



**SUPPLEMENTAL FINANCIAL INFORMATION**

### Supplemental Non-GAAP Financial Information

	2017					2018		
	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3
<b>Reconciliation of net income (loss) to non-GAAP net income<sup>(1)</sup></b>	(In thousands, except per share data)							
Net income (loss)	\$ 40,754	\$ 19,266	\$ 13,639	\$ 12,228	\$ 85,887	\$ 70,031	\$ 29,827	\$ 4,573
Employee stock-based compensation and related employer payroll taxes (3)	6,534	9,858	10,992	13,350	40,734	10,486	11,960	16,913
Amortization of acquired intangibles (4)	6,557	8,185	8,184	8,184	31,110	8,236	8,175	8,175
Change in fair value of contingent consideration (4)	-	(7,500)	-	(2,172)	(9,672)	-	-	13,500
Transaction costs (4)	502	1,684	45	45	2,276	-	-	(16)
Amortization of deferred financing costs (5)	394	398	399	398	1,589	398	398	398
Impairment charges (5)	156	858	52	260	1,326	-	175	177
Extraordinary severance expenses (6)	1,079	180	371	532	2,162	106	790	769
Incremental processor expenses (repayments) (8)	4,660	4,728	(6,518)	-	2,870	-	-	-
Legal settlement expenses (5)	-	3,500	-	-	3,500	-	-	-
Other charges (income) (5)	-	-	(373)	-	(373)	-	-	744
Income tax effect (7)	(8,274)	(12,187)	(8,951)	(17,092)	(46,504)	(13,373)	(11,254)	(13,043)
Non-GAAP net income	\$ 52,362	\$ 28,970	\$ 17,840	\$ 15,733	\$ 114,905	\$ 75,884	\$ 40,071	\$ 32,190
Diluted earnings (loss) per share								
GAAP	\$ 0.78	\$ 0.37	\$ 0.26	\$ 0.23	\$ 1.61	\$ 1.29	\$ 0.55	\$ 0.08
Non-GAAP	\$ 1.00	\$ 0.55	\$ 0.34	\$ 0.29	\$ 2.16	\$ 1.40	\$ 0.74	\$ 0.59
Diluted weighted-average shares issued and outstanding	52,497	52,452	52,923	54,198	53,198	54,234	54,390	54,615

	2017					2018		
	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3
<b>Reconciliation of net income (loss) to adjusted EBITDA<sup>(1)</sup></b>	(In thousands)							
Net income (loss)	\$ 40,754	\$ 19,266	\$ 13,639	\$ 12,228	\$ 85,887	\$ 70,031	\$ 29,827	\$ 4,573
Net interest expense (income) (2)	(1,189)	(790)	(1,238)	(1,917)	(5,134)	(4,084)	(4,162)	(4,765)
Income tax expense (benefit)	21,811	1,715	651	(6,606)	17,571	10,433	1,517	(4,893)
Depreciation and amortization of property and equipment (2)	8,749	8,393	8,140	8,188	33,470	8,922	9,294	9,938
Employee stock-based compensation and related employer payroll taxes (2)(3)	6,534	9,858	10,992	13,350	40,734	10,486	11,960	16,913
Amortization of acquired intangibles (2)(4)	6,557	8,185	8,184	8,184	31,110	8,236	8,175	8,175
Change in fair value of contingent consideration (2)(4)	-	(7,500)	-	(2,172)	(9,672)	-	-	13,500
Transaction costs (2)(4)	502	1,684	45	45	2,276	-	-	(16)
Impairment charges (2)(5)	156	858	52	260	1,326	-	175	177
Extraordinary severance expenses (2)(6)	1,079	180	371	532	2,162	106	790	769
Incremental processor expenses (2)(8)	4,660	4,728	(6,518)	-	2,870	-	-	-
Legal settlement expenses (2)(5)	-	3,500	-	-	3,500	-	-	-
Other charges (income) (2)(5)	-	-	(373)	-	(373)	-	-	744
Adjusted EBITDA	\$ 89,613	\$ 50,077	\$ 33,945	\$ 32,092	\$ 205,727	\$ 104,130	\$ 57,576	\$ 45,115
Total operating revenues	\$ 253,001	\$ 222,548	\$ 201,613	\$ 212,989	890,151	\$ 314,998	\$ 258,349	\$ 230,577
Adjusted EBITDA/Total operating revenues (adjusted EBITDA margin)	35.4%	22.5%	16.8%	15.1%	23.1%	33.1%	22.3%	19.6%

