# ANNUAL REPORT 2021

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Ted A. Fernandez
Chairman & CEO
The Hackett Group, Inc.

## BOARD OF DIRECTORS

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Former Managing Director of Core IT Services
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## Dear Shareholders,

When we started 2020, we were aggressively ramping headcount in anticipation of increased demand, only to be disrupted by the COVID pandemic. Although the disruption was significant and swift, we have experienced improved sequential client engagement since the third quarter of 2020. Consistent with our pre-COVID expectations, we are experiencing strong demand for our services. It is now abundantly evident that organizations have recognized the need to embrace digital transformation as a requirement to remain competitive, and the rate of digital innovation and related enterprise transformational change is clearly unprecedented.

Let me start by congratulating our associates for their outstanding 2021 performance. Our revenue for fiscal year 2021 was up 18%, but more impressive was our record pro forma EPS of $1.31, which exceeded our prior year results by 90%, and our 2019 pre-COVID results by 31%. Given our associates' performance under these unprecedented personal and professional circumstances, I want to acknowledge their outstanding efforts and contributions.

For 2021, our Strategy & Business Transformation (S&BT) group was up strongly with 22% year-over-year growth, sequential quarterly growth during the year, all while improving billing rates and utilization – resulting in strong gross margin gains. Additionally, our IP-based higher-margin executive advisory offerings had a strong sales year, growing more than 20% – providing a strong indicator of its 2022 growth opportunity.

Our ERP, EPM and Analytics (EEA) group's annual growth was driven by strong cloud applications implementation growth across our SAP, Oracle and OneStream practices. Our cloud implementation revenue now totals over 90% of our total EEA implementation revenue. On the international front, we saw improved European performance as we exited 2021, which is expected to carry over into the first quarter of 2022.

Strong demand for our services, increasing leverage of our high-margin IP-based benchmarking executive advisory and IP-as-a-service (IPaaS) offerings, as well as the efficiencies from our virtual sales and delivery business models are all expected to continue; and contribute to our 2022 performance. This increased momentum should enable us to achieve performance levels toward the higher end of our long-term-growth and profitability targets.

Additionally, the investments we have made to fully digitize all our IP-led offerings and the development of our digital platforms, including Quantum Leap – our state-of-the-art global benchmarking platform – and our proprietary Digital Transformation Platform (DTP) are enabling us to highly differentiate and expand our offerings; and are important drivers of our long-term growth. These platforms are allowing us to develop new relationships with software and services providers, as well as with emerging workflow automation and process mining technology providers across all areas of the enterprise. We believe that these relationships are key to our digital transformation growth strategy.

On the balance sheet side, our ability to generate strong cash flow from operations has enabled us to increase our dividend and our buyback program. We also plan to expand our current credit facility to fund acquisitions we identify and to buy back stock, while continuing to invest in our business.

As we look forward, let me share our thoughts on the near- and long-term demand environments, and on the growth opportunities they offer our organization. Though the pandemic created unprecedented demand disruption, it also created heightened awareness to digital transformation initiatives that resulted in accelerated demand.

This means that digital innovation in enterprise cloud applications, analytics and infrastructure, workflow

automation and process mining are dramatically influencing the way businesses compete and deliver their services. Digital transformation is redefining all activities at an accelerated pace, forcing organizations to change fundamentally and to adopt or enhance these capabilities to remain competitive.

The strong digital transformation demand is also resulting in increased competition for experienced talent – in a manner that we have seen in a very long time. We believe that the remote service delivery model will help us address the short-term recruiting and retention concerns, and allow us to attract associates from a broader pool of candidates. Work from home and remote service delivery have significantly reduced the amount of travel required by our associates, providing our clients and associates with greater personal flexibility to perform their work. This greater flexibility is highly valued; and has enabled us to attract and retain talent that we had struggled to retain because of the demanding travel requirements of our industry.

In order to continue to increase our revenue across our IP-led offerings, we will continue to invest in our IP, our digital platforms and research advisory offerings, while also increasing our sales and marketing resources dedicated to these areas. This will include investment in our IPaaS offerings from potential partners that desire to license our IP and brand permission to bolster their business case development, value selling and delivery efforts. We also expect to leverage our brand, IP and digital platforms to launch a series of new vendor intelligence programs that will help assess and highlight the unique capabilities of technology and service providers across selected segments. This is another key initiative that we believe has great potential to add high-margin recurring revenue over the next few years.

Strategically, our focus remains the same – to continue to build our brand with our new offerings and capabilities focused on digital transformation, leveraging our fully digitized and unmatched IP. This will allow us to serve our clients strategically, increasingly remotely and whenever possible, continuously.

Specifically, we will continue to redefine our global benchmarking leadership through enhancements to Quantum Leap, our digital benchmark software-as-a-service solution. This platform allows us to deliver more information with significantly less client effort. It also enables our clients to leverage our IP to track their transformation initiatives over the life of their respective efforts. We believe there is no comparable platform in the market, and it is a critical component of our IPaaS offerings. We continue to enhance our digital transformation platforms to further differentiate our unique IP and related solution design capabilities. Our DTP allowed us to fully digitize our IP, align proven software configuration and organization solutions to help our clients drive transformational change. We have a 23-minute demo on the Investor Relations page of our website for investors to become more familiar with the capabilities of these platforms.

Lastly, although we believe that we have the valuable client base and the offerings to grow our business, we continue to look for acquisitions and alliances that strategically leverage our IP, and that add scope, scale and/or capabilities to continue to accelerate growth.

As always, thank you to our associates for their tireless efforts and congratulations on our outstanding year. I also extend my gratitude to our clients and shareholders for their loyalty and continued support. It is incredibly valuable to our organization and highly appreciated.

**Ted A. Fernandez**
Chairman & CEO
The Hackett Group, Inc.

The Hackett Group®
World Class Defined and Enabled

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE FISCAL YEAR ENDED December 31, 2021**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE TRANSITION PERIOD FROM TO**

**COMMISSION FILE NUMBER 333-48123**

# The Hackett Group, Inc.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **FLORIDA**<br>**(State or other jurisdiction of incorporation or organization)** | **65-0750100**<br>**(I.R.S. Employer Identification No.)** |
| **1001 Brickell Bay Drive, Suite 3000**<br>**Miami, Florida**<br>**(Address of principal executive offices)** | **33131**<br>**(Zip Code)** |

**(305) 375-8005**
**(Registrant's telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $.001 per share | HCKT | NASDAQ Stock Market |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☐ | Accelerated Filer | ☒ |
| Non-accelerated Filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant was $400,733,653 on July 2, 2021 based on the last reported sale price of the registrant's common stock on the NASDAQ Global Market.

The number of shares of the registrant's common stock outstanding on March 1, 2022 was 31,614,513.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this Annual Report on Form 10-K incorporates by reference certain portions of the registrant's proxy statement for its 2021 Annual Meeting of Shareholders to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

THE HACKETT GROUP, INC.
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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the information incorporated by reference in it include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations reflected in such forward-looking statements will turn out to be correct. Factors that could impact such forward-looking statements include, among others, the impact of the coronavirus (COVID-19) pandemic and our ability to mitigate or manage disruptions posed by COVID-19 pandemic, changes in worldwide and U.S. economic conditions that impact business confidence and the demand for our products and services, our ability to effectively integrate acquisitions into our operations, our ability to retain existing business, our ability to attract additional business, our ability to effectively market and sell our product offerings and other services, the timing of projects and the potential for contract cancellation by our customers, changes in expectations regarding the business consulting and information technology industries, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable due to the bankruptcy or financial difficulties of our customers, risks of competition, price and margin trends, foreign currency fluctuations, the impact of the geopolitical conflict involving Russia and Ukraine on our business and changes in general economic conditions, interest rates and our ability to obtain additional debt financing if needed. For a discussion of risks and actions taken in response to the coronavirus pandemic, see "*Our results of operations have been adversely affected and could in the future be materially adversely impacted by the coronavirus pandemic (COVID-19)*" under Item 1A, "Risk Factors." An additional description of our risk factors is described in Part I – Item 1A. "Risk Factors". We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Many of the risks, uncertainties and other factors identified in this Annual Report on Form 10-K have been amplified by the COVID-19 pandemic.

## PART I

## ITEM 1. BUSINESS

## GENERAL

In this Annual Report on Form 10-K, unless the context otherwise requires, "The Hackett Group," "Hackett," the "Company," "we," "us," and "our" refer to The Hackett Group, Inc. and its subsidiaries and predecessors. We were originally incorporated on April 23, 1997.

The Hackett Group is an intellectual property-based digital transformation consultancy and leading enterprise benchmarking and best practices implementation firm serving global companies. Services include benchmarking, executive advisory, business transformation, and cloud enterprise application implementation. The Hackett Group also provides dedicated expertise in business strategy, operations, finance, human capital management, strategic sourcing, procurement, and information technology, including its highly recognized Oracle, SAP, OneStream and Coupa practices.

The Hackett Group has completed nearly 20,000 benchmarking and performance studies with major organizations, including 97% of the Dow Jones Industrials, 94% of the Fortune 100, 70% of the DAX 30 and 51% of the FTSE 100. These studies drive our Digital Transformation Platform ("DTP" or "Hackett DTP") which includes the firm's benchmarking metrics, best practices repository, and best practice configuration and process flow accelerators, which enables our clients and partners to achieve world-class performance.

The rapid development and move to cloud applications and infrastructure along with improving analytics, mobile functionality and enhanced user experience is dramatically influencing the way businesses compete and deliver their services. This was further accelerated by the necessity to work remotely as a direct result of the COVID-19 pandemic. This is redefining entire industries at an accelerated pace, forcing organizations to fundamentally change and adopt new capabilities in order to remain competitive. Traditional sequential and linear-based business models are changing to fully networked and dynamic automated workflows and events with enhanced analytics. This digital transformation era is very attractive to our sector since we believe our clients will increasingly require organizational and technology implementation insight on how to digitize their businesses and what changes in business models are required to justify significant investments.

We have repositioned all of our offerings to the emerging digital transformation opportunities which started by digitizing all of our benchmarking and best practices intellectual property ("IP"). We wanted to deliver our proprietary insights in new ways and to do so efficiently and whenever possible, virtually. This also required us to change the way we go to market and engage clients, as well as added additional software implementation partners. For example, we have:

- Expanded Cloud Capabilities - We expanded our Oracle Cloud applications addressable market from Enterprise Performance Management ("EPM") to include Enterprise Resource Planning ("ERP") and the entire Oracle Cloud applications suite through the acquisition of Jibe Consulting in 2017. This move quadrupled our Oracle Cloud addressable market and positioned us as a strategic Oracle Cloud applications consultancy. We have also expanded our alliance partners to include Coupa and Ariba in Procurement, as well as OneStream in EPM and Corporate Performance Management ("CPM"). In regard to SAP, we were an early provider of S4 HANA which allowed us to quickly transition our implementation skills and benefit from the SAP migration to the Cloud.
- Launched Quantum Leap™ ("QL") – In 2017, we launched our next generation benchmarking and continuous improvement software as a service solution. This market leading benchmark solution allow*s* us to improve the client experience by delivering twice the insight and reducing the client effort by half, thus redefining our benchmarking leadership. It covers over 100 enterprise process areas, across 20 industry groups on an end-to-end, functional or individual process basis.
- Launched the Hackett DTP – We have digitized our IP and changed the way we share and deliver our IP with our clients across our benchmarking, advisory, transformation and Cloud Enterprise application solutions. The Hackett DTP accelerates the speed to benefit realization by helping organizations achieve their performance targets through a combination of benchmark metrics, best practices and software configuration and process flow accelerators delivered in a fully automated platform.
- Expanded our IP as a Service Revenue - We believe our QL and DTP platform should allow us to attract new alliance partners that can leverage our unique benchmarking and best practices IP to help them differentiate and sell their software or services solutions.
- Expanded Smart Automation Capabilities – We expanded our ability to help clients assess and implement the rapidly emerging Workflow Automation, Process Mining and related smart automation technologies.
- Launched the Hackett Institute and acquired the joint venture interest of our Certified Global Business Services ("CGBS") Program - We moved our training content to a state-of-the-art learning management system, which we believe is better aligned with our client demands.

We continue to expect one of the key drivers for our growth to come from the growing leverage of our "wedge" or IP-as-a-Service offerings, which includes our Benchmarking and Best Practices Advisory, and our IP led offerings which are enabled by our QL and DTP platforms.

## OUR PROPRIETARY BEST PRACTICE IMPLEMENTATION INTELLECTUAL CAPITAL

Hackett uses its proprietary benchmarking enterprise performance metrics and best practices repository intellectual capital to help clients improve their performance. Our benchmark offerings allow our clients to empirically quantify their performance improvement opportunity at an actionable level. It also provides us visibility into how leading global companies deploy technology or organizational strategies to optimize their performance. This insight results in a proprietary Best Practices Repository, as well as, best practice software configurations, process flows and organizational strategies. Utilizing the benchmarking metrics and repository of best practices, combined with the global strategy and implementation insight of our transformation and technology associates, Hackett has also created a series of organizational and technology accelerators that allow our clients to effect proven sustainable performance improvements.

Our Hackett DTP resulted in a new way to share and leverage our IP in a single platform. This required us to digitize most of our intellectual capital and the way we shared it with our clients across our benchmarking, advisory, business transformation and Cloud Enterprise application implementation solutions. Our ability to fully digitize our IP and align proven technology and organizational solutions to help clients drive transformational change allows us to highly differentiate our offerings. It also allows us to engage and support clients more efficiently, remotely, and where appropriate, continuously.

Our Hackett DTP leverages our inventory of Hackett-Certified best practices, observed through benchmark and other business transformation engagements, which correlate best practices with superior performance levels. We utilize Capability Maturity Models to better understand our clients' capabilities and organizational maturity so that we can determine the level of performance that they can realistically pursue. In addition, we utilize Hackett's intellectual capital in the form of best practice process flows and software configuration guides to integrate Hackett's empirically proven best practices directly into business processes and workflows that are enabled by enterprise software applications. The repository of best practice processes and software configuration guides now reside in the new releases of our DTP. This allows us to utilize our IP on client engagements to ensure that best practices are identified and implemented, whenever possible. This coordinated approach addresses people, processes, information, and technology, all within the framework of our Hackett-Certified best practices.

Because our solutions are based on Hackett-Certified best practices, we believe that clients gain significant advantages. Clients can have confidence that their solutions are based on strategies from the world's leading companies. More importantly, Hackett's solutions deliver enhanced efficiency, improved effectiveness, and reduced implementation risk.

The Hackett DTP often begins with an assessment of a client's performance, which is normally gained through benchmarking key processes and comparing the results to world-class levels and industry standards captured in the Hackett performance metrics database. We then help clients prioritize and select the appropriate best practices to implement through a coordinated workflow automation and organizational design improvement strategy. Without a coordinated strategy that addresses the seven key business components which include organization and governance, process design, process sourcing, service placement, information, enabling technology and skills and talent, we believe companies risk losing a significant portion of business case benefits with their investments. We have designed detailed best practice process flows based on Hackett's deep knowledge of world-class business performance. This enables clients to streamline and automate key processes and generate performance improvements quickly and efficiently at both the functional and enterprise levels.

Similarly, we integrate Hackett-Certified best practices directly into technology solutions. We believe it is imperative that companies simplify and automate workflows and processes to meet best practice standards before new technology implementations and upgrades are completed. The automation of inefficient processes only serves to continue to drive up costs, cycle times and error rates. We have completed detailed fit-gap analyses in most functional areas of major business application packages including Oracle, SAP and other leading enterprise applications to determine their ability to support best practices. Application-specific tools, implementation guides and process flows allow us to optimize the configuration of enterprise software applications. Hackett DTP enables the foundation for improved performance.

We believe the combination of optimized processes and workflows, best practice-based business applications and enhanced business analytics environments allow our clients to achieve and sustain significant business performance improvement. The specific client circumstances normally dictate how they engage us. Our goal is to be responsive to client needs, and to establish a continuous and trusted relationship. We have developed a series of offerings that allow us to efficiently help our clients without regard to where they are in their respective performance improvement lifecycle.

## COMPETITION

The strategic business advisory and technology consulting marketplace continues to be extremely competitive. The marketplace will remain competitive as companies continue to look for ways to improve their organizational effectiveness. Our competitors include international accounting firms; international, national and regional strategic consulting and systems implementation firms; and the IT services divisions of application software firms. Mergers and acquisitions throughout our industry have resulted in higher levels of competition. We believe that the principal competitive factors in the industries in which we compete include: skills and capabilities of people, innovative services and product offerings, perceived ability to add value, reputation and client references, price, scope of services, service delivery approaches, technical and industry expertise, quality of services and solutions, ability to deliver results on a timely basis, availability of appropriate resources, and global reach and scale. We acknowledge that many of our competitors are larger, however we believe very few, if any, of our competitors have proprietary intellectual capital similar to the benchmarking-based performance metrics QL delivers and the insight within the Hackett DTP that supports our Transformational Benchmark, Best Practices Advisory and Business Transformation and Technology offerings.

Despite our size relative to our competitor group, we believe our competitive position is distinct. With Hackett's best practice intellectual capital and our QL and DTP platforms, we believe we can empirically and digitally assist our clients. Our ability to apply best practices and benchmarking metrics to client operations via proven techniques is at the core of our competitive standing.

Similarly, we believe that Hackett is the definitive source for best practice performance metrics and strategies. Hackett has conducted nearly 20,000 benchmark and performance studies over 28 years at over 7,000 clients, generating proprietary data sets spanning multiple performance metrics and correlating best practices with superior performance. The combination of Hackett benchmark data, along with deep expertise and knowledge in evaluating, designing and implementing business transformation strategies leveraging our proprietary Best Practices Repository and other accelerators within DTP, delivers a powerful and distinct value proposition to our clients.

Our culture of client collaboration leverages the power of our cross-functional and service line teams to increase revenue and strengthen relationships. We believe that this culture, along with terrific talent and with our intellectual capital-centric approach, gives us a distinct competitive advantage.

## STRATEGY

The COVID-19 pandemic significantly impacted the way we sell and deliver our services, as we quickly and successfully transitioned to a virtual and remote delivery model. Our efforts in the last few years to fully digitize our IP and go to market through our QL and DTP platforms proved to be critical to our success.

Correspondingly, we remain focused on executing the following strategies:

- ***Expanding our brand or market permission to our other offerings.*** We believe that our long-term growth prospects depend on our ability to extend our unique market permission to help our clients and strategic partners measure their digital transformation opportunity using our proprietary benchmark database into our other offerings. We have started to extend our permission through the strategic relationship that results from our Benchmarking and Best Practices Advisory Programs. However, our most significant growth opportunity is in our ability to extend our brand and market permission into our enterprise transformation and other best practice implementation offerings which create more opportunities to grow revenue per client.
- ***Continue to position and grow Hackett as an IP-centric strategic advisory organization.*** We believe that the Hackett brand is widely recognized for its benchmarking metrics and best practice strategies. By building a series of highly complementary on-site and off-site offerings that allow our clients' access to our IP, which is based on our best practice process and technology implementation insight, we are able to build trusted strategic relationships with our clients. Depending upon where our clients are in their assessment or implementation of performance improvement initiatives, we provide them a combination of offerings that support their efforts.

