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HURN.OQ - Q3 2024 Huron Consulting Group Inc Earnings Call

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PRESENTATION

Operator

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

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

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

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

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

Good afternoon, and welcome to Huron Consulting Group's third-quarter 2024 earnings call. With me today is John Kelly, our Chief Financial Officer. Revenue growth in the third quarter of 2024 was 3% over the prior year period, which reflected a difficult comparison against the exceptionally strong growth of 26% in Q3 of 2023 compared to Q3 of 2022.

We also saw the shifting of some project work from the third quarter to the fourth quarter of 2024. Despite these timing factors, our healthcare and education segments continued their long track record of consistent growth since the beginning of 2021, reflecting the fundamental challenges that continue to drive demand for our services in each of these industries.

Our commercial segment also rebounded well, achieving 12% sequential growth in the third quarter over the second quarter of 2024. While our revenue growth rate in the quarter was more modest than in recent quarters, we experienced a record sales quarter, achieving a high quarterly bookings company-wide in our history. Strong sales conversion across all three operating segments in the third quarter positions us well to deliver on our annual revenue guidance.

Our sales pipeline also continues to remain robust into the fourth quarter, laying the foundation for its continued growth in 2025. We're also very pleased with our team's execution against our margin enhancement initiatives during the quarter as our adjusted EBITDA margins increased 140 basis points and adjusted EPS increased 21% over the prior year quarter.

The margin improvement reflects continued execution on our pricing initiatives, careful management of expenses, and continued build-out of our global delivery capabilities. We've also deployed AI and automation capabilities to help our teams deliver their work more efficiently. I'll also note that our incentives are directly tied to the achievement of margin goals for the enterprise for each of our teams and business units and margin goals are reflected as a measure in Managing Director and Principal performance scorecards.

Our progress to date on expanding margins gives us confidence in our ability to achieve the 100 basis point increase at the midpoint of our full-year 2024 earnings guidance. We also believe there's ample runway ahead of further margin expansion as we implement multiple drivers of efficiency across our business.

I'll now share some additional insights into our third-quarter performance. In the healthcare segment, third quarter revenues before reimbursable expenses or RBR, grew 2% over the prior year quarter. For our healthcare business, the third quarter of 2023 was a record quarter at that time for RBR, growing 36% over Q3 2022. The increase in RBR in the third quarter of 2024 was primarily driven by continued strength in demand for our managed services and digital offerings.

Our performance improvement business was up slightly in the third quarter despite the typical year-over-year comparison and our pipeline remains robust for these offerings. The healthcare provider market remains bifurcated with the strongest systems performing well, investing for growth, improving their competitive positions while many weaker systems are struggling to maintain margins in the face of the ongoing challenges impacting the industry.

Revenue growth ranks as the top strategic initiative for the majority of healthcare leaders, while the credit rating agencies continue to highlight the favorable reimbursement and cost trends challenging the sustainability of positive cash flows and margins. Our portfolio of offerings is relevant to hospitals and health systems at both ends of the performance spectrum.

Given the breadth of our offerings, we're well positioned to serve our clients no better where they are in the economic cycle. The investments we're making in our healthcare business continue to both expand our existing capabilities and add new offerings, which positions us very well for continued growth.

And now let me bring to life the range of these market dynamics with a couple of examples. Organizations and financial distress have historically been one of our strongest target markets. We're the clear leader with an unmatched track record of quickly reducing costs and increasing cash flows to solve budget challenges. Increasingly, we're also seeing financially stable clients engage our performance improvement team as they evolve their operating models and clinical operations to deliver more effectively on their missions.

Our performance improvement offerings are perfectly suited to deliver both sustainable operating improvements and demonstrable ROI in these types of environments. And we see significant opportunities to continue serving our clients as they face current and emerging challenges.

As I noted earlier, many healthcare leaders are focused on growth and expansion. Over the past decade, we have broadened our portfolio to include strategy and innovation, expansive digital capabilities, and care transformation offerings to help clients define and execute their growth strategies.

For our financially healthy clients, we are actively collaborating with them to define their strategies and operating models for the future, helping them execute on the digital transformation and care model redesign investments needed to deliver on those strategies and positioning their organizations to move from good to great.

