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HURN.OQ - Q2 2025 Huron Consulting Group Inc Earnings Call

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PRESENTATION

Operator

Good afternoon. Welcome to Huron Consulting Group's webcast to discuss the results for the second quarter of 2025.

(Operator Instructions) As a reminder, this conference call is being recorded.

Before we begin, I would like to point all of you to the disclosure at the end of the company's news release for information about forward-looking statements that may be made or discussed on this call. The news release is posted on Huron's website. Please review that information, along with the filings with the SEC, for a disclosure of factors that may impact subjects discussed in this afternoon's webcast.

The company will be discussing one or more non-GAAP financial measures. Please look at the earnings release on Huron's website for all of the disclosures required by the SEC, including reconciliation to the most comparable GAAP numbers.

Now, I'd like to turn the call over to Mark Hussey, Chief Executive Officer and President of Huron Consulting Group. Mr. Hussey, please proceed.

C. Mark Hussey - *Huron Consulting Group Inc - President, Chief Executive Officer, Director*

Good afternoon. Welcome to Huron Consulting Group's secondquarter-2025 earnings call.

With me today are John Kelly, our Chief Financial Officer, and Ronnie Dail, our Chief Operating Officer.

Revenues before reimbursable expenses, or RBR, in the quarter grew 8% over the second quarter of 2024, including organic RBR growth across all three operating segments. RBR in the second quarter of 2025 was a record high for our business.

The growth in our core markets continues to reflect strong demand for our services as health systems, universities, and commercial businesses adapt to regulatory and macroeconomic pressures, while evolving our business models for success in the future.

Clients continue to seek our deep industry expertise, breadth of capabilities, and proven track record of delivering results to help them achieve a more sustainable path forward in the face of significant market disruption.

The current demand environment, coupled with our strong client relationships, provides us confidence in our outlook for continued growth in 2025, as reflected in our updated annual guidance.

I'll now share some additional insights into our second-quarter performance.

In the Healthcare segment, second quarter RBR grew 4% over the prior year quarter. Excluding the results for Studer Education, which we divested at the end of 2024, Healthcare segment RBR grew 6% over the second quarter of 2024. The increase in RBR in the quarter was driven by continued strong demand for our performance improvement and its services, financial advisory, and strategy and innovation offerings -- partially offset by a decrease in our digital offerings within Healthcare.

The passage of the One Big Beautiful Bill Act earlier this month brought some clarity in the anticipated reductions in Federal spending on healthcare. The cuts in Medicaid funding are projected to reduce Federal spending on healthcare by over \$1 trillion over the next decade and are expected to result in a significant increase in patients without health insurance coverage.

In response, hospitals and health systems are acting with urgency to prepare for margin declines anticipated in the coming years, while addressing current financial pressures driven primarily by costs that continue to increase at a faster rate than reimbursements.

Within the current legislation, many hospitals and health systems will face reductions in the supplemental payments that states have made to healthcare providers to augment low Medicaid reimbursement rates. The expected increase in the uninsured population has been estimated to be up to 10 million people, which will increase the cost of uncompensated care for most hospitals.

As hospitals and health systems address their budget gaps and position their business for a more sustainable future, they're turning to Huron because of our decades-long track record of delivering significant, measurable, and sustainable financial benefits.

In this environment, demand remains strong for our performance improvements, financial advisory, and strategy and innovation offerings, as reflected in our RBR growth and our solid pipeline.

While demand for our digital offerings within Healthcare remains solid, we have seen slower sales conversions in certain areas within our pipeline for larger digital transformation engagements. We believe this to be a temporary pause as our clients focus on their immediate priorities to address their financial situations.

As we've mentioned on prior earnings calls, through the breadth of our capabilities, we believe we are well positioned across a full range of market conditions to address the wide array of opportunities and challenges facing our hospital, physician group, and health system clients, both now and in the future, which we believe will drive continued growth for our Healthcare segment.

We also added some perspective to the recent acquisition we announced in the Healthcare segment. At the end of the second quarter, we acquired Eclipse Insights to strengthen our performance improvement offerings. We partnered with Eclipse Insights in the market for several years. This acquisition strengthens Huron's mid-revenue cycle expertise, enhancing our ability to support providers across the full revenue cycle continuum for patient intake and care delivery through documentation, billing, and reimbursements. Since Insights brings deep experience in charge capture optimization, clinical documentation, coding, denials management, and revenue strategy -- key areas that have direct impact on hospitals' financial performance.

