

# Thoughtworks Q4 2021 Investor Presentation

**Delivering extraordinary  
impact together**

**/thoughtworks**



# Safe harbor and non-GAAP reconciliation

**Forward-looking Statements.** Some of the information contained in this presentation by Thoughtworks Holding, Inc. (“Thoughtworks” or the “Company”) includes “forward-looking statements” within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements include statements that are not historical facts and can be identified by terms such as: “believe,” “anticipate,” “plan,” “intend,” “estimate,” “expect,” “likely,” “seek,” “strive,” “may,” “could,” “should,” or “will” and similar references to future periods and the negative of such terms, but the absence of these words does not mean that a statement is not forward-looking. Examples of forward-looking statements that relate to our plans, projections, estimates and goals include, among others, statements we make regarding expected revenues and revenue growth, expected Adjusted EBITDA and Adjusted EBITDA Margin, guidance on our expectations around Adjusted Diluted Earnings per Share (“Adjusted Diluted EPS”), and our beliefs that the demand market will continue to support the projected growth rates stated herein.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, projections, anticipated events or trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: our ability to attract skilled talent; the effects of competition on the future business of Thoughtworks; uncertainty regarding the demand for and market utilization of our services; the ability to maintain or acquire new client relationships; general business and economic conditions; and our ability to successfully execute our growth strategy and strategic plans. Additional information concerning these and other risks and uncertainties may be found in the “Risk Factors” section of Thoughtworks’ registration statement on Form S-1, our quarterly reports on Form 10-Q, our annual report on form 10-K, and other filings and reports that Thoughtworks may file from time to time with the SEC.

Any forward-looking statement made by us in this presentation is based only on information currently available to us and speaks only as of the date on which it is made. Except as required by law, Thoughtworks assumes no obligation to update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.



# Safe harbor and non-GAAP reconciliation

**Non-GAAP Financial Measures.** Certain financial metrics contained in this presentation, including among others, Adjusted Gross Profit, Adjusted Selling, General & Administrative expense, Adjusted Net Income, Adjusted Diluted EPS, Adjusted EBITDA, Adjusted EBITDA Margin, and Revenue Growth rates in constant currency, which exclude the effect of foreign currency rate fluctuations, are considered non-GAAP financial measures. We use these non-GAAP measures in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that these non-GAAP measures provide our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of our operations. The non-GAAP financial measures provided should not be considered as a substitute for the comparable measures of financial performance prepared in accordance with GAAP. For more information regarding the non-GAAP financial measures discussed in this presentation, including a reconciliation of these non-GAAP measures to their corresponding GAAP measures, please see the Appendix to this presentation. For definitions of these non-GAAP measures, please see our press release for the most recent quarterly or annual results posted to the Investor Relations page of our website.

Some non-GAAP measures related to our financial outlook included in this presentation, our press release and the associated webcast were not reconciled to the comparable GAAP financial measures because the GAAP measures are not accessible on a forward-looking basis. We are unable to reconcile these forward-looking non-GAAP financial measures to the most directly comparable GAAP measures without unreasonable efforts because we are currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. Such items may include stock-based compensation, acquisition costs, income tax effects of adjustments and other items. The unavailable information could have a significant impact on our GAAP financial results. Based on the foregoing, we believe that providing estimates of the amounts that would be required to reconcile the range of the non-GAAP measures to forecasted GAAP measures would imply a degree of precision that would be confusing or misleading to investors for the reasons identified above.

**Industry & Market Data.** The market data, industry forecasts and other statistical information used in this presentation are based on third-party industry publications and surveys and internal Company sources. Industry forecasts are based on industry surveys and the preparer's expertise in the industry, and there can be no assurance that any of the industry forecasts will be achieved. We believe these data are reliable, but we have not independently verified the accuracy of this information nor have we ascertained the underlying assumptions relied upon in those sources, and we cannot assure you of the accuracy or completeness of such information contained in this presentation. While we are not aware of any misstatements regarding our market, industry or similar data presented herein, such data, including industry forecasts and projections, involve risks and uncertainties and are subject to change based on various factors.



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# Who we are

**Integrity / Pursuit of Excellence / Global First / Cultivation / Curiosity /  
Autonomous Teams / Inclusivity / Courageous**

We strive to create an extraordinary impact on the world through our culture and technology excellence

We aim to be an awesome partner for clients and their ambitions to become modern digital businesses

We are passionate about revolutionizing the technology industry, amplifying social change and advocating for an equitable tech future

