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PRESENTATION

Operator

Good afternoon, Ladies and gentlemen, and welcome to the Huron Consulting Group's webcast to discuss Financial Results for the Fourth Quarter and Full Year 2018. (Operator Instructions) .

As a reminder, this conference call is being recorded. Before we begin, I would like to point all of you to the disclosure at the end of the company's news release for information about any forward-looking statements that may be made or discussed on this call. The news release is posted on Huron's website. Please review that information along with the filings with the SEC for disclosure of factors that may impact subjects discussed in this afternoon's webcast.

The company will be discussing one or more non-GAAP financial measures. Please look at the earnings release on Huron's website for all of the disclosures required by the SEC, including reconciliation to the most comparable GAAP numbers.

And now, I'd like to turn the call over to Jim Roth, Chief Executive Officer of Huron Consulting Group. Mr. Roth, Please go ahead.

James H. Roth *- Huron Consulting Group Inc. - CEO & Director*

Good afternoon, and welcome to Huron Consulting Group's Fourth Quarter and Full Year 2018 Earnings Call. With me today are John Kelley, our Chief Financial Officer; and Mark Hussey, our President and Chief Operating Officer.

Led by strong growth in our Business Advisory and Education segments, revenues in the quarter grew 10% organically over Q4 2017, and 8% on a full year basis over 2017.

The strategic positioning we executed over the last 2 years enabled each of our segments to achieve organic revenue growth in 2018. I will now share some additional insight into our fourth quarter and full year performance and our expectations for 2019. On a full year basis, Healthcare segment revenues grew 2% over 2017. The year-over-year increase was primarily attributable to our performance improvement and technology services solutions. Healthcare revenues in Q4 2018 declined approximately 3% over the same period in 2017, but grew 3% sequentially over Q3 2018. The fourth quarter was our highest revenue quarter in the year for the Healthcare segment.

On prior calls, I've mentioned the dramatic changes taking place in Healthcare industry. The pace of change is readily apparent and the new partnerships that are formed in the commercial and not-for-profit Healthcare sectors. Our Healthcare practice has modified and is further innovating its service offerings in response to these market changes. And through collaboration across Huron's businesses, we continue to successfully evolve the way we deliver services to help our clients address the rapidly changing Healthcare landscape.

Turning to the Business Advisory segment, on a full year basis, this segment grew revenues 14% year-over-year, driven by growth in our Innosight and Enterprise Solutions and Analytics, or ES&A business. In 2018, the ES&A business grew approximately 10% year-over-year. The growth in ES&A came from an expansion of offerings across several industries in the Healthcare, Education and commercial sectors and reflected our ability to address the rapidly evolving cloud-based digital needs of our clients.

Our Innosight business grew revenues organically over 40% in 2018 when compared to full year 2017. The Innosight team has continued to expand its strategy and innovation offerings into numerous industries undergoing significant change, and they have also had success collaborating with our Healthcare segment to provide strategic services to large health systems and academic medical centers.

The Legacy Business Advisory practice revenues were up slightly year-over-year on a full year basis. The restructuring and turnaround solution had a solid year, offset in part, by lower fees in the broker-dealer.

Finally, our Life Sciences business grew revenues in the low double-digit range on a full year basis over 2017, excluding the impact of the divestiture of the C&O business in the second quarter of 2017.

On a comparative basis, the headwinds related to the divestiture will be behind us in 2019, and we believe Life Sciences is well positioned to continue to scale to serve the strategic needs of our growing pharmaceutical and medical device client base.

For full year 2018, the Business Advisory segment generated approximately 30% of its total revenues in Healthcare and Education industries. Collaboration sits at the heart of our strategy and is one of our core competitive advantages. We continue to strengthen collaboration across the firm, including across the businesses and the Business Advisory segment, to ensure we bring the best, most innovative solutions to market to serve our clients.

Turning now to the Education segment. The Education segment achieved organic growth of 16% in 2018 over 2017, driven by growth in all solutions in this segment. Similar to the Healthcare industry, higher education institutions continue to be under substantial pressure, partly driven by increasing -- increasingly challenged business models and partly due to changes in demand among traditional students.

