

**The Hackett Group, Inc.**  
**RECONCILIATION OF GAAP TO NON-GAAP MEASURES**  
*(in thousands, except per share data)*  
*(unaudited)*

**RECONCILIATION OF GAAP TO NON-GAAP MEASURES (ADJUSTED NET INCOME)**

	Quarter Ended		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
GAAP NET INCOME	\$ 10,215	\$ 10,532	\$ 20,720	\$ 16,893
Adjustments (1):				
Loss from discontinued operations (net of taxes) (2)	-	-	-	7
Non-cash stock compensation expense (3)	2,714	2,542	5,309	4,881
Acquisition-related compensation expense (4)	-	-	-	11
Acquisition-related non-cash stock compensation expense (4)	4	111	8	359
Restructuring and asset impairment reversal	(125)	-	(125)	-
Amortization of intangible assets (5)	10	263	154	524
ADJUSTED NET INCOME BEFORE INCOME TAXES ON	12,818	13,448	26,066	22,675
ADJUSTMENTS (1)				
Tax effect of adjustments above (6)	669	731	1,364	1,441
ADJUSTED NET INCOME (1)	\$ 12,149	\$ 12,717	\$ 24,702	\$ 21,234
GAAP diluted net income per common share	\$ 0.32	\$ 0.32	\$ 0.65	\$ 0.51
Adjusted diluted net income per common share (1)	\$ 0.39	\$ 0.39	\$ 0.77	\$ 0.65
Weighted average common and common equivalent shares outstanding	32,221	32,970	32,032	32,870

(1) The Company provides adjusted earnings results (which exclude the loss from discontinued operations, non-cash stock compensation expense, acquisition-related compensation expense, acquisition-related non-cash compensation expense, restructuring and asset impairment reversals, amortization of intangible assets and include a GAAP 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 users' overall 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, which is adjusted from the GAAP net income as it is not part of the Company's ongoing results of operations.

(3) Non-cash stock compensation expense is accounted for under Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation. The Company excludes stock-based compensation expense and the related tax effects for the purposes of adjusted net income and adjusted diluted earnings per share. The Company believes that non-GAAP measures of profitability, which exclude stock-based compensation, are widely used by investors.

(4) The Company incurs cash and stock compensation expense for acquisition related consideration that is recognized over time under GAAP. The Company believes excluding these amounts more consistently presents its ongoing results of operations because they are related to acquisitions and not due to normal operating activities. The acquisition-related non-cash stock compensation expense is also accounted for under Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation.

(5) The Company has incurred expense on amortization of intangible assets related to various acquisitions. The Company excludes the effect of the amortization of intangibles from our adjusted results in order to more consistently present its ongoing results of operations.

(6) The adjustment for the income tax expense is based on the accounting treatment and income tax rate for the jurisdiction of each item. For the quarter end periods the impact of non-cash stock compensation was \$0.7 million and \$0.7 million in 2022 and 2021, respectively; the impact of intangible amortization was \$3 thousand and \$52 thousand in 2022 and 2021, respectively; and the impact on the restructuring and asset impairment reversal was \$32 thousand in 2022. For the six month periods the impact of non-cash stock compensation was \$1.4 million and \$1.2 million in 2022 and 2021, respectively; the impact of intangible amortization was \$32 thousand and \$104 thousand in 2022 and 2021, respectively and the impact on the restructuring and asset impairment reversal was \$32 thousand in 2022.

**RECONCILIATION OF GAAP TO NON-GAAP MEASURES (ADJUSTED EBITDA)**

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2022</u>	<u>July 2, 2021</u>	<u>July 1, 2022</u>	<u>July 2, 2021</u>
GAAP NET INCOME	\$ 10,215	\$ 10,532	\$ 20,720	\$ 16,893
Add back:				
Income tax expense	3,938	3,660	6,814	6,120
Interest expense	28	25	56	50
Depreciation	828	849	1,630	1,723
Amortization	10	263	154	524
EBITDA	15,019	15,329	29,374	25,310
Adjustments:				
Loss from discontinued operations (net of taxes)	-	-	-	7
Non-cash stock compensation expense	2,714	2,542	5,309	4,881
Acquisition-related compensation expense	-	-	-	11
Acquisition-related non-cash stock compensation expense	4	111	8	359
Restructuring and asset impairment reversal	(125)	-	(125)	-
ADJUSTED EBITDA	\$ 17,612	\$ 17,982	\$ 34,566	\$ 30,568

**RECONCILIATION OF GAAP TO NON-GAAP MEASURES (ADJUSTED GROSS MARGIN)**

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2022</u>	<u>July 2, 2021</u>	<u>July 1, 2022</u>	<u>July 2, 2021</u>
Revenue:				
Revenue before reimbursements	\$ 74,768	\$ 72,997	\$ 149,876	\$ 136,407
Reimbursements	1,160	200	1,716	276
Total revenue	75,928	73,197	151,592	136,683
Costs and expenses:				
Cost of service:				
Personnel costs before reimbursable expenses (includes \$1,483, \$3,149, \$1,779 and \$3,626 of stock compensation expense in the quarters and six months ended July 1, 2022 and July 2, 2021, respectively)	44,701	43,227	92,034	84,397
Reimbursable expenses	1,160	200	1,716	276
Total cost of service	45,861	43,427	93,750	84,673
GAAP GROSS MARGIN	30,067	29,770	57,842	52,010
Adjustments:				
Non-cash stock compensation expense	1,479	1,668	3,141	3,267
Acquisition related compensation expense	-	-	-	11
Acquisition-related stock compensation expense	4	111	8	359
ADJUSTED GROSS MARGIN	\$ 31,550	\$ 31,549	\$ 60,991	\$ 55,647

**RECONCILIATION OF GAAP TO NON-GAAP MEASURES (ADJUSTED COS)**

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2022</u>	<u>July 2, 2021</u>	<u>July 1, 2022</u>	<u>July 2, 2021</u>
GAAP TOTAL COST OF SERVICE	\$ 45,861	\$ 43,427	\$ 93,750	\$ 84,673
Adjustments:				
Loss from discontinued operations (net of taxes)	-	-	-	-
Non-cash stock compensation expense	(1,479)	(1,668)	(3,141)	(3,267)
Acquisition related compensation expense (benefit)	-	-	-	(11)
Acquisition-related stock compensation expense	(4)	(111)	(8)	(359)
Reimbursable expenses	(1,160)	(200)	(1,716)	(276)
ADJUSTED COS	<u>\$ 43,218</u>	<u>\$ 41,448</u>	<u>\$ 88,885</u>	<u>\$ 80,760</u>

**RECONCILIATION OF GAAP TO NON-GAAP MEASURES (ADJUSTED SGA)**

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2022</u>	<u>July 2, 2021</u>	<u>July 1, 2022</u>	<u>July 2, 2021</u>
GAAP SELLING, GENERAL AND ADMINISTRATIVE COSTS	\$ 15,886	\$ 15,553	\$ 30,252	\$ 28,940
Adjustments:				
Non-cash stock compensation expense (3)	(1,235)	(874)	(2,168)	(1,614)
Amortization expense	(10)	(263)	(154)	(524)
Restructuring and asset impairment reversal	125	-	125	-
ADJUSTED SGA	<u>\$ 14,766</u>	<u>\$ 14,416</u>	<u>\$ 28,055</u>	<u>\$ 26,802</u>