
**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 9, 2023**

BENTLEY SYSTEMS, INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-39548
(Commission File Number)

95-3936623
(IRS Employer Identification No.)

**685 Stockton Drive
Exton, Pennsylvania**
(Address of principal executive offices)

19341
(Zip Code)

Registrant's telephone number, including area code: **(610) 458-5000**

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	Name of each exchange on which registered
Class B common stock, par value \$0.01 per share	BSY	The Nasdaq Stock Market LLC

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

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 9, 2023, Bentley Systems, Incorporated (the “Company”) issued a press release announcing its financial results for the three months ended March 31, 2023. A copy of the release is furnished as Exhibit 99.1 and incorporated by reference herein. Exhibit 99.2 sets forth the reasons the Company believes that presentation of the non-GAAP financial measures contained in the press release provides useful information to investors regarding the Company’s results of operations and financial condition. To the extent material, Exhibit 99.2 also discloses the additional purposes, if any, for which the Company’s management uses these non-GAAP financial measures. A reconciliation of these non-GAAP financial measures with the most directly comparable GAAP financial measures is included in the operating results press release itself.

The information in this Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1 and Exhibit 99.2, is being furnished and 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 subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, as amended, regardless of the general incorporation language of such filing, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits.**

Exhibit No.	Description
99.1	Press release dated May 9, 2023
99.2	Explanation of Non-GAAP and Other Financial Measures
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.

Date: May 9, 2023

Bentley Systems, Incorporated

By: /s/ WERNER ANDRE

Name: Werner Andre

Title: Chief Financial Officer and Chief Accounting Officer



Press Release

BSY Investor Contact:
Eric Boyer
Investor Relations Officer
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Bentley Systems Announces Operating Results for the First Quarter of 2023

EXTON, Pa. – May 9, 2023 – Bentley Systems, Incorporated (Nasdaq: BSY) (“Bentley Systems” or the “Company”), the *infrastructure engineering software* company, today announced operating results for its first quarter ended March 31, 2023.

First Quarter 2023 Financial Results

- *Total revenues* were \$314.4 million, up 14.1% or 17.1% on a constant currency basis, year-over-year;
- *Subscriptions revenues* were \$277.8 million, up 15.2% or 18.0% on a constant currency basis, year-over-year;
- *Annualized Recurring Revenues (“ARR”)* was \$1,071.0 million as of March 31, 2023, representing a *constant currency ARR growth rate* of 13% from March 31, 2022;
- *Last twelve-month recurring revenues dollar-based net retention rate* was 110%, compared to 108% for the same period last year;
- *Operating income margin* was 20.9%, compared to 20.5% for the same period last year;
- *Adjusted operating income inclusive of stock-based compensation expense (“Adjusted OI w/SBC”) margin* was 28.8%, compared to 28.4% for the same period last year;
- *Net income per diluted share* was \$0.14, compared to \$0.18 for the same period last year;
- *Adjusted net income per diluted share (“Adjusted EPS”)* was \$0.25, consistent with the same period last year; and
- *Cash flow from operations* was \$176.2 million, compared to \$101.7 million for the same period last year.

CEO Greg Bentley said, “Our robust operating results for 23Q1 continue to demonstrate the resilience of our end-markets, the predictability of our accretive business model, and the consistency of our execution. Most notably, ARR growth (year-over-year business performance, in constant currency) accelerated to 13%. Among infrastructure sectors, the trends were consistent with the previous quarter, with very strong growth in *resources*, strong growth in *public works / utilities*, solid growth in *industrial*, and *commercial / facilities* flat. Application consumption seasonally regained growth momentum, and our E365 and Virtuosity initiatives continue their upward inflection.

For the most part regions performed as expected, with continued strong growth in India and continued solid growth in Europe, as well as solid growth in the Americas. In China this first quarter was better than in recent years, but our strategic shift there towards more localized indirect go-to-market structure, and to on-premise perpetual licenses, will lead to an increasing ARR headwind.

In sum, our strong start to 2023 serves to enhance confidence in our annual financial outlook.”

