

Thoughtworks Q1 2023 Investor Presentation

May 9, 2023

**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 revenues and revenue growth, Adjusted EBITDA and Adjusted EBITDA Margin, 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 including such conditions related to inflation and foreign currency exchange rates; 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’ 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 assessable 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 30 years

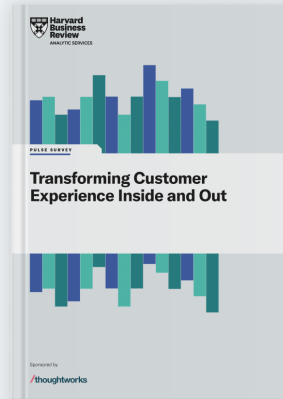
Brand Finance®

IT Services 25 2023

Top five Brand Strength Index in the IT services sector

100+

books written



Through Thoughtworks' 30-year history

1990s	2000-2009	2010-2014	2015-2019	2020-2023
<p>1993 Thoughtworks was founded</p> <p>1999 Guo Xiao and Dr. Rebecca Parsons joined Thoughtworks</p>	<p>2000 Opened offices in Australia and the United Kingdom</p> <p>Led the industry in adopting a distributed agile development approach</p> <p>2001 Opened offices in India and Canada</p> <p>Guo Xiao is featured in The Economist as an early adopter of Extreme Programming (XP)</p> <p>Manifesto for Agile Software Development is published</p> <p>Released CruiseControl open source software</p> <p>2004 Opened offices in China</p> <p>Selenium is developed based on work started internally at Thoughtworks</p> <p>Surpassed 500 Thoughtworkers</p> <p>2005 Established Thoughtworks University</p> <p>2009 Opened offices in Brazil</p> <p>Surpassed 1,000 Thoughtworkers</p>	<p>2010 Opened offices in Germany</p> <p>Published Continuous Delivery: Reliable Software Releases through Build, Test, and Deployment Automation</p> <p>Published first edition of Thoughtworks Technology Radar</p> <p>2012 Opened offices in Singapore</p> <p>Started building Bahmni</p> <p>2013 Opened offices in Ecuador</p> <p>2014 Opened offices in Italy</p> <p>Published Microservices</p> <p>Surpassed \$300m¹ in annual revenues and 3,000 Thoughtworkers</p>	<p>2015 Collaborated with Save the Children in the fight against Ebola</p> <p>Published Building Microservices</p> <p>2016 Opened offices in Spain and Chile</p> <p>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</p> <p>2017 The Apex Funds acquired Thoughtworks</p> <p>Surpassed \$500m¹ in annual revenues</p> <p>2018 Awarded Daimler Supplier of the Year for Innovation for 2017</p> <p>Surpassed 5,000 Thoughtworkers</p> <p>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</p> <p>Surpassed \$700m¹ in annual revenues</p>	<p>2020 Named a strong performer in The Forrester Wave™: Digital Product Development Services, Q2 2020²</p> <p>Committed to the Valuable 500, the global movement putting disability on the business leadership agenda</p> <p>Awarded IT Vendor of the Year 2020 at the UK IT Industry Awards</p> <p>2021 Acquired Gemini and Fourkind</p> <p>Listed as a public company on Nasdaq. Ticker symbol TWKS</p> <p>Surpassed 10,000 Thoughtworkers</p> <p>Published Software Architecture: The Hard Parts</p> <p>2022 Acquired Connected, Canada³</p> <p>Acquired Handmade, Brazil⁴</p> <p>Named a leader in The Forrester Wave™: Modern Application Development Services, Q3 2022⁵</p> <p>Opened office in Vietnam</p> <p>Named a leader in The Forrester Wave™: Cloud Migration and Managed Service Partners in China Q4 2022⁶</p> <p>Named a leader in The Forrester Wave™: Cloud Migration and Managed Service Partners in Asia Pacific, Q4 2022⁵</p> <p>2023 Acquired Itoc, Australia⁷</p> <p>30th anniversary of Thoughtworks</p>

Thoughtworks named a leader in The Forrester Wave™: Modern Application Development Services, Q3 2022⁵

According to the report:

“Thoughtworks is a strong
choice for those committed
to modernizing development
capabilities, keeping up with
continuous modernization, and
building modern products”



Thoughtworks named a leader
in the Forrester Wave™: Cloud
Migration and Managed Service
Partners **in China**, Q4 2022⁶

