
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-14875

FTI CONSULTING, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

**1101 K Street NW,
Washington, D.C.**
(Address of Principal Executive Offices)

52-1261113
(I.R.S. Employer
Identification No.)

20005
(Zip Code)

(202) 312-9100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web Site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at April 24, 2015</u>
Common stock, par value \$0.01 per share	41,598,020

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PART I—FINANCIAL INFORMATION

FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands, except per share amounts)

Item 1. Financial Statements

	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 225,295	\$ 283,680
Accounts receivable:		
Billed receivables	382,333	381,464
Unbilled receivables	290,297	248,462
Allowance for doubtful accounts and unbilled services	(159,345)	(144,825)
Accounts receivable, net	513,285	485,101
Current portion of notes receivable	33,393	27,208
Prepaid expenses and other current assets	51,121	60,852
Current portion of deferred tax assets	24,840	27,332
Total current assets	847,934	884,173
Property and equipment, net of accumulated depreciation	79,389	82,163
Goodwill	1,201,652	1,211,689
Other intangible assets, net of amortization	72,264	77,034
Notes receivable, net of current portion	115,263	122,149
Other assets	54,867	53,319
Total assets	\$2,371,369	\$2,430,527
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 102,231	\$ 99,494
Accrued compensation	147,030	220,959
Current portion of long-term debt	11,000	11,000
Billings in excess of services provided	30,894	35,639
Total current liabilities	291,155	367,092
Long-term debt, net of current portion	700,000	700,000
Deferred income taxes	167,463	161,932
Other liabilities	95,497	98,757
Total liabilities	1,254,115	1,327,781
Commitments and contingent liabilities (note 10)		
Stockholders' equity		
Preferred stock, \$0.01 par value; shares authorized—5,000; none outstanding	—	—
Common stock, \$0.01 par value; shares authorized—75,000; shares issued and outstanding—41,485 (2015) and 41,181 (2014)	415	412
Additional paid-in capital	404,475	393,174
Retained earnings	813,114	789,428
Accumulated other comprehensive loss	(100,750)	(80,268)
Total stockholders' equity	1,117,254	1,102,746
Total liabilities and stockholders' equity	\$2,371,369	\$2,430,527

See accompanying notes to the condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(in thousands, except per share data)
Unaudited

	Three Months Ended	
	March 31,	
	2015	2014
Revenues	\$ 432,338	\$ 425,552
Operating expenses		
Direct cost of revenues	279,030	274,275
Selling, general and administrative expenses	102,214	108,387
Acquisition-related contingent consideration	234	(1,843)
Amortization of other intangible assets	3,012	4,616
	<u>384,490</u>	<u>385,435</u>
Operating income	47,848	40,117
Other income (expense)		
Interest income and other	(137)	1,003
Interest expense	(12,368)	(12,655)
	<u>(12,505)</u>	<u>(11,652)</u>
Income before income tax provision	35,343	28,465
Income tax provision	11,657	10,348
Net income	<u>\$ 23,686</u>	<u>\$ 18,117</u>
Earnings per common share—basic	<u>\$ 0.59</u>	<u>\$ 0.46</u>
Earnings per common share—diluted	<u>\$ 0.57</u>	<u>\$ 0.45</u>
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments, net of tax expense of \$0	\$ (20,482)	\$ 4,728
Total other comprehensive (loss) income, net of tax	<u>(20,482)</u>	<u>4,728</u>
Comprehensive income	<u>\$ 3,204</u>	<u>\$ 22,845</u>

See accompanying notes to the condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity
(in thousands)
Unaudited

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive (Loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance December 31, 2014	41,181	\$ 412	\$393,174	\$789,428	\$ (80,268)	\$1,102,746
Net income	—	—	—	23,686	—	23,686
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	—	(20,482)	(20,482)
Issuance of common stock in connection with:						
Exercise of options, net of income tax benefit from share-based awards of \$1,972	266	3	5,738	—	—	5,741
Restricted share grants, less net settled shares of 89	38	—	(3,297)	—	—	(3,297)
Stock units issued under incentive compensation plan	—	—	2,124	—	—	2,124
Share-based compensation	—	—	6,736	—	—	6,736
Balance March 31, 2015	<u>41,485</u>	<u>\$ 415</u>	<u>\$404,475</u>	<u>\$813,114</u>	<u>\$ (100,750)</u>	<u>\$1,117,254</u>

See accompanying notes to the condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
Unaudited

	Three Months Ended	
	March 31,	
	2015	2014
Operating activities		
Net income	\$ 23,686	\$ 18,117
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	7,808	8,585
Amortization of other intangible assets	3,012	4,616
Acquisition-related contingent consideration	234	(1,843)
Provision for doubtful accounts	2,998	4,442
Non-cash share-based compensation	6,736	9,503
Non-cash interest expense	671	675
Other	(132)	(443)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(41,330)	(71,474)
Notes receivable	(1,003)	(26,088)
Prepaid expenses and other assets	3,583	11,927
Accounts payable, accrued expenses and other	15,959	18,815
Income taxes	5,524	(684)
Accrued compensation	(74,987)	(93,573)
Billings in excess of services provided	(4,092)	6,630
Net cash used in operating activities	<u>(51,333)</u>	<u>(110,795)</u>
Investing activities		
Payments for acquisition of businesses, net of cash received	—	(15,611)
Purchases of property and equipment	(8,876)	(15,179)
Other	71	(10)
Net cash used in investing activities	<u>(8,805)</u>	<u>(30,800)</u>
Financing activities		
Borrowings under revolving line of credit, net	—	20,000
Purchase and retirement of common stock	—	(4,367)
Net issuance of common stock under equity compensation plans	4,031	(2,490)
Deposits	1,380	—
Other	(85)	(101)
Net cash provided by financing activities	<u>5,326</u>	<u>13,042</u>
Effect of exchange rate changes on cash and cash equivalents	(3,573)	(275)
Net decrease in cash and cash equivalents	(58,385)	(128,828)
Cash and cash equivalents, beginning of period	283,680	205,833
Cash and cash equivalents, end of period	<u>\$225,295</u>	<u>\$ 77,005</u>
Supplemental cash flow disclosures		
Cash paid for interest	\$ 226	\$ 391
Cash paid for income taxes, net of refunds	6,134	11,034
Non-cash investing and financing activities:		
Issuance of stock units under incentive compensation plans	2,124	1,632

See accompanying notes to the condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries**Notes to Condensed Consolidated Financial Statements**

(dollar and share amounts in tables expressed in thousands, except per share data)

Unaudited

1. Basis of Presentation and Significant Accounting Policies

The unaudited condensed consolidated financial statements of FTI Consulting, Inc., including its consolidated subsidiaries (collectively, the “Company,” “we,” “our” or “FTI Consulting”) presented herein, have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and under the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Some of the information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. Certain prior period amounts have been reclassified to conform to the current period presentation. In management’s opinion, the interim financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim periods presented. All adjustments made were normal recurring accruals. Results of operations for the interim periods presented herein are not necessarily indicative of results of operations for a full year. These financial statements should be read in conjunction with the consolidated financial statements and the notes contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

2. Earnings Per Common Share

Basic earnings per common share are calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share adjust basic earnings per common share for the effects of potentially dilutive common shares. Potentially dilutive common shares include the dilutive effects of shares issuable under our equity compensation plans, including stock options and restricted stock, each using the treasury stock method.

	Three Months Ended	
	March 31,	
	2015	2014
Numerator—basic and diluted		
Net income	\$23,686	\$18,117
Denominator		
Weighted average number of common shares outstanding—basic	40,384	39,438
Effect of dilutive stock options	376	356
Effect of dilutive restricted shares	564	663
Weighted average number of common shares outstanding—diluted	41,324	40,457
Earnings per common share — basic	<u>\$ 0.59</u>	<u>\$ 0.46</u>
Earnings per common share — diluted	<u>\$ 0.57</u>	<u>\$ 0.45</u>
Antidilutive stock options and restricted shares	<u>2,173</u>	<u>3,177</u>

3. New Accounting Standards Not Yet Adopted

In April 2015, the Financial Accounting Standards Board (“FASB”) issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2015. Early adoption is

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permitted. The new guidance will be applied retrospectively to each prior period presented. We do not expect the adoption of this ASU to have a material impact on our consolidated balance sheets.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. On April 1, 2015, the FASB voted to propose a deferral of the effective date of the standard by one year which would result in the new standard being effective for the Company at the beginning of its first quarter of fiscal year 2018. We have not yet completed our evaluation of the impact of the new standard, including possible transition alternatives, on the Company's financial statements.

4. Special Charges

There were no special charges recorded during the three months ended March 31, 2015 and 2014.

The total cash outflow associated with the special charges recorded in 2014, 2013 and 2012 is expected to be \$65.1 million, of which \$49.3 million has been paid as of March 31, 2015. Approximately \$4.1 million is expected to be paid during the remainder of 2015, \$3.2 million is expected to be paid in 2016, \$3.1 million is expected to be paid in 2017, \$2.6 million is expected to be paid in 2018, and the remaining balance of \$2.8 million will be paid from 2019 to 2025. A liability for the current and noncurrent portions of the amounts to be paid is included in "Accounts payable, accrued expenses and other" and "Other liabilities," respectively, on the Condensed Consolidated Balance Sheets.

