CRA INTERNATIONAL, INC.
Form 10-Q
August 04, 2015

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 4, 2015

or

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

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)

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Class	**Outstanding at July 30, 2015**
Common Stock, no par value per share	9,069,586 shares

Table of Contents

CRA International, Inc.

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CRA International, Inc.

Condensed Consolidated Income Statements (unaudited)

(In thousands, except per share data)

	Quarter Ended		Fiscal Year to Date Period Ended	
	July 4, 2015	**June 28, 2014**	**July 4, 2015**	**June 28, 2014**
Revenues	$ 76,535	$ 78,184	$ 154,574	$ 154,429
Costs of services	50,675	52,669	104,494	104,535
Gross profit	25,860	25,515	50,080	49,894
Selling, general and administrative expenses	18,667	17,463	36,750	34,623
Depreciation and amortization	1,545	1,559	3,206	3,149
Income from operations	5,648	6,493	10,124	12,122
Interest income	11	39	28	78
Interest expense	(149)	(127)	(291)	(291)
Gain on extinguishment of debt			606	
Other expense, net	(119)	(71)	(445)	(191)
Income before provision for income taxes	5,391	6,334	10,022	11,718
Provision for income taxes	(2,189)	(3,167)	(3,921)	(5,243)
Net income	3,202	3,167	6,101	6,475
Net loss attributable to noncontrolling interest, net of tax	123	21	3	123
Net income attributable to CRA International, Inc.	$ 3,325	$ 3,188	$ 6,104	$ 6,598
Net income per share attributable to CRA International, Inc:				
Basic	$ 0.37	$ 0.32	$ 0.66	$ 0.66
Diluted	$ 0.36	$ 0.32	$ 0.65	$ 0.66
Weighted average number of shares outstanding:				
Basic	9,034	9,919	9,112	9,974
Diluted	9,253	10,026	9,328	10,067

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

CRA International, Inc.

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(In thousands)

	Quarter Ended		Fiscal Year to Date Period Ended	
	July 4, 2015	**June 28, 2014**	**July 4, 2015**	**June 28, 2014**
Net income	$ 3,202	$ 3,167	$ 6,101	$ 6,475
Other comprehensive income (loss):				
Foreign currency translation adjustments	1,556	706	(706)	869
Comprehensive income	4,758	3,873	5,395	7,344
Less: comprehensive loss attributable to noncontrolling interest	123	21	3	123
Comprehensive income attributable to CRA International, Inc.	$ 4,881	$ 3,894	$ 5,398	$ 7,467

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

CRA International, Inc.

Condensed Consolidated Balance Sheets (unaudited)

(In thousands, except share data)

	July 4, 2015	January 3, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 15,816	$ 48,199
Accounts receivable, net of allowances of $4,692 at July 4, 2015 and $4,177 at January 3, 2015	57,902	58,080
Unbilled services, net of allowances of $2,372 at July 4, 2015 and at $2,233 at January 3, 2015	29,622	25,085
Prepaid expenses and other current assets	18,817	13,165
Deferred income taxes	21,363	20,638
Total current assets	143,520	165,167
Property and equipment, net	23,509	14,696
Goodwill	82,294	82,303
Intangible assets, net of accumulated amortization of $10,170 at July 4, 2015 and $9,584 at January 3, 2015	4,089	4,757
Deferred income taxes, net of current portion	171	174
Other assets	42,804	47,915
Total assets	$ 296,387	$ 315,012
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 13,123	$ 13,700
Accrued expenses	44,978	66,548
Deferred revenue and other liabilities	5,415	6,220
Deferred income taxes	121	121
Current portion of deferred rent	991	1,623
Current portion of deferred compensation	797	182
Current portion of notes payable	75	
Total current liabilities	65,500	88,394
Notes payable, net of current portion		981
Deferred rent and facility-related non-current liabilities	8,730	4,535
Deferred compensation and other non-current liabilities	3,110	3,371
Deferred income taxes, net of current portion	3,981	3,027
Commitments and contingencies		
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; 8,992,221 shares and 9,228,272 shares issued and outstanding at July 4, 2015 and January 3, 2015, respectively	68,126	73,171
Retained earnings	153,722	147,618
Accumulated other comprehensive loss	(7,410)	(6,704)
Total CRA International, Inc. shareholders' equity	214,438	214,085
Noncontrolling interest	628	619
Total shareholders' equity	215,066	214,704

