

FTI CONSULTING INC
Form DEF 14A
April 23, 2019
Table of Contents

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

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

FTI CONSULTING, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Table of Contents

(4) Date Filed:

Table of Contents

Table of Contents

555 12th Street NW

Washington, D.C. 20004

+1.202.312.9100

April 23, 2019

DEAR FELLOW SHAREHOLDERS:

You are invited to join us at the Annual Meeting of Shareholders of FTI Consulting, Inc., a Maryland corporation, on Wednesday, June 5, 2019, at 9:30 a.m., Eastern Daylight Time, at our executive office, located at 555 12th Street NW, Washington, D.C. 20004.

Attached you will find a Notice of Meeting and our Proxy Statement, which contains information regarding the proposals that the Board of Directors is submitting to a vote of the shareholders, as well as instructions on how to vote your shares of common stock.

If you plan to attend the meeting in person, you must register in advance by no later than May 22, 2019, and obtain an admission ticket. Please respond affirmatively to the request for that information on the Internet or mark that box on the proxy card if you received paper copies of the proxy materials. You will be asked to present your admission ticket and valid picture identification, such as a driver's license or passport, to enter the meeting. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

Whether or not you attend the meeting in person, your vote is important to us. You can ensure that your shares are represented by promptly authorizing a proxy to vote your shares by telephone or the Internet, or by completing, signing, dating and returning your proxy card or voting instruction card in the return envelope provided to you. Instructions on how to vote your shares begin on page 2 of the Proxy Statement.

Sincerely,

Gerard E. Holthaus

Chairman of the Board

Table of Contents

FTI CONSULTING, INC. NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date:	Time:	Place:
June 5, 2019	9:30 a.m. Eastern Daylight Time	555 12 th Street NW, Washington, D.C. 20004

ITEMS OF BUSINESS AND VOTE RECOMMENDATIONS:

Proposal	Board Voting
Number Proposal	Recommendation
No. 1 To elect as directors the eight nominees named in the Proxy Statement	FOR each nominee
No. 2 To ratify the appointment of KPMG LLP as FTI Consulting, Inc.'s independent registered public accounting firm for the year ending December 31, 2019	FOR
No. 3 To vote on an advisory (non-binding) resolution to approve the compensation of the named executive officers for the year ended December 31, 2018 as described in the Proxy Statement for the Annual Meeting of Shareholders	FOR
The transaction of any other business that may properly come before the meeting or any postponement or adjournment thereof	N/A

Postponements and Adjournments: Any action on the items of business described above may be considered at the meeting, at the time and on the date specified above or at any time and date to which the meeting may be properly postponed or adjourned.

Record Date: You are entitled to vote only if you were a shareholder of FTI Consulting, Inc., a Maryland corporation, as of the close of business on March 27, 2019.

Meeting Admission: Admission will be by ticket only. Please follow the advance registration instructions set forth in the section of the Proxy Statement titled "Information about the Annual Meeting and

Voting How Do I Attend the Annual Meeting in Person? beginning on page 5 of the Proxy Statement. **If you do not provide an admission ticket and comply with the photo identification requirements outlined on page 5, you will not be admitted to the meeting. Cameras, recording devices and other electronic devices will not be permitted at the meeting.**

Voting: Your vote is very important. Whether or not you plan to attend the meeting, we hope you will vote as soon as possible. You may authorize a proxy to vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of a proxy card or voting instruction card by mail, you may submit your proxy card or voting instruction card for the meeting by completing, signing, dating and returning it in the pre-addressed envelope provided to you. For specific instructions on how to vote your shares, please refer to the section titled Information about the Annual Meeting and Voting beginning on page 2 of the Proxy Statement.

By Order of the Board of Directors,

Joanne F. Catanese

Associate General Counsel and Secretary

April 23, 2019

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on June 5, 2019 (the Annual Meeting): We mailed a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement for the Annual Meeting and our 2018 Annual Report on or about April 23, 2019. Our Proxy Statement and Annual Report are available online at www.proxyvote.com.

