FTI CONSULTING INC
Form 10-Q
October 26, 2017

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 September 30, 2017

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	(I.R.S. Employer
Incorporation or Organization)	Identification No.)
1101 K Street NW,	
Washington, D.C.	20005
(Address of Principal Executive Offices)	(Zip Code)

(202) 312-9100

(Registrant's telephone number, including area code)

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 and posted on its corporate Web Site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (Do not check if a smaller reporting company)	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 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 October 19, 2017
Common stock, par value $0.01 per share	37,956,648

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

Assets	September 30, 2017 (Unaudited)	December 31, 2016
Current assets		
Cash and cash equivalents	$ 157,961	$ 216,158
Accounts receivable:		
Billed receivables	415,090	365,385
Unbilled receivables	328,526	288,331
Allowance for doubtful accounts and unbilled services	(196,484)	(178,819)
Accounts receivable, net	547,132	474,897
Current portion of notes receivable	23,924	31,864
Prepaid expenses and other current assets	59,196	60,252
Total current assets	788,213	783,171
Property and equipment, net of accumulated depreciation	70,982	61,856
Goodwill	1,204,164	1,180,001
Other intangible assets, net of amortization	46,788	52,120
Notes receivable, net of current portion	106,462	104,524
Other assets	43,984	43,696
Total assets	$ 2,260,593	$ 2,225,368
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable, accrued expenses and other	$ 108,054	$ 87,320
Accrued compensation	232,291	261,500
Billings in excess of services provided	26,521	29,635
Total current liabilities	366,866	378,455
Long-term debt, net	461,095	365,528
Deferred income taxes	181,293	173,799
Other liabilities	120,410	100,228
Total liabilities	1,129,664	1,018,010
Stockholders' equity		
Preferred stock, $0.01 par value; shares authorized — 5,000; none outstanding	—	—
Common stock, $0.01 par value; shares authorized — 75,000; shares issued and outstanding — 37,941 (2017) and 42,037 (2016)	379	420

Additional paid-in capital	273,765	416,816
Retained earnings	978,886	941,001
Accumulated other comprehensive loss	(122,101)	(150,879)
Total stockholders' equity	1,130,929	1,207,358
Total liabilities and stockholders' equity	$ 2,260,593	$ 2,225,368

See accompanying notes to condensed consolidated financial statements

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FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

(in thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues	$448,962	$438,042	$1,340,021	$1,368,474
Operating expenses				
Direct cost of revenues	294,851	293,702	907,994	902,532
Selling, general and administrative expenses	103,909	106,220	318,546	318,074
Special charges	—	—	30,074	6,811
Acquisition-related contingent consideration	252	201	1,424	1,541
Amortization of other intangible assets	2,882	2,845	7,797	8,041
	401,894	402,968	1,265,835	1,236,999
Operating income	47,068	35,074	74,186	131,475
Other income (expense)				
Interest income and other	1,103	3,213	3,300	9,895
Interest expense	(6,760)	(6,304)	(18,811)	(18,836)
	(5,657)	(3,091)	(15,511)	(8,941)
Income before income tax provision	41,411	31,983	58,675	122,534
Income tax provision	9,197	10,292	17,601	44,115
Net income	$32,214	$21,691	$41,074	$78,419
Earnings per common share — basic	$0.86	$0.53	$1.05	$1.92
Earnings per common share — diluted	$0.85	$0.52	$1.03	$1.88
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments, net of tax expense of $0	$11,234	$(4,478)	$28,778	$(23,645)
Total other comprehensive income (loss), net of tax	11,234	(4,478)	28,778	(23,645)
Comprehensive income	$43,448	$17,213	$69,852	$54,774

See accompanying notes to condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statement of Stockholders' Equity

(in thousands)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2016	42,037	$ 420	$416,816	$941,001	$ (150,879)	$1,207,358
Net income	—	$ —	$—	$41,074	$ —	$41,074
Other comprehensive income:						
Cumulative translation adjustment	—	—	—	—	28,778	28,778
Issuance of common stock in connection with:						
Exercise of options	57	1	1,989	—	—	1,990
Restricted share grants, less net settled shares of 87	213	2	(4,234)	—	—	(4,232)
Stock units issued under incentive compensation plan	—	—	1,547	—	—	1,547
Purchase and retirement of common stock	(4,366)	(44)	(155,241)	—	—	(155,285)
Cumulative effect due to adoption of new accounting standard	—	—	—	(3,189)	—	(3,189)
Share-based compensation	—	—	12,888	—	—	12,888
Balance at September 30, 2017	37,941	$ 379	$273,765	$978,886	$ (122,101)	$1,130,929

See accompanying notes to condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Nine Months Ended September 30,	
Operating activities	2017	2016
Net income	$41,074	$78,419
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,768	25,359
Amortization and impairment of other intangible assets	7,797	8,041
Acquisition-related contingent consideration	1,547	1,541
Provision for doubtful accounts	10,510	5,903
Non-cash share-based compensation	12,888	13,381
Non-cash interest expense	1,489	1,489
Other	297	(1,159)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(72,640)	(67,318)
Notes receivable	8,449	(3,674)
Prepaid expenses and other assets	935	(3,575)
Accounts payable, accrued expenses and other	16,823	10,900
Income taxes	8,876	28,204
Accrued compensation	(34,123)	4,486
Billings in excess of services provided	(3,657)	9,578
Net cash provided by operating activities	24,033	111,575
Investing activities		
Payments for acquisition of businesses, net of cash received	(8,929)	(56)
Purchases of property and equipment	(20,021)	(22,855)
Other	74	74
Net cash used in investing activities	(28,876)	(22,837)
Financing activities		
Borrowings under revolving line of credit, net	95,000	(25,000)
Deposits	3,585	2,806
Purchase and retirement of common stock	(155,285)	(2,903)
Net issuance of common stock under equity compensation plans	(2,354)	18,394
Other	(79)	357
Net cash used in financing activities	(59,133)	(6,346)
Effect of exchange rate changes on cash and cash equivalents	5,779	(6,968)
Net increase (decrease) in cash and cash equivalents	(58,197)	75,424

