

May 9, 2023



HireRight Reports First Quarter 2023 Results

– Maintaining Full-Year Outlook –

– Repurchased 2.3 Million Shares of Common Stock –

NASHVILLE, Tenn.--(BUSINESS WIRE)-- [HireRight Holdings Corporation](#) (NYSE: HRT) ("HireRight" or the "Company"), a leading provider of background screening services, today announced financial results for its first quarter ended March 31, 2023.

First Quarter 2023 Highlights:

- Revenues of \$175.4 million
- Net loss of \$7.9 million
- Adjusted EBITDA of \$33.0 million
- Net loss per share of \$0.10
- Adjusted diluted earnings per share of \$0.18

“Our first quarter demonstrated continued progress on our technology and margin initiatives, placing us ahead of schedule in achieving our 2023 margin target despite the soft demand environment” said HireRight President and CEO Guy Abramo. “I am also pleased to highlight we have made two recent strategic investments; one to deliver leading I-9 solutions for our customers and another to bolster our presence in the very important Latin American market. Lastly, we continue to express confidence in the opportunities ahead through ongoing share repurchases as part of our strategic plan to enhance long-term shareholder value.”

Liquidity and Capital Resources

The Company had over \$270 million of capital available at March 31, 2023, consisting of \$127.4 million of cash and \$143.7 million of available borrowing capacity under its Revolving Credit Facility. Through May 2, 2023, the Company has repurchased 5.8 million shares of common stock for approximately \$63.5 million under the share repurchase program announced on November 13, 2022.

Cash used in operating activities was \$5.0 million for first quarter 2023, compared to cash used of \$2.0 million for the same period in 2022.

Full-Year Outlook

Based on current expectations, HireRight is maintaining the Company's initial full-year 2023 outlook as set forth in the table below:

	Estimated Low	Estimated High
	(in thousands, except per share data)	
Revenues	\$ 720,000	\$ 745,000
Adjusted EBITDA ⁽¹⁾	\$ 165,000	\$ 175,000
Adjusted Net Income ⁽¹⁾	\$ 100,000	\$ 110,000
Adjusted Diluted EPS ⁽¹⁾	\$ 1.30	\$ 1.43

(1) A reconciliation of the guidance for the Non-GAAP financial measures of Adjusted EBITDA, Adjusted Net Income, and Adjusted Diluted EPS in the table above 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 the Company's future Non-GAAP financial measures.

Webcast and Conference Call

Management will discuss first quarter results on a webcast at 2 p.m. (PT) / 5 p.m. (ET) today, Tuesday, May 9, 2023. The webcast, along with the related presentation materials, may be accessed via HireRight's investor relations website page at ir.hireright.com under "News and Events." To listen by phone, please dial 1-877-704-4453 or 1-201-389-0920.

The webcast replay, along with the related presentation materials, can be accessed via HireRight's investor relations website page at ir.hireright.com under "News and Events," and will be available for 90 days. A replay of the call will also be available until Tuesday, May 16, 2023 by dialing 1-844-512-2921 or 1-412-317-6671 and entering passcode 13737147.

About HireRight

HireRight is a leading global provider of technology-driven workforce risk management and compliance solutions. We provide comprehensive background screening, verification, identification, monitoring, and drug and health screening services for approximately 38,000 customers across the globe. We offer our services via a unified global software and data platform that tightly integrates into our customers' human capital management systems enabling highly effective and efficient workflows for workforce hiring, onboarding, and monitoring. In 2022, we screened over 24 million job applicants, employees and contractors for our customers and processed over 107 million screens. For more information, visit www.HireRight.com or contact InvestorRelations@HireRight.com.

Non-GAAP Financial Measures

To supplement the financial results presented in accordance with generally accepted accounting principles in the United States ("GAAP"), HireRight presents certain non-GAAP financial measures. A "non-GAAP financial measure" is a numerical measure of a company's financial performance that excludes amounts that are included in the most directly comparable measure calculated and presented in accordance with GAAP, or that includes amounts that are excluded from the most directly comparable measure calculated and presented in accordance with GAAP in the statements of operations, balance sheets or statements of cash flow of the Company.

