Nordson

# Investor Presentation

Ascend
STRATEGY

**May 21, 2024**

**Nasdaq: NDSN**

NBS NEXT | OWNER MINDSET | WINNING TEAMS

# Safe Harbor Statement
# Under the Private Securities Litigation Reform Act of 1995

Certain statements contained in this release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by terminology such as “such as “anticipates,” “supports,” “plans,” “projects,” “expects,” “believes,” “should,” “would,” “could,” “hope,” “forecast,” “management is of the opinion,” use of the future tense and similar words or phrases.. These statements reflect management’s current expectations and involve a number of risks and uncertainties. These risks and uncertainties include, but are not limited to, U.S. and international economic conditions; financial and market conditions; currency exchange rates and devaluations; possible acquisitions, including the Company’s ability to successfully integrate acquisitions; the Company’s ability to successfully divest or dispose of businesses that are deemed not to fit with its strategic plan; the effects of changes in U.S. trade policy and trade agreements; the effects of changes in tax law; and the possible effects of events beyond our control, such as political unrest, including the conflicts in Europe and the Middle East, acts of terror, natural disasters, pandemics and the other factors discussed in Item 1A (Risk Factors) in the Company’s most recently filed Annual Report on Form 10-K and in its Forms 10-Q filed with the Securities and Exchange Commission, which should be reviewed carefully. The Company undertakes no obligation to update or revise any forward-looking statement in this press release.



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Nordson is an innovative precision technology company that leverages a scalable growth framework to deliver top tier growth with leading margins and returns.

| Company Founded | *Sales | *EBITDA | Employees | Countries with Direct Presence |
|---|---|---|---|---|
| 1954 | $2.6B | $819M | 7,900 | 35+ |



*Sales and EBITDA for the full fiscal year ended 10/31/23.



# By the Numbers

| Consistent Record of Growth | Demonstrated Value to Customers | Disciplined focus on profitability | Solid Returns | Differentiated Product Portfolio* | Consistent value to shareholders |
|---|---|---|---|---|---|
| **3%** Sales Growth | **55%** Gross Margins | **29%** EBITDA Margins | **15%** ROIC | **2,100+** Global Patents Held | **60 yrs.** of Annual Dividend Increases |



*Note: Financial amounts presented are averages of 2019 – 2023, except ROIC, which is 2023, and dividends which updated August 2023*

**Active Patents as of 10/31/23*

# Commitment to ESG



## Diversified Board of Directors

- 4% diverse board (2 gender and 2 racially or ethnically diverse)
- 8 out of 9 independent directors
- 6 years average tenure



## Strong Culture and Values

- Nordson Impact – Invest 5% of domestic pretax earnings in communities
- Paid time off for volunteer hours
- Employee support programs



## Environmental Stewardship

- Product design improvements focused on reducing customers' material utilization
- Journey to Zero adverse impacts to employees and community



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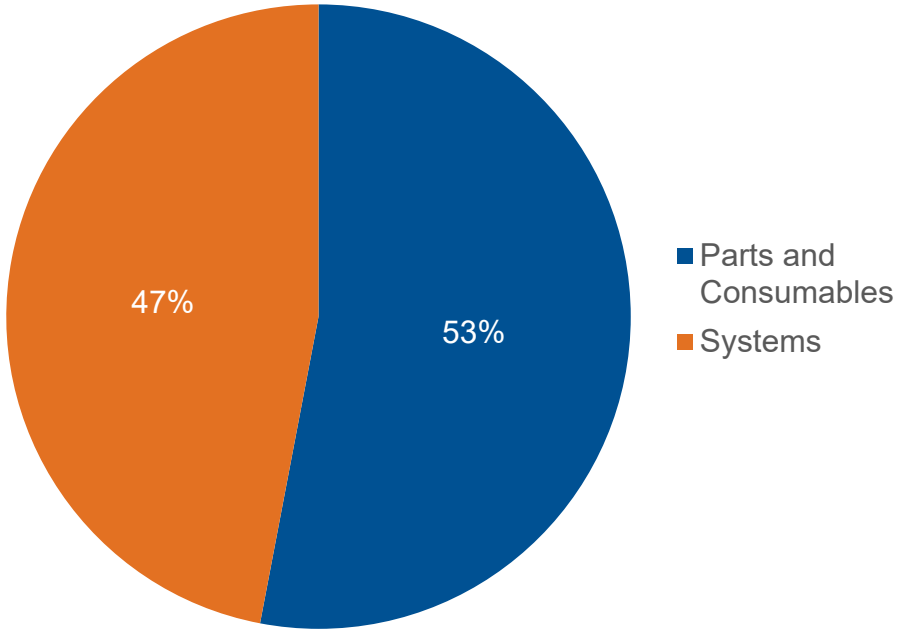
# Diversified Sources of Sales

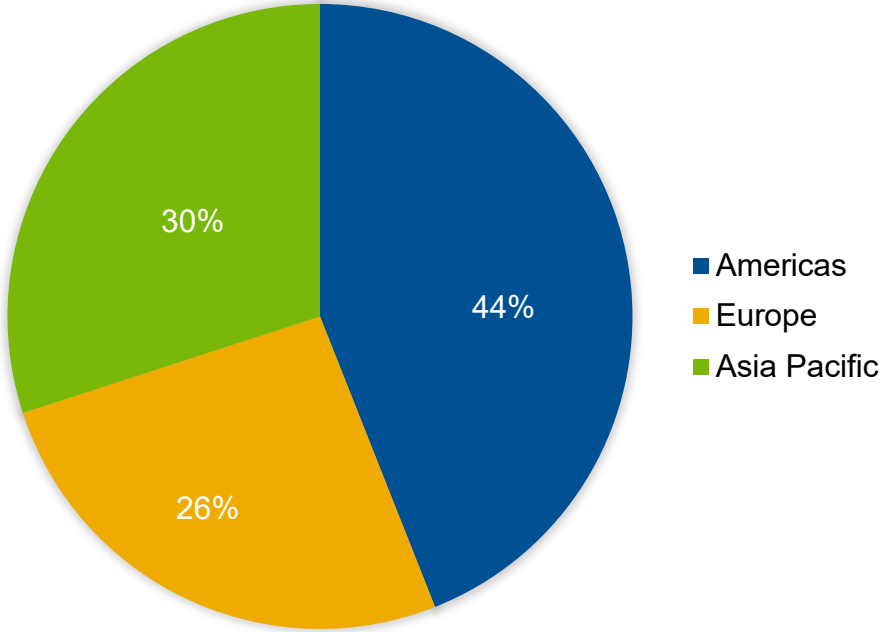
## FY2023 Profile - $2.6 Billion

### Product Type



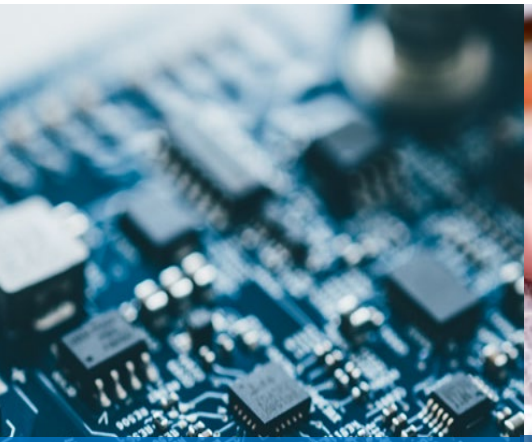

High percentage of recurring sales from parts and consumables.

### Geographies



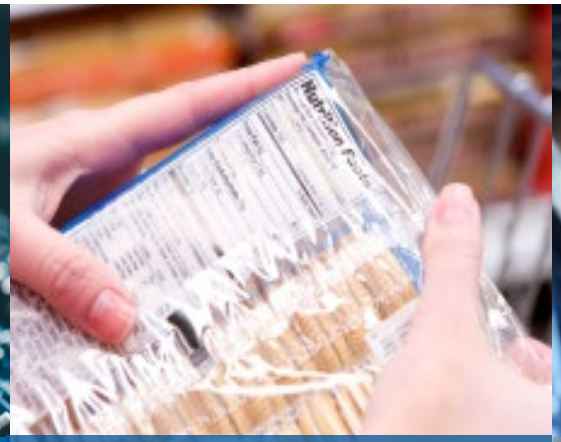

Diversified geographic footprint. Direct presence in over 35 countries.

