

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

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

October 29, 2019

Date of Report (Date of earliest event reported)

Huron Consulting Group Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-50976
(Commission
File Number)

01-0666114
(IRS Employer
Identification Number)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On October 29, 2019, Huron Consulting Group Inc. issued a press release announcing its financial results for the three and nine months ended September 30, 2019. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information furnished pursuant to this Item 2.02 and the attached Exhibit 99.1 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

| Exhibit Number | Exhibit Description |
|-----------------------|---|
| 99.1 | Press release, dated October 29, 2019 |
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

SIGNATURE

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

Huron Consulting Group Inc.

(Registrant)

Date: October 29, 2019

/s/ John D. Kelly

John D. Kelly

Executive Vice President, Chief Financial Officer, and Treasurer



NEWS

FOR IMMEDIATE RELEASE

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Huron Announces Third Quarter 2019 Financial Results and Updates 2019 Guidance

THIRD QUARTER 2019 HIGHLIGHTS

- Revenues increased \$20.8 million, or 10.5%, to \$219.3 million in Q3 2019 from \$198.4 million in Q3 2018.
- Net income from continuing operations increased \$5.5 million, or 66.2%, to \$13.7 million in Q3 2019 from \$8.2 million in Q3 2018.
- Adjusted EBITDA⁽⁶⁾, a non-GAAP measure, increased \$4.1 million, or 16.4%, to \$28.8 million in Q3 2019 from \$24.7 million in Q3 2018.
- Diluted earnings per share from continuing operations increased \$0.24, or 64.9%, to \$0.61 in Q3 2019 from \$0.37 in Q3 2018.
- Adjusted diluted earnings per share from continuing operations⁽⁶⁾, a non-GAAP measure, increased \$0.15, or 23.4%, to \$0.79 in Q3 2019 from \$0.64 in Q3 2018.

YEAR-TO-DATE 2019 HIGHLIGHTS AND 2019 GUIDANCE

- Revenues increased \$54.8 million, or 9.3%, to \$644.5 million for the first nine months of 2019 from \$589.7 million for the same prior year period.
- Net income from continuing operations increased \$16.7 million to \$27.6 million for the first nine months of 2019 from \$10.9 million for the same prior year period.
- Adjusted EBITDA⁽⁶⁾, a non-GAAP measure, increased \$12.9 million, or 20.5%, to \$76.0 million for the first nine months of 2019 from \$63.1 million for the first nine months of 2018.
- Diluted earnings per share from continuing operations increased \$0.73 to \$1.23 for the first nine months of 2019 from \$0.50 for the first nine months of 2018.
- Adjusted diluted earnings per share from continuing operations⁽⁶⁾, a non-GAAP measure, increased \$0.53, or 37.3%, to \$1.95 for the first nine months of 2019 from \$1.42 for the same prior year period.
- Huron updates its previous earnings guidance range, and raises revenue expectations to a range of \$850.0 million to \$865.0 million for full year 2019.

CHICAGO - October 29, 2019 - Global professional services firm Huron (NASDAQ: HURN) today announced financial results from continuing operations for the third quarter ended September 30, 2019.

“Our strong third quarter performance was driven by continued organic growth across all three operating segments,” said [James H. Roth](#), chief executive officer of [Huron](#). “Our clients continue to address the significant amount of transformation taking place in our core industries. We are evolving our service offerings to be responsive to the

rapid pace of change in the industries we serve, which we believe will yield continued growth opportunities across all of our businesses.”

THIRD QUARTER 2019 RESULTS FROM CONTINUING OPERATIONS

Revenues increased \$20.8 million, or 10.5%, to \$219.3 million for the third quarter of 2019, compared to \$198.4 million for the third quarter of 2018.

Net income from continuing operations increased \$5.5 million, or 66.2%, to \$13.7 million for the third quarter of 2019, compared to \$8.2 million for the same quarter last year, primarily driven by continued positive performance in the Healthcare segment and a decrease in depreciation and amortization. Diluted earnings per share from continuing operations increased \$0.24, or 64.9%, to \$0.61 for the third quarter of 2019, compared to \$0.37 for the third quarter of 2018.

Third quarter 2019 earnings before interest, taxes, depreciation and amortization (“EBITDA”)⁽⁶⁾ increased \$4.8 million, or 20.1%, to \$28.6 million from \$23.8 million in the same prior year period.

