Sterling

Q3 2021 Earnings

NOVEMBER 10, 2021

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 statement's 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 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 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" 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" 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
Q3 2021 Highlights

Sterling

Sterling's Initial Public Offering

TICKER/EXCHANGE	STER/Nasdaq
IPO DATE	September 23, 2021
OFFERING SIZE (% of STER Sold)	16.4M shares (16.6% diluted)
OFFERING PRICE	$23
Market Cap[1]	$2.6B

1. At close of first day of trading.

Sterling

Sterling At A Glance

World-class global provider of background and identity services, powered by robust cloud platform and differentiated by both deep market knowledge and exceptional client service

Market Leader with Breadth and Scale

240	Countries and territories[1]
~$595M+	Revenue[2]
27.3%	Adjusted EBITDA margin[2,3]
19%	of revenue generated outside the U.S.[2]
89M+	Screens[2]

Attractive Client Dynamics

47,000+	Clients[1]
50+%	Of the Fortune 100 **45+%** of Fortune 500[1]
96%	Gross retention rate[2]
9 Years	Average tenure for top 100 clients[2]

Proprietary & Cloud-Based Technology Platform

95%+	Of revenue in the cloud, 99.9% availability[1]
75+	Platform integrations 50%+ of revenue is integrated[1]
3,300	Automation integrations, including APIs and RPA bots[1]
90%	Of U.S. criminal screens completed within the first day and **70%** within the first hour[1]

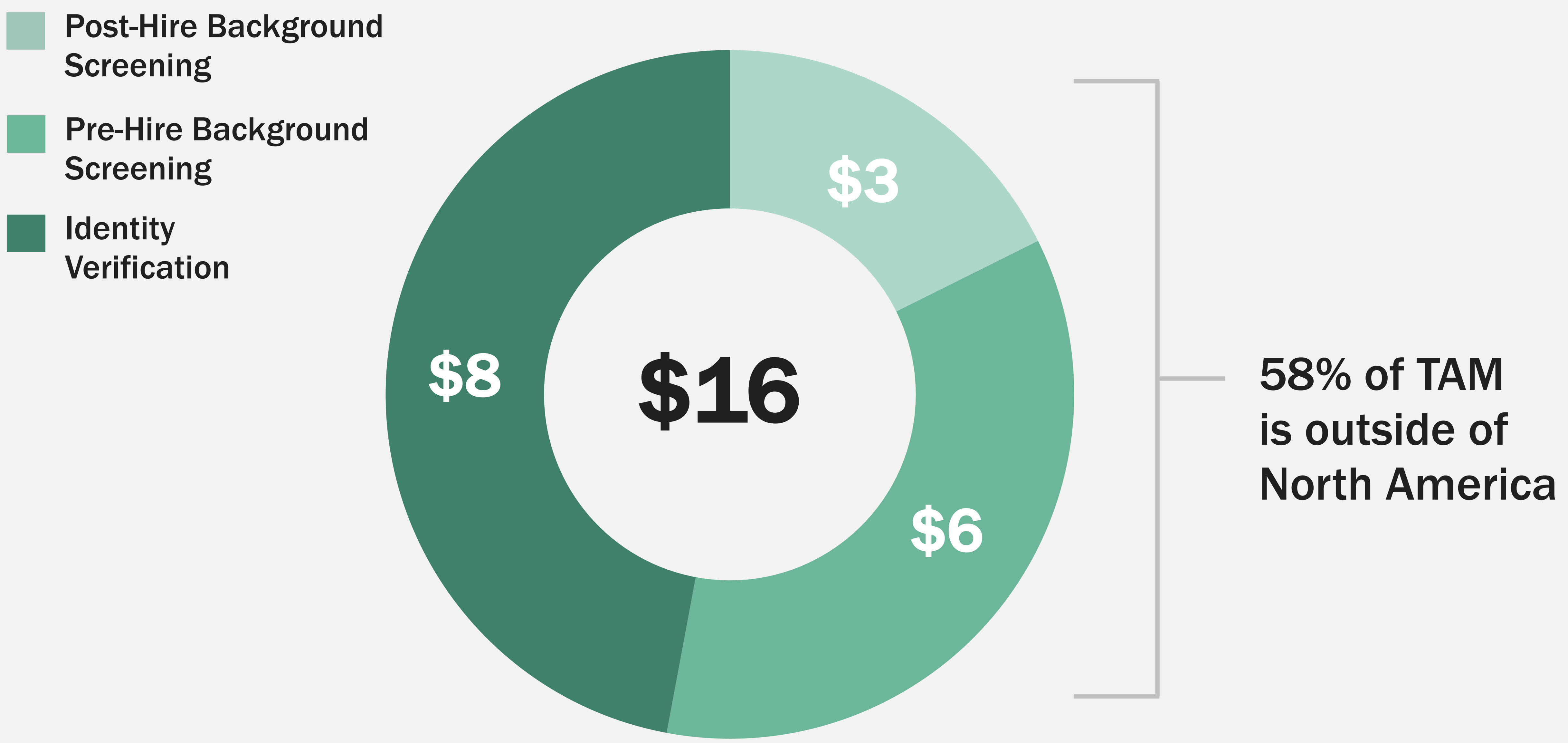
[1] As of September 30, 2021
[2] For the last twelve months ending September 30, 2021
[3] See appendix for a reconciliation of non-GAAP measures.