# Diversified End Markets



**Electronics**
**27%** of revenue

- Semiconductor packaging
- Wafer-level packaging
- Printed circuit boards
- Electronic component assembly – mobile phone, camera, ear buds, PC
- Automotive electronics



**Consumer Non-Durables**
**23%** of revenue

- Box sealing
- Baby diapers
- Convenience food packaging
- Beverage straw and spot attachment
- Container and bottle labeling



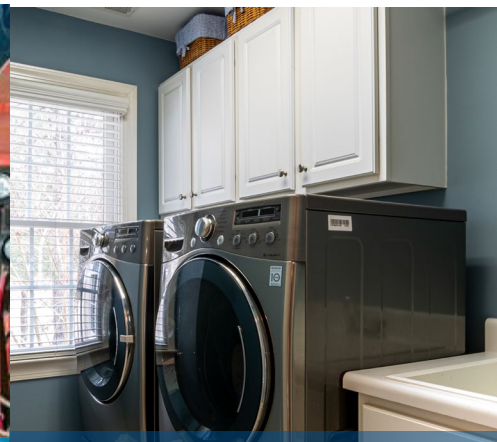
**Medical**
**22%** of revenue

- Balloons, extrusions, delivery catheters and other minimally invasive devices
- Single-use fittings, connectors, fluid transfer components in medical equipment and surgical procedures
- Single-use specialty cannula for cardio-pulmonary procedures



**Industrial**
**15%** of revenue

- Construction and industrial machinery
- Rigid container
- Aerospace
- Chemical
- Defense
- Energy



**Remaining Markets**
**13%** of revenue

- Consumer durable
- Automotive
- Animal health & delivery systems

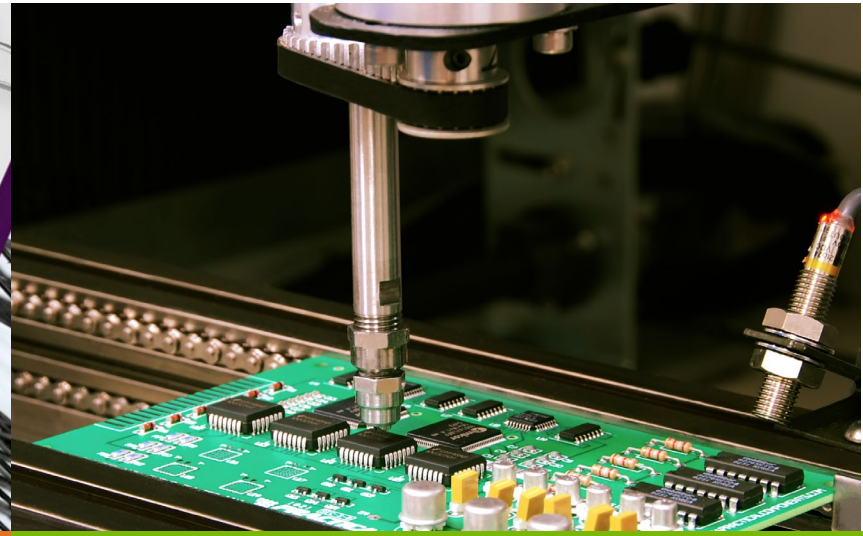


*Note: Approximate fiscal 2023 revenue mix for directional use only.*

# How We Are Organized







| INDUSTRIAL PRECISION SOLUTIONS | MEDICAL FLUID SOLUTIONS | ADVANCED TECHNOLOGY SOLUTIONS |
|---|---|---|
| Adhesives, Industrial Coatings Systems, Measurement and Control Solutions & Polymer Processing Systems | Medical & Fluid Management | Electronic Processing Systems & Test and Inspection |
| **53%** REVENUE | **25%** REVENUE | **22%** REVENUE |

*Segment average mix for the full fiscal year ended 10/31/23

# Industrial Precision Solutions

## What We Do

Product lines reduce material consumption, increase line efficiency, and enhance product brand and appearance. Components are used for dispensing adhesives, coatings, paint, finishes, sealants and other materials. This business primarily serves the industrial, consumer durables and non-durables markets.

**2023 Revenues**

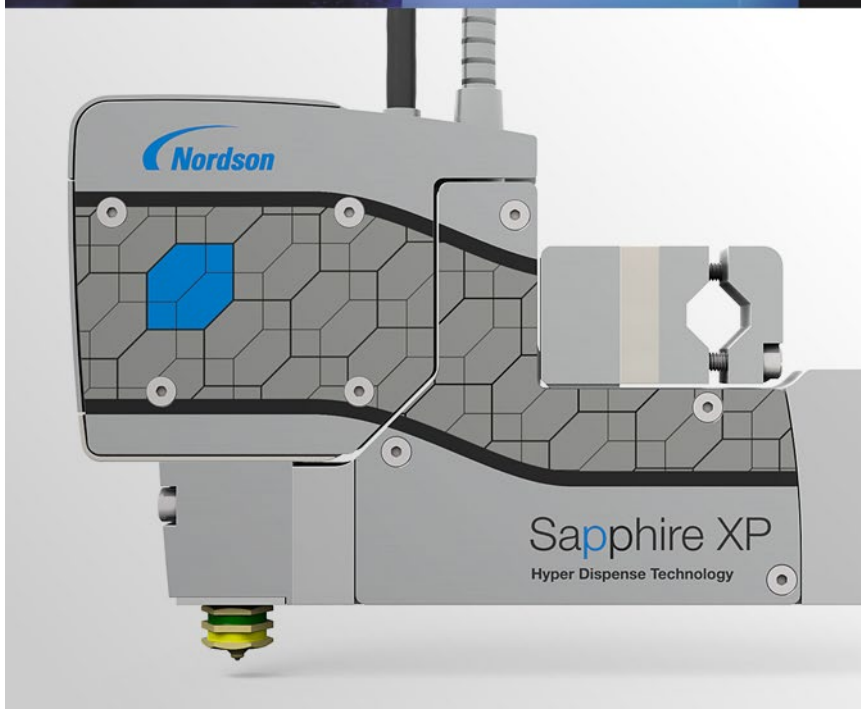
**$1,391M**

| 2023 Operating Margin* | 2023 EBITDA |
|---|---|
| 34% | 36% |

## Long-Term Growth Driven By:

- Material, machinery and process innovations
- Emerging markets and product tiering
- New applications, including electric vehicle battery, automotive electronics, and fabric bonding
- Recapitalization of large installed base
- Deploying NBS Next in our divisions




*Adjusted operating profit – see reconciliation in appendix

# Medical Fluid Solutions

## What We Do

Fluid management solutions for medical, high-tech industrial and other diverse end markets. Related plastic tubing, balloons, catheters, syringes, cartridges, tips, and fluid connection components are used to dispense or control fluids within customers' medical devices or products, as well as production processes.

## Long-Term Growth Driven By:

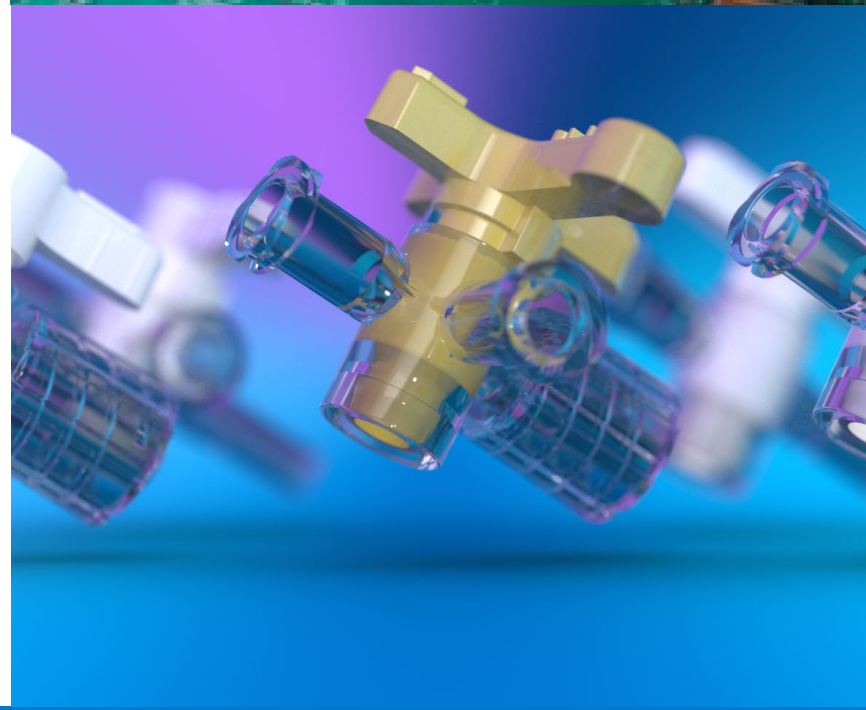
- Aging population
- Trends toward non-invasive surgical techniques
- Medical OEM outsourcing
- Emerging markets
- Deploying NBS Next in our divisions

| 2023 Revenues |
| --- |
| $660M |

| 2023 Operating Margin* | 2023 EBITDA |
| --- | --- |
| 29% | 37% |

*Adjusted operating profit – see reconciliation in appendix





# Advanced Technology Solutions

## What We Do

Design and develop proprietary technologies found in progressive stages of an electronics customer's production processes, such as surface treatment, precisely controlled dispensing of material and test and inspection to ensure quality and reliability.

