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, 2022
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	**01-0666114**
(State or other jurisdiction of incorporation or organization)	**(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 25, 2022, 19,933,479 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, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 8,831	$ 20,781
Receivables from clients, net of allowances of $10,494 and $8,827, respectively	166,734	122,316
Unbilled services, net of allowances of $3,992 and $2,637, respectively	122,317	91,285
Income tax receivable	213	8,071
Prepaid expenses and other current assets	25,524	15,229
Total current assets	323,619	257,682
Property and equipment, net	26,187	31,004
Deferred income taxes, net	1,625	1,804
Long-term investments	95,854	72,584
Operating lease right-of-use assets	32,112	35,311
Other non-current assets	65,993	68,191
Intangible assets, net	25,453	31,894
Goodwill	623,841	620,879
Total assets	$ 1,194,684	$ 1,119,349
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 15,115	$ 13,621
Accrued expenses and other current liabilities	32,016	22,519
Accrued payroll and related benefits	118,195	139,131
Current maturities of long-term debt	—	559
Current maturities of operating lease liabilities	10,414	10,142
Deferred revenues	20,378	19,212
Total current liabilities	196,118	205,184
Non-current liabilities:		
Deferred compensation and other liabilities	31,487	43,458
Long-term debt, net of current portion	341,000	232,221
Operating lease liabilities, net of current portion	48,221	54,313
Deferred income taxes, net	21,597	12,273
Total non-current liabilities	442,305	342,265
Commitments and contingencies		
Stockholders' equity		
Common stock; $0.01 par value; 500,000,000 shares authorized; 22,853,524 and 24,364,814 shares issued, respectively	225	239
Treasury stock, at cost, 2,696,264 and 2,495,172 shares, respectively	(137,000)	(135,969)
Additional paid-in capital	336,125	413,794
Retained earnings	335,464	276,996
Accumulated other comprehensive income	21,447	16,840
Total stockholders' equity	556,261	571,900
Total liabilities and stockholders' equity	$ 1,194,684	$ 1,119,349

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,	
	2022	2021	2022	2021
Revenues and reimbursable expenses:				
Revenues	$ 285,370	$ 224,007	$ 818,744	$ 657,346
Reimbursable expenses	6,816	3,690	19,034	8,876
Total revenues and reimbursable expenses	292,186	227,697	837,778	666,222
Operating expenses:				
Direct costs (exclusive of depreciation and amortization included below)	193,368	153,902	569,848	463,543
Reimbursable expenses	6,917	3,914	19,249	9,233
Selling, general and administrative expenses	54,458	43,576	148,886	128,574
Restructuring charges	1,332	1,677	4,956	3,166
Depreciation and amortization	6,812	6,322	20,578	19,031
Total operating expenses	262,887	209,391	763,517	623,547
Operating income	29,299	18,306	74,261	42,675
Other income (expense), net:				
Interest expense, net of interest income	(3,111)	(2,217)	(7,753)	(5,965)
Other income (expense), net	(785)	(394)	18,699	2,177
Total other income (expense), net	(3,896)	(2,611)	10,946	(3,788)
Income before taxes	25,403	15,695	85,207	38,887
Income tax expense	7,662	1,968	26,739	6,958
Net income	$ 17,741	$ 13,727	$ 58,468	$ 31,929
Earnings per share:				
Net income per basic share	$ 0.88	$ 0.65	$ 2.85	$ 1.48
Net income per diluted share	$ 0.86	$ 0.64	$ 2.80	$ 1.46
Weighted average shares used in calculating earnings per share:				
Basic	20,109	21,242	20,511	21,574
Diluted	20,615	21,531	20,899	21,904
Comprehensive income (loss):				
Net income	$ 17,741	$ 13,727	$ 58,468	$ 31,929
Foreign currency translation adjustments, net of tax	(1,034)	(246)	(1,733)	236
Unrealized gain (loss) on investment, net of tax	(830)	1,158	(2,718)	(2,068)
Unrealized gain on cash flow hedging instruments, net of tax	3,762	309	9,058	1,956
Other comprehensive income	1,898	1,221	4,607	124
Comprehensive income	$ 19,639	$ 14,948	$ 63,075	$ 32,053

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, 2022	23,183,446	$ 232	(2,935,799)	$ (136,425)	$ 374,280	$ 317,723	$ 19,549	$ 575,359
Comprehensive income						17,741	1,898	19,639
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	36,251	—	(835)	(46)	46			—
Exercise of stock options	6,000	—			236			236
Share-based compensation					7,160			7,160
Shares redeemed for employee tax withholdings			(8,020)	(529)				(529)
Share repurchases	(685,641)	(7)			(45,597)			(45,604)
Balance at September 30, 2022	22,540,056	$ 225	(2,944,654)	$ (137,000)	$ 336,125	$ 335,464	$ 21,447	$ 556,261
Balance at June 30, 2021	24,321,728	$ 243	(2,899,933)	$ (135,364)	$ 429,084	$ 232,211	$ 11,964	538,138
Comprehensive income						13,727	1,221	14,948
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	45,190	—	1,371	77	(77)			—
Exercise of stock options	5,000	—			191			191
Share-based compensation					5,693			5,693
Shares redeemed for employee tax withholdings			(12,489)	(616)				(616)
Share repurchases	(518,045)	(5)			(24,981)			(24,986)
Balance at September 30, 2021	23,853,873	$ 238	(2,911,051)	$ (135,903)	$ 409,910	$ 245,938	$ 13,185	$ 533,368

	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, 2021	23,868,918	$ 239	(2,908,849)	$ (135,969)	$ 413,794	$ 276,996	$ 16,840	$ 571,900
Comprehensive income						58,468	4,607	63,075
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	341,189	3	114,290	6,509	(6,512)			—
Exercise of stock options	36,536	—			1,421			1,421
Share-based compensation					25,260			25,260
Shares redeemed for employee tax withholdings			(150,095)	(7,540)				(7,540)
Share repurchases	(1,706,587)	(17)			(97,838)			(97,855)
Balance at September 30, 2022	22,540,056	$ 225	(2,944,654)	$ (137,000)	$ 336,125	$ 335,464	$ 21,447	$ 556,261
Balance at December 31, 2020	24,560,855	$ 246	(2,812,896)	$ (129,886)	$ 454,512	$ 214,009	$ 13,061	$ 551,942
Comprehensive income						31,929	124	32,053
Issuance of common stock in connection with:								
Restricted stock awards, net of cancellations	443,741	4	82,380	3,250	(3,254)			—
Exercise of stock options	18,403	—			613			613
Share-based compensation					18,256			18,256
Shares redeemed for employee tax withholdings			(180,535)	(9,267)				(9,267)
Share repurchases	(1,169,126)	(12)			(60,217)			(60,229)
Balance at September 30, 2021	23,853,873	$ 238	(2,911,051)	$ (135,903)	$ 409,910	$ 245,938	$ 13,185	$ 533,368

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,	
	2022	**2021**
Cash flows from operating activities:		
Net income	$ 58,468	$ 31,929
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	20,578	19,245
Non-cash lease expense	4,768	4,912
Share-based compensation	23,083	17,979
Amortization of debt discount and issuance costs	595	595
Allowances for doubtful accounts	47	7
Deferred income taxes	7,133	2,434
Gain on sale of property and equipment, excluding transaction costs	(1,117)	(254)
Change in fair value of contingent consideration liabilities	(34)	98
Change in fair value of preferred stock investment	(26,964)	—
Other, net	6	(78)
Changes in operating assets and liabilities, net of acquisitions and divestiture:		
(Increase) decrease in receivables from clients, net	(44,759)	(23,294)
(Increase) decrease in unbilled services, net	(31,937)	(40,883)
(Increase) decrease in current income tax receivable / payable, net	14,704	3,159
(Increase) decrease in other assets	3,468	98
Increase (decrease) in accounts payable and other liabilities	(14,538)	2,229
Increase (decrease) in accrued payroll and related benefits	(18,883)	(35,958)
Increase (decrease) in deferred revenues	(397)	(10,424)
Net cash used in operating activities	(5,779)	(28,206)
Cash flows from investing activities:		
Purchases of property and equipment	(9,768)	(8,918)
Investment in life insurance policies	(283)	(574)
Distributions from life insurance policies	2,958	—
Purchases of business, net of cash acquired	(1,948)	(5,886)
Capitalization of internally developed software costs	(6,855)	(3,603)
Proceeds from note receivable	157	—
Proceeds from sale of property and equipment	4,753	255
Divestiture of business	207	—
Net cash used in investing activities	(10,779)	(18,726)
Cash flows from financing activities:		
Proceeds from exercises of stock options	1,421	613
Shares redeemed for employee tax withholdings	(7,540)	(9,267)
Share repurchases	(95,474)	(60,229)
Proceeds from bank borrowings	287,000	189,000
Repayments of bank borrowings	(178,780)	(129,362)
Deferred payments on business acquisitions	(1,875)	—
Net cash provided by (used in) financing activities	4,752	(9,245)
Effect of exchange rate changes on cash	(144)	189
Net decrease in cash and cash equivalents	(11,950)	(55,988)
Cash and cash equivalents at beginning of the period	20,781	67,177
Cash and cash equivalents at end of the period	$ 8,831	$ 11,189
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	$ 3,474	$ 2,140
Operating lease right-of-use asset obtained in exchange for operating lease liability	$ 1,908	$ 2,960
Contingent consideration related to purchase of business	$ 869	$ —
Share repurchases included in accounts payable	$ 2,572	$ —

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 professional services firm that creates innovative strategies, optimizes operations and accelerates digital transformation using an enterprise portfolio of technology, data and analytics solutions to empower clients to own their future. By collaborating with clients, embracing diverse perspectives, encouraging new ideas and challenging the status quo, we create sustainable results for the organizations we serve.

We provide our services and manage our business under three operating segments: Healthcare, Education and Commercial. See Note 14 “Segment Information” for a discussion of our three segments.

Effective January 1, 2022, we modified our operating model to expand and more deeply integrate our industry expertise with our digital, strategic and financial advisory capabilities. The new operating model will strengthen Huron’s go-to-market strategy, drive efficiencies that support margin expansion, and position the company to accelerate growth.

To align with the new operating model, effective with reporting for periods beginning January 1, 2022, we began reporting under the following three industries, which are our reportable segments: Healthcare, Education and Commercial. The Commercial segment includes all industries outside of healthcare and education, including, but not limited to, financial services and energy and utilities. In the new reporting structure, each segment includes all revenue and costs associated with engagements delivered in the respective segments' industries. The new Healthcare and Education segments include some revenue and costs historically reported in the Business Advisory segment and the Healthcare segment includes some revenue and costs historically reported in the Education segment. We also provide revenue reporting across two principal capabilities: i) Consulting and Managed Services and ii) Digital. These changes create greater transparency for investors by improving visibility into the core drivers of our business.

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, 2022 and 2021. 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 included in our Annual Report on Form 10-K for the year ended December 31, 2021 and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2022 and June 30, 2022. Our results for any interim period are not necessarily indicative of results for a full year or any other interim period.

In order to better align with industry standards, in the first quarter of 2022, we revised the presentation of our consolidated statement of operations and other comprehensive income (loss) to present depreciation and amortization expense inclusive of amortization of intangible assets and software development costs previously presented within total direct costs and reimbursable expenses. We also aggregated immaterial line items within selling, general and administrative expenses. The change in presentation has no effect on our consolidated results, and our historical consolidated statements of operations and other comprehensive income (loss) were revised for consistent presentation.

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.

3. New Accounting Pronouncements

Not Yet Adopted

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. In January 2021, the FASB clarified the scope of that guidance with the issuance of ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. Together, these ASUs provide optional expedients and exceptions for a limited period of time to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting under GAAP. These ASUs are optional and may be applied by entities after March 12, 2020, but no later than December 31, 2022. Our senior secured credit facility and related interest rate swaps are indexed to LIBOR, and we expect to adopt this standard when LIBOR is discontinued and a successor rate is established under these contracts. We do not expect the adoption of these ASUs to have a material impact on our consolidated financial statements.

(Tabular amounts in thousands, except per share amounts)

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, 2022.

	Healthcare	Education	Commercial[1]	Total
Balance as of December 31, 2021:				
Goodwill	$ 642,951	$ 121,570	$ 312,250	$ 1,076,771
Accumulated impairment losses	(208,081)	—	(247,811)	(455,892)
Goodwill, net as of December 31, 2021	434,870	121,570	64,439	620,879
Goodwill reallocation[1]	18,057	(1,417)	(16,640)	—
Goodwill recorded in connection with business acquisitions[2][3]	162	2,082	718	2,962
Goodwill, net as of September 30, 2022	$ 453,089	$ 122,235	$ 48,517	$ 623,841

(1) The goodwill balance as of December 31, 2021 shown within the Commercial segment related to our Business Advisory segment prior to the modification of our operating model. Effective January 1, 2022, we reallocated a portion of the goodwill within our Business Advisory segment to our Healthcare and Education segments. The remaining goodwill was allocated to our new Commercial segment.

(2) On January 18, 2022, we completed the acquisition of AIMDATA, LLC ("AIMDATA"), an advisory and implementation consulting services firm focused on strategy, technology and business transformation. The results of operations of AIMDATA are included within our consolidated financial statements as of the acquisition date and allocated among our three operating industries, which are our reportable segments, based on the engagements delivered by the business. The acquisition of AIMDATA is not significant to our consolidated financial statements.

(3) In the first quarter of 2022, we finalized the measurement of assets acquired, including goodwill, and liabilities assumed in the acquisition of Whiteboard Communications Ltd. ("Whiteboard"), a student enrollment advisory firm that helps colleges and universities with recruitment initiatives and financial aid strategies that we acquired in December 2021. The results of operations of Whiteboard are included in our consolidated financial statements and results of operations of our Education segment from the date of acquisition.

First Quarter 2022 Goodwill Reallocation

Effective January 1, 2022, we modified our operating model to expand and more deeply integrate our industry expertise with our digital, strategic and financial advisory capabilities. To align with the new operating model, effective with reporting for periods beginning January 1, 2022, we began reporting under the following three industries, which are our reportable segments: Healthcare, Education and Commercial. The Commercial segment includes all industries outside of healthcare and education, including, but not limited to, financial services and energy and utilities. In the new reporting structure, each segment includes all revenue and costs associated with engagements delivered in the respective segments' industries. The new Healthcare and Education segments include some revenue and costs historically reported in the Business Advisory segment and the Healthcare segment includes some revenue and costs historically reported in the Education segment.

