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HURN.OQ - Q1 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 first 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 reconciliation to the most comparable GAAP numbers.

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

C. Mark Hussey - *Huron Consulting Group Inc. - President, CEO & Director*

Good afternoon, and welcome to Huron Consulting Group's First Quarter 2024 Earnings Call. With me today are John Kelly, our Chief Financial Officer; and Ronnie Dail, our Chief Operating Officer.

Our first quarter revenue -- I'm sorry, our first quarter results reflect our ongoing focus on achieving consistent revenue growth and margin expansion. Revenues grew 12% over the first quarter of 2023, driven by strong growth in our Healthcare segment as well as continued growth in our Education segment, which furthers the segment's multiyear growth trajectory. Our strong growth in the first quarter of 2023 was achieved on top of strong growth in the year ago quarter with Q1 2023 growth of 22% over the first quarter of 2022.

Our first quarter results also demonstrate our commitment to delivering on the growth strategy and financial goals shared at our 2022 Investor Day, consisting of low double-digit annual revenue growth and expanding our adjusted EBITDA margins to mid-teen levels, leading to an annual high-teen percentage adjusted EPS growth. We believe achieving our financial goals together with a balanced capital deployment strategy that prioritizes moderate leverage, share repurchase and targeted M&A will drive strong returns for our shareholders over time.

I'll now share some additional insight into the progress we've made on our strategy while providing color into our first quarter performance. As a reminder, to achieve our goals, we're committed to executing against 5 strategic pillars. The first pillar of our strategy is to continue accelerating growth in our largest industries, health care and education, where we're focused on building upon our leading competitive positions.

In the Healthcare segment, first quarter revenues grew 21% over the prior year quarter. The increase in revenues in Q1 of 2024 was driven by strong broad-based demand across our performance improvement, digital, strategy and innovation and financial advisory offerings.

The operating environments for many health care organizations are mixed in recent months. Some health systems continue to face strained financial positions, driving continued demand for our performance improvement and distressed focused financial advisory offerings. Other health care providers have seen margins improved, and they're now seeking opportunities to evolve their strategies and advance their competitive positions by making strategic and operational investments. These organizations are creating demand for our digital, strategy and innovation and nondistressed financial advisory offerings.

As part of Huron's growth strategy, we continue to diversify our Healthcare service portfolio over time to meet the broader needs in the market, which has yielded greater consistency in this segment's financial performance. We've expanded the offerings within our performance improvement business while growing our Healthcare-focused strategy innovation, digital and financial advisory offerings.

If you look back to 2014, 10 years ago, our performance improvement offerings represented virtually 100% of segment revenues. Fast forward to 2023, we diversified our portfolio so that performance improvement offerings represent only 46% of Healthcare segment revenues. We're confident that these investments we're making to expand our health care offerings are paying off, and we believe we're well positioned to address the wide array of opportunities and challenges facing our hospital and health system clients.

Education segment revenues grew 7% in the first quarter of 2024 over the prior year quarter, driven by strong demand for our digital services and products. The education industry continues to face wide-ranging pressures, from top line challenges, including difficulty meeting enrollment and fundraising goals, more challenging research funding sources to cost and regulatory pressures, including increased government governmental scrutiny, workforce disruptions and the need to make significant technology investments. The clients require a broad array of services and products to help them address these issues.

We continue to strengthen and expand our offerings in the education industry to comprehensively address our clients' needs. We're the leading firm in the industry serving research institutions. The challenges of managing the highly complex research enterprises are increasing due to declines in funding for federal and commercial research and increased cost to conduct research.

Research mission is critical to our client base, and our research businesses continue to be a strong source of growth for our Education segment and a differentiator for our services among the most prominent research institutions. We continue to invest in strengthening our offerings in this area, including our Huron Research Suite software, which is the predominant product in the market with over 600,000 users and over 500 institutions. The strength of our offering has yielded the client retention rate of over 99% across our suite of products.

We also continue to expand our offerings to serve the broader needs of our mission-driven clients, particularly in education. For example, a recent acquisition of GG+A, one of the top philanthropy consulting firms, is creating new opportunities not only in education but also across health care and other non-for-profit clients. Another example of our expanded offerings is our athletics practice. We began to focus on university athletics in 2020. And to date, we have worked with over 50 institutions, ranging from the top Division 1 conferences to FCS and smaller institutions, many of which are facing increasingly complicated operating environments stemming from the dramatic changes taking place in intercollegiate athletics. We help these organizations to evaluate and execute upon the conference and athletic department strategies, which often have an outsized impact on the financials, enrollment and branding of our large academic clients.

