

CRA's 2019 Analyst and Associate Class



Charles River Associates

Charles River Associates® is a leading global consulting firm specializing in economic, financial, and management consulting services. CRA advises clients on economic and financial matters pertaining to litigation and regulatory proceedings, and guides corporations through critical business strategy and performance-related issues. Since 1965, clients have engaged CRA for its unique combination of functional expertise and industry knowledge, and for its objective solutions to complex problems. Headquartered in Boston, CRA has offices throughout the world. Charles River Associates is a registered trade name of CRA International, Inc.

Dear Fellow Shareholders:

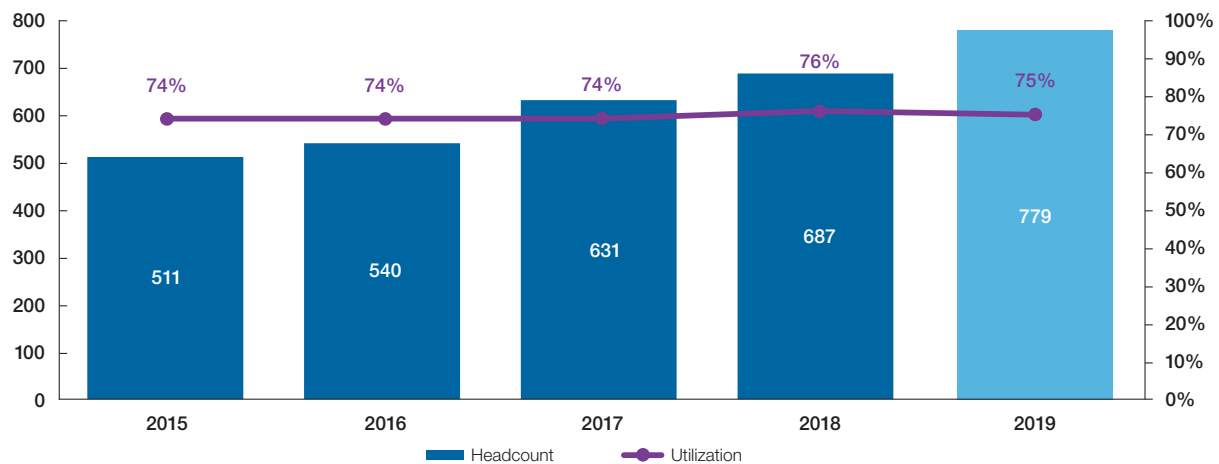
As I write this letter against the backdrop of the COVID-19 health crisis, I hope that everyone is staying safe and adjusting to work and life in this rapidly changing environment. CRA's transition to a virtual consultancy arrived quickly, but the performance of my colleagues at every level, department and office has strengthened my belief that this is a special organization. In this letter, I want to highlight some of our recent accomplishments.

With each year and with each decision, CRA sets out to maximize long-term value per share. Such a goal requires an optimal distribution of capital that is directed between investments that drive value-creating growth and a return of capital to our shareholders. Over the past five years, we have stayed true to our word as we have simultaneously grown revenue, increased profits at an even faster rate, and returned substantial capital to our shareholders. We are especially proud of our accomplishments in fiscal 2019 as they represent another step in our journey.

Operational Performance

During the past five years, we have expanded our consulting headcount by 328, or more than 70% growth from our headcount of 451 at the start of fiscal 2015. While this increase alone is a notable achievement, I am especially pleased that we were able to maintain an average utilization of 75% during this period of significant headcount expansion. Fiscal 2019 continued this trend, with consulting headcount increasing 13% while at the same time company-wide utilization remained strong at 75%. Exhibit 1 summarizes our consulting headcount and utilization over the past five years.

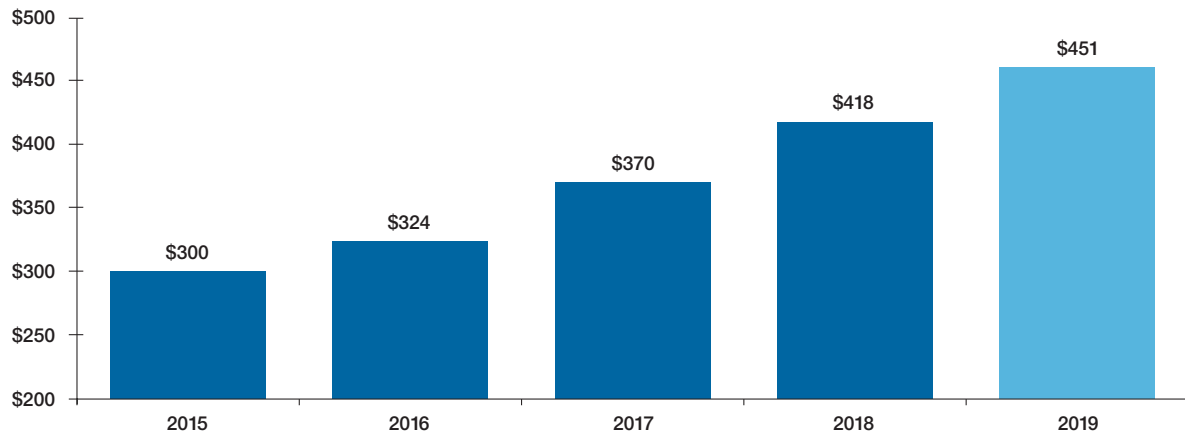
Exhibit 1: Consulting Headcount and Utilization



This headcount increase and consistent utilization have fueled non-GAAP revenue growth of \$150 million, or 50%, over the past five years.¹ We saw the same combination and a similar outcome in fiscal 2019. Following a record setting fiscal 2018, CRA delivered an encore in fiscal 2019 by reporting its highest annual revenue ever at \$451 million, representing 8% year-over-year growth. Exhibit 2 summarizes our revenue over the past five years.

¹ With respect to each non-GAAP financial measure presented in this letter, the comparable GAAP financial measure and a reconciliation of it to the non-GAAP financial measure are presented on the page following this letter.

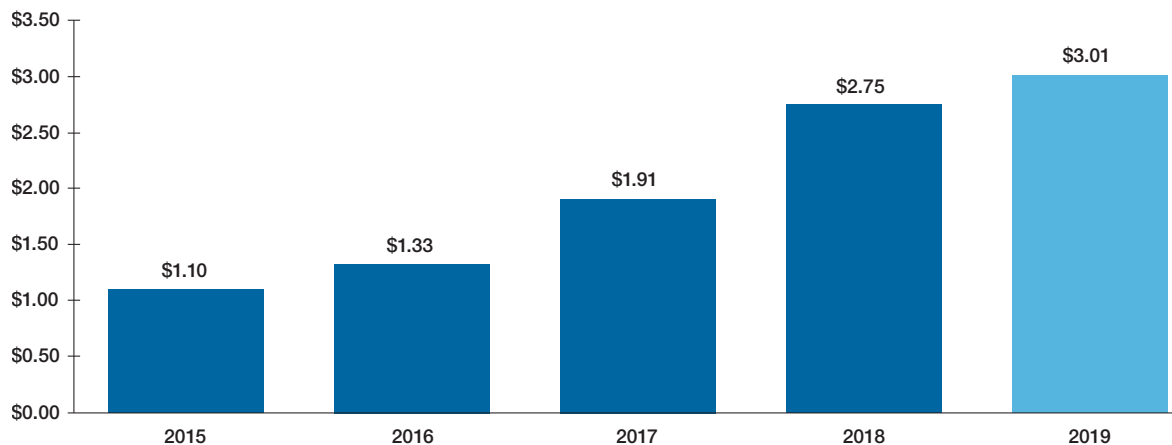
Exhibit 2: Revenue* (in millions)



*Presented on a non-GAAP basis

While we have increased headcount and maintained company-wide utilization during the past five years, our consultants also have become more productive, as demonstrated by an increase in the average revenue per Vice President of more than 25% over this same period. This improved productivity has contributed to our enhanced profitability, with non-GAAP EBITDA, net income and EPS growth of 43%, 77% and 113%, respectively, since the start of the five-year period. Exhibit 3 presents non-GAAP earnings per diluted share.

Exhibit 3: Earnings Per Diluted Share*



*Presented on a non-GAAP basis

Commitment to Reinvestment

We continue to position the firm for future success. Growth of a professional services firm stems from a variety of investments. Of course, there can be capital outlays to acquire incremental revenue and profit streams. But there are also less explicit investments in people that flow through our operating metrics. These investments include training and development programs to enhance the skills of the consulting team, suboptimal utilization as new hires ramp to their full productivity, and adding headcount capacity ahead of expected demand. These investments can weigh on operating metrics in the short term but are absolutely essential to achieving value-creating growth over the long term. I would like to highlight two strategic pursuits that have been the focus of management's attention over the past few years and that have fueled significant growth at CRA.

Life Sciences Practice. At the end of 2016, CRA's Life Science practice consisted of approximately 70 consultants, principally residing in North America and focused on a mix of litigation and advisory matters to clients in the pharmaceutical, biotech and medical device markets. Following the acquisition of C1 Consulting in the first quarter of 2017 and the subsequent hiring of senior practitioners across Europe during 2017 and 2018, the Life Sciences practice has grown to more than 200 consultants. Building on its legacy roots, the practice now offers services across litigation and policy matters and helps clients address strategic challenges relating to pricing and marketing access, portfolio optimization, advanced data analytics, customer insights, and R&D performance improvement.

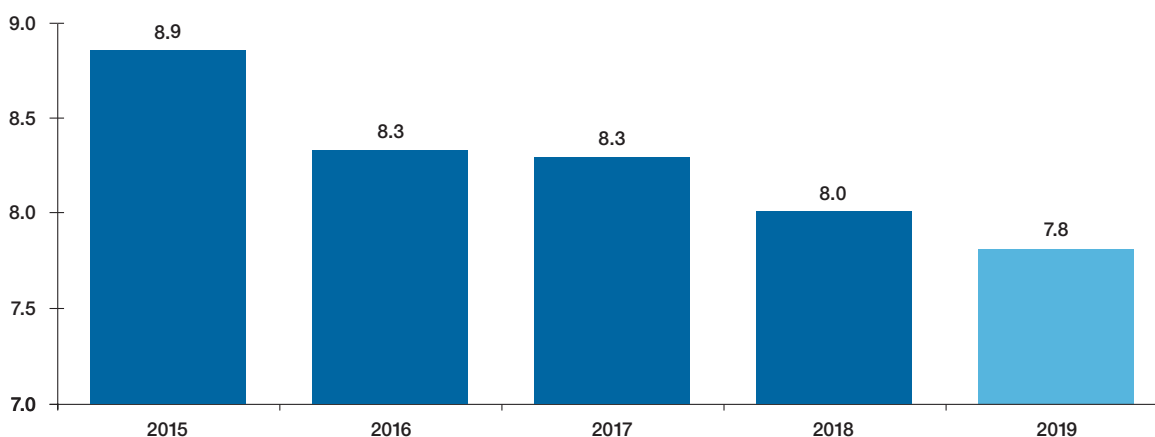
Forensic Services Practice. Our Forensic Services practice was established in late 2015 with the hiring of three senior practitioners. Fueled by their leadership and strong client service, this practice has grown entirely through individual hires and now boasts more than 50 consultants and enjoyed an average revenue per consultant in excess of \$1 million in fiscal 2019. They are retained by boards of directors, C-suite executives, outside counsel and insurance carriers on matters involving forensic accounting, anti-money laundering, cyber security, eDiscovery and information security. The practice was also recently honored in the National Law Journal's "Best of 2020" for being one of the top three forensic accounting providers in the country and by Global Investigations Review as one of the top 10 forensic practices for handling sophisticated cross-border, government-driven and internal investigations.

During fiscal 2019, we continued to make talent investments, augmenting our teams in Antitrust & Competition Economics, Finance, Forensic Services and our new Risk, Investigations & Analytics practice. We continue to focus on areas that we know well, which offers CRA a higher likelihood of success.

Redistribution to Shareholders

In addition to reinvesting in our business to drive growth and strong operational performance, we have also returned substantial capital to our shareholders. Since fiscal 2015, we have repurchased \$97 million of our common stock at an average price of approximately \$35 per share and reduced our shares outstanding by 15%. Exhibit 4 summarizes our year-end shares outstanding over the past five years. Dividend payments provided an additional \$19 million to our shareholders, for a total redistribution of \$116 million over the past five years and an average annual shareholder yield of approximately 7.5% relative to our average market capitalization.

Exhibit 4: Year-End Shares Outstanding (in millions)



We concluded fiscal 2019 with \$26 million of cash and cash equivalents and no outstanding borrowings under our \$125 million credit facility. CRA has a history of generating strong cash flows, providing ample funds to reinvest in the business for value-creating growth and to return capital to shareholders. As we seek to maximize long-term value per share, we will maintain prudent capital allocation with a disciplined, value orientation rather than with a short-term focus on quarterly performance, seeking to deliver returns well above our cost of capital.

Outlook

As our fiscal 2019 results demonstrate, our services are highly valued by our clients. Although we are pleased with this performance, we recognize that the world has changed considerably due to the COVID-19 pandemic. In March 2020, we asked our colleagues to work from home wherever possible, with access to our networks and infrastructure that possess the same power, capacity, and security as they had available at their desks within our offices. We have continued to provide effective service to our clients and comply with stay-at-home orders and other local mandates that require movement restrictions and social distancing.

The COVID-19 pandemic has introduced challenges and uncertainties across our end markets, but we are committed to supporting the needs of our colleagues, their families, and our professional communities. As we help our clients address their critical business challenges, I am grateful to all of my colleagues for their hard work throughout these difficult times. The challenges may not be over soon, but we will gather strength from the resolve of the entire CRA team as we continue to serve our clients and one another. We remain confident that the same factors that have driven our success in recent years will continue to drive our performance in the months and years ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Maleh", written in a cursive style.

Paul Maleh
President and Chief Executive Officer
May 13, 2020

Charles River Associates

Reconciliation of Non-GAAP Financial Measures

	2014	2015	2016	2017	2018	2019
(\$ in millions, except per share data)						
Revenue	\$ 306.4	\$ 303.6	\$ 324.8	\$ 370.1	\$ 417.6	\$ 451.4
Income from operations	24.0	12.4	18.9	15.8	28.9	29.3
Operating margin (%)	7.9%	4.0%	5.8%	4.3%	6.9%	6.5%
Net income (loss) attributable to CRA International, Inc.	13.6	7.7	12.9	7.6	22.5	20.7
Net income (loss) attributable to noncontrolling interest, net of tax	(0.2)	(1.3)	1.3	0.1	-	-
Net income	\$ 13.4	\$ 6.3	\$ 14.2	\$ 7.7	\$ 22.5	\$ 20.7
Net income margin (%)	4.5%	2.1%	4.4%	2.1%	5.4%	4.6%
Weighted average shares outstanding (diluted)	9.9	9.2	8.6	8.5	8.6	8.2
Diluted earnings per share	\$ 1.38	\$ 0.83	\$ 1.49	\$ 0.89	\$ 2.61	\$ 2.53
Reconciliation of GAAP revenue to non-GAAP revenue:						
GAAP revenue	\$ 306.4	\$ 303.6	\$ 324.8	\$ 370.1	\$ 417.6	\$ 451.4
Revenue from GNU	(4.8)	(3.8)	(0.8)	-	-	-
Non-GAAP revenue	\$ 301.6	\$ 299.8	\$ 324.0	\$ 370.1	\$ 417.6	\$ 451.4
Reconciliation of GAAP net income to non-GAAP net income:						
GAAP net income	\$ 13.4	\$ 6.3	\$ 14.2	\$ 7.7	\$ 22.5	\$ 20.7
Revenue from GNU	(4.8)	(3.8)	(0.8)	-	-	-
Other	5.1	9.2	(2.2)	8.6	1.4	5.4
Tax effect of non-GAAP adjustments	0.2	(1.6)	0.3	0.1	(0.2)	(1.5)
Non-GAAP adjustments, net of tax	0.5	3.8	(2.7)	8.7	1.2	4.0
Non GAAP net income	\$ 13.9	\$ 10.1	\$ 11.5	\$ 16.4	\$ 23.7	\$ 24.7
Non-GAAP net income margin (%)	4.7%	3.3%	3.6%	4.4%	5.7%	5.5%
Non GAAP net income per diluted share outstanding	\$ 1.41	\$ 1.10	\$ 1.33	\$ 1.91	\$ 2.75	\$ 3.01
Reconciliation of GAAP net income to non-GAAP EBITDA:						
Net income	\$ 13.4	\$ 6.3	\$ 14.2	\$ 7.7	\$ 22.5	\$ 20.7
Adjustments needed to reconcile GAAP net income to non-GAAP net income:	0.5	3.8	(2.7)	8.7	1.2	4.0
Non-GAAP net income	\$ 13.9	\$ 10.1	\$ 11.5	\$ 16.4	\$ 23.7	\$ 24.7
Interest expense, net	0.7	1.1	0.5	0.5	0.6	1.3
Provision for income taxes	9.7	7.1	7.4	7.3	6.6	7.5
Depreciation and amortization	6.4	6.5	7.9	8.9	10.0	10.6
Non-GAAP EBITDA	\$ 30.8	\$ 24.8	\$ 27.3	\$ 33.1	\$ 41.0	\$ 44.1
Non-GAAP EBITDA margin	10.2%	8.3%	8.4%	9.0%	9.8%	9.8%

	GAAP	Non-GAAP	Difference due to GNU and Other
Revenue growth (Fiscal Years 2015-2019)	47%	50%	3%
Net income growth (Fiscal Years 2015-2019)	54%	77%	23%
Earnings per diluted share (EPS) growth (Fiscal Years 2015-2019)	84%	113%	29%
EBITDA growth (Fiscal Years 2015-2019)	-	43%	-
Revenue growth (Fiscal Year 2019)	8%	8%	0%

Note: Adjustments for GNU and Other arise from activity related to GNU, CRA's majority owned subsidiary, formerly known as "NeuCo," in CRA's GAAP results. In April 2016, substantially all of GNU's assets were sold. Additional adjustments referred to as "Other" include goodwill and intangible impairment charges, restructuring charges, valuation changes in contingent consideration liabilities associated with prior acquisitions, estimated impact of The Tax Cuts and Jobs Act ("Tax Act"), and certain other unusual charges.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 28, 2019
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: 000-24049

CRA International, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of incorporation or organization)

04-2372210
(I.R.S. Employer Identification No.)

200 Clarendon Street, Boston, MA
(Address of principal executive offices)

02116-5092
(Zip code)

617-425-3000

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, no par value	CRAI	Nasdaq Global Select Market

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 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 (Check one):

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

The aggregate market value of the stock held by non-affiliates of the registrant as of June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing sale price of \$38.33 as quoted on the NASDAQ Global Select Market as of such date, was approximately \$291.0 million. Outstanding shares of common stock beneficially owned by executive officers and directors of the registrant and certain related entities have been excluded from this computation because these persons may be deemed to be affiliates. The fact that these persons have been deemed affiliates for purposes of this computation should not be considered a conclusive determination for any other purpose.

As of February 21, 2020, CRA had outstanding 7,852,098 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The information required for Part III of this annual report is incorporated by reference from the registrant's definitive proxy statement for the 2019 annual meeting of its shareholders to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 28, 2019.

CRA INTERNATIONAL, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED December 28, 2019

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PART I

Item 1—*Business*

Forward-Looking Statements

This annual report contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. These statements are inherently uncertain, and actual events could differ materially from our predictions. Forward-looking statements can also be identified by words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “will,” “would,” “could,” “can,” “may,” and similar terms. Forward-looking statements are not guarantees of future performance and the Company’s actual results may differ significantly from the results discussed in the forward-looking statements. Important factors that could cause actual events to vary from our predictions include those discussed in this annual report under the heading “Risk Factors.” We assume no obligation to update our forward-looking statements to reflect new information or developments. We urge readers to review carefully the risk factors described in this annual report and in the other documents that we file with the Securities and Exchange Commission, or SEC. You can read these documents at www.sec.gov.

Additional Available Information

Our principal internet address is www.crai.com. Our website provides a link to a third-party website through which our annual, quarterly, and current reports, and amendments to those reports, are available free of charge. We believe these reports are made available as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. We do not maintain, or provide any information directly to, the third-party website, and we do not check its accuracy.

Our website also includes information about our corporate governance practices. The Investor Relations page of our website provides a link to a web page where you can obtain a copy of our code of business conduct and ethics applicable to our principal executive officer, principal financial officer, and principal accounting officer. We intend to make required disclosures of amendments to our code of business conduct and ethics, or waivers of a provision of our code of business conduct and ethics, on the Corporate Governance Documents page linked from the Investor Relations page of our website.

Introduction

CRA International, Inc. (“CRA”, “the Company”, “us”, “we”, or “our”) was incorporated as a Massachusetts corporation in 1965. We are a leading global consulting firm specializing in providing economic, financial and management consulting services. We advise clients on economic and financial matters pertaining to litigation and regulatory proceedings, and guide corporations through critical business strategy and performance-related issues. Since 1965, we have been engaged by clients for our unique combination of functional expertise and industry knowledge, and for our objective solutions to complex problems. We combine economic and financial analysis with expertise in litigation and regulatory support, business strategy and planning, market and demand forecasting, and policy analysis. We are often retained in high-stakes matters, such as multibillion-dollar mergers and acquisitions, new product introductions, major strategy and capital investment decisions, and complex litigation, the outcomes of which often have significant consequences for the parties involved. These matters often require independent analysis and, as a result, the parties involved must rely on outside experts. Our analytical strength enables us to reach objective, factual conclusions that help clients make important business and policy decisions and resolve critical disputes. Clients turn to us because we can provide highly credentialed and experienced economic and finance experts to address critical, tough assignments, with high-stakes outcomes.

We offer consulting services in two broad areas: litigation, regulatory, and financial consulting and management consulting. We provide our consulting services primarily through our highly credentialed

and experienced staff of employee consultants. Our employee consultants have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences, accounting, and engineering. They combine outstanding intellectual acumen with practical experience and in-depth understanding of industries and markets. To enhance the expertise we provide to our clients, we maintain close working relationships with a select group of renowned academic and industry non-employee experts.

Our business is diversified across multiple dimensions, including service offerings and vertical industry coverage, as well as areas of functional expertise, client base, and geography. We believe this diversification reduces our dependence on any particular market, industry, or geographic area.

We provide consulting services to corporate clients and attorneys in a wide range of litigation and regulatory proceedings, providing high-quality research and analysis, expert testimony, and comprehensive support in litigation and regulatory proceedings in all areas of finance, accounting, economics, insurance, and forensic accounting and investigations. We also use our expertise in economics, finance, and business to offer law firms, businesses, and government agencies services related to class certification, damages analysis, expert reports and testimony, regulatory analysis, strategy development, valuation of tangible and intangible assets, risk management, and transaction support. In our management consulting services, we use our expertise in economics, finance, and business analysis to offer our clients such services as strategy development, performance improvement, corporate strategy and portfolio analysis, estimation of market demand, new product pricing strategies, valuation of intellectual property and other assets, assessment of competitors' actions, and analysis of new sources of supply. Our analytical expertise in advanced economic and financial methods is complemented by our in-depth expertise in specific industries, including agriculture; banking and capital markets; chemicals; communications and media; consumer products; energy; entertainment; financial services; health care; insurance; life sciences; manufacturing; metals, mining, and materials; oil and gas; real estate; retail; sports; telecommunications; transportation; and technology.

We have completed thousands of engagements for clients around the world, including domestic and foreign companies; federal, state, and local domestic government agencies; governments of foreign countries; public and private utilities; and national and international trade associations. We also work with many of the world's leading law firms. We experience a high level of repeat business.

We deliver our services through an international network of coordinated offices. Headquartered in Boston, Massachusetts, we have offices throughout North America and Europe.

Industry Overview

Businesses are operating in an increasingly complex economic, legal, and regulatory environment. Our changing world economy has created immense challenges and opportunities for businesses. Companies across industry sectors are seeking new strategies appropriate for the current economic environment, as well as greater operational efficiencies. To accomplish these objectives, they must constantly gather, analyze, and use information wisely to assure that business decisions are well-informed. In addition, as markets have become global, companies have the opportunity to expand their presence throughout the world, which can expose them to increased competition and the uncertainties of foreign operations. Further, companies are increasingly relying on technological and business innovations to improve efficiency, thus increasing the importance of strategically analyzing their businesses and developing and protecting new technology. The increasing complexity and changing nature of the business environment are also forcing governments to modify their regulatory strategies. These constant changes in the regulatory environment and the evolving regulatory posture in the U.S. have led to frequent litigation and interaction with government agencies, as our clients attempt to interpret and react to the implications of this changing environment. Furthermore, as the general business and regulatory environment becomes more complex, corporate litigation has also become more complicated, protracted, expensive, and important to the parties involved.

As a result, companies are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. Economic and financial models provide the tools necessary to analyze a variety of issues confronting businesses, such as interpretation of sales data, effects of price changes, valuation of assets, assessment of competitors' activities, evaluation of new products, and analysis of supply limitations. Governments are also relying, to an increasing extent, on economic and finance theory to measure the effects of anticompetitive activity, evaluate mergers and acquisitions, change regulations, implement auctions to allocate resources, and establish transfer pricing rules. Finally, litigants and law firms are using economic and finance theory to help determine liability and to calculate damages in complex and high-stakes litigation. As the need for complex economic and financial analysis becomes more widespread, companies and governments are turning to outside consulting firms, such as ours, for access to the independent and specialized expertise, experience, and prestige that are not available to them internally. In addition, companies' strategic, organizational, and operational problems have become more acute as a result of the economic environment, and companies are relying on management consultants for help in analyzing, addressing, and solving strategic business problems and performance-related issues involving market supply and demand dynamics, supply chain and sourcing, pricing, capital allocation, technology management, portfolio positioning, risk management, merger integration, and improving shareholder value.

Competitive Strengths

Since 1965, we have been committed to providing sophisticated consulting services to our clients. We believe that the following factors have been critical to our success.

Strong Reputation for High-Quality Consulting; High Level of Repeat Business. Since 1965, we have been a leader in providing sophisticated economic analysis and original, authoritative advice to clients involved in complex litigation and regulatory proceedings, and we also provide management consulting services to companies facing strategic, organizational, and operational challenges. As a result, we believe we have established a strong reputation among leading law firms and business clients as a preferred source of expertise in economics, finance, business, and management consulting, as evidenced by our high level of repeat business. In addition, we believe our significant name recognition, developed as a result of our work on many high-profile litigation and regulatory engagements, has enhanced the development of our management consulting practice.

Highly Educated, Experienced, and Versatile Consulting Staff. We believe our most important asset is our base of employee consultants, particularly our senior employee consultants. As of December 28, 2019, we employed 779 consultants, which consisted of 128 officers, 434 senior staff and 217 junior staff. Approximately 80% of our senior staff have advanced degrees, with 43% having doctorate degrees. We are extremely selective in our hiring of consultants, recruiting from leading universities, industry, and government. Many of our employee consultants are nationally or internationally recognized as experts in their respective fields and have published scholarly articles, lectured extensively, and been quoted in the press. In addition to their expertise in a particular field, most of our employee consultants are able to apply their skills across numerous practice areas. This flexibility in staffing engagements is critical to our ability to apply our resources to meet the demands of our clients. As a result, we seek to hire consultants who not only have strong analytical skills, but who are also creative, intellectually curious, and driven to develop expertise in new practice areas and industries.

International Presence. We deliver our services through an international network of coordinated offices. Many of our clients are multinational firms with issues that cross international boundaries, and we believe our international presence provides us with an advantage to address complex issues that span countries and continents. Our international presence also gives us access to many of the leading experts around the world on a variety of issues, allowing us to expand our knowledge base and areas of functional expertise.

Diversified Business. Our business is diversified across multiple dimensions, including service offerings, vertical industry coverage, areas of functional expertise, client base, and geography. By

maintaining expertise in multiple industries, we are able to offer clients creative and pragmatic advice tailored to their specific markets. By offering clients litigation, regulatory, financial, and management consulting services, we are able to satisfy an array of client needs, ranging from expert testimony for complex lawsuits to designing global business strategies. This broad range of expertise enables us to take an interdisciplinary approach to certain engagements, combining economists and experts in one area with specialists in other disciplines. We believe this diversification reduces our dependence on any particular market, industry, or geographic area. Furthermore, our litigation, regulatory, and financial consulting businesses are driven primarily by regulatory changes and high-stakes legal proceedings. Our diversity also enhances our expertise and the range of issues that we can address on behalf of clients.

Integrated Business. We manage our business on an integrated basis through our international network of offices and areas of functional expertise. Many of our practice areas are represented in several of our offices and are managed across geographic borders. We view these cross-border practices as integral to our success and key to our management approach. Our practices share not only staff, but also consulting approaches and marketing strategies. When we acquire companies, our practice is to rapidly integrate systems, procedures, and people into our business platform. In addition to sharing our intellectual property assets globally, we encourage geographic collaboration among our practices by including each consultant's overall contribution to our practices as a factor in determining the consultant's annual bonus.

