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HURN.OQ - Q1 2023 Huron Consulting Group Inc Earnings Call

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

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

## PRESENTATION

### Operator

Good afternoon, and welcome to Huron Consulting Group's webcast to discuss financial results for the first quarter of 2023. (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.

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

Good afternoon, and welcome to Huron Consulting Group's First Quarter 2023 Earnings Call. And with me today are John Kelly, our Chief Financial Officer; and Ronnie Dail, our Chief Operating Officer.

Just over a year ago at our Investor Day, we outlined our strategy to achieve double-digit revenue growth, expand our adjusted EBITDA margins to mid-teen levels and accelerate adjusted EPS growth. Together with our balanced capital deployment strategy, which prioritizes moderate leverage, share repurchases and targeted M&A, these financial objectives are focused on driving greater returns for our shareholders. Our first quarter results reflect our steady progress towards achieving these medium-term financial goals, driven by strong growth across all 3 operating segments and our digital capability, revenues grew 22% in the first quarter of 2023 over the prior year quarter.

Our strong growth in the first quarter of 2023 was achieved on top of strong growth in the year-ago quarter with Q1 '22 growth of 28% over Q1 of 2021. Consistent with our goal to expand profitability, adjusted EBITDA margins increased 80 basis points over the prior year quarter and adjusted diluted earnings per share grew 78% over Q1 2022. We're pleased that our continued strategic and operational performance have delivered upon enhanced shareholder value.

Our first quarter results demonstrate the commitment to our growth strategy by the entire Huron team. I'm incredibly proud of the progress we've made, and I'm excited to share more about it today on our call and in the updated investor presentation on our website.

I'll now share some additional insight into the progress we've made since last year's Investor Day, while providing color into our first quarter performance. To achieve our growth goals, we are committed to 5 strategic pillars. The first pillar of our strategy is to continue to focus on accelerating growth in our largest industries, Healthcare and Education, in which we have leading competitive positions.

In the Healthcare segment, first quarter revenues grew 22% over the prior year quarter. The increase in revenues in Q1 of 2023 was driven by strong demand for our performance improvement, revenue cycle managed services and financial advisory offerings as well as continued strong demand for our digital offerings, which grew 24% over Q1 of 2022. The health care industry is facing significant financial pressures stemming from increased labor costs, shifting sites of care from inpatient settings to outpatient and virtual care, entry of nontraditional providers into many highly competitive markets, a worsening payer mix and the ongoing need for digital solutions to drive growth and efficiencies and improve patient outcomes.

We're focused on expanding our offerings to meet our clients' growing needs as they face these pressures. A good example of this is our revenue cycle managed services offering. We introduced this offering in 2019 and have rapidly grown the business to serve multiple clients. It generated approximately 13% of total health care industry revenues in 2022 and in the first quarter of 2023.

We also continue to strengthen and expand our performance improvement in technology and analytics offerings to comprehensively address our clients' most complex problems demonstrated by the rapid growth in our health care digital revenues, which grew 44% in full year 2022 over 2021.

Education segment revenues grew 29% in the first quarter of 2023 over the prior year quarter, driven by broad base demand across all our offerings in this segment, including our digital offerings in education, which grew 40% over the prior year quarter. Education segment revenues grew 8% sequentially over the fourth quarter of 2022, highlighting the continued momentum and demand in this segment. The education industry is also facing significant pressures, including difficulty achieving enrollment goals, challenges from discounts to tuition ongoing questions about the value of a college degree, particularly in a strong labor market, increasing labor costs, exceeding revenues and for our clients with medical schools, decreases in support from the clinical enterprise.

Similar to health care, we continue to strengthen and expand our offerings in the education industry to comprehensively address our clients' needs as they respond to these issues. For example, in research, we've advanced our Huron Research Suite software products to complement our consulting offerings and expand our managed services offerings. Collectively, across our consulting, digital and managed services offerings, our research business represents over 35% of total education industry revenues.

We are confident in our outlook for accelerated growth in both Healthcare and Education, anchored in a deep client relationships and our leading competitive positions in end markets facing ongoing financial pressure at disruption that has been exacerbated by the current macro environment.

