

# **IDEXX Laboratories, Inc.**

## **Raymond James 41<sup>st</sup> Annual Institutional Investors Conference**

**Jay Mazelsky**

Chief Executive Officer

March 2, 2020

**IDEXX**





## Safe Harbor Disclaimer

The following information contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and beliefs, as well as a number of assumptions concerning future events. These statements are subject to risks, uncertainties, assumptions and other important factors. You are cautioned not to put undue reliance on such forward-looking statements because actual results may vary materially from those expressed or implied. The reports filed by the Company pursuant to United States securities laws contain discussions of some of these risks and uncertainties. The Company assumes no obligation to, and expressly disclaims any obligation to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to review the Company's filings with the United States Securities and Exchange Commission (which are available from the SEC's EDGAR database at [www.sec.gov](http://www.sec.gov) and via the Company's website at [www.idexx.com](http://www.idexx.com)).

We refer in this presentation to projections communicated at our Investor Day on August 14, 2019 and our 2020 outlook communicated on January 31, 2020; these references speak only as of the respective dates on which they were communicated and shall not be deemed to be a reiteration or affirmation of the guidance or an indication that our expectations have not changed since that time.

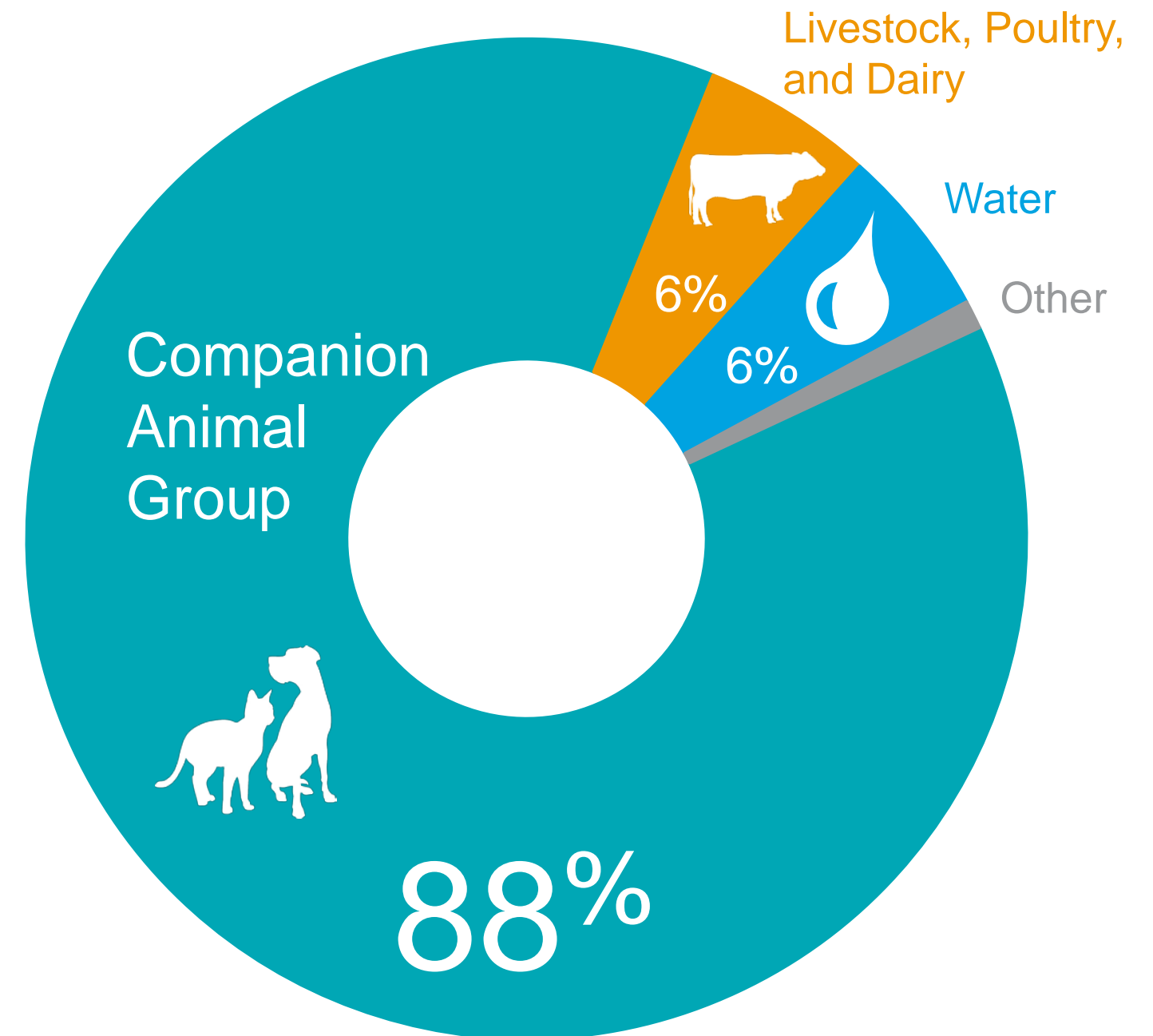
### **Non-GAAP Financial Measures**

In this presentation, we refer to some non-GAAP financial measures. For a reconciliation to the most comparable GAAP financial measures, we refer you to our footnotes and the Appendix to this presentation, which also refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2019, both available at [www.idexx.com/investors](http://www.idexx.com/investors).

**Please refer to additional footnotes in the Appendix.**

# We Focus on Pet Healthcare Diagnostics and Software

- Highly attractive long-term growth opportunity
- Global leadership position
- Innovation driven
- Durable recurring revenue model
- Consistent double-digit organic revenue growth history





# People are Willing to Spend on Pet Family Members – *like Scout*

“I feel that my pet is  
an important part of  
my family.” **98%**

“I couldn’t imagine  
giving up my pet for  
any reason.” **95%**

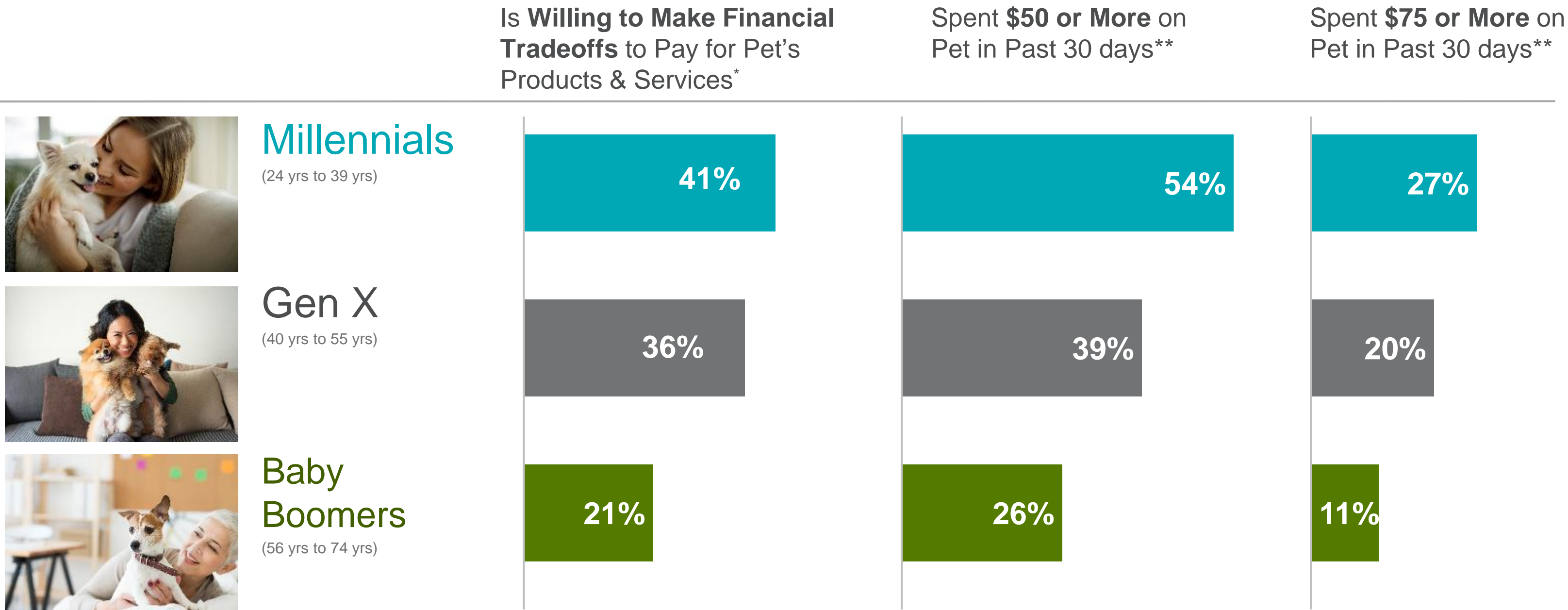


Percentages represent those responding “Strongly Agree” or “Agree”.

Source: Pet Owner Survey conducted in 2016 by The Human Animal Bond Research Institute (HABRI) Foundation in partnership with Cohen Research Group (n = 1,995 pet owners), which had a margin of error of plus or minus 2.2%.

