



# SECOND QUARTER 2018 Investor Conference Call

July 31, 2018

## *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  
Director, Investor Relations  
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.

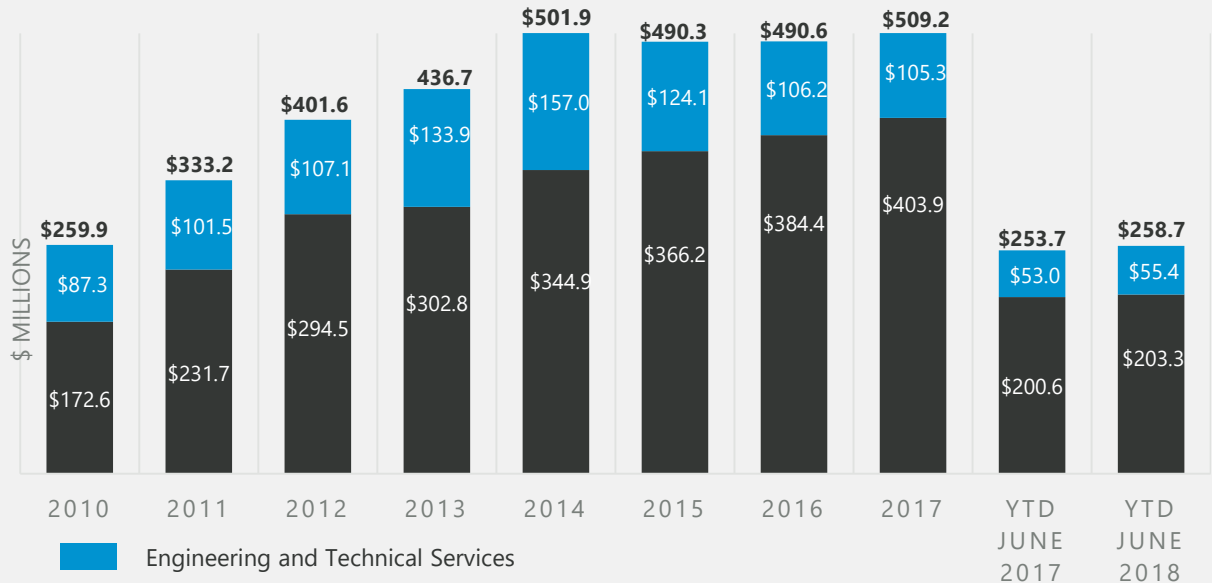
If any one or more of these expectations and assumptions proves incorrect, actual results will likely differ materially from those contemplated by the forward-looking statements. Even if all of the foregoing assumptions and expectations prove correct, actual results may still differ materially from those 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
- Acquisition Update – Scott Greenberg
- Q&A
- Closing

# GP Strategies – REVENUE TRENDING



## INSIGHTS

- Steady revenue growth trend outside of E&TS
- From 2014-2017 E&TS revenue decreased -13% CAGR
- E&TS revenue YTD June is up 5% and Q2 '18 is up 11% over Q2 '17

# GP Strategies Operational Update



## Engineering & Technical Services Q2 2018 Details:

- Improvement across all services
- Focus on higher margin services:
  - Higher margin services revenue increased 22% year over year
  - Gross profit improved by more than double the rate of revenue
  - License revenue increased 150% over Q2 2017



## UK Job Skills Details:

- H2 2018 gross profit deficit versus H2 2017 much lower than H1 2018 versus H1 2017
- 2019 gross profit expected be to significantly higher than 2018



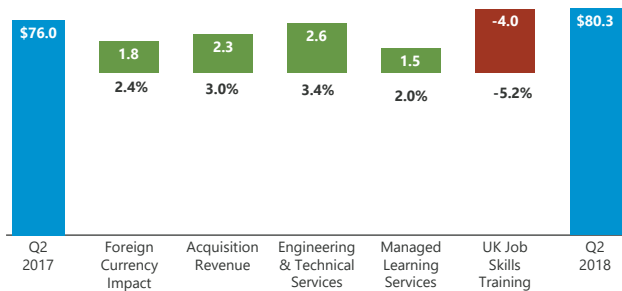
## KEY INITIATIVES:

- Managed Learning Services
  - 3 active proposals with combined value > \$35M/year
  - Finalizing long term contract details with our largest financial services client
- Capital Projects Activity (Technical Services)
  - 4 active capital project support proposals
- International Automotive Expansion
  - 8% of H1 2018 automotive revenue generated outside the U.S. vs. 6% of H1 2017
  - H1 2018 automotive services outside the U.S. up 46% over H1 2017
- APAC Expansion
  - H1 2018 up 7% over H1 2017