Cash and cash equivalents, beginning of period	216,158	149,760
Cash and cash equivalents, end of period	$157,961	$225,184
Supplemental cash flow disclosures		
Cash paid for interest	$12,424	$12,590
Cash paid for income taxes, net of refunds	$8,742	$15,909
Non-cash investing and financing activities:		
Issuance of stock units under incentive compensation plans	$1,547	$1,842

See accompanying notes to condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(dollar and share amounts in tables in thousands, except per share data)

(Unaudited)

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 accounting principles generally accepted 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, 2016 filed with the SEC.

2. 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, each using the treasury stock method.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator — basic and diluted				
Net income	$ 32,214	$ 21,691	$ 41,074	$ 78,419
Denominator				
Weighted average number of common shares outstanding — basic	37,431	41,239	39,301	40,856
Effect of dilutive stock options	31	350	96	266

Effect of dilutive restricted shares	284	476	318	483
Weighted average number of common shares outstanding — diluted	37,746	42,065	39,715	41,605
Earnings per common share — basic	$ 0.86	$ 0.53	$ 1.05	$ 1.92
Earnings per common share — diluted	$ 0.85	$ 0.52	$ 1.03	$ 1.88
Antidilutive stock options and restricted shares	2,328	753	1,755	1,595

3. New Accounting Standards

Adopted Accounting Standards

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This standard makes several modifications to Topic 718, including the accounting for forfeitures, employer tax withholding on share-based compensation and income tax consequences, and clarifies the statement of cash flows presentation for certain components of share-based awards, all of which are intended to simplify various aspects of the accounting for share-based compensation. We adopted this standard as of January 1, 2017, and since then we have recorded the excess benefits realized from stock compensation transactions in the Condensed Consolidated Statement of Comprehensive Income. Additionally, we elected to recognize forfeiture expense as forfeitures occur, rather than estimating forfeitures based on historical data.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, which removes the prohibition against immediate recognition of current and deferred income tax effects on intra-entity transfers of assets other than inventory. We elected to early adopt this standard as of January 1, 2017, and recorded a $3.2 million cumulative effect adjustment to the beginning balance of retained earnings on January 1, 2017 which resulted in a net impact of increasing deferred tax assets by $2.6 million and decreasing a deferred tax charge in other assets by $5.8 million related to a prior period intra-entity transfer of intellectual property.

Accounting Standards Not Yet Adopted

In January 2017, the FASB issued ASU 2017-04: Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This standard requires entities to measure goodwill impairment using the difference between the carrying amount and the fair value of the reporting unit, instead of performing a hypothetical purchase price allocation. This guidance is effective beginning January 1, 2020, although early adoption is permitted. The adoption of this guidance would only impact the measurement of a future goodwill impairment to the extent applicable.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing lease guidance. Under this ASU, we will be required to record right-of-use assets and corresponding lease liabilities on the balance sheet. This guidance is effective beginning January 1, 2019. The new standard is required to be applied with a modified retrospective approach to each prior reporting period presented. We have not yet determined the impact that the adoption of this guidance will have on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Under this ASU and subsequently issued amendments, revenues are recognized at the time when goods or services are transferred to a customer in an amount that reflects the consideration it expects to receive in exchange for those goods or services. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU. We will adopt this standard using the modified retrospective method effective January 1, 2018. Substantially all of the Company's engagements are performed either under time-and-expense or fixed-fee contract arrangements. The Company will use the right-to-invoice practical expedient to account for time-and-expense contract arrangements when the Company has a right to consideration from a customer in an amount that corresponds directly with the value of the entity's performance completed to date, which is consistent with the Company's current revenue recognition policy.

We believe that the adoption of this standard will primarily impact contracts that contain some form of variable consideration, where the Company will earn revenues if certain predefined outcomes occur in the future and which will be subject to probability assessments as defined by the new standard.

Contracts with success fees – The Company may recognize revenue under certain contract arrangements that contain success fees earlier upon the adoption of this standard than we do under current practice, when the related performance obligations are satisfied over time. The Company will estimate revenue using either the expected value method or the most likely amount method, as appropriate, and in an amount that is probable not to result in a significant reversal of cumulative revenue recognized.

Fixed-fee contract arrangements – The Company will recognize revenue as individual performance obligations are satisfied, using a measure of progress that is based on the efforts and costs incurred (i.e. an input method measure of progress). This may lead to a difference from current practice when applying the definition of a performance obligation under the new standard.

Other contract attributes – We believe this standard could affect the timing of revenue recognition for contracts that provide volume-based discounts, time-and-expense contract arrangements that have a cap on total fees, and contract arrangement fees that are subject to third-party approval, among others.

We continue to evaluate the potential impacts of the new guidance on the measurement and presentation of our revenues, as well as required enhancements to disclosures. The Company is underway in its implementation plan which includes information system and process changes to identify and assess contracts which are impacted by the new revenue recognition criteria and accumulate data to satisfy new disclosure requirements. We are unable to provide an assessment of the financial impact which will be recognized upon adoption as our assessment is dependent on an analysis of individual contracts which exist at the date of adoption.

4. Special Charges

There were no special charges recorded during the three months ended September 30, 2017.

