

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event Reported): May 6, 2021

CDK GLOBAL, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

001-36486

(Commission File Number)

46-5743146

(I.R.S. Employer Identification No.)

1950 Hassell Road

**Hoffman IL 60169
Estates,**

(Address of Principal Executive Offices) (Zip Code)

(847) 397-1700

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|-------------------|---|
| Common Stock, \$0.01 Par Value | CDK | NASDAQ Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2). Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On May 6, 2021, CDK Global, Inc. (the “Company”), issued a press release announcing its financial results for the third quarter ended March 31, 2021. A copy of the press release is furnished as Exhibit 99.1 hereto.

The information contained in this Item 2.02 of this Current Report on Form 8-K, as well as Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise be subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or Securities Act of 1933, as amended, if it is expressly incorporated by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | Description of Exhibit |
|---------------------------|---|
| 99.1 | Press Release issued by CDK Global, Inc. on May 6, 2021 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURE

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 hereunto duly authorized.

CDK GLOBAL, INC.

Date: May 6, 2021

/s/ Neil Fairfield

Neil Fairfield
Vice President, Corporate Controller, and Chief Accounting Officer

CDK GLOBAL, INC. REPORTS THIRD QUARTER FISCAL 2021 RESULTS
Largest Site Increase Since 2016; Announces Repurchase Program

HOFFMAN ESTATES, IL, May 6, 2021 - CDK Global, Inc. (NASDAQ: CDK) today announced financial results for its fiscal 2021 third quarter ended March 31, 2021.

"CDK delivered the strongest increase in Auto DMS sites since 2016, representing our ninth straight quarter of year-over-year growth," said Brian Krzanich, CDK chief executive officer. "Our strong customer-focused approach has resonated with dealers and OEMs, and coupled with enhancements to our software and integrations, has resulted in new customer growth and increased penetration within our base. We are excited about the significant progress we've made during the quarter and look forward to future investment opportunities as we continue our on strategic growth journey."

"We achieved the highest total company site count and revenue per site in our history," said Eric Guerin, CDK chief financial officer. "Revenue was up two percent on solid underlying fundamentals within our DMS and core applications business. During the quarter, we closed the sale of our International Business, reduced outstanding debt and are now announcing our intention to resume share repurchases. Guidance for the fiscal year has been revised to narrow the ranges as we head into our fourth quarter."

Third Quarter Fiscal 2021 Results

| CDK Global, Inc. <i>(\$ million except per share)</i> | Q3 2021 | Change from Q3 2020 |
|--|-----------------|------------------------|
| Revenue | \$ 433.1 | +2 % |
| GAAP Earnings before income taxes | 71.2 | -35 % |
| Non-GAAP Adjusted earnings before income taxes | 112.3 | -9 % |
| GAAP Diluted earnings attributable to CDK per share | 7.00 | n/m |
| Non-GAAP Adjusted diluted earnings attributable to CDK per share | 0.69 | -9 % |
| GAAP effective tax rate | 33.8 % | 470 bps |
| Non-GAAP effective tax rate | 22.7 % | -30 bps |
| GAAP Net earnings attributable to CDK | 860.9 | n/m |
| GAAP Net earnings attributable to CDK margin | 198.8 % | n/m |
| Non-GAAP Adjusted EBITDA | 166.3 | -6 % |
| Non-GAAP Adjusted EBITDA margin | 38.4 % | -330 bps |

The non-GAAP results and guidance presented in this press release represent non-GAAP financial measures. Reconciliations of these measures to the most directly comparable GAAP measures are provided in the tables at the end of this press release.

Fiscal 2021 Annual Guidance

The fiscal 2021 guidance is provided on both a GAAP and a Non-GAAP basis.

| CDK Global, Inc. - GAAP BASIS | PREVIOUS FY 2021 GAAP GUIDANCE | CURRENT FY 2021 GAAP GUIDANCE |
|---|-----------------------------------|----------------------------------|
| <i>(\$ million except per share)</i> | | |
| Revenue | \$1,660 - \$1,710 | \$1,660 - \$1,700 |
| GAAP Diluted earnings attributable to CDK per share | \$8.10 - \$8.40 | \$8.30 - \$8.45 |
| GAAP Net earnings attributable to CDK | \$990 - \$1,030 | \$1,020 - \$1,040 |
| GAAP Effective tax rate | 29% - 30% | 31% - 32% |

| CDK Global, Inc. - Non-GAAP BASIS | PREVIOUS FY 2021 ADJ. GUIDANCE | CURRENT FY 2021 ADJ. GUIDANCE |
|--|-----------------------------------|----------------------------------|
| <i>(\$ million except per share)</i> | | |
| Revenue | \$1,660 - \$1,710 | \$1,660 - \$1,700 |
| Non-GAAP Adjusted diluted earnings attributable to CDK per share | \$2.45 - \$2.75 | \$2.50 - \$2.65 |
| Non-GAAP Adjusted EBITDA | \$640 - \$680 | \$640 - \$660 |
| Non-GAAP Adjusted effective tax rate | 26% - 27% | 26% - 27% |

Website Schedules

Other financial information, including financial statements and supplementary schedules presented on a GAAP and adjusted basis, and the schedule of quarterly revenue have been updated for the third quarter ended March 31, 2021 and will be posted to the CDK Investor Relations website, <https://investors.cdkglobal.com> in the “Financial Information” section.

Webcast and Conference Call

An analyst conference call will be held today, Thursday, May 6, 2021 at 4:00 p.m. CT. A live webcast of the call will be available on a listen-only basis. To listen to the webcast, go to the CDK Investor Relations website, <https://investors.cdkglobal.com> and click on the webcast icon. A supplemental slide presentation will be available to download and print about 30 minutes before the webcast at the CDK Investor Relations website at <https://investors.cdkglobal.com>. CDK financial news releases, current financial information, SEC filings and Investor Relations presentations are accessible at the same website.

