ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition and results of operations as of, and for, the periods presented. You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and notes thereto included elsewhere in this report and in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2020, in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission ("SEC") on February 26, 2021 (our "2020 Form 10-K"). This discussion and analysis contains forward-looking statements, including statements regarding industry outlook, our expectations for the future of our business, and our liquidity and capital resources as well as other non-historical statements. These statements are based on current expectations and are subject to numerous risks and uncertainties, including but not limited to the risks and uncertainties described in Part II, Item 1A, "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." Our actual results may differ materially from those contained in or implied by these forward-looking statements. Any reference to a "Note" in this discussion relates to the accompanying notes to the unaudited condensed consolidated financial statements included elsewhere in this report unless otherwise indicated.

Overview

Ceridian is a global human capital management ("HCM") software company. We categorize our solutions into two categories: Cloud and Bureau solutions. Cloud revenue is generated from HCM solutions that are delivered via two cloud offerings: Dayforce, our flagship cloud HCM platform, and Powerpay, a cloud human resources ("HR") and payroll solution for the Canadian small business market. We also continue to support customers using our legacy North America Bureau solutions, which we generally stopped actively selling to new customers following the acquisition of Dayforce in 2012, and customers using our acquired Bureau solutions. We invest in maintenance and necessary updates to support our Bureau customers and continue to migrate them to Dayforce. Revenue from our Cloud and Bureau solutions include an allocation of investment income generated from holding customer funds before funds are remitted to taxing authorities, also referred to as float revenue or float.

Dayforce provides HR, payroll, benefits, workforce management, and talent management functionality. Our platform is used by organizations, regardless of industry or size, to optimize management of the entire employee lifecycle, including attracting, engaging, paying, deploying, and developing their people. Dayforce was built as a single application from the ground up that combines a modern, consumer-grade user experience with proprietary application architecture, including a single employee record and a rules engine spanning all areas of HCM. Dayforce provides continuous real-time calculations across all modules to enable, for example, payroll administrators access to data through the entire pay period, and managers access to real-time data to optimize work schedules. Our platform is designed to make work life better for our customers and their employees by improving HCM decision-making processes, streamlining workflows, revealing strategic organizational insights, and simplifying legislative compliance. The platform is designed to ease administrative work for both employees and managers, creating opportunities for companies to increase employee engagement. We are a founder-led organization, and our culture combines the agility and innovation of a start-up with a history of deep domain and operational expertise.

In the first half of 2020, we launched the Dayforce Wallet in the U.S. and followed that with the launch in Canada in 2021. The Dayforce Wallet gives our customers' employees greater control over their financial well-being by providing them with instant access to their earnings. This on-demand pay feature allows employees more choice over when they get paid by making any day payday.

Dayforce Wallet enables workers to access their already-earned wages anytime during the pay period, net of taxes, withholdings and other payroll deductions. Leveraging Dayforce's continuous pay calculations, Dayforce Wallet processes a same-day payroll each time a worker requests their pay. The solution is compliant with federal, state, and local remittances and requires no changes to employers' payroll processing including the funding, timing, and close-out of pay. The on-demand wages are loaded onto a paycard, which customers' employees can use anywhere credit or debit cards are accepted, generating interchange fee revenue.

We sell Dayforce through our direct sales force on a subscription per-employee, per-month ("PEPM") basis. Our subscriptions are typically structured with an initial fixed term of between three and five years, with evergreen renewal thereafter. Dayforce can serve customers of all sizes, ranging from 100 to over 100,000 employees. We have rapidly grown the Dayforce platform to 5,164 live Dayforce customers as of June 30, 2021. For the three and six months ended June 30, 2021, we added 125 and 258 net new live Dayforce customers, respectively.

Our Business Model

Our business model focuses on supporting the rapid growth of Dayforce and maximizing the lifetime value of our Dayforce customer relationships. Due to our subscription model, where we recognize subscription revenues ratably over the term of the subscription period, and high customer retention rates, we have historically had a high level of visibility into our future revenues. The profitability of a customer depends, in large part, on how long they have been a customer. We estimate that it takes approximately two years before we are able to recover our implementation, customer acquisition, and other direct costs on a new Dayforce customer contract.

Over the lifetime of the customer relationship, we have the opportunity to realize additional PEPM revenue, both as the customer grows or rolls out the Dayforce solution to additional employees, and also by selling additional functionality to existing customers that do not currently utilize our full platform. We also incur costs to manage the account, to retain customers, and to sell additional functionality. These costs, however, are significantly less than the costs initially incurred to acquire and to implement the customer.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) to be a pandemic. The global spread of the COVID-19 pandemic has continued to create global volatility, uncertainty, and economic disruption. We have experienced and may continue to experience curtailed customer demand, primarily as a result of declining employment levels at our customers in certain sectors, such as retail and hospitality, as well as lower customer utilization of professional services, due to the effects of the COVID-19 pandemic. Additionally, the federal funds rate cuts by the U.S. Federal Reserve and the overnight rate target by the Bank of Canada have had and will continue to have negative effects on our float revenue. The broader implications of the pandemic on our results of operations and overall financial performance remain uncertain. Please refer to the "Results of Operations" section below for further discussion of the financial impacts of the COVID-19 pandemic during the three and six months ended June 30, 2021.

Recent Events

On April 30, 2021, we acquired 100% of the outstanding shares of O5 Systems, Inc. dba Ideal ("Ideal"), a talent intelligence software provider based in Toronto, Ontario for $41.3 million. The financial results of Ideal have been included in our consolidated results of operations from the acquisition date forward and are classified as a Cloud solution based on nature of services provided.

On March 1, 2021, we completed the purchase of 100% of the outstanding shares of Ascender HCM Pty Ltd ("Ascender"), a payroll and HR solutions provider in the Asia Pacific Japan region, for $359.6 million. The financial results of Ascender have been included in our consolidated results of operations from the acquisition date forward and are classified within both Cloud and Bureau solutions based on nature of services provided.

In March 2021, we issued $575.0 million in aggregate principal amount of 0.25% Convertible Senior Notes due 2026 (the "Notes"), including the exercise in full by the initial purchasers of the Notes of their option to purchase an additional $75.0 million principal amount of the Notes.

On May 29, 2020, we completed the purchase of 100% of the outstanding shares of Excelity Global Solutions Pte. Ltd. ("Excelity") for $77.2 million. Excelity is a payroll and HR solutions provider in the Asia Pacific region.

How We Assess Our Performance

In assessing our performance, we consider a variety of performance indicators in addition to revenue and net income. Set forth below is a description of our key performance measures.

Live Dayforce Customers

We use the number of customers live on Dayforce as an indicator of future revenue and the overall performance of the business and to assess the performance of our implementation services. We had 5,164 customers live on Dayforce as of June 30, 2021, compared to 4,603 customers live on Dayforce as of June 30, 2020.

