



First Advantage Reports Second Quarter 2021 Results

Second Quarter 2021 Highlights

(All results compared to prior-year period)

- Revenues increased 66.5% to \$174.8 million
- Net income was \$3.8 million, compared to a net loss of \$16.4 million in the prior year period
- Adjusted EBITDA¹ was \$56.3 million, compared to \$31.7 million in the prior year period
- Adjusted Net Income¹ was \$33.2 million, compared to \$12.2 million in the prior year period
- Initial public offering on the Nasdaq Global Select Market completed on June 25, 2021; net proceeds to the Company of \$316.5 million used to prepay \$200.0 million of debt and for general corporate purposes
- 2021 guidance ranges for revenue of \$640 to \$650 million, Adjusted EBITDA of \$186 to \$190 million, and Adjusted Net Income of \$110 to \$113 million²

ATLANTA, August 12, 2021 – First Advantage Corporation (NASDAQ: FA), a leading global provider of technology solutions for screening, verifications, safety, and compliance related to human capital, today announced financial results for the second quarter ended June 30, 2021.

Key Financial Metrics

(Amounts in millions, except per share data and percentages)

	Three months ended June 30,		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues	\$ 174.8	\$ 105.0	66.5%
Income (loss) from operations	\$ 17.3	\$ (6.2)	NM
Net income (loss)	\$ 3.8	\$ (16.4)	NM
Net income margin	2.2%	(15.6)%	
Diluted earnings (loss) per share	\$ 0.03	\$ (0.13)	NM
Adjusted EBITDA ¹	\$ 56.3	\$ 31.7	77.9%
Adjusted EBITDA Margin ¹	32.2%	30.1%	
Adjusted Net Income ¹	\$ 33.2	\$ 12.2	171.9%
Adjusted Diluted Earnings Per Share ¹	\$ 0.25	\$ 0.09	177.8%

¹ Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, and Adjusted Diluted Earnings Per Share are non-GAAP measures. Please see the schedules accompanying this earnings release for a reconciliation of these measures to their most directly comparable respective GAAP measure.

“First Advantage delivered exceptional performance during the second quarter of 2021, achieving year-over-year revenue and Adjusted EBITDA growth of 66.5% and 77.9%, respectively,” said Scott Staples, Chief Executive Officer. “With the global economy showing strong recovery and the increasing competition for talent, we continued to help our customers accelerate hiring and manage human capital risk.”

Mr. Staples continued, “Our robust revenue growth was attributable to increasing momentum within our existing customer base, significant new customer growth, and the contribution from our UK screening business acquisition, which closed in March 2021. In addition, continued advancements in robotic process automation, utilization of our proprietary data and intelligent routing technology, further operational efficiencies, and G&A leverage drove Adjusted EBITDA growth and Adjusted EBITDA Margin expansion.”

Balance Sheet and Cash Flow

First Advantage shares commenced trading on the Nasdaq Global Select Market on June 23, 2021 and the Company completed its upsized initial public offering on June 25, 2021 of 29,325,000 shares of common stock, including the full exercise by the underwriters of their option to purchase up to 3,825,000 additional shares of common stock. Of the shares sold in the IPO, 22,856,250 shares were sold by First Advantage and 6,468,750 shares were sold by certain existing stockholders of First Advantage. The offering was upsized 20% from the number of offered shares at launch and priced at the top of the price range indicated at launch. The Company received net proceeds of approximately \$316.5 million from the offering after deducting underwriting discounts and commissions and offering expenses. First Advantage used the net proceeds to prepay \$200.0 million in aggregate principal amount of the outstanding indebtedness under its first lien credit facility and intends to use the balance for general corporate purposes. As a result of the prepayment of its first lien credit facility, the Company has no remaining mandatory quarterly principal payments due under the facility.

Additionally, in connection with the IPO and effective upon closing of the IPO, the Company amended its revolving credit facility to increase borrowing capacity from \$75.0 million to \$100.0 million and extend the maturity date from January 31, 2025 to July 31, 2026. There are no amounts currently outstanding under this facility.

During the second quarter of 2021, the Company generated \$32.4 million of cash flow from operating activities and spent \$6.3 million in purchases of property and equipment and capitalized software development costs. First Advantage ended the second quarter of 2021 with cash and cash equivalents of \$257.1 million.

