

Financial Reporting Non-GAAP Reconciliation to GAAP

The following tables provide a reconciliation of SWK's reported (GAAP) income before provision for income tax to SWK's adjusted net income attributable to SWK Holdings Corporation stockholders (Non-GAAP) for the years ended December 31, 2017 and 2016. Adjusted net income eliminates provisions for income taxes and non-cash mark-to-market changes on warrant assets and SWK's warrant liability.

(in thousands, except per share data)

	December 31,	
	2017	2016
Consolidated net income	\$8,251	\$32,041
Plus: income tax expense (benefit)	15,753	(21,638)
Plus: loss (gain) on fair market value of warrants	1,115	(588)
Adjusted income before provision for income tax	25,119	9,815
Adjusted provision for income tax	-	-
Non-GAAP consolidated net income	25,119	9,815
Less: Non-GAAP adjusted net income attributable to non-controlling interest	5,204	3,153
Non-GAAP adjusted net income attributable to SWK Holdings Corporation Stockholders	\$19,915	\$6,662
Non-GAAP adjusted basic income per share	\$1.53	\$0.51
Non-GAAP adjusted diluted income per share	\$1.53	\$0.51
Weighted average shares - Basic	13,036	13,015
Weighted average shares - Diluted	13,040	13,018

Note:

- The Company reports its financial results in accordance with GAAP. However, management believes that certain non-GAAP financial measures provide users with additional meaningful financial information that should be considered when assessing the Company's ongoing performance. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP. The Company's non-GAAP financial information does not represent a comprehensive basis of accounting. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance.
- Non-GAAP adjusted net income and its components and Non-GAAP adjusted basic and diluted income (loss) per share are not, and should not be viewed as, substitutes for GAAP net income and its components and basic and diluted income (loss). Management believes the non-GAAP adjusted net income is an important metric, as it provides a clear representation of SWK's core specialty finance business while removing one-time items and the fair market value change of warrants, which have no impact on SWK's expected interest, fee, or principal collection. Despite the importance of these measures to management in goal setting and performance measurement, we stress that these are Non-GAAP financial measures that have no standardized meaning prescribed by U.S. GAAP, and therefore, have limits in their usefulness to investors. Because of the non-standardized definitions, Non-GAAP adjusted net income and its components (unlike U.S. GAAP net income and its components) may not be comparable to the calculation of similar measures of other companies.

<https://swkhold.investorroom.com/2018-03-29-Financial-Reporting-Non-GAAP-Reconciliation-to-GAAP>