Table of Contents**TABLE OF CONTENTS**

<u>PROXY SUMMARY</u>	<u>i</u>
<u>PROXY STATEMENT FOR 2019 ANNUAL MEETING OF SHAREHOLDERS</u>	<u>1</u>
<u>INFORMATION ABOUT THE ANNUAL MEETING AND VOTING</u>	<u>2</u>
<u>ADDITIONAL INFORMATION</u>	<u>5</u>
<u>INFORMATION ABOUT THE BOARD OF DIRECTORS AND COMMITTEES</u>	<u>6</u>
<u>The Director Nomination Process</u>	6
<u>Independence of Directors</u>	9
<u>Proposal No. 1 Elect as Directors the Eight Nominees Named in the Proxy Statement</u>	9
<u>Information about the Nominees for Director</u>	10
<u>Director Attendance at Meetings</u>	14
<u>Committees of the Board of Directors</u>	14
<u>Compensation of Non-Employee Directors and Policy on Non-Employee Director Equity Ownership</u>	18
<u>CORPORATE GOVERNANCE</u>	<u>20</u>
<u>Governance Principles</u>	20
<u>Our Significant Corporate Governance Policies and Practices</u>	20
<u>Board Leadership Structure</u>	21
<u>Oversight of Risk Management</u>	21
<u>Compensation-Related Risks</u>	22
<u>Board and Committee Self-Assessments</u>	22
<u>Succession Planning</u>	22
<u>Code of Conduct</u>	22
<u>Shareholder Nominees for Director</u>	23
<u>Communications with Directors</u>	23
<u>OTHER PROPOSALS TO BE PRESENTED AT THE ANNUAL MEETING OF SHAREHOLDERS</u>	<u>24</u>
<u>Proposal No. 2 Ratify the Appointment of KPMG LLP as FTI Consulting, Inc.'s Independent Registered Public Accounting Firm for the Year Ending December 31, 2019</u>	24
<u>Proposal No. 3 Vote on an Advisory (Non-Binding) Resolution to Approve the Compensation of the Named Executive Officers for the Year Ended December 31, 2018 as Described in the Proxy Statement for the Annual Meeting</u>	25
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>26</u>
<u>EXECUTIVE OFFICERS AND COMPENSATION</u>	<u>28</u>
<u>Executive Officers and Key Employees</u>	28
<u>Compensation Discussion and Analysis</u>	29
<u>Report of the Compensation Committee of the Board of Directors</u>	48
<u>Summary Compensation Table</u>	49
<u>Equity Compensation Plans</u>	51
<u>Employment Agreements and Termination and Change in Control Payments</u>	57
<u>CEO Pay Ratio</u>	60
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	<u>61</u>
<u>Review and Approval of Related Party Transactions</u>	61
<u>2018 Related Party Transactions</u>	61

<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	62
<u>REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS</u>	63
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	65
<u>PROPOSALS FOR THE 2020 ANNUAL MEETING OF SHAREHOLDERS</u>	65
<u>APPENDIX A RECONCILIATIONS OF NON-GAAP TO GAAP FINANCIAL MEASURES</u>	A-1
<u>APPENDIX B DEFINITIONS OF ADJUSTED CASH FLOW, ADJUSTED EPS AND ADJUSTED EBITDA FOR PURPOSES OF CALCULATING ANNUAL INCENTIVE PAY FOR THE BONUS YEAR ENDED DECEMBER 31, 2018 AND RECONCILIATIONS TO THEIR MOST DIRECTLY COMPARABLE GAAP MEASURES</u>	B-1

Table of Contents

PROXY SUMMARY

This Proxy Summary highlights certain information contained elsewhere in this proxy statement (Proxy Statement) for the annual meeting of shareholders on June 5, 2019. This Proxy Summary does not contain all the information that you should consider. Please read the entire Proxy Statement carefully before voting.

