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HURN - Q1 2013 Huron Consulting Group Inc. Earnings Conference Call

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to Huron Consulting Group's webcast to discuss financial results for the first quarter 2013. (OPERATOR INSTRUCTIONS.) As a reminder, this conference 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 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 morning'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 numbers.

And now I'll turn the call over to Jim Roth, Chief Executive Officer and President of Huron Consulting Group. Mr. Roth, please go ahead.

Jim Roth *- Huron Consulting Group Inc. - Chief Executive Officer and President*

Good afternoon and welcome to Huron Consulting Group's First Quarter 2013 Earnings Call. With me today is Mark Hussey, our Executive Vice President and Chief Financial Officer.

Our first quarter was strong across all of our reporting segments except for Huron Legal, which was down slightly year over year. While I am generally satisfied with our first-quarter performance, I am highly encouraged by the underlying trends in each of our businesses.

Quarterly revenues tell only part of the picture, however. There's a much more exciting story that isn't revealed in the reported financials. What gives me comfort about the direction we are going is the quality of the clients that are seeking our services and the nature and complexity of the work we are being asked to provide. Our clients are facing a complicated and uncertain environment, and our highly experienced team of professionals is being called upon to help our clients set strategic priorities and operationally respond to their very uncertain environment. I take huge pride in the quality of our people and the caliber of the work they deliver. Our clients are very sophisticated, and they continue to turn to Huron for many of their strategic and operational needs, giving us a continuing level of confidence that 2013 is shaping up to be a solid year for Huron.

I will now briefly discuss our performance in each segment.

Our Huron Healthcare segment had a solid quarter. Utilization remains strong at over 85% and we continue to grow our base of active assessments. Our strong results reflected the ongoing strength in our performance improvement and revenue cycle practices. As we have been expecting, the Clinical Solutions practice, which is the fastest-growing portion of this segment, continued to grow rapidly in the quarter, and the backlog in this business is stronger than ever before. We are hitting on our cylinders across our performance improvement, revenue cycle and clinical practices. Driving our efforts is the ongoing pressure on our hospital clients to lower costs, improve quality and transform their operations to respond to the emerging healthcare realities. I don't see any letup in the demand for our healthcare services for the foreseeable future.

Our Huron Legal segment had a soft first quarter. In the discovery practice, our larger engagements -- for the most part -- remained strong and our global sales team initiated work at several new Fortune 200 clients. Earlier in the quarter, the discovery practice had lower-than-expected revenues due to the typical ebb and flow of some new and existing projects starting and others ending. The advisory practice was also weaker than expected during the quarter. Although we have started a number of large advisory engagements with new clients in the past few weeks, we remain focused on enhancing the profitability in the advisory practice and making certain that our expansion plans are executed at margin levels consistent with our expectations. This is the third year in a row where we had a weak first quarter in this segment. In each of those prior years, the last three quarters made up for the initial slowness, and we have similar expectations for this year.

Our Huron Education and Life Sciences segment had another strong quarter. Similar to our hospital clients, colleges and universities are experiencing a major challenge to their historical business models. Lower public support, the expanding reliance on technology to deliver curriculum and significant pressure to reduce costs collectively result in an environment that is well-suited to our services. Our largest practices within this segment -- technology, research, performance improvement and life sciences -- not only had a great quarter but also have solid backlog that gives us comfort that subsequent quarters will remain strong.

Huron Financial, while still our smallest segment, had a substantial rebound from its performance over the past year. Utilization in this practice was in the mid-80s, as we were asked to assist with a number of high-profile cases. We continue to believe that there will be a dramatic improvement in this segment this year as compared to last year. We have talented people that have weathered some tough times over the past year or so, and they are now as busy as ever as they have been in the recent years.

Turning to our view for the rest of the year, we are not changing our previous annual revenue guidance, which currently is estimated to be in a range of $655 million to $685 million for 2013. We continue to be hopeful that this guidance ends up being conservative, but we also recognize that some of our revenue -- particularly the contingent revenue in the Huron Healthcare segment -- can be unpredictable from quarter to quarter. When we issue second-quarter earnings, we will have more visibility to the size and timing of our second-half revenue stream and may consider making some guidance adjustments at that time.

