1. Basis of Presentation and General Information (continued)

Revenue Recognition

The Company primarily generates its revenue from providing professional services to its clients. The Company also generates revenue from software sales, software maintenance and support and subscriptions to its executive and best practices advisory programs. A single contract could include one or multiple performance obligations. For those contracts that have multiple performance obligations, the Compan allocates the total transaction price to each performance obligation based on its relative standalone selling price. The Company determines the standalone selling price based on the respective selling price of the individual elements when sold separately.

Revenue is recognized when control of the goods and services provided are transferred to the Company's customers, in an amount tha reflects the consideration it expects to be entitled to in exchange for those goods and services using the following steps: 1) identify the contract, 2) identify the performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue as or when the Company satisfies the performance obligations.

The Company typically satisfies its performance obligations for professional services over time as the related services are provided. The performance obligations related to software maintenance and support and subscriptions to its executive and best practice advisory programs are typically satisfied evenly over the course of the service period. Other performance obligations, such as software sales, are satisfied at a point in time.

The Company generates revenue under four types of billing arrangements: fixed-fee; time-and-materials; executive and best practice advisory services; and software sales and software maintenance and support.

In fixed-fee billing arrangements, which would also include contracts with capped fees, the Company agrees to a pre-established fee o fee cap in exchange for a predetermined set of professional services. The Company sets the fees based on its estimates of the costs and timin for completing the engagements. The Company generally recognizes revenue under fixed-fee or capped fee arrangements using a proportionate performance approach, which is based on work completed to-date as compared to estimates of the total services to be provided under the engagement. Estimates of total engagement revenue and cost of services are monitored regularly during the term of the engagement. If the Company's estimates indicate a potential loss, such a loss is recognized in the period in which the loss first becomes probable and reasonably estimable. The customer is invoiced based on the contractual agreement between the parties, typically bi-weekly, monthly or milestone driven, with net thirty-day terms, however client terms are subject to change.

Time-and-material billing arrangements require the client to pay based on the number of hours worked by the Company's consultants at agreed hourly rates. The Company recognizes revenue under time-and-material arrangements as the related services or goods are provided using the right to invoice practical expedient which allows it to recognize revenue in the amount based on the number of hours worked and the agreed upon hourly rates. The customer is invoiced based on the contractual agreement between the parties, typically bi-weekly, monthly or milestone driven, with net thirty-day terms, however client terms are subject to change.

Advisory services contracts are typically in the form of a subscription agreement which allows the customer access to the Company's executive and best practice advisory programs. There is typically a single performance obligation and the transaction price is the contractual amount of the subscription agreement. Revenue from advisory services contracts is recognized ratably over the life of the agreements.

Customers are typically invoiced at the inception of the contract, with net thirty-day or sixty-day terms, however client terms are subject to change.

The resale of on-premise software, cloud software and maintenance contracts are in the form of SAP America ("SAP") software or maintenance agreements provided by SAP. SAP is the principal and the Company is the agent in these transactions as the Company does no obtain title to the software and maintenance which is sold simultaneously. The transaction price is the Company's agreed-upon percentage o the software sale for either on-premise software or cloud software or maintenance amount in the contract with the vendor. Revenue for the resale of software is recognized upon contract execution and customer's receipt of the software. The Company also provides software maintenance on other ERP systems, primarily Oracle. Revenue from maintenance contracts is recognized ratably over the life of the agreements. The customer is typically invoiced at contract inception, with net thirty-day terms, however client terms are subject to change.

Revenue before reimbursements excludes reimbursable expenses charged to clients. Reimbursements, which include travel and out-of pocket expenses, are included in revenue, and an equivalent amount of reimbursable expenses is included in the cost of service.

Expense reimbursements that are billable to clients are included in total revenue and are substantially all billed as time-and-material billing arrangements. Therefore, the Company recognizes all reimbursable expenses as revenue as the related services are provided, using the right to invoice practical expedient. Reimbursable expenses are recognized as expenses in the period in which the expense is incurred. Any expense reimbursements that are billable to clients under fixed-fee billing arrangements are recognized in line with the proportionate performance approach.

