GP STRATEGIES®

# Third Quarter 2020 Investor Conference Call

November 5, 2020

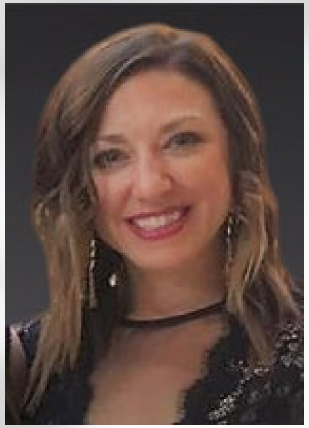
# *Introductions*

Adam H. Stedham

Chief Executive Officer

Michael R. Dugan

Chief Financial Officer



Candice M. Hester

VP, Chief of Staff &
Investor Relations

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# Cautionary Note about Forward-looking Statements and Non-GAAP Financial Measures

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"), including statements about the anticipated effects of the COVID-19 pandemic and related events on our business and results of operations. 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.

## Non-GAAP Financial Measures

This presentation includes non-GAAP financial information. This non-GAAP information is in addition to, not a substitute for or superior to, measures of financial performance or liquidity determined in accordance with US GAAP. The Securities and Exchange Commission's Regulation G applies to any public disclosure or release of material information that includes a non-GAAP financial measure and requires: (i) the presentation of the most directly comparable financial measure calculated and presented in accordance with US GAAP and (ii) a reconciliation of the differences between the non-GAAP financial measure presented and the most directly comparable financial measure calculated and presented in accordance with US GAAP. The required presentations and reconciliations are contained in this presentation and can also be found at our website at www.gpstrategies.com.

# Agenda

- Introductions – **Candice Hester**
- Operational Update – **Adam Stedham**
- Financial Review – **Mike Dugan**
- Q&A
- Closing

# Q3 2020 Financial Performance Summary

| Q3 2020 | | Q2 2020 |
|---|---|---|
| Revenue of **$115.6 million** | COMPARED TO | Revenue of **$106.1 million** |
| Gross profit of **$20.7 million, or 17.9%** | COMPARED TO | Gross profit of **$15.9 million, or 15.0%** |
| Diluted EPS of **$0.03 per share** | COMPARED TO | Diluted loss of **-$0.04 per share** |
| Long term-debt **$43.8 million** (as of September 30, 2020) | COMPARED TO | Long term-debt **$57.7 million** (as of June 30, 2020) |

# GP Strategies Current Bank Debt

(in millions)

| | Net Debt Outstanding | | |
|---|---|---|---|
| | 6/30/2019 | 12/31/2019 | 9/30/2020 |
| Long-Term Debt | $(119.7) | $(82.9) | $(43.8) |
| Cash and Cash Equivalents | 6.6 | 8.2 | 13.2 |
| **Net Debt** | **$(113.1)** | **$(74.7)** | **$(30.6)** |

- On October 1, 2020, the Company received approximately $26.5 million from the sale of its IC Axon Business (after deducting the escrow) and used the net proceeds to further reduce its long-term debt.
- The Company has deferred cash payments of approximately $10 million as of September 30, 2020 under certain Government COVID-19 relief initiatives.
- The definition of Net Debt is long-term debt outstanding under the Company's Revolving Credit Agreement less Cash and Cash Equivalents.

# Principles Guiding our Strategic Direction

## 1 FOCUS

Company focus on key clients and markets, driving gross margin and opportunities for organic growth.

- GP has more opportunities and stronger competitive advantages in specific industry verticals.

## 2 RESTRUCTURE

Regional structure. The world is responding to COVID on a country-by-country basis, and the company is best positioned to respond to our clients' needs by organizing regionally.

## 3 EXPAND MARGINS

Successful execution of margin expansion and cost controls to drive cash generation.

- Provide maximum flexibility to capitalize on opportunities post-COVID.

# Strong Competitive Position

**1. Largest Competitor → Internal Training Departments**

a) During economic down cycles internal training staff are frequently reduced

b) During economic recoveries, organizations have typically been slow to add internal training department costs

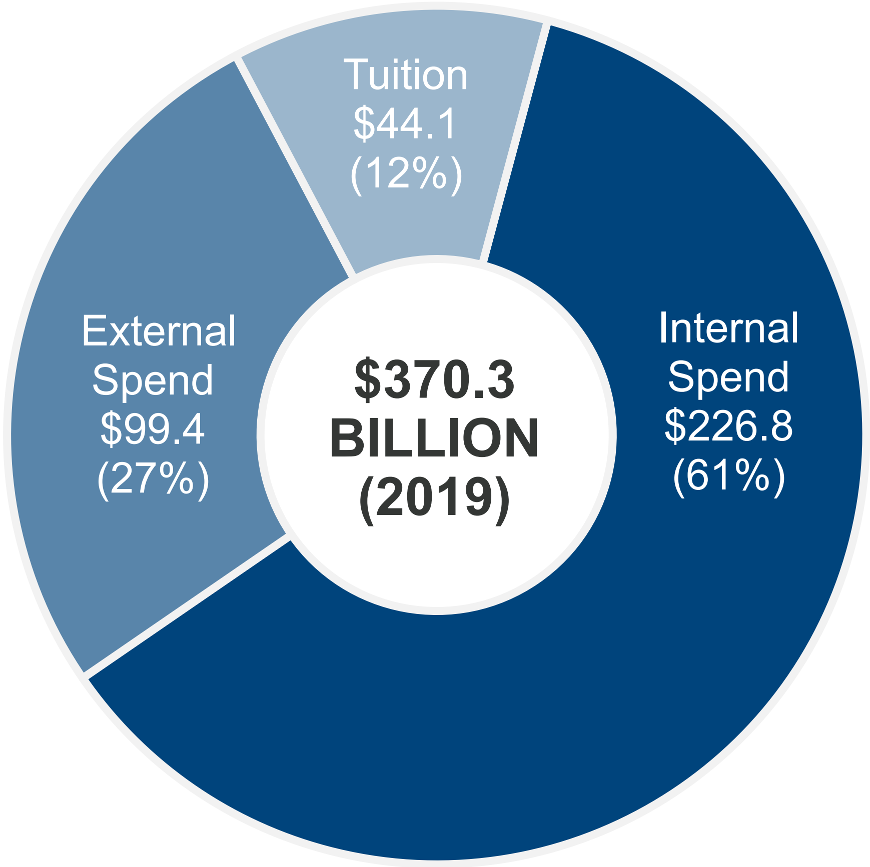
**2. GP historically emerges from economic cycles in a stronger position than others in our industry**

a) Multi-year contracts enable the company to maintain clients during business cycles

b) Scalable business model

c) Financial strength to manage the stress of economic cycles better than smaller training companies

