
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2020
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 000-50976

HURON CONSULTING GROUP INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

01-0666114
(IRS Employer
Identification Number)

550 West Van Buren Street
Chicago, Illinois
60607
(Address of principal executive offices)
(Zip Code)

(312) 583-8700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	HURN	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of October 26, 2020, 22,871,243 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

HURON CONSULTING GROUP INC.

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PART I - FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HURON CONSULTING GROUP INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 74,745	\$ 11,604
Receivables from clients, net of allowances of \$8,520 and \$8,907, respectively	94,644	116,571
Unbilled services, net of allowances of \$2,734 and \$2,994, respectively	78,346	79,937
Income tax receivable	244	2,376
Prepaid expenses and other current assets	11,853	14,248
Total current assets	259,832	224,736
Property and equipment, net	34,879	38,413
Deferred income taxes, net	11,425	1,145
Long-term investments	66,122	54,541
Operating lease right-of-use assets	50,499	54,954
Other non-current assets	58,944	52,177
Intangible assets, net	22,250	31,625
Goodwill	586,730	646,680
Total assets	\$ 1,090,681	\$ 1,104,271
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,838	\$ 7,944
Accrued expenses and other current liabilities	23,646	18,554
Accrued payroll and related benefits	105,276	141,605
Current maturities of long-term debt	540	529
Current maturities of operating lease liabilities	9,058	7,469
Deferred revenues	31,768	28,443
Total current liabilities	175,126	204,544
Non-current liabilities:		
Deferred compensation and other liabilities	44,699	28,635
Long-term debt, net of current portion	250,917	208,324
Operating lease liabilities, net of current portion	64,318	69,233
Deferred income taxes, net	555	8,070
Total non-current liabilities	360,489	314,262
Commitments and contingencies		
Stockholders' equity		
Common stock; \$0.01 par value; 500,000,000 shares authorized; 25,444,128 and 25,144,764 shares issued at September 30, 2020 and December 31, 2019, respectively	247	247
Treasury stock, at cost, 2,571,266 and 2,425,430 shares at September 30, 2020 and December 31, 2019, respectively	(129,438)	(128,348)
Additional paid-in capital	454,153	460,781
Retained earnings	220,146	237,849
Accumulated other comprehensive income	9,958	14,936
Total stockholders' equity	555,066	585,465
Total liabilities and stockholders' equity	\$ 1,090,681	\$ 1,104,271

The accompanying notes are an integral part of the consolidated financial statements.

HURON CONSULTING GROUP INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues and reimbursable expenses:				
Revenues	\$ 205,304	\$ 219,289	\$ 645,780	\$ 644,488
Reimbursable expenses	2,860	23,636	25,133	65,787
Total revenues and reimbursable expenses	208,164	242,925	670,913	710,275
Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses):				
Direct costs	145,459	143,034	451,221	422,442
Amortization of intangible assets and software development costs	1,370	1,162	4,005	3,450
Reimbursable expenses	2,840	23,571	25,095	65,897
Total direct costs and reimbursable expenses	149,669	167,767	480,321	491,789
Operating expenses and other losses (gains), net				
Selling, general and administrative expenses	38,561	48,123	126,864	151,409
Restructuring charges	59	127	1,777	2,156
Litigation and other gains	—	(630)	(150)	(1,571)
Depreciation and amortization	6,176	6,962	18,483	21,285
Goodwill impairment charges	—	—	59,816	—
Total operating expenses and other losses (gains), net	44,796	54,582	206,790	173,279
Operating income (loss)	13,699	20,576	(16,198)	45,207
Other income (expense), net:				
Interest expense, net of interest income	(2,259)	(4,374)	(7,516)	(13,156)
Other income (expense), net	2,035	(82)	687	2,830
Total other income (expense), net	(224)	(4,456)	(6,829)	(10,326)
Income (loss) from continuing operations before taxes	13,475	16,120	(23,027)	34,881
Income tax expense (benefit)	2,388	2,414	(5,413)	7,256
Net income (loss) from continuing operations	11,087	13,706	(17,614)	27,625
Loss from discontinued operations, net of tax	(29)	(52)	(89)	(195)
Net income (loss)	\$ 11,058	\$ 13,654	\$ (17,703)	\$ 27,430
Net earnings (loss) per basic share:				
Net income (loss) from continuing operations	\$ 0.50	\$ 0.62	\$ (0.81)	\$ 1.26
Loss from discontinued operations, net of tax	—	—	—	(0.01)
Net income (loss)	\$ 0.50	\$ 0.62	\$ (0.81)	\$ 1.25
Net earnings (loss) per diluted share:				
Net income (loss) from continuing operations	\$ 0.50	\$ 0.61	\$ (0.81)	\$ 1.23
Loss from discontinued operations, net of tax	—	—	—	(0.01)
Net income (loss)	\$ 0.50	\$ 0.61	\$ (0.81)	\$ 1.22
Weighted average shares used in calculating earnings (loss) per share:				
Basic	21,905	22,052	21,868	21,973
Diluted	22,175	22,561	21,868	22,425
Comprehensive income:				
Net income (loss)	\$ 11,058	\$ 13,654	\$ (17,703)	\$ 27,430
Foreign currency translation adjustments, net of tax	381	(630)	(294)	(673)
Unrealized gain (loss) on investment, net of tax	4,885	1,168	(1,051)	7,740
Unrealized loss on cash flow hedging instruments, net of tax	(243)	(149)	(3,633)	(998)
Other comprehensive income (loss)	5,023	389	(4,978)	6,069
Comprehensive income (loss)	\$ 16,081	\$ 14,043	\$ (22,681)	\$ 33,499

The accompanying notes are an integral part of the consolidated financial statements.

HURON CONSULTING GROUP INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

	Three Months Ended September 30,							
	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2020	24,586,236	\$ 246	(2,786,798)	\$ (128,646)	\$ 450,391	\$ 209,088	\$ 4,935	\$ 536,014
Comprehensive income						11,058	5,023	16,081
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	51,860	1	(4,130)	(212)	211			—
Exercise of stock options	6,800	—			179			179
Share-based compensation					3,372			3,372
Shares redeemed for employee tax withholdings			(12,468)	(580)				(580)
Balance at September 30, 2020	<u>24,644,896</u>	<u>\$ 247</u>	<u>(2,803,396)</u>	<u>\$ (129,438)</u>	<u>\$ 454,153</u>	<u>\$ 220,146</u>	<u>\$ 9,958</u>	<u>\$ 555,066</u>
Balance at June 30, 2019	24,711,193	\$ 247	(2,742,826)	\$ (127,133)	\$ 463,190	\$ 209,882	\$ 22,175	\$ 568,361
Comprehensive income						13,654	389	14,043
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	58,164	1	(3,741)	(169)	168			—
Exercise of stock options	10,000	—			235			235
Share-based compensation					5,664			5,664
Shares redeemed for employee tax withholdings			(12,657)	(746)				(746)
Balance at September 30, 2019	<u>24,779,357</u>	<u>\$ 248</u>	<u>(2,759,224)</u>	<u>\$ (128,048)</u>	<u>\$ 469,257</u>	<u>\$ 223,536</u>	<u>\$ 22,564</u>	<u>\$ 587,557</u>
	Nine Months Ended September 30,							
	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	24,603,308	\$ 247	(2,763,302)	\$ (128,348)	\$ 460,781	\$ 237,849	\$ 14,936	\$ 585,465
Comprehensive income						(17,703)	(4,978)	(22,681)
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	321,986	3	94,180	6,707	(6,710)			—
Exercise of stock options	33,600	—			825			825
Share-based compensation					20,135			20,135
Shares redeemed for employee tax withholdings			(134,274)	(7,797)				(7,797)
Share repurchases	(313,998)	(3)			(20,878)			(20,881)
Balance at September 30, 2020	<u>24,644,896</u>	<u>\$ 247</u>	<u>(2,803,396)</u>	<u>\$ (129,438)</u>	<u>\$ 454,153</u>	<u>\$ 220,146</u>	<u>\$ 9,958</u>	<u>\$ 555,066</u>
Balance at December 31, 2018	24,418,252	\$ 244	(2,671,962)	\$ (124,794)	\$ 452,573	\$ 196,106	\$ 16,495	\$ 540,624
Comprehensive income						27,430	6,069	33,499
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	331,105	4	21,433	1,952	(1,956)			—
Exercise of stock options	30,000	—			703			703
Share-based compensation					17,937			17,937
Shares redeemed for employee tax withholdings			(108,695)	(5,206)				(5,206)
Balance at September 30, 2019	<u>24,779,357</u>	<u>\$ 248</u>	<u>(2,759,224)</u>	<u>\$ (128,048)</u>	<u>\$ 469,257</u>	<u>\$ 223,536</u>	<u>\$ 22,564</u>	<u>\$ 587,557</u>

The accompanying notes are an integral part of the consolidated financial statements.

HURON CONSULTING GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ (17,703)	\$ 27,430
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Depreciation and amortization	22,511	25,410
Non-cash lease expense	5,844	6,413
Lease impairment charge	—	805
Share-based compensation	18,559	18,094
Amortization of debt discount and issuance costs	595	8,066
Goodwill impairment charges	59,816	—
Allowances for doubtful accounts	539	191
Deferred income taxes	(16,125)	(262)
Loss on sale of business	102	—
Change in fair value of contingent consideration liabilities	—	(1,506)
Changes in operating assets and liabilities, net of divestiture:		
(Increase) decrease in receivables from clients, net	23,493	(6,817)
(Increase) decrease in unbilled services, net	1,597	(30,163)
(Increase) decrease in current income tax receivable / payable, net	9,455	10,561
(Increase) decrease in other assets	(3,426)	(4,160)
Increase (decrease) in accounts payable and other liabilities	(5,272)	(3,565)
Increase (decrease) in accrued payroll and related benefits	(25,290)	(1,850)
Increase (decrease) in deferred revenues	3,290	3,098
Net cash provided by operating activities	<u>77,985</u>	<u>51,745</u>
Cash flows from investing activities:		
Purchases of property and equipment, net	(5,731)	(10,024)
Purchases of investment securities	(13,000)	—
Investment in life insurance policies	(2,026)	(4,434)
Purchases of businesses	(801)	(2,500)
Capitalization of internally developed software costs	(6,830)	(7,462)
Net cash used in investing activities	<u>(28,388)</u>	<u>(24,420)</u>
Cash flows from financing activities:		
Proceeds from exercises of stock options	825	703
Shares redeemed for employee tax withholdings	(7,797)	(5,206)
Share repurchases	(22,115)	—
Proceeds from bank borrowings	283,000	105,500
Repayments of bank borrowings	(240,396)	(105,885)
Payments for debt issuance costs	—	(1,498)
Payments of contingent consideration liabilities	—	(4,674)
Net cash provided by (used in) financing activities	<u>13,517</u>	<u>(11,060)</u>
Effect of exchange rate changes on cash	27	38
Net increase in cash and cash equivalents	63,141	16,303
Cash and cash equivalents at beginning of the period	11,604	33,107
Cash and cash equivalents at end of the period	<u>\$ 74,745</u>	<u>\$ 49,410</u>
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities:		
Property and equipment expenditures and capitalized software included in accounts payable, accrued expenses and accrued payroll and related benefits	\$ 2,049	\$ 3,085
Operating lease right-of-use asset obtained in exchange for operating lease liability	\$ 1,456	\$ 3,628

The accompanying notes are an integral part of the consolidated financial statements.

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in thousands, except per share amounts)
(Unaudited)

1. Description of Business

Huron is a global consultancy that collaborates with clients to drive strategic growth, ignite innovation and navigate constant change. Through a combination of strategy, expertise and creativity, Huron helps clients accelerate operational, digital and cultural transformation, enabling the change they need to own their future. By embracing diverse perspectives, encouraging new ideas and challenging the status quo, Huron creates sustainable results for the organizations it serves.

2. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited consolidated financial statements reflect the financial position, results of operations, and cash flows as of and for the three and nine months ended September 30, 2020 and 2019. These financial statements have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for Quarterly Reports on Form 10-Q. Accordingly, these financial statements do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for annual financial statements. In the opinion of management, these financial statements reflect all adjustments of a normal, recurring nature necessary for the fair statement of our financial position, results of operations, and cash flows for the interim periods presented in conformity with GAAP. These financial statements should be read in conjunction with our consolidated financial statements and notes thereto for the year ended December 31, 2019 included in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2020 and June 30, 2020. Our results for any interim period are not necessarily indicative of results for a full year or any other interim period.

Preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and related disclosures. The business and economic uncertainty resulting from the coronavirus (COVID-19) pandemic has made such estimates and assumptions more difficult to predict. Accordingly, actual results and outcomes could differ from those estimates.

In the third quarter of 2020, we identified an error on our previously reported consolidated balance sheet as of March 31, 2020 and June 30, 2020, which resulted in an overstatement of unbilled services by \$0.6 million and \$0.8 million, respectively. The error also impacted our previously reported consolidated statement of operations for the three months ended March 31, 2020 and June 30, 2020, which resulted in an overstatement of revenues by \$0.6 million and \$0.2 million, respectively, and an overstatement of net income by \$0.4 million and \$0.2 million, respectively. For the six months ended June 30, 2020, the error resulted in an overstatement of revenues and net income by \$0.8 million and \$0.6 million, respectively. This error related to a revenue recognition calculation error for a specific fee component of one contract within our Healthcare segment. This error was corrected in the third quarter of 2020 by decreasing revenues and unbilled services by \$0.8 million, and resulted in a \$0.6 million decrease to net income in the third quarter of 2020. This error, which was not material to the first, second, or third quarter 2020 results, had no impact on our consolidated balance sheet as of September 30, 2020 or our consolidated statement of operations for the nine months ended September 30, 2020.

3. New Accounting Pronouncements

Recently Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which provides a new current expected credit loss model to account for credit losses on certain financial assets, including trade receivables. That model requires an entity to estimate lifetime credit losses based on relevant historical information, adjusted for current conditions and reasonable and supportable forecasts that could affect the collectability of the reported amount. The ASU also makes targeted amendments to the current impairment model for available-for-sale debt securities, which includes requiring the recognition of an allowance rather than a direct write-down of the investment, which may be reversed in the event that the credit of an issuer improves. We adopted ASU 2016-13 effective January 1, 2020, which did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies certain disclosure requirements related to fair value measurements. We adopted ASU 2018-13 effective January 1, 2020, which had no impact on the amounts reported on our consolidated financial statements. We updated our disclosures within the notes to our consolidated financial statements as required by ASU 2018-13.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. ASU 2019-12 simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740, *Income Taxes*, related to the

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in thousands, except per share amounts)
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approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies other aspects of the accounting for franchise taxes and enacted changes in tax laws or tax rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. On January 1, 2020, we elected to early adopt ASU 2019-12 on a modified retrospective basis for those amendments that are not applied on a prospective basis. The adoption of ASU 2019-12 did not have a material impact on our consolidated financial statements.

4. Goodwill and Intangible Assets

The table below sets forth the changes in the carrying amount of goodwill by reportable segment for the nine months ended September 30, 2020.

	Healthcare	Business Advisory	Education	Total
Balance as of December 31, 2019:				
Goodwill	\$ 636,810	\$ 302,057	\$ 103,889	\$ 1,042,756
Accumulated impairment losses	(208,081)	(187,995)	—	(396,076)
Goodwill, net as of December 31, 2019	428,729	114,062	103,889	646,680
Goodwill recorded in connection with a business acquisition ⁽¹⁾	—	—	495	495
Goodwill impairment charge	—	(59,816)	—	(59,816)
Foreign currency translation	—	(629)	—	(629)
Goodwill, net as of September 30, 2020	\$ 428,729	\$ 53,617	\$ 104,384	\$ 586,730

- (1) On August 1, 2020, we completed the acquisition of B3i Analytics, LLC, a software firm that provides a software as a solution ("SaaS") application to leverage internal and external data to help higher education institutions forecast research revenue. The results of operations of the acquired business is included in our consolidated financial statements and results of operations of our Education segment from the date of acquisition. This acquisition is not significant to our consolidated financial statements.

First Quarter 2020 Goodwill Impairment Charges

The worldwide spread of the coronavirus (COVID-19) in the first quarter of 2020 created significant volatility, uncertainty and disruption to the global economy. We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how we expect it will continue to negatively impact our clients, employees and business partners. While the COVID-19 pandemic did not have a significant impact on our consolidated revenues in the first quarter of 2020, we expected it to have an unfavorable impact on sales, increase uncertainty in the backlog and negatively impact full year 2020 results. The services provided by our Strategy and Innovation and Life Sciences reporting units within our Business Advisory segment focus on strategic solutions for healthy, well-capitalized companies to identify new growth opportunities, which may be considered by our clients to be more discretionary in nature, and the duration of the projects within these practices are typically short-term. Therefore, due to the uncertainty caused by the COVID-19 pandemic, we are cautious about near-term results for these two reporting units. Based on our internal projections and the preparation of our financial statements for the quarter ended March 31, 2020, and considering the expected decrease in demand due to the COVID-19 pandemic, during the first quarter of 2020 we believed that the fair value of these two reporting units no longer exceeded their carrying values and performed an interim impairment test on both reporting units as of March 31, 2020.

Based on the estimated fair values of the Strategy and Innovation and Life Sciences reporting units, we recorded non-cash pretax goodwill impairment charges of \$49.9 million and \$9.9 million, respectively, in the first quarter of 2020. The \$49.9 million non-cash pretax charge related to the Strategy and Innovation reporting unit reduced the goodwill balance of the reporting unit to \$37.5 million. The \$9.9 million non-cash pretax charge related to the Life Sciences reporting unit reduced the goodwill balance of the reporting unit to zero.

Our goodwill impairment test was performed by comparing the fair value of each of the Strategy and Innovation and Life Sciences reporting units with its respective carrying value and recognizing an impairment charge for the amount by which the carrying value exceeded the fair value. To estimate the fair value of each reporting unit, we relied on a combination of the income approach and the market approach, with a fifty-fifty weighting.

In the income approach, we utilized a discounted cash flow analysis, which involved estimating the expected after-tax cash flows that will be generated by each reporting unit and then discounting those cash flows to present value, reflecting the relevant risks associated with each

HURON CONSULTING GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in thousands, except per share amounts)
(Unaudited)

reporting unit and the time value of money. This approach requires the use of significant estimates and assumptions, including long-term projections of future cash flows, market conditions, and discount rates that reflects the risk inherent in the future cash flows. In estimating future cash flows, we relied on internally generated seven-year forecasts. For periods after the seven-year forecast, we assumed a long-term annual revenue growth rate of 3.0% for both the Strategy and Innovation and Life Sciences reporting units and a long-term EBITDA margin of 24.8% and 6.7%, respectively. Our forecasts are based on historical experience, current backlog, expected market demand, and other industry information. Our discounted cash flow analysis assumed weighted average cost of capital discount rates of 16.0% and 10.5% for the Strategy and Innovation and Life Sciences reporting units, respectively.

In the market approach, we utilized the guideline company method, which involved calculating valuation revenue multiples based on operating data from guideline publicly traded companies. Multiples derived from guideline companies provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. These multiples were evaluated and adjusted based on specific characteristics of the Strategy and Innovation and Life Sciences reporting units relative to the selected guideline companies and applied to the reporting units' operating data to arrive at an indication of value. The range of revenue multiples used in the valuation of the Strategy and Innovation and Life Sciences reporting units was 1.20x to 1.70x and 0.30x to 0.40x, respectively.

Concurrently with the goodwill impairment tests performed over the Strategy and Innovation and Life Sciences reporting units, we evaluated whether any indicators exist that would lead us to believe that the fair values of our Healthcare, Education, and Business Advisory reporting units may not exceed their carrying values. Based on our internal projections, consideration of the impact of the COVID-19 pandemic on these reporting units, and review of the amounts by which the fair values of these reporting units exceeded their carrying values in the most recent quantitative goodwill impairment analysis performed, we did not identify any indicators that would lead us to believe that the fair values of these reporting units may not exceed their carrying values as of March 31, 2020.

In connection with the goodwill impairment tests performed on the Strategy and Innovation and Life Sciences reporting units as of March 31, 2020, we performed impairment tests on the long-lived assets allocated to the asset groups of the Strategy and Innovation and Life Sciences reporting units. Based on the impairment tests performed, we concluded that the long-lived assets allocated to the asset groups were not impaired as of March 31, 2020. We did not identify any indicators that would lead us to believe that the carrying values of the long-lived assets allocated to our other asset groups may not be recoverable as of March 31, 2020.

In the second and third quarters of 2020, we did not identify any indicators that would lead us to believe that the fair values of any of our reporting units may not exceed their carrying values, nor did we identify any indicators that would lead us to believe that the carrying values of the long-lived assets allocated to our asset groups may not be recoverable.