Our Healthcare and Education businesses have market tailwinds, which continue to propel their growth. Our leading competitive positions, deep client relationships, high-quality delivery and wide array of offerings position us well to be the partner of choice for our health system, university and research-focused clients.

Our second strategic pillar is focused on growing our commercial industry presence. In the first quarter of 2024, Commercial segment revenues were largely flat, driven by increases in revenue for our financial advisory offerings, partially offset by declines in our strategy and innovation and digital offerings. We continue to see our commercial clients taking a more cautious approach to executing large-scale initiatives and strategy-related engagements as uncertainties in the macroeconomic environment persist.

Our distressed financial advisory business continues to have a solid outlook, although at a more moderate level than the strong record results achieved in 2023. With our focused strategy, we believe the commercial industries will create new avenues of growth for Huron. The mix of our digital, strategy and financial advisory offerings has created a more balanced portfolio from which we can continue to grow our presence in financial services, industrials and manufacturing and energy and utilities while providing more consistency in our financial performance in different market cycles.

Now let me turn to our third strategic pillar, advancing our integrated Digital platform. In the first quarter of 2024, Digital capability revenues grew 10% over the first quarter of 2023, driven by growth across the Healthcare and Education segments. In 2023, our Digital capability grew to over $0.5 billion, a key milestone for that business and a testament to the collective investments we've made in technology, data and analytics across all industries.

We continue to be a market leader in our digital offerings. We were named best in KLAS in health care for ERP business transformation and implementation leadership as well as IT consulting services in the payer market. We've also been awarded recognitions for driving innovation by other technology partners. And we're incredibly proud of the work we're doing and how we continue to expand our offerings to meet the rapidly evolving technology, data and analytics needs of our clients.

Intelligent automation, including the use of generative AI, is one area that is of great prominence and exploration on the market today. Our automation, analytics and AI services revenues grew to over $50 million in 2023, demonstrating the value we bring to our clients and the growing significance of these advanced technologies in the market. Our work today spans advising clients on their intelligent automation strategies and road maps, including the data foundation needed to be successful through to the implementation of distinct use cases and comprehensive intelligent automation programs.

And we provide 2 brief examples of how we're working with clients to apply AI. First, we're working with a commercial plan to establish a centralized AI capability center that will provide a platform to responsibly govern their AI program while also incubating high impact solutions across their business. Second, we're working with a health system to leverage generative AI to expedite the clinical appeals process as part of their revenue cycle to reduce the administrative burden of inefficient reimbursement. These are only 2 examples of many that we're leaning in to enable our clients' businesses through the use of AI.

Expanding our digital capabilities, including our intelligent automation offerings, through organic and inorganic investments will continue to be an important driver of growth across our business for many years to come as our clients focus on driving growth and productivity in their own highly competitive markets through the use of technology, data and analytics.

Now let me turn to our last 2 strategic pillars, which are more financially focused. First, we're executing on our margin improvement levers to achieve enhanced profitability. As it relates to margin expansion, a company-wide focus on improving profitability has yielded solid results. In 2020 to 2023, our full year adjusted EBITDA margin has increased 200 basis points, and full year adjusted diluted earnings per share has increased 128%. We continue to feel confident in our ability to improve our margins across our robust global platform, which will drive further efficiency as we scale while continuing our focus in areas such as driving improved utilization, pricing realization and SG&A leverage.

Our final pillar focuses on deploying capital to accelerate our strategy and return capital to our shareholders. Since our Investor Day in March of 2022 and through the quarter just ended, we repurchased 3.6 million shares at a weighted average price of $78.36, representing 16.5% of our common stock outstanding as of December 31, 2021. In 2024, we expect to execute our balanced capital allocation strategy across share repurchases, debt repayment and tuck-in acquisitions. We believe that combining the capabilities and talent from acquisitions to enhance our competitive position, such as the recent GG+A acquisition, will drive strong growth and returns for our shareholders.

And finally, let me acknowledge the heart of our strategy, our people. We have and will continue to invest in our incredibly talented team and strong collaborative culture. Our competitive advantage is driven by the strength and depth of our team. And our company culture, which drives how we work together and to deliver on the most complex challenges of our clients creates an environment where we're constantly innovating new offerings and advancing our business collectively as a unified team.

