



Statements of Income

(Unaudited; in thousands, except per share data)

	2014				2015					2016					2017
	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1
Revenues	\$ 31,100	\$ 32,506	\$ 35,402	\$ 127,947	\$ 36,970	\$ 38,846	\$ 40,354	\$ 42,348	\$ 158,518	\$ 45,599	\$ 47,351	\$ 49,284	\$ 51,061	\$ 193,295	\$ 51,932
Cost of revenues	9,627	9,970	11,139	39,991	11,572	12,335	12,700	13,436	50,043	14,881	15,972	16,171	17,322	64,346	17,330
Gross profit	21,473	22,536	24,263	87,956	25,398	26,511	27,654	28,912	108,475	30,718	31,379	33,113	33,739	128,949	34,602
Operating expenses															
Sales and marketing	11,570	12,046	12,490	46,990	13,744	14,101	13,795	13,734	55,374	15,889	16,677	16,526	16,794	65,886	17,079
Research and development	3,365	3,338	3,817	13,494	4,069	4,495	4,494	4,896	17,954	5,069	5,542	5,574	5,796	21,981	5,105
General and administrative	4,842	5,153	5,727	20,233	5,818	6,055	6,276	6,668	24,817	7,285	7,082	7,149	7,311	28,827	7,827
Amortization of intangible assets	682	645	812	2,856	845	833	829	800	3,307	1,161	1,198	1,194	1,185	4,738	1,215
Total operating expenses	20,459	21,182	22,846	83,573	24,476	25,484	25,394	26,098	101,452	29,404	30,499	30,443	31,086	121,432	31,226
Income from operations	1,014	1,354	1,417	4,383	922	1,027	2,260	2,814	7,023	1,314	880	2,670	2,653	7,517	3,376
Other income (expense)															
Interest income, net	50	52	36	187	37	37	49	74	197	145	151	112	193	601	191
Other income (expense)	35	(36)	(401)	(458)	(112)	(57)	(86)	110	(145)	293	(374)	947	(134)	732	(60)
Total other income (expense), net	85	16	(365)	(271)	(75)	(20)	(37)	184	52	438	(223)	1,059	59	1,333	131
Income before income taxes	1,099	1,370	1,052	4,112	847	1,007	2,223	2,998	7,075	1,752	657	3,729	2,712	8,850	3,507
Income tax expense	(460)	(532)	(198)	(1,408)	(261)	(356)	(953)	(866)	(2,436)	(708)	(305)	(1,220)	(907)	(3,140)	(536)
Net income	\$ 639	\$ 838	\$ 854	\$ 2,704	\$ 586	\$ 651	\$ 1,270	\$ 2,132	\$ 4,639	\$ 1,044	\$ 352	\$ 2,509	\$ 1,805	\$ 5,710	\$ 2,971
Net income per share															
Basic	\$ 0.04	\$ 0.05	\$ 0.05	\$ 0.17	\$ 0.04	\$ 0.04	\$ 0.08	\$ 0.13	\$ 0.28	\$ 0.06	\$ 0.02	\$ 0.15	\$ 0.11	\$ 0.34	\$ 0.17
Diluted	\$ 0.04	\$ 0.05	\$ 0.05	\$ 0.16	\$ 0.03	\$ 0.04	\$ 0.07	\$ 0.12	\$ 0.27	\$ 0.06	\$ 0.02	\$ 0.14	\$ 0.10	\$ 0.33	\$ 0.17
Shares used to compute Net income per share															
Basic	16,210	16,254	16,323	16,236	16,433	16,536	16,605	16,681	16,565	16,783	16,909	17,001	17,050	16,947	17,154
Diluted	16,768	16,780	16,878	16,814	17,011	16,998	17,054	17,110	17,032	17,029	17,120	17,341	17,366	17,241	17,393



Balance Sheets

(Unaudited, in thousands)

