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

FORM 10-Q

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

For the quarterly period ended June 30, 2020

OR

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

For the transition period from to

Commission File Number: 001-14875

FTI CONSULTING, INC.
(Exact Name of Registrant as Specified in its Charter)

Maryland	**52-1261113**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
555 12th Street NW Washington, DC	**20004**
(Address of Principal Executive Offices)	**(Zip Code)**

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	**FCN**	**New York Stock Exchange**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

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

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

Class	Outstanding at July 23, 2020
Common Stock, $0.01 par value	36,594,842

FTI CONSULTING, INC. AND SUBSIDIARIES

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PART I—FINANCIAL INFORMATION

FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets
(in thousands, except per share data)

Item 1. Financial Statements

	June 30, 2020	December 31, 2019
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 304,206	$ 369,373
Accounts receivable:		
Billed receivables	578,722	540,584
Unbilled receivables	435,234	418,288
Allowance for doubtful accounts and unbilled services	(299,038)	(265,500)
Accounts receivable, net	714,918	693,372
Current portion of notes receivable	32,279	35,106
Prepaid expenses and other current assets	75,938	80,810
Total current assets	1,127,341	1,178,661
Property and equipment, net	91,753	93,672
Operating lease assets	152,245	159,777
Goodwill	1,196,162	1,202,767
Other intangible assets, net	33,588	38,432
Notes receivable, net	64,646	69,033
Other assets	39,172	40,800
Total assets	$ 2,704,907	$ 2,783,142
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable, accrued expenses and other	$ 163,162	$ 158,936
Accrued compensation	314,018	416,903
Billings in excess of services provided	40,288	36,698
Total current liabilities	517,468	612,537
Long-term debt, net	315,808	275,609
Noncurrent operating lease liabilities	161,753	176,378
Deferred income taxes	155,293	151,352
Other liabilities	75,482	78,124
Total liabilities	1,225,804	1,294,000
Commitments and contingent liabilities (Note 10)		
Stockholders' equity		
Preferred stock, $0.01 par value; shares authorized — 5,000; none outstanding	—	—
Common stock, $0.01 par value; shares authorized — 75,000; shares issued and outstanding — 36,710 (2020) and 37,390 (2019)	367	374
Additional paid-in capital	122,743	216,162
Retained earnings	1,518,374	1,413,453
Accumulated other comprehensive loss	(162,381)	(140,847)
Total stockholders' equity	1,479,103	1,489,142
Total liabilities and stockholders' equity	$ 2,704,907	$ 2,783,142

See accompanying notes to condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income
(in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues	$ 607,852	$ 606,119	$ 1,212,445	$ 1,157,393
Operating expenses				
Direct cost of revenues	413,011	386,266	815,258	735,332
Selling, general and administrative expenses	126,928	129,906	253,887	243,091
Amortization of other intangible assets	2,314	1,852	4,645	3,713
	542,253	518,024	1,073,790	982,136
Operating income	65,599	88,095	138,655	175,257
Other income (expense)				
Interest income and other	2,202	2,609	7,219	2,768
Interest expense	(5,157)	(4,793)	(10,018)	(9,539)
	(2,955)	(2,184)	(2,799)	(6,771)
Income before income tax provision	62,644	85,911	135,856	168,486
Income tax provision	14,470	21,313	30,935	41,243
Net income	$ 48,174	$ 64,598	$ 104,921	$ 127,243
Earnings per common share — basic	$ 1.33	$ 1.75	$ 2.89	$ 3.44
Earnings per common share — diluted	$ 1.27	$ 1.69	$ 2.76	$ 3.33
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments, net of tax expense of $0	$ 9,568	$ (4,815)	$ (21,534)	$ 408
Total other comprehensive income (loss), net of tax	9,568	(4,815)	(21,534)	408
Comprehensive income	$ 57,742	$ 59,783	$ 83,387	$ 127,651

See accompanying notes to condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity
(in thousands)
(Unaudited)

	Common Stock						
	Shares	**Amount**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Total**
Balance at December 31, 2019	37,390	$ 374	$ 216,162	$ 1,413,453	$ (140,847)	$ 1,489,142
Net income	—	$ —	$ —	$ 56,747	$ —	$ 56,747
Other comprehensive loss:						
Cumulative translation adjustment	—	—	—	—	(31,102)	(31,102)
Issuance of common stock in connection with:						
Exercise of options	34	1	1,206	—	—	1,207
Restricted share grants, less net settled shares of 58	136	1	(6,768)	—	—	(6,767)
Stock units issued under incentive compensation plan	—	—	2,314	—	—	2,314
Purchase and retirement of common stock	(450)	(5)	(50,306)	—	—	(50,311)
Share-based compensation	—	—	7,454	—	—	7,454
Balance at March 31, 2020	37,110	$ 371	$ 170,062	$ 1,470,200	$ (171,949)	$ 1,468,684
Net income	—	$ —	$ —	$ 48,174	$ —	$ 48,174
Other comprehensive income:						
Cumulative translation adjustment	—	—	—	—	9,568	9,568
Issuance of common stock in connection with:						
Exercise of options	33	—	1,191	—	—	1,191
Restricted share grants, less net settled shares of 18	38	1	(2,155)	—	—	(2,154)
Purchase and retirement of common stock	(471)	(5)	(51,048)	—	—	(51,053)
Share-based compensation	—	—	4,693	—	—	4,693
Balance at June 30, 2020	36,710	$ 367	$ 122,743	$ 1,518,374	$ (162,381)	$ 1,479,103

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at December 31, 2018	38,147	$ 381	$ 299,534	$ 1,196,727	$ (147,817)	$ 1,348,825
Net income	—	$ —	$ —	$ 62,645	$ —	$ 62,645
Other comprehensive income:						
Cumulative translation adjustment	—	—	—	—	5,223	5,223
Issuance of common stock in connection with:						
Exercise of options	55	1	2,211	—	—	2,212
Restricted share grants, less net settled shares of 38	153	1	(2,740)	—	—	(2,739)
Stock units issued under incentive compensation plan	—	—	1,346	—	—	1,346
Purchase and retirement of common stock	(328)	(3)	(21,880)	—	—	(21,883)
Share-based compensation	—	—	6,393	—	—	6,393
Balance at March 31, 2019	38,027	$ 380	$ 284,864	$ 1,259,372	$ (142,594)	$ 1,402,022
Net income	—	$ —	$ —	$ 64,598	$ —	$ 64,598
Other comprehensive loss:						
Cumulative translation adjustment	—	—	—	—	(4,815)	(4,815)
Issuance of common stock in connection with:						
Exercise of options	87	1	3,075	—	—	3,076
Restricted share grants, less net settled shares of 17	78	1	(1,352)	—	—	(1,351)
Purchase and retirement of common stock	(580)	(6)	(48,326)	—	—	(48,332)
Share-based compensation	—	—	3,814	—	—	3,814
Balance at June 30, 2019	37,612	$ 376	$ 242,075	$ 1,323,970	$ (147,409)	$ 1,419,012

See accompanying notes to condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operating activities		
Net income	$ 104,921	$ 127,243
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,707	14,304
Amortization and impairment of other intangible assets	4,645	3,713
Acquisition-related contingent consideration	1,120	186
Provision for doubtful accounts	11,624	6,260
Share-based compensation	12,147	10,207
Amortization of debt discount and issuance costs	5,987	5,748
Deferred income taxes	4,128	966
Other	13	225
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(42,804)	(186,854)
Notes receivable	5,993	8,343
Prepaid expenses and other assets	8,979	(1,953)
Accounts payable, accrued expenses and other	2,230	(11,606)
Income taxes	(2,344)	23,458
Accrued compensation	(107,217)	(55,183)
Billings in excess of services provided	4,285	505
Net cash provided by (used in) operating activities	29,414	(54,438)
Investing activities		
Purchases of property and equipment	(13,899)	(20,661)
Other	14	69
Net cash used in investing activities	(13,885)	(20,592)
Financing activities		
Borrowings under revolving line of credit	90,000	25,000
Repayments under revolving line of credit	(55,000)	(5,000)
Purchase and retirement of common stock	(99,678)	(66,893)
Net issuance of common stock under equity compensation plans	(6,523)	1,009
Payments for business acquisition liabilities	(3,948)	(2,282)
Deposits and other	5,098	1,014
Net cash used in financing activities	(70,051)	(47,152)
Effect of exchange rate changes on cash and cash equivalents	(10,645)	(781)
Net decrease in cash and cash equivalents	(65,167)	(122,963)
Cash and cash equivalents, beginning of period	369,373	312,069
Cash and cash equivalents, end of period	$ 304,206	$ 189,106
Supplemental cash flow disclosures		
Cash paid for interest	$ 3,668	$ 3,467
Cash paid for income taxes, net of refunds	$ 29,150	$ 16,820
Non-cash investing and financing activities:		
Issuance of stock units under incentive compensation plans	$ 2,314	$ 1,346
Purchase and retirement of common stock not yet paid	$ 1,829	$ 3,322

See accompanying notes to condensed consolidated financial statements

1. Basis of Presentation and Significant Accounting Policies

The unaudited condensed consolidated financial statements of FTI Consulting, Inc., including its consolidated subsidiaries (collectively, the "Company," "we," "our" or "FTI Consulting"), presented herein, have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and under the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Some of the information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. Certain prior period amounts have been reclassified to conform to the current period presentation. In management's opinion, the interim financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim periods presented. All adjustments made were normal recurring accruals. Results of operations for the interim periods presented herein are not necessarily indicative of results of operations for a full year. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC.

2. New Accounting Standards

Recently Adopted Accounting Standards

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15 ("ASU 2018-15"), *Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*, which requires companies to capitalize implementation costs of a hosting arrangement that is a service contract and expense those costs over the term of the hosting arrangement. On January 1, 2020, we prospectively adopted ASU 2018-15 for eligible costs incurred on or after the adoption date. The adoption of this standard resulted in the recognition of additional internal use software costs, which are included in the "Property and equipment, net" financial statement line item on the Condensed Consolidated Balance Sheets. The impact was not material on the Condensed Consolidated Balance Sheets as of June 30, 2020 or on the Condensed Consolidated Statements of Comprehensive Income, Condensed Consolidated Statements of Stockholders' Equity or Condensed Consolidated Statements of Cash Flows for the three and six months ended June 30, 2020.

Accounting Standards Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to reduce the complexity in accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifying and amending existing guidance. The amendments in this ASU are effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, although early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

3. Earnings Per Common Share

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

Because we expect to settle the principal amount of the outstanding 2.0% convertible senior notes due 2023 ("2023 Convertible Notes") in cash, we use the treasury stock method for calculating the potential dilutive effect of the conversion feature on earnings per common share, if applicable. The conversion feature had a dilutive impact on earnings per common share for the three and six months ended June 30, 2020, as the average market price per share of our common stock for the period exceeded the conversion price of $101.38 per share. See Note 8, "Debt" for additional information about the 2023 Convertible Notes.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator — basic and diluted				
Net income	$ 48,174	$ 64,598	$ 104,921	$ 127,243
Denominator				
Weighted average number of common shares outstanding — basic	36,169	36,960	36,292	36,970
Effect of dilutive convertible notes	507	—	470	—
Effect of dilutive stock options	444	459	453	445
Effect of dilutive restricted shares	732	749	806	778
Weighted average number of common shares outstanding — diluted	37,852	38,168	38,021	38,193
Earnings per common share — basic	$ 1.33	$ 1.75	$ 2.89	$ 3.44
Earnings per common share — diluted	$ 1.27	$ 1.69	$ 2.76	$ 3.33
Antidilutive stock options and restricted shares	54	25	33	38

4. Revenues

We generate the majority of our revenues by providing consulting services to our clients. Most of our consulting service contracts are based on one of the following types of arrangements:

- *Time and expense arrangements* require the client to pay us based on the number of hours worked at contractually agreed-upon rates. We recognize revenues for these arrangements based on hours incurred and contracted rates utilizing a right-to-invoice practical expedient because we have a right to consideration for services completed to date.
- *Fixed-fee arrangements* require the client to pay a pre-established fee in exchange for a predetermined set of professional services. We recognize revenues earned to date by applying the proportional performance method. Generally, these arrangements have one performance obligation.
- *Performance-based or contingent arrangements* represent forms of variable consideration. In these arrangements, our fees are based on the attainment of contractually defined objectives with our client, such as completing a business transaction or assisting the client in achieving a specific business objective. We recognize revenues earned to date in an amount that is probable not to reverse and by applying the proportional performance method when the criteria for over time revenue recognition are met.