\* <https://www.nbcnews.com/news/animal-news/his-dog-was-saved-deadly-cancer-he-bought-6m-super-n1125331>

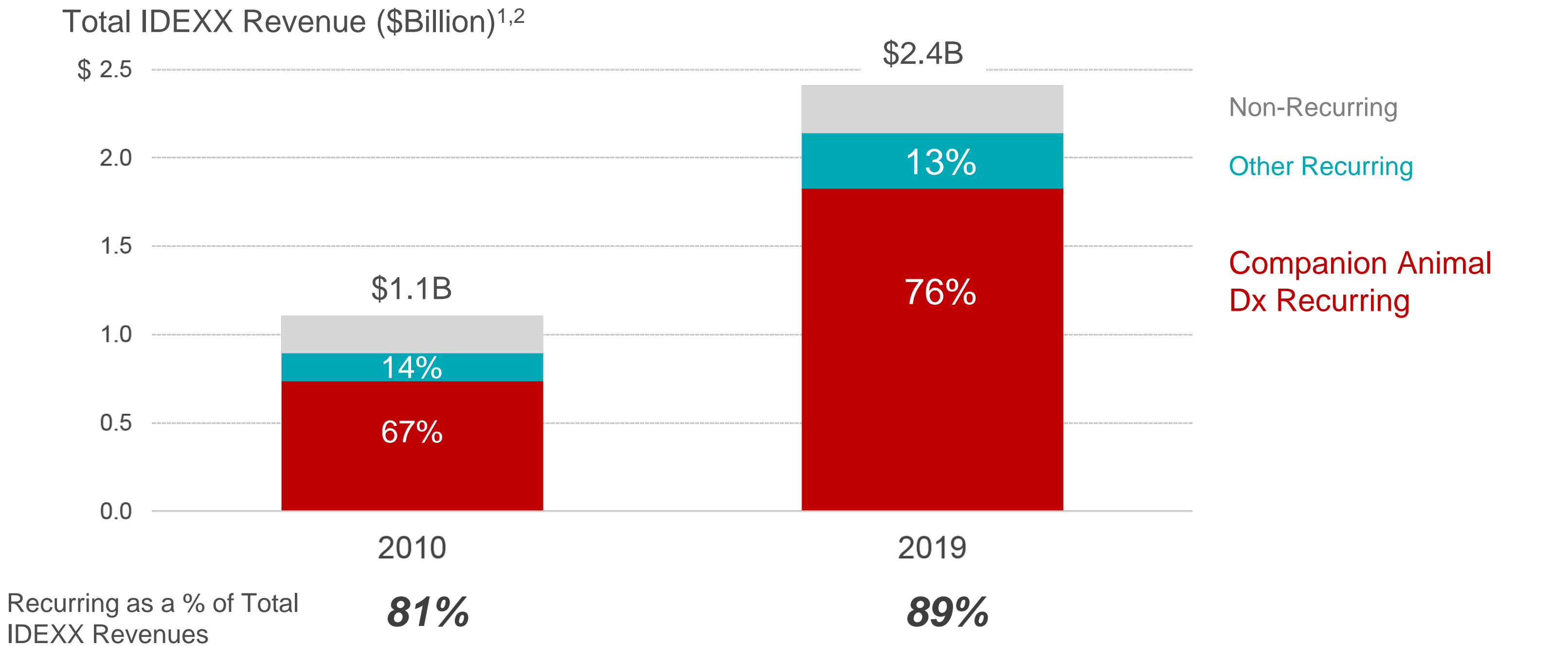
# ...And the Younger Generations are Demonstrating a Higher Willingness to Spend on Their Beloved Pets



\* Based on analysis of data from survey of U.S. pet owners fielded in May, 2016 (n = 1,208 dog owners and 303 cat owners), weighting dog owner responses and cat owner responses in proportion to their contribution to U.S. veterinary practice revenue. Respondents were asked to rate his/ her agreement with a series of statements on a 6-point scale. Percentages represent total responding 'Strongly Agree' or 'Agree'.

\*\* Based on: Gen Z and Millennials as Pet Market Consumers: Dogs, Cats and Other Pets, Packaged Facts, February, 2018.

# IDEXX is Led by Companion Animal Diagnostics Recurring Revenue

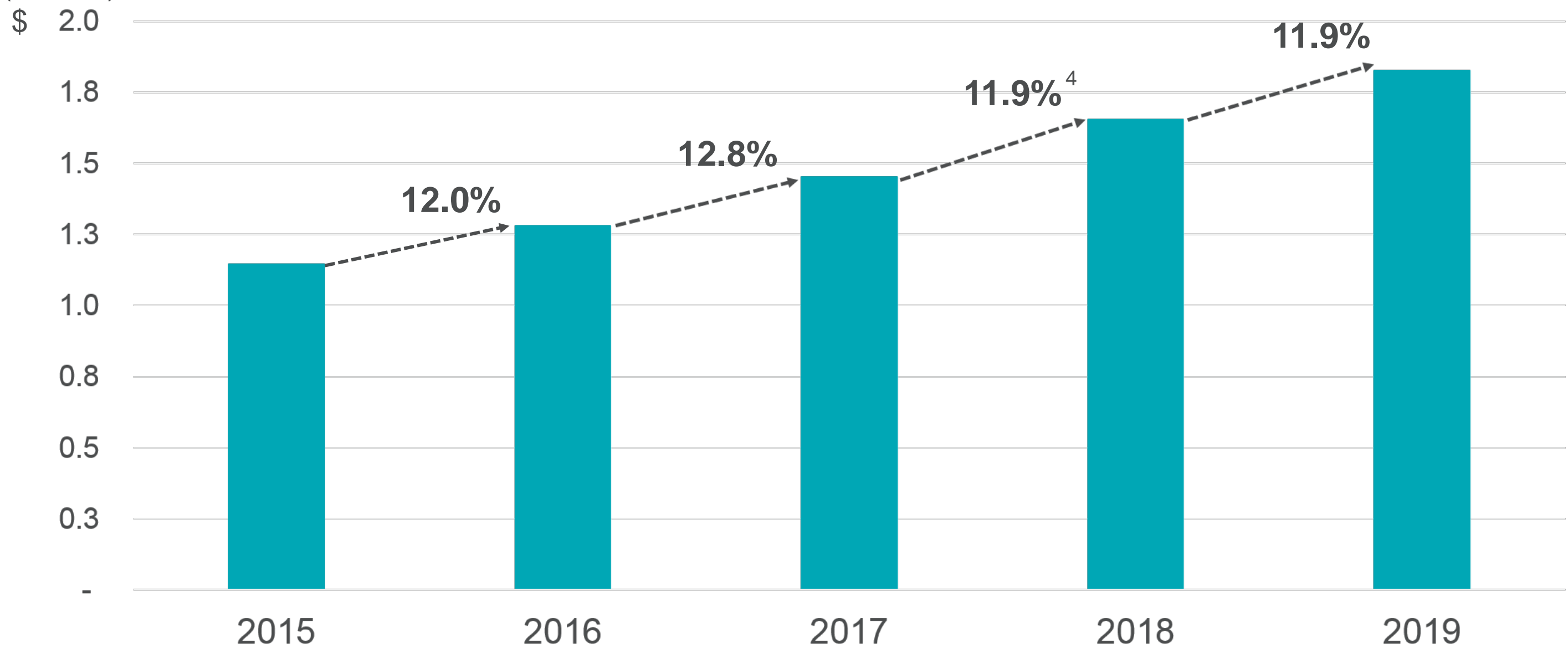


<sup>1,2</sup> Please refer to the Appendix for descriptive footnotes.

# Consistent, High CAG Diagnostics Recurring Revenue Gains

Annual CAG Diagnostics Recurring Revenue and Normalized Organic Revenue Growth<sup>1,2,3,4,5</sup>

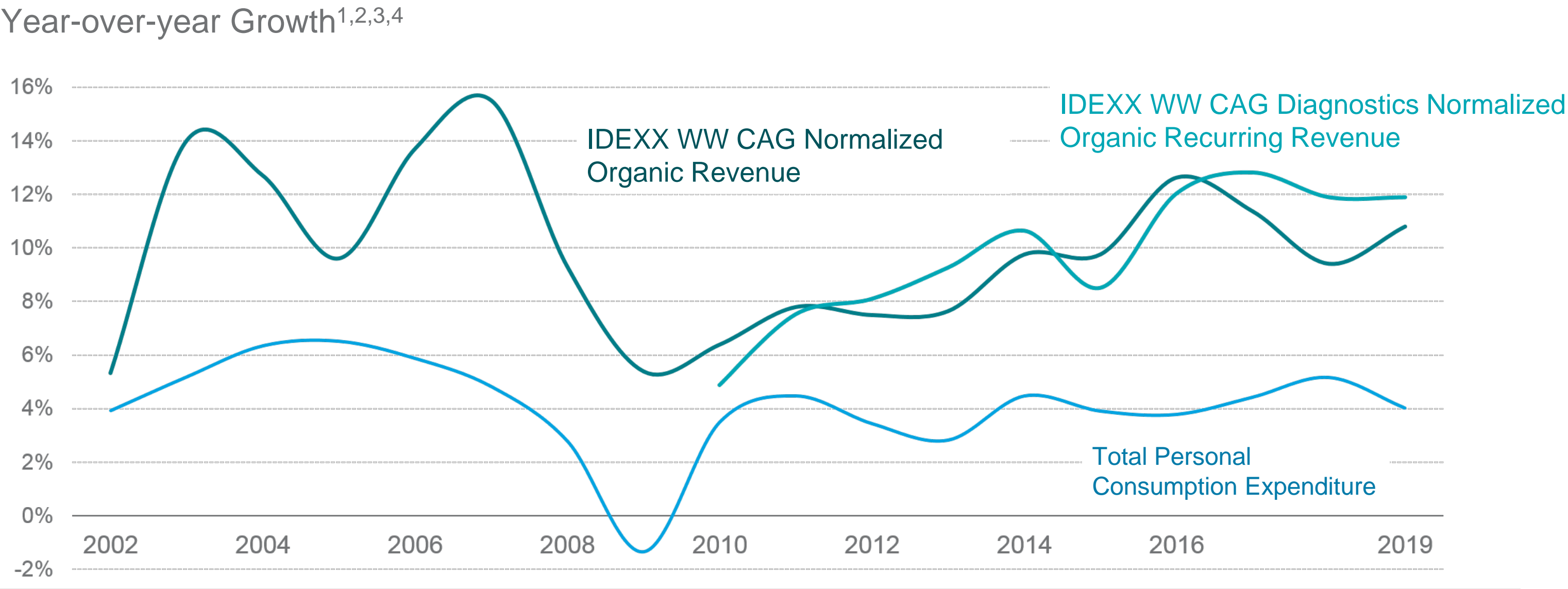
(\$Billion)



<sup>1,2</sup> Please refer to the Appendix for descriptive footnotes. <sup>3,4,5</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes.



