

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

HURN.OQ - Q4 2024 Huron Consulting Group Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 25, 2025 / 10:00PM GMT

## CORPORATE PARTICIPANTS

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

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

## CONFERENCE CALL PARTICIPANTS

**Andrew Nicholas** *William Blair & Company - Analyst*

**Tyler Barishaw** *Truist Securities - Analyst*

**Bill Sutherland** *The Benchmark Company LLC - Analyst*

**Kevin Steinke** *Barrington Research Associates - Analyst*

## PRESENTATION

### Operator

Good afternoon, and welcome to Huron Consulting Group's webcast to discuss financial results for the fourth quarter and full-year 2024. (Operator Instructions) As a reminder, this conference call is being recorded.

Before we begin, I would like to point all of you to the disclosure at the end of the company's news release for information about any forward-looking statements that may be made or discussed on this call. The news release is posted on Huron's website. Please review that information along with the filings with the SEC for 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 and on Huron's website for all of the disclosures required by the SEC, including reconciliation to the most comparable GAAP numbers.

And now I would 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 2024 Earnings Call. With me today are John Kelly, our Chief Financial Officer; and Ronnie Dail, our Chief Operating Officer. The fourth quarter of 2024 produced record revenues before reimbursable expenses, or RBR, as our quarterly growth rate accelerated, reflecting strong performance across all three operating segments. We also drove strong margin expansion over the prior-year period and generated record cash flow from operations during the quarter.

2024 was another strong year for Huron, consistent with the financial goals we established at our 2022 Investor Day. In 2024, the execution of our integrated growth strategy drove record RBR and expanded our adjusted EBITDA margins for the fourth consecutive year. Led by strong growth in our Healthcare and Education segments, we achieved 9% RBR growth in 2024 over 2023, which was on top of very strong growth of 20% in 2023 over 2022. For the fourth consecutive year, we achieved high single-digit or better RBR growth.

We continue to deliver on our commitments to expand our margins and return capital to shareholders. In 2024, we meaningfully increased our adjusted EBITDA margin and adjusted diluted earnings per share. We generated record cash flows, and we returned over \$122 million of capital to shareholders via share repurchases. Collectively, these results created significant value for our shareholders as our stock price increased 21% in 2024.

These results were only possible because of our highly talented and dedicated team and our clients who continue to engage Huron as their trusted partner. Our growth strategy has delivered another year of strong results, demonstrating the solid foundation we've established under our integrated go-to-market model and collaborative culture.

Now I'll discuss our fourth quarter and full-year 2024 performance, along with our expectations for 2025. In the fourth quarter of 2024, Healthcare segment RBR grew 18% over the prior year quarter, reflecting strong demand across our performance improvement, revenue cycle managed services and digital offerings.

On a full-year basis, the Healthcare segment achieved record RBR of \$756 million, growing 12% over 2023, which was on top of exceptionally strong growth of 26% in 2023 over 2022. Demand was widespread across our broad array of offerings, including performance improvement, digital, revenue cycle managed services, strategy and innovation, and people transformation. We expect to continue to broaden our portfolio to meet the expanding needs of our Healthcare clients and enhance the foundation from which we plan to continue to grow this segment.

Now let me turn to commentary on the market. In recent calls, we've talked about declining provider margins across the health care industry, mostly resulting from increases in labor and supply costs that have outpaced revenue from volume increases. For many of our clients, those factors are likely to continue in 2025. At the same time, many health systems have made significant strides in achieving clinical and operational efficiencies in recent years. In fact, some of our hospital and health system clients had modest and in certain cases, robust margins in 2024.

However, at both ends of the spectrum and irrespective of today's financial performance, many health care organizations will likely need to take further actions to achieve or maintain financial sustainability in light of what we anticipate will be an increasingly dynamic regulatory environment and competitive landscape. Potential challenges that may emerge include: changes in clinical reimbursement models, changes to the federal funding levels for research, eligibility for Medicaid patients and changes to an organization's tax exemption status.

In addition, health systems are evaluating possible reductions in reimbursement for 340B-eligible drugs, which are discounted for providers that serve low-income and uninsured patients, as well as the impact that tariffs may have on the cost of supplies and on supply chains.

Our 2024 financial results, growing sales pipeline and the breadth of our offerings in this segment reflect our ability to serve more stable, growth-focused organizations in addition to those organizations facing significant financial pressure. We believe those market dynamics create continued opportunities for our diverse Healthcare portfolio as hospitals and health systems seek to optimize their operations while improving clinical care.

Our extensive set of offerings in performance improvement, digital, managed services, people transformation, financial advisory and strategy and innovation collectively enhance our ability to help our clients meet these current challenges while strategically planning for a more sustainable future.

Turning now to the Education segment. In the fourth quarter of 2024, Education segment RBR increased 15% over the prior year quarter, primarily driven by demand for our digital and strategy and operations offerings as well as incremental revenue delivered by GG+A, our global philanthropy-focused acquisition, which closed in the first quarter of 2024.

