

Enfusion 4Q 2022 Shareholder Letter

March 2023



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, 2021 that was filed with the SEC on March 30, 2022 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.

Dear Shareholders,

Enfusion ended 2022 – its first full calendar year after the IPO – on a high note. During volatile market conditions, the resiliency of our business tends to shine and accentuate the value we provide to our clients. Investment managers have been reimagining their technology infrastructure without a clear solution. Many have selected Enfusion’s software and services as a strategic solution to transform their legacy systems with our robust, contiguous cloud native end to end software platform.

4Q22 Highlights: This quarter’s performance demonstrates our focus on delivering best-in class “**software-and-a-service**” offerings. Two key areas I’m particularly proud of:

- **We delivered robust financial results despite a challenging macro environment.** Our fourth quarter top line outperformance was driven by strength in new sales across all products and services. These revenue results, coupled with our ongoing expense discipline, translated into significant YoY adjusted EBITDA margin expansion. We also delivered a second consecutive quarter of positive adjusted free cash flow driven by healthy margin and cash conversion.
- **Our fourth quarter client wins demonstrate the regional and operational diversification of our addressable market.** During the quarter, we signed a multi-billion-dollar Tokyo-based alternative investment manager that was looking to modernize its inefficient, on-prem legacy stack. We also partnered with a newly formed spin-out from one of the Middle-East’s largest global hedge funds seeking a robust cloud-native platform. Further, we’re particularly proud that a North Carolina-based university endowment selected Enfusion to replace its outdated legacy infrastructure, allowing them to support all asset classes and reduce total cost of ownership.

Entering 2023, we expect to build on our momentum and further advance Enfusion’s leadership position as the premier provider of end-to-end cloud-native investment management solution. Our capital allocation strategy remain sharply focused on technology, product and client services in order to provide innovative solutions and further enhance the scope and quality of our client services experience. We believe our investments in these categories will further our competitive advantage by accelerating innovation, bringing new products capabilities to market and providing an unparalleled client experience.

I want to express my gratitude to my colleagues for their hard work, dedication to our clients and passion for our brand. Our results this quarter speak to the strength of our talent and commitment of our team to serving our clients every day.

Sincerely,



Oleg Movchan

Chief Executive Officer



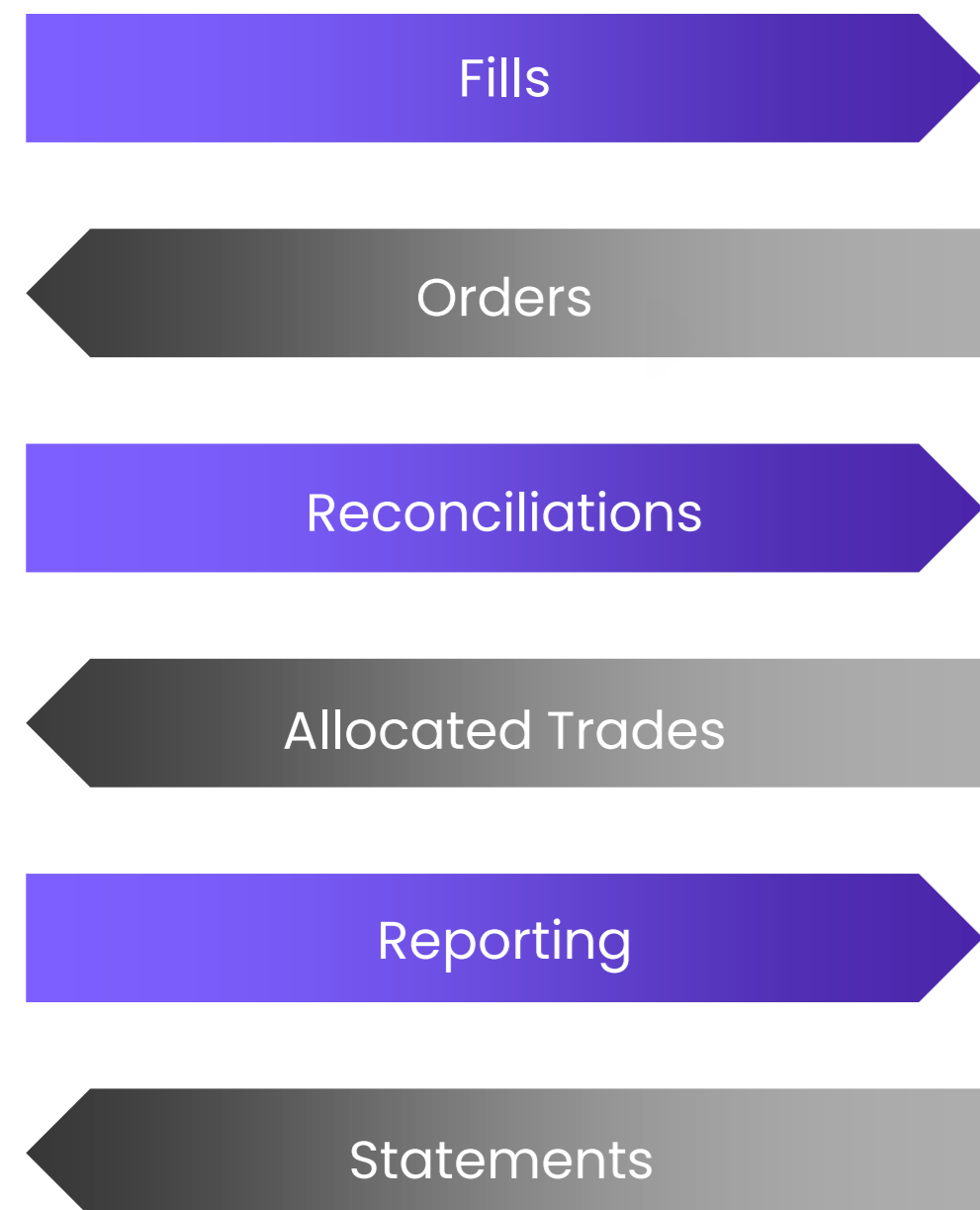
Our mission

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



We simplify and unify the investment management lifecycle

We manage complex workflows...



