EVENT DATE/TIME: FEBRUARY 25, 2014 / 10:00PM GMT
Good afternoon, ladies and gentlemen, and welcome to the Huron Consulting Group’s webcast to discuss financial results for the fourth-quarter and full-year 2013. At this time, all conference lines are on a listen-only mode. Later, we will conduct our question-and-answer session for conference-call participants, and instructions will follow at that time.

As a reminder, this conference call is being recorded.

Before we begin, I would like to point all of you to the disclosures at the end of the Company’s news release for information about any 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 and on Huron’s website for all of the disclosures required by the SEC, including reconciliation to the most comparable GAAP measures — numbers.

Now I would like to turn the call over to Jim Roth, Chief Executive Officer and President of Huron Consulting Group. Mr. Roth, please go ahead.

James Roth - Huron Consulting Group Inc - President and CEO

Thank you. Good afternoon and welcome to Huron Consulting Group’s fourth-quarter 2013 earnings call.

With me today is Mark Hussey, our Chief Operating Officer and Chief Financial Officer. Five weeks ago, we issued a pre-release of our estimated fourth-quarter results. Today, Mark and I will provide some additional color around our fourth-quarter performance and provide our initial thoughts for 2014.

The highlight of the fourth quarter was the performance of our Huron Healthcare segment. Revenues for the quarter were beyond our expectations, primarily driven by some unexpectedly large performance-based fees.

As I indicated during the pre-release investor call, larger than anticipated performance-based fees occur when our professionals deliver measurable value in excess of client expectations; that was the case on several sizable engagements in Q4. The market for our healthcare services continues
to be strong, and we are encouraged by the continued demand for our hospital claims to help them identify and implement financial, clinical, and strategic solutions that will keep them competitive in a rapidly changing marketplace.

Our Revenue Cycle and Performance Improvement solutions continue to provide a strong foundation for the practice. The need to reduce costs at every hospital, large and small, is acute, and our healthcare professionals are the best in the business in helping our clients achieve their financial and operational objectives.

Our Clinical solutions practice, which continues to grow at a faster pace than any other Huron practice area, has seen growth in physician, strategy, and clinical transformation services, and we are also finding increasing demand for our analytics capabilities. Given the trends in healthcare arena and our demonstrated ability to deliver value, we believe that demand for these collective services will remain strong for the foreseeable future.

The Huron Legal segment continued its pace toward returning to improving revenue growth and profitability during the second half of the year. We saw additional diversification of our client base and improved margins stemming from higher utilization, increased volume in e-discovery, and a better blend of processing and hosting.

Proliferation of data is a commonly referenced driver of future growth in the e-discovery arena. Large corporations continue to see an increase in size, complexity, and level of regulatory activity that makes managing data in large-scale lawsuits and investigations extremely difficult and costly.

Our ability to expand our client base and to provide efficient, cost-effective, and reliable services for managing client data remains the key to our success in this segment. We are focused on improving the pace of growth and the overall profitability of this segment in 2014.

The fourth quarter was mixed in our Huron education and life sciences segment. Continued strength in our Higher Education technology practice and our recent Blue Stone acquisition were partially offset by some weakness in our Huron education consulting and life sciences service lines. With respect to the technology in Blue Stone practices, our performance was strong and utilization remained high.

We experienced less-than-desired utilization in our higher education consulting and life sciences practices. We believe the lower utilization in those practices is temporary and not structural, and we have reasonable expectations for improvement in utilization throughout the segments in 2014.

Colleges and universities continue to undergo a transformation that is similar in scope and complexity to the healthcare industry. These institutions face pressure to make education more affordable, changes in the use of technology to support teaching and learning, declining public support, and decreasing federal research funding. Institutions large and small are facing strategic and operational pressures, and our professionals are very active in helping our clients address those challenges.

On the Life Sciences front, our acquisition of the Frankel Group earlier this year provided Huron with strategy-focused professionals to complement our legacy compliance and pricing services. While the life sciences practice was softer than expected in 2013, the addition of Frankel and an uptick in client demand for our legacy business lead us to believe that this practice will have improved contribution to segment growth in 2014.

Huron Financial finished the full-year 2013 with a strong showing and solid backlog heading into the new year. 2013 proved to be a recovery year for this segment, with revenue growth of 36% year over year, along with significant margin improvement, paving the road for future growth. We have changed the name of this segment to Huron business advisory, effective at the beginning of 2014, to more accurately reflect the nature of the services that we provide and intend to provide as this practice grows.

I will now turn to my thoughts regarding 2014. As our press release indicates, we are setting our revenue guidance at $765 million to $795 million, consistent with our expectations for mid to upper single-digit growth across all segments.