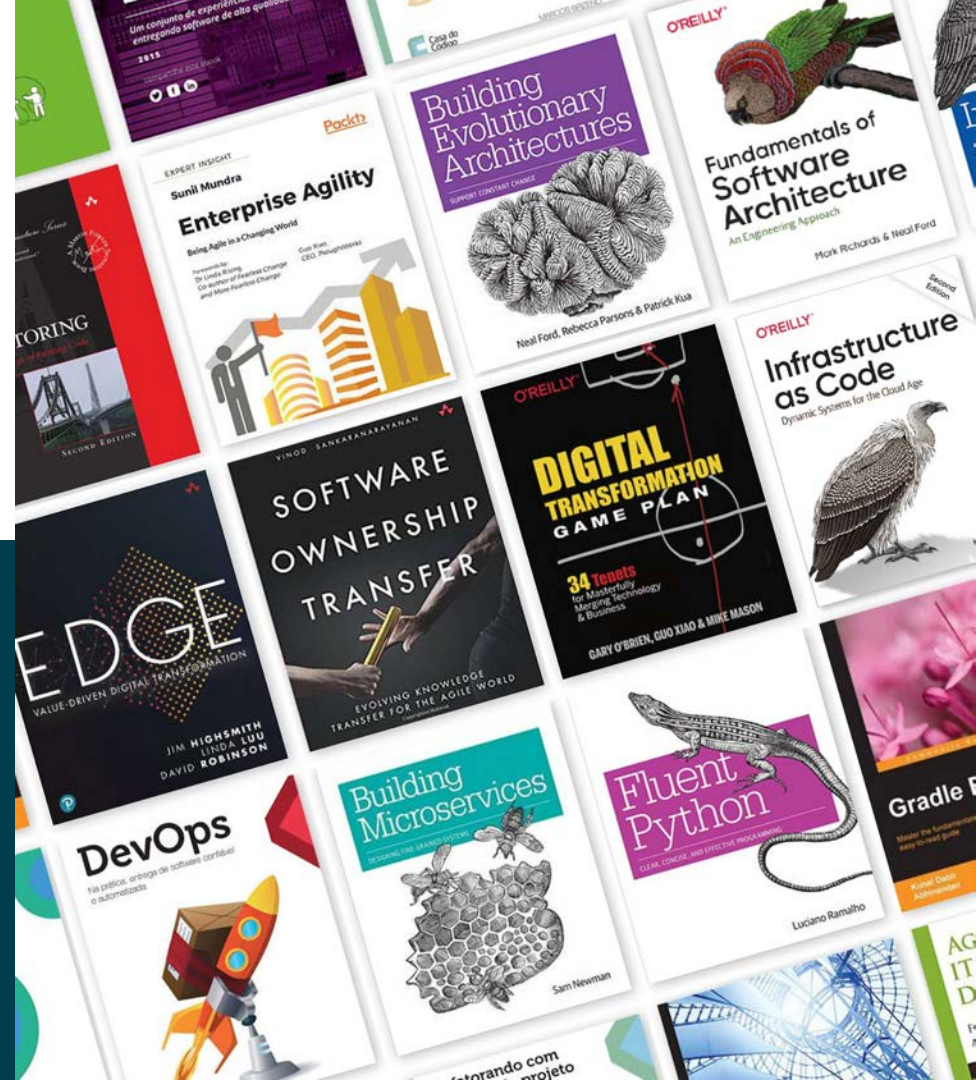
We look to foster a vibrant community of diverse and passionate technologists

We aim to achieve enduring commercial success and sustained growth

We've been a  
shaping force of  
digital technology  
for 28 years

100+  
books written

Agile development  
CD / devops  
Data engineering / platforms  
Cloud native architecture  
Organizational design



# Through Thoughtworks' 28-year history

## 1990s

**1993**  
Thoughtworks was founded

**1999**  
**Guo Xiao** and **Dr. Rebecca Parsons** joined Thoughtworks

## 2000-2004

**2000**  
Opened offices in **Australia** and the **United Kingdom**

Led the industry in adopting a **distributed agile development approach**

**2001**  
Opened offices in **India** and **Canada**

Guo Xiao is featured in *The Economist* as an early adopter of **Extreme Programming (XP)**

*Manifesto for Agile Software Development* is published

Released **CruiseControl** open source software

**2004**  
Opened offices in **China**

**Selenium** is developed based on work started internally at Thoughtworks

Surpassed **500 Thoughtworkers**

## 2005-2009

**2005**  
Established **Thoughtworks University**

**2009**  
Opened offices in **Brazil**

Surpassed **1,000 Thoughtworkers**

## 2010-2014

**2010**  
Opened offices in **Germany**  
Published *Continuous Delivery: Reliable Software Releases through Build, Test, and Deployment Automation*

**2011**  
Published first edition of Thoughtworks **Technology Radar**

**2012**  
Opened offices in **Singapore**

Started building **Bahmni**

**2013**  
Opened offices in **Ecuador**

**2014**  
Opened offices in **Italy**

Published *Microservices*  
Surpassed **\$300mm<sup>1</sup>** in annual revenues and **3,000 Thoughtworkers**

## 2015-2019

**2015**  
Collaborated with **Save the Children** in the fight against Ebola

Published *Building Microservices*

**2016**  
Opened offices in **Spain** and **Chile**

Winner of the AnitaB.org Institute's **Top Companies for Women Technologists**, winning again in 2017 and 2018, and recognized as a leader in 2019 and 2020

**2017**  
**The Apax Funds** acquired Thoughtworks

Surpassed **\$500mm<sup>1</sup>** in annual revenues

**2018**  
Awarded **Daimler Supplier of the Year** for Innovation for 2017

Surpassed **5,000 Thoughtworkers**

**2019**  
Published *The Digital Transformation Game Plan: 34 Tenets for Masterfully Merging Technology and Business and How to Move Beyond a Monolithic Data Lake to a Distributed Data Mesh*

Surpassed **\$700mm<sup>1</sup>** in annual revenues

## 2020-2021

**2020**  
Named **strong performer** in The Forrester Wave™: Digital Product Development Services, Q2 2020

Committed to the **Valuable 500**, the global movement putting disability on the business leadership agenda

