UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-31666

First Advantage Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**84-3884690** **(I.R.S. Employer Identification No.)**
1 Concourse Parkway NE, Suite 200 **Atlanta, GA** **(Address of principal executive offices)**	**30328** **(Zip Code)**

Registrant's telephone number, including area code: (888) 314-9761

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	FA	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 4, 2022, the registrant had 151,929,522 shares of common stock, $0.001 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

First Advantage Corporation
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands, except share and per share amounts)	September 30, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 390,262	$ 292,642
Restricted cash	138	148
Short-term investments	—	941
Accounts receivable (net of allowance for doubtful accounts of $1,126 and $1,258 at September 30, 2022 and December 31, 2021, respectively)	151,197	155,772
Prepaid expenses and other current assets	27,318	14,365
Income tax receivable	2,556	2,292
Total current assets	571,471	466,160
Property and equipment, net	125,623	154,309
Goodwill	791,574	793,892
Trade name, net	72,928	79,585
Customer lists, net	340,556	384,766
Deferred tax asset, net	1,744	1,413
Other assets	18,020	6,456
TOTAL ASSETS	$ 1,921,916	$ 1,886,581
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 52,285	$ 53,977
Accrued compensation	23,470	30,054
Accrued liabilities	17,873	21,829
Current portion of operating lease liability	5,500	—
Income tax payable	1,661	2,573
Deferred revenues	847	873
Total current liabilities	101,636	109,306
Long-term debt (net of deferred financing costs of $8,532 and $9,879 at September 30, 2022 and December 31, 2021, respectively)	556,192	554,845
Deferred tax liability, net	90,842	84,653
Operating lease liability, less current portion	9,947	—
Other liabilities	3,316	5,539
Total liabilities	761,933	754,343
COMMITMENTS AND CONTINGENCIES (Note 12)		
EQUITY		
Common stock - $0.001 par value; 1,000,000,000 shares authorized, 153,169,055 and 152,901,040 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	153	153
Additional paid-in-capital	1,173,787	1,165,163
Accumulated earnings (deficit)	10,769	(31,441)
Accumulated other comprehensive (loss)	(24,726)	(1,637)
Total equity	1,159,983	1,132,238
TOTAL LIABILITIES AND EQUITY	$ 1,921,916	$ 1,886,581

The accompanying notes are an integral part of these condensed consolidated financial statements.

First Advantage Corporation
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)

(in thousands, except share and per share amounts)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
REVENUES	$ 205,986	$ 192,867	$ 597,428	$ 499,763
OPERATING EXPENSES:				
Cost of services (exclusive of depreciation and amortization below)	104,300	94,151	301,023	244,964
Product and technology expense	13,250	11,313	39,969	33,546
Selling, general, and administrative expense	28,034	27,203	87,715	76,256
Depreciation and amortization	34,744	35,812	103,185	106,493
Total operating expenses	180,328	168,479	531,892	461,259
INCOME FROM OPERATIONS	25,658	24,388	65,536	38,504
OTHER EXPENSE, NET:				
Interest expense, net	1,740	4,706	4,002	21,875
Loss on extinguishment of debt	—	—	—	13,938
Total other expense, net	1,740	4,706	4,002	35,813
INCOME BEFORE PROVISION FOR INCOME TAXES	23,918	19,682	61,534	2,691
Provision for income taxes	6,709	3,397	17,076	2,025
NET INCOME	$ 17,209	$ 16,285	$ 44,458	$ 666
Foreign currency translation (loss)	(10,253)	(3,059)	(23,089)	(1,594)
COMPREHENSIVE INCOME (LOSS)	$ 6,956	$ 13,226	$ 21,369	$ (928)
NET INCOME	$ 17,209	$ 16,285	$ 44,458	$ 666
Basic net income per share	$ 0.11	$ 0.11	$ 0.29	$ 0.00
Diluted net income per share	$ 0.11	$ 0.11	$ 0.29	$ 0.00
Weighted average number of shares outstanding - basic	150,930,340	149,943,998	150,740,518	137,232,289
Weighted average number of shares outstanding - diluted	152,357,307	152,400,419	152,375,212	138,170,488

The accompanying notes are an integral part of these condensed consolidated financial statements.

First Advantage Corporation
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Nine Months Ended September 30, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 44,458	$ 666
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	103,185	106,493
Loss on extinguishment of debt	—	13,938
Amortization of deferred financing costs	1,347	5,496
Bad debt (recovery)	(6)	(163)
Deferred taxes	5,536	(4,465)
Share-based compensation	5,824	4,569
Loss (gain) on foreign currency exchange rates	115	(281)
Loss on disposal of property and equipment	197	80
Change in fair value of interest rate swaps	(11,376)	(845)
Changes in operating assets and liabilities:		
Accounts receivable	3,063	(35,815)
Prepaid expenses and other assets	700	(14,096)
Accounts payable	165	1,547
Accrued compensation and accrued liabilities	(9,337)	5,898
Deferred revenues	(116)	73
Operating lease liabilities	(773)	—
Other liabilities	1,055	509
Income taxes receivable and payable, net	(1,195)	256
Net cash provided by operating activities	142,842	83,860
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in short-term investments	826	305
Acquisitions of businesses, net of cash acquired	(19,044)	(7,588)
Purchases of property and equipment	(6,034)	(5,743)
Capitalized software development costs	(16,320)	(11,966)
Proceeds from disposal of property and equipment	46	—
Net cash used in investing activities	(40,526)	(24,992)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock in initial public offering, net of underwriting discounts and commissions	—	320,559
Payments of initial public offering issuance costs	—	(3,848)
Shareholder distribution	—	(313)
Capital contributions	—	241
Share repurchases	(2,248)	—
Borrowings from Successor First Lien Credit Facility	—	261,413
Repayments of Successor First Lien Credit Facility	—	(363,875)
Repayment of Successor Second Lien Credit Facility	—	(146,584)
Payments of debt issuance costs	—	(1,257)
Payments on capital and finance lease obligations	(673)	(1,286)
Payments on deferred purchase agreements	(704)	(533)
Proceeds from issuance of common stock under share-based compensation plans	3,090	187
Net settlement of share-based compensation plan awards	(292)	(332)
Net cash (used in) provided by financing activities	(827)	64,372
Effect of exchange rate on cash, cash equivalents, and restricted cash	(3,879)	(522)
Increase in cash, cash equivalents, and restricted cash	97,610	122,718
Cash, cash equivalents, and restricted cash at beginning of period	292,790	152,970
Cash, cash equivalents, and restricted cash at end of period	$ 390,400	$ 275,688
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds received	$ 11,321	$ 6,069
Cash paid for interest	$ 17,640	$ 18,362
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Offering costs included in accounts payable and accrued liabilities	$ —	$ 187
Property and equipment acquired on account	$ 105	$ 2,796

The accompanying notes are an integral part of these condensed consolidated financial statements.

First Advantage Corporation
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

(in thousands)	Common Stock	Additional Paid-In-Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive (Loss)	Total Stockholders' Equity
BALANCE – December 31, 2021	$ 153	$ 1,165,163	$ (31,441)	$ (1,637)	$ 1,132,238
Share-based compensation	—	1,859	—	—	1,859
Proceeds from issuance of common stock under share-based compensation plans	0	547	—	—	547
Foreign currency translation	—	—	—	(1,517)	(1,517)
Net income	—	—	13,013	—	13,013
BALANCE – March 31, 2022	$ 153	$ 1,167,569	$ (18,428)	$ (3,154)	$ 1,146,140
Share-based compensation	—	1,943	—	—	1,943
Proceeds from issuance of common stock under share-based compensation plans	0	723	—	—	723
Common stock withheld for tax obligations on restricted stock unit settlement	—	(98)	—	—	(98)
Foreign currency translation	—	—	—	(11,319)	(11,319)
Net income	—	—	14,236	—	14,236
BALANCE – June 30, 2022	$ 153	$ 1,170,137	$ (4,192)	$ (14,473)	$ 1,151,625
Share-based compensation	—	2,022	—	—	2,022
Repurchases of common stock	0	—	(2,248)	—	(2,248)
Proceeds from issuance of common stock under share-based compensation plans	0	1,820	—	—	1,820
Common stock withheld for tax obligations on restricted stock unit and option settlement	0	(192)	—	—	(192)
Foreign currency translation	—	—	—	(10,253)	(10,253)
Net income	—	—	17,209	—	17,209
BALANCE – September 30, 2022	$ 153	$ 1,173,787	$ 10,769	$ (24,726)	$ 1,159,983

(in thousands)	Common Stock	Additional Paid-In-Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
BALANCE – December 31, 2020	$ 130	$ 839,148	$ (47,492)	$ 2,484	$ 794,270
Share-based compensation	—	562	—	—	562
Foreign currency translation	—	—	—	2,760	2,760
Net (loss)	—	—	(19,389)	—	(19,389)
BALANCE – March 31, 2021	$ 130	$ 839,710	$ (66,881)	$ 5,244	$ 778,203
Share-based compensation	—	2,664	—	—	2,664
Capital contributions	—	241	—	—	241
Issuance of common stock in connection with initial public offering, net of offering costs, underwriting discounts and commissions	23	316,502	—	—	316,525
Shareholder distribution	—	(313)	—	—	(313)
Foreign currency translation	—	—	—	(1,295)	(1,295)
Net income	—	—	3,770	—	3,770
BALANCE – June 30, 2021	$ 153	$ 1,158,804	$ (63,111)	$ 3,949	$ 1,099,795
Share-based compensation	—	1,343	—	—	1,343
Proceeds from issuance of common stock under share-based compensation plans	—	187	—	—	187
Common stock withheld for tax obligations and net settlement of stock option exercise	—	(332)	—	—	(332)
Foreign currency translation	—	—	—	(3,059)	(3,059)
Net income	—	—	16,285	—	16,285
BALANCE – September 30, 2021	$ 153	$ 1,160,002	$ (46,826)	$ 890	$ 1,114,219

The accompanying notes are an integral part of these condensed consolidated financial statements.

Note 1. Organization, Nature of Business, and Basis of Presentation

First Advantage Corporation, a Delaware corporation, was formed on November 15, 2019. Hereafter, First Advantage Corporation and its subsidiaries will collectively be referred to as the "Company".

The Company derives its revenues from a variety of background check and compliance services performed across all phases of the workforce lifecycle from pre-onboarding services to post-onboarding and ongoing monitoring services, covering employees, contractors, contingent and extended workers, drivers, tenants, and volunteers. We generally classify our service offerings into three categories: pre-onboarding, post-onboarding, and adjacent products.

Pre-onboarding services are comprised of an extensive array of products and solutions that customers typically utilize to enhance their evaluation process and support compliance from the time a job or other application is submitted to a successful applicant's onboarding date. This includes searches such as criminal background checks, drug / health screenings, extended workforce screening, biometrics and identity checks, education / workforce verification, driver records and compliance, healthcare credentials, and executive screening.

Post-onboarding services are comprised of continuous monitoring and re-screening solutions which are important tools to help keep their end customers, workforces, and other stakeholders safer, productive, and compliant. Our post-monitoring solutions include criminal records, healthcare sanctions, motor vehicle records, social media, and global sanctions screening continuously or at regular intervals selected by our customers.

Adjacent products include products that complement our pre-onboarding and post-onboarding products and solutions. This includes fleet / vehicle compliance, hiring tax credits and incentives, resident / tenant screening, employment eligibility, and investigative research.

Basis of Presentation —The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated. The Company includes the results of operations of acquired companies prospectively from the date of acquisition.

The condensed consolidated financial statements included herein are unaudited, but in the opinion of management, such financial statements include all adjustments, consisting of normal recurring adjustments, necessary to summarize fairly the Company's financial position, results of operations, and cash flows for the interim periods presented. The interim results reported in these condensed consolidated financial statements should not be taken as indicative of results that may be expected for future interim periods or the full year. For a more comprehensive understanding of the Company and its condensed consolidated financial statements, these interim financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

The Company has historically experienced seasonality with respect to certain customer industries as a result of fluctuations in hiring volumes and other economic activities. Generally, the Company's highest revenues have historically occurred between October and November of each year, driven by many customers' pre-holiday season hiring initiatives.

Segments — Operating segments are businesses for which separate financial information is available and evaluated regularly by our chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance.

During the first quarter of 2022, the Company made organizational changes and modified information provided to its CODM to better align with how its CODM assesses performance and allocates resources. As a result, the Company now has two reportable segments, Americas and International:

- Americas provides technology solutions for screening, verifications, safety, and compliance in the United States, Canada, and Latin America markets; and
- International provides technology solutions for screening, verifications, safety, and compliance outside of the Americas.

Accordingly, prior period results have been recast to conform to the current presentation of segments. These changes do not impact the Company's consolidated results.

The Company's segment disclosure is intended to provide the users of its consolidated financial statements with a view of the business that is consistent with management of the Company. Details of segment results are discussed in Note 16, "Reportable Segments."

Use of Estimates — The preparation of the condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Changes in these estimates and assumptions may have a material impact on the condensed consolidated financial statements and accompanying notes.

Significant estimates, judgments, and assumptions, include, but are not limited to, the determination of the fair value and useful lives of assets acquired and liabilities assumed through business combinations, the impairment of long-lived assets, goodwill impairment, collectability of receivables, revenue recognition, capitalized software, assumptions used for purposes of determining share-based compensation and income tax liabilities and assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Note 2. Summary of Significant Accounting Policies

Fair Value of Financial Instruments — Certain financial assets and liabilities are reported at fair value in the accompanying consolidated balance sheets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*. ASC 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation techniques required by ASC 820 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 — Quoted prices for identical instruments in active markets.

Level 2 — Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 — Significant inputs to the valuation model are unobservable (supported by little or no market activities). These inputs may be used with internally developed methodologies that reflect the Company's best estimate of fair value from a market participant.

The fair value of an asset is considered to be the price at which the asset could be sold in an orderly transaction between unrelated knowledgeable and willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, rather than the amount that would be paid to settle the liability with the creditor. Assets and liabilities recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

The carrying amounts of cash and cash equivalents, short-term investments, receivables, short-term debt, and accounts payable approximate fair value due to the short-term maturities of these financial instruments (Level 1). The fair values and carrying values of the Company's long-term debt are disclosed in Note 6.

