Operator

Good afternoon, ladies and gentlemen, and welcome to the Huron Consulting Group's webcast to discuss financial results for the first quarter 2018. (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 the information, along with the filings with the SEC, for 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 Jim Roth, Chief Executive Officer and President of Huron Consulting Group. Mr. Roth, please go ahead.

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

Thank you. Good afternoon, and welcome to Huron Consulting Group's First Quarter 2018 Earnings Call. With me today is John Kelly, our Chief Financial Officer; and Mark Hussey, our Chief Operating Officer.

Led by strong growth in our Education segment, our first quarter results were consistent with our full year expectations, and today, we affirm our full year guidance. The Healthcare segment continued to make progress in its operational turnaround and the Business Advisory segment reported solid revenue growth compared to prior year results. I will now provide a brief overview of the performance for each segment, and then John will add color to the financials.

Let me begin with Healthcare. During the first quarter, the Healthcare segment revenues declined 9% compared to the prior year quarter. The quarter-over-quarter decline was primarily attributable to the roll-off of a larger engagement in the first quarter of 2017, where we benefited from a significant contingent fee and anticipated softness in our Studer Group business, largely stemming from the impact of midyear cancellations in that business in 2017.

During Q1, we continue to see success in the operational turnaround in this business. Our unified go-to-market approach and modified delivery models have been well received in the market, particularly in a time when margin pressures within the provider industry are under significant and growing pressure. We are now through the period of tougher comparisons in the Healthcare segment, and our outlook reflects a more balanced portfolio of engagement sizes and service lines across a larger client base.
The Healthcare industry continues to face significant disruption, including a rapidly changing vertical realignment of the industry, adding to the challenges that providers already face in their complicated business models. As these changes evolve, we are well positioned to help our clients architect transformative strategies to compete in this disruptive environment. Over the past year or so, we have dramatically increased our strategy, technology and analytics capabilities to enhance our market-leading performance improvement and Studer Group leadership and patient engagement offerings. Our clients face considerable uncertainty about how best to achieve their future goals, and we are excited about how our business has transitioned to provide a unified and comprehensive set of offerings to help our clients navigate this market.

Given our previously mentioned transition to an expanded client base comprised of smaller, more discrete projects, visibility into the latter part of the year remains limited, leading to our continued cautiousness in predicting the rate of growth in the Healthcare segment for the remainder of 2018. We are encouraged that the last 2 quarters seem to indicate that we have reached a point of stabilization and that market conditions appear favorable for our return to growth. However, we remain conservative in our outlook as we continue to transform our Healthcare business to compete in a dynamic and evolving market.

Turning to the Business Advisory segment. Revenues grew 16% over Q1 2017. Excluding the impact of the divestiture of the Life Sciences compliance and operations business in Q2 last year, organic revenue grew in the mid to upper single-digit range quarter-over-quarter, driven by the Enterprise Solutions and Analytics or ES&A business.

The ES&A business, currently our third largest, grew revenues organically in the low double-digit range over the first quarter of 2017. Our growth in this business has come from several key industries, including financial services, energy, manufacturing and technology. In addition, over 20% of total ES&A revenue was generated in the Healthcare and Education industries.

A prime example of our success has been in our salesforce solution, which in the first quarter worked at over 25 Education institutions and Healthcare organizations. The legacy Business Advisory practice grew revenues organically in the low single-digit range over the first quarter of 2017. We've been involved in some of the recent and notable troubled company situations in the retail sector and continued to expand the depth of our competencies in our traditional areas of market focus, including Healthcare and middle market industrial companies.

The strategy and innovation business turned the corner into 2018 at a slower pace, but picked up steadily throughout the quarter, winning some significant projects at large multinational corporations and some major health systems. We acquired Innosight 1 year ago, with its focus primarily on Fortune 150 clients. Our initial belief that we can also successfully collaborate to serve our Healthcare, Education and Life Sciences clients, has already come to fruition in Healthcare, enabling us to win notable assignments against some of the largest strategy firms. Our plan is to expand the collaboration with Innosight into Education, Life Sciences and the Financial Services in the near future.

Our success is partly driven by our ability to combine creative strategic perspectives with deep industry knowledge, a key differentiator in our go-to-market approach. Our focus remains in pursuing opportunities in all industries facing significant disruptive change.

