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HURN.OQ - Q2 2022 Huron Consulting Group Inc Earnings Call

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to Huron Consulting Group's webcast to discuss financial results for the second quarter 2022. (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 disclosures required by the SEC, including reconciliation of the most comparable GAAP numbers.

And now I would like to turn the call over to Jim Roth, Chief Executive Officer of Huron Consulting Group. Mr. Roth, please go ahead.

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

Good afternoon, and welcome to Huron Consulting Group's Second Quarter 2022 Earnings Call. With me today are John Kelly, our Chief Financial Officer; and Mark Hussey, our President.

In the second quarter, we continued to experience strong demand across all 3 operating segments, enabling us to achieve 19% revenue growth over the prior year quarter and record quarterly revenues. Our digital capability grew 47% over the prior year quarter, reflecting ongoing strong demand for our technology and analytics offerings across the health care, education and commercial industries.

Despite uncertainties in the macro environment, we anticipate continued demand across all of our operating segments for the remainder of the year, leading us to raise a narrow our full year revenue and earnings guidance.

I will now share some additional insight into our second quarter performance. During the second quarter, Healthcare segment revenues grew 12% over the prior year quarter. The increase in revenues was driven by strong demand for our health system clients for our digital and revenue cycle managed services offerings. Our digital capability revenues in health care grew 53% over the prior year quarter, reflective of the ongoing demand for enhanced technology and analytics offerings across the provider industry.

While many hospitals received CARES Act funding to help address the significant losses incurred during the pandemic that federal support is now largely gone. What remains for many health systems and particularly academic medical centers are significantly higher labor costs, ongoing supply chain issues and more recently, higher debt financing and capital costs. Collectively, these factors are contributing to dramatically lower margins that are not expected to dissipate in the near future.

While trying to offset spiraling operational costs, our hospital and health system clients continue to seek new sources of revenue and opportunities to optimize their operations, including through the use of technology and automation. With our broad array of offerings, we are well positioned to provide strategic, operational, financial and digital solutions to help them achieve a more sustainable future in this complex health care environment.

Turning now to the Education segment. In the second quarter of 2022, the Education segment achieved record quarterly revenues, growing 46% over the prior year quarter. The increase in second quarter revenues was driven by strong broad-based demand across all of our offerings, highlighted by 44% growth in our education digital capabilities. There are numerous reasons for the continued strong growth of our Education business. I will mention a few of the primary drivers.

First, there's been a significant increase in demand for our digital solutions, particularly our cloud-based ERP business. The recent demand is partly reflective of delays in starting new implementations stemming from the pandemic. But more broadly, it's an indicator that the education industry as a whole is in the early innings of its own digital transformation, including much-needed enhancements to core administrative student and CRM systems.

Second, our research business has been very strong, reflecting our clients' challenges managing complicated portfolios of clinical and federally funded research.

Third, in recent years, we expanded our portfolio of strategy and operations offerings. The investments we've made in talent in this part of our business have enabled us to offer a wider array of services to the education industry at a point in time when traditional university operating models are increasingly at risk.

Finally, in our student business, our investments in Whiteboard higher education in the fourth quarter of 2021 has enabled us to increase the number of clients for our student solutions and deepen our education industry relationships, achieving the strategic goals we set forth as part of that transaction.

To support this strong demand across the segment, we continue to make investments in our people. We are accelerating the hiring of resources, particularly in our digital capability to support the backlog and anticipated demand for our ERP offerings.

We have established a strong training and development program, which when combined with our deep industry functional and technical expertise provides us with additional leverage to achieve our strong growth goals in this segment.

Turning to the Commercial segment. In the second quarter of 2022, Commercial segment revenues grew 3% over the prior year quarter, driven by strong demand for our digital offerings across commercial industries. The increase in second quarter revenues from our digital offerings were partly offset by a decrease in demand for our financial advisory offerings as well as the decrease in revenues associated with our Life Sciences business, which we saw in the fourth quarter of 2021. Excluding the Life Sciences business, the Commercial segment grew 13% in the second quarter of 2022 over the prior year quarter.

Our digital offerings in the commercial markets grew 45% in the second quarter of 2022 as compared to the same period a year ago, further demonstrating the strong demand for our technology and analytics-related services across the commercial industries.