Annual RBR in the segment grew 10% compared to 2023, achieving record RBR of \$474 million. For the full year, the increase in RBR was driven by our acquisition of GG+A and continued demand for our digital and strategy and operations offerings.

In addition to the strategic and financial challenges we've discussed on prior calls, higher education is now facing a highly disruptive regulatory environment. We expect the most significant potential impact from anticipated reductions in federal research funding, including the potential cap on indirect cost reimbursement rates. As of today, it's still not entirely clear how these changes will evolve, but essentially, every research-intensive institution is bracing for significant changes to overall research funding, in some cases, up to several hundred million dollars or more.

Our higher education clients that have academic medical centers face the most potential disruption. These clients are focused on three core missions of teaching, research and clinical care. The financial impact of reduced research funding and lower indirect cost reimbursement rates will likely expand beyond the research enterprise as institutions are going to seek to maintain adequate funding for their research missions.

And research funding is only one area of potential disruption. Higher education institutions are also considering the impacts of changes to immigration policies, deregulation at both the federal and regional accreditation levels and potential impacts to taxation of the largest endowments. These potential regulatory changes are having immediate impacts on our clients, and we're focused on helping them shape their own institutional resilience strategies that will sustain their operations while creating a stronger foundation for the future.

Many of our clients are evaluating alternatives to respond to the more immediate impacts caused by the potential regulatory disruptions and quickly increase the financial resilience of their institutions. Others are evaluating the need to redesign their business models to support their longer-term aspirations in a disrupted environment, which we believe will create meaningful opportunities across our business, particularly our strategy and operations, philanthropy and digital offerings.

While the current uncertainties are extremely challenging for our clients, our long history of serving these institutions with our deep understanding of the industry and our broad set of capabilities positions us well to serve our clients no matter what changes they face. Our philanthropy, performance improvement and research offerings are just a few ways in which we're helping our clients sustain and improve their overall financial position and adjust their strategies for a new reality.

Turning to the Commercial segment. In the fourth quarter of 2024, Commercial segment RBR grew 6% over the prior year quarter, driven by the addition of AXIA Consulting to our portfolio and continued demand for our financial advisory offerings, partially offset by a decline in our strategy and innovation offerings.

Before I turn to our full-year commercial results, I'd like to highlight our recent acquisition of AXIA, who is a leading provider of supply chain-focused consulting and technology solutions. This acquisition expands our Oracle supply chain management offerings and broadens our technology portfolio with advanced Microsoft capabilities. It also strengthens our change management capabilities, helping empower clients to align their people and processes to support their digital-first goals. We're thrilled to have the AXIA team on board.

And now let me turn back to our full year results. Full-year 2024 Commercial segment RBR declined 1% year over year as macroeconomic uncertainty continued to persist, causing some clients to be more cautious about starting large-scale digital or strategy and innovation engagements. The decline in full-year RBR was driven by reduced demand for our strategy and innovation and digital offerings, partially offset by increases in our financial advisory business, which grew 9% over 2023, driven by solid demand for both our financial services advisory and restructuring and turnaround offerings.

Similar to the healthcare and education industries, we expect that clients in commercial industries will continue to face pressure from macroeconomic and geopolitical uncertainty as well as the evolving regulatory environment.

Our financial advisory offerings achieved another year of solid growth in 2024, which we believe will carry into 2025 as market uncertainty and regulatory changes impact our clients. In addition, AXIA's supply chain offerings are well positioned to support our clients as they plan for and build more resilient supply chains to help mitigate the impact of increased tariffs and changes in the geopolitical landscape.

As clients seek to optimize and modernize their operations, technology will continue to play a critical role, including the use of analytics, automation and AI. While market factors created mixed demand for our Commercial offerings in 2024, we remain cautiously optimistic about our prospects for 2025 based on our robust pipeline for our financial advisory and digital offerings and as we continue to build more industry depth and expand our core capabilities.

In addition to our financial performance, I'm incredibly proud of our team and the attractive work environment they continue to foster within Huron. We've established a strong, collaborative culture that we believe is one of our greatest competitive advantages. Because of Huron's unique

culture, we've been able to grow our leadership base to nearly 270 managing directors and principals and increase our total employee base to over 7,200 professionals globally as of December 31.

In addition, our team's collective efforts culminated in numerous awards and recognitions, including most recently being named a "Best Place to Work" by Glassdoor for the second year in a row. These recognitions and our strong financial results are a testament to our people and their passion for serving our clients, our communities and one another. I'm grateful for all they do for Huron and our stakeholders.