**Global Training Spend**




SPEND DATA SOURCE: Training Industry 2019

# Historical Performance

| | GROWTH AFTER DOT COM CRASH | | | GROWTH AFTER GLOBAL FINANCIAL CRISIS | | |
|---|---|---|---|---|---|---|
| | 2002 | 2007 | % CHANGE | 2009 | 2014 | % CHANGE |
| Revenue* | $152.2 | $248.4 | 63% | $219.2 | $501.9 | 129% |
| EPS | $(0.34) | $0.56 | 264% | $(0.08) | $1.45 | 1,912% |
| Y/E Stock Price | $5.00 | $10.65 | 113% | $7.53 | $33.93 | 352% |
| Stock Price Range | $3.30-5.55 | $8.10-11.25 | | $2.58-8.34 | $23.08-33.93 | |

*Revenue in millions

# Financial Review

# Q3 2020 Selected Financial Highlights

| | ($ in millions) | | | |
|---|---|---|---|---|
| | **Q1 2020** | **Q2 2020** | **Q3 2020** | **YTD 2020** |
| **Revenue** | **$128.3** | **$106.1** | **$115.6** | **$350.0** |
| Gross profit * | 17.6 | 15.9 | 20.7 | 54.2 |
| Gross margin * | 13.7% | 15.0% | 17.9% | 15.5% |
| General and administrative expenses * | 17.3 | 14.2 | 17.6 | 49.1 |
| Sales and marketing expenses * | 1.8 | 1.9 | 1.7 | 5.4 |
| **Adjusted EBITDA (1)** | **$3.4** | **$6.0** | **$10.1** | **$19.5** |
| **Cash flow from operations** | **$9.8** | **$22.9** | **$12.6** | **$45.4** |
| **Long-term debt, net of cash** | **$65.8** | **$45.6** | **$30.5** | **$30.5** |

(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 US GAAP equivalents, see the Non-GAAP Reconciliations, along with related footnotes, in the Appendices to this report.

*Q1 2020 results include severance expense of $0.2M. in cost of revenue. Q2 2020 results included severance expense of $2.4M ($2.0M in cost of revenue and $0.4M in SG&A expense).
Q3 2020 results included severance expense and a change in Paid Time Off ("PTO") policy that nets to $4.8M ($1.9M in cost of revenue and $2.9M in SG&A expense).
For Q1, 2020, Q2 2020 and Q3 2020, gross margin excluding these items was 13.9%, 16.9% and 19.6%, respectively, and 16.7% for the YTD 2020.

# New Operating Segments Restated

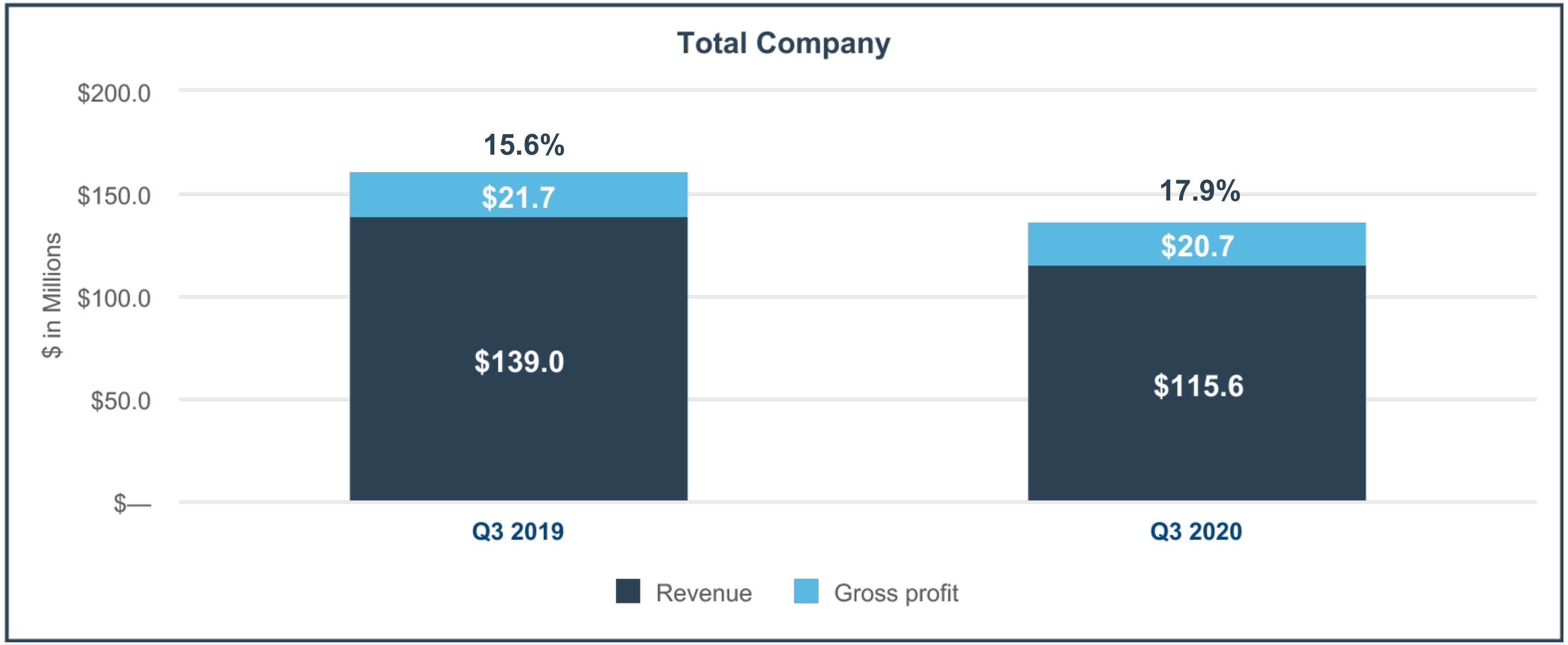
($ in millions)

