

# Investor Presentation

**PRGX<sup>®</sup>**

November 13, 2019

# Forward-Looking Statements

In addition to historical information, this presentation includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include both implied and express statements regarding the Company's overall condition and growth prospects, the Company's execution of its business strategy, the Company's ability to grow its core recovery audit business and provide other services to drive incremental revenue, the effectiveness of the Company's efforts to improve profitability, margins, and free cash flow, and the Company's expectations regarding its financial performance in 2019 and beyond. Such forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from the historical results or from any results expressed or implied by such forward-looking statements. Risks that could affect the Company's future performance include revenue that does not meet expectations or justify costs incurred, the Company's ability to develop material sources of new revenue in addition to revenue from its core recovery audit services, changes in the market for the Company's services, the Company's ability to retain and attract qualified personnel, the Company's ability to execute on its profitability and margin improvement efforts, the Company's ability to integrate recent and future acquisitions, uncertainty in the credit markets, the Company's ability to maintain compliance with its financial covenants, client bankruptcies, loss of major clients, and other risks generally applicable to the Company's business. For a discussion of other risk factors that may impact the Company's business, please see the Company's filings with the Securities and Exchange Commission. The Company disclaims any obligation or duty to update or modify these forward-looking statements.

# PRGX at a Glance

Helping clients take back >\$1.2B in annual cash flow

PRGX

<b>49</b> YEARS IN BUSINESS	<b>30+</b> COUNTRIES	<b>22%</b> GLOBAL FORTUNE 50	<b>\$1.2B</b> VALUE RECOVERED/YR
<b>1500+</b> EMPLOYEES	<b>300+</b> CLIENTS	<b>80%</b> TOP 15 GLOBAL RETAILERS	<b>\$2.0T</b> SPEND ANALYZED/YR

Source: Fortune Global Ranking, 2018; Deloitte Global Retail Survey, 2018; PRGX Estimates

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# PRGX Brand Promise

## WHO WE ARE

PRGX helps companies spot value in their source-to-pay processes that other sophisticated solutions couldn't get to before. By helping our clients see what they've been missing, we enable them to minimize leakage, maximize value and mitigate risk.

## WHERE WE'RE GOING

It's not enough to be competitive; we want to change the way companies think about compliance audit. Our mission is to reach wider, dig deeper and act faster – to set new standards by which customers measure source-to-pay processes.

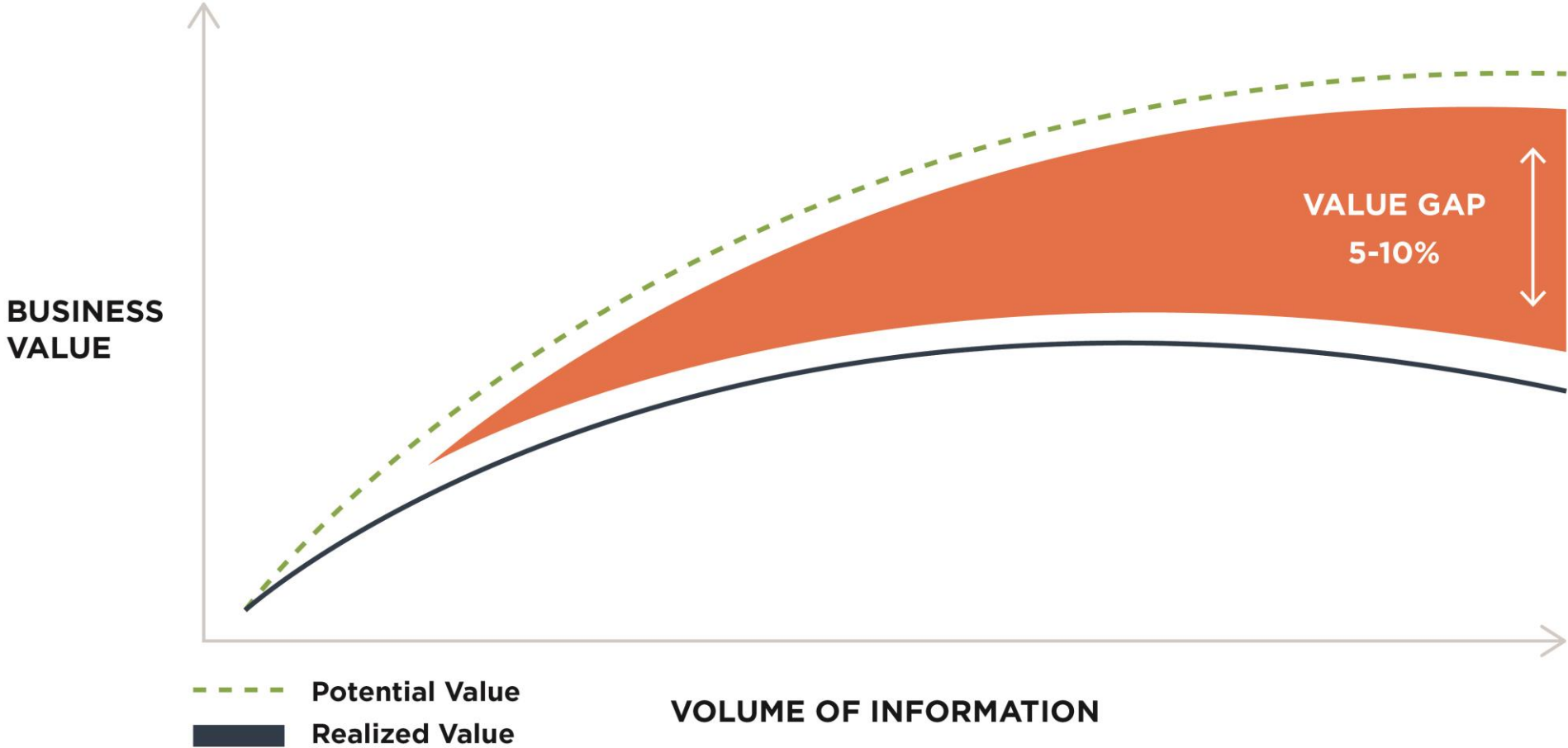
Companies typically lose  
**5 – 10+% of the value**  
of every dollar spent  
on third-party goods  
and services through  
**>300 points of leakage**  
in Source-to-pay  
processes and data  
complexity.