Finally, excluding the impact of the divestiture of the Compliance and Operations business in Q2 of last year, the Life Sciences business was down slightly quarter-over-quarter, driven by softness in our strategy offerings. Our Market Access business, which we acquired in the first quarter of 2017 through Pope Woodhead, continued to perform well, and we are pleased with the ongoing integration and collaboration within this practice. Our market focus for this business is on large and emerging pharmaceutical, medical device and biotech companies, all of which are operating in a rapidly changing environment. We are well prepared to help clients be successful in this environment as they look to new markets and new products to drive future growth.

In the first quarter of 2018, the Business Advisory segment generated approximately 26% of its total revenue in the Healthcare and Education industries, and we continue to strengthen collaboration among the 4 businesses within the segment. Collaboration remains one of our critical competitive advantages and a core driver of our 5-year strategy.

Turning now to Education. The Education segment revenues in Q1 2018 grew 13% organically over the same period in 2017. This business continued to see solid demand across nearly all its service lines, delivering strong growth quarter-over-quarter. We have seen organic growth in this segment
for the past 3 years. Similar to Healthcare, the higher education market is undergoing substantial change, primarily related to continued declines in public funding and the impact that technology has had in bringing alternative solutions to a changing student demographic.

Our cloud-based services are performing well, helping our clients transition to better technology solutions, while we also transform their business processes. Our portfolio of services supporting the basic and clinical research enterprise continues to grow as we expand our service offerings, and our strategy and operations solution has been involved in numerous engagements involving consolidation, business model transformation and strategic positioning.

Finally, our student solution, which is focused on student-centered initiatives, is gaining momentum in the area that is critical to our client’s future success. Overall, this business remains well positioned to expand its already preeminent position in the higher education market.

Before I turn to our outlook for the rest of the year, I want to comment on our first quarter margins. The decline in net income over the prior year period was primarily driven by 3 key factors: a planned increase in salaries and related expenses for our revenue-generating employees, including an increase in bonus funding, which is based on our current full year expectations; the impact of 2 practice-wide leadership meetings, which occurred during the first quarter of 2018; and a significant contingent fee that we received in Q1 ’17 from a large Healthcare project that was substantially completed at the end of 2016.

Our Q1 results were consistent with our full year expectations. So today, we affirm our company-wide 2018 guidance for revenue and earnings. We are committed to driving long-term shareholder value through our focus on a sustainable organic growth strategy that we believe will lead to increased profitability. We have completed the first quarter of our 5-year strategic plan and have planted some of the seeds that are essential to our aggressive long-term goals. For example, our vision of becoming the premier transformation partner to our clients hinges in our ability to become a more integrated operating business. To accomplish that, we are moving historical silos that existed within our business to improve the execution of our organic growth strategy. This initiative enables us to be more responsive in the market as our clients confront the challenges of their own rapidly changing environments.

Evidence of this progress is the traction we have seen in the first quarter in the Healthcare market by bringing together our deep industry expertise with our strategy and innovation competencies. Our Innosight and Healthcare teams have been asked by boards and management teams at several large health systems to develop strategies necessary to drive growth, enhance performance and sustained leaderships in the market they serve.

Consistent with our strategy, we plan to exit our Middle East operations and focus investment in expanding our India operations. This divestiture, which we anticipate will close in May, will allow us to centralize our investments in the region and preserve our ability to invest more efficiently and effectively in India, where we see our greatest growth opportunities.

I continue to believe our shareholders will ultimately be rewarded for their patience as our leadership and people embrace and execute against our new vision and strategic roadmap. I remain enthusiastic about our prospects for 2018 as we further execute and build momentum around our strategy, and we are committed to returning Huron’s sustainable organic growth and increase profitability over time.

Now let me turn it over to John for more detailed discussion of our financial results. John?
Now let me walk you through some of the key financial results for the quarter. Revenues for the first quarter of 2018 increased 2.6% to $193.7 million compared to $188.8 million in the same quarter of 2017. First quarter 2018 revenues included $6.4 million of incremental revenues due to the full quarter impact of our acquisition of Innosight, which was completed in March of 2017. Net loss was $3.2 million or $0.15 per diluted share in the first quarter of 2018 compared to net income of $5.2 million or $0.24 per diluted share in the same quarter last year. As Jim mentioned, the decline in net income over the prior year period reflects: a planned increase in salaries and related expenses for our revenue-generating employees, including an increase in bonus funding, which is based on our current full year expectations; the impact of 2 practice leadership meetings, which occurred during the first quarter of 2018; and the impact in the first quarter 2017 of a significant contingent fee in our Healthcare segment for a large project that was substantially completed at the end of 2016.