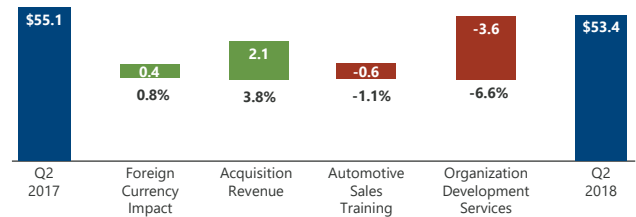
# GP Strategies Revenue by Segment

	(\$ in millions)			% Change
	Q2 2018	Q2 2017	\$ Inc. (Dec.)	
Workforce Excellence	80.3	76.0	4.3	5.6%
Business Transformation Services	53.4	55.1	(1.7)	-3.1%
	133.7	131.1	2.6	2.0%

Workforce Excellence



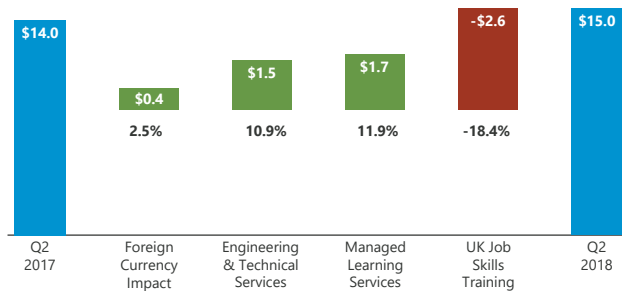
Business Transformation Services



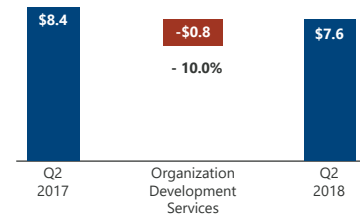
# GP Strategies Gross Profit by Segment

	(\$ in millions)					
	Q2 2018	% of Revenue	Q2 2017	% of Revenue	\$ Inc. (Dec.)	% Change
Workforce Excellence	15.0	18.7%	14.0	18.5%	1.0	6.9%
Business Transformation Services	7.6	14.2%	8.4	15.2%	(0.8)	-10.0%
	22.6	16.9%	22.4	17.1%	0.2	0.6%

Workforce Excellence



Business Transformation Services





# GP Strategies SG&A Expenses

	(\$ in millions)			% Change
	Q2 2018	Q2 2017	\$ Inc. (Dec.)	
General & Administrative Expenses	14.1	12.8	1.3	10.5%
Sales & Marketing Expenses	1.1	0.5	0.6	139.9%

## GENERAL & ADMINISTRATIVE

- \$0.6 million increase in bad debt expense
- \$0.4 million increase in legal expenses relating to acquisitions
- \$0.3 million miscellaneous other

## SALES & MARKETING EXPENSES

- Investments in Chief Sales Officer, inside sales, corporate account management program
- Centralizing marketing resources previously in Cost of Revenue

# GP Strategies Other Expenses

	(\$ in millions)	
	Q2 2018	Q2 2017
Restructuring charges	2.5	–
Gain (loss) on change in fair value of contingent consideration	0.9	(0.1)
Interest expense	(0.2)	0.5
Other expense	1.0	0.1
Income tax expense	1.3	2.6
Effective income tax rate	27.1%	30.7%

RESTRUCTURING +\$1.3 million of facility consolidations; +\$1.2M of severance

GAIN ON CONTINGENT CONSIDERATION +\$1.0M after lowering projections

INTEREST EXPENSE –\$1.1 potential VAT penalty, favorably settled in Q2. Offset by \$0.4 million increase due to higher borrowings and interest rates under the credit facility

OTHER EXPENSE +\$0.9 million increase in foreign currency losses, primarily due to revaluation of intercompany AR / AP balances

INCOME TAX EXPENSE Projecting 2018 ETR of 28.8% including 1.9% of discrete items

# GP Strategies Q2 2018 Earnings Summary

	(\$ in millions, except per share data)	
	Q2 2018	Q2 2017
Net income	\$3.6	\$5.9
Earnings Per Share – Basic and Diluted	\$0.22	\$0.35
Adjusted EPS (1)	\$0.34	\$0.41
Adjusted EBITDA (1)	\$11.8	\$13.9

(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 following two slides to this report.