  We believe that clients that leverage our IP are more likely to allow us to serve them more broadly. IP-based services enhance our opportunities to serve clients remotely, continuously and more profitably. Our goal is to use our unique intellectual capital to establish a strategic relationship with our clients directly or through strategic alliances and channels and to further use that entry point to introduce our business transformation and technology capabilities.

  The launch of QL and DTP should expand and attract new alliance partners that can leverage our unique benchmarking and best practices, software configuration and process flow IP to help them differentiate and sell their software or services solutions.

  If our clients need off-site access to our IP and advisors to help them either assess or execute transformation initiatives on their own, they can avail themselves of our Best Practices Advisory Programs or our new IP-as-a-Service offerings. The

key is for our clients to know that we can support them strategically by leveraging our unique IP and insights so that we are able to build a strategic relationship which is appropriate for them. We also believe that our clients that value our IP will turn to us for other services when the need arises, allowing us over time to ascribe a larger amount of our total revenue to our existing client base, which will improve the predictability of our results. We continue to explore ways to leverage our IP through new external strategic partners and their channels.

- ***Introduce New IP–centric Offerings.*** We are now seeing new opportunities through new strategic alliances and channels to use our IP to help others sell and deliver their offerings. We have launched a series of such alliances as described below:

  We launched a program with ADP that added a dedicated Hackett Best Practices advisory program to ADP's Vantage HCM solution which has now expanded to cover their Workforce Now offering. Given our continuing investment in QL and DTP platforms, we are in a stronger position to attract new alliance partners and to support and accelerate their sales initiatives as well as and their clients' continuous improvement efforts. We believe this capability is unique to Hackett given our strong brand permission, benchmarking capabilities and best practice IP.

- ***Continue to expand our QL/DTP Content and Technology***. DTP incorporates Hackett intellectual capital into our implementation tools and techniques. For our clients, the end results are tangible cost, performance gains and improved returns on their organizational and technology investments. Many clients attribute their decision to employ us to our IP and accelerators. Our objective is to help our clients make smarter business process and software configuration decisions as a result of our methods and knowledge. We are continuously updating our content and tools through benchmarking, enterprise transformation and research activities. Additional updates are also driven by new software releases that drive innovation in business process automation. We continue to invest in the digitization and integration of our various metrics, best practices and best practice acceleration tools into our QL and DTP platforms.

- ***Recruit and develop talent.*** As we continue to grow and realize the potential of our business model, it is important to attract, retain, develop and motivate associates. We continue to invest in associate development programs that are specifically targeted to improve our go-to-market and delivery execution.

- ***Leverage our offshore capabilities.*** Leveraging an offshore resource capability to support the delivery of our offerings has been a key strategy for our organization. Our facilities in Hyderabad, India and Montevideo, Uruguay allow us to increase operational efficiencies and build targeted key capabilities that can appropriately support the delivery of our offerings and internal functional teams.

- ***Seek out strategic acquisitions.*** We will continue to pursue strategic acquisitions that strengthen our ability to compete and expand our IP. We believe that our unique Hackett access and our QL/DTP approach, coupled with our strong balance sheet and infrastructure, can be utilized to support a larger organization. We plan to pursue acquisitions that are accretive or have strong growth prospects, and most importantly, have strong synergies with our best practice intellectual capital focus.

## OUR OFFERINGS

We offer a comprehensive range of services, including executive advisory programs, benchmarking, business transformation and technology consulting services. With strategic and functional knowledge in finance, human resources, information technology, procurement, supply chain management, corporate services, customer service, and sales and marketing, our expertise extends across the enterprise. We have completed successful engagements in a variety of industries, including automotive, consumer goods, financial services, technology, life sciences, manufacturing, media and entertainment, retail, telecommunications, transportation and utilities.

**STRATEGY & BUSINESS TRANSFORMATION GROUP**

- **Executive and Best Practices Advisory Programs**

Our Advisory programs provide on-demand access to world-class performance metrics, peer-learning opportunities and best practice implementation advice. The scope of Hackett's Advisory programs is defined by business function (Executive Advisory), end-to-end process coverage (Process Advisory) and dedicated partner platforms. Our Advisory programs include a mix of the following deliverables:

- ***Best Practice Intelligence Center:*** Online, searchable repository of best practices, performance metrics, conference presentations and associated research available to Executive and Best Practices Advisory Program Members and their support teams.
- ***Best Practice Accelerators:*** Dedicated web-based access to best practices, customized software configuration tools, best practice process flows used to support the sale, configuration and organizational implementation and post implementation support efforts of partner software.
- ***Advisor Inquiry*****:** Hackett's inquiry services are used by clients for quick access to fact-based advice on proven approaches and methods to increase the efficiency and effectiveness of selling, general and administrative processes.
- ***Best Practice Research:*** Empirically based research and insight derived from our Hackett benchmark, performance and transformation studies. Our research provides detailed insights into the most significant proven approaches in use at world-class organizations that yield superior business results.
- ***Peer Interaction:*** Regular member-led webcasts, annual Best Practice Conferences, annual Member Forums, membership performance surveys and client-submitted content provide ongoing peer learning and networking opportunities.
- ***Introduction of New Vendor IP- centric Offerings*****:** We are continuing to seek new opportunities through strategic alliances and channels to use our IP to help others sell and deliver their products, such as our IP-as-a-Service offerings and Hackett Institute programs. We continue to look for other potential programs through which to introduce new IP-centric offerings and expand the power and reach of our brand.

- **Benchmarking Services**

Our benchmarking group dates back to 1991 and has measured and evaluated the efficiency and effectiveness of enterprise functions for over 7,000 organizations globally. This includes 97% of the Dow Jones Industrials, 94% of the Fortune 100, 70% of the DAX 30 and 51% of the FTSE 100. Ongoing studies are conducted in a wide range of areas, including selling, general and administrative, finance, human resources, information technology, procurement, enterprise performance management and shared services. Hackett has identified approximately 2,000 best practices for over 100 processes in these key functional areas and uses proprietary performance measurement tools and data collection processes that enable companies to complete the performance measurement cycle and identify and quantify improvement opportunities in as little as four weeks. Benchmarks are used by our clients to objectively establish priorities, generate organizational consensus, align compensation to establish performance goals and develop the required business case for business and technology investments.

- **Business Transformation Practice**

Our Business Transformation practices help our clients develop a coordinated digital transformation strategy that allows to achieve meaningful performance improvements across the enterprise. Our experienced teams utilize the Hackett performance measurement data to link performance gains to industry best practices. Our strategic capabilities include operational assessments, process and organization design, change management and the effective application of technology. We combine best practices knowledge with business expertise and broad technology capabilities, which we believe enables our programs to optimize return on client investments in people, process, technology and information. We also maintain our procurement (Coupa and SAP Arriba) functionally led groups, as well as Workforce Management groups within this practice.

## ERP, EPM AND ANALYTICS (EEA) SOLUTIONS

Our EEA practice focuses on helping clients maximize the value of their investments in Cloud Enterprise Software and business analytics.

- **Oracle Solutions**

Our Oracle EEA practice helps clients choose and deploy Oracle applications that best meet their needs and objectives. In 2017, we acquired Oracle ERP and Cloud implementation capabilities. This allowed us to greatly increase the size of our Oracle addressable market and strongly positioned us to be a strategic provider of Oracle's rapidly growing cloud software and services market. The software market is rapidly moving to cloud-based software, which led us to aggressively transition our Oracle EEA group from being primarily focused on the implementation of Oracle EPM on-premise software to the entire Oracle Cloud Enterprise Suite. We believe the actions we took to expand our Oracle Cloud capabilities from EPM on-premise to the entire Oracle Cloud ERP Suite have strongly positioned us to take advantage of this secular cloud migration growth opportunity. Another significant investment we made was to digitize all of our IP and to build our proprietary Hackett DTP. By specifically building one of our first versions around the Oracle Cloud application functionality, we believe we can quickly demonstrate how to optimize the configuration of Oracle Cloud applications to drive to its fully intended transformative outcome. We believe these moves align our EEA practices with the Oracle go-to-market strategy and will also allow us to use our unique best-practice implementation IP to demonstrate the value of Oracle Cloud apps for the Oracle sales channel. These improvements cover many aspects of service delivery, including process improvement, technology deployment, organizational alignment, information and data definition and skills and competency alignment. Solutions typically reside in three primary areas: Core Financial Close and Consolidation, Integrated Business Planning, and Reporting / Advanced Analytics. Solution innovations have taken the practice into areas such as big data, cloud technology data management and governance, and industry-specific analytic templates.

- **SAP Solutions**

Our SAP Solutions practice helps clients choose and deploy S4 HANA Cloud applications that best meet their needs and objectives. Our expertise is focused on SAP ERP (with primary focus on Life Sciences and Consumer Goods). The group offers comprehensive services from planning, architecture, and vendor evaluation and selection through implementation, customization, testing and integration. Comprehensive fit-gap analyses of all major packages against Hackett Best Practices are utilized by our SAP Solutions teams. Our tools and templates help integrate best practices into business and analytical applications. The group also offers post-implementation support, change management, exception management, process transparency, system documentation and end-user training, all of which are designed to enhance return on investment. We also provide off-shore application development and Application Maintenance and Support ("AMS") services. These services include post-implementation support for select business application and infrastructure platforms. Our SAP Solutions group also includes a division responsible for the sale of the SAP suite of applications.

- **OneStream Solutions**

Our OneStream practice includes technical and transformational professionals that help clients choose and deploy OneStream XF Platform and Market Place solutions that best meet their needs and objectives in Corporate Performance Management ("CPM"). The CPM market has responded to OneStream's unified platform with significant growth and we expect that trend to continue. To take advantage of this opportunity, Hackett has made significant investments to grow the OneStream practice and we believe that we are strongly positioned as a OneStream strategic provider, having been named a OneStream Diamond Partner. Our rapid OneStream deployment methodologies enable clients to quickly realize benefits by integrating Hackett best practices and intellectual property into accelerated solutions utilizing OneStream. This enables world class performance for complex financial consolidation, financial planning, reporting, analytics and data management challenges. The group also offers post-implementation support, change management, exception management, process improvement, robotics process automation, system documentation and end-user training, all of which are designed to enhance return on investment.

## CLIENTS

We focus on developing long-term client relationships with Global 2000 firms and other sophisticated buyers of business and IT consulting services. During 2021, 2020 and 2019, our ten most significant clients accounted for 22% of total revenue in each year. In addition, during 2021, 2020 and 2019, our largest client generated 4%, 5% and 4% of total revenue, respectively. We have achieved a high level of satisfaction across our client base. We receive surveys from a significant number of our engagements which are utilized in a rigorous process to improve our delivery execution, sales processes, methodologies and training.

## BUSINESS DEVELOPMENT AND MARKETING

Our extensive client base and relationships with Global 2000 firms remain our most significant sources of new business. Our revenue generation strategy is formulated to ensure that we are addressing multiple facets of business development. Our primary goal is to continue to increase awareness of our brand which we have created around our Hackett empirical knowledge capital in the extended enterprise that we now serve. We have a regional sales and market development effort in both North America and Europe, so we can better coordinate the sales and marketing messages from our various offerings. Our compensation programs for our associates reflect an emphasis on optimizing our total revenue relationship with our clients. In our technology practice groups, we have continued to utilize our Hackett intellectual capital as a way to differentiate the relationships we have with the software providers and with our clients. The categories below define our business development resources.

## BUSINESS DEVELOPMENT RESOURCES

Although virtually all of our advisors and consultants are expected to contribute to new revenue opportunities, our primary internal business development resources are comprised of the following:

- **The Leadership Team, Principals and Senior Directors** are comprised of our senior leaders who have a combination of executive, regional, practice and anchor account responsibilities. In addition to their management responsibilities, this group of associates is responsible for growing the business by fostering executive-level relationships within accounts and leveraging their existing contacts in the marketplace.
- **The Sales Organization** is comprised of associates who are 100% dedicated to generating sales. They are deployed geographically in key markets, are primarily focused on developing new relationships and are aligned to our core practice areas within their target accounts. They also handle opportunities in their geographic territories as they arise.
- **The Business Development Associates** are comprised of trained groups of telemarketing specialists who are conversant with their respective solution areas. Lead generation is coordinated with our marketing and sales groups to ensure that our inbound and outbound efforts are synchronized with targeted marketing and sales programs.
- **The Delivery Organization** is comprised of our billable associates who work at client locations. We encourage associates to pursue additional business development opportunities through their normal course of delivering existing projects thereby helping us expand our business within existing accounts.

In addition to our business development resources, we have a corporate marketing and communications organization responsible for overseeing our marketing programs, public relations and employee communications activities.

We have organized our market focus into the following categories:

- **Strategic Accounts** are comprised of large prospects and existing relationships which we believe will have a significant revenue opportunity within the next 18 months. Strategic account criteria include the size of the company, industry affiliation, propensity to buy external consulting services and contacts within the account. The sales representative working closely with regional leadership is primarily responsible for identifying business opportunities in the account, acting as the single point of coordination for the client, and performing the general duties of account manager.

- **Regional Accounts** are accounts within a specified geographic location. These accounts mostly include large prospects, past clients, existing medium-sized clients and mid-tier market accounts and are handled primarily on an opportunistic basis, except for active clients where delivery teams are focused on driving additional revenue.

- **Strategic Alliance Accounts** are accounts that allow us to partner with organizations of greater scale or different skill sets or with software developers enabling all parties to jointly market their products and services to prospective clients.

## TALENT MANAGEMENT

We fully believe that our culture fosters intellectual creativity, collaboration and innovation. We believe in building relationships with both our associates and clients. We believe the best solutions come from teams of diverse individuals addressing problems collectively and from multiple dimensions, including the business, technological and human dimensions. We believe that the most effective working environment is one where everyone is encouraged to contribute and is rewarded for that contribution. Our core values are the strongest expression of our working style and represent what we stand for. These core values are:

- Continuous development of our associates, our unique content business model and our knowledge base;
- Diversity of backgrounds, skills and experiences;
- Knowledge capture, contribution and utilization; and
- Collaboration with one another, our partners and our clients.

Our human resources staff includes seasoned professionals in North America, Europe, India and South America who support our practices by, among other things, administering our benefit programs, facilitating the hiring process and coordinating training activities. Our human resources staff also includes dedicated individuals who recruit consultants with both business and technology expertise. Our recruiting team supports our hiring process by focusing on the highest demand solution areas of our business to ensure an adequate pipeline of new associates. We also have an employee referral program, which rewards existing employees who source new hires.

As of December 31, 2021, we had 1,135 associates, excluding subcontractors, 82% of whom were billable professionals. We do not have any associates that are subject to collective bargaining arrangements, however, in France, our associates enjoy the benefit of certain government regulations based on industry classification. We have entered into nondisclosure and non-solicitation agreements with virtually all of our personnel. We also engage consultants as independent contractors pursuant to written agreements that contain non-disclosure and non-solicitation provisions.

## COMMUNITY INVOLVEMENT

One important way we put our values into action is through our commitment to the communities where we work. We do so by encouraging and supporting our associate's communities and personal volunteer and service programs and social gatherings.

## INTELLECTUAL PROPERTY

We have obtained trademark registrations for The Hackett Group, Hackett Best Practices, World Class Defined and Enabled, Quantum Leap, Digital Excelleration, Intellectual Property As A Service and Book of Numbers, and own registrations for certain of our other trademarks in the United States and abroad that we use in our business and believe are important to protect. We believe that the protection of these marks is an important part of our strategy of increasing the brand recognition we have built around our empirical knowledge capital and the growing number of services we provide.

## AVAILABLE INFORMATION

We make our public filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all exhibits and amendments to these reports, available free of charge at our website www.thehackettgroup.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Any material that we file with the SEC or at www.sec.gov.

Also available on our website, free of charge, are copies of our Code of Conduct and Ethics, Corporate Governance Guidelines, and the charters for the Audit Committee, Compensation Committee and Nominating and Governance Committee of our Board of Directors. We intend to disclose any amendment to, or waiver from, a provision of our Code of Conduct and Ethics and Corporate Governance Guidelines applicable to our senior financial officers, including our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Corporate Controller on our website within four business days following the date of the amendment or waiver.

## ITEM 1A. RISK FACTORS

Our business is subject to risks. The following important factors could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K or our other publicly filed documents.

### Business, Market and Strategy Risks

***Our results of operations could be negatively affected by global and regional economic conditions.***

Global and regional economic conditions may affect our clients' businesses and the markets they serve. A substantial or prolonged economic downturn, weak or uncertain economic conditions or similar factors could adversely affect our clients' financial condition which may reduce our clients' demand for our services, force price reductions, cause project cancellations, or delay consulting services for which they have engaged us. For example, COVID-19 pandemic has created uncertainty in the global economy and could result in a reduction in spending on our services and the geopolitical disruption resulting from the Russian and Ukraine conflict. In addition, if we are unable to successfully anticipate the changing economic conditions, we may be unable to effectively plan for and respond to those changes, and our business could be negatively affected.

***Our results of operations have been adversely affected and could in the future be materially adversely impacted by the COVID-19 pandemic.***

The global spread of the COVID-19 pandemic has created significant volatility, uncertainty and economic disruption. Our clients, and therefore our business and revenues, are sensitive to negative changes in general economic conditions and business confidence.

We continue to work with our clients and employees to responsibly address this global pandemic. We will continue to monitor the situation and assess possible implications to our business and our clients and employees and will take appropriate actions in an effort to mitigate adverse consequences. We cannot assure you that we will be successful in any such mitigation efforts. The extent to which the coronavirus pandemic impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration, severity and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic on economic activity and actions taken in response; the effect on our clients and client demand for our services and solutions; the ability of our clients to pay for our services and solutions; and any closures of our clients' offices and facilities. Clients may also slow down decision making, delay planned work or seek to terminate existing agreements. Any of these events could cause or contribute to the risks and uncertainties enumerated in "Item 1A. Risk Factors" and elsewhere in this Annual Report and could materially adversely affect our business, financial condition, results of operations and/or stock price.

***Our quarterly operating results may vary.***

Our financial results may fluctuate from quarter to quarter in any given year and should not be used to predict future performance. In future quarters, our operating results may not meet analysts' and investors' expectations. If that happens, the price of our common stock may fall. Many factors can cause fluctuations in our financial results, including:

- number, size, timing and scope of client engagements;
- customer concentration;
- long and unpredictable sales cycles;
- contract terms of client engagements;
- degrees of completion of client engagements;
- client engagement delays or cancellations;
- competition for and utilization of employees;
- how well we estimate the resources and effort we need to complete client engagements;
- the integration of acquired businesses;
- pricing changes in the industry;
- foreign currency changes;
- foreign laws and regulatory requirements;
- natural disasters, pandemics and other catastrophic events;
- economic conditions specific to business and information technology consulting; and
- global economic conditions.

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, if we experience unanticipated changes in client engagements or in consultant utilization rates, we could experience large variations in quarterly operating results and losses in any particular quarter. Due to these factors, we believe our quarter-to-quarter operating results should not be used to predict future performance.

***If we are unable to maintain our reputation and expand our brand name recognition, we may have difficulty attracting new business and retaining current clients and employees.***

We believe that establishing and maintaining a good reputation and name recognition are critical for attracting and retaining clients and employees in our industry. We also believe that the importance of reputation and name recognition will continue to increase due to the number of providers of business consulting and IT services. If our reputation is damaged or if potential clients are not familiar with us or with the solutions we provide, we may be unable to attract new, or retain existing, clients and employees. Promotion and enhancement of our name will depend largely on our success in continuing to provide effective solutions. If clients do not perceive our solutions to be effective or of high quality, our brand name and reputation will suffer. In addition, if solutions we provide have defects, critical business functions of our clients may fail, and we could suffer adverse publicity as well as economic liability.