Our effective income tax rate in the first quarter of 2018 was negative 14.7% compared to 52.7% a year ago. Our effective tax rate for Q1 of this year in relation to the statutory rate principally reflects the negative impact of share-based compensation that vested during the quarter at a lower share price than the original grant date. Adjusted EBITDA was $13.7 million in Q1 2018 or 7.1% of revenues compared to $27.1 million in Q1 2017 or 14.4% of revenues, driven by the same factors that reduced net income. Adjusted non-GAAP net income was $4.2 million or $0.19 per diluted share in the first quarter of 2018 compared to $11.8 million or $0.55 per diluted share in the same period 2017. Our full year 2018 revenue, adjusted EBITDA and adjusted non-GAAP net income guidance remains unchanged.

Now I’ll make a few comments about the performance of each of our operating segments. The Healthcare segment generated 46% of total company revenues during the first quarter of 2018. This segment posted revenues of $90 million of the first quarter of 2018, down $8.6 million or 8.7% from the first quarter of 2017. As Jim mentioned, the decline in revenue was primarily driven by 2 factors: first, the roll-off of a larger engagement in our performance improvement business during the first quarter of 2017; and second, the impact of the mid-2017 cancellations in our Studer Group business. Performance-based fees in Q1 2018 were $10.2 million compared to $11.7 million in the same quarter last year. Our full year expectation for the range of performance-based fees continued to be $25 million to $35 million. Operating income margin for Healthcare was 27.2% for Q1 2018 compared to 34.7% for the same quarter in 2017. The year-over-year decrease in operating margin was primarily attributable to an increase in salaries and related expense, including bonus, for our revenue-generating professionals in the first quarter of 2018, which is based on our current full year expectations and then expense for practices leadership meeting, which occurred this year but was not held in the prior year as well as the impact in the first quarter of 2017 of a significant contingent fee amount from a large project that was substantially completed at the end of 2016.

The Business Advisory segment generated 29% of total company revenues in the first quarter. The segment posted revenues of $55.9 million in the first quarter of 2018, an increase of 16.2% compared to $48.1 million in Q1 2017.

Revenues for the first quarter of 2018 included $6.4 million of incremental revenue due to the full quarter impact of our acquisition of Innosight. The operating income margin for Business Advisory was 16.1% for Q1 2018 compared to 20.5% for the same quarter in 2017. The decrease in operating income margin in the quarter is primarily attributable to an increase in salaries and related expenses, including bonus, for our revenue-generating professionals as a percentage of revenues.

The Education segment generated 25% of total company revenues during the first quarter of 2018. The segment posted record quarterly revenues of $47.9 million in Q1 2018, an increase of 13.3% compared to revenues for Q1 2017 of $42.3 million. The operating income margin for the Education segment was 23.9% for Q1 2018 compared to 27.2% for the same quarter in 2017. The decrease in operating income margin in the quarter was primarily attributable to the increase in salaries and related expenses for our revenue-generating professionals as a percentage of revenues as we have increased headcount in anticipation of future growth and in expense for the all-practice meeting that occurred this year but was not held in the prior year.

Other corporate expenses not allocated at segment level were $32.9 million in Q1 2018 compared with $32.5 million in Q1 2017.

Now turning to the balance sheet and cash flows. DSO came in at 67 days for the first quarter of 2018 compared to 59 days for the fourth quarter of 2017. The increase in DSO reflected 1 significant outstanding receivable, which was subsequently collected during April, and an increase in WIP on certain Healthcare projects, where the contractually scheduled billings and revenue recognized through March 31 will occur in the second and third quarters. Total debt includes $250 million base value of convertible notes, $138.5 million in senior bank debt, $85 million promissory note,
for a total debt of $393 million. We finished the quarter with cash of $6 million for net debt of $387 million, an increase of approximately $44 million compared to net debt of $343 million as of the end of the fourth quarter.

The first quarter reflects the payment of our annual bonuses. We ended Q1 2018 with a leverage ratio as defined in our recently amended and extended senior secured credit agreement of approximately 3.77x adjusted EBITDA. Consistent with our prior comments, we continue to expect our leverage ratio to be below 3.0x by year-end. Cash used by operating activities for the first quarter was $36.3 million. We continue to expect cash from operating activities for the year of $95 million to $105 million.

Plus capital expenditures of roughly $15 million, we expect free cash flow for the year of approximately $80 million to $90 million, net of cash taxes and interest and excluding noncash stock compensation. We also paid $7.6 million in earn-out payments during April related to prior acquisitions.

