

# Reconciliation of Non-GAAP Items (Unaudited)

(\$ in thousands, except per share amounts)	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2017	2016	2017	2017	2016
Revenue					
Nurse and allied solutions	300,727	292,663	313,523	614,250	590,387
Locum tenens solutions	108,215	109,129	102,843	211,058	211,867
Other workforce solutions	80,861	71,937	78,803	159,664	139,477
	<u>489,803</u>	<u>473,729</u>	<u>495,169</u>	<u>984,972</u>	<u>941,731</u>
Segment operating income <sup>(1)</sup>					
Nurse and allied solutions	47,851	39,503	45,980	93,831	81,121
Locum tenens solutions	12,371	16,317	12,219	24,590	29,608
Other workforce solutions	22,041	17,858	19,857	41,898	35,444
	<u>82,263</u>	<u>73,678</u>	<u>78,056</u>	<u>160,319</u>	<u>146,173</u>
Unallocated corporate overhead	15,080	14,420	14,891	29,971	28,225
Adjusted EBITDA <sup>(2)</sup>	67,183	59,258	63,165	130,348	117,948
Adjusted EBITDA margin <sup>(3)</sup>	13.7%	12.5%	12.8%	13.2%	12.5%
Depreciation and amortization	7,959	7,334	7,668	15,627	14,099
Share-based compensation	2,562	2,710	2,681	5,243	6,091
Acquisition and integration costs	282	1,336	781	1,063	2,570
Income from operations	56,380	47,878	52,035	108,415	95,188
Operating margin <sup>(4)</sup>	11.5%	10.1%	10.5%	11.0%	10.1%
Interest expense, net, and other	4,928	2,800	5,130	10,058	6,049
Income before income taxes	51,452	45,078	46,905	98,357	89,139
Income tax expense	20,197	18,756	14,897	35,094	36,948
Net income	<u>31,255</u>	<u>26,322</u>	<u>32,008</u>	<u>63,263</u>	<u>52,191</u>

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	Three Months Ended			Six Months Ended	
	June 30,		March 31,	June 30,	
	2017	2016	2017	2017	2016
GAAP diluted net income per share (EPS)	\$0.63	\$0.53	\$0.65	\$1.28	\$1.06
Adjustments:					
Amortization of intangible assets	0.09	0.09	0.09	0.19	0.18
Acquisition and integration costs	0.01	0.03	0.02	0.02	0.05
Tax effect of above adjustments	(0.04)	(0.04)	(0.04)	(0.08)	(0.09)
Excess tax benefits <sup>(5)</sup>	(0.02)	0.00	(0.09)	(0.11)	0.00
Adjusted diluted EPS <sup>(6)</sup>	\$0.67	\$0.61	\$0.63	\$1.30	\$1.20

# 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 credit facilities 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 six months ended June 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 \$1,028,000 and \$5,325,000 for the three and six months ended June 30, 2017, respectively. Since 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, are 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 its impact on adjusted diluted EPS for the three and six months ended June 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

	<u>Three Months Ending</u> <u>September 30, 2017</u>
Adjusted EBITDA margin	12.5% <sup>(1)</sup>
Deduct:	
Share-based compensation	0.5%
EBITDA margin	12.0%
Depreciation and amortization	1.6%
Operating margin	10.4%

(1) Guidance percentage metrics are approximate. No significant labor disruption revenues are projected for this quarter.