UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 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: 001-40482

TaskUs, Inc.
(Exact name of registrant as specified in its charter)

Delaware State or other jurisdiction of incorporation or organization	**83-1586636** I.R.S. Employer Identification No.
1650 Independence Drive, Suite 100 New Braunfels, Texas Address of principal executive offices	**78132** Zip Code

(888) 400-8275
Registrant's telephone number, including area code

N/A
Former name, former address and former fiscal year, if changed since last report

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.01 per share	**TASK**	**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 x 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 x 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	x	Smaller reporting company	☐
		Emerging growth company	x

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 x

As of August 4, 2022, the number of shares outstanding of the registrant's common stock was as follows: Class A common stock, par value $0.01 per share: 28,160,411; Class B common stock, par value $0.01 per share: 70,032,694.

TASKUS, INC.
Quarterly Report on Form 10-Q
For Quarterly Period Ended June 30, 2022
Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which involve certain known and unknown risks and uncertainties. Forward-looking statements include all statements that are not historical facts. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "predicts," "intends," "trends," "plans," "estimates," "anticipates," "position us" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Our actual results or outcomes may differ materially from those anticipated. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. We assume no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Our actual results may differ significantly from any results expressed or implied by any forward-looking statements. A summary of the principal risk factors that might cause our actual results to differ from our forward-looking statements is set forth below. The following is only a summary of the principal risks that may materially adversely affect our business, financial condition and results of operations. This summary should be read in conjunction with the more complete discussion of the risk factors we face, which are set forth under Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 (our "Annual Report") as filed with the Securities and Exchange Commission (the "SEC"), as such risk 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. Such risks and uncertainties include, but are not limited to, the following:

- our business is dependent on key clients, and the loss of a key client could have an adverse effect on our business and results of operations;
- our contracts are typically one to three years in length with automatic renewal provisions, but certain contracts may provide for termination at the client's convenience with advance notice and may or may not include penalties or required payments in the event the termination right is exercised. Our clients may terminate contracts before completion or choose not to renew contracts, and our clients may be unable or unwilling to pay for services we performed. A loss of business or non-payment from significant clients could materially affect our results of operations;
- we may fail to cost-effectively acquire new, high-growth clients, which would adversely affect our business, financial condition and results of operations;
- if we provide inadequate service or cause disruptions in our clients' businesses or fail to comply with the quality standards required by our clients under our agreements, it could result in significant costs to us, the loss of our clients and damage to our corporate reputation;
- global economic and political conditions, especially in the social media and meal delivery and transport industries from which we generate significant revenue, could adversely affect our business, results of operations, financial condition and prospects;
- unauthorized or improper disclosure of personal or other sensitive information, or security breaches and incidents, whether inadvertent or purposeful, including as the result of a cyber-attack, could result in liability and harm our reputation, each of which could adversely affect our business, financial condition, results of operations and prospects;
- content security, including content monitoring and moderation services, is a large portion of our business. The long-term impacts on the mental health and well-being of our employees doing this work are unknown. This work may lead to stress disorders and may create liabilities for us. This work is also subject to significant press and regulatory scrutiny. As a result, we may be subject to negative publicity or liability, or face difficulties retaining and recruiting employees, any of which could have an adverse effect on our reputation, business, financial condition and results of operations;
- our failure to detect and deter criminal or fraudulent activities or other misconduct by our employees, or third parties such as contractors and consultants that may have access to our data, could result in loss of trust from our clients and negative publicity, which would have an adverse effect on our business and results of operations;
- our business is heavily dependent upon our international operations, particularly in the Philippines and India, and any disruption to those operations would adversely affect us;
- our business is subject to a variety of U.S. federal and state, as well as international laws and regulations, including those regarding privacy and data security, and we or our clients may be subject to regulations related to the processing of

certain types of sensitive and confidential information; any failure to comply with applicable privacy and data security laws and regulations could harm our business, results of operations and financial condition;

- our business depends in part on our capacity to invest in technology as it develops, and substantial increases in the costs of technology and telecommunications services or our inability to attract and retain the necessary technologists could have a material adverse effect on our business, financial condition, results of operations and prospects;
- our results of operations and ability to grow could be materially affected if we cannot adapt our services and solutions to changes in technology and client expectations;
- fluctuations against the U.S. dollar in the local currencies in the countries in which we operate could have a material effect on our results of operations;
- our business depends on a strong brand and corporate reputation, and if we are not able to maintain and enhance our brand, our ability to expand our client base will be impaired and our business and operating results will be adversely affected;
- competitive pricing pressure may reduce our revenue or gross profits and adversely affect our financial results;
- the success of our business depends on our senior management and key employees;
- the ongoing COVID-19 pandemic, including the resulting global economic uncertainty and measures taken in response to the pandemic, has adversely impacted our business, financial condition and results of operations;
- affiliates of Blackstone Inc. and our Co-Founders Bryce Maddock and Jaspar Weir control us and their interests may conflict with ours or yours in the future;
- the dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our common stock prior to the completion of our June 2021 initial public offering (“IPO”), and it may depress the trading price of our Class A common stock; and
- the market price of shares of our Class A common stock has been, and may continue to be, volatile and may decline regardless of our operating performance, which could cause the value of your investment to decline.

We urge you to carefully consider the foregoing summary together with the risks discussed under “Risk Factors” in the Annual Report and in Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Quarterly Report.

WEBSITE AND SOCIAL MEDIA DISCLOSURE

We use our website and our social media outlets, such as Facebook, Instagram, YouTube, LinkedIn, and Twitter as channels of distribution of Company information. The information we post through these channels may be deemed material. Financial and other important information regarding the Company is routinely posted on and accessible through the Company’s website at ir.taskus.com, its Facebook page at facebook.com/TaskUs/, its Instagram page at instagram.com/taskus/, its LinkedIn page at linkedin.com/company/taskus/, its YouTube account at youtube.com/c/Taskus/, and its Twitter account at twitter.com/taskus. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about the Company when you enroll your email address by visiting the “Email Alerts” section of our investor relations website at ir.taskus.com. The contents of our website and social media channels are not, however, a part of this Quarterly Report.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

TASKUS, INC.
Unaudited Condensed Consolidated Balance Sheets
(in thousands, except share data)

Assets	June 30, 2022	December 31, 2021
Current assets:		
Cash and cash equivalents	$ 104,734	$ 63,584
Accounts receivable, net of allowance for doubtful accounts of $2,748 and $1,819, as of June 30, 2022 and December 31, 2021, respectively	180,445	162,895
Other receivables	957	597
Prepaid expenses	15,347	10,939
Income tax receivable	10,758	3,863
Other current assets	4,813	4,428
Total current assets	317,054	246,306
Noncurrent assets:		
Property and equipment, net	82,889	80,046
Operating lease right-of-use assets	37,841	—
Deferred tax assets	1,377	1,441
Intangibles	222,934	221,448
Goodwill	216,567	195,735
Other noncurrent assets	4,818	5,022
Total noncurrent assets	566,426	503,692
Total assets	$ 883,480	$ 749,998
Liabilities and Shareholders' Equity		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 44,738	$ 40,890
Accrued payroll and employee-related liabilities	42,651	36,670
Current portion of debt	86,260	51,135
Current portion of operating lease liabilities	11,584	—
Current portion of income tax payable	3,140	2,416
Deferred revenue	3,674	4,095
Deferred rent	—	735
Total current liabilities	192,047	135,941
Noncurrent liabilities:		
Income tax payable	2,545	2,886
Long-term debt	179,643	187,240
Operating lease liabilities	28,881	—
Deferred rent	—	2,749
Accrued payroll and employee-related liabilities	2,244	1,813
Deferred tax liabilities	41,531	40,235
Other noncurrent liabilities	2,103	—
Total noncurrent liabilities	256,947	234,923
Total liabilities	448,994	370,864
Commitments and Contingencies (See Note 10)		
Shareholders' equity:		
Class A common stock, $0.01 par value. Authorized 2,500,000,000; 28,097,168 and 27,431,264 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	281	275
Class B common stock, $0.01 par value. Authorized 250,000,000; 70,032,694 and 70,032,694 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	700	700
Additional paid-in capital	600,289	556,418
Accumulated deficit	(156,781)	(176,096)
Accumulated other comprehensive loss	(10,003)	(2,163)
Total shareholders' equity	434,486	379,134
Total liabilities and shareholders' equity	$ 883,480	$ 749,998

See accompanying notes to unaudited condensed consolidated financial statements.

TASKUS, INC.
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Service revenue	$ 246,459	$ 180,022	$ 486,139	$ 332,893
Operating expenses:				
Cost of services	143,538	103,798	284,820	191,828
Selling, general, and administrative expense	68,919	177,810	133,166	209,308
Depreciation	9,657	6,729	18,558	12,932
Amortization of intangible assets	4,967	4,712	9,678	9,424
Loss (gain) on disposal of assets	5	1	(10)	28
Total operating expenses	227,086	293,050	446,212	423,520
Operating income (loss)	19,373	(113,028)	39,927	(90,627)
Other expense (income)	7,377	(1,659)	8,430	(905)
Financing expenses	2,204	1,594	3,806	3,175
Income (loss) before income taxes	9,792	(112,963)	27,691	(92,897)
Provision for (benefit from) income taxes	2,063	(7,020)	8,376	(3,461)
Net income (loss)	$ 7,729	$ (105,943)	$ 19,315	$ (89,436)
Net income (loss) per common share:				
Basic	$ 0.08	$ (1.14)	$ 0.20	$ (0.97)
Diluted	$ 0.07	$ (1.14)	$ 0.19	$ (0.97)
Weighted-average number of common shares outstanding:				
Basic	97,783,809	92,957,493	97,632,611	92,347,257
Diluted	103,177,186	92,957,493	103,649,606	92,347,257

See accompanying notes to unaudited condensed consolidated financial statements.

TASKUS, INC.
Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Net income (loss)	$ 7,729	$ (105,943)	$ 19,315	$ (89,436)
Retirement benefit reserves	28	(3)	37	(8)
Foreign currency translation adjustments	(6,112)	(489)	(7,877)	(1,339)
Comprehensive income (loss)	$ 1,645	$ (106,435)	$ 11,475	$ (90,783)

See accompanying notes to unaudited condensed consolidated financial statements.

TASKUS, INC.
Unaudited Condensed Consolidated Statements of Shareholders' Equity
(in thousands, except share data)

	Capital stock and additional paid-in capital					Accumulated deficit	Accumulated other comprehensive income	Total shareholders' equity
	Class A common stock		Class B common stock		Additional paid-in capital			
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2020	—	$ —	91,737,020	$ 917	$ 398,202	$ (67,398)	$ 3,416	$ 335,137
Net income	—	—	—	—	—	16,507	—	16,507
Other comprehensive loss	—	—	—	—	—	—	(855)	(855)
Balance as of March 31, 2021	—	$ —	91,737,020	$ 917	$ 398,202	$ (50,891)	$ 2,561	$ 350,789
Issuance of Class A common stock in the initial public offering, net of underwriters' fees and offering costs	5,553,154	56	—	—	115,844	—	—	115,900
Conversion of Class B common stock	9,626,846	96	(9,626,846)	(96)	—	—	—	—
Stock-based compensation expense	—	—	—	—	5,771	—	—	5,771
Distribution of dividends ($0.55 per share)	—	—	—	—	—	(50,000)	—	(50,000)
Net loss	—	—	—	—	—	(105,943)	—	(105,943)
Other comprehensive loss	—	—	—	—	—	—	(492)	(492)
Balance as of June 30, 2021	15,180,000	$ 152	82,110,174	$ 821	$ 519,817	$ (206,834)	$ 2,069	$ 316,025

	Capital stock and additional paid-in capital					Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity
	Class A Common stock		Class B Common stock		Additional paid-in capital			
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2021	27,431,264	$ 275	70,032,694	$ 700	$ 556,418	$ (176,096)	$ (2,163)	$ 379,134
Issuance of common stock for settlement of RSUs	137,794	1	—	—	(1)	—	—	—
Shares withheld related to net share settlement	(45,389)	(1)	—	—	(1,468)	—	—	(1,469)
Stock-based compensation expense	—	—	—	—	19,605	—	—	19,605
Net income	—	—	—	—	—	11,586	—	11,586
Other comprehensive loss	—	—	—	—	—	—	(1,756)	(1,756)
Balance as of March 31, 2022	27,523,669	$ 275	70,032,694	$ 700	$ 574,554	$ (164,510)	$ (3,919)	$ 407,100
Issuance of common stock for settlement of equity awards	450,304	5	—	—	915	—	—	920
Shares withheld related to net share settlement	(76,908)	(1)	—	—	(1,307)	—	—	(1,308)
Shares issued in acquisition of heloo	200,103	2	—	—	7,194	—	—	7,196
Stock-based compensation expense	—	—	—	—	18,933	—	—	18,933
Net income	—	—	—	—	—	7,729	—	7,729
Other comprehensive loss	—	—	—	—	—	—	(6,084)	(6,084)
Balance as of June 30, 2022	28,097,168	$ 281	70,032,694	$ 700	$ 600,289	$ (156,781)	$ (10,003)	$ 434,486

See accompanying notes to unaudited condensed consolidated financial statements.

TASKUS, INC.
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Six months ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	$ 19,315	$ (89,436)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	18,558	12,932
Amortization of intangibles	9,678	9,424
Amortization of debt financing fees	278	247
Loss (gain) on disposal of assets	(10)	28
Provision for losses on accounts receivable	929	465
Unrealized foreign exchange losses on forward contracts	7,452	1,730
Deferred taxes	(47)	(10,462)
Stock-based compensation expense	38,538	5,771
Changes in operating assets and liabilities:		
Accounts receivable	(16,218)	(41,195)
Other receivables, prepaid expenses, and other current assets	(6,346)	(4,398)
Operating lease right-of-use assets	6,534	—
Other noncurrent assets	(128)	(415)
Accounts payable and accrued liabilities	537	5,537
Accrued payroll and employee-related liabilities	6,662	150,543
Operating lease liabilities and deferred rent	(6,109)	502
Income tax payable	(6,241)	3,304
Deferred revenue	(416)	1,100
Net cash provided by operating activities	72,966	45,677
Cash flows from investing activities:		
Purchase of property and equipment	(29,357)	(23,453)
Acquisition, net of cash acquired	(23,235)	—
Net cash used in investing activities	(52,592)	(23,453)
Cash flows from financing activities:		
Proceeds from borrowing, Revolving credit facility	32,500	—
Payments on long-term debt	(5,250)	(2,625)
Payments for debt financing fees	—	(340)
Proceeds from issuance of common stock, net of underwriters' fees	—	120,698
Proceeds from employee stock plans	920	—
Payments for taxes related to net share settlement	(2,777)	—
Distribution of dividends	—	(50,000)
Net cash provided by financing activities	25,393	67,733
Increase in cash and cash equivalents	45,767	89,957
Effect of exchange rate changes on cash	(4,617)	(1,758)
Cash and cash equivalents at beginning of period	63,584	107,728
Cash and cash equivalents at end of period	$ 104,734	$ 195,927

See accompanying notes to unaudited condensed consolidated financial statements.

