Good afternoon, ladies and gentlemen, and welcome to the Huron Consulting group’s webcast to discuss the financial results for the first quarter, 2015.

As a reminder, this conference call is being recorded.

Before we begin, I would like to 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 web site. Please review that information, along with the filings with the SEC, for a disclosure of the 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 Huron’s web site for all the disclosures filed by the SEC, including reconciliation to the most comparable numbers.

And now, I'd like to turn the call over to Jim Roth, Chief Executive Officer and President of Huron’s consulting group. Mr. Roth, please go ahead.

Jim Roth - Huron Consulting Group Inc. - CEO & President

Good afternoon, and welcome to Huron Consulting Group’s first quarter 2015 earnings call. With me today is Mark Hussey, our Chief Operating Officer and Chief Financial Officer.

While lower than the prior year results, we believe our first quarter performance is consistent with the path needed to achieve our full year guidance. As indicated when we announced our full year results at the end of February, we expected softness in our Q1 performance, primarily related to the lingering weakness in our legal segment. We also experienced and anticipated lower revenues in our healthcare segment, as we transition between some engagements and prepare for new projects to begin.

Our education and life sciences and business advisory segments got off to a strong start to the year, and as I will describe in a few minutes, our second quarter is off to a stronger start across all segments.
In addition to the anticipated slower start to the year, there were several other factors that caused some noise in our first quarter results. Including an increase in expenses associated with our recent acquisitions of Sky Analytics and Studer Group, and restructuring charges associated with work force reductions, primarily in Huron Legal. We also incurred bonus expense that is in line with the midpoint of our annual guidance, and that bonus accrual anticipates stronger performance during the remainder of the year.

Mark will provide more details on the financials, but as you’ve heard me say before, we manage our business to an annual plan, and quarterly revenues and earnings tell only part of that story. In 2014, we had a front end loaded year and guided toward a softer second half. In 2015, we expect a more back end loaded year, which is reflected in our annual guidance.

We believe our Q1 performance is consistent with the results we need to meet our annual revenue and earnings guidance, which we are affirming this quarter.

Let me provide some color on each of our segments and our thoughts on the remainder of the year, before turning it over to Mark.

I’ll begin with healthcare. As stated during our last earnings call, we anticipate a more back end loaded year in healthcare, as we prepare for some additional larger engagements that we expect to begin in the coming quarters.

During this transition, we experienced some anticipated softness in the first quarter, reflected in the segment’s utilization rate of 72.5%. We believe that our utilization will strengthen in the coming quarters, and will result in a full year average closer to that which we experienced in healthcare in 2014.

Our recent acquisition, Studer Group, is off to a great start. Studer group has provided us with new competencies in areas that are strategic to our growth expectations for the health care practice, and equally important, Studer Group has enabled us to enhance our offerings in areas that are critical to our client’s efforts to improve their financial performance and quality of care objectives.

Turning to our legal segment, the softness of the fourth quarter continued into the beginning of Q1. However, we saw a significant increase in activity late in the first quarter, leading to a 14% improvement in revenue over a weak Q4 2014. This improvement was primarily driven by an increase in transactional work late in the quarter, that had been largely absent since the third quarter of 2014.

As we have previously discussed the ebb and flow of this segment's performance is indicative of the volatility expected in a largely transactional business, and can shift dramatically due to unpredictable events, such as M&A related second request activity. An increase in revenue in the back half of Q1 demonstrates the way that revenues in this business can accelerate quickly during peaks of transactional activity.

Our education and life sciences segment had its best revenue quarter ever. The strong performance during the quarter was due to significant contributions across the solutions in both the education and the life sciences practices. As we stated last year, the softness in the segment in late 2013 and early 2014 was attributable to transitions that we had to make to accommodate a rapidly changes market environment, particularly in the education practice.

We were successful in making those changes last year and the results are clearly reflected in our first quarter results. The first quarter saw strength across all of our service lines in education, and the rapid pace of change across the higher education landscape, combined with increasingly competitive academic and research environments, is creating demand that we believe will continue to grow for the foreseeable future. Our Workday investment is going as anticipated, and we continue to prepare for rapid growth in 2016.

The strong demand in the last half of 2014 for our life sciences practice continued into the first quarter of 2015. We saw a large increase in new engagements, and strong utilization across the practice during the quarter. Demand for our services remained strong, as our clients seek our deep knowledge and expertise to help them analyze areas of future growth in a dynamic life sciences market.

Turning to our business advisory segment, both the legacy business advisement practice and the enterprise performance management and analytics practice started the year with strong performance. Our legacy business practice achieved strong utilization, driven by solid demand for our traditional
Restructuring and financial advisory services. Our enterprise performance management and analytic practice performed well and continued to build momentum through the first quarter.

I’ll now spend a few minutes talking about the rest of the year. As I mentioned earlier, we fully anticipated a slower start to 2015, largely due to the back end loaded nature of our health care segment, and the weakness in our legal segment that lingered into the first quarter. Even with this softness, today we reaffirm our revenue and earnings guidance, including performance based revenue, and I’d like to provide you with some more color on the outlook for each of our businesses.

Our healthcare practice is well positioned to address the complexities and competitive challenges that our hospital clients are facing. The drivers of our business this year continue to be the need to reduce costs and achieve improved quality in patient satisfaction levels. Coupled with a slow but steady evolution into population health management, our clients have their hands full trying to achieve acceptable cost and quality performance in a consolidating, competitive, and evolving market.