About CDK Global

CDK Global (NASDAQ: CDK) is a leading provider of integrated data and technology solutions to the automotive, heavy truck, recreation and heavy equipment industries. Focused on enabling end-to-end, omnichannel retail commerce through open, agnostic technology, CDK Global provides solutions to dealers and original equipment manufacturers, serving nearly 15,000 retail locations in North America. CDK's solutions connect people with technology by automating and integrating all parts of the dealership and buying process, including the acquisition, sale, financing, insuring, parts supply, repair and maintenance of vehicles. Visit cdkglobal.com.

Safe Harbor for Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Security Litigation Reform Act of 1995. All statements regarding the Company's business outlook, including the Company's GAAP and adjusted fiscal 2021 guidance; other plans; objectives; forecasts; goals; beliefs; business strategies; future events; business conditions; results of operations; financial position and business outlook and 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. 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 expectations regarding the potential impacts on the Company's business of the outbreak of the COVID-19 pandemic; the Company's success in obtaining, retaining and selling additional services to customers; the pricing of the Company's 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; auto sales and related industry changes; competitive conditions; changes in regulation; changes in technology, security breaches, interruptions, failures and other errors involving the Company's 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 the Company's credit ratings and the impact of such changes on financing costs, rates, terms, debt service obligations, access to capital market and working capital needs; the impact of the Company's indebtedness, access to cash and financing, and ability to secure financing, or financing at attractive rates; the onset of or developments in litigation involving contract, intellectual property, competition, shareholder, and other matters, and governmental investigations; and the ability of the Company's significant stockholders and their affiliates to significantly influence the Company's decisions or cause it to incur significant costs.

There may be other factors that may cause the Company's actual results, performance or achievements to differ materially from those expressed in, or implied by, the forward-looking statements. The Company gives 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 its results of operations and financial condition. You should carefully read the factors described in the Company's reports filed with the Securities and Exchange Commission ("SEC"), including those discussed under "Part I, Item 1A. Risk Factors" in its most recent Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q for a description of certain risks that could, among other things, cause the Company's actual results to differ from any forward-looking statements contained herein. These filings can be found on the Company's website at <https://investors.cdkglobal.com> and the SEC's website at www.sec.gov.

All forward-looking statements speak only as of the date of this press release even if subsequently made available by the Company on its website or otherwise. The Company disclaims any obligation to update or revise any 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.

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

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--|---------------------------------|----------------|--------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | \$ 433.1 | \$ 426.4 | \$ 1,253.1 | \$ 1,262.3 |
| Expenses: | | | | |
| Cost of revenue | 221.3 | 198.8 | 653.7 | 598.9 |
| Selling, general and administrative expenses | 90.2 | 81.6 | 263.8 | 259.1 |
| Litigation provision | — | — | 12.0 | — |
| Total expenses | <u>311.5</u> | <u>280.4</u> | <u>929.5</u> | <u>858.0</u> |
| Operating earnings | 121.6 | 146.0 | 323.6 | 404.3 |
| Interest expense | (32.2) | (35.2) | (101.2) | (109.1) |
| Loss on extinguishment of debt | (2.2) | — | (2.2) | — |
| Loss from equity method investment | (19.6) | — | (24.8) | — |
| Other income, net | 3.6 | (1.7) | 32.3 | 2.7 |
| Earnings before income taxes | <u>71.2</u> | <u>109.1</u> | <u>227.7</u> | <u>297.9</u> |
| Provision for income taxes | (24.1) | (31.7) | (73.8) | (95.5) |
| Net earnings from continuing operations | 47.1 | 77.4 | 153.9 | 202.4 |
| Net earnings (loss) from discontinued operations | 815.8 | (17.9) | 837.1 | (34.7) |
| Net earnings | 862.9 | 59.5 | 991.0 | 167.7 |
| Less: net earnings attributable to noncontrolling interest | 2.0 | 1.9 | 6.1 | 5.8 |
| Net earnings attributable to CDK | <u>\$ 860.9</u> | <u>\$ 57.6</u> | <u>\$ 984.9</u> | <u>\$ 161.9</u> |
| Net earnings attributable to CDK per share - basic: | | | | |
| Continuing operations | \$ 0.37 | \$ 0.62 | \$ 1.21 | \$ 1.62 |
| Discontinued operations | 6.69 | (0.15) | 6.87 | (0.29) |
| Total net earnings attributable to CDK per share - basic | <u>\$ 7.06</u> | <u>\$ 0.47</u> | <u>\$ 8.08</u> | <u>\$ 1.33</u> |
| Net earnings attributable to CDK per share - diluted: | | | | |
| Continuing operations | \$ 0.36 | \$ 0.62 | \$ 1.21 | \$ 1.61 |
| Discontinued operations | 6.64 | (0.15) | 6.83 | (0.28) |
| Total net earnings attributable to CDK per share - diluted | <u>\$ 7.00</u> | <u>\$ 0.47</u> | <u>\$ 8.04</u> | <u>\$ 1.33</u> |
| Weighted-average common shares outstanding: | | | | |
| Basic | 122.0 | 121.6 | 121.9 | 121.5 |
| Diluted | 122.9 | 122.2 | 122.5 | 122.1 |

The International Business is presented as discontinued operations and prior year amounts associated with the International Business have been reclassified as such. For additional information refer to Form 10-Q, Item 1 of Part I, "Notes to the Consolidated Financial Statements," Note 1 - Basis of Presentation and Note 4 - Discontinued Operations.