Our ability to attract and retain top talent is demonstrated by our headcount growth of 41% from the end of 2021 to the end of 2023, coupled with consistently low attrition and high engagement scores. Our distinct culture, coupled with strong career advancement and development opportunities, provides a stable platform of ongoing growth not only for our people but also for our business.

And now let me turn to our outlook for the year. Today, we affirm our 2024 revenue and adjusted EBITDA margin guidance, and we're raising our adjusted earnings per share guidance to a range of $5.60 to $6.10. We continue to believe our growth trajectory is strong given the expected demand in our end markets across health care, education and commercial, our strong competitive positions and our deep client relationships. Given our focus, we have a unique breadth in our offerings, depth in our talent and relevance in our subject matter expertise that allows us to be nimble and innovative yet have the credentials and experience to compete and win against much larger competitors.

Let me close by saying that our commitment to our growth strategy is evident in our recent performance, including our first quarter results. Our progress would not be possible without the focus and dedication of our entire team, and I want to thank all of them for supporting each other, our clients and our business as we strive to make a lasting impact in the work that we do each and every day.

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

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

Thank you, Mark, and good afternoon, everyone. Before I begin, please note that I will be discussing non-GAAP financial measures, such as EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS and free cash flow. Our press release, 10-Q and Investor Relations page on the Huron website have reconciliations of these non-GAAP measures to the most comparable GAAP measures, along with the discussion of why management uses these non-GAAP measures and why management believes they provide useful information to investors regarding our financial condition and operating results.

Before discussing our financial results for the quarter, I'd like to acknowledge housekeeping items. First, our first quarter results reflect the acquisition of GG+A, which closed on March 1. And as such, 1 month of GG+A's operating results are included within the Education segment. Second, in conjunction with the continued refinement of our operating model, we reclassified certain revenue-generating professionals within our Digital capability from our Healthcare and Education segments to our Commercial segment, reflecting the flexibility of these professionals to provide services across all of our industries, inclusive of health care and education. We have provided supplemental materials to provide additional details to this reclassification, which are posted on the Investor Relations section of our website.

Now I will share some of the key financial results for the first quarter. Revenues for the first quarter of 2024 were $356 million, up 12% from $317.9 million in the same quarter of 2023. The increase in revenues for the quarter was driven by strong growth in our Healthcare segment and continued growth in our Education segment.

Net income for the first quarter of 2024 was $18 million or $0.95 per diluted share compared to net income of $13.4 million or $0.68 per diluted share in the first quarter of 2023. Our effective income tax rate in the first quarter of 2024 was negative 2.5% as we recognized an income tax benefit on our income before taxes driven primarily by discrete tax benefits for share-based compensation awards that vested during the quarter and nontaxable gains on the investments used to fund our deferred compensation liability.

Adjusted EBITDA was $33.8 million in Q1 2024 or 9.5% of revenues compared to $29.5 million or 9.3% of revenues in Q1 2023. The increase in adjusted EBITDA for the quarter was primarily due to the increase in segment operating income partially offset by an increase in corporate expenses, which included certain third-party legal expenses that are not expected to continue at the same level in future quarters.

Adjusted net income was $23.3 million or $1.23 per diluted share in Q1 2024 compared to $17.1 million or $0.87 per diluted share in the first quarter of 2023, resulting in a 41% increase in adjusted diluted earnings per share over Q1 2023.

Now I'll discuss the performance of each of our operating segments. The Healthcare segment generated 51% of total company revenues during the first quarter of 2024. This segment posted revenues of $180.7 million, up $31.7 million or 21.3% from the first quarter of 2023. The increase in revenues in the quarter reflects strong demand for our performance improvement, digital, strategy and innovation and financial advisory offerings. Consulting and Managed Services and Digital capabilities grew 22% and 19%, respectively, in the first quarter, reflecting the continued broad-based demand for our offerings.

Operating income margin for Healthcare was 23.6% in Q1 2024 compared to 21.6% in Q1 2023. The increase in margin is primarily due to revenue growth and outpaced compensation costs for our revenue-generating professionals, partially offset by an increase in practice administration and meeting expenses as a percentage of revenues.