CFO Werner Andre said, “We believe our 2023 financial outlook is appropriately balanced between our favorable business momentum and a cautious approach towards China and the *commercial / facilities* sector, due to geopolitical and macro uncertainties. In our initial quarter with this as a key profitability metric, we met our expectations for *Adjusted operating income inclusive of stock-based compensation expense margin*. Moreover, 22Q4 timing shortfalls in our operating cash flows were fully offset in early 2023, resulting in 23Q1 being a strong cash flow quarter. However, given the current interest rate and tax environment, on a trailing twelve-month basis we anticipate cash flow from operations at an approximately 80% conversion rate from *Adjusted EBITDA*, consistent with prior guidance.”

Recent Financial Developments

For the three months ended March 31, 2023, to offset dilution from stock-based compensation, we spent approximately \$20.9 million on de-facto share repurchases associated mainly with deferred compensation plan distributions.

Operating Results Call Details

Bentley Systems will host a live Zoom video webinar on May 9, 2023 at 8:15 a.m. Eastern time to discuss operating results for its first quarter ended March 31, 2023.

Those wishing to participate should access the live Zoom video webinar of the event through a direct registration link at https://us06web.zoom.us/webinar/register/WN_OZ8XitGTQ5mR60Ty0Xrc_g. Alternatively, the event can be accessed from the Events & Presentations page on Bentley Systems’ Investor Relations website at <https://investors.bentley.com>. In addition, a replay and transcript will be available after the conclusion of the live event on Bentley Systems’ Investor Relations website for one year.

Non-GAAP Financial Measures

In this operating results press release, we sometimes refer to financial measures that are not presented in accordance with U.S. generally accepted accounting principles (“GAAP”). Certain of these measures are considered non-GAAP financial measures under the United States Securities and Exchange Commission (“SEC”) regulations; those rules require the supplemental explanations and reconciliations that are in Bentley Systems Form 8-K (Quarterly Earnings Release) furnished to the SEC.

Forward-Looking Statements

This press release includes forward-looking statements regarding the future results of operations and financial position, business strategy, and plans and objectives for future operations of Bentley Systems, Incorporated (the “Company,” “we,” “us,” and words of similar import). All such statements contained in this press release, other than statements of historical facts, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations, projections, and assumptions about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, and there are a significant number of factors that could cause actual results to differ materially from statements made in this press release including: adverse changes in global economic and/or political conditions; the impact of current and future sanctions, embargoes and other similar laws at the state and/or federal level that impose restrictions on our counterparties or upon our ability to operate our business within the subject jurisdictions; political, economic, regulatory and public health and safety risks and uncertainties in the countries and regions in which we operate; failure to retain personnel necessary for the operation of our business or those that we acquire; changes in the industries in which our accounts operate; the competitive environment in which we operate; the quality of our products; our ability to develop and market new products to address our accounts’ rapidly changing technological needs; changes in capital markets and our ability to access financing on terms satisfactory to us or at all; our ability to integrate acquired businesses successfully; and our ability to identify and consummate future investments on terms satisfactory to us or at all.

Further information on potential factors that could affect the financial results of the Company are included in the Company’s Form 10-K and subsequent Form 10-Qs, which are on file with the SEC. The Company disclaims any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

About Bentley Systems

Bentley Systems (Nasdaq: BSY) is the *infrastructure engineering software* company. We provide innovative software to advance the world’s infrastructure – sustaining both the global economy and environment. Our industry-leading software solutions are used by professionals, and organizations of every size, for the design, construction, and operations of roads and bridges, rail and transit, water and wastewater, public works and utilities, buildings and campuses, mining, and industrial facilities. Our offerings, powered by the *iTwin* Platform for infrastructure digital twins, include *MicroStation* and *Bentley Open* applications for modeling and simulation, *Seequent*’s software for geoprofessionals, and *Bentley Infrastructure Cloud* encompassing *ProjectWise* for project delivery, *SYNCHRO* for construction management, and *AssetWise* for asset operations. Bentley Systems’ 5,000 colleagues generate annual revenues of more than \$1 billion in 194 countries.

www.bentley.com

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BENTLEY SYSTEMS, INCORPORATED
Consolidated Balance Sheets
(in thousands)
(unaudited)

