

1st Quarter 2024 Earnings Presentation

Alight, Inc.

May 8, 2024

alight

Disclaimer

Forward-looking statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include, but are not limited to, statements regarding the sale of our Payroll and Professional Services business, including the likelihood of the consummation of the transaction, the expected time period to consummate the transaction, the anticipated benefits of the transaction (including the achievement of our financial objectives), support plans, opportunities, anticipated future performance (including our expected recurring revenue and margin profile) and expected stock buyback programs, statements related to our cloud migration project and its expected impact, statements related to our expected revenue under contract and statements related to the expectations regarding the performance and outlook for Alight's business, financial results, liquidity and capital resources, our strategic portfolio review, our investments in our products and clients, statements regarding our capital structure, expectations regarding our project revenue, and other non-historical statements, including certain statements in the "Go-forward benefits to anticipated divestiture of Alight's Professional Services and HCM & Payroll Outsourcing businesses" and "Strong capital structure expected to be bolstered by transaction proceeds" sections of this presentation. In some cases, these forward-looking statements can be identified by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "projects," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties including, among others, risks related to declines in economic activity in the industries, markets, and regions our clients serve, including as a result of elevated interest rates or changes in monetary and fiscal policies, competition in our industry, risks related to our ability to consummate the agreement to sell our Payroll and Professional Services business, risks related to the performance of our information technology systems and networks, risks related to our ability to maintain the security and privacy of confidential and proprietary information, risks related to actions or proposals from activist stockholders, risks related to the ability to meet the contingent payment conditions of the seller note, and risks related to changes in regulation, including developments on the use of artificial intelligence and machine learning. Additional factors that could cause Alight's results to differ materially from those described in the forward-looking statements can be found under the section entitled "Risk Factors" of Alight's Annual Report on Form 10-K, filed with the Securities and Exchange Commission (the "SEC") on February 29, 2024, as such factors may be updated from time to time in Alight's filings with the SEC, which are, or will be, accessible on the SEC's website at www.sec.gov. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should not be construed as exhaustive and should be considered along with other factors noted in this presentation and in Alight's filings with the SEC. Alight undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Financial statement presentation

This presentation is not considered to be prepared in accordance with GAAP and has not been prepared as pro forma results under applicable regulations. This presentation includes supplemental information presenting the results of our operations on a Total Company basis that includes the Payroll and Professional Services business. This information is not considered to be prepared in accordance with GAAP. However, as the Payroll and Professional Services business will continue to operate as a business of Alight until the closing of the transaction, we believe the Total Company results provide a meaningful basis of comparison and are useful in identifying current business trends for the periods presented.

Non-GAAP financial measures

Included in this presentation are certain non-GAAP financial measures, such as Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted Net Income, Adjusted Earnings per Share, Adjusted Diluted Earnings per Share, Net Leverage Ratio and Net Debt, designed to complement the financial information presented in accordance with U.S. GAAP because management believes such measures are useful to investors. These non-GAAP financial measures should be considered only as supplemental to, and not superior to, financial measures provided in accordance with GAAP. Please refer to the appendix of this presentation for a reconciliation of the historical non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with GAAP.

Reconciliations of the historical financial measures used in this presentation that are not recognized under U.S. GAAP are included or described in the tables attached to the appendix. Because GAAP financial measures on a forward-looking basis are not accessible, and reconciling information is not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures. For the same reasons, we are unable to address the probable significance of the unavailable information, which could be material to future results.

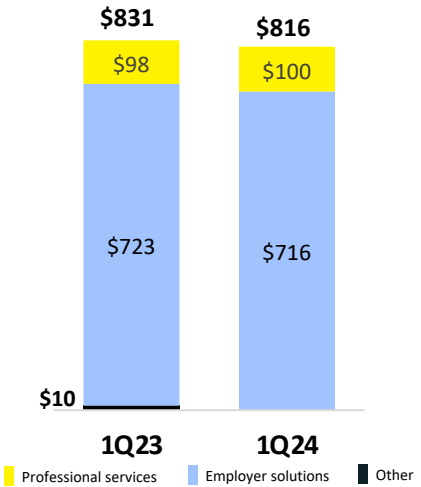
© 2024 Alight. All rights reserved.

