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# EDITED TRANSCRIPT

HURN.OQ - Q1 2026 Huron Consulting Group Inc Earnings Call

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## PRESENTATION

### Operator

Good afternoon and welcome to the Huron Consulting Group's webcast to discuss the financial results for the first quarter of 2026.

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

Before we begin, I would like to point all of you to the disclosure at the end of the company's news release for information about 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 on Huron's website for all of the disclosures required by the SEC, including reconciliation to the most comparable GAAP numbers.

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

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

Good afternoon and welcome to Huron Consulting Group's first-quarter 2026 earnings call.

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

I'll begin by noting that the execution of our growth strategy continues to deliver performance consistent with the financial goals outlined in the 2025 Investor Day.

Revenues before reimbursable expenses, or RBR, increased 12% in the first quarter of 2026 compared to the first quarter of 2025, driven by growth across the Healthcare, Education, and Commercial segments, including record RBR performance in Healthcare.

During the quarter, we also continued our trajectory of margin expansion, reflecting disciplined execution by our highly talented team.

Encouraged by the strong start of the year; and strength of our pipeline and backlog, we're affirming our annual RBR and margin guidance. We continue to believe we are well-positioned to serve as our clients' trusted advisor, as they evolve their business models and organizations to succeed in challenging markets and an increasingly complex AI-enabled world.

We remain focused on executing against the market tailwinds driving demand for our business and further strengthening our competitive position to enhance our ability to best serve our clients and achieve our financial goals.

I'll now share some additional insight into our first-quarter performance:

In the Healthcare segment, first-quarter RBR grew 14% over the prior-year quarter, reflecting strong demand for our performance improvement, revenue cycle managed services, financial advisory, and strategy offerings, as well as incremental RBR growth in the integration of our acquisitions.

Excluding the impact of the acquisitions, organic growth for the Healthcare segment was 10% in Q1 2026, as compared to Q1 2025.

As we discussed in prior earnings calls, healthcare providers are operating amidst a convergence of competitive and regulatory pressures that continue to impact financial performance and drive the need to redesign care delivery models.

Finding reimbursements, rising operational costs, and labor shortages are intensifying the need for stronger cash flow, cost optimization, and greater operational flexibility.

Health systems are facing a period of rapid transformation, driven by advancements in technologies. Developing and executing an AI strategy amidst the rapid pace of change has become an increasingly important issue for the growing number of our clients.

Providers are increasingly seeking trusted partners with the industry expertise that can help them integrate technology, workforce, and operating model changes into cohesive, executable strategies that deliver near-term financial benefit, while positioning their organizations for sustainable growth, improved margins, and long-term competitive advantage.

We see significant opportunities for evaluating and integrating a broad and growing number of applications and use cases for AI and digital tools, plus clinical, administrative, and financial workflows in our clients' complex operating environments.

Our ability to help clients address enduring and new challenges and opportunities is at the heart of the growth strategy for our Healthcare business.

As we rapidly expand and integrate our AI capabilities across our Healthcare offerings, we believe our distinctive operational and technology expertise, along with innovative new solutions and partnerships, position us well to continue our growth trajectory.

Turning next to the Education segment, in the first quarter of 2026, Education segment RBR grew 4% compared to the first quarter of 2025, driven by strong demand for our digital offerings.

Higher-education institutions are experiencing uneven demand on domestic students and a significant decline in international students. Amidst that backdrop, institutions are contending with rising operating costs, funding declines, high regulatory scrutiny, and further erosion of public confidence in the value of a traditional four-year degree.

These dynamics are forcing higher-education leaders to confront fundamental questions about scale, academic portfolio mix, cost structure, and long-term financial sustainability.

We believe our strong market position in higher education provides us the opportunity to serve as an experienced partner that can help our clients move beyond incremental actions for a more integrated strategic transformation.