## Long-Term Growth Driven By:

- Electronics - Broad solutions across the electronics supply chain
- 5G / AI / Big Data / Auto Electronics / Autonomous Vehicles / High-Perf Computing
- Emerging markets
- Deploying NBS Next in our divisions






| 2023 Revenues |
| --- |
| $577M |

| 2023 Operating Margin* | 2023 EBITDA |
| --- | --- |
| 20% | 23% |

*Adjusted operating profit – see reconciliation in appendix

# Why Invest in Nordson?

# Ascend
STRATEGY

## A Diversified Precision Technology Company

| REVENUE | EBITDA |
|---|---|
| $3B+ | 30% |

*Long-term 2025 financial targets*



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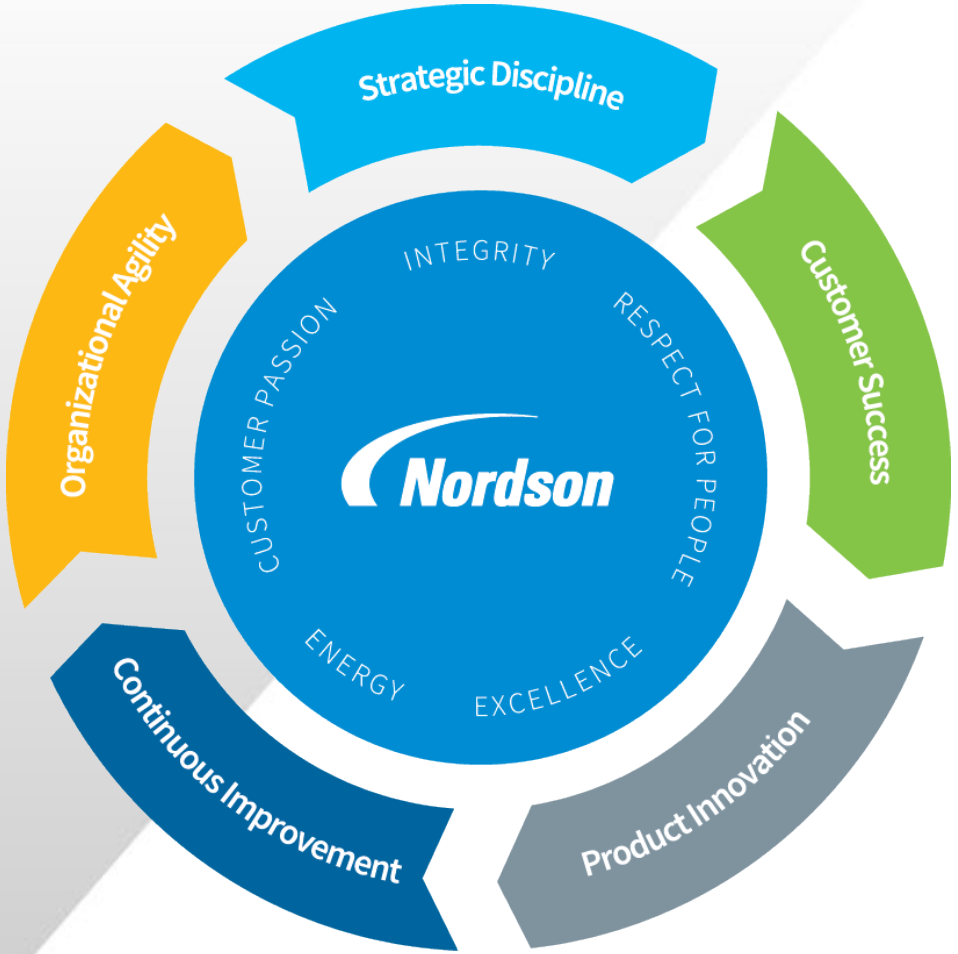
# NBS Next

## GROWTH FRAMEWORK




Driving profitable growth by selecting and investing disproportionately in the best growth opportunities

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# Owner Mindset

**DIVISION-LED**

## Entrepreneurial division-led organization:

- **Decisions close to the customer**
- **Autonomy + Accountability**
- **Clear line of sight to deploying NBS Next**



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# Winning Teams

**TALENT STRATEGY**

## A key ingredient to successful execution of the Ascend strategy:

- **Leaders inspiring trust and building followership in the organization**
- **Focus on inclusion and diversity in everything we do**
- **Create an engaging culture that attracts and retains top talent**



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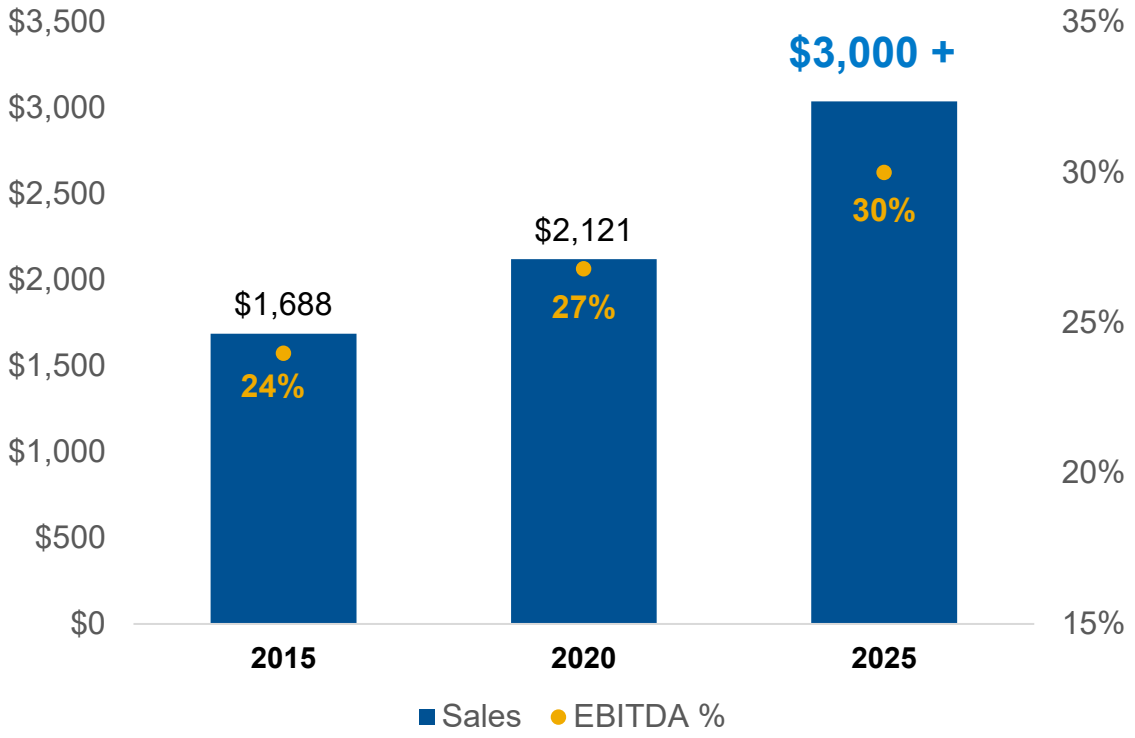
# Ascend Long-Term Financial Targets

## Top-tier growth with attractive margins and returns




| | 2015 - 2020 | 2020 - 2025 |
|---|---|---|
| Sales CAGR | 5% | 7%+ |
| EBITDA CAGR | 7% | 10% |
| Ending ROIC % | 13% | 13%+ |

# Disciplined M&A Strategy



## Strategic Criteria

- Differentiated precision technology based product portfolio
- Serving attractive high-growth end market applications
- Customer-centric business model



## Financial Criteria

- Attractive organic growth rate with Nordson-like gross margins
- EBITDA ~20% with clear margin expansion opportunities



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# ARAG Acquisition Closed August 24, 2023

## ACQUISITION FEATURES

- Expands Nordson's core dispense capabilities into high-growth precision agriculture end market
- Strong growth drivers
- Customer-centric business model

## CORE TECHNOLOGIES

- Differentiated technology generates Nordson-like gross margins
- Proprietary software and data management providing complete, smart and interconnected solutions

### Fluid components

*(Selected products)*

Multistage Centrifugal Pumps



Chemical Hopper



Tank Lids



Manual Ball Valves



*Injection molded mechanical parts in direct contact with fluids, including fittings, filters, nozzles, etc*

### Control systems

*(Selected products)*

Monitors & Displays



Rate Controllers



Visio Displays



IOT Technology



*Electronic parts, not in contact with the fluid, including control systems and electronic accessories*

