Non-GAAP Financial Measures

Continuing the Conversation

CENTER FOR AUDIT QUALITY

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Contents

The Need to Continue the Dialogue Around Non-GAAP Financial Measures

When non-GAAP financial measures are presented appropriately, the Center for Audit Quality believes they can provide additional insights about a company.

Financial statements—balance sheets, income statements, statements of comprehensive income, cash flow and equity statements, and the accompanying notes—provide information about an entity for a variety of stakeholders. Typically, public companies in the United States prepare their financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP). GAAP information is useful for decision-making because it is both relevant and reliable. Companies that report under GAAP use a common framework to account for transactions, and auditors can audit information prepared in accordance with those common standards.

However, in recent years, the presentation of non-GAAP financial measures has increased, and regulators and others have expressed concerns that investors could be misled or confused by this information, if it is not presented appropriately.

When non-GAAP financial measures are presented appropriately, the Center for Audit Quality (CAQ) believes they can provide additional insights about a company's results of operations, financial position, or liquidity. The CAQ also believes that it is important that users have confidence in such non-GAAP financial information. No single stakeholder can create that confidence alone. To varying degrees, audit committees, the Securities and Exchange Commission (SEC), auditors, analysts, and others have a role to play.

The public company audit profession is in a unique position to foster a dialogue among all stakeholders about the relevance, presentation, reliability, and use of non-GAAP financial measures—and what could be done to enhance public confidence in these measures. The CAQ will use the questions in this paper in roundtables and panels in which management, investors, investment analysts, members of the legal community, audit committees, internal auditors, independent auditors, regulators, and academics can come together to share perspectives on non-GAAP financial measures.

Background Information

DEFINITION AND USE OF NON-GAAP FINANCIAL MEASURES

Non-GAAP financial measures are numerical measures of a registrant's historical or future financial performance, financial position, or cash flows that adjust GAAP amounts in some fashion.[1] Common non-GAAP financial measures include, among others, earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted EBITDA, and adjusted earnings per share (EPS). The SEC has established regulations about the presentation of non-GAAP financial measures in SEC filings and other company communications, such as earnings releases and investor presentations. The spirit of these regulations is that the non-GAAP financial measure should be a relevant and meaningful measure that does not mislead investors.

A company has flexibility to choose which non-GAAP financial measures, if any, it reports, and how it presents them, subject to certain requirements and prohibitions. This means that companies can report different measures from what their peers, competitors, and companies in other industries report. This also means that various companies may report similarly titled non-GAAP financial measures, but calculate the measures differently from each other. These differences can make the measures susceptible to misinterpretation without proper context and explanation. There is also a risk that a company may take advantage of the flexibility of non-GAAP financial measures to present itself in a more favorable light, in particular if the non-GAAP financial measures are presented more prominently than the GAAP financial measures.

SEC staff has recently focused on companies' use of non-GAAP financial measures through speeches and comment letters,[2] and in May 2016 updated its interpretive guidance related to the use of such measures.[3] Their comments continue to focus on concerns related to (1) presenting non-GAAP financial measures with greater or equal prominence than the comparable

Non-GAAP financial measures should be relevant and reliable measures that do not mislead investors, and should not be more prominent than the related GAAP numbers.

1 The SEC defines a non-GAAP financial measure as a numerical measure of a registrant's historical or future financial performance, financial position, or cash flow that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented (SEC Item 10(e)(2) of Regulation S-K, 17 CFR 229.10(e)(2) and Item 101 of Regulation G, 17 CFR 244.101).

2 Comment letters including comments on non-GAAP measures made public between December 1, 2015 and August 1, 2016 represented 22% of the comment letters versus 16% during the same period last year (http://blogs.wsj.com/cfo/2016/08/31/visa-inc-s-chief-accountant-on-receiving-and-sending-comment-letters/). Since May 2016, the SEC has issued over 150 comment letters on non-GAAP financial measures that have become publically available (http://www.shearman.com/~/media/Files/NewsInsights/Publications/2016/10/Updated-NonGAAP-Guidance-The-First-150-Comment-Letters-CM-101920163.pdf).