Awarded **IT Vendor of the Year 2020** at the UK IT Industry Awards

**2021**  
Acquired **Gemini** and **Fourkind**

Listed as a public company on **Nasdaq**. Ticker symbol **TWKS**

Surpassed **10,000 Thoughtworkers**

Published *Software Architecture: The Hard Parts*

# With a growing global presence in 17 countries



**10,600+**  
Employees<sup>2</sup>

**33.4%**  
YoY employee  
growth<sup>3</sup>

**40.6%**  
Women and  
Underrepresented  
Gender Minorities<sup>2</sup>

**956**  
Q4 new joiners<sup>4</sup>

**4.5/5.0**  
Q4 overall  
Glassdoor rating<sup>2</sup>



# Thoughtworks Snapshot - Q4 2021

**Q4 2021 revenues**  
**\$287M**  
↑ from Q4 2020 of \$206M

**Revenue growth<sup>3</sup>**  
**39.0%**  
39.2% in constant currency<sup>3,5,6</sup>

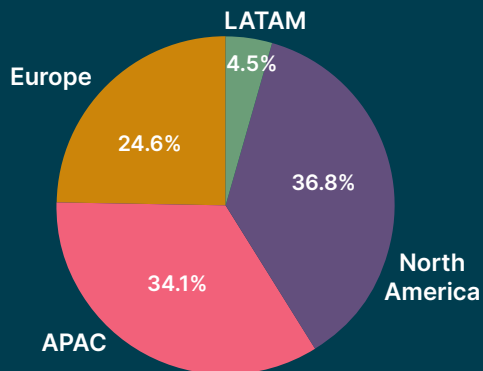
**Adjusted Gross Margin<sup>6</sup>**  
**42.9%**  
↑ from Q4 2020 of 41.1%

**Adjusted EBITDA<sup>6</sup>**  
**\$52M**  
↑ from Q4 2020 of \$36M

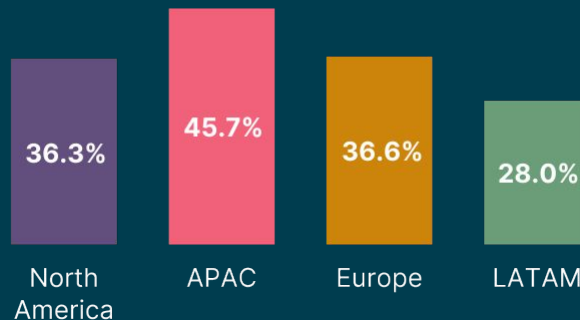
**Adjusted EBITDA Margin<sup>6</sup>**  
**18.0%**  
↑ from Q4 2020 of 17.3%

**Adjusted Diluted EPS<sup>6</sup>**  
**\$0.09**  
↑ from Q4 2020 of \$0.06

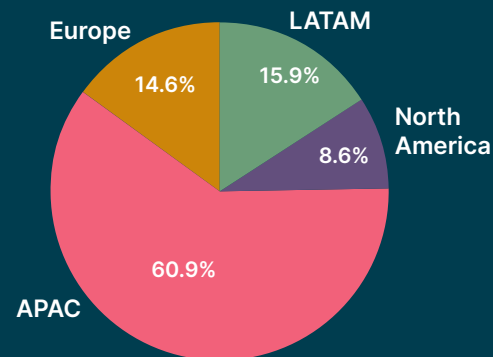
**Revenues by customer location<sup>4</sup>**



**Revenue growth by customer location<sup>3</sup>**



**Employees by geography<sup>2</sup>**



**Founded in 1993 | 10,600+ employees<sup>2</sup> | 17 countries | TWKS Nasdaq listed**

# Thoughtworks Snapshot - FY 2021

FY 2021  
revenues<sup>7</sup>

**\$1.07B**

↑ from FY 2020  
of \$803M

Revenue  
growth<sup>3</sup>

**33.2%**

29.3% in constant  
currency<sup>3,5,6</sup>

Adjusted  
Gross Margin<sup>6</sup>

**44.2%**

↑ from FY 2020  
of 41.9%

Adjusted  
EBITDA<sup>6</sup>

**\$223M**

↑ from FY 2020  
of \$153M

Adjusted  
EBITDA Margin<sup>6</sup>

**20.9%**

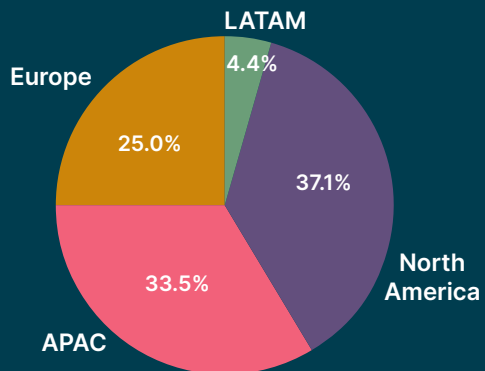
↑ from FY 2020  
of 19.1%

Adjusted  
Diluted EPS<sup>6</sup>

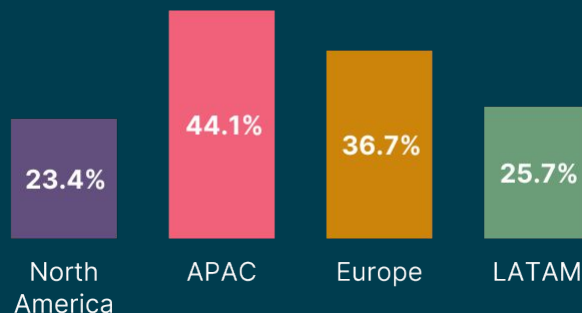
**\$0.46**

↑ from FY 2020  
of \$0.30

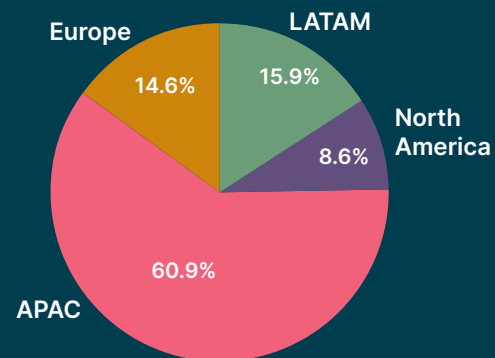
Revenues by customer location<sup>15</sup>