(Tabular amounts in thousands, except per share amounts)

The three reportable segments of Healthcare, Education and Commercial are also our reporting units for goodwill impairment testing purposes. As a result of the reorganization, we reallocated the goodwill balances of our historical reporting units to our new reporting units based on the relative estimated fair values of each component of the historical reporting units to be allocated to the new reporting units. Additionally, we performed a goodwill impairment test on the goodwill balances of each of our reporting units as of January 1, 2022 by comparing the fair value of the reporting unit to its carrying value, including the reallocated goodwill. Based on the results of the goodwill impairment test, we determined the fair values of the Healthcare, Education, and Commercial reporting units exceeded their carrying values by 37%, 199%, and 105%, respectively. As such, we concluded that there was no indication of goodwill impairment for all three reporting units as of January 1, 2022.

We relied on the income approach to estimate the fair value of the reporting units for both the goodwill reallocation and the goodwill impairment test. The income approach utilized a discounted cash flow analysis, which involved estimating the expected after-tax cash flows that will be generated by each business 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 forecasted revenue growth rates, forecasted EBITDA margins, and discount rates that reflect the risk inherent in the future cash flows. In estimating future cash flows, we relied on internally generated ten-year forecasts. Our forecasts are based on historical experience, current backlog, expected market demand, and other industry information.

Intangible Assets

Intangible assets as of September 30, 2022 and December 31, 2021 consisted of the following:

		As of September 30, 2022		As of December 31, 2021	
	Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	6 to 13	$ 73,942	$ 55,361	$ 75,908	$ 53,421
Technology and software	2 to 5	13,330	7,383	13,330	5,607
Trade names	6	6,000	5,717	6,000	5,148
Non-competition agreements	2 to 5	920	278	2,020	1,347
Customer contracts	1	—	—	260	101
Total		$ 94,192	$ 68,739	$ 97,518	$ 65,624

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.

Intangible asset amortization expense was $2.8 million and $2.2 million for the three months ended September 30, 2022 and 2021, respectively; and $8.5 million and $6.9 million for the nine months ended September 30, 2022 and 2021. The table below sets forth the estimated annual amortization expense for the intangible assets recorded as of September 30, 2022.

Year Ending December 31,	Estimated Amortization Expense
2022	$ 11,198
2023	$ 7,904
2024	$ 4,514
2025	$ 3,386
2026	$ 2,435

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, 2022 and 2021, we recognized revenues of $285.4 million and $224.0 million, respectively. Of the $285.4 million recognized in the third quarter of 2022, we recognized revenues of $3.5 million from obligations satisfied, or partially satisfied, in prior periods, which was primarily due to the release of allowances on receivables from clients and unbilled services. Of the $224.0 million recognized in the third quarter of 2021, we recognized revenues of $4.3 million from obligations satisfied, or partially satisfied, in prior periods, of which $2.2 million was due to the release of allowances on receivables from clients and unbilled services and $2.1 million was primarily due to changes in the estimates of our variable consideration under performance-based billing arrangements.

For the nine months ended September 30, 2022 and 2021, we recognized revenues of $818.7 million and $657.3 million, respectively. Of the $818.7 million recognized in the first nine months of 2022, we recognized revenues of $4.7 million from obligations satisfied, or partially satisfied, in prior periods, of which $2.5 million was due to changes in the estimates of our variable consideration under performance-based billing arrangements and $2.2 million was primarily due to the release of allowances on receivables from clients and unbilled services. Of the $657.3 million recognized in the first nine months of 2021, we recognized revenues of $22.1 million from obligations satisfied, or partially satisfied, in prior periods, of which $14.6 million was due to changes in the estimates of our variable consideration under performance-based billing arrangements, and $7.5 million was primarily due to the release of allowances on receivables from clients and unbilled services.

As of September 30, 2022, we had $156.3 million of remaining performance obligations under engagements with original expected durations greater than one year. These remaining performance obligations exclude 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 $156.3 million of performance obligations, we expect to recognize approximately $23.8 million as revenue in 2022, $63.8 million in 2023, and the remaining $68.7 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, 2022 and December 31, 2021 was $28.2 million and $23.7 million, respectively. The $4.5 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.

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, 2022 and December 31, 2021, was $20.4 million and $19.2 million, respectively. The $1.2 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, 2022, $1.5 million and $18.0 million of revenues recognized were included in the deferred revenues balance as of December 31, 2021.

(Tabular amounts in thousands, except per share amounts)

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, unvested restricted stock units, and outstanding common stock options, to the extent dilutive. In periods for which we report a net loss, diluted weighted average common shares outstanding excludes all potential common stock equivalents as their impact on diluted net loss per share would be anti-dilutive.

Earnings per share under the basic and diluted computations are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 17,741	$ 13,727	$ 58,468	$ 31,929
Weighted average common shares outstanding – basic	20,109	21,242	20,511	21,574
Weighted average common stock equivalents	506	289	388	330
Weighted average common shares outstanding – diluted	20,615	21,531	20,899	21,904
Net income per basic share	$ 0.88	$ 0.65	$ 2.85	$ 1.48
Net income per diluted share	$ 0.86	$ 0.64	$ 2.80	$ 1.46

The number of anti-dilutive securities excluded from the computation of the weighted average common stock equivalents presented above for the three and nine months ended September 30, 2022 and 2021 were less than 0.1 million shares, and related to unvested restricted stock and outstanding common stock options.

In November 2020, our board of directors authorized a share repurchase program permitting us to repurchase up to $50 million of our common stock through December 31, 2021. Through the third quarter of 2022, our board of directors authorized extensions of the share repurchase program through December 31, 2023 and increased the authorized amount to $200 million. In the fourth quarter of 2022, our board of directors increased the authorized amount under the share repurchase program from $200 million to $300 million. The amount and timing of repurchases under the share repurchase program were and will continue to be determined by management and depend on a variety of factors, including the trading price of our common stock, capacity under our credit facility, general market and business conditions, and applicable legal requirements. All shares repurchased and retired are reflected as a reduction to our basic weighted average shares outstanding based on the trade date of the share repurchase.

In the three and nine months ended September 30, 2022, we repurchased and retired 685,641 and 1,706,587 shares for $45.6 million and $97.9 million, respectively, including 38,568 shares for $2.6 million which were settled in the fourth quarter of 2022. Additionally, in the first quarter of 2022, we settled the repurchase of 3,820 shares for $0.2 million that were accrued as of December 31, 2021. In the three and nine months ended September 30, 2021, we repurchased and retired 518,045 and 1,169,126 shares for $25.0 million and $60.2 million, respectively. As of September 30, 2022, $32.3 million remained available for share repurchases under our share repurchase program.

(Tabular amounts in thousands, except per share amounts)

7. Financing Arrangements

A summary of the carrying amounts of our debt follows:

	September 30, 2022	December 31, 2021
Senior secured credit facility	$ 341,000	$ 230,000
Promissory note due 2024	—	2,780
Total long-term debt	341,000	232,780
Current maturities of long-term debt	—	(559)
Long-term debt, net of current portion	$ 341,000	$ 232,221

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 (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, total debt is on a gross basis and is not netted against our cash balances. At September 30, 2022, we were in compliance with these financial covenants with a Consolidated Leverage Ratio of 2.06 to 1.00 and a Consolidated Interest Coverage Ratio of 18.36 to 1.00.

Borrowings outstanding under the Amended Credit Agreement at September 30, 2022 totaled $341.0 million. These borrowings carried a weighted average interest rate of 3.6%, 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, 2021 were $230.0 million and carried a weighted average interest rate of 2.7%, including the effect of the interest rate swaps. 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, 2022, we had outstanding letters of credit totaling $0.7 million, which are used as security deposits for our office facilities. As of September 30, 2022, the unused borrowing capacity under the revolving credit facility was $258.3 million.

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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. In the first quarter of 2022, we completed the sale of the aircraft to a third-party and used a portion of the sale proceeds to pay the remaining principal and unpaid interest on the promissory note. Prior to the repayment of the promissory note, the principal balance of the promissory note was subject to scheduled monthly principal payments until the maturity date of March 1, 2024. Under the terms of the promissory note, we paid interest on the outstanding principal amount at a rate of one month LIBOR plus 1.97% per annum. At December 31, 2021, the outstanding principal amount of the promissory note was $2.8 million, and the aircraft had a carrying amount of $3.7 million. As a result of the sale, we recognized a gain of $1.0 million in the first quarter of 2022 and we no longer own any aircraft.

8. Restructuring Charges

Restructuring charges for the three and nine months ended September 30, 2022 were $1.3 million and $5.0 million. The $1.3 million of restructuring charges recognized in the third quarter of 2022 included $0.7 million of rent and related expenses, net of sublease income, for previously vacated office spaces, $0.5 million for the early termination of a contract, and $0.1 million of employee-related expenses. The $5.0 million of restructuring charges incurred in the first nine months of 2022 included $1.7 million of employee-related expenses, $1.7 million of rent and related expenses, net of sublease income, for previously vacated office spaces, $0.6 million for third-party transaction expenses related to the modification of our operating model, $0.5 million for the early termination of a contract, $0.3 million of accelerated amortization of capitalized software implementation costs for a cloud-computing arrangement that is no longer in use, and $0.1 million related to the divestiture of our Life Sciences business in the fourth quarter of 2021.

Restructuring charges for the three and nine months ended September 30, 2021 were $1.7 million and $3.2 million, respectively. The $1.7 million of restructuring charges recognized in the third quarter of 2021 consisted of $0.7 million of third-party transaction expenses related to the evaluation of the divestiture of our Life Sciences business, $0.5 million of rent and related expenses, net of sublease income, for previously vacated office spaces, and $0.5 million of employee-related expenses. Of the $3.2 million restructuring charge incurred in the first nine months of 2021, $1.8 million related to rent and related expenses, net of sublease income, and accelerated depreciation on furniture and fixtures for vacated office spaces; $0.9 million for third-party transaction expenses related to the evaluation of the divestiture of our Life Sciences business; and $0.5 million of employee-related expenses recognized in the third quarter of 2021.

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, 2022.

	Employee Costs	Office Space Reduction	Other	Total
Balance as of December 31, 2021	$ 573	$ —	$ 567	$ 1,140
Additions	1,711	—	1,085	2,796
Payments	(1,432)	—	(1,025)	(2,457)
Adjustments	—	87	40	127
Balance as of September 30, 2022	$ 852	$ 87	$ 667	$ 1,606

All of the $0.9 million restructuring charge liability related to employee costs at September 30, 2022 is expected to be paid in the next 12 months and is included as a component of accrued payroll and related benefits in our consolidated balance sheet. The $0.1 million restructuring charge liability related to office space reductions at September 30, 2022 is included as a component of accrued expenses and other current liabilities. All of the $0.7 million other restructuring charge liability at September 30, 2022 is expected to be paid over the next 12 months and is included as a component of accrued expenses and other current liabilities in our consolidated balance sheet.

9. Derivative Instruments and Hedging Activity

In the normal course of business, we use forward interest rate swaps to manage the interest rate risk associated with our variable-rate borrowings under our senior secured credit facility and we use non-deliverable foreign exchange forward contracts to manage the foreign currency exchange rate risk related to our operations in India. We do not use derivative instruments for trading or other speculative purposes.

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We have designated all of our derivative instruments as cash flow hedges. Therefore, changes in the fair value of the interest rate swaps and foreign exchange forward contracts are recorded to other comprehensive income (“OCI”) to the extent effective and reclassified to earnings upon settlement.

Interest Rate Swaps

We are party to forward interest rate swap agreements with an aggregate notional amount of $200.0 million as of September 30, 2022 and December 31, 2021. Under the terms of the interest rate swap agreements, we receive from the counterparty interest on the notional amount based on one month LIBOR and we pay to the counterparty a stated, fixed rate. The forward interest rate swap agreements have staggered maturities through August 31, 2027.

As of September 30, 2022, it was anticipated that $4.1 million of the gains, net of tax, related to interest rate swaps and currently recorded in accumulated other comprehensive income will be reclassified into interest expense, net of interest income in our consolidated statement of operations within the next 12 months.

Foreign Exchange Forward Contracts

As of September 30, 2022, we are party to non-deliverable foreign exchange forward contracts with an aggregate notional amount of INR 405.1 million, or $5.0 million based on the exchange rate in effect as of September 30, 2022. These foreign exchange forward contracts will mature monthly through July 2023 to hedge a portion of our forecasted monthly Indian Rupee-denominated expenses against foreign currency fluctuation with the United States dollar.

As of September 30, 2022, it was anticipated that $0.1 million of the losses, net of tax, related to foreign exchange forward contracts and currently recorded in accumulated other comprehensive income will be reclassified into direct costs in our consolidated statement of operations within the next 12 months.

The table below sets forth additional information relating to our derivative instruments as of September 30, 2022 and December 31, 2021.

		Fair Value	
Derivative Instrument	**Balance Sheet Location**	**September 30, 2022**	**December 31, 2021**
Interest rate swaps	Prepaid expenses and other current assets	$ 5,335	$ —
Interest rate swaps	Other non-current assets	6,536	1,210
Total Assets		$ 11,871	$ 1,210
Interest rate swaps	Accrued expenses and other current liabilities	$ —	$ 1,604
Interest rate swaps	Deferred compensation and other liabilities	—	149
Foreign exchange forward contracts	Accrued expenses and other current liabilities	99	—
Total Liabilities		$ 99	$ 1,753

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 in our consolidated balance sheet. Refer to Note 11 “Other Comprehensive Income (Loss)” for additional information on our derivative instruments.

(Tabular amounts in thousands, except per share amounts)

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, 2022 and December 31, 2021.

	Level 1	Level 2	Level 3	Total
September 30, 2022				
Assets:				
Interest rate swaps	$ —	$ 11,871	$ —	$ 11,871
Convertible debt investment	—	—	62,224	62,224
Deferred compensation assets	—	27,690	—	27,690
Total assets	$ —	$ 39,561	$ 62,224	$ 101,785
Liabilities:				
Foreign exchange forward contracts	$ —	$ 99	$ —	$ 99
Contingent consideration for business acquisitions	—	—	3,199	3,199
Total liabilities	$ —	$ 99	$ 3,199	$ 3,298
December 31, 2021				
Assets:				
Interest rate swap	$ —	$ 627	$ —	$ 627
Convertible debt investment	—	—	65,918	65,918
Deferred compensation assets	—	39,430	—	39,430
Total assets	$ —	$ 40,057	$ 65,918	$ 105,975
Liabilities:				
Interest rate swaps	$ —	$ 1,170	$ —	$ 1,170
Contingent consideration for business acquisitions	—	—	3,743	3,743
Total liabilities	$ —	$ 1,170	$ 3,743	$ 4,913

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. Refer to Note 9 “Derivative Instruments and Hedging Activity” for additional information on our interest rate swaps.