Sterling

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

Our Competitive Advantages Set Us Apart

Global Reach and Delivery Model

Cloud-based Tech and Product

Fulfillment Automation at Scale

Identity Verification

Q3 2021 Highlights

- Successful IPO on the Nasdaq Global Select Market
- Organic constant currency revenue growth in all regions and verticals
- Strong order volumes as we continued to benefit from the positive industry trends and ongoing execution of our strategy
- Further improvements in client retention – expanding retention to 96% on a trailing twelve-month basis[1]
- Expansion of Identify Verification offering through exclusive partnership with FINRA

1. As of September 30, 2021

Peter Walker,
Chief Financial Officer

Q3 2021 Financial Review
Capital Allocation Strategy
FY21 Outlook

Sterling

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” nature of service drives significant revenue visibility
- Entrenched, long-tenured clients provide a strong repeat revenue base
- 96% gross retention rate for LTM September 2021

Diversified Client Base and Low Client Concentration

- 47,000+ 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

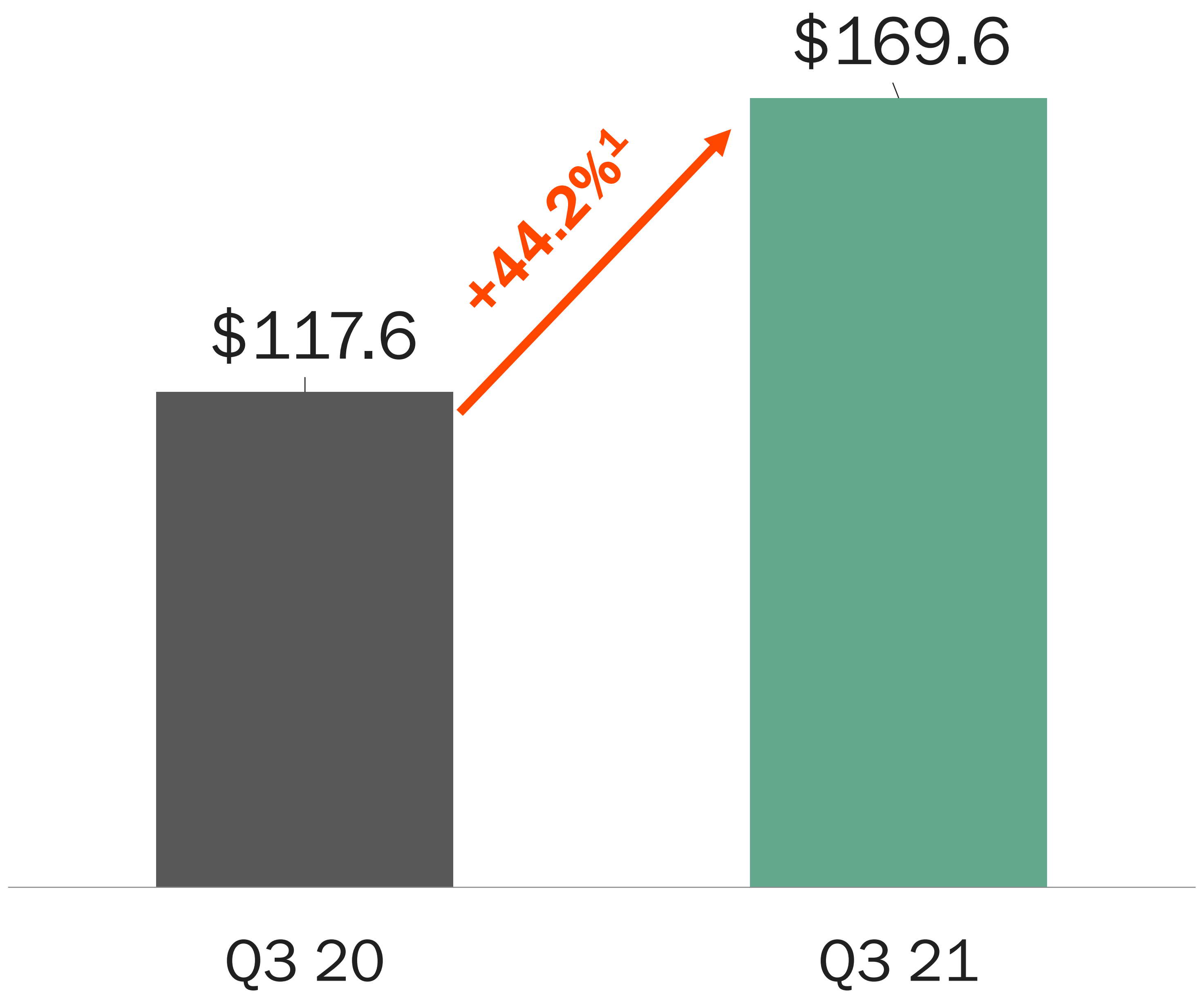
- Highly scalable cloud-based technology platform
- High incremental contribution margins
- Minimal capital requirements
- Favorable working capital dynamics

[1] As of September 30, 2021.

