

Reconciliation of Non-GAAP Items (Unaudited)

(in thousands)	Three Months Ended			Six Months Ended		
	June 30,		March 31,	June 30,		
	2020	2019	2020	2020	2019	
Revenue						
Nurse and allied solutions	\$ 444,464	\$ 367,994	\$ 424,346	\$ 868,810	\$ 741,466	
Physician and leadership solutions	108,622	142,449	137,842	246,464	279,526	
Technology and workforce solutions	55,265	24,734	40,273	95,538	46,626	
	<u>\$ 608,351</u>	<u>\$ 535,177</u>	<u>\$ 602,461</u>	<u>\$ 1,210,812</u>	<u>\$ 1,067,618</u>	
Segment operating income ⁽¹⁾						
Nurse and allied solutions	\$ 61,175	\$ 52,752	\$ 59,608	\$ 120,783	\$ 106,308	
Physician and leadership solutions	15,325	18,861	14,569	29,894	34,733	
Technology and workforce solutions	21,839	11,336	15,295	37,134	21,719	
	<u>98,339</u>	<u>82,949</u>	<u>89,472</u>	<u>187,811</u>	<u>162,760</u>	
Unallocated corporate overhead	17,801	16,217	15,491	33,292	30,051	
Adjusted EBITDA ⁽²⁾	<u>\$ 80,538</u>	<u>\$ 66,732</u>	<u>\$ 73,981</u>	<u>\$ 154,519</u>	<u>\$ 132,709</u>	
Adjusted EBITDA margin ⁽³⁾	13.2 %	12.5 %	12.3 %	12.8 %	12.4 %	
Net income	\$ 22,325	\$ 28,869	\$ 12,965	\$ 35,290	\$ 62,991	
Income tax expense	4,633	10,222	11,724	16,357	15,479	
Income before income taxes	26,958	39,091	24,689	51,647	78,470	
Interest expense, net, and other ⁽⁴⁾	11,443	6,065	11,054	22,497	11,738	
Income from operations	38,401	45,156	35,743	74,144	90,208	
Operating margin ⁽⁵⁾	6.3 %	8.4 %	5.9 %	6.1 %	8.4 %	
Depreciation and amortization	22,071	12,718	20,089	42,160	24,428	
Depreciation (included in cost of revenue) ⁽⁶⁾	355	—	145	500	—	
Share-based compensation	6,347	3,702	4,927	11,274	8,888	
Acquisition, integration, and other costs ⁽⁷⁾	13,364	5,156	13,077	26,441	9,185	
Adjusted EBITDA ⁽²⁾	<u>\$ 80,538</u>	<u>\$ 66,732</u>	<u>\$ 73,981</u>	<u>\$ 154,519</u>	<u>\$ 132,709</u>	

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	Three Months Ended			Six Months Ended		
	June 30,		March 31,	June 30,		
	2020	2019	2020	2020	2019	
Net income	\$ 22,325	\$ 28,869	\$ 12,965	\$ 35,290	\$ 62,991	
Adjustments:						
Amortization of intangible assets	15,068	7,357	13,431	28,499	14,008	
Acquisition, integration, and other costs ⁽⁷⁾	13,364	5,156	13,077	26,441	9,185	
Equity instrument fair value changes ⁽⁴⁾	593	—	1,298	1,891	—	
Tax effect of above adjustments	(7,546)	(3,253)	(7,230)	(14,776)	(6,030)	
Tax effect of COLI fair value changes ⁽⁸⁾	(4,316)	(575)	5,255	939	(2,102)	
Excess tax deficiencies (benefits) related to equity awards ⁽⁹⁾	(15)	(973)	(1,221)	(1,236)	(5,542)	
Adjusted net income ⁽¹⁰⁾	<u>\$ 39,473</u>	<u>\$ 36,581</u>	<u>\$ 37,575</u>	<u>\$ 77,048</u>	<u>\$ 72,510</u>	
GAAP diluted net income per share (EPS)	\$ 0.47	\$ 0.61	\$ 0.27	\$ 0.74	\$ 1.32	
Adjustments	0.36	0.16	0.52	0.88	0.20	
Adjusted diluted EPS ⁽¹¹⁾	<u>\$ 0.83</u>	<u>\$ 0.77</u>	<u>\$ 0.79</u>	<u>\$ 1.62</u>	<u>\$ 1.52</u>	

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- (1) **Segment operating income** represents net income plus interest expense (net of interest income) and other, income tax expense, depreciation and amortization, depreciation (included in cost of revenue), unallocated corporate overhead, acquisition, integration, and other 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, depreciation (included in cost of revenue), acquisition, integration, and other costs, restructuring expenses, extraordinary 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.
- (3) **Adjusted EBITDA margin** represents adjusted EBITDA divided by revenue.
- (4) Interest expense, net, and other for the three and six months ended June 30, 2020 includes \$593,000 and \$1,891,000 related to changes in the fair value of equity instruments, respectively. Since the changes in fair value is unrelated to the Company's operating performance, we excluded the impact from the calculation of adjusted net income and adjusted diluted EPS for the three and six months ended June 30, 2020.
- (5) **Operating margin** represents income from operations divided by revenue.
- (6) A portion of depreciation expense for Stratus Video, which was acquired in February 2020, is included in cost of revenue for the three and six months ended June 30, 2020. Beginning in 2020, we exclude the impact of depreciation included in cost of revenue from the calculation of adjusted EBITDA.
- (7) Acquisition, integration, and other costs for the three and six months ended June 30, 2020 include \$3,568,000 of restructuring expenses associated with cost reduction actions that were initiated during the three months ended June 30, 2020, acquisition-related costs of the Stratus Video acquisition of \$1,713,000 and \$9,525,000, respectively, and increases in contingent consideration liabilities for recently acquired companies of \$4,800,000 and \$5,000,000, respectively. Acquisition, integration, and other costs for the three and six months ended June 30, 2019 included extraordinary legal expenses of approximately \$2,500,000 and \$4,600,000, respectively, which were partially offset by decreases in contingent consideration liabilities for recently acquired companies of \$1,458,000 and \$2,158,000 for the three and six months ended June 30, 2019, respectively. We exclude the impact of extraordinary legal expenses from the calculation of adjusted EBITDA because we believe that these expenses are not indicative of the Company's operating performance.
- (8) 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.

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(9) 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, 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, 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 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.

(10) **Adjusted net income** represents GAAP net income excluding the impact of the (A) amortization of intangible assets, (B) acquisition, integration, and other costs, (C) extraordinary legal expenses, (D) changes in fair value of equity instruments, (E) write offs of deferred financing 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 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 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.

(11) **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.