And now let me turn to our expectations and guidance for 2025, which contemplates our acquisition of AXIA as well as the divestiture of our Studer Education business, which closed on December 31. Our RBR guidance for the year is \$1.58 billion to \$1.66 billion. We also expect adjusted EBITDA margin in a range of 14% to 14.5% of RBR and adjusted diluted earnings per share of \$6.80 to \$7.60. Company-wide, we're projecting 9% RBR growth at the midpoint for 2025.

Building on our recent momentum, we believe that the primary end markets in which we compete will continue to create growth opportunities for our broad portfolio of offerings. Our integrated growth strategy remains focused on leveraging our leading market positions in health care and education, expanding our presence in commercial industries and growing the breadth of our digital capabilities, which collectively positions us well to respond to market uncertainty and ongoing client demand as we pursue sustainable value for our shareholders.

In terms of margins, at the midpoint of our 2025 guidance, we expect a 75-basis-point improvement over 2024, building upon the cumulative 300-basis-point improvement achieved since 2020. Our leadership incentives are aligned with driving sustainable margin improvement while funding organic investments in our business and in our people to achieve our growth goals. Because of our continued progress expanding our margins in 2024, fueled by our ongoing pricing and efficiency initiatives, we believe we remain on track to achieve our mid-teen level adjusted EBITDA margin goal in 2025.

The midpoint of our guidance for adjusted diluted earnings per share is \$7.20, an 11% increase over 2024, which was on top of a 43% increase achieved in 2023 over 2022. The 2025 midpoint is also 235% higher than our 2020 adjusted EPS of \$2.15, reflecting the compounding impact of our revenue growth, margin expansion and returns to shareholders via share repurchases.

We're proud of the growth we achieved in 2024, and we believe the strong foundation we built will help us continue to achieve top and bottom line growth into the future, particularly in light of the disruption and uncertainties facing many of our clients.

As we enter 2025, I'm excited about the opportunities ahead: opportunities to build upon our deep client relationships with a broader set of innovative offerings to address their rapidly evolving needs and enhance our competitive position, opportunities to continue to drive sustainable revenue growth and margin expansion while further investing in our business and returning capital to shareholders, and opportunities for further growth and development for our people who are the heart of our business. Our future is bright and our business trajectory, financial strength and collaborative culture position us very well to continue to create sustainable value for our shareholders.

And now let me 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, and good afternoon, everyone.

Before I begin, please note that I will be discussing non-GAAP financial measures such as EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS and free cash flow. Our press release, 10-K, and Investor Relations page on the Huron website have reconciliations of these non-GAAP measures to the most comparable GAAP measures, along with a 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 for the quarter, I'd like to discuss several housekeeping items. First, our fourth quarter results reflect the acquisition of AXIA Consulting, which closed effective December 1, and as such, one month of AXIA operating results are included within the

Commercial segment. Second, on December 31, we completed the divestiture of our Studer Education business, which primarily served the K-12 education market. As such, our fourth-quarter results do not include the Studer Education business. In 2024, Studer Education, which was included in the Healthcare segment, generated RBR of \$13.7 million.

Operating income for the Studer Education business, including certain corporate expenses directly related to the Student Education business was immaterial for 2024. As we further execute our growth strategy, we will continue to concentrate our resources and investments in areas that align with our market focus and drive the highest return for our shareholders.

Lastly, as it relates to our revenue-generating professional headcount metrics, we have updated our earnings release to provide additional information about headcount by industry and capability, breaking out managed services headcount separately in order to provide more detail to investors about our revenue-generating professional headcount growth.

Now I will share some of the key financial results for the quarter and full year 2024. The fourth quarter of 2024 produced record RBR of \$388.4 million, up 14.5% from \$339.2 million in the same quarter of 2023, driven by solid growth across all three operating segments.

For full-year 2024, RBR was \$1.49 billion, up 9.1% from \$1.36 billion in 2023 and on top of strong growth of 20.3% in 2023 over 2022. Led by strong performance in our Healthcare and Education segments, we achieved record RBR in 2024, which also marked our fourth consecutive year of achieving high single-digit or better RBR growth.

Net income for the fourth quarter of 2024 was \$34 million or \$1.84 per diluted share compared to net income of \$2.8 million or \$0.15 per diluted share in the fourth quarter of 2023. As a percentage of total revenues, net income increased to 8.5% in the fourth quarter of 2024 compared to 0.8% in the fourth quarter of 2023. As a reminder, Q4 2023 net income includes a \$19.4 million noncash unrealized loss net of tax or \$1 per diluted earnings per share related to our investment in a hospital-at-home company.

For full-year 2024, net income was \$116.6 million or \$6.27 per diluted share. This compares to net income of \$62.5 million or \$3.19 per diluted share in 2023. As a percentage of total revenues, net income increased to 7.7% for full-year 2024 compared to 4.5% in 2023.

Net income for full-year 2024 includes an \$11.1 million litigation settlement gain net of tax related to a legal matter where Huron was the plaintiff. Net income for full-year 2023 reflects the \$19.4 million noncash unrealized loss net of tax related to our investment in a hospital-at-home company.

