

CDK GLOBAL, INC. REPORTS SECOND QUARTER FISCAL 2022 RESULTS

Revenue Growth of More than 7% Year over Year

HOFFMAN ESTATES, IL, February 3, 2022 - CDK Global, Inc. (NASDAQ: CDK) today announced financial results for its fiscal 2022 second quarter ended December 31, 2021.

"We continued to see the benefit of our focus on product innovation and on customer success which resulted in another quarter of solid growth DMS sites and average revenue per site," said Brian Krzanich, CDK chief executive officer. "This growth is coming from both our core business and contributions from recent acquisitions. CDK is uniquely positioned as the center of the automotive retail ecosystem, and through our relentless focus on building connections through our SaaS solutions and investing in our vision, we are helping our customers drive efficiencies in their operations while improving the simplicity and convenience of how vehicles are bought and serviced at the dealership."

"We hit the half-way point of the year on track with our expectations, with revenue growth of 7.5% and with disciplined spending contributing to strong EPS growth," said Eric Guerin, CDK chief financial officer. "We are excited about the second half of fiscal 2022 as we continue to add new customers and expand adoption of our new products like Roadster and Salty which are resonating within our customer base."

Second Quarter Fiscal 2022 Results

CDK Global, Inc. (\$ million except per share)	Q2 FY2022	Change from Q2 FY2021
Revenue	\$ 436.7	7 %
GAAP Earnings before income taxes	87.9	8 %
Non-GAAP Adjusted earnings before income taxes	120.2	19 %
GAAP Diluted earnings attributable to CDK per share	0.53	13 %
Non-GAAP Adjusted diluted earnings attributable to CDK per share	0.74	25 %
GAAP Effective tax rate	27.4 %	-50 bps
Non-GAAP Effective tax rate	25.4 %	-80 bps
Net earnings from continuing operations	63.8	9 %
GAAP Net earnings attributable to CDK margin	14.6 %	14 bps
Non-GAAP Adjusted EBITDA	167.7	8 %
Non-GAAP Adjusted EBITDA margin	38.4 %	10 bps
Note: All amounts reported above are provided on a continuing operations basis.		

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 2022 Annual Guidance

CDK Global, Inc. - GAAP BASIS <i>(\$ million except per share)</i>	FY 2022 GAAP GUIDANCE
Revenue	\$1,785 - \$1,815
GAAP Diluted earnings attributable to CDK per share	\$2.03 - \$2.12
GAAP Net earnings attributable to CDK	\$245 - \$275
GAAP Effective tax rate	27.0% - 28.0%

CDK Global, Inc. - Non-GAAP BASIS <i>(\$ million except per share)</i>	FY 2022 ADJ. GUIDANCE
Revenue	\$1,785 - \$1,815
Non-GAAP Adjusted diluted earnings attributable to CDK per share	\$2.85 - \$2.95
Non-GAAP Adjusted EBITDA	\$660 - \$680
Non-GAAP Adjusted effective tax rate	25.0% - 26.0%

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 second quarter ended December 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, February 3, 2022 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

With approximately \$2 billion in revenues, CDK Global (NASDAQ: CDK) is a leading provider of retail technology and software as a service ("SaaS") solutions that help dealers and auto manufacturers run their businesses more efficiently, drive improved profitability and create frictionless purchasing and ownership experiences for consumers. Today, CDK serves over 15,000 retail locations in North America. For more information, 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 2022 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 continuing impacts on the Company's business 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 Annual Report on Form 10-K 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.