Total Company First Quarter Summary Results

- *Starting in Q1 2024, financial statements will be presented on a Continuing Operations basis to reflect the pending disposition of the Payroll & Professional Services business*
- *We will also present on a Total Company basis to allow comparability with the prior outlook*

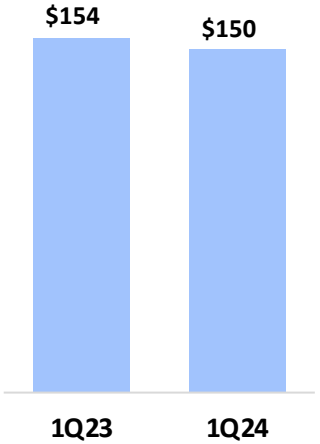
1Q Revenue

($ in millions)



1Q Adj. EBITDA[1]

($ in millions)



KEY HIGHLIGHTS

Recurring Revenue as % of sales	86.4% Up 70 bps y/y
BPaaS Revenue	↑21.6% 25.5% of total revenue
Operating Cash Flow	↑38.9% Up $28 million

Execution of transformation led to strong BPaaS growth and cash generation

Revenue excluding Hosted business roughly flat

[1]Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and intangible amortization adjusted for the impact of certain non-cash and other items that we do not consider in the evaluation of ongoing operational performance. Adjusted EBITDA margin percent is defined as Adjusted EBITDA divided by revenue. A reconciliation of these non-GAAP financial metric to its closest comparable GAAP metric is included in the appendix.

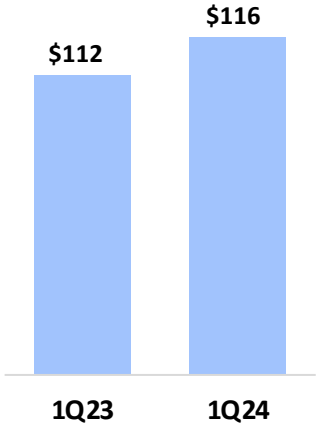
© 2024 Alight. All rights reserved.

Continuing Operations First Quarter Summary Results

1Q Revenue
($ in millions)



1Q Adj. EBITDA[1]
($ in millions)



KEY HIGHLIGHTS

Recurring Revenue as % of sales	93.2% Up 50 bps y/y
BPaaS Revenue	↑20.6% 20.9% of total revenue
Adjusted Gross Profit Margin[2] %	↑120 bps To 37.2%

Adjusted EBITDA[1] grew nearly 4% with 170 basis points of margin expansion

[1] Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and intangible amortization adjusted for the impact of certain non-cash and other items that we do not consider in the evaluation of ongoing operational performance. Adjusted EBITDA margin percent is defined as Adjusted EBITDA divided by revenue. A reconciliation of these non-GAAP financial metric to its closest comparable GAAP metric is included in the appendix.

[2] Adjusted gross profit is defined as revenue less cost of services adjusted for depreciation, amortization and share-based compensation. Adjusted gross profit margin percent is defined as adjusted gross profit divided by revenue. A reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric is included in the appendix.

alight

© 2024 Alight. All rights reserved.

Advancing profitable growth strategy

(Commentary is on a Continuing Operations basis unless otherwise noted)

1. **Strong revenue growth from BPaaS offset by non-recurring project work**
   - BPaaS revenue grew nearly 21% to $117 million
     - BPaaS represented 20.9% of total revenues, up 440 basis points from the prior year
   - Continuing operations revenue impacted from:
     - Wind-down of Hosted business
     - Non-recurring project revenue due to fewer client benefit plan changes
     - Timing of go-lives due to soft 1H ’23 bookings

2. **Improved financial profile demonstrates resilience with strong profitability and cash generation**
   - First quarter adjusted gross profit margin[1] improved 120 basis points to 37.2%
   - First quarter adjusted EBITDA[1] of $116 million, up 3.6% over prior year
   - Total Company operating cash flow increased by $28 million from the prior year to $100 million, or growth of 38.9%

3. **Cloud migration progress signals upcoming expected enhancement to margin profile**
   - Exit of physical data centers on track for completion in second half of 2024
   - Expected run-rate savings of $100 million for Total Company, with approximately $75 million of savings staying with Alight

4. **Divestiture of Payroll & Professional Services business on track to close mid-year 2024**
   - Sale to H.I.G. Capital announced on March 20th, 2024 for up to $1.2 billion in gross proceeds
   - Expect to use initial proceeds to strengthen balance sheet via debt paydown, more consistent capital return to shareholders, and for general corporate purposes

[1] A reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric is included in the appendix.