Thoughtworks named a leader
in the Forrester Wave™: Cloud
Migration and Managed Service
Partners **in Asia Pacific**, Q4 2022⁶



With a growing global presence in 18 countries⁸



Thoughtworks snapshot – Q1 2023

**Q1 2023
revenue**
\$307M
Q1 2022
\$321M

**Revenue
growth¹¹**
(4.3)%
(0.9)% in constant
currency^{11,12,13}

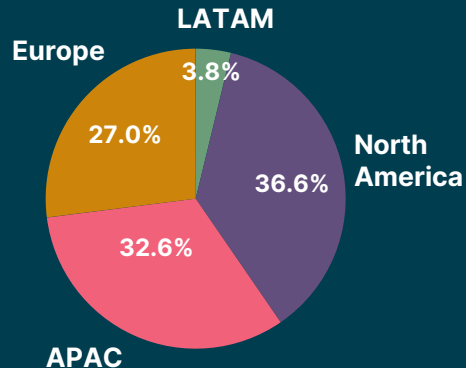
**Adjusted
Gross Margin¹³**
36.4%
Q1 2022
45.6%

**Adjusted
EBITDA¹³**
\$35M
Q1 2022
\$73M

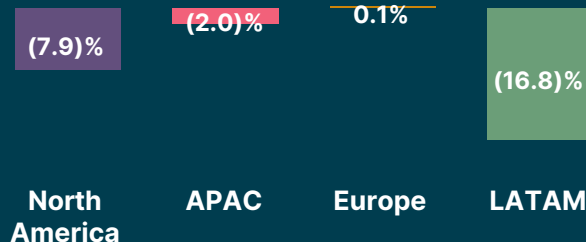
**Adjusted
EBITDA Margin¹³**
11.4%
Q1 2022
22.7%

**Adjusted
Diluted EPS¹³**
\$0.03
Q1 2022
\$0.13

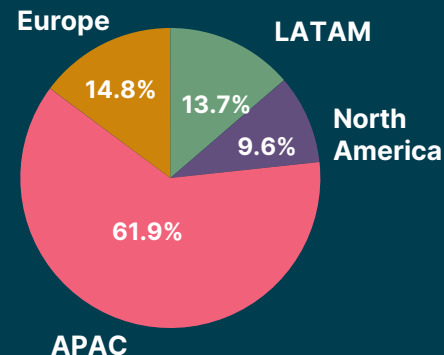
Revenues by customer location¹⁰



Revenue growth by customer location¹¹



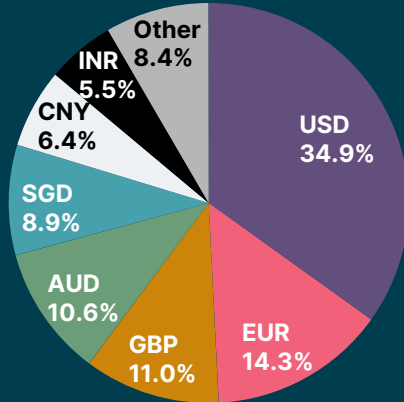
Employees by geography⁹



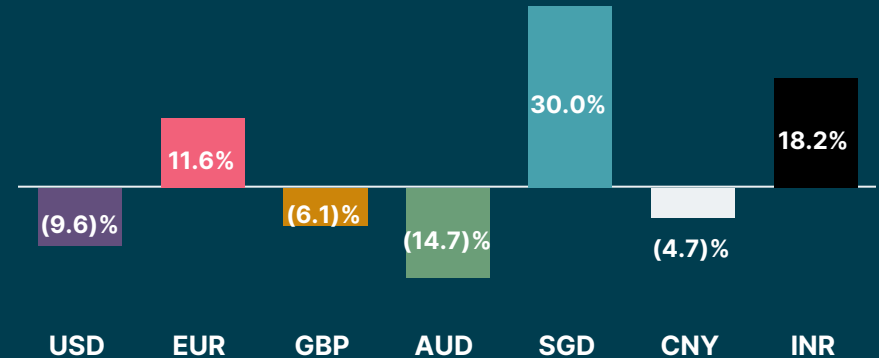
Founded in 1993 | 11,840 employees⁹ | 18 countries | TWKS Nasdaq listed