One example of this work is how we're supporting growth initiatives for a regional health system, which is actively pursuing acquisitions. For this client, we're bringing together our financial advisory, our digital performance improvement expertise, provide day one readiness, and post-close integration support to enable successful acquisitions for our clients.

The examples described opposite ends of the market in terms of performance and scale. Many hospitals and health systems are somewhere in between, focusing on shoring up their financial results and operations while seeking to advance their competitive advantage and pursue opportunities to expand in their markets.

We expect these divergent market dynamics to persist and be a driver of broad demand for our business, as demonstrated by our strong sales conversion in the third quarter. As we look ahead, we don't anticipate significant changes in reimbursement rates or cost trends that will materially improve the operating environment for hospitals and health systems. And as a result, we believe favorable demand tailwinds for our healthcare segment will continue.

Education segment RBR grew 9% in the third quarter of 2024 over the prior year quarter, driven by incremental revenue generated by our GTA acquisition, as well as increased demand for our technology services and software product offerings within our digital capability. Our education business has also had a track record of strong organic growth over many years.

In the third quarter, our organic growth -- revenue growth slowed slightly, driven by delays in project starts that we believe are short term and attributable to factors that are unique to those clients. Our sales pipeline remains solid across our education offerings and the underlying needs of our clients remain robust, reflecting the significant challenges facing the higher education industry today.

Let me highlight some of the challenges that are driving demand for our business, starting with enrollment trends. Undergraduate enrollment peaked in 2011 and has been steadily declining ever since. In 2025, the population of high school graduates is expected to peak that steadily decline for the next 12 years and beyond, further accelerating the long-term rate of decline.

Although these demographics have been widely anticipated for many years, the industry has been further challenged by the more recent decline in the perceived value of a four-year college degree as well as perceived lack of affordability of obtaining a degree. Since the beginning of the pandemic in 2020, percentage of high school graduates considering a four-year degree has meaningfully declined from roughly two-thirds of high school graduates to just over half, which further pressure us future enrollment trends.

Last week, higher education institutions reported their steepest decline in first year of enrollments since the pandemic. Similar to the healthcare provider industry, the higher education market has also emerged with many smaller tuition-dependent institutions struggling financially as they fail to achieve their enrollment goals. Although the large public institutions in elite private universities are largely achieving their enrollment goals, they face a myriad of other issues related to their high cost structures, dated technology capabilities, and complex research enterprises.

Research is a critical yet costly priority for higher education institutions as it represents well over 25% of the revenues for the majority of the top 100 research universities. As universities grapple with how to optimize their research revenue, the efficiency of their research operations, Huron is the market leader with consulting and managed services and digital solutions were the risk, compliance and research administration needs.

As an example, our Huron research suite is the leading software solution in the market for research administration software. Our Huron research it clients who use or in the process of implementing our brand's module received approximately one-third of all federal funding from the NIH.

Digital transformation also remains a key priority for our higher education clients. Many leading institutions are leveraging data technology to make faster and better decisions while investing in digital solutions to streamline and modernize their administrative and research operations and to differentiate the student experience. We expect the complex challenges facing the industry will continue to create a favorable demand environment or a deep industry expertise and strong consulting, managed services, and digital capabilities for many years to come.

Now let me turn to the commercial segment. In the third quarter of 2024, commercial segment RBR declined 3% over the prior year quarter and grew 12% sequentially compared to the second quarter of this year. The decline in commercial RBR was driven by our financial advisory and strategy and innovation offerings, partially offset by an increase in demand for our digital offerings. The third quarter of 2023 was the high watermark of our distressed financial advisory business and included $5.5 million of contingent fees.

Excluding the impact of the distressed financial advisory success fees, the commercial segment grew approximately 5%. In the third quarter, our commercial digital offerings rebounded from the softer demand we experienced in the second quarter with RBR growing 9% sequentially. We see signs of continued solid demand for IT sources in 2025, including Gartner's recent increase to 2025 projections for IT services spending, which is now anticipated to grow 9% in 2025.

Our sales pipeline strengthened in the third quarter as we continue to see clients investing in technology solutions to drive growth and efficiency in their businesses. And we believe we're well positioned for stronger growth in this business in 2025.