Diversified Client Base. We have completed thousands of engagements for clients in a broad range of industries around the world. Our clients are major firms, and national and international law firms representing such clients, across a multitude of industries that include agriculture; banking and capital markets; chemicals; communications and media; consumer products; energy; entertainment; financial services; health care; insurance; life sciences; manufacturing; metals, mining, and materials; oil and gas; real estate; retail; sports; telecommunications; transportation; and technology.

Established Corporate Culture. Our success results in part from our established corporate culture. We believe we attract consultants because of our extensive history, our strong reputation, the credentials, experience, and reputations of our employee consultants, the opportunity to work on an array of matters with a broad group of renowned non-employee experts, and our collegial atmosphere where teamwork and collaboration are emphasized and valued by many clients.

Access to Leading Academic and Industry Experts. To enhance the expertise we provide to our clients and the depth and breadth of our insights, we maintain close working relationships with a select group of non-employee experts. Depending on client needs, we use non-employee experts for their specialized expertise, assistance in conceptual problem-solving, and expert witness testimony. We work regularly with renowned professors at such institutions as the University of Chicago, the University of California at Berkeley, Yale University, Georgetown University, Northwestern University, the University of Toronto, Harvard University, the Massachusetts Institute of Technology, Texas A&M University, and Brigham Young University, and other leading universities. These experts also generate business for us and provide us access to other leading academic and industry experts. By establishing affiliations with these prestigious experts, we further enhance our reputation as a leading source of sophisticated economic and financial analysis.

Services

We offer consulting services in two broad areas: litigation, regulatory, and financial consulting and management consulting.

Litigation, Regulatory, and Financial Consulting

In our litigation, regulatory, and financial consulting practices, we typically work closely with law firms on behalf of one or more companies involved in litigation or regulatory proceedings in such areas as antitrust, damages, and labor and employment. Many of the lawsuits and regulatory proceedings in which we are involved are critical assignments with high-stakes outcomes, such as obtaining regulatory

approval of a pending merger or analyzing possible damages awards in a class action case. The ability to formulate and effectively communicate powerful economic and financial arguments to courts and regulatory agencies is often critical to a successful outcome in litigation and regulatory proceedings. Our consultants combine analytical rigor with practical experience and in-depth understanding of industries and markets. Our analytical strength enables us to reach objective, factual conclusions that help our clients make important business and policy decisions and resolve critical disputes. Our consultants work with law firms, corporate counsel, and regulatory agencies to assist in developing the theory of the case and in preparing the testimony of expert witnesses from among our employees, our non-employee experts, and others in academia. In addition, our consultants provide general litigation support, including reviewing legal briefs and assisting in the appeals process.

The following is a summary of the areas of functional expertise that we offer in litigation, regulatory, and financial consulting engagements. We provide services, such as economic expertise, analyses, and expert testimony, in these areas:

<u>Areas of Functional Expertise</u>	<u>Description of Area of Service</u>
Antitrust & Competition . . .	Antitrust litigation, including economic analysis of the competitive effects of alleged collusion and cartels, monopolization, abuse of dominance, monopsony, and vertical restrictions.
Damages & Valuation	Disputes involving lost profits, breach of contract, purchase price, valuation, business interruption, product liability, and fraud, among other damages claims. Calculating damages, providing expert testimony, and critiquing opposing experts' damages analyses in matters involving disputes in antitrust; intellectual property; securities and other financial market issues; insolvency; property values; contract; employment discrimination; product liability; environmental contamination; and purchase price. Supporting clients with broader corporate valuation services, providing pre-trial evaluations of damages claims and methodologies, and evaluating proposed settlements in class action and other cases.
Financial Accounting & Valuation	Commercial and shareholder disputes; corporate finance damages; corporate investigations; due diligence; financial accounting; valuation and litigation support and expert testimony, including both liability and damages.
Financial Economics	Matters pertaining to financial markets, including regulatory analyses and litigation support for financial institutions in areas of fair lending compliance, credit risk, credit scoring, consumer and mortgage lending, housing markets, international mortgage markets, and securitization.
Forensic & Cyber Investigations	Forensic accounting and analysis of complex accounting issues; fraud, corruption, bribery and embezzlement investigations; white collar defense; cybercrime, data breach and theft of trade secrets investigations; computer and other digital forensic analyses; actionable business intelligence and reputational due diligence; and other independent professional services that help clients preserve their reputation and support their commitment to integrity.
Insurance Economics	Matters pertaining to advising insurers, regulators, and legislators with respect to management, insurance products, and litigation and regulation.

Areas of Functional Expertise	Description of Area of Service
Intellectual Property	Matters pertaining to all types of intellectual property assets including valuation, litigation, transaction and strategic advisory services, patents, trade secrets, copyrights, and trademarks as well as economic damages in intellectual property litigation, valuations of intellectual property assets for strategic and regulatory purposes, and transactional advisory services for licensing and other intellectual property-rich transactions.
International Arbitration . . .	International arbitration cases brought under bilateral investment treaties and arbitration clauses in contracts between firms. Assessing causation and quantifying damages using sophisticated modeling and analytical techniques and presenting findings to arbitration authorities. Analyses of valuations and estimates of damages associated with breaches of contract, national laws, and international treaties and the effects of market rules, processes, and contracts on prices and competition.
Labor & Employment	All facets of employment litigation including equal employment opportunity claims under Title VII, the Age Discrimination in Employment Act, the Equal Pay Act, and the Americans with Disabilities Act. Providing expert witness and litigation support services, conducting proactive analyses of employment and contracting practices, monitoring consent decrees and settlement agreements, designing information systems to track relevant employment data, and analyzing liability and assessing damages under the Fair Labor Standards Act, California overtime laws, and state-specific wage and hour laws.
Mergers & Acquisitions	Assisting clients in obtaining domestic and foreign regulatory approvals in proceedings before government agencies, such as the U.S. Federal Trade Commission, the U.S. Department of Justice, the Merger Task Force at the European Commission, and the Canadian Competition Bureau. Analyses include simulating the effects of mergers on prices, estimating demand elasticities, designing and administering customer and consumer surveys, and studying possible acquisition-related synergies.
Regulatory Economics & Compliance	Regulatory proceedings and assisting clients in understanding and mitigating regulatory risks and exposures, preparing policy studies that help develop the basis for sound regulatory policy, drafting regulatory filings, and advising on regulations pertaining to environmental protection, employment, and health and safety.
Risk, Investigations & Analytics	Assisting clients facing complex legal and business challenges using a multidisciplinary approach to collect, process, and analyze information, including large and complex data sets from internal and external sources, electronic communications and transactions, insights from public records, social media, and human intelligence. Services include investigative due diligence; independent monitoring; anti-money laundering and financial crimes advisory; litigation support; corporate intelligence; fraud and corruption investigations; asset tracking; social media analytics; account remediation; compliance assessment; and systems investigations.

Areas of Functional Expertise	Description of Area of Service
Securities & Financial Markets	Application of financial economics and accounting to complex litigation and business problems in such areas as securities litigation; securities markets and financial institutions; valuation and damages; and other financial litigation.
Transfer Pricing	All phases of the tax cycle, including planning, documentation, and tax valuation. Also includes audit defense and support in advanced pricing agreements, alternative dispute resolution, and litigation in proceedings involving the Internal Revenue Service, the Tax Division of the U.S. Department of Justice, state and municipal tax authorities, and foreign tax authorities.

Management Consulting

Our management consulting practices offer a unique mix of industry and functional expertise to help companies address and solve their strategic, organizational, and operational business problems. We advise clients in a broad range of industries on how to succeed in uncertain, rapidly-changing environments by generating growth, creating value, and enhancing shareholder wealth.

Additionally, we challenge clients to develop fresh approaches by sharing industry insights, focusing on facts, and questioning tradition. We support clients in implementation by setting priorities, focusing resources, and aligning operations, and we get results by helping clients make distinctive, substantial improvements in their organizations' performance.

The following is a summary of the areas of functional expertise that we offer in management consulting.

Areas of Functional Expertise	Description of Area of Service
Auctions & Competitive Bidding	Providing auction and market design, implementation, and monitoring services, as well as bidding support services, for businesses, industry organizations, and governments in various industries around the world, including commodities, energy and utilities, telecommunications, transportation, natural resources, and other industries.
Corporate & Business Strategy	Advising on business strategy, corporate revitalizations, and organizational effectiveness by bringing new ways of thinking to companies and new ways of working to develop better strategies over time and identifying the highest-value opportunities that address critical challenges and transform business. Advising chief executive officers and executive management teams on corporate and business unit strategy, market analysis, portfolio management, pricing strategy, and product positioning. Areas of expertise include strategy, execution, organic growth, growth through acquisition, productivity, risk management, leadership and organization, and managing for value.
Enterprise Risk Management	Advising large financial institutions and corporations in areas of governance and strategy, process analytics, and technology related to risk management.

Areas of Functional Expertise	Description of Area of Service
Environmental & Energy Strategy	Advising companies on the following: corporate strategy to address risks and uncertainties surrounding environmental policy developments; business models that adapt to future environmental policy; investment decision-making processes that account for environmental policy uncertainty; environmental strategic compliance options with regulations/legislation; emissions trading planning surrounding cap-and-trade policies; identification of business opportunities that could relate to environmental trends; and the economic and business issues surrounding clean and renewable energy, enterprise and asset management, global gas and liquefied natural gas services, and regulation and litigation.
Intellectual Property & Technology Management	Advising top management, investors, and boards on technology strategy and planning, research and development management, commercialization, technology market evaluation, intellectual property management, and portfolio and resource management.
Organization & Performance Improvement	Advising corporate clients in areas of revenue growth drivers; operating margin drivers; asset efficiency drivers; key enablers; and performance management and metrics.
Transaction Advisory Services	Advising business leaders, including buyers and sellers, in the areas of due diligence, mergers and acquisitions, private equity, and valuation.

Industry Expertise

We believe our ability to combine expertise in advanced economic and financial methods with in-depth knowledge of particular industries is one of our key competitive strengths. By maintaining expertise in certain industries, we provide clients practical advice tailored to their specific markets. This industry expertise, which we developed over decades of providing sophisticated consulting services to a diverse group of clients in many industries, differentiates us from many of our competitors. We believe that we have developed a strong reputation and substantial name recognition within specific industries, which has led to repeat business and new engagements from clients in those markets. While we provide services to clients in a wide variety of industries, we have particular expertise in the following industries:

- Agriculture
- Banking & Capital Markets
- Chemicals
- Communications & Media
- Consumer Products
- Energy
- Entertainment
- Financial Services
- Health Care

- Insurance
- Life Sciences
- Manufacturing
- Metals, Mining, & Materials
- Oil & Gas
- Real Estate
- Retail
- Sports
- Telecommunications
- Transportation
- Technology

Clients

We have completed thousands of engagements for clients around the world, including domestic and foreign corporations; federal, state, and local domestic government agencies; governments of foreign countries; public and private utilities; accounting firms; and national and international trade associations. Frequently, we work with major law firms who approach us on behalf of their clients. While we have particular expertise in a number of industries, we provide services to a diverse group of clients in a broad range of industries. Our policy is to keep the identities of our clients confidential unless our work for the client is already publicly disclosed. Our clients come from a broad range of industries, with no single client accounting for more than 5% of our revenues in any of fiscal 2019, fiscal 2018, or fiscal 2017.

We derived approximately 24%, 23%, and 25% of consolidated revenues from fixed-price contracts in fiscal 2019, fiscal 2018, and fiscal 2017, respectively. These contracts are more common in our management consulting area, and would likely grow in number with expansion of that area.

Software Subsidiary

Please refer to the section captioned “Basis of Presentation” in note 1 of our Notes to Consolidated Financial Statements contained in this Form 10-K for more details regarding our majority owned subsidiary GNU, which was dissolved on December 15, 2017. We received the final liquidating distribution from GNU in December 2018.

Human Capital

As of December 28, 2019, we employed 779 consultants, consisting of 128 officers, 434 senior staff and 217 junior staff. Approximately 80% of our senior staff have advanced degrees, with 43% having doctorate degrees, in addition to substantial management, technical, or industry expertise. We believe our financial results and reputation are directly related to the number and quality of our employee consultants.

We derive most of our revenues directly from the services provided by our employee consultants. Our employee consultants have backgrounds in many disciplines, including economics, business, corporate finance, accounting, materials sciences, life sciences, and engineering. We are highly selective in our hiring of consultants, recruiting primarily from a select group of leading universities and degree programs, industry, and government. We believe consultants choose to work for us because of our strong reputation; the credentials, experience, and reputations of our consultants; the opportunity to work on a diverse range of matters and with renowned non-employee experts; and our collegial atmosphere where teamwork and collaboration are emphasized and valued by many clients. We use a

decentralized, team hiring approach. Our training and career development program for our employee consultants focuses on three areas: mentoring, seminars, and scheduled courses. This program is designed to complement on-the-job experience and an employee's pursuit of his or her own career development. New employee consultants participate in a structured program in which they are partnered with an assigned mentor. Through our ongoing seminar program, outside speakers make presentations and conduct discussions with our employee consultants on various topics. In addition, employee consultants are expected to discuss significant projects and cases, present academic research papers or business articles, and outline new analytical techniques or marketing opportunities periodically at in-house seminars. We also provide scheduled courses designed to improve an employee's professional skills, such as written and oral presentation, marketing techniques, and business development. We also encourage our employee consultants to pursue their academic interests by writing articles for economic, business, and other journals.

Many of our vice presidents have signed non-compete and non-solicitation agreements, which generally prohibit the employee from soliciting our clients or soliciting or hiring our employees for one year or longer following termination of the person's employment with us. We seek to align each vice president's interest with our overall interests, and many of our strongest contributors have an equity interest in us.

We compensate our senior corporate leaders, practice leaders, key revenue generators, and other employees with salary and a mixture of incentive-based programs that provide for cash and equity compensation. We maintain a bonus program through which we pay annual, performance-based cash bonuses to our employee consultants and certain other employees. In 2009, the compensation committee of our Board of Directors adopted our long-term incentive program, or "LTIP," as a framework for equity grants made under our 2006 equity incentive plan to our senior corporate leaders, practice leaders, and key revenue generators. The equity awards granted under the LTIP include stock options, time-vesting restricted stock units, and performance-vesting restricted stock units. In December 2016, our compensation committee modified the LTIP to allow grants of service- and performance-based cash awards in lieu of, or in addition to, equity awards to our senior corporate leaders, practice leaders, and key revenue generators. These LTIP cash awards are currently granted under our cash incentive plan. The LTIP is designed to reward our senior corporate leaders, practice leaders and key revenue generators and to provide them with the opportunity to share in the long-term growth of our business. The compensation committee of our Board of Directors is responsible for approving all cash and equity awards under the LTIP, all other equity compensation awards, and the total bonuses to be distributed under our bonus program, and for establishing performance goals under compensation awards and determining the extent to which these goals are achieved. Our chief executive officer, in his discretion and in consultation with the compensation committee of our Board of Directors, approves the bonuses to be granted to our employee-consultants and other employees.

In addition, we work closely with a select group of non-employee experts from leading universities and industry. These experts supplement the work of our employee consultants and generate business for us. We believe these experts choose to work with us because of the interesting and challenging nature of our work, the opportunity to work with our quality-oriented consultants, and the financially rewarding nature of the work. Several non-employee experts, generally comprising the more active of those with whom we work, have entered into restrictive covenants with us of varying lengths, which, in some cases, include noncompetition agreements.

Our revenues largely depend on the number of hours worked by our employee consultants. As a result, we experience certain seasonal effects that impact our revenue, such as holiday seasons and the summer vacation season.

Marketing and Business Development

We rely to a significant extent on the efforts of our employee consultants, particularly our vice presidents and principals, to market our services. We encourage our employee consultants to generate new business from both existing and new clients, and we reward our employee consultants with

increased compensation and promotions for obtaining new business. In pursuing new business, our consultants emphasize our institutional reputation, experience, and client service, while also promoting the expertise of the particular employees who will work on the matter. Many of our consultants have published articles in industry, business, economic, legal, or scientific journals, and have made speeches and presentations at industry conferences and seminars, which serve as a means of attracting new business and enhancing their reputations. On occasion, employee consultants work with one or more non-employee experts to market our services. In addition, we rely upon business development professionals to ensure that the value of our litigation consulting service offerings is fully realized in the marketplace. They are focused on deepening and broadening client relationships with law firms and general counsels, ensuring that both existing and potential clients have access to our broad array of services, as well as helping to bring the best talent to any given assignment.

We supplement the personal marketing efforts of our employee consultants with firm-wide initiatives. We rely primarily on our reputation and client referrals for new business and undertake traditional marketing activities. We regularly organize seminars for existing and potential clients featuring panel members that include our employee consultants, non-employee experts, and leading government officials. We have an extensive set of brochures organized around our service areas, which describe our experience and capabilities. We also provide information about our services on our corporate website. We distribute publications to existing and potential clients highlighting emerging trends and noteworthy engagements. Because existing clients are an important source of repeat business and referrals, we communicate regularly with our existing clients to keep them informed of developments that affect their markets and industries.

We derive the majority of our revenues from new engagements with existing clients. We have worked with leading law firms across the globe and believe we have developed a reputation among law firms as a preferred source of sophisticated economic advice for litigation and regulatory work. For our management consulting services, we also rely on referrals from existing clients, and supplement referrals with a significant amount of direct marketing to new clients through conferences, seminars, publications, presentations, and direct solicitations.

It is important to us that we conduct business ethically and in accordance with industry standards and our own rigorous professional standards. We carefully consider the pursuit of each specific market, client, and engagement in light of these standards.

Competition

The market for economic and management consulting services is intensely competitive, highly fragmented, and subject to rapid change. In general, there are few barriers to entry into our markets, and we expect to face additional competition from new entrants into the economic and management consulting industries. In the litigation, regulatory, and financial consulting markets, we compete primarily with other economic consulting firms and individual academics. We believe the principal competitive factors in this market are reputation, analytical ability, industry expertise, size, and service. In the management consulting market, we compete primarily with other business and management consulting firms, specialized or industry-specific consulting firms, the consulting practices of large accounting firms, and the internal professional resources of existing and potential clients. We believe the principal competitive factors in this market are reputation, industry expertise, analytical ability, service, and price.

Item 1A—Risk Factors

Our operations are subject to a number of risks. You should carefully read and consider the following risk factors, together with all other information in this report, in evaluating our business. If any of these risks, or any risks not presently known to us or that we currently believe are not significant, develops into an actual event, then our business, financial condition, and results of operations could be adversely affected. If that happens, the market price of our common stock could decline, and you may lose all or part of your investment.

We depend upon key employees to generate revenue

Our business consists primarily of the delivery of professional services, and, accordingly, our success depends heavily on the efforts, abilities, business generation capabilities, and project execution capabilities of our employee consultants. In particular, our employee consultants' personal relationships with our clients are a critical element in obtaining and maintaining client engagements. If we lose the services of any employee consultant or group of employee consultants, or if our employee consultants fail to generate business or otherwise fail to perform effectively, that loss or failure could adversely affect our revenues and results of operations. We do not have non-competition agreements with a majority of our employee consultants, and they can terminate their relationships with us at will and without notice. The non-competition and non-solicitation agreements that we have with some of our employee consultants offer us only limited protection and may not be enforceable in every jurisdiction. In the event that an employee leaves, some clients may decide that they prefer to continue working with the employee rather than with us. In the event an employee departs and acts in a way that we believe violates the employee's non-competition or non-solicitation agreement, we will consider any legal remedies we may have against such person on a case-by-case basis. We may decide that preserving cooperation and a professional relationship with the former employee or clients that worked with the employee, or other concerns, outweigh the benefits of any possible legal recovery.

Our business could suffer if we are unable to hire and retain additional qualified consultants as employees

Our business continually requires us to hire highly qualified, highly educated consultants as employees. Our failure to recruit and retain a significant number of qualified employee consultants could limit our ability to accept or complete engagements and adversely affect our revenues and results of operations. Relatively few potential employees meet our hiring criteria, and we face significant competition for these employees from our direct competitors, academic institutions, government agencies, research firms, investment banking firms, and other enterprises. Many of these competing employers are able to offer potential employees greater compensation and benefits or more attractive lifestyle choices, career paths, or geographic locations than we can. Competition for these employee consultants has increased our labor costs, and a continuation of this trend could adversely affect our margins and results of operations.

Maintaining our professional reputation is crucial to our future success

Our ability to secure new engagements and hire qualified consultants as employees depends heavily on our overall reputation as well as the individual reputations of our employee consultants and principal non-employee experts. Because we obtain a majority of our revenues from new engagements with existing clients, any client that is dissatisfied with our performance on a single matter could seriously impair our ability to secure new engagements. Given the frequently high-profile nature of the matters on which we work, including work before and on behalf of government agencies, any factor that diminishes our reputation or the reputations of any of our employee consultants or non-employee experts could make it substantially more difficult for us to compete successfully for both new engagements and qualified consultants.

We depend on our non-employee experts

We depend on our relationships with our non-employee experts. We believe that these experts are highly regarded in their fields and that each offers a combination of knowledge, experience, and expertise that would be very difficult to replace. We also believe that we have been able to secure some engagements and attract some consultants in part because we can offer the services of these experts. Most of these experts can limit their relationships with us at any time for any reason. These reasons could include affiliations with universities with policies that prohibit accepting specified engagements, termination of exclusive relationships, the pursuit of other interests, and retirement.

In many cases we seek to include restrictive covenants in our agreements with our non-employee experts, which could include non-competition agreements, non-solicitation agreements and non-hire

agreements. The limitation or termination of any of their relationships with us, or competition from any of them after these agreements expire, could harm our reputation, reduce our business opportunities and adversely affect our revenues and results of operations. The restrictive covenants that we may have with some of our non-employee experts offer us only limited protection and may not be enforceable in every jurisdiction. In the event that non-employee experts leave, clients working with these non-employee experts may decide that they prefer to continue working with them rather than with us. In the event a non-employee expert departs and acts in a way that we believe violates the expert's restrictive covenants we will consider any legal and equitable remedies we may have against such person on a case-by-case basis. We may decide that preserving cooperation and a professional relationship with the former non-employee expert or clients that worked with the non-employee expert, or other concerns, outweigh the benefits of any possible legal action or recovery.

To meet our long-term growth targets, we need to establish ongoing relationships with additional non-employee experts who have reputations as leading experts in their fields. We may be unable to establish relationships with any additional non-employee experts. In addition, any relationship that we do establish may not help us meet our objectives or generate the revenues or earnings that we anticipate.

Changes in global economic, business, health and political conditions could have a material adverse impact on our revenues, results of operations, and financial condition

Overall global economic, business, health and political conditions, as well as conditions specific to the industries we or our clients serve, can affect our clients' businesses and financial condition, their demand or ability to pay for our services, and the market for our services. These conditions, all of which are outside of our control, include merger and acquisition activity levels, the availability, cost and terms of credit, the state of the United States and global financial markets, the levels of litigation and regulatory and administrative investigations and proceedings, global health crises and pandemics, and general economic and business conditions. In addition, many of our clients are in highly regulated industries, and regulatory and legislative changes affecting these industries could impact the market for our service offerings, render our current service offerings obsolete, or increase the competition among providers of these services. Although we are not able to predict the positive or negative effects that general changes in global economic, business and political conditions will have on our individual practice areas or our business as a whole, any specific changes in these conditions could have a material adverse impact on our revenues, results of operations and financial condition.

The June 2016 referendum where voters in the United Kingdom ("UK") approved an exit from the European Union ("EU"), commonly referred to as "Brexit," created political, economic, and regulatory uncertainty in the UK, where our European operations are headquartered. The impact of Brexit depends on the terms of the UK's withdrawal from the EU. The UK formally left the EU on January 31, 2020 and is currently in a transition period through December 31, 2020. The UK and EU will use the transition period to negotiate other agreements, including trade agreements, though the long term relationship between the UK and EU is unclear and there is uncertainty as to when, or if, any agreement will be reached and implemented. Until such terms are known, there also remains substantial political, economic, and regulatory uncertainty that may not be fully realized for several years or more. This uncertainty may result in new regulatory, tax, operations, and cost challenges to our UK, European and global operations. Such uncertainties may significantly impact our business, as customers of UK-based operations evaluate their business needs in consideration of changing economic conditions or increased international regulatory complexities. Currency fluctuations caused by or relating to Brexit could adversely affect our financial position. Such uncertainties may significantly impact our business, as customers of our UK-based operations evaluate their business needs in consideration of changing economic conditions or increased international regulatory complexities.

Our results of operations and consequently our business may be adversely affected if we are not able to maintain our current bill rates, compensation costs and/or utilization rate

Our revenues and profitability are largely based on the bill rates charged to our clients, compensation costs and the utilization of our consultants. We calculate utilization by dividing the total hours worked by our employee consultants on engagements during the measurement period by the total number of hours that our employee consultants were available to work during that period. If we are not able to maintain adequate bill rates for our services, maintain compensation costs or obtain appropriate utilization rates from our consultants, our results of operations may be adversely impacted. Bill rates, compensation costs and consultant utilization rates are affected by a number of factors, including:

- Our clients' perceptions of our ability to add value through our services;
- The market demand for our services;
- Our competitors' pricing of services and compensation levels;
- The market rate for consultant compensation;
- Our ability to redeploy consultants from completed client engagements to new client engagements; and
- Our ability to predict future demand for our services and maintain the appropriate staffing levels without significantly underutilizing consultants.

Our revenues, operating results and cash flows are likely to fluctuate

We experience fluctuations in our revenues, operating results and cash flows and expect that they will continue to occur in the future due to factors that are either within or outside of our control, including, but not limited to, the timing and duration of our client engagements, utilization of our employee consultants, the types of engagements we are working on at different times, the geographic locations of our clients or where the services are rendered, the length of billing and collection cycles, hiring, business and capital expenditures, share repurchases, dividends, debt repayments, and other general economic factors. We may also experience future fluctuations in our cash flows from operations because of increases in employee compensation, including changes to our incentive compensation structure and the timing of incentive payments, which we generally pay during the first quarter of each year, or hiring or retention payments or bonuses which are paid throughout the year. Also, the timing of future acquisitions and other investments and the cost of integrating them may cause fluctuations in our operating results and related cash flows.

Changes in financial accounting standards or practices may cause unexpected financial reporting fluctuations and affect our reported results of operations

We are required to prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States of America, which may change periodically. From time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board and the Securities and Exchange Commission. A change in accounting standards or practices may adversely affect our reported financial results or the way we conduct our business. It may also require changes to the current accounting treatment of certain transactions and the way they are reported in our financial statements. Additionally, such a change in accounting standards or practices may require us to enhance our internal accounting systems and processes, as well as our internal control over financial reporting.

Additionally, in order to comply with the requirements of Accounting Standards Codification ("ASC") 842, *Leases*, which we adopted on December 30, 2018, we have been updating and enhancing our internal accounting systems and processes as well as our internal control over financial reporting. This has required the use of additional resources by us and may require incremental resources that could increase our operating costs in future periods as we continue to improve processes to better track and account for our lease inventory.

Our failure to execute our business strategy or manage future growth successfully could adversely affect our revenues and results of operations

Any failure on our part to execute our business strategy or manage future growth successfully could adversely affect our revenues and results of operations. In the future, we could open offices in new geographic areas, including foreign locations, and expand our employee base as a result of internal growth and acquisitions. Opening and managing new offices often requires extensive management supervision and increases our overall selling, general, and administrative expenses. Expansion creates new and increased management, consulting, and training responsibilities for our employee consultants. Expansion also increases the demands on our internal systems, procedures, and controls, and on our managerial, administrative, financial, marketing, and other resources. We depend heavily upon the managerial, operational, and administrative skills of our executive officers to manage our expansion and business strategy. New responsibilities and demands may adversely affect the overall quality of our work.

Competition from other litigation, regulatory, financial, and management consulting firms could hurt our business

The market for litigation, regulatory, financial, and management consulting services is intensely competitive, highly fragmented, and subject to rapid change. We may be unable to compete successfully with our existing competitors or with any new competitors. In general, there are few barriers to entry into our markets, and we expect to face additional competition from new entrants into the economic and management consulting industries. In the litigation, regulatory, and financial consulting markets, we compete primarily with other economic and financial consulting firms and individual academics. In the management consulting market, we compete primarily with other business and management consulting firms, specialized or industry-specific consulting firms, the consulting practices of large accounting firms, and the internal professional resources of existing and potential clients. Many of our competitors have national or international reputations, as well as significantly greater personnel, financial, managerial, technical, and marketing resources than we do, which could enhance their ability to respond more quickly to technological changes, finance acquisitions, and fund internal growth. Some of our competitors also have a significantly broader geographic presence and significantly more resources than we do.

Clients can terminate engagements with us at any time

Many of our engagements depend upon disputes, proceedings, or transactions that involve our clients. Our clients may decide at any time to seek to resolve the dispute or proceeding, abandon the transaction, or file for bankruptcy. Our engagements can therefore terminate suddenly and without advance notice to us. If an engagement is terminated unexpectedly, our employee consultants working on the engagement could be underutilized until we assign them to other projects. In addition, because much of our work is project-based rather than recurring in nature, our consultants' utilization depends on our ability to secure additional engagements on a continual basis. Accordingly, the termination or significant reduction in the scope of a single large engagement could reduce our utilization and have an immediate adverse impact on our revenues and results of operations.