As we indicated in our press release, we expect our stated revenue growth to be off a normalized revenue base that excludes an amount attributable to the unanticipated Q4 2013 performance-based fees in the healthcare segment. In other words, our 2014 revenue guidance anticipates mid to upper single-digit organic growth, absent the unexpected healthcare performance fees.
We are also estimating healthcare performance-based revenue in 2014 will be $90 million to $100 million. The current composition of our healthcare assignments and the continuing growth of our clinical services business contribute to our belief that performance-based fees as a percentage of total healthcare revenue will decline in 2014. Our current sense is that performance-based revenues in 2014 will be more front-end loaded than the patterns that have occurred in prior years.

Given that today we are about one-sixth through the year, I want to provide a brief glimpse as to how things have evolved during the first two months. Despite some brutal weather impacting our people, our clients, and the airplanes that we use to connect the two, the weather does not appear to have had a measurable impact on our performance during the first two months. We have gotten out of the gate with some solid performance across the Company.

As Mark will explain in a few minutes, our cash flow remained strong, enabling us to pay our 2013 year-end bonuses later this week, and to have completed the Frankel acquisition with available cash on hand. The strength of our balance sheet has also enabled us to announce the share repurchase program to supplement our historical practice of strategically using our balance sheet to pay down debt and support an active M&A pipeline.

Before I turn it over to Mark, I want to congratulate Mark on his new promotion to Chief Operating Officer. For those of you on the phone that have had the pleasure to work with Mark, whether as an investor or an analyst, you know full well why this promotion is so well-deserved. Internally at Huron, Mark is highly respected among our corporate staff and the professionals in the field, and his contribution to our growth and success is very evident to all.

As we indicated in the press release, he will continue to hold the CFO and Treasurer titles in addition to COO. Mark carries a lot of responsibilities on his shoulder, and I am honored to have him as a trusted and capable member of my team.

Let me conclude by saying that I am grateful to all of our people for the solid results that we achieved in 2013. We have a group of incredibly bright, confident, and collaborative people working in this Company, and I am confident that we have many good days ahead.

Now let me turn it over to Mark for a more detailed discussion of our fourth-quarter results. Mark?

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Thank you, Jim, and good afternoon, everyone.

Let me begin with a few housekeeping items. Consistent with our past practice, I will be discussing our financial results, primarily in the context of continuing operations. I will also be discussing non-GAAP financial measures, such as EBITDA, adjusted EBITDA, adjusted net income, and adjusted EPS.

Our press release, website, and 10-K each have reconciliations of these non-GAAP measures to the most comparable GAAP measures, along with a discussion of why management uses these non-GAAP measures. Finally, as previously announced, our acquisition of Blue Stone International closed on October 1, so our fourth-quarter results include that acquisition. In contrast, our acquisition of the Frankel Group closed effective January 1, and thus, is not included in our Q4 results.

I will now walk you through some key financial results for the quarter. We posted record revenues of $211.3 million for the fourth quarter of 2013, up nearly 17% from $180.8 million in the same quarter of 2012, and a sequential increase of nearly 21% over Q3 of 2013. As I will discuss in further detail later, Q4 2013 benefited from higher-than-expected performance-based fees, as well as incremental revenue from our acquisition of Blue Stone.

Operating income increased 6.8% to $36.9 million in Q4 2013, compared to $34.5 million in Q4 of 2012. Adjusted EBITDA, which excludes a number of items that are listed in our press release, was $44.6 million in Q4 of 2013, or 21.1% of revenues, compared to $41 million in Q4 of 2012, or 22.7% of revenues.
On a full-year basis, adjusted EBITDA was 19.2% of revenues in 2013, compared to 18.5% in 2012. The increase in EBITDA margin for the full-year 2013 was due to the significantly higher level of performance-based fees, a favorable mix from our higher-margin healthcare business, and reduced SG&A expenses as a percentage of revenue.

Net income from continuing operations was $22.1 million, or $0.96 per diluted share, in the fourth quarter of 2013, compared to $18.6 million, or $0.83 per diluted share in the same period of 2012. Adjusted non-GAAP net income from continuing operations was $24 million, or $1.05 per diluted share, in the fourth quarter of 2013, compared to $20.2 million, or $0.90 per diluted share in the same period of 2012.

Our effective income tax rate in the fourth quarter of 2013 was 38.2%, compared to 42.9% in the fourth quarter of 2012. The lower effective tax rate in Q4 2013 was primarily due to lower-than-expected state taxes. The effective tax rate for Q4 2012 was higher than the statutory rate, due primarily to the impact of foreign losses with no tax benefit and certain nondeductible business expenses.

