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HURN.OQ - Q4 2025 Huron Consulting Group Inc Earnings Call

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PRESENTATION

Operator

Good afternoon and welcome to Huron Consulting Group's webcast to discuss the financial results for the fourth quarter and full year of 2025.

(Operator Instructions) As a reminder, this conference call is being recorded.

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

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

Now, I'd like to turn the call over to Mark Hussey, Chief Executive Officer and President of Huron Consulting Group. Mr. Hussey, please go ahead.

C. Mark Hussey - *Huron Consulting Group Inc - President, Chief Executive Officer, Director*

Good afternoon and welcome to Huron Consulting Group's fourth-quarter and full-year 2025 earnings call.

With me today are John Kelly, our Chief Financial Officer; and Ronnie Dail, our Chief Operating Officer.

We finished 2025 with strong fourth-quarter results. That means, before reimbursable expenses or RBR, we grew 11% in the fourth quarter of 2025, driven by record RBR in the Healthcare and Commercial segments.

We also continued our trajectory of margin expansion, achieving 15.7% adjusted EBITDA margins in the quarter. Full-year RBR grew 12% over 2024, resulting in record RBR and a fifth consecutive year of growth.

We're also pleased with our progress, increasing our margins to 2025, which marked our fifth consecutive year of adjusted EBITDA margin expansion.

In addition, we achieved a record-adjusted diluted earnings per share in 2025, which grew 21% over 2024.

The momentum we achieved in 2025 is carried forward into 2026, as we start the year with strong backlog and a pipeline at near-record levels, even after strong sales conversions.

Our market-tested strategy, balanced portfolio of offerings, and strong execution by our highly talented team has delivered strong, multi-year financial performance for Huron and its shareholders, consistent with the financial goals outlined at our Investor Day.

I'll now share some additional insight into the progress we've made since last year's Investor Day, while providing color into our fourth-quarter and full-year 2025 performance, along with our expectations for 2026.

Please note we've placed supplemental materials on the Investor Relations page of our website, additional detail around our 2026 outlook, as well as information about our AI strategy and the evolving opportunity that AI presents to drive impact for our clients and grow our business.

We've demonstrated that our growth strategy continues to deliver financial performance that has met or exceeded our publicly shared growth goals since 2022. We remain committed to our five strategic pillars of that strategy:

The first pillar of our strategy is to sustain strong growth in our largest industries, Healthcare and Education, in which we have leading market positions.

In the fourth quarter of 2025, Healthcare segment RBR grew 10% over the prior year quarter, reflecting strong demand for performance improvement; strategy and innovation; financial advisory; and revenue cycle managed services offerings; as well as incremental RBR growth from our acquisitions.

Excluding the impact of the acquisitions and the [disposition] of the Studer Education business, which was divested on December 31, 2024, organic growth for the Healthcare segment was 8%, on top of 18% growth in Q4 2024 over 2023.

On a full-year basis, the Healthcare segment achieved record RBR of \$838 million, growing 11% over 2024. The increase in RBR in 2025 was driven by continued strong demand for performance improvement; financial advisory; revenue cycle services; and strategy and innovation offerings.

Momentum we built in 2025 has extended into 2026, as market tailwinds continue for financial health transformation offerings. The increase in bookings in the second half of 2025 exceeded the same period in 2024 by more than 20%.

We've also seen strong sales conversions continuing into January, extending the momentum of our recent sales activity.

Across the healthcare industry, financial performance among health systems remains uneven, as reimbursements remain under increased pressure, operating costs increase, and workforce constraints continue to pressure provider economics.

Even organizations that return with modest profitability are increasingly focused on scenario planning and balance sheet resilience, recognizing that shifts in payor mix, Medicaid and Medicare funding levels, or further cost increases could quickly erode gains. As a result, health systems are prioritizing initiatives that deliver near-term financial impact, while positioning their organizations for longer-term sustainability.

These dynamics continue to drive demand for our Healthcare offerings. Provider clients are seeking partners that can help them move beyond incremental cost actions for integrated solutions that drive growth; improve margin performance and liquidity; support strategic repositioning; and enable care delivery and operational transformation.

In parallel, health systems are accelerating the adoption of AI and automation. We're working closely with our consulting and managed services clients in this area. For example, to date, (inaudible) deployed over 100 AI and automation solutions to help health systems drive speed-to-value, revenue growth, and cost savings.

In addition, we ventured into strategic collaborations with select healthcare-focused AI companies to help improve the value that our joint clients derive from deploying the new technologies.

We have our deep industry expertise, breadth of offerings, and proven track record at delivering tangible results. (inaudible) position us well to maintain our strong competitive leadership position and serve our clients across our core provider business.

As we shared at our Investor Day last year, we're also focused on growing our addressable market by expanding into adjacent markets and innovating new offerings. In support of our payor strategy, during the fourth quarter, we acquired the Consulting Services Division of AXIOM Systems, a leading IT services firm (inaudible) specializes in core administration systems and digital transformation for payors and payor-provider organizations.

This acquisition broadens payor-focused digital offerings and enables us to better serve our clients seeking to modernize their claims platforms, while leveraging connected data to improve operational performance and member outcomes.

Going back to the Education segment, in the fourth quarter of 2025, Education segment RBR was flat compared to the fourth quarter of 2024, which I will note was a tough comparison, in light of the 15% RBR growth in Q4 of 2024 over the fourth quarter of 2023.

Annual RBR in the segment grew 5% compared to 2024. For the full year, the increase in RBR was primarily driven by strong demand for strategy and operations; research; and digital offerings; as well as incremental RBR [mark] acquisitions.

