



# FTI Consulting, Inc.

## Third Quarter 2022 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, initiatives, projections, prospects, policies and practices, objectives, goals, commitments, strategies, future events, future revenues, future results and performance, expectations, plans or intentions relating to acquisitions, share repurchases and other matters, business trends, new or changes to laws and regulations, including U.S. and foreign tax laws, environmental, social and governance ("ESG")-related issues, climate change-related matters, scientific and technological developments, and other information that is not historical, including statements regarding estimates of our future financial results. When used in this press release, words such as "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "commits," "aspire," "forecasts," "future," "goal," "seeks" 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 plans, expectations, intentions, aspirations, beliefs, goals, estimates, forecasts and projections will result or be achieved. Our actual financial results, performance or achievements and outcomes could differ materially from those expressed in, or implied by, any forward-looking statements. Further, unaudited quarterly results are subject to normal year-end adjustments. The Company has experienced fluctuating revenues, operating income and cash flows in prior periods and expects that this will occur from time to time in the future. Other factors that could cause such differences include declines in demand for, or changes in, the mix of services and products that we offer; the mix of the geographic locations where our clients are located or where services are performed; fluctuations in the price per share of our common stock; adverse financial, real estate or other market and general economic conditions; the impact of the COVID-19 pandemic and related events that are beyond our control, which could affect our segments, practices and the geographic regions in which we conduct business differently and adversely; and other future events, which could impact each of our segments, practices and the geographic regions in which we conduct business differently and could be outside of our control; the pace and timing of the consummation and integration of future acquisitions; the Company's ability to realize cost savings and efficiencies; competitive and general economic conditions; retention of staff and clients; new laws and regulations or changes thereto; and other risks described under the heading "Item 1A, Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on February 24, 2022 and in the Company's other filings with the SEC. 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.

# Third Quarter 2022: Financial Review

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

Consolidated Results	Q3 2022		Q2 2022		% Variance	Q3 2021		% Variance	Percentage Change in Revenues Excluding the Estimated Impact of Foreign Currency Translation for Q3 2022 vs. Q3 2021
	\$	775,865	\$	754,992		2.8%	\$	702,228	
Revenues	\$	775,865	\$	754,992		2.8%	\$	702,228	
Net income	\$	77,267	\$	51,428		50.2%	\$	69,480	
Earnings per Diluted Share <sup>(1)</sup>	\$	2.15	\$	1.43		50.3%	\$	1.96	
Adjusted Earnings per Diluted Share <sup>(1)</sup>	\$	2.15	\$	1.43		50.3%	\$	2.02	
Adjusted EBITDA <sup>(1)</sup>	\$	98,974	\$	76,160		30.0%	\$	100,260	
Adjusted EBITDA Margin <sup>(1)</sup>		12.8%		10.1%		—		14.3%	
<b>Segment Results</b>									
<b>Corporate Finance &amp; Restructuring</b>									
Revenues	\$	265,370	\$	277,067		-4.2%	\$	250,321	
Adjusted Segment EBITDA	\$	51,532	\$	54,950		-6.2%	\$	55,635	
Adjusted Segment EBITDA Margin		19.4%		19.8%		—		22.2%	
<b>Forensic and Litigation Consulting</b>									
Revenues	\$	159,948	\$	164,248		-2.6%	\$	145,264	
Adjusted Segment EBITDA	\$	18,162	\$	16,707		8.7%	\$	16,620	
Adjusted Segment EBITDA Margin		11.4%		10.2%		—		11.4%	
<b>Economic Consulting</b>									
Revenues	\$	193,183	\$	164,041		17.8%	\$	172,543	
Adjusted Segment EBITDA	\$	32,913	\$	21,646		52.1%	\$	29,917	
Adjusted Segment EBITDA Margin		17.0%		13.2%		—		17.3%	
<b>Technology</b>									
Revenues	\$	84,915	\$	77,782		9.2%	\$	64,657	
Adjusted Segment EBITDA	\$	13,213	\$	8,365		58.0%	\$	7,835	
Adjusted Segment EBITDA Margin		15.6%		10.8%		—		12.1%	
<b>Strategic Communications</b>									
Revenues	\$	72,449	\$	71,854		0.8%	\$	69,443	
Adjusted Segment EBITDA	\$	12,947	\$	11,472		12.9%	\$	15,489	
Adjusted Segment EBITDA Margin		17.9%		16.0%		—		22.3%	