3 See the C&DIs released by the SEC on May 17, 2016 https://www.sec.gov/divisions/corpfin/guidance/nongaapinterp.htm.

Regulatory Oversight Activities Related to Non-GAAP Financial Measures

In January 2003, as a result of the Sarbanes-Oxley Act, the SEC issued rules on the Conditions for Use of Non-GAAP Financial Measures that cover the following:[1]

1. Public disclosure of non-GAAP financial measures (Regulation G)

2. Non-GAAP financial measures included in SEC filings (Regulation S-K Item 10(e))

3. Requirement to furnish under Item 2.02 of Form 8-K earnings releases for quarterly or annual periods

The SEC focused on non-GAAP financial measures again in 2010. During this period, the SEC recognized that companies frequently use non-GAAP financial measures to communicate important information about their business to their stakeholders. Therefore, the SEC released Compliance and Disclosure Interpretations (C&DIs) to clarify their views on non-GAAP financial measures.

1 See SEC Release No. 33-8176.

Today, non-GAAP financial measures are back in the spotlight. As noted earlier, companies have increased their use of non-GAAP financial measures, and the spread between non-GAAP results and their GAAP counterparts has been growing. This has sparked renewed public focus by the SEC and its staff and resulted in the SEC staff updating its interpretive guidance by releasing revised C&DIs in May 2016. The guidance offers insights into how the SEC staff will assess the appropriateness of non-GAAP financial measures in SEC filings and in information furnished to the SEC. The updated C&DIs address a range of issues. Subsequent to the release of the C&DIs, we have observed a change in the prominence companies are giving to GAAP information over non-GAAP. For example, among S&P 500 companies reporting results in July, 81 percent gave equal or greater prominence to the GAAP figures, an increase from 52 percent that did so when reporting first quarter results.[2]

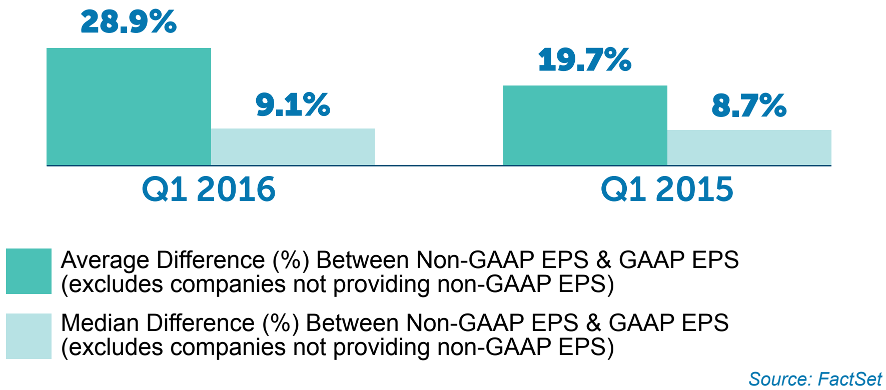
2 See, *Wall Street Journal*, "Firms Say Goodbye to Prettied-Up Financial Reports" (August 29, 2016). Available at http://www.wsj.com/articles/companies-play-up-standard-accounting-figures-1472495965.

2001	2003	2010	2015	2016
SEC issues “Cautionary Advice” to warn against misleading investors	SEC adopts Regulation G and Item 10(e) of Regulation S-K	SEC releases C&DIs to clarify its views on non-GAAP financial measures	SEC Chair White gives speech that emphasizes non-GAAP should comply with rules	SEC issues revised C&DIs

GAAP measure; (2) the need to tailor disclosures to describe the usefulness of non-GAAP financial measures; and (3) non-GAAP financial measures that may be misleading.

The growing use of non-GAAP financial measures—and the fact the measures sometimes tell a different story than GAAP measures—have been a subject of regular attention by the press and other observers. In March 2016, for example, *FactSet Insight* observed that in the first quarter of 2016, 19 of the 30 companies in the Dow Jones Industrial Average reported a non-GAAP EPS in addition to the GAAP EPS. The average difference between the non-

DJIA: Average & Median Difference Between Non-GAAP & GAP EPS



GAAP EPS and GAAP EPS was 28.9 percent, the median difference was 9.1 percent, and 15 of the 19 companies had a non-GAAP EPS that was higher than the GAAP EPS.[4] These differences were larger than in the first quarter of 2015, when the average difference was 19.7 percent and the median difference was 8.7 percent.[5]

Some stakeholders have stated that they value many non-GAAP financial measures when presented in the right context. The additional information may facilitate a broader understanding of a company. It may also provide insight into the financial results of the core business separate from amounts that management may consider unusual, infrequent, or not representative of underlying trends.

SEC officials have indicated that companies should consider how their DCPs apply to the disclosure of non-GAAP financial measures.