Revenue growth by customer location<sup>3</sup>



Employees by geography<sup>2</sup>



**Founded in 1993 | 10,600+ employees<sup>2</sup> | 17 countries | TWKS Nasdaq listed**

# Our market is large and growing fast



**>2x**  
**GROWTH  
FOR DIGITAL  
TRANSFORMATION  
SERVICES**



## Key tailwinds

Cloud computing,  
digital platforms  
and IoT

Rapid  
advancement of  
AI and ML

Customer  
experience at the  
forefront of growth

Acceleration of  
digital IT adoption  
partly due to  
COVID-19

# What market leaders are saying about the digital transformation market

- Global “Whole Cloud” spending at 16.9% CAGR to 2025<sup>9</sup>
- Artificial intelligence market to grow 18.8% in 2022, and exceed \$500bn by 2024<sup>10</sup>
- Customer experience management market growing at 12.3% CAGR to 2026<sup>11</sup>
- Close to 50% of CEOs to increase their rate of digital investment significantly through 2023<sup>12</sup>
- Continued adoption of cloud computing could eliminate a billion metric tons of CO2 emissions from 2021 to 2024<sup>13</sup>
- Global spending on the digital transformation (DX) of business practices, products, and organizations is forecast to reach \$2.8 trillion in 2025, more than double the amount allocated in 2020<sup>14</sup>



# With technology mega trends driving market growth

**Expansion of computing boundaries**

Rapid development of platforms, cloud and internet of things are pushing the technology industry to new heights

**Rapid advancement of AI- and ML-based tools**

AI and ML enhance productivity and drive digital transformation by making predictions to assist humans in making decisions, and in some cases, by automating decision-making and tasks completely

**Enhanced consumer experience**

The pervasiveness of technology has enhanced modern consumer experiences with the integration of digital and physical worlds, such as augmented reality, virtual reality and mixed reality

**Accelerating towards sustainability**

Increasing focus on sustainability requires business to examine their environmental impact and to adopt more sustainable strategies and technologies, such as green cloud optimization

**Growing impact of hostile tech and increased focus on information privacy**

The increased complexity of technology presents a heightened risk of cyber attacks, computer malware, viruses, social engineering, employee misuse as well as data and security breaches

# A diverse customer portfolio across geographies and verticals

Technology and  
Business Services

27.0%<sup>15</sup>

Energy, Public and  
Health Services

25.7%<sup>15</sup>

Retail and  
Consumer

19.0%<sup>15</sup>

Financial Services  
and Insurance

15.9%<sup>15</sup>

Automotive, Travel  
and Transportation

12.4%<sup>15</sup>

<ambvtech/> 

 **ATLASSIAN** 

 **AUTHORITY BRANDS**  **Chemonics**  
Development works here.

 **ezlink** 

 **hi pages** 

 **xero**  **THOMSON REUTERS**

 **REA Group**  **Simon & Schuster**

 **workrise**  **ebay**



 **mCG Indicia**  
for Effective Focus

 **TELUS**

**VA**  **U.S. Department of Veterans Affairs**



 **Telkomsel**



 **forenom**

 **falabella.**  **MACKMYRA**  
SWEDISH SINGLE MALT WHISKY

 **METRO**

 **natura**  **Ticket** uma marca Edenred



 **OTTO**  **SEPHORA**



 **AXIS BANK**

 **CREDIT SUISSE**

 **GENERALI**

 **InfoArmor**

 **krungsri**  
Auto

 **NIMBLE**

 **SAXO BANK**  **PAYBACK**

 **standard chartered**

 **Auto Scout24**

 **DAIMLER**

 **FINAVIA**

 **Daimler Trucks**



 **QANTAS**

 **SHARENOW**

 **JUNGHEINRICH**



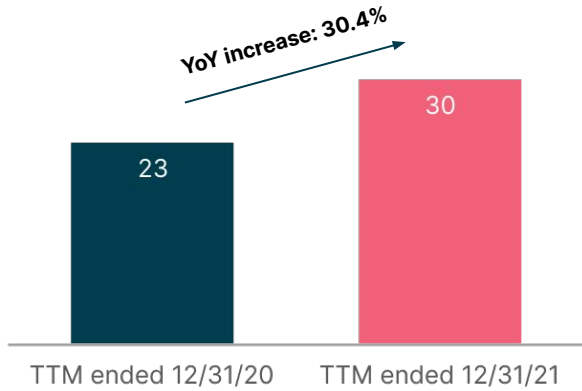
 **rb RITCHIE BROS.**  
Auctioneers

# Rapid growth and a strong capability to develop client relationships

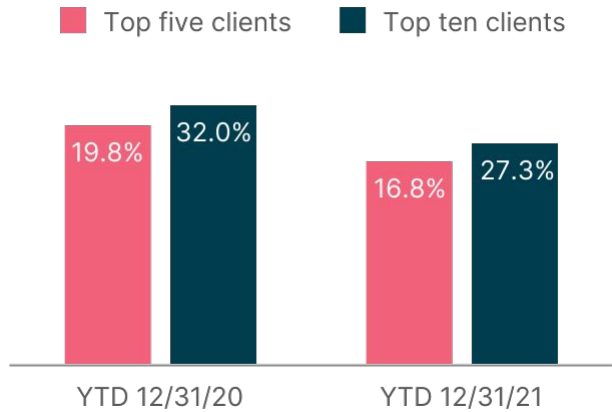
% of revenues from existing clients<sup>16</sup>