We believe that the presentation of our non-GAAP financial measures provides information useful to investors in assessing our financial condition and results of operations. These

measures should not be considered an alternative to net income (loss) or any other measure of financial performance or liquidity presented in accordance with GAAP. These measures have important limitations as analytical tools because they exclude some but not all items that affect the most directly comparable GAAP measures. Additionally, to the extent that other companies in our industry, define similar non-GAAP measures differently than we do, the utility of those measures for comparison purposes may be limited.

The non-GAAP financial measures presented in this earnings release and/or included in management's commentary on the earnings call described above, are Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, and Adjusted Diluted Earnings Per Share. Reconciliations of these non-GAAP financial measures to the most directly comparable measures calculated and presented in accordance with GAAP are provided as schedules attached to this release.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA represents, as applicable for the period, net income (loss) before interest expense, income taxes, depreciation and amortization expense, stock-based compensation, realized and unrealized gain (loss) on foreign exchange, restructuring charges, amortization of cloud computing software costs, legal settlement costs deemed by management to be outside the normal course of business, and other items management believes are not representative of the Company's core operations. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenues for the period. Adjusted EBITDA and Adjusted EBITDA margin are supplemental financial measures that management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess our:

- Operating performance as compared to other publicly traded companies without regard to capital structure or historical cost basis;
- Ability to generate cash flow;
- Ability to incur and service debt and fund capital expenditures; and
- Viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

Adjusted Net Income and Adjusted Diluted Earnings Per Share

In addition to Adjusted EBITDA, management believes that Adjusted Net Income is a strong indicator of our overall operating performance and is useful to our management and investors as a measure of comparative operating performance from period to period. We define Adjusted Net Income as net income (loss) adjusted for amortization of acquired intangible assets, stock-based compensation, realized and unrealized gain (loss) on foreign exchange, restructuring charges, amortization of cloud computing software costs, legal settlement costs deemed by management to be outside the normal course of business, and other items management believes are not representative of the Company's core operations, to which we apply an adjusted effective tax rate. See the footnotes to the table below for a description of certain of these adjustments. We define Adjusted Diluted Earnings Per Share as Adjusted Net Income divided by the weighted average number of shares outstanding (diluted) for the applicable period. We believe Adjusted Diluted Earnings Per Share is useful to investors and analysts because it enables them to better evaluate per share operating performance across reporting periods and to compare our performance to that of our peer

companies.

Safe Harbor Statement

This press release and management's comments on the first quarter earnings call mentioned above contain forward-looking statements within the meaning of the federal securities laws.. You can often identify forward-looking statements by the fact that they do not relate strictly to historical or current facts, or by their use of words such as "anticipate," "estimate," "expect," "project," "forecast," "plan," "intend," "believe," "seek," "could," "targets," "potential," "may," "will," "should," "can have," "likely," "continue," and other terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. Forward-looking statements may include, but are not limited to, statements concerning our anticipated financial performance, including, without limitation, revenue, profitability, net income (loss), adjusted EBITDA, adjusted EBITDA margin, adjusted net income, earnings per share ("EPS"), adjusted diluted earnings per share, and cash flow; strategic objectives; investments in our business, including development of our technology and introduction of new offerings; sales growth and customer relationships; our competitive differentiation; our market share and leadership position in the industry; market conditions, trends, and opportunities; future operational performance; pending or threatened claims or regulatory proceedings; and factors that could affect these and other aspects of our business.

Forward-looking statements are not guarantees. They reflect our current expectations and projections with respect to future events and are based on assumptions and estimates and subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements.

Factors that could affect the outcome of the forward-looking statements include, among other things, our vulnerability to adverse economic conditions, including without limitation, inflation and recession, which could increase our costs and suppress labor market activity and our revenue; the aggressive competition we face; failure to implement successfully our ongoing technology improvement and cost reduction initiatives; our heavy reliance on information management systems, vendors, and information sources that may not perform as we expect; the significant risk of liability we face in the services we perform; the fact that data security, data privacy and data protection laws, emerging restrictions on background reporting due to alleged discriminatory impacts and adverse social consequences, and other evolving regulations and cross-border data transfer restrictions may increase our costs, limit the use or value of our services and adversely affect our business; our ability to maintain our professional reputation and brand name; the impacts, direct and indirect, of the pandemics or other calamitous events on our business, our personnel and vendors, and the overall economy; social, political, regulatory and legal risks in markets where we operate; the impact of foreign currency exchange rate fluctuations; unfavorable tax law changes and tax authority rulings; any impairment of our goodwill, other intangible assets and other long-lived assets; our ability to execute and integrate future acquisitions; our ability to access additional credit or other sources of financing; and the increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted cyber-related attacks that could pose a risk to our systems, networks, solutions, services and data. For more information on the business risks we face and factors that could affect the outcome of forward-looking

statements, refer to our Annual Report on Form 10-K filed with the SEC on March 9, 2023, in particular the sections of that document entitled "Risk Factors," "Forward-Looking Statements," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and other filings we make from time to time with the SEC. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