Constant Currency Revenue

We present revenue on a constant currency basis to assess how our underlying business performed, excluding the effect of foreign currency rate fluctuations. We believe this non-GAAP financial measure is useful to management and investors. We have calculated revenue on a constant currency basis by applying the average foreign exchange rate in effect during the comparable prior period. The average U.S. dollar to Canadian dollar foreign exchange rate was $1.23, with a daily range of $1.20 to$1.26, for the three months ended June 30, 2021, compared to $1.39, with a daily range of $1.34 to $1.42 for the three months ended June 30, 2020. As of June 30, 2021, the U.S. dollar to Canadian dollar foreign exchange rate was $1.24.

Adjusted EBITDA and Adjusted EBITDA margin

We believe that Adjusted EBITDA and Adjusted EBITDA margin, non-GAAP financial measures, are useful to management and investors as supplemental measures to evaluate our overall operating performance. Adjusted EBITDA and Adjusted EBITDA margin are components of our management incentive plan and are used by management to assess performance and to compare our operating performance to our competitors. We define Adjusted EBITDA as net income or loss before interest, taxes, depreciation, and amortization, as adjusted to exclude foreign exchange gain (loss), share-based compensation expense and related employer taxes, severance charges, restructuring consulting fees, and certain other non-recurring charges. Adjusted EBITDA margin is determined by calculating the percentage that Adjusted EBITDA is of total revenue. Management believes that Adjusted EBITDA and Adjusted EBITDA margin are helpful in highlighting management performance trends because Adjusted EBITDA and Adjusted EBITDA margin exclude the results of decisions that are outside the normal course of our business operations. Please refer to the “Results of Operations” section below for a discussion of Adjusted EBITDA and Adjusted EBITDA margin.

Results of Operations

Three Months Ended June 30, 2021 Compared With Three Months Ended June 30, 2020

	Three Months Ended June 30,		Increase/ (Decrease)		% of Revenue	
	2021	2020	Amount	%	2021	2020
	(Dollars in millions)					
Revenue:						
Recurring						
Cloud	$ 171.1	$ 134.7	$ 36.4	27.0%	68.3%	69.9%
Bureau	37.0	24.4	12.6	51.6%	14.8%	12.7%
Total recurring	208.1	159.1	49.0	30.8%	83.1%	82.6%
Professional services and other	42.3	33.5	8.8	26.3%	16.9%	17.4%
Total revenue	250.4	192.6	57.8	30.0%	100.0%	100.0%
Cost of revenue:						
Recurring						
Cloud	47.9	39.4	8.5	21.6%	19.1%	20.5%
Bureau	17.5	9.9	7.6	76.8%	7.0%	5.1%
Total recurring	65.4	49.3	16.1	32.7%	26.1%	25.6%
Professional services and other	47.3	37.9	9.4	24.8%	18.9%	19.7%
Product development and management	31.8	17.0	14.8	87.1%	12.7%	8.8%
Depreciation and amortization	13.8	9.8	4.0	40.8%	5.5%	5.1%
Total cost of revenue	158.3	114.0	44.3	38.9%	63.2%	59.2%
Gross profit	92.1	78.6	13.5	17.2%	36.8%	40.8%
Selling, general, and administrative	111.8	74.6	37.2	49.9%	44.6%	38.7%
Operating (loss) profit	(19.7)	4.0	(23.7)	(592.5)%	(7.9)%	2.1%
Interest expense, net	9.9	6.6	3.3	50.0%	4.0%	3.4%
Other expense, net	8.2	0.3	7.9	2633.3%	3.3%	0.2%
Loss before income taxes	(37.8)	(2.9)	(34.9)	(1203.4)%	(15.1)%	(1.5)%

Income tax benefit	(12.0)	(8.4)	(3.6)	(42.9)%	(4.8)%	(4.4)%
Net (loss) income	$ (25.8)	$ 5.5	$ (31.3)	(569.1)%	(10.3)%	2.9%
Adjusted EBITDA (a)	$ 39.9	$ 37.5	$ 2.4	6.4%	15.9%	19.5%
Adjusted EBITDA margin (a)	15.9%	19.5%	(3.6)%	(18.5)%		

(a) Please refer to the "Non-GAAP Measures" section for a discussion and reconciliation of Adjusted EBITDA and Adjusted EBITDA margin, non-GAAP financial measures.

Revenue. The following table sets forth certain information regarding our revenues for the periods presented:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Percentage change in revenue as reported 2021 vs. 2020	Impact of changes in foreign currency (a)	Percentage change in revenue on constant currency basis (a) 2021 vs. 2020
	(Dollars in millions)				
Revenue:					
Dayforce recurring, excluding float	$ 143.1	$ 110.2	29.9%	3.3%	26.6%
Dayforce float	7.5	8.3	(9.6)%	3.7%	(13.3)%
Total Dayforce recurring	150.6	118.5	27.1%	3.3%	23.8%
Powerpay recurring, excluding float	18.5	14.4	28.5%	14.6%	13.9%
Powerpay float	2.0	1.8	11.1%	11.1%	(—)%
Total Powerpay recurring	20.5	16.2	26.5%	14.2%	12.3%
Total Cloud recurring	171.1	134.7	27.0%	4.6%	22.4%
Dayforce professional services and other	38.0	33.0	15.2%	4.0%	11.2%
Powerpay professional services and other	0.3	0.2	50.0%	(—)%	50.0%
Total Cloud professional services and other	38.3	33.2	15.4%	4.0%	11.4%
Total Cloud revenue	209.4	167.9	24.7%	4.4%	20.3%
Bureau recurring, excluding float	36.1	23.0	57.0%	2.2%	54.8%
Bureau float	0.9	1.4	(35.7)%	7.2%	(42.9)%
Total Bureau recurring	37.0	24.4	51.6%	2.4%	49.2%
Bureau professional services and other	4.0	0.3	1,233.3%	(—)%	1,233.3%
Total Bureau revenue	41.0	24.7	66.0%	2.4%	63.6%
Total revenue	$ 250.4	$ 192.6	30.0%	4.2%	25.8%
Dayforce	$ 188.6	$ 151.5	24.5%	3.4%	21.1%
Powerpay	20.8	16.4	26.8%	14.0%	12.8%
Total Cloud revenue	$ 209.4	$ 167.9	24.7%	4.4%	20.3%
Dayforce, excluding float	$ 181.1	$ 143.2	26.5%	3.5%	23.0%
Powerpay, excluding float	18.8	14.6	28.8%	14.4%	14.4%
Cloud revenue, excluding float	199.9	157.8	26.7%	4.5%	22.2%
Cloud float	9.5	10.1	(5.9)%	5.0%	(10.9)%
Total Cloud revenue	$ 209.4	$ 167.9	24.7%	4.4%	20.3%

(a) We have calculated revenue on a constant currency basis by applying the average foreign exchange rate in effect during the comparable prior period.

