Enfusion
Investor Presentation

March 2023

enfusion

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Disclaimer

Forward-Looking Statements

Statements we make in this presentation may include statements which are not historical facts and are considered forward-looking within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Securities Exchange Act of 1934 (Exchange Act), including expectations regarding future financial performance. These forward-looking statements are usually identified by the use of words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “seeks,” “should,” “could,” “will,” and variations of such words or similar expressions. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act and are making this statement for purposes of complying with those safe harbor provisions.

These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control, such as those set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 that was filed with the SEC on March 10, 2023 and our subsequent Quarterly Reports on Form 10-Q. We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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Today’s presenters

Oleg Movchan
CHIEF EXECUTIVE OFFICER

Brad Herring
CHIEF FINANCIAL OFFICER

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Company Overview

enfusion

Our mission

To help solve investment managers' evolving business and operational challenges through next generation technology

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Enfusion at a glance

SCALE

$165MM

Q4 2022 ARR

ORGANIC GROWTH

35% / 30%

2021-2022 Revenue growth /
4Q'22 YoY ARR growth

PREDICTABLE

99%

Subscription driven
recurring revenue [1]

CAPTIVE

115%

2022 Net dollar retention [2]

REACH

819 / 38%

Global clients [3] /
FY2022 international revenue %

MOMENTUM

174

New clients signed in 2022 [3]

EFFICIENT

70% / 13%

2022 adjusted gross margin [4] /
adjusted EBITDA margin [4]

PROFITABLE

$4MM / 53%

4Q'22 adjusted free cash flow [4] /
adjusted free cash flow conversion [4]

(1) Represents platform subscriptions and managed services revenue for 2022.
(2) Excludes involuntary cancellations.
(3) As of 31-Dec-2022.
(4) See appendix for definition and non-GAAP reconciliations.

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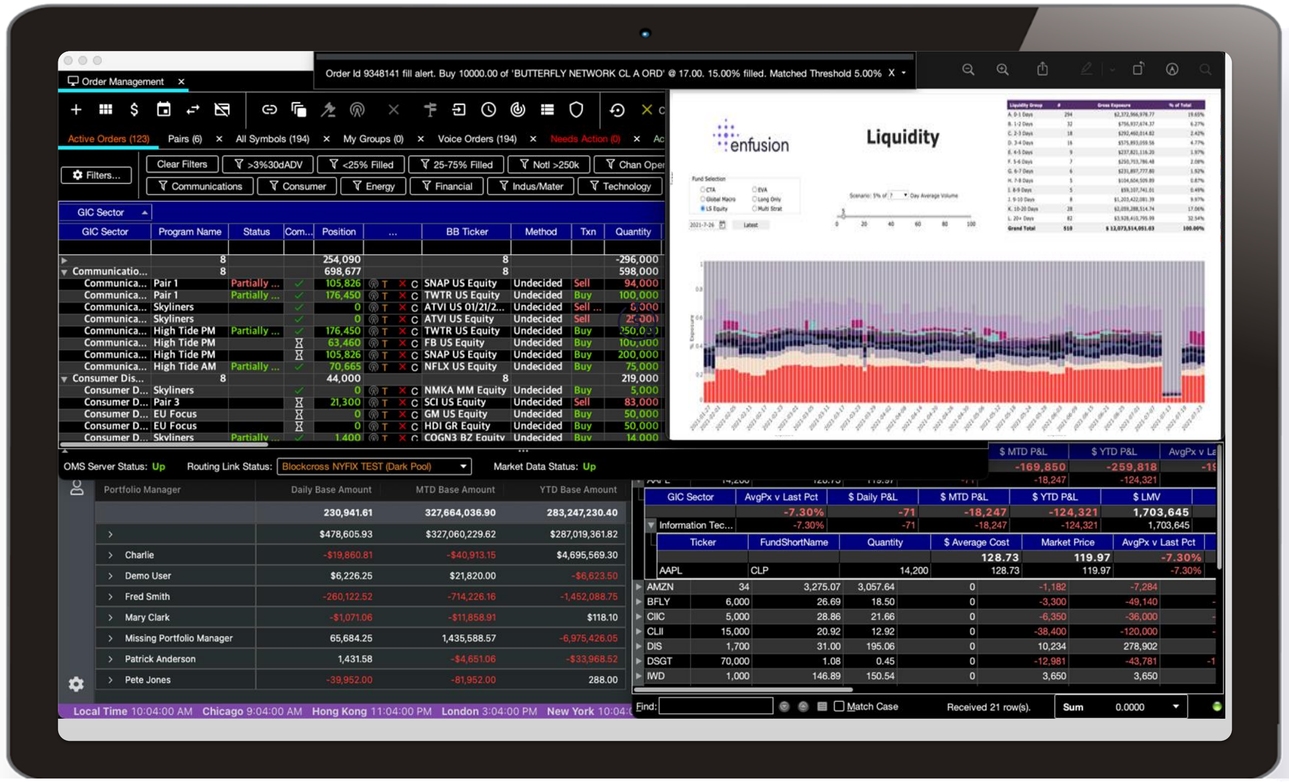
We simplify and unify the investment management lifecycle

We manage complex workflows…

- Fills
- Orders
- Reconciliations
- Allocated Trades
- Reporting
- Statements



…empowering teams to operate in concert

- CFO
- COO
- CIO
- Portfolio Manager
- Analysts
- Traders
- Compliance Officer
- Investor Relations
- Middle Office
- Back Office

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Serving clients across the investment management industry

Alternative Investment Managers

Hedge Funds	Private Equity
Private Credit	Family Offices

Institutional Investment Managers

Wealth Managers	Traditional Asset Managers
Mutual Funds	Sovereign Wealth Funds

Investment management industry is facing multiple, concurrent generational shifts

- Increasing Global Complexity
- Meaningful Industry Consolidation
- Increasing Regulatory and Investor Requirements
- Demand for Greater Cost Efficiency
- Demand for Remote Accessibility

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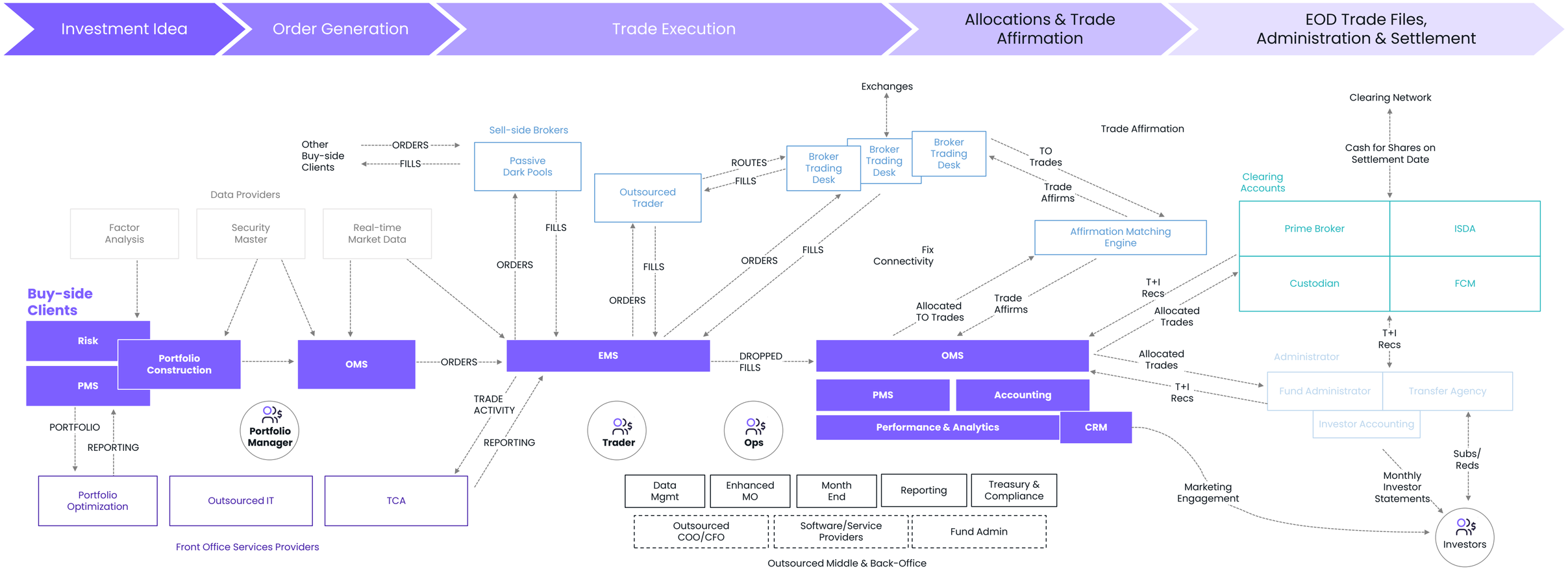
Complex workflows create extraordinary business and operational challenges for asset managers