TASKUS, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

1. Description of Business and Organization

TaskUs, Inc. (“TaskUs” and, together with its subsidiaries, the “Company,” “we,” “us” or “our”) was formed by investment funds affiliated with Blackstone Inc. (“Blackstone”) as a vehicle for the acquisition of TaskUs Holdings, Inc. (“TaskUs Holdings”) on October 1, 2018 (the “Blackstone Acquisition”). Prior to the Blackstone Acquisition, TaskUs had no operations and TaskUs Holdings operated as a standalone entity. TaskUs, Inc. was incorporated in Delaware in July 2018, and is headquartered in New Braunfels, Texas.

The Company provides digital outsourced services, focused on serving high-growth technology companies to represent, protect and grow their brands. The Company's global, omni-channel delivery model is focused on providing its clients three key services - Digital Customer Experience, Content Security and Artificial Intelligence (“AI”) Services (formerly known as AI Operations). The Company has designed its platform to enable it to rapidly scale and benefit from its clients’ growth. Through its agile and responsive operational model, the Company delivers services from multiple delivery sites that span globally from the United States, Philippines, and other parts of the world.

The Company’s major service offerings are described in more detail below:

- *Digital Customer Experience*: Principally consists of omni-channel customer care services primarily delivered through digital (non-voice) channels.
- *Content Security*: Principally consists of review and disposition of user and advertiser generated content for purposes which include removal or labeling of policy violating, offensive or misleading content.
- *AI Services*: Principally consists of data labeling, annotation and transcription services performed for the purpose of training and tuning AI algorithms through the process of machine learning.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). Our Annual Report on Form 10-K for the year ended December 31, 2021 (the “Annual Report”), as filed with the Securities and Exchange Commission (the “SEC”), includes a discussion of the significant accounting policies used in the preparation of our consolidated financial statements. Other than the adoption of the new lease accounting standard and the business combination accounting policy, there have been no changes to the Company’s significant accounting policies described in the Annual Report that have had a material impact on the Company’s condensed consolidated financial statements and related notes.

These unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with US GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by US GAAP for complete financial statements and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2021 included in the Annual Report. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position as of June 30, 2022 and its results of operations, comprehensive income (loss) and shareholders’ equity for the three and six months ended June 30, 2022 and 2021, and cash flows for the six months ended June 30, 2022 and 2021. The condensed consolidated balance sheet as of December 31, 2021, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements.

The acquisition of Parsec d.o.o. and Q Experience d.o.o. (collectively, “heloo”) was completed on April 15, 2022; therefore, the Company’s consolidated financial statements only include heloo’s results since April 15, 2022.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with US 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the determination of useful lives and impairment of fixed assets; allowances for doubtful accounts and other receivables; the valuation of deferred tax assets; the measurement of lease liabilities and right-of-use assets; valuation of foreign currency exchange rate forward contracts; valuation of stock-based compensation; valuation and impairment of intangibles and goodwill and reserves for income tax uncertainties and other contingencies.

As of June 30, 2022, the impact of the novel coronavirus ("COVID-19") pandemic, including as a result of new strains and variants of the virus and uncertainty regarding vaccines and treatments, continues to unfold. As a result, many of our estimates and assumptions required judgement and carry a higher degree of variability and volatility. We continue to closely monitor the outbreak and the impact on our operations and liquidity. As events continue to evolve and additional information becomes available, our estimates may change materially in the future.

(c) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has no involvement with variable interest entities.

(d) Concentration Risk

Most of the Company's clients are located in the United States. Clients outside of the United States are concentrated in Europe and Canada.

For the three and six months ended June 30, 2022 and 2021, the following clients represented greater than 10% of the Company's service revenue:

	Service revenue percentage			
	Three months ended June 30,		Six months ended June 30,	
Client	2022	2021	2022	2021
A	22 %	27 %	23 %	28 %
B	Less than 10%	12 %	Less than 10%	12 %

As of June 30, 2022 and December 31, 2021, the following clients represented greater than 10% of the Company's accounts receivable:

	Accounts receivable percentage	
Client	June 30, 2022	December 31, 2021
A	18 %	22 %
B	12 %	12 %

The Company's principal operations, including the majority of its employees and the fixed assets owned by its wholly owned subsidiaries, are located in the Philippines.

(e) Business Combinations

The Company accounts for business combinations in accordance with FASB Accounting Standards Codification ("ASC") Topic 805, Business Combinations. The purchase price of the acquisition is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items.

During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the consolidated statements of operations.

(f) Leases

At inception of a contract, the Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. In determining whether a contract contains a lease, we consider whether (1) we have the right to obtain substantially all of the economic benefits from the use of the asset throughout the term of the contract, (2) we have the right to direct how and for what purpose the asset is used throughout the term of the contract and (3) we have the right to operate the asset throughout the term of the contract without the lessor having the right to change the terms of the contract. If a lease is identified, the company determines whether it should be classified as an operating or finance lease at commencement.

The Company has various leases for office spaces under operating lease agreements which have a range of expiration dates from one to ten years, and often include a renewal option for an additional term.

Our right of use ("ROU") lease assets represent our right to use an underlying asset for the lease term and may include any advance lease payments made. Our ROU lease liabilities represent our obligation to make lease payments arising from the contractual terms of the lease. ROU lease assets and lease liabilities are recognized at the commencement of the lease and are calculated using the present value of lease payments over the lease term. Typically, lease agreements do not provide sufficient detail to arrive at an implicit interest rate. Therefore, the Company uses its estimated incremental borrowing rates ("IBR") based on information available at the commencement date of the lease to calculate the present value of the lease payments. In estimating its IBR, the Company considers it credit rating, the lease term, the currency of the lease payments and market rates of comparable collateralized borrowings for similar terms.

(g) Recent Accounting Pronouncements

The Company currently qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Accordingly, the Company is provided the option to adopt new or revised accounting guidance either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies. The Company has elected to adopt new or revised accounting guidance within the same time period as private companies.

Recently adopted accounting pronouncements

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") ASU 2016-02, Leases (Topic 842), which supersedes ASC 840. The Company adopted this standard in the second quarter of 2022, effective as of January 1, 2022, using the modified retrospective method and the effective date as the date of initial application. The Company recorded right-of-use assets of $45.8 million and lease liabilities of $48.5 million, respectively to the consolidated balance sheet. The Company elected the "package of practical expedients," which permits the Company not to reassess under Topic 842 any prior conclusions about lease identification, lease classification and initial direct costs. The Company did not apply the short-term lease exception and will therefore recognize a right-of-use asset and lease liability for all leases. The adoption of the lease standard did not have a material impact on the Company's consolidated statement of operations nor on its consolidated cash flow statements.

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. ASU 2021-08 requires the company acquiring contract assets and contract liabilities obtained in a business combination to recognize and measure them in accordance with ASC 606, Revenue from Contracts with Customers. At the acquisition date, the company acquiring the business should record related revenue, as if it had originated the contract. Before the update such amounts were recognized by the acquiring company at fair value. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including in interim periods, for any financial statements that have not yet been issued. The Company early adopted ASU 2021-08 as of April 1, 2022. See Note 3, "Business Combination" for additional information and disclosures related to the heloo acquisition.

Recently issued accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The revised standard relates to measurement of credit losses on financial instruments, and requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The guidance replaces the incurred loss model with an expected loss model referred to as current expected credit loss ("CECL"). The CECL model requires us to measure lifetime expected credit losses for financial instruments held at the reporting date using historical experience, current conditions and reasonable supportable forecasts. The guidance expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating credit losses and requires new disclosures of the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. This ASU will be effective for the Company beginning in fiscal year 2023 with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2016-13 on the Company's consolidated financial statements.

3. Business Combination

On April 15, 2022 (the "Closing Date"), the Company completed the acquisition of 100% of the equity interests of heloo, a Croatia-based Digital Customer Experience solutions provider to European technology companies supporting 20 languages across seven additional Eastern European countries, including Bosnia, Serbia, and Slovenia. The Company believes this acquisition will be complementary to the Company's growth strategy by expanding its global delivery footprint with a suite of multi-lingual, cost-competitive Digital Customer Experience services.

The acquisition date fair value of the consideration transferred was $35.4 million, consisting of the following:

(in thousands)		
Cash consideration[(1)]	$	26,006
Holdback cash consideration[(2)]		2,164
Equity consideration[(3)]		7,196
Total consideration	$	35,366

(1) Represents cash consideration paid to the sellers to complete the acquisition.

(2) Represents consideration, which was retained by the Company as security to satisfy sellers' obligations for potential future contractual claims arising under the terms of the purchase agreement; provided that the amount of the holdback shall not serve as any limitation on the indemnification obligations of the sellers under the purchase agreement. The holdback is payable to the sellers, net of any such claims, 18 months after the Closing Date except for a portion of the holdback related to potential tax claims, which is payable three years after the Closing Date, net of any tax claims.

(3) Comprised of 200,103 shares of the Company's Class A common stock issued in relation to this acquisition. The fair value was determined on the basis of the closing market price of the Company's Class A common stock on the acquisition date.

The following table summarizes the preliminary fair values of assets acquired and liabilities assumed as of the date of acquisition:

(in thousands)		
Cash and cash equivalents	$	2,771
Intangibles		11,198
Goodwill		21,582
Other assets acquired		3,947
Total assets		39,498
Total liabilities assumed		4,132
Net assets acquired	$	35,366

The preliminary purchase price allocation was based upon a preliminary valuation, and the Company’s estimates and assumptions are subject to change within the measurement period (which may be up to twelve months following the acquisition date). The goodwill is derived from anticipated operational synergies and assembled workforce. None of the goodwill recorded is deductible for tax purposes. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the valuation of identifiable intangible assets acquired, the fair value of certain tangible assets acquired and liabilities assumed. The Company expects to continue to obtain information for the purpose of determining the fair value of the assets acquired and liabilities assumed on the acquisition date throughout the remainder of the measurement period. The purchase price allocation is subject to further adjustment until all pertinent information regarding the assets acquired is fully evaluated by the Company, including but not limited to, the fair value accounting.

The preliminary purchase price allocation includes $11.2 million of acquired identifiable intangible assets, consisting of the following:

(in thousands, except useful lives)		**Estimated Fair Value**	**Estimated Useful Life in Years**
Customer relationships	$	10,872	10
Trade name		326	2
Total	$	11,198	

The preliminary fair values of the identifiable intangible assets have been estimated using the Excess Earnings Method. The intangible assets are being amortized over their estimated useful lives on a straight-line basis that reflects the economic benefit of the assets. The determination of the useful lives is based upon various industry studies, historical acquisition experience, economic factors, and future forecasted cash flows of the Company following the acquisition of heloo.

Subject to heloo's EBITDA (as defined in the share purchase agreement for the acquisition) margin exceeding a minimum level, the former shareholders of heloo are eligible to receive contingent earn-out payments not to exceed EUR 20.0 million, based on a multiple of EBITDA in excess of certain prescribed EBITDA targets outlined in the purchase agreement during each of the one year periods beginning May 1, 2022 and May 1, 2023, which are payable after the first and second anniversaries from the Closing Date, respectively. The fair value of contingent earn-out payments at the acquisition date was determined to be $7.7 million based on a Monte Carlo simulation model, utilizing a discounted payout analysis based on probabilities and timing of achieving the prescribed targets. Since these payments are contingent on future service conditions, they will be recognized as compensation expense ratably over the required service period. For the three and six months ended June 30, 2022, the Company recognized $1.3 million in compensation expense related to the contingent earn-out payments included in selling, general, and administrative expenses.

During the six months ended June 30, 2022, the Company recognized $0.5 million of costs, including legal, professional, and other fees related to the acquisition, included in selling, general, and administrative expenses on the condensed consolidated statements of operations. The results of operations and the fair values of the assets acquired and liabilities assumed have been included in the condensed financial statements from the date of acquisition. This acquisition was not material to the Company's condensed consolidated financial statements for the current periods presented. Supplemental pro forma financial information has not been provided as the historical results of heloo were not material to the Company.

4. Revenue

Disaggregation of Revenue

The Company's revenues are derived from contracts with customers related to business outsourcing services that it provides. The following table presents the breakdown of the Company’s revenues by service offering:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2022	2021	2022	2021
Digital Customer Experience	$ 167,420	$ 113,566	$ 327,151	$ 213,277
Content Security	46,331	42,995	92,183	79,122
AI Services	32,708	23,461	66,805	40,494
Service revenue	$ 246,459	$ 180,022	$ 486,139	$ 332,893

The majority of the Company’s revenues are derived from contracts with customers who are located in the United States. However, the Company delivers its services from geographies outside of the United States. The following table presents the breakdown of the Company’s revenues by geographical location, based on where the services are provided from:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2022	2021	2022	2021
Philippines	$ 124,322	$ 95,681	$ 244,402	$ 180,259
United States	74,273	58,930	153,404	109,687
Rest of World	47,864	25,411	88,333	42,947
Service revenue	$ 246,459	$ 180,022	$ 486,139	$ 332,893

Contract Balances

Accounts receivable, net of allowance for doubtful accounts includes $79.3 million and $75.5 million of unbilled revenues as of June 30, 2022 and December 31, 2021, respectively.

5. Forward Contracts

The Company transacts business in various foreign currencies and has international sales and expenses denominated in foreign currencies, subjecting the Company to foreign currency exchange rate risk. During 2022 and 2021, the Company entered into foreign currency exchange rate forward contracts, with two commercial banks as the counterparties, with maturities of generally 12 months or less, to reduce the volatility of cash flows primarily related to forecasted costs denominated in Philippine pesos. In addition, the Company utilizes foreign currency exchange rate contracts to mitigate foreign currency exchange rate risk associated with foreign currency-denominated assets and liabilities, primarily intercompany balances. The Company does not use foreign currency exchange rate contracts for trading purposes. The exchange rate forward contracts entered into by the Company are not designated as hedging instruments. Any gains or losses resulting from changes in the fair value of these contracts are recognized in other expense (income) in the consolidated statements of operations. The forward contract payable resulting from changes in fair value was recorded under accounts payable and accrued liabilities.

