

FTI Consulting, Inc.

First Quarter 2019 Earnings Conference Call



Cautionary Note about Forward-Looking Statements

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

First Quarter 2019: Financial Review

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

	Q1 2019	Q4 2018	% Variance	Q1 2018	% Variance	Percentage Change in Revenues Excluding the Estimated Impact of Foreign Currency Translation for Q1 2019 vs. Q1 2018
Consolidated Results						
Revenues	\$ 551,274	\$ 504,993	9.2%	\$ 497,774	10.7%	12.6%
Net Income	\$ 62,645	\$ 23,724	164.1%	\$ 38,945	60.9%	
Earnings per Diluted Share	\$ 1.64	\$ 0.61	168.9%	\$ 1.04	57.7%	
Adjusted Earnings per Diluted Share ⁽¹⁾	\$ 1.63	\$ 0.83	96.4%	\$ 1.04	56.7%	
Adjusted EBITDA ⁽¹⁾	\$ 96,089	\$ 53,656	79.1%	\$ 72,294	32.9%	
Adjusted EBITDA Margin ⁽¹⁾	17.4%	10.6%	—	14.5%	—	
Segment Results						
Corporate Finance & Restructuring						
Revenues	\$ 160,966	\$ 144,784	11.2%	\$ 142,922	12.6%	14.5%
Adjusted Segment EBITDA	\$ 37,361	\$ 24,281	53.9%	\$ 34,804	7.3%	
Adjusted Segment EBITDA Margin	23.2%	16.8%	—	24.4%	—	
Forensic and Litigation Consulting						
Revenues	\$ 138,997	\$ 132,083	5.2%	\$ 128,039	8.6%	10.0%
Adjusted Segment EBITDA	\$ 31,817	\$ 21,479	48.1%	\$ 25,757	23.5%	
Adjusted Segment EBITDA Margin	22.9%	16.3%	—	20.1%	—	
Economic Consulting						
Revenues	\$ 142,271	\$ 128,396	10.8%	\$ 133,109	6.9%	8.6%
Adjusted Segment EBITDA	\$ 24,040	\$ 12,109	98.5%	\$ 19,136	25.6%	
Adjusted Segment EBITDA Margin	16.9%	9.4%	—	14.4%	—	
Technology						
Revenues	\$ 51,336	\$ 41,720	23.0%	\$ 40,914	25.5%	27.1%
Adjusted Segment EBITDA	\$ 12,723	\$ 2,674	375.8%	\$ 5,732	122.0%	
Adjusted Segment EBITDA Margin	24.8%	6.4%	—	14.0%	—	
Strategic Communications						
Revenues	\$ 57,704	\$ 58,010	-0.5%	\$ 52,790	9.3%	13.3%
Adjusted Segment EBITDA	\$ 11,549	\$ 11,297	2.2%	\$ 9,852	17.2%	
Adjusted Segment EBITDA Margin	20.0%	19.5%	—	18.7%	—	

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

Cash Position and Capital Allocation Snapshot:

As of March 31, 2019, December 31, 2018 and March 31, 2018

All numbers in \$000s, except for DSOs

	As of March 31, 2019	As of December 31, 2018	As of March 31, 2018
Cash and cash equivalents	\$ 179,241	\$ 312,069	\$ 152,044
Accounts receivable, net	\$ 656,127	\$ 554,608	\$ 583,588
Days sales outstanding ("DSO")	97	93	95
Net cash provided by (used in) operating activities	\$ (102,086)	\$ 230,672	\$ (69,200)
Purchases of property and equipment	\$ (10,153)	\$ (32,270)	\$ (7,680)
Purchase and retirement of common stock	\$ (21,883)	\$ (55,738)	\$ (14,220)
Total Debt ⁽¹⁾	\$ 316,250	\$ 316,250	\$ 445,000
Free Cash Flow ⁽²⁾	\$ (112,239)	\$ 198,402	\$ (76,880)

⁽¹⁾ Total debt excludes the impact of unamortized deferred debt issue costs of \$6.3 million, \$6.7 million and \$3.5 million as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively, and excludes the impact of unamortized deferred debt discount of \$41.9 million, \$44.0 million and \$0.0 million as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively, related to our 2.0% convertible senior notes due 2023.

⁽²⁾ See "Financial Tables" and "End Notes: FTI Consulting Non-GAAP Financial Measures" for the reconciliation and definition of Free Cash Flow, which is a non-GAAP financial measure, to the most directly comparable GAAP measure.