INTERNAL CONTROLS AND NON-GAAP FINANCIAL MEASURES

The preparation of non-GAAP financial measures generally does not fall under a company's system of internal control over financial reporting (ICFR). ICFR focuses on controls related to the reliability of financial reporting and the preparation of financial statements in accordance with GAAP, which would not include non-GAAP financial measures. Disclosure controls and procedures (DCPs) are more broadly defined by the SEC and pertain to all information required to be disclosed by a company. In speeches, SEC officials have indicated that companies should consider how their DCPs apply to the disclosure of non-GAAP financial measures, in addressing the application of the SEC rules.

CURRENT LEVEL OF AUDITOR INVOLVEMENT

The external auditor's opinion on the company's financial statements and, when required, the effectiveness of the company's ICFR, does not typically

4 See *FactSet Insight*, "Gulf Between Non-GAAP, GAAP EPS Estimates Grows" (March 20, 2016), available at http://insight.factset.com/2016/05/earningsinsight_05.20.16 Butters, John. FactSet Insight.

5 Ibid.

cover non-GAAP financial measures. These metrics are not included in the financial statements and, as noted above, generally are not covered by a company's ICFR. Therefore, they are not subject to the procedures an auditor employs regarding the financial statements or ICFR.

Non-GAAP financial measures are often included in other areas of a company's annual and quarterly filings that contain the financial statements. The auditor's professional standards indicate that auditors should read the other information in certain documents containing financial statements (such as annual reports) and consider whether the other information or the manner of its presentation is materially inconsistent with information appearing in the financial statements or a material misstatement of fact.[6] This inclusion within other areas of a company's filings leads to a misperception of the level of auditor involvement on the non-GAAP financial measures.

Furthermore, non-GAAP financial measures are often included in press releases, earnings calls, or other documents that do not include the financial statements. While auditors are generally not required to review these communications, in practice auditors often do review them as part of their risk assessment procedures.

Audit committees and management may consider using auditors as a sounding board when evaluating non-GAAP financial measures.

Though auditors do not audit non-GAAP financial measures, audit committees and management may consider using auditors as a sounding board when evaluating non-GAAP financial measures.

As part of the ongoing discussion among regulators, policymakers, investors, the public company audit profession, and others regarding what can be done to enhance the financial reporting system, some have suggested that the standards be changed to require greater auditor involvement with, and potentially assurance relating to, information outside of the financial statements, including non-GAAP financial measures. More recently, some market stakeholders have suggested including non-GAAP financial measures as supplemental information to the financial statements, for which the auditor's role is defined in Audit Standard 17 (AS 17): Auditing Supplemental Information Accompanying Audited Financial Statements (now codified as Audit Standard 2701).[7]

The auditing profession stands ready to address these and other options to increase confidence in non-GAAP financial measures. The profession also recognizes that additional consideration is needed to ensure that stakeholders find the reporting useful, to determine whether appropriate foundations for reporting are in place (in particular appropriate criteria by which to prepare and evaluate the non-GAAP financial measures), to consider the impact to currently used non-GAAP financial measures, and to conclude whether the benefits justify the additional costs.

6 See PCAOB Audit Standard 2710: Other Information in Documents Containing Audited Financial Statements.

7 This was one of several recommendations noted at the PCAOB Investor Advisory Group Meeting on October 27, 2016. See, https://pcaobus.org/News/Events/Documents/102716-IAG-meeting/non-GAAP-WG-slides.pdf.

Stakeholder Engagement: Key Considerations and Questions

The CAQ believes non-GAAP financial measures that are transparent, calculated consistently, and comparable to other companies can help companies provide users with useful information.[8]

In today's increasingly complex markets, a variety of entities can have differing needs and uses for the information companies present about their performance. This variety poses a challenge for companies seeking to provide information that meets all users' needs.

In light of this challenge, all stakeholders should share their points of view on non-GAAP financial measures to assist companies in providing users with information that is relevant. Promoting both the relevance and reliability of non-GAAP financial measures will increase the public's trust in non-GAAP financial measures. To that end, we have compiled suggested questions for each stakeholder group to consider as it relates to non-GAAP financial measures. These broad questions cover a variety of topics as it relates to non-GAAP financial measures to facilitate open communication and exchange of each stakeholder's unique points of view.

