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

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FORM 10-Q

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

For the Quarterly Period Ended December 31, 2017

OR

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

For the Transition Period From to

Commission File Number 001-36486

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CDK Global, Inc.

(Exact name of registrant as specified in its charter)

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Delaware	**46-5743146**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1950 Hassell Road, Hoffman Estates, IL	**60169**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (847) 397-1700

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of January 26, 2018 was 134,558,474.

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

CDK Global, Inc.
Condensed Consolidated Statements of Operations
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Revenues	$ 561.7	$ 547.8	$ 1,127.4	$ 1,098.5
Expenses:				
Cost of revenues	290.8	303.2	598.5	618.3
Selling, general and administrative expenses	122.2	110.9	235.9	224.6
Restructuring expenses	7.6	2.3	14.1	3.4
Total expenses	420.6	416.4	848.5	846.3
Operating earnings	141.1	131.4	278.9	252.2
Interest expense	(23.2)	(12.3)	(46.5)	(23.0)
Other income (expense), net	2.4	(0.2)	7.7	1.6
Earnings before income taxes	120.3	118.9	240.1	230.8
Provision for income taxes	(14.1)	(35.3)	(50.8)	(68.0)
Net earnings	106.2	83.6	189.3	162.8
Less: net earnings attributable to noncontrolling interest	2.2	0.9	4.0	3.2
Net earnings attributable to CDK	$ 104.0	$ 82.7	$ 185.3	$ 159.6
Net earnings attributable to CDK per common share:				
Basic	$ 0.76	$ 0.56	$ 1.34	$ 1.07
Diluted	$ 0.75	$ 0.55	$ 1.33	$ 1.06
Weighted-average common shares outstanding:				
Basic	136.9	148.7	138.5	149.5
Diluted	138.2	149.9	139.8	150.7
Dividends declared per common share	$ 0.150	$ 0.140	$ 0.290	$ 0.275

See notes to the condensed consolidated financial statements.

CDK Global, Inc.
Condensed Consolidated Statements of Comprehensive Income
(In millions)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Net earnings	$ 106.2	$ 83.6	189.3	162.8
Other comprehensive income (loss):				
Currency translation adjustments	9.9	(26.8)	24.1	(30.9)
Other comprehensive income (loss)	9.9	(26.8)	24.1	(30.9)
Comprehensive income	116.1	56.8	213.4	131.9
Less: comprehensive income attributable to noncontrolling interest	2.2	0.9	4.0	3.2
Comprehensive income attributable to CDK	$ 113.9	$ 55.9	$ 209.4	$ 128.7

See notes to the condensed consolidated financial statements.

CDK Global, Inc.
Condensed Consolidated Balance Sheets
(In millions, except per share par value)
(Unaudited)

		December 31, 2017		June 30, 2017
Assets				
Current assets:				
Cash and cash equivalents	$	443.6	$	726.1
Accounts receivable, net of allowances of $7.6 and $6.3, respectively		407.3		372.1
Other current assets		195.3		180.6
Total current assets		1,046.2		1,278.8
Property, plant and equipment, net		140.8		135.0
Other assets		175.0		184.1
Goodwill		1,216.1		1,181.2
Intangible assets, net		111.9		104.0
Total assets	$	2,690.0	$	2,883.1
Liabilities and (Deficit) Equity				
Current liabilities:				
Current maturities of long-term debt and capital lease obligations	$	45.9	$	46.5
Accounts payable		17.7		38.9
Accrued expenses and other current liabilities		226.1		188.7
Accrued payroll and payroll-related expenses		64.4		106.2
Short-term deferred revenues		178.0		172.3
Total current liabilities		532.1		552.6
Long-term debt and capital lease obligations		2,103.9		2,125.2
Long-term deferred revenues		122.6		136.1
Deferred income taxes		54.6		65.9
Other liabilities		64.8		60.1
Total liabilities		2,878.0		2,939.9
(Deficit) Equity:				
Preferred stock, $0.01 par value: Authorized, 50.0 shares; issued and outstanding, none		—		—
Common stock, $0.01 par value: Authorized, 650.0 shares; issued, 160.3 and 160.3 shares, respectively; outstanding, 134.6 and 140.0 shares, respectively		1.6		1.6
Additional paid-in-capital		671.7		608.6
Retained earnings		597.7		452.7
Treasury stock, at cost: 25.7 and 20.3 shares, respectively		(1,512.1)		(1,144.7)
Accumulated other comprehensive income		32.1		8.0
Total CDK stockholders' deficit		(209.0)		(73.8)
Noncontrolling interest		21.0		17.0
Total (deficit) equity		(188.0)		(56.8)
Total liabilities and (deficit) equity	$	2,690.0	$	2,883.1

See notes to the condensed consolidated financial statements.

CDK Global, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Cash Flows from Operating Activities:		
Net earnings	$ 189.3	$ 162.8
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Depreciation and amortization	39.0	34.4
Deferred income taxes	(12.1)	5.0
Stock-based compensation expense	21.0	20.5
Other	1.2	2.4
Changes in operating assets and liabilities, net of effect from acquisitions of businesses:		
Increase in accounts receivable	(33.2)	(2.2)
Increase in other assets	(6.1)	(7.6)
Decrease in accounts payable	(21.0)	(11.3)
Decrease in accrued expenses and other liabilities	(26.1)	(30.6)
Net cash flows provided by operating activities	152.0	173.4
Cash Flows from Investing Activities:		
Capital expenditures	(28.4)	(29.7)
Proceeds from sale of property, plant and equipment	—	0.5
Capitalized software	(17.7)	(10.0)
Acquisitions of businesses, net of cash acquired	(12.8)	—
Contributions to investments	—	(0.6)
Proceeds from investments	0.8	4.0
Net cash flows used in investing activities	(58.1)	(35.8)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	—	400.0
Repayments of long-term debt and capital lease obligations	(23.2)	(13.5)
Dividends paid to stockholders	(40.2)	(40.6)
Repurchases of common stock	(315.4)	(350.0)
Proceeds from exercises of stock options	3.8	5.1
Withholding tax payments for stock-based compensation awards	(9.6)	(10.5)
Dividend payments to noncontrolling owners	—	(3.0)
Payments of deferred financing costs	(0.4)	(2.0)
Acquisition-related payments	(1.9)	(6.2)
Net cash flows used in financing activities	(386.9)	(20.7)
Effect of exchange rate changes on cash and cash equivalents	10.5	(8.4)
Net change in cash and cash equivalents	(282.5)	108.5
Cash and cash equivalents, beginning of period	726.1	219.1
Cash and cash equivalents, end of period	$ 443.6	$ 327.6

	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Supplemental Disclosure:		
Cash paid for:		
Income taxes and foreign withholding taxes, net of refunds	$ 70.4	$ 68.3
Interest	46.2	20.4

See notes to the condensed consolidated financial statements.

CDK Global, Inc.
Condensed Consolidated Statement of (Deficit) Equity
(In millions)
(Unaudited)

	Common Stock		Additional			Accumulated Other	Total CDK		
	Shares Issued	Amount	Paid-in-Capital	Retained Earnings	Treasury Stock	Comprehensive Income	Stockholders' (Deficit) Equity	Non-controlling Interest	Total (Deficit)Equity
Balance as of June 30, 2017	160.3	$ 1.6	$ 608.6	$ 452.7	$ (1,144.7)	$ 8.0	$ (73.8)	$ 17.0	$ (56.8)
Net earnings	—	—	—	185.3	—	—	185.3	4.0	189.3
Foreign currency translation adjustments	—	—	—	—	—	24.1	24.1	—	24.1
Stock-based compensation expense and related dividend equivalents	—	—	16.9	(0.1)	—	—	16.8	—	16.8
Common stock issued for the exercise and vesting of stock-based compensation awards, net	—	—	(20.7)	—	14.9	—	(5.8)	—	(5.8)
Dividends paid to stockholders	—	—	—	(40.2)	—	—	(40.2)	—	(40.2)
Repurchases of common stock	—	—	66.9	—	(382.3)	—	(315.4)	—	(315.4)
Balance as of December 31, 2017	160.3	$ 1.6	$ 671.7	$ 597.7	$ (1,512.1)	$ 32.1	$ (209.0)	$ 21.0	$ (188.0)

See notes to the condensed consolidated financial statements.

Note 1. Basis of Presentation

A. Description of Business

CDK Global, Inc. (the "Company" or "CDK") is a leading global provider of integrated information technology and digital marketing solutions to the automotive retail and adjacent industries. The Company's solutions automate and integrate all parts of the buying process from targeted digital advertising and marketing campaigns to the sale, financing, insuring, parts supply, repair, and maintenance of vehicles.

The Company is organized into two main operating groups. The Company's first operating group is CDK North America which is comprised of two reportable segments, Retail Solutions North America and Advertising North America. The second operating group, which is also a reportable segment, is CDK International. In addition, the Company has an "Other" segment, the primary components of which are corporate allocations and other expenses not recorded in the segment results. Refer to Note 14 for further information.

B. Basis of Preparation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect assets, liabilities, revenues, and expenses that are reported in the accompanying financial statements and footnotes thereto. Actual results may differ from those estimates and assumptions.

The accompanying condensed consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods. Interim financial results are not necessarily indicative of financial results for a full year. The financial statements in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

Note 2. Summary of Significant Accounting Policies

A. Revenue Recognition

The Company recognizes software revenues in accordance with Accounting Standards Codification ("ASC") 985-605, "Software - Revenue Recognition," and non-software related revenue, including Software-as-a-Service ("SaaS"), in accordance with ASC 605, "Revenue Recognition" ("ASC 605").

The Company generates revenues from four categories: subscription, digital advertising, transactional services, and other. Taxes collected from customers and remitted to governmental authorities are presented on a net basis; that is, such taxes are excluded from revenues.

Subscription. In the Retail Solutions North America ("RSNA") and CDK International ("CDKI") segments, CDK provides software and technology solutions for automotive retailers and original equipment manufacturers ("OEMs"), which includes:

- Dealer Management Systems ("DMSs") and layered applications, where the software may be installed onsite at the customer's location, or hosted and provided on a SaaS basis, including ongoing maintenance and support;
- Interrelated services such as installation, initial training, and data updates;
- Websites, search marketing, and reputation management services (RSNA only); and
- Hardware on a service basis, meaning no specific assets are identified or a substantive right of substitution exists.

Revenues for term licenses are recognized ratably over the software license term, as vendor-specific objective evidence of the fair values of the individual elements in the sales arrangement does not exist. Revenue recognition commences at the installation dates, when customer acceptance has occurred, and collectability of a determinable amount is probable. In the case of hosted applications, the customer does not have the contractual right to take possession of the software and the items delivered at the outset of the contract (i.e., installation, training, etc.) do not have value to the customer without the software license and ongoing support and maintenance. Any upfront fees charged in the case of hosted arrangements are recognized ratably over the expected benefit period of the arrangement, typically five years. The unrecognized portion of these revenue elements is recorded as deferred revenue.

Advertising services. In the Advertising North America (“ANA”) segment, the Company receives revenues from the placement of internet advertising for automotive retailers and OEMs. Advertising revenues are recognized when the services are rendered.

Transaction revenues. In the RSNA segment, the Company receives fees per transaction for providing auto retailers interfaces with third parties to process credit reports, vehicle registrations, and automotive equity mining. Revenue is recognized at the time the services are rendered. Transaction revenues are recorded in revenues gross of costs incurred for credit report processing, vehicle registrations, and automotive equity mining as the Company is contractually responsible for providing the service, software, and/or connectivity to the customers, and therefore, the Company is the primary obligor under ASC 605.

Other. The Company provides consulting and professional services and sells hardware such as laser printers, networking and telephony equipment, and related items. These revenues are recognized upon their delivery or service completion.

B. Deferred Costs

Costs to deliver services are expensed to cost of revenues as incurred with the exception of specific costs directly related to transition or installation activities, including payroll-related costs for the Company's implementation and training teams, as well as commission costs for the sale. These costs are deferred and expensed proportionately over the same period that the deferred revenues are recognized as revenues. Deferred amounts are monitored regularly to ensure appropriate asset and expense recognition. Current deferred costs classified within other current assets on the condensed consolidated balance sheets were $93.5 million and $94.4 million as of December 31, 2017 and June 30, 2017, respectively. Long-term deferred costs classified within other assets on the condensed consolidated balance sheets were $105.0 million and $115.0 million as of December 31, 2017 and June 30, 2017, respectively.

C. Funds Receivable and Funds Held for Clients and Client Fund Obligations

Funds receivable and funds held for clients represent amounts received or expected to be received from clients in advance of performing titling and registration services on behalf of those clients. These amounts are classified within other current assets on the condensed consolidated balance sheets. The total amount due to remit for titling and registration obligations with the department of motor vehicles is recorded to client fund obligations which is classified as accrued expenses and other current liabilities on the condensed consolidated balance sheet. Funds receivable was $29.5 million and $25.7 million, and funds held for clients was $7.2 million and $7.9 million as of December 31, 2017 and June 30, 2017, respectively. Client fund obligation was $36.7 million and $33.6 million as of December 31, 2017 and June 30, 2017, respectively.

D. Computer Software to be Sold, Leased, or Otherwise Marketed

The Company's policy provides for the capitalization of certain costs of computer software to be sold, leased, or otherwise marketed. The Company's policy provides for the capitalization of all software production costs upon reaching technological feasibility for a specific product. Technological feasibility is attained when software products have a completed working model whose consistency with the overall product design has been confirmed by testing. Costs incurred prior to the establishment of technological feasibility are expensed as incurred. The establishment of technological feasibility requires judgment by management and in many instances is only attained a short time prior to the general release of the software. Maintenance-related costs are expensed as incurred.

Pursuant to this policy, the Company recognized expenses of $34.7 million and $36.1 million for the three months ended December 31, 2017 and 2016, respectively, and $72.7 million and $74.8 million for the six months ended December 31, 2017 and 2016. These expenses were classified within cost of revenues on the condensed consolidated statements of operations.

E. Fair Value of Financial Instruments

The Company determines the fair value of financial instruments in accordance with accounting standards pertaining to fair value measurements. Such standards define fair value and establish a framework for measuring fair value in accordance with GAAP. Cash and cash equivalents, accounts receivable, other current assets, accounts payable, and other current liabilities are reflected in the condensed consolidated balance sheets at cost, which approximates fair value due to the short-term nature of these instruments. The carrying value of the Company's term loan facilities (as described in Note 8), including accrued interest, approximates fair value based on the Company's current estimated incremental borrowing rate for similar types of arrangements. The approximate aggregate fair value of the Company's senior notes as of December 31, 2017 was $1,382.4 million based on quoted market prices for the same or similar instruments and the carrying value was $1,350.0 million. The term loan facilities and senior notes are considered Level 2 fair value measurements in the fair value hierarchy.

Note 3. New Accounting Pronouncements

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, “Intangibles - Goodwill and Other.” ASU 2017-04 simplifies the accounting for goodwill impairment by eliminating Step 2 of the current goodwill impairment test, which required a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which the reporting unit’s carrying value exceeds its fair value, limited to the carrying value of the goodwill. ASU 2017-04 is effective for financial statements issued for fiscal years, and interim periods beginning after December 15, 2019. The adoption of ASU 2017-04 is not expected to have a material impact on the Company's consolidated results of operations, financial condition, or cash flows.

In November 2016, the FASB issued ASU 2016-18, “Restricted Cash.” ASU 2016-18 clarifies cash flow presentation for restricted cash. ASU 2016-18 is effective for financial statements issued for fiscal years, and interim periods beginning after December 15, 2017. The adoption of ASU 2016-18 will not have a material impact on the Company's consolidated statements of cash flows.

In August 2016, the FASB issued ASU 2016-15, “Classification of Certain Cash Receipts and Cash Payments (Topic 230).” ASU 2016-15 addresses eight specific cash flow issues where there is diversity in practice in how these certain cash receipts and cash payments are presented and classified in the statements of cash flows. ASU 2016-15 is effective for financial statements issued for fiscal years, and interim periods beginning after December 15, 2017. The adoption of ASU 2016-15 will not have a material impact on the Company's consolidated statements of cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires that lessees recognize right-of-use assets and lease liabilities for any lease classified as either a finance or operating lease that is not considered short-term. The accounting applied by lessors is largely consistent with the existing lease standard. ASU 2016-02 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2018. The Company has obligations under lease agreements for facilities and equipment, which are classified as operating leases under the existing lease standard. While the Company is still evaluating the impact that ASU 2016-02 will have on the consolidated results of operations, financial condition, or cash flows, the Company's financial statements will reflect an increase in both assets and liabilities due to the requirement to recognize right-of-use assets and lease liabilities on the consolidated balance sheets for its facility and equipment leases.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. The guidance permits two methods of adoption: 1) retrospectively to each prior reporting period presented (full retrospective), or 2) retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective). In July 2015, the FASB deferred the effective date of ASU 2014-09 by one year and subsequently issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date." As a result, the standard and subsequent amendments thereto, will be effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2017.

In fiscal 2017, the Company established a cross-functional implementation team to evaluate the impact of the new standard on its revenue contracts including reviewing current accounting policies, evaluating new disclosure requirements, identifying appropriate changes to business processes, information technology systems, and internal controls to support revenue recognition, and disclosure under the new guidance. The Company has made significant progress in its qualitative assessment of the impact of the new revenue recognition standard; however, efforts to quantify the impact upon adoption remain ongoing.