Financial Tables

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

Three Months Ended March 31, 2019, December 31, 2018 and March 31, 2018

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

	Three Months Ended March 31, 2019	Three Months Ended December 31, 2018	Three Months Ended March 31, 2018
Net income	\$ 62,645	\$ 23,724	\$ 38,945
Loss on early extinguishment of debt	—	9,072	—
Tax impact of loss on early extinguishment of debt	—	(2,359)	—
Non-cash interest expense on convertible notes	2,108	2,080	—
Tax impact on non-cash interest expense on convertible notes	(547)	(534)	—
Tax impact of gain on sale of business ⁽¹⁾	(2,097)	—	—
Adjusted Net Income ⁽²⁾	\$ 62,109	\$ 31,983	\$ 38,945
Earnings per Diluted Share	\$ 1.64	\$ 0.61	\$ 1.04
Loss on early extinguishment of debt	—	0.23	—
Tax impact of loss on early extinguishment of debt	—	(0.06)	—
Non-cash interest expense on convertible notes	0.05	0.06	—
Tax impact of non-cash interest expense on convertible notes	(0.01)	(0.01)	—
Tax impact of gain on sale of business ⁽¹⁾	(0.05)	—	—
Adjusted Earnings per Diluted Share ⁽²⁾	\$ 1.63	\$ 0.83	\$ 1.04
Weighted average number of common shares outstanding—diluted	38,219	38,628	37,612

⁽¹⁾ For Q1 2019, represents a discrete tax adjustment resulting from a change in estimate related to the accounting for the sale of Ringtail.

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

Reconciliation of Net Income and Operating Income to Adjusted EBITDA:

Three Months Ended March 31, 2019 and December 31, 2018

All numbers in \$000s

Three Months Ended March 31, 2019

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

Three Months Ended December 31, 2018

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$ 23,724
Interest income and other							(2,903)
Interest expense							7,076
Loss on early extinguishment of debt							9,072
Income tax provision							7,834
Operating income	\$ 22,620	\$ 20,134	\$ 10,667	\$ 426	\$ 9,975	\$ (19,019)	\$ 44,803
Depreciation and amortization	894	1,042	1,398	2,248	555	835	6,972
Amortization of other intangible assets	767	303	44	—	767	—	1,881
Adjusted EBITDA ⁽¹⁾	\$ 24,281	\$ 21,479	\$ 12,109	\$ 2,674	\$ 11,297	\$ (18,184)	\$ 53,656

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

Reconciliation of Net Income and Operating Income to Adjusted EBITDA:

Three Months Ended March 31, 2018

All numbers in \$000s

Three Months Ended March 31, 2018

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$ 38,945
Interest income and other							1,800
Interest expense							6,244
Income tax provision							15,270
Operating income	\$ 33,211	\$ 24,330	\$ 17,648	\$ 2,593	\$ 8,365	\$ (23,888)	\$ 62,259
Depreciation and amortization	802	1,028	1,364	3,077	593	901	7,765
Amortization of other intangible assets	791	399	124	62	894	—	2,270
Adjusted EBITDA ⁽¹⁾	\$ 34,804	\$ 25,757	\$ 19,136	\$ 5,732	\$ 9,852	\$ (22,987)	\$ 72,294

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

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

Three Months Ended March 31, 2019, December 31, 2018 and March 31, 2018

All numbers in \$000s

	Three Months Ended March 31, 2019	Three Months Ended December 31, 2018	Three Months Ended March 31, 2018
Net cash provided by (used in) operating activities	\$ (102,086)	\$ 144,400	\$ (69,200)
Purchases of property and equipment	(10,153)	(4,429)	(7,680)
Free Cash Flow ⁽¹⁾	\$ (112,239)	\$ (139,971)	\$ (76,880)

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

End Notes:

FTI Consulting Non-GAAP Financial Measures

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

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

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

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

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

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

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

Appendix

First Quarter 2019: Select Geographic Review

Percentage of Consolidated Revenues			Revenue Growth
Region	Q1 2019	Q1 2018	Q1 2019 vs. Q1 2018
North America	67.8%	70.1%	7.2%
EMEA	23.5%	20.9%	24.5%
Asia Pacific	7.2%	7.2%	10.0%
Latin America	1.5%	1.8%	(7.4)%

First Quarter 2019: Select Awards & Accolades



2016-2019
America's Best Management
Consulting Firms



2007-2019
#1 Restructuring
Adviser



2019
Best Community
Engagement Award



2018
Turnaround Adviser
of the Year



2019

Recognitions by *Who's Who Legal:*

- 54 professionals named to the *Who's Who Legal Arbitration 2019: Expert Witnesses* list
- 27 professionals named Construction Experts
- 19 professionals named leading Forensic Accountants
- 10 professionals named Digital Forensic Experts



2019

Compass Lexecon and FTI Consulting rank #1 and #2 in the *Global Arbitration Review* ("GAR") 100 Expert Witness Firms' Power Index

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