While the commercial segment is the smallest of our three segments today, it represents a significant growth opportunity for our business in the coming years, with our digital capabilities currently representing about two-thirds of the segment's revenue. Within the commercial segment, our teams have increased the level of collaboration across our digital and advisory capabilities to enhance our competitive advantage and strengthen the foundation from which we can grow in the future.

For example, our distressed financial advisory team recently partnered with our digital team, bringing together skills needed to reserve all the technology-related IP for a client in bankruptcy. Our strategy and innovation and digital teams are collaborating to reshape how our clients are going to market, deliver their products and services to adult growth as they transform their operations to lower cost and increase speed and agility.

At one client, we're implementing generative AI and intelligent document processing to drive efficiency and create more capacity for the client teams to deliver on higher value initiatives. We see continued opportunities for organic growth and tuck-in acquisitions that will enhance the solid foundation we've already built. And as we further build the commercial segment, we expect our collaborative operating model, which helped us accelerate growth in our healthcare and education segments will also help us unlock greater value across the industries and capabilities within our commercial segment.

Now let me turn to our outlook for the year. As our press release indicates, we're narrowing our annual RBR guidance to $1.47 billion to $1.49 billion, maintaining the midpoint of $1.48 billion. We continue to expect our adjusted EBITDA margin to be in a range of 13% to 13.5% of RBR. And we are narrowing and raising our full year adjusted diluted earnings per share to a range of $6 to $6.20, an increase of $0.10 per share at the midpoint.

We're pleased with our performance to date of 2024. And I'm fortunate to work with such a talented team of people that share our passion for helping clients to success by growing this company. Without their efforts, none of this would be possible. And collectively, we remain focused on advancing our growth strategy and delivering upon our long-term financial goals in 2025 and beyond.

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

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

Thank you, Mark, and good afternoon, everyone. Before I begin, please note that I'll 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, Investor Relations page on the Huron website, Reconciliations of these non-GAAP measures to the most comparable GAAP measures, along with the discussion of why management uses these non-GAAP measures, why management believes they provide useful information to investors regarding our financial condition and operating results.

Before discussing our financial results for the quarter, I'd like to discuss two housekeeping items. First, we have historically and will continue to discuss our revenue in terms of revenue before reimbursable expenses which excludes reimbursable expenses that are pass-through items to our clients. In order to ensure that this distinction is clear in our remarks, we'll now refer to our revenue as either revenue before reimbursable expenses or RBR, as you are referenced by Mark.

Second, I want to make a comment on revenue-generating professional headcount growth. Our year-over-year headcount growth of 10% as of September 30, and included the expansion of our India-based healthcare managed services team. Excluding the impact of the India-based managed services team growth, headcount grew 2%.

Now I'll share some of the key financial results from the third quarter. RBR for the third quarter of 2024 was $370 million, up 3.3% from $358.2 million in the same quarter of 2023. The increase in RBR for the quarter was driven by solid growth in our education and healthcare segments, partially offset by our commercial segment, which was down year-over-year but posted solid growth compared to the second quarter of 2024.

Net income for the third quarter of 2024 was $27.1 million or $1.47 per diluted share compared to net income of $21.5 million or $1.10 per diluted share in the third quarter of 2023. As a percentage of total revenues, net income increased to 7.2% in the third quarter of 2024 compared to 5.9% in the third quarter of 2023. The increase in net income was driven by revenues that outpaced expenses.

Our effective income tax rate in the third quarter of 2024 was 27.8%, which is less favorable than the statutory rate, inclusive of state income taxes, primarily due to certain nondeductible expenses (inaudible), partially offset by a discrete tax benefit related to nontaxable gains on the investments used to fund our deferred compensation liability.

Adjusted EBITDA was $54.9 million in Q3 2024 or 14.8% of RBR compared to $48 million or 13.4% of RBR in Q3 2023. The increase in adjusted EBITDA for the quarter was primarily due to increases in education, healthcare, commercial segment operating income, excluding the impact of segment depreciation and amortization and segment restructuring charges.