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Enfusion is differentiated from legacy solutions that fall short of addressing industry needs

LEGACY SOLUTIONS

Cloud-migrated
Discrete code streams, retaining single-tenant infrastructure limitations

Patchwork of disparate systems
Only serve certain aspects of investment managers' workflows

Manual processes
Time and resource-intensive processes may delay valuable insights

Lack of connectivity
Manually-refreshed data and limitations for external data sources

Long delivery and upgrade cycles
Traditional development process prolongs time-to-market

Lack of internal controls
Disparate systems and manual processes leading to risk / governance issues

Local only
On-premise or desktop-only solutions reduce flexibility

VS

ENFUSION

Cloud-native
One code base, delivering changes to all clients simultaneously

One cohesive and flexible solution
Seamless unification and simplification of workflows

Real-time
Real-time access to insights that can be shared throughout the organization

Scalability and integrations
Client, third party and proprietary APIs drive scalability

Continuous enhancements
Weekly upgrades to address emerging client needs

Sophisticated risk controls
Granular, user-defined access controls promote prudent risk management

Anywhere access
Cloud-native solution enables desktop, web and mobile access

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Purpose-built end-to-end solution

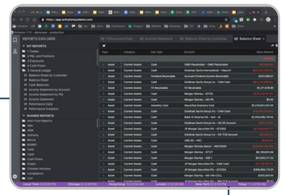
Mission critical systems integrated with a suite of technology-powered services

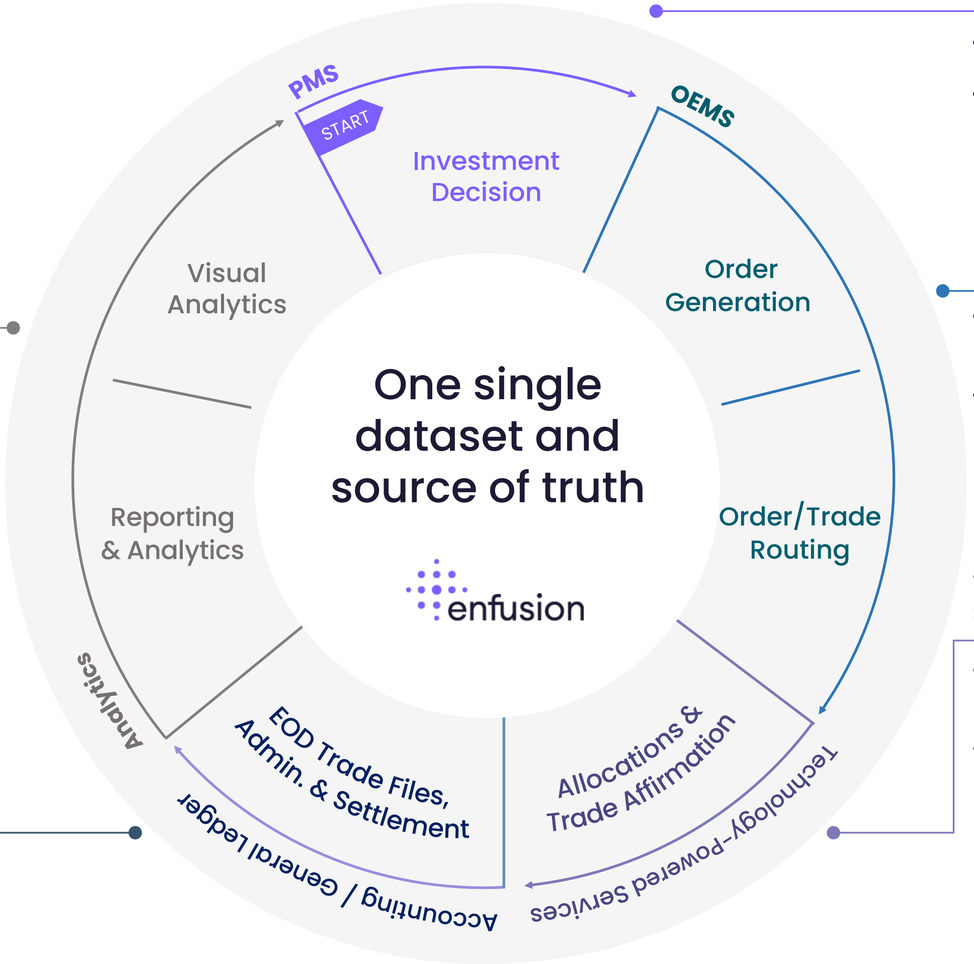
Analytics

- Connected in real-time with our PMS and OEMS
- Comprehensive client data insights to analyze portfolios through time horizons and automate customized visualized reports

Accounting / General Ledger

- Double-entry ledger that automates the posting of general ledger journal entries directly from PMS
- Complete, real-time Accounting Book of Record ("ABOR")





Portfolio Management System

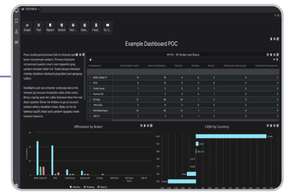
- Live details of portfolio positions
- Real-time Investment Book of Record ("IBOR")

Order Execution Management System

- Electronically communicate and manage trade orders
- Systemically enforce trading regulations and internal guidelines

Technology-Powered Services

- Expert teams empowered by technology
- Front-, middle- and back-office time consuming, administrative tasks



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Truly cloud native SaaS changes everything

Born in the cloud and purpose-built

- Stands up quickly, shrinking time to trade
- Scales easily, enabling agility and growth
- Evolves incrementally, delivering continuous enhancements with disruption
- Combines the power and reliability of an enterprise–grade solution with the speed and agility of the cloud

Continuous innovation

Weekly functional updates deliver regular enhancement without the expense or disruption of upgrades.

Secure, multi-tenant architecture

All client environments are wholly separate, secure, and distinct yet all users operate on the same software version.

Lower costs, less complexity

Cloud-native, multi-tenant SaaS architecture eliminates the need to manage and maintain on-premises technology.

Harmony at scale

Enfusion scales instantly and smoothly for firms of any size and volume in a way that conventional systems can't replicate.

