

The Hackett Group, Inc.
Supplemental Data Discussed During Q3 2022 Earnings Conference Call

Q3 2022 Global S&BT segment revenue before reimbursements growth year over year	11%
Q3 2022 Global S&BT revenue before reimbursements	\$41.1M
Q3 2022 US S&BT growth rate as compared to prior year	13.2%
Q3 2022 international S&BT growth rate as compared to prior year	1.6%
Q3 2022 international S&BT growth rate as compared to prior year utilizing prior year foreign exchange rates	16.0%
Q3 2022 Global S&BT segment profit growth year over year	18%
Q3 2022 Oracle Solutions segment revenue before reimbursements	\$17.4M
Q3 2022 Oracle Solutions segment revenue before reimbursements % decrease from Q3 2021	16%
Q3 2022 SAP Solutions segment revenue before reimbursements	\$12.5M
Q3 2022 SAP Solutions segment revenue before reimbursements % decrease from Q3 2021	10.0%
Over past 2 years % of our consulting services have come from the advisory and benchmarking client base	over 40%
Q3 2022 % of recurring revenue before reimbursements to total Company revenue before reimbursements	approx. 21%
Q3 2022 total Company adjusted cost of sales	\$41.2M
Q3 2022 total Company adjusted cost of sales as % of revenue before reimbursements	58.1%
Q3 2021 total Company adjusted cost of sales	\$43.6M
Q3 2021 total Company adjusted cost of sales as % of revenue before reimbursements	61.0%
Q3 2022 total Company adjusted gross margin as % of revenue before reimbursements	41.9%
Q3 2021 total Company adjusted gross margin as % of revenue before reimbursements	39.0%
Q3 2022 total Company adjusted SGA	\$13.8M
Q3 2022 total Company adjusted SGA as % of revenue before reimbursements	19.4%
Q3 2021 total Company adjusted SGA	\$13.6M
Q3 2021 total Company adjusted SGA as % of total revenue	19.1%
Q3 2022 adjusted EBITDA	\$16.9M
Q3 2022 adjusted EBITDA as a % of revenue before reimbursements	23.7%
Q3 2021 adjusted EBITDA	\$15.1M
Q3 2021 adjusted EBITDA as a % of revenue before reimbursements	21.1%
Q3 2022 favorable impact on adjusted diluted net income per common share from decrease in tax rate from 28% to 26%	\$0.01 cent
Q3 2022 % of offshore resources of total resources for Oracle Solutions and SAP Solutions segments	approx. 50%

The Hackett Group, Inc.

RECONCILIATION OF TOTAL REVENUE TO REVENUE BEFORE REIMBURSEMENTS BY SEGMENT

(in thousands)

(unaudited)

	Three Months Ended						
	September 30, 2022	July 1, 2022	April, 1 2022	December 31, 2021	October 1, 2021	July 2, 2021	April 2, 2021
Global S&BT:							
Total revenue	\$ 41,593	\$ 44,530	\$ 42,637	\$ 39,268	\$ 37,085	\$ 35,804	\$ 34,067
Reimbursements	484	508	237	221	196	56	22
Revenue before reimbursements	<u>\$ 41,109</u>	<u>\$ 44,022</u>	<u>\$ 42,400</u>	<u>\$ 39,047</u>	<u>\$ 36,889</u>	<u>\$ 35,748</u>	<u>\$ 34,045</u>
Oracle Solutions:							
Total revenue	\$ 17,682	\$ 19,972	\$ 21,512	\$ 19,123	\$ 20,762	\$ 18,578	\$ 16,423
Reimbursements	253	398	119	85	63	39	11
Revenue before reimbursements	<u>\$ 17,429</u>	<u>\$ 19,574</u>	<u>\$ 21,393</u>	<u>\$ 19,038</u>	<u>\$ 20,699</u>	<u>\$ 18,539</u>	<u>\$ 16,412</u>
SAP Solutions:							
Total revenue	\$ 12,758	\$ 11,426	\$ 11,515	\$ 11,841	\$ 14,047	\$ 18,815	\$ 12,996
Reimbursements	301	254	200	150	235	105	43
Revenue before reimbursements	<u>\$ 12,457</u>	<u>\$ 11,172</u>	<u>\$ 11,315</u>	<u>\$ 11,691</u>	<u>\$ 13,812</u>	<u>\$ 18,710</u>	<u>\$ 12,953</u>
Total segment revenue:							
Total revenue	\$ 72,033	\$ 75,928	\$ 75,664	\$ 70,232	\$ 71,894	\$ 73,197	\$ 63,486
Reimbursements	1,038	1,160	556	456	494	200	76
Revenue before reimbursements	<u>\$ 70,995</u>	<u>\$ 74,768</u>	<u>\$ 75,108</u>	<u>\$ 69,776</u>	<u>\$ 71,400</u>	<u>\$ 72,997</u>	<u>\$ 63,410</u>

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		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

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

	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
Add back:				
Income tax expense	3,655	3,248	10,469	9,368
Interest expense	14	26	70	76
Depreciation	838	829	2,468	2,552
Amortization	-	259	154	783
EBITDA	14,873	12,493	44,247	37,803
Adjustments:				
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)	-
ADJUSTED EBITDA	\$ 16,858	\$ 15,064	\$ 51,424	\$ 45,625

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

	Quarter Ended		Nine Months Ended	
	September 30, 2022	October 1, 2021	September 30, 2022	October 1, 2021
Revenue:				
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
Costs and expenses:				
Cost of service:				
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
GAAP GROSS MARGIN	28,125	26,178	85,967	78,188
Adjustments:				
Non-cash stock based compensation expense (2)	1,648	1,651	4,789	4,918
Acquisition related compensation expense (3)	-	-	-	11
Acquisition-related non-cash stock based compensation expense (3)	4	19	12	378
ADJUSTED GROSS MARGIN	\$ 29,777	\$ 27,848	\$ 90,768	\$ 83,495

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

	Quarter Ended		Nine Months Ended	
	September 30, 2022	October 1, 2021	September 30, 2022	October 1, 2021
GAAP TOTAL COST OF SERVICE	\$ 43,908	\$ 45,716	\$ 137,658	\$ 130,389
Adjustments:				
Non-cash stock based compensation expense (2)	(1,648)	(1,651)	(4,789)	(4,918)
Acquisition related compensation expense (benefit) (3)	-	-	-	(11)
Acquisition-related non-cash stock based compensation expense (3)	(4)	(19)	(12)	(378)
Reimbursable expenses	(1,038)	(494)	(2,754)	(770)
ADJUSTED COS	\$ 41,218	\$ 43,552	\$ 130,103	\$ 124,312

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

	Quarter Ended		Nine Months Ended	
	September 30, 2022	October 1, 2021	September 30, 2022	October 1, 2021
GAAP SELLING, GENERAL AND ADMINISTRATIVE COSTS	\$ 14,616	\$ 14,773	\$ 44,993	\$ 43,713
RESTRUCTURING CHARGE REVERSAL	(526)	-	(651)	-
Adjustments:				
Non-cash stock based compensation expense (2)	(859)	(901)	(3,027)	(2,515)
Amortization expense (4)	-	(259)	(154)	(783)
Restructuring charge reversal	526	-	651	-
ADJUSTED SGA	\$ 13,757	\$ 13,613	\$ 41,812	\$ 40,415

(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 expense, 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 based compensation expense 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 based compensation expense 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.

(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.