

# FTI Consulting, Inc.

*Second Quarter 2019 Earnings Conference Call*



## Cautionary Note about Forward-Looking Statements

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*This presentation includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which involve uncertainties and risks. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues, future results and performance, expectations, plans or intentions relating to acquisitions, share repurchases and other matters, business trends and other information that is not historical, including statements regarding estimates of our future financial results. When used in this presentation, words such as “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “forecasts” and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, estimates of our future financial results, are based upon our expectations at the time we make them and various assumptions. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs and estimates will be achieved, and the Company’s actual results may differ materially from our expectations, beliefs and estimates. Further, preliminary results are subject to normal year-end adjustments. The Company has experienced fluctuating revenues, operating income and cash flows in prior periods and expects that this will occur from time to time in the future. Other factors that could cause such differences include declines in demand for, or changes in, the mix of services and products that we offer, the mix of the geographic locations where our clients are located or where services are performed, fluctuations in the price per share of our common stock, adverse financial, real estate or other market and general economic conditions, and other future events, which could impact each of our segments differently and could be outside of our control, the pace and timing of the consummation and integration of future acquisitions, the Company’s ability to realize cost savings and efficiencies, competitive and general economic conditions, retention of staff and clients, new laws and regulations, or changes thereto, including the 2017 U.S. Tax Cuts and Jobs Act, and the risks described under the heading “Part I, Item 1A Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission (“SEC”) and in the Company’s other filings with the SEC, including the risks set forth under “Risks Related to Our Reportable Segments” and “Risks Related to Our Operations.” We are under no duty to update any of the forward-looking statements to conform such statements to actual results or events and do not intend to do so.*

# Second Quarter 2019: Financial Review

All numbers in \$000s, except for per share data and percentages

	Q2 2019	Q1 2019	% Variance	Q2 2018	% Variance	Percentage Change in Revenues Excluding the Estimated Impact of Foreign Currency Translation for Q2 2019 vs. Q2 2018
<b>Consolidated Results</b>						
Revenues	\$ 606,119	\$ 551,274	9.9%	\$ 512,098	18.4%	20.0%
Net Income	\$ 64,598	\$ 62,645	3.1%	\$ 43,609	48.1%	
Earnings per Diluted Share	\$ 1.69	\$ 1.64	3.0%	\$ 1.14	48.2%	
Adjusted Earnings per Diluted Share <sup>(1)</sup>	\$ 1.73	\$ 1.63	6.1%	\$ 1.14	51.8%	
Adjusted EBITDA <sup>(1)</sup>	\$ 97,184	\$ 96,089	1.1%	\$ 72,371	34.3%	
Adjusted EBITDA Margin <sup>(1)</sup>	16.0%	17.4%	—	14.1%	—	
<b>Segment Results</b>						
<b>Corporate Finance &amp; Restructuring</b>						
Revenues	\$ 190,003	\$ 160,966	18.0%	\$ 141,355	34.4%	36.0%
Adjusted Segment EBITDA	\$ 50,492	\$ 37,361	35.1%	\$ 35,777	41.1%	
Adjusted Segment EBITDA Margin	26.6%	23.2%	—	25.3%	—	
<b>Forensic and Litigation Consulting</b>						
Revenues	\$ 145,870	\$ 138,997	4.9%	\$ 133,527	9.2%	10.5%
Adjusted Segment EBITDA	\$ 28,241	\$ 31,817	-11.2%	\$ 27,615	2.3%	
Adjusted Segment EBITDA Margin	19.4%	22.9%	—	20.7%	—	
<b>Economic Consulting</b>						
Revenues	\$ 155,502	\$ 142,271	9.3%	\$ 133,308	16.6%	18.2%
Adjusted Segment EBITDA	\$ 23,313	\$ 24,040	-3.0%	\$ 15,472	50.7%	
Adjusted Segment EBITDA Margin	15.0%	16.9%	—	11.6%	—	
<b>Technology</b>						
Revenues	\$ 55,632	\$ 51,336	8.4%	\$ 46,429	19.8%	21.2%
Adjusted Segment EBITDA	\$ 12,875	\$ 12,723	1.2%	\$ 7,508	71.5%	
Adjusted Segment EBITDA Margin	23.1%	24.8%	—	16.2%	—	
<b>Strategic Communications</b>						
Revenues	\$ 59,112	\$ 57,704	2.4%	\$ 57,479	2.8%	6.1%
Adjusted Segment EBITDA	\$ 10,474	\$ 11,549	-9.3%	\$ 10,967	-4.5%	
Adjusted Segment EBITDA Margin	17.7%	20.0%	—	19.1%	—	