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		Six Months Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Revenue	\$ 436.7	\$ 406.3	\$ 876.7	\$ 820.0
Expenses:				
Cost of revenue	229.9	207.7	456.6	432.4
Selling, general and administrative expenses	99.1	85.0	196.7	173.6
Litigation provision	—	—	—	12.0
Total expenses	<u>329.0</u>	<u>292.7</u>	<u>653.3</u>	<u>618.0</u>
Operating earnings	107.7	113.6	223.4	202.0
Interest expense	(22.3)	(34.3)	(43.7)	(69.0)
Gain on extinguishment of debt	—	—	2.1	—
Loss from equity method investment	(1.4)	(1.8)	(2.6)	(5.2)
Other income, net	<u>3.9</u>	<u>4.0</u>	<u>7.0</u>	<u>28.7</u>
Earnings before income taxes	87.9	81.5	186.2	156.5
Provision for income taxes	(24.1)	(22.7)	(49.2)	(49.7)
Net earnings from continuing operations	<u>63.8</u>	<u>58.8</u>	<u>137.0</u>	<u>106.8</u>
Net earnings from discontinued operations	1.6	11.3	2.1	21.3
Net earnings	<u>65.4</u>	<u>70.1</u>	<u>139.1</u>	<u>128.1</u>
Less: net earnings attributable to noncontrolling interest	1.7	1.8	3.7	4.1
Net earnings attributable to CDK	<u>\$ 63.7</u>	<u>\$ 68.3</u>	<u>\$ 135.4</u>	<u>\$ 124.0</u>
Net earnings attributable to CDK per share - basic:				
Continuing operations	\$ 0.53	\$ 0.47	\$ 1.11	\$ 0.85
Discontinued operations	<u>0.01</u>	<u>0.09</u>	<u>0.02</u>	<u>0.17</u>
Total net earnings attributable to CDK per share - basic	<u>\$ 0.54</u>	<u>\$ 0.56</u>	<u>\$ 1.13</u>	<u>\$ 1.02</u>
Net earnings attributable to CDK per share - diluted:				
Continuing operations	\$ 0.53	\$ 0.47	\$ 1.10	\$ 0.84
Discontinued operations	<u>0.01</u>	<u>0.09</u>	<u>0.02</u>	<u>0.17</u>
Total net earnings attributable to CDK per share - diluted	<u>\$ 0.54</u>	<u>\$ 0.56</u>	<u>\$ 1.12</u>	<u>\$ 1.01</u>
Weighted average common shares outstanding:				
Basic	118.2	121.9	119.7	121.8
Diluted	118.9	122.6	120.5	122.3

The International Business and Digital Marketing Business are presented as discontinued operations and prior year amounts associated 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)

	December 31, 2021	June 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 108.6	\$ 157.0
Accounts receivable, net	239.8	236.4
Other current assets	132.0	168.9
Total current assets	480.4	562.3
Property, plant and equipment, net of accumulated depreciation of \$248.2 and \$236.4, respectively	70.2	71.8
Other assets	469.9	448.7
Goodwill	1,437.8	1,297.1
Intangible assets, net	378.2	332.7
Total assets	<u>\$ 2,836.5</u>	<u>\$ 2,712.6</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt and finance lease liabilities	\$ 5.8	\$ 7.1
Accounts payable	25.7	29.0
Accrued expenses and other current liabilities	197.4	188.1
Litigation liability	34.0	34.0
Accrued payroll and payroll-related expenses	55.7	81.5
Deferred revenue	30.3	28.6
Total current liabilities	348.9	368.3
Long-term liabilities:		
Debt and finance lease liabilities	1,817.0	1,586.5
Deferred revenue	37.5	40.4
Deferred income taxes	117.0	111.4
Other liabilities	99.7	111.1
Total liabilities	<u>2,420.1</u>	<u>2,217.7</u>
Stockholders' Equity:		
Preferred stock, \$0.01 par value: 50.0 shares authorized; none issued and outstanding	—	—
Common stock, \$0.01 par value: 650.0 shares authorized; 160.3 and 160.3 shares issued, respectively; 117.4 and 121.5 shares outstanding, respectively	1.6	1.6
Additional paid-in capital	719.8	715.1
Retained earnings	2,096.1	1,997.4
Treasury stock, at cost: 42.9 and 38.8 shares, respectively	(2,486.0)	(2,306.0)
Accumulated other comprehensive income	70.9	72.7
Total CDK stockholders' equity	402.4	480.8
Noncontrolling interest	14.0	14.1
Total stockholders' equity	416.4	494.9
Total liabilities and stockholders' equity	<u>\$ 2,836.5</u>	<u>\$ 2,712.6</u>

