
**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): July 30, 2018

Advanced Energy Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-26966
(Commission File Number)

84-0846841
(IRS Employer Identification
No.)

1625 Sharp Point Drive, Fort Collins, Colorado
(Address of principal executive offices)

80525
(Zip Code)

(970) 221-4670
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

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 (see General Instruction A.2. below):

- 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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). 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.

The information in this Form 8-K is furnished under "Item 2.02 Results of Operations and Financial Condition" and Exhibit 99.1 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

On July 30, 2018, Advanced Energy Industries, Inc. issued a press release announcing its financial results for the quarter ended June 30, 2018. A copy of the press release is furnished with this Current Report on Form 8-K as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) [Press release dated July 30, 2018 by Advanced Energy Industries, Inc., reporting its financial results for the quarter ended June 30, 2018.](#)

SIGNATURES

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: July 30, 2018

/s/ Paul Oldham

Paul Oldham

Chief Financial Officer & Executive Vice President

Advanced Energy Announces Second Quarter 2018 Results

- **Q2 Revenue increased 18.2% y/y to \$196.0 million**
- **Q2 GAAP EPS from continuing operations was \$1.17**
- **Q2 Non-GAAP EPS from continuing operations was \$1.25**

Fort Collins, Colo., July 30, 2018 - Advanced Energy Industries, Inc. (Nasdaq: AEIS), today announced financial results for the second quarter ended June 30, 2018.

"Our diversification strategy enabled us to maintain revenues at record levels this quarter as our Industrial and Service businesses reached new highs offsetting near-term delays in semiconductor memory spending," said Yuval Wasserman, president and CEO. "Although we expect 2H revenues to be impacted by the timing of semiconductor investments, we remain confident in the multiple drivers of the semi market in the long term. In addition as we continue to expand into adjacent and new markets, and grow content in Semiconductor, we are further positioning AE for sustainable, profitable growth."

Second Quarter Results

Sales were \$196.0 million in the second quarter of 2018 compared with \$195.6 million in the first quarter of 2018 and \$165.9 million in the second quarter of 2017.

GAAP income from continuing operations was \$46.4 million or \$1.17 per diluted share in the second quarter of 2018 compared with \$46.4 million or \$1.16 per diluted share in the first quarter of 2018, and \$45.9 million or \$1.14 per diluted share in the second quarter of 2017.

Non-GAAP income from continuing operations was \$49.4 million or \$1.25 per diluted share in the second quarter of 2018. This compared with \$53.4 million or \$1.34 per diluted share in the first quarter of 2018, and \$49.2 million or \$1.22 per diluted share in the second quarter of 2017. A reconciliation of non-GAAP measures is provided in the tables below.

The company generated \$53.0 million of operating cash from continuing operations in the second quarter of 2018. During the quarter the company repurchased approximately 407 thousand shares for \$25.3 million dollars.

Discontinued Operations

The company's financial statements for all periods presented reflect results for the continuing precision power business, with the discontinued inverter business included in discontinued operations for all purposes. Further financial detail regarding the amounts related to the discontinued inverter business are available in the company's 2017 Annual Report on Form 10-K.

Third Quarter 2018 Guidance

Based on the company's current view, beliefs and assumptions, its guidance for the third quarter of 2018 is within the following ranges and does not incorporate any potential adjustments during the measurement period associated with U.S. tax reform.

| | Q3 2018 |
|---|-----------------|
| Revenues | \$160M - \$170M |
| GAAP operating margins from continuing operations | 25.2% - 27.2% |
| GAAP EPS from continuing operations | \$0.86 - \$1.00 |
| Non-GAAP operating margins from continuing operations | 27.5% - 29.5% |
| Non-GAAP EPS from continuing operations | \$0.93 - \$1.07 |

Second Quarter 2018 Conference Call

Management will host a conference call tomorrow morning, Tuesday, July 31, 2018 at 6:30 a.m. Mountain Time/ 8:30 a.m. Eastern Time to discuss Advanced Energy's financial results. Domestic callers may access this conference call by dialing 855-232-8958. International callers may access the call by dialing 315-625-6980. Participants will need to provide the operator with the Conference ID Number 4559567, which has been reserved for this call. For a replay of this teleconference, please call 855-859-2056 or 404-537-3406 and enter Conference ID Number 4559567. The replay will be available for one week following the conference call. A webcast will also be available on the company's Investor Relations web page at <http://ir.advanced-energy.com>.