Foreign exchange forward contracts: The fair values of our foreign exchange forward contracts were derived using estimates to settle the foreign exchange forward contracts agreements, which are based on the net present value of expected future cash flows on each contract utilizing market-based inputs, including both forward and spot prices, and a discount rate reflecting the risks involved. Refer to Note 9 “Derivative Instruments and Hedging Activity” for additional information on our foreign exchange forward contracts.

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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 in 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.

Convertible debt investment: Since 2014, we have invested $40.9 million in the form of 1.69% convertible debt 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. The convertible notes will mature on January 17, 2024, unless converted earlier.

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 22.5% as of September 30, 2022 and December 31, 2021, respectively; and the concluded equity volatility of 35.0% and 45.0% as of September 30, 2022 and December 31, 2021, respectively, all of which are Level 3 inputs. 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 in 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, 2022.

	Convertible Debt Investment
Balance as of December 31, 2021	$ 65,918
Change in fair value	(3,694)
Balance as of September 30, 2022	$ 62,224

Contingent consideration for business acquisitions: We estimate the fair value of acquisition-related contingent consideration using either a probability-weighted assessment of the specific financial performance targets being measured or a Monte Carlo simulation model, as appropriate. These fair value measurements are based on significant inputs not observable in the market and thus represent Level 3 inputs. The significant unobservable inputs used in the fair value measurements of our contingent consideration are our measures of the estimated payouts based on internally generated financial projections on a probability-weighted basis and a discount rate which was 4.6% as of September 30, 2022. As of December 31, 2021, the discount rate used in the fair value measurements of our contingent consideration was in a range of 2.4% to 5.1% with a weighted average of 3.7%. The weighted average discount rate was calculated using the relative fair values of the contingent consideration liabilities as of December 31, 2021. The fair value of the contingent consideration is reassessed quarterly based on assumptions used in our latest projections and input provided by practice leaders and management. Any change in the fair value estimate is recorded in our consolidated statement of operations for that period. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of our contingent consideration liability, which would result in different impacts to our consolidated balance sheets and consolidated statements of operations. Actual results may differ from our estimates.

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The table below sets forth the changes in the balance of the contingent consideration for business acquisitions for the nine months ended September 30, 2022.

	Contingent Consideration for Business Acquisitions
Balance as of December 31, 2021	$ 3,743
Acquisition	869
Payment	(1,379)
Change in fair value	(34)
Balance as of September 30, 2022	$ 3,199

Financial assets and liabilities not recorded at fair value on a recurring basis are as follows:

Medically Home Preferred Stock Investment

In the fourth quarter of 2019, we invested $5.0 million in Medically Home Group, Inc. (“Medically Home”), a hospital-at-home company. The investment was made in the form of preferred stock. To determine the appropriate accounting treatment for our preferred stock 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 to the fair value of the preferred stock using such identified transactions, with changes in the fair value recorded in our consolidated statement of operations.

As of December 31, 2021, the carrying amount of our preferred stock investment was $6.7 million. During the first quarter of 2022, we recognized an unrealized gain of $27.0 million to increase the carrying amount of our preferred stock investment to $33.6 million, based on an observable price change of preferred stock issued by Medically Home with similar rights and preferences to our preferred stock investment. This observable price change is a Level 2 input. The $27.0 million unrealized gain was recorded to other income (expense), net in our consolidated statement of operations. There were no observable price changes in the second or third quarters of 2022. Since our initial investment, we have recognized cumulative unrealized gains of $28.6 million, and we have not identified any impairments of our investment.

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

In the first quarter of 2022, we completed the sale of our aircraft to a third-party and used a portion of the sale proceeds to pay the remaining principal and unpaid interest on our promissory note due 2024. The carrying value of our promissory note due 2024 was stated at cost. The carrying value approximated fair value, using Level 2 inputs, as the promissory note bore interest at rates based on then-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.

(Tabular amounts in thousands, except per share amounts)

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, 2022 and 2021.

	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Foreign currency translation adjustments	$ (1,034)	$ —	$ (1,034)	$ (246)	$ —	$ (246)
Unrealized gain (loss) on investment	$ (1,128)	$ 298	$ (830)	$ 1,577	$ (419)	$ 1,158
Interest rate swaps:						
Change in fair value	$ 5,302	$ (1,402)	$ 3,900	$ (192)	$ 47	$ (145)
Reclassification adjustments into earnings	(89)	24	(65)	613	(159)	454
Net unrealized gain (loss) on interest rate swaps	$ 5,213	$ (1,378)	$ 3,835	$ 421	$ (112)	$ 309
Foreign exchange forward contracts:						
Change in fair value	$ (98)	$ 26	$ (72)	$ —	$ —	$ —
Reclassification adjustments into earnings	(1)	—	(1)	—	—	—
Net unrealized gain (loss) on foreign exchange forward contracts	$ (99)	$ 26	$ (73)	$ —	$ —	$ —
Other comprehensive income (loss)	$ 2,952	$ (1,054)	$ 1,898	$ 1,752	$ (531)	$ 1,221

	Nine Months Ended September 30, 2022			Nine Months Ended September 30, 2021		
	Before Taxes	Tax (Expense) Benefit	Net of Taxes	Before Taxes	Tax (Expense) Benefit	Net of Taxes
Foreign currency translation adjustments	$ (1,733)	$ —	$ (1,733)	$ 236	$ —	$ 236
Unrealized gain (loss) on investment	$ (3,694)	$ 976	$ (2,718)	$ (2,815)	$ 747	$ (2,068)
Interest rate swaps:						
Change in fair value	$ 11,994	$ (3,172)	$ 8,822	$ 692	$ (212)	$ 480
Reclassification adjustments into earnings	420	(111)	309	1,994	(518)	1,476
Net unrealized gain (loss) on interest rate swaps	$ 12,414	$ (3,283)	$ 9,131	$ 2,686	$ (730)	$ 1,956
Foreign exchange forward contracts:						
Change in fair value	$ (98)	$ 26	$ (72)	$ —	$ —	$ —
Reclassification adjustments into earnings	(1)	—	(1)	—	—	—
Net unrealized gain (loss) on foreign exchange forward contracts	$ (99)	$ 26	$ (73)	$ —	$ —	$ —
Other comprehensive income (loss)	$ 6,888	$ (2,281)	$ 4,607	$ 107	$ 17	$ 124

The before tax amounts reclassified from accumulated other comprehensive income related to our interest rate swaps and foreign exchange forward contracts are recorded to interest expense, net of interest income, and direct costs, respectively. Refer to Note 9 “Derivative Instruments and Hedging Activity” for additional information on our derivative instruments.

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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: Interest Rate Swaps	Cash Flow Hedges: Foreign Exchange Forward Contracts	Total
Balance, December 31, 2021	$ (1,143)	$ 18,374	$ (391)	$ —	$ 16,840
Current period change	(1,733)	(2,718)	9,131	(73)	4,607
Balance, September 30, 2022	$ (2,876)	$ 15,656	$ 8,740	$ (73)	$ 21,447

12. Income Taxes

For the three months ended September 30, 2022, our effective tax rate was 30.2% as we recognized income tax expense of $7.7 million on income of $25.4 million. The effective tax rate of 30.2% was less favorable than the statutory rate, inclusive of state income taxes, of 26.4%, primarily due to tax expense related to nondeductible losses on our investments used to fund our deferred compensation liability and certain nondeductible expense items.

For the three months ended September 30, 2021, our effective tax rate was 12.5% as we recognized income tax expense of $2.0 million on income of $15.7 million. The effective tax rate of 12.5% was more favorable than the statutory rate, inclusive of state income taxes, of 26.6%, primarily due to a discrete tax benefit for U.S. federal return to provision adjustments related to the 2020 corporate income tax return.

For the nine months ended September 30, 2022, our effective tax rate was 31.4% as we recognized income tax expense of $26.7 million on income of $85.2 million. The effective tax rate of 31.4% was less favorable than the statutory rate, inclusive of state income taxes, of 26.4% primarily due to tax expense related to nondeductible losses on our investments used to fund our deferred compensation liability and certain nondeductible expense items.

For the nine months ended September 30, 2021, our effective tax rate was 17.9% as we recognized income tax expense of $7.0 million on income of $38.9 million. The effective tax rate of 17.9% was more favorable than the statutory rate, inclusive of state income taxes, of 26.6% primarily due to the discrete tax benefit recognized during the third quarter of 2021 for U.S. federal return to provision adjustments related to the 2020 corporate income tax return. The effective tax rate also reflected the positive impact of certain federal tax credits and a discrete tax benefit recognized during the second quarter of 2021 related to electing the Global Intangible Low-Taxed Income ("GILTI") high-tax exclusion retroactively for the 2018 tax year. On July 20, 2020, the U.S. Treasury issued and enacted final regulations related to GILTI that allow certain U.S. taxpayers to elect to exclude foreign income that is subject to a high effective tax rate from their GILTI inclusions. The GILTI high-tax exclusion is an annual election and is retroactively available. These favorable items were partially offset by certain nondeductible business expenses.

As of September 30, 2022, we had $0.7 million of unrecognized tax benefits which would affect the effective tax rate of continuing operations if recognized. It is reasonably possible that approximately $0.1 million of the liability for unrecognized tax benefits could decrease in the next twelve months due to the expiration of statutes of limitations.

On August 16, 2022, the Inflation Reduction Act of 2022 (“IRA”) was signed into law. The IRA contains significant tax law changes, including a corporate alternative minimum tax of 15% on adjusted financial statement income for applicable corporations and a 1% excise tax on stock repurchases after December 31, 2022. We are currently evaluating the IRA and its requirements, as well as the effect of the new law on our future cash flows.

13. Commitments, Contingencies and Guarantees

Litigation

Oaktree

On November 9, 2018, Huron Consulting Services LLC, a wholly owned subsidiary of Huron, was engaged by Oaktree Medical Centre LLC, a management services organization (“Oaktree”), to perform interim management and financial advisory services. As part of the services, a Huron employee was appointed by Oaktree’s board of directors to serve as Chief Restructuring Officer of Oaktree (the “CRO”). The engagement letter through which Oaktree retained Huron’s services (the “Engagement Letter”) states that all disputes or claims arising thereunder are subject to binding arbitration, disclaims special, consequential, incidental and exemplary damages and losses and caps liability to the fees paid for the portion of the engagement giving rise to any liability. On September 19, 2019, Oaktree and certain of its affiliates filed for Chapter 7 liquidation in the U.S. Bankruptcy Court for the Western District of North Carolina, with the cases subsequently transferred to the District of South Carolina. As a result of the bankruptcy filing, a Chapter 7 trustee was appointed to oversee the bankruptcy estates, at which time Huron's services for Oaktree concluded.

In April 2021, Trustee's counsel communicated in writing to Huron its intent to pursue various claims against Huron and the CRO, among others, on behalf of the bankruptcy estates related to the services carried out by Huron and the CRO during the engagement.

On September 17, 2021, the Trustee filed a complaint in the Bankruptcy Court for the District of South Carolina against Huron and the CRO, among others (the "Complaint"), alleging breach of fiduciary duty, aiding and abetting a breach of fiduciary duty, negligence, violations of the South Carolina Unfair Trade Practices Act, fraud, civil conspiracy, unjust enrichment, and recovery of avoided transfers under sections 547, 548 and 550 of the Bankruptcy Code. On December 7, 2021, the Trustee filed an amended version of the Complaint (the "Amended Complaint"), generally alleging the same claims asserted in the initial Complaint but (i) removing the claim for a violation of the South Carolina Unfair Trade Practices Act and (ii) adding a claim for breach of contract.

In the Amended Complaint, the Trustee asserted that Huron and the CRO, among others, did not develop and implement a Chapter 11 restructuring plan on a timely basis and that their failure to do so led to significant damages. The Trustee sought an unspecified amount of monetary damages in the Amended Complaint. We believe the Trustee's allegations with respect to Huron and the CRO are without merit. On December 21, 2021, we filed a motion to dismiss all of the claims in the Amended Complaint. On April 19, 2022, the bankruptcy court entered an order staying all of the Trustee's claims against Huron and the CRO after (i) finding that the state law claims were subject to arbitration and (ii) exercising its discretion to stay the non-state-law claims pending the arbitration proceeding. The Trustee did not appeal the court's order prior to the deadline of May 3, 2022. In October 2022, Huron, the CRO and the Trustee reached agreement on a settlement which provides for the Trustee's dismissal of the Amended Complaint with prejudice as it relates to Huron and the CRO and a mutual release of claims in exchange for a settlement payment to the Trustee of $1.5 million. As a result, we increased our accrued liability and insurance receivable to $1.5 million as of September 30, 2022, which had a net zero impact in our consolidated statement of operations. The final settlement agreement, which is subject to bankruptcy court approval, was filed with the court on October 24, 2022.

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 or subject to any claim that, in the current opinion of management, could reasonably be expected to have a material adverse effect on our financial position or results of operations, including the matter discussed above. 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 $0.7 million were outstanding at both September 30, 2022 and December 31, 2021 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, 2022 and December 31, 2021, the total estimated fair value of our outstanding contingent consideration liability was $3.2 million and $3.7 million, respectively.

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, Education and Commercial.

Effective January 1, 2022, we modified our operating model to expand and more deeply integrate our industry expertise with our digital, strategic and financial advisory capabilities. The new operating model will strengthen Huron's go-to-market strategy, drive efficiencies that support margin expansion, and position the company to accelerate growth.

To align with the new operating model, effective with reporting for periods beginning January 1, 2022, we began reporting under the following three industries, which are our reportable segments: Healthcare, Education and Commercial. The Commercial segment includes all industries outside of healthcare and education, including, but not limited to, financial services and energy and utilities. In the new reporting structure, each segment includes all revenue and costs associated with engagements delivered in the respective segments' industries. The new Healthcare and Education segments include some revenue and costs historically reported in the Business Advisory segment and the Healthcare segment includes some revenue and costs historically reported in the Education segment. We also provide revenue reporting across two principal capabilities: i) Consulting and Managed Services and ii) Digital. These changes create greater transparency for investors by improving visibility into the core drivers of our business. While our consolidated results have not been impacted, our historical segment information has been recast for consistent presentation.