**Market Served:  
Global 2000  
\$10Trillion S2P Spend**

# S2P Leakage is Structural & Getting Worse

Gap sits above ERP across all systems and processes, enterprise-wide

PRGX



Source: PRGX Estimates  
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# Root Causes of S2P Leakage



## SUPPLY CHAIN COMPLEXITY

- Massive shift to global supply chain
- Steady churn in new suppliers and new products
- Variability in supplier capabilities and sophistication



## GLOBAL ORGANIZATIONAL COMPLEXITY

- S2P processes are pervasive across a company
- Challenging to align organizational departments and functions around constantly changing S2P processes



## SYSTEM & DATA PROLIFERATION

- Proliferation in systems supporting S2P processes across the company
- ERP systems are important but do not address all transactions and sources of data
- Data generated in S2P increasing at an accelerating rate



## IMBALANCE BETWEEN INNOVATION & CONTROL

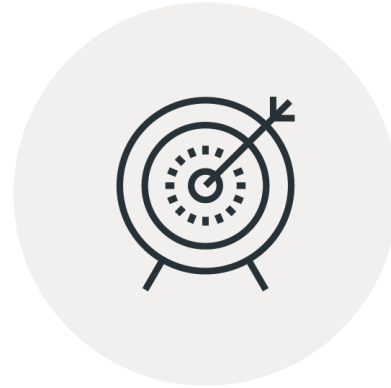
- Significant increase in % of spend under contract
- Strategic sourcing & omni-channel marketing drive significant increase in number of contracts to be managed
- Investment in compliance systems and resources falling behind demand for compliance controls

# PRGX Core Competencies

PRGX



**UNSURPASSED  
ABILITY TO  
AGGREGATE &  
PENETRATE  
CLIENT DATA**



**DEEP  
EXPERTISE IN  
SOURCE-TO-PAY  
ANALYTICS**



**MODEL BUILT ON  
DELIVERING  
ACTIONABLE,  
SELF-FUNDED  
INSIGHTS**



# Revolutionary Approach to S2P Data Analysis

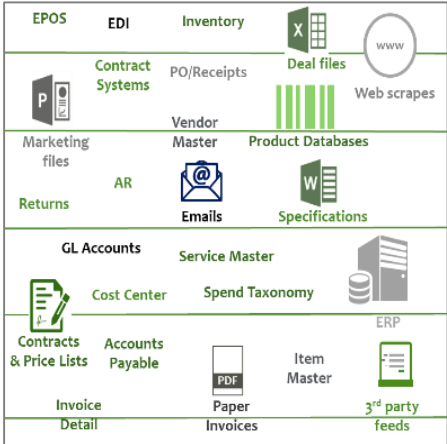
Leveraging best-in-class technology and methodology to mine data