Demand for our digital offerings in the commercial segment is coming primarily from the financial services and energy and utilities industries, where each industry is facing new competitive entrants as these markets evolve. These market attributes are fueling strong demand for our digital transformation services and our deep industry expertise has provided us with an increasing competitive advantage. Similar to the investments we are making in education, we continue to invest in hiring and training of resources to support increased demand in the commercial industries. We believe these investments will further position us for accelerated growth in this segment.

Finally, let me turn to our outlook for the year. As our press release indicates, we are increasing and narrowing our annual revenue guidance to $1.04 billion to $1.08 billion. We are also raising and narrowing our adjusted EBITDA guidance in a range of 11.5% to 12% of revenues and our adjusted diluted earnings per share in a range of $3.15 to $3.45. We are raising our revenue and earnings guidance to reflect the current and anticipated demand for our services across all segments.

While we are cognizant of the challenges in the U.S. and global economies, we believe that the underlying demand for our offerings will continue to be strong throughout the remainder of the year, and we are encouraged by our growing pipeline and backlog for 2023. Among the key reasons for our belief in continued growth is the extent of the transformation that is taking place in our core industries where we have deep relationships and a tremendous amount of relevant experience.

Our clients are operating in a challenging environment and amid those circumstances, they tend to align experts in whom they have confidence to help them achieve their desired strategic and financial goals. In turn, we remain focused on delivering on our commitment to sustainable revenue growth and improve profitability.

Our first half results demonstrate our ability to achieve our financial objectives. The market remains vibrant for our offerings, and we anticipate demand across industries to continue as our clients' businesses face myriad strategic, operational and digital challenges and opportunities.

Before I turn it over to John, I'd like to make a few comments. First, as we execute our CEO transition, we are excited to have Ronnie Dail promoted into the Chief Operating Officer role. Most recently, Ronnie led our healthcare performance improvement business unit, the largest business within Huron. In his new role, he will be responsible for ensuring operational excellence across the company, while supporting our strategy of achieving consistent revenue growth and improved profitability. We look forward to working with Ronnie in his new role.

Second, the strong results we achieved in the first half of the year are only possible because of the hard work of our incredible team. They have demonstrated a tremendous amount of dedication to our clients, our company and to each other to a highly challenging time throughout the pandemic. I'm extremely proud of the team we have built and the culture we have fostered together, and I look forward to growing the company with the most talented team in the business.

Now I'm going to turn it over to John for a more detailed discussion about financial results. John?

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

Thank you, Jim, and good afternoon, everyone. Before I begin, please note that I will be discussing non-GAAP financial measures such as EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS and free cash flow. Our press release, 10-Q in 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.

Now, let me walk you through some of the key financial results for the quarter. Revenues for the second quarter of 2022 were $273.3 million, up 18.8% from $230.1 million in the same quarter of 2021.

The increase in revenues in the quarter was driven by growth across all 3 operating segments reflecting with a strong demand for our digital offerings across all industries. Revenue within our digital capability increased 47% in the second quarter of 2022, over the same period in 2021. In addition, revenues reflect continued strong demand for our consulting and managed services offerings within the Education segment, which grew 47% in the second quarter of 2022 over the same period in 2021.

Net income was $13.9 million, or $0.66 per diluted share in the second quarter of 2022, compared to $12.8 million, or $0.59 per diluted share in the same quarter in the prior year. Our effective income tax rate in the second quarter of 2022 was 36% compared to 21.3% one year ago. Our effective tax rate for Q2 2022 was less favorable than the statutory rate including those state income taxes, primarily due to tax expense related to nondeductible losses on our investments used to fund our deferred compensation liability, reflecting the broader investment market conditions during the second quarter. The earnings per share impact of the tax expense related to these nondeductible losses was $0.06 during the quarter.

Adjusted EBITDA was $33.2 million in Q2 2022 or 12.2% of revenues, compared to $25.6 million in Q2 2021 or 11.1% of revenues. Adjusted non-GAAP net income was $17.5 million, or $0.83 per diluted share in the second quarter of 2022 compared to $15.1 million or $0.69 per diluted share in the same period 2021.

