

# Third Quarter 2015 Earnings Call

June 4, 2015

NASDAQ: ALOG



# Safe Harbor

Any statements about future expectations, plans, and prospects for the Company, including statements containing the words “believes,” “anticipates,” “plans,” “expects,” and similar expressions, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including risks relating to product development and commercialization, limited demand for the Company’s products, risks associated with competition, uncertainties associated with regulatory agency approvals, competitive pricing pressures, downturns in the economy, the risk of potential intellectual property litigation, acquisition related risks, and other factors discussed in our most recent quarterly or annual report filed with the Securities and Exchange Commission. In addition, the forward-looking statements included in this presentation represent the Company’s views as of the date of this document. While the Company anticipates that subsequent events and developments will cause the Company’s views to change, the Company specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the Company’s views as of any later date.

# Use of Non-GAAP Financials

This presentation includes non-GAAP financial measures that are not in accordance with, nor an alternative to, generally accepted accounting principles and may be different from such non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles.

Management uses non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income and non-GAAP diluted earnings per share to evaluate the Company's operating performance against past periods and to budget and allocate resources in future periods. These non-GAAP measures also assist management in understanding and evaluating the underlying baseline operating results and trends in the Company's business.

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. They are limited in value because they exclude charges that have a material effect on our reported results and, therefore, should not be relied upon as the sole financial measures to evaluate our financial results. The non-GAAP financial measures are meant to supplement, and to be viewed in conjunction with, GAAP financial measures. A reconciliation of GAAP to non-GAAP financial measures can be found in the appendix to this presentation and our Third Quarter FY2015 press release issued June 4, 2015 available at our website <http://investor.analogic.com>.

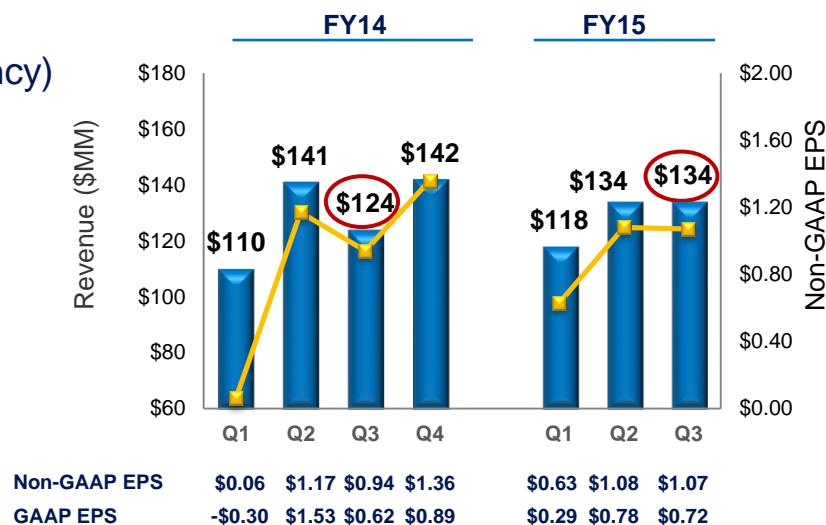
# Q3 '15 Highlights

Operating Performance in line with expectations

## Financial Highlights (Q3 '15 vs. prior year)

- Revenue \$134MM, up 8% (10% growth on constant currency)
- GAAP Operating Margin 6%, down 2 pts.
- Non-GAAP Operating Margin 10%, down 2 pts.
- GAAP EPS \$0.72, up \$0.10 (incl. \$0.24 tax benefit)
- Non-GAAP EPS \$1.07, up \$0.13 (incl. \$0.24 tax benefit)

Revenue and Non-GAAP EPS\*



## Business Highlights

- Medical Imaging flat in the quarter and year to date
- Ultrasound continued double digit growth on constant currency basis
- Strong growth in Security & Detection

\* Non-GAAP operating margin/income figures exclude certain charges; please refer to the non-GAAP reconciliation table in the back of this presentation and in Analogic's Q3 FY 2015 earnings release available at <http://investor.analogic.com>.

