

**RESEARCH UPDATE**

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**Market Statistics**

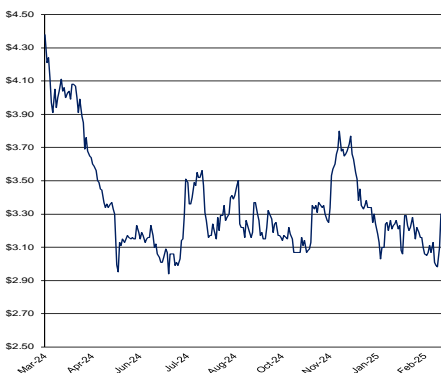
<b>Price</b>	\$ 3.30
<b>52 week Range</b>	\$2.92 - \$4.29
<b>Daily Vol (3-mo. average)</b>	95,693
<b>Market Cap (\$M):</b>	\$ 161.9
<b>Enterprise Value (\$M):</b>	\$ 222.4
<b>Shares Outstanding: (\$M)</b>	49.1
<b>Float (M)</b>	35.5
<b>Public Ownership</b>	24.6%
<b>Institutional Ownership</b>	59.4%

**Financial Summary**

<b>Cash (\$)</b>	\$ 23.1
<b>Cash/Share</b>	\$ 0.47
<b>Debt (\$)</b>	\$ 59.2
<b>Equity (\$)</b>	\$ 96.3
<b>Equity/Share</b>	\$ 1.96

<b>FYE: DEC</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>
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<i>(in \$M)</i>			
<b>Rev</b>	\$ 247.6	\$ 243.1	\$ 250.7
<b>Chng%</b>	-15%	-2%	3%
<b>EBITDA</b>	\$ 25.1	\$ 27.1	\$ 30.5
<b>Net Income</b>	\$ 2.8	\$ 3.2	\$ 5.4
<b>EPS</b>	\$ 0.06	\$ 0.06	\$ 0.11
<b>EV/Revenue</b>	0.9x	0.9x	0.9x
<b>EV/EBITDA</b>	18.4x	8.2x	7.3x
<b>P/E</b>	56.7x	52.7x	31.3x


**COMPANY DESCRIPTION**

Information Services Group is a fact-based sourcing advisory firm providing technology insights, market intelligence and advisory services. With operations in 21 countries, the Company delivers advisory, benchmarking, and analytical insight to large, multinational corporations and governments in N. America, Europe, and Asia Pacific.

**INFORMATION SERVICES GROUP, INC. (NASDAQ: III)**
**III Reports Fourth Quarter Results**

III Revenue for the fourth quarter totaled \$57.8M, at the high end of guidance but marking a 13.0% decline year-over-year (down 2.2% excluding divested automation revenues). The Americas showed resilience, generating \$37.9M in revenue, up 6% y/y, excluding automation. In contrast, Europe and Asia-Pacific faced declines, with revenues of \$14.9M (-15.0%) y/y and \$5.0M (-16.0%) y/y, respectively. Despite overall revenue contraction, ISG's profitability improved, with adjusted EBITDA reaching \$6.5M, up 11.0% y/y, and adjusted EBITDA margin expanding by 240 bps to 11.3%. The Company also generated \$6.6M in cash from operations in 4Q24, contributing to a full-year cash balance of \$23.1M, up 138.0% sequentially..

**Quarterly Results-** III reported revenue, adj EBITDA, and adj EPS of \$57.8M, \$6.5M, and \$0.06, respectively. This compares to our/consensus estimates of \$57.5M/\$57.6M, \$6.1M/\$6.1M, and \$0.05/\$0.05, respectively. Revenues for the fourth quarter were slightly above our expectations. GPM came in at 41.5%, which was marginally above our estimates. OpEx was moderately higher than we modeled, due to SG&A coming in slightly higher than our model. Adj. EBITDA for the quarter came in higher than our expectations at 6.5M.

**Business Metrics** - ISG's recurring revenue streams accounted for 45.0% of total revenue in 4Q24, with particular strength in the GovernX® platform. However, recurring revenue for FY24 declined to ~\$119.3M, reflecting market softness and impacted by the automation divestiture. Gross margin saw expansion driven by increased utilization. Overall utilization improved to 72%, up from 65% in the prior year. This gain contributed to overall margin expansion, reflecting ISG's strategic shift toward higher utilization service models with reduced bench time, particularly in Training-as-a-Service (TAS) engagements. The Company anticipates continued leverage on fixed costs and stable utilization levels as it progresses through 2025.