Revenues are recognized when we satisfy a performance obligation by transferring services promised in a contract to a customer and in an amount that reflects the consideration that we expect to receive in exchange for those services. Performance obligations in our contracts represent distinct or separate services that we provide to our customers.

Revenues recognized during the current period may include revenues from performance obligations satisfied or partially satisfied in previous periods. This primarily occurs when the estimated transaction price has changed based on our current probability assessment over whether the agreed-upon outcome for our performance-based and contingent arrangements will be achieved. The aggregate amount of revenues recognized related to a change in the transaction price in the current period, which related to performance obligations satisfied or partially satisfied in a prior period, was $8.3 million and $14.1 million for the three and six months ended June 30, 2020, respectively, and $21.2 million and $23.7 million for the three and six months ended June 30, 2019, respectively.

Unfulfilled performance obligations primarily consist of fees not yet recognized on certain fixed-fee arrangements and performance-based and contingent arrangements. As of June 30, 2020 and December 31, 2019, the aggregate amount of unfulfilled performance obligations was $1.7 million and $2.3 million, respectively. We expect to recognize the majority of the related revenues over the next 24 months. We elected to utilize the optional exemption to exclude from this disclosure fixed-fee and performance-based and contingent arrangements with an original expected duration of one year or less and to exclude our time and expense arrangements for which revenues are recognized using the right-to-invoice practical expedient.

Contract assets are defined as assets for which we have recorded revenue but are not yet entitled to receive our fees because certain events, such as completion of the measurement period or client approval, must occur. The contract asset balance was immaterial as of June 30, 2020 and $1.3 million as of December 31, 2019.

Contract liabilities are defined as liabilities incurred when we have received consideration but have not yet performed the agreed-upon services. This may occur when clients pay fees before work begins. The contract liability balance was immaterial as of June 30, 2020 and December 31, 2019.

5. Accounts Receivable and Allowance for Doubtful Accounts

Timing of revenue recognition often differs from the timing of billing to our customers. Generally, we transfer goods or services to a customer before the customer pays consideration or payment is due. If we have an unconditional right to invoice and receive payment for goods or services already provided, we record billed and unbilled receivables on our Condensed Consolidated Balance Sheets. Our contract terms generally include a requirement of payment within 30 days when no contingencies exist. Payment terms and conditions vary depending on the jurisdiction, market and type of service, and whether regulatory or other third-party approvals are required. At times, we may execute contracts in a form provided by customers that might include different payment terms and contracts may be negotiated at the client's request.

We record adjustments to the allowance for doubtful accounts and unbilled services as a reduction in revenues when there are changes in estimates of fee reductions, such as those fee reductions imposed by bankruptcy courts and other regulatory institutions for both billed and unbilled accounts receivable. The allowance for doubtful accounts and unbilled services is also adjusted after the related work has been billed to the client and we determine that all or a portion of the accounts receivable is not expected to be collected.

Adjustments to the allowance for doubtful accounts and unbilled services related to expected credit losses are recorded to selling, general and administrative ("SG&A") expenses on the Condensed Consolidated Statements of Comprehensive Income as bad debt expense. Judgment is required to assess collectability and to adjust the allowance for doubtful accounts and unbilled services to the current estimate of expected credit losses. Our judgments consider customer specific risks such as the counterparty's creditworthiness and historical collection experience. Other factors include but are not limited to current economic conditions and forward-looking estimates.

Our bad debt expense totaled $7.8 million and $11.6 million for the three and six months ended June 30, 2020, respectively, and $2.5 million and $6.3 million for the three and six months ended June 30, 2019, respectively. Our billed accounts receivables are written off when the potential for recovery is considered remote. Our write-offs totaled $7.5 million and $13.5 million for the three and six months ended June 30, 2020, respectively, and $3.4 million and $5.9 million for the three and six months ended June 30, 2019, respectively.

6. Goodwill and Other Intangible Assets

Goodwill

The table below summarizes the changes in the carrying amount of goodwill by reportable segment:

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Total
Balance at December 31, 2019						
Goodwill	$ 478,842	$ 232,120	$ 268,677	$ 96,770	$ 320,497	$ 1,396,906
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2019	478,842	232,120	268,677	96,770	126,358	1,202,767
Foreign currency translation adjustment and other	(285)	(1,879)	(322)	(88)	(4,031)	(6,605)
Balance at June 30, 2020						
Goodwill	478,557	230,241	268,355	96,682	316,466	1,390,301
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at June 30, 2020	$ 478,557	$ 230,241	$ 268,355	$ 96,682	$ 122,327	$ 1,196,162

Other Intangible Assets

Other intangible assets were as follows:

	June 30, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets						
Customer relationships	$ 97,849	$ 78,935	$ 18,914	$ 99,613	$ 76,808	$ 22,805
Trademarks	9,898	1,481	8,417	9,855	653	9,202
Acquired software and other	3,401	2,244	1,157	3,386	2,061	1,325
	111,148	82,660	28,488	112,854	79,522	33,332
Non-amortizing intangible assets						
Trademarks	5,100	—	5,100	5,100	—	5,100
Total	$ 116,248	$ 82,660	$ 33,588	$ 117,954	$ 79,522	$ 38,432

Other intangible assets with finite lives are amortized over their estimated useful lives. We recorded amortization expense of $2.3 million and $4.6 million for the three and six months ended June 30, 2020, respectively, and $1.9 million and $3.7 million for the three and six months ended June 30, 2019, respectively.

We estimate our future amortization expense for our intangible assets with finite lives to be as follows:

Year	As of June 30, 2020 [(1)]
2020 (remaining)	$ 4,650
2021	8,792
2022	7,002
2023	3,607
2024	2,204
Thereafter	2,233
	$ 28,488

(1) Actual amortization expense to be reported in future periods could differ from these estimates because of new intangible asset acquisitions, impairments, changes in useful lives, or other relevant factors or changes.

7. Financial Instruments

The following table presents the carrying amounts and estimated fair values of our financial instruments by hierarchy level as of June 30, 2020 and December 31, 2019:

	June 30, 2020			
		Hierarchy Level (Fair Value)		
	Carrying Amount	Level 1	Level 2	Level 3
Liabilities				
Acquisition-related contingent consideration, including current portion (1)	$ 11,194	$ —	$ —	$ 11,194
2023 Convertible Notes (2)	280,808	—	399,689	
Total	$ 292,002	$ —	$ 399,689	$ 11,194

	December 31, 2019			
		Hierarchy Level (Fair Value)		
	Carrying Amount	Level 1	Level 2	Level 3
Liabilities				
Acquisition-related contingent consideration, including current portion (1)	$ 14,826	$ —	$ —	$ 14,826
2023 Convertible Notes (2)	275,609	—	398,016	—
Total	$ 290,435	$ —	$ 398,016	$ 14,826

(1) The short-term portion is included in “Accounts payable, accrued expenses and other” and the long-term portion is included in “Other liabilities” on the Condensed Consolidated Balance Sheets.

(2) The carrying values include unamortized deferred debt issue costs and debt discount.

The fair values of financial instruments not included in the tables above are estimated to be equivalent to their carrying values as of June 30, 2020 and December 31, 2019.

We estimate the fair value of our 2023 Convertible Notes based on their last actively traded prices. The fair value of our 2023 Convertible Notes is classified within Level 2 of the fair value hierarchy because it is traded in less active markets.

We estimate the fair value of acquisition-related contingent consideration using either a probability-weighted discounted cash flow model or a Monte Carlo simulation. These fair value estimates represent Level 3 measurements as they are based on significant inputs not observed in the market and reflect our own assumptions. We have multiple valuation models that use different inputs and assumptions based on the timing of the acquisitions. As a result, the significant unobservable inputs used in these models vary. The acquisition-related contingent consideration subject to the probability-weighted discounted cash flow model was valued using significant unobservable inputs including a discount rate of 13.5% and future cash flows. The acquisition-related contingent consideration subject to the Monte Carlo simulation was valued using significant unobservable inputs including a volatility rate of 30.0%, a discount rate of 13.6%, which reflects the weighted average of our cost of debt and adjusted cost of equity of the acquired company, and future cash flows. Significant increases (or decreases) in these unobservable inputs in isolation would result in significantly lower (or higher) fair values. We reassess the fair value of our acquisition-related contingent consideration at each reporting period based on additional information as it becomes available.

The change in our liability for acquisition-related contingent consideration for our Level 3 financial instruments is as follows:

		Liability for Acquisition-Related Contingent Consideration
Balance at December 31, 2019	$	14,826
Accretion expense [1]		506
Foreign currency translation adjustment [2]		(148)
Balance at March 31, 2020	$	15,184
Accretion expense [1]		614
Payments		(4,692)
Foreign currency translation adjustment [2]		88
Balance at June 30, 2020	$	11,194

		Liability for Acquisition-Related Contingent Consideration
Balance at December 31, 2018	$	3,698
Accretion expense [1]		93
Balance at March 31, 2019	$	3,791
Accretion expense [1]		93
Payments		(1,000)
Balance at June 30, 2019	$	2,884

(1) Accretion expense is included in "Selling, general and administrative expenses" on the Condensed Consolidated Statements of Comprehensive Income.

(2) Foreign currency translation adjustments are included in "Other comprehensive income (loss), net of tax" on the Condensed Consolidated Statements of Comprehensive Income.

8. Debt

The table below summarizes the components of the Company’s debt:

		June 30, 2020		December 31, 2019
2023 Convertible Notes	$	316,250	$	316,250
Credit Facility		35,000		—
Total debt		351,250		316,250
Less: deferred debt discount		(30,912)		(35,393)
Less: deferred debt issue costs		(4,530)		(5,248)
Long-term debt, net [1]	$	315,808	$	275,609
Additional paid-in capital	$	35,306	$	35,306
Discount attribution to equity		(1,175)		(1,175)
Equity component, net	$	34,131	$	34,131

(1) There were no current portions of long-term debt as of June 30, 2020 and December 31, 2019.

2023 Convertible Notes

On August 20, 2018, we issued the 2023 Convertible Notes in an aggregate principal amount of $316.3 million. The 2023 Convertible Notes bear interest at a fixed rate of 2.0% per year, payable semiannually in arrears on February 15th and

August 15th of each year and will mature on August 15, 2023, unless earlier converted or repurchased. The 2023 Convertible Notes are senior unsecured obligations of the Company.