About Advanced Energy

Advanced Energy (Nasdaq: AEIS) is a global leader in innovative power and control technologies for high-growth, precision power solutions for thin films processes and industrial applications. Advanced Energy is headquartered in Fort Collins, Colorado, with dedicated support and service locations around the world. For more information, visit: www.advanced-energy.com.

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Non-GAAP Measures

This release includes GAAP and non-GAAP income and per-share earnings data and other GAAP and non-GAAP financial information. Advanced Energy's non-GAAP measures exclude the impact of non-cash related charges such as stock-based compensation and amortization of intangible assets, as well as non-recurring items such as acquisition-related costs. Additionally, the second quarter non-GAAP results exclude estimated income tax expense associated with U.S. tax reform. For the third quarter ending September 30, 2018 guidance, the company expects stock-based compensation of \$2.5 million and amortization of intangibles of \$1.3 million. The non-GAAP measures included in this release are not in accordance with, or an alternative for, similar measures calculated under generally accepted accounting principles and may be different from 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. Advanced Energy believes that these non-GAAP measures provide useful information to management and investors to evaluate business performance without the impacts of certain non-cash charges and other charges which are not part of the company's usual operations. The company uses these non-GAAP measures to assess performance against business objectives, make business decisions, develop budgets, forecast future periods, assess trends and evaluate financial impacts of various scenarios. In addition, management's incentive plans include these non-GAAP measures as criteria for achievements. Additionally, the company believes that these non-GAAP measures, in combination with its financial results calculated in accordance with GAAP, provide investors with additional perspective. While some of the excluded items may be incurred and reflected in the company's GAAP financial results in the foreseeable future, the company believes that the items excluded from certain non-GAAP measures do not accurately reflect the underlying performance of its continuing operations for the period in which they are incurred. The use of non-GAAP measures has limitations in that such measures do not reflect all of the amounts associated with the company's results of operations as determined in accordance with GAAP, and these measures should only be used to evaluate the company's results of operations in conjunction with the

corresponding GAAP measures. Please refer to the Form 8-K regarding this release furnished today to the Securities and Exchange Commission.

Forward-Looking Statements

The company's guidance with respect to anticipated financial results for the third quarter ending September 30, 2018, potential future growth and profitability, our future business mix, expectations regarding future market trends and the company's future performance within specific markets (e.g., statements regarding anticipated semiconductor and industrial market growth) and other statements herein or made on the above-announced conference call that are not historical information are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to: (a) the effects of global macroeconomic conditions upon demand for our products and services; (b) the volatility and cyclicality of the industries the company serves, particularly the semiconductor industry; (c) delays in capital spending by end-users in our served markets; (d) the accuracy of the company's estimates related to fulfilling solar inverter product warranty and post-warranty obligations; (e) the company's ability to realize its plan to avoid additional costs after the solar inverter wind-down; (f) the accuracy of the company's assumptions on which its financial statement projections are based; (g) the impact of product price changes, which may result from a variety of factors; (h) the timing of orders received from customers; (i) the company's ability to realize benefits from cost improvement efforts including avoided costs, restructuring plans and inorganic growth; (j) the company's ability to obtain in a timely manner the materials necessary to manufacture its products; (k) unanticipated changes to management's estimates, reserves or allowances; (l) changes and adjustments to the tax expense and benefits related to the recently enacted U.S. tax reform; and (m) the effects of recent U.S. government trade restrictions and other governmental action related to tariffs upon demand for our products and services and the U.S. economy. These and other risks are described in Advanced Energy's Form 10-K, Forms 10-Q and other reports and statements filed with the Securities and Exchange Commission (the "SEC"). These reports and statements are available on the SEC's website at www.sec.gov. Copies may also be obtained from Advanced Energy's investor relations page at <http://ir.advanced-energy.com> or by contacting Advanced Energy's investor relations at 970-407-6555. Forward-looking statements are made and based on information available to the company on the date of this press release. Aspirational goals and targets discussed on the conference call or in the presentation materials should not be interpreted in any respect as guidance. The company assumes no obligation to update the information in this press release.