Turning to education, Education segment RBR grew 5% in the second quarter of 2025 over the prior year quarter, driven by strong demand for our strategy and operations offerings and increased demand for our research software product offerings, achieving record Education segment RVR in the quarter.

The team continues to execute exceptionally well in the ongoing dynamic regulatory landscape. The recent legislation brought some clarity for taxation of endowment earnings. However, in most other areas, universities and research institutes remain in a period of heightened uncertainty.

The impact to our broad client base is highly variable. Institutions are closely monitoring evolving regulatory environments and assessing the magnitude, timing, and strategic implications of potential scenarios that will affect them.

The industry continues to face the prospect of lower indirect reimbursement rates for research grants, reduced Federal support for research grants and contracts, anticipated declines in enrollment numbers from international and domestic students, and potential reductions in Federal financial aid.

As such, our clients continue to strategically prepare for a variety of future scenarios, while pre-emptively taking action to position their organizations for the best possible outcome and a sustainable future.

This environment led to a record level of sales conversion for our Education segment during the quarter. Our performance improvement offerings in Education remain in high demand, as clients seek opportunities to reduce cost, optimize their operations, and strengthen their financial positions. Demand for our digital offerings continues to be robust, as clients view investments in their technology infrastructures to be foundational to driving enterprise-wide operating efficiencies.

In research, many clients are focused on optimizing their research strategies to align with their mission and to retain their research faculty. In addition, they're increasingly turning to our software products and managed services offerings to optimize their research administration operations.

As tuition and government revenue sources are pressured, institutions are increasingly focused on optimizing fundraising strategies to grow philanthropic support. Our advancement, fundraising offerings are well positioned to address these evolving needs.

A comprehensive and balanced portfolio allows us to serve our clients across the full spectrum of challenges and opportunities that they are facing in the current landscape. The needs of our clients are wide ranging. We believe we remain best positioned to serve them in this uncertain environment, given the breadth of our diverse offerings and a deep understanding of the industry and our clients' institutions.

Now, let me turn to the Commercial segment. In the second quarter of 2025, we also achieved record RBR in the Commercial segment. Commercial segment RBR grew 28% over the prior year quarter. The increase was driven by the incremental RBR from our acquisition of AXIA and strong demand for our digital offerings. Excluding the acquisition of AXIA, our Commercial digital capability RBR grew 23% over the prior year quarter.

Building upon the strengths of our digital financial advisory and strategy capabilities, our growth strategy in the Commercial segment is focused on increasing the depth of our industry expertise, while broadening our offerings and market reach, primarily seeking opportunities that are highly complementary to our current portfolio. This strategy has led to continued growth in the Commercial segment during a challenging market environment.

As our global clients navigate through the broader macroeconomic environment, they're turning to Huron to advance their competitive positions, drive operational efficiency, and leverage data to make better, faster decisions.

For example, we're working closely with one of our vendor partners in Europe to bring our deep enterprise performance management experience to serve large multi-national clients. Many of these large, complex companies are upgrading their technologies to improve the quality and speed of planning, scenario-modeling, and the data integration needed to make faster decisions and operate more effectively in today's volatile and dynamic environment.

As part of our programmatic M&A strategy, we're also investing inorganically to execute our commercial industry strategy. Earlier this month, we acquired Trelant, a leading advisory partner to the financial services industry with relationships with some of the top financial organizations in the world. Trelant brings decades of specialized expertise in areas such as risk management, compliance, operations, financial crimes, and fraud. Trelant offerings, with Huron's existing industry-specific digital capabilities, creates a more comprehensive portfolio to help our clients address their complex challenges, balancing growth, operational efficiency, and automation with robust risk management that complies with the most stringent regulations.

We have a solid track record of expanding our Commercial portfolio to include accretive offerings and capabilities, building upon our core commercial industries of focus in financial services, industrials and manufacturing, energy and utilities, and the public sector.

We believe that our focused strategy and disciplined investments will continue to foster our competitive advantage and support the achievement of our medium-term financial targets in this segment.

Now, let me turn to our outlook for the year. Inclusive of our recent acquisitions, today, we're increasing our RBR guidance to a range of \$1.64 billion to \$1.68 billion, which represents an increase of 12% at the midpoint of our guidance when compared to our full-year 2024 results; maintaining our adjusted EBITDA margin guidance range of 14.0% to 14.5% of RBR and increasing our adjusted non-GAAP EPS guidance to a range of \$7.30 to \$7.70, which represents an increase of 16% at the midpoint as compared to full-year 2024.