Now let’s look at how each of our operating segments performed during the quarter. The Huron Healthcare segment generated 54% of total Company revenues during the fourth quarter of 2013. This segment posted record revenues of $114.1 million for the fourth quarter of 2013, up $26.5 million, or 30.3%, over the fourth quarter of 2012.

Almost half of this increase was due to higher performance-based fees in 2013, which finished the year at $45.5 million, compared with $32.3 million in the same quarter last year. As Jim mentioned in his remarks, performance-based fees exceeded the high end of our guidance range, as our healthcare team was very successful in delivering greater-than-expected results for a number of our clients.

The operating income margin for Huron Healthcare was 44.2% for Q4 of 2013, compared to 46.9% for the comparable quarter in 2012. Utilization in the segment continues to be strong. For the fourth quarter of 2013, utilization was 81.5% compared to 80.4% last year.

Our Huron Legal segment generated 24% of total Company revenues during the fourth quarter of 2013 and ended the year on a strong note, posting revenues of $51.1 million in the fourth quarter of 2013, compared to $51.5 million in the comparable quarter in 2012. Sequentially, Q4 2013 revenue represented an increase of 12.9% over Q3 of 2013.

During the quarter just ended, we experienced increased volume in our E-discovery services, and we expect the momentum to continue into Q1 of this year. The operating income margin for our Huron legal segment was 25.6% in the fourth quarter of 2013, compared to 21% in the fourth quarter of 2012. The increase in this segment’s margin was primarily due to lower salaries, stock compensation, and related expenses as a percentage of revenues.

The Huron Education and Life Sciences segment generated 19% of total Company revenues during the fourth quarter of 2013. The segment posted revenues of $40.6 million for the fourth quarter of 2013, which included $4.7 million from our acquisition of Blue Stone. Revenues in the fourth quarter of 2012 were $36.1 million.

The operating income margin for Huron Education and Life Sciences was 17.8% for Q4 of 2013, versus 28.4% for the comparable quarter in 2012. A decrease in the segment’s operating margin was mainly due to increases in contractor expense, salaries, and related expenses, and technology investments as a percentage of revenues. Utilization for the fourth quarter of 2013 was 66.8%, compared to the 74.3% reported during last year’s Q4.

The Huron Financial segment generated 2% of total Company revenues during the fourth quarter of 2013. Segment revenues were down 5.6% over the same quarter last year. This segment experienced a negative operating margin of 14.6% for Q4 2013, compared to a positive operating income margin of 4.4% for the same period last year.

The decrease was mainly attributable to higher bonus expense, reflecting improved performance during 2013. On a full-year basis, operating income margin was 24.3% for 2013, compared to 8.6% for 2012.
Now, turning to the balance sheet and cash flows, DSO came in at 65 days for the fourth quarter of 2013. DSO was negatively impacted by approximately seven days, due to the increased level of performance-based fee revenue that was billed and not yet collected by year end.

We continued to strengthen our balance sheet during Q4. We ended the year with $58 million in cash and total debt of $169 million, resulting in debt net of cash of $111 million. Over the course of 2013, our net debt position was reduced by nearly 34%.

Cash flow from operations for the year was over $115 million. With our strong cash position, we will be able to fund the 2013 bonus, which will be paid later this week, entirely with cash on hand.

As we announced in our earnings release, the Board has authorized a $50-million open market share repurchase program. The strength of our balance sheet continues to support our active M&A pipeline, while providing an opportunity to return some cash to our shareholders through share repurchases.

Now let me summarize the guidance that was included in the press release. I want to remind everyone that our guidance reflects our recent acquisitions of both Blue Stone and the Frankel Group; however, it does not assume any share repurchases.

With that said, for full-year 2014, we anticipate revenues before reimbursable expenses in a range of $765 million to $795 million, and embedded in our guidance range our expected performance-based fees in the range of $90 million to $100 million; EBITDA in a range of $141 million to $149.5 million; and adjusted EBITDA in a range of $141.5 million to $150 million; net income in a range of $65 million to $69.5 million; and adjusted non-GAAP net income in a range of $69.5 million to $74 million; finally, GAAP EPS between $2.80 to $3.00, and adjusted non-GAAP EPS in a range of $3.00 to $3.20.

Assuming the midpoint of our guidance range, we expect cash flows from operations of approximately $110 million. Weighted average diluted share counts for 2014 are estimated to be $23.2 million. And finally, with respect to taxes, you should assume an effective tax rate of approximately 41.5%.

Based upon our existing engagements in the pipeline new proposal opportunities currently in front of us, as well as the economic environment which Jim discussed earlier, the revenue range that we are projecting reflects a 6% to 10% increase from our 2013 revenue from continuing operations. With respect to adjusted EBITDA, net income, and EPS, there were several items you will need to consider when reconciling these non-GAAP measures to comparable GAAP measures. Reconciliation schedules that we included in our press release will help you walk through these reconciliations.