As we indicated when we released year-end results in February, we believe that 2013 will have less volatility quarter to quarter as compared to 2012 and, correspondingly, less reliance on a large second half to achieve our annual revenue guidance.

In the interim, we are encouraged by the strength of our first-quarter results and are confident that the remainder of the year will result in continued strength across all of our practices.

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

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Thank you, Jim, and good morning, everyone.

Let me begin with a few housekeeping items. Consistent with our past practice, I'll 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-Q each have reconciliations of these non-GAAP measures to the most comparable GAAP measures, as well as a discussion of why management uses these non-GAAP measures.

I'll now walk you through some key financial results for the quarter.

Revenues for the first quarter of 2013 were $164 million, up 18.3% from $138.6 million in the same quarter of 2012.

EBITDA for the first quarter of 2013 was $26.8 million, compared to $9.4 million a year ago. A positive factor affecting EBITDA was an increase in our average full-time billable headcount of 16%. These resources were relatively productive as measured by our utilization levels. For Q1 2013, utilization was 77.9%, almost flat with 77.8% a year ago. I will provide some additional color when I discuss the reporting segments in a few moments.

Adjusted EBITDA more than doubled to $25.6 million in Q1 2013, or 15.6% of revenues, compared to $11.8 million in Q1 2012, or 8.5% of revenues. Adjusted EBITDA excludes a number of items which are listed in our press release.

Operating income was $21.3 million, or 13% of revenues, in Q1 2013, compared to $3.6 million, or 2.6% of revenues in Q1 2012. Net income from continuing operations was $11.4 million, or $0.51 per diluted share, in the first quarter of 2013, compared to $600,000, or $0.03 per diluted share, in the same period of 2012.

Adjusted non-GAAP net income from continuing operations was $11.6 million, or $0.51 per diluted share, in the first quarter of 2013, compared to $3 million, or $0.13 per diluted share, in the same period of 2012.

Our effective income tax rate in the first quarter of 2013 was 41.7%, compared to 72.1% in the first quarter of 2012. The effective tax rates for both periods were higher than the statutory rate, inclusive of state income taxes, due primarily to the impact of foreign losses with no tax benefit and certain non-deductible expenses. These non-deductible items had a larger impact on our effective tax rate in Q1 2012 due to the lower level of pre-tax income. In addition, the effective income tax rate for the first quarter of 2013 reflects the retroactive impact of the federal R&D tax credit which was enacted during the quarter. On a full-year basis, we expect our tax rate to be about 43%.

Now let's look at how each of our reporting segments performed during the quarter.

We noted during our last earnings call that the company reorganized its internal financial reporting structure. Huron now reports information as five operating segments -- Huron Healthcare, Huron Legal, Huron Education and Life Sciences, Huron Financial and All Other. The former Health and Education Consulting segment has become two separate segments -- Huron Healthcare and Huron Education and Life Sciences. These practices continue to share a significant number of academic medical center clients and will continue to collaborate closely in the marketplace.

The Legal Consulting segment will now be referred to as Huron Legal, and the Financial Consulting segment will now be referred to as Huron Financial. The structure of these segments did not change. In addition, certain immaterial practices, which were historically part of our Health and Education Consulting segment, we combined and are now disclosed in an All Other category. While consolidated results have not been impacted, we have recast our historical segment information for consistent presentation. There is quarterly data for 2011 and 2012 available on our website and as filed on Form 8-K with the SEC.

Now turning to the segments.

The Huron Healthcare segment generated 48% of total company revenues during the first quarter of 2013. The segment posted revenues of $78.7 million for the first quarter of this year, a 24.1% increase from $63.5 million in the first quarter of 2012.

