THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

CDK - Q1 2017 CDK Global Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 02, 2016 / 12:30PM GMT





THOMSON REUTERS

## CORPORATE PARTICIPANTS

**Jennifer Gaumond** *CDK Global, Inc. - Senior Director of IR*

**Brian MacDonald** *CDK Global, Inc. - CEO*

**Al Nietzel** *CDK Global, Inc. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Matthew Pfau** *William Blair & Company - Analyst*

**Ian Zaffino** *Oppenheimer & Co. - Analyst*

**Thomas Robb** *Morgan Stanley - Analyst*

**Gary Prestopino** *Barrington Research - Analyst*

## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the Q1 2017 CDK Global, Inc. earnings conference call.

(Operator Instructions)

As a reminder, this conference is being recorded. I'd like to introduce your host for today's conference, Ms. Jennifer Gaumond, Senior Director of Investor Relations. Ma'am, please begin.

---

**Jennifer Gaumond** - *CDK Global, Inc. - Senior Director of IR*

Thank you. I'm here today with Brian MacDonald, CDK's CEO; and Al Nietzel, our CFO. Thank you for joining us for our first-quarter FY17 earnings call and webcast. Brian will begin the call with some highlights for the quarter and then provide an update on the execution of our business transformation plan. Al will then take you through the details of the first-quarter results and comment on our full-year forecast.

A couple of items before we get started. First, in May, we announced a comprehensive reorganization to better align our business to achieve our transformation goals. As part of the reorganization, we changed our segment reporting. Effective July 1, our reportable segments are now Retail Solutions North America, Advertising North America, and CDK International. Revised quarterly revenue, pre-tax earnings, and KPIs for FY15 and FY16 are included in today's 8-K filing and will be posted to the Investor Relations section of our website.

Second, our segment results include the actual impact of foreign exchange rate fluctuation and we have provided FY16 segment results on the same basis. However, the KPIs are intended to be indicative of business performance, excluding the impact of foreign exchange rates.

Third, reconciliations of the adjusted amounts to the most directly comparable GAAP amounts are included in this morning's press release and are also available in the Investor Relations section of our website. Throughout today's call, references to financial amounts are on an adjusted basis, unless otherwise noted.

And finally, we anticipate filing our Form 10-Q later today. I would also like to remind everyone that remarks made during this conference call will contain forward-looking statements. These statements involve risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements, including the risks detailed in our filings with the SEC. With that, I will now turn the call over to Brian.

---

**Brian MacDonald** - *CDK Global, Inc. - CEO*

Thank you, Jennifer. Good morning, everyone, and thanks for joining the call. Today, I would like to discuss our results for the first quarter, which were very strong, and then provide you with an update on our business transformation plan.

As you know, FY17 is a key year in our transformation. It will set the stage for us to meet our FY18 and FY19 targets. We continue to change the way we do business to make things easier for our customers and our employees, all while growing the business and significantly expanding margins.

First-quarter results grew 7%, or 8% on a constant-currency basis. Our EBITDA margin was 30.9%, which reflects 590 basis points of expansion for the first quarter compared to last year's first quarter. The quarter benefited from a combination of savings related to the business transformation as well as strength in our core business.

These results are particularly strong, considering this is our first quarter operating under our new organizational structure. The reorg was comprehensive, and it touched nearly every piece of our business, and went into effect July 1. To give you some context, over 60% of our top 100 employees are now in new or expanded roles. The team has done an excellent job delivering these strong quarterly results during this time of change.

As a result of this great start to the year, and despite some incremental expenses expected for the remainder of the fiscal year, we are increasing our full-year earnings forecast. Al will provide more detail in a few minutes.

First, I want to give some thoughts on the US auto market. As we have discussed before, we look at car sales as a good indicator of the health of the auto market. However, only about 10% of CDK's revenues are from new-car sales volume-related products. So volume alone isn't a direct indicator of CDK performance. US new-car sales are expected to contract slightly for both 2016 and 2017 but to remain near 2015's all-time high. Overall, the environment CDK operates in is very healthy. At these levels, dealers are continuing to invest in their operations.

Next, I wanted to give you an update on the Hendrick relationship. As we discussed on our Q3 call, we won Hendrick as a DMS customer and had planned to bring all of their sites over to CDK by the end of this fiscal year. Unfortunately, Hendrick has decided to not move forward with the installation. We're obviously disappointed with this outcome. We are in active dialogue with Hendrick and won't be commenting further in our Q&A or subsequent calls, other than to say that we respect the Hendrick organization and hope to maintain a productive relationship with them going forward.