## AGGREGATE & TRANSFORM

## ENRICH & CATEGORIZE

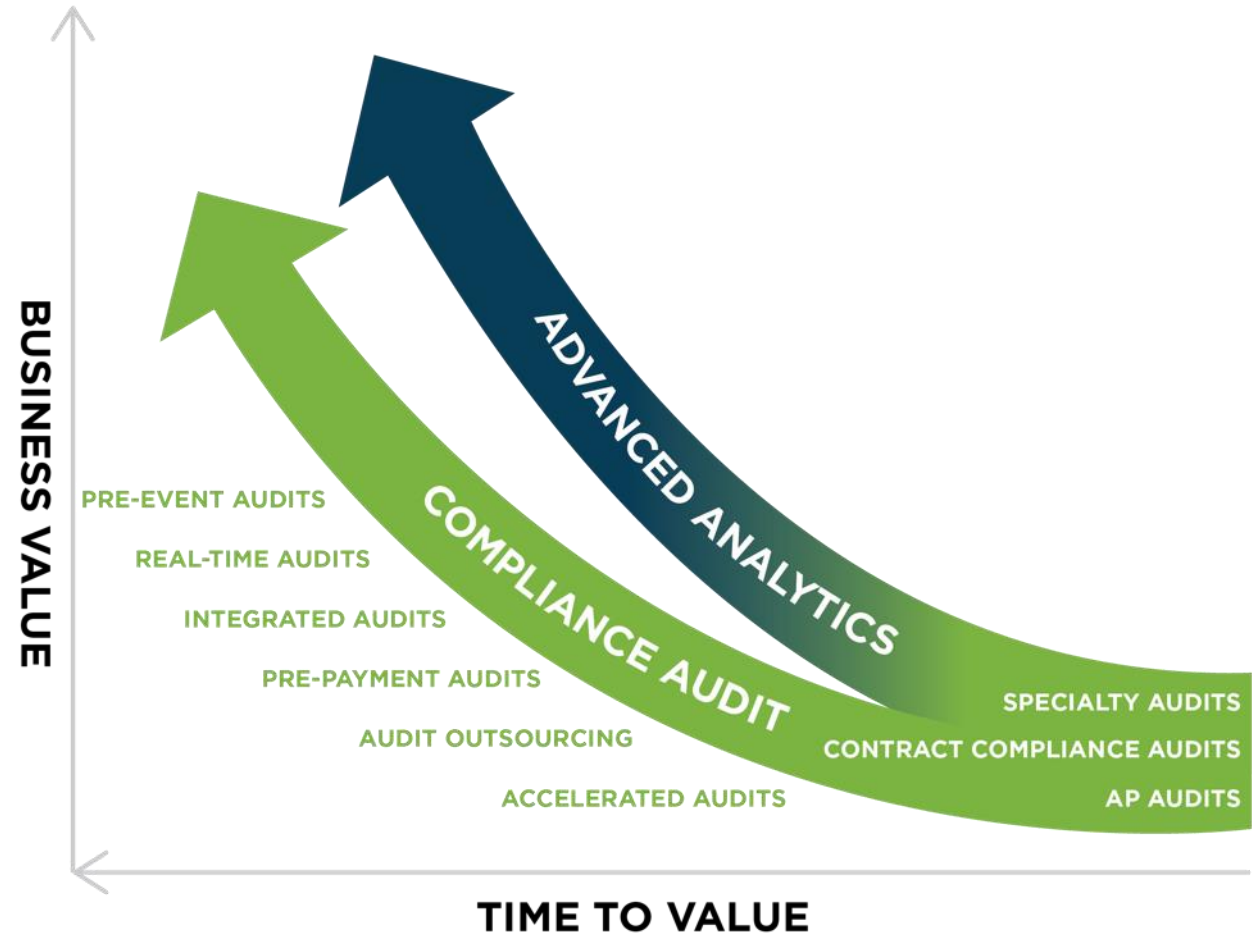
## ANALYZE & VISUALIZE



# Leading S2P Into the Digital Compliance Era

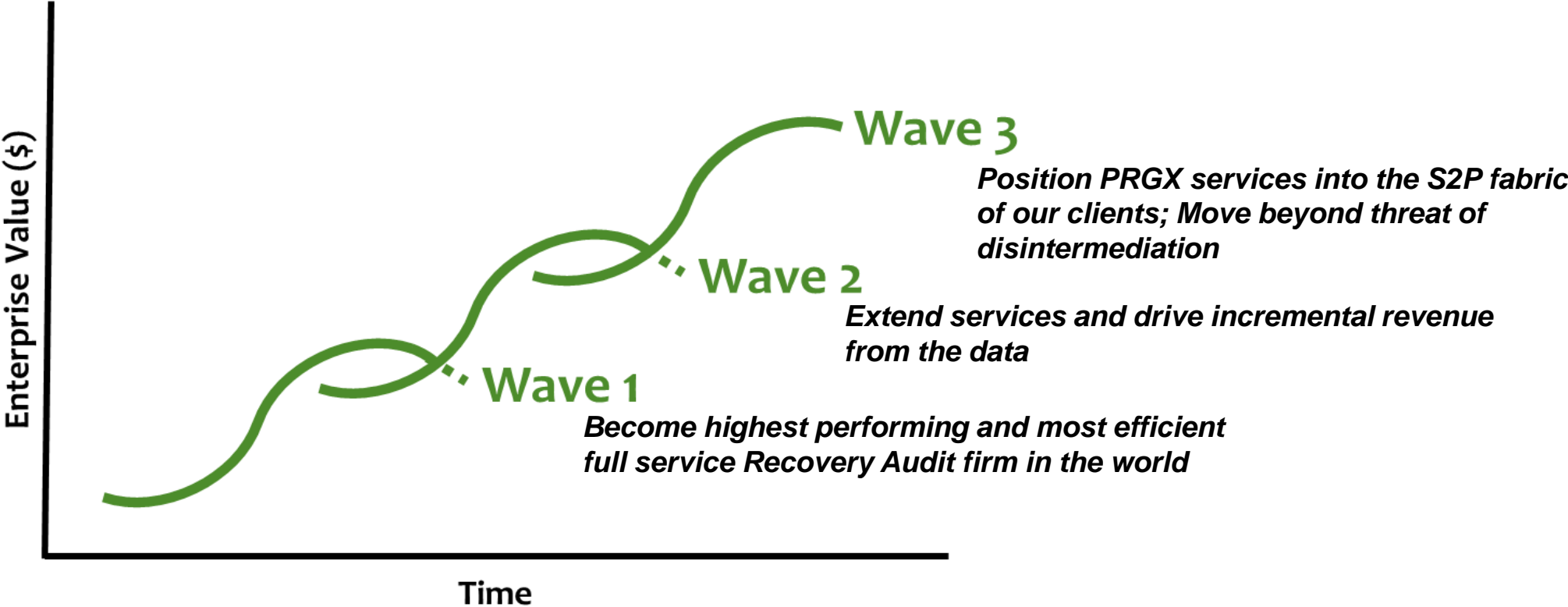
APPROACH TAILORED TO EACH CLIENT'S BUSINESS REQUIREMENTS & MATURITY

*Transforming*  