Finally, as Jim mentioned, we are affirming the annual revenue and earnings guidance that we provided during our February earnings call.

As a closing reminder, with respect to 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. Thanks, everyone. I would now like to open the call to questions. Operator?
Okay, you're staying relative to the EBITDA. Okay. And the leadership meetings, was that low single digits of millions per meeting, so multiplied by 2?

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

In total.

Timothy John McHugh - William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst

In total. Between them. Okay. And the FICA expenses, did you say how much or kind of the broader fringe cost early in the year.

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

Low to mid-single-digit millions is how we'll describe the impact during the first quarter relative to other quarters.

Timothy John McHugh - William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst

Okay. Can you help, I think, just the math people will run, I mean, you need kind of significantly lower expenses than that even if I just take the midpoint of the guidance range for the next 3 quarters, the implied numbers were much lower than what you had in Q1. I guess I'm trying to reconcile why expenses will be lower than in the first quarter going forward the next few quarters, particularly, if you're hiring still.

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

I think another factor that I would cite, Tim, is I don't know, if you look at the Business Advisory margins that we had during the first quarter, those were at 16%, so that's probably another contributing factor when you look at the full year. As Jim mentioned in his comments, Innosight started off slower in January and then ramped up really in line with our expectations by March, but there still was our Q1 impact related to the fact that they did start slower in January, so we don't have any full year concerns with regard to their margin expectations. And then really, with the legacy Business Advisory segment, their plan does include the expectation that we'll have success fees throughout the course of the year, and it was really a pretty light success fees quarter. So I say those factors, if you're looking at the Business Advisory segment and 16% margins that we had during the first quarter versus the expectation that is set in the call of 22% to 23%, I think that's another factor. You just kind of get the headwind across all the segments of the fringes, you've got the SG&A items related to the practice meetings, which is in the low single-digit millions and then within BA, we do expect to see improvement there based on those 2 factors.

Timothy John McHugh - William Blair & Company L.L.C., Research Division - Partner & Global Services Analyst

Okay. And then just 2 follow-ups. You mentioned Studer. I guess, still feeling the impact of the midyear things from last year. I guess what's the growth rate on that sort of business now? And then, can you talk to us about the size of the impact of the divestiture in the Middle East?

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

Yes. So I'll start with the Middle East, and then hand it over to Mark who can comment on Studer growth rates for the year. So Middle East perspective, we don't expect to have any impact on a revenue-adjusted EBITDA, or adjusted EPS guidance for the year. Our internal plans would have been in sort of the mid-single-digit million range, but we hedged that back for guidance purposes so it doesn't really have any impact on our guide and
from a profitability perspective, it would be a very small amount. And again, it was something that we would hedge back in that guidance that we provided.

C. Mark Hussey - Huron Consulting Group Inc. - EVP & COO

Tim, and then on Studer Group, this is Mark. I would expect it to be flat to slightly down for the full year, based on cancellations from last year that are partially offset by some higher transactional revenue from this year. And we started to see more opportunities across the full Healthcare practice for things that were traditionally Studer Group that are finding their ways into performance improvement engagement. So we’re leveraging a broader base, and those are some of the offsets to why we’re seeing some -- we would have otherwise seen declines in 2018.

Operator

(Operator Instructions) Our next question is from Bill Sutherland of Benchmark.

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

On -- just following up on the Studer question there. So simple math would suggest you'll have up comps in the back half. Is that fair?

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

From a Studer Group perspective?

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

Yes.

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

Yes, that's correct. Because we're selling, Bill, we're selling into the year. I mean, you started with the total contract values reflecting the cancellations and there's still business efforts and selling that's going on. So that is correct.

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

Right. And some of the impact of the cancellations from last year didn't really fully hit the run rate until the third or fourth quarter. So I'd say the second -- if you're just looking at the Studer Group in isolation. The second quarter is probably still a more challenging comp then once you get to the third quarter and the fourth quarter, you've got more of an apple-to-apples basis contemplating those cancellations.

