

FTI Consulting, Inc.

First Quarter 2020 Earnings Conference Call



Cautionary Note about Forward-Looking Statements

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, the impact of the COVID-19 pandemic and related events that are beyond our control, which could affect our segments, practices and the geographic regions in which we conduct business, differently and adversely, and other future events, which could impact each of our segments, practices and the geographic regions in which we conduct business 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, and other risks described under the heading “Item 1A Risk Factors” in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and Annual Report on Form 10-K for the year ended December 31, 2019, 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.

First Quarter 2020: Financial Review

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

	Q1 2020	Q4 2019	% Variance	Q1 2019	% Variance	Percentage Change in Revenues Excluding the Estimated Impact of Foreign Currency Translation for Q1 2020 vs. Q1 2019
Consolidated Results						
Revenues	\$ 604,593	\$ 602,218	0.4%	\$ 551,274	9.7%	10.5%
Net Income	\$ 56,747	\$ 29,061	95.3%	\$ 62,645	-9.4%	
Earnings per Diluted Share	\$ 1.49	\$ 0.76	96.1%	\$ 1.64	-9.1%	
Adjusted Earnings per Diluted Share ⁽¹⁾	\$ 1.53	\$ 0.80	91.3%	\$ 1.63	-6.1%	
Adjusted EBITDA ⁽¹⁾	\$ 83,210	\$ 58,284	42.8%	\$ 96,089	-13.4%	
Adjusted EBITDA Margin ⁽¹⁾	13.8%	9.7%	—	17.4%	—	
Segment Results						
Corporate Finance & Restructuring						
Revenues	\$ 207,749	\$ 181,054	14.7%	\$ 160,966	29.1%	30.1%
Adjusted Segment EBITDA	\$ 48,946	\$ 24,798	97.4%	\$ 37,361	31.0%	
Adjusted Segment EBITDA Margin	23.6%	13.7%	—	23.2%	—	
Forensic and Litigation Consulting						
Revenues	\$ 147,597	\$ 150,262	-1.8%	\$ 138,997	6.2%	6.9%
Adjusted Segment EBITDA	\$ 21,208	\$ 17,369	22.1%	\$ 31,817	-33.3%	
Adjusted Segment EBITDA Margin	14.4%	11.6%	—	22.9%	—	
Economic Consulting						
Revenues	\$ 132,138	\$ 153,054	-13.7%	\$ 142,271	-7.1%	-6.4%
Adjusted Segment EBITDA	\$ 12,710	\$ 17,346	-26.7%	\$ 24,040	-47.1%	
Adjusted Segment EBITDA Margin	9.6%	11.3%	—	16.9%	—	
Technology						
Revenues	\$ 58,723	\$ 51,533	14.0%	\$ 51,336	14.4%	15.0%
Adjusted Segment EBITDA	\$ 14,484	\$ 7,804	85.6%	\$ 12,723	13.8%	
Adjusted Segment EBITDA Margin	24.7%	15.1%	—	24.8%	—	
Strategic Communications						
Revenues	\$ 58,386	\$ 66,315	-12.0%	\$ 57,704	1.2%	2.5%
Adjusted Segment EBITDA	\$ 8,776	\$ 9,877	-11.1%	\$ 11,549	-24.0%	
Adjusted Segment EBITDA Margin	15.0%	14.9%	—	20.0%	—	

⁽¹⁾ 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 March 31, 2020, December 31, 2019 and March 31, 2019

All numbers in \$000s, except for DSO

	As of March 31, 2020	As of December 31, 2019	As of March 31, 2019
Cash and cash equivalents	\$ 223,063	\$ 369,373	\$ 179,241
Accounts receivable, net	\$ 736,898	\$ 693,372	\$ 656,127
Days Sales Outstanding ("DSO") ⁽¹⁾	104	97	97
Net cash provided by (used in) operating activities	\$ (123,562)	\$ 141,020	\$ (102,086)
Purchases of property and equipment	\$ (8,236)	\$ (15,046)	\$ (10,153)
Purchase and retirement of common stock	\$ (49,135)	\$ (27,848)	\$ (21,883)
Total Debt ⁽²⁾	\$ 366,250	\$ 316,250	\$ 316,250
Free Cash Flow ⁽³⁾	\$ (131,798)	\$ 125,974	\$ (112,239)

⁽¹⁾ 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.

⁽²⁾ Total debt excludes the impact of unamortized deferred debt issue costs of \$4.9 million, \$5.2 million and \$6.3 million as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively, and excludes the impact of unamortized deferred debt discount of \$33.2 million, \$35.4 million and \$41.9 million as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively, related to our 2.0% convertible senior notes due 2023.