We're pleased with the progress we've made in executing our organic growth strategy in the first half of 2025, especially given the challenges posed by the current macroeconomic environment.

In parallel, we continue to advance our programmatic M&A strategy, containing a disciplined focus on delivering upon our stated goal of adding 2% to 4% inorganic growth, annually. In parallel, we are committed to driving continued sustainable margin expansion fueled by our ongoing pricing and efficiency initiatives.

We believe our outlook for 2025 reflects the strong foundation we've built, the ongoing market tailwinds for our business, and continued solid execution of our growth strategy, consistent with the medium-term financial goals we established at our Investor Day in March.

Our strong first-half-of-2025 performance, our pipeline of emerging opportunities, and the strengthened outlook are only possible because of our deep industry expertise, broad portfolio of offerings, and our highly-talented and collaborative team.

Disruption facing our clients and primary end markets is substantial, stemming from the ongoing market uncertainty and regulatory environment, as well as the rapidly evolving competitive landscape. We continue to believe this disruption creates significant opportunities for long-term growth for Huron.

Now, let me turn it over to John for a more detailed discussion of our financial results.

John Kelly - Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer

Thank you, Mark. Good afternoon, everyone.

Before I begin, please note that I will be discussing non-GAAP financial measures such as EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS, and free cash flow. Our press release, 10-Q, and Investor Relations page on the Huron website are reconciliations of these non-GAAP measures to the most comparable GAAP measures, along with the discussion of why management uses these non-GAAP measures and why management believes they provide useful information to investors regarding our financial condition and operating results.

Before discussing our financial results for the quarter, I'd like to discuss several housekeeping items.

First, our second-quarter 2025 results in the Healthcare segment exclude the operating results from the Studer Education business, which was divested on December 31, 2024.

Second, our second-quarter results in the Education segment did reflect a full quarter of operating results from the acquisitions of Advancement Resources in Halton, both of which closed in March 2025.

Third, our acquisition of Eclipse Insights closed on June 24; and as such, a partial period of their operating results are included within the Healthcare segment. Operating results of Eclipse were not material to our second-quarter results.

Finally, our acquisition of Trelant, which closed in July, is not included in our second-quarter results. The results of Trelant will begin to be included in the third quarter within the Commercial segment.

Now, I'll share some of the key financial results for the second quarter. RBR for the second quarter of 2025 was \$402.5 million, up 8.3% from \$371.7 million in the same quarter of 2024. Organic RBR, which excludes the RBR generated by all acquisitions completed subsequent to the second quarter of 2024, was 4.2% over the prior year quarter, driven by growth across all three operating segments.

As Mark mentioned, we achieved record RBR in the quarter, crossing the \$400 million mark for the first time. None of this will be possible with our incredible team and their dedication to our clients, our business, and each other.

Net income for the second quarter of 2025 was \$19.4 million to \$1.09 per diluted share compared to net income of \$37.5 million or \$2.03 per diluted share in the second quarter of 2024. As a percentage of total revenues, net income decreased to 4.7% in the second quarter of 2025 compared to 9.8% in the second quarter of 2024.

Net income for the second quarter of 2025 includes an \$8.2 million non-cash impairment charge, net of tax, related to our convertible debt investment in a third party. Net income for the second quarter of 2024 includes an \$11.1 million litigation settlement gain net of tax related to a completed legal matter in which Huron was the plaintiff.

Our effective income tax rate in the second quarter of 2025 was 29.9%, was higher than the statutory rate, primarily due to the establishment of the valuation of balance, our deferred tax asset recorded as a result of the capital loss on our investment in a hospital and home company, as well as certain non-deductible expense items. These unfavorable items were partially offset by a tax benefit related to non-taxable gains on our investments used to fund our deferred compensation liability. We now expect an effective tax rate in the range of 25% to 27% for the full year.

Adjusted EBITDA was \$60.6 million in Q2 2020 or 15.1% of RBR compared to \$55.7 million or 15% of RBR in Q2 2024. The increase in adjusted EBITDA for the quarter was primarily due to increases in segment operating income for all three operating segments, excluding the impact of segment depreciation and amortization and segment restructuring charges, partially offset by the increase in unallocated corporate expenses, excluding the impact of the change in the market value of our deferred compensation liability and transaction-related expenses.