### Smart components

*(Selected products)*

Electromagnetic Flowmeters



Paddlewheel Flowmeters



Batch Controls



Electric Valves



*Electronically enabled components that manage fluid dispensing, including valves, pumps, actuators, sensors*

# Capital Allocation Priorities

## 1 SUSTAINED INVESTMENT TO DRIVE ORGANIC GROWTH

- Increased R&D investment
- Sustained investment in direct sales model
- Capital investment for capacity expansion, efficiency improvements and base maintenance

## 2 DISCIPLINED M&A

- Differentiated precision technologies
- Financially disciplined
- Significant core competencies and competitive advantages to lever for ROIC & value creation

## 3 RETURN OF CAPITAL

- Strong history with 60 years of paying and increasing the annual dividend
- Offset compensation plan dilution
- Alternative measures will be routinely assessed to manage priorities



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# Investment Thesis

1. Strong growth drivers enabling Nordson's future profitable growth performance

2. Proprietary precision technologies remain a competitive advantage

3. NBS Next is the framework driving our profitable growth

4. Ascend Strategy will deliver top tier financial performance
   - Sustain organic growth
   - Accelerate acquisitive growth
   - Clear financial measures of success



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# Recent Financial Results

# Total Company – 2Q 2024

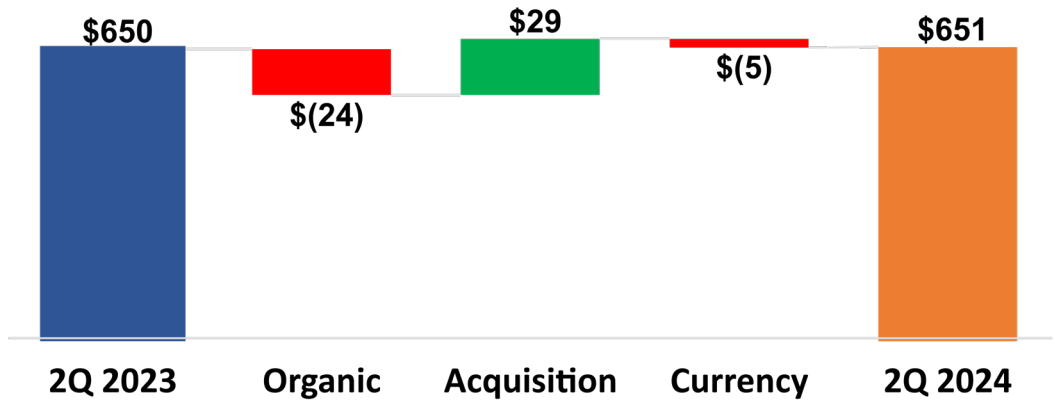
## Sales

- Reported sales of $651 million, comparable to prior year
- 5% growth from ARAG acquisition
- 4% organic decrease driven by electronics, partially offset by growth in industrial coatings systems and fluid solutions product lines

## EBITDA*

- EBITDA was $203 million, 31% of sales
- Flat as improved gross margins were offset by higher selling and administrative expenses primarily related to the acquisition of ARAG

**2Q 2024 Sales Bridge****




| | 2Q 2023 | 2Q 2024 | Δ |
|---|---|---|---|
| Sales | $650.2 | $650.6 | 0% |
| Operating Profit* | $176.0 | $170.7 | -3% |
| EBITDA* | $203.0 | $203.4 | 0% |
| EPS GAAP | $2.21 | $2.05 | -7% |
| EPS Adjusted* | $2.45 | $2.34 | -4% |

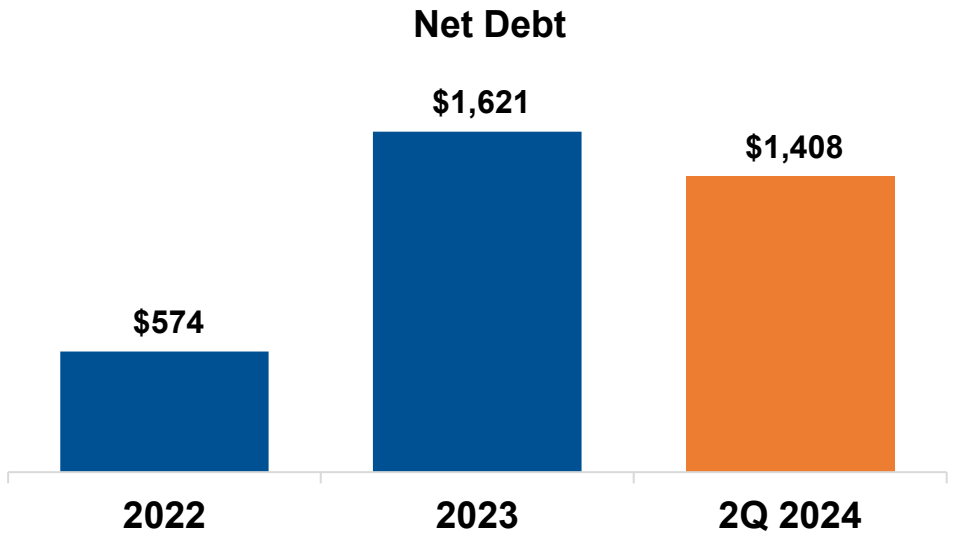
*Non-GAAP numbers - See appendix for reconciliation. In millions except for per share data.
**Amounts may not add due to rounding.

# Balance Sheet and Cash Flow

## Strong Cash Flow with Sufficient Liquidity to Invest in Strategic Initiatives

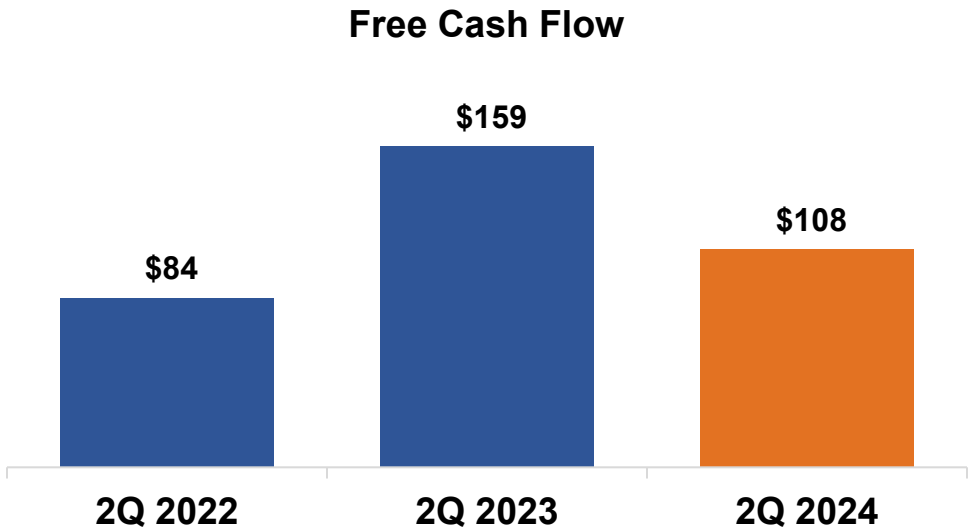
### Net Debt

- Cash totaled $125 million
- Repaid ~$100 million of debt in the quarter
- 1.7 net debt leverage ratio based on trailing 12-month EBITDA




### Free Cash Flow

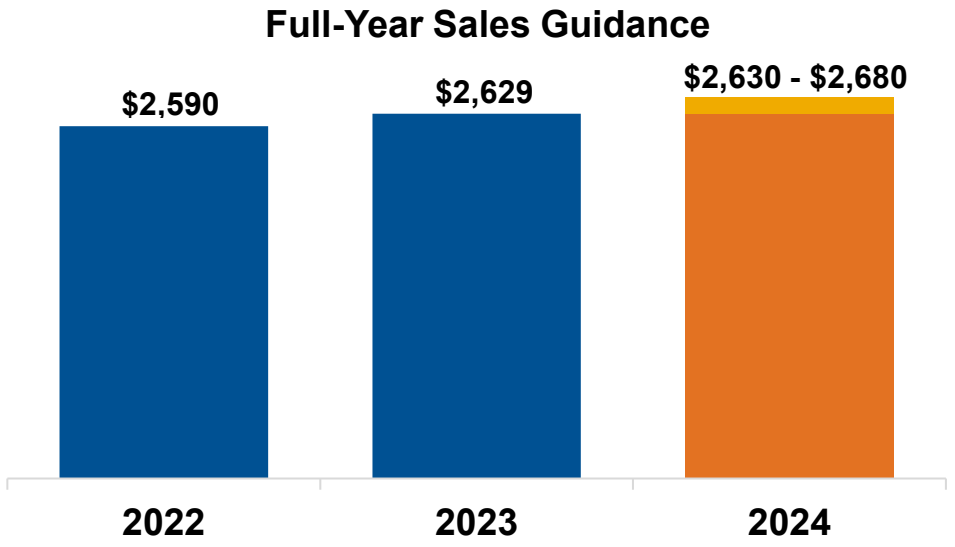
- Free cash flow of $108 million, which is a conversion rate of 92% of net income
- Dividend payments of $39 million, reflective of 5% increase in annual dividend approved in 2023