Information or technology systems failures, or a cybersecurity attack or other compromise of our or our client's confidential or proprietary information, could have a material adverse effect on our reputation, business and results of operations

We rely upon our information and technology infrastructure and systems to operate, manage and run our business and to provide services to our clients. This includes infrastructure and systems for receiving, storing, hosting, analyzing, transmitting and securing our and our clients' sensitive, confidential or proprietary information, including, but not limited to, health and other personally-identifiable information and commercial, financial and consumer data. Our ability to secure and maintain the confidentiality and integrity of this information is critical to our reputation and the success

of our businesses. We must comply with the privacy laws of all of the jurisdictions in which we operate, including the strict general data privacy regulation (GDPR) in the European Union and the California Consumer Protection Act (CCPA), and these laws are becoming increasingly complex and vary by jurisdiction. The costs of complying with these laws and any fines resulting from lack of compliance, and the other costs of protecting our and our clients' confidential information, could have a material effect on our financial results. In addition, we may be affected by or subject to events that are out of our control, including, but not limited to, cybersecurity or other malicious attacks, which continue to evolve and pose a constant risk, unauthorized system intrusions by unknown third parties, viruses, malicious software, worms, failures in our or our third party hosting sites' (whether hosted offsite or in the cloud) information and technology systems, disruptions in the Internet or electricity grids, natural disasters, and terrorism. Any of these events could disrupt our or our client's business operations or cause us or our clients to incur unanticipated losses, including the costs of investigating and remediating any such event and any fines related thereto, as well as reputational damage, any of which could have a material adverse effect on our business and results of operations.

In addition, our or our clients' sensitive, confidential or proprietary information could be compromised or corrupted, whether intentionally or unintentionally, by our employees, outside consultants, vendors, or rogue third-party "hackers" or enterprises. A breach or compromise of the security of our information technology systems or infrastructure, or our processes for securing sensitive, confidential or proprietary information, whether due to a cybersecurity attack or otherwise, could result in the loss or misuse of this information. Any such loss or misuse could result in our suffering claims, fines, damages, losses or reputational damage, any of which could have a material adverse effect on our business and results of operations.

Potential conflicts of interests may preclude us from accepting some engagements

We provide our services primarily in connection with significant or complex transactions, disputes, or other matters that are usually adversarial or that involve sensitive client information. Our engagement by a client may preclude us from accepting engagements with the client's competitors or adversaries because of conflicts between their business interests or positions on disputed issues or other reasons. Accordingly, the nature of our business limits the number of both potential clients and potential engagements. Moreover, in many industries in which we provide consulting services, such as in the telecommunications industry, there has been a continuing trend toward business consolidations and strategic alliances. These consolidations and alliances reduce the number of potential clients for our services and increase the chances that we will be unable to continue some of our ongoing engagements or accept new engagements as a result of conflicts of interests.

We derive revenue from a limited number of large engagements

We derive a portion of our revenues from a limited number of large engagements. If we do not obtain a significant number of new large engagements each year, our business, financial condition, and results of operations could suffer. In general, the volume of work we perform for any particular client varies from year to year, and due to the specific engagement nature of our practice, a major client in one year may not hire us in the following year.

Our international operations create risks

Our international operations carry financial and business risks, including:

- currency fluctuations that could adversely affect our financial position and operating results;
- unexpected changes in trading policies, regulatory requirements, tariffs, and other barriers;
- uncertainty around how Brexit will impact the UK generally, including its impact on the regulatory environment, currency, tax, and operations that could disrupt trade, the sale of our services, the movement of our people between the UK, EU, and other locations, and the global economy;

- restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as changes in tax laws and statutory tax rates;
- the impact of differences in the governmental, legal and regulatory environment in foreign jurisdictions, as well as U.S. laws and regulations related to our foreign operations;
- less stable political and economic environments; and
- civil disturbances or other catastrophic events that reduce business activity.

If our international revenues increase relative to our total revenues, these factors could have a more pronounced effect on our operating results.

Fluctuations in currency exchange rates could adversely affect our operations

We conduct our business in North America, Europe, and Australia, and the global scope of our business exposes us to risk of fluctuations in foreign currency markets. Specifically, our results of operations are subject to fluctuations primarily in the British Pound and Euro against the U.S. Dollar as well as the Euro against the British Pound. The fluctuation in foreign currency markets can both increase and decrease our overall revenue and expenses for any fiscal period, and therefore has a resulting negative impact on our reported results of operations and on our ability to predict our future results and earnings accurately. Additionally, global economic events, including Brexit, have caused and will continue to cause significant volatility in currency exchange rate fluctuations. The impact of Brexit on currency exchange rates and the significance of the resulting fluctuations in the exchange rate of the British Pound may not be fully realized for several years or more. Revenue generated from our UK-based operations was approximately 16% (which includes currency exchange effects) of our total revenues for the year ended December 28, 2019. We currently do not hedge our exposure to current foreign currency exchange risks by engaging in foreign exchange hedging transactions, though we may do so in the future.

Fluctuations in our quarterly revenues and results of operations could depress the market price of our common stock

We may experience significant fluctuations in our revenues and results of operations from one quarter to the next. If our revenues or net income in a quarter fall or fall below the expectations of securities analysts or investors, the market price of our common stock could fall significantly. Our results of operations in any quarter can fluctuate for many reasons, including:

- our ability to implement billing rate increases or maintain billing rates;
- the number, scope, and timing of ongoing client engagements;
- the extent to which we can reassign our employee consultants efficiently from one engagement to the next;
- the extent to which our employee consultants or clients take holiday, vacation, and sick time, including traditional seasonality related to summer vacation and holiday schedules;
- employee hiring and attrition;
- the extent of revenue realization or cost overruns;
- fluctuations in our provision for income taxes due to changes in income arising in various tax jurisdictions, valuation allowances, non-deductible expenses, and changes in estimates of our uncertain tax positions;
- fluctuations in interest rates;
- currency fluctuations; and
- collectability of receivables and unbilled work in process.

Because we generate most of our revenues from consulting services that we provide on an hourly fee basis, our revenues in any period are directly related to the number of our employee consultants, their billing rates, and the number of billable hours they work in that period. We have a limited ability to increase any of these factors in the short term. Accordingly, if we underutilize our consultants during one part of a fiscal period, we may be unable to compensate by augmenting revenues during another part of that period. In addition, we are occasionally unable to utilize fully any additional consultants that we hire, particularly in the quarter in which we hire them. Moreover, a significant majority of our operating expenses, primarily office rent and salaries, are fixed in the short term. As a result, any failure of our revenues to meet our projections in any quarter could have a disproportionate adverse effect on our net income. For these reasons, we believe our historical results of operations are not necessarily indicative of our future performance.

Our engagements may result in professional liability and we may be subject to other litigation, claims or assessments

Our services typically involve difficult analytical assignments and carry risks of professional and other liability. Many of our engagements involve matters that could have a severe impact on a client's business, and cause the client to lose significant amounts of money, or prevent the client from pursuing desirable business opportunities. Accordingly, if a client is dissatisfied with our performance, the client could threaten or bring litigation in order to recover damages or to contest its obligation to pay our fees. Litigation alleging that we performed negligently, disclosed client confidential information, or otherwise breached our obligations to the client could expose us to significant liabilities to our clients and other third parties and tarnish our reputation.

Despite our efforts to prevent litigation, from time to time we are party to various lawsuits, claims, or assessments in the ordinary course of business. Disputes may arise, for example, from business acquisitions, employment issues, regulatory actions, and other business transactions. The costs and outcome of any lawsuits or claims could have a material adverse effect on us.

Additional hiring and business acquisitions could disrupt our operations, increase our costs, or adversely affect our results.

Our business strategy is dependent, in part, upon our ability to grow by hiring consultant employees or groups of consultant employees, and we regularly evaluate opportunities to acquire other businesses. We may not, however, be able to identify, hire, acquire, or successfully integrate new employees and acquired businesses without substantial expense, delay, or other operational or financial obstacles. From time to time, we will evaluate the total mix of our services and we may conclude that acquired businesses may not achieve the results we previously expected. Competition for future hiring and acquisition opportunities in our markets could increase the compensation we offer to potential employees or the prices we pay for businesses we wish to acquire. In addition, we may be unable to achieve the financial, operational, and other benefits we anticipate from any hiring or acquisition, including those we have completed. New acquisitions could also negatively impact existing practices. Hiring additional employees or acquiring businesses could also involve a number of additional risks, including:

- the diversion of management's time, attention, and resources from managing and marketing our existing business;
- the failure to retain key acquired personnel or retain existing personnel who may view the acquisition unfavorably;
- additional conflicts of interest due to the acquired businesses that could impact our ability to secure new engagements;
- the need to compensate new employees while they wait for their restrictive covenants with other institutions to expire;

- the potential need to raise significant amounts of capital to finance a transaction or the potential issuance of equity securities that could be dilutive to our existing stockholders;
- increased costs to improve or coordinate managerial, operational, financial, and administrative systems, including compliance with the Sarbanes Oxley Act of 2002;
- the potential assumption of legal liabilities;
- the inability to attain the expected synergies with an acquired business;
- the impact of earn-outs based on the future performance of our acquired businesses that may deter the acquired company from fully integrating into our existing business; and
- potential difficulties in integrating new employees with diverse backgrounds and experiences with our existing employee consultants.

Our acquisitions have been accounted for as purchases, some of which involved purchase prices in excess of tangible asset values, resulting in the creation of goodwill and other intangible assets. Under generally accepted accounting principles, we do not amortize goodwill or intangible assets acquired in a business combination that are determined to have indefinite useful lives, but instead review them annually (or more frequently if impairment indicators arise) for impairment. To the extent that we determine that such an asset has been impaired, we will write down its carrying value on our balance sheet and book a non-cash impairment charge in our statement of operations. If, as a result of acquisitions or otherwise, the amount of intangible assets being amortized increases, so will our amortization charges in future periods.

We may need to take material write-offs for the impairment of goodwill and other intangible assets, including if our market capitalization declines

As further described in our Notes to Consolidated Financial Statements, goodwill and intangible assets with indefinite lives are monitored annually for impairment, or more frequently, if events or circumstances exist that would more likely than not reduce the fair value of a reporting unit below its carrying amount. In performing the goodwill impairment testing and measurement process, we compare the estimated fair value of each of our reporting units to its net book value to identify potential impairment. We estimate the fair value of our consulting business utilizing our market capitalization, plus an appropriate control premium. Market capitalization is determined by multiplying the shares outstanding on the test date by the market price of our common stock on that date. We determine the control premium utilizing data from publicly available premium studies for the trailing four quarters for public company transactions in our industry group. If the estimated fair value of a reporting unit is less than its net book value, an impairment charge would be recorded in our consolidated statement of operations.

A goodwill impairment charge in any period would have the effect of decreasing our earnings in such period. If we are required to take a substantial impairment charge, our reported operating results would be materially adversely affected in such period, though such a charge would have no impact on cash flows or working capital.

Our clients may be unable or unwilling to pay us for our services

Our clients include some companies that may from time to time encounter financial difficulties, particularly during a downward trend in the economy, or may dispute the services we provide. If a client's financial difficulties become severe or a dispute arises, the client may be unwilling or unable to pay our invoices in the ordinary course of business, which could adversely affect collections of both our accounts receivable and unbilled services. On occasion, some of our clients have entered bankruptcy, which has prevented us from collecting amounts owed to us. The bankruptcy of a client with a substantial accounts receivable could have a material adverse effect on our financial condition and results of operations. Historically, a small number of clients who have paid sizable invoices have later declared bankruptcy, and a court determination that we were not properly entitled to any of those

payments may result in repayment by us of some or all of them, which could adversely affect our financial condition and results of operations.

Additionally, from time to time, we may derive a significant amount of revenue from contracts with government agencies in the United States. Because of this, changes in federal government budgetary priorities could directly affect our financial performance. This could result in the cancellation of contracts and/or the incurrence of substantial costs without reimbursement under our contracts with the federal government, which could have a negative effect on our business, financial condition, results of operations and cash flows.

The market price of our common stock may be volatile

The market price of our common stock has fluctuated widely and may continue to do so. Many factors could cause the market price of our common stock to rise and fall. Some of these factors are:

- variations in our quarterly results of operations;
- changes in quarterly dividends;
- the extent of any repurchases of shares of our common stock;
- the hiring or departure of key personnel or non-employee experts;
- changes in our professional reputation;
- the introduction of new services by us or our competitors;
- acquisitions or strategic alliances involving us or our competitors;
- changes in accounting principles or methods or issues with our internal control over financial reporting;
- changes in estimates of our performance or recommendations by securities analysts;
- future sales of shares of common stock in the public market; and
- market conditions in the industry and the economy as a whole.

In addition, the stock market often experiences significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. When the market price of a company's stock drops significantly, shareholders often institute securities class action litigation against that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management and other resources, or otherwise harm our business.

Our performance could be affected if employees and non-employee experts default on loans

We utilize forgivable loans with some of our employees and non-employee experts, other than our executive officers, as a way to attract and retain them. A portion of these loans is collateralized. Defaults under these loans could have a material adverse effect on our consolidated statements of operations, financial condition and liquidity.

Fluctuations in the types of service contracts we enter into may adversely impact revenue and results of operations

We derive a portion of our revenues from fixed-price contracts. These contracts are more common in our management consulting area, and would likely grow in number with expansion of that area. Fluctuations in the mix between time-and-material contracts, fixed-price contracts and arrangements with fees tied to performance-based criteria may result in fluctuations of revenue and results of operations. In addition, if we fail to estimate accurately the resources required for a fixed-price project or fail to satisfy our contractual obligations in a manner consistent with the project budget, we might

generate a smaller profit or incur a loss on the project. On occasion, we have had to commit unanticipated additional resources to complete projects, and we may have to take similar action in the future, which could adversely affect our revenues and results of operations. Revenues generated from fixed-price contracts was approximately 24% of our total revenues for the year ended December 28, 2019.

There can be no assurance that we will continue to declare cash dividends at all or in any particular amounts

Our Board of Directors declared the first quarterly dividend on our common stock during 2016 and we have continued to pay quarterly dividends throughout fiscal 2019. Although we anticipate paying regular quarterly dividends on our common stock for the foreseeable future, the declaration of dividends is subject to the discretion of our Board of Directors, and is restricted by applicable state law limitations on distributions to shareholders. As a result, the amount, if any, of the dividends to be paid by us in the future depends upon a number of factors, including but not limited to our available cash on hand, anticipated cash needs, overall financial condition, and future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors. In addition, our Board of Directors may also suspend the payment of dividends at any time. Any reduction or suspension in our dividend payments could adversely affect the price of our common stock.

Our stock repurchase programs could affect the market price of our common stock and increase its volatility

Our Board of Directors has from time to time authorized repurchase programs of our outstanding common stock. Under these stock repurchase programs, we are authorized to repurchase, from time-to-time, shares of our outstanding common stock on the open market or in privately negotiated transactions. The timing and amount of stock repurchases are determined based upon our evaluation of market conditions and other factors. Any stock repurchase program may be suspended, modified or discontinued at any time, and we have no obligation to repurchase any amount of our common stock under any program. Repurchases pursuant to our stock repurchase programs could affect the market price of our common stock and increase its volatility. Any termination of our stock repurchase programs could cause a decrease in the market price of our common stock, and the existence of a stock repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity of our common stock. There can be no assurance that any stock repurchases under these programs will enhance stockholder value because the market price of our common stock may decline below the levels at which those repurchases were made. Although our stock repurchase programs are intended to enhance long-term stockholder value, short-term fluctuations in the market price of our common stock could reduce the programs' effectiveness.

We have identified material weaknesses in our internal control over financial reporting which could, if not remediated, result in material misstatements in our financial statements

We are responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act. As disclosed below in Item 9A, we identified material weaknesses in our internal control over financial reporting. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of these material weaknesses, we concluded that our internal control over financial reporting was not effective based on criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission in Internal Control—An Integrated Framework (2013).

To implement remedial measures as disclosed in Item 9A, we may need to commit additional resources, hire additional staff, and provide additional management oversight. If our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our

consolidated financial statements may contain material misstatements, and we could be required to restate our financial results. In addition, if we are unable to successfully remediate these material weaknesses and if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable stock exchange listing requirements.

Our debt obligations may adversely impact our financial performance

We rely on our cash and cash equivalents, cash flows from operations and borrowings under our credit agreement to fund our short-term and anticipated long-term operating activities. We have a revolving line of credit with our bank for \$125.0 million. The amounts available under this line of credit are constrained by various financial covenants and reduced by certain letters of credit outstanding. Our loan agreement with the bank will mature on October 24, 2022. At February 21, 2020, we had borrowings outstanding under the credit agreement of \$30.0 million and approximately \$90.6 million available for future borrowings, after consideration of outstanding letters of credit. The degree to which we are leveraged could adversely affect our ability to obtain further financing for working capital, acquisitions or other purposes and could make us more vulnerable to industry downturns and competitive pressures. Our ability to secure short-term and long-term debt or equity financing in the future will depend on several factors, including our future profitability, the levels of our debt and equity, restrictions under our existing revolving line of credit, and the overall credit and equity market environments.

We could incur substantial costs protecting our proprietary rights from infringement or defending against a claim of infringement

As a professional services organization, we rely on non-competition and non-solicitation agreements with many of our employees and non-employee experts to protect our proprietary rights. These agreements, however, may offer us only limited protection and may not be enforceable in every jurisdiction. In addition, we may incur substantial costs trying to enforce these agreements.

Our services may involve the development of custom business processes or solutions for specific clients. In some cases, the clients retain ownership or impose restrictions on our ability to use the business processes or solutions developed from these projects. Issues relating to the ownership of business processes or solutions can be complicated, and disputes could arise that affect our ability to resell or reuse business processes or solutions we develop for clients.

In recent years, there has been significant litigation in the U.S. involving patents and other intellectual property rights. We could incur substantial costs in prosecuting or defending any intellectual property litigation, which could adversely affect our operating results and financial condition.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain and use information that we regard as proprietary. Litigation may be necessary in the future to enforce our proprietary rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Any such resulting litigation could result in substantial costs and diversion of resources and could adversely affect our business, operating results and financial condition. Any failure by us to protect our proprietary rights, or any court determination that we have either infringed or lost ownership of proprietary rights, could adversely affect our business, operating results and financial condition.

Insurance and claims expenses could significantly reduce our profitability

We are exposed to claims related to group health insurance. We self-insure a portion of the risk associated with these claims. If the number or severity of claims increases, or we are required to accrue or pay additional amounts because the claims prove to be more severe than our original assessment, our operating results would be adversely affected. Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We expect to periodically assess our

self-insurance strategy. We are required to periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts. We maintain individual and aggregate medical plan stop loss insurance with licensed insurance carriers to limit our ultimate risk exposure for any one case and for our total liability.

Many businesses are experiencing the impact of increased medical costs as well as greater variability in ongoing costs. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention, when our policies are renewed. If these expenses increase or we experience a claim for which coverage is not provided, results of our operations and financial condition could be materially and adversely affected.

Our charter and by-laws, and Massachusetts law may deter takeovers

Our articles of organization and by-laws and Massachusetts law contain provisions that could have anti-takeover effects and that could discourage, delay, or prevent a change in control or an acquisition that our shareholders may find attractive. These provisions may also discourage proxy contests and make it more difficult for our shareholders to take some corporate actions, including the election of directors. These provisions could limit the price that investors might be willing to pay for shares of our common stock.

Item 1B—*Unresolved Staff Comments*

Not applicable.

Item 2—*Properties*

In the aggregate, as of December 28, 2019, we leased approximately 375,620 square feet of office space in locations around the world, including Boston, San Francisco, Oakland, New York, Chicago, London, and Washington, D.C. Additionally, as of December 28, 2019, we have committed to leasing additional office space of 7,050 square feet beginning in fiscal 2020.

All of our offices are electronically linked and have access to our core consulting tools. We believe our existing facilities are adequate to meet our current requirements and that suitable space will be available as needed.

Item 3—*Legal Proceedings*

None.

Item 4—*Mine Safety Disclosures*

Not applicable.

PART II

Item 5—Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information. We first offered our common stock to the public on April 23, 1998. Our common stock is traded on the NASDAQ Global Select Market under the symbol CRAI.

Shareholders. We had approximately 79 holders of record of our common stock as of February 21, 2020. This number does not include shareholders for whom shares were held in a “nominee” or “street” name.

Repurchases of Equity Securities. The following table provides information about our repurchases of shares of our common stock during the fiscal quarter ended December 28, 2019. During that period, we did not act in concert with any affiliate or any other person to acquire any of our common stock and, accordingly, we do not believe that purchases by any such affiliate or other person (if any) are reportable in the following table. For purposes of this table, we have divided the fiscal quarter into three periods of four weeks, four weeks and five weeks, respectively, to coincide with our reporting periods during the fourth quarter of fiscal 2019.

Issuer Purchases of Equity Securities

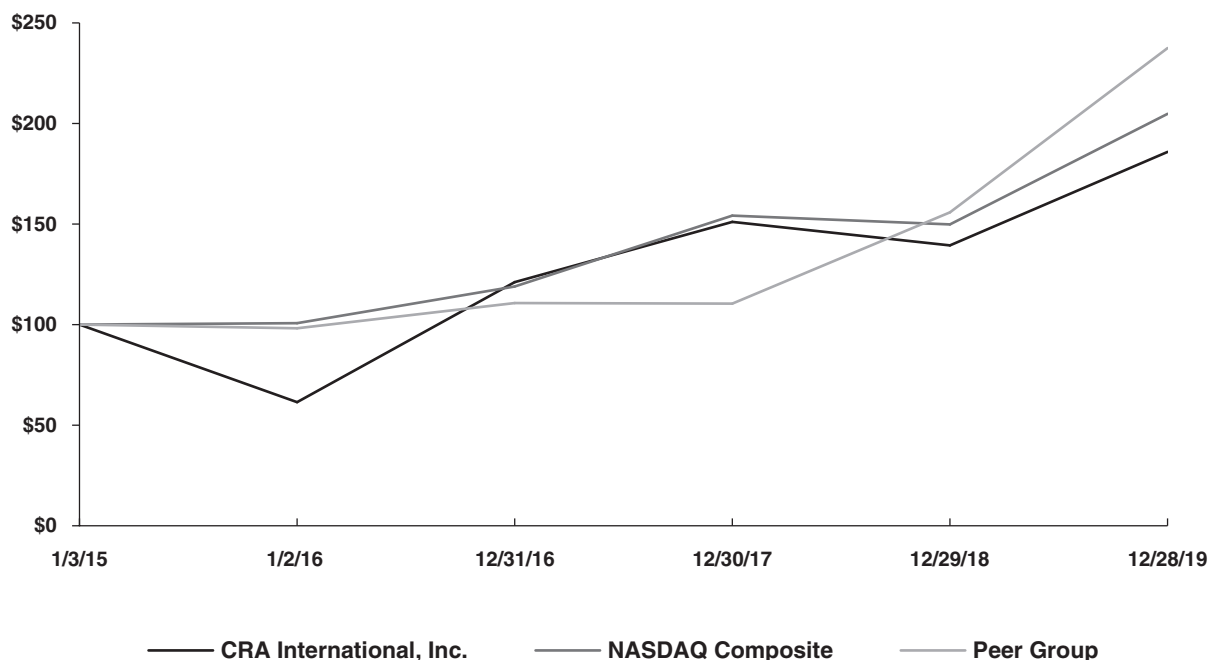
<u>Period</u>	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share(1)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2)
September 29, 2019 to October 26, 2019	—	—	—	\$3,512,496
October 27, 2019 to November 23, 2019	32,678	\$50.89 per share	—	\$3,512,496
November 24, 2019 to December 28, 2019	2,338	\$53.27 per share	—	\$3,512,496

- (1) During the four weeks ended November 23, 2019, we accepted 32,678 shares of our common stock as a tax withholding from certain of our employees, in connection with the vesting of restricted stock units that occurred during the period, pursuant to the terms of our 2006 equity incentive plan, at the average price per share of \$50.89. During the five weeks ended December 28, 2019, we accepted 2,338 shares of our common stock as a tax withholding from certain of our employees, in connection with the vesting of restricted stock units that occurred during the period, pursuant to the terms of our 2006 equity incentive plan, at the average price per share of \$53.27.
- (2) On each of February 13, 2019 and February 7, 2020, our Board of Directors authorized an expansion to our existing share repurchase program of an additional \$20.0 million of outstanding shares of our common stock. We may repurchase shares under this program in open market purchases (including through any Rule 10b5-1 plan adopted by us) or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. Approximately \$3.5 million and \$23.5 million was available for future repurchases under this program as of December 28, 2019 and February 21, 2020 respectively. We expect to continue to repurchase shares under this program.

Shareholder Return Performance Graph.(1) The graph below compares the cumulative 5-year total return of holders of our common stock with the cumulative total returns of the NASDAQ Composite index and a customized peer group of three companies consisting of Exponent Inc., FTI Consulting Inc. and Huron Consulting Group Inc.

The graph tracks the performance of a \$100 investment in our common stock, in the peer group, and in a market index (with the reinvestment of all dividends) from January 3, 2015 to December 28, 2019. We initiated a quarterly dividend in the fourth quarter of fiscal 2016 and continued to pay quarterly dividends throughout fiscal 2019. Although we anticipate paying regular quarterly dividends on our common stock for the foreseeable future, the declaration of any future dividends is subject to the discretion of our Board of Directors. The performance of the market index and the peer group indices is shown on a total return (dividends reinvested) basis.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among CRA International, Inc., the NASDAQ Composite Index,
and a Peer Group



* \$100 invested on 1/3/15 in stock or 12/31/14 in index, including reinvestment of dividends. Indexes calculated on month-end basis.

	<u>1/3/15</u>	<u>1/2/16</u>	<u>12/31/16</u>	<u>12/30/17</u>	<u>12/29/18</u>	<u>12/28/19</u>
CRA International, Inc.	100.00	61.43	121.10	151.05	139.37	185.84
NASDAQ Composite	100.00	100.70	118.93	154.17	149.80	204.76
Peer Group(2)	100.00	98.16	110.70	110.42	155.79	237.45

- (1) This performance graph shall not be deemed to be “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section, and shall not be deemed incorporated by reference into any filing of CRA International, Inc. under the Securities Act of 1933, as amended.
- (2) One of the companies previously included in our peer group has been acquired by another company and delisted as of December 28, 2019. The company has been excluded from our peer group in the above graph.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6—Selected Financial Data

The following selected consolidated financial data for each of the fiscal years in the five-year period ended December 28, 2019, has been derived from our audited consolidated financial statements. The data presented below should be read in conjunction with our consolidated financial statements and the related notes included in Item 8 of this annual report on Form 10-K. A number of factors impact the presentation and comparability of our consolidated statements of operations and our consolidated balance sheet. The most significant of these factors include acquisitions, impairment charges on long lived assets and goodwill, gains on sale of business assets, and the adoptions of ASC 606 and ASC 842.