Thank you, everyone, and now I'd like to open up the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

The first question comes from the line of Tim McHugh with William Blair. Please proceed.

Tim McHugh - William Blair & Company - Analyst

Yes, thank you. First, within the guidance, obviously the top line looks good. The margins implicitly are expecting them to be down. I think we talked a little bit about this when you pre-released. But now that you are giving some more details around the results, can you talk a little bit about what -- why you expect margins down next year besides -- if there's anything other than the lower contingent fees.
Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Tim, this is Mark. I think that is one of the main factors. Again, I think this year when you look at the revenue growth for 2013, healthcare, which is our highest margin business by far and away from an operating income perspective, was a very large percentage of the growth this year. And I think as we look at more normalized mix in 2014, along with a little bit lower level of contingent fees and then some ongoing investments that we have in a portion of our education segment, we have a fairly tempered view in terms of what we did this year.

We had an increase of 70 basis points, and so, while we expect to continue to increase our margins over time, you'll probably see those happening a little bit less dramatically than they did in 2013.

Tim McHugh - William Blair & Company - Analyst

Okay. Mark, can you give us -- the comment was that the contingent fees will be more front-end loaded than normal. Can you give us any -- even first-half, second-half type of relative sense of what you are expecting?

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Tim, I think without really giving any details, I think if you think about how they have come in, in the last couple of years, we are expecting it to be a little bit more balanced. I think really without -- as you know, the timing of these are so hard to predict. But based on the visibility that we see into the first half, we think it's going to be a little bit more balanced than even it was in 2013.

James Roth - Huron Consulting Group Inc - President and CEO

Tim, this is Jim. The way they've come in the last couple three years has been slowly and then quickly. I think this year, we expect it to be, as Mark said, probably a little bit more balanced as you look throughout the course of the year. I think that's -- they remain still relatively difficult to predict, less so in terms of size, more so-- somewhat in size, but more so in terms of timing. We do feel that there's going to be a bigger component in the first half.

Tim McHugh - William Blair & Company - Analyst

Okay. And then in terms of the revenue guidance, can you give us any sense by segment what you are looking for? You gave some qualitative comments on each of the segments, but is it -- anything that you are assuming above or below the average you described.

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Yes, Tim, this is Mark. I think it's fair to say -- and I will make my comments really with respect to the reported numbers, since those are the ones that are out there, and that way everyone can see in black and white the point of reference.

I think -- back to our comment about -- let's start with healthcare, back to our comment about, really, our preliminary earnings release talk to forecasting off a base that was more normalized without respect to the higher level of contingent fees. Contingent fees for the year came in roughly $104.5 million or so within healthcare, and if you strip that out, that really is with respect to our comment about mid to upper single digits in terms of growth expectations. On a reported basis, they'll probably be more in the mid, maybe even a touch below to right at the middle ranges of growth in healthcare.
Within legal again, I think it is fair to assume that we're probably -- again, as we have always taken a fairly conservative stance on these, based on visibility and having the least visibility in this particular segment, a low to mid single-digit range would be in line with what our thinking would be. I am going to skip education for a moment; I'll come back, because we've got a couple things going on there with the acquisitions.

In business advisory, again, I think based on the fact that you see the headcounts remaining relatively stable there, it should be relatively flat to maybe low single digits in terms of expectations. And then with respect to education and life sciences, we have talked a little bit about the acquisitions in terms of what their relative contribution would be. Overall, for that particular segment, I think it probably ends up being somewhere in the mid-20%, 25% range for growth when you include the effects of those acquisitions overall for the year.

Hopefully, that was somewhat enlightening for you. And if not --

**Tim McHugh** - William Blair & Company - Analyst

That was great. My only other question, more of a detailed -- the billing rates for the legal business, is that some of the integrated analytics catching on? Or what is driving that bill rate up so much relative to the prior year?

**Mark Hussey** - Huron Consulting Group Inc - CFO, COO, and Treasurer

It really is not anything to do specifically with integrated analytics; it is really the mix of work that we have in the engagements within that practice right now. Again, those relate to the people who are billable consultants, primarily on the advisory side of the house. We've have had some very good developments in that area and some very good clients, and so it's really the mix of the business that we have as opposed to anything else.

**Tim McHugh** - William Blair & Company - Analyst

Okay, great. Thank you.

**Operator**

Our next question will come from the line of Paul Ginocchio from Deutsche Bank. Please proceed.

**Paul Ginocchio** - Deutsche Bank - Analyst

A question about the financial business, it seemed like it had a -- relative to the beginning of the year, faded a little bit in the fourth quarter. It was disheartened that you think it's going to be flat to low single-digit growth. Talk about the order book in that business. I know it's probably one of your more evolved businesses, but talk about what you're seeing right there now. Thank you.