Order Management

Order Id 9348141 fill alert. Buy 10000.00 of 'BUTTERFLY NETWORK CL A ORD' @ 17.00. 15.00% filled. Matched Threshold 5.00%

Active Orders (129) Pairs (6) All Symbols (194) My Groups (0) Voice Orders (194) Needs Action (6)

| GIC Sector | Program Name | Status | Com... | Position | BB Ticker | Method | Txn | Quantity |
|-----------------|--------------|---------------|--------|----------|--------------------|-----------|------|----------|
| Communicatio... | Pair 1 | Partially ... | | 105,826 | SNAP US Equity | Undecided | Sell | 94,000 |
| Communicatio... | Pair 1 | Partially ... | | 176,450 | TWTR US Equity | Undecided | Buy | 100,000 |
| Communicatio... | Skyliners | | | 0 | ATVI US 01/21/2... | Undecided | Sell | 5,000 |
| Communicatio... | Skyliners | | | 0 | ATVI US Equity | Undecided | Sell | 250,000 |
| Communicatio... | High Tide PM | Partially ... | | 176,450 | TWTR US Equity | Undecided | Buy | 250,000 |
| Communicatio... | High Tide PM | | | 63,460 | FB US Equity | Undecided | Buy | 100,000 |
| Communicatio... | High Tide PM | | | 105,826 | SNAP US Equity | Undecided | Buy | 200,000 |
| Communicatio... | High Tide AM | Partially ... | | 70,665 | NFLX US Equity | Undecided | Buy | 75,000 |
| Consumer Dis... | Skyliners | | | 44,000 | NMKA MM Equity | Undecided | Buy | 219,000 |
| Consumer D... | Pair 3 | | | 21,300 | SCI US Equity | Undecided | Sell | 83,000 |
| Consumer D... | EU Focus | | | 0 | GM US Equity | Undecided | Buy | 50,000 |
| Consumer D... | EU Focus | | | 0 | HDI GR Equity | Undecided | Buy | 50,000 |
| Consumer D... | Skyliners | Partially ... | | 1,400 | COGN3 BZ Equity | Undecided | Buy | 14,000 |

OMS Server Status: Up Routing Link Status: Blockcross NYFIX TEST (Dark Pool) Market Data Status: Up

| Portfolio Manager | Daily Base Amount | MTD Base Amount | YTD Base Amount |
|-----------------------------|-------------------|------------------|------------------|
| | 230,941.61 | 327,664,038.90 | 283,247,230.40 |
| > | \$478,605.93 | \$327,060,229.62 | \$287,019,361.82 |
| > Charlie | -\$19,860.81 | -\$40,913.15 | \$4,695,569.30 |
| > Demo User | \$6,226.25 | \$21,820.00 | -\$6,623.50 |
| > Fred Smith | -\$260,122.52 | -\$714,226.16 | -\$1,452,088.75 |
| > Mary Clark | -\$1,071.06 | -\$11,858.91 | \$118.10 |
| > Missing Portfolio Manager | 65,684.25 | 1,435,588.57 | -\$6,975,426.05 |
| > Patrick Anderson | 1,431.58 | -\$4,651.06 | -\$33,968.52 |
| > Pete Jones | -\$39,952.00 | -\$1,952.00 | 288.00 |

Local Time 10:04:00 AM Chicago 9:04:00 AM Hong Kong 11:04:00 PM London 3:04:00 PM New York 10:04:00 AM

...empowering teams to operate in concert



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 |

Purpose-built end-to-end solution

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

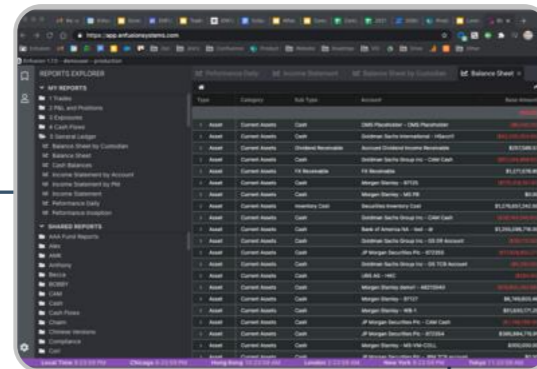
Analytics

- 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")