Assets	March 31, 2023	December 31, 2022
Current assets:		
Cash and cash equivalents	\$ 93,567	\$ 71,684
Accounts receivable	285,192	296,376
Allowance for doubtful accounts	(8,036)	(9,303)
Prepaid income taxes	21,169	18,406
Prepaid and other current assets	39,849	38,732
Total current assets	431,741	415,895
Property and equipment, net	33,038	32,251
Operating lease right-of-use assets	38,946	40,249
Intangible assets, net	283,969	292,271
Goodwill	2,247,797	2,237,184
Investments	32,010	22,270
Deferred income taxes	52,484	52,636
Other assets	68,037	72,249
Total assets	\$ 3,188,022	\$ 3,165,005
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 28,781	\$ 15,176
Accruals and other current liabilities	420,935	362,048
Deferred revenues	234,775	226,955
Operating lease liabilities	14,147	14,672
Income taxes payable	14,862	4,507
Current portion of long-term debt	6,250	5,000
Total current liabilities	719,750	628,358
Long-term debt	1,668,781	1,775,696
Deferred compensation plan liabilities	80,674	77,014
Long-term operating lease liabilities	26,651	27,670
Deferred revenues	15,972	16,118
Deferred income taxes	46,564	51,235
Income taxes payable	8,127	8,105
Other liabilities	7,313	7,355
Total liabilities	2,573,832	2,591,551
Stockholders' equity:		
Common stock	2,915	2,890
Additional paid-in capital	1,060,842	1,030,466
Accumulated other comprehensive loss	(89,374)	(89,740)
Accumulated deficit	(360,897)	(370,866)
Non-controlling interest	704	704
Total stockholders' equity	614,190	573,454
Total liabilities and stockholders' equity	\$ 3,188,022	\$ 3,165,005

BENTLEY SYSTEMS, INCORPORATED
Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended	
	March 31,	
	2023	2022
Revenues:		
Subscriptions	\$ 277,845	\$ 241,233
Perpetual licenses	9,547	10,205
Subscriptions and licenses	287,392	251,438
Services	27,019	24,079
Total revenues	314,411	275,517
Cost of revenues:		
Cost of subscriptions and licenses	40,931	33,727
Cost of services	26,253	22,058
Total cost of revenues	67,184	55,785
Gross profit	247,227	219,732
Operating expense (income):		
Research and development	67,800	61,273
Selling and marketing	52,141	45,945
General and administrative	46,807	51,154
Deferred compensation plan	4,146	(5,138)
Amortization of purchased intangibles	10,548	9,906
Total operating expenses	181,442	163,140
Income from operations	65,785	56,592
Interest expense, net	(11,092)	(6,748)
Other income, net	289	10,347
Income before income taxes	54,982	60,191
Provision for income taxes	(9,492)	(3,231)
Loss from investments accounted for using the equity method, net of tax	—	(572)
Net income	\$ 45,490	\$ 56,388
Per share information:		
Net income per share, basic	\$ 0.15	\$ 0.18
Net income per share, diluted	\$ 0.14	\$ 0.18
Weighted average shares, basic	310,758,802	307,969,672
Weighted average shares, diluted	331,251,884	331,330,256