**James Roth** - Huron Consulting Group Inc - President and CEO

Paul, this is Jim. We saw a little bit of a tail-off in the fourth quarter, but not material. I think our order book is looking strong in that business, and I think we're -- if I had to guess, I'd say '14 is going to look a lot more like '13 than it did like '12.

So we are seeing some -- ramping up some new projects. We are seeing a reasonable amount of volume, and we are comfortable with the direction that's going right now.
Paul Ginocchio - Deutsche Bank - Analyst

Great. Can you talk about utilization in education again, and talk about how we should think about it for ’14 relative to ’13?

James Roth - Huron Consulting Group Inc - President and CEO

Mark will provide the number in a second. I think in education, we’ve had for now the better part of two, maybe part of three quarters, we have had lower utilization than we’ve wanted. Part of what has happened is if you look back in this practice -- in this segment, even going back into 2010 and around there, we typically, we have always had a number of large systems projects. We have had them then; we have them now.

But we also tended to have some other projects that were in -- larger in other parts of the non-technology parts of that business that utilized a number of people over a long period of time, actually very leveraged people. Those kinds of projects, it doesn’t take very many. It only takes one or two to make a dramatic difference, and they have tailed off really in -- a little bit in ’12 and ’13. It’s hard to predict when and where they will come back, but the bread and butter of what we are doing in those businesses remains very strong.

As I have said on a number of times on the call, we are also -- we are seeing new areas of opportunity grow -- open up for us, both on the education side, but also the life sciences side. And so, what we’re seeing is new opportunities come up, and what we’re also though, is doing our best to try to maintain the utilization levels that used to exist when you’ve got one or two very large projects going on that are taking, as I said, 20, 30, 35 people for a full year.

So that’s what’s missing. I don’t think there’s anything structural about it at all; I think it’s just the way things are right now, and we’ve had them for a long time. It’s not as though they are out there and we are losing them; I think they are just not out there right now.

This part of the business remains very vibrant. In some respects, the change, as I’ve said before, the changes taking place in the education space in particular, I think is even more pronounced than it is in health care. I think that is why we are so comfortable with where things are going in the future.

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Paul, specific to the utilization outlook, I think you saw some sequential improvement, and I think you will continue to see it move through a little bit higher in the 60%+. Clearly, we would love to see this business running in the 70% to 75% range when things are really humming along very nicely.

That is somewhat of an iterative process for us to go through and determine what the right moves are to -- based on the mix of business that we have. So I would expect to see some modest improvement throughout the year.

Paul Ginocchio - Deutsche Bank - Analyst

Great, Mark. If I can sneak one in to Frankel and Blue Stone, is that about $30 million of acquired revenues that are going to be consolidated in ’14? Thank you.
Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer
Incremental to what we reported in 2013, yes.

James Roth - Huron Consulting Group Inc - President and CEO
Combined.

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer
Combined, right.

Paul Ginocchio - Deutsche Bank - Analyst
Thank you.

Operator
Our next question will come from the line of Tobey Sommer from SunTrust. Please proceed.

Frank Atkins - Analyst
Hi, this is Frank in for Tobey. You mentioned in your prepared remarks momentum in E-discovery moving into 1Q. Can you talk a little bit about E-discovery going forward and what you see in terms of that seasonality?

James Roth - Huron Consulting Group Inc - President and CEO
I don’t think -- what we’re seeing is not so much seasonality, I think it is the continued movement of our sales team in helping us distribute our client base. We have been very successful with the number of clients that we have; the base of our clients continues to grow. It has less to do with seasonality and more to do with the fact that I think the sales team is beginning now to produce in ways that we had wanted them to, so that’s what makes us very comfortable about that.

It’s interesting when you look back at seasonality, there were two anomalies. We always spoke with them about being anomalies that statistically made no sense to us but kept recurring. One of them was that we never had very many contingent revenues in the first quarter, and as I said, I think we will see some this time, a decent amount. And then we also, I think for at least the last three or four years, had some pretty lousy Januaries in the legal area, again, for no apparent reason, although, sometimes we thought it might be attributable to Legal Tech.

But this year we are opening up strong. I don’t think that there’s any real seasonality in the legal numbers at all, just like I don’t think there’s any seasonality in the healthcare numbers at all. Right now, with the strength, we are producing the way we wanted to produce in terms of the sales team and that’s what’s benefiting us right now.

Frank Atkins - Analyst
Okay, that’s helpful. And then versus where you stood last year, can you talk a little bit about your comfort level and your visibility as you go into this year’s guidance?
James Roth - Huron Consulting Group Inc - President and CEO

Across the Company?