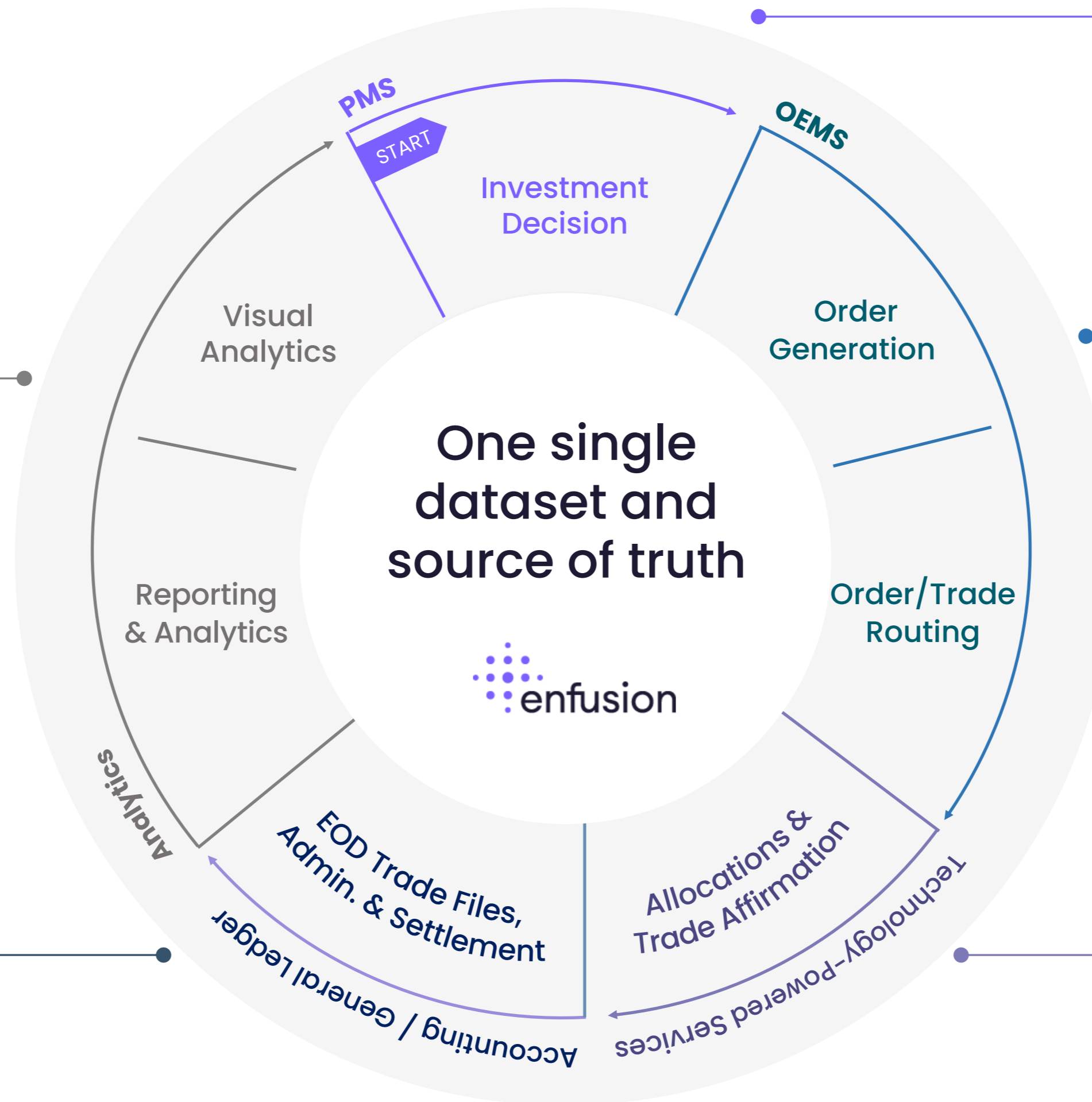
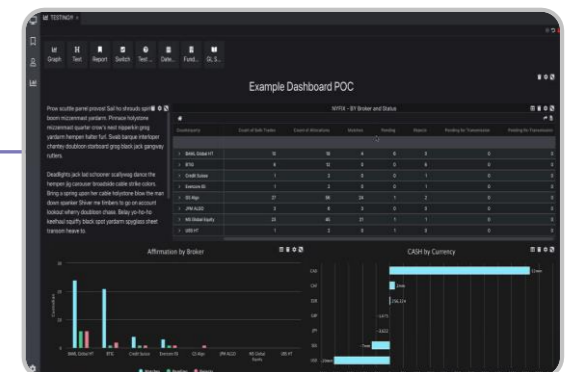
Order Execution Management System