Universities are prioritizing solutions that deliver near-term financial improvement, while modernizing operating models for administrative workflows and academic offerings. To accomplish this, our clients are building the enabling infrastructure to improve efficiency, decision-making, and the student experience, while increasingly leveraging AI.

We believe our strong client relationships, industry expertise, AI capabilities, and comprehensive portfolio of offerings have positioned us to continue to serve as a partner of choice for our clients to address these ongoing challenges.

In the Commercial segment, first-quarter RBR grew 22% over the prior year quarter, reflecting strong demand for our financial advisory and strategy offerings. The increase in RBR in the quarter also included incremental RBR from our acquisitions of Treliant and Wilson Perumal, excluding the impact of acquisitions of (inaudible) in Q1 2026 to 8% organically for the first quarter of 2025.

Commercial industries are navigating heightened complexity, driven by persistent cost inflation; global supply-chain realignment; geopolitical and regulatory uncertainty; and continuously evolving customer and employee expectations.

At the same time, companies are accelerating the adoption of AI-enabled, data-driven operating models to improve agility, productivity, and decision-making. These forces are driving the van for comprehensive solutions that integrate strategy and operations; finance advisory; and digital and data transformation.

We continue to invest in expanding our offerings to address the rapidly changing needs of our global client base. Those investments have delivered more durable growth in our Commercial business in recent quarters.

We'll continue to deepen our industry expertise and expand our ability to deliver differentiated end-to-end solutions to enhance our competitive advantage and best address the growing needs of our clients.

Through the first quarter, our views on AI and its potential impact on Huron remain bullish, as we believe it will be a significant contributor to future growth, margin expansion, and shareholder value.

Multiple third-party research providers forecast that the AI services market will grow into double-digits over the next several years. We believe we're well-positioned to help our clients plan and execute their AI strategies; and take advantage of this rapidly growing market opportunity.

We have substantially increased our investment in AI capabilities and will continue to deploy them throughout our offerings and operations, building upon our industry and functional knowledge.

Beyond AI, the fundamental market tailwinds propelling growth in our business remain to create opportunities across all three operating segments. We believe our ability to bring together our strategy, operations, technology, and people-related offerings redesign core business functions and processes; while integrating advanced technologies will continue to position us for long-term growth.

Now, let me turn to our outlook for the year: Today, we are affirming our 2026 guidance for RBR, adjusted EBITDA margin, and adjusted diluted earnings per share.

(inaudible) their strong first-quarter results, I'm increasingly encouraged about our prospects for the year. We remain committed to driving long-term shareholder value, continued execution of our growth strategy, which has delivered consistent RBR growth and margin expansion since 2022.

Our disciplined capital allocation strategy has funded both programmatic M&A; and since December 31, 2022, the repurchase of 5 million shares or 25% of our common stock outstanding.

We believe there is significantly more value to be unlocked by our strategy, particularly as we leverage our collaborative entrepreneurial culture to compete and win in today's rapidly evolving technological and competitive landscape.

In summary, we believe our strong competitive positions in Healthcare and Education enable us to leverage our expertise in a powerful portfolio of consulting, energy services, and digital capabilities.

We also believe our size and scale in Commercial markets enables us to be nimble and aggressive, with an integrated operating model that amplifies our impact across our consulting, digital, and managed services capabilities.

Given by the velocity of change and complexity facing our clients, we are well positioned to continue to execute upon our growth strategy and achieve our stated financial goals for low double-digit revenue growth, margin expansion, and disciplined deployment of our strong free cash flow.

None of this would be possible without our strong, collaborative culture. Our innovative and dedicated team continue to be the heart and soul of our company.

With that, let me now turn it over to John for a more detailed discussion of our financial results. John?

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

Thank you, Mark. Good afternoon, everyone.

Before I begin, please note that I will be discussing non-GAAP financial measures, such as EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS, and free cash flow.