CDK Global, Inc.
Consolidated Balance Sheets
(In millions)
(Unaudited)

| | March 31, 2021 | June 30, 2020 |
|--|-------------------|------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,131.8 | \$ 80.8 |
| Accounts receivable, net of allowances | 248.7 | 242.0 |
| Other current assets | 182.0 | 148.4 |
| Current assets held for sale | — | 214.4 |
| Total current assets | 1,562.5 | 685.6 |
| Property, plant and equipment, net | 79.4 | 96.7 |
| Other assets | 413.4 | 418.3 |
| Goodwill | 1,013.6 | 999.5 |
| Intangible assets, net | 252.9 | 229.5 |
| Long-term assets held for sale | — | 424.5 |
| Total assets | \$ 3,321.8 | \$ 2,854.1 |
| Liabilities and Stockholders' Equity (Deficit) | | |
| Current maturities of long-term debt and finance lease liabilities | \$ 500.3 | \$ 20.7 |
| Accounts payable | 29.2 | 34.3 |
| Accrued expenses and other current liabilities | 207.3 | 173.5 |
| Income taxes payable | 165.0 | 14.8 |
| Litigation liability | 34.0 | 57.0 |
| Accrued payroll and payroll-related expenses | 66.1 | 52.5 |
| Short-term deferred revenue | 39.6 | 44.6 |
| Current liabilities held for sale | — | 129.4 |
| Total current liabilities | 1,041.5 | 526.8 |
| Long-term debt and finance lease liabilities | 1,589.4 | 2,655.1 |
| Long-term deferred revenue | 41.7 | 39.4 |
| Deferred income taxes | 80.0 | 76.4 |
| Other liabilities | 103.5 | 96.5 |
| Long-term liabilities held for sale | — | 40.6 |
| Total liabilities | 2,856.1 | 3,434.8 |
| Stockholders' Equity (Deficit): | | |
| Preferred stock | — | — |
| Common stock | 1.6 | 1.6 |
| Additional paid-in capital | 705.0 | 687.9 |
| Retained earnings | 1,966.6 | 1,045.5 |
| Treasury stock, at cost | (2,294.9) | (2,305.2) |
| Accumulated other comprehensive income (loss) | 72.1 | (25.9) |
| Total CDK stockholders' equity (deficit) | 450.4 | (596.1) |
| Noncontrolling interest | 15.3 | 15.4 |
| Total stockholders' equity (deficit) | 465.7 | (580.7) |
| Total liabilities and stockholders' equity (deficit) | \$ 3,321.8 | \$ 2,854.1 |

The International Business is presented as discontinued operations and prior year amounts associated with the International Business have been reclassified as such. For additional information refer to Form 10-Q, Item 1 of Part I, "Notes to the Consolidated Financial Statements," Note 1 - Basis of Presentation and Note 4 - Discontinued Operations.

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

| | Nine Months Ended March 31, | |
|---|--------------------------------|----------|
| | 2021 | 2020 |
| Cash Flows from Operating Activities: | | |
| Net earnings | \$ 991.0 | \$ 167.7 |
| Less: net earnings (loss) from discontinued operations | 837.1 | (34.7) |
| Net earnings from continuing operations | 153.9 | 202.4 |
| Adjustments to reconcile net earnings from continuing operations to cash flows provided by operating activities: | | |
| Depreciation and amortization | 71.1 | 66.7 |
| Loss from equity method investment | 24.8 | — |
| Deferred income taxes | 0.7 | 14.9 |
| Stock-based compensation expense | 31.7 | 13.1 |
| Other | 9.2 | 13.2 |
| Changes in assets and liabilities, net of effect from acquisitions of businesses: | | |
| Change in accounts receivable | (5.1) | (44.3) |
| Change in other assets | (43.8) | (26.6) |
| Change in accounts payable | (4.8) | 9.5 |
| Change in accrued expenses and other liabilities | 16.2 | (8.1) |
| Net cash flows provided by operating activities, continuing operations | 253.9 | 240.8 |
| Net cash flows provided by operating activities, discontinued operations | 6.9 | 70.9 |
| Net cash flows provided by operating activities | 260.8 | 311.7 |
| Cash Flows from Investing Activities: | | |
| Capital expenditures | (15.2) | (13.9) |
| Capitalized software | (51.0) | (42.5) |
| Acquisitions of businesses, net of cash acquired | (18.1) | — |
| Investment in certificates of deposit | — | (12.0) |
| Proceeds from maturities of certificates of deposit | — | 12.0 |
| Purchases of investments | — | (20.0) |
| Net cash flows used in investing activities, continuing operations | (84.3) | (76.4) |
| Net cash flows provided by (used in) investing activities, discontinued operations | 1,380.9 | (12.3) |
| Net cash flows provided by (used in) investing activities | 1,296.6 | (88.7) |
| Cash Flows from Financing Activities: | | |
| Net proceeds (repayments) from revolving credit facility | (15.0) | 100.0 |
| Repayments of long-term debt and finance lease liabilities | (578.0) | (265.8) |
| Dividends paid to stockholders | (54.8) | (54.7) |
| Proceeds from exercises of stock options | 2.1 | 6.1 |
| Withholding tax payments for stock-based compensation awards | (4.5) | (5.7) |
| Dividend payments to noncontrolling owners | (6.2) | (6.6) |
| Acquisition-related payments | — | (5.3) |
| Net cash flows used in financing activities, continuing operations | (656.4) | (232.0) |
| Net cash flows used in financing activities, discontinued operations | — | (1.1) |
| Net cash flows used in financing activities | (656.4) | (233.1) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash, including cash classified in current assets held for sale | 21.1 | (15.6) |
| Net change in cash, cash equivalents, and restricted cash, including cash classified in current assets held for sale | 922.1 | (25.7) |
| Net change in cash classified in current assets held for sale | 134.9 | 58.0 |
| Net change in cash, cash equivalents and restricted cash | 1,057.0 | 32.3 |
| Cash, cash equivalents, and restricted cash, beginning of period | 97.3 | 144.2 |
| Cash, cash equivalents, and restricted cash, end of period | \$ 1,154.3 | \$ 176.5 |

The International Business is presented as discontinued operations and prior year amounts associated with the International Business have been reclassified as such. For additional information refer to Form 10-Q, Item 1 of Part I, "Notes to the Consolidated Financial Statements," Note 1 - Basis of Presentation and Note 4 - Discontinued Operations.

