
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 24, 2019

FTI CONSULTING, INC.

(Exact Name of Registrant as Specified in Charter)

Maryland
(State or other jurisdiction
of Incorporation)

001-14875
(Commission
File Number)

52-1261113
(IRS Employer
Identification No.)

555 12th Street NW, Washington, D.C. 20004
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (202) 312-9100

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---|--------------------------|--|
| Common Stock, par value \$0.01 per share | FCN | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02. Results of Operations and Financial Condition

On October 24, 2019, FTI Consulting, Inc. (“FTI Consulting”) announced financial results for the three-months and nine-months ended September 30, 2019 and updated its guidance for the year ending December 31, 2019. A copy of the press release (including accompanying financial tables) (the “Press Release”) is attached as Exhibit 99.1 to this Current Report on Form 8-K and hereby is incorporated by reference herein.

ITEM 7.01. Regulation FD Disclosure

In the Press Release, FTI Consulting uses information derived from consolidated and segment financial information that may not be presented in its 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 rules promulgated by the Securities and Exchange Commission. Specifically, FTI Consulting has referred to the following non-GAAP financial measures:

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

FTI Consulting has included the definitions of “Segment Operating Income (Loss)” and “Adjusted Segment EBITDA,” which are financial measures presented in accordance with GAAP, in order to more fully define the components of certain non-GAAP financial measures. FTI Consulting evaluates the performance of its operating segments based on Adjusted Segment EBITDA, and Segment Operating Income (Loss) is a component of the definition of Adjusted Segment EBITDA. FTI Consulting defines “Segment Operating Income (Loss)” as a segment’s share of consolidated operating income. FTI Consulting defines “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. FTI Consulting uses Segment Operating Income (Loss) for the purpose of calculating Adjusted Segment EBITDA. FTI Consulting defines “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. FTI Consulting uses Adjusted Segment EBITDA as a basis to internally evaluate the financial performance of its segments because FTI Consulting believes it reflects current core operating performance and provides an indicator of the segment’s ability to generate cash.

FTI Consulting defines “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. FTI Consulting defines “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. FTI Consulting defines Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenues. FTI Consulting believes that the non-GAAP financial measures, which exclude the effects of remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges, when considered together with its GAAP financial results and GAAP financial measures, provide management and investors with a more complete understanding of FTI Consulting’s operating results, including underlying trends. In addition, EBITDA is a common alternative measure of operating performance used by many of FTI Consulting’s competitors. It is used by investors, financial analysts, rating agencies and others to value and compare the financial performance of companies in FTI Consulting’s industry. Therefore, FTI Consulting also believes that these measures, considered along with corresponding GAAP financial measures, provide management and investors with additional information for comparison of its operating results with the operating results of other companies.

FTI Consulting defines “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, 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. FTI Consulting uses Adjusted Net Income for the purpose of calculating Adjusted EPS. Management of FTI Consulting uses Adjusted EPS to assess total company operating performance on a consistent basis. FTI Consulting believes that these non-GAAP financial measures, when considered together with its corresponding GAAP financial measures, provides management and investors with an additional understanding of its business operating results, including underlying trends.

FTI Consulting defines “Free Cash Flow” 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 FTI Consulting’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 FTI Consulting's Consolidated Statements of Comprehensive Income. Reconciliations of Non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the accompanying tables to the Press Release.

The information included herein, including Exhibit 99.1 furnished herewith, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into any filing pursuant to the Securities Act of 1933, as amended, or the Exchange Act, regardless of any incorporation by reference language in any such filing, except as expressly set forth by specific reference in such filing.

ITEM 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 [Press Release dated October 24, 2019 of FTI Consulting, Inc.](#)

104 The Cover Page from FTI Consulting's Current Report on Form 8-K dated October 24, 2019, formatted in Inline XBRL.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, FTI Consulting, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FTI CONSULTING, INC.

Dated: October 25, 2019

By: /s/ CURTIS P. LU

Curtis P. Lu

General Counsel

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FTI Consulting Reports Record Third Quarter 2019 Financial Results

- *Third Quarter 2019 Revenues of \$593.1 Million, Up 15.6% Compared to \$513.0 Million in Prior Year Quarter*
- *Third Quarter 2019 EPS of \$1.59, Up 39.5% Compared to \$1.14 in Prior Year Quarter; Third Quarter 2019 Adjusted EPS of \$1.63, Up 63.0% Compared to \$1.00 in Prior Year Quarter*
- *Company Raises Full Year 2019 Guidance Ranges for Revenues, EPS and Adjusted EPS to Reflect Record Year-to-Date 2019 Performance*

Washington, D.C., October 24, 2019 — FTI Consulting, Inc. (NYSE: FCN) today released financial results for the quarter ended September 30, 2019.

