

The Hackett Group, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

| | Quarter Ended | | Six Months Ended | |
|--|------------------|-----------------|------------------|-----------------|
| | June 30, 2017 | July 1, 2016 | June 30, 2017 | July 1, 2016 |
| Revenue: | | | | |
| Revenue before reimbursements ("net revenue") | \$ 67,726 | \$ 68,178 | \$ 132,795 | \$ 130,151 |
| Reimbursements | 5,844 | 7,435 | 12,204 | 14,240 |
| Total revenue | 73,570 | 75,613 | 144,999 | 144,391 |
| Costs and expenses: | | | | |
| Cost of service: | | | | |
| Personnel costs before reimbursable expenses | 40,947 | 41,894 | 81,099 | 80,245 |
| Acquisition-related compensation expense | 423 | — | 423 | — |
| Non-cash stock compensation expense | 1,226 | 1,136 | 2,358 | 2,183 |
| Acquisition-related non-cash stock compensation expense | 616 | 315 | 926 | 583 |
| Reimbursable expenses | 5,844 | 7,435 | 12,204 | 14,240 |
| Total cost of service | 49,056 | 50,780 | 97,010 | 97,251 |
| Selling, general and administrative costs: | | | | |
| Selling, general and administrative costs | 15,190 | 15,059 | 29,550 | 29,254 |
| Non-cash stock compensation expense | 874 | 861 | 1,533 | 1,458 |
| Acquisition-related costs | 161 | — | 267 | — |
| Amortization of intangible assets | 532 | 275 | 918 | 550 |
| Restructuring costs | 1,293 | — | 1,293 | — |
| Total selling, general, and administrative expenses | 18,050 | 16,195 | 33,561 | 31,262 |
| Total costs and operating expenses | 67,106 | 66,975 | 130,571 | 128,513 |
| Income from operations | 6,464 | 8,638 | 14,428 | 15,878 |
| Other expense: | | | | |
| Interest expense | (127) | (110) | (217) | (151) |
| Income from operations before income taxes | 6,337 | 8,528 | 14,211 | 15,727 |
| Income tax expense | 1,587 | 3,082 | 1,587 | 5,899 |
| Net income | \$ 4,750 | \$ 5,446 | \$ 12,624 | \$ 9,828 |
| Basic net income per common share: | | | | |
| Income per common share from operations | \$ 0.16 | \$ 0.19 | \$ 0.44 | \$ 0.33 |
| Weighted average common shares outstanding | 29,041 | 29,285 | 28,955 | 29,588 |
| Diluted net income per common share: | | | | |
| Income per common share from operations | \$ 0.15 | \$ 0.17 | \$ 0.39 | \$ 0.30 |
| Weighted average common and common equivalent shares outstanding | 32,513 | 32,882 | 32,403 | 33,118 |
| Pro forma data (1): | | | | |
| Income from operations before income taxes | \$ 6,337 | \$ 8,528 | \$ 14,211 | \$ 15,727 |
| Acquisition-related compensation expense | 423 | — | 423 | — |
| Non-cash stock compensation expense | 2,100 | 1,997 | 3,891 | 3,641 |
| Acquisition-related non-cash stock compensation expense | 616 | 315 | 926 | 583 |
| Acquisition-related costs | 161 | — | 267 | — |
| Restructuring costs | 1,293 | — | 1,293 | — |
| Amortization of intangible assets | 532 | 275 | 918 | 550 |
| Pro forma income before income taxes | 11,462 | 11,115 | 21,929 | 20,501 |
| Pro forma income tax expense | 3,439 | 3,335 | 6,579 | 6,150 |
| Pro forma net income | \$ 8,023 | \$ 7,781 | \$ 15,350 | \$ 14,351 |
| Pro forma basic net income per common share | \$ 0.28 | \$ 0.27 | \$ 0.53 | \$ 0.49 |
| Weighted average common shares outstanding | 29,041 | 29,285 | 28,955 | 29,588 |
| Pro forma diluted net income per common share | \$ 0.25 | \$ 0.24 | \$ 0.47 | \$ 0.43 |
| Weighted average common and common equivalent shares outstanding | 32,513 | 32,882 | 32,403 | 33,118 |