# of clients with trailing twelve month (TTM) revenues of \$10M+



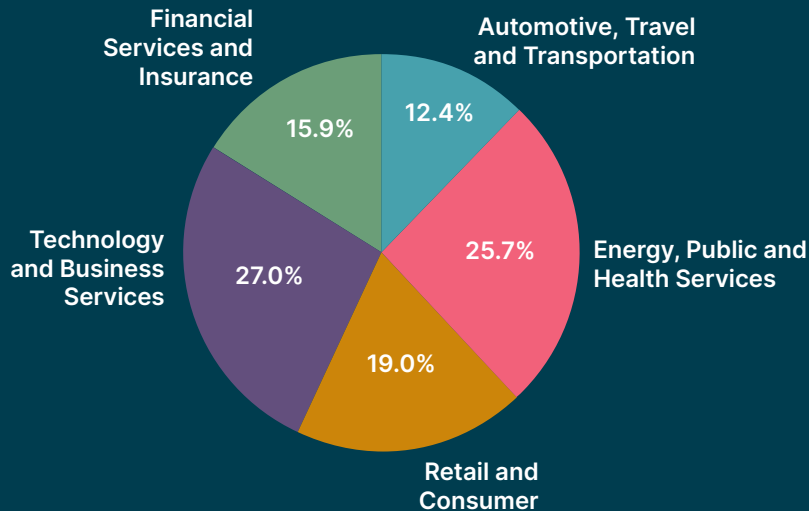
Revenues by client concentration



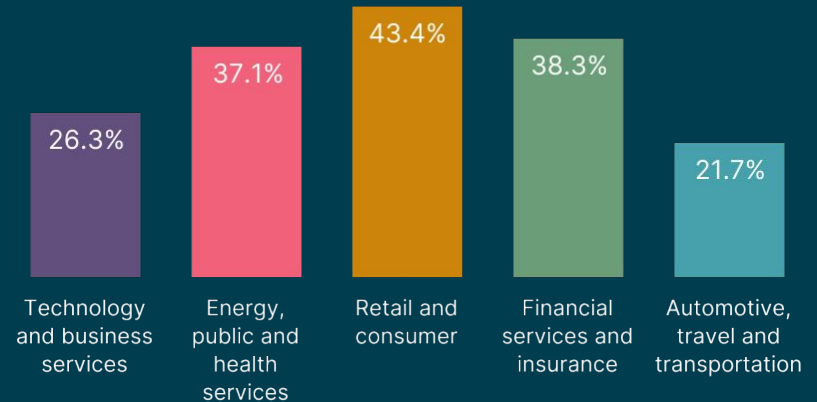
## Average relationship of seven years for top 10 clients<sup>17</sup>

# Diverse revenue base and strong growth across all industry verticals

Revenues by industry<sup>15</sup>



Revenue growth by industry<sup>3,15</sup>





# Valued by our clients



Our ability to digitally transform global enterprises at scale by applying strategic consulting and cutting-edge technologies



Our deep agile and technical expertise coupled with a history of thought leadership



Our poly-skilled, transformational and global talent



Our global distributed agile delivery with a strong local presence



Our award-winning and cultivating culture



# Our core services

## Enterprise Modernization, Platforms and Cloud

Modernize complex operations, platforms, development and delivery practices to rapidly unleash business value

## Customer Experience, Product and Design

Accelerate value creation through extraordinary digital products and customer experiences powered by integrated technology and design

## Data and AI

Enable data-driven intelligent products and business insights with pragmatic data strategies, governance, engineering, predictive AI, automation and ML capabilities

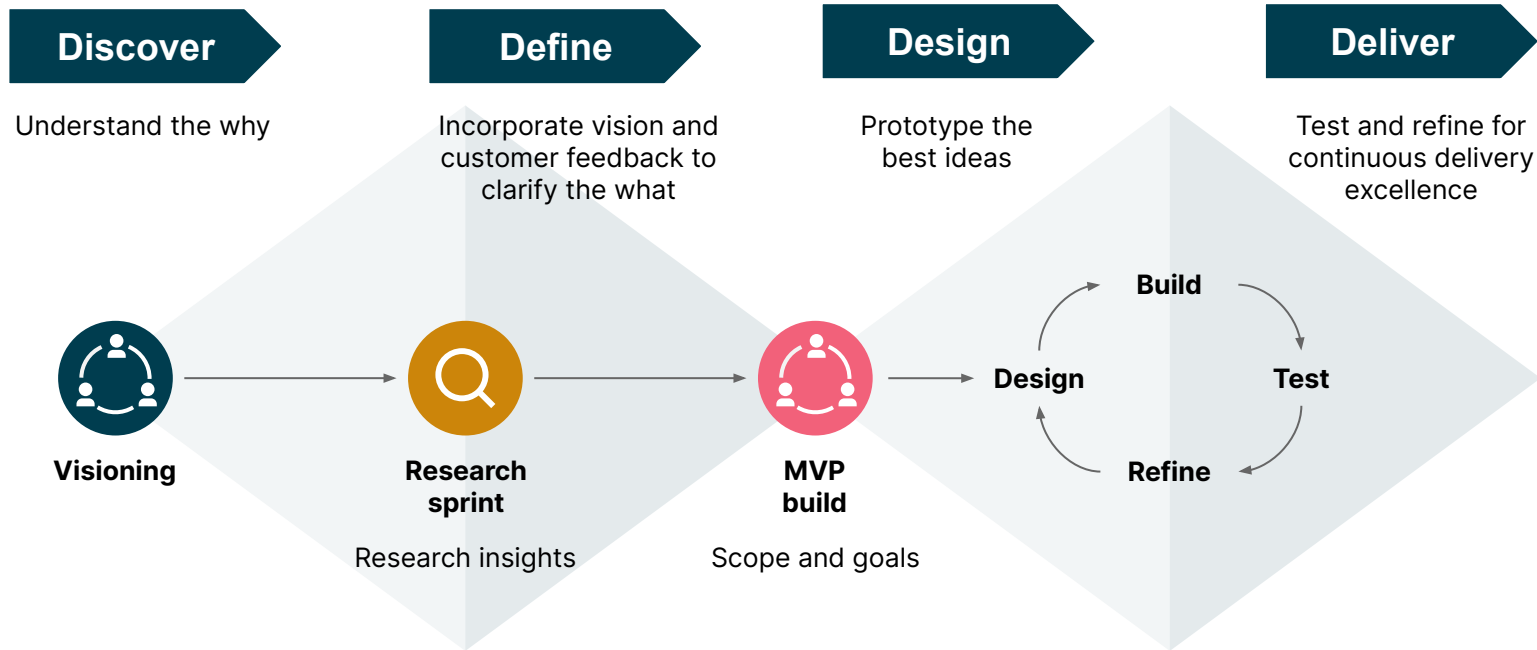
## Digital Transformation and Operations