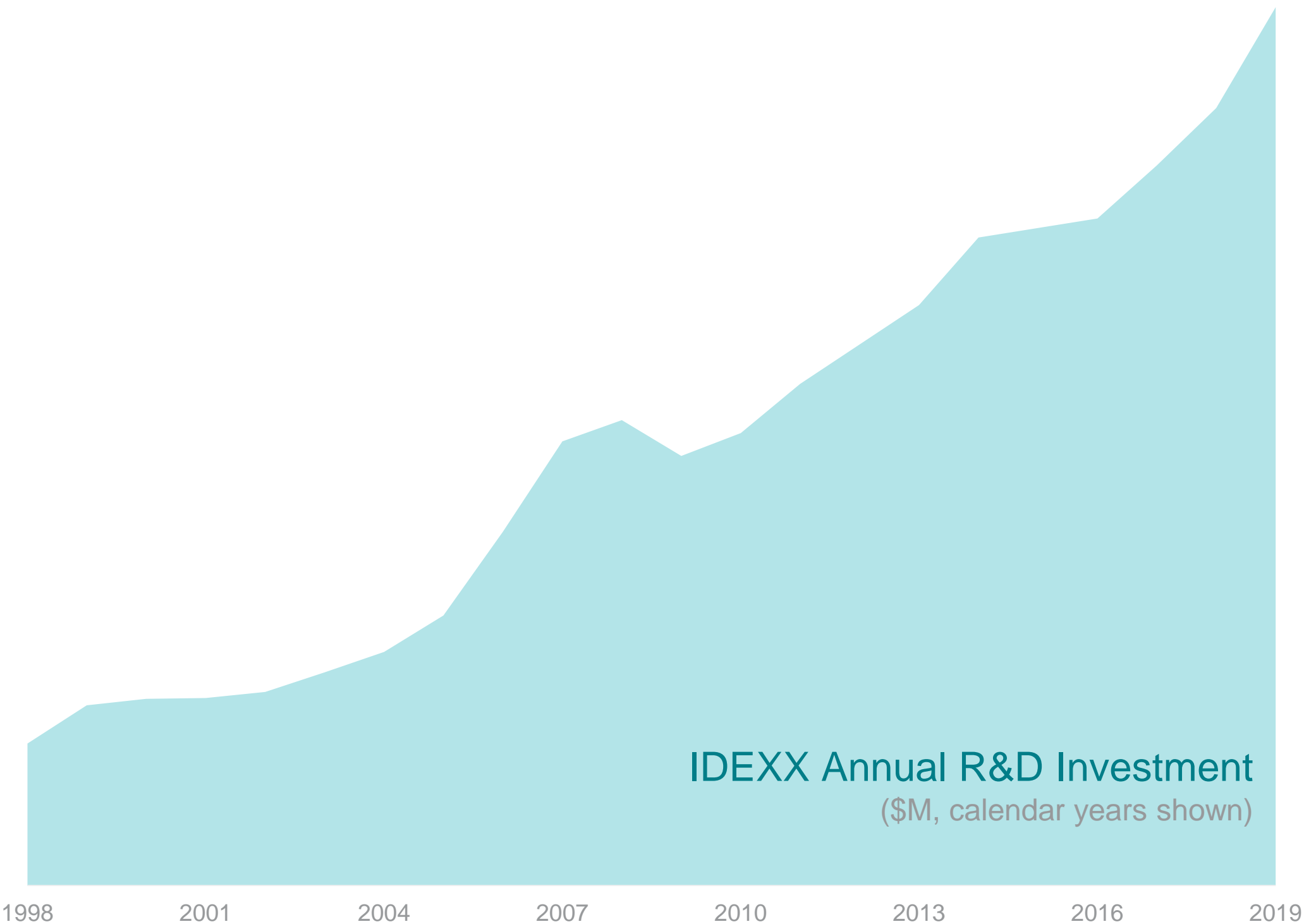
# IDEXX's Revenues are Highly Durable – Driven by our Expanding Recurring CAG Diagnostics Annuity



<sup>1,2</sup> Please refer to the Appendix for descriptive footnotes. <sup>3,4</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes.



# IDEXX's Innovation has been Built on Decades of Capability Development



*Instrument Platform Development*



*Unique, Differentiated Assay Development*



*Customer-facing Software*



*Connectivity Systems*

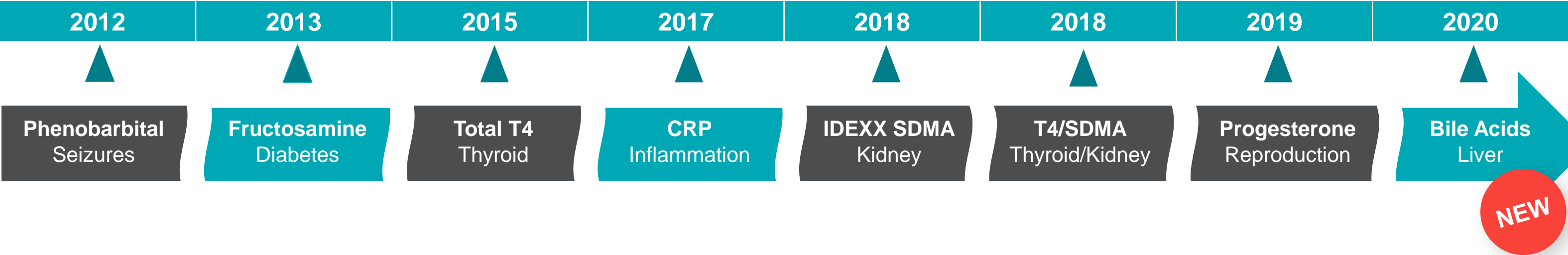


*AI / Machine Learning*

## *A Long History of Profound Innovations and End-to-End Connectivity*



# Catalyst Menu Breadth and Depth Exceeds Customer Expectations

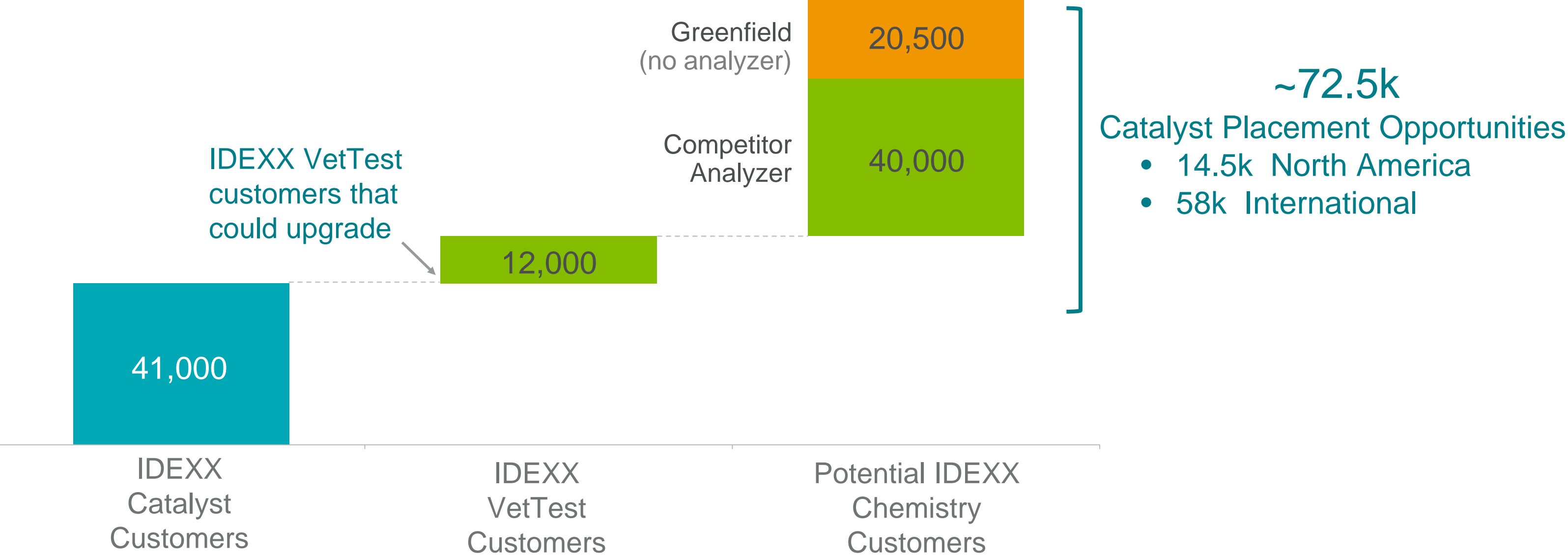


8 *New Tests in* 8 Years



# We Estimate ~72.5k Additional Worldwide Catalyst Placement Opportunities

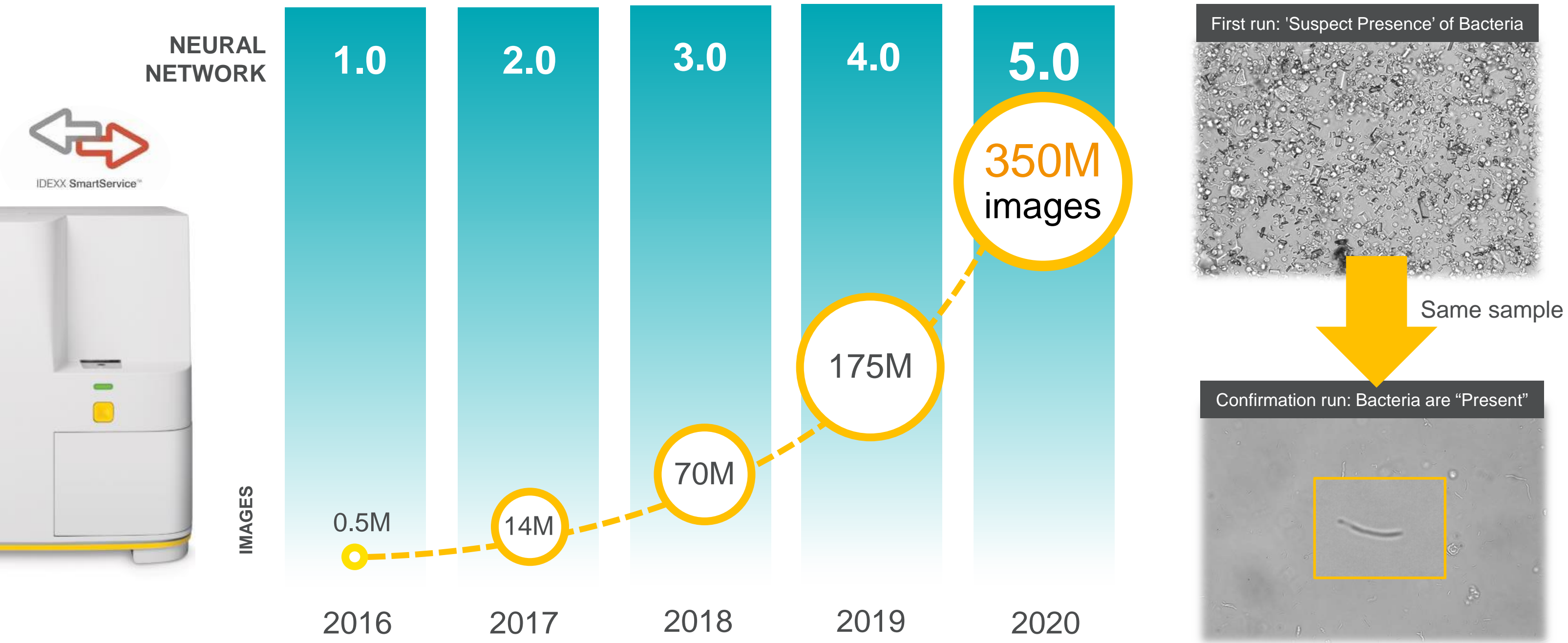
Worldwide Catalyst Placement Opportunities by Type  
(as of end 2019)\*



\* All figures are rounded. Excludes practices too small to be likely candidates for chemistry analyzer placement at this time.

