



# Reconciliation of Non-GAAP Items (Unaudited)

(in thousands)	Three Months Ended			Twelve Months Ended	
	December 31, 2022	2021	September 30, 2022	December 31, 2022	2021
Net income	\$ 81,797	\$ 116,217	\$ 92,445	\$ 444,050	\$ 327,388
Net income as a % of revenue	7.3 %	8.5 %	8.1 %	8.5 %	8.2 %
Income tax expense	25,702	42,577	34,962	162,653	116,533
Income before income taxes	107,499	158,794	127,407	606,703	443,921
Interest expense, net, and other <sup>(7)</sup>	11,768	9,799	8,961	40,398	34,077
Income from operations	119,267	168,593	136,368	647,101	477,998
Operating margin <sup>(8)</sup>	10.6 %	12.4 %	12.0 %	12.3 %	12.0 %
Depreciation and amortization	36,838	27,054	33,239	133,007	101,152
Depreciation (included in cost of revenue) <sup>(9)</sup>	1,186	772	1,091	4,104	2,545
Share-based compensation	5,396	7,322	4,898	30,066	25,217
Acquisition, integration, and other costs <sup>(10)</sup>	11,877	18,870	6,237	32,409	28,514
Adjusted EBITDA <sup>(3)</sup>	\$ 174,564	\$ 222,611	\$ 181,833	\$ 846,687	\$ 635,426
Selling, general and administrative (“SG&A”) expenses	\$ 219,148	\$ 238,678	\$ 215,419	\$ 936,576	\$ 730,451
SG&A margin <sup>(11)</sup>	19.5 %	17.5 %	18.9 %	17.9 %	18.3 %
Share-based compensation	5,396	7,322	4,898	30,066	25,217
Acquisition, integration, and other costs <sup>(10)</sup>	11,877	18,870	6,237	32,409	28,514
Adjusted SG&A expenses <sup>(12)</sup>	\$ 201,875	\$ 212,486	\$ 204,284	\$ 874,101	\$ 676,720
Adjusted SG&A margin <sup>(13)</sup>	17.9 %	15.6 %	17.9 %	16.7 %	17.0 %

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	Three Months Ended			Twelve Months Ended	
	December 31,		Sept 30,	December 31,	
	2022	2021	2022	2022	2021
Net income	\$ 81,797	\$ 116,217	\$ 92,445	\$ 444,050	\$ 327,388
Adjustments:					
Amortization of intangible assets	22,235	15,997	20,884	83,078	63,015
Acquisition, integration, and other costs <sup>(10)</sup>	11,877	18,870	6,237	32,409	28,514
Fair value changes of equity investments and instruments <sup>(7)</sup>	3,429	—	—	3,429	(6,683)
Debt financing related costs	—	—	—	—	158
Tax effect of above adjustments	(9,761)	(9,065)	(7,051)	(30,918)	(22,101)
Tax effect of COLI fair value changes <sup>(14)</sup>	(1,823)	12	1,507	4,665	(2,767)
Excess tax benefits related to equity awards <sup>(15)</sup>	(139)	(37)	(727)	(2,971)	(1,820)
Adjusted net income <sup>(16)</sup>	<u>\$ 107,615</u>	<u>\$ 141,994</u>	<u>\$ 113,295</u>	<u>\$ 533,742</u>	<u>\$ 385,704</u>
GAAP diluted net income per share (EPS)	\$ 1.88	\$ 2.42	\$ 2.10	\$ 9.90	\$ 6.81
Adjustments	0.60	0.53	0.47	2.00	1.22
Adjusted diluted EPS <sup>(17)</sup>	<u>\$ 2.48</u>	<u>\$ 2.95</u>	<u>\$ 2.57</u>	<u>\$ 11.90</u>	<u>\$ 8.03</u>

