

The Hackett Group, Inc.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Quarter Ended		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Revenue:				
Revenue before reimbursements	\$ 74,768	\$ 72,997	\$ 149,876	\$ 136,407
Reimbursements	<u>1,160</u>	<u>200</u>	<u>1,716</u>	<u>276</u>
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	<u>1,160</u>	<u>200</u>	<u>1,716</u>	<u>276</u>
Total cost of service	45,861	43,427	93,750	84,673
Selling, general and administrative costs (includes \$1,235, \$2,168, \$874 and \$1,614 of stock compensation expense in the quarters and six months ended July 1, 2022 and July 2, 2021, respectively)	15,886	15,553	30,252	28,940
Total costs and operating expenses	<u>61,747</u>	<u>58,980</u>	<u>124,002</u>	<u>113,613</u>
Operating income	14,181	14,217	27,590	23,070
Other expense:				
Interest expense	<u>(28)</u>	<u>(25)</u>	<u>(56)</u>	<u>(50)</u>
Income from continuing operations before income taxes	14,153	14,192	27,534	23,020
Income tax expense	<u>3,938</u>	<u>3,660</u>	<u>6,814</u>	<u>6,120</u>
Income from continuing operations	10,215	10,532	20,720	16,900
Loss from discontinued operations (net of taxes)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7)</u>
Net income	<u>\$ 10,215</u>	<u>\$ 10,532</u>	<u>\$ 20,720</u>	<u>\$ 16,893</u>
Weighted average common shares outstanding:				
Basic	31,652	30,094	31,551	30,151
Diluted	32,221	32,970	32,032	32,870
GAAP basic net income per common share:				
Income per common share from continuing operations	\$ 0.32	\$ 0.35	\$ 0.66	\$ 0.56
Loss per common share from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.00)</u>
GAAP basic net income per common share	<u>\$ 0.32</u>	<u>\$ 0.35</u>	<u>\$ 0.66</u>	<u>\$ 0.56</u>
GAAP diluted net income per common share:				
Income per common share from continuing operations	\$ 0.32	\$ 0.32	\$ 0.65	\$ 0.51
Loss per common share from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.00)</u>
GAAP diluted net income per common share	<u>\$ 0.32</u>	<u>\$ 0.32</u>	<u>\$ 0.65</u>	<u>\$ 0.51</u>

The Hackett Group, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	July 1, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 61,680	\$ 45,794
Accounts receivable and contract assets, net	49,485	50,616
Prepaid expenses and other current assets	3,033	5,766
Total current assets	114,198	102,176
Property and equipment, net	18,638	18,026
Other assets	501	620
Goodwill	83,512	85,070
Operating lease right-of-use assets	1,040	1,649
Total assets	<u>\$ 217,889</u>	<u>\$ 207,541</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 5,400	\$ 7,677
Accrued expenses and other liabilities	30,482	30,297
Contract liabilities (deferred revenue)	14,250	14,616
Operating lease liabilities	1,507	2,299
Total current liabilities	51,639	54,889
Long-term deferred tax liability, net	8,401	7,325
Operating lease liabilities	1,019	1,474
Total liabilities	61,059	63,688
Shareholders' equity	156,830	143,853
Total liabilities and shareholders' equity	<u>\$ 217,889</u>	<u>\$ 207,541</u>

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

	Quarter Ended		
	July 1, 2022	April 1, 2022	July 2, 2021
<b>Revenue Breakdown by Group:</b>			
<i>(in thousands)</i>			
S&BT (1)	\$ 33,390	\$ 29,980	\$ 26,496
EEA (2)	36,775	37,965	40,673
International (3)	5,764	7,719	6,028
Total revenue	<u>\$ 75,929</u>	<u>\$ 75,664</u>	<u>\$ 73,197</u>
<b>Revenue Concentration:</b>			
<i>(% of total revenue)</i>			
Top customer	7%	7%	7%
Top 5 customers	18%	16%	19%
Top 10 customers	26%	24%	30%
<b>Key Metrics and Other Financial Data:</b>			
<b>Total Company:</b>			
Consultant headcount	1,131	1,141	1,037
Total headcount	1,345	1,351	1,246
Days sales outstanding (DSO)	59	61	59
Cash provided by operating activities (in thousands)	\$ 18,235	\$ 6,054	\$ 13,756
Depreciation (in thousands)	\$ 828	\$ 802	\$ 849
Amortization (in thousands)	\$ 10	\$ 144	\$ 263
Capital expenditures (in thousands)	\$ 1,274	\$ 993	\$ 891
<b>Remaining Plan authorization:</b>			
Shares purchased (in thousands)	-	31	489
Cost of shares repurchased (in thousands)	\$ —	\$ 635	\$ 8,603
Average price per share of shares purchased	\$ —	\$ 20.50	\$ 17.58
Remaining Plan authorization (in thousands)	\$ 10,609	\$ 10,609	\$ 13,575
<b>Shares Purchased to Satisfy Employee Net Vesting Obligations:</b>			
Shares purchased (in thousands)	4	126	2
Cost of shares purchased (in thousands)	\$ 76	\$ 2,433	\$ 38
Average price per share of shares purchased	\$ 21	\$ 19	\$ 18

(1) 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.

(2) ERP, EPM and Analytics Solutions (EEA) includes the results of our North America Oracle EEA, SAP Solutions Practices and One Stream.

(3) International Groups include the results of our S&BT and EEA Practices, primarily in Europe.

The Hackett Group, Inc.

## RECONCILIATION OF GAAP TO NON-GAAP MEASURES

(in thousands, except per share data)

(unaudited)

	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 ADJUSTMENTS (1)	12,818	13,448	26,066	22,675
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)	\$ 0.38	\$ 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.