	December 28, 2019 (52 weeks)	December 29, 2018 (52 weeks)	December 30, 2017 (52 weeks)	December 31, 2016 (52 weeks)	January 2, 2016 (52 weeks)
Consolidated Statements of Operations Data(1):					
Revenues	\$451,370	\$417,648	\$370,075	\$324,779	\$303,559
Cost of services (exclusive of depreciation and amortization)	317,761	289,185	258,829	227,380	207,650
Selling, general and administrative expenses (2)	93,613	89,533	86,537	70,584	72,439
Depreciation and amortization	10,648	9,995	8,945	7,896	6,552
GNU goodwill impairment	—	—	—	—	4,524
Income from operations	29,348	28,935	15,764	18,919	12,394
GNU gain on extinguishment of debt	—	—	—	—	606
GNU gain on sale of business assets and subsequent liquidation	—	258	250	3,836	—
Interest expense, net	(1,254)	(647)	(484)	(469)	(538)
Other income (expense), net	(1,297)	387	(366)	(397)	(647)
Income before provision for income taxes and noncontrolling interest	26,797	28,933	15,164	21,889	11,815
Provision for income taxes	(6,050)	(6,461)	(7,463)	(7,656)	(5,490)
Net income	20,747	22,472	7,701	14,233	6,325
Net (income) loss attributable to noncontrolling interest, net of tax	—	20	(77)	(1,345)	1,332
Net income attributable to CRA International, Inc.	<u>\$ 20,747</u>	<u>\$ 22,492</u>	<u>\$ 7,624</u>	<u>\$ 12,888</u>	<u>\$ 7,657</u>
Net income per share attributable to CRA International, Inc.:					
Basic	<u>\$ 2.63</u>	<u>\$ 2.76</u>	<u>\$ 0.91</u>	<u>\$ 1.50</u>	<u>\$ 0.84</u>
Diluted	<u>\$ 2.53</u>	<u>\$ 2.61</u>	<u>\$ 0.89</u>	<u>\$ 1.49</u>	<u>\$ 0.83</u>
Weighted average number of shares outstanding:					
Basic	<u>7,866</u>	<u>8,107</u>	<u>8,292</u>	<u>8,503</u>	<u>9,010</u>
Diluted	<u>8,167</u>	<u>8,570</u>	<u>8,497</u>	<u>8,601</u>	<u>9,195</u>
Dividends per share	<u>\$ 0.83</u>	<u>\$ 0.71</u>	<u>\$ 0.59</u>	<u>\$ 0.14</u>	<u>—</u>

	December 28, 2019	December 29, 2018	December 30, 2017	December 31, 2016	January 2, 2016
Consolidated Balance Sheets Data(1):					
Working capital	\$ 12,667	\$ 38,643	\$ 62,300	\$ 76,411	\$ 54,336
Total assets	533,243	370,846	361,757	323,642	313,717
Total long-term debt	—	—	—	—	—
Total shareholders' equity	197,751	196,472	207,229	207,883	211,068

- (1) On January 31, 2017, we acquired substantially all of the assets and assumed certain liabilities of C1 Consulting LLC, an independent consulting firm, and its wholly-owned subsidiary C1 Associates for initial consideration comprised of cash and CRA restricted common stock. The results of operations for this acquisition have been included in the accompanying consolidated statements of operations from the date of acquisition.
- (2) On November 20, 2017, we entered into a transaction agreement with IQVIA Inc. ("IQVIA") where we, and certain former employees of IQVIA, agreed to certain terms and conditions relating to the former employees' employment agreements with IQVIA, and to settle certain claims among the parties to the agreement. We paid IQVIA an aggregate amount of \$5.7 million as consideration under the transaction agreement. This amount has been reported as a component of selling, general and administrative expenses for fiscal 2017.

Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a leading worldwide economic, financial, and management consulting firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients.

We derive revenues principally from professional services rendered by our employee consultants. In most instances, we charge clients on a time-and-materials basis and recognize revenues in the period when we provide our services. We charge consultants’ time at hourly rates, which vary from consultant to consultant depending on a consultant’s position, experience, expertise, and other factors. We derive a portion of our revenues from fixed-price engagements. Revenues from fixed-price engagements are recognized using a proportional performance method based on the ratio of costs incurred to the total estimated project costs. We generate substantially all of our professional services fees from the work of our own employee consultants and a portion from the work of our non-employee experts. Factors that affect our professional services revenues include the number and scope of client engagements, the number of consultants we employ, the consultants’ billing rates, and the number of hours our consultants work. Revenues also include reimbursements for costs we incur in fulfilling our performance obligations, including travel and other out-of-pocket expenses, fees for outside consultants and other reimbursable expenses.

Our costs of services include the salaries, bonuses, share-based compensation expense, and benefits of our employee consultants. Our bonus program awards discretionary bonuses based on our revenues and profitability and individual performance. Costs of services also include out-of-pocket and other expenses, and the salaries of support staff whose time is billed directly to clients, such as librarians, editors, and programmers, as well as the amounts billed to us by our outside consultants for services rendered while completing a project. Selling, general, and administrative expenses include salaries, bonuses, share-based compensation expense, and benefits of our administrative and support staff, fees to non-employee experts for generating new business, office rent, marketing, and other costs.

Utilization and Seasonality

We derive the majority of our revenues from the number of hours worked by our employee consultants. Our utilization of those employee consultants is one key indicator that we use to measure our operating performance. We calculate utilization by dividing the total hours worked by our employee consultants on engagements during the measurement period by the total number of hours that our employee consultants were available to work during that period. Utilization was 75%, 76%, and 74% for fiscal 2019, fiscal 2018, and fiscal 2017, respectively.

We experience certain seasonal effects that impact our revenue. Concurrent vacations or holidays taken by a large number of consultants can adversely impact our revenue. For example, we usually experience fewer billable hours in our fiscal third quarter, as that is the summer vacation season for most of our offices, and in our fiscal fourth quarter, as that is the quarter that typically includes the December holiday season. In addition, much of our junior staff hiring occurs in our fiscal third quarter during which our new colleagues receive training and become acclimated to the organization. As a result, utilization may be impacted for the latter half of the year.

International Operations

Revenues outside of the U.S. accounted for approximately 21%, 21%, and 20% of our total revenues in fiscal 2019, fiscal 2018, and fiscal 2017, respectively. Revenue by country is detailed in note 2 to our Notes to Consolidated Financial Statements.

Noncontrolling Interest

Please refer to the section captioned “Basis of Presentation” in note 1 of our Notes to Consolidated Financial Statements contained in this Form 10-K.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets and liabilities, as well as related disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates in these consolidated financial statements include, but are not limited to, allowances for accounts receivable and unbilled services, revenue recognition on fixed price contracts, variable consideration to be included in the transaction price of revenue contracts, depreciation of property and equipment, share-based compensation, valuation of the contingent consideration liability, valuation of acquired intangible assets, impairment of long-lived assets and goodwill, accrued and deferred income taxes, valuation allowances on deferred tax assets, accrued compensation, accrued exit costs, and certain other accrued expenses. These items are monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if our assumptions based on past experience or our other assumptions do not turn out to be substantially accurate.

Our significant accounting policies are discussed in note 1 “Summary of Significant Accounting Policies” in our Notes to Consolidated Financial Statements. A summary of the accounting policies that we believe are most critical to understanding and evaluating our financial results is set forth below. We believe the following accounting policies involve our most subjective and complex judgments that have the most significant potential impact to the presentation of our financial statements. This summary should be read in conjunction with our consolidated financial statements and the related notes included in Item 8 of this annual report on Form 10-K.

Revenue Recognition. We adopted ASC Topic 606, *Revenue from Contracts with Customers* (“ASC 606”) on December 31, 2017 using the modified retrospective method for all contracts not completed as of the date of adoption. Revenue is recognized under ASC 606 when we satisfy a performance obligation by transferring services promised in a contract to a client 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 service streams that we provide to our clients.

We evaluate our revenue contracts with clients based on the five-step model under *Revenue from Contracts with Customers* : (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenues when (or as) each performance obligation is satisfied. If, at the outset of an arrangement, we determine that an enforceable contract does not exist, revenues are deferred until all criteria for an enforceable contract are met.

We derive substantially all of our revenues from the performance of professional services for our clients. The contracts that we enter into and operate under specify whether the engagement will be billed on a time-and-materials basis or a fixed-price basis. These engagements generally last three to six months, although some of our engagements can be much longer in duration. Each contract must be approved by one of our vice presidents.

- *Time-and-materials arrangements* require the client to pay us based on the number of hours worked at contractually agreed-upon hourly rates. We recognize revenues from these arrangements based on hours incurred and contracted rates based a right-to-payment for services

completed to date. When a time-and-materials arrangement has a “cap” or “limit” amount, we recognize revenue up to the cap or limit amount specified by the client, based on the efforts or hours incurred and expenses incurred. Thereafter, revenue is reserved pending an amendment of the cap or limit.

- *Fixed-price arrangements* require the client to pay a contractually agreed-upon fee in exchange for a pre-established set of professional services. We base our fees on our estimates of the costs and timing for completing a performance obligation. We generally recognize revenues under fixed-price arrangements using a proportional performance method, which is based on the ratio of costs incurred to the total estimated costs for completing a performance obligation. Our fixed-price arrangements generally have a single performance obligation. For arrangements that contain multiple performance obligations, the fixed price is allocated based on the estimated relative standalone selling prices of the promised services underlying each performance obligation.

Variable consideration to be included in the transaction price is estimated based on the most likely amount we expect to be entitled to if it is probable that a significant future reversal of cumulative revenue under the contract will not occur. We base our estimate of variable consideration on historical realization rates.

Reimbursable expenses, including those relating to travel, out-of-pocket expenses, outside consultants and other outside service costs, are generally included in revenues, and an equivalent amount of reimbursable expenses is included in costs of services in the period in which the expense is incurred.

Differences between the timing of billing and the recognition of revenue are recognized as either unbilled services or deferred revenues in the accompanying consolidated balance sheets. Revenues recognized for services performed but not yet billed to clients are recorded as unbilled services. Client prepayments and retainers are classified as deferred revenues and recognized over future periods as earned in accordance with the applicable retention agreement.

Prior to our adoption of ASC 606, as discussed above, we followed the revenue recognition guidance as issued in ASC Topic 605, *Revenue Recognition* (“ASC 605”). Our accounting policies as they related to revenue recognition under ASC 605 are discussed in note 1 “Summary of Significant Accounting Policies” in our Notes to Consolidated Financial Statements.

Deferred Compensation. We account for performance-based and service-based cash awards using an accrual method where changes in estimates are accounted for prospectively over the remaining service period. To the extent the terms of an award attribute all or a portion of the expected future benefits to a period of service greater than one year, the cost of those benefits is accrued over the employee’s or non-employee’s requisite service period in a systematic and rational manner, usually on a straight-line basis.

The requisite service period typically ranges from three to six years starting with the employee’s employment date or non-employee’s affiliation date. For an employee or non-employee consultant currently affiliated with us, the requisite service period generally begins at the start of the award’s measurement period. A recipient of such an award is expected to be employed by or affiliated with us for the entire measurement period. If the recipient’s employment or affiliation with us terminates during the measurement period, the amount paid will be determined in accordance with the recipient’s specific contract provisions.

The terms of award agreements may include the achievement of minimum required financial targets over the award’s measurement period. These financial targets may include a measure of revenue generation, profitability or both. The amount of the liability of the award agreements is estimated based on internally generated financial projections. The process of projecting these financial targets over the measurement period is highly subjective and requires significant judgment and estimates.

There can be no assurance that the estimates and assumptions used in preparing these projections will prove to be accurate.

Valuation of the Contingent Consideration Liability. We account for our contingent consideration liability by remeasuring the obligation to fair value each reporting period, estimated based on a Monte Carlo simulation. The fair value measurement of these liabilities is based on significant inputs not observed in the market. The significant unobservable inputs used in the fair value measurements of these contingent consideration liabilities are our measures of the estimated payouts based on internally generated revenue projections, expected volatility of the revenue projections, and discount rates. The process of developing financial projections is highly subjective and requires significant judgment and estimates. There can be no assurance that the estimates and assumptions used in preparing these projections will prove to be accurate. We reassess the fair value of these contingent consideration liabilities on a quarterly basis using additional information as it becomes available. Any change in the fair value estimates are recorded in the earnings of that period.

Accounting for Income Taxes. We record income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized based on estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. We include in our estimate of deferred tax assets and liabilities an estimate of the realizable benefits from operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss; changes to the valuation allowance; changes to federal, state, or foreign tax laws; future expansion into areas with varying country, state, and local income tax rates; deductibility of certain costs; uncertain tax positions; expenses by jurisdiction; and results of acquisitions or dispositions.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several different tax jurisdictions. We are periodically reviewed by domestic and foreign tax authorities. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. We account for uncertainties in income tax positions in accordance with ASC Topic 740. The number of years with open tax audits varies depending on the tax jurisdiction.

Recent Accounting Standards Adopted and Not Yet Adopted

Please refer to the sections captioned “Recent Accounting Standards Adopted” and “Recent Accounting Standards Not Yet Adopted” in note 1 of our Notes to Consolidated Financial Statements contained in this Form 10-K.

Results of Operations

The following table provides operating information as a percentage of revenues for the periods indicated:

	Fiscal Year Ended		
	December 28, 2019 (52 weeks)	December 29, 2018 (52 weeks)	December 30, 2017 (52 weeks)
Revenues	100.0%	100.0%	100.0%
Cost of services (exclusive of depreciation and amortization)	70.4	69.2	69.9
Selling, general and administrative expenses	20.7	21.5	23.4
Depreciation and amortization	2.4	2.4	2.4
Income from operations	6.5	6.9	4.3
GNU gain on sale of business assets and subsequent liquidation	—	0.1	0.1
Interest expense, net	(0.3)	(0.2)	(0.2)
Foreign currency gains (losses), net	(0.3)	0.1	(0.1)
Income before provision for income taxes	5.9	6.9	4.1
Provision for income taxes	(1.3)	(1.5)	(2.0)
Net income	4.6	5.4	2.1
Net (income) loss attributable to noncontrolling interest, net of tax	—	0.0	(0.0)
Net income attributable to CRA International, Inc. . .	<u>4.6%</u>	<u>5.4%</u>	<u>2.1%</u>

Fiscal 2019 Compared to Fiscal 2018

Our fiscal year end is the Saturday nearest December 31 of each year. Our fiscal years periodically contain 53 weeks rather than 52 weeks. Fiscal 2019 and fiscal 2018 were both 52-week years.

Revenues. Revenues increased by \$33.8 million, or 8.1%, to \$451.4 million for fiscal 2019 from \$417.6 million for fiscal 2018. The increase in net revenue was a result of an increase in gross revenues of \$35.7 million as compared to fiscal 2018, coupled with an increase in write-offs and reserves of \$1.9 million as compared to fiscal 2018. Utilization decreased to 75% for fiscal 2019 from 76% for fiscal 2018, while consultant headcount increased by 92 consultants during fiscal 2019. Billable hours increased by 5.6% for fiscal 2019 when compared to fiscal 2018.

Overall, revenues outside of the U.S. represented approximately 21% and 21% of total revenues for fiscal 2019 and fiscal 2018, respectively. Revenues derived from fixed-price engagements increased to 24% of total revenues for fiscal 2019 as compared with 23% for fiscal 2018. Revenues derived from time-and-materials engagements decreased to 76% of total revenues for fiscal 2019 as compared with 77% for fiscal 2018. The percentages of revenue derived from fixed-price engagements depend largely on the proportion of our revenues derived from our management consulting business, as the management consulting business typically has a higher concentration of fixed-price service engagements.

Costs of Services (exclusive of depreciation and amortization). Costs of services (exclusive of depreciation and amortization) increased by \$28.6 million, or 9.9%, to \$317.8 million for fiscal 2019 from \$289.2 million for fiscal 2018. The increase in costs of services was due primarily to an increase of \$8.9 million in employee compensation and fringe benefit costs attributable to salaries and benefits associated with our increased consulting headcount, an increase in expense related to contingent consideration of \$4.3 million, an increase in forgivable loan amortization of \$2.7 million, and an increase in incentive and retention compensation costs of \$8.0 million. Additionally, client reimbursable expenses increased by \$6.1 million in fiscal 2019 compared to fiscal 2018. These increases were partially

offset by a decrease in stock compensation expense of \$1.4 million. Despite the overall increase in cost of services, as a percentage of net revenue, costs of services remained relatively flat at 70.4% for fiscal 2019 and 69.2% for fiscal 2018.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$4.1 million, or 4.6%, to \$93.6 million for fiscal 2019 from \$89.5 million for fiscal 2018. This increase was due primarily to a \$2.7 million increase in rent expense due to additional leased space in our Boston and Oakland offices, as well as an increase in commissions to our nonemployee experts of \$0.6 million, resulting from higher percentage of our revenue for the year sourced by our nonemployee experts, as compared to fiscal 2018. Additional factors contributing to this increase were a \$1.7 million increase in salaries and benefits and \$0.2 million increase in other operating expenses. Offsetting these increases was a \$1.1 million decrease in bad debt expense.

As a percentage of revenues, selling, general and administrative expenses decreased to 20.7% for fiscal 2019 from 21.5% for fiscal 2018 due primarily to the increase in revenues. Commissions to non-employee experts decreased to 2.8% of revenue in fiscal 2019 compared to 2.9% of revenue in fiscal 2018 as less revenue as a percentage of overall revenue was sourced by nonemployee experts in fiscal 2019.

Provision for Income Taxes. For fiscal 2019, our income tax provision was \$6.0 million and the effective tax rate was 22.6%, as compared to a provision of \$6.5 million and an effective tax rate of 22.3% for fiscal 2018. The effective tax rate for fiscal 2019 was slightly higher than the prior year due to jurisdictional mix of earnings, the effect of non-deductible executive compensation, the impact of the revaluation of foreign currency, and a decrease in the tax benefit related to share-based compensation. The increases to the rate from these items were mostly offset by the release of tax reserves as a result of the expiration of statutes of limitation. The effective tax rate for fiscal 2019 was lower than our combined federal and state statutory rate primarily due to the tax benefit on share-based compensation and the reversal of tax reserves as a result of expiration of statutes of limitation. This was partially offset by non-deductible items resulting from limitations on the deductibility of compensation paid to executive officers and the deductibility of meals and entertainment. The effective tax rate for fiscal 2018 was lower than our combined federal and state statutory rate primarily due to the tax benefit related to share-based compensation partially offset by higher non-deductible items resulting from limitations on the deductibility of executive compensation and the deductibility of meals and entertainment.

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. decreased by \$1.8 million to net income of \$20.7 million for fiscal 2019 from net income of \$22.5 million for fiscal 2018.

The diluted net income per share was \$2.53 per share for fiscal 2019, compared to diluted net income per share of \$2.61 per share for fiscal 2018. Diluted weighted average shares outstanding decreased by approximately 403,000 shares to approximately 8,167,000 shares for fiscal 2019 from approximately 8,570,000 shares for fiscal 2018. The decrease in diluted weighted average shares outstanding was primarily due to the repurchase of shares of our common stock since December 29, 2018, offset in part by the issuance or vesting of shares of restricted stock and time-vesting restricted stock units, and the exercise of stock options.

Fiscal 2018 Compared to Fiscal 2017

Our fiscal year end is the Saturday nearest December 31 of each year. Our fiscal years periodically contain 53 weeks rather than 52 weeks. Fiscal 2018 and fiscal 2017 were both 52-week years.

Revenues. Revenues increased by \$47.5 million, or 12.8%, to \$417.6 million for fiscal 2018 from \$370.1 million for fiscal 2017. The increase in net revenue was a result of an increase in gross revenues of \$46.7 million as compared to fiscal 2017, coupled with a decrease in write-offs and reserves of \$0.8 million as compared to fiscal 2017. Included in revenues are the effect of changes in currency

exchange rates resulting in an increase to revenue of \$2.6 million for fiscal 2018 and a decrease of \$2.5 million for fiscal 2017. Utilization increased to 76% for fiscal 2018 from 74% for fiscal 2017, while consultant headcount increased by 56 consultants during fiscal 2018. Billable hours increased by 9.1% for fiscal 2018 when compared to fiscal 2017.

Overall, revenues outside of the U.S. represented approximately 21% and 20% of total revenues for fiscal 2018 and fiscal 2017, respectively. Revenues derived from fixed-price engagements decreased to 23% of total revenues for fiscal 2018 as compared with 25% for fiscal 2017. These percentages of revenue derived from fixed-price engagements depend largely on the proportion of our revenues derived from our management consulting business, as the management consulting business typically has a higher concentration of fixed-price service engagements.

Costs of Services (exclusive of depreciation and amortization). Costs of services (exclusive of depreciation and amortization) increased by \$30.4 million, or 11.7%, to \$289.2 million for fiscal 2018 from \$258.8 million for fiscal 2017. The increase in costs of services was due primarily to an increase of \$7.7 million in employee compensation and fringe benefit costs attributable to salaries and benefits associated with our increased consulting headcount, an increase in forgivable loan amortization of \$4.1 million, and an increase in incentive and retention compensation costs of \$14.2 million. These increases were partially offset by a decrease in stock compensation expense of \$1.6 million and a decrease in expense related to contingent consideration of \$1.4 million. Additionally, client reimbursable expenses increased by \$7.4 million in fiscal 2018 compared to fiscal 2017. Despite the overall increase in cost of services, as a percentage of net revenue, costs of services remained relatively flat at 69.2% for fiscal 2018 and 69.9% for fiscal 2017.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$3.0 million, or 3.5%, to \$89.5 million for fiscal 2018 from \$86.5 million for fiscal 2017. This increase was due primarily to a \$2.4 million increase in rent expense due to additional leased space in our Chicago, New York and London offices, as well as an increase in commissions to our nonemployee experts of \$2.3 million, resulting from higher percentage of our revenue for the year sourced by our nonemployee experts, as compared to fiscal 2017. Additional factors contributing to this increase were a \$1.2 million increase in bad debt and a \$0.7 million increase in salaries and benefits. Offsetting these increases was a \$3.4 million decrease in other operating expenses due to a \$2.3 million increase in other professional fees offset by \$5.7 million of consideration paid to IQVIA in fiscal 2017.

As a percentage of revenues, selling, general and administrative expenses decreased to 21.5% for fiscal 2018 from 23.4% for fiscal 2017 due primarily to the increase in revenues. Commissions to non-employee experts increased to 2.9% of revenue in fiscal 2018 compared to 2.7% of revenue in fiscal 2017 as more revenue as a percentage of overall revenue was sourced by nonemployee experts in fiscal 2017.

GNU gain on sale of business assets and subsequent liquidation. On April 13, 2016, a buyer acquired substantially all of the business assets and assumed substantially all of the liabilities of GNU for a cash purchase price of \$1.4 million. Of this amount, \$1.1 million was received at closing, with the remaining \$0.3 million paid in full on May 3, 2017. GNU recognized a gain on sale of its business assets of \$0.3 million in fiscal 2017 of which \$0.2 million was attributed to CRA. Additionally, CRA recognized a gain on liquidation of GNU amounting to \$0.3 million in fiscal 2018.

Provision for Income Taxes. For fiscal 2018, our income tax provision was \$6.5 million and the effective tax rate was 22.3%, as compared to a provision of \$7.5 million and an effective tax rate of 49.2% for fiscal 2017. The effective tax rate for fiscal 2018 was lower than the prior year rate primarily due to the lower statutory U.S. corporate tax rate of 21% in the current year as a result of the Tax Act as well as the prior year remeasurement of U.S. deferred tax assets at the lower enacted corporate tax rate in fiscal 2017. The effective tax rate for fiscal 2018 was lower than our combined federal and state statutory rate primarily due to the tax benefit related to the accounting for stock-based compensation partially offset by higher non-deductible items as a result of the Tax Act stemming from new limitations on the deductibility of compensation paid to executive officers and the deductibility of meals and

entertainment. The effective tax rate for fiscal 2017 was higher than our combined federal and state statutory rate primarily due to the remeasurement of U.S. deferred tax assets at the lower enacted corporate tax rate whereby we recorded a \$3.6 million provision, partially offset by tax benefits related to the accounting for stock-based compensation.

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. increased by \$14.9 million to net income of \$22.5 million for fiscal 2018 from net income of \$7.6 million for fiscal 2017.

The diluted net income per share was \$2.61 per share for fiscal 2018, compared to diluted net income per share of \$0.89 per share for fiscal 2017. Diluted weighted average shares outstanding increased by approximately 73,000 shares to approximately 8,570,000 shares for fiscal 2018 from approximately 8,497,000 shares for fiscal 2017. The increase in diluted weighted average shares outstanding was primarily due to the issuance or vesting of shares of restricted stock and time-vesting restricted stock units, and the exercise of stock options, offset in part by the repurchase of shares of our common stock since December 30, 2017.

Liquidity and Capital Resources

We believe that current cash, cash equivalents, cash generated from operations, and amounts available under our revolving credit facility will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months.

General. In fiscal 2019, our cash and cash equivalents decreased by \$12.4 million, completing the year with cash and cash equivalents of \$25.6 million. The principal drivers of the reduction of cash were payment of our fiscal 2018 performance bonuses in the first half of 2019, payments made in respect of forgivable loans, the repurchase and retirement of shares of our common stock throughout the year under our share repurchase program, payments of dividends, and the buildout costs of our Boston, Oakland, and Cambridge (UK) offices, offset by changes in other cash flows from operations as described below. During fiscal 2019, working capital (defined as current assets less current liabilities) decreased by \$26.1 million to \$12.6 million. The reduction in working capital was principally due to an increase in accrued expenses of \$13.0 million and the recording of the current portion of our lease liabilities of \$12.8 million, which we began recording during fiscal 2019 as part of our adoption of ASC 842.

At December 28, 2019, \$2.1 million of our cash and cash equivalents were held within the U.S. We have sufficient sources of liquidity in the U.S., including cash flow from operations and availability on our revolving line of credit to fund U.S. operations without the need to repatriate funds from our foreign subsidiaries. As of December 28, 2019, CRA's cash accounts were concentrated at two financial institutions, which potentially exposes CRA to credit risks. The financial institutions both have short-term credit ratings of A-2 by Standard & Poor's ratings services. CRA has not experienced any losses related to such accounts. CRA does not believe that there is significant risk of non-performance by the financial institutions, and its cash on deposit is fully liquid. From time to time, CRA also makes investments in treasury money market mutual fund shares with a credit rating of AAA by Moody's. CRA continually monitors the credit ratings of these institutions.

Sources and Uses of Cash. During fiscal 2019, net cash provided by operations was \$27.8 million. Net income was \$20.7 million for fiscal 2019. Cash provided by operations includes non-cash items including depreciation and amortization expense of \$10.6 million, share-based compensation expenses of \$3.5 million, and right-of-use asset amortization of \$10.7 million, offset by a non-cash decrease in deferred income taxes of \$1.2 million. Sources of cash were an increase in accounts payable, accrued expenses, and other liabilities of \$16.2 million, and an increase in incentive cash awards of \$4.8 million. Offsetting these sources of cash are an increase in accounts receivable of \$12.8 million, a decrease in prepaid expenses and other current assets of \$2.1 million, a \$6.2 million decrease in lease liabilities, and an increase in forgivable loans of \$16.3 million. The change in forgivable loans was primarily

driven by \$34.0 million of forgivable loan issuances, net of repayments, offset by \$17.7 million of forgivable loan amortization.

During fiscal 2019, net cash used in investing activities was \$16.7 million for capital expenditures.

We used \$23.8 million of net cash in financing activities during fiscal 2019, primarily as a result of \$18.1 million of repurchases of our common stock, payment of \$6.5 million of cash dividends to shareholders, and tax withholding payments reimbursed by restricted shares of \$2.2 million. Offsetting these uses in cash was \$3.2 million received upon the issuance of shares of common stock related to the exercise of stock options.

Indebtedness

We are party to a \$125.0 million revolving credit facility, which includes a \$15.0 million sublimit for the issuance of letters of credit. We may use the proceeds of the revolving credit facility for working capital and other general corporate purposes. Generally, we may repay borrowings under the revolving credit facility at any time, but must repay all borrowings no later than October 24, 2022. There were no borrowings outstanding under this revolving credit facility as of December 28, 2019.

The amount available under this revolving credit facility was reduced by \$4.4 million of letters of credit outstanding as of December 28, 2019. Borrowings under the revolving credit facility bear interest at a rate per annum, at our election, of either (i) the adjusted base rate, as defined in the credit agreement, plus an applicable margin, which varies between 0.25% and 1.25% depending on our total leverage ratio as determined under the credit agreement, or (ii) the adjusted eurocurrency rate, as defined in the credit agreement, plus an applicable margin, which varies between 1.25% and 2.25% depending on our total leverage ratio. We are required to pay a fee on the unused portion of the revolving credit facility at a rate per annum that varies between 0.20% and 0.35% depending on our total leverage ratio. Borrowings under the revolving credit facility are secured by 100% of the stock of certain of our U.S. subsidiaries and 65% of the stock of certain of our foreign subsidiaries, which represent approximately \$32.9 million in net assets as of December 28, 2019.

Under the credit agreement, we must comply with various financial and non-financial covenants. Compliance with these financial covenants is tested on a fiscal quarterly basis. Any indebtedness outstanding under the revolving credit facility may become immediately due and payable upon the occurrence of stated events of default, including our failure to pay principal, interest or fees or a violation of any financial covenant. The financial covenants require us to maintain an adjusted consolidated EBITDA to consolidated interest expense ratio of more than 2.5:1.0 and to comply with a consolidated debt to adjusted consolidated EBITDA ratio of not more than 3.0:1.0. The non-financial covenant restrictions of the senior credit agreement include, but are not limited to, our ability to incur additional indebtedness, engage in acquisitions or dispositions, and enter into business combinations. At December 28, 2019 and currently, we are in compliance with all such tests under the credit agreement.

Forgivable Loans and Term Loans

In order to attract and retain highly skilled professionals, we may issue forgivable loans or term loans to employees and non-employee experts. A portion of these loans is collateralized by key person life insurance. The forgivable loans have terms that are generally between two and eight years. The principal amount of forgivable loans and accrued interest is forgiven by us over the term of the loans, so long as the employee or non-employee expert continues employment or affiliation with us and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is recorded as compensation expense over the service period, which is consistent with the term of the loans.

Compensation Arrangements

We have entered into compensation arrangements for the payment of incentive performance awards to certain of our non-employee experts and employees that are payable if specific performance

targets are met. These financial targets may include a measure of revenue generation, profitability or both. The amounts of the awards to be paid under these compensation arrangements could fluctuate depending on future performance during the applicable measurement periods. Changes in the estimated awards are expensed prospectively over the remaining service period. We believe that we will have sufficient funds to satisfy any cash obligations related to the incentive performance awards. We expect to fund any cash payments from existing cash resources, cash generated from operations, or borrowings on our revolving credit facility.