from **MANUAL**  
to **DIGITAL**  
from **REACTIVE**  
to **PROACTIVE**  
from **RECOVERY**  
to **PREVENTION**

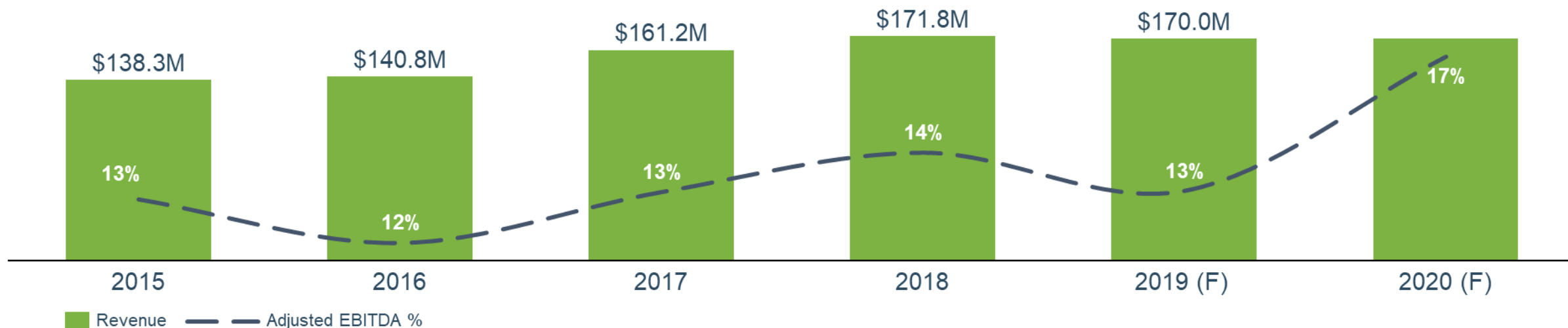


# Our Strategy

Maintaining industry leadership position and driving incremental value by delivering next generation tech



