Good afternoon, and welcome to Huron Consulting Group's Second Quarter 2023 Earnings Call. With me today are John Kelly, our Chief Financial Officer; and Ronnie Dail, our Chief Operating Officer.

We continue to drive strong organic growth in each of our 3 operating segments, while expanding our company-wide operating margin consistent with our growth strategy. Revenues in the second quarter of 2023 grew 27% over the prior year quarter. And for the first half of 2023, revenues grew 25% over the same period last year, reflective of the ongoing strength in demand for both our consulting and managed services and digital capabilities. Adjusted EBITDA margin increased 130 basis points in the first half of 2023 compared with the same period in 2022 as we make solid progress toward our goal of expanding company-wide profitability. We're pleased that our performance has outpaced the financial objectives shared at our 2022 Investor Day, and we remain confident in our ability to deliver at or above these goals in the years ahead.

I'll now share some additional insights into our second quarter performance. In the Healthcare segment, second quarter revenues grew 35% over the prior-year quarter. The increase in revenues in the quarter was driven by strong demand for our performance improvement, financial advisory and digital offerings. As the federal and state pandemic relief funding has waned, hospitals and health systems faced ongoing financial and operational challenges. Many organizations have experienced workforce shortages, increased costs of labor and supplies and increased competitive pressures in their markets, collectively leading to margin pressures and, in many cases, net operating losses.

Health care organizations are focused on addressing these challenges and doing so in a manner that best positions them to stabilize near-term performance and enables them to achieve their broader strategic goals. The shift in mindset highlights the need to implement more immediate financial improvements, while also designing strategies for near- and long-term growth centered around the consumer. And responding to clients' needs to address both immediate and longer-term improvements, we have significantly broadened our portfolio to create more balanced and diversification in our health care offerings. We've strengthened our industry expertise and
expanded our portfolio of capabilities to solidify our position as the partner of choice for clients seeking to address both current and longer-term challenges and opportunities, which is also, in turn, expanded our addressable market in the health care industry.

Let me bring this to life with a couple of examples. We're working with several health systems facing the exact pressures I just noted. These systems need to identify significant and sustainable financial improvement across their operations, sometimes ranging into hundreds of millions of dollars. Opportunities like these play to our strengths in for performance improvement as we help transform their current operating models and capabilities across such areas as revenue cycle, workforce, supply chain and clinical optimization.

In addition to driving near-term efficiency gains, our clients are also focused on driving longer-term sustained improvement and growth to support their strategic goals. To support the second objective, we bring together our strategy and innovation, care transformation, financial advisory and digital offerings to redesign the clients' operating and care delivery models in order to fundamentally strengthen the system’s underlying economics. Our competitive differentiation stems from our ability to assemble and deploy a talented team of health care experts integrated across our broad set of capabilities and to work collaboratively to deliver the best solution possible for our clients, and that's at the heart of a new operating model.

The second example of our work to improve performance in health care is an engagement in which we're using generative AI to drive efficiency in call center operations. Using our health care and contact center expertise, our digital team is implementing generative AI in conjunction with Salesforce to optimize and automate processes. While this example is very different in its scope and implementation in the first example I provided, its of course the same client goals to drive near-term and long-term sustained benefit to address financial and operational challenges. Our deep health care expertise and digital capabilities together enable us to design offerings that address a broad range of strategic and operational concerns of our health care clients.

Turning now to Education. Education segment revenues grew 25% from the second quarter of 2023 over the prior-year quarter, driven by broad-based demand across all our offerings in this segment. Our digital offerings in education grew 47% over the prior-year quarter and our strategy and operations and research offerings both continued to perform well. While some college business officers feel confident in the financial stability of their institutions over the next 10 years, colleges and universities have concerns over their near-term financial outlook largely as a result of enrollment declines, reduced net tuition revenue and an expense base that is increasing faster than revenues. Our education clients are not only focused on the near-term challenges, but are also committed to establishing a strong foundation to achieve their long-term strategic goals. Similar to Healthcare, the confluence of these factors highlights the need to drive near-term improvements, while establishing sustainable long-term strategies.

Again, let me use a couple of examples to highlight the impact that our deep industry expertise and broad set of capabilities have on our higher education clients. As a first example, we've been engaged by a university to support the execution of their strategic plan. We're collaborating with them to identify opportunities that will drive growth and financial and operational improvements to create capacity to invest in the high priority areas within the plan. Our scope of the university is broad, spanning administration, research facilities, technology and more.