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Providing one system.
One dataset.
One experience.

Enfusion Solution

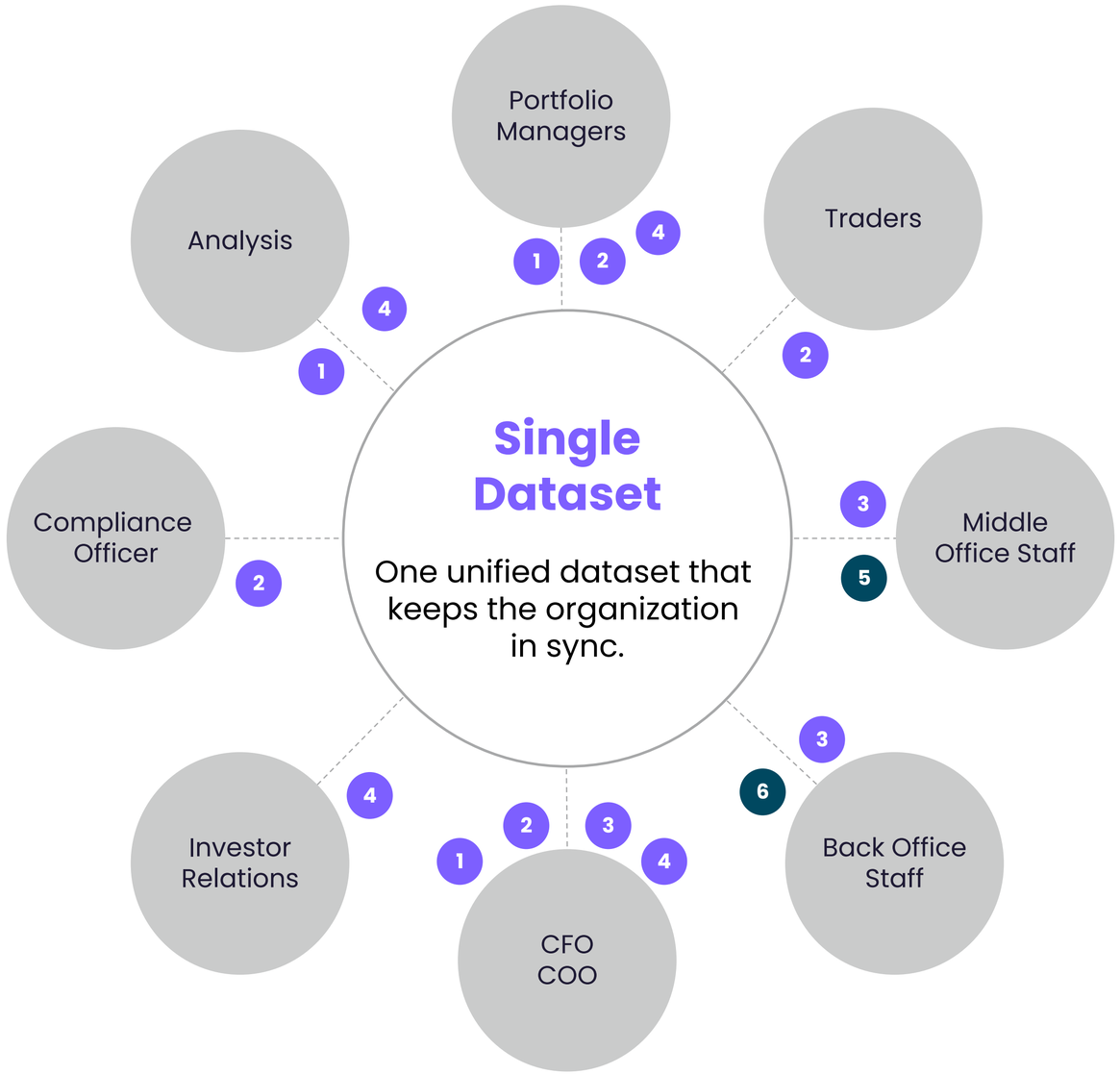
A cloud-native front-to-back office technology backbone

1. Enfusion Portfolio Management System
2. Enfusion Order Execution and Management System
3. Enfusion Accounting
4. Enfusion Analytics

Enfusion Technology-Powered Services

Full middle– and back-office outsourcing and performance insights

5. Middle–Office Services
6. Back–Office Services



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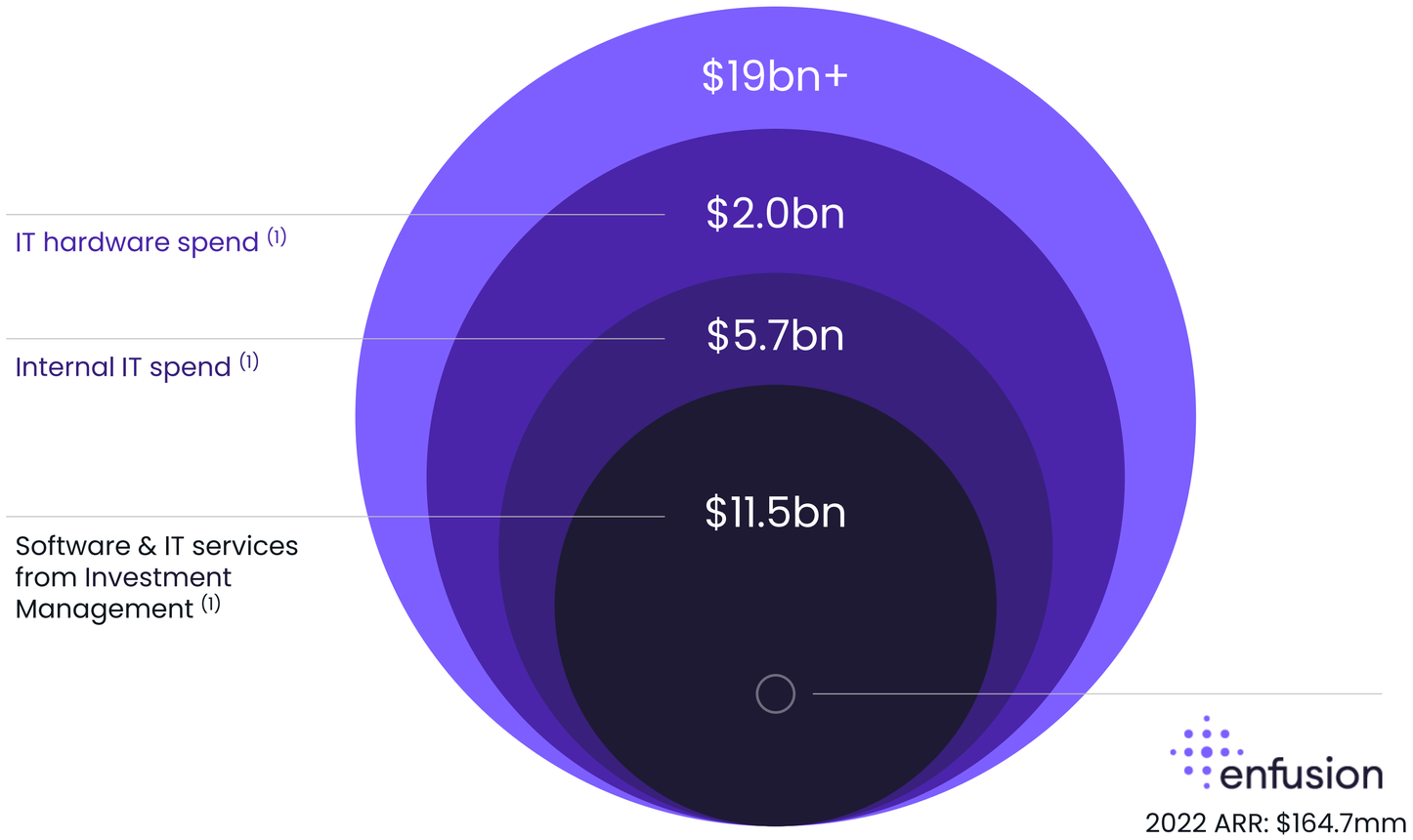
Addressing a large and growing market