The Company has concluded that it will adopt this standard on a modified retrospective basis, which will result in a cumulative effect adjustment to retained earnings when the standard is adopted on July 1, 2018. While the Company continues to evaluate the impact of ASU 2014-09, and related ASUs, on its consolidated results of operations, financial condition, or cash flows, the following determinations have been made:

- Under the current accounting guidance for software, ASC 985-605, revenues for onsite licenses are recognized ratably over the software license term, as CDK lacks vendor-specific objective evidence of the fair values of the individual elements of the sales arrangement; however, upon adoption of ASC 606 revenues may be recognized upon installation of onsite software based on estimated standalone selling price at the time of the sale. This will result in a cumulative adjustment (an increase) to beginning retained earnings, for which management is completing its evaluation and quantifying the impact.

- Aside from revenues for onsite software licenses discussed above, the Company currently accounts for the majority of its revenues, including SaaS and other service arrangements under ASC 605. Under both the existing revenue standard, ASC 605, and the new standard pending adoption, ASC 606, the revenue for ongoing services will be recognized ratably over the term of arrangement; however, management is currently evaluating the impact of other aspects of the standard, including variable consideration.

- In ASC 340, the FASB provides guidance for contract costs that require capitalization and subsequent amortization costs to obtain a customer contract, and costs to fulfill the contract, which for CDK consists primarily of direct sales commissions and implementation costs of service arrangements. The adoption of the new standard may result in an increase in the costs deferred and amortized over the economic life of the contract.

Note 4. Acquisitions

Auto/Mate Dealership Systems

In May 2017, the Company entered into a definitive agreement to acquire Auto/Mate Dealership Systems, a privately held company that provides a suite of DMS products and solutions. The transaction is subject to regulatory approval.

Dashboard Dealership Enterprises

On October 20, 2017, the Company acquired the outstanding stock of Dashboard Dealership Enterprises, providers of executive reporting solutions for auto dealers. The acquisition was made pursuant to a stock purchase agreement, which contains customary representations, warranties, covenants, and indemnities by the sellers and the Company. The acquisition date fair value of total consideration to be transferred was $21.3 million, which consists primarily of an initial cash price of $12.8 million, the fair value of the holdback provision of $1.9 million, and the fair value of contingent consideration of $6.6 million, which is payable upon achievement of certain milestones and metrics if achieved by December 31, 2018. As of December 31, 2017, the Company recorded $7.6 million of accrued expenses and other current liabilities and $0.9 million of other liabilities for the holdback and contingent consideration.

The estimated fair value of acquired intangibles assets and liabilities assumed, including deferred tax liabilities, was $3.9 million and $1.6 million, respectively. The excess of the acquisition consideration over the estimated fair value of the acquired assets of $19.0 million was allocated to goodwill. The acquired assets and goodwill are included in the RSNA segment. The intangible assets will be amortized over a weighted-average useful life of approximately 8 years. The goodwill recognized from this acquisition reflects expected synergies resulting from direct ownership of the products and processes, allowing greater flexibility for future product development. The acquired goodwill is not deductible for tax purposes.

The fair values of intangible assets and the contingent consideration liability were based on preliminary valuation analysis. These estimates and assumptions are subject to change within the one-year measurement period if additional information, which existed as of the acquisition date, becomes known to the Company.

The pro forma effects of these acquisitions are not significant to the Company's reported results for any period presented. Accordingly, no pro forma financial statements have been presented herein.

For the three months ended and six months ended December 31, 2017, the Company incurred $3.1 million and $3.7 million of costs related to the acquisition and pending acquisition which are included in selling, general and administrative expenses.

Note 5. Restructuring

During the fiscal year ended June 30, 2015 ("fiscal 2015"), the Company initiated a three-year business transformation plan intended to increase operating efficiency and improve the Company's cost structure within its global operations. The business transformation plan is expected to produce significant benefits in the Company's long-term business performance. As the Company executes the business transformation plan, the Company continually monitors, evaluates and refines its structure, including its design, goals, term and estimate of total restructuring expenses. As part of this process, the Company extended the business transformation plan by one year to June 30, 2019 ("fiscal 2019"), and updated its current estimate of total restructuring expenses under the business transformation plan to approximately $70 million through fiscal 2019.

Restructuring expenses associated with the business transformation plan included employee-related costs, which represent severance and other termination-related benefits calculated based on long-standing benefit practices and local statutory requirements, and contract termination costs. The Company recognized $7.6 million and $2.3 million of restructuring expenses for the three months ended December 31, 2017 and 2016, respectively, and $14.1 million and $3.4 million for the six months ended December 31, 2017 and 2016. Since the inception of the business transformation plan in the fourth quarter of fiscal 2015, the Company has recognized cumulative restructuring expenses of $55.1 million. Restructuring expenses are presented separately on the condensed consolidated statements of operations. Restructuring expenses are recorded in the Other segment, as these initiatives are predominantly centrally directed and are not included in internal measures of segment operating performance.

Accruals for restructuring expenses were included within accrued expenses and other current liabilities on the consolidated balance sheets as of December 31, 2017 and June 30, 2017. The following table summarizes the activity for the restructuring accrual for the six months ended December 31, 2017:

	Employee-Related Costs	Contract Termination Costs	Total Costs
Balance as of June 30, 2017	$ 6.4	$ 2.4	$ 8.8
Charges	13.4	1.4	14.8
Cash payments	(12.3)	(1.1)	(13.4)
Adjustments	(0.5)	(0.2)	(0.7)
Foreign exchange	0.1	—	0.1
Balance as of December 31, 2017	$ 7.1	$ 2.5	$ 9.6

Note 6. Earnings per Share

The numerator for both basic and diluted earnings per share is net earnings attributable to CDK. The denominator for basic and diluted earnings per share is based upon the weighted-average number of shares of the Company's common stock outstanding during the reporting periods. Diluted earnings per share also reflects the dilutive effect of unexercised in-the-money stock options and unvested restricted stock.

Holders of certain stock-based compensation awards are eligible to receive dividends as described in Note 9. Net earnings allocated to participating securities were not significant for the three and six months ended December 31, 2017 and 2016.

The following table summarizes the components of basic and diluted earnings per share:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Net earnings attributable to CDK	$ 104.0	$ 82.7	$ 185.3	$ 159.6
Weighted-average shares outstanding:				
Basic	136.9	148.7	138.5	149.5
Effect of employee stock options	0.4	0.7	0.4	0.7
Effect of employee restricted stock	0.9	0.5	0.9	0.5
Diluted	138.2	149.9	139.8	150.7
Basic earnings attributable to CDK per share	$ 0.76	$ 0.56	$ 1.34	$ 1.07
Diluted earnings attributable to CDK per share	$ 0.75	$ 0.55	$ 1.33	$ 1.06

The weighted-average number of shares outstanding used in the calculation of diluted earnings per share does not include the effect of the following anti-dilutive securities.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Stock-based awards	0.2	0.8	0.5	0.7

Note 7. Goodwill and Intangible Assets, Net

Changes in goodwill for the six months ended December 31, 2017 were as follows:

	Retail Solutions North America	Advertising North America	CDK International	Total
Balance as of June 30, 2017	$ 604.6	$ 214.3	$ 362.3	$ 1,181.2
Additions (Note 4)	19.0	—	—	19.0
Currency translation adjustments	0.7	—	15.2	15.9
Balance as of December 31, 2017	$ 624.3	$ 214.3	$ 377.5	$ 1,216.1

Components of intangible assets, net were as follows:

	December 31, 2017			June 30, 2017		
	Original Cost	Accumulated Amortization	Intangible Assets, net	Original Cost	Accumulated Amortization	Intangible Assets, net
Software	$ 185.8	$ (119.0)	$ 66.8	$ 163.7	$ (109.4)	$ 54.3
Customer lists	178.7	(137.5)	41.2	175.5	(130.0)	45.5
Trademarks	25.0	(24.4)	0.6	25.0	(24.1)	0.9
Other intangibles	6.9	(3.6)	3.3	6.4	(3.1)	3.3
	$ 396.4	$ (284.5)	$ 111.9	$ 370.6	$ (266.6)	$ 104.0

Other intangibles consist primarily of purchased rights, covenants, and patents (acquired directly or through acquisitions). All of the intangible assets have finite lives and, as such, are subject to amortization. The weighted-average remaining useful life of intangible assets is 5 years (3 years for software and software licenses, 7 years for customer lists, and 2 years for trademarks). Amortization of intangible assets was $7.8 million and $7.5 million for the three months ended December 31, 2017 and 2016, respectively, and $15.8 million and $15.2 million for the six months ended December 31, 2017.

Estimated amortization expenses of the Company's existing intangible assets as of December 31, 2017 were as follows:

	Amount
Six months ending June 30, 2018	$ 16.6
Twelve months ending June 30, 2019	28.2
Twelve months ending June 30, 2020	23.5
Twelve months ending June 30, 2021	18.6
Twelve months ending June 30, 2022	10.6
Twelve months ending June 30, 2023	5.4
Thereafter	9.0
	$ 111.9

Note 8. Debt

Debt was comprised of the following:

	December 31, 2017	June 30, 2017
Revolving credit facility	$ —	$ —
2019 term loan facility	209.4	215.6
2020 term loan facility	225.0	231.3
2021 term loan facility	380.0	390.0
3.30% senior notes, due 2019	250.0	250.0
4.50% senior notes, due 2024	500.0	500.0
4.875% senior notes, due 2027	600.0	600.0
Capital lease obligations	0.9	1.5
Unamortized debt financing costs	(15.5)	(16.7)
Total debt and capital lease obligations	2,149.8	2,171.7
Current maturities of long-term debt and capital lease obligations	45.9	46.5
Total long-term debt and capital lease obligations	$ 2,103.9	$ 2,125.2

Revolving Credit Facility

The Company has a five-year senior unsecured revolving credit facility, which was undrawn as of December 31, 2017 and June 30, 2017. The revolving credit facility provides up to $300.0 million of borrowing capacity and includes a sub-limit of up to $100.0 million for loans in Euro and Pound Sterling. In addition, the revolving credit facility contains an accordion feature that allows for an increase in the available borrowing capacity of up to $100.0 million, subject to the agreement of lenders under the revolving credit facility or other financial institutions that become lenders to extend commitments as part of the increased revolving credit facility. Borrowings under the revolving credit facility are available for general corporate purposes. The revolving credit facility will mature on September 30, 2019, subject to no more than two one-year extensions if lenders holding a majority of the revolving commitments approve such extensions.

The revolving credit facility is unsecured and loans thereunder bear interest, at the Company's option, at (a) the rate at which deposits in the applicable currency are offered in the London interbank market (or, in the case of borrowings in Euro, the European interbank market) plus margins varying from 1.125% to 2.000% per annum based on the Company's senior, unsecured non-credit-enhanced, long-term debt ratings from Standard & Poor's Ratings Group and Moody's Investors Services Inc. (the "Ratings") or (b) solely in the case of U.S. dollar loans, (i) the highest of (A) the prime rate of JPMorgan Chase Bank, N.A., (B) a rate equal to the average of the overnight federal funds rate with a maturity of one day plus a margin of 0.750% per annum and (C) the rate at which dollar deposits are offered in the London interbank market for a one-month interest period plus 1.000% plus (ii) margins varying from 0.125% to 1.000% per annum based on the Ratings. The unused portion of the revolving credit facility is subject to commitment fees ranging from 0.125% to 0.350% per annum based on the Ratings.

Term Loan Facilities

The Company has two five-year $250.0 million senior unsecured term loan facilities that mature on September 16, 2019 (the "2019 term loan facility") and December 14, 2020 (the "2020 term loan facility"), respectively. On December 9, 2016, the Company entered into a five-year $400.0 million senior unsecured term loan facility that matures on December 9, 2021 (the "2021 term loan facility"). The 2019 term loan facility, 2020 term loan facility, and 2021 term loan facility are together referred to as the "term loan facilities." The term loan facilities are subject to amortization in equal quarterly installments of 1.25% of the aggregate original principal amount of the term loans made on the closing dates, with any unpaid principal amount to be due and payable on the maturity date.

The 2019 and 2020 term loan facilities bear interest at the same calculations as are applicable to dollar loans under the revolving credit facility. The interest rate per annum on both the 2019 and 2020 term loan facilities was 2.99% as of December 31, 2017 and 2.98% as of June 30, 2017.

The 2021 term loan bears interest, at the Company's option, at (a) the rate at which deposits in the applicable currency are offered in the London interbank market (or, in the case of borrowings in Euro, the European interbank market) plus margins varying from 1.250% to 2.500% per annum based on the Company's senior, unsecured non-credit-enhanced, long-term debt ratings from Standard & Poor's Ratings Group and Moody's Investors Services Inc. (the "Ratings") or b) solely in the case of U.S. dollar loans, (i) the highest of (A) the prime rate of Bank of America, (B) a rate equal to the average of the overnight federal funds rate with a maturity of one day plus a margin of 0.750% per annum and (C) the rate at which dollar deposits are offered in the London interbank market for a one-month interest period plus 1.000% plus (ii) margins varying from 0.250% to 1.500% per annum based on the Ratings. The interest rate per annum on the 2021 term loan facility was 2.99% as of December 31, 2017 and 2.98% as of June 30, 2017.

Restrictive Covenants and Other Matters

The revolving credit facility and the term loan facilities are together referred to as the "credit facilities." The credit facilities contain various covenants and restrictive provisions that limit the Company's subsidiaries' ability to incur additional indebtedness; the Company's ability to consolidate or merge with other entities; and the Company's subsidiaries' ability to incur liens, enter into sale and leaseback transactions, and enter into agreements restricting the ability of the Company's subsidiaries to pay dividends. If the Company fails to perform the obligations under these and other covenants, the revolving credit facility could be terminated and any outstanding borrowings, together with accrued interest, under the credit facilities could be declared immediately due and payable. The credit facilities also have, in addition to customary events of default, an event of default triggered by the acceleration of the maturity of any other indebtedness the Company may have in an aggregate principal amount in excess of $75.0 million.

The credit facilities also contain financial covenants that provide (i) the ratio of total consolidated indebtedness to consolidated EBITDA shall not exceed 3.50 to 1.00 and (ii) the ratio of consolidated EBITDA to consolidated interest expense shall be a minimum of 3.00 to 1.00.

On December 9, 2016, the Company entered into (i) an Amendment to its Credit Agreement that covered the revolving credit facility and the 2019 term loan facility (the “2014 amendment”), and (ii) an Amendment to its Credit Agreement that covered the 2020 term loan facility (the “2015 amendment”). The 2014 amendment and the 2015 amendment amended certain “bail-in” language relating to EEA Financial Institutions and make certain changes to the definitions of “Change in Control,” “Consolidated EBITDA,” “Defaulting Lender,” and “Eligible Assignee.”

Senior Notes

On October 14, 2014, the Company completed an offering of 3.30% unsecured senior notes with a $250.0 million aggregate principal amount due in 2019 (the "2019 notes") and 4.50% senior notes with a $500.0 million aggregate principal amount due in 2024 (the "2024 notes"). The issuance price of the 2019 and 2024 notes was equal to the stated value. Interest is payable semi-annually on April 15 and October 15 of each year, and payment commenced on April 15, 2015. The interest rate payable on each applicable series of 2019 and 2024 notes is subject to adjustment from time to time if the credit ratings assigned to any series of 2019 and 2024 notes by the rating agencies is downgraded (or subsequently upgraded). The 2019 notes will mature on October 15, 2019, and the 2024 notes will mature on October 15, 2024. The 2019 notes and 2024 notes are redeemable at the Company's option prior to September 15, 2019 for the 2019 notes and prior to July 15, 2024 for the 2024 notes at a redemption price equal to the greater of (i) 100% of the aggregate principal amount of the 2019 notes or 2024 notes to be redeemed, and (ii) the sum of the present value of the remaining scheduled payments (as defined in the agreement), plus in each case, accrued and unpaid interest thereon. Subsequent to September 15, 2019 and July 15, 2024, the redemption price for the 2019 notes and the 2024 notes, respectively, will equal 100% of the aggregate principal amount of the notes redeemed, plus accrued and unpaid interest thereon.

On May 15, 2017, the Company completed an offering of 4.875% unsecured senior notes with a $600.0 million aggregate principal amount due in 2027 (the "2027 notes," together with the "2024 notes" and the 2019 notes, the "senior notes"). The issuance price of the 2027 notes was equal to the stated value. Interest is payable semi-annually on June 1 and December 1 of each year, and payment commenced on December 1, 2017. The 2027 notes will mature on June 1, 2027. The 2027 notes are redeemable at the Company's option prior to June 1, 2022 in whole or in part at a redemption price equal to 100% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, plus the applicable "make-whole" premium. Subsequent to June 1, 2022, the Company may redeem the 2027 notes at a price equal to: (i) 102.438% of the aggregate principal amount of the 2027 notes redeemed prior to June 1, 2023; (ii) 101.625% of the aggregate principal amount of the notes redeemed on or after June 1, 2023 but prior to June 1, 2024; (iii) 100.813% of the aggregate principal amount of the 2027 notes redeemed on or after June 1, 2024 but prior to June 1, 2025; and (iv) 100.000% of the aggregate principal amount of the 2027 notes redeemed thereafter.