Adjusted net income was \$33.7 million or \$1.89 per diluted share in Q2 2025 compared to \$18.5 million for \$1.68 per diluted share in the second quarter of 2024, resulting in a 12.5% increase in adjusted diluted earnings per share over Q2 2024.

Now, I'll discuss the performance of each of our operating segments.

The Healthcare segment generated 49% of total company RBR during the second quarter of 2025. The segment posted RBR of \$197.8 million, up \$7.7 million or 4.1% from the second quarter of 2024. The second quarter of 2024 included \$3.5 million of RBR from Studer Education business, which was divested in 2024. Excluding the results for Studer Education, Healthcare segment Q2 RBR grew 6% over the second quarter of 2024.

The increase in RBR in the quarter was driven by continued strong demand for our performance improvement managed services, financial advisory, and strategy and innovation offerings, partially offset by a decrease in our digital offerings within Healthcare and the decrease in RBR due to the divestiture of our Studer Education practice. The inorganic RBR contribution from our acquisitions was immaterial in the second quarter of 2025.

Operating income margin for Healthcare was 30.2% in Q2 2025 compared to 29.1% in Q2 2024. The increase in margin was primarily due to decreases in bad debt expense and salaries and related expenses for our support personnel, partially offset by an increase in contractor expenses as a percentage of RBR.

The Education segment generated 32% of total company RBR during the second quarter of 2025. The Education segment posted record RBR \$129.3 million, up \$6.5 million or 5.3% from the second quarter of 2024.

The increase in RBR in the quarter was driven by strong demand for our strategy and operations offerings and increased demand for our software product offerings within our digital capability. The inorganic RBR contribution from our acquisitions was \$2.2 million in the second quarter of 2025.

The operating income margin for Education was 25% in Q2 2025 compared to 25.1% for the same quarter in 2024.

Commercial segment generated 19% of total company RBR during the second quarter of 2025 and posted record RBR \$75.4 million, up \$16.6 million or 28.2% from the second quarter of 2024.

The increase in RBR was driven by \$12.3 million of incremental RBR for our acquisition of AXIA and strong demand for our digital offerings.

Operating income margin for the Commercial segment was 16.6% for Q2 2025 compared to 15.3% for the same quarter in 2024. The increase in operating income margin is primarily attributable to revenue growth that outpaced the increases in compensation costs for our revenue-generating professionals, partially offset by an increase in contractor expenses as a percentage of RBR.

Corporate expenses not allocated at the segment level and excluding corporate restructuring charges were \$54.3 million in Q2 2025 compared to \$45.6 million in Q2 2024. Unallocated corporate expenses in the second quarter of 2025 included \$3.7 million of expense related to the increase in the liability of our deferred compensation plan compared to \$700,000 of expense in the second quarter of 2024. These amounts are offset by the change in market value of the investment assets used to fund that plan, which is reflected in other income expense.

Excluding the impact of our deferred compensation plan and restructuring expense in both periods, unallocated corporate expenses increased \$5.8 million in the second quarter of 2025, primarily driven by increases in salaries and related expenses for our support personnel and legal expenses and third-party professional fees related to M&A activity during the quarter.

Now, turning to the balance sheet and cash flows.

Cash flow from operations in the second quarter of 2025 was \$80 million. During the quarter, we used \$6.3 million to invest in capital expenditures, inclusive of internally developed software costs, resulting in free cash flow of \$73.7 million. We continue to expect full-year free cash flow to be in a range of positive \$160 million to \$190 million, net of cash taxes and interest, and excluding non-cash stock compensation.

DSO came in at 78 days for the second quarter of 2025 compared to 81 days for the second quarter of 2024. The decrease in DSO reflects the impact of collections on certain larger Healthcare and Education projects, in alignment with our contractual payment schedules.

Total debt, as of June 30, 2025, was \$657.8 million, consisting entirely of our senior bank debt. And we finished the quarter with cash of \$61 million for net debt of \$596.8 billion. This was a \$43.9 million increase in net debt compared to Q1 2025, primarily due to the share repurchases and acquisition payments during the quarter.

Our leverage ratio, as defined in our senior bank agreement, was 2.5 times adjusted EBITDA as of June 30, 2025, compared to 2.2 times adjusted EBITDA as of June 30, 2024. We continue to expect our year-end leverage ratio to be approximately 2 times full-year adjusted EBITDA.