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

And then when I'd look at the first quarter, I guess, John, it feels to me like with the performance fees a little bit disproportionately high relative if it was purely flat quarter-to-quarter, I mean if you divide it 30 by 4, that offset what looks to be some pressure on utilization, or is the high 20s kind of where utilization, (inaudible) am I looking at the right line? No, no, you had -- no, that's my puzzle here, I'm sorry, I was looking at the wrong line. Your utilization was better than I expected, and you had the performance fees, so your margin would've been a little better than the 27%.
John D. Kelly - Huron Consulting Group Inc. - EVP, CFO & Treasurer

Yes, Bill, if you’re reconciling from that 27% to the 32% to 33% that’s embedded in the full year guide. For Healthcare, it really does come down to the cost of the practice meeting, which is a segment-wide leadership meeting that they had during the first quarter, on the seasonality of fringes as it relates to that segment, and then the fact that from a bonus perspective, we accrued to what our full year expectation was, which essentially means we accrued more bonus during the first quarter than we otherwise would if we’re just looking at the first quarter in isolation. So it’s really those factors that kind of bridge that 5% gap.

C. Mark Hussey - Huron Consulting Group Inc. - EVP & COO

The thing I would add to that, Bill, is that I think the bill rates were a little bit low in the quarter. And so while utilization was a little bit -- it’s been good, we’re pleased with that, but the mix of that utilization has a little bit more assessment activity as we’ve seen better pipeline this year. And so in some respects, we expect that bill rate to be another factor that will help improve margins in the future quarters.

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

I was wondering, in light of the fact that you are enhancing the comp packages for -- I'm not -- well, first off, my question would be, are you enhancing it across-the-board or these targeted?

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

This is Jim. They're mostly targeted. I mean, we don't have them for specific individuals as much as it is. We're trying take the overall package, but the overall package ends up getting targeted. So it's not a pro rata thing across everybody. We look at the bonuses and try to make sure that they're going to be applied in ways where the people are contributing most to the value of that business.

C. Mark Hussey - Huron Consulting Group Inc. - EVP & COO

Just maybe, Bill, clarify your question a little bit to make sure -- let's make sure we answered what you're asking.

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

Well, it was -- it wasn't well explained, but -- I mean, Jim did get the first part of it. The second part of it, do think you are effectively addressing -- churn is obviously one thing you want to do what you can with the compensation. Are you feeling good about that?

C. Mark Hussey - Huron Consulting Group Inc. - EVP & COO

Yes. I got it. So just to be clearer, the competition increases were all normal. There was nothing unusual about them. But I would say, generally speaking, when you look at turnover, what we've experienced so far this year has been well below it was last year, and that's at every single level, up to and including our managing directors. So we've been pleased with how that has actually started out in the year.

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

And this is Jim. And as a part of that, I think it's important to point that we have, since the beginning of January when we rolled out our strategic plan, we've spent a lot of time, with all the practices, talking about what it means, where it can take us and how we see it, generally, growth for the company. And I think that there has been a lot of excitement and enthusiasm around that, and we feel good about the way we're progressing against that plan. And I think that's part of the reasons why you see the turnover levels the way they are right now.
William Sutherland - The Benchmark Company, LLC, Research Division - Equity Analyst

And then finally from me, how are you finding the selling environment in Healthcare these days? I guess that's a broad question, maybe you want to talk about it a little bit by units they'll cycle.

C. Mark Hussey - Huron Consulting Group Inc. - EVP & COO

Sure. Again, I think as Jim described the general backdrop for the industry right now has margin pressure and some degree of uncertainty. And I think in that context, there's definitely been a need for health systems to think differently about their cost structures and to find ways to improve their margins. So in that backdrop, what we've seen is, again, smaller engagements that have led to follow-on work as we've gotten started. We have found -- the competitive environment is healthy, but I think we're winning at least our fair share of the opportunities. I think the balance across the portfolio has been good as well. So I think we alluded to some of the progress that we've made on the strategy side of our practice, working with -- closely with Innosight. And I would add to that, technology aspects of our business are growing above our expectations. Candidly, they've been a nice help to us. Our performance improvement business is in line with our expectations. I'm pleased with how that's progressing. So generally speaking, we think we have a pretty healthy environment in selling right now.

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

This is Jim. The only thing I would add to that is, I mean just kind of the financial perspective, I think one of the common themes we hear is that you certainly have reimbursements that are going up at a rate that's slower than the expenses are going up, particularly in a tight market for nursing and physicians. So that's been a problem in terms of the margins. And I then think more broadly, you still have concerns over -- the real uncertainty is to the extent to which the vertical integration is going to begin to impact operations for the traditional provider market. And I think that's something that's going to roll out on time. A lot of the work that Mark is talking about in terms of the strategy work we're doing is really helping organizations begin to think through what are some of the potential implications and how should they think about responding to those, recognizing that the pace and depth of the vertical, the industry kind of consolidation, the extent to which other entrants are getting to the market right now is all very uncertain. And so you put all that together, it's a good market for us to be selling into. And I think given the fact that we have dramatically transformed our Healthcare business away from what historically had just been performance improvement revenue cycle, and now providing so many more capabilities around analytics, around strategy, around technology in addition to our core offerings, we feel really good about our ability to continue to sell into this really rapidly changing market.