Activity related to the liability for these costs for the three months ended March 31, 2015 is as follows:

	<u>Employee Termination Costs</u>	<u>Lease Costs</u>	<u>Total</u>
Balance at December 31, 2014	\$ 13,759	\$4,854	\$18,613
Payments	(2,640)	(45)	\$ (2,685)
Foreign currency translation adjustment and other	(141)	—	\$ (141)
Balance at March 31, 2015	<u>\$ 10,978</u>	<u>\$4,809</u>	<u>\$15,787</u>

5. Allowance for Doubtful Accounts and Unbilled Services

We record adjustments to the allowance for doubtful accounts and unbilled services as a reduction in revenue when there are changes in estimates of fee reductions that may be imposed by bankruptcy courts and other regulatory institutions, for both billed and unbilled receivables. The allowance for doubtful accounts and unbilled services is also adjusted after the related work has been billed to the client and we discover that collectability is not reasonably assured. These adjustments are recorded to "Selling, general and administrative expense" on the Condensed Consolidated Statements of Comprehensive Income and totaled \$3.0 million and \$4.4 million for the three months ended March 31, 2015 and March 31, 2014, respectively.

6. Research and Development Costs

Research and development costs related to software development totaled \$5.9 million and \$4.5 million for the three months ended March 31, 2015 and March 31, 2014, respectively. Research and development costs are included in "Selling, general and administrative expense" on the Condensed Consolidated Statements of Comprehensive Income.

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7. Financial Instruments

Fair Value of Financial Instruments

We consider the recorded value of certain financial assets and liabilities, which consist primarily of cash equivalents, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at March 31, 2015 and December 31, 2014, based on the short-term nature of the assets and liabilities. The fair value of our long-term debt at March 31, 2015 was \$747.5 million compared to a carrying value of \$711.0 million. At December 31, 2014, the fair value of our long-term debt was \$735.0 million compared to a carrying value of \$711.0 million. We determine the fair value of our long-term debt primarily based on quoted market prices for our 6¾% Senior Notes Due 2020 (“2020 Notes”) and 6.0% Senior Notes Due 2022 (“2022 Notes”). The fair value of our long-term debt is classified within Level 2 of the fair value hierarchy, because it is traded in less active markets.

For business combinations consummated on or after January 1, 2009, we estimate the fair value of acquisition-related contingent consideration based on the present value of the consideration expected to be paid during the remainder of the earnout period, based on management’s assessment of the acquired operations’ forecasted earnings. This fair value measure is based on significant inputs not observed in the market and thus represents a Level 3 measurement. Fair value measurements characterized within Level 3 of the fair value hierarchy are measured based on unobservable inputs that are supported by little or no market activity and reflect our own assumptions in measuring fair value.

The significant unobservable inputs used in the fair value measurements of our acquisition-related contingent consideration include our measures of the future profitability and related cash flows of the acquired business or assets, impacted by appropriate discount rates. Significant increases (decreases) in any of these inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumptions used for the discount rates is accompanied by a directionally opposite change in the fair value measurement and a change in the assumptions used for the future cash flows is accompanied by a directionally similar change in the fair value measurement. The fair value of the contingent consideration is reassessed on a quarterly basis by the Company using additional information as it becomes available.

Any change in the fair value of an acquisition’s contingent consideration liability results in a remeasurement gain or loss that is recorded as income or expense, respectively, and is included within “Acquisition-related contingent consideration” in the Condensed Consolidated Statements of Comprehensive Income. During the three months ended March 31, 2015, no remeasurement gain was recorded compared to a remeasurement gain of \$2.1 million for the three months ended March 31, 2014.

The following table represents the changes in the acquisition-related contingent consideration liability during the three months ended March 31, 2015 and 2014:

<u>(in thousands)</u>	<u>Three Months Ended</u>	
	<u>2015</u>	<u>2014</u>
Beginning balance	\$6,338	\$13,329
Acquisition ⁽¹⁾	—	(4,495)
Accretion of acquisition-related contingent consideration	234	279
Remeasurement of acquisition-related contingent consideration	—	(2,122)
Payments	(241)	(63)
Unrealized gains (losses) related to currency translation in other comprehensive income	—	(25)
Ending balance	<u>\$6,331</u>	<u>\$ 6,903</u>

⁽¹⁾ Includes adjustments during the purchase price allocation period.

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8. Goodwill and Other Intangible Assets

The changes in the carrying amounts of goodwill by operating segment for the three months ended March 31, 2015, are as follows:

	<u>Corporate Finance/ Restructuring</u>	<u>Forensic and Litigation Consulting</u>	<u>Economic Consulting</u>	<u>Technology</u>	<u>Strategic Communications</u>	<u>Total</u>
Balances at December 31, 2014:						
Goodwill	\$ 446,066	\$ 238,173	\$ 269,897	\$ 117,967	\$ 333,725	\$ 1,405,828
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2014	446,066	238,173	269,897	117,967	139,586	1,211,689
Foreign currency translation adjustment and other	(2,465)	(2,651)	(566)	(78)	(4,277)	(10,037)
Goodwill	443,601	235,522	269,331	117,889	329,448	1,395,791
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at March 31, 2015	<u>\$ 443,601</u>	<u>\$ 235,522</u>	<u>\$ 269,331</u>	<u>\$ 117,889</u>	<u>\$ 135,309</u>	<u>\$ 1,201,652</u>

Other Intangible Assets

Other intangible assets with finite lives are amortized over their estimated useful lives. For intangible assets with finite lives, we recorded amortization expense of \$3.0 million and \$4.6 million for the three months ended March 31, 2015 and March 31, 2014, respectively. Based solely on the amortizable intangible assets recorded as of March 31, 2015, we estimate amortization expense to be \$8.7 million during the remainder of 2015, \$10.4 million in 2016, \$9.7 million in 2017, \$8.1 million in 2018, \$7.4 million in 2019, \$7.3 million in 2020, and \$15.1 million in years after 2020. Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, finalization of asset valuations for newly acquired assets, changes in useful lives, changes in value due to foreign currency translation, and other factors.

9. Debt

The components of debt obligations are presented in the table below:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
6 ³ / ₄ % senior notes due 2020	\$400,000	\$ 400,000
6.0% senior notes due 2022	300,000	300,000
Notes payable to former shareholders of acquired businesses	11,000	11,000
Total debt	711,000	711,000
Less current portion	11,000	11,000
Long-term debt, net of current portion	<u>\$ 700,000</u>	<u>\$ 700,000</u>

There were no borrowings outstanding under the Company's senior secured bank credit facility as of March 31, 2015.

10. Commitments and Contingencies

Contingencies

We are subject to legal actions arising in the ordinary course of business. In management's opinion, we believe we have adequate legal defenses and/or insurance coverage with respect to the eventuality of such actions. We do not believe any settlement or judgment relating to any pending legal action would materially affect our financial position or results of operations.

11. Share-Based Compensation

Share-based Awards and Share-based Compensation Expense

Our officers, employees, non-employee directors and certain individual service providers are eligible to participate in the Company's equity compensation plans, subject to the discretion of the administrator of the plans. During the three months ended March 31, 2015, we granted 58,863 stock options, 119,332 restricted stock awards, and 58,296 restricted stock units. These awards are recorded as equity on the Condensed Consolidated Balance Sheet. During the three months ended March 31, 2015, 192,663 options, 16,500 performance stock unit awards and 16,494 restricted stock awards were forfeited prior to the completion of the vesting requirements.

Total share-based compensation expense, net of forfeitures, for the three months ended March 31, 2015 and 2014 is detailed in the following table:

<u>Comprehensive Income Statement Classification</u>	<u>Three Months Ended</u>	
	<u>2015</u>	<u>2014</u>
Direct cost of revenues	\$ 3,899	\$ 5,822
Selling, general and administrative expenses	3,043	3,254
Total share-based compensation expense	<u>\$ 6,942</u>	<u>\$ 9,076</u>

12. Segment Reporting

We manage our business in five reportable segments: Corporate Finance/Restructuring, Forensic and Litigation Consulting, Economic Consulting, Technology and Strategic Communications.

Our Corporate Finance/Restructuring segment focuses on strategic, operational, financial and capital needs of businesses around the world and provides consulting and advisory services on a wide range of areas, such as restructuring (including bankruptcy), interim management, financings, mergers and acquisitions, post-acquisition integration, valuations, tax issues and performance improvement.

Our Forensic and Litigation Consulting segment provides law firms, companies, government clients and other interested parties with dispute advisory, investigations, forensic accounting, business intelligence assessments, data analytics, risk mitigation services as well as interim management and performance improvement services for our health solutions practice clients.

Our Economic Consulting segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the U.S. and around the world.

Our Technology segment provides electronic discovery and information management consulting, software and services to its clients. It provides products, services and consulting to companies, law firms, courts and government agencies worldwide. Its comprehensive suite of software and services help clients locate, review and produce electronically stored information, including e-mail, computer files, voicemail, instant messaging, cloud and social media data as well as financial and transactional data.

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Our Strategic Communications segment provides advice and consulting services relating to financial and corporate communications and investor relations, reputation management and brand communications, public affairs, business consulting and digital design and marketing.

We evaluate the performance of our operating segments based on 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 define Total Adjusted Segment EBITDA as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. Although Adjusted Segment EBITDA is not a measure of financial condition or performance determined in accordance with GAAP, we use Adjusted Segment EBITDA to internally evaluate the financial performance of our segments because we believe it is a useful supplemental measure which reflects current core operating performance and provides an indicator of the segment's ability to generate cash.