Third quarter 2019 revenues of \$593.1 million increased \$80.1 million, or 15.6%, compared to revenues of \$513.0 million in the prior year quarter. Excluding the estimated negative impact from foreign currency translation (“FX”), revenues increased \$86.7 million, or 16.9%, compared to the prior year quarter. The increase in revenues was driven by higher demand across all business segments compared to the prior year quarter. Net income of \$60.4 million compared to \$44.3 million in the prior year quarter. The increase in net income was primarily due to higher operating profits in the Corporate Finance & Restructuring and Forensic and Litigation Consulting segments.

Adjusted EBITDA of \$92.3 million, or 15.6% of revenues, compared to \$67.4 million, or 13.1% of revenues, in the prior year quarter. The increase in Adjusted EBITDA was primarily due to higher revenues in the Corporate Finance & Restructuring and Forensic and Litigation Consulting segments, which was partially offset by higher compensation, primarily related to a 16.7% increase in billable headcount and higher variable compensation, as well as higher selling, general and administrative (“SG&A”) expenses compared to the prior year quarter.

Third quarter 2019 fully diluted earnings per share (“EPS”) of \$1.59 compared to \$1.14 in the prior year quarter. Third quarter 2019 EPS included \$2.2 million of non-cash interest expense related to the Company’s 2.0% convertible senior notes due 2023 (“2023 Convertible Notes”), which decreased EPS by \$0.04. Third quarter 2018 EPS included a \$6.2 million after-tax gain related to the sale of the Company’s Ringtail e-discovery software and related business (“Ringtail divestiture”), which increased EPS by \$0.16. Third quarter 2019 Adjusted EPS of \$1.63, which excludes the non-cash interest expense, compared to Adjusted EPS of \$1.00 in the prior year quarter.

Commenting on these results, Steven H. Gunby, President and Chief Executive Officer of FTI Consulting, said, “These powerful results reflect our focus: investing in great professionals to enhance our ability to serve our clients as they navigate their most complex business challenges and opportunities.”

Cash Position and Capital Allocation

Net cash provided by operating activities of \$131.3 million for the quarter ended September 30, 2019 compared to \$120.9 million for the quarter ended September 30, 2018. The year-over-year increase in cash provided by operating activities was largely due to an increase in cash collected resulting from higher revenues compared to the prior year quarter, which was partially offset by an increase in compensation-related costs.

During the quarter, the Company repurchased 90,848 shares of its common stock at an average price per share of \$85.11 for a total cost of \$7.7 million. As of September 30, 2019, approximately \$94.6 million remained available for stock repurchases under the Company's \$400.0 million stock repurchase authorization.

Cash and cash equivalents of \$258.5 million at September 30, 2019 compared to \$505.9 million at September 30, 2018 and \$189.1 million at June 30, 2019. Total debt, net of cash, of \$57.8 million at September 30, 2019 compared to \$110.4 million at September 30, 2018 and \$147.1 million at June 30, 2019. The sequential decrease in total debt, net of cash, was primarily due to an increase in cash provided by operating activities and repayment of borrowings under the Company's revolving credit facility, which was partially offset by payments related to the August 2019 acquisition of Andersch AG.

Third Quarter 2019 Segment Results

Corporate Finance & Restructuring

Revenues in the Corporate Finance & Restructuring segment increased \$56.3 million, or 41.6%, to \$191.7 million in the quarter compared to \$135.4 million in the prior year quarter. Excluding the estimated negative impact from FX, revenues increased \$57.7 million, or 42.6%, compared to the prior year quarter. The increase in revenues was due to higher demand for restructuring and business transformation and transactions services. Adjusted Segment EBITDA of \$48.1 million, or 25.1% of segment revenues, compared to \$26.8 million, or 19.8% of segment revenues, in the prior year quarter. The increase in Adjusted Segment EBITDA was due to higher revenues with improved utilization, which was partially offset by higher compensation, related to an increase in variable compensation and billable headcount and higher SG&A expenses.

