LSEG STREETEVENTS

EDITED TRANSCRIPT

HURN.OQ - Q3 2026 Huron Consulting Group Inc. Earnings Call

EVENT DATE/TIME: NOVEMBER 03, 2026 / 10:00PM GMT

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

CORPORATE PARTICIPANTS

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

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

CONFERENCE CALL PARTICIPANTS

Andrew Nicholas *William Blair Capital Partners - Analyst*

Tobey Sommer *Truist Securities Inc - Analyst*

William Sutherland *StoneX Financial Inc - Analyst*

Kevin Steinke *Barrington Research Associates Inc - Analyst*

Steven Wahrhaftig *Wedbush Securities Inc - Analyst*

PRESENTATION

Operator

Good afternoon, and welcome to Huron Consulting Group's webcast to discuss financial results for the third quarter of 2026. (Operator Instructions) As a reminder, this conference call is being recorded.

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

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

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

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

Good afternoon and welcome to Huron Consulting Group's third-quarter 2026 earnings call. With me today are John Kelly, our Chief Financial Officer; and Ronnie Dail, our Chief Operating Officer.

We achieved record revenues before reimbursable expenses or RBR in the third quarter of 2026, reflecting 12% growth over the third quarter of 2025. Our third -quarter performance was driven by organic growth across all three of our operating segments and double-digit percentage growth in both our consulting and managed services and our digital capabilities.

AI continues to drive demand for our digital services. In the trailing-six months of 2026, greater than 65% of our digital-capability bookings involve direct AI scope that we're delivering that was significantly enabled by our AI tools. And that was up from approximately 50% in the same period in 2025.

Our third-quarter results continue our strong multi-year performance and further demonstrate the consistent execution by our highly talented global team, as well as the differentiation of our industry-focused proprietary offerings.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

Combined with our year-to-date performance, our strong backlog and pipeline give us confidence to narrow our full-year RBR guidance range and raise our earnings guidance. At the midpoint, our updated guidance continues to reflect year-over-year double-digit RBR growth and continued margin expansion, while establishing a solid base for continued growth in 2027.

Now, I'll share some additional insights into our third-quarter performance. In the Healthcare segment, we achieved record RBR in the third quarter. RBR grew 16% for the third quarter of 2025, which was on top of 20% growth in Q3 2025 over Q3 of 2024. The increase in RBR in the quarter was driven by strong demand for our managed services, performance improvement, financial advisory, and digital offerings, as well as incremental RBR from our acquisitions.

Excluding the impact of the acquisitions, organic RBR growth for the Healthcare segment was 9% in Q3 2026 compared to Q3 2025.

Underlying market conditions remain favorable for driving strong demand for our Healthcare business. Healthcare systems and hospitals continue to operate in a challenging environment characterized by persistent cost and workforce pressures, evolving reimbursement models, and increasing expectations to improve access, outcomes, and the patient experience.

The healthcare industry is also preparing for the next phase of the OBBBA, which takes effect in 2027, and includes stricter requirements related to Medicaid eligibility and reimbursement. We believe the impending regulatory changes, together with the broader structural challenges facing healthcare providers, will drive continued demand for our Healthcare business. Our comprehensive portfolio of offerings across consulting, digital, and managed services positions us well to address each client's distinct challenges.

We believe our multi-year track record of proven results, coupled with our proprietary data and methodologies -- and delivered by our highly experienced team -- provides a strong competitive advantage for Huron so our clients build a more sustainable future for their organizations.

I'd also like to highlight the performance of our Healthcare managed-services business, for which RBR nearly doubled the third quarter of 2026 compared to the third quarter of 2025.

Q3 2026 marked the third consecutive quarter of 40%-plus organic year-over-year revenue growth for this team. The strong, steady growth is reflective of the recurring nature of this offering and our outcomes-based approach that consistently delivers meaningful, positive financial and operational results for our clients.

Beyond the impressive growth in financial performance, we're pleased with how this business has organically expanded into a broader scope of functional areas, enhanced through our acquisition of RelateCare earlier this year.

Our Healthcare managed-services team has also delivered with the highest quality, achieving a Net Promoter Score of 92, which far exceeds the industry benchmark and states the clear value that we're delivering for our clients.

Next, turning to the Education segment, in the third quarter of 2026, Education RBR grew nearly 7% compared to the third quarter of 2025, driven by strong demand for our digital and managed-services offerings.

Higher-education institutions continue to navigate a broad array of pressures, including demographic headwinds, enrollment challenges, and cost and revenue pressures. Uncertainty also remains around research funding in the midst of growing regulatory complexity.

Institutions are also grappling with the risks and opportunities resulting from rapid advances in AI across their workflows and their learning environments. Increasingly, these challenges require institutions to simultaneously retain their strategies and business models, while preserving a clear focus on achieving their missions.