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

# Cash Position and Capital Allocation Snapshot

**As of September 30, 2022, June 30, 2022 and September 30, 2021**

All numbers in \$000s, except for DSO	As of September 30, 2022	As of June 30, 2022	As of September 30, 2021
<b>Cash and cash equivalents</b>	\$ 327,047	\$ 255,730	\$ 342,527
<b>Accounts receivable, net</b>	\$ 947,993	\$ 905,548	\$ 809,878
<b>Days Sales Outstanding ("DSO") <sup>(1)</sup></b>	106	102	100
<b>Net cash provided by operating activities</b>	\$ 128,292	\$ 35,047	\$ 196,946
<b>Purchases of property and equipment</b>	\$ (13,316)	\$ (13,028)	\$ (24,745)
<b>Purchase and retirement of common stock</b>	\$ (20,432)	\$ —	\$ —
<b>Total Debt <sup>(2)</sup></b>	\$ 316,222	\$ 316,222	\$ 341,250
<b>Free Cash Flow <sup>(3)</sup></b>	\$ 114,976	\$ 22,019	\$ 172,201

<sup>(1)</sup> 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 revenues for the quarter, adjusted for changes in foreign exchange rates. We multiply the result by the number of days in the quarter.

<sup>(2)</sup> Total debt excludes the impact of unamortized deferred issuance costs and unamortized deferred debt discount related to our 2.0% convertible senior notes due 2023 ("2023 Convertible Notes"). The Company adopted Accounting Standards Update 2020-06 and there is no longer a deferred debt discount and related amortization on the 2023 Convertible Notes effective January 1, 2022.

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



## Financial Tables

# Reconciliations of Net Income to Adjusted Net Income and Earnings per Diluted Share to Adjusted Earnings per Diluted Share

**Three Months Ended September 30, 2022, June 30 2022 and September 30, 2021**

All numbers in \$000s, except for per share data	Three Months Ended September 30, 2022	Three Months Ended June 30, 2022	Three Months Ended September 30, 2021
<b>Net income</b>	\$ 77,267	\$ 51,428	\$ 69,480
Non-cash interest expense on convertible notes	—	—	2,412
Tax impact of non-cash interest expense on convertible notes	—	—	(627)
<b>Adjusted Net Income <sup>(1)</sup></b>	<b>\$ 77,267</b>	<b>\$ 51,428</b>	<b>\$ 71,265</b>
 <b>Earnings per Diluted Share</b>	 \$ 2.15	 \$ 1.43	 \$ 1.96
Non-cash interest expense on convertible notes	—	—	0.08
Tax impact of non-cash interest expense on convertible notes	—	—	(0.02)
<b>Adjusted Earnings per Diluted Share <sup>(1)</sup></b>	<b>\$ 2.15</b>	<b>\$ 1.43</b>	<b>\$ 2.02</b>
<b>Weighted average number of common shares outstanding — diluted</b>	<b>35,918</b>	<b>35,909</b>	<b>35,362</b>

(1)

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

# Reconciliations of Net Income and Operating Income to Adjusted EBITDA

## Three Months Ended September 30, 2022 and June 30, 2022

All numbers in \$000s

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
<b>Net income</b>							\$ 77,267
Interest income and other							(7,771)
Interest expense							2,378
Income tax provision							15,836
<b>Operating income</b>	\$ 47,948	\$ 16,570	\$ 31,674	\$ 9,833	\$ 12,155	\$ (30,470)	\$ 87,710
Depreciation and amortization	1,675	1,350	1,239	3,380	629	676	8,949
Amortization of intangible assets	1,909	242	—	—	163	1	2,315
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$ 51,532</b>	<b>\$ 18,162</b>	<b>\$ 32,913</b>	<b>\$ 13,213</b>	<b>\$ 12,947</b>	<b>\$ (29,793)</b>	<b>\$ 98,974</b>