ADVANCED ENERGY INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except per share data)

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|------------------|------------------|------------------|------------------|
| | June 30, | | March 31, | June 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Sales: | | | | | |
| Product | \$ 169,235 | \$ 143,288 | \$ 171,209 | \$ 340,444 | \$ 272,115 |
| Service | 26,797 | 22,584 | 24,408 | 51,205 | 43,108 |
| Total sales | 196,032 | 165,872 | 195,617 | 391,649 | 315,223 |
| Cost of sales: | | | | | |
| Product | 80,953 | 66,491 | 79,806 | 160,759 | 126,608 |
| Service | 13,844 | 12,240 | 12,166 | 26,010 | 22,643 |
| Total cost of sales | 94,797 | 78,731 | 91,972 | 186,769 | 149,251 |
| Gross profit | 101,235 | 87,141 | 103,645 | 204,880 | 165,972 |
| | 51.6% | 52.5% | 53.0% | 52.3% | 52.7% |
| Operating expenses: | | | | | |
| Research and development | 19,195 | 14,610 | 17,637 | 36,832 | 27,113 |
| Selling, general and administrative | 24,758 | 23,790 | 28,648 | 53,406 | 45,888 |
| Amortization of intangible assets | 1,264 | 974 | 1,257 | 2,521 | 1,936 |
| Total operating expenses | 45,217 | 39,374 | 47,542 | 92,759 | 74,937 |
| Operating income | 56,018 | 47,767 | 56,103 | 112,121 | 91,035 |
| Other income (expense), net | (485) | (83) | 26 | (459) | (3,291) |
| Income from continuing operations before income taxes | 55,533 | 47,684 | 56,129 | 111,662 | 87,744 |
| Provision for income taxes | 9,133 | 1,811 | 9,759 | 18,892 | 6,430 |
| Income from continuing operations, net of income taxes | 46,400 | 45,873 | 46,370 | 92,770 | 81,314 |
| Income from discontinued operations, net of income taxes | 5 | 179 | 140 | 145 | 2,273 |
| Net income | 46,405 | 46,052 | 46,510 | 92,915 | 83,587 |
| Income from continuing operations attributable to noncontrolling interest | 44 | — | 31 | 75 | — |
| Net income attributable to Advanced Energy Industries, Inc. | \$ 46,361 | \$ 46,052 | \$ 46,479 | \$ 92,840 | \$ 83,587 |
| Basic weighted-average common shares outstanding | 39,349 | 39,849 | 39,619 | 39,484 | 39,793 |
| Diluted weighted-average common shares outstanding | 39,603 | 40,250 | 39,995 | 39,807 | 40,212 |
| Earnings per share attributable to Advanced Energy Industries, Inc: | | | | | |
| Continuing operations: | | | | | |
| Basic earnings per share | \$ 1.18 | \$ 1.15 | \$ 1.17 | \$ 2.35 | \$ 2.04 |
| Diluted earnings per share | \$ 1.17 | \$ 1.14 | \$ 1.16 | \$ 2.33 | \$ 2.02 |
| Discontinued operations: | | | | | |
| Basic earnings per share | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.06 |
| Diluted earnings per share | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.06 |
| Net income: | | | | | |
| Basic earnings per share | \$ 1.18 | \$ 1.16 | \$ 1.17 | \$ 2.35 | \$ 2.10 |
| Diluted earnings per share | \$ 1.17 | \$ 1.14 | \$ 1.16 | \$ 2.33 | \$ 2.08 |

ADVANCED ENERGY INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | June 30, 2018 | December 31, 2017 |
|--|--------------------------|------------------------------|
| ASSETS | Unaudited | |
| Current assets: | | |
| Cash and cash equivalents | \$ 432,999 | \$ 407,283 |
| Marketable securities | 3,146 | 3,104 |
| Accounts and other receivable, net | 106,302 | 87,429 |
| Inventories, net | 109,834 | 78,450 |
| Income taxes receivable | 3,290 | 1,295 |
| Other current assets | 7,263 | 8,129 |
| Current assets of discontinued operations | 7,979 | 9,535 |
| Total current assets | 670,813 | 595,225 |
| Property and equipment, net | 24,148 | 17,795 |
| Deposits and other assets | 3,670 | 3,051 |
| Goodwill and intangibles, net | 86,928 | 87,311 |
| Deferred income tax assets | 38,419 | 18,841 |
| Non-current assets of discontinued operations | 11,080 | 11,085 |
| Total assets | \$ 835,058 | \$ 733,308 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 58,028 | \$ 48,177 |
| Other accrued expenses | 67,823 | 50,092 |
| Current liabilities of discontinued operations | 6,478 | 7,850 |
| Total current liabilities | 132,329 | 106,119 |
| Non-current liabilities of continuing operations | 94,475 | 91,271 |
| Non-current liabilities of discontinued operations | 12,738 | 15,277 |
| Long-term liabilities | 107,213 | 106,548 |
| Total liabilities | 239,542 | 212,667 |
| Advanced Energy stockholders' equity | 595,010 | 520,641 |
| Noncontrolling interest | 506 | — |
| Stockholders' equity | 595,516 | 520,641 |
| Total liabilities and stockholders' equity | \$ 835,058 | \$ 733,308 |

December 31, 2017 amounts are derived from the December 31, 2017 audited Consolidated Financial Statements.