The reality is that switching DMS providers can be very difficult. It requires process change and takes time, which is part of the reason that many dealers are hesitant to switch. That said, CDK has successfully converted thousands of customer sites in the past, including many of the top-10 dealer groups, and we will continue to do so.

Lastly, I want to give you an update on our business transformation and highlight some of the wins we've had in three of our workstreams. We have made great progress in our MoveUp! workstream in the first quarter. We continue to upgrade our customers to the latest platform version of our DRIVE DMS software.

Last quarter, we talked about how we upgraded approximately 2,700 dealer sites. I'm very happy to report that, this quarter, we completed the upgrade, and now 100% of our DRIVE DMS customers are on the current platform version. This is a huge win because it opens up an opportunity for all of our customers to take advantage of our full product suite and we are able to reduce the number of software versions we support.

Additionally, last quarter, we discussed how we eliminated approximately 20% of our 1,500 software versions. We continued our effort this quarter and reduced approximately 250 more versions, of which the DRIVE migration was a large part. Since we began this effort, we have reduced total versions by 35%.

This quarter, we began to make significant progress in our Simplify the Quote to Cash workstream. One of our key projects in this workstream is to reduce the number of catalog numbers. By doing so, we will be able to quote and build more efficiently and ultimately shorten the time from quote to cash. This quarter, we reduced our catalog numbers by almost 70%, which is outstanding, and we still have more to go.

Additionally, we have identified 12 systems to retire that are used at various states of our quote-to-cash process. Some of these are multiple instances of the same products, while others were single instances. Nevertheless, this represents significant progress in automating and simplifying this process.

Last quarter, in our Enhance the Customer Experience workstream, we signed up over 3,300 dealerships on our ServiceConnect Anywhere product. This quarter, we signed up an additional 4, 000. ServiceConnect Anywhere allows customers to access our ServiceConnect Chat product from any device, making it easier to get in touch with our service teams to help resolve customer issues.

One of the keys to success of our transformation is operating as One CDK. It is about breaking down silos and working collaboratively to deliver the best customer experience possible. I wanted to share a particularly relevant One CDK success story, which highlights the power of leveraging the combined skills and knowledge of our team. A dealer group in East Texas was about to run their business manually because of a dispute with their DMS provider. Our team learned of this need and committed themselves to get this customer up and running in about a week.

From the moment that need was identified, they took on the challenge, worked collaboratively across the organization, performed at lightning speed, and came together for our customer. We now have a very happy new customer because of the many employees that worked together with urgency and speed as One CDK.

Through this transformation process, we are keenly focused on limiting operational disruption and creating positive customer outcomes, like the one I just described. These actions are all value added to both our customers and our shareholders. We remain confident and committed to delivering results and meeting the targets we laid out last quarter, including the FY18 adjusted EBITDA margin of 35% and FY19 exit margin of 40%. With that, I will now turn it over to Al to take you through our results.

---

**Al Nietzel** - *CDK Global, Inc. - CFO*

Thanks, Brian, and good morning, everyone. As I do on each of our calls, my comments for the quarter as well as the FY17 forecast will largely be on an adjusted non-GAAP basis. Reconciliations between these adjusted results and the most directly comparable GAAP results can be found in the schedules accompanying our earnings release.

Additionally, we discussed on our last call, our segment reporting has changed. My comments will reflect our three new segments: Retail Solutions North America, Advertising North America, and CDK International. And as Jennifer mentioned, revised quarterly segment information for FY15 and FY16 are part of this morning's 8-K filing and will be available on our Investor Relations website.

The main changes to our segments are as follows: Retail Solutions North America is comprised of our former Automotive Retail segment, and the website piece of the former Digital Marketing segment, as it is more reflective of our go-to-market strategy. Advertising North America is comprised of the Advertising business of the former Digital Marketing segment where we managed ad spend on behalf of OEMs and dealers. CDK International is the former Automotive Retail International segment.

Let's move on to the quarterly results. Clearly, we posted strong results for our first quarter. Total revenue growth was 7%, and 8% on a constant-currency basis. We continued to face some headwinds from foreign exchange rate fluctuations, primarily against the weaker pound, but overall, FX is not nearly as impactful as last year. Also framing my comments on revenues are the KPIs, which exclude the impacts of foreign exchange rates. These KPIs are also provided in the earnings release.