1. Basis of Presentation and General Information (continued)

The payment terms and conditions in the Company's customer contracts vary. The agreements entered into in connection with a project, whether time and materials-based or fixed-fee or capped-fee based, typically allow clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by the Company through the effective date of the termination. In addition, from time to time the Company enters into agreements with its clients that limit its right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit the Company from performing a defined range of services which it might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Differences between the timing of billings and the recognition of revenue are recognized as either contract assets or contract liabilities in the accompanying consolidated balance sheets. Revenue recognized for services performed but not yet billed to clients is recorded as contract assets and is included within accounts receivable and contract assets. Services not yet performed, however billed to the client and uncollected at period end, are recorded as contract assets and are included within accounts receivable and contract assets. Client prepayment are classified as contract liabilities and recognized over future periods as earned in accordance with the applicable engagement agreement. See Note 3 for the accounts receivable and contract asset balances. During the three months ended March 29, 2024, the Company recognized $5.7 million of revenue as a result of changes in the contract liability balance, as compared to $7.7 million for the three months ended March 31, 2023.

1. Basis of Presentation and General Information (continued)

Practical Expedients

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be less than one year.

Sales tax collected from customers and remitted to the applicable taxing authorities is accounted for on a net basis, with no impact on revenue.

Expense reimbursements that are billable to clients are included in total revenue and are substantially all billed as time-and-material billing arrangements. Therefore, the Company recognizes all reimbursable expenses as revenue as the related services are provided, using the right to invoice practical expedient. Reimbursable expenses are recognized as expenses in the period in which the expense is incurred. Any expense reimbursements that are billable to clients under fixed-fee billing arrangements are recognized in line with the proportionate performance approach.

Fair Value

The Company's financial instruments consist of cash, accounts receivable and contract assets, accounts payable, accrued expenses and other liabilities, contract liabilities and long-term debt. As of March 29, 2024 and December 29, 2023, the carrying amount of each financial instrument approximated the instrument's respective fair value due to either the short-term nature or the maturity of these instruments.

The Company uses significant other observable market data or assumptions (Level 2 inputs as defined in accounting guidance) that it believes market participants would use in pricing debt. The fair value of the debt approximated the carrying amount, using Level 2 inputs, due to the short-term variable interest rates based on market rates.

Recent Accounting Pronouncements

In December 2023, accounting guidance was issued that enhances the transparency of income tax disclosures related to rate reconciliation and income taxes. The enhancements in this update are effective for fiscal years beginning after December 15, 2023. The Company is currently evaluating the impact of adopting this guidance to their consolidated financial statements.

In November 2023, accounting guidance was issued that requires additional disclosures of reportable segment information. The guidance requires that public entities disclose, on an annual and interim basis (1) significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, (2) an amount for other segment items by reportable segment and a description of its composition, (3) provide all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods, (4) clarify that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit; at least one of the reported segment profit or loss measures should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements, (5) the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and in deciding how to allocate resources, and (6) if a public entity has a single reportable segment to provide all the disclosures required by the amendments in this update and all existing segment disclosures in Topic 280. The amendments in this update do not change how operating segments are identified or aggregated nor how the quantitative thresholds are applied to determine its reportable segments. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in this update should be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is currently evaluating the impact the adoption of this accounting standard update will have on its footnote disclosures.

5. Lease Commitments

The Company has operating leases for office space and, to a much lesser extent, operating leases for equipment. The Company's offic leases are between terms of 1 year and 5 years. Rents usually increase annually in accordance with defined rent steps or are based on current year consumer price index adjustments. Some of the lease agreements contain one or more of the following provisions: tenant allowances, rent holidays, lease premiums, and rent escalation clauses. There are typically no purchase options, residual value guarantees or restrictive covenants. When renewal options exist, the Company generally does not deem them to be reasonably certain to be exercised, and therefore the amounts are not recognized as part of the lease liability nor the right of use asset.