Robust growth in underlying industry

40% total growth

in global AUM 2015-2020 (2)

8% annual growth

of alternatives AUM projected (2)

6% annual growth

of total AUM projected (2)

$145 trillion

in global AUM by 2025 (2)

(1) IDC's Worldwide Capital Markets IT Spending Guide (2023)
(2) PwC Asset and Wealth Management Revolution (2020)

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Why we win

- Client-centric approach
- One end-to-end solution, one single dataset and source of truth
- Rapid pace of delivery and evolution
- Open, flexible and tailored
- Cloud-native, multi-tenant SaaS
- Drive efficiencies and lower total cost of ownership

Differentiated ability to lead with a single solution – and then adjust to a client's growing complexity, scale with its size, evolve with its operational workflows, and continuously adapt to customer business dynamics

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Business Evolution and Long-Term Vision

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Our end state: the Enfusion Ecosystem

Comprehensive Solution

End-To-End
*From **software to services**; from **homegrown Enfusion** products to **third party offerings***

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Industry Magnet & Enhancer

Counterparty benefit** from exposure to our **cloud-native solution**, collectively serving the investment management industry **better, leaner and faster

Single Source of Truth

For the entire investment management ecosystem

- *CFOs and Accountants*
- *Compliance and Risk*
- *Traders*
- *Institutional Asset Managers*
- *COOs and Operations Leadership*
- *New Fund Launches*
- *Portfolio Managers*
- *CTOs and IT/System Administrators*
- *Family Offices*

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Business evolution

	Early Years		Today
Product	Portfolio Management System only	→	End-to-End
Customer Type	Hedge Funds	→	Alternative Investment Managers and Institutional Investment Managers
Customer Acquisition	New Launches	→	New Launches and Conversions
Investment Strategy	Public Equities	→	Multiple Traditional and Alternative Strategies
Geography	Americas	→	Americas, EMEA, APAC

Progress to Date

1,900+
Enhancements and New Features Deployed in 2022

174
New Clients Signed in 2022

38%
International Revenue in 2022

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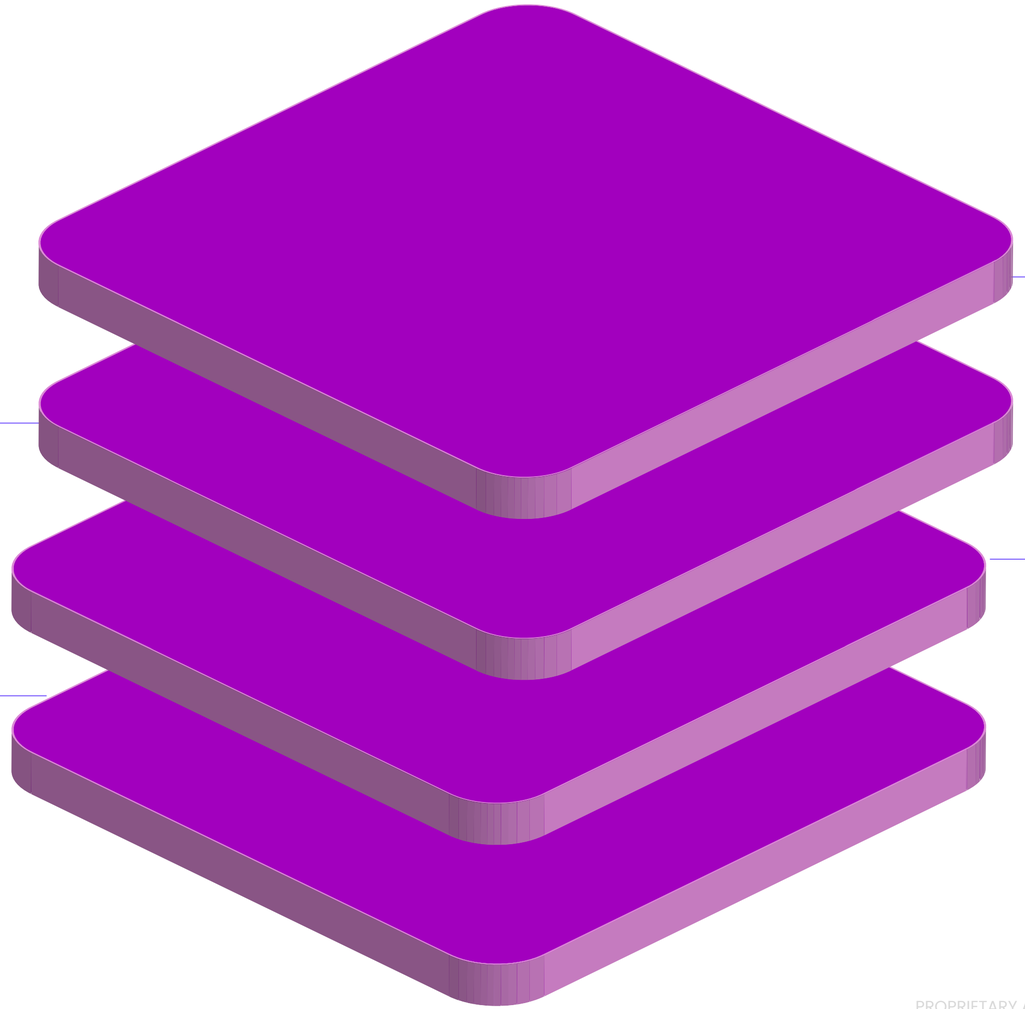
Our foundation has been consistent…



Attractive Combination of Growth and Profitability

Relentless Focus on Client Success

Ability to Rapidly Scale

Focused and Aligned Team

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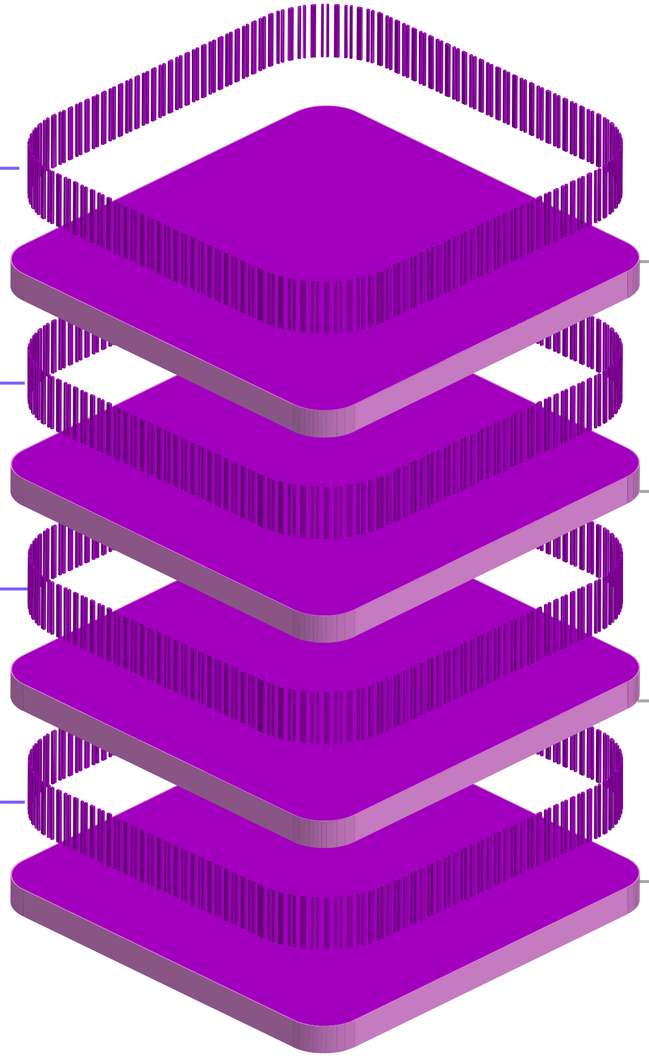
…And we are investing for future growth