Operator

Our next question is from Tobey Sommer of SunTrust.

Tobey O'Brien Sommer - SunTrust Robinson Humphrey, Inc., Research Division - MD

I apologize if I missed this earlier in the call. But with respect to Healthcare and the assessment activity that you described, those kind of dampening bill rates, is that in performance improvement area? Or is there elevated assessment activity in other service line as well within Healthcare?

C. Mark Hussey - Huron Consulting Group Inc. - EVP & COO

Typically, we'll have that predominantly in the performance improvement area because what you're doing is going in and looking at the financial opportunity to generate incremental ROI, and those are going to tie very well into the performance improvement part of that -- our business.
James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

I think, over the couple of years -- Mark, correct me if I’m wrong, but over the last couple of years, I think the degree -- the amount of assessment effort that we have is less in part because we changed the way we do assessments. But in part, when we had a much higher degree of contingent agreements, the upfront assessments were way more critical. When we have a lower level, those assessments become less critical.

C. Mark Hussey - Huron Consulting Group Inc. - EVP & COO

Correct.

Tobey O'Brien Sommer - SunTrust Robinson Humphrey, Inc., Research Division - MD

Okay. And how are you feeling about the demand environment in Healthcare. I feel like at the end of last summer, maybe even in the fall, we were -- on a call like this one, talking about a pickup in demand, but one that you weren’t willing to endorse as necessarily having legs because of the inconsistencies of the market in the prior years. How do you feel about it today?

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

Tobey, this is Jim. I think we made the comments back in the fall that we were encouraged by the way the market was picking up not only the level of demand, but the kind of demand, which we think was well matched to the way that we’ve transformed our business. And I think that remains. And I think, to some extent, it maybe even gotten a little bit better. The issue that we’ve had and the reason that we’ve said that we wanted to be cautious about extrapolating that too far was that, as we’ve said on number of occasions, the mix of our projects now, instead of being a small number of large jobs, there’s a much larger number of smaller jobs. And as a result, it just gives us a little bit less visibility. It’s not that different from what we’ve historically seen in higher education. So it’s not like that’s necessarily a bad thing, it’s just a different thing for us. And so, therefore, given all the change that are taking place in Healthcare, given our lower visibility, particularly compared to the way our visibility had used to be, we just are taking a cautious approach. At this stage, we feel good about the way the market is progressing. We feel good that it’s going to generate a solid demand for us. We just want to be cautious about extrapolating trends until we get a couple more quarters under our belt.

Tobey O'Brien Sommer - SunTrust Robinson Humphrey, Inc., Research Division - MD

With respect to the Education business, I was wondering if you could comment about the underlying drivers for your -- that are impacting your customers, and triggering them to engage you? Because I have seen a kind of a flurry of reports around enrollment being challenged among at the college level, whether it’s international or different ethnic groups. I’m curious if you could comment on that one in particular, as well as other ones that are kind of influencing your business.

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

Well, Tobey, that certainly is one of the issues that that’s impacting higher ed. As everyone has read, that there are demographic challenges that are affecting certain kinds of colleges and universities. And in some cases, those demographic issues are kind of more geographically based. They affect tuition-dependent places more so than they do nontuition-dependent places. The impact of technology has had a -- is having a solid impact in terms of both the cost and the kind of students that universities are attracting. A lot more focus on the kind of the adult market, the post-21 market. And you’ve got varying levels of state-support, and you also have, in a situation that is really hard to predict how you’re going to grow revenues in most of higher education, yet they have an expense base that’s clearly going up, and in some cases, still higher than inflation. As you put it all together -- and it’s a very difficult market, and I think the clouds have been building for of a while. I think we’ve seen in the last -- certainly, in the last 12 months, we’re doing a lot of work in the student area. Some of that is a part of our cloud services that we’re offering. Some of it’s just part of overall strategy work that we do in the student area. But it certainly is a part of their market, of the higher education market, that’s drawing a lot of attention right now, and we happen to be very well primed to do that. I think more broadly, we continue to see a lot more kind of strategic
projects than we historically seen because of so much uncertainty about the overall business model on higher education. So you put it all together, we feel pretty good about how we're positioned and our ability to continue to sustain organic growth in this area.