Operating income margin for Huron Healthcare increased to 39.6% for Q1 2013 from 25% for the comparable quarter in 2012. Utilization in the segment continues to be strong. For the first quarter of 2013, utilization was 85.6%, compared to 83.2% last year. Performance-based fees in the first quarter of 2013 were $18.4 million, compared to $15.5 million during the first quarter of 2012 and $32.3 million during Q4 of 2012. Revenues excluding performance-based fees increased 26% over Q1 of last year and, sequentially, 9% over Q4 of 2012.

Our Huron Legal Consulting segment generated 25% of total company revenues during the first quarter of 2013. This segment posted revenues of $41 million in the first quarter of 2013, about flat with the $41.4 million in the comparable quarter in 2012. After a strong finish to 2012, both our advisory and e-discovery services businesses experienced a softer first quarter, principally due to the timing of engagements. Our full-time billable consultant utilization rate in this segment decreased to 52% during the first quarter of 2013 from 70.7% a year ago, reflecting the lower advisory revenue and increased headcount.

The operating income margin for our Huron Legal segment was 7.2% in the first quarter of 2013, compared to 23.0% in the first quarter of 2012, reflecting higher salaries and related expenses, technology costs and other general and administrative expenses as a percentage of revenues.

The Huron Education and Life Sciences segment generated 22% of total company revenues during the first quarter of 2013. This segment posted revenues of $35.7 million for the first quarter of this year, a 29.1% increase from $27.7 million in the first quarter of 2012. Operating income margin for Huron Education and Life Sciences increased to 26.2% for Q1 2013 from 23.3% for the comparable quarter in 2012. Utilization within the segment continued to be solid, even with a 34% increase in average headcount. For the first quarter of 2013, utilization was 70%, similar to the 70.8% level reported during last year's Q1.

The Huron Financial segment generated 5% of total company revenues during the first quarter of 2013. We are very pleased with this segment's results, which include an increase in revenues of over 46% compared to Q1 of 2012, as well as improved profitability. The operating income margin for the segment increased to 39.4% in Q1 2013 from 4% in the same quarter of 2012.

These positive results largely reflect the initiatives that we undertook last year to increase revenue and profitability, and we are confident this practice will contribute to Huron's growth during 2013.

Now turning to the balance sheet and cash flows. DSO came in at 72 days for the first quarter of 2013. Cash collections during Q1 slowed after a strong finish to 2012. With respect to cash flows, we had negative cash flows from operations of $24.8 million. A net use of cash in operating activities is typical for us during the first quarter due to bonus payouts. We expect that net cash flows from operations will be positive for the remainder of 2013 and in line with guidance of approximately $100 million previously provided.

Our outlook on full-year guidance has not changed since our Q4 comments in February. And to affirm our previous numbers, for full year 2013, we anticipate revenues before reimbursable expenses in a range of $655 million to $685 million; EBITDA in a range of $118.5 million to $127 million; and adjusted EBITDA in a range of $120.5 million to $129 million; net income in a range of $50.5 million to $55.5 million; and adjusted non-GAAP net income in a range of $55 million to $60 million; and finally, GAAP EPS between $2.25 and $2.45, while adjusted non-GAAP EPS guidance is between $2.45 and $2.65.

Thanks, everyone, and we'd now like to open up the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTIONS.) And your first question is from the line of Tim McHugh with William Blair & Company. Please go ahead.

Tim McHugh - *William Blair & Company - Analyst*

Thank you. First I want to just ask about the legal segment. You talked about seeing some recent large advisory engagements kick in, but I wasn't clear if you've seen any sort of improvement lately in the bigger kind of e-discovery piece of the business.

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Tim, this is Jim. We -- I think we tried to reference the fact that we have -- as we've had some large engagements going on in the discovery side and those have really continued without any material decrements, and we have picked up some new engagements, both on the discovery side and the advisory side. I think what really happened was the first part of the quarter was weak for us in both of those segments, but we have seen some pick-up on both sides -- in advisory and discovery -- toward the latter part of the quarter. Is that -- does that answer your question?

Tim McHugh - *William Blair & Company - Analyst*

Yes. And I guess just was there anything -- I know you gave the color, I guess, but just to be straight to the point. Was there anything in what happened in the quarter that it feels more structural in nature versus just a timing issue that gives you pause about the performance?