Despite the more challenging operating environment for our higher education clients in 2025, we saw a 10%-plus increase in bookings in the second half of 2025 (inaudible) the second half of 2024. The sales momentum has accelerated into January of 2026.

(inaudible) higher education institutions continue to face significant pressures on revenues and costs. Many university Presidents and their Boards are having strategic discussions about the sustainability of their business models, in light of the dynamic regulatory environment, increasing financial pressures, and declining perception of the value of a four-year degree.

We believe the breadth of our client relationships, industry expertise, and broad portfolio offerings position us as one of the leading trusted Advisors to Senior Leaders, as we navigate these pressing issues.

[We] continue to leverage our unified go-to-market approach, serving the top 200 public and private universities and systems, building upon our strong credentials, breadth of offerings to win and deliver on some of the most complex engagements in the industry.

For example, we're working with a leading research university to deliver a meaningful, people-enabled business transformation, the modernization of their core processes and associated technologies, including leveraging AI (inaudible) position them for a more resilient future.

For another client, we were selected to explore performance improvement initiatives to drive near-term financial benefit, while redesigning system and campus-level operating models and operations, including implementing new core administrative systems and enabling change (inaudible) management, efficient (inaudible) institution, longer-term sustainability, and reinvestment in their mission.

[We are] confident [that] our outlook for sustained growth in both Healthcare and Education (inaudible) anchored in our deep-(inaudible) relationships and our leading competitive positions in end markets that are facing ongoing financial pressure amidst disruption that has been exacerbated by the current regulatory environment.

These are large, favorable end markets facing structural challenges that we believe will continue to drive strong demand for our offerings and serve as the foundation of Huron's long-term growth strategy.

Our second strategic pillar is focused on growing our business in the Commercial industries. (inaudible) the fourth quarter of 2025, Commercial segment RBR grew 37% over the prior year quarter, driven by incremental revenue from our acquisitions and strong demand for financial advisory offerings. Excluding the impact of acquisitions, RBR in Q4 of 2025 grew 9%, more organically, over the fourth quarter of 2025.

Full-year 2025 Commercial segment RBR grew 27% to a record \$325 million, resulting in the scaling of our Commercial business to approximately 20% of total company RBR. The increase in full-year RBR was primarily driven by incremental RBR promo acquisitions, as well as strong demand for digital offerings, partially offset by declines in our strategy and innovation; and financial advisory offerings.

In that Commercial segment, we saw a 20%-plus increase in bookings in the second half of 2025 over the second half of 2024. Similar to Healthcare and Education, we've also seen continuing strong sales conversions in January in our Commercial business, which, again, highlights our momentum and the strength of our offerings in the market.

Commercial industries are navigating heightened complexity, driven by regulatory change, cost pressure, and accelerating adoption of AI-enabled operating models, driving the need for more integrated strategy and operations; financial advisory; digital and people-focused solutions; continued organic investment; and targeted tuck-in acquisitions.

We've strengthened our industry expertise and broadened our capabilities for the more integrated, differentiated offerings to our clients, which has increased our win rates in this segment, year over year.

While we remain in the early stages of executing our fully integrated commercial strategy, we believe our expanding set of offerings; combined increasing ability to deliver measurable ROI for our clients; (inaudible) our performance and improvement capabilities added by our Wilson Perumal acquisition; and the ongoing integration of AI, data, and automation capabilities into our offerings will prove to be a meaningful competitive advantage and position us for continued growth.

We've demonstrated that Commercial industries represent a significant new avenue of growth for Huron. Through our integrated and focused approach to investing in areas in which we have a demonstrated right to win, we believe the Commercial segment will continue to help us achieve our growth goals.

Now, let me turn to our third strategic pillar, advancing our integrated digital platform. Digital capability RBR grew 4% in the fourth quarter and 10% in the full year of 2025. The increase in RBR in the fourth quarter and the full year is driven by growth in the Commercial and Education industries.

Our digital capability, which represented 41% of total company RBR in 2025, remains a differentiated partner to our clients in a large, growing market. With the rapid evolution of advanced technologies, our clients' challenges remain (inaudible) buying opportunities for revenue growth, driving operational efficiencies, and making better, faster decisions that propel their businesses forward in increasingly competitive landscapes.

Our deep industry and functional knowledge; coupled with the breadth of our technology, data, and analytics; and change-management capabilities sits at the heart of our differentiation.

As technology continues to rapidly advance, we strive to shape the best solutions for the clients, whether that requires modernizing their data foundation, (inaudible) designing and deploying a strategy that embeds AI in their core platforms; native AI applications; or custom development.

It's important to highlight that AI does not create value on its own. It requires a focus on process re-engineering. In nearly all cases, we focus on people to effectuate the change needed to sustain the benefits delivered by AI.

We believe our ability to bring together our strategy, operations, technology, and people-related offerings to re-imagine offering models and redesign core business functions and processes, while integrating advanced technologies will continue to position us for long-term growth.

The success of our 2024 acquisition of AXIA is a terrific example of this. With the combination of our manufacturing and supply chain expertise, coupled with a broader solution set of technology and people-related capabilities to draw upon, we grew the RBR of the AXIA business 20% in 2025 compared to 2024.

Expanding digital capabilities will continue to be an important driver of growth across our business in future years, as our clients continue their focus on driving growth and productivity in their own highly competitive markets.

We are innovating new offerings, expanding our technology partner ecosystems, as the market and technology landscape evolves. For example, our data management, analytics, and AI business within digital grew RBR to over 40% in 2025 over 2024.

We were recognized by one of our technology partners as an AI Agents Partner Challenge winner for Innovative Supplier AI Agent use cases.