# PRGX Path to Transformation



## 2014 - 2015

- Get focused on core business
- Exit from unprofitable and non-strategic businesses
- RA processes reengineering

## 2016 - 2018

- Return to growth
- Recovery audit acceleration
- Data centralization and consolidation
- Audit development

## 2019 - 2020

- Pivot the business
- Next generation data engine and audit platform
- Integrated and pre-payment audit execution
- Drive insights from the data

## 2021 forward

- Scale the model
- Fully integrated and automated audit
- Expansions into middle market
- Expand analytics insights

Note: 2015-2018 numbers represent as reported. 2019 (F) is midpoint of guidance range.

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# Near-Term Focus

PRGX

Drive to  
higher  
EBITDA & FCF

- Reduce SGA & overhead costs to improve margins
- Rationalize CAPEX investment
- Improve internal systems and controls

Deliver  
technology  
investment &  
realize ROI

- Complete conversion of client data to high-performance data platform
- Complete development & rollout of next-generation audit platform
- Realize ROI from technology investments

Prioritize  
known &  
profitable  
solutions

- Rationalize Adjacent Services offerings to profitable ones
- Build S2P analytics from high-performance data infrastructure
- Optimize business model, e.g. contract compliance (time and materials)

# Why PRGX?

**Global leader**

**Long-term client base**

**Well-positioned to expand presence in multi-billion dollar S2P market**

**Continued improvement in gross margins and Adjusted EBITDA**

**Big data technology platform fundamentally changes approach to delivering client solutions**

A large green arrow pointing to the right, occupying the left side of the slide.

**PRGX**

**Thank You.**

The logo for PRGX, consisting of the letters 'PRGX' in a bold, white, sans-serif font. The logo is positioned on a large green arrow-shaped graphic that points to the right.

# Appendix

Financials & Non-GAAP Reconciliations



# Financials & Non-GAAP Reconciliations

## Condensed Consolidated Statements of Operations

SCHEDULE 1  
PRGX Global, Inc. and Subsidiaries  
Condensed Consolidated Statements of Operations  
(Amounts in thousands, except per share data)  
(Unaudited)

	Three Months		Nine Months	
	Ended September 30, 2019	2018	2019	2018
Revenue, net	\$ 42,290	\$ 43,320	\$ 123,068	\$ 122,143
Operating expenses:				
Cost of revenue	25,539	26,146	77,086	78,332
Selling, general and administrative expenses	13,544	12,521	43,209	36,594
Depreciation of property, equipment and software assets	2,648	1,713	7,232	5,296
Amortization of intangible assets	864	872	2,598	2,524
Acquisition-related adjustment income	(250)	(1,640)	(250)	(1,640)
Total operating expenses	<u>42,345</u>	<u>39,612</u>	<u>129,875</u>	<u>121,106</u>
Operating (loss) income from continuing operations	(55)	3,708	(6,807)	1,037
Foreign currency transaction losses on short-term intercompany balances	905	70	1,034	730
Interest expense, net	376	416	1,441	1,300
Other loss (income)	4	(1)	(4)	16
(Loss) income from continuing operations before income tax	<u>(1,340)</u>	<u>3,223</u>	<u>(9,278)</u>	<u>(1,009)</u>
Income tax expense	<u>202</u>	<u>597</u>	<u>681</u>	<u>1,573</u>
Net (loss) income from continuing operations	<u>\$ (1,542)</u>	<u>\$ 2,626</u>	<u>\$ (9,959)</u>	<u>\$ (2,582)</u>
Discontinued operations:				
Income (loss) from discontinued operations	900	(325)	642	(684)
Income tax expense	-	-	-	-
Net income (loss) from discontinued operations	<u>900</u>	<u>(325)</u>	<u>642</u>	<u>(684)</u>
Net (loss) income	<u>\$ (642)</u>	<u>\$ 2,301</u>	<u>\$ (9,317)</u>	<u>\$ (3,266)</u>
Basic (loss) income per common share:				
Basic (loss) income from continuing operations	\$ (0.07)	\$ 0.11	\$ (0.44)	\$ (0.12)
Basic income (loss) from discontinued operations	0.04	(0.01)	0.03	(0.02)
Total basic (loss) income per common share	<u>\$ (0.03)</u>	<u>\$ 0.10</u>	<u>\$ (0.41)</u>	<u>\$ (0.14)</u>
Diluted (loss) income per common share:				
Diluted (loss) income from continuing operations	\$ (0.07)	\$ 0.11	\$ (0.44)	\$ (0.11)
Diluted income (loss) from discontinued operations	0.04	(0.01)	0.03	(0.03)
Total diluted (loss) income per common share	<u>\$ (0.03)</u>	<u>\$ 0.10</u>	<u>\$ (0.41)</u>	<u>\$ (0.14)</u>
Weighted average common shares outstanding:				
Basic	<u>22,770</u>	<u>23,558</u>	<u>22,715</u>	<u>23,142</u>
Diluted	<u>22,770</u>	<u>24,207</u>	<u>22,715</u>	<u>23,142</u>