In addition to using EBITDA to evaluate the company’s financial performance, management uses other non-GAAP financial measures, which exclude the effect of the following items (in thousands):

| | Three Months Ended September 30, | |
|--|-------------------------------------|------------|
| | 2019 | 2018 |
| Amortization of intangible assets | \$ 4,205 | \$ 5,934 |
| Restructuring charges | \$ 127 | \$ (31) |
| Litigation and other losses (gains), net | \$ (630) | \$ 887 |
| Non-cash interest on convertible notes | \$ 2,171 | \$ 2,070 |
| Loss on sale of business | \$ — | \$ 32 |
| Transaction-related expenses | \$ 563 | \$ — |
| Tax effect of adjustments | \$ (1,673) | \$ (2,312) |
| Tax benefit related to the enactment of Tax Cut and Jobs Act of 2017 | \$ — | \$ (747) |
| Tax benefit related to "check-the-box" election | \$ (736) | \$ — |
| Foreign currency transaction losses, net | \$ 114 | \$ 9 |

To permit comparability with prior periods, the company excluded the positive impact of recognizing a previously unrecognized tax benefit due to the expiration of statute of limitations on its "check-the-box" election made in 2015 to treat certain wholly-owned foreign subsidiaries as disregarded entities for U.S. federal income tax purposes.

Adjusted EBITDA⁽⁶⁾ increased \$4.1 million, or 16.4%, to \$28.8 million, or 13.1% of revenues, in the third quarter of 2019, from \$24.7 million, or 12.5% of revenues, in the same quarter last year. Adjusted net income from continuing operations⁽⁶⁾ increased \$3.7 million to \$17.7 million, or \$0.79 per diluted share, for the third quarter of 2019, from \$14.1 million, or \$0.64 per diluted share, for the same quarter in 2018.

The average number of full-time billable consultants⁽¹⁾ increased 14.5% to 2,476 in the third quarter of 2019 from 2,163 in the same quarter last year. Full-time billable consultant utilization rate⁽²⁾ was 76.3% during the third quarter of 2019, compared to 77.8% during the same period last year. Average billing rate per hour for full-time billable consultants⁽³⁾ was \$206 for the third quarter of 2019, compared to \$210 for the third quarter of 2018. The average number of full-time equivalent professionals⁽⁵⁾ was 288 in the third quarter of 2019, compared to 296 for the same period in 2018.

YEAR-TO-DATE 2019 RESULTS FROM CONTINUING OPERATIONS

Revenues increased \$54.8 million, or 9.3%, to \$644.5 million for the first nine months of 2019, compared to \$589.7 million for the first nine months of 2018.

Net income from continuing operations increased \$16.7 million to \$27.6 million for the first nine months of 2019, compared to \$10.9 million for the same prior year period, primarily driven by positive performance in the Healthcare

and Education segments and a decrease in depreciation and amortization. Diluted earnings per share from continuing operations increased \$0.73 to \$1.23 for the first nine months of 2019 compared to \$0.50 for the first nine months of 2018.

EBITDA⁽⁶⁾ increased \$13.4 million, or 22.6%, to \$72.8 million for the first nine months of 2019, from \$59.4 million in the same prior year period.

In addition to using EBITDA to evaluate the company's financial performance, management uses other non-GAAP financial measures, which exclude the effect of the following items (in thousands):

| | Nine Months Ended September 30, | |
|--|------------------------------------|------------|
| | 2019 | 2018 |
| Amortization of intangible assets | \$ 13,036 | \$ 18,233 |
| Restructuring charges | \$ 2,156 | \$ 2,665 |
| Litigation and other gains, net | \$ (1,571) | \$ (4,990) |
| Non-cash interest on convertible notes | \$ 6,436 | \$ 6,138 |
| Loss on sale of business | \$ — | \$ 5,863 |
| Transaction-related expenses | \$ 2,613 | \$ — |
| Tax effect of adjustments | \$ (5,909) | \$ (7,109) |
| Tax benefit related to the enactment of Tax Cut and Jobs Act of 2017 | \$ — | \$ (615) |
| Tax benefit related to "check-the-box" election | \$ (736) | \$ — |
| Foreign currency transaction losses, net | \$ 36 | \$ 196 |

To permit comparability with prior periods, the company excluded the positive impact of recognizing a previously unrecognized tax benefit due to the expiration of statute of limitations on its "check-the-box" election made in 2015 to treat certain wholly-owned foreign subsidiaries as disregarded entities for U.S. federal income tax purposes.

Adjusted EBITDA⁽⁶⁾ increased \$12.9 million, or 20.5%, to \$76.0 million, or 11.8% of revenues, for the first nine months of 2019, from \$63.1 million, or 10.7% of revenues, for the same prior year period. Adjusted net income from continuing operations⁽⁶⁾ increased \$12.6 million to \$43.7 million, or \$1.95 per diluted share, for the first nine months of 2019, from \$31.1 million, or \$1.42 per diluted share, for the first nine months of 2018.