(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)

| | June 30, 2017 | December 30, 2016 |
|--|-------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 14,419 | \$ 19,710 |
| Accounts receivable and unbilled revenue, net | 50,361 | 47,399 |
| Prepaid expenses and other current assets | 3,222 | 1,704 |
| Total current assets | 68,002 | 68,813 |
| Property and equipment, net | 16,477 | 14,774 |
| Other assets | 5,174 | 3,336 |
| Goodwill, net | 85,273 | 72,376 |
| Total assets | <u>\$ 174,926</u> | <u>\$ 159,299</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | 8,171 | \$ 9,089 |
| Accrued expenses and other liabilities | 37,067 | 46,725 |
| Total current liabilities | 45,238 | 55,814 |
| Non-current accrued expenses and other liabilities | 7,029 | - |
| Long-term deferred tax liability, net | 10,812 | 10,216 |
| Long-term debt | 20,000 | 7,000 |
| Total liabilities | 83,079 | 73,030 |
| Shareholders' equity | 91,847 | 86,269 |
| Total liabilities and shareholders' equity | <u>\$ 174,926</u> | <u>\$ 159,299</u> |

The Hackett Group, Inc.
SUPPLEMENTAL FINANCIAL DATA
(unaudited)

| | Quarter Ended | | |
|--|------------------|------------------|-------------------|
| | June 30, 2017 | July 1, 2016 | March 31, 2017 |
| Revenue Breakdown by Group: | | | |
| <i>(in thousands)</i> | | | |
| The Hackett Group (2) | \$ 62,472 | \$ 65,747 | 60,249 |
| SAP Solutions (3) | 11,098 | 9,866 | 11,180 |
| Total revenue | <u>\$ 73,570</u> | <u>\$ 75,613</u> | <u>\$ 71,429</u> |
| Revenue Concentration: | | | |
| <i>(% of total revenue)</i> | | | |
| Top customer | 4% | 4% | 4% |
| Top 5 customers | 15% | 15% | 18% |
| Top 10 customers | 25% | 25% | 30% |
| Key Metrics and Other Financial Data: | | | |
| Total Company: | | | |
| Consultant headcount | 1,002 | 926 | 922 |
| Total headcount | 1,246 | 1,134 | 1,142 |
| Days sales outstanding (DSO) | 61 | 57 | 64 |
| Cash provided by operating activities <i>(in thousands)</i> | \$ 4,111 | \$ 7,243 | \$ 4,876 |
| Depreciation <i>(in thousands)</i> | \$ 612 | \$ 621 | \$ 639 |
| Amortization <i>(in thousands)</i> | \$ 532 | \$ 275 | \$ 386 |
| The Hackett Group <i>(in thousands)</i>: | | | |
| The Hackett Group annualized net revenue per professional (2) | \$ 317 | \$ 352 | \$ 322 |
| SAP Solutions: | | | |
| SAP Solutions consultant utilization rate (3) | 78% | 78% | 75% |
| SAP Solutions gross billing rate per hour (3) | \$ 133 | \$ 119 | \$ 134 |
| Shares Repurchased Under the Share Repurchase Plan: | | | |
| Shares purchased <i>(in thousands)</i> | 507 | 1,722 | 59 |
| Cost of shares repurchased <i>(in thousands)</i> | \$ 7,617 | \$ 25,361 | \$ 1,186 |
| Average price per share of shares purchased | \$ 15.01 | \$ 14.73 | \$ 20 |
| Remaining Plan authorization <i>(in thousands)</i> | \$ 630 | \$ 4,883 | \$ 3,247 |
| Shares Purchased to Satisfy Employee Net Vesting Obligations: | | | |
| Shares purchased <i>(in thousands)</i> | 21 | 29 | 174 |
| Cost of shares purchased <i>(in thousands)</i> | \$ 370 | \$ 422 | \$ 2,906 |
| Average price per share of shares purchased | \$ 17.90 | \$ 14.36 | \$ 16.72 |

(2) The Hackett Group encompasses the Benchmarking, Business Transformation and Executive Advisory groups, and EPM Groups and excludes AMS. Annualized revenue per professional previously utilized gross revenue; the statistics have been amended to utilize net revenue. Prior periods have been restated.

(3) SAP 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.