



# Crawford & Company

Second Quarter 2020  
Earnings Conference Call



# Forward-Looking Statements and Additional Information

## Forward-Looking Statements

This presentation contains forward-looking statements, including statements about the expected future financial condition, results of operations and earnings outlook of Crawford & Company. Statements, both qualitative and quantitative, that are not statements of historical fact may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 and other securities laws. Forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from historical experience or Crawford & Company's present expectations. Accordingly, no one should place undue reliance on forward-looking statements, which speak only as of the date on which they are made. Crawford & Company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that may arise or not arise after the date the forward-looking statements are made. Results for any interim period presented herein are not necessarily indicative of results to be expected for the full year or for any other future period. For further information regarding Crawford & Company, and the risks and uncertainties involved in forward-looking statements, please read Crawford & Company's reports filed with the Securities and Exchange Commission and available at [www.sec.gov](http://www.sec.gov) or in the Investor Relations section of Crawford & Company's website at [www.crawco.com](http://www.crawco.com).

Crawford's business is dependent, to a significant extent, on case volumes. The Company cannot predict the future trend of case volumes for a number of reasons, including the fact that the frequency and severity of weather-related claims and the occurrence of natural and man-made disasters, which are a significant source of cases and revenue for the Company, are generally not subject to accurate forecasting.

## Revenues Before Reimbursements ("Revenues")

Revenues Before Reimbursements are referred to as "Revenues" in both consolidated and segment charts, bullets and tables throughout this presentation.

## Segment and Consolidated Operating Earnings

Under the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 280, "Segment Reporting," the Company has defined segment operating earnings as the primary measure used by the Company to evaluate the results of each of its three operating segments. Segment operating earnings represent segment earnings, including the direct and indirect costs of certain administrative functions required to operate our business, but excludes unallocated corporate and shared costs and credits, net corporate interest expense, stock option expense, amortization of customer-relationship intangible assets, goodwill impairment, restructuring costs, loss on disposition of business, arbitration and claim settlements, income taxes and net income or loss attributable to noncontrolling interests and redeemable noncontrolling interests.

## Earnings Per Share

The Company's two classes of stock are substantially identical, except with respect to voting rights and the Company's ability to pay greater cash dividends on the non-voting Class A Common Stock than on the voting Class B Common Stock, subject to certain limitations. In addition, with respect to mergers or similar transactions, holders of Class A Common Stock must receive the same type and amount of consideration as holders of Class B Common Stock, unless different consideration is approved by the holders of 75% of the Class A Common Stock, voting as a class.

In certain periods, the Company has paid a higher dividend on CRD-A than on CRD-B. This may result in a different earnings per share ("EPS") for each class of stock due to the two-class method of computing EPS as required by ASC Topic 260 - "Earnings Per Share". The two-class method is an earnings allocation method under which EPS is calculated for each class of common stock considering both dividends declared and participation rights in undistributed earnings as if all such earnings had been distributed during the period.

## Segment Gross Profit

Segment gross profit is defined as revenues, less direct costs, which exclude indirect centralized administrative support costs allocated to the business. Indirect expenses consist of centralized administrative support costs, regional and local shared services that are allocated to each segment based on usage.

## Non-GAAP Financial Information

For additional information about certain non-GAAP financial information presented herein, see the Appendix following this presentation.

# Crawford & Company

The world’s largest publicly listed independent provider of global claims management solutions.

**Organized across global service lines:**

- P&C adjusting solutions (Crawford Claims Solutions)
- Large and complex claims (Global Technical Services)
- Global TPA solutions (Broadspire)
- Managed repair services (Contractor Connection)