In 2018, we accelerated the hiring of resources in those areas we believe will drive our future growth, particularly in our technology-focused solutions. We believe the Education segment is well positioned to continue its solid organic growth trajectory in 2019.

Let me turn to our expectations and guidance for 2019. Our revenue guidance for the year is $800 million to $840 million. We also adjusted EBITDA -- we also expect adjusted EBITDA in a range of 12% to 12.5% of revenues, and an increase in adjusted diluted earnings per share in a range of 8% to 20% over 2018.

I will now provide a few thoughts regarding our expectations for each segment as well as overall company profitability.

Let me begin with Healthcare. While we are encouraged by the strengthening in demand in 2018, we remain cautious about extrapolating recent market trends and predicting our 2019 performance, given the vagaries of how the Healthcare industry is evolving. At the midpoint of our guidance, we anticipate Healthcare segment revenues will grow in the low single-digit range in 2019. Our 2019 guidance reflects mid-single digit organic revenue growth in the Business Advisory segment. In the Education segment, we anticipate mid-to-upper single-digit organic revenue growth for the year. In summary, we are guiding to low to mid-single digit revenue growth companywide in 2019.

In terms of margins in 2019, our guidance reflects our commitment to expanding margins and is inclusive of a number of investments that we believe will enhance our revenue growth trajectory, drive deeper operational efficiencies and create opportunities to better leverage our G&A.

We are highly focused on improving our margins, while investing in areas with the greatest growth potential or efficiency gains. We continue to believe that 2018 will be a baseline from which we can substantially grow margins in the future, consistent with our long-term financial objectives.

Finally, today, we announced a series of leadership changes that we believe will further support the achievement of our growth strategy, and I would like to make a few comments on those changes right now. I'm thrilled to announce the well-deserved promotions for the following individuals.

First, I'd like to recognize Mark Hussey. Over the last 2 years, Mark has done a remarkable job leading our Healthcare business. And through his and the broader Healthcare team's hard work, we returned that segment to growth in 2018. Mark is a trusted leader in Huron and continues to flourish in the face of any challenge. We've been working to transition Mark out of the Healthcare leadership role, and today, I'm pleased to announce that he has been promoted to President, in addition to his responsibilities as Chief Operating Officer. In this new role, Mark will now be responsible for the day-to-day management and operations of our business segments and the corporate operations, human resources, marketing and information technology functions.

This transition will allow me to focus more time and attention to the overall strategic direction of the firm and our business units. I will also work closely in the market with our businesses and the practice leaders and will be more deeply involved with the recruitment and retention of our people, which are the most important asset and growth driver for Huron over the long term.

Second, we have promoted Jim Gallas to Healthcare Practice Leader. Jim is a 30-year Healthcare industry veteran. Since joining Huron in 2012, he has held a number of leadership roles within the Healthcare practice, including the leader of the performance improvement in technology services solutions from 2012 to 2015, and most recently, served as a leader of our strategic sales organization.

He has also held various leadership roles with other consulting firms and post acute providers prior to joining Huron.

Third, after nearly 10 years leading the Education practice, Laura Yaeger has decided to return her primary focus to the market and serving clients. She has taken on new leadership responsibilities in the Education business as ahead of Client Service and Sales Excellence. For Laura and for our business, this is an opportune time to establish this new role focused on assuring that the Education team achieves its top line growth targets that we set forth as part of our long-term strategy.

Laura will also continue to play an instrumental role in several of our strategic enterprise-level initiatives as well as co-lead our student solution. As I mentioned on prior calls, we believe the student offering is one of the growth drivers in the Education business with the greatest potential.

Today, I'm pleased to announce the promotion of Peter Eschenbach to Education Practice Leader. Over the past several years, Laura has done a great job executing a succession plan to transition the practice leader role to Peter. Peter is a founding member of Huron and has played critical roles in growing the Education segment. He has more than 25 years of experience in the higher education and academic medical center industries, helping clients navigate the disruption through strategic planning, business process redesign, system design and information technology implementation.

