

The Hackett Group, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended		Twelve Months Ended	
	December 31, 2021	January 1, 2021	December 31, 2021	January 1, 2021
Revenue:				
Revenue before reimbursements ("net revenue")	\$ 69,776	\$ 59,223	\$ 277,583	\$ 234,810
Reimbursements	456	58	1,226	4,672
TOTAL REVENUE FROM CONTINUING OPERATIONS	70,232	59,281	278,809	239,482
Costs and expenses:				
Cost of service:				
Personnel costs before reimbursable expenses	40,831	36,769	165,143	154,327
Non-cash stock compensation expense	1,442	1,806	6,360	6,255
Acquisition-related compensation expense	-	11	11	50
Acquisition-related non-cash stock compensation expense	28	309	406	1,064
Reimbursable expenses	456	58	1,226	4,672
TOTAL COST OF SERVICE	42,757	38,953	173,146	166,368
Selling, general and administrative costs	14,400	12,544	54,815	50,586
Non-cash stock compensation expense	841	591	3,356	2,421
Amortization of intangible assets	233	254	1,016	977
Restructuring charges and asset impairments	-	5,454	-	10,488
TOTAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	15,474	18,843	59,187	64,472
TOTAL COSTS AND OPERATING EXPENSES	58,231	57,796	232,333	230,840
INCOME FROM OPERATIONS	12,001	1,485	46,476	8,642
Other expense:				
Interest expense	(19)	(26)	(95)	(126)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	11,982	1,459	46,381	8,516
Income tax (benefit) expense	(4,539)	559	4,829	2,871
INCOME FROM CONTINUING OPERATIONS	16,521	900	41,552	5,645
Loss from discontinued operations (2)	-	(7)	(7)	(172)
NET INCOME	\$ 16,521	\$ 893	\$ 41,545	\$ 5,473
Weighted average common shares outstanding:				
Basic	29,970	29,995	30,021	29,988
Diluted	32,916	32,614	32,883	32,405
Basic net income per common share:				
Income per common share from continuing operations	\$ 0.55	\$ 0.03	\$ 1.38	\$ 0.19
Loss per common share from discontinued operations (2)	(0.00)	(0.00)	(0.00)	(0.01)
Basic net income per common share	\$ 0.55	\$ 0.03	\$ 1.38	\$ 0.18
Diluted net income per common share:				
Income per common share from continuing operations	\$ 0.50	\$ 0.03	\$ 1.26	\$ 0.17
Loss per common share from discontinued operations (2)	(0.00)	(0.00)	(0.00)	(0.00)
Diluted net income per common share	\$ 0.50	\$ 0.03	\$ 1.26	\$ 0.17
PRO FORMA DATA (1):				
Income from continuing operations before income taxes	\$ 11,982	\$ 1,459	\$ 46,381	\$ 8,516
Non-cash stock compensation expense	2,283	2,397	9,716	8,676
Acquisition-related compensation expense	-	11	11	50
Acquisition-related non-cash stock compensation expense	28	309	406	1,064
Restructuring charges and asset impairments	-	5,454	-	10,488
Amortization of intangible assets	233	254	1,016	977
PRO FORMA INCOME BEFORE INCOME TAXES	14,526	9,884	57,530	29,771
Pro forma income tax expense	3,632	2,471	14,383	7,443
PRO FORMA NET INCOME	\$ 10,895	\$ 7,413	\$ 43,148	\$ 22,328
Pro forma basic net income per common share	\$ 0.36	\$ 0.25	\$ 1.44	\$ 0.74
Weighted average common shares outstanding	29,970	29,995	30,021	29,988
Pro forma diluted net income per common share	\$ 0.33	\$ 0.23	\$ 1.31	\$ 0.69
Weighted average common and common equivalent shares outstanding	32,916	32,614	32,883	32,405

(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, restructuring charges, asset impairments, 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)

	December 31, 2021	January 1, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 45,794	\$ 49,455
Accounts receivable and contract assets, net	50,616	32,778
Prepaid expenses and other current assets	5,766	2,599
Total current assets	102,176	84,832
Property and equipment, net	18,026	18,158
Other assets	620	1,680
Goodwill	85,070	85,297
Operating lease right-of-use assets	1,649	2,578
Total assets	<u>\$ 207,541</u>	<u>\$ 192,545</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,677	\$ 6,098
Accrued expenses and other liabilities	30,297	25,084
Contract liabilities (deferred revenue)	14,616	8,765
Operating lease liabilities	2,299	2,620
Total current liabilities	54,889	42,567
Long-term deferred tax liability, net	7,325	5,588
Operating lease liabilities	1,474	3,503
Total liabilities	63,688	51,658
Shareholders' equity	143,853	140,887
Total liabilities and shareholders' equity	<u>\$ 207,541</u>	<u>\$ 192,545</u>

The Hackett Group, Inc.

SUPPLEMENTAL FINANCIAL DATA

(unaudited)

	Quarter Ended		
	December 31, 2021	October 1, 2021	January 1, 2021
Revenue Breakdown by Group:			
<i>(in thousands)</i>			
S&BT (3)	\$ 28,436	\$ 27,623	\$ 23,362
EEA (4)	34,771	38,201	30,102
International (5)	6,569	5,576	5,759
Net revenue from continuing operations (6)	\$ 69,776	\$ 71,400	\$ 59,223
Revenue Concentration:			
<i>(% of total revenue)</i>			
Top customer	6%	5%	3%
Top 5 customers	15%	14%	13%
Top 10 customers	22%	24%	23%
Key Metrics and Other Financial Data:			
Total Company:			
Consultant headcount	1,072	1,049	928
Total headcount	1,274	1,257	1,133
Days sales outstanding (DSO)	66	63	54
Cash provided by operating activities (in thousands)	\$ 19,885	\$ 6,818	\$ 12,906
Depreciation (in thousands)	\$ 809	\$ 829	\$ 902
Amortization (in thousands)	\$ 233	\$ 259	\$ 254
Capital expenditures (in thousands)	\$ 986	\$ 838	\$ 395
Remaining Plan authorization:			
Shares purchased (in thousands)	10	113	36
Cost of shares repurchased (in thousands)	\$ 224	\$ 2,103	\$ 429
Average price per share of shares purchased	\$ 21.64	\$ 18.68	\$ 11.84
Remaining Plan authorization (in thousands)	\$ 11,244	\$ 11,468	\$ 4,284
Shares Purchased to Satisfy Employee Net Vesting Obligations (7):			
Shares purchased (in thousands)	998	8	4
Cost of shares purchased (in thousands)	\$ 19,767	\$ 155	\$ 54
Average price per share of shares purchased	\$ 19.81	\$ 19.49	\$ 13.00

(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) The share repurchases to satisfy employee net vesting obligations in the quarter ended December 31, 2021, included the net exercise of 2.9 million SARs.