Our press release, 10-Q, and Investor Relations page on the Huron website have reconciliations of these non-GAAP measures to the most comparable GAAP measures; along with the discussion of why management uses these non-GAAP measures, why management believes they provide useful information to investors regarding our financial condition and operating results.

Now, I'll share some of the key financial results for the first quarter of 2026:

First quarter of 2026 produced RBR of \$443.7 million, up 12.1% from \$395.7 million in the same quarter of 2025, driven by growth across all three operating segments.

Net income for the first quarter of 2026 was \$23.2 million or \$1.34 per diluted share compared to net income of \$24.5 million or \$1.33 per diluted share in the first quarter of 2025. As a percentage of total revenues, net income declined to 5.1% in the first quarter of 2026 compared to 6.1% in the first quarter of 2025, reflecting a higher effective tax rate during the first quarter of 2026.

Our effective income tax rate in the first quarter of 2026 was 14.1%, which is more favorable than the statutory rate, inclusive of state income taxes, primarily due to a discrete tax benefit for share-based compensation awards that vested during the quarter, partially offset by certain non-deductible expense items.

Our effective income tax rate in the first quarter of 2025 was negative 14.4%, as we recognized the income tax benefit on our pre-tax income, driven by the discrete tax benefits for share-based compensation awards that vested during the quarter.

The increase in effective tax rate during the first quarter of 2026 was anticipated in the 2026 guidance that we provided in February. Our expectation for a full-year effective tax rate between 28% and 30% remains unchanged.

Adjusted EBITDA was \$50.6 million in Q1 2026 or 11.4% of RBR compared to \$41.5 million in Q1 2025 or 10.5% of RBR. The increase in adjusted EBITDA was primarily attributable to the increase in segment operating income for all three segments, excluding segment depreciation and amortization and segment restructuring charges, partially offset by an increase in certain unallocated corporate expenses.

Adjusted net income was \$30 million or \$1.73 per diluted share in the first quarter of 2026 compared to \$31.1 million or \$1.68 per diluted share in the first quarter of 2025.

Now, let's discuss the performance of each of our operating segments:

The Healthcare segment generated 51% of total company RBR during the first quarter of 2026. This segment posted a record RBR of \$225.2 million, up \$26.7 million or 13.5% in the first quarter of 2025. The increase in RBR in the quarter was driven by strong demand for our performance improvement, revenue cycle managed services, financial advisory, and strategy offerings.

RBR in the first quarter of 2026 included \$7.3 million of incremental RBR from our acquisitions of Eclipse Insights, the consulting services division of Axiom Systems.

Operating income margin for the Healthcare segment was flat at 28.4% in both Q1 2026 and Q1 2025.

The Education segment generated 29% of the total company RBR during the first quarter of 2026. Education segment RBR in the first quarter of 2026 was \$127.5 million, up \$4.7 million or 3.8% from the first quarter of 2025.

RBR in the first quarter of 2026 included an inorganic RBR contribution of \$600,000 from acquisitions that closed in the first quarter of 2025.

The operating income margin for Education was 21.6% for Q1 2026 compared to 18.8% for the same quarter in 2025. The increase in operating income margin in the quarter was primarily driven by decreases in compensation costs for our revenue-generating professionals, practice, administration, and meeting expenses.

The Commercial segment generated 20% of total company RBR during the first quarter of 2026 and grew 22.3% over the prior-year period, posting RBR of \$91 million for Q1 2026 compared to \$74.5 million in the first quarter of 2025.

The increase in RBR in the first quarter of 2026 was driven by increased demand for our financial advisory and strategy offerings and included \$11 million of incremental RBR from our acquisitions of Trelia and Wilson Perumal.

Operating income margin for the Commercial segment was 16.4% for Q1 in 2026 compared to 15.2% for the same quarter in 2025.

The increase in operating income margin in the quarter was primarily driven by decreases in contractor expenses and salaries and related expenses for (inaudible) work personnel, as well as revenue growth that outpaced the increase in performance bonus expense for our revenue-generating professionals, partially offset by an increase in salaries and related expenses for our revenue-generating professionals as a percentage of RBR.