The table below presents revenues and Adjusted Segment EBITDA for our reportable segments for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31,	
	2015	2014
Revenues		
Corporate Finance/Restructuring	\$ 106,212	\$ 93,982
Forensic and Litigation Consulting	123,265	121,429
Economic Consulting	106,081	106,851
Technology	54,654	60,063
Strategic Communications	42,126	43,227
Revenues	<u>\$ 432,338</u>	<u>\$ 425,552</u>
Adjusted Segment EBITDA		
Corporate Finance/Restructuring	\$ 22,480	\$ 10,951
Forensic and Litigation Consulting	22,071	26,494
Economic Consulting	11,556	13,030
Technology	10,073	17,348
Strategic Communications	5,752	2,729
Total Adjusted Segment EBITDA	<u>\$ 71,932</u>	<u>\$ 70,552</u>

The table below reconciles Total Adjusted Segment EBITDA to income before income tax provision:

	Three Months Ended March 31,	
	2015	2014
Total Adjusted Segment EBITDA	\$ 71,932	\$ 70,552
Segment depreciation expense	(6,991)	(7,548)
Amortization of other intangible assets	(3,012)	(4,616)
Unallocated corporate expenses, excluding special charges	(14,081)	(20,393)
Interest income and other	(137)	1,003
Interest expense	(12,368)	(12,655)
Remeasurement of acquisition-related contingent consideration	—	2,122
Income before income tax provision	<u>\$ 35,343</u>	<u>\$ 28,465</u>

13. Supplemental Condensed Consolidating Guarantor and Non-Guarantor Financial Information

Substantially all of our domestic subsidiaries are guarantors of borrowings under our senior bank credit facility and 2020 Notes and 2022 Notes (collectively, the “Senior Notes”). The guarantees are full and unconditional and joint and several. All of the guarantors are 100%-owned, direct or indirect, subsidiaries. The following financial information presents condensed consolidating balance sheets, statements of comprehensive income and statements of cash flows for FTI Consulting, all the guarantor subsidiaries, all the non-guarantor subsidiaries and the eliminations necessary to arrive at the consolidated information for FTI Consulting and its subsidiaries. For purposes of this presentation, we have accounted for our investments in our subsidiaries using the equity method of accounting. The principal eliminating entries eliminate investment in subsidiary and intercompany balances and transactions.

Condensed Consolidating Balance Sheet Information as of March 31, 2015

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 135,170	\$ 156	\$ 89,969	\$ —	\$ 225,295
Accounts receivable, net	171,301	169,641	172,343	—	513,285
Intercompany receivables	—	863,105	—	(863,105)	—
Other current assets	71,707	20,883	16,764	—	109,354
Total current assets	378,178	1,053,785	279,076	(863,105)	847,934
Property and equipment, net	34,856	15,460	29,073	—	79,389
Goodwill	558,978	416,053	226,621	—	1,201,652
Other intangible assets, net	28,820	17,717	49,418	(23,691)	72,264
Investments in subsidiaries	1,921,809	473,695	—	(2,395,504)	—
Other assets	49,359	75,478	45,293	—	170,130
Total assets	\$ 2,972,000	\$2,052,188	\$ 629,481	\$(3,282,300)	\$2,371,369
Liabilities					
Intercompany payables	\$ 823,998	\$ 11,004	\$ 28,103	\$ (863,105)	\$ —
Other current liabilities	114,565	94,367	82,223	—	291,155
Total current liabilities	938,563	105,371	110,326	(863,105)	291,155
Long-term debt, net	700,000	—	—	—	700,000
Other liabilities	216,183	10,833	35,944	—	262,960
Total liabilities	1,854,746	116,204	146,270	(863,105)	1,254,115
Stockholders' equity	1,117,254	1,935,984	483,211	(2,419,195)	1,117,254
Total liabilities and stockholders' equity	\$ 2,972,000	\$2,052,188	\$ 629,481	\$(3,282,300)	\$2,371,369

Condensed Consolidating Balance Sheet Information as of December 31, 2014

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 171,090	\$ 159	\$ 112,431	\$ —	\$ 283,680
Accounts receivable, net	153,495	162,032	169,574	—	485,101
Intercompany receivables	—	875,000	12,195	(887,195)	—
Other current assets	74,455	22,994	17,943	—	115,392
Total current assets	399,040	1,060,185	312,143	(887,195)	884,173
Property and equipment, net	33,864	17,050	31,249	—	82,163
Goodwill	559,318	416,053	236,318	—	1,211,689
Other intangible assets, net	29,807	18,432	53,357	(24,562)	77,034
Investments in subsidiaries	1,915,869	484,162	—	(2,400,031)	—
Other assets	61,025	78,388	36,055	—	175,468
Total assets	\$ 2,998,923	\$2,074,270	\$ 669,122	\$ (3,311,788)	\$2,430,527
Liabilities					
Intercompany payables	\$ 832,253	\$ 14,197	\$ 40,745	\$ (887,195)	\$ —
Other current liabilities	148,299	113,450	105,343	—	367,092
Total current liabilities	980,552	127,647	146,088	(887,195)	367,092
Long-term debt, net	700,000	—	—	—	700,000
Other liabilities	215,625	14,955	30,109	—	260,689
Total liabilities	1,896,177	142,602	176,197	(887,195)	1,327,781
Stockholders' equity	1,102,746	1,931,668	492,925	(2,424,593)	1,102,746
Total liabilities and stockholders' equity	\$ 2,998,923	\$2,074,270	\$ 669,122	\$ (3,311,788)	\$2,430,527

**Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended
March 31, 2015**

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 169,135	\$ 144,139	\$ 121,852	\$ (2,788)	\$ 432,338
Operating expenses					
Direct cost of revenues	105,063	96,587	80,083	(2,703)	279,030
Selling, general and administrative expenses	43,411	29,877	29,011	(85)	102,214
Acquisition-related contingent consideration	65	169	—	—	234
Amortization of other intangible assets	986	715	2,181	(870)	3,012
Operating income	19,610	16,791	10,577	870	47,848
Other (expense) income	(13,866)	(2,010)	3,371	—	(12,505)
Income before income tax provision	5,744	14,781	13,948	870	35,343
Income tax provision	2,563	5,726	3,368	—	11,657
Equity in net earnings of subsidiaries	20,505	9,825	—	(30,330)	—
Net income	23,686	18,880	10,580	(29,460)	23,686
Other comprehensive loss, net of tax:					
Foreign currency translation adjustments, net of tax expense of \$0	—	—	(20,482)	—	(20,482)
Total other comprehensive loss, net of tax	—	—	(20,482)	—	(20,482)
Comprehensive income (loss)	\$ 23,686	\$ 18,880	\$ (9,902)	\$ (29,460)	\$ 3,204

**Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended
March 31, 2014**

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 151,032	\$ 252,083	\$ 120,527	\$ (98,090)	\$ 425,552
Operating expenses					
Direct cost of revenues	99,498	195,699	76,857	(97,779)	274,275
Selling, general and administrative expenses	45,298	28,500	34,900	(311)	108,387
Acquisition-related contingent consideration	(598)	(603)	(642)	—	(1,843)
Amortization of other intangible assets	1,073	729	3,771	(957)	4,616
Operating income	5,761	27,758	5,641	957	40,117
Other (expense) income	(13,314)	(2,266)	3,928	—	(11,652)
Income (loss) before income tax provision	(7,553)	25,492	9,569	957	28,465
Income tax (benefit) provision	(2,858)	11,046	2,160	—	10,348
Equity in net earnings of subsidiaries	22,812	6,333	—	(29,145)	—
Net income	18,117	20,779	7,409	(28,188)	18,117
Other comprehensive income, net of tax:					
Foreign currency translation adjustments, net of tax expense of \$0	—	—	4,728	—	4,728
Total other comprehensive income, net of tax	—	—	4,728	—	4,728
Comprehensive income	\$ 18,117	\$ 20,779	\$ 12,137	\$ (28,188)	\$ 22,845

Condensed Consolidating Statement of Cash Flows for the Three Months Ended March 31, 2015

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Operating activities				
Net cash used in operating activities	\$ (27,664)	\$ (5,191)	\$ (18,478)	\$ (51,333)
Investing activities				
Purchases of property and equipment	(3,979)	(3,513)	(1,384)	(8,876)
Other	32	—	39	71
Net cash used in investing activities	(3,947)	(3,513)	(1,345)	(8,805)
Financing activities				
Net issuance of common stock under equity compensation plans	4,031	—	—	4,031
Deposits	—	—	1,380	1,380
Other	(85)	—	—	(85)
Intercompany transfers	(8,255)	8,701	(446)	—
Net cash (used in) provided by financing activities	(4,309)	8,701	934	5,326
Effect of exchange rate changes on cash and cash equivalents	—	—	(3,573)	(3,573)
Net decrease in cash and cash equivalents	(35,920)	(3)	(22,462)	(58,385)
Cash and cash equivalents, beginning of period	171,090	159	112,431	283,680
Cash and cash equivalents, end of period	\$ 135,170	\$ 156	\$ 89,969	\$ 225,295

Condensed Consolidating Statement of Cash Flows for the Three Months Ended March 31, 2014