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Tim, no -- the answer is there really hasn't been anything structural at all. I think we just got out of the box pretty weak. As we said, we -- this is the third year in a row, and even though there may be a couple reasons for why that happens in January, it happened again, but I think we -- there's nothing structural about the way that we're looking at the practice as it ended the quarter. There's -- we do have some decent backlog going into the second quarter and beyond, and I think -- as I said, we've had to kind of crawl out of a hole the last couple years and I think we've got some reasonable confidence that we'll be able to do it again this year. There's nothing structural about the performance. I think it was just a weak start to the quarter.

Tim McHugh - *William Blair & Company - Analyst*

Okay.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

And Tim, this is Mark. I'll just add to that that we are pretty pleased with the new clients that we're adding in that particular business, and these are definitely household names. You know every single one of them. And we're pleased with the new relationships. And actually, some are already turning into some nice engagements on the discovery side as well.

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Our global service organization also is really doing what they are supposed to be doing and that is broadening our exposure into the market for the kind of clients that Mark was just responding to, and I think that's partly what gives us comfort -- not just that they're out there, but also the fact that they've actually begun to contribute on both the discovery and advisory side as well.

Tim McHugh - *William Blair & Company - Analyst*

Okay. And then on the Healthcare side, you talked about the legal -- I'm sorry -- the clinical business doing very well. Can you just give us a rough sense of how big that is? And I believe that there's not much contingent fees in there, so over time that will diminish the timing, I would assume.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Tim, we've seen this continue to grow off of a fairly small base within there over time. If you look overall, the way we think about the clinical business for us, it's probably a little under 15%. But again, in terms of growth rate, each quarter continues to grow and frankly has one of the strongest trend lines that we've seen just in terms of demand in the marketplace. So we think that's going to continue off the smaller base. So good percentage growth rate and, over time, that will be more large total dollars. But right now, it's a smaller base.

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

And this is Jim. I think that even a couple years or so ago, a vast majority of our revenue in the healthcare practice was on the performance improvement and revenue cycle piece of things. And as we predicted, we really -- the whole market obviously was in need of services to help them transition through the fee-for-service towards value-based billing to help them control costs, improve quality. So we knew, as we've been indicating for a while now, that we fully expect the clinical solutions part of our business to really be picking up, and it's doing exactly what we're doing. We've had some great hires in there. We're getting some great clients. Some of the work is sold alone, just through the clinical piece. A lot of it is sold as an integrated part of the overall solution, including revenue and expense. And so it's performing and tracking exactly as we wanted it to and I think it's going to have a very bright future.

Tim McHugh - *William Blair & Company - Analyst*

Okay. And then one last question. You talked about or you alluded to the fact that after 2Q you'll have better visibility into the year. And I think you also, along -- in that same group of sentences, you talked about how you're hopeful that the year proves conservative and then said you might adjust earnings after -- or you'd look at guidance after 2Q. I guess just to be fair or just to be clear, when you're talking about looking at guidance after 2Q, is -- can you at least say is the bias upwards here when you're referring to that? Is that the message you were trying to --

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Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Yes.

Tim McHugh - *William Blair & Company - Analyst*

Okay.

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Obviously -- Tim, obviously we're -- this is Jim again. Obviously we're trying to be cautious until we get more visibility. But I think if things continue to go the direction we're going right now, I don't think we'd be making any adjustments on the down side.

Tim McHugh - *William Blair & Company - Analyst*

Okay. Thank you.

Operator

Your next question's from the line of Paul Ginocchio with Deutsche Bank. Please go ahead.