The following table presents information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy as of September 30, 2022 (in thousands):

	Level 1	Level 2	Level 3
Assets			
Interest rate swaps	$ —	$ 11,754	$ —

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Other intangible assets are subject to nonrecurring fair value measurement as the result of business acquisitions. The fair values of these assets were estimated using the present value of expected future cash flows through unobservable inputs (Level 3).

Business Combinations — The Company records business combinations using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed are recorded at their acquisition-date fair values. The excess of the purchase price over the estimated fair value is recorded as goodwill. Changes in the estimated fair values of net assets recorded for acquisitions prior to the finalization of more detailed analysis, but not to exceed one year from the date of acquisition, will adjust the amount of the purchase price allocable to goodwill. Measurement period adjustments are reflected in the period in which they occur.

In valuing the trade names, customer lists, and software developed for internal use, the Company utilizes variations of the income approach, which relies on historical financial and qualitative information, as well as assumptions and estimates for projected financial information. The Company considers the income approach the most appropriate valuation technique because the inherent value of these assets is their ability to generate current and future income. Projected financial information is subject to risk if estimates are incorrect. The most significant estimate relates to projected revenues and profitability. If the projected revenues and profitability used in the valuation calculations are not met, then the asset could be impaired.

Goodwill, Trade Name, and Customer Lists — The Company tests goodwill for impairment annually as of December 31 or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or indefinite-lived intangible asset below its carrying value. Goodwill is tested for impairment at the reporting unit level using a fair value approach. At December 31, 2021, the Company had two reporting units comprised of the Americas and International. When testing goodwill for impairment, the Company may first perform an optional qualitative assessment. If the Company determines it is not more likely than not the reporting unit's fair value is less than its carrying value, then no further analysis is necessary. If the Company determines that it is more likely than not that the fair value of its reporting unit is less than its carrying amount, then the quantitative impairment test will be performed. Under the quantitative impairment test, if the carrying amount of the Company's reporting unit exceeds its fair value, the Company will recognize an impairment loss in an amount equal to that excess but limited to the total amount of goodwill. No impairment charges have been required.

The Company's trade name is amortized on an accelerated basis over its expected useful life of twenty years. The Company recorded $1.9 million and $2.0 million of amortization expense related to the trade name for the three months ended September 30, 2022 and 2021, respectively. Amortization expense related to the trade name was $5.7 million and $6.0 million for the nine months ended September 30, 2022 and 2021, respectively.

Customer lists are amortized on an accelerated basis based upon their estimated useful life of thirteen to fourteen years. The Company recorded $15.1 million and $16.4 million of amortization expense related to customer lists for the three months ended September 30, 2022 and 2021, respectively. Amortization expense related to customer lists was $45.6 million and $49.1 million for the nine months ended September 30, 2022 and 2021, respectively.

The Company regularly evaluates the amortization period assigned to each intangible asset to determine whether there have been any events or circumstances that warrant revised estimates of useful lives. In December 2021, and since that time, the Company determined that there have been no triggering events that would require impairment of trade names or customer lists.

Revenue Recognition — Revenues are recognized when control of the Company's services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. In accordance with ASC 606, *Revenue from Contracts with Customers*, which was adopted as of January 1, 2019 using the modified retrospective method, revenues are recognized based on the following steps:

a) Identify the contract with a customer

b) Identify the performance obligations in the contract

c) Determine the transaction price

d) Allocate the transaction price to the performance obligations in the contract

e) Recognize revenue when (or as) the entity satisfies a performance obligation

A substantial majority of the Company's revenues are derived from pre-onboarding and related services to our customers on a transactional basis, in which an individual background screening package or selection of services is ordered by a customer related to a single individual. Substantially all of the Company's customers are employers, staffing companies, and other businesses or organizations. The Company satisfies its performance obligations and recognizes revenues for services rendered as the orders are completed and the completed reports are transmitted, or otherwise made available. The Company's remaining services, substantially consisting of tax consulting, fleet management, and driver qualification services, are delivered over time as the customer simultaneously receives and consumes the benefits of the services delivered. To measure the Company's performance over time, the output method is utilized to measure the value to the customer based on the transfer to date of the services promised, with no rights of return once consumed. In these cases, revenues on transactional contracts with a defined price but an undefined quantity are recognized utilizing the right to invoice expedient resulting in revenues being recognized when the service is provided and becomes billable. Additionally, under this practical expedient, the Company is not required to estimate the transaction price.

The Company considers negotiated and anticipated incentives and estimated adjustments, including historical collections experience, when recording revenues.

The Company's contracts with customers generally include standard commercial payment terms acceptable in each region, and do not include any financing components. The Company does not have any significant obligations for refunds, warranties, or similar obligations. The Company records revenues net of sales taxes. Due to the Company's contract terms and the nature of the background screening industry, the Company determined its contract terms for ASC 606 purposes are less than one year. As a result, the Company uses the practical expedient which allows it to expense incremental costs of obtaining a contract, primarily consisting of sales commissions, as incurred.

The Company records third-party pass-through fees incurred as part of screening related services on a gross revenue basis, with the related expense recorded as a cost of services expense, as the Company has control over the transaction and is therefore considered to be acting as a principal. The Company records motor vehicle registration and other tax payments paid on behalf of the Company's fleet management customers on a net revenue basis as the Company does not have control over the transaction and therefore, is considered to be acting as an agent of the customer. Amounts received from fleet management customers are recorded in cash and cash equivalents in the accompanying consolidated balance sheets as the funds are not legally restricted.

Contract balances are generated when the revenues recognized in a given period varies from billing. A contract asset is created when the Company performs a service for a customer and recognizes more revenues than what has been billed. Contract assets are included in accounts receivable in the accompanying condensed consolidated balance sheets. A contract liability is created when the Company transfers a good or service to a customer and recognizes less than what has been billed. The Company recognizes these contract liabilities as deferred revenues when the Company has an obligation to perform services for a customer in the future and has already received consideration from the customer. Contract liabilities are included in deferred revenues in the accompanying condensed consolidated balance sheets.

Foreign Currency — The functional currency of all of the Company's foreign subsidiaries is the applicable local currency. The translation of the applicable foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenues and expense accounts using average exchange rates prevailing during the fiscal year. Adjustments resulting from the translation of foreign currency financial statements are accumulated net of tax in a separate component of equity. Currency translation (loss) income included in accumulated other comprehensive income (loss) was approximately $(10.3) million and $(3.1) million for the three months ended September 30, 2022 and 2021, respectively. Currency translation (loss) income included in accumulated other comprehensive income (loss) was approximately $(23.1) million and $(1.6) million for the nine months ended September 30, 2022 and 2021, respectively.

Gains or losses resulting from foreign currency transactions are included in the accompanying condensed consolidated statements of operations and comprehensive income (loss), except for those relating to intercompany transactions of a long-term investment nature, which are captured in a separate component of equity as accumulated other comprehensive income (loss). Currency transaction income included in the accompanying condensed consolidated statements of operations and comprehensive income (loss) was approximately $1.1 million and $(0.2) million for the three months ended September 30, 2022 and 2021, respectively. Currency transaction income included in the accompanying condensed consolidated statements of operations and comprehensive income (loss) was approximately $2.4 million and $0.1 million for the nine months ended September 30, 2022 and 2021, respectively.

Recent Accounting Pronouncements — The Company qualifies as an emerging growth company under the Jumpstart Our Business Startups ("JOBS") Act. The JOBS Act permits the Company an extended transition period for complying with new or revised accounting standards affecting public companies. The Company has elected to use this extended transition period and adopt certain new accounting standards on the private company timeline, which means that the Company's financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards on a non-delayed basis.

There were no accounting pronouncements issued during the nine months ended September 30, 2022 that are expected to have a material impact on the condensed consolidated financial statements.

Recently Adopted Accounting Pronouncements — In February 2016, the FASB issued ASU 2016-02, *Leases*, and subsequently issued additional ASUs amending this ASU (collectively ASC 842, *Leases*). ASC 842 was issued to increase transparency and comparability among organizations by requiring the recognition of right of use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted the provisions of ASC 842 on January 1, 2022 using a modified retrospective approach through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption in line with the new transition method allowed under ASU 2018-11. ASC 842 provides a number of optional practical expedients in transition. The Company elected the "package of practical expedients" which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. The Company did not elect the use-of-hindsight and elected the practical expedient pertaining to land easements. The new standard also provides practical expedients for an entity's ongoing accounting for leases. The Company elected the short-term lease exemption for all leases that qualify, meaning the Company will not recognize ROU assets or lease liabilities for leases with terms shorter than twelve months. The Company also elected the practical expedient to not separate lease and non-lease components for a majority of its asset classes, including real estate and most equipment.

The adoption of ASC 842 had a material impact on the Company's condensed consolidated balance sheets but did not have a material impact on our condensed consolidated statements of operations or cash flow. The most significant impact was the recognition of ROU assets of $12.7 million and lease liabilities for operating leases of $15.0 million based on the present value of the future minimum rental payments for existing operating leases. The difference in the balances is due to deferred rent, tenant incentive allowances, and prepaid amounts taken into account for adoption. Our accounting for finance leases, described in Note 13, remained unchanged.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU removes specific exceptions to the general principles in Topic 740. Among other things it eliminates the need for an organization to analyze whether the following apply in a given period: exception to the incremental approach for intra-period tax allocation; exceptions to accounting for basis differences when there are ownership changes in foreign investments; and exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses. This amendment also improves financial statement preparers' application of income tax-related guidance and simplifies GAAP for: franchise taxes that are partially based on income; transactions with a government that result in a step up in the tax basis of goodwill; separate financial statements of legal entities that are not subject to tax; and enacted changes in tax laws in interim periods. Adoption of this standard on January 1, 2022 did not have a material impact on the condensed consolidated financial statements.

Note 3. Acquisitions

2021 Acquisitions

On March 31, 2021, the Company completed its acquisition of selected assets and specified liabilities comprising the United Kingdom background screening business unit of a United Kingdom based company for cash consideration of $7.6 million. The Company recognized $3.1 million of goodwill and $3.0 million of intangible assets subject to amortization. Goodwill recognized is primarily attributable to assembled workforce and the expected growth of the Company and is not deductible for tax purposes. Results of operations have been included in the condensed consolidated financial statements of the Company's International segment since the closing date.

On November 30, 2021, the Company completed its acquisition of a background screening and verification provider based in Mexico. Goodwill recognized as result of this acquisition was not deductible for tax purposes. Results of operations have been included in the condensed consolidated financial statements of the Company's Americas segment since the closing date.

On November 30, 2021, the Company, through one of its wholly-owned subsidiaries in the United States, entered into an agreement to acquire 100% of the outstanding equity of Corporate Screening Services, LLC ("Corporate Screening"), a U.S.-based screening and compliance solutions provider which strengthened the Company's healthcare and higher education solutions by adding technology and expertise tailored to those customers, for cash consideration of $39.4 million. The acquisition was considered an acquisition of assets for tax purposes and, accordingly, a significant portion of the $22.2 million of goodwill recognized was deductible for tax purposes. Identifiable intangible assets related to this acquisition totaled $15.5 million, of which $11.8 million was attributable to a customer related intangible asset, with an estimated useful life of fourteen years and $3.6 million was attributable to developed technology with a useful life of five years. In addition, the Company acquired current assets of $2.9 million and assumed liabilities of $1.6 million. The allocation was finalized as of June 30, 2022. Results of operations have been included in the condensed consolidated financial statements of the Company's Americas segment since the closing date.

2022 Acquisition

The Company completed its asset purchase of Form I-9 Compliance, a U.S.-based technology solution and consulting service provider for I-9 and E-Verify compliance, for cash consideration of approximately $19.8 million. The transfer of ownership became effective as of January 1, 2022 and strategically expands the Company's product suite offerings through the addition of new I-9 and employment eligibility solutions. The acquired assets were determined to constitute a business and the Company was deemed to be the acquirer under ASC 805. The Company recorded a preliminary allocation of the purchase price to assets acquired and liabilities assumed based on their estimated fair values as of January 1, 2022. The allocation was finalized as of September 30, 2022 and no adjustments were recorded to the Company's previously recognized fair values.

The allocation of the purchase price is based on the fair value of assets acquired and liabilities assumed as of the acquisition date. The following table summarizes the consideration paid and the amounts recognized for the assets acquired and liabilities assumed (in thousands):

Consideration		
Cash, net of cash acquired	$	19,087
Total fair value of consideration transferred	$	19,087
Current assets	$	1,151
Property and equipment, including software developed for internal use		3,045
Customer lists		6,100
Current liabilities		(325)
Total identifiable net assets	$	9,971
Goodwill	$	9,116

Goodwill recognized in the acquisition of Form I-9 Compliance is deductible for tax purposes. Results of operations have been included in the condensed consolidated financial statements of the Company's Americas segment since the effective date of the acquisition.

Note 4. Property and Equipment, net

Property and equipment, net as of September 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Furniture and equipment	$ 23,785	$ 20,462
Capitalized software for internal use, acquired by business combination	227,405	225,005
Capitalized software for internal use, developed internally or otherwise purchased	54,039	37,326
Leasehold improvements	2,906	3,001
Total property and equipment	308,135	285,794
Less: accumulated depreciation and amortization	(182,512)	(131,485)
Property and equipment, net	$ 125,623	$ 154,309

Depreciation and amortization expense of property and equipment was approximately $17.7 million and $17.4 million for the three months ended September 30, 2022 and 2021, respectively. Depreciation and amortization expense of property and equipment was approximately $51.9 million and $51.4 million for the nine months ended September 30, 2022 and 2021, respectively.

Note 5. Goodwill, Trade Name, and Customer Lists

The changes in the carrying amount of goodwill for the nine months ended September 30, 2022 by reportable segment were as follows (in thousands):

	Americas	International	Total
Balance – December 31, 2021	$ 668,048	$ 125,844	$ 793,892
Acquisitions	9,116	—	9,116
Adjustments to initial purchase price allocations	(167)	—	(167)
Foreign currency translation	144	(11,411)	(11,267)
Balance – September 30, 2022	$ 677,141	$ 114,433	$ 791,574

The following summarizes the gross carrying value and accumulated amortization for the Company's trade name and customer lists as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Useful Life (in years)
Trade name	$ 93,809	$ (20,881)	$ 72,928	20 years
Customer lists	514,894	(174,338)	340,556	13-14 years
Total	$ 608,703	$ (195,219)	$ 413,484	

	December 31, 2021			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Useful Life (in years)
Trade name	$ 95,026	$ (15,441)	$ 79,585	20 years
Customer lists	515,524	(130,758)	384,766	14 years
Total	$ 610,550	$ (146,199)	$ 464,351	

Amortization expense of trade name and customer lists was approximately $17.0 million and $18.4 million for the three months ended September 30, 2022 and 2021, respectively. Amortization expense of trade name and customer lists was approximately $51.3 million and $55.1 million for the nine months ended September 30, 2022 and 2021, respectively.