Adjusted net income was $31.1 million or $1.68 per diluted share in Q3 2024 compared to $27.2 million or $1.39 per diluted share in the third quarter of 2023, resulting in a 21% increase in adjusted diluted earnings per share over Q3 2023. In the first nine months of 2024, adjusted diluted earnings per share grew 26% over the same period in the prior year.

Now I'll discuss the performance of each of our operating segments. Healthcare segment generated 49% of total company RBR during the third quarter of 2024. This segment posted RBR of $183.1 million, up $4 million or 2.2% from the third quarter of 2023. The increase in RBR in the quarter reflects continued strong demand for our managed services and digital offerings, which grew 60% to 11%, respectively, over the prior year quarter.

Operating income margin for healthcare was 27.1% in Q3 2024 compared to 26.2% in Q3 2023. The increase in margin was primarily due to a decrease in contractor expenses, partially offset by increases in compensation costs for our revenue-generating professionals as a percentage of RBR.

The education segment generated 33% of total company RBR during the third quarter of 2024. The education segment posted RBR of $121 million, up $10 million or 9% from the third quarter of 2023.

RBR in the third quarter of 2024 included $5.7 million of our acquisition of G&A. Increase in RBR in the quarter was driven by the GG&A acquisition as well as increased demand for our technology services to adopt our product offerings within our digital capability. The operating income margin for education was 24.1% for Q3 2024 to 23.9% for the same quarter in 2023.

The increase in operating income margin in the quarter is primarily driven by a decrease in contractor expenses and revenue growth that outpaced the increase in compensation costs for our revenue-generating professionals.

The commercial segment generated 18% of total company RBR during the third quarter of 2024 and posted RBR [of] $65.9 million compared to $68 million in the third quarter of 2023.

The decrease in RBR was driven by our financial advisory and strategy and innovation offerings, partially offset by an increase in demand for our digital offering. The third quarter of 2023 included $5.6 million of contingent fees for our financial advisory team compared to only $600,000 of such fees in 2024.

Operating income margin for the commercial segment was 24.5% for Q3 2024 compared to 22.7% for the same quarter in 2023. The increase in operating income margin was driven by decreases in contractor expenses and compensation costs for our revenue-generating professionals as percentages of RBR.

Corporate expenses not allocated at the segment level and excluding corporate restructuring charges, were $46.8 million in Q3 2024 compared to $43.1 million in Q3 2023. Unallocated corporate expenses in the third quarter of 2024 included $2.3 million of expense related to the increase in the liability of our deferred compensation plan compared to income of $1 million in the third quarter of 2023. These amounts are offset by the change in market value of the investment assets used to fund that plan reflected in other income.

Excluding the impact of the deferred compensation plan in both periods, unallocated corporate expenses were $44.6 million in the third quarter of 2024 compared to $44.1 million in the third quarter of 2023. The slight increase was primarily driven by an increase in software and data hosting expenses, largely offset by a decrease in legal expenses.

Now turning to the balance sheet and cash flows. Cash flow from operations in the third quarter of 2024 was $85.2 million. In the quarter, we used $7.6 million to invest in capital expenditures, inclusive of internally developed software costs, resulting in free cash flow of $77.6 million in Q3 2024.

DSO came in at 86 days for the third quarter of 2024 compared to 81 days in the second quarter of 2024 to 83 days for the third quarter of 2023. Total debt as of September 30, 2024, was $443.1 million, consisting entirely of our senior bank debt. We finished the quarter with cash of $18.5 million or net debt of $424.6 million. This was a $69.4 million decrease in net debt compared to Q2 2024.

In addition, in the third quarter, we used $7.3 million to repurchase approximately 66,000 shares. In the first nine months of 2024, we used $104 million to repurchase approximately 1.1 million shares, representing 5.8% of our common stock outstanding as of December 31, 2023.

As of September 30, 2024, $83 million remained available for share repurchases under our current share repurchase authorization. Our leverage ratio is defined in our senior bank agreement, was 1.9 times adjusted EBITDA as of September 30, 2024, compared to 1.8 times adjusted EBITDA as of September 30, 2023.

