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/ STRONG SELL OPINION /

TaskUs, Inc. | NASDAQ:TASK



SPRUCE POINT
CAPITAL MANAGEMENT
INVESTMENT RESEARCH REPORT

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Spruce Point Has A Track Record Activism Of With Companies Similar To TaskUs

TaskUs is a human capital intensive business process outsourcing company being backed and promoted by Blackstone, and is focused on content moderation and digital customer experience for clients in the social media and digital economy. Spruce Point has past successes betting against a similar business named Bazaarvoice, and a recent Blackstone stock promotion.

Company:	bazaarvoice:	THE ORIGINAL OATLY!
Report Date	May 2012	July 2021
Exchange and Ticker	Nasdaq: BV	Nasdaq: OTLY
Enterprise Value	\$1.2 billion	\$11.6 billion
Stock Promotion	Austin, TX based Bazaarvoice is a disruptive provider of social commerce solutions that help clients capture, display and analyze online word-of-mouth, including consumer-generated ratings and reviews. The company has unique content moderation capabilities and its corporate culture is a key differentiator giving it a competitive advantage in recruiting talent	Juggernaut in the plant-based (oats) food space with millennial consumer adoption and unimpeachable ESG qualities. Oatly can grow from a narrow market in Sweden, to a global leader in the marketplace. Backed by Blackstone, and endorsed by Starbucks, Oprah Winfrey and other celebrities, Oatly is a must buy
Spruce Point's Criticisms	<ul style="list-style-type: none"> Our research revealed that BV's solution was nothing more than a money losing, rapidly commoditized service that would not scale given human capital intensity for its moderation services Its IPO prospectus was littered with social media buzz words at a time when Facebook was being taken public, and \$25 analyst price targets would prove unrealistic The business is both dependent on Facebook as a partner, but also subject to direct competition with it, which we believed would hinder growth 	<ul style="list-style-type: none"> Doesn't practice what it preaches in ESG. Obscures its wastewater impact on the environment and capex challenges in Utah and NJ CFO and Board members obscure ties to past business failures and accounting scandals Gross margins not reported consistently with peers and may be 640 basis points overstated Limited barriers to entry Not being transparent about exposure to rising oat and rapeseed commodity costs, or its top customer Starbucks
Successful Outcome	BV's CEO resigned shortly after the IPO and its share price fizzled to low single digits before ultimately being acquired for just \$5.50/sh, 54% below its \$12 IPO price and 70% below our initiation price	<ul style="list-style-type: none"> Oatly has struggled to meet analyst expectations for sales growth and margin expansion as the competition has quickly gained share and commodity costs rise Admitting production challenges in the Netherlands, Sweden and Utah Founder Oste unexpectedly resigned at year end

The recommendations shown above are not intended to be exhaustive or represent investment returns following Spruce Point's research campaigns. A full list of all recommendations made over the past twelve months can be found on our [website](#)

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Executive Summary

Spruce Point Estimates 25% - 50% (\$18 - \$27/sh) Downside Risk To TaskUs (TASK) Share Price

After conducting a forensic financial and accounting review, Spruce Point believes shares of TaskUs, Inc. (Nasdaq: TASK), a highly promoted business process outsourcing (BPO) firm to digital and emerging technology companies, has a pattern of exaggerated and inflated business claims, including revenue, and is covering-up financial strain with reduced disclosures, cherry-picked market data, and non-standard key performance metrics. With 28% of sales to Facebook and related to the controversial area of “Content Moderation” we find evidence of increasing financial strain in the relationship and believe margins and cash flow are set to contract more than expected. TASK trades at a rich premium to BPO peers on the belief its margins will increase and it can sustain 25%+ revenue growth. With both of these goals at risk, we see 25% – 50% downside risk to (\$18 – \$27 per share). We are long Concentrix (CNXC) and Majorel (MAJ NA) as we believe they are favorably positioned to succeed against TASK and trade at material valuation discounts as a result of being under-covered in the BPO space.

**Weak
Management
Team Lead By
A CEO Who Is
Prone To
Embellish And
Has Four
Different
Degree Claims**

**CFO Groomed
By Former
CFO of Sify,
An Entity
Linked To
Satyam,
Known As The
Enron of India**

**Principal
Accounting
Officer
Charged With
Disorderly
Conduct and
DWI**

- We find clear evidence that CEO and Co-Founder Bryce Maddock has embellished his educational credentials. We find at least four different representations of his degree credentials at NYU: 1) a double major in both Business and International Relations, 2) a major in International Business, 3) a major in International Politics, and 4) a major in International Relations
- On CEO Maddock’s private blog, since deleted, we find that he once insulted some of his Philippine workers, while admitting to embellishing and exaggerating comments. Furthermore, he has blogged about being called “cocky” and “arrogant.” In reviewing TASK’s reporting and business claims, we find a pattern of embellishing the size of its workforce and making overly optimistic revenue growth claims
 - Multiple instances of employee workforce and office location claims greater than reality
 - While a private company, we find that TASK missed its lofty revenue expectations in 2 of 3 years
 - TASK’s claim of a superior corporate culture evidenced by below industry standard workforce attrition appear to be highly exaggerated
- The CFO’s biography fails to mention his accounting stint at Sify Technologies (Nasdaq: SIFY, formerly Satyam Infoway Group). His career history followed Sify’s CFO. Sify was controlled and founded by Satyam founder B. Ramalinga Raju, who perpetuated one of India’s largest frauds in the IT services sector and went to prison. This is interesting in context, as an analyst pointed out unusual fluctuations in unbilled revenues and difficulty with cash collections as indicators of Satyam’s fraud. Ironically, we observe similar issues in TASK’s financials
- TASK’s Principal Accounting Officer does not hold a CPA designation. Even more concerning, a background check reveals a pattern of aggressive behavior. Notably, he was charged with both disorderly conduct and driving under the influence in a span of two days while in college



Spruce Point Estimates 25% - 50% (\$18 - \$27/sh) Downside Risk To TaskUs (TASK) Share Price

We Believe
TASK
Obscures
Market Data
That Shows It's
Not An
Industry
Leader

- TASK's prospectus cites the Everest Group report, "*Customer Experience Management (CXM) Annual Report 2019: Delivering Next-generation Contact Center Services*" from Sept 2019. TASK registered with the SEC in Nov 2020 and IPO'ed in June 2021. TASK shows that from 2016-21E the Content Security market will grow 40-50%. It pairs this with data from JC Market Research to say the market is \$5.8 billion in 2021. However, Majorel, a key competitor which TASK fails to disclose, cites Everest Group data from May 2021 claiming the Content Security market is \$4-\$5 billion and projected to grow 30-40% from 2020-23. It appears TASK cherry-picked data to avoid showing that its market was both smaller and projected to slow
- Other reports from Everest Group list TASK as a "Major Contender" while TASK claims "Leadership" in the Content Security category. Even worse, for the past two years 2020-21, Everest Group does not include TASK in its Customer Experience Management (CXM) PEAK® Matrix Assessment Matrix Assessment chart

We Believe
TASK Doesn't
Disclose Key
Metrics That
Would Reveal
Severe
Business
Challenges

- **Spruce Point Consistently Warns To Avoid Investing In Companies That Are Opaque And Don't Provide Enough Information To Thoroughly Evaluate The Business. With Respect To TASK, We Observe The Following:**
 - **Annual Contract Value (ACV):** Conspicuously ceased disclosing ACV as a key business metric during its SEC registration process. It provided ACV disclosures for new and existing clients. When questioned by the SEC, TASK commented that it didn't want investors to put undue reliance and certainty on an estimated metric that could be misinterpreted
 - **Warning:** When we asked a former TASK Business Development professional for an opinion: "*Would you buy a company that wasn't transparent about their projected revenue? It's obviously a negative number or they'd be having a parade around it.*" Another former employee commented that at one point ACV was used as a basis for sales bonuses
 - **Interest Income:** TASK is practically the only company amongst its peers not reporting interest income. This makes auditing and verifying its cash balances a challenge
 - **Revenue Per Employee:** As a body-shop BPO, we believe a key measure of performance should be its unit labor economics. TDCX, its closest public peer discloses revenue per employee metric, and we find that it has been consistently growing. On the other hand, we find that TASK's revenue per employee has been flat to down since 2018. This suggest that despite TASK's efforts to grow its offerings with clients, they are not placing any additional value per unit of labor
 - **Cost Per Employee:** A key measure of unit labor economics should be the spread between its revenue and cost per employee. We find evidence that TASK's Cost of Service per employee has consistently been rising since 2018. Recent disclosures in 2021 point to a significant increase in cost per unit labor addition. TASK has been adding headcount in India and the Philippines where wage inflation is increasing reportedly rising mid to high single digits, and in some cases much more
 - **Recruitment expense:** TASK promotes its exceptional ability to attract employees through internal referrals from current employees. Yet, we find evidence its internal referral rate has declined materially from a 61%, 48%, to 38% from 2018-2020, respectively. TDCX, its closest peer, reports recruitment expense, but TASK does not
 - **Contract Mix:** TASK bills customers under 5 different arrangements (e.g. fixed-price, time-and-materials, cost-plus, unit-price, outcome oriented) but doesn't quantify the % breakdown by each method. We believe it his significant exposure to fixed-price contracts, which carry the highest risk when costs such as labor and recruitment are rising



Spruce Point Estimates 25% - 50% (\$18 - \$27/sh) Downside Risk To TaskUs (TASK) Share Price

TASK Has Modified Or Presents Key Information In A Non-Standard Fashion Relative To Industry Norms

- **Win Rate**: TASK materially modified its definition of Win Rate during the SEC registration process. What should be a simple definition, became a longer, more qualified definition
- **Employees and Turnover**: TASK doesn't not cleanly disclose how many employees joined or left during a given period. Instead, it reports "net" employee additions. This makes it impossible to evaluate employee churn. TASK cites a turnover metric of 15%, but qualifies it for employees that have been with the Company over 180 days. TASK made one disclosure that it added 12,000 employees in 2019, but struck out the reference in later versions of its draft registration. Using this data point, we estimate its actual churn is closer to 46%, which is significantly higher than the industry norm of ~30%
- **Clients and Revenue Per Client**: TASK is vague about how many clients it has. Historically, it claimed over 200 clients, but now says over 100 clients. It recently provided new client wins, but without an accurate base to start from (and disclosure of client losses), it's difficult to analyze the quality growth of the client base
- **Capital Leases**: Unlike most companies, TASK has yet to adopt ASU 2016-02 (Topic 842) for lease accounting. As a result we believe its balance sheet debt is understated by approximately \$32 million due to the presence of significant operating leases

Aggressive, If Not Outright Incorrect Financial Assumptions And Presentation Methods

In The Context of TASK's Chief Accounting Officer Not Having a CPA, And A DWI + Disorderly Conduct Record, We Question The Errors And Aggressive, If Not Outright Incorrect, Financial Assumptions And Presentation Methods

- **Restatement During IPO Registration**: TASK determined that it had improperly classified the cash outflows related to purchases of property and equipment for the years ended December 31, 2020 and 2019. In addition, the Company adjusted the presentation of unrealized foreign exchange gains and losses on forward contracts on the statement of cash flows for the years ended December 31, 2020 and 2019, which had an impact on changes in other receivables, prepaid expenses, and other current assets but no impact to net cash flows provided by operating activities
- **Amortization Assumption**: TASK has founded in 2008, operating for approximately 13 years (though under its current model serving enterprises and not individuals ~11 years), but is making assumptions that its customer relationships (and trade name) have a 15 year life. How is this possible and on what basis can it make this assumption? It appears that TASK has lost clients, once reporting "more than 200 clients" now stating "over 100 clients". In addition, it admits its recurring revenue contracts are typically only one to two years. By assuming 15 years, TASK is reporting \$18.8m of annual amortization expense. However, if we assume that actual customer relationship period is closer to 5-7 years, it should be expensing \$37 - \$51m of amortization per year.
- **COVID-19 Adjusted Results**: TASK is trying to sell investors on COVID-19 related expenses as adjustments to EBITDA and EPS. This might be perfectly acceptable if it were common practice among its public company peers. However, we believe TASK is the only company among its peers to do so. As a result, we adjust TASK's EBITDA lower by ~\$8m



Spruce Point Estimates 25% - 50% (\$18 - \$27/sh) Downside Risk To TaskUs (TASK) Share Price

Evidence
That TaskUs
Is
Obfuscating
Problems
With
Facebook
and Content
Security, Its
Largest
Customer
And 2nd
Largest
Business

Content Security Is A \$170M+ Business That Involves Moderating Controversial Content. Our Forensic Evidence Indicates Management Has Not Been Transparent About The Declining Economics Of The Business

- **Content Security Revenue Per Employee Is In Steep Decline:** This business is dominated by key clients such as Facebook, YouTube and TikTok. For multiple quarters, revenue per employee has been declining mid to high single digits while management has said nothing to indicate challenges in the business. It appears that key clients like Facebook are requiring more labor to fill tasks, which is not translating into additional revenue. Moreover, the CFO said its cost of service is independent of its service offering. How can this be true in light of these results? The CEO has said he wants to become the biggest player in the space, which seems irrational as the unit economics are worsening
- **Fixed-Cost Contracts:** When questioned by the SEC about disclosing Facebook's contracts, TASK pushed back saying it's not substantially dependent on Facebook and that the risks are substantially the same as other client contracts. We believe the Facebook business is under fixed-price contract, which means TASK is likely absorbing added costs to keep its client happy, while consolidated EBITDA margins are now being pressured. TASK is saying nothing about Facebook
- **Facebook Revenue Is Materially Diverging From Accounts Receivables:** Facebook revenues are +34% in the first 9 months of 2021 over the comparable 2020 period. However, Facebook receivables are up 112% YTD. We believe the CFO should have expounded on this amongst his commentary and with disclosure in the MD&A.

Chilling
Parallels To
The Satyam
Fraud
Related To
Unbilled
Receivables
and Cash
Collection
Challenges

Although TASK's CFO Didn't Work Directly At Satyam Where The Fraud Occurred, He Worked At A Satyam-Controlled Entity Under Its CFO In An Accounting Role

- While analyzing the Satyam fraud case, a financial commentator at the NY Times pointed out oddities in Satyam's fluctuations of unbilled revenue, and warnings about an increase in the collection period for credit sales
- **Unbilled Receivables At TASK:** Spruce Point observes that TASK's unbilled receivables to LTM revenues had been rising steadily for 18 months. This trend suggests that TASK may have been booking revenue ahead of receiving collections. In Q3'21 unbilled receivables finally fell for the first time since data was provided. In Q1'21 the percentage of unbilled receivables to total receivables spiked to 63.8%, only to fall precipitously over the following two quarters
- **CFO Calls Out DSOs and Cash Collection But Did Not Call Out Facebook As The Culprit:** On the Q3'21 conference call, the CFO made his first comment about receivables and referenced the implementation of a new system as new clients are onboarded to drive down DSOs. However, are new clients really to blame? A close look shows that of the total \$29.7m increase in receivables for the quarter, \$23.1m (78%) came from Facebook. Why didn't the CFO draw attention to this and explain the issue?
- **Revolving Borrowing Capacity Increased:** TASK increased its borrowing capacity by \$50 million in April 2021 ahead of the IPO. We believe this is an unusual move for a Company promoting robust growth and opportunities ahead

Spruce Point Estimates 25% - 50% (\$18 - \$27/sh) Downside Risk To TaskUs (TASK) Share Price

Multiple
Signs of
Problems
Brewing

EBITDA
Margins
Falling,
Guidance Is
Widening
Showing
More
Uncertainty

Overvalued
Relative To
Peers And
Portfolio of
Acquisitions

There are signs that the recent expansion in TASK's financial performance and share price may be moderating:

- Prior to its IPO, TASK paid a \$50 million dividend to its owners, including Blackstone. The timing is fortuitous in light of signs of increasing financial strain. In addition, TASK increased its revolving credit facility by \$50 million from \$40 to \$90 million in April 2021. If business were set to accelerate, why would TASK increase the safety net revolver?
- TASK is now talking about acquisitions (inorganic growth) as a strategy. There is no evidence that TASK has completed any acquisitions up to this point. This introduces an entire new level of business risk
- Content Security, a core offering largely tied to Facebook, is showing revenue growth slowing YoY while 2021 quarterly growth has been lumpy. This business is under greater scrutiny given the health effects of workers having to make difficult decisions moderating offensive content. Digital Experience, TASK's largest business by revenue, also showed a large sequential QoQ drop in growth in Q3'21
- EBITDA margin is headed in the wrong direction. Wage pressure is one likely culprit, however, there are other signs of problems brewing such as the need to invest in digital innovation. In Q3'21, TASK expanded its discussion to include "sales and development of service offerings." This matches what we learned from a former business development employee who said TASK is falling behind and at risk of losing clients. Despite all of this, TASK does not mention the impact of pressures with Facebook
 - Q2 EBTIDA Margin: 24.5%
 - Q3 EBITDA Margin: 23.9% (Note: guidance range was 40bps)
 - Q4E EBITDA margin 22.0% - 23.3% (Note: guidance range widens to 130bps)
- Ms. Kelly Tuminelli, EVP and CFO of Trinet, an HR solution company was just appointed to the Board. Given our belief that TASK has significantly higher churn than it reports, and is losing professionals to higher paying competitors, her addition makes perfect sense in our view. TASK recently lost its VP of Finance (SEA) based in the Philippines.
- Analysts are resoundingly bullish with 100% saying "Buy or "Overweight." No analysts raise skepticism about management's history of embellishment or the strains we've observed with Facebook
- TASK is trading on the expectation of 27% sales growth in 2022 and 25% long-term EBITDA margins and on the belief management is high quality and levered to blue chip, high growth digital economy companies.
- TASK trades at a premium to industry peers at 4.4x and 20x 2022E sales and EBITDA. We believe a discount to its valuation should reflect our concerns around management, extremely poor and lacking disclosures, along with primary evidence that its key Facebook business is experiencing challenges
- If TASK traded closer to peer multiples at 2.5x – 3.4x and 13x – 14x 2022E sales and EBITDA, its share price would be 25% – 50% lower (\$17.80 – \$26.70 per share)

Spruce Point
Likes
Concentrix

Spruce Point
Likes
Majorel
Group

Spruce Point favors shorting highly promotional and problematic companies under financial strain, while going long undervalued and underfollowed stories in the sector as a hedge:

- **Concentrix (CNXC)**: A recent spinoff in 2020 from SYNEX (SNX) to unlock value and give investors a pure-play on a accelerated growth story in the digital customer experience space
 - Spinoff allows and incentivizes management to direct capital to higher growth areas
 - Proven acquiror and recently added PK (a Carlyle Group PE-backed firm) to expand digital offerings, adds 5,000 professionals. Increasing its vertical exposure to high growth technology and digital industries
 - Substantially less customer concentration than TASK
 - Has been raising and outperforming its financial guidance
 - Increasing returns to investors with a new dividend initiation and \$500m stock repurchase authorization. On Sept 28th management said it thought its stock was undervalued at \$172/sh. The price is unchanged since....
 - Revenue growth rate half of TASK's but trading at a steep and unwarranted discount
 - Underfollowed with only 3 small boutique firms covering it suggests that "consensus" numbers don't really exist
 - 20% - 60% upside potential and would still trade at a discount to peers
- **Majorel Group (MAJ NA)**: A recent European IPO on the Euronext Amsterdam exchange levered to Content Security and customer experience outsourcing market
 - Blue-chip investors Bertelsmann and Saham Group each own 39.5% of the stock
 - Ability to buy-in below the recent €33 per share offer price in September 2021
 - Fast growing Content Security business which appears to be taking share from TASK. Percentage of customer targeting high growth digital economy approaching 50%
 - Significantly less customer concentration (top customer 8% of revenues)
 - No balance sheet leverage with ability to do acquisitions
 - Intends to pay a dividend of 30%-50% of group profit for the prior year
 - Revenue growth in the mid teens, positive free cash flow
 - Covered by JP Morgan and Goldman Sachs, but by different analysts than TASK
 - Cheapest stock in the space at just 1.4x sales and 8.6x 2022E Sales and EBITDA with 35% - 70% upside potential



Background Checks On The Co-Founder And Key Financial And Accounting Professionals Show Multiple Causes For Concern

CEO / Co-Founder Bryce Maddock Has Made Multiple Conflicting Claims About His Education

There are at least four conflicting claims by CEO / Co-Founder Maddock about what he majored in at NYU. In the past, he has claimed to be a double major in both Business and International Relations. Currently, his biography shows he either majored in International Business or International Relations but not both. Yet another historical representation claims he studied International Politics, overcame dyslexia, and graduated in three years.⁽¹⁾

CEO Maddock Claims A Double Major in Business and International Relations

 Bryce Maddock

Bryce Maddock,
CEO

The co-founder and CEO of TaskUs, Bryce comes from the New York City finance world. After graduating as a double major in Business and International Relations from New York University, Bryce went to work as an investment banker at Rodman & Renshaw. Disgruntled with the inefficiencies and jadedness of the banking world, Bryce yearned to join a community of passionate and out of the box thinkers. After moving back to the vibrant startup scene and home in Santa Monica, he teamed up with Jaspar to give running their own company a shot, launching TaskUs in 2008. Bryce is an avid yogi and loves to hike.