The average number of full-time billable consultants⁽¹⁾ increased 10.9% to 2,376 in the first nine months of 2019 from 2,142 in the same prior year period. Full-time billable consultant utilization rate⁽²⁾ was 76.5% during the first nine months of 2019, compared to 76.8% during the same period last year. Average billing rate per hour for full-time billable consultants⁽³⁾ was \$207 for both the first nine months of 2019 and 2018. The average number of full-time equivalent professionals⁽⁵⁾ was 295 in the first nine months of 2019, compared to 279 for the same prior year period.

OPERATING SEGMENTS

Huron's results reflect a portfolio of service offerings focused on helping clients address complex business challenges.

The company's year-to-date 2019 revenues by operating segment as a percentage of total company revenues are as follows: [Healthcare](#) (46%); [Business Advisory](#) (28%); and [Education](#) (26%). Financial results by segment are included in the attached schedules and in Huron's forthcoming Quarterly Report on Form 10-Q filing for the quarter ended September 30, 2019.

OUTLOOK FOR 2019

Based on currently available information, the company is raising guidance for full year 2019 revenues before reimbursable expenses to a range of \$850.0 million to \$865.0 million. The company also anticipates adjusted EBITDA as a percentage of revenues in a range of 12.0% to 12.3% and non-GAAP adjusted diluted earnings per share to increase 20% to 27% over 2018.

Management will provide a more detailed discussion of its outlook during the company's earnings conference call webcast.

THIRD QUARTER 2019 WEBCAST

The company will host a webcast to discuss its financial results today, October 29, 2019, at 5:00 p.m. Eastern Time (4:00 p.m. Central Time). The conference call is being webcast by NASDAQ and can be accessed from Huron's website at <http://ir.huronconsultinggroup.com>. A replay will be available approximately two hours after the conclusion of the webcast and for 90 days thereafter.

USE OF NON-GAAP FINANCIAL MEASURES⁽⁶⁾

In evaluating the company's financial performance and outlook, management uses EBITDA, adjusted EBITDA, adjusted EBITDA as a percentage of revenues, adjusted net income from continuing operations, and adjusted diluted earnings per share from continuing operations, which are non-GAAP measures. Management uses these non-GAAP financial measures to gain an understanding of the company's comparative operating performance (when comparing such results with previous periods or forecasts). These non-GAAP financial measures are used by management in their financial and operating decision making because management believes they reflect the company's ongoing business in a manner that allows for meaningful period-to-period comparisons. Management also uses these non-GAAP financial measures when publicly providing their business outlook, for internal management purposes, and as a basis for evaluating potential acquisitions and dispositions. Management believes that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating Huron's current operating performance and future prospects in the same manner as management does, if they so choose, and in comparing in a consistent manner Huron's current financial results with Huron's past financial results. Investors should recognize that these non-GAAP measures might not be comparable to similarly titled measures of other companies. These measures should be considered in addition to, and not as a substitute for or superior to, any measure of performance, cash flows or liquidity prepared in accordance with accounting principles generally accepted in the United States.

Management has provided its outlook regarding adjusted EBITDA and non-GAAP adjusted diluted earnings per share, both of which are non-GAAP financial measures and exclude certain charges. Management has not reconciled these non-GAAP financial measures to the corresponding GAAP financial measures because guidance for the various reconciling items are not provided. Management is unable to provide guidance for these reconciling items because we cannot determine their probable significance, as certain items are outside of the company's control and cannot be reasonably predicted since these items could vary significantly from period to period. Accordingly, reconciliations to the corresponding GAAP financial measures are not available without unreasonable effort.

ABOUT HURON

Huron is a global consultancy that helps its clients drive growth, enhance performance and sustain leadership in the markets they serve. The company partners with clients to develop strategies and implement solutions that enable the transformative change its clients need to own their future. Learn more at www.huronconsultinggroup.com.

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Statements in this press release that are not historical in nature, including those concerning the company's current expectations about its future results, are "forward-looking" statements as defined in Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by words such as "may," "should," "expects," "provides," "anticipates," "assumes," "can," "will," "meets," "could," "likely," "intends," "might," "predicts," "seeks," "would," "believes," "estimates," "plans," "continues," "guidance," or "outlook" or similar expressions. These forward-looking statements reflect the company's current expectations about future requirements and needs, results, levels of activity, performance, or achievements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation: failure to achieve expected utilization rates, billing rates and the number of revenue-generating professionals; inability to expand or adjust our service offerings in response to market demands; our dependence on renewal of client-based services; dependence on new business and retention of current clients and qualified personnel; failure to maintain third-party provider relationships and strategic alliances; inability to license technology to and from third parties; the impairment of goodwill; various factors related to income and other taxes; difficulties in successfully integrating the businesses we acquire and achieving expected benefits from such acquisitions; risks relating to privacy, information security, and related laws and standards; and a general downturn in market conditions. These forward-looking statements involve known and unknown risks, uncertainties, and other factors, including, among others, those described under "Item 1A. Risk Factors" in

