GP STRATEGIES®

# First Quarter 2019 Investor Conference Call

May 10, 2019

# Introductions

Scott N. Greenberg
Chief Executive Officer
GP Strategies®

Adam H. Stedham
President
GP Strategies®

Michael R. Dugan
Chief Financial Officer
GP Strategies®

Ann M. Blank
VP, Investor Relations
GP Strategies®

GP STRATEGIES®

# Cautionary Note about Forward-looking Statements

This presentation contains 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 (the "Exchange Act"). The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Forward–looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We use words such as "expects," "intends," "believes," "may," "will," "should," "could," "anticipates," "estimates," "plans" and similar expressions to indicate forward-looking statements, but their absence does not mean a statement is not forward-looking. Because these forward-looking statements are based upon management's expectations and assumptions and are subject to risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including, but not limited to, those factors set forth under Item 1A – Risk Factors of our most recent Form 10-K and those other risks and uncertainties detailed in our periodic reports and registration statements filed with the Securities and Exchange Commission ("SEC"). We caution that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. We cannot predict these new risk factors, nor can we assess the effect, if any, of the new risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ from those expressed or implied by these forward-looking statements.

If any one or more of these expectations and assumptions proves incorrect, actual results will likely differ materially from those contemplated by the forward-looking statements. Even if all of the foregoing assumptions and expectations prove correct, actual results may still differ materially from those expressed in the forward-looking statements as a result of factors we may not anticipate or that may be beyond our control. While we cannot assess the future impact that any of these differences could have on our business, financial condition, results of operations and cash flows or the market price of shares of our common stock, the differences could be significant. We do not undertake to update any forward-looking statements made by us, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this presentation.

# Agenda

- Introductions – Ann Blank
- CEO Remarks – Scott Greenberg
- Operational Update – Adam Stedham
- Financial Review – Mike Dugan
- Q&A
- Closing

# CEO Remarks

First quarter results reinforces our positive outlook for 2019

60%+ recurring revenue streams

Record backlog of $335 million, up 21% compared to Q1 2018

Gross profit up 20% from $17.7M in Q1 2018 to $21.3M in Q1 2019

TTi Global acquisition being integrated, expect accretive after Q1

# Operational Update

## Overall Items

**Positive Financial Outlook:**
- Expect continued revenue and earnings growth in 2019
- Backlog is growing without depleting the pipeline, which is up 9% since Jan.1, 2019

## Workforce Excellence

**Managed Learning Services (long sales cycle)**
- Three previously announced outsourcings did not contribute to Q1, will have minor impact Q2, & ramp in Q3
- Continued sales strength:
  - Verbal award of new European outsourcing of ~$1.5M/yr beginning January 1, 2020
  - New win of $2.5M European outsourcing, beginning August 1, 2019

**Engineering/Technical Services (short sales cycle)**
- Alternative Fuels had small gross profit loss in Q1, significant backlog and positive outlook for Q2
- Broad based growth across all service lines in Q1

## Business Transformation

**Sales Enablement Services (long sales cycle)**
- Revenue is up versus Q1 2018, excluding TTi
- Backlog is up versus Q1 2018, excluding TTi
- Positive industry response to our automotive focus, SE revenue up versus Q1 2018 with 4 out of the top 6 automotive clients

**Org Development Services (short sales cycle)**
- Gross profit is up 25% versus Q1 2018
- Revenue is down versus Q1 2018 due to refocusing the salesforce away from low contribution margin offerings