Intangible Assets

Intangible assets as of September 30, 2020 and December 31, 2019 consisted of the following:

	Useful Life (in years)	As of September 30, 2020		As of December 31, 2019	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	3 to 13	\$ 83,287	\$ 64,757	\$ 87,577	\$ 61,882
Trade names	5 to 6	28,930	26,788	28,930	25,894
Technology and software	5	5,800	5,053	5,694	4,321
Non-competition agreements	5	1,880	1,441	2,220	1,447
Customer contracts	2	800	408	800	52
Total		<u>\$ 120,697</u>	<u>\$ 98,447</u>	<u>\$ 125,221</u>	<u>\$ 93,596</u>

Identifiable intangible assets with finite lives are amortized over their estimated useful lives. Customer relationships and customer contracts, as well as certain trade names and technology and software, are amortized on an accelerated basis to correspond to the cash flows expected to be derived from the assets. All other intangible assets with finite lives are amortized on a straight-line basis.

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Intangible asset amortization expense was \$3.2 million and \$4.2 million for the three months ended September 30, 2020 and 2019, respectively; and \$9.6 million and \$13.0 million for the nine months ended September 30, 2020 and 2019. The table below sets forth the estimated annual amortization expense for the intangible assets recorded as of September 30, 2020.

Year Ending December 31,	Estimated Amortization Expense	
2020	\$	12,635
2021	\$	8,422
2022	\$	6,186
2023	\$	3,582
2024	\$	797

Actual future amortization expense could differ from these estimated amounts as a result of future acquisitions, dispositions, and other factors.

5. Revenues

For the three months ended September 30, 2020 and 2019, we recognized revenues of \$205.3 million and \$219.3 million, respectively. Of the \$205.3 million recognized in the third quarter of 2020, we recognized revenues of \$7.4 million from obligations satisfied, or partially satisfied, in prior periods, of which \$5.7 million was primarily due to the release of allowances on unbilled services as a result of securing contract amendments and \$1.7 million was due to changes in the estimates of our variable consideration under performance-based billing arrangements. Of the \$219.3 million recognized in the third quarter of 2019, we recognized revenues of \$4.8 million from obligations satisfied, or partially satisfied, in prior periods, of which \$3.7 million was primarily due to the release of allowances on unbilled services as a result of securing contract amendments and \$1.1 million was due to changes in the estimates of our variable consideration under performance-based billing arrangements.

For the nine months ended September 30, 2020 and 2019, we recognized revenues of \$645.8 million and \$644.5 million, respectively. Of the \$645.8 million recognized in the first nine months of 2020, we recognized revenues of \$11.0 million from obligations satisfied, or partially satisfied, in prior periods, of which \$6.5 million was due to changes in the estimates of our variable consideration under performance-based billing arrangements and \$4.5 million was primarily due to the release of allowances on unbilled services as a result of securing contract amendments. Of the \$644.5 million recognized in the first nine months of 2019, we recognized revenues of \$2.6 million from obligations satisfied, or partially satisfied, in prior periods, primarily due to the release of allowances on unbilled services due to securing contract amendments. During the first nine months of 2019, we recognized a \$1.4 million decrease to revenues due to changes in the estimates of our variable consideration under performance-based billing arrangements.

As of September 30, 2020, we had \$67.9 million of remaining performance obligations under engagements with original expected durations greater than one year. These remaining performance obligations exclude obligations under contracts with an original expected duration of one year or less, variable consideration which has been excluded from the total transaction price due to the constraint, and performance obligations under time-and-expense engagements which are recognized in the amount invoiced. Of the \$67.9 million of performance obligations, we expect to recognize approximately \$14.5 million as revenue in 2020, \$34.2 million in 2021, and the remaining \$19.2 million thereafter. Actual revenue recognition could differ from these amounts as a result of changes in the estimated timing of work to be performed, adjustments to estimated variable consideration in performance-based arrangements, or other factors.

Contract Assets and Liabilities

The payment terms and conditions in our customer contracts vary. Differences between the timing of billings and the recognition of revenue are recognized as either unbilled services or deferred revenues in the consolidated balance sheets.

Unbilled services include revenues recognized for services performed but not yet billed to clients. Services performed that we are not yet entitled to bill because certain events, such as the completion of the measurement period or client approval in performance-based engagements, must occur are recorded as contract assets and included within unbilled services, net. The contract asset balance as of September 30, 2020 and December 31, 2019 was \$13.4 million and \$12.6 million, respectively. The \$0.8 million increase primarily reflects timing differences between the completion of our performance obligations and the amounts billed or billable to clients in accordance with their contractual billing terms.

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Client prepayments and retainers are classified as deferred revenues and recognized over future periods in accordance with the applicable engagement agreement and our revenue recognition policy. Our deferred revenues balance as of September 30, 2020 and December 31, 2019, was \$31.8 million and \$28.4 million, respectively. The \$3.4 million increase primarily reflects timing differences between client payments in accordance with their contract terms and the completion of our performance obligations. For the three and nine months ended September 30, 2020, \$3.0 million and \$24.3 million, respectively, of revenues recognized were included in the deferred revenue balance as of December 31, 2019.

6. Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period, excluding unvested restricted common stock. Diluted earnings per share reflects the potential reduction in earnings per share that could occur if securities or other contracts to issue common stock were exercised or converted into common stock under the treasury stock method. Such securities or other contracts include unvested restricted stock awards, outstanding common stock options, convertible senior notes, and outstanding warrants, to the extent dilutive. In periods for which we report a net loss from continuing operations, diluted weighted average common shares outstanding excludes all potential common stock equivalents as their impact on diluted net loss from continuing operations per share would be anti-dilutive. Earnings (loss) per share under the basic and diluted computations are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss) from continuing operations	\$ 11,087	\$ 13,706	\$ (17,614)	\$ 27,625
Loss from discontinued operations, net of tax	(29)	(52)	(89)	(195)
Net income (loss)	<u>\$ 11,058</u>	<u>\$ 13,654</u>	<u>\$ (17,703)</u>	<u>\$ 27,430</u>
Weighted average common shares outstanding – basic	21,905	22,052	21,868	21,973
Weighted average common stock equivalents	270	509	—	452
Weighted average common shares outstanding – diluted	<u>22,175</u>	<u>22,561</u>	<u>21,868</u>	<u>22,425</u>
Net earnings (loss) per basic share:				
Net income (loss) from continuing operations	\$ 0.50	\$ 0.62	\$ (0.81)	\$ 1.26
Loss from discontinued operations, net of tax	—	—	—	(0.01)
Net income (loss)	<u>\$ 0.50</u>	<u>\$ 0.62</u>	<u>\$ (0.81)</u>	<u>\$ 1.25</u>
Net earnings (loss) per diluted share:				
Net income (loss) from continuing operations	\$ 0.50	\$ 0.61	\$ (0.81)	\$ 1.23
Loss from discontinued operations, net of tax	—	—	—	(0.01)
Net income (loss)	<u>\$ 0.50</u>	<u>\$ 0.61</u>	<u>\$ (0.81)</u>	<u>\$ 1.22</u>

The number of anti-dilutive securities excluded from the computation of the weighted average common stock equivalents presented above were as follows:

	As of September 30,	
	2020	2019
Unvested restricted stock awards	59	—
Convertible senior notes	—	3,129
Warrants related to the issuance of convertible senior notes	—	3,129
Total anti-dilutive securities	<u>59</u>	<u>6,258</u>

See Note 7 “Financing Arrangements” for further information on the convertible senior notes and warrants related to the issuance of convertible notes.

As of September 30, 2020, we had a share repurchase program permitting us to repurchase up to \$125 million of our common stock through October 31, 2020 (the “Share Repurchase Program”). In the first quarter of 2020, we repurchased and retired 313,998 shares for \$20.9

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million. The 313,998 shares repurchased and retired in the first quarter of 2020 were reflected as a reduction to our basic weighted average shares outstanding for the quarter ended March 31, 2020 based on the trade date of the share repurchase. Additionally, in the first quarter of 2020, we settled the repurchase of 18,000 shares for \$1.2 million that were accrued as of December 31, 2019. These shares were reflected as a reduction to our basic weighted average shares outstanding in the fourth quarter of 2019 based on the trade date of the share repurchase. No shares were repurchased during the second or third quarters of 2020 nor were any shares repurchased during the first nine months of 2019. As of September 30, 2020, less than \$0.1 million remained available for share repurchases. The Share Repurchase Program expired on October 31, 2020.

7. Financing Arrangements

A summary of the carrying amounts of our debt follows:

	September 30, 2020	December 31, 2019
Senior secured credit facility	\$ 248,000	\$ 205,000
Promissory note due 2024	3,457	3,853
Total long-term debt	\$ 251,457	\$ 208,853
Current maturities of long-term debt	(540)	(529)
Long-term debt, net of current portion	\$ 250,917	\$ 208,324

Below is a summary of the scheduled remaining principal payments of our debt as of September 30, 2020.

	Principal Payments of Long-Term Debt
2020	\$ 133
2021	\$ 544
2022	\$ 559
2023	\$ 575
2024	\$ 249,646

Convertible Notes

In September 2014, the Company issued \$250 million principal amount of 1.25% convertible senior notes due 2019 (the "Convertible Notes") in a private offering. The Convertible Notes were governed by the terms of an indenture between the Company and U.S. Bank National Association, as Trustee (the "Indenture"). The Convertible Notes were senior unsecured obligations of the Company and paid interest semi-annually on April 1 and October 1 of each year at an annual rate of 1.25%.

Prior to maturity, upon conversion, the Convertible Notes would have been settled, at our election, in cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock. Our intent and policy was to settle conversions with a combination of cash and shares of common stock with the principal amount of the Convertible Notes paid in cash, in accordance with the settlement provisions of the Indenture.

Upon issuance, we separated the Convertible Notes into liability and equity components. The carrying value of the equity component representing the conversion option, which was recognized as a debt discount, was determined by deducting the fair value of the liability component from the proceeds of the Convertible Notes. The debt discount was amortized to interest expense using an effective interest rate of 4.751% over the term of the Convertible Notes. The equity component was not remeasured as it continued to meet the conditions for equity classification.

The transaction costs related to the issuance of the Convertible Notes were separated into liability and equity components based on their relative values. Transaction costs attributable to the liability component were recorded as a deduction to the carrying amount of the liability and amortized to interest expense over the term of the Convertible Notes; and transaction costs attributable to the equity component were netted with the equity component of the Convertible Notes in stockholders' equity.

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The following table presents the amount of interest expense recognized related to the Convertible Notes for the periods presented.

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Contractual interest coupon	\$ 781	\$ 2,344
Amortization of debt discount	2,171	6,436
Amortization of debt issuance costs	317	947
Total interest expense	\$ 3,269	\$ 9,727

In connection with the issuance of the Convertible Notes, we entered into convertible note hedge transactions and warrant transactions. The convertible note hedge transactions were intended to reduce the potential future economic dilution associated with the conversion of the Convertible Notes and, combined with the warrants, effectively raised the price at which economic dilution would occur from the initial conversion price of approximately \$79.89 to approximately \$97.12 per share. The convertible note hedge transactions expired in the third quarter of 2019. The holders of the warrants had the option to purchase an initial total of approximately 3.1 million shares of the Company's common stock at a strike price of approximately \$97.12. The warrants expired in the second quarter of 2020. If the average market value per share of our common stock for the reporting period exceeded the strike price of the warrants, the warrants would have had a dilutive effect on our earnings per share. The warrants were separate transactions and were not part of the terms of the Convertible Notes or the convertible note hedge transactions.

Senior Secured Credit Facility

The Company has a \$600 million senior secured revolving credit facility, subject to the terms of a Second Amended and Restated Credit Agreement dated as of March 31, 2015, as amended to date (as amended and modified the "Amended Credit Agreement"), that becomes due and payable in full upon maturity on September 27, 2024. The Amended Credit Agreement provides the option to increase the revolving credit facility or establish term loan facilities in an aggregate amount of up to \$150 million, subject to customary conditions and the approval of any lender whose commitment would be increased, resulting in a maximum available principal amount under the Amended Credit Agreement of \$750 million. The initial borrowings under the Amended Credit Agreement were used to refinance borrowings outstanding under a prior credit agreement, and future borrowings under the Amended Credit Agreement may be used for working capital, capital expenditures, acquisitions of businesses, share repurchases, and general corporate purposes.

Fees and interest on borrowings vary based on our Consolidated Leverage Ratio (as defined in the Amended Credit Agreement). At our option, borrowings under the Amended Credit Agreement will bear interest at one, two, three or six-month LIBOR or an alternate base rate, in each case plus the applicable margin. The applicable margin will fluctuate between 1.125% per annum and 1.875% per annum, in the case of LIBOR borrowings, or between 0.125% per annum and 0.875% per annum, in the case of base rate loans, based upon our Consolidated Leverage Ratio at such time.

Amounts borrowed under the Amended Credit Agreement may be prepaid at any time without premium or penalty. We are required to prepay the amounts outstanding under the Amended Credit Agreement in certain circumstances, including upon an Event of Default (as defined in the Amended Credit Agreement). In addition, we have the right to permanently reduce or terminate the unused portion of the commitments provided under the Amended Credit Agreement at any time.

The loans and obligations under the Amended Credit Agreement are secured pursuant to a Second Amended and Restated Security Agreement and a Second Amended and Restated Pledge Agreement (as amended, the "Pledge Agreement") with Bank of America, N.A. as collateral agent, pursuant to which the Company and the subsidiary guarantors grant Bank of America, N.A., for the ratable benefit of the lenders under the Amended Credit Agreement, a first-priority lien, subject to permitted liens, on substantially all of the personal property assets of the Company and the subsidiary guarantors, and a pledge of 100% of the stock or other equity interests in all domestic subsidiaries and 65% of the stock or other equity interests in each "material first-tier foreign subsidiary" (as defined in the Pledge Agreement).

The Amended Credit Agreement contains usual and customary representations and warranties; affirmative and negative covenants, which include limitations on liens, investments, additional indebtedness, and restricted payments; and two quarterly financial covenants as follows: (i) a maximum Consolidated Leverage Ratio (defined as the ratio of debt to consolidated EBITDA) of 3.75 to 1.00; however the maximum permitted Consolidated Leverage Ratio will increase to 4.00 to 1.00 upon the occurrence of certain transactions, and (ii) a minimum Consolidated Interest Coverage Ratio (defined as the ratio of consolidated EBITDA to interest) of 3.50 to 1.00. Consolidated EBITDA for purposes of the financial covenants is calculated on a continuing operations basis and includes adjustments to add back non-cash goodwill impairment charges, share-based compensation costs, certain non-cash restructuring charges, pro forma historical EBITDA for businesses acquired, and other specified items in accordance with the Amended Credit Agreement. For purposes of the Consolidated Leverage Ratio,

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total debt is on a gross basis and is not netted against our cash balances. At September 30, 2020, we were in compliance with these financial covenants with a Consolidated Leverage Ratio of 2.09 to 1.00 and a Consolidated Interest Coverage Ratio of 13.19 to 1.00.

Borrowings outstanding under the Amended Credit Agreement at September 30, 2020 totaled \$248.0 million. These borrowings carried a weighted average interest rate of 2.5%, including the effect of the interest rate swaps described in Note 9 "Derivative Instruments and Hedging Activity." Borrowings outstanding under the Amended Credit Agreement at December 31, 2019 were \$205.0 million and carried a weighted average interest rate of 3.0%, including the effect of the interest rate swap outstanding at the time and described in Note 9 "Derivative Instruments and Hedging Activity." The borrowing capacity under the revolving credit facility is reduced by any outstanding borrowings under the revolving credit facility and outstanding letters of credit. At September 30, 2020, we had outstanding letters of credit totaling \$1.7 million, which are primarily used as security deposits for our office facilities. As of September 30, 2020, the unused borrowing capacity under the revolving credit facility was \$350.3 million.

Promissory Note due 2024

On June 30, 2017, in conjunction with our purchase of an aircraft related to the acquisition of Innosight, we assumed, from the sellers of the aircraft, a promissory note with an outstanding principal balance of \$5.1 million. The principal balance of the promissory note is subject to scheduled monthly principal payments until the maturity date of March 1, 2024, at which time a final payment of \$1.5 million, plus any accrued and unpaid interest, will be due. Under the terms of the promissory note, we will pay interest on the outstanding principal amount at a rate of one month LIBOR plus 1.97% per annum. The obligations under the promissory note are secured pursuant to a Loan and Aircraft Security Agreement with Banc of America Leasing & Capital, LLC, which grants the lender a first priority security interest in the aircraft. At September 30, 2020, the outstanding principal amount of the promissory note was \$3.5 million, and the aircraft had a carrying amount of \$4.6 million. At December 31, 2019, the outstanding principal amount of the promissory note was \$3.9 million, and the aircraft had a carrying amount of \$5.1 million.

8. Restructuring Charges

Restructuring charges for the three and nine months ended September 30, 2020 were \$0.1 million and \$1.8 million, respectively. The \$0.1 million charge recognized in the third quarter of 2020 primarily related to rent and related expenses, net of sublease income, for vacated office spaces. Restructuring charges recognized in the first nine months of 2020 include a \$1.2 million accrual for the termination of a third-party advisor agreement, \$0.3 million related to workforce reductions to better align resources with market demand, \$0.2 million related to rent and related expenses, net of sublease income, for vacated office spaces, and \$0.1 million related to workforce reductions in our corporate operations.

Restructuring charges for the three and nine months ended September 30, 2019 were \$0.1 million and \$2.2 million, respectively. The \$0.1 million charge recognized in the third quarter of 2019 primarily related to workforce reductions as we continued to better align resources with market demand. During the nine months ended September 30, 2019, we exited a portion of our Lake Oswego, Oregon corporate office resulting in a \$0.7 million lease impairment charge on the operating lease right-of-use asset and leasehold improvements and \$0.2 million of accelerated depreciation on furniture and fixtures in that office. Additionally, during the nine months ended September 30, 2019, we exited the remaining portion of our Middleton, Wisconsin office and an office space in Houston, Texas, resulting in restructuring charges of \$0.4 million and \$0.1 million, respectively, which primarily consisted of accelerated depreciation on furniture and fixtures in those offices. The restructuring charges for the nine months ended September 30, 2019 also include \$0.2 million related to workforce reductions as we continue to better align resources with market demand and \$0.2 million related to workforce reductions in our corporate operations.

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The table below sets forth the changes in the carrying amount of our restructuring charge liability by restructuring type for the nine months ended September 30, 2020.

	Employee Costs	Office Space Reductions	Other	Total
Balance as of December 31, 2019	\$ 68	\$ 91	\$ —	\$ 159
Additions	412	—	1,188	1,600
Payments	(477)	—	(264)	(741)
Adjustments	4	(6)	—	(2)
Balance as of September 30, 2020	<u>\$ 7</u>	<u>\$ 85</u>	<u>\$ 924</u>	<u>\$ 1,016</u>

The restructuring charge liability related to employee costs at September 30, 2020 is expected to be paid in the next 12 months and is included as a component of accrued payroll and related benefits. The \$0.1 million restructuring charge liability related to office space reductions at September 30, 2020 is included as a component of accrued expenses and other current liabilities and deferred compensation and other liabilities. The \$0.9 million other restructuring charge liability at September 30, 2020 is related to the termination of a third-party advisor agreement and is expected to be paid over the next 28 months and is included as a component of accrued expenses and other current liabilities and deferred compensation and other liabilities.

9. Derivative Instruments and Hedging Activity

On June 22, 2017, we entered into a forward interest rate swap agreement effective August 31, 2017 and ending August 31, 2022, with a notional amount of \$50.0 million. We entered into this derivative instrument to hedge against the interest rate risks of our variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one month LIBOR and we pay to the counterparty a fixed rate of 1.900%.

On January 30, 2020, we entered into a forward interest rate swap agreement effective December 31, 2019 and ending December 31, 2024, with a notional amount of \$50.0 million. We entered into this derivative instrument to further hedge against the interest rate risks of our variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one month LIBOR and we pay to the counterparty a fixed rate of 1.500%.

On March 16, 2020, we entered into a forward interest rate swap agreement effective February 28, 2020 and ending February 28, 2025, with a notional amount of \$100.0 million. We entered into this derivative instrument to further hedge against the interest rate risks of our variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one month LIBOR and we pay to the counterparty a fixed rate of 0.885%.

We recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. We have designated these derivative instruments as cash flow hedges. Therefore, changes in the fair value of the derivative instruments are recorded to other comprehensive income ("OCI") to the extent effective and reclassified into interest expense upon settlement. As of September 30, 2020, it was anticipated that \$1.7 million of the losses, net of tax, currently recorded in accumulated other comprehensive income will be reclassified into earnings within the next 12 months.

The table below sets forth additional information relating to the interest rate swaps designated as a cash flow hedging instrument as of September 30, 2020 and December 31, 2019.

Balance Sheet Location	Fair Value (Derivative Asset and Liability)	
	September 30, 2020	December 31, 2019
Accrued expenses and other current liabilities	\$ 1,977	\$ 159
Deferred compensation and other liabilities	\$ 3,475	\$ 387

All of our derivative instruments are transacted under the International Swaps and Derivatives Association (ISDA) master agreements. These agreements permit the net settlement of amounts owed in the event of default and certain other termination events. Although netting is permitted, it is our policy to record all derivative assets and liabilities on a gross basis on our consolidated balance sheet.

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We do not use derivative instruments for trading or other speculative purposes. Refer to Note 11 "Other Comprehensive Income (Loss)" for additional information on our derivative instruments.