# Q3 '15 Segment Highlights

## Medical Imaging, revenue flat quarter and YTD despite currency pressures

- Currency pressuring dollar based end-customers outside US
- CT and Mammography growth offsetting some MRI softness
- Continue ramp up of private label CT in China
- Siemens receives FDA approval on 3D Tomosynthesis



Private label CT

## Ultrasound, 3% revenue growth, up 10% on constant currency

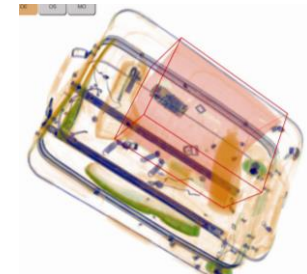
- North America continued strong growth
- Europe direct and international distribution impacted by unfavorable currency
- Currency impacted both revenue and margins
- Private label development milestones on schedule
- Dialysis studies on Sonic Window are showing significant promise
- Signed comprehensive clinical research collaboration with Mass General Hospital



bk3000™

## Security and Detection, 53% revenue growth in the quarter, YTD up 6%

- Quarter sales growth on product shipments across the product portfolio, with strong international demand
- RapidDNA sees initial operational use with the Department of Defense
- Backlog remains solid at \$38 million
- Successful operational trials in EU validate our automatic CT based checkpoint threat detection solution



CT baggage scan

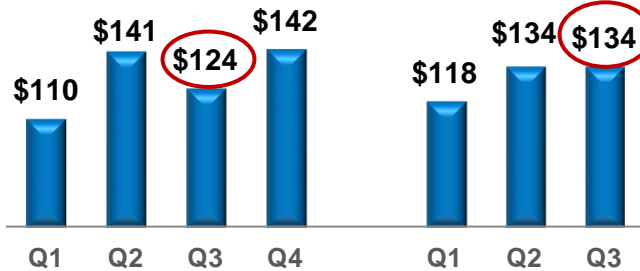
# Analogic Quarterly Performance Highlights

USD in millions

Revenue

FY14

FY15



Up 8% vs. Q3 '14;  
up 3% YTD

Gross Margin

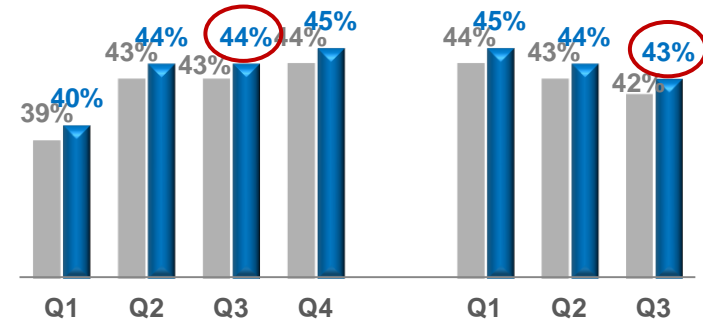
% of Revenue

FY14

Down 1pt. vs. Q3 '14,  
up 1pt. YTD

FY15

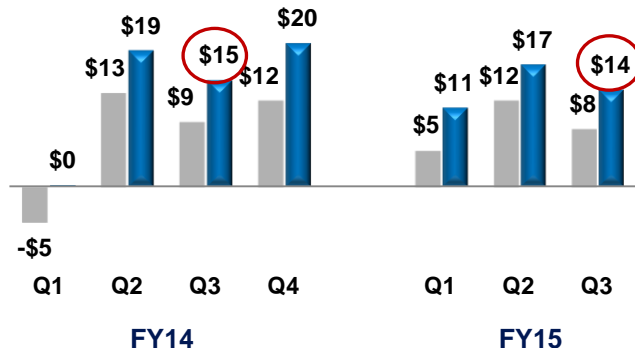
■ GAAP ■ Non-GAAP



Operating Income

USD in millions

■ GAAP ■ Non-GAAP



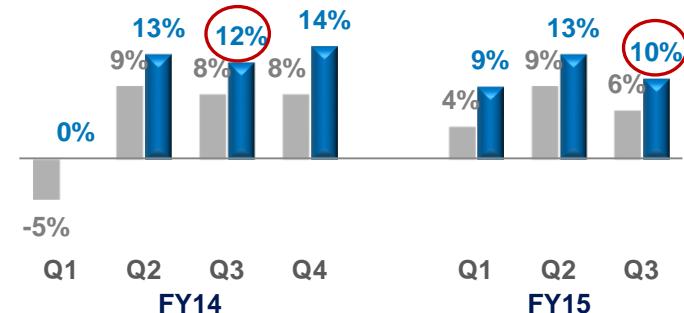
Down 9% vs. Q3 '14;  
up 22% YTD

Operating Margin

% of Revenue

■ GAAP ■ Non-GAAP

Down 2pts. From  
Q3 '14;  
up 2pts. YTD



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# Q3 FY2015 Financial Results

