



West Corporation

First Quarter 2016 - Reconciliation of Non-GAAP Financial Measures

Adjusted Operating Income Reconciliation

Adjusted operating income is not a measure of financial performance under generally accepted accounting principles ("GAAP"). The Company believes adjusted operating income provides a relevant measure of operating profitability and a useful basis for evaluating the ongoing operations of the Company. Adjusted operating income is used by the Company to assess operating income before the impact of acquisitions and acquisition-related costs and certain non-cash items. Adjusted operating income should not be considered in isolation or as a substitute for operating income or other profitability data prepared in accordance with GAAP. Adjusted operating income, as presented, may not be comparable to similarly titled measures of other companies. Set forth below is a reconciliation of adjusted operating income from operating income.

Reconciliation of Adjusted Operating Income from Operating Income			
<i>Unaudited, in thousands</i>			
	Three Months Ended March 31,		
Consolidated:	2016	2015	% Change
Operating income	\$ 108,924	\$ 110,693	-1.6%
Amortization of acquired intangible assets	16,425	16,526	-0.6%
Share-based compensation	7,666	5,429	41.2%
Secondary equity offering expense	-	707	-
M&A and acquisition-related costs	1,088	778	39.8%
Adjusted operating income	<u>\$ 134,103</u>	<u>\$ 134,133</u>	<u>0.0%</u>
Adjusted operating income margin	23.5%	23.7%	
Unified Communications Services:			
Operating income	\$ 89,068	\$ 94,878	-6.1%
Amortization of acquired intangible assets	3,393	3,255	4.2%
Share-based compensation	4,328	3,271	32.3%
Secondary equity offering expense	-	45	-
M&A and acquisition-related costs	491	-	-
Adjusted operating income	<u>\$ 97,280</u>	<u>\$ 101,449</u>	<u>-4.1%</u>
Adjusted operating income margin	26.8%	27.5%	
Safety Services:			
Operating income	\$ 8,973	\$ 3,202	180.2%
Amortization of acquired intangible assets	3,383	4,649	-27.2%
Share-based compensation	1,227	919	33.5%
Secondary equity offering expense	-	15	-
Adjusted operating income	<u>\$ 13,583</u>	<u>\$ 8,785</u>	<u>54.6%</u>
Adjusted operating income margin	19.1%	12.8%	
Interactive Services:			
Operating income	\$ 5,808	\$ 5,574	4.2%
Amortization of acquired intangible assets	5,055	3,795	33.2%
Share-based compensation	761	581	31.0%
Secondary equity offering expense	-	7	-
M&A and acquisition-related costs	552	628	-12.1%
Adjusted operating income	<u>\$ 12,176</u>	<u>\$ 10,585</u>	<u>15.0%</u>
Adjusted operating income margin	17.0%	16.9%	
Specialized Agent Services:			
Operating income	\$ 4,518	\$ 8,535	-47.1%
Amortization of acquired intangible assets	4,594	4,827	-4.8%
Share-based compensation	1,350	658	105.2%
Secondary equity offering expense	-	9	-
M&A and acquisition-related costs	-	150	-
Adjusted operating income	<u>\$ 10,462</u>	<u>\$ 14,179</u>	<u>-26.2%</u>
Adjusted operating income margin	15.3%	21.1%	
Corporate Other:			
Operating income (loss)	\$ 557	\$ (1,496)	
Secondary equity offering expense	-	631	
M&A and acquisition-related costs	45	-	
Adjusted operating income (loss)	<u>\$ 602</u>	<u>\$ (865)</u>	

Adjusted Net Income and Adjusted Earnings per Share Reconciliation

Adjusted net income and adjusted earnings per share (EPS) are non-GAAP measures. The Company believes these measures provide a useful indication of profitability and basis for assessing the operations of the Company without the impact of bond redemption premiums, acquisitions and acquisition-related costs and certain non-cash items. Adjusted net income should not be considered in isolation or as a substitute for net income or other profitability metrics prepared in accordance with GAAP. Adjusted net income, as presented, may not be comparable to similarly titled measures of other companies. The Company utilizes this non-GAAP measure to make decisions about the use of resources, analyze performance and measure management's performance with stated objectives. Set forth below is a reconciliation of adjusted net income from net income.

