

Reconciliation of Non-GAAP Items (Unaudited)

(in thousands)	Three Months Ended		
	March 31, 2018	2017	December 31, 2017
Revenue			
Nurse and allied solutions	338,179	313,523	321,360
Locum tenens solutions	103,117	102,843	108,142
Other workforce solutions	81,193	78,803	79,574
	<u>522,489</u>	<u>495,169</u>	<u>509,076</u>
Segment operating income ⁽¹⁾			
Nurse and allied solutions	51,805	45,980	48,154
Locum tenens solutions	9,958	12,219	12,394
Other workforce solutions	19,851	19,857	19,366
	<u>81,614</u>	<u>78,056</u>	<u>79,914</u>
Unallocated corporate overhead	15,095	14,891	15,545
Adjusted EBITDA ⁽²⁾	<u>66,519</u>	<u>63,165</u>	<u>64,369</u>
Adjusted EBITDA margin ⁽³⁾	12.7%	12.8%	12.6%
Depreciation and amortization	7,886	7,668	8,520
Share-based compensation	2,864	2,681	2,517
Acquisition and integration costs	568	781	135
Income from operations	<u>55,201</u>	<u>52,035</u>	<u>53,197</u>
Operating margin ⁽⁴⁾	10.6%	10.5%	10.4%
Interest expense, net, and other	5,335	5,130	4,782
Income before income taxes	<u>49,866</u>	<u>46,905</u>	<u>48,415</u>
Income tax expense	7,185	14,897	7,248
Net income	<u>42,681</u>	<u>32,008</u>	<u>41,167</u>

Reconciliation of Non-GAAP Items (Unaudited)

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	Three Months Ended		
	March 31,	December 31	
	2018	2017	2017
GAAP diluted net income per share (EPS)	\$0.87	\$0.65	\$0.84
Adjustments:			
Amortization of intangible assets	0.09	0.09	0.10
Acquisition and integration costs	0.01	0.02	0.00
Debt financing related costs	0.01	0.00	0.00
Tax effect of above adjustments	(0.03)	(0.04)	(0.04)
Tax correction related to prior periods ⁽⁵⁾	(0.05)	0.00	0.00
Tax law effect on deferred taxes ⁽⁶⁾	0.00	0.00	(0.27)
Excess tax benefits ⁽⁶⁾	(0.09)	(0.09)	0.00
Adjusted diluted EPS ⁽⁷⁾	<u>\$0.81</u>	<u>\$0.63</u>	<u>\$0.63</u>

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 the Company's credit agreement 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) During the first quarter of 2018, the Company recorded a net tax benefit of \$2,501,000 in the three months ended March 31, 2018 to adjust for an immaterial out-of-period error identified this 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.
- (6) The consolidated effective tax rate for the three months ended March 31, 2018 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 \$4,518,000 and \$4,297,000 for the three months ended March 31, 2018 and March 31, 2017, respectively. The magnitude of the impact of excess tax benefits 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 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 their impact on adjusted diluted EPS for the three months ended March 31, 2018 and March 31, 2017. In addition, 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 diluted EPS for the three months ended December 31, 2017 as they were unrelated to our fiscal year 2017's income before taxes.
- (7) **Adjusted diluted EPS** represents GAAP diluted EPS excluding the impact of the (A) amortization of intangible assets, (B) acquisition and integration costs, (C) deferred financing costs, (D) tax effect, if any, of the foregoing adjustments, (E) excess tax benefits relating to equity awards vested and exercised since January 1, 2017, (F) correction of prior periods error, and (G) discrete tax benefit from the Tax Cuts and Jobs Act's corporate rate reduction on the Company's deferred tax assets and liabilities and discrete tax expense from prior period share-based awards. 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

	Three Months Ending	
	June 30, 2018	
	Low⁽¹⁾	High⁽¹⁾
Adjusted EBITDA margin	12.5%	13.0%
Deduct:		
Share-based compensation	0.6%	
Acquisition and integration costs	0.2%	
EBITDA margin	<u>11.7%</u>	<u>12.2%</u>
Depreciation and amortization	<u>1.9%</u>	
Operating margin	<u><u>9.8%</u></u>	<u><u>10.3%</u></u>

(1) Guidance percentage metrics are approximate.