Finally, I'd like to recognize Ellen Wong's promotion to Chief Accounting Officer. Ellen has previously served as Controller, and prior to that, Assistant Treasurer. She has held a number of leadership roles in the Finance and Accounting Departments at Huron since she joined in 2014 -- I'm Sorry, 2004. I want to congratulate all of these individuals on these well-deserved recognitions. Most importantly, I want to stress that these leadership changes reflect the quality and depth of talent in the Huron organization. Our managing directors possess deep-domain expertise and leadership talent, providing us with a strong competitive advantage.

I'm excited to spend more of my time developing the future leaders within Huron as we continue to grow the firm, and I look forward to partnering with the individuals we announced today in their new roles as we advance our long-term strategy and deliver shareholder value.

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

John D. Kelly - *Huron Consulting Group Inc. - Executive VP, CFO & Treasurer*

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

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

Also, unless otherwise stated, my comments today are all on a continuing operations basis.

Now let me walk you through some of the key financial results for the quarter. Revenues for the fourth quarter of 2018 were $205.5 million, up 10.5% from $185.9 million in the same quarter of 2017. The increase in revenues in the quarter was driven by strong organic growth in our Business Advisory and Education segments. On a full year basis, revenue was $795.1 million in 2018 compared to $732.6 million in 2017. As Jim mentioned, the increase in revenue over the prior year period was driven by organic revenue growth across all 3 operating segments.

Net income was $3.1 million or $0.14 per diluted share in the fourth quarter of 2018 compared to net loss of $29.3 million or $1.36 per diluted share in the same quarter in the prior year. The increase in net income over the prior year period primarily reflects the impact of the goodwill impairment charge taken into Business Advisory segment during the fourth quarter of 2017.

On a full year basis, net income was $13.9 million or $0.63 per diluted share in 2018, compared to net loss of $170.5 million or $7.95 per diluted share in 2017. The increase in net income over the prior year period reflects the impact of the goodwill impairment charges taken in our Healthcare and Business Advisory segments in 2017. Our effective income tax rate in the fourth quarter of 2018 was 69.4% compared to 7.2% a year ago.

Our effective tax rate for Q4 2018 was less favorable than the statutory rate, inclusive of state income taxes, primarily due to an increase in our valuation allowance for foreign tax credits related to tax reform. The impact of which has been excluded from adjusted diluted EPS. The less favorable effective tax rate was also due to the impact of contingent consideration fair value adjustments where we receive no tax benefit, nondeductible losses on the asset that fund our nonqualified deferred compensation plan, and the impact of global intangible low taxed income or guilty provisions up to 2017 Tax Reform Act.

On a full year basis, our effective income tax rate for 2018 was 44.7%, which was less favorable than the statutory rate inclusive of state income taxes, primarily due to the increase in the valuation allowance for foreign tax credits, tax expense per share-based compensation with a vesting price of our share-based awards was lower than the original grant price, contingent consideration fair value adjustments with no tax benefit and certain nondeductible expenses under the 2017 tax act.

Adjusted EBITDA was $27.9 million in Q4 2018 or 13.6% of revenues compared to $31.5 million in Q4 2017 or 16.9% of revenues. On a full year basis, adjusted EBITDA as a percentage of revenues decreased to 11.4% compared to 14.3% in 2017. The reduction in adjusted EBITDA margin in the fourth quarter and the full year when comparing 2018 to 2017 reflects the impact of bonus adjustments that favorably impacted margins in 2017, partially offset by higher segment operating margins in 2018, excluding those bonus adjustments.

Our full year 2018 margins also reflect the impact of certain discrete, strategic investments made during the year to position the company for growth in 2019 and beyond.

Adjusted non-GAAP net income was $14.8 million or $0.66 per diluted share in the fourth quarter of 2018 compared to $14.9 million or $0.68 per diluted share in the same period of 2017. For the full year of 2018, adjusted non-GAAP net income was $45.8 million or $2.08 per share compared $46.6 million or $2.15 per share in 2017.

Now, I'll make a few comments about the performance of each of our operating segments. The Healthcare segment generated 45% of total company revenues during the fourth quarter of 2018. This segment posted revenues of $93 million for the fourth quarter of 2018, down $2.7 million or 2.8% from the fourth quarter of 2017. The decline in revenue was primarily driven by softness in the Studer Group solution and a more normalized level of utilization compared to record high of 84.5% in Q4 2017. This was partially offset by continued solid growth in the technology services solution. On a sequential basis, Healthcare segment revenues grew 2.8% over Q3 2018. Performance-based fees in Q4 2018 were $14.9 million compared to $9.3 million in the same quarter last year.