ADVANCED ENERGY INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

| | Six Months Ended June 30, | |
|---|----------------------------------|-------------------|
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 92,915 | \$ 83,587 |
| Income from discontinued operations, net of income taxes | 145 | 2,273 |
| Income from continuing operations, net of income taxes | 92,770 | 81,314 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,917 | 4,219 |
| Stock-based compensation expense | 6,437 | 7,254 |
| Provision for deferred income taxes | (96) | — |
| Loss on foreign exchange hedge | — | 3,489 |
| Net loss on disposal of assets | 158 | 65 |
| Changes in operating assets and liabilities, net of assets acquired | (17,282) | 10,272 |
| Net cash provided by operating activities from continuing operations | 87,904 | 106,613 |
| Net cash used in operating activities from discontinued operations | (2,450) | (6,396) |
| Net cash provided by operating activities | 85,454 | 100,217 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of marketable securities | (91) | (19) |
| Proceeds from sale of marketable securities | 4 | 723 |
| Restricted Cash | — | (17,732) |
| Acquisitions, net of cash acquired | (9,072) | — |
| Purchase of foreign exchange hedge | — | (3,489) |
| Purchases of property and equipment | (9,426) | (3,408) |
| Net cash used in investing activities from continuing operations | (18,585) | (23,925) |
| Net cash used in investing activities from discontinued operations | — | — |
| Net cash used in investing activities | (18,585) | (23,925) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Purchase and retirement of common stock | (38,059) | — |
| Net payments related to stock-based award activities | (2,576) | (1,874) |
| Net cash used in financing activities from continuing operations | (40,635) | (1,874) |
| Net cash used in financing activities from discontinued operations | — | — |
| Net cash used in financing activities | (40,635) | (1,874) |
| EFFECT OF CURRENCY TRANSLATION ON CASH | (1,160) | 1,216 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 25,074 | 75,634 |
| CASH AND CASH EQUIVALENTS, beginning of period | 415,037 | 289,517 |
| CASH AND CASH EQUIVALENTS, end of period | 440,111 | 365,151 |
| Less cash and cash equivalents from discontinued operations | 7,112 | 6,214 |
| CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS, end of period | <u>\$ 432,999</u> | <u>\$ 358,937</u> |

ADVANCED ENERGY INDUSTRIES, INC.
SELECTED OTHER DATA (UNAUDITED)
(in thousands)

Reconciliation of Non-GAAP measure - operating expenses and operating income, excluding certain items

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|-----------|------------|------------------|------------|
| | June 30, | | March 31, | June 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Gross profit from continuing operations, as reported | \$ 101,235 | \$ 87,141 | \$ 103,645 | \$ 204,880 | \$ 165,972 |
| Adjustments to gross profit: | | | | | |
| Stock-based compensation | 149 | 379 | 351 | 500 | 714 |
| Facility expansion and relocation costs | 249 | — | — | 249 | — |
| Non-GAAP gross profit from continuing operations | 101,633 | 87,520 | 103,996 | 205,629 | 166,686 |
| Operating expenses from continuing operations, as reported | 45,217 | 39,374 | 47,542 | 92,759 | 74,937 |
| Adjustments: | | | | | |
| Stock-based compensation | (1,794) | (3,477) | (4,143) | (5,937) | (6,540) |
| Amortization of intangible assets | (1,264) | (974) | (1,257) | (2,521) | (1,936) |
| Acquisition-related costs | (255) | (150) | (350) | (605) | (150) |
| Facility expansion and relocation costs | (13) | — | (476) | (489) | — |
| Non-GAAP operating expenses from continuing operations | 41,891 | 34,773 | 41,316 | 83,207 | 66,311 |
| Non-GAAP operating income from continuing operations | \$ 59,742 | \$ 52,747 | \$ 62,680 | \$ 122,422 | \$ 100,375 |