CDK Global, Inc.
Consolidated Adjusted Financial Information

(In millions, except per share amounts)

(Unaudited)

As described below under the Non-GAAP Financial Measures section of this press release, we incorporated the following additional adjustments in our calculations of non-GAAP financial measures where management has deemed it appropriate to better reflect our underlying operations. These adjustments are inconsistent in amount and frequency and do not directly reflect our underlying operations. Therefore, management believes that excluding such information provides us with a better understanding of our ongoing operating performance across periods.

| | Three Months Ended | | | | Nine Months Ended | | | |
|--|--------------------|----------|-----------|-------|-------------------|------------|-----------|-------|
| | March 31, | | Change | | March 31, | | Change | |
| | 2021 | 2020 | \$ | % | 2021 | 2020 | \$ | % |
| Revenue (a) | \$ 433.1 | \$ 426.4 | \$ 6.7 | 2 % | \$ 1,253.1 | \$ 1,262.3 | \$ (9.2) | (1)% |
| Earnings before income taxes (a) | \$ 71.2 | \$ 109.1 | \$ (37.9) | (35)% | \$ 227.7 | \$ 297.9 | \$ (70.2) | (24)% |
| <i>Margin</i> | 16.4 % | 25.6 % | -920 bps | | 18.2 % | 23.6 % | -540 bps | |
| Stock-based compensation expense | 10.4 | 2.2 | | | 31.7 | 13.2 | | |
| Amortization of acquired intangible assets | 4.2 | 3.8 | | | 12.4 | 11.4 | | |
| Transaction and integration-related costs | 2.4 | — | | | 3.6 | 8.5 | | |
| Legal and other expenses related to regulatory and competition matters | 0.9 | 4.4 | | | 15.6 | 16.6 | | |
| Business process modernization program | 3.9 | 4.4 | | | 9.4 | 12.0 | | |
| Officer transition expense | — | — | | | 1.1 | — | | |
| Net adjustments related to loss from equity method investment | 17.1 | — | | | 21.6 | — | | |
| Loss on extinguishment of debt | 2.2 | — | | | 2.2 | — | | |
| Adjusted earnings before income taxes (a) (b) | \$ 112.3 | \$ 123.9 | \$ (11.6) | (9)% | \$ 325.3 | \$ 359.6 | \$ (34.3) | (10)% |
| <i>Adjusted margin</i> | 25.9 % | 29.1 % | -320 bps | | 26.0 % | 28.5 % | -250 bps | |

| | Three Months Ended | | | | Nine Months Ended | | | |
|--|--------------------|---------|----------|-------|-------------------|---------|-----------|-------|
| | March 31, | | Change | | March 31, | | Change | |
| | 2021 | 2020 | \$ | % | 2021 | 2020 | \$ | % |
| Provision for income taxes (a) | \$ 24.1 | \$ 31.7 | \$ (7.6) | (24)% | \$ 73.8 | \$ 95.5 | \$ (21.7) | (23)% |
| <i>Effective tax rate</i> | 33.8 % | 29.1 % | | | 32.4 % | 32.1 % | | |
| Income tax effect of pre-tax adjustments | 8.4 | 3.8 | | | 18.3 | 14.9 | | |
| Income tax effect for foreign earnings previously deemed indefinitely reinvested | — | (7.0) | | | — | (7.0) | | |
| Change in deferred tax valuation allowance | (7.0) | — | | | (7.0) | (14.8) | | |
| Impact of U.S tax reform | — | — | | | — | 0.3 | | |
| Adjusted provision for income taxes (a) (b) | \$ 25.5 | \$ 28.5 | \$ (3.0) | (11)% | \$ 85.1 | \$ 88.9 | \$ (3.8) | (4)% |
| <i>Adjusted effective tax rate</i> | 22.7 % | 23.0 % | | | 26.2 % | 24.7 % | | |

| | Three Months Ended | | Change | | Nine Months Ended | | Change | |
|--|--------------------|----------------|-----------------|-------------|-------------------|-----------------|------------------|--------------|
| | March 31, | | \$ | % | March 31, | | \$ | % |
| | 2021 | 2020 | | | 2021 | 2020 | | |
| Net earnings | \$ 862.9 | \$ 59.5 | \$ 803.4 | n/m | \$ 991.0 | \$ 167.7 | \$ 823.3 | n/m |
| Less: net earnings attributable to noncontrolling interest | 2.0 | 1.9 | | | 6.1 | 5.8 | | |
| Net earnings attributable to CDK | \$ 860.9 | \$ 57.6 | \$ 803.3 | n/m | \$ 984.9 | \$ 161.9 | \$ 823.0 | n/m |
| Net (earnings) loss from discontinued operations | (815.8) | 17.9 | | | (837.1) | 34.7 | | |
| Stock-based compensation expense | 10.4 | 2.2 | | | 31.7 | 13.2 | | |
| Amortization of acquired intangible assets (c) | 4.1 | 3.7 | | | 12.1 | 11.1 | | |
| Transaction and integration-related costs | 2.4 | — | | | 3.6 | 8.5 | | |
| Legal and other expenses related to regulatory and competition matters | 0.9 | 4.4 | | | 15.6 | 16.6 | | |
| Business process modernization program | 3.9 | 4.4 | | | 9.4 | 12.0 | | |
| Officer transition expense | — | — | | | 1.1 | — | | |
| Net adjustments related to loss from equity method investment | 17.1 | — | | | 21.6 | — | | |
| Loss on extinguishment of debt | 2.2 | — | | | 2.2 | — | | |
| Income tax effect on pre-tax adjustments | (8.4) | (3.8) | | | (18.3) | (14.9) | | |
| Income tax effect for foreign earnings previously deemed indefinitely reinvested | — | 7.0 | | | — | 7.0 | | |
| Change in deferred tax valuation allowance | 7.0 | — | | | 7.0 | 14.8 | | |
| Impact of U.S tax reform | — | — | | | — | (0.3) | | |
| Adjusted net earnings attributable to CDK (a) (b) (c) | \$ 84.7 | \$ 93.4 | \$ (8.7) | (9)% | \$ 233.8 | \$ 264.6 | \$ (30.8) | (12)% |