The COVID-19 pandemic has had an adverse impact on our revenue streams during the three months ended June 30, 2021, primarily in the form of lower employment levels at our customers, lower float revenue resulting from reductions in the U.S. Federal Reserve federal funds rate and the Bank of Canada overnight rate target, lower average float balances for our customer funds, and lower demand for professional services, among other effects. We estimate the impact of lower employment levels at our customers was an approximately $7.5 million decline to our revenue for the three months ended June 30, 2021, of which approximately $6 million was related to Dayforce and approximately $1.5 million was related to Powerpay.

Total revenue increased $57.8 million, or 30.0%, to $250.4 million for the three months ended June 30, 2021, compared to $192.6 million for the three months ended June 30, 2020. This increase was primarily attributable to an increase in Cloud revenue of

$41.5 million, or 24.7%, from $167.9 million for the three months ended June 30, 2020, to $209.4 million for the three months ended June 30, 2021. Bureau revenue increased $16.3 million, which included $16.8 million of Ascender revenue and $7.2 million of Excelity revenue for the three months ended June 30, 2021. The Cloud revenue increase was driven by an increase of $36.4 million, or 27.0%, in Cloud recurring revenue and an increase of $5.1 million, or 15.4%, in Cloud professional services and other revenue.

Excluding float revenue and on a constant currency basis, total revenue grew 28.4%, reflecting an 22.2% increase in Cloud revenue and a 70.0% increase in Bureau revenue. Excluding float revenue and on a constant currency basis, Cloud revenue growth reflected a 25.1% increase in Cloud recurring revenue and a 11.4% increase in Cloud professional services and other revenue.

Dayforce revenue increased 24.5%, and Powerpay revenue increased 26.8% for the three months ended June 30, 2021, as compared to the three months ended June 30, 2020. For the three months ended June 30, 2021, Ascender revenue included within Dayforce revenue was $6.1 million. Excluding float revenue and on a constant currency basis, Dayforce revenue increased 23.0%, reflecting a 26.6% increase in Dayforce recurring revenue and an 11.2% increase in Dayforce professional services and other revenue. Excluding float revenue and on a constant currency basis, Powerpay revenue increased 14.4%.

Float revenue included in recurring revenue was $10.4 million and $11.5 million for the three months ended June 30, 2021, and 2020, respectively. Float revenue associated with Cloud revenue was $9.5 million and $10.1 million for the three months ended June 30, 2021, and 2020, respectively. The average float balance for our customer funds for the three months ended June 30, 2021, was $3,771.0 million, compared to $2,976.6 million for the three months ended June 30, 2020, an increase of 26.7%. On a constant currency basis, the average float balance for our customer funds for the three months ended June 30, 2021, increased 21.4% compared to the three months ended June 30, 2020. The average yield was 1.11% during the three months ended June 30, 2021, a decline of 44 basis points compared to the average yield during the three months ended June 30, 2020. For the three months ended June 30, 2021, approximately 37% of our average float balance consisted of international customer funds, compared to approximately 34% for the three months ended June 30, 2020.

Cost of revenue. Total cost of revenue for the three months ended June 30, 2021, was $158.3 million, an increase of $44.3 million, or 38.9%, compared to the three months ended June 30, 2020. Recurring cost of revenue for the three months ended June 30, 2021, increased $16.1 million, or 32.7%, compared with the three months ended June 30, 2020, primarily due to additional costs related to global expansion, including Ascender costs classified among both Cloud and Bureau and Excelity costs classified as Bureau, and costs to support the growing Dayforce customer base. Professional services and other cost of revenue increased $9.4 million, or 24.8%, for the three months ended June 30, 2021, compared to the three months ended June 30, 2020, primarily due to additional costs incurred to take new customers live.

Product development and management expense increased $14.8 million for the three months ended June 30, 2021, compared to the three months ended June 30, 2020. The increase reflects additional personnel costs and Dayforce product development efforts as well as additional share-based compensation and severance costs. For the three months ended June 30, 2021, and 2020, our investment in software development was $33.1 million and $17.0 million, respectively, consisting of $18.8 million and $7.6 million, of research and development expense, which is included within product development and management expense, and $14.3 million and $9.4 million in capitalized software development costs, respectively.

Depreciation and amortization expense associated with cost of revenue increased by $4.0 million for the three months ended June 30, 2021, compared to the three months ended June 30, 2020, as we continue to capitalize Dayforce related and other development costs and subsequently to amortize these costs.

Gross profit. The following table presents total gross margin and solution gross margins for the periods presented:

	Three Months Ended June 30,	
	2021	2020
Total gross margin	36.8%	40.8%
Gross margin by solution:		
Cloud recurring	72.0%	70.7%
Bureau recurring	52.7%	59.4%
Professional services and other	(11.8)%	(13.1)%

Total gross margin is defined as total gross profit as a percentage of total revenue, inclusive of product development and management costs, as well as depreciation and amortization associated with cost of revenue. Gross margin for each solution in the table above is defined as total revenue less cost of revenue for the applicable solution as a percentage of total revenue for that related solution, exclusive of any product development and management or depreciation and amortization cost allocations.

Total gross margin for the three months ended June 30, 2021, declined 400 basis points compared to total gross margin for the three months ended June 30, 2020, and gross profit increased by $13.5 million, or 17.2% as we continued developing and expanding our service offerings.

Cloud recurring gross margin was 72.0% for the three months ended June 30, 2021, compared to 70.7% for the three months ended June 30, 2020. Excluding float revenue, Cloud recurring gross margin improved 200 basis points for the three months ended June 30, 2021, compared to the three months ended June 30, 2020. The increase in Cloud recurring gross margin, excluding float revenue, reflects an increase in the proportion of Dayforce customers live for more than two years, which increased from 72% as of June 30, 2020, to 78% as of June 30, 2021, and was also attributable to consistent configuration that has enabled us to continue to realize economies of scale in hosting and customer support. Bureau recurring gross margin declined from 59.4% for the three months ended June 30, 2020, to 52.7% for the three months ended June 30, 2021, reflecting lower associated float revenue and a higher proportion of customer support costs to support the end-of-life of our legacy Bureau payroll products, as well as lower margins on acquired Bureau products for Excelity and Ascender. Professional services and other gross margin was (11.8)% for the three months ended June 30, 2021, compared to (13.1)% for the three months ended June 30, 2020, reflecting continued productivity improvements in implementing new customers.

Selling, general, and administrative expense. Selling, general, and administrative expense increased $37.2 million for the three months ended June 30, 2021, compared to the three months ended June 30, 2020. Excluding the impact of share-based compensation and related employer taxes, restructuring consulting fees, severance expense, and certain other non-recurring charges; selling, general, and administrative expenses would have increased by $29.1 million. This adjusted increase reflects an increase of $14.7 million in general and administrative expense and $14.4 million in sales and marketing expense, both of which are primarily driven by employee-related costs. The increase in sales and marketing expense aligns with our growth initiatives. The increase in general and administrative expense is also driven by an increase in amortization expense associated with the intangible assets recognized in relation to our recent acquisitions. Please refer to the "Non-GAAP Measures" section for additional information on the excluded items.

