

The Hackett Group, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended	
	March 31, 2017	April 1, 2016
Revenue:		
Revenue before reimbursements ("net revenue")	\$ 65,069	\$ 61,973
Reimbursements	6,360	6,805
Total revenue	<u>71,429</u>	<u>68,778</u>
Costs and expenses:		
Cost of service:		
Personnel costs before reimbursable expenses	40,152	38,351
Non-cash stock compensation expense	1,132	1,047
Acquisition-related non-cash stock compensation expense	310	268
Reimbursable expenses	6,360	6,805
Total cost of service	<u>47,954</u>	<u>46,471</u>
Selling, general and administrative costs	14,360	14,195
Non-cash stock compensation expense	659	597
Acquisition-related costs	106	-
Amortization of intangible assets	386	275
Total selling, general, and administrative expenses	<u>15,511</u>	<u>15,067</u>
Total costs and operating expenses	<u>63,465</u>	<u>61,538</u>
Income from operations	7,964	7,240
Other expense:		
Interest expense	(90)	(41)
Income from operations before income taxes	7,874	7,199
Income tax expense	-	2,817
Net income	<u>\$ 7,874</u>	<u>\$ 4,382</u>
Basic net income per common share:		
Income per common share from operations	\$ 0.27	\$ 0.15
Weighted average common shares outstanding	28,868	29,890
Diluted net income per common share:		
Income per common share from operations	\$ 0.24	\$ 0.13
Weighted average common and common equivalent shares outstanding	32,292	33,353
Pro forma data (1):		
Income from operations before income taxes	\$ 7,874	\$ 7,199
Non-cash stock compensation expense	1,791	1,644
Acquisition-related non-cash stock compensation expense	310	268
Acquisition-related costs	106	-
Amortization of intangible assets	386	275
Pro forma income before income taxes	<u>10,467</u>	<u>9,386</u>
Pro forma income tax expense	<u>3,140</u>	<u>2,816</u>
Pro forma net income	<u>\$ 7,327</u>	<u>\$ 6,570</u>
Pro forma basic net income per common share	\$ 0.25	\$ 0.22
Weighted average common shares outstanding	28,868	29,890
Pro forma diluted net income per common share	\$ 0.23	\$ 0.20
Weighted average common and common equivalent shares outstanding	32,292	33,353

(1) The Company provides pro forma earnings results (which exclude the amortization of intangible assets, stock compensation expense, acquisition-related costs and include a normalized tax rate, which is our long term projected cash 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 and 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.

The Hackett Group, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	<u>March 31,</u> <u>2017</u>	<u>December 30,</u> <u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,050	\$ 19,710
Accounts receivable and unbilled revenue, net	49,906	47,399
Prepaid expenses and other current assets	2,631	1,704
Total current assets	<u>69,587</u>	<u>68,813</u>
Property and equipment, net	15,776	14,774
Other assets	2,841	3,336
Goodwill, net	72,553	72,376
Total assets	<u>\$ 160,757</u>	<u>\$ 159,299</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,655	\$ 9,089
Accrued expenses and other liabilities	34,153	46,725
Total current liabilities	<u>45,808</u>	<u>55,814</u>
Long-term deferred tax liability, net	9,923	10,216
Long-term debt	9,000	7,000
Total liabilities	<u>64,731</u>	<u>73,030</u>
Shareholders' equity	<u>96,026</u>	<u>86,269</u>
Total liabilities and shareholders' equity	<u>\$ 160,757</u>	<u>\$ 159,299</u>

The Hackett Group, Inc.

SUPPLEMENTAL FINANCIAL DATA

(unaudited)

	Quarter Ended		
	March 31, 2017	April 1, 2016	December 30, 2016
Revenue Breakdown by Group:			
<i>(in thousands)</i>			
The Hackett Group (2)	\$ 60,249	\$ 57,945	\$ 59,908
ERP Solutions (3)	11,180	10,833	10,144
Total revenue	<u>\$ 71,429</u>	<u>\$ 68,778</u>	<u>\$ 70,052</u>
Revenue Concentration:			
<i>(% of total revenue)</i>			
Top customer	4%	6%	6%
Top 5 customers	18%	19%	18%
Top 10 customers	30%	31%	28%
Key Metrics and Other Financial Data:			
Total Company:			
Consultant headcount	922	861	940
Total headcount	1,142	1,056	1,155
Days sales outstanding (DSO)	64	62	62
Cash provided by operating activities <i>(in thousands)</i>	\$ 4,876	\$ 536	\$ 12,077
Depreciation <i>(in thousands)</i>	\$ 639	\$ 637	\$ 610
Amortization <i>(in thousands)</i>	\$ 386	\$ 275	\$ 275
The Hackett Group <i>(in thousands)</i>:			
The Hackett Group annualized revenue per professional (2)	\$ 355	\$ 375	\$ 342
ERP Solutions:			
ERP Solutions consultant utilization rate (3)	75%	79%	70%
ERP Solutions gross billing rate per hour (3)	\$ 134	\$ 132	\$ 129
Shares Repurchased Under the Share Repurchase Plan:			
Shares purchased <i>(in thousands)</i>	59	307	-
Cost of shares repurchased <i>(in thousands)</i>	\$ 1,186	\$ 4,256	\$ -
Average price per share of shares purchased	\$ 20.13	\$ 13.85	\$ -
Remaining Plan authorization <i>(in thousands)</i>	\$ 3,247	\$ 3,054	\$ 4,433
Shares Purchased to Satisfy Employee Net Vesting Obligations:			
Shares purchased <i>(in thousands)</i>	174	255	6
Cost of shares purchased <i>(in thousands)</i>	\$ 2,906	\$ 3,437	\$ 104
Average price per share of shares purchased	\$ 16.72	\$ 13.48	\$ 16.89

(2) The Hackett Group encompasses the Benchmarking, Business Transformation and Executive Advisory groups, and EPM Groups.

(3) ERP Solutions encompasses Best Practice Implementation of ERP Software, the SAP group, approximately 40% of which are offshore resources.

(4) Certain reclassifications have been made to conform with current reporting requirements.