# Reconciliation of Non-GAAP Items (Unaudited)

- (1) **Segment operating income** represents net income plus interest expense (net of interest income) and other, income tax expense (benefit), depreciation and amortization, depreciation (included in cost of revenue), unallocated corporate overhead, acquisition, integration, and other costs, and share-based compensation.
- (2) **Unallocated corporate overhead** (as presented in the tables above) consists of unallocated corporate overhead (as reflected in our quarterly and annual financial statements filed with the SEC) less acquisition, integration, and other costs.
- (3) **Adjusted EBITDA** represents net income plus interest expense (net of interest income) and other, income tax expense (benefit), depreciation and amortization, depreciation (included in cost of revenue), acquisition, integration, and other costs, restructuring expenses, certain legal expenses, and share-based compensation. Management believes that adjusted EBITDA provides an effective measure of the Company's results, as it excludes certain items that management believes are not indicative of the Company's operating performance. Adjusted EBITDA is not intended to represent cash flows for the period, nor has it been presented as an alternative to income from operations or net income as an indicator of operating performance. Although management believes that some of the items excluded from adjusted EBITDA are not indicative of the Company's operating performance, these items do impact the statement of comprehensive income, and management therefore utilizes adjusted EBITDA as an operating performance measure in conjunction with GAAP measures such as net income.
- (4) **Adjusted EBITDA margin** represents adjusted EBITDA divided by revenue.
- (5) **Segment operating margin** represents segment operating income divided by revenue.
- (6) **Leverage ratio** represents the ratio of the Company's debt outstanding (including the outstanding letters of credit collateralized by the senior credit facility) minus cash and cash equivalents at the end of the subject period to adjusted EBITDA for the twelve-month period ended at the end of the subject period.
- (7) Changes in the fair value of equity investments and instruments are recognized in interest expense, net, and other. Since the changes in fair value are unrelated to the Company's operating performance, we exclude the impact from the calculation of adjusted net income and adjusted diluted EPS.
- (8) **Operating margin** represents income from operations divided by revenue.
- (9) A portion of depreciation expense for AMN Language Services is included in cost of revenue. We exclude the impact of depreciation included in cost of revenue from the calculation of adjusted EBITDA.
- (10) **Acquisition, integration, and other costs** include acquisition and integration costs, net changes in the fair value of contingent consideration liabilities for recently acquired companies, certain legal expenses, restructuring expenses, and certain nonrecurring expenses, which we exclude from the calculation of adjusted EBITDA, adjusted net income, and adjusted diluted EPS because we believe that these expenses are not indicative of the Company's operating performance. For the three and twelve months ended December 31, 2022, acquisition and integration costs were approximately \$1,400,000 and \$4,400,000, respectively, expenses related to the closures of certain office leases were approximately \$2,600,000 and \$15,300,000, respectively, certain legal expenses were approximately \$9,000,000 and \$13,800,000, respectively, and other nonrecurring expenses were approximately \$600,000 and \$1,800,000, respectively. Additionally, the aforementioned costs for the three and twelve months ended December 31, 2022 were partially offset by net decreases in contingent consideration liabilities for recently acquired companies of approximately \$1,700,000 and \$2,900,000, respectively. For the three and twelve months ended December 31, 2021, acquisition and integration costs were approximately \$900,000 and \$7,300,000, respectively, expenses related to the closures of certain office leases were approximately \$8,700,000 and \$11,500,000, respectively, and certain legal expenses were approximately \$7,000,000. Additionally, acquisition, integration, and other costs for the three and twelve months ended December 31, 2021 included an adjustment of \$2,264,000 to correct an immaterial out-of-period error identified in the fourth quarter related to the write-off of assets recognized in prior years from costs incurred to fulfill a contract with a customer.
- (11) **SG&A margin** represents selling, general and administrative ("SG&A") expenses divided by revenue.

# Reconciliation of Non-GAAP Items (Unaudited)

(12) **Adjusted SG&A expenses** represent SG&A expenses excluding the impact of share-based compensation and acquisition, integration, and other costs. Management included this non-GAAP measure to provide investors and prospective investors with an alternative method for assessing the Company's operating results in a manner that is focused on its operating performance and to provide a more consistent basis for comparison between periods. However, investors and prospective investors should note that this non-GAAP measure involves judgment by management (in particular, judgment as to what is classified as a special item to be excluded in the calculation of adjusted SG&A expenses). Although management believes the items in the calculation of adjusted SG&A expenses are not indicative of the Company's operating performance, these items do impact the statement of comprehensive income, and management therefore utilizes adjusted SG&A expenses as an operating performance measure in conjunction with GAAP measures such as GAAP SG&A expenses.