**Improved Product/Service Mix & Demand** – ISG continues to see strong demand for AI and digital transformation services, reinforcing its repositioning as an AI-centered technology research and advisory firm. The ISG Tango™ platform surpassed \$7.0B in TCv, up 40.0% y/y, driven by increasing adoption of AI-powered deal analytics. With enterprises accelerating AI adoption in banking, energy, utilities, and health sciences, ISG is well-positioned for long-term AI transformation projects. While North America grew 6% y/y (excluding automation), Europe and Asia-Pacific demand remains uneven, but ISG aims to expand multi-year contracts and deepen client relationships to sustain revenue growth.

**Full Year Guidance** – ISG issued 1Q25 guidance projecting revenues of \$58.0M–\$59.0M and adjusted EBITDA of \$6.5M–\$7.5M, implying a 45% y/y increase in profitability. The Company remains optimistic about demand recovery in 2025, particularly in the Americas, and expects accelerated client spending as macroeconomic conditions improve. ISG also continues to emphasize disciplined capital allocation, reducing debt by 25% y/y, repurchasing \$2.3M in shares, and maintaining a quarterly dividend of \$0.045 per share.

**Valuation** - We use both a DCF and EV/EBITDA comp analysis to guide our valuation. Our DCF analysis produces a valuation range of \$5.45 to \$7.02 with a mid-point of \$6.14. Our EV/EBITDA valuation results in a range of \$6.11 to \$6.73 with a mid-point of \$6.42.

## Summary

### Exhibit 1: Quarterly Results Comparison to Model

	4Q24 Results		Notes
	Reported	Modeled	
Revenue	57.8	57.5	Revenues slightly above our expectations.
COGS	33.8	34.2	
<b>Gross profit</b>	<b>24.0</b>	<b>23.4</b>	GPM only slightly ahead of our expectations.
<b>GPM</b>	<b>41.5%</b>	<b>40.6%</b>	
SG&A	22.6	20.4	SG&A came in slightly higher than our model, leading to increased operating expenses.
D&A	1.2	1.6	
Operating exp	23.8	22.0	
<b>EBIT - Adj</b>	<b>3.0</b>	<b>2.2</b>	
<b>OPM</b>	<b>5.2%</b>	<b>3.8%</b>	
<b>EBITDA adjusted</b>	<b>6.5</b>	<b>6.1</b>	Adj. EBITDA on target for our expectations
<b>Margin</b>	<b>11.3%</b>	<b>10.5%</b>	
Net income	3.0	(0.1)	
<b>EPS</b>	<b>\$ 0.06</b>	<b>\$ (0.00)</b>	
Net income - adjusted	3.0	2.6	
<b>EPS - adjusted</b>	<b>\$ 0.06</b>	<b>\$ 0.05</b>	

Source: Company Reports, Stonegate Capital Markets, Inc.

## INVESTMENT FACTORS

Information Services Group (ISG) is a fact-based sourcing advisory firm with operations in 20+ countries. We believe the Company is set to benefit from any increase in IT spending. Additionally, acquisitions have helped the Company widen its product and services offering as well as increase its global reach. Furthermore, emerging concepts like cloud computing will remain a significant work area, which should contribute to future revenues. With strong brand recognition, domain expertise, vendor independence, and proprietary data assets and market intelligence aging back some 30 years, ISG appears well positioned to capture growth.

### Investment Positives

**Increased global IT spending to enhance future revenues and profitability** – According to Gartner's WW IT spending forecast, 2023 global IT spend is expected to grow 2.4% to \$4.5T. Through 2025, Gartner expects organizations to increase their reliance on outside consultants, driven by a greater urgency and an accelerated pace of change that widens the gap between organizations' digital business goals, and their internal resources and capabilities. Against this backdrop, ISG is likely to benefit from increased IT spending, consequently leading to higher growth and profitability.

**Vendor independence and proprietary data assets act as a competitive advantage** – Unlike many of ISG's competitors, the Company maintains independence and objectivity by not being a service provider. Consequently, clients view ISG as a trusted advisor with an unbiased approach. Additionally, ISG possesses unique and proprietary data assets that it has collected over its 30+ years of servicing its clients. The Company uses these data sources to provide clients with in-depth analysis into the cost and service implications of alternate strategies allowing them to compare alternatives and providing fact-based insight to make informed decisions regarding strategic change.