	2014			2015				2016				2017
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Assets												
Current assets												
Cash and cash equivalents	\$ 136,508	\$ 140,822	\$ 130,795	\$ 133,550	\$ 121,344	\$ 117,887	\$ 121,538	\$ 110,889	\$ 107,160	\$ 109,635	\$ 115,877	\$ 128,707
Short-term marketable securities	-	-	-	-	-	5,014	7,517	10,010	21,010	15,616	23,076	25,550
Accounts receivable, net	13,348	13,594	15,422	15,823	17,255	17,945	17,615	20,426	20,432	21,361	20,746	22,683
Deferred costs	10,415	11,132	12,055	12,911	14,003	14,761	15,086	15,799	17,278	18,647	19,224	20,908
Deferred income tax asset	1,272	1,272	76	76	76	76	-	-	-	-	-	-
Other current assets	3,346	3,824	3,846	3,797	6,393	5,688	5,030	5,529	7,540	7,323	7,010	6,992
Total current assets	<u>164,889</u>	<u>170,644</u>	<u>162,194</u>	<u>166,157</u>	<u>159,071</u>	<u>161,371</u>	<u>166,786</u>	<u>162,653</u>	<u>173,420</u>	<u>172,582</u>	<u>185,933</u>	<u>204,840</u>
Property and equipment, net	9,036	8,619	11,361	12,088	12,952	13,079	13,620	13,972	13,932	14,830	15,314	15,066
Goodwill	25,487	25,487	34,854	34,210	34,303	33,527	33,848	50,921	50,852	51,005	49,777	50,289
Intangible assets, net	15,683	15,038	18,851	17,705	16,915	15,766	15,081	23,845	22,534	21,338	19,788	19,389
Marketable securities, non-current	-	-	-	-	9,995	12,514	14,950	12,529	7,556	12,529	7,494	2,503
Deferred costs, non-current	4,578	4,876	5,267	5,274	5,445	5,465	5,260	5,311	5,660	5,893	6,086	6,051
Deferred income tax asset, non-current	10,294	9,805	11,035	11,086	10,880	10,758	11,149	11,451	11,588	11,967	12,446	28,408
Other non-current assets	205	168	213	350	365	397	1,037	1,043	2,213	2,130	1,527	1,372
Total assets	<u>\$ 230,172</u>	<u>\$ 234,637</u>	<u>\$ 243,775</u>	<u>\$ 246,870</u>	<u>\$ 249,926</u>	<u>\$ 252,877</u>	<u>\$ 261,731</u>	<u>\$ 281,725</u>	<u>\$ 287,755</u>	<u>\$ 292,274</u>	<u>\$ 298,365</u>	<u>\$ 327,918</u>
Liabilities & Stockholders' Equity												
Current liabilities												
Accounts payable	\$ 2,999	\$ 2,098	\$ 3,961	\$ 3,444	\$ 3,706	\$ 2,381	\$ 2,163	\$ 3,900	\$ 3,581	\$ 2,442	\$ 2,302	\$ 3,580
Accrued compensation	7,639	10,044	9,926	10,303	9,468	9,922	11,150	11,333	12,053	11,796	13,740	12,272
Accrued expenses & other current liabilities	1,805	1,801	3,168	3,473	2,833	3,061	3,181	4,007	5,231	3,839	5,064	5,963
Deferred revenue	6,912	6,961	7,505	7,530	7,833	8,072	7,740	11,334	12,281	12,157	11,055	15,803
Total current liabilities	<u>19,355</u>	<u>20,904</u>	<u>24,560</u>	<u>24,750</u>	<u>23,840</u>	<u>23,436</u>	<u>24,234</u>	<u>30,574</u>	<u>33,146</u>	<u>30,234</u>	<u>32,161</u>	<u>37,618</u>
Deferred revenue, non-current	10,017	10,237	10,653	10,550	10,996	11,701	11,005	10,876	11,236	10,962	10,847	11,087
Other non-current liabilities	2,663	2,577	3,471	3,346	3,178	3,015	4,307	4,486	4,140	3,900	4,179	3,912
Deferred income tax liability, non-current	-	-	-	-	-	-	-	2,396	2,391	2,368	1,911	1,895
Total liabilities	<u>32,035</u>	<u>33,718</u>	<u>38,684</u>	<u>38,646</u>	<u>38,014</u>	<u>38,152</u>	<u>39,546</u>	<u>48,332</u>	<u>50,913</u>	<u>47,464</u>	<u>49,098</u>	<u>54,512</u>
Stockholders' equity												
Common stock	16	16	16	16	16	17	17	17	17	17	17	17
Additional paid-in capital	243,901	245,845	250,633	254,479	257,317	260,580	265,265	272,533	276,462	281,536	286,315	289,652
Accumulated deficit	(45,780)	(44,942)	(44,088)	(43,502)	(42,851)	(41,581)	(39,449)	(38,405)	(38,053)	(35,544)	(33,739)	(14,490)
Accumulated other comprehensive loss	-	-	(1,470)	(2,769)	(2,570)	(4,291)	(3,648)	(752)	(1,584)	(1,199)	(3,326)	(1,773)
Total stockholders' equity	<u>198,137</u>	<u>200,919</u>	<u>205,091</u>	<u>208,224</u>	<u>211,912</u>	<u>214,725</u>	<u>222,185</u>	<u>233,393</u>	<u>236,842</u>	<u>244,810</u>	<u>249,267</u>	<u>273,406</u>
Total liabilities and stockholders' equity	<u>\$ 230,172</u>	<u>\$ 234,637</u>	<u>\$ 243,775</u>	<u>\$ 246,870</u>	<u>\$ 249,926</u>	<u>\$ 252,877</u>	<u>\$ 261,731</u>	<u>\$ 281,725</u>	<u>\$ 287,755</u>	<u>\$ 292,274</u>	<u>\$ 298,365</u>	<u>\$ 327,918</u>