The Education segment generated 31% of total company revenues during the first quarter of 2024. The Education segment posted revenues of $111.6 million, up $7.4 million or 7.1% from the first quarter of 2023 and was achieved on top of strong growth in the year-ago quarter with Q1 2023 growth up 29% over Q1 2022. Revenues in the first quarter of 2024 included $1.3 million from our acquisition of GG+A. The increase in revenues in the quarter was driven by strong demand for our technology and analytics services software products within our Digital capability.

The operating income margin for Education was 19.7% for Q1 2024 compared to 22.2% for the same quarter in 2023. The decrease in operating income margin in the quarter was primarily driven by increased compensation costs for our revenue-generating professionals as a percentage of revenue partially offset by a reduction in contractor expenses.

The commercial segment generated 18% of total company revenues during the first quarter of 2024 and posted revenues of $63.6 million compared to $64.7 million in the first quarter of 2023. Revenues were largely flat in the quarter with increases in demand for our financial advisory offerings offset by declines in revenue within our strategy and innovation and digital offerings.

Operating income margin for the Commercial segment was 22.1% for Q1 2024 compared to 21.7% for the same quarter in 2023. The increase in operating income margin in the quarter was primarily driven by decreases in compensation costs for our revenue-generating professionals.

Corporate expenses not allocated at the segment level and excluding restructuring charges were $52.5 million in Q1 2024 compared to $44.1 million in Q1 2023. Unallocated corporate expenses in the first quarter of 2024 and 2023 included $2.4 million and $1.9 million, respectively, of expense related to the increase in the liability of our deferred compensation plan, which is offset by the investment gain on the assets used to fund that plan reflected in other income. Excluding the impact of the deferred compensation plan in both periods, unallocated corporate expenses increased $8 million, primarily due to increases in legal expenses, compensation expense for our support personnel and other losses. The legal expenses, which are not expected to continue at the same level in future quarters, primarily related to professional fees for a legal matter where Huron is the plaintiff and M&A-related expenses.

Now turning to the balance sheet and cash flows. Total debt as of March 31, 2024, was $574 million, consisting of our $275 million term loan and $299 million of borrowings on our revolver. We finished the quarter with cash of $19 million for net debt of $555 million. This was a $243 million increase in net debt compared to Q4 2023, primarily due to the payment of our annual cash bonuses, share repurchases and the acquisition of GG+A, all during the quarter.

Regarding share repurchases, during the quarter, we used $62.3 million to repurchase approximately 625,000 shares, representing 3.4% of our common stock outstanding as of December 31, 2023. As of March 31, 2024, $24 million remained available for share repurchases under our current share repurchase program. We expect the pace of share repurchase activity to moderate through the remainder of the year.

Our leverage ratio, as defined in our senior bank agreement, was 2.7x adjusted EBITDA as of March 31, 2024, compared to 2.8x adjusted EBITDA as of March 31, 2023. As a reminder, our first quarter typically represents a seasonal high leverage ratio given the payout of our annual bonuses in March.

Cash flow used in operations in the first quarter of 2024 was $130.7 million. We used $8.8 million to invest in capital expenditures, inclusive of internally developed software costs and purchases of property and equipment, resulting in negative free cash flow of $139.5 million. We continue to expect full year free cash flow to be in a range of positive $115 million to $145 million.

DSO came in at 91 days for the first quarter of 2024 compared to 87 days for the fourth quarter of 2023 and 83 days for the first quarter of 2023. DSO was elevated during the first quarter of 2024 relative to the other periods. We do serve larger health care and education industry projects with contractual payment terms that will result in cash payments in the second and third quarters of 2024. We expect DSO to normalize in the 75- to 85-day range by the end of the year.

Finally, let me turn to our guidance for the full year 2024. As Mark mentioned, we are affirming our revenue and adjusted EBITDA guidance with revenues before reimbursable expenses in a range of $1.46 billion to $1.54 billion and adjusted EBITDA in a range of 12.8% to 13.3% of revenues. Today, we are raising our adjusted non-GAAP EPS to a range of $5.60 to $6.10, reflective of a now lower anticipated full year effective tax rate in the range of 26% to 28% and a lower weighted average diluted share base for the year based on the accelerated pace of share repurchases during the first quarter.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) One moment for our first question, which comes from the line of Andrew Nicholas of William Blair & Company.

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

I wanted to start on the Healthcare segment's growth. Really strong quarter on that front. Mark, you alluded to kind of broad-based demand across that segment. But I was hoping you could unpack where the growth rates fit across PI, digital, strategy and innovation, financial adviser. Just kind of getting a sense for under the hood kind of where the strength is, if there is a rotation between the different segments as the end market seems to get a bit healthier with time. That would be really helpful to kind of understand.

