# Glossary of Non-GAAP Measures

We use certain adjusted results to evaluate our operating performance. In addition, we use adjusted EBITDA, among other measures, as an input to determine incentive-based compensation. Our non-GAAP adjustments principally relate to expenses and benefits that impact comparability of the underlying GAAP measures. We believe our non-GAAP measures provide relevant and useful information for users of the financial statements because they provide insight into our ongoing operating results. Adjusted revenues, adjusted earnings before income taxes, adjusted provision for income taxes, adjusted net earnings attributable to CDK, adjusted basic and diluted earnings attributable to CDK per share, adjusted EBITDA, and free cash flow have been defined below. Because adjusted results are not measures of performance that are calculated in accordance with GAAP, they should not be considered in isolation from, or as substitute for, other metrics that are calculated in accordance with GAAP. This Quarterly Results presentation references the non-GAAP measures defined below. The reconciliation between the following non-GAAP measures and their most comparable GAAP measure can be found in the tables at the end of the accompanying press release posted to our Investor Relations website, http://investors.cdkglobal.com, in the “Financial Information” section and furnished by us to the SEC on May 5, 2016.

**Adjusted revenues**: Adjusted revenues represents revenues excluding the past effects of revenues related to divestitures.

**Adjusted earnings before income taxes:** Earnings before income taxes reflects adjustments to exclude costs incurred directly attributable to our spin-off from ADP, costs associated with our business transformation plan, accelerated trademark amortization, trademark royalty costs allocated to us when we were under common control and management of ADP, net tax matters indemnification gains and losses related to pre spin-off periods, and earnings attributable to the Internet sales leads business, which was sold in May 2015. In addition, incremental costs associated with the formation of corporate departments as a stand-alone public company, incremental stock-based compensation incurred for staff additions to build out corporate functions and director compensation, and interest expense related to indebtedness incurred with the spin-off have been reflected as adjustments in the prior period to present results on a comparable basis.

**Adjusted provision for income taxes:** The provision for income taxes reflects adjustments for the income tax effect of the adjustments to earnings before income taxes, deferred taxes related to bonus depreciation to which ADP is entitled, and the net income tax benefit to adjust the liability for pre spin-off tax returns related to the net tax matters indemnification gain.

**Adjusted net earnings attributable to CDK and adjusted diluted net earnings attributable to CDK per share:** Net earnings attributable to CDK reflects the same adjustments described for adjusted earnings before income taxes and the adjusted provision for income taxes.

**Adjusted EBITDA**: EBITDA is calculated as earnings before income taxes adjusted to exclude interest expense, depreciation, and amortization. Adjusted EBITDA reflects adjustments to exclude total stock-based compensation expense, costs incurred directly attributable to our spin-off from ADP, costs associated with our business transformation plan, trademark royalty costs allocated to us when we were under common control and management of ADP, tax matters indemnification gains and losses related to pre spin-off periods, and earnings attributable to the Internet sales leads business, which was sold in May 2015. Other business transformation expenses exclude accelerated depreciation and stock-based compensation expenses that are already reflected within the respective adjustment line items. In addition, incremental costs associated with the formation of corporate departments as a stand-alone public company have been reflected as adjustments in the prior period to present results on a comparable basis.

**Constant currency:** To present adjusted revenues and adjusted earnings before income taxes on a constant currency basis, current period results for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollar using the average monthly exchange rate for the comparable prior period. As a result, constant currency results neutralize the effects of foreign currency.

**Free Cash Flow**: Cash flows from operating activities less amounts paid for capital expenditures and capitalized software.