Unaudited - \$ Millions ex. EPS	GAAP		Non-GAAP	
	Three months Ended April 30		Three months Ended April 30	
	Q3 FY15	Q3 FY14	Q3 FY15	Q3 FY14
Products	\$ 130.5	\$ 122.1	\$ 130.5	\$ 122.1
Engineering	3.1	2.0	3.1	2.0
<b>Total Revenue</b>	<b>133.6</b>	<b>124.1</b>	<b>133.6</b>	<b>124.1</b>
<b>Gross Profit</b>	<b>55.9</b>	<b>53.3</b>	<b>57.1</b>	<b>54.2</b>
<b>Gross Margin</b>	<b>42%</b>	<b>43%</b>	<b>43%</b>	<b>44%</b>
<b>Operating Expenses</b>	<b>48.3</b>	<b>43.9</b>	<b>43.6</b>	<b>39.4</b>
<b>Op Ex % of Revenue</b>	<b>36%</b>	<b>35%</b>	<b>33%</b>	<b>32%</b>
<b>Operating Income</b>	<b>7.6</b>	<b>9.4</b>	<b>13.5</b>	<b>14.8</b>
<b>Operating Margin</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>
Other Income	0.2	0.9	0.2	0.9
<b>Income Before Taxes</b>	<b>7.8</b>	<b>10.3</b>	<b>13.7</b>	<b>15.7</b>
Income Tax Provision (Benefit)	(1.3)	2.5	0.2	3.9
<b>Net Income</b>	<b>\$ 9.1</b>	<b>\$ 7.8</b>	<b>\$ 13.5</b>	<b>\$ 11.8</b>
<b>Diluted EPS</b>	<b>\$ 0.72</b>	<b>\$ 0.62</b>	<b>\$ 1.07</b>	<b>\$ 0.94</b>

Revenue increased 8%, 10% in constant currency

Gross margin down 1 pt.

Non-GAAP Operating expenses increased 11%; higher performance based incentives partially offset by headcount related savings.

Q3 '15 GAAP & Non-GAAP tax rate includes a discrete tax benefit.

\* Non-GAAP operating margin/income figures exclude certain charges; please refer to the non-GAAP reconciliation table in the back of this presentation and in Analogic's Q3 FY 2015 earnings release available at <http://investor.analogic.com>.

# Nine Months FY2015 Financial Results

Unaudited - \$ Millions ex. EPS	GAAP		Non-GAAP	
	Nine Months Ended April 30		Nine Months Ended April 30	
	FY15	FY14	FY15	FY14
Products	\$ 378.7	\$ 370.0	\$ 378.9	\$ 370.2
Engineering	7.1	5.6	7.1	5.6
<b>Total Revenue</b>	<b>385.8</b>	<b>375.6</b>	<b>386.0</b>	<b>375.8</b>
<b>Gross Profit</b>	<b>165.4</b>	<b>157.4</b>	<b>168.8</b>	<b>160.6</b>
<b>Gross Margin</b>	<b>43%</b>	<b>42%</b>	<b>44%</b>	<b>43%</b>
<b>Operating Expenses</b>	<b>140.6</b>	<b>140.2</b>	<b>127.6</b>	<b>126.5</b>
<b>Op Ex % of Revenue</b>	<b>36%</b>	<b>37%</b>	<b>33%</b>	<b>34%</b>
<b>Operating Income</b>	<b>24.8</b>	<b>17.1</b>	<b>41.2</b>	<b>34.1</b>
<b>Operating Margin</b>	<b>6%</b>	<b>5%</b>	<b>11%</b>	<b>9%</b>
Other Income	0.2	0.1	0.2	0.6
<b>Income Before Taxes</b>	<b>25.0</b>	<b>17.2</b>	<b>41.4</b>	<b>34.7</b>
Income Tax Provision (Benefit)	2.4	(6.1)	6.4	7.2
<b>Net Income</b>	<b>\$ 22.6</b>	<b>\$ 23.3</b>	<b>\$ 35.0</b>	<b>\$ 27.5</b>
<b>Diluted EPS</b>	<b>\$ 1.79</b>	<b>\$ 1.84</b>	<b>\$ 2.77</b>	<b>\$ 2.17</b>