**Digital transformation services creating growth opportunities** – Rapidly changing technology trends and capabilities are driving companies to adopt new technologies to remain competitive. These trends encompass increasing automation, robotics, and use of cloud technologies. Clients are rapidly deploying cloud technologies over a traditional corporate data center to dramatically increase the flexibility of their IT infrastructure and reduce their costs by delivering both IT infrastructure and software over the Internet as a service. RPA services (robotics process automation), which was acquired from Alsbridge in Dec'16, is experiencing heightened demand from clients. ISG's Q1F17 ISG Automation index report showed that Companies using RPA, were able to improve business processes 5x to 10x faster, with an average of 37% fewer resources.

**Changing economic and business environment** – The changing economic and business environment has created opportunities for consulting firms to address the needs of clients. Some of these challenges include tougher competition; consolidation, mergers, acquisitions, and divestitures; growing awareness of business risk; changes in regulation; the rise of the public sector; increasing globalization; and growth of the digital economy. With its competitive advantages of domain expertise, strong brand recognition, vendor independence, proprietary data assets, and global reach, ISG is well positioned to capitalize on the above opportunities.

**Management focused on building business for the long-term** – ISG management remains committed to growing the business for the long-term with a focus on the leveraging existing competitive strengths to continue organic growth; continued global expansion; a broadening of vertical expertise; productizing market data assets; increasing managed services revenues; and continued acquisitions.

## Investment Challenges / Risks

**Revenue concentration** – 33%, 35%, and 37% of 2023, 2022, and 2021 revenues, respectively were generated from 25 of the largest clients. Any termination or significant reduction in engagement from such major clients could adversely affect the company's revenue and profitability.

**Debt load** – III incurred a significant amount of indebtedness to acquire TPI and added additional debt to acquire Alsbridge in Dec'16. Consequently, the Company shows higher D/E and D/C ratios vs. its peers. As of December 2023, the Company had outstanding debt of \$79.2M. Any negative changes to the global macro-economic environment could negatively affect the Company's revenues and ability to service its debt.

**International operations lead to additional risks** – III generated ~39% of 2023 revenues from sales outside of the Americas. As such, the Company is exposed to various risks inherent to international business activities. Furthermore, the operations in a geography would be highly dependent on the overall economic environment of the region. Subdued economic conditions in a geography could adversely affect the Company's financial results.

**Extended economic slowdown** – Any macroeconomic weakness in III major geographic markets could lead to clients deferring their sourcing initiatives. Consequently, III results could be negatively impacted.

**Highly fragmented market with intense competition** - The business information services, and advisory sector is intensely competitive, highly fragmented, and subject to rapid change. III faces stiff competition from many large and small independent players. Additionally, barriers to entry in the business information services and advisory market are quite limited making it easier for new players to enter the market. These market characteristics could trigger existing players to expand their service portfolio to maintain and gain market share, thereby increasing competition further.

## VALUATION SUMMARY

We are using a DCF analysis and EV/EBITDA analysis to help frame valuation.

### DCF Analysis

We assume near-term revenue is driven by current industry demand trends. Thereafter, we assume III can maintain a mid-single digit revenue growth rate driven by its digital advisory services and increasing revenue generation from recurring revenue service offerings. With III's focus on digital advisory services and recurring revenues, mix should help drive increasing margins. Additionally, we assume no acquisition growth. Our DCF valuation shows a range of between \$5.45 per share to \$7.02 per share, with a mid-point of \$6.14 per share.

### Sensitivity Analysis:

		Terminal Growth Rates				
		1.0%	1.5%	2.0%	2.5%	3.0%
Discount Rate	9.0%	\$6.58	\$6.90	\$7.27	\$7.70	\$8.20
	9.5%	\$6.08	\$6.36	\$6.67	\$7.02	\$7.43
	10.0%	\$5.64	\$5.87	\$6.14	\$6.44	\$6.78
	10.5%	\$5.24	\$5.45	\$5.67	\$5.93	\$6.22
	11.0%	\$4.89	\$5.07	\$5.26	\$5.48	\$5.73

### Comps Analysis

Based on our forward estimates, III is trading at 0.9x EV/S, 7.3x EV/EBITDA, and a 31.3x P/E versus comps at an average of 2.1x EV/S, 12.2x EV/EBITDA, and a 19.2x P/E.