We continue to see robust demand for digital-transformation engagements, as clients seek to modernize their data and technology foundations, build AI [at] elaborations, and create a more sustainable operating model.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

As institutions make increasingly consequential decisions about their future, we believe the depth of our expertise, the breadth of our capabilities, and the deep relationships built for over decades provide Huron with a strong competitive advantage.

We remain confident in our ability to help clients navigate this period of transformation, while continuing to build upon our competitive position in the education market.

Now, moving to the Commercial segment, third-quarter commercial RBR grew 6% over the prior-year quarter. The increase in RBR was driven by our Q3 2025 acquisition of Wilson Perumal, as well as continued organic growth from our strategy offerings.

Commercial organizations are navigating an increasingly complex operating environment, marked by cost and productivity pressures, rapid advances in technology and AI, evolving customer expectations, and continued economic and regulatory uncertainty.

These challenges are increasingly interconnected, requiring partners that can bring together deep industry expertise across a wide array of capabilities.

Similar to our Healthcare and Education businesses, we believe the growing breadth of our capabilities, along with an increasing depth of industry expertise, positions us well to help clients address these challenges with end-to-end solutions across our Commercial segment.

Over the past several years, we've strategically strengthened our Commercial business by investing in the expansion of our capabilities and industry expertise and, importantly, creating greater connectivity across our businesses.

Wilson Perumal acquisition, completed just over a year ago, is a great example. Wilson Perumal's expertise in driving performance improvement through managing the strategic and operational impact of complexity on businesses complements our strategy, financial-advisory, and digital offerings.

Together, we're creating a strategy to execution and value proposition to help our clients understand and reduce complexity that erodes value in their businesses.

We've seen the benefits of the strategy in the market. Greater collaboration across our teams is expanding how we engage with clients, strengthening our competitive differentiation and creating new opportunities to serve them across a broad range of needs.

We believe this combination of deep industry expertise, broader capabilities, and a collaborative go-to-market approach provides a strong platform for continued growth in our Commercial segment.

Now, let me turn to our outlook for the year. Today, we're updating our annual guidance by narrowing our RBR guidance range to a $30 million range of $1.855 billion to $1.885 billion, affirming our adjusted EBITDA guidance range of 14.5% to 15% and increasing and narrowing our adjusted non-GAAP EPS to a range of $9.20 to $9.40.

We're pleased with our performance to date in 2026. And the midpoint of our RBR guidance reflects our expectation of continued strong growth in the fourth quarter, consistent with our backlog and pipeline.

We remain focused on advancing our growth strategy and executing with discipline to deliver strong financial performance for our business and for our shareholders.

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

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

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

Thank you, Mark. And good afternoon, everyone. Before I begin, please note that I will be discussing non-GAAP financial measures, such as EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS, and free cash flow.

Our press release, 10-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 would like to discuss one housekeeping item: Our Healthcare segment results do include a full quarter of operating results from our acquisition of RelateCare, which closed in June of this year.

Now, I'll share some of the key financial results for the third quarter. Third quarter of 2026 produced record RBR of $482.5 million, up 11.6% from $432.4 million in the same quarter of 2025. The increase in RBR for the quarter was driven by growth across all three operating segments, a double-digit percentage growth in both our consulting and managed services and our digital capabilities.

Net income for the third quarter of 2026 was $28.4 million, or $1.75 per diluted share, compared to net income of $30.4 million, or $1.71 per diluted share in the third quarter of 2025. As a percentage of total revenues, net income decreased to 5.8% in the third quarter of 2026 compared to 6.9% in the third quarter of 2025.

Diluted earnings per share in the third quarter of 2026 reflects non-cash credit loss recognized on our convertible-debt investment in a third party, which had $0.36 unfavorable impact on diluted earnings per share for the quarter.

Our effective tax rate in the third quarter of 2026 was 32.9%, which is less favorable than the statutory rate, inclusive of state-income taxes, primarily due to certain non-deductible expense items and the inability to recognize tax benefits related to the credit loss recognized on our convertible-debt investment in the third party. We now expect a full-year effective tax rate between 27% and 29%.

Adjusted EBITDA was $77.3 million in Q3 2026 or 16% of RBR compared to $67.4 million in Q3 2025 or 15.6% of RBR. The 16% adjusted EBITDA margin is our highest quarterly adjusted EBITDA margin in the last eight years.

The increase in adjusted EBITDA was primarily attributable to increases in Healthcare and Education segments' operating income, excluding the impact of segment depreciation and amortization and segment-restructuring charges, partially offset by an increase in certain unallocated corporate expenses.