This array of factors is what drives our business, and we are confident that our health care practice will continue to grow at a mid to upper single digit pace well into the future. We expect utilization in our healthcare segment to increase as new projects come online, and we anticipate our full year utilization in this segment will average in the high 70’s.

There remain uncertainties over timing of projects and performance based fees. But we anticipate a pick up in revenue, utilization, and margin in this practice as the year progresses.

For Huron Legal, when we announced our annual guidance in February, we indicated a significant adjustment to how we view the baseline for growth of this business. This adjustment was due primarily to the ramp up of a number of large projects related to the credit crisis. As I’ve already mentioned, this business could be highly volatile and does not allow for much visibility.

Consistent with this, the volatility driven by the lack of transactional work in the fourth quarter of 2014 continued into the first half of Q1 2015. However, we saw a significant pickup in activity toward the end of the first quarter, which was primarily attributable to an increase in transactional work. Given the lack of visibility in this segment, it makes it difficult to extrapolate strong or weak results very far into the future. We take comfort that the market demand has picked up recently, particularly for M&A second related request activity.

In the education and life sciences segment, our education practice saw strong demand in the first quarter, and we anticipate the demand for all of our solutions in this practice to continue at a strong pace for the foreseeable future. Higher education continues to face substantial challenges and pressures, driven by uncertain funding streams, increased competition, dramatic changes in technology related to the delivery of curriculum, and a high degree of value scrutiny. I anticipate we will continue to see strong demand for our services, and the depth of our experienced teams positions us well to help our higher education clients through this challenging time.

Our life sciences clients remain challenged by pricing pressures and regulatory risk, as they look for new business models to drive top line results, improve their product pipelines, and deliver improved patient outcomes to diverse populations. The combination of our operations, compliance, and commercial strategy solutions has provided a broader footprint to help our clients mitigate these risks and support their corporate growth objectives. We expect solid performance to continue in this business, as our life sciences practice continues to build its presence in the US and abroad in order to best serve our clients and help them achieve their strategic and operational goals.

Finally, our legacy business advisory practice continues to see strong demand. Our clients face increasing financial and operational challenges, and our personnel have the expertise necessary to help our clients optimize their performance in order to maintain their positions in highly competitive markets. We are also seeing a shift with our enterprise performance management and analytics clients, as they move some of their technologies to the cloud. We are well positioned to serve our clients, whether on premise or in the cloud, and we expect to perform well in the market as our pipeline for the year builds.
Our presence in our markets, the depth and experience of our people, and our ability to deliver high quality of value added services to our clients remains strong, collectively giving us confidence in our future. Because of these factors and the underlying demand for our services, we are comfortable affirming our annual revenue and earnings guidance.

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

Mark Hussey - Huron Consulting Group Inc. - CFO & COO

Thank you, Jim, and 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, and adjusted EPS. Our press release, website, and 10Q 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.

Also, our acquisitions of Sky Analytics and Studer Group, which closed in January and February, respectively, are included in our first quarter financial results. Sky Analytics is included within our legal segment and Studer Group is included in our healthcare segment.

Now let me walk you through some of the key financial results for the quarter. Revenues for the first quarter of 2015 were $187.9 million. Down 10.9% from $210.7 million in the same quarter of 2014. Revenues for the first quarter of 2015 reflect our acquisitions of Vonlay, Threshold Consulting, Sky Analytics, and Studer Group, which in the aggregate generated $19.7 million of revenues, representing 10.5% of total revenue in Q1.

The year over year decline in revenue is primarily attributable to two factors. First, as we discussed on our last earnings call, we experienced a reduction in Huron Legal revenues due to the wind down of large credit crisis related projects, and decreased transactional work.

Second, in our healthcare segment, we recorded $17.6 million lower of performance based fees when compared to 2014, and we also experienced revenue softness during the first quarter, primarily related to project timing. As we previously discussed we anticipate Huron healthcare to have a more back end loaded year in 2015.

Operating income decreased $33.1 million, or 79%, to $8.8 million in Q1 2015 from $41.8 million in Q1 2014. Operating income margin was 4.7% in Q1 2015, compared to 19.8% in Q1 2014. The decrease in operating margin in Q1 2015 was primarily attributable to the lower revenue in the quarter, including the lower level of performance based fees, as well as an increase in salaries, bonuses, and related expenses as a percentage of revenues.

Selling general and administrative revenue expenses also increased as a percentage of revenues, and included $1.1 million of transaction related expenses. Depreciation and amortization increased $3.1 million, primarily driven by our recent acquisition of Studer Group. In Q1 2015, we incurred a restructuring charge of $1.6 million related to work force reductions in our legal and all other segments, as well as within our corporate groups.

Adjusted EBITDA was $20.4 million in Q1 2015, or 10.9% of revenues, compared to $49.1 million in Q1 of 2014, or 23.3% of revenues, due primarily to the reduction in operating income. Net income was $1.5 million or $0.07 per diluted share in the first quarter of 2015, compared to $34.1 million, or $1.48 per diluted share, in the same quarter last year. Adjusted non-GAAP net income was $6.5 million, or $0.29 per diluted share in the first quarter of 2015, compared to $25.5 million, or $1.10 per diluted share, in the same period of 2014.

Our effective income tax rate in the first quarter of 2015 was 58.8%, compared to 16% a year ago. Our effective tax rate for Q1 of this year was higher than the statutory rate, primarily due to losses in foreign jurisdictions with no tax benefits, and certain non-deductible expenses as a percentage of pretax income. The prior year tax rate reflected the benefit of our check-the-box election.