HireRight Holdings Corporation
Condensed Consolidated Balance Sheets (Unaudited)

	March 31, 2023	December 31, 2022
	(in thousands, except share, and per share data)	
Assets		
Current assets		
Cash and cash equivalents	\$ 127,410	\$ 162,092
Restricted cash	—	1,310
Accounts receivable, net of allowance for credit losses of \$5,365 and \$5,812 at March 31, 2023 and December 31, 2022, respectively	134,306	136,656
Prepaid expenses and other current assets	20,208	18,745
Total current assets	281,924	318,803
Property and equipment, net	8,374	9,045
Right-of-use assets, net	6,921	8,423
Intangible assets, net	318,057	331,598
Goodwill	811,338	809,463
Cloud computing software, net	39,785	35,230
Deferred tax assets	80,612	74,236
Other non-current assets	20,583	18,949
Total assets	\$1,567,594	\$1,605,747
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 9,442	\$ 11,571
Accrued expenses and other current liabilities	102,923	75,208
Accrued salaries and payroll	26,085	31,075
Debt, current portion	8,350	8,350
Total current liabilities	146,800	126,204
Debt, long-term portion	681,853	683,206
Tax receivable agreement liability, long-term portion	183,504	210,543
Deferred tax liabilities	5,617	5,748
Other non-current liabilities	10,845	11,728
Total liabilities	1,028,619	1,037,429
Commitments and contingent liabilities (Note 12)		
Preferred stock, \$0.001 par value, authorized 100,000,000 shares; none issued and outstanding as of March 31, 2023 and December 31, 2022	—	—
Common stock, \$0.001 par value, authorized 1,000,000,000 shares; 79,665,328 and 79,660,397 shares issued, and 75,874,099 and 78,131,568 shares outstanding as of March 31, 2023 and December 31, 2022, respectively	80	80
Additional paid-in capital	809,627	805,799
Treasury stock, at cost; 3,791,229 and 1,528,829 shares repurchased at March 31, 2023 and December 31, 2022, respectively	(42,337)	(16,827)
Accumulated deficit	(223,701)	(215,790)
Accumulated other comprehensive loss	(4,694)	(4,944)
Total stockholders' equity	538,975	568,318
Total liabilities and stockholders' equity	\$1,567,594	\$1,605,747

HireRight Holdings Corporation
Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended	
	March 31,	
	2023	2022
	(in thousands, except share and per share data)	
Revenues	\$ 175,447	\$ 198,711
Expenses		
Cost of services (exclusive of depreciation and amortization below)	98,451	112,403
Selling, general and administrative	59,726	48,267
Depreciation and amortization	18,417	18,061
Total expenses	176,594	178,731
Operating income (loss)	(1,147)	19,980
Other expenses		
Interest expense, net	12,402	7,557
Other expense, net	306	41
Total other expenses	12,708	7,598
Income (loss) before income taxes	(13,855)	12,382
Income tax expense (benefit)	(5,944)	818
Net income (loss)	\$ (7,911)	\$ 11,564
Net income (loss) per share:		
Basic	\$ (0.10)	\$ 0.15
Diluted	\$ (0.10)	\$ 0.15
Weighted average shares outstanding:		
Basic	77,285,116	79,392,937
Diluted	77,285,116	79,392,937