Q1 2023 revenues by contracted currencies

Contracted currencies as a percentage of total revenues^{10,14}



Revenue growth by contracted currency^{10,15}



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

- 69% of CEOs are investing in deploying technology (e.g. cloud, AI and other advanced tech) over the next 12 months¹⁷
- Worldwide end-user spending on public cloud services forecast to grow 21.7% to total \$597.3 billion in 2023, up from \$491 billion in 2022¹⁸
- 44% of tech execs cite lack of talent in areas like data science and engineering as one of their biggest challenges¹⁹
- AI-centric systems market to grow at 27% CAGR to 2026²⁰
- Customer experience management market growing at 12.3% CAGR to 2026²¹



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

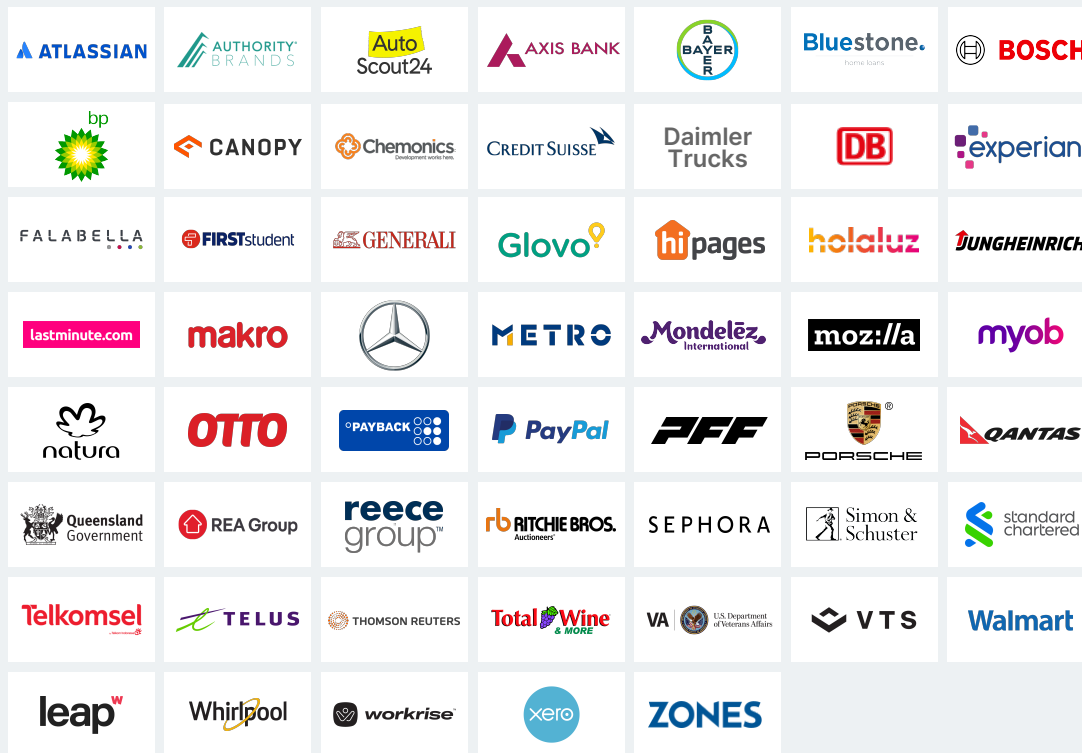
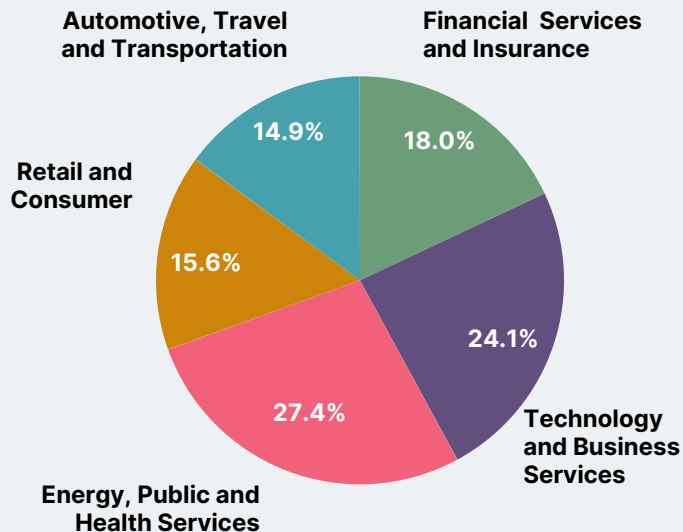
Increasing focus on sustainability requires business to examine their environmental impact and to adopt more sustainable strategies and technologies, such as green cloud optimization