On a full year basis, Healthcare revenue increased 2.2%. Performance-based fees for the full year 2018 of $42.7 million compared to $30.9 million in 2017. Operating income margin for Healthcare was 32.2% for Q4 2018 compared to 36.8% for the same quarter in 2017. The year-over-year decline in margin was primarily due to lower utilization and the impact of bonus adjustments in the prior year.

On a full year basis, operating margin was 29.6% compared to 33.3% in 2017. The decrease in operating margin primarily reflects bonus adjustments that favorably impacted margins in 2017, partially offset by lower intangible asset amortization in 2018. We anticipate operating income margins in Healthcare will be in the range of 29% to 31% 2019, as we believe we have reached the point of margin stabilization with improved pricing relative to 2017 and the continued execution of several ongoing initiatives to expand margins over time.

The Business Advisory segment generated 32% of total company revenues during the fourth quarter of 2018. Segment posted revenues of $65.4 million in Q4 2018, up $15.4 million or 30.8% from the fourth quarter of 2017.

The increase in revenue was primarily attributable to our Innosight, Life Sciences, and ES&A businesses. On a full year basis, the Business Advisory segment revenues grew 13.7% year-over-year, including 11% organic revenue growth after adjusting for the full year impact of our March 2017 Innosight acquisition.

The operating income margin for the Business Advisory segment was 23.8% for Q4 2018 compared to 23.4% for the same quarter in 2017. On a full year basis, operating margin was 21.4% compared to 22.4% in 2017. The decrease in operating margin year-over-year reflects the impact of bonus adjustments that favorably impacted 2017 margins, partially offset by higher operating margins, excluding the impact of those bonus adjustments.

The Education segment generated 23% of total company revenues during the fourth quarter of 2018. Segment posted revenues of $47.1 million in Q4 2018, up $6.8 million or 17% from the fourth quarter of 2017. On a full year basis, Education segment revenue increased 15.6% versus the prior year. As Jim noted, our Education business performed well in 2018, driven by strong performance across all service lines in the segment.

The operating income margin for Education was 22.4% for Q4 2018 compared to 21.2% for the same quarter in 2017. On a full year basis, operating margin was 24.8% compared to 24% in 2017.

Other corporate expenses, not allocated at the segment level, were $27.7 million in Q4 2018 compared to $28.1 million in Q4 2017. Now turning to the balance sheet and cash flows. DSO came in at 61 days for the fourth quarter of 2018 compared to 64 days for the third quarter of 2018. Total debt included a $250 million face value of convertible notes, $50 million in senior bank debt, and a $5 million promissory note for total debt of $305 million. We finished the year with cash of $33 million for net debt of $272 million. This was a $46 million decrease compared to Q3 of 2018 and a decrease of $71 million compared to year-end 2017.

Our leverage ratio, as defined in our senior bank agreement, was approximately 2.8x adjusted EBITDA as of December 31, 2018. Cash flow from operations for 2018 was $102 million, and we used $15 million of our cash to invest in capital expenditures, resulting in free cash flows of $87 million.

Finally, let me turn to our expectations and guidance for 2019. For the full year 2019, we anticipate revenues before reimbursable expenses in a range of $800 million to $840 million. Adjusted EBITDA in a range of 12% to 12.5% of revenues, and an increase in adjusted non-GAAP EPS in a range of 8% to 20% over 2018.

We expect cash flows from operations to be in the range of $90 million to $105 million. Capital expenditures are expected to be approximately $15 million to $20 million and free cash flows are expected to be in a range of $75 million to $90 million net of cash taxes and interest, and excluding noncash stock compensation.

Please note that the midpoint of our 2019 guidance for free cash flow is slightly below our actual 2018 free cash flow due to the increased bonus payments we will make in 2019 related to 2018 performance when compared to cash bonuses paid in 2018 related to 2017 performance.

