

An Overview of Charles River Associates

Q4 FY2021



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A Leading Global Consulting Firm



For over 50 years, Charles River Associates (CRA) has been a premier consulting firm. In 1965, our founders envisioned a company that would bring the developing technology of academia, especially in the then-burgeoning area of quantitative methods in economics, to the real world. This vision continues to resonate strongly today as we apply university-quality quantitative tools and microeconomic analysis to our clients' most important challenges.



Positioning

Economic Litigation and Management Consulting Boutique with Leading Positions in Antitrust & Competition Economics, Valuation, Financial Markets, and Corporate Strategy



Two Lines of Business

Legal, Regulatory, and Financial Consulting
"Cutting Edge Approaches to High Stakes Cases"

Management Consulting
Sector Specialized Boutique



Sources of Distinctiveness

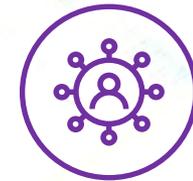
Leading Experts

Client-Tailored Model

Superior Analytics

Industry Insight

Senior-Led



Organization/Culture

Team-Based

Entrepreneurial

Efficient Infrastructure

Performance Driven by Highly Talented and Dedicated Colleagues



77% of senior staff have advanced degrees, with 42% of the advanced degrees being PhDs



CRA accepts less than 2% of campus applicants



Less than 10% voluntary turnover among top revenue generators over past 5 years



Over 30 languages spoken



Our staff hail from over 50 countries across 6 continents



23 offices across 11 countries

Note: Figures as of year-end fiscal 2021.

Solving Complex Problems with High Value-Added Expertise

Each of our practices is *highly regarded*, and our consultants are recognized for their creative and *multidisciplinary* approach to solving clients' complex problems in the *US and throughout the world*



Antitrust & Competition



Labor & Employment



Financial Economics



Auctions & Competitive Bidding



Life Sciences



Forensic Services



Energy



Marakon



Intellectual Property



Finance



Risk, Investigations, & Analytics

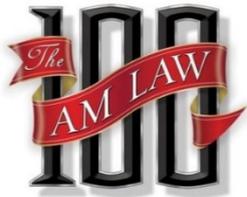
In the Past Two Years, We Have Worked with 78 of the Fortune 100

FORTUNE
100
Corporate



Note: Figures as of year-end fiscal 2021.

In the Past Two Years, We Have Partnered with 97 of the Top 100 Law Firms



Law Firm

WACHTELL
LIPTON
ROSEN &
KATZ

SIDLEY

JONES
DAY

Simpson
Thacher

GT GreenbergTraurig

WHITE
& CASE

orrick

ROPES & GRAY

Dechert
LLP

BAKER BOTTS

WILSON
SONSINI

BRYAN
CAVE
LEIGHTON
PAISNER
BLP

Baker
McKenzie.

Akin Gump
STRAUSS HAUER & FELD LLP

Cooley

Skadden
Skadden, Arps, Slate, Meagher & Flom LLP
& Affiliates

Proskauer >>

VENABLE LLP

Weil

WILMERHALE® WH

DLA PIPER

MAYER | BROWN

KIRKLAND & ELLIS LLP

ALSTON & BIRD

CRAVATH, SWAINE & MOORE LLP

SULLIVAN & CROMWELL LLP

Note: Figures as of year-end fiscal 2021.

We are Delivering Growth While Returning Capital to Shareholders



**Revenue
Growth***

Fiscal 2021

11%



**Headcount
Growth**

4%
utilization of 74%



**EPS
Growth***

64%



**Stock
Repurchases**

\$45M**
average price of
\$73.34 per share



**Cash
Dividends**

\$8M

**Fiscal Years
2017-2021**

75%

59%
utilization of 73%

313%

\$124M
average price of
\$51.26 per share

\$34M

*Presented on a non-GAAP basis. A presentation of and reconciliation to the comparable GAAP financial measures appears at the end of this presentation.

**Includes \$25 million pursuant to a modified "Dutch auction" self-tender offer at \$74.00 per share in April 2021.

Investment Thesis

We are committed to being the firm of choice for our clients as they address their most important litigation, regulatory, and strategic challenges, as well as for our employees as they seek a fulfilling and exciting place to work