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

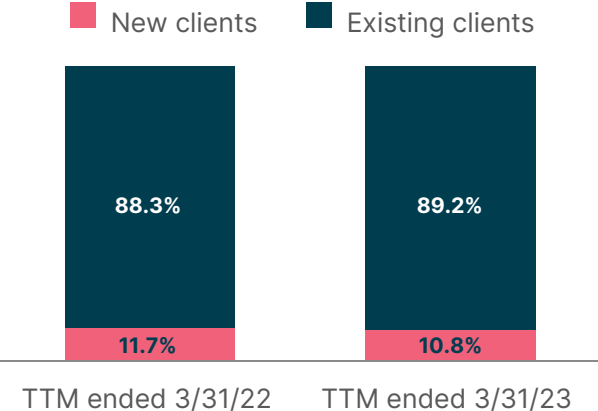
A diverse portfolio across geographies and verticals

Revenues by industry¹⁰

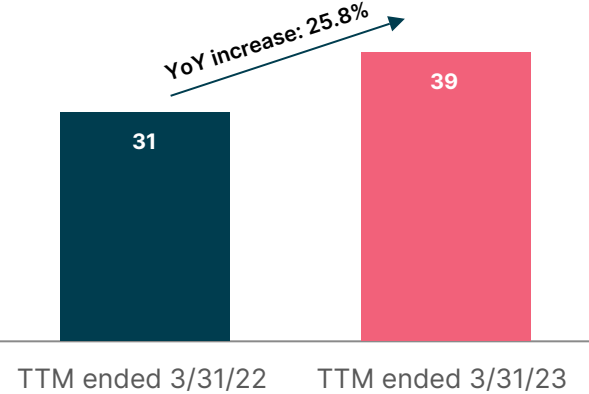


Strong growth and a strong capability to develop client relationships

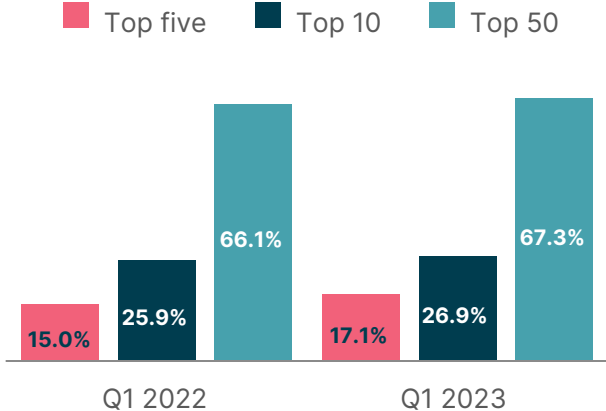
% of trailing twelve month (TTM) revenue from existing clients²²