Near-term investment to deliver longer-term success

Enhanced client success model to serve broadening client base

Broad capabilities across technology, product, and BI

Management team with diverse experience inside and outside Enfusion



Attractive Combination of Growth and Profitability

Relentless Focus on Client Success

Ability to Rapidly Scale

Focused and Aligned Team

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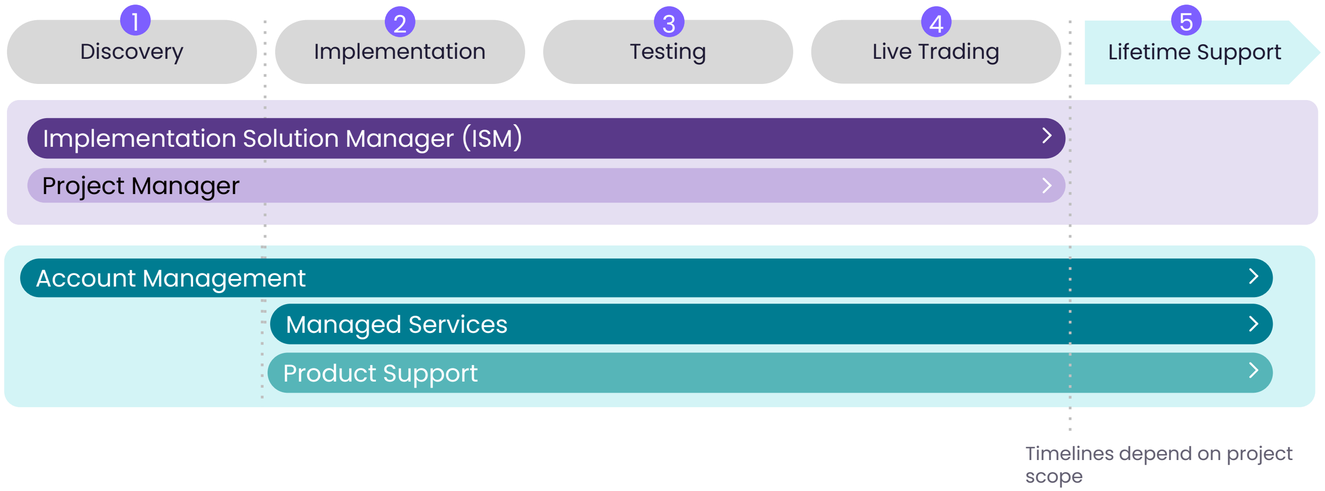
Client experience evolution

A Client Services organization and onboarding process designed to set clients up for success

The roadmap to higher efficiency

- In-region Implementation Solution Manager (ISM)
- In-region account management team
- Designed to ensure Enfusion is intimately familiar with client installation, investment strategy, and workflow



1 Discovery

PROJECT PLAN DEFINED

PROJECT KICK OFF

DATA CAPTURE

2 Implementation

PORTFOLIO MANAGEMENT SYSTEM

OEMS

MANAGED SERVICES

ANALYTICS

3 Testing

TESTING & UAT

CLIENT TRAINING

4 Live Trading

GO LIVE

5 Lifetime Support

24X6 IN-REGION SUPPORT FAMILIAR

ACCESS TO PRODUCT SMES

DEDICATED MANAGED SERVICES DELIVERY TEAMS

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Select client wins

Key Attributes	Americas	EMEA	APAC
Client Type	○ North Carolina-based university endowment	○ Newly formed spin-out from one of the Middle-East's largest global hedge funds	○ Multi-billion dollar Tokyo-based alternative investment manager
What They Were Seeking	○ To replace outdated legacy system with a more efficient end-to-end platform ○ Support for all asset classes ○ Reduce total cost of ownership	○ A robust cloud native platform to accelerate the go-live process ○ Support for anticipated AUM growth and increased complexity	○ To modernize its inefficient on-premise technology stack ○ Existing infrastructure consisted of disparate and outdated systems
Why We Won	○ Improved the client's manual workflows ○ Improved the client's compliance capabilities	○ Flexible, comprehensive, and modern technology stack ○ Robust reporting framework and API technology	○ Fully integrated end-to-end platform ○ Deep understanding of region-specific functional requirements

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We're investing in continued growth

174

New Clients Signed (2022)

Continue broadening our client base

115%

Net Dollar Retention[1] (2022)

Expand relationships with existing clients

11%

Technology & Development Expense (% of 2022 Revenue)

Ongoing pace of innovation

38%

International (% of 2022 Revenue)

Geographic expansion

(Asia-Pacific, Europe, Latin America)

Staying Disciplined in our Strategy

Selectively consider pursuing acquisitions

(1) Excludes involuntary cancellations.

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Financials

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Q4 2022 key financial highlights

$ in millions

Highly attractive SaaS model with combination of scale, growth and profitability

Total Revenue	$40.5	27.2% YoY Growth
Gross Profit	$27.2	67.2%
Adjusted Gross Profit (1)	$27.5	68.0% Adjusted Gross Margin
Net Income	$0.8	1.9% Net income Margin
Adjusted EBITDA (1)	$6.8	16.7% Adjusted EBITDA Margin
Operating Cash Flow	$7.5	18.6% OCF Margin
Adjusted Free Cash Flow (1)	$3.6	53.4% FCF Conversion

(1) See appendix for definition and non-GAAP reconciliations.