<sup>(1)</sup> See "Financial Tables" and "End Notes: FTI Consulting Non-GAAP Financial Measures" for the reconciliations and definitions of Adjusted Earnings per Diluted Share and Adjusted EBITDA, which are non-GAAP financial measures, to the most directly comparable GAAP financial measures, and for the definition of Adjusted EBITDA Margin.

## Cash Position and Capital Allocation Snapshot:

### As of June 30, 2019, March 31, 2019 and June 30, 2018

All numbers in \$000s, except for DSO

	As of June 30, 2019	As of March 31, 2019	As of June 30, 2018
<b>Cash and cash equivalents</b>	\$ 189,106	\$ 179,241	\$ 116,556
<b>Accounts receivable, net</b>	\$ 743,402	\$ 656,127	\$ 607,455
<b>Days Sales Outstanding ("DSO") <sup>(1)</sup></b>	103	97	101
<b>Net cash provided by (used in) operating activities</b>	\$ 47,648	\$ (102,086)	\$ 34,615
<b>Purchases of property and equipment</b>	\$ (10,508)	\$ (10,153)	\$ (8,540)
<b>Purchase and retirement of common stock</b>	\$ (45,010)	\$ (21,883)	\$ —
<b>Total Debt <sup>(2)</sup></b>	\$ 336,250	\$ 316,250	\$ 375,000
<b>Free Cash Flow <sup>(3)</sup></b>	\$ 37,140	\$ (112,239)	\$ 26,075

<sup>(1)</sup> Days Sales Outstanding ("DSO") is a performance measure used to assess how quickly revenues are collected by the Company. We calculate DSO at the end of each reporting period by dividing net accounts receivable reduced by billings in excess of services provided by revenue for the quarter, adjusted for changes in foreign exchange rates. We multiply the result by the number of days in the quarter.

<sup>(2)</sup> Total debt excludes the impact of unamortized deferred debt issue costs of \$6.0 million, \$6.3 million and \$3.3 million as of June 30, 2019, March 31, 2019 and June 30, 2018, respectively, and excludes the impact of unamortized deferred debt discount of \$39.8 million and \$41.9 million as of June 30, 2019 and March 31, 2019, respectively, related to our 2.0% convertible senior notes due 2023.

<sup>(3)</sup> See "Financial Tables" and "End Notes: FTI Consulting Non-GAAP Financial Measures" for the reconciliation and definition of Free Cash Flow, which is a non-GAAP financial measure, to the most directly comparable GAAP financial measure.

# Financial Tables

# Reconciliation of Net Income to Adjusted Net Income and Earnings Per Diluted Share to Adjusted Earnings Per Diluted Share:

## Three Months Ended June 30, 2019, March 31, 2019 and June 30, 2018

All numbers in \$000s, except for per share data

	Three Months Ended June 30, 2019	Three Months Ended March 31, 2019	Three Months Ended June 30, 2018
<b>Net income</b>	\$ 64,598	\$ 62,645	\$ 43,609
Non-cash interest expense on convertible notes	2,137	2,108	—
Tax impact on non-cash interest expense on convertible notes	(556)	(547)	—
Tax impact of gain on sale of business <sup>(1)</sup>	—	(2,097)	—
<b>Adjusted Net Income <sup>(2)</sup></b>	<b>\$ 66,179</b>	<b>\$ 62,109</b>	<b>\$ 43,609</b>
<b>Earnings per Diluted Share</b>	<b>\$ 1.69</b>	<b>\$ 1.64</b>	<b>\$ 1.14</b>
Non-cash interest expense on convertible notes	0.05	0.05	—
Tax impact of non-cash interest expense on convertible notes	(0.01)	(0.01)	—
Tax impact of gain on sale of business <sup>(1)</sup>	—	(0.05)	—
<b>Adjusted Earnings per Diluted Share <sup>(2)</sup></b>	<b>\$ 1.73</b>	<b>\$ 1.63</b>	<b>\$ 1.14</b>
Weighted average number of common shares outstanding—diluted	38,168	38,219	38,271

<sup>(1)</sup> For Q1 2019, represents a discrete tax adjustment resulting from a change in estimate related to the accounting for the sale of our Ringtail software and related business.