	<u>FTI Consulting, Inc.</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidated</u>
Operating activities				
Net cash used in operating activities	\$ (16,876)	\$ (80,076)	\$ (13,843)	\$ (110,795)
Investing activities				
Payments for acquisition of businesses, net of cash received	(14,616)	—	(995)	(15,611)
Purchases of property and equipment	(5,008)	(1,047)	(9,124)	(15,179)
Other	(10)	—	—	(10)
Net cash used in investing activities	<u>(19,634)</u>	<u>(1,047)</u>	<u>(10,119)</u>	<u>(30,800)</u>
Financing activities				
Payments of long-term debt	20,000	—	—	20,000
Net issuance of common stock under equity compensation plans	(2,490)	—	—	(2,490)
Purchase and retirement of common stock	(4,367)	—	—	(4,367)
Other	442	(63)	(480)	(101)
Intercompany transfers	(65,625)	80,847	(15,222)	—
Net cash (used in) provided by financing activities	<u>(52,040)</u>	<u>80,784</u>	<u>(15,702)</u>	<u>13,042</u>
Effect of exchange rate changes on cash and cash equivalents	—	—	(275)	(275)
Net decrease in cash and cash equivalents	(88,550)	(339)	(39,939)	(128,828)
Cash and cash equivalents, beginning of period	111,943	494	93,396	205,833
Cash and cash equivalents, end of period	<u>\$ 23,393</u>	<u>\$ 155</u>	<u>\$ 53,457</u>	<u>\$ 77,005</u>

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of our consolidated financial condition and results of operations for the three months ended March 31, 2015 and 2014 and significant factors that could affect our prospective financial condition and results of operations. This discussion should be read together with the accompanying unaudited condensed consolidated financial statements and related notes and with our Annual Report on Form 10-K for the year ended December 31, 2014. Historical results and any discussion of prospective results may not indicate our future performance. See “—Forward-Looking Statements.”

BUSINESS OVERVIEW

We are a leading global business advisory firm dedicated to helping organizations protect and enhance their enterprise value. We work closely with our clients to help them anticipate, understand, manage and overcome complex business matters arising from such factors as the economy, financial and credit markets, governmental regulation, legislation and litigation. We assist clients in addressing a broad range of business challenges, such as restructuring (including bankruptcy), financing and credit issues and indebtedness, interim business management, forensic accounting and litigation matters, international arbitrations, mergers and acquisitions (“M&A”), antitrust and competition matters, securities litigation, electronic discovery (“e-discovery”), management and retrieval of electronically stored information (“ESI”), reputation management and strategic communications. We also provide services to help our clients take advantage of economic, regulatory, financial and other business opportunities. Our experienced teams of professionals include many individuals who are widely recognized as experts in their respective fields. We believe clients retain us because of our recognized expertise and capabilities in highly specialized areas as well as our reputation for satisfying client needs.

We report financial results for the following five reportable segments:

Our **Corporate Finance/Restructuring** segment focuses on strategic, operational, financial and capital needs of businesses around the world and provides consulting and advisory services on a wide range of areas, such as restructuring (including bankruptcy), interim management, financings, M&A, post-acquisition integration, valuations, tax issues and performance improvement.

Our **Forensic and Litigation Consulting** segment provides law firms, companies, government clients and other interested parties with dispute advisory, investigations, forensic accounting, business intelligence assessments, data analytics, risk mitigation services as well as interim management and performance improvement services for our health solutions practice clients.

Our **Economic Consulting** segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the United States (“U.S.”) and around the world.

Our **Technology** segment provides e-discovery and information management consulting, software and services to its clients. It provides products, services and consulting to companies, law firms, courts and government agencies worldwide. Its comprehensive suite of software and services help clients locate, review and produce ESI, including e-mail, computer files, voicemail, instant messaging, cloud and social media data as well as financial and transactional data.

Our **Strategic Communications** segment provides advice and consulting services relating to financial and corporate communications and investor relations, reputation management and brand communications, public affairs, business consulting and digital design and marketing.

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We derive substantially all of our revenues from providing professional services to both U.S. and global clients. Most of our services are rendered under time-and-expense arrangements that obligate the client to pay us a fee for the hours that we incur at agreed upon rates. Under this arrangement, we typically bill our clients for reimbursable expenses, which may include the cost of producing our work product and other direct expenses that we incur on behalf of the client, such as travel costs. We also render services for which certain clients may be required to pay us a fixed fee or recurring retainer. These arrangements are generally cancellable at any time. Some of our engagements contain performance-based arrangements in which we earn a success fee when and if certain predefined outcomes occur. This type of success fee may supplement a time-and-expense or fixed-fee arrangement. Success fee revenues may cause variations in our revenues and operating results due to the timing of achieving the performance-based criteria. In our Technology segment, certain clients are also billed based on the amount of data stored on our electronic systems, the volume of information processed or the number of users licensing our Ringtail® software products for use or installation within their own environments. We license certain products directly to end users as well as indirectly through our channel partner relationships. Unit-based revenue is defined as revenue billed on a per-item, per-page, or some other unit-based method and includes revenue from data processing and hosting, software usage and software licensing. Unit-based revenue includes revenue associated with our proprietary software that is made available to customers, either via a web browser (“on-demand”) or installed at our customer or partner locations (“on-premise”). On-demand revenue is charged on a unit or monthly basis and includes, but is not limited to, processing and review related functions. On-premise revenue is comprised of up-front license fees, with recurring support and maintenance. Seasonal factors, such as the timing of our employees’ and clients’ vacations and holidays, impact the timing of our revenues.

Our financial results are primarily driven by:

- the number, size and type of engagements we secure;
- the rate per hour or fixed charges we charge our clients for services;
- the utilization rates of the revenue-generating professionals we employ;
- the number of revenue-generating professionals;
- fees from clients on a retained basis or other;
- licensing of our software products and other technology services;
- the types of assignments we are working on at different times;
- the length of the billing and collection cycles; and
- the geographic locations of our clients or locations in which services are rendered.

Non-GAAP Measures

In the accompanying analysis of financial information, we sometimes use information derived from consolidated and segment financial information that is not presented in our financial statements and prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). Certain of these measures are considered “non-GAAP financial measures” under the SEC rules. Specifically, we have referred to:

- Segment Operating Income
- Total Segment Operating Income
- Adjusted EBITDA
- Adjusted Segment EBITDA
- Total Adjusted Segment EBITDA
- Adjusted EBITDA Margin

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- Adjusted Segment EBITDA Margin
- Adjusted Net Income
- Adjusted Earnings per Diluted Share

We define Segment Operating Income (Loss) as a segment's share of consolidated operating income. We define Total Segment Operating Income (Loss) as the total of Segment Operating Income (Loss) for all segments, which excludes unallocated corporate expenses. We use Segment Operating Income (Loss) for the purpose of calculating Adjusted Segment EBITDA. We define Adjusted EBITDA as consolidated net income (loss) 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 and losses on early extinguishment of debt. 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 define Total Adjusted Segment EBITDA as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenues. We define Adjusted Segment EBITDA Margin as Adjusted Segment EBITDA as a percentage of a segment's share of revenue. We use Adjusted Segment EBITDA to internally evaluate the financial performance of our segments because we believe it is a useful supplemental measure which reflects current core operating performance and provides an indicator of the segment's ability to generate cash. We also believe that these measures, when considered together with our GAAP financial results, provide management and investors with a more complete understanding of our operating results, including underlying trends, by excluding the effects of remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. 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 measures, provide management and investors with additional information for comparison of our operating results to the operating results of other companies.

We define Adjusted Net Income and Adjusted Earnings per Diluted Share ("Adjusted EPS") as net income and earnings per diluted share, respectively, excluding the impact of remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges and losses on early extinguishment of debt. 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 this measure, when considered together with our GAAP financial results, provides management and investors with a more complete understanding of our business operating results, including underlying trends, by excluding the effects of the remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges and losses on early extinguishment of debt.

Non-GAAP financial measures are not defined in the same manner by all companies and may not be comparable to 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. Reconciliations of GAAP to non-GAAP financial measures are included elsewhere in this filing.

We define acquisition growth as revenue of acquired companies in the first twelve months following the effective date of an acquisition. Our definition of organic growth is the change in revenue excluding the impact of all such acquisitions.

EXECUTIVE HIGHLIGHTS

	Three Months Ended March 31,	
	2015	2014
	(dollars in thousands, except per share amounts)	
Revenues	\$ 432,338	\$ 425,552
Adjusted EBITDA	\$ 58,668	\$ 51,196
Net income	\$ 23,686	\$ 18,117
Earnings per common share—diluted	\$ 0.57	\$ 0.45
Adjusted EPS	\$ 0.57	\$ 0.41
Cash used in operating activities	\$ (51,333)	\$ (110,795)
Total number of employees	4,454	4,250

First Quarter 2015 Executive Highlights**Revenues**

Revenues for the three months ended March 31, 2015 increased \$6.8 million, or 1.6%, to \$432.3 million, which included \$11.0 million, or 2.6% decline from the estimated negative impact of foreign currency translation, compared to \$425.6 million in the same prior year period. Excluding the impact of foreign currency translation, revenues increased \$17.8 million or 4.2%. The increase in revenues largely resulted from higher demand for North American distressed and non-distressed engagements in our Corporate Finance/Restructuring (“Corporate Finance”) segment, partially offset by revenue decreases in our Technology segment related to a decline in large complex global investigations.

Adjusted EBITDA

Adjusted EBITDA for the three months ended March 31, 2015 increased \$7.5 million, or 14.6%, to \$58.7 million, or 13.6% of revenues, compared to \$51.2 million, or 12.0% of revenues, in the same prior year period. Adjusted EBITDA was favorably impacted by higher demand and higher utilization in the North America and Europe, Middle East and Africa (“EMEA”) regions of our Corporate Finance segment and lower selling, general and administrative costs in our Strategic Communications segment. Adjusted EBITDA was also favorably impacted by lower unallocated corporate expenses. Adjusted EBITDA was negatively impacted by lower revenues in our Technology segment, and an increased investment in key personnel to expand our capabilities in our Technology and FLC segments.