Looking ahead, we'll further invest organically and inorganically to strengthen and broaden our portfolio of offerings to continue digital growth trajectory.

Our two final strategic pillars reinforce our focus on growing our margins and maintaining a strong balance sheet and cash flows, which continue to be a key contributor to our growth algorithm to drive shareholder value.

Now, let me highlight the foundation of our success: our people. We want to recognize the significant contributions of our highly talented global team.

Throughout the year, our team delivered exceptional outcomes for our clients by bringing deep industry, functional, and technical expertise and innovation at a time of significant disruption and regulatory change.

As importantly, our team advanced our business with discipline, supported one another, and further fostered our strong collaborative culture.

This combination of client impact, business performance, and teamwork is what continues to differentiate Huron and has fostered one of the strongest and the most attractive cultures among professional services firms, which reinforces our ability to attract and retain top talent.

I'm deeply grateful for the dedication to our clients, our company, and to one another.

Now, let me turn to our expectations and guidance for 2026. As noted earlier, we placed supplemental materials on the Investor Relations page of our website that includes additional detail around the 2026 outlook, as well as information about our AI opportunities.

Our RBR guidance for the year is \$1.78 billion to \$1.86 billion. We also expect adjusted EBITDA margin in a range of 14.5% to 15% of RBR and adjusted diluted earnings per share of \$8.35 to \$9.15. Looking wide, we're projecting a 9.5% RBR growth at the midpoint in 2026.

Looking at our recent momentum, we're starting 2026 with the strongest hard backlog coverage of our initial annual RBR guidance in the last five years, reflective of strong sales growth in the second half of 2025 and early 2026. Perhaps most encouraging, our pipeline remains at near record levels, even after the strong sales conversion.

In terms of margins, (inaudible) the midpoint for 2026 guidance, we expect an approximate 50 basis points improvement over 2025, building upon the cumulative 400 basis points improvement achieved since 2020.

We remain committed to achieving 15% to 17% adjusted EBITDA margins by 2029, consistent with our long-term financial objectives. We believe we will continue to drive improved profitability in our business, further building on the margin enhancement levers outlined at our Investor Day, inclusive of AI and automation-driven productivity gains, over time.

We will also continue to invest in areas of our business with the greatest growth potential.

Midpoint of our guidance for adjusted earnings per share is \$8.75, a 12% increase over 2025, which would be on top of a 21% increase achieved in 2025 over 2024. The expected increase continues our multi-year, double-digit percentage EPS growth trajectory, which reflects the compounding impact of our revenue growth, margin expansion, and return of capital to shareholders via share repurchases.

Our focus has and continues to be on serving blue-chip clients in mission-critical, highly regulated industries for those facing significant disruption. Being their trusted advisor requires a distinct understanding of our clients' industries and business models; deep functional and operational knowledge; and a people-first, client-centric approach to deliver sustainable transformation.

In light of the market's increased focus on AI, let me touch upon the evolving opportunities that we see for AI in our business. We believe AI provides us with transformational solutions that strengthen our ability to address the complex issues facing our clients.

Cost of failure in the execution of AI for our clients in our core industries is high, especially when those processes or use cases sit at the heart of our clients' businesses, such as patient care, student experience, or the supply chain.

We believe AI will strengthen our competitive advantage and expand our wallet share by integrating advanced technologies into our offerings and building accelerators, leveraging our distinct domain knowledge and IP.

In addition, we'll continue to leverage AI to help drive even faster speed-to-value and realization of greater financial benefit for consulting, digital, and managed services clients, further strengthening the ROI for clients' investments.

We also see AI as an opportunity to grow our addressable market. We continue to invest in and sell our AI-focused services and solutions, which range from AI strategy and data modernization to implementation, orchestration, and change-management.

The human element of implementing change is paramount to the success of organizations in AI-enabled transformation, especially as they redesign the way work is completed and operating models that must evolve to enable execution.

We also expect to expand our technology partner ecosystem to meet our clients where they are, combining AI within core systems, native AI applications, and custom development to achieve their strategic, operational, and technical objectives, while maximizing the return on investment.

The newly formed collaboration with Hippocratic AI is a good example of how we are expanding our partner ecosystem, broadening our go-to-market reach, and expanding our portfolio of offerings to serve our clients.

Finally, like every organization, we're deploying AI, intelligent automation, and advanced analytics to increase productivity across our client-facing and internal teams. We have and will continue to develop and scale use cases across the organization to drive efficiency gains.

Let me highlight one additional point: In 2025, 67% of total company RBR was derived from outcomes-based, fixed-fee, and recurring revenue models. That's an increase of [50% to 70%] in 2022, which was when, at our Investor Day, we shared our focus on expanding our margins, including the new pricing initiatives that we put in place at that time.

We have a longstanding history of leveraging outcomes-based, fixed-fee, and recurring revenue pricing models to deliver our work to clients, which we believe positions us well to capitalize on the value that AI can bring for our clients and for Huron.

We believe we're well-positioned to take advantage of AI and the transformation it enables. But AI capabilities alone are not enough for success. AI's impact and value are optimized, when combined with our deep industry, functional, and technical expertise; broad digital portfolio; demonstrable workforce transformation experience; and proven track record of agility.

We continue to act as a client's trusted advisor in an AI-driven world, as they evolve their business models and organizations to succeed in this rapidly changing environment.

Let me close by reiterating that we're off to a strong start in 2026. We're building on the momentum that led to strong financial performance in 2025.

We're excited about our prospects for achieving our revenue and profitability goals for the year. We continue to execute towards the market tailwinds for our business, further strengthen our competitive position, and capitalize on the market and performance-enhancing opportunities that AI offers.