The following table presents the Company's settled forward contracts and realized and unrealized losses (gains) associated with derivative contracts:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2022	2021	2022	2021
Total notional amount of settled forward contracts	$ 48,017	$ 22,800	$ 88,399	$ 45,600
Realized losses (gains) from settlement of forward contracts	$ 2,123	$ (631)	$ 3,543	$ (1,356)
Unrealized losses (gains) on forward contracts	$ 6,693	$ (90)	$ 7,452	$ 1,730

The following table presents the Company's outstanding forward contracts:

(in thousands)	June 30, 2022	December 31, 2021
Total notional amount of outstanding forward contracts	$ 161,364	$ 127,200

By entering into derivative contracts, the Company is exposed to counterparty credit risk, or the failure of the counterparty to perform under the terms of the derivative contract. For the periods presented, the non-performance risk of the Company and the counterparties did not have a material impact on the fair value of the derivative instruments.

The Company has implemented the fair value accounting standard for those assets and liabilities that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

The following table presents information about the Company’s assets and liabilities that are measured at fair value on a recurring basis at June 30, 2022 and December 31, 2021 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair value measurements using		
(in thousands)	June 30, 2022	Level 1 inputs	Level 2 inputs	Level 3 inputs
Forward contracts payable	$ 10,245	$ —	$ 10,245	$ —

		Fair value measurements using		
(in thousands)	December 31, 2021	Level 1 inputs	Level 2 inputs	Level 3 inputs
Forward contracts payable	$ 2,793	$ —	$ 2,793	$ —

The Company’s derivatives are carried at fair value using various pricing models that incorporate observable market inputs, such as interest rate yield curves and currency rates, which are Level 2 inputs. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or by the Company.

6. Property and Equipment, net

The components of property and equipment, net as of June 30, 2022 and December 31, 2021 were as follows:

(in thousands)	June 30, 2022	December 31, 2021
Leasehold improvements	$ 48,617	$ 38,024
Technology and computers	89,617	81,679
Furniture and fixtures	5,656	4,814
Construction in process	7,373	10,892
Other property and equipment	9,293	8,405
Property and equipment, gross	160,556	143,814
Accumulated depreciation	(77,667)	(63,768)
Property and equipment, net	$ 82,889	$ 80,046

The Company's principal operations are in the Philippines where the majority of property and equipment resides under its wholly owned subsidiaries. The table below presents the Company's total property and equipment by geographic location as of June 30, 2022 and December 31, 2021:

(in thousands)	June 30, 2022	December 31, 2021
Philippines	$ 45,368	$ 49,825
United States	11,321	10,273
Rest of World	26,200	19,948
Property and equipment, net	$ 82,889	$ 80,046

7. Goodwill and Intangibles

On April 15, 2022, the Company completed the acquisition of heloo. As a result of the acquisition, the Company recorded approximately $21.6 million of goodwill and $11.2 million of other identifiable intangible assets. See Note 3, "Business Combination" for additional information.

The changes in the carrying amount of goodwill during the period are as follows:

(in thousands)	
Balance as of December 31, 2021	$ 195,735
Acquisition of heloo	21,582
Foreign currency translation	(750)
Balance as of June 30, 2022	$ 216,567

The components of intangible assets as of June 30, 2022 and December 31, 2021 were as follows:

	June 30, 2022			December 31, 2021		
(in thousands)	Intangibles, Gross	Accumulated Amortization	Intangibles, Net	Intangibles, Gross	Accumulated Amortization	Intangibles, Net
Customer relationships	$ 251,294	$ (60,418)	$ 190,876	$ 240,800	$ (52,175)	$ 188,625
Trade name	42,215	(10,508)	31,707	41,900	(9,077)	32,823
Other intangibles	351	—	351	—	—	—
Total	$ 293,860	$ (70,926)	$ 222,934	$ 282,700	$ (61,252)	$ 221,448

8. Long-Term Debt

The balances of current and non-current portions of debt consist of the following as of June 30, 2022 and December 31, 2021:

	June 30, 2022			December 31, 2021		
(in thousands)	Current	Noncurrent	Total	Current	Noncurrent	Total
Term Loan	$ 14,438	$ 180,337	$ 194,775	$ 11,813	$ 188,212	$ 200,025
Revolver	72,378	—	72,378	39,878	—	39,878
Less: Debt financing fees	(556)	(694)	(1,250)	(556)	(972)	(1,528)
Total	$ 86,260	$ 179,643	$ 265,903	$ 51,135	$ 187,240	$ 238,375

2019 Credit Agreement

On September 25, 2019, the Company entered into a credit agreement (the "2019 Credit Agreement") that included a $210.0 million term loan (the "Term Loan Facility") and a $40.0 million revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "2019 Credit Facilities"). On April 30, 2021, the Company entered into Amendment No. 1 to its 2019 Credit Agreement with the existing lenders providing for $50.0 million incremental revolving credit commitments on the same terms as our existing revolving credit facility.

Principal payments on the Term Loan Facility are due quarterly in arrears equal to installments in an aggregate annual amount equal to (i) 1.0% per annum of the original principal amount in the first year, (ii) 2.5% per annum of the original principal amount in the second year, (iii) 5.0% per annum of the original principal amount in the third year, (iv) 7.5% per annum of the original principal amount in the fourth year and (v) 10.0% per annum of the original principal amount in the fifth year, with the remaining principal due in a lump sum at the maturity date of September 25, 2024. The interest rate in effect with respect to the Term Loan Facility as of June 30, 2022 was 3.916% per annum.

The Revolving Credit Facility provides the Company with access to a $15.0 million letter of credit facility and a $5.0 million swing line facility, each of which, to the extent used, reduces borrowing availability under the Revolving Credit Facility. The Revolving Credit Facility expires on September 25, 2024, and requires a commitment fee of 0.4% on undrawn commitments paid quarterly in arrears. On April 12, 2022, the Company drew $32.5 million on its Revolving Credit Facility to fund cash payments relating to its acquisition of heloo. As of June 30, 2022, the interest rate in effect was 3.731% on outstanding borrowings under the Revolving Credit Facility. As of June 30, 2022, the Company had $17.6 million of borrowing availability under the Revolving Credit Facility.

The 2019 Credit Agreement contains certain restrictive financial covenants and also limits additional borrowings, capital expenditures, and distributions. The Company was in compliance with these covenants as of June 30, 2022. Substantially all assets of the Company's direct wholly owned subsidiary TU Midco, Inc. and its material domestic subsidiaries are pledged as collateral under this agreement, subject to certain customary exceptions.

9. Leases

Operating lease costs recorded to cost of services was $3.6 million and $7.6 million for the three and six months ended June 30, 2022. Operating lease costs recorded to selling, general, and administrative expense were immaterial.

The following table presents the weighted average remaining lease term and weighted average discount rate for the Company's operating leases as of June 30, 2022:

	June 30, 2022
Weighted average remaining lease term	4.3 years
Weighted average discount rate	4.2 %

The following table presents supplemental cash flow information related to the Company's operating leases:

(in thousands)	Six months ended June 30, 2022
Cash paid for amounts included in the measurement of operating lease liabilities	$ 7,065
ROU assets obtained in exchange for operating lease liabilities	2,880

The future lease payments on the Company's operating lease liabilities as of June 30, 2022 were as follows:

(in thousands)	June 30, 2022
2022-remainder of year	$ 7,063
2023	10,845
2024	9,253
2025	8,907
2026	4,375
Thereafter	4,558
Total lease payments	45,001
Less: imputed interest	(4,536)
Total lease liabilities	$ 40,465

10. Commitments and Contingencies

We are subject to various legal proceedings, claims, and litigation arising in the ordinary course of business. Although the outcomes of such matters cannot be predicted with certainty, we believe that resolution of all such pending matters will not, either individually or in the aggregate, have a material adverse effect on the Company's business, operating results, cash flows, or financial condition.

On February 23, 2022, a purported class action lawsuit captioned Lozada v. TaskUs, Inc. et al., No. 22-cv-1479-JPC, was filed in the United States District Court for the Southern District of New York against the Company, our Chief Executive Officer, our President, and our Chief Financial Officer. The complaint alleges that the registration statement filed in connection with the Company's IPO and the Company's second and third quarter 2021 earnings calls contained materially false and misleading information in violation of the federal securities laws. The complaint seeks unspecified damages and an award of costs and expenses, including reasonable attorneys' fees, as well as equitable relief. We believe that the lawsuit is without merit and intend to defend the lawsuit vigorously. We cannot predict at this point the length of time that this action will be ongoing or the liability, if any, which may arise therefrom.

11. Stock-Based Compensation

The following table summarizes the stock option and restricted stock unit ("RSU") activity for the six months ended June 30, 2022:

	Options			RSUs		
	Number of options		Weighted - average exercise price	Number of RSUs		Weighted - average grant date fair value
Outstanding at January 1, 2022	9,685,321	$	10.53	4,179,475	$	29.01
Granted	319,637	$	33.73	623,893	$	31.94
Exercised or released	(226,808)	$	4.06	(361,290)	$	23.36
Forfeited or cancelled	(840,826)	$	7.03	(204,626)	$	31.40
Outstanding at June 30, 2022	8,937,324	$	11.85	4,237,452	$	29.81

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2022 was $12.15.

The majority of awards vest ratably over a three to four year period, subject to continued service. We recognize stock-based compensation expense for all awards using a graded vesting method. The following table summarizes the components of stock-based compensation expense recognized for the periods presented:

	Three months ended June 30,				Six months ended June 30,			
(in thousands)		2022		2021		2022		2021
Cost of services	$	837	$	51	$	1,540	$	51
Selling, general, and administrative expense		18,096		133,216		36,998		133,216
Total	$	18,933	$	133,267	$	38,538	$	133,267

During the six months ended June 30, 2021, the change in control condition of our phantom shares became probable upon the IPO. As a result, the Company recognized expense in the amount of the expected cash settlement totaling $127.5 million recorded in selling, general, and administrative expense on the condensed consolidated statements of operations for the three and six months ended June 30, 2021.

As of June 30, 2022, there was $16.4 million, $78.4 million and $7.2 million of unrecognized compensation expense related to the Company's unvested stock options, RSUs and performance stock units, respectively, that is expected to be recognized over a weighted-average period of 1.7 years, 1.8 years and 2.2 years.

12. Income Taxes

In determining its interim provision for income taxes, the Company used an estimated annual effective tax rate, which is based on expected income before taxes, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates. Certain significant or unusual items are separately recognized in the period in which they occur and can be a source of variability in the effective tax rate from quarter to quarter.

The Company recorded provision for (benefit from) income taxes of $2.1 million and $(7.0) million in the three months ended June 30, 2022 and 2021, respectively. The effective tax rate was 21.1% and 6.2% for the three months ended June 30, 2022 and 2021.

The Company recorded provision for (benefit from) income taxes of $8.4 million and $(3.5) million in the six months ended June 30, 2022 and 2021, respectively. The effective tax rate was 30.2% and 3.7% for the six months ended June 30, 2022 and 2021. The difference between the effective tax rates and the 21% federal statutory rate in the six months ended June 30, 2022 was primarily due to global intangible low-taxed income ("GILTI") inclusion, tax benefits of income tax holidays in foreign jurisdiction and nondeductible compensation of officers. The difference between the effective tax rate and the 21% federal statutory rate in the six months ended June 30, 2021 was primarily due to GILTI inclusion, tax benefits of income tax holidays in foreign jurisdiction and nondeductible compensation of officers.

The Company is subject to income tax in the United States federal, state and various foreign jurisdictions. As of June 30, 2022, the tax years 2018 to 2021 are subject to examination by tax authorities.

The Company's practice and intention are to indefinitely reinvest the earnings of its non-U.S. subsidiaries. Determination of the amount of any unrecognized deferred income tax liability on the temporary difference is not practicable because of the complexities of the hypothetical calculation.

13. Earnings Per Share

The Company has Class A common stock and Class B common stock outstanding. Because the only difference between the two classes of common stock are related to voting, transfer and conversion rights, the Company has not presented earnings per share under the two-class method, as earnings per share are the same for both Class A common stock and Class B common stock.

The computation of basic net income (loss) per share ("EPS") is based on the weighted-average number of shares that were outstanding during the period, including shares of common stock that are issuable at the end of the reporting period. The computation of diluted EPS is based on the number of basic weighted-average shares outstanding plus the number of common shares that would be issued assuming the exercise of all potentially dilutive common stock equivalents. Common stock equivalents consist of shares issuable upon the exercise of stock options and vesting of RSUs and PSUs.

The following table summarizes the computation of basic and diluted EPS for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
(in thousands, except share and per share data)	2022	2021	2022	2021
Numerator:				
Net income (loss) available to common shareholders	$ 7,729	$ (105,943)	$ 19,315	$ (89,436)
Denominator:				
Weighted-average common shares outstanding – basic	97,783,809	92,957,493	97,632,611	92,347,257
Effect of dilutive securities	5,393,377	—	6,016,995	—
Weighted-average common shares outstanding – diluted	103,177,186	92,957,493	103,649,606	92,347,257
Net income (loss) per common share:				
Basic	$ 0.08	$ (1.14)	$ 0.20	$ (0.97)
Diluted	$ 0.07	$ (1.14)	$ 0.19	$ (0.97)

Since the Company was in a net loss position for the three and six months ended June 30, 2021, diluted EPS is equal to basic EPS for such periods as the inclusion of potential common stock equivalents would have been anti-dilutive. The Company excluded 3,451,178 and 2,301,997 potential common stock equivalents from the computation of diluted EPS for the three and six months ended June 30, 2022, respectively, and 58,513 and 29,256 potential common stock equivalents from the computation of diluted EPS for the three and six months ended June 30, 2021, respectively, because the effect would have been anti-dilutive. There were 4,820,581 and 5,352,056 potential common stock equivalents outstanding as of June 30, 2022 and June 30, 2021, respectively, with market conditions which were not met at that date, that were excluded from the calculation of diluted EPS.

14. Related Party

Underwriting of Offering

Blackstone Securities Partners L.P., an affiliate of Blackstone, served as underwriter of 1,380,000 of the 15,180,000 shares of Class A common stock sold in the IPO, with underwriting discounts and commissions of $1.265 per share paid by the Company and selling stockholders, with respect to the shares sold by them.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q (this "Quarterly Report"), the financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2021 (the Annual Report"), as filed with the Securities and Exchange Commission (the "SEC") and the information included under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report. In addition to historical data, the following discussion contains forward-looking *statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in our forward-looking statements as a result of various factors, including but not limited to those discussed under "Cautionary Note Regarding Forward-Looking Statements" in this Quarterly Report and under Part I, Item 1A, "Risk Factors" in the Annual Report.*

This Quarterly Report includes certain historical consolidated financial and other data for TaskUs, Inc. ("we," "us," "our" or the "Company"). The following discussion provides a narrative of our results of operations and financial condition for the three and six months ended June 30, 2022 and 2021.