Tobey O'Brien Sommer - SunTrust Robinson Humphrey, Inc., Research Division - MD
Jim, when you say strategic, do you mean larger projects?

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director
Well, I didn't necessarily mean it in terms of size. Some are larger than others, certainly, but I think what I really meant to say was that they were -- that there's some fundamental ways of having to look at their business model differently than ever had before. And so, sometimes, the colleges and universities would like to have a strategic review of what they're doing or how they should proceed in the future. And so we're doing more of that, and some of them are decent sized.

Tobey O'Brien Sommer - SunTrust Robinson Humphrey, Inc., Research Division - MD
Okay, last question for me. In your technology-related businesses in Business Advisory that assembled over a period of years, how do you feel that you're doing cross-selling those to your Healthcare and Education customers? And where are we in that process?

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director
Tobey, just when you say, where are we in that process in terms of what? Just so I can answer the question correctly.

Tobey O'Brien Sommer - SunTrust Robinson Humphrey, Inc., Research Division - MD
In other words, if you've had some -- getting assessment as to how far that is come and whether there's more to be done, or you hit a decent -- or you've accomplished much of the cross-selling that you would expect?

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director
Well, I think that's an easy one for me to answer. I mean, I think we have, in the last 2 years, we have dramatically, particularly our ES&A practice is, really, only what, 3 years old or so. And when we started, we had the initial acquisition back in late 2014, and then we had another one in 2016, and combined, it has really been a very solid performer for us. They did very little in Healthcare and Education prior to that point in time, and we now have a much larger presence in Healthcare and Education. I mentioned in my talk that we -- for example, we do a lot of work in salesforce, but there's also just other types of broader business model, financial planning work that we're doing in Healthcare and Education through the ES&A practice. So I have very high hopes that, that will continue to expand. And I think it, again, it provides -- we keep talking about this competitive advantage, and I know it sounds like a neat word or neat phrase, but the reality we're trying to say is that when we have those technical competencies and in a company like ours where we have such deep industry expertise, whether it be health, education, could be life sciences, it could be financial services, in those areas in particular, we can go in with strong technology competencies and apply our industry expertise and our deep relationships that we have in those industries. And you put that all together, and it gives us a really good opportunity to continue to collaborate more. So I've got very high expectations that, that will continue in a material way.

Operator
Our next question is from Kevin Steinke of Barrington Research.
Kevin Mark Steinke - Barrington Research Associates, Inc., Research Division - MD

Just following up on the discussion there about the ES&A practice within Business Advisory. There seem to be a little bit more caution on the last call going into 2018 about growth in that practice. You had the impairment charge, but it seems like it’s off to a pretty solid start. I think you mentioned low double-digit growth in the first quarter here. So just how is that progressing relative to your expectations? And how do you feel about the outlook for the remainder of the year within that practice?

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

Kevin, this is John. So we feel good about the way they started the year. They had some really nice momentum in the market. Their pipeline is looking good and there’s a lot of good opportunities out there that we’re pursuing right now. We’ve had some really nice wins during the quarter. That double-digit growth that we had during the first quarter, we’re not calling that in yet. I’d say, from our perspective, we’re going to kind of stick with the guidance that we had out there for more of a mid-single-digit perspective for the year. So in that regard, our expectation for the next several quarters is that we’ll moderate little bit over the past year, but certainly we’re hopeful that there’s upside there and that we’ll be able to continue to execute and drive on to results that are above those initial guidance expectations that we put out.

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

Okay, that’s helpful. And the practice-wide meetings, I think you said there’s 1 in Education, 1 in Healthcare. I guess to the extent possible, could you just talk a little bit more about what the focus of those meetings were? Any takeaways that came out of them?