10. Fair Value of Financial Instruments

Certain of our assets and liabilities are measured at fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value and requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy consists of three levels based on the objectivity of the inputs as follows:

Level 1 Inputs	Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
Level 2 Inputs	Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3 Inputs	Unobservable inputs for the asset or liability, and include situations in which there is little, if any, market activity for the asset or liability.

The table below sets forth our fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2020 and December 31, 2019.

	Level 1	Level 2	Level 3	Total
September 30, 2020				
Assets:				
Convertible debt investment	\$ —	\$ —	\$ 61,122	\$ 61,122
Deferred compensation assets	—	30,477	—	30,477
Total assets	\$ —	\$ 30,477	\$ 61,122	\$ 91,599
Liabilities:				
Interest rate swaps	\$ —	\$ 5,452	\$ —	\$ 5,452
Total liabilities	\$ —	\$ 5,452	\$ —	\$ 5,452
December 31, 2019				
Assets:				
Convertible debt investment	\$ —	\$ —	\$ 49,542	\$ 49,542
Deferred compensation assets	—	27,445	—	27,445
Total assets	\$ —	\$ 27,445	\$ 49,542	\$ 76,987
Liabilities:				
Interest rate swap	\$ —	\$ 546	\$ —	\$ 546
Total liabilities	\$ —	\$ 546	\$ —	\$ 546

Interest rate swaps: The fair values of our interest rate swaps were derived using estimates to settle the interest rate swap agreements, which are based on the net present value of expected future cash flows on each leg of the swaps utilizing market-based inputs and a discount rate reflecting the risks involved.

Convertible debt investment: In 2014 and 2015, we invested \$27.9 million, in the form of zero coupon convertible debt (the "initial convertible notes"), in Shorelight Holdings, LLC ("Shorelight"), the parent company of Shorelight, a U.S.-based company that partners with leading nonprofit universities to increase access to and retention of international students, boost institutional growth, and enhance an institution's global footprint. In the first quarter of 2020, we invested an additional \$13.0 million, in the form of 1.69% convertible debt with a senior liquidation preference to the initial convertible notes (the "additional convertible note"); and amended our initial convertible notes to include a coupon rate of 1.69% and extend the maturity date to January 17, 2024, which coincides with the maturity date of the additional convertible note.

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To determine the appropriate accounting treatment for our investment, we performed a variable interest entity ("VIE") analysis and concluded that Shorelight does not meet the definition of a VIE. We also reviewed the characteristics of our investment to confirm that the convertible notes are not in-substance common stock that would warrant equity method accounting. After we reviewed all of the terms of the investment, we concluded the appropriate accounting treatment to be that of an available-for-sale debt security.

The investment is carried at fair value with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income. We estimate the fair value of our investment using a scenario-based approach in the form of a hybrid analysis that consists of a Monte Carlo simulation model and an expected return analysis. The conclusion of value for our investment is based on the probability weighted assessment of both scenarios. The hybrid analysis utilizes certain assumptions including the assumed holding period through the maturity date of January 17, 2024, the applicable waterfall distribution at the end of the expected holding period based on the rights and privileges of the various instruments, cash flow projections discounted at the risk-adjusted rate of 24.0%, and the concluded equity volatility of 42.5%, all of which are Level 3 inputs. The valuation of our investment as of December 31, 2019 takes into consideration the equity value indication as well as the dilutive impact of the convertible debt issued by Shorelight in the first quarter of 2020, the terms of which were known or knowable as of December 31, 2019. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the investment, which would result in different impacts to our consolidated balance sheet and comprehensive income. Actual results may differ from our estimates. The fair value of the convertible debt investment is recorded in long-term investments on our consolidated balance sheets.

The table below sets forth the changes in the balance of the convertible debt investment for the nine months ended September 30, 2020.

	Convertible Debt Investment	
Balance as of December 31, 2019	\$	49,542
Purchases		13,000
Change in fair value of convertible debt investment		(1,420)
Balance as of September 30, 2020	\$	<u>61,122</u>

Deferred compensation assets: We have a non-qualified deferred compensation plan (the "Plan") for the members of our board of directors and a select group of our employees. The deferred compensation liability is funded by the Plan assets, which consist of life insurance policies maintained within a trust. The cash surrender value of the life insurance policies approximates fair value and is based on third-party broker statements which provide the fair value of the life insurance policies' underlying investments, which are Level 2 inputs. The cash surrender value of the life insurance policies is invested primarily in mutual funds. The Plan assets are included in other non-current assets on our consolidated balance sheets. Realized and unrealized gains (losses) from the deferred compensation assets are recorded to other income (expense), net in our consolidated statements of operations.

Financial assets and liabilities not recorded at fair value are as follows:

Preferred Stock Investment

In the fourth quarter of 2019, we invested \$5.0 million, in the form of preferred stock, in Medically Home Group, Inc. ("Medically Home"), a healthcare technology-enabled services company. To determine the appropriate accounting treatment for our investment, we performed a VIE analysis and concluded that Medically Home does not meet the definition of a VIE. We also reviewed the characteristics of our investment to confirm that the preferred stock is not in-substance common stock that would warrant equity method accounting. After we reviewed all of the terms of the investment, we concluded the appropriate accounting treatment for our investment in Medically Home to be that of an equity security with no readily determinable fair value. We elected to apply the measurement alternative at the time of the purchase and will continue to do so until the investment does not qualify to be so measured. Under the measurement alternative, the investment is carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment in Medically Home. On a quarterly basis, we review the information available to determine whether an orderly and observable transaction for the same or similar equity instrument occurred, and remeasure the fair value of the preferred stock using such identified transactions, with changes in the fair value recorded in consolidated statement of operations. Following our purchase, there has been no impairment, nor any observable price changes to our investment.

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Senior Secured Credit Facility

The carrying value of our borrowings outstanding under our senior secured credit facility is stated at cost. Our carrying value approximates fair value, using Level 2 inputs, as the senior secured credit facility bears interest at variable rates based on current market rates as set forth in the Amended Credit Agreement. Refer to Note 7 "Financing Arrangements" for additional information on our senior secured credit facility.

Promissory Note due 2024

The carrying value of our promissory note due 2024 is stated at cost. Our carrying value approximates fair value, using Level 2 inputs, as the promissory note bears interest at rates based on current market rates as set forth in the terms of the promissory note. Refer to Note 7 "Financing Arrangements" for additional information on our promissory note due 2024.

Cash and Cash Equivalents and Other Financial Instruments

Cash and cash equivalents are stated at cost, which approximates fair market value. The carrying values of all other financial instruments not described above reasonably approximate fair market value due to the nature of the financial instruments and the short-term maturity of these items.

11. Other Comprehensive Income (Loss)

The table below sets forth the components of other comprehensive income (loss), net of tax, for the three and nine months ended September 30, 2020 and 2019.

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Other comprehensive income (loss):						
Foreign currency translation adjustments	\$ 381	\$ —	\$ 381	\$ (630)	\$ —	\$ (630)
Unrealized gain (loss) on investment	\$ 6,598	\$ (1,713)	\$ 4,885	\$ 1,586	\$ (418)	\$ 1,168
Unrealized gain (loss) on cash flow hedges:						
Change in fair value	\$ (903)	\$ 234	\$ (669)	\$ (158)	\$ 42	\$ (116)
Reclassification adjustments into earnings	576	(150)	426	(46)	13	(33)
Net unrealized gain (loss)	\$ (327)	\$ 84	\$ (243)	\$ (204)	\$ 55	\$ (149)
Other comprehensive income (loss)	\$ 6,652	\$ (1,629)	\$ 5,023	\$ 752	\$ (363)	\$ 389

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Other comprehensive income (loss):						
Foreign currency translation adjustments	\$ (294)	\$ —	\$ (294)	\$ (673)	\$ —	\$ (673)
Unrealized gain (loss) on investment	\$ (1,420)	\$ 369	\$ (1,051)	\$ 10,514	\$ (2,774)	\$ 7,740
Unrealized gain (loss) on cash flow hedges:						
Change in fair value	\$ (5,815)	\$ 1,510	\$ (4,305)	\$ (1,164)	\$ 308	\$ (856)
Reclassification adjustments into earnings	909	(237)	672	(192)	50	(142)
Net unrealized gain (loss)	\$ (4,906)	\$ 1,273	\$ (3,633)	\$ (1,356)	\$ 358	\$ (998)
Other comprehensive income (loss)	\$ (6,620)	\$ 1,642	\$ (4,978)	\$ 8,485	\$ (2,416)	\$ 6,069

The before tax amounts reclassified from accumulated other comprehensive income related to our cash flow hedges are recorded to interest expense, net of interest income.

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Accumulated other comprehensive income, net of tax, includes the following components:

	Foreign Currency Translation	Available-for-Sale Investment	Cash Flow Hedges	Total
Balance, December 31, 2019	\$ (566)	\$ 15,882	\$ (380)	\$ 14,936
Current period change	(294)	(1,051)	(3,633)	(4,978)
Balance, September 30, 2020	\$ (860)	\$ 14,831	\$ (4,013)	\$ 9,958

12. Income Taxes

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act is a nearly \$2 trillion emergency economic stimulus package in response to the COVID-19 outbreak, which among other items, includes income tax provisions relating to net operating loss carryback periods and technical corrections to tax depreciation methods for qualified improvement property. As a result of the enactment of this legislation during the first quarter of 2020, we recorded a tax benefit of \$0.8 million related to the remeasurement of a portion of our income tax receivable due to the ability to apply the federal net operating loss incurred in 2018 to prior year income for a refund at a higher tax rate in the carryback period.

We apply an estimated annual effective tax rate to our year-to-date operating results to determine the interim provision for income tax expense. In addition, we recognize taxes related to unusual or infrequent items or resulting from a change in judgment regarding a position taken in a prior year as discrete items in the interim period in which the event occurs.

For the three months ended September 30, 2020, our effective tax rate was 17.7% as we recognized income tax expense from continuing operations of \$2.4 million on income from continuing operations of \$13.5 million. The effective tax rate of 17.7% was more favorable than the statutory rate, inclusive of state income taxes, of 26.0%, primarily due to the current year-to-date pre-tax losses and the impact during the quarter of certain nondeductible expense items, including the nondeductible portion of the goodwill impairment charges, based on the attribution of those expenses to the quarter in accordance with the allocation of income tax expense on a current year-to-date basis. The effective tax rate also reflected the positive impact of certain federal tax credits.

For the three months ended September 30, 2019, our effective tax rate was 15.0% as we recognized income tax expense from continuing operations of \$2.4 million on income from continuing operations of \$16.1 million. The effective tax rate of 15.0% was more favorable than the statutory rate, inclusive of state income taxes, of 26.4%, primarily due to a discrete tax benefit for U.S. federal return to provision adjustments related to the 2018 corporate income tax return. In addition, we recognized a discrete tax benefit related to a previously unrecognized tax benefit due to the expiration of statute of limitations on our "check-the-box" election made in 2015 to treat certain wholly-owned foreign subsidiaries as disregarded entities for U.S. federal income tax purposes.

For the nine months ended September 30, 2020, our effective tax rate was 23.5% as we recognized an income tax benefit from continuing operations of \$5.4 million on a loss from continuing operations of \$23.0 million. The effective tax rate of 23.5% was less favorable than the statutory rate, inclusive of state income taxes, of 26.0%, primarily due to certain nondeductible business expenses and the nondeductible portion of the goodwill impairment charges recorded during the first quarter of 2020. These unfavorable items were partially offset by a discrete tax benefit for share-based compensation awards that vested primarily during the first quarter, the positive impact of certain federal tax credits, and the discrete tax benefit for the remeasurement of a portion of our income tax receivable as a result of the enactment of the CARES Act in the first quarter of 2020.

For the nine months ended September 30, 2019, our effective tax rate was 20.8% as we recognized income tax expense from continuing operations of \$7.3 million on income from continuing operations of \$34.9 million. The effective tax rate of 20.8% was more favorable than the statutory rate, inclusive of state income taxes, of 26.4%, primarily due to a discrete tax benefit recognized primarily in the third quarter of 2019 related to U.S. federal and foreign return to provision adjustments. In addition, we recognized a discrete tax benefit in the third quarter of 2019 related to a previously unrecognized tax benefit due to the expiration of statute of limitations on our "check-the-box" election made in 2015 to treat certain wholly-owned foreign subsidiaries as disregarded entities for U.S. federal income tax purposes.

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13. Commitments, Contingencies and Guarantees

Litigation

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. As of the date of this Quarterly Report on Form 10-Q, we are not a party to any litigation or legal proceeding that, in the current opinion of management, could have a material adverse effect on our financial position or results of operations. However, due to the risks and uncertainties inherent in legal proceedings, actual results could differ from current expected results.

Guarantees

Guarantees in the form of letters of credit totaling \$1.7 million were outstanding at both September 30, 2020 and December 31, 2019, primarily to support certain office lease obligations.

In connection with certain business acquisitions, we may be required to pay post-closing consideration to the sellers if specific financial performance targets are met over a number of years as specified in the related purchase agreements. As of September 30, 2020 and December 31, 2019, the total estimated fair value of our contingent consideration liability was zero.

To the extent permitted by law, our bylaws and articles of incorporation require that we indemnify our officers and directors against judgments, fines and amounts paid in settlement, including attorneys' fees, incurred in connection with civil or criminal action or proceedings, as it relates to their services to us if such person acted in good faith. Although there is no limit on the amount of indemnification, we may have recourse against our insurance carrier for certain payments made.

14. Segment Information

Segments are defined as components of a company that engage in business activities from which they may earn revenues and incur expenses, and for which separate financial information is available and is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker, who is our chief executive officer, manages the business under three operating segments, which are our reportable segments: Healthcare, Business Advisory, and Education.

- **Healthcare**

Our Healthcare segment has a depth of expertise in financial and operational improvement, care transformation, culture and organizational excellence, strategy, and technology and analytics. We serve national and regional hospitals, integrated health systems, academic medical centers, community hospitals, and medical groups. Our solutions help clients evolve and adapt to the rapidly changing healthcare environment and achieve growth, optimize performance, enhance profitability, improve quality and clinical outcomes, align leaders, improve organizational culture, and drive physician, patient, and employee engagement across the enterprise to deliver better consumer outcomes.

We help organizations transform and innovate their delivery model to focus on patient wellness by improving quality outcomes, minimizing care variation and fundamentally improving patient and population health. Our consultants partner with clients to help build and sustain today's business to invest in the future by reducing complexity, improving operational efficiency and growing market share. We enable the healthcare of the future by identifying, integrating and optimizing technology investments to collect data that transforms care delivery and improves patient outcomes. We also develop future leaders capable of driving meaningful cultural and organizational change and who transform the consumer experience.

- **Business Advisory**

Our Business Advisory segment provides services to large and middle market organizations, lending institutions, law firms, investment banks, private equity firms, and not-for-profit organizations, including higher education and healthcare institutions. We assist clients in a broad range of industries and across the spectrum from healthy, well-capitalized companies to organizations in transition, as well as creditors, equity owners, and other key constituents. Our Enterprise Solutions and Analytics experts advise, deliver, and optimize technology and analytics solutions that enable organizations to manage and optimize their financial performance, operational efficiency, and client or stakeholder experience. Our Business Advisory experts resolve complex business issues and enhance client enterprise value through a suite of services including capital advisory, transaction advisory, operational improvement, restructuring and turnaround, valuation, and dispute advisory. Our Strategy and Innovation professionals collaborate with clients across a range of industries to identify new growth opportunities, build new ventures and capabilities, and accelerate

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organizational change. Our Life Sciences professionals provide strategic solutions to help pharmaceutical, medical device, and biotechnology companies deliver more value to patients, payers, and providers, and comply with regulations.

- **Education**

Our Education segment provides consulting and technology solutions to higher education institutions and academic medical centers. We collaborate with clients to address challenges relating to business and technology strategy, financial and operational excellence, student success, research administration, and regulatory compliance. Our research enterprise solutions assist clients in identifying and implementing institutional research strategy, optimizing clinical research operations, improving financial management and cost reimbursement, improving service to faculty, and mitigating risk compliance. Our technology strategy, enterprise applications, and analytics solutions transform and optimize operations, deliver time and cost savings, and enhance the student experience. Our institutional strategy, budgeting and financial management, and business operations align missions with business priorities, improve quality, and reduce costs institution-wide. Our student solutions improve attraction, retention and graduation rates, increase student satisfaction and help generate quality outcomes.

Segment operating income consists of the revenues generated by a segment, less the direct costs of revenue and selling, general and administrative expenses that are incurred directly by the segment. Unallocated corporate costs include costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment. These administrative function costs include costs for corporate office support, certain office facility costs, costs relating to accounting and finance, human resources, legal, marketing, information technology, and company-wide business development functions, as well as costs related to overall corporate management.

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The table below sets forth information about our operating segments for the three and nine months ended September 30, 2020 and 2019, along with the items necessary to reconcile the segment information to the totals reported in the accompanying consolidated financial statements.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Healthcare:				
Revenues	\$ 87,406	\$ 100,000	\$ 268,340	\$ 295,621
Operating income	\$ 25,610	\$ 32,863	\$ 70,831	\$ 94,058
Segment operating income as a percentage of segment revenues	29.3 %	32.9 %	26.4 %	31.8 %
Business Advisory:				
Revenues	\$ 66,048	\$ 62,519	\$ 201,423	\$ 183,602
Operating income	\$ 10,780	\$ 11,942	\$ 37,306	\$ 32,997
Segment operating income as a percentage of segment revenues	16.3 %	19.1 %	18.5 %	18.0 %
Education:				
Revenues	\$ 51,850	\$ 56,770	\$ 176,017	\$ 165,265
Operating income	\$ 12,548	\$ 14,413	\$ 41,792	\$ 43,235
Segment operating income as a percentage of segment revenues	24.2 %	25.4 %	23.7 %	26.2 %
Total Company:				
Revenues	\$ 205,304	\$ 219,289	\$ 645,780	\$ 644,488
Reimbursable expenses	2,860	23,636	25,133	65,787
Total revenues and reimbursable expenses	<u>\$ 208,164</u>	<u>\$ 242,925</u>	<u>\$ 670,913</u>	<u>\$ 710,275</u>
Segment operating income	\$ 48,938	\$ 59,218	\$ 149,929	\$ 170,290
Items not allocated at the segment level:				
Other operating expenses	29,042	32,310	87,826	105,369
Litigation and other gains	—	(630)	(150)	(1,571)
Depreciation and amortization	6,197	6,962	18,635	21,285
Goodwill impairment charges ¹	—	—	59,816	—
Other expense, net	224	4,456	6,829	10,326
Income (loss) from continuing operations before taxes	<u>\$ 13,475</u>	<u>\$ 16,120</u>	<u>\$ (23,027)</u>	<u>\$ 34,881</u>

- (1) The non-cash goodwill impairment charges are not allocated at the segment level because the underlying goodwill asset is reflective of our corporate investment in the segments. We do not include the impact of goodwill impairment charges in our evaluation of segment performance.

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The following table illustrates the disaggregation of revenues by billing arrangements, employee types, and timing of revenue recognition, including a reconciliation of the disaggregated revenues to revenues from our three operating segments for the three and nine months ended September 30, 2020 and 2019.

