

EXPONENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Quarters Ended December 29, 2017 and December 30, 2016
(unaudited)
(in thousands, except per share data)

	<u>Quarters Ended</u>		<u>Years Ended</u>	
	<u>December 29, 2017</u>	<u>December 30, 2016</u>	<u>December 29, 2017</u>	<u>December 30, 2016</u>
<u>Revenues</u>				
Revenues before reimbursements	\$ 82,718	\$ 72,753	\$ 329,664	\$ 299,197
Reimbursements	5,564	4,260	18,135	15,879
Revenues	<u>88,282</u>	<u>77,013</u>	<u>347,799</u>	<u>315,076</u>
<u>Operating expenses</u>				
Compensation and related expenses	52,842	46,543	210,289	193,397
Other operating expenses	7,578	7,176	29,544	28,397
Reimbursable expenses	5,564	4,260	18,135	15,879
General and administrative expenses	4,503	4,085	17,780	15,492
	<u>70,487</u>	<u>62,064</u>	<u>275,748</u>	<u>253,165</u>
Operating income	17,795	14,949	72,051	61,911
<u>Other income, net</u>				
Interest income, net	422	194	1,294	683
Miscellaneous income, net	2,504	1,648	9,164	6,528
	<u>2,926</u>	<u>1,842</u>	<u>10,458</u>	<u>7,211</u>
Income before income taxes	20,721	16,791	82,509	69,122
Income taxes	<u>24,426</u>	<u>6,403</u>	<u>41,204</u>	<u>21,642</u>
Net income (loss)	<u>\$ (3,705)</u>	<u>\$ 10,388</u>	<u>\$ 41,305</u>	<u>\$ 47,480</u>
<u>Net income per share:</u>				
Basic	\$ (0.14)	\$ 0.40	\$ 1.57	\$ 1.79
Diluted	\$ (0.14)	\$ 0.39	\$ 1.53	\$ 1.75
<u>Shares used in per share computations:</u>				
Basic	26,363	26,262	26,362	26,488
Diluted	26,363	26,955	26,986	27,166

EXPONENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
December 29, 2017 and December 30, 2016
(unaudited)
(in thousands)

	December 29, 2017	December 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 124,794	\$ 114,967
Short-term investments	71,604	58,755
Accounts receivable, net	110,100	87,409
Prepaid expenses and other assets	9,011	12,913
Total current assets	<u>315,509</u>	<u>274,044</u>
Property, equipment and leasehold improvements, net	35,014	36,710
Goodwill	8,607	8,607
Other assets	80,459	84,383
	<u>\$ 439,589</u>	<u>\$ 403,744</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 14,741	\$ 10,073
Accrued payroll and employee benefits	70,064	62,539
Deferred revenues	8,302	7,624
Total current liabilities	<u>93,107</u>	<u>80,236</u>
Other liabilities	56,102	48,508
Deferred rent	1,292	1,654
Total liabilities	<u>150,501</u>	<u>130,398</u>
Stockholders' equity:		
Common stock	33	33
Additional paid-in capital	210,263	194,632
Accumulated other comprehensive (loss) income	(2,029)	(3,126)
Retained earnings	303,990	291,243
Treasury stock, at cost	(223,169)	(209,436)
Total stockholders' equity	<u>289,088</u>	<u>273,346</u>
	<u>\$ 439,589</u>	<u>\$ 403,744</u>

EXPONENT, INC.
Tax Legislation (1)
For the Quarter and Year Ended December 29, 2017
(unaudited)
(in thousands)

	<u>Quarter Ended</u> <u>December 29,</u> <u>2017</u>	<u>Year Ended</u> <u>December 29,</u> <u>2017</u>
Net Income (loss)	\$ (3,705)	\$ 41,305
Impact of Tax Legislation	16,507	16,507
Net Income excluding the impact of of Tax Legislation (1)	<u>\$ 12,802</u>	<u>\$ 57,812</u>
Divided by average diluted shares used in the calculation of diluted earnings (excluding the impact of Tax Legislation) per share	27,001	26,986
Diluted earnings per share excluding the impact of Tax Legislation (1)	<u>\$ 0.47</u>	<u>\$ 2.14</u>
Diluted shares used in the calculation of diluted earnings per share	26,363	26,986
Impact of Tax Legislation	638	-
Diluted shares used in the calculation of diluted earnings per share excluding the impact of Tax Legislation (1)	<u>27,001</u>	<u>26,986</u>

(1) The Tax Cuts and Jobs Act (Tax Legislation) was enacted on December 22, 2017 and lowers U.S. corporate income tax rates as of January 1, 2018, implements a territorial tax system and imposes a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The estimated impact of Tax Legislation to the Company was an increase in income tax expense of \$16,507,000 in the fourth quarter of 2017. The Company has significant domestic deferred tax assets primarily associated with its deferred compensation plan and stock-based compensation program, which were previously valued at the federal corporate tax rate of 35%. The Company's deferred tax assets were re-measured at the lower enacted corporate tax rate of 21% which contributed \$15,137,000 to the estimated increase in income tax expense associated with the Tax Legislation. The Company also has foreign earnings that were subject to the mandatory repatriation tax. The total mandatory repatriation tax, net of the benefit of the Company's foreign tax credits, contributed \$1,370,000 to the estimated increase in income tax expense associated with the Tax Legislation. Management believes that presenting the Company's results excluding Tax Legislation is meaningful as excluding this item increases the comparability of period-to-period results. Net income and diluted earnings per share excluding the impact of Tax Legislation are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies.

EXPONENT, INC.
EBITDA and EBITDAS (2)
For the Quarters Ended December 29, 2017 and December 30, 2016
(unaudited)
(in thousands)

	<u>Quarters Ended</u>		<u>Years Ended</u>	
	<u>December 29, 2017</u>	<u>December 30, 2016</u>	<u>December 29, 2017</u>	<u>December 30, 2016</u>
Net Income (loss)	\$ (3,705)	\$ 10,388	\$ 41,305	\$ 47,480
Add back (subtract):				
Income taxes	24,426	6,403	41,204	21,642
Interest income, net	(422)	(194)	(1,294)	(683)
Depreciation and amortization	1,523	1,622	6,285	6,131
EBITDA (2)	<u>21,822</u>	<u>18,219</u>	<u>87,500</u>	<u>74,570</u>
Stock-based compensation	3,427	2,674	16,155	13,333
EBITDAS (2)	<u>\$ 25,249</u>	<u>\$ 20,893</u>	<u>\$ 103,655</u>	<u>\$ 87,903</u>

(2) EBITDA is a non-GAAP financial measure defined by the Company as net income before income taxes, interest income, depreciation and amortization. EBITDAS is a non-GAAP financial measure defined by the Company as EBITDA before stock-based compensation. The Company regards EBITDA and EBITDAS as useful measures of operating performance and cash flow to complement operating income, net income and other GAAP financial performance measures. Additionally, management believes that EBITDA and EBITDAS provide meaningful comparisons of past, present and future operating results. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. These measures, however, should be considered in addition to, and not as a substitute or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with GAAP.