| | Three Months Ended | | | | Nine Months Ended | | | |
|--|--------------------|----------------|------------------|-------------|-------------------|----------------|------------------|--------------|
| | March 31, | | Change | | March 31, | | Change | |
| | 2021 | 2020 | \$ | % | 2021 | 2020 | \$ | % |
| Diluted earnings attributable to CDK per share | \$ 7.00 | \$ 0.47 | \$ 6.53 | n/m | \$ 8.04 | \$ 1.33 | \$ 6.71 | n/m |
| Net (earnings) loss from discontinued operations | (6.64) | 0.15 | | | (6.83) | 0.28 | | |
| Stock-based compensation expense | 0.08 | 0.02 | | | 0.26 | 0.11 | | |
| Amortization of acquired intangible assets (c) | 0.03 | 0.03 | | | 0.10 | 0.09 | | |
| Transaction and integration-related costs | 0.02 | — | | | 0.03 | 0.07 | | |
| Legal and other expenses related to regulatory and competition matters | 0.02 | 0.03 | | | 0.12 | 0.13 | | |
| Business process modernization program | 0.03 | 0.03 | | | 0.07 | 0.10 | | |
| Officer transition expense | — | — | | | 0.01 | — | | |
| Net adjustments related to loss from equity method investment | 0.14 | — | | | 0.18 | — | | |
| Loss on extinguishment of debt | 0.02 | — | | | 0.02 | — | | |
| Income tax effect on pre-tax adjustments | (0.07) | (0.03) | | | (0.15) | (0.12) | | |
| Income tax effect for foreign earnings previously deemed indefinitely reinvested | — | 0.06 | | | — | 0.06 | | |
| Change in deferred tax valuation allowance | 0.06 | — | | | 0.06 | 0.12 | | |
| Adjusted diluted earnings attributable to CDK per share (a) (b) (c) | \$ 0.69 | \$ 0.76 | \$ (0.07) | (9)% | \$ 1.91 | \$ 2.17 | \$ (0.26) | (12)% |
| Weighted-average common shares outstanding: | | | | | | | | |
| Diluted | 122.9 | 122.2 | | | 122.5 | 122.1 | | |

| | Three Months Ended | | | | Nine Months Ended | | | |
|--|--------------------|-----------------|------------------|-------------|-------------------|-----------------|------------------|-------------|
| | March 31, | | Change | | March 31, | | Change | |
| | 2021 | 2020 | \$ | % | 2021 | 2020 | \$ | % |
| Net earnings attributable to CDK | \$ 860.9 | \$ 57.6 | \$ 803.3 | n/m | \$ 984.9 | \$ 161.9 | \$ 823.0 | n/m |
| <i>Margin</i> | <i>198.8 %</i> | <i>13.5 %</i> | <i>n/m</i> | | <i>78.6 %</i> | <i>12.8 %</i> | <i>n/m</i> | |
| Net earnings attributable to noncontrolling interest | 2.0 | 1.9 | | | 6.1 | 5.8 | | |
| Net (earnings) loss from discontinued operations | (815.8) | 17.9 | | | (837.1) | 34.7 | | |
| Provision for income taxes | 24.1 | 31.7 | | | 73.8 | 95.5 | | |
| Interest expense | 32.2 | 35.2 | | | 101.2 | 109.1 | | |
| Depreciation and amortization | 24.6 | 22.3 | | | 71.1 | 66.7 | | |
| Stock-based compensation expense | 10.4 | 2.2 | | | 31.7 | 13.2 | | |
| Transaction and integration-related costs | 2.4 | — | | | 3.6 | 8.5 | | |
| Legal and other expenses related to regulatory and competition matters | 0.9 | 4.4 | | | 15.6 | 16.6 | | |
| Business process modernization program | 3.9 | 4.4 | | | 9.4 | 12.0 | | |
| Officer transition expense | — | — | | | 1.1 | — | | |
| Net adjustments related to loss from equity method investment | 18.5 | — | | | 25.7 | — | | |
| Loss on extinguishment of debt | 2.2 | — | | | 2.2 | — | | |
| Adjusted EBITDA (a) (b) | \$ 166.3 | \$ 177.6 | \$ (11.3) | (6)% | \$ 489.3 | \$ 524.0 | \$ (34.7) | (7)% |
| <i>Adjusted margin</i> | <i>38.4 %</i> | <i>41.7 %</i> | <i>-330 bps</i> | | <i>39.0 %</i> | <i>41.5 %</i> | <i>-250 bps</i> | |

| | Nine Months Ended March 31, | |
|---|--------------------------------|-----------------|
| | 2021 | 2020 |
| Net cash flows provided by operating activities | \$ 260.8 | \$ 311.7 |
| Net cash flows used in operating activities - discontinued operations | (6.9) | (70.9) |
| Capital expenditures | (15.2) | (13.9) |
| Capitalized software | (51.0) | (42.5) |
| Change in restricted cash | (6.0) | (1.2) |
| Free cash flow from continuing operations (a) (b) | \$ 181.7 | \$ 183.2 |

(a) Excludes amounts attributable to discontinued operations.

