

Reconciliation of Non-GAAP Items (Unaudited)

(in thousands)	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2021	2020	2021	2021	2020
Revenue					
Nurse and allied solutions	\$ 627,049	\$ 382,699	\$ 624,485	\$ 1,908,195	\$ 1,251,509
Physician and leadership solutions	150,663	109,116	139,104	430,523	355,580
Technology and workforce solutions	100,088	59,816	93,856	282,472	155,354
	<u>\$ 877,800</u>	<u>\$ 551,631</u>	<u>\$ 857,445</u>	<u>\$ 2,621,190</u>	<u>\$ 1,762,443</u>
Segment operating income ⁽¹⁾					
Nurse and allied solutions	\$ 92,564	\$ 52,923	\$ 89,674	\$ 283,768	\$ 173,706
Physician and leadership solutions	19,301	15,538	21,849	62,366	45,432
Technology and workforce solutions	47,210	25,680	42,653	131,952	62,814
	<u>159,075</u>	<u>94,141</u>	<u>154,176</u>	<u>478,086</u>	<u>281,952</u>
Unallocated corporate overhead ⁽²⁾	20,724	17,281	20,628	65,271	50,573
Adjusted EBITDA ⁽³⁾	<u>\$ 138,351</u>	<u>\$ 76,860</u>	<u>\$ 133,548</u>	<u>\$ 412,815</u>	<u>\$ 231,379</u>
Net income	\$ 74,023	\$ 26,067	\$ 66,770	\$ 211,171	\$ 61,357
Net income as a % of revenue	8.4 %	4.7 %	7.8 %	8.1 %	3.5 %
Income tax expense	26,583	7,831	22,293	73,956	24,188
Income before income taxes	100,606	33,898	89,063	285,127	85,545
Interest expense, net, and other ⁽⁵⁾	5,223	12,564	10,111	24,278	35,061
Income from operations	105,829	46,462	99,174	309,405	120,606
Operating margin ⁽⁶⁾	12.1 %	8.4 %	11.6 %	11.8 %	6.8 %
Depreciation and amortization	26,104	26,936	24,740	74,098	69,096
Depreciation (included in cost of revenue) ⁽⁷⁾	686	481	616	1,773	981
Share-based compensation	2,589	3,772	6,019	17,895	15,046
Acquisition, integration, and other costs ⁽⁸⁾	3,143	(791)	2,999	9,644	25,650
Adjusted EBITDA ⁽³⁾	<u>\$ 138,351</u>	<u>\$ 76,860</u>	<u>\$ 133,548</u>	<u>\$ 412,815</u>	<u>\$ 231,379</u>
Adjusted EBITDA margin ⁽⁴⁾	15.8 %	13.9 %	15.6 %	15.7 %	13.1 %

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	September 30, 2021	2020	June 30, 2021	September 30, 2021	2020
Net income	\$ 74,023	\$ 26,067	\$ 66,770	\$ 211,171	\$ 61,357
Adjustments:					
Amortization of intangible assets	16,011	19,572	15,806	47,018	48,071
Acquisition, integration, and other costs ⁽⁸⁾	3,143	(791)	2,999	9,644	25,650
Fair value changes of equity investments and instruments ⁽⁵⁾	(5,412)	—	—	(6,683)	1,891
Debt financing related costs	—	1,773	—	158	1,773
Tax effect of above adjustments	(3,573)	(5,760)	(4,889)	(13,036)	(20,536)
Tax effect of COLI fair value changes ⁽⁹⁾	(600)	(1,158)	(1,093)	(2,779)	(219)
Excess tax benefits related to equity awards ⁽¹⁰⁾	(230)	(791)	(877)	(1,783)	(2,027)
Adjusted net income ⁽¹¹⁾	<u>\$ 83,362</u>	<u>\$ 38,912</u>	<u>\$ 78,716</u>	<u>\$ 243,710</u>	<u>\$ 115,960</u>
GAAP diluted net income per share (EPS)	\$ 1.54	\$ 0.55	\$ 1.39	\$ 4.40	\$ 1.29
Adjustments	0.19	0.27	0.25	0.67	1.14
Adjusted diluted EPS ⁽¹²⁾	<u>\$ 1.73</u>	<u>\$ 0.82</u>	<u>\$ 1.64</u>	<u>\$ 5.07</u>	<u>\$ 2.43</u>

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- (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, 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.
- (4) **Adjusted EBITDA margin** represents adjusted EBITDA divided by revenue.
- (5) 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.
- (6) **Operating margin** represents income from operations divided by revenue.
- (7) A portion of depreciation expense for AMN Language Services (formerly known as Stratus Video, which was acquired in February 2020 and has since been rebranded) is included in cost of revenue. We exclude the impact of depreciation included in cost of revenue from the calculation of adjusted EBITDA.
- (8) **Acquisition, integration, and other costs** include acquisition and integration costs, net changes in the fair value of contingent consideration liabilities for recently acquired companies, extraordinary legal expenses, and restructuring 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. Acquisition, integration, and other costs for the three months ended September 30, 2020 of \$7,510,000 were offset by a decrease in contingent consideration liabilities for recently acquired companies of \$6,700,000 and a one-time insurance policy benefit of \$1,601,000. Acquisition, integration, and other costs for the nine months ended September 30, 2020 of \$28,951,000 were partially offset by a net decrease in contingent consideration liabilities for recently acquired companies of \$1,700,000 and the aforementioned one-time insurance policy benefit.
- (9) 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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(10) 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.

(11) **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 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.

(12) **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

	Three Months Ending	
	December 31, 2021	
	Low ⁽¹⁾	High ⁽¹⁾
Operating margin	11.8%	12.3%
Depreciation and amortization	2.3%	2.3%
EBITDA margin	14.1%	14.6%
Share-based compensation	0.6%	0.6%
Acquisition, integration, and other costs	0.6%	0.6%
Adjusted EBITDA margin	15.3%	15.8%

(1) Guidance percentage metrics are approximate.