Finally, let me turn to our guidance for the full-year 2024. We're narrowing our revenues before reimbursable expenses guidance to a range of $1.47 billion to $1.49 billion maintaining the midpoint of $1.48 billion. We are maintaining our adjusted EBITDA as a percentage of RBR range of 13% to 13.5% of revenues. And we are narrowing and increasing our adjusted diluted earnings per share guidance in a range of $6 to $6.20.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Andrew Nicholas, William Blair & Company.

Andrew Nicholas - *William Blair & Company - Analyst*

Thank you and good afternoon. First one I wanted to ask was just on the fourth-quarter implied guidance. Looks like a pretty nice sequential acceleration in year-over-year growth. Obviously, the comp gets quite easier looking back to fourth-quarter '23 versus what you've had so far this year.

So just kind of -- any -- looking for any more color on what gives you confidence in that acceleration besides the comp? And also maybe what it says about 2025 growth or the achievability of the top-line targets that you outlined a few years ago at Investor Day, just looking at those comparisons getting much easier in '25 than what they've been throughout this year.

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

Sure, Andrew, this is John. I can start Mark (inaudible) commentary. I think the number-one thing that gives us confidence about the guidance for the fourth quarter and the midpoint of the guidance in the fourth quarter, is really the sales conversion activity that we saw during the third quarter.

As Mark noted, it was a record high. And that was really strong across the company, particularly strong in our healthcare business. That's primarily what gives us confidence.

In terms of the spread between third quarter and the fourth quarter this year, it's kind of interesting dynamics during the quarter. I'd say the timing of conversion of some of those opportunities was a little bit later during the quarter than maybe what we anticipated at the beginning of the quarter. So some projects kicked off a little bit later.

But the actual win rate and the volume of deal one was actually quite a bit stronger than what we anticipated. And so the net of that was a little bit softer in the third quarter than probably what we anticipated as of the last call, but gives us that confidence in the fourth quarter.

And then to your point about how we pivot to 2025, I think this feels like a really good foundation. Obviously, it's a little early to be giving 2025 guidance. But as opposed to the trend line last year, we saw sequentially between the third quarter and the fourth quarter a decrease, our expectation is this year between the third quarter and the fourth quarter, you're going to see a ramping up of revenue. And a lot of these projects that we sold are certainly things that continue on in 2025. So that gives us confidence about the leaping off point, if you will, in the first quarter of next year.

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

Yes. And the only thing I would tell you, again, back to the demand backdrop, it's very favorable right now across certainly healthcare, education. And as we indicated, we're seeing some of the commercial digital areas solidified. And we're optimistic that they will contribute to 2025 as we turn in the quarter. So I think, John did a good job of explaining all the dynamics that led us to feeling good about the full year.

Andrew Nicholas - *William Blair & Company - Analyst*

Great. I appreciate the insights. And then for my follow-up question, John, you mentioned in your prepared remarks that headcount growth, excluding some of the India-based hiring for managed services, was up 2%.

Do you feel like, broadly speaking, you're in a good spot in terms of matching talent to pipeline? Or is there some incremental hiring that you're planning to do in any region really over the course of the next couple of quarters to capture some of this really strong sales conversion that you're alluding to?

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

Andrew, we feel good about our ability to have the talent in place to deliver on that revenue. I think our starting point from a utilization perspective, if you look at the blended utilization, if you blend the consulting and digital utilization, it was in upward 75% range. I think that means that we've got a little extra capacity there to deliver on the growth.

But by the same token, we've been -- our teams have been able to be very effective in the market finding talent. So to the extent that -- we need to now ramp up into the fourth quarter and beginning of next year, I think we feel very confident in our ability to get the people that we need to deliver on our projects.

Operator

Tobey Sommer, Truist Securities.

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Jasper Bibb - *Truist Securities - Analyst*

This is Jasper Bibb for Tobey. Just wanted to ask about the healthcare segment, hoping you can maybe stratify at least directionally what you're seeing in product rates and utilization for the PI strategy and digital offerings.

And separately, to the extent there is, I guess, change in mix in that segment does it have any implications on your margins for the next couple of quarters?

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

Sure. Sure, Jasper. I'll start with the last part first. We're not -- I think the year-to-date margins that you've seen are trending towards the upper end of the guidance that we put out at the beginning of the year towards the 27% range. And that's how we expect the land here. We expect to end towards the full year towards the upper end of that range, which implies steady, if not improving margins in the fourth quarter. So we feel good about that.