(b) Refer to the Non-GAAP Financial Measures section of this press release for additional information on our non-GAAP adjustments.

(c) The portion of expense related to noncontrolling interest has been removed from amortization of acquired intangible assets for the three and nine months ended March 31, 2021 and 2020.

CDK Global, Inc.
Revenue Disaggregation
(In millions)
(Unaudited)

The following table presents revenue by category for the three and nine months ended March 31, 2021 and 2020:

| | Three Months Ended | | | | Nine Months Ended | | | |
|----------------------------------|--------------------|-----------------|---------------|------------|-------------------|-------------------|-----------------|--------------|
| | March 31, | | Change | | March 31, | | Change | |
| | 2021 | 2020 | \$ | % | 2021 | 2020 | \$ | % |
| Subscription | \$ 332.1 | \$ 331.7 | \$ 0.4 | — % | \$ 984.3 | \$ 1,000.9 | \$ (16.6) | (2) % |
| On-site license and installation | 1.4 | 2.4 | (1.0) | (42) % | 4.6 | 7.5 | (2.9) | (39) % |
| Transaction | 43.3 | 38.1 | 5.2 | 14 % | 126.3 | 120.6 | 5.7 | 5 % |
| Other | 56.3 | 54.2 | 2.1 | 4 % | 137.9 | 133.3 | 4.6 | 3 % |
| Total Revenue | \$ 433.1 | \$ 426.4 | \$ 6.7 | 2 % | \$ 1,253.1 | \$ 1,262.3 | \$ (9.2) | (1) % |

CDK Global, Inc.

Consolidated Fiscal 2021 Guidance

(In millions, except per share amounts)

(Unaudited)

As described below under the Non-GAAP Financial Measures section of this press release, the fiscal 2021 guidance is provided on both a GAAP and a Non-GAAP basis. The table below includes these adjustments for fiscal 2021 guidance.

| | Fiscal 2021 | |
|--|--------------------|--------------------------|
| | Point Estimate (a) | Guidance |
| Revenue (b) | \$ 1,680 | <i>\$1,660 - \$1,700</i> |
| Earnings before income taxes (b) | 290 | |
| Stock-based compensation expense | 45 | |
| Amortization of acquired intangible assets | 15 | |
| Transaction and integration-related costs | 5 | |
| Legal and other expenses related to regulatory and competition matters | 20 | |
| Business process modernization program | 15 | |
| Loss on extinguishment of debt | 25 | |
| Officer transition expense | 1 | |
| Net adjustments related to loss from equity method investment | 24 | |
| Adjusted earnings before income taxes (b)(c) | \$ 440 | |
| | | |
| | Fiscal 2021 | |
| | Point Estimate (a) | Guidance |
| Provision for income taxes (b) | \$ 92 | |
| <i>Effective tax rate</i> | <i>31.7 %</i> | <i>31% - 32%</i> |
| Income tax effect of pre-tax adjustments | 17 | |
| Change in deferred tax valuation allowance | 7 | |
| Adjusted provision for income taxes (b)(c) | \$ 116 | |
| <i>Adjusted effective tax rate</i> | <i>26.4 %</i> | <i>26% - 27%</i> |
| | | |
| | Fiscal 2021 | |
| | Point Estimate (a) | Guidance |
| Net earnings (d) | \$ 1,035 | |
| Less: net earnings attributable to noncontrolling interest | 8 | |
| Net earnings attributable to CDK | \$ 1,027 | |
| Net earnings loss from discontinued operations | (837) | |
| Stock-based compensation expense | 45 | |
| Amortization of acquired intangible assets | 15 | |
| Transaction and integration-related expenses | 5 | |
| Legal and regulatory expenses related to competition matters | 20 | |
| Business process modernization program | 15 | |
| Loss on extinguishment of debt | 25 | |
| Officer transition expense | 1 | |
| Net adjustments related to loss from equity method investment | 24 | |
| Income tax effect of pre-tax adjustments | (17) | |
| Change in deferred tax valuation allowance | (7) | |
| Adjusted net earnings attributable to CDK (b)(c) | \$ 316 | |

| | Fiscal 2021 | |
|---|--------------------|------------------------|
| | Point Estimate (a) | Guidance |
| Diluted net earnings attributable to CDK per share (d) | \$ 8.40 | \$8.30 - \$8.45 |
| Net earnings from discontinued operations | (6.84) | |
| Stock-based compensation expense | 0.36 | |
| Amortization of acquired intangible assets | 0.13 | |
| Transaction and integration-related expenses | 0.04 | |
| Legal and regulatory expenses related to competition matters | 0.17 | |
| Business process modernization program | 0.12 | |
| Loss on extinguishment of debt | 0.20 | |
| Officer transition expense | 0.01 | |
| Net adjustments related to loss from equity method investment | 0.19 | |
| Income tax effect of pre-tax adjustments | (0.14) | |
| Change in deferred tax valuation allowance | (0.06) | |
| Adjusted diluted net earnings attributable to CDK per share (b)(c) | \$ 2.58 | \$2.50 - \$2.65 |

| | Fiscal 2021 | |
|--|--------------------|--------------------------|
| | Point Estimate (a) | Guidance |
| Revenue (b) | \$ 1,680 | \$1,660 - \$1,700 |
| Net earnings attributable to CDK (d) | \$ 1,027 | \$1,020 - \$1,040 |
| <i>Margin</i> | <i>61.1 %</i> | |
| Net earnings attributable to noncontrolling interest | 8 | |
| Net earnings from discontinued operations | (837) | |
| Provision for income taxes | 92 | |
| Interest expense | 124 | |
| Depreciation and amortization | 95 | |
| Stock-based compensation expense | 45 | |
| Transaction and integration-related costs | 5 | |
| Legal and other expenses related to regulatory and competition matters | 20 | |
| Business process modernization program | 15 | |
| Loss on extinguishment of debt | 25 | |
| Officer transition expense | 1 | |
| Net adjustments related to loss from equity method investment | 30 | |
| Adjusted EBITDA (b)(c) | \$ 650 | \$640 - \$660 |
| <i>Adjusted margin</i> | <i>38.7 %</i> | |