A second strategic pillar is focused on growing our presence in the commercial industries. In the first quarter of 2023, Commercial segment revenues grew 12% over the prior year quarter driven by strong demand for our digital and financial advisory offerings, especially our restructuring and turnaround offerings, partially offset by declines in our strategy and innovation offering. The competencies within our digital strategy and financial advisory capabilities span many industries, although currently, our primary focus is on the financial services and energy and utilities industries. We built a strong foundation from which we can further accelerate growth in the commercial industries.

Through organic investments and strategic tuck-in acquisitions, we have grown the commercial business to approximately 20% of total company revenues and established a formidable set of offerings and strong client and technology partner relationships. We demonstrated that the commercial industries drive new avenues of growth for Huron while increasing diversification in our portfolio and end markets. We believe that a balanced portfolio of offerings in the commercial sector including a balance of cyclical and countercyclical services and a broad portfolio of digital offerings, including emerging technologies, data and analytics and enterprise platform and industry edge solutions will continue to help us consistently achieve our growth goals.

Now let me turn to our third strategic pillar, advancing our integrated digital platform. In the first quarter of 2023, digital capability revenues grew 29% over the first quarter of 2022, driven by growth across the Education, Healthcare and Commercial segments. Our digital capabilities grew to just under \$0.5 billion in 2022, and we continue to innovate to bring new offerings to our clients. We were recently recognized by one of our technology partners for market-leading innovations that we developed for the financial services industry and the office of the CFO.

In addition, our expanded international presence, including in India, where we currently have 28% of our employees reflects the full power of our global capabilities. In addition to its strategic advantages, including serving clients in the Asia Pacific region, the strong global foundation will also enable us to continue to expand our margins while achieving competitive price points for U.S.-based engagements. Expanding digital capabilities will continue to be an important driver of growth across our business in future years as our clients focus on driving growth and productivity in their own highly competitive markets.

Now let me turn to our last 2 strategic pillars, which are more financially focused. First, we're executing on our primary revenue drivers and margin improvement levers to achieve consistent growth and enhanced profitability. Our confidence in our organic growth strategy is based upon the primary drivers of our historical success, resulting from our deep client relationships in the industries we serve.

In 2022, 88% of Huron's revenue was derived from repeat clients. In addition, we grew annual recurring revenues 5% in 2022 over 2021, representing 13% of total company revenues in 2022. Our expanding array of offerings, including those with recurring revenue increases our confidence in our ability to achieve more consistent and accelerated revenue growth.

As it relates to margin expansion, we've established a company-wide focus on improving profitability within each of our segments and at the enterprise level. Building on the progress made in 2022, adjusted EBITDA margins increased 80 basis points in Q1 2023 over the prior year quarter, and adjusted diluted earnings per share grew 78% over Q1 2022.

Our final pillar focuses on deploying capital to accelerate our strategy and return capital to our shareholders. In 2022, we repurchased over \$120 million or 9% of the company's outstanding shares. And in the first quarter of 2023, we've repurchased another \$44 million or 633,000 shares.

In 2023, we expect to execute a balanced capital allocation strategy across share repurchases, tuck-in acquisitions and debt repayment. In terms of M&A, we've aligned our M&A road map with a growth strategy and continue to be in the market to invest in businesses that enhance our competitive position and drive strong growth and returns for our shareholders.

Finally, I'd like to highlight the most critical driver of our growth strategy, our people. We'll continue to invest in our talented team, building on our collaborative culture that is at the heart of what makes Huron so effective in serving clients as a unified team. Our strategy reinforces our ability to both attract and retain top diverse talent as accelerated growth creates outstanding career advancement and professional development opportunities in a business in which our people can see their visible impact on our finance and our company.

Now let me turn to our outlook for the year. Today, we affirm our 2023 revenue and earnings guidance. We're pleased with our first quarter performance, and we expect the demand environment we saw in the first quarter of 2023 to continue. Our clients face multiple and often competing strategic, financial and operational issues, particularly in this uncertain economic environment, which creates opportunities for all aspects of our business, but especially for our performance improvement, digital and financial advisory offerings.

In summary, I want to reiterate our commitment to our shareholders as we remain focused on advancing our growth strategy and continuing to deliver upon our financial goals. We're excited about our business and our outlook. And while we've made significant progress in advancing our strategy, we have more work to do, but the future is bright for Huron. I look forward to continuing to growing our business in 2023 and beyond.

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

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**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.