Source: TaskUs website September 2011 via [WaybackMachine](#)

SEC Filings: CEO Maddock Claims A “B.A. in International Business”

Bryce Maddock. Mr. Maddock co-founded TaskUs with Jaspar Weir in 2008. He has served as our Chief Executive Officer since 2008 and as a member of our board of directors since October 2018. In his role as Chief Executive Officer, Mr. Maddock leads our global operations. Mr. Maddock received a Bachelor of Arts degree in International Business from New York University.

Source: TaskUs S-1 [IPO Filing](#)

Other Biographies Claim “B.A. in International Relations”

Bryce Maddock

Chief Executive Officer & Co-Founder

Bryce co-founded TaskUs in 2008. He has served as our Chief Executive Officer since 2008 and as a member of our board of directors since October 2018.

Prior to co-founding TaskUs, Bryce was a Partner at Smarter Social Media, an Analyst with Rodman & Renshaw and the co-founder of MW Entertainment.

Bryce earned a Bachelor of Arts in International Relations from New York University.

Source: TaskUs [IR website](#) Note: In [other versions](#), his biography says “International Politics” not “International Relations”

(1) Note: “TaskUs co-founder Bryce Maddock provides helping hands for tech start-ups; [LA Times](#), Jan 2017



CEO Maddock Admits To Embellishing And Exaggerating Claims, Being Called Cocky/Arrogant



CEO Maddock has a personal website at BryceMaddock.com. However, much of the historical content is no longer available on the website. By using the Wayback Machine we find that it was used as a blog to reflect on himself and his path toward building TaskUs. We find commentary where he admits to exaggerating and embellishing comments that insulted his Philippines workers. Furthermore, he has blogged about being called “cocky” and “arrogant”. We believe these observations are useful context as we evaluate TASK’s business claims and financial presentation.

CEO Maddock Apologizes For Insulting His Philippine Co-Workers While Admitting To Embellish and Exaggerate

MONDAY, FEBRUARY 15, 2010

An Apology

A few weeks ago I wrote a post entitled Reflections on the Philippines. In the post I share my insights on my recent trip to the country. Having spoken with the members of my team in Manila I realize that the post went to far. Not only were elements of the post exaggerated and embellished, much of it was down right insulting. Working with the people of the Philippines over the past year has been an incredible experience. I have written frequently about the [passion](#) and [dedication](#) of the people I have worked with there. As a result I plan to aggressively expand my operations and investment in the country in the coming months. But before I do I need to offer this apology for anyone who my post insulted.

Bryce

POSTED BY BRYCE W MADDOCK AT 12:53 AM



Source: BryceMaddock.com “An Apology” via [Wayback Machine](#)

Note: Original post with the insulting commentary has been deleted

CEO Maddock Admits To Being Characterized As Cocky And Arrogant

On my way home I sat in the back of a taxi talking to Brad and his new girlfriend. I've know the girlfriend for less than a month. Which is enough time to start pursuing one of her friends. As usual, I'm open about my attractions with everybody. In explaining her friend's feelings the girlfriend used one word to describe me, "cocky."

This left me surprised. It's not that I've never heard this before. Over the years I've been called pretty much everyone of the thesaurus' alternatives for arrogant. But recently I've felt anything but. In social situations I perceive myself to be quiet, reserved and shy.

Source: BryceMaddock.com “Cocky” via [Wayback Machine](#)

Revenue History On A Shaky Foundation

TASK claimed it booked \$15 million of revenue in 2014. Another version claims that at a revenue run-rate of \$35m million in June 2015, that it doubled revenue (implying \$17.5m). **One former executive told us revenue in 2014 was just \$8.0 million.** Looking carefully, we see that TASK omits historical revenue pre-2015 from its launch history chart filed in the IPO Prospectus.⁽¹⁾

"I'm proud to announce that TaskUs is profitable and on a \$35 million revenue run rate. We've doubled revenue and headcount in the past five months, and we plan to triple our current revenue and headcount by the end of 2016."

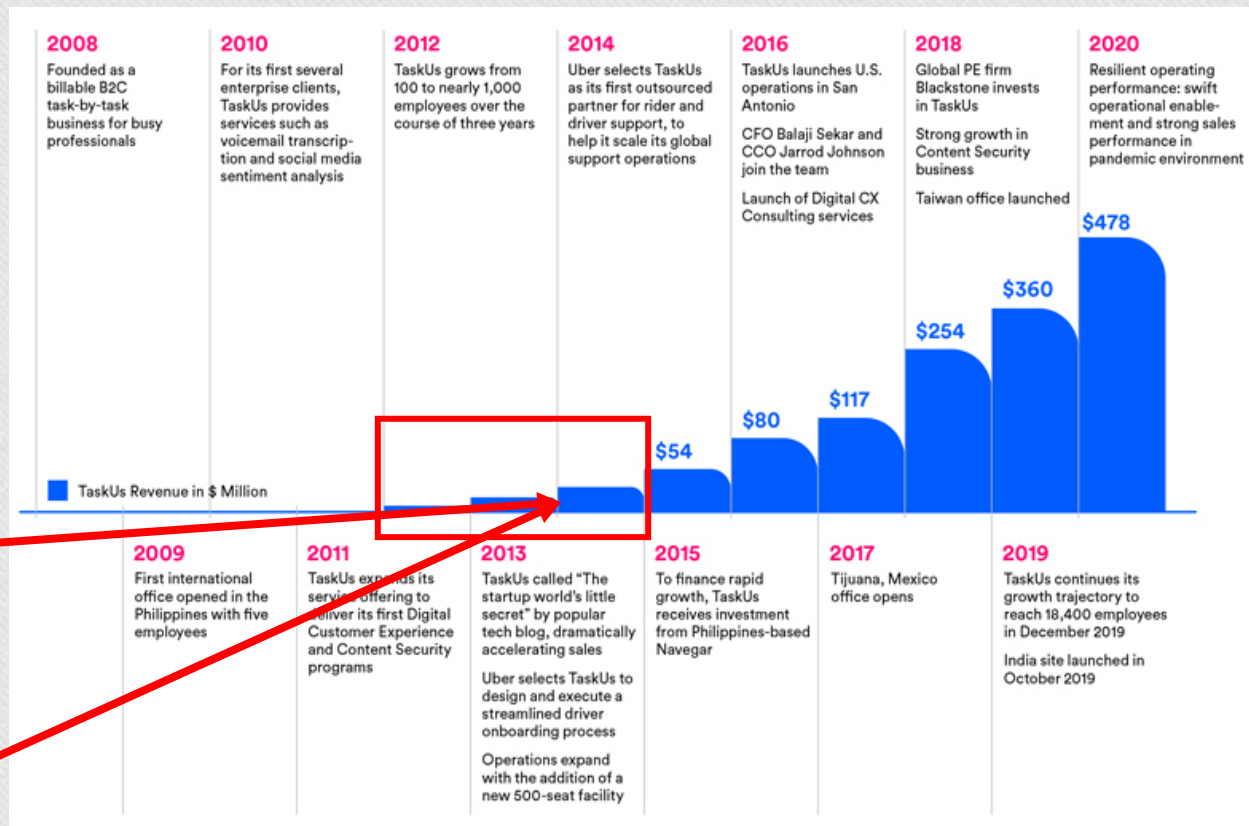
Source: [PR, June 2015](#)

"They've got 1,500 employees between Santa Monica and The Philippines, and closed out 2014 by doing \$15 million in top-line revenue, increasing from the \$6 million they did in 2013."

Source: [Leveling Up Interview](#)

"Revenue was \$8 million in 2014"

Source: Spruce Point Interview of Former Executive



1) [IPO Prospectus](#), p. 89

History of Failed Expectations Under Current Leadership



With the context of knowing the CEO's predisposition to embellish and exaggerate, and before getting too excited about the TASK story, we suggest evaluating the Company's ability to hit its stated goals. We see that after 2015, when it received its first private equity injection of \$15 million from Navegar, TASK significantly missed its revenue objective in 2016, and again by a smaller margin in 2017. In 2018, TASK would receive a much larger capital injection from Blackstone.

History of Overpromising And Underdelivering From TASK Founders

\$ in mm	2015	2016	2017
Expected Revenue	\$50.0	\$105.0	\$120.0
Reported Revenue	\$54.0	\$80.0	\$117.3
Plan Shortfall / Improvement	+8.0%	-23.8%	-2.3%
Source (Reported)	Prospectus	LA Times	LA Business Journal
Source (Expected)	LA Times	VC Investor Plans To 3x Current \$35m Revenue By 2016	LA Times

Half of The Management Team Is Gone Post Investment By Blackstone

Blackstone's investment in TASK came with significant enthusiasm and compliments for the Company and its executive team. **The press release claimed TASK was valued at over \$500 million (pre funding), but the prospectus showed a final valuation of \$429 million.^(1,2) What exactly changed?** By the time of its IPO, 50% of TASK's executives were no longer with the Company. Blackstone also touted TASK's "AI, advanced Learning Management Systems ("LMS") and big data" for helping companies scale. Ironically, TASK's IPO prospectus doesn't mention anything about big data – what happened? **Blackstone has already extracted multiples of what it reported investing in TASK through dividends and share sales.**

Blackstone Promotion

"Private Equity funds managed by Blackstone (NYSE: BX) have entered into a definitive agreement to invest in TaskUs, a leading customer service and business process outsourcing services provider for high-growth technology companies. **The investment, before funding, values TaskUs at more than \$500 million.**

TaskUs will continue to be led by Mr. Maddock, Mr. Weir, and the existing management team, who have been instrumental in driving the company's growth...We are excited to partner with Bryce, Jaspar and the existing management team to build the world's leading company in this area.

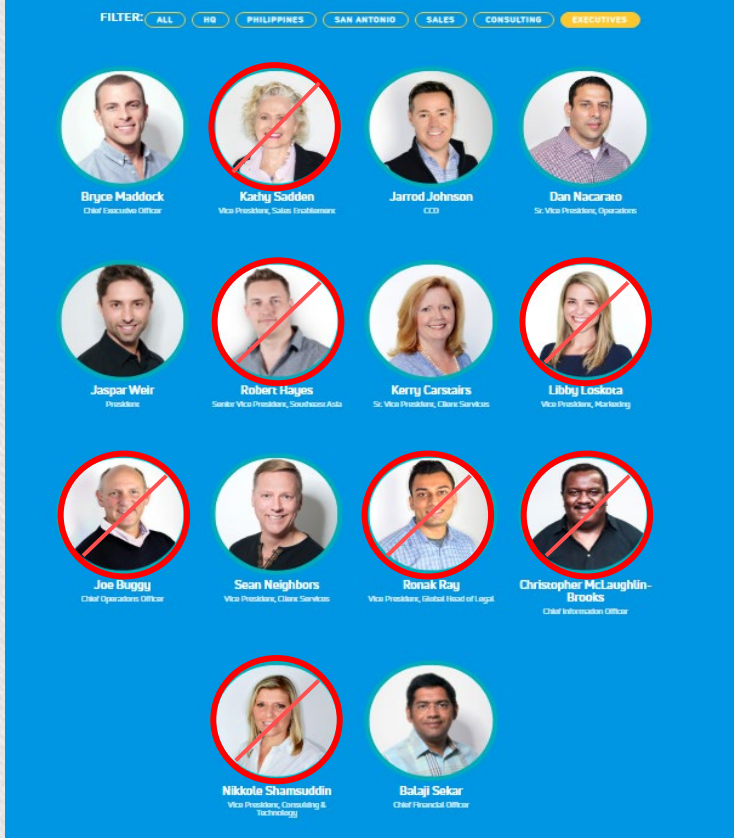
Their business process solutions, which leverage the latest technology, including AI, advanced Learning Management Systems and big data, help companies quickly scale."

Blackstone Has Been Pulling Money Out Since Investment

\$ in mm	Date	Full Amt	Dividend Based on 67% Ownership
Cash Investment	Oct 2018	--	~\$250.0
Dividend	Oct 2019	(\$135)	(\$90.5)
Dividend	April 2021	(\$50)	(\$33.5)
IPO Sales	June 2021		(\$140.0)
Secondary	Oct 2021		(\$574.0)
Net Investment		--	(\$837.0)

Reality: 50% Executives Gone And No Big Data or Advanced LMS

FILTER: ALL HO PHILIPPINES SAN ANTONIO SALES CONSULTING **EXECUTIVES**



Executives who have left (10):

- Kathy Sordani (Vice President, Sales Enablement)
- Jarrod Johnson (CEO)
- Don Macaraso (Sr. Vice President, Operations)
- Robert Hayes (Senior Vice President, Southwestern Asia)
- Kerry Carscals (Sr. Vice President, Client Services)
- Lilley Locksaw (Vice President, Marketing)
- Joe Buggy (Chief Operations Officer)
- Sean Neighbors (Vice President, Client Services)
- Ronak Ray (Vice President, Global Head of Legal)
- Christopher McLaughlin-Brooks (Chief Information Officer)

Executives who remain (4):

- Bryce Maddock (Chief Executive Officer)
- Jaspar Weir (President)
- Nikkole Shamsuddin (Vice President, Consulting & Technology)
- Balaji Sekar (Chief Financial Officer)

Source: [Wayback Machine](#), Sept 2018:

1) "Blackstone Signs Agreement to Invest in TaskUs," [PR](#), Aug 9, 2018
2) [IPO Prospectus, F-17](#)

TASK CFO Worked Under Satyam Infoway's (SIFY) Chief Financial Officer

TASK investors should be aware that CFO Belaji Sekar does not put on his biography that he was formerly at SIFY Technologies (Nasdaq: SIFY) as a manager in the accounting department from 2002 – 2003 where he supported SEC reporting for the office of the CFO. SIFY was founded in 1995 by Satyam Computer Services ("Satyam") founder B. Ramalinga Raju. SIFY was originally named Satyam Infoway Group and Satyam owned 59% of SIFY. Mr Raju perpetuated a massive fraud at Satyam, an outsourced Indian IT firm. Mr. Raju was sentenced to prison in what became known as the Enron of India.^(1,2) SIFY has continued on as a public company, but often has been placed under suspicion given its ties to Satyam but no wrongdoing has been found by anyone at Sify.⁽³⁾

SIFY Management Team

The following table sets forth, as of June 30, 1999, the name, age and position of each director and executive officer of our company.

<TABLE>		
<CAPTION>		
Name	Age	Position

<C>		
<C> <S>		
R. Ramaraj(1)(2)	49	Chief Executive Officer and Director
A. Srinivasagopalan	44	Senior Vice President
George A. Ajit	40	Vice President, Human Resources
		Vice President, Electronic Commerce
Lalit Bhojwani	43	Business
Padma Chandrasekaran	38	Vice President, On-line Services
V.V. Kannan	40	Vice President, Internet Sales
Pradeep Lakshmanan	50	Vice President, Internet Sales
N. Shekhar	44	Vice President, Web Services
Rahul Swarup	40	Vice President, Technology
T.R. Santhanakrishnan	42	Chief Financial Officer
T. Suresh Kumar	45	General Manager, Network Control Group
K. Thiagarajan	33	General Manager, Finance
B. Ramalinga Raju(1)(2)	43	Chairman of the Board of Directors
Pranab Barua	46	Director
T.H. Chowdary	67	Director
Donald Peck(2)	47	Director
C. Srinivasa Raju	38	Director
S. Srinivasan(1)	65	Director
</TABLE>		

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

SIFY Founder / Chairman Charged With Fraud

SEC Charges Satyam Computer Services With Financial Fraud

FOR IMMEDIATE RELEASE 2011-81

According to the SEC's complaint, Satyam's former senior managers engineered a scheme that created more than 6,000 phony invoices to be used in Satyam's general ledger and financial statements. Satyam employees created bogus bank statements to reflect payment of the sham invoices. This resulted in more than \$1 billion in fictitious cash and cash-related balances, representing half the company's total assets.

The SEC alleges that when the fraud was finally revealed, Satyam's then-Chairman, B. Ramalinga Raju, declared that maintaining Satyam's inflated revenues and profits "was like riding a tiger, not knowing how to get off without being eaten."