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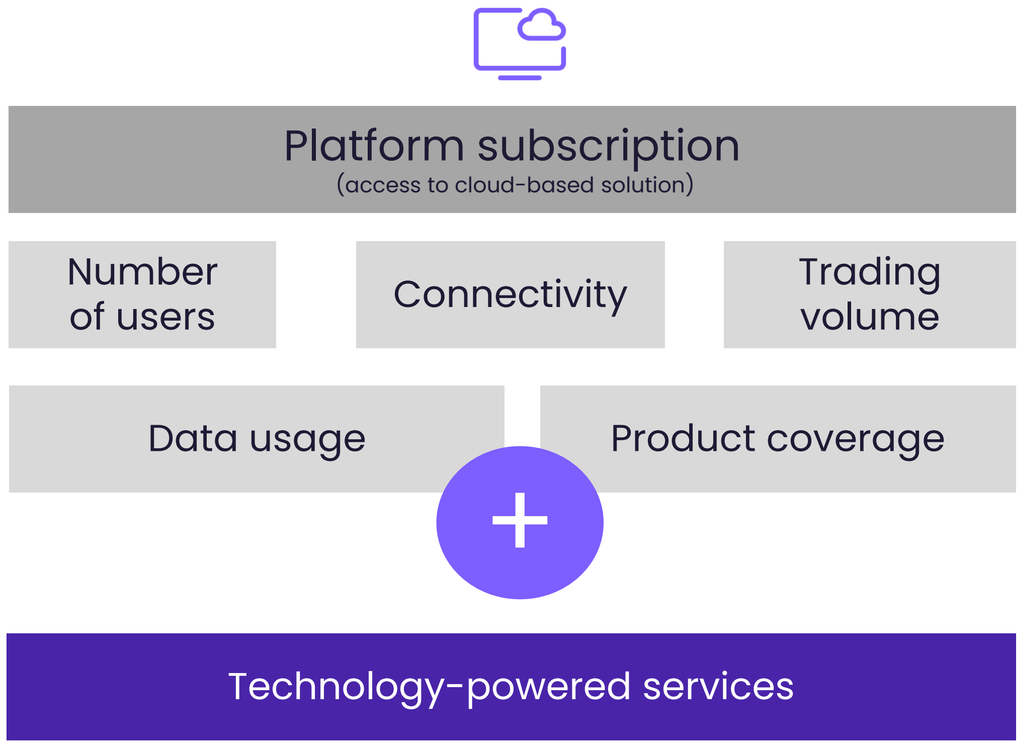
Subscription-based revenue model

99% of revenues from recurring subscription-based offerings[1]



Historically, one-year term and cancellable with 30 days' notice

More recently, for multi-year terms without cancellation for convenience

Revenues generally recognized ratably over the period of contractually enforceable rights and obligations

Client-selected middle and back-office, technology-powered services

Revenues recognized monthly

(1) Represents platform subscriptions and managed services revenue for 2022.

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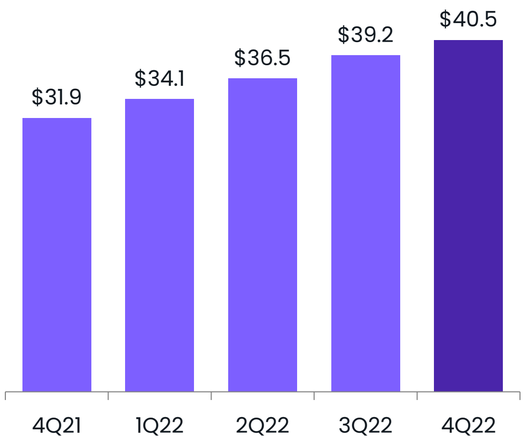
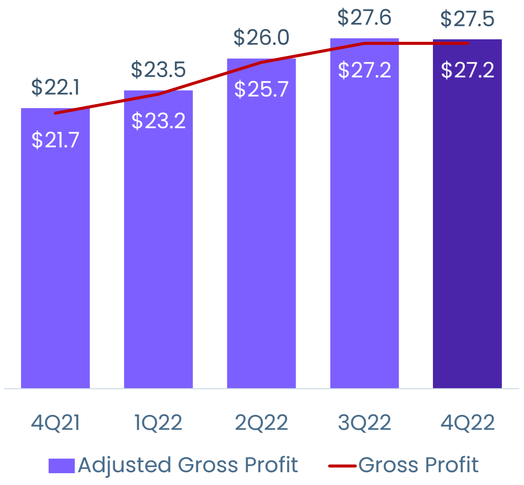
Strong growth trends with expanding profitability

$ in millions

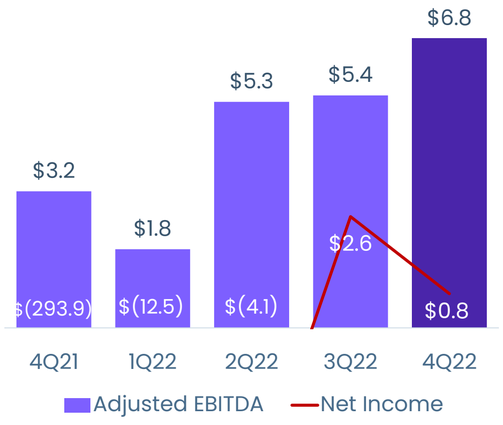
Revenue



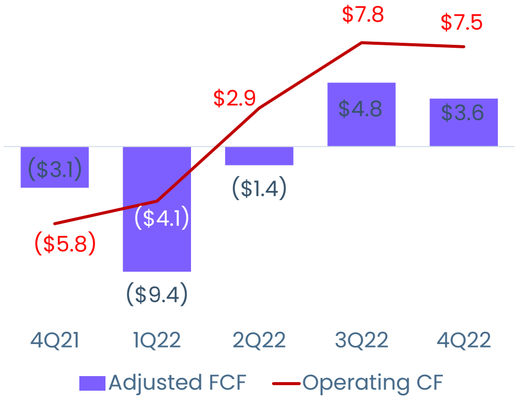
Gross Profit and Adjusted Gross Profit[1]



Net Income and Adjusted EBITDA[1]



Operating Cash Flow and Adjusted Free Cash Flow[1]



YoY Growth

4Q21	1Q22	2Q22	3Q22	4Q22
40.6%	*40.2%*	*38.2%*	*34.8%*	*27.2%*

Gross Margin and Adjusted Gross Margin

	4Q21	1Q22	2Q22	3Q22	4Q22
Gross Margin	*68.1%*	*67.8%*	*70.3%*	*69.4%*	*67.2%*
Adjusted Gross Margin	*69.3%*	*68.9%*	*71.2%*	*70.5%*	*68.0%*

Net Income Margin and Adjusted EBITDA Margin

	4Q21	1Q22	2Q22	3Q22	4Q22
Net Income Margin	*NM*	*NM*	*NM*	*6.6%*	*1.9%*
Adjusted EBITDA Margin	*10.0%*	*5.4%*	*14.5%*	*13.9%*	*16.7%*

Operating Cash Flow Margin and Adjusted Free Cash Flow Conversion

	4Q21	1Q22	2Q22	3Q22	4Q22
Operating Cash Flow Margin	*NM*	*NM*	*7.9%*	*20.0%*	*18.6%*
Free Cash Flow Conversion	*NM*	*NM*	*NM*	*87.6%*	*53.4%*

(1) See appendix for definition and non-GAAP reconciliations.

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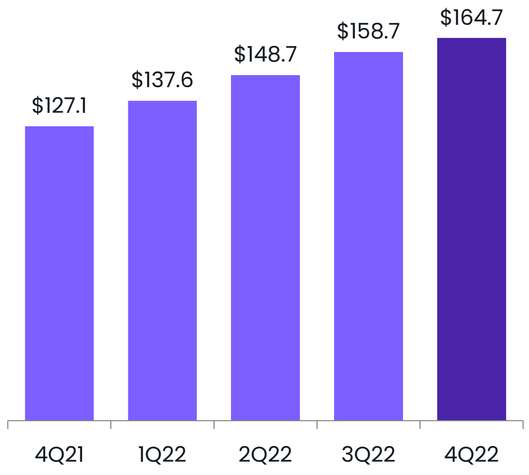
Organic, sticky expansion at scale

$ in millions

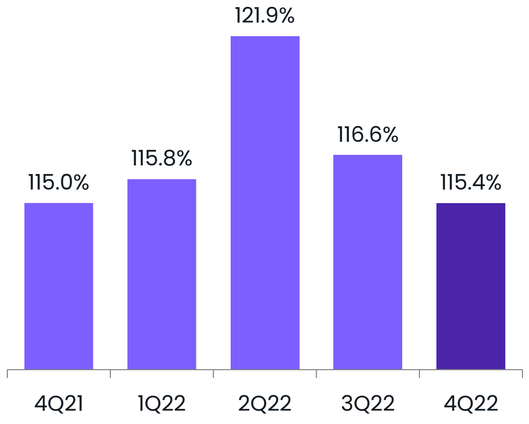
ARR (1)