To bring this to life, let me call it, 3 of these areas. Within the research enterprise, we're helping the institution refine their research strategy and administrative operations. Within the technology function, we areexecuting a data and analytics strategy with a goal of driving greater value and insights across the entire institution. And finally, together with the academic units, we're working with academic affairs to empower academic leaders with greater access to data by advising on new offerings and capabilities to support the institutions growth goals. Our strategy, operations and research teams have done a great job collaborating with the client, leading to additional opportunities to expand our efforts into new areas of the university, including their intercollegiate athletics program.

Our second example highlights the power of our combined consulting and digital offerings. A recent client was seeking to create an agile operational foundation to support future growth, focused on enabling a positive and an engaging student experience as a competitive advantage. Huron was hired to help execute a digital transformation to establish a process-driven technology-enabled organization across its multi-campus institution. Our strategy and operations, research and digital teams are all collaborating to lay a new operational foundation for the university, which will enhance their ability to recruit students, faculty and staff and create an agile and flexible foundation to help them achieve their future strategic goals. Together, our deep industry expertise and strong reputation, coupled with
the breadth of our offerings and our collaborative culture has solidified our strong competitive position, helping institutions address the challenging landscape that is in today in higher education.

In the second quarter of 2023, turning to commercial, our Commercial segment revenues grew 10% over the prior-year quarter, driven by strong demand for our distressed financial advisory offerings and our digital offerings, partially offset by a decline in our strategy and innovation offerings. Demand for our distressed financial advisory offerings remains strong, given the continued impact of higher interest rates, challenging capital markets, increasing costs and expanding competitive pressures. Healthier companies are executing digital transformations to address some of the same pressures.

Advanced and agile technology capabilities and strong data and analytics infrastructure are helping bend cost curves enabling better, faster decision-making to improve how organizations engage with their customers. Growth in the commercial segment has increased diversification in our portfolio and end markets, driving new avenues for growth and expanding our addressable market. We believe we have a broad portfolio of digital, financial advisory and strategy and innovation offerings coupled with deepening industry expertise will continue to be a solid platform for growth in this segment.

Finally, let me turn to our outlook for the year. As our press release indicates, we're increasing and narrowing our annual revenue guidance to $1.3 billion to $1.34 billion, an increase of $70 million at the midpoint. We continue to expect our adjusted EBITDA margin to be in the range of 12% to 12.5% of revenues, and we're raising and narrowing our full year adjusted diluted earnings per share to a range of $4.35 to $4.65, an increase of $0.50 per share at the midpoint. Our first half results demonstrate the continued demand for our services and products and the power of a collaborative culture and new operating model.

In summary, we're pleased with the first half performance, and we expect the underlying demand across our segments to continue as reflected in our updated revenue and earnings guidance. I reiterate our commitment to our shareholders as we remain focused on advancing our growth strategy. Our strong relationships, industry expertise and broad array of offerings in Healthcare and Education, along with a $0.5 billion digital capability, which today represents about 45% of our total company revenues, provides a strong foundation from which to address the myriad of challenges our clients face today, while positioning them for future success.

We also believe the Commercial segment will continue to drive new avenues of growth for our business as we expand upon our portfolio of offerings and further strengthen our industry expertise. While we're still in the early stages of the strategic journey we described at our 2022 Investor Day, we've demonstrated our ability to accelerate growth across the business over the last 6 quarters, and we remain confident that our ability to meet or exceed our medium-term financial objectives.

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

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

Thank you, Mark, and good afternoon, everyone.

Before I begin, please note that I will be discussing non-GAAP financial measures, such as EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS and free cash flow. Our press release, 10-Q and Investor Relations page on the Huron website have reconciliations of these non-GAAP measures to the most comparable GAAP measures. Along with the discussion of why management uses these non-GAAP measures and why management believes they provide useful information to investors regarding our financial condition and operating results.

Now I’ll share some of the key financial results for the quarter. Revenues for the second quarter of 2023 were $346.8 million, up 26.9% from $273.3 million in the same quarter of 2022, achieving another record of quarterly revenues as we continue to execute on our growth strategy. The increase in revenues in the quarter was driven by organic growth across all 3 of our operating segments. From a capability perspective, consulting and managed services revenues grew 33.4% and digital revenues grew 19.2% when compared to the same quarter in 2022, respectively.