Note 6. Long-term Debt

The fair value of the Company's long-term debt obligations approximated their book value as of September 30, 2022 and December 31, 2021 and consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Successor First Lien Credit Facility	$ 564,724	$ 564,724
Less: Deferred financing costs	(8,532)	(9,879)
Long-term debt, net	$ 556,192	$ 554,845

In February 2020, a new financing structure was established consisting of a new First Lien Credit Agreement ("Successor First Lien Agreement") and a new Second Lien Credit Agreement ("Successor Second Lien Agreement") (collectively, the "Successor Credit Agreements"). The Successor First Lien Agreement provided financing in the form of a $670.0 million term loan due January 31, 2027, carrying an interest rate of 3.25% to 3.50%, based on the first lien leverage ratio, plus LIBOR ("Successor First Lien Credit Facility") and a new $75.0 million revolving credit facility due January 31, 2025 ("Successor Revolver"). The Successor First Lien Credit Facility required mandatory quarterly repayments of 0.25% of the original loan balance commencing September 30, 2020. Beginning with the year ending December 31, 2021, the Successor First Lien Credit Facility required mandatory payments based on calculated excess cash flow, as defined within the Successor First Lien Credit Agreement. The Successor Second Lien Agreement provided financing in the form of a $145.0 million term loan due January 31, 2028, carrying an interest rate of 8.50% plus LIBOR ("Successor Second Lien Credit Facility"). The Successor Credit Agreements are collateralized by substantially all assets and capital stock owned by direct and indirect domestic subsidiaries and are governed by certain restrictive covenants including limitations on indebtedness, liens, and other corporate actions such as investments and acquisitions. In the event the Company's outstanding indebtedness under the Successor Revolver exceeds 35% of the aggregate principal amount of the revolving commitments then in effect, it is required to maintain a consolidated first lien leverage ratio no greater than 7.75 to 1.00.

In February 2021, the Company refinanced its Successor First Lien Credit Facility at an increased principal amount of $766.6 million due January 31, 2027, carrying a reduced interest rate of 3.00% to 3.25%, based on the first lien leverage ratio, plus LIBOR. No changes were made to the associated revolving credit facility due January 31, 2025. In connection with the refinancing of the Successor First Lien Credit Facility, the Company fully repaid its Successor Second Lien Credit Facility. As a result of these transactions the Company recorded a total loss on extinguishment of debt of $13.9 million, composed of the write-off of unamortized deferred financing costs plus a prepayment premium, accrued interest, and other fees.

In connection with the closing of the Company's initial public offering ("IPO"), on June 30, 2021, the Company repaid $200.0 million of its Successor First Lien Credit Facility outstanding, of which $44.3 million was applied to the remaining quarterly principal payments due under the Successor First Lien Agreement. As a result of the IPO, the Company's interest rate under the Successor First Lien Credit Facility was reduced by 0.25% to a range of 2.75% to 3.00%, based on the first lien ratio, plus LIBOR. The remaining $564.7 million term loan is scheduled to mature on January 31, 2027. As a result of the prepayment, the Company recorded additional interest expense of $3.7 million associated with the accelerated amortization of the related deferred financing costs.

Additionally, in connection with the closing of the IPO, the Company entered into an amendment that increased the borrowing capacity under the Successor Revolver from $75.0 million to $100.0 million and extended the maturity date from January 31, 2025 to July 31, 2026. As of September 30, 2022, the Company had no outstanding amounts under the Successor Revolver, and therefore, was not subject to the consolidated first lien leverage ratio covenant and was compliant with all other covenants under the agreement.

Note 7. Derivatives

In February 2020, the Company entered into an interest rate collar agreement with a counterparty bank in order to reduce its exposure to interest rate volatility. In this agreement, the Company and the counterparty bank agreed to a one-month USD LIBOR floor of 0.48% and a cap of 1.50% on a portion of the Company's Successor First Lien Facility. The notional amount of this agreement was $405.0 million through February 2022 at which time the notional amount was reduced to $300.0 million through February 2024.

The following is a summary of location and fair value of the financial position recorded related to the derivative instruments (in thousands):

Derivatives not designated as hedging instruments	Balance Sheet Location	Fair Value: As of September 30, 2022	Fair Value: As of December 31, 2021
Interest rate swaps	Prepaid expenses and other current assets	$ 11,754	$ 197

The following is a summary of location and amount of gains and (losses) recorded related to the derivative instruments (in thousands):

Derivatives not designated as hedging instruments	Income Statement Location	Gain/(Loss): Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Interest rate swaps	Interest expense, net	$ 3,998	$ (108)	$ 11,376	$ 845

Note 8. Income Taxes

The Company's income tax expense and balance sheet accounts reflect the results of the Company and its subsidiaries.

For the three and nine months ended September 30, 2022, the Company estimated the annual effective tax rate based on projected income for the full year and recorded a quarterly tax provision in accordance with the annual effective tax rate and adjusted for discrete tax items in the period.

The effective income tax rate for the three and nine months ended September 30, 2022 was 28.1% and 27.8%, respectively. The Company's effective income tax rate for the three and nine months ended September 30, 2022 was higher than the U.S. federal statutory rate of 21% primarily due to the Global Intangible Low-Taxed Income ("GILTI") inclusion, nondeductible share-based compensation, and U.S. state income taxes.

The Company's effective income tax rate for the three and nine months ended September 30, 2021 was 17.3% and 75.3%, respectively. The Company's effective income tax rate for the three months ended September 30, 2021 was lower than the U.S. federal statutory rate of 21%, primarily due to the impact of applying the annual effective tax rate in the third quarter of 2021 versus calculating the year-to-date tax expense based on actuals in the second quarter of 2021 which resulted in a true-up that was reflected in the quarter to date amount, an increase of research and development tax credits, and a favorable discrete income tax adjustment from certain changes in estimate as a result of filing certain prior year tax returns. The Company's effective income tax rate for the nine months ended September 30, 2021 was higher than the U.S. federal statutory rate of 21%, primarily due to the increase of the foreign income tax as a result of increased foreign income in various foreign tax jurisdictions, the increase of the deferred income tax liability on intangibles as a result of the UK corporate income tax rate increase, foreign withholding tax, and increased U.S. state income tax for the nine months ended September 30, 2021. These items were partially offset by an increase of research and development tax credits and a favorable discrete adjustment from the finalization of the 2020 income tax returns.

Note 9. Revenues

Performance obligations

Substantially all of the Company's revenues are recognized at a point in time when the orders are completed and the completed reports are reported, or otherwise made available. For revenues delivered over time, the output method is utilized to measure the value to the customer based on the transfer to date of the services promised, with no rights of return once consumed. In these cases, revenues on transactional contracts with a defined price but an undefined quantity is recognized utilizing the right to invoice expedient resulting in revenues being recognized when the service is provided and becomes billable. Additionally, under this practical expedient, the Company is not required to estimate the transaction price.

Accordingly, in any period, the Company does not recognize a significant amount of revenues from performance obligations satisfied or partially satisfied in prior periods and the amount of such revenues recognized during the three and nine months ended September 30, 2022 and 2021 were immaterial.

Contract assets and liabilities

The contract asset balance was $13.5 million and $7.4 million as of September 30, 2022 and December 31, 2021, respectively, and is included in accounts receivable, net in the accompanying condensed consolidated balance sheets. The contract liability balance was $0.8 million and $0.9 million as of September 30, 2022 and December 31, 2021, respectively, and is included in deferred revenues in the accompanying condensed consolidated balance sheets. An immaterial amount of revenues was recognized in the current period related to the beginning balance of deferred revenues.

Concentrations

The Company did not have any customers which represented 10% or more of consolidated revenues for the three months ended September 30, 2021 or during the nine months ended September 30, 2021 and 2022. The Company had one customer which represented approximately 10% of its consolidated revenues during the three months ended September 30, 2022. Additionally, the Company did not have any customers which represented 10% or more of consolidated accounts receivable, net for any period presented.

For additional disclosures about the disaggregation of our revenues see Note 16, "Reportable Segments."

Note 10. Share-based Compensation

Share-based compensation expense is recognized in cost of services, product and technology expense, and selling, general, and administrative expense, in the accompanying condensed consolidated statements of operations and comprehensive income (loss) as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Share-based compensation expense				
Cost of services	$ 292	$ 3	$ 842	$ 76
Product and technology expense	402	55	918	176
Selling, general, and administrative expense	1,328	1,285	4,064	4,317
Total share-based compensation expense	$ 2,022	$ 1,343	$ 5,824	$ 4,569

Successor Plan

Prior to the IPO, all share-based awards were issued by Fastball Holdco, L.P., the Company's previous parent company, under individual grant agreements and the partnership agreement of such parent company (collectively the "Successor Plan").

Awards issued under the Successor Plan consist of options and profits interests and vest based on two criteria (50% each): (1) Time — awards vest over five years at a rate of 20% per year; and (2) Performance — awards vest based upon a combination of the five year time vesting, subject to the Company's investors receiving a targeted money-on-money return. Options issued under the Successor Plan generally expire ten years after the grant date. No awards were issued under the plan during the period from January 1, 2021 through September 30, 2021.

In connection with the Company's IPO, the Company's parent was dissolved. Awards issued by the Company's parent were converted in accordance with non-discretionary anti-dilution provisions of the Successor grants as follows:

- All vested outstanding profits interest grants issued by the Company's parent were converted to common stock in the Company and all unvested outstanding profits interest grants issued by the Company's parent were converted to restricted stock in the Company under the 2021 Omnibus Incentive Plan (the "2021 Equity Plan"). The number of common stock and restricted stock shares issued to each profits interest holder was ratably adjusted to preserve the fair value of the awards. Additionally, the vesting conditions and equity classification of the awards remained unchanged as a result of the conversion.
- All outstanding stock option grants issued by the Company's parent were converted into stock options issued by the Company under the terms of the individual grant agreements. The number of options granted and the strike price of the options was ratably adjusted using an exchange ratio calculated to preserve the fair value of the awards. Additionally, the vesting, vesting conditions, and equity classification of the awards remained unchanged as a result of the conversion.

		Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
December 31, 2021	Grants outstanding	3,519,563	$ 6.66		
	Grants exercised	(309,087)	$ 6.65		
	Grants cancelled/forfeited	(315,865)	$ 6.61		
September 30, 2022	Grants outstanding	2,894,611	$ 6.66	7.3 Years	$17.8 million
September 30, 2022	Grants vested	707,264	$ 6.64	7.0 Years	$4.4 million
September 30, 2022	Grants unvested	2,187,347	$ 6.67		

2021 Equity Plan

In connection with the IPO, the Company adopted the 2021 Equity Plan. The 2021 Equity Plan is intended to provide a means through which to attract and retain key personnel and to provide a means whereby our directors, officers, employees, consultants, and advisors can acquire and maintain an equity interest in us, or be paid incentive compensation, including incentive compensation measured by reference to the value of our common stock, thereby strengthening their commitment to our welfare and aligning their interests with those of our stockholders. The 2021 Equity Plan provides for the grant of awards of stock options, stock appreciation rights, restricted shares, restricted stock units, and other equity-based or cash-based awards as determined by the Company's Compensation Committee. The 2021 Equity Plan initially had a total of 17,525,000 shares of common stock reserved. The number of reserved shares automatically increases on the first day of each calendar year commencing on January 1, 2022 and ending on January 1, 2030, in an amount equal to the lesser of (x) 2.5% of the total number of shares of common stock outstanding on the last day of the immediately preceding calendar year and (y) a number of shares as determined by the Board of Directors. As of September 30, 2022, 13,578,273 shares were available for issuance under the 2021 Equity Plan.

Stock Options

Stock options issued immediately prior to the IPO vest based on two criteria (50% each): (1) Time — awards vest over five years at a rate of 20% per year; and (2) Performance — awards vest based upon a combination of the five year time vesting, subject to the Company's investors receiving a targeted money-on-money return. Stock options issued after the IPO vest annually, generally over four to five years. Stock options generally expire ten years after the grant date.

A summary of the option activity for the nine months ended September 30, 2022 is as follows:

		Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
December 31, 2021	Grants outstanding	3,714,540	$ 15.33		
	Grants issued	608,122	$ 14.68		
	Grants cancelled/forfeited	(11,000)	$ 17.52		
September 30, 2022	Grants outstanding	4,311,662	$ 15.24	8.9 Years	$ —
September 30, 2022	Grants vested	1,004,552	$ 15.08	8.7 Years	$ —
September 30, 2022	Grants unvested	3,307,110	$ 15.28		

The fair value for stock options granted for the nine months ended September 30, 2022 was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighed average assumptions:

	Options
Expected stock price volatility	34.66%
Risk-free interest rate	2.77%
Expected term (in years)	6.2
Fair-value of the underlying unit	$ 14.68

Restricted Stock Units

Restricted stock units ("RSU") vest annually, generally over three to five years.

A summary of the RSU activity for the nine months ended September 30, 2022 is as follows:

		Shares	Weighted Average Grant Date Fair Value
December 31, 2021	Nonvested RSUs	340,875	$ 17.19
	Granted	203,032	$ 14.36
	Vested	(42,300)	$ 16.63
	Forfeited	(4,400)	$ 17.52
September 30, 2022	Nonvested RSUs	497,207	$ 16.08

Restricted Stock

The following table summarizes the restricted stock issued by the Company. These include grants of unvested Successor profits interests grants that were converted into restricted stock as described above, as well as restricted stock issued to new recipients. The restricted stock granted as a result of the conversion of Successor profits interests retain the vesting attributes (including original service period vesting start date) of the original award. A summary of the restricted stock activity for the nine months ended September 30, 2022 is as follows:

		Shares	Weighted Average Grant Date Fair Value
December 31, 2021	Nonvested restricted stock	2,613,359	$ 3.85
	Granted	—	$ —
	Vested	(332,059)	$ 3.85
September 30, 2022	Nonvested restricted stock	2,281,300	$ 3.85

As of September 30, 2022, the Company had approximately $36.7 million of unrecognized pre-tax noncash compensation expense, comprised of approximately $7.9 million related to restricted stock, $7.0 million related to restricted stock units, and approximately $21.8 million related to stock options, which the Company expects to recognize over a weighted average period of 3.1 years.