Now I'll make a few comments about the performance of each of our operating segments. The healthcare segment generated 47% of total company revenues during the second quarter of 2022. The segment posted revenues of $128.5 million for the second quarter of 2020, up $13.7 million to 12% from the second quarter of 2021.

Revenues from the second quarter of 2022 included $1.2 million from our acquisition of Perception Health. The increase in revenue in the quarter reflects strong demand for our digital offerings, as well as our revenue cycle managed services offerings. The digital capability in health care grew by 53%, reflecting increased demand for our electronic health record and ERP offerings.

Operating income margin for health care was 23.6% for Q2 2022 compared to 26.6% for the same quarter in 2021. The quarter-over-quarter decrease in margin percentage is primarily attributable to the mix impact of the strength of our digital offerings during the quarter. We still expect full year healthcare industry margins to be in a range of 24% to 26%.

The Education segment generated 32% of total company revenues during the second quarter of 2022. Segment posted record revenues of $88.2 million in Q2 2022, up $27.8 million or 45.9% from the second quarter of 2021. Revenues in the second quarter of 2022 included $1.9 million from our acquisition of Whiteboard. The increase in revenue reflects the continued strong demand for all of our offerings across the segment, including digital capability growth in the education segment of 44%. The continued demand for our offerings is further demonstrated by the Education segment 9% sequential growth in the second quarter of 2022 over the previous record first quarter of 2022.

The operating income margin for education was 24.6% for Q2 2022 compared to 23.4% for the same quarter in 2021. The quarter-over-quarter increase in margin was primarily due to revenue growth that outpaced our corresponding cost to deliver during the quarter.

We now expect full year education industry margins to be in the range of 22% to 24% reflecting of our investments and headcount growth and cloud based technology training that we expect to drive continued strong growth for this industry into 2023.

The commercial segment generated 21% of total company revenues during the second quarter of 2022. Segment posted revenues of $56.6 million in Q2 2022, up $1.7 million or 3.1% from the second quarter of 2021. Revenues for the second quarter of 2022 included $900,000 of inorganic contributions from our acquisition of AIMDATA. The increase in revenues reflects continued strong demand for our digital offerings, partially offset by a decrease in demand for our financial advisory offerings, as well as a declining revenues due to the divestiture of our Life Sciences business.

In the second quarter of 2021, the Life Sciences business generated revenues of $5 million. Our digital offerings in the commercial markets grew 45% in the second quarter of 2022, as compared to the same period a year ago. The operating income margin for the commercial segment was 21% for Q2 2022, compared to 20.1% for the same quarter in 2021. We now expect full year commercial industry margins to be in a range of 22% to 24%, reflecting favorable mix in revenue within our commercial technology offerings.

Corporate expenses not allocated to segment level were $29.9 million in Q2 2022, compared with $34.3 million in Q2 2021. On allocated corporate expenses in the second quarter of 2022, included a $5 million reduction of expense related to the decrease in liability to participants in our deferred compensation plan, which is fully offset by the corresponding loss in other income related to the decrease in value of the assets used to fund that plan. Conversely, on allocating corporate expenses in the second quarter of 2021, reflected an increase of expense of $2.1 million related to the deferred compensation plan. Absent the impact of our deferred compensation plan in both periods on allocated corporate expenses increased

$2.6 million, which is primarily due to increases in salaries and related expenses for our support personnel and leadership meeting during the quarter, partially offset by a decrease in legal fees.

Now turning to the balance sheet, and cash flows. DSO came in at 81 days for the second quarter of 2022, compared to 75 days for the first quarter of 2022 and 73 days for the second quarter of 2021. We expect DSO to be between 70 days and 75 days for the remainder of 2022 as we collect on several large projects that have contractual payment schedules extending into the back half of the year. We finished the quarter with borrowings on a revolving credit facility of $342 million and with cash of $12 million for net debt of $330 million. Second quarter also included $28.3 million of share repurchases or approximately 498,000 shares under our current authorization of up to $200 million. $78 million remained available for repurchases as of June 30, 2022. Our leveraged ratio that defined in our senior bank agreement was approximately 2.2x adjusted EBITDA as of June 30, 2022 compared to 2.8x adjusted EBITDA at the end of Q2 2021.