Now I'll make a few comments about the performance of each of our operating segments. The healthcare segment generated 53% of total company revenues during the first quarter of 2015. This segment posted revenues of $98 million for the first quarter of 2015, down $9.5 million, or 8.9%, from the first-quarter of 2014.
Revenues for the first quarter of 2015 including $7.7 million from our acquisition of Vonlay in May 2014, and $11.4 million from our acquisition of Studer Group, which closed in mid-February. Excluding Vonlay and Studer Group, revenue decreased 26.6% compared to the year ago quarter, primarily due to a reduction in performance based fees of $17.6 million versus the prior year quarter, and lower revenues generated in Q1 of 2015 primarily related to project timing.

As we expected, the healthcare segment had a slower start to the year as we transitioned between some engagements and prepared for new projects to begin. Utilization was 72.5% in the first quarter, but as Jim mentioned, we expect the full year utilization for this business to average in the high 70’s as resources are deployed on projects expected to ramp up in future quarters. Performance based fees in Q1 2015 were $13.5 million, compared to $31.1 million in the same quarter last year.

I’d like to also remind everyone that the timing of performance based fees can vary significantly. They are not driven by a seasonal pattern, but rather the mix of engagements at any point in time.

Operating income margin for Huron healthcare was 29.6% for Q1 2015, compared to 47.6% for the same quarter in 2014. The decrease in margin was primarily due to the lower level of performance based fees within the quarter. In addition, salaries and related expenses increased as a percentage of revenues due to the lower utilization, and finally, we began to record intangible assets amortization related to the Studer Group acquisition. Studer Group is off to a solid start, and they are on track to meet their full year revenue and EBITDA expectations.

Our legal segment generated 18% of total company revenues in the first quarter. The segment posted revenues of $33.4 million in Q1 2015, compared to $55 million in Q1 2014. As Jim mentioned, revenues in this segment improved over Q4 2014 by 14%, primarily due to an increase in revenue late in the quarter, driven by a pickup in transactional work.

The pipeline for this business suggests that Q2 sequential revenue may be 20% higher than in Q1. The operating income margin for Huron Legal was 10.7% in the first quarter of 2015, compared to 22.7% in the same quarter of 2014. The decline in margin was largely driven by the reduction in revenue, as well as the restructuring charge recorded in connection with the realignment of resources to support the new baseline.

The education and life sciences segment generated 21% of total company revenues during the first quarter of 2015. The segment posted revenues of $39.9 million in Q1 2015, an increase of 18.8% compared to revenues for Q1 2014 of $33.6 million. As Jim noted, the increase in revenue during the quarter was driven by strong demand in both the education and life sciences practices. As a reminder, the Frankel group acquisition was completed in early January 2014, and as such, the segment’s growth is entirely organic.

The operating income margin for Huron educational life sciences was 29.5% for Q1 2015, compared to 19.2% for the same quarter in 2014. The increase in margin is primarily attributable to the decrease in salaries and related expenses as a percentage of revenue, due to increased utilization. The practice also experienced an increased bill rate due to favorable mix.

In addition, while our investments in our Workday practice was not a material factor in Q1, we continue to ramp up activity on this growth initiative. The business advisory segment generated revenues of $15.7 million for the first quarter of 2015, an increase of 17.6% compared to $13.4 million in Q1, 2014.

Both our legacy business advisory and EPM and analytics practices delivered strong growth in the quarter. The operating income margin for Huron business advisory was 10.2% for Q1 2015, compared to 19.1% for the same quarter in 2014. The reduction in margin is primarily due to an increase in bonus, salaries and related expenses, as a percentage of revenue. Over the course of the year, our margin expectations remain unchanged.

Other corporate expenses not allocated at the segment level were in $28.6 million Q1 2015, compared with $24.4 million in Q1 2014. Approximately $1.5 million of Studer Group’s costs are included in G&A as these activities are consistent with other corporate activities. In addition, we incurred transaction related costs of $1.1 million related to our acquisitions of Sky Analytics and Studer Group, and costs of $700,000 associated with the rollout of our new CRM system during the quarter.
Now, turning to the balance sheet and cash flows, DSO, excluding our acquisition of Studer Group, came in at 89 days for the first quarter of 2015. An increase compared to the fourth quarter of 2014, which was 77 days. The increase was related to the timing of cash collections.

Total debt includes both the $250 million face value of convertible notes, and $283.8 million in senior bank debt, for total debt of $533.8 million. We finished the quarter with cash of $7.2 million for net debt of $526.6 million. The increase in net debt compared to Q4 2014 reflects the purchase of Studer Group, the payment of our annual employee incentives in March, and slower than anticipated cash collections during the first quarter. We believe the slow down in collections was a temporary timing issue, and the pace of collections is already increased in the second quarter.

We ended the quarter with a leverage ratio adjusted for Studer Group’s LTM EBITDA at approximately 3.5 times. Cash flow from operations for the quarter was a use of $42.2 million as we funded $76.1 million in bonus payments. We continue to expect free cash flow for the year of approximately $125 million.

Finally, as Jim mentioned, we are affirming the annual revenue and earnings guidance that we provided during our February earnings call.

With that, I would now like to open up the call to questions. Operator?

**QUESTIONS AND ANSWERS**

**Operator**

Thank you.

(Operator Instructions)

Our first question comes from Tim McHugh of William Blair, your line is open.

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

Thanks. Can you be a bit more specific, given the ramp that’s implied, what you’re expecting for the healthcare segment revenue, I guess for the year? And then you’ve talked about some large projects, I guess, that I think are a core part of why you’re expecting the ramp.