Leading experts in their respective fields



Management team with strong track record of operating performance



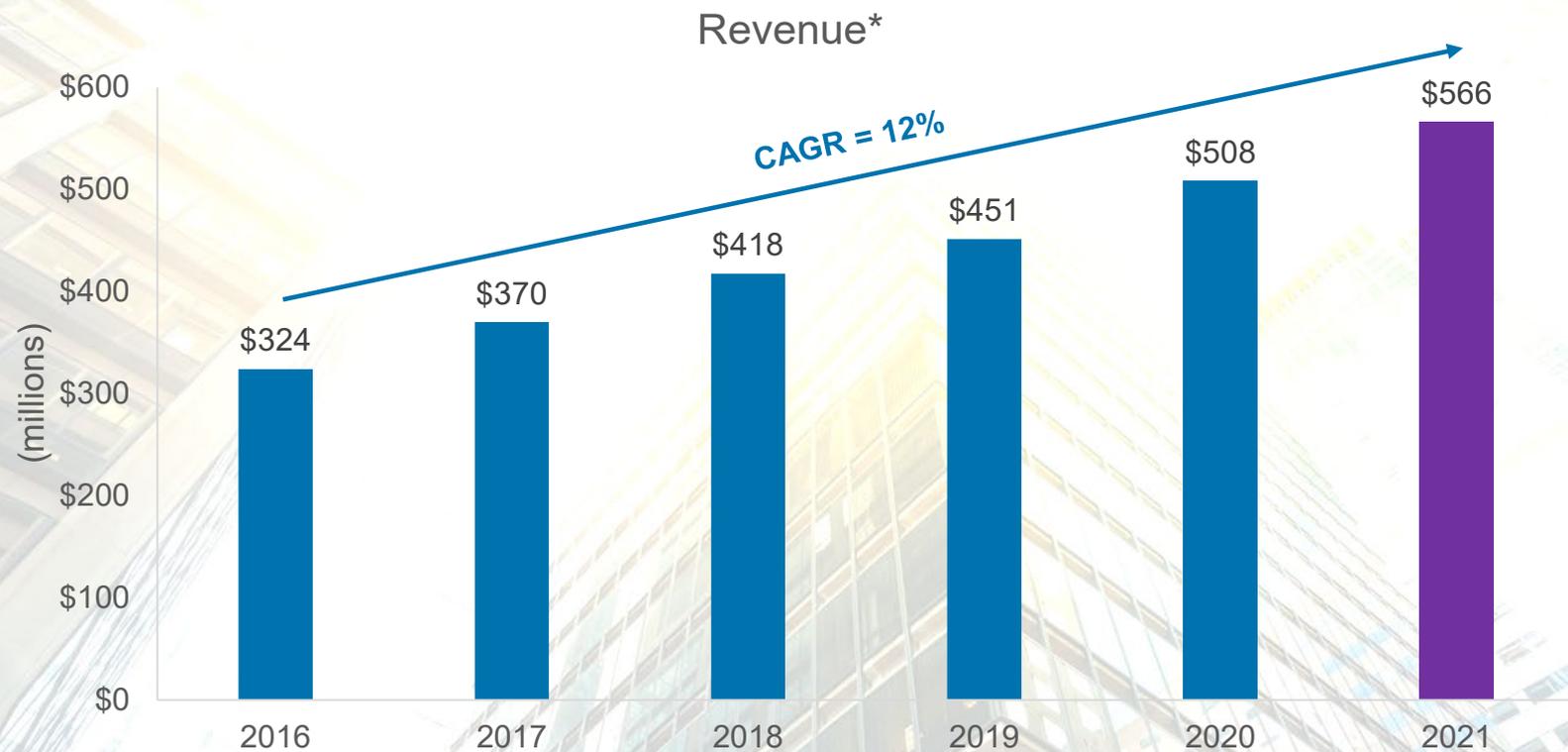
History of strong cash flows and no long-term debt



Value-based decision makers with disciplined capital allocation strategy

Objective is to maximize the long-term value per share

Consistently Strong Performance Reflects the Quality of Portfolio and Breadth of Contributors



Against challenging comparisons, CRA has achieved record-breaking revenue in each of the past four years