Q3 2021 Financial Highlights

Revenue

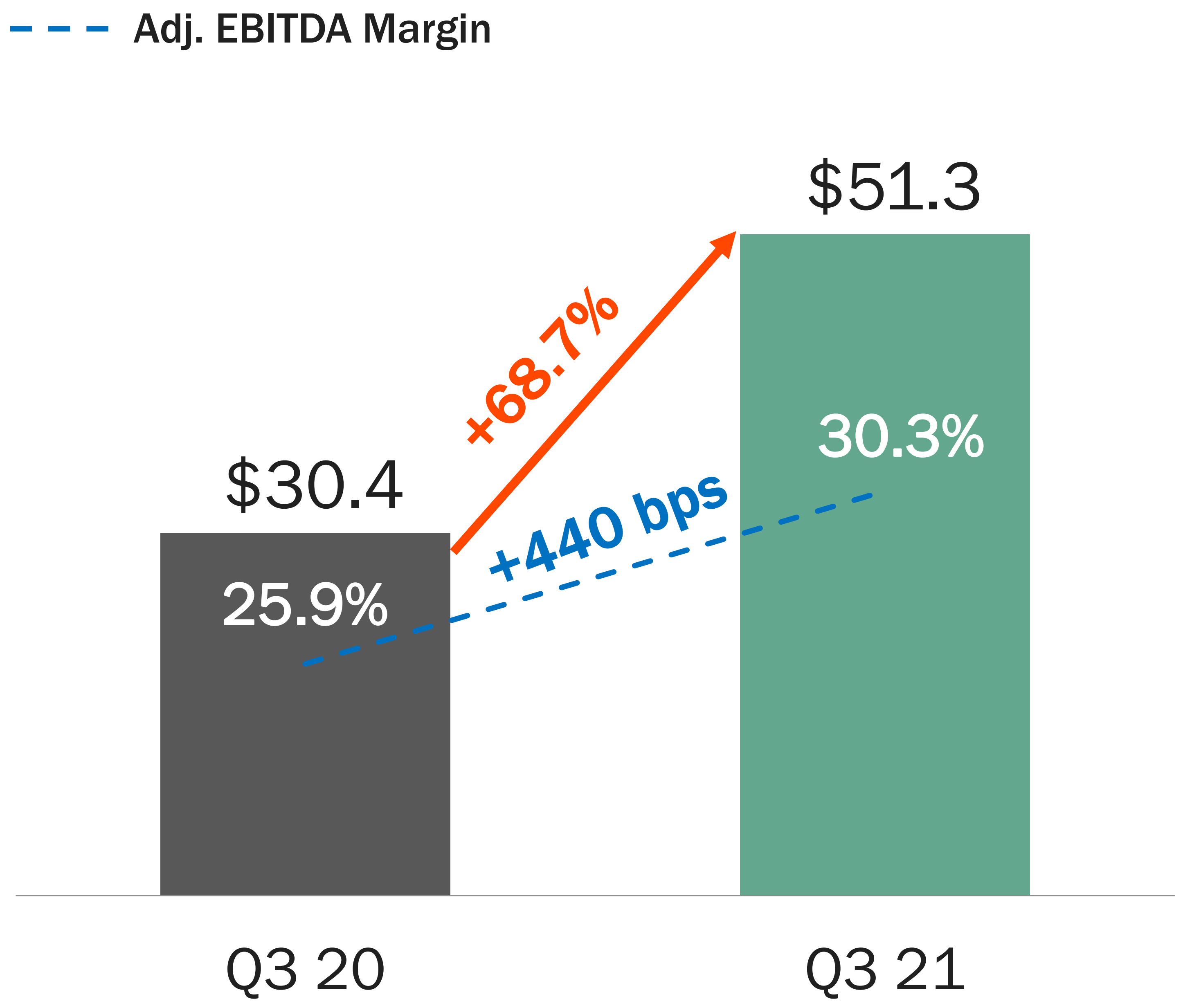
Chart in $ millions



+43.2% organic constant currency revenue growth[2] driven by robust improvement in base growth, new client wins, and client retention