***We depend heavily on a limited number of clients.***

We have derived, and believe that we will continue to derive, a significant portion of our revenue from a limited number of clients for which we perform large projects. In 2021, our ten largest clients accounted for 22% of our aggregate revenue. In addition, revenue from a large client may constitute a significant portion of our total revenue in any particular quarter. Our customer contracts generally can be cancelled for convenience by the customer upon 30 days' notice. The loss of any of our large clients for any reason, including as a result of the acquisition of that client by another entity, our failure to meet that client's expectations, the client's decision to reduce spending on projects, or failure to collect amounts owed to us from our client could have a material adverse effect on our business, financial condition and results of operations.

***Our markets are highly competitive.***

We may not be able to compete effectively with current or future competitors. The business consulting and IT services markets are highly competitive. We expect competition to further intensify as these markets continue to evolve. Some of our competitors have longer operating histories, larger client bases, longer relationships with their clients, greater brand or name recognition and significantly greater financial, technical and marketing resources than we do. As a result, our competitors may be in a stronger position to respond more quickly to new or emerging technologies and changes in client requirements and to devote greater resources than we can to the development, promotion and sale of their services. Competitors could lower their prices, potentially forcing us to lower our prices and suffer reduced operating margins. We face competition from international accounting firms; international, national and regional strategic consulting and systems implementation firms; and the IT services divisions of application software firms.

In addition, there are relatively low barriers for entry into the business consulting and IT services market. We do not own any patented technology that would stop competitors from entering this market and providing services similar to ours. As a result, the emergence of new competitors may pose a threat to our business. Existing or future competitors may develop and offer services that are superior to, or have greater market acceptance, than ours, which could significantly decrease our revenue and the value of your investment.

***We could lose money on our contracts.***

As part of our strategy, from time to time, we enter into capped or fixed-price contracts, in addition to contracts based on payment for time and materials. Because of the complexity of many of our client engagements, accurately estimating the cost, scope and duration of a particular engagement can be a difficult task. We maintain an Office of Risk Management ("ORM") that evaluates and attempts to mitigate delivery risk associated with complex projects. In connection with their review, ORM analyzes the critical estimates associated with these projects. If we fail to make these estimates accurately, we could be forced to devote additional resources to these engagements for which we will not receive additional compensation. To the extent that an expenditure of additional resources is required on an engagement, this could reduce the profitability of, or result in a loss on, the engagement. We may be unsuccessful in negotiating with clients regarding changes to the cost, scope or duration of specific engagements. To the extent we do not sufficiently communicate to our clients, or our clients fail to adequately appreciate the nature and extent of any of these types of changes to an engagement, our reputation may be harmed, and we may suffer losses on an engagement.

***Lack of detailed written contracts could impair our ability to recognize revenue for services performed, collect fees, protect our IP and protect ourselves from liability to others.***

We protect ourselves by entering into detailed written contracts with our clients covering the terms and contingencies of the client engagement. In some cases, however, consistent with what we believe to be industry practice, work is performed for clients on the basis of a limited statement of work or verbal agreement before a detailed written contract can be finalized. To the extent that we fail to have detailed written contracts in place, our ability to collect fees, protect our IP and protect ourselves from liability to others may be impaired.

***We may lose large clients or may not be able to secure targeted follow-on work or achieve expected client retention rates.***

Our client engagements are generally short-term arrangements, and most clients can reduce or cancel their contracts for our services with a 30 days' notice and without penalty. As a result, if we lose a major client or large client engagement, our revenue will be adversely affected. We perform varying amounts of work for specific clients from year to year. A major client in one year may not use our services in another year. In addition, we may derive revenue from a major client that constitutes a large portion of total revenue for particular quarters. If we lose any major clients or any of our clients cancel programs or significantly reduce the scope of a large engagement, our business, financial condition, and results of operations could be materially and adversely affected. Also, if we fail to collect a large accounts receivable balance, we could be subjected to significant financial exposure. Consequently, you should not predict or anticipate our future revenue based upon the number of clients we currently have or the number and size of our existing client engagements.

We also derive a portion of our revenue from annual memberships for our Executive Advisory Programs. Our growth prospects therefore depend on our ability to achieve and sustain renewal rates on programs and to successfully launch new programs. Failure to achieve expected renewal rate levels or to successfully launch new programs and services could have an adverse effect on our operating results.

***The market price of our common stock may fluctuate widely.***

The market price of our common stock could fluctuate substantially due to:

- future announcements concerning us or our competitors;
- quarterly fluctuations in operating results;
- announcements of acquisitions or technological innovations;
- changes in earnings estimates or recommendations by analysts; or
- current market volatility.

In addition, the stock prices of many business and technology services companies fluctuate widely for reasons which may be unrelated to operating results. Fluctuation in the market price of our common stock may impact our ability to finance our operations and retain personnel.

**Operational Risks**

***We have risks associated with potential acquisitions or investments.***

Since our inception, we have expanded through acquisitions. In the future, we plan to pursue additional acquisitions as opportunities arise. We may not be able to successfully integrate businesses which we may acquire in the future without substantial expense, delays or other operational or financial problems. We may not be able to identify, acquire or profitably manage additional businesses. Also, acquisitions may involve a number of risks, including:

- diversion of management's attention;
- failure to retain key personnel;
- failure to retain existing clients;
- unanticipated events or circumstances;
- unknown claims or liabilities;
- amortization of certain acquired intangible assets; and
- operating in new or unfamiliar geographies.

Client dissatisfaction or performance problems at a single acquired business could have a material adverse impact on our reputation as a whole. Further, we cannot assure you that our future acquired businesses will generate anticipated revenue or earnings.

***Difficulties in integrating businesses we acquire in the future may demand time and attention from our senior management.***

Integrating businesses that we acquire in the future may involve unanticipated delays, costs and/or other operational and financial problems. In integrating acquired businesses, we may not achieve expected economies of scale or profitability or realize sufficient revenue to justify our investment. If we encounter unexpected problems as we try to integrate an acquired firm into our business, our management may be required to expend time and attention to address the problems, which would divert their time and attention from other aspects of our business.

***We may not be able to hire, train, motivate, retain and manage professional staff.***

To succeed, we must hire, train, motivate, retain and manage highly skilled employees. Competition for skilled employees who can perform the services we offer is intense. We might not be able to hire enough skilled employees or train, motivate, retain and manage the employees we hire. This could hinder our ability to complete existing client engagements and bid for new ones. Hiring, training, motivating, retaining and managing employees with the skills we need is time-consuming and expensive.

***We rely on information management systems and any damage, interruption or compromise of our information management systems or data could disrupt and harm our business.***

We rely upon information technology systems and networks, some of which are managed by third parties, to process, transmit, and store electronic information in connection with the operation of our business. Additionally, we collect and store data that is sensitive to our company. Operating these information technology systems and networks and processing and maintaining this data, in a secure manner, are critical to our business operations and strategy. Our information management systems and the data contained therein may be vulnerable to damage, including interruption due to power loss, system and network failures, operator negligence and similar causes.

The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and often are not recognized until launched against a target, or even some time after. We may be unable to anticipate these techniques, implement adequate preventative measures or remediate any intrusion on a timely or effective basis even if our security measures are appropriate, reasonable, and/or comply with applicable legal requirements. Certain efforts may be state-sponsored and supported by significant financial and technological resources, making them even more sophisticated and difficult to detect. Insider or employee cyber and security threats are also a significant concern for all companies, including ours. Given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising, misappropriation, destruction or corruption of data, security breaches, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation, any of which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. Any significant compromise of our information management systems or data could impede or interrupt our business operations and may result in negative consequences including loss of revenue, fines, penalties, litigation, reputational damage, inability to accurately and/or timely complete required filings with government entities including the SEC and the Internal Revenue Service, unavailability or disclosure of confidential information (including personal information) and negative impact on our stock price.

**Global Operational Risks**

***We earn revenue, incur costs and maintain cash balances in multiple currencies, and currency fluctuations could adversely affect our financial results.***

We have international operations, where we earn revenue and incur costs in various foreign currencies, primarily the British Pound, and the Euro. Doing business in these foreign currencies exposes us to foreign currency risks in numerous areas, including revenue, purchases, payroll and investments. Certain foreign currency exposures are naturally offset within an international business unit, because revenue and costs are denominated in the same foreign currency, and certain cash balances are held in U.S. Dollar denominated accounts. However, due to the increasing size and importance of our international operations, fluctuations in foreign currency exchange rates could materially impact our results.

Our cash position includes amounts denominated in foreign currencies. We manage our worldwide cash requirements considering available funds from our subsidiaries and the cost effectiveness with which these funds can be accessed. The repatriation of cash balances from certain of our subsidiaries outside the U.S. could have adverse tax consequences and be limited by foreign currency exchange controls. However, those balances are generally available in the local jurisdiction without legal restrictions to fund ordinary business operations. Any fluctuations in foreign currency exchange rates could materially impact the availability and amount of these funds available for transfer.

**Legal, Regulatory and Compliance Risks**

***Our corporate governance provisions may deter a financially attractive takeover attempt.***

Provisions of our charter and by-laws may discourage, delay or prevent a merger or acquisition which shareholders may consider favorable, including transactions in which shareholders would receive a premium for their shares. These provisions include the following:

- shareholders must comply with advance notice requirements before raising a matter at a meeting of shareholders or nominating a director for election;
- our Board of Directors is staggered into three classes and the members may be removed only for cause upon the affirmative vote of holders of at least two-thirds of the shares entitled to vote;
- we would not be required to hold a special meeting to consider a takeover proposal unless holders of more than a majority of the shares entitled to vote on the matter were to submit a written demand or demands for us to do so; and
- our Board of Directors may, without obtaining shareholder approval, classify and issue up to 1,250,000 shares of preferred stock with powers, preferences, designations and rights that may make it more difficult for a third party to acquire us.

***If we are unable to protect our IP rights or infringe on the IP rights of third parties, our business may be harmed.***

We rely upon a combination of nondisclosure and other contractual arrangements and trade secrets, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license IP. Although we enter into confidentiality agreements with our employees and limit distribution of proprietary information, there can be no assurance that the steps we have taken in this regard will be adequate to deter misappropriation of our IP, or that we will be able to detect unauthorized use and take appropriate steps to enforce our IP rights.

Although we believe that our services do not infringe on the IP rights of others and that we have all rights necessary to utilize the IP employed in our business, we are subject to the risk of claims alleging infringement of third-party IP rights. Any claims could require us to spend significant sums in litigation, pay damages, develop non-infringing IP or acquire licenses to the IP that is the subject of asserted infringement.

***Data privacy and information security may require significant resources and presents certain risks.***

We collect, store, have access to and otherwise process certain confidential or sensitive data, including proprietary business information, personal data or other information that is subject to privacy and security laws, regulations and/or customer-imposed controls. We operate in an environment in which data privacy regulatory and legal framework is evolving quickly and varies by jurisdiction. We cannot predict the cost of compliance with future data privacy laws, regulations and standards, or future interpretations of current laws, regulations and standards, related to privacy and cybersecurity or the potential effects on our business.

As a company doing business in Europe, we are also subject to European data protection laws and regulations. The European Union General Data Protection Regulation ("GDPR"), imposes stringent requirements in how we collect and process personal data and provides for significantly greater penalties for noncompliance; and several other countries have passed laws that require personal data relating to their citizens to be maintained on local servers and impose additional data transfer restrictions. In addition, we are also subject to and affected by new state privacy and data security laws such as the recently implemented California Consumer Privacy Act ("CCPA"). The CCPA became effective January 1, 2020 and imposes additional data privacy requirements on many businesses operating in the state, including, potentially, with respect to employee data. In addition, in 2020 several states introduced varying comprehensive privacy laws modeled to some degree on the CCPA and/or the GDPR. Compliance with multiple country and state laws containing varying requirements could be complicated and costly. Government enforcement actions can be costly and interrupt the regular operation of our business, and violations of data privacy laws can result in fines, reputational damage and civil lawsuits, any of which may adversely affect our business, reputation and financial statements.

***Replacement of the London Interbank Offered Rate ("LIBOR") benchmark rate could increase our cost of borrowing and interest expense.***

LIBOR is used as an interest rate benchmark for establishing the variable rates of interest under our revolving credit facility. LIBOR has been the subject of recent national, international and other regulatory guidance and proposals for reform. In 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit the rates to calculate LIBOR after 2021. On November 30, 2020, ICE Benchmark Administration, the current administrator of LIBOR, announced that it intends to cease publication of 1-week and 2-month LIBOR at the end of 2021 and, subject to compliance with applicable regulations, including as to representativeness, it does not intend to cease publication of the remaining LIBOR tenors until June 30, 2023. It is uncertain whether LIBOR will be available as a benchmark for pricing our floating rate indebtedness until, or after, June 30, 2023. The consequences of the phase-out of LIBOR cannot be entirely predicted, but could result in new interest rate benchmarks, which could result in an increase in our variable rates of interest and interest expense.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

Our principal executive office is currently located at 1001 Brickell Bay Drive, Floor 30, Miami, Florida 33131. As of December 31, 2021, we had operating leases that expire on various dates through June 2024. During the fourth quarter of 2020, as a result of and in consideration of the COVID-19 pandemic, and the changing nature of the Company's use of office space for its workforce, the Company evaluated its existing office space leases as part of its transformation initiatives related to real estate. This evaluation resulted in the complete and partial abandonment of certain leased office spaces and an asset impairment charge for certain lease right-of-use assets and certain property, equipment and leasehold improvements for impairment.

We do not own real estate and do not intend to invest in real estate or real estate-related assets.

## ITEM 3. LEGAL PROCEEDINGS

We are involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such matters will not have a material adverse effect on our consolidated financial position, cash flows or results of operations.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

# PART II

## ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded under the Nasdaq Stock Market symbol, "HCKT". The closing sale price for the common stock on March 1, 2022, was $19.91.

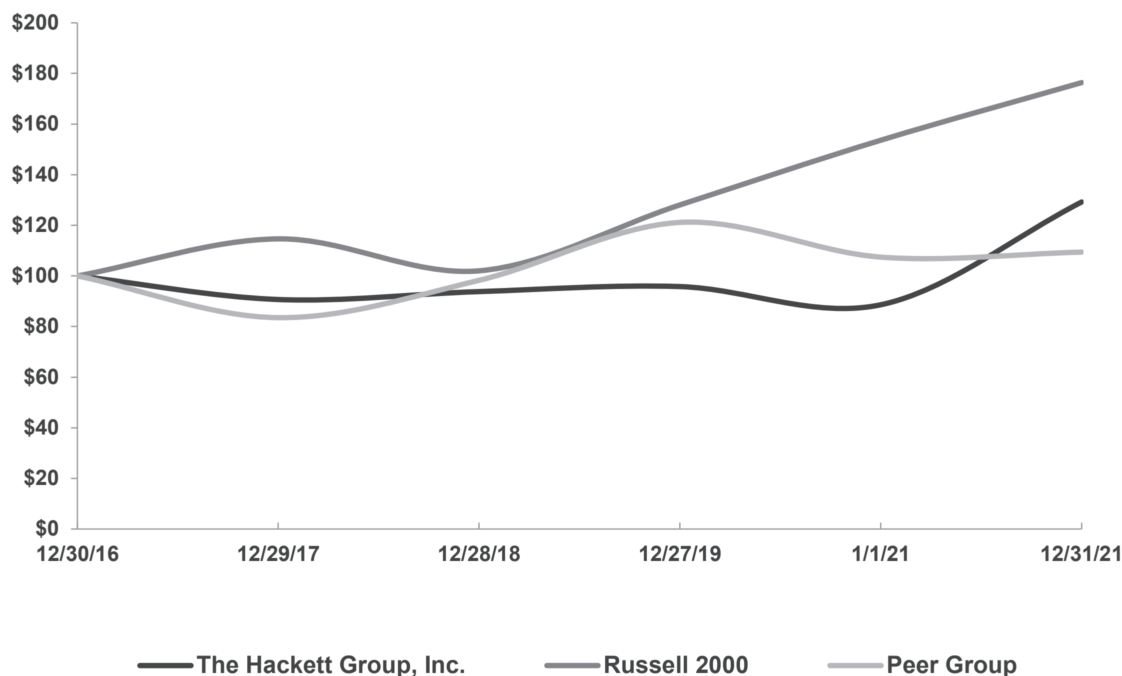
As of March 1, 2022, there were 241 holders of record of our common stock and 31,614,513 shares of common stock outstanding.

### Securities Authorized for Issuance under Equity Compensation Plans

The information required by this section is set forth under Item 12 of this Annual Report on Form 10-K and is herein incorporated by reference.

**Performance Graph**

The following graph compares our cumulative total shareholder return since January 1, 2016, with the Russell 2000 and a peer group index composed of other companies with similar business models identified below. The graph assumes that the value of the investment in our common stock and each index (including reinvestment of dividends) was $100 on January 1, 2016.




*$100 invested on 12/30/16 in stock or index, including reinvestment of dividends.
Index calculated on month-end basis.

| | 12/30/16 | 12/29/17 | 12/28/18 | 12/27/19 | 1/1/21 | 12/31/21 |
|---|---|---|---|---|---|---|
| **The Hackett Group, Inc.** | $ 100.00 | $ 90.68 | $ 93.81 | $ 95.80 | $ 88.61 | $ 129.22 |
| **Russell 2000** | $ 100.00 | $ 114.65 | $ 102.02 | $ 128.06 | $ 153.62 | $ 176.39 |
| **2021 Peer Group** | $ 100.00 | $ 83.52 | $ 98.27 | $ 121.14 | $ 107.43 | $ 109.41 |

The 2021 Peer Group includes Alithya Group Inc. (formerly known as Edgewater Technology, Inc.), Huron Consulting Group, Inc. and Information Services Group, Inc.

**Company Dividend Policy**

In December 2012, we announced an annual dividend of $0.10 per share. In 2019, 2020 and 2021, the Board of Directors approved an increase in the annual dividend to $0.36 per share, $0.38 per share, and $0.40 per share, respectively. During 2020, the Board of Directors approved the increase in the frequency of dividend payments from semi-annual to quarterly. During fiscal 2021, we paid the quarterly dividend to shareholders of record on March 26, 2021, June 25, 2021, September 24, 2021, and December 17, 2021, totaling $12.9 million. Our credit agreement contains restrictions on our ability to declare dividends and repurchase shares. Subsequent to fiscal year end, the Board of Directors increased the annual dividend to $0.44 per share and declared the first quarterly dividend of 2022. The declaration of dividends shall at all times be subject to the final determination of our Board of Directors that a dividend is prudent and lawful at that time in consideration of the needs of the business and other factors including the ability to pay dividends under our credit agreement.