Source: [SEC Charges Satyam with Financial Fraud](#), April 2011

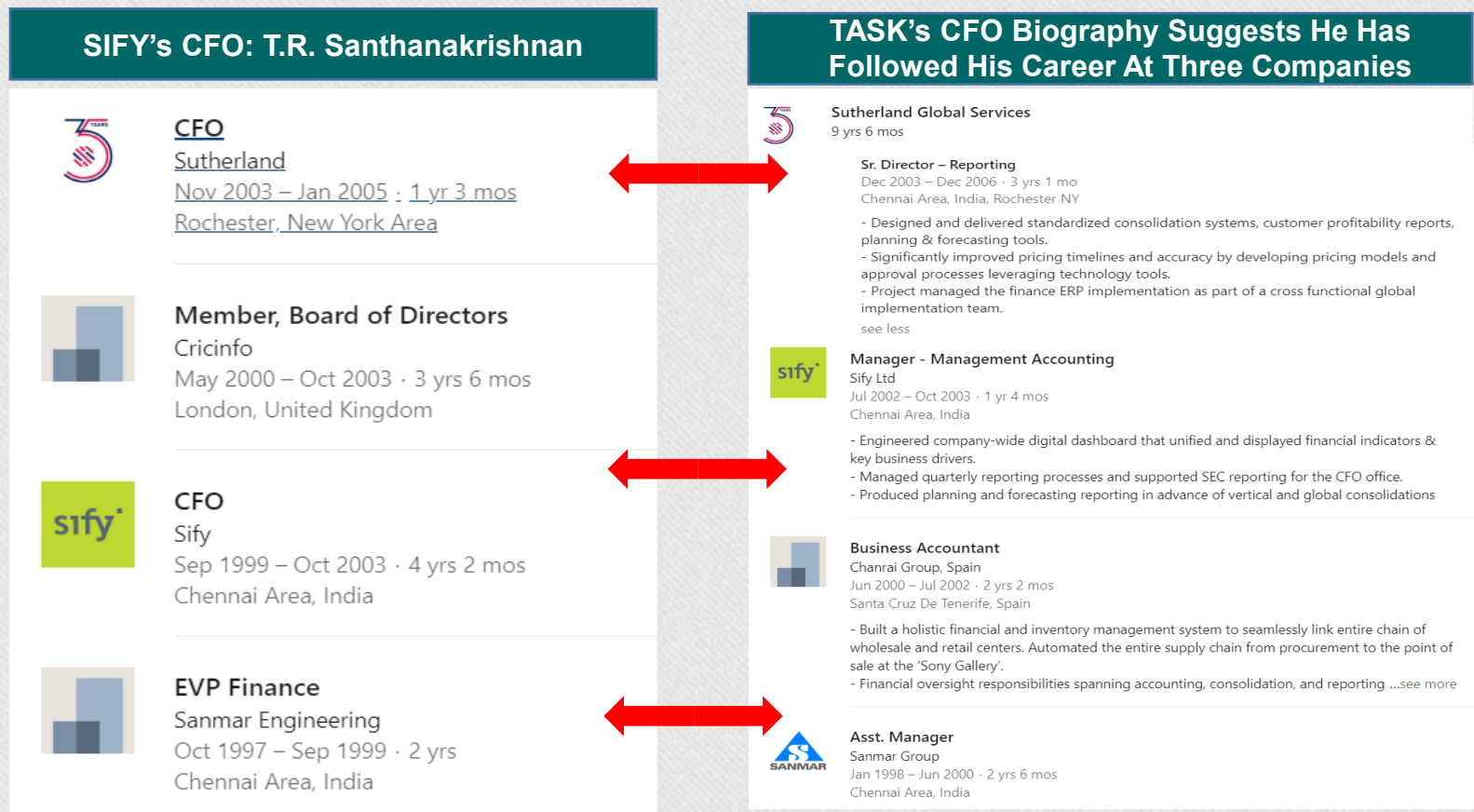
TASK's CFO worked at three different companies with SIFY's CFO
T.R. Santhankrishnan

Source: [Sify F-1](#), 1999

- 1) "India's Enron," [Forbes](#), Jan 27, 2009
- 2) "Satyam Founder Raju sentenced to seven years in jail in fraud case," [Reuters](#), April 2015
- 3) "Raju's fall raises fresh questions about Sify deal," [Economic Times India](#), Jan 2009

TASK CFO Working Under SIFY's CFO

It's worth noting that TASK's CFO has worked at three overlapping companies with SIFY's former CFO. Upon leaving SIFY he agreed to a rather lengthy 2+ year service transition period through 2006.⁽¹⁾ He joined Sutherland Group as CFO in 2003. Mr. Sekar followed and joined Sutherland in reporting role. He would later rise to CFO of Sutherland Healthcare Solutions.



Source: [LinkedIn Bio](#)

Source: [LinkedIn Bio](#), modified to show overlap

1) SIFY CFO, TR Santhanakrishnan to pursue new opportunities, [Press Release](#), Oct 2003

Parallels Between Financial Anomalies At Satyam And TASK

Although TASK's CFO didn't work directly at Satyam where the fraud occurred, he worked at a Satyam-controlled entity under its CFO. A financial commentator at the NY Times pointed out oddities in Satyam's fluctuations of unbilled revenue, and warnings about an increase in the collection period for credit sales. Ironically, Spruce Point observes similar unbilled receivable anomalies and warnings about cash collections at TASK.

Financial Clues At The Satyam Fraud Case

"There are other oddities in Satyam's books, like fluctuations in the amount of unbilled revenue the company recorded. Unbilled revenue is work done for a customer but not yet invoiced. Analysts who follow outsourcing companies like to see unbilled revenue because it represents future earnings. But there is little documentation associated with the number, so unbilled revenue is easy to fudge."



Anomalies Observed In TASK's Unbilled Receivables

\$ in mm	2019	2020	Q1 2021	Q2 2021	Q3 2021
Unbilled Receivables	\$32.1	\$47.4	\$58.6	\$71.7	\$67.6
Total Receivables	\$58.0	\$87.8	\$91.8	\$127.9	\$157.6
Unbilled %	55.4%	54.0%	63.8%	56.1%	42.9%
LTM Sales	\$360.0	\$478.0	\$528.5	\$594.1	\$672.7
Unbilled Receivables % LTM Sales	8.9%	9.9%	11.1%	12.1%	10.0%


Source: TASK financials and Spruce Point Analysis

"A footnote in Satyam's 2007 and 2008 financial statements might have raised eyebrows too. It warned of an unquantified "increase in the collection period" for credit sales"



"In Q2, I briefly discuss the increase in account receivable as a result of our strong revenue growth. We saw the impact of strong revenue growth on receivables again in Q3 as AR increased by \$29.7 million from Q2 of 2021. We are implementing a new order to cash process as we onboard, new clients and expect to reduce our DSO in 2022."

TASK's Principal Accounting Officer



Steven Amaya is TaskUs' VP of Finance and Principal Accounting Officer. He is responsible for signing the Company's SEC filings. Records indicate that he does not hold a CPA designation. Despite his importance in representing the Company's financials and accounting, he is not listed amongst the management team. A background check reveals that he was charged with a Driving While Intoxicated ("DWI") offense while in college. In addition, two days prior to the charge, he was also charged with disorderly conduct.

Amaya's Biography No Longer Appears on the TaskUs website

Since joining TaskUs in August of 2015 Steven has leaned on his experience in operational finance and accounting to help improve processes and gain efficiencies in the finance department. As Assistant Controller, he manages the day-to-day accounting operation for our Santa Monica, California headquarters, as well as our financial reporting and analysis.

Previously, Steven worked as an accountant for an asset management firm and an equity trading company in New York before holding an Assistant Vice President (Finance) position at a commodities trading firm in Greenwich, Connecticut.

He holds a Bachelor of Arts degree in Accounting from Hartwick College in Oneonta, New York.

Steven enjoys spending most of his free time with friends, on the beach and crashing dance parties. He is a passionate soccer fan and enjoys finding new pick-up games around Los Angeles.

Amaya Charged With DWI and Disorderly Conduct In School

Oneonta city police charged Hartwick College men's soccer player Steven Amaya with driving while intoxicated Sunday morning, two days after the junior midfielder was ticketed for disorderly conduct.

Police said Amaya, 21, had a blood alcohol content of .15 percent _ almost twice the legal limit _ after he was pulled over for driving with his headlights off at 3:01 a.m. Sunday. Amaya also turned onto Maple Street without signaling, police said. He was released pending further action in Oneonta City Court.

The BAC limit to legally drive an automobile in New York is .08 percent. DWI is a misdemeanor.....

"He hasn't been convicted," she said of Amaya, a starter for Hartwick's Division I program since his MAC All-Star season as a freshman in 2007. "If he is found responsible, then he will be held accountable as far as our student code of conduct and appropriate action will be taken. If he's found responsible, we have sanctions and they will be imposed."

Amaya also was charged with disorderly conduct early Friday morning. Police said officers walking past Sal's Pizzeria observed three men throwing punches and shoving inside the Main Street business at about 1:30 a.m. Friday.

Police charged Amaya, teammate Simon Greatwich, 21, and SUNY Oneonta student Clinton Savoury, 21, with disorderly conduct. All three were released on appearance tickets after processing at the Oneonta Public Safety Building. No injuries were reported.



Reputable Third Party Data That Even TASK Cites Indicates It Is Not A Market Leader Or Material Player In Its Key End Markets

We Believe TASK Cherry-Picked Market Data To Embellish Its Position, And Avoid Disclosing A Slowdown In Growth In Its Content Security Business

TASK cites the Everest Group report from Sept 2019 for market data in Content Security, and says from 2016-21E the market will grow 40% -50%. It pairs this with data from JC Market Research to say the market is \$5.8 billion in 2021. However, Majorel, a key competitor which TASK fails to disclose, also cites Everest Group data from May 2021 in claiming the Content Security market is \$4-\$5 billion and projected to grow 30-40% from 2020-23. **Thus, it appears that TASK cherry-picked data to avoid showing that its key market was both smaller and projected to slow down going forward.** TASK didn't IPO until June 2021. Why didn't it cite the data available from May 2021?

Backward Looking: TASK Mixes Research Data In Showing Size And Growth of Content Security

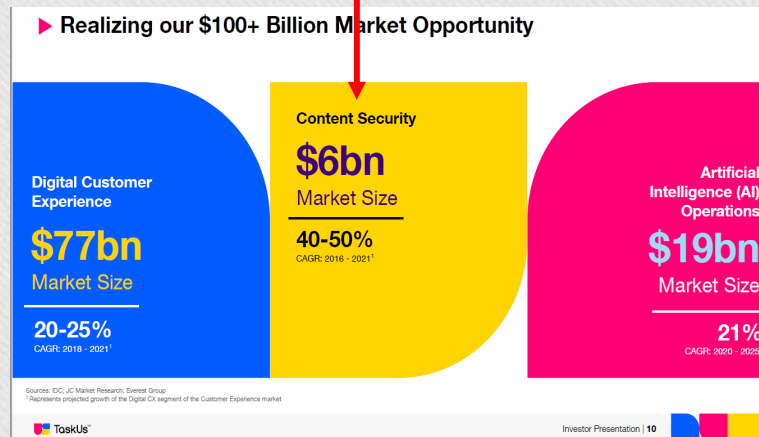
Content Security: According to Domo, every minute, Facebook users upload 147,000 photos, Instagram users post 347,222 stories and YouTube users upload 500 hours of video. JC Market Research estimates that the content moderation solutions market was \$5.8 billion in 2021. Further, Everest Group estimates that the market will grow at a CAGR of 40-50% from 2016 to 2021.

Source: [TASK IPO Prospectus](#) cites Everest Group report, "(CXM) Annual Report 2019", from Sept 2019

Forward Looking: The Same Source Everest Group Says The Market Is Smaller With Slower Projected Growth

In addition, **fast-growing content services, trust & safety, which aim to protect brand perception and CX on digital platforms, reached a market size of \$4 to \$5 billion in 2020 (source: Everest Group, May 2021).** Driven by the proliferation of user-generated content in digital platforms, increasing instances of account takeovers as well as fraud and growing government regulation, content services, trust & safety, are **expected to continue their strong growth trajectory with a CAGR between 30% and 40% from 2020 to 2023.**

Source: Majorel Group Prospectus, Everest Group, "CXM & moderation market sizing 2020 – 2022" from May 2021



Source: [TASK Investor Presentation](#)

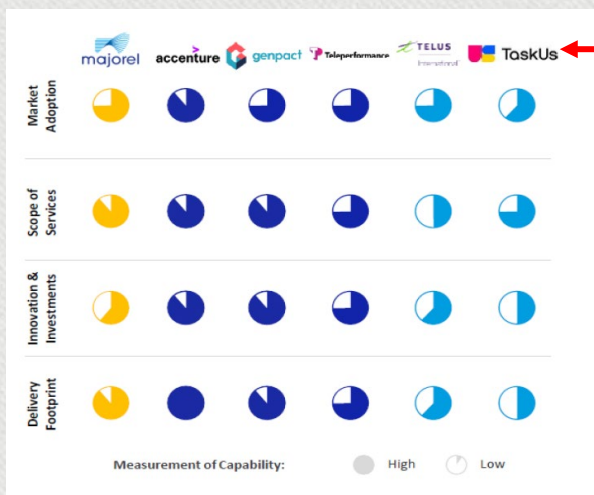
There's a clear disconnect between TASK's claims of market leadership in Content Security and what TASK's own market research firm Everest Group and a key peer thinks of it....

"Leadership In Content Security" According To TASK IPO Prospectus

Leadership in Content Security: The growth of social media platforms and the need to secure the user and advertiser generated content on these platforms has led to an explosion in demand for content moderation services. As of June 30, 2021, we had approximately 5,250 front line teammates performing work in Content Security dealing with misinformation, offensive content, and critical policy issues. To care for their health and wellbeing, we have developed the TaskUs Resiliency Studio, a clinician-led and evidence-based psychological health and safety program. We couple this with advanced policy management expertise and an agile product development team focused on tools and innovation. We believe our revenue CAGR of 157% in this service offering from 2017 to 2020 is evidence that our clients view this offering as critical and differentiated.

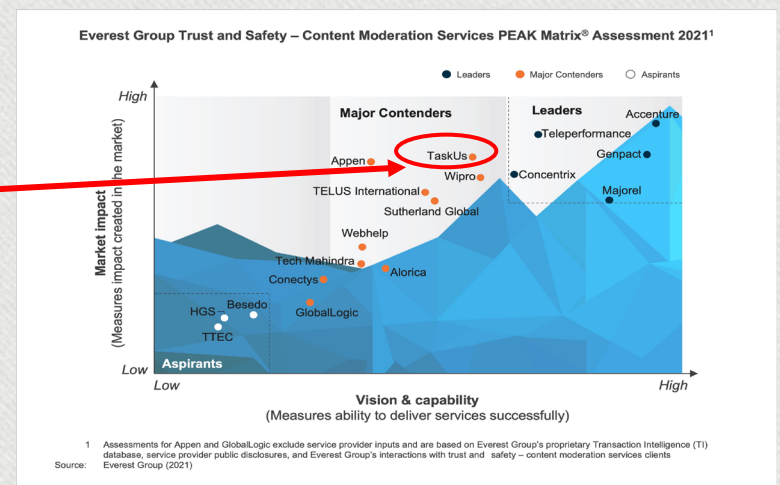
Source: [TASK IPO Prospectus](#)

TASK A Contender According To Industry Research And Peers



Last but not least

TASK omits this chart which shows it as a "Major Contender" **NOT** A "Leader" as it claims.

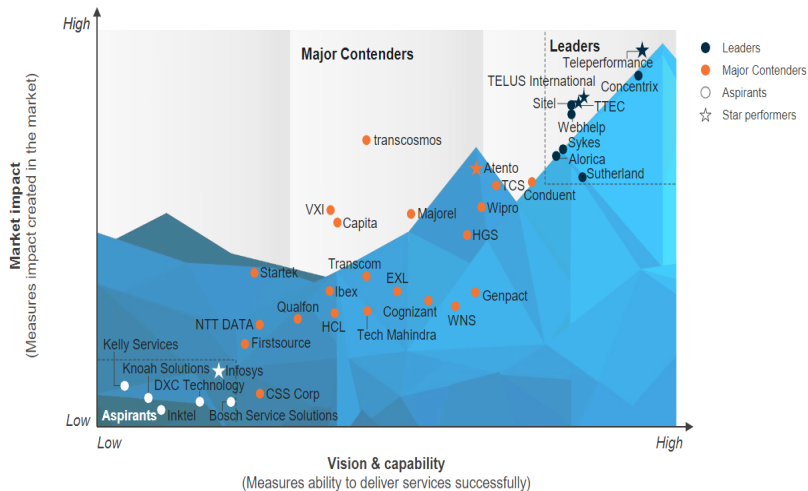


Source: [Everest Group](#), "Trust and Safety – Content Moderation Services PEAK Matrix® Assessment 2021", March 2021

Notice that TASK is not even listed in Everest Group's Customer Experience Management (CXM) PEAK® Matrix Assessment chart in 2020 or 2021....

2020: Where Is TASK?

Everest Group Customer Experience Management (CXM) Services PEAK Matrix® Assessment 2020

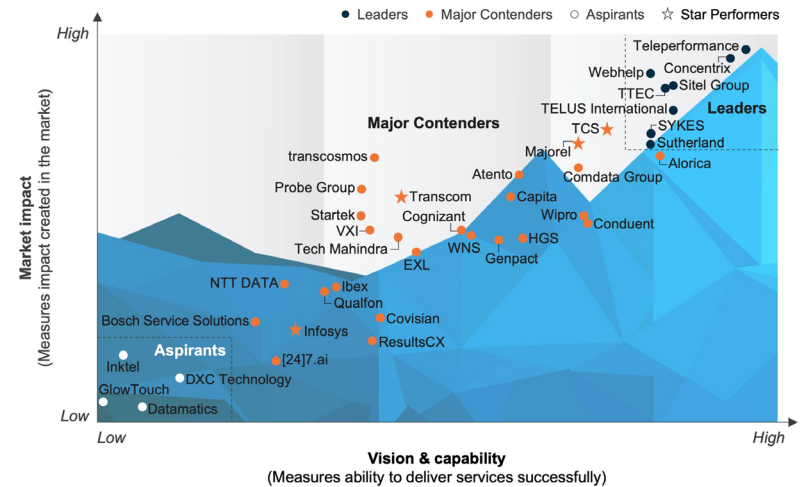


Note 1: PEAK Matrix® specific to CXM services

Note 2: Assessment for Capita, Majorel, and NTT DATA excludes service provider inputs on this study, and are based on Everest Group estimates, which leverage Everest Group's proprietary Transaction Intelligence (TI) database, service providers' ongoing coverage and public disclosures, and Everest Group's interactions with buyers. For these companies, Everest Group's data for assessment may be less complete. Source: [Everest Group \(2020\)](#), June 2020

2021: Where Is TASK?