# GP Strategies Non-GAAP Reconciliation – Adjusted EPS<sup>(1)</sup>

(Unaudited)	Quarters Ended June 30		6 Months Ended June 30	
	2018	2017	2018	2017
Diluted Earnings Per Share	\$0.22	\$0.35	\$0.37	\$0.59
Restructuring Charges	0.11	—	0.13	—
(Gain) Loss on Change in Fair Value of Contingent Consideration, net	(0.04)	—	(0.15)	—
ERP Implementation Costs	0.05	0.05	0.11	0.07
Foreign Currency Transaction Losses	0.05	0.01	0.06	0.01
Reversal of Contingent Interest Accrual on Unremitted VAT Payments	(0.05)	—	(0.05)	—
Adjusted EPS	\$0.34	\$0.41	\$0.47	\$0.67

(1) Adjusted Earnings per Diluted Share ("Adjusted EPS"), which is a non-GAAP financial measure, is defined as earnings per diluted share excluding the gain or loss on the change in fair value of acquisition-related contingent consideration and special charges, such as restructuring, system implementation costs, and other unusual or infrequently occurring items of income or expense. 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 Non-GAAP Reconciliation – Adjusted EBITDA<sup>(1)</sup>

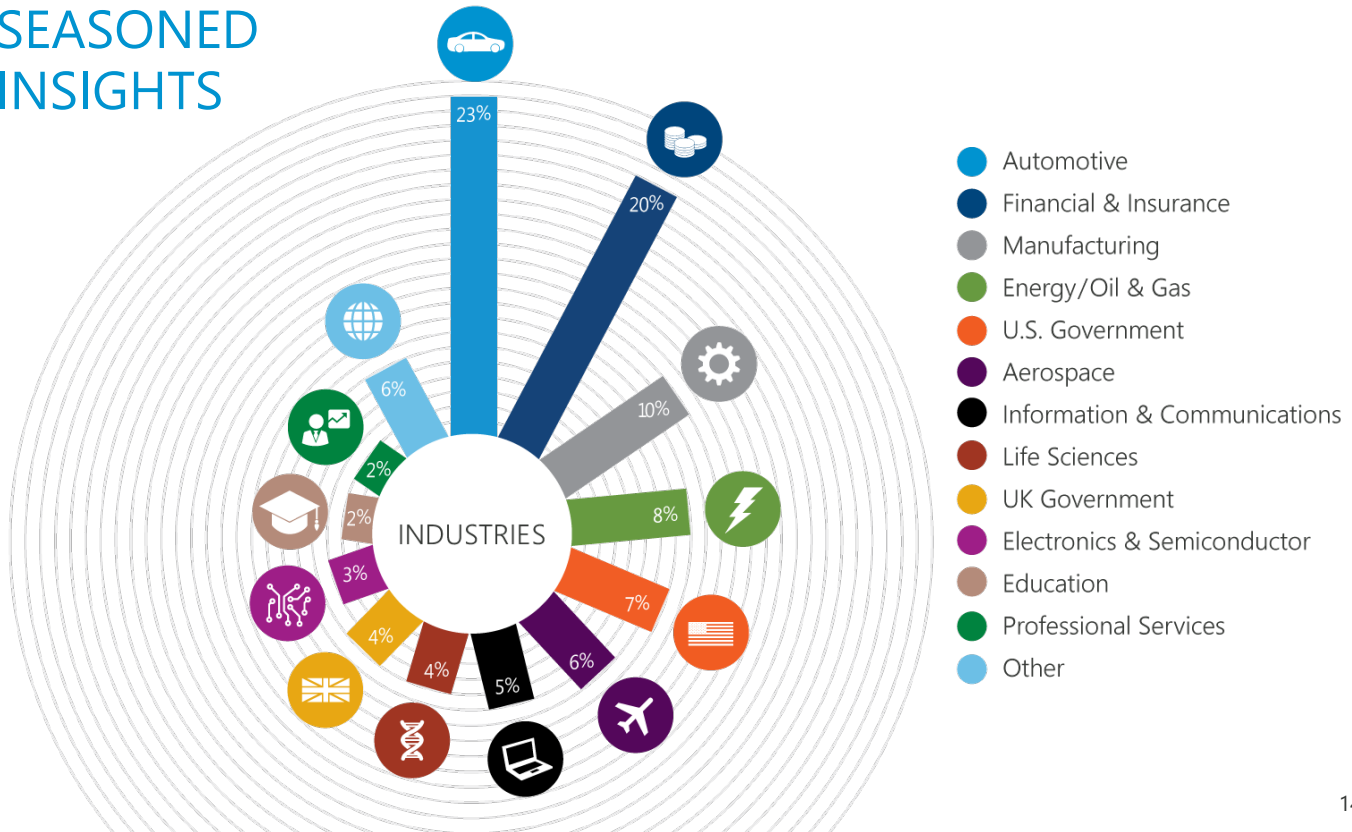
(\$ in thousands) (Unaudited)

	Quarters Ended June 30		6 Months Ended June 30	
	2018	2017	2018	2017
Net Income	\$3,575	\$5,863	\$6,207	\$9,949
Interest Expense	(150)	534	536	972
Income Tax Expense	1,332	2,597	3,062	4,589
Depreciation & Amortization	1,919	1,763	3,761	3,206
EBITDA	6,676	10,757	13,566	18,716
Adjustments:				
Non-Cash Stock Compensation	1,125	1,734	2,534	3,192
ERP System Implementation Costs	1,206	1,150	2,610	1,692
Restructuring Charges	2,495	–	2,930	–
Foreign Currency Transaction Losses	1,160	171	1,417	164
(Gain) Loss on Contingent Consideration	(894)	96	(3,446)	(101)
Adjusted EBITDA	\$11,768	\$13,908	\$19,611	\$23,663

(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 such as restructuring charges. 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.