# SediVue Dx<sup>®</sup> Capabilities Continue to Advance

*Neural Network 5.0 with Advanced Bacteria Detection Leveraging 5 Million Patient Samples*



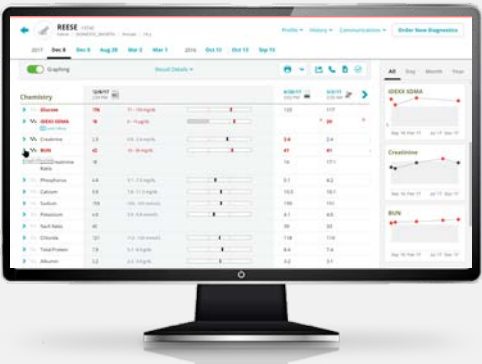


# Highly Advanced Reference Lab Capabilities Developed Over Decades

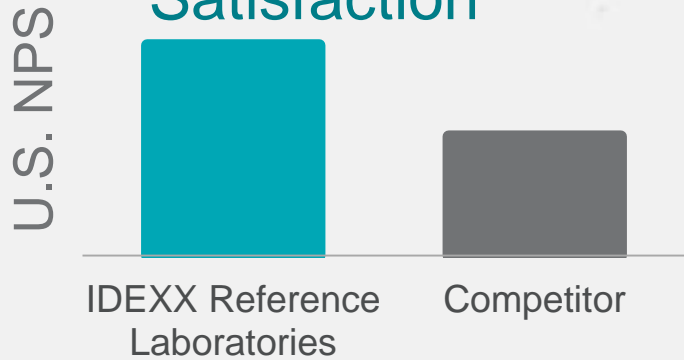
80 Labs Globally



Unparalleled Integration



Highest Customer Satisfaction



IDEXX  
SDMA® Test



Fecal Dx®  
Antigen Profile

Most Advanced Menu

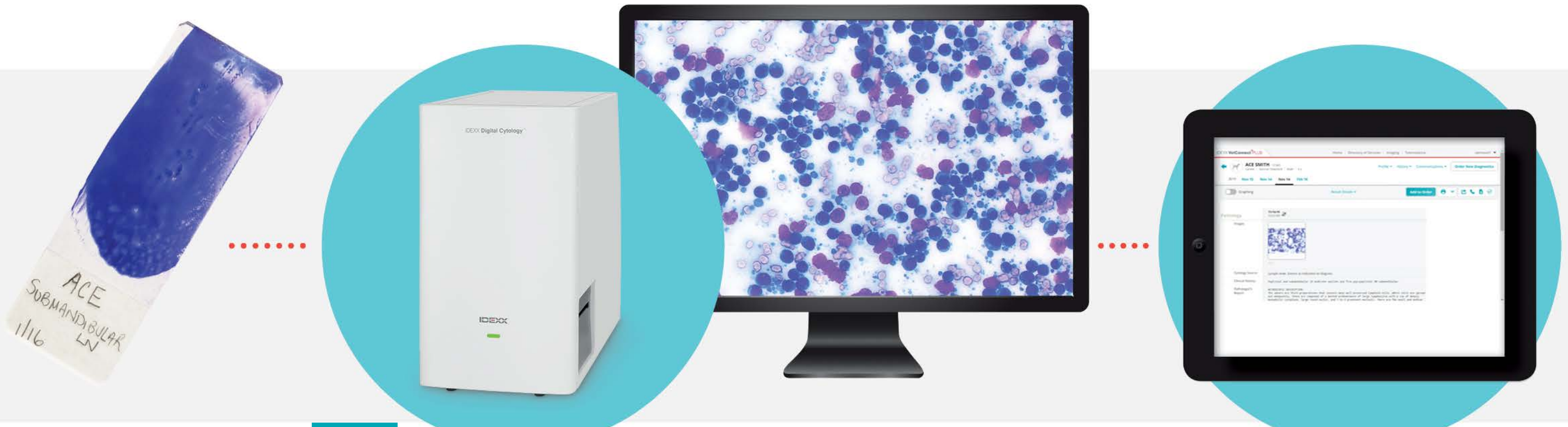


Global Network  
of Pathologists

# Transforming Cytology: IDEXX Point-of-Care Digital Cytology Service

*< 2 Hours Expert Interpretation*

*24 hours a day, 7 days a week, 365 days a year*



**2 Hours  
Days**

*Powered by VetConnect PLUS with Rapid Access to 100+ Clinical Pathologists*

**Traditional methods**

# IDEXX PIMS and Software Apps Together Form a Complete Solution

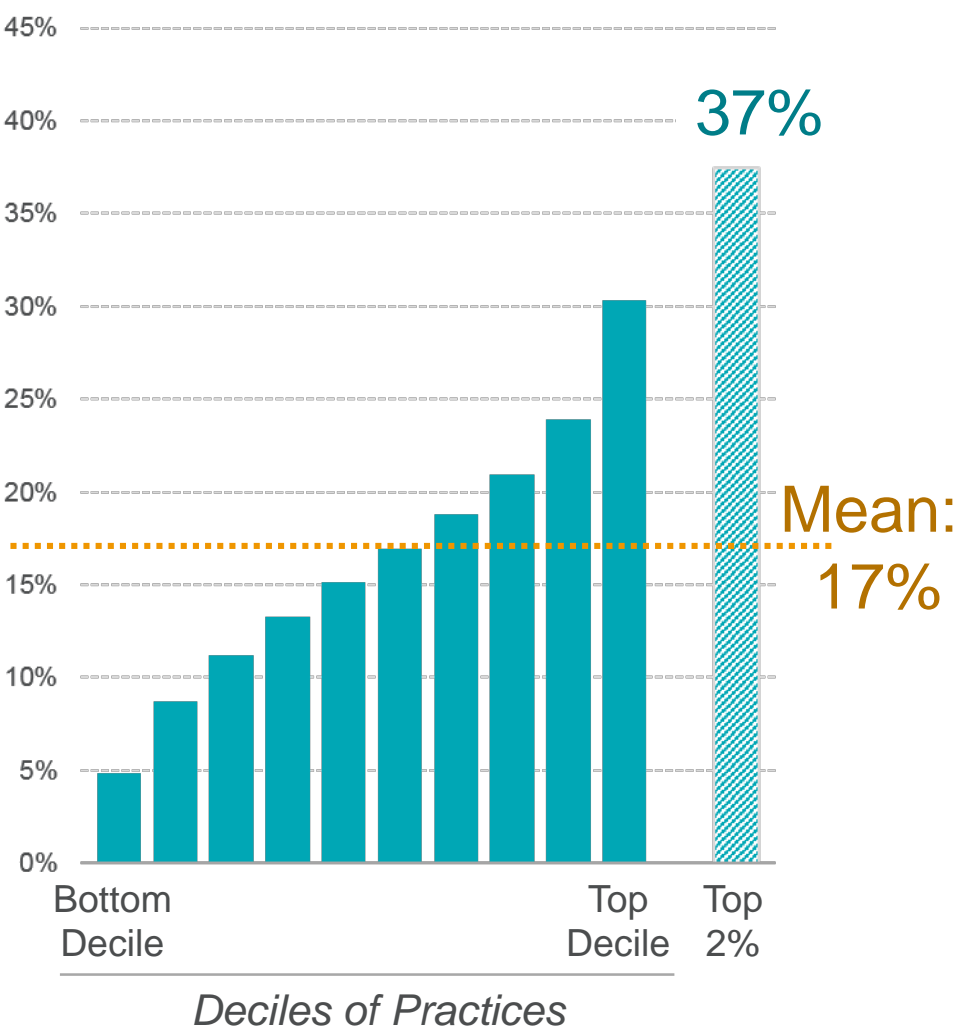


*Superior integration with leading apps, services, and products*

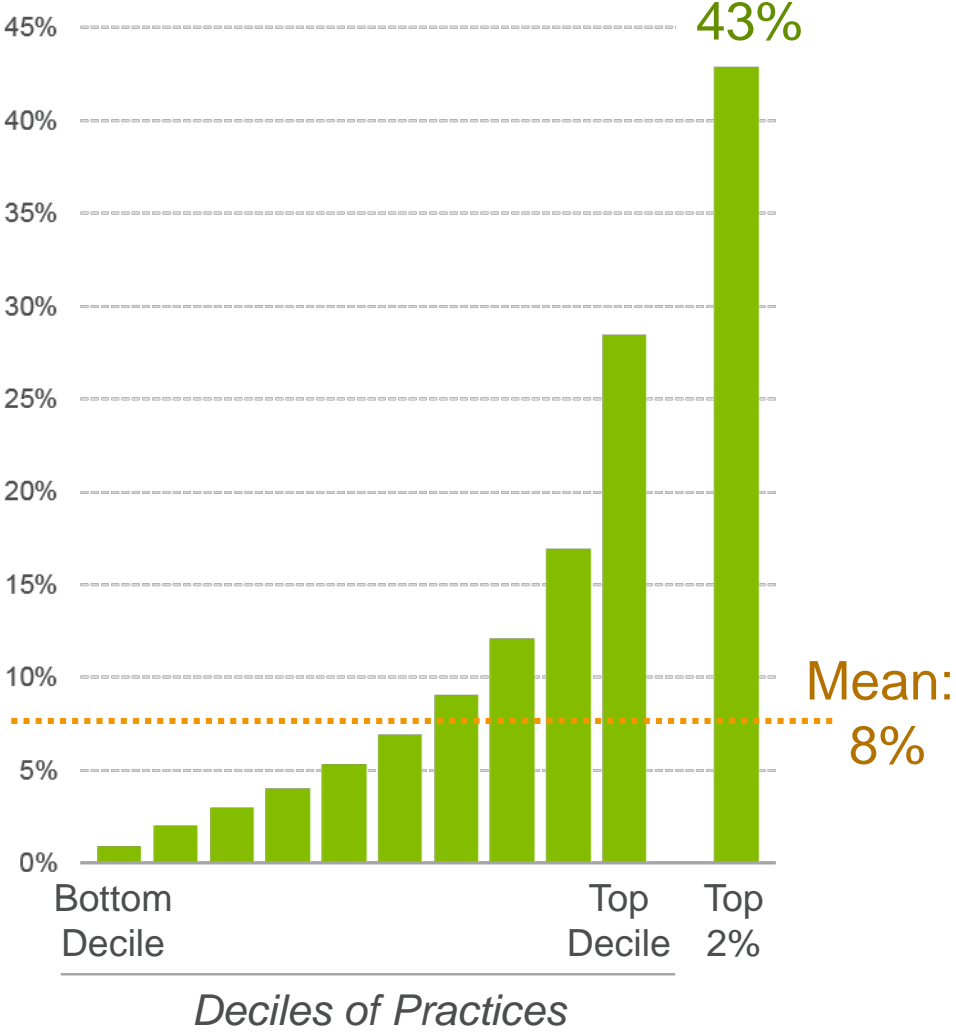


# Significant Range of Diagnostic Use Points to Long-Term Growth Opportunity

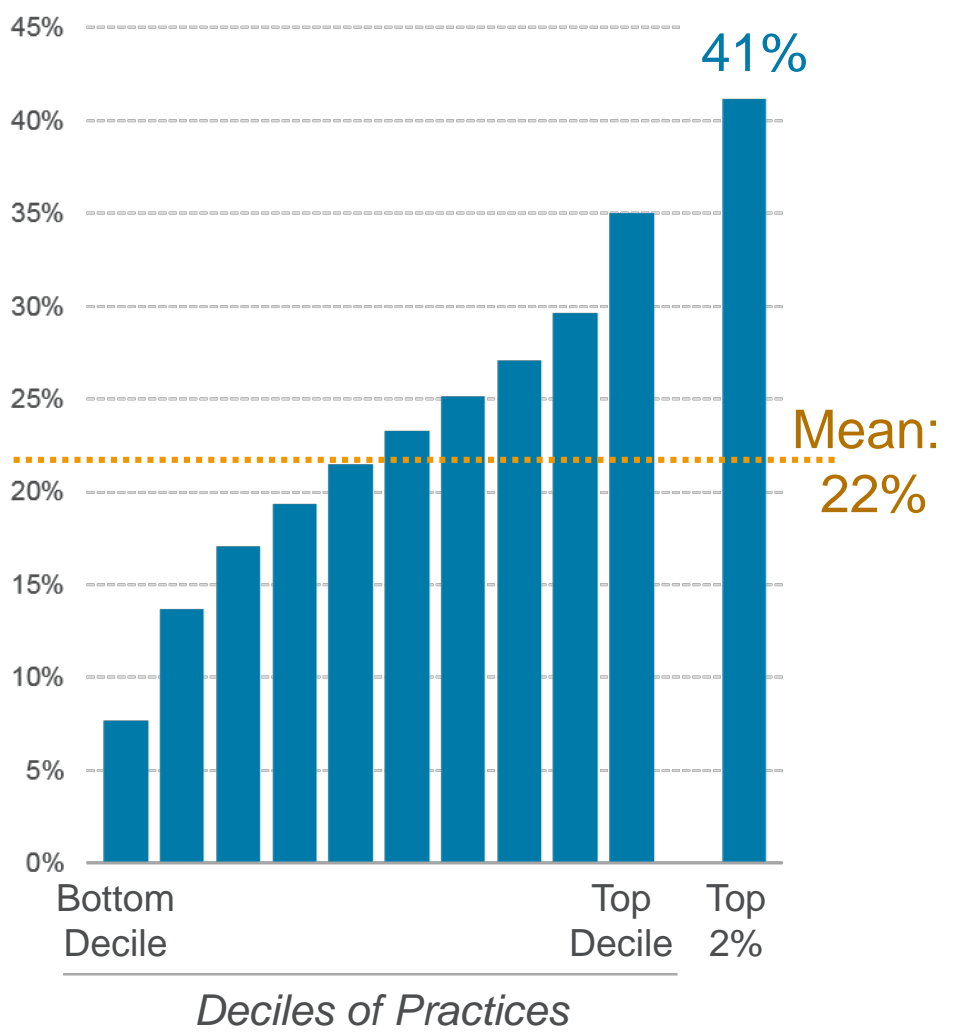
% of Clinical Visits including *Bloodwork*



% of *Wellness* Clinical Visits including Bloodwork



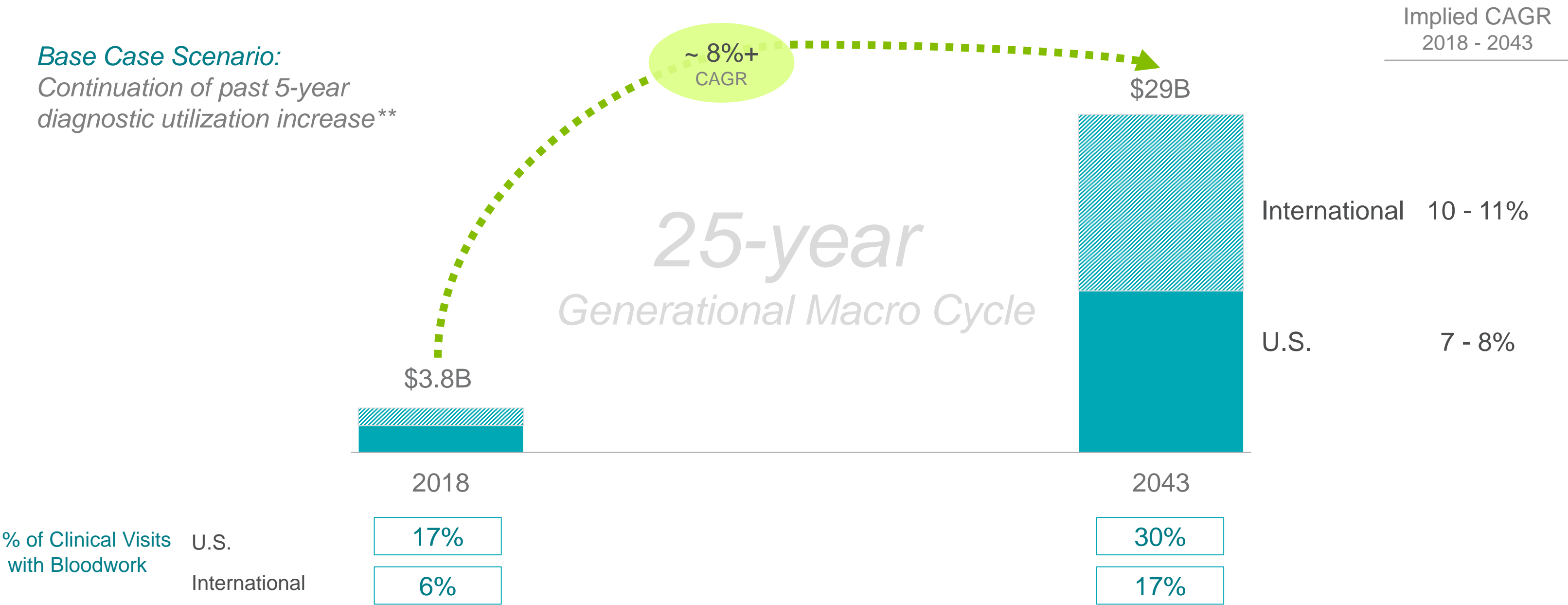
% of *Non-wellness* Clinical Visits including Bloodwork



