

The Hackett Group, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended	
	March 29, 2019	March 30, 2018
Revenue:		
Revenue before reimbursements ("net revenue")	\$ 62,370	\$ 66,039
Reimbursements	4,785	5,068
Total revenue from continuing operations	67,155	71,107
Costs and expenses:		
Cost of service:		
Personnel costs before reimbursable expenses	38,934	40,604
Non-cash stock compensation expense	920	1,023
Acquisition-related compensation benefit	(129)	(585)
Acquisition-related non-cash stock compensation expense	79	800
Reimbursable expenses	4,785	5,068
Total cost of service	44,589	46,910
Selling, general and administrative costs	14,042	14,463
Non-cash stock compensation expense	705	841
Amortization of intangible assets	299	613
Acquisition-related contingent consideration liability	(1,070)	—
Total selling, general, and administrative expenses	13,976	15,917
Total costs and operating expenses	58,565	62,827
Income from operations	8,590	8,280
Other expense:		
Interest expense	(101)	(179)
Income from continuing operations before income taxes	8,489	8,101
Income tax expense	1,440	800
Income from continuing operations	7,049	7,301
Gain from discontinued operations (2)	45	66
Net income	\$ 7,094	\$ 7,367
Weighted average common shares outstanding:		
Basic	29,683	29,089
Diluted	32,294	31,815
Basic net income per common share:		
Income per common share from continuing operations	\$ 0.24	\$ 0.25
Income per common share from discontinued operations (2)	0.00	0.00
Net income per common share	\$ 0.24	\$ 0.25
Diluted net income per common share:		
Income per common share from continuing operations	\$ 0.22	\$ 0.23
Income per common share from discontinued operations (2)	0.00	0.00
Net income (loss) per common share	\$ 0.22	\$ 0.23
Pro forma data (1):		
Income from continuing operations before income taxes	\$ 8,489	\$ 8,101
Non-cash stock compensation expense	1,625	1,864
Acquisition-related compensation benefit	(129)	(585)
Acquisition-related non-cash stock compensation expense	79	800
Acquisition-related contingent consideration liability	(1,070)	—
Amortization of intangible assets	299	613
Pro forma income before income taxes	9,293	10,793
Pro forma income tax expense	2,323	2,698
Pro forma net income	\$ 6,970	\$ 8,095
Pro forma basic net income per common share	\$ 0.23	\$ 0.28
Weighted average common shares outstanding	29,683	29,089
Pro forma diluted net income per common share	\$ 0.22	\$ 0.25
Weighted average common and common equivalent shares outstanding	32,294	31,815

(1) The Company provides pro forma earnings results (which exclude the amortization of intangible assets, stock compensation expense, acquisition-related one-time expense, cash and stock compensation expense (benefit), restructuring and impairment charges 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 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.

(2) Discontinued operations relate to the discontinuance of the Company's European Working Capital group.

(3) Not applicable

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CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	March 29, 2019	December 28, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,659	\$ 13,808
Accounts receivable and unbilled revenue, net	56,012	54,807
Prepaid expenses and other current assets	4,034	4,339
Assets related to discontinued operations (4)	-	137
Total current assets	70,705	73,091
Restricted cash		
Property and equipment, net	20,643	19,750
Other assets	3,469	3,704
Goodwill, net	84,575	84,207
Operating lease right-of-use assets	8,301	-
Total assets	<u>\$ 187,693</u>	<u>\$ 180,752</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,375	\$ 7,429
Accrued expenses and other liabilities	26,939	34,498
Operating lease liabilities	2,604	-
Liabilities related to discontinued operations (4)	669	2,300
Total current liabilities	36,587	44,227
Non-current accrued expenses and other liabilities	-	-
Long-term deferred tax liability, net	8,162	6,435
Long-term debt	7,500	6,500
Operating lease liabilities	5,697	-
Total liabilities	57,946	57,162
Shareholders' equity	129,747	123,590
Total liabilities and shareholders' equity	<u>\$ 187,693</u>	<u>\$ 180,752</u>

(4) The assets and liabilities related to discontinued operations relate to the discontinuance of the Company's European Working Capital Group.

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SUPPLEMENTAL FINANCIAL DATA

(unaudited)

	Quarter Ended		
	March 29, 2019	March 30, 2018	December 28, 2018
Revenue Breakdown by Group:			
<i>(in thousands)</i>			
Global S&BT (5)	\$ 33,270	\$ 35,139	\$ 32,908
EEA (6)	29,100	30,900	28,687
Net revenue from continuing operations (7)	<u>\$ 62,370</u>	<u>\$ 66,039</u>	<u>\$ 61,595</u>
Revenue Concentration:			
<i>(% of total revenue)</i>			
Top customer	5%	3%	4%
Top 5 customers	18%	12%	16%
Top 10 customers	26%	19%	24%
Key Metrics and Other Financial Data:			
Total Company:			
Consultant headcount	979	1,016	1,003
Total headcount	1,222	1,257	1,246
Days sales outstanding (DSO)	76	65	75
Cash provided by operating activities <i>(in thousands)</i>	\$ 6,759	\$ 17,203	\$ 8,056
Pro forma return on equity (8)	27%	30%	30%
Depreciation <i>(in thousands)</i>	\$ 606	\$ 580	\$ 609
Amortization <i>(in thousands)</i>	\$ 299	\$ 613	\$ 580
Remaining Plan authorization:			
Shares purchased <i>(in thousands)</i>	101	53	15
Cost of shares repurchased <i>(in thousands)</i>	\$ 1,616	\$ 963	\$ 240
Average price per share of shares purchased	\$ 15.99	\$ 18.33	\$ 16.01
Remaining Plan authorization <i>(in thousands)</i>	\$ 5,318	\$ 2,174	\$ 6,934
Shares Purchased to Satisfy Employee Net Vesting Obligations:			
Shares purchased <i>(in thousands)</i>	123	175	14
Cost of shares purchased <i>(in thousands)</i>	\$ 2,370	\$ 3,004	\$ 274
Average price per share of shares purchased	\$ 19.24	\$ 17.15	\$ 19.74

(5) Strategy and Business Transformation Group (S&BT) includes the results of our Executive Advisory Programs, Benchmarking Services, and Business Transformation Practices.

(6) ERP, EPM and Analytics Solutions (EEA) includes the results of our Oracle EEA and SAP Solutions Practices.

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

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

(9) Certain reclassifications have been made to conform with current reporting requirements.