2021 Employee Stock Purchase Plan

On June 25, 2021, in connection with the IPO, the Company adopted the First Advantage Corporation 2021 Employee Stock Purchase Plan (“ESPP”) that allows eligible employees to voluntarily make after-tax contributions of up to 15% of such employee’s cash compensation to acquire Company stock during designated offering periods. During each offering period, there will be one six-month purchase period, which will have the same duration and coincide with the length of the offering period. During the holding period, ESPP purchased shares are not eligible for sale or broker transfer. The Company recorded an associated expense of approximately $0.1 million and $0.3 million for the three and nine months ended September 30, 2022, respectively.

Note 11. Equity

Common and Preferred Stock

On June 11, 2021, the Company's Board of Directors approved and made effective a 1,300,000-for-one stock split of the Company's common stock and filed an Amended and Restated Certificate of Incorporation, which authorized a total of 1,000,000,000 shares of Common Stock, $0.001 par value per share and 250,000,000 shares of Preferred Stock, par value $0.001 per share (the "Preferred Stock"). The par value per share of common stock remained unchanged at $0.001 per share. Authorized shares were increased from 10,000 shares to 1,000,000,000 shares. The condensed consolidated financial statements and accompanying notes give retroactive effect to the stock split for all periods presented. After giving retroactive effect to the stock split, as of December 31, 2020, 130,000,000 shares of common stock were issued and outstanding.

In connection with the IPO, Fastball Holdco, L.P., the Company's parent, was dissolved and all outstanding Class A LP Units, Class B LP Units, and Class C LP Units of Fastball Holdco, L.P. were exchanged for 130,000,000 shares of the Company's common stock.

As of September 30, 2022, no preferred stock had been issued.

Stock Repurchase Program

On August 2, 2022, the Company's Board of Directors authorized the repurchase of up to $50.0 million of the Company's common stock over the 12-month period ending August 2, 2023 (the "Repurchase Program"). Stock repurchases may be effected through open market repurchases at prevailing market prices, including through the use of block trades and trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, privately-negotiated transactions, through other transactions in accordance with applicable securities laws, or a combination of these methods on such terms and in such amounts as the Company deems appropriate and will be funded from available capital. The Company is not obligated to repurchase any specific number of shares, and the timing, manner, value, and actual number of shares repurchased will depend on a variety of factors, including the Company's stock price and liquidity requirements, other business considerations and general market and economic conditions. No shares will be purchased from SLP Fastball Aggregator, L.P. and its affiliates. The Company may discontinue or modify purchases without notice at any time.

A summary of the stock repurchase activity under the Repurchase Program, is summarized as follows (in thousands, except share and per share amounts):

	Three Months Ended September 30,	Nine Months Ended September 30,
	2022	2022
Shares repurchased	155,697	155,697
Average price per share	$ 14.42	$ 14.42
Costs recorded to accumulated earnings (deficit)		
Total repurchase costs	$ 2,245	$ 2,245
Additional associated costs	3	3
Total costs recorded to accumulated earnings (deficit)	$ 2,248	$ 2,248

As of September 30, 2022, the remaining authorized value of shares available to be repurchased under this program was approximately $47.8 million.

The purchase price for the shares of our stock repurchased is reflected as a reduction to accumulated earnings (deficit).

Note 12. Commitments and Contingencies

Except for certain changes to our lease agreements discussed in Note 13, there have been no material changes to the Company's contractual obligations as compared to December 31, 2021.

Litigation — The Company is involved in litigation from time to time in the ordinary course of business. At times, the Company, given the nature of its background screening business, could become subject to lawsuits, or potential class action lawsuits, in multiple jurisdictions, related to claims brought primarily by consumers or individuals who were the subject of its screening services.

For all pending matters, the Company believes it has meritorious defenses and intends to defend vigorously or otherwise seek indemnification from other parties as appropriate. However, the Company has recorded a liability of $4.0 million and $7.9 million at September 30, 2022 and December 31, 2021, respectively, for matters that it believes a loss is both probable and estimable. This is included in accrued liabilities in the accompanying condensed consolidated balance sheets.

In February 2022, the Company settled and paid $5.5 million related to a settlement agreement the parties had agreed upon in April 2020 and was approved by the court in December 2021. In March 2022, the Company received a recovery of $2.2 million, which represented the portion of the legal settlement and legal fees incurred by the Company which were recovered from the Company's insurers related to this case.

The Company will continue to evaluate information as it becomes known and will record an estimate for losses at the time when it is both probable that a loss has been incurred and the amount of the loss is reasonably estimable.

Note 13. Leases

Effective January 1, 2022, the Company adopted ASC 842, which requires recognition of ROU assets and lease liabilities on the balance sheet, based on the present value of the future minimum rental payments for existing operating leases. The Company adopted the provisions of ASC 842 on January 1, 2022 using a modified retrospective approach through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption in line with the new transition method allowed under ASU 2018-11. ASC 842 provides a number of optional practical expedients in transition. The Company elected the "package of practical expedients" which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. The Company did not elect the use-of-hindsight and elected the practical expedient pertaining to land easements. The new standard also provides practical expedients for an entity's ongoing accounting for leases. The Company elected the short-term lease exemption for all leases that qualify, meaning the Company will not recognize ROU assets or lease liabilities for leases with terms shorter than twelve months. The Company also elected the practical expedient to not separate lease and non-lease components for a majority of its asset classes, including real estate and most equipment.

The Company measures the ROU assets and liabilities based on the present value of the future minimum lease payments over the lease term at the commencement date. Minimum lease payments include the fixed lease and non-lease components of the agreement, as well as any variable rent payments that depend on an index, initially measured using the index at the lease commencement date. The ROU assets are adjusted for any initial direct costs incurred less any lease incentives received, in addition to payments made on or before the commencement date of the lease. The Company recognizes lease expense for leases on a straight-line basis over the lease term.

As the implicit rate is not readily determinable for most of the Company's lease agreements, the Company uses an estimated incremental borrowing rate to determine the initial present value of lease payments.

The Company determines if a contract is or contains a lease at inception. The Company has operating and finance leases for office space, data centers, and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company enters into lease contracts ranging from 1 to 9 years with a majority of the Company's lease terms ranging from 3 to 5 years.

Some leases include one or more options to renew, with renewal terms that can extend the lease term from 1 to 5 years or more. The exercise of these lease renewal options is at the Company's sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

Certain of our leases include rental payments that will adjust periodically for inflation or certain adjustments based on step increases. An insignificant number of our leases contain residual value guarantees and none of our agreements contain material restrictive covenants. Variable rent expenses consist primarily of maintenance, property taxes, and charges based on usage.

The components of lease costs are as follows (in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Operating lease costs		
Fixed	$ 1,814	$ 5,401
Short-term	63	176
Variable	7	21
Sub-leases	(22)	(34)
Total operating lease costs	$ 1,863	$ 5,564
Finance lease costs		
Amortization of leased assets	$ 181	$ 581
Interest on lease liabilities	5	26
Total finance lease costs	$ 187	$ 607
Total lease cost	$ 2,049	$ 6,171

Supplemental balance sheet information related to leases is as follows (in thousands):

	Classification	September 30, 2022
Assets		
Operating leases		
Right of use operating lease assets	Other assets	$ 14,058
Finance leases		
Property and equipment, gross	Property and equipment, net	5,095
Accumulated depreciation	Property and equipment, net	(4,885)
Property and equipment, net	Property and equipment, net	210
Total lease assets		$ 14,268
Liabilities		
Operating leases		
Other current	Current portion of operating lease liability	$ 5,500
Non-current	Operating lease liability, less current portion	9,947
Total operating liabilities		15,447
Finance leases		
Other current	Accrued liabilities	308
Non-current	Other liabilities	7
Total finance liabilities		315
Total lease liabilities		$ 15,762

Maturities of lease liabilities are as follows (in thousands):

Years Ending December 31,	Finance Leases	Operating Leases	Total
2022 (excluding the nine months ended September 30, 2022)	$ 214	$ 1,895	$ 2,109
2023	106	6,041	6,147
2024	—	5,264	5,264
2025	—	2,032	2,032
2026	—	1,523	1,523
Thereafter	—	383	383
Total minimum lease payments	$ 320	$ 17,138	$ 17,458
Less: Imputed interest	(5)	(1,270)	
Present value of minimum lease payments	$ 315	$ 15,868	

For additional information regarding the Company's Commitments and Contingencies as of December 31, 2021 as disclosed for capital and operating leases, see Note 12 in its 2021 Annual Report filed on Form 10-K.

Lease term and discount rates are as follows:

	September 30, 2022
Weighted average remaining lease term	
Operating leases	3.0 Years
Finance leases	0.6 Years
Weighted average discount rate	
Operating leases	4.84 %
Finance leases	5.41 %

Supplemental cash flow information related to leases was as follows (in thousands):

	Nine Months Ended September 30, 2022
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	$ 5,886
Operating cash flows from finance leases	26
Financing cash flows from finance leases	673
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 19,972
Finance leases	—
Amortization:	
Amortization of right-of-use operating lease assets [(1)]	$ 4,817

(1) Amortization of right of use operating lease assets during the period is reflected in operating lease liabilities on the condensed consolidated statements of cash flows.

Note 14. Related Party Transactions

The Company has no material related party transactions.

Note 15. Net Income Per Share

Basic weighted-average shares outstanding excludes nonvested restricted stock. Diluted weighted average shares outstanding is similar to basic weighted-average shares outstanding, except that the weighted-average number of shares is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common share had been issued, including the dilutive impact of nonvested restricted stock. Basic and diluted net income per share was calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Basic net income per share	$ 0.11	$ 0.11	$ 0.29	$ 0.00
Diluted net income per share	$ 0.11	$ 0.11	$ 0.29	$ 0.00
Numerator:				
Net income (in thousands)	$ 17,209	$ 16,285	$ 44,458	$ 666
Denominator:				
Weighted average number of shares outstanding - basic	150,930,340	149,943,998	150,740,518	137,232,289
Add stock options to purchase shares and restricted stock units	1,426,967	2,456,421	1,634,694	938,199
Weighted average number of shares outstanding - diluted	152,357,307	152,400,419	152,375,212	138,170,488

For the three and nine months ended September 30, 2022, 2,918,315 and 2,614,866 stock options were excluded from the calculation of diluted net income per share, respectively, because their effects were anti-dilutive.

Note 16. Reportable Segments

During the first quarter of 2022, the Company made organizational changes and modified additional information provided to its CODM to better align with how its CODM assesses performance and allocates resources. As a result, we have two reportable segments, Americas and International. Our CODM uses the profit measure of Adjusted EBITDA, on both a consolidated and a segment basis, to allocate resources and assess performance of our businesses. We use Adjusted EBITDA as our profit measure because it eliminates the impact of certain items that we do not consider indicative of operating performance, which is useful to compare operating results between periods. Our board of directors and executive management team also use Adjusted EBITDA as a compensation measure for both segment and corporate management under our incentive compensation plans. Adjusted EBITDA is also a measure frequently used by securities analysts, investors, and other interested parties in their evaluation of the operating performance of companies similar to ours.

We define Adjusted EBITDA as net income before interest, taxes, depreciation, and amortization, and as further adjusted for loss on extinguishment of debt, share-based compensation, transaction and acquisition-related charges, integration and restructuring charges, and other non-cash charges. We exclude the impact of share-based compensation because it is a non-cash expense and we believe that excluding this item provides meaningful supplemental information regarding performance and ongoing cash generation potential. We exclude loss on extinguishment of debt, transaction and acquisition related charges, integration and restructuring charges, and other charges because such expenses are episodic in nature and have no direct correlation to the cost of operating our business on an ongoing basis.

The segment financial information below aligns with how we report information to our CODM to assess operating performance and how the Company manages the business. Corporate costs are generally allocated to the segments based upon estimated revenues levels and other assumptions that management considers reasonable. The CODM does not review the Company's assets by segment; therefore, such information is not presented. The accounting policies of the segments are the same as described in Note 2, "Significant Accounting and Reporting Policies" and Note 9, "Revenues."

The following is a description of our two reportable segments:

Americas. This segment performs a variety of background check and compliance services across all phases of the workforce lifecycle from pre-onboarding services to post-onboarding and ongoing monitoring services, covering employees, contractors, contingent and extended workers, drivers, tenants, and volunteers. We generally classify our service offerings into three categories: pre-onboarding, post-onboarding, and adjacent products. We deliver our solutions across multiple vertical industries in the United States, Canada, and Latin America markets.

International. The International segment provides services similar to our Americas segment in regions outside of the Americas. We primarily deliver our solutions across multiple vertical industries in the Europe, India, and Asia Pacific markets.

A reconciliation of Segment Adjusted EBITDA to net income for the three and nine months ended September 30, 2022 and 2021 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Adjusted EBITDA				
Americas	$ 57,205	$ 53,223	$ 156,978	$ 136,278
International	6,983	10,721	21,644	20,578
Total	$ 64,188	$ 63,944	$ 178,622	$ 156,856
Adjustments to reconcile to net income:				
Interest expense, net	1,740	4,706	4,002	21,875
Provision for income taxes	6,709	3,397	17,076	2,025
Depreciation and amortization	34,744	35,812	103,185	106,493
Loss on extinguishment of debt	—	—	—	13,938
Share-based compensation	2,022	1,343	5,824	4,569
Transaction and acquisition-related charges [a]	1,908	2,144	4,585	6,510
Integration, restructuring, and other charges [b]	(144)	257	(508)	780
Net income	**$ 17,209**	**$ 16,285**	**$ 44,458**	**$ 666**

(a) Represents charges incurred related to acquisitions and similar transactions, primarily consisting of change in control-related costs, professional service fees, and other third-party costs. Additionally includes incremental professional service fees incurred related to the initial public offering and subsequent one-time compliance efforts. The three and nine months ended September 30, 2022 includes a transaction bonus expense related to one of the Company's 2021 acquisitions.