C. Mark Hussey - *Huron Consulting Group Inc. - President, CEO & Director*

Yes. John, why don't you give some color into some of the trends by area?

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

Yes, I'm happy to do that. I'll start there, and then Mark, you can give the color commentary. From a breakout within the Healthcare business, continue to see a lot of strength, Andrew, within our consulting part of the business, and particularly our performance improvement part of the business. Year-over-year, that was up north of 20% between the 2 years. So consistent with Mark's comments, that's a part of the business where even though year-over-year we've seen some improvement in the industry in terms of average profit margins and things like that, there's still a number of clients that are facing financial strain right now, and we see continued demand for those types of projects.

From a Digital perspective, we continue to see really good growth overall, high-teen growth from a Digital perspective. I think that's reflective of really the other part of the market where we see clients that have reached more financial stability now turning around and really starting to execute on some of their investment plans, which oftentimes includes improving the digital infrastructure. So we've seen good growth there.

And then you referenced as well strategy and financial advisory. Those are 2 smaller basis of revenue within the business but areas that are really performing well. And so from a percentage perspective, they're up, call it, north of 25% year-over-year. But they're starting from a smaller base. But I think those are both areas where we see a lot of demand with our clients right now in terms of working on the strategies as well as starting to think about balance sheet considerations where our financial advisory team plays really well with those clients. So hopefully, that gives some color.

C. Mark Hussey - *Huron Consulting Group Inc. - President, CEO & Director*

Yes. And I would say, Andrew, my comment on the mixed view of margins within the sector. It really depends a little bit on market-specific situations. But I would tell you that collectively, it's some -- in those systems that are having performance improvement issues, there are also aspects that address every one of the businesses. So it's not as if performance improvement is only on one side and not on the other. So it really is just maybe leaning more heavily on one side of that mix. And I'd say our power in the market right now is really our ability to bring that team together very collectively in coordination and seamlessly across each client situation, which has really enabled us to differentiate and have a very strong offering for the clients in terms of driving value.

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

And maybe, Andrew, I'll jump in with one last point as it relates to the strategy business and as it relates to our healthy financial advisory business. The percentages probably aren't as helpful to think of. But if you look at a year ago at this time, those were low single-digit million-dollar businesses for us that now are operating more in the mid-teens million-dollar level. And we continue to see -- we're investing in that growth that we've seen and continue to see demand trajectory like that. So that's an area within the portfolio that we're pretty excited about in terms of adding growth to business.

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

That's really helpful. I guess I would have thought maybe a little bit more of a rotation, but it sounds like everything is still very much hitting on all cylinders. Appreciate that. And then maybe for my follow-up on the margin front, pretty encouraged by the margin expansion even with a little bit lower utilization in the quarter and some really strong head count growth. So can you talk about kind of the ability to expand margins despite lower utilization? And then somewhat relatedly, I think it's up about 20 basis points year-over-year in the first quarter. You stuck to the full year margin expansion guidance. So what dynamics allow you to expect maybe more margin expansion on a year-over-year basis through the rest of the year and in the second half as opposed to the start of the year?

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

Sure, Andrew, I can start there. We had a few items during the quarter that were not expected to repeat as the year goes on that adds some extra expense. So we're actually very pleased with the 20 basis points of margin expansion in the quarter given that we had some of those expenses. And one such item was one of our larger teams had a practice meeting during the quarter. We typically do one of those a year, not necessarily the same team every year, but the corresponding large event like that was during the fourth quarter of this year. It was during the first quarter this year. So that was a little bit of an unfavorable comparison. That alone had about a 70 basis point impact on margins during the quarter.

We also, as I referenced in my remarks, had some deal-related expenses that came through during the quarter. You're aware of the closing of the GG+A acquisition. We had some onetime items related to earn-out valuations that also came through during the quarter. And then one final item that we referenced was we did have an uptick in legal expenses during the quarter that we're not expecting to repeat at that level as the year goes on.

So there were some headwinds during the quarter related to some of those factors that are either things that have been adjusted out like the fair value -- the earn-out fair value adjustments and then onetime-type items that we don't expect to repeat later in the quarter. So despite the 20 basis points of improvement during the first quarter, that's what gives us confidence that we'll be able to accelerate that margin expansion as the year goes on.