During the nine months ended September 30, 2017, we recorded a special charge of $30.1 million. The charge includes the impact of certain targeted reductions in areas of each segment where we needed to re-align our workforce with current business demand. In addition, cost cutting actions were taken in certain corporate departments where we were able to streamline support activities and reduce our real estate costs. $37.6 million of the charge will be paid in cash. The total charge is net of a $7.5 million non-cash reduction to expense primarily for the reversal of a deferred rent liability. The special charge includes the following components:

- $16.1 million of employee severance and other employee related costs associated with the reduction in workforce of 201 employees in our segments and certain corporate departments. All of these amounts will be paid in cash;
- $12.4 million of exit costs associated with the curtailment of our lease on our executive office in Washington, D.C. $20.5 million of the charge will be paid in cash. The exit costs include an $8.1 million non-cash reduction to expense primarily for the reversal of a deferred rent liability; and
- $1.6 million of other expenses, including costs related to disposing or closing several small international offices, of which $0.6 million was a non-cash expense.

There were no special charges recorded during the three months ended September 30, 2016.

During the nine months ended September 30, 2016, we recorded special charges of $6.8 million related to employee terminations in the health solutions practice of our Forensic and Litigation Consulting segment and employee terminations in our Technology segment.

The following table details the special charges by segment for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30	
Special Charges by Segment	2017	2016
Corporate Finance & Restructuring	$3,049	$—
Forensic and Litigation Consulting	10,445	1,750
Economic Consulting	5,910	—
Technology	3,827	5,061
Strategic Communications	3,599	—
	26,830	6,811
Unallocated Corporate	3,244	—
Total	$30,074	$6,811

Activity related to the liability for the special charges for the nine months ended September 30, 2017 is as follows:

	Employee Termination Costs	Lease Termination Costs	Other Costs	Total
Balance at December 31, 2016	$ 8,225	$ 3,335	$—	$11,560
Additions	15,980	19,985	570	36,535
Reductions	(15,947)	(2,941)	(526)	(19,414)
Foreign currency translation adjustment and other	153	(19)	6	140
Balance at September 30, 2017[1]	$ 8,411	$ 20,360	$50	$28,821

(1)

Of the $28.8 million remaining liability for the special charges, $5.2 million is expected to be paid in the remainder of 2017, $10.5 million is expected to be paid in 2018, $4.8 million is expected to be paid in 2019, $4.0 million is expected to be paid in 2020 and the remaining balance of $4.3 million is expected to be paid from 2021 to 2025.

5. Allowance for Doubtful Accounts and Unbilled Services

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 that may be imposed by bankruptcy courts and other regulatory institutions for both billed and unbilled receivables. The allowance for doubtful accounts and unbilled services is also adjusted after the related work has been billed to the client and we discover that collectability is not reasonably assured. These adjustments are recorded to “Selling, general and administrative expenses” on the Condensed Consolidated Statements of Comprehensive Income and totaled $4.5 million and $10.5 million for the three and nine months ended September 30, 2017, respectively, and $1.6 million and $5.9 million for the three and nine months ended September 30, 2016, respectively.

6. Research and Development Costs

Research and development costs related to software development totaled $3.3 million and $11.8 million for the three and nine months ended September 30, 2017, respectively, and $4.5 million and $13.0 million for the three and nine months ended September 30, 2016 respectively. Research and development costs are included in “Selling, general and administrative expenses” on the Condensed Consolidated Statements of Comprehensive Income.

7. Financial Instruments

We consider the recorded value of certain financial assets and liabilities, which consist primarily of cash equivalents, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at September 30, 2017 and December 31, 2016, based on the short-term nature of the assets and liabilities. The fair value of our total debt at September 30, 2017 was $475.1 million compared to a carrying value of $465.0 million. At December 31, 2016, the fair value of our total debt was $382.8 million compared to a carrying value of $370.0 million. We determine the fair value of our long-term debt primarily based on quoted market prices for our 6% Senior Notes Due 2022 (“2022 Notes”). The fair value of our borrowings on our $550.0 million senior secured bank revolving credit facility (“Senior Bank Credit Facility”) approximates the carrying amount. The fair value of our long-term debt is classified within Level 2 of the fair value hierarchy, because it is traded in less active markets.

8. 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, 2016						
Goodwill	$ 440,666	$ 230,544	$ 268,209	$ 117,607	$ 317,114	$ 1,374,140
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2016	440,666	230,544	268,209	117,607	122,975	1,180,001
Acquisitions	11,900	—	—	—	—	11,900
Foreign currency translation adjustment and other	2,292	2,967	712	122	6,170	12,263

Balance at September 30, 2017						
Goodwill	454,858	233,511	268,921	117,729	323,284	1,398,303
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at September 30, 2017	$ 454,858	$ 233,511	$ 268,921	$ 117,729	$ 129,145	$ 1,204,164

During the three months ended September 30, 2017, we made an initial payment of $8.9 million at closing to acquire a restructuring business within our Corporate Finance & Restructuring segment. We recorded $11.9 million in goodwill as a result of the acquisition. We have included the results of the acquired business' operations in the Corporate Finance & Restructuring segment since its acquisition date.

Other Intangible Assets

Other intangible assets with finite lives are amortized over their estimated useful lives. We recorded amortization expense of $2.9 million and $7.8 million for the three and nine months ended September 30, 2017, respectively, and $2.8 million and $8.0 million for the three and nine months ended September 30, 2016, respectively.

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

Year	As of September 30, 2017[1]
2017 (remaining)	$ 2,771
2018	8,223
2019	7,561
2020	7,387
2021	6,773
Thereafter	8,473
	$ 41,188

[1] Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives or other relevant factors or changes.