(b) Represents charges from organizational restructuring and integration activities, non-cash, and other charges primarily related to legal exposures inherited from legacy acquisitions, foreign currency (gains) losses, and (gains) losses on the sale of assets.

Geographic Information

The Company bases revenues by geographic region in which the revenues and invoicing are recorded. Other than the United States, no single country accounted for 10% or more of our total revenues during these periods.

The following summarizes revenues by geographical region for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues				
Americas	$ 176,091	$ 158,972	$ 506,770	$ 421,795
International	31,628	35,595	96,413	82,237
Eliminations	(1,733)	(1,700)	(5,755)	(4,269)
Total revenues	$ 205,986	$ 192,867	$ 597,428	$ 499,763

The following table sets forth net long-lived assets by geographic area as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Long-lived assets, net		
United States, country of domicile	$ 1,161,230	$ 1,213,093
All other countries	183,509	199,459
Total long-lived assets, net	$ 1,344,739	$ 1,412,552

Note 17. Subsequent Events

On November 8, 2022, the Company' Board of Directors authorized an increase to the total available amount under its Repurchase Program to $150.0 million and extended the program through December 31, 2023. Through November 4, 2022, the Company had made $21.6 million of purchases under the Repurchase Program.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of First Advantage Corporation's financial condition and results of operations is provided as a supplement to the condensed consolidated financial statements for the three and nine months ended September 30, 2022, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021, our "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, our operations and financial performance. Forward-looking statements include all statements that are not historical facts. These forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. In some cases, you can identify these forward-looking statements by the use of words such as "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "future," "will," "seek," "foreseeable," the negative version of these words, or similar terms and phrases.

These forward-looking statements are subject to various risks, uncertainties, assumptions, or changes in circumstances that are difficult to predict or quantify. Such risks and uncertainties include, but are not limited to, the following: the impact of COVID-19 and related continuously evolving risks to our results of operations, financial position and/or liquidity; our operations in a highly regulated industry and the fact that we are subject to numerous and evolving laws and regulations, including with respect to personal data and data security; our reliance on third-party data providers; negative changes in external events beyond our control, including our customers' onboarding volumes, economic drivers which are sensitive to macroeconomic cycles, such as interest rate volatility and inflation, geopolitical unrest, and the COVID-19 pandemic; potential harm to our business, brand, and reputation as a result of security breaches, cyber-attacks or the mishandling of personal data; liability and litigation due to the sensitive and privacy-driven nature of our products and solutions, which could be costly and time-consuming to defend and may not be fully covered by insurance; the continued integration of our platforms and solutions with human resource providers such as applicant tracking systems and human capital management systems as well as our relationships with such human resource providers; risks relating to public opinion, which may be magnified by incidents or adverse publicity concerning our industry or operations; our contracts with our customers, which do not guarantee exclusivity or contracted volumes; our reliance on third-party vendors to carry out certain portions of our operations; disruptions, outages, or other errors with our technology and network infrastructure, including our data centers, servers and third-party cloud and internet providers and our migration to the cloud; disruptions at our Global Operating Center and other operating centers; operating in a penetrated and competitive market; our ability to obtain, maintain, protect, and enforce our intellectual property and other proprietary information; our indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, and prevent us from meeting our obligations; Silver Lake's control of us and the potential conflict of its interest with ours or those of our stockholders; our ability to maintain, protect, and enforce the confidentiality of our trade secrets; the use of open-source software in our applications; the indemnification provisions in our contracts with our customers and third-party data suppliers; our ability to identify attractive targets or successfully complete such transactions; our international business; our dependence on the service of our key executive and other employees, and our ability to find and retain qualified employees; seasonality in our operations from quarter to quarter; failure to comply with anti-corruption laws and regulations; the timing, manner and volume of repurchases of common stock pursuant to our share repurchase program; and changing interpretations of tax laws.

For additional information on these and other factors that could cause First Advantage's actual results to differ materially from expected results, please see our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission (the "SEC"), as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov. The forward-looking statements included in this Quarterly Report on Form 10-Q speak only as of the date of this Form 10-Q, and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, or otherwise, except as required by law.

Glossary of Selected Terminology

The following terms are used in this Form 10-Q, unless otherwise noted or indicated by the context:

- "Americas" in regards to our business, means the United States, Canada, and Latin America;
- "Enterprise customers" means our customers who contribute $500,000 or more to our revenues in a calendar year;
- "First Advantage," the "Company," "we," "us," and "our" mean the business of First Advantage Corporation and its subsidiaries;
- "International" in regards to our business, means all geographical regions outside of the United States, Canada, and Latin America;
- "Revenues attributable to the Company's acquisitions" means revenues recognized in the first year following each acquisition; and
- "Silver Lake" means Silver Lake Group, L.L.C., together with its affiliates, successors, and assignees.

Certain monetary amounts, percentages, and other figures included in this Quarterly Report on Form 10-Q have been subject to rounding adjustments. Percentage amounts included in this Quarterly Report on Form 10-Q have not in all cases been calculated on the basis of such rounded figures, but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this Quarterly Report on Form 10-Q may vary from those obtained by performing the same calculations using the figures in our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Certain other amounts that appear in this Quarterly Report on Form 10-Q may not sum due to rounding.

Website and Social Media Disclosure

We use our websites (https://fadv.com/ and https://investors.fadv.com/) to distribute company information. We make available free of charge a variety of information for investors, including our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file that material with or furnish it to the Securities and Exchange Commission ("SEC"). The information we post on our websites may be deemed material. Accordingly, investors should monitor our websites, in addition to following our press releases, filings with the SEC, and public conference calls and webcasts. In addition, you may opt in to automatically receive email alerts and other information about First Advantage when you enroll your email address by visiting the "Email Alerts" section of our investor website at https://investors.fadv.com/. The contents of our websites and social media channels are not, however, a part of this Quarterly Report on Form 10-Q.

Overview

First Advantage is a leading global provider of HR technology solutions for screening, verifications, safety, and compliance. We deliver innovative solutions and insights that help our customers manage risk and hire the best talent. Enabled by our proprietary technology, our products and solutions help companies protect their brands and provide safer environments for their customers and their most important resources: employees, contractors, contingent and extended workers, drivers, tenants, and volunteers.

Our comprehensive product suite includes criminal background checks, drug / health screening, extended workforce screening, biometrics and identity, education / work verifications, resident screening, fleet / driver compliance, executive screening, data analytics, continuous monitoring, social media monitoring, and hiring tax incentives. We derive a substantial majority of our revenues from pre-onboarding screening and perform screens in over 200 countries and territories, enabling us to serve as a one-stop-shop provider to both multinational companies and growth companies. Our more than 33,000 customers are global enterprises, mid-sized companies, and small companies, and our products and solutions are used by personnel in recruiting, human resources, risk, compliance, vendor management, safety, and/or security.

Our products are sold both individually and bundled. The First Advantage platform offers flexibility for customers to specify which products to include in their screening package, such as Social Security numbers, criminal records, education and work verifications, sex offender registry, and global sanctions. Generally, our customers order a bundled background screening package or selected combination of screens related to a single individual before they onboard that individual. The type and mix of products and solutions we sell to a customer vary by customer size, their screening requirements, and industry vertical. Therefore, order volumes are not comparable across both customers and periods. Pricing can also vary considerably by customer depending on the product mix in their screening packages, order volumes, screening requirements and preferences, pass-through and third-party out of pocket costs, and bundling of products.

We enter into contracts with our customers that are typically three years in length. These contracts set forth the general terms and pricing of our products and solutions but generally do not include minimum order volumes or committed order volumes. Accordingly, contracts do not provide guarantees of future revenues. Due to our contract terms and the nature of the background screening industry, we determined our contract terms for ASC 606 purposes are less than one year. Through our ongoing dialogue with our customers, we have visibility into their expected future order volumes, although these can be difficult to accurately forecast due to the dynamic nature of forecasting hiring and business needs. We typically bill our customers at the end of each month and recognize revenues as completed orders are reported or otherwise made available to our customers. Over 90% of the criminal searches performed in the United States are completed the same day they are submitted.

We generated revenues of $206.0 million for the three months ended September 30, 2022, as compared to $192.9 million for the three months ended September 30, 2021 and generated revenues of $597.4 million for the nine months ended September 30, 2022, as compared to $499.8 million for the nine months ended September 30, 2021. Approximately 84% of our revenues for the nine months ended September 30, 2022 was generated in the Americas, predominantly in the United States, while the remaining 16% was generated internationally. Other than the United States, no single country accounted for 10% or more of our total revenues for the three and nine months ended September 30, 2022. Please refer to "Results of Operations" for further details.

Segments

During the first quarter of 2022, the Company made organizational changes and modified additional information provided to its chief operating decision maker ("CODM") to better align with how its CODM assesses performance and allocates resources. As a result, the Company now has two reportable segments, Americas and International:

- ***Americas.*** This segment performs a variety of background check and compliance services across all phases of the workforce lifecycle from pre-onboarding services to post-onboarding and ongoing monitoring services, covering employees, contractors, contingent and extended workers, drivers, tenants, and volunteers. We generally classify our service offerings into three categories: pre-onboarding, post-onboarding, and adjacent products. We deliver our solutions across multiple vertical industries in the United States, Canada, and Latin America markets.
- ***International.*** The International segment provides services similar to our Americas segment in regions outside of the Americas. We primarily deliver our solutions across multiple vertical industries in the Europe, India, and Asia Pacific markets.

Seasonality

We experience seasonality with respect to certain industries due to fluctuations in hiring volumes and other economic activity. For example, pre-onboarding revenues generated from our customers in the retail and transportation industries are historically highest during the months of October and November leading up to the holiday season and lowest at the beginning of the new year, following the holiday season. Certain customers across various industries also historically ramp up their hiring throughout the second quarter of the year as winter concludes, commercial activity tied to outdoor activities increases, and the school year ends, giving rise to student and graduate hiring. We expect that further growth in e-commerce, the continued digital transformation of the economy, and other economic forces may impact future seasonality, but we are unable to predict these potential shifts and how our business may be impacted.

Recent Developments

M&A

The Company completed its asset purchase of Form I-9 Compliance, a U.S.-based technology solution and consulting service provider for I-9 and E-Verify compliance. The acquisition is effective as of January 1, 2022 and strategically expands the Company's product suite offerings through the addition of new I-9 and employment eligibility solutions. The results of Form I-9 Compliance, which were not material, have been included in our Americas segment from the effective date of the acquisition.

Impact of COVID-19 and Current Economic Conditions

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, and created significant volatility and disruption of financial markets. Additionally, other recent macroeconomic events including rising inflation, the U.S. Federal Reserve raising interest rates, and the Russian invasion of Ukraine have led to further economic uncertainty.

Despite the continuing uncertainty associated with these events, we are confident in the long-term overall health of our business, the strength of our product offerings, and our ability to continue to execute on our strategy and help our customers hire smarter and onboard faster. Our ability to deliver innovative products and solutions that enhance workplace safety and address compliance risks has contributed to the durability of our financial results.

In 2022, COVID-19 continues to affect different parts of the world to different degrees. In our continued response to the COVID-19 pandemic, we have implemented operational changes to ensure the safety of our workforce and to ensure that we continue to provide high quality products and services to our customers. We have successfully adopted a highly distributed, hybrid workforce model which has not significantly affected our operations.

While our overall productivity has not been materially adversely impacted by the events described above, if the economic uncertainty is sustained or increases, we may experience a negative impact on new business, customer renewals and demand levels, sales and marketing efforts, revenues growth rates, customer deployments, customer collections, product development, or other financial metrics. Any of these factors could harm our business, financial condition, and operating results. For additional information, see our “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

Recently Issued Accounting Standards

See Note 2 to the condensed consolidated financial statements for disclosure of the impact that recent accounting pronouncements may have on the condensed consolidated financial statements.

Components of our Results of Operations

Revenues

The Company derives revenues from a variety of background screening and adjacent products that cover all phases of the workforce lifecycle from pre-onboarding screening services to post-onboarding and ongoing monitoring services, covering employees, contractors, contingent and extended workers, drivers, tenants, and volunteers. We generally classify our products and solutions into three major categories: pre-onboarding, post-onboarding, and adjacent products, each of which is enabled by our technology, proprietary databases, and data analytics capabilities. Pre-onboarding products, which comprise the substantial majority of our revenues, span an extensive array of products that customers typically utilize to enhance their applicant evaluation process and ensure compliance with their workforce onboarding criteria from the time an application is submitted to an applicant’s successful onboarding. Post-onboarding products are comprised of continuous monitoring, re-screening, and other solutions to help our customers keep their end customers, workforces, and other stakeholders safer, productive, and compliant. Adjacent products include products that complement our pre-onboarding and post-onboarding solutions such as fleet / vehicle compliance, hiring tax credits and incentives, resident / tenant screening, employment eligibility, and investigative research.

Our suite of products is available individually or through bundled solutions that can be configured and tailored according to our customers’ needs. We typically bill our customers at the end of each month and recognize revenues after completed orders are reported or otherwise made available to our customers, with a substantial majority of our customers’ orders completed the same day they are submitted. We recognize revenues for other products over time as the customer simultaneously receives and consumes the benefits of the products and solutions delivered.

Operating Expenses

We incur the following expenses related to our cost of revenues and operating expenses:

- *Cost of Services:* Consists of amounts paid to third parties for access to government records, other third-party data and services, and our internal processing fulfillment and customer care functions. In addition, cost of services includes expenses from our drug screening lab and collection site network as well as our court runner network. Third-party cost of services are largely variable in nature and are typically invoiced to our customers as direct pass-through costs. Cost of services also includes our salaries and benefits expense for personnel involved in the processing and fulfilment of our screening products and solutions, as well as our customer care organization and robotics process automation implementation team. Other costs included in cost of services relate to allocations of certain overhead costs for our revenue-generating products and solutions, primarily consisting of certain facility costs and administrative services allocated by headcount or another related metric. We do not allocate depreciation and amortization to cost of services.
- *Product and Technology Expense*: Consists of salaries and benefits of personnel involved in the maintenance of our technology and its integrations and APIs, product marketing, management of our network and infrastructure capabilities, and maintenance of our information security and business continuity functions. A portion of the personnel costs are related to the development of new products and features that are primarily developed through agile methodologies. These costs are partially capitalized, and therefore, are partially reflected as amortization expense within the depreciation and amortization cost line item. Product and technology expense also includes third-party costs related to our cloud computing services, software licensing and maintenance, telecommunications, and other data processing functions. We do not allocate depreciation and amortization to product and technology expense.
- *Selling, General, and Administrative Expense*: Consists of sales, customer success, marketing, and general and administrative expenses. Sales, customer success, and marketing expenses consist primarily of employee compensation such as salaries, bonuses, sales commissions, stock-based compensation, and other employee benefits for our verticalized Sales and Customer Success teams. General and administrative expenses include travel expenses and various corporate functions including finance, human resources, legal, and other administrative roles, in addition to certain professional service fees and expenses incurred in connection with our IPO and now as a public company. We expect our selling, general, and administrative expenses to increase in the short-term, primarily as a result of additional public company related reporting and compliance costs. Over the long-term, we expect our selling, general, and administrative expenses to decrease as a percentage of revenues as we leverage our past investments. We do not allocate depreciation and amortization to selling, general, and administrative expenses.
- *Depreciation and Amortizatio*n: Property and equipment consisting mainly of capitalized software costs, furniture, hardware, and leasehold improvements are depreciated or amortized and reflected as operating expenses. We also amortize the capitalized costs of finite-life intangible assets acquired in connection with business combinations.