**\$18+ Billion**  
Claims managed annually



**1.6 Million**  
Claims handled worldwide



**9,000**  
Total employees



**CRD-A & CRD-B**  
Traded on NYSE



# Second Quarter 2020 Financial Highlights

## GAAP

**\$234.4 Million**  
Revenues before reimbursements

**\$5.9 Million**  
Net income attributable to shareholders

## Non-GAAP

**\$240.2 Million**  
Revenues before reimbursements<sup>1</sup>

**\$18.7 Million**  
Adjusted operating earnings<sup>1</sup>

**7.8%**  
Adjusted operating margin<sup>1</sup>

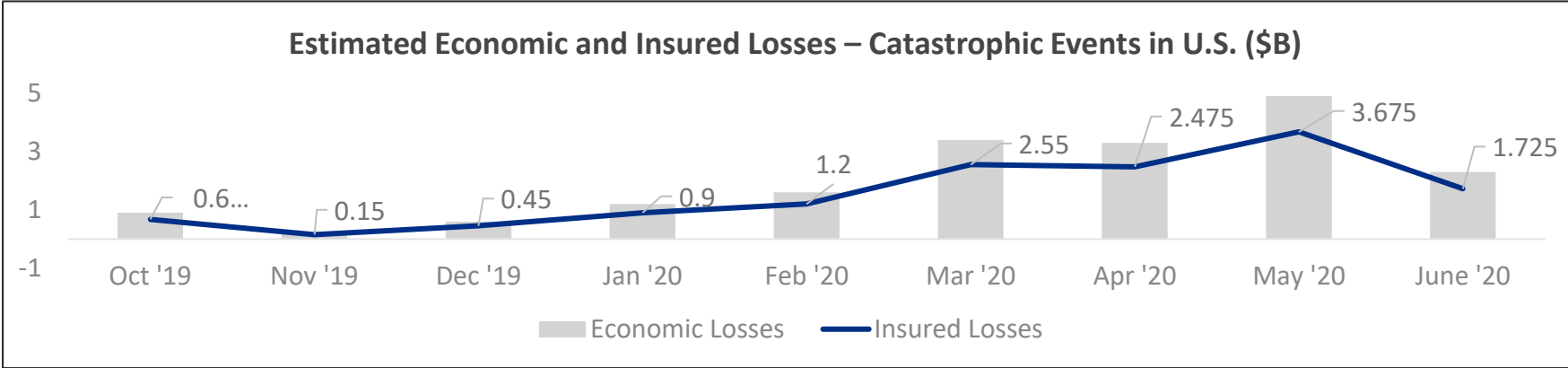
**\$25.9 Million**  
Consolidated adjusted EBITDA<sup>1</sup>

**10.8%**  
EBITDA as % of revenue<sup>1</sup>

*(1) See appendix for non-GAAP explanation and reconciliation of non-GAAP measures.*

# Weather And Economic Indicators

**A return to normal weather activity allowed the Company to capitalize on recent client wins**



Catastrophic weather activity led to new business from several new large carriers

Benefited from increased volume of business interruption (BI) claims in U.K. and event cancellation claims in U.K. and Europe

Reduced business activity caused a slowdown in the TPA business and Canada

**We remain cautiously optimistic about the Company's financial performance in light of the COVID-19 pandemic**

## Impact Across Our Global Service Lines (GSLs)

### Crawford TPA Solutions

- Decreased economic activity is a headwind for our TPA business
- Increase in COVID-related claims for workers' compensation from two healthcare clients
- Use of telemedicine during the quarter provided additional revenue stream

### Crawford Claims Solutions

- Momentum building from new clients, with first \$1 million month in June from our major carrier win
- WeGoLook saw the highest number of assignments in June than ever before
- Dallas claims facility is operational, expanding to fully utilize its capacity before fall

### Crawford Specialty Solutions

- Contractor Connection
  - Saw largest amount of monthly assignments in May in the business's history
  - Onboarded an additional top ten carrier in June and are receiving assignments
- GTS
  - Implementing our largest U.S. program win to date
  - Increased frequency of cyber claims across Asia and Europe
  - Growth driven by a rise in claims tied to event cancellations and COVID-19

# Customer Excellence

**Continued RFP activity, winning \$23.6 million of new business**

**New and Renewal Business Activity**

TPA saw several new business wins totaling \$11.2 million in annualized revenue and 97% renewal rate from existing business

CCS is continuing to ramp the new major carrier win from the first quarter

Contractor Connection saw renewed contracts from top clients in U.S. and Canada

GTS saw annual renewal revenue of \$5.3 million in U.S.