Interest expense, net. Interest expense, net was $9.9 million and $6.6 million for the three months ended June 30, 2021, and 2020, respectively. The increase was primarily due to the interest on our convertible debt.

Other expense, net. For the three months ended June 30, 2021, and 2020, we incurred other expense, net of $8.2 million and $0.3 million, respectively. Other expense, net was primarily comprised of $4.8 million of foreign currency translation loss and $2.2 million of net periodic pension expense for the three months ended June 30, 2021. For the three months ended June 30, 2020, other expense, net was primarily comprised of $0.9 million of net periodic pension expense and $0.6 million of foreign currency translation gain.

Income tax benefit. For the three months ended June 30, 2021, and 2020, we recorded income tax benefit of $12.0 million and $8.4 million, respectively. The $3.6 million increase in income tax benefit was primarily due to the $7.4 million tax benefit from current operations and a $6.3 million tax benefit attributable to U.S. state tax, partially offset by a $3.8 million tax expense increase attributable to the international tax rate differential, a $3.6 million increase attributed to the base erosion anti-abuse tax ("BEAT") in the U.S, and other tax expense increase items of $2.6 million

Net (loss) income. We realized net loss of $25.8 million for the three months ended June 30, 2021, compared to net income of $5.5 million for the three months ended June 30, 2020.

Adjusted EBITDA. Adjusted EBITDA increased by $2.4 million to $39.9 million, for the three months ended June 30, 2021, compared to the three months ended June 30, 2020, and Adjusted EBITDA margin was 15.9% for the three months ended June 30, 2021, compared with Adjusted EBITDA margin of 19.5% for the three months ended June 30, 2020. Please refer to the "Non-GAAP Measures" section for additional information on the excluded items.

Six Months Ended June 30, 2021 Compared With Six Months Ended June 30, 2020

	Six Months Ended June 30,		Increase/ (Decrease)		% of Revenue	
	2021	2020	Amount	%	2021	2020
	(Dollars in millions)					
Revenue:						
Recurring						
Cloud	$ 336.7	$ 284.6	$ 52.1	18.3%	69.4%	68.5%
Bureau	67.4	56.0	11.4	20.4%	13.9%	13.5%
Total recurring	404.1	340.6	63.5	18.6%	83.3%	82.0%
Professional services and other	80.8	74.7	6.1	8.2%	16.7%	18.0%

Total revenue	484.9	415.3	69.6	16.8%	100.0%	100.0%
Cost of revenue:						
Recurring						
Cloud	94.0	80.4	13.6	16.9%	19.4%	19.4%
Bureau	31.1	21.1	10.0	47.4%	6.4%	5.1%
Total recurring	125.1	101.5	23.6	23.3%	25.8%	24.4%
Professional services and other	92.0	80.5	11.5	14.3%	19.0%	19.4%
Product development and management	57.6	34.6	23.0	66.5%	11.9%	8.3%
Depreciation and amortization	24.9	19.6	5.3	27.0%	5.1%	4.7%
Total cost of revenue	299.6	236.2	63.4	26.8%	61.8%	56.9%
Gross profit	185.3	179.1	6.2	3.5%	38.2%	43.1%
Selling, general, and administrative	207.4	148.8	58.6	39.4%	42.8%	35.8%
Operating (loss) profit	(22.1)	30.3	(52.4)	(172.9)%	(4.6)%	7.3%
Interest expense, net	15.5	13.5	2.0	14.8%	3.2%	3.3%
Other expense, net	12.8	2.9	9.9	341.4%	2.6%	0.7%
(Loss) income before income taxes	(50.4)	13.9	(64.3)	(462.6)%	(10.4)%	3.3%
Income tax benefit	(5.4)	(0.2)	(5.2)	2600.0%	(1.1)%	(0.0)%
Net (loss) income	$ (45.0)	$ 14.1	$ (59.1)	(419.1)%	(9.3)%	3.4%
Adjusted EBITDA (a)	$ 84.4	$ 92.7	$ (8.3)	(9.0)%	17.4%	22.3%
Adjusted EBITDA margin (a)	17.4%	22.3%	(4.9)%	(21.9)%		

(a) Please refer to the "Non-GAAP Measures" section for a discussion and reconciliation of Adjusted EBITDA and Adjusted EBITDA margin, non-GAAP financial measures.

Revenue. The following table sets forth certain information regarding our revenues for the periods presented:

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Percentage change in revenue as reported 2021 vs. 2020	Impact of changes in foreign currency (a)	Percentage change in revenue on constant currency basis (a) 2021 vs. 2020
	(Dollars in millions)				
Revenue:					
Dayforce recurring, excluding float	$ 280.7	$ 224.2	25.2%	2.4%	22.8%
Dayforce float	15.2	22.4	(32.1)%	1.8%	(33.9)%
Total Dayforce recurring	295.9	246.6	20.0%	2.3%	17.7%
Powerpay recurring, excluding float	36.9	33.4	10.5%	9.3%	1.2%
Powerpay float	3.9	4.6	(15.2)%	6.5%	(21.7)%
Total Powerpay recurring	40.8	38.0	7.4%	9.0%	(1.6)%
Total Cloud recurring	336.7	284.6	18.3%	3.2%	15.1%
Dayforce professional services and other	74.8	73.7	1.5%	3.0%	(1.5)%
Powerpay professional services and other	0.6	0.5	20.0%	20.0%	(—)%
Total Cloud professional services and other	75.4	74.2	1.6%	3.1%	(1.5)%
Total Cloud revenue	412.1	358.8	14.9%	3.2%	11.7%
Bureau recurring, excluding float	65.4	51.9	26.0%	1.7%	24.3%
Bureau float	2.0	4.1	(51.2)%	2.5%	(53.7)%
Total Bureau recurring	67.4	56.0	20.4%	1.8%	18.6%
Bureau professional services and other	5.4	0.5	980.0%	(—)%	980.0%
Total Bureau revenue	72.8	56.5	28.8%	1.7%	27.1%
Total revenue	$ 484.9	$ 415.3	16.8%	3.0%	13.8%
Dayforce	$ 370.7	$ 320.3	15.7%	2.4%	13.3%
Powerpay	41.4	38.5	7.5%	9.1%	(1.6)%
Total Cloud revenue	$ 412.1	$ 358.8	14.9%	3.2%	11.7%

Dayforce, excluding float	$	355.5	$	297.9	19.3%	2.5%	16.8%
Powerpay, excluding float		37.5		33.9	10.6%	9.4%	1.2%
Cloud revenue, excluding float		393.0		331.8	18.4%	3.2%	15.2%
Cloud float		19.1		27.0	(29.3)%	2.6%	(31.9)%
Total Cloud revenue	$	412.1	$	358.8	14.9%	3.2%	11.7%

(a) We have calculated revenue on a constant currency basis by applying the average foreign exchange rate in effect during the comparable prior period.