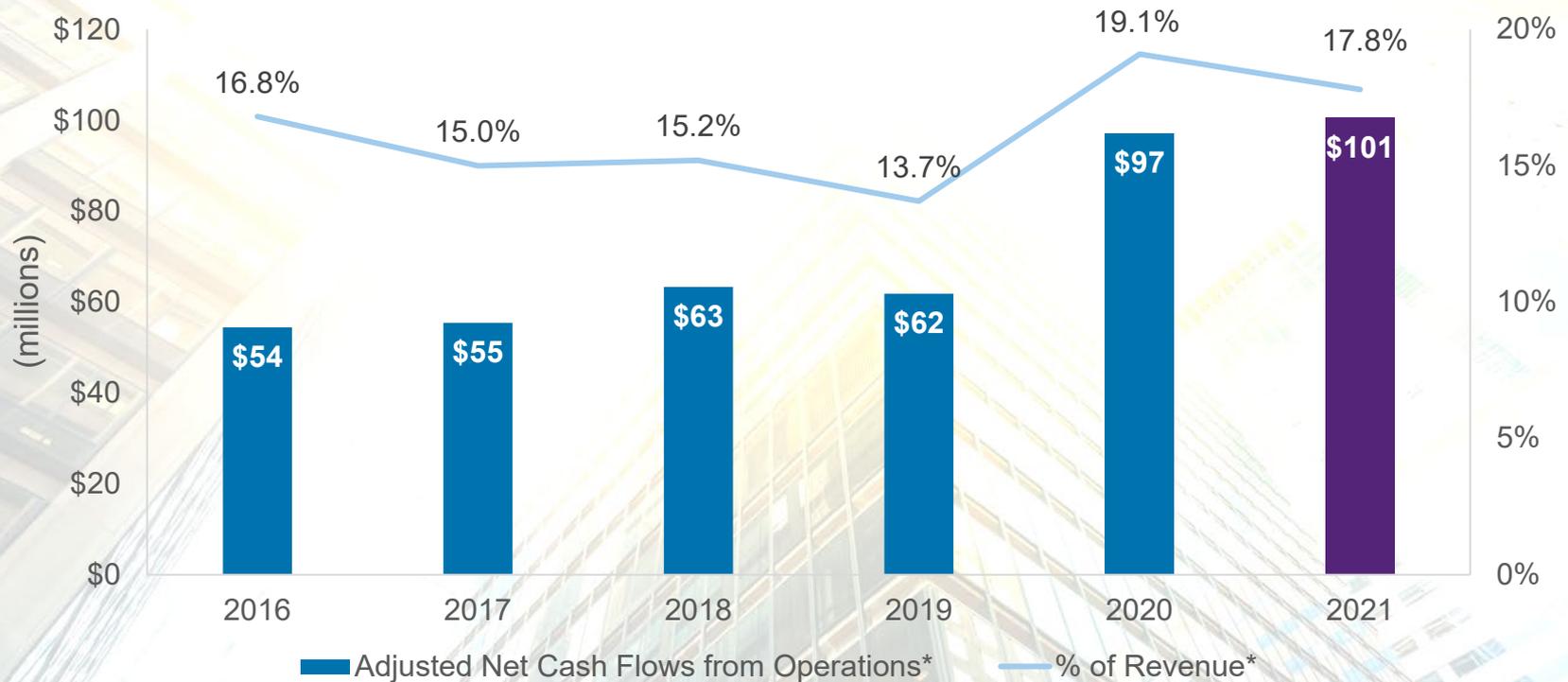
*Presented on a non-GAAP basis. A presentation of and reconciliation to the comparable GAAP financial measures appears at the end of this presentation.

EBITDA Margin Growth Despite Inclusion of Non-Cash Amortization of Forgivable Loans

(\$ in millions)	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenue*	\$324	\$370	\$418	\$451	\$508	\$566
EBITDA*	\$27	\$33	\$41	\$44	\$51	\$68
% of Revenue*	8.4%	9.0%	9.8%	9.8%	10.0%	12.1%
Non-Cash Amortization of Forgivable Loans	\$19	\$20	\$24	\$27	\$31	\$33
% of Revenue*	5.9%	5.3%	5.7%	5.9%	6.1%	5.8%

*Presented on a non-GAAP basis. A presentation of and reconciliation to the comparable GAAP financial measures appears at the end of this presentation.

Significant Cash Flow Generation Funds Value-Creating Growth

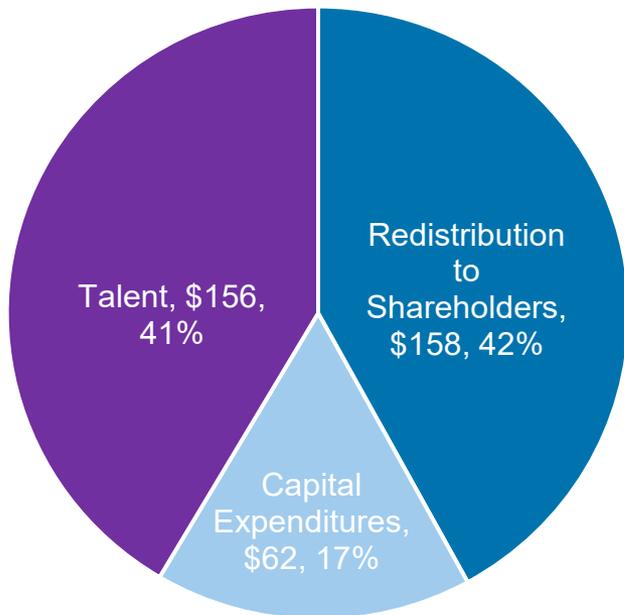


Adjusted net cash flows from operations have increased 85% since 2016

*Presented on a non-GAAP basis. A presentation of and reconciliation to the comparable GAAP financial measures appears at the end of this presentation.