| REVENUE | 2018 | 2019 Q1 | 2019 Q2 | 2019 Q3 | 2019 Q4 | 2019 | 2020 Q1 | 2020 Q2 | 2020 Q3 |
|---|---|---|---|---|---|---|---|---|---|
| North America | $366.5 | $96.2 | $103.6 | $92.3 | $103.5 | $395.6 | $86.6 | $73.6 | $77.5 |
| EMEA | 116.3 | 31.3 | 30.5 | 29.6 | 33.7 | 125.1 | 30.3 | 22.9 | 25.4 |
| Emerging Markets | 32.4 | 12 | 15.3 | 17.1 | 18.2 | 62.6 | 11.4 | 9.6 | 12.7 |
| **TOTAL** | **$515.2** | **$139.5** | **$149.4** | **$139.0** | **$155.4** | **$583.3** | **$128.3** | **$106.1** | **$115.6** |

| OPERATING PROFIT | 2018 | 2019 Q1 | 2019 Q2 | 2019 Q3 | 2019 Q4 | 2019 | 2020 Q1 | 2020 Q2 | 2020 Q3 |
|---|---|---|---|---|---|---|---|---|---|
| North America | $56.4 | $15.8 | $18.1 | $15.4 | $15.4 | $64.6 | $13.3 | $13.7 | $15.4 |
| EMEA | 15.2 | 3.8 | 3.4 | 3.1 | 4.4 | 14.7 | 3.5 | 1.2 | 2.8 |
| Emerging Markets | 6.1 | 1.7 | 1.5 | 3.2 | 3.5 | 9.9 | 0.8 | 1 | 2.5 |
| **TOTAL** | **$77.7** | **$21.3** | **$23.0** | **$21.7** | **$23.3** | **$89.2** | **$17.6** | **$15.9** | **$20.7** |

| GROSS MARGIN | 2018 | 2019 Q1 | 2019 Q2 | 2019 Q3 | 2019 Q4 | 2019 | 2020 Q1 | 2020 Q2 | 2020 Q3 |
|---|---|---|---|---|---|---|---|---|---|
| North America | 15.4% | 16.4% | 17.5% | 16.7% | 14.9% | 16.3% | 15.4% | 18.6% | 19.9% |
| EMEA | 13.1% | 12.1% | 11.1% | 10.5% | 13.1% | 11.8% | 11.6% | 5.2% | 11.0% |
| Emerging Markets | 18.8% | 14.2% | 9.8% | 18.7% | 19.2% | 15.8% | 7.0% | 10.4% | 19.7% |
| **TOTAL** | **15.1%** | **15.3%** | **15.4%** | **15.6%** | **15.0%** | **15.3%** | **13.7%** | **15.0%** | **17.9%** |

# Revenue & Gross Profit Company – Third Quarter



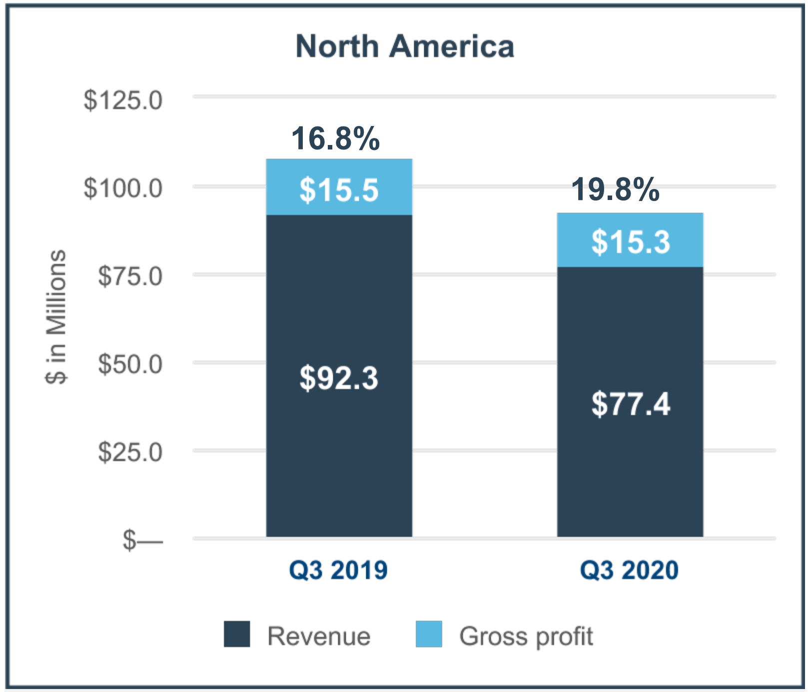

**Total revenue down $23.4M or 16.8%**

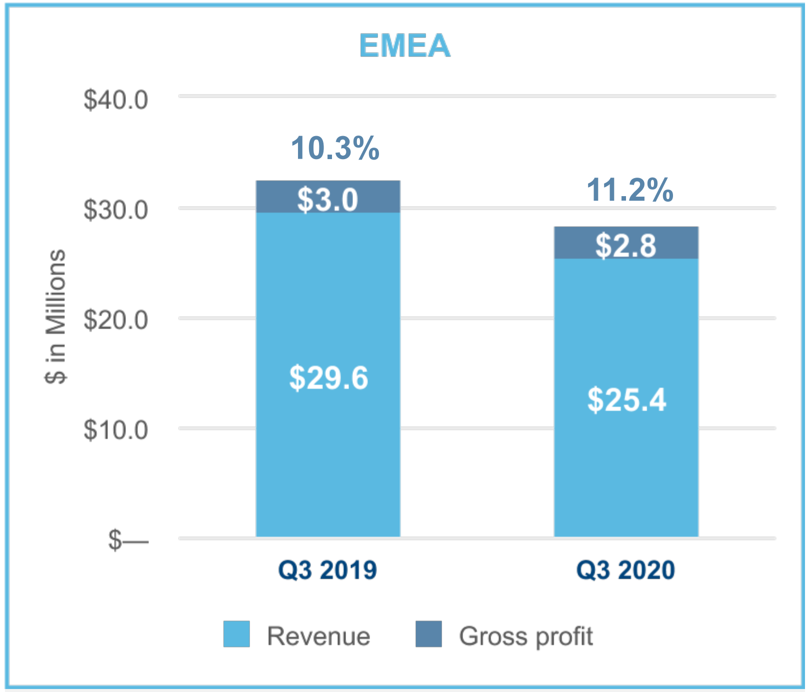
- $18.4M decrease due to COVID-19 impact
- Excluding COVID-19 impact, divestitures and foreign currency impact
  - $0.2M increase in North America
  - $1.9M decrease in EMEA
  - $0.3M increase in Emerging Markets
- $4.6M decrease due to divestitures
- $1.0M increase due to Foreign currency impact