Revenue up 3% compared to prior year, 4% growth in constant currency

Gross margin improved 1 pt. primarily on manufacturing efficiency and offset by f/x and unfavorable mix

Non-GAAP Operating expenses increased 1%; Headcount related savings offset by increases in performance based incentives and costs associated with introduction of new products.

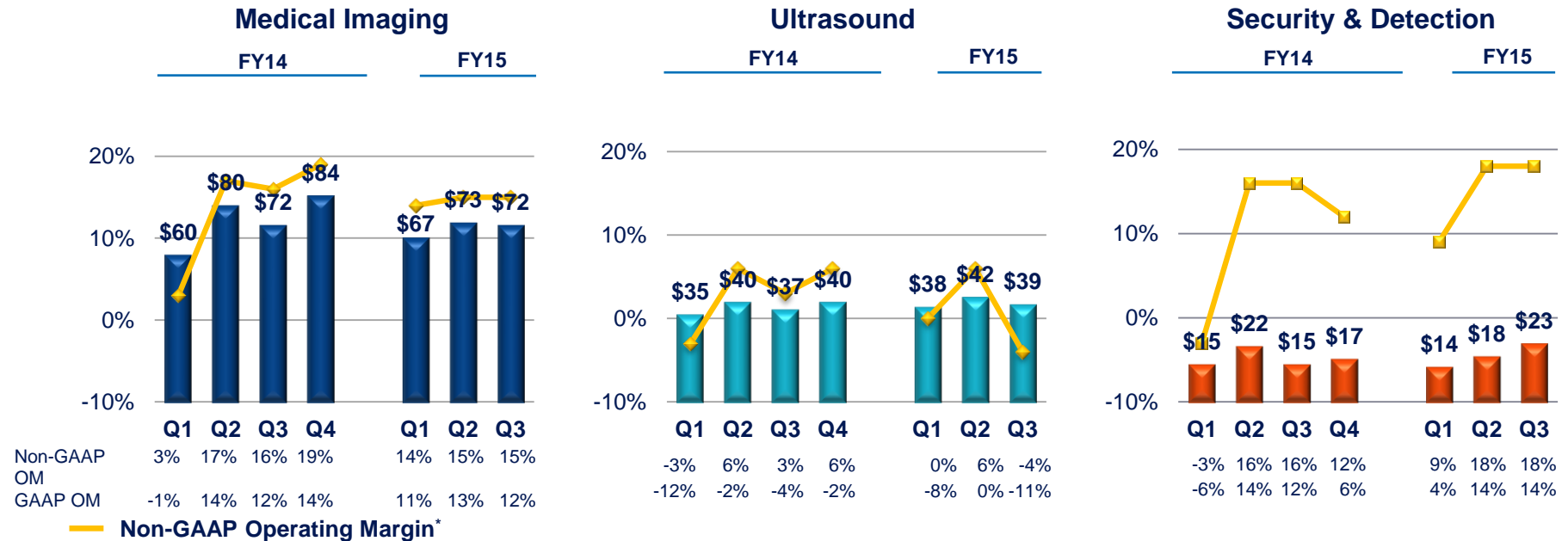
Tax rates include discrete tax benefits

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# Operating Performance by Segment

