

Reconciliation of Non-GAAP Items (Unaudited)

(\$ in thousands, except per share amounts)	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2017	2016	2017	2017	2016
Revenue					
Nurse and allied solutions	302,933	286,810	300,727	917,183	877,197
Locum tenens solutions	111,415	108,553	108,215	322,473	320,420
Other workforce solutions	80,058	77,273	80,861	239,722	216,750
	<u>494,406</u>	<u>472,636</u>	<u>489,803</u>	<u>1,479,378</u>	<u>1,414,367</u>
Segment operating income ⁽¹⁾					
Nurse and allied solutions	40,807	37,396	47,851	134,638	118,517
Locum tenens solutions	14,438	14,026	12,371	39,028	43,634
Other workforce solutions	19,890	20,867	22,041	61,788	56,311
	<u>75,135</u>	<u>72,289</u>	<u>82,263</u>	<u>235,454</u>	<u>218,462</u>
Unallocated corporate overhead	13,438	14,235	15,080	43,409	42,460
Adjusted EBITDA ⁽²⁾	61,697	58,054	67,183	192,045	176,002
Adjusted EBITDA margin ⁽³⁾	12.5%	12.3%	13.7%	13.0%	12.4%
Depreciation and amortization	8,132	7,789	7,959	23,759	21,888
Share-based compensation	2,477	2,704	2,562	7,720	8,795
Acquisition and integration costs	260	878	282	1,323	3,448
Income from operations	50,828	46,683	56,380	159,243	141,871
Operating margin ⁽⁴⁾	10.3%	9.9%	11.5%	10.8%	10.0%
Interest expense, net, and other	4,837	3,016	4,928	14,895	9,065
Income before income taxes	45,991	43,667	51,452	144,348	132,806
Income tax expense	17,863	16,371	20,197	52,957	53,319
Net income	<u>28,128</u>	<u>27,296</u>	<u>31,255</u>	<u>91,391</u>	<u>79,487</u>

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	Three Months Ended			Nine Months Ended	
	September 30, 2017	September 30, 2016	June 30, 2017	September 30, 2017	September 30, 2016
GAAP diluted net income per share (EPS)	\$0.57	\$0.55	\$0.63	\$1.85	\$1.61
Adjustments:					
Amortization of intangible assets	0.09	0.09	0.09	0.28	0.28
Acquisition and integration costs	0.01	0.02	0.01	0.03	0.07
Tax effect of above adjustments	(0.04)	(0.04)	(0.04)	(0.12)	(0.14)
Excess tax benefits ⁽⁵⁾	0.00	0.00	(0.02)	(0.11)	0.00
Adjusted diluted EPS ⁽⁶⁾	\$0.63	\$0.62	\$0.67	\$1.93	\$1.82

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, depreciation and amortization, unallocated corporate overhead, acquisition and integration costs and share-based compensation.
- (2) **Adjusted EBITDA** represents net income plus interest expense (net of interest income) and other, income tax expense, depreciation and amortization, acquisition and integration costs 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 and is a measure used in the Company's credit agreement and the indenture governing our 5.125% Senior Notes due 2024. 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.
- (3) **Adjusted EBITDA margin** represents adjusted EBITDA divided by revenue.
- (4) **Operating margin** represents income from operations divided by revenue.
- (5) The consolidated effective tax rate for the three and nine months ended September 30, 2017 was favorably affected by the recording of excess tax benefits relating to equity awards vested and exercised during the period. As a result of the adoption of a new accounting pronouncement on January 1, 2017, we no longer record excess tax benefits as an increase to additional paid-in capital, but record such excess tax benefits on a prospective basis as a reduction of income tax expense, which amounted to \$56,000 and \$5,381,000 for the three and nine months ended September 30, 2017, respectively. Since the majority of our equity awards vest during the first quarter of the year, we do not anticipate the recording of additional excess tax benefits of this magnitude for the remainder of the year. The magnitude of the impact of excess tax benefits generated in the future, which may be favorable or unfavorable, is dependent upon the Company's future grants of share-based compensation, the Company's future stock price on the date awards vest or exercise in relation to the fair value of the awards on the grant date or the exercise behavior of the Company's stock appreciation rights holders. Since these favorable tax benefits are largely unrelated to our current year's income before taxes and is unrepresentative of our normal effective tax rate, we excluded their impact on adjusted diluted EPS for the three and nine months ended September 30, 2017.
- (6) **Adjusted diluted EPS** represents GAAP diluted EPS excluding the impact of (A) amortization of intangible assets, (B) acquisition and integration costs, (C) tax effect, if any, of the foregoing adjustments, and (D) excess tax benefits relating to equity awards vested and exercised since January 1, 2017. 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 from adjusted diluted EPS). Although management believes the items excluded from adjusted diluted EPS 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 Adjusted EBITDA Margin to Guidance Operating Margin

	Three Months Ending	
	December 31, 2017	
	Low⁽¹⁾	High⁽¹⁾
Adjusted EBITDA margin	12.0%	12.5%
Deduct:		
Share-based compensation		0.5%
EBITDA margin	11.5%	12.0%
Depreciation and amortization		1.7%
Operating margin	<u>9.8%</u>	<u>10.3%</u>

(1) Guidance percentage metrics are approximate.