Cash flow generated from operations in the second quarter of 2022 was $29 million and we use $5 million of our cash to invest in capital expenditures, inclusive of internally developed software costs, resulting in free cash flow of $24 million.

Finally, let me turn to our expectations and guidance for 2022. As Jim noted, we are raising and narrowing our full year 2022 revenue guidance to be in the range of $1.04 billion to $1.08 billion. The increase in our revenue guidance primarily reflects the strong momentum across our business and the significant growth opportunities in each of our core industries.

In addition, we are narrowing our full year adjusted EBITDA guidance to be in the range of 11.5% and 12% of revenues, and raising and narrowing our full year adjusted non-GAAP diluted earnings per share guidance to be in a range of $3.15 to $3.45. Finally, we expect our full year effective tax rate to be in a range of 29% to 31%.

Thanks everyone. I'd now like to open up the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator

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

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

Recruiting, retention and headcount growth. How do you think the back half shapes up in terms of those compared to the trends year-to-date that we already kind of have on the books?

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

I can start, I think, from a headcount perspective, we continue to expect to see our headcount increase into the back half of the year reflecting expectations for continued revenue growth, and then also really getting us prepared for 2023. Where we're based on the pipeline in the backlog that we see right now. And we're confident that we're going to have continued revenue growth in 2023. So really kind of getting a team in place from that perspective. But you also asked about attrition, and like we said on earlier calls, the attrition rate is really kind of stabilized from where it was in 2021. But all that said, it's not -- it's still higher than it was in periods prior to the pandemic. It's still a tight labor market. But we've definitely seen it come down from where it was in 2021.

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

And asking the question specifically on the health care side in performance improvement, do you -- what is large projects look like a project size in general. And then any shifting preferences among your customers for the format with which they contracts are more or less --?

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

I can start on that, from a job size perspective, we really haven't seen a material shift in terms of either the size of the jobs in the performance improvement area in health care or that kind of a mix between fixed fee and contingent, I think that that's been relatively stable over the past few years. And so the as we talked about before, depending on the size of the system we're working on, depending on the size of the scope, that can be a project in upper single digit million range, or even in a double digit millions is the potential depending on the size of the project for the client.

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

And on the Education business, I've noticed that in the news more sort of really small liberal arts schools kind of merging into larger schools. Is that something that drives any demand for your services, either directly or indirectly, or just sort of a symptom of the stress that industry is under?

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

The trend you're identifying is absolutely a trend. There are more. I think there's not nearly as many as I think many of us once thought that there would be when the pandemic hit. I think some of the federal funding is also dropping off with some of the educational industries. To answer your question directly, though, there are, yes, we do. We have been involved in some of these mergers or integrations, whatever the appropriate case may be. And it does vary. But for our kind of service, we're providing at this point in time, it's not a material amount. We have been asked and typically, we get asked by a larger, perhaps more healthy institution that's interested in taking over a smaller less profit one and that's typically what we played, but in the scheme of things that really for us, it hasn't amounted to any real material revenue has been -- from M&A type of perspective.

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

Okay, and then one and just one more on the digital offerings. Some of the headline technologies out there, the sort of motherships and software firms have described the slightly longer sales cycles. Some of them have reported the point is -- could in any change in appetite among your customer set for green lighting new deployments and new engagements?

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

You broke up a little bit during the question, but I think that the question was based on some of the platforms, and having reported longer sales cycles before seeing any of that. I think we've seen some isolated cases here or there where we've seen a little bit of that. But I'd say from an overall perspective, in terms of our pipeline and our backlog, it has not been a big factor in our portfolio.

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

Yes. I think I would say, I think it's maybe a little different than you're asking, Tobey. But as I indicated, I do think some of the strength in our digital business, particularly in education right now, and to some extent in health care, also less on the commercial side has really been things that have now freed up and that are now that the sales cycles are beginning to come through because there was some hesitancy during the pandemic. You saw that in our revenues in the last, during the pandemic. And I think what you're seeing some of the strength right now is that some of those things are beginning to pick up again, we expect that trend to continue for quite some time to come.