The COVID-19 pandemic has had an adverse impact on our revenue streams during the six months ended June 30, 2021, primarily in the form of lower employment levels at our customers, lower float revenue resulting from reductions in the U.S. Federal Reserve federal funds rate and the Bank of Canada overnight rate target, lower average float balances for our customer funds, and lower demand for professional services, among other effects. We estimate the impact of lower employment levels at our customers was an approximately $15 million decline to our revenue for the six months ended June 30, 2021, of which approximately $12 million was related to Dayforce and approximately $3 million was related to Powerpay.

Total revenue increased $69.6 million, or 16.8%, to $484.9 million for the six months ended June 30, 2021, compared to $415.3 million for the six months ended June 30, 2020. This increase was primarily attributable to an increase in Cloud revenue of $53.3 million, or 14.9%, from $358.8 million for the six months ended June 30, 2020, to $412.1 million for the six months ended June 30, 2021. Bureau revenue increased $16.3 million, which included $21.4 million of Ascender revenue and $14.3 million of Excelity revenue for the six months ended June 30, 2021. The Cloud revenue increase was driven by an increase of $52.1 million, or 18.3%, in Cloud recurring revenue and an increase of $1.2 million, or 1.6%, in Cloud professional services and other revenue.

Excluding float revenue and on a constant currency basis, total revenue grew 17.7%, reflecting a 15.2% increase in Cloud revenue and a 33.4% increase in Bureau revenue. Excluding float revenue and on a constant currency basis, Cloud revenue growth reflected a 20.0% increase in Cloud recurring revenue and a 1.5% decline in Cloud professional services and other revenue.

Dayforce revenue increased 15.7%, and Powerpay revenue increased 7.5% for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020. For the six months ended June 30, 2021, Ascender revenue included within Dayforce revenue was $8.2 million. Excluding float revenue and on a constant currency basis, Dayforce revenue increased 16.8%, reflecting a 22.8% increase in Dayforce recurring revenue partially offset by an 1.5% decline in Dayforce professional services and other revenue. Excluding float revenue and on a constant currency basis, Powerpay revenue increased 1.2%.

Float revenue included in recurring revenue was $21.1 million and $31.1 million for the six months ended June 30, 2021, and 2020, respectively. Float revenue associated with Cloud revenue was $19.1 million and $27.0 million for the six months ended June 30, 2021, and 2020, respectively. The average float balance for our customer funds for the six months ended June 30, 2021, was $4,049.7 million, compared to $3,535.0 million for the six months ended June 30, 2020, an increase of 14.6%. On a constant currency basis, the average float balance for our customer funds for the six months ended June 30, 2021, increased 11.5% compared to the six months ended June 30, 2020. The average yield was 1.06% during the six months ended June 30, 2021, a decline of 71 basis points compared to the average yield during the six months ended June 30, 2020. For the six months ended June 30, 2021, approximately 34% of our average float balance consisted of international customer funds, compared to approximately 32% for the six months ended June 30, 2020.

Cost of revenue. Total cost of revenue for the six months ended June 30, 2021, was $299.6 million, an increase of $63.4 million, or 26.8%, compared to the six months ended June 30, 2020. Recurring cost of revenue for the six months ended June 30, 2021, increased $23.6 million, or 23.3%, compared with the six months ended June 30, 2020, primarily due to additional costs related to global expansion, including Ascender costs classified among both Cloud and Bureau and Excelity costs classified as Bureau, and costs to support the growing Dayforce customer base. Professional services and other cost of revenue increased $11.5 million, or 14.3%, for the six months ended June 30, 2021, compared to the six months ended June 30, 2020, primarily due to additional costs incurred to take new customers live.

Product development and management expense increased $23.0 million for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. The increase reflects additional personnel costs and Dayforce product development efforts that are not eligible for capitalization and additional share-based compensation and severance costs. For the six months ended June 30, 2021, and 2020, our investment in software development was $59.3 million and $34.2 million, respectively, consisting of $34.0 million and $15.7 million, of research and development expense, which is included within product development and management expense, and $25.3 million and $18.5 million in capitalized software development costs, respectively.

Depreciation and amortization expense associated with cost of revenue increased by $5.3 million for the six months ended June 30, 2021, compared to the six months ended June 30, 2020, as we continue to capitalize Dayforce related and other development costs and subsequently to amortize these costs.

Gross profit. The following table presents total gross margin and solution gross margins for the periods presented:

	Six Months Ended June 30,	
	2021	2020
Total gross margin	38.2%	43.1%
Gross margin by solution:		
Cloud recurring	72.1%	71.7%
Bureau recurring	53.9%	62.3%
Professional services and other	(13.9)%	(7.8)%

Total gross margin is defined as total gross profit as a percentage of total revenue, inclusive of product development and management costs, as well as depreciation and amortization associated with cost of revenue. Gross margin for each solution in the table above is defined as total revenue less cost of revenue for the applicable solution as a percentage of total revenue for that related solution, exclusive of any product development and management or depreciation and amortization cost allocations.

Total gross margin for the six months ended June 30, 2021, declined 490 basis points compared to total gross margin for the six months ended June 30, 2020, and gross profit increased by $6.2 million, or 3.5% as we continued to leverage our investment in people and processes, while also developing and expanding our service offerings.

Cloud recurring gross margin was 72.1% for the six months ended June 30, 2021, compared to 71.7% for the six months ended June 30, 2020. Excluding float revenue, Cloud recurring gross margin improved by 160 basis points for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. The increase in Cloud recurring gross margin, excluding float revenue, reflects an increase in the proportion of Dayforce customers live for more than two years, which increased from 72% as of June 30, 2020, to 78% as of June 30, 2021, and was also attributable to consistent configuration that has enabled us to continue to realize economies of scale in hosting and customer support. Bureau recurring gross margin declined from 62.3% for the six months ended June 30, 2020, to 53.9% for the six months ended June 30, 2021, reflecting lower associated float revenue and a higher proportion of customer support costs to support the end-of-life process of our legacy Bureau payroll products, as well as lower margins on acquired Bureau products for Excelity and Ascender. Professional services and other gross margin was (13.9)% for the six months ended June 30, 2021, compared to (7.8)% for the six months ended June 30, 2020, reflecting additional costs incurred to take new customers live as well as expansion of our international implementation.

Selling, general, and administrative expense. Selling, general, and administrative expense increased $58.6 million for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. Excluding the impact of share-based compensation and related employer taxes, restructuring consulting fees, severance expense, and certain other non-recurring charges; selling, general, and administrative expenses would have increased by $39.3 million. This adjusted increase reflects an increase of $20.1 million in general and administrative expense and $19.2 million in sales and marketing, both of which are primarily driven by employee-related costs. The increase in sales and marketing expense aligns with our growth initiatives. The increase in general and administrative expense is also driven by an increase in amortization expense associated with the intangible assets recognized in relation to our recent acquisitions. Please refer to the “Non-GAAP Measures” section for additional information on the excluded items.

Interest expense, net. Interest expense, net was $15.5 million and $13.5 million for the six months ended June 30, 2021, and 2020, respectively. The increase was primarily due to interest on our convertible debt.