Operator

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

Jasper James Bibb - *Truist Securities, Inc., Research Division - Associate*

This is Jasper Bibb on for Tobey. Can you maybe frame for us what's assumed for Healthcare performance improvement growth in your '24 guidance? And maybe I missed it in the earlier discussion about different practice groups within Healthcare, but how is Studer Group doing right now?

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

Yes. So from a performance improvement perspective during the year, I think that's an area of the business where the guidance initially at the beginning of the year called more mid- to upper single-digit growth within that business just because they had such a record performance in 2023. Obviously, we're off to a good start in that business with the growth that I described in the first quarter that's outpacing that. So that's an area where there's potential for upside as the year goes on. But these assumptions were relatively conservative in the original plan. And then as far as the people business go, the Studer Group business that you referred to, that's an area of the business where we're planning for modest, call it, low single-digit growth during the year.

Jasper James Bibb - *Truist Securities, Inc., Research Division - Associate*

Got it. That's helpful. I guess maybe stepping back, any thoughts on the FTC's move to ban noncompetes and what that might mean for your business?

C. Mark Hussey - *Huron Consulting Group Inc. - President, CEO & Director*

Yes. This is Mark. We're -- at this point, first of all, we all know it's going to get litigated. So I don't think we really know the outcome for several months. But having said that, we are not overly concerned about it in our business. It's certainly something we use and manage all the time, and candidly, might be more of an opportunity as an example for us. But it's not something that right now is paramount in terms of our concern list.

Jasper James Bibb - *Truist Securities, Inc., Research Division - Associate*

Got it. Last one for me, like head count growth came in a lot faster than we expected this quarter, and maybe some of that was GG+A, but how should we think about the pace of head count adds and the corresponding impact on utilization over the balance of the year?

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

Yes. There's a couple of things to think of as you think about the head count because you referenced you've got the addition of GG+A, which is -- think of that as about 100 FTEs. We've also been building out our managed services capabilities from a global delivery perspective. I'm using our India team as a base there. And so we've had some more aggressive head count adds there as we continue to win new assignments in that area and build out that part of our business, but that tends to skew to a lower expense item than in some other areas.

And then the other thing that's probably in the numbers is we had really record low attrition during the first quarter this year. And that's on top of what was low attrition in 2023 as well. So I think it's all those factors that you see, generally low attrition environment, and then some focused adds in some of the areas that we're investing for growth.

Operator

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

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

Mark and John, I just want to make sure I got the speaker on. Can you hear me?

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

Yes. Sounds good.

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

Good. Cool. So just to follow up, I guess, on that head count question. It was particularly strong in Healthcare quarter-on-quarter. I think it was like 11%. So I guess all those factors, John, you just referred to apply to Healthcare. Is there any other color, particularly for the segment? And then how do we think about kind of sequentially for the rest of the year, the head count trend there?

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

Well, to the broader point, so a lot of the head count growth that you see there, Bill, is the additions to our managed services team during -- over the course of the past year. I will say when it comes through the numbers, this is an area where we continue to see excellent growth potential business. So it's definitely still an area of the business where we're hiring, we're adding talent in order to meet the needs of our clients and continue to grow for the remainder of the year.

And so from a modeling perspective, I think when you look at it longer term over the course of the year, I think it's still safe to think of an expectation that head count growth is going to ultimately kind of land in line with revenue growth for the year. I think that's a safe assumption. Now there may be areas as the year progresses where we do some additional investments. So there may be areas where we end up with higher utilization and a little bit less head count add. But generally speaking, I think thinking of head count percentage growth and revenue percent growth is probably being the same for the remainder of the year, the way we look at it.

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

Okay. I know utilization can bounce around quarter-to-quarter. Pretty big moves in Digital and Consulting, Digital up, Consulting down. Consulting I assume, is basically just catching up with the hiring, including the acquisition. I'm not sure what their utilizations were. But is that fair to say? And then on Digital, is that sustainable?

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

I'll offer 2 things, Bill, on the Consulting side. There was a little bit of pressure on the utilization metric related to the acquisition just in the first month by onboarding some of those employees. Again, the low attrition environment in general is another factor that we have a very low attrition environment that can put a little bit of pressure on the utilization metric.

From a Digital perspective, I think that we actually have room to improve that metric as the year goes from where it landed in the first quarter. So it was up year-over-year. It was actually down a little bit sequentially, if you look at the fourth quarter versus the first quarter. So we think that there's more room to run on that metric.