The increase in adjusted EBITDA margin to 16% from 15.6% in the prior-year period is reflective of an increase in Education segment's operating income margin, scaling of our unallocated SG&A expenses.

Adjusted net income was $42.6 million, or $2.62 per diluted share in Q3 2026, compared to $37.4 million, or $2.10 per diluted share in the third quarter of 2025, growing adjusted diluted earnings per share of 24.8% year over year.

Now, I'll discuss the performance of each of our operating segments. The Healthcare segment generated 53% of total company RBR during the third quarter of 2026. The segment posted record RBR of $255.8 million, up $36.2 million or 16.5% from the third quarter of 2025, driven by strong demand for our managed-services, performance-improvement, financial-advisory, and digital offerings, as well as incremental RBR from our acquisitions. RBR in the third quarter of 2026 included $16.7 million from our acquisitions of RelateCare and AXIA.

Operating income margin for the Healthcare segment was 30.5% in Q3 2026 compared to 30.9% in Q3 2025. The slight decrease in the segment's operating income margin was primarily driven by an increase in total compensation expense as a percentage of RBR and includes the impact of the integration of RelateCare into our business.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

We have maintained strong margin performance in 2025 and into the first nine months of 2026, reflective of the highly disciplined execution delivered by our Healthcare team.

The Education segment generated 29% of total company RBR during the third quarter of 2026. Education segment's RBR in the third quarter of 2026 was $138 million, up $8.6 million or 6.6% compared to the third quarter of 2025. The increase in RBR was entirely organic and driven by strong demand for our digital and managed-services offerings.

The operating income margin for Education increased to 29.1% for Q3 2026 compared to 25.7% for the third quarter of 2025. The increase was primarily driven by revenue growth that outpaced the increase in salaries and related expenses for our revenue-generating professionals and decreases in salaries and related expenses for our support-personnel and technology costs.

The Commercial segment generated 18% of total company RBR during the third quarter of 2026. Commercial segment's RBR was $88.8 million in Q3 2026, up $5.4 million or 6.4% from the third quarter of 2025. The increase in RBR reflects $4.3 million of incremental RBR, primarily from our acquisition of Wilson Perumal, as well as strong demand for our strategy offerings.

Operating income margin for the Commercial segment was 13.9% for Q3 2026 compared to 16.4% in the same quarter in 2025. The decrease was primarily driven by increases in performance-bonus expenses, reflecting increased full-year performance expectations for certain teams within the segment.

In addition to the increase in performance-bonus expense, the decline in margin also reflects continued investment in key business development, leadership, and delivery talent that we expect to drive above-company average growth in 2027. These growth-oriented investments totaled $2.2 million or 2.5% of segment RBR for the quarter.

Corporate expenses not allocated at the segment level, excluding restructuring charges, were $58.7 million in Q3 2026 compared to $56.5 million in Q3 2025. The unallocated corporate expenses in the third quarter of 2026 included income of $200,000 compared to expense of $2.7 million in Q3 2025 related to the changes in the liability of our deferred compensation plan, which are offset by the change in fair 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 increased approximately $5.1 million, primarily driven by increases in compensation costs for our support personnel, software and data-hosting expenses, partially offset by a decrease in legal expenses.

Now, turning to the balance sheet and cash flows, DSO came in at 83 days for the third quarter of 2026 compared to 79 days in the second quarter of 2026. The increase, when compared to the second quarter of 2026, is primarily attributable to the impact of collections on certain Healthcare projects, in alignment with the contractual payment schedules.

Cash flow from operations in the third quarter of 2026 was $57 million compared to $93.8 million in the prior-year period. During the third quarter of 2026, we used $7.9 million to invest in capital expenditures, inclusive of internally held software costs, resulting in free cash flow of $49.1 million.

We now expect full-year free cash flow to be in the range of $150 million to $170 million, net of cash taxes and interest and excluding non-cash stock compensation.

This update primarily reflects the timing of collections, including a revised payment schedule on a specific multi-year engagement and a higher mix of performance-improvement projects with performance-based fee elements within our Healthcare segment during 2026. We expect to collect working capital related to such projects in 2027, in accordance with our contractual terms.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

Our leverage ratio, as defined in our senior bank agreement, was 2.6 times, adjusted EBITDA, as of September 30, 2026, compared to 2.8 times, as of June 30, 2026. We remain confident that we are on track to achieving a leverage ratio between 2 times and 2.5 times by the end of 2026, in alignment with the capital-allocation strategy outlined in our most recent Investor Day.

Total debt as of September 30, 2026, was $815 million, consisting entirely of our senior bank debt. We finished the order with cash of $25.6 million for net debt of $789.4 million. This was a $13.4 billion decrease in net debt compared to Q2 2026, which incorporates the share repurchases made during the quarter.