Retail Solutions North America segment revenues grew a strong 6%. Increased site penetration of our Dealer Management System contributed nearly 1 point of growth; increased average revenue per DMS customer site contributed 5 points of growth; and transaction revenues were basically flat. As I mentioned, the website business is now a part of this segment. For our DMS customers who have a website, the associated revenues from those websites are now included in our average revenue per site. We will continue to report the number of total websites in our KPI tables, regardless of whether or not they are tied to a DMS customer site.

Our total number of customer websites declined 5% as we continued to see losses as a result of changes to certain OEM programs that began in late FY15. However, the sequential decline was relatively small. We continue to anticipate further declines in the second quarter before it picks up, as we lap the calendar year 2016.

For Advertising North America, revenues grew 23%, driven by higher network advertising spend and favorable year-over-year comparisons. This is due to increases in network ad spend this calendar year.

For the CDK International segment, revenues were down 1%, entirely due to unfavorable exchange rates, but grew 5% on a constant-currency basis. This is primarily due to increased revenue per DMS customer site from additional users. Site counts continued to increase on a year-over-year basis.

Moving from revenues to cost. Cost of revenues on a GAAP basis increased $4 million, or 1%, from last year. This was due to increased cost associated with our business transformation plan of $12 million, which are shown as pro-forma adjustments on our non-GAAP tables, along with growth in advertising cost for the Advertising North America segment, and increased incentive compensation costs. These items were partially offset by lower labor-related cost due to reduced headcount, and more favorable geographic labor mix. Our research and development spend, which is included in cost of revenue, represents about 7% of CDK's overall revenues.

SG&A increased $16 million, or 17%. Included in SG&A were costs related to the transformation plan of $8 million versus $1 million last year, which, again, are shown as pro-forma adjustments in our non-GAAP tables; increased incentive compensation cost; and outside fee -- and fees for outside services. Partially offsetting these costs, similar to cost of revenues, were benefits from lower labor-related costs from reduced headcount, and more favorable geographic labor mix.

You also saw in our P&L restructuring expenses of $1 million for the quarter. These primarily represent the severance cost incurred in connection with the transformation plan and are also reflected as adjustments on our non-GAAP tables. Interest expense was $10.7 million for the quarter, compared to $9.3 million in last year's first quarter. The increase is due to the full-year impact of the new term loan entered into in December 2015, and higher interest rates on existing term loans.

Moving on from costs, adjusted earnings before income taxes grew 34%, or 35% on a constant-currency basis. Our pre-tax margin expanded 500 basis points. Each segment posted strong pre-tax margin expansion this quarter. Retail Solutions North America delivered 760 basis points, primarily due to lower cost from our transformation efforts, followed by scale from increased revenues.

Advertising North America delivered 880 basis points of expansion, to 14.8%. We benefited from easier comps versus last year, along with mix, and scale from increased revenues, followed by lower cost from our transformation efforts, primarily related to the sales reorganization. We believe this margin level is about right, plus or minus a few points, for this segment on a go-forward basis. International delivered 350 basis points of expansion, driven by benefits of the transformation plan, and strong operational performance.

Total CDK EBITDA margin expanded 590 basis points for the year, to 30.9%. Net earnings grew 47%, and diluted EPS grew 58%, to $0.60 a share. As you saw in our release, we have a $5.7 million of tax benefits this quarter due to the adoption of the new stock comp standard. This was anticipated and benefited the quarter by approximately $0.04. Our cash balance was $245.6 million, of which approximately $200 million is held outside the US.

Now, I will turn a few comments to return to capital. As you recall, in December 2015, we announced our plan to distribute $1 billion in capital to shareholders by December 2017 through a combination of dividends and share repurchases. In June, we accelerated the pace of this $1 billion return by a full-year to 2016.

In December 2015, $250 million ASR, which we spoke about on our second-quarter call, settled in June. We then entered into a $300 million ASR, which settled in September. These two ASRs, combined with the $83 million in dividends we have paid since the December return announcement, represents a total of $633 million returned to shareholders toward our $1 billion return goal.