HireRight Holdings Corporation
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Cash flows from operating activities		
Net income (loss)	\$ (7,911)	\$ 11,564
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	18,417	18,061
Deferred income taxes	(6,590)	205
Amortization of debt issuance costs	803	821
Amortization of contract assets	1,212	1,091
Amortization of right-of-use assets	2,384	686
Amortization of unrealized gains on terminated interest rate swap agreements	(2,527)	(2,181)
Amortization of cloud computing software costs	1,571	151
Stock-based compensation	3,828	2,794
Other non-cash charges, net	(383)	496
Changes in operating assets and liabilities:		
Accounts receivable	2,838	(29,852)
Prepaid expenses and other current assets	(1,465)	4,115
Cloud computing software	(6,125)	(8,548)
Other non-current assets	(1,893)	(1,411)
Accounts payable	(1,804)	(7,095)
Accrued expenses and other current liabilities	(771)	14,920
Accrued salaries and payroll	(5,140)	(6,240)
Operating lease liabilities, net	(1,284)	(1,068)
Other non-current liabilities	(175)	(524)
Net cash used in operating activities	<u>(5,015)</u>	<u>(2,015)</u>
Cash flows from investing activities		
Purchases of property and equipment	(693)	(1,867)
Capitalized software development	(2,918)	(2,662)
Other investing	(1,000)	—
Net cash used in investing activities	<u>(4,611)</u>	<u>(4,529)</u>
Cash flows from financing activities		
Repayments of debt	(2,088)	(2,088)
Payments for termination of interest rate swap agreements	—	(18,445)
Repurchase of common stock	(24,584)	—
Net cash used in financing activities	<u>(26,672)</u>	<u>(20,533)</u>
Net decrease in cash, cash equivalents and restricted cash	<u>(36,298)</u>	<u>(27,077)</u>
Effect of exchange rates	306	(420)
Cash, cash equivalents and restricted cash		
Beginning of year	163,402	116,214
End of period	<u>\$ 127,410</u>	<u>\$ 88,717</u>
Cash paid for		
Interest	\$ 15,221	\$ 8,772
Income taxes	\$ 639	\$ 902
Supplemental schedule of non-cash activities		
Unpaid property and equipment and capitalized software purchases	\$ 821	\$ 561

Reconciliation of GAAP Measures to Non-GAAP Measures (Unaudited)

The following table reconciles our non-GAAP financial measure of Adjusted EBITDA to net income (loss), our most directly comparable financial measures calculated and presented in accordance with GAAP, for the periods presented.

	Three Months Ended March 31,	
	2023	2022
	(in thousands, except percents)	
Net income (loss)	\$ (7,911)	\$ 11,564
Income tax (benefit) expense	(5,944)	818
Interest expense, net	12,402	7,557
Depreciation and amortization	18,417	18,061
EBITDA	16,964	38,000
Stock-based compensation	3,828	2,794
Realized and unrealized gain (loss) on foreign exchange	307	(79)
Restructuring charges ⁽¹⁾	9,874	—
Amortization of cloud computing software costs ⁽²⁾	1,571	151
Other items ⁽³⁾	497	860
Adjusted EBITDA	\$ 33,041	\$ 41,726
Net income (loss) margin ⁽⁴⁾	(4.5)%	5.8%
Adjusted EBITDA margin	18.8%	21.0%

(1) Restructuring charges represent costs incurred in connection with the Company's global restructuring plan. Costs incurred in connection with the plan include: (i) \$4.4 million of severance and benefits related to impacted employees, (ii) \$4.0 million of professional service fees related to the execution of our cost savings initiatives, and (iii) \$1.4 million related to the abandonment of certain of our leased facilities.

(2) Amortization of cloud computing software costs consists of expense recognized in selling, general and administrative expenses for capitalized implementation costs for cloud computing IT systems incurred in connection with our platform and fulfillment technology initiatives that are intended to achieve greater operational efficiencies. This expense is not included in depreciation and amortization above.

(3) Other items for the three months ended March 31, 2023 comprise professional services fees not related to core operations. Other items for the three months ended March 31, 2022 include (i) costs of \$0.9 million associated with the implementation of a company-wide ERP system, (ii) \$0.3 million related to loss on disposal of assets and exit costs associated with one of our short-term leased facilities, (iii) \$0.2 million of information technology related costs including personnel expenses and professional service fees associated with the integration of customers and operations of an entity with which the Company merged, and (iv) a partial offset of these costs by a reduction in previously accrued legal settlement expense of \$0.6 million during the three months ended March 31, 2022 due to a more favorable outcome than originally anticipated in a claim outside the ordinary course of business.

(4) Net income (loss) margin represents net income (loss) divided by revenues for the period.