Everest Group Customer Experience Management (CXM) Services PEAK Matrix® Assessment 2021¹



¹ Assessment for DXC Technology and NTT DATA excludes service provider inputs and are based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with buyers
Source: Everest Group (2021)

Source: [Everest Group \(2021\)](#), July 2021



Evidence TASK Is Obscuring Business Challenges And Not Providing Key Disclosures In Conformity With Peers



TASK Appears To Be Minimizing Growing Competition...

It appears that TASK is minimizing its growing competition. It fails to say that it competes with Concentrix, Majorel and Sitel according to a former employee and competitor filings. In fact, TASK even recruited its COO, Stephan J. Daoust, from Concentrix. He began employment Jan 2021. Concentrix is currently litigating against TASK claiming that Mr. Daoust violated terms of his employment contract by joining a competitor shortly after tendering his resignation.⁽¹⁾

What TASK Says About Competition

We primarily compete with:

- next generation digital outsourcers such as 24/7 Intouch, Appen and TDCX;
- technology service firms with outsourcing offerings such as Accenture, Genpact, Tata Consultancy Services (TCS) and Cognizant; and
- traditional call center providers such as Teleperformance, Telus International, TTEC, VXi and Sutherland.

Source: [TASK IPO Prospectus](#)

What Concentrix Says

Competition

We operate in a highly competitive and rapidly evolving global marketplace. Our major competitors include Accenture plc, Atento S.A., Cognizant Technology Solutions Corporation, Conduent Inc., ExlService Holdings, Inc., Genpact Limited, Globant S.A., Medallia, Inc., Qualtrics, LLC, Sitel Group, Sykes Enterprises Inc. **TaskUs Inc.** Teleperformance S.A., TELUS International, TTEC Holdings, Inc., Transcosmos Inc., Webhelp SAS, and WNS (Holdings) Limited.

Source: [Concentrix 10-K](#)

What A Former TASK Marketing Employee Says

*"Well just to point on Accenture. So, Accenture runs an excellent content moderation business and content moderation, so just keep that in mind. But the major players in the space. So Teleperformance, TTEC, **Concentrix**. **Majorel** is one that plays a lot in content moderation. Those are the companies that, I guess, everyone runs into, the **Sitel** and a few others. So, any Google list of BPOs will give you kind of the brands or the company that everyone is competing against."*

Source: Tegus Interview, July 27, 2021

Former TASK Executive Interviewed By Spruce Point

Spruce Point interviewed a former TASK executive who was with the Company through the company's pivotal growth years. A major concern was raised about TASK's ability to differentiate itself, and drive margin expansion.

Spruce
Point
Question

"What questions should we ask but didn't ask?"

Fmr
TASK
Executive

*"I think the important question to ask about TaskUs is what is the future value proposition for the company? We really differentiated ourselves in the space over the years because we had a younger leadership team who was more aggressive, more willing to try new things, and differentiate from a pretty stale space. So you know, when our competitors were public, you know, chasing EBITDA, cost containment, not taking care of our people, you know, we were much more open to working with tech companies, doing things differently, looking at cloud-based infrastructure, looking at data differently, building beautiful offices that matched our clients. I think those are all truly compelling differentiators. I guess the question to really ask is what's the continuing value proposition in the world that has significantly changed? COVID-19 has made offices less of a focus, right? COVID-19 has made the world more work from home friendly. Certainly tech clients are on the edge of that type of transition. **And so in a world where that's the case, what's the compelling reason to select TaskUs, and will they be able to continue to innovate with scale. Right?** Which is the doom I think of many companies. I would be pressing for those answers, because for me, if I was in a long-term and, or a short position trying to navigate, I guess it would come down to whether or not I believed, there was a strong value proposition, which is going to allow the company to continue to differentiate and therefore drive margin. **I think revenue is going to be pretty easy for them to drive, but I think margin is the one that I really question, if they don't have a significant differentiator.**"*

Cash Flow Growth Lagging Headline Growth



TASK's financial performance is not as robust as it appears on the surface. The company promotes its 57% top-line growth, 82% and 95% Adjusted EBITDA and Net Income growth, respectively. However, we point out that the COVID-19 adjustments are not industry standard, and should be removed. Furthermore, by adjusting LTM cash flows for one-time equity payments, we find that cash flow growth has lagged headline figures. Free cash flow growth was negative.

\$ in mm	9 Month Ended Sept 2020	9 Month Ended Sept 2021	Growth	Note
Reported Revenues	\$339.3	\$533.9	+57%	
Adjusted EBITDA	\$73.9	\$131.8		
Less: COVID-19 Impact	(\$5.1)	(\$6.1)		Non-standard adjustment
Spruce Point Adjusted EBITDA	\$68.9	\$125.7	+82%	
Adjusted Net Income	\$49.3	\$92.3		
Less: Covid-19 Impact	(\$5.1)	(\$6.1)		Non-standard adjustment
Spruce Point Adj. Net Income	\$44.3	\$86.2	+95%	
Cash From Operations	\$45.6	(\$63.4)		
Plus: One-Time Equity Payments	--	\$133.7		One-time phantom and teammate bonus
Less: Tax Adjustment on Payments	--	(\$10.0)		Estimated from TASK tables on pp 25-26 of 10Q
Spruce Point Adj. Cash Flow	\$45.6	\$60.3	+32%	
Less: Capex	(\$21.9)	(\$38.6)	+76%	
Spruce Point Adj. Free Cash Flow	\$23.7	\$21.7	-9%	

Revenue Per Employee Flat/Down For Years...

We believe investors should focus heavily on TASK's unit labor economics. **Our analysis suggests that revenue per employee has been down since 2018, and essentially flat thereafter.** Despite the Company's efforts to expand its solution offering to clients and become more valuable partners with them, the results suggest that clients are not placing any additional value per unit of labor on its services. **In contrast, TASK's closest peer TDCX (which also has a high Facebook revenue component) openly discloses revenue per agent as a key metric and it has consistently been growing.**

TASK Average Revenue Per Employee Down Since 2018 and Flat Since 2019

\$ in mm	2018	2019	2020	LTM Sept 2021
Revenue	\$254	\$360	\$478	\$672
Employees	13,800	18,400	23,600	35,600
Avg. Employees ⁽¹⁾	10,900	16,100	21,000	29,550
Revenue Per Avg. Employee	\$23,300	\$22,360	\$22,764	\$22,766
Growth	--	-4.0%	+1.8%	0.0%

Source: TASK financials and press releases, Spruce Point Analysis

1) Annual average except LTM period which is average of last 4 quarters

TDCX Average Revenue Per Employee Agent Is Increasing

\$ in mm	2018	2019	6M June 2020	2020	6M June 2021
Revenue Per Agent (disclosed in S\$)	\$48,969	\$53,545	\$54,020	\$53,869	\$55,004
S\$ FX Rate	1.3490	1.3640	1.3981	1.3221	1.3325
Revenue Per Agent (US\$)	\$36,300	\$39,256	\$38,638	\$40,745	\$41,279
Growth		+8.1%		+3.8%	+6.8%

Source: TDCX financials and Spruce Point Analysis

While Cost Per Employee Keeps Rising....

By analyzing TASK's Cost of Service per average employee, we find that it has been steadily rising. In fact, we expect TASK to face accelerated cost pressures due to wage increases in key markets where it is adding headcount at the fastest pace; notably the Philippines (68%) and India (13%). Local reports suggest +5.6% and +9.3% wage pressures in the Philippines and India labor markets, while the U.S. is expected to increase wages +3.9%.^(1,2,3)

TASK

**Average Cost
Per Employee
Keeps Rising**

\$ in mm	2018	2019	2020	LTM Sept 2021
Total Cost of Service	\$127.3	\$194.8	\$270.5	\$385.5
Employees	13,800	18,400	23,600	35,600
Avg. Employees ⁽¹⁾	10,900	16,100	21,000	29,550
Cost of Service Per Avg. Employee	\$11,675	\$12,099	\$12,881	\$12,977
Growth	--	+3.6%	+6.5%	+0.7%

Source: TASK financials and press releases, Spruce Point Analysis

1) Annual average except LTM period which is average of last 4 quarters

TASK Headcount By Region

**Adding
Aggressive
Headcount India
and Philippines**

\$ in mm	Sept 2020	Dec 2021	March 2021	June 2021
India	1,680 / 8%	2,000 / 8%	3,160 / 11%	4,200 / 13%
U.S.	2,720 / 13%	3,060 / 13%	4,020 / 15%	4,200 / 13%
Philippines	15,230 / 75.0%	17,640 / 75%	19,190 / 70%	21,500 / 68%
Other	670 / 3%	900 / 4%	1,130 / 6%	1,600 / 6%
Source	Source	Source	Source	Source

- 1) "Salary Hikes in the Philippines Might Reach 5.6 Percent Next Year," [Esquire Philippines](#), Oct 2021
- 2) "India to see higher salaries at 9.3% increase in 2022," [The Economic Times](#), Oct 20, 2021
- 3) "Companies plan to give biggest raises in more than a decade," [Washington Post](#), Dec 8, 2021

Spruce Point interviewed a former TASK executive who was with the Company through the company's pivotal growth years and still has a pulse into the Philippine market. We asked about wage pressures and received a candid response.

Spruce
Point
Question

"What are you seeing or hearing in terms of wage inflation in the Philippines where TASK has a big labor force? There's been some headline figures of approximately 5.6% for the economy."

Fmr
TASK
Executive

"So I, I'm pretty in tune with, with what's happening in the Philippines, and we're seeing massive wage inflation. I was talking to a friend of mine who's a CEO at an accounting firm in Australia. They're doing outsource work to Philippines as well. He just got his initial reports back and he was saying something to the tune of 50% wage inflation at times. So I'm very concerned about the Philippines. I think it's becoming more and more competitive for talent, especially skilled talent. At the higher levels of the Philippines, you know, leadership management supervisory, you know, I could see that 50% number being almost reasonable. Which, is super scary. At the lower level, I don't think it's gonna be anything so significant. For low skill work, like content moderation or AI tagging business, I don't think we're gonna see anywhere near as significant there. But I do think you'll see it, you know, like 10% to 20% to the point where it probably doesn't make sense to do that work in the Philippines anymore and to go to other places. As for the headline number, you cite, I'd argue its double. There's two different sides of the Philippine economy. There's those that speak English and those that don't and I'm talking about the ones that do speak English, that's a very different grouping."

Annual Contract Value (ACV) – A Key Operational Metric – Dropped Ahead of IPO... Why?



Annual contract value (“ACV”) was a key operational metric reported by TASK ahead of its IPO. Between January and March 2021, the Company dropped ACV from its draft IPO prospectus. When questioned by the SEC, it claimed that it removed ACV reporting to the risk of misinterpretation by investors. It appears to us that management’s withdrawal of ACV shows a lack of confidence in its reporting.

- “Annual contract value” or “ACV” for a client contract refers to the total estimated annual revenue value for our services and solutions under a client contract, estimated as of the date of that client contract. ACV excludes any estimated project-based revenue value and any estimated revenue value during the implementation period for a client contract.
- “ACV signings” refers to, in a given period, the sum of the ACV for all new client contracts entered into during that period, including new ACV associated with amendments to or statements of work under existing client contracts. ACV signings do not reflect actual or anticipated increases, reductions or terminations under any client contract.

	Year ended December 31, 2019	Full Year 2018
Key Operational Metrics:		
ACV signings, in thousands(1)	\$ 178,943	\$ 205,664
Headcount (approx. at period end)(2)	18,400	13,800
Net revenue retention rate(3)	139%	118%

*“We generated ACV signings from **new clients** of \$51.8 million in 2017, \$146.1 million in 2018, to \$86.3 million in 2019.” **AND** “Our ACV signings from **existing clients** were \$21.1 million in 2017, \$59.6 million in 2018 and \$92.6 million in 2019.”*

Source: [Draft Prospectus](#)

“While the Registrant still believes ACV is a leading indicator of revenue opportunity in existing clients and new clients, we believe the disclosure of the metric may imply a certainty in our actual results that does not correspond to the level of estimation inherent in the metric. Thus, we removed the metric as we do not consider it to be meaningful to investors given the risk of misinterpretation.”

Source: [SEC Response Letter](#)

**TASK No
Longer
Discloses
ACV from
New and
Existing
Customers**

**Its Excuse
Is That It
Doesn't
Want To Be
Mis-
Interpreted**

Adding More Qualifiers To Win Rate....

TASK made a lengthy enhancement to its definition of “Win Rate” that we believe added significantly more complexity. It then showed its Win Rate increase over a three year period. Management did not explain the impact of the revision on its subsequent improved Win Rate reporting though it claimed it “Simplified” its Win Rate to align with its NRR calculation.⁽¹⁾

Initial and Simple Definition of “Win Rate”

“Win rate” refers to the percentage of new business opportunities that we were awarded out of all opportunities closed in the period for which we submitted a proposal during the same period. We calculate win rate for a given period as the quotient of the total ACV for all opportunities closed as “won” divided by the total ACV for all opportunities closed as either “won” or “lost,” in each case during that period. Excluded from this calculation are all opportunities closed as “disqualified” because they never reached the proposal stage.

Source: [Draft Prospectus](#), p. iii

Revised Definition of “Win Rate” We Believe Is Significantly More Complex

“Win rate” refers to the percentage of new business opportunities that we were awarded out of all opportunities closed in the period for which we submitted a proposal during the same period. We calculate win rate for a given period as the quotient of the total estimated annual revenue value for our services and solutions under our client contracts, estimated as of the date of each client contract (excluding any estimated project-based revenue value and any estimated revenue value during the implementation period for such client contract) for all opportunities closed as “won” divided by the total estimated annual revenue value for our services and solutions under our client contracts, estimated as of the date of each client contract (excluding any estimated project-based revenue value and any estimated revenue value during the implementation period for such client contract) for all opportunities closed as either “won” or “lost,” in each case during that period. Excluded from this calculation are all opportunities closed as “disqualified” because they never reached the proposal stage.

Source: [Final IPO Prospectus](#), p. iii

**Change Allow
TASK To Boost
Win Rate?**

“Our total new client win rate from 2018 to 2020 was 42%”

“Our new client win rate from 2017 to 2019 was 36%”

1) TASK claims the lengthy revisited definition of Win Rate is simplified in [SEC correspondence](#)



Potentially Misleading Employee Attrition Claims

Prior to its IPO in 2019, a senior TaskUs employee stated that annual attrition was 30%. In its 2021 IPO Prospectus, TASK cited “voluntary attrition for employees >180 days” at 14.9% in 2020, which was a substantial improvement from 2019. TDCX, a recent IPO and pure-play CX service provider, cited three years of voluntary turnover metrics that increased every year to approximately 25%. We call on TASK to clarify why its attrition is qualified for 180 days and is declining, while its closest public peer is reporting a trend of rising attrition.

2019
TaskUs
Director
Aaron Davis

*“From day one we’ve put our employees first, recognizing that happy employees lead to better business results,” he said. Davis pointed out that, unlike any other outsourcing company with skyrocketing turnover rates – **the industry average is approximately 150% — TaskUs has a 30% annual attrition rate, which leads to consistency for its clients.**”*

Source: “TaskUs Bets on Mexico’s Culture Fit for LatAm Expansion,” [Nearshore Americas](#), Feb 4, 2019

2020
TaskUs
IPO Shows
Declining
Turnover,
Qualified for
180 days

*“In order to efficiently and effectively provide services to our clients, we must be able to quickly hire, train and retain employees. We offer our employees competitive wages with annual increases and also invest in their wellbeing. Our employee benefits and employee engagement costs may vary from period to period based on employee participation. We seek to retain sufficient employees to serve our clients’ increasing business needs and position ourselves for growth. We believe our focus on employee culture leads to lower employee attrition levels. Apart from driving our high client satisfaction and retention metrics, lower employee attrition leads to lower hiring and training costs and higher employee productivity. **The voluntary attrition rate for employees who were employed by TaskUs for more than 180 days was 14.9% and 26.6% for the years ended December 31, 2020 and 2019, respectively.**”*

Source: [IPO Prospectus](#), p. 93

TDCX A
Competitor
Shows Rising
Voluntary
Turnover

*“In addition, TDCX has set itself apart from its key competitors by setting personnel retention as one of its top priorities. **In 2018, 2019 and 2020, the annual voluntary attrition rate, measured by the number of employees that voluntary left the Company in a period divided by the average number of employees in such period, was 21.5%, 23.1% and 24.8%, respectively, compared to the industry average of 30% to 34% in APAC.**”*

Source: TDCX [IPO Prospectus](#), p. 126

Former TASK Executive Interviewed By Spruce Point

Spruce Point interviewed a former TASK executive who was with the Company through the company's pivotal growth years. He cautioned about company attrition claims that can be manipulated in many ways.

Spruce Point Question

"What do you make of the Company's claims of attrition being below the industry standard of 30% and how they qualify it to include only employees greater than 180 days?"

Former TASK Executive

*"Attrition is first off, a tricky business in BPO. I'll start by saying that I certainly do not trust the industry number of 30% - 35% that you quoted. It's B.S. **I'll just start off by saying that whenever I talk to people about their attrition, it is just classic that they understate it in many, many ways. It's not just TaskUs, it's every company I've ever worked for in the BPO sphere.** What they did was they would not include 180 days. They would not include what they consider to be voluntary resignations. Right. They would remove internal promotions for that number. If they were on leave, they wouldn't include them. Right. **There's just a lot of different ways to manipulate it.** And I think because it is so impactful to BPO businesses bottom line. They're just kind of pushed in the direction to lie. **So number one, I would just say, I think that the attrition is significantly worse.***

But after they became a public company, then they decided to start looking at only a hundred eighty days or greater. Well guess where most of the attrition in all of these businesses comes from? It's in the first 90 days. Right, so you know, it seems like that's the direction that they're heading in. And so that would be worrisome, but it's not worrisome from a competitive standpoint because I think that that's pretty much standard across the business."

Key Data Point Later Omitted Gives Insight To Significantly Higher Employee Attrition

TASK removed its only mention of gross hires from its early prospectus. In subsequent filings, it made vague mention of hiring “thousands of employees.” On its conference calls and earnings releases it references “net new” additions. Given its 2019 disclosure of 12,000 new employees, we estimate 7,400 employees departed. Therefore, we estimate employee attrition at 46.0% or significantly higher than the 26.6% figure cited by management. Industry bellwether Cognizant Technology is calling out rising voluntary attrition to 33% and increased costs.⁽¹⁾ Is TASK immune from industry trends?