# Financials & Non-GAAP Reconciliations

## Condensed Consolidated Balance Sheet

PRGX

**SCHEDULE 2**  
**PRGX Global, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
**(Amounts in thousands)**  
**(Unaudited)**

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 11,131	\$ 13,973
Restricted cash	106	46
Receivables:		
Contract receivables, net	37,503	46,865
Employee advances and miscellaneous receivables, net	564	567
Total receivables	<u>38,067</u>	<u>47,432</u>
Prepaid expenses and other current assets	3,689	3,144
Total current assets	<u>52,993</u>	<u>64,595</u>
Property, equipment and software, net	25,247	22,028
Operating lease right-of-use assets	10,037	-
Goodwill	17,477	17,531
Intangible assets, net	12,276	14,945
Deferred income taxes	3,602	3,561
Other assets	1,775	2,169
Total assets	<u>\$ 123,407</u>	<u>\$ 124,829</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,706	\$ 7,515
Accrued payroll and related expenses	12,068	15,073
Current portion of operating lease liabilities	4,046	-
Refund liabilities	4,130	6,497
Deferred revenue	1,577	2,428
Current portion of long-term debt	25	48
Current portion of business acquisition obligations	-	4,162
Total current liabilities	<u>24,552</u>	<u>35,723</u>
Long-term debt	35,648	21,553
Long-term operating lease liabilities	6,569	-
Refund liabilities	28	100
Deferred income taxes	670	666
Other long-term liabilities	-	458
Total liabilities	<u>67,467</u>	<u>58,500</u>
Shareholders' equity:		
Common stock	232	232
Additional paid-in capital	581,533	582,574
Accumulated deficit	(524,773)	(515,456)
Accumulated other comprehensive income	(1,052)	(1,021)
Total shareholders' equity	<u>55,940</u>	<u>66,329</u>
Total liabilities and shareholders' equity	<u>\$ 123,407</u>	<u>\$ 124,829</u>

# Financials & Non-GAAP Reconciliations

## Adjusted EBITDA from Continuing Operations Reconciliation

SCHEDULE 3  
PRGX Global, Inc. and Subsidiaries  
Reconciliation of Net (Loss) Income to EBIT, EBITDA and Adjusted EBITDA  
(Amounts in thousands)  
(Unaudited)

	Three Months		Nine Months	
	Ended September 30, 2019	2018	Ended September 30, 2019	2018
Reconciliation of net (loss) income to EBIT, EBITDA and Adjusted EBITDA:				
Net (loss) income	\$ (642)	\$ 2,301	\$ (9,317)	\$ (3,266)
Income tax expense	202	597	681	1,573
Interest expense, net	376	416	1,441	1,300
EBIT	(64)	3,314	(7,195)	(393)
Depreciation of property, equipment and software assets	2,648	1,713	7,232	5,297
Amortization of intangible assets	864	872	2,598	2,524
EBITDA	3,448	5,899	2,635	7,428
Foreign currency transaction (gains) losses on short-term intercompany balances	905	70	1,034	730
Acquisition-related adjustment (income) loss	(250)	(1,640)	(250)	(1,640)
Transformation, severance, and other expenses	1,858	439	3,835	2,428
Other loss (income)	4	(1)	(4)	16
Stock-based compensation	527	1,341	3,573	4,159
Adjusted EBITDA	<u>\$ 6,492</u>	<u>\$ 6,108</u>	<u>\$ 10,823</u>	<u>\$ 13,121</u>
Adjusted EBITDA from continuing operations	<u>\$ 5,592</u>	<u>\$ 6,433</u>	<u>\$ 10,181</u>	<u>\$ 13,804</u>
Adjusted EBITDA from discontinued operations	<u>\$ 900</u>	<u>\$ (325)</u>	<u>\$ 642</u>	<u>\$ (683)</u>