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

	Six Months Ended	
	December 31,	
	2021	2020
Cash Flows from Operating Activities		
Net earnings	\$ 139.1	\$ 128.1
Less: net earnings from discontinued operations	2.1	21.3
Net earnings from continuing operations	137.0	106.8
Adjustments to reconcile net earnings from continuing operations to cash flows provided by operating activities, continuing operations:		
Depreciation and amortization	58.9	46.5
Gain on extinguishment of debt	(2.1)	—
Loss from equity method investment	2.6	5.2
Deferred income taxes	0.5	2.5
Stock-based compensation expense	28.5	21.3
Other	2.2	4.0
Changes in assets and liabilities, net of effect from acquisitions of businesses:		
Accounts receivable	(2.2)	15.5
Other assets	5.4	(5.5)
Accounts payable	(3.5)	(10.3)
Accrued expenses and other liabilities	(50.4)	(38.7)
Net cash flows provided by operating activities, continuing operations	176.9	147.3
Net cash flows provided by operating activities, discontinued operations	0.2	25.9
Net cash flows provided by operating activities	177.1	173.2
Cash Flows from Investing Activities		
Capital expenditures	(8.3)	(10.1)
Capitalized software	(52.0)	(31.9)
Acquisitions of businesses, net of cash acquired	(153.8)	—
Net cash flows used in investing activities, continuing operations	(214.1)	(42.0)
Net cash flows used in investing activities, discontinued operations	1.9	(4.6)
Net cash flows used in investing activities	(212.2)	(46.6)
Cash Flows from Financing Activities		
Net proceeds (repayments) from revolving credit facilities	230.0	(15.0)
Repayments of long-term debt and lease liabilities	(7.7)	(10.9)
Dividends paid to stockholders	(35.8)	(36.5)
Repurchases of common stock	(195.6)	—
Proceeds from exercises of stock options	—	2.0
Withholding tax payments for stock-based compensation awards	(8.1)	(4.2)
Dividend payments to noncontrolling owners	(3.8)	(6.2)
Net cash flows used in financing activities, continuing operations	(21.0)	(70.8)
Net cash flows used in financing activities, discontinued operations	—	—
Net cash flows used in financing activities	(21.0)	(70.8)

Effect of exchange rate changes on cash, cash equivalents, and restricted cash, including cash classified as current assets held for sale	(0.5)	22.1
Net change in cash, cash equivalents, and restricted cash, including cash classified as current assets held for sale	(56.6)	77.9
Net change in cash classified in current assets held for sale	—	(102.8)
Net change in cash, cash equivalents, and restricted cash	(56.6)	(24.9)
Cash, cash equivalents, and restricted cash, beginning of period	177.2	97.3
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 120.6</u>	<u>\$ 72.4</u>

The International Business and Digital Marketing Business are presented as discontinued operations and prior year amounts associated 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 Non-GAAP Financial Results

(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				Six Months Ended			
	December 31,		Change		December 31,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Revenue (a)	\$436.7	\$406.3	\$ 30.4	7 %	\$876.7	\$820.0	\$ 56.7	7 %
Earnings before income taxes (a)	\$ 87.9	\$ 81.5	\$ 6.4	8 %	\$186.2	\$156.5	\$ 29.7	19 %
<i>Margin %</i>	<i>20.1 %</i>	<i>20.1 %</i>	<i>0 bps</i>		<i>21.2 %</i>	<i>19.1 %</i>	<i>210 bps</i>	
Stock-based compensation expense	17.3	9.0			28.6	21.3		
Amortization of acquired intangible assets	7.4	4.2			13.6	8.2		
Transaction and integration-related costs	4.3	1.2			13.0	1.2		
Legal and other expenses related to regulatory and competition matters	0.3	0.7			0.7	14.7		
Business process modernization program	1.7	2.6			3.6	5.5		
Officer transition expense	—	—			—	1.1		
Net adjustments related to loss from equity method investment	1.3	1.5			2.8	4.5		
Gain on extinguishment of debt	—	—			(2.1)	—		
Adjusted earnings before income taxes (a) (b)	\$120.2	\$100.7	\$ 19.5	19 %	\$246.4	\$213.0	\$ 33.4	16 %
<i>Adjusted margin %</i>	<i>27.5 %</i>	<i>24.8 %</i>	<i>270 bps</i>		<i>28.1 %</i>	<i>26.0 %</i>	<i>210 bps</i>	
	Three Months Ended				Six Months Ended			
	December 31,		Change		December 31,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Provision for income taxes (a)	\$ 24.1	\$ 22.7	\$ 1.4	6 %	\$ 49.2	\$ 49.7	\$ (0.5)	(1)%
<i>Effective tax rate</i>	<i>27.4 %</i>	<i>27.9 %</i>			<i>26.4 %</i>	<i>31.8 %</i>		
Income tax effect of pre-tax adjustments	6.8	3.7			12.4	9.7		
Change in deferred tax valuation allowance	(0.4)	—			(0.9)	—		
Adjusted provision for income taxes (a) (b)	\$ 30.5	\$ 26.4	\$ 4.1	16 %	\$ 60.7	\$ 59.4	\$ 1.3	2 %
<i>Adjusted effective tax rate</i>	<i>25.4 %</i>	<i>26.2 %</i>			<i>24.6 %</i>	<i>27.9 %</i>		