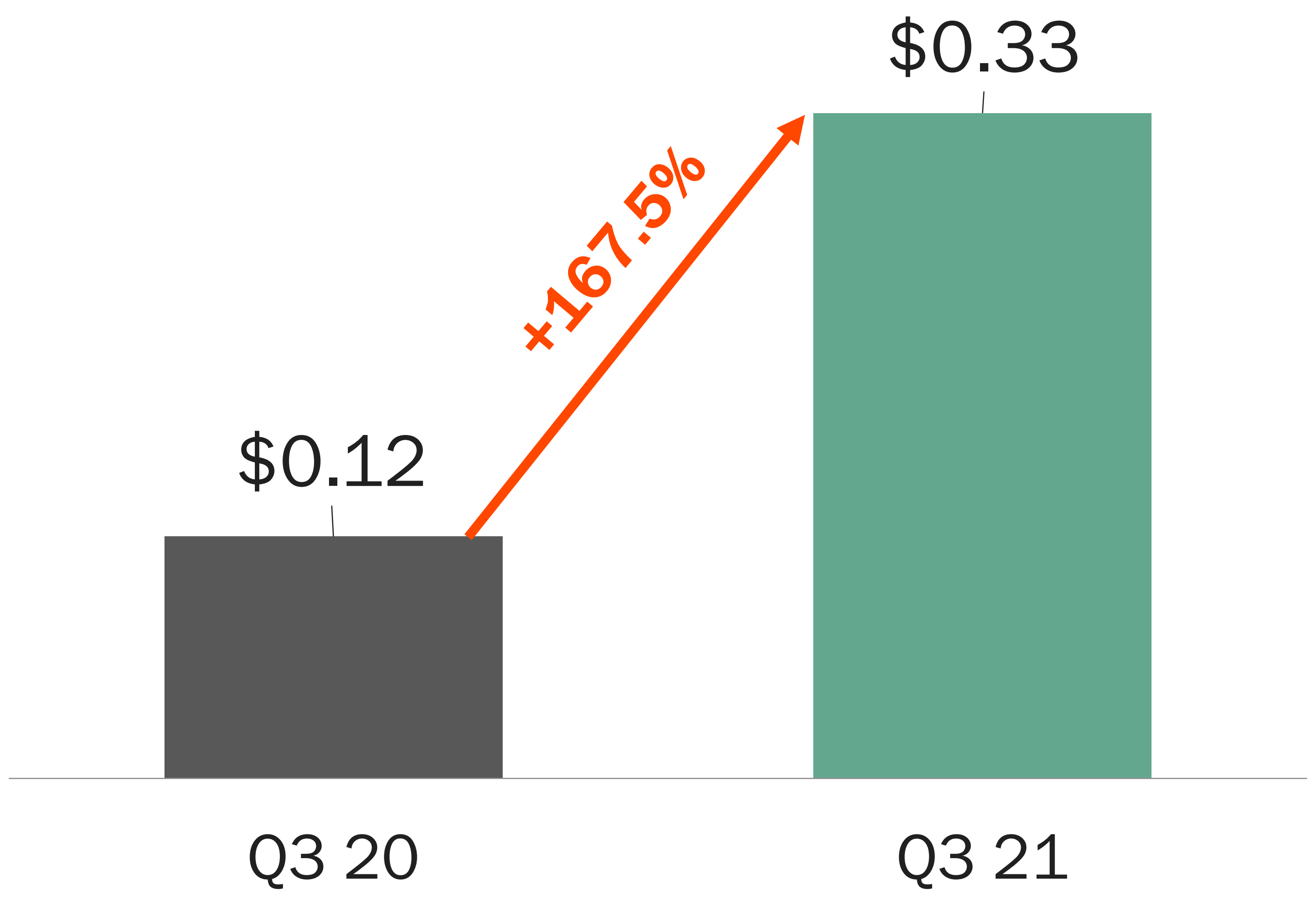
Adjusted EBITDA and Margin[2]

Chart in $ millions



440bps of margin expansion driven by strong revenue growth, operating leverage, and cost controls

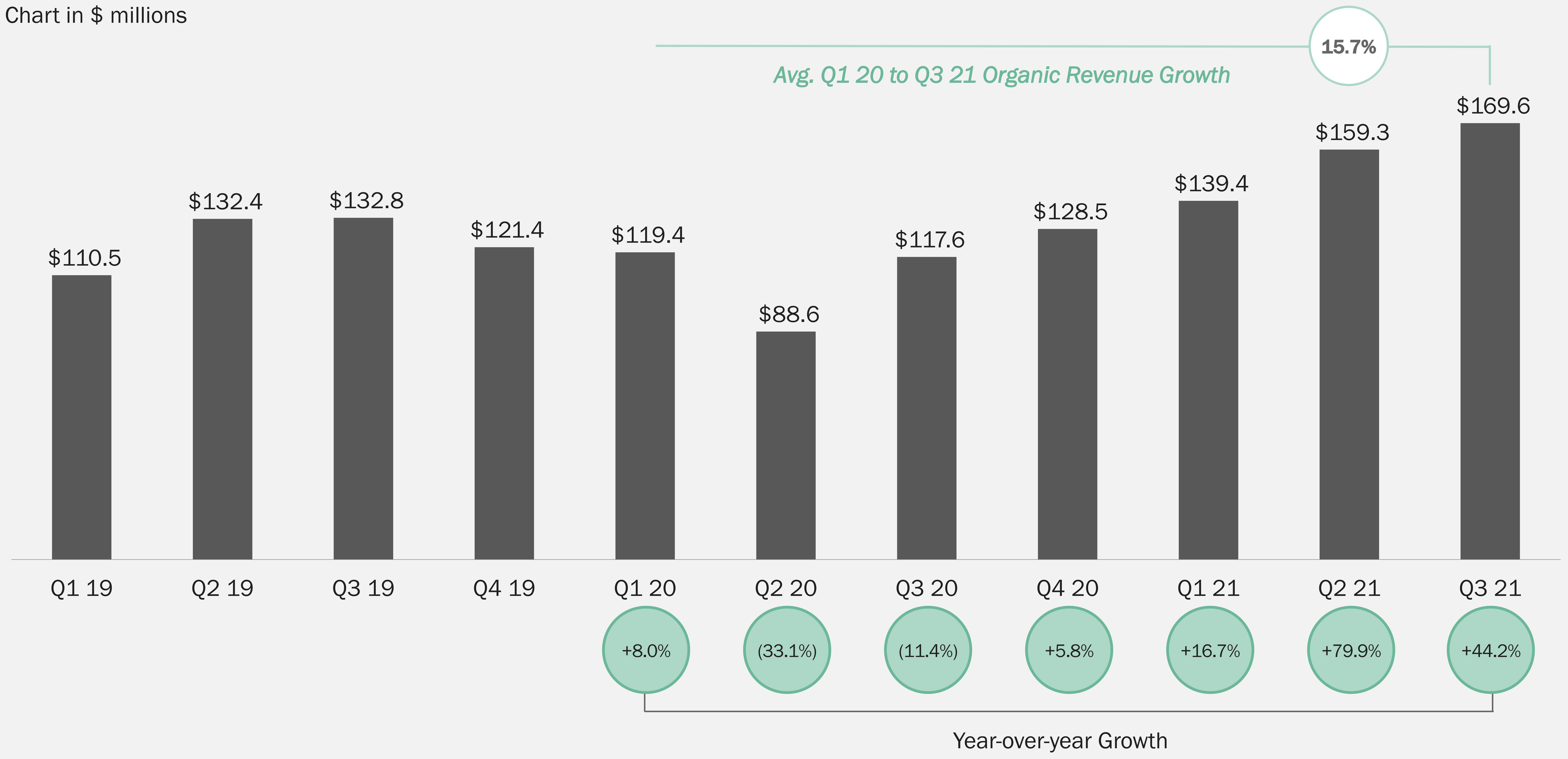
Adjusted Diluted Earnings Per Share[2]