© 2024 Alight. All rights reserved.

Go-forward benefits to anticipated divestiture of Alight's Professional Services and HCM & Payroll Outsourcing businesses

$1B
upfront gross proceeds

Up to $200M
seller notes

- Net upfront proceeds estimate of $750 million, expected to reduce debt to below 3x leverage after closing, with any additional proceeds used for share repurchases
- Estimated $250 million of TRA and tax payments associated with upfront gross proceeds from the transaction with approximately 90% towards the TRA liability (payable in 2026)
- $200 million of seller notes with $50 million non-contingent & $150 million contingent on 2025 performance of divested business

~$20M
temporary stranded costs
(assumed in PF margin of ~25%)

Temporary dis-synergy expected to be managed out within one year post-close

Earnings Power

- Profit enhancement with immediate ~300 bps. margin increase
- Reduced interest expense with <3x leverage
- $248 million available for share repurchase program
- Retain majority of margin benefit from back-office restructuring program

Formal 2024 guidance for Alight's go-forward business to be issued after deal closing

Note: This summary is qualified by reference to the Stock and Asset Purchase Agreement, dated as of March 20, 2024, which is filed as Exhibit 2.1 to the Current Report on Form 8-K filed as of March 20, 2024

© 2024 Alight. All rights reserved.

Latest Alight Worklife® release for 2024 focuses on AI-driven support to enhance employee experience and employer ROI



2024 first release maximizing value of benefits offerings

AI-powered workforce support
New Alight LumenAI engine enhances various AI capabilities (including chatbots) while automation streamlines configuration process

Comprehensive benefits management
Deeper integration of Leaves and Health Navigation solutions improves functionality & strengthens comprehensiveness of platform

Financial & Wellbeing empowerment
Enabling greater end-user efficiency, outcomes and support via new self-service features and retirement resources

alight

© 2024 Alight. All rights reserved.

Financial results

Total Company Alight Results

($ in millions)	1Q24	1Q23	Change
Revenue			
Total Revenue	*$816*	*$831*	*-1.8%*
Revenue ex-Other (Hosted)	*$816*	*$821*	*-0.6%*
BPaaS Revenue	*$208*	*$171*	*+21.6%*
Adjusted Gross Profit[1]	$278	$285	-2.5%
% margin	*34.1%*	*34.3%*	*-20 bps*
Adjusted EBITDA[1, 2]	$150	$154	-2.6%
% margin	*18.4%*	*18.5%*	*-10 bps*

Revenue Under Contract[3] As of 3/31/24

2024	$3.1B
2025	$2.2B
2026	$1.6B

[1] A reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric is included in the appendix.
[2] Adjusted EBITDA margin percent is defined as adjusted EBITDA divided by revenue.
[3] Revenue Under Contract is an operational metric that represents management's estimate of anticipated revenue expected to be recognized in the period referenced based on available information that includes historical client contracting practices. The metric does not reflect potential future events such as unexpected client volume fluctuations, early contract terminations or early contract renewals. Our metric may differ from similar terms used by other companies and therefore comparability may be limited.

© 2024 Alight. All rights reserved.

Continuing Operations Results

($ in millions)	1Q24	1Q23	Change
Revenue			
Total Revenue	*$559*	*$586*	*-4.6%*
Revenue ex-Other (Hosted)	*$559*	*$576*	*-3.0%*
BPaaS Revenue	*$117*	*$97*	*+20.6%*
Adjusted Gross Profit[1]	$208	$211	-1.4%
% margin	*37.2%*	*36.0%*	*+120 bps*
Adjusted EBITDA[1, 2]	$116	$112	+3.6%
% margin	*20.8%*	*19.1%*	*+170 bps*