Statements of Cash Flows

(Unaudited; amounts in thousands)

	2014				2015					2016					2017
	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1
Cash flows from operating activities															
Net income	\$ 639	\$ 838	\$ 854	\$ 2,704	\$ 586	\$ 651	\$ 1,270	\$ 2,132	\$ 4,639	\$ 1,044	\$ 352	\$ 2,509	\$ 1,805	\$ 5,710	\$ 2,971
Reconciliation of net income to net cash provided by (used in) operating activities															
Deferred income taxes	403	489	(34)	1,031	(51)	206	122	(315)	(38)	(302)	(137)	(379)	(880)	(1,698)	310
Share based earn-out liability	-	-	-	-	-	-	-	-	-	(365)	293	(1,031)	-	(1,103)	-
Depreciation and amortization	1,519	1,430	1,461	5,714	1,541	1,568	1,584	1,572	6,265	1,626	1,633	1,624	1,715	6,598	1,691
Amortization of intangible assets	682	645	812	2,856	845	833	829	800	3,307	1,161	1,198	1,194	1,185	4,738	1,215
Provision for doubtful accounts	166	184	210	717	138	380	328	425	1,271	304	288	385	398	1,375	332
Stock-based compensation	1,359	1,293	1,405	5,396	1,499	1,647	1,610	1,623	6,379	1,927	2,065	2,012	2,019	8,023	2,300
Other, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25)
Changes in assets and liabilities															
Accounts receivable	(1,348)	(430)	(1,400)	(3,890)	(594)	(1,803)	(1,030)	(90)	(3,517)	(2,189)	(306)	(1,384)	144	(3,735)	(2,201)
Deferred costs	(1,496)	(1,016)	(1,314)	(4,590)	(863)	(1,263)	(778)	(119)	(3,023)	(765)	(1,827)	(1,602)	(770)	(4,964)	(1,649)
Other current and non-current assets	(557)	(438)	210	(719)	(105)	(2,605)	654	19	(2,037)	99	(3,237)	298	929	(1,911)	180
Accounts payable	757	(902)	971	1,271	(477)	602	(1,619)	(75)	(1,569)	1,694	(975)	(809)	(292)	(382)	1,169
Accrued compensation	(55)	2,405	(495)	1,568	420	(829)	502	1,202	1,295	(319)	758	(266)	2,007	2,180	(1,508)
Accrued expenses	166	(14)	958	1,365	347	(671)	220	(357)	(461)	(90)	554	(338)	864	990	945
Deferred revenue	1,235	268	363	2,440	(78)	749	944	(1,028)	587	3,019	1,306	(398)	(1,217)	2,710	4,988
Deferred rent	(88)	(75)	1,170	925	(146)	(140)	(145)	1,762	1,331	67	(84)	(254)	505	234	(319)
Net cash provided by (used in) operating activities	3,382	4,677	5,171	16,788	3,062	(675)	4,491	7,551	14,429	6,911	1,881	1,561	8,412	18,765	10,399
Cash flows from investing activities															
Purchases of property and equipment	(2,519)	(1,014)	(3,188)	(7,582)	(2,308)	(2,771)	(1,425)	(2,253)	(8,757)	(2,116)	(954)	(2,902)	(2,036)	(8,008)	(1,299)
Purchases of marketable securities	-	-	-	-	-	(9,989)	(7,520)	(5,018)	(22,527)	(2,495)	(6,004)	(9,638)	(4,998)	(23,135)	(4,995)
Maturities of marketable securities	-	-	-	-	-	-	-	-	-	2,500	-	10,000	2,518	15,018	7,500
Acquisitions of businesses and intangible assets, net	-	-	(12,595)	(12,595)	-	-	-	-	-	(17,942)	(120)	-	30	(18,032)	(500)
Net cash provided by (used in) investing activities	(2,519)	(1,014)	(15,783)	(20,177)	(2,308)	(12,760)	(8,945)	(7,271)	(31,284)	(20,053)	(7,078)	(2,540)	(4,486)	(34,157)	706
Cash flows from financing activities															
Proceeds from exercise of stock options & employee stock purchase plan	1,007	651	979	3,224	2,047	1,090	877	1,904	5,918	1,069	1,466	1,771	1,729	6,035	1,037
Excess tax benefit from exercise of stock options	35	-	201	261	300	100	779	1,157	2,336	1,021	400	1,289	1,360	4,070	-
Net cash provided by financing activities	1,042	651	1,180	3,485	2,347	1,190	1,656	3,061	8,254	2,090	1,866	3,060	3,089	10,105	1,037
Effect of foreign currency exchange rate changes	-	-	(595)	(595)	(346)	39	(659)	310	(656)	403	(398)	394	(773)	(374)	688
Net increase (decrease) in cash and cash equivalents	1,905	4,314	(10,027)	(499)	2,755	(12,206)	(3,457)	3,651	(9,257)	(10,649)	(3,729)	2,475	6,242	(5,661)	12,830
Cash and cash equivalents at beginning of period	134,603	136,508	140,822	131,294	130,795	133,550	121,344	117,887	130,795	121,538	110,889	107,160	109,635	121,538	115,877
Cash and cash equivalents at end of period	\$ 136,508	\$ 140,822	\$ 130,795	\$ 130,795	\$ 133,550	\$ 121,344	\$ 117,887	\$ 121,538	\$ 121,538	\$ 110,889	\$ 107,160	\$ 109,635	\$ 115,877	\$ 115,877	\$ 128,707



SPS COMMERCE

Supplemental Financial Data

(Unaudited)