BENTLEY SYSTEMS, INCORPORATED
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended	
	March 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 45,490	\$ 56,388
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,057	17,212
Deferred income taxes	(4,178)	9,042
Stock-based compensation expense	19,484	15,099
Deferred compensation plan	4,146	(5,138)
Amortization of deferred debt issuance costs	1,823	1,778
Change in fair value of derivative	4,489	(12,084)
Foreign currency remeasurement loss	1,018	1,677
Other non-cash items, net	(4,411)	(114)
Changes in assets and liabilities, net of effect from acquisitions:		
Accounts receivable	15,420	8,691
Prepaid and other assets	12,137	5,718
Accounts payable, accruals, and other liabilities	53,127	26,791
Deferred revenues	1,942	(12,515)
Income taxes payable, net of prepaid income taxes	7,679	(10,814)
Net cash provided by operating activities	176,223	101,731
Cash flows from investing activities:		
Purchases of property and equipment and investment in capitalized software	(4,284)	(4,176)
Proceeds from sale of aircraft	—	2,380
Acquisitions, net of cash acquired	(10,299)	(695,968)
Purchases of investments	(6,178)	(2,811)
Net cash used in investing activities	(20,761)	(700,575)
Cash flows from financing activities:		
Proceeds from credit facilities	117,139	563,912
Payments of credit facilities	(223,124)	(123,696)
Repayments from term loan	(1,250)	(1,250)
Payments of contingent and non-contingent consideration	(249)	(2,721)
Payments of dividends	(14,522)	(8,528)
Proceeds from stock purchases under employee stock purchase plan	4,557	4,611
Proceeds from exercise of stock options	4,202	2,768
Payments for shares acquired including shares withheld for taxes	(20,948)	(35,117)
Other financing activities	(46)	(48)
Net cash (used in) provided by financing activities	(134,241)	399,931
Effect of exchange rate changes on cash and cash equivalents	662	(807)
Increase (decrease) in cash and cash equivalents	21,883	(199,720)
Cash and cash equivalents, beginning of year	71,684	329,337
Cash and cash equivalents, end of period	\$ 93,567	\$ 129,617

BENTLEY SYSTEMS, INCORPORATED
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, except share and per share data)
(unaudited)

Reconciliation of operating income to Adjusted OI w/SBC and to Adjusted operating income:

	Three Months Ended March 31,	
	2023	2022
Operating income	\$ 65,785	\$ 56,592
Amortization of purchased intangibles	13,735	12,928
Deferred compensation plan	4,146	(5,138)
Acquisition expenses	8,777	13,997
Realignment expenses (income)	(1,979)	—
Adjusted OI w/SBC	90,464	78,379
Stock-based compensation expense	19,198	14,953
Adjusted operating income	<u>\$ 109,662</u>	<u>\$ 93,332</u>

Reconciliation of net income to Adjusted net income:

	Three Months Ended March 31,			
	2023		2022	
	\$	EPS ⁽¹⁾	\$	EPS ⁽¹⁾
Net income	\$ 45,490	\$ 0.14	\$ 56,388	\$ 0.18
Non-GAAP adjustments, prior to income taxes:				
Amortization of purchased intangibles	13,735	0.04	12,928	0.04
Stock-based compensation expense	19,198	0.06	14,953	0.05
Deferred compensation plan	4,146	0.01	(5,138)	(0.02)
Acquisition expenses	8,777	0.03	13,997	0.04
Realignment expenses (income)	(1,979)	(0.01)	—	—
Other income, net	(289)	—	(10,347)	(0.03)
Total non-GAAP adjustments, prior to income taxes	43,588	0.13	26,393	0.08
Income tax effect of non-GAAP adjustments	(7,389)	(0.02)	(3,577)	(0.01)
Loss from investments accounted for using the equity method, net of tax	—	—	572	—
Adjusted net income ⁽²⁾⁽³⁾	<u>\$ 81,689</u>	<u>\$ 0.25</u>	<u>\$ 79,776</u>	<u>\$ 0.25</u>
Adjusted weighted average shares, diluted	<u>331,251,884</u>		<u>331,330,256</u>	

(1) Adjusted EPS was computed independently for each reconciling item presented; therefore, the sum of Adjusted EPS for each line item may not equal total Adjusted EPS due to rounding.

(2) Total Adjusted EPS for the three months ended March 31, 2022 has been corrected to reflect the dilutive effect of convertible senior notes.

(3) Adjusted EPS numerator includes \$1,717 and \$1,695 for the three months ended March 31, 2023 and 2022, respectively, related to interest expense, net of tax, attributable to the convertible senior notes using the if-converted method.

Reconciliation of cash flow from operations to Adjusted EBITDA:

	Three Months Ended March 31,	
	2023	2022
Cash flow from operations	\$ 176,223	\$ 101,731
Cash interest	10,473	5,296
Cash taxes	6,033	5,968
Cash deferred compensation plan distributions	421	—
Cash acquisition expenses	11,053	17,466
Changes in operating assets and liabilities	(88,299)	(33,139)
Other ⁽¹⁾	(1,920)	294
Adjusted EBITDA	<u>\$ 113,984</u>	<u>\$ 97,616</u>

(1) Includes (receipts) payments related to interest rate swap.