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

Okay, I hope you have a detailed question just John in the numbers. The other loss, other income loss was a little bit bigger than I had anticipated, could you give a little bit more color into that I apologize, you already touched it in the prepared remarks. I joined the call a little late.

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

At that, Tobey, that is a deferred comp plan. So we have a deferred comp plan for our employees that is funded by market assets. So think, stocks, things like that. And so during the second quarter, when the broader macro market went down quite a bit, we add, it's a net zero to our P&L, it reduced our corporate expenses by about $5 million. But then we have the offsetting loss of the assets that we use to fund the plan by about $5 million. So it is net zero, other than the tax impact. The loss on the assets is not tax deductible for us. And so we did incur some extra income tax expense, but I quantified in my remarks is about $0.06. But that's what that is that you see in other income.

Operator

Our next question comes from the line of Andrew Nicholas of William Blair and Company.

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

Thanks and good afternoon. I want to first ask a question on education and the sustainability of growth there, obviously 2 really good quarters in a row not expecting 40% plus growth forever. But is this a business that can gladly grow mid-teens in your view? And as we look ahead to next year, is there anything particularly lumpy to call out from the first half that would make it especially difficult comp. Sounds like there was a bit of pent-up demand from delayed projects that came through in the first half. So just looking to get any additional color you can provide there.

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

I think we're looking at, first of all, as we indicated the growth, frankly, in the first quarter and a second quarter was actually very broad based across the whole segment. And we expect that to continue for the rest of the year. And I think into 2023, we feel really good about the underlying reasons for the growth. And I went through many of those in my comments, and I don't see them really changing. We've certainly there has been a freeing up of some of the larger ERP projects that are beginning to kick in right now. But I think many of those larger projects are also going to be, are going to continue to kind of roll out over the next 3 years, 4 years, 5 years. So I think we expect that they'll continue to be pretty strong demand for education services for quite some time to come. It's not going to be certainly at the percentages that we fill in the last two quarters, but it's going to be quite strong in the coming years.

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

And then I guess you partially answered this question right there. But in terms of the growing pipeline for 2023. Is it more of the same in terms of what you saw in the first half in terms of is it being broad based and across the various sub segments within each practice? Or are there particular pockets of strength that we might not even be seeing yet and the numbers?

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

I think the portfolio mix is going to look relatively similar in 2023. The one exception is that I think the one thing that's been a little bit subdued despite the great performance has been our studio and I think that's going to really start to begin to pick up in 2023 in a bigger way as well. But beyond that I think if we look across the board at our strategy and operations, our digital practice or research, they're all really doing well. And I expect that to continue.

Operator

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

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

I was wondering on the hiring front, if you are seeing some of your candidate flow from some of the Big Fours that where there's a little bit of uncertainty, right now, as someone who's given the discussions about their business plans. Can you -- are you seeing any candidates on that score?

C. Mark Hussey - *Huron Consulting Group Inc. - President*

There's always been a low on that front. But I would say there's been no material change as a result of some of the recent discussions that have happened about the changes there. Certainly something to keep an eye on, and we anticipate perhaps is a potential but nothing that we've seen today.

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

Okay. The recession, if it begins to take on a little bit more impact in the economy. How should we think about your commercial segment in that scenario?

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

Yes, Bill, I think our commercial segment has been focused on financial services and energy and utilities. And I think are sensitive at this point in time that there could be a drop off in that. I mean, we've seen in the last year, in our business advisory segment, we've seen a drop off. But I don't think at this stage, that we're not seeing anything in the market, at least the way that any so called recession may be forming. We don't know any weaknesses that give us major concern at this point in time.

C. Mark Hussey - *Huron Consulting Group Inc. - President*

Bill, I just going to add it's a little bit sector specific, based on how those particular sectors are being affected by the broader economy. So energy and utilities actually has been performing well for us. And we had a little bit of more financial services where there's more impact. And I think that mix will continue to be one that we'll -- we are going to watch. But we haven't really seen anything as Jim said.