In the second quarter, we used \$61 million to repurchase approximately 430,000 shares, bringing our total year-to-date share repurchases to \$133.9 million and approximately 938,000 shares, representing 5.3% of our common stock outstanding as of December 31, 2024.

As of June 30, 2025, \$131.3 million remained available for share repurchases under the current share repurchase authorization from our Board of Directors. Since December 31, 2021, we have repurchased approximately 5.7 million shares under our share repurchase program, returning over \$500 million of capital to our shareholders.

Today, we announced that effective with the closing on July 30, we have amended and restated our credit facility. We extended the maturity date on the facility to 2030 and increased our borrowing capacity to \$1.1 billion on favorable pricing terms to provide additional flexibility to support the anticipated growth in our business, as well as our capital allocation strategy.

We remain committed to deploying capital in a balanced way, including returning capital to shareholders and executing strategic tuck-in acquisitions, while maintaining our debt levels within our target leverage ratio.

Finally, let me turn to our guidance for the full-year 2025.

As Mark mentioned, inclusive of our recent acquisitions, today we are increasing our RBR guidance to a range of \$1.64 billion to \$1.68 billion, maintaining our adjusted EBITDA guidance range of 14% to 14.5% of RBR and increasing our adjusted non-GAAP EPS to a range of \$7.30 to \$7.70.

Now, let me provide to make additional color into these numbers. Before consideration of our recent acquisitions of Eclipse and Treliant, we are narrowing and increasing the midpoint of our previous RBR guidance to a range of \$1.62 billion to \$1.66 billion, effectively narrowing to the upper half of our original guidance range.

We are pleased with our first-half performance, year-to-date sales conversions, and pipeline of emerging opportunities. We believe we will continue to be well positioned to help our clients address the increased strategic, financial, and operational pressures facing the businesses. This pressure is particularly acute for our healthcare provider clients; is driving increased demand for our performance improvement managed services, financial advisory, and strategy and innovation offerings in the Healthcare segment.

We expect our recent acquisitions of Eclipse and Treliant to collectively add approximately \$20 million of RBR in the second half of 2025. As such, inclusive of these acquisitions, we now expect full-year consolidated RBR to be in the range of \$1.64 billion to \$1.68 billion. We expect approximately half of this acquisition RBR to be in our Healthcare segment and about half in our Commercial segment.

We expect net adjusted EBITDA from these acquisitions, as a percentage of RBR, to be in a range consistent with our overall consolidated margin guidance, exclusive of certain expenses to integrate the businesses that we do not expect to repeat in 2026.

With regard to adjusted EPS, we expect the net impact of Eclipse and Treliant to be neutral for the remainder of 2025, reflecting those incremental integration expenses over the next two quarters. We expect Eclipse and Treliant to be adjusted EPS-accretive individually and in the aggregate 2026.

Finally, let me provide updated segment-level guidance, inclusive of the Eclipse and Treliant acquisitions.

With regards to our Healthcare segment, we now expect upper-single-digit percentage revenue growth for full-year 2025. And we now expect operating margins to be in the range of approximately 28% to 30%.

In the Education segment, we continue to expect mid- to upper-single-digit percentage revenue growth for the full-year 2025 and operating margins to be in the range of approximately 23% to 25%.

In Commercial segment, we now expect to see growth in the mid-20% range for 2025, which includes a full year of AXIA and our recent acquisition of Treliant. We expect our operating margin in this segment will be in a range of approximately 18% to 20%, reflecting the full-year revenue mix shift towards our digital offerings and Treliant integration expenses, as discussed earlier.

We expect the mix shift to be more balanced between consulting and digital in the Commercial segment starting in the second half of 2025. We do not expect to implement Treliant integration expenses to extend beyond 2025.

Thanks, everyone. I would now like to open the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Andrew Nicholas, William Blair.

Andrew Nicholas - *William Blair Capital Partners - Analyst*

Hi. Good afternoon. Thanks for taking my questions. .

You mentioned on a few different occasions the Big Beautiful Bill brought some clarity. It sounds like maybe a little bit more in Healthcare than in Education. But I just wanted to ask broadly on visibility. Is it better or worse than three months ago, six months ago? And then, how should we think about visibility and how it relates to maybe the conservatism of guidance from here?

C. Mark Hussey - *Huron Consulting Group Inc - President, Chief Executive Officer, Director*

Yeah. Andrew, the way I would characterize it, it's like there was no shock. I think in what can come into One Big Beautiful Bill act, for the most part, I think there was a broad anticipation that there was going to be pressure on Federal reimbursements. And so when I say it brings clarity, it's like, okay, well, we're no longer waiting to see what happens. We now know what's going to happen.