	Three Months Ended				Six Months Ended			
	December 31,		Change		December 31,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Net earnings	\$ 65.4	\$ 70.1	\$ (4.7)	(7)%	\$ 139.1	\$ 128.1	\$ 11.0	9 %
Less: net earnings attributable to noncontrolling interest	1.7	1.8			3.7	4.1		
Net earnings attributable to CDK	\$ 63.7	\$ 68.3	\$ (4.6)	(7)%	\$ 135.4	\$ 124.0	\$ 11.4	9 %
Net earnings from discontinued operations	(1.6)	(11.3)			(2.1)	(21.3)		
Stock-based compensation expense	17.3	9.0			28.6	21.3		
Amortization of acquired intangible assets (c)	7.3	4.1			13.4	8.0		
Transaction and integration-related costs	4.3	1.2			13.0	1.2		
Legal and other expenses related to regulatory and competition matters	0.3	0.7			0.7	14.7		
Business process modernization program	1.7	2.6			3.6	5.5		
Officer transition expense	—	—			—	1.1		
Net adjustments related to loss from equity method investment	1.3	1.5			2.8	4.5		
Gain on extinguishment of debt	—	—			(2.1)	—		
Income tax effect on pre-tax adjustments	(6.8)	(3.7)			(12.4)	(9.7)		
Change in deferred tax valuation allowance	0.4	—			0.9	—		
Adjusted net earnings attributable to CDK (a) (b) (c)	\$ 87.9	\$ 72.4	\$ 15.5	21 %	\$ 181.8	\$ 149.3	\$ 32.5	22 %

	Three Months Ended				Six Months Ended			
	December 31,		Change		December 31,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Diluted earnings attributable to CDK per share	\$ 0.54	\$ 0.56	\$ (0.02)	(4)%	\$ 1.12	\$ 1.01	\$ 0.11	11 %
Net earnings from discontinued operations	(0.01)	(0.09)			(0.02)	(0.17)		
Stock-based compensation expense	0.15	0.07			0.24	0.17		
Amortization of acquired intangible assets (c)	0.06	0.03			0.11	0.07		
Transaction and integration-related costs	0.04	0.01			0.11	0.01		
Legal and other expenses related to regulatory and competition matters	—	0.01			0.01	0.12		
Business process modernization program	0.01	0.02			0.03	0.04		
Officer transition expense	—	—			—	0.01		
Net adjustments related to loss from equity method investment	0.01	0.01			0.02	0.04		
Gain on extinguishment of debt	—	—			(0.02)	—		
Income tax effect on pre-tax adjustments	(0.06)	(0.03)			(0.10)	(0.08)		
Change in deferred tax valuation allowance	—	—			0.01	—		
Adjusted diluted earnings attributable to CDK per share (a) (b) (c)	\$ 0.74	\$ 0.59	\$ 0.15	25 %	\$ 1.51	\$ 1.22	\$ 0.29	24 %

Weighted average common shares outstanding:

Diluted	118.9	122.6			120.5	122.3		
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	Three Months Ended				Six Months Ended			
	December 31,		Change		December 31,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Net earnings attributable to CDK	\$ 63.7	\$ 68.3	\$ (4.6)	(7)%	\$135.4	\$124.0	\$ 11.4	9 %
<i>Margin %</i>	<i>14.6 %</i>	<i>16.8 %</i>	<i>-220 bps</i>		<i>15.4 %</i>	<i>15.1 %</i>	<i>30 bps</i>	
Net earnings attributable to noncontrolling interest	1.7	1.8			3.7	4.1		
Net earnings from discontinued operations	(1.6)	(11.3)			(2.1)	(21.3)		
Provision for income taxes	24.1	22.7			49.2	49.7		
Interest expense	22.3	34.3			43.7	69.0		
Depreciation and amortization	31.3	23.4			58.9	46.5		
Stock-based compensation expense	17.3	9.0			28.6	21.3		
Transaction and integration-related costs	4.3	1.2			13.0	1.2		
Legal and other expenses related to regulatory and competition matters	0.3	0.7			0.7	14.7		
Business process modernization program	1.7	2.6			3.6	5.5		
Officer transition expense	—	—			—	1.1		
Net adjustments related to loss from equity method investment	2.6	2.8			5.4	7.3		
Gain on extinguishment of debt	—	—			(2.1)	—		
Adjusted EBITDA (a) (b)	\$167.7	\$155.5	\$ 12.2	8 %	\$338.0	\$323.1	\$ 14.9	5 %
<i>Adjusted margin %</i>	<i>38.4 %</i>	<i>38.3 %</i>	<i>10 bps</i>		<i>38.6 %</i>	<i>39.4 %</i>	<i>-80 bps</i>	

	Six Months Ended	
	December 31,	
	2021	2020
Net cash flows provided by operating activities	\$ 177.1	\$ 173.2
Net cash flows provided by operating activities - discontinued operations	(0.2)	(25.9)
Capital expenditures	(8.3)	(10.1)
Capitalized software	(52.0)	(31.9)
Change in restricted cash	8.2	6.9
Free cash flow from continuing operations (a) (b)	\$ 124.8	\$ 112.2

(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 six months ended 2021 and 2020, respectively.

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

The following table presents revenue by category:

	Three Months Ended				Six Months Ended			
	December 31,		Change		December 31,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Subscription	\$ 349.3	\$ 328.3	\$ 21.0	6 %	\$ 694.4	\$ 652.2	\$ 42.2	6 %
Transaction	38.4	39.1	(0.7)	(2)%	81.2	83.0	(1.8)	(2)%
Other	49.0	38.9	10.1	26 %	101.1	84.8	16.3	19 %
Revenue	<u>\$ 436.7</u>	<u>\$ 406.3</u>	<u>\$ 30.4</u>	7 %	<u>\$ 876.7</u>	<u>\$ 820.0</u>	<u>\$ 56.7</u>	7 %

CDK Global, Inc.

Consolidated Fiscal 2022 Guidance

(In millions, except per share amounts)

(Unaudited)

As described below under the Non-GAAP Financial Measures section of this press release, the fiscal 2022 guidance is provided on a GAAP and Non-GAAP basis. The table below includes these adjustments for fiscal 2022 guidance.

	Fiscal 2022	
	Point Estimate (a)	Guidance
Revenue (b)	\$ 1,800	<i>\$1,785 - \$1,815</i>
Earnings before income taxes (b)	354	
Stock-based compensation expense	65	
Amortization of acquired intangible assets	25	
Transaction and integration-related costs	16	
Legal and other expenses related to regulatory and competition matters	8	
Business process modernization program	5	
Gain on extinguishment of debt	(2)	
Net adjustments related to loss from equity method investment	6	
Adjusted earnings before income taxes (b)(c)	\$ 477	
	Fiscal 2022	
	Point Estimate (a)	Guidance
Provision for income taxes (b)	\$ 98	
<i>Effective tax rate</i>	27.7 %	27.0% - 28.0%
Income tax on pre-tax adjustments and other miscellaneous tax adjustments	24	
Adjusted provision for income taxes (b)(c)	\$ 122	
<i>Adjusted effective tax rate</i>	25.6 %	25.0% - 26.0%
	Fiscal 2022	
	Point Estimate (a)	Guidance
Net earnings	\$ 256	
Less: net earnings attributable to noncontrolling interest	6	
Net earnings attributable to CDK	\$ 250	<i>\$245 - \$275</i>
Stock-based compensation expense	65	
Amortization of acquired intangible assets	25	
Transaction and integration-related expenses	16	
Legal and regulatory expenses related to regulatory and competition matters	8	
Business process modernization program	5	
Gain on extinguishment of debt	(2)	
Net adjustments related to loss from equity method investment	6	
Income tax on pre-tax adjustments and other miscellaneous tax adjustments	(24)	
Adjusted net earnings attributable to CDK (b)(c)	\$ 349	