Weighted average diluted share count for 2019 is expected to be 22.5 million shares. The guidance assumes no share repurchases, but we do have $35.1 million remaining on our current $125 million authorization.

Finally, with respect to taxes, you should assume an effective tax rate in the range of 30% to 34%, which comprise of the federal tax rate of 21%, a blended state tax rate of 5% to 6% and incremental tax expense related to certain nondeductible expense items.

Let me add some color to our guidance, starting with revenue. The midpoint of the revenue range reflects 3.1% of revenue growth over 2018 revenue of $795 million. Embedded in the guidance range, our expected performance-based fees in the Healthcare segment in a range of $45 million to $55 million. With regard to the Healthcare segment, we expect low single-digit revenue growth for 2019. And as I mentioned earlier, we expect operating margins will be approximately 29% to 31%.

In the Education segment, we expect mid- to upper single-digit revenue growth for 2019, and we expect operating margins will be approximately 24% to 26%.

In the Business Advisory segment, we expect to see mid single-digit revenue growth for 2019 and we expect our operating margins in this segment to be in a range of approximately 21% to 23%. We expect unallocated corporate SG&A to increase in the low single-digit percent range on a full year basis in 2019 compared to 2018.

Turning to the total company, Huron's adjusted EBITDA margin is expected to be in a range of 12% to 12.5% of revenues, an increase of 60 to 110 basis points compared to 2018.

This margin expansion is inclusive of investments we expect to make throughout the year to continue our growth trajectory. As a reminder, in the first quarter, we anticipate the following: a planned increase in salaries and related expenses for our revenue-generating employees; a reset of fringe rates at the beginning of the year, including FICA and our 401K match, which are fairly significant given our people-driven business; and the impact of 2 practice leadership meetings taking place in the quarter.

Based on these factors, and similar to 2018, we anticipate approximately 15% of our full year adjusted EBITDA and full year adjusted EPS to be generated during the first quarter.

Finally, I'd like to highlight that our convertible notes will come due in October of 2019 with the flexibility provided by our March 2018 amendment to our credit facility, and our focus on the use of free cash flow to reduce borrowings. We expect to refinance the convertible notes using our existing revolving credit facility.

As a closing reminder, with respect to adjusted EBITDA, adjusted net income and adjusted EPS, there are several items that you will need to consider when reconciling these non-GAAP measures to comparable GAAP measures. The reconciliation schedules that we included in our press release will help you walk through these reconciliations. Thanks, everyone. I would now like to open the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Tim McHugh with William Blair.

Timothy John McHugh - *William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst*

Just want to follow up on the commentary on Healthcare. I guess, I want to know if you could elaborate a little bit on what you're seeing as you go into 2019. It seems like the guidance includes contingent fees going up, but you were cautious on extrapolating that. So, in some ways I thought that the choppiness or changes in the market help demand for your solutions. So I just kind of want to reconcile that. And have you seen some sort of change in the behavior of client as you start 2019? Or I guess what's behind that comment?

C. Mark Hussey - *Huron Consulting Group Inc. - President & COO*

Tim, it's Mark. So let me take that in 2 pieces. First, in terms of outlook and pipeline. I'd say, for the pipeline we have visible right now, we feel pleased with the strength and the composition of the pipeline, especially across the PI and the technology pieces of our business, and there's a good mix of clients, engagement sizes and solutions in the pipeline.

As you know, we don't have full year visibility, so we tend to start the year with some degree of caution just because really, it's early for us to call the full year with any degree of aggressiveness. I would say with respect to contingent, just to remind you, the rules changed on the accounting side and so really, contingent is really built into the ongoing revenue recognition expectations on an ongoing basis.

So, in the context of that contingent revenue accounting, I would say, in general, we continue to see modest degree of interest of clients to take on risk in the context of the clients. We tend to see a correlation with the size of the engagement. The larger the engagement, a little bit larger the desire for some degree of risk. But I would say, largely speaking, the trends, as we've outlined them going forward, probably not going to be driven really by contingent. It's going to be more just from market conditions and demand for our clients to address the inherent conditions right now of a lot of pressure margins due from the combination of revenue under pressure as well as cost.

