Reconciliation of Non-GAAP Items (Unaudited)

In the fourth quarter 2019 earnings release, AMN Healthcare Services, Inc. (NYSE: AMN) presented unaudited non-GAAP reconciliation tables of net income to adjusted net income. These slides present the non-GAAP reconciliations of net income to adjusted net income and related footnotes for the years ended December 31, 2015 through 2019.

Non-GAAP Measures

These reconciliations contain certain non-GAAP financial information, which the Company provides as additional information, and not as an alternative, to the Company's condensed consolidated financial statements presented in accordance with GAAP. These non-GAAP financial measures include (1) adjusted net income and (2) adjusted diluted EPS. The Company provides such non-GAAP financial measures because management believes that they are useful both to management and investors as a supplement, and not as a substitute, when evaluating the Company's operating performance. Additionally, management believes that adjusted net income and adjusted diluted EPS serve as industry-wide financial measures. The non-GAAP measures provided in these reconciliations are not in accordance with, or an alternative to, GAAP measures and may be different from non-GAAP measures, or may be calculated differently than other similarly titled non-GAAP measures, reported by other companies. They should not be used in isolation to evaluate the Company's performance. Further detail about the use and limitations of the non-GAAP measures found in these reconciliations may be found in the footnotes provided herein or on the Company's website at http://amnhealthcare.investorroom.com/financialreports. Additionally, from time to time, additional information regarding non-GAAP financial measures, including pro forma measures, may be made available on the Company's website.

Reconciliation of Non-GAAP Items (Unaudited)

	Year Ended December 31, 2019				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Net income	$ 34,122	$ 28,869	$ 23,515	$ 27,482	$ 113,988
Adjustments:					
Amortization of intangible assets	6,651	7,357	11,411	11,074	36,493
Acquisition, integration, and other costs [1]	4,029	5,156	9,602	6,936	25,723
Debt financing related costs	—	—	—	594	594
Tax effect of above adjustments	(2,777)	(3,253)	(5,463)	(4,838)	(16,331)
Tax effect of COLI fair value changes [2]	(1,527)	(575)	(162)	(1,002)	(3,266)
Excess tax (benefits) deficiencies related to equity awards [3]	(4,569)	(973)	(576)	203	(5,915)
Adjusted net income [4]	$ 35,929	$ 36,581	$ 38,327	$ 40,449	$ 151,286
GAAP diluted net income per share (EPS)	$ 0.71	$ 0.61	$ 0.49	$ 0.58	$ 2.40
Adjustments	0.04	0.16	0.32	0.27	0.78
Adjusted diluted EPS [5]	$ 0.75	$ 0.77	$ 0.81	$ 0.85	$ 3.18

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Reconciliation of Non-GAAP Items (Unaudited)

	Year Ended December 31, 2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Net income	$ 42,681	$ 35,529	$ 27,918	$ 35,613	$ 141,741
Adjustments:					
Amortization of intangible assets	4,389	6,484	6,726	6,640	24,239
Acquisition, integration, and other costs	568	1,358	(452)	1,884	3,358
Legal settlement accrual increases (6)	—	—	12,140	—	12,140
Equity investment fair value changes (7)	—	—	(1,359)	(5,990)	(7,349)
Debt financing related costs	574	—	—	—	574
Tax effect of above adjustments	(1,438)	(2,039)	(4,434)	(659)	(8,570)
Tax correction related to prior periods (8)	(2,501)	—	—	—	(2,501)
Tax effect of COLI fair value changes (2)	—	—	—	1,676	1,676
Excess tax benefits related to equity awards (3)	(4,518)	(576)	(5)	(302)	(5,401)
Adjusted net income (4)	$ 39,755	$ 40,756	$ 40,534	$ 38,862	$ 159,907
GAAP diluted net income per share (EPS)	$ 0.87	$ 0.73	$ 0.58	$ 0.74	$ 2.91
Adjustments	(0.06)	0.10	0.26	0.07	0.38
Adjusted diluted EPS (5)	$ 0.81	$ 0.83	$ 0.84	$ 0.81	$ 3.29

Reconciliation of Non-GAAP Items (Unaudited)

	Year Ended December 31, 2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Net income	$ 32,008	$ 31,255	$ 28,128	$ 41,167	$ 132,558
Adjustments:					
Amortization of intangible assets	4,595	4,644	4,695	4,694	18,628
Acquisition, integration, and other costs	781	282	260	135	1,458
Tax effect of above adjustments	(2,096)	(1,921)	(1,932)	(1,884)	(7,833)
Excess tax benefits related to equity awards (3)	(4,297)	(1,028)	(56)	(68)	(5,449)
Tax law effect on deferred taxes (9)	—	—	—	(13,039)	(13,039)
Adjusted net income (4)	$ 30,991	$ 33,232	$ 31,095	$ 31,005	$ 126,323
GAAP diluted net income per share (EPS)	$ 0.65	$ 0.63	$ 0.57	$ 0.84	$ 2.68
Adjustments	(0.02)	0.04	0.06	(0.21)	(0.12)
Adjusted diluted EPS (5)	$ 0.63	$ 0.67	$ 0.63	$ 0.63	$ 2.56

Reconciliation of Non-GAAP Items (Unaudited)