- **Healthcare**

  Our Healthcare segment serves acute care providers, including national and regional health systems, academic health systems, community health systems, and public, children’s and critical access hospitals, and non-acute care providers, including physician practices and medical groups, payors, and long-term care or post-acute providers. Our Healthcare professionals have a depth of expertise in business operations, including financial and operational improvement, care transformation, and revenue cycle managed services; digital solutions, spanning technology and analytic-related services and a portfolio of software products; organizational transformation; financial advisory and strategy and innovation. Most healthcare organizations are focused on establishing a sustainable long-term strategy and business model centered around optimal cost structures, reimbursement models, financial strategies, and consumer-focused digital transformation; changing the way care is delivered, particularly in light of personnel shortages, and improving access to care; and evolving their digital capabilities to more effectively manage their business. Our solutions help clients adapt to this rapidly changing healthcare environment to become a more agile, efficient and consumer-centric organization. We use our deep industry, functional and technical expertise to help clients solve a diverse set of business issues, including, but not limited to, optimizing financial and operational performance, improving care delivery and clinical outcomes, increasing physician, patient and employee satisfaction, and maximizing return on technology investments.

- **Education**

  Our Education segment serves public and private colleges and universities, research institutes and other education-related organizations. Our Education professionals have a depth of expertise in strategy and innovation; business operations, including the research enterprise and student and alumni lifecycle; digital solutions, spanning technology and analytic-related services and a portfolio of software products; and organizational transformation. Our Education segment clients are increasingly faced with strategic, financial and/or enrollment challenges, increased competition, and a need to modernize their businesses using technology to advance their missions. We combine our deep industry, functional and technical expertise to help clients solve their most pressing challenges, including, but not limited to, transforming business operations with technology and analytics; strengthening research strategies and support services; evolving their organizational strategy; optimizing financial and operational performance; applying innovative enrollment strategies; and enhancing the student lifecycle.

- **Commercial**

  Our Commercial segment is focused on serving industries and organizations facing significant disruption and regulatory change by helping them adapt to rapidly changing environments and accelerate business transformation. Our Commercial professionals work primarily with six primary buyers: the chief executive officer, the chief financial officer, the chief strategy officer, the chief human resources officer, the chief operating officer, and organizational advisors, including lenders and law firms. We have a deep focus on serving organizations in the financial services, energy and utilities, industrials and manufacturing industries and the public sector while opportunistically serving the commercial industries more broadly, including professional and business services, life sciences, consumer products, and nonprofit. Our Commercial professionals have deep industry, functional and technical expertise that they put forward when delivering our digital services and software products, and strategy and innovation and financial advisory (special situation advisory and corporate finance advisory) services. In today’s disruptive environment, organizations must reimagine their historical strategies and financial and operating models to sustain and advance their competitive advantage. Our experts help organizations across industries with a variety of business challenges, including, but not limited to, embedding technology and analytics throughout their internal and customer-facing operations, developing analytics and insights into the needs of tomorrow’s customers in order to evolve their enterprise and business unit strategies, bringing new products to market, managing through stressed and distressed situations to create a viable path forward for stakeholders and executing mergers and acquisitions, finance offerings and risk mitigation strategies.

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

Segment operating income consists of the revenues generated by a segment, less operating expenses that are incurred directly by the segment. Unallocated costs include corporate 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 corporate office support costs, office facility costs, costs related 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. Our chief operating decision maker does not evaluate segments using asset information.

The table below sets forth information about our operating segments for the three and nine months ended September 30, 2022 and 2021, 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,	
	2022	**2021**	**2022**	**2021**
Healthcare:				
Revenues	$ 131,319	$ 104,620	$ 381,669	$ 315,345
Operating income	$ 33,045	$ 32,157	$ 91,441	$ 86,511
Segment operating income as a percentage of segment revenues	25.2 %	30.7 %	24.0 %	27.4 %
Education:				
Revenues	$ 94,347	$ 63,244	$ 263,234	$ 175,061
Operating income	$ 22,851	$ 14,516	$ 58,848	$ 37,195
Segment operating income as a percentage of segment revenues	24.2 %	23.0 %	22.4 %	21.2 %
Commercial:				
Revenues	$ 59,704	$ 56,143	$ 173,841	$ 166,940
Operating income	$ 14,153	$ 8,262	$ 38,282	$ 29,152
Segment operating income as a percentage of segment revenues	23.7 %	14.7 %	22.0 %	17.5 %
Total Huron:				
Revenues	$ 285,370	$ 224,007	$ 818,744	$ 657,346
Reimbursable expenses	6,816	3,690	19,034	8,876
Total revenues and reimbursable expenses	$ 292,186	$ 227,697	$ 837,778	$ 666,222
Segment operating income	$ 70,049	$ 54,935	$ 188,571	$ 152,858
Items not allocated at the segment level:				
Other operating expenses	35,679	31,430	99,139	94,634
Depreciation and amortization	5,071	5,199	15,171	15,549
Operating income	29,299	18,306	74,261	42,675
Other income (expense), net	(3,896)	(2,611)	10,946	(3,788)
Income before taxes	$ 25,403	$ 15,695	$ 85,207	$ 38,887

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

The following table illustrates the disaggregation of revenues by capability, including a reconciliation of the disaggregated revenues to revenues from our three operating segments for the three and nine months ended September 30, 2022 and 2021.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Revenues by Capability	**2022**	**2021**	**2022**	**2021**
Healthcare:				
Consulting and Managed Services	$ 88,626	$ 75,992	$ 256,340	$ 228,576
Digital	42,693	28,628	125,329	86,769
Total revenues	$ 131,319	$ 104,620	$ 381,669	$ 315,345
Education:				
Consulting and Managed Services	$ 49,363	$ 33,822	$ 142,823	$ 95,331
Digital	44,984	29,422	120,411	79,730
Total revenues	$ 94,347	$ 63,244	$ 263,234	$ 175,061
Commercial:				
Consulting and Managed Services	$ 17,912	$ 25,207	$ 55,193	$ 78,669
Digital	41,792	30,936	118,648	88,271
Total revenues	$ 59,704	$ 56,143	$ 173,841	$ 166,940
Total Huron:				
Consulting and Managed Services	$ 155,901	$ 135,021	$ 454,356	$ 402,576
Digital	129,469	88,986	364,388	254,770
Total revenues	$ 285,370	$ 224,007	$ 818,744	$ 657,346

For the three and nine months ended September 30, 2022 and 2021, substantially all of our revenues were recognized over time. At September 30, 2022 and December 31, 2021, 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, 2022 and 2021, no single client generated greater than 10% of our consolidated revenues.

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," "goals," "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, 2021 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 professional services firm that creates innovative strategies, optimizes operations and accelerates digital transformation using an enterprise portfolio of technology, data and analytics solutions to empower clients to own their future. By collaborating with clients, embracing diverse perspectives, encouraging new ideas and challenging the status quo, we create sustainable results for the organizations we serve.

Effective January 1, 2022, we modified our operating model to expand and more deeply integrate our industry expertise with our digital, strategic and financial advisory capabilities. The new operating model will strengthen Huron's go-to-market strategy, drive efficiencies that support margin expansion, and position the company to accelerate growth.

To align with the new operating model, effective with reporting for periods beginning January 1, 2022, we began reporting under the following three industries, which are our reportable segments: Healthcare, Education and Commercial. The Commercial segment includes all industries outside of healthcare and education, including, but not limited to, financial services and energy and utilities. In the new reporting structure, each segment includes all revenue and costs associated with engagements delivered in the respective segments' industries. The new Healthcare and Education segments include some revenue and costs historically reported in the Business Advisory segment and the Healthcare segment includes some revenue and costs historically reported in the Education segment. We also provide revenue reporting across two principal capabilities: i) Consulting and Managed Services and ii) Digital. These changes create greater transparency for investors by improving visibility into the core drivers of our business. While our consolidated results have not been impacted, our historical segment information has been recast for consistent presentation. See below for additional information on our principal capabilities and operating industries.

Capabilities

Within each of our reportable segments, we provide services under two principal capabilities: i) Consulting and Managed Services and ii) Digital.

- ***Consulting and Managed Services***

  Our Consulting and Managed Services capabilities represent all of our management consulting services, managed services (excluding technology-related managed services) and outsourcing services delivered across industries. Our Consulting and Managed Services experts help our clients address a variety of strategic, operational, financial, people and organizational-related challenges. These services are often combined with technology, analytic and data-driven solutions powered by our Digital capability to support long-term relationships with our clients and drive lasting impact. Examples include the areas of revenue cycle management and research administration at our healthcare and education clients, where our consulting projects are often coupled with our digital services and products offerings.

- ***Digital***

  Our Digital capabilities represent all of our technology and analytics services, including technology-related managed services, and software products delivered across industries. Our Digital experts help clients address a variety of business challenges, including, but not limited to, designing and implementing technologies to accelerate transformation, facilitate data-driven decision making and improve customer and employee experiences.

  We have expanded our ecosystem to work with more than 25 technology partners. We are an Oracle partner, a Gold-level consulting partner with Salesforce.com and a Premium Partner with Salesforce.org, a Workday Services and Software Partner, an Amazon Web Services consulting partner, a Silver-level system integrator with Informatica and an SAP Concur implementation partner. We have also grown our proprietary software product portfolio to address our clients' challenges with solutions that expand our base of recurring revenue and further differentiate our consulting, digital and managed services offerings.

Operating Industries

We provide our services and manage our business under three operating industries, which are also our operating segments: Healthcare, Education and Commercial.

- ***Healthcare***

  Our Healthcare segment serves acute care providers, including national and regional health systems, academic health systems, community health systems, and public, children’s and critical access hospitals, and non-acute care providers, including physician practices and medical groups, payors, and long-term care or post-acute providers. Our Healthcare professionals have a depth of expertise in business operations, including financial and operational improvement, care transformation, and revenue cycle managed services; digital solutions, spanning technology and analytic-related services and a portfolio of software products; organizational transformation; financial advisory and strategy and innovation. Most healthcare organizations are focused on establishing a sustainable long-term strategy and business model centered around optimal cost structures, reimbursement models, financial strategies, and consumer-focused digital transformation; changing the way care is delivered, particularly in light of personnel shortages, and improving access to care; and evolving their digital capabilities to more effectively manage their business. Our solutions help clients adapt to this rapidly changing healthcare environment to become a more agile, efficient and consumer-centric organization. We use our deep industry, functional and technical expertise to help clients solve a diverse set of business issues, including, but not limited to, optimizing financial and operational performance, improving care delivery and clinical outcomes, increasing physician, patient and employee satisfaction, and maximizing return on technology investments.

- ***Education***

  Our Education segment serves public and private colleges and universities, research institutes and other education-related organizations. Our Education professionals have a depth of expertise in strategy and innovation; business operations, including the research enterprise and student and alumni lifecycle; digital solutions, spanning technology and analytic-related services and a portfolio of software products; and organizational transformation. Our Education segment clients are increasingly faced with strategic, financial and/or enrollment challenges, increased competition, and a need to modernize their businesses using technology to advance their missions. We combine our deep industry, functional and technical expertise to help clients solve their most pressing challenges, including, but not limited to, transforming business operations with technology and analytics; strengthening research strategies and support services; evolving their organizational strategy; optimizing financial and operational performance; applying innovative enrollment strategies; and enhancing the student lifecycle.

- ***Commercial***

  Our Commercial segment is focused on serving industries and organizations facing significant disruption and regulatory change by helping them adapt to rapidly changing environments and accelerate business transformation. Our Commercial professionals work primarily with six primary buyers: the chief executive officer, the chief financial officer, the chief strategy officer, the chief human resources officer, the chief operating officer, and organizational advisors, including lenders and law firms. We have a deep focus on serving organizations in the financial services, energy and utilities, industrials and manufacturing industries and the public sector while opportunistically serving the commercial industries more broadly, including professional and business services, life sciences, consumer products, and nonprofit. Our Commercial professionals have deep industry, functional and technical expertise that they put forward when delivering our digital services and software products, and strategy and innovation and financial advisory (special situation advisory and corporate finance advisory) services. In today’s disruptive environment, organizations must reimagine their historical strategies and financial and operating models to sustain and advance their competitive advantage. Our experts help organizations across industries with a variety of business challenges, including, but not limited to, embedding technology and analytics throughout their internal and customer-facing operations, developing analytics and insights into the needs of tomorrow’s customers in order to evolve their enterprise and business unit strategies, bringing new products to market, managing through stressed and distressed situations to create a viable path forward for stakeholders and executing mergers and acquisitions, finance offerings and risk mitigation strategies.

Business Strategy, Opportunities and Challenges

Our primary strategy is to be the premier transformation partner to our clients, meeting their needs by providing a balanced portfolio of services and digital product offerings so that we can adapt quickly and effectively to emerging opportunities in the marketplace. To achieve our strategic and financial objectives, we remain focused on accelerating growth in healthcare and education, growing our presence in the commercial industries, advancing our integrated, global digital platform, building a more sustainable base of revenue to drive more consistent growth, strategically deploying capital to accelerate our strategy and return capital to shareholders, and investing in and growing our talented team, including attracting and retaining our managing directors, our senior most practitioners that lead our revenue generation efforts. We regularly evaluate the performance of our businesses to ensure our investments meet these objectives.

COMPONENTS OF OPERATING RESULTS

Revenues

Our revenues are primarily generated by our employees who provide consulting and other professional services to our clients and are billable to our clients based on the number of hours worked, services provided, or achieved outcomes. We refer to these employees as our revenue-generating professionals. Revenues are primarily driven by the number of revenue-generating professionals we employ as well as the total value, scope, and terms of the consulting contracts under which they provide services. We also engage independent contractors to supplement our revenue-generating professionals on client engagements as needed.

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

- *Fixed-fee (including software license revenue):* 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. Fixed-fee arrangements also include software licenses for our revenue cycle management software and research administration and compliance software.

- *Time-and-expense:* Under time-and-expense billing arrangements, we 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 speaking engagements, conferences and publications purchased by our clients.