The 2023 Convertible Notes are convertible at maturity at a conversion rate of 9.8643 shares of our common stock per $1,000 principal amount of the 2023 Convertible Notes (equivalent to a conversion price of approximately $101.38 per share of common stock). Subject to the conditions set forth in the indenture governing the 2023 Convertible Notes, holders may convert their 2023 Convertible Notes at any time prior to the close of business on the business day immediately preceding May 15, 2023. The circumstances required to allow the holders to convert their 2023 Convertible Notes prior to maturity were not met as of June 30, 2020.

The excess of the principal amount of the liability over its carrying amount ("debt discount") is amortized to interest expense over the term of the 2023 Convertible Notes using the effective interest rate method.

We incurred debt issue costs and allocated the total amount to the liability and equity components of the 2023 Convertible Notes based on their relative values. The debt issue costs attributable to the liability component are amortized to interest expense over the term of the 2023 Convertible Notes using the effective interest rate method. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity.

The table below summarizes the amount of interest cost recognized by us for both the contractual interest expense and amortization of the debt discount for the 2023 Convertible Notes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Contractual interest expense	$ 1,581	$ 1,581	$ 3,162	$ 3,162
Amortization of debt discount [1]	2,255	2,137	4,480	4,245
Total	$ 3,836	$ 3,718	$ 7,642	$ 7,407

(1) The effective interest rate of the liability component is 5.45%.

Credit Facility

On June 26, 2015, we entered into a credit agreement (the "Original Credit Agreement"), which provides for a $550.0 million senior secured bank revolving credit facility (the “Credit Facility”) maturing on June 26, 2020. In November 2018, we amended and restated the Original Credit Agreement, to, among other things, extend the maturity of the revolving loans under the Credit Facility to November 30, 2023 and incurred an additional $1.7 million of debt issuance costs (the Original Credit Agreement as amended and restated, the “Credit Agreement”).

The Company classified the borrowings under the Company’s Credit Facility as long-term debt in the accompanying Condensed Consolidated Balance Sheets, as amounts due under the Credit Facility are not contractually required or expected to be liquidated for more than one year from the applicable balance sheet date. Additionally, $1.0 million of the borrowing limit under the Credit Facility was utilized (and, therefore, unavailable) as of June 30, 2020 for letters of credit.

There were $1.2 million and $2.0 million of unamortized debt issue costs related to the Credit Facility as of June 30, 2020 and December 31, 2019, respectively. These amounts were included in “Other assets” on our Condensed Consolidated Balance Sheets.

9. Leases

We lease office space and equipment under non-cancelable operating leases. We recognize operating lease expense on a straight-line basis over the lease term, which may include renewal or termination options that are reasonably certain of exercise. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis. Most leases include one or more options to renew, with renewal terms that can extend the lease term from three months to seven years. The exercise of lease renewal options is at our sole discretion. Certain of our lease agreements include rental payments that are adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The table below summarizes the carrying amount of our operating lease assets and liabilities:

Leases	Classification	As of June 30, 2020	As of December 31, 2019
Assets			
Operating lease assets	Operating lease assets	$ 152,245	$ 159,777
Total lease assets		$ 152,245	$ 159,777
Liabilities			
Current			
Operating lease liabilities	Accounts payable, accrued expenses and other	$ 39,595	$ 35,727
Noncurrent			
Operating lease liabilities	Noncurrent operating lease liabilities	161,753	176,378
Total lease liabilities		$ 201,348	$ 212,105

The table below summarizes total lease costs:

	Three Months Ended June 30,		Six Months Ended June 30,	
Lease Cost	2020	2019	2020	2019
Operating lease costs	$ 11,800	$ 11,044	$ 23,599	$ 21,909
Short-term lease costs	487	566	1,009	1,429
Variable lease costs	2,846	2,685	5,832	5,698
Sublease income	(1,041)	(1,246)	(2,130)	(2,443)
Total lease cost, net	$ 14,092	$ 13,049	$ 28,310	$ 26,593

We sublease certain of our leased office spaces to third parties. Our sublease portfolio consists of leases of office space that we have vacated before the lease term expiration. Operating lease expense on vacated office space is reduced by sublease rental income, which is recorded to SG&A expenses on the Condensed Consolidated Statements of Comprehensive Income. Our sublease arrangements do not contain renewal options or restrictive covenants. We estimate future sublease rental income to be $2.4 million for the remainder of 2020, $4.5 million in 2021, $0.7 million in 2022, $0.6 million in 2023, $0.6 million in 2024 and $0.3 million in years beyond 2024.

The maturity analysis below summarizes the remaining future undiscounted cash flows for our operating leases and includes a reconciliation to operating lease liabilities reported on the Condensed Consolidated Balance Sheet:

	As of June 30, 2020
2020 (remaining)	$ 21,376
2021	53,585
2022	34,287
2023	28,507
2024	25,239
Thereafter	79,045
Total future lease payments	242,039
Less: imputed interest	(40,691)
Total	$ 201,348

The table below includes cash paid for our operating lease liabilities, other non-cash information, our weighted average remaining lease term and weighted average discount rate:

	Six Months Ended June 30,	
	2020	2019
Cash paid for amounts included in the measurement of operating lease liabilities	$ 26,986	$ 23,199
Operating lease assets obtained in exchange for lease liabilities	$ 11,954	$ 19,162
Weighted average remaining lease term (years)		
Operating leases	6.3	6.7
Weighted average discount rate		
Operating leases	5.5%	5.6%

10. Commitments and Contingencies

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

11. Share-Based Compensation

During the six months ended June 30, 2020, we granted 128,366 restricted share awards, 28,927 restricted stock units and 108,718 performance stock units. Our performance stock units are presented at the maximum potential payout percentage of 150% of target shares granted. These awards are recorded as equity on the Condensed Consolidated Balance Sheets. During the six months ended June 30, 2020, no stock options or shares of restricted stock were forfeited prior to the completion of the applicable vesting requirements.

Total share-based compensation expense, net of forfeitures, for the three and six months ended June 30, 2020 and 2019 is detailed in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
Income Statement Classification	2020	2019	2020	2019
Direct cost of revenues	$ 2,141	$ 2,559	$ 7,864	$ 7,802
Selling, general and administrative expenses	2,725	2,698	5,936	5,130
Total share-based compensation expense	$ 4,866	$ 5,257	$ 13,800	$ 12,932

12. Stockholders' Equity

On June 2, 2016, our Board of Directors authorized a stock repurchase program of up to $100.0 million (the "Repurchase Program"). On each of May 18, 2017, December 1, 2017, February 21, 2019 and February 20, 2020, our Board of Directors authorized an additional $100.0 million, respectively, increasing the Repurchase Program to an aggregate authorization of $500.0 million. No time limit has been established for the completion of the Repurchase Program, and the Repurchase Program may be suspended, discontinued or replaced by the Board of Directors at any time without prior notice. As of June 30, 2020, we have $65.3 million available under the Repurchase Program to repurchase additional shares.

The following table details our stock repurchases under the Repurchase Program:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Shares of common stock repurchased and retired	471	580	921	908
Average price paid per share	$ 108.41	$ 83.34	$ 110.03	$ 77.33
Total cost	$ 51,043	$ 48,320	$ 101,344	$ 70,197

Common stock outstanding was 36.7 million shares and 37.4 million shares as of June 30, 2020 and December 31, 2019, respectively. Common stock outstanding includes unvested restricted stock awards, which are considered issued and outstanding under the terms of the restricted stock award agreements.

13. Segment Reporting

We manage our business in five reportable segments: Corporate Finance & Restructuring ("Corporate Finance"), Forensic and Litigation Consulting ("FLC"), Economic Consulting, Technology and Strategic Communications.

Our Corporate Finance segment focuses on the strategic, operational, financial, transactional and capital needs of our clients around the world and delivers a wide range of service offerings related to restructuring, business transformation and transactions. Our restructuring practice includes corporate restructuring, including bankruptcy and interim management services. Our business transformation and transactions practices include financial, operational and performance improvement services, as well as due diligence, financing advisory, mergers and acquisitions ("M&A") advisory, M&A integration, carveout support and valuations.

Our FLC segment provides law firms, companies, government clients and other interested parties with multidisciplinary and independent services related to risk advisory, investigations and disputes. We have expertise in anti-corruption/anti-money laundering investigations and compliance, cybersecurity, data analytics, export controls and sanctions, and monitorship. We offer specialized industry expertise in the areas of insurance, construction, healthcare, environmental and trial services.

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

Our Technology segment provides companies and law firms with a comprehensive and global portfolio of consulting and services for information governance, privacy and security, electronic discovery and insight analytics. Our consulting expertise enables clients to more confidently govern, secure, find, analyze and rapidly understand their data in the context of compliance and risk.

Our Strategic Communications segment designs and executes communications strategies for CEOs, management teams and boards of directors that help them seize opportunities, manage financial, regulatory and reputational challenges, navigate market disruptions, articulate their corporate brand, stake a competitive position and preserve their freedom to operate.

We evaluate the performance of our operating segments based on Adjusted Segment EBITDA, a GAAP financial measure. We define Adjusted Segment EBITDA as a segment's share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We define Total Adjusted Segment EBITDA, a non-GAAP financial measure, as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. We use Adjusted Segment EBITDA 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.

The table below presents revenues and Adjusted Segment EBITDA for our reportable segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues				
Corporate Finance	$ 246,011	$ 190,003	$ 453,760	$ 350,969
FLC	106,381	145,870	253,978	284,867
Economic Consulting	151,493	155,502	283,631	297,773
Technology	47,084	55,632	105,807	106,968
Strategic Communications	56,883	59,112	115,269	116,816
Total revenues	$ 607,852	$ 606,119	$ 1,212,445	$ 1,157,393
Adjusted Segment EBITDA				
Corporate Finance	$ 76,264	$ 50,492	$ 125,210	$ 87,853
FLC	(9,047)	28,241	12,161	60,058
Economic Consulting	21,694	23,313	34,404	47,353
Technology	6,435	12,875	20,919	25,598
Strategic Communications	10,034	10,474	18,810	22,023
Total Adjusted Segment EBITDA	$ 105,380	$ 125,395	$ 211,504	$ 242,885

The table below reconciles net income to Total Adjusted Segment EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income	$ 48,174	$ 64,598	$ 104,921	$ 127,243
Add back:				
Income tax provision	14,470	21,313	30,935	41,243
Interest income and other	(2,202)	(2,609)	(7,219)	(2,768)
Interest expense	5,157	4,793	10,018	9,539
Unallocated corporate expenses	30,276	28,892	53,867	50,995
Segment depreciation expense	7,191	6,556	14,337	12,920
Amortization of intangible assets	2,314	1,852	4,645	3,713
Total Adjusted Segment EBITDA	$ 105,380	$ 125,395	$ 211,504	$ 242,885

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

The following is a discussion and analysis of our consolidated financial condition, results of operations, liquidity and capital resources for the three and six months ended June 30, 2020 and 2019 and significant factors that could affect our prospective financial condition and results of operations. This discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes and with our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the United States ("U.S.") Securities and Exchange Commission ("SEC"). In addition to historical information, the following discussion includes forward-looking statements based on current expectations that involve risks, uncertainties and assumptions, such as our plans, objectives, expectations and intentions. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, these expectations or any of the forward-looking statements could prove to be incorrect, and actual results could differ materially from those projected or assumed in the forward-looking statements.

BUSINESS OVERVIEW

FTI Consulting, Inc. ("FTI Consulting," "we," "us" or the "Company") is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political and regulatory, reputational and transactional. Individually, each of our practices is staffed with experts recognized for the depth of their knowledge and a track record of making an impact. Collectively, FTI Consulting offers a comprehensive suite of services designed to assist clients across the business cycle, from proactive risk management to rapid response to unexpected events and dynamic environments.

