

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

	Quarter Ended		Nine Months Ended	
	September 30, 2022	October 1, 2021	September 30, 2022	October 1, 2021
<b>Revenue:</b>				
Revenue before reimbursements	\$ 70,995	\$ 71,400	\$ 220,871	\$ 207,807
Reimbursements	1,038	494	2,754	770
Total revenue	72,033	71,894	223,625	208,577
<b>Costs and expenses:</b>				
<b>Cost of service:</b>				
Personnel costs before reimbursable expenses (includes \$1,652, \$4,801, \$1,670 and \$5,296 of non-cash stock based compensation expense in the quarters and nine months ended September 30, 2022 and October 1, 2021, respectively)	42,870	45,222	134,904	129,619
Reimbursable expenses	1,038	494	2,754	770
Total cost of service	43,908	45,716	137,658	130,389
Selling, general and administrative costs (includes \$859, \$3,027, \$901 and \$2,515 of non-cash stock based compensation expense in the quarters and nine months ended September 30, 2022 and October 1, 2021, respectively)	14,616	14,773	44,993	43,713
Restructuring charge reversal	(526)	-	(651)	-
Total costs and operating expenses	57,998	60,489	182,000	174,102
Operating income	14,035	11,405	41,625	34,475
<b>Other expense, net:</b>				
Interest expense, net	(14)	(26)	(70)	(76)
Income from continuing operations before income taxes	14,021	11,379	41,555	34,399
Income tax expense	3,655	3,248	10,469	9,368
Income from continuing operations	10,366	8,131	31,086	25,031
Loss from discontinued operations (net of taxes)	-	-	-	(7)
Net income	<u>\$ 10,366</u>	<u>\$ 8,131</u>	<u>\$ 31,086</u>	<u>\$ 25,024</u>
<b>Weighted average common shares outstanding:</b>				
Basic	31,686	29,814	31,596	30,038
Diluted	32,309	32,876	32,124	32,871
<b>GAAP basic net income per common share:</b>				
Income per common share from continuing operations	\$ 0.33	\$ 0.27	\$ 0.98	\$ 0.83
Loss per common share from discontinued operations	-	-	-	(0.00)
GAAP basic net income per common share	<u>\$ 0.33</u>	<u>\$ 0.27</u>	<u>\$ 0.98</u>	<u>\$ 0.83</u>
<b>GAAP diluted net income per common share:</b>				
Income per common share from continuing operations	\$ 0.32	\$ 0.25	\$ 0.97	\$ 0.76
Loss per common share from discontinued operations	-	-	-	(0.00)
GAAP diluted net income per common share	<u>\$ 0.32</u>	<u>\$ 0.25</u>	<u>\$ 0.97</u>	<u>\$ 0.76</u>

**The Hackett Group, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(in thousands)*  
*(unaudited)*

	September 30, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 67,045	\$ 45,794
Accounts receivable and contract assets, net	52,105	50,616
Prepaid expenses and other current assets	3,237	5,766
Total current assets	122,387	102,176
Property and equipment, net	18,676	18,026
Other assets	263	620
Goodwill	82,468	85,070
Operating lease right-of-use assets	863	1,649
Total assets	<u>\$ 224,657</u>	<u>\$ 207,541</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,686	\$ 7,677
Accrued expenses and other liabilities	33,898	30,297
Contract liabilities (deferred revenue)	12,415	14,616
Operating lease liabilities	942	2,299
Total current liabilities	51,941	54,889
Long-term deferred tax liability, net	7,684	7,325
Operating lease liabilities	961	1,474
Total liabilities	60,586	63,688
Shareholders' equity	164,071	143,853
Total liabilities and shareholders' equity	<u>\$ 224,657</u>	<u>\$ 207,541</u>

**The Hackett Group, Inc.**  
**SEGMENT INFORMATION**  
*(in thousands)*  
*(unaudited)*

	Quarter Ended		Nine Months Ended	
	September 30, 2022	October 1, 2021	September 30, 2022	October 1, 2021
<b>Global S&amp;BT (1):</b>				
Total revenue (4)	\$ 41,593	\$ 37,085	\$ 128,760	\$ 106,956
Segment profit (5)	14,030	11,847	45,939	34,517
<b>Oracle Solutions (2):</b>				
Total revenue (4)	\$ 17,682	\$ 20,762	\$ 59,165	\$ 55,763
Segment profit (5)	3,313	5,417	12,147	12,062
<b>SAP Solutions (3):</b>				
Total revenue (4)	\$ 12,758	\$ 14,047	\$ 35,700	\$ 45,858
Segment profit (5)	3,847	3,716	9,238	15,571
<b>Total Company:</b>				
Total revenue (1)	\$ 72,033	\$ 71,894	\$ 223,625	\$ 208,577
Total segment profit	\$ 21,190	\$ 20,980	\$ 67,324	\$ 62,150
Items not allocated to segment level (5):				
Corporate general and administrative expenses	4,332	5,916	15,899	16,528
Non-cash stock based compensation expense	2,511	2,571	7,828	7,811
Depreciation and amortization	838	1,088	2,623	3,336
Restructuring charge reversal	(526)	-	(651)	-
Interest expense, net	14	26	70	76
Income from continuing operations before taxes	\$ 14,021	\$ 11,379	\$ 41,555	\$ 34,399

(1) Global S&BT includes the results of our strategic businesses consulting practices, including S&BT Consulting, Benchmarking, Business Advisory Services, IP as-a-Service and OneStream.