	2014				2015					2016					2017
	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1	Q2	Q3	Q4	YR	Q1
Revenues (in thousands)	\$ 31,100	\$ 32,506	\$ 35,402	\$ 127,947	\$ 36,970	\$ 38,846	\$ 40,354	\$ 42,348	\$ 158,518	\$ 45,599	\$ 47,351	\$ 49,284	\$ 51,061	\$ 193,295	\$ 51,932
% change (year over year)	21%	20%	27%	23%	28%	25%	24%	20%	24%	23%	22%	22%	21%	22%	14%
Percentage recurring revenues of total revenues	90%	90%	90%	90%	90%	91%	91%	91%	91%	91%	92%	92%	92%	92%	92%
Recurring revenue customers	20,745	21,218	21,983	21,983	22,436	22,746	23,092	23,410	23,410	23,817	24,186	24,583	24,805	24,805	25,001
% change (year over year)	10%	9%	12%	12%	12%	10%	9%	6%	6%	6%	6%	6%	6%	6%	5%
Average recurring revenues per recurring revenue customer (quarterly amounts are annualized)	\$ 5,467	\$ 5,596	\$ 5,922	\$ 5,524	\$ 6,013	\$ 6,225	\$ 6,436	\$ 6,631	\$ 6,343	\$ 7,053	\$ 7,223	\$ 7,399	\$ 7,610	\$ 7,344	\$ 7,707
% change (year over year)	12%	12%	16%	12%	15%	14%	15%	12%	15%	17%	16%	15%	15%	16%	9%
Adjusted EBITDA (in thousands)															
Net income	\$ 639	\$ 838	\$ 854	\$ 2,704	\$ 586	\$ 651	\$ 1,270	\$ 2,132	\$ 4,639	\$ 1,044	\$ 352	\$ 2,509	\$ 1,805	\$ 5,710	\$ 2,971
Depreciation and amortization	2,201	2,075	2,273	8,570	2,386	2,401	2,413	2,372	9,572	2,787	2,831	2,818	2,900	11,336	2,906
Interest expense (income), net	(50)	(52)	(36)	(187)	(37)	(37)	(49)	(74)	(197)	(145)	(151)	(112)	(193)	(601)	(191)
Income tax expense	460	532	198	1,408	261	356	953	866	2,436	708	305	1,220	907	3,140	536
Other	(69)	-	338	269	-	-	-	(209)	(209)	(365)	293	(1,034)	-	(1,106)	-
EBITDA	3,181	3,393	3,627	12,764	3,196	3,371	4,587	5,087	16,241	4,029	3,630	5,401	5,419	18,479	6,222
Stock-based compensation expense	1,359	1,293	1,405	5,396	1,499	1,647	1,610	1,623	6,379	1,927	2,065	2,012	2,019	8,023	2,300
Adjusted EBITDA	\$ 4,540	\$ 4,686	\$ 5,032	\$ 18,160	\$ 4,695	\$ 5,018	\$ 6,197	\$ 6,710	\$ 22,620	\$ 5,956	\$ 5,695	\$ 7,413	\$ 7,438	\$ 26,502	\$ 8,522
Stock-based compensation expense (in thousands) included in															
Cost of revenues	\$ 152	\$ 134	\$ 175	\$ 614	\$ 172	\$ 288	\$ 256	\$ 273	\$ 989	\$ 280	\$ 317	\$ 319	\$ 393	\$ 1,309	\$ 451
Sales and marketing	472	469	510	1,933	542	482	466	488	1,978	654	639	620	499	2,412	517