Only Time
TASK
Reported
Hiring Number

*“Employee Experience and Employer Brand: At TaskUs, **we hired approximately 12,000 new employees in 2019**. Many of our larger competitors hire tens or even hundreds of thousands of people each year. To deliver to this number of hires many companies in our industry use “push” tactics like sign-on bonuses.”*

Source: [Draft Prospectus](#), p. 122

Revision
Obscures
New Hires

*“Employee Experience and Employer Brand: At TaskUs, **we hired thousands of new employees in 2020**. Many of our larger competitors hire tens or even hundreds of thousands of people each year. To deliver to this number of hires many companies in our industry use “push” tactics like sign-on bonuses.”*

Source: [IPO Prospectus](#), p. 144

Spruce Point
Analysis
2019 Implied
Departures

	Beginning 2019	New Hires	Departures	Ending 2019
Total Headcount	13,800	+12,000	(7,400)	18,400

Spruce Point
2019
Estimated
Turnover

	Beginning 2019 (A)	Ending 2019 (B)	Average Employees C = Avg (A,B)	Departed (D)	Turnover Rate D/C
Total Headcount	13,800	18,400	16,100	7,400	46%

1) [CTSH Q3 Conf Call](#), Oct 27, 2021

TASK Obscures Trend of Declining Referral Rates Which Contribute To Rising Personnel Costs

Referral rates contracted materially ahead of TASK's IPO. We found a quote from a senior employee in early 2019 (likely referencing 2018 figures) at a 61% referral rate. In 2019, that metric declined to 48% and to 38% in 2020. TASK promotes that a high referral rate lowers its cost to recruit new candidates vs. traditional channels. Recruitment costs flow through "Cost of Service" in the income statement. TASK doesn't break out the cost, but keeps claiming that personal costs for new headcount are driving changes. We estimate cost per unit headcount is rapidly rising.

2018 TaskUs

"We also have an exceptional referral rate at 61%, compared to the industry average in the 30% range. It shows that our employees not only want to work for TaskUs, but they want their friends and families to also."

Source: "TaskUs Bets on Mexico's Culture Fit for LatAm Expansion," [Nearshore Americas](#), Feb 4, 2019

2019 TaskUs

"For example in 2019, 48% of our new hires came from internal referrals, helping us achieve a 99.1% fill rate."

Source: [Draft PO Prospectus](#), p. 7

2020 TaskUs

"In 2020, 38% of our new hires came through referrals, which we believe yields higher quality candidates at a lower cost to recruit than candidates hired through traditional channels."

Source: [IPO Prospectus](#), p. 13

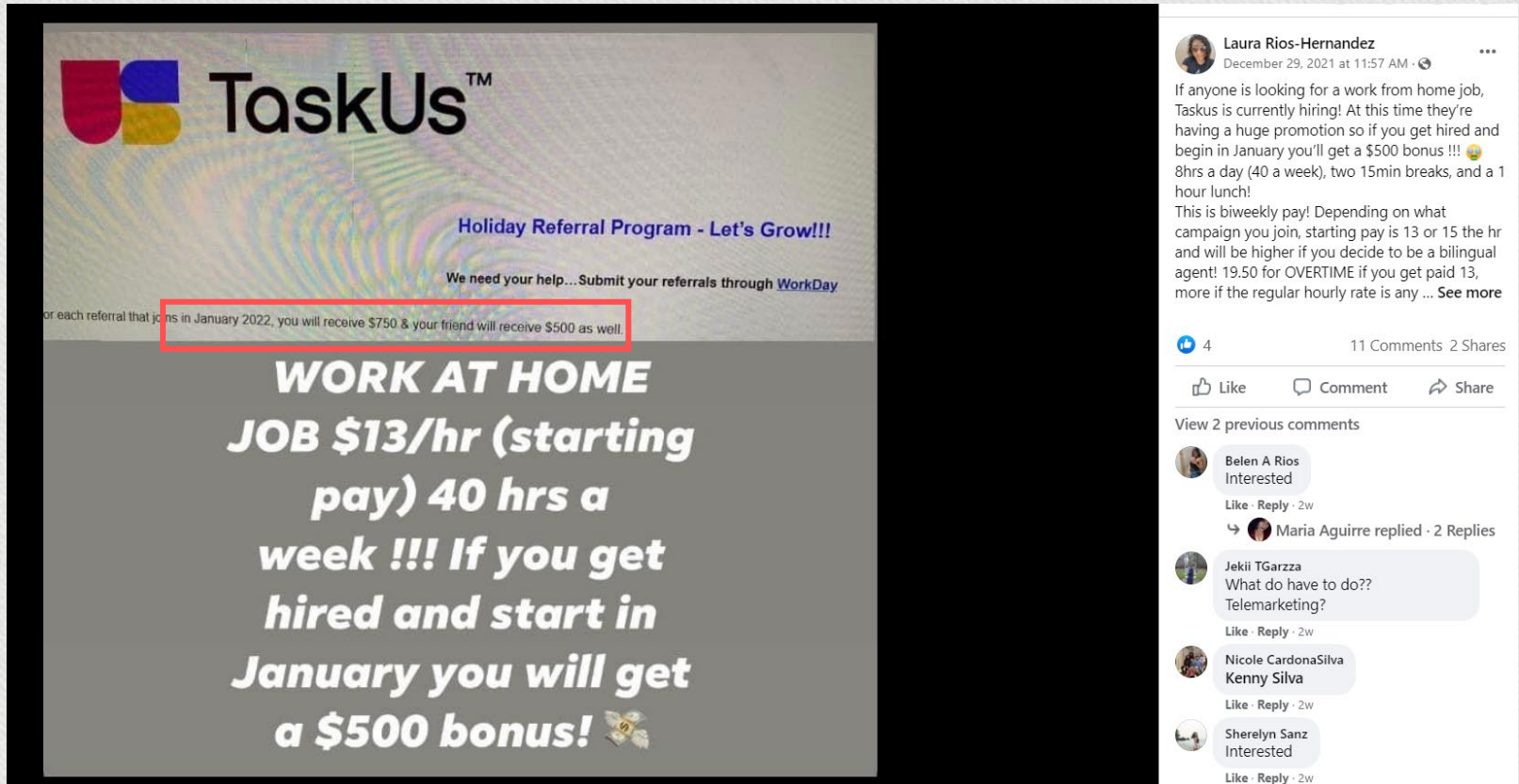
Estimating Cost Pressure From Incremental Headcount

\$ in mm	Dec 2020	March 2021	June 2021	Sept 2021
Total Headcount	23,600	27,500	31,500	35,600
Incremental headcount	--	+3,900	+4,000	+4,100
Increase In Personnel Cost Due To Headcount Addition	--	\$25.1	\$35.7	\$40.8
Incremental Cost Per Headcount	--	\$6,436	\$8,925	\$9,951
Change %	--	--	+39%	+11%

Source: MD&A for Cost of Service changes, [prospectus](#), [Q2](#) and [Q3](#) 10-Q

Evidence Referral Costs Are Rising

In late December 2021, it appears that TaskUs just increased incentives for referrals by offering a \$500 sign-on bonus to new recruits. In addition, \$750 is paid to the individual who sources the new hire.



TaskUs™

Holiday Referral Program - Let's Grow!!!

We need your help...Submit your referrals through [WorkDay](#)

for each referral that joins in January 2022, you will receive \$750 & your friend will receive \$500 as well.

**WORK AT HOME
JOB \$13/hr (starting
pay) 40 hrs a
week !!! If you get
hired and start in
January you will get
a \$500 bonus!**

Laura Rios-Hernandez
December 29, 2021 at 11:57 AM · 🌐

If anyone is looking for a work from home job, Taskus is currently hiring! At this time they're having a huge promotion so if you get hired and begin in January you'll get a \$500 bonus !!! 🎉
8hrs a day (40 a week), two 15min breaks, and a 1 hour lunch!
This is biweekly pay! Depending on what campaign you join, starting pay is 13 or 15 the hr and will be higher if you decide to be a bilingual agent! 19.50 for OVERTIME if you get paid 13, more if the regular hourly rate is any ... [See more](#)

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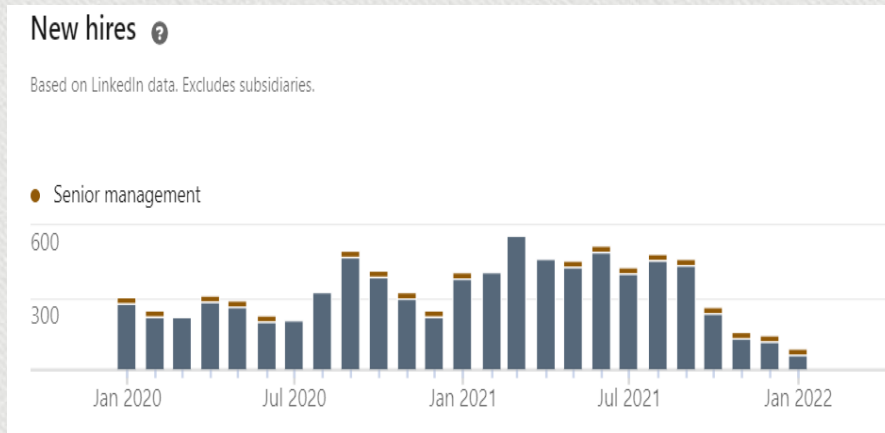
Source: Facebook, search "TaskUs \$500" – Spruce Point red emphasis

Data Suggests Hiring Is Decelerating



Using LinkedIn premium data as an indicator of TASK's workforce expansion, we find a material slow down in the last quarter of 2021. The data analyzes total hires over the time period.

Total Hires At TASK Based On Premium LinkedIn Data



Source: LinkedIn Premium

\$ in mm	Sept 2021	Oct 2021	Nov 2021	Dec 2021
2021	432	233	134	117
2020	467	389	299	220
Change %	-7%	-40%	-55%	-47%

Source: LinkedIn Premium based on chart to left



Former TASK Business Development Professional Interviewed By Spruce Point

Spruce Point interviewed a former Business Development professional at TASK who left to work for a competitor. The opinions are insightful and express the view that TASK faces multiple challenges ahead that will lead to rising costs and clients being competed away.

Spruce Point Question

Now that TASK is bigger, public and growing, do you see them having more challenges?

Fmr Business Dev. Employee

*"I knew TaskUs was getting ready to go public, but I'd had some, disillusionment and frustration there and thought, you know, certain aspects of even going public, aren't gonna change this. Of course, yes, it's been breaking down. So they went from a people first statement to frontline first statement (chuckle). They've had a real difficult time with their sales team. Lots of turnover. **I think the longest tenure now they have is like somebody who's been there three years, so they've gone through many teams.** Because, I think Jaspar did a lot of sales and didn't really like sales people and sort of thought, (Hey, we've done a little hard work to bringing you on so all you're gonna do is be an order taker. So we're not gonna really esteem you here and you gotta get up at 3:00 AM to take a call and even though you live in America and even though every other BPO has their support teams work in American hours because most of India or the Philippines works, you know, during the night during American hours). So you had a lot of people get turned off by that in sales. **They had a sub-standard compensation plan and you had a guy over the whole team who was never in a sales position.** So, didn't really identify with, what would work or not. I'm sure he is good in other areas, but when it comes to some of those, there's a higher turnover."*

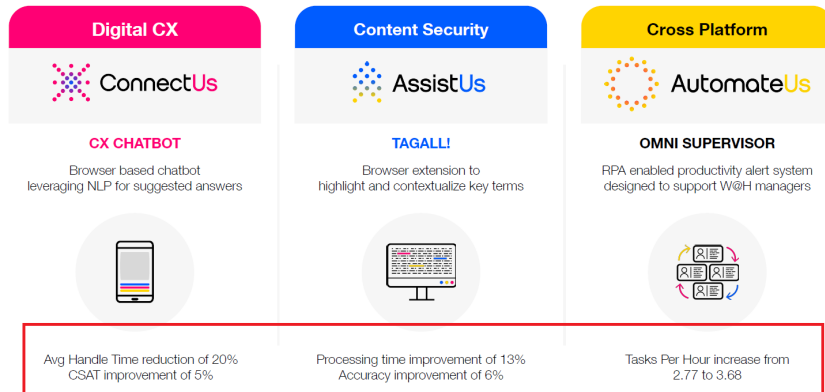
*"Not having someone to get the sales and biz development rocking and rolling is an issue. Some that got lucky in the right target market are making money, and some people not doing so hot. And then, you know, training, onboarding for different roles has been tough. And it's just like any organization, you need to spread really fast just because you have capital and you can buy systems and you can recruit people. You know, there's still all those internal connections of getting things running smoothly. **So I saw a lot of deals lost because we didn't have office space** and then COVID hit and they got better at remote and some remote security. So that took away some of those concerns. **But then, new sites, opening going really rough, having new clients in there, and having them have some not great experiences and then moving on to more mature BPOs.**"*

"I'm seeing from my perspective there's some nice fat clients at TaskUs that are hitting those limitations and we're going to be making a switch. I think that could be happening. I didn't invest in the stock because I think the price to value is out of whack. I think it's a bit overvalued."

In light of our interview of a former TASK Business Development employee who claimed that TASK's technology offerings were a step behind peers, we find it notable that TASK recently retracted benefit claims related to its core offerings.

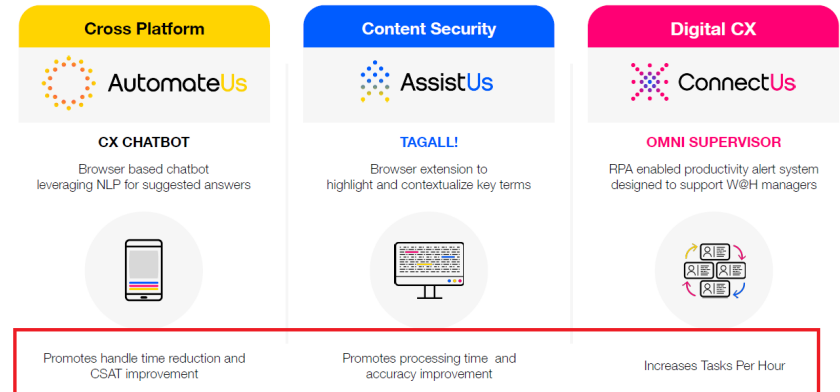
August 2021: TASK Points To Specific Analytical Benefits From Its Technology Offerings

► TaskUs Digital Innovation In Action



November 2021: TASK Retracts Analytical Benefits From Its Technology Offerings

► TaskUs Digital Innovation In Action



Source: TaskUs IR, red box emphasis Spruce Point



Former TASK Business Development Professional Interviewed By Spruce Point (Cont'd)

Fmr
Business
Dev.
Employee

"Meanwhile, other BPOs that are not only charging similar rates, but are showing up with, much more established technology tools. So they go to the customer and show them what they're doing with 1,000 people, let's add these tools in, and you'll be able to do it with 800 people and, you know, net net, you're gonna save 15% a year and your seat, your customer satisfaction, your agent happiness, and efficiency is gonna go up. TASK has a technology division but it's almost like consulting and after the fact. **You need that technology thought leadership early in the sales cycle so you can get the right C-suite buy-in that we're going to make a fundamental change in direction, so that our journey, tools, analytics are all dialed-in. I think TASK knows and sees that, and is working on it, but it takes a long time to develop."**

Spruce
Point
Question

"Why are their margins higher?"

Fmr
Business
Dev.
Employee

*"I think there are systems and expenses they don't have because of maturity. **Their expenses are going to increase as they scale. There are key people, systems and tools they need to add.** I see them like a MEME stock right now. They're hot but as a long-term buy and hold that's a different evaluation."*

Spruce
Point
Question

"You mentioned you thought TASK's compensation plan was substandard. How are you being incentivized better now?"

Fmr
Business
Dev.
Employee

"On the commission plan, I'm making probably twice what I made at TASK. Base salary is 45% more and benefits are a little better. TASK has tried to raise people from within that are young, teachable and ignorant. Put them in comp plans they don't really know any better until they start having success and others start recruiting them."

Spruce
Point
Question

"TASK stopped disclosing Annual Contract Value during the course of their IPO process. What do you make of this?"

Fmr
Business
Dev.
Employee

"Chuckle, I don't know. Would you buy a company that wasn't transparent about their projected revenue? It's obviously a negative number or they'd be having a parade around it."



Former TASK Business Development Professional Interviewed By Spruce Point (Cont'd)

Spruce
Point
Question

"Do you have a perspective on their ability to open offices in other international locations?"

Fmr
Business
Dev.
Employee

*"So if you go anywhere in the world and you order McDonald hamburger is gonna taste like a McDonald hamburger, right? And the reason behind that is they have an infrastructure and an ingredients and a process that they've really dialed in so they can get predictable results wherever they go. Other organizations have a challenge that because they haven't defined those well enough, which costs money, then it becomes really dependent on whoever you hire and whatever that team is and whatever their decisions on who they hire are. **So if you're not experienced at that, you hire people that aren't the best. You may have a problem with fraud or theft, all of a sudden the client's gone, the next client's gone.** What do you do with that office? The client needs at least 70 seats and that office, you just cannot support more than 40 more people, even if they're work at home. Um, and so those are the kind of tried and true over time, where if you look at other BPOs in the market and what their earnings are to stock value, you know, makes them look like a better long term investment. **So I think I, you know, there's no secret that they have stumbled with new offices and, and that, that would be an ongoing concern is, you know, they're hiring people from bigger BPOs who have seen that and wanna put that into place. Um, but it's tricky.**"*

Spruce
Point
Question

"What do you think of the Facebook business with TASK?"

Fmr
Business
Dev.
Employee

"All the BPOs servicing Facebook, and I'm not sure but probably at least a dozen, are doing low margins just to have the name, to learn, and leverage that name in their sales efforts. It's not uncommon for BPOs to take a haircut or even a loss for the first year or two for a long-term relationship. Now with wages increasing, it throws a bomb in the middle of everyone's strategic plan."

Insights From TASK Former Marketing Director Interview Conducted By TEGUS

An interview conducted by Tegus with a former TASK marketing executive reveals insights that suggest the individual believes the Company will grow at the low end of managements claims of a minimum of 25%. The executive points to competition.

Tegus Client Question

"When I think about the growth runway for a company like a TaskUs, let's talk about, what does it take for this company to be 3x its current size? Is that a super stretch or is that kind of like, no, that's going to happen? Like how do you think about just where this company is headed 5 years from now?"