# Serving a Diverse Client Base

Over 50 years of  
**SEASONED  
INSIGHTS**



# GP Strategies Balance Sheet Highlights

as of June 30, 2018:

Cash balance  
**\$14.1**  
million

Debt outstanding  
**\$101.8**  
million

New Credit  
Agreement executed  
.....  
Available borrowings:  
\$33.0 million

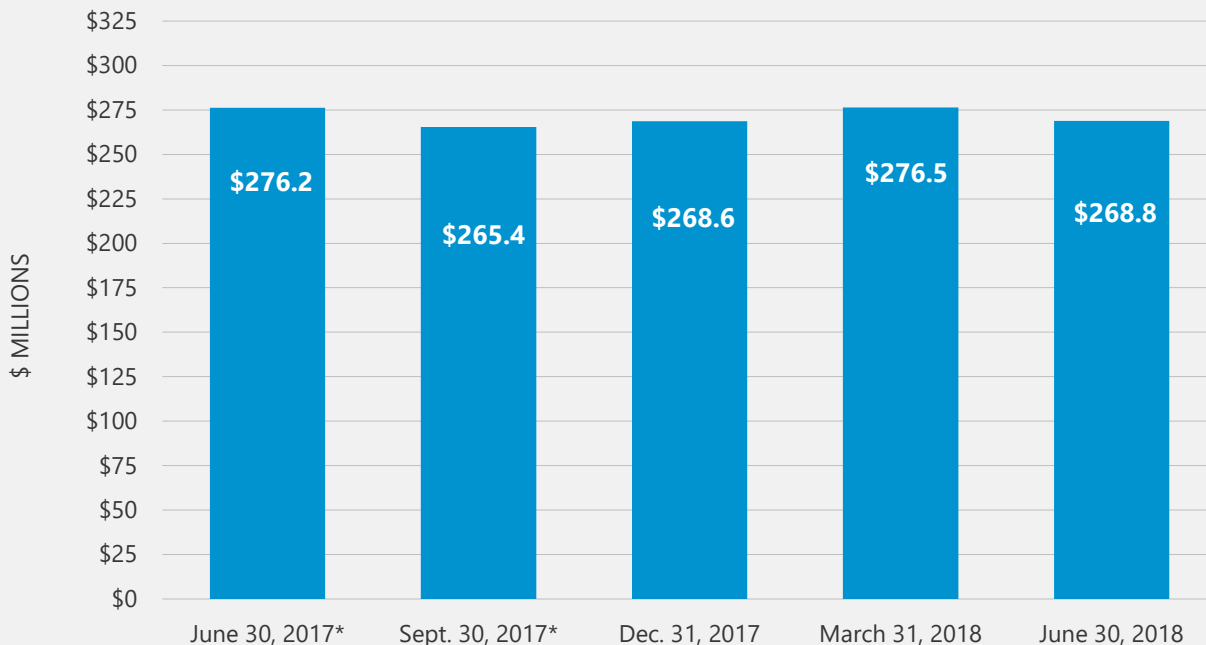
Cash flow from  
operations for six  
months ended  
June 30, 2018:  
**\$7.1 million**

## Significant cash uses in 2018 to date:

Acquisitions  
**\$40.0**  
million

Share repurchases YTD  
**\$7.8**  
million

# GP Strategies BACKLOG



\*Includes approximately \$26 million in backlog on a contract with a foreign oil and gas client which was terminated in Q4 2017.



# GP Strategies Acquisition Update

As part of its strategic plan, GP Strategies is looking to supplement organic revenue growth through select, strategic acquisitions with a dual focus in the following areas:



## INDUSTRY FOCUS

Life Sciences (4% of Current Revenue)  
Automotive (23% of Current Revenue)  
Financial Services (20% of Current Revenue)



## DISCIPLINE FOCUS

High Margin Services  
Human Capital  
Leadership  
Other

## ACQUISITION SPOTLIGHT

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- Designs and deploys customized clinical and sales training solutions for global pharmaceutical and life sciences companies
- Strengthens GP Strategies' ability to deliver comprehensive sales training and digital learnings services to its diverse global pharmaceutical customer base
- Founded in 1995 and headquartered in Montreal, Canada
- Employs a large team of in-house clinical experts, including medical writers, editors, and dedicated referencing systems managers










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