Capital Allocation Philosophy: Uses of Capital

Uses of Capital (FY2017-21)



Note: Dollar figures in millions

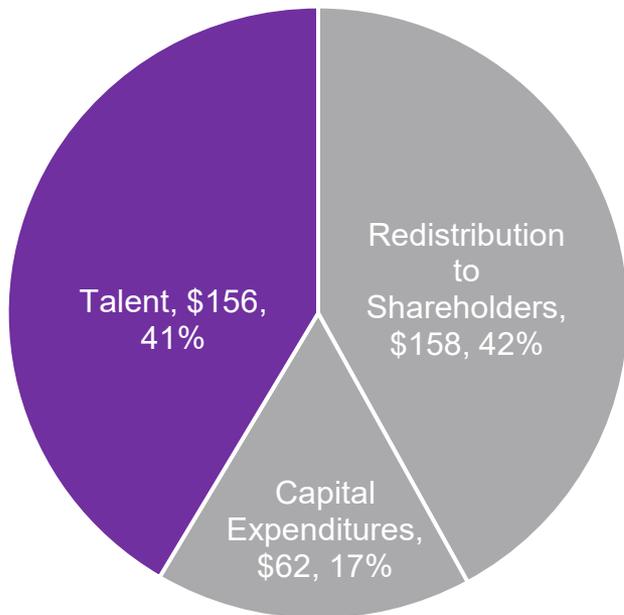
Given the strength of our business, all of our investments have been funded from operations

We always seek to deliver returns well above our cost of capital

Looking forward, we aim to return half of our adjusted net cash flows from operations to shareholders

Capital Allocation Philosophy: Talent Strategy

Uses of Capital (FY2017-21)



Note: Dollar figures in millions

We use capital to drive growth, both in support of organic initiatives and inorganic pursuits; over this period, revenue has increased by 75%, or more than \$240 million*

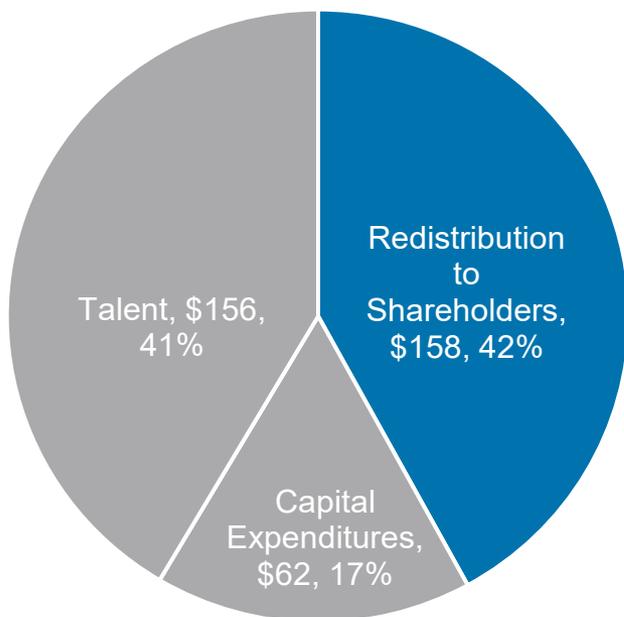
Historically, our revenue growth has been balanced between organic and inorganic opportunities; our goal is to have a growth engine tilted toward organic initiatives and supplemented by inorganic pursuits

Our talent investments will be focused on service offerings within our existing lines of business; our recent investments have focused on adding depth to our offerings in the areas of forensic services and life sciences

*Presented on a non-GAAP basis. A presentation of and reconciliation to the comparable GAAP financial measures appears at the end of this presentation.

Capital Allocation Philosophy: Redistribution to Shareholders

Uses of Capital (FY2017-21)