### Comparative Analysis

Information Services Group, Inc. (NASDAQ: III)  
(all figures in \$M except per share information)

Name	Ticker	Price (1)	Sh	Mrkt Cap	EV	EV/S (2)			EV/EBITDA (2)			P/E (2)		
						LTM	2025 E	2026 E	LTM	2025 E	2026 E	LTM	2025 E	2026 E
Garner Inc	IT	\$482.10	76.82	\$ 37,034.0	\$ 37,997.8	6.1x	5.8x	5.3x	29.0x	23.9x	21.7x	30.1x	38.9x	34.1x
FTI Consulting Inc	FCN	\$169.56	35.31	\$ 5,987.4	\$ 5,569.1	1.5x	1.5x	1.4x	13.8x	13.3x	11.9x	21.7x	21.4x	18.9x
Huron Consulting Group Inc	HURN	\$149.28	16.42	\$ 2,451.3	\$ 2,826.4	1.9x	1.7x	1.6x	13.2x	12.2x	11.2x	23.8x	20.9x	18.3x
Forrester Research Inc	FORR	\$ 10.35	19.00	\$ 196.6	\$ 158.3	0.4x	0.4x	0.4x	2.7x	3.9x	3.7x	nm	7.3x	6.7x
CRA International Inc	CRAI	\$186.06	6.79	\$ 1,263.6	\$ 1,340.2	1.9x	1.9x	1.8x	16.3x	14.9x	14.0x	27.6x	23.7x	21.7x
Hackett Group Inc	HCKT	\$ 29.18	27.79	\$ 810.9	\$ 810.3	2.6x	2.5x	2.4x	16.7x	11.5x	10.9x	27.8x	16.6x	15.4x
Average						2.4x	2.3x	2.1x	15.3x	13.3x	12.2x	26.2x	21.5x	19.2x
Median						1.9x	1.8x	1.7x	15.1x	12.8x	11.6x	27.6x	21.1x	18.6x
<b>Information Services Group, Inc III</b>		<b>\$ 3.30</b>	<b>49.1</b>	<b>\$ 161.9</b>	<b>\$ 222.4</b>	<b>0.9x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>18.4x</b>	<b>8.2x</b>	<b>7.3x</b>	<b>56.7x</b>	<b>52.7x</b>	<b>31.3x</b>

(1) Previous day's closing price

(2) Estimates are from CapitalIQ except for III which are Stonegate estimates

Source: Company reports, CapitalIQ, Stonegate Capital Markets

Using an EV/EBITDA range of 11.0x to 12.0x on our forward adj. EBITDA estimate, which is in-line with historical multiples for III and current comp multiples, results in a valuation range of \$6.11 to \$6.73 with a mid-point of \$6.42.

We also list the following catalysts for the stock in 2024 and beyond:

- Digital advisory services growth.....2025+
- Increasing recurring revenue as a % of sales .....2025+
- Continued growth of ISG Tango.....2025+
- New acquisition announcements.....2025+