6. Credit Facility

On November 7, 2022, the Company entered into a third amended and restated credit agreement (the "Credit Agreement") with Bank o America, N.A., as administrative agent, and the lenders party thereto, pursuant to which the lenders agreed to amend and restate its existing credit agreement, in order to extend the maturity date of the revolving line of credit and provide the Company with an additional $55.0 million in borrowing capacity, for an aggregate amount of up to $100.0 million from time to time pursuant to a revolving line of credit (the "Credit Facility"). The Credit Facility matures on November 7, 2027.

The obligations of Hackett under the Credit Facility are guaranteed by active existing and future material U.S. subsidiaries of Hackett (the "U.S. Subsidiaries") and are secured by substantially all of the existing and future property and assets of Hackett and the U.S. Subsidiaries.

The interest rates per annum applicable to loans under the Credit Facility will be, at the Company's option, equal to either a base rate o a Bloomberg Short-Term Bank Yield Index ("BSBY") rate, plus an applicable margin percentage. The applicable margin percentage is based on the consolidated leverage ratio, as defined in the Credit Agreement. As of March 29, 2024, the applicable margin percentage was 1.50% per annum for the BSBY rate, and 0.75% per annum, for the base rate. As of March 29, 2024, the interest rate on the Company's outstanding debt was 6.9%, utilizing the BSBY margin percentage. The interest rate of the commitment fee as of March 29, 2024 was 0.125%. Interest payments are made monthly.

The Company is subject to certain covenants, including total consolidated leverage, fixed cost coverage and liquidity requirements, each as set forth in the Credit Agreement, subject to certain exceptions. As of March 29, 2024, the Company was in compliance with all covenants.

7. Stock Based Compensation

During the three months ended March 29, 2024, the Company issued 418,131 restricted stock units, respectively, at a weighted average grant-date fair value of $23.38 per share. As of March 29, 2024, the Company had 1,059,205 restricted stock units outstanding at a weighted average grant-date fair value of $21.57 per share. As of March 29, 2024, $18.5 million of total restricted stock unit non-cash compensation expense related to unvested awards had not been recognized and is expected to be recognized over a weighted average period of approximately 2.4 years.

Forfeitures for all of the Company's outstanding equity awards are recognized as incurred.

8. Shareholders' Equity

Treasury Stock and Tender Offer

On July 30, 2002, the Company announced that its Board of Directors approved the repurchase of the Company's common stock through its share repurchase program. Since the inception of the repurchase plan, the Board of Directors has approved the repurchase of $287.2 million of the Company's common stock. As of March 29, 2024, the Company had affected cumulative purchases under the plan of $274.3 million, leaving $12.9 million available for future purchases.

During the three months ended March 29, 2024 and March 31, 2023, the Company repurchased 43 thousand shares and 37 thousand shares, respectively, from members of its Board of Directors at an average price per share of $24.34 and $18.98, respectively, for a total cost of $1.1 million and $0.7 million, respectively.

There is no expiration of the Company's repurchase authorization. Under the repurchase plan, the Company may buy back shares of it outstanding stock either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions The Company holds repurchased shares of its common stock as treasury stock and accounts for treasury stock under the cost method.

Shares purchased under the repurchase plan do not include shares withheld to satisfy withholding tax obligations. These withheld shares are never issued and in lieu of issuing the shares, taxes were paid on the employee's behalf. During both the three months ended March 29, 2024 and March 31, 2023, 162 thousand shares were withheld and not issued for a cost of $3.8 million and $3.5 million, respectively. The shares withheld for taxes are included under issuance of common stock in the accompanying consolidated statements of shareholders' equity.

Dividend Program

During the three months ended March 29, 2024, the Company declared its first quarter dividend to its shareholders for an aggregate of $3.0 million, which was paid in April 2024. These dividends were paid from U.S. domestic sources and are accounted for as a decrease to retained earnings. Subsequent to March 29, 2024, the Company declared its second quarter dividend in 2024 to be paid in July 2024.

9. Transactions with Related Parties

During the three months ended March 29, 2024, the Company bought back 43 thousand shares of its common stock from members of its Board of Directors for $1.1 million, or $24.34 per share.