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

John Kelly - Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer

Thank you, Mark. Good afternoon, everyone.

Before we begin, please note that I will be discussing non-GAAP financial measures, such as EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS, and free cash flow.

Our press release, 10-K, 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.

Before discussing our financial results, I'd like to discuss several housekeeping items:

First, our fourth-quarter 2025 results in the Healthcare segment exclude the operating results from the Studer Education business, which was divested on December 31, 2024.

Second, our Commercial segment results do include a full quarter of operating results from our acquisition of Wilson Perumal, which closed in September of 2025.

Finally, our Healthcare segment results do include a partial quarter of operating results from our acquisition of the Consulting Services Division of AXIOM Systems, which closed on November 1.

Now, I'll share some of the key financial results for the fourth quarter and full year 2025:

Fourth quarter of 2025 produced RBR of \$432.3 million, up 11.3% from \$388.4 million in the same quarter of 2024, driven by record RBR in Healthcare and Commercial segments. For the full-year 2025, RBR was \$1.66 billion, up 11.9% from \$1.49 billion in 2024. Excluding the impact of acquisitions and the Studer Education divestiture, full year 2025 RBR was 7.1% over 2024.

Driven by growth across all three operating segments, we achieved record RBR in 2025, which also marked our fifth consecutive year of achieving high-single-digit percentage or better RBR growth.

Net income for the fourth quarter of 2025 was \$30.7 million or \$1.72 per diluted share compared to net income of \$34 million from \$1.84 per diluted share in the fourth quarter of 2024. As a percentage of total revenues, net income declined to 6.9% in the fourth quarter of 2025 compared to 8.5% in the fourth quarter of 2024.

Results for the fourth quarter of 2025 include \$2.2 million of acquisition-related contingent consideration charges, net of tax, as our projections for certain acquisitions as our projections for certain acquisitions have outperformed our original expectations.

Results for the fourth quarter of 2024 include a \$2.4 million gain, net of tax, recognized upon the divestiture of our Studer Education business.

For full-year 2025, net income was \$105 million or \$5.84 per diluted share. This compares to net income of \$116.6 million or \$6.27 per diluted share in 2024. As a percentage of total revenues, net income declined to 6.2% for full-year 2025 compared to 7.7% in 2024.

Net income for 2025 includes \$7.7 million of non-cash impairment charges, net of tax, related to the company's convertible debt investment in a third party. Net income for full-year 2024 includes an \$11.1 million litigation settlement gain, net of tax, related to a legal matter in which Huron was a plaintiff.

Our effective income tax rate in the fourth quarter of 2025 was 29.2%, which is less favorable than the statutory rate, inclusive of state income taxes, primarily due to certain non-deductible expense items.

On a full year basis, our effective tax rate for 2025 was 22.2%, which is more favorable than the statutory rate, inclusive of state income taxes, primarily due to a discrete tax benefit for share-based compensation awards divested during the year. This favorable item was partially offset by certain non-deductible expense items.

Adjusted EBITDA was \$68 million in Q4 2025 or 15.7% of RBR compared to \$56.8 million in Q4 2024 or 14.6% of RBR.

For full-year 2025, adjusted EBITDA was \$237.5 million or 14.3% of RBR compared to \$201.2 million or 13.5% of RBR in 2024. The increase in full-year adjusted EBITDA was primarily attributable to the increase in segment operating income in all three operating segments, excluding the impact of segment depreciation and amortization; and segment restructuring charges, partially offset by increased unallocated corporate expenses to support the growth of our business.

2025 was the fifth consecutive year of expanded adjusted EBITDA margin percentage, growing our adjusted EBITDA margins 400 basis points since 2020. This multi-year margin expansion demonstrates our continued progress towards the goals shared at our 2025 Investor Day.

Adjusted net income was \$38.7 million (inaudible) \$2.17 per diluted share in the fourth quarter of 2025 compared to \$35.2 million, or \$1.90 per diluted share in the fourth quarter of 2024.

For the full year, 2025 adjusted net income was \$140.8 million or a record \$7.83 per share compared with \$120.4 million or \$6.47 per share in 2024, representing a 21% increase in adjusted diluted earnings per share, year over year.

Now, I'll discuss the performance of each of our operating segments:

The Healthcare segment generated 51% of total company RBR during the fourth quarter of 2025. This segment posted a record RBR of \$221.7 million, up \$19.4 million or 9.6% from the fourth quarter of 2024.

The increase in RBR in the quarter was driven by strong demand for our performance improvement; strategy and innovation; financial advisory; and revenue cycle managed services offerings, as well as \$7.3 million of incremental RBR from our acquisitions of Eclipse Insights, AXIA, and the Consulting Services Division of AXIOM Systems.

Excluding the impact of acquisitions and the disposition of the Studer Education business, organic growth for the Healthcare segment was 7.8% against a difficult 2024 comparison.

On a full-year basis, Healthcare RBR increased to 10.7% to a record \$837.5 million compared to \$756.3 million in 2024, which was on top of a strong growth of 12.2% in 2024 over 2023.

RBR in 2025 included \$14.5 million from our acquisitions of Eclipse Insights, AXIA, and the Consulting Services Division of AXIOM Systems. These increases were partially offset by a decrease in RBR from the divestiture of our Studer Education business, which generated \$13.7 million of RBR in 2024.

Excluding the impact of acquisitions and the Studer Education divestiture, Healthcare segment RBR in 2025 grew 10.8% compared to 2024. The increase in RBR in 2025 was driven by continued strong demand for our performance improvement; financial advisory; revenue cycle managed services; and strategy and innovation offerings.