(13) **Adjusted SG&A margin** represents adjusted SG&A expenses divided by revenue.

(14) The Company records net tax expense (benefit) related to the income tax treatment of the fair value changes in the cash surrender value of its company owned life insurance. Since this change in fair value is unrelated to the Company's operating performance, we excluded the impact on adjusted net income and adjusted diluted EPS.

(15) The consolidated effective tax rate is affected by the recording of excess tax benefits and tax deficiencies relating to equity awards vested during the period. As a result of the adoption of a new accounting pronouncement on January 1, 2017, the Company no longer records excess tax benefits and tax deficiencies to additional paid-in capital, but such excess tax benefits and tax deficiencies are now recognized in income tax expense. The magnitude of the impact of excess tax benefits and tax deficiencies generated in the future, which may be favorable or unfavorable, is dependent upon the Company's future grants of share-based compensation and the Company's future stock price on the date awards vest in relation to the fair value of the awards on the grant date. Since these excess tax benefits and tax deficiencies are largely unrelated to our income before taxes and are unrepresentative of our normal effective tax rate, we excluded their impact in the calculation of adjusted net income and adjusted diluted EPS.

(16) **Adjusted net income** represents GAAP net income excluding the impact of the (A) amortization of intangible assets, (B) acquisition, integration, and other costs, (C) certain legal expenses, (D) changes in fair value of equity investments and instruments, (E) deferred financing related costs, (F) tax effect, if any, of the foregoing adjustments, (G) excess tax benefits and tax deficiencies relating to equity awards vested and exercised since January 1, 2017, and (H) net tax expense (benefit) related to the income tax treatment of fair value changes in the cash surrender value of its company owned life insurance, and (I) restructuring tax benefits. Management included this non-GAAP measure to provide investors and prospective investors with an alternative method for assessing the Company's operating results in a manner that is focused on its operating performance and to provide a more consistent basis for comparison between periods. However, investors and prospective investors should note that this non-GAAP measure involves judgment by management (in particular, judgment as to what is classified as a special item to be excluded in the calculation of adjusted net income). Although management believes the items in the calculation of adjusted net income are not indicative of the Company's operating performance, these items do impact the statement of comprehensive income, and management therefore utilizes adjusted net income as an operating performance measure in conjunction with GAAP measures such as GAAP net income.

(17) **Adjusted diluted EPS** represents adjusted net income divided by diluted weighted average common shares outstanding. Management included this non-GAAP measure to provide investors and prospective investors with an alternative method for assessing the Company's operating results in a manner that is focused on its operating performance and to provide a more consistent basis for comparison between periods. However, investors and prospective investors should note that this non-GAAP measure involves judgment by management (in particular, judgment as to what is classified as a special item to be excluded in the calculation of adjusted net income). Although management believes the items in the calculation of adjusted net income are not indicative of the Company's operating performance, these items do impact the statement of comprehensive income, and management therefore utilizes adjusted diluted EPS as an operating performance measure in conjunction with GAAP measures such as GAAP diluted EPS.

# Reconciliation of Guidance Operating Margin to Guidance Adjusted EBITDA Margin

	<b>Three Months Ending</b>	
	<b>March 31, 2023</b>	
	<b>Low<sup>(1)</sup></b>	<b>High<sup>(1)</sup></b>
Operating margin	11.0%	11.7%
Depreciation and amortization	3.3%	3.2%
EBITDA margin	14.3%	14.9%
Share-based compensation	0.9%	0.8%
Acquisition, integration, and other costs	0.2%	0.2%
Adjusted EBITDA margin	<u>15.4%</u>	<u>15.9%</u>

(1) Guidance percentage metrics are approximate.