Forensic and Litigation Consulting

Revenues in the Forensic and Litigation Consulting segment increased \$16.0 million, or 12.6%, to \$142.7 million in the quarter compared to \$126.7 million in the prior year quarter. Excluding the estimated negative impact from FX, revenues increased \$17.0 million, or 13.4%, compared to the prior year quarter. The increase in revenues was primarily due to higher demand for disputes and investigations services. Adjusted Segment EBITDA of \$27.0 million, or 18.9% of segment revenues, compared to \$22.0 million, or 17.3% of segment revenues, in the prior year quarter. The increase in Adjusted Segment EBITDA was due to higher revenues, which was partially offset by higher compensation, primarily related to an increase in billable headcount and higher SG&A expenses.

Economic Consulting

Revenues in the Economic Consulting segment increased \$2.5 million, or 1.8%, to \$141.7 million in the quarter compared to \$139.2 million in the prior year quarter. Excluding the estimated negative impact from FX,

revenues increased \$4.7 million, or 3.4%, compared to the prior year quarter. The increase in revenues was largely due to higher demand for non-merger and acquisition-related antitrust services. Adjusted Segment EBITDA of \$19.4 million, or 13.7% of segment revenues, compared to \$23.2 million, or 16.7% of segment revenues, in the prior year quarter. Adjusted Segment EBITDA declined compared to the prior year quarter, as the increase in revenues was more than offset by higher compensation, related to an increase in variable compensation and billable headcount and higher SG&A expenses.

Technology

Revenues in the Technology segment increased \$0.4 million, or 0.7%, to \$57.1 million in the quarter compared to \$56.7 million in the prior year quarter. Excluding the estimated negative impact from FX, revenues increased \$0.9 million, or 1.5%, compared to the prior year quarter. The increase in revenues was primarily due to higher demand for global cross-border investigations and litigation services, which was offset by lower demand for merger and acquisition-related “second request” services. Adjusted Segment EBITDA of \$12.3 million, or 21.5% of segment revenues, compared to \$11.5 million, or 20.2% of segment revenues, in the prior year quarter. The increase in Adjusted Segment EBITDA was due to higher revenues and lower SG&A expenses, largely due to a decline in research and development expense resulting from the September 2018 Ringtail divestiture, which was partially offset by higher compensation, due to an increase in billable headcount and variable compensation.

Strategic Communications

Revenues in the Strategic Communications segment increased \$4.9 million, or 8.9%, to \$60.0 million in the quarter compared to \$55.1 million in the prior year quarter. Excluding the estimated negative impact from FX, revenues increased \$6.4 million, or 11.7%, compared to the prior year quarter. The increase in revenues was primarily due to higher demand for project-based corporate reputation services in North America and Europe, the Middle East and Africa. Adjusted Segment EBITDA of \$12.6 million, or 21.1% of segment revenues, compared to \$10.8 million, or 19.6% of segment revenues, in the prior year quarter. The increase in Adjusted Segment EBITDA was due to higher revenues, which was partially offset by higher compensation, related to an increase in billable headcount and variable compensation and higher SG&A expenses.

2019 Guidance

Given the record year-to-date 2019 performance, the Company is raising its full year revenue, EPS and Adjusted EPS guidance for 2019. The Company now estimates that 2019 revenues will range between \$2.250 billion and \$2.300 billion. This compares to the previous revenue guidance of between \$2.175 billion and \$2.250 billion. The Company now estimates that 2019 EPS will range between \$5.63 and \$5.88. This compares to the previous EPS guidance of between \$4.88 and \$5.38. The Company now estimates that 2019 Adjusted EPS will range between \$5.75 and \$6.00. This compares to the previous Adjusted EPS guidance of between \$5.00 and \$5.50. The \$0.12 per share variance between EPS and Adjusted EPS guidance for full year 2019 includes estimated non-cash interest expense of approximately \$0.17 per share related to the Company’s 2023 Convertible Notes and the first quarter 2019 \$0.05 per share tax gain related to the Ringtail divestiture.

Third Quarter 2019 Conference Call

FTI Consulting will host a conference call for analysts and investors to discuss third quarter financial results at 9:00 a.m. Eastern Time on Thursday, October 24, 2019. The call can be accessed live and will be available for replay over the internet for 90 days by logging onto the Company’s investor relations website [here](#).