Reconciliation of Adjusted Net Income from Net Income			
<i>Unaudited, in thousands except per share data</i>			
CONTINUING OPERATIONS	Three Months Ended March 31,		
	2016	2015	% Change
Income from continuing operations	\$ 44,555	\$ 48,634	-8.4%
Amortization of acquired intangible assets	16,425	16,526	
Amortization of deferred financing costs	4,909	5,002	
Share-based compensation	7,666	5,429	
Secondary equity offering expense	-	707	
M&A and acquisition-related costs	1,088	778	
Pre-tax total	30,088	28,442	
Income tax expense on adjustments	10,772	10,168	
Adjusted income from continuing operations	<u>\$ 63,871</u>	<u>\$ 66,908</u>	<u>-4.5%</u>
Diluted shares outstanding	84,615	86,226	
Adjusted EPS from continuing operations - diluted	\$ 0.75	\$ 0.78	-3.8%
DISCONTINUED OPERATIONS	Three Months Ended March 31,		
	2016	2015	
Income from discontinued operations	\$ -	\$ 31,866	
Amortization of acquired intangible assets	-	41	
Share-based compensation	-	1,576	
M&A and acquisition-related costs	-	356	
Pre-tax total	-	1,973	
Income tax benefit on adjustments	-	756	
Adjusted income from discontinued operations	<u>\$ -</u>	<u>\$ 33,083</u>	
Diluted shares outstanding	84,615	86,226	
Adjusted EPS from discontinued operations - diluted	\$ -	\$ 0.38	
CONSOLIDATED	Three Months Ended March 31,		
	2016	2015	% Change
Net income	\$ 44,555	\$ 80,500	-44.7%
Amortization of acquired intangible assets	16,425	16,567	
Amortization of deferred financing costs	4,909	5,002	
Share-based compensation	7,666	7,005	
Secondary equity offering expense	-	707	
M&A and acquisition-related costs	1,088	1,134	
Pre-tax total	30,088	30,415	
Income tax expense on adjustments	10,772	10,924	
Adjusted net income	<u>\$ 63,871</u>	<u>\$ 99,991</u>	<u>-36.1%</u>
Diluted shares outstanding	84,615	86,226	
Adjusted EPS - diluted	\$ 0.75	\$ 1.16	-35.3%

Free Cash Flow Reconciliation

The Company believes free cash flow provides a relevant measure of liquidity and a useful basis for assessing the Company's ability to fund its activities, including the financing of acquisitions, debt service, stock repurchases and distribution of earnings to shareholders. Free cash flow is calculated as cash flows from operating activities less cash capital expenditures. Free cash flow is not a measure of financial performance under GAAP. Free cash flow should not be considered in isolation or as a substitute for cash flows from operating activities or other liquidity measures prepared in accordance with GAAP. Free cash flow, as presented, may not be comparable to similarly titled measures of other companies. Set forth below is a reconciliation of free cash flow from cash flows from operating activities.

Reconciliation of Free Cash Flow from Operating Cash Flow			
<i>Unaudited, in thousands</i>			
CONTINUING OPERATIONS	Three Months Ended March 31,		
	2016	2015	% Change
Cash flows from operating activities	\$ 60,052	\$ 58,396	2.8%
Cash capital expenditures	36,357	36,307	0.1%
Free cash flow	\$ 23,695	\$ 22,089	7.3%
DISCONTINUED OPERATIONS			
	Three Months Ended March 31,		
	2016	2015	
Cash flows from (used in) operating activities	\$ -	\$ (5,279)	
Cash capital expenditures	-	1,930	
Free cash flow	\$ -	\$ (7,209)	
CONSOLIDATED			
	Three Months Ended March 31,		
	2016	2015	% Change
Cash flows from operating activities	\$ 60,052	\$ 53,117	13.1%
Cash capital expenditures	36,357	38,237	-4.9%
Free cash flow	\$ 23,695	\$ 14,880	59.2%

EBITDA and Adjusted EBITDA Reconciliation

The common definition of EBITDA is "Earnings Before Interest Expense, Taxes, Depreciation and Amortization." In evaluating liquidity and performance, the Company uses "Adjusted EBITDA." The Company defines Adjusted EBITDA as earnings before interest expense, share-based compensation, taxes, depreciation and amortization and transaction costs. EBITDA and Adjusted EBITDA are not measures of financial performance or liquidity under GAAP. Although the Company uses Adjusted EBITDA as a measure of its liquidity, the use of Adjusted EBITDA is limited because it does not include certain material costs, such as depreciation, amortization and interest, necessary to operate the business. EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for net income, cash flow from operating activities or other income or cash flow data prepared in accordance with GAAP. Adjusted EBITDA, as presented, may not be comparable to similarly titled measures of other companies. Adjusted EBITDA is presented here as the Company understands investors use it as a measure of its historical ability to service debt and compliance with covenants in its senior credit facilities. Further, Adjusted EBITDA is presented here as the Company uses it to measure its performance and to conduct and evaluate its business during its regular review of operating results for the periods presented. Set forth below is a reconciliation of EBITDA and Adjusted EBITDA from cash flow from operating activities and net income.