Note: Dollar figures in millions

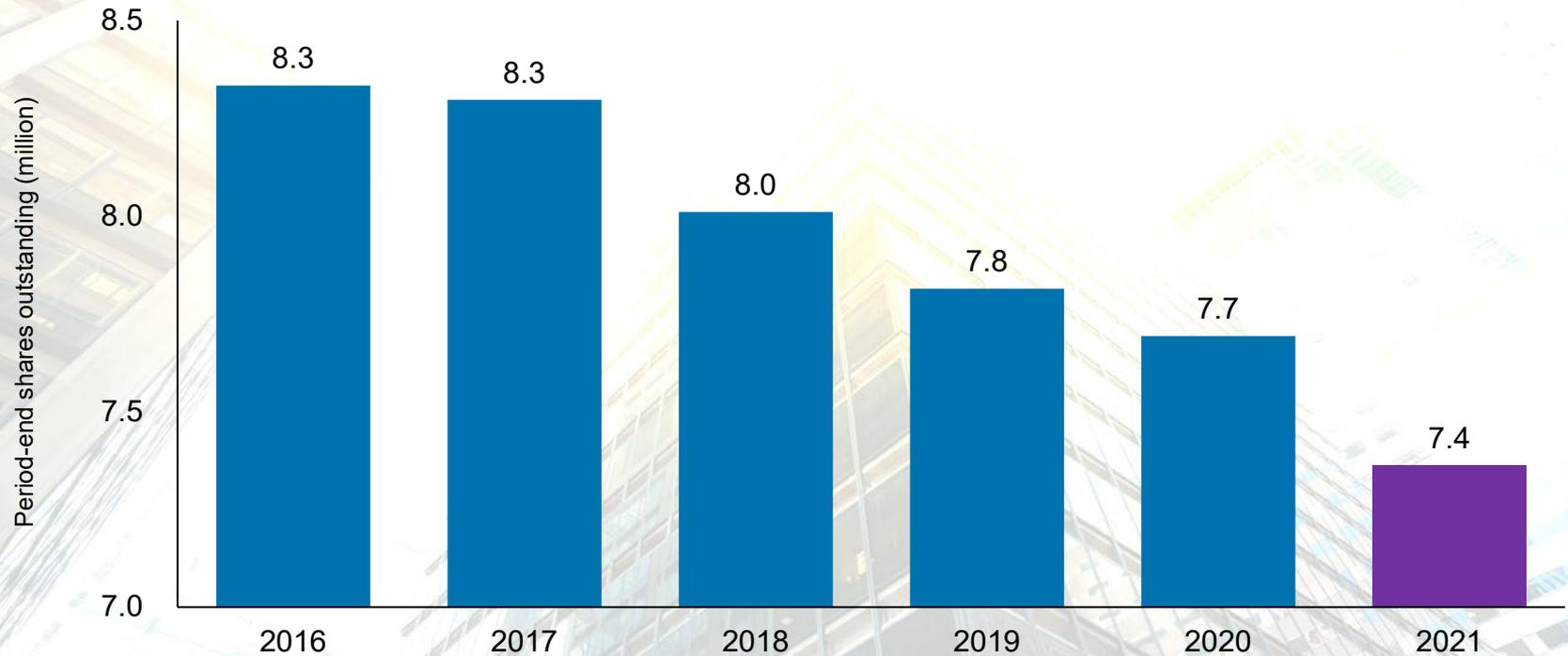
Redistributions to shareholders have consisted of \$124 million of share repurchases and \$34 million of dividend payments

CRA has repurchased 2.4 million shares at an average cost of \$51.26 per share during 2017-2021, reducing net shares outstanding by 12%

We initiated a quarterly dividend of \$0.14 per share in Q4 of 2016, with subsequent increases in each year 2017-2021, resulting in a current quarterly dividend of \$0.31 per share

During 2017-2021, stock repurchases and dividend payments have combined to deliver an average shareholder yield of approximately 7.5% relative to our average market capitalization

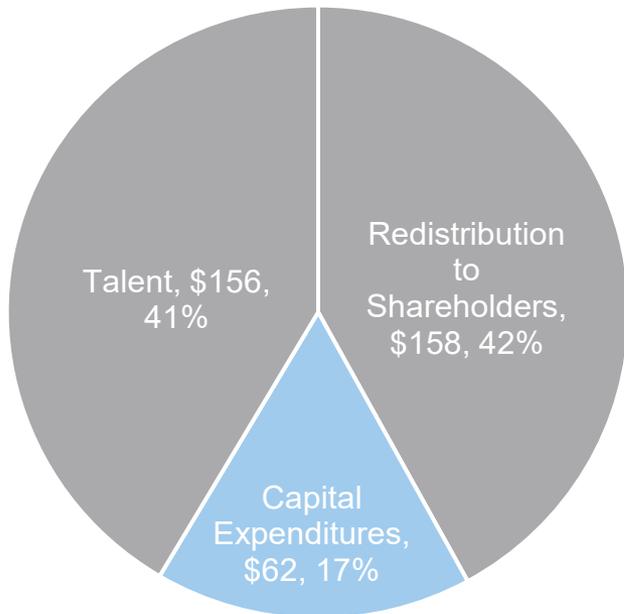
Shareholder Distributions Significantly Reduced Shares Outstanding, Magnifying Per Share Value Gains



Over the past decade, shares outstanding have shrunk by nearly 30%

Capital Allocation Philosophy: Capital Expenditures

Uses of Capital (FY2017-21)



Note: Dollar figures in millions

Outlays associated with lease expirations and office expansions to accommodate growth accounted for \$47 million of total capital expenditures

Our investments in office buildouts have focused on efficient space planning, reducing our footprint per employee while at the same time offering an attractive destination for top talent

Occupancy of approximately 80% across our offices provides for future expansion without the need for significant capital outlays