Revenue \$MM and Non-GAAP\* Operating Margin Trend

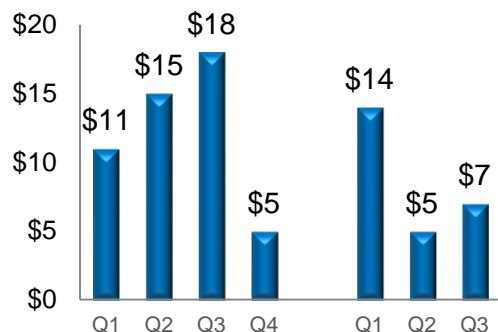


- **Medical Imaging** revenue flat compared to Q3 '14; non-GAAP operating margin down 1pt. on increased performance based compensation.
- **Ultrasound** revenue grew 3% (10% in constant currency) primarily on growth in North America direct sales; non-GAAP operating margin was down 7 pts. from Q3 '14 due to unfavorable f/x, performance based compensation and investment in new product introductions.
- **Security & Detection** revenue increased 53% from Q3 '14, backlog remains strong in support of full year expectations; non-GAAP operating margin improved on higher revenue.

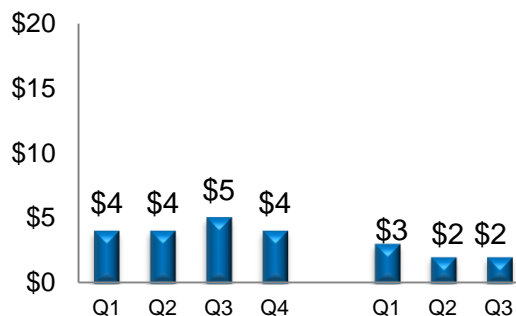
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# Capital Allocation

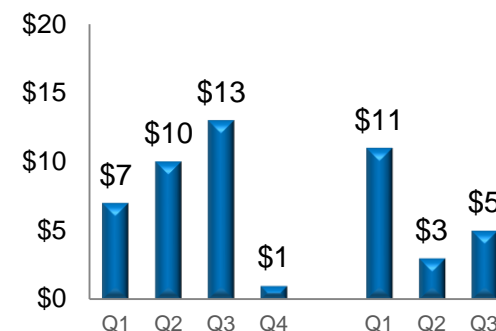
Operating Cash Flow \$MM



Capital Expenditures \$MM



Free Cash Flow \$MM



- **Operating cash flow** of \$7MM was lower on inventory investment to support scheduled shipments and new product introductions.
- **Free cash flow\*** down from Q3 '14 related to operating cash flow; capital spending down from FY14
- **Cash and Investments** totaled \$120MM, up from \$115MM at the end of FY '14 as improved operating performance was offset by near-term working capital investments, and \$14.1MM YTD returned to shareholders through stock repurchase and dividends.

\* Free cash flow is defined as operating cash flow minus capital expenditure

# FY15 Outlook: On Track for Strong Finish

*Medical stable, Security back to growth, Ultrasound f/x impacted though on plan*

- **Medical Imaging market looks stable; expect revenue flat to slightly down on f/x related headwinds**
  - New, private label CT ramping, offsetting softening in MRI
  - FDA approval of Siemens 3D Tomosynthesis strengthens our long-term Mammography outlook
- **Ultrasound continues on plan to grow double-digit on constant currency**
  - New generation bk3000 continues to gain traction in Urology and other call points
  - Private label offering with a large multi-national partner is on track and accelerates early in FY16
  - Sonic Window developing clinical experience for dialysis supporting potential channel relationships
- **Security and Detection continues strong second half with solid backlog**
  - US replacement stays at modest level as the TSA continues to extend replacement cycle
  - Growth continues internationally in high speed with L3 and Smiths securing nice wins
  - Rapid DNA picking up momentum from DOD, positioned for long term acceleration

***Expect solid fourth quarter, full year revenue growth of 3-4% (mid-single digit growth on constant currency) and non-GAAP operating margin improving 1-2pts.***