Corporate expenses not allocated at the segment level and excluding restructuring charges were \$60 million in Q1 2026 compared to \$52.4 million in Q1 2025.

Unallocated corporate expenses in the first quarter of 2026 and 2025 included income of \$1.2 million and \$900,000, respectively, related to changes in the liability of our deferred compensation plan, which is offset by the change in fair value of the investment assets used to fund that plan reflected in other expense.

Excluding the impact of the deferred compensation plan in both periods, unallocated corporate expenses increased \$7.9 million, primarily due to increases in compensation costs for our support personnel, software, and data hosting expenses.

The increase in compensation costs for our support personnel includes approximately \$2 million of cost that have been reclassified from our operating segments in 2026, reflective of the shift to centralized support for certain sales and operations functions.

Now, turning to the balance sheet and cash flows:

Cash flows used in operations in the first quarter of 2026 was \$162.2 million, reflecting our annual incentive payments during the quarter. Cash flow used in operations during the first quarter of 2025 was \$106.8 million.

During the first quarter of 2026, we used \$11.9 million to invest in capital expenditures, inclusive of internally developed software costs, resulting in negative free cash flow of \$174 million.

We continue to expect full-year free cash flow to be in a range of positive \$180 million to \$220 million (inaudible) cash taxes and interest, excluding non-cash stock compensation.

DSO came in at 82 days for the first quarter of 2026 compared to 79 days for the first quarter of 2025 and 73 days for the fourth quarter of 2025.

The increase in DSO during the first quarter, when compared to both periods, reflects the impact of certain larger Healthcare projects that include performance-based fee elements that we expect to bill and collect in the second-half of 2026 in accordance with the contractual payment terms.

During the first quarter of 2026, we used \$155.5 million to repurchase approximately 1.1 million shares, representing 6.5% of our outstanding shares, as of the beginning of the year.

Total debt, as of March 31, 2026, was \$856 million, consisting entirely of our senior bank debt. We finished the quarter with cash of \$26.5 million for net debt of \$829.5 million. This was a \$343 million increase in net debt compared to Q4 2025, primarily due to our annual cash bonus payments and share repurchases during the quarter.

Our leverage ratio is defined in our senior bank agreement as 3.1 times adjusted EBITDA, as of March 31, 2026, compared to 2.2 times adjusted EBITDA, as of March 31, 2025.

As a reminder, our first quarter typically represents a seasonal high leverage ratio, given the payout of our annual bonuses in March.

We remain committed to achieving a leverage ratio between 2 times and 2.5 times by the end of 2026, in alignment with the capital allocation strategy outlined at our most recent Investor Day.

We accelerated our share repurchases during the first quarter, reflective of the decline in our share price during the quarter. I believe that the reduction in share base, combined with the earnings growth objectives discussed at our 2025 Investor Day, positioned us well to achieve continued compounding adjusted diluted earnings per share growth in the future.

Now, let me turn to our expectations and guidance for 2026:

As Mark mentioned, today, we affirm our annual RBR, margin, and adjusted EPS guidance, which includes RBR in a range of \$1.78 billion to \$1.86 billion, adjusted EBITDA in a range of 14.5% to 15% of RBR; and adjusted non-GAAP EPS in a range of \$8.35 to \$9.15.

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

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## QUESTIONS AND ANSWERS

### Operator

Thank you. (Operator Instructions)

Andrew Nicholas, William Blair.

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### Andrew Nicholas - William Blair Capital Partners - Analyst

Hi. Good afternoon. Appreciate you taking my questions.

Mark, you hinted at it a few times in the prepared remarks but I was hoping you could start by just talking about pipeline development throughout the quarter; where bookings sit. I think, last quarter, you gave some really helpful disclosures on bookings, in particular.