Net Income

Net income for the three months ended March 31, 2015 increased \$5.6 million to \$23.7 million, compared to \$18.1 million in the same prior year period. Net income for the three-months ended March 31, 2014 included a \$1.4 million (net of tax) remeasurement gain related to the reduction in the fair value of estimated future contingent consideration payments for prior acquisitions.

Earnings per diluted share and Adjusted EPS

Earnings per diluted share for the three months ended March 31, 2015 increased \$0.12 to \$0.57 from \$0.45 in the same prior year period. Earnings per diluted share for the quarter ended March 31, 2015 were impacted by the results as outlined above. Earnings per diluted share for the quarter ended March 31, 2014 included a

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remeasurement gain related to the reduction in the fair value of estimated future contingent consideration payments for prior acquisitions, which increased earnings per diluted share by \$0.04.

Adjusted EPS for the three months ended March 31, 2015 were \$0.57 as compared to \$0.41 in the same prior year period, which excludes the remeasurement gain described above.

Liquidity highlights

Cash used in operating activities decreased \$59.5 million, or 53.7%, to \$51.3 million for the three months ended March 31, 2015 compared to \$110.8 million for the same prior year period, primarily as a result of higher cash collections and a decrease in the funding of forgivable loans. Days sales outstanding (“DSO”), which is one measure of the collections cycle, was 101 days at March 31, 2015 compared to 106 days at March 31, 2014 reflecting improved collections.

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.

Headcount

As of March 31, 2015, our total headcount of 4,454 increased by 204 employees from 4,250 as of March 31, 2014.

We increased the number of non-billable employees by 32, from 1,060 as of December 31, 2014 to 1,092 as of March 31, 2015. Billable headcount additions for the three-months ended March 31, 2015 are referenced in the table below.

	<u>Corporate Finance/ Restructuring</u>	<u>Forensic and Litigation Consulting</u>	<u>Economic Consulting</u>	<u>Technology</u>	<u>Strategic Communications</u>	<u>Total</u>
Billable Headcount						
December 31, 2014	706	1,154	574	344	566	3,344
Additions (reductions), net	29	(9)	(8)	16	(10)	18
March 31, 2015	<u>735</u>	<u>1,145</u>	<u>566</u>	<u>360</u>	<u>556</u>	<u>3,362</u>

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CONSOLIDATED RESULTS OF OPERATIONS
Segment and Consolidated Operating Results:

	Three Months Ended March 31,	
	2015	2014
	(in thousands, except per share amounts)	
Revenues		
Corporate Finance/Restructuring	\$ 106,212	\$ 93,982
Forensic and Litigation Consulting	123,265	121,429
Economic Consulting	106,081	106,851
Technology	54,654	60,063
Strategic Communications	42,126	43,227
Revenues	\$ 432,338	\$ 425,552
Operating income		
Corporate Finance/Restructuring	\$ 20,764	\$ 8,607
Forensic and Litigation Consulting	20,474	25,402
Economic Consulting	10,296	12,430
Technology	6,198	13,066
Strategic Communications	4,197	1,005
Total segment operating income	61,929	60,510
Unallocated corporate expenses	(14,081)	(20,393)
Operating income	47,848	40,117
Other income (expense)		
Interest income and other	(137)	1,003
Interest expense	(12,368)	(12,655)
	(12,505)	(11,652)
Income before income tax provision	35,343	28,465
Income tax provision	11,657	10,348
Net income	\$ 23,686	\$ 18,117
Earnings per common share—basic	\$ 0.59	\$ 0.46
Earnings per common share—diluted	\$ 0.57	\$ 0.45

Reconciliation of Net Income to Adjusted EBITDA:

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Net income	\$23,686	\$18,117
Add back:		
Income tax provision	11,657	10,348
Other income (expense), net	12,505	11,652
Depreciation and amortization	7,808	8,585
Amortization of other intangible assets	3,012	4,616
Remeasurement of acquisition-related contingent consideration	—	(2,122)
Adjusted EBITDA	\$58,668	\$51,196

Reconciliation of Net Income to Adjusted Net Income and Earnings Per Share to Adjusted EPS:

	Three Months Ended March 31,	
	2015	2014
	(in thousands, except per share amounts)	
Net income	\$23,686	\$18,117
Add back:		
Remeasurement of acquisition-related contingent consideration, net of tax effect ⁽¹⁾	—	(1,350)
Adjusted Net Income	<u>\$23,686</u>	<u>\$16,767</u>
Earnings per common share—diluted	\$ 0.57	\$ 0.45
Add back:		
Remeasurement of acquisition-related contingent consideration, net of tax effect ⁽¹⁾	—	(0.04)
Adjusted EPS	<u>\$ 0.57</u>	<u>\$ 0.41</u>
Weighted average number of common shares outstanding—diluted	<u>41,324</u>	<u>40,457</u>

⁽¹⁾ The tax effect takes into account the tax treatment and related tax rate(s) that apply to each adjustment in the applicable tax jurisdiction(s). The effective tax rate for the adjustment related to the remeasurement of acquisition-related contingent consideration for the three months ended March 31, 2014 was 36.4%. The tax expense related to the remeasurement of acquisition-related contingent consideration for the three months ended March 31, 2014 was \$0.8 million, or a \$0.02 impact on diluted earnings per share. In the three months ended March 31, 2015, there were no adjustments related to the remeasurement of acquisition-related contingent consideration.

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Revenues and operating income

See “Segment Results” for an expanded discussion of segment revenues and operating income.

Unallocated corporate expenses

Unallocated corporate expenses decreased \$6.3 million, or 31.0% to \$14.1 million for the three months ended March 31, 2015 from \$20.4 million for the same prior year period. The decrease was primarily due to lower costs related to our U.S. health and welfare plan, the termination of the airplane lease and the closure of the Company’s West Palm Beach executive office in the second quarter of 2014, and decreased costs related to corporate and regional executive officers.

Interest income and other

Interest income and other, which includes foreign currency transaction gains and losses, decreased by \$1.1 million to a loss of \$0.1 million for the three months ended March 31, 2015 from \$1.0 million income for the same prior year period. The decrease was primarily due to an increase in net foreign currency transaction losses of \$1.4 million resulting principally from the weakening of the Euro against the British pound and U.S. dollar in the period ended March 31, 2015 as compared to the net losses of \$0.2 million in the same prior year period. Transaction gains and losses, both realized and unrealized, relate to the remeasurement or settlement of monetary assets and liabilities that are denominated in a currency other than an entity’s functional currency. These monetary assets and liabilities include both client and current intercompany receivables and payables.

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Interest expense

Interest expense decreased \$0.3 million, or 2.4%, to \$12.4 million for the three months ended March 31, 2015 from \$12.7 million for the same prior year period. Interest expense in 2015 was favorably impacted by lower average borrowings.

Income tax provision

Our provision for income taxes in interim periods is computed by applying our estimated annual effective tax rate against income before income tax expense for the period. In addition, non-recurring or discrete items are recorded during the period in which they occur or become known. The effective tax rate for the three months ended March 31, 2015 is 33.0% as compared to 36.4% for the same prior year period. For the three months ended March 31, 2015, the effective tax rate was favorably impacted by a \$1.4 million discrete item related to the impact of 2015 state law changes on our deferred state tax liabilities as of December 31, 2014. Excluding the impact of this discrete item, the effective tax rate for the three months ended March 31, 2015 would have been 36.9%.

SEGMENT RESULTS

Total Adjusted Segment EBITDA

The following table reconciles net income to Total Segment Operating Income and Total Adjusted Segment EBITDA for the three months ended March 31, 2015 and 2014.

	Three Months Ended	
	March 31,	
	2015	2014
	(in thousands)	
Net income	\$23,686	\$18,117
Add back:		
Income tax provision	11,657	10,348
Other income (expense), net	12,505	11,652
Unallocated corporate expense	14,081	20,393
Total Segment Operating Income	\$61,929	\$60,510
Add back:		
Segment depreciation expense	6,991	7,548
Amortization of other intangible assets	3,012	4,616
Remeasurement of acquisition-related contingent consideration	—	(2,122)
Total Adjusted Segment EBITDA	<u>\$71,932</u>	<u>\$70,552</u>

[Table of Contents](#)**Other Segment Operating Data**

	Three Months Ended	
	March 31,	
	2015	2014
Number of revenue-generating professionals (at period end):		
Corporate Finance/Restructuring	735	726
Forensic and Litigation Consulting	1,145	1,076
Economic Consulting	566	538
Technology ⁽¹⁾	360	321
Strategic Communications	556	584
Total revenue-generating professionals	3,362	3,245
Utilization rates of billable professionals: ⁽²⁾		
Corporate Finance/Restructuring	74%	70%
Forensic and Litigation Consulting	68%	75%
Economic Consulting	73%	72%
Average billable rate per hour: ⁽³⁾		
Corporate Finance/Restructuring	\$ 374	\$ 362
Forensic and Litigation Consulting	318	317
Economic Consulting	501	523

⁽¹⁾ The number of revenue-generating professionals for the Technology segment excludes as-needed professionals, who we employ based on demand for the segment's services. We employed an average of 378 as-needed employees during the three-months ended March 31, 2015.