We report financial results for the following five reportable segments:

Our **Corporate Finance & Restructuring ("Corporate Finance")** segment focuses on the strategic, operational, financial, transactional and capital needs of our clients around the world and delivers a wide range of service offerings related to restructuring, business transformation and transactions. Our restructuring practice includes corporate restructuring, including bankruptcy and interim management services. Our business transformation and transactions practices include financial, operational and performance improvement services, as well as due diligence, financing advisory, mergers and acquisitions ("M&A") advisory, M&A integration, carveout support and valuations.

Our **Forensic and Litigation Consulting ("FLC")** segment provides law firms, companies, government clients and other interested parties with multidisciplinary and independent services related to risk advisory, investigations and disputes. We have expertise in anti-corruption/anti-money laundering investigations and compliance, cybersecurity, data analytics, export controls and sanctions, and monitorship. We offer specialized industry expertise in the areas of insurance, construction, healthcare, environmental and trial services.

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

Our **Technology** segment provides companies and law firms with a comprehensive and global portfolio of consulting and services for information governance, privacy and security, electronic discovery ("e-discovery") and insight analytics. Our consulting expertise enables clients to more confidently govern, secure, find, analyze and rapidly understand their data in the context of compliance and risk.

Our **Strategic Communications** segment designs and executes communications strategies for CEOs, management teams and boards of directors that help them seize opportunities, manage financial, regulatory and reputational challenges, navigate market disruptions, articulate their corporate brand, stake a competitive position and preserve their freedom to operate.

We derive substantially all of our revenues from providing professional services to both U.S. and global clients. Most of our services are rendered under time and expense arrangements that obligate the client to pay us a fee for the hours that we incur at agreed-upon rates. Under this arrangement, we typically bill our clients for reimbursable expenses, which may include the cost of producing our work product and other direct expenses that we incur on behalf of the client, such as travel costs. We also render services for which certain clients may be required to pay us a fixed-fee or recurring retainer. These arrangements are generally cancelable at any time. Some of our engagements contain performance-based arrangements in which we earn a contingent or success fee when and if certain predefined outcomes occur. This type of success fee may supplement a time and expense or fixed-fee arrangement. Success fee revenues may cause variations in our revenues and operating results due to the timing of when achieving the performance-based criteria becomes probable. Seasonal factors, such as the timing of our employees' and clients' vacations and holidays, may impact the timing of our revenues across our segments.

In our Technology segment, certain clients are billed based on the amount of data storage used or the volume of information processed. Unit-based revenues are defined as revenues billed on a per item, per page or some other unit-based method and include revenues from data processing and hosting. Unit-based revenues include revenues associated with the software products that are made available to customers via a web browser (“on-demand”). On-demand revenues are charged on a unit or monthly basis and include, but are not limited to, processing and review related functions.

Our financial results are primarily driven by:

- the number, size and type of engagements we secure;
- the rate per hour or fixed charges we charge our clients for services;
- the utilization rates of the revenue-generating professionals we employ;
- the timing of revenue recognition related to revenues subject to certain performance-based contingencies;
- the number of revenue-generating professionals;
- the types of assignments we are working on at different times;
- the length of the billing and collection cycles; and
- the geographic locations of our clients or locations in which services are rendered.

We define acquisition growth as revenues of acquired companies in the first 12 months following the effective date of an acquisition. Our definition of organic growth is the change in revenues, excluding the impact of all such acquisitions.

When significant, we identify the estimated impact of foreign currency (“FX”) driven by our businesses with functional currencies other than the U.S. dollar (“USD”). The estimated impact of FX on the period-to-period performance results is calculated as the difference between the prior period results multiplied by the average FX exchange rates to USD in the current period and the prior period results, multiplied by the average FX exchange rates to USD in the prior period.

Non-GAAP Financial 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 in the United States ("GAAP"). Certain of these financial measures are considered not in conformity with GAAP ("non-GAAP financial measures”) under the SEC rules. Specifically, we have 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

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 the accompanying analysis of financial information. As described in Note 13, “Segment Reporting” in Part I, Item 1, of this Quarterly Report on Form 10-Q, we evaluate the performance of our operating segments based on Adjusted Segment EBITDA, and Segment Operating Income (Loss) is a component of the definition of Adjusted Segment EBITDA.

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 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 (used in) 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. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included elsewhere in this report.

EXECUTIVE HIGHLIGHTS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(dollar amounts in thousands, except per share data)		(dollar amounts in thousands, except per share data)	
Revenues	$ 607,852	$ 606,119	$ 1,212,445	$ 1,157,393
Net income	$ 48,174	$ 64,598	$ 104,921	$ 127,243
Adjusted EBITDA	$ 75,797	$ 97,184	$ 159,007	$ 193,273
Earnings per common share — diluted	$ 1.27	$ 1.69	$ 2.76	$ 3.33
Adjusted earnings per common share — diluted	$ 1.32	$ 1.73	$ 2.85	$ 3.36
Net cash provided by (used in) operating activities	$ 152,976	$ 47,648	$ 29,414	$ (54,438)
Total number of employees	5,813	4,999	5,813	4,999

Second Quarter 2020 Executive Highlights

Revenues

Revenues for the three months ended June 30, 2020 increased $1.7 million, or 0.3%, to $607.9 million, as compared to the three months ended June 30, 2019, which included a 1.3% estimated negative impact from FX. Acquisition-related revenues contributed $12.4 million compared to the prior year quarter. Excluding the estimated impact from FX and the acquisition-related revenues, revenues decreased $3.1 million, or 0.5%, primarily due to decreased demand in our FLC and Technology segments, as well as lower success fees and pass-through revenues, which was partially offset by higher demand for restructuring services in our Corporate Finance segment compared to the prior year quarter.

Net income

Net income for the three months ended June 30, 2020 decreased $16.4 million to $48.2 million, as compared to the three months ended June 30, 2019. The decrease in net income was due to higher compensation, primarily related to an 18.2% increase in billable headcount and higher variable compensation, which was partially offset by a decline in selling, general and administrative ("SG&A") expenses and a lower effective tax rate, compared to the prior year quarter.

Adjusted EBITDA

Adjusted EBITDA for the three months ended June 30, 2020 decreased $21.4 million, or 22.0%, to $75.8 million, as compared to the three months ended June 30, 2019. Adjusted EBITDA Margin of 12.5% for the three months ended June 30, 2020 compared with 16.0% for the three months ended June 30, 2019. The decrease in Adjusted EBITDA was due to higher compensation, primarily related to an 18.2% increase in billable headcount and higher variable compensation, which was partially offset by lower SG&A expenses and an increase in revenues, compared to the prior year quarter.

EPS and Adjusted EPS

EPS for the three months ended June 30, 2020 decreased $0.42 to $1.27 compared to $1.69 for the three months ended June 30, 2019. The decrease in EPS was primarily due to the operating results described above, which was partially offset by a lower effective tax rate.

Adjusted EPS decreased $0.41 to $1.32 for the three months ended June 30, 2020 compared to $1.73 for the three months ended June 30, 2019. 2020 Adjusted EPS excludes $2.3 million of non-cash interest expense related to the 2.0% convertible senior notes due 2023 (the "2023 Convertible Notes"), which increased Adjusted EPS by $0.05. 2019 Adjusted EPS excludes $2.1 million of non-cash interest expense related to the 2023 Convertible Notes, which increased Adjusted EPS by $0.04.

Liquidity and Capital Allocation

Net cash provided by operating activities for the three months ended June 30, 2020 increased $105.3 million to $153.0 million compared with $47.6 million for the three months ended June 30, 2019. The increase in net cash provided by operating activities was primarily due to higher cash collections, combined with lower non-compensation-related operating costs, which was partially offset by higher salaries related to headcount growth. Days sales outstanding (“DSO”) was 98 days at June 30, 2020 compared to 103 days at June 30, 2019. The decrease in DSO was primarily due to an increase in cash collections, which outpaced the increase in revenues.

Free Cash Flow was an inflow of $147.3 million and $37.1 million for the three months ended June 30, 2020 and 2019, respectively. The increase for the three months ended June 30, 2020 was primarily due to higher net cash provided by operating activities, as described above.

Other strategic activities

During the three months ended June 30, 2020, we entered into a definitive agreement to acquire certain assets of Delta Partners Group Limited, a leading telecom, media & technology focused strategy consulting and investment banking firm with offices in Dubai, New York, Singapore, Barcelona, Johannesburg, San Francisco and Sydney. The acquisition closed during the third quarter of 2020.

Coronavirus Disease 2019 ("COVID-19") Pandemic

The COVID-19 pandemic has created global volatility, economic uncertainty and general market disruption. The extent to which COVID-19 will ultimately impact our business is difficult to predict. During the three months ended June 30, 2020, the COVID-19 pandemic impacted each of our segments, practices and regions differently. Limitations in our ability to service our clients due to social distancing, travel restrictions and remote work have negatively impacted our financial results. In addition, we experienced a reduction in demand and delays in our ability to provide certain services due to regulatory moratoriums and postponements of legal proceedings and investigations. These events arising from COVID-19 have negatively impacted our segment results to a varied extent this quarter, particularly our FLC segment. Conversely, restructuring and bankruptcy services provided by our Corporate Finance segment have experienced increased demand as a result of the adverse economic impact of the COVID-19 pandemic. The increased demand for our restructuring and bankruptcy services may not adequately offset the potential negative impacts of the COVID-19 pandemic on our business in future quarters.

Headcount

Our total headcount increased 4.4% from 5,567 at December 31, 2019 to 5,813 at June 30, 2020. The following table includes the net billable headcount additions (reductions), including transfers, for the six months ended June 30, 2020:

Billable Headcount	Corporate Finance [(1)]	FLC [(1)]	Economic Consulting	Technology	Strategic Communications	Total
December 31, 2019	1,194	1,351	790	361	728	4,424
Additions, net	54	42	20	13	27	156
March 31, 2020	1,248	1,393	810	374	755	4,580
Additions (reductions including transfers), net	114	(67)	—	12	6	65
June 30, 2020	1,362	1,326	810	386	761	4,645
Percentage change in headcount from December 31, 2019	14.1%	-1.9 %	2.5%	6.9%	4.5%	5.0%

(1) There were 66 revenue-generating professionals in Europe, Middle East and Africa ("EMEA") who moved from FLC to Corporate Finance during the three months ended June 30, 2020.