Huron's Annual Report on Form 10-K for the year ended December 31, 2018, that may cause actual results, levels of activity, performance or achievements to be materially different from any anticipated results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. The company disclaims any obligation to update or revise any forward-looking statements as a result of new information or future events, or for any other reason.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues and reimbursable expenses: | | | | |
| Revenues | \$ 219,289 | \$ 198,448 | \$ 644,488 | \$ 589,671 |
| Reimbursable expenses | 23,636 | 21,296 | 65,787 | 59,648 |
| Total revenues and reimbursable expenses | 242,925 | 219,744 | 710,275 | 649,319 |
| Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses): | | | | |
| Direct costs | 143,034 | 128,596 | 422,442 | 388,956 |
| Amortization of intangible assets and software development costs | 1,162 | 1,009 | 3,450 | 3,195 |
| Reimbursable expenses | 23,571 | 21,246 | 65,897 | 59,710 |
| Total direct costs and reimbursable expenses | 167,767 | 150,851 | 491,789 | 451,861 |
| Operating expenses and other losses (gains), net: | | | | |
| Selling, general and administrative expenses | 48,123 | 45,915 | 151,409 | 138,481 |
| Restructuring charges | 127 | (31) | 2,156 | 2,665 |
| Litigation and other losses (gains), net | (630) | 887 | (1,571) | (4,990) |
| Depreciation and amortization | 6,962 | 8,561 | 21,285 | 26,281 |
| Total operating expenses and other losses (gains), net | 54,582 | 55,332 | 173,279 | 162,437 |
| Operating income | 20,576 | 13,561 | 45,207 | 35,021 |
| Other income (expense), net: | | | | |
| Interest expense, net of interest income | (4,374) | (4,628) | (13,156) | (14,636) |
| Other income (expense), net | (82) | 707 | 2,830 | (5,131) |
| Total other expense, net | (4,456) | (3,921) | (10,326) | (19,767) |
| Income from continuing operations before taxes | 16,120 | 9,640 | 34,881 | 15,254 |
| Income tax expense | 2,414 | 1,391 | 7,256 | 4,365 |
| Net income from continuing operations | 13,706 | 8,249 | 27,625 | 10,889 |
| Income (loss) from discontinued operations, net of tax | (52) | 228 | (195) | (304) |
| Net income | \$ 13,654 | \$ 8,477 | \$ 27,430 | \$ 10,585 |
| Net earnings per basic share: | | | | |
| Net income from continuing operations | \$ 0.62 | \$ 0.38 | \$ 1.26 | \$ 0.50 |
| Income (loss) from discontinued operations, net of tax | — | 0.01 | (0.01) | (0.01) |
| Net income | \$ 0.62 | \$ 0.39 | \$ 1.25 | \$ 0.49 |
| Net earnings per diluted share: | | | | |
| Net income from continuing operations | \$ 0.61 | \$ 0.37 | \$ 1.23 | \$ 0.50 |
| Income (loss) from discontinued operations, net of tax | — | 0.01 | (0.01) | (0.02) |
| Net income | \$ 0.61 | \$ 0.38 | \$ 1.22 | \$ 0.48 |
| Weighted average shares used in calculating earnings per share: | | | | |
| Basic | 22,052 | 21,745 | 21,973 | 21,683 |
| Diluted | 22,561 | 22,110 | 22,425 | 21,947 |
| Comprehensive income: | | | | |
| Net income | \$ 13,654 | \$ 8,477 | \$ 27,430 | \$ 10,585 |
| Foreign currency translation adjustments, net of tax | (630) | (579) | (673) | (1,499) |
| Unrealized gain (loss) on investment, net of tax | 1,168 | (852) | 7,740 | 4,473 |
| Unrealized gain (loss) on cash flow hedging instruments, net of tax | (149) | 206 | (998) | 821 |
| Other comprehensive income (loss) | 389 | (1,225) | 6,069 | 3,795 |
| Comprehensive income | \$ 14,043 | \$ 7,252 | \$ 33,499 | \$ 14,380 |

