



# INVESTOR FACT SHEET



**Q3 | 2002**



## CORPORATE PROFILE

### **PRG-Schultz: Industry Leader, Industry Innovator**

Headquartered in Atlanta, PRG-Schultz International, Inc. (PRG-Schultz) is the world's leading provider of recovery audit services. PRG-Schultz employs approximately 3,500 employees, providing clients in over 40 countries with insightful value to optimize and expertly manage their business transactions. Using proprietary software and expert audit methodologies, PRG-Schultz industry specialists review client invoices, purchase orders, receiving documents, databases, and correspondence files to recover lost profits due to over-payments or under-deductions. PRG-Schultz is retained on a pay-for-performance basis, receiving a percentage of each dollar recovered.



## INVESTMENT RATIONALE

### One New Company

On January 24, 2002, the world's two largest recovery audit firms, the Profit Recovery Group (PRG) and Howard Schultz & Associates (HS&A), combined to form the definitive industry leader, PRG-Schultz. The combination marks a significant milestone in the evolution of the recovery audit industry and creates the only provider with the scale and scope to lead in quality service and innovation.

### Focus on Accounts Payable

In 2001, PRG-Schultz realigned operations to focus on what we have always done best - accounts payable recovery auditing. PRG-Schultz is dedicated to achieving sustained and profitable corporate growth from its accounts payable operations, a business model with attractive characteristics, including strong operating cash flow generation and a significant portion of recurring revenues.

### Large Market Potential

While PRG-Schultz has a prominent position in today's accounts payable recovery audit market, increased complexity in today's purchasing environment, including global consolidations, greater price volatility, larger transaction volumes, multiple sourcing options, and continuing migration to electronic data formats, significantly expands our market potential. With a strong client base, PRG-Schultz is well-positioned to capitalize on additional business opportunities, from both new and existing clients. Internationally, audit recovery services are still in their infancy, and the market potential is sizeable.

### THIRD QUARTER 2002 RESULTS FROM CONTINUING OPERATIONS

Three Months Ended September 30

	2002	2001
(in \$MM, except EPS)		
Revenues	\$116.1	\$74.7
Operating Income	17.3	4.8
EBITDA	21.6	10.2
Net Income	9.3	0.9
Diluted EPS	\$0.13	\$0.02
Proforma Diluted EPS*	\$0.17	\$0.07
Cash from Operations	\$18.7	\$13.8

\*In 2002, excludes \$5.1 million in non-recurring and transition expenses, or \$0.04 per diluted share after-tax. In 2001, excludes \$3.9 million in non-recurring expenses and goodwill amortization or \$0.05 per diluted share after tax.

## Proven Services Offering

PRG-Schultz's experienced and highly-trained audit professionals use sophisticated proprietary technologies and advanced methodologies to recover unrealized profits. We have developed proven audit techniques that allow for increased identification of transaction errors and recommendations for process improvements. In addition to our core accounts payable recovery audit services, PRG-Schultz's unique capabilities in specialty services such as direct store delivery, vendor compliance, media, and imaging further differentiates us from our competitors, allowing us to build stronger relationships with our clients.

## Leveraging Technology

As the world of technology continues to rapidly evolve, our clients are continuously increasing the use of technology to manage complex accounting systems and realize greater operating efficiencies. Our digital assets - our proprietary software, supreme information capacity, significant processing power, and skilled professionals - are fundamental to best serving our clients' needs. Our success in investing in and developing the most sophisticated technology tools and most powerful databases has been, and will continue to be, an important competitive advantage of PRG-Schultz.

## STRATEGIC GROWTH PLAN

*In order to realize the full potential of our market opportunity, PRG-Schultz has identified the following key strategic growth initiatives:*

- **Employ client-centered business approaches, such as aligning service levels to individual client needs, to drive profitable growth in both new and existing clients.**
- **Maximize audit effectiveness by deploying best practices and focused business analysis across the organization.**
- **Increase investment in our highest-potential global markets.**
- **Focus technology development to enable the most effective and profitable service delivery.**

"I am very pleased we achieved our earnings objective, significantly enhanced cash flow and improved operating margins during the quarter," said John Cook, chief executive officer of PRG-Schultz. "Several areas of our business, including our key US Retail accounts, our European Accounts Payable operations, and our Other Ancillary Services segment, performed better than we expected. Despite revenue challenges in our US Commercial Accounts Payable business and the specialty services area of our US Retail Accounts Payable business, the PRG-Schultz team continues to deliver exceptional service to our clients in a clearly difficult economic environment. Looking ahead, our revenue outlook for the remainder of the year is more conservative, reflecting these challenges."