Provide organizations with executable digital strategies, frictionless operating models and transformation services

End-to-end digital partner combining strategy, software engineering, design and organizational transformation

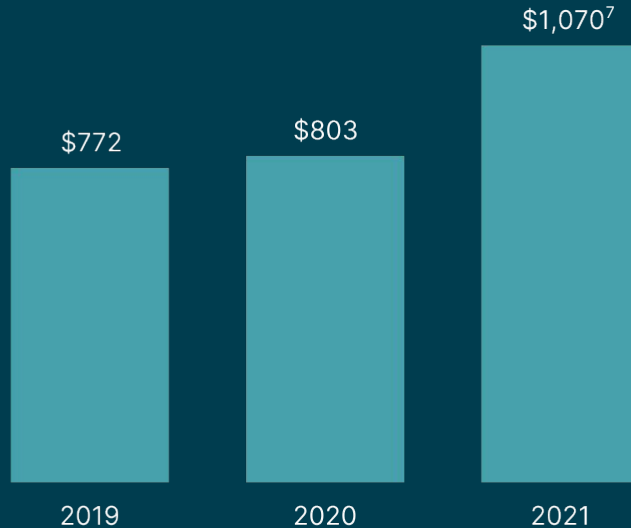
# Thoughtworks' approach delivers value fast

We deliver extraordinary impact for our clients via a collaborative and co-creative process that utilizes a thin slice approach to deliver value with incremental change on an accelerated timeline.

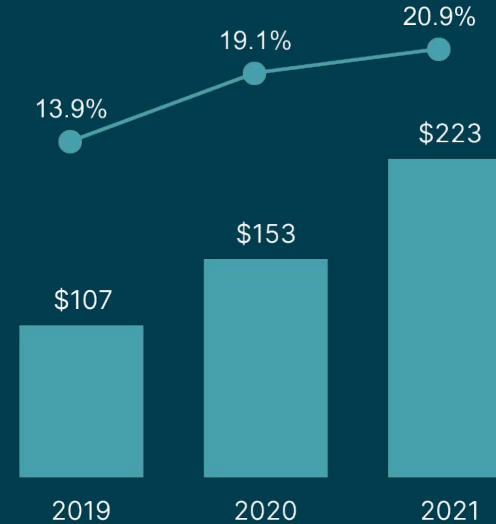


# A history of robust financials

Revenues<sup>18</sup> (\$M)



Adjusted EBITDA  
(\$M) and Margin<sup>6, 18</sup>



Cash balance<sup>2</sup>

**\$368M**

Debt<sup>2</sup>

**\$510M**

Adjusted Diluted EPS<sup>6, 15</sup>

**\$0.46**

# Led by a highly-experienced team

## Board of directors



**Ian Davis, Chair**  
Former Worldwide Managing Director of McKinsey & Company



**Guo Xiao**  
Chief Executive Officer and Director



**Robert Brennan, Director**  
Former Executive Director of CA Technologies, former CEO Veracode



**Jane Chwick, Director**  
Former Partner at Goldman Sachs



**Rohan Haldea, Director**  
Partner at Apax Partners and formerly at Bain Capital



**Gina Loftén, Director**  
Former Chief Technology Officer Microsoft US, formerly at IBM



**Salim Nathoo, Director**  
Partner at Apax Partners



**William Parrett, Director**  
Former Senior Partner of Deloitte & Touche USA LLP



**Roxanne Taylor, Director**  
Chief Marketing and Communications Officer at Memorial Sloan Kettering Cancer Center, former CMO of Accenture

## Senior management - average tenure of 17 years<sup>2</sup>



**Guo Xiao**  
Chief Executive Officer  
23-year tenure



**Rebecca Parsons**  
Chief Technology Officer  
22-year tenure



**Martin Fowler**  
Chief Scientist  
22-year tenure



**Sai Mandapaty**  
Chief Commercial Officer  
12-year tenure



**Erin Cummins**  
Chief Financial Officer  
17-year tenure



**Chad Wathington**  
Chief Strategy Officer  
17-year tenure



**Dave Whalley**  
Chief Information Officer  
19-year tenure



**Joanna Parke**  
Chief Talent Officer  
19-year tenure



**Julie Woods-Moss**  
Chief Marketing Officer  
2-year tenure



**Ramona Mateiu**  
General Counsel  
13-year tenure



**Ange Ferguson**  
Chief Transformation Officer  
16-year tenure



**Chris Murphy**  
Chief Executive Officer North America  
17-year tenure

# Building on an established commitment to ESG



## Environmental

- Commitment to Science Based Target initiative (SBTi)
- Co-founder of the Green Software Foundation
- Creator of Cloud Carbon Footprint - an open source multi-cloud carbon footprint calculator