James H. Roth - *Huron Consulting Group Inc. - CEO & Director*

And Tim, it's Jim. I would only add to Mark's comments that the market conditions are really the same, if not getting even more intense for our clients. And so, we have seen a build up in demand, certainly in even in the second half of last year. I think as we indicated, I think, we're just reluctant to extrapolate too much until we -- because of the lack of visibility we have in the kind of current set of clients -- current set of engagements that we have, which just don't afford us the kind of visibility that we used to have. So, it's more of a comment on the visibility and less a comment on the overall market conditions. The market conditions, we still continue to believe to be favorable for the work that we're doing.

Timothy John McHugh - *William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst*

Okay, that's helpful. I guess, and then just following up on the -- little -- there is a comment on Studer weakness. Is that incremental weakness versus what we talked about earlier in the year? Or is that the same kind of topic with client renewals that we've discussed earlier?

C. Mark Hussey - *Huron Consulting Group Inc. - President & COO*

Yes, Tim, it's the same topic on client renewals. And really, I'd say, if that there's a broader theme, one is that, just like we've gone through transformation and our performance improvement in technology services business, Studer Group really has positioned itself, with changes that it's had and it's offering to take what had historically been longer-term multiyear engagements to shorter-term faster speed to value. That work's been largely completed, and now is in a transition mode and rolling out in the marketplace. It really opens up the ability then to take Studer Group to other sales channels within the Healthcare practice. So, we feel optimistic about where Studer is at, but I think we'll still continue to see some headwinds in 2019 just because it's early on in that transformation process.

Timothy John McHugh - *William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst*

Okay. And then one -- the number was one maybe. When we think about refinancing the credit facility, I guess it depends on the rates at the time, but what would be that -- how do we think about that trade-off versus the, I guess, the cash interest cost of the convertible later this year? And would you wait until the October, probably, to make that change?

John D. Kelly - *Huron Consulting Group Inc. - Executive VP, CFO & Treasurer*

Tim, I think we likely would wait until October to make that change or at least to the very end of the third quarter. So in the guidance we have factored in for the fourth quarter, higher interest rate as we transition from the 1 in a quarter coupon to a LIBOR-based rate at that point in time. But I think as we balanced all the different considerations related to the refinancing, flexibility to be able to continue to pay down at a very quick pace was probably the most important to us. And we think given our free cash flow, and our attempt to use that to reduce borrowings that the revolver is the best way for us to go.

Operator

(Operator Instructions) Our next question comes from Joseph Thompson with SunTrust.

Joseph Charles Thompson - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

This is Joseph on the line for Tobey tonight. Looking at the Education segment, what problems are you seeing most cited by clients as far as different headwinds that they are facing?

James H. Roth - *Huron Consulting Group Inc. - CEO & Director*

Joseph, this is Jim. I think one of the fundamental -- there's probably 2 issues that are really driving the business right now. As we indicated, all parts of Education business have really been performing well for quite some time. I think the 2 issues are: number one is, some real challenges around the sustainability of the business model, that's the first one; and the second one is that there has been a much needed transition to improved administrative technologies of ERP systems, and the impact that that has on changing what is really a very old and kind of not very efficient administrative business processes. So those combination of things are really what's driving a lot of our business. We're obviously doing a lot of work in the research area, which continues to be fairly vibrant, and is benefiting from also from some technology enhancements. But I'd say, those are the core issues that are driving the work right now.

Joseph Charles Thompson - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Got it. And when you talk about challenges to the sustainability of university business models. When you look at that, or digging into that, does that look like decline in student enrollments? Or decline in endowment returns? Or I guess what are clients talking but as far as their business models go?

James H. Roth - *Huron Consulting Group Inc. - CEO & Director*

So, I mean, the fundamental issue is really that the revenue base in many instances has been quite limited or if not negative. So, in other words,in many cases, net tuition's down and the state funding is also down. You've got an expense base that's growing faster than revenues and that creates the challenge to the sustainability of the business model.

In certain parts of the country, there are somewhat unique demographic challenges as well, where there's been a decline in the number of students actually looking to attend college. And you put all those together and it's a problem. I do think that some of the organizations have benefited by having relatively strong endowment returns over the last decade, but I think they're at a point right now, where you really can't expect those to continue the way they have really since 2007 or 2008. So, in general, I think there's a lot of pressure on fundamental business model for many of our clients.