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. With more than 4,700 employees located in 28 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges and make the most of opportunities. The Company generated \$2.03 billion in revenues during the fiscal year 2018. More information can be found at www.fticonsulting.com.

Use of Non-GAAP Measures

In the accompanying analysis of financial information, 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 U.S. Securities and Exchange Commission (“SEC”) rules. Specifically, we have referred to the following non-GAAP measures:

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

We define 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 non-GAAP financial measures, considered along with corresponding GAAP financial measures, provide management and investors with additional information for comparison of our operating results with the operating results of other companies.

We define Adjusted Net Income and Adjusted Earnings per Diluted Share (“Adjusted EPS”), which are non-GAAP financial measures, as net income and earnings per diluted share (“EPS”), respectively, excluding the impact of remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, losses on early extinguishment of debt, non-cash interest expense on convertible notes, 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 and GAAP financial measures, provide management and investors with an additional understanding of our business operating results, including underlying trends.

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

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

Safe Harbor Statement

This press release 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 press release, 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 Tax Act; 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, 2018, filed with the SEC, including the risks set forth under "Risks Related to Our Reportable Segments" and "Risks Related to Our Operations," 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.

FINANCIAL TABLES FOLLOW

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FTI CONSULTING, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

| | September 30, 2019 (unaudited) | December 31, 2018 |
|---|--------------------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 258,470 | \$ 312,069 |
| Accounts receivable: | | |
| Billed receivables | 552,253 | 437,797 |
| Unbilled receivables | 455,342 | 319,205 |
| Allowances for doubtful accounts and unbilled services | (268,132) | (202,394) |
| Accounts receivable, net | 739,463 | 554,608 |
| Current portion of notes receivable | 32,368 | 29,228 |
| Prepaid expenses and other current assets | 65,849 | 69,448 |
| Total current assets | 1,096,150 | 965,353 |
| Property and equipment, net | 92,135 | 84,577 |
| Operating lease assets | 152,064 | — |
| Goodwill | 1,197,406 | 1,172,316 |
| Other intangible assets, net | 41,247 | 34,633 |
| Notes receivable, net | 78,800 | 84,471 |
| Other assets | 32,467 | 37,771 |
| Total assets | \$ 2,690,269 | \$ 2,379,121 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable, accrued expenses and other | \$ 158,136 | \$ 104,600 |
| Accrued compensation | 354,299 | 333,536 |
| Billings in excess of services provided | 34,349 | 44,434 |
| Total current liabilities | 546,784 | 482,570 |
| Long-term debt, net | 273,055 | 265,571 |
| Non-current operating lease liabilities | 171,410 | — |
| Deferred income taxes | 159,406 | 155,088 |
| Other liabilities | 78,380 | 127,067 |
| Total liabilities | 1,229,035 | 1,030,296 |
| 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 — 37,629 (2019) and 38,147 (2018) | 376 | 381 |
| Additional paid-in capital | 240,508 | 299,534 |
| Retained earnings | 1,384,392 | 1,196,727 |
| Accumulated other comprehensive loss | (164,042) | (147,817) |
| Total stockholders' equity | 1,461,234 | 1,348,825 |
| Total liabilities and stockholders' equity | \$ 2,690,269 | \$ 2,379,121 |

FTI CONSULTING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share data)

| | Three Months Ended September 30, | |
|---|-------------------------------------|------------------|
| | 2019 | 2018 |
| | (unaudited) | |
| Revenues | \$593,106 | \$513,012 |
| Operating expenses | | |
| Direct cost of revenues | 380,892 | 336,477 |
| Selling, general and administrative expenses | 127,951 | 117,448 |
| Amortization of other intangible assets | 2,125 | 1,975 |
| | <u>510,968</u> | <u>455,900</u> |
| Operating income | 82,138 | 57,112 |
| Other income (expense) | | |
| Interest income and other | 2,973 | 1,400 |
| Interest expense | (4,832) | (7,246) |
| Gain on sale of business | — | 13,031 |
| | <u>(1,859)</u> | <u>7,185</u> |
| Income before income tax provision | 80,279 | 64,297 |
| Income tax provision | 19,857 | 19,964 |
| Net income | \$ 60,422 | \$ 44,333 |
| Earnings per common share — basic | \$ 1.65 | \$ 1.19 |
| Weighted average common shares outstanding — basic | 36,617 | 37,318 |
| Earnings per common share — diluted | \$ 1.59 | \$ 1.14 |
| Weighted average common shares outstanding — diluted | 37,938 | 38,756 |
| Other comprehensive loss, net of tax | | |
| Foreign currency translation adjustments, net of tax expense of \$0 and \$373 | \$ (16,633) | \$ (4,180) |
| Total other comprehensive loss, net of tax | (16,633) | (4,180) |
| Comprehensive income | \$ 43,789 | \$ 40,153 |