The following table reconciles our non-GAAP financial measure of Adjusted Net Income to net income (loss), our most directly comparable financial measure calculated and presented in accordance with GAAP, for the periods presented:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Net income (loss)	\$ (7,911)	\$ 11,564
Income tax (benefit) expense	(5,944)	818
Income (loss) before income taxes	(13,855)	12,382
Amortization of acquired intangible assets	15,394	15,505
Interest expense swap adjustments ⁽¹⁾	(2,527)	(2,181)
Interest expense discounts ⁽²⁾	803	821
Stock-based compensation	3,828	2,794
Realized and unrealized gain (loss) on foreign exchange	307	(79)
Restructuring charges ⁽³⁾	9,874	—
Amortization of cloud computing software costs ⁽⁴⁾	1,571	151
Other items ⁽⁵⁾	497	860
Adjusted income before income taxes	15,892	30,253
Adjusted income taxes ⁽⁶⁾	2,346	439
Adjusted Net Income	\$ 13,546	\$ 29,814

The following table sets forth the calculation of Adjusted Diluted Earnings Per Share for the periods presented.

	Three Months Ended March 31,	
	2023	2022
Diluted net income (loss) per share	\$ (0.10)	\$ 0.15
Income tax (benefit) expense	(0.08)	0.01
Amortization of acquired intangible assets	0.20	0.19
Interest expense swap adjustments ⁽¹⁾	(0.03)	(0.03)
Interest expense discounts ⁽²⁾	0.01	0.01
Stock-based compensation	0.05	0.04
Realized and unrealized gain (loss) on foreign exchange	—	—
Restructuring charges ⁽³⁾	0.13	—
Amortization of cloud computing software costs ⁽⁴⁾	0.02	—
Other items ⁽⁵⁾	0.01	0.01
Adjusted income taxes ⁽⁶⁾	(0.03)	(0.01)
Adjusted Diluted Earnings Per Share	\$ 0.18	\$ 0.37
Weighted average number of shares outstanding - diluted	77,285,116	79,392,937

- (1) Interest expense swap adjustments consist of amortization of unrealized gains on our terminated interest rate swap agreements, which will be recognized through December 2023 as a reduction in interest expense.
- (2) Interest expense discounts consist of amortization of original issue discount and debt issuance costs.
- (3) Restructuring charges represent costs incurred in connection with the Company's global restructuring plan. Costs incurred in connection with the plan include: (i) \$4.4 million of severance and benefits related to impacted employees, (ii) \$4.0 million of professional service fees related to the execution of our cost savings initiatives, and (iii) \$1.4 million related to the abandonment of certain of our leased facilities,
- (4) Amortization of cloud computing software costs consists of expense recognized in selling, general and administrative expenses for capitalized implementation costs for cloud computing IT systems incurred in connection with our platform and fulfillment technology initiatives that are intended to achieve greater operational efficiencies. This expense is not included in depreciation and amortization above.
- (5) Other items for the three months ended March 31, 2023 comprise professional services fees not related to core operations. Other items for the three months ended March 31, 2022 include (i) costs of \$0.9 million associated with the implementation of a company-wide ERP system, (ii) \$0.3 million related to loss on disposal of assets and exit costs associated with one of our short-term leased facilities, (iii) \$0.2 million of information technology related costs including personnel expenses and professional service fees associated with the integration of customers and operations of an entity with which the Company merged, and (iv) a partial offset of these costs by a reduction in previously accrued legal settlement expense of \$0.6 million during the three months ended March 31, 2022 due to a more favorable outcome than originally anticipated in a claim outside the ordinary course of business.
- (6) The tax effect of each adjustment is determined based on the tax laws and valuation allowance status of the jurisdiction to which the adjustment relates. An adjusted effective income tax rate has been determined for each period presented by applying the statutory income tax rate, net of applicable adjustments for valuation allowances, which was used to compute Adjusted Net Income for the periods presented. Due to the existence of a U.S. tax valuation allowance, the tax impact of the pre-tax adjustments for the three months ended March 31, 2022 is immaterial. During the year ended December 31, 2022, the Company determined sufficient positive evidence existed to reverse the Company's valuation allowance attributable to the deferred tax assets associated with the Company's operations in the U.S. There is no change to the manner by which the tax effect of each adjustment is determined as a result of the reversal of the valuation allowance.

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