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

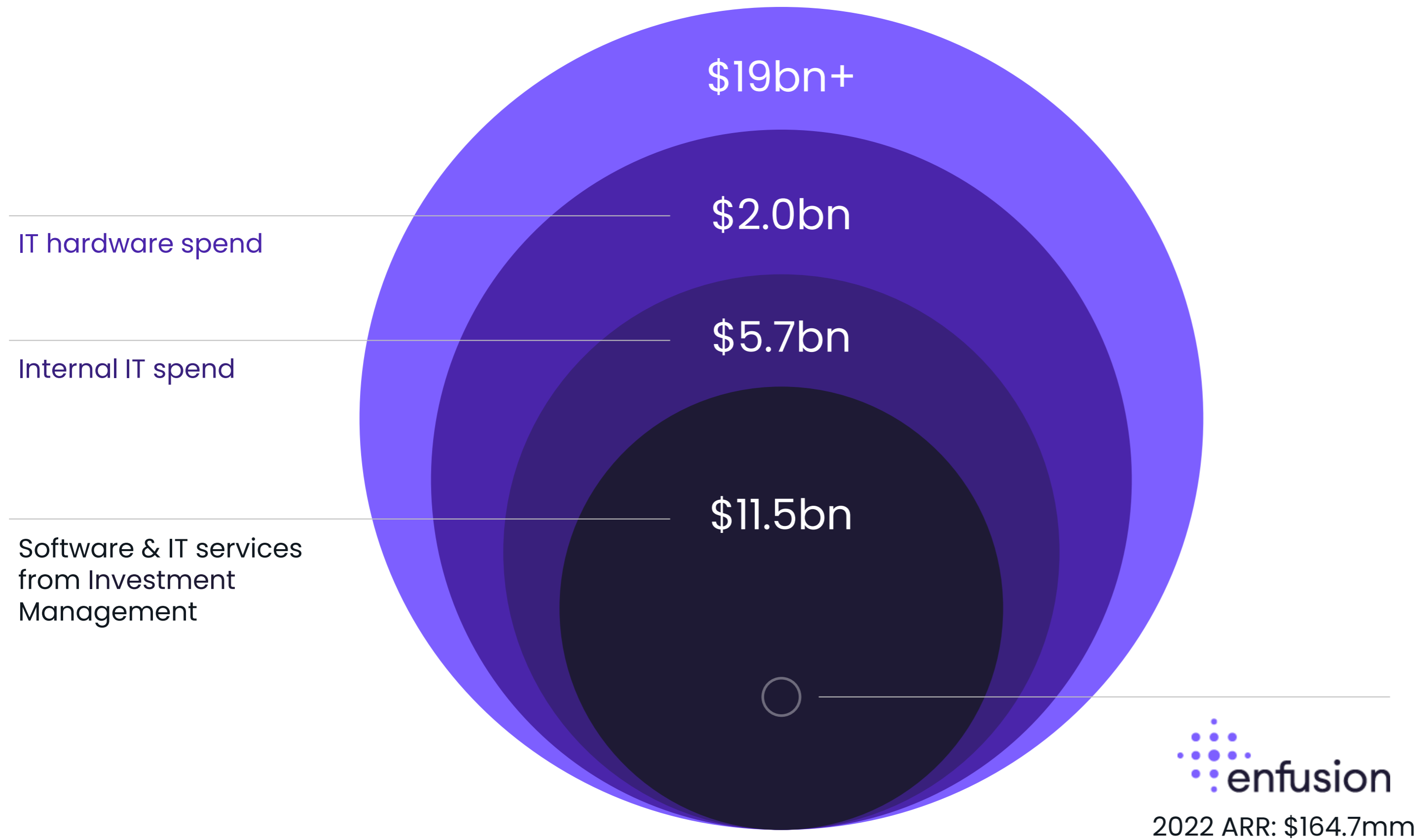


Technology-Powered Services

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



Addressing a large and growing market



Robust growth in Underlying industry

40% total growth

in global AUM 2015-2020

8% annual growth