Net income was $24.7 million or $1.27 per diluted share compared to net income of $13.9 million or $0.66 per diluted share in the second
quarter of 2022. Our effective income tax rate in the second quarter of 2023 was 29.4% compared to 36% in the same prior-year period. Our effective tax rate for Q2 of 2023 was less favorable than the statutory rate, inclusive of state income taxes, primarily due to certain nondeductible expense items, partially offset by the tax benefit of nontax new gains on the investments used to fund our deferred compensation liability.

Adjusted EBITDA was $48.5 million or 14% of revenues in Q2 2023 compared to $33.2 million or 12.2% of revenues in Q2 2022. The increase in adjusted EBITDA in the quarter was primarily attributable to the increase in segment operating income, reflecting continued progress toward our goal of mid-teens adjusted EBITDA margins by 2025. Adjusted net income was $27 million in the second quarter of 2023 compared to $17.5 million in the second quarter of 2022. Adjusted diluted earnings per share was $1.38 in Q2 2023 compared to $0.83 in the prior year quarter, an increase of 66% year-over-year.

Now I’ll make a few comments about the performance of each of our operating segments. The Healthcare segment generated 50% of total company revenues during the second quarter of 2023. This segment posted revenues of $173.8 million, up $45.3 million or 35.3% from the second quarter of 2022. The increase in revenue reflects continued strong demand for our performance improvement, financial advisory, digital and revenue cycle managed services offerings, demonstrating broad-based demand across our portfolio of health care offerings. As a reminder, in accordance with U.S. GAAP, we recognized performance-based fees on our health care performance improvement projects as we deliver on those projects using a percentage of completion methodology and our best estimate of the total performance-based fees that we expect to earn on each project, which is typically based on a portion of the recurring financial benefits that we expect to generate for our clients.

To the extent that our estimate of those client financial benefits change in a given period due to our performance, we adjust the amount of revenue recognized under a contract to reflect the amount that we ultimately expect to build to our clients. Our second quarter health care consulting and managed services revenues included approximately $16 million in favorable adjustments related to several performance-based fee contracts, where our teams delivered financial benefits for our clients that exceeded our previous expectations. The ability to deliver financial benefits for our clients that exceed expectations and generate incremental revenues for Huron remains an ongoing opportunity for our health care performance improvement business and the strength of our business model. However, the timing and magnitude of such favorable revenue adjustments can vary from quarter to quarter.

Operating income margin for Healthcare was 28.3% for Q2 2023 compared to 23.6% for the same quarter in 2022. The quarter-over-quarter increase in margin was primarily due to revenue growth that outpaced the increase in salaries and related expenses for our revenue-generating professionals, partially offset by increases in contractor expenses and project costs as a percentage of revenues.

The Education segment generated 32% of total company revenues during the second quarter of 2023. The Education segment posted revenues of $110.7 million, up $22.5 million or 25.5% from the second quarter of 2022. The increase in revenues in the quarter was driven by demand across our broad portfolio of offerings in the segment. Our digital capability in education grew 47% year-over-year, reflecting continued demand for our digital, technology and analytics services and product offerings. Our strategy and operations and research offerings also continued their growth trajectory in the second quarter of 2023. Operating income margin for Education was 24.8% for Q2 2023 compared to 24.6% for the same quarter in 2022.

The Commercial segment generated 18% of total company revenues during the second quarter of 2023 and posted revenues of $62.3 million, up $5.7 million or 10% from the second quarter of 2022. The quarter-over-quarter increase in revenue was primarily attributable to strong demand for our distressed financial advisory offerings and our digital offerings, partially offset by declines in our strategy offerings. Operating income margin for the Commercial segment was 16.8% for Q2 2023 compared to 21% for the same quarter in 2022. The quarter-over-quarter decrease was primarily driven by the increase in performance bonus expense for our revenue-generating professionals as a percentage of revenues based on our updated expectations for full year performance.

Corporate expenses not allocated at the segment level were $42.9 million in Q2 2023 compared with $29.9 million in Q2 2022. Unallocated corporate expenses in the second quarter of 2023 included $1.4 million of expense related to the increase in the liability of our deferred compensation plan, which is offset by the investment gain on the assets used to fund that plan reflected in other income.
expense. Unallocated corporate expenses in the second quarter of 2022 reflected a $4.9 million reduction in expense related to the deferred compensation plan. Excluding the impact of the deferred compensation plan in both periods, unallocated corporate expenses increased $6.7 million, primarily due to increased compensation costs for our support personnel. Excluding the impact of the deferred compensation plan, unallocated corporate SG&A decreased as a percentage of revenues to 12% in the second quarter of 2023 compared to 12.7% in the same period of 2022.