In the third quarter of 2026, we used $26.3 million to repurchase approximately 173,000 shares, bringing our total year-to-date repurchases to $234.9 million or approximately 1.7 million shares, reflecting an average repurchase price of $136 per share.

Year-to-date repurchases represent 10% of our common stock outstanding, as of December 31, 2025. As of October 31, 2026, $255.9 million remained available for share repurchases, inclusive of the $200 million increase authorized by our Board of Directors in October 2026.

Well, finally, let me turn to our guidance for full-year 2026. As Mark mentioned, today, we are updating our annual guidance by narrowing our RBR guidance to a range of $1.855 billion to $1.885 billion, affirming our adjusted EBITDA guidance range of 14.5% to 15% and increasing and narrowing our adjusted non-GAAP EPS to a range of $9.20 to $9.40.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andrew Nicholas, William Blair.

Andrew Nicholas - *William Blair Capital Partners - Analyst*

To start with Commercial, a little bit of a weaker quarter on an organic basis. Could you unpack what (technical difficulty) businesses within that segment did during the quarter?

And then, maybe speak a little bit more to the investments that you described. Are there specific areas that you're focused on with those investments? And, relatedly, are those investments in response to recent results or proactive to spurring growth next year?

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

Yeah. Andrew, I can start with, just, the question about the growth rate for the quarter. So from an organic perspective, consulting, overall, was up about 11%. And we talked, on the last call, about expecting the growth rate within consulting to moderate from where it was earlier in the year.

And that moderation primarily came from the restructuring and turnaround business, where they add a couple of large segments in the first half of the year that really drove above-average growth that normalized during the third quarter and landed more in this low double-digit-percent range.

From a digital perspective, it was down 1% so roughly flat during the quarter. Our commentary there is, from a pipeline perspective, we see significant growth in terms of pipeline. We see good opportunities. We see continued opportunities, as it relates to AI-enablement projects or helping clients with AI use-case projects.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

Just, the execution on closing out some of those projects and getting them started was a little bit behind what our expectations were for the quarter, which led to the roughly flat results in the third quarter.

The digital part of the business is a bigger mix within Commercial so the net of all that was the low-single-digit organic growth rate.

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

Yeah. Let me add on to the second part of your question, Andrew.

I think these are not, at all, in response to anything in the quarter. In fact, if you turn the clock back a couple of years, at least, for the multi-year journey, we've been building our Commercial business into a much more, call it, industry-focused -- to enable it on an end-to-end basis.

And so, even turning back to the clock to, like, AXIA, we did -- which was more in the digital area. But, more recently, if I answer your question, specifically, we have now gotten to the time where the capability across the businesses for reaching the scale that the addition of deeper industry expertise in a number of the verticals makes a lot of sense for us because, now, we can leverage across the full set of capabilities we have.

So what you're seeing is some of the anticipation of growth in 2027, some of the investments where we're bringing in leaders to help us scale, from an industry perspective.

Andrew Nicholas - *William Blair Capital Partners - Analyst*

Very helpful. And then, you touched on it at various points during the prepared remarks, also, in response to my last question.

But, just broadly, on pipeline development, any areas that are especially strong or accelerating or, on the other side of the coin, softening a little bit relative to what you described last quarter? It sounds like general bookings are good. But any color there would be great.

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

Yeah. Andrew, from a -- maybe I'll just start from an overall perspective, from an overall company-wide bookings perspective.

For the trailing-six-month period ended September 30, bookings were up 20% year over year -- over 20% year over year. I think, the strength of those bookings, that's not only helpful in terms of delivering the fourth-quarter guidance but we also feel good that that really offset the table for the next leg of growth, as we start to think about 2027.

In terms of the areas, I would say that the majority of the bookings strength there was within the Healthcare and Education segment. And, importantly, digital within both of those segments was a key part of that.

Within Healthcare, it was also broader in terms of performance-improvement and the managed-services offerings. And then, on the Education side of the shop, I think the strength was really digital and managed services.

There was growth in terms of bookings for the consulting part of the business but we continue to see a little bit of a slower than we expected sales conversion rate within consulting and Education.

And then, from a Commercial perspective, that was more in the mid-single-digit-range percent in terms of increase in (inaudible) -- bookings during the six months ended 9/30 versus a year ago.

And what's in there, I'd say it was pretty well balanced between the different lines of business within the Commercial segment.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

Operator

Tobey Sommer, Truist Securities.

Tobey Sommer - *Truist Securities Inc - Analyst*

I wanted to ask a question about Healthcare (inaudible) -- and [PI], specifically. The order of the magnitude of change in terms of enrollment in insurance rules, the Affordable Care Act, this year, that changed compared to the -- another leg down that is forecast in the Medicaid and the 340B drug pricing?