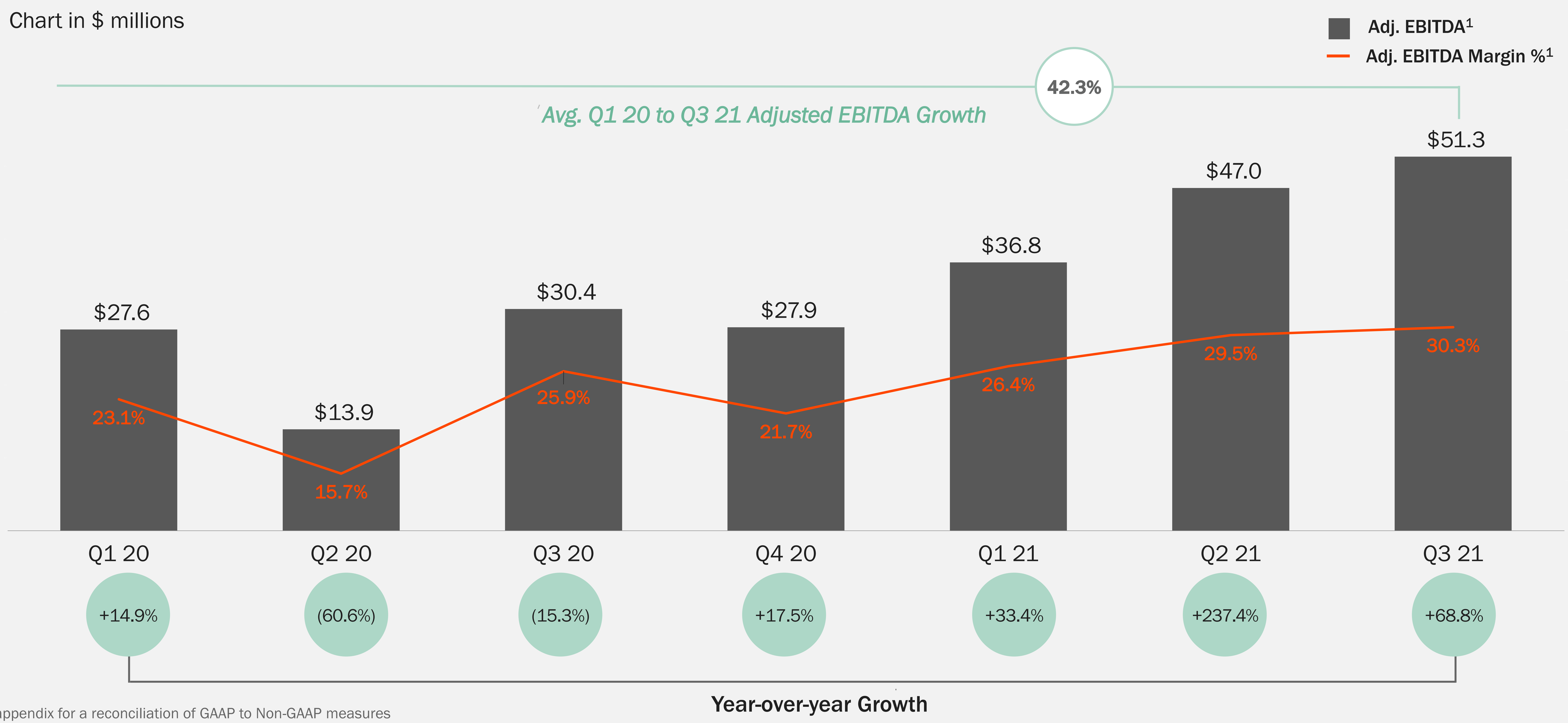
+167.5% EPS growth driven by strong revenue growth, improved operating leverage, and slight improvements in D&A and interest expense