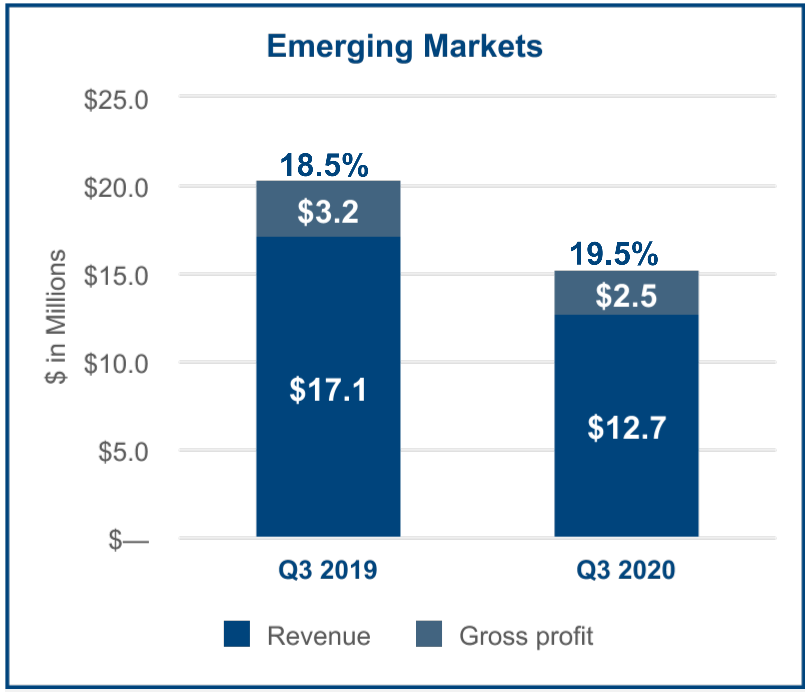
**Gross profit down $1.0M or 4.6%**

- Severance expense and change in PTO policy resulted in a $1.9M net expense in Q3 2020 vs a $0.8M expense in Q3 2019
- Gross Margin excluding these items was 19.6% in Q3 2020 vs 16.3% in Q3 2019

# Revenue & Gross Profit by Segment – Third Quarter




**Total segment revenue down $14.9M or 16.1%**
- $10.3M decrease due to COVID-19 impact
- Excluding COVID-19, divestitures and foreign currency impacts
  - – $0.9M decrease in OPS
  - – $2.0M decrease in TPS
  - – $3.1M increase in APS
- $4.6 decrease due to divestitures
- $0.1M decrease due Fx impact

**Total segment gross profit down $0.1M or 0.8%**
- Gross Margin excluding severance and change in PTO policy was 20.1% in Q3 2020 vs 17.1% in Q3 2019

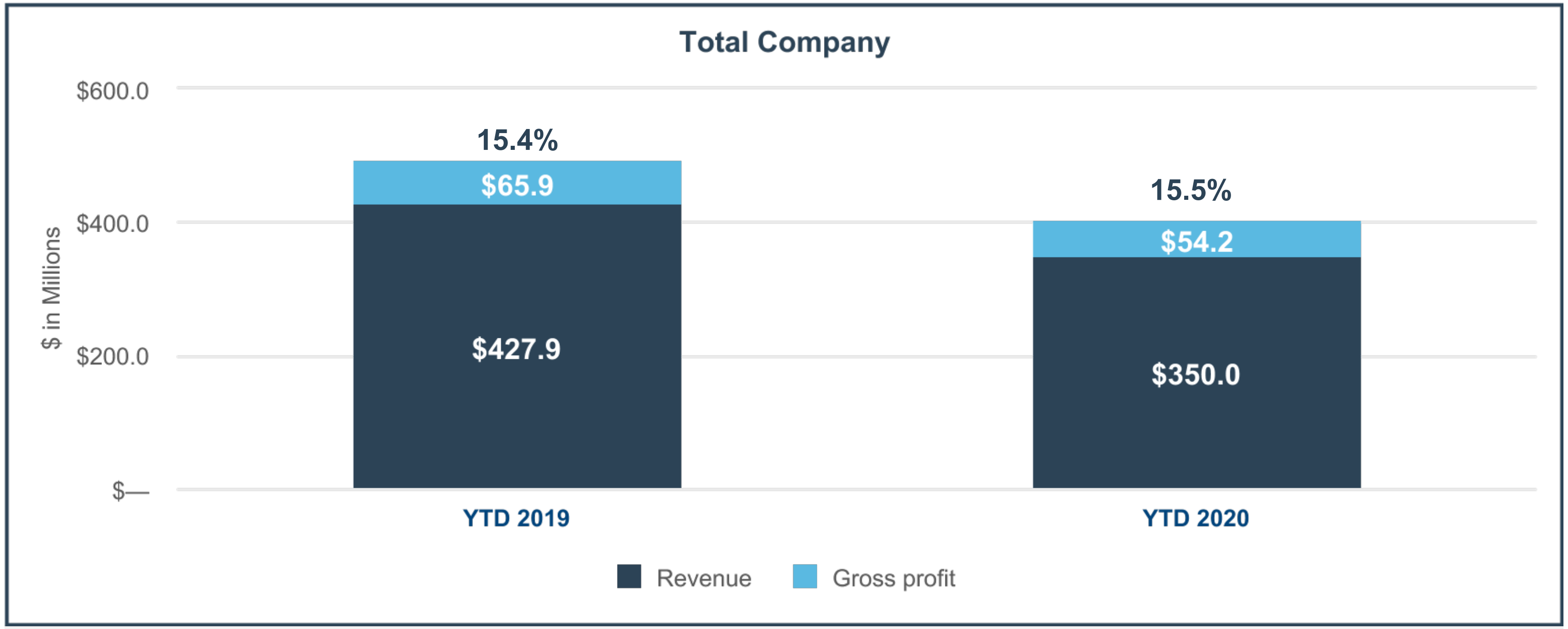
**Total segment revenue down $4.1M or 14.0%**
- $3.7M decrease due to COVID-19 impact
- Excluding COVID-19 and foreign currency impacts
  - – $0.3M increase in OPS
  - – $0.7M decrease in TPS
  - – $1.4M decrease in APS
- $1.4M increase due Fx impact