Other expense, net. For the six months ended June 30, 2021, and 2020, we incurred other expense, net of $12.8 million and $2.9 million, respectively. Other expense, net was primarily comprised of $6.7 million of foreign currency translation loss and $4.4 million of net periodic pension expense for the six months ended June 30, 2021. For the six months ended June 30, 2020, other expense, net was primarily comprised of $1.7 million of net periodic pension expense and $1.2 million of foreign currency translation loss.

Income tax benefit. For the six months ended June 30, 2021, and 2020, we recorded income tax benefit of $5.4 million and $0.2 million, respectively. The $5.2 million increase in income tax benefit was primarily due to the $13.5 million tax benefit from current operations and a $5.8 million tax benefit attributable to U.S. state tax, partially offset by a $6.2 million tax expense increase attributable to non-deductible share-based compensation, a $6.2 million tax expense increase attributed to the base erosion anti-abuse tax (“BEAT”) in the U.S., and other tax expense increase items of $1.8 million.

Net (loss) income. We realized net loss of $45.0 million for the six months ended June 30, 2021, compared to net income of $14.1 million for the six months ended June 30, 2020.

Adjusted EBITDA. Adjusted EBITDA declined by $8.3 million to $84.4 million, for the six months ended June 30, 2021, compared to the six months ended June 30, 2020, and Adjusted EBITDA margin was 17.4% for the six months ended June 30, 2021, compared with Adjusted EBITDA margin of 22.3% for the six months ended June 30, 2020. Please refer to the “Non-GAAP Measures” section for additional information on the excluded items.

Liquidity and Capital Resources

Our primary sources of liquidity are our existing cash and equivalents, cash provided by operating activities, availability under our Revolving Credit Facility, and proceeds from debt issuances and equity offerings. As of June 30, 2021, we had cash and equivalents of $335.2 million and our total debt balance was $1,246.5 million.

On March 5, 2021, we completed the private offering of $500.0 million Notes, and on March 16, 2021, the initial purchasers exercised their full option to purchase an additional $75.0 million Notes, resulting in an aggregate principal amount of $575.0 million. The total net proceeds from the offering, after deducting initial purchase discounts and issuance costs, were $561.8 million. In connection with the Notes, we entered into capped call transactions which are expected to reduce the potential dilution of our common stock upon any conversion of the Notes and/or offset any cash payments we could be required to make in excess of the principal amount of converted Notes. We used an aggregate amount of $45.0 million of the net proceeds of the Notes to purchase the capped calls. Please refer to Note 7, "Debt," to our condensed consolidated financial statements for further information on our Notes, and the related indenture. We used the remainder of the net proceeds from the offering (i) to repay $295.0 million principal amount under the Revolving Credit Facility and pay related accrued interest and (ii) for general corporate purposes, which may include potential investments in businesses or acquisitions of companies that we may identify in the future.

On February 19, 2020, we completed the first amendment to the Senior Secured Credit Facility, in which the Term Debt interest rate was reduced from LIBOR plus 3.00% to LIBOR plus 2.50%. Further, the interest rate trigger under the applicable rating by Moody's Investor Service was removed by the first amendment. Please refer to Note 7, "Debt," to our condensed consolidated financial statements for further information on our Senior Secured Credit Facility.

On April 2, 2020, in light of the current uncertainty in the global capital markets resulting from the COVID-19 pandemic, Ceridian elected to borrow $295.0 million under the 2018 Revolving Credit Facility as a precautionary measure to increase our cash position and to preserve financial flexibility. We repaid the $295.0 million draw on December 8, 2020.

Our primary liquidity needs are related to funding of general business requirements, including the payment of interest and principal on our debt, capital expenditures, and product development. As of June 30, 2021, we held $2.0 million of restricted cash as collateral for bank guarantees. The bank guarantees provide financial assurance that we will fulfill certain lease obligations. The cash is restricted as to withdrawal or use while the related bank guarantee is outstanding.

We believe that our cash flow from operations, available cash and equivalents, and availability under our revolving credit facility will be sufficient to meet our liquidity needs for the foreseeable future. We anticipate that to the extent that we require additional liquidity, it will be funded through the issuance of equity, the incurrence of additional indebtedness, or a combination thereof. We cannot assure you that we will be able to obtain this additional liquidity on reasonable terms, or at all. Additionally, our liquidity and our ability to meet our obligations and to fund our capital requirements are also dependent on our future financial performance, which is subject to general economic, financial, and other factors that are beyond our control. Accordingly, we cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available from additional indebtedness or otherwise to meet our liquidity needs. Although we have no specific current plans to do so, if we decide to pursue one or more significant acquisitions, we may incur additional debt or sell additional equity to finance such acquisitions, which would result in additional expenses or dilution.

Our customer funds are held and invested with the primary objectives being to protect the principal balance and to ensure adequate liquidity to meet cash flow requirements. In accordance with these objectives, we maintain approximately 55% of customer funds in liquidity portfolios with maturities ranging from one to 120 days, consisting of high-quality bank deposits, money market mutual funds, commercial paper, collateralized short-term investments or government securities; and we maintain approximately 45% of customer funds in fixed income portfolios with maturities ranging from 120 days to 10 years, consisting of government securities, as well as highly rated asset-backed, mortgage-backed, corporate, and bank securities. To maintain sufficient liquidity to meet payment obligations, we also have financing arrangements and may pledge fixed income securities for short-term financing. The customer assets are held in segregated accounts intended for the specific purpose of satisfying client fund obligations and therefore are not freely available for our general business use.

Statements of Cash Flows

Changes in cash flows due to purchases of customer fund marketable securities and proceeds from the sale or maturity of customer fund marketable securities, as well as the carrying value of customer fund accounts as of period end dates can vary significantly due to several factors, including the specific day of the week the period ends, which impacts the timing of funds collected from customers and payments made to satisfy customer obligations to employees, taxing authorities, and others. The customer funds are fully segregated from our operating cash accounts and are evaluated and tracked separately by management. Therefore, we have provided the table below excluding the cash flows and restricted cash and equivalents held within our customer funds to provide supplemental information regarding the cash flows related to our core business.