To your question about the revenue mix, during the quarter, we noted in Mark's comments, PI was up a little bit during the quarter, but that was off of what was a very difficult comparison to last year. The growth this particular quarter really came from our digital business as well as our managed services business.

But when we talk about the pipeline activity that we say converted during the quarter, the sales conversion, that was very well balanced, including a couple of meaningful projects from a performance improvement perspective as well as just kind of continued broad demand there, some meaningful digital transformation projects within the space.

So I think the overall theme would be continued balance within the segment. And from a margin perspective, we feel good about the way we're operating in the trend line that we've been on.

Jasper Bibb - *Truist Securities - Analyst*

And then maybe following up on margins. Just the long-term target mid-teens EBITDA margin in '25, do you still think that, call it, 15% margin range would be achievable next year based on what you're seeing in the utilization rates in your sales pipeline for that?

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

Yes. So we're obviously a little bit ahead of the planning cycle for next year, and I'd be cautious about getting into guidance for next year. But to the point of your question, we've had a very nice trajectory of margin improvement over the past few years. We feel like the continued runway on that ramp.

And so if you just take the size of the steps we've been taking in the past few years, you apply that to this upcoming year, which to us feels very achievable at this point, you get into that 14% plus a range that's in the mid-teen range there.

I would say, Jasper, that one thing to keep in mind is the margin improvement that we've had this year are year-to-date utilization is still sort of in that mid to 75% range 74%, 75% when you look at blended for the nine months. And there's still room to run on that metric from our perspective. So we feel really good that we've been able to take the steps that we've taken this year with utilization, frankly, not being fully optimized.

As we've talked about on earlier calls, we've had lower attrition, historically low attrition this year. So we've been managing through that; that's put a little bit of pressure on the utilization metric. But to us, that's a very tangible lever as we think about next year to be able to continue the trajectory that we've been on. So the confidence that we have in that remains strong at this point.

Jasper Bibb - *Truist Securities - Analyst*

Appreciate all the detail color. Thanks for taking our questions.

Operator

Bill Sutherland, Benchmark Company.

William Sutherland - *Benchmark Company - Analyst*

Just looking at the utilization numbers in the fourth quarter last year, and I know that you guys had indicated that you felt like you see better utilization in the second half this year, year over year, and you certainly did in 3Q, but how do I think about the fourth quarter comp, if you will? And is there a seasonal build to the utilization in digital? Or has that just happened without a real basis?

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

Bill, I would not describe it necessarily seasonal. Things happen in the business throughout the year that we then adjust to try to -- over the longer term, make sure we're giving our utilization target. So I think that's what you see as opposed to necessarily seasonality.

You're right that at the comparison point to the fourth quarter of last year, where it was pushing 80% overall, it was over 80% from a digital perspective. That -- I don't know that we would say at this point that we'll get all the way there in the fourth quarter of this year. I think we do have the expectation that it will sequentially improve from what we posted in the third quarter.

So I think you're going to see a continued amount of improvement there sequentially. It's possible that could reach the levels that was at in the fourth quarter last year. But that was a pretty high water mark. So I don't know for sure that we'll get all the way out there.

William Sutherland - *Benchmark Company - Analyst*

Sure. That makes sense. You noticed that in commercial, the head count was down a little bit sequentially. And you clearly have the firepower there to realize the new business. And so, how should we think how you set up for the fourth quarter and into next year? Is that you likely to increase head count again?

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

I think it's aligned with our growth, yes, Bill. Again, there's a little bit of room to run there from a utilization perspective. So I think that's in the short term, that can help us grow as new project volume comes in. But then as you look a little bit longer term, based on the growth expectations that we have, I would expect to see head count go up within the commercial segment.

In terms of our positioning, I think in the quarter, I think that our team has done an excellent job within commercial really matching our resources with our demand over the course of the year, making sure that we've been cautious on our hiring as we've navigated through some of the market uncertainties that we talked about in previous calls. So I continue to the quarter really well positioned. I think our talent, our head count is well positioned to support our growth in the fourth quarter. But we're also operating efficiently. So we feel good about that.