We have a flexible cost structure that allows our business to adjust quickly to the impacts of macroeconomic events and scale to meet the needs of large new customers. Operating expenses are influenced by the amount of revenues, customer mix, and product mix that contribute to our revenues for any given period. As revenues grow, we would generally expect cost of services to grow in a similar fashion, albeit influenced by the effects of automation, productivity, and other efficiency initiatives as well as customer and product mix shifts and third-party pass-through costs. We regularly review expenses and investments in the context of revenues growth and any shifts we see in the business in order to align with our overall financial objectives. While we expect internal operating expenses to increase in absolute dollars to support our continued growth, we believe that, in the long term, operating expenses will decline gradually as a percentage of total revenues in the future as our business grows and our operating efficiency and automation initiatives continue to advance.

Other Expense, Net

Our other expense, net consists of the following:

- *Interest Expense, Net*: Relates primarily to our debt service costs, the interest-related unrealized gains and losses of our interest rate swaps and, to a lesser extent, the interest on our capital lease obligations and the amortization of deferred financing costs. Additionally, interest expense, net includes interest income earnings on our cash and cash equivalent balances held in interest-bearing accounts. We also earn interest income on our short-term investments which are fixed-time deposits having a maturity date within twelve months.
- *Loss on Extinguishment of Debt*: Reflects losses on the extinguishment of certain debt.

Provision for Income Taxes

Provision for income taxes consists of domestic and foreign corporate income taxes related to earnings from our sale of services, with statutory tax rates that differ by jurisdiction. Our effective tax rate may be affected by many other factors including changes in tax laws, regulations or rates, new interpretations of existing laws or regulations, shifts in the allocation of income earned throughout the world, and changes in overall levels of income before tax. For example, there are several proposals to change the current tax law, including changes in GILTI. If any or all of these (or similar) proposals are ultimately enacted into law, in whole or in part, they could increase our effective tax rate.

Results of Operations

The information contained below should be read in conjunction with our accompanying historical condensed consolidated financial statements and the related notes.

Comparison of Results of Operations for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except percentages)	2022	2021	2022	2021
Revenues	$ 205,986	$ 192,867	$ 597,428	$ 499,763
Operating Expenses:				
Cost of services (exclusive of depreciation and amortization below)	104,300	94,151	301,023	244,964
Product and technology expense	13,250	11,313	39,969	33,546
Selling, general, and administrative expense	28,034	27,203	87,715	76,256
Depreciation and amortization	34,744	35,812	103,185	106,493
Total operating expenses	180,328	168,479	531,892	461,259
Income from operations	25,658	24,388	65,536	38,504
Other Expense, Net:				
Interest expense, net	1,740	4,706	4,002	21,875
Loss on extinguishment of debt	—	—	—	13,938
Total other expense, net	1,740	4,706	4,002	35,813
Income before provision for income taxes	23,918	19,682	61,534	2,691
Provision for income taxes	6,709	3,397	17,076	2,025
Net income	$ 17,209	$ 16,285	$ 44,458	$ 666
Net income margin	8.4 %	8.4 %	7.4 %	0.1 %

Revenues

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenues				
Americas	$ 176,091	$ 158,972	$ 506,770	$ 421,795
International	31,628	35,595	96,413	82,237
Eliminations	(1,733)	(1,700)	(5,755)	(4,269)
Total revenues	$ 205,986	$ 192,867	$ 597,428	$ 499,763

Revenues were $206.0 million for the three months ended September 30, 2022, compared to $192.9 million for the three months ended September 30, 2021. Revenues for the three months ended September 30, 2022 increased by $13.1 million, or 6.8%, compared to the three months ended September 30, 2021.

The increase in revenues was primarily due to:

- increased revenues of $9.3 million attributable to new customers in both the Americas and International segments; and
- revenues of $8.4 million attributable to the Company's acquisitions in the Americas segment.

The increase in revenues was offset by:

- a net decrease of $4.6 million in existing customer revenues, primarily driven by the effects of changes in foreign currencies on our International segment. The remaining net change within our existing customer revenues primarily relates to macro-economic driven declines in our International segment.

Revenues were $597.4 million for the nine months ended September 30, 2022, compared to $499.8 million for the nine months ended September 30, 2021. Revenues for the nine months ended September 30, 2022 increased by $97.7 million, or 19.5%, compared to the nine months ended September 30, 2021.

The increase in revenues was primarily due to:

- a net increase of $39.0 million in existing customer revenues, primarily driven by strength across our business in the first half of the year, which was supported by positive jobs market trends including sustained job switching and churn. These existing customer increases were offset by the impact of lost accounts and the effects of changes in foreign currencies;
- revenues of $31.6 million attributable to the Company's acquisitions in the Americas and International segments; and
- increased revenues of $27.1 million attributable to new customers in both the Americas and International segments.

In 2022, the Company has experienced high demand among customers across numerous industry verticals and account sizes in both its Americas and International segments. However, in the third quarter of 2022, certain industry verticals and International segment markets experienced reduced revenues volumes as a result of macro-economic headwinds and negative foreign currency impacts due to strengthening of the U.S. Dollar. Pricing remained relatively stable across all periods.

Cost of Services

(in thousands, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenues	$ 205,986	$ 192,867	$ 597,428	$ 499,763
Cost of services	104,300	94,151	301,023	244,964
Cost of services as a % of revenue	50.6 %	48.8 %	50.4 %	49.0 %

Cost of services was $104.3 million for the three months ended September 30, 2022, compared to $94.2 million for the three months ended September 30, 2021. Cost of services for the three months ended September 30, 2022 increased by $10.1 million, or 10.8%, compared to the three months ended September 30, 2021.

The increase in cost of services was primarily due to:

- an increase in variable third-party data expenses of $7.2 million as a direct result of increased revenues, increases in the prices of certain third-party data usage, and variation in customer ordering mix;
- a $3.0 million increase in personnel related expenses in our operations and customer care functions as a result of additional operational support headcount to process and fulfill the Company’s order volume growth; and
- a number of cost of services related operating expense increases attributable to insurance, travel, and other expenses related to the increased revenue volumes experienced in 2022.

The increase in cost of services was partially offset by:

- foreign currency exchange gains of $0.9 million due to the impact of foreign exchange rate volatility.

Cost of services as a percentage of revenues was 50.6% for the three months ended September 30, 2022, compared to 48.8% for the three months ended September 30, 2021. The cost of services percentage of revenues in the third quarter 2022 was impacted by increases in certain third-party data costs, variation in customer ordering mix to lower margin products, and acquisitions having a larger mix of third-party data expenses. This increase was partially offset by cost savings from the Company’s continued implementation of automation and other process efficiencies.

Cost of services was $301.0 million for the nine months ended September 30, 2022, compared to $245.0 million for the nine months ended September 30, 2021. Cost of services for the nine months ended September 30, 2022 increased by $56.1 million, or 22.9%, compared to the nine months ended September 30, 2021.

The increase in cost of services was primarily due to:

- an increase in variable third-party data expenses of $41.3 million as a direct result of increased revenues, increases in the prices of certain third-party data usage, variation in customer ordering mix, and acquisitions having a larger mix of third-party data expenses;
- a $13.6 million increase in personnel related expenses in our operations and customer care functions as a result of additional operational support headcount to process and fulfill the Company’s order volume growth; and
- a number of cost of services related operating expense increases attributable to insurance, travel, software licenses, and other expenses related to the increased revenue volumes experienced in 2022.

The increase in cost of services was partially offset by:

- foreign currency exchange gains of $1.7 million due to the impact of foreign exchange rate volatility.

Cost of services as a percentage of revenues was 50.4% for the nine months ended September 30, 2022, compared to 49.0% for the nine months ended September 30, 2021. The cost of services percentage of revenues for the nine months ended September 30, 2022 was impacted by increases in certain third-party data costs, variation in customer ordering mix to lower margin products, and acquisitions having a larger mix of third-party data expenses. This increase was partially offset by cost savings from the Company’s continued implementation of automation and other process efficiencies.

Product and Technology Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2022	2021	2022	2021
Product and technology expense	$ 13,250	$ 11,313	$ 39,969	$ 33,546

Product and technology expense was $13.3 million for the three months ended September 30, 2022, compared to $11.3 million for the three months ended September 30, 2021. Product and technology expense for the three months ended September 30, 2022 increased by $1.9 million, or 17.1%, compared to the three months ended September 30, 2021.

The increase in product and technology expense was primarily due to:

- a $1.6 million increase in software licensing related expenses.

Product and technology expense was $40.0 million for the nine months ended September 30, 2022, compared to $33.5 million for the nine months ended September 30, 2021. Product and technology expense for the nine months ended September 30, 2022 increased by $6.4 million, or 19.1%, compared to the nine months ended September 30, 2021.

The increase in product and technology expense was primarily due to:

- a $4.2 million increase in software licensing related expenses; and

- a $1.6 million increase in personnel-related expenses as a result of additional investments made to enhance our product, solutions, and technology platform and certain reorganization expenses.

Selling, General, and Administrative Expense

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Selling, general, and administrative expense	$ 28,034	$ 27,203	$ 87,715	$ 76,256

Selling, general, and administrative expense was $28.0 million for the three months ended September 30, 2022, compared to $27.2 million for the three months ended September 30, 2021. Selling, general, and administrative expense for the three months ended September 30, 2022 increased by $0.8 million, or 3.1%, compared to the three months ended September 30, 2021.

Selling, general, and administrative expense increased primarily due to:

- a $1.5 million increase in personnel related expenses primarily due to additional investments made in the Company's Sales and Customer Success functions and additional headcount related to the Company's growth and operating as a public company;
- a $1.0 million increase in expenses related to litigation activities in the ordinary course of business; and
- a number of other corporate expenses that increased primarily as a result of the Company now being a publicly traded company and the Company's M&A activity.

The increase in selling, general, and administrative expense was partially offset by:

- a $1.8 million decrease in commissions and bonus related expenses due to lower variable commissions based on performance against internal targets; and
- a $0.9 million decrease in professional service fees incurred related to the Company's preparation for its 2021 IPO and secondary offering that did not reoccur in 2022.

Selling, general, and administrative expense was $87.7 million for the nine months ended September 30, 2022, compared to $76.3 million for the nine months ended September 30, 2021. Selling, general, and administrative expense for the nine months ended September 30, 2022 increased by $11.5 million, or 15.0%, compared to the nine months ended September 30, 2021.

Selling, general, and administrative expense increased primarily due to:

- a $6.4 million increase in personnel related expenses primarily due to additional investments made in the Company's Sales and Customer Success functions and additional headcount related to the Company's growth and operating as a public company;
- a $1.9 million increase in liability insurance related expenses;
- a $1.9 million increase in expenses related to litigation activities in the ordinary course of business;
- a $1.2 million increase in marketing related expenses; and
- a number of other corporate expenses that increased primarily as a result of the Company now being a publicly traded company and the Company's M&A activity.

The increase in selling, general, and administrative expense was partially offset by:

- a $4.1 million decrease in professional service fees incurred related to the Company's preparation for its 2021 IPO and secondary offering that did not reoccur in 2022.

Depreciation and Amortization

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Depreciation and amortization	$ 34,744	$ 35,812	$ 103,185	$ 106,493

Depreciation and amortization was $34.7 million for the three months ended September 30, 2022, compared to $35.8 million for the three months ended September 30, 2021. Depreciation and amortization for the three months ended September 30, 2022 decreased by $1.1 million, or 3.0%, compared to the three months ended September 30, 2021. This decrease was partially offset by increases in depreciation related to assets placed in service during the three months ended September 30, 2022.

Depreciation and amortization was $103.2 million for the nine months ended September 30, 2022, compared to $106.5 million for the nine months ended September 30, 2021. Depreciation and amortization for the nine months ended September 30, 2022 decreased by $3.3 million, or 3.1% compared to the nine months ended September 30, 2021. This decrease was partially offset by increases in depreciation related to assets placed in service during the nine months ended September 30, 2022.

Interest Expense, Net

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Interest expense, net	$ 1,740	$ 4,706	$ 4,002	$ 21,875

Interest expense, net was $1.7 million for the three months ended September 30, 2022, compared to $4.7 million for the three months ended September 30, 2021. Interest expense for the three months ended September 30, 2022 decreased by $3.0 million, or 63.0%, compared to the three months ended September 30, 2021.

The decrease in interest cost was primarily attributable to $4.0 million of unrealized gains on the interest rate swap as a result of the increased interest rate volatility that continued in the third quarter of 2022. This decrease was further impacted by $1.6 million of interest income earned on cash held within interest bearing accounts. These decreases were offset by higher interest expense on the Successor First Lien Credit Facility as a result of rising interest rates.

Interest expense, net was $4.0 million for the nine months ended September 30, 2022, compared to $21.9 million for the nine months ended September 30, 2021. Interest expense for the nine months ended September 30, 2022 decreased by $17.9 million, or 81.7%, compared to the nine months ended September 30, 2021.