10. Litigation

The Company is involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such matters will not have a material adverse effect on the Company's financial position, cash flows or results of operations.

In May 2023, Gartner, Inc. ("Gartner") filed a lawsuit seeking a preliminary injunction and damages against the Company and two ex-Gartner employees that were hired by the Company. On February 17, 2024, the Company, Gartner and the two ex-Gartner employees entered into a settlement agreement whereby the Company made a settlement payment of $985,000 to Gartner in exchange for a dismissal of the lawsuit and a release of all claims, which is reflected in the Company's Consolidated Statement of Operations for the year ended December 29, 2023. In addition, the Company incurred incremental legal costs related to the settlement which were recorded as expense in the period incurred.

11. Segment Information and Geographical Data

The Company has organized its operating and internal reporting structure to align with its primary market solutions. In accordance with ASC 280, the Company determined it has three operating segments and three reportable segments: (1) Global S&BT, (2) Oracle Solutions, and (3) SAP Solutions. Global S&BT includes the results of the Company's strategic business consulting practices; Oracle Solutions includes the results of the Company's Oracle EPM/ERP and Digital AMS practices; SAP Solutions includes the Company's SAP applications and related SAP service offerings. The SAP Solutions reportable segment is the only segment that contains software sales revenue.

The measurement criteria for segment profit or loss are substantially the same for each reportable segment, excluding any unusual or infrequent items, if any. Segment profit consists of the revenue generated by a segment, less operating expenses that are incurred directly by the segment. Unallocated costs include corporate costs related to the administrative functions that are performed in a centralized manner and that are not attributable to a particular segment, depreciation and amortization expense, interest expense, non-cash compensation expense an any non-recurring transactions. Segment information related to assets has been omitted as the chief operating decision maker does not receiv discrete financial information regarding assets at the segment level.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as “may,” “will,” “anticipate,” “estimate,” “expect,” or “intend” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations reflected in such forward-looking statements will turn out to be correct. Factors that could impact such forward-looking statements include, among others, changes in worldwide and U.S. economic conditions that impact business confidence and the demand for our products and services, our ability to effectively integrate acquisitions into our operations, our ability to retain existing business, our ability to attract additional business, our ability to effectively market and sell our product offerings and other services, the timing of projects and the potential for contract cancellation by our customers, changes in expectations regarding the business consulting and information technology industries, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable due to the bankruptcy or financial difficulties of our customers, risks of competition, price and margin trends, foreign currency fluctuations, the impact of the geopolitical conflict involving Russia and Ukraine and in the Middle East on our business and changes in general economic conditions, interest rates and our ability to obtain additional debt financing if needed. An additional description of our risk factors is described in Part I – Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended Decemeber 29, 2023. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

OVERVIEW

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations and financial condition of Hackett. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financia statements and the accompanying notes to our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Hackett is a global IP-based executive advisory, strategic consulting and digital transformation firm. The Hackett Group provides dedicated expertise in Generative Artificial Intelligence ("Gen AI") strategy, operations, finance, human capital management, strategic sourcing, procurement, and information technology, including its highly recognized Oracle, SAP, OneStream and Coupa implementation offerings.

The firm recently launched its AI XPLR offering which helps define an organizations’ Gen AI enablement opportunities. Using AI XPLR, our artificial intelligence ("AI") assessment platform, our experienced professionals guide organizations to harness the power of Gen AI to digitally transform their operations and seek to achieve quantifiable, breakthrough results, allowing us to be key architects of our clients' Gen AI journey.

The Hackett Group has completed over 26,600 benchmarking and performance studies with major organizations. These studies are executed utilizing our Quantum Leap ("QL") platform which drives our Digital Transformation Platform ("DTP"). This includes the firm's benchmarking metrics, best practices repository, and best practice configuration and process flow accelerators, which enables our clients and partners to achieve digital world-class performance.

Our expertise is grounded in best practices insights from benchmarking the world’s leading businesses – including companies comprising 97% of the Dow Jones Industrial Average, 89% of the Fortune 100, 70% of the DAX 40 and 55% of the Financial Times Stock Exchange 100 Index, which are delivered through our Hackett Connect, QL and DTP platforms.