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
	(Dollars in millions)	
Net cash provided by operating activities, excluding customer funds	$ 23.1	$ 12.7
Net cash used in investing activities, excluding customer funds	(423.8)	(100.3)
Net cash provided by financing activities, excluding customer funds	548.5	341.1
Effect of exchange rate changes on cash and equivalents	1.2	(7.9)
Net increase in cash and equivalents and restricted cash, excluding customer funds	149.0	245.6
Cash and equivalents and restricted cash, excluding customer funds at beginning of period	188.2	281.3
Cash and equivalents and restricted cash, excluding customer funds at end of period	337.2	526.9
Net customer funds restricted cash provided by operating activities	—	11.2
Net customer funds restricted cash provided by investing activities	14.3	201.5
Net customer funds restricted cash used in financing activities	(566.1)	(571.4)
Effect of exchange rate changes on restricted cash and equivalents	5.5	(4.5)
Net decrease in restricted cash and equivalents including customer funds	(546.3)	(363.2)
Restricted cash and equivalents included in customer funds at beginning of period	2,040.3	1,377.3
Restricted cash and equivalents included in customer funds at end of period	1,494.0	1,014.1
Net decrease in cash, restricted cash, and equivalents	(397.3)	(117.6)
Cash, restricted cash, and equivalents at beginning of period	2,228.5	1,658.6
Cash, restricted cash, and equivalents at end of period	$ 1,831.2	$ 1,541.0

Operating Activities

Net cash provided by operating activities, excluding customer fund activity, was $23.1 million during the six months ended June 30, 2021, primarily attributable to the net impact of adjustments for certain non-cash items of $74.4 million, including $54.2 million of non-cash share-based compensation expense and $38.3 million of depreciation and amortization, partially offset by the deferred income tax benefit of $29.2 million. These net non-cash increases along with net working capital additions of $6.3 million, were largely offset by net loss of $45.0 million. The net working capital additions included an increase of $27.4 million of accrued taxes primarily due to tax accruals, offset by a $14.3 million reduction in liabilities for employee compensation and benefits due to payments of accrued commissions and incentive compensation, a $12.1 million decrease in prepaid expenses and other current assets, primarily due to payments for annual maintenance contracts. Included within net cash flows provided by operating activities for the six months ended June 30, 2021, was $9.2 million in cash interest payments on our long-term debt and $3.2 million in cash tax payments, net of refunds.

Net cash provided by operating activities, excluding customer fund activity, was $12.7 million during the six months ended June 30, 2020, primarily attributable to net income of $14.1 million and the net impact of adjustments for certain non-cash items of $55.2 million, including $27.8 million of non-cash share-based compensation expense and $23.9 million of depreciation and amortization. These items were partially offset by net working capital reductions of $56.6 million, which included a $21.3 million reduction in liabilities for employee compensation and benefits primarily due to payments of accrued incentive compensation, a $7.5 million net change in other assets and liabilities, and a $6.4 million increase in prepaid expenses and other current assets, primarily due to annual maintenance contracts. Included within net cash flows provided by operating activities for the six months ended June 30, 2020, was $14.3 million in cash interest payments on our long-term debt and $2.2 million in cash tax payments, net of refunds.

Table of Contents

Investing Activities

During the six months ended June 30, 2021, net cash used in investing activities, excluding customer funds activity, was $423.8 million, consisting of acquisition costs, net of cash acquired of $392.5 million and capital expenditures of $31.3 million. Our capital expenditures included $25.4 million for software and technology and $5.9 million for property and equipment.

During the six months ended June 30, 2020, net cash used in investing activities, excluding customer fund activity, was $100.3 million, related to acquisition costs, net of cash and restricted cash acquired of $70.6 million and capital expenditures of $29.7 million. Our capital expenditures included $19.8 million for software and technology and $9.9 million for property and equipment.

Financing Activities

Net cash provided by financing activities, excluding the change in customer fund obligations, was $548.5 million during the six months ended June 30, 2021. This cash inflow is primarily attributable to proceeds from the issuance of our Notes of $561.8 million and proceeds from issuance of common stock upon exercise of stock options of $34.4 million, partially offset by the purchase of the capped calls related to the Notes of $45.0 million and payments on our long-term debt obligations of $2.7 million.

Net cash provided by financing activities, excluding the change in customer fund obligations, was $341.1 million during the six months ended June 30, 2020. This cash inflow is primarily attributable to proceeds from a draw on the Revolving Credit Facility of $295.0 million and proceeds from the issuance of common stock upon exercise of stock options of $51.5 million, partially offset by payments on our long-term debt obligations of $5.4 million. The payments on our long-term debt obligations included $3.4 million in principal payments towards our Term Debt and $2.0 million in payments towards our financing lease obligations.

Backlog

Backlog is equivalent to our remaining performance obligations, which represents contracted revenue for recurring and fixed price professional services, primarily implementation services, that has not yet been recognized, including deferred revenue and unbilled amounts that will be recognized as revenue in future periods. As of June 30, 2021, our remaining performance obligations were approximately $1,027.0 million. Please refer to Note 10, "Revenue," to our condensed consolidated financial statements for further discussion of our remaining performance obligations.

Off-Balance Sheet Arrangements

As of June 30, 2021, we did not have any "off-balance sheet arrangements" (as such term is defined in Item 303 of Regulation S-K).

Critical Accounting Policies and Estimates

During the six months ended June 30, 2021, there were no significant changes to our critical accounting policies and estimates as described in the consolidated financial statements contained in our 2020 Form 10-K.

Non-GAAP Measures

Adjusted EBITDA and Adjusted EBITDA Margin

We believe that Adjusted EBITDA and Adjusted EBITDA margin, non-GAAP financial measures, are useful to management and investors as supplemental measures to evaluate our overall operating performance. Adjusted EBITDA and Adjusted EBITDA margin are components of our management incentive plan and are used by management to assess performance and to compare our operating performance to our competitors. We define Adjusted EBITDA as net income (loss) before interest, taxes, depreciation, and amortization, as adjusted to exclude foreign exchange gain (loss), share-based compensation expense and related employer taxes, severance charges, restructuring consulting fees, and certain other non-recurring charges. Adjusted EBITDA margin is determined by calculating the percentage Adjusted EBITDA is of total revenue. Management believes that Adjusted EBITDA and Adjusted EBITDA margin are helpful in highlighting management performance trends because Adjusted EBITDA and Adjusted EBITDA margin exclude the results of decisions that are outside the control of operating management.

Our presentation of Adjusted EBITDA and Adjusted EBITDA margin are intended as supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. Adjusted EBITDA and Adjusted EBITDA margin should not be considered as alternatives to net income (loss), earnings per share, or any other performance measures derived in accordance with GAAP, or as measures of operating cash flows or liquidity. Our presentation of Adjusted EBITDA and Adjusted EBITDA margin should not be construed to imply that our future results will be unaffected by these items. Adjusted EBITDA and Adjusted EBITDA margin are included in this discussion because they are key metrics used by management to assess our operating performance.

Adjusted EBITDA and Adjusted EBITDA margin are not defined under GAAP, are not measures of net income (loss) or any other performance measures derived in accordance with GAAP, and are subject to important limitations. Our use of the terms Adjusted EBITDA and Adjusted EBITDA margin may not be comparable to similarly titled measures of other companies in our industry and are not measures of performance calculated in accordance with GAAP.

Adjusted EBITDA and Adjusted EBITDA margin have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are that Adjusted EBITDA and Adjusted EBITDA margin do not reflect the following:

- our cash expenditures or future requirements for capital expenditures or contractual commitments;
- changes in, or cash requirements for, our working capital needs;

- any charges for the assets being depreciated and amortized that may need to be replaced in the future;
- the impact of share-based compensation and related employer taxes upon our results of operations;
- the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- our income tax expense or the cash requirements to pay our income taxes; and
- certain other non-recurring charges.