Explanation of Non-GAAP and Other Financial Measures

This Exhibit 99.2 to the accompanying Current Report on Form 8-K for Bentley Systems, Incorporated (“Bentley Systems,” the “Company,” “we,” “our,” and words of similar import) sets forth the reasons we believe that presentation of financial measures not in accordance with GAAP contained in the operating results press release filed as Exhibit 99.1 to the Current Report on Form 8-K provides useful information to investors regarding our results of operations, financial condition, and liquidity. To the extent material, this Exhibit also discloses the additional purposes, if any, for which our management uses these non-GAAP financial measures. Reconciliations between these non-GAAP financial measures and their most directly comparable GAAP financial measures are included in the operating results press release itself. Non-GAAP financial information should be considered in addition to, not as a substitute for, or in isolation from, the financial information prepared in accordance with GAAP, including operating income, net income, net income per share, diluted, cash flow from operations or other measures of performance or liquidity, and should be read in conjunction with the financial statements included in our Quarterly Report on Form 10-Q to be filed with the United States Securities and Exchange Commission.

Our non-GAAP and other financial measures may vary significantly from period to period for reasons unrelated to our operating performance and may differ from similarly titled measures presented by other companies.

Constant currency

Constant currency and constant currency growth rates are non-GAAP financial measures that present our results of operations excluding the estimated effects of foreign currency exchange rate fluctuations. We have operations outside the United States that are conducted in local currencies. As a result, the comparability of the financial results reported in U.S. dollars is affected by changes in foreign currency exchange rates. We use constant currency and constant currency growth rates to evaluate the underlying performance of the business, and we believe it is helpful for investors to present operating results on a comparable basis period over period to evaluate its underlying performance.

In reporting period-over-period results, we calculate the effects of foreign currency fluctuations and constant currency information by translating current period results using prior period average foreign currency exchange rates.

Recurring revenues

Recurring revenues are the basis for our other revenue-related key business metrics. We believe this measure is useful in evaluating our ability to consistently retain and grow our revenues from accounts with revenues in the prior period (“existing accounts”).

Recurring revenues are subscriptions revenues that recur monthly, quarterly, or annually with specific or automatic renewal clauses and professional services revenues in which the underlying contract is based on a fixed fee and contains automatic annual renewal provisions.

Annualized recurring revenues (“ARR”)

ARR is a key business metric that we believe is useful in evaluating the scale and growth of our business as well as to assist in the evaluation of underlying trends in our business. Furthermore, we believe *ARR*, considered in connection with our *last twelve-month recurring revenues dollar-based net retention rate*, is a leading indicator of revenue growth.

ARR is defined as the sum of the annualized value of our portfolio of contracts that produce recurring revenues as of the last day of the reporting period, and the annualized value of the last three months of recognized revenues for our contractually recurring consumption-based software subscriptions with consumption measurement durations of less than one year, calculated using the spot foreign exchange rates. We believe that the last three months of recognized revenues, on an annualized basis, for our recurring software subscriptions with consumption measurement period durations of less than one year is a reasonable estimate of the annual revenues, given our consistently high retention rate and stability of usage under such subscriptions.

Constant currency ARR growth rate is the growth rate of *ARR* measured on a constant currency basis. *Constant currency ARR growth rate from business performance* excludes the *ARR* onboarding of our *platform acquisitions* and includes the impact from the *ARR* onboarding of *programmatic acquisitions*, which generally are immaterial, individually and in the aggregate. We believe these *ARR* growth rates are important metrics indicating the scale and growth of our business.

Last twelve-month recurring revenues dollar-based net retention rate

Last twelve-month recurring revenues dollar-based net retention rate is a key business metric that we believe is useful in evaluating our ability to consistently retain and grow our recurring revenues.