Our effective income tax rate in the fourth quarter of 2024 was 27.3%, which was less favorable than the statutory rate, inclusive of state income taxes, primarily due to certain nondeductible expense items. On a full-year basis, our effective tax rate for 2024 was 24.3%, which was more favorable than the statutory rate, inclusive of state income taxes, primarily due to a discrete tax benefit for share-based compensation awards that vested during the year. This favorable item was partially offset by certain nondeductible expense items.

Adjusted EBITDA was \$56.8 million in Q4 2024 or 14.6% of RBR compared to \$41.4 million in Q4 2023 or 12.2% of RBR. For full-year 2024, adjusted EBITDA as a percentage of RBR increased 120 basis points to 13.5% compared to 12.3% in 2023. The increase in full-year adjusted EBITDA was primarily attributable to the increase in segment operating income in our Healthcare and Education segments, partially offset by a modest decrease in segment operating income in the Commercial segment and increased unallocated expenses to support the growth of our business.

This was our fourth consecutive year of expanded adjusted EBITDA margins, growing our adjusted EBITDA margins 300 basis points since 2020. Our progress demonstrates our commitment to our mid-teen margin goal as set forth in our 2022 Investor Day.

Adjusted net income was \$35.2 million or \$1.90 per diluted share in the fourth quarter of 2024 compared to \$25.1 million or \$1.29 per diluted share in the fourth quarter of 2023. For the full year 2024, adjusted net income was \$120.4 million or a record \$6.47 per share compared with \$96.2 million or \$4.91 per share in 2023.

Now I'll discuss the performance of each of our operating segments. The Healthcare segment generated 52% of total company RBR during the fourth quarter of 2024. This segment posted RBR of \$202.3 million, up \$30.3 million or 17.6% from the fourth quarter of 2023. The increase in revenues in the quarter was driven by strong demand for our performance improvement, revenue cycle managed services and digital offerings.

On a full-year basis, Healthcare RBR increased 12.2% to a record \$756.3 million compared to \$674 million in 2023, which was on top of strong growth of 26% in 2023 over 2022. The increase in RBR in 2024 was driven by strong demand across our portfolio of offerings.

We experienced strong growth across both our consulting and managed services and digital capabilities in Healthcare, increasing 12% and 13% over 2023, respectively. This growth is a testament to how our team continues to innovate and diversify its portfolio of services and products to address the evolving needs of our Healthcare clients.

Operating income margin for Healthcare was 30.3% in Q4 2024 compared to 25.9% in Q4 2023. The increase in operating income margin was largely driven by RBR that outpaced increases in salaries and related expenses for our revenue-generating professionals and lower contractor expenses, partially offset by higher bonus expense for our revenue-generating professionals as a percentage of RBR.

On a full-year basis, operating income margin was 27.6% in 2024 compared to 25.7% in 2023. The increase in operating income margin year over year was primarily due to a decrease in salaries and related expenses as a percentage of RBR and a decrease in contractor expenses, partially offset by an increase in SG&A expense and bonuses as a percentage of RBR.

The Education segment generated 31% of total company RBR during the fourth quarter of 2024. The Education segment posted RBR of \$118.8 million, up \$15.1 million or 14.5% from the fourth quarter of 2023. RBR in the fourth quarter of 2024 included \$4.8 million from our acquisition of GG+A. The increase in revenues in the quarter was driven by demand for our digital and strategy and operations offerings as well as incremental revenue delivered by GG+A.

On a full-year basis, Education segment RBR grew 10.4% year-over-year to a record \$474.2 million compared to \$429.7 million in 2023. The increase in full year RBR includes \$18.6 million from our acquisition of GG+A and continued strong demand for our digital and strategy and operations offerings.

The operating income margin for Education was 22.4% for Q4 2024 compared to 21.2% for the same quarter in 2023. The increase in operating income margin in the quarter was primarily driven by a decrease in compensation expense for our revenue-generating professionals as a percentage of RBR and decreases in training and practice administration expense, all partially offset by increased compensation expense for our support personnel and capitalized software expense amortization related to the development of our next-generation Research Suite software. On a full-year basis, operating income margin was relatively flat at 22.9% compared to 23.1% in 2023.

The Commercial segment generated 17% of total company RBR during the fourth quarter of 2024 and grew 6.1% over the prior year period, posting RBR of \$67.3 million compared to \$63.5 million in the fourth quarter of 2023. The increase in RBR in the fourth quarter of 2024 was driven by \$3.1 million of incremental revenue from our acquisition of AXIA and strong demand for our financial advisory offerings, partially offset by a decline in our strategy and innovation offerings.

On a full year basis, Commercial segment RBR declined 1.1% to \$255.6 million in 2024, inclusive of our acquisition of AXIA compared to \$258.4 million in 2023. The decline in full-year revenues was driven by reduced demand for our strategy and innovation and digital offerings, partially offset by an increase in our financial advisory offerings.