Frank Atkins - Analyst

Yes, on a consolidated basis.

James Roth - Huron Consulting Group Inc - President and CEO

I don't think the visibility -- we have different visibility, as you know, in each one of our practices. I don't know that the visibility has changed that much for any of them.

I think what -- there's a couple of data points that we look at that give us either more or less comfort in terms of how things are going forward. One of them is the pipeline, and that seems to be looking pretty good. But probably more importantly is what's driving the market at this point, and why would people be looking for services at all.

As I said, I really continue to think that the drivers for our businesses in all of our segments remain very strong, and that we are well-positioned in the kinds of businesses that we do at Huron right now to be responding to those. I think it is glimpses at the existing pipeline, which is good, and I think it's looking at the vibrancy of what's happening in each of our markets. That collectively gives us some pretty decent comfort about where things are going.

Frank Atkins - Analyst

One last one. What was turnover for the quarter, and what is the recruiting market look like? Thank you very much.

James Roth - Huron Consulting Group Inc - President and CEO

I don't know if we have it for the quarter. I know for the year.

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Normally, we think of it in any given quarter, Frank, we normally think of even in the quarter we talk to annualized numbers.

James Roth - Huron Consulting Group Inc - President and CEO

I think in 2013 we had, I believe, our lowest turnover ever. It was over 12.5%, so it has continued a downward trend, a good trend for us over the last three years. We felt very good about that. We ended up 2013 with turnover at 12.5%.

Frank Atkins - Analyst

Great. Thank you very much.
Operator

Our next question will come from the line of Jerry Herman from Stifel. Please proceed.

Jerry Herman - Stifel Nicolaus - Analyst

Thank you. Good afternoon, everybody, and Mark, congratulations. I did want to pin you down on the margin comment you made earlier though, if I can. You used the term, I think, less dramatically in terms of the margin improvement, but you didn’t say that they would be down this year, even though the guidance seems to imply that.

Does that mean you are being conservative? Does that mean that there is something else going on there that we should take into consideration?

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Well, let me answer that, Jerry, by going back to our last reported guidance range, which was 18.5% to 18.9% after our Q3 guidance. Clearly, we ended the year over 19.2%, so we really did not necessarily have an expectation that our margins were going to be that strong. It was one of the added benefits of the additional performance fees for the year.

But for us to sustain that would suggest that, again, we're going to project that into the future. And while the business model within healthcare is very powerful and can produce those, it's not a starting point to necessarily expect that that's going to happen out of the gate.

I think what you've got, a couple of other things going on, so there is a little bit of a mix issue in all of our businesses. There's always a little bit of investment that takes the form of expense, and that happens across various segments of the business. It's really the way that we continue to innovate and expand what we are doing within the marketplace.

Final comment, a couple -- both of the acquisitions that we had coming into this year were a little bit lower margin for different reasons than really we have in terms of the existing practices that they're moving in to. The combination of those things over time, we expect to continue to produce margin enhancement, but at least our going-in assumption for the year is consistent with the range that we had really after our Q3 earnings guidance.

Jerry Herman - Stifel Nicolaus - Analyst

Great. Thank you. And I was wondering if you folks would comment on the healthcare area, in particular, and the utilization rates there are running pretty high -- pretty hot. I am wondering if you are seeing acquisition cost pressure, either in the form of people or actual deals that you might be looking at.

James Roth - Huron Consulting Group Inc - President and CEO

We don’t have -- this is Jim. We are not seeing it so much in people. I think we have got a very desirable platform from which -- to which to recruit people, and so we haven’t seen it so much on the recruiting side.

The acquisition side, there are certainly some frothy expectations out there; I will leave it at that. And so that's part of the business right now. I think that's going to be true for everybody.

We will continue to be vigilant in terms of looking for acquisitions that are going to make sense for us and make sense for our model. But the healthcare M&A front is certainly at a premium at this point in time. We are having to do a lot of due diligence in making certain that there’s going to -- that whatever synergies or other strategies that we’re going to be benefiting from by making the acquisition are in fact going to come true. And so we spent quite a bit of time looking at that.
Long way of saying I think it’s not so much on the people side; it is definitely on the M&A side.

Jerry Herman - Stifel Nicolaus - Analyst

Great. Thank you. And one last question with regard to the first quarter. Jim, you mentioned some of the current trends, and historically, January could potentially be lousy in some of the segments. You mentioned front-loading of the contingency fees.

Should we think about a changing of the cadence of the seasonality or the growth rate in the first quarter? i.e. should EPS growth be disproportionately larger in the first quarter or disproportionately contribute to the full year, based on what you see right now?