Overview

We provide digital outsourced services, focused on serving high-growth technology companies to represent, protect and grow their brands. Our global, omni-channel delivery model is focused on providing our clients three key services – Digital Customer Experience, Content Security and Artificial Intelligence ("AI") Services (formerly known as AI Operations). We have designed our platform to enable us to rapidly scale and benefit from our clients' growth. We believe our ability to deliver "ridiculously good" outsourcing will enable us to continue to grow our client base.

At TaskUs, culture is at the heart of everything we do. Many of the companies operating in the Digital Economy are well-known for their obsession with creating a world-class employee experience. We believe clients choose TaskUs in part because they view our company culture as aligned with their own, which enables us to act as a natural extension of their brands and gives us an advantage in the recruitment of highly engaged frontline teammates who produce better results.

2022 Developments

Acquisition of heloo

On April 15, 2022, we acquired all of the equity interests of Parsec d.o.o. and Q Experience d.o.o. (collectively, "heloo"), a Croatia-based Digital Customer Experience solutions provider to European technology companies supporting 20 languages across seven additional Eastern European countries, including Bosnia, Serbia, and Slovenia. The results of operations of heloo subsequent to the April 15, 2022 acquisition date are included in the accompanying consolidated financial statements. See Note 3, "Business Combination" in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report.

Macroeconomic Trends

Macroeconomic factors, including global economic and geopolitical developments, increased inflation rates, interest rate increases, and foreign currency exchange rate changes, have direct and indirect impacts on our results of operations that are difficult to isolate and quantify. Due to market uncertainty and potential recession or other economic challenges, many of our customers are shifting their focus from growth to cost reduction resulting in certain customers electing to shift work from our onshore locations to our offshore delivery centers or reduce vendor spend across the board. This trend has been accelerated by our clients in the cryptocurrency and equity trading spaces. These factors contributed to a deceleration in our revenue growth rate and an increase in our operating costs. We expect some or all of these factors to continue to impact our operations in the near term; however, we believe that the increased cost focus also creates meaningful opportunities with both new and existing customers.

War in Ukraine

The Russian invasion of Ukraine and resulting sanctions and other measures imposed in response thereto have increased the level of economic and political uncertainty in Eastern Europe and worldwide. We do not have employees, facilities or operations in either Russia or Ukraine; however, the continuation of the conflict or its potential expansion into surrounding geographic areas, could directly impact us, our clients, vendors or subcontractors, which could impact our operations and financial performance. We continue to monitor the situation closely to ensure business continuity plans are in place for neighboring countries where we have a presence.

Recent Financial Highlights

For the three months ended June 30, 2022, we recorded service revenue of $246.5 million, a 36.9% increase from $180.0 million for the three months ended June 30, 2021. For the six months ended June 30, 2022, we recorded service revenue of $486.1 million, a 46.0% increase from $332.9 million for the six months ended June 30, 2021.

Net income (loss) for the three months ended June 30, 2022 increased to $7.7 million from $(105.9) million for the three months ended June 30, 2021. This increase included expenses related to the one-time phantom shares bonuses and non-recurring teammate bonuses associated with our initial public offering (the "IPO") of $133.7 million during the three months ended June 30, 2021 and the impact of our continued revenue growth, partially offset by higher non-cash stock-based compensation expense, which we began recognizing upon the IPO, and the impact of foreign currency exchange rate changes. Adjusted Net Income for the three months ended June 30, 2022 increased 23.5% to $38.7 million from $31.4 million for the three months ended June 30, 2021. Adjusted EBITDA for the three months ended June 30, 2022 increased 26.2% to $55.7 million from $44.1 million for the three months ended June 30, 2021.

Net income (loss) for the six months ended June 30, 2022 increased to $19.3 million from $(89.4) million for the six months ended June 30, 2021. This increase included expenses related to the one-time phantom shares bonuses and non-recurring teammate bonuses associated with the IPO of $133.7 million during the six months ended June 30, 2021 and the impact of our continued revenue growth, partially offset by higher non-cash stock-based compensation expense, which we began recognizing upon the IPO, and the impact of foreign currency exchange rate changes. Adjusted Net Income for the six months ended June 30, 2022 increased 23.7% to $73.7 million from $59.6 million for the six months ended June 30, 2021. Adjusted EBITDA for the six months ended June 30, 2022 increased 31.3% to $109.8 million from $83.7 million for the six months ended June 30, 2021.

The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

Results of Operations

Comparison of the Three Months Ended June 30, 2022 and 2021

The following tables set forth certain historical consolidated financial information for the three months ended June 30, 2022 and 2021:

	Three months ended June 30,		Period over Period Change	
(in thousands, except %)	**2022**	**2021**	**($)**	**(%)**
Service revenue	$ 246,459	$ 180,022	$ 66,437	36.9 %
Operating expenses:				
Cost of services	143,538	103,798	39,740	38.3 %
Selling, general, and administrative expense	68,919	177,810	(108,891)	(61.2)%
Depreciation	9,657	6,729	2,928	43.5 %
Amortization of intangible assets	4,967	4,712	255	5.4 %
Loss on disposal of assets	5	1	4	400.0 %
Total operating expenses	227,086	293,050	(65,964)	(22.5)%
Operating income (loss)	19,373	(113,028)	132,401	(117.1)%
Other expense (income)	7,377	(1,659)	9,036	(544.7)%
Financing expenses	2,204	1,594	610	38.3 %
Income (loss) before income taxes	9,792	(112,963)	122,755	(108.7)%
Provision for (benefit from) income taxes	2,063	(7,020)	9,083	(129.4)%
Net income (loss)	$ 7,729	$ (105,943)	$ 113,672	(107.3)%

Service revenue

Service revenue for the three months ended June 30, 2022 and 2021 was $246.5 million and $180.0 million, respectively. Service revenue for the three months ended June 30, 2022 increased by $66.4 million or 36.9% when compared to the three months ended June 30, 2021.

Service revenue by service offering

The following table presents the breakdown of our service revenue by service offering for each period:

	Three months ended June 30,		Period over Period Change	
(in thousands, except %)	**2022**	**2021**	**($)**	**(%)**
Digital Customer Experience	$ 167,420	$ 113,566	$ 53,854	47.4 %
Content Security	46,331	42,995	3,336	7.8 %
AI Services	32,708	23,461	9,247	39.4 %
Service revenue	$ 246,459	$ 180,022	$ 66,437	36.9 %

The period over period growth in Digital Customer Experience, AI Services and Content Security contributed 29.9%, 5.1% and 1.9%, respectively, of the total increase of 36.9% for the three months ended June 30, 2022.

The 47.4% growth in Digital Customer Experience was primarily driven by an increase in volume of services to our existing customers in On Demand Travel + Transportation, FinTech and Entertainment + Gaming and new customers in FinTech and Hi-Tech, as well as new customers as a result of the acquisition of heloo.

The 39.4% growth in AI Services was primarily driven by an increase in volume of services to our existing customers in Social Media and On Demand Travel + Transportation as well as new customers in HealthTech, partially offset by a decrease in volumes to existing customers in Retail + E-Commerce.

The 7.8% growth in Content Security was primarily driven by an increase in the volume of services to our existing customers in Entertainment + Gaming, Social Media and Retail + E-Commerce as well as new customers in FinTech, partially offset by a decrease in volumes in On Demand Travel + Transportation.

Service revenue by delivery geography

The majority of our service revenues are derived from contracts with clients who are either located in the United States, or with clients who are located outside of the United States but whereby the contract specifies payment in United States dollars. However, we deliver our services from multiple locations around the world.

The following table presents the breakdown of our service revenue by geographical location, based on where the services are provided, for each period:

	Three months ended June 30,		Period over Period Change	
(in thousands, except %)	2022	2021	($)	(%)
Philippines	$ 124,322	$ 95,681	$ 28,641	29.9 %
United States	74,273	58,930	15,343	26.0 %
Rest of World	47,864	25,411	22,453	88.4 %
Service revenue	$ 246,459	$ 180,022	$ 66,437	36.9 %

Revenue generated from services provided from our delivery sites in the Philippines grew primarily from expansion in all three of our service offerings, including the impact of certain clients electing to shift work from the United States. Digital Customer Experience contributed 20.5% of the total increase primarily driven by customers in On Demand Travel + Transportation, FinTech and Entertainment + Gaming. Content Security contributed 5.0% of the total increase primarily driven by customers in Social Media, Entertainment + Gaming and Retail + E-Commerce. AI Services contributed 4.4% of the total increase primarily driven by customers in Social Media.

Revenue generated from services provided from our delivery sites in the United States grew primarily from expansion in two of our service offerings. Digital Customer Experience contributed 28.0% of the total increase primarily driven by customers in FinTech, Hi-Tech, On Demand Travel + Transportation and HealthTech. AI Services contributed 1.1% of the total increase primarily driven by customers in On Demand Travel + Transportation, mostly offset by customers in Retail + E-Commerce and Social Media. These increases were partially offset by a 3.1% decrease contributed by Content Security primarily driven by customers in Social Media, partially offset by customers in FinTech. Certain of our customers have elected to shift work from the United States to the Philippines and Rest of World and we expect this shift to continue through the rest of the year as we work to deliver service out of our customers' optimal geography, which allows us to serve them better in the long-term.

Revenue generated from services provided from our delivery sites in the Rest of World grew primarily from expansion in all three of our service offerings, including the impact of certain clients electing to shift work from the United States. Digital Customer Experience contributed 69.5% of the total increase primarily driven by new customers as a result of the acquisition of heloo, customers in FinTech, On Demand Travel + Transportation and Entertainment + Gaming. AI Services contributed 17.4% of the total increase primarily driven by customers in Social Media, as well as HealthTech and On Demand Travel + Transportation. Content Security contributed 1.5% of the total increase primarily driven by customers in Social Media, mostly offset by customers in FinTech and On Demand Travel + Transportation. Growth in the Rest of World was led by India, Europe and Latin America.

Operating expenses

Cost of services

Cost of services for the three months ended June 30, 2022 and 2021 was $143.5 million and $103.8 million, respectively. Cost of services for the three months ended June 30, 2022 increased by $39.7 million, or 38.3%, when compared to the three months ended June 30, 2021. The increase was primarily driven by higher personnel costs of $35.5 million, related to an increase in headcount to meet the demand in services from our customers. The remaining increase included costs associated with site expansions to support revenue growth as well as other costs associated with certain teammates operating on-site.

Selling, general, and administrative expense

Selling, general, and administrative expense for the three months ended June 30, 2022 and 2021 was $68.9 million and $177.8 million, respectively. Selling, general, and administrative expense for the three months ended June 30, 2022 decreased by $(108.9) million, or (61.2)%, when compared to the three months ended June 30, 2021. The decrease was primarily driven by lower personnel costs of $113.8 million due primarily to expenses related to the one-time phantom shares bonuses and non-recurring teammate bonuses associated with the IPO of $133.7 million, partially offset by stock-based compensation expense, increased headcount across functions in support of our growth as well as earn-out consideration recognized as compensation expense. The decrease was partially offset by investments in software and costs associated with resuming travel in the second quarter.

Depreciation

Depreciation for the three months ended June 30, 2022 and 2021 was $9.7 million and $6.7 million, respectively. The increase in depreciation is a result of capital expenditures for additional technology and computers, as well as leasehold improvements associated with site expansions to support revenue growth.

Amortization of intangible assets

Amortization of intangible assets for the three months ended June 30, 2022 and 2021 was $5.0 million and $4.7 million, respectively. The nominal increase in amortization is due to the acquisition of heloo on April 15, 2022. See Note 3, "Business Combination" in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report.

Other expense (income)

Other expense (income) for the three months ended June 30, 2022 and 2021 was $7.4 million and $(1.7) million, respectively. Changes are driven by our exposure to foreign currency exchange risk resulting from our operations in foreign geographies, primarily the Philippines, offset by economic hedges using foreign currency exchange rate forward contracts. See Item 3., “Quantitative and Qualitative Disclosures About Market Risk” for additional information on how foreign currency impacts our financial results.

Financing expenses

Financing expense for the three months ended June 30, 2022 and 2021 was $2.2 million and $1.6 million, respectively. Changes in financing expense are primarily driven by the rate of LIBOR used to calculate the interest rate of our debt and the additional $32.5 million draw on our Revolving Credit Facility on April 12, 2022 to fund cash payments relating to our acquisition of heloo. See “—Liquidity and Capital Resources—Indebtedness—2019 Credit Agreement” for additional discussion on the Term Loan Facility.

Provision for (benefit from) income taxes

Provision for (benefit from) income taxes for the three months ended June 30, 2022 and 2021 was $2.1 million and $(7.0) million, respectively. The effective tax rate for the three months ended June 30, 2022 and 2021 was 21.1% and 6.2%, respectively. There are certain items included within the provision for (benefit from) income taxes calculation which were directly related to the IPO in 2021 and not expected to recur in future periods, including certain phantom shares bonuses and equity awards made to officers which are not deductible under Section 162(m) of the Internal Revenue Code. Additionally, costs related to the issuance of stock-based compensation included within the provision for (benefit from) income taxes calculation are adjusted for Non-GAAP purposes. If those costs are removed, the provision for income taxes would have been $5.1 million and $4.4 million and the effective tax rate would have been 17.7% and 19.5% for the three months ended June 30, 2022 and 2021, respectively.

The effective tax rate in the future will depend upon the proportion of income before provision for income taxes earned in the United States and in jurisdictions with a tax rate lower than the U.S. statutory rate, as well as a number of other factors, including the impact of new legislation.

Comparison of the Six Months Ended June 30, 2022 and 2021

The following tables set forth certain historical consolidated financial information for the six months ended June 30, 2022 and 2021:

	Six months ended June 30,		Period over Period Change	
(in thousands, except %)	**2022**	**2021**	**($)**	**(%)**
Service revenue	$ 486,139	$ 332,893	$ 153,246	46.0 %
Operating expenses:				
Cost of services	284,820	191,828	92,992	48.5 %
Selling, general, and administrative expense	133,166	209,308	(76,142)	(36.4)%
Depreciation	18,558	12,932	5,626	43.5 %
Amortization of intangible assets	9,678	9,424	254	2.7
Loss (gain) on disposal of assets	(10)	28	(38)	(135.7)%
Total operating expenses	446,212	423,520	22,692	5.4 %
Operating income (loss)	39,927	(90,627)	130,554	(144.1)%
Other expense (income)	8,430	(905)	9,335	(1,031.5)%
Financing expenses	3,806	3,175	631	19.9 %
Income (loss) before income taxes	27,691	(92,897)	120,588	(129.8)%
Provision for (benefit from) income taxes	8,376	(3,461)	11,837	(342.0)%
Net income (loss)	$ 19,315	$ (89,436)	$ 108,751	(121.6)%

Service revenue

Service revenue for the six months ended June 30, 2022 and 2021 was $486.1 million and $332.9 million, respectively. Service revenue for the six months ended June 30, 2022 increased by $153.2 million or 46.0% when compared to the six months ended June 30, 2021.