During this current quarter, we plan to complete the $1 billion commitment with additional share buybacks, funded with a combination of free cash flow and incremental borrowings. We are currently reviewing our financial policy and are in discussions with our Board regarding next steps. And as we previously communicated, we plan to outline our long-term financial policy and actions on our second-quarter earnings call.

Now moving on to the forecast for FY17, our forecast and the year-over-year comparisons are, again, on an as-adjusted basis. Due to the strong performance in the quarter, and despite anticipated increases in expenses related to interest and stock-based compensation expected for the remainder of the year, we are increasing our full-year earnings outlook. We continue to anticipate 4% to 5% revenue growth, which includes a 1-point drag from foreign exchange rates.

We are increasing the range of pre-tax earnings growth by 1 percentage point, to 21% to 25%. And increasing our EBITDA margin expansion range to 525 to 575 basis points, up from 500 to 550 basis points in our original forecast. We continue to anticipate FY17 exit EBITDA margin of approximately 33%, which puts us in a great position to achieve our FY18 targets of 35% adjusted EBITDA margin. And this forecast continues to include $85 million to $95 million of incremental EBITDA from our transformation plan.

The anticipated effective tax rate remains at 33% to 33.5%, compared with 33.8% in FY16. The FY17 anticipated ETR range is lower than the FY16 rate due to the forecasted tax benefits associated with the adoption of a new stock compensation accounting standard in July 1. This new standard will affect our provisions for taxes, resulting in some increased volatility in our rate going forward.

We are increasing the ranges of both net earnings and growth in diluted earnings per share by 1 percentage point, to 23% to 27%, and 32% to 36%, respectively, resulting in an anticipated EPS range of $2.30 to $2.37 a share.

The forecast includes future repurchases as part of the $1 billion capital return program, as well as some open-market repurchases in the back half of the year. As I mentioned earlier, we will be communicating our next steps after the conclusion of the $1 billion return program on our 2Q -- our Q2 earnings call.

Next, I want to provide some directional comments regarding the quarterly skewing. I covered these items on our Q4 earnings call, but I would like to remind you what we anticipate for the rest of the fiscal year. These quarterly skewing items I will discuss are anticipated to impact our pre-tax earnings. First, beginning in the second quarter, we anticipate incremental interest expense over 2016, which will create pressure on a year-over-year comparison basis. We estimate the total incremental expense over the remaining three quarters to be $15 million to $20 million. Second, as we execute our transformation plan, we anticipate incremental stock-based compensation expense in Q4 of 15 -- of $10 million to $15 million.

Our strong Q4 FY16 results will also add additional pressure on the year-over-year comparisons for Q4 this year. And there are no anticipated quarterly impacts associated with foreign exchange rate movements.

In summary, this forecast represents strong progress toward our transformation targets to achieve the 35% EBITDA margin goal for FY18. And with that, I'm going to turn it back to the operator, and Brian and I will be happy to take any questions from the callers.

---

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions)

Matthew Pfau, William Blair.

---

**Matthew Pfau** - *William Blair & Company - Analyst*

Nice quarter.

First, just wanted to start on some of the benefits you're potentially seeing from the reorganization of the digital marketing, and Retail North America and International segments. Can you give any details on any initial success you have seen in terms of potential cross-sell or other benefits from the reorganization?

---

**Brian MacDonald** - *CDK Global, Inc. - CEO*

Thanks, Matt.

It's Brian here. Obviously, it's our first quarter in the new organization, and I will say, I'm really pleased. The team really executed flawlessly, and I was joking last week. It feels like we have been in this organization structure for six or nine months because it has been very natural.

I think, really, what I am seeing is a much more logical approach to how we approach customers, how we're working across the organization. I think this dealer situation that I mentioned in East Texas is a great example, because our organization structure was cleaner and clearer. People could come together much quicker, and they could get that dealer up and running in a week.

So we're pretty happy with the restructuring, or the reorganization. Obviously, we got some cost benefits out of that, too. But fundamentally, I see it helping us move faster and clearer in the organization.

---

**Matthew Pfau** - *William Blair & Company - Analyst*

Got it. And then maybe some detail on in terms of how the customer service center that you opened recently in Cincinnati has been ramping in terms of the transitioning some of the customer service aspects over there. And then also on the remote customer service product that you've had success in getting a bunch of customers up and running on, what are the initial feedback or experience been from those customers?

---

**Al Nietzel** - *CDK Global, Inc. - CFO*

Matt, I will let Brian talk about the ServiceConnect solution.