of clients with TTM revenues of \$10M+



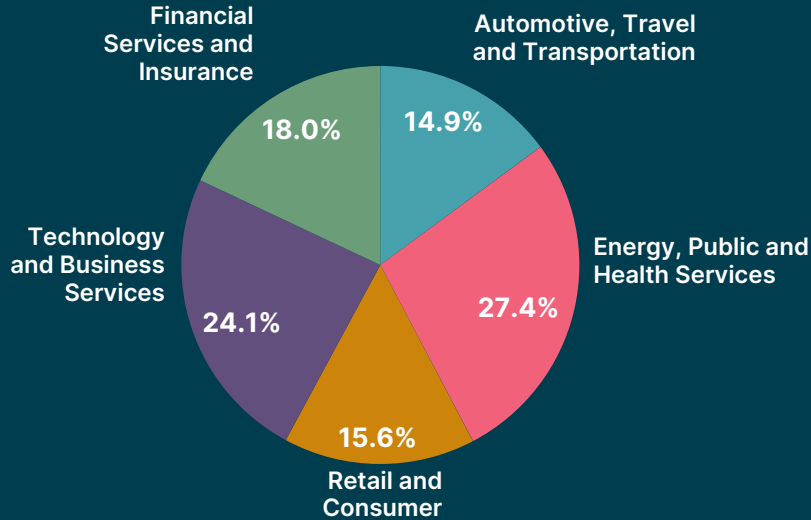
QTD Revenues by client concentration



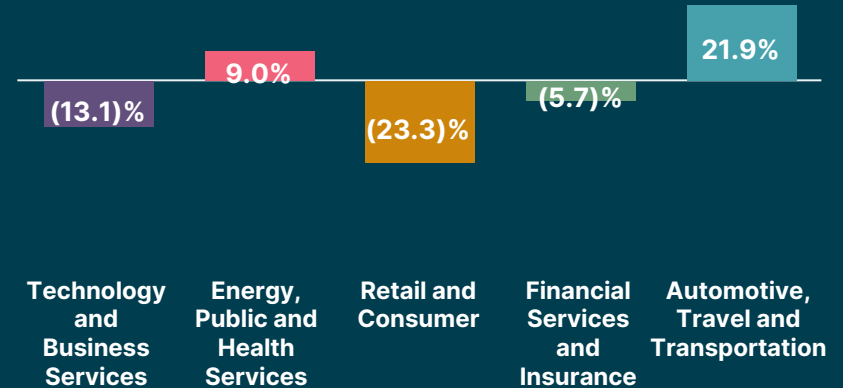
Average relationship of nine years for top 10 clients²³

Diverse revenue base across industry verticals

YTD revenues by industry¹⁰



YTD revenue growth by industry^{10,11}



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 and 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 IT estates, 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