Source: Based on analysis of IDEXX Practice Intelligence data (n = 7,003 practices). 'Clinical visits' are those where the reason for visit involves an interaction between a veterinary clinician and a pet, including wellness and non-wellness visit types. 'Bloodwork' represents chemistry and/ or hematology.

# Expansion of Diagnostic Testing Points to \$30 Billion Long-Term Market Opportunity

Estimated Total Worldwide Companion Animal Diagnostic Spending (\$M)\*



• Revenue estimated at the manufacturer level. Includes reference lab, telemedicine, in-house instruments and consumables, rapid assay, manual microscopy and 'similar' types of diagnostics through 2043. Excludes veterinary software, digital and ultrasound. Figures stated in USD, based on 2018 average exchange rates. \*\* Modeled based on projecting continuation of the estimated 2013 – 2018 average annual increase in percentage of clinical visits including bloodwork, market clinical visit growth and net price realization



# IDEXX Preventive Care is a Turnkey Solution

We have inspired over 3,800 veterinarians to implement preventive care diagnostics



Custom profiles that uncover more underlying disease



A pricing strategy for client compliance



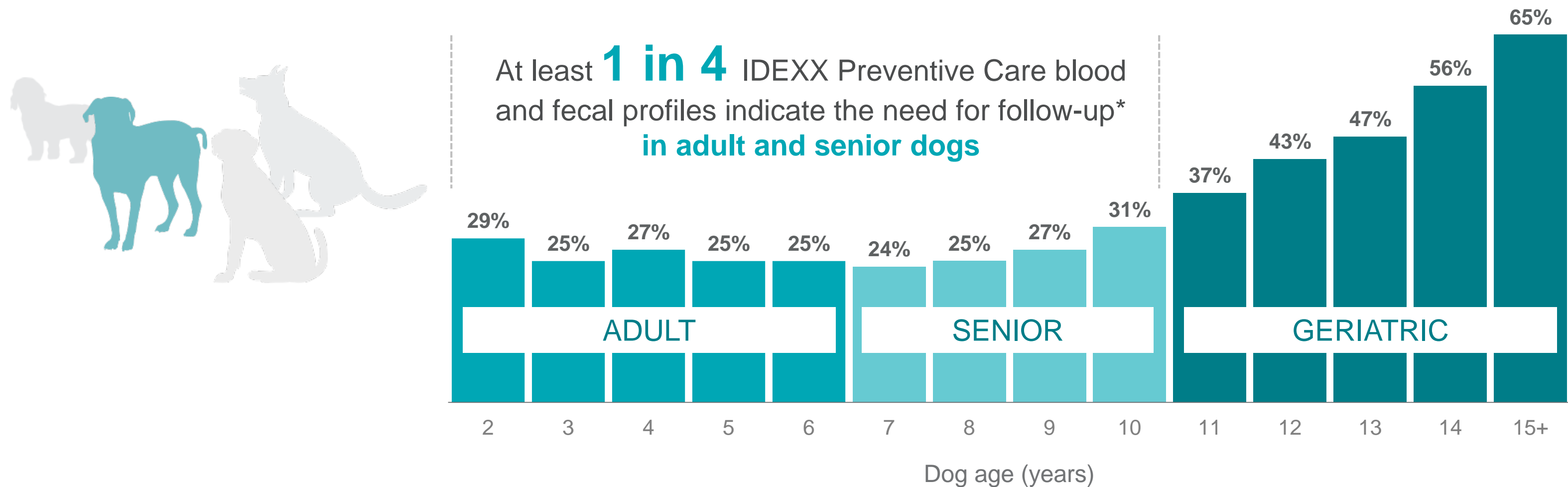
Staff training, implementation and rewards