CONSOLIDATED RESULTS OF OPERATIONS

Segment and Consolidated Operating Results:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands, except per share data)		(in thousands, except per share data)	
Revenues				
Corporate Finance	$ 246,011	$ 190,003	$ 453,760	$ 350,969
FLC	106,381	145,870	253,978	284,867
Economic Consulting	151,493	155,502	283,631	297,773
Technology	47,084	55,632	105,807	106,968
Strategic Communications	56,883	59,112	115,269	116,816
Total revenues	$ 607,852	$ 606,119	$ 1,212,445	$ 1,157,393
Segment operating income (loss)				
Corporate Finance	$ 73,811	$ 48,779	$ 120,475	$ 84,463
FLC	(10,382)	26,779	9,124	57,219
Economic Consulting	20,216	21,747	31,612	44,236
Technology	3,432	10,550	15,021	20,986
Strategic Communications	8,798	9,132	16,290	19,348
Total segment operating income	95,875	116,987	192,522	226,252
Unallocated corporate expenses	(30,276)	(28,892)	(53,867)	(50,995)
Operating income	65,599	88,095	138,655	175,257
Other income (expense)				
Interest income and other	2,202	2,609	7,219	2,768
Interest expense	(5,157)	(4,793)	(10,018)	(9,539)
	(2,955)	(2,184)	(2,799)	(6,771)
Income before income tax provision	62,644	85,911	135,856	168,486
Income tax provision	14,470	21,313	30,935	41,243
Net income	$ 48,174	$ 64,598	$ 104,921	$ 127,243
Earnings per common share — basic	$ 1.33	$ 1.75	$ 2.89	$ 3.44
Earnings per common share — diluted	$ 1.27	$ 1.69	$ 2.76	$ 3.33

Reconciliation of Net Income to Adjusted EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)		(in thousands)	
Net income	$ 48,174	$ 64,598	$ 104,921	$ 127,243
Add back:				
Income tax provision	14,470	21,313	30,935	41,243
Interest income and other	(2,202)	(2,609)	(7,219)	(2,768)
Interest expense	5,157	4,793	10,018	9,539
Depreciation and amortization	7,884	7,237	15,707	14,303
Amortization of other intangible assets	2,314	1,852	4,645	3,713
Adjusted EBITDA	$ 75,797	$ 97,184	$ 159,007	$ 193,273

Reconciliation of Net Income and EPS to Adjusted Net Income and Adjusted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands, except per share data)		(in thousands, except per share data)	
Net income	$ 48,174	$ 64,598	$ 104,921	$ 127,243
Add back:				
Non-cash interest expense on convertible notes	2,255	2,137	4,480	4,245
Tax impact of non-cash interest expense on convertible notes	(586)	(556)	(1,165)	(1,103)
Tax impact of gain on sale of business [(1)]	—	—	—	(2,097)
Adjusted net income	$ 49,843	$ 66,179	$ 108,236	$ 128,288
Earnings per common share — diluted	$ 1.27	$ 1.69	$ 2.76	$ 3.33
Add back:				
Non-cash interest expense on convertible notes	0.06	0.05	0.12	0.11
Tax impact of non-cash interest expense on convertible notes	(0.01)	(0.01)	(0.03)	(0.03)
Tax impact of gain on sale of business [(1)]	—	—	—	(0.05)
Adjusted earnings per common share — diluted	$ 1.32	$ 1.73	$ 2.85	$ 3.36
Weighted average number of common shares outstanding — diluted	37,852	38,168	38,021	38,193

(1) For the six months ended June 30, 2019, represents a discrete tax adjustment resulting from a change in estimate related to the accounting for the Ringtail e-discovery software and related business (collectively, "Ringtail") divestiture in 2018.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)		(in thousands)	
Net cash provided by (used in) operating activities	$ 152,976	$ 47,648	$ 29,414	$ (54,438)
Purchases of property and equipment	(5,663)	(10,508)	(13,899)	(20,661)
Free Cash Flow	$ 147,313	$ 37,140	$ 15,515	$ (75,099)

Three Months Ended June 30, 2020 Compared with Three Months Ended June 30, 2019

Revenues and operating income

See “Segment Results” for an expanded discussion of revenues, gross profit and SG&A expenses.

Unallocated corporate expenses

Unallocated corporate expenses for the three months ended June 30, 2020 increased $1.4 million, or 4.8%, to $30.3 million compared with $28.9 million for the three months ended June 30, 2019. The increase was primarily due to higher employee-related costs and variable compensation.

Interest income and other

Interest income and other, which includes FX gains and losses, decreased $0.4 million to $2.2 million for the three months ended June 30, 2020 compared with $2.6 million for the three months ended June 30, 2019.

FX gains and losses, both realized and unrealized, relate to the remeasurement or settlement of monetary assets and liabilities that are denominated in a currency other than an entity’s functional currency. These monetary assets and liabilities include cash, as well as third-party and intercompany receivables and payables.

Interest expense

Interest expense for the three months ended June 30, 2020 increased $0.4 million to $5.2 million compared with $4.8 million for the three months ended June 30, 2019.

Income tax provision

The effective income tax rate for the three months ended June 30, 2020 of 23.1% compared with 24.8% for the three months ended June 30, 2019. The 2020 tax rate was favorably impacted by a discrete tax adjustment related to share-based compensation, lower non-deductible U.S. expenses and the release of certain valuation allowances on our deferred tax assets. The tax rate for the three months ended June 30, 2019 was favorably impacted by a discrete tax adjustment related to share-based compensation.

Six Months Ended June 30, 2020 Compared with Six Months Ended June 30, 2019

Revenues and operating income

See “Segment Results” for an expanded discussion of revenues, gross profit and SG&A expenses.

Unallocated corporate expenses

Unallocated corporate expenses for the six months ended June 30, 2020 increased $2.9 million, or 5.6%, to $53.9 million compared with $51.0 million for the six months ended June 30, 2019. The increase was primarily due to higher variable compensation and employee-related costs.

Interest income and other

Interest income and other, which includes FX gains and losses, increased $4.5 million to $7.2 million for the six months ended June 30, 2020 compared with $2.8 million for the six months ended June 30, 2019. The increase in interest income and other for the six months ended June 30, 2020 as compared to the prior year was primarily due to an increase in net FX gains of $4.6 million.

FX gains and losses, both realized and unrealized, relate to the remeasurement or settlement of monetary assets and liabilities that are denominated in a currency other than an entity’s functional currency. These monetary assets and liabilities include cash, as well as third-party and intercompany receivables and payables.

Interest expense

Interest expense for the six months ended June 30, 2020 increased $0.5 million to $10.0 million compared with $9.5 million for the six months ended June 30, 2019.

Income tax provision

The effective income tax rate for the six months ended June 30, 2020 was 22.8% compared with 24.5% for the six months ended June 30, 2019. The 2020 tax rate was favorably impacted by a discrete tax adjustment related to share-based compensation, lower non-deductible U.S. expenses and the release of certain valuation allowances on our deferred tax assets. The tax rate for the six months ended June 30, 2019 was favorably impacted by discrete tax adjustments including a change in estimate related to the accounting for the sale of Ringtail and share-based compensation.

SEGMENT RESULTS

Total Adjusted Segment EBITDA

We evaluate the performance of each of our operating segments based on Adjusted Segment EBITDA, which is a GAAP financial measure. The following table reconciles Net Income to Total Adjusted Segment EBITDA, a non-GAAP financial measure, for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)		(in thousands)	
Net income	$ 48,174	$ 64,598	$ 104,921	$ 127,243
Add back:				
Income tax provision	14,470	21,313	30,935	41,243
Interest income and other	(2,202)	(2,609)	(7,219)	(2,768)
Interest expense	5,157	4,793	10,018	9,539
Unallocated corporate expenses	30,276	28,892	53,867	50,995
Total segment operating income	95,875	116,987	192,522	226,252
Add back:				
Segment depreciation expense	7,191	6,556	14,337	12,920
Amortization of other intangible assets	2,314	1,852	4,645	3,713
Total Adjusted Segment EBITDA	$ 105,380	$ 125,395	$ 211,504	$ 242,885

Other Segment Operating Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Number of revenue-generating professionals: (at period end)				
Corporate Finance	1,362	1,011	1,362	1,011
FLC	1,326	1,212	1,326	1,212
Economic Consulting	810	712	810	712
Technology [1]	386	323	386	323
Strategic Communications	761	672	761	672
Total revenue-generating professionals	4,645	3,930	4,645	3,930
Utilization rates of billable professionals: [2]				
Corporate Finance	71%	68%	70%	69%
FLC	46%	65%	52%	66%
Economic Consulting	73%	79%	70%	78%
Average billable rate per hour: [3]				
Corporate Finance	$ 494	$ 475	$ 473	$ 453
FLC	$ 327	$ 340	$ 332	$ 337
Economic Consulting	$ 508	$ 524	$ 478	$ 501

(1) The number of revenue-generating professionals for the Technology segment excludes as-needed professionals who we employ based on demand for the segment's services. We employed an average of 224 as-needed employees during the three months ended June 30, 2020 compared with 312 as-needed employees during the three months ended June 30, 2019.

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

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

CORPORATE FINANCE & RESTRUCTURING

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	(dollars in thousands, except rate per hour)		(dollars in thousands, except rate per hour)	
Revenues	$ 246,011	$ 190,003	$ 453,760	$ 350,969
Percentage change in revenues from prior year	29.5%	34.4%	29.3%	23.5%
Operating expenses				
Direct cost of revenues	143,265	112,489	271,869	212,114
Selling, general and administrative expenses	27,520	27,969	58,698	52,859
Amortization of other intangible assets	1,415	766	2,718	1,533
	172,200	141,224	333,285	266,506
Segment operating income	73,811	48,779	120,475	84,463
Percentage change in segment operating income from prior year	51.3%	43.3%	42.6%	25.6%
Add back:				
Depreciation and amortization of intangible assets	2,453	1,713	4,735	3,390
Adjusted Segment EBITDA	$ 76,264	$ 50,492	$ 125,210	$ 87,853
Gross profit [(1)]	$ 102,746	$ 77,514	$ 181,891	$ 138,855
Percentage change in gross profit from prior year	32.6%	36.2%	31.0%	22.6%
Gross profit margin [(2)]	41.8%	40.8%	40.1%	39.6%
Adjusted Segment EBITDA as a percent of revenues	31.0%	26.6%	27.6%	25.0%
Number of revenue-generating professionals (at period end)	1,362	1,011	1,362	1,011
Percentage change in number of revenue-generating professionals from prior year	34.7%	16.1%	34.7%	16.1%
Utilization rates of billable professionals	71%	68%	70%	69%
Average billable rate per hour	$ 494	$ 475	$ 473	$ 453

(1) Revenues less direct cost of revenues
(2) Gross profit as a percentage of revenues

Three Months Ended June 30, 2020 Compared with Three Months Ended June 30, 2019

Revenues increased $56.0 million, or 29.5%, to $246.0 million for the three months ended June 30, 2020, which included a 1.2% estimated negative impact from FX. Acquisition-related revenues contributed $12.4 million, or 6.5% of the increase, compared to the prior year period. Excluding the estimated impact from FX and the acquisition-related revenues, revenues increased $45.9 million, or 24.1%, primarily due to increased demand and higher realized pricing related to the mix of client engagements and staffing across restructuring services in North America, as well as higher demand for our restructuring services in EMEA, which was partially offset by a $13.2 million decrease in success fees and lower realized pricing for our business transformation and transactions services compared to the prior year period.

Gross profit increased $25.2 million, or 32.6%, to $102.7 million for the three months ended June 30, 2020. Gross profit margin increased 1.0 percentage point for the three months ended June 30, 2020. The increase in gross profit margin was primarily due to increased utilization and higher realized pricing for our restructuring services, which was partially offset by lower utilization for our business transformation and transactions services, as well as lower success fees across our business.

SG&A expenses decreased $0.4 million, or 1.6%, to $27.5 million for the three months ended June 30, 2020, which included a 1.7% estimated favorable impact from FX. SG&A expenses of 11.2% of revenues for the three months ended June 30, 2020 compared with 14.7% of revenues for the three months ended June 30, 2019. The decrease in SG&A expenses was primarily due to reduced travel and entertainment expenses, which was partially offset by acquisition-related expenses.

Six Months Ended June 30, 2020 Compared with Six Months Ended June 30, 2019

Revenues increased $102.8 million, or 29.3%, to $453.8 million for the six months ended June 30, 2020, which included a 1.1% estimated negative impact from FX. Acquisition-related revenues contributed $25.9 million, or 7.4% of the increase, compared to the prior year period. Excluding the estimated impact from FX and the acquisition-related revenues, revenues increased $80.9 million, or 23.0%, primarily due to increased demand for our restructuring services in North America and EMEA and higher demand for our business transformation and transactions services, which was partially offset by a $12.9 million decrease in success fees compared to the prior year period.