MANAGEMENT

As the preparer of a company's non-GAAP financial measures, management has a responsibility to present non-GAAP financial measures that comply with applicable SEC requirements and do not mislead users of the information. Reasons why management may use non-GAAP financial measures could include the following:

- The information may provide meaningful insight into items affecting a company's performance and comparability of results.
- The information may provide insight as to how management evaluates the company's performance and determines how to allocate its resources.
- Management compensation and incentive plans may be based on non-GAAP financial measures.
- Debt covenants or other requirements may be based on non-GAAP financial measures.
- Certain non-GAAP financial measures, such as EBITDA, may be used for

8 See the Center for Audit Quality's *Questions on Non-GAAP Measures: A Tool for Audit Committees* (June 28, 2016), available at http://www.thecaq.org/questions-non-gaap-measures-tool-audit-committees.

assessing business valuations in analyses of either earnings multiples or comparable transactions.

Questions management could consider:

1. *Do you maintain a formal policy regarding non-GAAP financial measures, and have you identified relevant DCPs?*

2. *During your internal financial reporting process, do GAAP or non-GAAP results receive more attention? If so, why? Which set of information is most relevant to your decision-making?*

3. *What measures are most commonly focused on by users of your financial information? What impact have recent comment letter or enforcement action trends had on your non-GAAP financial measures?*

4. *Would you find additional standardization of certain non-GAAP financial measures (e.g., which measures may be presented or how they are calculated) to be beneficial?*

INVESTORS

INVESTORS

Investors are typically the primary audience of non-GAAP financial measures. Regulation S-K Item 10(e) requires disclosure of the reasons why a registrant believes that a non-GAAP financial measure provides useful information to investors. However, investors have differing levels of financial expertise and information needs. This can result in significantly different expectations regarding the nature of and disclosures about non-GAAP financial measures.

Questions investors could consider:

1. *In making investment decisions, are GAAP or non-GAAP results most relevant to your decision making, and why?*

2. *What do you find most helpful in the presentation and disclosure of non-GAAP financial measures? What concerns you most about the presentation of non-GAAP financial measures?*

3. *Would you find additional standardization of certain non-GAAP financial measures (e.g., which measures may be presented or how they are calculated) to be beneficial?*

4. *What is your current expectation of auditors regarding non-GAAP financial measures?*

5. *Do you think some level of additional auditor involvement with non-GAAP financial measures would be beneficial? If so, what would you expect that involvement to look like?*

INVESTMENT ANALYSTS

INVESTMENT ANALYSTS

Investment analysts provide important services to the capital markets. Many analysts issue reports and recommendations on a company's publicly traded stock. They participate in many public company earnings calls and ask questions about management's use of non-GAAP financial measures. In some cases, the analysts' questions drive management's decisions about which non-GAAP financial measures to present.

Questions investment analysts could consider:

1. *How important is the use of non-GAAP financial measures to your understanding of a company's performance? Do you rely on the non-GAAP financial measures presented by companies or do you derive your own calculations?*

2. *Do you consider the nature of non-GAAP adjustments in assessing the quality of earnings of a company?*

3. *What distinguishes a useful non-GAAP financial measure from one that is not useful?*

4. *Would you find additional standardization of certain non-GAAP financial measures (e.g., which measures may be presented or how they are calculated) to be beneficial?*

5. *Some companies justify the use of non-GAAP financial measures by saying they are requested by analysts. Do you request such information if it is not provided?*

6. *Do you clearly distinguish between GAAP and non-GAAP financial measures in the information you release about a company?*

SECURITIES COUNSELORS

SECURITIES COUNSELORS

Securities counselors play an extremely important advisory role by helping a company to interpret and comply with securities laws related to non-GAAP financial measures, particularly regarding disclosure requirements. External securities counselors also work with underwriters or other financial intermediaries involved in the sales of securities, including advising them with respect to non-GAAP financial measures used as part of the sales process.

Questions securities counselors could consider:

1. *What impact have recent comment letter or enforcement action trends had on your interpretation of the rules and regulations on non-GAAP financial measures?*

2. *Has the progression of SEC staff interpretations made clearer what non-GAAP financial measures and disclosures are permitted?*

3. *What concerns do you have with non-GAAP financial measures? Would additional standards or auditor involvement address those concerns?*

4. *Does management consult with you on the design of DCPs specific to non-GAAP financial measures?*

AUDIT COMMITTEE MEMBERS

The audit committee has a responsibility to investors with its overall oversight of the financial reporting process. Given its role, the audit committee can act as a bridge between management and investors, including: (1) assessing management's reasons for presenting non-GAAP financial measures and the sufficiency of the related disclosures; (2) evaluating whether the measures present a fair and balanced view of the company; and (3) assessing how the measures are used by analysts and reported by the financial press to the broader public.[9]

Questions audit committee members could consider:

1. *Does management maintain a formal policy regarding non-GAAP financial measures, and have they identified relevant DCPs?*

2. *Do you confer with management, securities counselors, or auditors about the company's use of non-GAAP financial measures?*

3. *Would some level of additional auditor involvement be helpful to you in discharging your oversight of non-GAAP financial measures? If so, what would you expect that involvement to look like?*

INTERNAL AUDITORS

Internal auditors are an important part of a company's control structure, and by including procedures for non-GAAP financial measures in their control testing, internal auditors could help increase the reliability of and confidence in such measures.