Operating income margin for Healthcare was 32.4% in Q4 of 2025 compared to 30.3% in Q4 of 2024. The increase in operating income margin was largely driven by decreases in performance bonus, salaries, and related expenses for our support personnel and contractor expenses, partially offset by an increase in salaries and related expenses for our revenue-generating professionals as a percentage of RBR.

On a full-year basis, operating income margin was 30.5% in 2025 compared to 27.6% in 2024. The increase in operating income margin year over year was primarily due to decreases in salaries and related expenses for our support personnel; bad debt expense; practice administration and meetings expenses; as well as revenue growth that outpaced the increase in salaries and related expenses for our revenue-generating professionals.

The Education segment generated 28% of total company RBR during the fourth quarter of 2025. Education segment RBR in the fourth quarter of 2025 was flat compared to the fourth quarter of 2024. RBR in the fourth quarter of 2025 included \$1.5 million from our acquisitions of Advancement Resources, AXIA, and Halpin.

On a full-year basis, Education segment RBR grew 5.5% year over year to a record \$500.2 million compared to \$474.2 million in 2024. The increase in full-year RBR was primarily driven by strong demand for our strategy and operations; research; and digital offerings; as well as \$9.9 million of incremental RBR from our acquisitions of Advancement Resources, GG+A, AXIA, and Halpin.

The operating income margin for Education was 20.7% for Q4 2025 compared to 22.4% for the same quarter in 2024. The decline in operating income margin in the quarter was primarily driven by increases in salaries and related expenses for our revenue-generating professionals, third-party professional fees, restructuring charges, and capitalized software expense amortization related to the development of our next-generation research suite software, all as percentage of RBR. These increases were partially offset by a decrease in performance bonus expense.

On a full-year basis, operating income margin was relatively flat at 22.6% compared to 22.9% in 2024.

The Commercial segment generated 21% of total company RBR during the fourth quarter of 2025 and grew 36.6% over the prior year period, posting RBR of \$91.9 million compared to \$67.3 million in the fourth quarter of 2024.

The increase in RBR in the fourth quarter of 2025 included \$18.5 million of incremental revenue from our acquisitions of AXIA, Treliant, and Wilson Perumal, and strong demand for our financial advisory offerings. Excluding the impact of acquisitions, RBR in Q4 2025 was 9.1%, organically, over Q4 2024.

On a full-year basis, Commercial RBR increased 27.2% to \$325.1 million compared to \$255.6 million in 2024. The increase in full-year RBR was primarily driven by \$61.6 million of incremental RBR from our acquisitions of AXIA, Treliant, and Wilson Perumal; as well as strong demand for our digital offerings, partially offset by declines in our strategy and innovation and financial advisory offerings.

Operating income margin for the Commercial segment was 20% for Q4 2025 compared to 17.8% for the same quarter in 2024. The increase in operating income margin in the quarter (inaudible) primarily driven by RBR that outpaced increases in performance bonus expense and contractor expenses, partially offset by increases in salaries and related expenses for our revenue-generating professionals and restructuring charges, as percentages of RBR.

On a full-year basis, Commercial segment operating income margin decreased to 17.2% compared to 20% in 2024, reflecting increases in salaries and related expenses for our revenue-generating professionals and contractor expenses, as percentages of RBR; partially offset by revenue growth that outpaced the increase in performance bonus expense for our revenue-generating professionals.

Our 2025 Commercial segment operating income margin reflected increased revenue mix shift to our digital offerings, as compared to 2024; as well as certain integration expenses related to our acquisition activity during the year.

Corporate expenses not allocated at the segment level and excluding restructuring charges were \$54.4 million in Q4 2025 compared to \$47.8 million in Q4 2024. Unallocated corporate expenses in the fourth quarter of 2025 and 2024 included a loss of \$800,000 and a gain of \$200,000, respectively, related to changes in the liability of our deferred compensation plan, which is offset by the change in fair value of the investment assets used to fund that plan, reflected in other expense.

Excluding the impact of the deferred compensation plan in both periods, unallocated corporate expenses increased \$5.6 million, primarily due to increases in salaries and related expenses for our support personnel, software and data hosting expenses.

On a full-year basis, corporate expenses not allocated at the segment level increased to \$217.6 million, which included \$6.2 million of expense related to the deferred compensation plan, compared to \$191.2 million in 2024, which included \$5.2 million of expense related to the deferred compensation plan.

Excluding the impact of the deferred compensation plan in both periods, unallocated corporate expenses increased to \$25.4 million, primarily driven by an increase in salaries and related expenses for our support personnel; software and data hosting expenses; and third-party professional fees, primarily related to our M&A activity during the year, partially offset by a decrease in legal expenses.

Now, turning to the balance sheet and cash flows:

Cash flow generated from operations for 2025 was \$193.4 million. We used \$31.1 million to invest in capital expenditures, inclusive of internally developed software costs, resulting in free cash flow of \$162.3 million.

DSO came in at 73 days for the fourth quarter of 2025 compared to 76 days for both the third quarter of 2025 and the fourth quarter of 2024. The decrease in DSO during the fourth quarter, when compared to both periods, reflects the impact of collections on certain larger Healthcare and Education projects, in alignment with their contractual payment schedules.

Total debt, as of December 31, 2025, was \$511 million, consisting entirely of our senior bank debt. We finished the year with cash of \$24.5 million for net debt of \$486.5 million. This was a \$100.6 million decrease in net debt compared to Q3 2025.

During 2025, we used \$166 million to repurchase approximately 1.2 million shares, representing 6.6% of our outstanding shares, as of the beginning of the year. We used \$112 million for strategic tuck-in acquisitions.