**Purchases of Equity Securities**

We have an ongoing authorization from our Board of Directors to repurchase shares of our common stock. The repurchase plan was first announced on July 30, 2002. Repurchases under this program are discretionary and are made in the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. There is no expiration date on the current authorization. The following table summarizes our share repurchases during the year ended December 31, 2021 under this authorization:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program | |
|---|---|---|---|---|---|
| Balance as of January 1, 2021 | | | | $ 4,284,275 | |
| January 2, 2021 to April 2, 2021 | 136,627 | $ 15.45 | 136,627 | $ 2,173,933 | |
| April 3, 2021 to July 2, 2021 | 489,469 | $ 17.58 | 489,469 | $ 13,570,988 | * |
| July 3, 2021 to October 1, 2021 | 112,550 | $ 18.68 | 112,550 | $ 11,468,188 | |
| October 2, 2021 to December 31, 2021 | 10,349 | $ 21.64 | 10,349 | $ 11,244,241 | |
| | 748,995 | $ 17.41 | 748,995 | | |

* During the second quarter of 2021, the Company's Board of Directors approved an additional share repurchase authorization of $20.0 million.

As of December 31, 2021, the Company's Board of Directors had approved a cumulative authorization of $167.2 million with cumulative purchases under the plan of $155.9 million, leaving $11.2 million available for future purchases. During the year ended December 31, 2021, the Company repurchased 749 thousand shares of its common stock under the repurchase plan approved by the Company's Board of Directors for $13.0 million at an average share price of $17.41, which included 24 thousand shares of the Company's common stock from members of our Board of Directors for a total of $0.4 million, or $16.05 per share. All shares repurchased from members of the Board of Directors were approved by the Audit Committee. During the year ended January 1, 2021, the Company repurchased 184 thousand shares of its common stock under the repurchase plan approved by the Company's Board of Directors for $2.4 million at an average share price of $12.84, which included 37 thousand shares of the Company's common stock from members of our Board of Directors for a total of $0.7 million, or $17.43 per share. Subsequent to fiscal year end, we repurchased 31 thousand shares of the Company's common stock from members of our Board of Directors for a total of $0.6 million, or $20.50 per share. Including these subsequent purchases, we have approximately $10.6 million available for future purchases under the plan.

Shares purchased under the repurchase plan do not include shares withheld to satisfy withholding tax obligations. These withheld shares are never issued and in lieu of issuing the shares, taxes were paid on our employee's behalf. In 2021, 1.1 million shares were withheld and not issued for a cost of $21.6 million, bringing the total cumulative cash used to repurchase stock in 2021 to $34.6 million, which includes the net settlement of the 2.9 million SARs for a cost of $19.7 million. In 2020, 139 thousand shares were withheld and not issued for a cost of $2.1 million, bringing the total cumulative cash used to repurchase stock in 2020 to $4.5 million.

**ITEM 6. [RESERVED]**

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations and financial condition of Hackett. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying Notes to our consolidated financial statements included in this Annual Report on Form 10-K. We have omitted discussion of fiscal 2019 items and year-to-year comparisons between fiscal years 2020 and 2019 where it would be redundant with the discussion previously included in Part II, Item 7 (MD&A) of the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2021.

Hackett, originally incorporated on April 23, 1997, is a leading strategic advisory and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive Hackett database, the world's leading repository of enterprise business process performance metrics and best practice intellectual capital, our business and technology solutions help clients improve performance and maximize returns on technology investments.

Hackett is a strategic advisory firm and a world leader in best practice research, benchmarking and business transformation services which empirically defines and enables world-class enterprise performance. Hackett empirically defines world-class performance in sales, general and administrative and certain supply chain activities with analysis gained through nearly 20,000 benchmark and performance studies over 28 years at over 7,000 of the world's leading companies.

Hackett's combined capabilities include executive advisory programs, benchmarking, business transformation and technology solutions, with corresponding offshore support. In addition, we are identifying new opportunities for our benchmarking and best practice intellectual property by leveraging new channels through strategic alliances to introduce new recurring revenue, high margin offerings that could redefine our organizational model that we have started to refer to as "IP as a Service" business.

In the following discussion, Strategy and Business Transformation Group includes the results of our North America IP as-a-service offerings, which include our Executive Advisory Programs and Benchmarking Services, and our Business Transformation Practices (S&BT). ERP, EPM and Analytics (EEA) Solutions includes the results of our North America Oracle EEA and SAP Solutions Practices. International includes results of our S&BT and EEA Practices, primarily in Europe.

### COVID-19 Pandemic Impact on Our Business

The level of revenue we achieve is based on our ability to deliver market leading services and solutions and to deploy skilled teams of professionals quickly. Our results of operations are affected by economic conditions, including macroeconomic conditions and levels of business confidence. Despite the disruption beginning in March 2020, the COVID-19 pandemic did not have a significant impact on our consolidated results of operations during the first quarter of 2020. However, our net revenue and diluted earnings per share were negatively impacted for the remainder of 2020, due to adverse economic conditions as a result of the COVID-19 pandemic. In each of the four quarters of 2021, our net revenue and diluted earnings per share grew when compared to the fourth quarter of 2020 reflecting a continuation of improved economic conditions. However, any reversal of these trends or a prolonged economic downturn as a result of the impact of COVID-19 variants, or otherwise, weak or uncertain economic conditions or similar factors could adversely affect our clients' financial condition which may further reduce our clients' demand for our services.

We continue to actively manage our business to respond to the impact of the COVID-19 pandemic. At the onset of the pandemic, we reduced employee headcount and restricted employee travel to only essential business needs. While headcount has increased and some select non-essential travel is being allowed, most of our employees continue to work remotely from home. We are generally following the requirements, recommendation and protocols published by the U.S. Centers for Disease Control and the World Health Organization, and state and local governments.

As a response to the COVID-19 pandemic, we implemented plans to manage our costs and preserve cash at the onset of the COVID-19 pandemic. We significantly limited the addition of new employees and third party contracted services, eliminated all travel except where necessary to meet customer needs, and limited discretionary spending. At the end of June 2020, we reduced our global workforce by approximately 10% and recorded a $5.0 million restructuring charge. During the fourth quarter of 2020, as a result of and in consideration of the COVID-19 pandemic, and the changing nature of our use of office space for its workforce, we evaluated our existing office leases as part of our transformation initiatives related to real estate. This evaluation resulted in the complete and partial abandonment of certain leased office spaces and an asset impairment charge of $3.9 million for certain lease right-of-use assets and certain property, equipment and leasehold improvements. All client concessions and accounts receivable allowances have been appropriately reflected in our financial statements. To the extent that economic conditions do not continue to improve and our business is again disrupted the reinstatement of cost management actions will be considered. Future asset impairment charges, increases in allowance for doubtful accounts, or restructuring charges will be dependent on the severity and duration of the COVID-19 pandemic.

In light of the evolving health, social, economic and business environment, governmental regulations or mandates, and business disruptions that could occur, the potential impact that the COVID-19 pandemic could have on our financial condition and operating results in the future remains uncertain.

For more information, see "*Our results of operations have been adversely affected and could in the future be materially adversely impacted by the coronavirus pandemic (COVID-19),*" under Item 1A, "Risk Factors."

**Critical Accounting Policies and Estimates**

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial position in conformity with generally accepted accounting principles in the United States ("GAAP"). Actual results could differ from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies that have had or are reasonably likely to have a material impact on our financial condition or results of operations. These policies require management to exercise judgment on issues that are often difficult, subjective and complex due to the necessity of estimating the effect of matters that are inherently uncertain.

*Revenue Recognition*

Determining revenue recognition requires management to exercise judgment on the interpretation of service contracts which may include one or multiple performance obligations. The judgement management must make include determining whether the control of the goods and services provided are transferred to our customers at a point in time or over the course of the service period utilizing a proportionate performance approach.

In fixed-fee billing arrangements, which would also include contracts with capped fees, we set the fees based on our estimates of the costs and timing for completing the engagements. We generally recognize revenue under fixed-fee or capped fee arrangements using a proportionate performance approach, which is based on work completed to-date as compared to estimates of the total services to be provided under the engagement. Estimates of total engagement revenue and cost of services are monitored regularly during the term of the engagement based on the best available information. If our estimates indicate a potential loss, such loss is recognized in the period in which the loss first becomes probable and reasonably estimable.

*Allowances for Doubtful Accounts*

Periodically, we review accounts receivable to assess our estimates of collectability. When establishing allowances for doubtful accounts, management must base their judgment on the information available at that point in time, which may include historical experiences, current economic trends and client credit worthiness, to determine the likelihood of collectability.

*Goodwill and Other Intangible Assets*

Goodwill is tested at least annually for impairment. In assessing the recoverability of goodwill management makes estimates regarding market assumptions based on assumptions regarding various factors to determine if impairment tests are met. These estimates contain management's judgment, using appropriate and customary assumptions available at the time. We performed our annual step one impairment test of our goodwill in the fourth quarter of fiscal 2021 and determined that goodwill was not impaired.

Other intangible assets are tested for potential impairment whenever events or changes in circumstances suggest that the carrying value of an asset may not be fully recoverable. If an evaluation is required, management estimates future undiscounted cash flows associated with the asset and compares this to the asset's carrying amount to determine if there has been an impairment. Estimates of future undiscounted cash flows are based on management's view of growth rates for the related business, anticipated future economic conditions and estimates of residual values.

*Income Taxes*

Management's judgement is required in the calculation of the income tax provision. Deferred tax assets and liabilities are measured by using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to reverse. A valuation allowance is provided if management believes it is more likely than not that all or some portion of the deferred tax asset will not be realized. An increase or decrease in the valuation allowance may result from a change in circumstances, and therefore a change in management's judgment about the realizability of the related deferred tax asset.

Management adopted a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return in regards to the de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

Please refer to Note 1 "Basis of Presentation and General Information" to our consolidated financial statements included in our Annual Report on Form 10-K for the discussion of all of our critical accounting policies.

## Results of Operations

Our fiscal year generally consists of a 52-week period and periodically consists of a 53-week period as each fiscal year ends on the Friday closest to December 31. Fiscal years 2021 and 2020 ended on December 31, 2021 and January 1, 2021, respectively. References to a year included in this document refer to a fiscal year rather than a calendar year.

The following table sets forth, for the periods indicated, our results of operations and the percentage relationship to revenue before reimbursements of such results (in thousands, except per share amounts).

| | Twelve Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2021 | | | January 1, 2021 | | |
| Revenue: | | | | | | |
| Revenue before reimbursements | $ | 277,583 | 100% | $ | 234,810 | 100% |
| Reimbursements | | 1,226 | 0% | | 4,672 | 2% |
| Total revenue | | 278,809 | | | 239,482 | |
| | | | | | | |
| Costs and expenses: | | | | | | |
| Cost of service: | | | | | | |
| Personnel costs | | 165,143 | 59% | | 154,327 | 66% |
| Non-cash stock compensation expense | | 6,360 | | | 6,255 | |
| Acquisition-related compensation expense (benefit) | | 11 | | | 50 | |
| Acquisition-related non-cash stock compensation expense | | 406 | | | 1,064 | |
| Reimbursable expenses | | 1,226 | | | 4,672 | |
| Total cost of service | | 173,146 | | | 166,368 | |
| | | | | | | |
| Selling, general and administrative costs | | 54,815 | 20% | | 50,586 | 22% |
| Non-cash stock compensation expense | | 3,356 | | | 2,421 | |
| Amortization of intangible assets | | 1,016 | | | 977 | |
| Total selling, general, and administrative expenses | | 59,187 | 21% | | 53,984 | 23% |
| | | | | | | |
| Restructuring charges and asset impairments | | - | | | 10,488 | |
| Total costs and operating expenses | | 232,333 | | | 230,840 | |
| Income from operations | | 46,476 | 17% | | 8,642 | 4% |
| Other expense: | | | | | | |
| Interest expense | | (95) | | | (126) | |
| Income from continuing operations before income taxes | | 46,381 | 17% | | 8,516 | 4% |
| Income tax expense | | 4,829 | 2% | | 2,871 | 1% |
| Income from continuing operations (net of taxes) | | 41,552 | | | 5,645 | |
| Loss from discontinued operations | | (7) | | | (172) | |
| Net income | $ | 41,545 | 15% | $ | 5,473 | 2% |
| | | | | | | |
| Diluted net income per common share | $ | 1.26 | | $ | 0.17 | |

## Comparison of 2021 to 2020

*Overview.* For fiscal year 2021, revenue before reimbursements increased 18% to $277.6 million, as compared to fiscal year 2020. Fiscal year 2021 results included a $5.3 million software sale transaction which was recorded in the second quarter of 2021 and a tax benefit for the exercise of 2.9 million SARs which was recorded in the fourth quarter of 2021. Together, these items positively impacted dilutive earnings per share by $0.33.

Fiscal 2020 results included restructuring charges for the reduction of staff in the U.S. and Europe and the impairment of our operating lease right-of-use assets and certain property, equipment and leasehold improvements relating to the reduction in office space as we have transitioned towards a remote work environment. Together, these items negatively impacted dilutive earnings per share by $0.24.

*Revenue.* We are a global company with operations primarily in the United States and Western Europe. Our revenue is denominated in multiple currencies, primarily the U.S. Dollar, British Pound and Euro, and as a result is affected by currency exchange rate fluctuations. The impact of the currency fluctuation did not have a significant impact on comparisons between 2021 and 2020. Revenue is analyzed based on geographic location of engagement team personnel.

The following table sets forth revenue by group for the periods indicated (in thousands):

| | Year Ended | |
|---|---|---|
| | December 31, 2021 | January 1, 2021 |
| S&BT | $ 108,244 | $ 88,655 |
| EEA | 145,631 | 122,618 |
| International | 23,708 | 23,537 |
| Revenue from continuing operations before reimbursement | $ 277,583 | $ 234,810 |

Our total Company revenue from continuing operations and before reimbursements increased 18%, to $277.6 million in 2021, as compared to $234.8 million in 2020. The 2021 revenue growth includes a $5.3 million software sale transaction which was recorded in the second quarter of 2021. Net revenue in 2020 were affected from the economic disruption of the COVID-19 pandemic. In addition, in each of the four quarters of 2021, our net revenue and diluted earnings per share grew when compared to the fourth quarter of 2020 reflecting a continuation of improved economic conditions.

In 2021 and 2020, no customer accounted for more than 5% of our total revenue.

S&BT net revenue from continuing operations increased 22% in 2021, to $108.2 million, as compared to $88.7 million in 2020 due to increased rates and increased utilization driven by the improved demand for enterprise digital transformation initiatives experienced since the end of third quarter of 2020.

EEA net revenue from continuing operations increased 19% in 2021, to $145.6 million, as compared to $122.6 million in 2020, primarily driven by strong growth across all practices driven by increased demand. In addition, net revenue in 2021 included a $5.3 million software sale transaction which was recorded in the second quarter of 2021. EEA excluding the software sale transaction was $140.4 million.

Hackett international net revenue from continuing operations increased 1% in 2021, as compared to 2020. Europe continues to be impacted by lengthened client decision-making from economic uncertainty, which has been further impacted by the COVID-19 pandemic. Total Company international net revenue from continuing operations accounted for 9% of our total revenue in 2021, as compared to 10% in 2020.

Reimbursable expenses are project and travel-related expenses passed through to a client with no margin associated with them. Reimbursable expenses as a percentage of net revenue were 0% in 2021, as compared to 2% in 2020. The low percentage of reimbursements to net revenue in 2021 and 2020 is running lower than historical rates and is directly attributable to the decreases in travel requirements resulting from the COVID-19 pandemic and the transition to a more remote service-based delivery model during 2021 and 2020. Reimbursements are project travel-related expenses passed through to a client with no associated impact to gross margins or profitability.

*Cost of Service.* Cost of service primarily consists of salaries, benefits and incentive compensation for consultants and subcontractor fees; acquisition-related cash and stock compensation costs; non-cash stock compensation expense; and reimbursable expenses associated with projects.

Personnel costs from continuing operations increased 7%, to $165.1 million in 2021, from $154.3 million in 2020. The higher costs were primarily a result of increased hiring and utilization of subcontractors to support revenue growth in 2021, as well as increases in incentive compensation accruals commensurate with Company performance. Personnel costs before reimbursable expenses and as a percentage of revenue before reimbursements was 59% in 2021, as compared to 66% in 2020.

Non-cash stock compensation expense from continuing operations was $6.4 million in 2021 and $6.3 million in 2020. See Note 10, "Stock Based Compensation" to our consolidated financial statements included in this Annual Report on Form 10-K for further information.

Acquisition related non-cash stock compensation expense in 2021 and 2020 related to equity awards issued in relation to acquisitions.

*Selling, General and Administrative ("SG&A").* SG&A costs from continuing operations, excluding non-cash compensation expense, acquisition related costs and the amortization of intangible assets increased 8% to $54.8 million in 2021, from $50.6 million in 2020. This increase was primarily due to higher sales commissions and incentive compensation accruals associated with increased Company performance. SG&A costs as a percentage of revenue before reimbursements were 20% in 2021 and 22% in 2020.

Non-cash compensation expense included in total SG&A increased to $3.4 million in 2021, as compared to $2.4 million in 2020 due to increased Company performance. See Note 10, "Stock Based Compensation" to our consolidated financial statements included in this Annual Report on Form 10-K for further information.

Amortization expense was $1.0 million in both 2021 and 2020. The amortization expense in both periods related to the amortization of the intangible assets acquired in our acquisitions and joint venture in 2017. The intangible assets related to the acquisitions will continue to amortize until 2022 and the intangible asset related to the joint venture completed amortizing in 2021.

*Restructuring Charges and Asset Impairments.* During 2020, we recorded restructuring costs of $6.6 million, which were primarily related to the reduction of staff in the U.S. and Europe as a result of the impact of the COVID-19 pandemic. In addition, during the fourth quarter of 2020, as a result of and in consideration of the COVID-19 pandemic, and the changing nature of our use of office space for our workforce, we evaluated our existing office space utilization as part of our transformation initiatives related to real estate. This evaluation resulted in the complete and partial abandonment of certain leased office spaces and a $3.9 million restructuring charge related to the asset impairment for certain lease right-of-use assets and certain property, equipment and leasehold improvements and other real estate related costs.

*Interest Expense*. In 2021 and 2020, we recorded interest expense of $95 thousand and $126 thousand, respectively. There was no outstanding debt in 2021 or 2020.

*Income Taxes.* During 2021, we recorded $4.8 million of income tax expense related to certain federal, foreign and state taxes which reflected an effective tax rate of 10.4% from continuing operations. During 2020, we recorded $2.9 million of income tax expense related to certain federal, foreign and state taxes which reflected an effective tax rate of 33.7% from continuing operations. The decrease in the tax rate for 2021 was primarily due to a tax benefit resulting from the exercise of 2.9 million SARs. The tax rate in 2020 included restructuring charges impacting countries with lower statutory income tax rates and changes in our overall profitability due to the impact of the COVID-19 pandemic.

*Discontinued Operations.* The discontinued operations related to the discontinuance of our European REL Working Capital group in 2018.

**Liquidity and Capital Resources**

As of December 31, 2021 and January 1, 2021, we had $45.8 million and $49.5 million, respectively, of cash and no outstanding debt under our credit facility. We currently believe that available funds (including the cash on hand and funds available for borrowing under our credit facility), and cash flows generated by operations will be enough to fund our cash requirements, including working capital, debt payments, lease obligations and capital expenditure for at least the next twelve months and beyond. We may decide to raise additional funds to support expansion, to develop new or enhance products and services, to respond to competitive pressures to return capital to shareholders or to acquire complementary businesses or technologies. There is no assurance, however, that additional financing will be available when needed or desired.