- *Performance-based:* 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 earn a success fee when and if certain predefined outcomes occur. Often, performance-based fees supplement our time-and-expense or fixed-fee engagements. The level of performance-based fees earned may vary based on our clients’ risk sharing preferences and the mix of services we provide.

- *Software support, maintenance and subscriptions:* 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.

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.

Our quarterly results are impacted principally by the total value, scope, and terms of our client contracts, the number of our revenue-generating professionals who are available to work, our revenue-generating professionals' utilization rate, and the bill rates we charge our clients. 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.

Reimbursable Expenses

Reimbursable expenses that are billed to clients, primarily relating to travel and out-of-pocket expenses incurred in connection with client engagements, are included in total revenues and reimbursable expenses. Reimbursable expenses are recognized as expenses in the period in which the expense is incurred. Subcontractors that are billed to clients at cost are also included in reimbursable expenses. When billings do not specifically identify reimbursable expenses, we allocate the portion of the billings equivalent to these expenses to reimbursable expenses.

We manage our business on the basis of revenues before reimbursable expenses, which we believe is the most accurate reflection of our services because it eliminates the effect of reimbursable expenses that we bill to our clients at cost.

Operating Expenses

Our most significant expenses are costs classified as direct costs. Direct costs primarily consist of compensation costs which includes salaries, performance bonuses, share-based compensation, signing and retention bonuses, payroll taxes, and benefits for our revenue-generating professionals. Direct costs also include fees paid to independent contractors that we retain to supplement our revenue-generating professionals, typically on an as-needed basis for specific client engagements, and technology costs, product and event costs, and commissions. Direct costs exclude amortization of intangible assets and software development costs and reimbursable expenses, both of which are separately presented in our consolidated statements of operations.

Selling, general and administrative expenses consist primarily of salaries, performance bonuses, share-based compensation, payroll taxes, and benefits for our support personnel. Selling, general and administrative expenses also include third-party professional fees, software licenses and data hosting expenses, rent and other office related expenses, sales and marketing related expenses, recruiting and training expenses, and practice administration and meetings expenses.

Other operating expenses include restructuring charges, depreciation expense, and amortization expense related to internally developed software costs and intangible assets acquired in business combinations. In the first quarter of 2022, we began presenting depreciation and amortization expense inclusive of amortization of intangible assets and software development costs previously presented within total direct costs and reimbursable expenses. We have recast our historical presentation of our consolidated statement of operations for consistent presentation.

Segment Results

Segment operating income consists of the revenues generated by a segment, less operating expenses that are incurred directly by the segment. Unallocated costs include corporate 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 corporate office support costs, office facility costs, costs related 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.

Non-GAAP Measures

We also assess our results of operations using the following non-GAAP financial measures: earnings before interest, taxes, depreciation and amortization (“EBITDA”), adjusted EBITDA, adjusted EBITDA as a percentage of revenues, adjusted net income, and adjusted diluted earnings per share (“EPS”). These non-GAAP financial measures differ from GAAP because they 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.

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

Amortization of intangible assets: We exclude the effect of amortization of intangible assets from the calculation of adjusted net income, as it is inconsistent in its amount and frequency and is significantly affected by the timing and size of our acquisitions.

Restructuring charges: We have incurred charges due to restructuring 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 employee severance charges. We exclude the effect of the restructuring charges from our non-GAAP measures to permit comparability with periods that are not impacted by these items.

Other losses (gains): We exclude the effect of other losses (gains), which primarily relate to changes in the estimated fair value of our liabilities for contingent consideration related to business acquisitions, to permit comparability with periods that are not impacted by these items.

Transaction-related expenses: To permit comparability with prior periods, we exclude the impact of third-party legal and accounting fees incurred related to business acquisitions.

Unrealized gain on preferred stock investment: We exclude the effect of unrealized gains related to changes in the fair value of our preferred stock investment in Medically Home Group, Inc. (“Medically Home”), which are recognized when an observable price change occurs. These unrealized gains are included as a component of other income (expense), net. We believe that these unrealized gains are not indicative of the ongoing performance of our business and their exclusion permits comparability with prior periods.

Foreign currency transaction losses (gains), net: We exclude 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.

Income tax expense, Interest expense, net of interest income, and Depreciation and amortization: We exclude 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. Within the depreciation and amortization adjustment, we include the amortization of capitalized implementation costs of our ERP and other related software, which is included within selling, general and administrative expenses on our consolidated statement of operations.

Revenue-Generating Professionals

Our revenue-generating professionals consist of our full-time consultants who generate revenues based on the number of hours worked; full-time equivalents, which consists of coaches and their support staff within the Culture and Organizational excellence solution, consultants who work variable schedules as needed by clients, and full-time employees who provide software support and maintenance services to clients; and our Healthcare Managed Services employees who provide revenue cycle billing, collections insurance verification and change integrity services to clients.

Utilization Rate

The utilization rate of our revenue-generating professionals is calculated by dividing the number of hours our billable consultants worked on client assignments during a period by the total available working hours for these billable consultants during the same period. Available hours are determined by the standard hours worked by each billable consultant, adjusted for part-time hours, and U.S. standard work weeks. Available working hours exclude local country holidays and vacation days. Utilization rates are presented for our revenue-generating professionals who primarily bill on an hourly basis. We do not present utilization rates for our Managed Services professionals as most of the revenues generated by these employees are not billed on an hourly basis.

RESULTS OF OPERATIONS

Executive Highlights

Highlights from the third quarter of 2022 include:

- Revenues increased 27.4% to $285.4 million for the third quarter of 2022 from $224.0 million for the third quarter of 2021
- Revenues within our Digital capability increased 45.5% in the third quarter of 2022, compared to the third quarter of 2021
- Operating margin increased to 10.3% for the third quarter of 2022, compared to 8.2% for the third quarter of 2021
- Diluted EPS increased 34.4% to $0.86 for the third quarter of 2022, compared to $0.64 for the third quarter of 2021
- Adjusted diluted EPS increased 29.5% to $1.01 for the third quarter of 2022, compared to $0.78 for the third quarter of 2021
- Returned $45.6 million to shareholders by repurchasing 685,641 shares of our common stock in the third quarter of 2022; for a total of $97.9 million, or 1,706,587 shares, repurchased in the first nine months of 2022

Revenues increased $61.4 million, or 27.4%, to $285.4 million for the third quarter of 2022 from $224.0 million for the third quarter of 2021. The increase in revenues reflects continued strength in demand for our Digital capability services across all industries as companies continue to invest in cloud-based technology and analytic solutions, as well as strengthened demand for our Consulting and Managed Services offerings within our Education and Healthcare segments. Revenues for the third quarter of 2022 increased 4.4% compared to the second quarter of 2022.

In our Consulting and Managed Services capability, revenues for the third quarter of 2022 increased 15.5% compared to the third quarter of 2021, and reflected strengthened demand in our Education and Healthcare segments. The utilization rate within our Consulting capability increased to 72.5% in the third quarter of 2022, compared to 71.5% in the third quarter of 2021.

Revenues within our Digital capability increased 45.5% in the third quarter of 2022 compared to the third quarter of 2021, and reflected strengthened demand in all of our segments. The utilization rate within our Digital capability decreased to 70.1% in the third quarter of 2022, compared to 74.2% in the third quarter of 2021.

The total number of revenue-generating professionals increased to 4,571 as of September 30, 2022, compared to 3,724 as of September 30, 2021, as a result of hiring to support the overall increase in demand for our services within all of our segments, as well as headcount increases in connection with business acquisitions. We proactively plan and manage the size and composition of our workforce and take actions as needed to address changes in the anticipated demand for our services as compensation costs are the most significant portion of our operating expenses.

Operating margin, which is defined as operating income expressed as a percentage of revenues, increased to 10.3% for the three months ended September 30, 2022 compared to 8.2% for the three months ended September 30, 2021, driven by strong revenue growth that outpaced increases in operating expenses.

Net income increased $4.0 million to $17.7 million for the three months ended September 30, 2022 from $13.7 million for the same period last year. As a result of the increase in net income, diluted earnings per share for the third quarter of 2022 was $0.86 compared to $0.64 for the third quarter of 2021. Adjusted diluted earnings per share was $1.01 for the third quarter of 2022, compared to $0.78 for the third quarter of 2021.

During the third quarter of 2022, we repurchased 685,641 shares of our common stock for $45.6 million. In the first nine months of 2022, we repurchased 1,706,587 shares of our common stock for $97.9 million, representing 7.8% of our common stock outstanding as of December 31, 2021.

Summary of Results

Effective January 1, 2022, we modified our operating model to expand and more deeply integrate our industry expertise with our digital, strategic and financial advisory capabilities. The new operating model will strengthen Huron's go-to-market strategy, drive efficiencies that support margin expansion, and position the company to accelerate growth.

To align with the new operating model, effective with reporting for periods beginning January 1, 2022, we began reporting under the following three industries, which are our reportable segments: Healthcare, Education and Commercial. The Commercial segment includes all industries outside of healthcare and education, including, but not limited to, financial services and energy and utilities. In the new reporting structure, each segment includes all revenue and costs associated with engagements delivered in the respective segments' industries. The new Healthcare and Education segments include some revenue and costs historically reported in the Business Advisory segment and the Healthcare segment includes some revenue and costs historically reported in the Education segment. We also provide revenue reporting across two principal capabilities: i) Consulting and Managed Services and ii) Digital. These changes create greater transparency for investors by improving visibility into the core drivers of our business. While our consolidated results have not been impacted, our historical segment information has been recast for consistent presentation.

The following table sets forth, for the periods indicated, selected segment and consolidated operating results and other operating data, including non-GAAP measures.

Segment and Consolidated Operating Results (in thousands, except per share amounts):	**Three Months Ended September 30, 2022**	**Three Months Ended September 30, 2021**	**Nine Months Ended September 30, 2022**	**Nine Months Ended September 30, 2021**
Healthcare:				
Revenues	$ 131,319	$ 104,620	$ 381,669	$ 315,345
Operating income	$ 33,045	$ 32,157	$ 91,441	$ 86,511
Segment operating income as a percentage of segment revenues	25.2 %	30.7 %	24.0 %	27.4 %
Education:				
Revenues	$ 94,347	$ 63,244	$ 263,234	$ 175,061
Operating income	$ 22,851	$ 14,516	$ 58,848	$ 37,195
Segment operating income as a percentage of segment revenues	24.2 %	23.0 %	22.4 %	21.2 %
Commercial:				
Revenues	$ 59,704	$ 56,143	$ 173,841	$ 166,940
Operating income	$ 14,153	$ 8,262	$ 38,282	$ 29,152
Segment operating income as a percentage of segment revenues	23.7 %	14.7 %	22.0 %	17.5 %
Total Huron:				
Revenues	$ 285,370	$ 224,007	$ 818,744	$ 657,346
Reimbursable expenses	6,816	3,690	19,034	8,876
Total revenues and reimbursable expenses	$ 292,186	$ 227,697	$ 837,778	$ 666,222
Segment operating income	$ 70,049	$ 54,935	$ 188,571	$ 152,858
Items not allocated at the segment level:				
Other operating expenses	35,679	31,430	99,139	94,634
Depreciation and amortization	5,071	5,199	15,171	15,549
Operating income	29,299	18,306	74,261	42,675
Other income (expense), net	(3,896)	(2,611)	10,946	(3,788)
Income before taxes	25,403	15,695	85,207	38,887
Income tax expense	7,662	1,968	26,739	6,958
Net income	$ 17,741	$ 13,727	$ 58,468	$ 31,929
Earnings per share:				
Basic	$ 0.88	$ 0.65	$ 2.85	$ 1.48
Diluted	$ 0.86	$ 0.64	$ 2.80	$ 1.46
Other Operating Data:				
Number of revenue-generating professionals by segment (at period end) (5):				
Healthcare	1,686	1,575	1,686	1,575
Education	1,543	958	1,543	958
Commercial (1)	1,342	1,191	1,342	1,191
Total	4,571	3,724	4,571	3,724

Segment and Consolidated Operating Results (in thousands, except per share amounts):	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue by capability:				
Consulting and Managed Services [(2)]	$ 155,901	$ 135,021	$ 454,356	$ 402,576
Digital	129,469	88,986	364,388	254,770
Total	$ 285,370	$ 224,007	$ 818,744	$ 657,346
Number of revenue-generating professionals by capability (at period end):				
Consulting and Managed Services [(3)]	2,098	1,871	2,098	1,871
Digital	2,473	1,853	2,473	1,853
Total	4,571	3,724	4,571	3,724
Utilization rate by capability [(4)]:				
Consulting	72.5 %	71.5 %	73.0 %	70.8 %
Digital	70.1 %	74.2 %	71.6 %	72.9 %

(1) The majority of our revenue-generating professionals within our Commercial segment can provide services across all of our industries, including healthcare and education.

(2) Managed Services capability revenue within our Healthcare segment was $17.6 million and $13.6 million for the three months ended September 30, 2022 and 2021, respectively; and $47.5 million and $35.4 million for the nine months ended September 30, 2022 and 2021, respectively.

Managed Services capability revenue within our Education segment was $4.1 million and $2.3 million for the three months ended September 30, 2022 and 2021, respectively; and $11.3 million and $6.8 million for the nine months ended September 30, 2022 and 2021, respectively.

(3) The number of Managed Services revenue-generating professionals within our Healthcare segment as of September 30, 2022 and 2021 was 547 and 518, respectively.

The number of Managed Services revenue-generating professionals within our Education segment as of September 30, 2022 and 2021 was 97 and 68, respectively.

(4) Utilization rates are presented for our revenue-generating professionals who primarily bill on an hourly basis. We do not present utilization rates for our Managed Services professionals as most of the revenues generated by these employees are not billed on an hourly basis.

(5) During the first quarter of 2022, we reclassified certain Digital revenue-generating professionals within our Healthcare and Education segments to our Commercial segment as these professionals can provide services across all of our industries. This reclassification did not impact the total headcount within our Digital capability for any period. The prior period headcount has been revised for consistent presentation.