Service revenue by service offering

The following table presents the breakdown of our service revenue by service offering for each period:

	Six months ended June 30,		Period over Period Change	
(in thousands, except %)	**2022**	**2021**	**($)**	**(%)**
Digital Customer Experience	$ 327,151	$ 213,277	$ 113,874	53.4 %
Content Security	92,183	79,122	13,061	16.5 %
AI Services	66,805	40,494	26,311	65.0 %
Service revenue	$ 486,139	$ 332,893	$ 153,246	46.0 %

The year over year growth in Digital Customer Experience, AI Services and Content Security contributed 34.2%, 7.9% and 3.9%, respectively, of the total increase of 46.0% for the six months ended June 30, 2022.

The 53.4% growth in Digital Customer Experience was primarily driven by an increase in volume of services to our existing customers in FinTech, On Demand Travel + Transportation, Entertainment + Gaming and HealthTech and new customers in FinTech and Hi-Tech, as well as new customers as a result of the acquisition of heloo.

The 65.0% growth in AI Services was primarily driven by an increase in volume of services to our existing customers in Social Media and On Demand Travel + Transportation and new customers in HealthTech, partially offset by a decrease in volume of services to our existing customers in Retail + E-Commerce.

The 16.5% growth in Content Security was primarily driven by an increase in volume of services to our existing customers in FinTech, Social Media, Entertainment + Gaming and Retail + E-Commerce, partially offset by a decrease in volume of services to our existing customers in On Demand Travel + Transportation.

Service revenue by delivery geography

The majority of our service revenues are derived from contracts with clients who are either located in the United States, or with clients who are located outside of the United States but whereby the contract specifies payment in United States dollars. However, we deliver our services from multiple locations around the world.

The following table presents the breakdown of our service revenue by geographical location, based on where the services are provided, for each period:

(in thousands, except %)	Six months ended June 30, 2022	Six months ended June 30, 2021	Period over Period Change ($)	Period over Period Change (%)
Philippines	$ 244,402	$ 180,259	$ 64,143	35.6 %
United States	153,404	109,687	43,717	39.9 %
Rest of World	88,333	42,947	45,386	105.7 %
Service revenue	$ 486,139	$ 332,893	$ 153,246	46.0 %

Revenue generated from services provided from our delivery sites in the Philippines grew primarily from expansion in all three of our service offerings, including the impact of certain clients electing to shift work from the United States. Digital Customer Experience contributed 24.9% of the total increase primarily driven by customers in On Demand Travel + Transportation, FinTech and Entertainment + Gaming. Content Security contributed 6.2% of the total increase primarily driven by customers in Social Media and Retail + E-Commerce. AI Services contributed 4.5% of the total increase primarily driven by customers in Social Media, partially offset by customers in On Demand Travel + Transportation.

Revenue generated from services provided from our delivery sites in the United States grew primarily from expansion in two of our service offerings. Digital Customer Experience contributed 34.8% of the total increase primarily driven by customers in FinTech, Hi-Tech and HealthTech. AI Services contributed 6.7% of the total increase primarily driven by customers in On Demand Travel + Transportation, partially offset by customers in Retail + E-Commerce. These increases were partially offset by a 1.6% decrease contributed by Content Security primarily driven by customers in Social Media, partially offset by customers in FinTech. Certain of our customers have elected to shift work from the United States to the Philippines and Rest of World and we expect this shift to continue through the rest of the year as we work to deliver service out of our customers' optimal geography, which allows us to serve them better in the long-term.

Revenue generated from services provided from our delivery sites in the Rest of World grew primarily from expansion in in all three of our service offerings, including the impact of certain clients electing to shift work from the United States. Digital Customer Experience contributed 71.6% of the total increase primarily driven by customers in FinTech, On Demand Travel + Transportation, Entertainment + Gaming, Retail + E-Commerce as well as new customers as a result of the acquisition of heloo. AI Services contributed 25.4% of the total increase primarily driven by customers in Social Media and HealthTech. Content Security contributed 8.7% of the total increase primarily driven by customers in Social Media and Entertainment + Gaming, partially offset by customers in On Demand Travel + Transportation and FinTech. Growth in the Rest of World was led by India, Europe and Latin America.

Operating expenses

Cost of services

Cost of services for the six months ended June 30, 2022 and 2021 was $284.8 million and $191.8 million, respectively. Cost of services for the six months ended June 30, 2022 increased by $93.0 million, or 48.5%, when compared to the six months ended June 30, 2021. The increase was primarily driven by higher personnel costs of $81.7 million related to an increase in headcount to meet the demand in services from our clients. The remaining increase included costs associated with site expansions and investments in software, as well as other costs associated with certain teammates operating on-site.

Selling, general, and administrative expense

Selling, general, and administrative expense for the six months ended June 30, 2022 and 2021 was $133.2 million and $209.3 million, respectively. Selling, general, and administrative expense for the six months ended June 30, 2022 decreased by $(76.1) million, or (36.4)%, when compared to the six months ended June 30, 2021. The decrease was primarily driven by lower personnel costs of $87.1 million due primarily to expenses related to the one-time phantom shares bonuses and non-recurring teammate bonuses associated with the IPO of $133.7 million, partially offset by higher stock-based compensation expense and increased headcount across functions in support of our growth as well as earn-out consideration recognized as compensation expense. The decrease was partially offset by investments in software, as well as insurance expense and costs associated with resuming travel in the second quarter.

Depreciation

Depreciation for the six months ended June 30, 2022 and 2021 was $18.6 million and $12.9 million, respectively. The increase in depreciation is a result of capital expenditures for additional technology and computers, as well as leasehold improvements associated with site expansions to support revenue growth.

Amortization of intangible assets

Amortization of intangible assets for the six months ended June 30, 2022 and 2021 was $9.7 million and $9.4 million, respectively. The increase in amortization is due to the acquisition of heloo on April 15, 2022. See Note 3, "Business Combination" in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report.

Other expense (income)

Other expense (income) for the six months ended June 30, 2022 and 2021 was $8.4 million and $(0.9) million, respectively. Changes are driven by our exposure to foreign currency exchange risk resulting from our operations in foreign geographies, primarily the Philippines, offset by economic hedges using foreign currency exchange rate forward contracts. See Item 3., “Quantitative and Qualitative Disclosures About Market Risk” for additional information on how foreign currency impacts our financial results.

Financing expenses

Financing expense for the six months ended June 30, 2022 and 2021 was $3.8 million and $3.2 million, respectively. Changes in financing expense are primarily driven by the rate of LIBOR used to calculate the interest rate of our debt and the additional $32.5 million draw on our Revolving Credit Facility on April 12, 2022 to fund cash payments relating to our acquisition of heloo. See “—Liquidity and Capital Resources—Indebtedness—2019 Credit Agreement” for additional discussion on the Term Loan Facility.

Provision for (benefit from) income taxes

Provision for (benefit from) income taxes for the six months ended June 30, 2022 and 2021 was $8.4 million and $(3.5) million, respectively. Our effective tax rate for the six months ended June 30, 2022 and 2021 was 30.2% and 3.7%, respectively. There are certain items included within the provision for (benefit from) income taxes calculation which were directly related to the IPO in 2021 and not expected to recur in future periods, including certain phantom shares bonuses and equity awards made to officers which are not deductible under Section 162(m) of the Internal Revenue Code. Additionally, costs related to the issuance of stock-based compensation included within the provision for (benefit from) income taxes calculation are adjusted for Non-GAAP purposes. If those costs are removed, the provision for income taxes would have been $13.7 million and $8.0 million and the effective tax rate would have been 20.7% and 18.7% for the six months ended June 30, 2022 and 2021, respectively.

Revenue by Top Clients

The table below sets forth the percentage of our total service revenue derived from our largest clients for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Top ten clients	58 %	63 %	60 %	64 %
Top twenty clients	73 %	77 %	74 %	78 %

Our clients are part of the rapidly growing Digital Economy and they rely on our suite of digital solutions to drive their continued success. For our existing clients, we benefit from our ability to grow as they grow and to cross sell new solutions, further deepening our entrenchment.

For the three months ended June 30, 2022 and 2021, we generated 22% and 27%, respectively, of our service revenue from our largest client, and we generated less than 10% and 12%, respectively, of our service revenue from our second largest client. For the six months ended June 30, 2022 and 2021, we generated 23% and 28%, respectively, of our service revenue from our largest client, and we generated Less than 10% and 12%, respectively, of our service revenue from our second largest client.

We continue to identify and target high growth industry verticals and clients. Our strategy is to acquire new clients and further grow with our existing ones in order to achieve meaningful client and revenue diversification over time.

Foreign Currency

As a global company, we face exposure to movements in foreign currency exchange rates. Fluctuations in foreign currencies impact the amount of total assets, liabilities, revenue, operating expenses and cash flows that we report for our foreign subsidiaries upon the translation of these amounts into U.S. dollars. See Item 3., “Quantitative and Qualitative Disclosures About Market Risk” for additional information on how foreign currency impacts our financial results.

Non-GAAP Financial Measures

We use Adjusted Net Income, Adjusted Earnings Per Share (“EPS”), EBITDA, Adjusted EBITDA, Free Cash Flow and Conversion of Adjusted EBITDA, as key measures to assess the performance of our business.

Each of the measures are not recognized under accounting principles generally accepted in the United States of America ("GAAP") and do not purport to be an alternative to net income as a measure of our performance. Such measures have limitations as analytical tools, and you should not consider any of such measures in isolation or as substitutes for our results as reported under GAAP. Additionally, Adjusted Net Income, Adjusted EPS, EBITDA, and Adjusted EBITDA exclude items that can have a significant effect on our profit or loss and should, therefore, be used in conjunction with profit or loss for the period. Our management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, these measures may not be comparable to other similarly titled measures of other companies.

Adjusted Net Income

Adjusted Net Income is a non-GAAP profitability measure that represents net income or loss for the period before the impact of amortization of intangible assets and certain items that are considered to hinder comparison of the performance of our businesses on a period-over-period basis or with other businesses. During the periods presented, we excluded from Adjusted Net Income amortization of intangible assets, transaction costs, earn-out consideration, the effect of foreign currency gains and losses, losses on disposals of assets, COVID-19 related expenses, severance costs, natural disaster costs, one-time payments associated with the IPO, stock-based compensation expense and employer payroll tax associated with equity-classified awards and the related effect on income taxes of certain pre-tax adjustments, which include costs that are required to be expensed in accordance with GAAP. Our management believes that the inclusion of supplementary adjustments to net income applied in presenting Adjusted Net Income are appropriate to provide additional information to investors about certain material non-cash items and about unusual items that we do not expect to continue at the same level in the future.

The following table reconciles net income, the most directly comparable GAAP measure, to Adjusted Net Income for the three months ended June 30, 2022 and 2021:

(in thousands, except %)	Three months ended June 30, 2022	2021	Period over Period Change ($)	(%)
Net income (loss)	$ 7,729	$ (105,943)	$ 113,672	(107.3)%
Amortization of intangible assets	4,967	4,712	255	5.4 %
Transaction costs(1)	357	2,432	(2,075)	(85.3)%
Earn-out consideration(2)	1,328	—	1,328	100.0 %
Foreign currency losses (gains)(3)	7,501	(1,595)	9,096	(570.3)%
Loss on disposal of assets	5	1	4	400.0 %
COVID-19 related expenses(4)	—	3,711	(3,711)	(100.0)%
Severance costs(5)	821	—	821	100.0 %
Phantom shares bonus(6)	—	129,362	(129,362)	(100.0)%
Teammate IPO bonus(7)	—	4,361	(4,361)	(100.0)%
Stock-based compensation expense(8)	19,042	5,771	13,271	230.0 %
Tax impacts of adjustments(9)	(3,008)	(11,440)	8,432	(73.7)%
Adjusted Net Income	$ 38,742	$ 31,372	$ 7,370	23.5 %
Net Income (Loss) Margin(10)	3.1 %	(58.9)%		
Adjusted Net Income Margin(10)	15.7 %	17.4 %		

(1) Represents non-recurring professional service fees related to the acquisition of heloo in 2022 and the preparation for public offerings that have been expensed during the period in 2021.

(2) Represents earn-out consideration recognized as compensation expense related to the acquisition of heloo.

(3) Realized and unrealized foreign currency losses (gains) include the effect of fair market value changes of forward contracts and remeasurement of U.S. dollar-denominated accounts to foreign currency.

(4) Represents incremental expenses incurred related to the transition to a virtual operating model and incentive and leave pay granted to employees that are directly attributable to the COVID-19 pandemic.

(5) Represents severance payments as a result of certain cost optimization measures we undertook during the period to restructure support roles.

(6) Represents expense for one-time non-recurring payments of $127.5 million to vested phantom shareholders in connection with the completion of the IPO, as well as associated payroll tax and 401(k) contributions.

(7) Represents expense for non-recurring bonus payments to certain employees in connection with the completion of the IPO.

(8) Represents stock-based compensation expense associated with equity-classified awards, as well as associated payroll tax.

(9) Represents tax impacts of adjustments to net income (loss) which resulted in a tax benefit during the period. These adjustments include phantom shares bonus related to the IPO and stock-based compensation expense after the IPO.

(10) Net Income (Loss) Margin represents net income (loss) divided by service revenue and Adjusted Net Income Margin represents Adjusted Net Income divided by service revenue.