James Roth - Huron Consulting Group Inc - President and CEO

I think that the performance-based fees are really just a factor of when -- there's a variety of factors, when the contract gets signed, and there isn’t necessarily any seasonality to that. That probably has more of an impact on when they will be incurred than anything else, and that is when they get signed.

Typically, if you assume that the projects are going to be somewhere between 9 and 18 months, as we begin to get out into a project, you are going to begin to see them come in. So if we sign up a bunch of things in December, I think you’re going to end up seeing those, for those things that we sign up, you’re going to probably see some decent contingent revenues hit in the fourth quarter. If we sign some in May or June or July, I think they are going to start hitting in the first and second quarters.

So I’ve always said, I don’t think there is any real seasonality to any of this, even though there appears to have been some over the -- certainly over the last three or four years as our practice has grown. I don’t think that there’s that much seasonality in that.

I think we will see -- it’s too early to tell what ’15 is going to look like, let alone ’14, but I think that the way that patterns are falling right now, I don’t know that what we’re going to see’ in 14 is going to be replicated in ’15. But I think it will have a different pattern than we had in ’13 and actually in prior years, as well.

It really is the nature of the jobs and when they are signed that probably has the biggest impact.

Jerry Herman - Stifel Nicolaus - Analyst

Thank you, guys, I’ll turn it over.

Operator

Our next question will come from the line of Randy Reece from Avondale Partners. Please proceed.

Randy Reece - Avondale Partners - Analyst

Afternoon. I was trying to try to get a better understanding of the revenue patterns that we have seen in the FTE side of legal, where the vast majority of your FTEs are. If I look on a unit-revenue perspective, there has been something of a down trend in their revenue productivity. I presume there is some price influence there.

But looking also quarter to quarter, there’s been quite a bit of volatility, if I adjust it for a number of days billed per quarter. I’m trying to understand what’s going on there and was wondering if you could give me an idea of how to safely project those into the future, given the fluctuations that I see and a general downtrend in pricing.
Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Randy, this is Mark. I think if you look over a little bit, maybe more on a trailing basis, as opposed to within the quarter, it might be a little bit more indicative of what the trends are. As we look at the FTEs, we think -- there is not a perfect correlation, because you do have a lot of different things that can influence what that looks like.

I think that over a little bit longer period of time, it directionally will certainly move with where the revenue is. I'd be happy to have a discussion with you off-line about it.

Randy Reece - Avondale Partners - Analyst

Do the changes in the revenue per FTE, which you disclose every quarter, does that reflect any shifting in the kinds of activities you are doing?

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Yes. There is always some mix in there, because depending on how much processing or hosting revenue. This is not purely review work, so you can have a little bit of mix issue around the type of work that's happening.

Randy Reece - Avondale Partners - Analyst

Okay. In terms of finding people, are you going to be more or less senior-oriented in your recruiting this year compared with the last couple of years?

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

In general or are you --

Randy Reece - Avondale Partners - Analyst

I was thinking in healthcare in particular.

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Okay.

James Roth - Huron Consulting Group Inc - President and CEO

I think we will still have a probably -- I don't expect our balance to be that different than it has been in prior years. We've -- really, if you look at our hiring patterns in healthcare over the last two or three years, I think we have had a mix of experienced and lesser experienced and new hires, and that's served us well. I think we've got great training programs here that help those newer people come up and grow rapidly and learn the business quickly, but we always need, given the complexity of our work, we always need some senior people as well.

Frankly, we have been pretty successful in hiring at all of those levels, but I do not expect there to be a material change in the mix in '14.
Randy Reece - Avondale Partners - Analyst

My external observation, it seems that you have been pretty successful at promoting people up through the ranks, not having a great need to fill in the holes for attrition and such.

James Roth - Huron Consulting Group Inc - President and CEO

Well, you've hit on one of the real hidden treasures that we have here in that, because we have always -- we talk about it and it sounds like a soft thing, but we have a very collaborative environment here. The reality is when you come in, the younger levels people learn a lot, and when they learn a lot, they stay, and they are happy, and we are capable of promoting them. And we have a lot less risk of getting people like that to continue to be promoted through the system than if you do if you take somebody in from outside.

So we're very comfortable and proud of the fact we've been able to have so many of our younger people come up through the ranks, and we hope to be able to maintain that for a long time to come.

Randy Reece - Avondale Partners - Analyst

Thank you very much.

Operator

Our next question will come from the line of Joe Foresi from Janney Capital Markets. Please proceed.

Jeff Rossetti - Janney Montgomery Scott - Analyst

Good afternoon. This is Jeff Rossetti on for Joe. Jim, I believe you mentioned in your script, within clinical solutions, you mentioned the strength in physician strategy and clinical transformation. I wanted to see if I could get some more granularity on where the strongest segment was. Was it physician integration, some additional detail, if possible.