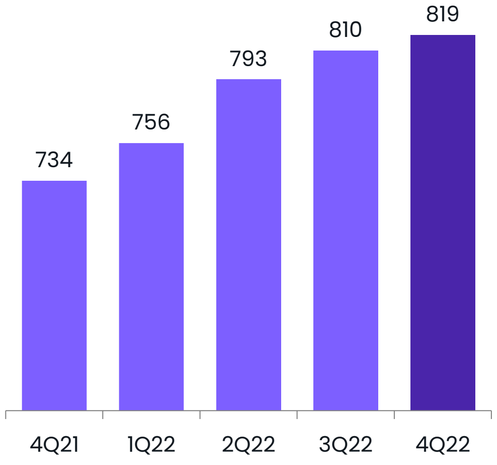
YoY Growth

4Q21	1Q22	2Q22	3Q22	4Q22
36%	*37%*	*38%*	*33%*	*30%*

Net Dollar Retention Rate (2)



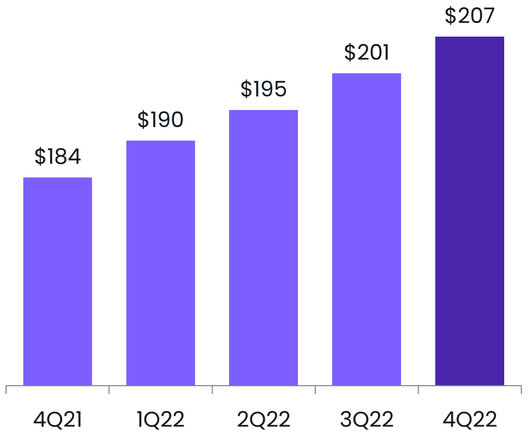
Clients



% Conversions

4Q21	1Q22	2Q22	3Q22	4Q22
63%	*67%*	*74%*	*60%*	*51%*

Avg Contract Value (3)



YoY Growth

4Q21	1Q22	2Q22	3Q22	4Q22
7%	*9%*	*12%*	*10%*	*13%*

(1) See appendix for definition of Annual Recurring Revenue, or ARR.
(2) Excludes involuntary cancellations. See appendix for definition of Net Dollar Retention Rate.
(3) See appendix for definition of Average Contract Value.

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Financial outlook

	2023E
Revenue	$185–$190 million
Adjusted EBITDA	$32–$34 million

*Adjusted EBITDA guidance excludes stock-based compensation of $12 million for the full year 2023.

These statements are forward-looking and actual results may differ materially. Refer to the "Forward-Looking Statements" safe harbor section below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

Enfusion has not reconciled its estimates for Adjusted EBITDA to net income under U.S. generally accepted accounting principles (GAAP) due to the uncertainty and potential variability of expenses that may be incurred in the future. Accordingly, a reconciliation is not available without unreasonable effort.

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Appendix

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ENFUSION, INC. CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except shares and unit amounts and par value) (Unaudited)

	December 31, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 62,545	$ 64,365
Accounts receivable, net	25,855	18,223
Prepaid expenses	6,105	6,030
Other current assets	2,303	1,060
Total current assets	96,808	89,678
Property and equipment, net	15,759	13,051
Right of use asset	6,732	—
Other assets	4,484	3,356
Total assets	$ 123,783	$ 106,085
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,685	$ 2,528
Accrued expenses and other current liabilities	11,665	5,578
Lease liability - short term	4,030	—
Total current liabilities	17,380	8,106
Lease liability	2,959	—
Other liabilities	—	538
Total liabilities	20,339	8,644
Stockholders' Equity:		
Class A common stock, $0.001 par value; 1,000,000,000 shares authorized, 70,859,711 and 65,583,289 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	71	66
Class B common stock, $0.001 par value; 150,000,000 shares authorized, 43,198,768 and 47,470,972 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	43	47
Additional paid-in capital	244,260	226,717
Accumulated deficit	(178,863)	(171,209)
Accumulated other comprehensive loss	(504)	(325)
Total stockholders' equity attributable to Enfusion, Inc.	65,007	55,296
Non-controlling interests	38,437	42,145
Total stockholders' equity	103,444	97,441
Total liabilities and stockholders' equity	$ 123,783	$ 106,085

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ENFUSION. INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands) (Unaudited)

	Three Months Ended December 31		Years Ended December 31	
	2022	2021	2022	2021
REVENUES:				
Platform subscriptions	$ 37,804	29,562	$ 138,868	$ 103,259
Managed services	2,691	1,979	9,821	7,119
Other	22	312	1,660	1,322
Total revenues	40,517	31,853	150,349	111,700
COST OF REVENUES:				
Platform subscriptions	11,564	8,656	40,017	27,195
Managed services	1,633	1,457	6,692	4,425
Other	99	51	391	225
Total cost of revenues	13,296	10,164	47,100	31,845
Gross profit	27,221	21,689	103,249	79,855
OPERATING EXPENSES:				
General and administrative	15,073	128,229	68,764	150,614
Sales and marketing	6,001	39,402	29,286	51,725
Technology and development	4,775	146,556	17,163	153,400
Total operating expenses	25,849	314,187	115,213	355,739
Income (loss) from operations	1,372	(292,498)	(11,964)	(275,884)
NON-OPERATING (EXPENSE) INCOME:				
Interest expense	424	(307)	413	(4,594)
Other (expense) income	(590)	(1,214)	(638)	(1,185)
Total non-operating expense	(166)	(1,521)	(225)	(5,779)
Income (loss) before income taxes	1,206	(294,019)	(12,189)	(281,663)
Income taxes	418	(125)	1,074	579
Net income (loss)	788	(293,894)	$ (13,263)	$ (282,242)
Net income (loss) per Class A common share attributable to Enfusion, Inc.:				
Basic	0.01	(2.26)	(0.10)	(2.26)
Diluted	0.01	(2.26)	(0.10)	(2.26)
Weighted Average number of Class A common shares outstanding:				
Basic	88,022	83,045	85,393	83,045
Diluted	132,950	83,045	85,393	83,045

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ENFUSION. INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands) (Unaudited)

	2022	2021
Cash flows from operating activities:		
Net (loss) income	$ (13,263)	$ (282,242)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Non-cash operating lease expense	257	—
Depreciation and amortization	6,344	3,975
Provision for bad debts	1,399	1,450
Amortization of debt-related costs	26	222
Stock-based compensation expense	24,993	289,803
Loss on extinguishment of debt	—	1,215
Net foreign currency losses	—	—
Change in operating assets and liabilities:		
Accounts receivable	(9,031)	(7,493)
Prepaid expenses and other current assets	(1,767)	(6,477)
Accounts payable	(843)	2,044
Accrued expenses and other liabilities	6,041	(2,815)
Net cash provided by (used in) operating activities	14,156	(318)
Cash flows from investing activities:		
Purchases of property and equipment	(7,931)	(8,014)
Net cash used in investing activities	(7,931)	(8,014)
Cash flows from financing activities:		
Repayment of term loan	—	(100,000)
Payment of Member distributions	—	(3,283)
Issuance of Class A common stock in the IPO, net of issuance costs	—	260,545
Purchases of common units from Pre-IPO common unit holders	—	(87,846)
Payment of withholding taxes on stock-based compensation	(7,959)	(10,567)
Net cash (used in) provided by financing activities	(7,959)	58,849
Effect of exchange rate changes on cash	(86)	(90)
Net (decrease) increase in cash and cash equivalents	(1,820)	50,427
Cash and cash equivalents, beginning of period	64,365	13,938
Cash and cash equivalents, end of period	$ 62,545	$ 64,365