Our non-real estate capital expenditures are typically modest, averaging approximately \$3 million per year

Evergreen End Markets and Primary Demand Drivers



Legal Spend



Mergers & Acquisitions



Regulatory & Public Policy



Strategy & Operations Consulting

Strong Performance in Legal & Regulatory Services Despite Flat Legal Spending



Source: BTI Annual Survey of Legal Decision Makers 2012-2021, February 2021

**CRA's litigation growth has come from taking market share
and successfully targeting faster growing segments**

Our Business Has Performed Well Through Fluctuations in Global M&A Activity



Source: Refinitiv Deals Intelligence and Breakingviews, February 2022

Both lines of business benefit from M&A activity as it causes companies to face the realities of a changing competitive landscape

Growing Complexity in Regulatory Markets Benefit Our Legal & Regulatory and Management Consulting Businesses



“

“Strong competition enforcement is fundamental for businesses and consumers to reap the full benefits of our Single Market...That's why effective competition policy is needed now, more than ever, to give the European economy the agility and drive to overcome the challenges it faces.”

Margrethe Vestager, Executive Vice President, Commissioner for Competition, European Commission
Remarks by Executive Vice-President Vestager on the Communication on a competition policy fit for new challenges, 18 November 2021



“

“As new technologies come along and change business models in finance, we need to continue to work toward our public-policy goals...How do we continue to protect investors? How do we maintain fair, orderly, and efficient markets, and facilitate capital formation? How do we guard against illicit activity? How do we ensure for financial inclusion and access, and guard against bias? How do we promote financial stability and robustness? The technologies may be new, but these public policy questions are timeless.”

Gary Gensler, SEC Commissioner
Prepared Remarks at DC Fintech Week, 21 October 2021

CRA's clients benefit from our ability to keep pace with the evolving focus of legal and regulatory proceedings around the world

Following COVID-related Contraction in 2020, the Outlook for Management Consulting Remains Positive



Key Trends in Management Consulting

Broader economic recovery will likely drive industry revenue growth over the five years to 2026

Overall economic growth is expected to drive downstream business revenue, bolstering industry revenue growth

Negative effects of the pandemic will likely be experienced by companies specializing in more vulnerable industries

Two of the trends that have driven overall industry growth during the current period are healthcare changes and rapid digitization

In light of recent trends, increasing our sector focus and analytical capabilities position CRA for future growth

Representative Client Matters



Legal, Regulatory, and Financial Consulting



CRA economists advised counsel to CVS Health (CVS) and Aetna on CVS's acquisition of Aetna. The US Department of Justice approved the merger subject to the divestiture of Aetna's Medicare Part D prescription drug plan business for individuals and concluded the merger did not raise any other horizontal or vertical competitive concerns.

Legal, Regulatory, and Financial Consulting



When a global leader in insurance and risk management services became the victim of a ransomware incident, it temporarily shut down its global systems and called in CRA. Our Forensic Services experts eradicated the malware; identified the confidential data at risk; responded to client and regulator requests; and deployed leading edge endpoint monitoring tools to help harden the environment going forward.

Legal, Regulatory, and Financial Consulting



CRA consultants advised counsel to Credit Acceptance Corporation, a leading automobile financing firm that was involved in litigation regarding alleged monopolization. CRA provided expert reports and deposition testimony that addressed monopolization allegations and rebutted damages estimates. The case was ultimately dismissed on summary judgment.

Legal, Regulatory, and Financial Consulting



CRA was retained by counsel for a large manufacturer in a securities class action litigation filed in U.S. District Court arising from its acquisition by a financial sponsor. CRA was retained to analyze issues related to the adequacy of financial information and potential damages. In addition, our teams supported testimony on the compensation that the manufacturer's executives stood to earn as a result of the acquisition and the role of merger arbitrageurs in cash-for-stock transactions.

Management Consulting



A manufacturer of a market-leading, multi-billion dollar oncology therapy was facing competition from a new entrant. CRA advised the company regarding potential competitor entry strategies, assessed the risks associated with each, developed options to mitigate competitive risk, and recommended a course of action to enable continued market growth and optimal share retention.

