

The Hackett Group, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended	
	March 30, 2018	March 31, 2017
Revenue:		
Revenue before reimbursements ("net revenue")	\$ 67,475	\$ 65,069
Reimbursements	5,258	6,360
Total revenue	72,733	71,429
Costs and expenses:		
Cost of service:		
Personnel costs before reimbursable expenses	41,621	40,152
Acquisition-related compensation expense	(585)	—
Non-cash stock compensation expense	1,043	1,132
Acquisition-related non-cash stock compensation expense	800	310
Reimbursable expenses	5,258	6,360
Total cost of service	48,137	47,954
Selling, general and administrative costs	14,822	14,360
Non-cash stock compensation expense	841	659
Acquisition-related costs	—	106
Amortization of intangible assets	613	386
Total selling, general, and administrative expenses	16,276	15,511
Total costs and operating expenses	64,413	63,465
Income from operations	8,320	7,964
Other expense:		
Interest expense	(179)	(90)
Income from operations before income taxes	8,141	7,874
Income tax expense	774	—
Net income	\$ 7,367	\$ 7,874
Basic net income per common share:		
Income per common share from operations	\$ 0.25	\$ 0.27
Weighted average common shares outstanding	29,089	28,868
Diluted net income per common share:		
Income per common share from operations	\$ 0.23	\$ 0.24
Weighted average common and common equivalent shares outstanding	31,815	32,292
Pro forma data (1):		
Income from operations before income taxes	\$ 8,141	\$ 7,874
Acquisition-related compensation expense	(585)	—
Non-cash stock compensation expense	1,884	1,791
Acquisition-related non-cash stock compensation expense	800	310
Acquisition-related costs	—	106
Amortization of intangible assets	613	386
Pro forma income before income taxes	10,853	10,467
Pro forma income tax expense	2,713	3,140
Pro forma net income	\$ 8,140	\$ 7,327
Pro forma basic net income per common share	\$ 0.28	\$ 0.25
Weighted average common shares outstanding	29,089	28,868
Pro forma diluted net income per common share	\$ 0.26	\$ 0.23
Weighted average common and common equivalent shares outstanding	31,815	32,292

(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)

	March 30, 2018	December 29, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,666	\$ 17,512
Accounts receivable and unbilled revenue, net	51,943	55,262
Prepaid expenses and other current assets	3,456	2,511
Total current assets	<u>79,065</u>	<u>75,285</u>
Property and equipment, net	20,652	18,851
Other assets	5,641	6,021
Goodwill, net	85,691	85,074
Total assets	<u>\$ 191,049</u>	<u>\$ 185,231</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,621	\$ 8,434
Accrued expenses and other liabilities	39,802	43,014
Total current liabilities	<u>48,423</u>	<u>51,448</u>
Non-current accrued expenses and other liabilities	613	1,268
Long-term deferred tax liability, net	7,629	6,240
Long-term debt	19,000	19,000
Total liabilities	<u>75,665</u>	<u>77,956</u>
Shareholders' equity	<u>115,384</u>	<u>107,275</u>
Total liabilities and shareholders' equity	<u>\$ 191,049</u>	<u>\$ 185,231</u>

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

	Quarter Ended		
	March 30, 2018	March 31, 2017	December 29, 2017
Revenue Breakdown by Group:			
<i>(in thousands)</i>			
The Hackett Group (2)	\$ 58,898	\$ 54,991	\$ 54,639
SAP Solutions (3)	8,577	10,078	9,871
Net revenue (4)	<u>\$ 67,475</u>	<u>\$ 65,069</u>	<u>\$ 64,510</u>
Revenue Concentration:			
<i>(% of total revenue)</i>			
Top customer	3%	4%	4%
Top 5 customers	12%	18%	13%
Top 10 customers	19%	30%	20%
Key Metrics and Other Financial Data:			
Total Company:			
Consultant headcount	1,016	922	1,011
Total headcount	1,257	1,142	1,243
Days sales outstanding (DSO)	65	64	72
Cash provided by operating activities <i>(in thousands)</i>	\$ 17,203	\$ 4,876	\$ 7,559
Pro forma return on equity (5)	31%	32%	33%
Depreciation <i>(in thousands)</i>	\$ 580	\$ 639	\$ 601
Amortization <i>(in thousands)</i>	\$ 613	\$ 386	\$ 615
Remaining Plan authorization:			
Shares purchased <i>(in thousands)</i>	53	59	—
Cost of shares repurchased <i>(in thousands)</i>	\$ 963	\$ 1,186	\$ —
Average price per share of shares purchased	\$ 18.33	\$ 20.13	\$ —
Remaining Plan authorization <i>(in thousands)</i>	\$ 2,174	\$ 3,247	\$ 3,138
Shares Purchased to Satisfy Employee Net Vesting Obligations:			
Shares purchased <i>(in thousands)</i>	175	174	6
Cost of shares purchased <i>(in thousands)</i>	\$ 3,004	\$ 2,906	\$ 89
Average price per share of shares purchased	\$ 17.15	\$ 16.72	\$ 15.37

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

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

(4) Net revenue excludes reimbursable expenses which are project travel-related expenses passed through to a client with no associated margin.

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