⁽²⁾ We calculate the utilization rate for our billable professionals by dividing the number of hours that all of our billable professionals worked on client assignments during a period by the total available working hours for all of our billable professionals during the same period. Available hours are determined by the standard hours worked by each employee, adjusted for part-time hours, local country standard work weeks and local country holidays. Available working hours include vacation and professional training days, but exclude holidays. Utilization rates are presented for our segments that primarily bill clients on an hourly basis. We have not presented a utilization rate for our Technology and Strategic Communications segments as most of the revenues of these segments are not generated on an hourly basis.

⁽³⁾ For engagements where revenues are based on number of hours worked by our billable professionals, average billable rate per hour is calculated by dividing revenues (excluding revenues from success fees, pass-through and outside consultants) for a period by the number of hours worked on client assignments during the same period. We have not presented an average billable rate per hour for our Technology and Strategic Communications segments as most of the revenues of these segments are not based on billable hours.

CORPORATE FINANCE/RESTRUCTURING

	Three Months Ended March 31,	
	2015	2014
(dollars in thousands, except rate per hour)		
Revenues	\$106,212	\$93,982
Operating expenses:		
Direct cost of revenues	63,933	63,969
Selling, general and administrative expenses	20,528	19,786
Acquisition-related contingent consideration	53	(595)
Amortization of other intangible assets	934	2,215
	<u>85,448</u>	<u>85,375</u>
Segment operating income	20,764	8,607
Add back:		
Depreciation and amortization of intangible assets	1,716	3,006
Remeasurement of acquisition-related contingent consideration	—	(662)
Adjusted Segment EBITDA	\$ 22,480	\$10,951
Gross profit ⁽¹⁾	<u>\$ 42,279</u>	<u>\$30,013</u>
Gross profit margin ⁽²⁾	39.8%	31.9%
Adjusted Segment EBITDA Margin	21.2%	11.7%
Number of revenue generating professionals (at period end)	735	726
Utilization rates of billable professionals	74%	70%
Average billable rate per hour	\$ 374	\$ 362

⁽¹⁾ Revenues less direct cost of revenues

⁽²⁾ Gross profit as a percent of revenues

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Revenues increased \$12.2 million, or 13.0%, to \$106.2 million for the quarter ended March 31, 2015 compared to \$94.0 million for the same prior year period primarily due to higher volume in our distressed and non-distressed engagements in North America and higher volumes in our EMEA based transaction advisory services practices, partially offset by continued slowdown in our Asia Pacific bankruptcy and restructuring practices.

Gross profit increased \$12.3 million, or 40.9%, to \$42.3 million for the quarter ended March 31, 2015 compared to \$30.0 million for the same prior year period. Gross profit margin increased to 39.8% for the quarter ended March 31, 2015 compared to 31.9% for the same prior year period. The increase in gross profit margin was due to higher utilization in North America and EMEA practices, partially offset by lower realized bill rates in our North America and Asia Pacific practices.

SG&A expense increased \$0.7 million, or 3.8%, to \$20.5 million for the quarter ended March 31, 2015 compared to \$19.8 million for the same prior year period. SG&A expense was 19.3% of revenues for the quarter ended March 31, 2015, compared to 21.1% for the same prior year period. The increase in SG&A expense was primarily due to the transfer of certain direct personnel into SG&A in 2015, and increased marketing and business development expenses.

Adjusted Segment EBITDA increased \$11.5 million, or 105.3%, to \$22.5 million for the quarter ended March 31, 2015 compared to \$11.0 million for the same prior year period.

FORENSIC AND LITIGATION CONSULTING

	Three Months Ended March 31,	
	2015	2014
(dollars in thousands, except rate per hour)		
Revenues	\$ 123,265	\$ 121,429
Operating expenses:		
Direct cost of revenues	78,563	73,801
Selling, general and administrative expenses	23,634	22,121
Acquisition-related contingent consideration	12	(645)
Amortization of other intangible assets	582	750
	<u>102,791</u>	<u>96,027</u>
Segment operating income	20,474	25,402
Add back:		
Depreciation and amortization of intangible assets	1,597	1,765
Remeasurement of acquisition-related contingent consideration	—	(673)
Adjusted Segment EBITDA	\$ 22,071	\$ 26,494
Gross profit ⁽¹⁾	\$ 44,702	\$ 47,628
Gross profit margin ⁽²⁾	36.3%	39.2%
Adjusted Segment EBITDA Margin	17.9%	21.8%
Number of revenue generating professionals (at period end)	1,145	1,076
Utilization rates of billable professionals	68%	75%
Average billable rate per hour	\$ 318	\$ 317

⁽¹⁾ Revenues less direct cost of revenues

⁽²⁾ Gross profit as a percent of revenues

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Revenues increased \$1.8 million, or 1.5%, to \$123.3 million for the three months ended March 31, 2015 from \$121.4 million for the same prior year period. Growth was driven by higher success fees in our health solutions practice, increased demand in our investigations and global construction practices, partially offset by a decline in demand in our financial and enterprise data analysis practice.

Gross profit decreased \$2.9 million, or 6.1%, to \$44.7 million for the three months ended March 31, 2015 from \$47.6 million for the three months ended March 31, 2014. Gross profit margin decreased 2.9 percentage points to 36.3% for the three months ended March 31, 2015 from 39.2% for the same prior year period. The decrease in gross profit margin was due to lower utilization across the segment coupled with higher personnel costs as we ramped up our hiring in order to expand our capabilities.

SG&A expense increased \$1.5 million, or 6.8 %, to \$23.6 million for the three months ended March 31, 2015 from \$22.1 million for the three months ended March 31, 2014. SG&A expense was 19.2% of revenue for the three months ended March 31, 2015, up from 18.2% for the same prior year period. The increase in SG&A expense was due to recruiting fees related to new hires, outside services in the Latin America and EMEA regions and higher travel and marketing expenses, partially offset by lower occupancy expenses and lower bad debt expense.

Adjusted segment EBITDA decreased by \$4.4 million, or 16.7%, to \$22.1 million for the three months ended March 31, 2015 from \$26.5 million for the three months ended March 31, 2014.

ECONOMIC CONSULTING

	Three Months Ended	
	March 31,	
	2015	2014
	(dollars in thousands, except rate per hour)	
Revenues	\$ 106,081	\$ 106,851
Operating expenses:		
Direct cost of revenues	79,939	77,970
Selling, general and administrative expenses	15,501	16,880
Acquisition-related contingent consideration	37	(735)
Amortization of other intangible assets	308	306
	<u>95,785</u>	<u>94,421</u>
Segment operating income	10,296	12,430
Add back:		
Depreciation and amortization of intangible assets	1,260	1,387
Remeasurement of acquisition-related contingent consideration	—	(787)
Adjusted Segment EBITDA	\$ 11,556	\$ 13,030
Gross profit ⁽¹⁾	\$ 26,142	\$ 28,881
Gross profit margin ⁽²⁾	24.6%	27.0%
Adjusted Segment EBITDA Margin	10.9%	12.2%
Number of revenue generating professionals (at period end)	566	538
Utilization rates of billable professionals	73%	72%
Average billable rate per hour	\$ 501	\$ 523

⁽¹⁾ Revenues less direct cost of revenues

⁽²⁾ Gross profit as a percent of revenues

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Revenues decreased \$0.8 million, or 0.7%, to \$106.1 million for the three months ended March 31, 2015 compared to \$106.9 million for the same prior year period. Revenues increased \$2.0 million, or 1.9%, due to acquisitions as compared to the same prior year period. Revenues declined organically \$2.8 million, or 2.6%, which includes a 2.5% decrease from the estimated negative impact of foreign currency translation. Excluding the foreign currency translation impact, organic revenues are essentially unchanged, reflecting decreased demand in our non-M&A related finance and antitrust services, partially offset by higher demand and realized bill rates in our M&A related antitrust services and higher demand for our international arbitration regulatory and valuation practices in the EMEA region.

Gross profit decreased \$2.7 million, or 9.5%, to \$26.1 million for the three months ended March 31, 2015 compared to \$28.9 million for the same prior year period. Gross profit margin decreased 2.4 percentage points to 24.6% for the three months ended March 31, 2015 from 27.0% for the same prior year period. The decrease in gross profit margin was the result of lower utilization in the antitrust practice in the North America region, and higher variable compensation in the antitrust practice in EMEA.

SG&A expense decreased \$1.4 million, or 8.2%, to \$15.5 million for the three months ended March 31, 2015 compared to \$16.9 million for the same prior year period. SG&A expense was 14.6% of revenues for the three months ended March 31, 2015 compared to 15.8% for the same prior year period. The decrease in SG&A expense was due to lower occupancy costs, bad debt, marketing, and depreciation expenses, partially offset by higher SG&A expenses related to our recent acquisition.

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Adjusted Segment EBITDA decreased \$1.5 million, or 11.3%, to \$11.6 million for the three months ended March 31, 2015, compared to \$13.0 million for the same prior year period.