FTI CONSULTING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share data)

| | Nine Months Ended September 30, | |
|---|------------------------------------|---------------------|
| | 2019 | 2018 |
| | (unaudited) | |
| Revenues | <u>\$ 1,750,499</u> | <u>\$ 1,522,884</u> |
| Operating expenses | | |
| Direct cost of revenues | 1,116,224 | 987,912 |
| Selling, general and administrative expenses | 371,042 | 347,473 |
| Amortization of other intangible assets | 5,838 | 6,297 |
| | <u>1,493,104</u> | <u>1,341,682</u> |
| Operating income | <u>257,395</u> | <u>181,202</u> |
| Other income (expense) | | |
| Interest income and other | 5,741 | 2,074 |
| Interest expense | (14,371) | (20,073) |
| Gain on sale of business | — | 13,031 |
| | <u>(8,630)</u> | <u>(4,968)</u> |
| Income before income tax provision | <u>248,765</u> | <u>176,234</u> |
| Income tax provision | <u>61,100</u> | <u>49,347</u> |
| Net income | <u>\$ 187,665</u> | <u>\$ 126,887</u> |
| Earnings per common share — basic | <u>\$ 5.09</u> | <u>\$ 3.43</u> |
| Weighted average common shares outstanding — basic | <u>36,851</u> | <u>37,008</u> |
| Earnings per common share — diluted | <u>\$ 4.92</u> | <u>\$ 3.32</u> |
| Weighted average common shares outstanding — diluted | <u>38,107</u> | <u>38,214</u> |
| Other comprehensive loss, net of tax | | |
| Foreign currency translation adjustments, net of tax expense of \$0 and \$373 | \$ (16,225) | \$ (17,417) |
| Total other comprehensive loss, net of tax | <u>(16,225)</u> | <u>(17,417)</u> |
| Comprehensive income | <u>\$ 171,440</u> | <u>\$ 109,470</u> |

FTI CONSULTING, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | (Unaudited) | | (Unaudited) | |
| Net income | \$60,422 | \$ 44,333 | \$187,665 | \$126,887 |
| Add back: | | | | |
| Non-cash interest expense on convertible notes | 2,166 | 938 | 6,411 | 938 |
| Tax impact of non-cash interest expense on convertible notes | (563) | (241) | (1,666) | (241) |
| Gain on sale of business | — | (13,031) | — | (13,031) |
| Tax impact of gain on sale of business ⁽¹⁾ | — | 6,798 | (2,097) | 6,798 |
| Adjusted net income | <u>\$62,025</u> | <u>\$ 38,797</u> | <u>\$190,313</u> | <u>\$121,351</u> |
| Earnings per common share — diluted | \$ 1.59 | \$ 1.14 | \$ 4.92 | \$ 3.32 |
| Add back: | | | | |
| Non-cash interest expense on convertible notes | 0.06 | 0.03 | 0.17 | 0.03 |
| Tax impact of non-cash interest expense on convertible notes | (0.02) | (0.01) | (0.04) | (0.01) |
| Gain on sale of business | — | (0.34) | — | (0.34) |
| Tax impact of gain on sale of business ⁽¹⁾ | — | 0.18 | (0.06) | 0.18 |
| Adjusted earnings per common share — diluted | <u>\$ 1.63</u> | <u>\$ 1.00</u> | <u>\$ 4.99</u> | <u>\$ 3.18</u> |
| Weighted average number of common shares outstanding — diluted | <u>37,938</u> | <u>38,756</u> | <u>38,107</u> | <u>38,214</u> |