**Total segment gross profit down $0.2M or 6.6%**
- Gross Margin excluding severance and change in PTO policy of 16.9% in Q3 2020 vs 12.6% in Q3 2019

**Total segment revenue up $4.4M or 25.7%**
- $4.4M decrease due to COVID-19 impact
- Excluding COVID-19 and foreign currency impact
  - – $0.3M increase in OPS
  - – $0.4M decrease in TPS
  - – $0.4M increase in APS
- $0.3M decrease due Fx impact

**Total segment gross profit up $0.7M or 21.4%**
- Gross Margin excluding severance and change in PTO policy of 21.3% in Q3 2020 vs 18.5% in Q3 2019

# Revenue & Gross Profit Company – YTD September



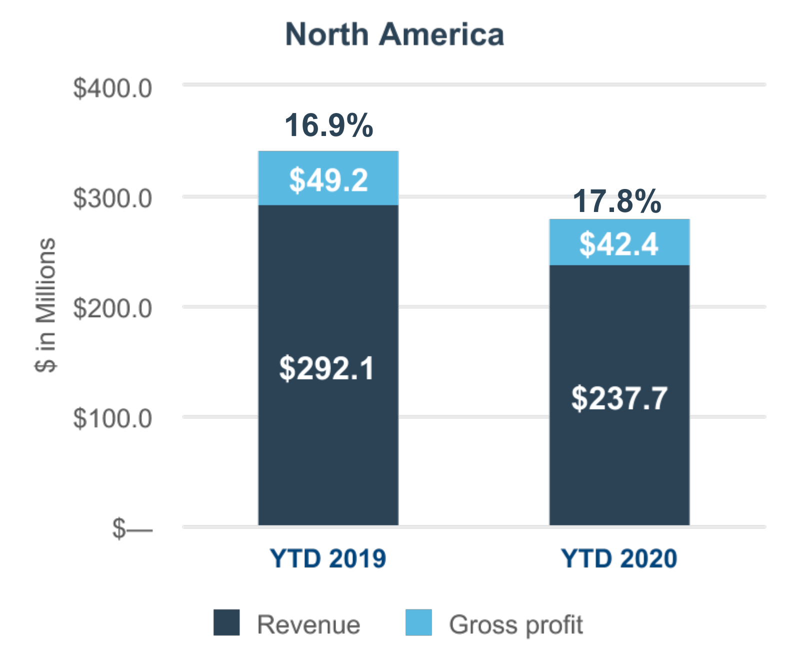

**Total revenue down $77.9M or 18.2%**

- $62.4M decrease due to COVID-19 impact
- Excluding COVID-19 impact, divestitures and foreign currency impact
  - $3.3M decrease in North America
  - $1.5M increase in EMES
  - $1.0M increase in Emerging Markets
- $13.0M decrease due to divestitures
- $1.7M decrease due to Foreign currency impact

**Gross profit down $11.7M or 17.8%**

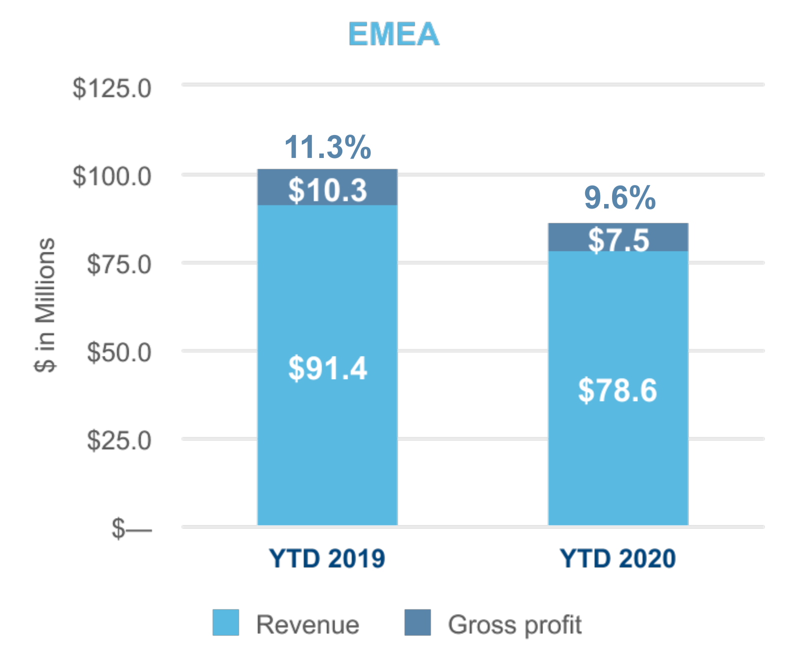
- Severance expense and change in PTO policy resulted in a $4.1 net expense YTD 2020 vs a $2.0M expense YTD 2019
- Gross Margin excluding these items was 16.7% in YTD 2020 vs 15.8% in YTD 2019