Now let me walk you through some of the key financial results for the quarter. Revenues for the first quarter of 2023 were \$317.9 million, up 22.2% from \$260 million in the same quarter of 2022, achieving another record quarter for our business. The increase in revenues in the quarter was driven by growth across all 3 operating segments, reflective of the continued strong demand for our digital offerings across segments, Healthcare and Education Consulting and Managed Services offerings and distressed financial advisory offerings.

Net income was \$13.4 million or \$0.68 per diluted share compared to net income of \$26.9 million or \$1.27 per diluted share in the first quarter of 2022. Net income in the first quarter of 2022 included a nonrecurring \$19.8 million unrealized gain, net of tax, related to the increase in fair value of our preferred stock investment in a hospital-at-home company.

Our effective tax rate in the first quarter of 2023 was 15.3% compared to 29.6% in the same period last year. Our effective tax rate for Q1 of 2023 was more favorable than the statutory rate, inclusive of state income taxes, primarily due to a discrete tax benefit for share-based compensation awards that vested during the quarter and a tax benefit related to the nontaxable gains on our investments used to fund our deferred compensation liability, partially offset by certain nondeductible expense items.

Adjusted EBITDA was \$29.5 million in Q1 2023 or 9.3% of revenues compared to \$22.1 million in Q1 2022 or 8.5% of revenues. The increase in adjusted EBITDA in the quarter was primarily attributable to the increase in segment operating income, excluding the impact of segment restructuring charges, reflecting solid progress toward our objective of returning to mid-teen adjusted EBITDA margins by 2025.

Adjusted net income was \$17.1 million or \$0.87 per diluted share compared to \$10.3 million or \$0.49 per diluted share in the first quarter of 2022. Adjusted diluted earnings per share grew 78% over Q1 2022.

Now I'll make a few comments about the performance of each of our operating segments. The Healthcare segment generated 47% of total company revenues during the first quarter of 2023. This segment posted revenues of \$149 million, up \$27.2 million or 22.3% from the first quarter of 2022. Revenues in the first quarter of 2023, included \$300,000 of incremental revenues from our acquisition of customer evolution, which closed in December 2022. The increase in revenue in the quarter reflects strong demand across our consulting and managed services and digital capabilities in the segment. Our consulting and managed services capability in health care grew 21% year-over-year during the first quarter, driven by strong demand for our performance improvement, revenue cycle managed services and financial advisory offerings.

Our digital capability in Healthcare grew 24% year-over-year. Operating income margin for Healthcare was 21.6% for Q1 2023 compared to 23% for the same quarter in 2022. The quarter-over-quarter decrease in margin was primarily due to an increase in contractor expenses and performance bonus expense for our revenue-generating personnel as a percentage of revenues, partially offset by revenue growth that outpaced the increase in salaries, benefits and related costs for our revenue-generating professionals.

The Education segment generated 33% of total company revenues during the first quarter of 2023. The Education segment posted record revenues of \$104.1 million, up \$23.5 million or 29.1% from the first quarter of 2022. The increase in revenues in the quarter was driven by demand across our portfolio of offerings in this segment. Our digital capability in education grew 40%, demonstrating the strength and demand for our data, technology and analytics offerings.

Our Consulting and Managed Services capability in Education grew 20%, driven by continued demand for our strategy and operations and research offerings. Operating income margin for Education was 22.2% for Q1 2023 compared to 17.7% for the same quarter in 2022. The quarter-over-quarter increase is primarily due to a decrease in contractor expenses as well as revenue growth that outpaced an increase in compensation costs for our revenue-generating professionals.

The Commercial segment generated 20% of total company revenues during the first quarter of 2023, and posted revenues of \$64.7 million, up \$7.2 million or 12.5% from the first quarter of 2022. The quarter-over-quarter increase in revenue was primarily attributable to strong demand for our digital and financial advisory offerings, partially offset by declines in our strategy offerings.

Operating income margin for the Commercial segment was 21.7% for Q1 2023 compared to 21.2% for the same quarter in 2022. The quarter-over-quarter increase was primarily due to decreases in compensation costs for our support personnel and restructuring charges, partially offset by an increase in promotion and marketing expenses as a percentage of revenues.

Corporate expenses not allocated at the segment level were \$46.3 million in Q1 2023 compared with \$33.5 million in Q1 2022. Unallocated corporate expenses in the first quarter of 2023 includes \$1.9 million of expense related to the increase in the liability of our deferred compensation plan, which is offset by the investment gain and the assets used to fund that plan reflected in other income expense.