**DISCOUNTED CASH FLOW ANALYSIS**

<b>Information Services Group, Inc.</b>													
<b>Discounted Cash Flow Model (in \$M, except per share amounts)</b>													
<b>Estimates:</b>	<b>2023</b>	<b>2024</b>	<b>2025 E</b>	<b>2026 E</b>	<b>2027 E</b>	<b>2028 E</b>	<b>2029 E</b>	<b>2030 E</b>	<b>2031 E</b>	<b>2032 E</b>	<b>2033 E</b>	<b>2034 E</b>	<b>Terminal Value</b>
Revenue	291.1	247.6	243.1	250.7	261.9	277.4	295.4	315.2	337.9	364.3	393.4	424.9	
Operating Income	22.3	11.2	11.9	14.9	18.3	23.0	29.5	35.3	42.2	46.6	51.1	57.8	
Less: Taxes (benefit)	2.6	2.4	2.1	3.1	5.5	6.9	8.9	10.6	12.7	14.0	15.3	17.3	
<b>NOPAT</b>	<b>19.7</b>	<b>8.8</b>	<b>9.8</b>	<b>11.9</b>	<b>12.8</b>	<b>16.1</b>	<b>20.7</b>	<b>24.7</b>	<b>29.6</b>	<b>32.6</b>	<b>35.8</b>	<b>40.4</b>	
Plus: D&A	6.3	5.9	5.6	5.6	4.7	4.4	4.1	3.8	3.4	4.2	4.5	4.9	
Plus: Changes in WC	(13.2)	(6.2)	(2.8)	(2.9)	(2.9)	(2.8)	(2.7)	(2.8)	(2.9)	(3.1)	(3.3)	(3.6)	
Less: Capex	(3.4)	(3.1)	(2.2)	(2.3)	(2.4)	(2.5)	(2.7)	(2.8)	(3.0)	(3.3)	(3.5)	(3.8)	
<b>Free Cash Flow</b>	<b>9.3</b>	<b>5.4</b>	<b>10.4</b>	<b>12.3</b>	<b>12.3</b>	<b>15.3</b>	<b>19.5</b>	<b>22.8</b>	<b>27.0</b>	<b>30.5</b>	<b>33.4</b>	<b>37.9</b>	<b>483.2</b>
Discount period - months			12	12	24	36	48	60	72	84	96	108	
Discount period - years			1.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	
Discount factor			0.91	0.91	0.83	0.75	0.68	0.62	0.56	0.51	0.47	0.42	
<b>PV of FCF</b>			<b>9</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>204.9</b>
<b>Growth rate assumptions:</b>													
Revenue		-14.9%	-1.8%	3.1%	4.5%	5.9%	6.5%	6.7%	7.2%	7.8%	8.0%	8.0%	
Operating Income		-49.7%	6.5%	25.1%	22.8%	25.6%	28.3%	19.5%	19.6%	10.4%	9.7%	13.0%	
EBITDA		-40.1%	2.6%	17.1%	12.3%	19.1%	22.6%	16.1%	16.7%	11.4%	9.5%	12.6%	
Free Cash Flow		-41.6%	92.3%	18.4%	-0.2%	24.2%	27.6%	17.0%	18.5%	12.7%	9.8%	13.3%	
<b>Margin assumptions:</b>													
Operating Income	7.7%	4.5%	4.9%	6.0%	7.0%	8.3%	10.0%	11.2%	12.5%	12.8%	13.0%	13.6%	
D&A as a % of sales	2.2%	2.4%	2.3%	2.2%	1.8%	1.6%	1.4%	1.2%	1.0%	1.2%	1.2%	1.2%	
EBITDA	9.8%	6.9%	7.2%	8.2%	8.8%	9.9%	11.4%	12.4%	13.5%	14.0%	14.2%	14.8%	
Taxes	11.7%	21.3%	17.9%	20.5%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
Changes in WC	-4.5%	-2.5%	-1.2%	-1.2%	-1.1%	-1.0%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	
Capex as a % of sales	-1.2%	-1.2%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	
<b>Valuation:</b>													
Shares outstanding	49.1												
PV of FCF	132.4												
PV of Terminal Value	204.9												
Enterprise Value	337.3												
less: Net Debt	36.1												
Estimated Total Value:	301.2												
<b>Est Equity Value/share:</b>	<b>\$6.14</b>												
Current Price	\$3.30												
<b>Sensitivity Analysis:</b>													
		<b>Terminal Growth Rates</b>											
		<b>1.0%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>3.0%</b>							
<b>Discount Rate</b>	<b>9.0%</b>	\$6.58	\$6.90	\$7.27	\$7.70	\$8.20							
	<b>9.5%</b>	\$6.08	\$6.36	\$6.67	\$7.02	\$7.43							
	<b>10.0%</b>	\$5.64	\$5.87	\$6.14	\$6.44	\$6.78							
	<b>10.5%</b>	\$5.24	\$5.45	\$5.67	\$5.93	\$6.22							
	<b>11.0%</b>	\$4.89	\$5.07	\$5.26	\$5.48	\$5.73							

Source: Company Reports, Stonegate Capital Markets

**INCOME STATEMENT**

Information Services Group, Inc. (NASDAQ: III)  
 Consolidated Statements of Income (i)  
 Fiscal Year: December