Paul Ginocchio - *Deutsche Bank - Analyst*

Thanks. Just a couple questions about financials and then the utilization at legal. Anything in the financial -- Huron Financial that's one-time? And is that margin sustainable? Was there a success fee in there or anything else like that? Just trying to think about the consistency that -- of the rest of the year based on the first quarter. Is that the right revenue and margin number to kind of bring forward? And then second, it looks like you've hired sort of ahead of demand in legal. Obviously it was a little soft in the first quarter. Where does utilization go? Does it get back to a more normal level in the second quarter or is it going to take a little longer than that? Thank you.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Paul, it's Mark. So to answer your first question on Huron Financial, in Q1 there was about a $500,000 success fee. That's not unusual for that business so I don't think it's a one-time deal. When you look at the revenue level in relation to the utilization, this business does not operate normally at that level of utilization. And so we've come into the year pretty lean on headcount. We really hung on to the people that we thought were market-relevant and doing a great job, and they've really sold into a very strong pipeline into 2013. So I don't think the 85% is going to be the run rate going forward. I would expect it to come down a little bit. But it's going to -- right now we're very encouraged just with the pipeline of engagements. We think these are replacing what was missing a year ago. A year ago, we talked about some of the larger, longer-term engagements that enabled us to really keep people busier was missing, and that has been replaced this year. And it's not just a single engagement. There's a number of them that we feel good about. So that's the really the story on the financial side. I think the margins will be better -- I don't think quite sustainable at that level, though.

On the Huron Legal side, on the utilization, we think that getting back to the 70% range is a reasonable target, and with the larger engagements that we're pursuing here even into the second quarter, we think we'll be on the way back toward that. Don't know that we'll hit quite at that target on the overall quarter, but we definitely expect a meaningful improvement in utilization in the second quarter.

Paul Ginocchio - *Deutsche Bank - Analyst*

Thanks very much.

Operator

Your next question's from the line of Tobey Sommer with SunTrust. Please go ahead.

Tobey Sommer - *SunTrust - Analyst*

Thank you. I wanted to ask a question about consultant headcount additions. Certainly the year-over-year rate of growth in the first quarter kind of exceeded what we had talked about when you first gave your look into 2013. Do you expect a trend line more along the trajectory of the first quarter as we move throughout the year?

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

No. We really -- we've tried to balance this throughout the year. And again, you can have some quarters ahead of the others, but right now, Tobey, our full-year expectation is in line with what we previously communicated.

Tobey Sommer - *SunTrust - Analyst*

Okay. And then within the business as a whole right now, how much of revenue is derived from recurring and more scalable software or services as opposed to classic time and materials?

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

It's still a fairly small percentage. I'd actually have to dig it out. It's -- we don't think of it -- I'd love to sit here and tell you that we've got a large percentage that's recurring from software license, but it's right now not the nature of what we're doing. There's a percentage within the Healthcare segment that's recurring because we have ongoing support and maintenance for, in particular, our revenue cycle product that's in there. But on the education side, when we sell licensing in our click software product, as an example, they're one-time license sales and there is some recurring support and maintenance, but it's, again, overall just not a very meaningful percentage of the company's revenue. It's 3% overall.

Tobey Sommer - *SunTrust - Analyst*

Okay. And then I wanted to see if you could give us an update on your new service in legal, what your experience has been. I know it's early days and you kind of thought it might have more of an impact headed into the end of the year and into next year, but any kind of update you could give would be useful. Thanks.

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Tobey, this is Jim. It continues to pick up at least a lot of interest in the marketplace. We knew that this was going to be something that was probably going to begin to show more results in the second half of the year. I think our experience has been that a lot of clients are extremely interested in it and they're asking a lot more questions. So I do think we'll begin to see some more of an impact on it in the second half. I would not expect much in the second quarter at this stage.

Tobey Sommer - *SunTrust - Analyst*

Okay. Thanks. And just to be clear that the launch didn't somehow influence the legal results early in the quarter. That was just demand in some seasonal patterns. Is that accurate?

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

I think that's correct. I don't think there's any correlation between it.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

In fact, anecdotally, some of the stories coming back as we've introduced it is Integrated Analytics -- it's great, we're interested in trying it out, but we love your V3locity product. So there's just -- people are very comfortable with the current model and these are not people that, from an attorney's standpoint, that are probably on the leading edge of taking risks around changing the discovery process. But we're encouraged by the acceptance and I think that we stand by the comments that we made earlier, which is this will more than likely start to be a second-half impact.