(2) Oracle Solutions includes the results of our EPM/ERP and Digital AMS practices.

(3) SAP Solutions includes the results of our SAP applications and related SAP service offerings.

(4) Total revenue includes reimbursable expenses, which are project travel-related expenses passed through to a client with no associated operating margin..

(5) Segment profits consist of the revenue generated by the segment, less the direct costs of revenue and selling, general and administrative expenses that are incurred directly by the segment. Items not allocated to the segment level include corporate costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment. These administrative function costs include corporate general and administrative expenses, non-cash stock based compensation, depreciation and amortization expense, restructuring charges and reversals and interest expense. Corporate general and administrative expenses primarily include costs related to business support functions including accounting and finance, human resources, legal, information technology and office administration. Corporate general and administrative expenses exclude one-time, non-recurring expenses and benefits.

**The Hackett Group, Inc.**

**RECONCILIATION OF GAAP TO NON-GAAP MEASURES**

*(in thousands, except per share data)*

*(unaudited)*

	Quarter Ended		Nine Months Ended	
	September 30, 2022	October 1, 2021	September 30, 2022	October 1, 2021
GAAP NET INCOME	\$ 10,366	\$ 8,131	\$ 31,086	\$ 25,024
Adjustments (1):				
Non-cash stock based compensation expense (2)	2,507	2,552	7,816	7,433
Acquisition-related compensation expense (3)	-	-	-	11
Acquisition-related non-cash stock based compensation expense (3)	4	19	12	378
Restructuring charge reversal	(526)	-	(651)	-
Amortization of intangible assets (4)	-	259	154	783
ADJUSTED NET INCOME BEFORE INCOME TAXES ON ADJUSTMENTS (1)	12,351	10,961	38,417	33,629
Tax effect of adjustments above (5)	511	709	1,875	2,150
ADJUSTED NET INCOME (1)	\$ 11,840	\$ 10,252	\$ 36,542	\$ 31,479
GAAP diluted net income per common share	\$ 0.32	\$ 0.25	\$ 0.97	\$ 0.76
Adjusted diluted net income per common share (1)	\$ 0.37	\$ 0.31	\$ 1.14	\$ 0.96
Weighted average common and common equivalent shares outstanding	32,309	32,876	32,124	32,871

(1) The Company provides adjusted earnings results (which exclude the loss from discontinued operations, non-cash stock based compensation expense, acquisition-related compensation expense, acquisition-related non-cash stock based compensation expense, restructuring charges and 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) Non-cash stock based compensation expense is accounted for under Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation. The Company excludes non-cash 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 non-cash stock based compensation, are widely used by investors.

(3) The Company incurs cash and non-cash stock based 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 based compensation expense is also accounted for under Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation.

(4) 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.

(5) 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 \$0.6 million and \$0.7 million in 2022 and 2021, respectively; the impact of intangible amortization was \$51 thousand in 2021; and the impact on the restructuring charge reversal was \$136 thousand in 2022. For the nine month periods the impact of non-cash stock compensation was \$2.0 million and \$1.9 million in 2022 and 2021, respectively; the impact of intangible amortization was \$32 thousand and \$155 thousand in 2022 and 2021, respectively and the impact on the restructuring charge reversal was \$168 thousand in 2022.

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

	Quarter Ended		
	September 30, 2022	July 1, 2022	October 1, 2021
<b>Revenue Concentration:</b>			
<i>(% of total revenue)</i>			
Top customer	7%	7%	5%
Top 5 customers	18%	18%	14%
Top 10 customers	26%	26%	24%
<b>Key Metrics and Other Financial Data:</b>			
<b>Total Company:</b>			
Consultant headcount	1,121	1,122	1,075
Total headcount	1,342	1,336	1,283
Days sales outstanding (DSO)	66	59	63
Cash provided by operating activities (in thousands)	\$ 9,789	\$ 18,235	\$ 6,818
Depreciation (in thousands)	\$ 838	\$ 828	\$ 829
Amortization (in thousands)	\$ -	\$ 10	\$ 259
Capital expenditures (in thousands)	\$ 893	\$ 845	\$ 649
<b>Remaining Plan authorization:</b>			
Shares purchased (in thousands)	-	-	113
Cost of shares repurchased (in thousands)	\$ —	\$ —	\$ 2,103
Average price per share of shares purchased	\$ —	\$ —	\$ 18.68
Remaining Plan authorization (in thousands)	\$ 10,609	\$ 10,609	\$ 11,472
<b>Shares Purchased to Satisfy Employee Net Vesting Obligations:</b>			
Shares purchased (in thousands)	3	4	8
Cost of shares purchased (in thousands)	\$ 69	\$ 76	\$ 155
Average price per share of shares purchased	\$ 21.05	\$ 21.24	\$ 19.49