<sup>(2)</sup> See “End Notes: FTI Consulting Non-GAAP Financial Measures” for the definitions of Adjusted Net Income and Adjusted Earnings per Diluted Share, which are non-GAAP financial measures.

# Reconciliation of Net Income and Operating Income to Adjusted EBITDA:

## Three Months Ended June 30, 2019 and March 31, 2019

All numbers in \$000s

### Three Months Ended June 30, 2019

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
<b>Net income</b>							\$ 64,598
Interest income and other							(2,609)
Interest expense							4,793
Income tax provision							21,313
<b>Operating income</b>	\$ 48,779	\$ 26,779	\$ 21,747	\$ 10,550	\$ 9,132	\$ (28,892)	\$ 88,095
Depreciation and amortization	947	1,174	1,521	2,325	589	681	7,237
Amortization of other intangible assets	766	288	45	—	753	—	1,852
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$ 50,492	\$ 28,241	\$ 23,313	\$ 12,875	\$ 10,474	\$ (28,211)	\$ 97,184

### Three Months Ended March 31, 2019

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
<b>Net income</b>							\$ 62,645
Interest income and other							(159)
Interest expense							4,746
Income tax provision							19,930
<b>Operating income</b>	\$ 35,684	\$ 30,440	\$ 22,489	\$ 10,436	\$ 10,216	\$ (22,103)	\$ 87,162
Depreciation and amortization	910	1,086	1,507	2,287	574	702	7,066
Amortization of other intangible assets	767	291	44	—	759	—	1,861
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$ 37,361	\$ 31,817	\$ 24,040	\$ 12,723	\$ 11,549	\$ (21,401)	\$ 96,089

<sup>(1)</sup> See "End Notes: FTI Consulting Non-GAAP Financial Measures" for the definition of Adjusted EBITDA, which is a non-GAAP financial measure.

# Reconciliation of Net Income and Operating Income to Adjusted EBITDA:

## Three Months Ended June 30, 2018

All numbers in \$000s

Three Months Ended June 30, 2018

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
<b>Net income</b>							\$ 43,609
Interest income and other							(2,474)
Interest expense							6,583
Income tax provision							14,113
<b>Operating income</b>	\$ 34,041	\$ 26,173	\$ 14,024	\$ 3,967	\$ 9,508	\$ (25,882)	\$ 61,831
Depreciation and amortization	953	1,131	1,377	3,527	586	914	8,488
Amortization of other intangible assets	783	311	71	14	873	—	2,052
<b>Adjusted EBITDA <sup>(1)</sup></b>	\$ 35,777	\$ 27,615	\$ 15,472	\$ 7,508	\$ 10,967	\$ (24,968)	\$ 72,371

<sup>(1)</sup> See "End Notes: FTI Consulting Non-GAAP Financial Measures" for the definition of Adjusted EBITDA, which is a non-GAAP financial measure.

# Reconciliation of Net Cash Provided by (Used in) Operating Activities to Free Cash Flow:

Three Months Ended June 30, 2019, March 31, 2019 and June 30, 2018

All numbers in \$000s

	Three Months Ended June 30, 2019	Three Months Ended March 31, 2019	Three Months Ended June 30, 2018
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 47,648</b>	<b>\$ (102,086)</b>	<b>\$ 34,615</b>
Purchases of property and equipment	(10,508)	(10,153)	(8,540)
<b>Free Cash Flow <sup>(1)</sup></b>	<b>\$ 37,140</b>	<b>\$ (112,239)</b>	<b>\$ 26,075</b>

## End Notes:

# FTI Consulting Non-GAAP Financial Measures

*In this presentation, we sometimes use information derived from consolidated and segment financial information that may not be presented in our financial statements or prepared in accordance with generally accepted accounting principles ("GAAP"). Certain of these measures are considered "non-GAAP financial measures" under the Securities and Exchange Commission ("SEC") rules. Specifically, we have referred to the following non-GAAP financial measures in this presentation:*