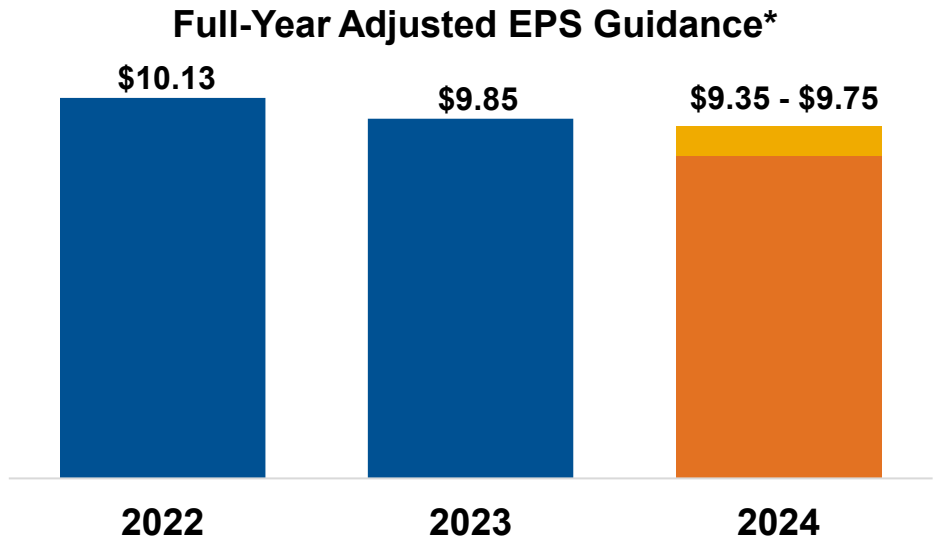


# Full-Year Fiscal 2024 Guidance

## Updating guidance

- Backlog continues to normalize at $700 million
- Fiscal 2024 sales of flat to 2% over record prior year
- Adjusted earnings in the range of $9.35 to $9.75



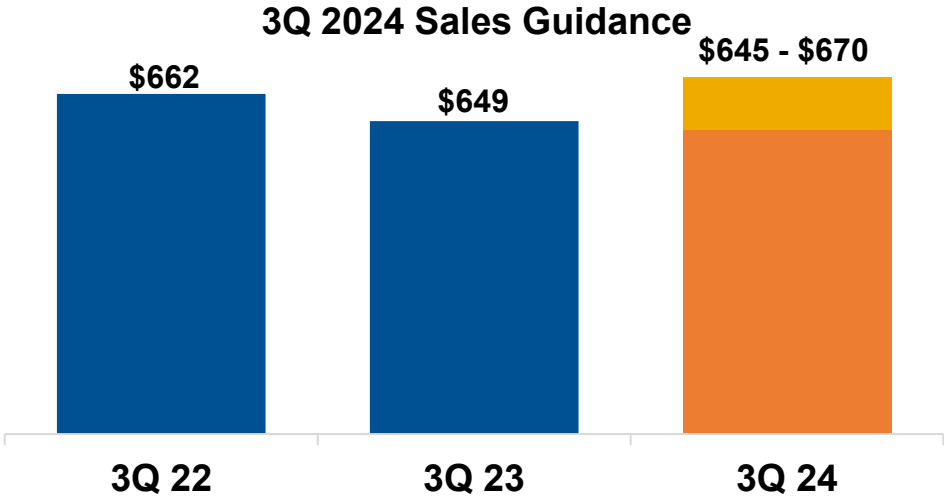


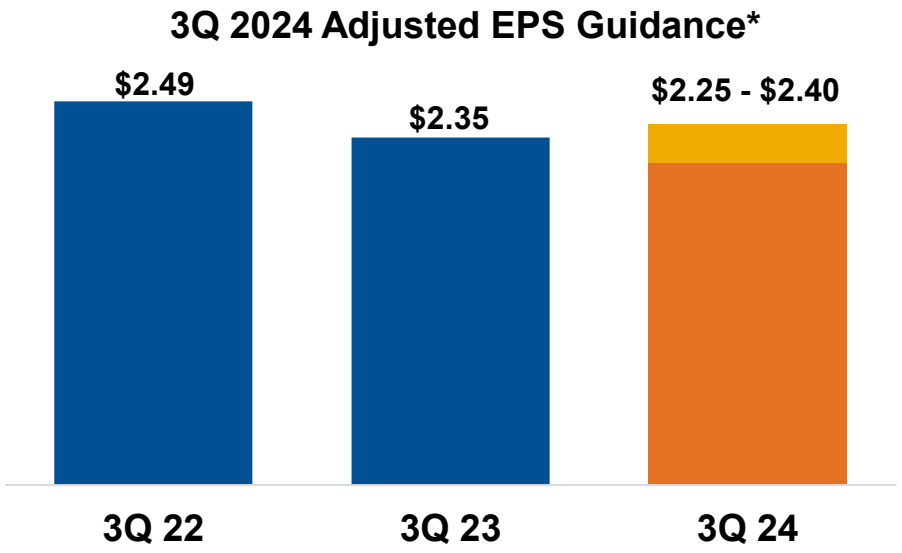

*Non-GAAP numbers - See appendix for reconciliation. In millions except for per share data.

# 3Q Fiscal 2024 Guidance

## Steady performance moving into 3Q

- 3Q 24 sales of $645 - $670 million
- 3Q 24 adjusted earnings per share in the range of $2.25 - $2.40




 *Non-GAAP numbers - See appendix for reconciliation. In millions except for per share data.

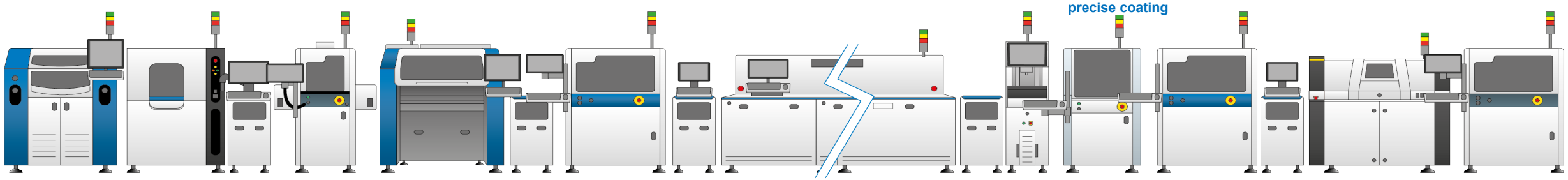
Appendix 1:

# Product Innovation

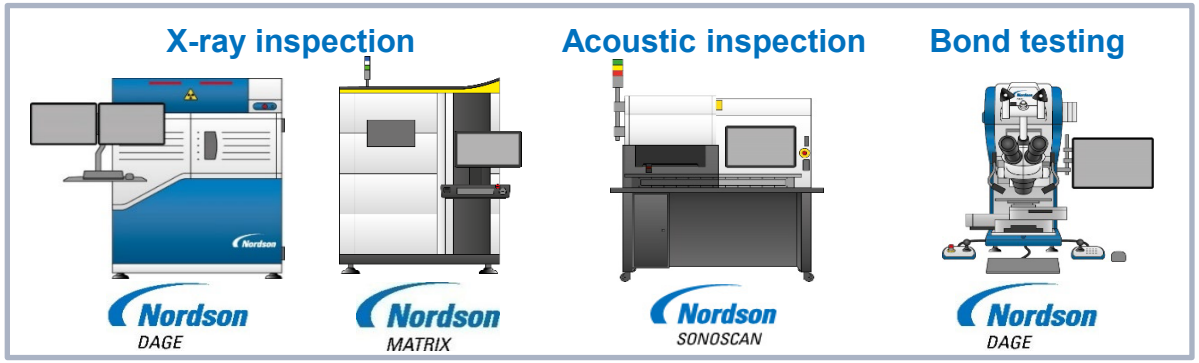
# Our Electronics Industry Position

## Surface Mount Manufacturing

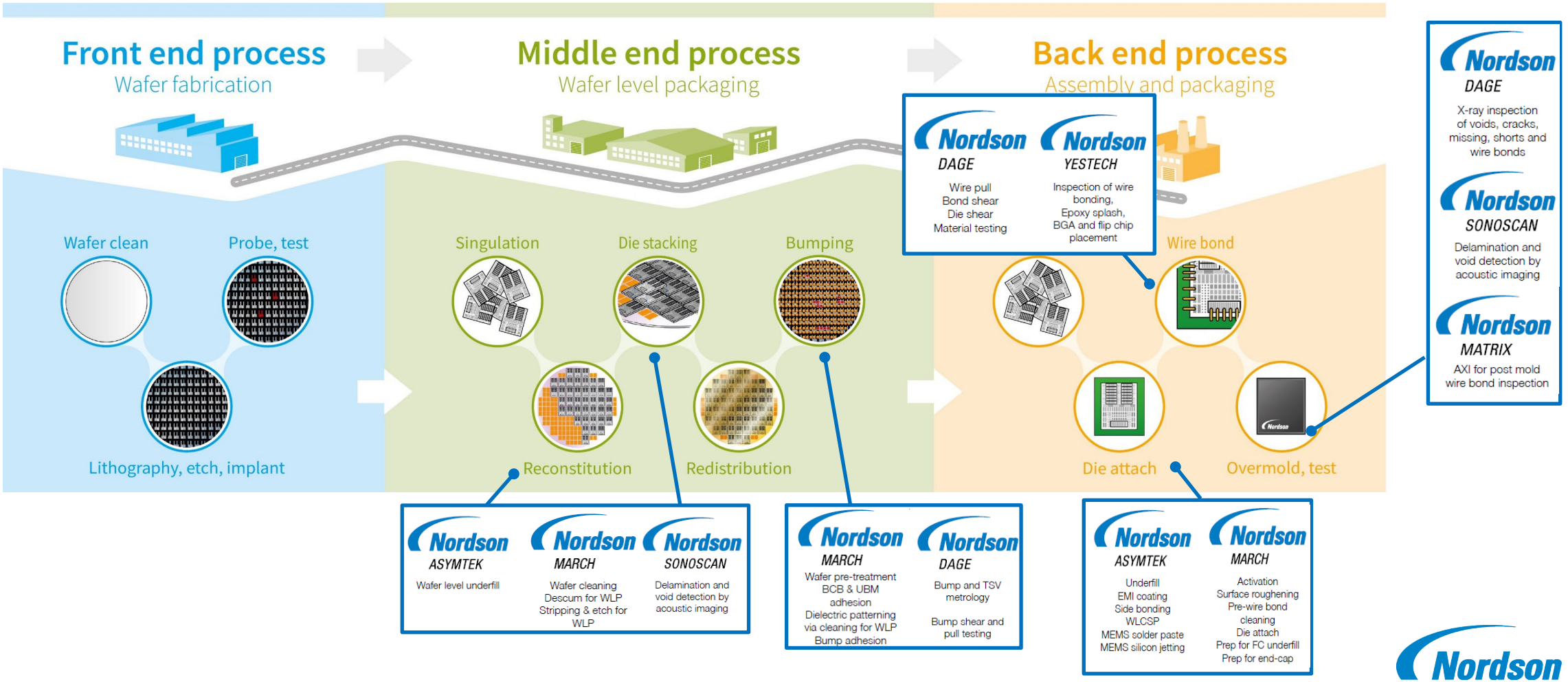
### Inline Systems



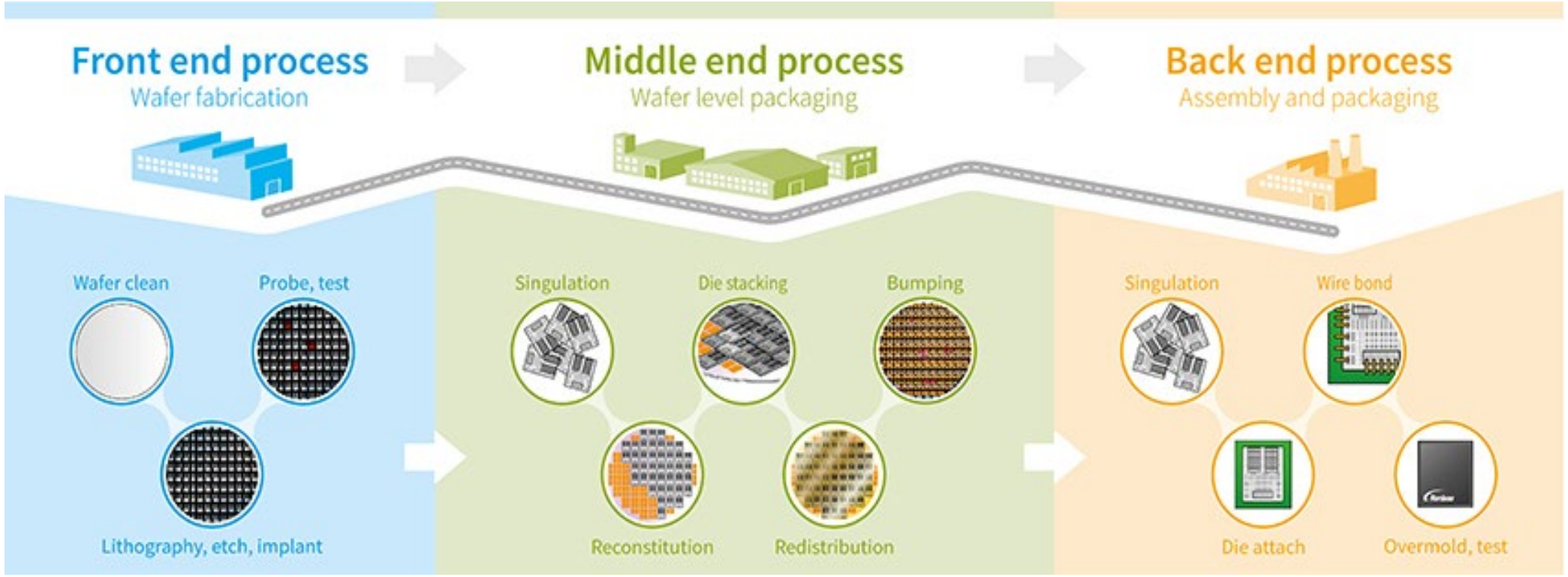

### QA Lab / Island of Automation



# Our Role in the Semiconductor Process



# CyberOptics expands market opportunities




**Nordson T&I Division**

**CyberOptics Optical Sensors & Systems**

*3D Optical semi market expected to grow ~15%+,*
*exceeding the broader 'Wafer Fab Equipment' market LSD '23 – '25 growth*

# Medical and Fluid Solutions



Fluid Solutions
Precision Low-Volume Dispensing

From benchtop dispensers to industry-best jetting valves and automated dispensing robots, Nordson fluid solutions systems deliver accurate, repeatable deposits of glues, greases, and other industrial fluids in precise, low-volume applications.



Interventional Solutions
Medical balloons, catheters, cannulas

From specialty tubing, catheters, medical balloons, Nordson is an expert in the design, development and manufacture of complex medical devices and component technologies.



Fluid Components
Single-use components

Proprietary single-use plastic connectors, stopcocks, valves, clamps, etc., used for patient care (IV's and blood pressure cuffs), biopharma and gene therapy applications.



