

FTI Consulting, Inc.

Third 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, 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.

Third Quarter 2019: Financial Review

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

	Q3 2019	Q2 2019	% Variance	Q3 2018	% Variance	Percentage Change in Revenues Excluding the Estimated Impact of Foreign Currency Translation for Q3 2019 vs. Q3 2018
Consolidated Results						
Revenues	\$ 593,106	\$ 606,119	-2.1%	\$ 513,012	15.6%	16.9%
Net Income	\$ 60,422	\$ 64,598	-6.5%	\$ 44,333	36.3%	
Earnings per Diluted Share	\$ 1.59	\$ 1.69	-5.9%	\$ 1.14	39.5%	
Adjusted Earnings per Diluted Share ⁽¹⁾	\$ 1.63	\$ 1.73	-5.8%	\$ 1.00	63.0%	
Adjusted EBITDA ⁽¹⁾	\$ 92,343	\$ 97,184	-5.0%	\$ 67,382	37.0%	
Adjusted EBITDA Margin ⁽¹⁾	15.6%	16.0%	—	13.1%	—	
Segment Results						
Corporate Finance & Restructuring						
Revenues	\$ 191,698	\$ 190,003	0.9%	\$ 135,418	41.6%	42.6%
Adjusted Segment EBITDA	\$ 48,084	\$ 50,492	-4.8%	\$ 26,798	79.4%	
Adjusted Segment EBITDA Margin	25.1%	26.6%	—	19.8%	—	
Forensic and Litigation Consulting						
Revenues	\$ 142,651	\$ 145,870	-2.2%	\$ 126,684	12.6%	13.4%
Adjusted Segment EBITDA	\$ 27,008	\$ 28,241	-4.4%	\$ 21,970	22.9%	
Adjusted Segment EBITDA Margin	18.9%	19.4%	—	17.3%	—	
Economic Consulting						
Revenues	\$ 141,715	\$ 155,502	-8.9%	\$ 139,166	1.8%	3.4%
Adjusted Segment EBITDA	\$ 19,413	\$ 23,313	-16.7%	\$ 23,238	-16.5%	
Adjusted Segment EBITDA Margin	13.7%	15.0%	—	16.7%	—	
Technology						
Revenues	\$ 57,083	\$ 55,632	2.6%	\$ 56,692	0.7%	1.5%
Adjusted Segment EBITDA	\$ 12,286	\$ 12,875	-4.6%	\$ 11,473	7.1%	
Adjusted Segment EBITDA Margin	21.5%	23.1%	—	20.2%	—	
Strategic Communications						
Revenues	\$ 59,959	\$ 59,112	1.4%	\$ 55,052	8.9%	11.7%
Adjusted Segment EBITDA	\$ 12,644	\$ 10,474	20.7%	\$ 10,802	17.1%	
Adjusted Segment EBITDA Margin	21.1%	17.7%	—	19.6%	—	

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

Cash Position and Capital Allocation Snapshot:

As of September 30, 2019, June 30, 2019 and September 30, 2018

All numbers in \$000s, except for DSO

	As of September 30, 2019	As of June 30, 2019	As of September 30, 2018
Cash and cash equivalents	\$ 258,470	\$ 189,106	\$ 505,867
Accounts receivable, net	\$ 739,463	\$ 743,402	\$ 623,397
Days Sales Outstanding ("DSO") ⁽¹⁾	108	103	104
Net cash provided by operating activities	\$ 131,304	\$ 47,648	\$ 120,857
Purchases of property and equipment	\$ (6,365)	\$ (10,508)	\$ (11,621)
Purchase and retirement of common stock	\$ (11,056)	\$ (45,010)	\$ (15,000)
Total Debt ⁽²⁾	\$ 316,250	\$ 336,250	\$ 616,250
Free Cash Flow ⁽³⁾	\$ 124,939	\$ 37,140	\$ 109,236

⁽¹⁾ Days Sales Outstanding ("DSO") is a performance measure used to assess how quickly revenues are collected by the Company. We calculate DSO at the end of each reporting period by dividing net accounts receivable reduced by billings in excess of services provided by revenue for the quarter, adjusted for changes in foreign exchange rates. We multiply the result by the number of days in the quarter.

⁽²⁾ Total debt excludes the impact of unamortized deferred debt issue costs of \$5.6 million, \$6.0 million and \$10.0 million as of September 30, 2019, June 30, 2019 and September 30, 2018, respectively, and excludes the impact of unamortized deferred debt discount of \$37.6 million, \$39.8 million and \$46.1 million as of September 30, 2019, June 30, 2019 and September 30, 2018, respectively, related to our 2.0% convertible senior notes due 2023.