Any update there; and maybe how you're feeling about that pipeline, relative to a couple of months ago?

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

Yeah. Andrew, this is John. I can jump in with that.

In the trailing six-month period -- so the period now ending March 31, 2026 -- bookings were up greater than 20% across all three of the segments.

Backlog -- after we booked the sales and, now, we look at our backlog to cover the remaining revenue guides for the remainder of the year and beyond -- that remains at historically high coverage ratios across all three segments.

And then, from a pipeline perspective, all three segments are up, as of April, versus where they were, as of December 31. They remain at near-record levels, even after giving it back to the bookings the, backlog, that we've talked about.

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### Andrew Nicholas - William Blair Capital Partners - Analyst

Awesome. Thank you.

I don't think that the Q's out yet, so I was just hoping you could maybe provide some segment-level color on growth by capability; in particular, just interested how digital trended within Healthcare and Commercial; in particular, it looks like utilization is a little bit lower this quarter, relative to a year ago.

Any color at the segment level by capability would be helpful.

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

Yeah. Sure thing, Andrew.

From a Healthcare perspective, consulting was up 13% during the quarter. Managed services was up 42%. Digital was down 7% during the quarter.

That really reflects just some of the dynamics that we talked about throughout the year last year, where a lot of the demand we're seeing, right now, (inaudible) attached to performance improvement engagements, as well as our managed services offerings. The clients grapple with some of the financial strain that they're seeing within their environment.

From an Education-segment perspective, consulting was down, slightly. Digital, within that segment, was up 10%. Demand services was up in the mid-single-digit percent range.

There, I think we continue to see really good demand across all three of the capabilities within the Education segment, which gives us continued encouragement about progressively increasing growth there, as the year goes on or, at least, in the next quarter.

Digital remains an area where we just see a lot of investment from our clients, right now, as they invest in some of the foundational tools that they need to drive operating efficiencies within the business.

And then, within the consulting segment -- I'm sorry, the Commercial segment, consulting was up approximately 50% during the quarter. That does include inorganic contributions from Wilson Perumal and Treliant during the quarter.

The digital part of the business was down in the mid-single-digit percent range.

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**Andrew Nicholas** - *William Blair Capital Partners - Analyst*

That's helpful. And then, if I could just ask one more question on Commercial, I'm curious -- you said that bookings are up 20%-plus across all the segments; high coverage ratio; strong pipelines.

Did you see any change to demand within Commercial, as the quarter progressed? I know it's a small part of your overall mix, but I know you have some energy and utilities business. I'm wondering if geopolitical conflict had any impact on that; or conversations, broadly.

Thanks, again.

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

Andrew, we didn't see any mix, really, by industry within the Commercial segment so we didn't really see any change to demand for our energy and utilities.

I would say demand remained strong for our digital capability within Commercial. There was just a little bit of timing during the quarter where we had a couple of our larger projects wound down towards the first part of the first quarter.

Couple of the replacement projects that we sold during the quarter started a little later out of the gate that we initially anticipated.

Our expectation is that digital, more broadly, for the year will get back into the mid- to upper-single-digit growth range starting next quarter.

And then, we also expect that to be a pivot to growth range within the Commercial segment next quarter, as well.

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**Operator**

Tobey Sommer, Truist.

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

Thank you.

I was wondering if you could talk about the pace of headcount growth year over year and sequentially. What's driving that, where you're maybe still catching up on staffing, based on the demand you're seeing?

If you could comment on domestic versus international, that'd be helpful.

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

Sure, Tobey. I can jump in with the headcount increases.

I think in that (inaudible) -- you see a, year over year, larger percent increase in the Healthcare business. (inaudible) -- exclude managed services, which is really just reflective of a lot of the hiring we did in the back half of last year to support the growth that we're seeing.

I would expect that to normalize, as the year goes on. As we get towards the back half of the year, it starts to pick up in the comparatives. The hiring that we did last year, I'd expect that to normalize.