GENERAL INFORMATION

Date: June 5, 2019

Time: 9:30 a.m., Eastern Daylight Time

Location: FTI Consulting, Inc.
555 12th Street NW
Washington, D.C. 20004

Record Date: Close of business on March 27, 2019

Stock Symbol: FCN

Exchange: New York Stock Exchange

Common Stock Outstanding on Record Date: 38,018,740 shares

Registrar and Transfer Agent: American Stock Transfer & Trust Company

State of Incorporation: Maryland

Year of Incorporation: 1982

Public Company Since: 1996

Corporate Website: www.fticonsulting.com

2018 PERFORMANCE UPDATE

We delivered record financial and operational results in 2018 with all of our business segments and regions growing at the top- and bottom-line. This exceptional performance is a result of the deep commitment of our teams across the globe to strengthen our company by developing and attracting the best professionals and building businesses behind them, which in turn allows us to better serve our clients as they navigate their largest and most complex issues.

\$2.03 Billion

Record revenues reflecting

12% organic growth
compared to 2017

\$3.93 EPS

GAAP EPS growth for 6
consecutive years; up **43%**

3,756 Billable

Professionals

Billable headcount
increased

5% compared to 2017

\$230.7 Million

Net cash provided by
operating

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compared to 2017

activities increased **56%**

compared to 2017

\$150.6 Million

76 Cities

Net income increased

Offices in **76** cities in **28**

40% compared to 2017

countries around the globe

\$265.7 Million

55%

Adjusted EBITDA increased

FCN stock price increased

38% compared to 2017

55% from December 31,

2017 to December 31, 2018

compared to a **6%** decline
for

the S&P 500

NOTE: See [Appendix A](#) for the definitions of Adjusted EBITDA and other non-GAAP financial measures for financial reporting purposes referred to in this Proxy Statement and the reconciliations to their respective most directly comparable GAAP measures.

Table of Contents

BUSINESS OVERVIEW

FTI Consulting, Inc. (the Company or FTI Consulting) is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes. With more than 4,700 employees located in 28 countries, we are the firm our clients call on when their most important issues are at stake.

The Company is organized into five business segments. Each segment seeks to be a global leader in its field by committing to playing a major role in how our clients confront and manage change and risk.

Corporate Finance & Restructuring <i>28% of Revenues ⁽¹⁾</i>	Focuses on strategic, operational, financial and capital needs of businesses, addressing financial and transactional challenges faced by companies, boards, private equity sponsors, creditor constituencies and other stakeholders
Forensic and Litigation Consulting <i>26% of Revenues ⁽¹⁾</i>	Complete range of multidisciplinary, independent dispute advisory, investigative, data acquisition/analysis and forensic accounting services
Economic Consulting <i>26% of Revenues ⁽¹⁾</i>	Analysis of complex economic issues, helping clients with legal, regulatory and international arbitration proceedings, strategic decision making, antitrust, financial economics and public policy debates
Technology <i>9% of Revenues ⁽¹⁾</i>	Leading provider of consulting services for e-discovery and information management, assisting clients with internal, regulatory and global investigations, early case assessment, litigation and joint defenses, and antitrust and competition investigations
Strategic Communications <i>11% of Revenues ⁽¹⁾</i>	Integrated suite of services, including financial communications, corporate reputation, transaction communications and public affairs in all the major markets around the world

(1) Revenue percentages based on consolidated Company full-year 2018 revenues.

STRATEGY

OUR STRATEGIC IMPERATIVES

Our long-term strategic imperatives are as follows:

Investing to **promote, support and attract talented professionals** who can strengthen and build leading positions in areas of critical client needs

Investing EBITDA behind key growth areas in which we have a right to win

Leveraging our investments to build positions that will support **profitable growth on a sustained basis** through a variety of economic conditions

Actively evaluating and considering opportunistic acquisitions but committing on a day in, day out basis to **growth by organic means**

Maintaining a strong balance sheet and committing to using our **strong cash flow generation** to enhance shareholder returns

Our strategic imperatives have allowed us and will continue to allow us to drive sustained double-digit earnings per diluted share (GAAP EPS) and adjusted earnings per diluted share (Adjusted EPS) growth over time.