EBIT, EBITDA and Adjusted EBITDA are all "non-GAAP financial measures" presented as supplemental measures of our performance. They are not presented in accordance with accounting principles generally accepted in the United States, or GAAP. The Company believes these measures provide additional meaningful information in evaluating the Company's performance over time, and that the rating agencies and a number of lenders use EBIT, EBITDA and similar measures for similar purposes. In addition, a measure similar to Adjusted EBITDA is used in the restrictive covenants contained in the Company's secured credit facility. However, EBIT, EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under GAAP. In addition, in evaluating EBIT, EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses such as those used in calculating these measures. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by

# Financials & Non-GAAP Reconciliations

## Condensed Consolidated Statements of Cash Flows

SCHEDULE 4  
PRGX Global, Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows  
(Amounts in thousands)  
(Unaudited)

	Three Months		Nine Months	
	Ended September 30, 2019	2018	Ended September 30, 2019	2018
Cash flows from operating activities:				
Net (loss) income	\$ (642)	\$ 2,301	\$ (9,317)	\$ (3,266)
Adjustments to reconcile net (loss) income to net cash from operating activities:				
Depreciation and amortization	3,512	2,585	9,830	7,820
Amortization of deferred loan costs	4	21	121	53
Deferred income taxes	4	-	4	169
Stock-based compensation expense	527	1,341	3,573	4,159
Changes in fair value of contingent consideration	(250)	(1,640)	(250)	(1,640)
Foreign currency transaction losses on short-term intercompany balances	905	70	1,034	730
Long-term incentive compensation payout	-	(998)	-	(6,378)
Decrease in receivables	3,605	668	9,347	550
Increase (decrease) in accounts payable, accrued payroll and other accrued expenses	269	(613)	(7,631)	(6,222)
Other, primarily changes in assets and liabilities	(2,282)	(792)	(3,503)	596
Net cash provided by (used in) operating activities	<u>5,652</u>	<u>2,943</u>	<u>3,208</u>	<u>(3,429)</u>
Cash flows from investing activities:				
Purchases of property and equipment, net of disposals	(4,039)	(2,572)	(11,679)	(7,899)
Business acquisition, net of cash acquired	-	-	-	19
Net cash used in investing activities	<u>(4,039)</u>	<u>(2,572)</u>	<u>(11,679)</u>	<u>(7,880)</u>
Cash flows from financing activities:				
Net borrowings under line of credit	3,000	-	14,400	4,000
Payment of earnout liability related to business acquisitions	(3,750)	-	(4,229)	(4,000)
Payment of deferred loan costs	-	-	(394)	-
Repurchases of common stock	(1,984)	-	(4,212)	-
Other, net	(10)	884	(539)	2,841
Net cash (used in) provided by financing activities	<u>(2,744)</u>	<u>884</u>	<u>5,026</u>	<u>2,841</u>
Effect of exchange rates on cash and cash equivalents	<u>718</u>	<u>(552)</u>	<u>663</u>	<u>187</u>
Net change in cash, cash equivalents and restricted cash	(413)	703	(2,782)	(8,281)
Cash, cash equivalents and restricted cash at beginning of period	<u>11,650</u>	<u>9,890</u>	<u>14,019</u>	<u>18,874</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 11,237</u>	<u>\$ 10,593</u>	<u>\$ 11,237</u>	<u>\$ 10,593</u>