Impact of Macroeconomic Conditions on Our Business

The level of revenue we achieve is based on our ability to deliver market leading services and solutions and to deploy skilled teams of professionals quickly. Our results of operations are affected by economic conditions, including macroeconomic conditions and levels of business confidence. Any deterioration in the current macroeconomic environment or economic downturn as a result o We are a global company with operations in our primary markets located in the United States and Western Europe. Our revenue is denominated in multiple currencies, primarily the U.S. Dollar, British Pound and Euro, and as a result is affected by currency exchange rate fluctuations. The impact of currency fluctuations did not have a significant impact on comparisons between the three months ended March 29, 2024 and the three months ended March 31, 2023. In this MD&A, we discuss revenue based on geographical location of engagement team personnel.

Our Company total revenue was $77.2 million during the first three months of 2024, as compared to $71.2 million in the same period in 2023. In the first three months of 2024 and 2023, one customer accounted for 9% and 5% of our total Company revenue, respectively.

Segment revenue. The Company has three reportable segments: Global Strategy & Business Transformation (Global S&BT), Oracle Solutions and SAP Solutions. Global S&BT includes S&BT Consulting, Benchmarking, Business Advisory Services, Intellectual Property as a-Service (IPASS) and OneStream offerings. Oracle Solutions and SAP Solutions support the two fundamentally distinct ERP systems: Oracle and SAP.

The following table sets forth total revenue by operating segment, which includes reimbursable expenses related to project travel-related expenses passed through to a client with no associated operating margin (in thousands)

Oracle Solutions total revenue was $21.7 million and $17.2 million during the first three months of 2024 and 2023, respectively. The segment has continued the momentum it has experienced since the second quarter of 2023, with double-digit growth over the last three quarters when compared to prior year periods.

SAP Solutions total revenue was $14.6 million and $11.7 million during the first three months of 2024 and 2023, respectively. The increase in revenue during the quarter ended March 29, 2024, as compared to the same period in 2023, was due to the very strong value-added reseller activity in the quarter.

Reimbursements as a percentage of Company total revenue were 2.0% during both the first three months of 2024 and 2023. Reimbursements are project travel-related expenses passed through to a client with no associated operating margin. We have experienced increased client-related travel since the transition to a remote delivery model, however we do not expect reimbursements to return to pre-pandemic levels.

Cost of Service. Cost of service consists of personnel costs before reimbursable expenses, which includes salaries, benefits and incentive compensation for consultants and subcontractor fees, acquisition-related non-cash stock based compensation expense and non-cash stock based compensation expense, and reimbursable expenses which are travel and other expenses passed through to a client and are associated with projects.

Personnel costs before reimbursable expenses increased 6%, to $45.8 million for the first three months of 2024, as compared to $43.1 million in the same period of 2023. The higher costs in the first three months of 2024 were primarily a result of increased salaries and higher utilization of subcontractors. Personnel costs as a percentage of total Company total revenue were 59% and 61% during the first three month of 2024 and 2023, respectively.

Non-cash stock based compensation expense, included in personnel costs before reimbursable expenses was $1.4 million and $1.5 million during the first three months of 2024 and 2023, respectively.

Selling, General and Administrative Costs ("SG&A"). SG&A primarily consists of salaries, benefits and incentive compensation for the selling, marketing, administrative and executive employees, non-cash stock based compensation expense, amortization of intangible assets, acquisition related costs and various other overhead expenses.

SG&A costs increased 19%, to $18.3 million, as compared to $15.4 million for the same period in 2023. This increase in the costs during the first three months of 2024 was primarily due to the incremental investments we are making in program development and additional dedicated sales resources for Benchmark, Executive Advisory Market Intelligence and our other IP as-a-service offerings and higher incentive compensation commensurate with Company performance. SG&A costs as a percentage of total Company revenue were 24% during the first three months of 2024, respectively, as compared to 22% during the same period in 2023.