Operator

Our next question comes from Kevin Steinke with Barrington Research.

Kevin Mark Steinke - *Barrington Research Associates, Inc., Research Division - MD*

On your last call, third quarter call, there had been some discussion about the diversion from the top to the bottom of the ranges of guidance based on whether or not a contingent fee was going to be recognized. So, did you recognize that fee or those fees in the fourth quarter?

John D. Kelly - *Huron Consulting Group Inc. - Executive VP, CFO & Treasurer*

Yes, Kevin, this is John. So, you're correct. When we had our third quarter call, we left the adjusted EBITDA and adjusted EPS ranges a little wider than we probably normally would, reflecting that we had a handful, actually of contingent fees in the Business Advisory segment that are more success-based fees that were anticipated to come in the fourth quarter but where we still needed to execute.

So, we ended up executing on some of those opportunities but then there's other ones that we were not able to execute on before the end of the year. So that's one of the reasons when you look at the revenue being above the high end from a guidance perspective, actual versus guidance compared to EBITDA and EPS kind of being right down the middle, it's probably that mix created by some of those opportunities now materializing in the fourth quarter.

Kevin Mark Steinke - *Barrington Research Associates, Inc., Research Division - MD*

Okay, got it. Now that makes sense. That kind of was where I was going with that question. So, I mean, are those fees that you didn't recognize expected to spill into 2019? Or are those opportunities not there anymore?

John D. Kelly - *Huron Consulting Group Inc. - Executive VP, CFO & Treasurer*

There is still an opportunity to execute on them, but that's not certain, I'd say, at this point. I think when you look over the course of the full year for your guide, it's -- the impact is actually pretty small. When you factor in the things that we did recognize in the fourth quarter plus what's left over, plus kind of the larger base of the entire year, I'd say, it's a relatively minor impact for the full year 2019. But there still is the opportunity to execute on those projects.

Kevin Mark Steinke - *Barrington Research Associates, Inc., Research Division - MD*

Okay. And you mentioned more investments in 2019. You invested as well in 2018. So, I'm just trying to get sense of how you can quantify it or frame it? The size of investments in 2019 versus 2018 and the impact on margin from investments you expect in 2019?

John D. Kelly - *Huron Consulting Group Inc. - Executive VP, CFO & Treasurer*

Sure, sure, Kevin. The -- I guess the reminder I'd give to start is with the transition to the organic revenue growth strategy that we're executing on, that does increase the need on occasion for operating expense investments since we don't have as much M&A activity going on. So, kind of with that background, I'd say, when we look at 2019, the areas where we'll probably invest, continue to invest are related to our cloud-based capabilities, continuing to bring in differentiated talent there as well as delivery scale. We're investing in data and analytics, enrich tools and that are going to enrich our consulting services, including within our Healthcare business. We're investing in some new delivery models and offerings for both our consulting services and related to some of our IP. And then we're continuing to have organic hiring managing directors within our Business Advisory and Life Sciences business. And so when you look at kind of across the business, all those different types of investments, I'd think of it in kind of the 100 basis point of range impact on full year adjusted EBITDA margins is probably how you quantify it.

James H. Roth - *Huron Consulting Group Inc. - CEO & Director*

And that's included in the guidance.

John D. Kelly - *Huron Consulting Group Inc. - Executive VP, CFO & Treasurer*

Yes, the -- that's included in the guidance. So, the 12% to 12.5% is net of those investments.

Kevin Mark Steinke - *Barrington Research Associates, Inc., Research Division - MD*

Okay, got it. All right, that's helpful. So, you've mentioned on the last couple of calls, improved pricing in Healthcare. And I'm just trying to get sense of where you're seeing that? Is that kind of across the entire segment or certain pockets of it? I mean, what is the -- what does that exactly relate to?

C. Mark Hussey - *Huron Consulting Group Inc. - President & COO*

Kevin, it's Mark here. I think it's predominantly related to our performance improvement area in which there's -- we think there is significant demand within the market because there is the long-term secular trends and pressures that are on those margins. And so, we're just finding that as we have seen market firming really for us over the last couple of years, not saying this is broad, but what we're seeing gives us the opportunity to be not that super aggressive, but certainly finding a floor and finding more opportunities to be leaning in.