Now turning to the balance sheet and cash flows. We finished the quarter with total debt of $395 million, consisting entirely of our senior bank debt with cash of $16.6 million for a net debt of $378.4 million. Our leverage ratio as defined in our senior bank agreement, was 2.2x adjusted EBITDA as of both June 30, 2023, and June 30, 2022. Cash flow generated by operations in the second quarter of 2023 was $78.2 million, representing a record for the second quarter of the year. We used $8.2 million of our cash to invest in capital expenditures, inclusive of internally developed software costs, resulting in free cash flow of $70 million. We used $15.4 million of our cash to repurchase approximately 194,000 shares during the quarter. DSO came in at 77 days for the second quarter of 2023 compared to 83 days for the first quarter of 2023 and 81 days for the second quarter of 2022.

Finally, let me turn to our expectations and guidance for 2023. As Mark noted, we are raising our full year 2023 revenue guidance to be in the range of $1.3 billion to $1.34 billion. The increase in our revenue guidance primarily reflects strong momentum across our business. In addition, we are maintaining our adjusted EBITDA guidance range of 12% to 12.5% of revenues and raising and narrowing our full year adjusted non-GAAP diluted earnings per share guidance to be in the range of $4.35 to $4.65. We now expect our full year free cash flow to be in a range of $100 million to $120 million. Finally, we expect our full year effective tax rate to be in the range of 28% to 30%.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Tobey Sommer of Truist Securities.

Tobey O'Brien Sommer Truist Securities, Inc., Research Division - MD

I wanted to ask a question about the organic runway in broad terms. Do you feel like you've got sort of all the pieces to your business, continue to sort of drive organic growth and bridge because you've been delevering for a number of years, kind of by measuring stock kind of riskless cash deployment or at least less risky. And I'm wondering if there's a potential for you pivoting and starting to spend money on acquisitions over the near term.

C. Mark Hussey Huron Consulting Group Inc. - President, CEO & Director

Tobey, it's Mark. And you're breaking up a little bit, but I think I got the question about whether we'd have the organic platform today to continue growth without deploying large amounts of capital in M&A. And the answer is yes. The portfolio, if you look back to what's happened to our business over the last 10 years, we have diversified our health care portfolio to be far more balanced between performance improvement and other solutions like digital, financial advisory and strategies. Our Education business has grown to a nice level of scale from what it was over that period of time. We expanded into areas in the commercial markets in conjunction with the digital acquisition platform that through many small acquisitions got us to this very large platform we have today. So there are what I would characterize as opportunistic pieces for us to deploy, but I don't think that we see any major gaps in the platform as we see it right now.

Tobey O'Brien Sommer Truist Securities, Inc., Research Division - MD

Do you think they'd be in -- if you do -- you have tuck-ins? Do you think that would be more on the IT side and getting skills for specific emerging softwares that are experiencing a rapid adoption or more on the car for education sort of functional areas?

C. Mark Hussey Huron Consulting Group Inc. - President, CEO & Director

Tobey, I think it will be a combination of both of those. I think it will probably lean more in digital because those actually work hand in hand, especially in our new operating model, where we really work collaboratively as a team in those markets. They are enabling to the advisory side of the business. And so it could be a little bit more on the pure advisory side. But I would say, largely speaking, it's likely to
have a digital flare and probably focused on, again, some of the edge solutions in industries that we're not in that help those skin and foothold and expansion to be relevant in those particular markets. And so I think that will probably be a little bit leaning towards the digital solution, irrespective of the industry as a general statement, but absolutely going to have an industry focus on it as well.

Tobey O’Brien Sommer Truist Securities, Inc., Research Division - MD

Last question for me. We've heard from some other professional services firms that employee retention year-to-date improved pretty significantly. And in some cases, it seems to be dampering operating leverage. That's not evident in your case, but I wanted to see if the improved employee retention is evident even though dampering operating leverage that's visible.

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

Tobey, this is John. Yes, so our retention has certainly improved over the course of the year. I think our attrition rate at this point, it's on a trajectory to be lower than even the historical norms that we had prior to the pandemic. But in our case, given the pipeline that we have, the backlog we have and the growth we're seeing in our business, this is great news for us in terms of really having the talent that we need to deploy in our projects. If we were to have a higher attrition rate, that just means we have to be more aggressive in the market, bringing people in because of the demand we're seeing right now across the business.

