

The Hackett Group, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended		Year Ended	
	December 29, 2017	September 29, 2017	December 29, 2017	December 30, 2016
Revenue:				
Revenue before reimbursements ("net revenue")	\$ 64,510	\$ 65,947	\$ 263,252	\$ 259,907
Reimbursements	4,891	5,515	22,610	28,654
Total revenue	69,401	71,462	285,862	288,561
Costs and expenses:				
Cost of service:				
Personnel costs before reimbursable expenses	36,839	39,807	157,745	157,515
Acquisition-related compensation expense	540	619	1,582	—
Non-cash stock compensation expense	1,030	1,082	4,470	4,544
Acquisition-related non-cash stock compensation expense	795	794	2,515	1,214
Reimbursable expenses	4,891	5,515	22,610	28,654
Total cost of service	44,095	47,817	188,922	191,927
Selling, general and administrative costs:				
Selling, general and administrative costs	15,268	14,209	59,027	57,974
Non-cash stock compensation expense	903	894	3,330	3,007
Acquisition-related costs	—	111	378	—
Amortization of intangible assets	615	557	2,090	1,100
Restructuring costs	—	—	1,293	—
Total selling, general, and administrative expenses	16,786	15,771	66,118	62,081
Total costs and operating expenses	60,881	63,588	255,040	254,008
Income from operations	8,520	7,874	30,822	34,553
Other expense:				
Interest expense	(183)	(184)	(584)	(387)
Income from operations before income taxes	8,337	7,690	30,238	34,166
Income tax expense	(1,104)	2,401	2,884	12,625
Net income	\$ 9,441	\$ 5,289	\$ 27,354	\$ 21,541
Basic net income per common share:				
Income per common share from operations	\$ 0.33	\$ 0.18	\$ 0.95	\$ 0.74
Weighted average common shares outstanding	28,735	28,765	28,852	29,082
Diluted net income per common share:				
Income per common share from operations	\$ 0.29	\$ 0.17	\$ 0.85	\$ 0.66
Weighted average common and common equivalent shares outstanding	32,022	31,958	32,196	32,815
Pro forma data (1):				
Income from operations before income taxes	\$ 8,337	\$ 7,690	\$ 30,238	\$ 34,166
Acquisition-related compensation expense	540	619	1,582	—
Non-cash stock compensation expense	1,933	1,976	7,800	7,551
Acquisition-related non-cash stock compensation expense	795	794	2,515	1,214
Acquisition-related costs	—	111	378	—
Restructuring costs	—	—	1,293	—
Amortization of intangible assets	615	557	2,090	1,100
Pro forma income before income taxes	12,220	11,747	45,896	44,031
Pro forma income tax expense	3,666	3,524	13,769	13,209
Pro forma net income	\$ 8,554	\$ 8,223	\$ 32,127	\$ 30,822
Pro forma basic net income per common share	\$ 0.30	\$ 0.29	\$ 1.11	\$ 1.06
Weighted average common shares outstanding	28,735	28,765	28,852	29,082
Pro forma diluted net income per common share	\$ 0.27	\$ 0.26	\$ 1.00	\$ 0.94
Weighted average common and common equivalent shares outstanding	32,022	31,958	32,196	32,815

(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)

	December 29, 2017	December 30, 2016
ASSETS		
Current assets:		
Cash	\$ 17,512	\$ 19,710
Accounts receivable and unbilled revenue, net	55,262	47,399
Prepaid expenses and other current assets	2,511	1,704
Total current assets	75,285	68,813
Property and equipment, net	18,851	14,774
Other assets	6,021	3,336
Goodwill, net	85,074	72,376
Total assets	<u>\$ 185,231</u>	<u>\$ 159,299</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,434	\$ 9,089
Accrued expenses and other liabilities	43,014	46,725
Total current liabilities	51,448	55,814
Non-current accrued expenses and other liabilities	1,268	-
Long-term deferred tax liability, net	6,240	10,216
Long-term debt	19,000	7,000
Total liabilities	77,956	73,030
Shareholders' equity	107,275	86,269
Total liabilities and shareholders' equity	<u>\$ 185,231</u>	<u>\$ 159,299</u>

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

	Quarter Ended		
	December 29, 2017	December 30, 2016	September 29, 2017
Revenue Breakdown by Group:			
<i>(in thousands)</i>			
The Hackett Group (2)	\$ 58,759	\$ 59,908	\$ 60,789
SAP Solutions (3)	10,642	10,144	10,673
Total revenue	<u>\$ 69,401</u>	<u>\$ 70,052</u>	<u>\$ 71,462</u>
Revenue Concentration:			
<i>(% of total revenue)</i>			
Top customer	4%	6%	4%
Top 5 customers	13%	18%	12%
Top 10 customers	20%	28%	20%
Key Metrics and Other Financial Data:			
Total Company:			
Consultant headcount	1,011	940	1,022
Total headcount	1,243	1,155	1,259
Days sales outstanding (DSO)	72	62	71
Cash provided by operating activities <i>(in thousands)</i>	\$ 7,559	\$ 12,077	\$ 9,966
Pro forma return on equity (5)	33%	33%	35%
Depreciation <i>(in thousands)</i>	\$ 601	\$ 610	\$ 590
Amortization <i>(in thousands)</i>	\$ 615	\$ 275	\$ 557
Remaining Plan authorization (in thousands):			
Shares purchased <i>(in thousands)</i>	—	—	182
Cost of shares repurchased <i>(in thousands)</i>	\$ —	\$ —	\$ 2,492
Average price per share of shares purchased	\$ —	\$ —	\$ 13.73
Remaining Plan authorization <i>(in thousands)</i>	\$ 3,138	\$ 4,433	\$ 3,138
Shares Purchased to Satisfy Employee Net Vesting Obligations:			
Shares purchased <i>(in thousands)</i>	6	6	68
Cost of shares purchased <i>(in thousands)</i>	\$ 89	\$ 104	\$ 1,050
Average price per share of shares purchased	\$ 15.37	\$ 16.89	\$ 15.50

(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.

(5) Twelve months of pro forma net income divided by average shareholder's equity