The following table summarizes our cash flow activity (in thousands):

| | Year Ended | |
|---|---|---|
| | December 31, 2021 | January 1, 2021 |
| Cash flows provided by operating activities | $ 46,353 | $ 44,061 |
| Cash flows used in investing activities | $ (3,242) | $ (1,893) |
| Cash flows used in financing activities | $ (46,739) | $ (18,715) |

*Cash Flows from Operating Activities*

Net cash provided by operating activities was $46.4 million in 2021, as compared to $44.1 million in 2020. In 2021, the net cash provided by operating activities was primarily due to net income adjusted for non-cash items, and an increase in contract liabilities and incentive compensation, partially offset by increased accounts receivable and contract assets. In 2020, the net cash provided by operating activities was primarily due to net income adjusted for non-cash items, and decreased account receivables and contract assets, partially offset by lower accrued expenses and other liabilities.

*Cash Flows from Investing Activities*

Net cash used in investing activities was $3.2 million in 2021, as compared to $1.9 million in 2020. During 2021 and 2020, cash flows from investing activities included investments related to the continued development of our Quantum Leap benchmark technologies.

*Cash Flows from Financing Activities*

Net cash used in financing activities was $46.7 million in 2021, as compared to $18.7 million in 2020. The usage of cash in 2021 was primarily related to the repurchase of Company common stock under our share repurchase program of $13.0 million, employee net vesting related tax withholding requirements of $21.6 million, including the exercise of 2.9 million SARs, and dividend payments of $12.9 million. The usage of cash in 2020 was primarily related to dividend payments of $14.9 million, the repurchase of Company common stock under our share repurchase program of $2.4 million and employee net vesting related tax withholding requirements of $2.1 million.

## Material Cash Requirements

*Debt Payments and Lease Obligations*

As of December 31, 2021, we did not have any outstanding borrowings under our revolving line of credit, leaving us with borrowing capacity of approximately $45.0 million. See Note 8, "Credit Facility," to our consolidated financial statements included in this Annual Report on Form 10-K for more information.

There were no material capital commitments as of December 31, 2021. The following table summarizes our future principal payments under our future lease commitments under our non-cancelable operating leases as of December 31, 2021 (in thousands):

| Contractual Obligations | Total | Less Than 1 Year | More Than 1 Year |
|---|---|---|---|
| Operating lease obligations | $ 3,871 | $ 2,299 | $ 1,572 |

*Capital Expenditures*

There were no material commitments for capital expenditures as of December 31, 2021. Our capital expenditures primarily consist of investments related to the continued development of our Quantum Leap benchmark technologies and laptop purchases. During the years ended December 31, 2021, and January 1, 2021, our capital expenditures were $3.2 million and $1.9 million, respectively. We expect capital expenditures for the year ended December 30, 2022, to approximate the capital expenditures in 2021.

*Taxes*

Cash paid for income taxes was $9.1 million and $4.7 million for the years ended December 31, 2021, and January 1, 2021, respectively. As a result of a tax deduction related to the exercise of 2.9 million SARs in 2021, we recorded an income tax receivable as of December 31, 2021, of $3.4 million, as compared to an income tax liability as of January 1, 2021 of $2.3 million. See Note 9, "Income Taxes" to our consolidated financial statements included in this Annual Report on Form 10-K for further information.

*Dividends and Share Repurchases*

During the fiscal year 2021, our Board of Directors approved four quarterly dividends payments of $0.10 per share totaling $12.9 million. Subsequent to year end, the Board of Directors approved a 10% increase in the quarterly dividend payments from $0.10 per share to $0.11 per share. We expect dividend payments in 2022 to be approximately $14.0 million.

We have an ongoing authorization from our Board of Directors to repurchase shares of our common stock. During 2021, we repurchased 749 thousand shares of common stock at an average price per share of $17.41, for a total cost of $13.0 million. As of December 31, 2021, we had $11.2 million share repurchase authorization remaining. Subsequent to fiscal year end, we repurchased 31 thousand shares of the Company's common stock from members of our Board of Directors for a total of $0.6 million, or $20.50 per share. Including these repurchases, we had approximately $10.6 million available for future repurchases under the plan as of March 4, 2022.

Shares purchased under the repurchase plan do not include shares withheld to satisfy withholding tax obligations. These withheld shares are never issued and in lieu of issuing the shares, taxes were paid on our employee's behalf. In 2021, 1.1 million shares were withheld and not issued for a cost of $21.6 million, bringing the total cumulative cash used to repurchase stock in 2021 to $34.6 million, which includes the net settlement of the 2.9 million SARs for a cost of $19.7 million. In 2020, 139 thousand shares were withheld and not issued for a cost of $2.1 million, bringing the total cumulative cash used to repurchase stock in 2020 to $4.5 million.

## Recently Issued Accounting Standards

For discussion of recently issued accounting standards, see Note 1 to our consolidated financial statements included in this Annual Report on Form 10-K.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 31, 2021, our exposure to market risk related primarily to changes in interest rates and foreign currency exchange rate risks.

### Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to the credit facility, which is subject to variable interest rates. The interest rates per annum applicable to loans under the credit facility will be, at our option, equal to either a base rate or a LIBOR rate for one-, two-, three- or nine-month interest periods chosen by us in each case, plus an applicable margin percentage. A 100-basis point increase in our interest rate under our credit facility would not have had a material impact on our 2021 results of operations.

### Exchange Rate Sensitivity

We face exposure to adverse movements in foreign currency exchange rates, as a portion of our revenue, expenses, assets and liabilities are denominated in currencies other than the U.S. Dollar, primarily the British Pound, the Euro, the Canadian Dollar and the Australian Dollar. We recognized income related to foreign currency exchange of $0.1 million, $49 thousand, and $0.1 million in 2021, 2020 and 2019, respectively. These exposures may change over time as business practices evolve. Currently, we do not hold any derivative contracts that hedge our foreign currency risk, but we may adopt such strategies in the future.

For a discussion of the risks we face as a result of foreign currency fluctuations, see “Item 1A. Risk Factors” in Part I of this report.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### THE HACKETT GROUP, INC.
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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of The Hackett Group, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of The Hackett Group, Inc. and its subsidiaries (the Company) as of December 31, 2021, and January 1, 2021, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes to the consolidated financial statements and schedule (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and January 1, 2021, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 4, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (i) relates to accounts or disclosures that are material to the financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Revenue Recognition for Fixed-fee Billing Arrangements**

As described in Note 1 to the financial statements, the Company generates substantially all of its revenue from providing professional services to its clients. In fixed-fee billing arrangements, the Company agrees to a pre-established fee or fee cap in exchange for a predetermined set of professional services. The Company sets the fees based on its estimates of the costs and timing for completing the engagements. The Company generally recognizes revenue under these arrangements using an input method approach, which is a subjective process based on work completed to-date as compared to estimates of the total services to be provided under the engagement. Estimates of total engagement revenue and cost of services are monitored regularly during the term of the engagement.

We identified the measurement of progress for the purpose of revenue recognition under fixed-fee billing arrangements as a critical audit matter. Auditing management's assumptions to estimate total engagement revenue and cost of services for the contract performance obligations used to recognize revenue for fixed-fee billing arrangements, involved a high degree of subjectivity and increased audit effort.

Our audit procedures related to the Company’s revenue recognition for fixed-fee billing arrangements included the following, among others:

- We obtained an understanding of the relevant controls related to fixed-fee billing arrangements and tested such controls for design and operating effectiveness, including controls over management’s estimation of the amount of revenue to recognize for customer contracts where revenue is recognized over time as work progresses.
- We evaluated management’s ability to estimate progress towards completion by performing a historical review of completed contracts to determine the accuracy and precision of the Company’s estimation process. During this analysis we evaluated completed contracts in order to determine if previous estimates to complete were consistent with actual hours incurred to complete the contract.
- We tested a sample of fixed-fee billing arrangements as follows:
  - Evaluated whether the contracts were properly included in management’s calculation of estimated contract revenue based on the terms and conditions of each contract, including whether continuous transfer of control to the customer occurred as progress was made toward completion of the performance obligations.
  - Compared the transaction prices to the consideration expected to be received based on current rights and obligations under the contracts and any modifications or change orders that were agreed upon with the customers.
  - Assessed the terms in the customer agreement and evaluated the appropriateness of management’s identification of performance obligations based on the underlying goods and services included in the contract.
  - Tested the completeness and accuracy of management’s calculation of progress toward completion to date for the performance obligations by comparing actual costs incurred to date to source documents and recalculating revenue recognized based on actual costs incurred to date as a percentage of total estimated costs.
  - Evaluated management’s estimates of costs to complete the performance obligations by comparing the inputs to source documents.

/s/ RSM US LLP

We have served as the Company's auditor since 2015.

Miami, Florida
March 4, 2022

**THE HACKETT GROUP, INC.**
**CONSOLIDATED BALANCE SHEETS**
*(in thousands, except share data)*

| | December 31, 2021 | January 1, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $ 45,794 | $ 49,455 |
| Accounts receivable and contract assets, net of allowance of $2,702 and $605 at December 31, 2021 and January 1, 2021, respectively | 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 | $ 207,541 | $ 192,545 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 7,677 | $ 6,098 |
| Accrued expenses and other liabilities | 30,297 | 25,084 |
| Contract liabilities | 14,616 | 8,765 |
| Operating lease liabilities | 2,299 | 2,620 |
| Total current liabilities | 54,889 | 42,567 |
| Deferred tax liability, net | 7,325 | 5,588 |
| Operating lease liabilities | 1,474 | 3,503 |
| Total liabilities | 63,688 | 51,658 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock, $.001 par value, 1,250,000 shares authorized, none issued and outstanding | — | — |
| Common stock, $.001 par value, 125,000,000 shares authorized; 59,631,003 and 57,600,158 shares issued at December 31, 2021 and January 1, 2021, respectively | 60 | 58 |
| Additional paid-in capital | 300,288 | 312,039 |
| Treasury stock, at cost, 28,357,145 and 27,609,752 shares at December 31, 2021 and January 1, 2021, respectively | (157,294) | (144,254) |
| Retained earnings (accumulated deficit) | 11,272 | (17,388) |
| Accumulated other comprehensive loss | (10,473) | (9,568) |
| Total shareholders' equity | 143,853 | 140,887 |
| Total liabilities and shareholders' equity | $ 207,541 | $ 192,545 |

The accompanying notes are an integral part of the consolidated financial statements.

**THE HACKETT GROUP, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
*(in thousands, except per share data)*

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | January 1, 2021 | December 27, 2019 |
| Revenue: | | | |
| Revenue before reimbursements | $ 277,583 | $ 234,810 | $ 260,837 |
| Reimbursements | 1,226 | 4,672 | 21,635 |
| Total revenue | 278,809 | 239,482 | 282,472 |
| Costs and expenses: | | | |
| Cost of service: | | | |
| Personnel costs before reimbursable expenses (includes $6,766, $7,319 and $4,785 of stock compensation expense in 2021, 2020 and 2019, respectively) | 171,920 | 161,696 | 164,044 |
| Reimbursable expenses | 1,226 | 4,672 | 21,635 |
| Total cost of service | 173,146 | 166,368 | 185,679 |
| Selling, general and administrative costs (includes $3,356, $2,421 and $2,931 of stock compensation expense in 2021, 2020 and 2019, respectively) | 59,187 | 53,984 | 62,074 |
| Restructuring charges and asset impairments | — | 10,488 | 4,514 |
| Acquisition-related contingent consideration liability | — | — | (1,133) |
| Total costs and operating expenses | 232,333 | 230,840 | 251,134 |
| Operating income | 46,476 | 8,642 | 31,338 |
| Other expense: | | | |
| Interest expense | (95) | (126) | (311) |
| Income from continuing operations before income taxes | 46,381 | 8,516 | 31,027 |
| Income tax expense | 4,829 | 2,871 | 7,744 |
| Income from continuing operations | 41,552 | 5,645 | 23,283 |
| Loss from discontinued operations (net of taxes) | (7) | (172) | (6) |
| Net income | $ 41,545 | $ 5,473 | $ 23,277 |
| Basic net income per common share: | | | |
| Income per common share from continuing operations | $ 1.38 | $ 0.19 | $ 0.78 |
| Loss per common share from discontinued operations | (0.00) | $ (0.01) | $ (0.00) |
| Basic net income per common share | $ 1.38 | $ 0.18 | $ 0.78 |
| Diluted net income per common share: | | | |
| Income per common share from continuing operations | $ 1.26 | $ 0.17 | $ 0.72 |
| Loss per common share from discontinued operations | (0.00) | $ (0.00) | $ (0.00) |
| Diluted net income per common share | $ 1.26 | $ 0.17 | $ 0.72 |
| Weighted average common shares outstanding | 30,021 | 29,988 | 29,805 |
| Weighted average common and common equivalent shares outstanding | 32,883 | 32,405 | 32,453 |

The accompanying notes are an integral part of the consolidated financial statements.

**THE HACKETT GROUP, INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
*(in thousands)*

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | January 1, 2021 | December 27, 2019 |
| Net income | $ 41,545 | $ 5,473 | $ 23,277 |
| Foreign currency translation adjustment, net of income taxes | (905 ) | 982 | 844 |
| Total comprehensive income | $ 40,640 | $ 6,455 | $ 24,121 |

The accompanying notes are an integral part of the consolidated financial statements.

# THE HACKETT GROUP, INC.
# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
*(in thousands)*

| | Common Stock | | Additional Paid in | Treasury Stock | | Retained Earnings | Accumulated Other Comprehensive | Total Shareholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Shares | Amount | (Deficit) | Loss | Equity |
| Balance at December 28, 2018 | 56,608 | $ 57 | $ 296,955 | (27,086) | $ (136,604) | $ (25,424) | $ (11,394) | $ 123,590 |
| Issuance of common stock, net | 573 | 1 | (1,717) | — | — | — | — | (1,716) |
| Treasury stock purchased | — | — | — | (339) | (5,283) | — | — | (5,283) |
| Amortization of restricted stock units and common stock subject to vesting requirements | — | — | 8,469 | — | — | — | — | 8,469 |
| Dividends declared | — | — | — | — | — | (11,567) | — | (11,567) |
| Net income | — | — | — | — | — | 23,277 | — | 23,277 |
| Foreign currency translation | — | — | — | — | — | — | 844 | 844 |
| Balance at December 27, 2019 | 57,181 | $ 58 | $ 303,707 | (27,425) | $ (141,887) | $ (13,714) | $ (10,550) | $ 137,614 |
| Issuance of common stock, net | 415 | — | (1,451) | — | — | — | — | (1,451) |
| Treasury stock purchased | — | — | — | (184) | (2,367) | — | — | (2,367) |
| Amortization of restricted stock units and common stock subject to vesting requirements | — | — | 9,783 | — | — | — | — | 9,783 |
| Dividends declared | — | — | — | — | — | (9,147) | — | (9,147) |
| Net income | — | — | — | — | — | 5,473 | — | 5,473 |
| Foreign currency translation | — | — | — | — | — | — | 982 | 982 |
| Balance at January 1, 2021 | 57,596 | $ 58 | $ 312,039 | (27,609) | $ (144,254) | $ (17,388) | $ (9,568) | $ 140,887 |
| Issuance of common stock, net | 2,035 | 2 | (20,812) | — | — | — | — | (20,810) |
| Treasury stock purchased | — | — | — | (749) | (13,040) | — | — | (13,040) |
| Amortization of restricted stock units and common stock subject to vesting requirements | — | — | 9,061 | — | — | — | — | 9,061 |
| Dividends declared | — | — | — | — | — | (12,885) | — | (12,885) |
| Net income | — | — | — | — | — | 41,545 | — | 41,545 |
| Foreign currency translation | — | — | — | — | — | — | (905) | (905) |
| Balance at December 31, 2021 | 59,631 | $ 60 | $ 300,288 | (28,358) | $ (157,294) | $ 11,272 | $ (10,473) | $ 143,853 |

The accompanying notes are an integral part of the consolidated financial statements.

# THE HACKETT GROUP, INC.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
*(in thousands)*

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | January 1, 2021 | December 27, 2019 |
| Cash flows from operating activities: | | | |
| Net income | $ 41,545 | $ 5,473 | $ 23,277 |
| Plus loss from discontinued operations, net of taxes | (7) | (172) | (6) |
| Net income from continuing operations | 41,552 | 5,645 | 23,283 |
| Adjustments to reconcile net income from continuing operations to net cash provided by operating activities from continuing operations: | | | |
| Depreciation expense | 3,361 | 3,502 | 3,206 |
| Amortization expense | 1,016 | 977 | 1,036 |
| Impairment of assets | — | 3,885 | 1,180 |
| Amortization of debt issuance costs | 45 | 69 | 91 |
| Provision for doubtful accounts | 374 | 342 | 1,111 |
| Gain on foreign currency transactions | (130) | (49) | (90) |
| Non-cash stock compensation expense | 10,122 | 9,740 | 7,716 |
| Deferred income tax (benefit) expense | 1,469 | (1,438) | 999 |
| Changes in assets and liabilities, net of acquisition: | | | |
| (Increase) decrease in accounts receivable and contract assets | (18,241) | 16,876 | 4,262 |
| (Increase) decrease in prepaid expenses and other assets | (2,153) | 261 | 1,450 |
| Increase (decrease) in accounts payable | 1,580 | (2,397) | 1,065 |
| Increase (decrease) in accrued expenses and other liabilities | 7,365 | 6,820 | (2,944) |
| Net cash provided by operating activities of continuing operations | 46,360 | 44,233 | 42,365 |
| Net cash used in operating activities of discontinued operations | (7) | (172) | (4) |
| Net cash provided by operating activities | 46,353 | 44,061 | 42,361 |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | (3,242) | (1,893) | (4,568) |
| Cash consideration paid for acquisitions | — | — | (1,010) |
| Net cash used in investing activities | (3,242) | (1,893) | (5,578) |
| Cash flows from financing activities: | | | |
| Proceeds from borrowings | — | — | 1,000 |
| Payment of debt borrowings | — | — | (7,500) |
| Debt issuance costs | (4) | (21) | — |
| Dividends paid | (12,885) | (14,937) | (11,196) |
| Proceeds from issuance of common stock | 755 | 751 | 806 |
| Repurchases of common stock | (34,605) | (4,508) | (7,807) |
| Net cash used in financing activities | (46,739) | (18,715) | (24,697) |
| Effect of exchange rate on cash | (33) | 48 | 60 |
| Net (decrease) increase in cash | (3,661) | 23,501 | 12,146 |
| Cash at beginning of year | 49,455 | 25,954 | 13,808 |
| Cash at end of year | $ 45,794 | $ 49,455 | $ 25,954 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for income taxes | $ 9,103 | $ 4,651 | $ 5,805 |
| Cash paid for interest | $ 57 | $ 57 | $ 231 |
| Supplemental disclosure of non-cash investing and financing activities: | | | |
| Shares issued to sellers and key personnel of Jibe Consulting and Aecus Limited | $ - | $ - | $ 973 |
| Dividend declared during the year and paid the following year | $ - | $ - | $ 5,791 |

The accompanying notes are an integral part of the consolidated financial statements.

## 1. Basis of Presentation and General Information

*Nature of Business*

The Hackett Group is an intellectual property-based strategic consultancy and leading enterprise benchmarking and best practices implementation firm to global companies. Services include business transformation, enterprise performance management, and global business services. The Hackett Group also provides dedicated expertise in business strategy, operations, finance, human capital management, strategic sourcing, procurement, and information technology, including its award-winning Oracle EPM and SAP practices.