From an education-industry perspective, it's actually pretty steady, if not down a little bit, which reflects what we talked about previously with utilization being lower last year than what our target was and the expectation being that, as we ramp back up into growth this year, that you're going to see that coming, first, in the form of stronger utilization.

You see relatively conservative growth, from an education-industry perspective.

And then, from a Commercial perspective, you do see the impact of the acquisitions that we did year over year within Commercial.

And then, other -- beyond that, I would describe that count as pretty much as steady with the pace of organic growth that we see.

In terms of -- by geography, the majority of the global headcount adds that we've seen have been in the managed services part of the business. When you look at the Healthcare managed services adds during the quarter, you're going to see that's primarily coming from our global community.

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

And then, as you look at your business -- you do us the favor of describing it in a matrix way across functional area and then, industry

Where do you see the company lagging or exceeding what you understand to be market rates of growth?

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

Tobey, I think, maybe, starting with Healthcare, I think we continue to see a -- I think we characterize it as very strong in the prior call. It's still very strong. It's probably not quite exactly the same level as strong as (inaudible) -- describing for us, when you look at our long-term growth outlook that we described in terms of the percentages.

We're seeing consistent opportunities with that. That's what we would call the secular tailwinds driving demand in our businesses.

I think Education -- that, in single digit, continues to be consistent, as well.

I think Commercial is a mix of industries and capabilities so it's a little bit harder to distill that down to like, a very tight description.

But I'd say, when you look at it, in the areas of the business that we have, we look at competitors and their ability to (inaudible) -- whether it's, like, in our restructuring business -- if we're doing at-market rates, maybe even a little bit better, as an example, with the acquisition of Wilson Perumal coming in and some of the growth that we've seen there, probably at or perhaps above some of the market growth rates that we've seen.

I think, as John said, in digital, we see a little bit of timing issues around what we're looking at. But we'd say we're probably consistent with what the broader market would be looking at in additional areas in Commercial.

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

After a quarter with pretty large repurchase, could you update us on where you think you'd end the year, from a leverage perspective, and what the mix of your capital deployment -- what mix we should expect?

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

Yeah. We remain committed to a [low-2s] leverage ratio at the end of the year. That's not really a change from our objectives.

We did accelerate a lot of the buybacks in our plan towards the first quarter, reflective of the stock price decline that we saw during the quarter.

I wouldn't say that we'll be done with repurchases. I think that you will see us pace a little bit slower through the remainder of the year; just being mindful of our perspective that we want to get back to low-2s, from a leverage perspective.

The other lever, obviously, where we deploy capital is strategic tuck-in M&A. We talked last call about how we're still active in terms of reviewing M&A possibilities.

I think you will see some M&A. I think it will be a slower pace than what we saw last year, primarily just driven by the opportunity that we've seen with our own stock at the start of the year; and the desire that we've had to go and buy back as many shares as we can during the first quarter at the current valuation.

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

(inaudible) -- I would just add, there's greater scrutiny around valuations in the current market -- are perhaps under a lot more, just, rigor to understand those.

I think, as John said, the pace would be a little bit slower than last year. But, I would say, if you look at the full year, we have described in the past an M&A contribution to a growth rate of 2% to 4%; probably a little bit closer to the lower end of that range but certainly consistent with what we described to our investors back in 2025.

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

Thank you very much.

**Operator**

Bill Sutherland, Benchmark.

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**Bill Sutherland** - *Benchmark Company LLC - Analyst*

Thank you. Hey. Good evening, everybody.

John, you did not update the full-year expectations for segments. I assume that means we can just use that slide from your last call; your year end?

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

That's right, Bill. No movement, based on first-quarter results, versus the guidance that we put out there.

I do want to still take a second to give one correction to question that Andrew had asked earlier. As it relates to consulting within the Commercial segment, the 50% (inaudible) growth, that's actually organic.