Reconciliation of EBITDA and Adjusted EBITDA from Operating Cash Flow		
<i>Unaudited, in thousands</i>		
CONTINUING OPERATIONS	Three Months Ended Mar. 31,	
	2016	2015
Cash flows from operating activities	\$ 60,052	\$ 58,396
Income tax expense	24,846	27,056
Deferred income tax expense	(2,377)	(2,961)
Interest expense and other financing charges	38,985	39,537
Provision for share-based compensation	(7,666)	(5,429)
Amortization of deferred financing costs	(4,909)	(5,002)
Other	(434)	(216)
Changes in operating assets and liabilities, net of business acquisitions	48,384	50,767
EBITDA	156,881	162,148
Provision for share-based compensation	7,666	5,429
Secondary equity offering expense	-	707
M&A and acquisition-related costs	1,088	778
Adjusted EBITDA	\$ 165,635	\$ 169,062
Cash flows from operating activities	\$ 60,052	\$ 58,396
Cash flows used in investing activities	\$ (39,460)	\$ (38,403)
Cash flows used in financing activities	\$ (70,245)	\$ (234,482)
DISCONTINUED OPERATIONS	Three Months Ended Mar. 31,	
	2016	2015
Cash flows from operating activities	\$ -	\$ (5,279)
Income tax expense	-	19,817
Deferred income tax expense	-	(4,334)
Provision for share-based compensation	-	(1,576)
Other	-	29,596
Changes in operating assets and liabilities, net of business acquisitions	-	13,500
EBITDA	-	51,724
Provision for share-based compensation	-	1,576
M&A and acquisition-related costs	-	356
Gain on sale of business	-	(48,556)
Adjusted EBITDA	\$ -	\$ 5,100
Cash flows from operating activities	\$ -	\$ (5,279)
Cash flows from (used in) investing activities	\$ -	\$ 263,806
Cash flows used in financing activities	\$ -	\$ -

Reconciliation of EBITDA and Adjusted EBITDA from Operating Cash Flow, cont.

CONSOLIDATED	Three Months Ended Mar. 31,	
	2016	2015
Cash flows from operating activities	\$ 60,052	\$ 53,117
Income tax expense	24,846	46,873
Deferred income tax expense	(2,377)	(7,295)
Interest expense and other financing charges	38,985	39,537
Provision for share-based compensation	(7,666)	(7,005)
Amortization of deferred financing costs	(4,909)	(5,002)
Other	(434)	29,380
Changes in operating assets and liabilities, net of business acquisitions	48,384	64,267
EBITDA	156,881	213,872
Provision for share-based compensation	7,666	7,005
Secondary equity offering expense	-	707
M&A and acquisition-related costs	1,088	1,134
Gain on sale of business	-	(48,556)
Adjusted EBITDA	\$ 165,635	\$ 174,162
CONSOLIDATED		
Cash flows from operating activities	\$ 60,052	\$ 53,117
Cash flows from (used in) investing activities	\$ (39,460)	\$ 225,403
Cash flows used in financing activities	\$ (70,245)	\$ (234,482)

Reconciliation of EBITDA and Adjusted EBITDA from Net Income		
<i>Unaudited, in thousands</i>		
CONTINUING OPERATIONS	Three Months Ended Mar. 31,	
	2016	2015
Income from continuing operations	\$ 44,555	\$ 48,634
Interest expense and other financing charges	38,985	39,537
Depreciation and amortization	48,495	46,921
Income tax expense	24,846	27,056
EBITDA	156,881	162,148
Provision for share-based compensation	7,666	5,429
Secondary equity offering expense	-	707
M&A and acquisition-related costs	1,088	778
Adjusted EBITDA	\$ 165,635	\$ 169,062
DISCONTINUED OPERATIONS	Three Months Ended Mar. 31,	
	2016	2015
Income from discontinued operations	\$ -	\$ 31,866
Depreciation and amortization	-	41
Income tax expense	-	19,817
EBITDA	-	51,724
Provision for share-based compensation	-	1,576
M&A and acquisition-related costs	-	356
Gain on sale of business	-	(48,556)
Adjusted EBITDA	\$ -	\$ 5,100
CONSOLIDATED	Three Months Ended Mar. 31,	
	2016	2015
Net income	\$ 44,555	\$ 80,500
Interest expense and other financing charges	38,985	39,537
Depreciation and amortization	48,495	46,962
Income tax expense	24,846	46,873
EBITDA	156,881	213,872
Provision for share-based compensation	7,666	7,005
Secondary equity offering expense	-	707
M&A and acquisition-related costs	1,088	1,134
Gain on sale of business	-	(48,556)
Adjusted EBITDA	\$ 165,635	\$ 174,162