**Sales Pipeline**

Over \$250 million of new business in the pipeline

Continued sales momentum, gaining traction from all-size carriers

**Net Promoter Score**

Collected 238 NPS scores, marking the record for a single quarter, with an overall score of 40

Signifies a high level of customer satisfaction

## Our Capital Allocation Strategy

**Strong financial position with liquidity surpassing expectations**

**Increased operating cash flow by 40% over last year's levels**

**Low leverage ratio of 1.57x EBITDA**

**Increased dividend to \$0.04 per share for CRD-A and CRD-B**

**Continuing to evaluate share repurchases as a component of our capital allocation strategy**



# Update On Our Response To COVID-19



## Workforce

Remain committed to protecting the safety and well-being of our workforce allowing them to successfully serve our clients

## Client Impact

Continue to deliver on our mission and promise to be there for our clients when they need to lean on us the most

## Diversity & Inclusion

Foster a safe and inclusive working environment where employees can be authentic and offer unique experiences and perspectives

## Market Leadership

Prioritize growth, people and system readiness, and fiscal responsibility to further advance our competitive position

Continuing to demonstrate our resilience despite the significant challenges presented by COVID-19

## Second Quarter 2020 Financial Summary

(\$ in millions, except per share amounts)	Quarter Ended		
	June 30, 2020	June 30, 2019	% Change
Revenues	<b>\$234.4</b>	\$256.9	(9)%
Non-GAAP Revenues excluding foreign exchange fluctuations <sup>(1)</sup>	<b>\$240.2</b>	\$256.9	(7)%
Net Income Attributable to Shareholders of Crawford & Company	<b>\$5.9</b>	\$2.6	123%
Diluted Earnings per Share			
CRD-A	<b>\$0.11</b>	\$0.06	83%
CRD-B	<b>\$0.11</b>	\$0.04	175%
Non-GAAP Diluted Earnings per Share <sup>1</sup>			
CRD-A	<b>\$0.16</b>	\$0.21	(24)%
CRD-B	<b>\$0.16</b>	\$0.19	(16)%
Adjusted Operating Earnings <sup>1</sup>	<b>\$18.7</b>	\$22.5	(17)%
Adjusted Operating Margin <sup>1</sup>	<b>7.8%</b>	8.8%	(100)bps
Adjusted EBITDA <sup>1</sup>	<b>\$25.9</b>	\$31.2	(17)%
Adjusted EBITDA Margin <sup>1</sup>	<b>10.8%</b>	12.1%	(130)bps

# Crawford TPA Solutions Segment Highlights

## Highlights

- Renewed 97% of our revenue YTD
- COVID-19 prompted service innovation and increased use of telemedicine services
- Advancing technology solutions

## Operating Results (2Q 2020 v. 2Q 2019)

- Revenues of \$86.7 million versus \$99.5 million
- Constant dollar revenues of \$87.6 million
- Gross profit of \$19.8 million versus \$23.7 million
- Gross profit margin of 22.8% versus 23.8%
- Operating earnings of \$3.2 million versus \$5.0 million
- Operating margin of 3.7% versus 5.1%

<i>(in thousands, except percentages)</i>	Three months ended				
	June 30, 2020	June 30, 2019	Variance	2020 Based on 2019 rates	Variance
Revenues	\$86,725	\$99,518	(12.9%)	\$87,603	(12.0%)
Direct expenses	66,963	75,840	(11.7%)	67,556	(10.9%)
Gross profit	19,762	23,678	(16.5%)	20,047	(15.3%)
Indirect expenses	16,591	18,652	(11.0%)	16,835	(9.7%)
Operating earnings	\$3,171	\$5,026	(36.9%)	\$3,212	(36.1%)
Gross profit margin	22.8%	23.8%	(1.0%)	22.9%	(0.9%)
Operating margin	3.7%	5.1%	(1.4%)	3.7%	(1.4%)
Total cases received	183,420	197,013	(6.9%)		
Full time equivalent employees	3,047	3,170	(3.9%)		

# Crawford Claims Solutions Segment Highlights

## Highlights

- Continuing to ramp up major carrier win from the first quarter
- Strong performance in U.S. and U.K.
- Providing data driven, topical, and actionable insights to market
- Enhanced digital platform

## Operating Results

### (2Q 2020 v. 2Q 2019)

- Revenues of \$81.5 million versus \$86.0 million
- Constant dollar revenues of \$84.3 million
- Gross profit of \$19.0 million versus \$19.6 million
- Gross profit margin of 23.3% versus 22.7%
- Operating earnings of \$2.8 million versus \$1.7 million
- Operating margin of 3.4% versus 2.0%