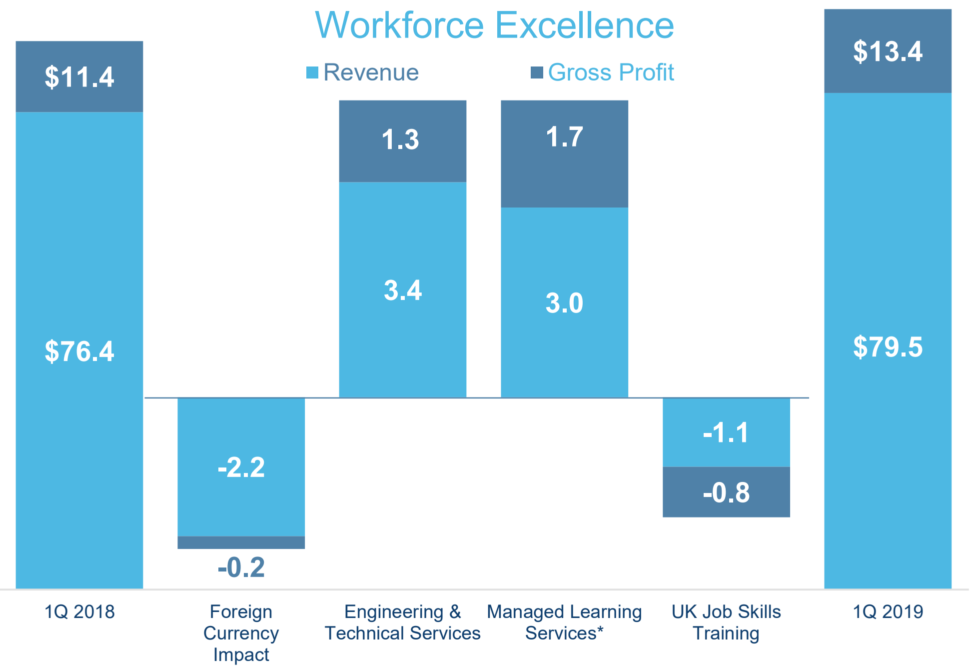
## TTi Global

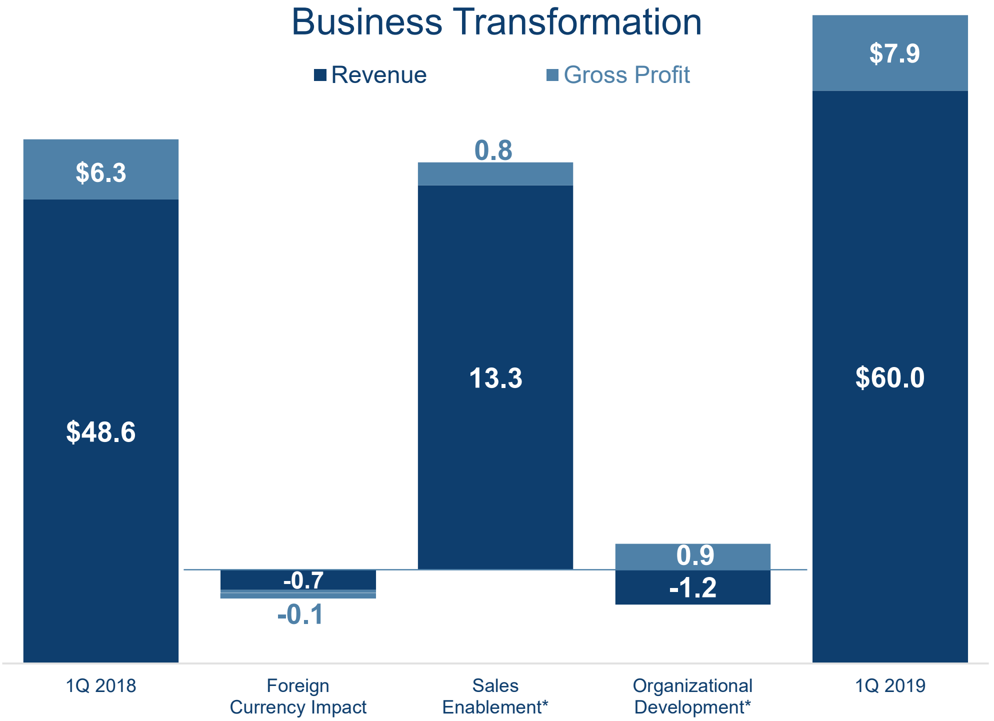
- Cost savings initiatives in Q1 will contribute positively going forward
- Strong pipeline growth since acquisition reinforces our expectations for 2019 revenue target

# Financial Review

# Revenue & Gross Profit by Segment – First Quarter

| ($ in millions) | Quarter ended March 31, 2018 | | | Quarter ended March 31, 2019 | | | Revenue | Gross Profit |
|---|---|---|---|---|---|---|---|---|
| | Revenue | Gross Profit | % of Revenue | Revenue | Gross Profit | % of Revenue | Change | Change |
| **Workforce Excellence** | 76.4 | 11.4 | 14.9% | 79.5 | 13.4 | 16.9% | 3.9% | 18.1% |
| **Business Transformation** | 48.6 | 6.3 | 13.0% | 60.0 | 7.9 | 13.1% | 23.5% | 24.4% |
| **TOTAL** | **125.0** | **17.7** | **14.1%** | **139.5** | **21.3** | **15.3%** | **11.5%** | **20.4%** |




* Includes acquisition revenue of $3.5M in Managed Learning Services and $12.7M in Sales Enablement.