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

FTI CONSULTING, INC.
RECONCILIATION OF EPS GUIDANCE TO ADJUSTED EPS GUIDANCE

| | Year Ended December 31, 2019 | |
|---|------------------------------|---------|
| | Low | High |
| Guidance on estimated earnings per common share – diluted (GAAP) ⁽¹⁾ | \$ 5.63 | \$ 5.88 |
| Non-cash interest expense on convertible notes, net of tax | 0.17 | 0.17 |
| Tax impact of gain on sale of business | (0.05) | (0.05) |
| Guidance on estimated adjusted earnings per common share (non-GAAP) ⁽¹⁾ | \$ 5.75 | \$ 6.00 |

⁽¹⁾ The forward-looking guidance on estimated 2019 EPS and Adjusted EPS does not reflect other gains and losses (all of which would be excluded from Adjusted EPS) related to the future impact of remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, losses on early extinguishment of debt, or gain or loss on sale of a business as these items are dependent on future events that are uncertain and difficult to predict. The forward-looking guidance excludes any shares of common stock potentially issuable upon conversion of the 2023 Convertible Notes from the calculation of EPS.

FTI CONSULTING, INC.
RECONCILIATION OF NET INCOME AND OPERATING INCOME TO ADJUSTED EBITDA
(in thousands)

| Three Months Ended September 30, 2019 (unaudited) | Corporate Finance & Restructuring | Forensic and Litigation Consulting | Economic Consulting | Technology | Strategic Communications | Unallocated Corporate | Total |
|--|---|--|------------------------|------------------|-----------------------------|--------------------------|------------------|
| Net income | | | | | | | \$ 60,422 |
| Interest income and other | | | | | | | (2,973) |
| Interest expense | | | | | | | 4,832 |
| Income tax provision | | | | | | | 19,857 |
| Operating income | \$ 46,007 | \$ 25,534 | \$ 17,943 | \$ 9,094 | \$ 11,343 | \$ (27,783) | \$ 82,138 |
| Depreciation and amortization | 964 | 1,188 | 1,426 | 3,192 | 619 | 691 | 8,080 |
| Amortization of other intangible assets | 1,113 | 286 | 44 | — | 682 | — | 2,125 |
| Adjusted EBITDA | <u>\$ 48,084</u> | <u>\$ 27,008</u> | <u>\$ 19,413</u> | <u>\$ 12,286</u> | <u>\$ 12,644</u> | <u>\$ (27,092)</u> | <u>\$ 92,343</u> |
| | | | | | | | |
| Nine Months Ended September 30, 2019 (unaudited) | Corporate Finance & Restructuring | Forensic and Litigation Consulting | Economic Consulting | Technology | Strategic Communications | Unallocated Corporate | Total |
| Net income | | | | | | | \$187,665 |
| Interest income and other | | | | | | | (5,741) |
| Interest expense | | | | | | | 14,371 |
| Income tax provision | | | | | | | 61,100 |
| Operating income | \$ 130,470 | \$ 82,753 | \$ 62,179 | \$ 30,080 | \$ 30,691 | \$ (78,778) | \$257,395 |
| Depreciation and amortization | 2,821 | 3,448 | 4,454 | 7,804 | 1,782 | 2,074 | 22,383 |
| Amortization of other intangible assets | 2,646 | 865 | 133 | — | 2,194 | — | 5,838 |
| Adjusted EBITDA | <u>\$ 135,937</u> | <u>\$ 87,066</u> | <u>\$ 66,766</u> | <u>\$ 37,884</u> | <u>\$ 34,667</u> | <u>\$ (76,704)</u> | <u>\$285,616</u> |

FTI CONSULTING, INC.
RECONCILIATION OF NET INCOME AND OPERATING INCOME TO ADJUSTED EBITDA
(in thousands)