Which year, between this year and next, is harder on your clients? Just trying to get a sense for what you may hear from them in the coming months or if we turn the calendar to '27?

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

Tobey, I think you could say, next year, we expect it to be harder because what you're going to see is a lot of that Medicaid works to come back in the form of unreimbursed care -- and you've got -- compounded by some of the ACA pressures that you've seen in terms of enrollment.

So I think it's been well expected for some period of time. But I think, until you really get into it and see magnitude -- so we expect '27 should be a very strong year, from a Healthcare perspective, especially because, now, we will be into the new parts of the regulation that will take effect January 1.

Tobey Sommer - *Truist Securities Inc - Analyst*

On managed services, maybe -- are there new services within there that you're expecting to offer your customers, perhaps -- I'm curious what the next modules of revenue cycle that you think the company is getting more receptivity and adoption from your customers to drive growth in '27 and '28?

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

Well, I think the first thing to understand is that we have both end-to-end revenue cycle where we lift and shift (inaudible) -- their people and then, execute under, call it, outcomes-based, performance-based contracts.

But I would say, an increasing number is on (inaudible) -- point solutions that are on various parts of the revenue cycle. And then, I would say, with businesses -- like, we just acquired -- with RelateCare, what you're seeing is an extension into some of the access [areas].

And so I think there is quite a bit of adjacency that's still left to be -- love to be executed there. So I think, really, within, call it, both the traditional revenue cycle, as well as getting into some of the access-related clinical operations and just some of the trials management -- are definitely areas that we see really good opportunities.

Tobey Sommer - *Truist Securities Inc - Analyst*

Last one for me: Margins in managed services, going forward, could you give us your outlook there, not just for the fourth quarter but a little bit longer term and broad strokes, please?

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

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

Yeah. Tobey, this is John. I would say, from our perspective, this has been one of the really great parts of our managed-services-business story over the past few years. We've seen steady margin improvement in that business.

And when you think about our Healthcare managed services, the margin profile, segment level, for our managed-services offering are generally in line with the overall segment average.

They tend to be a little bit below the performance-improvement consulting, which has its performance-based fee opportunities -- and evolve the digital offerings, which tend to lend a little bit lower.

And when we first got into the managed-services business, at this point, seven years ago, that wasn't the expectation. We actually, at that point, we're thinking that the managed-services business would be high growth, which has proven to be but that would blend in at a lower-margin rate. So it's been a really positive change for us.

In terms of what is unlocked that margin growth, I think it's a few things. But first and foremost, it's the outcomes-based approach that our teams take with our clients. So we're very focused on delivering key financial and operational metrics for our clients.

And, to the extent that we're successful in doing that, that creates opportunity for us to expand our revenue on those projects. But as well, our team has done a great job of taking advantage of our global resources.

And then, this is an area where, I think, across the entire company, when we look at the advancements we made in automation using AI, the team has also shown great leadership in those areas, too.

So you put all those things together and -- plus, just, some nice scaling, now, of the fixed components of the SG&A for that business -- it's proven to be really margin-accretive to us, coupled with the strong growth rates that Mark highlighted in his remarks.

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

And of course you're low (inaudible) -- the recurring nature.

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

Yeah.

Operator

Bill Sutherland, Stonex Financial.

William Sutherland - *StoneX Financial Inc - Analyst*

I can't help but notice the sequential trend in headcount -- professional headcount in Education, down a bit in the nine months, and then a nice expansion in margin over the same three quarters.

And just wondering about that relationship or whether there's other factors? And also, how you're thinking about headcount planning for Education, going forward.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

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

Yeah. So this is -- I'll touch on Education. I think it's a broader comment that really (inaudible) -- company to you, right?

The Education headcount was down. I think, generally speaking, if you're looking sequentially, excluding managed services, our headcount was roughly flat across the entire business.

And I think the story behind that is, during the quarter, we were able to hit our growth objectives for the quarter, as well as keeping an eye on our fourth-quarter expectations, really, with the scale of the current team that we have.

And so some of that is utilization. And you see that in the increased utilization metrics in our report. But some of that is increased productivity from our teams, too.

And I'd highlight a couple of different areas where we've seen that increased productivity -- delivery of digital projects. I think that's a place where we've seen some fairly rapid advancement in terms of our efficiency on delivering those projects.

But then, also, the support teams that enable some of the revenue that we have through our proprietary tools and products; of which, that's a key component of our Education business. We've also seen increased productivity in that area, too.

So I think that the combination of increased utilization, plus higher per consultant productivity, are, really, the two ingredients that drove our ability to both grow and to improve margins without necessarily adding the same amount of headcount.