Operating income margin for the Commercial segment was 17.8% for Q4 2024 compared to 22.4% in the same quarter in 2023. The decline in operating income margin in the quarter was primarily driven by increases in compensation expense for our revenue-generating professionals and contractor expenses as percentages of RBR, partially offset by a decrease in segment restructuring charges. On a full-year basis, Commercial segment operating income margin decreased to 20% compared to 21% in 2023, reflecting increased salaries and related expenses.

Corporate expenses not allocated at the segment level and excluding restructuring charges, were \$47.8 million in Q4 2024 compared to \$45.4 million in Q4 2023. Unallocated corporate expenses in the fourth quarter of 2024 and 2023 included a gain of \$200,000 and expense of \$3.2 million, respectively, related to changes in the liability of our deferred compensation plan, which is offset by the change in fair value of our investment assets used to fund that plan reflected in other income. Excluding the impact of the deferred compensation plan in both periods, unallocated corporate expenses increased \$5.7 million, primarily due to increases in compensation costs for our support personnel and software and data hosting expenses, partially offset by a decrease in legal expenses.

On a full-year basis, corporate expenses not allocated at the segment level increased to \$191.2 million, which included \$5.2 million of expense related to the deferred compensation plan, compared to \$175.2 million in 2023, which included \$5.5 million of expense related to the deferred compensation plan. Excluding the impact of the deferred compensation plan in both periods, unallocated corporate expenses increased \$16.2 million, primarily driven by an increase in compensation costs for our support personnel and software and data hosting expenses.

Now turning to the balance sheet and cash flows. Cash flow generated from operations for 2024 was a record \$201 million. We used \$33 million to invest in capital expenditures, inclusive of internally developed software costs, resulting in record free cash flow of \$168 million.

DSO came in at 76 days for the fourth quarter of 2024 compared to 86 days for the third quarter of 2024 and 87 days for the fourth quarter of 2023. 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 our contractual payment schedules.

Total debt as of December 31, 2024, was \$357.7 million, consisting entirely of our senior bank debt, and we finished the year with cash of \$21.9 million for net debt of \$335.8 million. This was an \$89 million decrease in net debt compared to Q3 2024. In addition, the fourth quarter of 2024 included \$18.2 million of share repurchases or approximately 151,000 shares.

For full-year 2024, we used \$122 million to repurchase approximately 1.2 million shares, representing 6.6% of our outstanding shares as of the beginning of the year, and we used \$49.5 million for strategic tuck-in acquisitions. Our leverage ratio, as defined in our senior bank agreement, was 1.4 times adjusted EBITDA as of December 31, 2024, compared to 1.6 times adjusted EBITDA as of December 31, 2023.

Finally, let me turn to our expectations and guidance for 2025, which does contemplate the acquisition of AXIA as well as the divestiture of Studer Education. For the full-year 2025, we anticipate: revenues before reimbursable expenses in a range of \$1.58 billion to \$1.66 billion, reflecting a 9% year-over-year growth at the midpoint; adjusted EBITDA in the range of 14% to 14.5% of RBR, reflecting a 75-basis-point improvement over 2024 at the midpoint; and adjusted non-GAAP EPS in a range of \$6.80 to \$7.60, reflecting an 11.3% increase over 2024 at the midpoint. We expect cash flows from operations to be in a range of \$195 million to \$235 million.

Capital expenditures are expected to be approximately \$35 million to \$45 million, inclusive of cost to develop our market-facing products and analytics tools. And free cash flows are expected to be in a range of \$160 million to \$190 million, net of cash taxes and interest and excluding noncash stock compensation.

Weighted average diluted share count for 2025 is expected to be in the range of 18 million shares to 18.5 million shares. Finally, with respect to taxes, you should assume an effective tax rate in the range of 28% to 30%, which comprises the federal tax rate of 21%, a blended state tax rate of 5% to 6% and incremental tax expense related to certain nondeductible expense items, partially offset by certain deductions and tax credits.

Let me add some color to our guidance starting with revenue. The midpoint of the revenue range reflects 9% revenue growth over 2024. As Mark mentioned, our recent growth trajectory has highlighted the resilience in our business despite uncertainty in the market as we continue to achieve high single-digit growth or better over the last four consecutive years. Because of the market demand for our offerings and robust pipeline across our business, we believe we are well positioned to achieve growth in 2025, consistent with our financial objectives.

With regard to our Healthcare segment, we expect mid-single-digit revenue growth for the full-year 2025, and we expect operating margins will be in a range of approximately 26% to 28%. In the Education segment, we expect mid- to upper single-digit percentage revenue growth for the full-year 2025, and we expect operating margins will be in a range of approximately 23% to 25%.