1Q Highlights

- Strong growth of nearly 21% in BPaaS revenues
- Continued strong expansion in adjusted gross profit margin[1]
- Adjusted EBITDA[1] grew nearly 4% with margins improving 170 basis points

[1] A reconciliation of this non-GAAP financial metric to its closest comparable GAAP metric is included in the appendix.
[2] Adjusted EBITDA margin percent is defined as adjusted EBITDA divided by revenue.

alight

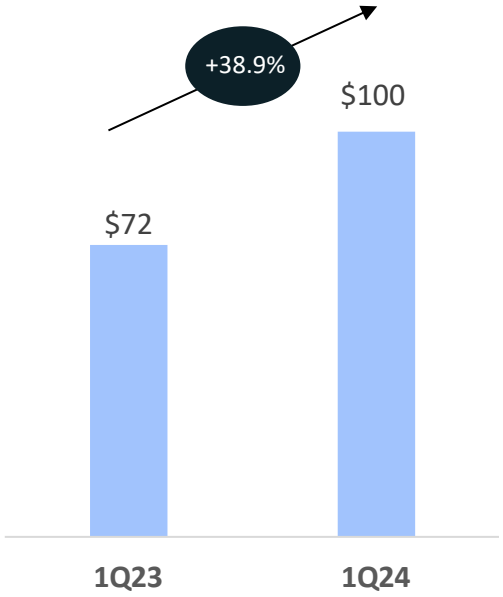
© 2024 Alight. All rights reserved.

Strong capital structure expected to be bolstered by transaction proceeds

($ millions)	3/31/2024	12/31/2023
Total Debt	**$2,787**	**$2,794**
Less Cash[1]	$286	$358
Net Debt	**$2,501**	**$2,436**

- Well-protected in volatile interest rate environment
- Total Company operating cash flow grew $28 million versus prior year, growth of 38.9%
- No 1Q repurchases due to timing of transaction; $248 million remaining authorization at 3/31/24 following recent upsizing
- Expect to use upfront net proceeds from transaction to pay down debt to below 3x net leverage ratio

Total Company Operating Cash Flow ($M)



[1] Cash is for Total Company and inclusive of $30 million as of 3/31/24 and $34 million as of 12/31/23 of cash and cash equivalents held for sale related to divestiture of Payroll & Professional Services business

© 2024 Alight. All rights reserved.

Appendix – Non-GAAP Reconciliations

Reconciliation of Continuing Operations Net Income (Loss) to Adjusted EBITDA (unaudited)

(in millions)	Three Months Ended March 31, 2024	2023
Net Income (Loss) From Continuing Operations [1]	$ (121)	$ (84)
Interest expense	31	33
Income tax expense (benefit)	(27)	(23)
Depreciation	26	22
Intangible amortization	71	71
EBITDA From Continuing Operations	(20)	19
Share-based compensation	28	34
Transaction and integration expenses[2]	17	2
Restructuring	15	23
(Gain) Loss from change in fair value of financial instruments	21	25
(Gain) Loss from change in fair value of tax receivable agreement	55	8
Other	—	1
Adjusted EBITDA From Continuing Operations	$ 116	$ 112
Revenue	$ 559	$ 586
Adjusted EBITDA Margin From Continuing Operations [3]	20.8%	19.1%

(1) Adjusted EBITDA excludes the impact of discontinued operations. Comparable periods have been recast to exclude these impacts.

(2) Transaction and integration expenses primarily relate to acquisition and divestiture activities.

(3) Adjusted EBITDA Margin From Continuing Operations is defined as Adjusted EBITDA from Continuing Operations as a percentage of revenue.

© 2024 Alight. All rights reserved.

Reconciliation of Continuing Operations Gross Profit to Adjusted Gross Profit (unaudited)

($ in millions)	Three Months Ended March 31, 2024		
	Employer Solutions	Other	Total
Gross Profit	$ 182	$ -	$ 182
Add: stock-based compensation	5	-	5
Add: depreciation and amortization	21	-	21
Adjusted Gross Profit	$ 208	$ -	$ 208
Gross Profit Margin	32.6%	0.0%	32.6%
Adjusted Gross Profit Margin	37.2%	0.0%	37.2%

($ in millions)	Three Months Ended March 31, 2023		
	Employer Solutions	Other	Total
Gross Profit	$ 187	$ -	$ 187
Add: stock-based compensation	7	-	7
Add: depreciation and amortization	16	1	17
Adjusted Gross Profit	$ 210	$ 1	$ 211
Gross Profit Margin	32.5%	0.0%	31.9%
Adjusted Gross Profit Margin	36.5%	10.0%	36.0%

© 2024 Alight. All rights reserved.