9. Long-Term Debt

The components of long-term debt obligations are presented in the table below:

	September 30, 2017	December 31, 2016
2022 Notes	$ 300,000	$ 300,000
Senior Bank Credit Facility	165,000	70,000
Total debt	465,000	370,000
Less: deferred debt issue costs	(3,905)	(4,472)
Long-term debt, net	$ 461,095	$ 365,528

The Company has classified the borrowings under the Company's Senior Bank Credit Facility as long-term debt in the accompanying Condensed Consolidated Balance Sheets as amounts due under the credit agreement entered into as of June 26, 2015, which expires on June 26, 2020, are not contractually required or expected to be liquidated for more than one year from the applicable balance sheet date. Additionally, $0.7 million of the borrowing limit was utilized for letters of credit as of September 30, 2017.

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 nine months ended September 30, 2017, we granted 248,509 restricted stock awards, stock options exercisable for up to 130,650 shares, 53,175 restricted stock units and 100,052 performance-based restricted stock units. These awards are recorded as equity on the Condensed Consolidated Balance Sheets. During the nine months ended September 30, 2017, stock options exercisable for up to 96,802 shares and 24,920 shares of restricted stock awards were forfeited prior to the completion of the vesting requirements.

Total share-based compensation expense, net of forfeitures, for the three months and nine months ended September 30, 2017 and 2016 is detailed in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Income Statement Classification	2017	2016	2017	2016
Direct cost of revenues	$ 1,350	$ 2,243	$ 8,371	$ 8,370
Selling, general and administrative expenses	1,781	2,617	3,833	7,825
Special charges	—	—	96	105
Total share-based compensation expense	$ 3,131	$ 4,860	$ 12,300	$ 16,300

12. Stockholders' Equity

On June 2, 2016, our Board of Directors authorized a stock repurchase program of up to $100.0 million (the "Stock Repurchase Program"). On May 18, 2017, our Board of Directors authorized an additional $100.0 million increasing the Stock Repurchase Program to an aggregate authorization of $200.0 million. No time limit has been established for the completion of the program, and the program may be suspended, discontinued or replaced by the Board of Directors at any time without prior notice. As of September 30, 2017, we have $26.1 million available under this program to repurchase additional shares.

The following table details our stock repurchases:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Shares of common stock repurchased and retired	1,599	—	4,366	85
Average price paid per share	$ 32.98	N/A	$ 35.55	$ 34.12
Total cost	$ 52,741	N/A	$ 155,198	$ 2,903

13. Segment Reporting

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

Our Corporate Finance & Restructuring segment focuses on the strategic, operational, financial and capital needs of our clients around the world and delivers a wide range of distressed and non-distressed practice offerings. Our distressed practice offerings include corporate restructuring (and bankruptcy) and interim management services. Our non-distressed practice offerings include financings, mergers and acquisitions ("M&A"), M&A integration, valuations and tax advice, as well as financial, operational and performance improvement services.

Our Forensic and Litigation Consulting segment provides law firms, companies, government clients and other interested parties with multidisciplinary, independent dispute advisory, investigations, data analytics, forensic accounting, business intelligence and risk mitigation services, as well as interim management and performance improvement services for our health solutions practice clients.

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 offers a comprehensive portfolio of information governance and e-discovery software, services and consulting support to companies, law firms, courts and government agencies worldwide. Our services allow our clients to control the risk and expense of e-discovery events, as well as manage their data in the context of compliance and risk.

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

We evaluate the performance of our operating segments based on 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 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues				
Corporate Finance & Restructuring	$128,121	$110,617	$351,509	$369,915
Forensic and Litigation Consulting	118,639	115,045	341,455	352,242
Economic Consulting	111,753	122,480	374,978	371,217
Technology	42,282	44,072	133,935	134,235
Strategic Communications	48,167	45,828	138,144	140,865
Total revenues	$448,962	$438,042	$1,340,021	$1,368,474
Adjusted Segment EBITDA				
Corporate Finance & Restructuring	$26,734	$17,762	$57,107	$81,406
Forensic and Litigation Consulting	22,539	16,554	49,092	51,552
Economic Consulting	12,061	18,354	47,680	55,054
Technology	5,973	7,398	19,198	20,256
Strategic Communications	8,073	7,509	17,206	22,057
Total Adjusted Segment EBITDA	$75,380	$67,577	$190,283	$230,325

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$32,214	$21,691	$41,074	$78,419
Add back:				
Income tax provision	9,197	10,292	17,601	44,115
Interest income and other	(1,103)	(3,213)	(3,300)	(9,895)
Interest expense	6,760	6,304	18,811	18,836
Unallocated corporate expenses[1]	18,827	21,738	60,166	60,890
Segment depreciation expense	6,603	7,920	20,602	22,128
Amortization of intangible assets	2,882	2,845	7,797	8,041
Segment special charges	—	—	26,830	6,811
Remeasurement of acquisition-related contingent consideration	—	—	702	980
Total Adjusted Segment EBITDA	$75,380	$67,577	$190,283	$230,325

[1] Includes $3.2 million special charges for corporate for the nine months ended September 30, 2017.

14. Supplemental Condensed Consolidating Guarantor and Non-Guarantor Financial Information

Substantially all of our domestic subsidiaries are guarantors of borrowings under our Senior Bank Credit Facility and 2022 Notes. The guarantees are full and unconditional and joint and several. All of our guarantors are wholly owned, direct or indirect, subsidiaries.

The following financial information presents condensed consolidating balance sheets, statements of comprehensive income and statements of cash flows for FTI Consulting, all the guarantor subsidiaries, all the non-guarantor subsidiaries and the eliminations necessary to arrive at the consolidated information for FTI Consulting and its subsidiaries. For purposes of this presentation, we have accounted for our investments in our subsidiaries using the equity method of accounting. The principal eliminating entries eliminate investment in subsidiary and intercompany balances and transactions.