Full Year 2021 Guidance

The following table summarizes Full Year 2021 guidance metrics, as of August 12, 2021:

Full Year 2021 Guidance	
Revenues	\$640 million – \$650 million
Adjusted EBITDA ²	\$186 million – \$190 million
Adjusted Net Income ²	\$110 million – \$113 million
Capital expenditures (consisting of purchases of property and equipment and capitalized software development costs)	\$25 million – \$26 million

² A reconciliation of the foregoing guidance for the Non-GAAP metrics of Adjusted EBITDA and Adjusted Net Income to GAAP net income (loss) cannot be provided without unreasonable effort because of the inherent difficulty of accurately forecasting the occurrence and financial impact of the various adjusting items necessary for such reconciliation that have not yet occurred, are out of our control, or cannot be reasonably predicted. For the same reasons, the Company is unable to assess the probable significance of the unavailable information, which could have a material impact on its future GAAP financial results.

Actual results may differ materially from First Advantage's Full Year 2021 Guidance as a result of, among other things, the factors described under "Forward-Looking Statements" below.

Conference Call and Webcast Information

First Advantage will host a conference call to review its results today, August 12, 2021, at 8:30 a.m. ET. To participate in the conference call, please dial (877) 313-2269 (domestic) or (470) 495-9550 (international) approximately ten minutes before the start. Please mention to the operator that you are dialing in for the First Advantage second quarter 2021 earnings call or provide the conference code 8175296. The call will also be webcast live on the Company's investor relations website at <https://investors.fadv.com> under the "News & Events" and then "Events & Presentations" section, where related presentation materials will be posted prior to the conference call.

Following the conference call, a replay of the webcast will be available on the Company's investor relations website, <https://investors.fadv.com>, for approximately 90 days.

Forward-Looking Statements

This press release 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,” “guidance,” 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 risks on 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, 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;
- 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;
- 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;
- our ability to obtain, maintain, protect and enforce our intellectual property and other proprietary information;
- our substantial 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; and
- our Sponsor (Silver Lake Group, L.L.C., together with its affiliates, successors, and assignees) controls us and may have interests that conflict with ours or those of our stockholders.

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 prospectus, dated June 22, 2021, filed with the Securities and Exchange Commission (the “SEC”) pursuant to Rule 424(b)(4) of the Securities Act of 1933, 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 press release are made only as of the date of this press release, 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.

Non-GAAP Financial Information

This press release contains “non-GAAP financial measures” that are financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with accounting principles generally accepted in the United States (“GAAP”). Specifically, we make use of the non-GAAP financial measures “Adjusted EBITDA,” “Adjusted EBITDA Margin,” “Adjusted Net Income,” and “Adjusted Diluted Earnings Per Share.”

Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, and Adjusted Diluted Earnings Per Share have been presented in this press release as supplemental measures of financial performance that are not required by or presented in accordance with GAAP because we believe they assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core 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.

Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, and Adjusted Diluted Earnings Per Share are not recognized terms under GAAP and should not be considered as an alternative to net income (loss) as a measure of financial performance or cash provided by (used in) operating activities as a measure of liquidity, or any other performance measure derived in accordance with GAAP. 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.

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 define Adjusted EBITDA Margin as Adjusted EBITDA divided by total revenues. 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. For reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures, see the reconciliations included at the end of this press release.

About First Advantage

First Advantage (NASDAQ: FA) is a leading global provider of technology solutions for screening, verifications, safety, and compliance related to human capital. The Company delivers innovative solutions and insights that help customers manage risk and hire the best talent. Enabled by its proprietary technology platform, First Advantage’s products and solutions help companies protect their brands and provide safer environments for their customers and their most important resources: employees, contractors, contingent workers, tenants, and drivers. Headquartered in Atlanta, Georgia, First Advantage performs screens in over 200 countries and territories on behalf of its more than 30,000 customers. For more information about First Advantage, visit the Company’s website at <https://fadv.com/>.

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Consolidated Financial Statements

First Advantage Corporation Condensed Consolidated Balance Sheets (Unaudited)

	Successor June 30, 2021	Successor December 31, 2020
<i>(in thousands, except share and per share amounts)</i>		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 257,122	\$ 152,818
Restricted cash	156	152
Short-term investments	1,352	1,267
Accounts receivable (net of allowance for doubtful accounts of \$666 and \$967 at June 30, 2021 and December 31, 2020, respectively)	128,906	111,363
Prepaid expenses and other current assets	11,338	8,699
Income tax receivable	2,272	3,479
Total current assets	<u>401,146</u>	<u>277,778</u>
Property and equipment, net	172,239	190,282
Goodwill	774,562	770,089
Trade name, net	83,828	87,702
Customer lists, net	406,415	435,661
Deferred tax asset, net	1,592	807
Other assets	2,397	1,372
TOTAL ASSETS	<u><u>\$ 1,842,179</u></u>	<u><u>\$ 1,763,691</u></u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 47,314	\$ 44,117
Accrued compensation	22,244	18,939
Accrued liabilities	27,346	25,200
Current portion of long-term debt	—	6,700
Income tax payable	1,922	2,451
Deferred revenue	540	431
Total current liabilities	<u>99,366</u>	<u>97,838</u>
Long-term debt (net of deferred financing costs of \$10,756 and \$26,345 at June 30, 2021 and December 31, 2020, respectively)	553,968	778,605
Deferred tax liability, net	81,744	86,770
Other liabilities	7,306	6,208
Total liabilities	<u>742,384</u>	<u>969,421</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock - \$0.001 par value; 1,000,000,000 shares authorized, 152,856,250 and 130,000,000 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	153	130
Additional paid-in-capital	1,158,804	839,148
Accumulated deficit	(63,111)	(47,492)
Accumulated other comprehensive income	3,949	2,484
Total equity	<u>1,099,795</u>	<u>794,270</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 1,842,179</u></u>	<u><u>\$ 1,763,691</u></u>

