

The Hackett Group, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended		Twelve Months Ended	
	December 30, 2016	January 1, 2016	December 30, 2016	January 1, 2016
Revenue:				
Revenue before reimbursements ("net revenue")	\$ 62,946	\$ 60,261	\$ 259,907	\$ 234,581
Reimbursements	7,106	6,093	28,654	26,359
Total revenue	<u>70,052</u>	<u>66,354</u>	<u>288,561</u>	<u>260,940</u>
Costs and expenses:				
Cost of service:				
Personnel costs before reimbursable expenses	36,649	35,393	157,515	141,665
Non-cash stock compensation expense	1,226	969	4,544	4,432
Acquisition-related non-cash stock compensation expense	316	250	1,214	927
Reimbursable expenses	7,106	6,093	28,654	26,359
Total cost of service	<u>45,297</u>	<u>42,705</u>	<u>191,927</u>	<u>173,383</u>
Selling, general and administrative costs	14,056	14,907	57,974	58,423
Non-cash stock compensation expense	756	550	3,007	2,344
SARs-related non-cash compensation expense	-	1,329	-	2,658
Amortization of intangible assets	275	565	1,100	2,207
Total selling, general, and administrative expenses	<u>15,087</u>	<u>17,351</u>	<u>62,081</u>	<u>65,632</u>
Total costs and operating expenses	<u>60,384</u>	<u>60,056</u>	<u>254,008</u>	<u>239,015</u>
Income from operations	9,668	6,298	34,553	21,925
Other income (expense):				
Interest income	-	-	-	3
Interest expense	(99)	(61)	(387)	(412)
Income from operations before income taxes	9,569	6,237	34,166	21,516
Income tax expense	3,344	2,182	12,625	7,707
Net income	<u>\$ 6,225</u>	<u>\$ 4,055</u>	<u>\$ 21,541</u>	<u>\$ 13,809</u>
Basic net income per common share:				
Income per common share from operations	\$ 0.22	\$ 0.14	\$ 0.74	\$ 0.47
Weighted average common shares outstanding	28,575	29,725	29,082	29,620
Diluted net income per common share:				
Income per common share from operations	\$ 0.19	\$ 0.12	\$ 0.66	\$ 0.43
Weighted average common and common equivalent shares outstanding	32,651	32,844	32,815	31,968
Reconciliation to pro forma net income (1):				
Income from operations before income taxes	\$ 9,569	\$ 6,237	\$ 34,166	\$ 21,516
Non-cash stock compensation expense	1,982	1,519	7,551	6,776
SARs-related non-cash compensation expense	-	1,329	-	2,658
Acquisition-related non-cash stock compensation expense	316	250	1,214	927
Amortization of intangible assets	275	565	1,100	2,207
Pro forma income before income taxes	12,142	9,900	44,031	34,084
Pro forma income tax expense	3,643	2,970	13,209	10,225
Pro forma net income	<u>\$ 8,499</u>	<u>\$ 6,930</u>	<u>\$ 30,822</u>	<u>\$ 23,859</u>
Pro forma basic net income per common share	\$ 0.30	\$ 0.23	\$ 1.06	\$ 0.81
Weighted average common shares outstanding	28,575	29,725	29,082	29,620
Pro forma diluted net income per common share	\$ 0.26	\$ 0.21	\$ 0.94	\$ 0.75
Weighted average common and common equivalent shares outstanding	32,651	32,844	32,815	31,968
EBITDA:				
Income from operations before income taxes	\$ 9,569	\$ 6,237	\$ 34,166	\$ 21,516
Interest expense	99	61	387	412
Depreciation expense	610	656	2,485	2,582
Amortization of intangible assets	275	565	1,100	2,207
EBITDA	<u>\$ 10,553</u>	<u>\$ 7,519</u>	<u>\$ 38,138</u>	<u>\$ 26,717</u>
Reconciliation to pro forma EBITDA (1):				
EBITDA	\$ 10,553	\$ 7,519	\$ 38,138	\$ 26,717
Non-cash stock compensation expense	1,982	1,519	7,551	6,776
SARs-related non-cash compensation expense	-	1,329	-	2,658
Acquisition-related non-cash stock compensation expense	316	250	1,214	927
Pro forma EBITDA	<u>\$ 12,851</u>	<u>\$ 10,617</u>	<u>\$ 46,903</u>	<u>\$ 37,078</u>

(1) The Company provides pro forma earnings results (which exclude the amortization of intangible assets, stock and SARs-related non-cash 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 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>December 30,</u> <u>2016</u>	<u>January 1,</u> <u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,710	\$ 23,503
Accounts receivable and unbilled revenue, net	47,399	42,046
Prepaid expenses and other current assets	1,704	1,938
Total current assets	<u>68,813</u>	<u>67,487</u>
Property and equipment, net	14,774	14,102
Other assets	2,930	4,206
Goodwill, net	72,376	74,584
Total assets	<u>\$ 158,893</u>	<u>\$ 160,379</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 9,089	\$ 8,300
Accrued expenses and other liabilities	46,725	41,812
Total current liabilities	<u>55,814</u>	<u>50,112</u>
Long-term deferred tax liability, net	10,216	8,123
Long-term debt	6,594	-
Total liabilities	<u>72,624</u>	<u>58,235</u>
Shareholders' equity	<u>86,269</u>	<u>102,144</u>
Total liabilities and shareholders' equity	<u>\$ 158,893</u>	<u>\$ 160,379</u>

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

	Quarter Ended		
	December 30, 2016	September 30, 2016	January 1, 2016
Revenue Breakdown by Group:			
<i>(in thousands)</i>			
The Hackett Group (2)	\$ 59,908	\$ 62,610	\$ 55,584
ERP Solutions (3)	10,144	11,508	10,770
Total revenue	<u>\$ 70,052</u>	<u>\$ 74,118</u>	<u>\$ 66,354</u>
Revenue Concentration:			
<i>(% of total revenue)</i>			
Top customer	6%	4%	5%
Top 5 customers	18%	15%	20%
Top 10 customers	28%	26%	29%
Key Metrics and Other Financial Data:			
Total Company:			
Consultant headcount	940	942	842
Total headcount	1,155	1,158	1,043
Days sales outstanding (DSO)	62	59	58
Cash provided by operating activities <i>(in thousands)</i>	\$ 12,077	\$ 13,033	\$ 16,956
Depreciation <i>(in thousands)</i>	\$ 610	\$ 618	\$ 656
Amortization <i>(in thousands)</i>	\$ 275	\$ 275	\$ 565
The Hackett Group <i>(in thousands)</i>:			
The Hackett Group annualized revenue per professional (2)	\$ 343	\$ 360	\$ 360
ERP Solutions:			
ERP Solutions consultant utilization rate (3)	70%	76%	69%
ERP Solutions gross billing rate per hour (3)	\$ 129	\$ 134	\$ 129
Shares Repurchased Under the Share Repurchase Plan:			
Shares purchased <i>(in thousands)</i>	-	30	-
Cost of shares repurchased <i>(in thousands)</i>	\$ -	\$ 449	\$ -
Average price per share of shares purchased	\$ -	\$ 14.84	\$ -
Remaining Plan authorization <i>(in thousands)</i>	\$ 4,433	\$ 4,433	\$ 2,309
Shares Purchased to Satisfy Employee Net Vesting Obligations:			
Shares purchased <i>(in thousands)</i>	6	4	17
Cost of shares purchased <i>(in thousands)</i>	\$ 104	\$ 50	\$ 240
Average price per share of shares purchased	\$ 16.89	\$ 14.03	\$ 16.53

(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.