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Reconciliations to Non-GAAP Financial Measures

The following table reconciles gross profit to adjusted gross profit:

($ in thousands)	Three Months Ended December 31, 2021	March 30, 2022	June 30, 2022	September 30, 2022	December 31, 2022
GAAP Gross profit	$ **21,689**	**23,158**	**25,693**	**27,177**	**27,221**
Add back stock based compensation expense	377	354	341	406	321
Adjusted Gross profit	**22,066**	**23,512**	**26,034**	**27,583**	**27,542**
Adjusted Gross Margin	69.3%	68.9%	71.2%	70.5%	68.0%

The following table reconciles net income to Adjusted EBITDA:

($ in thousands)	Three Months Ended December 31, 2021	March 30, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net income (loss)	$ (293,894)	(12,524)	(4,125)	2,598	788
Interest expense	307	6	1	4	(424)
Income taxes	(125)	150	219	287	418
Depreciation and amortization	1,316	1,340	1,615	1,699	1,690
EBITDA	(292,396)	(11,028)	(2,290)	4,588	2,472
Adjustments:					
Stock-based compensation expense	289,803	12,432	7,523	833	4,205
Loss on debt extinguishment	1,215				—
Tax payment on stock-based compensation	4,570	434	50	14	87
Adjusted EBITDA	3,192	1,838	5,283	5,435	6,764
Adjusted EBITDA margin	10.0%	5.4%	14.5%	13.9%	16.7%

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Reconciliations of Non-GAAP Financial Measures

The following table reconciles operating cash flow to unlevered free cash flow and adjusted free cash flow:

	Three Months Ended				
($ in thousands)	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net Cash provided by (used in) operating activities	**$ (5,812)**	**(4,097)**	**2,890**	**7,842**	**7,521**
Purchase of property and equipment	(1,641)	(3,171)	(2,092)	(922)	(1,746)
Unlevered Free Cashflow	**(7,453)**	**(7,268)**	**798**	**6,920**	**5,775**
Adjustments					
Less bonus timing and non-recurring expenses	4,389	(2,160)	(2,160)	(2,160)	(2,160)
Adjusted Free Cash Flow	**(3,064)**	**(9,428)**	**(1,362)**	**4,760**	**3,615**

The Company's stock compensation expense was recognized in the following captions within the consolidated statements of operations:

($ in thousands)	Three Months Ended December 31, 2022	Year Ended December 31, 2022
Cost of revenues	$ 321	$ 1,421
General and administrative	2,096	14,130
Sales and marketing	936	5,875
Technology and development	852	3,567
Total stock compensation expense	$ 4,205	$ 24,993

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Definitions

Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with GAAP, this presentation and the accompanying tables include Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit, Adjusted Gross Margin, Unlevered Free Cash Flow, and Adjusted Free Cash Flow, which are non-GAAP financial measures. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP.

Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit, Adjusted Gross Margin, Unlevered Free Cash Flow , and Adjusted Free Cash Flow are supplemental measures of our operating performance and liquidity that are neither required by, nor presented in accordance with, U.S. GAAP, and our calculations thereof may not be comparable to similarly titled measures reported by other companies.

These measures are presented because they are the primary measures used by management to evaluate our financial performance and liquidity, and for forecasting purposes. This non-GAAP financial information is useful to investors because it eliminates certain items that affect period-over-period comparability and provides consistency with past financial performance or liquidity and additional information about underlying results and trends by excluding certain items that may not be indicative of our business, results of operations or outlook. Additionally, we believe that these and similar measures are often used by securities analysts, investors and other interested parties as a means of evaluating a company's operating performance.

Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit, Adjusted Gross Margin, Unlevered Free Cash Flow, and Adjusted Free Cash Flow are non-GAAP financial measures, are not measurements of our financial performance or liquidity under U.S. GAAP and should not be considered as alternatives to net income, income from operations, gross profit, gross margin, or any other performance measures determined in accordance with U.S. GAAP. These non-GAAP financial measures have limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP, but rather as supplemental information to our business results. In addition, these non-GAAP financial measures may not be comparable to similarly titled measures of other companies due to potential differences in methods of calculation and items or events being adjusted. Furthermore, other companies may use different measures to evaluate their performance, all of which could reduce the usefulness of these non-GAAP financial measures as tools for comparison.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, adjusted to exclude certain items of a non-recurring or unusual nature, including payments to repurchase management incentive awards from our Change in Control Bonus Plan, initial public offering costs, and stock-based compensation expense. Adjusted EBITDA Margin represents Adjusted EBITDA divided by total net revenues.

Unlevered Free Cash Flow

Unlevered Free Cash Flow represents net cash provided from operating activities less purchases of property and equipment and other assets, plus cash interest expense. However, given our non-discretionary expenditures, Unlevered Free Cash Flow does not represent residual cash flow available for discretionary expenditures.

Adjusted Free Cash Flow

Adjusted Free Cash Flow represents Unlevered Free Cash Flow adjusted to exclude certain annual employee bonuses that are amortized on a quarterly basis as well as certain items of a non-recurring or unusual nature.

Adjusted Gross Profit and Adjusted Gross Margin

Adjusted Gross Profit represents gross profit, excluding the impact of stock-based compensation. Adjusted Gross Margin represents Adjusted Gross Profit divided by total net revenues.

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Definitions Continued

Key Metrics:

In connection with the management of our business, we identify, measure and assess a variety of key metrics. The key metrics we use in managing our business are set forth below.

Annual Recurring Revenue

We calculate Annual Recurring Revenue, or ARR, by annualizing platform subscriptions and managed services revenues recognized in the last month of the measurement period. We believe ARR provides important information about our future revenue potential, our ability to acquire new clients and our ability to maintain and expand our relationship with existing clients. ARR is included in a set of metrics we calculate monthly to review with management as well as periodically with our board of directors.

Net Dollar Retention Rate

We calculate Net Dollar Retention Rate as of a period end by starting with the ARR for all clients as of twelve months prior to such period end, or Prior Period ARR. We then calculate the ARR from those same clients as of the current period end, or Current Period ARR. Current Period ARR includes expansion within existing clients inclusive of contraction and voluntary attrition, but excludes involuntary cancellations. We define involuntary cancellations as accounts that were cancelled due to the client no longer being in business. We identify involuntary cancellations to be excluded from our Net Dollar Retention Rate calculation based on representations made by the client at the time of cancellation.

Our Net Dollar Retention Rate is equal to the Current Period ARR divided by the Prior Period ARR. We believe Net Dollar Retention Rate is an important metric because, in addition to providing a measure of retention, it indicates our ability to grow revenues within existing client accounts.

Average Contract Value

We calculate Average Contract Value, or ACV, by dividing ARR by the number of clients that are billed at the end of the measurement period. We believe ACV is an important metric because it provides important information about the growth of our clients' accounts.

Investors should not place undue reliance on ARR or Net Dollar Retention Rate or Average Contract Value as an indicator of future or expected results. Our presentation of these metrics may differ from similarly titled metrics presented by other companies and therefore comparability may be limited.

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