In the first quarter of 2022, we recognized a \$2.4 million reduction of expense related to the decrease in our deferred compensation plan liability. Excluding the impact of the deferred compensation plan in both periods, unallocated corporate expenses increased \$8.6 million, primarily due to increased compensation costs for our support personnel as well as increases in practice, administration and meeting expenses and restructuring charges. The restructuring charges incurred in the first quarter of 2023 related to the reduction of office space.

Now turning to the balance sheet and cash flows. We finished the quarter with total debt of \$447 million, consisting entirely of our senior bank debt with cash of \$12 million from net debt of \$435 million. This was a \$157 million increase compared to Q4 2022, and the first quarter reflects the payment of our annual bonuses. The first quarter also included \$44.3 million of share repurchases or approximately 633,000 shares. Our leverage ratio, as defined in our senior bank agreement, was 2.75x adjusted EBITDA as of March 31, 2023, compared to 2.2x adjusted EBITDA at the end of Q1 2022.

Cash flow used in operations in the first quarter of 2023 was \$92 million, and we used an additional \$9 million of our cash to invest in capital expenditures, inclusive of internally developed software costs, resulting in free cash flow of negative \$101 million. DSO came in at 83 days for the first quarter of 2023 compared to 77 days for the fourth quarter of 2022 and 75 days for the first quarter of 2022.

The increase in DSO was primarily driven by certain large health care and education engagements, where our revenue recognized exceeded the amounts billed to clients in accordance with the contractual billing terms. We expect to bill and collect for these services in the second half of 2023.

Finally, as Mark mentioned, we are affirming the guidance that we provided during our February earnings call. Revenues before reimbursable expenses in a range of \$1.22 billion to \$1.28 billion, adjusted EBITDA in a range of 12% to 12.5% of revenues, and adjusted EPS in the range of \$3.75 to \$4.25.

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

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## QUESTIONS AND ANSWERS

### Operator

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

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### Jack Wilson - Truist Securities, Inc., Research Division - Research Analyst

This is Jack Wilson on for Tobey Sommer. Kind of a quick one about sort of the head count growth and sort of what your experience is with retention levels this quarter and how that's impacting sort of full year margin assumptions?

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

Sure, Jack, happy to answer that. So that's a topic that we've talked about in recent calls was the trend related to attrition. And what we talked about towards the end of last year was our attrition levels were really kind of normalizing back to where they had been pre-COVID. And we saw



that trend continue during the first quarter. In fact, our attrition rates were quite low relative to even pre-COVID standards. And so from our perspective, that's a great thing in terms of just -- I think it's reflective of our culture and the good work that we're doing for our clients. And when we look at our backlog and our pipeline, we're confident that we've got the revenue coming through the pipes over the remainder of the year to still increase utilization even with that increased head count.

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**Jack Wilson** - *Truist Securities, Inc., Research Division - Research Analyst*

Okay. Okay. So a little bit of a follow-up to that. Does that then impacted your hiring plans for the rest of the year? You're hiring costs or sort of your realized rate increases at least in utilization?

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

What we -- even if you go back to kind of our commentary from the last call, we built out a lot of our revenue-generating capacity over the course of 2022. So our expectation, even aside from the current attrition trends, was always that the head count would likely be at a slower pace than it was last year when we were really in resource capacity building mode. And so our expectation for the year is that hiring will be less than it was last year, but that's not really a change from what we had talked about before just based on the capacity that we added over the back half of 2022.

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**Jack Wilson** - *Truist Securities, Inc., Research Division - Research Analyst*

Okay. And then just maybe one quick one. Can we go down a little bit in sort of the increase in operating income in the Education segment in terms of margin improvement there?

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

Sure. So that's an area where we made a lot of investments last year in terms of adding capacity across that team. And we continue to see really strong revenue growth. And I think as we entered this quarter, we've really been now able to increased utilization for that team, which has been driving better margin results for that segment.

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**Operator**

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

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

I wanted to first ask on Managed Services revenue growth. I think really strong growth across both Education and Healthcare, but particularly Healthcare, given its size. Just wondering if -- let me start over. I think Managed Services growth part of the investment there was the belief that you would be able to cross-sell into those relationships more easily and help those clients with bigger, maybe higher ticket and more profitable projects. So I'm just wondering if you could update us on that cross-sell dynamic to the extent that it's played out to this point.