I do think you'll see us continue to add headcount, as we grow. But our expectation is we should be able to grow the top line, as we start to think about our plans into next year, at a faster pace than we're necessarily growing the headcount, primarily due to some of these initiatives we have around driving increased productivity.

William Sutherland - *StoneX Financial Inc - Analyst*

Got it. I want to just go back to Commercial for a second, thinking about what you said about the investments you're making that you expect will take commercials growth above the company's average growth rate next year.

And then, also, like footing that to the situation with the pipeline. So is it -- I'm expecting this to be a case of some pipeline conversion that's been held up and then, you'll have bookings that definitely support the cases that you're making for faster growth in '27.

Is that about the right way to think about it?

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

And I'd say, Bill, adding new pipeline, as these layers come up to speed and are effectively getting into the market, that normally takes some amount of time, just to onboard, reacclimate with the other folks around -- understand the breadth of what our capabilities are.

So there's always a slight delay between getting the door on day 1 and when you're actually highly effective in the market. So based on the quality of the people that we're hiring, I feel highly confident that you'll see that acceleration.

The areas that we're building into are inherently good industry areas we've talked about in the past -- services, energy utilities, industrials, and manufacturing. Each of these have lots of good compelling opportunities. Some in various parts of the business versus others.

But, yeah, that to me -- I think you may not see it as of the end of Q3 but I certainly -- I think it's coming in at '27. That's our footage.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

William Sutherland - *StoneX Financial Inc - Analyst*

Okay. That makes sense. And then, if I could sneak one more in: I'm thinking about what your clients are grappling with, with adoption of different levels of AI for their -- whatever projects are putting out there or trying to move into?

And is it -- to what degree is it having an impact on the sales cycle, decision-making process, or maybe the project-implementation pace? Is there anything that you're noticing?

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

I think, Bill, we're -- I think we felt a little bit of, maybe, what was some hesitation on the part of clients towards the end of last year, early part of this year, when that -- everyone was becoming aware of the rapid-pace change with the technology -- and some clients wanting to make sure that whatever path they were going down makes sense, in light of how the technology was evolving.

I think, as the year has progressed, a lot of the challenges that we've -- our clients are going through in their different industries, none of those are going away. And our clients continue to be under pressure there.

And so I think many of our clients, at this point, have taken more an approach of, let's now start to chart the path forward. They have increasing confidence about how some of these tools can be used to help drive outcomes. There's a greater repository of use cases now and proof of how you can use some of these tools to go and achieve some of those objectives.

And I think, at this point, you're seeing a little bit more assertiveness for many of our clients about, now, wanting to launch and wanting to -- whether that's taking advantage of some of the AI that's native to some of the big platforms on our clients' implement to take advantage of that AI or whether it's working with some of the frontier firms to do more bespoked building-out of tools that sit on top of some of those platforms.

We see it in both ways, depending on the clients' preferences. But I think we see a shift towards more productivity at this point versus, maybe, where we were a year ago.

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

(multiple speakers) -- I'll just quickly add -- go ahead, Will.

William Sutherland - *StoneX Financial Inc - Analyst*

No. Go ahead.

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

I was going to just say, listen, I think the other thing we're seeing here is interesting (inaudible) -- traditional delivery of price where we've had strength, as an example, in the past, of bringing in an AI component into what they're doing.

And it really is, in many respects, automating and accelerating speed-to-value for clients in important areas of their business. And so you can imagine -- like, we've done a lot in enterprise-performance management overviews. It is a very important area that we have very good strength across the Commercial businesses.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

And the addition of AI-enablement into some of that delivery ends up being really impactful, when you look across how it's deployed, like a planning-, budgeting-type approach to running the business.

And so that's actually been accretive to us, as well.

Operator

(Operator Instructions) Kevin Steinke, Barrington Research Associates.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Just following up on the AI discussion. Wondering if you could possibly just give us the flavor as to some of the key themes or use cases that your clients are looking to deploy AI for -- maybe, touching on each of the segments?

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

Yeah. Absolutely. Let me start. Again, just building on what I was just talking about from a Commercial standpoint so, certainly, from the range of AI governance and, just, the oversight of, just, management of the, call it, strategy work -- is one that we see.

But also, then, I would say, when you look at it as an example, specific application -- like, one is building out a digital twin, as an example, to replicate more clients' environment and being able to model around various scenarios within their environment.

Some of it is around the data and setting up integration of how you get your data in shape to take advantage of that, as well.

In Education, it tends to be a little bit more operational-focused, right now. And so, if you think about the implementation of ERP as an example, how do we bring either native capabilities or outside foundational elements to help them reduce costs and increase our effectiveness.