# Revenue & Gross Profit by Segment – YTD September



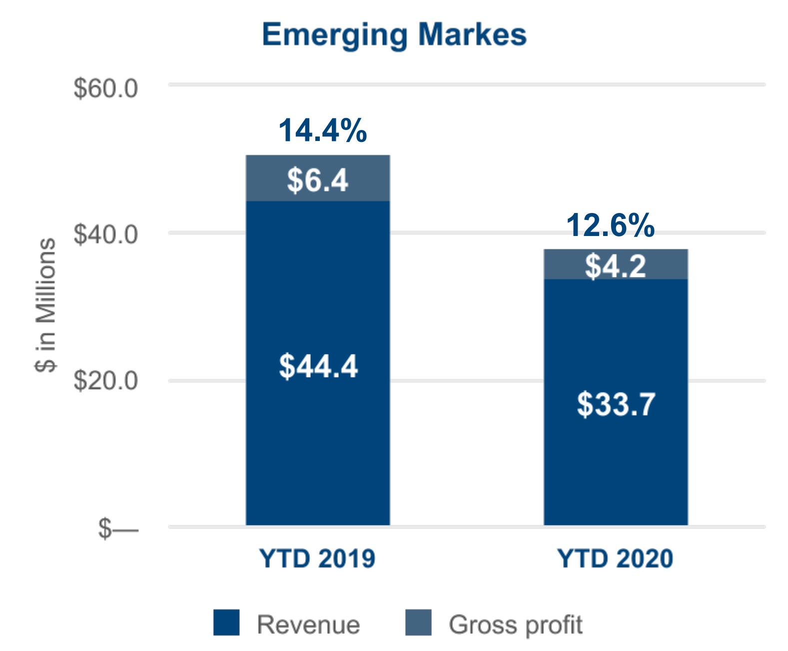

**Total segment revenue down $54.5M or 18.6%**
- $37.6M decrease due to COVID-19 impact
- Excluding COVID-19, divestitures and foreign currency impacts
  - $3.7M increase in OPS
  - $0.6M increase in TPS
  - $7.2M decrease in APS
- $13.0 decrease due to divestitures
- $0.6M decrease due Fx impact

**Total segment gross margin down $6.8M or 13.9%**
- Gross Margin excluding severance and change in PTO policy was 18.4% in YTD 2020 vs 17.1% YTD 2019




**Total segment revenue down $12.7M or 13.9%**
- $14.1M decrease due to COVID-19 impact
- Excluding COVID-19 and foreign currency impacts
  - $0.4M decrease in OPS
  - $3.9M increase in TPS
  - $1.8M decrease in APS
- $0.1M decrease due Fx impact

**Total segment gross margin down $2.8M or 26.8%**
- Gross Margin excluding severance and change in PTO policy was 12.6% in YTD 2020 vs 12.5% YTD 2019




**Total segment revenue up $10.7M or 24.1%**
- $10.7M decrease due to COVID-19 impact
- Excluding COVID-19 and foreign currency impacts
  - $0.7M increase in OPS
  - $0.4M decrease in TPS
  - $0.9M increase in APS
- $1.0 decrease due Fx impact

**Total segment gross margin up $2.1M or 33.5%**
- Gross Margin excluding severance and change in PTO policy was 13.6% in YTD 2020 vs 14.5% YTD 2019

# SG&A Expenses

| | ($ in millions) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Q3 2020 | Q3 2019 | $ Inc. (Dec.) | % Change | YTD 2020 | YTD 2018 | $ Inc. (Dec.) | % Change |
| General & Administrative Expenses | $17.6 | $15.2 | $2.4 | 15.8% | $49.1 | $46.8 | $2.3 | 5.0% |
| Sales & Marketing Expenses | $1.7 | $1.8 | $(0.1) | (7.9)% | $5.4 | $5.7 | $(0.3) | (6.0)% |

**GENERAL & ADMINISTRATIVE**
$2.4M increase in Q3 2020 vs. Q3 2019 primarily the result of
- $2.9 net increase due to severance expenses partially offset by a change in PTO policy
- $0.2 higher legal fees as a result of our IC Axon divestiture announced on October 1, 2020
- partially offset by -$0.7M reduction in G&A labor expenses due to cost cutting in initiatives during the last 6 months

**SALES & MARKETING EXPENSES**
Sales and marketing expense was consistent with Q3 last year

# Other P&L Items

| | ($ in millions) | | | |
|---|---|---|---|---|
| | Q3 2020 | Q3 2019 | YTD 2020 | YTD 2019 |
| Restructuring charges | — | $0.1 | $0.9 | $1.4 |
| Gain on change in fair value of contingent consideration | — | — | — | 0.7 |
| Gain on sale of business | — | — | 1.1 | — |
| Interest expense | 0.4 | 1.6 | 2.0 | 4.9 |
| Other expense | 0.2 | 0.2 | -0.5 | 0.3 |
| Income tax expense | 0.6 | 1.0 | -1.2 | 2.4 |
| Effective income tax rate | 52.4% | 31.0% | 47.4% | 29.7% |

**RESTRUCTURING CHARGES:** down $0.1M for Q3 2020 and down $0.5M YTD 2020 for transition activities to improve operational efficiency and reduce costs

**GAIN ON CONTINGENT CONSIDERATION:** no gain on contingent consideration for Q3 2020 and YTD 2020

**GAIN ON SALE OF BUSINESS:** no gain for Q3 2020 and a $1.1M YTD 2020 gain on sale of alternative fuels business

**INTEREST EXPENSE:** down $1.2M for Q3 2020 and $2.9M YTD 2020 due to lower borrowings and interest rates under the credit facility

**OTHER EXPENSE:** no change for Q3 2020 and a $0.8M change YTD 2020

**INCOME TAX EXPENSE:** Effective tax rate change due to jurisdictional mix of income and the decrease in pre-tax earnings

# Q3 2020 Earnings Summary

| | ($ in millions, except per share data) | | | |
|---|---|---|---|---|
| | **Q3 2020** | **Q3 2019** | **YTD 2020** | **YTD 2019** |
| Net income (loss) | $0.5 | $2.1 | $(1.4) | $5.7 |
| Earnings (loss) per share – diluted | 0.03 | 0.13 | $(0.08) | 0.34 |
| Adjusted EPS (1) | $0.24 | $0.24 | $0.33 | $0.61 |
| Adjusted EBITDA (1) | $10.1 | $10.8 | $19.5 | $30.0 |

(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 US GAAP equivalents, see the Non-GAAP Reconciliations, along with related footnotes, in the Appendices to this report.