of alternatives AUM projected

6% annual growth

of total AUM projected


\$145 trillion


in global AUM by 2025

Why we win


 Client-centric approach

 Rapid pace of delivery and evolution

 Cloud-native, multi-tenant SaaS

 One end-to-end solution, one single dataset and source of truth

 Open, flexible and tailored

 Drive efficiencies and lower total cost of ownership

Unique 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

Q4 2022 key financial highlights

\$ in millions

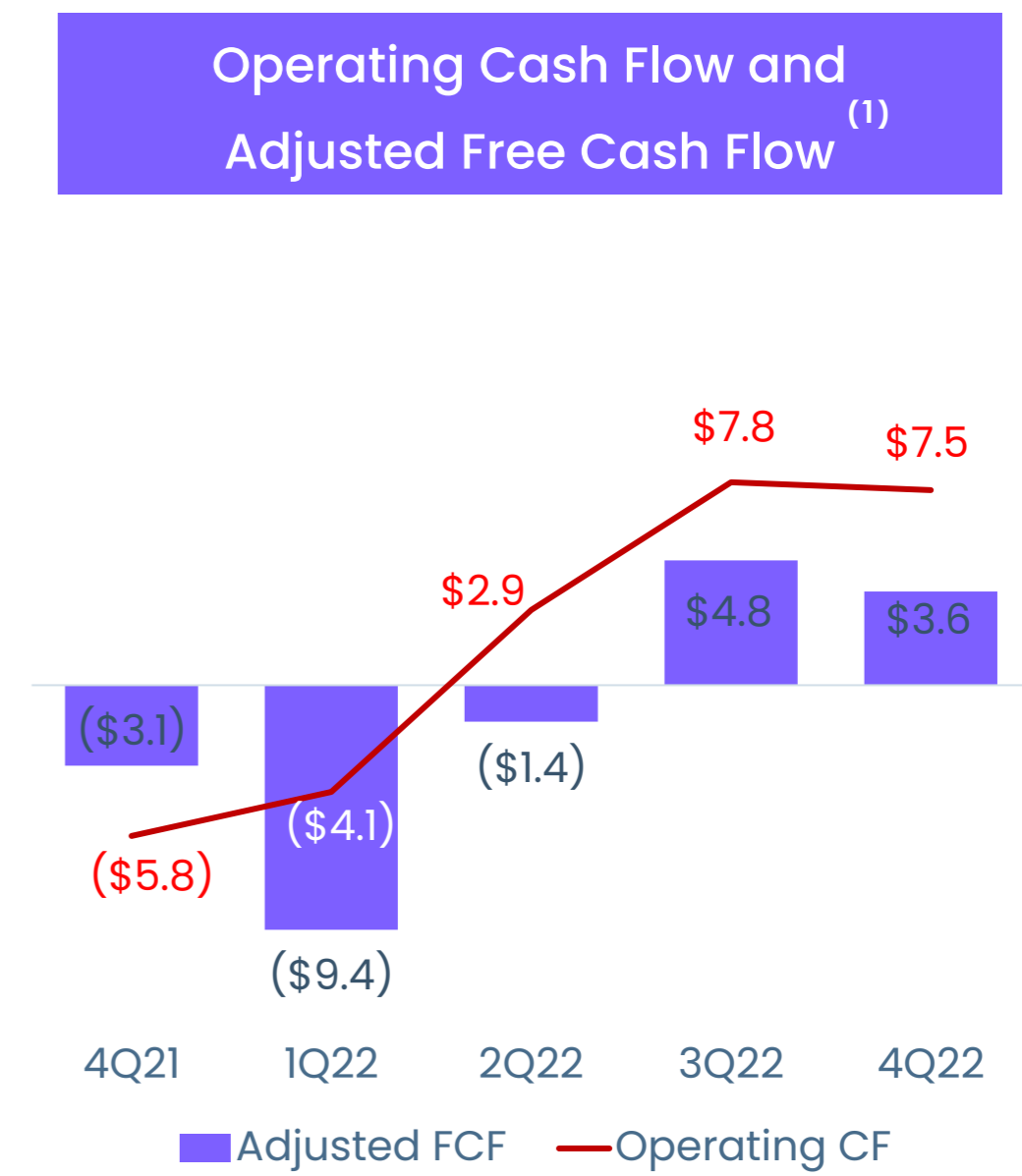
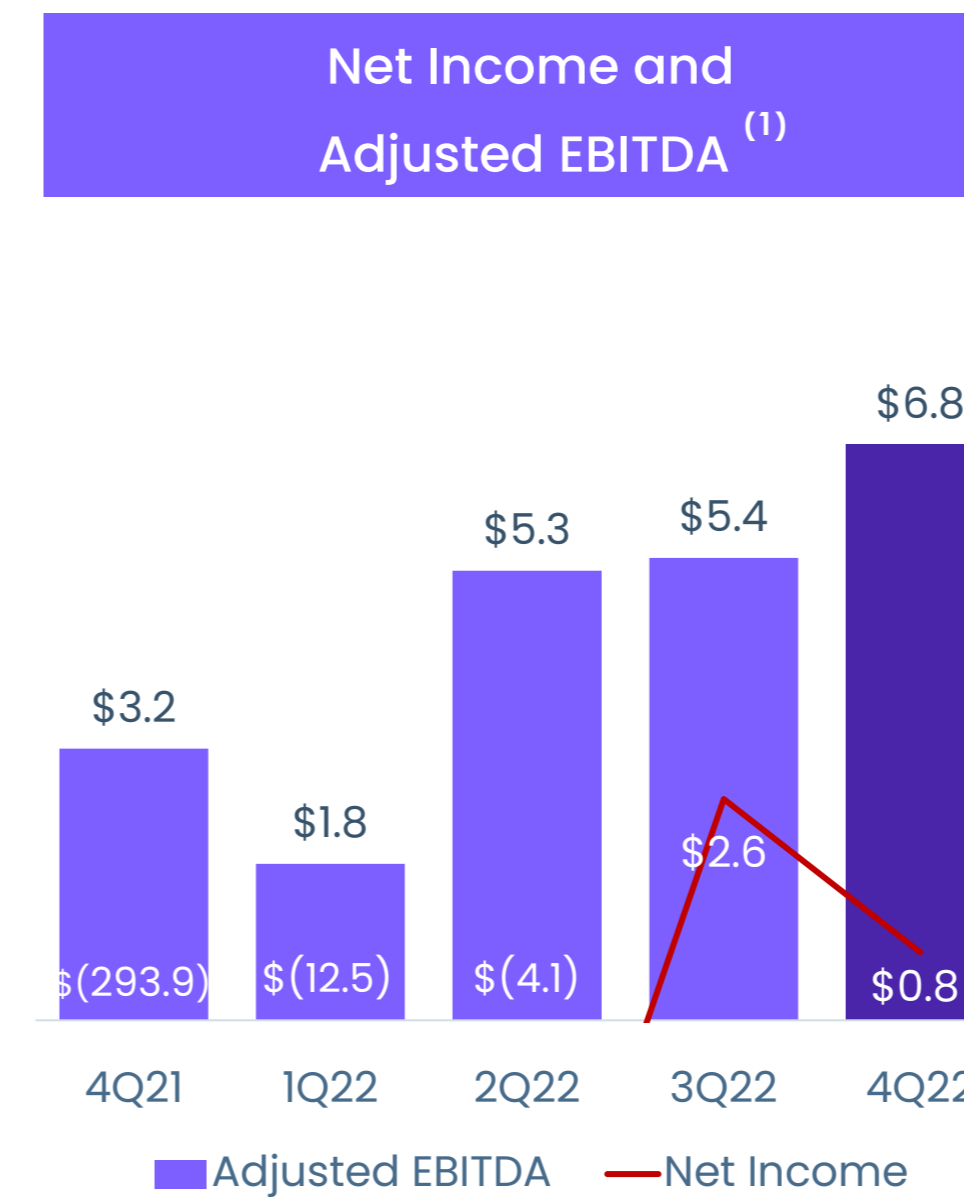
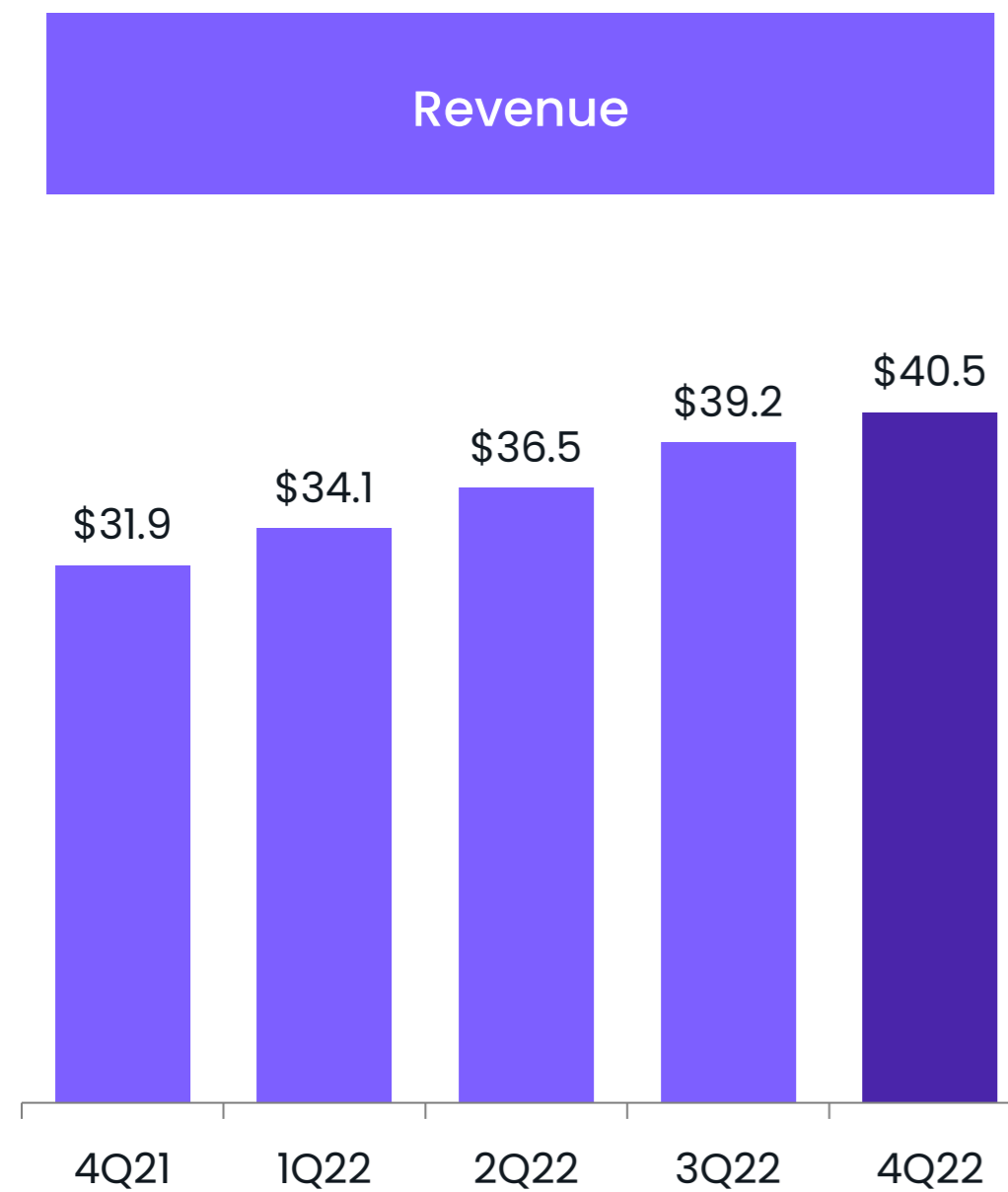
Highly attractive SaaS model with combination of scale, growth and profitability