	FY 2020	FY 2021	FY 2022	Q1 Mar-23	Q2 Jun-23	Q3 Sep-23	Q4 Dec-23	FY 2023	Q1 Mar-24	Q2 Jun-24	Q3 Sep-24	Q4 Dec-24	FY 2024	Q1 E Mar-25	Q2 E Jun-25	Q3 E Sep-25	Q4 E Dec-25	FY 2025 E
<b>Revenues</b>																		
Revenues	\$ 249.1	\$ 277.8	\$ 286.3	\$ 78.5	\$ 74.6	\$ 71.8	\$ 66.2	\$ 291.1	\$ 64.3	\$ 64.3	\$ 61.3	\$ 57.8	\$ 247.6	\$ 58.5	\$ 61.8	\$ 61.5	\$ 61.3	\$ 243.1
<b>Total revenue</b>	<b>\$ 249.1</b>	<b>\$ 277.8</b>	<b>\$ 286.3</b>	<b>\$ 78.5</b>	<b>\$ 74.6</b>	<b>\$ 71.8</b>	<b>\$ 66.2</b>	<b>\$ 291.1</b>	<b>\$ 64.3</b>	<b>\$ 64.3</b>	<b>\$ 61.3</b>	<b>\$ 57.8</b>	<b>\$ 247.6</b>	<b>\$ 58.5</b>	<b>\$ 61.8</b>	<b>\$ 61.5</b>	<b>\$ 61.3</b>	<b>\$ 243.1</b>
<b>Operating expenses</b>																		
Direct costs and expenses for advisors	149.9	168.5	169.7	49.2	45.8	43.0	40.9	178.9	41.0	38.9	36.5	33.8	150.3	34.0	36.1	36.1	36.0	142.2
Selling, general and administrative	83.8	78.8	81.8	20.7	22.3	21.0	27.3	91.3	24.1	20.1	18.9	22.6	85.6	20.4	21.2	21.5	21.4	84.5
Depreciation and amortization	6.2	5.3	5.4	1.6	1.6	1.5	1.6	6.3	1.5	1.6	1.6	1.2	5.9	1.4	1.4	1.4	1.4	5.6
<b>Total operating expenses</b>	<b>239.9</b>	<b>252.6</b>	<b>256.8</b>	<b>71.4</b>	<b>69.7</b>	<b>65.6</b>	<b>69.7</b>	<b>276.4</b>	<b>66.6</b>	<b>60.6</b>	<b>57.0</b>	<b>57.6</b>	<b>241.8</b>	<b>55.8</b>	<b>58.7</b>	<b>59.0</b>	<b>58.8</b>	<b>232.3</b>
<b>Operating income (loss)</b>	<b>9.3</b>	<b>25.3</b>	<b>29.5</b>	<b>7.1</b>	<b>4.9</b>	<b>6.2</b>	<b>(3.5)</b>	<b>14.6</b>	<b>(2.4)</b>	<b>3.7</b>	<b>4.3</b>	<b>0.2</b>	<b>5.8</b>	<b>2.7</b>	<b>3.0</b>	<b>2.5</b>	<b>2.6</b>	<b>10.7</b>
<b>Operating income (loss) - adjusted (1)</b>	<b>13.3</b>	<b>27.0</b>	<b>30.4</b>	<b>7.3</b>	<b>6.0</b>	<b>7.0</b>	<b>2.0</b>	<b>22.3</b>	<b>0.7</b>	<b>4.4</b>	<b>3.2</b>	<b>3.0</b>	<b>11.2</b>	<b>3.2</b>	<b>3.3</b>	<b>2.7</b>	<b>2.8</b>	<b>11.9</b>
Other expense (income):																		
Interest income	(0.3)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)	(0.3)	(0.2)	(0.2)	(0.1)	(0.8)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Interest expense	3.6	2.3	3.2	1.7	1.4	1.5	1.5	6.2	1.5	1.6	1.6	1.2	5.8	1.5	1.5	1.4	1.4	5.9
FX transaction (loss) gain	0.1	(0.0)	(0.2)	0.2	(0.2)	0.0	0.1	0.2	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