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

| | September 30, 2019 | December 31, 2018 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 49,410 | \$ 33,107 |
| Receivables from clients, net | 116,318 | 109,677 |
| Unbilled services, net | 99,784 | 69,613 |
| Income tax receivable | 713 | 6,612 |
| Prepaid expenses and other current assets | 14,211 | 13,922 |
| Total current assets | 280,436 | 232,931 |
| Property and equipment, net | 39,972 | 40,374 |
| Deferred income taxes, net | 1,108 | 2,153 |
| Long-term investment | 60,943 | 50,429 |
| Operating lease right-of-use assets | 52,342 | — |
| Other non-current assets | 45,005 | 30,525 |
| Intangible assets, net | 36,141 | 47,857 |
| Goodwill | 645,986 | 645,263 |
| Total assets | \$ 1,161,933 | \$ 1,049,532 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 10,440 | \$ 10,020 |
| Accrued expenses and other current liabilities | 22,719 | 17,207 |
| Accrued payroll and related benefits | 108,111 | 109,825 |
| Accrued contingent consideration for business acquisitions | — | 9,991 |
| Current maturities of long-term debt | 250,525 | 243,132 |
| Current maturities of operating lease liabilities | 10,529 | — |
| Deferred revenues | 31,224 | 28,130 |
| Total current liabilities | 433,548 | 418,305 |
| Non-current liabilities: | | |
| Deferred compensation and other liabilities | 26,308 | 20,875 |
| Accrued contingent consideration for business acquisitions, net of current portion | — | 1,450 |
| Long-term debt, net of current portion | 53,457 | 53,853 |
| Operating lease liabilities, net of current portion | 59,460 | — |
| Deferred lease incentives | — | 13,693 |
| Deferred income taxes, net | 1,603 | 732 |
| Total non-current liabilities | 140,828 | 90,603 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock; \$0.01 par value; 500,000,000 shares authorized; 25,337,297 and 25,114,739 shares issued at September 30, 2019 and December 31, 2018, respectively | 248 | 244 |
| Treasury stock, at cost, 2,416,530 and 2,568,288 shares at September 30, 2019 and December 31, 2018, respectively | (128,048) | (124,794) |
| Additional paid-in capital | 469,257 | 452,573 |
| Retained earnings | 223,536 | 196,106 |
| Accumulated other comprehensive income | 22,564 | 16,495 |
| Total stockholders' equity | 587,557 | 540,624 |
| Total liabilities and stockholders' equity | \$ 1,161,933 | \$ 1,049,532 |

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

| | Nine Months Ended September 30, | |
|---|------------------------------------|-----------------|
| | 2019 | 2018 |
| Cash flows from operating activities: | | |
| Net income | \$ 27,430 | \$ 10,585 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 31,823 | 29,965 |
| Lease impairment charge | 805 | — |
| Share-based compensation | 18,094 | 12,840 |
| Amortization of debt discount and issuance costs | 8,066 | 7,721 |
| Allowances for doubtful accounts and unbilled services | 191 | 573 |
| Deferred income taxes | (262) | 179 |
| Loss on sale of business | — | 5,863 |
| Change in fair value of contingent consideration liabilities | (1,506) | (2,463) |
| Changes in operating assets and liabilities, net of acquisitions and divestiture: | | |
| (Increase) decrease in receivables from clients, net | (6,817) | (9,103) |
| (Increase) decrease in unbilled services, net | (30,163) | (16,714) |
| (Increase) decrease in current income tax receivable / payable, net | 10,561 | 1,400 |
| (Increase) decrease in other assets | (4,160) | (3,768) |
| Increase (decrease) in accounts payable and other liabilities | (3,565) | 186 |
| Increase (decrease) in accrued payroll and related benefits | (1,850) | 9,445 |
| Increase (decrease) in deferred revenues | 3,098 | 2,158 |
| Net cash provided by operating activities: | <u>51,745</u> | <u>48,867</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment, net | (10,024) | (6,662) |
| Investment in life insurance policies | (4,434) | (1,689) |
| Purchases of businesses | (2,500) | (215) |
| Capitalization of internally developed software costs | (7,462) | (3,611) |
| Proceeds from note receivable | — | 1,040 |
| Divestiture of business | — | (2,359) |
| Net cash used in investing activities: | <u>(24,420)</u> | <u>(13,496)</u> |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options | 703 | 703 |
| Shares redeemed for employee tax withholdings | (5,206) | (3,091) |
| Proceeds from borrowings under credit facility | 105,500 | 179,800 |
| Repayments of debt | (105,885) | (213,674) |
| Payments for debt issuance costs | (1,498) | (1,385) |
| Payments for contingent consideration liabilities | (4,674) | (5,494) |
| Net cash used in financing activities: | <u>(11,060)</u> | <u>(43,141)</u> |
| Effect of exchange rate changes on cash | 38 | (114) |
| Net increase (decrease) in cash and cash equivalents | 16,303 | (7,884) |
| Cash and cash equivalents at beginning of the period | 33,107 | 16,909 |
| Cash and cash equivalents at end of the period | <u>\$ 49,410</u> | <u>\$ 9,025</u> |