Research and development	95	134	122	444	135	173	178	154	640	138	141	143	196	618	229
General and administrative	640	556	598	2,405	650	704	710	708	2,772	855	968	930	931	3,684	1,103
Total stock-based compensation expense	\$ 1,359	\$ 1,293	\$ 1,405	\$ 5,396	\$ 1,499	\$ 1,647	\$ 1,610	\$ 1,623	\$ 6,379	\$ 1,927	\$ 2,065	\$ 2,012	\$ 2,019	\$ 8,023	\$ 2,300
Non-GAAP income per share (in thousands, except per share amounts)															
Net income	\$ 639	\$ 838	\$ 854	\$ 2,704	\$ 586	\$ 651	\$ 1,270	\$ 2,132	\$ 4,639	\$ 1,044	\$ 352	\$ 2,509	\$ 1,805	\$ 5,710	\$ 2,971
Stock-based compensation expense	1,359	1,293	1,405	5,396	1,499	1,647	1,610	1,623	6,379	1,927	2,065	2,012	2,019	8,023	2,300
Amortization of intangible assets	682	645	812	2,856	845	833	829	800	3,307	1,161	1,198	1,194	1,185	4,738	1,215
Other	-	-	-	-	-	-	-	-	-	(365)	293	(1,034)	-	(1,106)	-
Non-GAAP income as historically reported ^	2,680	2,776	3,071	10,956	2,930	3,131	3,709	4,555	14,325	3,767	3,908	4,681	5,009	17,365	N/A
Income tax effects of adjustments ^	(713)	(673)	(771)	(2,891)	(888)	(925)	(857)	(896)	(3,566)	(1,066)	(1,272)	(1,061)	(1,526)	(4,925)	(2,133)
Non-GAAP income with tax adjustments ^	\$ 1,967	\$ 2,103	\$ 2,300	\$ 8,065	\$ 2,042	\$ 2,206	\$ 2,852	\$ 3,659	\$ 10,759	\$ 2,701	\$ 2,636	\$ 3,620	\$ 3,483	\$ 12,440	\$ 4,353
Shares used to compute non-GAAP income per share															
Basic	16,210	16,254	16,323	16,236	16,433	16,536	16,605	16,681	16,565	16,783	16,909	17,001	17,050	16,947	17,154
Diluted	16,768	16,780	16,878	16,814	17,011	16,998	17,054	17,110	17,032	17,029	17,120	17,341	17,366	17,241	17,393
Non-GAAP income per share with tax adjustments ^															
Basic	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.50	\$ 0.12	\$ 0.13	\$ 0.17	\$ 0.22	\$ 0.65	\$ 0.16	\$ 0.16	\$ 0.21	\$ 0.20	\$ 0.73	\$ 0.25
Diluted	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.48	\$ 0.12	\$ 0.13	\$ 0.17	\$ 0.21	\$ 0.63	\$ 0.16	\$ 0.15	\$ 0.21	\$ 0.20	\$ 0.72	\$ 0.25
Non-GAAP income per share as historically reported ^															
Basic	\$ 0.17	\$ 0.17	\$ 0.19	\$ 0.67	\$ 0.18	\$ 0.19	\$ 0.22	\$ 0.27	\$ 0.86	\$ 0.22	\$ 0.23	\$ 0.28	\$ 0.29	\$ 1.02	N/A
Diluted	\$ 0.16	\$ 0.17	\$ 0.18	\$ 0.65	\$ 0.17	\$ 0.18	\$ 0.22	\$ 0.27	\$ 0.84	\$ 0.22	\$ 0.23	\$ 0.27	\$ 0.29	\$ 1.01	N/A