Share-Based Compensation Expense

We have an active equity incentive plan. Our Amended and Restated 2006 Equity Incentive Plan, as amended (the “2006 Equity Plan”), authorizes the grant of a variety of incentive and performance equity awards to our directors, employees and non-employee experts, including stock options, shares of restricted stock, restricted stock units, and other equity awards. The 2006 Equity Plan has used standard “fungibility ratios” to count grants of full-share awards (such as shares of restricted stock and restricted stock units) against the maximum number shares issuable under the plan. The current fungibility ratio, applicable to full-share grants made on or after April 30, 2010, is 1.83. The fungibility ratio applicable to full-share grants made before March 12, 2008 was 1.8, and the fungibility ratio applicable to full-share grants made from March 12, 2008 and before April 30, 2010 was 2.2. The fungibility ratio does not apply to grants of stock options. The maximum number of shares issuable under the 2006 Equity Plan is 5,649,000, consisting of (1) 500,000 shares initially reserved for issuance under the 2006 Equity Plan, (2) 1,000,000 shares that either remained for future awards under our 1998 Incentive and Nonqualified Stock Option Plan (the “1998 Option Plan”) on April 21, 2006, the date our shareholders initially approved the 2006 Equity Plan, or were subject to stock options issued under the 1998 Option Plan that were forfeited or terminated after April 21, 2006, (3) 210,000 shares approved by our shareholders in 2008, (4) 1,464,000 shares approved by our shareholders in 2010, and (5) the 2,500,000 shares approved by our shareholders in 2012 reduced by the 800,000 shares cancelled by our board of directors in fiscal 2016, (6) the 400,000 shares approved by CRA’s shareholders on July 12, 2017, and (7) the 375,000 shares approved by CRA’s shareholders on July 11, 2018.

As of December 28, 2019, there were 623,212 shares of our common stock available for award grants under the 2006 Equity Incentive plan, calculated as follows:

	<u>Actual Shares</u>	<u>Shares Using Fungibility Ratio</u>
Maximum shares of common stock issuable under the 2006 Equity Plan . . .		5,649,000
Full-share awards granted/reserved through March 12, 2008	471,827	(849,289)
Full-share awards granted/reserved from March 12, 2008 to April 29, 2010 .	352,932	(776,450)
Full-share awards granted/reserved on or after April 30, 2010	2,095,595	(3,833,474)
Cancellation of full-share awards granted/reserved through March 12, 2008 .	91,277	164,299
Cancellation of full-share awards granted/reserved between March 12, 2008 and April 29, 2010	91,964	202,321
Cancellation of full-share awards granted/reserved on or after April 30, 2010	667,304	1,221,167
Options granted		(1,422,761)
Options cancelled		229,404
Options forfeited		38,995
Shares available for grant under the 2006 Equity Plan as of December 28, 2019		<u>623,212</u>

Additionally, the following table summarizes stock options outstanding and stock options exercisable as of December 28, 2019:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at December 28, 2019	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable at December 28, 2019	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price
\$18.48 - 20.00	105,406	0.90	\$18.48	105,406	0.90	\$18.48
\$20.01 - 26.24	152,346	2.87	21.52	152,346	2.87	21.52
\$26.25 - 30.96	32,000	3.88	30.96	24,000	3.88	30.96
\$30.97 - 31.17	106,724	1.90	30.97	106,724	1.90	30.97
\$31.18 - 47.45	48,013	8.09	45.28	19,801	7.43	43.68
Total	<u>444,489</u>	<u>2.81</u>	<u>\$26.31</u>	<u>408,277</u>	<u>2.39</u>	<u>\$24.84</u>

Business Acquisition

As part of our business, we regularly evaluate opportunities to acquire other consulting firms, practices or groups or other businesses. In recent years, we have typically paid for acquisitions with cash, or a combination of cash and our common stock, and we may continue to do so in the future. To pay for an acquisition, we may use cash on hand, cash generated from our operations, borrowings under our revolving credit facility, or we may pursue other forms of financing. Our ability to secure short-term and long-term debt or equity financing in the future, including our ability to refinance our credit agreement, will depend on several factors, including our future profitability, the levels of our debt and equity, restrictions under our existing revolving line of credit with our bank, and the overall credit and equity market environments.

Share Repurchases

In February 2019 and February 2020, our Board of Directors authorized an expansion to our existing share repurchase program, authorizing the purchase of an additional \$20.0 million of our common stock. We may repurchase shares under this program in open market purchases (including through any Rule 10b5-1 plan adopted by us) or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. During fiscal 2019, we repurchased and retired 421,112 shares, under our share repurchase program at an average price per share of \$42.94. We had approximately \$3.5 million available for future repurchases under our share repurchase program as of December 28, 2019. As of February 21, 2020, we had approximately \$23.5 million available for future repurchases under our share repurchase program. We plan to finance future repurchases with available cash, cash from future operations and funds from our revolving credit facility. We expect to continue to repurchase shares under our share repurchase program.

Dividends to Shareholders

We anticipate paying regular quarterly dividends each year. These dividends are anticipated to be funded through cash flow from operations, available cash on hand and/or borrowings under our revolving credit facility. Although we anticipate paying regular quarterly dividends on our common stock for the foreseeable future, the declaration, timing and amounts of any such dividends remain subject to the discretion of our Board of Directors.

Impact of Inflation

To date, inflation has not had a material impact on our financial results. There can be no assurance, however, that inflation will not adversely affect our financial results in the future.

Future Capital and Liquidity Needs

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

- operating and general corporate expenses relating to the operation of our business, including the compensation of our employees under various annual bonus or long-term incentive compensation programs;
- the hiring of individuals to replenish and expand our employee base;
- capital expenditures, primarily for information technology equipment, office furniture and leasehold improvements;
- debt service and repayments, including interest payments on borrowings from our revolving credit facility;
- share repurchases, under programs that we may have in effect from time to time;
- dividends to shareholders;
- potential acquisitions of businesses that would allow us to diversify or expand our service offerings;
- contingent obligations related to our acquisitions; and
- other known future contractual obligations.

The hiring of individuals to replenish and expand our employee base is an essential part of our business operations and has historically been funded principally from operations. Many of the other above activities are discretionary in nature. For example, capital expenditures can be deferred, acquisitions can be forgone, and share repurchase programs and regular dividends can be suspended. As such, our operating model provides flexibility with respect to the deployment of cash flow from operations. Given this flexibility, we believe that our cash flows from operations, supplemented by cash on hand and borrowings under our revolving credit facility (as necessary), will provide adequate cash to fund our long-term cash needs from normal operations for at least the next twelve months.

Our conclusion that we will be able to fund our cash requirements by using existing capital resources and cash generated from operations does not take into account the impact of any future acquisition transactions or any unexpected significant changes in the number of employees or other expenditures that are currently not contemplated. The anticipated cash needs of our business could change significantly if we pursue and complete additional business acquisitions, if our business plans change, if economic conditions change from those currently prevailing or from those now anticipated, or if other unexpected circumstances arise that have a material effect on the cash flow or profitability 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 on terms that may be less favorable compared to our current sources of capital. 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.

Contractual Obligations

The following table presents information about our known contractual obligations as of December 28, 2019. It does not reflect contractual obligations that may have arisen or may arise after that date. Except for historical facts, the information in this section is forward-looking information.

Contractual Obligations	Payments due by period				
	Total	Fiscal 2020	Fiscal 2021-2022	Fiscal 2023-2024	After Fiscal 2025
			(in thousands)		
Operating lease obligations	\$194,654	\$17,973	\$39,896	\$40,560	\$96,225
Facility-related liabilities	3,443	—	317	—	3,126
Deferred LTIP cash awards	15,876	4,877	7,981	3,018	—
Contingent consideration(1) . . .	11,969	—	11,969	—	—
Total	<u>\$225,942</u>	<u>\$22,850</u>	<u>\$60,163</u>	<u>\$43,578</u>	<u>\$99,351</u>

(1) As of December 28, 2019, the contingent consideration liability has a fair value of \$11.6 million. The contingent consideration is required to be paid prior to the end of the second quarter of fiscal 2021. The figure in the table above represents the expected future payment required to settle the obligation. Contingent consideration obligations are remeasured at fair value each reporting period, with the changes in fair value recognized in the consolidated statements of operations.

We are party to standby letters of credit with our bank in support of the minimum future lease payments under leases for permanent office space amounting to \$4.4 million as of December 28, 2019.

Factors Affecting Future Performance

Item 1A of this annual report sets forth risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this annual report. If any of these risks, or any risks not presently known to us or that we currently believe are not significant, develops into an actual event, then our business, financial condition, and results of operations could be adversely affected.

Item 7A—Quantitative and Qualitative Disclosure About Market Risk

Foreign Exchange Risk

The majority of our operations are based in the U.S. and, accordingly, the majority of our transactions are denominated in U.S. Dollars. However, we have foreign-based operations where transactions are denominated in foreign currencies and are subject to market risk with respect to fluctuations in the relative value of foreign currencies. Our primary foreign currency exposures relate to our short-term intercompany balances with our foreign subsidiaries and accounts receivable and cash valued in the United Kingdom in U.S. Dollars or Euros. Our primary foreign subsidiaries have functional currencies denominated in either the British Pound or the Euro, and foreign denominated assets and liabilities are remeasured each reporting period with any exchange gains and losses recorded in our consolidated statements of operations. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements between functional currency exchange rates and those in which we transact business. Holding all other variables constant, a hypothetical 10% movement in foreign exchange rates on December 28, 2019 would have affected our income before provision for income taxes for fiscal 2019 by approximately \$2.9 million. However, actual gains and losses in the future could differ materially from this analysis based on the timing and amount of both foreign currency exchange rate movements and our actual exposure.

Additionally, Brexit could adversely affect UK, European and worldwide economic market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the British Pound Sterling and Euro. The UK officially left the EU

on January 31, 2020, and is currently in a transition period. We recognize that there are significant uncertainties surrounding the resolution of Brexit negotiations, and will continue to monitor any changes that may arise and assess their potential impact on our business.

Translation of Financial Results

Our foreign subsidiaries operate in currencies other than the U.S. Dollar; therefore, increases or decreases in the value of the U.S. Dollar against other major currencies will affect our operating results and the value of our balance sheet items denominated in foreign currencies. Our most significant exposures to translation risk relate to functional currency assets and liabilities that are denominated in the British Pound Sterling and the Euro. The changes in the net investments of foreign subsidiaries whose currencies are denominated in currencies other than the U.S. Dollar for fiscal 2019 were gains of \$0.8 million. The changes in the net investments of foreign subsidiaries whose currencies are denominated in currencies other than the U.S. Dollar were losses of \$2.7 million for fiscal 2018 and gains of \$3.9 million for fiscal 2017. These translation gains and losses are reflected in “Other comprehensive income” in our consolidated statements of comprehensive income.

Interest Rate Risk

Our primary exposure to interest rate risk is associated with our revolving credit facility, which has variable interest rates for our borrowings based on our leverage ratio and certain reference rates, at our election, permitted under the terms of the credit agreement. We had no outstanding borrowings under our revolving credit facility as of December 28, 2019. A hypothetical change in the interest rate of 10% would not have a material impact to our net income.

We maintain an investment portfolio consisting mainly of money market funds, which may be withdrawn upon request. These money market funds are subject to interest rate risk. However, a hypothetical change in the interest rates of 10% would not have a material impact to the fair values of these securities at December 28, 2019.

Item 8—Financial Statements and Supplementary Data

We have included our consolidated financial statements in this annual report on pages FS-3 - FS-36. We have provided an index to our consolidated financial statements on page FS-1.

Item 9—Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A—Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. This is done in order to ensure that information we are required to disclose in the reports that are filed or submitted under the Securities Exchange Act of 1934 (“the Exchange Act”), as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 28, 2019, because of material weaknesses, described below in Management’s Report on Internal Control over Financial Reporting.

To address the material weaknesses described below, and prior to filing this Annual Report on Form 10-K, we performed additional analysis and other post-closing procedures to determine that our consolidated financial statements are prepared in accordance with generally accepted accounting

principles. Based on these procedures, management has concluded that the consolidated financial statements included in this annual report on form 10-K present fairly, in all material aspects, our financial position as at the end of, and the results of operations and cash flows for, the periods presented in conformity with accounting principles generally accepted in the United States.

(b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this report based on the framework in "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, our President and Chief Executive Officer and our Chief Financial Officer concluded that our internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles as of December 28, 2019 because of the material weaknesses in internal control described in the following paragraph.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, in fiscal 2019 we did not adequately design or execute internal controls over: 1) our incentive-based compensation liabilities, as it relates to our internal controls over the review of the completeness and accuracy of key inputs into the computation of these liabilities; 2) certain aspects of accounting for revenue and related accounts; and 3) the completeness of certain accounts payable and expense accruals. We were in the process of remediating these internal controls at December 28, 2019.

Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on their assessment of our internal control over financial reporting. The audit report is included herein.

Remediation of Material Weaknesses

We previously reported material weaknesses that were identified as of December 29, 2018 relating to the design and operating effectiveness of our internal control over financial reporting relating to the completeness and accuracy of our contingent consideration liability and the evaluation of certain income tax matters. During fiscal year 2019 we took the following actions to remediate these material weaknesses:

Contingent Consideration:

- Enhanced our business processes, and internal controls, including data validation, over the review and accounting for contingent consideration;
- Enhanced certain procedures, and controls over the determination, assessment, and documentation of management's revenue forecasts and certain other assumptions used in the computation of the contingent consideration liability; and
- Provided additional training to our staff on the importance of management review controls, particularly over data validation and related documentation;

Income Tax:

- Enhanced our business processes, and internal controls, including data validation, over the review and accounting for income tax to ensure greater oversight and transparency;
- Provided additional training to our staff on the importance of management review controls, particularly over data validation and related documentation; and

- Engaged third-party advisor to assist in the assessment, design and configuration of income tax provision and compliance software.

As a result of the remediation activities and controls in place as of December 28, 2019 described above, we have remediated the material weaknesses relating to the completeness and accuracy of our contingent consideration liability and the evaluation of certain income tax matters that were disclosed and included in our 2018 Form 10-K.

(c) Evaluation of Changes in Internal Control over Financial Reporting

Except for the material weaknesses and remediation activities noted in Section (b) and the ongoing remediation of the material weaknesses as described in Section (d) pursuant to the plan described in Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 29, 2018, our evaluation of our internal control over financial reporting discussed in Section (b) did not identify any changes in our internal control over financial reporting during the fourth quarter of fiscal 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(d) Plan for Remediation of Material Weakness

We are committed to remediating the remaining control deficiencies that gave rise to the material weaknesses described in Section (b). Management is responsible for implementing changes and improvements to our internal control over financial reporting and for remediating the control deficiencies that gave rise to these material weaknesses.

With input and oversight from the Audit Committee, we have taken significant steps to remediate our internal control deficiencies by continuing our efforts to enhance and redesign our controls. Our efforts have focused on strengthening our finance organization and designing a suite of controls with respect to our accounting for incentive-based compensation, contingent consideration, revenue, and accounts payable and related accruals. Consistent with the remediation plan as reported in Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 29, 2018, during fiscal 2019 we:

- Continued our Special Internal Controls Committee reporting to the Audit Committee, led by our President and Chief Executive Officer, comprised of other members of senior management. The Special Internal Controls Committee met with the Audit Committee at each of its eight regularly scheduled meetings, as well as in two special sessions throughout the year;
- Hired resources to bolster our accounting expertise and processes;
- Engaged third-party advisors to assist in the assessment, design and reconfiguration of certain components of our accounting systems and related reporting. Specifically, these advisors assisted with the design and implementation of enhanced systems functionality, databases and workflows related to revenue accounting, and incentive compensation; validation of the completeness and accuracy of key reports used in the performance of internal controls; and the design and development of new reports used in the financial close and performance of internal controls;
- Enhanced our business processes, including data validation, over the review and accounting for client contracts, accounts payable, and accrued expenses;
- Enhanced certain procedures, and controls over the assessment, determination and documentation of management's judgments and estimates associated with incentive-based compensation;
- Enhanced the design and operation of our internal controls, including data validation, related to variable consideration and other reserves;
- Provided additional training to our staff on the importance of management review controls, particularly over data validation and related documentation; and our evaluation of key assumptions and judgments used in developing financial estimates;

- Provided additional training on the importance of timely, accurate and complete financial information effecting the status of our client projects; and
- Enhanced our management review controls over revenue and technical accounting processes.

In fiscal 2020, we plan to supplement our system of internal controls over financial reporting with the following actions:

- Continuation of the Special Internal Controls Committee to guide our remediation efforts;
- Continuation or addition of processes intended to strengthen our accounting policies and procedures;
- Continue to enhance our reporting and data validation processes and controls;
- Continue to enhance the design and operation of our internal controls related to revenue accounting for client contracts;
- Continue to Improve the design and operation of our internal controls related to accounts payable and certain accrued expenses;
- Continue to enhance our management review controls over revenue forecasts and related assumptions used in the computation of incentive-based compensation;
- Provide additional training on the importance of timely, accurate and complete financial information effecting the status of client projects; and
- Evaluate areas of the finance organization for further technological improvements, to ensure the timeliness, completeness and accuracy of our accounting records and enhanced reporting.

(e) Important Considerations

The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to various inherent limitations, including judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, there can be no assurance that any system of disclosure controls and procedures or internal control over financial reporting will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

Item 9B—Other Information

None

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of CRA International, Inc.

Opinion on Internal Control over Financial Reporting

We have audited CRA International, Inc.'s internal control over financial reporting as of December 28, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weaknesses described below on the achievement of the objectives of the control criteria, CRA International, Inc. (the Company) has not maintained effective internal control over financial reporting as of December 28, 2019, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. Management has identified material weaknesses in internal controls over the accounting for its revenue and related accounts, incentive-based compensation, and certain accounts payable and expense accruals.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 28, 2019 and December 29, 2018, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 28, 2019, and the related notes. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2019 consolidated financial statements, and this report does not affect our report dated February 27, 2020, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and

dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 27, 2020

PART III

We have omitted the information required in Part III of this annual report because we intend to include that information in our definitive proxy statement for the 2020 annual meeting of shareholders, which we expect to file within 120 days (or such greater number as permitted by SEC rules) after the end of fiscal 2019. We incorporate that information in this annual report by reference to the proxy statement to be filed in connection with the 2020 annual meeting of our shareholders, which we will refer to herein as our “2020 annual proxy statement.”

Item 10—*Directors, Executive Officers and Corporate Governance*

We incorporate the information required by this item by reference to the sections captioned “Corporate Governance” (specifically, its subsections captioned “Overview,” “Executive officers and directors” and “Audit committee”), and “Delinquent Section 16(a) Reports” in our 2020 annual proxy statement.

Item 11—*Executive Compensation*

We incorporate the information required by this item by reference to the section captioned “Compensation of Directors and Executive Officers” in our 2020 annual proxy statement.

Item 12—*Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters*

We incorporate the information required by this item by reference to the sections captioned “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plans” in our 2020 annual proxy statement.

Item 13—*Certain Relationships and Related Transactions and Director Independence*

We incorporate the information required by this item by reference to the sections captioned “Transactions with Related Parties” and “Corporate Governance” (specifically, its subsection captioned “Overview”) in our 2020 annual proxy statement.

Item 14—*Principal Accountant Fees and Services*

We incorporate the information required by this item by reference to the section captioned “Principal Accountant Fees and Services” in our 2020 annual proxy statement.

PART IV

Item 15—Exhibits and Financial Statement Schedules

(a) *Financial Statements, Schedules, and Exhibits.* We have listed our consolidated financial statements filed as part of this annual report in the index to consolidated financial statements on page FS-1. We have listed the exhibits filed as part of this annual report in the accompanying exhibit index, which follows the signature page to this annual report.

(b) *Exhibits.* We have listed the exhibits filed as part of this annual report in the accompanying exhibit index, which follows the signature page to this annual report.

(c) *Financial Statement Schedules.* We have omitted all financial statement schedules because they are not applicable or not required or because we have included the necessary information in our consolidated financial statements or related notes.

EXHIBIT INDEX

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
3.1	Amended and Restated Articles of Organization, as amended by the Articles of Amendment to our Articles of Organization filed on May 6, 2005.	X			
3.2	Amended and Restated By-Laws, as amended.		8-K	January 31, 2011	3.2
4.1	Specimen certificate for common stock.		S-8	April 21, 2006	4.4
4.2	Description of Capital Stock	X			
10.1*	1998 Employee Stock Purchase Plan.		S-1/A	April 3, 1998	10.2
10.2*	Amended and Restated 2006 Equity Incentive Plan, as amended.		DEF 14A	April 27, 2018	Annex A
10.3*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan.		8-K	April 27, 2006	10.2
10.4*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan with Company Right of First Refusal.		10-K	February 12, 2009	10.9
10.5*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan, as amended.		10-K	March 2, 2012	10.11
10.6*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan, as amended.		10-K	March 15, 2017	10.9
10.7*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan, as amended.		10-K	March 12, 2018	10.7
10.8*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan, as amended.		10-Q	August 2, 2018	10.3
10.9*	Form of Restricted Stock Agreement for Employee or Independent Contractor Awards under the 2006 Equity Incentive Plan.		8-K	April 27, 2006	10.3
10.10*	Form of Restricted Stock Agreement for Employee or Independent Contractor Awards under the 2006 Equity Incentive Plan with Company Right of First Refusal.		10-K	February 12, 2009	10.11
10.11*	Form of Restricted Stock Agreement for Employee or Independent Contractor Awards under the 2006 Equity Incentive Plan with Company, as amended.		10-K	March 2, 2012	10.14
10.12*	Form of Restricted Stock Agreement for Employee or Independent Contractor Award under the 2006 Equity Incentive Plan, as amended.		10-Q	August 2, 2018	10.4
10.13*	Form of Nonqualified Stock Option under the 2006 Equity Incentive Plan.		10-K	February 8, 2007	10.10
10.14*	Form of Nonqualified Stock Option under the 2006 Equity Incentive Plan with Stock Ownership Guidelines.		10-K	March 2, 2012	10.16
10.15*	Form of Nonqualified Stock Option under the 2006 Equity Incentive Plan with Ownership Guidelines.		10-K	March 15, 2017	10.12
10.16*	Form of Nonqualified Stock Option under the 2006 Equity Incentive Plan with Ownership Guidelines.		10-K	March 12, 2018	10.14

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
10.17*	Form of Restricted Stock Unit Award Agreement under the 2006 Equity Incentive Plan.		10-K	January 29, 2010	10.14
10.18*	Form of Restricted Stock Unit Award Agreement under the 2006 Equity Incentive Plan with Stock Ownership Guidelines.		10-K	March 2, 2012	10.18
10.19*	Form of Restricted Stock Unit Award Agreement under the 2006 Equity Incentive Plan with Ownership Guidelines.		10-K	March 15, 2017	10.15
10.20*	Form of Restricted Stock Unit Award Agreement under the 2006 Equity Incentive Plan with Ownership Guidelines.		10-K	March 12, 2018	10.18
10.21*	Form of Restricted Stock Unit Award Agreement for Performance under the 2006 Equity Incentive Plan.		10-K	January 29, 2010	10.15
10.22*	Form of Restricted Stock Unit Award Agreement for Performance under the 2006 Equity Incentive Plan with Stock Ownership Guidelines.		10-K	March 2, 2012	10.20
10.23*	Form of Restricted Stock Unit Award Agreement for Performance under the 2006 Equity Incentive Plan with Ownership Guidelines.		10-K	March 15, 2017	10.18
10.24*	Form of Restricted Stock Unit Award Agreement for Performance under the 2006 Equity Incentive Plan with Ownership Guidelines.		10-K	March 12, 2018	10.22
10.25*	CRA International, Inc. Cash Incentive Plan, as amended.		DEF 14A	April 28, 2017	Annex B
10.26*	Form of Service Cash Awards Agreement under the Cash Incentive Plan with Ownership Guidelines.		8-K	December 12, 2016	10.2
10.27*	Form of Performance Cash Awards Agreement under the Cash Incentive Plan with Ownership Guidelines.		8-K	December 12, 2016	10.3
10.28*	Summary of Director Compensation.	X			
10.29	Lease dated February 24, 2014 by and between CRA International, Inc. and BP Hancock LLC		8-K	February 27, 2014	10.1
10.30	First Amendment to Lease dated as of February 24, 2015 by and between CRA International, Inc. and BP Hancock LLC		8-K	March 2, 2015	10.1
10.31	Second Amendment to Lease dated as of August 16, 2017 by and between CRA International, Inc. and BP Hancock LLC.		10-Q	August 2, 2018	10.1
10.32	Third Amendment to Lease dated as of June 27, 2018 by and between CRA International, Inc. and BP Hancock LLC.		10-Q	August 2, 2018	10.2
10.33	Office Lease dated as of November 29, 1999 between CRA and 1201 F Street, L.L.C., as amended.		10-K	February 23, 2001	10.9
10.34	Addenda Nos. 3 and 4 to Office Lease dated as of November 29, 1999 between CRA and 1201 F Street, L.L.C. (or its successor in interest, 1201 F Street, L.P.), as amended.		10-K	March 17, 2015	10.35
10.35	Addendum No. 5 to Office Lease dated as of November 29, 1999 between CRA and 1201 F Street, L.P., as amended.		8-K	December 30, 2014	10.1
10.36	Amended and Restated Addendum No. 5 to Office Lease dated as of November 29, 1999 between CRA and 1201 F Street L.P., as amended.		10-K	March 4, 2016	10.28
10.37	Addendum No. 6 to Lease dated July 11, 2016 by and between CRA International, Inc. and 1201 F Street, L.P.		10-Q	October 31, 2017	10.3

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
10.38	Agreement for Leases dated May 20, 2016 by and among Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		8-K	May 25, 2016	10.1
10.39	Lease relating to Unit 2, Part Ground Floor, 8 Finsbury Circus, London EC2 dated May 20, 2016 by and among Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		8-K	May 25, 2016	10.2
10.40	Lease relating to Fourth Floor, 8 Finsbury Circus, London EC2 dated May 20, 2016 by and among Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		8-K	May 25, 2016	10.3
10.41	Licence to Carry Out Works relating to Unit 2, Part Ground Floor, 8 Finsbury Circus, London EC2 dated May 20, 2016 by and among Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		8-K	May 25, 2016	10.4
10.42	Licence to Carry Out Works relating to Fourth Floor, 8 Finsbury Circus, London EC2 dated May 20, 2016 by and among Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		8-K	May 25, 2016	10.5
10.43	Side Deed dated May 20, 2016 by and among Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		8-K	May 25, 2016	10.6
10.44	Agreement for Lease dated November 21, 2017 by and among Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		8-K	November 27, 2017	10.1
10.45	Lease dated February 12, 2018 by and among Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		10-Q	May 8, 2018	10.2
10.46	Deed of Variation of a Lease of Fourth Floor, 8 Finsbury Circus, London EC2 dated October 17, 2018 between Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		10-K	February 28, 2019	10.46
10.47	Deed of Variation of a Lease of Part Third Floor, 8 Finsbury Circus, London EC2 dated October 17, 2018 between Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		10-K	February 28, 2019	10.47
10.48	Licence to Carry Out Works relating to Part Third Floor and Fourth Floor, 8 Finsbury Circus, London EC2 dated October 17, 2018 between Mitsubishi Estate London Limited, CRA International (UK) Limited and CRA International, Inc.		10-K	February 28, 2019	10.48
10.49	Lease dated July 15, 2015 by and between CRA International, Inc. and 1411 IC-SIC Property LLC.		8-K	July 21, 2015	10.1
10.50	First Amendment to Lease dated April 21, 2017 by and between CRA International, Inc. and 1411 IC-SIC Property LLC		8-K	May 5, 2017	10.1

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
10.51	Second Amendment to Lease dated July 28, 2017 by and between CRA International, Inc. and 1411 IC-SIC Property LLC.		10-Q	May 8, 2018	10.1
10.52	Lease dated as of February 14, 2008 by and between Teachers Insurance and Annuity Association of America, as landlord, and CRA International, Inc., as tenant, and the First Amendment to Lease dated as of May 8, 2017 by and among John Hancock Life Insurance Company (U.S.A.), as landlord and successor-in-interest to Teachers Insurance and Annuity Association of America, and CRA International, Inc., as tenant.		10-Q	May 11, 2017	10.2
10.53	Office Lease dated April 2, 2013 by and between C1 Consulting Limited Liability Company and 221 Main Property Owner LLC, as amended by First Amendment to Lease dated July 21, 2017 by and between CRA International, Inc. (as successor to C1 Consulting Limited Liability Company) and Columbia REIT—221 Main, LLC (as successor to 221 Main Property Owner LLC)		10-Q	October 31, 2017	10.2
10.54	Form of consulting agreement with outside experts.		S-1/A	April 3, 1998	10.8
10.55	Amended and Restated Credit Agreement, dated as of October 24, 2017, by and among CRA International, Inc., CRA International (UK) Limited, CRA International (Netherlands) B.V., and CRA International Limited, as the Borrowers, Citizens Bank, N.A., as Administrative Agent, a Lender and an Issuing Bank, Bank of America, N.A., as a Lender and an Issuing Bank, and Santander Bank, N.A., as a Lender		8-K	October 26, 2017	10.1
10.56	Amended and Restated Securities Pledge Agreement, dated as of October 24, 2017, by and between CRA International, Inc., as Pledgor, and Citizens Bank, N.A., as Administrative Agent		8-K	October 26, 2017	10.2
10.57	Transaction Agreement dated November 20, 2017 by and among IMSWorld Publications Ltd., IMS Health Technology Solutions Norway AS, IMS Health GmbH & Co. OHG, IQVIA Inc., CRA International, Inc., CRA International (UK) Limited and the Former Employees		8-K	November 27, 2017	10.2
10.58	Office Lease dated June 18, 2019 between 601 City Center LLC and CRA International, LLC		8-K	June 24, 2019	10.1
10.59	Third Amendment to Lease dated September 9, 2019 by and between CRA International, Inc. and 1411 IC-SIC Property LLC		10-Q	October 31, 2019	10.1
21.1	Subsidiaries.	X			
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.	X			
31.1	Rule 13a-14(a)/15d-14(a) certification of principal executive officer.	X			
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial officer.	X			
32.1	Section 1350 certification.	X			

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
101	The following financial statements from CRA International, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 28, 2019, formatted in XBRL (eXtensible Business Reporting Language), as follows: (i) Consolidated Statements of Operations for the fiscal years ended December 28, 2019, December 29, 2018, and December 31, 2016, (ii) Consolidated Statements of Comprehensive Income (Loss) for the fiscal years ended December 28, 2019, December 29, 2018, and December 31, 2016, (iii) Consolidated Balance Sheets as at December 28, 2019 and December 29, 2018, (iv) Consolidated Statements of Cash Flows for the fiscal years ended December 28, 2019, December 29, 2018, and December 31, 2016, (v) Consolidated Statements of Shareholders' Equity for the fiscal years ended December 28, 2019, December 29, 2018, and December 31, 2016, and (vi) Notes to Consolidated Financial Statements.	X			

Item 16—Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRA INTERNATIONAL, INC.