<i>(in thousands, except percentages)</i>	Three months ended				
	June 30, 2020	June 30, 2019	Variance	2020 Based on 2019 rates	Variance
Revenues	\$81,451	\$86,003	(5.3%)	\$84,252	(2.0%)
Direct expenses	62,447	66,450	(6.0%)	64,347	(3.2%)
Gross profit	19,004	19,553	(2.8%)	19,905	1.8%
Indirect expenses	16,215	17,843	(9.1%)	16,861	(5.5%)
Operating earnings	\$2,789	\$1,710	63.1%	\$3,044	78.0%
Gross profit margin	23.3%	22.7%	0.6%	23.6%	0.9%
Operating margin	3.4%	2.0%	1.4%	3.6%	1.6%
Total cases received	109,212	121,794	(10.3%)		
Full time equivalent employees	2,787	2,899	(3.9%)		

# Crawford Specialty Solutions Segment Highlights

## Highlights

- **GTS**
  - Implementing largest U.S. program to date
  - Actively recruiting adjuster teams globally
  - Pursuing large scale BI opportunities
- **Contractor Connection**
  - Saw largest monthly assignments in May in the business's history
  - Onboarded a top ten carrier in June
  - Enhanced decontamination services and launched a new commercial property modification service

## Operating Results (2Q 2020 v. 2Q 2019)

- Revenues of \$66.2 million versus \$71.4 million
- Constant dollar revenues of \$68.4 million
- Gross profit of \$25.1 million versus \$25.2 million
- Gross profit margin of 37.9% versus 35.3%
- Operating earnings of \$14.0 million versus \$12.6 million
- Operating margin of 21.1% versus 17.7%

<i>(in thousands, except percentages)</i>	Three months ended				
	June 30, 2020	June 30, 2019	Variance	2020 Based on 2019 rates	Variance
Revenues	\$66,240	\$71,360	(7.2%)	\$68,393	(4.2%)
Direct expenses	41,157	46,137	(10.8%)	42,585	(7.7%)
Gross profit	25,083	25,223	(0.6%)	25,808	2.3%
Indirect expenses	11,090	12,611	(12.1%)	11,535	(8.5%)
Operating earnings	\$13,993	\$12,612	10.9%	\$14,273	13.2%
Gross profit margin	37.9%	35.3%	2.6%	37.7%	2.4%
Operating margin	21.1%	17.7%	3.4%	20.9%	3.2%
Total cases received	75,866	83,650	(9.3%)		
Full time equivalent employees	1,404	1,476	(4.9%)		

## Additional Financial Matters in the Second Quarter 2020

### Unallocated Corporate and Shared Costs

- Unallocated corporate costs of \$1.7 million
- Increase driven by CEO transition costs, severance, and self-insurance expenses

### Estimated COVID-19 Impact on Revenues

- Estimate negative impact on revenues of \$22 to \$26 million
- Expect ongoing global economic slowdown from the pandemic may impact results in one or more future quarters

### Canada Emergency Wage Subsidy

- Second quarter operating earnings includes a total of \$4.3 million in benefits from the Canada Emergency Wage Subsidy

### Income Tax Impact of First Quarter Goodwill Impairment

- Recognized non-cash goodwill impairment charge in the first quarter
- Decreased income tax benefit by \$2.2 million, or \$0.04 per share during the second quarter

### Sold 51% Stake in Lloyd Warwick International (LWI)

- Sold for initial cash proceeds of \$23.2 million
- Expect to result in net gain of \$10 to \$12 million, transaction will be recognized in third quarter 2020

## Balance Sheet Highlights

Unaudited (\$ in thousands)	June 30, 2020	December 31, 2019	Change
Cash and cash equivalents	\$ 59,958	\$ 51,802	\$ 8,156
Accounts receivable, net	120,941	128,217	(7,276)
Unbilled revenues, net	106,335	103,894	2,441
Total receivables	227,276	232,111	(4,835)
Goodwill	62,086	80,642	(18,556)
Intangible assets arising from business acquisitions, net	68,815	75,083	(6,268)
Deferred revenues	51,721	52,368	(647)
Pension liabilities	58,388	65,909	(7,521)
Short-term borrowings and current portion of finance leases	39,925	28,546	11,379
Long-term debt, less current portion	155,649	148,408	7,241
Total debt	195,574	176,954	18,620
Total stockholders' equity attributable to Crawford & Company	145,495	159,317	(13,822)
Net debt <sup>1</sup>	135,616	125,152	10,464

