

The Hackett Group, Inc.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended		Nine Months Ended	
	October 1, 2021	September 25, 2020	October 1, 2021	September 25, 2020
<b>Revenue:</b>				
Revenue before reimbursements ("net revenue")	\$ 71,400	\$ 57,769	\$ 207,807	\$ 175,587
Reimbursements	494	148	770	4,614
<b>TOTAL REVENUE FROM CONTINUING OPERATIONS</b>	<b>71,894</b>	<b>57,917</b>	<b>208,577</b>	<b>180,201</b>
<b>Costs and expenses:</b>				
<b>Cost of service:</b>				
Personnel costs before reimbursable expenses	43,552	37,791	124,312	117,558
Non-cash stock compensation expense	1,651	1,508	4,918	4,449
Acquisition-related compensation expense	-	10	11	39
Acquisition-related non-cash stock compensation expense	19	243	378	755
Reimbursable expenses	494	148	770	4,614
<b>TOTAL COST OF SERVICE</b>	<b>45,716</b>	<b>39,700</b>	<b>130,389</b>	<b>127,415</b>
Selling, general and administrative costs	13,613	12,732	40,415	38,042
Non-cash stock compensation expense	901	711	2,515	1,830
Amortization of intangible assets	259	247	783	723
Restructuring costs	-	-	-	5,034
<b>TOTAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>14,773</b>	<b>13,690</b>	<b>43,713</b>	<b>45,629</b>
<b>TOTAL COSTS AND OPERATING EXPENSES</b>	<b>60,489</b>	<b>53,390</b>	<b>174,102</b>	<b>173,044</b>
<b>INCOME FROM OPERATIONS</b>	<b>11,405</b>	<b>4,527</b>	<b>34,475</b>	<b>7,157</b>
<b>Other expense:</b>				
Interest expense	(26)	(22)	(76)	(100)
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>11,379</b>	<b>4,505</b>	<b>34,399</b>	<b>7,057</b>
Income tax expense	3,248	1,362	9,368	2,312
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>8,131</b>	<b>3,143</b>	<b>25,031</b>	<b>4,745</b>
Loss from discontinued operations (2)	-	(157)	(7)	(165)
<b>NET INCOME</b>	<b>\$ 8,131</b>	<b>\$ 2,986</b>	<b>\$ 25,024</b>	<b>\$ 4,580</b>
<b>Weighted average common shares outstanding:</b>				
Basic	29,814	30,053	30,038	29,986
Diluted	32,876	32,403	32,871	32,335
<b>Basic net income per common share:</b>				
Income per common share from continuing operations	\$ 0.27	\$ 0.11	\$ 0.83	\$ 0.16
Loss per common share from discontinued operations (2)	(0.00)	(0.01)	(0.00)	(0.01)
<b>Basic net income per common share</b>	<b>\$ 0.27</b>	<b>\$ 0.10</b>	<b>\$ 0.83</b>	<b>\$ 0.15</b>
<b>Diluted net income per common share:</b>				
Income per common share from continuing operations	\$ 0.25	\$ 0.10	\$ 0.76	\$ 0.15
Loss per common share from discontinued operations (2)	(0.00)	(0.01)	0.00	(0.01)
<b>Diluted net income per common share</b>	<b>\$ 0.25</b>	<b>\$ 0.09</b>	<b>\$ 0.76</b>	<b>\$ 0.14</b>
<b>PRO FORMA DATA (1):</b>				
Income from continuing operations before income taxes	\$ 11,379	\$ 4,505	\$ 34,399	\$ 7,057
Non-cash stock compensation expense	2,552	2,219	7,433	6,279
Acquisition-related compensation expense	-	10	11	39
Acquisition-related non-cash stock compensation expense	19	243	378	755
Restructuring costs	-	-	-	5,034
Amortization of intangible assets	259	247	783	723
<b>PRO FORMA INCOME BEFORE INCOME TAXES</b>	<b>14,209</b>	<b>7,224</b>	<b>43,004</b>	<b>19,887</b>
Pro forma income tax expense	3,552	1,806	10,751	4,972
<b>PRO FORMA NET INCOME</b>	<b>\$ 10,657</b>	<b>\$ 5,418</b>	<b>\$ 32,253</b>	<b>\$ 14,915</b>
<b>Pro forma basic net income per common share</b>	<b>\$ 0.36</b>	<b>\$ 0.18</b>	<b>\$ 1.07</b>	<b>\$ 0.50</b>
<b>Weighted average common shares outstanding</b>	<b>29,814</b>	<b>30,053</b>	<b>30,038</b>	<b>29,986</b>
<b>Pro forma diluted net income per common share</b>	<b>\$ 0.32</b>	<b>\$ 0.17</b>	<b>\$ 0.98</b>	<b>\$ 0.46</b>
<b>Weighted average common and common equivalent shares outstanding</b>	<b>32,876</b>	<b>32,403</b>	<b>32,871</b>	<b>32,335</b>