That's so -- I said that includes Wilson Perumal and Treliant. Wilson Perumal and Treliant are on top of that.

I just wanted to offer that one quick correction.

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**Bill Sutherland** - *Benchmark Company LLC - Analyst*

That's good to know. I haven't gone through the restated headcount for the -- just moving the responsibilities around.

But it looks like -- are you -- it seemed to me that you had gotten ahead of the curve, as far as hiring in Healthcare, into the first part of this year. Was that the case? Or, with the reshuffling, is there more of a steady state, as far as the adds to headcount that we should expect there?

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

I think -- you're right, though, that the reclass that I mentioned in my commentary, that's a very small item. I think the broader story with Healthcare is that we did do a significant amount of hiring, really, in the third and fourth quarter last year.

I think that was, really, two things, when I talk about that hiring -- part of it was catching up a little bit. Our utilization, quite frankly, in that part of the business was too high in the first half of last year. Some of that was keeping up with the demand that we saw last year.

And then, there was, of course, the component that was also getting us well positioned for the growth in that part of the business for next year.

We did a lot of that hiring in the back half of last year. I think that comes through in the metrics.

What I would expect is that, as the year goes on, you'll see more of a normalization of that [account] growth rate in Healthcare to be more in line with the revenue growth rate -- would be my expectation.

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**Bill Sutherland** - *Benchmark Company LLC - Analyst*

Okay. In the Education segment -- I know it's a little more challenging, from a sales motion perspective, just given the lack of centralization of some of the decision-making.

But is there a general sense that you're getting that they are getting more inclined to take on whatever engagements they certainly could benefit from? Or it just feels like there's a lot of hesitation or more than, I would expect, given all the wood-chop that they've got?

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

Bill, it's always interesting in higher ed. If you went back a year ago, we would have expected, perhaps, maybe more short-term decision-making thinking. It really didn't occur that way. It just really continues to be a fairly steady drumbeat of thinking about their universities' positioning, with a little bit of a longer-term basis.

Candidly, I've come to expect that in higher ed because, when we've had institutions that have been around a few hundred years, they don't really think in the short-term. They think continuing that (inaudible) things will be the same.

But we do see just various pockets where, again, the bigger projects that we thought perhaps might have gone away continue to be in the mix of what we're doing. And so I don't know that there's anything to include, other than it's business as usual in higher ed, as we see it, right now.

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

Mark, I might just add: If you were to go back, Bill, to a year ago at this time, with just some of the evolving regulatory landscape, while a lot of the strain within the industry was good for our longer-term demand, it did create some disruption in a lot of our clients last year.

It wasn't the same in every client. But, in some clients, there was some fairly significant disruption.

And so I think, in terms of the buying environment, where we were a year ago with that disruption, versus now, this year, in terms of -- look, it's still an uncertain environment but I think a lot of our clients, at this point, are focused on getting on with their agendas and making investments in the areas that they knew (inaudible) -- if they need to to pursue those strategic agendas.

I think it's a stronger buying environment. It's the feeling that we have this year within the Education segment than we felt (inaudible) really 12 months ago.

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**Bill Sutherland** - *Benchmark Company LLC - Analyst*

Good. And then, last one: John, you mentioned a couple of larger Healthcare projects where the DSO was stretching a little bit.

I'm trying to ask: Is there a larger engagement trend going on in Healthcare? Or were those just -- that they occurred but there is no trend there?

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

I would say not a change in trend this year versus last year. Though, I think we did see a trend last year in terms of sales. We're still executing on those projects, of course, now towards some larger projects.

To be clear: We're still selling some larger projects this year. I just wouldn't necessarily describe it as an even further increasing trend in 2026 versus 2025.

But whether it's some of the larger projects that we sold last year or ones this year, oftentimes, within Healthcare, when you do have some of those larger projects that have performance-based fee elements, that does require some DSO investment, as you go through the initial phases of those projects, before you get the milestones compliant.