	2017					2018		
	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3
<b>Supplemental Detail on Non-GAAP Diluted Weighted-Average Shares Issued and Outstanding</b>	(In thousands)							
Total stock outstanding as of period end:	49,559	50,329	50,659	51,136	51,136	51,842	52,390	52,664
Weighting adjustment	899	(316)	(140)	(203)	(654)	(403)	(285)	(84)
Dilutive potential shares:								
Stock options	603	759	790	764	809	535	343	214
Restricted and performance based restricted stock units	1,417	1,677	1,598	2,499	1,907	2,252	1,941	1,812
Employee stock purchase plan	19	3	16	2	-	8	1	9
Non-GAAP diluted weighted-average shares issued and outstanding	52,497	52,452	52,923	54,198	53,198	54,234	54,390	54,615

- (1) To supplement the Company's consolidated financial statements presented in accordance with GAAP, the Company uses measures of operating results that are adjusted to exclude various, primarily non-cash, expenses and charges. These financial measures are not calculated or presented in accordance with GAAP and should not be considered as alternatives to or substitutes for operating revenues, operating income, net income or any other measure of financial performance calculated and presented in accordance with GAAP. These financial measures may not be comparable to similarly-titled measures of other organizations because other organizations may not calculate their measures in the same manner as the Company does. These financial measures are adjusted to eliminate the impact of items that the Company does not consider indicative of its core operating performance. You are encouraged to evaluate these adjustments and the reasons the Company considers them appropriate.

The Company believes that the non-GAAP financial measures it presents are useful to investors in evaluating the Company's operating performance for the following reasons:

- the Company records employee stock-based compensation from period to period, and recorded employee stock-based compensation expenses and related employer payroll taxes of approximately \$16.9 million and \$11.0 million for the three months ended September 30, 2018 and 2017, respectively. By comparing the Company's adjusted EBITDA, non-GAAP net income and non-GAAP diluted earnings per share in different historical periods, investors can evaluate the Company's operating results without the additional variations caused by employee stock-based compensation expense and related employer payroll taxes, which may not be comparable from period to period due to changes in the fair market value of the Company's Class A common stock (which is influenced by external factors like the volatility of public markets and the financial performance of the Company's peers) and is not a key measure of the Company's operations;
- adjusted EBITDA is widely used by investors to measure a company's operating performance without regard to items, such as net interest income and expense, income tax benefit and expense, depreciation and amortization, employee stock-based compensation and related employer payroll taxes, incremental expenses related to the delay in migration of the Company's remaining customer accounts from its former processor to its new processor, changes in the fair value of contingent consideration, transaction costs, impairment charges, severance costs related to extraordinary personnel reductions, legal settlement expenses, and other charges and income that can vary substantially from company to company depending upon their respective financing structures and accounting policies, the book values of their assets, their capital structures and the methods by which their assets were acquired; and
- securities analysts use adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies.

The Company's management uses the non-GAAP financial measures:

- as measures of operating performance, because they exclude the impact of items not directly resulting from the Company's core operations;
- for planning purposes, including the preparation of the Company's annual operating budget;
- to allocate resources to enhance the financial performance of the Company's business;
- to evaluate the effectiveness of the Company's business strategies;
- to establish metrics for variable compensation; and
- in communications with the Company's board of directors concerning the Company's financial performance.

The Company understands that, although adjusted EBITDA and other non-GAAP financial measures are frequently used by investors and securities analysts in their evaluations of companies, these measures have limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of the Company's results of operations as reported under GAAP. Some of these limitations are:

- that these measures do not reflect the Company's capital expenditures or future requirements for capital expenditures or other contractual commitments;
- that these measures do not reflect changes in, or cash requirements for, the Company's working capital needs;
- that these measures do not reflect interest expense or interest income;
- that these measures do not reflect cash requirements for income taxes;
- that, although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and these measures do not reflect any cash requirements for these replacements; and
- that other companies in the Company's industry may calculate these measures differently than the Company does, limiting their usefulness as comparative measures.