## Social

- Top 5% of the technology industry for diversity, equity and inclusion with a score of 8.9<sup>19</sup>
- 40.6% women and underrepresented gender minorities globally<sup>2</sup>
- 38.2% women and underrepresented gender minorities in technology roles<sup>2</sup>
- Support for Digital Public Goods Alliance

## Governance

- 33% board of directors are women<sup>2</sup>
- 60% executive officers are women<sup>2, 20</sup>
- Social impact reporting since 2018
- Separate Chair and CEO
- Thought leader in responsible technology

# With an unwavering commitment to creating positive social impact through our technology contributions

## UN Sustainable Development Goals



Healthcare as a human right



Striving for equity in tech



Responsible tech and innovation



Inclusivity, social justice and equity



Climate action and sustainability

## Select ongoing partnerships



Healthcare for all  
APAC and Africa



Women in Tech  
Education  
LATAM



AI Ethics  
Global



Equity and  
Empowerment  
Europe



Climate Action  
North America

# And the growth strategies to win in this large and fast growing market

Deepen our relationships with existing clients

Establish new client relationships

Focused geographic expansion

Develop and grow our strategic partnerships

Develop new technical capabilities and client solutions

Pursue strategic, targeted acquisitions

2021 Acquisitions:

Fourkind  
*Finland and Netherlands*

Gemini Solutions  
*Romania*



# Investment highlights



1

Digital-native consultancy with differentiated thought leadership

2

Diverse client base - geography and industry vertical

3

Global talent where our clients operate

4

Culture that attracts and retains the highest quality talent

5

Premium position and high gross margins

6

Rapidly growing with robust Adjusted EBITDA margins

**Premium brand | Rapid growth | Strong margins | Highly diversified**

# Footnotes

1. Unaudited financial information for 2014 through 2018. 2014 through 2018 revenues were calculated according to a prior accounting standard, ASC 605, and may not be directly comparable to our 2019 to 2021 revenues, which use ASC 606. Our adoption of ASC 606 as of January 1, 2019 did not materially impact our revenues.
2. As of December 31, 2021
3. Reported YoY percentage growth rates calculated by comparison to prior year's corresponding period
4. For the three months ended December 31, 2021
5. Revenue Growth Rate at Constant Currency is calculated by translating the current period revenues into U.S. dollars at the weighted average exchange rates of the prior period of comparison
6. Adjusted EBITDA, and certain other measures in this deck, are Non-GAAP financial measures. For more information regarding the non-GAAP financial measures discussed in this presentation including a reconciliation of these non-GAAP measures to their corresponding GAAP measures, please see the Appendix to this presentation. For definitions of these non-GAAP measures, please see our press release for the most recent quarter-ended posted to the Investor Relations page of our website
7. Annual Gross Revenue for FY 2021 was \$1,069.9m
8. Source: MarketsandMarkets. <https://www.marketsandmarkets.com/Market-Reports/digital-transformation-market-43010479.html>
9. Source: IDC, Worldwide Whole Cloud Forecast, 2021–2025, Doc # US47397521, Sep 2021 <https://www.idc.com/getdoc.jsp?containerId=prUS48208321>
10. Source: IDC Worldwide Semiannual Artificial Intelligence Tracker, August 2021 <https://www.idc.com/getdoc.jsp?containerId=prUS48127321>
11. Source: MarketsandMarkets <https://www.marketsandmarkets.com/Market-Reports/customer-experience-management-cem-market-543.html>
12. Source: Reprinted with permission from “PwC’s 24th Annual Global CEO Survey” © 2021 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details
13. Source: IDC, Worldwide CO2 Emissions Savings from Cloud Computing Forecast, 2021–2024, Doc # US47426420, Feb 2021 <https://www.idc.com/getdoc.jsp?containerId=prUS47513321>
14. Source: IDC Press Release, <https://www.idc.com/getdoc.jsp?containerId=prUS48372321>
15. For the year ended December 31, 2021
16. Defined as clients for whom we have done work and generated revenues in excess of \$25,000 within the preceding fiscal year
17. Top ten clients are determined by spend for the year ended December 31, 2021
18. For the relevant year ended December 31
19. Peakon employment survey October 2021
20. Executive officer is defined as an “officer” pursuant to Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended

# Delivering extraordinary impact together



**/**thoughtworks

# Appendix



# Reconciliation of Non-GAAP financial measures

(in thousands, except percentages, number of shares and earnings per share)