The senior notes are general unsecured obligations of the Company and are not guaranteed by any of the Company's subsidiaries. The senior notes rank equally in right of payment with the Company's existing and future unsecured unsubordinated obligations, including the credit facilities. The senior notes contain covenants restricting the Company's ability to incur additional indebtedness secured by liens, engage in sale/leaseback transactions, and merge, consolidate, or transfer all or substantially all of the Company's assets.

The senior notes are also subject to a change of control provision whereby each holder of the senior notes has the right to require the Company to purchase all or a portion of such holder's senior notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest upon the occurrence of both a change of control and a decline in the rating of the senior notes.

In November 2016, Moody's and S&P lowered their credit ratings on the senior notes to Ba1 (Stable Outlook) from Baa3 (Negative Outlook) and to BB+ (Stable Outlook) from BBB- (Negative Outlook), respectively. The downgrades triggered interest rate adjustments for the 2019 and 2024 notes. Interest rates for the 2019 and 2024 notes increased to 3.80% from 3.30%, and to 5.00% from 4.50%, respectively, effective October 15, 2016.

Capital Lease Obligations

The Company has lease agreements for equipment, which are classified as capital lease obligations. The Company recognized the capital lease obligations and related leased equipment assets based on the present value of the minimum lease payments at lease inception.

Unamortized Debt Financing Costs

As of December 31, 2017 and June 30, 2017, gross debt issuance costs related to debt instruments were $22.1 million and $21.7 million, respectively. Accumulated amortization was $6.6 million and $5.0 million as of December 31, 2017 and June 30, 2017, respectively. Debt financing costs are amortized over the terms of the related debt instruments to interest expense on the consolidated statement of operations.

The Company's aggregate scheduled maturities of the long-term debt and capital lease obligations as of December 31, 2017 were as follows:

		Amount
Twelve months ending December 31, 2018	$	45.9
Twelve months ending December 31, 2019		479.4
Twelve months ending December 31, 2020		32.5
Twelve months ending December 31, 2021		207.5
Twelve months ending December 31, 2022		300.0
Thereafter		1,100.0
Total debt and capital lease obligations		2,165.3
Unamortized debt financing costs		(15.5)
Total debt and capital lease obligations, net of unamortized deferred financing costs	$	2,149.8

Note 9. Stock-Based Compensation

Incentive Equity Awards Granted by the Company

The Company's 2014 Omnibus Award Plan ("2014 Plan") provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards, and performance compensation awards to employees, directors, officers, consultants, and advisors, and those of the Company's affiliates. The 2014 Plan provides for an aggregate of 12.0 million shares of the Company's common stock to be reserved for issuance and is effective for a period of ten years. The Company reissues treasury stock to satisfy issuances of common stock upon option exercise, equity vesting, or grants of time-based restricted stock.

On September 30, 2014, Automatic Data Processing, Inc. (“ADP”) distributed 100% of the common stock of the Company to the holders of record of ADP common stock as of September 24, 2014 (the "spin-off"). Prior to the spin-off, all employee equity awards (stock options and restricted stock) were granted by ADP. All subsequent awards, including all incentive equity awards converted from ADP awards, were granted under the 2014 Plan.

The Company recognizes stock-based compensation expense associated with employee equity awards in net earnings based on the fair value of the awards on the date of grant. The Company accounts for forfeitures as they occur. Stock-based compensation primarily consisted of the following for the three and six months ended December 31, 2017 and 2016:

Stock Options. Stock options are granted to employees at exercise prices equal to the fair market value of the Company's common stock on the date of grant. Stock options are issued under a graded vesting schedule and generally have a term of ten years. Compensation expense is measured based on the fair value of the stock option on the grant date and recognized over the requisite service period for each separately vesting portion of the stock option award. Upon termination of employment, unvested stock options are evaluated for forfeiture or modification, subject to the terms of the awards and Company policies.

Time-Based Restricted Stock and Time-Based Restricted Stock Units. Time-based restricted stock and restricted stock units generally vest over a two to five-year period. Upon termination of employment, unvested stock options are evaluated for forfeiture or modification, subject to the terms of the awards and Company policies.

Time-based restricted stock cannot be transferred during the vesting period. Compensation expense related to the issuance of time-based restricted stock is measured based on the fair value of the award on the grant date and recognized on a straight-line basis over the vesting period. Employees are eligible to receive cash dividends on the CDK shares awarded under the time-based restricted stock program during the restricted period.

Time-based restricted stock units are primarily settled in cash, but may also be settled in stock. Compensation expense related to the issuance of time-based restricted stock units is recorded over the vesting period and is initially based on the fair value of the award on the grant date. Cash-settled, time-based restricted stock units are subsequently remeasured at each reporting date during the vesting period to the current stock value. No dividend equivalents are paid on units awarded under the time-based restricted stock unit program during the restricted period.

Performance-Based Restricted Stock Units. Performance-based restricted stock units generally vest over a three-year performance period. Under these programs, the Company communicates "target awards" at the beginning of the performance period with possible payouts at the end of the performance period ranging from 0% to 250% of the "target awards" plus any dividend equivalents, as described below. The possible payouts for certain performance-based restricted stock units are subject to adjustment (increase or decrease) based on a market condition defined as the total shareholder return of the Company's common stock compared to a peer group of companies.

Performance-based restricted stock units are settled in either cash or stock, depending on the employee's home country, and cannot be transferred during the vesting period. Compensation expense related to the issuance of performance-based restricted stock units settled in cash is recorded over the vesting period, is initially based on the fair value of the award on the grant date, and is subsequently remeasured at each reporting date to the current stock value during the performance period, based upon the probability that the performance target will be met. Compensation expense related to the issuance of performance-based restricted stock units settled in stock is recorded over the vesting period based on the fair value of the award on the grant date. Prior to settlement, dividend equivalents are earned on "target awards" under the performance-based restricted stock unit program.

The following table represents stock-based compensation expense and the related income tax benefits for the three and six months ended December 31, 2017 and 2016, respectively:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Cost of revenues	$ 1.4	$ 1.0	$ 2.5	$ 2.3
Selling, general and administrative expenses	11.5	9.7	18.5	18.2
Total pre-tax stock-based compensation expense	$ 12.9	$ 10.7	$ 21.0	$ 20.5
Income tax benefit	$ 3.3	$ 3.7	$ 6.1	$ 7.0

Stock-based compensation expense for the six months ended December 31, 2017 consisted of $16.8 million of expense related to equity classified awards and $4.2 million of expense related to liability classified awards. Stock-based compensation expense includes additional expense based on management's assessment that it is probable CDK's performance metrics for fiscal year ending June 30, 2018 ("fiscal 2018") associated with performance-based restricted stock units will exceed target. Additionally, there was $1.5 million of incremental stock-based compensation expense for awards that were modified or expense recognition was accelerated related to an officer's departure for the three and six months ended December 31, 2017.

As of December 31, 2017, the total unrecognized compensation cost related to non-vested stock options, restricted stock units, and restricted stock awards was $2.3 million, $29.4 million, and $14.8 million, respectively, which will be amortized over the weighted-average remaining requisite service periods of 2.0 years, 1.7 years, and 1.4 years, respectively.

The activity related to the Company's incentive equity awards from June 30, 2017 to December 31, 2017 consisted of the following:

Stock Options

	Number of Options (in thousands)	Weighted Average Exercise Price (in dollars)
Options outstanding as of June 30, 2017	1,310	$ 39.70
Options granted	25	62.03
Options exercised	(144)	26.33
Options canceled	(40)	53.53
Options outstanding as of December 31, 2017	1,151	$ 41.37

Time-Based Restricted Stock and Time-Based Restricted Stock Units

	Number of Shares (in thousands)	Number of Units (in thousands)
Non-vested restricted units/shares as of June 30, 2017	497	214
Restricted shares/units granted	178	78
Restricted shares/units vested	(218)	(116)
Restricted shares/units forfeited	(40)	(6)
Non-vested restricted units/shares as of December 31, 2017	417	170

Performance-Based Restricted Stock Units

	Number of Units (in thousands)
Non-vested restricted units as of June 30, 2017	742
Restricted units granted	31
Dividend equivalents	2
Restricted units vested	(6)
Restricted units forfeited	(44)
Non-vested restricted units as of December 31, 2017	725

The following table presents the assumptions used in the binomial model to determine the fair value of stock options granted during the six months ended December 31, 2017:

Risk-free interest rate	2.0%
Dividend yield	0.9%
Weighted-average volatility factor	24.5%
Weighted-average expected life (in years)	6.3
Weighted-average fair value (in dollars)	$ 15.65

Note 10. Income Taxes

Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Reform Act") was enacted into law. The Tax Reform Act significantly revises the U.S. corporate income tax laws by, amongst other things, reducing the corporate income tax rate from 35.0% to 21.0% and implementing a modified territorial tax system that includes a one-time transition tax on accumulated undistributed foreign earnings. Other provisions included in the Tax Reform Act include limitations on deductible executive compensation, a repeal of the domestic production activity deduction and several new international provisions. The modified territorial tax system includes a new anti-deferral provision, referred to as global intangible low taxed income (“GILTI”), which subjects certain foreign income to current U.S. tax.

In December 2017, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin No. 118, “Income Tax Accounting Implications of the Tax Cuts and Jobs Act” (“SAB 118”), which provides guidance on accounting for the tax effects of the Tax Reform Act. Under SAB 118, companies are able to record a reasonable estimate of the impacts of the Tax Reform Act if one is able to be determined and report it as a provisional amount during the measurement period. The measurement period is not to extend beyond one year from the enactment date. Impacts of the Tax Reform Act that a company is not able to make a reasonable estimate for should not be recorded until a reasonable estimate can be made during the measurement period.

The Company has not completed the accounting for the tax effects of the Tax Reform Act, however, in certain cases, the Company has made reasonable estimates of the effects on the income tax provision. During the three months ended December 31, 2017, the Company revised its annual effective tax rate to consider the impact of the reduced corporate tax rate. Due to the Company's fiscal year, the statutory corporate tax rate for fiscal 2018 is 28.1%, representing a blended tax rate based on the tax rate in effect on a pro-rata basis. In addition, during the three months ended December 31, 2017, the Company recorded a provisional one-time tax benefit associated with the Tax Reform Act in the amount of $14.1 million. The estimated one-time benefit is recorded in income tax expense. The estimated tax benefit is comprised of $22.6 million for the re-measurement of the Company's net deferred tax liability to reflect the new U.S. tax rate, partially offset by a one-time expense of $8.5 million associated with undistributed foreign earnings. Of the $8.5 million associated with undistributed foreign earnings, $4.8 million relates to a deferred tax liability established for foreign taxes on certain accumulated earnings as of December 31, 2017 no longer considered indefinitely reinvested and $3.7 million relates to the one-time transition tax recorded primarily within other liabilities. The one-time amounts are provisional due to complexities arising from a fiscal year-end, such as forecasting the timing of deferred tax reversals and projecting Earnings and Profits and related foreign tax credits, and are subject to change based on the issuance of additional regulatory guidance.

The accounting for certain provisions of the Tax Reform Act is incomplete and no provisional estimate has been made for the three months ended December 31, 2017. The Company requires additional time to evaluate the GILTI tax and review its outside basis differences in order to conclude on its policy election and the impact on the financial statements. The Company is allowed to make an accounting policy election whether to account for the GILTI tax as a current period expense when incurred or factor the GILTI tax into the measurement of deferred taxes. The Company will make the accounting policy election in the period the accounting is completed. For the items the Company was unable to make a reasonable estimate for, the Company has continued to apply ASC 740, "Income Taxes" based on the tax law in effect immediately prior to enactment of the Tax Reform Act.

The ultimate impact of the Tax Reform Act may differ from the Company's provisional estimates due to changes in interpretations and assumptions, additional regulatory guidance as the interpretation of the Tax Reform Act evolves over time, and actions taken by the Company as a result of the Tax Reform Act. The Company will finalize the provisional amounts during the measurement period as it completes its analysis and accounting. A reasonable estimate for the items for which no estimate has been made will be included in the first reporting period, within the measurement period, in which the Company is able to make a reasonable estimate.

Tax Matters Agreement

The Company and ADP entered into a tax matters agreement as part of the spin-off that governs the rights and obligations of both parties after the spin-off with respect to taxes for both pre and post spin-off periods. Under this agreement, ADP is generally required to indemnify the Company for any income taxes attributable to ADP's operations or the Company's operations and for any non-income taxes attributable to ADP's operations, in each case for all pre spin-off periods as well as any taxes arising from transactions effected to consummate the spin-off, and the Company generally is required to indemnify ADP for any non-income taxes attributable to the Company's operations for all pre spin-off periods and for any income taxes attributable to the Company's operations for post spin-off periods.

The Company is generally required to indemnify ADP against any tax resulting from the spin-off (and against any claims made against ADP in respect of any tax imposed on its stockholders), in each case if that tax results from (i) an issuance of a significant amount of the Company's equity securities, a redemption of a significant amount of the Company's equity securities or the Company's involvement in other significant acquisitions of the Company's equity securities (excluding the spin-off), (ii) other actions or failures to act by the Company, or (iii) any of the Company's representations or undertakings referred to in the tax matters agreement being incorrect or violated. ADP will generally be required to indemnify the Company for any tax resulting from the spin-off if that tax results from (a) ADP's issuance of its equity securities, redemption of its equity securities, or involvement in other acquisitions of its equity securities, (b) other actions or failures to act by ADP, or (c) any of ADP's representations or undertakings referred to in the tax matters agreement being incorrect or violated.

The Company recognized receivables from ADP of $1.0 million as of December 31, 2017 and June 30, 2017, and payables to ADP of $1.4 million and $1.2 million as of December 31, 2017 and June 30, 2017, respectively, under the tax matters agreement. In accordance with the tax matters agreement, the Company recognized a net pretax loss of $0.4 million and a net pretax gain of $0.4 million in the three months ended and six months ended December 31, 2017, respectively, in other income (expense), net in the consolidated statement of operations associated with indemnification amounts for pre spin-off tax periods.

Valuation Allowance

The Company had valuation allowances of $21.5 million and $35.1 million as of December 31, 2017 and June 30, 2017, respectively, because the Company has concluded it is more likely than not that it will be unable to utilize net operating and capital loss carryforwards of certain subsidiaries to offset future taxable earnings. As of each reporting date, the Company's management considers new evidence, both positive and negative, which could impact management's view with regard to future realization of deferred tax assets. During the six months ended December 31, 2017, the valuation allowance balance was decreased by $13.6 million primarily due to the provisional estimate of the corporate rate reduction impact of a capital loss carryforward which reduced the valuation allowance balance by $10.0 million and the expiration of certain non-U.S. tax loss carryforwards.

Unrecognized Income Tax Benefits

As of December 31, 2017 and June 30, 2017, the Company had unrecognized income tax benefits of $6.1 million and $6.4 million, respectively, of which $4.7 million and $4.8 million, respectively, would impact the effective tax rate if recognized. During the six months ended December 31, 2017, the Company decreased its unrecognized income tax benefits related to prior year tax positions by $0.8 million based on information that indicates the extent to which certain tax positions are more likely than not of being sustained, offset by an increase of $0.5 million in its unrecognized income tax benefits related to current year tax positions.

Provision for Income Taxes

The effective tax rate for the three months ended December 31, 2017 and 2016 was 11.7% and 29.7%, respectively. The effective tax rate for the three months ended December 31, 2017 was favorably impacted by $14.1 million for the estimated net one-time Tax Reform Act adjustments discussed above and by $11.8 million for the cumulative current year effect of the reduced corporate income tax rate. In addition, the effective tax rate for the three months ended December 31, 2017 and 2016 was favorably impacted by $0.1 million and $3.0 million of excess tax benefits, respectively.

The effective tax rate for the six months ended December 31, 2017 and 2016 was 21.2% and 29.5%, respectively. The effective tax rate for the six months ended December 31, 2017 was favorably impacted by $14.1 million for the estimated net one-time Tax Reform Act adjustments discussed above and by $11.8 million for the current year effect of the reduced corporate income tax rate. In addition, the effective tax rate for the six months ended December 31, 2017 and 2016 was favorably impacted by $3.6 million and $8.7 million of excess tax benefits, respectively.

Note 11. Commitments and Contingencies

The Company is subject to various claims and litigation in the normal course of business. When a loss is considered probable and reasonably estimable, the Company records a liability in the amount of its best estimate for the ultimate loss. There can be no assurance that these matters will be resolved in a manner that is not adverse to the Company.

In the normal course of business, the Company may enter into contracts in which it makes representations and warranties that relate to the performance of the Company's services and products. The Company does not expect any material losses related to such representations and warranties.

Legal Proceedings

From time to time, the Company is involved in legal, regulatory, and arbitration proceedings concerning matters arising in connection with the conduct of its business activities. Such proceedings can be expensive and disruptive to normal business operations. When losses are considered probable and reasonably estimable, the Company records a liability in the amount of its best estimate for the ultimate loss. At this time, the Company is unable to reasonably estimate any reasonably possible loss or ranges of losses on the matters and proceedings described below.

Competition Matters

The Company is involved in several lawsuits that set forth allegations of anti-competitive agreements between the Company and The Reynolds and Reynolds Company ("Reynolds and Reynolds") relating to the manner in which the defendants control access to, and allow integration with, their respective DMSs. The Company has also received from the Federal Trade Commission ("FTC") a Civil Investigative Demand consisting of a request to produce documents relating to any agreement between the Company and Reynolds and Reynolds.