*Basis of Presentation and Consolidation*

The accompanying consolidated financial statements include the Company's accounts and those of its wholly owned subsidiaries which the Company is required to consolidate. The Company consolidates the assets, liabilities, and results of operations of its entities. Intercompany transactions and balances are eliminated upon consolidation.

*Fiscal Year*

The Company's fiscal year generally consists of a 52-week period and periodically consists of a 53-week period as each fiscal year ends on the Friday closest to December 31. Fiscal years 2021, 2020, and 2019 ended on December 31, 2021, January 1, 2021, and December 27, 2019, respectively. References to a year included in the consolidated financial statements refer to a fiscal year rather than a calendar year.

*Cash*

The Company considers depository accounts and all short-term investments with maturities of three months or less to be cash equivalents to the extent that it places its temporary cash investments with high credit quality financial institutions. At times, such balances may be in excess of the F.D.I.C. insurance limits.

*Allowance for Doubtful Accounts*

The Company maintains allowances for doubtful accounts for estimated losses resulting from its clients not making required payments. Management makes estimates of the collectability of accounts receivable and critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of the Company's clients were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

*Dividends*

In December 2012, the Company's Board of Directors approved the initiation of an annual cash dividend in the amount of $0.10 per share. The Company's Board of Directors has been gradually increasing the dividend over the years. In 2019, 2020 and 2021, the Company's Board of Directors approved an increase in the annual dividend to $0.36 per share, $0.38 per share, and to $0.40 per share, respectively. During 2021, the Company funded four quarterly dividend payments. Subsequent to 2021, the Company's Board of Directors approved the increase in the annual dividend from $0.40 to $0.44 per share to be paid on a quarterly basis and declared the first quarterly dividend of 2022. The dividend policy is reviewed periodically by the Board of Directors. The amount and timing of all dividend payments is subject to the discretion of the Board of Directors and will depend upon business conditions, contractual obligations, legal restrictions, results of operations, financial conditions and other factors.

*Property and Equipment, Net*

Property and equipment are recorded at cost. Depreciation is calculated to amortize the depreciable assets over their estimated useful lives using the straight-line method and commences when the asset is placed in service. The range of estimated useful lives is three to ten years. Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized. The carrying amount of assets sold or retired and related accumulated depreciation are removed from the balance sheet in the year of disposal and any resulting gains or losses are included in the consolidated statements of operations.

**1. Basis of Presentation and General Information (continued)**

The Company capitalizes the costs of internal-use software, which generally includes hardware, software, and payroll-related costs for employees who are directly associated with, and who devote time, to the development of internal-use computer software.

*Long-Lived Assets (excluding Goodwill and Indefinite Lived Intangible Assets)*

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if there has been an impairment. The amount of an impairment is calculated as the difference between the fair value of the asset and the carrying value. Estimates of future undiscounted cash flows are based on management's view of growth rates for the related business, anticipated future economic conditions and estimates of residual values.

*Business Combinations*

For transactions that are considered business combinations, the purchased assets and assumed liabilities are recorded at fair value at acquisition date, and identifiable intangible assets are recorded at fair value. Costs directly related to the business combinations are recorded as expenses as they are incurred. Fair values are subject to refinement during the measurement period of up to one year after the closing date of an acquisition as information relative to closing date fair values become available.

*Goodwill and Other Intangible Assets*

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but rather are tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate potential impairment. Finite-lived intangible assets are amortized over their useful lives. The excess cost of the acquisition over the fair value of the net assets acquired is recorded as goodwill.

Goodwill is tested at least annually for impairment at the reporting unit level utilizing the market approach. The reporting units consist of The Hackett Group (including global Benchmarking, Business Transformation, Strategy and Operations, Executive Advisory Programs and Robotics Process Automation) and Hackett Technology Solutions (including SAP ERP and SAP AMS, Oracle EPM and EPM AMS). In assessing the recoverability of goodwill and intangible assets, the Company utilizes the market approach and makes estimates based on assumptions regarding various factors to determine if impairment tests are met. The market approach utilizes valuation multiples based on operating data from publicly traded companies within the same industry. Multiples derived from guideline companies provide an indication of how much a market participant would be willing to pay for a company. These multiples are then applied to the Company's reporting units to arrive at an indication of value. This approach contains management's judgment, using appropriate and customary assumptions available at the time.

The Company performed its annual step one impairment test of goodwill in the fourth quarter of fiscal years 2021 and 2020 and determined that goodwill was not impaired. The carrying amount and activity of goodwill attributable to The Hackett Group and Hackett Technology Solutions was as follows (in thousands):

| | The Hackett Group | Hackett Technology Solutions | Total |
|---|---|---|---|
| Balance at December 27, 2019 | $ 43,906 | $ 40,672 | $ 84,578 |
| Foreign currency translation adjustment | 719 | — | 719 |
| Balance at January 1, 2021 | 44,625 | 40,672 | 85,297 |
| Foreign currency translation adjustment | (227) | — | (227) |
| Balance at December 31, 2021 | $ 44,398 | $ 40,672 | $ 85,070 |

Finite lived intangible assets are tested for potential impairment whenever events or changes in circumstances suggest that the carrying value of an asset may not be fully recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if there has been an impairment. The amount of an impairment is calculated as the difference between the fair value of the asset and the carrying value. Estimates of future undiscounted cash flows are based on management's view of growth rates for the related business, anticipated future economic conditions and estimates of residual values. Other intangible assets arise from business combinations and consist of customer relationships, customer backlog and trademarks that are amortized on a straight-line or accelerated basis over periods of up to five years.

**1. Basis of Presentation and General Information (continued)**

Other intangible assets, included in other assets in the accompanying consolidated balance sheets, consist of the following (in thousands):

| | December 31, 2021 | January 1, 2021 |
|---|---|---|
| Gross carrying amount | $ 27,269 | $ 27,269 |
| Accumulated amortization | (27,110) | (26,092) |
| Foreign currency translation adjustment | — | (7) |
| | $ 159 | $ 1,170 |

All of the Company's intangible assets are expected to be fully amortized in 2022. For the years ended December 31, 2021, January 1, 2021 and December 27, 2019, the Company recorded $1.0 million of amortization expense in each year. The estimated future amortization expense of intangible assets as of December 31, 2021 is $0.2 million in 2022.

*Revenue Recognition*

The Company generates substantially all of its revenue from providing professional services to its clients. The Company also generates revenue from software licenses, software support and maintenance and subscriptions to its executive and best practices advisory programs. A single contract could include one or multiple performance obligations. For those contracts that have multiple performance obligations, the Company allocates the total transaction price to each performance obligation based on its relative standalone selling price. The Company determines the standalone selling price based on the respective selling price of the individual elements when sold separately.

Revenue is recognized when control of the goods and services provided are transferred to the Company's customers, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods and services using the following steps: 1) identify the contract, 2) identify the performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue as or when the Company satisfies the performance obligations.

The Company typically satisfies its performance obligations for professional services over time as the related services are provided. The performance obligations related to software support, maintenance and subscriptions to its executive and best practice advisory programs are typically satisfied evenly over the course of the service period. Other performance obligations, such as software licenses, are satisfied at a point in time.

The Company generates revenue under four types of billing arrangements: fixed-fee (including software license revenue); time-and-materials; executive and best practice advisory services; and software sales and software maintenance and support.

In fixed-fee billing arrangements, which would also include contracts with capped fees, the Company agrees to a pre-established fee or fee cap in exchange for a predetermined set of professional services. The Company sets the fees based on its estimates of the costs and timing for completing the engagements. The Company generally recognizes revenue under fixed-fee or capped fee arrangements using a proportionate performance approach, which is based on work completed to-date as compared to estimates of the total services to be provided under the engagement. Estimates of total engagement revenue and cost of services are monitored regularly during the term of the engagement. If the Company's estimates indicate a potential loss, such loss is recognized in the period in which the loss first becomes probable and reasonably estimable. The customer is invoiced based on the contractual agreement between the parties, typically bi-weekly, monthly or milestone driven, with net thirty-day terms, however client terms are subject to change.

Time-and-material billing arrangements require the client to pay based on the number of hours worked by the Company's consultants at agreed upon hourly rates. The Company recognizes revenue under time-and-material arrangements as the related services or goods are provided, using the right to invoice practical expedient which allows it to recognize revenue in the amount based on the number of hours worked and the agreed upon hourly rates. The customer is invoiced based on the contractual agreement between the parties, typically bi-weekly, monthly or milestone driven, with net thirty-day terms, however client terms are subject to change.

Advisory services contracts are typically in the form of a subscription agreement which allows the customer access to the Company's executive and best practice advisory programs. There is typically a single performance obligation and the transaction price is the contractual amount of the subscription agreement. Revenue from advisory services contracts is recognized ratably over the life of the agreements. Customers are typically invoiced at the inception of the contract, with net thirty-day terms, however client terms are subject to change.

**1. Basis of Presentation and General Information (continued)**

The resale of software and maintenance contracts are in the form of SAP America software license or maintenance agreements provided by SAP America. SAP is the principal and the Company is the agent in these transactions as the Company does not obtain title to the software and maintenance which is sold simultaneously. The transaction price is the Company's agreed-upon percentage of the software license or maintenance amount in the contract with the vendor. Revenue for the resale of software licenses is recognized upon contract execution and customer's receipt of the software. Revenue from maintenance contracts is recognized ratably over the life of the agreements. The customer is typically invoiced at contract inception, with net thirty-day terms, however client terms are subject to change.

Revenue before reimbursements excludes reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenue, and an equivalent amount of reimbursable expenses is included in cost of service.

The payment terms and conditions in the Company's customer contracts vary. The agreements entered into in connection with a project, whether time and materials-based or fixed-fee or capped-fee based, typically allow clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by the Company through the effective date of the termination. In addition, from time to time the Company enters into agreements with its clients that limit its right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit the Company from performing a defined range of services which it might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Differences between the timing of billings and the recognition of revenue are recognized as either contract assets or contract liabilities in the accompanying consolidated balance sheets. Revenue recognized for services performed but not yet billed to clients are recorded as contract assets. Revenue recognized, but for which are not yet entitled to bill because certain events, such as the completion of the measurement period, are recorded as contract assets and included within contract assets. Client prepayments are classified as contract liabilities and recognized over future periods as earned in accordance with the applicable engagement agreement. See Note 3 for the accounts receivable and contract asset balances. During the 12 months ended December 31, 2021, the Company recognized \$8.3 million of revenue as a result of changes in the contract liability balance, as compared to \$9.2 million for the twelve months ended January 1, 2021.

The following table reflects the Company's disaggregation of revenue before reimbursements from continuing operations for the twelve months ended December 31, 2021, and January 1, 2021:

| | Year Ended | | |
|---|---|---|---|
| | **December 31, 2021** | **January 1, 2021** | **December 27, 2019** |
| Consulting | $ 267,282 | $ 228,080 | $ 257,423 |
| Software license sales | 10,301 | 6,730 | 3,414 |
| Revenue before reimbursements from continuing operations | $ 277,583 | $ 234,810 | $ 260,837 |

*Capitalized Sales Commissions*

Sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized as project revenue is recognized. The Company determined the period of amortization by taking into consideration the customer contract period, which is generally less than 12 months. Commission expense is included in Selling, General and Administrative Costs in the accompanying consolidated statements of operations. As of December 31, 2021, and January 1, 2021, the Company had \$1.6 million, and \$1.5 million, respectively, of deferred commissions, of which \$1.0 million and \$1.5 million was amortized during the 12 months ended December 31, 2021 and January 1, 2021, respectively.

**1. Basis of Presentation and General Information (continued)**

*Practical Expedients*

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be less than one year.

Sales tax collected from customers and remitted to the applicable taxing authorities is accounted for on a net basis, with no impact on revenue.

Expense reimbursements that are billable to clients are included in total revenue and are substantially all billed as time-and-material billing arrangements. Therefore, the Company recognizes all reimbursable expenses as revenue as the related services are provided, using the right to invoice practical expedient. Reimbursable expenses are recognized as expenses in the period in which the expense is incurred. Any expense reimbursements that are billable to clients under fixed-fee billing arrangements are recognized in line with the proportionate performance approach.

*Stock Based Compensation*

The Company recognizes compensation expense for awards of equity instruments to employees based on the grant-date fair value of those awards, with limited exceptions, over the requisite service period.

*Restructuring Reserves*

Restructuring reserves reflect judgments and estimates of the Company's ultimate costs of severance, closure and consolidation of facilities and settlement of contractual obligations under its operating leases, including sublease rental rates, absorption period to sublease space and other related costs. The Company reassesses the reserve requirements to complete each individual plan under the restructuring programs at the end of each reporting period. If these estimates change in the future or actual results differ from the Company's estimates, additional charges may be required.

*Income Taxes*

Deferred tax assets and liabilities are determined based on differences between the financial reporting carrying values and tax bases of assets and liabilities and are measured by using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to reverse. Deferred income taxes also reflect the impact of certain state operating loss and tax credit carryforwards. A valuation allowance is provided if the Company believes it is more likely than not that all or some portion of the deferred tax asset will not be realized. An increase or decrease in the valuation allowance, if any, that results from a change in circumstances, and which causes a change in the Company's judgment about the realizability of the related deferred tax asset, is included in the tax provision.

The Company utilized a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. The Company reports penalties and tax-related interest expense as a component of income tax expense.

*Discontinued Operations*

The Company made the strategic decision to exit Company's European REL Working Capital business at the end of fiscal year 2018. The sales of this business had been declining over several years prior to this decision as European countries experienced continued economic recoveries and improved cash balances. Companies were holding high cash reserves which drove working capital project sales of this group down across all of Europe.

**1. Basis of Presentation and General Information (continued)**

As of December 31, 2021, and January 1, 2021, the Company did not have any carrying amounts of the major classes of assets and liabilities presented in discontinued operations in its consolidated balance sheet.

The following table presents the gain and loss results for the Company's discontinued operations (in thousands):

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | January 1, 2021 | December 27, 2019 |
| Revenue: | | | |
| Revenue before reimbursements | $ - | $ - | $ 75 |
| Reimbursements | — | — | 17 |
| Total revenue | — | — | 92 |
| Costs and expenses: | | | |
| Cost of service: | | | |
| Personnel costs before reimbursable expenses | 7 | 8 | 28 |
| Reimbursable expenses | — | — | 17 |
| Total cost of service | 7 | 8 | 45 |
| Selling, general and administrative costs | — | 165 | 52 |
| Total costs and operating expenses | 7 | 173 | 97 |
| Loss from discontinued operations before income taxes | (7) | (173) | (5) |
| Income tax (benefit) expense | — | (1) | 1 |
| Loss from discontinued operations | $ (7) | $ (172) | $ (6) |

*Net Income per Common Share*

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. With regards to common stock subject to vesting requirements and restricted stock units issued to employees, the calculation includes only the vested portion of such stock.

The potential issuance of common shares upon the exercise, conversion or vesting of unvested restricted stock units, common stock subject to vesting, stock options and stock appreciation right units ("SARs"), as calculated under the treasury stock method, may be dilutive. Diluted net income per share is computed by dividing the net income by the weighted average number of common shares outstanding and will increase by the assumed conversion of other potentially dilutive securities during the period.

The following table reconciles basic and diluted weighted average shares:

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | January 1, 2021 | December 27, 2019 |
| Basic weighted average common shares outstanding | 30,021,097 | 29,988,244 | 29,804,721 |
| Effect of dilutive securities: | | | |
| Unvested restricted stock units and common stock subject to vesting requirements issued to employees | 529,535 | 212,496 | 307,422 |
| Common stock issuable upon the exercise of stock options and SARs | 2,331,976 | 2,203,796 | 2,340,450 |
| Dilutive weighted average common shares outstanding | 32,882,608 | 32,404,536 | 32,452,593 |

*Fair Value of Financial Instruments*

The Company's financial instruments consist of cash, accounts receivable and contract assets, accounts payable and accrued expenses and other liabilities. As of December 31, 2021 and January 1, 2021, the carrying amount of each financial instrument, with the exception of debt, approximated the instrument's fair value due to the short-term nature and maturity of these instruments.

The Company uses significant other observable market data or assumptions (Level 2 inputs as defined in accounting guidance) that it believes market participants would use in pricing debt. The fair value of the debt approximated its carrying amount using Level 2 inputs, due to the short-term variable interest rates based on market rates utilizing the market approach.

**1. Basis of Presentation and General Information (continued)**

*Concentration of Credit Risk*

The Company provides services primarily to Global 2000 companies and other sophisticated buyers of business consulting and information technology services. The Company performs ongoing credit evaluations of its major customers and maintains reserves for potential credit losses. In 2021, 2020, and 2019 no customer accounted for more than 5% of total revenue.

*Management's Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Other Comprehensive Income*

The Company reports its comprehensive income in accordance with FASB ASC Topic 220, *Comprehensive Income,* which establishes standards for reporting and presenting comprehensive income and its components in a full set of financial statements. Other comprehensive income consists of net income and currency translation adjustments.

*Segment Reporting*

The Company engages in business activities in one operating segment, which provides business and technology consulting services.

*Recent Accounting Pronouncements*

In December 2019, the FASB issued ASU 2019-12 providing guidance to reduce complexity in certain areas of accounting for income taxes. The new guidance is effective fiscal years beginning after December 15, 2020. The adoption did not have a material impact on the Company's consolidated financial statements.

*Reclassifications*

Certain prior period amounts in the consolidated financial statements, and notes thereto, have been reclassified to conform to current year presentation with no effect on net income or shareholder's equity.

**2. Fair Value Measurement**

The Company records its assets and liabilities in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes the following three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

## 3. Accounts Receivable and Contract Assets, Net

Accounts receivable and contract assets, net, consists of the following (in thousands):

| | December 31, 2021 | January 1, 2021 |
|---|---|---|
| Accounts receivable | $ 30,732 | $ 23,898 |
| Contract assets (unbilled revenue) | 22,586 | 9,485 |
| Allowance for doubtful accounts | (2,702) | (605) |
| | $ 50,616 | $ 32,778 |

Accounts receivable as of December 31, 2021, and January 1, 2021, is net of uncollected advanced billings. Contract assets as of December 31, 2021, and January 1, 2021 includes recognized recoverable costs and accrued profits on contracts for which billings had not been presented to clients.

## 4. Property and Equipment, net

| | December 31, 2021 | January 1, 2021 |
|---|---|---|
| Equipment | $ 9,867 | $ 9,234 |
| Software | 36,187 | 33,591 |
| Leasehold improvements | 997 | 997 |
| Furniture and fixtures | 556 | 556 |
| | 47,607 | 44,378 |
| Less accumulated depreciation | (29,581) | (26,220) |
| | $ 18,026 | $ 18,158 |

Depreciation expense for the years ended December 31, 2021, January 1, 2021, and December 27, 2019, was $3.4 million, $3.5 million, and $3.2 million, respectively, and is included in selling, general and administrative costs in the accompanying consolidated statements of operations.

## 5. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

| | December 31, 2021 | January 1, 2021 |
|---|---|---|
| Accrued compensation and benefits | $ 7,730 | $ 6,696 |
| Deferred employer's payroll taxes | 1,780 | 3,560 |
| Accrued bonuses | 13,753 | 4,767 |
| Restructuring liability | 740 | 2,292 |
| Accrued sales, use, franchise and VAT tax | 1,783 | 2,550 |
| Non-cash stock compensation accrual | 1,357 | 295 |
| Income tax payable | — | 2,308 |
| Other accrued expenses | 3,154 | 2,616 |
| Total accrued expenses and other liabilities | $ 30,297 | $ 25,084 |

As a result of the tax deduction related to the exercise of the 2.9 million SARs in 2021, the Company has recorded an income tax receivable of $3.4 million to prepaid expenses and other current assets on the consolidated balance sheet.