By: /s/ PAUL A. MALEH

Paul A. Maleh
President, Chief Executive Officer and Director

Date: February 27, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ PAUL A. MALEH</u> Paul A. Maleh	President, Chief Executive Officer, and Director (principal executive officer)	February 27, 2020
<u>/s/ CHAD M. HOLMES</u> Chad M. Holmes	Chief Financial Officer, Executive Vice President, and Treasurer (principal financial officer)	February 27, 2020
<u>/s/ DOUGLAS C. MILLER</u> Douglas C. Miller	Vice President and Chief Accounting Officer (principal accounting officer)	February 27, 2020
<u>/s/ ROWLAND T. MORIARTY</u> Rowland T. Moriarty	Chairman of the Board	February 27, 2020
<u>/s/ THOMAS A. AVERY</u> Thomas A. Avery	Director	February 27, 2020
<u>/s/ WILLIAM F. CONCANNON</u> William F. Concannon	Director	February 27, 2020
<u>/s/ NANCY HAWTHORNE</u> Nancy Hawthorne	Director	February 27, 2020
<u>/s/ ROBERT W. HOLTHAUSEN</u> Robert W. Holthausen	Director	February 27, 2020
<u>/s/ ROBERT A. WHITMAN</u> Robert A. Whitman	Director	February 27, 2020

CRA INTERNATIONAL, INC.
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CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of CRA International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CRA International, Inc. (the Company) as of December 28, 2019 and December 29, 2018, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 28, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 28, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 27, 2020 expressed an adverse opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for accounting for leases in fiscal year 2019 due to the adoption of ASU No. 2016-02, *Leases*, and associated amendments (*Topic 842*), using the modified retrospective method.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2014.
Boston, Massachusetts
February 27, 2020

CRA INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>Year Ended</u> <u>December 28,</u> <u>2019</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 29,</u> <u>2018</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 30,</u> <u>2017</u> <u>(52 weeks)</u>
	(in thousands, except per share data)		
Revenues	\$451,370	\$417,648	\$370,075
Cost of services (exclusive of depreciation and amortization) . .	317,761	289,185	258,829
Selling, general and administrative expenses	93,613	89,533	86,537
Depreciation and amortization	10,648	9,995	8,945
Income from operations	29,348	28,935	15,764
GNU gain on sale of business assets and subsequent liquidation	—	258	250
Interest expense, net	(1,254)	(647)	(484)
Foreign currency gains (losses), net	(1,297)	387	(366)
Income before provision for income taxes and noncontrolling interest	26,797	28,933	15,164
Provision for income taxes	6,050	6,461	7,463
Net income	20,747	22,472	7,701
Net (income) loss attributable to noncontrolling interest, net of tax	—	20	(77)
Net income attributable to CRA International, Inc.	<u>\$ 20,747</u>	<u>\$ 22,492</u>	<u>\$ 7,624</u>
Net income per share attributable to CRA International, Inc.:			
Basic	<u>\$ 2.63</u>	<u>\$ 2.76</u>	<u>\$ 0.91</u>
Diluted	<u>\$ 2.53</u>	<u>\$ 2.61</u>	<u>\$ 0.89</u>
Weighted average number of shares outstanding:			
Basic	<u>7,866</u>	<u>8,107</u>	<u>8,292</u>
Diluted	<u>8,167</u>	<u>8,570</u>	<u>8,497</u>

See accompanying notes to the consolidated financial statements.

CRA INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Year Ended</u> <u>December 28,</u> <u>2019</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 29,</u> <u>2018</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 30,</u> <u>2017</u> <u>(52 weeks)</u>
		(in thousands)	
Net income	\$20,747	\$22,472	\$ 7,701
Other comprehensive income (loss):			
Foreign currency translation adjustments	831	(2,698)	3,922
Comprehensive income	21,578	19,774	11,623
Comprehensive (income) loss attributable to noncontrolling interest	—	20	(77)
Comprehensive income attributable to CRA International, Inc. .	<u>\$21,578</u>	<u>\$19,794</u>	<u>\$11,546</u>

See accompanying notes to the consolidated financial statements.

CRA INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	December 28, 2019	December 29, 2018
	(in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,639	\$ 38,028
Accounts receivable, net of allowances of \$3,838 at December 28, 2019 and \$3,764 at December 29, 2018	107,841	94,525
Unbilled services, net of allowances of \$1,503 at December 28, 2019 and \$415 at December 29, 2018	36,569	36,060
Prepaid expenses and other current assets	7,277	6,423
Forgivable loans	6,751	6,104
Total current assets	184,077	181,140
Property and equipment, net	61,295	48,088
Goodwill	88,504	88,208
Intangible assets, net	6,476	7,846
Right-of-Use assets	130,173	—
Deferred income taxes	10,670	9,330
Forgivable loans, net of current portion	48,390	34,190
Other assets	3,658	2,044
Total assets	\$533,243	\$370,846
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 26,069	\$ 21,938
Accrued expenses	121,301	108,233
Deferred revenue and other liabilities	6,723	6,866
Current portion of lease liabilities	12,847	—
Current portion of deferred rent	—	1,810
Current portion of deferred compensation	4,470	3,650
Total current liabilities	171,410	142,497
Non-current liabilities:		
Deferred compensation and other non-current liabilities	15,071	7,957
Deferred rent and facility-related non-current liabilities	1,956	23,618
Non-current portion of lease liabilities	146,551	—
Deferred income taxes	504	302
Total non-current liabilities	164,082	31,877
Commitments and contingencies (note 16)		
Shareholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; none issued and outstanding	—	—
Common stock, no par value; 25,000,000 shares authorized; 7,814,797 and 8,010,480 shares issued and outstanding at December 28, 2019 and December 29, 2018, respectively	9,265	22,837
Retained earnings	200,249	186,229
Accumulated other comprehensive loss	(11,763)	(12,594)
Total shareholders' equity	197,751	196,472
Total liabilities and shareholders' equity	\$533,243	\$370,846

See accompanying notes to the consolidated financial statements.

CRA INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	Year Ended	Year Ended
	December 28,	December 29,	December 30,
	2019	2018	2017
	(52 weeks)	(52 weeks)	(52 weeks)
	(in thousands)		
OPERATING ACTIVITIES:			
Net income	\$ 20,747	\$ 22,472	\$ 7,701
Adjustments to reconcile net income to net cash provided by operating activities, net of effect of acquired businesses:			
Depreciation and amortization	10,606	9,942	8,859
Loss on disposal of property and equipment	42	54	71
Impairment of intangible assets	—	—	530
GNU gain on sale of business assets and subsequent liquidation	—	(258)	(250)
Deferred rent and facility related liabilities	117	3,596	3,171
Right-of-use asset amortization	10,662	—	—
Deferred income taxes	(1,159)	(829)	1,651
Share-based compensation expenses	3,461	4,819	6,616
Accounts receivable allowances	47	(1,410)	1,739
Changes in operating assets and liabilities:			
Accounts receivable	(12,759)	(14,427)	(13,032)
Unbilled services, net	(352)	(2,987)	(7,640)
Prepaid expenses and other current assets, and other assets	(2,120)	5,502	6,067
Forgivable loans	(16,331)	(12,277)	5,641
Incentive cash awards	4,839	3,206	1,319
Accounts payable, accrued expenses, and other liabilities	16,194	18,786	23,415
Lease liabilities	(6,162)	—	—
Net cash provided by operating activities	27,832	36,189	45,858
INVESTING ACTIVITIES:			
Cash consideration paid for acquisitions	—	—	(16,163)
Purchase of property and equipment	(16,693)	(15,447)	(9,757)
GNU cash proceeds from sale of business assets	—	—	250
Net cash used in investing activities	(16,693)	(15,447)	(25,670)
FINANCING ACTIVITIES:			
Issuance of common stock, principally stock options exercises	3,211	2,166	6,420
Borrowings under line of credit	54,000	30,161	11,500
Payments under line of credit	(54,000)	(30,161)	(11,500)
Tax withholding payment reimbursed by shares	(2,176)	(3,946)	(3,262)
Cash paid on dividend equivalent	(246)	(256)	(121)
Cash dividends paid to shareholders	(6,539)	(5,784)	(4,941)
Repurchase of common stock	(18,068)	(27,884)	(19,528)
Distribution to noncontrolling interest	—	(43)	(419)
Net cash used in financing activities	(23,818)	(35,747)	(21,851)
Effect of foreign exchange rates on cash and cash equivalents	290	(1,002)	2,168
Net (decrease) increase in cash and cash equivalents	(12,389)	(16,007)	505
Cash and cash equivalents at beginning of period	38,028	54,035	53,530
Cash and cash equivalents at end of period	\$ 25,639	\$ 38,028	\$ 54,035
Noncash investing and financing activities:			
Issuance of common stock for acquired business	\$ —	\$ —	\$ 3,044
Purchases of property and equipment not yet paid for	\$ 4,914	\$ 303	\$ 3,514
Purchases of property and equipment paid by a third party	\$ 156	\$ 133	\$ 1,640
Asset retirement obligations	\$ 428	\$ 223	\$ 120
Right-of-use assets obtained in exchange for lease obligations	\$ 57,827	\$ —	\$ —
Right-of-use assets related to the adoption of ASC 842	\$ 82,329	\$ —	\$ —
Lease liabilities related to the adoption of ASC 842	\$106,765	\$ —	\$ —
Supplemental cash flow information:			
Cash paid for taxes	\$ 7,590	\$ 4,813	\$ 7,424
Cash paid for interest	\$ 1,157	\$ 509	\$ 314
Cash paid for amounts included in operating lease liabilities	\$ 14,620	\$ —	\$ —

See accompanying notes to the consolidated financial statements.

CRA INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	CRA International, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
	Shares Issued	Amount					
BALANCE AT DECEMBER 31, 2016	8,333,990	\$ 54,124	\$166,914	\$(13,818)	\$207,220	\$ 663	\$207,883
Balance at January 1, 2017, as previously reported	8,333,990	54,124	166,914	(13,818)	207,220	663	207,883
Cumulative effect of a change in accounting principle related to ASU 2016-09			48		48		48
Balance at January 1, 2017, as adjusted	8,333,990	\$ 54,124	\$166,962	\$(13,818)	\$207,268	\$ 663	\$207,931
Net income			7,624		7,624	77	7,701
Foreign currency translation adjustment				3,922	3,922		3,922
Issuance of common stock	89,312	3,044			3,044		3,044
Exercise of stock options	293,439	6,420			6,420		6,420
Share-based compensation expense for employees		6,489			6,489		6,489
Restricted shares vesting	211,320						
Redemption of vested employee restricted shares for tax withholding	(76,181)	(3,262)			(3,262)		(3,262)
Shares repurchased	(554,708)	(19,528)			(19,528)		(19,528)
Share-based compensation expense for non-employees		127			127		127
Distribution to noncontrolling interest						(419)	(419)
Accrued dividends on unvested shares			(134)		(134)		(134)
Cash paid on dividend equivalents			(121)		(121)		(121)
Cash dividends paid to shareholders (\$0.59 per share)			(4,941)		(4,941)		(4,941)
BALANCE AT DECEMBER 30, 2017	8,297,172	\$ 47,414	\$169,390	\$(9,896)	\$206,908	\$ 321	\$207,229
Balance at December 31, 2017, as previously reported	8,297,172	\$ 47,414	\$169,390	\$(9,896)	206,908	\$ 321	\$207,229
Cumulative effect of a change in accounting principle related to ASC 606			366		366		366
Balance at December 31, 2017, as adjusted	8,297,172	\$ 47,414	\$169,756	\$(9,896)	\$207,274	\$ 321	\$207,595
Net income			22,492		22,492	(20)	22,472
Foreign currency translation adjustment				(2,698)	(2,698)		(2,698)
Exercise of stock options	100,771	2,166			2,166		2,166
Share-based compensation expense for employees and non-employees		4,819			4,819		4,819
Restricted shares vesting	237,509						
Redemption of vested employee restricted shares for tax withholding	(83,341)	(3,946)			(3,946)		(3,946)
Shares repurchased	(541,631)	(27,616)			(27,616)		(27,616)
GNU gain on sale of business assets and subsequent liquidation						(258)	(258)
Distribution to noncontrolling interest						(43)	(43)
Accrued dividends on unvested shares			21		21		21
Cash paid on dividend equivalents			(256)		(256)		(256)
Cash dividends paid to shareholders (\$0.71 per share)			(5,784)		(5,784)		(5,784)
BALANCE AT DECEMBER 29, 2018	8,010,480	\$ 22,837	\$186,229	\$(12,594)	\$196,472	\$ —	\$196,472
Net income			20,747		20,747		20,747
Foreign currency translation adjustment				831	831		831
Exercise of stock options	140,513	3,211			3,211		3,211
Share-based compensation expense for employees		3,461			3,461		3,461
Restricted shares vesting	128,089						
Redemption of vested employee restricted shares for tax withholding	(43,173)	(2,176)			(2,176)		(2,176)
Shares repurchased	(421,112)	(18,068)			(18,068)		(18,068)
Accrued dividends on unvested shares			58		58		58
Cash paid on dividend equivalents			(246)		(246)		(246)
Cash dividends paid to shareholders (\$0.83 per share)			(6,539)		(6,539)		(6,539)
BALANCE AT DECEMBER 28, 2019	7,814,797	\$ 9,265	\$200,249	\$(11,763)	\$197,751	\$ —	\$197,751

See accompanying notes to the consolidated financial statements.

CRA INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Description of Business

CRA International, Inc. (“CRA or the “Company”) is a worldwide leading consulting services firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. CRA offers services in two broad areas: litigation, regulatory, and financial consulting and management consulting. CRA operates in one business segment. CRA operates its business under its registered trade name, Charles River Associates.

Fiscal Year and Quarters

CRA’s fiscal year end is the Saturday nearest December 31 of each year. CRA’s fiscal years periodically contain 53 weeks rather than 52 weeks. Fiscal 2019, fiscal 2018, and fiscal 2017 were 52-week years. CRA’s fiscal quarter ends are determined as the last Saturday nearest the respective calendar quarter end.

Basis of Presentation

The Consolidated Financial Statements include the accounts of CRA International, Inc. and its majority-owned subsidiaries (collectively the ‘Company’) which require consolidation, after the elimination of intercompany accounts and transactions. In addition, as more fully explained in note 12, the consolidated financial statements include CRA’s interest in GNU123 Liquidating Corporation (‘GNU’). The Company’s fiscal year ends on the Saturday nearest to December 31. There were 52 weeks in each of the fiscal years 2019, 2018 and 2017. Certain prior year amounts have been reclassified to conform to current year presentation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America (“U.S. GAAP”) requires management to make significant estimates and judgments that affect the reported amounts of assets and liabilities, as well as the related disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of consolidated revenues and expenses during the reporting period. Estimates in these consolidated financial statements include, but are not limited to, allowances for accounts receivable and unbilled services, revenue recognition on fixed price contracts, variable consideration to be included in the transaction price of revenue contracts, depreciation of property and equipment, measurement of operating lease right-of-use (“ROU”) assets and liabilities, share-based compensation, valuation of the contingent consideration liabilities, valuation of acquired intangible assets, impairment of long-lived assets, goodwill, accrued and deferred income taxes, valuation allowances on deferred tax assets, accrued incentive compensation, and certain other accrued expenses. These items are monitored and analyzed by CRA for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. CRA bases its estimates on historical experience and various other assumptions that CRA believes to be reasonable under the circumstances. Actual results may differ from those estimates if CRA’s assumptions based on past experience or other assumptions do not turn out to be substantially accurate.

Cash and Cash Equivalents

As of December 28, 2019, CRA’s cash accounts were concentrated at two financial institutions, which potentially exposes CRA to credit risks. The financial institutions both have short-term credit

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ratings of A-2 by Standard & Poor's ratings services. CRA has not experienced any losses related to such accounts. CRA does not believe that there is significant risk of non-performance by the financial institutions, and its cash on deposit is fully liquid. CRA continually monitors the credit ratings of the institutions.

Cash equivalents consist principally of money market funds with maturities of three months or less when purchased.

Foreign Currency Translation

Asset and liability accounts of CRA's foreign subsidiaries are translated into U.S. dollars at year-end exchange rates and operating accounts are translated at average exchange rates for each reporting period. The resulting translation adjustments are recorded in shareholders' equity as a component of accumulated other comprehensive income (loss). Foreign currency transactions are remeasured at current exchanges rates, with adjustments recorded in the statement of operations. The effect of transaction gains and losses recorded in income before provision for income taxes amounted to losses of \$1.3 million for fiscal 2019, gains of \$0.4 million for fiscal 2018, and losses of \$0.4 million for fiscal 2017.

Revenue Recognition and Allowances for Accounts Receivable and Unbilled Services

On December 31, 2017, CRA adopted ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606") using the modified retrospective method for all contracts not completed as of the date of adoption. Under ASC 606, revenue is recognized when CRA satisfies a performance obligation by transferring services promised in a contract to a client in an amount that reflects the consideration that CRA expects to receive in exchange for those services. Performance obligations in CRA's contracts represent distinct or separate service streams that CRA provides to clients

Revenue contracts with clients are evaluated based on the five-step model under ASC 606: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenues when (or as) each performance obligation is satisfied. If, at the outset of an arrangement, CRA determines that an enforceable contract does not exist, revenues are deferred until all criteria for an enforceable contract are met.

CRA derives substantially all of its revenues from the performance of professional services for its clients. The contracts that CRA enters into and operates under specify whether the engagement will be billed on a time-and-materials basis or a fixed-price basis. These engagements generally last three to six months, although some engagements can be much longer in duration. Each contract must be approved by a vice president.

- *Time-and-materials arrangements* require the client to pay based on the number of hours worked at contractually agreed-upon hourly rates. Revenues are recognized from these arrangements based on hours incurred and contracted rates based a right-to-payment for services completed to date. When a time-and-materials arrangement has a "cap" or "limit" amount, revenue is recognized up to the cap or limit amount specified by the client, based on the efforts or hours incurred and expenses incurred. Thereafter, revenue is reserved pending an amendment of the cap or limit.
- *Fixed-price arrangements* require the client to pay a contractually agreed-upon fee in exchange for a pre-established set of professional services. Fees are based on estimates of the costs and timing for completing a performance obligation. Under fixed-price arrangements, revenues are generally recognized using a proportional performance method, which is based on the ratio of costs

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

incurred to the total estimated costs for completing a performance obligation. CRA's fixed-price arrangements generally have a single performance obligation. For arrangements that contain multiple performance obligations, the fixed price is allocated based on the estimated relative standalone selling prices of the promised services underlying each performance obligation. If the standalone selling price is not observable through past transactions, CRA estimates the standalone selling price considering all available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

Variable consideration to be included in the transaction price is estimated based on the most likely amount CRA expects to be entitled to if it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration are based on historical realization rates. Revenues from CRA's consulting services are recorded at the net transaction price, which includes estimates of variable consideration for which reserves are established. These variable consideration reserves, which are based on actual price concessions and those expected to be extended to CRA clients, are classified as reductions of accounts receivable and unbilled services. Specific reserves for accounts receivable and unbilled services are a component of variable consideration. Actual amounts of consideration ultimately received may differ from CRA's estimates. If actual results in the future vary from its estimates, CRA adjusts these estimates, which would affect net revenue and earnings in the period such variances become known.

Reimbursable expenses, including those relating to travel, out-of-pocket expenses, outside consultants and other outside service costs, are generally included in revenues, and an equivalent amount of reimbursable expenses is included in costs of services in the period in which the expense is incurred. Sales, value add, and other taxes collected on behalf of third parties are excluded from revenue.

CRA usually issues invoices to its customers on a monthly basis, and payment is due upon receipt of the invoice. When determining the transaction price of a contract, an adjustment is made if payment from a customer occurs either significantly before or significantly after performance, resulting in a significant financing component. Applying the practical expedient in ASC 606, CRA does not assess whether a significant financing component exists if the period between when it performs its obligations under the contract and when the customer pays is one year or less. None of CRA's contracts contained a significant financing component as of December 28, 2019 or December 29, 2018.

Differences between the timing of billing and the recognition of revenue are recognized as either unbilled services or deferred revenues in the accompanying consolidated balance sheets. Revenues recognized for services performed but not yet billed to clients are recorded as unbilled services. Client prepayments and retainers are classified as deferred revenues and recognized over future periods as earned in accordance with the applicable retention agreement.

CRA maintains accounts receivable and unbilled services allowances for estimated losses resulting from clients' failure to make required payments. These allowances are determined for specific customer accounts and are based on the financial condition of CRA's customer and related facts and circumstances. Expenses associated with these allowances are reported as a component of selling, general and administrative expenses.

Prior to adopting ASC Topic 606 on December 31, 2017, CRA followed the revenue recognition guidance as issued in ASC Topic 605, *Revenue Recognition* ("ASC 605"). Under this guidance, CRA would recognize substantially all of its revenues under written service contracts when the fee was fixed and determinable, as the services were provided, and only in those situations where collection from the client was reasonably assured. In certain cases CRA provided services to its clients without sufficient contractual documentation, or fees were tied to performance-based criteria, which required the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company to defer revenue in accordance with ASC 605. In these cases, these amounts were fully reserved, and the reserve was reduced as cash was received.

CRA recognized all project revenue on a gross basis based on the consideration of the criteria set forth in Accounting Standards Codification (“ASC”) Topic 605-45, *Principal Agent Considerations*. In general, project costs were classified in costs of services and were based on the direct salary of the consultants on the engagement plus all direct expenses incurred to complete the engagement, including any amounts billed to the Company by its non-employee experts.

Revenues from time-and-materials service contracts were recognized as the services were provided based upon hours worked and contractually agreed-upon hourly rates, as well as indirect fees based upon hours worked.

Under ASC 605, revenues from a majority of CRA’s fixed-price engagements were recognized on a proportional performance method based on the ratio of costs incurred, substantially all of which are labor-related, to the total estimated project costs. The proportional performance method was used for fixed-price contracts because reasonably dependable estimates of the revenues and costs applicable to various stages of a contract could be made, based on historical experience and the terms set forth in the contract, and were indicative of the level of benefit provided to CRA’s clients. CRA’s management maintained contact with project managers to discuss the status of the projects and, for fixed-price engagements, management was updated on the budgeted costs and resources required to complete the project. These budgets were then used to calculate proportional performance ratios and to estimate the anticipated income or loss on the project. Provisions for estimated losses on contracts were made during the period in which such losses become probable and could be reasonably estimated.

Revenues also include reimbursements for costs incurred by CRA in fulfilling its performance obligations, including travel and other out-of-pocket expenses, fees for outside consultants and other reimbursable expenses.

Deferred Compensation

CRA accounts for performance-based and service-based cash awards using a an accrual method where changes in estimates are accounted for prospectively over the remaining service period. To the extent the terms of an award attribute all or a portion of the expected future benefits to a period of service greater than one year, the cost of those benefits is accrued over the employee’s or non-employee’s requisite service period in a systematic and rational manner, usually on a straight-line basis.

The requisite service period typically ranges from three to six years starting with the employee’s employment date or non-employee’s affiliation date. For an employee or non-employee consultant currently affiliated with CRA, the requisite service period generally begins at the start of the award’s measurement period. A recipient of such an award is expected to be employed by or affiliated with CRA for the entire measurement period. If the recipient’s employment or affiliation with CRA terminates during the measurement period, the amount paid will be determined in accordance with the recipient’s specific contract provisions.

The terms of award agreements may include the achievement of minimum required financial targets over the award’s measurement period. These financial targets may include a measure of revenue generation, profitability or both. The amount of the liability of the award agreements is estimated based on internally generated financial projections. The process of projecting these financial targets over the measurement period is highly subjective and requires significant judgment and estimates. There can be no assurance that the estimates and assumptions used in preparing these projections will prove to be accurate.

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Leases

CRA is a lessee under certain operating leases for office space and equipment. Prior to adopting ASC Topic 842, *Leases* (“ASC 842”) on December 30, 2018, CRA followed the lease accounting guidance as issued in ASC Topic 840, *Leases* (“ASC 840”). Under ASC 840, CRA classified its leases as operating or capital leases based on evaluation of certain criteria of the lease agreement. For leases that contained rent escalations or rent holidays, CRA recorded the total rent expense during the lease term on a straight-line basis over the term of the lease and recorded the difference between the rents paid and the straight-line rent expense as deferred rent on the balance sheet. Any tenant improvement allowances received from the lessor were recorded as a reduction to rent expense over the term of the lease.

ASC 842, which CRA adopted on December 30, 2018, requires lessees to recognize leases on the balance sheet as a lease liability with a corresponding ROU asset, subject to certain permitted accounting policy elections. Under ASC 842, CRA determines whether a contract is a lease at the inception of the contract. This determination is based on whether the contract provides CRA the right to control the use of a physically distinct asset or substantially all of the capacity of an asset. Leases with an initial noncancelable term of twelve months or less that do not include an option to purchase the underlying asset that CRA is reasonably certain to exercise are classified as short-term leases. CRA has elected as an accounting policy to exclude from the consolidated balance sheets the ROU assets and lease liabilities related to short-term leases. CRA recognizes rent expense for its operating leases on a straight-line basis over the term of the lease.

Many of CRA’s equipment leases are short-term or cancellable with notice. CRA’s office space leases have remaining lease terms between one and approximately twelve years, many of which include one or more options to extend the term for periods of up to five years for each option. Certain leases contain options to terminate the lease early, which may include a penalty for exercising the option. Many of the termination options require notice within a specified period, after which the option is no longer available to CRA if not exercised. The extension options and termination options may be exercised at CRA’s sole discretion. CRA does not consider in the measurement of ROU assets and lease liabilities an option to extend or terminate a lease if CRA is not reasonably certain to exercise the option. As of December 28, 2019, CRA has not included any options to extend or terminate in its measurement of ROU assets or lease liabilities.

Certain of CRA’s leases include covenants that oblige CRA, at its sole expense, to repair and maintain the leased asset periodically during the lease term. CRA is not a party to any leases that contain residual value guarantees nor is CRA a party to any leases that provide an option to purchase the underlying asset.

Many of CRA’s office space leases include fixed and variable payments. Variable payments relate to real estate taxes, sales or use taxes, insurance, operating expenses, and common area maintenance, which are usually billed at actual amounts incurred proportionate to CRA’s rented square feet of the building. Variable payments that do not depend on an index or rate are expensed by CRA as they are incurred and are not included in the measurement of the lease liability.

Many of CRA’s leases contain both lease and non-lease components. For office space leases, the Company has elected as an accounting policy to account for lease and nonlease components as a single component. For equipment leases, fixed and variable payments are allocated to each component relative to observable or estimated standalone prices. CRA measures its variable lease costs as the portion of variable payments that are allocated to lease components.