On February 3, 2017, Motor Vehicle Software Corporation ("MVSC") filed an antitrust suit against the Company, Reynolds and Reynolds, and Computerized Vehicle Registration, Inc. ("CVR"), a majority owned subsidiary, in the U.S. District Court for the Central District of California, seeking treble damages and injunctive relief; plaintiff amended its complaint on May 1, 2017. On June 15, 2017, the defendants filed motions to dismiss the complaint, and on October 2, 2017 the court ruled on the motions. In its order, the court dismissed several claims with leave to amend, and allowed the remainder to go forward. Plaintiff filed a second amended complaint on November 2, 2017, and defendants moved to dismiss the repleaded counts on November 16, 2017. On November 7, 2017, Defendants moved to transfer and consolidate this action with other pending actions, described below, for consolidated or coordinated pretrial proceedings as part of a Multi-District Litigation ("MDL") proceeding in the U.S. District Court for the Northern District of Illinois. Plaintiffs in the various matters have responded either by objecting to MDL treatment, or by requesting that the MDL proceedings occur in a different jurisdiction. The Judicial Panel on Multidistrict Litigation responsible for ruling on defendants' MDL motion heard the motion on January 25, 2018.

On May 1, 2017, Authenticom, Inc. ("Authenticom") filed an antitrust suit against the Company's operating subsidiary, CDK Global, LLC, and Reynolds and Reynolds, in the U.S. District Court for the Western District of Wisconsin, seeking treble damages and injunctive relief. Authenticom moved for a preliminary injunction on May 18, 2017, which the court granted on July 14, 2017. The form of that injunction was handed down by the court on July 28, 2017, and defendants filed notices of appeal on the same day with the U.S. Court of Appeals for the Seventh Circuit. On November 6, 2017, the Court of Appeals vacated the injunction. On July 21, 2017, the defendants filed motions to dismiss the complaint in the district court. Defendants have also moved to have this matter be included as part of an MDL proceeding. On January 12, 2018 the district court granted defendants' motion for a partial stay of discovery pending a ruling on defendants' motion for MDL treatment of this matter.

On October 19, 2017, Teterboro Automall, Inc. d/b/a Teterboro Chrysler Dodge Jeep Ram filed a putative class-action antitrust suit against the Company's operating subsidiary, CDK Global, LLC, and Reynolds and Reynolds, in the U.S. District Court for the District of New Jersey, seeking certification as a class action, treble damages, and injunctive and declaratory relief. Since that time, several more putative class actions have been filed in a variety of Federal District Courts, with substantively similar allegations. Defendants have moved to have these putative class actions be included as part of an MDL proceeding.

On December 11, 2017, Cox Automotive, along with multiple subsidiaries, filed a lawsuit against CDK Global, LLC alleging violation of antitrust laws, business torts, and breach of contract in the Western District of Wisconsin, seeking treble damages and injunctive and declaratory relief. The Company has moved to have this matter be included as part of an MDL proceeding.

The Company believes that these cases are without merit and intends to continue to contest the claims in these cases vigorously. Accordingly, legal and expert fees may be significant, and an adverse result in these suits could have a material adverse effect on the Company's business, results of operations, financial condition, or liquidity.

On June 22, 2017, the Company received from the FTC a Civil Investigative Demand consisting of interrogatories and a request to produce documents relating to any agreements between the Company and Reynolds and Reynolds. The Company is responding to the request. The request merely seeks information, and no proceedings have been instituted. The Company believes there has not been any conduct by the Company or its current or former employees that would be actionable under the antitrust laws in connection with the agreements between ourselves and Reynolds and Reynolds. At this time, the Company does not have sufficient information to predict the outcome of, or the cost of responding to or resolving this investigation.

Other Proceedings

The Company is otherwise involved from time to time in other proceedings not described above. Based on information available at this time, the Company believes that the resolution of these other matters currently pending will not individually or in the aggregate have a material adverse effect on our business, results of operations, financial condition, or liquidity. The Company's view of these matters may change as the proceedings and events related thereto unfold.

Other Contingencies

The Company has provided approximately $26.7 million of guarantees as of December 31, 2017 in the form of surety bonds issued to support certain licenses and contracts which require a surety bond as a guarantee of performance of contractual obligations. In general, the Company would only be liable for the amount of these guarantees in the event the Company defaulted in performing the obligations under each contract, of which, the probability is remote.

The Company had a total of $3.4 million in letters of credit outstanding as of December 31, 2017 primarily in connection with insurance programs and our foreign subsidiaries.

Note 12. Accumulated Other Comprehensive Income ("AOCI")

Comprehensive income is a measure of income that includes both net earnings and other comprehensive income (loss). Other comprehensive income (loss) results from items deferred on the consolidated balance sheets in CDK stockholders' (deficit) equity. The Company's other comprehensive income (loss) for the six months ended December 31, 2017 and 2016 and AOCI balances as of December 31, 2017 and June 30, 2017 were comprised solely of currency translation adjustments. Other comprehensive income (loss) was $9.9 million and $(26.8) million for the three months ended December 31, 2017 and 2016, respectively, and $24.1 million and $(30.9) million for the six months ended December 31, 2017 and 2016. The accumulated balances reported in AOCI on the consolidated balance sheets for currency translation adjustments were $32.1 million and $8.0 million as of December 31, 2017 and June 30, 2017, respectively.

Note 13. Share Repurchases

In January 2017, the Board of Directors authorized the Company to repurchase up to $2.0 billion of our common stock as part of a return of capital plan. Under the authorization, the Company may purchase its common stock in the open market or in privately negotiated transactions from time to time as permitted by federal securities laws and other legal requirements. The actual timing, number, and price of any shares to be repurchased is determined at management's discretion and depends on a number of factors, including the market price of the shares, general market and economic conditions, and other potential uses for free cash flow including, but not limited to, potential acquisitions.

In May 2017, the Company entered into an accelerated share repurchase agreement ("May 2017 ASR") to purchase $350.0 million of the Company's common stock. Under the terms of the May 2017 ASR, the Company made a $350.0 million payment in May 2017 and received initial delivery of approximately 4.5 million of the Company's common stock. In September 2017, the Company received an additional 1.1 million shares of common stock in final settlement of the May 2017 ASR, for a total of 5.6 million shares. The value reflected in treasury stock upon completion of the May 2017 ASR represents the value of the shares received based on the closing price of the Company's stock on the respective settlement dates, which is less than the $350.0 million cash paid by $3.1 million. Additionally, the Company made open market repurchases of approximately 4.7 million shares of the Company's common stock during the six months ended December 31, 2017 for a total cost of $315.4 million.

Note 14. Financial Data by Segment

The Company is organized into two main operating groups. The Company's first operating group is CDK North America which is comprised of two reportable segments, Retail Solutions North America and Advertising North America. The second operating group, which is also a reportable segment, is CDK International.

The primary components of the Other segment are corporate allocations and other expenses not recorded in the segment results, such as stock-based compensation expense, corporate costs, interest expense, costs attributable to the business transformation plan, results of our captive insurance company and certain unallocated expenses. Certain expenses are charged to the reportable segments at a standard rate for management reasons. Other costs are recorded based on management responsibility.

Revenue by segment was as follows:

	Revenues			
	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
CDK North America:				
Retail Solutions North America	$ 398.1	$ 393.8	$ 799.7	$ 789.2
Advertising North America	76.8	78.1	156.6	155.6
CDK International	86.8	75.9	171.1	153.7
Total	$ 561.7	$ 547.8	$ 1,127.4	$ 1,098.5

Supplemental disclosure of revenue by type was as follows:

Retail Solutions North America:

*Subscription***:** for software and technology solutions provided to automotive retailers and OEMs, which includes:

- Dealer Management Systems and layered applications, which may be installed onsite at the customer's location, or hosted and provided on a Software as a Service basis, including ongoing maintenance and support;
- Interrelated services such as installation, initial training, and data updates;
- Websites, search marketing, and reputation management services; and
- Hardware on a service basis, meaning no specific assets are identified or a substantive right of substitution exists.

Transaction: fees per transaction to process credit reports, vehicle registrations, and automotive equity mining.

Other: consulting and professional services, sales of hardware, and other miscellaneous revenues.

Advertising North America revenues are primarily earned for placing internet advertisements for OEMs and automotive retailers.

CDK International revenues are generated primarily from Subscription revenue as described above, aside from the absence of website offerings.

	Revenues			
	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
CDK North America:				
Retail Solutions North America:				
Subscription revenue	$ 326.4	$ 313.4	$ 653.0	$ 629.7
Transaction revenue	39.1	42.7	82.8	89.6
Other revenue	32.6	37.7	63.9	69.9
Total Retail Solutions North America	$ 398.1	$ 393.8	$ 799.7	$ 789.2
Advertising North America revenue	76.8	78.1	156.6	155.6
CDK International revenue	86.8	75.9	171.1	153.7
Total	$ 561.7	$ 547.8	$ 1,127.4	$ 1,098.5

Earnings before Income Taxes by segment was as follows:

	Earnings before Income Taxes			
	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
CDK North America:				
Retail Solutions North America	$ 162.3	$ 142.3	318.5	287.8
Advertising North America	9.4	9.8	20.0	21.3
CDK International	22.6	18.3	44.0	35.2
Other	(74.0)	(51.5)	(142.4)	(113.5)
Total	$ 120.3	$ 118.9	240.1	230.8

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

(Tabular amounts in millions, except per share amounts)

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains, and other written or oral statements made from time to time by CDK Global, Inc. ("CDK," or the "Company") may contain, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, including: the Company's business outlook, forecasted GAAP and adjusted results for the Company's fiscal year ending June 30, 2018 ("fiscal 2018"), and targeted adjusted EBITDA exit margin for the Company's fiscal year ending June 30, 2019 ("fiscal 2019"), and an estimated post-tax reform normalized annual adjusted effective tax rate; statements concerning the Company's payment of dividends and the repurchase of shares, leverage targets and the funding of such dividends and repurchases; the Company's objectives for its multi-year business transformation plan; other plans; objectives; forecasts; goals; beliefs; business strategies; future events; business conditions; results of operations; financial position business outlook trends; and other information, may be forward-looking statements. Words such as "might," "will," "may," "could," "should," "estimates," "expects," "continues," "contemplates," "anticipates," "projects," "plans," "potential," "predicts," "intends," "believes," "forecasts," "future," "assumes," and variations of such words or similar expressions are intended to identify forward-looking statements. In particular, information appearing under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” includes forward-looking statements. These statements are based on management's expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed, or implied by, these forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include:

- the Company's success in obtaining, retaining, and selling additional services to customers;
- the pricing of our products and services;
- overall market and economic conditions, including interest rate and foreign currency trends, and technology trends;
- adverse global economic conditions and credit markets and volatility in the countries in which we do business (such as the adverse economic impact and related uncertainty caused by the United Kingdom's ("U.K.") decision to leave the European Union ("Brexit"));
- auto sales and advertising and related industry changes;
- competitive conditions;
- changes in regulation (including future interpretations, assumptions and regulatory guidance related to the Tax Cuts and Jobs Act);
- changes in technology, security breaches, interruptions, failures, and other errors involving our systems;
- availability of skilled technical employees/labor/personnel;
- the impact of new acquisitions and divestitures;
- employment and wage levels;
- availability of capital for the payment of debt service obligations or dividends or the repurchase of shares;
- Any changes to our credit rating and the impact of such changes on our financing costs, rates, terms, debt service obligations, and access to capital market and working capital needs;
- the impact of our indebtedness, our access to cash and financing, and our ability to secure financing or financing at attractive rates;
- litigation involving contract, intellectual property, competition, shareholder, and other matters, and governmental investigations;
- our ability to timely and effectively implement our business transformation plan; and
- the ability of our significant stockholders and their affiliates to significantly influence our decisions, or cause us to incur significant costs.

There may be other factors that may cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, the forward-looking statements. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. You should carefully read the factors described elsewhere in this document under "Risk Factors" under "Item 1A. Risk Factors" of our Annual Report on Form 10-K (the "Form 10-K") and in this Quarterly Report on Form 10-Q under "Item 1. Risk Factors," for a description of certain risks that could, among other things, cause our actual results to differ from these forward-looking statements.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q, even if subsequently made available by us on our website or otherwise, and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q and the Annual Report on Form 10-K. We disclaim any obligation to update or revise forward-looking statements that may be made to reflect new information or future events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

The following discussion should be read in conjunction with our consolidated and combined financial statements and accompanying notes thereto included elsewhere herein. In this Quarterly Report on Form 10-Q, all references to "we," "our," and "us" refer collectively to CDK and its consolidated subsidiaries.

RESULTS OF OPERATIONS

Executive Overview

We are a leading global provider of integrated information technology and digital marketing solutions to the automotive retail and adjacent industries. Focused on enabling end-to-end automotive commerce, we provide solutions to dealers in more than 100 countries around the world, serving approximately 28,000 retail locations and most original equipment manufacturers ("OEMs"). We have over 40 years of history providing innovative solutions to automotive retailers and OEMs to better manage, analyze, and grow their businesses. Our solutions automate and integrate all parts of the buying process from targeted digital advertising and marketing campaigns to the sale, financing, insuring, parts supply, repair, and maintenance of vehicles. We believe the breadth of our integrated solutions allows us to more comprehensively address the varied needs of automotive retailers than any other single competitor in our industry.

Our solutions address the entire automotive retailers' value chain. Our automotive retail solutions offer technology that helps manage and generate additional efficiency on the supply side of the retail value chain. These solutions were built through decades of innovation and experience in helping our customers with all aspects of the automotive retail process. We also offer digital marketing solutions to enable our customers to create demand for their products by designing and managing complete digital marketing and advertising strategies for their businesses. These solutions allow our customers to plan and automate sophisticated marketing campaigns, gather comprehensive data on these campaigns, and further refine their strategies to maximize the effectiveness of their advertising spend.

The Company is organized into two main operating groups. The Company's first operating group is CDK North America which is comprised of two reportable segments, Retail Solutions North America and Advertising North America. The second operating group, which is also a reportable segment, is CDK International. A brief description of each of these three segments' operations is provided below.

Retail Solutions North America

Through our Retail Solutions North America ("RSNA") segment, we provide technology-based solutions, including automotive website platforms, that help automotive retailers, OEMs, and other industry participants manage the acquisition, sale, financing, insuring, parts supply, and repair and maintenance of vehicles. Our solutions help our customers streamline their operations, better target and serve their customers, and enhance the financial performance of their retail operations. In addition to providing solutions to retailers and manufacturers of automobiles, we also provide solutions to retailers and manufacturers of heavy trucks, construction equipment, agricultural equipment, motorcycles, boats, and other marine and recreational vehicles.

Advertising North America

Through our Advertising North America ("ANA") segment, we provide advertising solutions, including management of digital advertising spend, for OEMs and automotive retailers. These solutions provide a coordinated offering across multiple marketing channels to help achieve customer marketing and sales objectives and coordinate execution between OEMs and their retailer networks.

CDK International

Through our CDK International ("CDKI") segment, we provide technology-based solutions similar to the retail solutions provided in our RSNA segment in approximately 100 countries outside of the United States ("U.S.") and Canada. The solutions that we provide within this segment allow our customers to streamline their business operations and enhance their financial performance within their local marketplace, and in some cases where we deal directly with OEMs, across international borders. Customers of this segment include automotive retail dealers and OEMs across Europe, the Middle East, Asia, Africa, and Latin America.

Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Reform Act") was enacted into law. The Tax Reform Act significantly revises the U.S. corporate income tax laws by, amongst other things, reducing the corporate income tax rate from 35.0% to 21.0% and implementing a modified territorial tax system that includes a one-time transition tax on accumulated undistributed foreign earnings. Other provisions included in the Tax Reform Act include limitations on deductible executive compensation, a repeal of the domestic production activity deduction and several new international provisions. The modified territorial tax system includes a new anti-deferral provision, referred to as global intangible low taxed income (“GILTI”), which subjects certain foreign income to current U.S. tax.

In December 2017, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin No. 118, “Income Tax Accounting Implications of the Tax Cuts and Jobs Act” (“SAB 118”), which provides guidance on accounting for the tax effects of the Tax Reform Act. Under SAB 118, companies are able to record a reasonable estimate of the impacts of the Tax Reform Act if one is able to be determined and report it as a provisional amount during the measurement period. The measurement period is not to extend beyond one year from the enactment date. Impacts of the Tax Reform Act that a company is not able to make a reasonable estimate for should not be recorded until a reasonable estimate can be made during the measurement period.

We have not completed the accounting for the tax effects of the Tax Reform Act, however, in certain cases, we have made reasonable estimates of the effects on the income tax provision. During the three months ended December 31, 2017, we revised our annual effective tax rate to consider the impact of the reduced corporate tax rate. Due to our fiscal year, the statutory corporate tax rate for fiscal 2018 is 28.1%, representing a blended tax rate based on the tax rate in effect on a pro-rata basis. In addition, during the three months ended December 31, 2017, we recorded a provisional one-time tax benefit associated with the Tax Reform Act in the amount of $14.1 million. The estimated one-time benefit is recorded in income tax expense. The estimated tax benefit is comprised of $22.6 million for the re-measurement of the net deferred tax liability to reflect the new U.S. tax rate, partially offset by a one-time expense of $8.5 million associated with undistributed foreign earnings. Of the $8.5 million associated with undistributed foreign earnings, $4.8 million relates to a deferred tax liability established for foreign taxes on certain accumulated earnings as of December 31, 2017 no longer considered indefinitely reinvested and $3.7 million relates to the one-time transition tax recorded primarily within other liabilities. The one-time amounts are provisional due to complexities arising from a fiscal year-end, such as forecasting the timing of deferred tax reversals and projecting Earnings and Profits and related foreign tax credits, and are subject to change based on the issuance of additional regulatory guidance.