Management Consulting



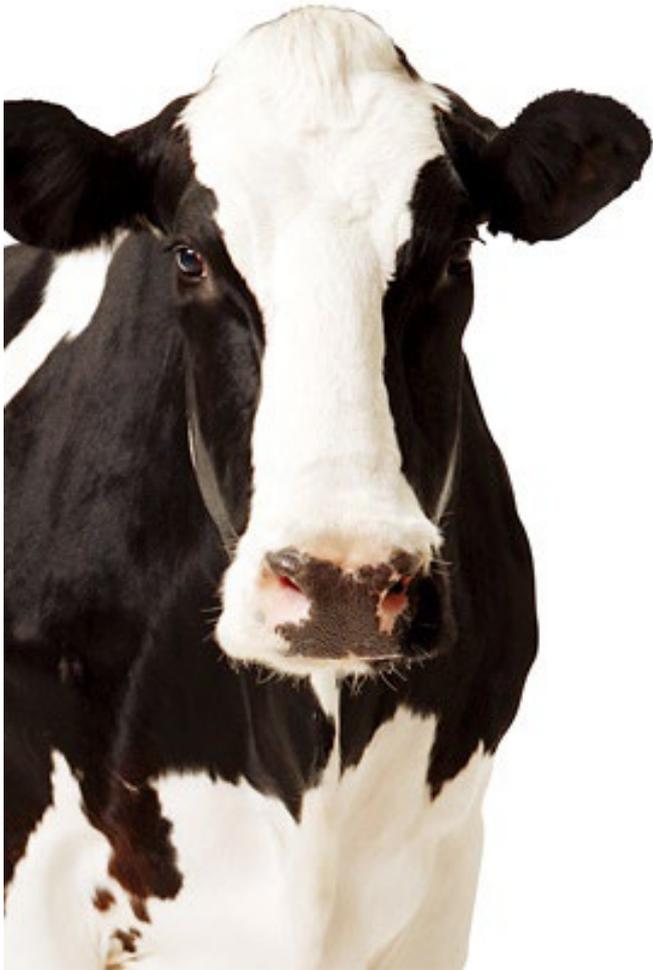
CRA worked with a North American utility to shift organizational focus and energy towards embedding sustainability into the business. Areas of emphasis included environmental stewardship, community and indigenous relations, health and safety, people, and business resilience.

Management Consulting



CRA worked with a major oil and gas company to develop its future view on energy service demands and the technologies that will be required to meet those demands. This analysis has been important in helping position the company in relation to its strategy in pivoting towards a cleaner energy portfolio.

Management Consulting



When Fonterra Co-operative Group, the world's leading dairy exporter, wanted to enhance price transparency, price risk management, and forward price information, they turned to CRA. We pioneered an Internet-based trading platform for commodity dairy products, and we independently manage the trading events. Cumulative sales of dairy products traded on this platform—now with multiple sellers and buyers—have surpassed US\$28 billion.

Appendix

Supplemental Financial Disclosures

CRA Charles River
Associates

Reconciliation of Non-GAAP Financial Measures

	Fiscal Years					
	2016	2017	2018	2019	2020	2021
(\$ in millions, except per share data)						
Revenues	\$ 324.8	\$ 370.1	\$ 417.6	\$ 451.4	\$ 508.4	\$ 565.9
Income from operations	18.9	15.8	28.9	29.3	34.8	55.7
Operating margin (%)	5.8%	4.3%	6.9%	6.5%	6.8%	9.8%
Net income (loss) attributable to CRA International, Inc.	12.9	7.6	22.5	20.7	24.5	41.7
Net income (loss) attributable to noncontrolling interest, net of tax	1.3	0.1	-	-	-	-
Net income	\$ 14.2	\$ 7.7	\$ 22.5	\$ 20.7	\$ 24.5	\$ 41.7
Net income margin (%)	4.4%	2.1%	5.4%	4.6%	4.8%	7.4%
Weighted average shares outstanding (diluted)	8.6	8.5	8.6	8.2	7.9	7.6
Diluted earnings per share	\$ 1.49	\$ 0.89	\$ 2.61	\$ 2.53	\$ 3.07	\$ 5.45
Reconciliation of GAAP revenue to non-GAAP revenue:						
GAAP revenue	\$ 324.8	\$ 370.1	\$ 417.6	\$ 451.4	\$ 508.4	\$ 565.9
Revenue from GNU	(0.8)	-	-	-	-	-
Non-GAAP revenue	\$ 324.0	\$ 370.1	\$ 417.6	\$ 451.4	\$ 508.4	\$ 565.9
Reconciliation of GAAP net income to non-GAAP net income:						
GAAP net income	\$ 14.2	\$ 7.7	\$ 22.5	\$ 20.7	\$ 24.5	\$ 41.7
Revenue from GNU	(0.8)	-	-	-	-	-
Other	(2.2)	8.6	1.4	5.4	3.0	0.4
Tax effect of non-GAAP adjustments	0.3	0.1	(0.2)	(1.5)	(0.8)	(0.1)
Non-GAAP adjustments, net of tax	(2.7)	8.7	1.2	4.0	2.2	0.3
Non-GAAP net income	\$ 11.5	\$ 16.4	\$ 23.7	\$ 24.7	\$ 26.7	\$ 42.0
Non-GAAP net income margin (%)	3.6%	4.4%	5.7%	5.5%	5.3%	7.4%
Non-GAAP net income per diluted share outstanding	\$ 1.33	\$ 1.91	\$ 2.75	\$ 3.01	\$ 3.35	\$ 5.49

Reconciliation of Non-GAAP Financial Measures (cont.)