As Mark mentioned, we're in the midst of a highly dynamic regulatory environment that could drive significant changes to the higher education business model. Even with the rising uncertainties in the market, we believe we are well positioned to help our clients navigate the ongoing changes as they arise. In the Commercial segment, we expect to see growth in the low 20% range for 2025, which includes a full year of AXIA.

And we expect our operating margins in this segment to be in a range of approximately 21% to 23%. We expect unallocated corporate SG&A, 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 basis for FICA and our 401(k) match, our annual merit and promotion wage increases go into effect on January 1, an increase in stock compensation expense for restricted stock awards that will be granted in March to retirement-eligible employees, and an increase in practice administration and meeting expenses driven by several larger team meetings that take place in the quarter. 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 2024 adjusted EBITDA, adjusted net income and adjusted EPS, there are several items that you will need to consider when reconciling these non-GAAP measures to comparable GAAP measures. The reconciliation schedules that we included in our press release will help walk you through these reconciliations.

Lastly, I want to remind everyone that we will be hosting an Investor Day on Tuesday, March 25, 2025. We hope you can join us in person in New York or via the virtual webcast. You can register for the event on the Investor Relations page of the Huron website. Thanks, everyone.

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

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Andrew Nicholas, William Blair & Company.

---

### Andrew Nicholas - William Blair & Company - Analyst

I wanted to first ask a question on the regulatory backdrop. I think there was quite a bit of color there and thoughts on how dynamic the regulatory environment is. But I'm just -- maybe to simplify a little bit. I'm just curious. Is the pipeline, which you referred to as robust, I think several times, has that been affected by it yet?

Or is there some concern that it would be a couple of quarters out? Just kind of any net impact that you've seen to date and whether or not that's positive or negative.

---

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

Yes, Andrew, it's Mark. We have not to date seen really any significant clients reprioritize spending, although it's something that we watch. At the same time, we also know that given the scope of everything that's going on right now, they need our help. So I think you kind of framed around maybe if things really start to go the other way. We feel like our guidance range captures the downside.

At the same time, we think there's probably upside as well. And I think it's just changing so rapidly on any given day, it's hard to predict exactly how it will evolve. But at this point, we feel like we're as well positioned as we can be given the range of uncertainties that are going on just because of the breadth of what we do to help them in every part of their business.

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

And Andrew, I'll just add from just looking at our data perspective, when we look at our backlog coverage, when we look at our pipeline, they all remain very, very strong through the date of the call today. So that's something that gives us a lot of confidence. And then exactly, as Mark said, really both within Healthcare and Education, while it is a dynamic environment and there are frequent changes, many of our offerings really within Healthcare and Education are quite responsive to some of the challenges that our clients are seeing. So we feel good about the opportunity there to really help our clients navigate the change.

And one final point would be, if you look at where we made some investments during 2024, first with the GG+A acquisition focused on global philanthropy and then with the AXIA acquisition focused on supply chain technology, we're really happy that we added talent in those areas. Because those feel as we head into 2025, like two areas where we're seeing increasing need from our clients for help. So that's something that also is encouraging to us.

**Andrew Nicholas** - William Blair & Company - Analyst

Helpful. And then maybe for my follow-up, I believe last quarter, John, maybe you mentioned a 2% increase in headcount growth outside of managed services. And now it looks like that comparable number is up to the mid-single-digit level. Just kind of curious where you're leaning in, in terms of headcount growth and maybe if there's any thoughts on that plan for 2025 as well.

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

Yes. I think probably just from a computational perspective, you have AXIA in those numbers. So that probably is one factor in terms of the increase from 2% to the mid-single-digit range. I think beyond that, it continued to be a good quarter in the fourth quarter in terms of sales conversion. That's continued into the early part of the first quarter here. And so that is causing us to continue to add talent to our team to be able to address client needs.

I'd say within the Healthcare business, particularly on both the performance improvement side as well as the managed revenue cycle managed services side, those are two places where we're adding a lot of resources. And then also within certain areas of our digital business where we're seeing increased demand.

**Operator**

Tobey Sommer, Truist Securities.

**Tyler Barishaw** - Truist Securities - Analyst

It's Tyler Barishaw on for Tobey. Just with the recent reduction in, you mentioned, maybe medical research spend, can you maybe just explain the puts and takes as you see maybe for Huron on the positive and negative side?

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

Yes. So Tyler, the way that would work is that essentially, it's really a reduction in demand for our Education clients -- from our revenue for them because as they get fewer research grants that are being actually processed -- and that's really what's happening right now.

If you look at the federal register and the number of grants that are actually being posted out there, it's slowing down significantly. So as they have less revenue that's coming in to fund their research activities, it puts pressure on their overall financial -- institution from a financial perspective.

And then on top of that, if the reimbursement rates on indirect expenses are lowered, it just means grant for grant, they're getting fewer dollars into the organization, again, so it's really a net reduction in revenue.