The accounting for certain provisions of the Tax Reform Act are incomplete and no provisional estimate has been made for the three months ended December 31, 2017. We require additional time to evaluate the GILTI tax and review our outside basis differences in order to conclude on a policy election and the impact on the financial statements. We are allowed to make an accounting policy election whether to account for the GILTI tax as a current period expense when incurred or factor the GILTI tax into the measurement of deferred taxes. We will make the accounting policy election in the period the accounting is completed. For the items we were unable to make a reasonable estimate for, we have continued to apply Accounting Standards Codification 740, "Income Taxes" based on the tax law in effect immediately prior to enactment of the Tax Reform Act.

The ultimate impact of the Tax Reform Act may differ from the provisional estimates due to changes in interpretations and assumptions, additional regulatory guidance as the interpretation of the Tax Reform Act evolves over time, and actions taken as a result of the Tax Reform Act. We will finalize the provisional amounts during the measurement period as we complete our analysis and accounting. A reasonable estimate for the items for which no estimate has been made will be included in the first reporting period, within the measurement period, in which we are able to make a reasonable estimate.

We anticipate our GAAP effective tax rate for fiscal 2018 will be 25.0% - 26.0% compared to 30.5% for fiscal year ended June 30, 2017. We believe the adjusted effective tax rate of 29.2% for the six months ended December 31, 2017 is indicative of the expected full year fiscal 2018 adjusted effective tax rate, see "Consolidated Non-GAAP results" for reconciliation of the six months ended. As a fiscal year company, we anticipate further reduction in our effective tax rate. Based on our current interpretation of the Tax Reform Act, we anticipate our future annual adjusted effective tax rate will be approximately three to four points lower than fiscal 2018. Both the effective tax rate and adjusted effective tax rate are subject to change pending the finalization of our analysis of the Tax Reform Act.

Business Transformation Plan

During fiscal 2015, we initiated a three-year business transformation plan designed to increase operating efficiency and improve the cost structure of our global operations. As we execute the business transformation plan, we continually monitor, evaluate and refine its structure, including its design, goals, term, and our estimate and allocation of total restructuring expenses. As part of this ongoing review process, we have extended the business transformation plan by one year through fiscal 2019, and updated our target of additional consolidated adjusted EBITDA generated to more than $300 million over four years with a targeted adjusted EBITDA exit margin of 40% or above for fiscal 2019. We estimate the cost to execute the plan through fiscal 2019 to be approximately $250 million compromising approximately $70 million of restructuring expense and approximately $180 million of other expenses to implement the business transformation plan. For additional information on fiscal 2019 targets, see "Non-GAAP Measures" below.

The following table describes the key workstreams through which we monitor and evaluate our performance under the business transformation plan.

Workstream	Description
MoveUp!	Migrate customers to latest software versions; engineer to reduce customizations
Streamline implementation	Streamline installation and training process through improved technology, process, tools, and workflow
Enhance customer service	Decrease resolution times through optimized case management and technology-enabled, intelligent, user-driven support
Optimize sales and product offering	Standardize pricing; optimize discount management; reduce product complexity; adjust sales structure
Simplify quote to cash	Reduce business complexity through integrated go-to-market model that leverages an automated contracting process, SKU rationalization, and streamlined invoicing
Workforce efficiency and footprint	Increase efficiency through fewer layers and larger spans of control, geographic wage arbitrage, and reduced facility footprint
Strategic sourcing	Disciplined vendor management and vendor consolidation
CDK International	Comprehensive optimization across back office, R&D, implementation, and support
Other	

Restructuring expenses associated with the business transformation plan includes employee-related costs, which represent severance and other termination-related benefits, and contract termination costs, which include costs to terminate facility leases. We recognized $7.6 million and $2.3 million of restructuring expenses for the three months ended December 31, 2017 and 2016, respectively, and $14.1 million and $3.4 million for the six months ended December 31, 2017 and 2016. Since the inception of the business transformation plan in the fourth quarter of fiscal 2015, we have recognized cumulative restructuring expenses of $55.1 million. Restructuring expenses are recorded in the Other segment, as these initiatives are predominantly centrally directed and are not included in internal measures of segment operating performance.

Accruals for restructuring expenses were included within accrued expenses and other current liabilities on the consolidated balance sheets as of December 31, 2017 and June 30, 2017. The following table summarizes the activity for the restructuring accrual for the six months ended December 31, 2017:

	Employee-Related Costs	Contract Termination Costs	Total Costs
Balance as of June 30, 2017	$ 6.4	$ 2.4	$ 8.8
Charges	13.4	1.4	14.8
Cash payments	(12.3)	(1.1)	(13.4)
Adjustments	(0.5)	(0.2)	(0.7)
Foreign exchange	0.1	—	0.1
Balance as of December 31, 2017	$ 7.1	$ 2.5	$ 9.6

In addition to the restructuring expenses discussed above, we expect to incur additional costs to implement the business transformation plan, including consulting, training, and other transition costs. We may also incur accelerated depreciation and amortization expenses if the expected useful lives of our assets are adjusted. While these costs are directly attributable to our business transformation plan, they are not included in restructuring expenses on our consolidated statements of operations. We recognized other business transformation expense of $14.6 million for the three months ended December 31, 2017, which includes $0.2 million of stock-based compensation expense, and $19.0 million for the three months ended December 31, 2016, which includes $0.8 million of accelerated depreciation. We recognized other business transformation expense of $30.4 million for the six months ended December 31, 2017, which includes $0.8 million of stock-based compensation expense and $0.1 million of accelerated depreciation, and $39.6 million for the six months ended December 31, 2016, which includes $1.6 million of accelerated depreciation. Since the inception of the business transformation plan in the fourth quarter of fiscal 2015, we have recognized cumulative other business transformation expenses of $152.6 million.

Sources of Revenues and Expenses

Revenues. We generally receive fee-based revenue by providing services to customers.

In our RSNA segment, we have the following sources of revenue:

Subscription: for software and technology solutions provided to automotive retailers and OEMs, which includes:

- Dealer Management Systems ("DMSs") and layered applications, which may be installed onsite at the customer's location, or hosted and provided on a Software-as-a-Service ("SaaS") basis, including ongoing maintenance and support;
- Interrelated services such as installation, initial training, and data updates;
- Websites, search marketing, and reputation management services; and
- Hardware on a service basis, meaning no specific assets are identified or a substantive right of substitution exists.

Transaction: fees per transaction to process credit reports, vehicle registrations, and automotive equity mining.

Other: consulting and professional services, sales of hardware, and other miscellaneous revenues.

In our ANA segment, revenues are primarily earned for placing internet advertisements for OEMs and automotive retailers.

CDKI revenues are generated primarily from Subscription revenue as described above, aside from the absence of website offerings.

Expenses. Expenses generally relate to the cost of providing services to customers in the three reportable segments. In the RSNA and CDKI segments, significant expenses include employee payroll and other labor-related costs, the cost of hosting customer systems, third-party costs for transaction-based solutions and licensed software utilized in our solution offerings, computer hardware, software, telecommunications, transportation and distribution costs, third-party content for website offerings, the cost of hosting customer websites, computer hardware, software, and other general overhead items. In the ANA segment, significant expenses include third-party Internet-based advertising placements, employee payroll and other labor-related costs, computer hardware, software, and other general overhead items. We also have some company-wide expenses attributable to management compensation and corporate overhead.

Key Performance Measures

We regularly review the following key performance measures in evaluating our business results, identifying trends affecting our business, and making operating and strategic decisions:

Dealer Management System Customer Sites. We track the number of retail customer sites with an active DMS that sell vehicles in automotive and adjacent markets as an indicator of our opportunity set for generating subscription revenue. We consider a DMS to be active if we have billed a subscription fee for that solution during the most recently ended calendar month. Adjacent markets include heavy truck dealerships that provide vehicles to the over-the-road trucking industry, recreation dealerships in the motorcycle, marine, and recreational vehicle industries, and heavy equipment dealerships in the agriculture and construction equipment industries.

Average Revenue Per DMS Customer Site. Average revenue per DMS customer site is an indicator of the adoption of our solutions by DMS customers, and we monitor changes in this metric to measure the effectiveness of our strategy to deepen our relationships with our current customer base through upgrading and expanding solutions. We calculate average revenue per DMS customer site by dividing the revenue generated from our solutions, including revenue generated from websites, in an applicable period by the average number of DMS customer sites in the same period. The metric excludes subscription revenue generated by customers not included in our DMS customer site count as well as subscription revenue related to certain installation and training activities that is deferred then recognized as revenue over the life of the contract. Revenue underlying this metric is based on budgeted foreign exchange rates. When we discuss growth in average revenue per DMS customer site, revenue for the comparable prior period has been adjusted to reflect budgeted foreign exchange rates for the current period.

Websites. For the RSNA segment, we track the number of websites that we host and develop for our OEM and automotive retail customers as an indicator of business activity, regardless of whether or not the website is tied to a DMS customer site. The number of websites as of a specified date is the total number of full function dealer websites or portals that are currently accessible as of the end of the most recent calendar month.

Advertising. For the ANA segment, we track the amount of advertising revenue generated from automotive manufacturers and retailers on either a national or regional scale as a measure of our effectiveness in delivering advertising services to the market.

Results of Operations

The following is a discussion of the results of our consolidated operations for the three and six months ended December 31, 2017 and 2016. For a discussion of our operations by segment, see "Analysis of Reportable Segments" below.

The table below presents consolidated results of operations for the periods indicated and the dollar change and percentage change between periods.

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Revenues	$ 561.7	$ 547.8	$ 13.9	3 %	$ 1,127.4	$ 1,098.5	$ 28.9	3 %
Cost of revenues	290.8	303.2	(12.4)	(4)%	598.5	618.3	(19.8)	(3)%
Selling, general, and administrative costs	122.2	110.9	11.3	10 %	235.9	224.6	11.3	5 %
Restructuring expenses	7.6	2.3	5.3	n/m	14.1	3.4	10.7	n/m
Total expenses	420.6	416.4	4.2	1 %	848.5	846.3	2.2	— %
Operating earnings	141.1	131.4	9.7	7 %	278.9	252.2	26.7	11 %
Interest expense	(23.2)	(12.3)	(10.9)	89 %	(46.5)	(23.0)	(23.5)	102 %
Other income, net	2.4	(0.2)	2.6	n/m	7.7	1.6	6.1	n/m
Earnings before income taxes	120.3	118.9	1.4	1 %	240.1	230.8	9.3	4 %
Margin %	*21.4%*	*21.7%*			*21.3%*	*21.0%*		
Provision for income taxes	(14.1)	(35.3)	21.2	(60)%	(50.8)	(68.0)	17.2	(25)%
Effective tax rate	*11.7%*	*29.7%*			*21.2%*	*29.5%*		
Net earnings	106.2	83.6	22.6	27 %	189.3	162.8	26.5	16 %
Less: net earnings attributable to noncontrolling interest	2.2	0.9	1.3	144 %	4.0	3.2	0.8	25 %
Net earnings attributable to CDK	$ 104.0	$ 82.7	$ 21.3	26 %	$ 185.3	$ 159.6	$ 25.7	16 %

Three Months Ended December 31, 2017 Compared to the Three Months Ended December 31, 2016

Revenues. Revenues for the three months ended December 31, 2017 increased $13.9 million as compared to the three months ended December 31, 2016. The CDKI segment contributed $10.9 million of revenue growth, the RSNA segment contributed $4.3 million of revenue growth and the ANA segment revenue decreased by $1.3 million. See the discussion below for drivers of each segment's revenue growth. The impact of foreign exchange rates on revenues was an increase of $6.5 million. The foreign exchange rate impact was primarily due to the strength of the Euro, Pound Sterling and Canadian dollar against the U.S. dollar.

Cost of Revenues. Cost of revenues for the three months ended December 31, 2017 decreased by $12.4 million as compared to the three months ended December 31, 2016. The constant currency impact of foreign exchange rates on cost of revenues was an increase of $3.2 million. Cost of revenues was favorably impacted by lower expenses as a result of lower labor-related costs attributable to ongoing initiatives under our business transformation plan primarily related to lower headcount and geographic labor mix. Cost of revenues include expenses to research, develop, and deploy new and enhanced solutions for our customers of $34.7 million and $36.1 million for the three months ended December 31, 2017 and 2016, respectively, representing 6.2% and 6.6% of revenues, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended December 31, 2017 increased by $11.3 million compared to the three months ended December 31, 2016. Selling, general and administrative expenses increased due to costs to implement the new revenue recognition standard, acquisition and integration-related expenses in connection with our closed and pending acquisitions, legal and regulatory expenses related to competition matters, and the constant currency impact of foreign exchange rates of $1.8 million offset by lower expenses as a result of lower labor-related costs attributable to ongoing initiatives under our business transformation plan primarily related to lower headcount and geographic labor mix.

Restructuring Expenses. Restructuring expenses for the three months ended December 31, 2017 increased by $5.3 million as compared to the three months ended December 31, 2016 and relates to the business transformation plan we initiated in fiscal 2015.

Interest Expense. Interest expense for the three months ended December 31, 2017 increased by $10.9 million as compared to the three months ended December 31, 2016 due to borrowings under our 2027 notes in May 2017, full quarter impact of the 2021 term loan and increase in interest rates on our term loan facilities and 2019 and 2024 notes due to downgrades and a higher interest rate environment.

Other Income (Expense), net. Other income (expense), net for the three months ended December 31, 2017 increased by $2.6 million as compared to the three months ended December 31, 2016 due primarily to a recovery in fiscal 2018 of a non-operating receivable that had been impaired in fiscal 2017 upon execution of a licensing and service agreement. Additionally, there was higher interest income which was partially offset by fluctuations in foreign exchange gains and losses.

Provision for Income Taxes. The effective tax rate for the three months ended December 31, 2017 and 2016 was 11.7% and 29.7%, respectively. The effective tax rate for the three months ended December 31, 2017 was favorably impacted by $14.1 million for the estimated net one-time Tax Reform Act adjustments and by $11.8 million for the cumulative current year effect of the reduced corporate income tax rate. In addition, the effective tax rate for the three months ended December 31, 2017 and 2016 was favorably impacted by $0.1 million and $3.0 million of excess tax benefits, respectively.

Net Earnings Attributable to CDK. Net earnings attributable to CDK for the three months ended December 31, 2017 increased $21.3 million as compared to the three months ended December 31, 2016. The increase in net earnings attributable to CDK was primarily due to the factors previously discussed.

Six Months Ended December 31, 2017 Compared to the Six Months Ended December 31, 2016

Revenues. Revenues for the six months ended December 31, 2017 increased $28.9 million as compared to the six months ended December 31, 2016. The CDKI segment contributed $17.4 million, the RSNA segment contributed $10.5 million and the ANA segment contributed $1.0 million of revenue growth. See the discussion below for drivers of each segment's revenue growth. The impact of foreign exchange rates on revenues was an increase of $9.5 million. The foreign exchange rate impact was primarily due to the strength of the Euro, Canadian dollar and Pound Sterling against the U.S. dollar.

Cost of Revenues. Cost of revenues for the six months ended December 31, 2017 decreased by $19.8 million as compared to the six months ended December 31, 2016. The constant currency impact of foreign exchange rates on cost of revenues was an increase of $4.5 million. Cost of revenues was favorably impacted by lower expenses as a result of lower labor-related costs attributable to ongoing initiatives under our business transformation plan primarily related to lower headcount and geographic labor mix. Cost of revenues include expenses to research, develop, and deploy new and enhanced solutions for our customers of $72.7 million and $74.8 million for the six months ended December 31, 2017 and 2016, respectively, representing 6.4% and 6.8% of revenues, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the six months ended December 31, 2017 increased by $11.3 million compared to the six months ended December 31, 2016. Selling, general and administrative expenses increased due to costs to implement the new revenue recognition standard, acquisition and integration-related expenses in connection with our closed and pending acquisitions, legal and regulatory expenses related to competition matters, higher sales commissions and the constant currency impact of foreign exchange rates of $2.4 million, offset by lower expenses as a result of lower labor-related costs attributable to ongoing initiatives under our business transformation plan primarily related to lower headcount and geographic labor mix.

Restructuring Expenses. Restructuring expenses for the six months ended December 31, 2017 increased by $10.7 million as compared to the six months ended December 31, 2016 and relates to the business transformation plan we initiated in fiscal 2015.

Interest Expense. Interest expense for the six months ended December 31, 2017 increased by $23.5 million as compared to the six months ended December 31, 2016 due to borrowings under our 2027 notes in May 2017, the full impact of the 2021 term loan and increase in interest rates on our term loan facilities and 2019 and 2024 notes due to downgrades and a higher interest rate environment.