Inclusive of this deployment of capital and consistent with the capital allocation objectives we discussed at our 2025 Investor Day, our leverage ratio, as defined in our senior bank agreement, was 1.9 times adjusted EBITDA, as of December 31, 2025.

In addition, during the first quarter of 2026, on February 20, we have used \$70 million to repurchase approximately 500,000 shares.

Also, during the first quarter, Huron's Board of Directors authorized an additional \$200 million under our current share repurchase program. Inclusive of this additional authorization, we have \$229 million remaining under our share repurchase program.

Let me remind everyone that we have placed supplemental materials on the Investor Relations page of our website, with additional detail around our 2026 outlook, as well as information about our AI strategy and the evolving opportunity that AI presents for Huron.

Now, let me turn to our expectations and guidance for 2026:

For the full year of 2026, we anticipate RBR in a range of \$1.78 billion to \$1.86 billion, reflecting 9.5% year-over-year growth at the midpoint.

Adjusted EBITDA, in a range of 14.5% to 15% of RBR, reflecting an approximate 50 basis points improvement over 2025 at the midpoint.

Adjusted non-GAAP EPS, in a range of \$8.35 to \$9.15, reflecting a 12% increase over 2025 at the midpoint.

We expect cash flows from operations to be in a range of \$220 million to \$260 million.

Capital expenditures are expected to be approximately \$30 million to \$40 million, inclusive of costs to develop our market-facing products and analytical tools.

Free cash flows are expected to be in a range of \$180 million to \$220 million, net of cash taxes and interest, and excluding non-cash stock compensation.

Weighted average diluted share count for 2026 is expected to be in a range of 17.2 million to 17.8 million shares.

Finally, With respect to taxes, for the full year of 2026, we expect an effective tax rate in the range of 28% to 30%, which comprises a federal tax rate of 21%, a blended state tax rate of 5% to 6%, and incremental tax expense related to certain non-deductible expense items, partially offset by certain deductions and tax credits.

Let me add some color to our guidance, starting with RBR:

The midpoint of the RBR range reflects nearly 10% growth over 2025. As Mark mentioned, because of the market demand for our offerings across all three operating segments, we have the strongest backlog coverage of our initial annual RBR guidance in the last five years.

Our pipeline remains at record levels despite the recent strong sales activity. We believe we are well-positioned to achieve growth in 2026, consistent with our financial objectives.

With regard to our Healthcare segment, we expect low double-digit percentage of RBR growth for the full-year 2026, driven by high single-digit percentage of organic RBR growth. We expect operating margins will be in a range of approximately 29% to 33%.

In the Education segment, we expect mid-single-digit percentage of RBR growth for the full-year 2026, nearly all organic. We expect operating margins will be in a range of approximately 22% to 26%.

In the Commercial segment, we expect to see RBR growth in the low-teen-percentage range for 2026, driven by high single-digit percentage of organic RBR growth. We expect our operating margins in this segment to be in a range of approximately 18% to 22%, which reflects an anticipated modest mix shift back towards our consulting offerings, as well as lower M&A integration expenses.

We expect unallocated corporate SG&A, excluding the impact of the deferred compensation plan, to increase in the mid- to upper-single-digit percentage range, year over year.

Also, in the first quarter, consistent with prior years, we note the following items, as it relates to expenses:

The reset of wage bases for FICA and our 401(k) match.

Our annual merit and promotion wage increases go into effect on January first.

An increase in stock compensation expense for restricted stock awards that will be granted in March to retirement-eligible employees.

An increase in practice administration and meeting expenses, driven by several larger team meetings that take place in the quarter.

In addition, we expect an effective tax rate during the first quarter of 2026 in the 15% - to 20% range. This increase in effective tax rate, when compared to the first quarter of 2025, reflects an anticipated lower tax deduction for shares vesting in March of 2026.

Based on these factors, we anticipate approximately 15% to 20% of our full-year adjusted EBITDA and full-year adjusted EPS to be generated during the first quarter.

As a closing reminder, with respect to 2025 adjusted EBITDA, adjusted net income, and adjusted EPS, there are several items that you will need to consider, when reconciling these non-GAAP measures to comparable GAAP measures.

Reconciliation [schedules] that we included in our press release will help walk you through these reconciliations.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Andrew Nicholas, William Blair.

Andrew Nicholas - *William Blair Capital Partners - Analyst*

Hi. Good afternoon. Appreciate you taking my questions.

First one I wanted to ask was on Commercial. Strong quarter, total revenue growth and organic revenue growth. It looks to me like [CNMS] revenue was especially strong.

I was hoping you could flesh that out a little bit. Was there anything one-time in the quarter or lumpy? What, at the industry level, is particularly strong in that segment?

John Kelly - *Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Yeah, Andrew. No. You're right. It was a good quarter for our Commercial team.

As we noted, it was a strong quarter for our [distressed] financial advisory team, as you suggested.

Nothing that I would call out is lumpy there during the quarter. There were some low- to mid-single-digit million success fees during the quarter. But that's reflective of the size of such fees that we could get in any given quarter so I wouldn't necessarily call it out.

I think, overall, we saw good momentum in that part of the business. A lot of strength from our AXIA business, which really speaks to some of the supply chain challenges that our clients are seeing in the digital area.

Momentum (inaudible) from a strategy and innovation perspective, too, both in terms of the actual results during the quarter; but then, when we look at the sale, the bookings, conversions during the quarter and the backlog heading into next year -- it was a strong quarter, from a commercial perspective.