** See additional disclosure regarding non-GAAP financial measures on the following page **



Supplemental Financial Data

(Unaudited)

To supplement its financial statements, SPS Commerce also provides investors with Adjusted EBITDA and non-GAAP income per share, which are non-GAAP financial measures. SPS Commerce believes that these non-GAAP measures provide useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. SPS Commerce's management uses these non-GAAP measures to compare the company's performance to that of prior periods for trend analyses and planning purposes. It uses Adjusted EBITDA for purposes of determining executive and senior management incentive compensation. These measures are also presented to the company's board of directors.

EBITDA consists of Net income plus depreciation and amortization, interest expense, interest income, income tax (benefit) expense and other adjustments as necessary for a fair presentation. Adjusted EBITDA consists of EBITDA plus stock-based compensation expense. SPS Commerce uses Adjusted EBITDA as a measure of operating performance because it assists the company in comparing performance on a consistent basis, as it removes from operating results the impact of the company's capital structure. SPS Commerce believes Adjusted EBITDA is useful to an investor in evaluating the company's operating performance because it is widely used to measure a company's operating performance without regard to items such as depreciation and amortization, which can vary depending upon accounting methods and the book value of assets, and to present a meaningful measure of corporate performance exclusive of the company's capital structure and the method by which assets were acquired.

Non-GAAP income per share consists of Net income plus stock-based compensation expense, amortization expense related to intangible assets and other adjustments as necessary for a fair presentation divided by the weighted average number of shares of outstanding during each period. SPS Commerce believes non-GAAP income per share is useful to an investor because it is widely used to measure a company's operating performance.

These non-GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with generally accepted accounting principles in the United States. These non-GAAP financial measures exclude significant expenses and income that are required by GAAP to be recorded in the company's financial statements and are subject to inherent limitations. SPS Commerce urges investors to review the reconciliation of its non-GAAP financial measures to the comparable GAAP financial measures. The preceding tables provide reconciliations of net income to Adjusted EBITDA and non-GAAP income per share.

[^] Pursuant to recent Compliance and Disclosure Interpretations published by the U.S. Securities and Exchange Commission in May 2016 (the "May C&DI") related to the use of non-GAAP financial measures, we now include an adjustment to non-GAAP income to reflect the income tax effects of the adjustments to GAAP net income, as discussed above. To quantify these tax effects, SPS Commerce recalculates income tax expense excluding the direct book and tax effects of the specific items constituting the non-GAAP adjustments (e.g., stock-based compensation expense). The difference between this recalculated income tax expense and GAAP income tax expense is presented as the income tax effect of the non-GAAP adjustments.