Fmr. Marketing Executive

*"Yes. So, the growth from the previous year to 2021, **I think it was in the mid to upper 30s. No, that's not sustainable. However, I think what is sustainable is a low to mid-20s growth rate for TaskUs.** And much of that can be attributed to, essentially, their growth tracks with the growth of the kind of new economy brands that they work with. So, if you would just attract the highest growth new economy brands that fit within the verticals that TaskUs is pursuing, you would suspect them or expect them to grow at around that rate. The 30% number, 35% number was clearly impacted by COVID. Some of the brands, there were winners and losers from COVID and TaskUs placed some good bets, and we were able to see some success with working with some of the winners. **But that low-20s to mid-20s growth for TaskUs over the next 3 to 4 years. That's kind of what we're seeing is based on the information we get right now.**"*

Tegus Client Question

"So, if I actually think about that competitive environment, how would you kind of talk through it? This is a hypercompetitive space with hundreds and thousands of companies. Talk to me a little bit more about just the actual like types of like the quality of the service delivery, do you feel like that ended up being differentiated?"

Fmr. Marketing Executive

*"But punching above its weight primarily because of its sort of targeted focus on a certain profile of account. But most BPOs can do the same thing that other BPOs can as well. **And another area where TaskUs is kind of excelling, but again, other companies will catch up with them, is in the content moderation field.** Keeping the nasty stuff off of dating apps and social platforms. And you'll see this in their S-1 filing. A huge chunk of their revenue comes from Facebook, and it's a lot of content moderation. But they were one of the early companies in doing content moderations. For example, they were doing content moderation for other social media platforms back before it popped up on everyone's radar and there was not even an awareness of the general public that the way your Facebook feed or whatever your other social media platform, the way you avoided seeing the nasty stuff, and there's actually a human behind it, preventing it from happening. And so, they were early on there, they were able to establish some expertise. **But it's to the point now where I don't think anyone would consider them the leader in the space,** like Accenture probably does more content moderation than TaskUs. But there's always going to be room for TaskUs in the content moderation world. And that's a big differentiator from some of the other midsized BPOs."*

Insights From TASK Former Executive Interview Conducted By TEGUS

An interview conducted by Tegus with a former TASK manager reveals insights that suggest it lost clients due to performance. Furthermore, as clients scaled, they'd bring on additional BPOs, some of which outperformed TASK.

Tegus Client Question

"Can you talk about how quality changes over time? As you said quality goes up over time with the client, does that go on forever? Or how much does it go up? And how long does it continue to go up for?"

Fmr. Executive

*"Because in the BPO industry, there's always, always a danger of losing the client. That's the worst thing that could happen. **Clients have fired us because of performance -- yes, of losing clients. That's the danger, that's the worst thing that could happen. So there have been cases where clients have fired us because we weren't able to meet the performance.** And so there's weekly business reviews with the client and there's a monthly business review. And this is always, always the most stressful part as a part of the team, as a leadership team because you always want to have good client reviews. And so that's kind of what drives the performance up over time because the expectations of clients always change. And then when it's not good for a particular week, then everyone just kind of panics and does what they need to do to get it up for the next business review, which is a week later. So over time, it usually gets better or else, we get fired"*

Tegus Client Question

"Did you ever lose a client? And why would clients leave TaskUs?"

Fmr. Executive

*"**They would leave TaskUs because we weren't able to meet the performance that they required, or usually, clients come to TaskUs, when they start off with TaskUs, TaskUs is the only vendor, and that's good for us. But then, eventually, they would want to get another vendor for business continuity purposes, right?** Because you don't want to put all your eggs in one basket. **We get fired in some cases because the new vendor outperformed us. And over a span of a certain period of time, we are not able to cope up with that. And that's when they decide to move more of the volume to that other vendor and then get a third vendor to be the business continuity site which was TaskUs before.** So then like most clients always have at least one more client -- I mean, one more BPO and there's always competition between the two BPOs. Sometimes there's even more. I've had instances where there were 20 vendors but that wasn't TaskUs, it was at my previous company. We're 20 vendors, and it was really hard to keep up. As to the firing rate, for me, I was handling 11 total clients, and 2 of them, I lost. So it's about 15% or so, 10% to 15% that I lost clients."*

An interview conducted by Tegus with a former TASK executive reveals insights that suggest downward pricing pressure over time as larger BPOs would compete in TASK's client segments.

Tegus Client Question

"Got it. So most clients have multiple vendors, two at least, for business continuity and, I suppose, competitive. How often would they come in and ask for lower rates or bid you guys off against each other on rate?"

Fmr. Executive

***"All the time, all the time. Every time there's a contract renewal, which is usually after one year or two years, they would ask for lower rates in exchange for more headcount, more agents, right?"** So if the client has, let's say, 50 existing agents with you and then the contract is up and there's negotiations for contract and they would say, like, give us a lower rate, we'll give you 50 more agents, you have 100 now. And then there's always competition, like you said, when a contract's up, they would always bring up performance. We're always benchmarked against each other, not even in contract renewal, but all the time. But the rate reduction always happened when we renew the contract."*

Tegus Client Question

"TaskUs has represented itself as serving unique or fast-growth clients, and we have this different culture. We're a very different BPO. How much competition is there for TaskUs? Every faces much competition as every other BPO you've been with? Or is there something different about who they serve that leads to a bit less competition?"

Fmr. Executive

*"So competition in the beginning, there weren't a lot. Because the traditional BPOs, like the BPOs, like Teleperformance, Sutherland, these are older, larger BPOs, they weren't paying attention to TaskUs in the beginning because the clients were really small. There are a lot, but they're really small. **Eventually, when they saw the fast growth of TaskUs, we started seeing our own clients having conversations with these older BPOs. So we kind of adopted the same strategy. They're focusing on people and maybe it's a great place to work and so on and so forth. So initially, we didn't see Teleperformance as competition in the beginning. But around my second or third year, that's when we started seeing competition from these older companies.**"*

Aggressive Add-Backs

TASK is trying to sell investors on COVID-19 related expenses as adjustments to EBITDA and EPS. This might be perfectly acceptable if it were common practice for public company peers to do so. However, we don't believe that to be the case. As a result, we adjust TASK's EBITDA lower by ~\$8m.

TaskUs, Inc.
Non-GAAP Reconciliations
Adjusted EBITDA (unaudited)
(in thousands, except margin amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 11,636	\$ 11,456	\$ (77,800)	\$ 20,979
Provision for (benefit from) income taxes	1,656	2,564	(1,805)	4,532
Financing expenses	1,633	1,647	4,808	5,849
Depreciation	7,422	3,696	20,354	14,225
Amortization of intangible assets	4,711	4,711	14,135	14,135
EBITDA	\$ 27,058	\$ 24,074	\$ (40,308)	\$ 59,720
Offering costs ⁽¹⁾	488	385	6,249	385
Foreign currency losses ⁽²⁾	1,285	637	477	927
Loss on disposal of assets	26	155	54	150
COVID-19 related expenses ⁽³⁾	—	1,309	6,105	5,068
Severance costs ⁽⁴⁾	—	2,057	—	2,627
Lease termination costs ⁽⁵⁾	—	1,500	—	1,500
Natural disaster ⁽⁶⁾	—	—	442	—
Contingent consideration	—	—	—	3,570
Phantom shares bonus ⁽⁷⁾	—	—	129,362	—
Teammate IPO bonus ⁽⁸⁾	—	—	4,361	—
Stock based compensation expense ⁽⁹⁾	19,243	—	25,014	—
Adjusted EBITDA	\$ 48,100	\$ 30,117	\$ 131,756	\$ 73,947
Net Income (Loss) Margin ⁽¹⁰⁾	5.8 %	9.4 %	(14.6)%	6.2 %
Adjusted EBITDA Margin ⁽¹⁰⁾	23.9 %	24.6 %	24.7 %	21.8 %

“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.”

We question the merit of adding back stock-compensation in an industry such as BPO where human capital is such a material operating expense. That being said, it's not unusual for others to also add it back.

Aggressive Adjusted EBITDA Presentation: Multi-Year COVID-19 Add-backs?

TASK is the only company among its peers that we could identify trying to sell investors on COVID-19 related expense adjustments to improve EBITDA and EPS. Analysts aren't asking any questions or pushing back on what we believe are aggressive adjustments.

	TaskUS	Accenture	Genpact	Concentrix	Telus Int'l	TDCX	TTEC	EXL	WNS	Tele-Performance	Capgemini
Add Back Incremental COVID-19 Expenses?	YES	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
	Source	Source	Source	Source	Source	Source	Source	Source	Source	Source	Source

Inappropriate Amortization Period For Customer Relationships

TASK has founded in 2008, operating for approximately 13 years (though under its current model serving enterprises and not individuals ~11 years), but is making assumptions that its customer relationships (and trade name) have a 15 year life. How is this possible and on what basis can it make this assumption? **It appears that TASK has lost clients, once reporting “more than 200 clients in 2015,” stating “over 90 clients” in 2019, and now stating “over 100 clients”.**^(1,2) In addition, it admits its recurring revenue contracts are typically only one to two years. By assuming 15 years, TASK is reporting \$18.8m of annual amortization expense. However, if we assume that actual customer relationship period is closer to 5-7 years, it should be expensing \$37 -\$51m of amortization per year.

(6) Goodwill and Intangibles

The carrying amount of goodwill as of March 31, 2021 and December 31, 2020 was \$195.7 million.

Intangible assets consisted of the following as of March 31, 2020 and December 31, 2020:

(in thousands)	Intangibles, Gross	Life (Years)	Accumulated Amortization	Intangibles, Net
Customer relationships	\$ 240,800	15	(40,134)	200,666
Trade name	41,900	15	(6,983)	34,917
Balance as of March 31, 2021	\$ 282,700		(47,117)	235,583

Source: [IPO Prospectus](#), F-42

Inappropriate Assumption With Limited Business History And 1-2 year contracts

“Recurring revenue contract” refers to contracts we have entered into with our clients for our services and solutions for which revenue is recognized over time and under which revenue is expected to continue into the future. A typical recurring revenue contract has a term of one to two years and has an automatic renewal provision.

Former TASK Executive Interviewed By Spruce Point

Spruce Point interviewed a former TASK executive who was with the Company through the company's pivotal growth years. He shed light on the fact that it once lost a major customer and experienced problems in 2017. We believe this supports our view that a 15 year customer amortization period is not appropriate.

Spruce Point Question

"TASK used to claim over 200+ clients, but now claims 100+ clients. What happened with the business? Did TASK lose or cut clients?"

Former TASK Executive

"I would say pruning clients is like ultra rare. I can think of maybe one time, in my history that I've seen people actually prune a clients. It would typically come to ethical reasons. Okay, but that is their very, very rare. There was a period where we had smaller clients that were difficult to maintain. When a lot of other BPOs weren't willing to take on smaller clients, TASK would take on smaller tech players. As far as some clients leaving, we did lose some clients, between 2016 to 2018. A couple stand out in my mind, but we did have significant operational problems in our U.S. offices in about 2017. We had quite a few operational issues in our U.S. offices. Jewel stands out to me but there were a few more than that. In 2016 was the year we lost Wish, which was a really big client for us. It was a big loss. I think cost was a big part of the decision and we were more expensive than and others."

Why Doesn't TASK Report Interest Income; Practically All of Its Peers Do...

Looking carefully at disclosures, we see that TASK does not report interest income earned on cash and equivalents despite carrying large amounts of cash and equivalents. This is unusual in context given almost all of its peers report interest income as a line item on the income statement, as footnote to the cash flow statement, or separately as part of other income. Sometimes companies net interest income against financing expenses, but TASK's disclosures indicate no such netting. By not providing interest income, TASK makes it difficult to audit its cash balances.

TASK's Disclosures Fail To Say Where It Accounts For Interest Income

Other Income: Other income primarily consists of gains and losses resulting from changes in the fair value of the foreign currency exchange rate forward contracts that we are party to. Our forward contracts do not qualify for hedge accounting treatment. Other income also includes gains and losses resulting from the remeasurement of U.S.-denominated accounts to foreign currency and loss on sale of property and equipment.

Financing Expenses: Financing expenses primarily consist of interest expenses related to our term loans in addition to commitment fees related to the undrawn delayed draw loan and revolver loan. For the year ended December 31, 2019, we also included the write off of unamortized discounts and deferred financing costs in connection with the settlement of our 2018 Credit Facility, discussed further below under "Liquidity and Capital Resources—Indebtedness" below.

TASK \$ in mm	12/31/2018	12/31/2019	3/31/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Cash and Equivalents	\$25.3	\$37.5	\$70.7	\$107.7	\$135.5	\$195.9	\$61.3

	TaskUS	Accenture	Genpact	EPAM	Telus Int'l	TDCX	TTEC	EXL Service	WNS	Tele- Perfor- mance	Capgemini	Majorel Group
Reports Interest Income	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
	Source	Source	Source	Source	Source	Source	Source	Source	Source	Source	Source	Source



*We Believe TASK Is Not Being
Transparent About Pressures With
Facebook, Its Largest Client*

Content Security Segment Showing Growth Challenges

TASK reports revenue in Content Security. This business recently come under scrutiny in a NY Times article highlighting that companies like Facebook depend on outsourced providers like Accenture and TASK to moderate offensive content on their social media properties.⁽¹⁾ This can result in a psychological impact to workers having to make challenging decisions in moderating offensive content (eg. homicide, suicide, torture, etc). The article says that Facebook uses multiple firms and TASK's reported Content Security segment growth rate shows signs of business slowing. This could suggest that Facebook is insourcing some of the work, consolidating, or redistributing it to other vendors.

What TASK Says

"As of March 31, 2021, we had approximately 4,000 front line teammates performing work in Content Security dealing with misinformation, offensive content, and critical policy issues. To care for their health and wellbeing, we have developed the TaskUs Resiliency Studio, a clinician-led and evidence-based psychological health and safety program."

Segment Reporting Indicates Clear Slowdown In Content Security

First Sign of Digital Experience QoQ Declining

Growth Period	Segment	Dec 20	March 21	June 21	Sept 21
Year-Over-Year Growth	Digital Experience	45.5%	52.9%	59.2%	64.3%
	Content Security	22.4%	36.1%	38.4%	34.3%
	AI Operations	2.1%	59.6%	95.9%	145.2%
Qtr-Over-Qtr Growth	Digital Experience	14.9%	13.8%	13.9%	10.3%
	Content Security	7.3%	-0.4%	19.0%	5.5%
	AI Operations	20.6%	14.1%	37.7%	29.4%

Source: TASK financials, Spruce Point Analysis

Note: Red is a step down in growth rate, green an increase

1) "The Silent Partner Cleaning Up Facebook for \$500m a Year," [NY Times](#), Sept 2021

We Believe TASK Is Not Transparent About Challenges In Its Content Security Business



Spruce Point finds clear evidence that TASK's revenue per front line content security employee has been in steep decline. It appears that key clients like Facebook are requiring more labor to fill tasks, but that it is not translating into additional revenue. Moreover, the CFO said its cost of service is independent of its service offering. How can this be true in light of these results? Meanwhile, the CEO suggests the business is attractive and wants to increase it.

CFO
Q2'21
Aug 2021

"Our total cost of services are tied to increases in headcount as we hire people who deliver specialized services to our clients. **The cost of service as a percentage of revenue is not heavily influenced by the service offering mix.** Instead, it is primarily influenced by the geographic location from which services are provided."

Source: [Q2'21 Conf Call](#)

CEO at
JPM Virtual
Conf
Nov 2021

"And so this is why **we've been focused on this space for over a decade with a focus on becoming one of the largest providers of content security services in the world.**" **AND** "The interesting thing right now is like despite this growing long tail of demand, still the majority of the spend is in 3 large social media companies: Facebook -- well, sorry, **Meta, excuse me, TikTok and YouTube.** **And so they're the biggest drivers of demand today in the content security space.**"

Revenue From Content Security Per Employee Has Been In Steep Decline

\$ in mm	Sept 2020	Dec 2020	March 2021	June 2021	Sept 2021
Content Security Sales (A)	\$33.8	\$36.3	\$36.1	\$43.0	\$45.4
Front line teammates in Content Security (B)	3,200	3,800	4,000	5,250	N/A
Revenue / Front Line Content Security Teammate (A/B)	\$10,558	\$9,541	\$9,032	\$8,190	N/A
QoQ Decline	--	-9.6%	-5.3%	-9.3%	N/A
Front Line Teammate Source	Source	Source	Source	Source	N/A

Source: TASK financials and Spruce Point Analysis

Revenue Reporting For Facebook, Its Largest Customer Is Not Adding Up



When we evaluate TASK's reporting of its revenue tied to Facebook, we find anomalies. For example, the reporting of the 6 and 9 month revenue contribution should imply the Q3 revenue figure, which doesn't match. Quarterly results also do not match the 9 months results. There's at least a \$3m delta in the 2021 figures. It's possible the effect is from rounding.

\$ in mm	FY 2019	March 2020	June 2020	Sept 2020	Dec 2020	FY 2020	March 2021	June 2021	Sept 2021
Total Sales	\$360.0	\$102.4	\$114.4	\$122.4	\$138.8	\$478.0	\$152.9	\$180.0	\$201.1
Half Yr Sales	--	--	\$216.8	--	--	--	--	\$332.9	
9M Sales	--	--	--	\$339.3	--	--	--	--	\$533.9
FY	35%	--	--	--	--	32%	--	--	--
3M	--	31%	33%	33%	31% (implied)	--	29%	27%	27%
6M	--	--	32%	--	--	--	--	28%	--
9M	--	--	--	33%	--	--	--	--	27%
FY	\$126.0	--	--	33%*\$122.4	--	\$153.0	--	--	27%*\$201.1
3M	--	\$31.8	\$37.8	\$40.4	\$43.1	--	\$44.3	\$48.6	\$54.3
6M	--	--	\$69.4	\$112.0-\$69.4 = \$42.6	--	--	28%*\$332.9	\$93.2	\$144.2-\$93.2 = \$51.0
9M	--	--	32%*\$216.8	\$112.0	33%*\$339.3	--	--	27%*\$533.9	\$144.2

Facebook Receivables Growing Materially Faster Than Sales



On the Q3'21 conference call, the CFO made his first comment about receivables and referencing the implementation of a new system as new clients are onboarded to drive down DSOs. But, are new clients the issue? **A closer look shows that of the total \$29.7m increase in receivables in Q2'21, \$23.1m came from Facebook.** Facebook revenues are +34% in the first 9 months of 2021 over the comparable period. However, Facebook receivables are up 112% YTD. We believe the CFO should have expounded on this amongst his commentary and with enhanced disclosure in the MD&A.