And Healthcare is a little bit over the map (inaudible) -- very strong demand in Healthcare. It's both ranging from strategy to use cases across both the clinical and the administrative areas that can drive -- generally, the theme is around trying to generate returns.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Okay, got it. And with regard to the 40%-plus organic growth you've seen with Healthcare managed services over the last few quarters here, I was just wondering how broad-based that's been, from a client perspective. Are there a couple of larger deployments that have been driving that? Or is it broader than that?

And also, the same with regard to what you're seeing in the pipeline?

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

Kevin, it's broader than that. We certainly had our fair share of significant new logos that we've been able to add with larger scope that we've been able to take care of. But when I look at the growth we've seen this year, I wouldn't characterize it at all as highly concentrated to any specific new client relationships.

We've had some of those. But we've also had expansion of where we're able to help our clients on some existing client relationships. We've had achievement of some of the success metrics that we have in those projects that drive good outcomes.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

And then, a lot of our clients that we partner with are growing, as well. And, as they grow, we're helping them with larger and larger volumes.

So you put all those different dynamics together, growth at existing clients via adding new modules, as well as just partnering along with that as they grow, plus the adding of those new climate relationships -- and I think, increasingly, we're going to see the opportunity to -- after our acquisition of RelateCare -- capture some synergies there, as well, in terms of clients that RelateCare clients, where we're now able to also help them with revenue-cycle managed services or vice versa.

Some of our managed services and consulting clients, from a performance-improvement perspective, are very interested in the offering of RelateCare. So I think that's another factor of growth that we're really just scratching the surface on right now.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Okay. Just, lastly, with the midterm elections here, any particular themes that you're watching or your clients are watching, from a policy perspective? And, if not, that's okay, too. Just curious if there's anything on that front.

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

I would say, Kevin, there's an anticipation that, even if there's a change in the party that's in charge of Congress, that the policies that have been put out there are largely baked from where we are right now.

So I think, at least, in the short term, there's nothing that, really, is going to beat the calgary coming to the rescue from where some of the clients are facing the challenges right now.

Certainly, over time, I think it will depend on how things go. But if you take a step back -- and, effectively, with the size of healthcare spending and the rate of increase, it is far beyond a political issue. It is really one that is -- spans both sides of the political spectrum.

And so, in some respects, it doesn't matter because the ultimate drivers are more so, just, what are the real costs of delivering healthcare and all the access that goes along with it?

Operator

Steven Wahrhaftig, Wedbush Securities.

Steven Wahrhaftig - *Wedbush Securities Inc - Analyst*

I have a few topics that I want to talk on.

So, specifically, for the demand drivers across all three segments, it seems like everything is sustainable and it's very durable but they're the same demand drivers that we've seen across the business over the past couple of quarters.

Are you starting to see the demand accelerate for your services, as we start to head into fiscal year '27 and as clients start to rethink their budgets? Or is it the same demand profile across each business?

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

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

Steven, if you go back a really long time so -- if I just add in summary, what's driving the business, it's constrained revenue in Healthcare and Education, whether it's from reimbursements that are under pressure for tuition and other funding that has been -- it's the governmental pressure on research funding.

And, at the same time, you're seeing high-cost inflation, in general, both in many areas within Healthcare but, also, the investments have been made by higher education over the years and their administrative programs and other things that have just driven, call it, an upside -down relationship that is hard on profitability.

And so those are long-term static trends. And that's why we feel so -- when we talk about our long-term growth outlook, with 80% of our business being in Healthcare and Education, those are very long-term established drivers that don't vary with the broader economic environment, either.

I think, on the commercial side, it really depends on what area of the business because it ranges from restructuring turnaround capabilities, which have a counter-cyclical area. But then, we also have more increasing new performance improvement, investing in digital technology. And that may be a little bit more industry-specific over time.

But, yeah, I think, '27, for that reason, we feel like the outlook for a projection consistent with the financial objectives that we've outlined is very much our expectation.

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

And maybe a couple of things I would add in agreement with what Mark's commentary would be: one, those same pressures that Mark talked about, that is a big catalyst for managed-services offerings. That's another way that our clients engage with us to achieve some of those same objectives to help to offset some of that pressure that they're under.

And then, the other one would be, within the digital side of our business, I think our clients are very eager to capture some of the returns on their investments, from an AI perspective.

And I think whether that's in the form of operating efficiencies, whether that's -- how do you use those tools to help drive growth? And our clients value propositions, I think that's another area where we see a lot of demand that's, probably, a new theme this year and then, certainly, into next year versus, maybe, a theme going back a couple of years.

So -- and that's just some extra color there.

Steven Wahrhaftig - *Wedbush Securities Inc - Analyst*

All right. Got it. Appreciate it. And I do want to talk a little bit more about utilization because, when we're looking at some of the utilization metrics across both the managed-services and the consulting businesses, both of them are up pretty materially year over year. We're looking at the consulting business that was 76% and digital at 81%.