Kevin Mark Steinke - *Barrington Research Associates, Inc., Research Division - MD*

Okay, got it. So Innosight had over 40% organic growth in 2018. Were there some large projects that came in towards the second half of the year and what does that imply for how they'll grow as we move into 2019? Are there some difficult comps for Innosight as we move forward here?

James H. Roth - *Huron Consulting Group Inc. - CEO & Director*

Kevin, this is Jim. Yes, I think the LC had a really strong year and they -- we serve a lot of healthcare clients as well, some of which have some long tails, but we also have a lot of commercial clients. That business is going to be lumpy, I think, and we're going to -- they've got some large projects that made them quiet down a little bit. They too don't have the visibility that goes much beyond a quarter or so. So yes, our sense is that the demand is still there, if you look at the nature of the work that we're doing irrespective of which industry we're doing it in, I think that's the part that we're increasingly getting called upon by large corporations in a number of industries to really help out on helping assess their strategy. So, it's a long way of saying I think we'll continue to grow in that business. They're doing very well, from a competitive perspective. But I think it's just really hard for us to go back and predict that you're going to see that type of revenue growth again. I just don't think that's replicable. We'll certainly try but -- and they're incredibly talented people, doing really great work, but I just think it's going to be hard for us to estimate that kind of replicability in the revenue.

John D. Kelly - *Huron Consulting Group Inc. - Executive VP, CFO & Treasurer*

And this is John. I'll add. If you think about that 40% growth rate, there was -- during the fourth quarter of last year on the call, they had a softer quarter, so at least as it relates to the fourth quarter it was a little bit of an easier comp that helps with that metric. As I look forward to 2019, if I was modeling, I would think of kind of mid- to upper single-digits is probably a reasonable growth rate to think of for the business, and certainly they're striving to beat that but I think that's a probably reasonable way to look at it.

Kevin Mark Steinke - *Barrington Research Associates, Inc., Research Division - MD*

Okay, great. Jim, I was intrigued by your comment that you'll be more involved in recruiting going forward. Just as you go out in the market with the platform you built here, what would you -- just curious about how your pitch to potential consultants joining Huron? What you'd like to sell them as you meet with people and trying to recruit new talent to Huron consulting?

James H. Roth - *Huron Consulting Group Inc. - CEO & Director*

Well, Kevin, it's a good question because I think in fact, the answer to that is got to be the differentiator for us. We -- I'll give you obviously a biased response but it's going to be an informed, biased response. And that is, I think we have a culture here that is really unique. We know it because we hear a lot of people are coming from the outside that talk to us about it. We have internal culture and a way of collaborating across our businesses that, I think frankly, not only makes it easier to go to market and more successful because we don't go in silos, but -- and I tell you, it's a hard world out there, just like your business and our business, it's hard to be in business and I think you might as well try to have little bit of fun when you're doing it. And I think our internal culture is one where, in general, people really enjoy working here. And so, when I go to market and try to attract new talent, I think we have those things to offer. It's a really strong culture that is, I think, really reflective and responsive to what people want to do when they come to work. And I think the collaborative benefit really makes everybody more successful because you can go to market that much more effectively. So, I would say, those are the 2 primary things we talk about. And we have quite a lot of success in recruiting people because of those things and even those people that occasionally will leave and then come back and they say, "You've got no idea how good it is at Huron." So, we don't take that for granted, but we -- certainly is one of our key competitive weapons that we go to market with when we're trying to recruit people.

Operator

Our next question comes from Bill Sutherland with The Benchmark Company.

Speakers I'm showing no further questions in the queue, I'll turn the call back over to you Mr. Roth for any closing remarks.

James H. Roth - *Huron Consulting Group Inc. - CEO & Director*

Thank you. And thank you for spending time with us this afternoon. We look forward to speaking with you again in April when we announce our first quarter results. Good evening.

Operator

Ladies and gentlemen, that concludes today's conference call. Thank you for your participation, everyone, you may all disconnect.