# Financials & Non-GAAP Reconciliations

## Segment Income Statement

**SCHEDULE 5**  
**PRGX Global, Inc. and Subsidiaries**  
**Results by Operating Segment \***  
**(Amounts in thousands)**  
**(Unaudited)**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
<b>Revenue, net</b>						
Recovery Audit Services - Americas	\$ 29,987	\$ 28,806	\$ 1,181	\$ 86,295	\$ 83,676	\$ 2,619
Recovery Audit Services - Europe/Asia-Pacific	10,803	12,191	(1,388)	32,398	33,663	(1,265)
Adjacent Services	1,500	2,323	(823)	4,375	4,804	(429)
Total	<u>\$ 42,290</u>	<u>\$ 43,320</u>	<u>\$ (1,030)</u>	<u>\$ 123,068</u>	<u>\$ 122,143</u>	<u>\$ 925</u>
<b>Cost of revenue</b>						
Recovery Audit Services - Americas	\$ 17,201	\$ 17,602	\$ (401)	\$ 49,140	\$ 52,866	\$ (3,726)
Recovery Audit Services - Europe/Asia-Pacific	6,661	6,632	29	20,576	20,551	25
Adjacent Services	1,677	1,912	(235)	7,370	4,915	2,455
Total	<u>\$ 25,539</u>	<u>\$ 26,146</u>	<u>\$ (607)</u>	<u>\$ 77,086</u>	<u>\$ 78,332</u>	<u>\$ (1,246)</u>
<b>Selling, general and administrative expenses</b>						
Recovery Audit Services - Americas	\$ 3,464	\$ 3,058	\$ 406	\$ 10,490	\$ 8,746	\$ 1,744
Recovery Audit Services - Europe/Asia-Pacific	1,801	2,535	(734)	6,553	5,643	910
Adjacent Services	172	569	(397)	1,081	1,423	(342)
Corporate	8,107	6,359	1,748	25,085	20,782	4,303
Total	<u>\$ 13,544</u>	<u>\$ 12,521</u>	<u>\$ 1,023</u>	<u>\$ 43,209</u>	<u>\$ 36,594</u>	<u>\$ 6,615</u>
<b>Acquisition-related adjustments</b>						
Corporate	\$ (250)	\$ (1,640)	\$ 1,390	\$ (250)	\$ (1,640)	\$ 1,390
Total	<u>\$ (250)</u>	<u>\$ (1,640)</u>	<u>\$ 1,390</u>	<u>\$ (250)</u>	<u>\$ (1,640)</u>	<u>\$ 1,390</u>
<b>Depreciation of property, equipment and software assets</b>						
Recovery Audit Services - Americas	\$ 2,191	\$ 1,260	\$ 931	\$ 5,872	\$ 3,876	\$ 1,996
Recovery Audit Services - Europe/Asia-Pacific	176	164	12	520	512	8
Adjacent Services	281	289	(8)	840	908	(68)
Total	<u>\$ 2,648</u>	<u>\$ 1,713</u>	<u>\$ 935</u>	<u>\$ 7,232</u>	<u>\$ 5,296</u>	<u>\$ 1,936</u>
<b>Amortization of intangible assets</b>						
Recovery Audit Services - Americas	\$ 437	\$ 445	\$ (8)	\$ 1,313	\$ 1,218	\$ 95
Recovery Audit Services - Europe/Asia-Pacific	41	37	4	126	136	(10)
Adjacent Services	386	390	(4)	1,159	1,170	(11)
Total	<u>\$ 864</u>	<u>\$ 872</u>	<u>\$ (8)</u>	<u>\$ 2,598</u>	<u>\$ 2,524</u>	<u>\$ 74</u>
<b>Operating income (loss)</b>						
Recovery Audit Services - Americas	\$ 6,694	\$ 6,441	\$ 253	\$ 19,480	\$ 16,970	\$ 2,510
Recovery Audit Services - Europe/Asia-Pacific	2,124	2,823	(699)	4,623	6,821	(2,198)
Adjacent Services	(1,016)	(837)	(179)	(6,075)	(3,612)	(2,463)
Corporate	(7,857)	(4,719)	(3,138)	(24,835)	(19,142)	(5,693)
Total	<u>\$ (55)</u>	<u>\$ 3,708</u>	<u>\$ (3,763)</u>	<u>\$ (6,807)</u>	<u>\$ 1,037</u>	<u>\$ (7,844)</u>
<b>Adjusted EBITDA from continuing operations</b>						
Recovery Audit Services - Americas	\$ 9,976	\$ 8,325	\$ 1,651	\$ 27,697	\$ 22,792	\$ 4,905
Recovery Audit Services - Europe/Asia-Pacific	2,481	3,008	(527)	5,654	8,468	(2,814)
Adjacent Services	(18)	(160)	142	(3,122)	(1,468)	(1,654)
Corporate	(6,847)	(4,740)	(2,107)	(20,048)	(15,988)	(4,060)
Total	<u>\$ 5,592</u>	<u>\$ 6,433</u>	<u>\$ (841)</u>	<u>\$ 10,181</u>	<u>\$ 13,804</u>	<u>\$ (3,623)</u>

\* The Recovery Audit Services - Americas segment represents recovery audit services provided in the United States, Canada and Latin America. The Recovery Audit Services - Europe/Asia-Pacific segment represents recovery audit services provided in Europe, Asia and the Pacific region. The Adjacent Services segment represents spend analytics and supplier information management services.