Where specifically kind of are you at with those contracts? Are those done, and do you have better visibility today into exactly what you should expect for the year?

**Jim Roth - Huron Consulting Group Inc. - CEO & President**

Yes, Tim, this is Jim, let me take the second part of it. You know, we’ve got a number of large projects that we’re in various stages of pursuing. We had one that we started probably in mid February. We’ve got others – we’ve got one that’s very close, another one that’s a little further away.

You know, until they’re signed, they’re not signed. And we’re a little bit cautious about talking too much about the timing of these things because, you know, as we’ve said before, we’re very sensitive to the clients’ needs.

The reason these things get delayed is really more for complexities along the client side, and they’re trying to sequence this to make sure that it’s going to properly align with the timing that they’re looking at. So from their end, it’s a lot less about us and a lot more about them, and we think that’s the right approach for them. So we are at a stage where we think that these are still going to be going our way.
We expect them to be, we hope that they’re going to be signed relatively soon, but we don’t push for a very, very good reason. It’s really important that our clients get properly aligned. If they’re not aligned internally, then our likelihood of being successful is substantially limited.

So we also at the same point, you know, I think this bears mentioning. That we have, as I’ve indicated, there’s a lot of complexity, particularly in some of the larger academic medical centers, and what we’re seeing is that there are more opportunities for some larger jobs, and it’s not to say that all our jobs are going to be large. But we probably are not going to comment on jobs, larger jobs that come on.

We had one that came on in February that’s going to be one of our largest jobs ever, and it’s underway, and it went just fine. And it probably went a little bit quicker than others have, but again, we’re a lot less focused on the timing. We would much rather have this be done right from a client’s perspective than from our perspective, so we’re hoping, Tim, that before too long we’ll all be going, but nothing is certain until they’re signed and we’re under way.

Mark Hussey - Huron Consulting Group Inc. - CFO & COO

Tim, with respect to the sequencing, I would say that you’ll see, you know, a meaningful improvement in Q2 over Q1, and then we’ll see progression in Q3 and Q4 as those projects come online. I expect Q2 to be higher than Q1 for sure.

Tim McHugh - William Blair & Company - Analyst

And I guess the comment -- just going back to Jim, your comment, are these projects -- some of the larger ones, later than you expected? I guess did they get delayed? And I guess where are we sitting relative to when you guided at the start of the year, in terms of new projects ramping on?

Jim Roth - Huron Consulting Group Inc. - CEO & President

Tim, they’re a little bit more delayed than we originally thought they would be, but not to the point where we feel that it’s going to compromise our affirmation of the guidance at this stage.

That’s why we said -- the opening comment was we go through, every quarter, we go through a fairly robust discussion for every practice in terms of how the rest of the year is looking, and we did that just in March. And you know, I have to be clear here that, you know, if something doesn’t occur, if some larger projects don’t occur, this is true in any practice, then something will get compromised.

At this point in time there’s nothing that tells us that the pathway that our practices see toward the completion of our plans, there’s nothing to believe that that’s compromised at this point in time, which is why we’re affirming our guidance right now. And you know, there are risks, puts and takes in every one of those forecasts and every one of the assumptions, and we weigh those now as we have every quarter, and we make the decisions that we think are best in terms of how best to communicate our guidance for the future.

And in this case, what we have seen, what we have talked about with the practices, our understanding of what is likely to occur is consistent with the guidance that we’ve laid out.

Tim McHugh - William Blair & Company - Analyst

Okay. And then just the legal margins, it’s typically a fairly variable cost business, so I guess, I’m surprised I guess how weak they were in Q1, and then how much of Q2 is better would that flow down? And I guess kind of with that in mind, the margin expectations for that business going forward?
Mark Hussey - Huron Consulting Group Inc. - CFO & COO

Jim, I think based on Q1, we had seen a similar level of contractor, you know, expenses as a percentage of revenue. And really the thing that depressed it was, even though there’s been a nice double digit reduction in the fixed costs, the revenue is still at a lower level than we really forecast on a full year basis, if you just take the run rate.

However, all of that said, we think that, and the final comment is really that when you look at the restructuring charge in the quarter and the timing of that, we certainly did not get a full quarter impact of some of the actions that were taken. So, with higher revenue and the full impact of those, I would expect that we’ll still be in that range that we guided to back at in our earnings call.

Tim McHugh - William Blair & Company - Analyst

Okay. Thanks.

Operator

Thank you, our next question comes from Paul Ginocchio of Deutsche Bank, your line is open.

Paul Ginocchio - Deutsche Bank - Analyst

Thanks. And can I just ask a little bit about the Studer Group? Jim, could you give us an update on the revenue growth in the first quarter on a pro forma basis? And then, when it comes to the talent you brought on, have you retained everybody that you wanted to retain, or have you lost anyone at all? Thanks.

Jim Roth - Huron Consulting Group Inc. - CEO & President

Paul, this is Jim. I’ll answer the second part and have Mark talk about the growth rate. We haven’t lost anybody. As we had predicted early on, we really expected the entire group to transition with us. They have.

We have heard, and we have a lot of discussions with them, obviously. We’re already beginning to interact, which is probably a little bit quicker than we thought there would be some opportunities to begin to interact between the practices, and culturally, it’s been a really solid integration so far, so we haven’t lost anybody.

Mark, you want to comment on the growth rate?