CFO on
Q3'21
Conf Call

*"In Q2, I briefly discuss the increase in account receivable as a result of our strong revenue growth. We saw the impact of strong revenue growth on receivables again in Q3 as AR increased by \$29.7 million from Q2 of 2021. We are implementing a new order to cash process **as we onboard, new clients and expect to reduce our DSO in 2022.**"*

Source: [Q3 2021 Conf Call](#)

Facebook Revenue vs. Receivables Growth

\$ in mm	March 2020	June 2020	Sept 2020	Dec 2020	FY 2020	March 2021	June 2021	Sept 2021	9M YTD Growth
Facebook Sales	\$31.8	\$37.8	\$40.4	\$43.1	\$153.0	\$44.3	\$48.6	\$54.3	+34%
QoQ Change	--	+18.9%	+7.0%	+6.6%	--	+2.9%	+9.6%	+11.7%	↑↓
Total Receivables, Net	--	--	--	--	\$87.8	\$91.8	\$127.9	\$157.6	
Facebook %	--	--	--	--	22%	12%	14%	26%	
Facebook Receivables	--	--	--	--	\$19.3	\$11.0	\$17.9	\$41.0	112%
QoQ Change	--	--	--	--	--	-43%	+62%	+129%	


Source: TASK [prospectus](#), [Q2](#) and [Q3](#) 10-Q

In Contrast DoorDash Receivables And Revenue Growing In-Line



DoorDash, TASK's second largest client, has seen 9M 2021 revenue grow 41% over the comparable 9M 2020 period. Receivables have grown largely in-line at 46% YTD.

DoorDash Revenue vs. Receivables Growth

\$ in mm	March 2020	June 2020	Sept 2020	Dec 2020	FY 2020	March 2021	June 2021	Sept 2021	9M YTD Growth
Dash Sales	\$11.3	\$18.3	\$13.5	\$14.3	\$57.4	\$16.8	\$21.6	\$22.1	+41%
QoQ Change	--	+62.5%	-26.4%	+6.4%	--	+17.4%	+28.5%	+2.4%	
Total Receivables, Net	--	--	--	--	\$87.8	\$91.8	\$127.9	\$157.6	
Dash %	--	--	--	--	16%	14%	16%	13%	
Dash Receivables	--	--	--	--	\$14.0	\$12.9	\$20.5	\$20.5	+46%
QoQ Change	--	--	--	--	--	-8.5%	+59.1%	+0.1%	

Source: TASK [prospectus](#), [Q2](#) and [Q3](#) 10-Q

Significant Judgement In Revenue Recognition, High Fixed-Cost Contract Exposure

We believe unbilled receivables rising reflect a worsening of the quality of business that TASK is undertaking, and that it may be booking revenue ahead of certainty of payment. We also believe it's a symptom of its very loose revenue recognition policies which TASK admits requires it to make judgements and estimates. TASK discloses that as services are delivered, it bills clients on either: 1) time-and-materials, 2) cost-plus, 3) unit-priced, 4) fixed-price, or 5) outcome oriented basis. However, TASK does not disclose the breakdown of contracts by category. **The CEO recently admitted some of its largest customers have fixed-pricing. Reading between the lines, we believe he is referring to Facebook, and as a result, cost over-runs will hurt TASK's margins.**

Revenue Recognition Requiring Judgements And Estimates

"Revenue Recognition: We recognize revenue as services are performed and amounts are earned. **Determining the method and amount of revenue to recognize requires us, at times, to make judgments and estimates.** Specifically, we apply judgments in determining whether performance obligations are satisfied over-time and the method to measure progress towards completion. Additionally, the nature of our contracts gives rise to several types of variable consideration, including estimates on collectability, discounts, and client credits. Some contracts may include incentives or penalties related to costs incurred, benefits produced or adherence to schedules that may increase the variability in service revenues and margins earned on such contracts. Our estimates are monitored over the lives of our contracts and are based on an assessment of our anticipated performance, historical experience and other information available at the time."

TASK Does Not Breakdown Revenue By Contract Type

"As these services are delivered, **we bill our clients on either time-and-materials, cost-plus, unit-priced, fixed-price, or outcome oriented basis.** Service revenue from time-and-materials or cost-plus contracts is recognized as the services are performed. Service revenue from unit-priced contracts is recognized monthly as transactions are processed based on objective measures of output. Service revenue from fixed-price contracts is recognized monthly as service revenue is earned and obligations are fulfilled. Service revenue from outcome oriented contracts is recognized when it is reasonably certain that the desired outcome has been achieved."

Source: TASK [IPO prospectus](#)

**CEO
Maddock**

**JPM Conf
Nov 18, 2021**

"But the market wages are shifting on us literally every single month. So we have to be aware that we will see wages go up next year. We have the ability to pass on some, but not all of that to our customers. The majority of our contracts on an account basis have cost-of-living adjustments baked into them, where we can increase customers' rates commensurate with the wage increase that we're going to give to our employees. But some of our largest contracts, which are signed for 2-year or 3-year terms, have fixed pricing. And so in some cases, we'll see a gross margin impact as a result of that."

TASK Blames Everything Except Facebook For Margin Pressure

In commentary about what is causing EBITDA margins to decline, TASK primarily blames public company costs and investments in digital innovation. **In Q3'21, TASK recently added a new explanation for “sales and development of new service offerings” as impacting margins.** However, TASK is saying nothing about the pressures we’ve observed in the Facebook and Content Security business.

CFO
Sekar
Q2'21
Conf Call

*“We expect to earn a full year 2021 adjusted EBITDA margin of 23.7 percentage to 24.1 percentage. The above outlook includes our anticipation that our troughs of service as a percentage of revenues will remain roughly flat. **We also expect to incur full quarter public company costs and a small increase to operating expenses as we increase our investments in our digital and innovation capabilities. And prepare for our teammates to return to the office.**”*

Source: [Q2 2021 Conf Call](#)

CFO
Sekar
Q3'21
Conf Call

*“In the third quarter of 2021, we earned adjusted EBITDA of \$48.1 million and 23.9% margin, compared to \$30.1 million and 24.6% margin earned in the third quarter of 2020. **The reduction in adjusted EBITDA margin was primarily driven by public company costs and investments in digital initiatives.**”*

*“We expect to earn a full-year 2021 adjusted EBITDA margin of 24% to 24.2%. I will note that on a year-over-year basis, **in Q4, our adjusted EBITDA margins will continue to be impacted by public company expenses as well as expenses associated with returning a portion of our teammates to the office. Also, we continue to ramp up our investments in digital innovation, sales and development of new service offerings, which will drive over above-market growth in the long term.**”*

Source: [Q3 2021 Conf Call](#)

Notice the addition of “**sales and development of new service offerings**” as an addition to the explanation. This coincides with what the [TASK former business development employee indicated](#).



Errors, Inconsistencies And Signs Of Embellishment

Beware: Cash Flow Statement Revision

Late through the IPO process, and a month before finally IPO'ing, TASK revised its financial statements that impacted CFO and Capex. But beware, TASK has not always been so forthcoming with its revisions, and has shown a pattern of sloppy and inconstant reporting that should put investors on high alert.

Revision of financial statements: The Company determined that it had improperly classified the cash outflows related to purchases of property and equipment for the years ended December 31, 2020 and 2019. The improper classification of cash outflows related to purchases of property and equipment resulted in an understatement of net cash flows provided by operating activities and an understatement of net cash flows used in investing activities for the year ended December 31, 2020. The improper classification of cash outflows related to purchases of property and equipment resulted in an overstatement of net cash flows provided by operating activities and an overstatement of net cash flows used in investing activities for the year ended December 31, 2019. In addition, the Company adjusted the presentation of unrealized foreign exchange gains and losses on forward contracts on the statement of cash flows for the years ended

(in thousands)	Year ended December 31, 2020			Year ended December 31, 2019		
	Previously Reported	Adjustments	As Revised	Previously Reported	Adjustments	As Revised
Cash flows from operating activities:						
Adjustments to reconcile net income to net cash provided by operating activities:						
Unrealized foreign exchange losses (gains) for forward contracts	\$ —	\$ 84	\$ 84	\$ —	\$ (1,069)	\$ (1,069)
Changes in operating assets and liabilities:						
Other receivables, prepaid expenses, and other current assets	(3,684)	(84)	(3,768)	(4,771)	1,069	(3,702)
Accounts payable and accrued liabilities	5,468	8,067	13,535	(645)	(1,415)	2,060
Net cash provided by operating activities	50,806	8,067	58,873	45,204	(1,415)	43,789
Cash flows from investing activities:						
Purchase of property and equipment	(20,816)	(8,067)	(28,883)	(21,460)	1,415	(20,045)
Net cash used in investing activities	\$ (20,816)	\$ (8,067)	\$ (28,883)	\$ (21,460)	\$ 1,415	\$ (20,045)

F-17

Unexplained Revision In Key Operational Metric

Beware of stealth revisions to key operational metrics, especially when there were no changes to the definition of the key metric and the revisions make things look better. Why didn't TASK call out this revision?

Revised

	Year ended December 31, 2020	Year ended December 31, 2019	Full Year 2018
Key Operational Metrics:			
Headcount (approx. at period end)(1)	23,600	18,400	13,800
Net revenue retention rate(2)	117%	139%	121%

Source: [Final Prospectus](#), p. 87

Original

	Year ended December 31, 2019	Full Year 2018
Key Operational Metrics:		
ACV signings, in thousands (1)	\$ 178,943	\$ 205,664
Headcount (approx. at period end) (2)	18,400	13,800
Net revenue retention rate (3)	139%	118%

Source: [Draft Prospectus](#), p. 93

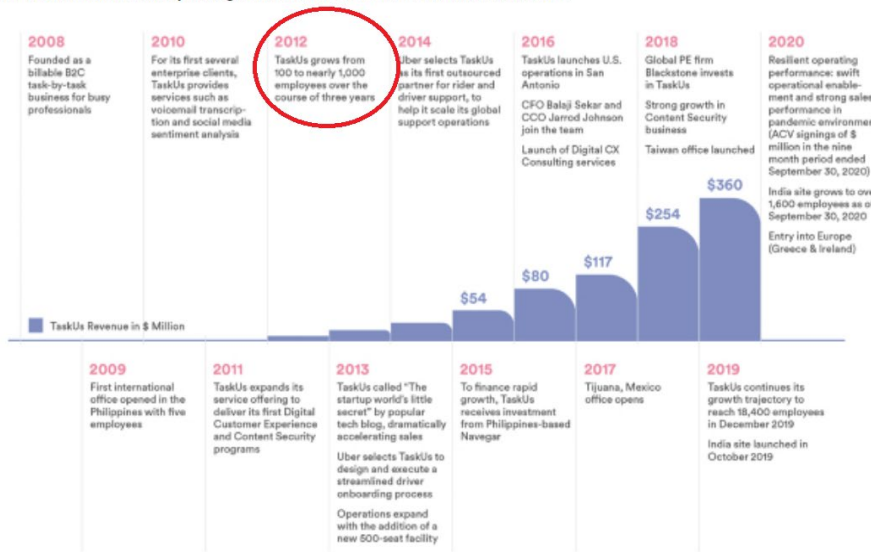


Problematic Workforce Claims: Part 1

In a chart filed in TASK's SEC prospectus, it claims growth to nearly 1,000 employees by 2012. However, other sources directly from the Company and CEO indicate a workforce closer to 270 – 400 at the same time period.

Chart Claims 1,000 employees in 2012

The below chart describes our history and growth in revenue since our launch in 2008.



Source: [SEC Draft Prospectus](#)

Corporate Circa 2013 Claims 270 Professionals

TaskUs NOT YET RATED

9 years ago



▶ 1,957 ♥ 0 📺 0 💬 0

TaskUs was founded in 2008 by two entrepreneurs who set out to build a successful business by providing internet companies with access to the best talent the globe had to offer.

TaskUs has grown to an organization of over 270 professionals with offices in Los Angeles and Manila. Today, the vision is to create thousands of high quality, sustainable jobs across the world to support the most exciting companies of tomorrow.

- taskus.com/

Source: [Vimeo Video](#), 9 yrs ago

CEO's Blog From Early 2013 Claims "over 400 FTEs"

Bryce Maddock is the Founder and CEO of TaskUs, a leading provider of outsourced customer support and Big Data services. TaskUs is the secret weapon behind countless internet companies. With the power of TaskUs fledgling startups are able to cut costs and scale rapidly, achieving a profitable and sustainable business model. Over the past three years, Maddock has grown TaskUs from a team of two founders working out of their garage to an international service provider with over 400 full time employees working at offices in Santa Monica and Manila, Philippines.

Source: CEO Blog, [Wayback Machine](#), Jan 2013



We find irrefutable evidence of financial reporting and control weaknesses. There is clear evidence that either TASK has historically embellished the size and scale of its business or made careless mistakes. The CEO claimed 15,000 employees worldwide in 2018, while numbers recently stated in the IPO prospectus claim 13,800.

	Year ended December 31, 2020	Year ended December 31, 2019	Full Year 2018
Key Operational Metrics:			
Headcount (approx. at period end)(1)	23,600	18,400	<u>13,800</u>
Net revenue retention rate(2)	117%	139%	121%

Source: [IPO Prospectus](#), p. 23

"2018 was the best year in TaskUs history"



"2018 was the best year in TaskUs history," said CEO Bryce Maddock. "Jaspar and I started this company with \$20,000 and a one room office in the Philippines; so, I am a bit awestruck by the accomplishments of our team this year, which include the Blackstone investment, being named one of the world's 100 best places to work by Glassdoor and growing to over 15,000 people worldwide. I am so proud of what the team has accomplished."

Source: "TaskUs Announces Meteoric Growth in 2018," Jan 24, 2019, [Businesswire](#)



We find troubling inconsistencies regarding the employee size of TASK's workforce in the 2016 period. Two sources confirm that TASK had between 4,500 and 5,000 employees at the end of 2015. Later, TASK said it hired 5,300 in 2016 to grow to 7,000 employees. However, this would have implied it started with 1,700 employees in 2015, well below the 4,500 – 5,000 claimed earlier. Did TASK experience sizeable turnover?

Multiple
References of
4,500 - 5,000
employees in
2015

If TaskUs
Hired 5,300 in
2016, It
Would Have
Had ~1,700
Employees In
2015 with No
Turnover

From 2 to 4,500 Employees: How A 29-Year-Old Entrepreneur Built The Startup All Startups Need

Published on November 18, 2015

Source: [CEO Coaching International](#)

Note: [Another source](#) says 5,000 employees in 2015

Wednesday, December 21, 2016

TaskUs Hires More Than 5,300 In 2016, Now At 7,000 Employees



Santa Monica-based digital outsourcing provider [TaskUs](#), led by Bryce Maddock and Jaspar Weir, said Tuesday evening that it hired over 5,300 employees in 2016, and now has more than 7,000 total employees spread across eleven different offices. The outsourcer, which provides back office services to many, major Internet services, app developers, and others, says it has increased its revenue by 410 percent over the last 2 years. Most of the employee base for TaskUs is outside of Santa Monica at overseas locations, with a large group of employees in the Philippines.

Source: [Businesswire](#)

Inconsistent Office And Country Claims



There are troubling consistencies with the reported office site counts and claims made by TaskUs. Its historic claim was 5 and 18 offices in 2017 and 2018. This has been revised in its SEC filings to 9 and 14 office sites, respectively.

SEC Filings Contradict Prior Claims Made By TaskUs

Year	Total Sites	Countries Entered	Total Countries
2017	9	1 (Mexico)	3
2018	14	1 (Taiwan)	4
2019	13	1 (India)	5
2020	18(1)	3 (Greece, Ireland, Colombia)	8

(1) Colombia operations and employees are currently virtual.

Source: [IPO Prospectus](#), p. 134

Office Claims Made From 2017-2018

- Over \$500M valuation
- Significant investment from Blackstone
- 15 awards: [Glassdoor Employees' Choice Award](#) 100 Best Places to Work, 6th year on Inc.'s "5000 Fastest Growing Companies" list, [Investors in People \(IIP\) Platinum Employer of the Year award](#), 3 Comparably Awards: Best Company Culture, Best CEO and Best Companies for Women
- 15,000 employees, up 87.5% from 2017
- 18 offices, up 5 from 2017

Source: "TaskUs Announces Meteoric Growth in 2018," Jan 24, 2019, [Businesswire](#)



Valuation And Downside Risk

Bulls Talk Up International Expansion Opportunities....



Beware of overly glowing “upside” carrots from sell-side brokers that haven’t fully explored past history...

Bullish Commentary on TASK’s International Operations

International just starting to scratch the surface. For the majority of its history, TASK has been a US client-based business primarily delivered from the Philippines. In 2016, the company opened its first operation outside the Philippines (in the US) after realizing many early-stage US companies wanted to outsource somewhere closer to home (i.e., near-shore). Since then, the company has started building a global delivery footprint in order to expand its business internationally (the main reason TASK loses business is a lack of local talent and/or specific language support). To counter this, we have seen recent expansion in Taiwan for Southeast Asian languages, in Colombia and Mexico for Spanish, and in Greece and Ireland for other European languages. As a result of these near-shore expansions, TASK’s business in EMEA, APAC, and LatAm has greatly improved, but is just starting to scratch the surface of a massive global opportunity

Next
Slide
Please

Source: “Call With Mgmt. Highlights Strength of Model, Portfolio Approach to Growth,” BTIG, Dec 20, 2021

TASK has been promoting its Latin America potential, notably Mexico since 2019. It talked of scaling to over 1,000 employees. Fast forward to 2021, its Mexico headcount is 40% below plan at 620. Furthermore, it appears that TASK has withdrawn from El Salvador, Nicaragua, and Guatemala. El Salvador is notable since it has been a progressive adopter of digital currencies such as Bitcoin and TASK claims to lead in the support of the digital economy. In 2016 an Inc. Magazine article claimed it would scale from three (3) to “hundreds of employees” in El Salvador.⁽¹⁾

2019
TaskUs
Director
Aaron Davis
on Mexico
and LATAM

*“When it comes to Latin America, the company, which already has nine partner centers in **El Salvador, Nicaragua, Guatemala**, and Colombia, has its sights firmly set on Mexico, opening its first office in Baja North in late November 2018.”*

*“We are excited to be operating in Latin America, a great complement to our global operations. Currently, our sights are focused on building up our presence in Mexico. **We are looking to build out our facilities to house over 1,000 teammates to support our current client base**, with room to support new business as well,” he said. The Baja North office currently has 300 full-time employees and is quickly growing.”*

Source: “TaskUs Bets on Mexico’s Culture Fit for LatAm Expansion,” [Nearshore Americas](#), Feb 4, 2019

Note: Davis later [replaced](#) with Diaz in Sept 2019

2019 Goal:
1,000 Mexico
Employees
Well Short at
620 in
March 2021

What
Happened to
El Salvador,
Nicaragua and
Guatemala?