Gross profit increased $43.0 million, or 31.0%, to $181.9 million for the six months ended June 30, 2020. Gross profit margin increased 0.5 percentage points for the six months ended June 30, 2020. The increase in gross profit margin was primarily due to higher realized pricing and increased utilization for our restructuring services, which was partially offset by lower utilization for our business transformation and transactions services, as well as lower success fees across our business.

SG&A expenses increased $5.8 million, or 11.0%, to $58.7 million for the six months ended June 30, 2020, which included a 1.4% estimated favorable impact from FX. SG&A expenses of 12.9% of revenues for the six months ended June 30, 2020 compared with 15.1% of revenues for the six months ended June 30, 2019. The increase in SG&A expenses was primarily due to acquisition-related expenses and higher infrastructure support costs, largely related to an increase in headcount, which was partially offset by lower travel and entertainment expenses.

FORENSIC AND LITIGATION CONSULTING

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(dollars in thousands, except rate per hour)		(dollars in thousands, except rate per hour)	
Revenues	$ 106,381	$ 145,870	$ 253,978	$ 284,867
Percentage change in revenues from prior year	-27.1%	9.2%	-10.8 %	8.9%
Operating expenses				
Direct cost of revenues	92,001	89,891	193,832	173,994
Selling, general and administrative expenses	24,592	28,912	50,566	53,075
Amortization of other intangible assets	170	288	456	579
	116,763	119,091	244,854	227,648
Segment operating income (loss)	(10,382)	26,779	9,124	57,219
Percentage change in segment operating income from prior year	-138.8 %	2.3%	-84.1%	13.3%
Add back:				
Depreciation and amortization of intangible assets	1,335	1,462	3,037	2,839
Adjusted Segment EBITDA	$ (9,047)	$ 28,241	$ 12,161	$ 60,058
Gross profit [(1)]	$ 14,380	$ 55,979	$ 60,146	$ 110,873
Percentage change in gross profit from prior year	-74.3 %	12.3%	-45.8 %	14.2%
Gross profit margin [(2)]	13.5 %	38.4%	23.7 %	38.9%
Adjusted Segment EBITDA as a percent of revenues	-8.5 %	19.4%	4.8 %	21.1%
Number of revenue-generating professionals (at period end)	1,326	1,212	1,326	1,212
Percentage change in number of revenue-generating professionals from prior year	9.4 %	13.8%	9.4%	13.8%
Utilization rates of billable professionals	46 %	65%	52 %	66%
Average billable rate per hour	$ 327	$ 340	$ 332	$ 337

(1) Revenues less direct cost of revenues

(2) Gross profit as a percentage of revenues

Three Months Ended June 30, 2020 Compared with Three Months Ended June 30, 2019

Revenues decreased $39.5 million, or 27.1%, to $106.4 million for the three months ended June 30, 2020, which included a 1.4% estimated negative impact from FX. Excluding the estimated negative impact from FX, revenues decreased $37.5 million, or 25.7%, due to decreased demand for all of our services, particularly for our investigations and disputes services.

Gross profit decreased $41.6 million, or 74.3%, to $14.4 million for the three months ended June 30, 2020. Gross profit margin decreased 24.9 percentage points for the three months ended June 30, 2020. The decrease in gross profit margin was largely related to a 19 percentage point decline in utilization coupled with higher employee-related costs due to a 9.4% increase in headcount.

SG&A expenses decreased $4.3 million, or 14.9%, to $24.6 million for the three months ended June 30, 2020, which included a 1.0% estimated favorable impact from FX. SG&A expenses of 23.1% of revenues for the three months ended June 30, 2020 compared with 19.8% of revenues for the three months ended June 30, 2019. The decrease in SG&A expenses was primarily driven by lower travel and entertainment expenses, hiring costs, marketing and business development expenses.

Six Months Ended June 30, 2020 Compared with Six Months Ended June 30, 2019

Revenues decreased $30.9 million, or 10.8%, to $254.0 million for the six months ended June 30, 2020, which included a 1.1% estimated negative impact from FX. Excluding the estimated negative impact from FX, revenues decreased $27.9 million, or 9.8%, primarily due to decreased demand for our investigations, disputes and health solutions services.

Gross profit decreased $50.7 million, or 45.8%, to $60.1 million for the six months ended June 30, 2020. Gross profit margin decreased 15.2 percentage points for the six months ended June 30, 2020. The decrease in gross profit margin was largely related to a 14 percentage point decline in utilization, coupled with higher employee-related costs due to increased headcount.

SG&A expenses decreased $2.5 million, or 4.7%, to $50.6 million for the six months ended June 30, 2020. SG&A expenses of 19.9% of revenues for the six months ended June 30, 2020 compared with 18.6% of revenues for the six months ended June 30, 2019. The decrease in SG&A expenses was primarily driven by lower travel and entertainment and hiring costs, which was partially offset by higher infrastructure support costs largely related to an increase in headcount.

ECONOMIC CONSULTING

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(dollars in thousands, except rate per hour)		(dollars in thousands, except rate per hour)	
Revenues	$ 151,493	$ 155,502	$ 283,631	$ 297,773
Percentage change in revenues from prior year	-2.6%	16.6%	-4.7%	11.8%
Operating expenses				
Direct cost of revenues	110,293	115,858	211,286	217,621
Selling, general and administrative expenses	20,939	17,852	40,644	35,827
Amortization of other intangible assets	45	45	89	89
	131,277	133,755	252,019	253,537
Segment operating income	20,216	21,747	31,612	44,236
Percentage change in segment operating income from prior year	-7.0%	55.1%	-28.5%	39.7%
Add back:				
Depreciation and amortization of intangible assets	1,478	1,566	2,792	3,117
Adjusted Segment EBITDA	$ 21,694	$ 23,313	$ 34,404	$ 47,353
Gross profit (1)	$ 41,200	$ 39,644	$ 72,345	$ 80,152
Percentage change in gross profit from prior year	3.9%	19.6%	-9.7%	16.8%
Gross profit margin (2)	27.2 %	25.5%	25.5 %	26.9%
Adjusted Segment EBITDA as a percent of revenues	14.3 %	15.0%	12.1 %	15.9%
Number of revenue-generating professionals (at period end)	810	712	810	712
Percentage change in number of revenue-generating professionals from prior year	13.8%	2.4%	13.8%	2.4%
Utilization rates of billable professionals	73%	79%	70%	78%
Average billable rate per hour	$ 508	$ 524	$ 478	$ 501

(1) Revenues less direct cost of revenues
(2) Gross profit as a percentage of revenues

Three Months Ended June 30, 2020 Compared with Three Months Ended June 30, 2019

Revenues decreased $4.0 million, or 2.6%, to $151.5 million for the three months ended June 30, 2020, which included a 1.0% estimated negative impact from FX. Excluding the estimated negative impact of FX, revenues decreased $2.5 million, or 1.6%, primarily due to lower demand for financial economics and non-M&A-related antitrust services, along with lower realized pricing for our non-M&A-related antitrust services and international arbitration, which was partially offset by higher demand for M&A-related antitrust services.

Gross profit increased $1.6 million, or 3.9%, to $41.2 million for the three months ended June 30, 2020. Gross profit margin increased 1.7 percentage points for the three months ended June 30, 2020. The increase in gross profit margin was primarily due to lower variable compensation as a percentage of revenues, which was partially offset by lower utilization.

SG&A expenses increased $3.1 million, or 17.3%, to $20.9 million for the three months ended June 30, 2020. SG&A expenses of 13.8% of revenues for the three months ended June 30, 2020 compared with 11.5% of revenues for the three months ended June 30, 2019. The increase in SG&A expenses was primarily driven by an increase in bad debt expense, which was partially offset by lower travel and entertainment expenses.

Six Months Ended June 30, 2020 Compared with Six Months Ended June 30, 2019

Revenues decreased $14.1 million, or 4.7%, to $283.6 million for the six months ended June 30, 2020. The decrease was primarily due to lower demand for financial economics and non-M&A-related antitrust services, along with lower realized pricing for our non-M&A-related antitrust and international arbitration services, which was partially offset by higher demand for our M&A-related antitrust services, along with higher realized pricing for our financial economics services.

Gross profit decreased $7.8 million, or 9.7%, to $72.3 million for the six months ended June 30, 2020. Gross profit margin decreased 1.4 percentage points for the six months ended June 30, 2020. The decrease in gross profit margin was primarily due to lower utilization and realized pricing, as well as higher employee-related costs due to increased headcount.

SG&A expenses increased $4.8 million, or 13.4%, to $40.6 million for the six months ended June 30, 2020. SG&A expenses of 14.3% of revenues for the six months ended June 30, 2020 compared with 12.0% of revenues for the six months ended June 30, 2019. The increase in SG&A expenses was primarily driven by higher bad debt expense and an increase in rent and occupancy expenses.

TECHNOLOGY

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(dollars in thousands)		(dollars in thousands)	
Revenues	$ 47,084	$ 55,632	$ 105,807	$ 106,968
Percentage change in revenues from prior year	-15.4 %	19.8%	-1.1%	22.5%
Operating expenses				
Direct cost of revenues	30,531	31,482	63,708	60,026
Selling, general and administrative expenses	13,121	13,600	27,078	25,956
	43,652	45,082	90,786	85,982
Segment operating income	3,432	10,550	15,021	20,986
Percentage change in segment operating income from prior year	-67.5%	165.9%	-28.4%	219.9%
Add back:				
Depreciation and amortization of intangible assets	3,003	2,325	5,898	4,612
Adjusted Segment EBITDA	$ 6,435	$ 12,875	$ 20,919	$ 25,598
Gross profit (1)	$ 16,553	$ 24,150	$ 42,099	$ 46,942
Percentage change in gross profit from prior year	-31.5 %	23.6%	-10.3%	31.1%
Gross profit margin (2)	35.2 %	43.4%	39.8 %	43.9%
Adjusted Segment EBITDA as a percent of revenues	13.7 %	23.1%	19.8 %	23.9%
Number of revenue-generating professionals (at period end) (3)	386	323	386	323
Percentage change in number of revenue-generating professionals from prior year	19.5 %	10.2%	19.5%	10.2%

(1) Revenues less direct cost of revenues

(2) Gross profit as a percentage of revenues

(3) Includes personnel involved in direct client assistance and revenue-generating consultants and excludes professionals employed on an as-needed basis.

Three Months Ended June 30, 2020 Compared with Three Months Ended June 30, 2019

Revenues decreased $8.5 million, or 15.4%, to $47.1 million for the three months ended June 30, 2020, which included a 1.0% estimated negative impact from FX. Excluding the estimated negative impact from FX, revenues decreased $8.0 million, or 14.4%, due to decreased demand for our managed review services, primarily related to litigation and global cross-border investigations services that required on site work, as well as lower revenues related to the completion of our transition services associated with the Ringtail divestiture, which was partially offset by higher demand for consulting services, primarily related to information governance and litigation services.

Gross profit decreased $7.6 million, or 31.5%, to $16.6 million for the three months ended June 30, 2020. Gross profit margin decreased by 8.3 percentage points for the three months ended June 30, 2020. The decrease in gross profit margin was due to lower revenues combined with higher employee-related costs due to a 19.5% increase in headcount.

SG&A expenses decreased $0.5 million, or 3.5%, to $13.1 million for the three months ended June 30, 2020. SG&A expenses of 27.9% of revenues for the three months ended June 30, 2020 compared with 24.4% of revenues for the three months ended June 30, 2019. The decrease in SG&A expenses was primarily due to lower travel and entertainment expenses, which was partially offset by an increase in other general and administrative expenses.