Other Income (Expense), net. Other income (expense), net for the six months ended December 31, 2017 increased by $6.1 million as compared to the six months ended December 31, 2016 due primarily due to a recovery in fiscal 2018 of a non-operating receivable that had been impaired in fiscal 2017 upon execution of a licensing and service agreement, and higher interest income in fiscal 2018.

Provision for Income Taxes. The effective tax rate for the six months ended December 31, 2017 and 2016 was 21.2% and 29.5%, respectively. The effective tax rate for the six months ended December 31, 2017 was favorably impacted by $14.1 million for the estimated net one-time Tax Reform Act adjustments discussed above and by $11.8 million for the current year effect of the reduced corporate income tax rate. In addition, the effective tax rate for the six months ended December 31, 2017 and 2016 was favorably impacted by $3.6 million and $8.7 million of excess tax benefits, respectively.

Net Earnings Attributable to CDK. Net earnings attributable to CDK for the six months ended December 31, 2017 increased $25.7 million as compared to the six months ended December 31, 2016. The increase in net earnings attributable to CDK was primarily due to the factors previously discussed.

Non-GAAP Measures

Throughout the following results of operations discussions, we disclose certain financial measures for our consolidated and operating segment results on both a GAAP and a non-GAAP (adjusted) basis. The non-GAAP financial measures disclosed should be viewed in addition to, and not as an alternative to, results prepared in accordance with GAAP. Our use of each of the following non-GAAP financial measures may differ from similarly titled non-GAAP financial measures presented by other companies, and other companies may not define these non-GAAP financial measures, or reconcile them to the comparable GAAP financial measures, in the same way.

Non-GAAP Financial Measure	**Comparable GAAP Financial Measure**
Adjusted earnings before income taxes	Earnings before income taxes
Adjusted provision for income taxes	Provision for income taxes
Adjusted net earnings attributable to CDK	Net earnings attributable to CDK
Adjusted diluted earnings attributable to CDK per share	Diluted earnings attributable to CDK per share
Adjusted EBITDA	Net earnings attributable to CDK
Adjusted EBITDA margin	Net earnings attributable to CDK margin
Constant currency adjusted revenues	Revenues
Constant currency adjusted earnings before income taxes	Earnings before income taxes

We use adjusted earnings before income taxes, adjusted provision for income taxes, adjusted net earnings attributable to CDK, adjusted diluted earnings attributable to CDK per share, adjusted EBITDA and adjusted EBITDA margin internally to evaluate our performance on a consistent basis, because the measures adjust for the impact of certain items that we believe do not directly reflect our underlying operations. By adjusting for these items we believe we have more precise inputs for use as factors in (i) our budgeting process, (ii) making financial and operational decisions, (iii) evaluating ongoing segment and overall operating performance on a consistent period-to-period basis, (iv) target leverage calculations, (v) debt covenant calculations, and (vi) determining incentive-based compensation.

We believe our non-GAAP financial measures are useful for users of the financial statements because they (i) provide investors with meaningful supplemental information regarding financial performance by excluding certain items, (ii) permit investors to view performance using the same tools that management uses, and (iii) otherwise provide supplemental information that may be useful to investors in evaluating our ongoing operating results on a consistent basis. We believe that the presentation of these non-GAAP financial measures, when considered together with the corresponding GAAP financial measures and the reconciliations to those measures disclosed below, provides investors with a fuller understanding of the factors and trends affecting our business than could be obtained absent these disclosures.

We review revenues and adjusted earnings before income taxes on a constant currency basis to understand underlying business trends. To present these results on a constant currency basis, current period results for entities reporting in currencies other than the U.S. dollar were translated into U.S. dollars using the average monthly exchange rates for the comparable prior period. As a result, constant currency results neutralize the effects of foreign currency.

Effective July 1, 2017, we are incorporating additional adjustments within our calculations of adjusted earnings before income taxes, adjusted provision for income taxes, adjusted net earnings attributable to CDK, adjusted diluted net earnings attributable to CDK per share, adjusted EBITDA, and adjusted EBITDA margin where management has deemed it appropriate to better reflect our underlying operations. For fiscal 2018, management modified the fiscal 2017 adjustments for (i) business transformation expenses and (ii) officer transition expense to remove stock-based compensation expense and will exclude total stock-based compensation expense and certain legal and regulatory expenses related to the competition matter from adjusted earnings before income taxes. There was no stock-based compensation expense included in business transformation expenses for the three and six months ended December 31, 2016.

The fiscal 2019 business transformation plan target represent financial objectives distinct from forecasts of performance. Therefore, we have not provided a reconciliation of our fiscal 2019 adjusted EBITDA margin exit targets to the most directly comparable GAAP measure of net earnings attributable to CDK, because projecting potential adjustments to GAAP results for the fiscal 2019 target is not practical and could be misleading to users of this financial information. The adjusted EBITDA reconciliation disclosed below is indicative of the reconciliations that will be prepared for the same fiscal 2019 adjusted measures in the future.

Consolidated Non-GAAP Results

The tables below present the reconciliation of the most directly comparable GAAP measures to constant currency revenues, constant currency adjusted earnings before income taxes, adjusted provision for income taxes, adjusted net earnings attributable to CDK, and adjusted diluted earnings attributable to CDK per share.

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Revenues	**$ 561.7**	**$ 547.8**	**$ 13.9**	**3 %**	**$ 1,127.4**	**$ 1,098.5**	**$ 28.9**	**3 %**
Impact of exchange rates	(6.5)	—	(6.5)		(9.5)	—	(9.5)	
Constant currency revenues	$ 555.2	$ 547.8	$ 7.4	1 %	1,117.9	1,098.5	$ 19.4	2 %
Earnings before income taxes	**$ 120.3**	**$ 118.9**	**$ 1.4**	**1 %**	**$ 240.1**	**$ 230.8**	**$ 9.3**	**4 %**
Margin %	*21.4%*	*21.7%*			21.3%	21.0%		
Restructuring expenses (1)	7.6	2.3	5.3		14.1	3.4	10.7	
Other business transformation expenses (1)	14.4	19.0	(4.6)		29.6	39.6	(10.0)	
Total stock-based compensation (2)	12.9	10.7	2.2		21.0	20.5	0.5	
Acquisition and integration-related costs (3)	3.1	—	3.1		3.7	—	3.7	
Officer transition expense (4)	0.6	—	0.6		0.6	—	0.6	
Legal and regulatory expenses related to competition matters (5)	2.1	—	2.1		3.0	—	3.0	
Tax matters indemnification loss/(gain), net (6)	0.4	—	0.4		(0.4)	—	(0.4)	
Adjusted earnings before income taxes	**$ 161.4**	**$ 150.9**	**$ 10.5**	**7 %**	**$ 311.7**	**$ 294.3**	**$ 17.4**	**6 %**
Adjusted margin %	*28.7%*	*27.5%*			*27.6%*	*26.8%*		
Impact of exchange rates	(1.6)	—	(1.6)		(3.2)	—	(3.2)	
Constant currency adjusted earnings before income taxes	$ 159.8	$ 150.9	$ 8.9	6 %	$ 308.5	$ 294.3	$ 14.2	5 %
Provision for income taxes	**$ 14.1**	**$ 35.3**	**$ (21.2)**	**(60)%**	**$ 50.8**	**$ 68.0**	**$ (17.2)**	**(25)%**
Effective tax rate	*11.7%*	*29.7%*			*21.2%*	*29.5%*		
Income tax effect of pre-tax adjustments (7)	10.6	11.6	(1.0)		22.0	23.1	(1.1)	
Excess tax benefit from stock-based compensation (8)	0.1	3.0	(2.9)		3.6	8.7	(5.1)	
Pre spin-off filed tax return adjustment (9)	0.4	—	0.4		0.4	—	0.4	
Impact of U.S. tax reform (10)	14.1	—	$ 14.1		14.1	—	$ 14.1	
Adjusted provision for income taxes	**$ 39.3**	**$ 49.9**	**$ (10.6)**	**(21)%**	**$ 90.9**	**$ 99.8**	**$ (8.9)**	**(9)%**
Adjusted effective tax rate	*24.3%*	*33.1%*			*29.2%*	*33.9%*		

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Change $	Change %	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016	Change $	Change %
Net earnings attributable to CDK	**$ 104.0**	**$ 82.7**	**$ 21.3**	**26 %**	**$ 185.3**	**$ 159.6**	**$ 25.7**	**16 %**
Restructuring expenses (1) (11)	7.5	2.3	5.2		13.9	3.4	10.5	
Other business transformation expenses (1) (11)	14.3	19.0	(4.7)		29.5	39.6	(10.1)	
Total stock-based compensation (2)	12.9	10.7	2.2		21.0	20.5	0.5	
Acquisition and integration-related costs (3)	3.1	—	3.1		3.7	—	3.7	
Officer transition expense (4)	0.6	—	0.6		0.6	—	0.6	
Legal and regulatory expenses related to competition matters (5)	2.1	—	2.1		3.0	—	3.0	
Tax matters indemnification loss/(gain), net (6)	0.4	—	0.4		(0.4)	—	(0.4)	
Income tax effect of pre-tax adjustments (7)	(10.6)	(11.6)	1.0		(22.0)	(23.1)	1.1	
Excess tax benefit from stock-based compensation(8)	(0.1)	(3.0)	2.9		(3.6)	(8.7)	5.1	
Pre spin-off filed tax return adjustment (9)	(0.4)	—	(0.4)		(0.4)	—	(0.4)	
Impact of U.S. tax reform(10)	(14.1)	—	(14.1)		(14.1)	—	(14.1)	
Adjusted net earnings attributable to CDK	**$ 119.7**	**$ 100.1**	**$ 19.6**	**20 %**	**$ 216.5**	**$ 191.3**	**$ 25.2**	**13 %**
Diluted earnings attributable to CDK per share	**$ 0.75**	**$ 0.55**	**$ 0.20**	**36 %**	**$ 1.33**	**$ 1.06**	**$ 0.27**	**25 %**
Restructuring expenses (1) (11)	0.06	0.02			0.10	0.02		
Other business transformation expenses (1) (11)	0.10	0.13			0.21	0.26		
Total stock-based compensation (2)	0.09	0.07			0.15	0.14		
Acquisition and integration-related costs (3)	0.03	—			0.03	—		
Officer transition expense (4)	—	—			—	—		
Legal and regulatory expenses related to competition matters (5)	0.02	—			0.02	—		
Tax matters indemnification loss/(gain), net (6)	—	—			—	—		
Income tax effect of pre-tax adjustments (7)	(0.08)	(0.08)			(0.16)	(0.15)		
Excess tax benefit from stock-based compensation(8)	—	(0.02)			(0.03)	(0.06)		
Pre spin-off filed tax return adjustment (9)	—	—			—	—		
Impact of U.S. tax reform(10)	(0.10)	—			(0.10)	—		
Adjusted diluted earnings attributable to CDK per share	**$ 0.87**	**$ 0.67**	**$ 0.20**	**30 %**	**$ 1.55**	**$ 1.27**	**$ 0.28**	**22 %**
Weighted-average common shares outstanding:								
Diluted	**138.2**	**149.9**			**139.8**	**150.7**		

(1) Restructuring expense recognized in connection with our business transformation plan for the three and six months ended December 31, 2017 and 2016. Other business transformation expenses were included within cost of revenues and selling, general and administrative expenses and were incurred in connection with our business transformation plan for the three and six months ended December 31, 2017 and 2016.

(2) Total stock-based compensation expense recognized for the periods presented were included within cost of revenues and selling, general and administrative expenses.

(3) Acquisition and integration-related expenses include legal, accounting, other professional fees, and other integration costs incurred in connection with our closed and pending acquisitions were included within selling, general and administrative expenses.

(4) Officer transition expense includes severance expense in connection with officer departures is included within selling, general and administrative expenses for the periods presented.

(5) Legal and regulatory expenses related to competition matters recognized for the periods presented were included within selling, general and administrative expenses.

(6) Net loss/(gain) recorded within other income, net associated with an indemnification receivable from ADP for pre spin-off tax periods in accordance with tax matters agreement.

(7) Income tax effect of pre-tax adjustments calculated at applicable statutory rates for each adjustment for fiscal 2018 and 2017.

(8) Excess tax benefit from stock-based compensation for the periods presented.

(9) Net income tax benefit associated with a tax refund, offset by a pretax loss to establish a liability to ADP for the tax refund in accordance with the tax-matters agreement.

(10) As a result of the Tax Reform Act, an estimated one-time tax benefit of $22.6 million from the revaluation of the net deferred tax liability partially offset by an estimated one-time expense of $8.5 million associated with undistributed foreign earnings.

(11) The portion of expense related to noncontrolling interest of $0.1 million and $0.2 million has been removed from restructuring expenses for the three months ended and six months ended December 31, 2017, respectively. Additionally, $0.1 million related to noncontrolling interest has been removed from other business transformation expenses three months ended and six months ended December 31, 2017.

Three Months Ended December 31, 2017 Compared to the Three Months Ended December 31, 2016

Adjusted Earnings before Income Taxes. Adjusted earnings before income taxes for the three months ended December 31, 2017 increased $10.5 million as compared to the three months ended December 31, 2016. Adjusted margin increased from 27.5% to 28.7%. The constant currency impact of foreign exchange rates on adjusted earnings before income taxes was an increase of $1.6 million. Adjusted earnings before income taxes were favorably impacted by benefits obtained from ongoing initiatives under our business transformation plan, primarily related to lower-headcount and geographic mix, and operating efficiencies inclusive of revenue growth in our segments, and a recovery in fiscal 2018 of a non-operating receivable that had been impaired in fiscal 2017 upon execution of a licensing and service agreement. The favorable effects of these items were partially offset by increased interest expense and cost to implement the new revenue recognition standard.

Adjusted Provision for Income Taxes. The adjusted effective tax rate for the three months ended December 31, 2017 was 24.3% as compared to 33.1% for the three months ended December 31, 2016. The adjusted effective tax rate for the three months ended December 31, 2017 was favorably impacted by $11.8 million for the cumulative current year effect of the reduced corporate income tax rate due to the Tax Reform Act.

Adjusted Net Earnings Attributable to CDK. Adjusted net earnings attributable to CDK for the three months ended December 31, 2017 increased $19.6 million as compared to the three months ended December 31, 2016. The increase in adjusted net earnings attributable to CDK was primarily due to the items discussed above in adjusted earnings before income taxes.

Six Months Ended December 31, 2017 Compared to the Six Months Ended December 31, 2016

Adjusted Earnings before Income Taxes. Adjusted earnings before income taxes for the six months ended December 31, 2017 increased $17.4 million as compared to the six months ended December 31, 2016. Adjusted margin increased from 26.8% to 27.6%. The constant currency impact of foreign exchange rates on adjusted earnings before income taxes was an increase of $3.2 million. Adjusted earnings before income taxes were favorably impacted by benefits obtained from ongoing initiatives under our business transformation plan, primarily related to lower-headcount and geographic mix, and operating efficiencies inclusive of revenue growth in our segments, and a recovery in fiscal 2018 of a non-operating receivable that had been impaired in fiscal 2017 upon execution of a licensing and service agreement. The favorable effects of these items were partially offset by increased interest expense, cost to implement the new revenue recognition standard, and higher sales commissions.

Adjusted Provision for Income Taxes. The adjusted effective tax rate for the six months ended December 31, 2017 was 29.2% as compared to 33.9% for the six months ended December 31, 2016. The adjusted effective tax rate for the six months ended December 31, 2017 were favorably impacted by $11.8 million for the cumulative current year effect of the reduced corporate income tax rate due to the Tax Reform Act.

Adjusted Net Earnings Attributable to CDK. Adjusted net earnings attributable to CDK for the six months ended December 31, 2017 increased $25.2 million as compared to the six months ended December 31, 2016. The increase in adjusted net earnings attributable to CDK was primarily due to the items discussed above in adjusted earnings before income taxes.

The table below presents the reconciliation of net earnings attributable to CDK to adjusted EBITDA.

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Net earnings attributable to CDK	**$ 104.0**	**$ 82.7**	**$ 21.3**	**26%**	**$ 185.3**	**$ 159.6**	**$ 25.7**	**16%**
Margin %	*18.5%*	*15.1%*			*16.4%*	*14.5%*		
Net earnings attributable to noncontrolling interest (1)	2.2	0.9	1.3		4.0	3.2	0.8	
Provision for income taxes (2)	14.1	35.3	(21.2)		50.8	68.0	(17.2)	
Interest expense (3)	23.2	12.3	10.9		46.5	23.0	23.5	
Depreciation and amortization (4)	19.5	17.3	2.2		39.0	34.4	4.6	
Total stock-based compensation (5)	12.9	10.7	2.2		21.0	20.5	0.5	
Restructuring expenses (6)	7.6	2.3	5.3		14.1	3.4	10.7	
Other business transformation expenses (6)	14.4	18.2	(3.8)		29.5	38.0	(8.5)	
Acquisition and integration-related costs (7)	3.1	—	3.1		3.7	—	3.7	
Officer transition expense (8)	0.6	—	0.6		0.6	—	0.6	
Legal and regulatory expenses related to competition matters (9)	2.1	—	2.1		3.0	—	3.0	
Tax matters indemnification loss/(gain), net (10)	0.4	—	0.4		(0.4)	—	(0.4)	
Adjusted EBITDA	**$ 204.1**	**$ 179.7**	**$ 24.4**	**14%**	**$ 397.1**	**$ 350.1**	**$ 47.0**	**13%**
Adjusted margin %	*36.3%*	*32.8%*			*35.2%*	*31.9%*		

(1) Net earnings attributable to noncontrolling interest included within the financial statements for the periods presented.