	Three Months Ended September 30, 2020			
	Healthcare	Business Advisory	Education	Total
<i>Billing Arrangements</i>				
Fixed-fee	\$ 51,491	\$ 20,675	\$ 10,958	\$ 83,124
Time and expense	14,627	40,511	35,214	90,352
Performance-based	15,641	3,671	—	19,312
Software support, maintenance and subscriptions	5,647	1,191	5,678	12,516
Total	\$ 87,406	\$ 66,048	\$ 51,850	\$ 205,304
<i>Employee Type ⁽¹⁾</i>				
Revenue generated by full-time billable consultants	\$ 65,084	\$ 62,340	\$ 44,234	\$ 171,658
Revenue generated by full-time equivalents	22,322	3,708	7,616	33,646
Total	\$ 87,406	\$ 66,048	\$ 51,850	\$ 205,304
<i>Timing of Revenue Recognition</i>				
Revenue recognized over time	\$ 86,413	\$ 66,048	\$ 51,663	\$ 204,124
Revenue recognized at a point in time	993	—	187	1,180
Total	\$ 87,406	\$ 66,048	\$ 51,850	\$ 205,304
Nine Months Ended September 30, 2020				
	Healthcare	Business Advisory	Education	Total
<i>Billing Arrangements</i>				
Fixed-fee	\$ 158,079	\$ 73,442	\$ 35,530	\$ 267,051
Time and expense	43,389	118,364	123,493	285,246
Performance-based	49,042	5,903	695	55,640
Software support, maintenance and subscriptions	17,830	3,714	16,299	37,843
Total	\$ 268,340	\$ 201,423	\$ 176,017	\$ 645,780
<i>Employee Type ⁽¹⁾</i>				
Revenue generated by full-time billable consultants	\$ 188,750	\$ 191,566	\$ 150,857	\$ 531,173
Revenue generated by full-time equivalents	79,590	9,857	25,160	114,607
Total	\$ 268,340	\$ 201,423	\$ 176,017	\$ 645,780
<i>Timing of Revenue Recognition</i>				
Revenue recognized over time	\$ 265,813	\$ 201,423	\$ 175,715	\$ 642,951
Revenue recognized at a point in time	2,527	—	302	2,829
Total	\$ 268,340	\$ 201,423	\$ 176,017	\$ 645,780

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	Three Months Ended September 30, 2019			
	Healthcare	Business Advisory	Education	Total
<i>Billing Arrangements</i>				
Fixed-fee	\$ 65,610	\$ 24,333	\$ 12,418	\$ 102,361
Time and expense	12,307	35,212	39,688	87,207
Performance-based	16,313	1,614	—	17,927
Software support, maintenance and subscriptions	5,770	1,360	4,664	11,794
Total	\$ 100,000	\$ 62,519	\$ 56,770	\$ 219,289
<i>Employee Type ⁽¹⁾</i>				
Revenue generated by full-time billable consultants	\$ 72,142	\$ 60,131	\$ 48,928	\$ 181,201
Revenue generated by full-time equivalents	27,858	2,388	7,842	38,088
Total	\$ 100,000	\$ 62,519	\$ 56,770	\$ 219,289
<i>Timing of Revenue Recognition</i>				
Revenue recognized over time	\$ 98,204	\$ 62,519	\$ 56,274	\$ 216,997
Revenue recognized at a point in time	1,796	—	496	2,292
Total	\$ 100,000	\$ 62,519	\$ 56,770	\$ 219,289
Nine Months Ended September 30, 2019				
	Healthcare	Business Advisory	Education	Total
<i>Billing Arrangements</i>				
Fixed-fee	\$ 188,875	\$ 72,693	\$ 37,926	\$ 299,494
Time and expense	39,345	104,325	114,122	257,792
Performance-based	50,144	2,810	—	52,954
Software support, maintenance and subscriptions	17,257	3,774	13,217	34,248
Total	\$ 295,621	\$ 183,602	\$ 165,265	\$ 644,488
<i>Employee Type ⁽¹⁾</i>				
Revenue generated by full-time billable consultants	\$ 206,508	\$ 177,279	\$ 144,338	\$ 528,125
Revenue generated by full-time equivalents	89,113	6,323	20,927	116,363
Total	\$ 295,621	\$ 183,602	\$ 165,265	\$ 644,488
<i>Timing of Revenue Recognition</i>				
Revenue recognized over time	\$ 289,452	\$ 183,602	\$ 164,164	\$ 637,218
Revenue recognized at a point in time	6,169	—	1,101	7,270
Total	\$ 295,621	\$ 183,602	\$ 165,265	\$ 644,488

(1) Full-time billable consultants consist of our full-time professionals who provide consulting services to our clients and are billable to our clients based on the number of hours worked. Full-time equivalent professionals consist of leadership coaches and their support staff within our Culture and Organizational Excellence solution, consultants who work variable schedules as needed by our clients, and full-time employees who provide software support and maintenance services to our clients.

At September 30, 2020 one client in our Healthcare segment had a total receivable and unbilled services balance that accounted for 15.0% of our combined balance of receivables from clients, net and unbilled services, net. The outstanding balance for this client is the result of outstanding invoices due in the normal course of the contract payment terms and services performed in advance of the contract billing schedule. At December 31, 2019, no single client accounted for greater than 10% of our combined balance of receivables from clients, net and unbilled services, net. During the three and nine months ended September 30, 2020 and 2019, no single client generated greater than 10% of our consolidated revenues.

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15. Subsequent Event

Acquisition of ForceIQ, Inc.

On October 15, 2020, we entered into an agreement to acquire ForceIQ, Inc. ("ForceIQ"), a Salesforce Industries partner focused on helping clients drive digital transformation and innovation at scale powered by the cloud. The acquisition expands our cloud-based technology offerings within the Business Advisory segment. The results of operations of ForceIQ will be included within the Business Advisory segment from the effective close date, November 1, 2020. The acquisition of ForceIQ is not significant to our consolidated financial statements.

Fourth Quarter 2020 Restructuring Plan

On October 29, 2020, we announced a restructuring plan to reduce operating costs to address the impact of the COVID-19 pandemic on our business. The restructuring plan provides for a reduction in workforce and leased office space that is expected to result in initial restructuring charges in a range of approximately \$15.5 million to \$19.5 million. We do not anticipate a material revenue impact related to the restructuring actions.

The reduction in workforce impacts approximately 145 employees across all segments and corporate operations. We expect the reduction in workforce to be substantially complete by the end of the fourth quarter of 2020 and expect to incur an estimated restructuring charge in a range of approximately \$3.5 million to \$4.5 million related to cash payments for employee severance and benefits.

The reduction in leased office space is expected to result in estimated non-cash restructuring charges in a range of approximately \$12.0 million to \$15.0 million, consisting of operating lease right-of-use asset and leasehold improvement impairment charges and accelerated depreciation on other fixed assets. The non-cash restructuring charges related to the reduction in leased office space are expected to be recorded primarily in the fourth quarter of 2020. Future cash expenditures related to the leased office space are expected to continue through 2029. The exact amount and timing of the office space reductions, and the associated payments and expenses, depend on a number of factors, including our ability to terminate or modify existing lease contracts and/or enter into sublease agreements for the exited spaces to lower future cash expenditures.

In addition, in the fourth quarter of 2020, we announced our intent to divest our life sciences drug safety practice, a UK-based business that is part of the Life Sciences reporting unit within our Business Advisory segment. For the nine months ended September 30, 2020, this practice generated \$1.9 million of revenue and is not significant to our consolidated financial statements. We expect the divestiture to be completed in the fourth quarter of 2020.

We believe these measures will better align delivery capacity with anticipated demand and strengthen our financial position amidst the ongoing disruption, creating a foundation from which our business can grow.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms "Huron," "Company," "we," "us" and "our" refer to Huron Consulting Group Inc. and its subsidiaries.

Statements in this Quarterly Report on Form 10-Q that are not historical in nature, including those concerning the Company's current expectations about its future results, are "forward-looking" statements as defined in Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by words such as "may," "should," "expects," "provides," "anticipates," "assumes," "can," "will," "meets," "could," "likely," "intends," "might," "predicts," "seeks," "would," "believes," "estimates," "plans," "continues," "guidance," or "outlook," or similar expressions. These forward-looking statements reflect our current expectations about our future requirements and needs, results, levels of activity, performance, or achievements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation: the impact of the COVID-19 pandemic on the economy, our clients and client demand for our services, and our ability to sell and provide services, including the measures taken by governmental authorities and businesses in response to the pandemic, which may cause or contribute to other risks and uncertainties that we face; failure to achieve expected utilization rates, billing rates, and the number of revenue-generating professionals; inability to expand or adjust our service offerings in response to market demands; our dependence on renewal of client-based services; dependence on new business and retention of current clients and qualified personnel; failure to maintain third-party provider relationships and strategic alliances; inability to license technology to and from third parties; the impairment of goodwill; various factors related to income and other taxes; difficulties in successfully integrating the businesses we acquire and achieving expected benefits from such acquisitions; risks relating to privacy, information security, and related laws and standards; and a general downturn in market conditions. These forward-looking statements involve known and unknown risks, uncertainties, and other factors, including, among others, those described under Item 1A. "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2019 and under Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q, that may cause actual results, levels of activity, performance or achievements to be materially different from any anticipated results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. We disclaim any obligation to update or revise any forward-looking statements as a result of new information or future events, or for any other reason.

OVERVIEW

Our Business

Huron is a global consultancy that collaborates with clients to drive strategic growth, ignite innovation and navigate constant change. Through a combination of strategy, expertise and creativity, we help clients accelerate operational, digital and cultural transformation, enabling the change they need to own their future. By embracing diverse perspectives, encouraging new ideas and challenging the status quo, we create sustainable results for the organizations we serve.

We provide professional services through three operating segments: Healthcare, Business Advisory, and Education.

- **Healthcare**

Our Healthcare segment has a depth of expertise in financial and operational improvement, care transformation, culture and organizational excellence, strategy, and technology and analytics. We serve national and regional hospitals, integrated health systems, academic medical centers, community hospitals, and medical groups. Our solutions help clients evolve and adapt to the rapidly changing healthcare environment and achieve growth, optimize performance, enhance profitability, improve quality and clinical outcomes, align leaders, improve organizational culture, and drive physician, patient, and employee engagement across the enterprise to deliver better consumer outcomes.

We help organizations transform and innovate their delivery model to focus on patient wellness by improving quality outcomes, minimizing care variation and fundamentally improving patient and population health. Our consultants partner with clients to help build and sustain today's business to invest in the future by reducing complexity, improving operational efficiency and growing market share. We enable the healthcare of the future by identifying, integrating and optimizing technology investments to collect data that transforms care delivery and improves patient outcomes. We also develop future leaders capable of driving meaningful cultural and organizational change and who transform the consumer experience.

- **Business Advisory**

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through a suite of services including capital advisory, transaction advisory, operational improvement, restructuring and turnaround, valuation, and dispute advisory. Our Strategy and Innovation professionals collaborate with clients across a range of industries to identify new growth opportunities, build new ventures and capabilities, and accelerate organizational change. Our Life Sciences professionals provide strategic solutions to help pharmaceutical, medical device, and biotechnology companies deliver more value to patients, payers, and providers, and comply with regulations.

- **Education**

Our Education segment provides consulting and technology solutions to higher education institutions and academic medical centers. We collaborate with clients to address challenges relating to business and technology strategy, financial and operational excellence, student success, research administration, and regulatory compliance. Our research enterprise solutions assist clients in identifying and implementing institutional research strategy, optimizing clinical research operations, improving financial management and cost reimbursement, improving service to faculty, and mitigating risk compliance. Our technology strategy, enterprise applications, and analytics solutions transform and optimize operations, deliver time and cost savings, and enhance the student experience. Our institutional strategy, budgeting and financial management, and business operations align missions with business priorities, improve quality, and reduce costs institution-wide. Our student solutions improve attraction, retention and graduation rates, increase student satisfaction and help generate quality outcomes.

Huron is a Platinum level member of the Oracle PartnerNetwork, an Oracle Cloud Premier Partner within North America, a Gold level consulting partner with Salesforce.com and a Workday Services Partner.

Coronavirus (COVID-19)

The worldwide spread of the coronavirus (COVID-19) in 2020 has created significant volatility, uncertainty and disruption to the global economy. The pandemic has had an unfavorable impact on aspects of our business, operations, and financial results, and has caused us to significantly change the way we operate. Near the end of the first quarter of 2020, we suspended almost all business travel and our employees began working from their homes. While traditionally a majority of the work performed by our revenue-generating professionals occurred at client sites, the nature of the services we provide allows for our revenue-generating professionals to continue to serve clients in a remote work environment. As state and local governments ease their restrictions, we continue to develop and implement our comprehensive plan to return to our offices and client sites with our people's safety and the needs of our clients guiding how we manage our phased transition. As of September 30, 2020, our employees continue to primarily work from their homes.

In each of our operating segments, we are working closely with our clients to support them and provide relevant services to address their needs caused by the COVID-19 pandemic. However, as some clients reprioritized and delayed projects as a result of the pandemic, demand for certain offerings has been negatively impacted, particularly within our Healthcare and Education segments. While the COVID-19 pandemic did not have a significant impact on our consolidated revenues in the first quarter of 2020, revenues in the second and third quarters of 2020 declined 2.1% and 5.8%, sequentially. Revenues in the third quarter of 2020 decreased by 6.4% compared to the third quarter of 2019, and revenues for the first nine months of 2020 increased by just 0.2% compared to the same prior year period.

The COVID-19 pandemic has strengthened demand for other services we provide, such as our cloud-based technology and analytics solutions within our Business Advisory segment and our restructuring and capital advisory solutions provided to organizations in transition within our Business Advisory segment.

In order to support our liquidity during the COVID-19 pandemic, we took proactive measures to increase available cash on hand including, but not limited to, borrowing under our senior secured credit facility in the first quarter of 2020 and reducing discretionary operating and capital spending. During the second and third quarters of 2020, we made repayments on our borrowings to reduce our total debt outstanding due to our ability to maintain adequate cash flows from operations and improved clarity around access to capital resources. To further support our liquidity during the COVID-19 pandemic, we elected to defer the deposit of our employer portion of social security taxes beginning in April 2020 and through the end of the year, which we expect to pay in equal installments in the fourth quarters of 2021 and 2022, as provided for under the Coronavirus Aid, Relief, and Economic Security Act ("CARES") Act.

First Quarter 2020 Goodwill Impairment Charges

The services provided by our Strategy and Innovation and Life Sciences reporting units within our Business Advisory segment focus on strategic solutions for healthy, well-capitalized companies to identify new growth opportunities, which may be considered by our clients to be more discretionary in nature, and the duration of the projects within these practices are typically short-term. Therefore, due to the uncertainty caused by the COVID-19 pandemic, we are cautious about near-term results for these two reporting units. Based on our internal projections and the preparation of our financial statements for the quarter ended March 31, 2020, and considering the expected decrease in demand due to the COVID-19 pandemic, during the first quarter of 2020 we believed that the fair value of these two reporting units no longer exceeded their carrying values and performed an interim goodwill impairment test on both reporting units. Based on the estimated fair values of the Strategy and Innovation and Life Sciences reporting units, we recorded non-cash pretax goodwill impairment charges of \$49.9 million and \$9.9 million, respectively. The non-cash

goodwill impairment charge related to the Strategy and Innovation reporting unit reduced the goodwill balance of the reporting unit to \$37.5 million as of March 31, 2020. The non-cash goodwill impairment charge related to the Life Sciences reporting unit reduced the goodwill balance to zero as of March 31, 2020. We did not identify any indicators that would lead us to believe that the fair values of our Healthcare, Education, and Business Advisory reporting units may not exceed their carrying values. See the "Critical Accounting Policies" section below and Note 4 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information on the charges and evaluations performed.

During the second and third quarters of 2020, we did not identify any indicators that would lead us to believe that the fair values of our reporting units may not exceed their carrying values. We will continue to evaluate goodwill for impairment during future periods. Any future significant decline in the performance of our Strategy and Innovation reporting unit, or any other reporting unit with a goodwill balance, compared to our internal forecasts could result in additional non-cash goodwill impairment charges.

Enterprise Resource Planning System Implementation

In the fourth quarter of 2019, we committed to the implementation of a new enterprise resource planning system designed to improve the efficiency of our internal operational, financial and administrative activities. The implementation continues to progress and is on schedule and has not been significantly impacted by the COVID-19 pandemic.

See Part II, Item 1A. "Risk Factors" of this Quarterly Report on Form 10-Q for additional information on the potential impact the COVID-19 pandemic could have on our business, operations and financial results.

How We Generate Revenues

A large portion of our revenues is generated by our full-time consultants who provide consulting services to our clients and are billable to our clients based on the number of hours worked. A smaller portion of our revenues is generated by our other professionals, also referred to as full-time equivalents, some of whom work variable schedules as needed by our clients. Full-time equivalent professionals consist of our coaches and their support staff from our Culture and Organizational Excellence solution, consultants who work variable schedules as needed by our clients, employees who provide managed services in our Healthcare segment, and our employees who provide software support and maintenance services to our clients. We translate the hours that these other professionals work on client engagements into a full-time equivalent measure that we use to manage our business. We refer to our full-time consultants and other professionals collectively as revenue-generating professionals.

Revenues generated by our full-time consultants are primarily driven by the number of consultants we employ and their utilization rates, as well as the billing rates we charge our clients. Revenues generated by our other professionals, or full-time equivalents, are largely dependent on the number of consultants we employ, their hours worked, and billing rates charged. Revenues generated by our coaches are largely dependent on the number of coaches we employ and the total value, scope, and terms of the consulting contracts under which they provide services, which are primarily fixed-fee contracts. Revenues generated by our Managed Services solution are dependent on the total value, scope and terms of the related contracts.

We generate our revenues from providing professional services under four types of billing arrangements: fixed-fee (including software license revenue); time-and-expense; performance-based; and software support, maintenance and subscriptions.

In fixed-fee billing arrangements, we agree to a pre-established fee in exchange for a predetermined set of professional services. We set the fees based on our estimates of the costs and timing for completing the engagements. It is the client's expectation in these engagements that the pre-established fee will not be exceeded except in mutually agreed upon circumstances. We generally recognize revenues under fixed-fee billing arrangements using a proportionate performance approach, which is based on work completed to-date versus our estimates of the total services to be provided under the engagement. Contracts within our Culture and Organizational Excellence solution include fixed-fee partner contracts with multiple performance obligations, which primarily consist of coaching services, as well as speaking engagements, conferences, publications and software products ("Partner Contracts"). Revenues for coaching services and software products are generally recognized on a straight-line basis over the length of the contract. All other revenues under Partner Contracts, including speaking engagements, conferences and publications, are recognized at the time the goods or services are provided.

Fixed-fee arrangements also include software licenses for our revenue cycle management software and research administration and compliance software. Licenses for our revenue cycle management software are sold only as a component of our consulting projects, and the services we provide are essential to the functionality of the software. Therefore, revenues from these software licenses are recognized over the term of the related consulting services contract. License revenue from our research administration and compliance software is generally recognized in the month in which the software is delivered.

Fixed-fee engagements represented 40.5% and 46.7% of our revenues for the three months ended September 30, 2020 and 2019, respectively, and 41.3% and 46.5% of our revenues for the nine months ended September 30, 2020 and 2019, respectively.

Time-and-expense billing arrangements require the client to pay based on the number of hours worked by our revenue-generating professionals at agreed upon rates. Time-and-expense arrangements also include certain speaking engagements, conferences and publications purchased by our clients outside of Partner Contracts within our Culture and Organizational Excellence solution. We recognize revenues under time-and-expense billing arrangements as the related services or publications are provided. Time-and-expense engagements represented 44.0% and 39.7% of our

revenues for the three months ended September 30, 2020 and 2019, respectively, and 44.2% and 40.0% of our revenues for the nine months ended September 30, 2020 and 2019, respectively.

In performance-based fee billing arrangements, fees are tied to the attainment of contractually defined objectives. We enter into performance-based engagements in essentially two forms. First, we generally earn fees that are directly related to the savings formally acknowledged by the client as a result of adopting our recommendations for improving operational and cost effectiveness in the areas we review. Second, we have performance-based engagements in which we earn a success fee when and if certain predefined outcomes occur. Often, performance-based fees supplement our time-and-expense or fixed-fee engagements. We recognize revenues under performance-based billing arrangements by estimating the amount of variable consideration that is probable of being earned and recognizing that estimate over the length of the contract using a proportionate performance approach. Performance-based fee revenues represented 9.4% and 8.2% of our revenues for the three months ended September 30, 2020 and 2019, respectively, and 8.6% and 8.2% of our revenues for the nine months ended September 30, 2020 and 2019, respectively. The level of performance-based fees earned may vary based on our clients' risk sharing preferences and the mix of services we provide.

Clients that have purchased one of our software licenses can pay an annual fee for software support and maintenance. We also generate subscription revenue from our cloud-based analytic tools and solutions. Software support, maintenance and subscription revenues are recognized ratably over the support or subscription period. These fees are generally billed in advance and included in deferred revenues until recognized. Software support, maintenance and subscription revenues represented 6.1% and 5.4% of our revenues for the three months ended September 30, 2020 and 2019, respectively, and 5.9% and 5.3% of our revenues for the nine months ended September 30, 2020 and 2019, respectively.

Our quarterly results are impacted principally by our full-time consultants' utilization rate, the bill rates we charge our clients, and the number of our revenue-generating professionals who are available to work. Our utilization rate can be negatively affected by increased hiring because there is generally a transition period for new professionals that results in a temporary drop in our utilization rate. Our utilization rate can also be affected by seasonal variations in the demand for our services from our clients. For example, during the third and fourth quarters of the year, vacations taken by our clients can result in the deferral of activity on existing and new engagements, which would negatively affect our utilization rate. The number of business work days is also affected by the number of vacation days taken by our consultants and holidays in each quarter. We typically have fewer business work days available in the fourth quarter of the year, which can impact revenues during that period.

Time-and-expense engagements do not provide us with a high degree of predictability as to performance in future periods. Unexpected changes in the demand for our services can result in significant variations in utilization and revenues and present a challenge to optimal hiring and staffing. Moreover, our clients typically retain us on an engagement-by-engagement basis, rather than under long-term recurring contracts. The volume of work performed for any particular client can vary widely from period to period.

Business Strategy, Opportunities and Challenges

Our primary strategy is to meet the needs of our clients by providing a balanced portfolio of service offerings and capabilities so that we can adapt quickly and effectively to emerging opportunities in the marketplace. To achieve this, we continue to hire highly qualified professionals and have entered into select acquisitions of complementary businesses.

To expand our business, we will remain focused on growing our existing relationships and developing new relationships, executing our managing director compensation plan to attract and retain senior practitioners, continuing to promote and provide an integrated approach to service delivery, broadening the scope of our existing services, and acquiring complementary businesses. We will regularly evaluate the performance of our practices to ensure our investments meet these objectives. Furthermore, we intend to enhance our visibility in the marketplace by refining our overarching messaging and value propositions for the organization as well as each practice. We will continue to focus on reaching our client base through clear, concise, and endorsed messages.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected segment and consolidated operating results and other operating data.