The following table reconciles net income, the most directly comparable GAAP measure, to Adjusted Net Income for the six months ended June 30, 2022 and 2021:

(in thousands, except %)	Six months ended June 30, 2022	2021	Period over Period Change ($)	(%)
Net income (loss)	$ 19,315	$ (89,436)	$ 108,751	(121.6)%
Amortization of intangible assets	9,678	9,424	254	2.7 %
Transaction costs(1)	549	5,761	(5,212)	(90.5)%
Earn-out consideration(2)	1,328	—	1,328	100.0 %
Foreign currency losses (gains)(3)	8,654	(808)	9,462	(1,171.0)%
Loss (gain) on disposal of assets	(10)	28	(38)	(135.7)%
COVID-19 related expenses(4)	—	6,105	(6,105)	(100.0)%
Severance costs(5)	821	—	821	100.0 %
Natural disaster costs(6)	—	442	(442)	(100.0)%
Phantom shares bonus(7)	—	129,362	(129,362)	(100.0)%
Teammate IPO bonus(8)	—	4,361	(4,361)	(100.0)%
Stock-based compensation expense(9)	38,730	5,771	32,959	571.1 %
Tax impacts of adjustments(10)	(5,358)	(11,440)	6,082	(53.2)%
Adjusted Net Income	$ 73,707	$ 59,570	$ 14,137	23.7 %
Net Income (Loss) Margin(11)	4.0 %	(26.9)%		
Adjusted Net Income Margin(11)	15.2 %	17.9 %		

(1) Represents non-recurring professional service fees related to the acquisition of heloo in 2022 and the preparation for public offerings that have been expensed during the period in 2021.
(2) Represents earn-out consideration recognized as compensation expense related to the acquisition of heloo.
(3) Realized and unrealized foreign currency losses (gains) include the effect of fair market value changes of forward contracts and remeasurement of U.S. dollar-denominated accounts to foreign currency.
(4) Represents incremental expenses incurred related to the transition to a virtual operating model and incentive and leave pay granted to employees that are directly attributable to the COVID-19 pandemic.
(5) Represents severance payments as a result of certain cost optimization measures we undertook during the period to restructure support roles.
(6) Represents one-time costs associated with emergency housing, transportation costs and bonuses for our employees in connection with the natural disaster related to the severe winter storm in Texas in February 2021.
(7) Represents expense for one-time, non-recurring payments of $127.5 million to vested phantom shareholders in connection with the completion of the IPO, as well as associated payroll tax and 401(k) contributions.
(8) Represents expense for non-recurring bonus payments to certain employees in connection with the completion of the IPO.
(9) Represents stock-based compensation expense associated with equity-classified awards, as well as associated payroll tax.
(10) Represents tax impacts of adjustments to net income (loss) which resulted in a tax benefit during the period, including phantom shares bonus related to the IPO, and stock-based compensation expense after the IPO.
(11) Net Income (Loss) Margin represents net income (loss) divided by service revenue and Adjusted Net Income Margin represents Adjusted Net Income divided by service revenue.

Adjusted EPS

Adjusted EPS is a non-GAAP profitability measure that represents earnings available to shareholders excluding the impact of certain items that are considered to hinder comparison of the performance of our business on a period-over-period basis or with other businesses. Adjusted EPS is calculated as Adjusted Net Income divided by our diluted weighted-average number of shares outstanding, including the impact of any potentially dilutive common stock equivalents that are anti-dilutive to GAAP net income (loss) per share – diluted ("GAAP diluted EPS") but dilutive to Adjusted EPS. Our management believes that the inclusion of supplementary adjustments to earnings per share applied in presenting Adjusted EPS are appropriate to provide additional information to investors about certain material non-cash items and about unusual items that we do not expect to continue at the same level in the future.

The following table reconciles GAAP diluted EPS, the most directly comparable GAAP measure, to Adjusted EPS for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
GAAP diluted EPS	$ 0.07	$ (1.14)	$ 0.19	$ (0.97)
Per share adjustments to net income (loss)[1]	0.31	1.48	0.52	1.61
Per share adjustments for GAAP anti-dilutive shares[2]	—	(0.02)	—	(0.01)
Adjusted EPS	$ 0.38	$ 0.32	$ 0.71	$ 0.63
Weighted-average common shares outstanding – diluted	103,177,186	92,957,493	103,649,606	92,347,257
GAAP anti-dilutive shares[2]	—	4,599,736	—	2,299,868
Adjusted weighted-average shares outstanding	103,177,186	97,557,229	103,649,606	94,647,125

(1) Reflects the aggregate adjustments made to reconcile net income (loss) to Adjusted Net Income, as noted in the above table, divided by the GAAP diluted weighted-average number of shares outstanding for the relevant period.
(2) Reflects the impact of awards that were anti-dilutive to GAAP diluted EPS since we were in a net loss position, and therefore not included in the calculation, but would be dilutive to Adjusted EPS and are therefore included in the calculation.

EBITDA and Adjusted EBITDA

EBITDA is a non-GAAP profitability measure that represents net income or loss for the period before the impact of the benefit from or provision for income taxes, financing expenses, depreciation, and amortization of intangible assets. EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting financing expenses), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortization expense).

Adjusted EBITDA is a non-GAAP profitability measure that represents EBITDA before certain items that are considered to hinder comparison of the performance of our businesses on a period-over-period basis or with other businesses. During the periods presented, we excluded from Adjusted EBITDA transaction costs, earn-out consideration, the effect of foreign currency gains and losses, losses on disposals of assets, COVID-19 related expenses, severance costs, natural disaster costs, one-time payments associated with the IPO and stock-based compensation expense and employer payroll tax associated with equity-classified awards, which include costs that are required to be expensed in accordance with GAAP. Our management believes that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA are appropriate to provide additional information to investors about certain material non-cash items and about unusual items that we do not expect to continue at the same level in the future.

The following table reconciles net income, the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA for the three months ended June 30, 2022 and 2021:

	Three months ended June 30,		Period over Period Change	
(in thousands, except %)	2022	2021	($)	(%)
Net income (loss)	$ 7,729	$ (105,943)	$ 113,672	(107.3)%
Provision for (benefit from) income taxes	2,063	(7,020)	9,083	(129.4)%
Financing expenses	2,204	1,594	610	38.3 %
Depreciation	9,657	6,729	2,928	43.5 %
Amortization of intangible assets	4,967	4,712	255	5.4 %
EBITDA	$ 26,620	$ (99,928)	$ 126,548	(126.6)%
Transaction costs[1]	357	2,432	(2,075)	(85.3)%
Earn-out consideration[2]	1,328	—	1,328	100.0 %
Foreign currency losses (gains)[3]	7,501	(1,595)	9,096	(570.3)%
Loss on disposal of assets	5	1	4	400.0 %
COVID-19 related expenses[4]	—	3,711	(3,711)	(100.0)%
Severance costs[5]	821	—	821	100.0 %
Phantom shares bonus[6]	—	129,362	(129,362)	(100.0)%
Teammate IPO bonus[7]	—	4,361	(4,361)	(100.0)%
Stock-based compensation expense[8]	19,042	5,771	13,271	230.0 %
Adjusted EBITDA	$ 55,674	$ 44,115	$ 11,559	26.2 %
Net Income (Loss) Margin[9]	3.1 %	(58.9)%		
Adjusted EBITDA Margin[9]	22.6 %	24.5 %		

(1) Represents non-recurring professional service fees related to the acquisition of heloo in 2022 and the preparation for public offerings that have been expensed during the period in 2021.

(2) Represents earn-out consideration recognized as compensation expense related to the acquisition of heloo.

(3) Realized and unrealized foreign currency losses (gains) include the effect of fair market value changes of forward contracts and remeasurement of U.S. dollar-denominated accounts to foreign currency.

(4) Represents incremental expenses incurred related to the transition to a virtual operating model and incentive and leave pay granted to employees that are directly attributable to the COVID-19 pandemic.

(5) Represents severance payments as a result of certain cost optimization measures we undertook during the period to restructure support roles.

(6) Represents expense for one-time non-recurring payments of $127.5 million to vested phantom shareholders in connection with the completion of the IPO, as well as associated payroll tax and 401(k) contributions.

(7) Represents expense for non-recurring bonus payments to certain employees in connection with the completion of the IPO.

(8) Represents stock-based compensation expense associated with equity-classified awards, as well as associated payroll tax.

(9) Net Income (Loss) Margin represents net income (loss) divided by service revenue and Adjusted EBITDA Margin represents Adjusted EBITDA divided by service revenue.

The following table reconciles net income, the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA for the six months ended June 30, 2022 and 2021:

(in thousands, except %)	Six months ended June 30, 2022	Six months ended June 30, 2021	Period over Period Change ($)	Period over Period Change (%)
Net income (loss)	$ 19,315	$ (89,436)	$ 108,751	(121.6)%
Provision for (benefit from) income taxes	8,376	(3,461)	11,837	(342.0)%
Financing expenses	3,806	3,175	631	19.9 %
Depreciation	18,558	12,932	5,626	43.5 %
Amortization of intangible assets	9,678	9,424	254	2.7 %
EBITDA	$ 59,733	$ (67,366)	$ 127,099	(188.7)%
Transaction costs[1]	549	5,761	(5,212)	(90.5)%
Earn-out consideration[2]	1,328	—	1,328	100.0 %
Foreign currency losses (gains)[3]	8,654	(808)	9,462	(1,171.0)%
Loss (gain) on disposal of assets	(10)	28	(38)	(135.7)%
COVID-19 related expenses[4]	—	6,105	(6,105)	(100.0)%
Severance costs[5]	821	—	821	100.0 %
Natural disaster costs[6]	—	442	(442)	(100.0)%
Phantom shares bonus[7]	—	129,362	(129,362)	(100.0)%
Teammate IPO bonus[8]	—	4,361	(4,361)	(100.0)%
Stock-based compensation expense[9]	38,730	5,771	32,959	571.1 %
Adjusted EBITDA	$ 109,805	$ 83,656	$ 26,149	31.3 %
Net Income (Loss) Margin[10]	4.0 %	(26.9)%		
Adjusted EBITDA Margin[10]	22.6 %	25.1 %		

(1) Represents non-recurring professional service fees and earn-out consideration recognized as compensation expense related to the acquisition of heloo in 2022 and the preparation for public offerings that have been expensed during the period in 2021.

(2) Represents earn-out consideration recognized as compensation expense related to the acquisition of heloo.

(3) Realized and unrealized foreign currency losses (gains) include the effect of fair market value changes of forward contracts and remeasurement of U.S. dollar-denominated accounts to foreign currency.

(4) Represents incremental expenses incurred related to the transition to a virtual operating model and incentive and leave pay granted to employees that are directly attributable to the COVID-19 pandemic.

(5) Represents severance payments as a result of certain cost optimization measures we undertook during the period to restructure support roles.

(6) Represents one-time costs associated with emergency housing, transportation costs and bonuses for our employees in connection with the natural disaster related to the severe winter storm in Texas in February 2021.

(7) Represents expense for one-time, non-recurring payments of $127.5 million to vested phantom shareholders in connection with the completion of the IPO, as well as associated payroll tax and 401(k) contributions.

(8) Represents expense for non-recurring bonus payments to certain employees in connection with the completion of the IPO.

(9) Represents stock-based compensation expense associated with equity-classified awards, as well as associated payroll tax.

(10) Net Income (Loss) Margin represents net income (loss) divided by service revenue and Adjusted EBITDA Margin represents Adjusted EBITDA divided by service revenue.

Free Cash Flow

Free Cash Flow is a non-GAAP liquidity measure that represents our ability to generate additional cash from our business operations. Free Cash Flow is calculated as net cash provided by operating activities in the period minus cash used for purchase of property and equipment in the period. Our management believes that the inclusion of this non-GAAP measure, when considered with our GAAP results, provides management and investors with an additional understanding of our ability to generate additional cash for ongoing business operations and other capital deployment.

The following table reconciles net income, the most directly comparable GAAP measure, to Free Cash Flow for the six months ended June 30, 2022 and 2021:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Net cash provided by operating activities	$ 72,966	$ 45,677
Purchase of property and equipment	(29,357)	(23,453)
Free Cash Flow	$ 43,609	$ 22,224
Conversion of Adjusted EBITDA[1]	39.7 %	26.6 %

(1) Conversion of Adjusted EBITDA represents Free Cash Flow divided by Adjusted EBITDA.

Liquidity and Capital Resources

As of June 30, 2022, our principal sources of liquidity were cash and cash equivalents totaling $104.7 million, which were held for working capital purposes, as well as the available balance of our 2019 Credit Facilities, described further below. Historically, we have made investments in supporting the growth of our business, which were enabled in part by our positive cash flows from operations during these periods. We expect to continue to make similar investments in the future.

We have financed our operations primarily through cash received from operations. We believe our existing cash and cash equivalents and our 2019 Credit Facilities will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on several factors, including but not limited to our obligation to repay any amounts outstanding under our 2019 Credit Facilities, our revenue growth rate, timing of client billing and collections, the timing of expansion into new geographies, variability in the cost of delivering services in our geographies, the timing and extent of spending on technology innovation, the extent of our sales and marketing activities, and the introduction of new and enhanced service offerings and the continuing market adoption of our platform.

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; however, such financing may not be available on favorable terms, or at all. In particular, the evolving COVID-19 pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, reducing our ability to access capital. If we are unable to raise additional funds when desired, our business, financial condition and results of operations could be adversely affected.

Potential investments in, or acquisitions of, complementary businesses, applications or technologies, could reduce our cash and cash equivalents, require us to seek additional equity or debt financing or repatriate cash generated by our international operations that could cause us to incur withholding taxes on any distributions. Additional funds from financing arrangements may not be available on terms favorable to us or at all.

As market conditions warrant, we and certain of our equity holders, including Blackstone and their respective affiliates, may from time to time seek to purchase our outstanding debt securities or loans, including borrowings under our 2019 Credit Facilities, in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new secured or unsecured debt, including borrowings under our credit facilities. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may be with respect to a substantial amount of a particular class or series of debt, with the attendant reduction in the trading liquidity of such class or series. In addition, any such purchases made at prices below the "adjusted issue price" (as defined for U.S. federal income tax purposes) may result in taxable cancellation of indebtedness income to us, which amounts may be material, and in related adverse tax consequences to us.

Indebtedness

As of June 30, 2022, our total indebtedness, net of debt financing fees was $265.9 million, including outstanding borrowings under our Revolving Credit Facility (as defined below) of $72.4 million.

2019 Credit Agreement

On September 25, 2019, we entered into a credit agreement (the "2019 Credit Agreement") that included a $210 million term loan (the "Term Loan Facility") and a $40 million revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "2019 Credit Facilities"). On April 30, 2021, the Company entered into Amendment No. 1 to its 2019 Credit Agreement with the existing lenders providing for $50.0 million incremental revolving credit commitments on the same terms as our existing revolving credit facility. We accounted for this amendment as a debt modification and recorded $0.3 million of debt financing fees which will be amortized, along with previously deferred fees, over the remaining term of the facility.

The Term Loan Facility matures on September 25, 2024 and requires quarterly principal payments of 0.25% of the original principal amount per quarter through September 30, 2020, 0.625% of the original principal amount through September 30, 2021, 1.25% of the original principal amount through September 30, 2022, 1.875% of the original principal amount through September 30, 2023 and 2.50% of the original principal amount thereafter, with any remaining principal due in a lump sum at the maturity date. As of June 30, 2022, $194.8 million was outstanding under the Term Loan Facility. The interest rate in effect for the Term Loan Facility was 3.916% as of June 30, 2022.