	Year Ended December 31, 2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Net income	$ 25,869	$ 26,322	$ 27,296	$ 26,351	$ 105,838
Adjustments:					
Amortization of intangible assets	4,336	4,505	4,738	4,731	18,310
Acquisition, integration, and other costs	1,234	1,336	878	778	4,226
Debt financing related costs	—	—	—	921	921
Tax effect of above adjustments	(2,172)	(2,277)	(2,191)	(2,522)	(9,162)
Adjusted net income [4]	$ 29,267	$ 29,886	$ 30,721	$ 30,259	$ 120,133
GAAP diluted net income per share (EPS)	$ 0.53	$ 0.53	$ 0.55	$ 0.54	$ 2.15
Adjustments	0.07	0.08	0.07	0.08	0.29
Adjusted diluted EPS [5]	$ 0.60	$ 0.61	$ 0.62	$ 0.62	$ 2.44

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Reconciliation of Non-GAAP Items (Unaudited)

	Year Ended December 31, 2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Net income	$ 12,209	$ 15,870	$ 33,647	$ 20,165	$ 81,891
Adjustments:					
Amortization of intangible assets	2,859	2,947	2,956	3,022	11,784
Acquisition, integration, and other costs	1,065	1,833	690	1,472	5,060
Income tax benefits (10)	—	—	(12,200)	—	(12,200)
Tax effect of above adjustments	(1,539)	(1,875)	(1,430)	(1,763)	(6,607)
Adjusted net income (4)	$ 14,594	$ 18,775	$ 23,663	$ 22,896	$ 79,928
GAAP diluted net income per share (EPS)	$ 0.25	$ 0.32	$ 0.69	$ 0.41	$ 1.68
Adjustments	0.05	0.06	(0.21)	0.06	(0.04)
Adjusted diluted EPS (5)	$ 0.30	$ 0.38	$ 0.48	$ 0.47	$ 1.64

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Reconciliation of Non-GAAP Items (Unaudited)

(1) Acquisition, integration, and other costs for the three and twelve months ended December 31, 2019, respectively, include net increases in the fair value of contingent consideration liabilities for recently acquired companies of $4,895,000 and $7,178,000, respectively, and extraordinary legal expenses of approximately $400,000 and $7,100,000, respectively. Beginning in 2019, we exclude the impact of extraordinary legal expenses from the calculation of adjusted net income and adjusted diluted EPS because we believe that these expenses are not indicative of the Company's operating performance.
(2) Beginning in the fourth quarter of 2018, 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.
(3) The consolidated effective tax rate is affected by the recording of excess tax benefits and tax deficiencies 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 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, 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 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.
(4) **Adjusted net income** represents GAAP net income excluding the impact of the (A) amortization of intangible assets, (B) acquisition and integration costs, (C) extraordinary legal expenses, (D) legal settlement accrual increases, (E) changes in fair value of equity investments since January 1, 2018, (F) deferred financing costs, (G) tax effect, if any, of the foregoing adjustments, (H) excess tax benefits and tax deficiencies relating to equity awards vested and exercised since January 1, 2017, (I) correction of prior periods error, and (J) net tax expense related to the income tax treatment of fair value changes in the cash surrender value of its company owned life insurance. 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 from 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.

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Reconciliation of Non-GAAP Items (Unaudited)

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(5) **Adjusted diluted EPS** represents GAAP diluted EPS excluding the impact of the (A) amortization of intangible assets, (B) acquisition and integration costs, (C) extraordinary legal expenses, (D) legal settlement accrual increases, (E) changes in fair value of equity investments since January 1, 2018, (F) deferred financing costs, (G) tax effect, if any, of the foregoing adjustments, (H) excess tax benefits and tax deficiencies relating to equity awards vested and exercised since January 1, 2017, (I) correction of prior periods error, and (J) net tax expense related to the income tax treatment of fair value changes in the cash surrender value of its company owned life insurance. 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 diluted EPS). Although management believes the items in the calculation of 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.

(6) During the third quarter of 2018, the Company recorded increases to its legal accruals established in connection with settlement agreements entered into during September and October 2018 in two class actions related to wage and hour claims, both of which were paid during 2019. Since the settlements are largely unrelated to the Company's operating performance, we excluded their impact in the calculation of adjusted net income and adjusted diluted EPS. Amounts recorded in prior quarters in these two class actions and legal accruals related to other matters are immaterial and their impact was not excluded in the calculation of adjusted net income or adjusted diluted EPS.

(7) As a result of the adoption of a new accounting pronouncement on January 1, 2018, the Company now measures equity investments, except those accounted for using the equity method of accounting, at fair value with changes in fair value recognized through net income. Since these favorable changes in fair value are unrelated to the Company's operating performance, we excluded their impact from the calculation of adjusted net income and adjusted diluted EPS.

(8) During the first quarter of 2018, the Company recorded a net tax benefit to adjust for an immaterial out-of-period error identified in that quarter related to the income tax treatment of fair value changes in the cash surrender value of its company owned life insurance for years ended December 31, 2015 through December 31, 2017. These fair value changes had not previously been included as a benefit in the tax provision of the related years.

(9) During the quarter ended December 31, 2017, we recorded a discrete net tax benefit of $14,039,000 and a discrete tax expense of $1,000,000 from a remeasurement of our deferred tax assets and liabilities related to the impact of the Tax Cuts and Jobs Act and prior period share based awards, respectively. We excluded these non-cash items from adjusted net income and adjusted diluted EPS as they were unrelated to our current year's income before taxes.

(10) The Company recorded federal income tax benefits during the third quarter of 2015 after receiving final determination from the Internal Revenue Service to effectively settle various audits.