1. Includes +43.2% organic constant currency revenue growth and +1.0% growth due to the impact of fluctuations in foreign exchange currency rates.
2. See appendix for a reconciliation of GAAP to Non-GAAP measures

Strong Historical Revenue Performance



Track Record of Adjusted EBITDA Growth



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

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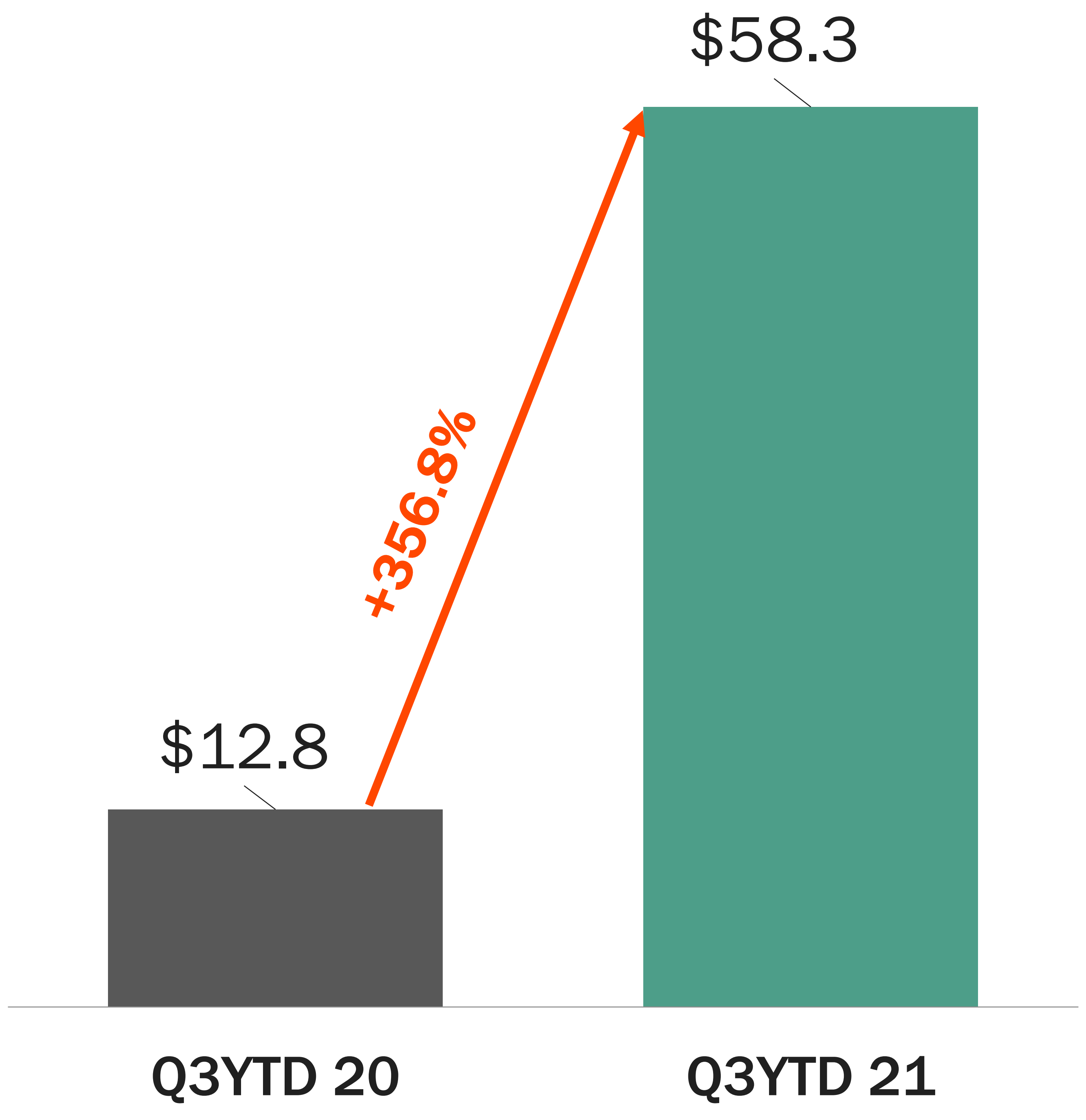
Cash Flow, Balance Sheet and Capital Expenditures

Adjusted Free Cash Flow [1,2]

Chart in $ millions



Net Leverage

Total Debt	$612.0M[3]
Cash & Cash Equivalents	$192.4M
LTM Adjusted EBITDA[2]	$163.0M
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
3. Does not give effect to the $100 million debt pay down on November 1, 2021.