(a) The point estimates are arbitrary amounts in the guidance ranges provided and are not meant to represent CDK's forecast of actual results. They are used solely to provide a means to reconcile each non-GAAP guidance range to the most directly comparable GAAP measure in dollars and percentages, where applicable.

(b) Excludes amounts attributable to discontinued operations.

(c) Refer to the Non-GAAP Financial Measures section of this press release for additional information on our non-GAAP adjustments.

(d) GAAP net earnings attributable to CDK includes the International Business results and the gain on sale reported in discontinued operations.

CDK Global, Inc.
Performance Metrics
(Unaudited)

CDK management regularly reviews the following key performance measures to evaluate business results and make operating and strategic decisions. These measures are intended to provide directional information regarding trends in our subscription revenue. The following table summarizes these measures for certain subscription revenue.

| | For the three months ended | | | | |
|--------------------------|----------------------------|-------------------|--------------------|-------------------|----------------|
| | March 31, 2020 (a) | June 30, 2020 (a) | September 30, 2020 | December 31, 2020 | March 31, 2021 |
| <i>Automotive</i> | | | | | |
| DMS Customer Sites (b) | 8,948 | 8,951 | 8,966 | 8,997 | 9,042 |
| Avg Revenue Per Site (c) | \$ 9,009 | \$ 8,034 | \$ 8,902 | \$ 9,005 | \$ 9,153 |
| <i>Adjacencies</i> | | | | | |
| DMS Customer Sites (b) | 5,793 | 5,768 | 5,804 | 5,854 | 5,930 |
| Avg Revenue Per Site (c) | \$ 1,784 | \$ 1,661 | \$ 1,799 | \$ 1,822 | \$ 1,849 |
| <i>Total CDK</i> | | | | | |
| DMS Customer Sites (b) | 14,741 | 14,719 | 14,770 | 14,851 | 14,972 |
| Avg Revenue Per Site (c) | \$ 6,171 | \$ 5,533 | \$ 6,114 | \$ 6,179 | \$ 6,268 |

(a) Average revenue per Dealer Management System (DMS) customer site has been updated for fiscal 2020 to reflect budgeted foreign exchange rates for fiscal 2021.

(b) DMS Customer Sites (end of period) - We track the number of retail customer sites with an active DMS that sell vehicles in the 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 last billing cycle in the period presented in the table. Adjacent markets include heavy truck dealerships that provide vehicles to the over-the-road trucking industry, recreation dealerships in the motorcycle, powersports, marine, and recreational vehicle industries, and heavy equipment dealerships in the agriculture and construction equipment industries.

(c) Average Revenue Per DMS Customer Site (monthly average for period) - Average revenue per DMS customer site is an indicator of the scope of adoption of our solutions by DMS customers. 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 subscription revenue generated from our solutions, in an applicable quarterly period by the monthly average number of DMS customer sites in the same period, divided by three. The metric includes monthly billing directly associated with the reported DMS sites inclusive of DMS monthly fees, layered applications and data integration fees and excludes (i) subscription revenue generated from customers not included in our DMS customer site count and (ii) subscription revenue related to certain installation and training activities that is deferred then recognized as revenue over the life of the contract.

Non-GAAP Financial Measures

We disclose certain financial measures for our consolidated results on both a GAAP and a non-GAAP 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 |
| Free cash flow from continuing operations | Net cash flows provided by operating activities |

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 those 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 overall operating performance on a consistent period-to-period basis and relative to our competitors, (iv) target leverage calculations, and (v) determining incentive-based compensation.

We believe our non-GAAP financial measures are helpful to 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 in addition to the corresponding GAAP financial measures and the reconciliations to those measures disclosed below, provides investors with a better understanding of the factors and trends affecting our business than could be obtained absent these disclosures.

We incorporated additional adjustments in our calculations of non-GAAP financial measures where management has deemed it appropriate to better reflect our underlying operations. These adjustments are inconsistent in amount and frequency and do not directly reflect our underlying operations. Therefore, management believes that excluding such information provides us with a better understanding of our ongoing operating performance across periods. Prior period information has been revised to conform to the new presentation.

Fiscal 2021 Modifications to Our Adjustments:

We modified our presentation of adjusted earnings before income taxes, adjusted net earnings attributable to CDK, adjusted diluted earnings attributable to CDK per share, and adjusted EBITDA to include a loss from the extinguishment of debt.

Adjusted Earnings before Income Taxes

Management has excluded the following items from adjusted earnings before income taxes for the periods presented:

- Stock-based compensation expense included in cost of revenue and selling, general and administrative expenses.