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
<b>Net income</b>							\$ 51,428
Interest income and other							(2,994)
Interest expense							2,448
Income tax provision							13,353
<b>Operating income</b>	<b>\$ 50,935</b>	<b>\$ 15,014</b>	<b>\$ 20,439</b>	<b>\$ 4,930</b>	<b>\$ 10,633</b>	<b>\$ (37,716)</b>	<b>\$ 64,235</b>
Depreciation and amortization	1,708	1,448	1,207	3,435	654	736	9,188
Amortization of intangible assets	2,307	245	—	—	185	—	2,737
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$ 54,950</b>	<b>\$ 16,707</b>	<b>\$ 21,646</b>	<b>\$ 8,365</b>	<b>\$ 11,472</b>	<b>\$ (36,980)</b>	<b>\$ 76,160</b>

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

# Reconciliation of Net Income and Operating Income to Adjusted EBITDA

**Three Months Ended September 30, 2021**

All numbers in \$000s

Three Months Ended September 30, 2021								Total
	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate		
<b>Net income</b>							\$ 69,480	
Interest income and other							(5,175)	
Interest expense							5,073	
Income tax provision							19,155	
<b>Operating income</b>	\$ 52,316	\$ 15,101	\$ 28,455	\$ 4,416	\$ 14,219	\$ (25,974)	\$ 88,533	
Depreciation and amortization	1,446	1,270	1,462	3,419	533	737	8,867	
Amortization of intangible assets	1,873	249	—	—	737	1	2,860	
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$ 55,635</b>	<b>\$ 16,620</b>	<b>\$ 29,917</b>	<b>\$ 7,835</b>	<b>\$ 15,489</b>	<b>\$ (25,236)</b>	<b>\$ 100,260</b>	

# Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

**Three Months Ended September 30, 2022, June 30, 2022 and September 30, 2021**

All numbers in \$000s	<b>Three Months Ended September 30, 2022</b>	<b>Three Months Ended June 30, 2022</b>	<b>Three Months Ended September 30, 2021</b>
<b>Net cash provided by operating activities</b>	\$ 128,292	\$ 35,047	\$ 196,946
Purchases of property and equipment	(13,316)	(13,028)	(24,745)
<b>Free Cash Flow <sup>(1)</sup></b>	<b>\$ 114,976</b>	<b>\$ 22,019</b>	<b>\$ 172,201</b>

<sup>(1)</sup>

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

## End Notes: FTI Consulting Non-GAAP Financial Measures

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

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

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

*We define Adjusted EBITDA, 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 this non-GAAP financial measure, 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 this non-GAAP financial measure, 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 EBITDA Margin, which is a non-GAAP financial measure, as Adjusted EBITDA as a percentage of total revenues.*

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

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

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



# Appendix

## Third Quarter 2022: Select Geographic Review

### Consolidated Revenues by Region

Region	Q3 2022		Q2 2022		% Variance	Q3 2021		% Variance	Percentage Change in Revenues Excluding the Estimated Impact of Foreign Currency Translation for Q3 2022 vs. Q3 2021
North America	\$ 518,965		\$ 488,243		6.3%	\$ 435,127		19.3%	19.4%
EMEA	\$ 195,069		\$ 201,378		-3.1%	\$ 208,022		-6.2%	6.8%
Asia Pacific	\$ 53,428		\$ 51,217		4.3%	\$ 46,991		13.7%	18.5%
Latin America	\$ 8,403		\$ 14,154		-40.6%	\$ 12,088		-30.5%	-28.3%

### Percentage of Consolidated Revenues by Region

Region	Q3 2022	Q2 2022	Q3 2021
North America	66.9%	64.7%	62.0%
EMEA	25.1%	26.7%	29.6%
Asia Pacific	6.9%	6.8%	6.7%
Latin America	1.1%	1.9%	1.7%

# Third Quarter 2022

## Select Awards & Accolades



Recognized as **Global Turnaround Consulting Firm of the Year** at Global M&A Network's 14<sup>th</sup> Annual Turnaround Atlas Awards

*Global M&A Network*



Named to *Forbes* magazine's list of the **World's Best Management Consulting Firms**

*Forbes*



Named to *Forbes* magazine's list of **America's Best Employers for Women**

*Forbes*



Recognized as **Crisis Communications Firm of the Year** at Global M&A Network's 14<sup>th</sup> Annual Turnaround Atlas Awards

*Global M&A Network*



Named a **Best Firm to Work For** by *Consulting* magazine for the 5<sup>th</sup> consecutive year

*Consulting magazine*



Named one of the **Top 100 Internship Programs in the U.S.** by Yello.co and WayUp

*Yello.co and WayUp*



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