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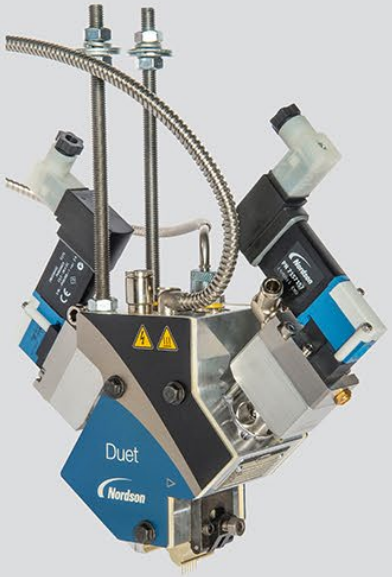
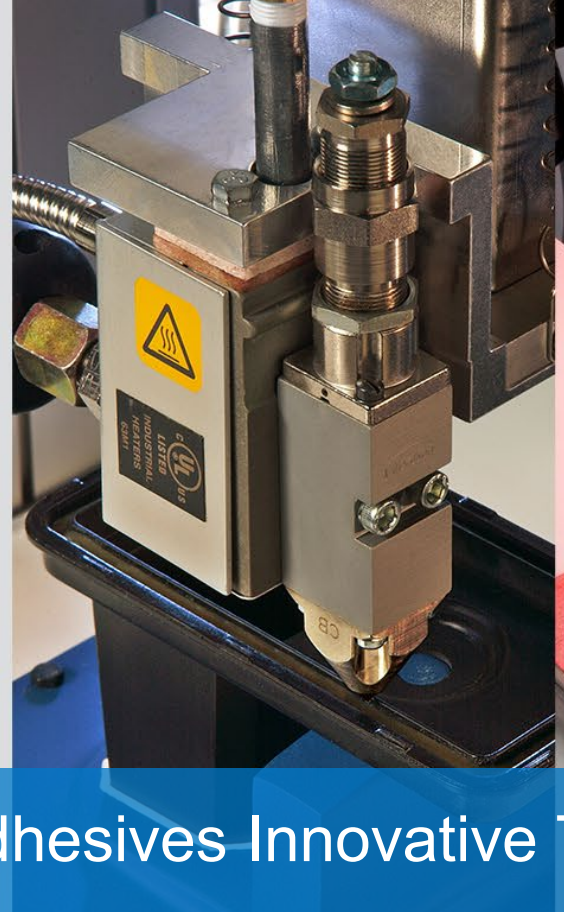
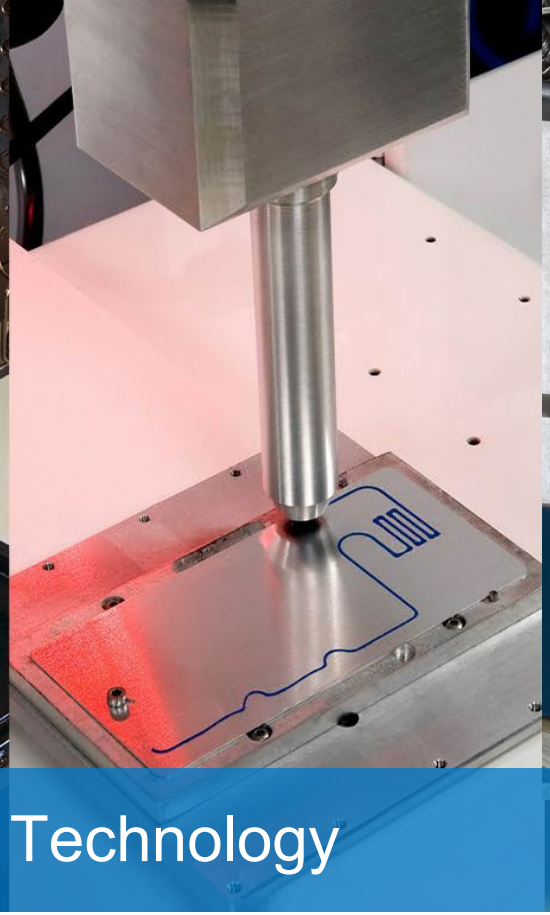
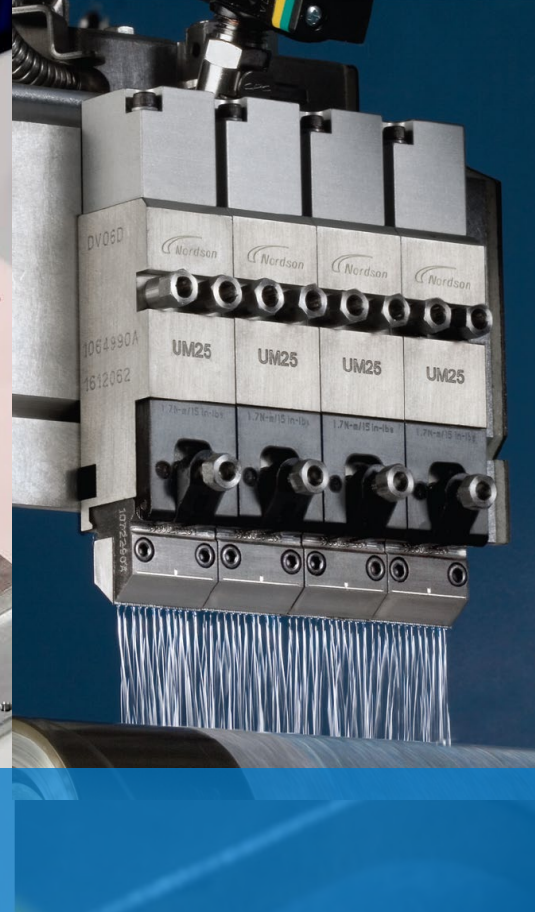







# Core Adhesives Innovative Technology

## Auto-fill Tankless Technology

Adhesive fill systems monitor and maintain optimum adhesive levels

## Variable Dispense Technology

Delivering different add-on rates with one applicator

## Foaming Technology

Maintains bond strength while reducing volume of adhesive required

## Jetting Technology

Dispenses adhesive using non-contact jetting into channels as small as 0.3mm or 300 micron per second

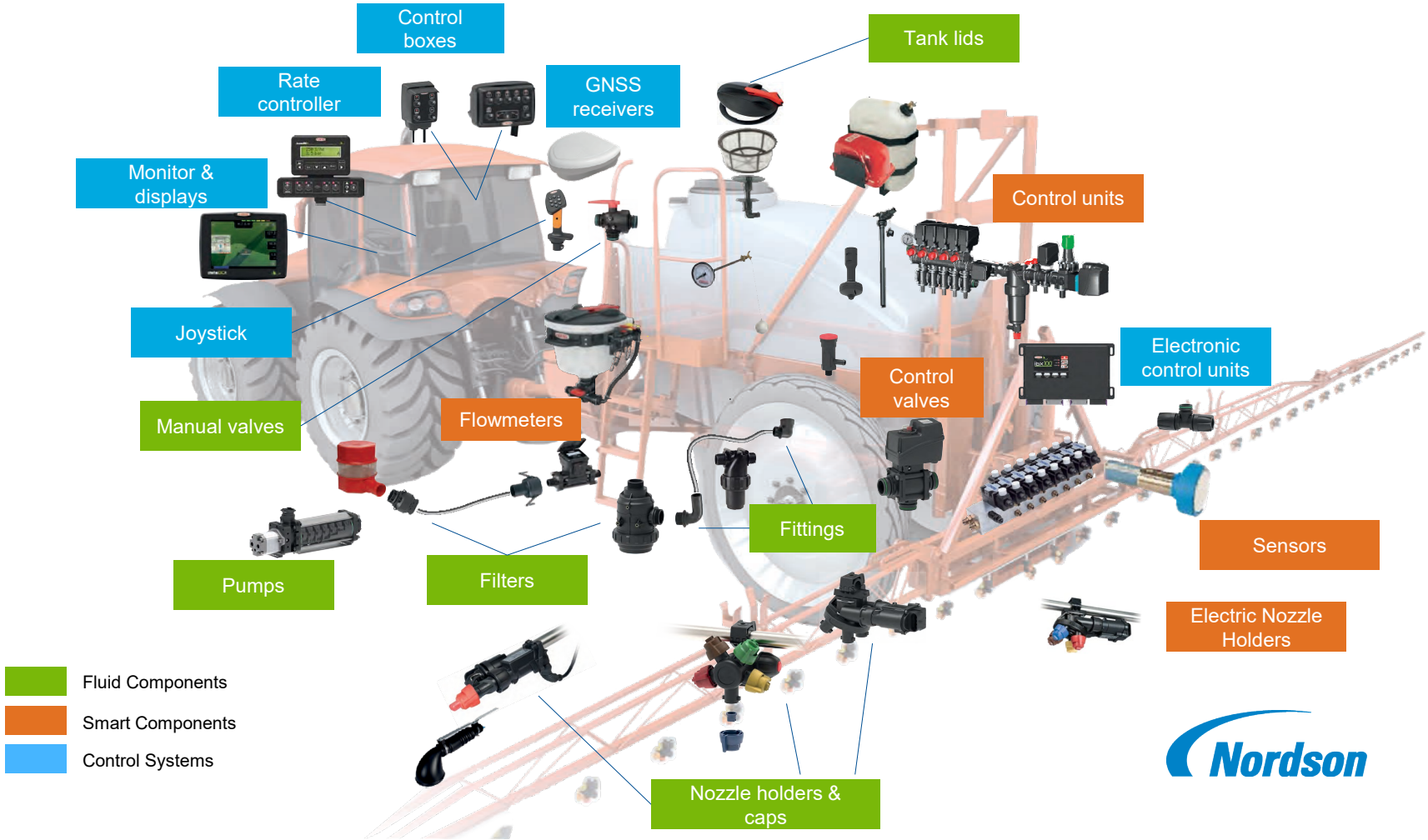
## Precision dispense technology

Increases production efficiency for nonwovens manufacturing process

# ARAG at a Glance

## Leading in precision agricultural spraying with control systems and smart fluid components

| | |
|---|---|
| **Company Founded** | 1976 |
| **2023 Revenue** | $155M |
| **Gross Margins** | Nordson-like |
| **2023E EBITDA Margin** | ~38% |
| **Employees** | ~700 |
| **Revenue by Geography (2022)** | Other 12%, North America 5%, South America 25%, Europe 58% |



Appendix 2:

# Financial Exhibits

# Non-GAAP Definitions

This presentation contains references to non-GAAP financial information. Although these are non-GAAP measures, we believe that they are useful to an investor in evaluating the company performance for the period presented. These non-GAAP definitions include:

- EBITDA is defined as operating profit plus certain adjustments, such as severance, fees and non-cash inventory charges associated with acquisitions, plus depreciation and amortization.
- Return on Invested Capital is defined as adjusted operating profit after tax as a percentage of the sum of average debt (net of cash) plus average shareholders' equity.
- Organic sales defined as sales growth excluding the impacts of changes in foreign currencies and acquisitions. We express period over period revenue variances as a percentage.
- Free cash flow is defined as cash flow provided by operating activities less additions to property, plant and equipment.
- Net debt is defined as total long-term debt less cash and cash equivalents.