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

	Successor	
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
<i>(in thousands, except share and per share amounts)</i>		
REVENUES	\$ 174,826	\$ 104,993
OPERATING EXPENSES:		
Cost of services (exclusive of depreciation and amortization below)	84,868	52,404
Product and technology expense	11,680	7,205
Selling, general, and administrative expense	25,075	15,014
Depreciation and amortization	35,918	36,572
Total operating expenses	157,541	111,195
INCOME (LOSS) FROM OPERATIONS	17,285	(6,202)
OTHER EXPENSE:		
Interest expense	10,467	13,816
Interest income	(15)	(153)
Loss on extinguishment of debt	—	—
Transaction expenses, change in control	—	—
Total other expense	10,452	13,663
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	6,833	(19,865)
Provision (benefits) for income taxes	3,063	(3,499)
NET INCOME (LOSS)	\$ 3,770	\$ (16,366)
Foreign currency translation (loss) income	(1,295)	486
COMPREHENSIVE INCOME (LOSS)	\$ 2,475	\$ (15,880)
NET INCOME (LOSS)	\$ 3,770	\$ (16,366)
Basic net income (loss) per share	\$ 0.03	\$ (0.13)
Diluted net income (loss) per share	\$ 0.03	\$ (0.13)
Weighted average number of shares outstanding - basic	131,507,005	130,000,000
Weighted average number of shares outstanding - diluted	135,368,909	130,000,000

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

	Successor		Predecessor
	Six Months Ended June 30, 2021	Period from February 1, 2020 through June 30, 2020	Period from January 1, 2020 through January 31, 2020
<i>(in thousands)</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss)	\$ (15,619)	\$ (38,180)	\$ (36,530)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	70,681	61,059	2,105
Loss on extinguishment of debt	13,938	—	10,533
Amortization of deferred financing costs	5,059	1,456	569
Bad debt (recovery) expense	(367)	56	102
Deferred taxes	(5,975)	(9,231)	(997)
Share-based compensation	3,226	801	3,976
(Gain) on foreign currency exchange rates	(319)	(285)	(82)
Loss on disposal of fixed assets	81	63	8
Change in fair value of interest rate swaps	(953)	5,156	—
Changes in operating assets and liabilities:			
Accounts receivable	(16,895)	7,058	9,384
Prepaid expenses and other current assets	(2,654)	4,468	(4,604)
Other assets	(1,032)	(287)	(62)
Accounts payable	2,590	3,651	(8,871)
Accrued compensation and accrued liabilities	2,780	(11,337)	4,102
Deferred revenue	106	(16)	11
Other liabilities	545	(389)	767
Income taxes receivable and payable, net	906	(634)	373
Net cash provided by (used in) operating activities	56,098	23,409	(19,216)
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes in short-term investments	(92)	706	(163)
Acquisition of business	(7,588)	—	—
Purchase of property and equipment	(3,841)	(2,724)	(951)
Capitalized software development costs	(7,482)	(4,465)	(929)
Net cash used in investing activities	(19,003)	(6,483)	(2,043)
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	(1,028)	—	—
Shareholder distribution	(313)	—	—
Capital contributions	241	59,423	41,143
Distributions to Predecessor Members and Optionholders	—	(4,087)	(17,991)
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)	—	—
Borrowings on Successor Revolver	—	25,000	—
Repayments on Successor Revolver	—	(25,000)	—
Repayment of Predecessor First Lien Credit Facility	—	—	(34,000)
Payments of debt issuance costs	(1,257)	(1,397)	—
Payments on capital lease obligations	(925)	(977)	(274)
Payments on deferred purchase agreements	(362)	—	—
Net cash provided by (used in) financing activities	67,869	52,962	(11,122)
Effect of exchange rate on cash, cash equivalents, and restricted cash	(656)	(1,141)	(102)
Increase (decrease) in cash, cash equivalents, and restricted cash	104,308	68,747	(32,483)
Cash, cash equivalents, and restricted cash at beginning of period	152,970	48,263	80,746
Cash, cash equivalents, and restricted cash at end of period	\$ 257,278	\$ 117,010	\$ 48,263
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for income taxes, net of refunds received	\$ 3,736	\$ 1,915	\$ 279
Cash paid for interest	\$ 13,721	\$ 19,994	\$ 224
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Offering costs included in accounts payable and accrued liabilities	\$ 3,006	\$ —	\$ —
Non-cash property and equipment additions	\$ 2,797	\$ 274	\$ 289
Distributions declared to Optionholders but not paid	\$ —	\$ —	\$ 781

