

The Hackett Group, Inc. Announces First Quarter Results

The Hackett Group, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

| | Quarter Ended | |
|--|-----------------|-----------------|
| | April 3, 2009 | March 28, 2008 |
| Revenue: | | |
| Revenue before reimbursements | \$ 35,990 | \$ 39,268 |
| Reimbursements | 3,526 | 4,570 |
| Total revenue | <u>39,516</u> | <u>43,838</u> |
| Costs and expenses: | | |
| Cost of service: | | |
| Personnel costs before reimbursable expenses (includes \$560 and \$397 of stock compensation expense in the quarters ended April 3, 2009 and March 28, 2008, respectively) | 22,274 | 22,963 |
| Reimbursable expenses | 3,526 | 4,570 |
| Total cost of service | <u>25,800</u> | <u>27,533</u> |
| Selling, general and administrative costs (includes \$106 and \$548 of stock compensation expense in the quarters ended April 3, 2009 and March 28, 2008, respectively) | 12,839 | 12,582 |
| Total costs and operating expenses | <u>38,639</u> | <u>40,115</u> |
| Income from operations | 877 | 3,723 |
| Other income: | | |
| Interest income | 25 | 167 |
| Income before income taxes | 902 | 3,890 |
| Income tax expense | 63 | 107 |
| Net income | <u>\$ 839</u> | <u>\$ 3,783</u> |
| Basic net income per common share: | | |
| Net income per common share | \$ 0.02 | \$ 0.09 |
| Weighted average common shares outstanding | 38,443 | 42,755 |
| Diluted net income per common share: | | |
| Net income per common share | \$ 0.02 | \$ 0.09 |
| Weighted average common and common equivalent shares outstanding | 38,703 | 43,353 |
| Pro forma data (1): | | |
| Income before income taxes | \$ 902 | \$ 3,890 |
| Stock compensation expense | 666 | 945 |
| Amortization of intangible assets | 160 | 197 |
| Pro forma income before income taxes | <u>1,728</u> | <u>5,032</u> |
| Pro forma income tax expense | 691 | 2,013 |
| Pro forma net income | <u>\$ 1,037</u> | <u>\$ 3,019</u> |
| Pro forma basic net income per common share | \$ 0.03 | \$ 0.07 |
| Weighted average common shares outstanding | 38,443 | 42,755 |
| Pro forma diluted net income per common share | \$ 0.03 | \$ 0.07 |
| Weighted average common and common equivalent shares outstanding | 38,703 | 43,353 |

- (1) The Company provides pro forma earnings results (which exclude amortization of intangible assets, stock compensation expense, and include a normalized tax rate) as a complement to results provided in accordance with Generally Accepted Accounting Principles (GAAP). These non-GAAP results are provided to enhance the overall users' understanding of the Company's current financial performance and its prospects for the future. The Company believes the non-GAAP results provide useful information to both management and investors by excluding certain expenses that it believes are not indicative of its core operating results. The non-GAAP measures are included to provide investors and management with an alternative method for assessing operating results in a manner that is focused on the performance of ongoing operations and to provide a more consistent basis for comparison between quarters. Further, these non-GAAP results are one of the primary indicators management uses for planning and forecasting in future periods. In addition, since the Company has historically reported non-GAAP results to the investment community, it believes the continued inclusion of non-GAAP results provides consistency in its financial reporting. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

| | <u>April 3, 2009</u> | <u>January 2, 2009</u> |
|---|----------------------|------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 24,405 | \$ 32,060 |
| Marketable investments | 1,262 | 1,727 |
| Accounts receivable and unbilled revenue, net | 21,363 | 25,481 |
| Prepaid expenses and other current assets | 3,383 | 3,021 |
| Total current assets | <u>50,413</u> | <u>62,289</u> |
| Restricted cash | 600 | 600 |
| Property and equipment, net | 6,174 | 5,767 |
| Other assets | 1,225 | 1,392 |
| Goodwill, net | 63,591 | 63,616 |
| Total assets | <u>\$ 122,003</u> | <u>\$ 133,664</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,241 | \$ 3,711 |
| Accrued expenses and other liabilities | 23,824 | 34,277 |
| Total current liabilities | <u>27,065</u> | <u>37,988</u> |
| Accrued expenses and other liabilities, non-current | 1,488 | 1,759 |
| Total liabilities | <u>28,553</u> | <u>39,747</u> |
| Shareholders' equity | <u>93,450</u> | <u>93,917</u> |
| Total liabilities and shareholders' equity | <u>\$ 122,003</u> | <u>\$ 133,664</u> |