The Revolving Credit Facility matures on September 25, 2024 and requires a commitment fee of 0.4% on undrawn commitments paid quarterly in arrears. As of June 30, 2022, the interest rate in effect was 3.731% on $72.4 million of outstanding borrowings under the Revolving Credit Facility. As of June 30, 2022, we had $17.6 million of borrowing availability under the Revolving Credit Facility.

The 2019 Credit Agreement contains certain affirmative and negative covenants applicable to us and our restricted subsidiaries, including, among other things, limitations on our Consolidated Total Net Leverage Ratio (as defined in the 2019 Credit Agreement) and restrictions on changes in the nature of our business, acquisitions and other investments, indebtedness, liens, fundamental changes, dispositions, prepayment of other indebtedness, repurchases of stock, cash dividends, and other distributions. The 2019 Credit Facilities are guaranteed by our material domestic subsidiaries and are secured by substantially all of our tangible and intangible assets, including our intellectual property, and the equity interests of our subsidiaries, subject to certain exceptions.

See Note 8, "Long-Term Debt" in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report for additional information regarding our debt.

Cash Flows

The following table presents a summary of our consolidated cash flows from operating, investing and financing activities for the periods indicated:

	Six months ended June 30,	
(in thousands)	**2022**	**2021**
Net cash provided by operating activities	$ 72,966	$ 45,677
Net cash used in investing activities	(52,592)	(23,453)
Net cash provided by financing activities	25,393	67,733

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2022 was $73.0 million compared to net cash provided by operating activities of $45.7 million for the six months ended June 30, 2021. Net cash provided by operating activities for the six months ended June 30, 2022 reflects net income of $19.3 million, as well as the add back for non-cash charges totaling $75.4 million, primarily driven by $38.5 million in stock-based compensation expense, $18.6 million of depreciation and $9.7 million of amortization related to intangibles. These changes were partially offset by changes in operating assets and liabilities of $21.7 million. Net cash provided by operating activities for the six months ended June 30, 2021 reflects changes in operating assets and liabilities of $115.0 million primarily driven by a $150.5 million change in accrued payroll and employee-related liabilities due primarily to the one-time phantom shares bonuses that were accrued but not yet paid, partially offset by a $41.2 million change in accounts receivable. These changes were partially offset by the net loss of $89.4 million, reduced by the add back for non-cash charges totaling $20.1 million, primarily driven by $12.9 million of depreciation, $9.4 million of amortization related to intangibles and $5.8 million of stock-based compensation expense, partially offset by deferred taxes of $10.5 million.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2022 was $52.6 million compared to net cash used in investing activities of $23.5 million for the six months ended June 30, 2021. Net cash used in investing activities primarily consisted of investments in technology and computers as well as build-out costs associated with site expansions to support revenue growth. Net cash used in investing activities for the six months ended June 30, 2022 included the acquisition of heloo, net of cash received.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2022 was $25.4 million compared to net cash provided by financing activities of $67.7 million for the six months ended June 30, 2021. Net cash provided by financing activities for the six months ended June 30, 2022 consisted primarily of borrowings from our Revolving Credit Facility, partially offset by payments on long-term debt and payments for taxes related to net share settlement of equity awards. Net cash provided by financing activities for the six months ended June 30, 2021 consisted of proceeds from the IPO, net of underwriters' fees, partially offset by distribution of dividends and payments on long-term debt.

Critical Accounting Policies and Estimates

Except as described in Note 2, "Summary of Significant Accounting Policies" in the Notes to Unaudited Condensed Consolidated Financial Statements, there have been no material changes to our critical accounting policies or in the underlying accounting assumptions and estimates used in such policies as reported in our Annual Report.

Recent Accounting Pronouncements

For additional information regarding recent accounting pronouncements adopted and under evaluation, refer to Note 2, "Summary of Significant Accounting Policies" in the Notes to Unaudited Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our activities expose us to a variety of financial risks: market risk (includes foreign currency), interest rate risk and credit risk.

Foreign Currency Risk

Our exposure to market risk arises principally from exchange rate risk. Although substantially all of our revenues are denominated in U.S. dollars, a substantial portion of our expenses were incurred and paid in the Philippine peso in the six months ended June 30, 2022 and 2021. We also incur expenses in U.S. dollars, and currencies of the other countries in which we have operations. The exchange rates among the Philippine peso and the U.S. dollar have changed substantially in recent years and may fluctuate substantially in the future.

The average exchange rate of the Philippine peso against the U.S. dollar increased from 48.24 pesos during the six months ended June 30, 2021 to 52.13 pesos during the six months ended June 30, 2022, representing a depreciation of the Philippine peso of 8.1%. Based upon our level of operations during the six months ended June 30, 2022 and excluding any forward contract arrangements that we had in place during that period, a 10% appreciation/depreciation in the Philippine Peso against the U.S. dollar would have increased or decreased our expenses incurred and paid in the Philippine Peso by approximately $18.0 million or $14.7 million, respectively, in the six months ended June 30, 2022.

In order to mitigate our exposure to foreign currency fluctuation risks and minimize the earnings and cash flow volatility associated with forecasted transactions denominated in certain foreign currencies, and economically hedge our intercompany balances and other monetary assets and liabilities denominated in currencies other than functional currencies, we enter into foreign currency forward contracts. These derivatives have not been designated as hedges under ASC No. Topic 815, *Derivatives and Hedging* ("ASC 815"). Changes in the fair value of these derivatives are recognized in the consolidated statements of operations and are included in other expense (income).

For the three and six months ended June 30, 2022, the realized losses of $2.1 million and $3.5 million, respectively, resulting from the settlement of forward contracts were included within other expense (income).

For the three and six months ended June 30, 2022, we had outstanding forward contracts. The forward contract payable resulting from changes in fair value was recorded under accounts payable and accrued liabilities. For the three and six months ended June 30, 2022, the unrealized losses on the forward contracts of $6.7 million and $7.5 million, respectively, were included within other expense (income).

These contracts must be settled on the day of maturity or may be canceled subject to the receipts or payments of any gains or losses, respectively, equal to the difference between the contract exchange rate and the market exchange rate on the date of cancellation. We do not enter into foreign currency forward contracts for speculative or trading purposes. These derivative instruments do not subject us to material balance sheet risk due to exchange rate movements because gains and losses on the settlement of these derivatives are intended to offset revaluation losses and gains on the assets and liabilities being hedged.

Interest Rate Risk

Our exposure to market risk is influenced by the changes in interest rates paid on any outstanding balance on our borrowings, mainly under our 2019 Credit Facilities. All of our borrowings outstanding under the 2019 Credit Facilities as of June 30, 2022 accrue interest at LIBOR plus 2.25%. Our total principal balance outstanding as of June 30, 2022 was $267.2 million. Based on the outstanding balances and interest rates under the 2019 Credit Facilities as of June 30, 2022, a hypothetical 10% increase or decrease in LIBOR would cause an increase or decrease in interest expense of approximately $0.4 million over the next 12 months.

Credit Risk

As of June 30, 2022, we had accounts receivable, net of allowance for doubtful accounts, of $180.4 million, of which $54.6 million was owed by two of our clients. Collectively, these clients represented approximately 30% of our gross accounts receivable as of June 30, 2022.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in the Company’s reports 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 the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of June 30, 2022. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2022, the design and operation of the Company’s disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The information required with respect to this item can be found under Note 10, "Commitments and Contingencies" in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report and is incorporated by reference into this Item 1.

Item 1A. Risk Factors

We are subject to various risks that could have a material adverse impact on our financial position, results of operations or cash flows. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the factors discussed under "Risk Factors" in the Annual Report. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our financial position, results of operations or cash flows. There have been no material changes to the risk factors included in the Annual Report. You should carefully consider the risk factors set forth in the Annual Report and the other information set forth elsewhere in this Quarterly Report on Form 10-Q.

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

In April 2022, we issued 200,103 shares of our Class A common stock in connection with our acquisition of heloo pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act for issuances by an issuer not involving any public offering. The recipients of the securities represented their intentions to acquire the securities for investment purposes only and not with a view to, or for resale in connection with, the distribution or other disposition thereof or with any present intention of distributing or reselling any portion thereof, and restrictive legends were placed upon the issued shares. All recipients of the shares also represented, among other matters, as to their sophistication, conduct of investigation and access to information about the Company.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of TaskUs, Inc., dated as of June 10, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 15, 2021).
3.2	Second Amended and Restated Bylaws of TaskUs, Inc., dated as of June 10, 2021 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 15, 2021).
10.1†	TaskUs, Inc. 2022 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 17, 2022).
10.2†	Form of Restricted Stock Unit Agreement under TaskUs, Inc. 2021 Omnibus Incentive Plan.
10.3†	Form of Option Agreement under TaskUs, Inc. 2021 Omnibus Incentive Plan.
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), 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	XBRL Instance Document– the instance document does not appear in the interactive data file because its 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.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Furnished herewith.

† Management contract or compensatory plan or arrangement.

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

Table of Contents

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.

TASKUS, INC.
(Registrant)

Date:	August 9, 2022	By:	/s/ Balaji Sekar
			Balaji Sekar Chief Financial Officer (Principal Financial Officer) (Authorized Signatory)
Date:	August 9, 2022	By:	/s/ Steven Amaya
			Steven Amaya Senior Vice President—Finance (Principal Accounting Officer)

Exhibit 10.2

RESTRICTED STOCK UNIT GRANT NOTICE
UNDER THE
TASKUS, INC.
2021 OMNIBUS INCENTIVE PLAN
TIME-BASED VESTING AWARD

TaskUs, Inc., a Delaware corporation (the "Company"), pursuant to its 2021 Omnibus Incentive Plan (as it may be amended and/or restated from time to time, the "Plan"), hereby grants to the Participant the number of Restricted Stock Units set forth below. The Restricted Stock Units are subject to all of the terms and conditions as set forth herein, in the Restricted Stock Unit Agreement (attached hereto or previously provided to the Participant in connection with a prior grant), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Participant: [*Insert Participant Name*]

Date of Grant: [●]

Vesting Reference Date: [●]

Number of
Restricted Stock Units: [●]

Vesting Schedule: Provided the Participant has not undergone a Termination at the time of the applicable vesting date (or event):

- [*33%*] of the Restricted Stock Units (rounded down to the nearest whole share) will vest on the first anniversary of the Vesting Reference Date;
- an additional [*33%*] of the Restricted Stock Units (rounded down to the nearest whole share) will vest on the second anniversary of the Vesting Reference Date; and
- the remaining [*34%*] of the Restricted Stock Units will vest on the third anniversary of the Vesting Reference Date.

Notwithstanding the foregoing, if (i) in connection with a Change in Control, the Restricted Stock Units would not otherwise be continued, converted, assumed, or replaced by the Company, a member of the Company Group or a successor entity thereto, then such Restricted Stock Units shall vest in full upon such Change in Control; or (ii) at any time following a Change in Control in which the Restricted Stock Units are continued, converted, assumed, or replaced by the Company, a member of the Company Group or a successor entity thereto, the Participant undergoes a Termination by (x) the Service Recipient without Cause or (y) reason of the Participant's death or Disability, in each of cases (x) and (y), then such Restricted Stock Units shall vest in full upon such Termination.

For the avoidance of doubt, no Termination shall occur unless the Participant is no longer providing any services (whether as an employee, director, consultant or otherwise) to any member of the Company Group.

* * *

TASKUS, INC.

____
By: Bryce Maddock
Title: Chief Executive Officer

THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN.

PARTICIPANT[1]

*(Electronic signature to be captured via E*TRADE online acceptance)* _______________________________

[1] To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereto.

[*Signature Page to Restricted Stock Unit Grant Notice*]

TIME-BASED RESTRICTED STOCK UNIT AGREEMENT
UNDER THE
TASKUS, INC.
2021 OMNIBUS INCENTIVE PLAN

Pursuant to the Restricted Stock Unit Grant Notice (the "***Grant Notice***") delivered to the Participant (as defined in the Grant Notice), and subject to the terms of this Restricted Stock Unit Agreement (this "***Restricted Stock Unit Agreement***") and the TaskUs, Inc. 2021 Omnibus Incentive Plan, as it may be amended and restated from time to time (the "***Plan***"), TaskUs, Inc., a Delaware corporation (the "***Company***"), and the Participant agree as follows. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Plan.

1. **Grant of Restricted Stock Units**. Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the number of Restricted Stock Units provided in the Grant Notice (with each Restricted Stock Unit representing an unfunded, unsecured right to receive one share of Class A Common Stock). The Company may make one or more additional grants of Restricted Stock Units to the Participant under this Restricted Stock Unit Agreement by providing the Participant with a new grant notice, which may also include any terms and conditions differing from this Restricted Stock Unit Agreement to the extent provided therein. The Company reserves all rights with respect to the granting of additional Restricted Stock Units hereunder and makes no implied promise to grant additional Restricted Stock Units.

2. **Vesting**. Subject to the conditions contained herein and in the Plan, the Restricted Stock Units shall vest as provided in the Grant Notice.

3. **Settlement of Restricted Stock Units**. Subject to any election by the Committee pursuant to Section 9(d)(ii) of the Plan, the Company will deliver to the Participant, without charge, as soon as reasonably practicable (and, in any event, within two and one-half months) following the applicable vesting date, one share of Class A Common Stock for each Restricted Stock Unit (as adjusted under the Plan, as applicable) which becomes vested hereunder and such vested Restricted Stock Unit shall be cancelled upon such delivery. The Company shall either (a) deliver, or cause to be delivered, to the Participant a certificate or certificates therefor, registered in the Participant's name or (b) cause such shares of Class A Common Stock to be credited to the Participant's account at the third party plan administrator. Notwithstanding anything in this Restricted Stock Unit Agreement to the contrary, the Company shall have no obligation to issue or transfer any shares of Class A Common Stock as contemplated by this Restricted Stock Unit Agreement unless and until such issuance or transfer complies with all relevant provisions of law and the requirements of any stock exchange on which the Company's shares of Class A Common Stock are listed for trading.

4. **Treatment of Restricted Stock Units upon Termination**. The provisions of Section 9(c)(ii) of the Plan are incorporated herein by reference and made a part hereof, subject to the Vesting Schedule as provided in the Grant Notice (and for the avoidance for doubt, in the event of any conflict of the Grant Notice and Section 9(c)(ii) of the Plan, the provisions of the Grant Notice will prevail).

5. **Company; Participant**.

(a) The term "Company" as used in this Restricted Stock Unit Agreement with reference to employment or service shall include the applicable Service Recipient.

(b) Whenever the word "Participant" is used in any provision of this Restricted Stock Unit Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Restricted Stock Units may be transferred in accordance with Section 13(b) of the Plan, the word "Participant" shall be deemed to include such person or persons.