(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)*

	October 1, 2021	January 1, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 52,939	\$ 49,455
Accounts receivable and contract assets, net	49,609	32,778
Prepaid expenses and other current assets	3,168	2,599
Total current assets	105,716	84,832
Property and equipment, net	17,853	18,158
Other assets	840	1,680
Goodwill	85,089	85,297
Operating lease right-of-use assets	1,862	2,578
Total assets	<u>\$ 211,360</u>	<u>\$ 192,545</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 5,027	\$ 6,098
Accrued expenses and other liabilities	35,615	25,084
Contract liabilities (deferred revenue)	11,959	8,765
Operating lease liabilities	2,338	2,620
Total current liabilities	54,939	42,567
Long-term deferred tax liability, net	5,950	5,588
Operating lease liabilities	1,962	3,503
Total liabilities	62,851	51,658
Shareholders' equity	148,509	140,887
Total liabilities and shareholders' equity	<u>\$ 211,360</u>	<u>\$ 192,545</u>

## The Hackett Group, Inc.

## SUPPLEMENTAL FINANCIAL DATA

(unaudited)

	Quarter Ended		
	October 1, 2021	July 2, 2021	September 25, 2020
<b>Revenue Breakdown by Group:</b>			
<i>(in thousands)</i>			
S&BT (3)	\$ 27,623	\$ 26,447	\$ 22,217
EEA (4)	38,201	40,521	29,710
International (5)	5,576	6,029	5,842
Net revenue from continuing operations (6)	\$ 71,400	\$ 72,997	\$ 57,769
<b>Revenue Concentration:</b>			
<i>(% of total revenue)</i>			
Top customer	5%	7%	6%
Top 5 customers	14%	19%	16%
Top 10 customers	24%	30%	26%
<b>Key Metrics and Other Financial Data:</b>			
<b>Total Company:</b>			
Consultant headcount	1,049	1,001	923
Total headcount	1,257	1,210	1,124
Days sales outstanding (DSO)	63	59	57
Cash provided by operating activities (in thousands)	\$ 6,818	\$ 13,756	\$ 10,088
Depreciation (in thousands)	\$ 829	\$ 849	\$ 916
Amortization (in thousands)	\$ 259	\$ 263	\$ 247
<b>Remaining Plan authorization:</b>			
Shares purchased (in thousands)	113	489	75
Cost of shares repurchased (in thousands)	\$ 2,103	\$ 8,603	\$ 932
Average price per share of shares purchased	\$ 18.68	\$ 17.58	\$ 12.41
Remaining Plan authorization (in thousands)	\$ 11,472	\$ 13,575	\$ 4,713
<b>Shares Purchased to Satisfy Employee Net Vesting Obligations:</b>			
Shares purchased (in thousands)	8	2	8
Cost of shares purchased (in thousands)	\$ 155	\$ 38	\$ 111
Average price per share of shares purchased	\$ 19.49	\$ 17.63	\$ 14.26

(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.