Table of Contents

ENTERING THE NEXT CHAPTER OF OUR STRATEGIC TRANSFORMATION

In 2014, we embarked on a transformational journey to change the focus of the Company from one in which our business segments were largely siloed and growth was primarily driven by acquisitions to a more integrated organic-growth focused company. The changes we have made in each of our business segments from 2014 to 2017, coupled with our commitment to invest behind organic growth and use our strong cash flows to enhance shareholder returns, allowed us to deliver record financial performance in 2018 and continue the trend of delivering sustained GAAP EPS and Adjusted EPS growth for six and four consecutive years, respectively.

- (1) See [Appendix A](#) for the definitions of Adjusted EBITDA and Adjusted EPS, non-GAAP financial measures used for financial reporting purposes, and the reconciliations to their most directly comparable GAAP measures.

- (2) 2017 GAAP EPS includes \$44.9 million, or \$1.14 per share, benefit from the impact of adopting the 2017 U.S. Tax Cuts and Jobs Act.

LONG-TERM FOCUS TO DELIVER SUSTAINED DOUBLE-DIGIT GAAP EPS AND ADJUSTED EPS INCREASES OVER TIME

Our goal is to deliver double-digit increases in GAAP EPS and Adjusted EPS over time. We measure growth of GAAP EPS and Adjusted EPS, as applicable, by comparing average GAAP EPS or Adjusted EPS results for each two-year consecutive period to average GAAP EPS or Adjusted EPS results for the prior two-year period. We believe measuring our progress using the two-year average (particularly Adjusted EPS, which allows us to assess total Company operating performance on a consistent basis) is the best indicator of whether we are doing the right things to build our company longer term. This is because in our company and industry, quarterly and annual results are almost always impacted by short-term factors such as the start and end of large engagements or the impact of success fees and organic investments in any given quarter or year. This coupled with our fixed cost structure and our event-driven and often large engagements, materially influences our quarterly and annual results in a way that is not necessarily reflective of the underlying strength of our business. From a longer-term perspective, we believe this short-term volatility will not be material so long as those things do not impact our trajectory, or our ability to build the business over a two-year period.

Table of Contents

As seen in the following two sets of graphs showing two-year average GAAP EPS and Adjusted EPS from 2009 to 2015 (left-side) and 2014 to 2018 (right-side) we have delivered sustained double-digit GAAP EPS and Adjusted EPS growth for each two-year period since 2014 as we have fundamentally strengthened our business, which is powerfully reflected in our multi-year growth trend:

Two-Year Average GAAP EPS Increases ⁽¹⁾

- (1) Two-year average GAAP EPS is calculated by adding the GAAP EPS for each annual period and dividing by two.

Two-Year Average Adjusted EPS Increases ^{(1) (2)}

- (1) Two-year average Adjusted EPS is calculated by adding the Adjusted EPS for each annual period and dividing by two.
- (2) See [Appendix A](#) for the definition of Adjusted EPS, a non-GAAP financial measure used for financial reporting purposes, and the reconciliation to its most directly comparable GAAP measure.

Table of Contents**2018 SHAREHOLDER ENGAGEMENT AND OUTREACH**

At our 2018 annual meeting of shareholders (the 2018 Annual Meeting), our shareholders expressed support for our executive officer compensation practices with approximately **96.5%** of the votes cast in favor of our 2017 say-on-pay proposal. Our compensation decisions were informed by discussions in the second-half of 2017 and the first quarter of 2018 with our shareholders holding approximately **70%** of our outstanding shares. These discussions resulted in a significant realignment of 2018 compensation programs as compared to 2017. A summary of shareholder feedback and 2018 compensation changes is outlined below:

Shareholder Feedback	Changes Approved for 2018 Compensation Programs
<p>Increase percentage of annual incentive pay (AIP) contingent on financial performance for our Chief Executive Officer (CEO)</p>	<p>INCREASED the weighting of AIP opportunity based on financial performance metrics to 75% from 66.67%</p> <p>REDUCED the weighting of individual performance component to 25% from 33.33%</p>
<p>Reduce CEO target AIP opportunity</p>	<p>REDUCED the target AIP opportunity to 150% of base salary from 200% of base salary, with no corresponding increase to other elements of 2018 compensation, to more closely align the targeted annual incentive amount with market practices</p>
<p>Increase percentage of CEO s and named executive officers (NEOs) (other than CEO) long-term incentive pay (LTIP) opportunity that is performance-based</p>	<p>INCREASED the percentage of performance-based restricted stock units (Performance RSUs) to 66.67% from 50% for our CEO and to 60% from 50% for our other NEOs, with the balance in awards of shares of restricted stock (RSAs)</p>
<p>Enhance rigor of Performance RSUs for CEO</p>	<p>INCREASED the performance percentiles for the performance metric based on total shareholder return relative to the S&P 500 (Relative TSR) at target and maximum to 55th and 80th percentiles from 50th and 75th</p>