We're just in that phase on some of those projects, whether there were sold last year, this year, where we expect to get to. the point we're able to bill and collect on achievement of some of those milestones in the back half of 2026.

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**Bill Sutherland** - *Benchmark Company LLC - Analyst*

Yeah. I was actually -- I understand the cash issue. But I was actually thinking maybe the -- just efficiency of extended projects you might be benefiting from in terms of your utilization and margins versus (multiple speakers) --?

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

You're right. Yeah. Those type of projects do provide great opportunities to get significant portions of our teams engaged on those projects for a longer duration, which is good from utilization expected within the segment.

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**Bill Sutherland** - *Benchmark Company LLC - Analyst*

Yeah. Great. Appreciate it, guys. Thank you.

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**Operator**

Kevin Steinke, Barrington Research Associates.

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**Kevin Steinke** - *Barrington Research Associates Inc - Analyst*

Great. Thank you. Most of my questions have been asked.

But I wanted to follow-up on a comment you made about you remaining bullish on AI being a growth driver for your business. You mentioned the AI services market, expected to grow double digits.

Just wondering if you feel like you have the capabilities in the house to address that market opportunity or if there could be acquisition activity in that area. I don't even know how developed the market is, from an AI services perspective, to actually be able to make acquisitions there.

But just any comments on that, I'd appreciate.

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

Sure thing, Kevin.

We have been pretty successful at organically investing in this area. We have a Chief AI Officer who has been just really helpful for us to basically elevate our game across each of our businesses and continue to deploy not only in the client-facing side but also our enterprise functions increasingly, as well as our delivery methodologies.

And so our ability to realize the opportunity in the market is something that we're confident in, actually. We feel like we've hired the right people. We have not had a problem attracting talent.

From an M&A standpoint, for the reasons that you perhaps described, I think valuations are probably going to be pretty huge. I'm not sure that that would be, perhaps, best use of our capital (inaudible) -- that we can do these things organically.

But, let's just be clear: We think that there's more investments to be made. But that's largely built into the model that we've created.

Finally, the partnerships that we also have announced is an example, like with Hippocratic AI and other firms that can help us accelerate impact, as well.

It's actually an area that, like, I say, we -- I think bullish is the right word to characterize it. We see a lot more opportunity, recognizing that there's going to be risk and transformation in everything. But we're quite excited about it.

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

Maybe, Mark, I would just add on: I think that that, maybe, is a little bit underappreciated.

Part of our business, when you look at it, is, even going back several years now before a lot of the evolution of the AI tools, about 40% of our revenue comes from our technology business; from our digital business.

We have, natively within our employee base, significant amount of talent with skills, from a digital perspective, using many of the platforms where AI is now being infused and where our clients are looking to get some of the at-scale benefits from.

That doesn't mean that we don't need to add continued additional talent with new skill sets or new AI capabilities. But the base of our employees, to start, really, were strong in terms of their digital capabilities.

It's something we talked about, last call. If you look at the objectives that we're delivering for our clients, in terms of outcomes, we're also very strong in that area.

A lot of what our clients hope to get isn't AI just for the sake of AI, it's using AI to achieve outcomes off of financial outcomes. Within the industries that we serve, we've got really deep expertise in terms of how to drive those types of outcomes.

You take those two things together, continue to add talent with the AI capabilities, and we feel like we're just really well positioned to serve our clients in those core areas.

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**Kevin Steinke** - Barrington Research Associates Inc - Analyst

Okay. Thank you. That's helpful commentary. I appreciate it.

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**Operator**

Thank you.

Seeing no more questions in the queue, I'd like to turn the call back to Mr. Hussey.

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

Thanks for spending time with us this afternoon.

We look forward to speaking with you again in July, when we announce our second-quarter results.

Good evening.

**Operator**

That concludes today's conference call.

Thank you, everyone, for your participation.

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