# Operating And Free Cash Flow

Unaudited (\$ in thousands)	For the year to date periods ended June 30,		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Net (Loss) Income Attributable to Shareholders of Crawford & Company	\$ (5,501)	\$ 8,751	\$ (14,252)
Goodwill Impairment	17,674	—	17,674
Arbitration and Claim Settlements	—	11,352	(11,352)
Loss on Disposition of Business	341	—	341
Depreciation and Other Non-Cash Operating Items	19,912	20,891	(979)
Billed Receivables Change	5,473	(4,086)	9,559
Unbilled Receivables Change	(7,000)	(11,848)	4,848
Change in Accrued Compensation and 401K	(13,959)	(10,401)	(3,558)
Change in Accrued and Prepaid Income Taxes	(6,806)	(563)	(6,243)
Other Working Capital Changes	5,054	(5,012)	10,066
U.S. and U.K. Pension Contributions	(3,156)	(345)	(2,811)
<b>Cash Flows from Operating Activities</b>	<b>12,032</b>	<b>8,739</b>	<b>(3,293)</b>
Property & Equipment Purchases, net	(5,476)	(3,279)	(1,747)
Capitalized Software (internal and external costs)	(8,823)	(4,369)	(4,454)
<b>Free Cash Flow<sup>1</sup></b>	<b>\$ (2,267)</b>	<b>\$ 641</b>	<b>\$ (2,908)</b>



## 2020 Priorities

### **Employee Health & Safety**

Protect our workforce first and foremost

### **Customer Excellence**

Provide best-in-class service to our clients regardless of the global environment

### **Brands, Relationships & Differentiation**

Maintain industry leadership through our innovations and market leading solutions

### **Future Growth**

Deliver superior results for our shareholders

# Crawford & Company

The world's largest publicly listed independent provider of global claims management and outsourcing solutions.

**9,000**

Employees

**50,000+**

Field Resources

**70**

Countries

**\$18B+**

Claims Managed Annually

# Appendix: Non-GAAP Financial Information



# Appendix: Non-GAAP Financial Information

**Measurements of financial performance not calculated in accordance with GAAP should be considered as supplements to, and not substitutes for, performance measurements calculated or derived in accordance with GAAP. Any such measures are not necessarily comparable to other similarly-titled measurements employed by other companies.**

## **Reimbursements for Out-of-Pocket Expenses**

In the normal course of our business, our operating segments incur certain out-of-pocket expenses that are thereafter reimbursed by our clients. Under GAAP, these out-of-pocket expenses and associated reimbursements are required to be included when reporting expenses and revenues, respectively, in our consolidated results of operations. In this presentation, we do not believe it is informative to include in reported revenues the amounts of reimbursed expenses and related revenues, as they offset each other in our consolidated results of operations with no impact to our net income or operating earnings. As a result, unless noted in this presentation, revenue and expense amounts exclude reimbursements for out-of-pocket expenses.

## **Net Debt**

Net debt is computed as the sum of long-term debt, capital leases and short-term borrowings less cash and cash equivalents. Management believes that net debt is useful because it provides investors with an estimate of what the Company's debt would be if all available cash was used to pay down the debt of the Company. The measure is not meant to imply that management plans to use all available cash to pay down debt.

## **Free Cash Flow**

Management believes free cash flow is useful to investors as it presents the amount of cash the Company has generated that can be used for other purposes, including additional contributions to the Company's defined benefit pension plans, discretionary prepayments of outstanding borrowings under our credit agreement, and return of capital to shareholders, among other purposes. It does not represent the residual cash flow of the Company available for discretionary expenditures.

## **Segment and Consolidated Operating Earnings**

Operating earnings is the primary financial performance measure used by our senior management and chief operating decision maker to evaluate the financial performance of our Company and operating segments, and make resource allocation and certain compensation decisions. Management believes operating earnings is useful to others in that it allows them to evaluate segment and consolidated operating performance using the same criteria our management and chief operating decision maker use. Consolidated operating earnings represent segment earnings including certain unallocated corporate and shared costs and credits, but before net corporate interest expense, stock option expense, amortization of customer-relationship intangible assets, goodwill impairment, restructuring costs, loss on disposition of business, arbitration and claim settlements, income taxes and net income or loss attributable to noncontrolling interests.

# Appendix: Non-GAAP Financial Information (cont.)

## **Segment and Consolidated Gross Profit**

Gross profit is defined as revenues less direct expenses which exclude indirect overhead expenses allocated to the business. Indirect expenses consist of centralized administrative support costs, regional and local shared services that are allocated to each segment based on usage.