Andrew Nicholas - *William Blair Capital Partners - Analyst*

All right. Thank you. And then, on guidance, I want to ask a question about the conservatism of guidance. It sounds like -- from looking at the slide deck and your prepared remarks here that it's the strongest hard backlog coverage in the last five years.

Does that mean you just have a little bit more wiggle room to either side? Are you expecting maybe -- or giving yourself some room in the back half of the year? Just help me piece that comment together a little bit more, if you could.

John Kelly - *Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Sure. Sure, Andrew. I can start there.

I wouldn't say that there's really any change in our guidance approach than we have in any given year. I think -- when we're at this call in February, at the beginning of the year, we're always a little bit cautious because we still have a full year to project out. We don't like to get ahead of ourselves.

I think there was the normal amount of caution from us, in terms of the range, just reflecting the fact that we have to execute through the rest of the year.

Certainly based on the backlog coverage that you cited, the bookings conversions that we saw during the back half of last year, as well as the start that we've had this year, plus just the overall size of the pipeline -- those are all things that give us confidence in -- be able to achieve that guidance.

To the extent that we're able to execute as we expect, it's the type of stuff that could have the potential to push us towards the upper end of the guidance, as the year goes on.

Andrew Nicholas - *William Blair Capital Partners - Analyst*

Understood. If I could just squeeze one more in -- just on the AI topic? Is there any way to quantify the number of projects or the revenue that is currently tied to or incorporates AI in some fashion?

And then, relatedly, anything from an economics perspective or a pricing perspective or even like a duration perspective that you've seen AI projects be different from your traditional work, to the extent that more work is tied to AI or implementing AI or helping your clients with AI, just wondering how that evolves the model, if at all.

Thank you.

John Kelly - *Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Sure, Andrew. Happy to provide some color there.

It's difficult to quantify across the entire business because we are deploying AI, really, across the business and in different areas. There's -- at this point, the large majority of our projects have some element of AI embedded in them.

This is not just speaking of digital projects. This is consulting projects, as well as digital projects.

As we look at sales conversions, thinking about it, comparatively, this year versus last year, there's been a noticeable shift, in terms of projects that do have -- either how we would characterize a high component or a moderate component of AI related delivery.

It may be that a way to think about that is if you go back towards the first part of last year, maybe that was 25% of projects or something in that neighborhood that was around that size. This year, that's closer to 50%.

If you look within our Digital business, at our Data Analysis business -- and our AI offerings, specifically -- that's up about 40% at this point year over year, which is one of the drivers of our confidence in digital growth, as we head into 2026.

Operator

Tobey Sommer. Truist.

Tobey Sommer - *Truist Securities Inc - Analyst*

Thank you. I was interested by your comment about having the highest backlog coverage of initial RBR guidance in five years. Could you frame that?

I understand it's a high watermark. But I don't know what would be typical or an average; and how this recent snapshot would compare to what those -- what would be typical.

John Kelly - *Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Hey, Toby. Yeah. I can start there from a quantification perspective.

Yeah. You're familiar. Typically, at the beginning of the year, during the first quarter, you've got really high visibility. By the time you get out a quarter into the second quarter, you got significant visibility. But you still have work to do to close out the year. Then, when you get to the back half of the year, it's typically when you're more in that, call it, 40% visibility range of the guidance.

I would say, this year, it's several percentage points higher than that, really, across the board. One characteristic of some of the work that we've sold over the back half of last year are larger projects that span over multiple quarters.

It's not only giving us better visibility for the immediate quarters -- that's the first half of this year; but it also meaningfully improves our visibility, as we get towards the back half of the year.

That's how I would quantify it, Tobey.

C. Mark Hussey - *Huron Consulting Group Inc - President, Chief Executive Officer, Director*

The only point I would add to what John said is just the breadth of the businesses; the coverage that it applies to.

It's not that we have it equally across the board every single year. But in this particular year, it is actually quite solid across all three segments.

Tobey Sommer - *Truist Securities Inc - Analyst*

Thank you. What are the areas in your portfolio where you're anticipating adding headcount the fastest here in 2026?

John Kelly - *Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer*

Well, Tobey, I think the first thing I'd comment on is, from a Healthcare perspective, we actually made a lot of that investment in headcount in the back half of last year. You'll see that come through in the metrics.

I think we really set the stage for growth in Healthcare for next year. The guidance that we talked about with -- primarily the headcount that we added in the back half of last year -- which doesn't mean that we would not have some additional adds but I think a lot of that was already accomplished by the end of the year.

I'd say, outside of that area, two of the areas I'd look at would be our Strategy and Innovation business, (inaudible) both in the Healthcare segment, as well as the Commercial segment.

Right now, we're seeing a significant amount of pipeline, as well as recent bookings, in both of those areas, where we're actively hiring to bring people in to help support our growth there; as well as within our digital capability.

Within digital, probably no surprise to hear but I think employees with skills in advanced technologies and AI continue to be an area that we're investing in to help both grow our Digital business but also to support the Consulting business.

Another one that you'd see in the metrics is our Managed Services business, where we've added significant managed services heads towards the back half of last year. I think you're going to see that trend continue into 2026, based on some of our recent sales in that area.

Tobey Sommer - *Truist Securities Inc - Analyst*

Thanks. When you're talking to hospital customers, particularly those in the pipeline for [PI] projects, what are they most focused on over the next 6, 12, 18 months that influences their decision to go down that path with you or hold off?

C. Mark Hussey - *Huron Consulting Group Inc - President, Chief Executive Officer, Director*

I think, probably, the best way to summarize it would be the descriptor of financial health transformation, which is a pretty broad, encompassing description of a full range of things that we do.