*Adjusted EBITDA  
Adjusted EBITDA Margin  
Adjusted Net Income  
Adjusted Earnings per Diluted Share  
Free Cash Flow*

*We have included the definitions of Segment Operating Income (Loss) and Adjusted Segment EBITDA below in order to more fully define the components of certain non-GAAP financial measures in this presentation. We define Segment Operating Income (Loss), a GAAP financial measure, as a segment's share of consolidated operating income. We use Segment Operating Income (Loss) for the purpose of calculating Adjusted Segment EBITDA. We define Adjusted Segment EBITDA, a GAAP financial measure, as a segment's share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We use Adjusted Segment EBITDA as a basis to internally evaluate the financial performance of our segments because we believe it reflects current core operating performance and provides an indicator of the segment's ability to generate cash. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenues.*

*We define Adjusted EBITDA, which is a non-GAAP financial measure, as consolidated net income before income tax provision, other non-operating income (expense), depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, gain or loss on sale of a business and losses on early extinguishment of debt. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results and GAAP financial measures, provide management and investors with a more complete understanding of our operating results, including underlying trends. In addition, EBITDA is a common alternative measure of operating performance used by many of our competitors. It is used by investors, financial analysts, rating agencies and others to value and compare the financial performance of companies in our industry. Therefore, we also believe that these measures, considered along with corresponding GAAP financial measures, provide management and investors with additional information for comparison of our operating results with the operating results of other companies.*

*We define Adjusted Net Income and Adjusted Earnings per Diluted Share ("Adjusted EPS"), which are non-GAAP financial measures, as net income and earnings per diluted share ("EPS"), respectively, excluding the impact of remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, losses on early extinguishment of debt, non-cash interest expense on convertible notes, gain or loss on sale of a business and the impact of adopting the 2017 U.S. Tax Cuts and Jobs Act. We use Adjusted Net Income for the purpose of calculating Adjusted EPS. Management uses Adjusted EPS to assess total Company operating performance on a consistent basis. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results, provide management and investors with an additional understanding of our business operating results, including underlying trends.*

*We define Free Cash Flow, which is a non GAAP financial measure, as net cash provided by operating activities less cash payments for purchases of property and equipment. We believe this non-GAAP financial measure, when considered together with our GAAP financial results, provides management and investors with an additional understanding of the Company's ability to generate cash for ongoing business operations and other capital deployment.*

*Non-GAAP financial measures are not defined in the same manner by all companies and may not be comparable with other similarly titled measures of other companies. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, the information contained in our Consolidated Statements of Comprehensive Income.*

# Appendix

## Second Quarter 2019: Select Geographic Review

Percentage of Consolidated Revenues				Revenue Growth	
Region	Q2 2019	Q1 2019	Q2 2018	Q2 2019 vs. Q1 2019	Q2 2019 vs. Q2 2018
North America	67.7%	67.8%	69.4%	9.7 %	15.5%
EMEA	24.7%	23.5%	22.5%	15.4 %	29.6%
Asia Pacific	6.2%	7.2%	6.9%	-4.3 %	7.4%
Latin America	1.4%	1.5%	1.2%	3.8 %	35.1%

## Second Quarter 2019: Select Awards & Accolades



7 professionals named to the  
*IAM* Patent 1000 – The World’s  
Leading Patent Professionals  
guide



#1 Forensic Experts  
#1 End-to-End Litigation  
Consulting Services  
#1 End-to-End eDiscovery  
Provider



Compass Lexecon and FTI  
Consulting rank #1 and #2 on  
GAR 100 Expert Witness Firms’  
Power Index



*Washington Post*  
Top Workplaces  
winner

### FTI Consulting and Compass Lexecon Firm of the Year Recognitions by *Who’s Who Legal*:



- Arbitration Expert (2015-2019)
- Consulting (2017-2019)
- Competition Economics (2015-2019)
- Insurance Expert Witnesses (2019)
- Restructuring & Insolvency Advisers (2019)

### Ranked #1 in nine categories by readers of *The National Law Journal*:



- Litigation Dispute Advisory Services Consultant
- Global Risk & Investigations Consultant
- Cybersecurity Provider
- Legal Hold Solution
- Case Management Software
- Forensic Accounting Provider
- Corporate Investigations
- Expert Witness Provider
- Forensic Experts



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