But in terms of the ramping that we've seen in Cincinnati, we're up just a tad over 500 associates or employees in that location. And as Brian referenced, relative to the organization that we've seen elsewhere, is there is just really good collaboration amongst the groups that we have in the Cinci operation. We've got an energized workforce there and we're very pleased with the progress that's been made thus far.

---

**Brian MacDonald** - *CDK Global, Inc. - CEO*

And then I would say, Matt, around ServiceConnect. I mean, we're very pleased and excited with the results we see from that in terms of our ability to service our customers, as you'd expect and dealerships change is never easy. So we're spending a lot of time trying to educate the folks that use the products to leverage the technology that we have that's really best in class.

And when we tell the story -- I tell the story of a lot to dealer principals and general managers, and show them the data, it is a very positive story and people move over. We have one enterprise account that I met with the CEO, maybe five or six weeks ago. One of the things that I asked them to do was I asked him to encourage his team across all their stores to leverage ServiceConnect, and they did. And we've seen a huge movement of their service contacts through ServiceConnect.

And we've seen very good improvement in response for them. So I think everybody is pretty happy that is using it. And it's got great feature functionality for giving a great customer experience, and really, our team is rolling it out across the board. We had all of our sales people together last week for a sales conference.

And we spent a lot of time talking about our approach to service, and how we better educate our customers about the technology that we have that the competition doesn't have. And the service levels that we have to make sure that our customers really understand the levels we're at, which are very good.

---

**Matthew Pfau** - *William Blair & Company - Analyst*

Perfect. That is great. Thanks for taking my questions, guys.

---

**Operator**

Ian Zaffino, Oppenheimer.

---

**Ian Zaffino** - *Oppenheimer & Co. - Analyst*

Good quarter. The question would be on the digital marketing side. When you look at the website losses, or as far as just the losses here, what is the margin that's going away at? Is that the segment average? Is there -- is it higher, is it lower, or how do I think about that? Or is the margin pretty much similar across all (multiple speakers)?

---

**Al Nietzel** - *CDK Global, Inc. - CFO*

Potentially -- Ian it's lower than the RSNA overall segment margins. And as I think I've previously communicated, our site loss that we've seen in terms of websites was fairly anticipated based on the programs that the OEMs determined were going to be open for others.

As I said in the call today, we do anticipate that anniversarying as we think about the end of a calendar year. And our anticipation is that the website count would start to be increasing over the beginning of the next calendar year. But to answer the question, the margin profile of the website business is lower than the overall RSNA line on an average. But still a good business.

---

**Ian Zaffino** - *Oppenheimer & Co. - Analyst*

Certainly. So also saying that the website count is going to be positive next year. Does that also mean that you have a big contract renewal happening next year. Does that mean you're confident in that renewal happening, or is there other type of business that would come in and help out otherwise?

---

**Al Nietzel** - *CDK Global, Inc. - CFO*

I would say it is a combination. The contract with General Motors, our position with GM, is very good. We anticipate that we will continue with that relationship. We do a lot of very good things for GM. And obviously, expect that relationship will continue.

---

**Ian Zaffino** - *Oppenheimer & Co. - Analyst*

And when you say relationship continue, does that mean signing another long-term contract, or does that just mean you would just go on a day by day basis? How would that come to fruition?

---

**Brian MacDonald** - *CDK Global, Inc. - CEO*

Ian, it's Brian here. We had a long-term contract with GM and went into negotiation in the summertime. It was a three-year contract. It's -- we are like in the ninth inning of completing a new renewal with GM. We've been basically operating on multi-extensions as we negotiated a longer-term contract. And I'll just say we're well into the ninth inning of getting to a new three-year contract.

---

**Ian Zaffino** - *Oppenheimer & Co. - Analyst*

All right. Great. Good luck on that. Sounds like pretty positive news. Thank you.

---

**Operator**

Brian Essex, Morgan Stanley.

---

**Thomas Robb** - *Morgan Stanley - Analyst*

It's Thomas Robb in for Brian right now. Just wanted to look at the competitive side of things. On the Hendricks deal, can you just remind us who they are using now, and what were the sticking points in that deal? And how that conversation went when they paused that deal for now?