HURON CONSULTING GROUP INC.
SEGMENT OPERATING RESULTS AND OTHER OPERATING DATA
(Unaudited)

| Segment and Consolidated Operating Results (in thousands): | Three Months Ended September 30, | | Percent Increase (Decrease) |
|--|-------------------------------------|-------------------|-----------------------------------|
| | 2019 | 2018 | |
| Healthcare: | | | |
| Revenues | \$ 100,000 | \$ 90,417 | 10.6 % |
| Operating income | \$ 32,863 | \$ 26,640 | 23.4 % |
| Segment operating income as a percentage of segment revenues | 32.9% | 29.5% | |
| Business Advisory: | | | |
| Revenues | \$ 62,519 | \$ 57,175 | 9.3 % |
| Operating income | \$ 11,942 | \$ 11,815 | 1.1 % |
| Segment operating income as a percentage of segment revenues | 19.1% | 20.7% | |
| Education: | | | |
| Revenues | \$ 56,770 | \$ 50,856 | 11.6 % |
| Operating income | \$ 14,413 | \$ 15,014 | (4.0)% |
| Segment operating income as a percentage of segment revenues | 25.4% | 29.5% | |
| Total Company: | | | |
| Revenues | \$ 219,289 | \$ 198,448 | 10.5 % |
| Reimbursable expenses | 23,636 | 21,296 | 11.0 % |
| Total revenues and reimbursable expenses | \$ 242,925 | \$ 219,744 | 10.5 % |
| Statements of Operations reconciliation: | | | |
| Segment operating income | \$ 59,218 | \$ 53,469 | 10.8 % |
| Items not allocated at the segment level: | | | |
| Other operating expenses | 32,310 | 30,460 | 6.1 % |
| Litigation and other losses (gains), net | (630) | 887 | (171.0)% |
| Depreciation and amortization | 6,962 | 8,561 | (18.7)% |
| Total operating income | 20,576 | 13,561 | 51.7 % |
| Other expense, net | (4,456) | (3,921) | 13.6 % |
| Income from continuing operations before taxes | \$ 16,120 | \$ 9,640 | 67.2 % |
| Other Operating Data: | | | |
| Number of full-time billable consultants (at period end) ⁽¹⁾: | | | |
| Healthcare | 886 | 829 | 6.9 % |
| Business Advisory | 954 | 775 | 23.1 % |
| Education | 727 | 618 | 17.6 % |
| Total | 2,567 | 2,222 | 15.5 % |
| Average number of full-time billable consultants (for the period) ⁽¹⁾: | | | |
| Healthcare | 858 | 821 | |
| Business Advisory | 920 | 735 | |
| Education | 698 | 607 | |
| Total | 2,476 | 2,163 | |

HURON CONSULTING GROUP INC.
SEGMENT OPERATING RESULTS AND OTHER OPERATING DATA (CONTINUED)
(Unaudited)

| Other Operating Data (continued): | Three Months Ended September 30, | |
|--|---|-------------|
| | 2019 | 2018 |
| Full-time billable consultant utilization rate ⁽²⁾: | | |
| Healthcare | 81.8% | 81.2% |
| Business Advisory | 72.0% | 74.4% |
| Education | 75.5% | 77.3% |
| Total | 76.3% | 77.8% |
| Full-time billable consultant average billing rate per hour ⁽³⁾: | | |
| Healthcare | \$ 226 | \$ 211 |
| Business Advisory ⁽⁴⁾ | \$ 193 | \$ 213 |
| Education | \$ 197 | \$ 205 |
| Total ⁽⁴⁾ | \$ 206 | \$ 210 |
| Revenue per full-time billable consultant (in thousands): | | |
| Healthcare | \$ 84 | \$ 76 |
| Business Advisory | \$ 65 | \$ 74 |
| Education | \$ 70 | \$ 74 |
| Total | \$ 73 | \$ 75 |
| Average number of full-time equivalents (for the period) ⁽⁵⁾: | | |
| Healthcare | 217 | 228 |
| Business Advisory | 19 | 28 |
| Education | 52 | 40 |
| Total | 288 | 296 |
| Revenue per full-time equivalent (in thousands): | | |
| Healthcare | \$ 128 | \$ 123 |
| Business Advisory | \$ 126 | \$ 99 |
| Education | \$ 151 | \$ 149 |
| Total | \$ 132 | \$ 124 |