Non-GAAP Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues	$ 285,370	$ 224,007	$ 818,744	$ 657,346
Net income	$ 17,741	$ 13,727	$ 58,468	$ 31,929
Add back:				
Income tax expense	7,662	1,968	26,739	6,958
Interest expense, net of interest income	3,111	2,217	7,753	5,965
Depreciation and amortization	7,019	6,534	21,238	19,640
Earnings before interest, taxes, depreciation and amortization (EBITDA)	35,533	24,446	114,198	64,492
Add back:				
Restructuring charges	1,332	1,677	4,956	3,166
Other losses (gains)	(67)	56	(34)	98
Transaction-related expenses	—	194	50	335
Unrealized gain on preferred stock investment	—	—	(26,964)	—
Foreign currency transaction losses (gains), net	(328)	43	(409)	398
Adjusted EBITDA	$ 36,470	$ 26,416	$ 91,797	$ 68,489
Adjusted EBITDA as a percentage of revenues	12.8 %	11.8 %	11.2 %	10.4 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 17,741	$ 13,727	$ 58,468	$ 31,929
Weighted average shares - diluted	20,615	21,531	20,899	21,904
Diluted earnings per share	$ 0.86	$ 0.64	$ 2.80	$ 1.46
Add back:				
Amortization of intangible assets	2,818	2,235	8,496	6,923
Restructuring charges	1,332	1,677	4,956	3,166
Other losses (gains)	(67)	56	(34)	98
Transaction-related expenses	—	194	50	335
Unrealized gain on preferred stock investment	—	—	(26,964)	—
Tax effect of adjustments	(1,082)	(1,103)	3,576	(2,788)
Total adjustments, net of tax	3,001	3,059	(9,920)	7,734
Adjusted net income	$ 20,742	$ 16,786	$ 48,548	$ 39,663
Adjusted weighted average shares - diluted	20,615	21,531	20,899	21,904
Adjusted diluted earnings per share	$ 1.01	$ 0.78	$ 2.32	$ 1.81

Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021

Revenues

Revenues by segment and capability for the three months ended September 30, 2022 and 2021 were as follows:

Revenues (in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Increase / (Decrease) $	Increase / (Decrease) %
Segment:				
Healthcare	$ 131,319	$ 104,620	$ 26,699	25.5 %
Education	94,347	63,244	31,103	49.2 %
Commercial	59,704	56,143	3,561	6.3 %
Total revenues	$ 285,370	$ 224,007	$ 61,363	27.4 %
Capability:				
Consulting and Managed Services	$ 155,901	$ 135,021	$ 20,880	15.5 %
Digital	129,469	88,986	40,483	45.5 %
Total revenues	$ 285,370	$ 224,007	$ 61,363	27.4 %

Revenues increased $61.4 million, or 27.4%, to $285.4 million for the third quarter of 2022 from $224.0 million for the third quarter of 2021. The overall increase in revenues reflects continued strength in demand for our Digital capability services across all industries as companies continue to invest in cloud-based technology and analytic solutions, as well as strengthened demand for our Consulting and Managed Services offerings within our Education and Healthcare segments. Additional information on our revenues by segment follows.

- **Healthcare** revenues increased $26.7 million, or 25.5%, driven by strengthened demand for our technology and analytics services within our Digital capability, as well as strengthened demand for our corporate finance advisory, revenue cycle managed services, and performance improvement solutions within our Consulting and Managed Services capability. Revenues in the third quarter of 2022 included $1.2 million of incremental revenues from our acquisition of Perception Health, Inc., which was completed in December 2021.

  The number of revenue-generating professionals within our Healthcare segment grew 7.0% to 1,686 as of September 30, 2022, compared to 1,575 as of September 30, 2021.

- **Education** revenues increased $31.1 million, or 49.2%, driven by strengthened demand for our technology and analytics services within our Digital capability, as well as strengthened demand for our strategy and operations, research, and student solutions within our Consulting and Managed Services capability. Revenues in the third quarter of 2022 included $2.2 million of incremental revenues from our acquisition of Whiteboard Communications Ltd., which was completed in December 2021.

  The number of revenue-generating professionals within our Education segment grew 61.1% to 1,543 as of September 30, 2022, compared to 958 as of September 30, 2021.

- **Commercial** revenues increased $3.6 million, or 6.3%, driven by strengthened demand for our technology and analytics services within our Digital capability, partially offset by a decrease in revenues due to the divestiture of our Life Sciences business in the fourth quarter of 2021. The Life Sciences business generated $5.1 million of revenues in the third quarter of 2021. Revenues in the third quarter of 2022 included $0.4 million of incremental revenues from our acquisition of AIMDATA, LLC, which was completed in January 2022.

  The number of revenue-generating professionals within our Commercial segment grew 12.7% to 1,342 as of September 30, 2022, compared to 1,191 as of September 30, 2021. This increase includes the impact of the divestiture of our Life Sciences business completed in the fourth quarter of 2021. The Life Sciences business employed 66 revenue-generating professionals as of September 30, 2021.

Operating Expenses

Operating expenses for the third quarter of 2022 increased $53.5 million, or 25.5%, over the third quarter of 2021.

Operating expenses and operating expenses as a percentage of revenues were as follows:

Operating Expenses (in thousands, except amounts as a percentage of revenues)	Three Months Ended September 30,				Increase / (Decrease)
	2022		2021		
Direct costs	$ 193,368	67.8%	$ 153,902	68.7%	$ 39,466
Reimbursable expenses	6,917	2.4%	3,914	1.7%	3,003
Selling, general and administrative expenses	54,458	19.1%	43,576	19.5%	10,882
Restructuring charges	1,332	0.5%	1,677	0.7%	(345)
Depreciation and amortization	6,812	2.3%	6,322	2.9%	490
Total operating expenses	$ 262,887	92.1%	$ 209,391	93.5%	$ 53,496

Direct Costs

Direct costs increased $39.5 million, or 25.6%, to $193.4 million for the three months ended September 30, 2022 from $153.9 million for the three months ended September 30, 2021. The $39.5 million increase primarily related to a $28.9 million increase in compensation costs for our revenue-generating professionals, driven by increased headcount and annual salary increases that went into effect in the first quarter of 2022 and an increase in performance bonus expense. Additional increases in direct costs include an $8.1 million increase in contractor expense and a $1.9 million increase in technology costs. As a percentage of revenues, direct costs decreased to 67.8% during the third quarter of 2022, compared to 68.7% during the third quarter of 2021, primarily due to revenue growth that outpaced the increase in compensation costs for our revenue-generating professionals; partially offset by the increase in contractor expense, as a percentage of revenues.

Reimbursable Expenses

Reimbursable expenses are billed to clients at cost and primarily relate to travel and out-of-pocket expenses incurred in connection with client engagements. These expenses are also included in total revenues and reimbursable expenses. We manage our business on the basis of revenues before reimbursable expenses, which we believe is the most accurate reflection of our services because it eliminates the effect of reimbursable expenses that are also included as a component of operating expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $10.9 million, or 25.0%, to $54.5 million in the third quarter of 2022 from $43.6 million in the third quarter of 2021. The $10.9 million increase primarily related to a $6.4 million increase in non-payroll costs which includes a $2.8 million increase in practice administration and meetings expenses, a $1.9 million increase in promotion and marketing expenses, and a $1.0 million increase in software and data hosting expenses. Additionally, selling, general and administration expenses increased $4.4 million due to an increase in compensation costs for our support personnel, driven by a $2.7 million increase in salaries and related expenses and a $1.9 million increase in performance bonus expense, partially offset by a $1.1 million decrease in deferred compensation expense attributable to the change in the market value of our deferred compensation liability. The decrease in deferred compensation expense is fully offset by an increase in the loss 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. As a percentage of revenues, selling, general and administrative expenses decreased to 19.1% during the third quarter of 2022, compared to 19.5% during the third quarter of 2021. This decrease was primarily attributable to revenue growth that outpaced the increase in compensation costs for our support personnel; partially offset by the increase in non-payroll costs, as a percentage of revenues.

Restructuring Charges

Restructuring charges for the third quarter of 2022 were $1.3 million, compared to $1.7 million for the third quarter of 2021. The $1.3 million of restructuring charges incurred in the third quarter of 2022 included $0.7 million for rent and related expenses, net of sublease income, for previously vacated office spaces, $0.5 million for the early termination of a contract, and $0.1 million of employee-related expenses. The $1.7 million of restructuring charges incurred in the third quarter of 2021 consisted of $0.7 million of third-party transaction expenses related to the evaluation of the divestiture of our Life Sciences business, $0.5 million of rent and related expenses, net of sublease income, for previously vacated office spaces, and $0.5 million of employee-related expenses.

Depreciation and Amortization

Depreciation and amortization expense, which includes amortization of intangible assets and software development costs previously presented separately, increased $0.5 million, or 7.8%, to $6.8 million for the three months ended September 30, 2022, compared to $6.3 million for the three months ended September 30, 2021. The $0.5 million increase in depreciation and amortization expense was primarily attributable to an increase in amortization of intangible assets acquired in business acquisitions completed subsequent to the third quarter of 2021.

Operating Income and Operating Margin

Operating income increased $11.0 million to $29.3 million in the third quarter of 2022 from $18.3 million in the third quarter of 2021. Operating margin, which is defined as operating income expressed as a percentage of revenues, increased to 10.3% for the three months ended September 30, 2022, compared to 8.2% for the three months ended September 30, 2021.

Operating income and operating margin for each of our segments is as follows. See the Segment and Consolidated Operating Results table above for a reconciliation of our total segment operating income to consolidated Huron operating income.

Segment Operating Income (in thousands, except operating margin percentages)	Three Months Ended September 30,			Increase / (Decrease)
	2022		2021		
Healthcare	$ 33,045	25.2%	$ 32,157	30.7%	$ 888
Education	22,851	24.2%	14,516	23.0%	8,335
Commercial	14,153	23.7%	8,262	14.7%	5,891
Total segment operating income	$ 70,049		$ 54,935		$ 15,114

- **Healthcare** operating income slightly increased primarily due to the increase in revenues, largely offset by increases in compensation costs for our revenue-generating professionals, contractor expenses, and practice administration and meetings expenses. The increase in compensation costs was driven by an increase in headcount and annual salary increases that went into effect in the first quarter of 2022. Healthcare operating margin decreased primarily due to the increases in non-payroll costs and compensation costs for our revenue-generating professionals, as percentages of revenues.

- **Education** operating income increased primarily due to the increase in revenues, partially offset by increases in compensation costs for our revenue-generating professionals, contractor expense, technology expenses, and promotion and marketing expenses. The increase in compensation costs was driven by an increase in headcount, annual salary increases that went into effect in the first quarter of 2022, and an increase in performance bonus expense. Education operating margin increased due to revenue growth that outpaced the increase in compensation costs; partially offset by the increases in non-payroll costs, as percentages of revenues.

- **Commercial** operating income increased primarily due to the increase in revenues and a decrease in compensation costs for our revenue-generating professionals, partially offset by an increase in contractor expense. The decrease in compensation costs for our revenue-generating professionals was primarily driven by the divestiture of our Life Sciences business in the fourth quarter of 2021. Commercial operating margin increased primarily due to the decrease in compensation costs for our revenue-generating professionals; partially offset by the increase in contractor expense, as a percentage of revenues.

Other Income (Expense), Net

Interest expense, net of interest income increased $0.9 million to $3.1 million in the third quarter of 2022 from $2.2 million in the third quarter of 2021 primarily attributable to higher levels of borrowing under our credit facility and higher interest rates during the third quarter of 2022 compared to the third quarter of 2021. See “Liquidity and Capital Resources” below and Note 7 “Financing Arrangements” within the notes to our consolidated financial statements for additional information about our senior secured credit facility.

Other expense, net increased $0.4 million to $0.8 million in the third quarter of 2022 from $0.4 million in the third quarter of 2021. The increase in other expense, net was primarily attributable to the $1.1 million increase in the unrecognized loss for the market value of our investments that are used to fund our deferred compensation liability, partially offset by an increase in foreign currency transaction gains and a realized gain on a portion of the investments used to fund our deferred compensation liability recognized in the third quarter of 2022. During the third quarter of 2022, we recognized a $1.5 million loss for the market value of our deferred compensation investments compared to a $0.4 million loss recognized in the third quarter of 2021.

Income Tax Expense

For the three months ended September 30, 2022, our effective tax rate was 30.2% as we recognized income tax expense of $7.7 million on income of $25.4 million. The effective tax rate of 30.2% was less favorable than the statutory rate, inclusive of state income taxes, of 26.4%, primarily due to tax expense related to nondeductible losses on our investments used to fund our deferred compensation liability and certain nondeductible expense items.

For the three months ended September 30, 2021, our effective tax rate was 12.5% as we recognized income tax expense of $2.0 million on income of $15.7 million. The effective tax rate of 12.5% was more favorable than the statutory rate, inclusive of state income taxes, of 26.6%, primarily due to a discrete tax benefit for U.S. federal return to provision adjustments related to the 2020 corporate income tax return.

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law. The IRA contains significant tax law changes, including a corporate alternative minimum tax of 15% on adjusted financial statement income for applicable corporations and a 1% excise tax on stock repurchases after December 31, 2022. We are currently evaluating the IRA and its requirements, as well as the effect of the new law to our future cash flows.

Net Income from Continuing Operations and Earnings per Share

Net income increased $4.0 million to $17.7 million for the three months ended September 30, 2022 from $13.7 million for the same period last year. As a result of the increase in net income, diluted earnings per share for the third quarter of 2022 was $0.86 compared to $0.64 for the third quarter of 2021.

EBITDA and Adjusted EBITDA

EBITDA increased $11.1 million to $35.5 million for the three months ended September 30, 2022 from $24.4 million for the three months ended September 30, 2021. The increase in EBITDA was primarily attributable to the increase in segment operating income; partially offset by an increase in corporate expenses, excluding the impact of the change in the market value of our deferred compensation liability on corporate expenses.

Adjusted EBITDA increased $10.1 million to $36.5 million in the third quarter of 2022 from $26.4 million in the third quarter of 2021. The increase in adjusted EBITDA was primarily attributable to the increase in segment operating income; partially offset by an increase in corporate expenses, excluding the impacts of the change in the market value of our deferred compensation liability and restructuring charges on these items.