Client-facing materials

# IDEXX Preventive Care Testing is Clinically Relevant to all Adult Dogs

According to an analysis of samples from approximately 30,000 dogs

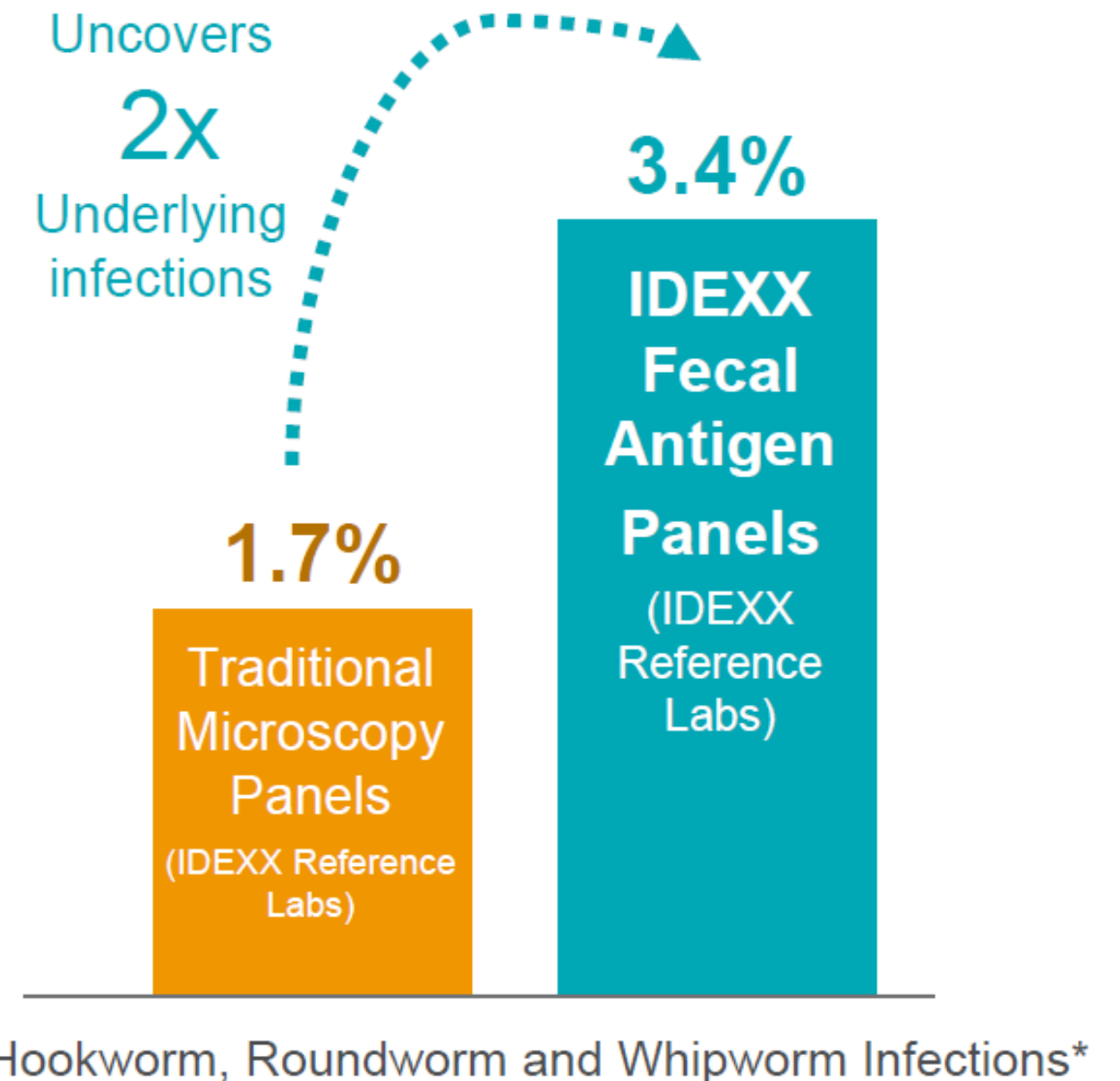


\* Due to “clinically significant findings,” which would indicate the need for follow-up, further consideration, or a change in action by the clinician. Clinical significance based on rules determined by an IDEXX veterinarian panel.

Source: Data based on analyses of 29,795 canine wellness profiles (Chem 22 including IDEXX SDMA® Test, IDEXX CBC testing with reticulocyte parameters, the Lab 4Dx® Plus Test, and Fecal Dx® antigen testing) associated with wellness visits; testing performed at IDEXX Reference Laboratories on July 13, 2016–February 28, 2019. Represented U.S. regions by proportion of included profiles: Northeast (32.0%), South (41.3%), Midwest (17.4%), West (7.6%), and region not reported (1.7%). Data on file at IDEXX Laboratories, Inc. Westbrook, Maine USA.

# IDEXX Fecal Dx Antigen Profile: Improved Detection of Intestinal Parasites

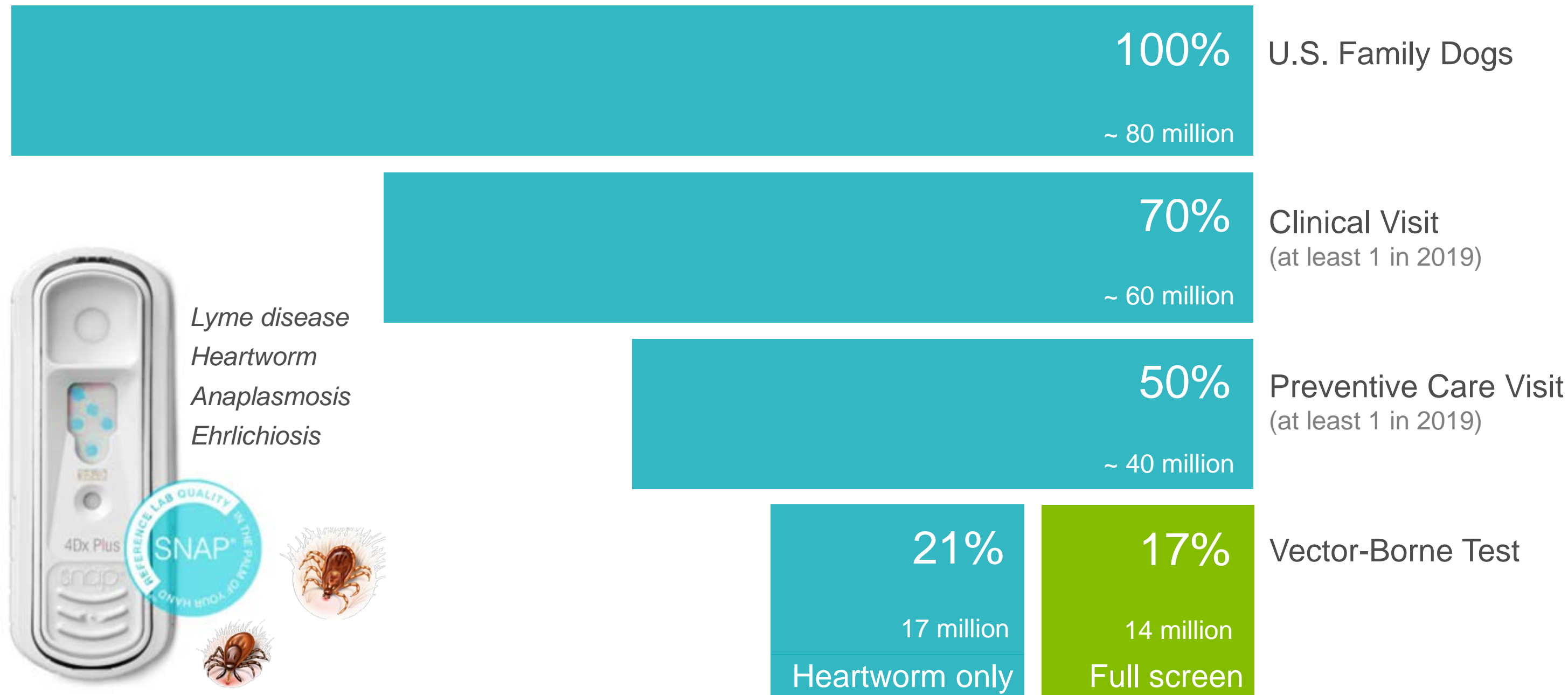
- Double the detection and lower cost
- Detects actual parasite presence – not influenced by egg counts
- Permits earlier detection
- Endorsed by industry experts



\* Analysis based on a sample of 442,884 canines, presenting for preventive care visits with fecal exams sent to IDEXX Reference Labs between December, 2015 and June, 2018.

