	468
(Gain) loss on interest rate swaps(5)	(153)	(168)	9,451	31
Other(6)	383	298	918	1,123
Adjusted Net Income before income tax effect	12,362	28,707	36,034	119,040
Income tax effect(7)	3,214	6,123	9,369	26,808
Adjusted Net Income	$ 9,148	$ 22,584	$ 26,665	$ 92,232
Net (loss) income per share-diluted	$ (0.01)	$ 0.03	$ (0.59)	$ (0.21)
Adjusted Earnings Per Share-basic	0.10	0.24	0.30	1.02
Adjusted Earnings Per Share-diluted	0.10	0.23	0.30	0.97

(in thousands, except share and per share amounts)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2021
Net (loss) income	$ (1,060)	$ 2,704	$ (52,293)	$ (18,527)
Undistributed losses (income) allocated to stockholders	$ (1,060)	$ 2,704	$ (52,293)	$ (18,527)
Weighted average number of shares outstanding–basic	88,554,962	93,963,227	88,345,312	90,218,386
Weighted average number of shares outstanding–diluted	88,554,962	99,690,693	88,345,312	90,218,386
Net (loss) income per share–basic	$ (0.01)	$ 0.03	$ (0.59)	$ (0.21)
Net (loss) income per share–diluted	(0.01)	0.03	(0.59)	(0.21)
Adjusted Net Income	$ 9,148	$ 22,584	$ 26,665	$ 92,232
Less: Undistributed amounts allocated to participating securities	13	—	9	—
Undistributed adjusted earnings allocated to stockholders	$ 9,135	$ 22,584	$ 26,656	$ 92,232
Weighted average number of shares outstanding–basic	88,554,962	93,963,227	88,345,312	90,218,386
Weighted average number of shares outstanding–diluted	88,637,301	99,690,693	88,419,588	95,082,550
Adjusted earnings per share- basic	$ 0.10	$ 0.24	$ 0.30	$ 1.02
Adjusted earnings per share- diluted	0.10	0.23	0.30	0.97

Appendix – Non-GAAP to GAAP Reconciliation

Adjusted Net Income and Adjusted EPS Reconciliation cont'd

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2021	2020	2021
Net (loss) income per share– diluted	$ (0.01)	$ 0.03	$ (0.59)	$ (0.21)
Adjusted Net Income adjustments per share				
Income tax benefit	(0.14)	(0.02)	(0.13)	(0.11)
Amortization of acquired intangible assets	0.17	0.14	0.68	0.56
Stock-based compensation	0.02	0.05	0.04	0.34
Transaction expenses(1)	0.02	0.04	0.03	0.46
Restructuring(2)	0.02	0.01	0.10	0.05
Technology Transformation(3)	0.03	0.04	0.12	0.14
Settlements impacting comparability(4)	0.03	—	0.03	0.01
(Gain) loss on interest rate swaps(5)	—	—	0.11	—
Other(6)	—	—	0.01	0.01
Income tax effect(7)	(0.04)	(0.06)	(0.10)	(0.28)
Adjusted earnings per share- diluted	$ 0.10	$ 0.23	$ 0.30	$ 0.97
Weighted average number of shares outstanding used in computation of Adjusted Diluted Earnings Per Share:				
Weighted average number of shares outstanding – diluted (GAAP)	88,554,962	99,690,693	88,345,312	90,218,386
Options not included in weighted average number of shares outstanding– diluted (GAAP) (using treasury stock method)	82,339	—	74,276	4,864,164
	88,637,301	99,690,693	88,419,588	95,082,550

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(1) Consists of transaction expenses related to mergers and acquisitions, associated earn-outs, investor management fees, and costs related to the IPO.

(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. 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. Project Ignite is expected to be completed by the fourth quarter of 2022.

(4) Consists of non-recurring settlements impacting comparability.

(5) Consists of (gain) loss on interest rate swaps. See Form 10-K “Part II. Item 7A. Quantitative and Qualitative Disclosures about Market Risk— Interest Rate Risk” 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) Effective tax rates of 26%, 21%, and 23% have been used to compute Adjusted Net Income for the 2020 periods, the three months ended December 31, 2021, and the twelve months ended December 31, 2021, respectively. As of December 31, 2021, The Company has $80.7 million of US federal net operating loss carryforwards, $73.1 million that expire between 2026 and 2036 and $7.6 million that do not expire. The Company has a total of $5.4 million of deferred tax asset for US state net operating loss carryforwards certain of which have various expiration periods from 2022 to 2040 and certain of which do not expire. The Company has $2.8 million of deferred tax asset for foreign net operating loss carryforwards that do not expire. The amount of actual cash taxes the Company pays for federal, state, and foreign income taxes differs significantly from the effective income tax rate computed in accordance with GAAP, and from the normalized rate shown above.

For further detail, see footnotes of Form 10-K in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Appendix – Non-GAAP to GAAP Reconciliation

Adjusted Free Cash Flow

(in thousands)	Year Ended December 31, 2020	Year Ended December 31, 2021
Net Cash provided by Operating Activities	$ 36,185	$ 68,605
Total IPO adjustments (1)	—	34,777
Purchases of intangible assets and capitalized software	(14,185)	(15,860)
Purchases of property and equipment	(2,317)	(3,234)
Adjusted Free Cash Flow	$ 19,683	$ 84,288

(1) Includes one-time, cash, non-operating charges related to the IPO. Costs included are $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 Fourth Amended and Restated Management Services Agreement, and $10.5 million related primarily to professional fees and other expenses.

Appendix – 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 and year ended December 31, 2021.

	Three Months Ended December 31, 2021	Year Ended December 31, 2021
Reported revenue growth	35.1 %	41.4 %
Impact from M&A activity (1)	2.3 %	0.7 %
Impact from foreign currency exchange (2)	0.5 %	1.7 %
Organic constant currency revenue growth	32.3 %	39.0 %

(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