CRA measures its lease liability for each leased asset as the present value of lease payments, as defined in ASC 842, allocated to the lease component, discounted using an incremental borrowing rate

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

specific to the underlying asset. CRA's ROU assets are equal to the lease liability, adjusted for lease incentives received, including tenant improvement allowances, and payments made to the lessor prior to the lease commencement date. CRA estimates its incremental borrowing rate for each leased asset based on the interest rate CRA would incur to borrow an amount equal to the lease payments on a collateralized basis over a similar term in a similar economic environment.

Goodwill

In accordance with ASC Topic 350, *Intangibles—Goodwill and Other* ("ASC Topic 350"), goodwill and intangible assets with indefinite lives are not subject to amortization but are monitored annually as of October 15th for impairment, or more frequently, as necessary, if events or circumstances exist that would more likely than not reduce the fair value of the reporting unit below its carrying amount. For CRA's fiscal 2019 goodwill impairment analysis, it operates as one reporting unit, which is its consulting services.

Under ASC Topic 350, in performing the goodwill impairment testing and measurement process, CRA compares the estimated value of each of its reporting units to its net book value to identify potential impairment. CRA estimates the fair value of its consulting business reporting unit utilizing its market capitalization, plus an appropriate control premium. Market capitalization is determined by multiplying CRA's shares outstanding on the test date by the market price of its common stock on that date. CRA determines the control premium utilizing data from publicly available premium studies for the trailing four quarters for public company transactions in its industry group. If the estimated fair value of a reporting unit is less than its net book value, an impairment charge would be recorded in CRA's consolidated statement of operations.

Intangible Assets

Intangible assets are comprised of non-competition agreements and customer relationship intangibles, which are separable from goodwill and have determinable useful lives, are valued separately and amortized over their estimated useful lives based on the pattern in which the economic benefit of the asset is expected to be consumed, if reliably determinable. Non-competition agreements are amortized on a straight-line basis over their useful lives, which range between five and nine years. Customer relationship intangible assets are amortized on a straight-line basis over periods that range between eight and ten years, which approximates the pattern of economic benefit.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of three years for computer equipment, three to ten years for computer software, and ten years for furniture and fixtures. Amortization of leasehold improvements is calculated using the straight-line method over the shorter of the lease term or the estimated useful life of the leasehold improvements. Expenditures for maintenance and repairs are expensed as incurred. Expenditures for renewals and betterments are capitalized.

Impairment of Long-Lived Assets

CRA reviews the carrying value of its long-lived assets (primarily property and equipment, intangible assets, and ROU assets) to assess the recoverability of these assets whenever events or circumstances indicate that impairment may have occurred. Factors CRA considers important that could trigger an impairment review include, among others, the following:

- a significant underperformance relative to expected historical or projected future operating results;

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- a significant change in the manner of CRA's use of the acquired asset or the strategy for CRA's overall business; and
- a significant negative industry or economic trend.

If CRA determines that an impairment review is required, CRA would review the expected future undiscounted cash flows to be generated by the assets or asset groups. If CRA determines that the carrying value of long-lived assets or asset groups may not be recoverable, CRA would measure any impairment based on a projected discounted cash flow method using a discount rate determined by CRA to be commensurate with the risk inherent in CRA's current business model. If impairment is indicated through this review, the carrying amount of the assets would be reduced to their estimated fair value.

Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement), then priority to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market (Level 2 measurement), then the lowest priority to unobservable inputs (Level 3 measurement).

The following table shows CRA's financial instruments as of December 28, 2019 and December 29, 2018 that are measured and recorded in the consolidated financial statements at fair value on a recurring basis (in thousands):

	December 28, 2019		
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
	Level 1	Level 2	Level 3
<u>Assets:</u>			
Money market mutual funds	\$150	\$—	\$ —
Total Assets	\$150	\$—	\$ —
<u>Liabilities:</u>			
Contingent consideration liability	\$ —	\$—	\$11,579
Total Liabilities	\$ —	\$—	\$11,579

CRA INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 29, 2018		
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
	Level 1	Level 2	Level 3
<u>Assets:</u>			
Money market mutual funds	\$18,029	\$—	\$ —
Total Assets	\$18,029	\$—	\$ —
<u>Liabilities:</u>			
Contingent consideration liability	\$ —	\$—	\$6,197
Total Liabilities	\$ —	\$—	\$6,197

The fair value of CRA's money market mutual fund share holdings is \$1.00 per share.

The contingent consideration liabilities in the table above are for estimated future contingent consideration payments related to the acquisition of C1 Consulting, LLC, an independent consulting firm, and its wholly-owned subsidiary C1 Associates (collectively, "C1"). The fair value measurement of these liabilities is based on significant inputs not observed in the market and thus represent a Level 3 measurement. The significant unobservable inputs used in the fair value measurements of these contingent consideration liabilities are CRA's measures of the estimated payouts based on internally generated revenue projections, expected volatility of the revenue projections, and discount rates. The fair value of the contingent consideration was determined using a Monte Carlo simulation. The fair value of these contingent consideration liabilities are reassessed on a quarterly basis by CRA using additional information as it becomes available, and any change in the fair value estimates are recorded in costs of services (exclusive of depreciation and amortization) on the consolidated statements of operations. The contingent consideration is required to be paid prior to the end of the second quarter of fiscal 2021.

The following table summarizes the changes in the contingent consideration liabilities over the fiscal year ended December 28, 2019 and the fiscal year ended December 29, 2018 (in thousands):

	December 28, 2019	December 29, 2018
Beginning balance	\$ 6,197	\$5,137
Remeasurement of acquisition-related contingent consideration . . .	3,285	(244)
Accretion	2,097	1,304
Ending balance	\$11,579	\$6,197

CRA's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, are carried at cost, which approximates their fair value because of the short-term maturity of these instruments or because their stated interest rates are indicative of market interest rates.

Income Taxes

CRA records income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized based on estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. CRA includes in the estimate of deferred tax assets and liabilities an estimate of the realizable benefits from operating loss and tax credit carryforwards. Deferred tax assets and liabilities are

CRA INTERNATIONAL, INC.

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measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

CRA is required to establish a valuation allowance on its deferred tax assets to reflect the likelihood of realization. Significant management judgment is required in determining deferred tax assets and liabilities and any valuation allowance recorded against its net deferred tax assets. The weight of all available evidence is evaluated to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The decision to record a valuation allowance requires varying degrees of judgment based upon the nature of the item giving rise to the deferred tax asset. If, after a valuation allowance is recorded, it is determined that CRA would be able to realize deferred tax assets in the future in excess of their net recorded amount, CRA would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

CRA's effective tax rate may vary from period to period based on changes in estimated taxable income or loss; changes to the valuation allowance; changes to federal, state, or foreign tax laws; future expansion into areas with varying country, state, and local income tax rates; deductibility of certain costs; uncertain tax positions; expenses by jurisdiction; and results of acquisitions or dispositions.

The calculation of CRA's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several different tax jurisdictions. CRA is periodically reviewed by domestic and foreign tax authorities. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. CRA accounts for uncertainties in income tax positions in accordance with ASC Topic 740, *Income Taxes* ("ASC 740"). The number of years with open tax audits varies depending on the tax jurisdiction.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law. The Tax Act subjects a U.S. shareholder to current tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740 No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI resulting from those items in the year the tax is incurred. The Company has elected to recognize the tax on GILTI as a period expense in the period the tax is incurred. As such, CRA has included its GILTI provision associated with current-year operations solely within the estimated annual effective tax rate ("EAETR") and has not provided additional GILTI on deferred items.

Share-Based Compensation

CRA accounts for equity-based compensation using a fair value based recognition method. Under the fair value recognition requirements of ASC Topic 718, *Compensation-Stock Compensation* ("ASC Topic 718"), share-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. For those awards that are deemed probable of vesting, CRA recognizes the estimated fair value as expense over the requisite service period of the award. The amount of share-based compensation expense recognized at any date must at least equal the portion of grant date value of the award that is vested at that date. In accordance with ASC Topic 718, for time-vesting restricted stock units awarded to employees, CRA estimates share-based compensation cost at the grant date based on the fair value of the restricted stock units and awards and recognizes the cost for awards that are probable of vesting over the requisite service period on a straight-line basis. Performance-vesting restricted stock units are expensed using the graded acceleration method.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For share-based awards granted to non-employee experts, CRA accounts for the compensation under the fair value recognition requirements in accordance with ASC Topic 718 and ASU 2018-07, and recognizes the cost over the related vesting period.

Net Income (Loss) Per Share

CRA computes basic net income or loss per share by dividing net income or loss by the weighted-average number of shares outstanding. CRA computes diluted net income or loss per share by dividing net income or loss by the sum of the weighted-average number of shares determined from the basic earnings per common share computation and the number of common stock equivalents that would have a dilutive effect. To the extent that there is a net loss, CRA assumes all common stock equivalents to be anti-dilutive, and they are excluded from diluted weighted-average shares outstanding. CRA determines common stock equivalent shares outstanding in accordance with the treasury stock method. In those years in which CRA has both net income and participating securities, CRA computes basic net income per share utilizing the two-class method earnings allocation formula to determine earnings per share for each class of stock according to dividends and participation rights in undistributed earnings. Under the two-class method, basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted-average number of common shares outstanding. CRA's participating securities consist of unvested share-based payment awards that contain a nonforfeitable right to receive dividends.

Recent Accounting Standards Adopted

Revenue from Contracts with Customers

CRA adopted ASC 606 on December 31, 2017, using the modified retrospective method for all contracts not completed as of the date of adoption. The reported results for fiscal 2018 reflect the application of ASC 606 guidance, while the reported results for fiscal 2017 were prepared under the guidance of ASC 605. The cumulative effect of applying ASC 606 to all contracts with customers that were not completed as of December 30, 2017 amounted to \$0.4 million. The cumulative effect adjustment resulted in an increase to CRA's fiscal 2018 opening balance of retained earnings of \$0.4 million, net of tax. Prior periods were not retrospectively adjusted.

For the fiscal year ended December 29, 2018, items in the consolidated statements of operations, consolidated statements of comprehensive income, and consolidated statements of cash flows recognized under ASC 606 are not materially different from what would have been recognized under ASC 605. In addition, balances as of December 29, 2018 on the consolidated balance sheets as measured under ASC 606 are not materially different from balances if measured under ASC 605.

Leases (Topic 842)

CRA adopted ASC 842, which supersedes ASC 840, on December 30, 2018 using the modified retrospective transition method. The cumulative effect of the transition adjustments was recognized as of the date of adoption.

CRA elected the package of practical expedients provided by ASC 842, which allowed CRA to forgo reassessing the following upon adoption of the new standard: (1) whether contracts contain leases for any expired or existing contracts, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing or expired leases. In addition, CRA elected an accounting policy to exclude from the consolidated balance sheets the ROU assets and lease liabilities related to short-term leases, which are those leases with an initial lease term of twelve months or less that do not include an option to purchase the underlying asset that CRA is reasonably certain to exercise.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The reported results for 2019 reflect the application of ASC 842 guidance, whereas comparative periods and their respective disclosures prior to the adoption of ASC 842 are presented using the legacy guidance of ASC 840. As a result of adopting the new standard, CRA recognized ROU assets of \$82.3 million and lease liabilities of \$106.8 million. The difference between the amount of ROU assets and lease liabilities recognized was an adjustment to deferred rent. There was no change to net deferred tax assets as a result of CRA's adoption of ASC 842. The adoption of ASC 842 did not have a material impact on CRA's results of operations or cash flows, nor did it have an impact on any of CRA's existing debt covenants.

Improvements to Employee Share-Based Payment Accounting

CRA adopted ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”) on January 1, 2017. ASU 2016-09 requires all of the tax effects related to share-based payments to be recorded through the income statement. The pronouncement also allows for the option of estimating awards expected to vest or accounting for forfeitures when they occur. In the statement of cash flows, cash paid by employers when withholding shares for tax withholding purposes should be classified as a financing activity whereas cash flows resulting from excess tax benefits should be reported in operating activities. The adoption of ASU 2016-09 resulted in the recognition of an immaterial tax benefit to retained earnings as of that date. CRA had traditionally classified employee taxes paid through employer share withholdings as financing activities, therefore no further adjustment was necessary. CRA has classified the excess tax benefits from share-based compensation as operating activities on a prospective basis beginning in the quarter ended April 1, 2017. Additionally, CRA did not make any changes to its accounting for forfeitures and continues to estimate forfeitures based on historical experience.

Statement of Cash Flows (Topic 230): Restricted Cash

CRA adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (“ASU 2016-18”), on December 31, 2017. ASU 2016-18 amends ASC 230 to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. The new standard requires cash and cash equivalents balances on the statement of cash flows to include restricted cash and cash equivalent balances. ASU 2016-18 requires a company to provide appropriate disclosures about its accounting policies pertaining to restricted cash in accordance with GAAP. Additionally, changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents are not to be presented as cash flow activities in the statement of cash flows. The adoption of ASU 2016-18 did not have a material impact on CRA's financial position, results of operations, cash flows, or disclosures.

Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment

CRA adopted ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), on December 31, 2017. ASU 2017-04 simplifies the subsequent measurement of goodwill and eliminates Step 2 from the goodwill impairment test. Under the amendments, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the charge recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment charge, if applicable. The amendments also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. The adoption of ASU 2017-04 did not have a material impact on CRA's financial position, results of operations, cash flows, or disclosures.

Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting

CRA adopted ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* (“ASU 2017-09”), on December 31, 2017. ASU 2017-09 updates guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. Under the amendments, an entity should account for the effects of a modification unless all the following conditions are met. First, the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification. Second, the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified. Third, the classification of the modified award as an equity instrument or a liability is the same as the classification of the original award immediately before the original award is modified. The adoption of ASU 2017-09 did not have a material impact on CRA's financial position, results of operations, cash flows, or disclosures.

Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting

CRA adopted ASU No. 2018-07, *Compensation—Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting (Topic 718)* (“ASU 2018-07”) on December 30, 2018. ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments in this update specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used effectively to provide financing to the issuer or awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, *Revenue from Contracts with Customers*. The new guidance requires a remeasurement of nonemployee awards at fair value as of the adoption date. The adoption of ASU 2018-07 did not have a material impact on CRA's financial position, results of operations, cash flows, or disclosures.

Recent Accounting Standards Not Yet Adopted

Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). ASU 2016-13 replaces the methodology that recognizes impairment of financial instruments when losses have been incurred with a methodology that recognizes impairment of financial instruments when losses are expected. The amendment requires entities to use a forward-looking “expected loss” model for most financial instruments, including accounts receivable and loans, that is based on historical information, current information, and reasonable and supportable forecasts. For available-for-sale debt securities with unrealized losses, credit losses will be recognized as an allowance rather than as a reduction in the

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

amortized cost of the debt securities. ASU 2016-13 is effective for the Company for interim and annual periods beginning after December 15, 2019. Adoption of ASU 2016-13 will be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period after adoption.

In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses* (“ASU 2018-19”). ASU 2018-19 changes the required adoption date for nonpublic business entities and clarifies that receivables arising from operating leases are not within the scope of Topic 326.

CRA is currently in the process of finalizing its evaluation of the impact of adopting ASU 2016-13. CRA will finalize its evaluation during the first fiscal quarter of 2020. As a result of adopting the new standard, CRA currently estimates that the ASU will not have a material impact on its financial position, results of operations, cash flows, or disclosures on the date of transition.

Fair Value Measurements (Topic 820)

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU No. 2018-13”). The ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements from ASC 820. Entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurement. The new standard is effective for interim and annual periods beginning after December 15, 2019. Entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the requirements. CRA currently estimates that the ASU will not have a material impact on its financial position, results of operations, cash flows, or disclosures on the date of transition.

Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (“ASU 2018-15”). ASU 2018-15 clarifies the accounting for implementation costs in a cloud computing arrangement that is a service contract and aligns the requirements for capitalizing those costs with the capitalization requirements for costs incurred to develop or obtain internal-use software. The ASU permits application of the guidance to implementation costs of cloud computing projects either prospectively or retrospectively at the time of transition. The new standard is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted. CRA is currently in the process of finalizing its evaluation of the impact of adopting ASU 2018-15. CRA will finalize its evaluation during the first fiscal quarter of 2020. CRA plans to adopt ASU 2018-15 using the prospective transition approach. As a result of adopting the new standard prospectively, CRA currently estimates that ASU 2018-15 will not have a material impact on its financial position, results of operations, or cash flows on the date of transition.

Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”). ASU 2019-12 simplifies or clarifies accounting for income taxes by changing the following current guidance: accounting for year-to-date losses in interim periods, accounting for tax law changes in interim periods, determining when a deferred tax liability is recognized for foreign subsidiaries that transition to or from being accounted for as equity method investments, application of income tax guidance to franchise taxes that are partially based on income,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and making an intra-period allocation in situations where there is a loss in continuing operations and income or gain from other items. ASU 2019-12 also introduces new guidance to evaluate whether a step up in the tax basis of goodwill relates to a business combination or a separate transaction and provides a policy election to not allocate consolidated income taxes when a member of a consolidated tax return is not subject to income tax.

ASU 2019-12 is effective for CRA for interim and annual periods beginning after December 15, 2020. Early adoption is permitted. CRA is in the process of determining the effects, if any, the adoption of the ASU may have on its financial position, results of operations, cash flows, or disclosures. CRA plans to adopt the amendments during the first fiscal quarter of 2021.

2. Revenue Recognition

The contracts CRA enters into and operates under specify whether the engagements are billed on a time-and-materials or a fixed-price basis. Time-and-materials contracts are typically used for litigation, regulatory, and financial consulting projects while fixed-price contracts are principally used for management consulting projects. In general, project costs are classified in costs of services and are based on the direct salary of CRA's employee consultants on the engagement plus all direct expenses incurred to complete the engagement, including any amounts billed to CRA by its non-employee experts.

Disaggregation of Revenue

The following table disaggregates CRA's revenue by major business line and timing of transfer of its consulting services.

<u>Type of Contract</u>	<u>Year Ended</u> <u>December 28,</u> <u>2019</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 29,</u> <u>2018</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 30,</u> <u>2017</u> <u>(52 weeks)(1)</u>
Consulting services revenues			
Fixed Price	\$107,344	\$ 95,096	\$ 93,570
Time-and-materials	<u>344,026</u>	<u>322,552</u>	<u>276,505</u>
Total	<u>\$451,370</u>	<u>\$417,648</u>	<u>\$370,075</u>
<u>Geographic Breakdown</u>	<u>Year Ended</u> <u>December 28,</u> <u>2019</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 29,</u> <u>2018</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 30,</u> <u>2017</u> <u>(52 weeks)(1)</u>
Consulting services revenues			
United States	\$357,156	\$329,678	\$295,232
United Kingdom	72,169	65,874	53,644
Other	<u>22,045</u>	<u>22,096</u>	<u>21,199</u>
Total	<u>\$451,370</u>	<u>\$417,648</u>	<u>\$370,075</u>

(1) As a result of the adoption of ASC 606 on December 31, 2017 under the modified retrospective method, prior period amounts have not been adjusted.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reserves for Variable Consideration and Credit Risk

Revenues from CRA's consulting services are recorded at the net transaction price, which includes estimates of variable consideration for which reserves are established. These calculated estimates take into consideration CRA's historical realization rates. Specific reserves for accounts receivable and unbilled services are a component of variable consideration.

CRA's accounts receivable and unbilled services consist of receivables from a broad range of clients in a variety of industries located throughout the U.S. and in other countries. CRA performs a credit evaluation of its clients to minimize its collectability risk. Periodically, CRA will require advance payment from certain clients. However, CRA does not require collateral or other security.

A rollforward of the variable consideration and allowances for accounts receivable, which includes an allowance for doubtful accounts of \$0.4 million and \$0.7 million as of December 28, 2019 and December 29, 2018, respectively, is as follows (in thousands):

	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2018</u>
Balance at beginning of year	\$ 3,764	\$ 5,252
Increases to reserves	2,926	3,675
Amounts written off	(2,866)	(5,173)
Effects of foreign currency translation	14	10
Balance at end of year	<u>\$ 3,838</u>	<u>\$ 3,764</u>

A rollforward of the variable consideration and allowances for unbilled services is as follows (in thousands):

	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2018</u>
Balance at beginning of year	\$ 415	\$ 704
Increases to reserves	5,548	4,755
Amounts written off	(4,467)	(5,042)
Effects of foreign currency translation	7	(2)
Balance at end of year	<u>\$ 1,503</u>	<u>\$ 415</u>

Bad debt expense is reported as a component of selling, general and administrative expenses related to credit-related losses. Bad debt expense is as follows (in thousands):

	<u>Year Ended</u> <u>December 28,</u> <u>2019</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 29,</u> <u>2018</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 30,</u> <u>2017</u> <u>(52 weeks)</u>
Bad debt expense	<u>\$173</u>	<u>\$1,237</u>	<u>\$—</u>

Revenues also include reimbursements for costs incurred by CRA in fulfilling its performance obligations, including travel and other out-of-pocket expenses, fees for outside consultants and other

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

reimbursable expenses. CRA recovers substantially all of these costs. The following expenses are subject to reimbursement (in thousands):

	<u>Year Ended</u> <u>December 28,</u> <u>2019</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 29,</u> <u>2018</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 30,</u> <u>2017</u> <u>(52 weeks)</u>
Reimbursable expenses	\$54,871	\$48,817	\$41,465

Contract Balances from Contracts with Customers

CRA defines contract assets as assets for which it has recorded revenue because it determines that it is probable that it will earn a performance based or contingent fee, but is not yet entitled to receive a fee, because certain events, such as completion of the measurement period or client approval, must occur. The contract assets balance was immaterial as of December 28, 2019 and December 29, 2018.

CRA defines contract liabilities as advance payments from or billings to its clients for services that have not yet been performed or earned and retainers. These liabilities are recorded within deferred revenues and are recognized as services are provided. When consideration is received, or such consideration is unconditionally due from a customer prior to transferring consulting services to the customer under the terms of a contract, a contract liability is recorded. Contract liabilities are recognized as revenue after control of the consulting services are transferred to the customer and all revenue recognition criteria have been met.

The following table presents the opening and closing balances of CRA's contract liability (in thousands):

	<u>Contract Liability</u>	
	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>2019</u>	<u>2018</u>
Balance at the beginning of the period	\$5,453	\$3,287
Balance at the end of the period	\$4,007	\$5,453

During the year ended December 28, 2019, CRA recognized the following revenue as a result of changes in the contract liability balance or performance obligations satisfied in previous years (in thousands):

	<u>Year Ended</u> <u>December 28,</u> <u>2019</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 29,</u> <u>2018</u> <u>(52 weeks)</u>
Amounts included in contract liabilities at the beginning of the year	\$5,155	\$3,149
Performance obligations satisfied in previous years	\$3,603	\$3,346

The timing of revenue recognition, billings and cash collections results in billed receivables, unbilled services and contract liabilities on the condensed consolidated balance sheets.

3. Forgivable Loans

In order to attract and retain highly skilled professionals, CRA may issue forgivable loans to employees and non-employee experts, certain of which loans may be denominated in local currencies. A portion of these loans is collateralized. The forgivable loans have terms that are generally between two and eight years with interest rates currently ranging up to 3.25%. The principal amount of forgivable loans and accrued interest is forgiven by CRA over the term of the loans, so long as the

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

employee or non-employee expert continues employment or affiliation with CRA and complies with certain contractual requirements. During fiscal years 2019, 2018 and 2017 there were no balances due under these loans for which the full principal and interest were not forgiven in the normal course or not collected upon termination of employment or affiliation with CRA. The expense associated with the forgiveness of the principal amount of the loans is recorded as compensation expense over the service period, which is consistent with the term of the loans. CRA has not typically recorded an allowance for doubtful accounts for these loans due to its collection experience and its assessment of collectability. For fiscal years 2019 and 2018, no allowances or write offs of these loans were recorded.

Forgivable loan activity for fiscal years 2019 and 2018 is as follows (in thousands):

	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2018</u>
Beginning balance	\$ 40,294	\$ 28,628
Advances	35,166	30,572
Repayments	(1,173)	(3,396)
Reclassification to other assets	(1,734)	—
Amortization	(17,700)	(15,329)
Effects of foreign currency translation	288	(181)
Ending balance	<u>\$ 55,141</u>	<u>\$ 40,294</u>
Current portion of forgivable loans	<u>\$ 6,751</u>	<u>\$ 6,104</u>
Non-current portion of forgivable loans	<u>\$ 48,390</u>	<u>\$ 34,190</u>

At December 28, 2019 CRA had no other loans to current or former employees included in other assets on the consolidated balance sheet. At December 29, 2018, CRA had other loans to current and former employees included in other assets on the consolidated balance sheet of \$0.1 million, net of allowances.

4. Leases

The components of CRA's lease expenses, which are included in the condensed consolidated income statement, are as follows (in thousands):

	<u>Year Ended</u> <u>December 28,</u> <u>2019</u> <u>(52 weeks)</u>
Operating lease cost	\$15,731
Short-term lease cost	511
Variable lease cost	4,461
Total lease cost	<u>\$20,703</u>

Base rent expense was approximately \$13.2 million and \$12.1 million in fiscal 2018 and fiscal 2017, respectively.

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents summary information for CRA's lease terms and discount rates for its operating leases:

	December 28, 2019
Weighted average remaining lease term—operating leases	9.6 years
Weighted average discount rate—operating leases	3.7%

At December 28, 2019, CRA had the following maturities of lease liabilities related to office space and equipment, all of which are under non-cancellable operating leases (in thousands):

Fiscal Year	Operating Lease Commitments
2020	\$ 17,973
2021	19,866
2022	20,030
2023	20,258
2024	20,302
Thereafter	96,225
Total lease payments	194,654
Less: imputed interest	(35,256)
Total	\$159,398

As of December 28, 2019, CRA had an additional operating lease for office space that has not yet commenced that has minimum rental commitments of \$2.8 million. This operating leases will commence in fiscal year 2020 and have a lease term of five years, subject to certain extension options.

5. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for fiscal 2019 and fiscal 2018 are as follows (in thousands):

	Goodwill, gross	Accumulated impairment losses	Goodwill, net
Balance at December 29, 2018	\$164,625	\$(76,417)	\$88,208
Effect of foreign currency translation	296	—	296
Balance at December 28, 2019	\$164,921	\$(76,417)	\$88,504
	Goodwill, gross	Accumulated impairment losses	Goodwill, net
Balance at December 30, 2017	\$165,417	\$(76,417)	\$89,000
Effect of foreign currency translation	(792)	—	(792)
Balance at December 29, 2018	\$164,625	\$(76,417)	\$88,208

Intangible assets that are separable from goodwill and have determinable useful lives are valued separately and amortized over their expected useful lives. There were no impairment losses related to intangible assets during fiscal 2019 or fiscal 2018. There were impairment losses of \$0.5 million related to intangible assets during fiscal 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of acquired identifiable intangible assets are as follows (in thousands):

	December 28, 2019	December 29, 2018
Non-competition agreements, net of accumulated amortization of \$205 and \$544, respectively	\$ 119	\$ 180
Customer relationships, net of accumulated amortization of \$5,763 and \$4,454, respectively	6,357	7,666
Total, net of accumulated amortization of \$5,968 and \$4,998, respectively	\$6,476	\$7,846

Amortization expense related to intangible assets was \$1.4 million, \$1.4 million, and \$1.5 million in fiscal 2019, fiscal 2018, and fiscal 2017, respectively. Amortization of intangible assets held at December 28, 2019 for the next five fiscal years and thereafter is expected to be as follows (in thousands):

Fiscal Year	Amortization Expense
2020	\$1,368
2021	927
2022	827
2023	822
2024	822
Thereafter	1,710
	\$6,476

6. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 28, 2019	December 29, 2018
Computer, office equipment and software	\$ 30,627	\$ 27,082
Leasehold improvements	55,471	40,782
Furniture	14,481	11,326
Total cost	100,579	79,190
Accumulated depreciation and amortization	(39,284)	(31,102)
Total property and equipment, net	\$ 61,295	\$ 48,088

Depreciation expense was \$9.2 million, \$8.6 million, and \$7.4 million in fiscal 2019, fiscal 2018, and fiscal 2017, respectively.

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Long-lived assets by geographic location are as follows (in thousands):

	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Long-lived assets (property and equipment, net):		
United States	\$51,974	\$39,654
United Kingdom	7,803	6,890
Other	<u>1,518</u>	<u>1,544</u>
Total foreign	9,321	8,434
Total long-lived assets (property and equipment, net)	<u>\$61,295</u>	<u>\$48,088</u>

7. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Compensation and related expenses	\$ 99,993	\$ 90,711
Income taxes payable	430	514
Commissions due to senior consultants	9,961	9,600
Direct project accruals	442	700
Accrued leasehold improvements	2,166	100
Other	<u>8,309</u>	<u>6,608</u>
Total	<u>\$121,301</u>	<u>\$108,233</u>

As of December 28, 2019 and December 29, 2018, \$81.2 million and \$73.9 million, respectively, of accrued bonuses for fiscal 2019 and fiscal 2018 were included above in “Compensation and related expenses”.