James Roth - Huron Consulting Group Inc - President and CEO

Jeff, I don’t know that -- it’s really been across the board on all of those. That whole clinical solutions business has really been growing as we’ve hoped it would at a really strong pace, and we have -- all of those services doing very well. So I don’t even know that if we have the information as we recorded individually by each of those minor areas, but they are all performing well and growing, I think, at about the same pace.

Jeff Rossetti - Janney Montgomery Scott - Analyst

Okay. You also called out the analytics capabilities. I wanted to see what investments you have planned for the analytics portion. Also, clinical solutions in general for the coming year, and where you might see the clinical solutions practice, what portion it might represent for your healthcare segment in 2014?

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Jeff, this is Mark. I think that without specifically commenting that I’d say in clinical solutions, there is a tremendous opportunity on the analytical side. And it’s certainly something that we think about within our M&A pipeline, as well as internally with the people that we have, because we have a fairly good technology staff within our operation that has been built up over time and supports our software development.
So without breaking it out separately, I would say that it is certainly an area that we think about quite a bit and maybe something that we have more focus on, and probably at that point, just leave it at that.

Jeff Rossetti - Janney Montgomery Scott - Analyst
Okay. Safe to say on the analytics side, it might be an M&A area.

James Roth - Huron Consulting Group Inc - President and CEO
It’s going to be an important part, this is Jim. It’s going to be an important part of our strategy go forward, and so we have got a variety of options for continuing to pursue that. But I wouldn’t be totally surprised if there was something in the M&A area.

Jeff Rossetti - Janney Montgomery Scott - Analyst
Okay. Thank you.

Operator
Our next question will come from the line of Kevin Steinke from Barrington Research. Please proceed.

Kevin Steinke - Barrington Research Associates, Inc. - Analyst
Good afternoon. You have talked about in recent quarters that the nature of some of the education projects in your pipeline were larger and more invasive to the potential client, and therefore, were taking a little longer to close. So I am wondering if you have had success closing any of those recently, and if that continues to be the way your pipeline is skewing going forward.

James Roth - Huron Consulting Group Inc - President and CEO
Yes. Kevin, this is Jim. We certainly have closed some of them, and probably more importantly, there are a lot of other ones that are beginning to come up. It is as we’ve said, it is -- they are more difficult to close, but we also have more of them. So our hope is that in ’14 and actually beyond, that’s going to be a nice -- hopefully, a steady pipeline of these types of opportunity that will supplement our core businesses that we have always had in education and life sciences.

I look at those emerging areas, whether they are in the technology area and the way institutions are applying technology to the way that they teach and the way that people learn, whether it’s around enrollment management. To me, those emerging areas are very similar to the way that we have looked at the clinical solutions piece within healthcare, and that is, they are -- in healthcare we had the revenue cycle and performance management were always the bread and butter of that business. And now you’ve got clinical solutions that’s really addressing the emerging parts of the change in the healthcare arena.

We are seeing the same type of thing happen in healthcare, and we’re going to be structuring ourselves around managing it the same way.

Kevin Steinke - Barrington Research Associates, Inc. - Analyst
Okay, thank you. And in terms of the acquired revenue this year, you said was a little lower margin. Do you think margins on that business can improve going forward, or will they continue steady state?
Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

Kevin, I think that’s an area that we’d look at to make some improvements from a couple different standpoints. One, would be as we think that there may be some opportunities to really match up billing rates a little bit more closely with some of the opportunities that we have, as well as helping to drive -- through growth and leveraging some of the SG&A that supports those practices, that we can leverage some additional margin improvement as well.

We clearly, do not have an expectation that there would not be any improvement. We would absolutely be looking for improvement in margins.

Kevin Steinke - Barrington Research Associates, Inc. - Analyst

Okay. One last question, what headcount growth expectations do you have built in your 2014 guidance, if you are willing to share that?

Mark Hussey - Huron Consulting Group Inc - CFO, COO, and Treasurer

We did not provide any specific modeling assumptions this year, and what we found is that really, the best way to think about this is that really, headcount growth should be roughly in line with the revenue growth.

Kevin Steinke - Barrington Research Associates, Inc. - Analyst

Okay. Thank you very much.

Operator

(Operator Instructions)

With no further questions, I would like to turn the call back over to Mr. Roth for closing remarks.

James Roth - Huron Consulting Group Inc - President and CEO

Thank you very much. Thank you for spending time with us this afternoon. We look forward to speaking with you again in April when we announce our first-quarter results. Have a good evening.

Operator

Ladies and gentlemen, thank you for your participation. You may now disconnect. Have a great day.