Condensed Consolidating Balance Sheet as of September 30, 2017

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$20,704	$159	$ 137,098	$—	$157,961
Accounts receivable, net	164,357	173,846	208,929	—	547,132
Intercompany receivables	—	1,060,086	23,912	(1,083,998)	—
Other current assets	34,862	21,344	26,914	—	83,120
Total current assets	219,923	1,255,435	396,853	(1,083,998)	788,213
Property and equipment, net	33,317	14,749	22,916	—	70,982
Goodwill	570,876	416,053	217,235	—	1,204,164
Other intangible assets, net	19,730	11,772	31,023	(15,737)	46,788
Investments in subsidiaries	2,149,817	549,280	—	(2,699,097)	—
Other assets	39,279	64,537	46,630	—	150,446
Total assets	$3,032,942	$2,311,826	$ 714,657	$(3,798,832)	$2,260,593
Liabilities					
Intercompany payables	$1,083,998	$—	$ —	$(1,083,998)	$—
Other current liabilities	118,584	139,369	108,913	—	366,866
Total current liabilities	1,202,582	139,369	108,913	(1,083,998)	366,866
Long-term debt, net	461,095	—	—	—	461,095
Other liabilities	238,336	11,362	52,005	—	301,703
Total liabilities	1,902,013	150,731	160,918	(1,083,998)	1,129,664
Stockholders' equity	1,130,929	2,161,095	553,739	(2,714,834)	1,130,929
Total liabilities and stockholders' equity	$3,032,942	$2,311,826	$ 714,657	$(3,798,832)	$2,260,593

Condensed Consolidating Balance Sheet as of December 31, 2016

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$47,420	$156	$ 168,582	$—	$216,158
Accounts receivable, net	137,523	163,820	173,554	—	474,897
Intercompany receivables	—	1,029,800	—	(1,029,800)	—
Other current assets	44,708	24,944	22,464	—	92,116
Total current assets	229,651	1,218,720	364,600	(1,029,800)	783,171
Property and equipment, net	25,466	14,118	22,272	—	61,856
Goodwill	558,978	416,053	204,970	—	1,180,001
Other intangible assets, net	21,959	13,393	34,725	(17,957)	52,120
Investments in subsidiaries	2,065,819	490,634	—	(2,556,453)	—
Other assets	47,308	65,398	35,514	—	148,220
Total assets	$2,949,181	$2,218,316	$ 662,081	$(3,604,210)	$2,225,368
Liabilities					
Intercompany payables	$1,027,050	$—	$ 2,750	$(1,029,800)	$—
Other current liabilities	137,710	129,810	110,935	—	378,455
Total current liabilities	1,164,760	129,810	113,685	(1,029,800)	378,455
Long-term debt, net	365,528	—	—	—	365,528
Other liabilities	211,535	16,411	46,081	—	274,027
Total liabilities	1,741,823	146,221	159,766	(1,029,800)	1,018,010
Stockholders' equity	1,207,358	2,072,095	502,315	(2,574,410)	1,207,358
Total liabilities and stockholders' equity	$2,949,181	$2,218,316	$ 662,081	$(3,604,210)	$2,225,368

Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended September 30, 2017

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 163,311	$ 136,827	$ 151,197	$ (2,373)	$ 448,962
Operating expenses					
Direct cost of revenues	105,857	95,432	95,874	(2,312)	294,851
Selling, general and administrative expenses	44,781	30,280	28,909	(61)	103,909
Special charges	—	—	—	—	—
Acquisition-related contingent consideration	—	252	—	—	252
Amortization of other intangible assets	1,304	541	1,795	(758)	2,882
	151,942	126,505	126,578	(3,131)	401,894
Operating income	11,369	10,322	24,619	758	47,068
Other income (expense)	(5,912)	(4,548)	4,803	—	(5,657)
Income before income tax provision	5,457	5,774	29,422	758	41,411
Income tax provision	4,438	2,260	2,499	—	9,197
Equity in net earnings of subsidiaries	31,195	21,731	—	(52,926)	—
Net income	$ 32,214	$ 25,245	$ 26,923	$ (52,168)	$ 32,214

Other comprehensive income, net of tax:					
Foreign currency translation adjustments, net of tax expense of $0	$ —	$ —	$ 11,234	$ —	$ 11,234
Other comprehensive income, net of tax	—	—	11,234	—	11,234
Comprehensive income	$ 32,214	$ 25,245	$ 38,157	$ (52,168)	$ 43,448

Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended September 30, 2016

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 159,431	$ 153,986	$ 126,995	$ (2,370)	$ 438,042
Operating expenses					
Direct cost of revenues	107,579	104,109	84,313	(2,299)	293,702
Selling, general and administrative expenses	47,388	30,704	28,199	(71)	106,220
Acquisition-related contingent consideration	—	201	—	—	201
Amortization of other intangible assets	986	541	1,823	(505)	2,845
	155,953	135,555	114,335	(2,875)	402,968
Operating income	3,478	18,431	12,660	505	35,074
Other income (expense)	(6,913)	(794)	4,616	—	(3,091)
Income (loss) before income tax provision	(3,435)	17,637	17,276	505	31,983
Income tax provision (benefit)	(1,402)	8,194	3,500	—	10,292
Equity in net earnings of subsidiaries	23,724	11,878	—	(35,602)	—
Net income	$ 21,691	$ 21,321	$ 13,776	$ (35,097)	$ 21,691
Other comprehensive loss, net of tax:					
Foreign currency translation adjustments, net of tax expense of $0	$ —	$ —	$ (4,478)	$ —	$ (4,478)
Total other comprehensive loss, net of tax	—	—	(4,478)	—	(4,478)
Comprehensive income	$ 21,691	$ 21,321	$ 9,298	$ (35,097)	$ 17,213