# Appendix

# Non-GAAP Statement of Operations Reconciliation

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
<b>GAAP Net Revenue</b>	\$ 133,559	\$ 124,032	\$ 385,820	\$ 375,551
Acquisition-related revenues	47	72	141	216
<b>Non-GAAP Net Revenue</b>	<u>\$ 133,606</u>	<u>\$ 124,104</u>	<u>\$ 385,961</u>	<u>\$ 375,767</u>
<b>GAAP Gross Profit</b>	\$ 55,953	\$ 53,354	\$ 165,445	\$ 157,374
Share-based compensation expense	246	200	695	780
Acquisition-related revenues and expenses	889	626	2,645	2,484
<b>Non-GAAP Gross Profit</b>	<u>\$ 57,088</u>	<u>\$ 54,180</u>	<u>\$ 168,785</u>	<u>\$ 160,638</u>
Percentage of Total Net Revenue	42.7%	43.7%	43.7%	42.8%
<b>GAAP Operating Expenses</b>	\$ 48,316	\$ 43,937	\$ 140,550	\$ 140,238
Share-based compensation expense	(3,146)	(2,687)	(7,712)	(7,947)
BK distributor matter inquiry related costs	(258)	(417)	(1,404)	(1,328)
Restructuring	107	80	317	(216)
Acquisition-related expenses	(1,398)	(1,522)	(4,189)	(4,190)
<b>Non-GAAP Operating Expenses</b>	<u>\$ 43,621</u>	<u>\$ 39,391</u>	<u>\$ 127,562</u>	<u>\$ 126,557</u>
Percentage of Total Net Revenue	32.7%	31.8%	33.1%	33.7%
<b>GAAP Income From Operations</b>	\$ 7,637	\$ 9,417	\$ 24,895	\$ 17,136
Share-based compensation expense	3,393	2,888	8,408	8,727
Acquisition-related revenues and expenses	2,287	2,148	6,834	6,674
BK distributor matter inquiry related costs	258	417	1,404	1,328
Restructuring	(107)	(80)	(317)	216
<b>Non-GAAP Income From Operations</b>	<u>\$ 13,468</u>	<u>\$ 14,790</u>	<u>\$ 41,224</u>	<u>\$ 34,081</u>
Percentage of Total Net Revenue	10.1%	11.9%	10.7%	9.1%
<b>GAAP Other Income, net</b>	\$ 201	\$ 882	\$ 150	\$ 104
Acquisition related loss	-	-	-	484
<b>Non-GAAP Other Income, net</b>	<u>\$ 201</u>	<u>\$ 882</u>	<u>\$ 150</u>	<u>\$ 588</u>
Percentage of Total Net Revenue	0.2%	0.7%	0.0%	0.2%
<b>GAAP Net Income</b>	\$ 9,124	\$ 7,790	\$ 22,608	\$ 23,329
Share-based compensation expense	2,366	2,064	5,897	6,026
Acquisition related revenues, expenses and loss	1,924	1,772	5,765	5,888
BK distributor matter inquiry related costs	165	263	893	844
Restructuring	(68)	(57)	(201)	140
Tax benefit	-	-	-	(8,764)
<b>Non-GAAP Net Income</b>	<u>\$ 13,511</u>	<u>\$ 11,832</u>	<u>\$ 34,962</u>	<u>\$ 27,463</u>
Percentage of Total Net Revenue	10.1%	9.5%	9.1%	7.3%
<b>GAAP Diluted Net Income Per Share</b>	\$ 0.72	\$ 0.62	\$ 1.79	\$ 1.84
Effect of non-GAAP adjustments	0.35	0.32	0.98	0.33
<b>Non-GAAP Diluted Net Income Per Share</b>	<u>\$ 1.07</u>	<u>\$ 0.94</u>	<u>\$ 2.77</u>	<u>\$ 2.17</u>

# Non-GAAP Statement of Operations Reconciliation

(In thousands, except per share data)