And the final point I made when we're talking about expenses earlier, I referenced the large team meeting that we had that was about 70 basis points of expense during the quarter. That also has a utilization impact. And we don't want a [precision] around it. I think we estimate that the impact for the Consulting utilization related to that was about 1.5%. So I think that that's not clearly a significant kind of onetime item that you'd see in the first quarter.

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

Got it. The -- what's -- did you guys talk about this in the prepared remarks? I had to step away for a second. Kind of the -- your thoughts on capital allocation now that you've done a significant share buyback. I know you're going to moderate, but how are you looking at perhaps the M&A environment? Does there seem to be good opportunities? Or are you going to watch and see at this point?

C. Mark Hussey - *Huron Consulting Group Inc. - President, CEO & Director*

Bill, it's Mark. We like the M&A pipeline we have. And we've always had a pretty picky set of opportunities that we pursue often. We're getting to know them, sometimes working in the market together. But often, that's a precursor for us to move to the next step of an acquisition. We've looked at a lot of companies over the last year. And I would just say we continue to look at really good opportunities that we feel good about.

I do think they get in tuck-in type category, but the range of size could be a little bit bigger than GG+A and can skew a little bit smaller than that, but I think that we continue to be -- obviously, you can't time exactly when those happen, but I would expect us to be more active through the balance of the year.

Operator

Our next question coming from the line of Kevin Steinke of Barrington Research Associates.

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

So you talked about some continuing caution from clients in the Commercial segment about moving forward with digital and strategy and innovation projects. I believe on your last call, the fourth quarter call, you talked about some -- seeing some signs that those areas could pick up in 2024. Is that still the case? Or do you think clients have become a little more cautious over the last 3 months or so here?

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

Kevin, it's John. I'll -- we absolutely still see indications that suggest it could pick up as 2024 goes on. When we actually look at the size of the pipeline and some of the opportunities of the pipeline, we're really encouraged by it. There are some great projects in there. And I guess the underlying theme there is there's a lot of need and demand for our clients for the services that we provide.

I think what is ended up being a little bit of a cautionary factor or the mix signal is, I think, because of some of the general macroeconomic uncertainty that's in the market right now, you do see clients that are just a little bit more hesitant to get a project started, a little bit more deliberate in how they pace out projects and things about that. And so that's kind of what we're fighting through. But in terms of the needs that are out there in the market, we definitely see that. And from our perspective, it's really just kind of a matter of when, not a matter if in terms of that coming back. But we're definitely going through a period right now where there's a little bit of uncertainty.

C. Mark Hussey - *Huron Consulting Group Inc. - President, CEO & Director*

I think it's well said. I think it's the inflationary environment, the economy. But when you look at the election year, obviously, is on the minds of several of our clients as well. But I think that John said it right. The pipeline is actually pretty good. It's more a matter of how does the timing play out with respect to specific opportunities. But we're definitely getting our share of that and feeling good about our offerings and being competitive in the market.

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

Okay. And then also on Commercial, you mentioned continued growth in financial advisory. Is that an area as hot as it has been? I know you're going to be coming up against some more difficult comparisons here, but is that slowing at all or as strong as it's been or strengthening? Just kind of wondering directionally how that's trending.

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

I think it's -- so the context I'd give, Kevin, is last year that business was really white hot in terms of demand and in terms of a record revenue sort of year. I think the growth rate has moderated or we expect it to moderate from what we saw last year, but it still was a robust demand environment. There's still a significant amount of inquiries for our services in that area. And our team is still adding quite frankly, a significant amount of success on some of those opportunities.

So when that business is performing well, it's really high margin part of our portfolio. And we continue to feel very good about prospects of that business as the year goes on, even if it's not growing at the kind of really high rate that it was growing in 2023 in a record year.

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

Okay. And then just lastly, any -- I know you reiterated the full year 2024 revenue guidance, but any change at the segment level in terms of the growth outlook in each segment that gets you to that consolidated number?

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

I think it's probably a little too early to adjust the guidance here, Kevin. Obviously, the Healthcare business is off to a great start. Continue to feel really good about the pipeline there. So I think that might be an area where you could expect to see potentially a little bit of upside. And the first quarter for the Commercial segment was a little bit slower. That was more flat during the quarter. So that might be where you'd see a little bit of pressure on the growth rate.