Reconciliation of Continuing Operations Net (Loss) Income From Continuing Operations to Adjusted Net Income & Adjusted Diluted Earnings per Share From Continuing Operations (unaudited)

(in millions, except share and per share amounts)	Three Months Ended March 31, 2024	2023
Numerator:		
Net Income (Loss) From Continuing Operations Attributable to Alight, Inc. [1]	$ (119)	$ (78)
Conversion of noncontrolling interest	(2)	(6)
Intangible amortization	71	71
Share-based compensation	28	34
Transaction and integration expenses [2]	17	2
Restructuring	15	23
(Gain) Loss from change in fair value of financial instruments	21	25
(Gain) Loss from change in fair value of tax receivable agreement	55	8
Other	-	1
Tax effect of adjustments[3]	(29)	(29)
Adjusted Net Income From Continuing Operations	$ 57	$ 51
Denominator:		
Weighted average shares outstanding - basic	540,780,315	476,145,761
Dilutive effect of the exchange of noncontrolling interest units	1,189,156	—
Weighted average shares outstanding - diluted	541,969,471	476,145,761
Exchange of noncontrolling interest units[4]	4,471,277	57,966,505
Impact of unvested RSUs[5]	10,158,541	10,412,840
Adjusted shares of Class A Common Stock outstanding - diluted(6)(7)	556,599,289	544,525,106
Basic (Net Loss) Earnings Per Share From Continuing Operations	$ (0.22)	$ (0.16)
Diluted (Net Loss) Earnings Per Share From Continuing Operations	$ (0.22)	$ (0.16)
Adjusted Diluted Earnings Per Share From Continuing Operations	$ 0.10	$ 0.09

(1) Adjusted EBITDA excludes the impact of discontinued operations. Comparable periods have been recast to exclude these impacts.

(2) Transaction and integration expenses primarily relate to acquisition and divestiture activities.

(3) Income tax effects have been calculated based on the statutory tax rates for both U.S. and foreign jurisdictions based on the Company's mix of income and adjusted for significant changes in fair value measurement.

(4) Assumes the full exchange of the units held by noncontrolling interests for shares of Class A Common Stock of Alight, Inc. pursuant to the exchange agreement.

(5) Includes non-vested time-based restricted stock units that were determined to be antidilutive for U.S. GAAP diluted earnings per share purposes.

(6) Excludes two tranches of contingently issuable seller earnout shares: (i) 7.5 million shares will be issued if the Company's Class A Common Stock's volume-weighted average price ("VWAP") is >$12.50 for any 20 trading days within a consecutive period of 30 trading days; (ii) 7.5 million share will be issued if the Company's Class A Common Stock VWAP is >$15.00 for any 20 trading days within a consecutive period of 30 trading days. Both tranches have a seven-year duration.

(7) Excludes approximately 14.4 million and 31.0 million performance-based units, which represents the gross number of shares expected to vest based on achievement of performance conditions as of March 31, 2024 and 2023, respectively.

© 2024 Alight. All rights reserved.

Reconciliation of Total Company Net Income (Loss) to Adjusted EBITDA (unaudited)

(in millions)	Three Months Ended March 31	
	2024	2023
Net Income (Loss)	$ (116)	$ (74)
Interest expense	31	33
Income tax expense (benefit)	(12)	(8)
Depreciation	29	24
Intangible amortization	80	80
EBITDA	12	55
Share-based compensation	28	37
Transaction and integration expenses[(1)]	17	2
Restructuring	17	26
(Gain) Loss from change in fair value of financial instruments	21	25
(Gain) Loss from change in fair value of tax receivable agreement	55	8
Other	-	1
Adjusted EBITDA	$ 150	$ 154
Revenue	$ 816	$ 831
Adjusted EBITDA Margin [(2)]	18.4%	18.5%

(1) Transaction and integration expenses primarily relate to acquisition and divestiture activities.
(2) Adjusted EBITDA Margin is defined as Adjusted EBITDA as a percentage of revenue.