Andrew Owen Nicholas William Blair & Company L.L.C., Research Division - Analyst

I wanted to ask first on the margin guidance. Obviously, really, really strong second quarter and a second quarter EBITDA margin that was well above the full year guide. Just kind of curious what in the second half makes you a bit more conservative on EBITDA margins and maybe wrapped within that question is a question on headcount growth and hiring expectations in the back half of the year?

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

Sure, Andrew. So first, you said in your question, but we are very pleased with our progress on the margin so far this year. And I think it's a reflection of a number of initiatives that we've had within the company to improve our pricing, to increase our utilization, to increase our deployment of global resources and really the continued scaling of our corporate SG&A. And also during the quarter, the performance-based fees recognized in the health care performance improvement business also helped with margins during the quarter. So with all that said, we're also really pleased with the growth rate that we've had so far this year as well as the evolving pipeline that we see now even starting to look out into 2024.

And with this in mind, we think it's likely that we'll continue to build out our resource pool in the back half of the year with an eye on 2024. And that may create some additional pressure on second half margins as there's typically a ramp to productivity for new consultants. So we're certainly very comfortable with our guidance range on the margins. And from our perspective, we see the potential based on the initiatives I described to be able to push upside there. But we're just balancing that, and to your point, probably being a little bit conservative with the guidance, that at the rate of our growth, we're likely going to still be in the market adding talent, and there just tends to be a little bit of a ramp as we're building up resources.

Andrew Owen Nicholas William Blair & Company L.L.C., Research Division - Analyst

That's helpful. Maybe somewhat related. I wanted to ask about the India initiative, which I know is a key part of your 25% margin target. I think last quarter, there was a little bit of pressure in the digital utilization that's picked up nicely sequentially. So just if you could give an update on progress and utilization within that part of your business, the global support staff?

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

So we are seeing some nice progress there, Andrew. As we've talked about on prior calls, we did intentionally build up our resource pool in the back half of last year in India, really to diversify our global talent and to make sure that we have the right capacity to serve our clients, particularly in areas of digital growth. And with that came a little bit of utilization pressure just as we got those resources trained up and ready to be deployed. And so our expectation for the year was that as each sequential quarter passed, we'd start to see that ramp of utilization, and that is, in fact, what we're seeing. So when you look at the digital utilization that we've published of 74.7% for the
quarter, that's the composite there. If you're looking at it from a geography perspective, it is near 80% in North America. And then within India ramping up to 65% this quarter, which has been some nice sequential improvement for us.

C. Mark Hussey Huron Consulting Group Inc. - President, CEO & Director

Andrew, it's Mark. I'm going to add a couple of things to what John said. So the utilization is one part of the story. Another part of the story is just the breadth of what we're doing across every service line within India. And I'll just mention that in the last quarter, we also hired a country leader in Singapore, which will be served predominantly out of the India capabilities that we have today. So it is a great platform for us to expand. We've done very well in that particular market and have clients and the channel pulling us into there. So we feel very confident in our ability to continue to leverage that as a not only a source of margin expansion, but also to help drive revenue growth.

Operator

Our next question comes from the line of Bill Sutherland of The Benchmark Company.

William Sutherland The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Congrats on a terrific quarter, guys. In Healthcare, John, did you mention the growth that you had in digital in the Healthcare side?

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

It was 10% for the quarter, Bill.

William Sutherland The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Okay. And is the Education so strong just because there's this insatiable need for cloud migration in the universities?

C. Mark Hussey Huron Consulting Group Inc. - President, CEO & Director

Yes, Bill, this is Mark. There's going to be a long-term cloud conversion from decades old investments in systems. There's opportunity for them to leverage new technologies to help grow their businesses to applications like in the CRM space, Salesforce, et cetera. So data analytics, there is just a tremendous opportunity to bring digital solutions broadly across the whole higher education landscape as well as health care.

William Sutherland The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Okay. The growth in terms of your guidance now for the year and the growth in revenue that, that implies for the second half, should we think about hiring kind of being in line with that? Or are you going to be hiring potentially a little ahead of that growth?

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

I think in the base case, Bill, I think of it is generally in line. But like I said in my earlier remarks, is that we continue to get a good view of pipeline for the back half of the year into next year and as the projects continue to convert, there's potential for us to hire even more aggressively than that. But I would think of it, Bill, in the base case as being generally in line with revenue in the back half of the year.

William Sutherland The Benchmark Company, LLC, Research Division - Senior Equity Analyst

And then finally, in Commercial, I guess this requires some view of the economic outlook as to whether you continue to build up resources in distress. But how are you thinking about that and the other parts of that business?