Do you think that that's going to be a sustainable clip that you can continue to execute against? Or do you think that this was more so one-time in nature and then, it's going to start to return to the [high-70%s] for digital and then, both (inaudible) -- to the mid- to low-70%s for consulting?

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

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

I think it is sustainable where it's at there, Steven. I wouldn't call in expectations that, from those levels you saw in the third quarter, there's a lot of upward movement from there.

But I think we've always said, look, that high-70%s is sweet spot. So I think there's a little bit of room on the consulting side.

From a digital perspective, it was a little bit higher than that this quarter. But, if you look at the trend now, at this point, we've been able to sustain that for, really, the better part of the last two quarters.

So I think the team is doing a great job optimizing how they're delivering on projects to really get us into that low-80% range. So I think we feel good about where we're at.

I don't -- I wouldn't describe it as a one-time surge by any means. But it also is probably approaching the upper end of what we expect versus something that I would describe as having a lot of upward movement from that spot.

Steven Wahrhaftig - *Wedbush Securities Inc - Analyst*

Okay. Understood. And then, last question from me, specifically, on the cash-flow guidance because it was a material down-tick in the cash-flow guidance to the $150 million to $170 million for fiscal year '26.

And then, you also attributed to the collection, specifically, for some of the Healthcare projects that are in longer term.

So do you expect this to just be a short-term impact? Or do you think the definite carry forward into fiscal year '27, where there might be some pressure on free cash flow, going into next year?

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

No. I think it's just a timing impact. Everything that we described is all aligned with contractual terms. So it's not like seeing delinquency in payments or anything like that.

I think, when our Healthcare business -- particularly, the performance-improvement side of our Healthcare business is performing strong. They tend to have a heavier weight towards performance-based fees. And those are great projects for us. There are great opportunities for us to partner with our clients to drive great outcomes.

But you do make a working-capital investment in those projects, sometimes. I think the weighting of projects that have performance-based fee is towards the higher end for us this year. So that's creating a little bit of a timing gap in terms of cash flow into next year.

But I think we've seen this cycle before so it's not something that gives us pause. It's just a dynamic that shifts cash for 2026 into 2027.

Operator

Andrew Nicholas, William Blair.

Andrew Nicholas - *William Blair Capital Partners - Analyst*

Just one quick one, John: Just curious if you have any changes to segment-level outlooks with just one quarter left? I wanted make sure I asked that on the public call?

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

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

Andrew, no big changes. I'd say a little bit of extra color that I can give:

I think I guided to mid-teen percent full-year growth, from a Healthcare perspective. I think we're probably trending a little bit higher there in terms of the higher mid-teens. And I think our margin objectives that we put out there, that 30% to 32%, I think we feel comfortable that we're landing within that range.

From an Education perspective, the mid- to upper-single-digit guide that we put, I think we're on track for that. From a margin perspective, I'd say, if anything, we're off towards the upper end of that now. We have got higher than that, from a margin perspective.

Commercial, for the full year, we described this at low-teens. That may end up being more in the low-double-digit percent range. And then, from a margin perspective, it's probably trending to the low end of the guidance that we put out there -- the 19% to 21%.

But, net-net, all that keeps us on track with our consolidated guidance.

Operator

Tobey Sommer, Truist Securities.

Tobey Sommer - *Truist Securities Inc - Analyst*

Within your business focused on -- or exposed to performance fees, does your commentary suggest that there's a outlook for an increased percentage of performance fees, as we look out into '27? Just if you could frame that a little bit, that would be helpful.

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

Yes, Tobey. I would say, I would expect it to be continued high demand for performance-based fee contracts into '27. So the way we framed it before is, oftentimes, if you look back over history, about 20% of the Healthcare segment's revenue has been under performance-based fee contracts.

Like, an example here would be 2024. We saw that shifts up pretty significantly to, like, the mid-20%s range. And then, it came back down in 2025 back towards the 20%. This year, it's another year we're shifting up towards the mid-20% range.

And I would say the indications, as we now think about 2027, I don't know if I would call it higher than that, at this point, but I think it feels, to us, that we would expect it to be consistently high, like it was in 2026.

Tobey Sommer - *Truist Securities Inc - Analyst*

That's helpful. Thank you.

Operator

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

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS

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

Well, thank you very much for spending time with us this afternoon. 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.

DISCLAIMER

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

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

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

©2026, LSEG. All Rights Reserved.

©2026 LSEG. All rights reserved. Republication or redistribution of LSEG content, including by framing or similar means, is prohibited without the prior written consent of LSEG. 'LSEG' and the LSEG logo are registered trademarks of LSEG and its affiliated companies.

LSEG DATA & ANALYTICS