Condensed Consolidating Statement of Comprehensive Income for the Nine Months Ended September 30, 2017

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 478,767	$ 459,569	$ 408,780	$ (7,095)	$ 1,340,021
Operating expenses					
Direct cost of revenues	325,560	321,606	267,742	(6,914)	907,994
Selling, general and administrative expenses	136,487	92,217	90,023	(181)	318,546
Special charges	13,592	7,306	9,176	—	30,074
Acquisition-related contingent consideration	—	1,424	—	—	1,424
Amortization of other intangible assets	3,089	1,621	5,306	(2,219)	7,797
	478,728	424,174	372,247	(9,314)	1,265,835
Operating income	39	35,395	36,533	2,219	74,186
Other income (expense)	(16,525)	(5,046)	6,060	—	(15,511)
Income (loss) before income tax provision	(16,486)	30,349	42,593	2,219	58,675
Income tax provision (benefit)	(8,179)	17,397	8,383	—	17,601
Equity in net earnings of subsidiaries	49,381	26,442	—	(75,823)	—

Net income	$ 41,074	$ 39,394	$ 34,210	$ (73,604)	$ 41,074
Other comprehensive income, net of tax:					
Foreign currency translation adjustments, net of tax expense of $0	$ —	$ —	$ 28,778	$ —	$ 28,778
Total other comprehensive income, net of tax:	—	—	28,778	—	28,778
Comprehensive income	$ 41,074	$ 39,394	$ 62,988	$ (73,604)	$ 69,852

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Condensed Consolidating Statement of Comprehensive Income for the Nine Months Ended September 30, 2016

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 517,703	$ 463,152	$ 394,618	$ (6,999)	$ 1,368,474
Operating expenses					
Direct cost of revenues	337,262	312,921	259,184	(6,835)	902,532
Selling, general and administrative expenses	138,038	92,490	87,710	(164)	318,074
Special charges	1,750	4,563	498	—	6,811
Acquisition-related contingent consideration	6	1,535	—	—	1,541
Amortization of other intangible assets	2,958	1,639	5,584	(2,140)	8,041
	480,014	413,148	352,976	(9,139)	1,236,999
Operating income	37,689	50,004	41,642	2,140	131,475
Other income (expense)	(18,882)	(3,063)	13,004	—	(8,941)
Income before income tax provision	18,807	46,941	54,646	2,140	122,534
Income tax provision	9,781	21,918	12,416	—	44,115
Equity in net earnings of subsidiaries	69,393	38,867	—	(108,260)	—
Net income	$ 78,419	$ 63,890	$ 42,230	$ (106,120)	$ 78,419
Other comprehensive loss, net of tax:					
Foreign currency translation adjustments, net of tax expense of $0	$ —	$ —	$ (23,645)	$ —	$ (23,645)
Total other comprehensive loss, net of tax:	—	—	(23,645)	—	(23,645)
Comprehensive income	$ 78,419	$ 63,890	$ 18,585	$ (106,120)	$ 54,774

Condensed Consolidating Statement of Cash Flows for the Nine Months Ended September 30, 2017

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Operating activities				
Net cash provided by (used in) operating activities	$ (6,155)	$ 40,052	$ (9,864)	$ 24,033
Investing activities				
Payments for acquisition of businesses, net of cash received	(8,929)	—	—	(8,929)
Purchases of property and equipment	(5,943)	(9,762)	(4,316)	(20,021)
Other	74	—	—	74
Net cash used in investing activities	(14,798)	(9,762)	(4,316)	(28,876)
Financing activities				
Borrowings under revolving line of credit, net	95,000	—	—	95,000
Deposits	—	—	3,585	3,585
Purchase and retirement of common stock	(155,285)	—	—	(155,285)

Net issuance of common stock under equity compensation plans	(2,354)	—	—	(2,354)
Other	(79)	—	—	(79)
Intercompany transfers	56,955	(30,287)	(26,668)	—
Net cash used in financing activities	(5,763)	(30,287)	(23,083)	(59,133)
Effects of exchange rate changes on cash and cash equivalents	—	—	5,779	5,779
Net increase (decrease) in cash and cash equivalents	(26,716)	3	(31,484)	(58,197)
Cash and cash equivalents, beginning of year	47,420	156	168,582	216,158
Cash and cash equivalents, end of year	$ 20,704	$ 159	$ 137,098	$ 157,961

Condensed Consolidating Statement of Cash Flows for the Nine Months Ended September 30, 2016

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Operating activities				
Net cash provided by operating activities	$ 16,670	$ 70,744	$ 24,161	$ 111,575
Investing activities				
Payments for acquisition of businesses, net of cash received	—	—	(56)	(56)
Purchases of property and equipment	(2,714)	(16,145)	(3,996)	(22,855)
Other	74	—	—	74
Net cash used in investing activities	(2,640)	(16,145)	(4,052)	(22,837)
Financing activities				
Repayments under revolving line of credit, net	(25,000)	—	—	(25,000)
Deposits	—	—	2,806	2,806
Purchase and retirement of common stock	(2,903)	—	—	(2,903)
Net issuance of common stock under equity compensation plans	18,394	—	—	18,394
Other	930	(573)	—	357
Intercompany transfers	45,805	(54,030)	8,225	—
Net cash provided by (used in) financing activities	37,226	(54,603)	11,031	(6,346)
Effects of exchange rate changes on cash and cash equivalents	—	—	(6,968)	(6,968)
Net increase (decrease) in cash and cash equivalents	51,256	(4)	24,172	75,424
Cash and cash equivalents, beginning of year	35,211	165	114,384	149,760
Cash and cash equivalents, end of year	$ 86,467	$ 161	$ 138,556	$ 225,184

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 nine months ended September 30, 2017 and 2016 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, 2016 filed with the 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 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 and capital needs of our clients around the world and delivers a wide range of distressed and non-distressed practice offerings. Our distressed practice offerings include corporate restructuring (and bankruptcy) and interim management services. Our non-distressed practice offerings include financings, M&As, M&A integration, valuations and tax advice, as well as financial, operational and performance improvement services.