	Three Months Ended December 31,		Year Ended December 31,		
	2021	2020	2021	2020	2019
<b>Net (loss) income</b>	\$ (35,125)	\$ 19,604	\$ (23,623)	\$ 79,283	\$ 28,420
Income tax expense	(5,457)	6,921	10,148	23,164	19,417
Interest expense	5,140	5,934	25,456	25,767	26,428
Other income (expense), net	1,977	(46)	1,671	(185)	(117)
Unrealized foreign exchange losses (gains)	1,112	(5,516)	5,024	(5,351)	703
Stock-based compensation	74,518	601	157,946	1,667	1,949
Depreciation and amortization	7,826	7,201	29,528	26,528	23,268
Acquisition costs (a)	588	633	8,524	633	158
Certain professional fees (b)	—	—	1,991	56	1,512
Non-recurring tender offer compensation expense (c)	—	—	2,715	—	—
Business rationalization (d)	—	208	—	1,316	4,589
IPO-related costs (e)	—	81	2,713	315	—
Employer payroll tax on employee equity incentive plan (f)	1,154	—	1,154	—	—
Non-recurring executive compensation expense (g)	—	—	—	—	802
<b>Adjusted EBITDA</b>	<b>\$ 51,733</b>	<b>\$ 35,621</b>	<b>\$ 223,247</b>	<b>\$ 153,193</b>	<b>\$ 107,129</b>
<b>Net (loss) income margin</b>	(12.2)%	9.5 %	(2.2)%	9.9 %	3.7 %
<b>Adjusted EBITDA Margin</b>	18.0 %	17.3 %	20.9 %	19.1 %	13.9 %

(a) Reflects costs for certain professional fees and retention wage expenses related to certain acquisitions.

(b) Adjusts for certain transaction expenses, non-recurring legal expenses, and one-time professional fees.

(c) Adjusts for the additional compensation expense related to the tender offer completed in the first quarter of 2021.

(d) Adjusts for business rationalization revenues and costs related to closing Thoughtworks Studios, which ceased operations as of December 31, 2020.

(e) Adjusts for IPO-readiness costs and expenses that do not qualify as equity issuance costs.

(f) We exclude employer payroll tax expense on equity incentive plans as these expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise. As a result, these taxes may vary in any particular period independent of the financial and operating performance of our business.

(g) Reflects executive compensation expenses for certain roles that were eliminated in connection with our acquisition by the Apax Funds in 2017.

# Reconciliation of Non-GAAP financial measures

(in thousands, except percentages, number of shares and earnings per share)

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
<b>Net (loss) income allocated to common shareholders</b>	\$ (35,125)	\$ 18,078	\$ (83,265)	\$ 73,112
Preferred stock dividends	—	—	59,642	—
Earnings allocated to Preferred Stock	—	1,526	—	6,171
<b>Net (loss) income</b>	<b>(35,125)</b>	<b>19,604</b>	<b>(23,623)</b>	<b>79,283</b>
Unrealized foreign exchange losses (gains)	1,112	(5,516)	5,024	(5,351)
Stock-based compensation	74,518	601	157,946	1,667
Amortization of acquisition-related intangibles	2,995	2,686	12,046	10,537
Acquisition costs (a)	588	633	8,524	633
Certain professional fees (b)	—	—	1,991	56
Non-recurring tender offer compensation expense (c)	—	—	2,715	—
Business rationalization (d)	—	208	—	1,316
IPO-related costs (e)	—	81	2,713	315
Employer payroll tax on employee equity incentive plans (f)	1,154	—	1,154	—
Income tax effects of adjustments (g)	(16,455)	170	(43,090)	(2,073)
<b>Adjusted Net Income</b>	<b>\$ 28,787</b>	<b>\$ 18,467</b>	<b>\$ 125,400</b>	<b>\$ 86,383</b>
<b>GAAP diluted weighted average common shares outstanding</b>	<b>305,121,815</b>	<b>285,722,649</b>	<b>254,271,997</b>	<b>284,582,536</b>
Employee stock options and RSUs	25,359,252	—	20,428,654	—
<b>Adjusted diluted weighted average common shares outstanding</b>	<b>330,481,067</b>	<b>285,722,649</b>	<b>274,700,651</b>	<b>284,582,536</b>
<b>GAAP diluted earnings per common share</b>	<b>\$ (0.12)</b>	<b>\$ 0.06</b>	<b>\$ (0.33)</b>	<b>\$ 0.26</b>
<b>Adjusted Diluted EPS</b>	<b>\$ 0.09</b>	<b>\$ 0.06</b>	<b>\$ 0.46</b>	<b>\$ 0.30</b>
<b>Gross profit, GAAP</b>	<b>\$ 68,404</b>	<b>\$ 82,483</b>	<b>\$ 380,502</b>	<b>\$ 327,815</b>
Stock-based compensation	51,369	—	80,440	—
Employer payroll tax on employee equity incentive plan (f)	98	—	98	—
Depreciation expense	3,234	2,309	11,929	9,049
<b>Adjusted Gross Profit</b>	<b>\$ 123,105</b>	<b>\$ 84,792</b>	<b>\$ 472,969</b>	<b>\$ 336,864</b>
<b>Gross margin, GAAP</b>	<b>23.9 %</b>	<b>40.0 %</b>	<b>35.6 %</b>	<b>40.8 %</b>
<b>Adjusted Gross Margin</b>	<b>42.9 %</b>	<b>41.1 %</b>	<b>44.2 %</b>	<b>41.9 %</b>

(a) Reflects costs for certain professional fees and retention wage expenses related to certain acquisitions.

(b) Adjusts for certain transaction expenses, non-recurring legal expenses, and one-time professional fees.

(c) Adjusts for the additional compensation expense related to the tender offer completed in the first quarter of 2021.

(d) Adjusts for business rationalization revenues and costs related to closing Thoughtworks Studios, which was completely shut down as of December 31, 2020. Thoughtworkers previously associated with Thoughtworks Studios have been transitioned to other revenue generating functions.

(e) Adjusts for IPO-readiness costs and expenses that do not qualify as equity issuance costs.

(f) We exclude employer payroll tax expense on equity incentive plans as these expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise. As a result, these taxes may vary in any particular period independent of the financial and operating performance of our business.

(g) Adjusts for the income tax effects of the foregoing adjusted items.