"PRG-Schultz continues to take meaningful steps to leverage our successful business model, while positioning the company for long-term growth and delivering enhanced value to our shareholders," added Cook. "Our experience and success to-date with the merger of PRG and HS&A has convinced me of the power of one combined and streamlined organization, and I firmly believe that integrating our US Accounts Payable businesses will further enable us to leverage our combined industry expertise, effectively and efficiently align and execute our service delivery to the needs and opportunities of our clients, and capitalize on broad-scope audit opportunities."

## SHAREHOLDER INFORMATION

Industry Sector: Business Services

Exchange/Symbol: (Nasdaq National Market: PRGX)

Price 11/04/02: \$10.21

52-Week Price Range: \$6.13 - \$16.25

Market Capitalization: \$646.3 million

Shares Outstanding: 63.3 million

Daily Volume (3-month average): 754,103

(All share data as of 11/04/02)

## ANALYST COVERAGE

Avondale Partners - Jenny Hubbard

Barrington Research - Alexander Paris, Jr.

CIBC World Markets - Thatcher Thompson

Jeffries & Co. - Joseph Vafi

J. P. Morgan H&Q - Adam Holt

Robert W. Baird - Gary Dean

## Contact Information:

**PRG-Schultz International, Inc.**

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## FINANCIAL SUMMARY CONTINUING OPERATIONS

(\$MM, except per share data)

### Income Statement Summary

	Nine Months Ended		Years Ended 12/31	
	Sept. 30, 2002	Sept. 30, 2001	2001	2000
Revenues	\$344.7	\$227.7	\$314.0	\$302.1
Operating Income	42.8	12.5	17.2	18.3
Net Income/(Loss)	22.5	2.2	3.9	4.9
Diluted Earnings per Share	\$0.32	\$0.05	\$0.08	\$0.10
Cash from Operations	\$27.5	\$9.8	\$29.2	\$18.8

*Results from continuing operations, excluding cumulative effect of accounting change*

### Balance Sheet Highlights

	Sept. 30, 2002	December 31, 2001
Cash & Equivalents	\$24.6	\$33.3
Working Capital:	26.0	40.0
Long-Term Debt (incl. Current):	45.1	-
Convertible Notes:	121.3	121.2
Shareholders Equity:	339.2	168.1
Book Value per Share:	\$5.36	

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Statements made in this news release which look forward in time involve risks and uncertainties and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such risks and uncertainties include the following: (i) we may not be able to successfully integrate Howard Schultz and Associates (HS&A) and achieve the planned post-acquisition synergy cost savings due to unexpected costs, loss of former HS&A auditors and other personnel, loss of revenue with respect to shared clients and other reasons, (ii) if the current economic slowdown continues, our clients may not return to previous purchasing levels, and as a result we may be unable to recognize anticipated revenues, (iii) the bankruptcy of any of our larger clients, including without limitation, potential negative effects of the recent Kmart bankruptcy filing, could impair then-existing accounts receivable and reduce expected future revenues from such clients, (iv) since the businesses comprising the other ancillary services segment were operated prior to January 24, 2002 primarily for the purpose of preparing them for sale, they may require additional time and effort of Company executives and additional Company resources to help them achieve desired profitability and may distract management from its focus on the Company's core accounts payable business, and there is no guaranty that the Company can operate these businesses efficiently and profitably, (v) the previously announced intention to dispose of the discontinued operations has in some instances resulted in the loss of key personnel and diminished operating results in such operations which may be difficult to reverse going forward, (vi) we may not achieve anticipated expense savings, (vii) our past and future investments in technology and e-commerce may not benefit our business, (viii) our accounts payable businesses may not grow as expected, and we may not be able to increase the number of clients utilizing broad-scope audits, and (ix) our international expansion may prove unprofitable, and (x) the integration of our US Retail and US Commercial Accounts Payable operations may not be successful or may require more time, management attention or expense than we currently anticipate. Other risks and uncertainties that may affect our business include (i) our ability to effectively manage our business during our business integration with HS&A, (ii) the possibility of an adverse judgment in pending securities litigation, (iii) potential timing issues that could delay revenue recognition, (iv) future weakness in the currencies of countries in which we transact business, (v) changes in economic cycles, (vi) competition from other companies, (vii) changes in governmental regulations applicable to us, and other risk factors discussed in our Securities and Exchange Commission filings, including the Company's Form 10-Q as filed with the Securities and Exchange Commission on November 13, 2002 and final prospectus, as filed with the Securities and Exchange Commission on October 31, 2002. The Company disclaims any obligation or duty to update or modify these forward-looking statements.