Segment and Consolidated Operating Results (in thousands, except per share amounts):	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Healthcare:				
Revenues	\$ 87,406	\$ 100,000	\$ 268,340	\$ 295,621
Operating income	\$ 25,610	\$ 32,863	\$ 70,831	\$ 94,058
Segment operating income as a percentage of segment revenues	29.3 %	32.9 %	26.4 %	31.8 %
Business Advisory:				
Revenues	\$ 66,048	\$ 62,519	\$ 201,423	\$ 183,602
Operating income	\$ 10,780	\$ 11,942	\$ 37,306	\$ 32,997
Segment operating income as a percentage of segment revenues	16.3 %	19.1 %	18.5 %	18.0 %
Education:				
Revenues	\$ 51,850	\$ 56,770	\$ 176,017	\$ 165,265
Operating income	\$ 12,548	\$ 14,413	\$ 41,792	\$ 43,235
Segment operating income as a percentage of segment revenues	24.2 %	25.4 %	23.7 %	26.2 %
Total Company:				
Revenues	\$ 205,304	\$ 219,289	\$ 645,780	\$ 644,488
Reimbursable expenses	2,860	23,636	25,133	65,787
Total revenues and reimbursable expenses	\$ 208,164	\$ 242,925	\$ 670,913	\$ 710,275
Statements of Operations reconciliation:				
Segment operating income	\$ 48,938	\$ 59,218	\$ 149,929	\$ 170,290
Items not allocated at the segment level:				
Other operating expenses	29,042	32,310	87,826	105,369
Litigation and other gains	—	(630)	(150)	(1,571)
Depreciation and amortization	6,197	6,962	18,635	21,285
Goodwill impairment charges ⁽¹⁾	—	—	59,816	—
Operating income (loss)	13,699	20,576	(16,198)	45,207
Other income (expense), net	(224)	(4,456)	(6,829)	(10,326)
Income (loss) from continuing operations before taxes	13,475	16,120	(23,027)	34,881
Income tax expense (benefit)	2,388	2,414	(5,413)	7,256
Net income (loss) from continuing operations	\$ 11,087	\$ 13,706	\$ (17,614)	\$ 27,625
Earnings (loss) per share from continuing operations:				
Basic	\$ 0.50	\$ 0.62	\$ (0.81)	\$ 1.26
Diluted	\$ 0.50	\$ 0.61	\$ (0.81)	\$ 1.23

Other Operating Data:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Number of full-time billable consultants (at period end) ⁽²⁾:				
Healthcare	838	886	838	886
Business Advisory	1,001	954	1,001	954
Education	790	727	790	727
Total	2,629	2,567	2,629	2,567
Average number of full-time billable consultants (for the period) ⁽²⁾:				
Healthcare	844	858	873	835
Business Advisory	976	920	940	876
Education	772	698	779	665
Total	2,592	2,476	2,592	2,376
Full-time billable consultant utilization rate ⁽³⁾:				
Healthcare	71.4 %	81.8 %	70.2 %	80.4 %
Business Advisory	72.6 %	72.0 %	72.6 %	72.7 %
Education	66.5 %	75.5 %	71.7 %	76.7 %
Total	70.4 %	76.3 %	71.5 %	76.5 %
Full-time billable consultant average billing rate per hour ⁽⁴⁾:				
Healthcare	\$ 252	\$ 226	\$ 233	\$ 225
Business Advisory ⁽⁵⁾	\$ 186	\$ 193	\$ 197	\$ 195
Education	\$ 184	\$ 197	\$ 189	\$ 200
Total ⁽⁵⁾	\$ 206	\$ 206	\$ 206	\$ 207
Revenue per full-time billable consultant (in thousands):				
Healthcare	\$ 77	\$ 84	\$ 216	\$ 247
Business Advisory	\$ 64	\$ 65	\$ 204	\$ 202
Education	\$ 57	\$ 70	\$ 194	\$ 217
Total	\$ 66	\$ 73	\$ 205	\$ 222
Average number of full-time equivalents (for the period) ⁽⁶⁾:				
Healthcare	279	217	279	237
Business Advisory	35	19	27	14
Education	46	52	56	44
Total	360	288	362	295
Revenue per full-time equivalent (in thousands):				
Healthcare	\$ 80	\$ 128	\$ 285	\$ 375
Business Advisory	\$ 106	\$ 126	\$ 370	\$ 465
Education	\$ 165	\$ 151	\$ 453	\$ 480
Total	\$ 93	\$ 132	\$ 317	\$ 395

- (1) The non-cash goodwill impairment charges are not allocated at the segment level because the underlying goodwill asset is reflective of our corporate investment in the segments. We do not include the impact of goodwill impairment charges in our evaluation of segment performance.
- (2) Consists of our full-time professionals who provide consulting services and generate revenues based on the number of hours worked.
- (3) Utilization rate for our full-time billable consultants is calculated by dividing the number of hours our full-time billable consultants worked on client assignments during a period by the total available working hours for these consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.
- (4) Average billing rate per hour for our full-time billable consultants is calculated by dividing revenues for a period by the number of hours worked on client assignments during the same period.
- (5) The Business Advisory segment includes operations of Huron Eurasia India. Absent the impact of Huron Eurasia India, the average billing rate per hour for the Business Advisory segment would have been \$201 and \$221 for the three months ended September 30, 2020 and 2019, respectively; and \$217 and \$220 for the nine months ended September 30, 2020 and 2019, respectively. Absent the impact of Huron Eurasia India, Huron's consolidated average billing rate per hour would have been \$212 and \$216 for the three months ended September 30, 2020 and 2019, respectively; and \$213 and \$216 for the nine months ended September 30, 2020 and 2019, respectively.

- (6) Consists of coaches and their support staff within our Culture and Organizational Excellence solution, consultants who work variable schedules as needed by our clients, employees who provide managed services in our Healthcare segment, and full-time employees who provide software support and maintenance services to our clients.

Non-GAAP Measures

We also assess our results of operations using certain non-GAAP financial measures. These non-GAAP financial measures differ from GAAP because the non-GAAP financial measures we calculate to measure earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted EBITDA as a percentage of revenues, adjusted net income from continuing operations, and adjusted diluted earnings per share from continuing operations exclude a number of items required by GAAP, each discussed below. These non-GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, any measure of performance, cash flows, or liquidity prepared in accordance with GAAP. Our non-GAAP financial measures may be defined differently from time to time and may be defined differently than similar terms used by other companies, and accordingly, care should be exercised in understanding how we define our non-GAAP financial measures.

Our management uses the non-GAAP financial measures to gain an understanding of our comparative operating performance, for example when comparing such results with previous periods or forecasts. These non-GAAP financial measures are used by management in their financial and operating decision making because management believes they reflect our ongoing business in a manner that allows for meaningful period-to-period comparisons. Management also uses these non-GAAP financial measures when publicly providing our business outlook, for internal management purposes, and as a basis for evaluating potential acquisitions and dispositions. We believe that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating Huron's current operating performance and future prospects in the same manner as management does and in comparing in a consistent manner Huron's current financial results with Huron's past financial results.

The reconciliations of these financial measures from GAAP to non-GAAP are as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues	\$ 205,304	\$ 219,289	\$ 645,780	\$ 644,488
Net income (loss) from continuing operations	\$ 11,087	\$ 13,706	\$ (17,614)	\$ 27,625
Add back:				
Income tax expense (benefit)	2,388	2,414	(5,413)	7,256
Interest expense, net of interest income	2,259	4,374	7,516	13,156
Depreciation and amortization	7,546	8,124	22,488	24,735
Earnings before interest, taxes, depreciation and amortization (EBITDA)	23,280	28,618	6,977	72,772
Add back:				
Restructuring and other charges	59	127	2,626	2,156
Litigation and other gains	—	(630)	(150)	(1,571)
Goodwill impairment charges	—	—	59,816	—
Loss on sale of business	—	—	102	—
Transaction-related expenses	437	563	437	2,613
Foreign currency transaction losses (gains), net	(194)	114	245	36
Adjusted EBITDA	\$ 23,582	\$ 28,792	\$ 70,053	\$ 76,006
Adjusted EBITDA as a percentage of revenues	11.5 %	13.1 %	10.8 %	11.8 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss) from continuing operations	\$ 11,087	\$ 13,706	\$ (17,614)	\$ 27,625
Weighted average shares - diluted	22,175	22,561	21,868	22,425
Diluted earnings (loss) per share from continuing operations	\$ 0.50	\$ 0.61	\$ (0.81)	\$ 1.23
Add back:				
Amortization of intangible assets	3,155	4,205	9,558	13,036
Restructuring and other charges	59	127	2,626	2,156
Litigation and other gains	—	(630)	(150)	(1,571)
Goodwill impairment charges	—	—	59,816	—
Non-cash interest on convertible notes	—	2,171	—	6,436
Loss on sale of business	—	—	102	—
Transaction-related expenses	437	563	437	2,613
Tax effect of adjustments	(1,692)	(1,673)	(17,041)	(5,909)
Tax benefit related to "check-the-box" election	—	(736)	—	(736)
Total adjustments, net of tax	1,959	4,027	55,348	16,025
Adjusted net income from continuing operations	\$ 13,046	\$ 17,733	\$ 37,734	\$ 43,650
Adjusted weighted average shares - diluted	22,175	22,561	22,207	22,425
Adjusted diluted earnings per share from continuing operations	\$ 0.59	\$ 0.79	\$ 1.70	\$ 1.95

These non-GAAP financial measures include adjustments for the following items:

Amortization of intangible assets: We have excluded the effect of amortization of intangible assets from the calculation of adjusted net income from continuing operations presented above. Amortization of intangible assets is inconsistent in its amount and frequency and is significantly affected by the timing and size of our acquisitions.

Restructuring and other charges: We have incurred charges due to the restructuring of various parts of our business. These restructuring charges have primarily consisted of costs associated with office space consolidations, including lease impairment charges and accelerated depreciation on lease-related property and equipment, and severance charges. Additionally, we have excluded the effect of a \$0.8 million one-time charge incurred during the first quarter of 2020, related to redundant administrative costs in our corporate operations which is recorded within selling, general and administrative expenses on our consolidated statement of operations. We have excluded the effect of the restructuring and other charges from our non-GAAP measures to permit comparability with periods that were not impacted by these items.

Litigation and other gains: We have excluded the effects of the litigation settlement gain recognized in the first quarter of 2020 and the remeasurement gains recognized in the first nine months of 2019 to decrease the estimated fair value of our liabilities for contingent consideration payments related to business acquisitions to permit comparability with periods that were not impacted by these items.

Goodwill impairment charges: We have excluded the effect of the goodwill impairment charges recognized in the first quarter of 2020 as these are infrequent events and their exclusion permits comparability with periods that were not impacted by such charges.

Non-cash interest on convertible notes: We incurred non-cash interest expense relating to the implied value of the equity conversion component of our Convertible Notes. The value of the equity conversion component was treated as a debt discount and amortized to interest expense over the life of the Convertible Notes using the effective interest rate method. We exclude this non-cash interest expense that does not represent cash interest payments from the calculation of adjusted net income from continuing operations as management believes that this non-cash expense is not indicative of the ongoing performance of our business.

Loss on sale of business: We excluded the effect of the loss on sale of a software-based solution within our Business Advisory segment in the first quarter of 2020. Divestitures of businesses are infrequent and are not indicative of the ongoing performance of our business.

Transaction-related expenses: To permit comparability with prior periods, we excluded the impact of third-party legal and accounting fees incurred in the third quarter of 2020 related to the acquisition of ForceIQ, Inc., which closed effective November 1, 2020. See Note 15 "Subsequent Events" for additional information. We have also excluded the impact of third-party legal and accounting fees incurred in the first nine months of 2019 related to the evaluation of a potential acquisition that ultimately did not consummate to permit comparability with periods that were not impacted by this item.

Foreign currency transaction losses (gains), net: We have excluded the effect of foreign currency transaction losses and gains from the calculation of adjusted EBITDA because the amount of each loss or gain is significantly affected by changes in foreign exchange rates.

Tax effect of adjustments: The non-GAAP income tax adjustment reflects the incremental tax impact applicable to the non-GAAP adjustments.

Tax benefit related to "check-the-box" election: We have excluded the positive impact of a tax benefit, recorded in the third quarter of 2019, from recognizing a previously unrecognized tax benefit due to the expiration of statute of limitations on our "check-the-box" election made in 2015 to treat certain wholly-owned foreign subsidiaries as disregarded entities for U.S. federal income tax purposes. The exclusion of this discrete tax benefit permits comparability with periods that were not impacted by this item. See Note 12 "Income Taxes" within the notes to the consolidated financial statements for additional information.

Income tax expense, Interest expense, net of interest income, Depreciation and amortization: We have excluded the effects of income tax expense, interest expense, net of interest income, and depreciation and amortization in the calculation of EBITDA as these are customary exclusions as defined by the calculation of EBITDA to arrive at meaningful earnings from core operations excluding the effect of such items.

Adjusted weighted average shares - diluted: As we reported a net loss for the first nine months of 2020, GAAP diluted weighted average shares outstanding equals the basic weighted average shares outstanding for that period. The non-GAAP adjustments described above resulted in adjusted net income from continuing operations for the first nine months of 2020. Therefore, we included the dilutive common stock equivalents in the calculation of adjusted diluted weighted average shares outstanding for that period.

Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019

Revenues

Revenues decreased \$14.0 million, or 6.4%, to \$205.3 million for the third quarter of 2020 from \$219.3 million for the third quarter of 2019. In the third quarter of 2020, as some clients reprioritized and delayed projects as a result of the COVID-19 pandemic, demand for certain offerings have been negatively impacted, particularly within our Healthcare and Education segments. The negative impact of the COVID-19 pandemic has been partially offset by strengthened demand within our Business Advisory segment for cloud-based technology and analytics solutions and restructuring and capital advisory solutions provided to organizations in transition.

Of the \$14.0 million decrease in revenues, \$9.5 million was attributable to a decrease in revenues from our full-time billable consultants and \$4.5 million was attributable to a decrease in revenues from our full-time equivalents.

The decrease in full-time billable consultant revenues reflected a decrease in demand for services in our Healthcare and Education segments, partially offset by a strengthened demand for services in our Business Advisory segment, as discussed below in Segment Results. The decrease in full-time billable consultant revenues was primarily attributable to an overall decrease in the consultant utilization rate, partially offset by an overall increase in the average number of billable consultants for the third quarter of 2020 compared to the same prior year period.

The decrease in full-time equivalent revenues was attributable to decreases in full-time equivalent revenues in our Healthcare and Education segments, partially offset by an increase in full-time equivalent revenues in our Business Advisory segment, as discussed below in Segment Results. The decrease in full-time equivalent revenues reflected a decrease in revenue per full-time equivalent, partially offset by an increase in the average number of full-time equivalents in the third quarter of 2020 compared to the same prior year period.

In the third quarter of 2020, the COVID-19 pandemic negatively impacted sales and elongated the sales cycle for new opportunities for certain services we provide, particularly within our Healthcare and Education segments, and therefore is expected to continue to have an unfavorable impact on our financial results in the fourth quarter of 2020.

Total Direct Costs

Direct costs, excluding amortization of intangible assets and software development costs, increased \$2.4 million, or 1.7%, to \$145.5 million for the three months ended September 30, 2020, from \$143.0 million for the three months ended September 30, 2019. The \$2.4 million increase primarily related to a \$4.2 million increase in salaries and related expenses for our revenue-generating professionals, which was largely driven by increased headcount in our Education segment that primarily occurred prior to the COVID-19 pandemic and increased headcount in our Business Advisory segment; partially offset by a \$1.0 million decrease in signing, retention and other bonus expense for our revenue-generating professionals and a \$0.9 million decrease in product and event costs. As a percentage of revenues, direct costs increased to 70.9% during the third quarter of 2020 compared to 65.2% during the third quarter of 2019, primarily due to the decrease in revenues and the increase in salaries and related expenses for our revenue-generating professionals.

Total direct costs for the three months ended September 30, 2020 included \$1.4 million of amortization expense for internal software development costs and intangible assets, compared to \$1.2 million of amortization expense for the same prior year period. Intangible asset amortization included within direct costs for the three months ended September 30, 2020 and 2019 primarily related to technology and software, certain customer relationships and customer contracts acquired in connection with our business acquisitions. See Note 4 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information on our intangible assets.

Operating Expenses and Other Losses (Gains), Net

Selling, general and administrative expenses decreased by \$9.6 million, or 19.9%, to \$38.6 million in the third quarter of 2020 from \$48.1 million in the third quarter of 2019. The overall \$9.6 million decrease primarily related to a \$3.8 million decrease in promotion and marketing expenses; a \$2.1 million decrease in share-based compensation expense for our support personnel; a \$1.3 million decrease in practice administration and meetings expenses; a \$0.9 million decrease in training expenses; a \$0.9 million decrease in third-party consulting expenses, a \$0.8 million decrease in facilities expense; a \$0.5 million decrease in recruiting expenses; and a \$0.5 million decrease in salaries and related expenses for our support personnel. These decreases were partially offset by a \$1.8 million increase in deferred compensation expense attributable to the change in the market value of our deferred compensation liability. During the third quarter of 2020, the market value of our deferred compensation liability increased by \$1.8 million, compared to an immaterial increase in the third quarter of 2019. This \$1.8 million increase in expense is offset by a \$1.8 million increase in the gain recognized for the change in the market value of investments that are used to fund our deferred compensation liability and recognized in other income (expense), net. The decreases in promotion and marketing expenses, practice administration and meetings expenses, and training expenses primarily relate to the cancellation or delay of in-person meetings and events and business travel due to the COVID-19 pandemic. The decrease in share-based compensation expense primarily related to a decrease in the expected funding of performance-based share awards for our executive officers recorded in the third quarter of 2020. As a percentage of revenues, selling, general and administrative expenses decreased to 18.8% during the third quarter of 2020 compared to 21.9% during the third quarter of 2019. This decrease was primarily attributable to the decreases in selling, general and administrative expenses noted above, as percentages of revenues; partially offset by the change in the market value of our deferred compensation liability.

Restructuring charges for both the third quarter of 2020 and 2019 were \$0.1 million. The \$0.1 million charge recognized in the third quarter of 2020 primarily related to rent and related expenses, net of sublease income, for vacated office spaces. The \$0.1 million charge recognized in the third quarter of 2019 primarily related to workforce reductions as we continued to better align resources with market demand. See Note 8 "Restructuring Charges" within the notes to our consolidated financial statements for additional information on our restructuring charges.

Litigation and other gains totaled \$0.6 million for the third quarter of 2019, which consisted of a remeasurement gain to decrease the estimated fair value of our liability for contingent consideration payments related to a business acquisition. We did not recognize any litigation or other gains in the third quarter of 2020.

Depreciation and amortization expense decreased \$0.8 million, or 11.3%, to \$6.2 million in the three months ended September 30, 2020 compared to \$7.0 million in the three months ended September 30, 2019. The \$0.8 million decrease in depreciation and amortization expense was primarily attributable to a decrease in amortization expense for the trade name acquired in our Studer Group acquisition that was fully amortized in the fourth quarter of 2019; decreasing amortization expense for customer relationships due to the accelerated basis of amortization in prior periods, including the customer relationships acquired in our Studer Group acquisition; and customer relationships acquired in other business acquisitions that were fully amortized in prior periods. Intangible asset amortization expense included within operating expenses primarily related to certain customer relationships, trade names, and non-competition agreements acquired in connection with our business acquisitions. See Note 4 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information on our intangible assets.

Operating Income

Operating income decreased \$6.9 million, or 33.4% to \$13.7 million in the third quarter of 2020 from \$20.6 million in the third quarter of 2019. Operating margin, which is defined as operating income expressed as a percentage of revenues, was 6.7% for the three months ended September 30, 2020, compared to 9.4% for the three months ended September 30, 2019. The decrease in operating margin was primarily attributable to the decrease in revenues and the increase in salaries and related expenses for our revenue-generating professionals. These decreases to the operating margin were partially offset by the decrease in selling, general and administrative expenses discussed above, as percentages of revenues.

Total Other Income (Expense), Net

Interest expense, net of interest income decreased \$2.1 million to \$2.3 million in the third quarter of 2020 from \$4.4 million in the third quarter of 2019. The decrease in interest expense was primarily attributable to the maturity of our Convertible Notes on October 1, 2019, partially offset by higher levels of borrowing under our credit facility during the third quarter of 2020 compared to the same prior year period. See Note 7 "Financing Arrangements" within the notes to our consolidated financial statements for additional information about our Convertible Notes and credit facility.

Other expense, net decreased \$2.1 million to a net gain of \$2.0 million in the third quarter of 2020 from a net loss of \$0.1 million in the third quarter of 2019. The decrease in other expense, net was primarily attributable to a \$1.8 million gain recognized in the third quarter of 2020 for the market value of our investments that are used to fund our deferred compensation liability, compared to an immaterial gain in the third quarter of 2019. Additionally, other expense, net includes the recognition of \$0.2 million of foreign currency transaction gains in the third quarter of 2020 compared to \$0.1 million of foreign currency transaction losses recognized in the third quarter of 2019.