And so now, we're in a position to start to make some firmer decisions without that uncertainty. So I think it was more about coming in line with what people generally expect.

There were some nuances in every part of the bill when it got passed. But I'd say, generally speaking, it's consistent with our outlook for the full year in terms of the guidance that we provided.

So I would say it's not necessarily propelling it more. It's consistent. We just continue to see ongoing financial pressures, even besides these, because for a long time, we've seen cost trends ahead of rep reimbursements and, probably, maybe incrementally a little bit more pressured in this past year.

John Kelly - *Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Now, I'll just add, Mark, I think from a visibility perspective, I think our visibility is stronger at this point than it was earlier in the year, three months ago. And some of that have to do with some of the increased clarity around some of the regulatory environment. But some of it has to do, too, with just our sales conversion over the first half of the year, on the pipeline at this point, even some of the activity we see heading into the third quarter.

I think what is clear is that within the Healthcare segment for our healthcare provider clients, there are many clients who are going through either current financial strain or for a variety of factors concerned about financial constraint in the near term. I think that is a strong driver for the consulting parts of our business, in particular within Healthcare performance improvement, our strategy offerings, our financial advisory offerings, our managed services offerings, so I think that as we've had those sales conversions and as the pipeline gets strengthened to record highs, I think that does provide additional visibility for us.

Within the Education segment, obviously, there's been a lot of news, I would say, during the first half of the year. We continue to see both strong revenue execution but then, also strong sales conversion.

I think Mark noted in his comments, we had record sales conversion for that team in the second quarter. So that's another thing that strengthens our visibility at this point. So we feel good about that.

Andrew Nicholas - *William Blair Capital Partners - Analyst*

Great. Thank you. Maybe just on Healthcare. You talked about a little bit slower sales conversions there, as it relates to digital transformation work. But I think you also said that you believe it's a temporary pause.

Can you maybe flesh that out a little bit more on what makes you confident that's temporary? And to what extent do you need it to be temporary to hit your targets for this year?

John Kelly - *Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Andrew, I would say to answer that last part first, our guidance for the year is not contingent on any assumptions related to the pace of conversion on the digital side of the business. I think from a Healthcare segment perspective, the strength we're seeing on the consultant side is definitely driving our confidence in the guidance moving forward.

As it relates to digital, just to provide a little clarity there, we actually do see demand for certain digital offering areas and really across the board, to support some of our performance improvement projects. We continue to see good strength there.

I think what we have seen is a little bit of slower sales conversion cycle for some of the standalone digital sales in that segment. And I think that's somewhat intuitive, given some of the financial pressures that our clients are going through, right now.

I think we do see a shift in focus to some of the performance improvement projects that support clients that are going through financial strain. But the reality is those underlying projects, eventually, they need to get done. And so we know that once our clients reach that point of financial stability, they're likely to have to circle back and take on some of those digital projects. So that's what gives us confidence that it's a temporary pause.

But in the meantime, we feel very well positioned to help them on the performance improvement side.

Andrew Nicholas - *William Blair Capital Partners - Analyst*

Great. Thank you.

Operator

Tobey Summer, Truist Securities

Tobey Sommer - *Truist Securities, Inc. - Analyst*

I wanted to dig in a little bit more, if we could, on the delays in the pipeline conversion. You've given some explanation. But what are the elements that give you confidence that the delays are temporary?

C. Mark Hussey - *Huron Consulting Group Inc - President, Chief Executive Officer, Director*

Yeah. Again, Tobey, I would say, just to add to the context of what's happening in the market, this is not by anywhere near the headline story of what is happening within the Healthcare business -- it's an element of whether one component of probably five or six other major areas. And I would just say, we've seen just the increase of our clients whose C-suites are focused on driving financial stability to their business and prioritize that ahead of some of the other conversations.

So I think it's really not that they've gone away, it's just they have more pressing needs in the context of where we are. And I do think that back to the outlook for the year, I would say this is an area that we expect to have more than -- this is not just related to the approval of the legislation. These were long-term trends coming into this legislation. These have now just dialed it even more pressure beyond even 2025.

So this is back to the comment we have about the longer-term secular tailwinds for our business, feeling very good about it.

John Kelly - Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer

Right. And if you think about the Healthcare business from where we started the year, we've increased our guidance today from -- the initial outlook at the beginning of the year was mid-single-digit growth from an overall Healthcare segment perspective to now, upper single-digit revenue growth.