HURON CONSULTING GROUP INC.
SEGMENT OPERATING RESULTS AND OTHER OPERATING DATA (CONTINUED)
(Unaudited)

| Segment and Consolidated Operating Results (in thousands): | Nine Months Ended September 30, | | Percent Increase (Decrease) |
|--|------------------------------------|-------------------|-----------------------------------|
| | 2019 | 2018 | |
| Healthcare: | | | |
| Revenues | \$ 295,621 | \$ 271,812 | 8.8 % |
| Operating income | \$ 94,058 | \$ 78,172 | 20.3 % |
| Segment operating income as a percentage of segment revenues | 31.8% | 28.8% | |
| Business Advisory: | | | |
| Revenues | \$ 183,602 | \$ 170,790 | 7.5 % |
| Operating income | \$ 32,997 | \$ 35,031 | (5.8)% |
| Segment operating income as a percentage of segment revenues | 18.0% | 20.5% | |
| Education: | | | |
| Revenues | \$ 165,265 | \$ 147,069 | 12.4 % |
| Operating income | \$ 43,235 | \$ 37,694 | 14.7 % |
| Segment operating income as a percentage of segment revenues | 26.2% | 25.6% | |
| Total Company: | | | |
| Revenues | \$ 644,488 | \$ 589,671 | 9.3 % |
| Reimbursable expenses | 65,787 | 59,648 | 10.3 % |
| Total revenues and reimbursable expenses | \$ 710,275 | \$ 649,319 | 9.4 % |
| Statements of Operations reconciliation: | | | |
| Segment operating income | \$ 170,290 | \$ 150,897 | 12.9 % |
| Items not allocated at the segment level: | | | |
| Other operating expenses | 105,369 | 94,585 | 11.4 % |
| Litigation and other gains, net | (1,571) | (4,990) | (68.5)% |
| Depreciation and amortization expense | 21,285 | 26,281 | (19.0)% |
| Total operating income | 45,207 | 35,021 | 29.1 % |
| Other expense, net | (10,326) | (19,767) | (47.8)% |
| Income from continuing operations before taxes | \$ 34,881 | \$ 15,254 | 128.7 % |
| Other Operating Data: | | | |
| Number of full-time billable consultants (at period end) ⁽¹⁾: | | | |
| Healthcare | 886 | 829 | 6.9 % |
| Business Advisory | 954 | 775 | 23.1 % |
| Education | 727 | 618 | 17.6 % |
| Total | 2,567 | 2,222 | 15.5 % |
| Average number of full-time billable consultants (for the period) ⁽¹⁾: | | | |
| Healthcare | 835 | 802 | |
| Business Advisory | 876 | 761 | |
| Education | 665 | 579 | |
| Total | 2,376 | 2,142 | |

HURON CONSULTING GROUP INC.
SEGMENT OPERATING RESULTS AND OTHER OPERATING DATA (CONTINUED)
(Unaudited)

| Other Operating Data (continued): | Nine Months Ended September 30, | |
|--|--|-------------|
| | 2019 | 2018 |
| Full-time billable consultant utilization rate ⁽²⁾: | | |
| Healthcare | 80.4% | 81.6% |
| Business Advisory | 72.7% | 71.7% |
| Education | 76.7% | 76.8% |
| Total | 76.5% | 76.8% |
| Full-time billable consultant average billing rate per hour ⁽³⁾: | | |
| Healthcare | \$ 225 | \$ 205 |
| Business Advisory ⁽⁴⁾ | \$ 195 | \$ 212 |
| Education | \$ 200 | \$ 203 |
| Total ⁽⁴⁾ | \$ 207 | \$ 207 |
| Revenue per full-time billable consultant (in thousands): | | |
| Healthcare | \$ 247 | \$ 229 |
| Business Advisory | \$ 202 | \$ 214 |
| Education | \$ 217 | \$ 222 |
| Total | \$ 222 | \$ 222 |
| Average number of full-time equivalents (for the period) ⁽⁵⁾: | | |
| Healthcare | 237 | 215 |
| Business Advisory | 14 | 23 |
| Education | 44 | 41 |
| Total | 295 | 279 |
| Revenue per full-time equivalent (in thousands): | | |
| Healthcare | \$ 375 | \$ 409 |
| Business Advisory | \$ 465 | \$ 355 |
| Education | \$ 480 | \$ 447 |
| Total | \$ 395 | \$ 410 |

- (1) Consists of full-time professionals who provide consulting services and generate revenues based on the number of hours worked.
- (2) Utilization rate for full-time billable consultants is calculated by dividing the number of hours full-time billable consultants worked on client assignments during a period by the total available working hours for these consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.
- (3) Average billing rate per hour for full-time billable consultants is calculated by dividing revenues for a period by the number of hours worked on client assignments during the same period.
- (4) The Business Advisory segment includes operations of Huron Eurasia India. Absent the impact of Huron Eurasia India, the average billing rate per hour for the Business Advisory segment would have been \$221 and \$241 for the three months ended September 30, 2019 and 2018, respectively; and \$220 and \$242 for the nine months ended September 30, 2019 and 2018, respectively.
Absent the impact of Huron Eurasia India, Huron's consolidated average billing rate per hour would have been \$216 and \$218 for the three months ended September 30, 2019 and 2018, respectively; and \$216 for both the nine months ended September 30, 2019 and 2018.
- (5) Consists of leadership coaches and their support staff within the Healthcare Leadership solution, consultants who work variable schedules as needed by clients, and full-time employees who provide software support and maintenance services to clients.