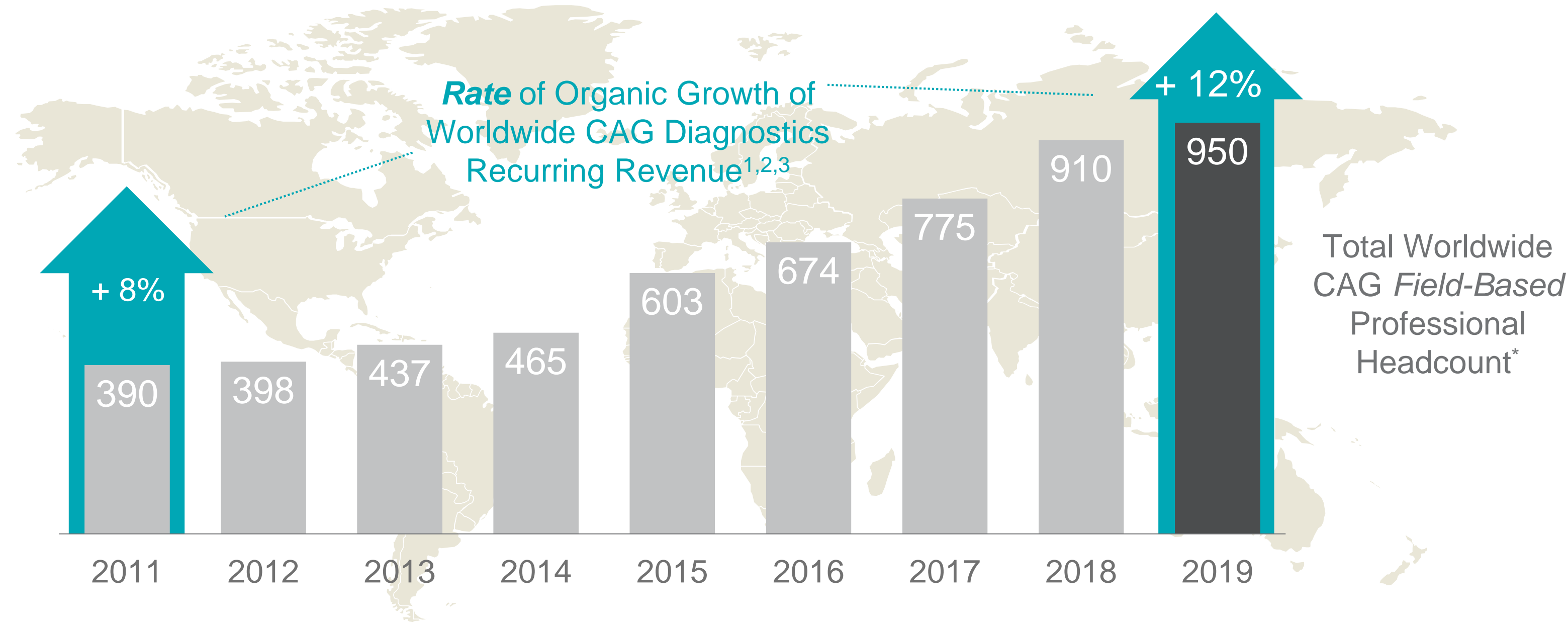
# Only ~17% of U.S. Dogs Receive a Full Vector-Borne Disease Screen at the Veterinary Practice Annually

2019 U.S. Canine Vector-borne Disease Screening at the Veterinary Practice\*



\* Based on analyses of IDEXX Practice Intelligence data and other data sources.

# Our Expanding Worldwide CAG Commercial Presence has Supported Accelerated CAG Dx Recurring Revenue Growth



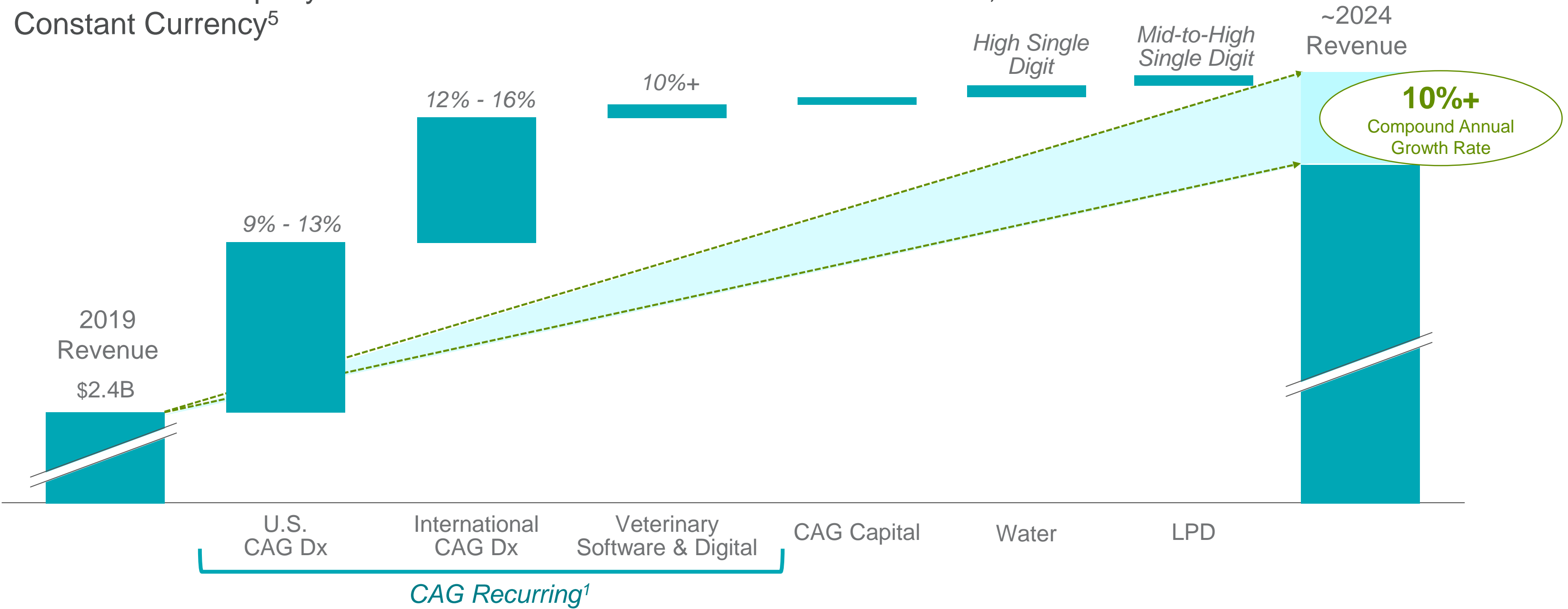
• Includes all field-based sales and technical services headcount, excluding management. Figures as of December 31 of each calendar year.  
<sup>1,2</sup> Please refer to the Appendix for descriptive footnotes. <sup>3</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes.



# Five-Year Potential for Continued 10%+ Annual Revenue Growth

*Driven by Expansion of CAG Diagnostics Recurring Revenue*

IDEXX Total Company Annual Revenue Growth Potential 2024 vs. 2019,  
Constant Currency<sup>5</sup>



Five-Year potential revenue growth projections were communicated at Investor Day on August 14, 2019. Please refer to our Safe Harbor Disclaimer. <sup>1,5</sup> Please refer to the Appendix for descriptive footnotes.

# We are Delivering Against our Long-Term Financial Goals

	2016	2017	2018	2019	Multi-Year Goals
Organic Revenue Growth <sup>3</sup>	11.4%	10.4%	11.6%	10.3%	10%+
Operating Margin Gain (Comparable Constant Currency) <sup>5,6</sup>	170 bps	140 bps	130 bps	120 bps	50 - 100 bps
EPS Growth (Comparable Constant Currency) <sup>5,7</sup>	25%	21%**	36%	21%	15% - 20%

*ROIC<sup>8</sup> of 46% in 2019*

\*\* 2017 reflects normalized year-over-year share count reduction which adjusts for impact of adopting ASU 2016-09, Compensation-Stock Compensation (Topic 718). Reported share count reduction was 1.4%.

<sup>3, 5, 6, 7, 8</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes.

# IDEXX – Long-Term Durable Growth and Returns

A Durable Recurring Revenue Business Model with ...

... Tremendous runway and supportive demographic trends

... Expertly served by IDEXX's differentiated innovation and commercial model...

... Generating exceptional financial returns.



# Footnotes

**<sup>1</sup> Recurring Revenue:** Companion Animal Diagnostics recurring revenue for Rapid Assay and IDEXX VetLab includes and excludes the following as applicable: Rapid Assay excludes SNAP Pro instrument revenues, and IDEXX VetLab includes consumables, service and accessories revenues. Other recurring revenue includes recurring revenue for Veterinary Software Services and Diagnostic Imaging Systems, Livestock, Poultry and Dairy (“LPD”), and Water, which include and exclude the following as applicable: Veterinary Software Services and Diagnostic Imaging Systems excludes client server based placements and radiography instrument revenues, LPD excludes government-sponsored eradication programs and herd health screening revenues, and Water excludes sealer and filtration instrument revenues.

**<sup>2</sup> IDEXX Reportable Segment Revisions and Divested Revenues:** Prior to January 1, 2015, our Companion Animal Group (“CAG”) segment included herd testing diagnostic services processed within and managed by our CAG reference laboratories. We have transitioned the responsibility for these diagnostic services to our LPD segment to more effectively align our business with the nature and customers of these livestock services. Revenue and revenue growth calculations have been retrospectively revised to reflect this change in the composition of our reportable segments. The impact on CAG Diagnostics recurring revenue growth was not material.

**<sup>3</sup> Organic Revenue Growth:** Organic revenue growth is a non-GAAP financial measure and represents the percentage change in revenue for a measurement period, as compared to the prior year period(s), excluding the impact of changes in foreign currency exchange rates and revenue from business acquisitions. Management believes that reporting organic revenue growth provides useful information to investors by facilitating easier comparisons of our revenue performance with prior and future periods and to the performance of our peers. Organic revenue growth should be considered in addition to, and not as a replacement of or superior measure to, revenue growth reported in accordance with GAAP. The percentage change in revenue resulting from acquisitions represents incremental revenues attributable to business acquisitions that have occurred since the beginning of the prior year period. Effective January 1, 2018, we exclude only acquisitions that are considered to be a business (consistent with ASU 2017-01, “Business Combinations: (Topic 850) Clarifying the Definition of a Business”) from organic revenue growth. For more detail on what acquisitions we consider to be a business in computing organic growth, please see *Management’s Discussion and Analysis of Financial Conditions and Results of Operations – Results of Operations and Trends – Non-GAAP Financial Measures*, contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 available at [www.idexx.com/investors](http://www.idexx.com/investors). Currency changes increased total company revenue growth by 0.3% in 2017, 0.7% in 2018, and decreased total company revenue by 1.8% in 2019. Revenue from acquisitions increased total company revenue growth by 0.2% in 2017, 0.1% in 2018, and 0.2% in 2019. See tables included in Footnote 4, *Normalized Organic Revenue Growth* for reconciliation of CAG and CAG Diagnostics recurring organic revenue growth to reported growth.