(2) Provision for income taxes included within the financial statements for the periods presented.

(3) Interest expense included within the financial statements for the periods presented.

(4) Depreciation and amortization included within the financial statements for the periods presented.

(5) Total stock-based compensation expense recognized for the periods presented.

(6) Restructuring expense recognized in connection with our business transformation plan for the three and six months ended December 31, 2017 and 2016. Other business transformation expenses were included within cost of revenues and selling, general and administrative expenses and were incurred in connection with our business transformation plan for the three and six months ended December 31, 2017 and 2016. Other business transformation expenses excluded $0.8 million of accelerated depreciation expense for the three months ended December 31, 2016, and $0.1 million and $1.6 million of accelerated depreciation for the six months ended December 31, 2017 and 2016, respectively.

(7) Acquisition and integration-related expenses include legal, accounting, other professional fees, and other integration costs incurred in connection with our closed and pending acquisitions were included within selling, general and administrative expenses.

(8) Officer transition expense includes severance expense in connection with officer departures is included within selling, general and administrative expenses for the periods presented.

(9) Legal and regulatory expenses related to competition matters recognized for the periods presented were included within selling, general and administrative expenses.

(10) Net loss/(gain) recorded within other income, net associated with an indemnification receivable from ADP for pre spin-off tax periods in accordance with tax matters agreement.

Three Months Ended December 31, 2017 Compared to the Three Months Ended December 31, 2016

Adjusted EBITDA. Adjusted EBITDA for the three months ended December 31, 2017 increased $24.4 million as compared the three months ended December 31, 2016. Adjusted margin increased from 32.8% to 36.3%. Adjusted EBITDA was favorably impacted by benefits obtained from ongoing initiatives under our business transformation plan, primarily related to lower headcount and geographic mix, a recovery in fiscal 2018 of a non-operating receivable that had been impaired in fiscal 2017 upon execution of a licensing and service agreement, and the impact of foreign exchange rates. The favorable effects of these items were partially offset by costs to implement the new revenue recognition standard.

Six Months Ended December 31, 2017 Compared to the Six Months Ended December 31, 2016

Adjusted EBITDA. Adjusted EBITDA for the six months ended December 31, 2017 increased $47.0 million as compared the six months ended December 31, 2016. Adjusted margin increased from 31.9% to 35.2%. Adjusted EBITDA was favorably impacted by benefits obtained from ongoing initiatives under our business transformation plan, primarily related to lower headcount and geographic mix, a recovery in fiscal 2018 of a non-operating receivable that had been impaired in fiscal 2017 upon execution of a licensing and service agreement, and the impact of foreign exchange rates. The favorable effects of these items were partially offset by costs to implement the new revenue recognition standard and higher sales commissions.

Analysis of Reportable Segments

The following is a discussion of the results of our operations by reportable segment for the three and six months ended December 31, 2017 and 2016. Certain expenses are charged to the reportable segments at a standard rate for management reporting purposes. Other costs are charged to the reportable segments based on management's responsibility for the applicable costs.

Retail Solutions North America Segment

The table below presents the reconciliation of revenues to constant currency revenues and earnings before income taxes to constant currency adjusted earnings before income taxes for the RSNA segment. Refer to the footnotes in "Consolidated Non-GAAP Results" for additional information on the adjustments presented below.

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Revenues	**$ 398.1**	**$ 393.8**	**$ 4.3**	**1%**	**$ 799.7**	**$ 789.2**	**$ 10.5**	**1%**
Impact of exchange rates	(1.3)	—	(1.3)		(2.3)	—	(2.3)	
Constant currency revenues	$ 396.8	$ 393.8	$ 3.0	1%	$ 797.4	$ 789.2	$ 8.2	1%
Earnings before income taxes	**$ 162.3**	**$ 142.3**	**$ 20.0**	**14%**	**$ 318.5**	**$ 287.8**	**$ 30.7**	**11%**
Margin %	*40.8%*	*36.1%*			*39.8%*	*36.5%*		
Acquisition and integration-related costs	3.1	—	3.1		3.7	—	3.7	
Legal and regulatory expenses related to competition matters	2.1	—	2.1		3.0	—	3.0	
Adjusted earnings before income taxes	**167.5**	**142.3**	**25.2**	**18%**	**325.2**	**287.8**	**37.4**	**13%**
Adjusted Margin %	*42.1%*	*36.1%*			*40.7%*	*36.5%*		
Impact of exchange rates	(0.6)	—	(0.6)		(1.1)	—	$ (1.1)	
Constant currency earnings before income taxes	$ 166.9	$ 142.3	$ 24.6	17%	$ 324.1	$ 287.8	$ 36.3	13%

The table below presents revenue by type for the RSNA segment or the six months ended December 31, 2017 and 2016.

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Subscription revenue	$ 326.4	$ 313.4	$ 13.0	4 %	653.0	629.7	$ 23.3	4 %
Transaction revenue	39.1	42.7	(3.6)	(8)%	82.8	89.6	(6.8)	(8)%
Other revenue	32.6	37.7	(5.1)	(14)%	63.9	69.9	(6.0)	(9)%
Total	$ 398.1	$ 393.8	$ 4.3	1 %	799.7	789.2	$ 10.5	1 %

Three Months Ended December 31, 2017 Compared to the Three Months Ended December 31, 2016

Revenues. RSNA revenues increased by $4.3 million for the three months ended December 31, 2017 as compared to the three months ended December 31, 2016.

Subscription revenues grew due to an increase in average revenue per DMS customer site of 5%, primarily due to pricing, with a slight increase in DMS customer site count from 14,599 sites as of December 31, 2016 to 14,606 sites as of December 31, 2017. In addition, we experienced an increase in the number of websites. Subscription revenues contributed $13.0 million of revenue growth, or approximately 3% of segment growth, and includes a favorable currency impact of $1.2 million. Transaction revenues, generated from processing credit reports, vehicle registrations and automotive equity mining, decreased $3.6 million, primarily due to dropped point solutions. Other revenue decreased $5.1 million primarily due to lower hardware sales and includes a favorable currency impact of $0.1 million.

Earnings before Income Taxes. RSNA earnings before income taxes increased by $20.0 million for the three months ended December 31, 2017 as compared to the three months ended December 31, 2016. Margin increased from 36.1% to 40.8%.

RSNA earnings before income taxes were favorably impacted by operating efficiencies inclusive of benefits obtained from ongoing initiatives under our business transformation plan, primarily related to lower headcount and geographic labor mix, and a recovery in fiscal 2018 of a non-operating receivable that had been impaired in fiscal 2017 upon execution of a licensing and service agreement.

Six Months Ended December 31, 2017 Compared to the Six Months Ended December 31, 2016

Revenues. RSNA revenues increased by $10.5 million for the six months ended December 31, 2017 as compared to the six months ended December 31, 2016.

Subscription revenues grew due to an increase in average revenue per DMS customer site of 5%, primarily due to pricing, with a slight increase in DMS customer site count from 14,599 sites as of December 31, 2016 to 14,606 sites as of December 31, 2017. In addition, we experienced an increase in the number of websites. Subscription revenues contributed $23.3 million of revenue growth, or approximately 3% of overall growth, and includes a favorable currency impact of $2.1 million. Transaction revenues, generated from processing credit reports, vehicle registrations and automotive equity mining, decreased $6.8 million, primarily due to dropped point solutions. Other revenue decreased $6.0 million primarily due to lower hardware sales and includes a favorable currency impact of $0.2 million.

Earnings before Income Taxes. RSNA earnings before income taxes increased by $30.7 million for the six months ended December 31, 2017 as compared to the six months ended December 31, 2016. Margin increased from 36.5% to 39.8%.

RSNA earnings before income taxes were favorably impacted by operating efficiencies inclusive of benefits obtained from ongoing initiatives under our business transformation plan, primarily related to lower headcount and geographic labor mix, and a recovery in fiscal 2018 of a non-operating receivable that had been impaired in fiscal 2017 upon execution of a licensing and service agreement. These increases were slightly offset by higher sales commissions.

Advertising North America Segment

There were no non-GAAP adjustments to the ANA segment for the three and six months ended December 31, 2017 and 2016. The table below presents revenues and earnings before income taxes for the ANA segment.

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Revenues	**$ 76.8**	**$ 78.1**	**$ (1.3)**	**(2)%**	**$ 156.6**	**$ 155.6**	**$ 1.0**	**1 %**
Earnings before income taxes	**$ 9.4**	**$ 9.8**	**$ (0.4)**	**(4)%**	**$ 20.0**	**$ 21.3**	**$ (1.3)**	**(6)%**
Margin %	*12.2%*	*12.5%*			*12.8%*	*13.7%*		

Three Months Ended December 31, 2017 Compared to the Three Months Ended December 31, 2016

Revenues. ANA revenues decreased by $1.3 million to $76.8 million for the three months ended December 31, 2017 as compared to $78.1 million for the three months ended December 31, 2016. The overall decrease was due to a reduction in certain OEM funded advertising placements, partially offset by an increase in new dealer spend and an increase in local marketing association internet advertising placements.

Earnings before Income Taxes. ANA earnings before income taxes decreased by $0.4 million to $9.4 million for the three months ended December 31, 2017 as compared to $9.8 million for the three months ended December 31, 2016. Margin decreased from 12.5% to 12.2%. ANA margin decline was primarily due to a shift in revenue mix.

Six Months Ended December 31, 2017 Compared to the Six Months Ended December 31, 2016

Revenues. ANA revenues increased by $1.0 million to $156.6 million for the six months ended December 31, 2017 as compared to $155.6 million for the six months ended December 31, 2016. The overall increase was due to an increase in new dealer spend and in local marketing association internet advertising placements, partially offset by a reduction in certain OEM funded advertising placements.

Earnings before Income Taxes. ANA earnings before income taxes decreased by $1.3 million to $20.0 million for the six months ended December 31, 2017 as compared to $21.3 million for the six months ended December 31, 2016. Margin decreased from 13.7% to 12.8%. ANA margin decline was primarily due to a shift in revenue mix.

CDK International Segment

There were no non-GAAP adjustments to the CDKI segment for the three and six months ended December 31, 2017 and 2016. The table below presents the reconciliation of revenues to constant currency revenues and earnings before income taxes to constant currency earnings before income taxes for the CDKI segment.

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Revenues	**$ 86.8**	**$ 75.9**	**$ 10.9**	**14%**	**$ 171.1**	**$ 153.7**	**$ 17.4**	**11%**
Impact of exchange rates	(5.2)	—	(5.2)		(7.2)	—	(7.2)	
Constant currency revenues	$ 81.6	$ 75.9	$ 5.7	8%	$ 163.9	$ 153.7	$ 10.2	7%
Earnings before income taxes	**$ 22.6**	**$ 18.3**	**$ 4.3**	**23%**	**$ 44.0**	**$ 35.2**	**$ 8.8**	**25%**
Margin %	*26.0%*	*24.1%*			*25.7%*	*22.9%*		
Impact of exchange rates	(1.0)	—	(1.0)		(1.7)	—	(1.7)	
Constant currency earnings before income taxes	$ 21.6	$ 18.3	$ 3.3	18%	$ 42.3	$ 35.2	$ 7.1	20%

Three Months Ended December 31, 2017 Compared to the Three Months Ended December 31, 2016

Revenues. CDKI revenues increased by $10.9 million for the three months ended December 31, 2017 as compared to the three months ended December 31, 2016. CDKI revenues were impacted primarily by the strength of the Euro, the Pound Sterling, and the Danish Krone against the U.S. dollar, which contributed to an increase of $5.2 million, or 6 percentage points. CDKI experienced growth in revenues on a constant currency basis primarily due to increased average revenue per customer site, an increase in DMS customer site count, and accelerated deferred revenue due to an early contract termination.

Earnings before Income Taxes. CDKI earnings before income taxes increased by $4.3 million for the three months ended December 31, 2017 as compared to the three months ended December 31, 2016. Margin increased from 24.1% to 26.0%. International earnings before income taxes were favorably impacted by increased average revenue per customer site and operating efficiencies, which resulted from benefits obtained from ongoing initiatives under our business transformation plan.

Six Months Ended December 31, 2017 Compared to the Six Months Ended December 31, 2016

Revenues. CDKI revenues increased by $17.4 million for the six months ended December 31, 2017 as compared to the six months ended December 31, 2016. CDKI revenues were impacted by the strength of the Euro, the Pound Sterling, and the Danish Krone against the U.S. dollar, which contributed to an increase of $7.2 million, or 4 percentage points. CDKI experienced growth in revenues on a constant currency basis primarily due to increased average revenue per customer site, an increase in DMS customer site count, and accelerated deferred revenue due to an early contract termination.

Earnings before Income Taxes. CDKI earnings before income taxes increased by $8.8 million for the six months ended December 31, 2017 as compared to the six months ended December 31, 2016. Margin increased from 22.9% to 25.7%. International earnings before income taxes were favorably impacted by increased average revenue per customer site and operating efficiencies, which resulted from benefits obtained from ongoing initiatives under our business transformation plan.

Other

The table below presents the reconciliation of loss before income taxes to adjusted loss before income taxes for the Other segment. Refer to the footnotes in "Consolidated Non-GAAP Results" for additional information on the adjustments presented below.

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Loss before income taxes	**$ (74.0)**	**$ (51.5)**	**$ (22.5)**	**(44)%**	**$ (142.4)**	**$ (113.5)**	**$ (28.9)**	**(25)%**
Restructuring expenses	7.6	2.3	5.3		14.1	3.4	10.7	
Other business transformation expenses	14.4	19.0	(4.6)		29.6	39.6	(10.0)	
Total stock-based compensation	12.9	10.7	2.2		21.0	20.5	0.5	
Officer transition expense	0.6	—	0.6		0.6	—	0.6	
Tax matters indemnification gain	0.4	—	0.4		$ (0.4)	$ —	(0.4)	
Adjusted loss before income taxes	**$ (38.1)**	**$ (19.5)**	**$ (18.6)**	**(95)%**	**$ (77.5)**	**$ (50.0)**	**$ (27.5)**	**(55)%**
Impact of exchange rates	—	—	—		(0.4)	—	(0.4)	
Constant currency adjusted loss before income taxes	$ (38.1)	$ (19.5)	$ (18.6)	(95)%	$ (77.9)	$ (50.0)	$ (27.9)	(56)%

The primary components of the Other loss before income taxes are certain costs that are not allocated to our reportable segments, such as interest expense, stock-based compensation expense, costs attributable to the business transformation plan, and certain unallocated expenses.

Three Months Ended December 31, 2017 Compared to the Three Months Ended December 31, 2016

Loss before Income Taxes. The Other loss before income taxes increased by $22.5 million for the three months ended December 31, 2017 as compared to the three months ended December 31, 2016. The Other loss before income taxes was unfavorably impacted by increased interest expense due to borrowings under our 2027 notes in May 2017, full quarter impact of the 2021 term loan and increase in interest rates on our term loan facilities and 2019 and 2024 notes due to downgrades and a higher interest rate environment. In addition, loss before income taxes increased due to costs to implement the new revenue recognition standard.

Six Months Ended December 31, 2017 Compared to the Six Months Ended December 31, 2016

Loss before Income Taxes. The Other loss before income taxes increased by $28.9 million for the six months ended December 31, 2017 as compared to the six months ended December 31, 2016. The Other loss before income taxes was unfavorably impacted by increased interest expense due to borrowings under our 2027 notes in May 2017, the impact of the 2021 term loan facility in December 2016, and an increase in interest rates on our term loan facilities and 2019 and 2024 notes due to downgrades and a higher interest rate environment. In addition, loss before income taxes increased due to costs to implement the new revenue recognition standard partially offset by the favorable impact of higher interest income.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Capital Structure Overview

Our principal source of liquidity is derived from cash generated through operations. At present, and in future periods, we expect cash generated by our operations, together with cash and cash equivalents and borrowings from the capital markets, including our revolving credit facility, to be sufficient to cover our cash needs for working capital, capital expenditures, strategic acquisitions, and anticipated quarterly dividends and stock repurchases under our return of capital plan.

As of December 31, 2017, cash and cash equivalents were $443.6 million, total CDK stockholders' deficit was $209.0 million, and total debt was $2,149.8 million, which is net of unamortized financing costs of $15.5 million. Working capital at December 31, 2017 was $560.0 million, as compared to $772.7 million as of June 30, 2017. Working capital as presented herein excludes current maturities of long-term debt.

Our borrowings consist of two term loan facilities with initial principals of $250.0 million, a term loan facility with initial principal of $400.0 million, 3.30% senior notes with a $250.0 million aggregate principal amount due in 2019, 4.50% senior notes with a $500.0 million aggregate principal amount due in 2024, and 4.875% senior notes with a $600.0 million aggregate principal amount due in 2027. Interest rates for the 2019 notes and 2024 notes increased to 3.80% from 3.30%, and to 5.00% from 4.50%, respectively, effective October 15, 2016. Additionally, we have a $300.0 million revolving credit facility, which was undrawn as of December 31, 2017.