HURON CONSULTING GROUP INC.
RECONCILIATION OF NET INCOME FROM CONTINUING OPERATIONS
TO ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ⁽⁶⁾
(In thousands)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues | \$ 219,289 | \$ 198,448 | \$ 644,488 | \$ 589,671 |
| Net income from continuing operations | \$ 13,706 | \$ 8,249 | \$ 27,625 | \$ 10,889 |
| Add back: | | | | |
| Income tax expense | 2,414 | 1,391 | 7,256 | 4,365 |
| Interest expense, net of interest income | 4,374 | 4,628 | 13,156 | 14,636 |
| Depreciation and amortization | 8,124 | 9,570 | 24,735 | 29,476 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) ⁽⁶⁾ | 28,618 | 23,838 | 72,772 | 59,366 |
| Add back: | | | | |
| Restructuring charges | 127 | (31) | 2,156 | 2,665 |
| Litigation and other losses (gains), net | (630) | 887 | (1,571) | (4,990) |
| Loss on sale of business | — | 32 | — | 5,863 |
| Transaction-related expenses | 563 | — | 2,613 | — |
| Foreign currency transaction losses, net | 114 | 9 | 36 | 196 |
| Adjusted EBITDA ⁽⁶⁾ | \$ 28,792 | \$ 24,735 | \$ 76,006 | \$ 63,100 |
| Adjusted EBITDA as a percentage of revenues ⁽⁶⁾ | 13.1% | 12.5% | 11.8% | 10.7% |

HURON CONSULTING GROUP INC.
RECONCILIATION OF NET INCOME FROM CONTINUING OPERATIONS
TO ADJUSTED NET INCOME FROM CONTINUING OPERATIONS ⁽⁶⁾
(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------------|------------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income from continuing operations | \$ 13,706 | \$ 8,249 | \$ 27,625 | \$ 10,889 |
| Weighted average shares - diluted | 22,561 | 22,110 | 22,425 | 21,947 |
| Diluted earnings per share from continuing operations | \$ 0.61 | \$ 0.37 | \$ 1.23 | \$ 0.50 |
| Add back: | | | | |
| Amortization of intangible assets | 4,205 | 5,934 | 13,036 | 18,233 |
| Restructuring charges | 127 | (31) | 2,156 | 2,665 |
| Litigation and other losses (gains), net | (630) | 887 | (1,571) | (4,990) |
| Non-cash interest on convertible notes | 2,171 | 2,070 | 6,436 | 6,138 |
| Loss on sale of business | — | 32 | — | 5,863 |
| Transaction-related expenses | 563 | — | 2,613 | — |
| Tax effect of adjustments | (1,673) | (2,312) | (5,909) | (7,109) |
| Tax benefit related to the enactment of Tax Cut and Jobs Act of 2017 | — | (747) | — | (615) |
| Tax benefit related to "check-the-box" election | (736) | — | (736) | — |
| Total adjustments, net of tax | 4,027 | 5,833 | 16,025 | 20,185 |
| Adjusted net income from continuing operations ⁽⁶⁾ | \$ 17,733 | \$ 14,082 | \$ 43,650 | \$ 31,074 |
| Weighted average shares - diluted | 22,561 | 22,110 | 22,425 | 21,947 |
| Adjusted diluted earnings per share from continuing operations ⁽⁶⁾ | \$ 0.79 | \$ 0.64 | \$ 1.95 | \$ 1.42 |

(6) In evaluating the company's financial performance and outlook, management uses earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted EBITDA as a percentage of revenues, adjusted net income from continuing operations, and adjusted diluted earnings per share from continuing operations, which are non-GAAP measures. Management uses these non-GAAP financial measures to gain an understanding of the company's comparative operating performance (when comparing such results with previous periods or forecasts). These non-GAAP financial measures are used by management in their financial and operating decision making because management believes they reflect the company's ongoing business in a manner that allows for meaningful period-to-period comparisons. Management also uses these non-GAAP financial measures when publicly providing the company's business outlook, for internal management purposes, and as a basis for evaluating potential acquisitions and dispositions. Management believes that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating Huron's current operating performance and future prospects in the same manner as management does, if they so choose, and in comparing in a consistent manner Huron's current financial results with Huron's past financial results. Investors should recognize that these non-GAAP measures might not be comparable to similarly titled measures of other companies. These measures should be considered in addition to, and not as a substitute for or superior to, any measure of performance, cash flows or liquidity prepared in accordance with accounting principles generally accepted in the United States.