Income Tax Expense

For the three months ended September 30, 2020, our effective tax rate was 17.7% as we recognized income tax expense from continuing operations of \$2.4 million on income from continuing operations of \$13.5 million. The effective tax rate of 17.7% was more favorable than the statutory rate, inclusive of state income taxes, of 26.0%, primarily due to the current year-to-date pre-tax losses and the impact during the quarter of certain nondeductible business expense items, including the nondeductible portion of the goodwill impairment charges, based on the attribution of those expenses to the quarter in accordance with the allocation of income tax expense on a current year-to-date basis. The effective tax rate also reflected the positive impact of certain federal tax credits.

For the three months ended September 30, 2019, our effective tax rate was 15.0% as we recognized income tax expense from continuing operations of \$2.4 million on income from continuing operations of \$16.1 million. The effective tax rate of 15.0% was more favorable than the statutory rate, inclusive of state income taxes, of 26.4% primarily due to discrete tax benefits for U.S. federal return to provision adjustments related to the 2018 corporate income tax return. In addition, we recognized a discrete tax benefit related to a previously unrecognized tax benefit due to the expiration of statute of limitations on our "check-the-box" election made in 2015 to treat certain wholly-owned foreign subsidiaries as disregarded entities for U.S. federal income tax purposes.

See Note 12 "Income Taxes" within the notes to our consolidated financial statements for additional information on our income tax expense.

Net Income from Continuing Operations and Earnings per Share

Net income from continuing operations decreased \$2.6 million to \$11.1 million for the three months ended September 30, 2020 from \$13.7 million for the same period last year. As a result of the decrease in net income from continuing operations, diluted earnings per share from continuing operations for the third quarter of 2020 was \$0.50 compared to \$0.61 for the third quarter of 2019.

EBITDA and Adjusted EBITDA

EBITDA decreased \$5.3 million to \$23.3 million for the three months ended September 30, 2020 from \$28.6 million for the three months ended September 30, 2019. Adjusted EBITDA decreased \$5.2 million to \$23.6 million in the third quarter of 2020 from \$28.8 million in the third quarter of 2019. The decrease in both EBITDA and adjusted EBITDA was primarily attributable to the decrease in operating income, excluding the change in the market value of our deferred compensation liability for the third quarter of 2020 compared to the third quarter of 2019.

Adjusted Net Income from Continuing Operations and Adjusted Earnings per Share

Adjusted net income from continuing operations decreased \$4.7 million to \$13.0 million in the third quarter of 2020 compared to \$17.7 million in the third quarter of 2019. As a result of the decrease in adjusted net income from continuing operations, adjusted diluted earnings per share from continuing operations was \$0.59 for the third quarter of 2020, compared to \$0.79 for the third quarter of 2019.

Segment Results

Healthcare

Revenues

Healthcare segment revenues decreased \$12.6 million, or 12.6%, to \$87.4 million for the third quarter of 2020 from \$100.0 million for the third quarter of 2019, primarily due to the negative impact of the COVID-19 pandemic on demand for our services within this segment, as some clients reprioritized and delayed certain projects as a result of the uncertainties surrounding the pandemic.

During the three months ended September 30, 2020, revenues from fixed-fee engagements; time-and-expense engagements; performance-based arrangements; and software support, maintenance and subscription arrangements represented 58.9%, 16.7%, 17.9%, and 6.5% of this segment's revenues, respectively, compared to 65.6%, 12.3%, 16.3%, and 5.8% of this segment's revenues, respectively, for the same prior year period. Performance-based fee revenue was \$15.6 million for the third quarter of 2020 compared to \$16.3 million for the third quarter of 2019. The level of performance-based fees earned may vary based on our clients' risk sharing preferences and the mix of services we provide.

Of the overall \$12.6 million decrease in revenues, \$7.1 million was attributable to a decrease in revenues from our full-time billable consultants and \$5.5 million was attributable to a decrease in revenues from our full-time equivalents. The decrease in revenues attributable to our full-time billable consultants reflected decreases in the consultant utilization rate and the average number of full-time billable consultants, partially offset by an increase in the average billing rate in the third quarter of 2020 compared to the same prior year period. The decrease in full-time equivalent revenues reflected a decrease in revenue per full-time equivalent, partially offset by an increase in the average number of full-time equivalents in the third quarter of 2020 compared to the same prior year period.

Operating Income

Healthcare segment operating income decreased \$7.3 million, or 22.1%, to \$25.6 million for the three months ended September 30, 2020 from \$32.9 million for the three months ended September 30, 2019. The Healthcare segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, decreased to 29.3% for the third quarter of 2020 from 32.9% in the same period last year. The decrease in this segment's operating margin was primarily attributable to increases in salaries and related expenses for our revenue-generating professionals and technology expenses; partially offset by decreases in product and event costs, practice administration and meetings expenses, promotion and marketing expenses, contractor expenses, and signing, retention and other bonus expense for our revenue-generating professionals, as percentages of revenues.

Business Advisory

Revenues

Business Advisory segment revenues increased \$3.5 million, or 5.6%, to \$66.0 million for the third quarter of 2020 from \$62.5 million for the third quarter of 2019, primarily related to strengthened demand for our cloud-based technology and analytics solutions and our restructuring and capital advisory solutions provided to organizations in transition.

During the three months ended September 30, 2020, revenues from fixed-fee engagements; time-and-expense engagements; performance-based arrangements; and software support, maintenance and subscription arrangements represented 31.3%, 61.3%, 5.6%, and 1.8% of this segment's revenues, respectively, compared to 38.9%, 56.3%, 2.6%, and 2.2% of this segment's revenues, respectively, for the same prior year period. Performance-based fee revenue was \$3.7 million for the third quarter of 2020 compared to \$1.6 million for the third quarter of 2019. The level of performance-based fees earned may vary based on our clients' preferences and the mix of services we provide.

Of the overall \$3.5 million increase in revenues, \$2.2 million was attributable to an increase in revenues from our full-time billable consultants and \$1.3 million was attributable to an increase in revenues from our full-time equivalents. The increase in revenues from our full-time billable consultants reflected increases in the average number of billable consultants and the consultant utilization rate, partially offset by a decrease in the average billing rate in the third quarter of 2020 compared to the same prior year period. The increase in revenues generated by our full-time equivalents was driven by an increased use of contractors; and reflected an increase in the average number of full-time equivalents, partially offset by a decrease in revenue per full-time equivalent in the third quarter of 2020 compared to the same prior year period.

Operating Income

Business Advisory segment operating income decreased by \$1.2 million, or 9.7%, to \$10.8 million for the three months ended September 30, 2020 from \$11.9 million for the three months ended September 30, 2019. The Business Advisory segment operating margin decreased to 16.3% for the third quarter of 2020 from 19.1% in the same period last year. The decrease in this segment's operating margin was primarily attributable to increases in performance bonus expense for our revenue-generating professionals and contractor expenses, as percentages of revenues; partially offset by decreases in promotion and marketing expenses and signing, retention and other bonus expense for our revenue-generating professionals.

Education

Revenues

Education segment revenues decreased \$4.9 million, or 8.7%, to \$51.9 million for the third quarter of 2020 from \$56.8 million for the third quarter of 2019, primarily due to the negative impact of the COVID-19 pandemic on demand for our services within this segment, as some clients reprioritized and delayed certain projects as a result of the uncertainties surrounding the pandemic.

During the three months ended September 30, 2020, revenues from fixed-fee engagements; time-and-expense engagements; and software support, maintenance and subscription arrangements represented 21.1%, 67.9%, and 11.0% of this segment's revenues, respectively, compared to 21.9%, 69.9%, and 8.2% of this segment's revenues, respectively, for the same prior year period.

Of the overall \$4.9 million decrease in revenues, \$4.7 million was attributable to our full-time billable consultants and \$0.2 million was attributable to our full-time equivalents. The decrease in revenues attributable to our full-time billable consultants reflected decreases in the consultant utilization rate and the average billing rate, partially offset by an increase in the average number of full-time billable consultants in the third quarter of 2020 compared to the same prior year period. The increase in the average number of full-time billable consultants primarily related to hiring that occurred prior to the COVID-19 pandemic. The decrease in revenues from our full-time equivalents was primarily driven by a decreased use of contractors and project consultants, largely offset by an increase in software subscriptions and data hosting revenues. The overall decrease in full-time equivalent revenues reflected a decrease in the average number of full-time equivalents, partially offset by an increase in revenue per full-time equivalent in the third quarter of 2020 compared to the same prior year period.

Operating Income

Education segment operating income decreased \$1.9 million, or 12.9% to \$12.5 million for the three months ended September 30, 2020 from \$14.4 million for the three months ended September 30, 2019. The Education segment operating margin decreased to 24.2% for the third quarter of 2020 from 25.4% in the same period last year. The decrease in this segment's operating margin was primarily attributable to an increase in salaries and related expenses for our revenue generating professionals; partially offset by decreases in performance bonus expense for our revenue-generating professionals and promotion and marketing expenses, as percentages of revenues.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

Revenues

Revenues increased \$1.3 million, or 0.2%, to \$645.8 million for the first nine months of 2020 from \$644.5 million for the first nine months of 2019. While the COVID-19 pandemic did not have a significant impact on our consolidated revenues in the first quarter of 2020, the second and third quarters of 2020 were negatively impacted by the pandemic as some clients reprioritized or delayed certain projects, primarily in our Healthcare and Education segments. Conversely, the COVID-19 pandemic has strengthened demand for other services we provide, such as our cloud-based technology and analytics solutions within our Business Advisory segment and our restructuring and capital advisory solutions provided to organizations in transition within our Business Advisory segment.

Of the overall \$1.3 million increase in revenues, \$3.0 million was attributable to an increase in revenues from our full-time billable consultants, partially offset by a \$1.7 million decrease in revenues attributable to our full-time equivalents.

The increase in full-time billable consultant revenues was attributable to strengthened demand for services in our Business Advisory and Education segments, partially offset by a decrease in demand for services in our Healthcare segment, as discussed below in Segment Results. The overall increase in full-time billable consultant revenues reflected an increase in the average number of full-time billable consultants, partially offset by overall decreases in the consultant utilization rate and the average billing rate during the first nine months of 2020 compared to the same prior year period.

The decrease in full-time equivalent revenues was attributable to decreases in full-time equivalent revenues in our Healthcare segment, partially offset by an increase in full-time equivalent revenues in our Education and Business Advisory segments, as discussed below in Segment Results; and reflected an overall decrease in revenue per full-time equivalent, partially offset by an increase in the average number of full-time equivalents during the first nine months of 2020 compared to the first nine months of 2019.

In the second and third quarters of 2020, the COVID-19 pandemic negatively impacted sales and elongated the sales cycle for new opportunities for certain services, particularly within our Healthcare and Education segments, and therefore is expected to continue to have an unfavorable impact on our financial results in the fourth quarter of 2020 compared to the fourth quarter of 2019.

Total Direct Costs

Direct costs, excluding amortization of intangible assets and software development costs, increased \$28.8 million, or 6.8%, to \$451.2 million for the nine months ended September 30, 2020, from \$422.4 million for the nine months ended September 30, 2019. The overall \$28.8 million increase primarily related to a \$27.1 million increase in salaries and related expenses for our revenue-generating professionals, which was largely driven by increased headcount in all three of our segments and primarily reflected hiring that occurred in the second half of 2019 prior to the COVID-19 pandemic, as well as a \$2.4 million increase in share-based compensation expense for our revenue-generating professionals, a \$2.1 million increase in technology expenses, a \$1.1 million increase in contractor expenses, and a \$0.9 million increase in performance bonus expenses for our revenue-generating professionals. These increases were partially offset by a \$2.3 million decrease in signing, retention and other bonus expense for our revenue-generating professionals, a \$1.4 million decrease in product and event costs, and a \$0.9 million decrease in project costs. As a percentage of revenues, our direct costs increased to 69.9% during the first nine months of 2020 compared to 65.5% during the first nine months of 2019 primarily due to the increase in salaries and related expenses for our revenue-generating professionals, as a percentage of revenues.

Total direct costs for the nine months ended September 30, 2020 included \$4.0 million of amortization expense for internal software development costs and intangible assets, compared to \$3.5 million of amortization expense for the same prior year period. Intangible asset amortization included within direct costs for the nine months ended September 30, 2020 and 2019 related to technology and software, certain customer relationships, and customer contracts acquired in connection with our business acquisitions. See Note 4 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information about our intangible assets.

Operating Expenses and Other Losses (Gains), Net

Selling, general and administrative expenses decreased \$24.5 million, or 16.2%, to \$126.9 million in the nine months ended September 30, 2020, from \$151.4 million in the nine months ended September 30, 2019. The \$24.5 million decrease primarily related to an \$8.0 million decrease in promotion and marketing expenses, a \$2.6 million decrease in facilities expense, a \$2.6 million decrease in performance bonus expense for our support personnel, a \$2.2 million decrease in training expenses, a \$2.1 million decrease in third-party consulting expenses, a \$2.0 million decrease

in practice administration and meetings expenses, and a \$1.8 million decrease in the change in the market value of our deferred compensation liability. During the first nine months of 2020, the market value of our deferred compensation liability increased by \$1.0 million, compared to an increase of \$2.8 million during the first nine months of 2019. This \$1.8 million decrease in expense is offset by a \$1.8 million decrease in the gain recognized for the change in the market value of our investments that are used to fund our deferred compensation liability and recognized in other income (expense), net. Additional decreases in selling, general and administrative expenses include a \$1.7 million decrease in share-based compensation expense for our support personnel, a \$1.3 million decrease in legal expenses, and a \$1.3 million decrease in recruiting expenses. These decreases were partially offset by a \$1.4 million increase in data hosting and software related expenses and a \$1.2 million increase in salaries and related expenses for support personnel. The decreases in promotion and marketing expenses, training expenses, and practice administration and meetings expenses primarily relate to the cancellation or delay of in-person meetings and events and business travel due to the COVID-19 pandemic. The decrease in share-based compensation expense primarily related to a decrease in the expected funding of performance-based share awards for our executive officers recorded in the third quarter of 2020. The decrease in legal expenses was primarily due to third-party transaction-related expenses related to the evaluation of a potential acquisition in the second quarter of 2019 that ultimately did not consummate. As a percentage of revenues, selling, general and administrative expenses decreased to 19.6% during the first nine months of 2020 compared to 23.5% during the first nine months of 2019. This decrease was primarily attributable to the overall decrease in selling, general and administrative expenses noted above.

Restructuring charges for the first nine months of 2020 totaled \$1.8 million, compared to \$2.2 million for the first nine months of 2019. The \$1.8 million restructuring charge incurred in the first nine months of 2020 primarily related to a \$1.2 million accrual for the termination of a third-party advisor agreement; \$0.3 million related to workforce reductions to better align resources with market demand; \$0.2 million related to rent and related expenses, net of sublease income, for office spaces previously vacated, and \$0.1 million related to workforce reductions in our corporate operations. During the first nine months of 2019, we exited a portion of our Lake Oswego, Oregon corporate office resulting in a \$0.7 million lease impairment charge on the related operating lease right-of-use asset and leasehold improvements and \$0.2 million of accelerated depreciation on furniture and fixtures in that office. Additionally, in the first nine months of 2019, we exited the remaining portion of our Middleton, Wisconsin office and an office space in Houston, Texas, resulting in restructuring charges of \$0.4 million and \$0.1 million, respectively, which primarily related to accelerated depreciation on furniture and fixtures. Additional restructuring charges during the first nine months of 2019 include a total of \$0.5 million related to workforce reductions to better align resources with market demand. See Note 8 "Restructuring Charges" within the notes to our consolidated financial statements for additional information on our restructuring charges.

Litigation and other gains totaled \$0.2 million for the nine months ended September 30, 2020, which consisted of a litigation settlement gain for the resolution of a claim that was settled in the first quarter of 2020. Other gains totaled \$1.6 million for the nine months ended September 30, 2019, which primarily consisted of \$1.5 million of remeasurement gains to decrease the estimated fair value of our liabilities for contingent consideration payments related to business acquisitions.

Depreciation and amortization expense decreased by \$2.8 million, or 13.2%, to \$18.5 million for the nine months ended September 30, 2020, from \$21.3 million for the nine months ended September 30, 2019. The decrease was primarily attributable to a decrease in amortization expense for the trade name acquired in our Studer Group acquisition that was fully amortized in the fourth quarter of 2019; decreasing amortization expense for customer relationships due to the accelerated basis of amortization in prior periods, including the customer relationships acquired in our Studer Group acquisition; and customer relationships acquired in other business acquisitions that were fully amortized in prior periods. Intangible asset amortization included within operating expenses for the nine months ended September 30, 2020 and 2019 primarily related to certain customer relationships, trade names and non-competition agreements acquired in connection with our business acquisitions. See Note 4 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information about our intangible assets.

During the first quarter of 2020, we recorded \$59.8 million of non-cash pretax goodwill impairment charges related to our Strategy and Innovation and Life Sciences reporting units within our Business Advisory segment; primarily related to the expected decline in sales, increased uncertainty in the backlog and a decrease in the demand for the services these reporting units provide, as a result of the COVID-19 pandemic. These charges are non-cash in nature and do not affect our liquidity or debt covenants. See the "Critical Accounting Policies" section below and Note 4 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information on the charges. The non-cash goodwill impairment charge related to the Strategy and Innovation reporting unit reduced the goodwill balance of the reporting unit to \$37.5 million as of March 31, 2020. The non-cash goodwill impairment charge related to the Life Sciences reporting unit reduced the goodwill balance to zero as of March 31, 2020. Any future significant decline in the performance of our Strategy and Innovation reporting unit compared to our internal forecasts could result in another non-cash goodwill impairment charge. During the second and third quarters of 2020, we did not identify any indicators that would lead us to believe that the fair value of any of our reporting units may not exceed their carrying values. We will continue to evaluate goodwill for impairment during future periods.

Operating Income (Loss)

Operating income decreased \$61.4 million to a loss of \$16.2 million in the first nine months of 2020 from operating income of \$45.2 million in the first nine months of 2019. This decrease is primarily attributable to the \$59.8 million of non-cash pretax goodwill impairment charges related to our Business Advisory segment that were recognized in the first quarter of 2020 and the increase in direct costs, partially offset by the decrease in selling, general and administrative expenses as discussed above. See the "Critical Accounting Policies" section below and Note 4 "Goodwill and

Intangible Assets" within the notes to our consolidated financial statements for additional information on the non-cash goodwill impairment charges. Operating margin, which is defined as operating income (loss) expressed as a percentage of revenues, decreased to (2.5)% for the nine months ended September 30, 2020, compared to an operating margin of 7.0% for the nine months ended September 30, 2019. The decrease in operating margin was primarily attributable to the goodwill impairment charges and the increase in salaries and related expenses for our revenue-generating professionals, as a percentage of revenues. These decreases to the operating margin were partially offset by the decreases in selling, general and administrative expenses.

Total Other Income (Expense), Net

Interest expense, net of interest income decreased \$5.6 million to \$7.5 million in the first nine months of 2020 from \$13.2 million in the first nine months of 2019, primarily attributable to the maturity of our Convertible Notes on October 1, 2019, partially offset by higher levels of borrowing under our credit facility during the first nine months of 2020 compared to the same prior year period. See Note 7 "Financing Arrangements" within the notes to our consolidated financial statements for additional information about our Convertible Notes and credit facility.

Other income, net decreased by \$2.1 million to a net gain of \$0.7 million in the first nine months of 2020 from a net gain of \$2.8 million in the first nine months of 2019. The decrease in total other income, net was primarily attributable to a \$1.0 million gain recognized during the first nine months of 2020 for the market value of our investments that are used to fund our deferred compensation liability, compared to a \$2.8 million gain recognized during the first nine months of 2019. Additionally, other income, net includes the recognition of \$0.2 million of foreign currency transaction losses in the first nine months of 2020 compared to an immaterial amount of foreign currency transaction losses recognized in the first nine months of 2019.

Income Tax Expense (Benefit)

On March 27, 2020, the President of the United States signed into law the CARES Act, a nearly \$2 trillion emergency economic stimulus package in response to the COVID-19 outbreak, which among other items, includes income tax provisions relating to net operating loss carryback periods and technical corrections to tax depreciation methods for qualified improvement property. As a result of the enactment of this legislation during the first quarter of 2020, we recorded a tax benefit of \$0.8 million related to the remeasurement of a portion of our income tax receivable due to the ability to apply the federal net operating loss incurred in 2018 to prior year income for a refund at a higher tax rate in the carryback period.

For the nine months ended September 30, 2020, our effective tax rate was 23.5% as we recognized an income tax benefit from continuing operations of \$5.4 million on a loss from continuing operations of \$23.0 million. The effective tax rate of 23.5% was less favorable than the statutory rate, inclusive of state income taxes, of 26.0%, primarily due to certain nondeductible business expenses and the nondeductible portion of the goodwill impairment charges recorded during the first quarter of 2020. These unfavorable items were partially offset by a discrete tax benefit for share-based compensation awards that vested during the first quarter, the positive impact of certain federal tax credits, and the discrete tax benefit for the remeasurement of a portion of our income tax receivable as a result of the enactment of the CARES Act in the first quarter of 2020.