Our Forensic and Litigation Consulting ("FLC") segment provides law firms, companies, government clients and other interested parties with multidisciplinary, independent dispute advisory, investigations, data analytics, forensic accounting, business intelligence and risk mitigation services, as well as interim management and performance improvement services for our health solutions practice clients.

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 offers a comprehensive portfolio of information governance and e-discovery software, services and consulting support to companies, law firms, courts and government agencies worldwide. Our services allow our clients to control the risk and expense of e-discovery events, as well as manage their data in the context of compliance and risk.

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

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 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 achieving the performance-based criteria. In our Technology segment, certain clients are also billed based on the amount of data stored on our electronic systems, the volume of information processed, or the number of users licensing our Ringtail® software products for use or installation within their own environments. We license certain products directly to end users, as well as indirectly through our channel partner relationships. 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, software usage and software licensing. Unit-based revenues include revenues associated with our proprietary software that are made available to customers, either via a web browser ("on-demand") or installed at our customer or partner locations ("on-premise"). On-demand revenues are charged on a unit or monthly basis and include, but are not limited to, processing and review related functions. On-premise revenues are comprised of upfront license fees, with recurring support and maintenance. Seasonal factors, such as the timing of our employees' and clients' vacations and holidays, impact the timing of our revenues.

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 number of revenue-generating professionals;
- licensing of our software products and other technology services;
- 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 translation (“FX”) driven by our businesses with functional currencies other than the U.S. dollar (“USD”), on the period-to-period performance results. The estimated impact of FX is calculated as the difference between the prior period results multiplied by the average foreign currency exchange rates to USD in the current period and the prior period results multiplied by the average foreign currency 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 Segment EBITDA Margin
- Adjusted Net Income
- Adjusted Earnings per Diluted Share
- Free Cash Flow

We have included the definitions of Segment Operating Income and Adjusted Segment EBITDA 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 1, 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 is a component of the definition of Adjusted Segment EBITDA.

We define Segment Operating Income 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 for all segments, which excludes unallocated corporate expenses. We use Segment Operating Income for the purpose of calculating Adjusted Segment EBITDA. We define Adjusted Segment EBITDA as a segment’s share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We use Adjusted Segment EBITDA as a basis to internally evaluate the financial performance of our segments because we believe it reflects current core operating performance and provides an indicator of the segment’s ability to generate cash. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenues. We define Adjusted Segment EBITDA Margin as Adjusted Segment EBITDA as a percentage of a segment’s 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 and losses on early extinguishment of debt. We believe that the non-GAAP financial measures, which exclude the effects of remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges, when considered together with our GAAP financial results and GAAP measures, provide management and investors with a more complete understanding of our operating results, including underlying trends. In addition, EBITDA is a common alternative measure of operating performance used by many of our competitors. It is used by investors, financial analysts, rating agencies and others to value and compare the financial performance of companies in our industry. Therefore, we also believe that these measures, considered along with corresponding GAAP 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, respectively, excluding the impact of remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges and losses on early extinguishment of debt. 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 this non-GAAP financial measure, which excludes the effects of the remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges and losses on early extinguishment of debt, when considered together with our GAAP financial results, provides management and investors with an additional understanding of our business operating results, including underlying trends.

We define Free Cash Flow as net cash provided by operating activities less cash payments for purchases of property and equipment. We believe this non-GAAP financial measure, when considered together with our GAAP financial results, provides management and investors with an additional understanding of 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. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are included elsewhere in this report.

EXECUTIVE HIGHLIGHTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollar amounts in thousands, except per share data)		(dollar amounts in thousands, except per share data)	
Revenues	$ 448,962	$ 438,042	$ 1,340,021	$ 1,368,474
Special charges[1]	$ —	$ —	$ 30,074	$ 6,811
Net income	$ 32,214	$ 21,691	$ 41,074	$ 78,419
Adjusted EBITDA	$ 57,420	$ 47,229	$ 136,527	$ 172,666

Earnings per common share — diluted	$ 0.85	$ 0.52	$ 1.03	$ 1.88
Adjusted earnings per common share — diluted	$ 0.83	$ 0.52	$ 1.55	$ 2.00
Net cash provided by operating activities	$ 106,233	$ 70,942	$ 24,033	$ 111,575
Total number of employees	4,654	4,767	4,654	4,767

(1) Excluded from non-GAAP measures.

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Third Quarter 2017 Executive Highlights

Revenues

Revenues for the three months ended September 30, 2017 increased $10.9 million, or 2.5%, to $449.0 million, compared with revenues of $438.0 million for the three months ended September 30, 2016 primarily driven by higher revenue in our Corporate Finance and FLC segments, partially offset by declines in our Economic Consulting segment.

Special charges

There were no special charges recorded during the three months ended September 30, 2017.

Net income

Net income for the three months ended September 30, 2017 was $32.2 million compared with net income of $21.7 million for the three months ended September 30, 2016. This increase from the prior year quarter was due to the impact of operating profits driven by segment performance and a lower effective income tax rate.

Adjusted EBITDA

Adjusted EBITDA for the three months ended September 30, 2017 increased $10.2 million, or 21.6% to $57.4 million compared with $47.2 million for the three months ended September 30, 2016. Adjusted EBITDA was 12.8% of revenues for the three months ended September 30, 2017 compared with 10.8% of revenues for the three months ended September 30, 2016. The increase in Adjusted EBITDA was due to higher margin revenues, including success fees, and improved utilization largely within our Corporate Finance and FLC segments.