- (2) The Company does not include any income tax impact of the associated non-GAAP adjustment to adjusted EBITDA, as the case may be, because each of these non-GAAP financial measures is provided before income tax expense.
- (3) This expense consists primarily of expenses for restricted stock units (including performance-based restricted stock units) and related employer payroll taxes. Employee stock-based compensation expense is not comparable from period to period due to changes in the fair market value of the Company's Class A common stock (which is influenced by external factors like the volatility of public markets and the financial performance of the Company's peers) and is not a key measure of the Company's operations. The Company excludes employee stock-based compensation expense from its non-GAAP financial measures primarily because it consists of non-cash expenses that the Company does not believe are reflective of ongoing operating results. The Company also believes that it is not useful to investors to understand the impact of employee stock-based compensation to its results of operations. Further, the related employer payroll taxes are dependent upon volatility in the Company's stock price, as well as the timing and size of option exercises and vesting of restricted stock units, over which the Company has limited to no control. This expense is included as a component of compensation and benefits expenses on the Company's consolidated statements of operations.
- (4) The Company excludes certain income and expenses that are the result of acquisitions. These acquisition related adjustments include the amortization of acquired intangible assets, changes in the fair value of contingent consideration, settlements of contingencies established at time of acquisition and other acquisition related charges, such as integration charges and professional and legal fees, which result in the Company recording expenses or fair value adjustments in its GAAP financial statements. The Company analyzes the performance of its operations without regard to these adjustments. In determining whether any acquisition related adjustment is appropriate, the Company takes into consideration, among other things, how such adjustments would or would not aid in the understanding

of the performance of its operations. These items are included as a component of other general and administrative expenses on the Company's consolidated statements of operations.

- (5) The Company excludes certain income and expenses that are not reflective of ongoing operating results. It is difficult to estimate the amount or timing of these items in advance. Although these events are reflected in the Company's GAAP financial statements, the Company excludes them in its non-GAAP financial measures because the Company believes these items may limit the comparability of ongoing operations with prior and future periods. These adjustments include amortization attributable to deferred financing costs, impairment charges related to internal-use software, legal settlement expenses and other charges, as applicable for the periods presented. In determining whether any such adjustment is appropriate, the Company takes into consideration, among other things, how such adjustments would or would not aid in the understanding of the performance of its operations. These items, except for amortization of deferred financing costs, which is included as a component of interest expense, are included within other general and administrative expenses on the Company's consolidated statements of operations.
- (6) During the three and nine months ended September 30, 2018, the Company recorded charges of \$0.8 million and \$1.7 million, respectively, for severance costs related to extraordinary personnel reductions. Although severance expenses are an ordinary part of its operations, the magnitude and scale of this ongoing reduction in workforce is not expected to be repeated. This expense is included as a component of compensation and benefits expenses on the Company's consolidated statements of operations.
- (7) Represents the tax effect for the related non-GAAP measure adjustments using the Company's year to date non-GAAP effective tax rate. It also excludes the impact of excess tax benefits related to stock-based compensation and one-time favorable adjustments to the Company's deferred tax assets and liabilities, including the remeasurement of the Company's deferred tax assets and liabilities associated with the Tax Cuts and Jobs Act (the "Tax Act"). As of September 30, 2018, the Company has not completed its accounting for the tax effects of the Tax Act. The Company's tax benefit is provisional based on reasonable estimates for those tax effects. Changes to these estimates or new guidance issued by regulators may materially impact the Company's provision for income taxes and effective tax rate in the period in which the adjustments are made. The Company expects to complete its accounting for the tax effects in the short term.
- (8) Represents the net incremental expenses associated with the Company's need to continue to support customer accounts on its legacy transaction processor that it had intended to migrate to its new processing platform in 2016.