percentiles

**Increase transparency regarding
our NEOs individual performance**

ENHANCED the disclosure around the **individual performance component** of our AIP for our CEO and other NEOs

portion of AIP

Self-select a peer group

ENGAGED shareholders in the process to identify a self-selected peer group to support compensation benchmarking purposes, **providing insight into how the Compensation Committee thinks about compensation** with respect to our competition and the market for talent and leadership capabilities

Following our 2018 Annual Meeting, feedback on the compensation changes we enacted for 2018 was positive. **We continued to engage with our major shareholders throughout 2018 on key topics, including our executive compensation program and selection of a peer group.** We held discussions with 12 of our largest shareholders holding an aggregate of **55.8%** of our outstanding shares of common stock as of December 31, 2018. See the section titled **Executive Officers and Compensation Compensation Discussion and Analysis What Guides our Programs The Decision-Making Process Role of Peer Companies** beginning on page 36 of this Proxy Statement for a discussion of our peer group.

Table of Contents**KEY ELEMENTS OF 2018 COMPENSATION PROGRAMS**

Our compensation programs are comprised of three primary elements: cash annual base salary, AIP and LTIP. Each element is structured to complement one another and establish a balanced pay-for-performance structure. The below diagrams describe our 2018 executive compensation programs:

Award	CEO			NEOs (Other Than CEO)		
	Form	Performance Metrics		Form	Performance Metrics	
Annual Base Salary	Fixed Cash	N/A		Fixed Cash	N/A	
	\$1,000,000			\$550,000		
AIP	AIP Opportunity as % of Annual Base Salary	Metric as % of Total AIP Opportunity		AIP Opportunity as % of Annual Base Salary	Metric as % of Total AIP Opportunity	
	Threshold 75%	Adjusted EPS	37.5%	Threshold 50%	Adjusted EPS	33.33%
AIP	Target 150%	Adjusted EBITDA	37.5%	Target 100%	Adjusted EBITDA	33.33%
	Maximum 225%	Individual Performance 25%		Maximum 150%	Individual Performance 33.34%	
AIP	Form of Payment as % of Total AIP			Form of Payment as % of Total AIP		
	Cash 75%			Cash 100%		
AIP	RSAs 25%					
	Total LTIP Opportunity at Target			Total LTIP Opportunity at Target		
AIP	\$3,000,000 (3x Annual Base Salary)			\$550,000 (1x Annual Base Salary)		
	Time-Based RSAs			Time-Based RSAs		

**RSA Opportunity as
% of Total LTIP
Opportunity at Target**

33.33% (\$999,900)

N/A

**RSA Opportunity as
% of Total LTIP
Opportunity at Target**

40% (\$220,000)

N/A

Time-Based Pro Rata
Annual Vesting over
Three Years

Performance RSUs

Time-Based Pro Rata
Annual Vesting over
Three Years

Performance RSUs

**Performance RSU
Opportunity as % of
Total LTIP
Opportunity at Target**

66.67% (\$2,000,100)
(CEO RSU Target)

Company Relative TSR

**Performance RSU
Opportunity as % of
Total LTIP
Opportunity at Target**

60% (\$330,000) (NEO
RSU Target)

**Performance RSU
Payout Opportunity
as % of CEO RSU
Target**

Threshold 25th Percentile
Target 55th Percentile
Maximum 80th Percentile

**Performance RSU
Payout Opportunity
as % of NEO RSU
Target**

Comp

Threshold 50%

Target 100%

Maximum 150%

Threshold 50%

Target 100%

Maximum 150%