Our long-term credit ratings and senior unsecured debt ratings are Ba1 (Stable Outlook) with Moody's, and BB+ (Stable Outlook) with S&P, which are non-investment grade. In November 2016, Moody's lowered their long-term credit rating from Baa3 (Negative Outlook) to Ba1 (Stable Outlook) and S&P lowered their long-term credit rating from BBB- (Negative Outlook) to BB+ (Stable Outlook). We do not believe these long-term credit rating downgrades will have a material impact on our near-term liquidity.

Of the $443.6 million of cash and cash equivalents held as of December 31, 2017, $298.7 million was held by our foreign subsidiaries. In the second quarter of fiscal year 2018, we concluded that approximately $244.0 million of accumulated foreign earnings as of December 31, 2017 were no longer indefinitely reinvested. We concluded the earnings were no longer indefinitely reinvested during the quarter after considering cash flow forecasts, anticipated cash outflows for potential acquisitions in the U.S., and in light of the fact that the earnings were deemed repatriated and taxed due to the one-time transition tax included in the Tax Reform Act. We considered the incremental cost of repatriating the foreign earnings, such as foreign withholding taxes, and concluded the earnings would be repatriated to the U.S. Accordingly, during the second quarter of fiscal year 2018, we recorded an estimated one-time tax expense of $8.5 million on undistributed foreign earnings as of December 31, 2017, consisting of $3.7 million for the deemed repatriation of undistributed foreign earnings under the Tax Reform Act and $4.8 million for foreign withholding taxes.

The remaining outside basis differences, including the remaining accumulated foreign earnings, continue to be indefinitely reinvested and will be evaluated further as we continue to assess the impact of the Tax Reform Act provisions, specifically the GILTI tax referred to in the "Tax Cuts and Jobs Act of 2017" above. The remaining foreign earnings are indefinitely reinvested as of December 31, 2017 to cover local working capital needs and restrictions. In addition, we intend to indefinitely reinvest future foreign earnings as we have plans to utilize the earnings outside of the U.S. to fund future foreign investments, including potential acquisitions. In determining whether the undistributed earnings of our foreign subsidiaries are indefinitely reinvested, we consider the following: (i) cash flow forecasts and cash requirements of our U.S. business and our foreign subsidiaries, both for the short and long term; (ii) costs associated with permanent reinvestment plans, including cost of capital and tax consequences; and (iii) local country legal restrictions.

If circumstances change, and it becomes apparent that additional earnings currently considered indefinitely reinvested will be remitted to the U.S, or otherwise taxable in the U.S., an additional tax charge may be necessary, which would affect our results of operations and payment of such taxes would affect our liquidity. Given the uncertain time and manner of repatriation, it is not practicable to estimate the amount of any additional income tax charge on indefinitely reinvested earnings.

Return of Capital Plan

Stock Repurchase Program

In January 2017, the Board of Directors authorized the Company to repurchase up to $2.0 billion of our common stock as part of return of capital plan whereby we expect to return approximately $750.0 million to $1.0 billion per year through 2019 via a combination of dividends and share repurchases. As with the prior authorization, this authorization allows for purchases of our common stock in the open market or in privately negotiated transactions from time to time as permitted by federal securities laws and other legal requirements. The return of capital plan is expected to be funded through a combination of free cash flow and incremental borrowings intended to bring leverage, measured as financial debt, net of cash, divided by adjusted EBITDA, to a range of 2.5x to 3.0x over the period. The actual timing, number, and price of any shares to be repurchased is determined at management's discretion and depends on a number of factors, which include the market price of the shares, general market and economic conditions, the availability and cost of additional indebtedness, and other potential uses for free cash flow including, but not limited to, potential acquisitions.

Dividends to Common Stockholders

In November 2017, the Board of Directors approved a $0.01 increase in the quarterly cash dividend to an annual rate of $0.60 per share. The Board of Directors declared a quarterly cash dividend of $0.15 per share payable on December 29, 2017 to shareholders of record at the close of business on December 1, 2017. We paid dividends of $40.2 million during the six months ended December 31, 2017, and $40.6 million during the six months ended December 31, 2016, respectively.

Cash Flows

Our cash flows from operating, investing, and financing activities, as reflected in the consolidated statements of cash flows for the six months ended December 31, 2017 and 2016, are summarized as follows:

	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016	$ Change
Cash provided by (used in):			
Operating activities	$ 152.0	$ 173.4	$ (21.4)
Investing activities	(58.1)	(35.8)	(22.3)
Financing activities	(386.9)	(20.7)	(366.2)
Effect of exchange rate changes on cash and cash equivalents	10.5	(8.4)	18.9
Net change in cash and cash equivalents	$ (282.5)	$ 108.5	$ (391.0)

Net cash flows provided by operating activities were $152.0 million for the six months ended December 31, 2017 as compared to $173.4 million for the six months ended December 31, 2016. This $21.4 million decrease was due to a decrease of $34.7 million in net working capital components, which was due primarily due to timing of cash received from our customers and of cash payments made to our vendors. Partially offsetting this decrease was an increase in net earning adjusted for non-cash items of $13.3 million when compared to the six months ended December 31, 2016 due to earnings growth in our business partially offset by the re-measurement of the deferred tax liability as a result of the Tax Reform Act.

Net cash flows used in investing activities were $58.1 million for the six months ended December 31, 2017 as compared to net cash flows used in investing activities of $35.8 million for the six months ended December 31, 2016. This $22.3 million increase in cash used in investing activities was primarily due to an increase in cash used for the acquisition of Dashboard Dealership Enterprises and capitalized software during the six months ended December 31, 2017.

Net cash flows used in financing activities were $386.9 million for the six months ended December 31, 2017 as compared to $20.7 million for the six months ended December 31, 2016. During the six months ended December 31, 2017, our primary cash outflows consists of the repurchase of common stock of $315.4 million, dividends payments to our stock holders of $40.2 million, and repayment of debt and capital lease obligations of $23.2 million. During the six months ended December 31, 2016, our primary cash outflows consists of the repurchase of common stock of $350.0 million, dividends payments to our stock holders of $40.6 million, and repayment of debt and capital lease obligations of $13.5 million. These cash outflows were partially offset by the term loan for $400.0 million.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to interest rate risk related to our revolving credit facility and term loan facilities as those arrangements contain interest rates that are not fixed. As of December 31, 2017, our revolving credit facility was undrawn. The interest rate per annum on the two $250.0 million term loan facilities was 2.99% and on the $400.0 million term loan facility was 2.99% as of December 31, 2017. A hypothetical increase in this interest rate of 35 basis points would have resulted in an immaterial impact on earnings before income taxes for the six months ended December 31, 2017.

We operate and transact business in various foreign jurisdictions and are therefore exposed to market risk from changes in foreign currency exchange rates that could impact our financial position, results of operations, and cash flows. We have not been materially impacted by fluctuations in foreign currency exchange rates as a significant portion of our business is transacted in U.S. dollars, and is expected to continue to be transacted in U.S. dollars or U.S. dollar-based currencies. As of December 31, 2017, operations in foreign jurisdictions were principally transacted in Canadian dollars, Euro, Pound Sterling, and Renminbi. A hypothetical change in all foreign currency exchange rates of 10% would have resulted in an increase or decrease in consolidated operating earnings of approximately $6.6 million for the six months ended December 31, 2017.

We manage our exposure to these market risks through our regular operating and financing activities. We may in the future use derivative financial instruments as risk management tools.

CRITICAL ACCOUNTING POLICIES

Our condensed consolidated financial statements and accompanying notes have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates, judgments, and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses. We continually evaluate the accounting policies and estimates used to prepare the condensed consolidated financial statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed in our Annual Report on Form 10-K in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no material changes to our critical accounting policies or the methodologies or assumptions we apply since the date of the Annual Report on Form 10-K.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Recently Issued Accounting Pronouncements

Refer to Note 3, "New Accounting Pronouncements" to our condensed consolidated financial statements under Item 1 of Part 1 of this Quarterly Report on Form 10-Q for financial information regarding recently issued and adopted accounting pronouncements including the effects on our results of operations, financial condition, and cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information called for by this item is provided under the caption "Quantitative and Qualitative Disclosures about Market Risk" under Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "evaluation"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2017 in ensuring that (i) information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure, and (ii) such information is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Except as noted below, all other items are either inapplicable or would result in negative responses and, therefore, have been omitted.

Item 1. Legal Proceedings

From time to time, we are involved in legal, regulatory, and arbitration proceedings concerning matters arising in connection with the conduct of our business activities. Such proceedings can be expensive and disruptive to normal business operations. Moreover, the results of complex proceedings are difficult to predict and our view of these matters may change in the future as the legal, regulatory, and arbitration proceedings and events related thereto unfold.

Competition Matters

We are involved in several lawsuits that set forth allegations of anti-competitive agreements between ourselves and The Reynolds and Reynolds Company ("Reynolds and Reynolds") relating to the manner in which the defendants control access to, and allow integration with, our DMSs. We have also received from the Federal Trade Commission ("FTC") a Civil Investigative Demand consisting of a request to produce documents relating to any agreement between ourselves and Reynolds and Reynolds.

On February 3, 2017, Motor Vehicle Software Corporation (“MVSC”) filed an antitrust suit against CDK, Reynolds and Reynolds, and Computerized Vehicle Registration, Inc. ("CVR"), a majority owned subsidiary, in the U.S. District Court for the Central District of California, seeking treble damages and injunctive relief; plaintiff amended its complaint on May 1, 2017. On June 15, 2017, the defendants filed motions to dismiss the complaint, and on October 2, 2017 the court ruled on the motions. In its order, the court dismissed several claims with leave to amend, and allowed the remainder to go forward. Plaintiff filed a second amended complaint on November 2, 2017, and defendants moved to dismiss the repleaded counts on November 16, 2017. On November 7, 2017, Defendants moved to transfer and consolidate this action with other pending actions, described below, for consolidated or coordinated pretrial proceedings as part of a Multi-District Litigation ("MDL") proceeding in the U.S. District Court for the Northern District of Illinois. Plaintiffs in the various matters have responded either by objecting to MDL treatment, or by requesting that the MDL proceedings occur in a different jurisdiction. The Judicial Panel on Multidistrict Litigation responsible for ruling on defendants’ MDL motion heard the motion on January 25, 2018.

On May 1, 2017, Authenticom, Inc. ("Authenticom") filed an antitrust suit against our operating subsidiary, CDK Global, LLC, and Reynolds and Reynolds, in the U.S. District Court for the Western District of Wisconsin, seeking treble damages and injunctive relief. Authenticom moved for a preliminary injunction on May 18, 2017, which the court granted on

July 14, 2017. The form of that injunction was handed down by the court on July 28, 2017, and defendants filed notices of appeal on the same day with the U.S. Court of Appeals for the Seventh Circuit. On November 6, 2017, the Court of Appeals vacated the injunction. On July 21, 2017, the defendants filed motions to dismiss the complaint in the district court. Defendants have also moved to have this matter be included as part of an MDL proceeding. On January 12, 2018 the district court granted defendants' motion for a partial stay of discovery pending a ruling on defendants' motion for MDL treatment of this matter.

On October 19, 2017, Teterboro Automall, Inc. d/b/a Teterboro Chrysler Dodge Jeep Ram filed a putative class-action antitrust suit against our operating subsidiary, CDK Global, LLC, and Reynolds and Reynolds, in the U.S. District Court for the District of New Jersey, seeking certification as a class action, treble damages, and injunctive and declaratory relief. Since that time, several more putative class actions have been filed in a variety of Federal District Courts, with substantively similar allegations. Defendants have moved to have these putative class actions be included as part of an MDL proceeding.

On December 11, 2017, Cox Automotive, along with multiple subsidiaries, filed a lawsuit against CDK alleging violation of antitrust laws, business torts, and breach of contract in the Western District of Wisconsin, seeking treble damages and injunctive and declaratory relief. We have moved to have this matter be included as part of an MDL proceeding.

We believe that these cases are without merit and we intend to continue to contest the claims in these cases vigorously. Accordingly, legal and expert fees may be significant, and an adverse result in these suits could have a material adverse effect on our business, results of operations, financial condition, or liquidity.

On June 22, 2017, we received from the FTC a Civil Investigative Demand consisting of interrogatories and a request to produce documents relating to any agreements between ourselves and Reynolds and Reynolds. We are responding to the request. The request merely seeks information, and no proceedings have been instituted. We believe there has not been any conduct by our company or our current or former employees that would be actionable under the antitrust laws in connection with the agreements between ourselves and Reynolds and Reynolds. At this time, we do not have sufficient information to predict the outcome of, or the cost of responding to or resolving this investigation.

Other Proceedings

We are otherwise involved from time to time in other proceedings not described above. Based on information available at this time, we believe that the resolution of these other matters currently pending will not individually or in the aggregate have a material adverse effect on our business, results of operations, financial condition, or liquidity. Our view of these matters may change as the proceedings and events related thereto unfold.

Item 1A. Risk Factors

In addition to the information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the "Risk Factors" disclosed under "Item 1A. Risk Factors" of our Annual Report on Form 10-K filed with the SEC. You should be aware that these risk factors and other information may not describe every risk facing our Company. Other than as set forth below, there have been no material changes to the risk factors we have disclosed in the "Risk Factors" section of our Form 10-K filed with the SEC.

We have customers in over 100 countries, where we are subject to country-specific risks that could negatively impact our business, results of operations, and financial condition.

During the six months ended December 31, 2017, we generated 19% of our revenues outside of the U.S., and we expect revenues from other countries to continue to represent a significant part of our total revenues in the future, and such revenues are likely to increase as a result of our efforts to expand our business in non-U.S. markets. Business and operations in individual countries are subject to changes in local government regulations and policies, including those related to tariffs and trade barriers, investments, taxation, currency exchange controls, repatriation of earnings (as described below) and environmental, and employment laws. For example, the referendum vote held in the United Kingdom's ("U.K.") on June 23, 2016 resulted in Brexit. Our results are subject to the uncertainties and instability in economic and market conditions caused by such vote, including uncertainty regarding the U.K.'s access to the EU Single Market and the wider trading, legal, regulatory, and labor environments, especially in the U.K. and EU. Our results are also subject to the difficulties of coordinating our activities across the countries in which we are active. In addition, our operations in each country are vulnerable to changes in local socio-economic conditions and monetary and fiscal policies, currency exchange rates, intellectual property protection disputes, the settlement of legal disputes through foreign legal systems, the collection of receivables through foreign legal systems, exposure to possible expropriation or other governmental actions, product preference and product requirements, difficulty to effectively establish and expand our business and operations in such markets, unsettled political conditions, possible terrorist attacks, acts of war, natural disasters, and pandemic disease. These and other factors relating to our international operations may have a material adverse effect on our business, results of operations, and financial condition.

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

The following table presents a summary of common stock repurchases made during the three months ended December 31, 2017.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares as Part of Publicly Announced Programs (2)	Maximum Number (or Approximate Dollar Value) that May Yet Be Purchased Under the Program (2)
October 1 - 31, 2017	1,647,921	$ 65.00	1,641,561	$ 1,528,694,729
November 1 - 30, 2017	1,497,401	$ 65.24	1,487,178	$ 1,431,650,064
December 1 - 31, 2017	1,383,315	$ 70.41	1,377,852	$ 1,334,607,011
Total	4,528,637	$ 66.73	4,506,591	

(1) Pursuant to the Company's 2014 Omnibus Award Plan, shares of our common stock may be withheld upon exercise of stock options or vesting of restricted stock to satisfy tax withholdings. Shares withheld for such purposes make up the total number of shares purchased.

(2) In January 2017, the Board of Directors authorized us to repurchase up to $2.0 billion of our common stock under return of capital program. This authorization will expire when it is exhausted or at such time as it is revoked by the Board of Directors.

Item 6. Exhibits

The following exhibits are filed with this Quarterly Report on Form 10-Q or incorporated herein by reference to the document set forth next to the exhibit in the list below:

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
31.1	Certification by Brian P. MacDonald pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934					X
31.2	Certification by Joseph A. Tautges pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934					X
32.1	Certification by Brian P. MacDonald pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification by Joseph A. Tautges pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL instance document					X
101.SCH	XBRL taxonomy extension schema document					X
101.CAL	XBRL taxonomy extension calculation linkbase document					X
101.LAB	XBRL taxonomy label linkbase document					X
101.PRE	XBRL taxonomy extension presentation linkbase document					X
101.DEF	XBRL taxonomy extension definition linkbase document					X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CDK Global, Inc.
(Registrant)

Date: January 30, 2018

/s/ Joseph A. Tautges
Joseph A. Tautges

Executive Vice President, Chief Financial Officer (principal financial officer)
(Title)

Date: January 30, 2018

/s/ Jennifer A. Williams
Jennifer A. Williams

Vice President, Corporate Controller and Chief Accounting Officer (principal accounting officer)
(Title)

EXHIBIT 31.1

Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Brian P. MacDonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CDK Global, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 30, 2018

/s/ Brian P. MacDonald
Brian P. MacDonald
President, Chief Executive Officer

EXHIBIT 31.2

Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Joesph A. Tautges, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CDK Global, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 30, 2018

/s/ Joseph A. Tautges
Joseph A. Tautges
Executive Vice President, Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CDK Global, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian P. MacDonald, President, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: January 30, 2018

/s/ Brian P. MacDonald
Brian P. MacDonald
President, Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CDK Global, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph A. Tautges, Executive Vice President, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: January 30, 2018

/s/ Joseph A. Tautges
Joseph A. Tautges
Executive Vice President, Chief Financial Officer