So analogous to our Healthcare business when they have margin pressure, margins are not used in education, but the total revenue going down puts pressure on their ability to fund their activities. And so they'll need to think through what are the changes they need to do in their institution to be responsive to reductions in funding. Hopefully, that helps explain that dynamic.

---

**Tyler Barishaw** - *Truist Securities - Analyst*

Yes, it does. And just following up on utilization. Can you maybe just give us some expectations for how utilization will trend throughout the year?

---

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

Sure, Tyler. If you look at 2024, the way things progressed, there was really a steady ramp of improvement in utilization over the course of the year. In the fourth quarter, we were above 77%, both for our consulting capability as well as our digital capability. As we turn the corner into the first quarter, I think our expectation is that you're going to continue to see strengthened utilization. I think that's reflective of the demand that we're seeing.

And part of the reason utilization was lower in the first half of 2024 was we did have unusually or historically low attrition in the business. So that remains a factor that we'll have to continue to watch into 2025. But if you make normalized assumptions there for 2025, we still think that we're going to have some nice year-over-year improvement in terms of utilization in the first half of the year versus 2024.

---

**Tyler Barishaw** - *Truist Securities - Analyst*

And then just one final one. A lot of the different like managed care organizations are talking about higher medical costs in '25. Can you maybe just explain how that will impact your business, the Healthcare side of your business?

---

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

Yes. Again, Tyler, I think it's a consequence of squeeze margins. Because if you have a value-based care contract just costing you more to deliver against it, you're actually realizing fewer dollars on those contracts. So essentially, it's just -- again, it's been a longer-term trend that we've seen in both Healthcare and Education in terms of the increasing cost levels relative to the revenue they're bringing in. So it's just another lever that's going to put pressure on those organizations.

---

**Operator**

Bill Sutherland, The Benchmark Company.

---

**Bill Sutherland** - *The Benchmark Company LLC - Analyst*

I think, John, you said that '24, the operating margin benefited from lower employee expenses. Can you provide color on that?

---

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

I think, Bill, in terms of what benefited margins in 2024, I think there was general good management of our expenses across the business, not necessarily employee expenses. The other levers that I would point to in terms of what really drove the strong margin improvement in 2024 are

really our effectiveness in terms of pricing and making sure that we were billing in a manner that reflects the value we're driving for our clients was a big factor in 2024.

Scaling of our corporate SG&A as we've made investments over the years in our corporate infrastructure to really allow us to scale as we grow, I think that was another factor. Continued strong utilization of our global capabilities, I think, was a factor. So those were all things that we look at in terms of what really benefited 2024.

In terms of now, okay, going from 2024 to 2025, I think there's still room to run on many of those factors. I think consistent with the last question from Tyler, I think that there's room for utilization to improve in 2025 on a full year basis from where it was at in 2024. So I think that could be another factor. And then the final thing I'd point to is we have a number of initiatives within Huron right now to really effectively use our automation, analytics, AI tools to help us operate more efficiently. And we've got expectations that, that automation is going to help us continue to scale our cost as well.

---

**Bill Sutherland** - *The Benchmark Company LLC - Analyst*

Are you using some of your offshore for your corporate?

---

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

We do. Our global team supports our corporate needs as well.

---

**Bill Sutherland** - *The Benchmark Company LLC - Analyst*

John, did you mention how much AXIA is going to contribute to the commercial growth this year?

---

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

Yes. So if we think about 2025, I put the expectations, Bill, in a range of \$35 million to \$40 million in 2025. Keep in mind, there was about \$3 million in the fourth quarter, so think of that as incremental in the low \$30 million range. And then as I noted in my remarks, we did divest Studer Education during the year, which was about \$14 million in revenue last year. So the net of all that is \$20 million to \$25 million of probably inorganic growth that's baked into the guide.

---

**Bill Sutherland** - *The Benchmark Company LLC - Analyst*

And Studer's in Healthcare, right?

---

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

Studer Education was in Healthcare, yes.

---

**Bill Sutherland** - *The Benchmark Company LLC - Analyst*

Yes, yes. Okay. So are you guys -- this -- the world is changing rapidly and I was wondering if -- I mean, it just seems to line up very well for your capabilities for the most part. But I'm just thinking, are clients kind of holding back on work orders and implementations just for the moment? Is there a chance for a little bit of just a short-term air pocket?

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

Bill, a lot of -- so what we've seen so far is some of the larger digital initiatives that we have going on for systems implementations, they're not stopping those projects. They've committed the dollars. They need them for the future, and there's a tremendous cost and impact to stop anything in the middle. And so those are right now going on.

We do see, as an example, just discussions about what is the response because right now, it's not clear entirely. As an example, if there's an unpopular decision, you're seeing state AGs essentially file lawsuits to basically put in temporary restraining orders. So some of these are going to work through the system here in the coming weeks.