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

That's a great question, Andrew. And that is the dynamic. You're right that, that was part of our thinking with that strategic initiative to build out the Managed Services business, and that is the way that's been playing out. And I would actually describe it in both directions. I'd say we have seen an increase in performance improvement Consulting revenue at our clients where we're performing managed services work. And then we've also seen performance improvement clients where after delivering on results on a performance improvement initiative, they've expressed interest in us staying as part of their structure and the managed services capacity. So we've seen it working both ways.

And we've also, over the course of '22 and into this year, when we look at our pipeline, have multiple projects where really we've got managed services, digital and consulting all for 1 client. And when you start to look at the scope of those projects at those clients, they're really very interrelated. And our viewpoint is that having that managed services offering is a nice competitive differentiator for us.

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

Yes, Andrew, it's Mark. I'll add just a couple of color -- comments John described, which is spot on. The ability to have differentiation in places that we feel like we have a pretty strong right to win in revenue cycle and in research, administration, the research management and then also technology managed services. So really 3 big areas of focus for us in managed services, we feel like that combination really does work synergistically with the overall results that we have. And the added value of having much more recurring revenue in nature. So you'll continue to hear us focusing on managed services in those areas, in particular, is a very intentional strategy.

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

That's helpful. And then for my follow-up, if you could just spend a little bit more time talking about the pipeline by segment, it certainly seems like trends are continuing to move in a positive direction, but any additional color on each of the segments and what the visibility looks like over the next couple of quarters would be great.

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

Sure thing, Andrew. Overall, the pipeline continues to look quite robust. And so even when we look at 2023 and with the revenue plan, that's obviously significantly higher than the revenue we had in 2022. And still feel really good about the coverage ratio when you look at our pipeline and our backlog, and in fact, it's quite consistent with last year, which for us is a very good indicator about our ability to continue to drive revenue growth throughout the year.

If I take it down to levels at the business unit level, health care, we continue to see robust demand for performance improvement. That's a trend that we really started talking about in the third quarter last year, and that's just continued as a number of our clients and prospective clients are dealing with unprecedented financial pressures. And then we've also seen continued strong demand for our digital offerings. So we feel really good about across the board there within health care, the demand environment.

From an education perspective, the story of 2022 was a significant amount of broad growth across the entire segment, and that's basically what we continue to see in 2023 out of the gate. And then from a commercial perspective, we're seeing strength certainly in the distressed financial advisory area. That's a part of the business that's been about as hot as it's been and our team continues to do great work there. And then we're also seeing a lot of conversion, a lot of pipeline related to commercial digital. So we feel good across the board looking at the pipeline trends.

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**Operator**

(Operator Instructions) Our next question comes from the line of Kevin Steinke of Barrington Research & Associates (sic) [Barrington Research Associates].

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

Just following up on that question about the outlook. Just in terms of the maintained revenue guidance, certainly, a strong quarter, strong start to the year. Revenue guidance obviously implies a very solid growth year. But if you look at -- just the first quarter revenue, about \$318 million, if you annualize that across the next 3 quarters, you get pretty close to the high end of your full year guidance range.



So just wondering if there's anything we should think about that would kind of make revenue flatten out sequentially here? Or is there something maybe this built in, in terms of conservatism given that you're still fairly early in the year and just the overall macro environment?

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

Kevin, it's John. I would say the first quarter, we're definitely very pleased with, pleased with our execution there and just had our commentary about the backlog. So we feel really good about both the quarter and the outlook. I think at this point in the year, just being 3 months in, our viewpoint is to probably wait until the midyear to do the full year guidance update.

To your point, if you look at the trend line, both in terms of the actuals for Q1 and our backlog, I think that would give us a lot more confidence towards getting towards the upper half of that current guidance range that we have out there, then certainly than the lower half. So we feel good about that.

At this point in the year, with 9 months left to go, I think we think it's prudent to wait until midyear to do any updates, but -- we're feeling good about the trajectory. And the key for us now is just to continue executing on that backlog throughout the rest of the year.

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

Yes. Kevin, I'll just add that the markets that we're seeing are really facing some really significant challenges. And so that just creates just a very broad-based demand environment for us. And if you look at today, in health care, education and across our digital business, you're talking in the 90% range of what we do as an organization. So I would characterize to say, let's -- we don't want to get ahead of ourselves, but we're certainly not seeing many signs of weakness anywhere in the foundation of what we have and feel very good about what the outlook is for the company.