<b>Total other expense (income):</b>	<b>3.4</b>	<b>2.2</b>	<b>2.8</b>	<b>1.8</b>	<b>1.2</b>	<b>1.4</b>	<b>1.4</b>	<b>5.9</b>	<b>1.3</b>	<b>1.3</b>	<b>1.4</b>	<b>(3.5)</b>	<b>0.5</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.3</b>	<b>5.4</b>
<b>Pre-tax income (loss)</b>	<b>5.9</b>	<b>23.1</b>	<b>26.7</b>	<b>5.2</b>	<b>3.7</b>	<b>4.8</b>	<b>(4.9)</b>	<b>8.8</b>	<b>(3.6)</b>	<b>2.3</b>	<b>2.9</b>	<b>3.6</b>	<b>5.2</b>	<b>1.3</b>	<b>1.6</b>	<b>1.2</b>	<b>1.2</b>	<b>5.3</b>
Income tax expense (benefit)	3.1	7.6	7.0	1.7	1.4	1.6	(2.1)	2.6	(0.2)	0.3	1.7	0.6	2.4	0.5	0.7	0.5	0.5	2.1
<b>Net income (loss)</b>	<b>2.8</b>	<b>15.5</b>	<b>19.7</b>	<b>3.5</b>	<b>2.3</b>	<b>3.2</b>	<b>(2.9)</b>	<b>6.2</b>	<b>(3.4)</b>	<b>2.0</b>	<b>1.1</b>	<b>3.0</b>	<b>2.8</b>	<b>0.7</b>	<b>1.0</b>	<b>0.7</b>	<b>0.8</b>	<b>3.2</b>
<b>EPS</b>	<b>\$ 0.06</b>	<b>\$ 0.30</b>	<b>\$ 0.39</b>	<b>\$ 0.07</b>	<b>\$ 0.05</b>	<b>\$ 0.06</b>	<b>\$ (0.06)</b>	<b>\$ 0.12</b>	<b>\$ (0.07)</b>	<b>\$ 0.04</b>	<b>\$ 0.02</b>	<b>\$ 0.06</b>	<b>\$ 0.06</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>	<b>\$ 0.06</b>
<b>Net income (loss) - adjusted (2)</b>	<b>14.1</b>	<b>23.1</b>	<b>26.9</b>	<b>6.0</b>	<b>5.3</b>	<b>5.7</b>	<b>3.1</b>	<b>20.1</b>	<b>0.7</b>	<b>3.8</b>	<b>2.5</b>	<b>3.0</b>	<b>10.0</b>	<b>3.2</b>	<b>3.2</b>	<b>3.0</b>	<b>3.0</b>	<b>12.4</b>
<b>EPS (loss) - adjusted (2)</b>	<b>\$ 0.29</b>	<b>\$ 0.45</b>	<b>\$ 0.53</b>	<b>\$ 0.12</b>	<b>\$ 0.11</b>	<b>\$ 0.11</b>	<b>\$ 0.06</b>	<b>\$ 0.40</b>	<b>\$ 0.01</b>	<b>\$ 0.08</b>	<b>\$ 0.05</b>	<b>\$ 0.06</b>	<b>\$ 0.20</b>	<b>\$ 0.06</b>	<b>\$ 0.06</b>	<b>\$ 0.06</b>	<b>\$ 0.06</b>	<b>\$ 0.24</b>
Weighted avg. shares	49.4	51.8	50.4	50.3	50.3	50.3	49.8	50.2	48.5	49.6	50.2	50.6	49.7	50.6	50.6	50.6	50.6	50.6
<b>EBITDA (1)</b>	<b>19.4</b>	<b>32.3</b>	<b>35.8</b>	<b>8.9</b>	<b>7.5</b>	<b>8.5</b>	<b>3.5</b>	<b>28.5</b>	<b>2.2</b>	<b>6.0</b>	<b>4.7</b>	<b>4.2</b>	<b>17.1</b>	<b>4.6</b>	<b>4.7</b>	<b>4.1</b>	<b>4.2</b>	<b>17.5</b>
<b>EBITDA - adjusted (3)</b>	<b>28.3</b>	<b>38.8</b>	<b>43.3</b>	<b>11.0</b>	<b>10.1</b>	<b>10.6</b>	<b>5.9</b>	<b>37.7</b>	<b>4.4</b>	<b>7.1</b>	<b>7.1</b>	<b>6.5</b>	<b>25.1</b>	<b>7.0</b>	<b>7.1</b>	<b>6.5</b>	<b>6.6</b>	<b>27.1</b>