Reconciliation of Consolidated Non-GAAP Financial Measures

	Successor	
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
<i>(in thousands)</i>		
Net income (loss)	\$ 3,770	\$ (16,366)
Interest expense, net	10,452	13,663
Provision for income taxes	3,063	(3,499)
Depreciation and amortization	35,918	36,572
Loss on extinguishment of debt	—	—
Share-based compensation	2,664	520
Transaction and acquisition-related charges ^(a)	382	76
Integration and restructuring charges ^(b)	73	262
Other ^(c)	—	427
Adjusted EBITDA	\$ 56,322	\$ 31,655
Revenues	174,826	104,993
Adjusted EBITDA Margin	32.2%	30.1%

- 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, the three months ended June 30, 2021 (Successor) includes incremental professional service fees incurred related to the initial public offering.
- b) Represents charges from organizational restructuring and integration activities outside of the ordinary course of business.
- c) Represents 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. Additionally, the three months ended June 30, 2020 (Successor) includes the incremental costs incurred due to COVID-19.

Reconciliation of Consolidated Non-GAAP Financial Measures (continued)

	Successor	
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
<i>(in thousands)</i>		
Net income (loss)	\$ 3,770	\$ (16,366)
Provision for income taxes	3,063	(3,499)
Income (loss) before provision for income taxes	6,833	(19,865)
Debt-related costs(a)	4,355	877
Acquisition-related depreciation and amortization(b)	31,786	34,135
Share-based compensation	2,664	520
Transaction and acquisition-related charges(c)	382	76
Integration and restructuring charges(d)	73	262
Other(e)	—	427
Adjusted Net Income before income tax effect	46,093	16,432
Less: Income tax effect(f)	12,896	4,223
Adjusted Net Income	\$ 33,197	\$ 12,209

	Successor	
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Diluted net income (loss) per share (GAAP)	\$ 0.03	\$ (0.13)
<i>Adjusted Net Income adjustments per share</i>		
Income taxes	0.02	(0.03)
Debt-related costs (a)	0.03	0.01
Acquisition-related depreciation and amortization (b)	0.25	0.27
Share-based compensation	0.02	0.00
Transaction and acquisition related charges (c)	0.00	0.00
Integration and restructuring charges (d)	0.00	0.00
Other (e)	—	0.00
Adjusted income taxes (f)	(0.10)	(0.03)
Adjusted Diluted Earnings Per Share (Non-GAAP)	\$ 0.25	\$ 0.09

Weighted average number of shares outstanding used in computation of Adjusted Diluted Earnings Per Share:

Weighted average number of shares outstanding—diluted (GAAP)	135,368,909	130,000,000
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)	135,368,909	130,000,000

- a) Represents the loss on extinguishment of debt and non-cash interest expense related to the amortization of debt issuance costs for the financing for the "Silver Lake Transaction" (On January 31, 2020, a fund managed by Silver Lake acquired substantially all of the Company's equity interests from the Predecessor equity owners, primarily funds managed by Symphony Technology Group).
- 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, the three months ended June 30, 2021 (Successor) includes incremental professional service fees incurred related to the initial public offering.
- d) Represents charges from organizational restructuring and integration activities outside of the ordinary course of business.
- e) Represents 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. Additionally, the three months ended June 30, 2020 (Successor) includes incremental costs incurred due to COVID-19.
- f) Effective tax rates of 25.7% and 28.0% have been used to compute Adjusted Net Income for the three months ended June 30, 2020 and 2021, respectively. As of December 31, 2020, we had net operating loss carryforwards of approximately \$197.6 million, \$166.2 million, and \$36.0 million for federal, state, and foreign income tax purposes, respectively, available to reduce future income subject to income taxes. As a result, the amount of actual cash taxes we pay for federal, state and foreign income taxes differs significantly from the effective income tax rate computed in accordance with GAAP, and from the normalized rates shown above.