William Sutherland - *Benchmark Company - Analyst*

Good. And then last for me, maybe an update on the M&A environment and kind of how your pipeline is doing?

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

Yes, Bill, this is Mark. The M&A pipeline actually is quite robust for us. And we have been a little bit more quiet in the last couple of years in terms of M&A. But as I've indicated before, we believe that we will have some inorganic contribution over time to what we do. We see lots of opportunities still up in our commercial segment, as I mentioned in my remarks, but also within healthcare and EDR, you see it both from a digital capability as well as advisory.

So there's -- the good news is we have a great platform that attracts people. A lot of opportunities that we look at and not necessarily come through sell-side books that were just related to us or companies for sale. We're actually working with people in the market where there are opportunities that we see and our success rate on those over time or probably the 30-some-odd that we've done over the last decade or more and largely worked out really, really well.

And those are the ones that create additional organic growth opportunities together. You saw us a little bit less active on share repurchase in the quarter. We certainly feel like we've got some good opportunities ahead of us.

Operator

(Operator Instructions)

Kevin Steinke, Barrington Research Associates.

Kevin Steinke Steinke - *Barrington Research Associates - Analyst*

So when you were talking about earlier, your confidence in that the fourth-quarter ramp up, you mentioned the strong sales conversion. You also mentioned in your prepared remarks some project work that had shifted from the third quarter to fourth quarter.

I just was wondering if you could maybe give us an idea as to how meaningful that shift is. I don't know if you could put a rough number on it or not. But just kind of curious about that and where that might have occurred.

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

Kevin, it's John. I put that in the $5 million to $10 million range, is how I described it. I go back to the answer that we discussed a little bit earlier during the session of shifting really related to new work that came in over the course of the quarter where the expectation kind of heading into the quarter as to when those deals would close and get started, ended up being a little bit later in the quarter than what we initially anticipated.

So I'd say it's in that neighborhood of $5 million to $10 million that shifted out of the third quarter. But the good news from our perspective was really the volume of wins that we had during the quarter. The win rate that we experienced in the quarter was actually higher.

And so that's what gives us confidence that it's not going to slip out the back end of the fourth quarter as well. We feel like the run rates that we're experiencing now towards the end of this quarter should be good to meet our guidance objectives for the fourth quarter.

Kevin Steinke Steinke - *Barrington Research Associates - Analyst*

Okay. Good. And also in your prepared remarks, you talked about some delays in the education segment on certain projects due to just kind of client-specific internal issues. Is that some of the project work you're referring to that got just pushed out a little bit? Or is there something else going on there? Just wondering how -- again, how meaningful that was? And if these -- how significant those delays might have been?

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

Yes. I would say, Kevin, we were thinking of education with those remarks, that's where we did see it. It wasn't exclusively to education, but I think the majority of the situations where we saw some delays and the starts of those projects was in the education segment.

Kevin Steinke Steinke - *Barrington Research Associates - Analyst*

Okay. That's helpful. And I guess just lastly on the commercial segment. You talked about growth in digital there in the third quarter, and it's -- you mentioned, you're well positioned for growth in commercial digital going into 2025.

Obviously, earlier in 2024, there were some delays due to the kind of macro uncertainty. But it sounds like the conversion is starting to pick up there. So I guess, is it fair to say that much of the client base that maybe had been delaying some work has now gained comfort? And is comfortable with moving forward in this environment?

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

Yes, Kevin, this is Mark. I would characterize it that we think that based on -- after some of the softness we highlighted in Q2, you saw Q3 at the inflection point, where the pipeline started to rebuild, and we saw some softness, we saw the sequential improvements that we highlighted.

And we believe that post-election and coming into '25, there's a collective view that things are going to solidify. So we're seeing data points that give us further confidence. We'd like to see the pipeline fill a little bit more. But at this point, we think the signs are pointing green and up versus kind of sideways or down. So we feel good about what the potential is in our 2025 growth outlook.

Operator

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

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

Thank you for spending time with us this afternoon, and we look forward to speaking with you again in February when we announce our fourth-quarter results. Have a good evening.

Operator

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