**<sup>4</sup> Normalized Organic Revenue Growth:** Normalized organic revenue growth is a non-GAAP financial measure that represents organic revenue growth, normalized for the effects of: (a) our transition to an all-direct sales strategy in the U.S., which was effected fully by January 1, 2015, on revenue growth for the relevant period(s) in 2014 and 2015; and (b) the adoption of ASU 2014-09, Revenue from Contracts with Customers (the “New Revenue Standard”), primarily related to the modified retrospective restatement in 2018. Management believes that normalized organic revenue growth is a more useful way to measure business performance because it enables better period-over-period comparisons of the fundamental financial results by excluding one-time transitional growth rate impacts. Normalized organic revenue growth should be considered in addition to, and not as a replacement of or superior measure to, revenue growth reported in accordance with GAAP. During our transition to an all-direct sales strategy, we incurred one-time transitional impacts related to the drawdown of distributor inventory in the fourth quarter of 2014, and reported revenues for 2014 have been adjusted to exclude this \$25 million impact. Further, during the three months ended December 31, 2014, we began recognizing revenue on rapid assay kits and instrument consumables upon delivery to end users in the U.S., instead of at distribution. We also began to capture additional revenue that was previously earned by our distribution partners, net of other changes related to this all-direct strategy, such as free next-day shipping and a new returns policy for expired product. We refer to this net additional revenue as distributor margin capture, and 2015 revenue has been adjusted ~\$40 million to exclude this impact. Effective January 1, 2018, we adopted the New Revenue Standard using the modified retrospective method for all contracts not completed as of the date of adoption. We recognized the cumulative effect of initially applying the New Revenue Standard as an adjustment to the opening balance of retained earnings.

# Footnotes

**<sup>4</sup> Normalized Organic Revenue Growth, *continued*:** See tables below for a reconciliation of normalized and organic CAG and CAG Diagnostics recurring revenue growth to reported growth for the relevant periods.

<b>CAG Diagnostics Recurring</b> <sup>1,2</sup>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Reported Growth	6%	11%	8%	9%	8%	10%	11.7%	13.3%	14.0%	10.5%
<i>Currency Impact</i> <sup>5</sup>	1%	3%	-2%	-1%	-1%	-6%	-0.7%	0.2%	0.8%	-1.6%
<i>Acquisition Impact</i>	1%	0%	2%	0%	0%	1%	0.3%	0.3%	0.0%	0.2%
<b>Organic Revenue Growth</b>	<b>5%</b>	<b>8%</b>	<b>8%</b>	<b>9%</b>	<b>8%</b>	<b>16%</b>	<b>12.0%</b>	<b>12.8%</b>	<b>13.2%</b>	<b>11.9%</b>
<i>Distributor Inventory Adjustment</i>					0.0%	0.0%				
<i>Margin Capture Adjustment</i>					0.0%	0.0%				
<i>New Revenue Standard Adjustment</i>									-1.3%	
<b>Normalized Organic Revenue Growth</b>	<b>5%</b>	<b>8%</b>	<b>8%</b>	<b>9%</b>	<b>8%</b>	<b>16%</b>	<b>12.0%</b>	<b>12.8%</b>	<b>11.9%</b>	<b>11.9%</b>

<b>Total CAG</b> <sup>2</sup>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Reported Growth	6%	18%	17%	16%	16%	24%	11%	1%	7%	10%	7%	7%	7%	11%	12%	12%	14%	9%
<i>Currency Impact</i> <sup>5</sup>	1%	4%	3%	0%	0%	3%	1%	-2%	0%	2%	-1%	-1%	-1%	-6%	-1%	0%	1%	-2%
<i>Acquisition Impact</i>			1%	7%	2%	6%	1%	-2%	1%	0%	1%	0%	0%	1%	0%	0%	0%	0%
<b>Organic Growth</b>	<b>5%</b>	<b>14%</b>	<b>13%</b>	<b>10%</b>	<b>14%</b>	<b>16%</b>	<b>9%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>16%</b>	<b>13%</b>	<b>11%</b>	<b>13%</b>	<b>11%</b>
<i>Distributor Inventory Adjustment</i>													0%	0%				
<i>Margin Capture Adjustment</i>													0%	0%				
<i>New Revenue Standard Adjustment</i>																	-3%	
<b>Normalized Organic Revenue Growth</b>	<b>5%</b>	<b>14%</b>	<b>13%</b>	<b>10%</b>	<b>14%</b>	<b>16%</b>	<b>9%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>16%</b>	<b>13%</b>	<b>11%</b>	<b>9%</b>	<b>11%</b>

**<sup>5</sup> Constant Currency:** Constant currency references are non-GAAP financial measures and exclude the impact of changes in foreign currency exchange rates. Management believes that constant currency information provides valuable supplemental information regarding our revenue and revenue CAGR, operating margin and EPS results because it is consistent with how management evaluates our performance and facilitates comparisons with prior and future periods. We estimated the net impacts of currency on our revenue, operating margin, and EPS results by restating results to the average exchange rates or exchange rate assumptions for the comparative period, which includes adjusting for the estimated impacts of foreign currency hedging transactions and certain impacts on our effective tax rates. Prior periods were restated to current rates and may vary from previously reported constant currency figures. See Footnote 3, *Organic Revenue Growth*, and Footnote 4, *Normalized Organic Revenue Growth* for further details of currency impacts on revenue growth. See Footnote 7, *Comparable Constant Currency Operating Profit Margin and Gain*, and Footnote 8, *Comparable Constant Currency EPS Growth*, for further details of currency impacts on operating profit margin and gain and EPS growth, respectively.



# Footnotes

**<sup>6</sup> Comparable Constant Currency Operating Profits Margin and Gain:** Comparable constant currency operating profit margin and gain (or growth) are non-GAAP financial measures and exclude non-recurring items, changes in foreign currency exchange rates, and CEO transition charges. Management believes comparable constant currency operating profit margin and gain are more useful ways to measure the Company’s business performance than operating profit margin and gain because they enable better period-over-period comparisons of the fundamental financial results by excluding items that vary independent of performance and provides greater transparency to investors regarding key metrics used by management. Comparable constant currency operating margin and gain should be considered in addition to, and not as replacements of or superior measures to, operating margin and gain reported in accordance with GAAP. Comparable constant currency operating profit margin and gain exclude the effect of an \$8.2 million non-cash software impairment charge in the third quarter of 2015. The reconciliation of these non-GAAP financial measures is as follows:

	For the Year Ended December 31,				
<i>Dollar amounts in thousands</i>	2015	2016	2017	2018	2019
Income from operations	\$299,912	\$350,239	\$413,028	\$491,335	\$552,846
<i>Operating margin</i>	<i>18.7%</i>	<i>19.7%</i>	<i>21.0%</i>	<i>22.2%</i>	<i>23.0%</i>
<i>Impairment charge</i>	8,212	-	-	-	-
<i>CEO transition charges</i>					13,400
Comparable income from operations	308,124	350,239	413,028	491,335	566,246
<i>Comparable operating margin</i>	<i>19.2%</i>	<i>19.7%</i>	<i>21.0%</i>	<i>22.2%</i>	<i>23.5%</i>
Change from currency	21,228	24,180	1,051	(1,331)	5,343
Comparable constant currency income from operations	329,352	\$374,419	\$414,079	\$490,004	571,589
<b>Comparable constant currency operating margin gains</b>		<b>170 bps</b>	<b>140 bps</b>	<b>130 bps</b>	<b>120 bps</b>

**<sup>7</sup> Comparable Constant Currency EPS Growth:** Comparable constant currency EPS growth is a non-GAAP financial measure that excludes the tax effects of share-based compensation activity under ASU 2016-09, CEO transition charges, changes in foreign currency exchange rates, and non-recurring items. Management believes comparable constant currency EPS growth is a more useful way to measure the Company’s business performance than EPS growth because it enables better period-over-period comparisons of the fundamental financial results by excluding items that vary independent of performance and provides greater transparency to investors regarding a key metric used by management. Comparable constant currency EPS growth excludes: the effect of an \$8.2 million non-cash software impairment charge in the third quarter of 2015; the impact of the Company’s adoption of share-based compensation accounting change (ASU 2016-09) for the periods after its adoption on January 1, 2017; a one-time negative impact related to the 2017 Tax Cuts and Jobs Act (“U.S. Tax Reform”); and a discrete tax benefit related to the utilization of foreign tax credits in 2017. The reconciliation of this non-GAAP financial measure is as follows:

	For the Year Ended December 31,				
	2015	2016	2017	2018	2019
<b>Earnings per share (diluted)</b>	\$2.05	\$2.44	\$2.94	\$4.26	\$4.89
Impairment charge	\$0.06	-	-	-	-
CEO transition charges					0.14
Impact of adoption of ASU 2016-09		-	(0.30)	(0.24)	(0.22)
Impact of U.S. Tax Reform		-	0.34	-	-
Impact of foreign tax credit utilization		-	(0.04)	-	-
Comparable EPS	\$2.11	\$2.44	\$2.94	\$4.02	\$4.81
Change from currency	-	0.20	0.02	(0.01)	0.05
Comparable constant currency EPS	\$2.11	\$2.64	\$2.96	\$4.01	\$4.86
<b>Comparable constant currency EPS Growth</b>		<b>25%</b>	<b>21%</b>	<b>36%</b>	<b>21%</b>

# Footnotes

**<sup>8</sup> After-Tax Return on Invested Capital, Excluding Cash and Investments (“ROIC”):** After-tax return on invested capital, excluding cash and investments, is a non-GAAP financial measure, that represents our after-tax income from operations, divided by our average invested capital, excluding cash and investments, using beginning and ending balance sheet values. After-tax return on invested capital, excluding cash and investments, after-tax income from operations and average invested capital, excluding cash and investments, are not measures of financial performance under GAAP and should be considered in addition to, and not as replacements of or superior measures to, return on assets, net income, total assets or other financial measures reported in accordance with GAAP. Management believes that reporting after-tax return on invested capital, excluding cash and investments, provides useful information to investors for evaluating the efficiency and effectiveness of our use of capital. The reconciliation of this non-GAAP financial measure is as follows:

	For the Year Ended December 31,		
Numerator (amounts in millions)			2019
Income from operations (as reported)			\$ 553
After-tax income from operations *			\$ 453
	As of December 31,		
Denominator (dollar amounts in millions)	2018		2019
Total shareholders' equity (deficit)	\$ (10)		\$ 177
Noncontrolling interest	\$ -		\$ -
Line of credit	\$ 399		\$ 289
Long-term debt	\$ 601		\$ 699
Deferred income tax assets	\$ (8)		\$ (8)
Deferred income tax liabilities	\$ 29		\$ 33
Total invested capital	\$ 1,011		\$ 1,190
Less cash & marketable securities	\$ 124		\$ 90
Total invested capital, excluding cash and investments	\$ 887		\$ 1,100
Average invested capital, excluding cash and investments **	\$ 820		\$ 994
After-tax return on invested capital, excluding cash and investments			46%

\* After-tax income from operations represents income from operations reduced by our reported effective tax rate of 18.1%.

\*\* Average invested capital, excluding cash and investments, represents the average of the amount of total invested capital, excluding cash and investments.