- (1) Excludes 1x items
- (2) III calculated results which excludes 1x items, stock comp and amortization expense
- (3) Adjusted EBITDA excludes 1x items and stock compensation

**Margin Analysis**

Gross margin	39.8%	39.4%	40.7%	37.4%	38.6%	40.0%	38.3%	38.5%	36.1%	39.5%	40.4%	41.5%	39.3%	41.8%	41.5%	41.3%	41.4%	41.5%
Operating margin	3.7%	9.1%	10.3%	9.0%	6.5%	8.7%	-5.3%	5.0%	-3.7%	5.7%	7.0%	0.3%	2.3%	4.5%	4.9%	4.1%	4.2%	4.4%
Operating margin - adjusted	5.3%	9.7%	10.6%	9.4%	8.0%	9.8%	3.0%	7.7%	1.0%	6.8%	5.1%	5.2%	4.5%	5.4%	5.3%	4.5%	4.5%	4.9%
EBITDA margin	7.8%	11.6%	12.5%	11.4%	10.1%	11.9%	5.3%	9.8%	3.4%	9.3%	7.8%	7.2%	6.9%	7.8%	7.6%	6.7%	6.8%	7.2%
EBITDA margin - adjusted	11.4%	14.0%	15.1%	14.0%	13.6%	14.8%	8.9%	12.9%	6.9%	11.1%	11.6%	11.3%	10.2%	11.9%	11.5%	10.6%	10.7%	11.2%
Net income margin	1.1%	5.6%	6.9%	4.4%	3.1%	4.5%	-4.3%	2.1%	-5.3%	3.2%	1.9%	5.3%	1.1%	1.2%	1.6%	1.2%	1.3%	1.3%
Net income margin - adjusted	5.7%	8.3%	9.4%	7.7%	7.1%	7.9%	4.7%	6.9%	1.1%	5.9%	4.0%	5.2%	4.0%	5.5%	5.2%	4.9%	4.9%	5.1%
Tax rate	53.1%	32.8%	26.1%	32.9%	37.1%	33.2%	41.9%	29.8%	6.4%	12.0%	60.2%	16.6%	45.7%	43.0%	41.0%	39.0%	37.5%	40.2%

**Growth Rate Analysis Y/Y**

Total revenue	-6.3%	11.5%	3.0%	8.2%	5.5%	4.3%	-10.8%	1.7%	-18.1%	-13.9%	-14.6%	-12.7%	-14.9%	-9.0%	-3.9%	0.3%	6.1%	-1.8%
Operating income	-30.6%	172.6%	16.7%	-8.8%	-32.0%	-16.2%	-149.1%	-50.4%	-133.6%	-24.9%	-31.0%	105.1%	-60.6%	212.0%	-17.0%	-41.9%	1327.6%	86.6%
Operating income - adjusted	-12.9%	103.9%	12.6%	-6.5%	-20.5%	-5.9%	-74.2%	-26.7%	-91.0%	-26.6%	-55.1%	53.9%	-49.7%	378.0%	-25.1%	-12.9%	-8.7%	6.5%
EBITDA	-11.3%	66.3%	10.7%	-2.2%	-14.4%	-2.3%	-61.3%	-20.3%	-75.8%	-20.3%	-44.4%	18.5%	-40.1%	110.4%	-22.0%	-12.7%	-0.6%	2.6%
EBITDA - adjusted	-10.1%	37.0%	11.5%	3.2%	-5.5%	-0.8%	-46.9%	-12.9%	-59.8%	-29.9%	-33.5%	10.7%	-33.3%	57.6%	-0.5%	-7.5%	0.3%	7.9%
Net income	-17.6%	463.9%	27.0%	-29.2%	-52.9%	-42.4%	-167.0%	-68.8%	-197.1%	-12.6%	-64.1%	206.0%	-53.9%	121.2%	-52.7%	-37.4%	-74.6%	11.8%
EPS	-19.6%	437.8%	30.4%	-27.7%	-52.5%	-42.9%	-166.9%	-68.6%	-200.7%	-11.3%	-64.1%	-204.4%	-53.5%	-120.3%	-53.7%	-38.0%	-74.6%	9.7%
Net income - adjusted	1.1%	64.2%	16.3%	-5.8%	-22.4%	-20.9%	-52.7%	-25.4%	-88.0%	-28.5%	-56.5%	-3.2%	-50.4%	344.3%	-15.6%	20.9%	0.5%	24.3%
EPS - adjusted	-1.4%	56.6%	19.4%	-3.8%	-21.7%	-21.5%	-52.7%	-25.0%	-87.6%	-27.4%	-56.4%	-4.8%	-49.9%	325.5%	-17.4%	19.8%	0.5%	22.0%
Share count	2.6%	4.9%	-2.6%	-2.0%	-0.8%	0.8%	0.1%	-0.5%	-3.6%	-1.5%	-0.2%	1.6%	-0.9%	4.4%	2.1%	1.0%	0.0%	1.9%

Source: Company Reports, Stonegate Capital Markets estimates

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