



FTI Consulting, Inc. Announces Second-Quarter, Six-Month Results

July 28, 2004

Reports \$107.4 Million in Revenues, Diluted EPS of \$0.30, Improved Margins; Updates 2004 Outlook

Annapolis, MD - July 28, 2004

FTI Consulting, Inc. (NYSE: FCN), the premier provider of corporate finance/restructuring, forensic and litigation consulting, and economic consulting, today reported its results for the second quarter and six months ended June 30, 2004. The company also updated its outlook for the remainder of 2004.

Second-Quarter Results

Revenues for the second quarter of 2004 were \$107.4 million compared with \$94.5 million from continuing operations for the second quarter of 2003, an increase of 13.7 percent. Income from continuing operations was \$12.8 million compared with \$18.5 million in the comparable quarter last year, a 30.8 percent decrease, and earnings per diluted share were \$0.30 compared with \$0.44 from continuing operations last year, a decrease of 31.8 percent.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were \$26.5 million compared with \$34.0 million from continuing operations in the prior year, a decrease of 22.1 percent. Although EBITDA is not a measure of financial condition or performance determined in accordance with Generally Accepted Accounting Principles, the company believes that the use of EBITDA as a supplemental financial measure is indicative of the company's capacity to service debt and thereby provides additional useful information to investors regarding the company's financial condition and results of operations.

Cash flow provided by operations was \$20.7 million compared with \$37.8 million in the second quarter of 2003. At June 30, 2004, FTI had cash and cash equivalents of approximately \$3.1 million. Total long-term debt at June 30, 2004 was \$113.8 million, down from \$117.5 million at March 31, 2004, and \$121.3 million at December 31, 2003. At June 30, 2004, \$11.0 million was outstanding under the company's \$100 million revolving line of credit. During the second quarter, the revolver was utilized in connection with the repurchase of 206,900 shares of common stock at an average price of \$15.42 per share, for an aggregate of approximately \$3.2 million. At June 30, 2004, the remaining amount authorized under the company's current share repurchase program was approximately \$41.6 million.

Total headcount at June 30, 2004 was 1,022, and net billable headcount increased by 13 to 750 compared with 737 at the end of the first quarter of 2004. Utilization of billable personnel was 79.1 percent for the second quarter, and average rate per hour for the quarter was \$349.

Commenting on the results for the quarter, Jack Dunn, FTI's chairman, chief executive officer and president, said, "We were pleased that progress on our initiatives continues, and that our gross and operating margins improved from the first quarter. Excluding first-quarter revenues attributable to the previously reported personnel departures, revenues actually increased slightly in the second quarter compared with the first, and earnings per share improved by more than 10 percent. In addition, our cash flow from operations, as expected, rebounded from some one-time items in the first quarter, and that allowed us to use our cash to begin reducing debt we incurred primarily in connection with our three recent acquisitions, as well as with our stock buyback program."

Second-Quarter Business Segment Results

FTI's three major business practices—corporate finance/restructuring, forensic and litigation consulting, and economic consulting—began reporting as segments beginning with the first quarter of 2004 in accordance with generally accepted accounting principles under Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information. In 2003, FTI's business practices were not operated as segments, and accordingly the company did not report results of operations by segment. The accompanying table reports revenues and EBITDA by segment for the second quarter and first half of 2004, as well as associated segment business metrics, and for the second quarter and first half of 2003 reports only revenues and associated business metrics by major practice area, which are estimates derived from classifying client engagements by the principal nature of the service.

For the second quarter, corporate finance/restructuring revenues were below the prior-year period, as expected, falling 40.2 percent to \$39.6 million from \$66.2 million as a result of the reduced volume of new business in the restructuring market, as well as the departure of a number of professionals in the company's restructuring practice in the first quarter of 2004. EBITDA margin was 31.9 percent for the second quarter of 2004, and improved sequentially from 29.2 percent, primarily as a result of the elimination of certain costs in the first quarter related to the aforementioned departures and other cost-reduction actions.

Forensic and litigation consulting revenues increased 79.2 percent to \$45.7 million in the second quarter from \$25.5 million last year as a result of organic growth and the acquisitions of the former dispute advisory business of KPMG (DAS) and Ten Eyck Associates in the fourth quarter of 2003. This segment's second-quarter EBITDA margin of approximately 31.5 percent also reflected a sequential improvement from 28.6 percent.

Economic consulting revenues also increased substantially in the second quarter of 2004, growing 689.3 percent to \$22.1 million from \$2.8 million in the second quarter of 2003 as a result of organic growth and the acquisition of Lexecon late in the fourth quarter of 2003. This segment's EBITDA margin of 24.1 percent continues to exceed expectations.