## **Adjusted EBITDA**

Adjusted EBITDA is used by management to evaluate, assess and benchmark our operational results and the Company believes that adjusted EBITDA is relevant and useful information widely used by analysts, investors and other interested parties. Adjusted EBITDA is defined as net income attributable to shareholders of the Company with recurring adjustments for depreciation and amortization, net corporate interest expense, income taxes and stock-based compensation expense and foreign exchange fluctuations. Additionally, adjustments for non-recurring expenses for goodwill impairment, restructuring costs, loss on disposition of business, and arbitration and claim settlements have been included in the calculation of adjusted EBITDA. Adjusted EBITDA is not a term defined by GAAP and as a result our measure of adjusted EBITDA might not be comparable to similarly titled measures used by other companies.

## **Adjusted Revenue, Operating Earnings, Pretax Earnings, Net Income, Diluted Earnings per Share and EBITDA**

Included in non-GAAP adjusted measurements as an add back or subtraction to GAAP measurements, are impacts of the goodwill impairment, restructuring costs, loss on disposition of business, arbitration and claim settlements, and foreign exchange impacts, which arise from non-core items not directly related to our normal business or operations, or our future performance. Management believes it is useful to exclude these charges when comparing net income and diluted earnings per share across periods, as these charges are not from ordinary operations.

# Total Revenues Before Reimbursements by Major Currency

The following table illustrates revenue as a percentage of total revenue in the major currencies of the geographic areas in which Crawford does business:

<i>(in thousands)</i> Geographic Area		Currency		Three Months Ended				Six Months Ended			
				June 30, 2020		June 30, 2019		June 30, 2020		June 30, 2019	
				USD equivalent	% of total	USD equivalent	% of total	USD equivalent	% of total	USD equivalent	% of total
U.S.	USD	\$ 131,888	56.3%	\$ 146,525	57.0%	\$ 266,336	56.4%	\$ 286,115	56.5%		
U.K.	GBP	32,561	13.9%	31,534	12.3%	64,943	13.8%	63,123	12.8%		
Canada	CAD	20,852	8.9%	28,803	11.2%	46,072	9.8%	58,687	12.1%		
Australia	AUD	18,779	8.0%	19,319	7.5%	34,324	7.3%	35,574	6.6%		
Europe	EUR	14,019	6.0%	13,320	5.2%	27,408	5.8%	26,185	5.2%		
Rest of World	Various	16,317	6.9%	17,380	6.8%	32,864	6.9%	34,255	6.8%		
Total Revenues, before reimbursements		\$ 234,416	100.0%	\$ 256,881	100.0%	\$ 471,947	100.0%	\$ 503,939	100.0%		

# Reconciliation of Non-GAAP Items

## Revenues, Costs of Services Provided, and Operating Earnings

<b>Unaudited (\$ in thousands)</b>	<b>Quarter Ended June 30, 2020</b>	<b>Quarter Ended June 30, 2019</b>
<b>Revenues Before Reimbursements</b>		
Total Revenues	\$ 234,416	\$ 256,881
Reimbursements	(8,459)	(10,965)
Revenues Before Reimbursements	<u>\$ 242,875</u>	<u>\$ 267,846</u>
<b>Costs of Services Provided, Before Reimbursements</b>		
Total Costs of Services	\$ 163,598	\$ 174,927
Reimbursements	(8,459)	(10,965)
Costs of Services Provided, Before Reimbursements	<u>\$ 172,057</u>	<u>\$ 185,892</u>
	<b>Quarter Ended June 30, 2020</b>	<b>Quarter Ended June 30, 2019</b>
<b>Unaudited (\$ in thousands)</b>		
<b>Operating Earnings:</b>		
Crawford TPA Solutions	\$ 3,171	\$ 5,026
Crawford Claims Solutions	2,789	1,710
Crawford Specialty Solutions	13,993	12,612
Unallocated corporate and shared costs and credits, net	(1,709)	3,170
<b>Consolidated Operating Earnings</b>	<u>18,244</u>	<u>22,518</u>
(Deduct) Add:		
Net corporate interest expense	(2,452)	(2,468)
Stock option expense	(286)	(413)
Amortization expense	(2,732)	(2,802)
Arbitration and claim settlements	—	(11,352)
Loss on disposition of business	(341)	—
Income tax provision	(6,311)	(2,859)
Net (income) loss attributable to noncontrolling interests and redeemable noncontrolling interests	(224)	18
<b>Net Income Attributable to Shareholders of Crawford &amp; Company</b>	<u>\$ 5,898</u>	<u>\$ 2,642</u>