TECHNOLOGY

	Three Months Ended March 31,	
	2015	2014
	(dollars in thousands)	
Revenues	\$54,654	\$60,063
Operating expenses:		
Direct cost of revenues	30,232	30,700
Selling, general and administrative expenses	18,026	16,079
Amortization of other intangible assets	198	218
	<u>48,456</u>	<u>46,997</u>
Segment operating income	6,198	13,066
Add back:		
Depreciation and amortization of intangible assets	3,875	4,282
Adjusted Segment EBITDA	\$10,073	\$17,348
Gross profit ⁽¹⁾	\$24,422	\$29,363
Gross profit margin ⁽²⁾	44.7%	48.9%
Adjusted Segment EBITDA Margin	18.4%	28.9%
Number of revenue generating professionals (at period end) ⁽³⁾	360	321

⁽¹⁾ Revenues less direct cost of revenues

⁽²⁾ Gross profit as a percent of revenues

⁽³⁾ Includes personnel involved in direct client assistance and revenue generating consultants

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Revenues decreased \$5.4 million, or 9.0%, to \$54.7 million for the three months ended March 31, 2015 from \$60.1 million for the same prior year period. Revenue decrease is largely attributable to the slowing of large cross border investigations and lower consulting revenues. Revenue decreases due to lower pricing for consulting and services were partially offset by increased volumes on new engagements.

Gross profit decreased by \$4.9 million, or 16.8%, to \$24.4 million for the three months ended March 31, 2015 from \$29.4 million for the same prior year period. Gross profit margin decreased 4.2 percentage points to 44.7% for 2015 from 48.9% for 2014 due to increased investment in global service delivery personnel and an increase in lower margin services as a percentage of total revenues.

SG&A expense increased by \$1.9 million, or 12.1%, to \$18.0 million for the three months ended March 31, 2015 from \$16.1 million for the same prior year period. SG&A expense was 33.0% of revenue for the three months ended March 31, 2015, which is an increase from the 26.8% for the same prior year period. The increase in SG&A expense was primarily due to higher personnel expense for new product development initiatives, increased investment in marketing and business development, increased facilities expense for the additional personnel, and higher corporate allocations, partially offset by lower bad debt expense due to recovery of previously reserved amounts. Research and development expense was \$5.9 million for the three months ended March 31, 2015 compared to \$4.5 million for the same prior year period.

Adjusted Segment EBITDA decreased \$7.3 million, or 41.9%, to \$10.1 million for the three months ended March 31, 2015, compared to \$17.3 million for the same prior year period.

STRATEGIC COMMUNICATIONS

	Three Months Ended March 31,	
	2015	2014
(dollars in thousands)		
Revenues	<u>\$42,126</u>	<u>\$43,227</u>
Operating expenses:		
Direct cost of revenues	26,363	27,835
Selling, general and administrative expenses	10,444	13,128
Acquisition-related contingent consideration	132	132
Amortization of other intangible assets	990	1,127
	<u>37,929</u>	<u>42,222</u>
Segment operating income	4,197	1,005
Add back:		
Depreciation and amortization of intangible assets	1,555	1,724
Adjusted Segment EBITDA	<u>\$ 5,752</u>	<u>\$ 2,729</u>
Gross profit ⁽¹⁾	\$15,763	\$15,392
Gross profit margin ⁽²⁾	37.4%	35.6%
Adjusted Segment EBITDA Margin	13.7%	6.3%
Number of revenue generating professionals (at period end)	556	584

⁽¹⁾ Revenues less direct cost of revenues

⁽²⁾ Gross profit as a percent of revenues

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Revenues decreased \$1.1 million, or 2.5%, to \$42.1 million for the quarter ended March 31, 2015 compared to \$43.2 million for the same prior year period. The revenue decline of \$1.1 million included an estimated \$3.0 million, or 7.0% decrease from the estimated negative impact of foreign currency translation. Excluding the foreign currency translation impact, revenues increased by \$1.9 million due to growth in project based revenues largely in our EMEA and Asia Pacific regions, and growth in retainer based revenues in our EMEA region.

Gross profit increased \$0.4 million, or 2.4%, to \$15.8 million for the quarter ended March 31, 2015 from \$15.4 million for the same prior year period. Gross profit margin increased 1.8 percentage points to 37.4% for the quarter ended March 31, 2015 from 35.6% for the same prior year period. The increase in gross profit margin was primarily due to lower headcount and staff costs, as well as improved revenue mix involving higher margin engagements.

SG&A expense decreased \$2.7 million, or 20.4%, to \$10.4 million for the quarter ended March 31, 2015 from \$13.1 million for the same prior year period. SG&A expense was 24.8% of revenue for the quarter ended March 31, 2015, down from 30.4% of revenue for the same prior year period. The decrease in SG&A was primarily due to lower occupancy costs in EMEA, lower corporate allocations, reduced travel and entertainment expenses and lower bad debt expenses.

Adjusted Segment EBITDA increased \$3.0 million, or 110.8%, to \$5.8 million for the quarter ended March 31, 2015 from \$2.7 million for the same prior year period.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Note 1 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2014 describes the significant accounting policies and methods used in preparation of the Consolidated Financial Statements. We evaluate our estimates, including those related to bad debts, goodwill, income taxes and contingencies on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. These results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Revenue recognition
- Allowance for doubtful accounts and unbilled services
- Goodwill and other intangible assets
- Business combinations
- Share-based compensation
- Income taxes

There have been no material changes to our critical accounting policies and estimates from the information provided in Part II, “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Critical Accounting Policies,” as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 24, 2015.

Goodwill and Other Intangible Assets

On a quarterly basis, we monitor the key drivers of fair value to detect events or other changes that would warrant an interim impairment test of our goodwill and intangible assets. Factors we consider important which could trigger an interim impairment review include, but are not limited to the following: significant underperformance relative to historical or projected future operating results; a significant change in the manner of our use of the acquired asset or strategy for our overall business; a significant negative industry or economic trend; and our market capitalization relative to net book value. When we evaluate these factors and determine that a triggering event has occurred, we perform an interim impairment analysis.

As of October 1, 2014, the date of our last annual goodwill impairment test, the fair value of all of our reporting units substantially exceeded their respective carrying values. Through our quarterly assessment, we determined that there were no events or circumstances that more likely than not would reduce the fair value of any of our reporting units below their carrying value.

There can be no assurance that the estimates and assumptions used in our goodwill impairment testing will prove to be accurate predictions of the future. If our assumptions regarding forecasted cash flows are not achieved, we may be required to perform the two-step quantitative goodwill impairment analysis prior to our next annual impairment test. In addition, if the aforementioned factors have the effect of changing one of the critical assumptions or estimates we use to calculate the value of our goodwill or intangible assets, we may be required to record goodwill and/or intangible asset impairment charges in future periods, whether in connection with our next annual impairment test or if a triggering event occurs outside of the quarter during which the

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annual goodwill impairment test is performed. It is not possible at this time to determine if any future impairment charge would result or, if it does, whether such charge would be material.

SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. We do not expect the adoption of this ASU to have a material impact on our consolidated balance sheets.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. On April 1, 2015, the FASB voted to propose a deferral of the effective date of the standard by one year which would result in the new standard being effective for the Company at the beginning of its first quarter of fiscal year 2018. We have not yet completed our evaluation of the impact of the new standard, including possible transition alternatives, on the Company's financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Three Months Ended	
	March 31,	
	2015	2014
	(dollars in thousands)	
Net cash used in operating activities	\$ (51,333)	\$ (110,795)
Net cash used in investing activities	\$ (8,805)	\$ (30,800)
Net cash provided by financing activities	\$ 5,326	\$ 13,042
DSO	101	106

We have generally financed our day-to-day operations, capital expenditures and acquisition-related contingent payments through cash flows from operations. Generally, during our first quarter of each fiscal year, our cash needs exceed our cash flows from operations due to the payments of annual incentive compensation and acquisition-related contingent payments. Our operating cash flows generally exceed our cash needs subsequent to the first quarter of each year.

Our operating assets and liabilities consist primarily of billed and unbilled accounts receivable, notes receivable from employees, accounts payable, accrued expenses and accrued compensation expense. The timing of billings and collections of receivables as well as payments for compensation arrangements affect the changes in these balances.

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. Our DSO typically reaches its lowest point at December 31st each year and has consistently increased during the following quarters.

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Cash used in operating activities decreased \$59.5 million, or 53.7%, to \$51.3 million for the three months ended March 31, 2015 compared to \$110.8 million for the same prior year period, primarily as a result of higher cash collections and a decrease in the funding of forgivable loans. DSO, which is one measure of the collections cycle, was 101 days at March 31, 2015 compared to 106 days at March 31, 2014 reflecting improved collections.

Net cash used in investing activities for the three months ended March 31, 2015 was \$8.8 million compared to net cash used in investing activities of \$30.8 million for the same prior year period. Capital expenditures were \$8.9 million for the three months ended March 31, 2015 compared to \$15.2 million for the same prior year period. In addition, investing activities for the three months ended March 31, 2014 included payments for acquisitions of \$1.0 million and payments of acquisition-related contingent consideration of \$14.6 million.

Net cash provided by financing activities for the three months ended March 31, 2015 was \$5.3 million compared to \$13.0 million for the same prior year period. Cash provided by financing activities in the three months ended March 31, 2015 was primarily related to cash received from the issuance of common stock under our equity compensation plans. Our financing activities for the three months ended March 31, 2014 included short-term net borrowings of \$20.0 million on our revolving line of credit under our senior secured bank credit facility and payments of \$4.4 million to settle repurchases of the Company's common stock that were made but not settled in the fourth quarter of 2013.

Capital Resources

As of March 31, 2015, our capital resources included \$225.3 million of cash and cash equivalents and available borrowing capacity of \$348.6 million under our \$350.0 senior secured bank credit facility ("bank credit facility"). As of March 31, 2015, we had no outstanding borrowings under our bank credit facility and \$1.4 million of outstanding letters of credit, which reduced the availability of borrowings under the bank credit facility. We use letters of credit primarily in lieu of security deposits for our leased office facilities.