Six Months Ended June 30, 2020 Compared with Six Months Ended June 30, 2019

Revenues decreased $1.2 million, or 1.1%, to $105.8 million for the six months ended June 30, 2020. The decrease was primarily due to lower demand and realized prices for our managed review services, as well as lower revenues related to the completion of our transition services associated with the Ringtail divestiture and lower demand and realization for our processing services, which was partially offset by an increase in consulting services, primarily driven by M&A-related and litigation services.

Gross profit decreased $4.8 million, or 10.3%, to $42.1 million for the six months ended June 30, 2020. Gross profit margin decreased by 4.1 percentage points for the six months ended June 30, 2020. The decrease in gross profit margin was largely due to the completion of our transition services associated with the Ringtail divestiture, coupled with an unfavorable mix and lower profitability for our managed review and processing services, which was partially offset by the favorable mix and higher profitability for our consulting services.

SG&A expenses increased $1.1 million, or 4.3%, to $27.1 million for the six months ended June 30, 2020. SG&A expenses of 25.6% of revenues for the six months ended June 30, 2020 compared with 24.3% of revenues for the six months ended June 30, 2019. The increase in SG&A expenses was primarily due to higher infrastructure support costs largely related to an increase in headcount, as well as an increase in other general and administrative expenses.

STRATEGIC COMMUNICATIONS

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	(dollars in thousands)		(dollars in thousands)	
Revenues	$ 56,883	$ 59,112	$ 115,269	$ 116,816
Percentage change in revenues from prior year	-3.8%	2.8%	-1.3 %	5.9%
Operating expenses				
Direct cost of revenues	36,923	36,539	74,563	71,577
Selling, general and administrative expenses	10,478	12,688	23,034	24,379
Amortization of other intangible assets	684	753	1,382	1,512
	48,085	49,980	98,979	97,468
Segment operating income	8,798	9,132	16,290	19,348
Percentage change in segment operating income from prior year	-3.7%	-4.0 %	-15.8 %	8.3%
Add back:				
Depreciation and amortization of intangible assets	1,236	1,342	2,520	2,675
Adjusted Segment EBITDA	$ 10,034	$ 10,474	$ 18,810	$ 22,023
Gross profit (1)	$ 19,960	$ 22,573	$ 40,706	$ 45,239
Percentage change in gross profit from prior year	-11.6%	1.2 %	-10.0 %	3.7%
Gross profit margin (2)	35.1 %	38.2 %	35.3 %	38.7%
Adjusted Segment EBITDA as a percent of revenues	17.6 %	17.7 %	16.3 %	18.9%
Number of revenue-generating professionals (at period end)	761	672	761	672
Percentage change in number of revenue-generating professionals from prior year	13.2%	7.0 %	13.2%	7.0%

(1) Revenues less direct cost of revenues
(2) Gross profit as a percentage of revenues

Three Months Ended June 30, 2020 Compared with Three Months Ended June 30, 2019

Revenues decreased $2.2 million, or 3.8%, to $56.9 million for the three months ended June 30, 2020, which included a 2.1% estimated negative impact from FX. Excluding the estimated negative impact of FX, revenues decreased $1.0 million, or 1.7%, primarily due to $1.9 million in lower pass-through revenues, which were partially offset by higher project-based revenues. The increase in project-based revenues was primarily driven by higher demand for public affairs and financial communications services as compared to the prior year period.

Gross profit decreased $2.6 million, or 11.6%, to $20.0 million for the three months ended June 30, 2020. Gross profit margin decreased 3.1 percentage points for the three months ended June 30, 2020. The decrease in gross profit margin was driven by higher employee-related costs due to increased headcount.

SG&A expenses decreased $2.2 million, or 17.4%, to $10.5 million for the three months ended June 30, 2020, which included a 1.9% estimated favorable impact from FX. SG&A expenses of 18.4% of revenues for the three months ended June 30, 2020 compared with 21.5% of revenues for the three months ended June 30, 2019. The decrease in SG&A expenses was primarily due to lower travel and entertainment expenses and other general and administrative expenses.

Six Months Ended June 30, 2020 Compared with Six Months Ended June 30, 2019

Revenues decreased $1.5 million, or 1.3%, to $115.3 million for the six months ended June 30, 2020, which included a 1.7% estimated negative impact from FX. Excluding the estimated negative impact of FX, revenues increased $0.5 million, or 0.4%, primarily due to higher project- and retainer-based revenues, which were partially offset by $1.5 million in lower pass-through revenues. The increase in project- and retainer-based revenues was primarily driven by higher demand for financial communications and public affairs services, which was partially offset by lower demand for corporate reputation services as compared to the prior year period.

Gross profit decreased $4.5 million, or 10.0%, to $40.7 million for the six months ended June 30, 2020. Gross profit margin decreased 3.4 percentage points for the six months ended June 30, 2020. The decrease in gross profit margin was primarily driven by higher employee-related costs due to increased headcount, which was partially offset by lower variable compensation as a percentage of revenues.

SG&A expenses decreased $1.3 million, or 5.5%, to $23.0 million for the six months ended June 30, 2020, which included a 1.6% estimated favorable impact from FX. SG&A expenses of 20.0% of revenues for the six months ended June 30, 2020 compared with 20.9% of revenues for the six months ended June 30, 2019. The decrease in SG&A expenses was primarily due to lower travel and entertainment expenses.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Note 1 to the Consolidated Financial Statements included in Part II, Item 8, of our Annual Report on Form 10-K for the year ended December 31, 2019 describes the significant accounting policies and methods used in preparation of the Consolidated Financial Statements. We evaluate our estimates, including those related to allowance for doubtful accounts and unbilled services, goodwill, income taxes and contingencies, on an ongoing basis. Our estimates are based on current facts and circumstances, historical experience and various other assumptions that we believe are reasonable and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Revenue recognition
- Allowance for doubtful accounts and unbilled services
- Goodwill and other intangible assets

There were no material changes to our critical accounting policies and estimates from the information provided in “Critical Accounting Policies” in the Management's Discussion and Analysis, in Part II, Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2019.

SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS

See Note 2, “New Accounting Standards” in Part I, Item 1, of this Quarterly Report on Form 10-Q.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Six Months Ended June 30,	
	2020	2019
Cash Flows	(dollars in thousands)	
Net cash provided by (used in) operating activities	$ 29,414	$ (54,438)
Net cash used in investing activities	$ (13,885)	$ (20,592)
Net cash used in financing activities	$ (70,051)	$ (47,152)
DSO	98	103

We generally finance our day-to-day operations, capital expenditures and acquisitions through cash flows from operations. During the first quarter of our fiscal year, our cash needs generally exceed our cash flows from operations due to the payment of annual incentive compensation. Our operating cash flows generally exceed our cash needs subsequent to the second quarter of each year.

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

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

Six Months Ended June 30, 2020 Compared with Six Months Ended June 30, 2019

Net cash provided by operating activities for the six months ended June 30, 2020 was $29.4 million, compared with $54.4 million in net cash used in operating activities for the six months ended June 30, 2019. The increase in net cash provided by operating activities was primarily due to higher cash collections, combined with lower non-compensation-related operating costs, which was partially offset by higher salaries related to headcount growth and higher annual bonus payments. DSO was 98 days as of June 30, 2020 and 103 days as of June 30, 2019. The decrease in DSO was primarily due to an increase in cash collections, which outpaced the increase in revenues.

Net cash used in investing activities for the six months ended June 30, 2020 was $13.9 million compared with $20.6 million for the six months ended June 30, 2019 and primarily related to capital expenditures.

Net cash used in financing activities for the six months ended June 30, 2020 was $70.1 million compared with $47.2 million for the six months ended June 30, 2019. The increase in net cash used in financing activities for the six months ended June 30, 2020 as compared to the prior year was primarily due to an increase of $32.8 million in payments for common stock repurchases under the Repurchase Program, partially offset by an increase in net borrowings of $15.0 million under our Credit Facility in the current year.

Capital Resources

As of June 30, 2020, our capital resources included $304.2 million of cash and cash equivalents and available borrowing capacity of $514.0 million under the $550.0 million revolving line of credit under our Credit Facility. As of June 30, 2020, we had $35.0 million of outstanding borrowings under our Credit Facility and $1.0 million of outstanding letters of credit, which reduced the availability of borrowings under the Credit Facility. We use letters of credit primarily in lieu of security deposits for our leased office facilities. The $550.0 million revolving line of credit under the Credit Facility includes a $75.0 million sublimit for borrowings in currencies other than USD, including the euro, British pound, Australian dollar and Canadian dollar.

The availability of borrowings, as well as issuances and extensions of letters of credit, under our Credit Facility is subject to specified conditions. We may choose to repay outstanding borrowings under the Credit Facility at any time before maturity without premium or penalty. Borrowings under the Credit Facility in USD, euro and British pound bear interest at an annual rate equal to the London Interbank Offered Rate ("LIBOR"), plus an applicable margin or an alternative base rate plus an applicable margin. The alternative base rate means a fluctuating rate per annum equal to the highest of (1) the rate of interest in effect for such day as the prime rate announced by Bank of America, (2) the federal funds rate plus the sum of 50 basis points, and (3) the one-month LIBOR plus 100 basis points. Borrowings under the Credit Facility in Canadian dollars bear interest at an annual rate equal to the Canadian Dealer Offered Rate plus an applicable margin. Borrowings under the Credit Facility in Australian dollars bear interest at an annual rate equal to the Bank Bill Swap Reference Bid Rate plus an applicable margin. The Credit Facility is guaranteed by substantially all of our domestic subsidiaries and is secured by a first priority security interest in substantially all of the assets of FTI Consulting and such domestic subsidiaries. Subject to certain conditions, at any time prior to maturity, we will be able to invite existing and new lenders to increase the size of the facility up to a maximum of $700.0 million.

Our Credit Agreement and other indebtedness outstanding from time to time contains or may contain covenants that, among other things, may limit our ability to: incur additional indebtedness; create liens; pay dividends on our capital stock, make distributions or repurchases of our capital stock or make specified other restricted payments; consolidate, merge or sell all or substantially all of our assets; guarantee obligations of other entities or our foreign subsidiaries; enter into hedging agreements; enter into transactions with affiliates or related persons; or engage in any business other than consulting-related businesses. In addition, the Credit Agreement includes a financial covenant that requires us not to exceed a maximum consolidated total net leverage ratio (the ratio of funded debt (less unrestricted cash up to $150.0 million) to Consolidated EBITDA, as defined in the Credit Agreement). As of June 30, 2020, we were in compliance with the covenants contained in the Credit Agreement and the indenture, dated as of August 20, 2018, between us and U.S. Bank National Association, as trustee (the "Indenture") governing the 2023 Convertible Notes.

Future Capital Needs

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

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

During the six months ended June 30, 2020, we spent $13.9 million in capital expenditures to support our organization, including direct support for specific client engagements. We currently expect to make additional capital expenditures in an aggregate amount between $26 million and $32 million to support our organization for the remainder of 2020. Our estimate takes into consideration the needs of our existing businesses but does not include the impact of any purchases that we may be required to make as a result of future acquisitions or specific client engagements that are not completed or not currently contemplated. Our capital expenditure requirements may change if our staffing levels or technology needs change significantly from what we currently anticipate, if we are required to purchase additional equipment specifically to support new client engagements or if we pursue and complete additional acquisitions.

