

The Hackett Group, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended		Nine Months Ended	
	September 29, 2017	September 30, 2016	September 29, 2017	September 30, 2016
Revenue:				
Revenue before reimbursements ("net revenue")	\$ 65,947	\$ 66,810	\$ 198,742	\$ 196,961
Reimbursements	5,515	7,308	17,719	21,548
Total revenue	71,462	74,118	216,461	218,509
Costs and expenses:				
Cost of service:				
Personnel costs before reimbursable expenses	39,807	40,621	120,906	120,866
Acquisition-related compensation expense	619	—	1,042	—
Non-cash stock compensation expense	1,082	1,135	3,440	3,318
Acquisition-related non-cash stock compensation expense	794	315	1,720	898
Reimbursable expenses	5,515	7,308	17,719	21,548
Total cost of service	47,817	49,379	144,827	146,630
Selling, general and administrative costs	14,209	14,664	43,759	43,918
Non-cash stock compensation expense	894	793	2,427	2,251
Acquisition-related costs	111	—	378	—
Amortization of intangible assets	557	275	1,475	825
Restructuring costs	—	—	1,293	—
Total selling, general, and administrative expenses	15,771	15,732	49,332	46,994
Total costs and operating expenses	63,588	65,111	194,159	193,624
Income from operations	7,874	9,007	22,302	24,885
Other expense:				
Interest expense	(184)	(137)	(401)	(288)
Income from operations before income taxes	7,690	8,870	21,901	24,597
Income tax expense	2,401	3,382	3,988	9,281
Net income	\$ 5,289	\$ 5,488	\$ 17,913	\$ 15,316
Basic net income per common share:				
Income per common share from operations	\$ 0.18	\$ 0.19	\$ 0.62	\$ 0.52
Weighted average common shares outstanding	28,765	28,579	28,891	29,251
Diluted net income per common share:				
Income per common share from operations	\$ 0.17	\$ 0.17	\$ 0.56	\$ 0.47
Weighted average common and common equivalent	31,958	32,375	32,254	32,870
Pro forma data (1):				
Income from operations before income taxes	\$ 7,690	\$ 8,870	\$ 21,901	\$ 24,597
Acquisition-related compensation expense	619	—	1,042	—
Non-cash stock compensation expense	1,976	1,928	5,867	5,569
Acquisition-related non-cash stock compensation expense	794	315	1,720	898
Acquisition-related costs	111	—	378	—
Restructuring costs	—	—	1,293	—
Amortization of intangible assets	557	275	1,475	825
Pro forma income before income taxes	11,747	11,388	33,676	31,889
Pro forma income tax expense	3,524	3,416	10,103	9,567
Pro forma net income	\$ 8,223	\$ 7,972	\$ 23,573	\$ 22,322
Pro forma basic net income per common share	\$ 0.29	\$ 0.28	\$ 0.82	\$ 0.76
Weighted average common shares outstanding	28,765	28,579	28,891	29,251
Pro forma diluted net income per common share	\$ 0.26	\$ 0.25	\$ 0.73	\$ 0.68
Weighted average common and common equivalent	31,958	32,375	32,254	32,870

(1) The Company provides pro forma earnings results (which exclude the amortization of intangible assets, stock compensation expense, acquisition-related cash and stock compensation expenses and transaction expenses, restructuring expenses 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)

	September 29, 2017	December 30, 2016
ASSETS		
Current assets:		
Cash	\$ 16,226	\$ 19,710
Accounts receivable and unbilled revenue, net	55,552	47,399
Prepaid expenses and other current assets	2,897	1,704
Total current assets	74,675	68,813
Property and equipment, net	17,854	14,774
Other assets	4,679	3,336
Goodwill, net	84,966	72,376
Total assets	<u>\$ 182,174</u>	<u>\$ 159,299</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	8,597	\$ 9,089
Accrued expenses and other liabilities	35,971	46,725
Total current liabilities	44,568	55,814
Non-current accrued expenses and other liabilities	6,936	-
Long-term deferred tax liability, net	10,591	10,216
Long-term debt	22,000	7,000
Total liabilities	84,095	73,030
Shareholders' equity	98,079	86,269
Total liabilities and shareholders' equity	<u>\$ 182,174</u>	<u>\$ 159,299</u>

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

	Quarter Ended		
	September 29, 2017	September 30, 2016	June 30, 2017
Revenue Breakdown by Group:			
<i>(in thousands)</i>			
The Hackett Group (2)	\$ 60,789	\$ 62,610	\$ 62,472
SAP Solutions (3)	10,673	11,508	11,098
Total revenue	<u>\$ 71,462</u>	<u>\$ 74,118</u>	<u>\$ 73,570</u>
Revenue Concentration:			
<i>(% of total revenue)</i>			
Top customer	4%	4%	4%
Top 5 customers	12%	15%	15%
Top 10 customers	20%	26%	25%
Key Metrics and Other Financial Data:			
Total Company:			
Consultant headcount	1,022	942	1,002
Total headcount	1,259	1,158	1,236
Days sales outstanding (DSO)	71	59	61
Cash provided by operating activities <i>(in thousands)</i>	\$ 9,966	\$ 13,033	\$ 4,111
Depreciation <i>(in thousands)</i>	\$ 590	\$ 618	\$ 612
Amortization <i>(in thousands)</i>	\$ 557	\$ 275	\$ 532
The Hackett Group <i>(in thousands)</i>:			
The Hackett Group annualized net revenue per professional (2)	\$ 297	\$ 321	\$ 316
SAP Solutions:			
SAP Solutions consultant utilization rate (3)	72%	76%	78%
SAP Solutions gross billing rate per hour (3)	\$ 131	\$ 134	\$ 133
Shares Repurchased Under the Share Repurchase Plan:			
Shares purchased <i>(in thousands)</i>	182	30	507
Cost of shares repurchased <i>(in thousands)</i>	\$ 2,492	\$ 449	\$ 7,617
Average price per share of shares purchased	\$ 13.73	\$ 14.84	\$ 15.01
Remaining Plan authorization <i>(in thousands)</i>	\$ 3,138	\$ 4,433	\$ 630
Shares Purchased to Satisfy Employee Net Vesting Obligations:			
Shares purchased <i>(in thousands)</i>	68	4	21
Cost of shares purchased <i>(in thousands)</i>	\$ 1,050	\$ 50	\$ 370
Average price per share of shares purchased	\$ 15.50	\$ 14.03	\$ 17.90

(2) The Hackett Group encompasses the Benchmarking, Business Transformation and Executive Advisory groups, and EPM Groups and excludes AMS. Annualized revenue per professional disclosed prior to Q2 2017 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.