Capital Allocation Strategy

Invest In Organic Growth

Pursue Strategic M&A

Target Leverage Ratio 2x – 3x

Full Year Fiscal 2021 Guidance[1]

	FULL YEAR 2021	YEAR-OVER-YEAR GROWTH
Revenue	$617M to $622M	36% to 37%[3]
Adjusted EBITDA[2]	$171M to $175M	71% to 75%

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. See appendix for a reconciliation of GAAP to Non-GAAP measures
3. Includes a benefit of 1%-1.5% from fluctuation in foreign currency and no contribution from M&A

Josh Peirez,
Chief Executive Officer

Compelling Growth Opportunities
Long-term Growth Targets

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Compelling Growth Opportunities

Expand existing client relationships

- Upsell additional products and divisions
- Increase retention
- Unify client experience

Win new clients

- Large and highly fragmented market
- New business momentum
- Winning formula

New product launches and adjacent market penetration

- Vertical-specific products
- Identity-as-a-Service
- Post-hire monitoring
- Adjacent market opportunities

Pursue further geographic expansion

- International represents growing share of total revenue
- Growth opportunities across international

Pursue strategic M&A

- Successful track record in M&A (10 acquisitions within past 10 years)
- Focused on:
  - Small U.S. tuck-ins
  - Increased scale in existing International markets
  - New geographic markets
- Targeting highly synergistic, quickly accretive deals

Long-term Targets

Three To Five Year Targets[1]

9% – 11%

ANNUAL ORGANIC CONSTANT CURRENCY REVENUE GROWTH[2]

29% – 32%+

ADJUSTED EBITDA MARGIN[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. See appendix for a reconciliation of GAAP to Non-GAAP measures

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 third quarter of 2021, We have adjusted Free Cash Flow for one-time, cash, non-operating charges related to the completed IPO. 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, 23% for the nine months ended September 30, 2021, and 13% for the three months ended, September 30, 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 and nine months ended September 30, 2021 or in the three and nine months ended September 30, 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.

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
Net income (loss)	$ (15,900)	$ (24,947)	$ (10,385)	$ (1,060)	$ 628	$ 3,398	$ (25,256)
Provision for (benefit from) income taxes	(3,556)	(1,453)	5,727	(12,280)	526	4,026	(12,633)
Interest expense, net	9,056	8,237	7,817	7,837	7,570	7,603	7,668
Depreciation & amortization	22,935	22,643	22,863	22,758	20,549	20,299	20,346
Stock-based compensation	545	641	570	1,708	898	756	25,582
Transaction costs (1)	538	546	539	1,406	1,089	6,169	31,513
Restructuring (2)	526	5,484	1,060	1,768	3,035	574	634
Technology Transformation (3)	3,009	2,458	2,581	2,872	2,059	3,942	3,137
Settlements impacting comparability (4)	97	43	120	2,662	-	-	-
Loss/Gain on interest Swap (5)	8,755	899	(49)	(153)	(46)	133	112
Other (6)	1,584	(611)	(439)	383	496	134	196
Adjusted EBITDA	**27,590**	**13,940**	**30,404**	**27,901**	**36,803**	**47,034**	**51,300**

	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
Net loss	$ (15,900)	$ (24,947)	$ (10,385)	$ (1,060)	$ 628	$ 3,398	$ (25,256)
Adjusted EBITDA	27,590	13,940	30,404	27,901	36,803	47,034	51,300
Revenues	119,376	88,571	117,602	128,503	139,370	159,328	169,557
Net loss margin	-13.3%	-28.2%	-8.8%	-0.8%	0.5%	2.1%	-14.9%
Adjusted EBITDA margin	23.1%	15.7%	25.9%	21.7%	26.4%	29.5%	30.3%

(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 September 30, 2020, the costs consisted primarily of $0.5 million of investor management fees. For the three months ended September 30, 2021, costs consisted primarily of IPO related expenses of $30.5 million, including $16.8 million of contractual compensation payments to former executives (of which,$15.6 million was funded by a stockholder), $7.5 million in final settlement of investor management fees, and $6.2 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, and $0.3 million of investor management fees in connection with the Fourth Amended and Restated Management Services Agreement, associated with the terms prior to the final settlement. For the nine months ended September 30, 2020, the costs consisted primarily of $1.5 million of investor management fees. For the nine months ended September 30, 2021, the costs consisted primarily of IPO related expenses of $35.9 million, including $16.8 million of contractual compensation payments to former executives (of which, $15.6 million was funded by a stockholder), $7.5 million of investor management fees, including the final settlement of fees in connection with the Fourth Amended and Restated Management Services Agreement, and $11.6 million of professional fees and related expenses. The period also included $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 Fourth Amended and Restated Management Services Agreement, associated with the terms prior to the final settlement.

(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 these costs include $0.5 million of restructuring-related severance and executive recruiting charges. Additionally, for the three months ended March 31, 2021, June 30, 2021, and September 30, 2021, costs include charges related to our real estate consolidation program, primarily due to the write-off on disposal of fixed assets for our exited facility in Bellevue, Washington of $2.5 million, $0.6 million, and $0.6 million respectively.

(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, 2021, investment related to Project Ignite was $3.1 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.

5) Consists of (gain) loss on interest rate swaps. See "Part I. Item 3. Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Risk" of our Quarterly Report on Form 10-Q for the period ended September 30, 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.