Last twelve-month recurring revenues dollar-based net retention rate is calculated, using the average exchange rates for the prior period, as follows: the recurring revenues for the current period, including any growth or reductions from existing accounts, but excluding recurring revenues from any new accounts added during the current period, divided by the total recurring revenues from all accounts during the prior period. A period is defined as any trailing twelve months. Related to our *platform acquisitions*, recurring revenues into new accounts will be captured as existing accounts starting with the second anniversary of the acquisition when such data conforms to the calculation methodology. This may cause variability in the comparison.

Adjusted operating income inclusive of stock-based compensation expense (“Adjusted OI w/SBC”)

Adjusted OI w/SBC is a non-GAAP financial measure and is used to measure the operational strength and performance of our business, as well as to assist in the evaluation of underlying trends in our business.

Adjusted OI w/SBC is our primary performance measure, which excludes certain expenses and charges, including the non-cash amortization expense resulting from the acquisition of intangible assets, as we believe these may not be indicative of the Company’s core business operating results. We intentionally include stock-based compensation expense in this measure as we believe it better captures the economic costs of our business.

Management uses this non-GAAP financial measure to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, to evaluate financial performance, and in our comparison of our financial results to those of other companies. It is also a significant performance measure in certain of our executive incentive compensation programs.

Adjusted OI w/SBC is defined as operating income adjusted for the following: amortization of purchased intangibles, expense (income) relating to deferred compensation plan liabilities, acquisition expenses, and realignment expenses (income), for the respective periods.

Adjusted OI w/SBC margin is calculated by dividing *Adjusted OI w/SBC* by total revenues.

Adjusted operating income

Adjusted operating income is a non-GAAP financial measure that we believe is useful to investors in making comparisons to other companies, although this measure may not be directly comparable to similar measures used by other companies.

Adjusted operating income is defined as operating income adjusted for the following: amortization of purchased intangibles, expense (income) relating to deferred compensation plan liabilities, acquisition expenses, realignment expenses (income), and stock-based compensation expense, for the respective periods.

Adjusted net income and Adjusted EPS

Adjusted net income and *Adjusted EPS* are non-GAAP financial measures presenting the earnings generated by our ongoing operations that we believe is useful to investors in making meaningful comparisons to other companies, although these measures may not be directly comparable to similar measures used by other companies, and period-over-period comparisons.

Adjusted net income is defined as net income adjusted for the following: amortization of purchased intangibles, stock-based compensation expense, expense (income) relating to deferred compensation plan liabilities, acquisition expenses, realignment expenses (income), other non-operating (income) expense, net, the tax effect of the above adjustments to net income, and (income) loss from investments accounted for using the equity method, net of tax, for the respective periods. The income tax effect of non-GAAP adjustments was determined using the applicable rates in the taxing jurisdictions in which income or expense occurred, and represent both current and deferred income tax expense or benefit based on the nature of the non-GAAP adjustments, including the tax effects of non-cash stock-based compensation expense.

Adjusted EPS is calculated as *Adjusted net income*, less net income attributable to participating securities, plus interest expense, net of tax, attributable to the convertible senior notes using the if-converted method, if applicable, (numerator) divided by *Adjusted weighted average shares, diluted* (denominator). *Adjusted weighted average shares, diluted* is calculated by adding incremental shares related to the dilutive effect of convertible senior notes using the if-converted method, if applicable, to weighted average shares, diluted.

Adjusted EBITDA

Adjusted EBITDA is our liquidity measure in the context of conversion of *Adjusted EBITDA* to cash flow from operations (i.e., the ratio of GAAP cash flow from operations to *Adjusted EBITDA*). We believe this non-GAAP financial measure provides a meaningful measure of liquidity and a useful basis for assessing our ability to repay debt, make strategic acquisitions and investments, and return capital to investors.

Adjusted EBITDA is defined as cash flow from operations adjusted for the following: cash interest, cash taxes, cash deferred compensation plan distributions, cash acquisition expenses, changes in operating assets and liabilities, and other cash items (such as those related to our interest rate swap). From time to time, we may exclude from *Adjusted EBITDA* the impact of certain cash receipts or payments that affect period-to-period comparability.