As of March 31, 2021, we had approximately 27,500 employees worldwide. The following table sets forth the approximate number of employees by country:

Country	Number of Employees	Percent of Total
United States	4,020	15%
Philippines	19,190	70%
India	3,160	11%
Mexico	620	2%
Taiwan	280	1%
Greece	70	0.3%
Ireland	120	0.5%
Colombia(1)	40	0.2%
Total	27,500	100%

(1) Remote worksite opened December 2020, with employee onboarding beginning late December.

Source: [IPO Prospectus](#), p. 93

1) “Meet the Outsourcing Company Powering Some of the Web’s Hottest Startups,” [Inc. Magazine](#)

Bulls Talk Up Margin Expansion



The CEO is “confident” that TASK can improve margins to exceed 25% while a former executive interviewed by Spruce Point expressed doubt absent a real significant differentiator.

Bullish Commentary on TASK's Margins

Durable growth plus margin expansion. Mgmt. is confident it can maintain growth of 25% over the medium term (3-5 years) with its expanding universe of new logo targets and its existing customer base of clients that continues to grow aggressively. CEO Bryce Maddock emphasized that 25% is a baseline number and that TASK has many levers to pull on top of that (but still too early to provide formal guidance for 2022). In 2021, EBITDA margin should be ~24%, dipping to 23% in 2022 as a result of investments in sales and technology, but over the medium term, mgmt. is confident TASK can exceed 25%, with expansion being driven by greater leverage over fixed costs.

Source: “Call With Mgmt. Highlights Strength of Model, Portfolio Approach to Growth”, BTIG, Dec 20, 2021



Former TASK Executive Interviewed By Spruce Point

“I guess the question to really ask is what's the continuing value proposition in the world that has significantly changed? COVID-19 has made offices less of a focus, right? COVID-19 has made the world more work from home friendly. Certainly tech clients are on the edge of that type of transition. And so in a world where that's the case, what's the compelling reason to select TaskUs, and will they be able to continue to innovate with scale. Right? Which is the doom I think of many companies. I would be pressing for those answers, because for me, if I was in a long-term and, or a short position trying to navigate, I guess it would come down to whether or not I believed, there was a strong value proposition, which is going to allow the company to continue to differentiate and therefore drive margin. I think revenue is going to be pretty easy for them to drive, but I think margin is the one that I really question, if they don't have a significant differentiator.”

TASK's Current Capital Structure

Current market data providers and analyst models fail to adjust TASK's balance sheet for leases. Most companies have adopted ASU 2016-02, Leases (Topic 842) and recorded leases on balance sheet, while TASK still says it is evaluating the impact of adoption. We adjust our enterprise value for operating leases disclosed as of 12/31/20 which is likely understand due to the announcement of new planned expansions in late 2021.⁽¹⁾

Spruce Point Adjusted Enterprise Value

\$ in mm, except shares	TASK	Spruce Point Adjustments	Pro Forma Capital Structure
Stock Price US\$	\$35.59	--	\$35.59
Basic and Diluted ⁽²⁾	109.4	--	109.4
Market Capitalization	\$3,894.5	--	\$3,894.5
Current Term Loan	\$9.9	--	\$9.9
\$90m Revolving Facility	\$39.9	--	\$39.9
Operating Lease Liability	--	\$12.6	\$12.6
Total Short-Term Debt	\$49.8	\$12.6	\$62.4
Long-Term Operating Lease	--	\$19.6	\$19.6
Term Loan Due 2024	\$191.0	--	\$191.0
Total Debt Outstanding	\$240.9	\$19.6	\$273.1
Less: Cash and Equivalents	\$61.3	--	\$61.3
Enterprise Value	\$4,074.0	--	\$4,106.2

Source: Spruce Point Analysis

1) Source: [TaskUs press release](#)

2) Includes options, RSUs and PSUs

Market Data Providers Ignore Leases In For Total Debt

In Millions of USD 12 Months Ending	Current/LTM 09/30/2021
 Market Capitalization	3,462.6
 - Cash & Equivalents	61.3
 + Preferred & Other	0.0
 + Total Debt	240.9
 Enterprise Value	3,642.1

Balance Sheet

Total Cash (mrq)	61.33M
Total Cash Per Share (mrq)	0.63
Total Debt (mrq)	240.86M

Source: Yahoo! Finance and Bloomberg

We Believe TASK Trades At An Irrational Premium To Its Peers

\$ in mm, except per share figures

Name (Ticker)	Stock Price 1/19/2022	Adj Ent. Value	2022E			Sales Growth '21E-'22E	EV / Sales		EV / EBITDA		Price / Earnings		EV/OCF 2022E	Net Debt / 2022E EBITDA
			Gross Margin	OCF Margin	EBITDA Margin		2022E	2023E	2022E	2023E	2022E	2023E		
IT Outsourced														
Accenture (ACN)	\$344.37	\$220,511	32.2%	15.9%	18.8%	9.1%	3.6x	3.3x	19.1x	17.5x	31.5x	28.4x	21.3x	-0.1x
Genpact (G)	\$50.89	\$10,926	35.8%	14.2%	18.1%	9.9%	2.5x	2.0x	13.8x	12.2x	19.0x	16.7x	17.5x	1.4x
CapGemini (CAP FP)	\$233.03	\$46,956	26.9%	11.2%	16.1%	8.6%	2.1x	1.7x	13.1x	12.0x	21.1x	18.6x	18.8x	1.9x
Cognizant Tech (CTSH)	\$86.18	\$44,593	37.3%	13.9%	18.6%	8.4%	2.2x	2.1x	11.9x	11.1x	19.2x	17.2x	15.9x	-0.2x
EPAM Systems (EPAM)	\$493.16	\$28,156	34.5%	14.6%	19.4%	30.6%	5.8x	4.8x	29.8x	23.6x	43.7x	34.4x	39.6x	-1.1x
Globant (GLOB)	\$238.70	\$9,859	39.5%	12.4%	20.2%	29.0%	6.0x	4.9x	29.7x	24.2x	55.5x	43.4x	48.2x	-1.1x
			39.5%	15.9%	20.2%	30.6%	6.0x	4.9x	29.8x	24.2x	55.5x	43.4x	48.2x	1.9x
			34.4%	13.7%	18.5%	15.9%	3.7x	3.1x	19.6x	16.8x	31.7x	26.5x	26.9x	0.1x
			26.9%	11.2%	16.1%	8.4%	2.1x	1.7x	11.9x	11.1x	19.0x	16.7x	15.9x	-1.1x
Customer Experience Focused														
Teleperformance (TEP FP)	\$395.83	\$26,279	33.0%	13.3%	21.3%	8.1%	3.1x	2.5x	14.4x	13.2x	26.8x	24.1x	23.1x	1.7x
Concentrix (CNXC)	\$169.11	\$11,088	36.0%	10.6%	15.6%	9.8%	1.7x	1.2x	10.8x	9.6x	14.8x	13.3x	15.8x	2.2x
Telus Int'l (TIXT)	\$28.71	\$8,769	38.0%	17.9%	24.9%	16.4%	3.4x	2.7x	13.8x	11.9x	24.2x	19.9x	19.2x	1.6x
Exlservice Holdings (EXLS)	\$126.48	\$4,332	37.6%	16.1%	20.7%	10.8%	3.5x	3.2x	16.9x	15.3x	25.7x	23.4x	21.7x	0.0x
WNS Holdings Ltd (WNS)	\$87.28	\$4,330	37.1%	19.8%	26.5%	11.7%	3.9x	3.5x	14.7x	13.3x	24.2x	21.9x	19.1x	-0.2x
TTEC Holdings (TTEC)	\$78.32	\$4,558	26.6%	NA	15.7%	10.0%	1.8x	1.4x	11.7x	10.6x	16.3x	15.0x	NA	2.2x
Majorel (MAJ NA)	\$29.50	\$2,934	NA	10.3%	16.1%	7.7%	1.4x	1.2x	8.6x	7.5x	17.4x	15.2x	13.4x	0.0x
TDCX Inc (TDCX)	\$14.00	\$1,986	29.0%	NA	30.8%	28.1%	3.8x	3.1x	12.4x	10.1x	20.4x	16.1x	NA	-0.4x
Appen Ltd (APX AU)	\$7.54	\$885	41.2%	12.0%	18.8%	10.1%	1.8x	1.7x	9.5x	8.5x	19.6x	16.6x	14.9x	-0.5x
		Max	41.2%	19.8%	30.8%	28.1%	3.9x	3.5x	16.9x	15.3x	26.8x	24.1x	23.1x	2.2x
		Average	34.8%	14.3%	21.2%	12.5%	2.7x	2.3x	12.5x	11.1x	21.1x	18.4x	18.2x	0.7x
		Min	26.6%	10.3%	15.6%	7.7%	1.4x	1.2x	8.6x	7.5x	14.8x	13.3x	13.4x	-0.5x
TaskUs (TASK)	\$35.67	\$4,082	43.1%	17.0%	23.0%	27.5%	4.3x	3.4x	18.6x	14.6x	27.4x	21.6x	25.2x	0.8x
SP Adjusted	\$35.67	\$4,114	42.8%	12.0%	22.3%	23.0%	4.4x	3.6x	20.0x	16.9x	29.8x	25.1x	37.0x	1.0x

Spruce Point Estimates 25% - 50% Downside

Spruce Point believes there is significant downside to TASK's share price as the Company is overvalued on both its revenue and EBITDA multiple and should trade at best in-line with peer valuations, and at worse a material discount to reflect the numerous concerns we've documented in our report including substandard disclosures, and evidence of increased financial pressures with its largest customer Facebook.

Calendar Year Estimates \$ in millions, except per share data	Revenue Multiple		EBITDA Multiple		Spruce Point Observations
	Spruce Point Low Case	Base Case	Spruce Point Low Case	Base Case	
2022E Revenue / EBITDA growth / margin	\$915 +22%	\$938 +25%	\$201 22.0%	\$211 22.5%	Market consensus is for 27% revenue growth, even ahead of management's 25% claim. Former marketing employee claims low to mid 20% is more realistic. 68% of employees in Philippine's where wage pressure est +5.6%. However, our intel suggests even greater wage pressure 2x headline figures. 13% of employees are in India with +9.3% wage pressures. We expect further pressure from Facebook
Multiple Range	2.5x	3.4x	13.0x	14.0x	At best, TASK should trade in-line, to a discount to peers, not at a premium multiple. Former employees 1 and 2 interviewed indicate margin pressure will be a major issue
2022E Enterprise Value	\$2,288	\$3,188	\$2,617	\$2,953	
Less: Total Debt	(\$273)	(\$273)	(\$273)	(\$273)	We adjust for capital leases
Plus: Cash and Equivalents	\$61	\$61	\$61	\$61	
Equity Value	\$2,016	\$2,916	\$2,345	\$2,681	
Diluted Shares (millions)	109.4	109.4	109.4	109.4	Factor in options, RSUs, PSUs
Implied Share Price	\$18.42	\$26.65	\$21.43	\$24.51	
Upside / (Downside)	(48%)	(25%)	(40%)	(31%)	

Market data as of 1/18/22. Downside based on current share price of \$35.60
 Source: Company financials, Spruce Point research



Attractive Longs To Hedge

Spruce Point Favors Majorel And Concentrix As Relative Value Longs. Less Risk, More Upside Potential

Spruce Point generally likes the BPO space tied to the digital company, but believes there are better horses to bet on with more attractive relative value and lower risk. Specifically, Spruce Point favors Concentrix and Majorel and is long both securities, while being short TASK.

\$ in mm	Majorel MAJ	Concentrix CNXC	TaskUs TASK
Situation	Underfollowed European IPO in 2021	Underfollowed Spinoff from 2020	Highly Promoted PE-Backed And Problematic U.S. 2021 "Tech" IPO
LTM Reported Revenues	Eur 1,556 (\$1,855)	\$5,423	\$672
Revenue Growth Rate Target	Low Teens	Mid Teens	Minimum 25%
EBITDA Margin Target	19%	16%	25%
Free Cash Flow Margin	8%	9%	-9%
Current Customers	400+	750+	100+
Customer Concentration Risk:			
Top Customer	8%	--	28%
Top 2 Customers	--	--	33%
Top 5 Customers	34%	~26%	--
Top 10 Customers	50%	~38%	74%
Top 20 Customers	70%	--	84%
Employees	66,800+	270,000+	35,600
Revenue Per Employee	\$27,782	\$20,007	\$22,766
High Growth Digital Client Exposure	44% with near term 50% target	60% ⁽¹⁾	100%
Countries / Continents	34 / 5	40 / 6	8 / 4
Net Debt / '22E EBITDA	0.0x	2.2x	1.0x
Capital Return Policy	Intends to pay a dividend of 30%-50% of group profit for the prior year	1% Dividend Yield \$500m buyback	None
Valuation			
EV / 2022E Sales	1.4x	1.7x	4.4x
EV / 2022E EBITDA	8.6x	10.8x	20.0x
Other Considerations	Proven acquiror. Underfollowed with only 3 analysts. Bertelsmann and Saham own 80%	Proven acquiror, beating and raising numbers. Investor Day coming up on Jan 25th	Lock-up expired. Sponsor Blackstone is a ~65% owner and likely a seller. Financial strain from largest customer Facebook

Despite both JP Morgan and Goldman Sachs covering TASK and Majorel, completely different analyst and coverage teams follow each stock. We believe this leads to a misunderstanding of the merits of owning Majorel relative to TASK. On the other hand, Concentrix is uncovered by the major brokers, which we like because there really is no informed “consensus” view. We believe Concentrix is firing on all cylinders having recently initiated a dividend and authorized a \$500m stock repurchase program to increase shareholder value. As such, we expect Concentrix to continue posting strong performance and narrow its valuation gap.

Broker / Promoter	Majorel MAJ	TaskUs TASK	Concentrix CNXC
JP Morgan	Erik Salz / Oscar Val Mas: € 38.50	Puneet Jain: \$78.00 / Buy	--
Goldman Sachs	Suhasini Varanasi: € 37.50	Brian Essex: \$77.00 / Buy	--
Baird	--	D. Koning: \$74.00 / Outperform	--
BTIG	--	Matt VanVliet: \$70.00 / Buy	--
RBC	--	D. Perlin: \$62.00 / Outperform	--
Morgan Stanley	--	James Faucette: \$60.00 / Overweight	--
William Blair	--	--	--
BNP Paribas	Laurent Gelebart: € 41.50	--	--
Cross Research	--	--	S. Cross: \$225 / Buy
Barrington Research	--	--	V. Colicchio: \$202 / Buy

Source: Bloomberg

Concentrix's Fantastic Q4 And 2022E Outlook

On [January 18, 2022](#) Concentrix provided its full year 2021 financial results, and provided an outlook for 2022. The Company beat both quarterly revenue and EPS estimates, which came in at the high end of its guidance. Furthermore, Concentrix provided 2022E guidance well above street estimates with revenue growth of 9% - 12% that is above the underlying market. The Company has its Investor Day on January 25th and will provide more detail. The Company expects to focus on deleveraging the PK acquisition and the dividend in 2022 with added remove for stock repurchases.

Increasing
Cash Flow By
Lowering
Capex

Going fwd 2022: "Moving forward, we expect capital expenditures to approximate 3% of revenue."

Prior 2021: "We continue to expect capital expenditures for the full year to be in the range of 3.5% to 4% of revenue."

\$ in mm except per share figures	Sales	Adj EPS	Operating Income
Q4 2021 Street Estimate	\$1.46	\$2.71	\$202.5
Q4 2021 Actual	\$1.47	\$2.99	\$203.4 13.9%
% Beat	1%	10%	0.4%
FY 2022E Outlook	\$6,450 – \$6,600	NA	\$890 - \$930 13.8% - 14.1%
FY 2022E Street Estimate	\$6,160	NA	NA
% Beat	+6%	NA	NA

Source: Concentrix and Bloomberg consensus

Spruce Point Estimates 20% - 60% Upside Potential With Concentrix (CNXC)



Spruce Point believes there is significant upside to Concentrix's share price as it continues its transition to higher value-added clients with differentiated technology solutions. Shares are underfollowed and the stock is not currently being promoted by any major US sell-side brokerage firms. We're looking forward to the Investor Day on Jan 25th

Calendar Year Estimates \$ in millions, except per share data	Revenue Multiple		EBITDA Multiple		Spruce Point Observations
	Base (Market) Case	Upside Case	Base (Market) Case	Upside Case	
2022E Revenue / EBITDA growth / margin	\$6,535 +9%	\$6,690 +11%	\$1,106 15.5%	\$1,046 15.6%	Market fails to appreciate the recent acquisition of PK leading global CX design engineering company. Technology solutions become a critical success factor to differentiate service offerings
Multiple Range	2.0x	2.5x	13.0x	14.0x	Narrows discount to peers
2022E Enterprise Value	\$13,070	\$16,726	\$13,206	\$14,644	
Less: Total Debt	(\$2,966)	(\$2,966)	(\$2,966)	(\$2,966)	
Plus: Cash and Equivalents	\$674	\$674	\$674	\$674	
Equity Value	\$10,719	\$14,375	\$10,854	\$12,293	
Diluted Shares (millions)	51.9	51.9	51.9	51.9	
Implied Share Price	\$206.53	\$276.97	\$209.13	\$236.86	
Upside / (Downside)	+22%	+64%	+24%	+40%	

Market data as of 1/19/22. Upside based on current share price of \$169.12

Source: Company financials, Bloomberg consensus estimates, Spruce Point research

Note: Capital structure pro forma for PK acquisition

Spruce Point Estimates 35% - 70% Upside Potential With Majorel (MAJ NA)



Spruce Point believes there is significant upside to Majorel's share price as it also transitions to higher value-added clients with differentiated technology solutions. Shares are underfollowed and the Company intends to initiate a dividend which should help it attract income and GARP oriented investors.

Calendar Year Estimates \$ in millions, except per share data	Revenue Multiple		EBITDA Multiple		Spruce Point Observations
	Base (Market) Case	Upside Case	Base (Market) Case	Upside Case	
2022E Revenue / EBITDA growth / margin	€1,863 +7%	€1,919 +10%	€300 16.1%	€315 16.4%	We assume limited to no outperformance relative to consensus projections
Multiple Range	2.0x	2.3x	12.0x	14.0x	Narrows discount to peers
2022E Enterprise Value	€3,726	€4,413	€3,600	€4,410	
Less: Total Debt	(€246)	(€246)	(€246)	(€246)	Includes €46m of pension obligations
Plus: NCI	€5	€5	€5	€5	
Plus: Cash and Equivalents	€223	€223	€223	€223	
Equity Value	€3,648	€4,336	€3,522	€4,332	
Diluted Shares (millions)	100	100	100	100	
Implied Share Price	€36.48	€43.36	€35.22	€43.32	
Upside / (Downside)	+40%	+67%	+35%	+67%	

Market data as of 1/19/22. Upside based on current share price of €26.00
 Source: Company financials, Spruce Point research