	31-Oct-13	31-Jan-14	30-Apr-14	31-Jul-14	31-Oct-14	31-Jan-15	30-Apr-15
<b>GAAP Net Revenue</b>	110,082	\$ 141,437	\$ 124,032	\$ 141,997	\$ 118,316	\$ 133,945	\$ 133,559
Acquisition-related revenues	48	97	72	72	47	47	47
<b>Non-GAAP Net Revenue</b>	<u>110,130</u>	<u>\$ 141,534</u>	<u>\$ 124,104</u>	<u>\$ 142,069</u>	<u>\$ 118,363</u>	<u>\$ 133,992</u>	<u>\$ 133,606</u>
<b>GAAP Gross Profit</b>	42,936	\$ 61,084	\$ 53,354	\$ 62,329	\$ 51,999	\$ 57,493	\$ 55,953
Share-based compensation expense	296	284	200	244	204	245	246
Acquisition-related revenues and expenses	1,209	649	626	818	871	884	889
<b>Non-GAAP Gross Profit</b>	<u>44,441</u>	<u>\$ 62,017</u>	<u>\$ 54,180</u>	<u>\$ 63,391</u>	<u>\$ 53,074</u>	<u>\$ 58,622</u>	<u>\$ 57,088</u>
Percentage of Total Net Revenue	40%	44%	44%	45%	45%	44%	43%
<b>GAAP Operating Expenses</b>	48,301	\$ 48,000	\$ 43,937	\$ 50,378	\$ 47,042	\$ 45,192	\$ 48,316
Share-based compensation expense	(2,439)	(2,820)	(2,688)	(2,543)	(2,388)	(2,179)	(3,146)
BK distributor matter inquiry related costs	(331)	(580)	(417)	(97)	(770)	(376)	(258)
Restructuring	39	(335)	80	(3,267)	58	152	107
Acquisition-related expenses	(1,343)	(1,325)	(1,522)	(1,281)	(1,418)	(1,373)	(1,398)
<b>Non-GAAP Operating Expenses</b>	<u>44,227</u>	<u>\$ 42,940</u>	<u>\$ 39,390</u>	<u>\$ 43,190</u>	<u>\$ 42,524</u>	<u>\$ 41,416</u>	<u>\$ 43,621</u>
Percentage of Total Net Revenue	40%	30%	32%	30%	36%	31%	33%
<b>GAAP Income From Operations</b>	(5,365)	\$ 13,084	\$ 9,417	\$ 11,951	\$ 4,957	\$ 12,301	\$ 7,637
Share-based compensation expense	2,735	3,104	2,888	2,787	2,592	2,424	3,393
BK distributor matter inquiry related costs	331	580	417	97	770	376	258
Restructuring	(39)	335	(80)	3,267	(58)	(152)	(107)
Acquisition-related revenues and expenses	2,552	1,974	2,148	2,099	2,290	2,257	2,287
<b>Non-GAAP Income From Operations</b>	<u>214</u>	<u>\$ 19,077</u>	<u>\$ 14,790</u>	<u>\$ 20,201</u>	<u>\$ 10,551</u>	<u>\$ 17,206</u>	<u>\$ 13,468</u>
Percentage of Total Net Revenue	0%	13%	12%	14%	9%	13%	10%
<b>GAAP Other Income (Expense), net</b>	(421)	\$ (357)	\$ 882	\$ (153)	\$ 118	\$ (169)	\$ 201
Acquisition related loss	484	-	-	-	-	-	-
<b>Non-GAAP Other Income (Expense), net</b>	<u>63</u>	<u>\$ (357)</u>	<u>\$ 882</u>	<u>\$ (153)</u>	<u>\$ 118</u>	<u>\$ (169)</u>	<u>\$ 201</u>
Percentage of Total Net Revenue	0%	0%	1%	0%	0%	0%	0%
<b>GAAP Net Income (Loss)</b>	(3,775)	\$ 19,314	\$ 7,790	\$ 11,151	\$ 3,654	\$ 9,830	\$ 9,124
Share-based compensation expense	1,852	2,110	2,064	2,128	1,821	1,710	2,366
BK distributor matter inquiry related costs	245	336	263	62	489	239	165
Restructuring	(25)	222	(57)	2,110	(37)	(96)	(68)
Acquisition related revenues, expenses and loss	2,521	1,594	1,772	1,727	1,938	1,903	1,924
Tax benefit	-	(8,764)	-	-	-	-	-
<b>Non-GAAP Net Income</b>	<u>818</u>	<u>\$ 14,812</u>	<u>\$ 11,832</u>	<u>\$ 17,178</u>	<u>\$ 7,865</u>	<u>\$ 13,586</u>	<u>\$ 13,511</u>
Percentage of Total Net Revenue	1%	10%	10%	12%	7%	10%	10%
<b>GAAP Diluted Net Income (Loss) Per Share</b>	(0.30)	\$ 153	\$ 0.62	\$ 0.89	\$ 0.29	\$ 0.78	\$ 0.72
Effect of non-GAAP adjustments	0.36	(0.36)	0.32	0.47	0.34	0.30	0.35
<b>Non-GAAP Diluted Net Income Per Share</b>	<u>0.06</u>	<u>\$ 117</u>	<u>\$ 0.94</u>	<u>\$ 1.36</u>	<u>\$ 0.63</u>	<u>\$ 1.08</u>	<u>\$ 1.07</u>