Questions internal auditors could consider:

1. *Does your company have robust controls over its use of non-GAAP financial measures?*

2. *Do you test the disclosure controls for non-GAAP financial measures?*

INDEPENDENT AUDITORS

Independent auditors contribute to the reliability of a company's audited financial statements, and a company's ICFR, where applicable. The role of the independent auditor and whether it should evolve is a complex issue that has been examined periodically in light of changing market practices and

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9 See *Questions on Non-GAAP Measures: A Tool for Audit Committees* for additional questions audit committees could consider asking when discussing non-GAAP financial measures with management. http://www.thecaq.org/questions-non-gaap-measures-tool-audit-committees.

investor information needs. For example, the auditor's role could evolve if stakeholders believe that their decision-making process could be enhanced as a result of some level of auditor involvement with non-GAAP financial measures.

Questions external auditors could consider:

1. *What are the most common questions management and audit committees are asking you about non-GAAP financial measures?*

2. *How often are audit committees asking audit teams to specifically look at non-GAAP financial measures? What types of procedures do you perform when requested?*

3. *If the market supported additional auditor involvement with non-GAAP measures, what level of involvement would be reasonable for auditors to perform? What would some of the more significant challenges be in developing an assurance model for non-GAAP financial measures?*

REGULATORS

REGULATORS–SECURITIES AND EXCHANGE COMMISSION

The SEC's responsibilities include protecting investors, facilitating capital formation, and maintaining fair, orderly, and efficient markets. As a result, the SEC rules and guidance on non-GAAP financial measures must strike a balance between the perceived usefulness of the information and the need to protect investors. The SEC's rules and staff guidance on non-GAAP financial measures have evolved over time and have primarily focused on the prominence of non-GAAP financial measures compared with their GAAP counterparts, the clarity of disclosures about non-GAAP financial measures, and the risk that non-GAAP financial measures may be misleading.

Questions regulators could consider:

1. *What are your concerns with non-GAAP financial measures?*

2. *Do you anticipate a market demand for future regulations or interpretations related to non-GAAP financial measures?*

3. *Do you believe the recent interpretations have been successful in achieving the desired outcome?*

4. *Would additional standardization of certain non-GAAP financial measures (e.g., which measures may be presented or how they are calculated) be beneficial?*

5. *Would some level of additional auditor involvement increase public trust in non-GAAP financial measures? If so, what would you expect that involvement to be?*

6. *What do you see as the potential implications of increased focus on non-GAAP financial measures? Do you have plans to address this issue with accounting standard setters?*

ACCOUNTING STANDARD SETTERS

ACCOUNTING STANDARD SETTERS–FINANCIAL ACCOUNTING STANDARDS BOARD

The Financial Accounting Standards Board (FASB) has historically considered non-GAAP financial measures in the context of understanding the reasons why non-GAAP financial measures are used and whether the use of non-GAAP financial measures indicates that improvements are needed to GAAP.[10]

Questions accounting standard setters could consider:

1. *Do you have any concerns with non-GAAP financial measures? If so, what are those concerns?*

2. *Do you anticipate a market demand for future standard setting related to non-GAAP financial measures?*

3. *Is there a role for accounting standard setters to play in the dialogue about non-GAAP financial measures?*

4. *Will you consider the increased use of non-GAAP financial measures as part of your analysis of whether changes need to be considered in current and future GAAP standard setting?*

ACADEMICS

ACADEMICS

Members of the academic community conduct and publish valuable research that provides analysis on accounting, auditing, financial reporting, and more. This research assists stakeholders in thinking critically about complex issues and advancing conversations on topics of interest. Additionally, they play a vital role in financial reporting by educating students who go on to become stakeholders and participants in the financial reporting supply chain. They develop carricula that will prepare students for careers in the complex business environment of the future.