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

And maybe what I would add, though, is our distress business has actually been one of the more subdued areas of our business in the early part of this year, and last year as well. In that scenario, now what we're seeing increased pipeline, we're seeing increased inquiry. So that might actually be something that in a down market might go up quite a bit, as we saw during the first half of 2020. And one other comment, from a digital perspective, a lot of what we're seeing our clients are, they've already started to make some pretty big investments in cloud based technology. And what part of why they're doing that is they are trying to automate as many of those business processes as possible, especially in this tight labor market. And so a lot of the indications that we see from our clients is in this market, there's a premium on trying to automate trying to get to the cloud. And so we're still seeing good demand good inbound inquiries related to our commercial technology, or rather our technology in the commercial markets related to that trend line.

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

John, remind me how big the turnaround bankruptcy business is?

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

You say, how big is it?

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

Yes.

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

It's about 5% of our consolidated revenues.

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

Okay. And then, last for me, was that you, John, is the guidance, as I just level out the revenue from the second quarter levels for the segments? I get to the top end of the year revenue guidance. So maybe is there any color you can provide as far as what the midpoint implies?

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

Yes, so when we looked at the guidance, Bill, we obviously were really pleased with the growth we've had during the first half of the year. And frankly, it's been, it's outpaced even kind of our initial planning assumptions at the beginning of the year. So when we look out for the back half of the year, we're still confident in that we're going to post a pretty strong year-over-year growth numbers I think right now when we look at the third quarter. Our expectation is that we'll have growth in that 20% range year-over-year for the third quarter, the comparison gets a little tougher as you move on to the fourth quarter, and you're probably looking at high single digit low double digits for the fourth quarter, at least based on what we see now.

But of course, we're still closing pipeline there. And so at the midpoint, we just wanted to keep a little bit of conservatism in there, from a midpoint perspective, just get in uncertainty in the broader general market, even though we haven't seen it in our pipeline yet, I'd say, if you then talk about what will be the scenario to get more of the upper bounds of the range, that would be where we have some continued sequential momentum into the back half of the year. And that's what we're looking at. And maybe just some additional color to give, I think, at this point, if you look at the midpoint of guidance, or expecting from an industry perspective, healthcare to be up in the mid teen range, we're expecting education to be up in the mid 30% range. We're expecting the commercial industry to be up in the mid-single digit range. But that's got the Life Sciences headwind in there. So if you were to strip that out that probably the low double-digit range. And then I'll also just get the spread between our capabilities. So if we're looking at digital, we expect that to be for the full year 30% year-over-year growth, and for consulting and managed services in the low double-digit range for full year. All those numbers I gave for full year, year-over-year percentages.

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

And the other question I was thinking about was the visibility you have with your backlog at a moment in time. Are the project duration is about the same? Are they getting a little longer? I know they typically in healthcare, the duration went down 2 years ago, just curious if there's a direction there.

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

Yes. I think there's no noticeable difference really at the durations, though, I think it's just pretty much the same. We have some projects, certainly that go on over multiple years. We also have a lot of projects where you got one scope of work and you completed and you get a second scope of work and a follow on beyond that. So that's actually happens often, but from our backlog perspective, that's only one chunk of it. So I don't think there's really been any dramatic changes in the duration of events of what we have going on right now.

Operator

(Operator Instructions) Our next question comes from the line of Kevin Steinke of Barrington Research.

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

Hey, just wanted to ask about the balance of the growth in the quarter. It was the first quarter fairly balanced growth between digital and then the consulting and managed services piece whereas growth was more weighted towards digital in the second quarter. I don't know if there's anything to read into that if it's just kind of a quarter-to-quarter fluctuation that'll kind of even out as we move throughout the year.

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

I think it is more of just a quarter-to-quarter fluctuation. I wouldn't read anything from a broader trend perspective into that, I mean part of it was the digital kind of business just truly had tremendous quarter in terms of growth that exceeded even our own expectations. But as we look out into our forecast for the remainder of the year, we expect to see some nice growth coming from the consulting side of the business as well into that balance out a little bit more as the second half of the year progresses.

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

Okay, understood. Just wanted to ask about labor inflation. And if you've seen any pickup there, and I know I think you are implementing some price increases this year to offset inflation maybe just talk about if those increases are keeping pace with inflation. And maybe the acceptance of those increases, across your client base?