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

Bill, we owe are continuing to build out resources in a distressed financial advisory space. It's been one of the areas of really strong pipeline for us. It's been one of the areas, where we've seen some great success converting that pipeline into backlog. And as you know, it's one of the higher margin, higher bill rate areas of our business. So we've certainly been adding talent in that area and would expect to continue to do so.

Operator

Our next question comes from the line of Kevin Steinke of Barrington Research & Associates.
Kevin Mark Steinke Barrington Research Associates, Inc., Research Division - MD

I wanted to follow up on the discussion about utilization. I guess if you look at consulting and digital together, your consolidated utilization rate is between 75% and 76%. On a consolidated basis, how much higher do you think that can go? And you mentioned near 80% in digital. And I think in the U.S. and then 65% or so in India. Is the expectation that India migrates towards that 80%-ish level as well over time? Or is that kind of the right number to think about?

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

Kevin, it's John. I would say -- so we are pleased to be, to your point, on the math there, over the 75% model in terms of utilization, and that's really as high as we've been since prior to the pandemic. So we're very pleased with that. I think we believe there's still a couple of hundred basis points of opportunity there in terms of utilization. And when we deconstruct that, I think our resources in India will certainly play a part of that increased utilization. And to your question about, well, where should our India resources be certainly think we believe that the utilization in India can get up to that 80% mark. And the reality is we think that there's opportunity there for it to move even higher over time. So I think that remains probably one of our big utilization opportunities. And as we've said on prior calls, kind of per employee revenue or margin generation on our work done in India is actually quite high. So for us, to the extent that we're able to drive that utilization improvement, we think that's going to be accretive to our margins.

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

Okay. Great. And I just also wanted to ask to about Commercial, more around your efforts to expand into serving additional industries. I know historically, you had some nice strength in financial services and energy. But just wondering about what industries you're looking to expand into more significantly where you're making progress on that front?

C. Mark Hussey Huron Consulting Group Inc. - President, CEO & Director

Yes. Kevin, it's Mark. The answer there is, yes, you're right, we have strengthened financial services, energy utilities. The third one it's pretty broad and actually is doing very well for us, too, is in the industrial market, which encompasses a number of different companies. And I would say, collectively, the power of our model is the ability to bring these capability solutions into industries where you have that combination of the expertise on both vertical dimension as well as a horizontal dimension. And so as we continue to grow there, that's where back to an earlier question on M&A, I think you'll see us continue to use not only tuck-in, but organic hiring to solidify the positioning in that particular market. Historically, if you go back 10, 12 years ago, this was a very low-single digit percentage of our business over time as we've expanded our digital capabilities to strengthen health care and education, it has naturally taken us into much broader markets in ways that are very naturally accretive in our expansion and growth. And that's exactly why we feel like we can continue to go down this path and very thoughtfully construct a commercial industry segment that really ends up complementing the rest of the overall Huron model.

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

Okay. Congratulations on the strong results.

C. Mark Hussey Huron Consulting Group Inc. - President, CEO & Director

Thank you.

Operator

We have a follow-up question from the line of Tobey Sommer of Truist Securities.

Tobey O'Brien Sommer Truist Securities, Inc., Research Division - MD

I wanted to ask a question about your relatively small restructuring business. What's the outlook there, the capital markets, at least up until today seem to be looking for a soft landing? And I think that Chairman Powell yesterday in his press conference said the Fed is no longer modeling a recession. What's your line look like and tell you?

C. Mark Hussey Huron Consulting Group Inc. - President, CEO & Director

Tobey, right now, I'd say it's going to continue to be in strong demand for a while. While interest rate increases have slowed down in absolute terms are pretty high. I think you have the capital markets now that in prior periods would do to the financial solution to a
restructuring in this environment. Now you have to have an operating solution often to their circumstances. And so the complexity of that plays well to the strengths that we have in that particular market. And we see that continuing on for some period of time. You've got the senior lending market is not really supportive of a whole lot of these situations right now. The nonregulated market is not -- it's quite expensive. And so it's going to continue to have, I think, a lot of pressure in at least, I would say, the next 12, 18 months.

Operator

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

C. Mark Hussey Huron Consulting Group Inc. - President, CEO & Director

Thank you for spending time with us this afternoon. We look forward to speaking with you again in November when we announce our third quarter results. Have a good evening.

Operator

That concludes today's conference call. Thank you, everyone, for your participation.