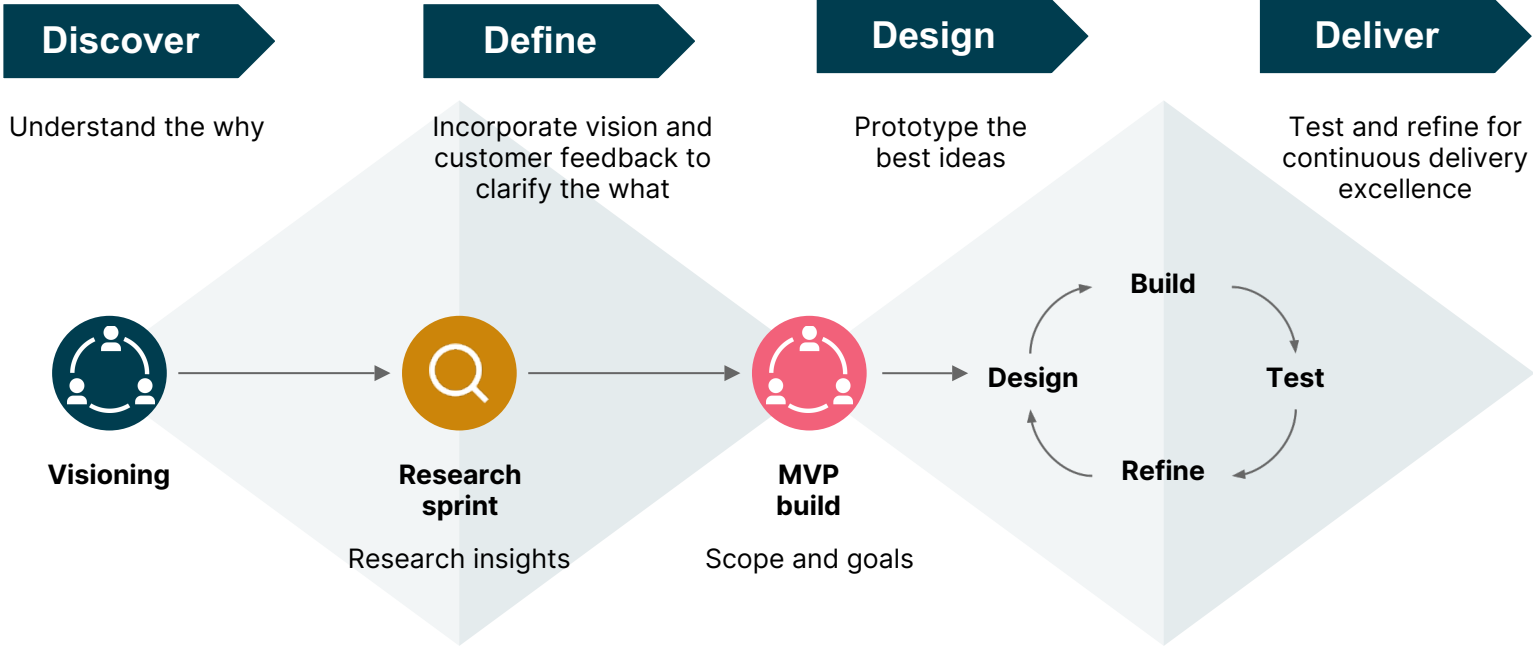
Digital Transformation and Operations

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

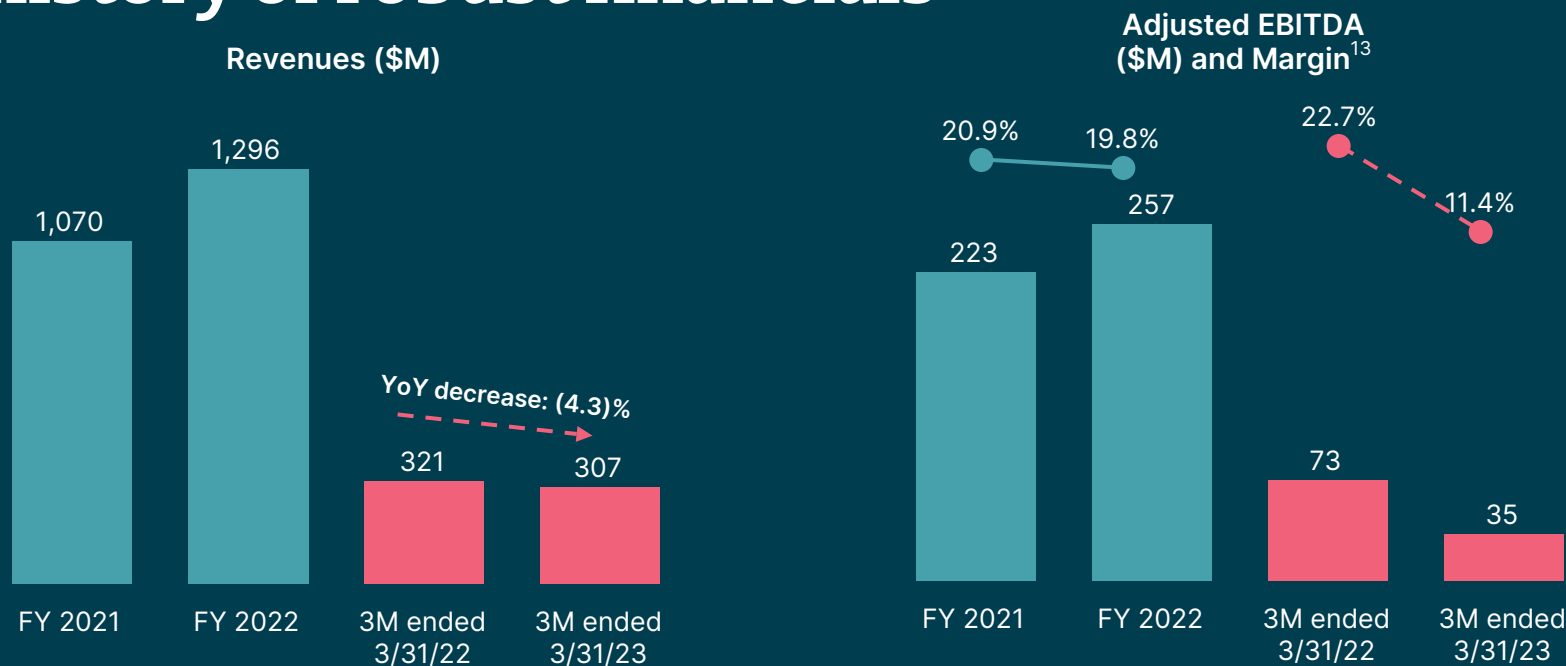
End-to-end digital partner combining strategy, software engineering, design and organizational transformation

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



Three months ended March 31, 2023

Adjusted gross margin¹³

36.4%

Adjusted Diluted EPS¹³

\$0.03

As of March 31, 2023

Debt

\$301M

Cash balance

\$109M

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 of 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 of
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
Former Chief Marketing Officer of
Accenture