Tobey Sommer - *SunTrust - Analyst*

Thank you very much.

Operator

And your next question's from the line of Randle Reece with Avondale Partners. Please go ahead.

Randle Reece - *Avondale Partners - Analyst*

Good afternoon. I hope you can hear me. I'm not in a great place. I have a question about how sequestration may be affecting the services that hospitals are most urgently interested in right now.

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Randy, I think the sequestration -- to the effect -- to the extent that it's affecting our clients is putting more pressure on them from the cost side, and I think, therefore, it's creating more opportunity for us to help out our clients and helping them with cost reduction and performance improvement efforts. It has a separate effect on the Education business and Life Science business, more from a research side as some of the research funding is now having to be strung out and, as a result, some of the funding is going to be coming to our clients less -- at a slower pace than they had expected. So that puts a decent amount of pressure on some of them in areas that were not contemplated. So that's one. On the reimbursement side, it's not clear exactly whether it's had much of an impact yet right now on the healthcare side. Our healthcare clients are reacting more to -- much more to some -- more the kind of global changes in healthcare reform much more so than any of the sequestration issues. So that's a long way of saying I think it's impacting health and education, in particular, but not in material amounts yet. And I think to the -- and I'll just -- I'm sorry. I'll just clarify one point. I think that to the extent that it does impact us, it'll be a positive impact on us because it'll simply result in putting more cost pressure on our clients.

Randle Reece - *Avondale Partners - Analyst*

Understood. If you back the clinical practice out of the Healthcare segment, what would the growth rate have looked like? You had the single-digit year-over-year growth rate with a segment in it that was growing pretty fast. Is there something in there that's kind of slow?

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Randy, I'm not sure I quite follow the question. So the overall Healthcare segment was up 24%. Is -- so could you just restate your question?

Randle Reece - *Avondale Partners - Analyst*

Never mind. I must have looked at the wrong number. Okay. The success fee numbers that we've looked at historically -- what segments would they fall in now? And I'm just kind of wondering how I'm going to make the transition in my model because you had given us success fee numbers in the past filings and I don't really know how to allocate them to segments.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

They're all in the Healthcare segment, so it's actually very clean. There's a minor amount in Huron Financial, but it's really not material, even within that segment.

Randle Reece - *Avondale Partners - Analyst*

Alright.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

For the quarter, it was --

Randle Reece - *Avondale Partners - Analyst*

Go ahead.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Yes. For the quarter, it was $500,000 in the Huron Financial; $18.4 million in Huron Healthcare.

Randle Reece - *Avondale Partners - Analyst*

18.4. Alright. Okay. Thank you very much.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Sure.

Operator

Your next question is from the line of Bill Sutherland with Northland Capital. Please go ahead.

Bill Sutherland - *Northland Capital Partnters - Analyst*

Thanks. I was just about to ask that contingency fee question and I'm wondering is there like a range that we should be thinking about for the full year or do you not want to go there?

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

I'm sorry. On success fees, Bill?

Bill Sutherland - *Northland Capital Partnters - Analyst*

Yes.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Yes. We continue to look in the range of $80 million to $90 million on a full-year basis for success fees.

Bill Sutherland - *Northland Capital Partnters - Analyst*

Okay. Good. Good. What was the level of AdamsGrayson in the quarter -- first quarter?

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

We don't discuss the specifics, but I would tell you that AdamsGrayson was a little softer in the quarter. So when we look back, we started out of the gate a little bit softer. Strong Q4, a little bit softer in Q1. I'm not sure that it's unusual for what we necessarily expected. What's happening over time is that they are getting very integrated into our overall operations. So going forward, it's going to be a little more hazy to comment specifically on it. But at this point, there's really nothing in the acquisition that we're terribly concerned about and continue to build on some of the other potential practices, opportunities that we see as a result of their business model versus the one that Huron Legal had historically taken.