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

Okay. Great. Yes, that's helpful commentary. So you touched there on the recurring revenues. I think you mentioned up to 13% of total. And Mark, you mentioned the emphasis on managed services. Is that a focus for the company to try and increase the percentage of revenue from these recurring sources? Or should we think about the fact that the outlook for the other parts of the business is so strong that maybe that even though you're growing the recurring side nicely that it will stay fairly unchanged as a percent of revenue?

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

Kevin, it is a focus of ours because we feel that getting more recurring base into what we do, and that comes not only from managed services, but -- so just to remind you, we have a software development capability as well that is roughly 500 people and really becomes additive to the overall types of services that we can provide. And so when we think about the comprehensive needs of clients, if we serve them with models that span not only traditional consulting services, but things that create ongoing relationships that can support their broader needs just gives us a better stickiness. It really becomes, call it, just a synergistic way of us of continuing to get more revenue growth.

At the same time, it really is focused on serving the market needs and I would just say managed services, that's why I talked a little bit about our areas of focus because we're not trying to be everything to everybody in managed services. It's highly focused on things that we feel are highly differentiated for us, where we have lots of runway ahead and a right to carve out space in the market that basically works with the other consulting services that we have.

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

Okay. Great. And you talked about really the revenue cycle managed services business emerging over the last few years within health care, and I think you said this up to 13% of segment revenue. Just trying to think about maybe some other emerging businesses that could have some nice

growth legs over the next few years. And specifically, I thought of Medically Home, maybe an update on how that's going? And any other perhaps emerging businesses or practices that you would want to highlight across the company?

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

Well, Kevin, I will come back to research as a wonderful opportunity for us because universities that have research enterprises, those have always been financially challenges. They do not make money, and they are increasing really complex, and there's lots of challenges, not only from a compliance point of view, but even just getting the labor to staff the operations. And so we continue to see opportunities for us to help our clients manage those enterprises and keep their focus on the core of what they do. That is an area that we think we have a very strong track record, a right to win. So that's 1 business I would highlight.

Again, revenue cycle, I think, is another one that we continue to see lots and lots of opportunities. And I'll add technology managed services because our foundation in India now, which is today 28% of our employees across everything we do continues to be another area that we think we have, again, opportunities to serve our clients pretty comprehensively.

You asked specifically about Medically Home. I would say Medically Home continues to evolve in their business, and we're very happy with the relationship we have there. And so -- but that is just one of many other areas of growth that we have within our business areas. John, anything you would highlight that I may not have mentioned?

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

Well, it's a little outside the managed services realm for the most part, but there's also really just the evolution of student within education as well, which is a big growth area. If you look out over the next 5 to 10 years, there's the -- both the digital components of that, where we see a lot of our clients making significant investments in their digital student technology and where our industry know-how and business know-how really differentiates us as well as our technology know-how. So we think that's going to be a ripe area for us. But then there's also advisory around student, too. Enrollment is a big challenge at many of our clients and our expertise, our data, our analytics around enrollment trends and student, I think, is a high-priority item right now for our clients. That would be another one that I'd add to the list.

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

And I'll just close with -- I have to mention our digital capability because roughly \$500 million, I used to call it our best kept secret probably into 2022 because we have grown it to be pretty broad, comprehensive, and there are substantial growth opportunities that we see at as well in digital for additional capabilities as well as bringing increased industry focus, especially in some of the commercial markets.

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

Okay. I think, John, did you mention an acquisition in the health care space? I don't know if I heard that correctly. It was announced before, and I just kind of missed it, but any -- was there something more recent that you hadn't talked about before that you acquired?

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

It was a small acquisition at the intersection of digital and health care in the fourth quarter of 2022, small from a head count and revenue perspective, but significant from a strategic perspective as we continue to further build out our capabilities in the digital space and health care. So we're excited about what it's bringing to the broader team and the -- just to give a sense of the size of the revenue, I said in my prepared remarks that it was \$300,000 during the first quarter. So relatively small in that regard, we think, from a strategic perspective, more significant than that.

**Operator**

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

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

Thanks for spending time with us this afternoon, and we look forward to speaking with you again in July when we announce our second quarter results. Good evening.

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**Operator**

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

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