If you go back to the original assumptions in the air for that mix between consulting and digital, I think the net effect of this is more of a shift towards our higher-margin consulting part of the business during the year.

And we have just noted that some clients, as we've engaged with them and they're looking at their strategic agenda for in the year, we're seeing more demand on the performance improvement side and some clients that are shifting some dollars that they previously would have been allocated to digital to focusing on aspects of performance improvement.

Tobey Sommer - Truist Securities, Inc. - Analyst

Okay. I appreciate that. In terms of hiring, the headcount of growth was quite high. Maybe, could you disaggregate the impact of acquisitions from that, just to maybe speak to what your view is on utilization and organic headcount growth, going forward, to the balance of the year?

John Kelly - Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer

Yeah. In terms of our headcount growth, I think a lot of the increase in headcount growth came from our managed services business within the Healthcare segment.

In terms of the -- excluding the managed services headcount -- I think, there, it's really two primary factors. We did have some increase in headcount from the Eclipse acquisition that was in the neighborhood of 40 new team members joining as a result of that acquisition.

And then, beyond that, it's really just the strength and demand that we see, right now, on the consulting side within health care. And based on the sales conversions and pipeline activity that we see, we've been aggressive in the market, adding talent in that area to support the growth that we're expecting for the back half of the year.

So those would be the primary areas where we've seen headcount growth.

Tobey Sommer - Truist Securities, Inc. - Analyst

I appreciate that. And where are you, year-to-date, with the acquisitions that you've consummated? How do they sum up to your longer-term annual goals? Are you already at target for this year? Or do you think there's more to go before we flip the calendar to '26?

C. Mark Hussey - Huron Consulting Group Inc - President, Chief Executive Officer, Director

Tobey, I think we've actually done a good job of building that. I think we have -- I would expect there might be maybe one or two. Some of the time (inaudible) these deals, as you know, you don't get to decide exactly when they fall. But I would say they're all within the tuck-in type categories that we had. And certainly, our expectation is to strive to stay in that balanced capital deployment strategy.

So I would say where we've made a lot of progress. You saw that with some of the transaction costs within the quarter. We've been very, very busy in the marketplace.

And the good news is we're finding areas that fill in our gaps very nicely. We're finding the right partners that are not necessarily for sale when we get working together. And then, it's leading to the kinds of conversations that we want to over time that will give us the long-term confidence that it's going to be a successful deal.

So I'd say it's actually powering very well. But, maybe, there might be another transaction or two by the end of the year.

Tobey Sommer - Truist Securities, Inc. - Analyst

Thank you very much.

Operator

(Operator Instructions)

Bill Sutherland, The Benchmark Company.

Bill Sutherland - Benchmark Company LLC - Equity Analyst

The utilization rates were impressive in the quarter, 77%, consulting; and 78% in digital. Should we think of that as the upper end of a range that you're likely to have in any given quarter? Or is there a possibility that this is a level that maybe isn't the top of a range, it could be like midpoint now?

John Kelly - Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer

I would say, Bill, it's closer to the top of the range in terms of utilization. That doesn't mean there couldn't be individual quarters where it flex a little bit higher. But in terms of a sustainable utilization, I think that this is towards the top or top end of where we want to be.

The thing to keep in mind when you see those utilization metrics that you mentioned for consulting and digital, of course, it's not spread even across all teams. So within there, you have certain teams that have even higher utilization that went into that up into the 80% range. And those are some of the areas where we're more aggressively hiring, right now, to continue to build out the team and to give us capacity as we continue to grow.

So I think in those areas, that are driving that average up even a little bit. Our hope is that that will actually cool off and come down a little bit as the year goes on and we're adding new team members to continue to support the longer-term growth of the business.

Bill Sutherland - Benchmark Company LLC - Equity Analyst

Okay. In the Education segment with the record sales conversion in the quarter, can you kind of rank order one, two, three of what was getting the most momentum?

John Kelly - Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer

I would say, within our strategy and operations team, Bill, that's where we saw a lot of strength. And I'd really characterize where we have seen strength, particularly in Education, is offerings that really drive higher benefits, either on investments in technology; or helping our clients, right now, work through their strategy through what was a fairly disruptive environment; improving student enrollment yields; reducing risk; and improving the efficacy of research; and driving more effective fundraising campaigns.