We outline them in some of the areas of the script. It ranges from performance improvement across all the various sub-elements -- performance improvement, as well as the balance sheet in financial advisory bringing better liquidity, visibility to decisions around those things.

It can lead into managed services, as well as -- the strategy is for growth aspects, as well.

It's pretty all-encompassing. I think we made the comment pretty clear that the time of incremental change to solve the bigger challenges they have, we're well past those days.

We're now seeing a lot more transformational-type thinking that expands across the full enterprise; the full institution.

Tobey Sommer - *Truist Securities Inc - Analyst*

Thank you. If I could get a sneak in one housekeeping question: What do you expect performance fees to look like this year compared to last?

John Kelly - *Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer*

I expect a little bit of an uptick there, Tobey. And so by way of providing some historical context, if you look over the past two years, 2024; if you look at our Healthcare segment revenues, the components of those revenues that was contingent-based was in the mid-20% range, a little bit north of 25%.

This past year, in 2025, it skewed a little bit lower, within the low 20% range.

I think our expectation, at this point, which is still subject to the types of projects that we sell as the year goes on is that that's going to probably return to more of the levels that we saw in 2024; more in that mid-20% range.

Tobey Sommer - *Truist Securities Inc - Analyst*

Thank you.

Operator

(Operator Instructions)

Kevin Steinke, Barrington Research Associates.

Kevin Steinke, CFA - *Barrington Research Associates Inc - Analyst*

Great. Thank you very much.

I wanted to follow up about your comment of selling larger projects; and ask about -- specifically within Healthcare. I know you noted greater demand for integrated solutions. When we're talking about larger projects in Healthcare, is it just that the performance improvement piece is larger up front or are you selling more integrated work up front?

If it's just performance improvement up front, is the demand for integrated solutions then creating a longer tail at clients, as you maybe do follow on projects in other areas with them?

C. Mark Hussey - *Huron Consulting Group Inc - President, Chief Executive Officer, Director*

It's a good question, Kevin. The typical way we start is we're just presented with a challenge or a business problem that they're looking for our thoughts on how we can solve it.

When we start off -- sometimes, they start with single areas of solution because that's what the client is bringing into focus. They can lead to other opportunities that are adjacent all the time. That's very typical of what we see: we expand, as we gain relationships and understanding of their business; and bring our expertise and suggestions to other areas of focus that can be impactful to them.

Occasionally, it started on a more integrated, full-scale basis. But it is really, as I said, that combination of full range of things that we do.

Pretty much, we cover every element of their operation today. That, I think, is one of the things that just makes us distinct in the market versus the competitors; that we have just so many levers in multiple dimensions that we can help them, which, in effect, is what leads to larger engagement sizes and, candidly, probably extend a little bit, over time, for longer stays at those clients.

Kevin Steinke, CFA - *Barrington Research Associates Inc - Analyst*

All right. Great. Thank you.

John, you mentioned just the acquisition -- contingent consideration adjustment -- in the quarter. I believe you mentioned (inaudible) due to outperformance of certain acquisitions.

Are there any particulars that you would highlight there that have been outperforming expectations?

John Kelly - *Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer*

What we've talked about -- I probably would not get into the specifics, Tobey, of the earnout considerations for those acquisitions.

Certainly, we've talked a lot about AXIA, which was in the fourth quarter of 2024; which has been one of the business units that -- or one of the areas of the business that's been really hot.

Eclipse Insights, which we closed in June of 2025, that's been a really strong performer for us. I think, as we talked about at the time, the capabilities of that team in the middle revenue cycle area was just a perfect fit with what we do, from a performance improvement consulting perspective.

We've worked with them previously so we knew it would be a good cultural fit. That one's off to a great start.

Wilson Perumal would be one more that I would highlight. That was in September of last year. They really bring some great strategy and performance improvement capabilities to our Commercial team that, together, with Innosight, their capabilities and IP has really been resonating with clients, together; along with our digital capabilities that we have in the Commercial segment.

I think that if you think about that vertically, from strategy to performance improvement to digital, we're seeing a lot of demand for those integrated capabilities, right now, in the Commercial segment.

Kevin Steinke, CFA - *Barrington Research Associates Inc - Analyst*

Okay. Yeah. Sounds good. That's helpful. Appreciate that.

Just, lastly, given that the recent dislocation you've seen in your stock price -- I know it's your target to return about 50% of annual free cash flow to shareholders. That's being accomplished through share repurchases.

Are there any thoughts to maybe even accelerating the pace of repurchase, based on recent movements in the stock? Do you just stick to that formula you've laid out?

John Kelly - Huron Consulting Group Inc - Chief Financial Officer, Executive Vice President, Treasurer

Kevin, it is dynamic. We do look at valuation considerations; quite frankly, both on the share repurchase and the M&A side.

Certainly, when you do see the dislocation in the stock price from our expectations, that does make it an attractive entry point for us, from our perspective to buy shares.

I think I would expect to see more aggressive buyback shares at this price. That's consistent with both what we've already done in the first quarter, as well as the Board authorization that we discussed in my remarks.

Kevin Steinke, CFA - Barrington Research Associates Inc - Analyst

Okay. Yeah. Thank you very much. I'll turn it back over.

Operator

Seeing no further questions in the queue, I'd like to turn the call back over to Mr. Hussey.

C. Mark Hussey - Huron Consulting Group Inc - President, Chief Executive Officer, Director

Thanks for spending time with us this afternoon.

We look forward to speaking with you again in May when we announce our first- quarter results.

Good evening.

Operator

This concludes today's conference call.

Thank you, everyone, for participation.

You may now disconnect.

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