### 6. Restructuring Charges and Asset Impairments

During 2020, the Company recorded restructuring charges of $10.5 million, of which $5.7 million was primarily related to the reduction of staff in the U.S. and Europe due to the impact of the COVID-19 pandemic and $4.8 million of which primarily related to real estate leases. In consideration of the COVID-19 pandemic and the changing nature of the Company's use of office space for its workforce, the Company evaluated its existing office space utilization and made a determination to completely or partially abandon certain leased office spaces. As a result, the Company recorded restructuring charges of $4.8 million, primarily relating to the impairment of certain lease right-of-use assets, property, equipment and leasehold improvements and other real estate related costs. See Note 7 for further discussion.

During 2019, the Company recorded restructuring charges of $3.3 million, which was primarily related to the reduction of staff in Europe and Australia. In addition, as a result of the decline in the Europe market and management's efforts to focus on resources within the markets that provide the Company with the strongest growth opportunity, in 2019 the Company made the determination that the remaining investment in its Hackett Institute Enterprise Analytics Program was impaired and recorded an asset impairment of $1.2 million. See Note 7 for further discussion.

The Company did not record any restructuring charges or asset impairments in 2021.

The following table summarizes the costs incurred in connection with the 2020 and 2019 restructuring charges and asset impairments (in thousands):

| | Twelve Months Ended | |
|---|---|---|
| | January 1, 2021 | December 27, 2019 |
| Employee related costs | $ 5,710 | $ 2,912 |
| Lease right-of-use asset impairment charges | 3,545 | - |
| Property, equipment and lease improvement impairment charges | 340 | 1,180 |
| Other lease related restructuring costs | 893 | 422 |
| Total | $ 10,488 | $ 4,514 |

The following table summarizes the Company's restructuring activities recorded in accrued expenses and other liabilities (in thousands):

| | Employee Related Costs | Exit, Closure and Consolidation of Facilities | Total |
|---|---|---|---|
| Accrual balance at December 27, 2019 | $ 1,247 | $ 337 | $ 1,584 |
| Restructuring charge | 5,710 | 893 | 6,603 |
| Cash paid | (5,874) | (21) | (5,895) |
| Accrual balance at January 1, 2021 | $ 1,083 | $ 1,209 | $ 2,292 |
| Cash paid | (1,013) | (539) | (1,552) |
| Accrual balance at December 31, 2021 | $ 70 | $ 670 | $ 740 |

### 7. Lease Commitments

Effective December 29, 2018, the Company adopted the new lease accounting standard. The Company has operating leases for office space and, to a much lesser extent, operating leases for equipment. The Company's office leases are between terms of 1 and 4 years. Rents usually increase annually in accordance with defined rent steps or are based on current year consumer price index adjustments. Some of the lease agreements contain one or more of the following provisions or clauses: tenant allowances, rent holidays, lease premiums, and rent escalation clauses. There are typically no purchase options, residual value guarantees or restrictive covenants. When renewal options exist, the Company generally does not deem them to be reasonably certain to be exercised, and therefore the amounts are not recognized as part of our lease liability nor our right-of use-asset.

**7. Lease Commitments (continued)**

The weighted average remaining lease term is 1.0 year. The weighted average discount rate utilized is 4%. The discount rates applied to each lease, reflects the Company's estimated incremental borrowing rate. This includes an assessment of the Company's credit rating to determine the rate that the Company would have to pay to borrow, on a collateralized basis for a similar term, an amount equal to the Company's lease payments in a similar economic environment. For the twelve months ended December 31, 2021, the Company paid $2.6 million from operating cash flows for operating leases.

The Company has operating lease agreements for its premises that expire on various dates through December 2024. Lease expense for the years ended December 31, 2021, January 1, 2021, and December 27, 2019, was $1.0 million, $2.5 million and $2.8 million, respectively. The components of lease expense during the fiscal years ended December 31, 2021, January 1, 2021, and December 27, 2019, all related to operating lease costs.

Future minimum lease commitments under non-cancelable operating leases as of December 31, 2021, are as follows (in thousands):

| | Rental Payments |
|---|---|
| 2022 | $ 2,299 |
| 2023 | 987 |
| 2024 | 585 |
| Thereafter | — |
| Total | $ 3,871 |

As of December 31, 2021, the Company does not have any additional operating leases that have not yet commenced that create significant rights and obligations for the Company.

**8. Credit Facility**

The Company entered into a credit agreement with Bank of America, N.A. ("Bank of America"), pursuant to which Bank of America agreed to lend the Company up to $45.0 million pursuant to a revolving line of credit (the "Revolver") with a maturity date of May 9, 2021 (the "Credit Agreement").

On April 3, 2020, the Company amended the Credit Agreement with Bank of America to extend the maturity date to November 30, 2022. The amendment also increased the interest payable on outstanding loans in respect to the Revolver by an additional per annum rate of 0.50% and provided for a LIBOR floor of 75 basis points. The borrowing capacity remained at $45.0 million.

The obligations of Hackett under the Credit Facility are guaranteed by active existing and future material U.S. subsidiaries of Hackett (the "U.S. Subsidiaries") and are secured by substantially all of the existing and future property and assets of Hackett and the U.S. Subsidiaries, a 100% pledge of the capital stock of the U.S. Subsidiaries, and a 66% pledge of the capital stock of Hackett's direct foreign subsidiaries (subject to certain exceptions).

The interest rates per annum applicable to loans under the Credit Facility will be, at the Company's option, equal to either a base rate or a LIBOR base rate, plus an applicable margin percentage. The applicable margin percentage is based on the consolidated leverage ratio, as defined in the Credit Agreement. As of December 31, 2021, the applicable margin percentage was 1.50% per annum based on the consolidated leverage ratio, in the case of LIBOR rate advances, and 0.75% per annum, in the case of base rate advances. The interest rate of the commitment fee as of December 31, 2021, was 0.125%.

The Company is subject to certain covenants, including total consolidated leverage, fixed cost coverage, adjusted fixed cost coverage and liquidity requirements, each as set forth in the Credit Agreement, subject to certain exceptions. As of December 31, 2021, the Company was in compliance with all covenants.

The Company incurred $4 thousand and $21 thousand of incremental debt issuance costs in 2021 and 2020 as a result of the credit agreement discussions and the 2020 extension. No debt issue costs were incurred in 2019. As of December 31, 2021, the Company had $47 thousand of debt issuance costs remaining which will be amortized over the remaining life of the Credit Facility. These costs are included in Prepaid expenses and other current assets in the accompanying consolidated balance sheet.

**8. Credit Facility (continued)**

As of December 31, 2021, and January 1, 2021, the Company did not have any outstanding debt balance on the Revolver. During fiscal 2019, the Company borrowed $1.0 million and paid down $7.5 million, leaving no outstanding balance as of December 27, 2019.

**9. Income Taxes**

The Company files federal income tax returns, as well as multiple state, local and foreign jurisdiction tax returns. A number of years may elapse before an uncertain tax position is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution on any particular uncertain tax position, the Company believes that its reserves for income taxes reflect the most probable outcome. The Company adjusts these reserves, as well as the related interest, in the light of changing facts and circumstances. The resolution of a matter would be recognized as an adjustment to the provision for income taxes and the effective tax rate in the period of resolution. The Company is no longer subject to examinations of its federal income tax returns by the Internal Revenue Service for years through 2017 and all significant state, local and foreign matters have been concluded for years through 2016.

The components of income before income taxes from continuing operations are as follows (in thousands):

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | January 1, 2021 | December 27, 2019 |
| Domestic | $ 41,641 | $ 10,046 | $ 33,072 |
| Foreign | 4,740 | (1,530) | (2,045) |
| Income from continuing operations before income taxes | $ 46,381 | $ 8,516 | $ 31,027 |

The components of income tax expense  from continuing operations are as follows (in thousands):

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | January 1, 2021 | December 27, 2019 |
| Current tax expense | | | |
| Federal | $ 2,043 | $ 3,125 | $ 5,451 |
| State | 663 | 810 | 1,032 |
| Foreign | 654 | 374 | 262 |
| | 3,360 | 4,309 | 6,745 |
| Deferred tax expense (benefit) | | | |
| Federal | 765 | (769) | 425 |
| State | 303 | (81) | 670 |
| Foreign | 401 | (588) | (96) |
| | 1,469 | (1,438) | 999 |
| Income tax expense from continuing operations | $ 4,829 | $ 2,871 | $ 7,744 |

**9. Income Taxes (continued)**

A reconciliation of the federal statutory tax rate with the effective tax rate from continuing operations is as follows:

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | January 1, 2021 | December 27, 2019 |
| U.S. statutory income tax expense rate | 21.0 % | 21.0 % | 21.0 % |
| State income taxes, net of federal income tax expense | 1.6 | 6.8 | 4.3 |
| Valuation reduction | 0.1 | (0.6) | 1.2 |
| Meals and entertainment | — | 0.6 | 0.5 |
| Foreign rate differential | 0.3 | 0.9 | — |
| Share based compensation | (13.2) | 2.4 | (1.3) |
| Purchase accounting | — | — | (0.8) |
| Foreign exchange loss | (0.1) | 0.2 | 0.2 |
| Other, net | 0.7 | 2.4 | (0.1) |
| Effective tax rate | 10.4 % | 33.7 % | 25.0 % |

The components of the net deferred income tax asset (liability) are as follows (in thousands):

| | Year Ended | |
|---|---|---|
| | December 31, 2021 | January 1, 2021 |
| Deferred income tax assets: | | |
| Allowance for doubtful accounts | $ 681 | $ 169 |
| Net operating loss and tax credits carryforward | 2,562 | 3,485 |
| Accrued expenses and other liabilities | 5,014 | 5,575 |
| | 8,257 | 9,229 |
| Valuation allowance | (1,602) | (1,558) |
| | 6,655 | 7,671 |
| Deferred income tax liabilities: | | |
| Depreciation | (4,015) | (3,989) |
| Tax over book amortization on goodwill and intangibles | (9,548) | (8,966) |
| Other items | (417) | (304) |
| | (13,980) | (13,259) |
| Net deferred income tax liability | $ (7,325) | $ (5,588) |

As of December 31, 2021, the Company had $0.9 million of U.S. state net operating loss carryforwards. Additionally, at December 31, 2021, the Company had $7.0 million of foreign net operating loss carryforwards primarily from operations in the United Kingdom, Germany, France and Australia. A significant amount of the foreign net operating losses may be carried forward indefinitely.

The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In determining the need for valuation allowances the Company considers evidence such as history of losses and general economic conditions. At December 31, 2021, and January 1, 2021, the Company had a valuation allowance of $1.6 million to reduce deferred income tax assets, primarily related to foreign net operating loss carryforwards, to the amounts expected to be realized.

The undistributed earnings in foreign subsidiaries as of December 31, 2021, was approximately $5.4 million. The Company has historically reinvested its foreign earnings abroad indefinitely and continues to reinvest future earnings abroad.

Penalties and tax-related interest expense are reported as a component of income tax expense. For the years ended December 31, 2021, and January 1, 2021, the total amount of accrued income tax-related interest and penalties was $179 thousand and $167 thousand, respectively.

**9. Income Taxes (continued)**

The Company prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

The following table sets forth the detail and activity of the ASC 740 liability during the years ended December 31, 2021 and January 1, 2021 (in thousands):

| | Year Ended | |
|---|---|---|
| | December 31, 2021 | January 1, 2021 |
| Beginning balance | $ 425 | $ 413 |
| Additions based on tax positions | 12 | 12 |
| Ending balance | $ 437 | $ 425 |

As of December 31, 2021, and January 1, 2021, the ASC 740-10, "Accounting for Uncertainty in Income Taxes", liability of $0.4 million for both periods was classified as a current liability and included in accrued expenses and other liabilities in the accompanying consolidated balance sheets.

The Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months. The reversal of ASC 740-10 tax liabilities as of December 31, 2021 and January 1, 2021 would have a favorable impact on the effective tax rate in future period.

**10. Stock Based Compensation**

*Stock Plans*

Total share-based compensation included in net income for the years ended December 31, 2021, January 1, 2021, and December 27, 2019, is as follows:

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | January 1, 2021 | December 27, 2019 |
| Restricted stock units | $ 9,716 | $ 8,676 | $ 6,762 |
| Common stock subject to vesting requirements | 406 | 1,064 | 954 |
| | $ 10,122 | $ 9,740 | $ 7,716 |

The number of shares available for future issuance under the Company's stock plans as of December 31, 2021, were 1,162,406. The Company issues new shares as they are required to be delivered under the plan.

*Stock Options and SARs*

The Company has granted stock options to employees and directors of the Company at exercise prices equal to the fair value of the stock at the date of grant. The options generally vest ratably over four years, based on continued employment, with a maximum term of ten years. Stock option activity under the Company's stock option plans for the year ended December 31, 2021, is summarized as follows:

| | Option Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding as of January 1, 2021 | 180,000 | $ 4.00 | | |
| Exercised | (150,000) | 4.00 | | |
| Forfeited or expired | — | — | | |
| Outstanding as of December 31, 2021 | 30,000 | $ 4.00 | 0.64 | $ 495,900 |
| Exercisable at December 31, 2021 | 30,000 | $ 4.00 | 0.64 | $ 495,900 |

**10. Stock Based Compensation (continued)**

A summary of the Company's stock option activity for the years ended January 1, 2021, and December 27, 2019, was as follows:

| | January 1, 2021 | | December 27, 2019 | |
|---|---|---|---|---|
| | Option Shares | Weighted Average Exercise Price | Option Shares | Weighted Average Exercise Price |
| Outstanding at beginning of year | 180,000 | $ 4.00 | 180,167 | $ 4.00 |
| Exercised | — | — | — | — |
| Forfeited or expired | — | — | (167) | 3.63 |
| Outstanding at end of year | 180,000 | $ 4.00 | 180,000 | $ 4.00 |
| Exercisable at end of year | 180,000 | $ 4.00 | 180,000 | $ 4.00 |

The intrinsic value of the options that were exercised in 2021 was $2.4 million.

SAR activity for the year ended December 31, 2021, was as follows:

| | Number of SARs | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term |
|---|---|---|---|
| Outstanding as of January 1, 2021 | 2,916,563 | $ 4.00 | 1.10 |
| Exercised | 2,916,563 | $ 4.00 | — |
| Expired | — | — | — |
| Outstanding as of December 31, 2021 | — | — | — |
| Exercisable at December 31, 2021 | — | — | — |

The intrinsic value of the SARs that were exercised in 2021 was $46.1 million.

The fair value of the SARs and stock options is estimated using the Black-Scholes option pricing valuation model. The determination of fair value is affected by the Company's stock price, expected stock price volatility, expected term of the award and the risk-free rate of interest.

*Restricted Stock Units*

Under the stock plans, participants may be granted restricted stock units, each of which represents a conditional right to receive a common share in the future. The restricted stock units granted under this plan generally vest over one of the following vesting schedules: (1) a four -year period, with 50% vesting on the second anniversary and 25% of the shares vesting on the third and fourth anniversaries of the grant date, (2) a four -year period, with 25% vesting on the first, second, third and fourth anniversary, (3) a three -year period with 33% vesting on the first, second and third anniversary, or (4) a one-year period with 100% vest on the first anniversary. Upon vesting, the restricted stock units will convert into an equivalent number of shares of common stock. The amount of expense relating to the restricted stock units is based on the closing market price of the Company's common stock on the date of grant and is amortized on a straight-line basis over the applicable requisite service period. Restricted stock unit activity for the year ended December 31, 2021, was as follows:

| | Number of Restricted Stock Units | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Nonvested balance as of January 1, 2021 | 1,191,504 | 16.47 |
| Granted | 516,224 | 15.16 |
| Vested | (467,042) | 16.51 |
| Forfeited | (65,520) | 15.94 |
| Nonvested balance as of December 31, 2021 | 1,175,166 | $ 15.89 |

**10. Stock Based Compensation (continued)**

The Company recorded restricted stock units-based compensation expense of $9.7 million, $8.7 million and $6.8 million in 2021, 2020, and 2019 respectively, which is included in stock compensation expense, based on the vesting provisions of the restricted stock units and the fair value of the stock on the grant date. As of December 31, 2021, there was $9.2 million of total restricted stock unit compensation expense related to the unvested awards not yet recognized, which is expected to be recognized over a weighted average period of 2.2 years. The Company accounts for certain restricted stock units under liability accounting as a result of the fixed monetary amount and a variable number of shares that will be issued.

*Common Stock Subject to Vesting Requirements*

Shares of common stock subject to vesting requirements were issued to employees of acquired companies. These shares vest over a period of up to four years. Compensation expense was based on the fair value of the Company's common stock at the time of grant and is recognized on a straight-line basis. The activity for common stock subject to vesting requirements for the year ended December 31, 2021, was as follows:

| | Number of Shares of Common Stock Subject to Vesting Requirements | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Nonvested balance as of January 1, 2021 | 67,151 | $ 18.51 |
| Vested | (57,779) | 18.86 |
| Forfeited | (6,427) | 16.26 |
| Nonvested balance as of December 31, 2021 | 2,945 | $ 16.17 |

Common stock subject to vesting requirements of $1.0 million was issued in 2019 in relation to acquisitions. These shares are subject to up to a four-year vesting period.

The Company recorded compensation expense of $0.4 million, $1.1 million and $1.0 million, during the years ended December 31, 2021, January 1, 2021, and December 27, 2019, respectively, related to common stock subject to vesting requirements.

As of December 31, 2021, there was $27 thousand of total stock-based compensation expense related to common stock granted subject to vesting requirements not yet recognized, which is expected to be recognized over a weighted average period of 1.8 years.

**11. Shareholders' Equity**

*Employee Stock Purchase Plan*

Effective July 1, 1998, the Company adopted an Employee Stock Purchase Plan to provide substantially all employees who have completed three months of service as of the beginning of an offering period an opportunity to purchase shares of its common stock through payroll deductions. Purchases on any one grant are limited to 10% of eligible compensation. Shares of the Company's common stock may be purchased by employees at six -month intervals at 95% of the fair value on the last trading day of each six-month period. The aggregate fair value, determined as of the first trading date of the offering period, of shares purchased by an employee may not exceed $25,000 annually. In 2017, the Company's Board of Directors and the Company's shareholders approved an extension of the Employee Stock Purchase Plan to July 1, 2023, from July 1, 2018 and added an additional 250,000 shares of common stock which increased the total available shares of common stock to 279,606 at that time. As of year-end 2021, a total of 32,069 shares of common stock were available for purchase under the plan. For plan years 2021, 2020 and 2019, 41,504 shares, 56,679 shares and 51,548 shares, respectively, were issued for total proceeds of $0.8 million in each year. On February 17, 2022, the Company's Board of Directors approved an extension of the Employee Stock Purchase Plan to July 1, 2028 from July 1, 2023 and added an additional 250,000 shares of common stock, subject to the Company's shareholders approval in May 2022.