C. Mark Hussey - *Huron Consulting Group Inc. - President*

I think the labor inflation is one that, again, it's been out there for a while. So while the headline inflation numbers, perhaps say something bigger, it's not like they started overnight. So we've had market adjustments and staying competitive throughout this, which is how we've been able to increase our headcount 21% in a year, at the same time, as we go through the pricing that we sold, obviously, there's always a little bit of a lag. But generally speaking, it's been something that our clients have not really highlighted in our conversations, demand is there. Still very competitive market overall, in terms of just competitors who show up for pursuits, but we're holding our own, and we're able to achieve the things that we're looking to achieve in the marketplace. And so, at this point, we have a healthy confidence in the outlook.

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

Okay, great. Lastly, I just wanted to ask you about an element of the guidance obviously revenue guidance range, you narrowed the adjusted EBITDA margin guidance range, not necessarily an increase there, but the narrowing just maybe if you can talk about, I think you touched on it a bit on in your segment comments, but just the factors behind that the change in the margin guidance relative to the revenue guidance?

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

It's just the balance of factors they're having. So on the one hand growth is outpacing our initial assumptions, which is a good thing, because that's given us some additional scale on our corporate SG&A. And from overall utilization perspective, we're not where we want to be yet, but we've seen the ramp start to pick up in the second quarter, it's up about 200 basis points sequentially from first quarter, second quarter. So that trend line is going well, is well from a segment perspective. I think on the flip side of that we have making investments in the business. And we talked in our Investor Day about every year, the realities are probably from an OpEx perspective, we're going to be investing 50 to 100 basis points, where we're at the upper end of that, right now, we're probably closer to the 100 basis points, if not even a little bit over, both in terms of building the headcount ramp, and we need to support this year's growth, but also next year's growth, as well as some of our training initiatives to get those employees ready to be deployed on the projects where we see demand. And so that's definitely a factor that's going the other way. And the other thing is a lot of our businesses kind of getting back to normal from a travel perspective. The travel to client is not at this point yet anywhere back to where it was. But in terms of business development, in terms of even we had a lot, as we noted in our prepared remarks, we had a leadership meeting during the quarter. So we do have some of those expenses coming back to which were always expected and was baked into our guide for the year. But in fact, as you know, business isn't picking up. We've been seeing more of that, too. So I think that's another factor. So the net-net remains at the midpoint and expectation that margins will increase by 100 basis points last year versus this year. But those are some of the pluses and minuses of netting out to that 100 basis point increase.

Operator

Our next question comes from the line of Tobey Sommer of Truist securities.

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

I had a follow up on the Big Four, potential split up some news. First question would be where do you most directly compete with the Big Four? And while I heard your answer, I haven't really seen notice any change. If we change the question and said, do you expect a potential split in news of it to drive any changes in the industry in for Huron? If so, what do you anticipate?

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

I think in terms of where do we compete the most I think we if you're asking the part of our business we compete the most, I'd say it varies but I would say that our digital solutions is going to compete the most, with not just the Big Four, but also Accenture and places like that. But it's mostly in our digital solutions. We've got, every one of our businesses has a different set of competitive peers. But I'd say by and large, we'd compete the most the Big Four, probably in our digital area, from more -- from our industry perspective, probably have more digital, I mean, we have more competitive pressure for the Big Four in our healthcare, probably more than other industry verticals, would be my guess. But again, we've got robust competition across the board. So something we've been used to. Going back to your second part of the question, though, I don't at this stage, as Mark was kind of saying a little bit earlier. I think this will play out. If something happens within the Big Four, it's going to play out over time. And I don't think that there's going to be any material change either in the business or in our community, in the attraction of other people, there'll be some movement, but I don't think it's going to be anything that's going to move the needle sufficiently in terms of our competitive positioning or our ability to recruit. We feel good about both of them right now irrespective of what happens with any Big Four transaction. And we just kind of on as though it's going to be business as usual. Something changes, we'll deal with it then. But I think it'll probably be good for us, but not in any massive material way that would show up on any of our results.

Operator

Thank you. Seeing no more questions, I'd like to turn the call back over to Mr. Roth.

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

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

Operator

That concludes today's conference call. Thank you everyone for your participation. You may disconnect.