- Amortization of acquired intangible assets consists of non-cash amortization of intangible assets such as customer lists, purchased software, and trademarks acquired in connection with business combinations. We exclude the impact of amortization of acquired intangible assets because these non-cash amounts are significantly impacted by the timing and size of individual acquisitions and do not factor into our budgeting process, financial and operational decision making, target leverage calculations, and determination of incentive based pay. Furthermore, management believes that this adjustment enables better comparison of our overall operating results as amortization of acquired intangibles will not recur in future periods once such intangible assets have been fully amortized. Although we exclude amortization of acquired intangible assets from our presentation of adjusted earnings before income taxes, adjusted provision for income taxes, adjusted net earnings attributable to CDK, and adjusted diluted net earnings attributable to CDK per share, we believe that it is important for the users of the financial statements to understand that the associated intangible assets were recorded as part of purchase accounting and contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Any future acquisitions may result in the amortization of additional intangible assets.
- Transaction and integration-related costs include: (i) legal, accounting, outside service fees, and other costs incurred in connection with assessment and integration of acquisitions and other strategic business opportunities; and (ii) post-close adjustments to acquisition-related contingent consideration, included in cost of revenue and selling, general and administrative expenses.
- Legal and other expenses, related to regulatory and competition matters included in selling, general and administrative expenses, and litigation provision.
- Business process modernization program designed to improve the way we do business for our customers through best-in-class product offerings, processes, governance and systems. The business process modernization program will include a comprehensive redesign in the way we go to market, including the quoting, contracting, fulfilling, and invoicing processes, and the systems and tools we use. The investment to implement this holistic business reform, including the design and implementation of a new ERP system, which began in the first quarter of fiscal 2020, will be completed over a three-year time horizon. The expense is included in cost of revenue and selling, general and administrative expenses.
- Officer transition expense includes severance expense in connection with officer departures included in cost of revenue and selling, general and administrative expenses.
- Net adjustments related to loss from equity method investment includes certain portions of earnings attributable to an equity interest owned by CDK and a \$14.5 million impairment of an equity method investment included in loss from equity method investment.
- Loss on extinguishment of debt related to the write-off of unamortized debt financing cost as a result of the repayment of indebtedness under the three-year and five-year term loan facilities on March 1, 2021.

Adjusted Provision for Income taxes

Management has excluded the following items from adjusted provision for income taxes for the periods presented:

- Income tax effect of pre-tax adjustments calculated at applicable statutory rates net of applicable permanent differences.
- True-up of income tax expense for cumulative withholding tax associated with historical foreign earnings that are no longer considered indefinitely reinvested as of March 31, 2020. The change in assertion was made in response to the uncertainty related to the COVID 19 pandemic and its potential impact on CDK's liquidity needs.
- A valuation allowance on a deferred tax asset for the future capital loss on an equity method investment that is not expected to be realized recorded in the third quarter of fiscal 2021 and an increase in valuation allowance associated with a deferred tax asset for a capital loss carryforward which the Company does not expect to utilize recorded in the second quarter of fiscal 2020.
- In fiscal 2020, a one-time tax benefit for an adjustment of an accrual for foreign withholding taxes related to undistributed earnings as a result of the Tax Reform Act.

Adjusted Net Earnings Attributable to CDK and Adjusted Diluted Net Earnings Attributable to CDK per Share

For each respective presentation, management has excluded earnings (loss) from discontinued operations, net of taxes associated with the Company's divestiture of the Digital Marketing Business which closed on April 21, 2020 and the sale of the International Business which closed on March 1, 2021, in addition to the items described above for adjusted earnings before income taxes and adjusted provision for income taxes from adjusted net earnings attributable to CDK and adjusted diluted net earnings attributable to CDK per share.

The portion of expense related to noncontrolling interest has been removed from amortization of acquired intangible assets and legal and other expenses related to regulatory and competition matters for the applicable periods.

Adjusted EBITDA

Management has excluded the following items from net earnings attributable to CDK in order to calculate adjusted EBITDA for the periods presented:

- Net earnings attributable to noncontrolling interest included in the financial statements.
- Net earnings from discontinued operations, net of taxes associated with the Company's divestiture of the Digital Marketing Business which closed on April 21, 2020 and the sale of the International Business which closed on March 1, 2021, included in the financial statements.
- Provision for income taxes included in the financial statements.
- Interest expense included in the financial statements.
- Depreciation and amortization expense included in the financial statements.
- Stock-based compensation expense included in cost of revenue and selling, general and administrative expenses.
- Transaction and integration-related costs include: (i) legal, accounting, outside service fees, and other costs incurred in connection with assessment and integration of acquisitions and other strategic business opportunities and (ii) post-close adjustments to acquisition related contingent consideration, reported in cost of revenue and selling, general and administrative expenses.
- Legal and other expenses, related to regulatory and competition matters included in selling, general and administrative expenses and litigation provision.
- Business process modernization program designed to improve the way we do business for our customers through best-in-class product offerings, processes, governance and systems. The business process modernization program will include a comprehensive redesign in the way we go to market, including the quoting, contracting, fulfilling, and invoicing processes, and the systems and tools we use. The investment to implement this holistic business reform, including the design and implementation of a new ERP system, which began in the first quarter of fiscal 2020, will be completed over a three-year time horizon. The expense is included in cost of revenue and selling, general and administrative expenses.
- Officer transition expense includes severance expense in connection with officer departures included in cost of revenue and selling, general and administrative expenses.
- Net adjustments related to loss from equity method investment includes certain portions of earnings, including depreciation and amortization, attributable to an equity interest owned by CDK and a \$14.5 million impairment of an equity method investment included in loss from equity method investment.
- Loss on extinguishment of debt related to the write-off of unamortized debt financing cost as a result of the repayment of indebtedness under the three year and five year term loan facilities on March 1, 2021.

Free Cash Flow

We also review free cash flow from continuing operations as a measure of our ability to generate additional cash from our business operations. Free cash flow from continuing operations is defined as cash flow from operating activities less net cash flows used in operating activities attributable to discontinued operations, amounts paid for capital expenditures and capitalized software and change in restricted cash. Free cash flow from continuing operations should be considered in addition to, rather than as a substitute for consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity. The change in restricted cash is funds held for clients before remittance to agencies for titling and registration services on behalf of those clients.