| Three Months Ended September 30, 2018 (unaudited) | Corporate Finance & Restructuring | Forensic and Litigation Consulting | Economic Consulting | Technology | Strategic Communications | Unallocated Corporate | Total |
|--|---|--|------------------------|------------------|-----------------------------|--------------------------|-------------------|
| Net income | | | | | | | \$ 44,333 |
| Interest income and other | | | | | | | (1,400) |
| Interest expense | | | | | | | 7,246 |
| Gain on sale of business | | | | | | | (13,031) |
| Income tax provision | | | | | | | 19,964 |
| Operating income | \$ 25,252 | \$ 20,625 | \$ 21,713 | \$ 7,926 | \$ 9,402 | \$ (27,806) | \$ 57,112 |
| Depreciation and amortization | 779 | 1,036 | 1,468 | 3,537 | 568 | 907 | 8,295 |
| Amortization of other intangible assets | 767 | 309 | 57 | 10 | 832 | — | 1,975 |
| Adjusted EBITDA | <u>\$ 26,798</u> | <u>\$ 21,970</u> | <u>\$ 23,238</u> | <u>\$ 11,473</u> | <u>\$ 10,802</u> | <u>\$ (26,899)</u> | <u>\$ 67,382</u> |
| | | | | | | | |
| Nine Months Ended September 30, 2018 (unaudited) | Corporate Finance & Restructuring | Forensic and Litigation Consulting | Economic Consulting | Technology | Strategic Communications | Unallocated Corporate | Total |
| Net income | | | | | | | \$ 126,887 |
| Interest income and other | | | | | | | (2,074) |
| Interest expense | | | | | | | 20,073 |
| Gain on sale of business | | | | | | | (13,031) |
| Income tax provision | | | | | | | 49,347 |
| Operating income | \$ 92,504 | \$ 71,128 | \$ 53,385 | \$ 14,486 | \$ 27,275 | \$ (77,576) | \$ 181,202 |
| Depreciation and amortization | 2,534 | 3,195 | 4,209 | 10,141 | 1,747 | 2,722 | 24,548 |
| Amortization of other intangible assets | 2,341 | 1,019 | 252 | 86 | 2,599 | — | 6,297 |
| Adjusted EBITDA | <u>\$ 97,379</u> | <u>\$ 75,342</u> | <u>\$ 57,846</u> | <u>\$ 24,713</u> | <u>\$ 31,621</u> | <u>\$ (74,854)</u> | <u>\$ 212,047</u> |

FTI CONSULTING, INC.
OPERATING RESULTS BY BUSINESS SEGMENT

| | Segment Revenues | Adjusted EBITDA | Adjusted EBITDA Margin | Utilization | Average Billable Rate | Revenue- Generating Headcount |
|--|---------------------|--------------------|------------------------------|-------------|-----------------------------|-------------------------------------|
| | (in thousands) | | | | | (at period end) |
| Three Months Ended September 30, 2019 (unaudited) | | | | | | |
| Corporate Finance & Restructuring | \$ 191,698 | \$ 48,084 | 25.1% | 70% | \$ 449 | 1,177 |
| Forensic and Litigation Consulting | 142,651 | 27,008 | 18.9% | 61% | \$ 336 | 1,326 |
| Economic Consulting | 141,715 | 19,413 | 13.7% | 70% | \$ 512 | 764 |
| Technology (1) | 57,083 | 12,286 | 21.5% | N/M | N/M | 348 |
| Strategic Communications (1) | 59,959 | 12,644 | 21.1% | N/M | N/M | 719 |
| | <u>\$ 593,106</u> | <u>\$ 119,435</u> | <u>20.1%</u> | | | <u>4,334</u> |
| Unallocated Corporate | | (27,092) | | | | |
| Adjusted EBITDA | | <u>\$ 92,343</u> | 15.6% | | | |
| Nine Months Ended September 30, 2019 (unaudited) | | | | | | |
| Corporate Finance & Restructuring | \$ 542,667 | \$ 135,937 | 25.0% | 70% | \$ 451 | 1,177 |
| Forensic and Litigation Consulting | 427,518 | 87,066 | 20.4% | 64% | \$ 336 | 1,326 |
| Economic Consulting | 439,488 | 66,766 | 15.2% | 76% | \$ 500 | 764 |
| Technology (1) | 164,051 | 37,884 | 23.1% | N/M | N/M | 348 |
| Strategic Communications (1) | 176,775 | 34,667 | 19.6% | N/M | N/M | 719 |
| | <u>\$ 1,750,499</u> | <u>\$ 362,320</u> | <u>20.7%</u> | | | <u>4,334</u> |
| Unallocated Corporate | | (76,704) | | | | |
| Adjusted EBITDA | | <u>\$ 285,616</u> | 16.3% | | | |
| Three Months Ended September 30, 2018 (unaudited) | | | | | | |
| Corporate Finance & Restructuring | \$ 135,418 | \$ 26,798 | 19.8% | 65% | \$ 414 | 926 |
| Forensic and Litigation Consulting | 126,684 | 21,970 | 17.3% | 63% | \$ 327 | 1,129 |
| Economic Consulting | 139,166 | 23,238 | 16.7% | 71% | \$ 540 | 705 |
| Technology (1) | 56,692 | 11,473 | 20.2% | N/M | N/M | 303 |
| Strategic Communications (1) | 55,052 | 10,802 | 19.6% | N/M | N/M | 652 |
| | <u>\$ 513,012</u> | <u>\$ 94,281</u> | <u>18.4%</u> | | | <u>3,715</u> |
| Unallocated Corporate | | (26,899) | | | | |
| Adjusted EBITDA | | <u>\$ 67,382</u> | 13.1% | | | |
| Nine Months Ended September 30, 2018 (unaudited) | | | | | | |
| Corporate Finance & Restructuring | \$ 419,695 | \$ 97,379 | 23.2% | 67% | \$ 425 | 926 |
| Forensic and Litigation Consulting | 388,250 | 75,342 | 19.4% | 65% | \$ 328 | 1,129 |
| Economic Consulting | 405,583 | 57,846 | 14.3% | 70% | \$ 515 | 705 |
| Technology (1) | 144,035 | 24,713 | 17.2% | N/M | N/M | 303 |
| Strategic Communications (1) | 165,321 | 31,621 | 19.1% | N/M | N/M | 652 |
| | <u>\$ 1,522,884</u> | <u>\$ 286,901</u> | <u>18.8%</u> | | | <u>3,715</u> |
| Unallocated Corporate | | (74,854) | | | | |
| Adjusted EBITDA | | <u>\$ 212,047</u> | 13.9% | | | |