Mark Hussey - Huron Consulting Group Inc. - CFO & COO

Yes. So Paul, the growth rate, so the $11.4 million was about a half of a quarter, and frankly was in line with what we expected, although I would say on a full year basis, we probably have a little bit of upside in terms of what we thought was going to happen. I think with respect to last year, you know, you’re looking at double digit increases, you know, coming into the year.

So it’s in the line with what we expected, and I would say, again, on a full-year basis, you know, just to expand on that, one of the things that we had talked about that affects the revenue for Studer Group is the purchase accounting and the deferred revenue impact.

In the quarter, it only had about a $400,000 impact, and we had talked about a $2 million to $3 million range for the year. At this point, based on where we are, we think that we’ll likely have some up side to that range. We’ll probably be below the $2 million hit to the year, and so we had talked about a $70 million to $75 million range on a full-year basis.
We’re likely to be at the high end of that range, and potentially higher than that for Studer for 2015.

Paul Ginocchio - Deutsche Bank - Analyst
Mark, thanks for that. So if there’s maybe a little bit more delay in the healthcare projects, the offset would be the Studer Group and/or a little bit stronger trends in legal, currently?

Mark Hussey - Huron Consulting Group Inc. - CFO & COO
Yes, I think that’s exactly right.

So I guess if you take a step back and you look at the full year, and we said what are we thinking about? Why we have some confidence in our guidance? You know, we certainly think -- we expect some acceleration in healthcare from where it is. On top of that, we think, you know, we’ve got the transaction work coming back into legal that we think sustains us, in line with where we were on a full-year basis.

We have strength and momentum coming out of both education and life sciences, as well as business advisory, so we feel that, again, provides us a very nice backstop around any of the risks. Although, we still are optimistic that our health care assumptions are still valid.

Jim Roth - Huron Consulting Group Inc. - CEO & President
And Paul, just with regard to the validity of the healthcare assumptions, you know, one of the things of course we look at, and again we do this every quarter when we have our discussions around forecast, is we try to gauge the kind of work that we’re being asked to do, the kind of assessments that we’re doing. the extent to which we have competition on any given environments, and probably more important than any of that, is just the overall market. And in all cases, we view it being very favorable.

The market from our perspective remains very strong. There’s always going to be, you know, aspects of individual practices within a market, within a segment that are going to be higher and lower. But that’s always been the case.

In general, our view of the healthcare market is that it’s still rapidly evolving, that we’re extremely well positioned in it, and that we have a lot of confidence in our future growth. And if we saw any -- the things that would give us hesitancy over the direction of the practice would be if we saw more competition, or if we saw weakening of demand across the board, and that just is something we don’t see at all.

The market is still very dynamic, and we are incredibly well positioned, particularly for some of the larger, more complex health systems and academic medical centers.

Mark Hussey - Huron Consulting Group Inc. - CFO & COO
One final count, Paul, because I didn’t answer your question on Studer pro forma in Q1. So that number pro forma, year on year Q1 revenue growth would be in the mid-20% range, and kind of mid-teens EBITDA growth range.

Paul Ginocchio - Deutsche Bank - Analyst
Thank you.
Operator
Thank you, our next question comes from Tobey Sommer of SunTrust, your line is open.

Tobey Sommer - SunTrust Robinson Humphrey - Analyst
Thank you. I wanted to ask you a question about the extent to which these larger projects, that are either emanating from the healthcare side vis-a-vis academic medical centers or the education side, are requiring services from multiple segments, and the extent to which that kind of business is increasing or decreasing versus recent years? Thanks.

Jim Roth - Huron Consulting Group Inc. - CEO & President
This is Jim. I think in terms of, well, particularly in the academic medical center setting, where we have some very unique competencies, we have the, you know, collectively between our education and life sciences practice and our healthcare practice, we have the academic, the research, the physician, and the clinical components all pulled together. We have done a great job of collaborating.

So some of our very sizable jobs right now have been for a while. They are pursued. And they are performed as collaborative efforts, and it really is, I think, exactly what we would want to see. We are very uniquely positioned to take on those more complex environments, and as you may have seen in the Wall Street Journal article earlier this week, I think it was, or maybe late last week, where they talked about the strains and stresses on academic medical centers.

That's what we're seeing every day, so our teams are working a lot together, and it's a major advantage when we go to market, in terms of having those competencies pulled together. I expect to see that a lot.

We also, frankly, though, it's not just education and life sciences and healthcare that are working together. We actually have seen some M&A activity between our business advisory and our healthcare team, our business advisory and our educational and life sciences team, our EPM and analytic practice is working at a fair number of universities.

So we are seeing collaboration across our segments in ways and at levels that I don't think we have ever witnessed in this Company before, and frankly, it's all coming very naturally, which is the best part. It's happening because the markets are demanding it, and we happen to be very well positioned to do that.

Tobey Sommer - SunTrust Robinson Humphrey - Analyst
So these larger projects that seem to be surfacing with a little bit greater frequency recently have less competition for them?

Jim Roth - Huron Consulting Group Inc. - CEO & President
I'll put it this way. I think when it boils down to understanding the complexities -- first of all, having the industry knowledge, number one, and then having the broad competencies combined with that industry knowledge, I think there's not as many competitors that are able to handle the comprehensive scope that some of our clients are asking for.

Tobey Sommer - SunTrust Robinson Humphrey - Analyst
And my last question is just going to be on the legal business. The up tick that you saw at the end of the quarter and that will extend into, I guess, at least 2Q. Do you have a way to assess whether that is Huron specific in your customer set, or indicative of the market?
You know, we have seen some of the large transactions that have been scrutinized unwind, but maybe this is a reflection of a kind of broader scrutiny on a host of deals we don’t know about? Thanks.