*Treasury Stock*

On July 30, 2002, the Company announced that its Board of Directors approved the repurchase of up to $5.0 million of the Company's common stock. Since the inception of the repurchase plan, the Board of Directors approved the repurchase of an additional $162.2 million of the Company's common stock, thereby increasing the total program size to $167.2 million as of December 31, 2021. As of December 31, 2021, the Company had affected cumulative purchases under the plan of $155.9 million, leaving $11.2 million available for future purchases. There is no expiration of the authorization. Under the repurchase plan, the Company may buy back shares of its outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions.

**11. Shareholders' Equity (continued)**

During 2021 and 2020, the Company repurchased 749 thousand and 184 thousand shares of its common stock, respectively, at an average price per share of $17.42 and $12.84, respectively, for a total cost of $13.0 million and $2.4 million, respectively. As of December 31, 2021, and January 1, 2021, the Company had repurchased under the plan inception to date 28.3 million and 27.6 million shares of its common stock, respectively, at an average price of $5.51 per share and $5.19 per share, respectively. During 2021, the Company repurchased 24 thousand shares of its common stock from members of its Board of Directors for $0.4 million or $16.05 per share. The proceeds from the sale of these shares were used in part to cover estimated tax liabilities associated with previously vested restricted stock units.

The Company holds repurchased shares of its common stock as treasury stock and accounts for treasury stock under the cost method.

Shares purchased under the repurchase plan do not include shares withheld to satisfy withholding tax obligations. These withheld shares are never issued and in lieu of issuing the shares, taxes were paid on the employee's behalf. In 2021, 1.1 million shares were withheld and not issued for a cost of $21.6 million bringing the total cumulative cash used to repurchase stock in 2021 to $34.6 million, which includes the net exercise of the SARs and options as discussed in Note 10. In 2020, 139 thousand shares were withheld and not issued for a cost of $2.1 million, bringing the total cumulative cash used to repurchase stock in 2020 to $4.5 million. The shares withheld for taxes are included under issuance of common stock in the accompanying consolidated statements of shareholders' equity.

*Dividends*

In December 2012, the Company announced an annual dividend of $0.10 per share to be paid semi-annually. In 2019, the Company increased the annual dividend to $0.36 per share to be paid on a semi-annual basis which resulted in aggregate dividends of $11.2 million each paid to shareholders of record on July 10, 2019, and December 20, 2019, respectively. The second semi-annual dividend declared in December 2019 of $5.8 million, was paid in January 2020. In 2020, the Company increased the annual dividend to $0.38 per share to be paid on a quarterly basis which resulted in aggregate dividends of $9.1 million paid to shareholders of record on June 30, 2020, September 25, 2020, and December 18, 2020, all of which were paid in 2020. In 2021, the Company increased the annual dividend to $0.40 per share to be paid on a quarterly basis which resulted in aggregate dividends of $12.9 million paid to shareholders of record on March 26, 2021, June 25, 2021, September 24, 2021, and December 17, 2021, all of which were paid in 2021. These dividends were paid from U.S. domestic sources and are accounted for as an increase to accumulated deficit. Subsequent to December 31, 2021, the Company increased its annual dividend by 10% to $0.44 per share to be paid on a quarterly basis and declared its first quarterly dividend for 2022 of $0.11 per share for shareholders on March 25, 2022, to be paid on April 8, 2022.

**12. 401(k) Plan**

The Company maintains a 401(k) plan covering all eligible employees. Subject to certain dollar limits, eligible employees may contribute up to 15% of their pre-tax annual compensation to the plan. The Company may make discretionary contributions on an annual basis. The Company makes matching contributions of 40% of employee eligible contributions up to 6% of their gross salaries. The Company's matching contributions were $0.8 million for each of the fiscal years ended December 31, 2021, January 1, 2021 and December 27, 2019, respectively.

**13. Transactions with Related Parties**

During the year ended December 31, 2021 the Company repurchased 24 thousand shares of the Company's stock from members of its Board of Directors for a total cost of $0.4 million, or $16.05 per share. During the year ended January 1, 2021, the Company repurchased 37 thousand shares of the Company's stock from members of its Board of Directors for a total cost of $0.7 million, or $17.43 per share. Subsequent to the year ended December 31, 2021, the Company repurchased 31 thousand shares of the Company's stock from members of its Board of Directors for a total of $0.6 million, or $20.50 per share. The proceeds from the sale of these shares were used primarily to cover estimated tax liabilities associated with previously vested restricted stock units. See Note 11 for further details.

**14. Litigation**

The Company is involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such matters will not have a material adverse effect on the Company's consolidated financial position, cash flows or results of operations.

## 15. Geographic and Service Group Information

Revenue, which is primarily based on the country of the Company's contracting entity is attributed to geographic areas as follows (in thousands):

| | Year Ended | | |
|---|---|---|---|
| | December 31, 2021 | January 1, 2021 | December 27, 2019 |
| Revenue: | | | |
| North America | $ 254,107 | $ 208,329 | $ 221,823 |
| International (primarily European countries) | 23,476 | 26,481 | 39,014 |
| Revenue from continuing operations before reimbursement | $ 277,583 | $ 234,810 | $ 260,837 |

Long-lived assets are attributed to geographic areas as follows (in thousands):

| | December 31, 2021 | January 1, 2021 |
|---|---|---|
| Long-lived assets: | | |
| North America | $ 89,199 | $ 89,087 |
| International (primarily European countries) | 16,166 | 18,626 |
| Total long-lived assets | $ 105,365 | $ 107,713 |

As of December 31, 2021 and January 1, 2021 foreign assets included $15.1 million and $15.3 million, respectively, of goodwill related to acquisitions, in fiscal years 2005, 2009 and 2017.

## 16. Quarterly Financial Information (unaudited)

The following tables present unaudited supplemental quarterly financial information for the years ended December 31, 2021 and January 1, 2021 (in thousands, except per share data):

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2021 | July 2, 2021 | October 1, 2021 | December 31, 2021 |
| Revenue from continuing operations before reimbursements | $ 63,410 | $ 72,997 | $ 71,400 | $ 69,776 |
| Operating income (1) | $ 8,853 | $ 14,217 | $ 11,405 | $ 12,001 |
| Income from continuing operations before income taxes (1) | $ 8,828 | $ 14,192 | $ 11,379 | $ 11,982 |
| Loss from discontinued operations (2) | $ (7) | $ - | $ - | $ - |
| Net income (1) | $ 6,361 | $ 10,532 | $ 8,131 | $ 16,521 |
| Basic net income per common share (3): | | | | |
| Income per common share from continuing operations | $ 0.21 | $ 0.35 | $ 0.27 | $ 0.55 |
| Loss per common share from discontinued operations (2) | $ - | $ - | $ - | $ - |
| Basic net income per common share | $ 0.21 | $ 0.35 | $ 0.27 | $ 0.55 |
| | | | | |
| Diluted net income (loss) per common share (3): | | | | |
| Income per common share from continuing operations | $ 0.19 | $ 0.32 | $ 0.25 | $ 0.50 |
| Loss per common share from discontinued operations (2) | $ - | $ - | $ - | $ - |
| Diluted net income per common share | $ 0.19 | $ 0.32 | $ 0.25 | $ 0.50 |

| | Quarter Ended | | | |
|---|---|---|---|---|
| | March 27, 2020 | June 26, 2020 | September 25, 2020 | January 1, 2021 |
| Revenue from continuing operations before reimbursements | $ 65,186 | $ 52,632 | $ 57,769 | $ 59,223 |
| Operating income (loss) (1) | $ 7,708 | $ (5,078) | $ 4,527 | $ 1,485 |
| Income (loss) from continuing operations (1) | $ 5,535 | $ (3,933) | $ 3,143 | $ 900 |
| Loss from discontinued operations (2) | $ (8) | $ - | $ (157) | $ (7) |
| Net income (loss) (1) | $ 5,527 | $ (3,933) | $ 2,986 | $ 893 |
| Basic net income (loss) per common share (3): | | | | |
| Income (loss) per common share from continuing operations | $ 0.19 | $ (0.13) | $ 0.11 | $ 0.03 |
| Loss per common share from discontinued operations (2) | $ - | $ - | $ (0.01) | $ - |
| Basic net income (loss) per common share | $ 0.19 | $ (0.13) | $ 0.10 | $ 0.03 |
| | | | | |
| Diluted net income (loss) per common share (3): | | | | |
| Income (loss) per common share from continuing operations | $ 0.17 | $ (0.13) | $ 0.10 | $ 0.03 |
| Loss per common share from discontinued operations (2) | $ - | $ - | $ (0.01) | $ - |
| Diluted net income (loss) per common share | $ 0.17 | $ (0.13) | $ 0.09 | $ 0.03 |

(1) The second quarter of 2021 included a $5.3 million software resale transaction. The second quarter of 2020 included restructuring charges of $5.0 million and the fourth quarter of 2020 included asset impairments of $3.9 million and restructuring charges of $1.6 million.

(2) Discontinued operations relate to the discontinuance of the European based REL Working Capital group in 2018.

(3) The fourth quarter of 2021 included a tax benefit for the exercise of 2.9 million SARs. Quarterly basic and diluted net income per common share were computed independently for each quarter and do not necessarily total to the year to date basic and diluted net income per common share.

## THE HACKETT GROUP, INC.
## SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
## YEARS ENDED DECEMBER 31, 2021, JANUARY 1, 2021, AND DECEMBER 27, 2019

*(in thousands)*

| Allowance for Doubtful Accounts | Balance at Beginning of Year | Charge to Revenue/ Expense | Write-offs | Balance at End of Year |
|---|---|---|---|---|
| Year Ended December 31, 2021 | $ 605 | 2,068 | 29 | $ 2,702 |
| Year Ended January 1, 2021 | $ 743 | 298 | (436) | $ 605 |
| Year Ended December 27, 2019 | $ 1,441 | 1,140 | (1,838) | $ 743 |

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

## ITEM 9A. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended ("the Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), as appropriate, to allow for timely decisions regarding required disclosure.

The Company, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by the Annual Report on Form 10-K.

### Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the three months ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as of and for the year ended December 31, 2021.

Based on our evaluation, utilizing the criteria set forth in "Internal Control – Integrated Framework issued by COSO in 2013," our management concluded that our internal control over financial reporting was effective as of the end of the period covered by this Annual Report on Form 10-K.

The Company's independent registered certified public accounting firm has audited our internal control over financial reporting as of December 31, 2021, and has expressed an unqualified opinion thereon.

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of The Hackett Group, Inc.

**Opinion on the Internal Control Over Financial Reporting**

We have audited The Hackett Group, Inc.'s (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements of the Company and our report dated March 4, 2022 expressed an unqualified opinion.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Miami, Florida
March 4, 2022

## ITEM 9B. OTHER INFORMATION

None.

## ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVEN INSPECTIONS

None.

# PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information responsive to this Item is incorporated herein by reference to the Company’s definitive proxy statement for the 2022 Annual Meeting of Shareholders.

## ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this Item is incorporated herein by reference to the Company’s definitive proxy statement for the 2022 Annual Meeting of Shareholders.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information responsive to this Item is incorporated herein by reference to the Company’s definitive proxy statement for the 2022 Annual Meeting of Shareholders.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information responsive to this Item is incorporated herein by reference to the Company’s definitive proxy statement for the 2022 Annual Meeting of Shareholders.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information appearing under the caption “Fees Paid to Independent Accountants” in the proxy statement for the 2022 Annual Meeting of Shareholders is hereby incorporated by reference.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Form:

1. Financial Statements

The consolidated financial statements filed as part of this report are listed and indexed on page 28. Schedules other than those listed in the index have been omitted because they are not applicable or the required information has been included elsewhere in this report.

2. Financial Statement Schedules

Schedule II — Valuation and Qualifying Accounts and Reserves is included in this report. Schedules other than those listed in the index have been omitted because they are not applicable or the information required to be set forth therein is contained, or incorporated by reference, in the consolidated financial statements of The Hackett Group, Inc. or notes thereto.

3. Exhibits: See Index to Exhibits on page 60.

The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

### ITEM 16. FORM 10-K SUMMARY

None.

## INDEX TO EXHIBITS

| Exhibit No. | Exhibit Description |
|---|---|
| 3.1 | Second Amended and Restated Articles of Incorporation of the Registrant, as amended (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 29, 2000). |
| 3.2 | Articles of Amendment of the Articles of Incorporation of the Registrant (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 28, 2007). |
| 3.3 | Amended and Restated Bylaws of the Registrant, as amended (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 29, 2000). |
| 3.4 | Amendment to Amended and Restated Bylaws of the Registrant (incorporated herein by reference to the Registrant's Form 8-K dated March 31, 2008). |
| 3.5 | Amendment to Amended and Restated Bylaws of the Registrant (incorporated herein by reference to the Registrant's Form 8-K dated January 21, 2015). |
| 4.1 | Description of the Registrant's Securities Registered under Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to the Registrant's Form 10-K for the year ended December 27, 2019). |
| 10.1** | Registrant's 1998 Stock Option and Incentive Plan (Amended and Restated as of February 12, 2020) (incorporated herein by reference to the Registrant's Registration Statement on Form S-8 filed on June 19, 2020). |
| 10.2** | Employee Stock Purchase Plan, as amended (incorporated herein by reference to the Registrant's Registration Statement on Form S-8 (File No. 333-108640)). |
| 10.3** | Amendment to Registrant's Employee Stock Purchase Plan (incorporated herein by reference to the Registrant's Form 10-K/A for the year ended December 30, 2005). |
| 10.4** | Amendment to Registrant's Employee Stock Purchase Plan (incorporated herein by reference to the Registrant's Registration Statement on Form S-8 filed on September 6, 2018). |
| 10.5** | Form of Employment Agreement entered into between the Registrant and Mr. Dungan (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 28, 2001). |
| 10.6** | Form of Employment Agreement entered into between the Registrant and each of Messrs. Fernandez, Frank and Knotts (incorporated herein by reference to the Registrant's Registration Statement on Form S-1 (File No. 333-48123)). (P) |
| 10.7** | Amendment to Employment Agreement between the Registrant and Ted A. Fernandez (incorporated herein by reference to the Registrant's Form 10-Q for the quarter ended October 1, 2004). |
| 10.8** | Amendment to Employment Agreement between the Registrant and David N. Dungan (incorporated herein by reference to the Registrant's Form 10-Q for the quarter ended October 1, 2004). |
| 10.9** | Second Amendment to Employment Agreement between the Registrant and Ted A. Fernandez (incorporated herein by reference to the Registrant's Form 8-K dated June 16, 2005). |
| 10.10** | Employment Agreement dated August 1, 2007 between the Registrant and Robert A. Ramirez (incorporated herein by reference to the Registrant's Form 10-Q for the quarter ended June 29, 2007). |
| 10.11** | Third Amendment to Employment Agreement between the Registrant and Ted A. Fernandez (incorporated herein by reference to the Registrant's Form 8-K dated January 2, 2009). |
| 10.12** | Third Amendment to Employment Agreement between the Registrant and David N. Dungan (incorporated herein by reference to the Registrant's Form 8-K dated January 2, 2009). |
| 10.13** | Fourth Amendment to Employment Agreement between the Registrant and Ted A. Fernandez (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 30, 2016). |
| 10.14** | Fourth Amendment to Employment Agreement between the Registrant and David N. Dungan. (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 30, 2016). |
| 10.15** | Stock Appreciation Right Agreement dated March 11, 2013 between the Company and Ted A. Fernandez (incorporated herein by reference to the Registrant's Form 10-K for the year ended January 1, 2016). |
| 10.16** | Stock Appreciation Right Agreement dated March 11, 2013 between the Company and David N. Dungan (incorporated herein by reference to the Registrant's Form 10-K for the year ended January 1, 2016). |
| 10.17 | Second Amended and Restated Credit Agreement, dated May 9, 2016, among The Hackett Group, Inc., the material domestic subsidiaries of Hackett named on the signature pages there to and Bank of America, N.A., as lender (incorporated herein by reference to the Registrant's Form 10-Q for the quarter ended April 1, 2016). |

| | |
|---|---|
| 10.18 | Amendment No. 1 to Second Amended and Restated Credit Agreement, dated April 1, 2019, among The Hackett Group, Inc., the material domestic subsidiaries of The Hackett Group, Inc. named on the signature pages thereto, and Bank of America, N.A., as lender (incorporated by reference to the Registrant's Form 10-K for the year ended January 1, 2021). |
| 10.19 | Amendment No. 2 to Second Amended and Restated Credit Agreement, dated April 3, 2020, among The Hackett Group, Inc., the material domestic subsidiaries of The Hackett Group, Inc. named on the signatures pages thereto, and Bank of America, N.A., as lender (incorporated by reference to the Registrant's Form 8-K dated April 3, 2020). |
| 21.1* | Subsidiaries of the Registrant. |
| 23.1* | Consent of RSM US LLP. |
| 31.1* | Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32* | Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS*** | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH*** | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL*** | Inline XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF*** | Inline XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB*** | Inline XBRL Taxonomy Extension Label Linkbase |
| 101.PRE*** | Inline XBRL Taxonomy Extension Presentation Linkbase |
| 104*** | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Filed herewith
** Compensatory plan required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.
*** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.
(P) Paper exhibits.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on March 4, 2022.

**THE HACKETT GROUP, INC.**

By: /s/ Ted A. Fernandez
Ted A. Fernandez
Chief Executive Officer and Chairman of the Board

Pursuant to the requirements of the Securities Act of 1934, this Form 10-K has been signed by the following persons on behalf of the Registrant in the capacities and on the date indicated.

| Signatures | Title | Date |
|---|---|---|
| /s/ Ted A. Fernandez<br>Ted A. Fernandez | Chief Executive Officer and Chairman<br>(Principal Executive Officer) | March 4, 2022 |
| /s/ Robert A. Ramirez<br>Robert A. Ramirez | Executive Vice President, Finance and Chief Financial Officer<br>(Principal Financial and Accounting Officer) | March 4, 2022 |
| /s/ David N. Dungan<br>David N. Dungan | Chief Operating Officer and Director | March 4, 2022 |
| /s/ Maria Bofill<br>Maria Bofill | Director | March 4, 2022 |
| /s/ Richard Hamlin<br>Richard Hamlin | Director | March 4, 2022 |
| /s/ John R. Harris<br>John R. Harris | Director | March 4, 2022 |
| /s/ Robert A. Rivero<br>Robert A. Rivero | Director | March 4, 2022 |
| /s/ Alan T. G. Wix<br>Alan T. G. Wix | Director | March 4, 2022 |

## CORPORATE HEADQUARTERS

The Hackett Group, Inc.
1001 Brickell Bay Drive, Suite 3000
Miami, FL 33131
Telephone: 305-375-8005
Facsimile: 305-379-8810

www.thehackettgroup.com

## ANNUAL MEETING

The Hackett Group shareholders are invited to attend our Annual Meeting on Thursday, May 5, 2022 at 11:00 am at The Hackett Group's Corporate Headquarters, 1001 Brickell Bay Drive, Suite 3000, Miami, FL 33131.

## TRANSFER AGENT

Computershare Investor Services

### First-Class/Registered/Certified Mail

P.O. Box 43078
Providence RI 02940-3078

### Courier Services

150 Royall St., Suite 101
Canton, MA 02021

### Shareholder Services

877-373-6374 (U.S. Canada, Puerto Rico)
781-575-2879 (non-US)

### Website:

www.computershare.com/investor

## INDEPENDENT AUDITORS

RSM US LLP, Fort Lauderdale, FL

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