Appendix – Non-GAAP to GAAP Reconciliation

Adjusted Net Income and Adjusted EPS Reconciliation

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
Net (loss) income	$(10,386)	$(25,256)	$(51,233)	$(21,231)
Income tax (benefit) expense	5,727	(12,633)	718	(8,080)
(Loss) income before income taxes	(4,659)	(37,889)	(50,515)	(29,311)
Amortization of acquired intangible assets	15,119	12,962	45,289	39,232
Stock-based compensation	570	25,582	1,756	27,236
Transaction expenses(1)	539	31,513	1,624	38,771
Restructuring(2)	1,060	634	7,070	4,194
Technology Transformation(3)	2,581	3,137	8,048	9,138
Settlements impacting comparability(4)	120	—	260	—
Other(6)	(439)	196	535	826
Adjusted Net Income before income tax effect	14,842	36,248	23,671	90,333
Income tax effect(7)	3,859	4,672	6,154	20,686
Adjusted Net Income	10,983	31,575	17,517	69,646
Net Loss per share-diluted	(0.12)	(0.28)	(0.58)	(0.24)
Adjusted Earnings Per Share-basic	0.12	0.35	0.20	0.78
Adjusted Earnings Per Share-diluted	0.12	0.33	0.20	0.74

(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
Net income (loss)	$ (10,386)	$ (25,256)	$ (51,233)	$ (21,231)
Less: Undistributed amounts allocated to participating securities	—	—	—	—
Undistributed (losses) earnings allocated to stockholders	$ (10,386)	$ (25,256)	$(51,233)	$ (21,231)
Weighted average number of shares outstanding – diluted	88,332,134	89,431,022	88,325,838	88,956,388
Net income (loss) per share – basic	(0.12)	(0.28)	(0.58)	(0.24)
Net income (loss) per share – diluted	(0.12)	(0.28)	(0.58)	(0.24)
Adjusted Net Income	$ 10,983	$ 31,575	$ 17,517	$ 69,646
Less: Undistributed amounts allocated to participating securities	—	—	—	—
Undistributed (losses) earnings allocated to stockholders	$ 10,983	$ 31,575	$ 17,517	$ 69,646
Weighted average number of shares outstanding – basic	88,332,134	89,431,022	88,325,838	88,956,388
Weighted average number of shares outstanding – diluted	88,410,918	95,008, 310	88,377,154	93,532,785
Adjusted earnings per share—basic	0.12	0.35	0.20	0.78
Adjusted earnings per share—diluted	0.12	0.33	0.20	0.74

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2021	2020	2021
Net income (loss) per share – diluted	$(0.12)	$(0.28)	$(0.58)	$(0.24)
Adjusted Net Income adjustments per share				
Income tax (benefit) expense	0.06	(0.12)	0.01	(0.08)
Amortization of acquired intangible assets	0.17	0.14	0.51	0.42
Stock-based compensation	0.01	0.27	0.02	0.29
Transaction expenses(1)	0.01	0.33	0.02	0.41
Restructuring(2)	0.01	0.01	0.08	0.05
Technology Transformation(3)	0.03	0.03	0.09	0.10
Settlements impacting comparability(4)	0.00	—	0.00	—
Loss/Gain on interest Swap(5)	(0.00)	0.00	0.11	0.00
Other(6)	(0.00)	0.00	0.01	0.01
Income tax effect(7)	(0.04)	(0.05)	(0.07)	(0.22)
Adjusted earnings per share—diluted	$ 0.12	$ 0.33	$ 0.20	$ 0.74
Weighted average number of shares outstanding used in computation of Adjusted Diluted Earnings Per Share:				
Weighted average number of shares outstanding – diluted (GAAP)	88,332,134	89,431,022	88,325,838	88,956,388
Options not included in weighted average number of shares outstanding – diluted (GAAP) (using treasury stock method)	78,784	5,577,288	51,316	4,576,397
Weighted average number of shares outstanding – diluted (non-GAAP) (using treasury stock method)	88,410,918	95,008,310	88,377,154	93,532,785

(1) Consists of transaction expenses related to mergers and acquisitions, associated earn-outs, investor management fees, and costs related to preparation of 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. We expect this real estate consolidation effort to be completed by the end of 2021.

(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 10Q "—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%, 13%, and 23% have been used to compute Adjusted Net Income for the 2020 periods, the three months ended September 30, 2021, and the nine months ended September 30, 2021. As of December 31, 2020, the Company had net operating loss carryforwards of approximately $120.6 million for federal, state, and foreign income tax purposes available to reduce future income subject to income taxes. 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 10Q 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)	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2021
Net Cash provided by Operating Activities	$ 25,853	$ 38,926
Total IPO adjustments (1)	—	34,003
Purchases of intangible assets and capitalized software	(11,250)	(11,987)
Purchases of property and equipment	(1,835)	(2,619)
Adjusted Free Cash Flow	$ 12,768	$ 58,323

(1) Includes one-time, cash, non-operating charges related to the completed IPO. Costs included are $16.8 million of contractual compensation payments to former executives, of which, $15.6 million was funded by a stockholder, $9.3 million final settlement of investor management fees ("investor management fees" in connection with the Fourth Amended and Restated Management Services Agreement, which were fully settled at the time of the IPO), and $7.9 million related primarily to professional fees and other expenses.

Appendix – Non-GAAP to GAAP Reconciliation

Organic constant currency revenue growth

The following table reconciles revenue growth, the most directly comparable GAAP measure, to organic constant currency revenue growth for the three and nine months ended September 30, 2020 and 2021.

	Three Months Ended September 30,	Nine Months Ended September 30,
	2021	2021
Reported revenue growth	44.2%	43.8%
Impact from M&A activity (1)	0.0%	0.0%
Impact from foreign currency exchange (2)	1.0%	2.2%
Organic constant currency revenue growth	43.2%	41.6%

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

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