Questions members of the academic community could consider:

1. *Are you aware of academic research on the use of non-GAAP financial measures? What additional research questions could be addressed through academic studies?*

2. *What does the academic research show with respect to investors' use of non-GAAP financial measures?*

3. *Do college and university accounting and finance classes adequately address the benefits and challenges of using non-GAAP financial measures?*

10 See the FASB's *Invitation to Comment – Agenda Consultation*, available at http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FNewsPage&cid=1176168356245.

GAAP, Non-GAAP, and KPIs: Distinctions that Matter

This paper, and dialogue, has focused on non-GAAP financial measures. However, there are also other commonly used performance metrics that may not meet the definition of a non-GAAP financial measure. For example, key performance indicators (KPIs) can be data points—such as number of stores or customers—or metrics calculated using GAAP amounts and a data point—such as sales per square foot. The distinctions among GAAP measures, non-GAAP financial measures, and KPIs are important because each has a different level of subjectivity, and different rules govern each type of measure.

While metrics that are not considered non-GAAP financial measures are not directly subject to the rules and interpretations discussed above, SEC staff has indicated that companies should provide certain disclosures about them, many of which are similar to those a company would provide for non-GAAP measures. At the "SEC Speaks in 2015" Conference, SEC staff noted that metrics should be discussed informatively since not all investors may be familiar with them.[1] Accordingly, a company should (1) clearly define the metrics used and how they are calculated, (2) describe any key assumptions and limitations (e.g., whether the metric is a "hard" amount or an estimate), (3) present a metric within a balanced discussion; and (4) clearly describe how a metric is related to current or future results of operations.

For example, a company may correctly claim it has 100 million users, and that the rate of user growth is expected to continue to increase.[2] "[This metric] certainly sounds good and it would seem to bode well for the prospects of the company – information that certainly could influence an investment decision," observed SEC Chair Mary Jo White in a November 2013 speech. "However, what if only a fraction of the users are paying customers?"[3]

While this paper focuses on non-GAAP financial measures, the issues and considerations we describe could also be used to evaluate how to enhance the relevance and reliability of KPIs and other performance metrics stakeholders may use for decision making.

1 See "Remarks at the Practicing Law Institute's 45th Annual Securities Regulation Institute," available at https://www.sec.gov/News/Speech/Detail/Speech/1370540284590.

2 See "Remarks at the Practicing Law Institute's 45th Annual Securities Regulation Institute," available at https://www.sec.gov/News/Speech/Detail/Speech/1370540284590.

3 Ibid

What's Next?

This document is intended to spark a dialogue among all stakeholders about the non-GAAP financial measures presented by companies, and how to enhance public trust in this information. While no one question is a silver bullet, collectively they can enhance stakeholders' understanding around what, if anything, can be done to enhance the relevance and reliability of non-GAAP financial measures. The CAQ plans to use the questions in this paper in roundtables and panels to further the dialogue on non-GAAP financial measures.

Appendix: Non-GAAP Financial Measure Disclosure Requirements

Disclosure	All disclosure of non-GAAP measures[11]	Press releases furnished to the SEC[12]	Filings with the SEC[13]
Most directly comparable GAAP measure	X	X	X
Reconciliation to GAAP measure	X	X	X
Equal or greater prominence of GAAP measure		X	X
Why management believes investors would find the non-GAAP financial measure useful		X	X
Management purpose, if any, of the non-GAAP financial measure		X	X

11 Regulation G applies to all disclosures of non-GAAP financial measures.

12 Regulation S-K Item 10(e)(1)(i) applies to press releases furnished under Item 2.02 of Form 8-K.

13 The entirety of Regulation S-K Item 10(e) applies to filings with the SEC. In addition to the disclosure requirements of Item 10(e)(1)(i), Item 10(e)(1)(ii) prohibits:

- Excluding charges or liabilities that require, or will require, cash settlement, or would have required cash settlement in the absence of an ability to settle in another manner, from non-GAAP liquidity measures (other than EBIT and EBITDA)
- Adjusting a non-GAAP performance measure to eliminate or smooth items identified as nonrecurring, infrequent, or unusual when the nature of the charge or gain is such that it is reasonably likely to recur within two years or there was a similar charge or gain within the prior two years (prohibition is based on the description of the charge or gain that is being adjusted)
- Presenting non-GAAP financial measures on the face of the GAAP financial statements or in the accompanying notes
- Presenting non-GAAP financial measures on the face of any pro forma financial statements required to be disclosed by Regulation S-X, Article 11
- Using titles or descriptions of non-GAAP financial measures that are the same as, or confusingly similar to, titles or descriptions used for GAAP financial measures

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