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

Financial Tables

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

Three Months Ended September 30, 2019, June 30, 2019 and September 30, 2018

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

	Three Months Ended September 30, 2019	Three Months Ended June 30, 2019	Three Months Ended September 30, 2018
Net income	\$ 60,422	\$ 64,598	\$ 44,333
Non-cash interest expense on convertible notes	2,166	2,137	938
Tax impact on non-cash interest expense on convertible notes	(563)	(556)	(241)
Gain on sale of business	—	—	(13,031)
Tax impact of gain on sale of business	—	—	6,798
Adjusted Net Income ⁽¹⁾	\$ 62,025	\$ 66,179	\$ 38,797
Earnings per Diluted Share	\$ 1.59	\$ 1.69	\$ 1.14
Non-cash interest expense on convertible notes	0.06	0.05	0.03
Tax impact of non-cash interest expense on convertible notes	(0.02)	(0.01)	(0.01)
Gain on sale of business	—	—	(0.34)
Tax impact of gain on sale of business	—	—	0.18
Adjusted Earnings per Diluted Share ⁽¹⁾	\$ 1.63	\$ 1.73	\$ 1.00
Weighted average number of common shares outstanding—diluted	37,938	38,168	38,756

⁽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.

Reconciliation of Net Income and Operating Income to Adjusted EBITDA: Three Months Ended September 30, 2019 and June 30, 2019

All numbers in \$000s

Three Months Ended September 30, 2019

	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 ⁽¹⁾	\$ 48,084	\$ 27,008	\$ 19,413	\$ 12,286	\$ 12,644	\$ (27,092)	\$ 92,343

Three Months Ended June 30, 2019

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$ 64,598
Interest income and other							(2,609)
Interest expense							4,793
Income tax provision							21,313
Operating income	\$ 48,779	\$ 26,779	\$ 21,747	\$ 10,550	\$ 9,132	\$ (28,892)	\$ 88,095
Depreciation and amortization	947	1,174	1,521	2,325	589	681	7,237
Amortization of other intangible assets	766	288	45	—	753	—	1,852
Adjusted EBITDA ⁽¹⁾	\$ 50,492	\$ 28,241	\$ 23,313	\$ 12,875	\$ 10,474	\$ (28,211)	\$ 97,184

⁽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 September 30, 2018

All numbers in \$000s

Three Months Ended September 30, 2018

	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)
Gain on sale of business							(13,031)
Interest expense							7,246
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 ⁽¹⁾	\$ 26,798	\$ 21,970	\$ 23,238	\$ 11,473	\$ 10,802	\$ (26,899)	\$ 67,382

⁽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 Operating Activities to Free Cash Flow:

Three Months Ended September 30, 2019, June 30, 2019 and September 30, 2018

All numbers in \$000s

	Three Months Ended September 30, 2019	Three Months Ended June 30, 2019	Three Months Ended September 30, 2018
Net cash provided by operating activities	\$ 131,304	\$ 47,648	\$ 120,857
Purchases of property and equipment	(6,365)	(10,508)	(11,621)
Free Cash Flow ⁽¹⁾	\$ 124,939	\$ 37,140	\$ 109,236

⁽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:

*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 (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 in this presentation. We define Segment Operating Income (Loss) as a segment's share of consolidated operating income. 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 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. We use Adjusted Net Income for the purpose of calculating Adjusted EPS. Management uses Adjusted EPS to assess total Company operating performance on a consistent basis. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results and GAAP financial measures, provide management and investors with an additional understanding of our business operating results, including underlying trends.

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

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

Appendix

Third Quarter 2019: Select Geographic Review

Percentage of Consolidated Revenues				Revenue Growth	
Region	Q3 2019	Q2 2019	Q3 2018	Q3 2019 vs. Q2 2019	Q3 2019 vs. Q3 2018
North America	68.3%	67.7%	68.9%	-1.3%	14.6%
EMEA	23.9%	24.7%	21.8%	-5.2%	26.8%
Asia Pacific	6.5%	6.2%	7.0%	1.5%	6.6%
Latin America	1.3%	1.4%	2.3%	-7.7%	-33.0%

Third Quarter 2019: Select Awards & Accolades



Best Firms to Work For
Consulting magazine
2018-2019

FORTUNE

Fortune 1000 Company
Fortune
2019



Global Strategy Consulting
Firm of the Year
Global M&A Network
2019



Public Relations Agency of
the Year, Gold Winner
PR World
2019



2016-2019

Most experts named to the
Who's Who Legal: Consulting
Experts guide for the fourth
consecutive year, with 149
professionals recognized



2015-2019

Global Turnaround Consulting
Firm of the Year for the fifth
consecutive year and honored
in 15 categories at the
Turnaround Atlas Awards



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