

The Hackett Group, Inc.  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(in thousands, except per share data)*  
*(unaudited)*

	Quarter Ended	
	March 27, 2020	March 29, 2019
<b>Revenue:</b>		
Revenue before reimbursements ("net revenue")	\$ 65,186	\$ 62,370
Reimbursements	4,347	4,785
Total revenue from continuing operations	69,533	67,155
<b>Costs and expenses:</b>		
<b>Cost of service:</b>		
Personnel costs before reimbursable expenses	41,113	38,934
Non-cash stock compensation expense	1,341	920
Acquisition-related compensation benefit	-	(129)
Acquisition-related non-cash stock compensation expense	253	79
Reimbursable expenses	4,347	4,785
Total cost of service	47,054	44,589
<b>Selling, general and administrative costs</b>		
Non-cash stock compensation expense	636	705
Amortization of intangible assets	238	299
Acquisition-related contingent consideration liability	-	(1,070)
Total selling, general, and administrative expenses	14,771	13,976
Total costs and operating expenses	61,825	58,565
<b>Income from operations</b>	<b>7,708</b>	<b>8,590</b>
<b>Other expense:</b>		
Interest expense	(37)	(101)
Income from continuing operations before income taxes	7,671	8,489
Income tax expense	2,136	1,440
Income from continuing operations	5,535	7,049
Gain (loss) from discontinued operations (2)	(8)	45
Net income	\$ 5,527	\$ 7,094
<b>Weighted average common shares outstanding:</b>		
Basic	29,889	29,683
Diluted	32,264	32,294
<b>Basic net income per common share:</b>		
Income per common share from continuing operations	\$ 0.19	\$ 0.24
Income (loss) per common share from discontinued operations (2)	(0.00)	0.00
Net income per common share	\$ 0.19	\$ 0.24
<b>Diluted net income per common share:</b>		
Income per common share from continuing operations	\$ 0.17	\$ 0.22
Income (loss) per common share from discontinued operations (2)	(0.00)	0.00
Net income per common share	\$ 0.17	\$ 0.22
<b>Pro forma data (1):</b>		
Income from continuing operations before income taxes	\$ 7,671	\$ 8,489
Non-cash stock compensation expense	1,977	1,625
Acquisition-related compensation benefit	-	(129)
Acquisition-related non-cash stock compensation expense	253	79
Acquisition-related contingent consideration liability	-	(1,070)
Amortization of intangible assets	238	299
Pro forma income before income taxes	10,139	9,293
Pro forma income tax expense	2,535	2,323
Pro forma net income	\$ 7,604	\$ 6,970
Pro forma basic net income per common share	\$ 0.25	\$ 0.23
Weighted average common shares outstanding	29,889	29,683
Pro forma diluted net income per common share	\$ 0.24	\$ 0.22
Weighted average common and common equivalent shares outstanding	32,264	32,294

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

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

The Hackett Group, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	March 27, 2020	December 27, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 23,280	\$ 25,954
Accounts receivable and unbilled revenue, net	53,397	49,778
Prepaid expenses and other current assets	3,316	2,895
Total current assets	79,993	78,627
Property and equipment, net	19,774	19,916
Other assets	2,238	2,652
Goodwill	83,786	84,578
Operating lease right-of-use assets	9,318	7,962
Total assets	<u>\$ 195,109</u>	<u>\$ 193,735</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 8,347	\$ 8,494
Accrued expenses and other liabilities	27,848	32,482
Operating lease liabilities	2,686	2,707
Total current liabilities	38,881	43,683
Long-term deferred tax liability, net	8,797	7,183
Operating lease liabilities	6,632	5,255
Total liabilities	54,310	56,121
Shareholders' equity	140,799	137,614
Total liabilities and shareholders' equity	<u>\$ 195,109</u>	<u>\$ 193,735</u>

## The Hackett Group, Inc.

## SUPPLEMENTAL FINANCIAL DATA

(unaudited)

	Quarter Ended		
	March 27, 2020	March 29, 2019	December 27, 2019
<b>Revenue Breakdown by Group:</b>			
<i>(in thousands)</i>			
S&BT (3)	\$ 24,684	\$ 24,647	\$ 25,875
EEA (4)	33,002	27,413	30,454
International (5)	7,500	10,310	7,407
Net revenue from continuing operations (6)	<u>\$ 65,186</u>	<u>\$ 62,370</u>	<u>\$ 63,736</u>

**Revenue Concentration:***(% of total revenue)*

Top customer	4%	5%	5%
Top 5 customers	15%	18%	14%
Top 10 customers	25%	26%	22%

**Key Metrics and Other Financial Data:****Total Company:**

Consultant headcount	1,026	979	982
Total headcount	1,243	1,222	1,201
Days sales outstanding (DSO)	70	76	66
Cash provided by operating activities (in thousands)	\$ 6,521	\$ 6,759	\$ 15,821
Pro forma return on equity (7)	24%	27%	25%
Depreciation (in thousands)	\$ 800	\$ 606	\$ 887
Amortization (in thousands)	\$ 238	\$ 299	\$ 247

**Remaining Plan authorization:**

Shares purchased (in thousands)	73	101	145
Cost of shares repurchased (in thousands)	\$ 1,006	\$ 1,616	\$ 2,227
Average price per share of shares purchased	\$ 13.79	\$ 15.99	\$ 15.33
Remaining Plan authorization (in thousands)	\$ 5,645	\$ 5,318	\$ 1,651

**Shares Purchased to Satisfy Employee Net Vesting Obligations:**

Shares purchased (in thousands)	125	123	3
Cost of shares purchased (in thousands)	\$ 1,962	\$ 2,370	\$ 49
Average price per share of shares purchased	\$ 15.70	\$ 19.24	\$ 16.20

(3) Strategy and Business Transformation Group (S&BT) includes the results of our IP as-a-service offerings, which includes our North America Executive Advisory Programs, our Benchmarking Services and our Business Transformation Practices.

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

(5) International Groups include the results of our S&BT and EEA Practices, primarily in Europe.

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