---

**Brian MacDonald** - *CDK Global, Inc. - CEO*

As I said in my remarks, we're not really going to say anything more about Hendrick. Generally, we don't want to comment on specific customers. Obviously, we won the deal, and unfortunately they decided not to move forward with us. We're obviously disappointed with the outcome. We are in an active dialogue with them, and we're really not going to comment further than that.

---

**Thomas Robb** - *Morgan Stanley - Analyst*

All right. Thanks. And then maybe one more.

Of the stores that you guys are winning, can you talk about, who they are currently using, and who you guys are taking share from?

---

**Brian MacDonald** - *CDK Global, Inc. - CEO*

Look, it is really across the board. Every deal is competitive. And it's really -- we take share from pretty much everybody, across the board. It changes month to month, quarter to quarter if someone wins one deal away from us, or we don't win in a deal. But I would say that this is a pretty competitive landscape. Dealers are very focused on economics. I would say that dealers are economic animals.

They are focused on their business. There is no easy deal, okay? There's no easy deal. There is no easy win. And everybody is fighting for their share. In our case, we've got a real focus on service, and relationships. And people know us. Our reputation in the market is very good. We continue to take share where it makes sense.

Quite frankly, sometimes it doesn't make sense, and we have to walk away from deals because it doesn't make sense. But I would say across the board, we continue to do pretty well. But I don't want -- it's never easy. Every deal is competitive.

---

**Thomas Robb** - *Morgan Stanley - Analyst*

Great. Thanks, guys. I will take the rest off-line.

**Operator**

Gary Prestopino, Barrington Research.

**Gary Prestopino** - *Barrington Research - Analyst*

A couple of questions. If I've got my notes down correctly, it looks like about 500 basis points of growth in RSNA from increased services, which it seems to be accelerating. Is it the same layered app set have been driving the growth all along, or have you guys been introducing anything new to the market?

**Brian MacDonald** - *CDK Global, Inc. - CEO*

No. It is not anything necessarily new to the market, Gary. And remember that statistic is a combination of an additional layered application penetration. And we think about really two solution sets that we've been quite successful with thus far. It is really the service side, as well as the inventory side, which has benefited and we've also seen some of the increases due to just natural and normal pricing activities that we have that are included in that, as well.

**Gary Prestopino** - *Barrington Research - Analyst*

And then in terms of this -- with the reorg that you've done with single North American sales organizations, is it now where you have each dealership has a single point person as the point of contact for all your services, as well as the websites? And are the larger -- do you also have a point of contact for even small dealers, or smaller dealers having to go through this ServiceConnect product?

**Brian MacDonald** - *CDK Global, Inc. - CEO*

Gary, as you know, we have customers that have one dealership all the way up to 300 dealerships, right? So I would say, largely as a result of the organization, we have a much clearer approach to customers. We still have some demarcation between the digital product set and the traditional baseline product set.

Because in many cases, it's a different sale to a different person in the dealership. It's a different type of sale in some cases. So we do have some demarcation there. But I think what we really have as a result of the reorganization, we have all of those people under one leader.

We have all of the leaders of that business sitting around the table, allocating resources, sales comp dollars, things we're going to focus on this quarter. And really the team, the sales team has really come together very cohesively. So we're getting that. I would say, speed in sales and the sales cycle. Obviously, speed is really important. So I think by having folks all under one organization sitting at the same table, they can move.

They can move -- they are moving faster as a team and the alignment is a lot better than the way we were organized before. So that's where I think we're seeing some of the benefits. It is soft. And some of it is soft, quite frankly, but certainly in a sales cycle, you can't underestimate that soft stop and the speed is really critical in a sales cycle.

**Gary Prestopino** - *Barrington Research - Analyst*

Okay. Thank you.

**Operator**

Thank you. At this time, I would like to turn the call back over to Mr. MacDonald for any closing comments.

---

**Brian MacDonald** - *CDK Global, Inc. - CEO*

Thanks, everyone. I just want to close with a couple of comments. Every day, every day here we're changing the way we do business, to improve our processes and make things easier for our customers. We're very pleased with our first-quarter results. It's a great start to the year. We achieved 590 basis points of EBITDA margin expansion in the first quarter.

We've increased our full-year outlook to 525 to 575 basis points of expansion. We are very confident and very committed to achieving our FY2018 and FY2019 targets. I hope you share our enthusiasm for what's to come. Thanks for listening and have a great day.

---

**Operator**

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect. Everyone, have a great day.

---