N/M — Not meaningful

(1) The majority of the Technology and Strategic Communications segments' revenues are not generated based on billable hours. Accordingly, utilization and average billable rate metrics are not presented as they are not meaningful as a segment-wide metric.

FTI CONSULTING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Nine Months Ended September 30, | |
|---|------------------------------------|-------------------|
| | 2019 | 2018 |
| | (unaudited) | |
| Operating activities | | |
| Net income | \$ 187,665 | \$ 126,887 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 22,384 | 24,548 |
| Amortization and impairment of other intangible assets | 5,838 | 6,297 |
| Acquisition-related contingent consideration | 717 | 355 |
| Provision for doubtful accounts | 13,552 | 11,951 |
| Non-cash share-based compensation | 14,060 | 12,219 |
| Amortization of debt discount and issuance costs | 8,666 | 2,604 |
| Gain on sale of business | — | (13,031) |
| Other | 248 | 751 |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable, billed and unbilled | (191,644) | (130,369) |
| Notes receivable | 2,521 | 2,659 |
| Prepaid expenses and other assets | (5,817) | (174) |
| Accounts payable, accrued expenses and other | (7,332) | 16,150 |
| Income taxes | 30,777 | 28,922 |
| Accrued compensation | 5,156 | 7,207 |
| Billings in excess of services provided | (9,925) | (10,704) |
| Net cash provided by operating activities | 76,866 | 86,272 |
| Investing activities | | |
| Proceeds from sale of business | — | 50,283 |
| Payments for acquisition of businesses, net of cash received | (18,791) | — |
| Purchases of property and equipment | (27,026) | (27,841) |
| Other | 55 | 741 |
| Net cash provided by (used in) investing activities | (45,762) | 23,183 |
| Financing activities | | |
| Repayments under revolving line of credit, net | — | (100,000) |
| Proceeds from issuance of convertible notes | — | 316,250 |
| Payments of debt issue costs | — | (8,048) |
| Deposits | 535 | 2,327 |
| Purchase and retirement of common stock | (77,949) | (29,220) |
| Net issuance of common stock under equity compensation plans | 3,176 | 31,241 |
| Payments for business acquisition liabilities | (2,282) | (3,029) |
| Net cash provided by (used in) financing activities | (76,520) | 209,521 |
| Effect of exchange rate changes on cash and cash equivalents | (8,183) | (3,070) |
| Net increase (decrease) in cash and cash equivalents | (53,599) | 315,906 |
| Cash and cash equivalents, beginning of period | 312,069 | 189,961 |
| Cash and cash equivalents, end of period | <u>\$ 258,470</u> | <u>\$ 505,867</u> |