In evaluating Adjusted EBITDA and Adjusted EBITDA margin, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation.

The following table reconciles net income (loss) to Adjusted EBITDA for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in millions)			
Net (loss) income	$ (25.8)	$ 5.5	$ (45.0)	$ 14.1
Interest expense, net	9.9	6.6	15.5	13.5
Income tax benefit	(12.0)	(8.4)	(5.4)	(0.2)
Depreciation and amortization	23.3	12.1	38.3	23.9
EBITDA (a)	(4.6)	15.8	3.4	51.3
Foreign exchange loss (gain)	5.1	(0.5)	7.0	1.3
Share-based compensation (b)	31.9	16.5	54.9	29.2
Severance charges (c)	1.6	0.7	3.7	4.7
Restructuring consulting fees (d)	4.3	5.1	12.1	6.6
Other non-recurring charges (e)	1.6	(0.1)	3.3	(0.4)
Adjusted EBITDA	$ 39.9	$ 37.5	$ 84.4	$ 92.7
Adjusted EBITDA margin	15.9%	19.5%	17.4%	22.3%

(a) We define EBITDA as net income or loss before interest, taxes, and depreciation and amortization.
(b) Represents share-based compensation expense and related employer taxes.
(c) Represents costs for severance compensation paid to employees whose positions have been eliminated or who have been terminated not for cause.
(d) Represents consulting fees and expenses incurred during the periods presented in connection with any acquisition, investment, disposition, recapitalization, equity offering, issuance or repayment of debt, issuance of equity interests, or refinancing.

(e) Represents (1) in 2021 the difference between the historical five-year average pension expense and the current period actuarially determined pension expense associated with the planned termination of the frozen U.S. pension plan and related changes in investment strategy associated with protecting the now fully funded status, (2) charges of $0.1 million and $0.4 million during the three and six months ended June 30, 2021, respectively, related to the abandonment of certain leased facilities, and (3) recovery in 2020 of duplicate payments associated with the 2019 isolated service incident.

The following tables present a reconciliation of our reported results to our non-GAAP Adjusted EBITDA basis for all periods presented:

	Three Months Ended June 30, 2021				
	As reported	Share-based compensation	Severance charges	Other operating expenses (a)	Adjusted
	(Dollars in millions)				
Cost of revenue:					
Recurring	$ 65.4	$ 3.9	$ 0.6	$ —	$ 60.9
Professional services and other	47.3	2.7	0.1	—	44.5
Product development and management	31.8	4.8	—	—	27.0
Depreciation and amortization	13.8	—	—	—	13.8
Total cost of revenue	158.3	11.4	0.7	—	146.2
Sales and marketing	52.3	3.7	0.2	—	48.4
General and administrative	59.5	16.8	0.7	4.4	37.6
Operating (loss) profit	(19.7)	31.9	1.6	4.4	18.2
Other expense, net	8.2	—	—	6.6	1.6
Depreciation and amortization	23.3	—	—	—	23.3

EBITDA	$ (4.6)	$ 31.9	$ 1.6	$ 11.0	$ 39.9

(a) Other operating expenses includes foreign exchange loss, restructuring consulting fees, the difference between the historical five-year average pension expense and the current period actuarially determined pension expense associated with the planned termination of the frozen U.S. pension plan and related changes in investment strategy associated with protecting the now fully funded status, and charges related to the abandonment of certain leased facilities.

	Three Months Ended June 30, 2020				
	As reported	Share-based compensation	Severance charges	Other operating expenses (a)	Adjusted
	(Dollars in millions)				
Cost of revenue:					
Recurring	$ 49.3	$ 1.9	$ —	$ —	$ 47.4
Professional services and other	37.9	1.0	0.1	—	36.8
Product development and management	17.0	1.4	0.1	—	15.5
Depreciation and amortization	9.8	—	—	—	9.8
Total cost of revenue	114.0	4.3	0.2	—	109.5
Sales and marketing	36.0	1.8	0.2	—	34.0
General and administrative	38.6	10.4	0.3	5.0	22.9
Operating profit	4.0	16.5	0.7	5.0	26.2
Other expense (income), net	0.3	—	—	(0.5)	0.8
Depreciation and amortization	12.1	—	—	—	12.1
EBITDA	$ 15.8	$ 16.5	$ 0.7	$ 4.5	$ 37.5

(a) Other operating expenses includes foreign exchange gain, restructuring consulting fees, and recovery of duplicate payments associated with the 2019 isolated service incident.

	Six Months Ended June 30, 2021				
	As reported	Share-based compensation	Severance charges	Other operating expenses (a)	Adjusted
	(Dollars in millions)				
Cost of revenue:					
Recurring	$ 125.1	$ 6.2	$ 1.3	$ —	$ 117.6
Professional services and other	92.0	4.6	0.1	—	87.3
Product development and management	57.6	7.9	0.2	—	49.5
Depreciation and amortization	24.9	—	—	—	24.9
Total cost of revenue	299.6	18.7	1.6	—	279.3
Sales and marketing	98.4	6.5	1.0	—	90.9
General and administrative	109.0	29.7	1.1	12.5	65.7
Operating (loss) profit	(22.1)	54.9	3.7	12.5	49.0
Other expense, net	12.8	—	—	9.9	2.9
Depreciation and amortization	38.3	—	—	—	38.3
EBITDA	$ 3.4	$ 54.9	$ 3.7	$ 22.4	$ 84.4

(a) Other operating expenses includes foreign exchange loss, restructuring consulting fees, the difference between the historical five-year average pension expense and the current period actuarially determined pension expense associated with the planned termination of the frozen U.S. pension plan and related changes in investment strategy associated with protecting the now fully funded status, and charges related to the abandonment of certain leased facilities.

	Six Months Ended June 30, 2020				
	As reported	Share-based compensation	Severance charges	Other operating expenses (a)	Adjusted
	(Dollars in millions)				
Cost of revenue:					
Recurring	$ 101.5	$ 2.7	$ 0.8	$ —	$ 98.0
Professional services and other	80.5	1.5	0.9	—	78.1
Product development and management	34.6	2.3	0.4	—	31.9

Depreciation and amortization	19.6	—	—	—	19.6
Total cost of revenue	236.2	6.5	2.1	—	227.6
Sales and marketing	76.7	4.0	1.0	—	71.7
General and administrative	72.1	18.7	1.6	6.2	45.6
Operating profit	30.3	29.2	4.7	6.2	70.4
Other expense, net	2.9	—	—	1.3	1.6
Depreciation and amortization	23.9	—	—	—	23.9
EBITDA	$ 51.3	$ 29.2	$ 4.7	$ 7.5	$ 92.7

(a) Other operating expenses includes foreign exchange loss, restructuring consulting fees, and recovery of duplicate payments associated with the 2019 isolated service incident.

Table of Contents