# SG&A Expenses

| ($ in millions) | Q1 2019 | Q1 2018 | $ Inc. (Dec.) | % Change |
|---|---|---|---|---|
| General & Administrative Expenses | 16.1 | 13.9 | 2.3 | 16.4% |
| Sales & Marketing Expenses | 2.0 | 0.7 | 1.3 | 174.3% |

## GENERAL & ADMINISTRATIVE – Q1 2019 vs. Q1 2018

- $1.2 million increase in G&A in the acquired TTI Global business
- $0.4 million increase in bad debt expense
- $0.2 million increase in severance expense
- $0.2 million increase in amortization expense for acquired TTi intangible assets
- $0.3 million net increase in miscellaneous other G&A expenses
- G&A includes $0.7 million of continued ERP implementation costs for post-implementation support and increased audit fees incurred in the first quarter of 2019 in relation to new system testing

## SALES & MARKETING EXPENSES

- Investments in business development personnel, inside sales, corporate account management program

# Other P&L Items

| | ($ in millions) | |
|---|---|---|
| | **Q1 2019** | **Q1 2018** |
| Restructuring charges | 1.1 | 0.4 |
| Gain on change in fair value of contingent consideration | <0.1 | 2.6 |
| Interest expense | 1.6 | 0.7 |
| Other expense | <0.1 | 0.2 |
| | | |
| Income tax expense | 0.1 | 1.7 |
| Effective income tax rate | 30.6% | 39.7% |

**RESTRUCTURING CHARGES:** $1.1M in Q1 2019 associated with TTi integration, compared to $0.4M in Q1 2018 in connection with prior reorganization and related cost savings initiatives

**GAIN ON CONTINGENT CONSIDERATION:** immaterial gain on change in fair value of acquisition related contingent consideration in Q1 2019 compared to $2.6M gain in 2018

**INTEREST EXPENSE:** -$0.9M increase due to higher borrowings and interest rates under the credit facility

**OTHER EXPENSE:** $0.2M decrease primarily due to higher income from a joint venture, offset by foreign currency losses, primarily due to revaluation of intercompany AR / AP balances

**INCOME TAX EXPENSE:** 2018 tax rate includes true-up of one-time mandatory repatriation tax

# Q1 2019 Earnings Summary

| ($ in millions, except per share data) | Q1 2019 | Q1 2018 |
|---|---|---|
| Net income | $0.3 | $2.6 |
| Earnings per share – diluted | $0.02 | $0.16 |
| Adjusted EPS (1) | $0.16 | $0.16 |
| Adjusted EBITDA (1) | $8.8 | $8.1 |

(1) The terms Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization) and Adjusted EPS are non-GAAP financial measures that the Company believes are useful to investors in evaluating its results. For a reconciliation of these non-GAAP financial measures to the most comparable GAAP equivalents, see the Non-GAAP Reconciliations, along with related footnotes, in the Appendices to this report.