Bill Sutherland - *Northland Capital Partnters - Analyst*

Okay. For the guidance, Mark, that you gave initially -- just to give us something to work with for the full year in terms of revenue by segment -- I think it was high single digit probably for Healthcare, high single/low double for Ed and low to mid single for Legal. Are those still -- first of all, do I have that correct? And if so, is that still the parameters in your mind?

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Yes. Directionally, that's correct, Bill. And we really have not altered any part of that outlook at this point.

Bill Sutherland - *Northland Capital Partnters - Analyst*

Okay. And then finally, just one more model thing. With the first quarter done and into the second quarter, to the quarterly phasing, does it feel almost like the first half and back half could be 50/50 this year or 40/60 or is there any sort of way to -- that you can help us think on it?

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Well, we probably think the first half is still a little bit less than the second half, just as we continue to see growth in the businesses over time. So it's just a little bit more evenly -- not a little bit -- it's a lot more evenly paced than it was a year ago.

Bill Sutherland - *Northland Capital Partnters - Analyst*

Right.

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Yes. We don't -- I don't know that we've figured it out -- I don't think it's going to be 40/60, but it's also not going to be 50/50. I'd say --

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Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Yes. It won't -- I don't think it'll get to 50/50 by any stretch.

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Yes.

Bill Sutherland - *Northland Capital Partnters - Analyst*

Yes. Okay. That's great help.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

In other words, I don't think there's anything -- okay. Good.

Bill Sutherland - *Northland Capital Partnters - Analyst*

Okay. Thanks.

Operator

(OPERATOR INSTRUCTIONS.) And your next question is from the line of Joseph Foresi with Janney Montgomery Scott. Please go ahead.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Hi. On the Legal segment, I just had a thought. Can you give us some idea of kind of what you're expecting the ramp to be like? I just want to make sure that everybody's got some directional clarity. I know that it's going to improve sort of as we go throughout the year, but is it a big step up in 2Q or are we more back-end-loaded? Is there any way to kind of tell based on the one quarter done and the visibility sort of what sequentially you should be expecting in that business?

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Joe, this is Mark. So the last couple years, we've had a little bit more strength in the back half of the year, not that there's anything inherently in the pattern because they're all individual engagements that can vary from time to time. But I do think that the second half will be stronger than the first half. I don't think we're going to see a massive ramp-up in Q2 that's going to somehow make up for the softness in Q1.

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

But I think -- this is Jim. I think we're still targeting hopefully a low single digit growth for the practice year over year.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Got it. Okay. And in the financial practice, obviously the utilization rate -- you've talked about it being perhaps unsustainable. Anything one-time in that business that should come out of the numbers as we go throughout the year or do you expect a generally slower moderation of the utilization rate?

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Joe, this is Jim. There's really nothing unusual about it, other than the fact that they just got really busy on a number of very intense engagements. And so I think the strength in that business was, as always, the same reason you get real -- the same reason you see great numbers is all transactional-driven, and sometimes when the numbers aren't there, it's because there aren't enough transactions going on. We're at a very busy part right now and I -- as Mark indicated, I don't think the utilization rate will be that high, but there is a lot of activity for them right now, and sometimes the projects end quicker than we'd like. Other times they go on longer. So I think right now we're well-positioned. The practice made some adjustments to its headcount back in the fourth quarter that I think positioned them very well to more profitably enter 2013, and we saw some of that right now. I don't think we had -- we didn't fully contemplate the strength that we had and so I don't know that we can necessarily predict that it's going to continue at that pace for a while, but I do think they're going to be busy. They are well-positioned and demand seems to be at a much better pace than we've had for the last 12 to 18 months.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Sure. So would you say that the -- asked a different way, would you say that the pipeline in that business has improved through a number of opportunities and you think that that should maybe help drive the business or sustain it at a higher rate, but not necessarily as hot as the first quarter? Is that fair to --

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Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

So just to distinguish what we're talking about, I think --

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Sure.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

The revenue projections going forward reflect a good pipeline of business that's been sold, and I think the headcount is not at the level of consistent long-term delivery of that revenue. So I would expect that there would be some hiring in that business that would help alleviate some of the hotness and not necessarily change the revenue, but make it more livable for the people running that practice.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Got it. I appreciate the use of the term hotness, too. Last question from me. On the healthcare side, we -- it sounds like it's going to be a more even business this year versus last year. I certainly think that we're all kind of hoping that as well. Anything you could say directionally as far as contingency fees? Is there any reason to think that -- certainly the back half will probably be stronger than the first half. Any lumpiness to those that you're seeing in the business right now that you want to call out earlier in the year from a modeling perspective?