**Jim Roth** - *Huron Consulting Group Inc.* - CEO & President

This is Jim, I wish I could give you a really clear answer on that. We struggle to really understand the lack of transactional work that hit us in the fourth quarter and the first part of the first quarter. So you know, even though we have seen a pretty solid uptick toward the end of the first quarter and now beginning of the second quarter, I’m reluctant to say okay, everything’s fine.

I don’t think we know. And I think we have seen this amongst some of our competitors in this area as well. I think it’s just a very difficult market to assess right now. So I don’t want to get carried away and extrapolate good or bad.

I think we’re in the market, we, the clients that we’re getting are reflective of the relationships that we have been building over a period of time, and, you know, it’s a very competitive environment, still. And I think we are doing a great job of getting into market and demonstrating our value.

So I just, you know, at this stage, given the ups and downs we have had over the last six months, I’m really hesitant to say, you know, what’s going to happen in the future. I think we just have to kind of wait and see what it is.

We go back, as I said, I think we had a really strong end of the first quarter. It got off to a good start in the second quarter. But I just, we’re really kind of at a loss to explain why we had such a downturn, originally. We’re at a little bit of a loss to predict that now it’s doing just fine.

**Tobey Sommer** - *SunTrust Robinson Humphrey* - Analyst

Thank you very much.

**Operator**

Thank you, our next question comes from Jason Anderson of Stifel, your line is open.

**Jason Anderson** - *Stifel Nicolaus* - Analyst

Good evening, guys. Just wondered, would there be any way you could comment or give us maybe a way to frame the size of these larger deals, maybe comparatively?

I mean, you’ve talked about the greater complexity, and size of these. It would be nice if you could maybe give us some framing and scope on that?

**Jim Roth** - *Huron Consulting Group Inc.* - CEO & President

We want to kind of stray away from that, right now. You know, some of them are still being negotiated.

They’re likely to take place, if they take place, over a series of years, and so, I think we just -- we don’t know, and we really would prefer not to get involved in some of those things for both competitive reasons, but also just because we typically don’t like to talk about client environments right now. They’re significantly larger than our average jobs have been over the years, and we’ll kind of leave it at that.
Jason Anderson - Stifel Nicolaus - Analyst

Okay. Thanks and then on education and life sciences, obviously you look strong, it’s doing well. Would you want to -- should we think about your prior revenue guidance for that as being -- maybe that’s coming up a bit? I mean, it sounds like that strength is going to continue throughout the year?

Mark Hussey - Huron Consulting Group Inc. - CFO & COO

You know, I would say we’re optimistic right now. I would say if we continue to see the market perform in this way, I think there’s a chance that we’d see some up side to where we are. I think we’re pretty early in the year to necessarily call it at this point, but certainly, we have seen nothing that would lead us to think that it’s going to be weaker.

And I would also suggest that, you know, at this point, based on what we have experienced with Workday, we are likely not to spend more than what we had initially indicated. If anything, we might spend a little bit less. So we’re hopeful that margins might be a little bit better than what we had originally guided to. But again, it’s a little bit early in the year to get ahead of ourselves.

Jim Roth - Huron Consulting Group Inc. - CEO & President

Yes, and I think, you know, in that practice, just I’ll add onto what Mark is saying, in terms of the workday practice, it really is coming along nicely. As we indicated, we’re going to be growing it organically; that was the nature of the investment that we disclosed for 2015. Our hope at this point, and it still is early, but our hope at this point would be that in 2016 that we would probably be at worst in a neutral position in terms of investment in that business.

We’ll continue to invest but we should have more than enough revenue to accommodate that investment in 2016. As our current sense, that could change as things go on. We’re very pleased with the way that practice is evolving right now.

Jason Anderson - Stifel Nicolaus - Analyst

Great. Thank you.

Operator

Thank you, our next question comes from Randy Reece of Avondale Partners. Your line is open.

Randy Reece - Avondale Partners - Analyst

Hi. Did you say what the revenue contribution was from Studer in the quarter?

Mark Hussey - Huron Consulting Group Inc. - CFO & COO

We did, Randy, it was $11.4 million, and that’s almost exactly half of a quarter.

Randy Reece - Avondale Partners - Analyst

Okay. Very good. It looked like just the core billing rate of healthcare continued to hold up. Just overall activity level maybe the main variance, versus where my number was. It was just interesting looking at my model year.
Revenue was $1.8 million light of my estimate, and your expenses were right online. It just, it seems like there wasn't a lot of variability in the expenses this quarter? I don’t know if that's an illusion, if there's something accurate about that observation?

Mark Hussey - Huron Consulting Group Inc. - CFO & COO
The only comment I would make Randy is that I think that's largely true.

I think there was some continuing investment in some of the assessment work that we have had on some of the engagements that we have been working on, and that's put, you know, a little bit of pressure on, you know, on the bill rate that we expect to recover, with higher run rate revenue as well as higher contingent fees in the later quarters.

Randy Reece - Avondale Partners - Analyst
Yes. In terms of just your hiring cycle this year, are there any differences in timing, versus what you have done in the past or what you had expected entering the year?

Jim Roth - Huron Consulting Group Inc. - CEO & President
I think Randy, this is Jim. I think we’ll probably, I mean we have always had the ability to accelerate or decelerate hiring based on our, the way we see the revenue falling out. And so I think, you know, we’re at a point in time where we can still continue to do that. It’s reasonably easy for us to push things out if we need to.