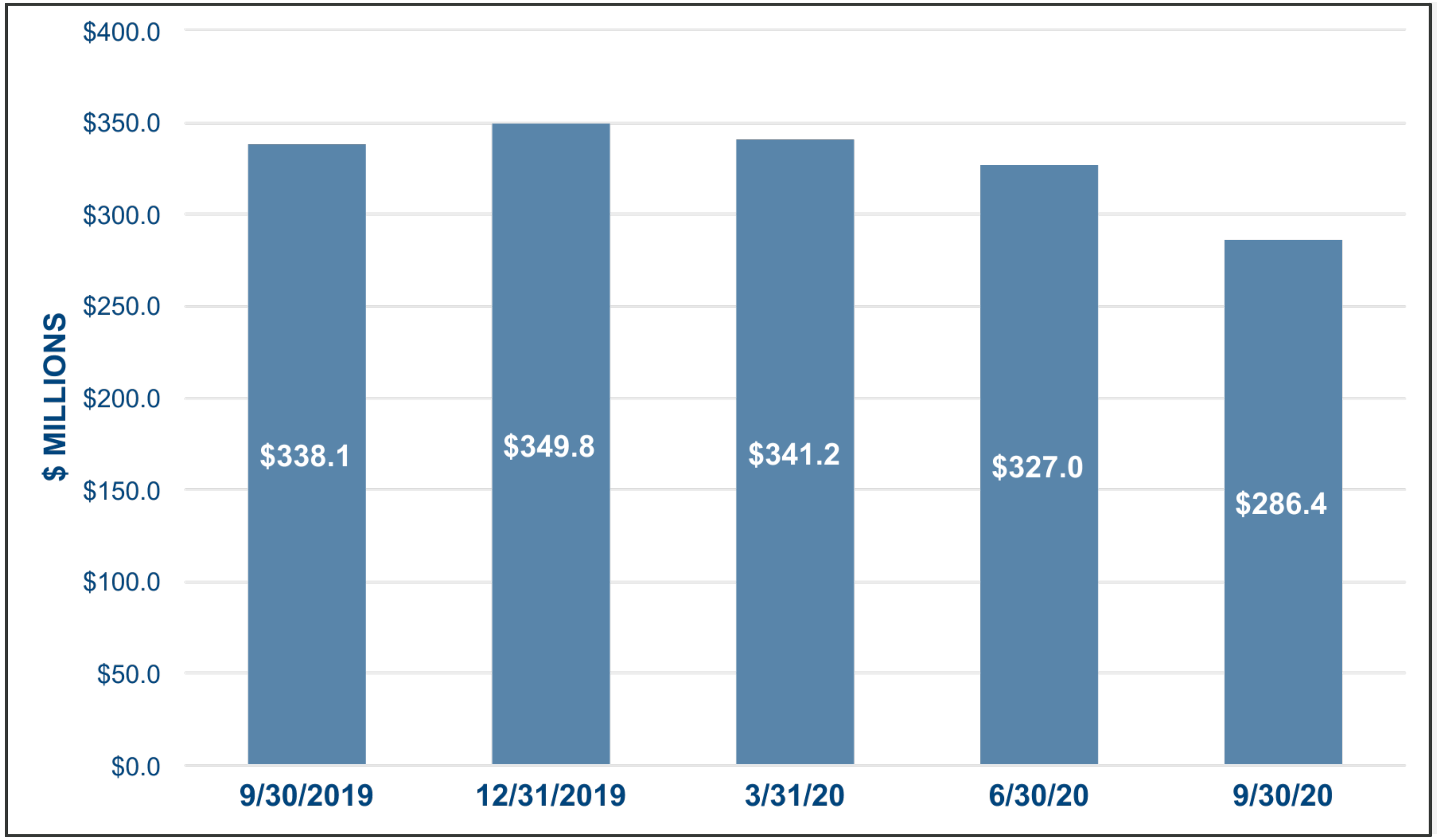
# Balance Sheet

## Significant Drivers

- **Operating Cash Flow in Q3 is $12.6M and YTD is $45.4M**
- Deferred payroll and other tax liabilities of $10.0M as of 9/30/20 under the CARES Act and other COVID relief which will be paid through 2022
- Net debt was $30.5M as of 9/30/20 which is a reduction of $44.1M from $74.7M as of 12/31/19
- Leverage ratio 1.7 as of 9/30/20 - available borrowings of $51.2M

| (unaudited)<br>($ in thousands) | December 31, 2019 | September 30, 2020 |
|---|---|---|
| Cash | $ 8,159 | $ 13,206 |
| Accounts receivable | 131,852 | 91,169 |
| Unbilled revenue | 57,229 | 39,256 |
| Prepaid expenses & other | 19,115 | 21,690 |
| Assets held for sale | — | 25,128 |
| Total current assets | 216,355 | 190,449 |
| | | |
| Property, plant & equipment | 5,803 | 4,933 |
| Operating lease assets | 27,251 | 22,637 |
| Goodwill & intangible assets, net | 187,907 | 160,243 |
| Other assets | 11,586 | 11,023 |
| Total assets | $ 448,902 | $ 389,285 |
| | | |
| Accounts payable | $ 92,332 | $ 73,227 |
| Current portion lease liabilities | 7,871 | 6,073 |
| Deferred revenue | 23,234 | 21,669 |
| Liabilities held for sale | — | 2,898 |
| Total current liabilities | 123,437 | 103,867 |
| | | |
| Long-term debt | 82,870 | 43,750 |
| Long-term portion lease liabilities | 22,159 | 19,325 |
| Other non-current liabilities | 10,522 | 13,353 |
| Stockholders' Equity | 209,914 | 208,990 |
| Total | $ 448,902 | $ 389,285 |

# Backlog Trending




- Backlog down $51.7M from reported 9/30/2019
- Backlog at 9/30/2019 includes $10.0M from divested businesses
- Backlog expressed as months of revenue is 7.4 months for Q3 2020 vs 7.5 month for Q3 2019