Global Management Team - average tenure of 17 years



Guo Xiao
Chief Executive Officer
24-year tenure



Erin Cummins
Chief Financial Officer
18-year tenure



Peter Buhrmann
Regional Managing
Director, Europe
10-year tenure



Carol Cintra
Regional Managing
Director, LATAM
12-year tenure



Martin Fowler
Chief Scientist
23-year tenure



Sai Mandapaty
Chief Commercial
Officer
13-year tenure



Ramona Mateiu
Chief Legal and
Compliance Officer
14-year tenure



Chris Murphy
Chief Executive Officer,
North America
18-year tenure



Joanna Parke
Chief Talent and
Operating Officer
20-year tenure



Rebecca Parsons
Chief Technology Officer
23-year tenure



Sudhir Tiwari
Regional Managing
Director, India &
Middle East
18-year tenure



Kristan Vingrys
Regional Managing
Director, APAC
17-year tenure



Chad Wathington
Chief Strategy Officer
19-year tenure



Julie Woods-Moss
Chief Marketing Officer
4-year tenure



Zhang Song
Co-Managing Director,
China and Global
Service Lines Lead
16-year tenure

Building on an established commitment to ESG

Environmental

- Science Based Targets initiative (SBTi) targets validated
- We expect to cut scope 1 & 2 GHG emissions by 50% by 2030 and scope 3 by 87%²⁴ and to source 100% renewable electricity by 2030
- Co-founder of the Green Software Foundation (GSF)
- Creator of Cloud Carbon Footprint, a multi-cloud, open source cloud emissions calculator
- EcoVadis Silver Sustainability Medal

Social

- Top 5% of the technology industry for diversity and inclusion with a score of 9.0²⁵
- 42.9% women and underrepresented gender minorities (WUGM) globally⁹
- 40.3% WUGM in tech roles⁹
- Member of the Digital Public Goods Alliance: three open source tools recognized as Digital Public Goods
- Responsible tech research with both MIT Technology Review and Mozilla

Governance

- 33% WUGM board of directors⁹
- 40% WUGM global management team⁹
- Separate Chair and CEO
- Independent board members (eight of nine)

ESG reporting
guided by:



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

Our primary focus UN Sustainable Development Goals



Select ongoing partnerships:



AI for equitable access to government support
India



Supporting vulnerable populations
North America



Providing access to education for all
North America



Responsible tech:
Transparency in AI report
Finland

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

Deepen our relationships with existing clients

Establish new client relationships

Develop new technical capabilities and client solutions

Develop and grow our strategic partnerships

Focused geographic expansion

Pursue strategic, targeted acquisitions

Achieved in Q1:

AWS Data and Analytics Competency

Google Cloud Data Analytics Services Specialization

Microsoft Data & AI Solutions Partner

Acquired Itoc, Australia

Acquired Handmade, Brazil

Acquired Connected, Canada

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 adjusted gross margins

6

Robust adjusted EBITDA margins, underpinned by strong historical growth

Premium brand | Strong historical growth | Attractive 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 2022 revenues, which use ASC 606. Our adoption of ASC 606 as of January 1, 2019 did not materially impact our revenues.
2. See: www.thoughtworks.com/about-us/news/2020/named-strong-performer-digital-product-development-services
3. Announced April 27, 2022. See: <https://investors.thoughtworks.com/news-releases/news-release-details/thoughtworks-acquires-leading-product-development-consultancy>
4. Announced August 16, 2022. See: <https://investors.thoughtworks.com/news-releases/news-release-details/thoughtworks-completes-acquisition-handmade-design-boost-cx-and>
5. See: www.thoughtworks.com/what-we-do/enterprise-modernization-platforms-cloud/forrester-wave-modern-application-development-services
6. See: www.thoughtworks.com/en-gb/what-we-do/enterprise-modernization-platforms-cloud/forrester-wave-leader-in-cloud-migration-managed-service-partners
7. Announced February 6, 2023. See: www.thoughtworks.com/about-us/news/2023/thoughtworks-acquires-leading-australian-aws-consultancy--itoc--
8. Employee concentration as of March 31, 2023
9. As of March 31, 2023
10. For the three months ended March 31, 2023
11. Reported YoY percentage growth rates are calculated by comparing to the prior year's corresponding period.
12. 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.
13. 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.
14. Represents contracts with customers by contracted currency, or by sales location.
15. Represents contracts with customers by contracted currency, or by sales location, which are 5% or more of total revenues.
16. Source: IDC's Worldwide Digital Transformation Spending Guide 2023, (V1 2023 forecast), April 2023
17. Source: Reprinted and adapted with permission from "PwC's 26th Annual Global CEO Survey" © 2023 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 for further details.
18. Source: Gartner® press release, [Gartner Forecasts Worldwide Public Cloud End-User Spending to Reach Nearly \\$600 Billion in 2023](https://www.gartner.com/newsroom/id/4011111), April 19, 2023. GARTNER is a registered trademark and service mark of Gartner, Inc. and/or its affiliates in the U.S. and internationally and is used herein with permission. All rights reserved.
19. Source: KPMG Global Tech Report 2022: <https://assets.kpmg/content/dam/kpmg/xx/pdf/2022/09/kpmg-global-tech-report-2022.pdf>
20. Source: IDC press release <https://www.idc.com/getdoc.jsp?containerId=prUS50454123>
21. Source: MarketsandMarkets www.marketsandmarkets.com/Market-Reports/customer-experience-management-cem-market-543.html
22. Defined as clients for whom we have done work and generated revenues in excess of \$25,000 within the preceding twelve months
23. Top 10 clients are determined by spend for the year ended December 31, 2022
24. 87% reduction per employee
25. Peakon employment survey October 2022