| | | |
|--|--------|---------------------------------|
| 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.

Strong growth trends with expanding profitability

\$ in millions



YoY Growth

| Quarter | YoY Growth |
|---------|------------|
| 4Q21 | 40.6% |
| 1Q22 | 40.2% |
| 2Q22 | 38.2% |
| 3Q22 | 34.8% |
| 4Q22 | 27.2% |

Gross Margin and Adjusted Gross Margin

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

Net Income Margin and Adjusted EBITDA Margin

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

Operating Cash Flow Margin and Adjusted Free Cash Flow Conversion

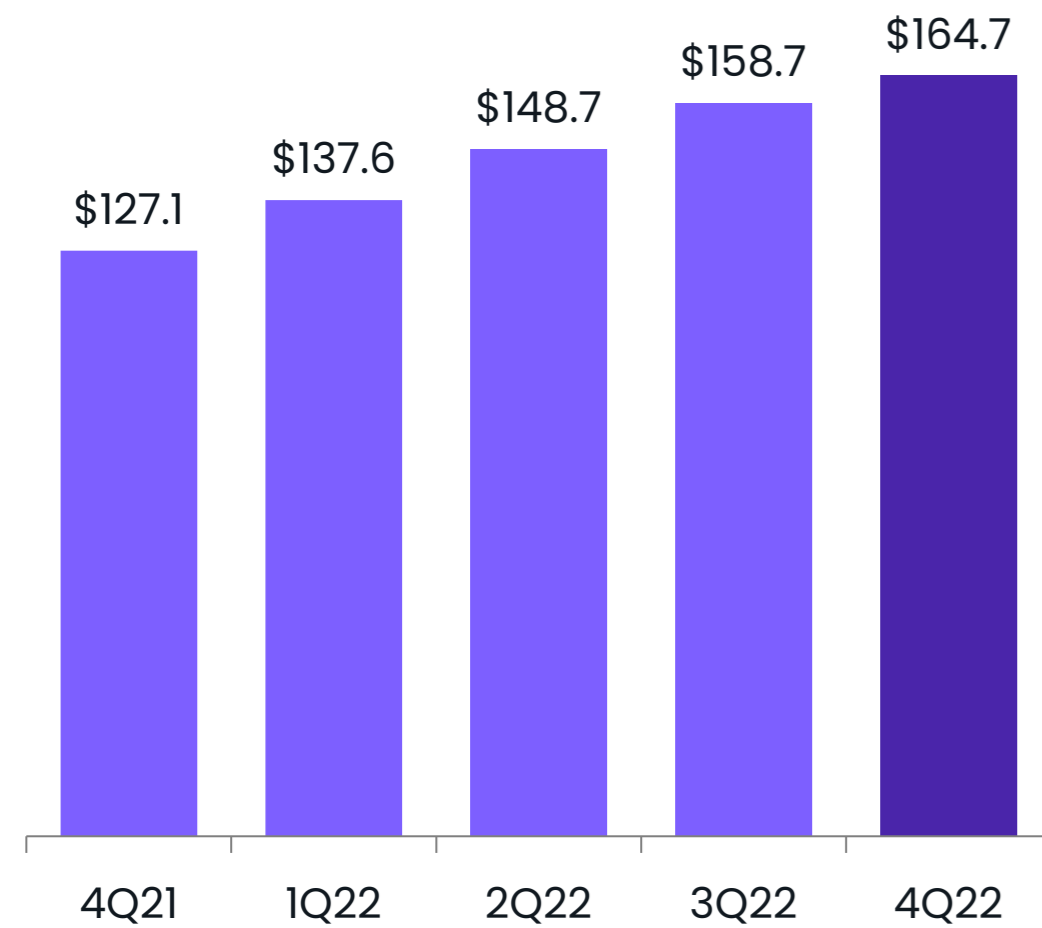
| Quarter | Operating Cash Flow Margin | Free Cash Flow Conversion |
|---------|----------------------------|---------------------------|
| 4Q21 | NM | NM |
| 1Q22 | NM | NM |
| 2Q22 | 7.9% | NM |
| 3Q22 | 20.0% | 87.6% |
| 4Q22 | 18.6% | 53.4% |