⁽³⁾ 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 March 31, 2020, December 31, 2019 and March 31, 2019

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

	Three Months Ended March 31, 2020	Three Months Ended December 31, 2019	Three Months Ended March 31, 2019
Net income	\$ 56,747	\$ 29,061	\$ 62,645
Non-cash interest expense on convertible notes	2,225	2,195	2,108
Tax impact on non-cash interest expense on convertible notes	(579)	(571)	(547)
Tax impact of gain on sale of business	—	—	(2,097)
Adjusted Net Income ⁽¹⁾	\$ 58,393	\$ 30,685	\$ 62,109
Earnings per Diluted Share	\$ 1.49	\$ 0.76	\$ 1.64
Non-cash interest expense on convertible notes	0.06	0.06	0.05
Tax impact of non-cash interest expense on convertible notes	(0.02)	(0.02)	(0.01)
Tax impact of gain on sale of business ⁽²⁾	—	—	(0.05)
Adjusted Earnings per Diluted Share ⁽¹⁾	\$ 1.53	\$ 0.80	\$ 1.63
Weighted average number of common shares outstanding—diluted	38,190	38,126	38,219

⁽¹⁾ 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.

⁽²⁾ For Q1 2019, represents a discrete tax adjustment resulting from a change in estimate related to the accounting for the sale of our Ringtail e-discovery software and related business.

Reconciliation of Net Income and Operating Income to Adjusted EBITDA:

Three Months Ended March 31, 2020 and December 31, 2019

All numbers in \$000s

Three Months Ended March 31, 2020

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$ 56,747
Interest income and other							(5,017)
Interest expense							4,861
Income tax provision							16,465
Operating income	\$ 46,664	\$ 19,506	\$ 11,396	\$ 11,589	\$ 7,492	\$ (23,591)	\$ 73,056
Depreciation and amortization	979	1,416	1,270	2,895	586	677	7,823
Amortization of other intangible assets	1,303	286	44	—	698	—	2,331
Adjusted EBITDA ⁽¹⁾	\$ 48,946	\$ 21,208	\$ 12,710	\$ 14,484	\$ 8,776	\$ (22,914)	\$ 83,210

Three Months Ended December 31, 2019

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$ 29,061
Interest income and other							3,680
Interest expense							4,835
Income tax provision							10,624
Operating income	\$ 22,478	\$ 15,895	\$ 16,022	\$ 4,942	\$ 8,483	\$ (19,620)	\$ 48,200
Depreciation and amortization	1,037	1,187	1,280	2,862	694	710	7,770
Amortization of other intangible assets	1,283	287	44	—	700	—	2,314
Adjusted EBITDA ⁽¹⁾	\$ 24,798	\$ 17,369	\$ 17,346	\$ 7,804	\$ 9,877	\$ (18,910)	\$ 58,284

⁽¹⁾ 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 March 31, 2019

All numbers in \$000s

Three Months Ended March 31, 2019

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$ 62,645
Interest income and other							(159)
Interest expense							4,746
Income tax provision							19,930
Operating income	\$ 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
Adjusted EBITDA ⁽¹⁾	\$ 37,361	\$ 31,817	\$ 24,040	\$ 12,723	\$ 11,549	\$ (21,401)	\$ 96,089

⁽¹⁾ 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 March 31, 2020, December 31, 2019 and March 31, 2019

All numbers in \$000s

	Three Months Ended March 31, 2020	Three Months Ended December 31, 2019	Three Months Ended March 31, 2019
Net cash provided by (used in) operating activities	\$ (123,562)	\$ 141,020	\$ (102,086)
Purchases of property and equipment	(8,236)	(15,046)	(10,153)
Free Cash Flow ⁽¹⁾	\$ (131,798)	\$ 125,974	\$ (112,239)

⁽¹⁾ See "End Notes: FTI Consulting Non-GAAP Financial Measures" for the definition of Free Cash Flow, which is a non-GAAP financial measure.

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 in the United States ("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 and Adjusted Segment EBITDA, which are GAAP financial measures, below in order to more fully define the components of certain non-GAAP financial measures in this presentation. We define Segment Operating Income as a segment's share of consolidated operating income. We use Segment Operating Income for the purpose of calculating Adjusted Segment EBITDA. We define Adjusted Segment EBITDA 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, which is a non-GAAP financial measure, 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 non-GAAP financial 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 and the gain or loss on sale of a business. 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 and GAAP financial measures, 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

First Quarter 2020: Select Geographic Review

Percentage of Consolidated Revenues			Revenue Growth
Region	Q1 2020	Q1 2019	Q1 2020 vs. Q1 2019
North America	66.9%	67.8%	8.1%
EMEA	26.3%	23.5%	22.8%
Asia Pacific	5.6%	7.2%	-14.8%
Latin America	1.2%	1.5%	-6.8%

First Quarter 2020: Select Awards & Accolades



Recognized in 18 categories
of the Best of 2020 reader
rankings
Corporate Counsel



Ranked #1 on 1Q20
Bankruptcy League
Tables
The Deal



Named Vanguard Leader in
Capital Projects & Infrastructure
Consulting
ALM Intelligence



11 professionals
named to the
Data 2020 list
Who's Who Legal



Twenty-five professionals
recognized as leading
forensic accounting and
digital forensic experts on
the *Who's Who Legal:
Investigations 2020* list



Named to *Forbes*
magazine's list of
America's Best
Management Consulting
Firms for the fifth
consecutive year



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