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Joe, I don't think so. I think we feel pretty comfortable with the measures of growth we gave on the overall revenue, and also I think we feel pretty comfortable about the $80 million to $90 million in contingent revenue for the year. And there'll be some quarters that are more than others, but not anything close to the lumpiness we hope that we saw last year.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Great. And then just a very last one. I think you'd given sort of general parameters on what you think healthcare could grow over the long term. Any thoughts about that now? And are we seeing an uptick? I know that the pipelines have been historically high, but if you can give us any sort of larger color on the demand trends and sort of what you think the long-term growth rate is, because obviously now it's being skewed a little bit by the comparatives at the beginning of last year?

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Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Yes. I think we feel pretty comfortable still in the upper single digits. There's a lot -- I'll just say there's a lot of activity in the market right now, and to say that there is a great deal of uncertainty among our clients is a significant understatement. And so we're doing the best we can to continue to respond to what's going on in the market, but we're seeing a level of interest that's very strong and we're doing our best to continue to try to meet it. So I think we're going to stick with our upper -- mid to upper single -- probably upper single digit growth rate for Healthcare and do our best to try to beat that over time.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Okay. Thank you.

Operator

And you have a follow-up from the line of Bill Sutherland with Northland Capital. Please go ahead.

Bill Sutherland - *Northland Capital Partnters - Analyst*

Thanks. Mark, I'm just looking again at the past year's first quarters for Legal Consulting where you -- as Jim said, you get off to a slow start typically. And utilizations weren't too differently -- weren't too different in those past first quarters than the one you've just finished -- in the mid-50s. This time it was 52. And -- so I'm trying to -- but the segment margin is so much lower than those other slow starts. So I'm trying -- just trying to get a fix on that. And one -- I guess one thing I'm wondering about is were there additional marketing costs relating to Integrated Analytics, for instance, or -- I'm just looking for maybe what other cost burdens there might be.

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Bill, you're right on. With the revenue flat, obviously the operating income margins are quite a bit different. What you're seeing is that we -- in the last year -- and particularly in the last -- beginning kind of in the second half of the year -- started really building out our global sales organization, so there's some part of that that is -- it's not marketing related to Integrated Analytics as much as it is taking a practice that we're trying to grow over time and there's some -- you're seeing the investment dollars coming in that did not necessarily produce the top line just because of the timing of the engagements in the quarter. And then there's just some ongoing investment around some of the technology expenses that we have around not only just the processing and volumes that we have and -- but some investment for the future as well. So that's really more of a mix and timing issue. Over time, we do believe that going to an operating income margin of around 25% is a good target level for us based on where the state of the business is right now.

Bill Sutherland - *Northland Capital Partnters - Analyst*

And did you give a sense of the split in the revenue in the first quarter between the advisory and e-discovery?

Mark Hussey - *Huron Consulting Group Inc. - Executive Vice President and Chief Financial Officer*

Yes. The -- they were -- discovery actually, despite having a soft quarter, was still higher than a year ago within the segment. And advisory was down just slightly.

Bill Sutherland - *Northland Capital Partnters - Analyst*

Okay. Thanks again, guys.

Operator

Mr. Roth, we've concluded the amount of time for this call so I'd like to turn the call back over to you for any closing remarks.

Jim Roth - *Huron Consulting Group Inc. - Chief Executive Officer and President*

Thank you. And thanks for spending time with us this afternoon. We'll look forward to speaking with you again in July when we announce our second-quarter results. Have a good evening.

Operator

That will conclude today's conference call. Thank you, everyone, for your participation.