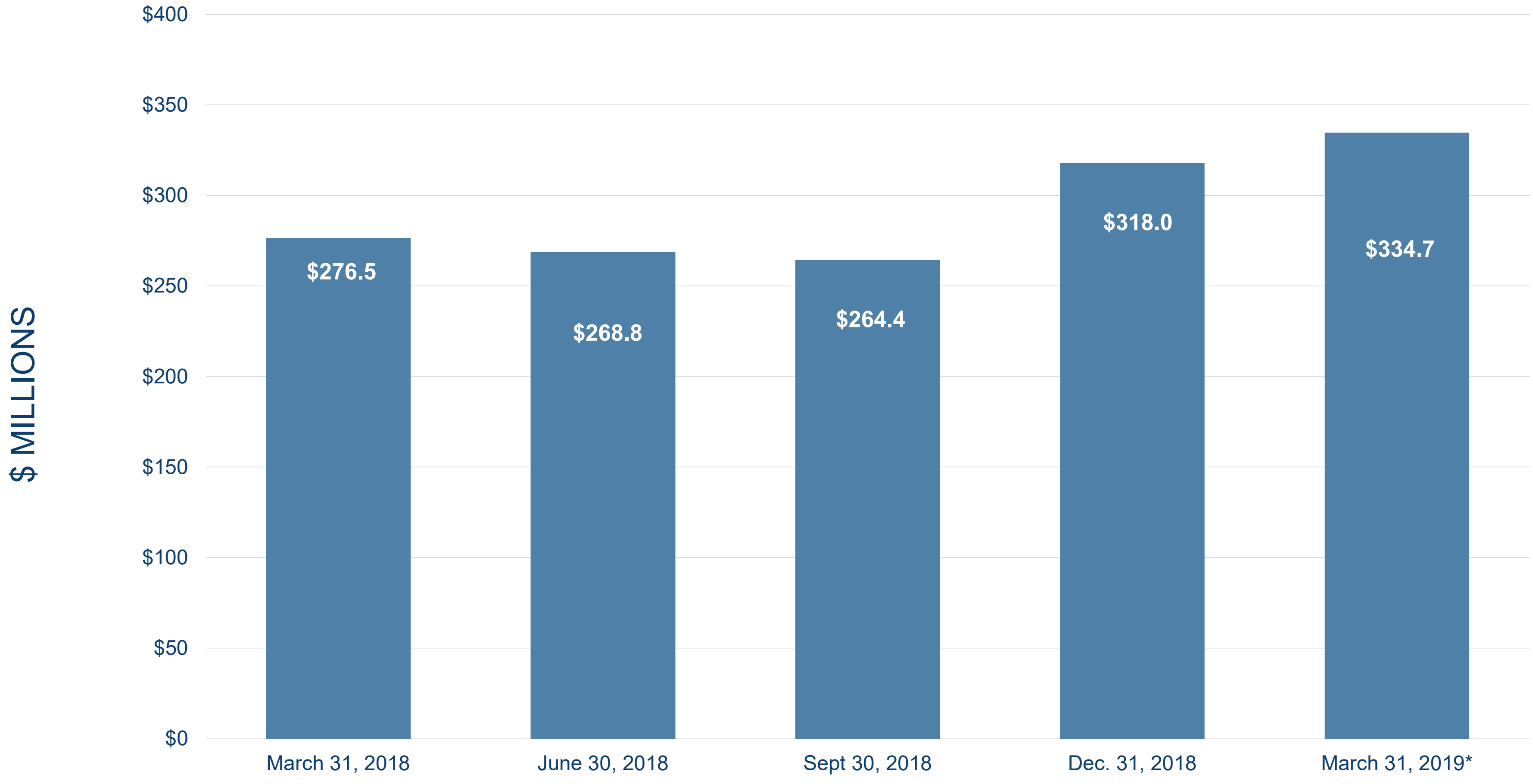
# Balance Sheet

## Significant Drivers

- **Debt net of Cash – up $5.0M**
- New system has had an impact on billings especially in Jan/Feb as teams focused on year end close / audit
  - Jan/Feb billings averaged $37M/month
  - Mar/April billings averaged $61M/month
  - Seeing stabilization back to normal in this area but will take 30-60 days to flow through to cash
- New lease accounting standard –
  - Results in grossing up Operating Lease Assets and Liabilities

| (unaudited)<br>($ in thousands) | December 31,<br>2018 | March 31,<br>2019 |
|---|---|---|
| **Cash** | **$ 13,417** | **$ 8,427** |
| **Accounts receivable** | **107,673** | **101,170** |
| Unbilled revenue | 80,764 | 83,350 |
| Prepaid expenses & other | 19,048 | 25,454 |
| Total Current Assets | 220,902 | 218,401 |
| **Property, plant & equip.** | **5,859** | **5,831** |
| Operating lease assets | - | 29,273 |
| Goodwill & intangible assets, net | 197,057 | 197,176 |
| Other Assets | 10,920 | 10,784 |
| Total Assets | $ 434,738 | $ 461,465 |
| Accounts payable | 93,254 | 92,156 |
| Deferred revenue | 23,704 | 18,100 |
| Current portion lease liabilities | - | 9,402 |
| Total Current Liabilities | 116,958 | 119,658 |
| Long-term debt | 116,500 | 116,607 |
| Long-term portion lease liabilities | - | 23,653 |
| Other Non-Current Liabilities | 14,711 | 11,833 |
| Stockholders' Equity | 186,569 | 189,714 |
| Total | $ 434,738 | $ 461,465 |

# Backlog Trending




GP STRATEGIES®

* Includes $33.3M of backlog from the TTi Global acquisition completed in December 2018.