# Reconciliation of Non-GAAP Items (cont.)

## Adjusted EBITDA

Unaudited (\$ in thousands)	Quarter Ended	
	June 30, 2020	June 30, 2019
<b>Net income attributable to shareholders of Crawford &amp; Company</b>	<b>\$ 5,898</b>	<b>\$ 2,642</b>
Add:		
Depreciation and amortization	<b>9,390</b>	10,226
Stock-based compensation	<b>1,118</b>	1,646
Net corporate interest expense	<b>2,452</b>	2,468
Arbitration and claim settlements	—	11,352
Loss on disposition of business	<b>341</b>	—
Income tax provision	<b>6,311</b>	2,859
Foreign exchange impacts	<b>358</b>	—
<b>Adjusted EBITDA</b>	<b>\$ 25,868</b>	<b>\$ 31,193</b>



# Reconciliation of Non-GAAP Items (cont.)

## Net Debt

Unaudited (\$ in thousands)	June 30, 2020	December 31, 2019
<b>Net Debt</b>		
Short-term borrowings	\$ 39,887	\$ 28,531
Current installments of capital leases	38	15
Long-term debt and capital leases, less current installments	155,649	148,408
Total debt	<u>195,574</u>	<u>176,954</u>
Less:		
Cash and cash equivalents	59,958	51,802
Net debt	<u>\$ 135,616</u>	<u>\$ 125,152</u>

# Reconciliation of Non-GAAP Items (cont.)

## Segment Gross Profit

(\$ in thousands)	Three months ended	
	June 30, 2020	June 30, 2019
Segment gross profit:		
Crawford TPA Solutions	\$ 19,762	\$ 23,678
Crawford Claims Solutions	19,004	19,553
Crawford Specialty Solutions	25,083	25,223
Segment gross profit	63,849	68,454
Segment indirect costs:		
Crawford TPA Solutions	(16,591)	(18,652)
Crawford Claims Solutions	(16,215)	(17,843)
Crawford Specialty Solutions	(11,090)	(12,611)
Unallocated corporate and shared costs, net	(1,709)	3,170
Consolidated operating earnings	18,244	22,518
Net corporate interest expense	(2,452)	(2,468)
Stock option expense	(286)	(413)
Amortization expense	(2,732)	(2,802)
Arbitration and claim settlements	—	(11,352)
Loss on disposition of business	(341)	—
Income tax provision	(6,311)	(2,859)
Net (income) loss attributable to noncontrolling interests and redeemable noncontrolling interests	(224)	18
Net income attributable to shareholders of Crawford & Company	\$ 5,898	\$ 2,642

# Reconciliation of Second Quarter Non-GAAP Results

## Three Months Ended June 30, 2020

Unaudited (\$ in thousands)	Revenues	Non-GAAP Operating Earnings	Pretax Earnings	Net Income Attributable to Crawford & Company	Diluted Earnings per CRD-A Share	Diluted Earnings per CRD-B Share
GAAP	\$ 234,416	\$ 18,244	\$ 12,433	\$ 5,898	\$ 0.11	\$ 0.11
Adjustments:						
Income tax impact of first quarter goodwill impairment	—	—	—	2,206	0.04	0.04
Loss on disposition of business	—	—	341	265	—	—
Foreign exchange fluctuations	5,832	407	358	384	0.01	0.01
Non-GAAP Adjusted	<u>\$ 240,248</u>	<u>\$ 18,651</u>	<u>\$ 13,132</u>	<u>\$ 8,753</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>

## Three Months Ended June 30, 2019

Unaudited (\$ in thousands)	Revenues	Non-GAAP Operating Earnings	Pretax Earnings	Net Income Attributable to Crawford & Company	Diluted Earnings per CRD-A Share	Diluted Earnings per CRD-B Share
GAAP	\$ 256,881	\$ 22,518	\$ 5,483	\$ 2,642	\$ 0.06	\$ 0.04
Adjustments:						
Arbitration and claim settlements	—	—	11,352	8,389	0.15	0.15
Non-GAAP Adjusted	<u>\$ 256,881</u>	<u>\$ 22,518</u>	<u>\$ 16,835</u>	<u>\$ 11,031</u>	<u>\$ 0.21</u>	<u>\$ 0.19</u>