© 2024 Alight. All rights reserved.

Reconciliation of Total Company Gross Profit to Adjusted Gross Profit (unaudited)

($ in millions)	Three Months Ended March 31, 2024
Gross Profit	$ 249
Add: stock-based compensation	5
Add: depreciation and amortization	24
Adjusted Gross Profit	$ 278
Gross Profit Margin	30.5%
Adjusted Gross Profit Margin	34.1%

($ in millions)	Three Months Ended March 31, 2023
Gross Profit	$ 257
Add: stock-based compensation	9
Add: depreciation and amortization	19
Adjusted Gross Profit	$ 285
Gross Profit Margin	30.9%
Adjusted Gross Profit Margin	34.3%

© 2024 Alight. All rights reserved.

Reconciliation of Total Company Net (Loss) Income Attributable to Alight, Inc. to Adjusted Net Income & Adjusted Diluted Earnings per Share (unaudited)

(in millions, except share and per share amounts)	Three Months Ended March 31, 2024	2023
Numerator:		
Net (Loss) Income Attributable to Alight, Inc.	$ (114)	$ (68)
Conversion of noncontrolling interest	(2)	(6)
Intangible amortization	80	80
Share-based compensation	28	37
Transaction and integration expenses [(1)]	17	2
Restructuring	17	26
(Gain) Loss from change in fair value of financial instruments	21	25
(Gain) Loss from change in fair value of tax receivable agreement	55	8
Other	-	1
Tax effect of adjustments[(2)]	(32)	(33)
Adjusted Net Income	$ 70	$ 72
Denominator:		
Weighted average shares outstanding - basic	540,780,315	476,145,761
Dilutive effect of the exchange of noncontrolling interest units	1,189,156	—
Weighted average shares outstanding - diluted	541,969,471	476,145,761
Exchange of noncontrolling interest units[(3)]	4,471,277	57,966,505
Impact of unvested RSUs[(4)]	10,158,541	10,412,840
Adjusted shares of Class A Common Stock outstanding - diluted[(5)(6)]	556,599,289	544,525,106
Basic (Net Loss) Earnings Per Share	$ (0.21)	$ (0.14)
Diluted (Net Loss) Earnings Per Share	$ (0.21)	$ (0.14)
Adjusted Diluted Earnings Per Share	$ 0.13	$ 0.13

(1) Transaction and integration expenses primarily relate to acquisition and divestiture activities.
(2) Income tax effects have been calculated based on the statutory tax rates for both U.S. and foreign jurisdictions based on the Company's mix of income and adjusted for significant changes in fair value measurement.
(3) Assumes the full exchange of the units held by noncontrolling interests for shares of Class A Common Stock of Alight, Inc. pursuant to the exchange agreement.
(4) Includes non-vested time-based restricted stock units that were determined to be antidilutive for U.S. GAAP diluted earnings per share purposes.
(5) Excludes two tranches of contingently issuable seller earnout shares: (i) 7.5 million shares will be issued if the Company's Class A Common Stock's volume-weighted average price ("VWAP") is >$12.50 for any 20 trading days within a consecutive period of 30 trading days; (ii) 7.5 million share will be issued if the Company's Class A Common Stock VWAP is >$15.00 for any 20 trading days within a consecutive period of 30 trading days. Both tranches have a seven-year duration.
(6) Excludes approximately 14.4 million and 31.0 million performance-based units, which represents the gross number of shares expected to vest based on achievement of performance conditions as of March 31, 2024 and 2023, respectively.

© 2024 Alight. All rights reserved.

Total Company Revenue Disaggregation (unaudited)

($ in millions)	Three Months Ended March 31, 2024	2023
Employer Solutions:		
Recurring	$ 521	$ 533
Project	38	43
Total Employer Solutions	559	576
Revenue from Discontinued Operations	257	245
Total Revenue, excluding Hosted	816	821
Other [1]	-	10
Total Alight Revenue	$ 816	$ 831

(1) Other primarily attributable to the form Hosted Segment.

© 2024 Alight. All rights reserved.