8. Income Taxes

The components of income before provision for income taxes are as follows (in thousands):

	<u>Year Ended December 28, 2019 (52 weeks)</u>	<u>Year Ended December 29, 2018 (52 weeks)</u>	<u>Year Ended December 30, 2017 (52 weeks)</u>
Income before provision for income taxes:			
U.S.	\$20,778	\$21,118	\$12,248
Foreign	<u>6,019</u>	<u>7,815</u>	<u>2,916</u>
Total	<u>\$26,797</u>	<u>\$28,933</u>	<u>\$15,164</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The provision (benefit) for income taxes consists of the following (in thousands):

	<u>Year Ended</u> <u>December 28,</u> <u>2019</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 29,</u> <u>2018</u> <u>(52 weeks)</u>	<u>Year Ended</u> <u>December 30,</u> <u>2017</u> <u>(52 weeks)</u>
Currently payable:			
Federal	\$ 4,252	\$4,015	\$4,515
Foreign	1,119	1,487	493
State	1,838	1,788	804
	<u>7,209</u>	<u>7,290</u>	<u>5,812</u>
Deferred:			
Federal	(869)	(384)	1,809
Foreign	331	(88)	(85)
State	(621)	(357)	(73)
	<u>(1,159)</u>	<u>(829)</u>	<u>1,651</u>
	<u>\$ 6,050</u>	<u>\$6,461</u>	<u>\$7,463</u>

A reconciliation of CRA's tax rates with the federal statutory rate is as follows:

	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2017</u>
Federal statutory rate	21.0%	21.0%	35.0%
State income taxes, net of federal income tax benefit	5.5	4.9	3.9
Tax law changes	—	0.9	23.7
Share-based compensation	(5.0)	(6.3)	(15.8)
Meals & Entertainment Expense	1.7	1.3	3.0
Executive Compensation	1.6	1.0	1.8
Foreign rate differential	—	—	(2.8)
Uncertain tax positions	(2.5)	(1.1)	(0.1)
Other	0.3	0.6	0.5
	<u>22.6%</u>	<u>22.3%</u>	<u>49.2%</u>

Effects of the Tax Cuts and Jobs Act

On December 22, 2017, the Tax Act was signed into U.S. law. The Tax Act significantly changes the Internal Revenue Code of 1986, as amended. The Tax Act, among other things, includes changes to the U.S. corporate tax rate, expands limitations on the deductibility of meals and entertainment, eliminates the exception to the section 162(m) limitation on the deductibility of the compensation paid to certain executive officers for “qualified performance-based compensation,” allows for the expensing of capital expenditures, migrates from a “worldwide” system of taxation to a territorial system, and includes a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. ASC Topic 740, *Accounting for Income Taxes*, requires companies to recognize the effect of tax law changes in the period of enactment even though the effective date for most provisions is for tax years beginning after December 31, 2017, or in the case of certain other provisions of the law, January 1, 2018.

Given the significance of the legislation, the U.S. Securities and Exchange Commission staff issued SAB 118, which allows registrants to record provisional amounts during a one year “measurement

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

period” similar to that used when accounting for business combinations. During fiscal 2018, CRA applied the guidance in SAB 118 when accounting for the enactment-date effects of the Tax Act. As of December 29, 2018, CRA had completed its accounting for all the tax effects of the Tax Act.

Deferred tax assets and liabilities

In response to the Tax Act, CRA remeasured its U.S. related deferred tax assets and liabilities based on the expected rates at which they may reverse in the future, which is generally 21%. CRA recorded a provisional amount of \$3.6 million as of December 30, 2017 related to the remeasurement of its deferred tax balances, and further refined the remeasurement during fiscal 2018 by an immaterial amount.

Foreign Tax Effects

The Tax Act subjects a U.S. shareholder to current tax on global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740 No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI resulting from those items in the year the tax is incurred. As of the December 29, 2018 reporting period, CRA had elected to recognize the tax on GILTI as a period expense in the period the tax is incurred. As such, CRA has included a GILTI provision associated with current-year operations solely within the estimated annual effective tax rate (“EAETR”) and has not provided additional GILTI on deferred items.

The Tax Act allows U.S. corporations to take a deduction related to its foreign-derived intangible income (“FDII”) produced in the U.S. CRA has calculated its FDII deduction for the fiscal year ended December 28, 2019 by an immaterial amount.

The components of CRA’s deferred tax assets (liabilities) are as follows (in thousands):

	December 28, 2019	December 29, 2018
Deferred tax assets:		
Accrued compensation and related expense	\$12,842	\$12,691
Allowance for doubtful accounts	2,023	1,694
Net operating loss carryforwards	335	402
Lease liabilities	39,747	—
Deferred rent, accruals, and other	119	5,656
Total gross deferred tax assets	55,066	20,443
Less: valuation allowance	—	—
Total deferred tax assets net of valuation allowance	55,066	20,443
Deferred tax liabilities:		
Goodwill and other intangible asset amortization	3,650	4,295
Right-of-Use assets	33,012	—
Property and equipment	7,690	6,762
Prepays and other	548	358
Total deferred tax liabilities	44,900	11,415
Net deferred tax assets	\$10,166	\$ 9,028

At December 28, 2019, CRA had US local and foreign net operating losses of \$1.1 million with lives ranging from 20 years to indefinite.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The aggregate changes in the balances of gross unrecognized tax benefits were as follows (in thousands):

	Fiscal Year	Fiscal Year
	2019	2018
Balance at beginning of period	\$ 867	\$1,031
Additions for tax positions taken during prior years	—	132
Reductions for tax positions taken during prior years	(25)	—
Additions for tax positions taken during the current year	—	—
Reductions as a result of a lapse of the applicable statutes of limitations	(600)	(296)
Settlements with tax authorities	—	—
Balance at end of the period	\$ 242	\$ 867

CRA files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. A number of years may elapse before an uncertain tax position, for which CRA has unrecognized tax benefits, is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, CRA believes that its unrecognized tax benefits reflect the most likely outcome. CRA adjusts these unrecognized tax benefits, and the associated interest, in light of changing facts and circumstances. At the end of fiscal 2019, accrued interest for uncertain tax positions was immaterial. CRA's total unrecognized tax benefit at the end of fiscal 2019 is \$0.2 million. Settlement of any particular position could require the use of cash. Of the total \$0.2 million balance at the end of fiscal 2019, a favorable resolution would result in \$0.2 million being recognized as a reduction to the effective income tax rate in the period of resolution. It is reasonably likely that \$0.1 million of gross unrecognized tax benefits will reverse within the next twelve months due to lapse of the applicable statute of limitations or exam closures.

The number of years with open tax audits varies depending on the tax jurisdiction. CRA's major taxing jurisdiction is the United States where CRA is no longer subject to U.S. federal examinations by the Internal Revenue Service for years before fiscal 2016. Within the significant states where CRA is subject to income tax, CRA is no longer subject to examinations by state taxing authorities before fiscal 2015. CRA's United Kingdom subsidiary's corporate tax returns are no longer subject to examination by Her Majesty's Revenue and Customs for fiscal years before fiscal 2018. During fiscal 2019, an examination by the German Tax Authority for fiscal years 2014-2016 commenced. CRA believes its reserves for uncertain tax positions are adequate.

CRA has not provided for deferred income taxes or foreign withholding taxes on undistributed earnings and other basis differences that may exist from its foreign subsidiaries as of December 28, 2019 because such earnings are considered to be indefinitely reinvested. CRA does not rely on these unremitted earnings as a source of funds for its domestic business as it expects to have sufficient cash flow in the U.S. to fund its U.S. operational and strategic needs. If CRA were to repatriate its foreign earnings that are indefinitely reinvested, it would accrue substantially no additional tax expense.

9. Share-Based Compensation

CRA recorded approximately \$3.5 million, \$4.8 million, and \$6.6 million of compensation expense for fiscal 2019, fiscal 2018, and fiscal 2017, respectively, for share-based awards consisting of stock options, shares of restricted stock, time-vesting restricted stock units, and performance-vesting restricted stock units issued to employees, directors, and non-employees based on their respective estimated grant date fair values. Performance-vesting restricted stock units are expensed using the graded acceleration method.

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Share-based Compensation Plans. As of December 28, 2019, CRA's active equity-based compensation plans consist of its Amended and Restated 2006 Equity Incentive Plan, as amended (the "2006 Equity Plan"), and its 1998 Employee Stock Purchase Plan (the "1998 ESPP"), a tax-qualified plan under Section 423 of the Internal Revenue Code. During fiscal 2009, CRA implemented a long-term incentive program, or "LTIP," as a framework for grants made under the 2006 Equity Plan to its senior corporate leaders, practice leaders and key revenue generators. Under the LTIP, participants have received a mixture of stock options, time-vesting restricted stock units, and performance-vesting restricted stock units. In December 2016, CRA's Board of Directors amended CRA's Cash Incentive Plan to facilitate the grant to LTIP participants of service-based and performance-based cash awards as a component of the LTIP. The LTIP is designed to reward CRA's senior corporate leaders, practice leaders and key revenue generators and provide them with the opportunity to share in the long-term growth of CRA.

2006 Equity Plan: Maximum and Available Shares. The 2006 Equity Plan authorizes the grant of a variety of incentive and performance awards to CRA's directors, employees and non-employee experts, including stock options, shares of restricted stock, restricted stock units, and other equity awards. The shares available for grant under the 2006 Equity Plan as of December 28, 2019 was 623,212.

Stock Options. A summary of option activity during fiscal 2019 from the 2006 Equity Plan is as follows.

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
				(in thousands)
Outstanding at December 29, 2018	585,981	\$25.48		\$ 9,286
Fiscal 2019:				
Granted	—	—		
Exercised	(140,513)	22.85		\$ 3,659
Expired	—	—		
Forfeited	(979)	21.52		\$ 28
Outstanding at December 28, 2019	<u>444,489</u>	\$26.31	2.81	\$12,115
Options exercisable at December 28, 2019	<u>408,277</u>	\$24.84	2.39	\$11,732
Vested or expected to vest at December 28, 2019	<u>444,281</u>	\$26.31	2.80	\$12,113

The weighted average fair market value using the Black-Scholes option-pricing model of the stock options granted under the 2006 Equity Incentive Plan in fiscal 2018 and fiscal 2017 was \$19.96 and \$11.54, respectively. There were no stock options granted in fiscal 2019. The fair market value of the stock options at the date of grant were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Fiscal Year 2018	Fiscal Year 2017
Risk-free interest rate	2.8%	2.1%
Expected volatility	39%	32%
Expected dividend yield	1.7%	1.5%
Forfeiture rate	0.4%	0.4%
Weighted average expected life (in years)	10.00	4.49

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The risk-free interest rate is based on U.S. Treasury interest rates with corresponding terms consistent with the expected life of the stock options. Expected volatility and expected life are based on CRA's historical experience. Expected dividend yield was determined based on CRA's annualized dividend rate per share, as a percentage of average market price of the common stock, on each dividend payment date. The forfeiture rate used was based upon historical experience. CRA believes its historical experience is an appropriate indicator of future forfeitures.

The aggregate intrinsic value of stock options exercised in fiscal 2019, fiscal 2018, and fiscal 2017 was approximately \$3.7 million, \$3.0 million, and \$5.4 million, respectively.

The following table provides a roll-forward of the outstanding non-vested stock options over fiscal 2019:

	Options	
	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested at December 29, 2018	116,284	\$10.64
Granted	—	—
Vested	(79,093)	8.77
Forfeited	(979)	7.37
Non-vested at December 28, 2019	36,212	\$14.80

The total fair value of stock options that vested during fiscal 2019, fiscal 2018, and fiscal 2017 was \$0.7 million, \$1.1 million, and \$1.5 million, respectively. As of December 28, 2019, there was \$0.5 million of total unrecognized compensation cost, net of expected forfeitures, related to non-vested stock options granted. That cost is expected to be recognized over a weighted-average period of 2.5 years. Options granted during or prior to fiscal 2016 expire on the seventh anniversary of the date of grant. Options granted during fiscal 2017 and fiscal 2018 expire on the tenth anniversary of the date of grant.

Restricted Stock. CRA grants shares of restricted stock, which are subject to the execution of a restricted stock agreement, under its 2006 Equity Incentive Plan. Generally, shares of restricted stock vest in four equal annual installments beginning on the first anniversary of the date of grant. Total unrecognized compensation cost, net of expected forfeitures, related to shares of restricted stock as of December 28, 2019 was \$0.9 million, which is expected to be recognized over a weighted-average period of 2.6 years. The forfeiture rate of 0.9% used for shares of restricted stock was based upon historical experience. CRA believes its historical experience is an appropriate indicator of future forfeitures.

The following table provides a roll-forward of the shares of restricted stock under the 2006 Equity Incentive Plan over fiscal 2019:

	Shares of Restricted Stock	
	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested at December 29, 2018	36,006	\$35.41
Granted	11,772	38.21
Vested	(16,255)	31.14
Forfeited	—	—
Non-vested at December 28, 2019	31,523	\$38.66

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The total fair value of shares of restricted stock that vested during fiscal 2019, fiscal 2018, and fiscal 2017 was \$0.5 million, \$0.6 million, and \$0.6 million, respectively.

Time-Vesting RSUs. CRA grants time-vesting restricted stock units, which are subject to the execution of a restricted stock unit agreement, under its 2006 Equity Incentive Plan. Generally, time-vesting restricted stock units vest in four equal annual installments beginning on the first anniversary of the date of grant. Total unrecognized compensation cost, net of expected forfeitures, related to time-vesting restricted stock units as of December 28, 2019 was \$2.4 million, which is expected to be recognized over a weighted-average period of 3.1 years. The forfeiture rate of 0.9% used for time-vesting restricted stock units was based upon historical experience. CRA believes its historical experience is an appropriate indicator of future forfeitures.

The following table provides a roll-forward of the time-vesting restricted stock units under the 2006 Equity Incentive Plan over fiscal 2019:

	Time-Vesting Restricted Stock Units	
	Number of Units	Weighted-Average Grant Date Fair Value
Non-vested at December 29, 2018	79,759	\$33.64
Granted	31,226	46.20
Vested	(45,858)	27.91
Forfeited	(489)	21.52
Non-vested at December 28, 2019	64,638	\$43.87

The total fair value of time-vesting restricted stock units that vested during fiscal 2019, fiscal 2018, and fiscal 2017 was \$1.3 million, \$1.7 million, and \$2.0 million, respectively.

Performance-Vesting RSUs. CRA grants performance-vesting restricted stock units (“PRSUs”), which are subject to the execution of a restricted stock unit agreement, under its 2006 Equity Incentive Plan. Generally, achievement of performance measures for PRSUs are based on a two-year performance period, after which the units determined based on this achievement will vest three-fourths in the first year following the performance period and one-fourth on the fourth anniversary of the date of grant. The number of units determined based on the achievement of a PRSUs performance measures generally ranges from 50% to 125% of the PRSU’s target number of units.

In accordance with ASC Topic 718, for PRSUs awarded to employees, CRA estimates share-based compensation cost at the grant date based on the fair value of the award and recognizes the cost over the requisite service period using the graded acceleration method.

The following table provides a roll-forward of the performance-vesting restricted stock units under the 2006 Equity Incentive Plan over fiscal 2019. For purposes of this table, granted PRSUs are counted

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

based on the maximum number of units that could vest upon achievement of the PRSUs' performance conditions which, for all periods presented, equaled 125% of the PRSU's target number of units.

	Performance-Vesting Restricted Stock Units	
	Number of Units	Weighted-Average Grant Date Fair Value
Non-vested at December 29, 2018	121,950	\$32.92
Granted	29,234	51.31
Vested	(65,976)	25.27
Forfeited	(3,058)	28.77
Non-vested at December 28, 2019	82,150	\$45.88

1998 ESPP. In fiscal 1998, CRA adopted the 1998 ESPP, a tax-qualified plan under Section 423 of the Internal Revenue Code. The 1998 ESPP authorizes the issuance of up to an aggregate of 243,000 shares of common stock to participating employees at a purchase price equal to 85% of fair market value on either the first or the last day of the one-year offering period under the plan. In fiscal 2019, fiscal 2018, and fiscal 2017, there were no offering periods under this plan and no shares were issued. As of December 28, 2019, 211,777 shares are available for grant under the 1998 ESPP.

10. Net Income Per Share

CRA calculates basic and diluted earnings per common share using the two-class method. Under the two-class method, net earnings are allocated to each class of common stock and participating security as if all of the net earnings for the period had been distributed. CRA's participating securities consist of unvested share-based payment awards that contain a nonforfeitable right to receive dividends and therefore are considered to participate in undistributed earnings with common shareholders. Basic earnings per common share excludes dilution and is calculated by dividing net earnings allocable to common shares by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net earnings allocable to common shares by the weighted-average number of common shares as of the balance sheet date, as adjusted for the potential dilutive effect of non-participating share-based awards. Net earnings allocable to these participating securities were not material for fiscal 2019, fiscal 2018, or fiscal 2017.

The following table presents a reconciliation from net income to the net income available to common shareholders (in thousands):

	Year Ended December 28, 2019 (52 weeks)	Year Ended December 29, 2018 (52 weeks)	Year Ended December 30, 2017 (52 weeks)
Net income attributable to CRA, as reported	\$20,747	\$22,492	\$7,624
Less: net income attributable to participating shares	55	108	51
Net income available to common shareholders	\$20,692	\$22,384	\$7,573

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents a reconciliation of basic to diluted weighted average shares of common stock outstanding (in thousands):

	<u>Year Ended</u> <u>December 28,</u> <u>2019</u>	<u>Year Ended</u> <u>December 29,</u> <u>2018</u>	<u>Year Ended</u> <u>December 30,</u> <u>2017</u>
Basic weighted average shares outstanding	7,866	8,107	8,292
Common stock equivalents:			
Stock options and restricted stock units	301	463	205
Diluted weighted average shares outstanding	<u>8,167</u>	<u>8,570</u>	<u>8,497</u>

For fiscal 2019, fiscal 2018, and fiscal 2017, the anti-dilutive share-based awards that were excluded from the calculation of common stock equivalents for purposes of computing diluted weighted average shares outstanding amounted to 62,367, 29,612, and 75,004 shares, respectively. These share-based awards were anti-dilutive because their exercise price exceeded the average market price over the respective period.

11. Business Acquisitions

On January 31, 2017, CRA acquired substantially all of the assets and assumed certain liabilities of C1 for initial consideration comprised of cash and CRA restricted common stock. The asset purchase agreement provided for additional purchase consideration to be paid upon the conclusion of a four-year measurement period following the transaction in the form of an earnout, if specific performance targets are met. These earnout payments are payable in cash and CRA restricted common stock. The fair value of this obligation was measured as of the acquisition date and accounted for as a component of the purchase consideration, any adjustments to this initial valuation in future accounting periods will be reported as an adjustment to net income.

C1 provides management consulting services in the life sciences industry, and has built a reputation for its specialty consulting services. The purpose of acquiring C1 was to assist CRA in expanding its geographical presence in the western part of the United States and Europe, servicing CRA's existing life sciences customers more efficiently, and providing opportunities to engage with new clients in both the United States and European markets. C1's results of operations have been included in the accompanying consolidated statements of operations from the date of acquisition.

Transaction related costs, which are principally legal and accounting service fees, amounted to \$0.9 million for the year ended December 30, 2017 and are included in selling, general and administrative expenses on the consolidated statement of operations.

12. GNU Interest

Prior to liquidation of GNU on December 18, 2018, CRA's ownership interest in GNU was 55.89%. GNU's financial results had been consolidated with CRA, and the portion of GNU's results allocable to its other owners was shown as "noncontrolling interest." GNU's reporting schedule and fiscal year differed from CRA's. The reporting lag did not have a significant impact on CRA's consolidated statements of operations or financial condition.

In fiscal 2016, a buyer acquired substantially all of the business assets and assumed substantially all of the liabilities of GNU. A portion of the acquisition price was paid at closing, whereas the remaining amount of \$0.3 million was paid in fiscal 2017, of which \$0.2 million was attributed to CRA. Subsequently, GNU was dissolved, and CRA received a partial distribution of \$0.6 million in fiscal 2017. Upon liquidation of GNU during fiscal 2018, CRA recognized a gain of \$0.3 million.

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Credit Agreement

CRA is party to an amended and restated credit agreement that provides CRA with a \$125.0 million revolving credit facility and a \$15.0 million sublimit for the issuance of letters of credit. CRA may use the proceeds of the revolving credit facility to provide working capital and for other general corporate purposes. CRA may repay any borrowings under the revolving credit facility at any time, but must repay all borrowings no later than October 24, 2022. There were no borrowings outstanding under this revolving credit facility as of December 28, 2019 or December 29, 2018.

As of December 28, 2019, the amount available under this revolving credit facility was reduced by certain letters of credit outstanding, which amounted to \$4.4 million and are in support of minimum future lease payments under leases for permanent office space. Borrowings under the revolving credit facility bear interest at a rate per annum, at CRA's election, of either (i) the adjusted base rate, as defined in the credit agreement, plus an applicable margin, which varies between 0.25% and 1.25% depending on CRA's total leverage ratio as determined under the credit agreement, or (ii) the adjusted eurocurrency rate, as defined in the credit agreement, plus an applicable margin, which varies between 1.25% and 2.25% depending on CRA's total leverage ratio. CRA is required to pay a fee on the unused portion of the revolving credit facility at a rate per annum that varies between 0.20% and 0.35% depending on its total leverage ratio. Borrowings under the revolving credit facility are secured by 100% of the stock of certain of CRA's U.S. subsidiaries and 65% of the stock of certain of its foreign subsidiaries, which represent approximately \$32.9 million and \$29.1 million in net assets as of December 28, 2019 and December 29, 2018, respectively.

Under the credit agreement, CRA must comply with various financial and non-financial covenants. Compliance with these financial covenants is tested on a fiscal quarterly basis. Any indebtedness outstanding under the revolving credit facility may become immediately due and payable upon the occurrence of stated events of default, including CRA's failure to pay principal, interest or fees or a violation of any financial covenant. The financial covenants require CRA to maintain an adjusted consolidated EBITDA to consolidated interest expense ratio of more than 2.5:1.0 and to comply with a consolidated debt to adjusted consolidated EBITDA ratio of not more than 3.0:1.0. The non-financial covenant restrictions of the senior credit agreement include, but are not limited to, CRA's ability to incur additional indebtedness, engage in acquisitions or dispositions, and enter into business combinations. As of December 28, 2019, CRA was in compliance with the covenants of its credit agreement.

14. Employee Benefit Plans

CRA maintains a qualified defined-contribution plan under Section 401(k) of the Internal Revenue Code, covering all regular U.S. employees who meet specified age, hour, and service requirements. Company contributions are made at the discretion of CRA, and cannot exceed the maximum amount deductible under applicable provisions of the Internal Revenue Code. CRA also has defined-contribution plans covering employees in Canada (the "Canada plan") and the United Kingdom (the "United Kingdom plan"). Company contributions to the Canada plan are made at the discretion of CRA, while Company contributions to the United Kingdom plan are made in accordance with the minimum required contributions per the United Kingdom auto-enrolment legislation. Company contributions under these plans amounted to approximately \$3.9 million, \$3.5 million, and \$3.1 million for fiscal 2019, fiscal 2018, and fiscal 2017, respectively.

15. Related-Party Transactions

CRA made payments to shareholders of CRA who performed consulting services exclusively for CRA in the amounts of \$9.3 million, \$8.8 million, and \$13.2 million in fiscal 2019, fiscal 2018, and fiscal

CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2017, respectively. These payments were to exclusive non-employee experts for consulting services performed for CRA's clients in the ordinary course of business.

16. Commitments and Contingencies

Commitments

CRA is party to standby letters of credit with its bank in support of the minimum future lease payments under leases for permanent office space amounting to \$4.4 million as of December 28, 2019.

Contingencies

CRA is subject to legal actions arising in the ordinary course of business. In management's opinion, CRA believes it has adequate legal defenses and/or insurance coverage with respect to the eventuality of such actions. CRA does not believe any settlement or judgment relating to any pending legal action would materially affect its financial position or results of operations.

17. Quarterly Financial Data (Unaudited)

	Quarter Ended			
	March 30, 2019	June 29, 2019	September 28, 2019	December 28, 2019
	(In thousands, except per share data)			
Revenues	\$105,849	\$110,573	\$115,686	\$119,262
Income from operations	6,855	8,311	6,905	7,277
Income before provision for income taxes . .	6,100	7,947	6,691	6,059
Net income	\$ 4,665	\$ 5,580	\$ 5,739	\$ 4,763
Basic net income per share	\$ 0.58	\$ 0.70	\$ 0.74	\$ 0.61
Diluted net income per share	\$ 0.56	\$ 0.68	\$ 0.71	\$ 0.59

	Quarter Ended			
	March 31, 2018	June 30, 2018	September 29, 2018	December 29, 2018
	(In thousands, except per share data)			
Revenues	\$99,476	\$105,538	\$103,871	\$108,763
Income from operations	6,204	9,661	5,225	7,845
Income before provision for income taxes . .	5,926	9,737	4,939	8,331
Net income	4,886	6,839	3,908	6,839
Net loss attributable to noncontrolling interest, net of tax	—	—	—	20
Net income attributable to CRA International, Inc.	\$ 4,886	\$ 6,839	\$ 3,908	\$ 6,859
Basic net income per share	\$ 0.59	\$ 0.84	\$ 0.48	\$ 0.85
Diluted net income per share	\$ 0.57	\$ 0.79	\$ 0.46	\$ 0.81

18. Subsequent Events

Subsequent to December 28, 2019, CRA borrowed \$30.0 million on its revolving line of credit.

On February 7, 2020, CRA's Board of Directors authorized the repurchase of an additional \$20.0 million of shares of CRA's common stock under its existing share repurchase program.

On February 27, 2020, CRA announced that its Board of Directors declared a quarterly cash dividend of \$0.23 per common share, payable on March 20, 2020 to shareholders of record as of March 10, 2020.

CERTIFICATION

I, Paul A. Maleh, certify that:

1. I have reviewed this annual report on Form 10-K of CRA International, 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 affect adversely 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: February 27, 2020

By: /s/ PAUL A. MALEH

Paul A. Maleh
President and Chief Executive Officer

CERTIFICATION

I, Chad M. Holmes, certify that:

1. I have reviewed this annual report on Form 10-K of CRA International, 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 affect adversely 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: February 27, 2020

By: /s/ CHAD M. HOLMES

Chad M. Holmes
Chief Financial Officer, Executive Vice
President, and Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of CRA International, Inc. (the “Company”) for the fiscal year ended December 28, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned President and Chief Executive Officer and Chief Financial Officer, Executive Vice President and Treasurer of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ PAUL A. MALEH

President and Chief Executive Officer
Date: February 27, 2020

/s/ CHAD M. HOLMES

Chief Financial Officer, Executive Vice President,
and Treasurer
Date: February 27, 2020

Charles River Associates

Executive Officers

Paul A. Maleh
President and Chief Executive Officer

Daniel K. Mahoney
Chief Financial Officer, Executive Vice President, and Treasurer

Chad M. Holmes
Chief Corporate Development Officer and Executive Vice President

Jonathan D. Yellin
Executive Vice President and General Counsel

Board of Directors

Rowland T. Moriarty
Chairman of the Board
CRA International, Inc.

Paul A. Maleh
President and Chief Executive Officer
CRA International, Inc.

Thomas A. Avery
Former Managing Director
Raymond James & Associates

Richard D. Booth
Chief Financial Officer
Bottomline Technologies, Inc.

William F. Concannon
Global Group President
CBRE, Inc.

Christine R. Detrick
Former Senior Partner, Bain & Company
Director, RGA and Hartford Mutual Funds

Nancy Hawthorne
Finance Business Leader and
Veteran Public-Company Director

Robert W. Holthausen
The Nomura Securities Company Professor
of Accounting and Finance
Wharton School of the University of Pennsylvania

Robert A. Whitman
Chairman and CEO
FranklinCovey

Independent Registered Public Accounting Firm

Grant Thornton LLP

Transfer Agent

Computershare Investor Services
P.O. Box 505000
Louisville, KY 40233

Outside Legal Counsel

Foley Hoag LLP
155 Seaport Boulevard #1600
Boston, MA 02210-2600

Stock Listing

NASDAQ Global Select Market Symbol: CRAI

Fiscal Year Ended	High	Low
December 28, 2019		
December 30, 2018 – March 30, 2019	\$53.32	\$39.56
March 31, 2019 – June 29, 2019	\$54.23	\$34.24
June 30, 2019 – September 28, 2019	\$44.69	\$37.12
September 29, 2019 – December 28, 2019	\$56.04	\$40.28

Stock Price History by Quarter

The preceding table sets forth the high and low sale prices of CRA's Common Stock as reported on the NASDAQ Global Select Market from December 30, 2018 to December 28, 2019. CRA had approximately 80 holders of record of its common stock as of April 20, 2020. This number does not include stockholders for whom shares were held in a "nominee" or "street" name. CRA initiated the payment of a quarterly dividend in October 2016. CRA expects to continue paying quarterly dividends, the declaration, timing and amounts of which remain subject to the discretion of CRA's Board of Directors.

Shareholder Inquiries

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