

The Hackett Group, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended		Six Months Ended	
	July 2, 2021	June 26, 2020	July 2, 2021	June 26, 2020
Revenue:				
Revenue before reimbursements ("net revenue")	\$ 72,997	\$ 52,632	\$ 136,407	\$ 117,818
Reimbursements	200	119	276	4,466
TOTAL REVENUE FROM CONTINUING OPERATIONS	73,197	52,751	136,683	122,284
Costs and expenses:				
Cost of service:				
Personnel costs before reimbursable expenses	41,448	38,654	80,760	79,767
Non-cash stock compensation expense	1,668	1,600	3,267	2,941
Acquisition-related compensation expense	-	29	11	29
Acquisition-related non-cash stock compensation expense	111	259	359	512
Reimbursable expenses	200	119	276	4,466
TOTAL COST OF SERVICE	43,427	40,661	84,673	87,715
Selling, general and administrative costs	14,416	11,413	26,802	25,310
Non-cash stock compensation expense	874	483	1,614	1,119
Amortization of intangible assets	263	238	524	476
Restructuring costs	-	5,034	-	5,034
TOTAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	15,553	17,168	28,940	31,939
TOTAL COSTS AND OPERATING EXPENSES	58,980	57,829	113,613	119,654
INCOME (LOSS) FROM OPERATIONS	14,217	(5,078)	23,070	2,630
Other expense:				
Interest expense	(25)	(41)	(50)	(78)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	14,192	(5,119)	23,020	2,552
Income tax expense (benefit)	3,660	(1,186)	6,120	950
INCOME (LOSS) FROM CONTINUING OPERATIONS	10,532	(3,933)	16,900	1,602
Loss from discontinued operations (2)	-	-	(7)	(8)
NET INCOME (LOSS)	\$ 10,532	\$ (3,933)	\$ 16,893	\$ 1,594
Weighted average common shares outstanding:				
Basic	30,094	30,015	30,151	29,952
Diluted	32,970	30,015	32,870	32,301
Basic net income (loss) per common share:				
Income (loss) per common share from continuing operations	\$ 0.35	\$ (0.13)	\$ 0.56	\$ 0.05
Loss per common share from discontinued operations (2)	-	-	(0.00)	(0.00)
Basic net income (loss) per common share	\$ 0.35	\$ (0.13)	\$ 0.56	\$ 0.05
Diluted net income (loss) per common share:				
Income (loss) per common share from continuing operations	\$ 0.32	\$ (0.13)	\$ 0.51	\$ 0.05
Loss per common share from discontinued operations (2)	-	-	0.00	(0.00)
Diluted net income (loss) per common share	\$ 0.32	\$ (0.13)	\$ 0.51	\$ 0.05
PRO FORMA DATA (1):				
Income (loss) from continuing operations before income taxes	\$ 14,192	\$ (5,119)	\$ 23,020	\$ 2,552
Non-cash stock compensation expense	2,542	2,083	4,881	4,060
Acquisition-related compensation expense	-	29	11	29
Acquisition-related non-cash stock compensation expense	111	259	359	512
Restructuring costs	-	5,034	-	5,034
Amortization of intangible assets	263	238	524	476
PRO FORMA INCOME BEFORE INCOME TAXES	17,108	2,524	28,795	12,663
Pro forma income tax expense	4,277	631	7,199	3,166
PRO FORMA NET INCOME	\$ 12,831	\$ 1,893	\$ 21,596	\$ 9,497
Pro forma basic net income per common share	\$ 0.43	\$ 0.06	\$ 0.72	\$ 0.32
Weighted average common shares outstanding	30,094	30,015	30,151	29,952
Pro forma diluted net income per common share	\$ 0.39	\$ 0.06	\$ 0.66	\$ 0.29
Weighted average common and common equivalent shares outstanding	32,970	32,338	32,870	32,301

(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, 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)

	July 2, 2021	January 1, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 52,453	\$ 49,455
Accounts receivable and contract assets, net	47,202	32,778
Prepaid expenses and other current assets	2,623	2,599
Total current assets	102,278	84,832
Property and equipment, net	17,844	18,158
Other assets	1,142	1,680
Goodwill	85,394	85,297
Operating lease right-of-use assets	2,100	2,578
Total assets	<u>\$ 208,758</u>	<u>\$ 192,545</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,715	\$ 6,098
Accrued expenses and other liabilities	34,609	25,084
Contract liabilities (deferred revenue)	13,884	8,765
Operating lease liabilities	2,382	2,620
Total current liabilities	55,590	42,567
Long-term deferred tax liability, net	6,325	5,588
Operating lease liabilities	2,480	3,503
Total liabilities	64,395	51,658
Shareholders' equity	144,363	140,887
Total liabilities and shareholders' equity	<u>\$ 208,758</u>	<u>\$ 192,545</u>

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

	Quarter Ended		
	July 2, 2021	April 2, 2021	June 26, 2020
Revenue Breakdown by Group:			
<i>(in thousands)</i>			
S&BT (3)	\$ 26,447	\$ 25,738	\$ 17,484
EEA (4)	40,521	32,138	30,713
International (5)	6,029	5,534	4,435
Net revenue from continuing operations (6)	<u>\$ 72,997</u>	<u>\$ 63,410</u>	<u>\$ 52,632</u>
Revenue Concentration:			
<i>(% of total revenue)</i>			
Top customer	7%	3%	6%
Top 5 customers	19%	13%	17%
Top 10 customers	30%	22%	27%
Key Metrics and Other Financial Data:			
Total Company:			
Consultant headcount	1,001	943	908
Total headcount	1,210	1,149	1,110
Days sales outstanding (DSO)	59	55	64
Cash provided by operating activities (in thousands)	\$ 13,756	\$ 5,895	\$ 14,547
Depreciation (in thousands)	\$ 849	\$ 874	\$ 883
Amortization (in thousands)	\$ 263	\$ 261	\$ 238
Remaining Plan authorization:			
Shares purchased (in thousands)	489	136	-
Cost of shares repurchased (in thousands)	\$ 8,603	\$ 2,106	-
Average price per share of shares purchased	\$ 17.58	\$ 15.45	-
Remaining Plan authorization (in thousands)	\$ 13,575	\$ 2,178	\$ 5,645
Shares Purchased to Satisfy Employee Net Vesting Obligations:			
Shares purchased (in thousands)	2	108	2
Cost of shares purchased (in thousands)	\$ 38	\$ 1,606	\$ 25
Average price per share of shares purchased	\$ 17.63	\$ 14.85	\$ 13.29

(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, SAP Solutions Practices and One Stream.

(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.

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