For the nine months ended September 30, 2019, our effective tax rate was 20.8% as we recognized income tax expense from continuing operations of \$7.3 million on income from continuing operations of \$34.9 million. The effective tax rate of 20.8% was more favorable than the statutory rate, inclusive of state income taxes, of 26.4%, primarily due to discrete tax benefits recognized primarily in the third quarter of 2019 related to U.S. federal and foreign return to provision adjustments. In addition, we recognized a discrete tax benefit in the third quarter of 2019 related to a previously unrecognized tax benefit due to the expiration of statute of limitations on our "check-the-box" election made in 2015 to treat certain wholly-owned foreign subsidiaries as disregarded entities for U.S. federal income tax purposes.

See Note 12 "Income Taxes" within the notes to our consolidated financial statements for additional information on our income tax expense.

Net Income (Loss) from Continuing Operations and Earnings (Loss) Per Share

Net income from continuing operations decreased by \$45.2 million to a net loss from continuing operations of \$17.6 million for the nine months ended September 30, 2020, from net income from continuing operations of \$27.6 million for the same prior year period. This decrease is primarily attributable to the \$59.8 million of non-cash pretax goodwill impairment charges related to our Business Advisory segment recognized in the first quarter of 2020. As a result of the decrease in net income from continuing operations, diluted loss per share from continuing operations for the first nine months of 2020 was \$0.81 compared to diluted earnings per share from continuing operations of \$1.23 for the first nine months of 2019. The non-cash goodwill impairment charges had a \$2.11 unfavorable impact on diluted earnings per share from continuing operations for the first nine months of 2020.

EBITDA and Adjusted EBITDA

EBITDA decreased \$65.8 million to \$7.0 million for the nine months ended September 30, 2020, from \$72.8 million for the nine months ended September 30, 2019. The decrease in EBITDA was primarily attributable to the non-cash goodwill impairment charges of \$59.8 million recognized in the first quarter of 2020 and the increase in salaries and related expense for our revenue-generating professionals for the first nine months of 2020 compared to the first nine months of 2019; partially offset by the decrease in selling, general and administrative expenses, excluding the change in the market value of our deferred compensation liability for the first nine months of 2020 compared to the same prior year period.

Adjusted EBITDA decreased \$6.0 million to \$70.1 million in the first nine months of 2020 from \$76.0 million in the first nine months of 2019. The decrease in adjusted EBITDA was primarily attributable to the increase in salaries and related expenses for our revenue-generating professionals for the first nine months of 2020 compared to the first nine months of 2019; largely offset by the decrease in selling, general and administrative expenses, excluding the change in the market value of our deferred compensation liability and transaction-related expenses related to the evaluation of potential acquisitions, for the first nine months of 2020 compared to the same prior year period.

Adjusted Net Income from Continuing Operations and Adjusted Earnings per Share

Adjusted net income from continuing operations decreased \$5.9 million to \$37.7 million in the first nine months of 2020 compared to \$43.7 million in the first nine months of 2019. As a result of the decrease in adjusted net income from continuing operations, adjusted diluted earnings per share from continuing operations for the first nine months of 2020 was \$1.70 compared to \$1.95 for the first nine months of 2019.

Segment Results

Healthcare

Revenues

Healthcare segment revenues decreased \$27.3 million, or 9.2%, to \$268.3 million for the first nine months of 2020 from \$295.6 million for the first nine months of 2019, primarily due to the negative impact of the COVID-19 pandemic on demand for our services within this segment, as some clients reprioritized and delayed certain projects as a result of the uncertainties surrounding the pandemic.

During the nine months ended September 30, 2020, revenues from fixed-fee engagements; time-and-expense engagements; performance-based arrangements; and software support, maintenance and subscription arrangements represented 58.9%, 16.2%, 18.3%, and 6.6% of this segment's revenues, respectively, compared to 63.9%, 13.3%, 17.0%, and 5.8% of this segment's revenues, respectively, for the same prior year period. Performance-based fee revenue was \$49.0 million during the first nine months of 2020, compared to \$50.1 million during the first nine months of 2019. The level of performance-based fees earned may vary based on our clients' risk sharing preferences and the mix of services we provide.

Of the overall \$27.3 million decrease in revenues, \$17.8 million was attributable to a decrease in revenues from our full-time billable consultants and \$9.5 million was attributable to our full-time equivalents. The decrease in revenues attributable to our full-time billable consultants reflected a decrease in the consultant utilization rate, partially offset by increases in the average number of full-time billable consultants and the average billing rate in the first nine months of 2020 compared to the same prior year period. The decrease in full-time equivalent revenues reflected a decrease in revenue per full-time equivalent, partially offset by an increase in the average number of full-time equivalents during the first nine months of 2020 compared to the same prior year period.

Operating Income

Healthcare segment operating income decreased \$23.2 million, or 24.7%, to \$70.8 million for the nine months ended September 30, 2020, from \$94.1 million for the nine months ended September 30, 2019. The Healthcare segment operating margin decreased to 26.4% for the first nine months of 2020 from 31.8% in the same period last year. The decrease in this segment's operating margin was primarily attributable to increases in salaries and related expenses for our revenue-generating professionals and technology expenses; partially offset by decreases in performance bonus expense for our revenue-generating professionals, contractor expenses, and product and event costs, as percentages of revenues.

Business Advisory

Revenues

Business Advisory segment revenues increased \$17.8 million, or 9.7%, to \$201.4 million for the first nine months of 2020 from \$183.6 million for the first nine months of 2019, primarily related to strengthened demand for our cloud-based technology and analytics solutions and our restructuring and capital advisory solutions provided to organizations in transition.

During the first nine months of 2020, revenues from fixed-fee engagements; time-and-expense engagements; performance-based arrangements; and software support, maintenance and subscription arrangements represented 36.5%, 58.8%, 2.9%, and 1.8% of this segment's revenues, respectively, compared to 39.6%, 56.8%, 1.5%, and 2.1% of this segment's revenues, respectively, during the same prior year period. Performance-based fee revenue was \$5.9 million for the first nine months of 2020, compared to \$2.8 million for the first nine months of 2019. The level of performance-based fees earned may vary based on our clients' preferences and the mix of services we provide.

Of the overall \$17.8 million increase in revenues, \$14.3 million was attributable to revenues generated by our full-time billable consultants and \$3.5 million was attributable to our full-time equivalents. The increase in revenues from our full-time billable consultants was primarily driven by increases in the average number of full-time billable consultants and the average billing rate in the first nine months of 2020 compared to the same prior year period. The increase in revenues from our full-time equivalents was driven by an increased use of contractors; and reflected an increase in the average number of full-time equivalents, partially offset by a decrease in revenue per full-time equivalent in the first nine months of 2020 compared to the same prior year period.

Operating Income

Business Advisory segment operating income increased by \$4.3 million, or 13.1%, to \$37.3 million for the nine months ended September 30, 2020, from \$33.0 million for the nine months ended September 30, 2019. The Business Advisory segment operating margin increased to 18.5% for the first nine months of 2020 from 18.0% in the same period last year. The increase in this segment's operating margin was primarily attributable to a decrease in promotion and marketing expenses, revenue growth that outpaced an increase in salaries and related expenses for our revenue-generating professionals, and decreases in signing, retention and other bonus expense for our revenue-generating professionals and practice administration and meetings expenses. These increases to the segment's operating margin were partially offset by increases in performance bonus expense for our revenue-generating professionals, contractor expenses, share-based compensation expense for our revenue-generating professionals, and restructuring charges, all as percentages of revenues. The restructuring charge recorded in the first nine months of 2020 related to the termination of a third-party advisor agreement.

The non-cash goodwill impairment charges related to the Strategy and Innovation and Life Sciences reporting units within the Business Advisory segment, which are discussed above within consolidated results, are not allocated at the segment level because the underlying goodwill asset is reflective of our corporate investment in the segment. We do not include the impact of goodwill impairment charges in our evaluation of segment performance. See the "Critical Accounting Policies" section below and Note 4 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information on the goodwill impairment charges and our goodwill balances.

Education

Revenues

Education segment revenues increased \$10.8 million, or 6.5%, to \$176.0 million for the first nine months of 2020 from \$165.3 million. The increase in revenues was primarily related to an increase in our cloud-based technology and analytics solutions and strategy and research consulting solutions in the first half of 2020, partially offset by the negative impact of the COVID-19 pandemic on demand for our on-premise technology consulting solutions.

For the nine months ended September 30, 2020, revenues from fixed-fee engagements; time-and-expense engagements; performance-based arrangements; and software support, maintenance and subscription arrangements represented 20.2%, 70.1%, 0.4% and 9.3% of this segment's revenues, respectively. Revenues from fixed-fee engagements; time-and-expense engagements; and software support, maintenance and subscription arrangements represented 22.9%, 69.1%, and 8.0% of this segment's revenues, respectively, during the same prior year period.

Of the overall \$10.8 million increase in revenues, \$6.5 million was attributable to revenues generated by our full-time billable consultants and \$4.3 million was attributable to revenues generated by our full-time equivalents. The increase in revenues from our full-time billable consultants reflected an increase in the average number of full-time billable consultants, partially offset by decreases in the consultant utilization rate and average billing rate in the first nine months of 2020 compared to the same prior year period. The increase in the average number of full-time billable consultants primarily related to hiring that occurred prior to the COVID-19 pandemic. The increase in revenues from our full-time equivalents was primarily driven by an increased use of contractors and project consultants as well as an increase in software subscriptions and data hosting revenues; and reflected an increase in the average number of full-time equivalents, partially offset by a decrease in revenue per full-time equivalent in the first nine months of 2020 compared to the same prior year period.

Operating Income

Education segment operating income decreased \$1.4 million, or 3.3%, to \$41.8 million for the nine months ended September 30, 2020, from \$43.2 million for the nine months ended September 30, 2019. The Education segment operating margin decreased to 23.7% for the first nine months of 2020 from 26.2% in the same period last year. The decrease in this segment's operating margin was primarily attributable to increases in salaries and related expenses for our revenue-generating professionals, technology expenses, and contractor expenses, all as percentages of revenues; partially offset by a decrease in promotion and marketing expenses and performance bonus expense for our revenue-generating professionals.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased \$63.1 million to \$74.7 million at September 30, 2020 from \$11.6 million at December 31, 2019. As of September 30, 2020, our primary sources of liquidity are cash on hand, cash flows from our U.S. operations, and borrowing capacity available under our credit facility.

Cash Flows (in thousands):	Nine Months Ended September 30,	
	2020	2019
Net cash provided by operating activities	\$ 77,985	\$ 51,745
Net cash used in investing activities	(28,388)	(24,420)
Net cash provided by (used in) financing activities	13,517	(11,060)
Effect of exchange rate changes on cash	27	38
Net increase in cash and cash equivalents	\$ 63,141	\$ 16,303

Operating Activities

Net cash provided by operating activities totaled \$78.0 million for the nine months ended September 30, 2020, compared to \$51.7 million for the nine months ended September 30, 2019. Our operating assets and liabilities consist primarily of receivables from billed and unbilled services, accounts payable and accrued expenses, accrued payroll and related benefits, and deferred revenues. The volume of services rendered and the related billings and timing of collections on those billings, as well as payments of our accounts payable and salaries, bonuses, and related benefits to employees affect these account balances.

The increase in cash provided by operating activities for the first nine months of 2020 compared to the same prior year period was primarily attributable to an increase in cash collections, a decrease in selling, general and administrative expenses for the first nine months of 2020 compared to the first nine months of 2019; and the deferral of the employer's portion of social security taxes as provided for under the CARES Act. These increases to cash provided by operating activities were partially offset by increases in payments to employees for salaries and related benefits in the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 and the amount paid for annual performance bonuses in the first quarter of 2020 compared to the first quarter of 2019.

Investing Activities

Net cash used in investing activities was \$28.4 million and \$24.4 million for the nine months ended September 30, 2020 and 2019, respectively.

The use of cash in the first nine months of 2020 primarily consisted of \$13.0 million for the purchase of an additional convertible debt investment in Shorelight Holdings, LLC; \$6.8 million for payments related to internally developed software; \$5.7 million for purchases of property and equipment, primarily related to purchases of leasehold improvements and furniture for certain office spaces and computers and related equipment; and \$2.0 million for contributions to our life insurance policies which fund our deferred compensation plan.

The use of cash in the first nine months of 2019 primarily consisted of \$10.0 million for purchases of property and equipment, primarily related to purchases of computers and related equipment and leasehold improvements for new office spaces in certain locations; \$7.5 million for payments related to internally developed software; \$4.4 million for contributions to our life insurance policies which fund our deferred compensation plan; and \$2.5 million for the purchase of a business in the third quarter of 2019.

In order to support our liquidity during the COVID-19 pandemic, we took proactive measures to increase available cash on hand, including reducing discretionary capital expenses. As a result, as of September 30, 2020, we estimate that cash utilized for purchases of software development and property and equipment in 2020 will total approximately \$16 million to \$20 million. These purchases will primarily consist of software development costs, information technology related equipment to support our corporate infrastructure, and leasehold improvements for certain office locations.

Financing Activities

Net cash provided by financing activities was \$13.5 million for the nine months ended September 30, 2020. During the first nine months of 2020, we borrowed \$283.0 million, all of which was in the first quarter of 2020, including \$125.0 million in March 2020 to maintain excess cash and support liquidity during the period of uncertainty created by the COVID-19 pandemic, as well as to fund our annual performance bonus payment. During the first nine months of 2020, we made repayments on our borrowings of \$240.4 million, including \$200.0 million in the second and third quarters of 2020 due to our ability to maintain adequate cash flows from operations and improved clarity around access to capital resources. Additionally, we repurchased and retired \$20.9 million of our common stock under our Share Repurchase Program, as defined below, and settled \$1.2 million of share repurchases that were accrued as of December 31, 2019.

Net cash used in financing activities was \$11.1 million for the nine months ended September 30, 2019. During the first nine months of 2019, we paid \$10.0 million to the sellers of certain business acquisitions for achieving specified financial performance targets in accordance with the related

purchase agreements. Of the total \$10.0 million payments made, \$4.7 million is classified as a cash outflow from financing activities and represents the amount paid up to the fair value of the contingent consideration liability recorded as of the acquisition date. The remaining \$5.3 million is classified as a cash outflow from operating activities. During the first nine months of 2019, we borrowed \$105.5 million under our credit facility, primarily to fund our annual performance bonus payment, and made repayments on our borrowings of \$105.9 million.

Share Repurchase Program

As of September 30, 2020, we had a share repurchase program permitting us to repurchase up to \$125 million of our common stock through October 31, 2020 (the "Share Repurchase Program"). In the first quarter of 2020, we repurchased and retired 313,998 shares for \$20.9 million. Additionally, in the first quarter of 2020, we settled the repurchase of 18,000 shares for \$1.2 million that were accrued as of December 31, 2019. No shares were repurchased in the second and third quarters of 2020. As of September 30, 2020, less than \$0.1 million remained available for share repurchases. The Share Repurchase Program expired on October 31, 2020.

Financing Arrangements

At September 30, 2020, we had \$248.0 million outstanding under our senior secured credit facility and \$3.5 million outstanding under a promissory note, as discussed below.

Senior Secured Credit Facility

The Company has a \$600 million senior secured revolving credit facility, subject to the terms of a Second Amended and Restated Credit Agreement dated as of March 31, 2015, as amended to date (as amended and modified the "Amended Credit Agreement"), that becomes due and payable in full upon maturity on September 27, 2024. The Amended Credit Agreement provides the option to increase the revolving credit facility or establish term loan facilities in an aggregate amount of up to \$150 million, subject to customary conditions and the approval of any lender whose commitment would be increased, resulting in a maximum available principal amount under the Amended Credit Agreement of \$750 million. Borrowings under the Amended Credit Agreement may be used for working capital, capital expenditures, acquisitions of businesses, share repurchases, and general corporate purposes.

Fees and interest on borrowings vary based on our Consolidated Leverage Ratio (as defined in the Amended Credit Agreement). At our option, borrowings under the Amended Credit Agreement will bear interest at one, two, three or six-month LIBOR or an alternate base rate, in each case plus the applicable margin. The applicable margin will fluctuate between 1.125% per annum and 1.875% per annum, in the case of LIBOR borrowings, or between 0.125% per annum and 0.875% per annum, in the case of base rate loans, based upon our Consolidated Leverage Ratio at such time.

Amounts borrowed under the Amended Credit Agreement may be prepaid at any time without premium or penalty. We are required to prepay the amounts outstanding under the Amended Credit Agreement in certain circumstances. In addition, we have the right to permanently reduce or terminate the unused portion of the commitments provided under the Amended Credit Agreement at any time.

The Amended Credit Agreement contains usual and customary representations and warranties; affirmative and negative covenants, which include limitations on liens, investments, additional indebtedness, and restricted payments; and two quarterly financial covenants as follows: (i) a maximum Consolidated Leverage Ratio (defined as the ratio of debt to consolidated EBITDA) of 3.75 to 1.00; however the maximum permitted Consolidated Leverage Ratio will increase to 4.00 to 1.00 upon the occurrence of certain transactions, and (ii) a minimum Consolidated Interest Coverage Ratio (defined as the ratio of consolidated EBITDA to interest) of 3.50 to 1.00. Consolidated EBITDA for purposes of the financial covenants is calculated on a continuing operations basis and includes adjustments to add back non-cash goodwill impairment charges, share-based compensation costs, certain non-cash restructuring charges, pro forma historical EBITDA for businesses acquired, and other specified items in accordance with the Amended Credit Agreement. For purposes of the Consolidated Leverage Ratio, total debt is on a gross basis and is not netted against our cash balances. At September 30, 2020 and December 31, 2019, we were in compliance with these financial covenants. Our Consolidated Leverage Ratio as of September 30, 2020 was 2.09 to 1.00, compared to 1.64 to 1.00 as of December 31, 2019. Our Consolidated Interest Coverage Ratio as of September 30, 2020 was 13.19 to 1.00, compared to 15.29 to 1.00 as of December 31, 2019. The increase in our Consolidated Leverage Ratio as of September 30, 2020 compared to December 31, 2019 was driven by increased borrowings under the Amended Credit Agreement to maintain excess cash and support liquidity during the period of uncertainty created by the COVID-19 pandemic and to fund our annual performance bonus payment in the first quarter of 2020. As a result of these borrowings, cash and cash equivalents increased \$63.1 million to \$74.7 million at September 30, 2020 from \$11.6 million at December 31, 2019.

The Amended Credit Agreement contains restricted payment provisions, including a potential limit on the amount of dividends we may pay. Pursuant to the terms of the Amended Credit Agreement, if our Consolidated Leverage Ratio is greater than 3.25, the amount of dividends and other Restricted Payments (as defined in the Amended Credit Agreement) we may pay is limited to an amount up to \$25 million.

Principal borrowings outstanding under the Amended Credit Agreement at September 30, 2020 and December 31, 2019 totaled \$248.0 million and \$205.0 million, respectively. These borrowings carried a weighted average interest rate of 2.5% at September 30, 2020 and 3.0% at December 31, 2019 including the impact of the interest rate swaps described in Note 9 "Derivative Instruments and Hedging Activity" within the notes to the consolidated financial statements. The borrowing capacity under the revolving credit facility is reduced by any outstanding borrowings under the

revolving credit facility and outstanding letters of credit. At September 30, 2020, we had outstanding letters of credit totaling \$1.7 million, which are primarily used as security deposits for our office facilities. As of September 30, 2020, the unused borrowing capacity under the revolving credit facility was \$350.3 million.

Promissory Note due 2024

On June 30, 2017, in conjunction with our purchase of an aircraft related to the acquisition of Innosight, we assumed, from the sellers of the aircraft, a promissory note with an outstanding principal balance of \$5.1 million. The principal balance of the promissory note is subject to scheduled monthly principal payments until the maturity date of March 1, 2024, at which time a final payment of \$1.5 million, plus any accrued and unpaid interest, will be due. Under the terms of the promissory note, we will pay interest on the outstanding principal amount at a rate of one-month LIBOR plus 1.97% per annum. The obligations under the promissory note are secured pursuant to a Loan and Aircraft Security Agreement with Banc of America Leasing & Capital, LLC, which grants the lender a first priority security interest in the aircraft. At September 30, 2020, the outstanding principal amount of the promissory note was \$3.5 million, and the aircraft had a carrying amount of \$4.6 million. At December 31, 2019, the outstanding principal amount of the promissory note was \$3.9 million, and the aircraft had a carrying amount of \$5.1 million.

For further information, see Note 7 "Financing Arrangements" within the notes to the consolidated financial statements.

Future Financing Needs

Our current primary financing need is to support our operations during the COVID-19 pandemic. The pandemic has created significant volatility and uncertainty in the economy, which could limit our access to capital resources and could increase our borrowing costs. In order to support our liquidity during the pandemic, we took proactive measures to increase available cash on hand, including, but not limited to, borrowing under our senior secured credit facility in the first quarter of 2020 and reducing discretionary operating and capital expenses. To further support our liquidity, we elected to defer the deposit of our employer portion of social security taxes beginning in April 2020 and through the end of the year, which we expect to pay in equal installments in the fourth quarters of 2021 and 2022, as provided for under the CARES Act. Our long-term financing need has been to fund our growth. Our growth strategy is to expand our service offerings, which may require investments in new hires, acquisitions of complementary businesses, possible expansion into other geographic areas, and related capital expenditures. We believe our internally generated liquidity, together with our available cash, and the borrowing capacity available under our revolving credit facility will be adequate to support our current financing needs and long-term growth strategy. Our ability to secure additional financing, if needed, in the future will depend on several factors, including our future profitability, the quality of our accounts receivable and unbilled services, our relative levels of debt and equity, and the overall condition of the credit markets.