Dominic DiNapoli, FTI's executive vice president and chief operating officer, commented, "Our practice areas continued to enjoy strong performances this quarter. Economic consulting again exceeded our bottom-line expectations and our litigation and forensic consulting practice continued to grow, although less than initially expected. Our corporate finance/restructuring business remains at the level we anticipated, but with better margins due in part to the success achieved in our cost-reduction initiatives implemented last quarter. We will continue to focus on our costs while seeking to improve revenues and make investments for the future throughout our business."

Six-Month Results

Revenues were \$217.7 million, an increase of 11.1 percent compared with \$195.9 million from continuing operations for the first half of 2003. Income from continuing operations declined 34.3 percent to \$24.3 million from \$37.0 million in the comparable period last year, and earnings per share declined 36.0 percent to \$0.57 on a diluted basis compared with \$0.89 from continuing operations last year.

EBITDA was \$51.3 million compared with \$69.1 million from continuing operations in the prior year, a decrease of 25.8 percent. Cash flow provided by operations was \$0.5 million in the first half of 2004 compared with \$57.0 million in the first half of 2003. As previously reported, cash flow from operations was reduced by several one-time events in the 2004 first quarter, including approximately \$7.0 million to provide working capital for one of the company's late-2003 acquisitions, and approximately \$10.0 million of retainers returned to clients in connection with the first-quarter personnel departures.

As expected, corporate finance/restructuring revenues for the first half of 2004 were below the year-ago period, falling 40.1 percent to \$82.9 million from \$138.3 million as a result of the reduced volume of new business in the restructuring market, as well as the departure of a number of professionals in the company's restructuring practice.

Forensic and litigation consulting revenues increased 75.2 percent to \$89.8 million in the first half of 2004 from \$51.3 million last year as a result of organic growth and the acquisitions of DAS and Ten Eyck Associates in the fourth quarter of 2003.

Economic consulting revenues also increased substantially in the first half of 2004, growing 614.3 percent to \$45.0 million from \$6.3 million in the first half of 2003 as a result of organic growth and the acquisition of Lexecon late in the fourth quarter of 2003.

Outlook for the Remainder of 2004

Based on results for the first half of the year, FTI has narrowed and refined its outlook for 2004. It is anticipated that margins will continue to improve, that the rate of improvement will be slightly less due to recent investments the company has made in new hires, and the slower-than-originally expected growth of our forensic and litigation practice. We also anticipate that customary seasonal factors will affect its third-quarter business, as usual, and that the fourth quarter will begin to reflect the benefits of some of the recent investments in practice-area expansion. These investments include the sign-on and direct compensation for several new senior-level individuals, which will be a net expense until their practices begin to ramp up. These new hires are in the Transaction Advisory, FTI Capital Advisory, Interim Management, and Forensic and Litigation Consulting practices, and should begin to have a positive impact in the fourth quarter and future years.

FTI anticipates that total revenues will range from \$429.0 million to \$445.0 million for the year. EBITDA and earnings per diluted share are anticipated to range from \$107.0 million to \$111.0 million, and \$1.20 to \$1.25, respectively, before an expected one-time non-cash charge of approximately \$3.2 million, or \$0.04 per share, sometime during the second half of 2004, in connection with the recently signed lease for new offices in New York City and the move from the company's present New York facilities, for which the company will receive a cash inducement of \$8.0 million that would be amortized over the future life of the new lease as a reduction of rent expense going forward. The company also expects cash flow from operations to range from \$66.0 million to \$72.0 million for the year, before the one-time items in the first quarter. A table reflecting this refined outlook for each of FTI's three business segments is attached.

Second-Quarter Conference Call

FTI will hold a conference call to discuss second-quarter results and management's outlook for the rest of 2004 at 11:00 a.m. Eastern time on Thursday, July 29, 2004. The call can be accessed live and will be available for replay over the Internet by logging onto www.vcall.com as well as on the company's website, www.fticonsulting.com, for 90 days.

About FTI Consulting

FTI is the premier provider of corporate finance/restructuring, forensic and litigation consulting, and economic consulting. Strategically located in 24 of the major US cities and London, FTI's total workforce of approximately 1,000 employees includes numerous PhDs, MBA's, CPAs, CIRAs and CFEs, who are committed to delivering the highest level of service to clients. These clients include the world's largest corporations, financial institutions and law firms in matters involving financial and operational improvement and major litigation.

This press release includes "forward-looking" statements that involve uncertainties and risks. There can be no assurance that actual results will not differ from the company's expectations. The company has experienced fluctuating revenues, operating income and cash flow in some prior periods and expects this may occur from time to time in the future. As a result of these possible fluctuations, the company's actual results may differ from our projections. Other factors that could cause such differences include pace and timing of additional acquisitions, the company's ability to realize cost savings and efficiencies, competitive and general economic conditions, retention of staff and clients and other risks described in the company's filings with the Securities and Exchange Commission.