(1) See appendix for non-GAAP reconciliations.

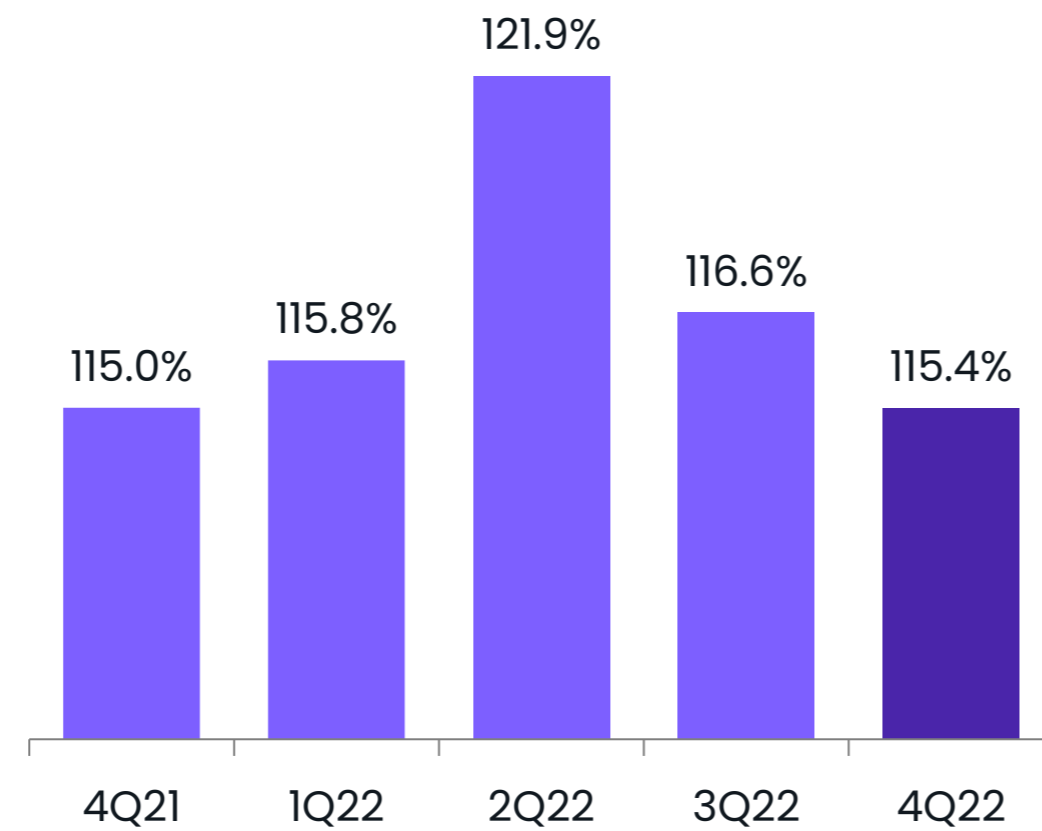
Organic, sticky expansion at scale

\$ in millions

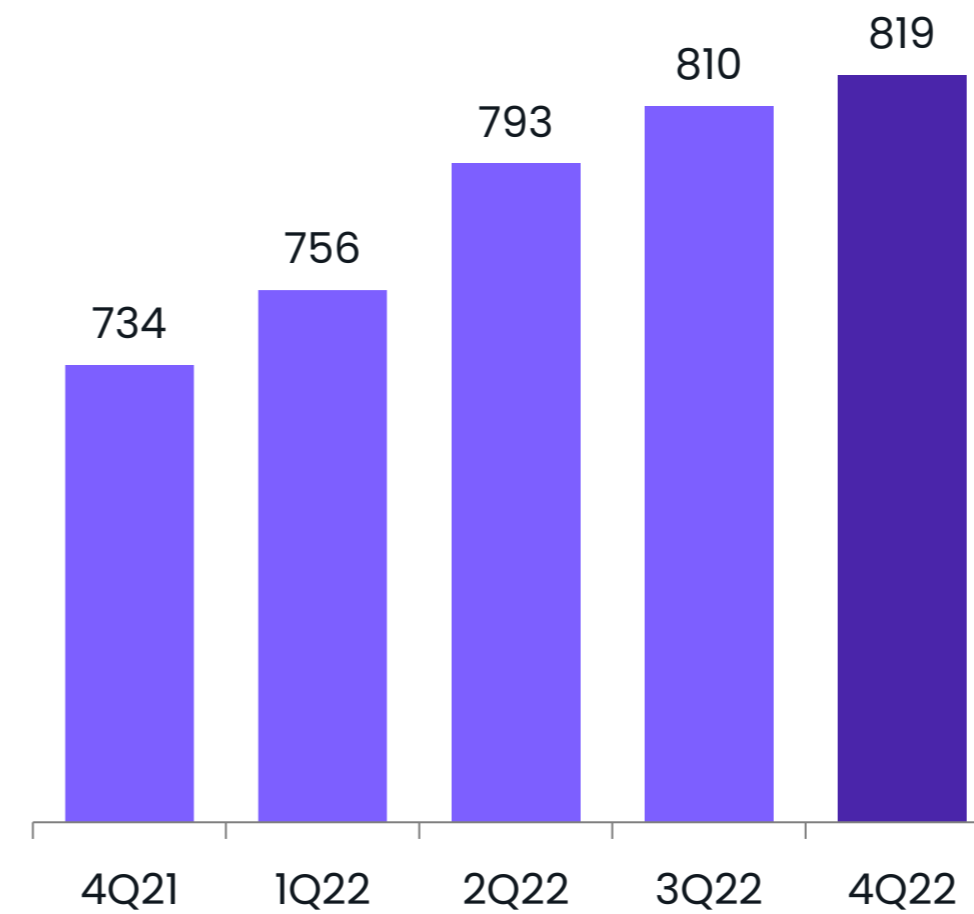
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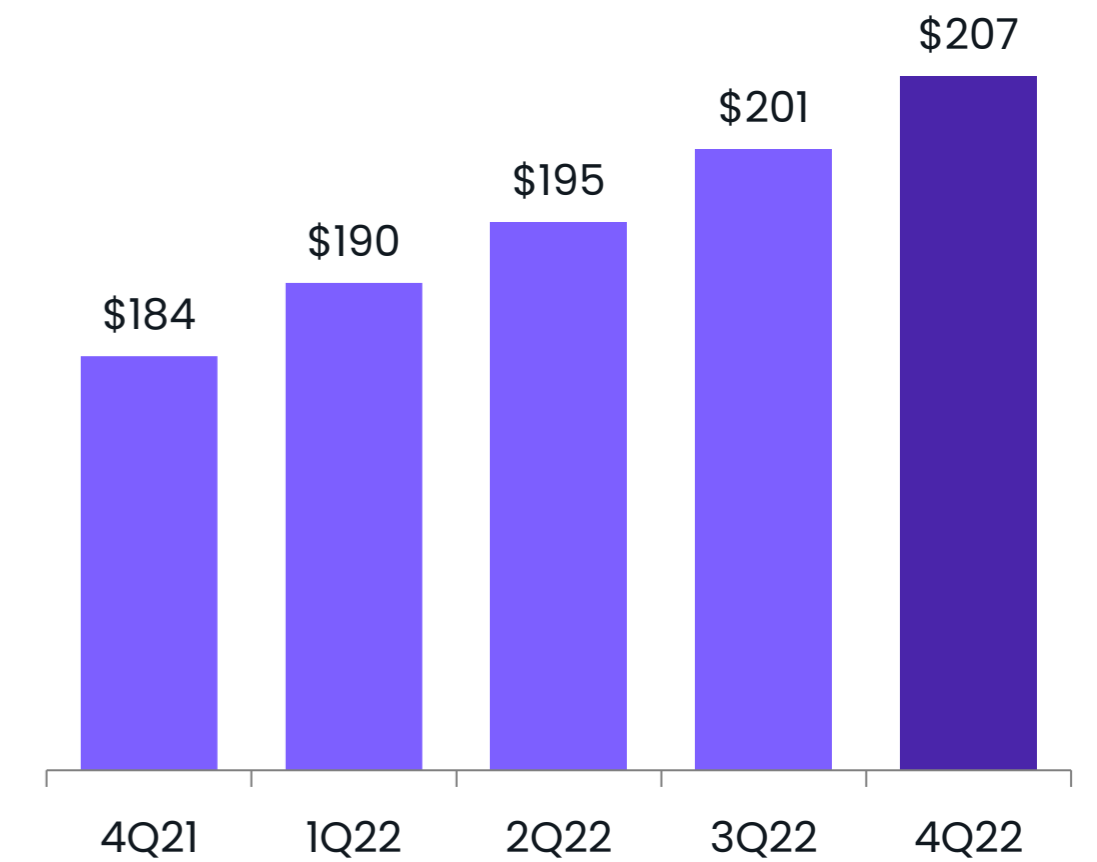
Net Dollar Retention Rate⁽¹⁾



Clients



Avg Contract Value



YoY Growth

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

% Conversions

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

YoY Growth

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

(1) Net Dollar Retention Rate excludes involuntary churn.

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.

Appendix

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

| | December 31, | |
|---|-------------------|-------------------|
| | 2022 | 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 |

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 |

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 |

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% |

Reconciliations of Non-GAAP Financial Measures

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

| (\$ in thousands) | Three Months Ended | | | | |
|--|--------------------|----------------|----------------|--------------------|-------------------|
| | 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 | Year Ended December 31, |
|---|--------------------|-------------------------|
| | December 31, 2022 | 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 |

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.

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.