Amounts may be rounded.

See the company's earnings release for the second quarter ended April 30, 2024, for a reconciliation of the non-GAAP measures Adjusted Operating Profit and EBITDA.



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# Reconciliation of Non-GAAP Measures

## Net Income to Adjusted EBITDA (Dollars in thousands)

NORDSON CORPORATION

RECONCILIATION OF NON-GAAP MEASURES - NET INCOME TO EBITDA (Unaudited)
(Dollars in thousands)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | April 30, 2024 | April 30, 2023 | April 30, 2024 | April 30, 2023 |
| Net income | $ 118,217 | $ 127,563 | 227,789 | 231,824 |
| Income taxes | 31,059 | 34,064 | 60,186 | 60,883 |
| Interest expense - net | 18,555 | 9,475 | 38,953 | 19,418 |
| Other expense - net | 785 | 1,405 | 1,123 | 4,601 |
| Depreciation and amortization | 32,720 | 27,100 | 66,264 | 53,535 |
| Inventory step-up amortization [1] | — | — | 2,944 | 4,306 |
| Severance and other | 2,078 | — | 2,078 | 3,439 |
| Acquisition-related costs [1] | — | 3,439 | 597 | 5,989 |
| EBITDA (non-GAAP) [2] | $ 203,414 | $ 203,046 | $ 399,934 | $ 383,995 |

[1] Represents fees, severance and non-cash inventory charges associated with acquisitions.

[2] EBITDA is a non-GAAP measure used by management to evaluate the Company's ongoing operations. EBITDA is defined as operating profit plus certain adjustments, such as severance, fees and non-cash inventory charges associated with acquisitions, plus depreciation and amortization.

# Reconciliation of Non-GAAP Measures

## Adjusted Operating Profit and EBITDA (Dollars in thousands)

NORDSON CORPORATION

RECONCILIATION OF NON-GAAP MEASURES - EBITDA (Unaudited)
(Dollars in thousands)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | April 30, 2024 | April 30, 2023 | April 30, 2024 | April 30, 2023 |
| **SALES BY SEGMENT** | | | | |
| Industrial Precision Solutions | $ 366,991 | $ 335,807 | $ 721,538 | $ 647,353 |
| Medical and Fluid Solutions | 168,966 | 166,526 | 328,492 | 320,813 |
| Advanced Technology Solutions | 114,685 | 147,832 | 233,805 | 292,476 |
| Total sales | $ 650,642 | $ 650,165 | $1,283,835 | $1,260,642 |
| **OPERATING PROFIT** | | | | |
| Industrial Precision Solutions | $ 117,831 | $ 111,773 | $ 226,195 | $ 214,093 |
| Medical and Fluid Solutions | 48,993 | 47,922 | 95,093 | 87,307 |
| Advanced Technology Solutions | 18,784 | 26,090 | 37,822 | 43,053 |
| Corporate | (16,992) | (13,278) | (31,059) | (27,727) |
| Total operating profit | $ 168,616 | $ 172,507 | $ 328,051 | $ 316,726 |
| **OPERATING PROFIT ADJUSTMENTS** [1] | | | | |
| Industrial Precision Solutions | $ — | $ — | $ 3,541 | $ — |
| Medical and Fluid Solutions | — | 1,479 | — | 1,479 |
| Advanced Technology Solutions | 2,078 | 1,960 | 2,078 | 12,255 |
| Total adjustments | $ 2,078 | $ 3,439 | $ 5,619 | $ 13,734 |
| **DEPRECIATION & AMORTIZATION** | | | | |
| Industrial Precision Solutions | $ 13,920 | $ 7,285 | $ 28,300 | $ 14,130 |
| Medical and Fluid Solutions | 13,564 | 13,683 | 27,269 | 27,308 |
| Advanced Technology Solutions | 3,284 | 4,010 | 6,725 | 7,822 |
| Corporate | 1,952 | 2,122 | 3,970 | 4,275 |
| Total depreciation & amortization | $ 32,720 | $ 27,100 | $ 66,264 | $ 53,535 |

| **EBITDA (NON-GAAP)** [2] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Industrial Precision Solutions | $ 131,751 | 36% | $ 119,058 | 35% | $ 258,036 | 36% | $ 228,223 | 35% |
| Medical and Fluid Solutions | 62,557 | 37% | 63,084 | 38% | 122,362 | 37% | 116,094 | 36% |
| Advanced Technology Solutions | 24,146 | 21% | 32,060 | 22% | 46,625 | 20% | 63,130 | 22% |
| Corporate | (15,040) | | (11,156) | | (27,089) | | (23,452) | |
| Total EBITDA | $ 203,414 | 31% | $ 203,046 | 31% | $ 399,934 | 31% | $ 383,995 | 30% |

[1] Represents fees, severance and non-cash inventory charges associated with acquisitions.

[2] EBITDA is a non-GAAP measure used by management to evaluate the Company's ongoing operations. EBITDA is defined as operating profit plus certain adjustments, such as severance, fees and non-cash inventory charges associated with acquisitions, plus depreciation and amortization.

# Reconciliation of Non-GAAP Measures

## Profitability (Dollars in thousands)

NORDSON CORPORATION

RECONCILIATION OF NON-GAAP MEASURES - ADJUSTED NET INCOME AND EARNINGS PER SHARE
(Unaudited)
(Dollars in thousands)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | April 30, 2024 | April 30, 2023 | April 30, 2024 | April 30, 2023 |
| **GAAP AS REPORTED** | | | | |
| Operating profit | $ 168,616 | $ 172,507 | $ 328,051 | $ 316,726 |
| Other / interest expense - net | (19,340) | (10,880) | (40,076) | (24,019) |
| Net income | 118,217 | 127,563 | 227,789 | 231,824 |
| Diluted earnings per share | $ 2.05 | $ 2.21 | $ 3.95 | $ 4.02 |
| | | | | |
| Shares outstanding - diluted | 57,681 | 57,680 | 57,617 | 57,721 |
| | | | | |
| **OPERATING PROFIT ADJUSTMENTS** | | | | |
| Inventory step-up amortization | $ — | $ — | $ 2,944 | $ 4,306 |
| Acquisition-related costs | — | — | 597 | 5,989 |
| Severance and other | 2,078 | 3,439 | 2,078 | 3,439 |
| | | | | |
| **ACQUISITION AMORTIZATION OF INTANGIBLES** | $ 18,823 | $ 14,044 | 38,210 | 27,917 |
| | | | | |
| Total adjustments | $ 20,901 | $ 17,483 | $ 43,829 | $ 41,651 |
| | | | | |
| Adjustments net of tax | $ 16,556 | $ 13,798 | $ 34,669 | $ 32,988 |
| EPS effect of adjustments and other discrete tax items | $ 0.29 | $ 0.24 | $ 0.60 | $ 0.57 |
| | | | | |
| **NON-GAAP MEASURES-ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE** | | | | |
| Adjusted Net income [1] | $ 134,773 | $ 141,361 | $ 262,458 | $ 264,812 |
| Adjusted Diluted earnings per share [2] | $ 2.34 | $ 2.45 | $ 4.55 | $ 4.59 |

[1] Adjusted net income is a non-GAAP measure defined as net income plus tax effected adjustments and other discrete tax items.
[2] Adjusted earnings per share is a non-GAAP measure defined as GAAP EPS adjusted for tax effected adjustments and other discrete tax items.

Management uses certain non-GAAP measures, such as adjusted net income, adjusted EPS and EBITDA, internally to make strategic decisions, forecast future results, and evaluate the Company's current performance. Given management's use of these non-GAAP measures, the Company believes these measures are important to investors in understanding the Company's current and future operating results as seen through the eyes of management. In addition, management believes these non-GAAP measures are useful to investors in enabling them to better assess changes in the Company's core business across different time periods. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures to other companies' non-GAAP financial measures, even if they have similar names. Amounts may not add due to rounding.