CONTRACTUAL OBLIGATIONS

For a summary of our commitments to make future payments under contractual obligations, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations" in our Annual Report on Form 10-K for the year ended December 31, 2019. As of September 30, 2020, borrowings outstanding under our senior secured credit facility totaled \$248.0 million compared to \$205.0 million at December 31, 2019. See the "Liquidity and Capital Resources" section above and Note 7 "Financing Arrangements" within the notes to our consolidated financial statements for additional information on our outstanding borrowings as of September 30, 2020. There have been no other material changes to our contractual obligations since December 31, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

We are not a party to any material off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. We regularly review our financial reporting and disclosure practices and accounting policies to ensure that our financial reporting and disclosures provide accurate information relative to the current economic and business environment. The preparation of financial statements in conformity with GAAP requires management to make assessments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those policies that we believe present the most complex or subjective measurements and have the most potential to impact our financial position and operating results. While all decisions regarding accounting policies are important, we believe there are five accounting policies that could be considered critical: revenue recognition, allowances for doubtful accounts and unbilled services, business combinations, carrying values of goodwill and other intangible assets, and accounting for income taxes. For a detailed discussion of these critical accounting policies, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2019. Below is an update to our critical accounting policy related to the carrying value of goodwill and other intangible assets. There have been no material changes to our other critical accounting policies during the first nine months of 2020.

Carrying Values of Goodwill and Other Intangible Assets

First Quarter 2020 Goodwill Impairment Analysis

The worldwide spread of the coronavirus (COVID-19) in the first quarter of 2020 created significant volatility, uncertainty and disruption to the global economy. We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how we expect it will continue to negatively impact our clients, employees and business partners. While the COVID-19 pandemic did not have a significant impact on our consolidated revenues in the first quarter of 2020, we expected it to have an unfavorable impact on sales, increase uncertainty in the backlog and negatively impact full year 2020 results. The services provided by our Strategy and Innovation and Life Sciences reporting units within our Business Advisory segment focus on strategic solutions for healthy, well-capitalized companies to identify new growth opportunities, which may be considered by our clients to be more discretionary in nature, and the duration of the projects within these practices are typically short-term. Therefore, due to the uncertainty caused by the COVID-19 pandemic, we are cautious about near-term results for these two reporting units. Based on our internal projections and the preparation of our financial statements for the quarter ended March 31, 2020, and considering the expected decrease in demand due to the COVID-19 pandemic, during the first quarter of 2020 we believed that the fair value of these two reporting units no longer exceeded their carrying values and performed an interim impairment test on both reporting units as of March 31, 2020.

Based on the estimated fair values of the Strategy and Innovation and Life Sciences reporting units described below, we recorded non-cash pretax goodwill impairment charges of \$49.9 million and \$9.9 million, respectively, in the first quarter of 2020. The \$49.9 million non-cash pretax charge related to the Strategy and Innovation reporting unit reduced the goodwill balance of the reporting unit to \$37.5 million. The \$9.9 million non-cash pretax charge related to the Life Sciences reporting unit reduced the goodwill balance of the reporting unit to zero.

Our goodwill impairment test was performed by comparing the fair value of each of the Strategy and Innovation and Life Sciences reporting units with its respective carrying value and recognizing an impairment charge for the amount by which the carrying value exceeded the fair value. To estimate the fair value of each reporting unit, we relied on a combination of the income approach and the market approach, with a fifty-fifty weighting.

In the income approach, we utilized a discounted cash flow analysis, which involved estimating the expected after-tax cash flows that will be generated by each reporting unit and then discounting those cash flows to present value, reflecting the relevant risks associated with each reporting unit and the time value of money. This approach requires the use of significant estimates and assumptions, including long-term projections of future cash flows, market conditions, and discount rates that reflect the risk inherent in the future cash flows. In estimating future cash flows, we relied on internally generated seven-year forecasts. For periods after the seven-year forecast, we assumed a long-term annual revenue growth rate of 3.0% for both the Strategy and Innovation and Life Sciences reporting units and a long-term EBITDA margin of 24.8% and 6.7%, respectively. Our forecasts are based on historical experience, current backlog, expected market demand, and other industry information. Our discounted cash flow analysis assumed weighted average cost of capital discount rates of 16.0% and 10.5% for the Strategy and Innovation and Life Sciences reporting units, respectively.

In the market approach, we utilized the guideline company method, which involved calculating valuation multiples based on operating data from guideline publicly traded companies. Multiples derived from guideline companies provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. These multiples were evaluated and adjusted based on specific characteristics of the Strategy and Innovation and Life Sciences reporting units relative to the selected guideline companies and applied to the reporting units' operating data to arrive at an indication of value. The range of revenue multiples used in the valuation of the Strategy and Innovation and Life Sciences reporting units was 1.20x to 1.70x and 0.30x to 0.40x, respectively.

Determining the fair value of any reporting unit requires us to make significant judgments, estimates, and assumptions. While we believe that the estimates and assumptions underlying our valuation methodology are reasonable, these estimates and assumptions could have a significant impact on whether or not a non-cash impairment charge is recognized and also the magnitude of any such charge. The results of an impairment analysis are as of a point in time. There is no assurance that the actual future earnings or cash flows of our reporting units will be consistent with our projections. We will continue to monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods. Any significant decline in our operations compared to our internal forecasts could result in additional non-cash goodwill impairment charges, which could be material.

Concurrently with the goodwill impairment tests performed over the Strategy and Innovation and Life Sciences reporting units, we evaluated whether any indicators exist that would lead us to believe that the fair values of our Healthcare, Education, and Business Advisory reporting units may not exceed their carrying values. Based on our internal projections, consideration of the impact of the COVID-19 pandemic on these reporting units, and review of the amounts by which the fair values of these reporting units exceeded their carrying values in the most recent quantitative goodwill impairment analysis performed, we did not identify any indicators that would lead us to believe that the fair values of these reporting units may not exceed their carrying values as of March 31, 2020. Additionally, in the second and third quarters of 2020, we did not identify any indicators that would lead us to believe that the fair values of any of our reporting units may not exceed their carrying values. We will monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods.

The carrying values of goodwill for each of our reporting units as of September 30, 2020 are as follows (in thousands):

Reporting Unit	Carrying Value of Goodwill
Healthcare	\$ 428,729
Education	104,384
Business Advisory	16,094
Strategy and Innovation	37,523
Life Sciences	—
Enterprise Solutions and Analytics	—
Total	<u>\$ 586,730</u>

Intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill. Our intangible assets, net of accumulated amortization, totaled \$22.3 million at September 30, 2020 and primarily consist of customer relationships, trade names, technology and software, non-competition agreements, and customer contracts, all of which were acquired through business combinations. We evaluate our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In connection with the goodwill impairment tests performed for the Strategy and Innovation and Life Sciences reporting units in the first quarter of 2020, which resulted in non-cash goodwill impairment charges, we performed impairment tests on the long-lived assets allocated to the asset groups of the Strategy and Innovation and Life Sciences reporting units. Based on the impairment tests performed, we concluded that the long-lived assets allocated to the asset groups were not impaired as of March 31, 2020. We did not identify any indicators that would lead us to believe that the carrying values of the long-lived assets allocated to our other asset groups may not be recoverable as of March 31, 2020, June 30, 2020, and September 30, 2020.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Note 3 "New Accounting Pronouncements" within the notes to the consolidated financial statements for information on new accounting pronouncements.

SUBSEQUENT EVENTS

Acquisition of ForcelQ, Inc.

On October 15, 2020, we entered into an agreement to acquire ForcelQ, Inc. ("ForcelQ"), a Salesforce Industries partner focused on helping clients drive digital transformation and innovation at scale powered by the cloud. The acquisition expands our cloud-based technology offerings within the Business Advisory segment. The results of operations of ForcelQ will be included within the Business Advisory segment from the effective close date, November 1, 2020. The acquisition of ForcelQ is not significant to our consolidated financial statements.

Fourth Quarter 2020 Restructuring Plan

On October 29, 2020, we announced a restructuring plan to reduce operating costs to address the impact of the COVID-19 pandemic on our business. The restructuring plan provides for a reduction in workforce and leased office space that is expected to result in initial restructuring charges in a range of approximately \$15.5 million to \$19.5 million and annualized savings in a range of approximately \$23.0 million to \$27.0 million. We do not anticipate a material revenue impact related to the restructuring actions.

The reduction in workforce impacts approximately 145 employees across all segments and corporate operations. We expect the reduction in workforce to be substantially complete by the end of the fourth quarter of 2020 and expect to incur an estimated restructuring charge in a range of approximately \$3.5 million to \$4.5 million related to cash payments for employee severance and benefits.

The reduction in leased office space is expected to result in estimated non-cash restructuring charges in a range of approximately \$12.0 million to \$15.0 million, consisting of operating lease right-of-use asset and leasehold improvement impairment charges and accelerated depreciation on other fixed assets. The non-cash restructuring charges related to the reduction in leased office space are expected to be recorded primarily in the fourth quarter of 2020. Future cash expenditures related to the leased office space are expected to continue through 2029. The exact amount and timing of the office space reductions, and the associated payments and expenses, depend on a number of factors, including our ability to terminate or modify existing lease contracts and/or enter into sublease agreements for the exited spaces to lower future cash expenditures.

In addition, in the fourth quarter of 2020, we announced our intent to divest our life sciences drug safety practice, a UK-based business that is part of the Life Sciences reporting unit within our Business Advisory segment. For the nine months ended September 30, 2020, this practice generated \$1.9 million of revenue and is not significant to our consolidated financial statements. We expect the divestiture to be completed in the fourth quarter of 2020.

We believe these measures will better align delivery capacity with anticipated demand and strengthen our financial position amidst the ongoing disruption, creating a foundation from which our business can grow.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to market risks primarily from changes in interest rates and changes in the market value of our investments.

Market Risk and Interest Rate Risk

We have exposure to changes in interest rates associated with borrowings under our bank credit facility, which has variable interest rates tied to LIBOR or an alternate base rate, at our option. At September 30, 2020, we had borrowings outstanding under the credit facility totaling \$248.0 million that carried a weighted average interest rate of 2.5%, including the impact of the interest rate swaps described below. A hypothetical 100 basis point change in the interest rate would have a \$0.5 million effect on our pretax income on an annualized basis, including the effect of the interest rate swaps outstanding at September 30, 2020. At December 31, 2019, we had borrowings outstanding under the credit facility totaling \$205.0 million that carried a weighted average interest rate of 3.0% including the impact of the interest rate swap outstanding at December 31, 2019. A hypothetical 100 basis point change in the interest rate would have had a \$1.6 million effect on our pretax income on an annualized basis, including the effect of the interest rate swap.

On June 22, 2017, we entered into a forward interest rate swap agreement effective August 31, 2017 and ending August 31, 2022, with a notional amount of \$50.0 million. We entered into this derivative instrument to hedge against the interest rate risks of our variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and we pay to the counterparty a fixed rate of 1.900%.

On January 30, 2020, we entered into a forward interest rate swap agreement effective December 31, 2019 and ending December 31, 2024, with a notional amount of \$50.0 million. We entered into this derivative instrument to further hedge against the interest rate risks of our variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one month LIBOR and we pay to the counterparty a fixed rate of 1.500%.

On March 16, 2020, we entered into a forward interest rate swap agreement effective February 28, 2020 and ending February 28, 2025, with a notional amount of \$100.0 million. We entered into this derivative instrument to further hedge against the interest rate risks of our variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one month LIBOR and we pay to the counterparty a fixed rate of 0.885%.

We also have exposure to changes in interest rates associated with the promissory note assumed on June 30, 2017 in connection with our purchase of an aircraft, which has variable interest rates tied to LIBOR. At September 30, 2020, the outstanding principal amount of the promissory note was \$3.5 million and carried an interest rate of 2.1%. A hypothetical 100 basis point change in this interest rate would not have a material effect on our pretax income. At December 31, 2019, the outstanding principal amount of the promissory note was \$3.9 million and carried an interest rate of 3.7%. A hypothetical 100 basis point change in the interest rate as of December 31, 2019 would not have had a material effect on our pretax income.

We do not use derivative instruments for trading or other speculative purposes. From time to time, we invest excess cash in short-term marketable securities. These investments principally consist of overnight sweep accounts. Due to the short maturity of these investments, we have concluded that we do not have material market risk exposure.

We have an investment in the form of 1.69% convertible debt in Shorelight Holdings, LLC, a privately-held company, which we account for as an available-for-sale debt security. As such, the investment is carried at fair value with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income. As of September 30, 2020, the fair value of the investment was \$61.1 million, with a total cost basis of \$40.9 million. At December 31, 2019, the fair value of the investment was \$49.5 million, with a total cost basis of \$27.9 million.

We have a preferred stock investment in Medically Home Group, Inc., a privately-held company, which we account for as an equity security without a readily determinable fair value using the measurement alternative. As such, the investment is carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment. Any unrealized holding gains and losses resulting from observable price changes are recorded in our consolidated statement of operations. As of September 30, 2020, the carrying value of the investment was \$5.0 million. Following our purchase, there has been no impairment, nor any observable price changes to our investment. See Note 10 "Fair Value of Financial Instruments" for further information on our long-term investments in Shorelight Holdings, LLC and Medically Home Group, Inc.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2020. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2020, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports we file or submit under the Exchange Act, and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The information required by this Item is incorporated by reference from Note 13 "Commitments, Contingencies and Guarantees" included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. As of the date of this Quarterly Report on Form 10-Q, we are not a party to any litigation or legal proceeding that, in the current opinion of management, could have a material adverse effect on our financial position or results of operations. However, due to the risks and uncertainties inherent in legal proceedings, actual results could differ from current expected results.

ITEM 1A. RISK FACTORS.

The following information updates, and should be read in conjunction with, the information disclosed in Part 1, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (the "2019 Annual Report"), which was filed with the Securities and Exchange Commission on February 26, 2020.

Our results of operations have been adversely affected and, in the future, could be materially adversely impacted by the coronavirus (COVID-19) pandemic.

The worldwide spread of coronavirus (COVID-19) has created significant volatility, uncertainty and disruption to the global economy. The pandemic is adversely impacting and, in the future, could materially adversely impact our business, operations and financial results. The extent to which the COVID-19 pandemic impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including:

- the severity of the pandemic;
- the timing of the development and distribution of an effective vaccine or treatments for COVID-19;
- governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic, including quarantines, social distancing and other risk mitigating measures taken to prevent the spread of COVID-19;
- the effect on our clients and client demand for our services and solutions, including the effect on the healthcare and higher education industries which are areas of significant focus for our business;
- the health and welfare of our employees, including our senior management team, practice leaders and managing directors, and their ongoing ability to serve clients and manage operations if they contract COVID-19;
- the impact on our key third-party vendors;
- the effect on the businesses in which we have invested;

- our ability to sell and provide our services and solutions and maintain adequate utilization levels, including as a result of travel restrictions, shelter-in-place and quarantine orders and people working from home;
- the ability of our clients to pay for our services and solutions;
- any disruption to the Internet and related systems, which may impact our ability to provide our services and solutions remotely, and increased vulnerability to hackers or third parties seeking to disrupt operations; and
- any closures of our clients' offices and facilities.

Additionally, in some instances, clients have slowed down decision making, delayed planned work or are seeking to reduce the scope of current engagements or terminate existing agreements, which may continue. Any of these events could cause or contribute to the risks and uncertainties enumerated in our 2019 Annual Report and could materially adversely affect our business, financial condition, results of operations and/or stock price.

Our goodwill and other intangible assets represent a substantial amount of our total assets, and we may be required to recognize a non-cash impairment charge for these assets if the performance of one or more of our reporting units falls below our expectations.

Our total assets reflect a substantial amount of intangible assets, primarily goodwill. At December 31, 2019, goodwill and other intangible assets totaled \$678.3 million, or 61%, of our total assets. During the first quarter of 2020, we incurred non-cash pretax goodwill impairment charges totaling \$59.8 million related to our Strategy and Innovation and Life Sciences reporting units within our Business Advisory segment, as discussed below. At September 30, 2020, goodwill and other intangible assets totaled \$609.0 million, or 56%, of our total assets as of September 30, 2020. The goodwill results from our acquisitions, representing the excess of the fair value of consideration transferred over the fair value of the net assets acquired. We test goodwill for impairment at the reporting unit level, annually and whenever events or circumstances make it more likely than not that an impairment may have occurred.

The worldwide spread of the coronavirus (COVID-19) in the first quarter of 2020 created significant volatility, uncertainty and disruption to the global economy. We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how we expect it will continue to negatively impact our clients, employees and business partners. While the COVID-19 pandemic did not have a significant impact on our consolidated revenues in the first quarter of 2020, we expected it to have an unfavorable impact on sales, increase uncertainty in the backlog and negatively impact full year 2020 results. The services provided by our Strategy and Innovation and Life Sciences reporting units within our Business Advisory segment focus on strategic solutions for healthy, well-capitalized companies to identify new growth opportunities, which may be considered by our clients to be more discretionary in nature, and the duration of the projects within these practices are typically short-term. Therefore, due to the uncertainty caused by the COVID-19 pandemic, we are cautious about near-term results for these two reporting units. Based on our internal projections and the preparation of our financial statements for the quarter ended March 31, 2020, and considering the expected decrease in demand due to the COVID-19 pandemic, during the first quarter of 2020 we believed that the fair value of these two reporting units no longer exceeded their carrying values and performed an interim impairment test on both reporting units as of March 31, 2020.

Based on the estimated fair values of the Strategy and Innovation and Life Sciences reporting units, we recorded non-cash pretax goodwill impairment charges of \$49.9 million and \$9.9 million, respectively, in the first quarter of 2020. The \$49.9 million non-cash pretax charge related to the Strategy and Innovation reporting unit reduced the goodwill balance of the reporting unit to \$37.5 million. The \$9.9 million non-cash pretax charge related to the Life Sciences reporting unit reduced the goodwill balance of the reporting unit to zero.

Determining the fair value of any reporting unit requires us to make significant judgments, estimates, and assumptions. While we believe that the estimates and assumptions underlying our valuation methodology are reasonable, these estimates and assumptions could have a significant impact on whether or not a non-cash impairment charge is recognized and also the magnitude of any such charge. The results of an impairment analysis are as of a point in time. There is no assurance that the actual future earnings or cash flows of our reporting units will be consistent with our projections. We continue to monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods. Any significant decline in our operations could result in additional non-cash goodwill impairment charges or impairment charges with respect to our other intangible assets, which could be material.

Refer to "Critical Accounting Policies" within Part I - Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 4 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for further discussion of our goodwill, intangible assets, and impairment tests performed in 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Our Stock Ownership Participation Program, 2012 Omnibus Incentive Plan, and 2004 Omnibus Stock Plan, which was replaced by the 2012 Omnibus Incentive Plan, permit the netting of common stock upon vesting of restricted stock awards to satisfy individual tax withholding requirements. During the quarter ended September 30, 2020, we reacquired 12,468 shares of common stock with a weighted average fair market value of \$46.49 as a result of such tax withholdings.

We had a share repurchase program permitting us to repurchase up to \$125 million of our common stock through October 31, 2020 (the "Share Repurchase Program"), with less than \$0.1 million available for share repurchases as of September 30, 2020. The Share Repurchase Program expired on October 31, 2020.

The following table provides information with respect to purchases we made of our common stock during the quarter ended September 30, 2020.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that may yet be Purchased under the Plans or Programs ⁽²⁾
July 1, 2020 - July 31, 2020	3,106	\$ 44.25	—	\$ 43,572
August 1, 2020 - August 31, 2020	8,705	\$ 47.66	—	\$ 43,572
September 1, 2020 - September 30, 2020	657	\$ 41.57	—	\$ 43,572
Total	12,468	\$ 46.49	—	

(1) The number of shares repurchased each period represent shares to satisfy employee tax withholding requirements. These shares do not reduce the repurchase authority under the Share Repurchase Program.

(2) As of the end of the period.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

(a) The following exhibits are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Exhibit Description	Filed herewith	Furnished herewith	Incorporated by Reference			
				Form	Period Ending	Exhibit	Filing Date
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X					
31.2	Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X					
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X				
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X				
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X					
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X					
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	X					

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Huron Consulting Group Inc.

(Registrant)

Date: November 2, 2020

/s/ JOHN D. KELLY

John D. Kelly
Executive Vice President,
Chief Financial Officer and Treasurer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER,
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James H. Roth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Huron Consulting Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2020

By: /S/ JAMES H. ROTH
James H. Roth
Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER,
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John D. Kelly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Huron Consulting Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2020

By: /S/ JOHN D. KELLY
John D. Kelly
Executive Vice President,
Chief Financial Officer and Treasurer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER,
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Huron Consulting Group Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James H. Roth, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 2, 2020

By: /s/ JAMES H. ROTH
James H. Roth
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER,
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Huron Consulting Group Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John D. Kelly, Executive Vice President, Chief Financial Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 2, 2020

By: /s/ JOHN D. KELLY
John D. Kelly
Executive Vice President,
Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.