Earnings per diluted share (EPS) and Adjusted EPS

Earnings per diluted share for the three months ended September 30, 2017 increased $0.33 to $0.85 compared with $0.52 for the three months ended September 30, 2016. Adjusted EPS for the three months ended September 30, 2017 increased $0.31 to $0.83 compared with $0.52 for the three months ended September 30, 2016. The increases for both EPS and Adjusted EPS were due to the operating results described above, lower weighted average shares outstanding as a result of repurchases made under our Stock Repurchase Program and a lower effective income tax rate.

Liquidity and capital allocation

Net cash provided by operating activities for the three months ended September 30, 2017 increased $35.3 million to $106.2 million compared with $70.9 million for the prior year quarter mainly due to higher cash collections as a result of higher revenues, lower income tax payments and benefits related to the timing of certain other operating expenditures. Days sales outstanding (“DSO”) was slightly lower (DSO was 105 days at September 30, 2017 and 106 days at September 30, 2016). Free cash flow for the three months ended September 30, 2017 was $99.3 million compared with $60.1 million for the three months ended September 30, 2016.

A portion of net cash provided by operating activities was used to repurchase and retire 1,599,400 shares of our common stock for an average price per share of $32.98, at a total cost of $52.7 million and make $20.0 million of net repayments under the Company's $550.0 million senior secured bank revolving credit facility ("Senior Bank Credit Facility").

Other strategic activities

During the three months ended September 30, 2017, we acquired the operations of a restructuring advisory firm in New York. As part of the transaction, 19 professionals, including five Senior Managing Directors, joined the Company's Corporate Finance segment. The addition of these professionals will further enhance our top restructuring position in North America by strengthening our company-side and interim management capabilities.

Headcount

Our total headcount decreased 1.4% from 4,718 at December 31, 2016 to 4,654 at September 30, 2017. The following table includes the net billable headcount additions (reductions) for the nine months ended September 30, 2017.

Billable Headcount	Corporate Finance & Restructuring [1]	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Total
December 31, 2016	895	1,110	656	288	647	3,596
Additions, net	5	—	4	8	10	27
March 31, 2017	900	1,110	660	296	657	3,623
Additions (reductions), net	(19)	(40)	(8)	5	2	(60)
June 30, 2017	881	1,070	652	301	659	3,563
Additions (reductions), net	53	10	36	(10)	(33)	56
September 30, 2017	934	1,080	688	291	626	3,619
Percentage change in headcount from December 31, 2016	4.4%	-2.7%	4.9%	1.0%	-3.2%	0.6%

[1] There were 19 revenue-generating professionals added during the three months ended September 30, 2017 related to a business acquisition.

CONSOLIDATED RESULTS OF OPERATIONS

Segment and Consolidated Operating Results:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands, except per share data)			
Revenues				
Corporate Finance & Restructuring	$128,121	$110,617	$351,509	$369,915
Forensic and Litigation Consulting	118,639	115,045	341,455	352,242
Economic Consulting	111,753	122,480	374,978	371,217
Technology	42,282	44,072	133,935	134,235
Strategic Communications	48,167	45,828	138,144	140,865
Total revenues	$448,962	$438,042	$1,340,021	$1,368,474
Segment operating income				
Corporate Finance & Restructuring	$24,706	$16,182	$48,902	$76,740
Forensic and Litigation Consulting	21,127	14,867	34,234	45,005
Economic Consulting	10,524	16,888	37,034	51,390
Technology	3,002	2,869	5,874	2,569

Strategic Communications	6,536	6,006	8,308	16,661
Total segment operating income	65,895	56,812	134,352	192,365
Unallocated corporate expenses	(18,827)	(21,738)	(60,166)	(60,890)
Operating income	47,068	35,074	74,186	131,475
Other income (expense)				
Interest income and other	1,103	3,213	3,300	9,895
Interest expense	(6,760)	(6,304)	(18,811)	(18,836)
	(5,657)	(3,091)	(15,511)	(8,941)
Income before income tax provision	41,411	31,983	58,675	122,534
Income tax provision	9,197	10,292	17,601	44,115
Net income	$32,214	$21,691	$41,074	$78,419
Earnings per common share — basic	$0.86	$0.53	$1.05	$1.92
Earnings per common share — diluted	$0.85	$0.52	$1.03	$1.88

Reconciliation of Net Income to Adjusted EBITDA:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)		(in thousands)	
Net income	$32,214	$21,691	$41,074	$78,419
Add back:				
Income tax provision	9,197	10,292	17,601	44,115
Interest income and other	(1,103)	(3,213)	(3,300)	(9,895)
Interest expense	6,760	6,304	18,811	18,836
Depreciation and amortization	7,470	9,310	23,768	25,359
Amortization of other intangible assets	2,882	2,845	7,797	8,041
Special charges	—	—	30,074	6,811
Remeasurement of acquisition-related contingent consideration	—	—	702	980
Adjusted EBITDA	$57,420	$47,229	$136,527	$172,666

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands, except per share data)		(in thousands, except per share data)	
Net income	$32,214	$21,691	$41,074	$78,419
Add back:				
Special charges	—	—	30,074	6,811
Tax impact of special charges[1]	(832)	—	(9,935)	(2,483)
Remeasurement of acquisition-related contingent consideration	—	—	702	980
Tax impact of remeasurement of acquisition-related contingent consideration	—	—	(269)	(380)
Adjusted net income	$31,382	$21,691	$61,646	$83,347
Earnings per common share — diluted	$0.85	$0.52	$1.03	$1.88
Add back:				
Special charges				