It’s a little bit more difficult for us to push things up. But we have that tool, both of those tools at our discretion, and it will be based entirely in terms of how we see the revenue working itself out.

Randy Reece - Avondale Partners - Analyst
You will time it depending on how business ramps as the year goes on?

Mark Hussey - Huron Consulting Group Inc. - CFO & COO
Yes, exactly. Randy, so the way we think about this is, you know, utilization as an operating lever has such an impact on margins.

I mean you see the positive side now on education and life sciences. We have seen a little bit of the weakness affecting the health care margins in the quarter, and so our inclination is to try to manage utilization at the levels that really optimize that, and then put pressure on the hiring and recruiting to make sure that we can deliver in time.

So if we can keep that in balance at all times, you know, we’d run at a constant utilization level. So that’s the eternal battle that we have going on. But our inclination is to have higher utilization and manage the hiring accordingly.

Randy Reece - Avondale Partners - Analyst
Have you had any concern about the incremental cost of recruiting over the past few quarters?
Randy, we probably read the same articles that you do, and I don’t know that we have seen it materially show up in any of our hiring things yet. It’s not to say that it won’t, but I don’t think we’re seeing it yet.

And we read the same articles, where there’s beginning to be some pressure. If we have seen it, it’s not material.

All right. I guess those of us who pay less have a harder time recruiting than you do. (Laughter).

We can compare notes offline, here.

All right. Thank you very much.

Well, I guess there’s a couple ways to respond to that. I think we have typically said that, and Mark, you can correct me if I’m wrong here, I think we have typically said in the past, probably our average sized job in healthcare would probably be in the $8 million to $10 million range.

Yes.

Thank you, our next question comes from Joseph Foresi of Janney Montgomery Scott, your line is open.

Hi. Just on the large deal side, perhaps you could give us some color around the general time frame in signing a large deal versus, I guess, an average sized deal? Maybe you can give us just a general idea on the number of large deals, versus what you have seen in the past?

Well, I guess there’s a couple ways to respond to that. I think we have typically said that, and Mark, you can correct me if I’m wrong here, I think we have typically said in the past, probably our average sized job in healthcare would probably be in the $8 million to $10 million range.

Yes.

Yes, and these are much bigger. They’re bigger for a number of reasons. Number one is some of these larger jobs are involving more than one hospital, and that would certainly bring it up. In some cases substantially more than one hospital.
And then the other part, though, that we have been talking about for, you know, the better part of three years, as we have been building up our
clinical services group, and that is -- and I know these kinds of discussions take place on earnings calls among a lot of healthcare consulting firms,
but the reality is this evolving, this change in the business model for our clients is dramatically more complex than I think most people appreciate.
And so, a large part of what's driving these projects to be bigger is in fact just the sheer complexity.

And I would say the same thing is true. I don't know if we have the results in education, for example, where we've also been talking about, you
know, some very rapid changes, and my guess is we have seen the average size project in education increase as well. And both of those, a large
degree of it is attributable to the complexity of our clients' environments.

And so, we have a lot more larger clients in healthcare than we used to before. I would say the same thing is probably true in education and, you
know, that's why I said we're a little bit reluctant to be focusing too much on these, because I'm not going to say that, you know, mega-projects
are going to become the norm.

But I do think that we're going to see larger projects evolve, because they're more invasive, they're more strategic, and in many cases they're
involving more than one institution. And I think collectively, that's going to be a pattern that we hope plays out in those practices for quite a while.

Joseph Foresi - Janney Montgomery Scott - Analyst

Got it. So if I extrapolate these large deals and them being in the pipeline, does that mean the volatility of results as we saw in the first quarter could
potentially swing or become more volatile to both the up and the downside?

Jim Roth - Huron Consulting Group Inc. - CEO & President

Well, I wish all that lent itself to really a steady slope of revenue and earnings and, you know, I think in reality, it's not going to. So yes, there's going
to be some volatility. We've seen quite a bit in the last four years in healthcare and education in particular, among our largest practices, and I think
some of it is just going to be the sequencing.

You know, the interesting part that is true in a lot of our larger engagements in health and education are that they want to know who's going to
do the work. So it's one thing to say that Huron has all these great capabilities, but our clients appropriately want to know who's going to do the
work? And at that stage, it begins to, it causes us to kind of sequence and set certain people aside for those projects, and so, and then when they're
complex, they take a little while to negotiate.

Not so much around contract terms, it's much more so around getting the timing right at our client, and when we talk about the timing, we're
talking about -- are they ready, strategically? Are they ready, organizationally? Are they ready, culturally? Do they have the sequencing of the project
in place?

Those are all things that happen at our client's site, and that's the part that we will always be very patient, because I'll repeat it again, it just is so
critical for us to be working at our clients when the timing is right for them, not so much when it's right for us. And for these larger projects that
are right in our sweet spot, we'll wait. And if that causes increased volatility, I think we're going to have to deal with it.

We're going to try to do our best we can to manage in the interim, and we will manage as appropriately as we can, but when push comes to shove,
for clients that are right in our sweet spot, we're going to let this carry out on their terms, not on ours.

Joseph Foresi - Janney Montgomery Scott - Analyst

Got it. Okay, and then two more quick ones, the last time this happened, I think you took the bonus accrual as well, and I think maybe the earnings
number was actually lower than what you put up this quarter. Has the visibility changed on the business, and has it gotten better or worse since I
think maybe two or three years ago, when we got off to a slow start and then the business started to ramp? And then along with that question, should we be thinking differently about success fees?