Adjusted Net Income from Continuing Operations and Adjusted Earnings per Share

Adjusted net income increased $4.0 million to $20.7 million in the third quarter of 2022 compared to $16.8 million in the third quarter of 2021. As a result of the increase in adjusted net income, adjusted diluted earnings per share was $1.01 for the third quarter of 2022, compared to $0.78 for the third quarter of 2021.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

Revenues

Revenues by segment and capability for the nine months ended September 30, 2022 and 2021 were as follows:

	Nine Months Ended September 30,		Increase / (Decrease)	
Revenues (in thousands)	**2022**	**2021**	**$**	**%**
Segment:				
Healthcare	$ 381,669	$ 315,345	$ 66,324	21.0 %
Education	263,234	175,061	88,173	50.4 %
Commercial	173,841	166,940	6,901	4.1 %
Total revenues	$ 818,744	$ 657,346	$ 161,398	24.6 %
Capability:				
Consulting and Managed Services	$ 454,356	$ 402,576	$ 51,780	12.9 %
Digital	364,388	254,770	109,618	43.0 %
Total revenues	$ 818,744	$ 657,346	$ 161,398	24.6 %

Revenues increased $161.4 million, or 24.6%, to $818.7 million for the first nine months of 2022 from $657.3 million for the first nine months of 2021. The overall increase in revenues reflects continued strength in demand for our Digital capability services across all industries as companies continue to invest in cloud-based technology and analytic solutions, as well as strengthened demand for our Consulting and Managed Services offerings within our Education and Healthcare segments partially the result of a favorable comparison against Education's results in the first two quarters of 2021 which were more significantly impacted by the COVID-19 pandemic. During 2020 and 2021, some clients reprioritized and delayed certain projects as a result of the uncertainties surrounding the pandemic. Additional information on our revenues by segment follows.

- **Healthcare** revenues increased $66.3 million, or 21.0%, driven by strengthened demand for our technology and analytics services and software products within our Digital capability, as well as strengthened demand for our revenue cycle managed services, performance improvement and corporate finance advisory solutions within our Consulting and Managed Services capability. Revenues in the first nine months of 2022 included $3.0 million of incremental revenues from our acquisition of Perception Health, Inc., which was completed in December 2021.

  The number of revenue-generating professionals within our Healthcare segment grew 7.0% to 1,686 as of September 30, 2022, compared to 1,575 as of September 30, 2021.

- **Education** revenues increased $88.2 million, or 50.4%, driven by strengthened demand across all of our services and products within our Consulting and Managed Services and Digital capabilities. Revenues in the first nine months of 2022 included $6.4 million of incremental revenues from our acquisition of Whiteboard Communications Ltd., which was completed in December 2021.

  The number of revenue-generating professionals within our Education segment grew 61.1% to 1,543 as of September 30, 2022, compared to 958 as of September 30, 2021.

- **Commercial** revenues increased $6.9 million, or 4.1%, driven by strengthened demand for our technology and analytics services within our Digital capability and our corporate finance advisory solution within our Consulting and Managed Services capability, largely offset by a decrease in revenues due to the divestiture of our Life Sciences business in the fourth quarter of 2021 and a decrease in demand for our financial advisory solutions within the Consulting and Managed Services capability. The Life Sciences business generated $14.8 million of revenues in the first nine months of 2021. Revenues in the first nine months of 2022 included $2.3 million of incremental revenues from our acquisitions of AIMDATA, LLC and Unico Solution, Inc., which were completed in January 2022 and February 2021, respectively.

  The number of revenue-generating professionals within our Commercial segment grew 12.7% to 1,342 as of September 30, 2022, compared to 1,191 as of September 30, 2021. This increase includes the impact of the divestiture of our Life Sciences business completed in the fourth quarter of 2021. The Life Sciences business employed 66 revenue-generating professionals as of September 30, 2021.

Operating Expenses

Operating expenses for the first nine months of 2022 increased $140.0 million, or 22.4%, over the first nine months of 2021.

Operating expenses and operating expenses as a percentage of revenues were as follows:

Operating Expenses (in thousands, except amounts as a percentage of revenues)	Nine Months Ended September 30,				Increase / (Decrease)
	2022		2021		
Direct costs	$ 569,848	69.6%	$ 463,543	70.5%	$ 106,305
Reimbursable expenses	19,249	2.4%	9,233	1.4%	10,016
Selling, general and administrative expenses	148,886	18.2%	128,574	19.6%	20,312
Restructuring charges	4,956	0.6%	3,166	0.5%	1,790
Depreciation and amortization	20,578	2.5%	19,031	2.9%	1,547
Total operating expenses	$ 763,517	93.3%	$ 623,547	94.9%	$ 139,970

Direct Costs

Direct costs increased $106.3 million, or 22.9%, to $569.8 million for the first nine months of 2022 from $463.5 million for the first nine months of 2021. The $106.3 million increase primarily related to an $81.6 million increase in compensation costs for our revenue-generating professionals, driven by increased headcount, annual salary increases that went into effect in the first quarter of 2022, and increases in performance bonus expense and share-based compensation expense. Additional increases in direct costs include an $18.5 million increase in contractor expense, a $4.9 million increase in technology costs, and a $1.7 million increase in product and event costs. As a percentage of revenues, direct costs decreased to 69.6% during the first nine months of 2022, compared to 70.5% during the first nine months of 2021, primarily due to revenue growth that outpaced the increase in compensation costs for our revenue-generating professionals, partially offset by the increase in contractor expense, as a percentage of revenues.

Reimbursable Expenses

Reimbursable expenses are billed to clients at cost and primarily relate to travel and out-of-pocket expenses incurred in connection with client engagements. These expenses are also included in total revenues and reimbursable expenses. We manage our business on the basis of revenues before reimbursable expenses, which we believe is the most accurate reflection of our services because it eliminates the effect of reimbursable expenses that are also included as a component of operating expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $20.3 million, or 15.8%, to $148.9 million in the first nine months of 2022 from $128.6 million in the first nine months of 2021. The $20.3 million increase primarily related to a $15.1 million increase in non-payroll costs including a $5.0 million increase in promotion and marketing expenses, a $4.8 million increase in practice administration and meetings expense, a $2.7 million increase in software and data hosting expenses, a $2.1 million increase in third-party professional fees, and a $1.6 million increase in training expenses. Additionally, selling, general and administrative expenses increased by $5.0 million related to compensation costs for our support personnel, which includes a $9.3 million increase in salaries and related expenses, a $4.0 million increase in performance bonus expense and a $2.5 million increase in share-based compensation expense; partially offset by an $11.6 million decrease in deferred compensation expense attributable to the change in the market value of our deferred compensation liability. The decrease in deferred compensation expense is fully offset by a decrease 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. As a percentage of revenues, selling, general and administrative expenses decreased to 18.2% during the first nine months of 2022, compared to 19.6% during the first nine months of 2021. This decrease was primarily attributable to revenue growth that outpaced the increase in compensation costs for our support personnel.

Restructuring Charges

Restructuring charges for the first nine months of 2022 were $5.0 million, compared to $3.2 million for the first nine months of 2021. The $5.0 million of restructuring charges incurred in the first nine months of 2022 included $1.7 million of employee-related expenses, $1.7 million for rent and related expenses, net of sublease income, for previously vacated office spaces, $0.6 million for third-party transaction expenses related to the modification of our operating model, $0.5 million for the early termination of a contract, $0.3 million of accelerated amortization of capitalized software implementation costs for a cloud-computing arrangement that is no longer in use, and $0.1 million related to the divestiture of our Life Sciences business in the fourth quarter of 2021. The $3.2 million of restructuring charges incurred in the first nine months of 2021 consisted of $1.8 million of rent and related expenses, net of sublease income, and accelerated depreciation on furniture and fixtures for vacated office spaces, $0.9 million of third-party transaction expenses related to the evaluation of the divestiture of our Life Sciences business, and $0.5 million of employee-related expenses.

Depreciation and Amortization

Depreciation and amortization expense, which includes amortization of intangible assets and software development costs previously presented separately, increased $1.5 million, or 8.1%, to $20.6 million for the first nine months of 2022, compared to $19.0 million for first nine months of 2021. The $1.5 million increase in depreciation and amortization expense was primarily attributable to an increase in amortization of intangible assets acquired in business acquisitions completed subsequent to the third quarter of 2021, partially offset by decreasing amortization expense for certain intangible assets acquired due to the accelerated basis of amortization in prior periods.

Operating Income and Operating Margin

Operating income increased $31.6 million to $74.3 million in the first nine months of 2022 from $42.7 million in the first nine months of 2021. Operating margin, which is defined as operating income expressed as a percentage of revenues, increased to 9.1% for the first nine months of 2022, compared to 6.5% for the first nine months of 2021.

Operating income and operating margin for each of our segments is as follows. See the Segment and Consolidated Operating Results table above for a reconciliation of our total segment operating income to consolidated Huron operating income.

Segment Operating Income (in thousands, except operating margin percentages)	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021		Increase / (Decrease)
Healthcare	$ 91,441	24.0%	$ 86,511	27.4%	$ 4,930
Education	58,848	22.4%	37,195	21.2%	21,653
Commercial	38,282	22.0%	29,152	17.5%	9,130
Total segment operating income	$ 188,571		$ 152,858		$ 35,713

- **Healthcare** operating income increased primarily due to the increase in revenues, partially offset by increases in compensation costs for our revenue-generating professionals, contractor expense, practice administration and meetings expenses, technology expenses, and amortization of intangible assets. The increase in compensation costs for our revenue-generating professionals was driven by an increase in headcount and annual salary increases that went into effect in the first quarter of 2022 and an increase in share-based compensation expense, partially offset by decreases in performance bonus expense and signing, retention and other bonus expense. Healthcare operating margin decreased primarily due to the increases in contractor expense, compensation costs for our revenue-generating professionals and practice administration and meetings expenses, as percentages of revenues.

- **Education** operating income increased primarily due to the increase in revenues, partially offset by increases in compensation costs for our revenue-generating professionals, contractor expense, technology expenses, and promotion and marketing expenses. The increase in compensation costs was driven by an increase in headcount and annual salary increases that went into effect in the first quarter of 2022, as well as increases in performance bonus expense, signing, retention and other bonus expense and share-based compensation expense. Education operating margin increased due to revenue growth that outpaced the increase in compensation costs; partially offset by the increases in non-payroll costs, as percentages of revenues.

- **Commercial** operating income increased primarily due to a decrease in compensation costs for our revenue-generating professionals and the increase in revenues, partially offset by increases in contractor expenses, promotion and marketing expenses, and compensation costs for our support personnel. The decrease in compensation costs for our revenue-generating professionals was primarily driven by the divestiture of our Life Sciences business in the fourth quarter of 2021, partially offset by increases in performance bonus expense and signing, retention and other bonus expense. Commercial operating margin increased due to the decrease in compensation costs for our revenue-generating professionals; partially offset by the increases in non-payroll costs and compensation costs for our support personnel, as percentages of revenues.

Other Income (Expense), Net

Interest expense, net of interest income increased $1.8 million to $7.8 million in the first nine months of 2022 from $6.0 million in the first nine months of 2021 primarily attributable to higher levels of borrowing under our credit facility during the first nine months of 2022 compared to the first nine months of 2021. See “Liquidity and Capital Resources” below and Note 7 “Financing Arrangements” within the notes to our consolidated financial statements for additional information about our senior secured credit facility.

Other income, net increased $16.5 million to $18.7 million in the first nine months of 2022 from $2.2 million in the first nine months of 2021. The increase in other income, net was primarily attributable to a $27.0 million unrealized gain related to the increase in the fair value of our preferred stock investment in Medically Home. See Note 10 “Fair Value of Financial Instruments” within the notes to our consolidated financial statements for additional information on our preferred stock investment in Medically Home. This increase was partially offset by the $11.6 million decrease in the gain recognized for the market value of our investments that are used to fund our deferred compensation liability. During the first nine months of 2022, we recognized a $9.1 million loss for the market value of our deferred compensation investments compared to a $2.6 million gain recognized in the first nine months of 2021.

Income Tax Expense

For the nine months ended September 30, 2022, our effective tax rate was 31.4% as we recognized income tax expense of $26.7 million on income of $85.2 million. The effective tax rate of 31.4% was less favorable than the statutory rate, inclusive of state income taxes, of 26.4%, primarily due to tax expense related to nondeductible losses on our investments used to fund our deferred compensation liability and certain nondeductible expense items.

For the nine months ended September 30, 2021, our effective tax rate was 17.9% as we recognized income tax expense of $7.0 million on income of $38.9 million. The effective tax rate of 17.9% was more favorable than the statutory rate, inclusive of state income taxes, of 26.6%, primarily due to a discrete tax benefit recognized in the third quarter of 2021 related to U.S. federal return to provision adjustments related to the 2020 corporate income tax return. The effective tax rate also reflected the positive impact of certain federal tax credits and a discrete tax benefit recognized during the second quarter of 2021 related to electing the Global Intangible Low-Taxed Income ("GILTI") high-tax exclusion retroactively for the 2018 tax year. On July 20, 2020, the U.S. Treasury issued and enacted final regulations related to GILTI that allow certain U.S. taxpayers to elect to exclude foreign income that is subject to a high effective tax rate from their GILTI inclusions. The GILTI high-tax exclusion is an annual election and is retroactively available. These favorable items were partially offset by certain nondeductible expense items.

Net Income from Continuing Operations and Earnings per Share

Net income increased $26.5 million to $58.5 million for the nine months ended September 30, 2022 from $31.9 million for the same period last year. As a result of the increase in net income, diluted earnings per share for the nine months ended September 30, 2022 was $2.80 compared to $1.46 for the nine months ended September 30, 2021.

EBITDA and Adjusted EBITDA

EBITDA increased $49.7 million to $114.2 million for the nine months ended September 30, 2022 from $64.5 million for the nine months ended September 30, 2021. The increase in EBITDA was primarily attributable to the increase in segment operating income and the $27.0 million unrealized gain related to the increase in the fair value of our preferred stock investment; partially offset by an increase in corporate expenses, excluding the impact of the change in the market value of our deferred compensation liability on corporate expenses.

Adjusted EBITDA increased $23.3 million to $91.8 million in the first nine months of 2022 from $68.5 million in the first nine months of 2021. The increase in adjusted EBITDA was primarily attributable to the increase in segment operating income; partially offset by an increase in corporate expenses, excluding the impact of the change in the market value of our deferred compensation liability and restructuring charges on these items.

Adjusted Net Income from Continuing Operations and Adjusted Earnings per Share

Adjusted net income increased $8.9 million to $48.5 million in the first nine months of 2022 compared to $39.7 million in the first nine months of 2021. As a result of the increase in adjusted net income, adjusted diluted earnings per share was $2.32 for the nine months ended September 30, 2022, compared to $1.81 for the nine months ended September 30, 2021.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $8.8 million and $20.8 million at September 30, 2022 and December 31, 2021. As of September 30, 2022, our primary sources of liquidity are cash on hand, cash flows from our U.S. operations, and borrowing capacity available under our credit facility.