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

Yes, so this is Jim. Well, so a couple of comments. The easiest thing is not to do any of those meetings, and we just stick to doing client work. And the reality is, the best thing that happens in those meetings is that you get a bunch of people in the practice that otherwise that are traveling every week, every week, all across the country, different clients and a lot of people don’t see each other. They don’t -- they interact with other people, but this gives us the one opportunity to really get people together to talk about the strategy that we have for each of the practices to have them meet with each other and find ways to kind of collaborate together. And it really provides an invaluable way for us to unify the practice and get them all looking at the future and the rest of the year the same way. We don’t necessarily do these every 12 months. I’d say, in average, we’ve probably done them every 18 months or so, and they’re going to be -- they’re going to sometimes hit the same quarter. You have to plan these things pretty far in advance. But they’re hugely important. Even though they end up being expensive, to not do them, I think, would be a big mistake. Because really, what you do is you end up infringing upon the culture that you have or you want to build within the practice. And at the same time, it’s just a unique opportunity for everyone to see and hear the strategy all at the same time. And so you put all that together and it really makes a very big difference. I guess the last other thing I’d mention is that it gives us the chance to kind of align our operating and go-to-market strategies and delivery models in a way that isn’t just going through an e-mail, but is actually being done face-to-face. So I think they’re wildly valuable. I wish we could actually do them more often. We can’t, for obvious fiscal reasons, but they’re valuable when you talk to the people that come out of them. I don’t care if you’re at first -- somebody has been with us for 2 weeks, or somebody has been with us for 20 years, they’re really, really important. And I think not to do them would be a big mistake for us. So we have to -- we go through them not because we have to, but because we think they’re a valuable thing for our company on a go-forward basis.

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

Okay, that’s helpful color. I guess, lastly, here. You mentioned again that the 5-year strategy and collaboration across practices being a key element of that. Yes, I don’t know, it seems like that’s kind of a driving factor across the firm for you now, and I don’t know if you’re at the point where you can discuss that a little more broadly with us or maybe hold off on that for a future discussion. But I guess any other color you could add would -- might be interesting.
James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

I think we are interested in sharing it. I think we're not just quite there yet. We're still -- we knew it's going to be a living, breathing plan. It wasn't just going to be something that we put down and never touch again. In fact, a good part of it has to be the fact that we're going to do some things or pursue some things that are going to not come to fruition. So we have -- the gist of it is that we have, for each one of the practices and services that we have right now, we have our own estimation as to how much they're likely to grow in the next 5 years. Some, like in any business, are going to tail off in terms of demand. We've contemplated that as well. We also then have for each of the practices very specific things that we're either developing or plan to develop that will generate future growth for us in each of these areas. So when we look at our future plan, our future growth expectations, we -- they're going to come through mostly organic and other things that will be built by us internally and built organically. And we may have some small tuck-ins along the way. But a majority of our plan is based on an organic focus, and it's also one that I think is going to be what's going to be critical to us is that we not just assume that the same services we have today are going to be the exact same ones that we're going to have 5 years from now. If we look back over 5 years ago, in 2013, and we look how things have changed, for us to expect things not to change again would be, I think, inappropriate. So we anticipate, just like we tell our clients, you got to anticipate changes in the markets. We're doing the same thing. That's what our plan is built on. And there will be a point in time when I think we'll have more to share with everybody. I think we're just not quite there yet. We want to go a little bit more underway and work out some of the things that we think need to be clarified a little bit more. And then I think there'll come a point in time when we'll to it again.

C. Mark Hussey - Huron Consulting Group Inc. - EVP & COO

Kevin, I'll add a comment on collaboration. I would just like to point out that for us, collaboration is about speed. Because when you have teams aligned in the market and they are jointly focused, they are aligned in incentives, it's how quickly can you bring value to the client in a way that leverages and differentiates a greater solution because you have complementary offerings. And that's just a principle that's been in our culture for a while. And I would say, that is one that we continue to work on just bringing to a next level of competitive advantage.

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

I think the other part, just around collaboration, is that when we have seen success recently, we are at this company even though we're decent-sized, we're not a mega firm, and I think our ability to collaborate and bring people together in a much more meaningful way when they've met each other before, when they've worked together, when they've gone to market together makes a big difference. It shows when you're trying to talk to senior leadership about doing some big strategic projects, they can tell, they can tell how well you've work together, they can tell you where your solutions are going to come from. And to us, it is absolutely the key for us to continue to be able to capitalize on those strong strategic competencies and put them together in a meaningful way and collaborate with our industry experience and knowledge. I think is a big part of how we see our strategic plan being achieved. We talk about that all the time internally and it is working very well. Not perfectly every time, but it works very well.

Operator

And that's all the questions we had for today. I'd like to turn the call back to Jim Roth for any further remarks.

James H. Roth - Huron Consulting Group Inc. - President, CEO & Director

Thank you for spending time with us this afternoon. We look forward to speaking with you again in July when we announce our second quarter results. Have a good evening.
That concludes today's conference. Thank you, everyone, for your participation.