Reconciliation of Non-GAAP measure - operating expenses and operating income, excluding certain items

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|--------|-----------|------------------|--------|
| | June 30, | | March 31, | June 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Gross profit from continuing operations, as reported | 51.6 % | 52.5 % | 53.0 % | 52.3 % | 52.7 % |
| Adjustments to gross profit: | | | | | |
| Stock-based compensation | 0.1 | 0.3 | 0.2 | 0.1 | 0.2 |
| Facility expansion and relocation costs | 0.1 | — | — | 0.1 | — |
| Non-GAAP gross profit from continuing operations | 51.8 | 52.8 | 53.2 | 52.5 | 52.9 |
| Operating expenses from continuing operations, as reported | 23.1 | 23.7 | 24.3 | 23.7 | 23.8 |
| Adjustments: | | | | | |
| Stock-based compensation | (1.1) | (2.0) | (2.1) | (1.6) | (2.1) |
| Amortization of intangible assets | (0.6) | (0.6) | (0.6) | (0.6) | (0.6) |
| Acquisition-related costs | (0.1) | (0.1) | (0.2) | (0.2) | — |
| Facility expansion and relocation costs | — | — | (0.2) | (0.1) | — |
| Non-GAAP operating expenses from continuing operations | 21.3 | 21.0 | 21.2 | 21.2 | 21.1 |
| Non-GAAP operating income from continuing operations | 30.5 % | 31.8 % | 32.0 % | 31.3 % | 31.8 % |

Reconciliation of Non-GAAP measure - income excluding certain items

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|-----------|-----------|------------------|-----------|
| | June 30, | | March 31, | June 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Income from continuing operations, less noncontrolling interest, net of income taxes | \$ 46,356 | \$ 45,873 | \$ 46,339 | \$ 92,695 | \$ 81,314 |
| Adjustments: | | | | | |
| Stock-based compensation | 1,943 | 3,856 | 4,494 | 6,437 | 7,254 |
| Amortization of intangible assets | 1,264 | 974 | 1,257 | 2,521 | 1,936 |
| Loss on foreign exchange hedge | — | — | — | — | 3,489 |
| Acquisition-related costs | 255 | 150 | 350 | 605 | 150 |
| Facility expansion and relocation costs | 262 | — | 476 | 738 | — |
| Tax Cuts and Jobs Act Impact | — | — | 1,853 | 1,853 | — |
| Tax effect of Non-GAAP adjustments | (704) | (1,629) | (1,343) | (2,047) | (3,025) |
| Non-GAAP income from continuing operations, net of income taxes | \$ 49,376 | \$ 49,224 | \$ 53,426 | \$ 102,802 | \$ 91,118 |

Reconciliation of Non-GAAP measure - per share earnings excluding certain items

| | Three Months Ended | | | Six Months Ended | |
|--|--------------------|---------|-----------|------------------|---------|
| | June 30, | | March 31, | June 30, | |
| | 2018 | 2017 | 2018 | 2018 | 2017 |
| Diluted earnings per share from continuing operations, as reported | \$ 1.17 | \$ 1.14 | \$ 1.16 | \$ 2.33 | \$ 2.02 |
| Add back: | | | | | |
| per share impact of Non-GAAP adjustments, net of tax | 0.08 | 0.08 | 0.18 | 0.25 | 0.25 |
| Non-GAAP per share earnings from continuing operations | \$ 1.25 | \$ 1.22 | \$ 1.34 | \$ 2.58 | \$ 2.27 |

Reconciliation of Q3 2018 Guidance

| | Low End | High End |
|---------|---------------|---------------|
| Revenue | \$160 million | \$170 million |

Reconciliation of Non-GAAP operating margin

| | | |
|-----------------------------------|--------------|--------------|
| GAAP operating margin | 25.2% | 27.2% |
| Stock-based compensation | 1.5% | 1.6% |
| Amortization of intangible assets | 0.8% | 0.7% |
| Non-GAAP operating margin | 27.5% | 29.5% |

Reconciliation of Non-GAAP earnings per share

| | | |
|------------------------------------|----------------|----------------|
| GAAP earnings per share | \$ 0.86 | \$ 1.00 |
| Stock-based compensation | 0.06 | 0.06 |
| Amortization of intangible assets | 0.03 | 0.03 |
| Tax effects of excluded items | (0.02) | (0.02) |
| Non-GAAP earnings per share | \$ 0.93 | \$ 1.07 |