But we'll continue to execute throughout the year, and I would anticipate by the time we get to the next call, we can refine that a little bit. But those will be maybe in broad strokes where we see a little bit of increased demand versus where it's been a little bit softer.

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

Okay. Lastly, John, I don't know if you called out the dollar amount of the legal expenses that you don't expect to recur after the first quarter.

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

So there's always some level of legal expense in our SG&A. But I described, Kevin, the amount that was above and beyond will be the normal run rate, will be a couple of million dollars.

Operator

(Operator Instructions) Our next question comes from the line of Moshe Katri of Wedbush Securities.

Moshe Katri - *Wedbush Securities Inc., Research Division - MD of Equity Research & Senior Equity Research Analyst*

Congrats on very, very strong results. I believe -- I think Huron is the only company in the space that's actually recruiting. So what's embedded in terms of organic head count growth in your calendar '24 guidance? That's my first question.

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

In terms of the guidance, so our revenue growth rate for the year from a projection perspective, the midpoint guidance was around 10%. And the range around that was 7% to 13%. So in terms of us expanding our talent pool during the year, we're expecting that to basically be of a similar trajectory as the revenue growth. So around that 10% range.

Moshe Katri - *Wedbush Securities Inc., Research Division - MD of Equity Research & Senior Equity Research Analyst*

Understood. And then there's lots of questions about visibility. But then if I had to kind of look at visibility for Healthcare, Education and Commercial now versus early calendar '24, let's say, 3 months ago, has that changed, improved, got worse? How do you -- how would you kind of define it?

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

I would say within the Healthcare segment, it's improved during the quarter in a couple of different aspects. We've had some really nice opportunities in the pipeline. We've had some strong conversion of those opportunities, sales conversion into backlog. And so I think those things have improved visibility. And then we also have projects that have performance-based fee elements to that to the extent that we're able to successfully deliver for our clients.

And I think our teams are executing very strongly at some of those projects, which gives us confidence that there's the potential for some revenue upside related to those projects as the year goes on. So I think Healthcare being an area where it's improved I think Education is very consistent with where we were 3 months ago. And I think that -- which is a positive story for us. We continue to see strong demand there and really broad-based demand across our different offerings. But I think that's been fairly consistent.

And then Commercial might be the one where the size of the pipeline continues to be robust. But in terms of visibility in the short term, that's where we've seen a little bit slower conversion, particularly on some of the digital projects. And I described there as maybe an area where there's a little bit more caution than maybe where we were 3 months ago.

C. Mark Hussey - *Huron Consulting Group Inc. - President, CEO & Director*

Yes. One addition on that is when you look at our financial advisory offerings, which we talked a little bit about, tend to have a very, very short sales cycle. I mean literally could be within a week to when an engagement might start. So those are the kind of things in that environment where it's kind of a balance to some of the other areas that we've seen a little bit of delay in decision-making or projects that are just pushed off.

Moshe Katri - *Wedbush Securities Inc., Research Division - MD of Equity Research & Senior Equity Research Analyst*

Yes. Understood. And then -- so basically, the pipeline in Digital is strong, but it's just not converting. Is that the right way to look at it? Or not converting on time?

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

In Commercial, yes. I'd say in the other parts of the business, it's either stronger or -- Healthcare has been stronger. Education has been fairly consistent. I'd say in Commercial for Digital is the area where good-looking pipeline but where the conversion has just been slower than maybe historical norms.

Moshe Katri - *Wedbush Securities Inc., Research Division - MD of Equity Research & Senior Equity Research Analyst*

And then final question about your India operation. Can we get some -- maybe some transparency in terms of their head count? Maybe where was it a year ago? And what do you expect it to be during the next year or 2?

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

So from a total head count perspective, it's roughly 28% of our total workforce is in India. And the 3 areas that are most prominently delivered by our global team in India is our Digital business, which has about 1,000 of those employees; our Managed Services business, which has, call it, 500 or 600 of those employees; and then we do support our corporate enterprise with our team members in that location as well, which makes up the remainder of the head count.

And from a growth perspective, that's been an area that's been growing very strongly. If you were to go a little further back than just last year, it's grown significantly. Five years ago, it was probably low hundreds in terms of employees that we had there up to the 2,000 rough number that we have now in India. I'd say year-over-year, it was still a strong growth area, but I think just matured a little bit, I'd say, over the course of the past year.

Operator

Thank you. 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, CEO & Director*

Thanks 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.

Operator

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