# Q&A

# Appendices

# Non-GAAP Reconciliation – Adjusted EBITDA(1)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net Income (Loss) | $ 521 | $ 2,141 | $ (1,379) | $ 5,694 |
| Interest Expense | 440 | 1,575 | 2,025 | 4,852 |
| Income Tax Expense (Benefit) | 573 | 961 | (1,241) | 2,408 |
| Depreciation & Amortization | 1,950 | 2,335 | 6,204 | 6,992 |
| **EBITDA** | **$ 3,484** | **$ 7,012** | **5,609** | **19,946** |
| ADJUSTMENTS: | | | | |
| Non-Cash Stock Compensation Expense | 1,618 | 1,520 | 4,410 | 3,939 |
| Stock Compensation Related to Severance | 1,721 | — | 1,721 | — |
| Restructuring Charges | — | 104 | 855 | 1,405 |
| Severance Expense | 4,937 | 1,015 | 7,502 | 2,026 |
| Change in paid time off policy | (1,894) | — | (1,894) | — |
| Gain on Contingent Consideration, net | — | — | — | (677) |
| ERP Implementation Costs | — | 455 | — | 1,603 |
| Foreign Currency Transaction (Gains) Losses | (120) | 500 | 722 | 1,052 |
| Legal Acquisition and Transaction Costs | 368 | 152 | 1,406 | 670 |
| Impairment of Operating Lease Right-of-Use Asset | — | — | 255 | — |
| Gain on Sale of Business | — | — | (1,064) | — |
| **Adjusted EBITDA** | **$10,114** | **$10,758** | **$19,522** | **$29,964** |

(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. In particular, with regard to our comparison of our first quarter 2020 Adjusted EBITDA to our currently anticipated second quarter 2020 Adjusted EBITDA, we believe that certain gains and charges in the first quarter and certain anticipated gains and charges in the second quarter, such as the gain on sale of business, legal acquisition and transaction costs, restructuring charges and severance expense, while difficult to predict in the current environment, will vary significantly and make a quarter to quarter comparison of net income less useful to investors than a comparison of Adjusted EBITDA in understanding the impact of COVID-19 and related effects on our results of operations. The Company is unable without unreasonable efforts to estimate specific line items in Adjusted EBITDA which are necessary to a quantitative reconciliation for the forward-looking information above, due to factors including the COVID-19 pandemic and its rapidly-changing effects. Without the availability of this significant information, the Company is unable to provide such a reconciliation. Adjusted EBITDA is calculated by adding back to net income interest expense, income tax expense, depreciation and amortization, non-cash stock compensation expense, and other unusual or infrequently occurring items. For the periods presented, these other items are restructuring charges, severance expense, change in PTO policy, gain or loss on the change in fair value of contingent consideration, ERP implementation costs, foreign currency transaction losses, legal acquisition & transaction costs, impairment of operating lease right-of-use asset, and gain on sale of business. 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] Q3

| ($ in thousands, except per share amounts) (Unaudited) | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Gross | Net of Tax | EPS | Gross | Net of Tax | EPS |
| | | | $ 0.03 | | | $ 0.13 |
| ADJUSTMENTS: | | | | | | |
| Stock Compensation Severance Expense | $ 1,721 | $ 1,274 | 0.07 | $ — | $ — | — |
| Restructuring | — | — | — | 104 | 63 | — |
| Severance Expense | 4,937 | 3,653 | 0.21 | 1,015 | 705 | 0.04 |
| Change in paid time off policy | (1,894) | (1,402) | (0.08) | — | — | — |
| ERP Implementation Costs | — | — | — | 455 | 311 | 0.02 |
| Foreign Currency Transaction (Gains) Losses | (120) | (89) | (0.01) | 500 | 347 | 0.02 |
| Legal Acquisition & Transaction Costs | 368 | 175 | 0.01 | 152 | 103 | 0.01 |
| Settlement of Contingent Consideration in Shares | 200 | 148 | 0.01 | 425 | 299 | 0.02 |
| Adjusted EPS | | | $ 0.24 | | | $ 0.24 |

(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, legal acquisition & transaction costs, settlement of contingent consideration in shares, impairment of operating lease right-of-use asset, gain on sale of business. 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 US GAAP financial results, provides management and investors with an additional understanding of our business operating results, including underlying trends.

# Non-GAAP Reconciliation – Adjusted EPS[1] YTD September

| ($ in thousands, except per share amounts) (Unaudited) | Nine Months Ended September 30, 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Gross | Net of Tax | EPS | Gross | Net of Tax | EPS |
| | | | $ (0.08) | | | $ 0.34 |
| ADJUSTMENTS: | | | | | | |
| Stock Compensation Severance Expense | $ 1,721 | $ 1,274 | 0.07 | $ — | $ — | — |
| Restructuring Charges | 855 | 633 | 0.04 | 1,405 | 988 | 0.06 |
| Severance Expense | 7,502 | 5,537 | 0.32 | 2,026 | 1,424 | 0.08 |
| Change in paid time off policy | (1,894) | (1,402) | $ (0.08) | — | — | — |
| Gain on Contingent Consideration, net | — | — | — | (677) | (476) | (0.03) |
| ERP Implementation Costs | — | — | — | 1,603 | 1,127 | 0.07 |
| Foreign Currency Transaction (Gains) Losses | 722 | 431 | 0.02 | 1,052 | 740 | 0.04 |
| Legal Acquisition and Transaction Costs | 1,406 | 874 | 0.05 | 670 | 471 | 0.03 |
| Impairment of Operating Lease Right-of-Use Asset | 255 | 172 | $ 0.01 | — | — | — |
| Settlement of Contingent Consideration in Shares | 600 | 431 | 0.02 | 425 | 299 | 0.02 |
| Gain on Sale of Business | (1,064) | (716) | (0.04) | — | — | — |
| Adjusted EPS | | | $ 0.33 | | | $ 0.61 |

(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 on 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, legal acquisition & transaction costs, settlement of contingent consideration in shares, (gain) loss on divested business, loss on settlement with foreign oil & gas client, and reversal of contingent interest. 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 US GAAP financial results, provides management and investors with an additional understanding of our business operating results, including underlying trends.

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