2023 Convertible Notes

Our 2023 Convertible Notes were issued pursuant to the Indenture. The 2023 Convertible Notes bear interest at a fixed rate of 2.0% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on February 15, 2019. The 2023 Convertible Notes will mature on August 15, 2023, unless earlier converted or repurchased. Upon conversion, the 2023 Convertible Notes may be settled, at our election, in cash, shares of our common stock or a combination of cash and shares of our common stock.

Each $1,000 principal amount of the 2023 Convertible Notes will be convertible into 9.8643 shares of our common stock, which is equivalent to a conversion price of approximately $101.38 per share of common stock, at maturity, subject to adjustment upon the occurrence of specified events. Prior to the close of business on the business day immediately preceding May 15, 2023, the 2023 Convertible Notes may be converted only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2018 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “Measurement Period”) in which the trading price (as defined in the Indenture) per $1,000 principal amount of the 2023 Convertible Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate in effect on each such trading day; or (3) upon the occurrence of specified corporate events. On or after May 15, 2023, until the close of business on the business day immediately preceding the maturity date of August 15, 2023, holders may convert their 2023 Convertible Notes at any time, regardless of the foregoing circumstances.

We may not redeem the 2023 Convertible Notes prior to the maturity date.

If we undergo a fundamental change (as defined in the Indenture), subject to certain conditions, holders may require us to repurchase for cash all or part of their 2023 Convertible Notes in principal amounts of $1,000 or a multiple thereof. The fundamental change repurchase price will be equal to 100% of the principal amount of the 2023 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. In addition, in certain circumstances, we may be required to increase the conversion rate for any 2023 Convertible Notes converted in connection with a make-whole fundamental change (as defined in the Indenture). See Note 8, "Debt" in Part I, Item 1 of this Quarterly Report on Form 10-Q for a further discussion of the 2023 Convertible Notes.

Cash Flows

For the last several years, our cash flows from operations have exceeded our cash needs for capital expenditures and debt service requirements. We believe that our cash flows from operations, supplemented by short-term borrowings under our Credit Facility, as necessary, will provide adequate cash to fund our long-term cash needs for the next 12 months or longer.

Our conclusion that we will be able to fund our cash requirements for the next 12 months by using existing capital resources and cash generated from operations does not take into account exacerbation of, or additional or prolonged disruptions caused by, the COVID-19 pandemic that result in a material adverse impact on our business, which are events beyond our control, or the impact of any future acquisitions, unexpected significant changes in number of employees or other unanticipated uses of cash. The anticipated cash needs of our business could change significantly if we pursue and complete additional business acquisitions, if our business plans change, if events, including economic disruptions, arising from the COVID-19 pandemic worsen, or if other economic conditions change from those currently prevailing or from those now anticipated, or if other unexpected circumstances arise that may have a material effect on the cash flow or profitability of our business, including material negative changes in the health and welfare of our employees or those of our clients, and the operating performance or financial results of our business. Any of these events or circumstances, including any new business opportunities, could involve significant additional funding needs in excess of the identified currently available sources and could require us to raise additional debt or equity funding to meet those needs. Our ability to raise additional capital, if necessary, is subject to a variety of factors that we cannot predict with certainty, including:

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

Any new debt funding, if available, may be on terms less favorable to us than our Credit Facility or the 2023 Convertible Notes. See “Forward-Looking Statements” in Part I, Item 2 of this Quarterly Report on Form 10-Q, and the information contained under the heading “Risk Factors” in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2019 and under the heading “Risk Factors” in Part II, Item 1A, of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements and we have not entered into any transactions involving unconsolidated subsidiaries or special purpose entities that would be expected to have a material impact on our financial condition or results of operations.

Future Contractual Obligations

There have been no material changes in our future contractual obligations as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that involve uncertainties and risks. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues, future results and performance, future capital allocations and expenditures, expectations, plans or intentions relating to acquisitions, share repurchases and other matters, business trends, new, or changes to, laws and regulations, and other information that is not historical. Forward-looking statements often contain words such as *“estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “forecasts”* and variations of such words or similar expressions. All forward-looking statements, including, without limitation, management’s financial guidance and examination of operating trends, are based upon our historical performance and our current plans, estimates and expectations at the time we make them and various assumptions. There can be no assurance that management’s expectations, beliefs, forecasts and projections will result or be achieved. Our actual financial results, performance or achievements could differ materially from those expressed in, or implied by, any forward-looking statements. The inclusion of any forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates, forecasts or expectations contemplated by us will be achieved. Given these risks, uncertainties and other factors, you should not place undue reliance on any forward-looking statements.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in, or implied by, this Quarterly Report on Form 10-Q. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report on Form 10-Q include those set forth under the heading "Risk Factors" in Part II, Item 1A, of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2019, as well as in other information that we file with the SEC from time to time. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report on Form 10-Q include, but are not limited to, the following:

- impact of the COVID-19 pandemic and related events that are beyond our control, including possible effects on our business and operations, clients and vendors, and employees and contractors, which could affect our segments, practices and the geographic regions in which we conduct business, differently and adversely;
- changes in demand for our services;
- our ability to attract and retain qualified professionals and senior management;
- conflicts resulting in our inability to represent certain clients;
- our former employees joining or forming competing businesses;
- our ability to manage our professionals' utilization and billing rates and maintain or increase the pricing of our services and products;
- our ability to identify suitable acquisition candidates, negotiate favorable terms, take advantage of opportunistic acquisition situations and integrate the operations of acquisitions, as well as the costs of integration;
- our ability to adapt to and manage the risks associated with operating in non-U.S. markets;
- our ability to replace key personnel, including former executives, officers, senior managers and practice and regional leaders who have highly specialized skills and experience;
- our ability to protect the confidentiality of internal and client data and proprietary and confidential information, including from cyberattacks, systems failures or other similar events;
- legislation or judicial rulings, including legislation or rulings regarding data privacy and the discovery process;
- periodic fluctuations in revenues, operating income and cash flows;
- damage to our reputation as a result of claims involving the quality of our services;
- fee discounting or renegotiation, lower pricing, less advantageous contract terms and unexpected termination of client engagements;
- competition for clients and key personnel;
- general economic factors, industry trends, restructuring and bankruptcy rates, legal or regulatory requirements, capital market conditions, merger and acquisition activity, major litigation activity and other events outside of our control;
- our ability to manage growth;
- risk of non-payment of receivables;
- the amount and terms of our outstanding indebtedness;
- uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark;
- headcount and cost reductions during periods of reduced demand;
- risks relating to the obsolescence of or the protection of our proprietary software products, intellectual property rights and trade secrets;

- foreign currency disruptions and currency fluctuations between the U.S. dollar and foreign currencies; and
- fluctuations in the mix of our services and the geographic locations in which our clients are located or our services are rendered.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For information regarding our exposure to certain market risks, see “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A, of our Annual Report on Form 10-K for the year ended December 31, 2019. There have been no material changes in our market risk exposure during the period covered by this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

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

Changes in Internal Control over Financial Reporting. There have not been any changes in our internal control over financial reporting that occurred during the three months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes in any risk factors previously disclosed in Part II, Item 1A, of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 filed with the Securities and Exchange Commission ("SEC") on April 30, 2020 and Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 25, 2020. We may disclose changes to risk factors or disclose additional factors from time to time in our future filings with the SEC. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

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

Unregistered sales of equity securities.

None.

Repurchases of our common stock.

The following table provides information with respect to purchases we made of our common stock during the three months ended June 30, 2020:

	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)		Approximate Dollar Value That May Yet Be Purchased Under the Program
	(in thousands, except per share data)					
April 1 through April 30, 2020	13	(2)	$ 119.64	13	(5)	$ 114,757
May 1 through May 31, 2020	80	(3)	$ 116.47	67	(6)	$ 106,953
June 1 through June 30, 2020	396	(4)	$ 106.80	391	(7)	$ 65,279
	489			471		

(1) On June 2, 2016, our Board of Directors authorized a stock repurchase program of up to $100.0 million (the "Repurchase Program"). On each of May 18, 2017, December 1, 2017, February 21, 2019 and February 20, 2020, our Board of Directors authorized an additional $100.0 million, respectively, increasing the Repurchase Program to an aggregate authorization of $500.0 million. During the quarter ended June 30, 2020, we repurchased an aggregate of 470,853 shares of our outstanding common stock under the Repurchase Program at an average price of $108.41 per share for a total cost of approximately $51.0 million.

(2) Includes 164 shares of common stock withheld to cover payroll tax withholdings related to the lapse of restrictions on restricted stock.

(3) Includes 12,406 shares of common stock withheld to cover payroll tax withholdings related to the lapse of restrictions on restricted stock.

(4) Includes 5,881 shares of common stock withheld to cover payroll tax withholdings related to the lapse of restrictions on restricted stock.

(5) During the month ended April 30, 2020, we repurchased and retired 13,178 shares of common stock, at an average price per share of $119.41, for an aggregate cost of $1.6 million.

(6) During the month ended May 31, 2020, we repurchased and retired 67,142 shares of common stock, at an average price per share of $116.21, for an aggregate cost of $7.8 million.

(7) During the month ended June 30, 2020, we repurchased and retired 390,533 shares of common stock, at an average price per share of $106.69, for an aggregate cost of $41.7 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Articles of Incorporation of FTI Consulting, Inc., as amended and restated. (Filed with the Securities and Exchange Commission on May 23, 2003 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 21, 2003 and incorporated herein by reference.)
3.2	Articles of Amendment of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on June 2, 2011 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 1, 2011 and incorporated herein by reference.)
3.3	Bylaws of FTI Consulting, Inc., as amended and restated on June 1, 2011. (Filed with the Securities and Exchange Commission on June 2, 2011 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 1, 2011 and incorporated herein by reference.)
3.4	Amendment No. 1 to Bylaws of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on December 16, 2013 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 13, 2013 and incorporated herein by reference.)
3.5	Amendment No. 2 to Amended and Restated Bylaws of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on September 22, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated September 17, 2014 and incorporated herein by reference.)
10.1*	Amendment No. 1 to the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan, Effective as of June 3, 2020 (Filed as Appendix B to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 16, 2020 and incorporated herein by reference.)
31.1†	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002.)
31.2†	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002.)
32.1†**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002.)
32.2†**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002.)
101	The following financial information from the Quarterly Report on Form 10-Q of FTI Consulting, Inc., included herewith, and formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019; (ii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2020 and 2019; (iii) Condensed Consolidated Statement of Stockholders' Equity for the three and six months ended June 30, 2020 and 2019; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and 2019; and (v) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL (included as Exhibit 101).

† Filed herewith.

* Management contract or compensatory plan or arrangement.

** This certification is deemed not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

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

Date: July 30, 2020

FTI CONSULTING, INC.

By: /s/ Brendan Keating

Brendan Keating

Chief Accounting Officer and Controller

(principal accounting officer)

Exhibit 31.1

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

I, Steven H. Gunby, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FTI Consulting, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2020

By: /S/ STEVEN H. GUNBY

Steven H. Gunby
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

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

I, Ajay Sabherwal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FTI Consulting, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2020

By: /S/ AJAY SABHERWAL

Ajay Sabherwal
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

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

In connection with the Quarterly Report of FTI Consulting, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven H. Gunby, President and Chief Executive Officer (principal executive officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2020

By: /s/ STEVEN H. GUNBY

Steven H. Gunby
President and Chief Executive Officer
(principal executive officer)

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

Exhibit 32.2

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

In connection with the Quarterly Report of FTI Consulting, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ajay Sabherwal, Chief Financial Officer (principal financial officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2020

By: /s/ AJAY SABHERWAL

Ajay Sabherwal
Chief Financial Officer
(principal financial officer)

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