I think those are the things, right now, that our clients are coming to in what's been a fairly disruptive macro environment to start the year, where they're seeking our help to really navigate whether it's financial strain or operational disruption.

Bill Sutherland - Benchmark Company LLC - Equity Analyst

And lastly, the backdrop in the Healthcare side, where there's a fair amount of consolidation, I'm not sure if it's accelerated year to date, sometimes it feels like it from the headlines. But what are you guys seeing there? And how is it impacting your book on that side?

C. Mark Hussey - Huron Consulting Group Inc - President, Chief Executive Officer, Director

You're talking back on Healthcare, Bill, with respect to consolidation?

Bill Sutherland - Benchmark Company LLC - Equity Analyst

Yeah.

C. Mark Hussey - Huron Consulting Group Inc - President, Chief Executive Officer, Director

We certainly see systems continuing to want to acquire hospitals that are going to help them achieve their growth objectives. And I would say for us, it's not the headline but it's certainly an element of what we're doing in helping them not only with the strategic evaluation of which targets but (inaudible) helping them on the post-merger integration, work as well.

So it's certainly a contributor to what's happening in the marketplace. And I would expect that as you see continued pressures, sometimes those are the catalysts that would lead to transactions, ultimately. So it's going to continue to be an element of what we see in the market, for sure.

Bill Sutherland - Benchmark Company LLC - Equity Analyst

Okay. Thanks, guys.

Operator

Kevin Steinke, Barrington Research Associates.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Thank you. Good afternoon.

Just wondering if you could give investors some tangible examples of how you can help Healthcare clients adapt to this more constrained Medicaid funding environment and expected surge in uninsured population. I know it's the same playbook you've been following for many years but perhaps, it would be helpful if you can just point to some of the things you can do on the performance improvement side, revenue cycle side; and how you help the client base work through this pretty substantial change.

C. Mark Hussey - *Huron Consulting Group Inc - President, Chief Executive Officer, Director*

If you go back to the core of this business, back even 16, 17 years ago when we acquired Stockamp and Wellspring over the years, we've built out a pretty comprehensive set of performance improvement offerings, from revenue cycle to supply chain work to workforce set-up to the clinical operations.

Pretty much, if there is any operation within the four walls of the hospital system -- not only including the main hospital but, really, the overall system -- we're doing an assessment, not only their operations from where there are cost savings opportunities but more importantly, the balanced approach to find the growth opportunities for them to continue to improve their business.

I think the depth and breadth of what we have together and just the methodology, the track record of real savings and results and impact that we've made, those are the things that we're bringing to every client, based on their own unique setting or situation.

Sometimes, they know in advance where they want us to focus because they have certainly hit some insights there but it's pretty much not limited. Then, that goes even beyond just the, what we call it, performance improvement, the financial advisory areas, whether it's how you work with the office of the CFO and get better insights in terms of the decision-making and the speed, management of cash.

There's really, I would say -- we're not aware of anyone else who's got the breadth of what we do. We bring it together as a unified team. And going to market in that way, I think, really gives us a great speed to value and impact for our clients.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Great. Thank you. That's helpful. . Just, I wanted to ask about the Treliant acquisition.

I'm trying to recall how much of this is an expansion of maybe an adjacent services that you currently aren't providing. I can't recall how much you're into the risk management compliance side but maybe, just a little more color on what that particular transaction brings to you in terms of added capabilities.

C. Mark Hussey - *Huron Consulting Group Inc - President, Chief Executive Officer, Director*

Yeah. What we have among -- our Commercial portfolio, financial services has been the number 1 or number 2 industry segment that we've had for a long time. And a lot of those have been built in areas that are already doing risk management compliance reporting. Things that, as we look at Treliant, are highly complementary to what they do.

And this gets back to even how we came together -- has been an outreach to recognize where we have opportunities to take their capabilities, our capabilities and really create a more comprehensive solution.

So there's a lot of joint excitement for that. And they are very much aligned but not overlapping.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Okay. Yeah. I appreciate the color. I'll turn it back over.

Operator

Thank you. Seeing there are no further questions in the que, I'd like to turn the call back to Mr. Hussey.

C. Mark Hussey - *Huron Consulting Group Inc - President, Chief Executive Officer, Director*

Yeah. Well, thank you very much for joining us this afternoon. We look forward to speaking with you again in October, when we announce our third-quarter results.

Have a good evening.

Operator

This concludes today's conference call. Thank you everyone for your participation. You may not disconnect.

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