But at the end of the day, there's going to be a need for a lot of help in a short period of time to help clients reposition their businesses to be responsive, not only to the current year financial impact but for the longer term. So different than COVID as an example, just like in contrast, where you didn't have students there, and it was a big shock or you took elective surgeries out of the health care system.

Those were also shocks but they were not necessarily always good for us. I feel like these are issues that play to our strengths based on the offerings that we have. And that's why we perhaps feel we're watching it carefully, but we don't have any material concerns. We're mainly concerned about truly helping our clients in a very challenging situation. That is a paramount focus for a lot of our people right now.

**Bill Sutherland** - *The Benchmark Company LLC - Analyst*

Sure, sure. And last one, John, you said for us to look for mid-single top line growth in Healthcare. Any -- kind of what are your puts and takes as you kind of lay that number out there?

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

So I think if you look at our revenue growth over the past several years in Healthcare, it was 13% in 2024, 26% in 2023, 20% in 2022. Obviously, it's just been a really strong run of growth there. So just given that it's our biggest business, a little bit of the law of large numbers and some of the growth that we've seen over the past few years, we thought it was more prudent at the beginning of the year to go with a more cautious growth outlook to start.

I would point out that that was also our guidance at the beginning of 2024, and we ended up having a year where we were able to post double-digit growth. Other factor that I point out, Bill, in that mid-single-digit percent range is that has the divestiture of Studer Education embedded in it. So really kind of the implied organic growth is a couple of points higher than that.

I think in terms of what drives the upside there, we continue to see really strong demand for our performance improvement offerings. We continue to see really strong demand for our HMS, managed services offerings, in digital as well from a lot of our clients that are investing in their digital infrastructure. It's been good for our strategy and financial advisory teams, too. So I think those are all the things that, to the extent that momentum would continue throughout the year like it was towards the end of last year, that could drive us towards the upper end of the revenue guide.

**Operator**

(Operator Instructions) Kevin Steinke, Barrington Research & Associates.

**Kevin Steinke** - *Barrington Research Associates - Analyst*

So I guess in relation to an earlier question, but specific to commercial digital, I think last quarter, you were talking about you felt like you were pretty well positioned for some good growth in the commercial digital business in 2025. I think in your prepared comments, you kind of talked about cautious optimism.

Is that kind of the way you're thinking about that business as we move into 2025, given some of the uncertainty in the environment? And just what does the overall pipeline in commercial digital look like?

---

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

Yes. Kevin, this is John. I think from an overall perspective, we're very encouraged by the backlog coverage ratios that we see right now in the Commercial segment, and that includes our digital business. So that's certainly something that gives us confidence. If you look at the 20-plus percent growth that we've talked about for the Commercial segment in 2025 based on the guidance, that's about half from our AXIA business, it's about half organic growth.

And really, the organic there is driven by our digital business, and that's based on some of the stability now we've seen in the pipeline and the backlog coverage that we have going into the year as well as what continues to be a robust environment for our financial advisory offerings within the Commercial segment. So we put those two things together, and that's what really drives our confidence in the 20% plus guided growth rate for 2025.

---

**Kevin Steinke** - *Barrington Research Associates - Analyst*

Okay. Yes, that's helpful. And also last quarter, you had talked about some projects that had been a little slower to start up. I'm thinking specifically within Education. It sounded like some client-specific factors.

Have those projects started to catch up now or ramp up? Or is there anything to call out there on that front?

---

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

No, Kevin, those did commence in the back half of last year into the fourth quarter as we expected. We went through a lot of that ramp-up period during the fourth quarter, and I would describe those projects as now at run rate as we start the year here as we had expected last time we talked.

---

**Kevin Steinke** - *Barrington Research Associates - Analyst*

Okay. Great. And then just lastly, Mark, I believe in your prepared comments, you talked about plans to broaden your Healthcare offering. And I feel like you're already pretty broad in your Healthcare services. But any comments on where you could potentially add or broaden out those services even more?

---

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

Yes, Kevin, I think there's a number of areas: I think our financial advisory services area has certainly areas for expansion that I think bring us more to the strategic and advisory areas of M&A as an example; our managed services offering, which we continue to be very excited about and I think we're going to get -- continue to see momentum as well; I think digital as well as payer.

I think when you consider the size of the US provider market, I think we have a lot more runway in the health care industry to just continue to broaden the adjacencies that we have today, such deep and very strong client relationships that just set us up for continued expansion.

**Operator**

Seeing no more questions in the queue, I'd like to turn the call back to Mr. Hussey. Sir?

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

Thank you, everyone, for spending time with us this afternoon. We look forward to speaking with you again at our upcoming Investor Day on March 25, when we're going to share more about the continued evolution of our strategy and financial goals. Have a good evening.

**Operator**

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

**DISCLAIMER**

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025, Refinitiv. All Rights Reserved.