Jim Roth - Huron Consulting Group Inc. - CEO & President

So let me just talk about the visibility part.

I think, you know, every year that goes by I think we get a little bit better at really understanding the ebb and flow of our environment. I mean, the Company's bigger. And so the number of data points are bigger, but I think we have gotten to be the point where we're pretty good at forecasting. But, I'll tell you, we're not perfect and there's always things -- there's projects that should have started or don't start and start late.

There is other projects that come out of the blue and just show up on our radar screen and we get going. We're always going to have that give and take, and that's just part of the challenge any consulting firm has, in terms of trying to match up the demand and supply in those kinds of environments.

I think our visibility isn't necessarily any different. I think our ability to manage in that variability is probably a little bit better.

Mark Hussey - Huron Consulting Group Inc. - CFO & COO

And Joe, the only thing I would say, would you think differently about success fees? I don't think there's anything really, broadly speaking, to think differently about them at this point. Again, I think it really comes back to the risk tolerance that the client has for paying a fee that does not have any risk associated with it.

And I think that is going to just continue to be the case in the market. It will change a little bit by project, but really at the end of the day, it's about what is their risk tolerance? And I don't think it changes our economics or anything else about our business.

Jim Roth - Huron Consulting Group Inc. - CEO & President

Yes, and the only thing I would add is that some of our larger clients, our client opportunities that are evolving right now, are likely to be a mix of fixed and contingent. So again, it's not all black and white, and that is based on the client wants, and that's fine with us.

Joseph Foresi - Janney Montgomery Scott - Analyst

Thank you.

Operator

Thank you, our next question comes from Kevin Steinke of Barrington Research, your line is open.

Kevin Steinke - Barrington Research Associates, Inc. - Analyst

Good afternoon. I wanted to talk a little bit more about Studer Group, and know it's still early on with that acquisition, but just wondering how the integration is going, in terms of your ability to go out and cross sell their services to some of your traditional clients, as well as your efforts to penetrate some of the markets they serve that you traditionally have not served?
Jim Roth - Huron Consulting Group Inc. - CEO & President

Kevin, this is Jim. Actually, the integration is going well.

The one that we probably focused on first is just the cultural integration. Studer Group had a very proud, strong internal culture, as did we, and so we both groups, Studer Group and us only went forward with the transaction because we both became convinced that we would be a good cultural fit. So that’s the part that, even though we pull the deal, it’s not as though that effort is done.

That effort is just underway, and I think is going extremely well. We have just really begun to get a strong alliance of people getting to know each other across the practices at a broader level, and beginning to work together, and beginning to share opportunities and client relationships. So that’s already taken place. I know there’s a couple of situations already where we have been able to cross sell, and we, you know, our emphasis -- that’s something that certainly is an intermediate and longer term objective of ours.

I think we probably are getting a little bit of traction earlier than we had thought, but I think that’s something that we’ll continue to work on during the course of the year. But, I mean, so far, not just financially, which is certainly important, but more importantly is the cultural fit. We want them to be satisfied. We believe they are. We are satisfied, and I think the rest of it will be done the same way that I described the collaboration that exists among our other segments, in health care and education and business advisory.

It’s just all happening very naturally, and we feel really good about it.

Kevin Steinke - Barrington Research Associates, Inc. - Analyst

Okay. Great, and Studer Group is more of a recurring revenue business. And is that the type of business you would look to build out further, in terms of the longer contracts? Either as you continue to pursue acquisition opportunities, or just organically?

Mark Hussey - Huron Consulting Group Inc. - CFO & COO

Kevin, I think the organic growth in that business is going to just continue to help us shift our mix to a more recurring revenue model. Right now, I didn’t add this at the end of Jim’s comment, but I think it’s relevant. They have a laser focus on their plan. And you know, it’s an aggressive plan, and they want to continue to just in their own right make health care better, is really what they’re all about.

I think that model will continue to serve very well for us, and I think if we can extend that into other areas like our clinical solutions and physician solutions, where we have opportunities to be more present on site and have a longer term relationship to be a trusted advisor to the client, that’s going to just continue to help us extend that on the organic side. But that’s still aspirational. We still have a lot of work to get there.

Kevin Steinke - Barrington Research Associates, Inc. - Analyst

Sure. Sure. That makes sense. And just wanted to ask you about legal, too.

You know, you had the credit crisis engagements wind down, and at the same time, you’re looking to build up the advisory side of your business. I think the Sky Analytics acquisition is targeted to that effort. So, you know, longer term, should we expect the mix between advisory and e-discovery work to be kind of change permanently, here, as to what it was historically, or should we expect advisory to grow as a percentage of that practice as revenue? Or that segment’s revenue?

Jim Roth - Huron Consulting Group Inc. - CEO & President

Kevin, our expectation is that they’re both going to grow, and I don’t know that we’ll see a material change in terms of the mix between the two of them. Our expectations are that they’ll both grow and I think, you know, Bob Row has been doing a number of really good things to continue
to expand both practices, and so, I think our hope is that they're both going to grow. I don't see any significant change in the mix over the next two or three years at this stage.

Kevin Steinke - Barrington Research Associates, Inc. - Analyst
Okay. Well, thanks for taking my questions.

Operator
Thank you.

(Operator Instructions)

And I'm not showing any further questions in queue. I would like to turn the call back over to Mr. Roth for any further remarks.

Jim Roth - Huron Consulting Group Inc. - CEO & President
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. Have a good evening.

Operator
That concludes today's conference call. Thank you and have a wonderful day.

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