# Non-GAAP Segment Financial Reconciliation

(in thousands, except per share data)

	Three Months Ended						
	31-Oct-13	31-Jan-14	30-Apr-14	31-Jul-14	31-Oct-14	31-Jan-15	30-Apr-15
<b>Medical Imaging</b>							
<b>GAAP Income (Loss) from Operations</b>	\$ (471)	\$ 10,863	\$ 8,955	\$ 11,655	\$ 7,395	\$ 9,449	\$ 8,544
Share-based compensation expense	1,582	1,749	1,662	1,560	1,165	1,077	1,660
Restructuring	(54)	(96)	(4)	1,822	(29)	(94)	(66)
Acquisition related expenses	738	733	850	695	767	744	750
<b>Non-GAAP Income From Operations</b>	<b>\$ 1,795</b>	<b>\$ 13,249</b>	<b>\$ 11,463</b>	<b>\$ 15,732</b>	<b>\$ 9,298</b>	<b>\$ 11,176</b>	<b>\$ 10,888</b>
Percentage of Total Net Revenue	3%	17%	16%	19%	14%	15%	15%
<b>Ultrasound</b>							
<b>GAAP Income (Loss) from Operations</b>	\$ (4,030)	\$ (735)	\$ (1,313)	\$ (707)	\$ (2,992)	\$ 196	\$ (4,248)
Share-based compensation expense	656	777	665	697	765	710	913
BK Medical distributor matter inquiry related costs	331	580	417	97	770	376	258
Restructuring	49	465	(90)	934	(20)	(30)	(21)
Acquisition related revenues and expenses	1,814	1,241	1,263	1,414	1,512	1,443	1,499
<b>Non-GAAP Income (Loss) From Operations</b>	<b>\$ (1,180)</b>	<b>\$ 2,328</b>	<b>\$ 942</b>	<b>\$ 2,435</b>	<b>\$ 35</b>	<b>\$ 2,695</b>	<b>\$ (1,599)</b>
Percentage of Total Net Revenue	-3%	6%	3%	6%	0%	6%	-4%
<b>Security and Detection</b>							
<b>GAAP Income (Loss) from Operations</b>	\$ (864)	\$ 2,956	\$ 1,775	\$ 1,003	\$ 554	\$ 2,656	\$ 3,341
Share-based compensation expense	497	578	561	530	662	637	819
Restructuring	(34)	(34)	14	511	(9)	(28)	(19)
Acquisition related expenses	-	-	35	(10)	11	70	38
<b>Non-GAAP Income (Loss) From Operations</b>	<b>\$ (401)</b>	<b>\$ 3,500</b>	<b>\$ 2,385</b>	<b>\$ 2,034</b>	<b>\$ 1,218</b>	<b>\$ 3,335</b>	<b>\$ 4,179</b>
Percentage of Total Net Revenue	-3%	16%	16%	12%	9%	18%	18%
<b>Analogic</b>							
<b>GAAP Income (Loss) from Operations</b>	\$ (5,365)	\$ 13,084	\$ 9,417	\$ 11,951	\$ 4,957	\$ 12,301	\$ 7,637
Share-based compensation expense	2,735	3,104	2,888	2,787	2,592	2,424	3,393
BK Medical distributor matter inquiry related costs	331	580	417	97	770	376	258
Restructuring	(39)	335	(80)	3,267	(58)	(152)	(107)
Acquisition related gains and expenses	2,552	1,974	2,148	2,099	2,290	2,257	2,287
<b>Non-GAAP Income From Operations</b>	<b>\$ 214</b>	<b>\$ 19,077</b>	<b>\$ 14,790</b>	<b>\$ 20,201</b>	<b>\$ 10,551</b>	<b>\$ 17,206</b>	<b>\$ 13,468</b>
Percentage of Total Net Revenue	0%	13%	12%	14%	9%	13%	10%