The decrease in interest cost was primarily attributable to $11.4 million of unrealized gains on the interest rate swap as a result of the increased interest rate volatility observed in 2022. This decrease was further impacted by the Company's February 2021 refinancing of the Successor First Lien Credit Facility, early repayment of the Successor Second Lien Credit Facility, and the prepayment of $200.0 million of the Successor First Lien Credit Facility in June 2021, resulting in interest rate savings due to lower principal and more favorable interest rate margins and interest income earned on cash held within interest bearing accounts. These decreases were partially offset by higher interest expense on the Successor First Lien Credit Facility as a result of rising interest rates in 2022.

Loss on Extinguishment of Debt

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Loss on extinguishment of debt	$ —	$ —	$ —	$ 13,938

Loss on extinguishment of debt for the nine months ended September 30, 2021 relates to expenses stemming from the write-off of debt issuance costs associated with the February 2021 refinancing of the Successor First Lien Credit Facility.

Provision for Income Taxes

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Provision for income taxes	$ 6,709	$ 3,397	$ 17,076	$ 2,025

Our provision for income taxes was $6.7 million for the three months ended September 30, 2022, compared to $3.4 million for the three months ended September 30, 2021. Our provision for income taxes for the three months ended September 30, 2022 increased by $3.3 million, or 97.5%, compared to the three months ended September 30, 2021.

The increase in our provision for income taxes was primarily due to the increase of income before income taxes during the three months ended September 30, 2022, as compared to the three months ended September 30, 2021, due to higher levels of pre-tax income.

Our provision for income taxes was $17.1 million for the nine months ended September 30, 2022, compared to $2.0 million for the nine months ended September 30, 2021. Our provision for income taxes for the nine months ended September 30, 2022 increased by $15.1 million, or 743.3%, compared to the nine months ended September 30, 2021.

The increase in our provision for income taxes was primarily due to the increase of income before income taxes during the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021, due to higher levels of pre-tax income.

Net Income and Net Income Margin

(in thousands, except percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 17,209	$ 16,285	$ 44,458	$ 666
Net income margin	8.4 %	8.4 %	7.4 %	0.1 %

Net income was $17.2 million for the three months ended September 30, 2022, compared to $16.3 million for the three months ended September 30, 2021. Net income for the three months ended September 30, 2022 increased by $0.9 million compared to the three months ended September 30, 2021.

Net income margin was 8.4% for the three months ended September 30, 2022, consistent with the three months ended September 30, 2021, as overall improvements in the Company’s operating results were impacted by increases in our provision for income taxes due to the increased profitability.

Net income was $44.5 million for the nine months ended September 30, 2022, compared to a net income of $0.7 million for the nine months ended September 30, 2021. Net income for the nine months ended September 30, 2022 increased by $43.8 million compared to the nine months ended September 30, 2021.

Net income margin was 7.4% for the nine months ended September 30, 2022, compared to 0.1% the nine months ended September 30, 2021. The improvement in our net income margin is attributable to our ability to leverage operating efficiencies to control our overall expenses while increasing revenues and reducing interest and other debt related expenses incurred as a result of the February 2021 refinancing.

Key Operating and Financial Metrics

In addition to our results determined in accordance with GAAP, we believe certain measures are useful in evaluating our operating performance. Management believes these non-GAAP measures are useful to investors in highlighting trends in our operating performance, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which we operate, and capital investments. Management uses Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, and Adjusted Diluted Earnings Per Share to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies, to make budgeting decisions, to establish discretionary annual incentive compensation, and to compare our performance against that of other peer companies using similar measures. Management supplements GAAP results with non-GAAP financial measures to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone.

The presentations of these measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Because not all companies use identical calculations, the presentations of these measures may not be comparable to other similarly titled measures of other companies and can differ significantly from company to company. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP.

Adjusted EBITDA and Adjusted EBITDA Margin

Management believes that Adjusted EBITDA is a strong indicator of our overall operating performance and is useful to management and investors as a measure of comparative operating performance from period to period. We define Adjusted EBITDA as net income before interest, taxes, depreciation, and amortization, and as further adjusted for loss on extinguishment of debt, share-based compensation, transaction and acquisition-related charges, integration and restructuring charges, and other non-cash charges. We exclude the impact of share-based compensation because it is a non-cash expense and we believe that excluding this item provides meaningful supplemental information regarding performance and ongoing cash generation potential. We exclude loss on extinguishment of debt, transaction and acquisition related charges, integration and restructuring charges, and other charges because such expenses are episodic in nature and have no direct correlation to the cost of operating our business on an ongoing basis.

Adjusted EBITDA was $64.2 million for the three months ended September 30, 2022 and represented an Adjusted EBITDA Margin of 31.2%. Adjusted EBITDA was $63.9 million for the three months ended September 30, 2021 and represented an Adjusted EBITDA Margin of 33.2%. Adjusted EBITDA for the three months ended September 30, 2022 increased by $0.2 million, or 0.4%, compared to the three months ended September 30, 2021.

For the three months ended September 30, 2022, Adjusted EBITDA remained flat as revenues growth attributed to new customers and acquisitions, and cost structure benefits due to increased automation, operational efficiencies, and operating leverage were offset by increases in insurance premiums, increases in third-party data verification costs, additional investments in technology and sales, the effects of changes in foreign currencies, and lower margin revenues from our acquisitions.

Adjusted EBITDA was $178.6 million for the nine months ended September 30, 2022 and represented an Adjusted EBITDA Margin of 29.9%. Adjusted EBITDA was $156.9 million for the nine months ended September 30, 2021 and represented an Adjusted EBITDA Margin of 31.4%. Adjusted EBITDA for the nine months ended September 30, 2022 increased by $21.8 million, or 13.9%, compared to the nine months ended September 30, 2021.

For the nine months ended September 30, 2022, Adjusted EBITDA increased more significantly due to revenues growth attributed to new and existing customers, primarily driven by strength across our business during the first half of the year.

The following table presents a reconciliation of Adjusted EBITDA for the periods presented.

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net income	$ 17,209	$ 16,285	$ 44,458	$ 666
Interest expense, net	1,740	4,706	4,002	21,875
Provision for income taxes	6,709	3,397	17,076	2,025
Depreciation and amortization	34,744	35,812	103,185	106,493
Loss on extinguishment of debt	—	—	—	13,938
Share-based compensation	2,022	1,343	5,824	4,569
Transaction and acquisition-related charges [a]	1,908	2,144	4,585	6,510
Integration, restructuring, and other charges [b]	(144)	257	(508)	780
Adjusted EBITDA	**$ 64,188**	**$ 63,944**	**$ 178,622**	**$ 156,856**

(a) Represents charges incurred related to acquisitions and similar transactions, primarily consisting of change in control-related costs, professional service fees, and other third-party costs. Additionally includes incremental professional service fees incurred related to the initial public offering and subsequent one-time compliance efforts. The three and nine months ended September 30, 2022 includes a transaction bonus expense related to one of the Company's 2021 acquisitions.

(b) Represents charges from organizational restructuring and integration activities, non-cash, and other charges primarily related to legal exposures inherited from legacy acquisitions, foreign currency (gains) losses, and (gains) losses on the sale of assets.

We define Adjusted EBITDA Margin as Adjusted EBITDA divided by total revenues. The following table presents the calculation of Adjusted EBITDA Margin for the periods presented.

(in thousands, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Adjusted EBITDA	$ 64,188	$ 63,944	$ 178,622	$ 156,856
Revenues	205,986	192,867	597,428	499,763
Adjusted EBITDA Margin	**31.2 %**	**33.2 %**	**29.9 %**	**31.4 %**

The following table presents a reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin by segment for the periods presented.

(in thousands, except percentages)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Adjusted EBITDA [(1)]:				
Americas	$ 57,205	$ 53,223	$ 156,978	$ 136,278
International	6,983	10,721	21,644	20,578
Adjusted EBITDA	$ 64,188	$ 63,944	$ 178,622	$ 156,856
Revenues				
Americas	$ 176,091	$ 158,972	$ 506,770	$ 421,795
International	31,628	35,595	96,413	82,237
Less: intersegment eliminations	(1,733)	(1,700)	(5,755)	(4,269)
Total revenues	$ 205,986	$ 192,867	$ 597,428	$ 499,763
Adjusted EBITDA Margin				
Americas	32.5 %	33.5 %	31.0 %	32.3 %
International	22.1 %	30.1 %	22.4 %	25.0 %
Adjusted EBITDA Margin	**31.2 %**	**33.2 %**	**29.9 %**	**31.4 %**

(1) See the reconciliation of net income to Adjusted EBITDA above. Segment Adjusted EBITDA margins are calculated using segment gross revenues and segment Adjusted EBITDA. Consolidated Adjusted EBITDA margin is calculated using consolidated revenues and consolidated Adjusted EBITDA.

Adjusted Net Income and Adjusted Diluted Earnings Per Share

Similar to Adjusted EBITDA, management believes that Adjusted Net Income and Adjusted Diluted Earnings Per Share are strong indicators of our overall operating performance and are useful to our management and investors as measures of comparative operating performance from period to period. We define Adjusted Net Income for a particular period as net income before taxes adjusted for debt-related costs, acquisition-related depreciation and amortization, share-based compensation, transaction and acquisition related charges, integration and restructuring charges, and other non-cash charges, to which we then apply the related effective tax rate. We define Adjusted Diluted Earnings Per Share as Adjusted Net Income divided by adjusted weighted average number of shares outstanding—diluted.

Adjusted Net Income was $40.0 million for the three months ended September 30, 2022, compared to $42.2 million for the three months ended September 30, 2021. Adjusted Net Income for the three months ended September 30, 2022 decreased by $2.2 million, or 5.1%, compared to the three months ended September 30, 2021.

Adjusted Diluted Earnings Per Share was $0.26 for the three months ended September 30, 2022 decreased by $0.02, or 7.1% compared to the three months ended September 30, 2021.

Adjusted Net Income was $111.5 million for the nine months ended September 30, 2022, compared to $95.9 million for the nine months ended September 30, 2021. Adjusted Net Income for the nine months ended September 30, 2022 increased by $15.6 million, or 16.3%, compared to the nine months ended September 30, 2021.

Adjusted Diluted Earnings Per Share was $0.73 for the nine months ended September 30, 2022, compared to $0.69 for the nine months ended September 30, 2021. Adjusted Diluted Earnings Per Share for the nine months ended September 30, 2022 increased by $0.04, or 5.8% compared to the nine months ended September 30, 2021.

Adjusted Net Income and Adjusted Diluted Earnings Per Share were impacted by changes in acquisition-related depreciation and amortization and changes in our capital structure that are captured in interest expense, the impacts of which were offset by the factors contributing to Adjusted EBITDA growth. The prepayment of the Company’s Successor First Lien and Successor Second Lien debt and gains or losses on the Company’s interest rate swaps impact the comparability of Adjusted Net Income and Adjusted Diluted Earnings Per Share across historical periods.

The following tables present a reconciliation of Adjusted Net Income for the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2022	2021	2022	2021
Net income	$ 17,209	$ 16,285	$ 44,458	$ 666
Provision for income taxes	6,709	3,397	17,076	2,025
Income before provision for income taxes	23,918	19,682	61,534	2,691
Debt-related charges[(a)]	(3,545)	437	(10,029)	19,703
Acquisition-related depreciation and amortization[(b)]	28,927	31,749	87,071	95,047
Share-based compensation	2,022	1,343	5,824	4,569
Transaction and acquisition-related charges[(c)]	1,908	2,144	4,585	6,510
Integration, restructuring, and other charges [(d)]	(144)	257	(508)	780
Adjusted Net Income before income tax effect	53,086	55,612	148,477	129,300
Less: Income tax effect[(e)]	13,083	13,443	36,971	33,431
Adjusted Net Income	**$ 40,003**	**$ 42,169**	**$ 111,506**	**$ 95,869**

The following table presents the calculation of Adjusted Diluted Earnings Per Share for the periods presented. Prior to the IPO, the equity awards under the Successor Plan were issued by the Company's Parent. As a result, these awards are not considered equity awards issued by the Company, and therefore, not included in the calculation of adjusted weighted average number of shares outstanding—diluted.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Diluted net income per share (GAAP)	$ 0.11	$ 0.11	$ 0.29	$ 0.00
Adjusted Net Income adjustments per share				
Income taxes	0.04	0.02	0.11	0.01
Debt-related charges [(a)]	(0.02)	0.00	(0.07)	0.14
Acquisition-related depreciation and amortization [(b)]	0.19	0.21	0.57	0.69
Share-based compensation	0.01	0.01	0.04	0.03
Transaction and acquisition related charges [(c)]	0.01	0.01	0.03	0.05
Integration, restructuring, and other charges [(d)]	(0.00)	0.00	(0.00)	0.01
Adjusted income taxes [(e)]	(0.09)	(0.09)	(0.24)	(0.24)
Adjusted Diluted Earnings Per Share (Non-GAAP)	**$ 0.26**	**$ 0.28**	**$ 0.73**	**$ 0.69**
Weighted average number of shares outstanding used in computation of Adjusted Diluted Earnings Per Share:				
Weighted average number of shares outstanding—diluted (GAAP)	152,357,307	152,400,419	152,375,212	138,170,488
Options and restricted stock not included in weighted average number of shares outstanding—diluted (GAAP) (using treasury stock method)	—	—	—	—
Adjusted weighted average number of shares outstanding—diluted (Non-GAAP)	152,357,307	152,400,419	152,375,212	138,170,488

(a) Represents the loss on extinguishment of debt and non-cash interest expense related to the amortization of debt issuance costs for the 2021 February refinancing and repayment of the Company's Successor First Lien Credit Facility (as defined below) and Successor Second Lien Credit Facility (as defined below), respectively. Beginning in 2022, this adjustment also includes the impact of the change in fair value of interest rate swaps. This adjustment, which represents the fair value gains or losses on the interest rate swaps, was added as a result of the increased interest rate volatility observed in 2022. The Company determined that the impact to the previous year, ($0.1) million and $0.8 million for the three and nine months ended September 30, 2021, respectively, was not significant and therefore, the previously reported amounts will not be recast.

(b) Represents the depreciation and amortization expense related to intangible assets and developed technology assets recorded due to the application of ASC 805, *Business Combinations*.

(c) Represents charges incurred related to acquisitions and similar transactions, primarily consisting of change in control-related costs, professional service fees, and other third-party costs. Additionally includes incremental professional service fees incurred related to the initial public offering and subsequent one-time compliance efforts. The three and nine months ended September 30, 2022 includes a transaction bonus expense related to one of the Company's 2021 acquisitions.