Future Capital Needs

We anticipate that our future capital needs will principally consist of funds required for:

- operating and general corporate expenses relating to the operation of our businesses;
- capital expenditures, primarily for information technology equipment, office furniture and leasehold improvements;
- debt service requirements, including interest payments on our long-term debt;
- compensating designated executive management and senior managing directors under our various long-term incentive compensation programs;
- contingent obligations related to our acquisitions;
- potential acquisitions of businesses that would allow us to diversify or expand our service offerings; and
- other known future contractual obligations.

For the full fiscal year ending December 31, 2015, we anticipate aggregate capital expenditures will range between \$36.0 million and \$41.0 million to support our organization, including direct support for specific client engagements. Our estimate takes into consideration the needs of our existing businesses but does not include the impact of any purchases that we make as a result of future acquisitions or specific client engagements that are not currently contemplated. Our capital expenditure requirements may change if our staffing levels or technology needs change significantly from what we currently anticipate, if we purchase additional equipment specifically to support a client engagement or if we pursue and complete additional acquisitions.

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For business combinations consummated on or after January 1, 2009, contingent consideration obligations are recorded as liabilities on our Condensed Consolidated Balance Sheets and remeasured to fair value at each subsequent reporting date with an offset to current period earnings. The fair value of future expected contingent purchase price obligations for these business combinations is \$6.3 million at March 31, 2015 with payment dates extending through 2018.

For the last several years, our cash flows from operations have exceeded our cash needs for capital expenditures and debt service requirements. We believe that our cash flows from operations, supplemented by short-term borrowings under our bank credit facility, as necessary, will provide adequate cash to fund our long-term cash needs from normal operations for at least the next twelve months.

Our conclusion that we will be able to fund our cash requirements by using existing capital resources and cash generated from operations does not take into account the impact of any future acquisition transactions or any unexpected significant changes in the number of employees or other expenditures that are currently not contemplated. The anticipated cash needs of our businesses could change significantly if we pursue and complete additional business acquisitions, if our business plans change, if economic conditions change from those currently prevailing or from those now anticipated, or if other unexpected circumstances arise that have a material effect on the cash flow or profitability of our business. Any of these events or circumstances, including any new business opportunities, could involve significant additional funding needs in excess of the identified currently available sources and could require us to raise additional debt or equity funding to meet those needs. Our ability to raise additional capital, if necessary, is subject to a variety of factors that we cannot predict with certainty, including:

- our future profitability;
- the quality of our accounts receivable;
- our relative levels of debt and equity;
- the volatility and overall condition of the capital markets; and
- the market prices of our securities.

Any new debt funding, if available, may be on terms less favorable to us than our bank credit facility or the indentures that govern our 6³/₄% Senior Notes Due 2020 and 6.0% Senior Notes Due 2022. See “—Forward-Looking Statements” in this Quarterly Report on Form 10-Q and “Risk Factors” included in Part I—Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, other than operating leases, and we have not entered into any transactions involving unconsolidated subsidiaries or special purpose entities.

Future Contractual Obligations

There have been no significant changes in our future contractual obligations information as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

Forward-Looking Statements

This Quarterly Report on Form 10-Q 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, or the Exchange Act, that involve uncertainties and risks. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues, future results and performance, future capital expenditures, expectations, plans or intentions relating to acquisitions and other matters, business

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trends and other information that is not historical. Forward-looking statements often contain words such as *estimates, expects, anticipates, projects, plans, intends, believes, forecasts* and variations of such words or similar expressions. All forward-looking statements, including, without limitation, management's examination of historical operating trends, are based upon our historical performance and our current plans, estimates and expectations at the time we make them and various assumptions. There can be no assurance that management's expectations, beliefs and projections will result or be achieved. Our actual financial results, performance or achievements could differ materially from those expressed in, or implied by, any forward-looking statements. The inclusion of any forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Given these risks, uncertainties and other factors, you should not place undue reliance on any forward-looking statements.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in, or implied by, this Quarterly Report on Form 10-Q. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report on Form 10-Q are set forth under the heading "Risk Factors" included in Part I—Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report on Form 10-Q include the following:

- changes in demand for our services;
- our ability to attract and retain qualified professionals and senior management;
- conflicts resulting in our inability to represent certain clients;
- our former employees joining or forming competing businesses;
- our ability to manage our professionals' utilization and billing rates and maintain or increase the pricing of our services and products;
- our ability to identify suitable acquisition candidates, negotiate favorable terms, take advantage of opportunistic acquisition situations and integrate the operations of acquisitions as well as the costs of integration;
- our ability to adapt to and manage the risks associated with operating in non-U.S. markets;
- our ability to replace key personnel, including senior managers and practice and regional leaders who have highly specialized skills and experience;
- our ability to protect the confidentiality of internal and client data and proprietary and confidential information;
- legislation or judicial rulings, including rulings regarding data privacy and the discovery process;
- periodic fluctuations in revenues, operating income and cash flows;
- damage to our reputation as a result of claims involving the quality of our services;
- fee discounting or renegotiation, lower pricing, less advantageous contract terms and unexpected terminations of client engagements;
- competition for clients and key personnel;
- general economic factors, industry trends, restructuring and bankruptcy rates, legal or regulatory requirements, capital market conditions, merger and acquisition activity, major litigation activity and other events outside of our control;
- our ability to manage growth;
- risk of non-payment of receivables;

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- the amount and terms of our outstanding indebtedness;
- risks relating to the obsolescence of, changes to, or the protection of, our proprietary software products and intellectual property rights; and
- fluctuations in the mix of our services and the geographic locations in which our clients are located or our services are rendered.

There may be other factors that may cause our actual results to differ materially from our forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included herein. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances and do not intend to do so.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For information regarding our exposure to certain market risks see “Item 7A. Quantitative and Qualitative Disclosures about Market Risk,” in our Annual Report on Form 10-K for the year ended December 31, 2014. There have been no significant changes in our market risk exposure during the period covered by this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. An evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q was made under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (a) were effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported and (b) included, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There have not been any changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION**Item 1. Legal Proceedings**

From time to time in the ordinary course of business, we are subject to claims, asserted or unasserted, or named as a party to lawsuits or investigations. Litigation, in general, and intellectual property and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings cannot be predicted with any certainty and in the case of more complex legal proceedings such as intellectual property and securities litigation, the results are difficult to predict at all. We are not aware of any asserted or unasserted legal proceedings or claims that we believe would have a material adverse effect on our financial condition or results of our operations.

Item 1A. Risk Factors

There has been no material change in any risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission (the “SEC”) on February 23, 2015. We may disclose changes to risk factors or disclose additional factors from time to time in our future filings with the Securities and Exchange Commission. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered sales of equity securities.

None

Repurchases of our common stock.

The following table provides information with respect to purchases we made of our common stock during the first quarter ended March 31, 2015 (in thousands, except per share amounts).

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽²⁾	Approximate Dollar Value That May Yet Be Purchased Under the Program
January 1 through January 31, 2015	10,751	38.15	—	\$ —
February 1 through February 28, 2015	894	37.84	—	\$ —
March 1 through March 31, 2015	77,125	36.99	—	\$ —
Total	<u>88,770</u>		<u>—</u>	<u>\$ —</u>

1) Represents shares of common stock withheld to cover payroll tax withholdings related to the lapse of restrictions on restricted stock.

2) The Company’s stock repurchase program authorized by the Board of Directors in June 2012 terminated on June 5, 2014 and has not been reauthorized by the Board.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

None

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Item 6. Exhibits

(a) Exhibits.

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1	Articles of Incorporation of FTI Consulting, Inc., as amended and restated. (Filed with the SEC on May 23, 2003 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 21, 2003 and incorporated herein by reference.)
3.2	Articles of Amendment of FTI Consulting, Inc. (Filed with the SEC on June 2, 2011 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 1, 2011 and incorporated herein by reference.)
3.3	Bylaws of FTI Consulting, Inc., as amended and restated on June 1, 2011 (Filed with the SEC on June 2, 2011 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 1, 2011 and incorporated herein by reference.)
3.4	Amendment No. 1 to Amended and Restated Bylaws of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on December 16, 2013 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 13, 2013 and incorporated herein by reference.)
3.5	Amendment No. 2 to Amended and Restated Bylaws of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on September 22, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated September 17, 2014 and incorporated herein by reference.)
31.1†	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002).
31.2†	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002).
32.1†	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
32.2†	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
101	The following financial information from the Quarterly Report on Form 10-Q of FTI Consulting, Inc. for the quarter ended March 31, 2015, filed herewith, and formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Comprehensive Income; (iii) Condensed Consolidated Statement of Stockholders' Equity; (iv) Condensed Consolidated Statements of Cash Flows; and (v) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.
†	Filed herewith

Certification of Principal Financial Officer
Pursuant to Rule 13a-14(a) and 15d-14(a)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, David M. Johnson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FTI Consulting, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2015

By: _____ /s/ DAVID M. JOHNSON
David M. Johnson
Chief Financial Officer
(principal financial officer)

Certification of Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of FTI Consulting, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven H. Gunby, President and Chief Executive Officer (principal executive officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2015

By: _____ /s/ STEVEN H. GUNBY
Steven H. Gunby
President and Chief Executive Officer
(principal executive officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report of FTI Consulting, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David M. Johnson, Executive Vice President and Chief Financial Officer (principal financial officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2015

By: _____ /s/ DAVID M. JOHNSON
David M. Johnson
Executive Vice President and Chief Financial Officer
(principal financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.