6. **Non-Transferability**. The Restricted Stock Units are not transferable by the Participant except to Permitted Transferees in accordance with Section 13(b) of the Plan. Except as

otherwise provided herein, no assignment or transfer of the Restricted Stock Units, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, shall vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the Restricted Stock Units shall terminate and become of no further effect.

7. **Rights as Stockholder**. Subject to any payments to be provided to the Participant in accordance with the Grant Notice and Section 13(c)(iii) of the Plan, the Participant or a Permitted Transferee shall have no rights as a stockholder with respect to any share of Class A Common Stock underlying a Restricted Stock Unit unless and until the Participant shall have become the holder of record or the beneficial owner of such Class A Common Stock, and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Class A Common Stock for which the record date is prior to the date upon which the Participant shall become the holder of record or the beneficial owner thereof.

8. **Tax Withholding**. The provisions of Section 13(d) of the Plan are incorporated herein by reference and made a part hereof.

9. **Notice**. Every notice or other communication relating to this Restricted Stock Unit Agreement between the Company and the Participant shall be in writing, which may include by electronic mail, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; *provided*, that, unless and until some other address be so designated, all notices or communications by the Participant to the Company shall be mailed or delivered to the Company at its principal executive office, to the attention of the Company's VP Legal, Corporate Secretary or its designee, and all notices or communications by the Company to the Participant may be given to the Participant personally or may be mailed to the Participant at the Participant's last known address, as reflected in the Company's records. Notwithstanding the above, all notices and communications between the Participant and any third-party plan administrator shall be mailed, delivered, transmitted or sent in accordance with the procedures established by such third-party plan administrator and communicated to the Participant from time to time.

10. **No Right to Continued Service**. This Restricted Stock Unit Agreement does not confer upon the Participant any right to continue as an employee or service provider to the Service Recipient or any other member of the Company Group.

11. **Binding Effect**. This Restricted Stock Unit Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

12. **Waiver and Amendments**. Except as otherwise set forth in Section 12 of the Plan, any waiver, alteration, amendment or modification of any of the terms of this Restricted Stock Unit Agreement shall be valid only if made in writing and signed by the parties hereto; *provided, however*, that any such waiver, alteration, amendment or modification is consented to on the Company's behalf by the Committee. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

13. **Clawback/Forfeiture**. This Restricted Stock Unit Agreement shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (i) any clawback, forfeiture or other similar policy adopted by the Board or the Committee and as in effect from time to time; and (ii) Applicable Law. In addition, if the Participant receives any amount in excess of what the Participant should have received under the terms of this Restricted Stock Unit Agreement for any reason (including without limitation by reason of a financial restatement, mistake in calculations or other administrative error), then the Participant shall be required to repay any such excess amount to the Company.

14. **Detrimental Activity**. Notwithstanding anything to the contrary contained herein or in the Plan, if the Participant has engaged in or engages in any Detrimental Activity, as determined by the Committee, then the Committee may, in its sole discretion, take actions permitted under the Plan,

including, but not limited to: (i) cancelling any and all Restricted Stock Unit, or (ii) requiring that the Participant forfeit any gain realized on the settlement of the Restricted Stock Unit or the disposition of any Class A Common Stock received upon settlement of the Restricted Stock Units, and repay such gain to the Company.

15. **Right to Offset**. The provisions of Section 13(x) of the Plan are incorporated herein by reference and made a part hereof.

16. **Governing Law**. This Restricted Stock Unit Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Notwithstanding anything contained in this Restricted Stock Unit Agreement, the Grant Notice or the Plan to the contrary, if any suit or claim is instituted by the Participant or the Company relating to this Restricted Stock Unit Agreement, the Grant Notice or the Plan, the Participant hereby submits to the exclusive jurisdiction of and venue in the courts of Delaware.

17. **Plan**. The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Restricted Stock Unit Agreement (including the Grant Notice), the Plan shall govern and control.

18. **Section 409A**. It is intended that the Restricted Stock Units granted hereunder shall be exempt from Section 409A of the Code pursuant to the “short-term deferral” rule applicable to such section, as set forth in the regulations or other guidance published by the Internal Revenue Service thereunder and shall be interpreted as such.

19. **Imposition of Other Requirements**. The Company reserves the right to impose other requirements on the Participant’s participation in the Plan, on the Restricted Stock Unit and on any shares of Class A Common Stock acquired under the Plan, to the extent that the Company, in its sole discretion, determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

20. **Electronic Delivery and Acceptance**. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

21. **Entire Agreement**. This Restricted Stock Unit Agreement (including, without limitation, all exhibits attached hereto), the Grant Notice and the Plan constitute the entire agreement of the parties hereto in respect of the subject matter contained herein and supersede all prior agreements and understandings of the parties, oral and written, with respect to such subject matter.

Exhibit 10.3

OPTION GRANT NOTICE
UNDER THE
TASKUS, INC.
2021 OMNIBUS INCENTIVE PLAN

TaskUs, Inc., a Delaware corporation (the "Company"), pursuant to its 2021 Omnibus Incentive Plan (as it may be amended and/or restated from time to time, the "Plan"), hereby grants to the Participant the number of Options (each Option representing the right to purchase one share of Class A Common Stock) set forth below, at an Exercise Price per share as set forth below. The Options are subject to all of the terms and conditions as set forth herein, in the Option Agreement (attached hereto or previously provided to the Participant in connection with a prior grant), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Participant: [*Insert Participant Name*]

Date of Grant: [●]

Vesting Reference Date: [●]

Number of Options: [*Insert Number of Options Granted*]

Exercise Price: $[*Insert Exercise Price*]

Option Period Expiration Date: 10^{th} anniversary of Grant Date

Type of Option: Non-Qualified Stock Option

Vesting Schedule: Provided the Participant has not undergone a Termination at the time of the applicable vesting date (or event):

- [*33%*] of the Options (rounded down to the nearest whole share) will vest on the first anniversary of the Vesting Reference Date;
- an additional [*33%*] of the Options (rounded down to the nearest whole share) will vest on the second anniversary of the Vesting Reference Date; and
- the remaining [*34%*] of the Options will vest on the third anniversary of the Vesting Reference Date.

Notwithstanding the foregoing, if (i) in connection with a Change in Control, the Options would not otherwise be continued, converted, assumed, or replaced by the Company, a member of the Company Group or a successor entity thereto, then such Options shall vest in full upon such Change in Control; or (ii) at any time following a Change in Control in which the Options are continued, converted, assumed, or replaced by the Company, a member of the Company Group or a successor entity thereto, the Participant undergoes a Termination by (x) the Service Recipient without Cause or (y) reason of the Participant's death or Disability, in each of cases (x) and (y), then such Options shall vest in full upon such Termination.

For the avoidance of doubt, no Termination shall occur unless the Participant is no longer providing any services (whether as an employee, director, consultant or otherwise) to any member of the Company Group.

* * *

TASKUS, INC.

____
By: Bryce Maddock
Title: Chief Executive Officer

THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS OPTION GRANT NOTICE, THE OPTION AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF OPTIONS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS OPTION GRANT NOTICE, THE OPTION AGREEMENT AND THE PLAN.

PARTICIPANT[1]

*(Electronic signature to be captured via E*TRADE online acceptance)* ______________________________

1 To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereto.

[*Signature Page to Option Grant Notice*]

OPTION AGREEMENT
UNDER THE
TASKUS, INC.
2021 OMNIBUS INCENTIVE PLAN

Pursuant to the Option Grant Notice (the "Grant Notice") delivered to the Participant (as defined in the Grant Notice), and subject to the terms of this Option Agreement (this "Option Agreement") and the TaskUs, Inc. 2021 Omnibus Incentive Plan, as it may be amended and restated from time to time (the "Plan"), TaskUs, Inc., a Delaware corporation (the "Company"), and the Participant agree as follows. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Plan.

1. **Grant of Option**. Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the number of Options provided in the Grant Notice (with each Option representing the right to purchase one share of Class A Common Stock), at an Exercise Price per share as provided in the Grant Notice. The Company may make one or more additional grants of Options to the Participant under this Option Agreement by providing the Participant with a new grant notice, which may also include any terms and conditions differing from this Option Agreement to the extent provided therein. The Company reserves all rights with respect to the granting of additional Options hereunder and makes no implied promise to grant additional Options.

2. **Vesting**. Subject to the conditions contained herein and in the Plan, the Options shall vest as provided in the Grant Notice.

3. **Exercise of Options Following Termination**. The provisions of Section 7(c)(ii) of the Plan are incorporated herein by reference and made a part hereof, subject to the Vesting Schedule as provided in the Grant Notice (and for the avoidance for doubt, in the event of any conflict of the Grant Notice and Section 7(c)(ii) of the Plan, the provisions of the Grant Notice will prevail).

4. **Method of Exercising Options**. The Options may be exercised by the delivery of notice of the number of Options that are being exercised accompanied by payment in full of the Exercise Price applicable to the Options so exercised. Such notice shall be delivered either (a) in writing to the Company at its principal office or at such other address as may be established by the Committee, to the attention of the Company's VP Legal, Corporate Secretary or its designee; or (b) to a third-party plan administrator as may be arranged for by the Company or the Committee from time to time for purposes of the administration of outstanding Options under the Plan, in the case of either (a) or (b), as communicated to the Participant by the Company from time to time. Payment of the aggregate Exercise Price may be made using any of the methods described in Section 7(d)(i) or (ii) of the Plan; provided, that the Participant shall obtain written consent from the Committee prior to the use of the methods described in Section 7(d)(ii)(A) of the Plan.

5. **Issuance of Class A Common Stock**. Following the exercise of an Option hereunder, as promptly as practical after receipt of such notification and full payment of such Exercise Price and any required income or other tax withholding amount (as provided in Section 9 hereof), the Company shall issue or transfer, or cause such issue or transfer, to the Participant the number of shares of Class A Common Stock with respect to which the Options have been so exercised, and shall either (a) deliver, or cause to be delivered, to the Participant, a certificate or certificates therefor, registered in the Participant's name or (b) cause such shares of Class A Common Stock to be credited to the Participant's account at the third-party plan administrator.

6. **Company; Participant**.

(◦) The term "Company" as used in this Option Agreement with reference to employment or service shall include the applicable Service Recipient.

(◦) Whenever the word "Participant" is used in any provision of this Option Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Options may be transferred in accordance with Section 13(b) of the Plan, the word “Participant” shall be deemed to include such person or persons.

7. **Non-Transferability**. The Options are not transferable by the Participant except to Permitted Transferees in accordance with Section 13(b) of the Plan. Except as otherwise provided herein, no assignment or transfer of the Options, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, shall vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the Options shall terminate and become of no further effect.

8. **Rights as Stockholder**. The Participant or a Permitted Transferee of the Options shall have no rights as a stockholder with respect to any share of Class A Common Stock covered by an Option unless and until the Participant shall have become the holder of record or the beneficial owner of such share of Class A Common Stock, and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Class A Common Stock for which the record date is prior to the date upon which the Participant shall become the holder of record or the beneficial owner thereof.

9. **Tax Withholding**. The provisions of Section 13(d) of the Plan are incorporated herein by reference and made a part hereof.

10. **Notice**. Every notice or other communication relating to this Option Agreement between the Company and the Participant shall be in writing, which may include by electronic mail, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; provided, that, unless and until some other address be so designated, all notices or communications by the Participant to the Company shall be mailed or delivered to the Company at its principal executive office, to the attention of the Company’s VP Legal, Corporate Secretary or its designee, and all notices or communications by the Company to the Participant may be given to the Participant personally or may be mailed to the Participant at the Participant’s last known address, as reflected in the Company’s records. Notwithstanding the above, all notices and communications between the Participant and any third-party plan administrator shall be mailed, delivered, transmitted or sent in accordance with the procedures established by such third-party plan administrator and communicated to the Participant from time to time.

11. **No Right to Continued Service**. This Option Agreement does not confer upon the Participant any right to continue as an employee or service provider to the Service Recipient or any other member of the Company Group.

12. **Binding Effect**. This Option Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

13. **Waiver and Amendments**. Except as otherwise set forth in Section 12 of the Plan, any waiver, alteration, amendment or modification of any of the terms of this Option Agreement shall be valid only if made in writing and signed by the parties hereto; provided, however, that any such waiver, alteration, amendment or modification is consented to on the Company’s behalf by the Committee. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

14. **Clawback/Repayment**. This Option Agreement shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (i) any clawback, forfeiture or other similar policy adopted by the Board or the Committee and as in effect from time to time; and (ii) Applicable Law. In addition, if the Participant receives any amount in excess of what the Participant should have received under the terms of this Option Agreement for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), then the Participant shall be required to repay any such excess amount to the Company.

15. **Detrimental Activity**. Notwithstanding anything to the contrary contained herein or in the Plan, if the Participant has engaged in or engages in any Detrimental Activity, as

determined by the Committee, then the Committee may, in its sole discretion, take actions permitted under the Plan, including, but not limited to: (i) cancelling any and all Option, or (ii) requiring that the Participant forfeit any gain realized on the exercise of the Options or the disposition of any Class A Common Stock received upon exercise of the Options, and repay such gain to the Company.

16. **Right to Offset**. The provisions of Section 13(x) of the Plan are incorporated herein by reference and made a part hereof.

17. **Governing Law**. This Option Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Notwithstanding anything contained in this Option Agreement, the Grant Notice or the Plan to the contrary, if any suit or claim is instituted by the Participant or the Company relating to this Option Agreement, the Grant Notice or the Plan, the Participant hereby submits to the exclusive jurisdiction of and venue in the courts of Delaware.

18. **Plan**. The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Option Agreement (including the Grant Notice), the Plan shall govern and control.

19. **Imposition of Other Requirements**. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Option and on any Class A Common Stock acquired under the Plan, to the extent that the Company, in its sole discretion, determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

20. **Electronic Delivery and Acceptance**. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

21. **Entire Agreement**. This Option Agreement (including, without limitation, all exhibits attached hereto), the Grant Notice and the Plan constitute the entire agreement of the parties hereto in respect of the subject matter contained herein and supersede all prior agreements and understandings of the parties, oral and written, with respect to such subject matter.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Bryce Maddock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 of TaskUs, Inc.;
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: August 9, 2022

/s/ Bryce Maddock
Bryce Maddock
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Balaji Sekar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 of TaskUs, Inc.;
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: August 9, 2022

/s/ Balaji Sekar
Balaji Sekar
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 TaskUs, Inc. (the "Company") for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bryce Maddock, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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.

/s/ Bryce Maddock
Bryce Maddock
Chief Executive Officer
(Principal Executive Officer)

August 9, 2022

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 TaskUs, Inc. (the "Company") for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Balaji Sekar, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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.

/s/ Balaji Sekar
Balaji Sekar
Chief Financial Officer
(Principal Financial Officer)

August 9, 2022