# Q&A

# Appendices

# Non-GAAP Reconciliation – Adjusted EBITDA(1)

| ($ in thousands) (Unaudited) | Quarters Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Net Income | 334 | 2,632 |
| Interest Expense | 1,598 | 686 |
| Income Tax Expense | 147 | 1,730 |
| Depreciation & Amortization | 2,341 | 1,842 |
| **EBITDA** | **4,420** | **6,890** |
| ADJUSTMENTS: | | |
| Non-Cash Stock Compensation | 1,089 | 1,409 |
| Restructuring Charges | 1,119 | 435 |
| Severance Expense | 1,011 | – |
| Gain on Contingent Consideration | (50) | (2,552) |
| ERP Implementation Costs | 684 | 1,404 |
| Foreign Currency Transaction Losses | 345 | 257 |
| Legal Acquisition Costs | 153 | 299 |
| **Adjusted EBITDA** | **8,771** | **8,142** |

(1) Adjusted earnings before interest, income taxes, depreciation and amortization (Adjusted EBITDA) is a widely used non-GAAP financial measure of operating performance. It is presented as supplemental information that the Company believes is useful to investors to evaluate its results because it excludes certain items that are not directly related to the Company's core operating performance. Adjusted EBITDA is calculated by adding back to net income interest expense, income tax expense, depreciation and amortization, non-cash stock compensation expense, gain or loss on the change in fair value of contingent consideration and other unusual or infrequently occurring items. For the periods presented, these other items are restructuring charges, severance expense, ERP implementation costs, foreign currency transaction losses and legal acquisition costs. We added legal acquisition costs as an adjustment in the Adjusted EBITDA calculation during the third quarter of 2018 as these costs became significant based on increased acquisition activity during 2018 and we believe it will assist investors in better understanding our results as these acquisition-related expenses are likely to vary significantly from period-to-period based on the size, number and complexity and timing of our acquisitions. Adjusted EBITDA should not be considered as a substitute either for net income, as an indicator of the Company's operating performance, or for cash flow, as a measure of the Company's liquidity. In addition, because Adjusted EBITDA may not be calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies.

# Non-GAAP Reconciliation – Adjusted EPS[1] Q1

| ($ in thousands, except per share amounts) (Unaudited) | Quarters Ended March 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Gross | Net of Tax | EPS | Gross | Net of Tax | EPS |
| | | | $ 0.02 | | | $ 0.16 |
| ADJUSTMENTS: | | | | | | |
| Restructuring Charges | $ 1,119 | $ 777 | 0.05 | $ 435 | $ 262 | 0.02 |
| Severance Expense | 1,011 | 702 | 0.04 | - | - | - |
| Gain Loss on Contingent Consideration | (50) | (35) | - | (2,552) | (1,539) | (0.09) |
| ERP Implementation Costs | 684 | 475 | 0.03 | 1,404 | 847 | 0.05 |
| Foreign Currency Transaction Losses | 345 | 239 | 0.01 | 257 | 155 | 0.01 |
| Legal Acquisition Costs | 153 | 106 | 0.01 | 299 | 180 | 0.01 |
| **Adjusted EPS** | | | **$ 0.16** | | | **$ 0.16** |

(1) Adjusted Earnings per Diluted Share ("Adjusted EPS"), is a widely used non-GAAP financial measure of operating performance. It is presented as supplemental information that the Company believes is useful to investors to evaluate its results because it excludes certain items that are not directly related to the Company's core operating performance. Adjusted EPS is calculated by adding back to earnings per share gain or loss on the change in fair value of contingent consideration and other unusual or infrequently occurring items. For the periods presented, these other items are restructuring charges, severance expense, ERP implementation costs, foreign currency transaction losses and legal acquisition costs. We added legal acquisition costs as an adjustment in the Adjusted EPS calculation during the third quarter of 2018 as these costs became significant based on increased acquisition activity during 2018 and we believe it will assist investors in better understanding our results as these acquisition-related expenses are likely to vary significantly from period-to-period based on the size, number and complexity and timing of our acquisitions. Management uses Adjusted EPS to assess total Company operating performance on a consistent basis. We believe that this non-GAAP financial measure, which excludes the gain or loss on the change in fair value of acquisition-related contingent consideration and other special charges, when considered together with our GAAP financial results, provides management and investors with an additional understanding of our business operating results, including underlying trends.

GP STRATEGIES®

gpstrategies.com

We're at our best when helping our clients achieve their best.

Making a meaningful impact on the world together.

We're social, chat with us!

@gpcorp gpstrategies blog.gpstrategies.com gp-strategies-corporation GPStrategiesCorp info@gpstrategies.com