Non-cash stock based compensation expense, included in SG&A, was $1.2 million and $0.9 million during the first three months of 2024 and 2023, respectively.

Segment Profit. Segment profit consists of the revenue generated by the segment, less the direct costs of revenue and selling, general and administrative expenses that are incurred directly by the segment. Items not allocated to the segment level include corporate costs related to the administrative functions that are performed in a centralized manner and that are not attributable to a particular segment. These administrative function costs include corporate general and administrative expenses, non-cash compensation, depreciation expense, interest expense and legal settlement and related costs.

Global S&BT segment profit was $10.1 million during the first three months of 2024, as compared to $13.8 million for the same period in 2023. This decrease was primarily due to the incremental investments we are making in program development and additional dedicated sales resources for Benchmark, Executive Advisory Market Intelligence and our other IP as-a-service offerings.

Oracle Solutions segment profit was $5.3 million during the first three months of 2024, respectively, as compared to $3.0 million for the same period in 2023.The increase was primarily due to higher revenue, partially offset by the higher usage of subcontractors whic

SAP Solutions segment profit was $4.9 million during the quarter first three months of 2024, as compared to $2.6 million in the same period in 2023. The increase in segment profit in the three month period in 2024, as compared to the same period in 2023, was primarily due to the value-added reseller activity in the quarter.

Legal Settlement and Related Costs. In May 2023, Gartner, Inc. ("Gartner") filed a lawsuit seeking a preliminary injunction and damages against the Company and two ex-Gartner employees that were hired by us. On February 17, 2024, we, Gartner and the two ex-Gartner employees entered into a settlement agreement whereby we made a settlement payment of $985,000 to Gartner in exchange for a dismissal of the lawsuit and a release of all claims which is reflected in our Consolidated Statement of Operations for the year ended December 29, 2023. In addition, we incurred incremental legal costs related to the settlement which were recorded as expense in the period incurred.

Interest Expense, Net. Interest expense, net was $0.5 million and $0.9 million during the first three months of 2024 and 2023, respectively. As of March 29, 2024, we had an outstanding debt of $31.0 million. As of March 31, 2023, we had outstanding debt of $58.0 million.

Income Taxes. During the first three months of 2024, we recorded $2.3 million of income tax expense related to certain federal, foreig and state taxes which reflected an effective tax rate of 21.0%. During the first three months of 2023, we recorded $2.2 million of income tax expense related to certain federal, foreign and state taxes which reflected an effective tax rate of 21.5%.

Liquidity and Capital Resources

As of March 29, 2024 and December 39, 2023, we had $13.0 million and $21.0 million, respectively, classified as cash on the consolidated balance sheets. We currently believe that available funds (including the cash on hand and funds available for borrowing under our revolving line of credit the "Credit Facility") and cash flows generated by operations will be sufficient to fund our working capital requirements, including debt payments, lease obligations and capital expenditures for at least the next twelve months and beyond. We may decide to raise additional funds in order to fund expansion, to develop new or further enhance products and services, to respond to competitive pressures, or to acquire complementary businesses or technologies. There is no assurance that additional financing would be available when needed or desired. Our cash requirements have not changed materially from those disclosed in Item 7 included in Part II of our Annual Report on Form 10-K for the year ended December 29, 2023.

Cash Flows from Operating Activities

Net cash provided by operating activities was $2.8 million during the first three months of 2024, as compared to net cash used in operating activities of $3.1 million during the same period in 2023. In 2024 and 2023, the net cash provided by (or used in) operating activities was primarily due to net income adjusted for non-cash items and an increase in contract liabilities, partially offset by increases in accounts receivable and contract assets, decreases in accrued liabilities and other accruals primarily due to payments of the prior year earned incentive compensation liabilities and payments to vendors.

Cash Flows from Investing Activities

Net cash used in investing activities was $0.9 million during the first three months of 2024, as compared to $1.1 million during the same period in 2023. During both periods, cash flows used in investing activities primarily related to investments for the continued development of our Hackett Connect Executive Advisory member platform, our Quantum Leap benchmark and Digital Transformation technologies.