(d) Represents charges from organizational restructuring and integration activities, non-cash, and other charges primarily related to legal exposures inherited from legacy acquisitions, foreign currency (gains) losses, and (gains) losses on the sale of assets.

(e) Effective tax rates of approximately 24.6% and 24.9% have been used to compute Adjusted Net Income and Adjusted Diluted Earnings Per Share for the three and nine months ended September 30, 2022, respectively. Effective tax rates of approximately 24.2% and 25.9% have been used to compute Adjusted Net Income and Adjusted Diluted Earnings Per Share for the three and nine months ended September 30, 2021, respectively. As of December 31, 2021, we had net operating loss carryforwards of approximately $120.1 million for federal income tax purposes available to reduce future income subject to income taxes. As a result, the amount of actual cash taxes we may pay for federal income taxes differs significantly from the effective income tax rate computed in accordance with GAAP and from the normalized rate shown above.

Liquidity and Capital Resources

Liquidity

The Company’s primary liquidity requirements are for working capital, continued investments in software development and other capital expenditures, and other strategic investments. Income taxes are currently not a significant use of funds but after the benefits of our net operating loss carryforwards are fully recognized, could become a material use of funds, depending on our future profitability and future tax rates. The Company’s liquidity needs are met primarily through cash flows from operations, as well as funds available under our revolving credit facility and proceeds from our term loan borrowings. Our cash flows from operations include cash received from customers, less cash costs to provide services to our customers, which includes general and administrative costs and interest payments.

As of September 30, 2022, we had $390.3 million in cash and cash equivalents and $100.0 million available under our revolving credit facility. As of September 30, 2022, we had $564.7 million of total debt outstanding. We believe our cash on hand, together with amounts available under our revolving credit facility, and cash provided by operating activities are and will continue to be adequate to meet our operational and business needs in the next twelve months. To the extent additional funds are necessary to meet our long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of additional indebtedness, additional equity financings, or a combination of these potential sources of funds. In the event that we need access to additional cash, we may not be able to access the credit markets on commercially acceptable terms or at all. Our ability to fund future operating expenses and capital expenditures and our ability to meet future debt service obligations or refinance our indebtedness will depend on our future operating performance, which will be affected by general economic, financial, and other factors that may be beyond our control, including those described under our “Risk Factors” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

Share Repurchase Program

On August 2, 2022, the Company’s Board of Directors authorized the repurchase of up to $50.0 million of the Company’s common stock over the 12-month period ending August 2, 2023 (the “Repurchase Program”). Stock repurchases may be effected through open market repurchases at prevailing market prices, including through the use of block trades and trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, privately-negotiated transactions, through other transactions in accordance with applicable securities laws, or a combination of these methods on such terms and in such amounts as the Company deems appropriate. The Company is not obligated to repurchase any specific number of shares, and the timing, manner, value, and actual number of shares repurchased will depend on a variety of factors, including the Company’s stock price and liquidity requirements, other business considerations and general market and economic conditions. No shares will be purchased from SLP Fastball Aggregator, L.P. and its affiliates. The Company may discontinue or modify purchases without notice at any time. The Company plans to use its existing cash to fund repurchases made under the share repurchase program.

On November 8, 2022, the Company' Board of Directors authorized an increase to the total available amount under its Repurchase Program to $150.0 million and extended the program through December 31, 2023. Through November 4, 2022, the Company had made $21.6 million of purchases under the Repurchase Program.

Long-Term Debt

In February 2020, a new financing structure was established consisting of a new First Lien Credit Agreement ("Successor First Lien Agreement") and a new Second Lien Credit Agreement ("Successor Second Lien Agreement") (collectively, the "Successor Credit Agreements"). The Successor First Lien Agreement provided financing in the form of a $670.0 million term loan due January 31, 2027 ("Successor First Lien Credit Facility") and a $75.0 million new revolving credit facility due January 31, 2025 ("Successor Revolver"). The Successor Second Lien Agreement provided financing in the form of a $145.0 million term loan due January 31, 2028 ("Successor Second Lien Credit Facility").

On February 1, 2021, we amended the Successor First Lien Agreement to fund $100.0 million of additional first lien term loans and reduce the applicable margins by 0.25%. The refinancing resulted in a loss on extinguishment of debt of $5.1 million, composed of the write-off of $4.5 million of unamortized deferred financing costs and $0.6 million of accrued interest and miscellaneous fees. In addition, we fully repaid the outstanding Successor Second Lien Agreement and recorded a loss on extinguishment of debt of $8.9 million, composed of the write-off of $7.3 million of unamortized deferred financing costs plus a $1.5 million prepayment premium, and $0.1 million of accrued interest and other miscellaneous fees.

In connection with the IPO, the Company entered into an amendment to increase the borrowing capacity under the Successor Revolver from $75.0 million to $100.0 million and extend the maturity date from January 31, 2025 to July 31, 2026.

Borrowings under the Successor First Lien Agreement bear interest at a rate per annum equal to an applicable margin plus, at our option, either (a) a base rate or (b) LIBOR, which is subject to a floor of 0.00% per annum. The applicable margins under the Successor First Lien Agreement are subject to stepdowns based on our first lien net leverage ratio. In connection with the closing of the IPO, each applicable margin was reduced further by 0.25%. In addition, the borrower, First Advantage Holdings, LLC, which is an indirect wholly-owned subsidiary of the Company, is required to pay a commitment fee on any unutilized commitments under the revolving credit facility. The commitment fee rate ranges between 0.25% and 0.50% per annum based on our first lien net leverage ratio. The borrower is also required to pay customary letter of credit fees.

The Successor First Lien Credit Facility amortizes in equal quarterly installments in aggregate annual amounts equal to 1.00% of the principal amount. The Successor Revolver has no amortization. The Successor First Lien Credit Facility requires the borrower to prepay outstanding term loans, subject to certain exceptions, with certain proceeds from non-ordinary course asset sales, issuance of debt not permitted by the credit agreement to be incurred and annual excess cash flows. In addition, any voluntary prepayment of term loans in connection with certain repricing transactions on or prior to August 1, 2021 were subject to a 1.00% prepayment premium. Otherwise, the borrower may voluntarily repay outstanding loans without premium or penalty, other than customary "breakage" costs.

In connection with the closing of the IPO, on June 30, 2021, the Company repaid $200.0 million of the Successor First Lien Credit Facility outstanding, of which $44.3 million was applied to all of the remaining quarterly amortizing principal payments due under the Successor First Lien Agreement. The remaining $564.7 million term loan is scheduled to mature on January 31, 2027. As a result of the prepayment, the Company recorded additional interest expense of $3.7 million associated with the accelerated amortization of the related deferred financing costs.

The Successor First Lien Agreement is unconditionally guaranteed by Fastball Parent, Inc., a wholly-owned subsidiary of the Company and the direct parent of the borrower, and material wholly owned domestic restricted subsidiaries of Fastball Parent, Inc. The Successor First Lien Agreement and the guarantees of such obligations, are secured, subject to permitted liens and other exceptions, by (1) a first priority security interest in certain tangible and intangible assets of the borrower and the guarantors and (2) a first-priority pledge of 100% of the capital stock of the borrower and of each wholly-owned material restricted subsidiary of the borrower and the guarantors (which pledge, in the case of any non-U.S. subsidiary of a U.S. subsidiary, does not include more than 65% of the voting stock of such non-U.S. subsidiary).

The credit agreement contains customary affirmative covenants, negative covenants, and events of default (including upon a change of control). The credit agreement also includes a "springing" first lien net leverage ratio test, applicable only to the revolving credit facility, that requires such ratio to be no greater than 7.75:1.00 on the last day of any fiscal quarter if more than 35.0% of the revolving credit facility is utilized on such date.

Cash Flow Analysis

Comparison of Cash Flows for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

The following table is a summary of our cash flow activity for the periods presented:

	Nine Months Ended September 30,	
(in thousands)	2022	2021
Net cash provided by operating activities	$ 142,842	$ 83,860
Net cash used in investing activities	(40,526)	(24,992)
Net cash (used in) provided by financing activities	(827)	64,372

Cash Flows from Operating Activities

Net cash provided by operating activities was $142.8 million for the nine months ended September 30, 2022, compared to $83.9 million for the nine months ended September 30, 2021. Net cash provided by operating activities for the nine months ended September 30, 2022 increased by $59.0 million compared to the nine months ended September 30, 2021. Cash flows from operating activities was positively impacted by the Company's revenues growth from existing customers, new customer go-lives, recent acquisitions, and lower accounts receivable driven by increased cash collections from customers.

Cash Flows from Investing Activities

Net cash used in investing activities was $40.5 million for the nine months ended September 30, 2022, compared to $25.0 million for the nine months ended September 30, 2021. Net cash used in investing activities for the nine months ended September 30, 2022 increased by $15.5 million compared to the nine months ended September 30, 2021. The cash flows used in investing activities for the nine months ended September 30, 2022 were impacted by the $19.1 million acquisition of Form I-9 Compliance, net of cash acquired. The remaining investing cash flows are driven primarily by capitalized software development costs and purchases of property and equipment, which increased in 2022 as the Company continued to make incremental investments in its technology platform.

Cash Flows from Financing Activities

Net cash (used in) provided by financing activities was $(0.8) million for the nine months ended September 30, 2022, compared to $64.4 million for the nine months ended September 30, 2021. Cash flows from financing activities for the nine months ended September 30, 2022 were primarily driven by share-based compensation activity. These inflows were offset by cash outflows related to payments on capital lease obligations, deferred purchase of a software platform, and shares repurchased under the Company's Repurchase Program. During the nine months ended September 30, 2022, 155,697 shares were repurchased under the program at a total cost of $2.2 million.

Net cash provided by financing activities for the nine months ended September 30, 2021 was primarily driven by the Company's completion of its IPO on June 25, 2021. Cash inflows related to the IPO were $320.6 million, partially offset by the use of proceeds which consisted of a $200.0 million repayment of the Company's Successor First Lien Credit Facility and $1.0 million of offering cost payments.

Net cash provided by financing activities for the six months ended September 30, 2021 was incrementally driven by the Company's February 2021 debt refinancing which consisted of a refinancing of the Successor First Lien Credit Facility and the full repayment of the Successor Second Lien Credit Facility. Cash outflows related to this refinancing were $308.5 million, partially offset by cash inflows of $261.4 million. As part of the refinancing, the Company paid $1.3 million related to new debt issuance costs. The remaining outflows primarily consisted of amortizing principal payments due under the first lien term loan facility.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 30, 2022, no material change had occurred in our market risks, compared with the disclosure in our Annual Report on Form 10-K filed with the SEC on March 23, 2022.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), has evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. The term “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosures.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving their desired control objectives. Based on the evaluation of management’s disclosure controls and procedures as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, the disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control

During the quarter covered by this report, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Information in response to this Item is included in "Part I — Item 1. — Note 12 — Commitments and Contingencies" and is incorporated by reference into Part II of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

As of September 30, 2022, no material changes had occurred in our risk factors, compared with the disclosure in our Annual Report on Form 10-K filed with the SEC on March 23, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Use of Proceeds

On June 25, 2021, we completed our IPO. All shares sold were registered pursuant to a registration statement on Form S-1 (File No. 333-256622), declared effective by the SEC on June 22, 2021.

There has been no material change in the expected use of the net proceeds from our IPO as described in our Annual Report on Form 10-K filed with the SEC on March 23, 2022.

Issuer Purchases of Equity Securities

The following information relates to the Company's purchase of its common stock during each month within the third quarter of 2022:

Period	Total Number of Shares Purchased	Average Price Paid Per Share [1]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
7/1/2022 - 7/31/2022	—	$ —	—	$ —
8/1/2022 - 8/31/2022	—	$ —	—	$ —
9/1/2022 - 9/30/2022	155,697	$ 14.42	155,697	$ 47,752,436
Total	155,697	$ 14.42	155,697	$ 47,752,436

[1] Does not include commissions paid to repurchase shares.
[2] On August 2, 2022, the Company's Board of Directors authorized the repurchase of up to $50.0 million of the Company's common stock over the 12-month period ending August 2, 2023.

Stock repurchases may be effected through open market repurchases at prevailing market prices, including through the use of block trades and trading plans intended to qualify under Rule 10b5-1 under the Exchange Act, privately-negotiated transactions, through other transactions in accordance with applicable securities laws, or a combination of these methods on such terms and in such amounts as the Company deems appropriate. The Company is not obligated to repurchase any specific number of shares, and the timing, manner, value, and actual number of shares repurchased will depend on a variety of factors, including the Company's stock price and liquidity requirements, other business considerations and general market and economic conditions. No shares will be purchased from SLP Fastball Aggregator, L.P. and its affiliates. The Company may discontinue or modify purchases without notice at any time. The Company plans to use its existing cash to fund repurchases made under the share repurchase program.

On November 8, 2022, the Company' Board of Directors authorized an increase to the total available amount under its Repurchase Program to $150.0 million and extended the program through December 31, 2023. Through November 4, 2022, the Company had made $21.6 million of purchases under the Repurchase Program.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

Item 6. Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of First Advantage Corporation (incorporated herein by reference to Exhibit 3.1 of First Advantage's Form 8-K filed on June 25, 2021).
3.2	Amended and Restated Bylaws of First Advantage Corporation (incorporated herein by reference to Exhibit 3.2 of First Advantage's Form 8-K filed on June 25, 2021).
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST ADVANTAGE CORPORATION

Date: November 8, 2022	By:	/s/ Scott Staples **Scott Staples** **Chief Executive Officer** **(principal executive officer)**
Date: November 8, 2022	By:	/s/ David L. Gamsey **David L. Gamsey** **Executive Vice President & Chief Financial Officer** **(principal financial officer)**

Exhibit 31.1

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott Staples, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Advantage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. [Reserved];
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2022

By: /s/ Scott Staples
Scott Staples
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David L. Gamsey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Advantage Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. [Reserved];
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2022

By: /s/ David L. Gamsey
David L. Gamsey
Executive Vice President & Chief Financial Officer
(principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of First Advantage Corporation (the “Company”) for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2022

By: /s/ Scott Staples

Scott Staples
Chief Executive Officer
(principal executive officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of First Advantage Corporation (the “Company”) for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2022

By: /s/ David L. Gamsey

David L. Gamsey
Executive Vice President & Chief Financial Officer
(principal financial officer)