	Fiscal Years					
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
(\$ in millions)						
Reconciliation of net income to non-GAAP EBITDA:						
Net Income	\$ 14.2	\$ 7.7	\$ 22.5	\$ 20.7	\$ 24.5	\$ 41.7
Adjustments needed to reconcile GAAP net income to non-GAAP net income:	(2.7)	8.7	1.2	4.0	2.2	0.3
Non-GAAP net income	\$ 11.5	\$ 16.4	\$ 23.7	\$ 24.7	\$ 26.7	\$ 42.0
Interest expense (income), net	0.5	0.5	0.6	1.3	1.2	1.0
Provision (benefit) for income taxes	7.4	7.3	6.6	7.5	9.9	12.7
Depreciation and amortization	7.9	8.9	10.0	10.6	12.8	12.8
Non-GAAP EBITDA	\$ 27.3	\$ 33.1	\$ 41.0	\$ 44.1	\$ 50.7	\$ 68.4
Non-GAAP EBITDA margin	<u>8.4%</u>	<u>9.0%</u>	<u>9.8%</u>	<u>9.8%</u>	<u>10.0%</u>	<u>12.1%</u>

	<u>GAAP</u>	<u>Non-GAAP</u>	<u>Difference due to GNU and Other</u>
Revenue growth (Fiscal Years 2017-2021)	74%	75%	1%
Earnings per diluted share (EPS) growth (Fiscal Years 2017-2021)	266%	313%	47%
Revenue growth (Fiscal Year 2021)	11%	11%	0%
Earnings per diluted share (EPS) growth (Fiscal Year 2021)	78%	64%	-14%

Reconciliation of Non-GAAP Financial Measures (cont.)

	Fiscal Years				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
(\$ in millions)					
GAAP Condensed Statement of Cash Flows					
Net cash provided by operating activities	\$ 45,858	\$ 36,189	\$ 27,832	\$ 54,663	\$ 75,698
Net cash used in investing activities	(25,670)	(15,447)	(16,693)	(17,094)	(2,623)
Net cash used in financing activities	(21,851)	(35,747)	(23,818)	(19,500)	(51,993)
Effect of foreign exchange rates on cash and cash equivalents	2,168	(1,002)	290	1,969	(629)
Net increase (decrease) in cash and cash equivalents	\$ 505	\$ (16,007)	\$ (12,389)	\$ 20,038	\$ 20,453
Cash and cash equivalents at beginning of period	53,530	54,035	38,028	25,639	45,677
Cash and cash equivalents at end of period	<u>\$ 54,035</u>	<u>\$ 38,028</u>	<u>\$ 25,639</u>	<u>\$ 45,677</u>	<u>\$ 66,130</u>
Revenue	<u>\$ 370,075</u>	<u>\$ 417,648</u>	<u>\$ 451,370</u>	<u>\$ 508,373</u>	<u>\$ 565,933</u>
GAAP net cash provided by operating activities as a percentage of revenue	<u>12.4%</u>	<u>8.7%</u>	<u>6.2%</u>	<u>10.8%</u>	<u>13.4%</u>
Adjusted Net Cash Flows from Operations					
GAAP net cash provided by operating activities	\$ 45,858	\$ 36,189	\$ 27,832	\$ 54,663	\$ 75,698
Forgivable loan advances	11,672	30,572	35,166	42,418	14,528
Forgivable loan repayments	(2,135)	(3,396)	(1,173)	-	(69)
Other non-recurring cash items	-	-	-	-	10,393
Adjusted net cash flows from operations	<u>\$ 55,395</u>	<u>\$ 63,365</u>	<u>\$ 61,825</u>	<u>\$ 97,081</u>	<u>\$ 100,550</u>
Non-GAAP revenue	<u>\$ 370,075</u>	<u>\$ 417,648</u>	<u>\$ 451,370</u>	<u>\$ 508,373</u>	<u>\$ 565,933</u>
Adjusted net cash flows from operations as a percentage of non-GAAP revenue	<u>15.0%</u>	<u>15.2%</u>	<u>13.7%</u>	<u>19.1%</u>	<u>17.8%</u>

Reconciliation of Non-GAAP Financial Measures

Note:

1) Adjustments for GNU and Other

These adjustments arise from activity related to GNU, CRA's majority owned subsidiary, formerly known as "NeuCo," in the Company'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, consideration paid in connection with the IQVIA transaction, lease recapture and related tax effects, estimated impact of The Tax Cuts and Jobs Act ("Tax Act"), and certain other unusual charges.

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Charles River Associates
200 Clarendon Street
Boston, MA 02116
investor@crai.com

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