Fiscal 2022

	Point Estimate (a)	Guidance
Diluted net earnings attributable to CDK per share	\$ 2.08	\$2.03 - \$2.12
Stock-based compensation expense	0.54	
Amortization of acquired intangible assets	0.21	
Transaction and integration-related expenses	0.14	
Legal and regulatory expenses related to regulatory and competition matters	0.07	
Business process modernization program	0.05	
Gain on extinguishment of debt	(0.02)	
Net adjustments related to loss from equity method investment	0.05	
Income tax on pre-tax adjustments and other miscellaneous tax adjustments	(0.20)	
Adjusted diluted net earnings attributable to CDK per share (b)(c)	\$ 2.92	\$2.85 - \$2.95

Fiscal 2022

	Point Estimate (a)	Guidance
Revenue (b)	\$ 1,800	\$1,785 - \$1,815
Net earnings attributable to CDK	\$ 250	\$245 - \$275
<i>Margin %</i>	<i>13.9 %</i>	
Net earnings attributable to noncontrolling interest	6	
Provision for income taxes	98	
Interest expense	88	
Depreciation and amortization	124	
Stock-based compensation expense	65	
Transaction and integration-related costs	16	
Legal and other expenses related to regulatory and competition matters	8	
Business process modernization program	5	
Gain on extinguishment of debt	(2)	
Impairment of intangible assets	—	
Net adjustments related to loss from equity method investment	12	
Adjusted EBITDA (b)(c)	\$ 670	\$660 - \$680
<i>Adjusted margin %</i>	<i>37.2 %</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.

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				
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
<i>Automotive</i>					
DMS Customer Sites (a)	8,997	9,042	9,062	9,107	9,181
Avg Revenue Per Site (b)	\$ 9,005	\$ 9,153	\$ 9,250	\$ 9,537	\$ 9,369
<i>Adjacency</i>					
DMS Customer Sites (a)	5,854	5,930	5,963	6,039	6,101
Avg Revenue Per Site (b)	\$ 1,822	\$ 1,849	\$ 1,883	\$ 1,919	\$ 1,926
<i>Total CDK</i>					
DMS Customer Sites (a)	14,851	14,972	15,025	15,146	15,282
Avg Revenue Per Site (b)	\$ 6,179	\$ 6,268	\$ 6,326	\$ 6,502	\$ 6,403

(a) DMS Customer Sites (end of period) - We track the number of retail customer sites with an active Dealer Management System ("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.

(b) 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 a generally accepted accounting principles ("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 most directly comparable GAAP financial measures, in the same way.

Non-GAAP Financial Measure	Most Directly 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. These measures adjust for the impact of certain items that we believe are inconsistent in amount and frequency and 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) financial and operational decisions, (iii) evaluations of ongoing operating performance on a consistent period-to-period basis and relative to our competitors, (iv) target leverage calculations, (v) debt covenant calculations, and (vi) incentive-based compensation decisions.

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) 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.

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.
- 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 selling, general and administrative expenses.
- Legal and other expenses, related to regulatory and competition matters included in selling, general and administrative expenses, and litigation liabilities.
- 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 includes 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 program is an investment to implement holistic business reform,

including the design and implementation of a new ERP system. 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.
- Gain on extinguishment of debt in connection with the forgiveness of certain indebtedness related to the Paycheck Protection Program instituted under the United States' Coronavirus Aid, Relief and Economic Security Act of 2020.

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.
- In fiscal 2022, a valuation allowance on a deferred tax asset for the tax basis difference of an equity method investment that is not expected to be realized.

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

For each respective presentation, management has excluded amounts attributable to discontinued operations.

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

In addition to the items described above for adjusted earnings before income taxes, 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
- 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

Amortization of acquired intangible assets is captured in depreciation and amortization expense. Net adjustments related to loss from equity method investment includes depreciation and amortization, attributable to an equity interest owned by CDK.

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.