Delivering extraordinary impact together



Appendix



Reconciliation of Non-GAAP financial measures

(in thousands, except percentages)

	Three Months Ended March 31,		Year Ended December 31,	
	2023	2022	2022	2021
Net loss	\$ (8,107)	\$ (43,585)	\$ (105,393)	\$ (575)
Income tax expense	7,359	4,328	30,825	16,740
Interest expense	6,862	4,647	22,461	25,456
Other expense (income), net	793	(88)	1,682	1,671
Unrealized foreign exchange gain (loss)	(948)	(5,640)	10,106	5,028
Stock-based compensation	17,679	100,183	249,915	128,302
Depreciation and amortization	9,089	8,582	34,446	29,528
Acquisition costs (a)	1,706	20	4,126	8,524
Certain professional fees (b)	225	803	2,014	1,991
Non-recurring tender offer compensation expense (c)	—	—	—	2,715
IPO-related costs (d)	—	—	—	2,713
Employer payroll related expense on employee equity incentive plan (e)	242	3,622	6,353	1,154
Final tax assessment for closed operations (f)	—	—	258	—
Adjusted EBITDA	\$ 34,900	\$ 72,872	\$ 256,793	\$ 223,247
Net loss margin	(2.6)%	(13.6)%	(8.1)%	(0.1)%
Adjusted EBITDA Margin	11.4 %	22.7 %	19.8 %	20.9 %

(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 IPO-readiness costs and expenses that do not qualify as equity issuance costs.

(e) Adjusts for employer payroll related expense on employee equity incentive plan 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 expenses may vary in any particular period independent of the financial and operating performance of our business.

(f) Adjusts for certain tax related expenses related to final tax assessments from closing operations in Uganda, which was completely shut down in 2015.

Reconciliation of Non-GAAP financial measures

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

	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (8,107)	\$ (43,585)
Unrealized foreign exchange gain	(948)	(5,640)
Stock-based compensation	17,679	100,183
Amortization of acquisition-related intangibles	3,591	2,992
Acquisition costs (a)	1,706	20
Certain professional fees (b)	225	803
Employer payroll related expense on employee equity incentive plan (c)	242	3,622
Income tax effects of adjustments (d)	(4,321)	(14,403)
Adjusted Net Income	\$ 10,067	\$ 43,992
GAAP diluted weighted average common shares outstanding	316,451,601	306,189,816
Employee stock options, RSUs and PSUs	14,830,984	22,971,397
Adjusted diluted weighted average common shares outstanding	331,282,585	329,161,213
GAAP diluted loss per common share	\$ (0.03)	\$ (0.14)
Adjusted Diluted EPS	\$ 0.03	\$ 0.13
Gross profit, GAAP	\$ 97,534	\$ 71,175
Stock-based compensation	10,530	69,909
Employer payroll related expense on employee equity incentive plan (c)	186	2,376
Depreciation expense	3,547	2,736
Adjusted Gross Profit	\$ 111,797	\$ 146,196
Gross margin, GAAP	31.8 %	22.2 %
Adjusted Gross Margin	36.4 %	45.6 %

(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 employer payroll related expense on employee equity incentive plan 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 expenses may vary in any particular period independent of the financial and operating performance of our business.

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