	Nine Months Ended September 30,	
Cash Flows (in thousands):	**2022**	**2021**
Net cash used in operating activities	$ (5,779)	$ (28,206)
Net cash used in investing activities	(10,779)	(18,726)
Net cash provided by (used in) financing activities	4,752	(9,245)
Effect of exchange rate changes on cash	(144)	189
Net decrease in cash and cash equivalents	$ (11,950)	$ (55,988)

Operating Activities

Our operating assets and liabilities consist primarily of receivables from billed and unbilled services, accounts payable and accrued expenses, accrued payroll and related benefits, operating lease obligations 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. Our purchase obligations primarily consist of payments for software and other information technology products to support our business and corporate infrastructure.

Net cash used in operating activities decreased $22.4 million to $5.8 million for the nine months ended September 30, 2022 from $28.2 million for the nine months ended September 30, 2021. The decrease in net cash used in operating activities was primarily related to an increase in cash collections in the first nine months of 2022 compared to the same prior year period; partially offset by an increase in salaries and related expenses for our revenue-generating professionals; an increase in the amount paid for annual performance bonuses in the first quarter of 2022 compared to the first quarter of 2021; and increases in payments for selling, general and administrative expenses and contractor fees for the first nine months of 2022 compared to the same prior year period.

Investing Activities

Our investing activities primarily consist of purchases of complementary businesses; purchases of property and equipment, primarily related to computers and related equipment for our employees and leasehold improvements and furniture for office spaces; payments related to internally developed cloud-based software sold to our clients; and investments. Our investments include a convertible note investment in Shorelight Holdings, LLC, a preferred stock investment in Medically Home, and investments in life insurance policies that are used to fund our deferred compensation liability.

The use of cash in the first nine months of 2022 primarily consisted of $9.8 million for purchases of property and equipment, primarily related to purchases of computers and related equipment and leasehold improvements and furniture for certain office spaces; $6.9 million for payments related to internally developed software; and $1.9 million for the purchase of a business. These uses of cash for investing activities were partially offset by $4.8 million of cash received for the sale of our aircraft in the first quarter of 2022 and $3.0 million of cash received for a distribution from our life insurance policies used to fund our deferred compensation liability.

The use of cash in the first nine months of 2021 primarily consisted of $8.9 million for purchases of property and equipment, primarily related to purchases of leasehold improvements for certain office spaces and computers and related equipment; $5.9 million for the purchase of a business and $3.6 million for payments related to internally developed software.

We estimate that cash utilized for purchases of property and equipment and software development in 2022 will total approximately $20 million to $25 million; primarily consisting of software development costs, information technology related equipment to support our corporate infrastructure, and leasehold improvements and furniture and fixtures for certain office locations.

Financing Activities

Our financing activities primarily consist of borrowings and repayments under our senior secured credit facility, share repurchases, shares redeemed for employee tax withholdings upon vesting of share-based compensation, and payments for contingent consideration liabilities related to business acquisitions. See “Financing Arrangements” below for additional information on our senior secured credit facility.

Net cash provided by financing activities was $4.8 million for the nine months ended September 30, 2022. During the nine months ended September 30, 2022, we borrowed $287.0 million under our credit facility primarily to fund our operations, including our annual performance bonus payment in the first quarter of 2022, and made repayments on our borrowings of $178.8 million. The repayments on our borrowings included the repayment of the outstanding principal of our promissory note due 2024 of $2.7 million from the proceeds received for the sale of our aircraft. Additionally, during the first nine months of 2022, we repurchased and retired $97.9 million of our common stock under our share repurchase program discussed below, of which $2.6 million settled in the fourth quarter of 2022, and settled $0.2 million of share repurchases that were accrued as of December 31, 2021. In the first nine months of 2022, we reacquired $7.5 million of common stock as a result of tax withholdings upon vesting of share-based compensation. We also made deferred acquisition payments of $1.9 million to the sellers of certain businesses we acquired. These payments were primarily the result of achieving specified financial performance targets in accordance with the related purchase agreements.

Net cash used in financing activities was $9.2 million for the nine months ended September 30, 2021. During the nine months ended September 30, 2021, we borrowed $189.0 million primarily to fund our annual performance bonus payment, and made repayments on our borrowings of $129.4 million. Additionally, during the first nine months of 2021, we repurchased and retired $60.2 million of our common stock under our share repurchase program. We also reacquired $9.3 million of common stock as a result of tax withholdings upon vesting of share-based compensation.

Share Repurchase Program

In November 2020, our board of directors authorized a share repurchase program permitting us to repurchase up to $50 million of our common stock through December 31, 2021. Through the third quarter of 2022, our board of directors authorized extensions of the share repurchase program through December 31, 2023 and increased the authorized amount to $200 million. In the fourth quarter of 2022, our board of directors increased the authorized amount under the share repurchase program from $200 million to $300 million. The amount and timing of repurchases under the share repurchase program were and will continue to be determined by management and depend on a variety of factors, including the trading price of our common stock, capacity under our credit facility, general market and business conditions, and applicable legal requirements. As of September 30, 2022, $32.3 million remained available for share repurchases under our share repurchase program.

Financing Arrangements

At September 30, 2022, we had $341.0 million outstanding under our senior secured credit facility, as discussed below.

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. Fees and interest on borrowings is paid on a monthly basis.

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, 2022 and December 31, 2021, we were in compliance with these financial covenants. Our Consolidated Leverage Ratio as of September 30, 2022 was 2.06 to 1.00, compared to 1.73 to 1.00 as of December 31, 2021. Our Consolidated Interest Coverage Ratio as of September 30, 2022 was 18.36 to 1.00, compared to 18.43 to 1.00 as of December 31, 2021.

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, 2022 and December 31, 2021 totaled $341.0 million and $230.0 million, respectively. These borrowings carried a weighted average interest rate of 3.6% at September 30, 2022 and 2.7% at December 31, 2021, 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, 2022, we had outstanding letters of credit totaling $0.7 million, which are used as security deposits for our office facilities. As of September 30, 2022, the unused borrowing capacity under the revolving credit facility was $258.3 million.

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

Future Financing Needs

Throughout 2021, our primary financing need was to support our operations and maintain our liquidity during the COVID-19 pandemic. As such, we took proactive measures to increase available cash on hand, including, but not limited to, borrowing under our senior secured credit facility, reducing discretionary operating and capital expenses, and electing to defer the deposit of our employer portion of social security taxes as provided for under the CARES Act.

Given improved visibility to our project backlog and access to capital resources, our primary financing need has returned to funding our long-term 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.

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 is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“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, 2021. Below is an update to our critical accounting policy related to the carrying values of goodwill and other intangible assets. There have been no other material changes to our critical accounting policies during the first nine months of 2022.

Carrying Values of Goodwill and Other Intangible Assets

First Quarter 2022 Goodwill Reallocation

Effective January 1, 2022, we modified our operating model to expand and more deeply integrate our industry expertise with our digital, strategic and financial advisory capabilities. To align with the new operating model, effective with reporting for periods beginning January 1, 2022, we began reporting under the following three industries, which are our reportable segments: Healthcare, Education and Commercial. The Commercial segment includes all industries outside of healthcare and education, including, but not limited to, financial services and energy and utilities. In the new reporting structure, each segment includes all revenue and costs associated with engagements delivered in the respective segments' industries. The new Healthcare and Education segments include some revenue and costs historically reported in the Business Advisory segment and the Healthcare segment includes some revenue and costs historically reported in the Education segment.

The three reportable segments of Healthcare, Education and Commercial are also our reporting units for goodwill impairment testing purposes. As a result of the reorganization, we reallocated the goodwill balances of our historical reporting units to our new reporting units based on the relative estimated fair values of each component of the historical reporting units to be allocated to the new reporting units. Additionally, we performed a goodwill impairment test on the goodwill balances of each of our reporting units as of January 1, 2022 by comparing the fair value of the reporting unit to its carrying value, including the reallocated goodwill. Based on the results of the goodwill impairment test, we determined the fair values of the Healthcare, Education, and Commercial reporting units exceeded their carrying values by 37%, 199%, and 105%, respectively. As such, we concluded that there was no indication of goodwill impairment for all three reporting units as of January 1, 2022.

We relied on the income approach to estimate the fair value of the reporting units for both the goodwill reallocation and the goodwill impairment test. The income approach utilized a discounted cash flow analysis, which involved estimating the expected after-tax cash flows that will be generated by each business 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 forecasted revenue growth rates, forecasted EBITDA margins, and discount rates that reflect the risk inherent in the future cash flows. In estimating future cash flows, we relied on internally generated ten-year forecasts. Our forecasts are based on historical experience, current backlog, expected market demand, and other industry information.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 3 “New Accounting Pronouncements” within the notes to the consolidated financial statements for information on new accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to market risks primarily from changes in interest rates and foreign currency exchange rates and changes in the market value of our investments. We use certain derivative instruments to hedge a portion of the interest rate and foreign currency exchange rate risks.

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, 2022, we had borrowings outstanding under the credit facility totaling $341.0 million that carried a weighted average interest rate of 3.6%, including the impact of the interest rate swaps described below. A hypothetical 100 basis point change in the interest rate would have a $1.4 million effect on our pretax income on an annualized basis, including the effect of the interest rate swaps. At December 31, 2021, we had borrowings outstanding under the credit facility totaling $230.0 million that carried a weighted average interest rate of 2.7% including the impact of the interest rate swaps described below. A hypothetical 100 basis point change in the interest rate would have had a $0.3 million effect on our pretax income on an annualized basis, including the effect of the interest rate swaps.

We enter into forward interest rate swap agreements 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 stated, fixed rate. As of September 30, 2022 and December 31, 2021, the aggregate notional amount of our forward interest rate swap agreements was $200.0 million. The outstanding interest rate swap agreements as of September 30, 2022 are scheduled to mature on a staggered basis through August 31, 2027.

In 2017, the Financial Conduct Authority (FCA) in the U.K. announced that it would phase out LIBOR as a benchmark rate by the end of 2021. In March 2021, the ICE Benchmark Administration Limited, the administrator of LIBOR, extended the transition dates of certain LIBOR tenors (including all U.S. Dollar LIBOR tenors other than one-week and two-month U.S. Dollar LIBOR tenors) to June 30, 2023, after which LIBOR reference rates will cease to be provided. Our Amended Credit Agreement and interest rate swap agreements provide for any transitions away from LIBOR to a successor rate to be based on prevailing or equivalent standards.

Foreign Currency Risk

We have exposure to changes in foreign currency exchange rates between the U.S. Dollar (USD) and the Indian Rupee (INR) related to our operations in India. We hedge a portion of our cash flow exposure related to our INR-denominated intercompany expenses by entering into non-deliverable foreign exchange forward contracts. These foreign exchange forward contracts have an aggregate notional amount of INR 405.1 million, or $5.0 million based on the exchange rate in effect as of September 30, 2022, and are scheduled to mature monthly through July 2023.

We use a sensitivity analysis to determine the effects that market foreign currency exchange rate fluctuations may have on the fair value of our foreign currency exchange rate hedge portfolio. The sensitivity of the hedge portfolio is computed based on the market value of future cash flows as affected by changes in exchange rates. This sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the offsetting gain or loss on the underlying exposure. A hypothetical 100 basis point change in the foreign currency exchange rate between the USD and INR would have an immaterial impact on the fair value of our hedge instruments as of September 30, 2022.

Market Risk

We have a 1.69% convertible debt investment 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, 2022, the fair value of the investment was $62.2 million, with a total cost basis of $40.9 million. At December 31, 2021, the fair value of the investment was $65.9 million, with a total cost basis of $40.9 million.

We have a preferred stock investment in Medically Home Group, Inc. ("Medically Home"), 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, 2022, the carrying value of the investment was $33.6 million, with a total cost basis of $5.0 million. As of December 31, 2021, the carrying value of the investment was $6.7 million, with a total cost basis of $5.0 million. During the first quarter of 2022, we recognized an unrealized gain of $27.0 million on our preferred stock investment resulting from an observable price change of preferred stock with similar rights and preferences to our preferred stock investment issued by Medically Home. Following our purchase, we have not identified any impairment of our investment.

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. Refer to Note 9 “Derivative Instruments and Hedging Activity” within the notes to our consolidated financial statements for additional information on our derivative instruments.

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, 2022. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2022, 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, 2022 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 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.

See Part 1, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which was filed with the Securities and Exchange Commission on February 24, 2022, for a complete description of the material risks we face.

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, 2022, we reacquired 8,020 shares of common stock with a weighted average fair market value of $65.96 as a result of such tax withholdings.

In November 2020, our board of directors authorized a share repurchase program permitting us to repurchase up to $50 million of our common stock through December 31, 2021. Through the third quarter of 2022, our board of directors authorized extensions of the share repurchase program through December 31, 2023 and increased the authorized amount to $200 million. In the fourth quarter of 2022, our board of directors increased the authorized amount under the share repurchase program from $200 million to $300 million. The amount and timing of repurchases under the share repurchase program were and will continue to be determined by management and depend on a variety of factors, including the trading price of our common stock, capacity under our credit facility, general market and business conditions, and applicable legal requirements.

The following table provides information with respect to purchases we made of our common stock during the quarter ended September 30, 2022.

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, 2022 - July 31, 2022	45,531	$ 62.59	41,966	$ 75,298,682
August 1, 2022 - August 31, 2022	257,805	$ 67.78	253,350	$ 58,114,892
September 1, 2022 - September 30, 2022	390,325	$ 66.06	390,325	$ 32,316,573
Total	693,661	$ 66.48	685,641	

(1) The number of shares repurchased included 3,565 shares in July 2022 and 4,455 shares in August 2022 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.

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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 1, 2022	/S/ JOHN D. KELLY
	John D. Kelly
	Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT 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**

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 1, 2022	By:	/s/ JAMES H. ROTH
			James H. Roth
			Chief Executive Officer

EXHIBIT 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**

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 1, 2022

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

EXHIBIT 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**

In connection with the Quarterly Report of Huron Consulting Group Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 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 1, 2022	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.

EXHIBIT 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**

In connection with the Quarterly Report of Huron Consulting Group Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 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 1, 2022	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.