

EXPONENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Quarters Ended December 28, 2018 and December 29, 2017
(unaudited)
(in thousands, except per share data)

	<u>Quarters Ended</u>		<u>Years Ended</u>	
	<u>December 28, 2018</u>	<u>December 29, 2017</u>	<u>December 28, 2018</u>	<u>December 29, 2017</u>
<u>Revenues</u>				
Revenues before reimbursements	\$ 85,269	\$ 82,718	\$ 354,639	\$ 329,664
Reimbursements	6,874	5,564	24,884	18,135
Revenues	<u>92,143</u>	<u>88,282</u>	<u>379,523</u>	<u>347,799</u>
<u>Operating expenses</u>				
Compensation and related expenses	46,376	52,842	215,052	210,289
Other operating expenses	7,742	7,578	30,599	29,544
Reimbursable expenses	6,874	5,564	24,884	18,135
General and administrative expenses	4,365	4,503	17,532	17,780
	<u>65,357</u>	<u>70,487</u>	<u>288,067</u>	<u>275,748</u>
Operating income	26,786	17,795	91,456	72,051
<u>Other income, net</u>				
Interest income, net	938	422	2,751	1,294
Miscellaneous income, net	(5,765)	2,504	(890)	9,164
	<u>(4,827)</u>	<u>2,926</u>	<u>1,861</u>	<u>10,458</u>
Income before income taxes	21,959	20,721	93,317	82,509
Income taxes	<u>5,923</u>	<u>24,426</u>	<u>21,063</u>	<u>41,204</u>
Net income (loss)	<u>\$ 16,036</u>	<u>\$ (3,705)</u>	<u>\$ 72,254</u>	<u>\$ 41,305</u>
<u>Net income per share:</u>				
Basic	\$ 0.30	\$ (0.07)	\$ 1.37	\$ 0.78
Diluted	\$ 0.30	\$ (0.07)	\$ 1.33	\$ 0.77
<u>Shares used in per share computations:</u>				
Basic	52,839	52,726	52,906	52,724
Diluted	54,119	52,726	54,168	53,972

EXPONENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
December 28, 2018 and December 29, 2017
(unaudited)
(in thousands)

	<u>December 28, 2018</u>	<u>December 29, 2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 127,059	\$ 124,794
Short-term investments	81,495	71,604
Accounts receivable, net	105,814	110,100
Prepaid expenses and other assets	<u>12,244</u>	<u>9,011</u>
Total current assets	326,612	315,509
Property, equipment and leasehold improvements, net	46,103	35,014
Goodwill	8,607	8,607
Other assets	<u>87,614</u>	<u>80,459</u>
	<u>\$ 468,936</u>	<u>\$ 439,589</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,283	\$ 14,741
Accrued payroll and employee benefits	76,855	70,064
Deferred revenues	<u>9,166</u>	<u>8,302</u>
Total current liabilities	98,304	93,107
Other liabilities	55,256	56,102
Deferred rent	<u>1,467</u>	<u>1,292</u>
Total liabilities	<u>155,027</u>	<u>150,501</u>
Stockholders' equity:		
Common stock	66	66
Additional paid-in capital	227,283	210,230
Accumulated other comprehensive (loss) income	(2,853)	(2,029)
Retained earnings	342,024	303,990
Treasury stock, at cost	<u>(252,611)</u>	<u>(223,169)</u>
Total stockholders' equity	<u>313,909</u>	<u>289,088</u>
	<u>\$ 468,936</u>	<u>\$ 439,589</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		
	54,002	53,972
Diluted earnings per share excluding the impact of Tax Legislation (1)	<u>\$ 0.24</u>	<u>\$ 1.07</u>
Diluted shares used in the calculation of diluted earnings per share		
	52,726	53,972
Impact of Tax Legislation	1,276	-
Diluted shares used in the calculation of diluted earnings per share excluding the impact of Tax Legislation (1)	<u>54,002</u>	<u>53,972</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 28, 2018 and December 29, 2017
(unaudited)
(in thousands)

	<u>Quarters Ended</u>		<u>Years Ended</u>	
	<u>December 28, 2018</u>	<u>December 29, 2017</u>	<u>December 28, 2018</u>	<u>December 29, 2017</u>
Net Income (loss)	\$ 16,036	\$ (3,705)	\$ 72,254	\$ 41,305
Add back (subtract):				
Income taxes	5,923	24,426	21,063	41,204
Interest income, net	(938)	(422)	(2,751)	(1,294)
Depreciation and amortization	1,582	1,523	6,292	6,285
EBITDA (2)	<u>22,603</u>	<u>21,822</u>	<u>96,858</u>	<u>87,500</u>
Stock-based compensation	3,388	3,427	16,993	16,155
EBITDAS (2)	<u>\$ 25,991</u>	<u>\$ 25,249</u>	<u>\$ 113,851</u>	<u>\$ 103,655</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.