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The Hackett Group, Inc.
Supplemental Financial Data
(unaudited)

| | Quarter Ended | | |
|--|------------------|------------------|------------------|
| | April 3, 2009 | January 2, 2009 | March 28, 2008 |
| Revenue Breakdown by Group: | | | |
| <i>(in thousands)</i> | | | |
| The Hackett Group: | | | |
| Benchmarking and Business Transformation (2) | \$ 23,784 | \$ 30,094 | \$ 25,969 |
| Executive Advisory Programs (3) | 3,549 | 3,693 | 4,012 |
| Total The Hackett Group | <u>27,333</u> | <u>33,787</u> | <u>29,981</u> |
| Hackett Technology Solutions (4) | 12,183 | 14,968 | 13,857 |
| Total Revenue | <u>\$ 39,516</u> | <u>\$ 48,755</u> | <u>\$ 43,838</u> |

Revenue Concentration:
(% of total revenue)

| | | | |
|------------------|-----|-----|-----|
| Top customer | 8% | 6% | 7% |
| Top 5 customers | 21% | 21% | 20% |
| Top 10 customers | 32% | 30% | 29% |

Key Metrics and Other Financial Data:

The Hackett Group:

| | | | |
|---|--------|--------|--------|
| The Hackett Group annualized revenue per professional <i>(in thousands)</i> | \$ 357 | \$ 409 | \$ 415 |
|---|--------|--------|--------|

Technology Solutions:

| | | | |
|--|--------|--------|--------|
| Technology Solutions consultant utilization rate | 61% | 64% | 66% |
| Technology Solutions gross billing rate per hour | \$ 156 | \$ 168 | \$ 160 |

Total Company:

| | | | |
|---|------------|-----------|----------|
| Consultant headcount | 532 | 547 | 536 |
| Total headcount | 723 | 724 | 723 |
| Days sales outstanding (DSO) | 50 | 51 | 66 |
| Cash (used in) provided by operating activities <i>(in thousands)</i> | \$ (5,234) | \$ 11,361 | \$ 4,733 |
| Depreciation <i>(in thousands)</i> | \$ 536 | \$ 512 | \$ 510 |
| Amortization <i>(in thousands)</i> | \$ 160 | \$ 164 | \$ 197 |

Share Repurchase Program:

| | | | |
|---|----------|----------|----------|
| Shares purchased in the quarter <i>(in thousands)</i> | 1,018 | 938 | 1,783 |
| Cost of shares repurchased in the quarter <i>(in thousands)</i> | \$ 2,117 | \$ 2,889 | \$ 6,793 |
| Average price per share of shares purchased in the quarter | \$ 2.08 | \$ 3.08 | \$ 3.81 |
| Remaining authorization <i>(in thousands)</i> | \$ 4,841 | \$ 1,959 | \$ 4,266 |

- (2) Comparison of a client's demand drivers, costs and practices to a peer group in order to empirically identify and define an organization's ability to improve performance at a process level and to identify and compare business practices utilized by world-class performers. Additionally, strategic consulting support that utilizes Hackett best practice implementation content and tools to enable clients to accelerate transformation to world-class performance.
- (3) Annual or multi-year contracts that provide clients with on-demand access to world-class performance metrics, best practice repository, best practice research forums and conferences, and advice.
- (4) Best Practice Implementation of ERP Software, which is primarily Oracle and SAP, and business performance management solutions, which is primarily Hyperion.