Total liabilities and shareholders' equity	$ 296,387	$ 315,012

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

CRA International, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	Fiscal Year to Date Period Ended July 4, 2015	Fiscal Year to Date Period Ended June 28, 2014
Operating activities:		
Net income	$ 6,101	$ 6,475
Adjustments to reconcile net income to net cash used in operating activities, net of effect of acquired businesses:		
Depreciation and amortization	3,231	3,138
Loss on disposal of property and equipment	16	9
Deferred rent	3,564	(1,455)
Deferred income taxes	31	871
Share-based compensation expenses	2,998	2,616
Excess tax benefits from share-based compensation	(87)	
Gain on extinguishment of debt	(606)	
Accounts receivable allowances	530	(1,411)
Changes in operating assets and liabilities:		
Accounts receivable	(694)	(5,087)
Unbilled services	(4,534)	(3,534)
Prepaid expenses and other current asset, and other assets	(1,524)	1,722
Accounts payable, accrued expenses, and other liabilities	(25,590)	(18,514)
Net cash used in operating activities	(16,564)	(15,170)
Investing activities:		
Consideration paid for acquisitions, net		(1,537)
Purchase of property and equipment	(8,492)	(1,358)
Collections on notes receivable	1,560	
Payments on notes receivable	(40)	14
Net cash used in investing activities	(6,972)	(2,881)
Financing activities:		
Issuance of common stock, principally stock option exercises	105	
Payments on notes payable	(300)	(26)
Borrowings under line of credit	4,000	
Repayments under line of credit	(4,000)	
Tax withholding payments reimbursed by restricted shares	(111)	(143)
Excess tax benefits from share-based compensation	87	
Repurchase of common stock	(7,968)	(5,355)
Net cash used in financing activities	(8,187)	(5,524)
Effect of foreign exchange rates on cash and cash equivalents	(660)	(62)
Net decrease in cash and cash equivalents	(32,383)	(23,637)
Cash and cash equivalents at beginning of period	48,199	51,251
Cash and cash equivalents at end of period	$ 15,816	$ 27,614

Noncash investing and financing activities:

Issuance of common stock for acquired business	$	42	$	427
Purchases of property and equipment not yet paid for		2,998		
Supplemental cash flow information:				
Cash paid for income taxes	$	5,000	$	8,600
Cash paid for interest	$	162	$	189

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

CRA International, Inc.

Condensed Consolidated Statement of Shareholders' Equity (unaudited)

(In thousands, except share data)

	Common Stock			Accumulated Other	CRA International, Inc.		Total
	Shares Issued	Amount	Retained Earnings	Comprehensive Loss	Shareholders' Equity	Noncontrolling Interest	Shareholders' Equity
BALANCE AT JANUARY 3, 2015	9,228,272	$ 73,171	$ 147,618	$ (6,704)	$ 214,085	$ 619	$ 214,704
Net income (loss)			6,104		6,104	(3)	6,101
Foreign currency translation adjustment				(706)	(706)		(706)
Issuance of common stock in connection with business acquisition	1,359	42			42		42
Exercise of stock options	4,892	105			105		105
Share-based compensation expense for employees		2,962			2,962		2,962
Share-based compensation expense for non-employees		36			36		36
Restricted share vesting	25,171						
Redemption of vested employee restricted shares for tax withholding	(3,673)	(111)			(111)		(111)
Tax deficit on stock options and restricted shares vesting		(111)			(111)		(111)
Shares repurchased	(263,800)	(7,968)			(7,968)		(7,968)
Equity transactions of noncontrolling interest						12	12
BALANCE AT JULY 4, 2015	8,992,221	$ 68,126	$ 153,722	$ (7,410)	$ 214,438	$ 628	$ 215,066

See accompanying notes to the condensed consolidated financial statements.

Table of Contents

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

CRA International, Inc. ("CRA") 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 its services in two broad areas: litigation, regulatory and financial consulting and management consulting. CRA operates in one business segment, which is consulting services. CRA operates its business under its registered trade name, Charles River Associates.

2. Unaudited Interim Condensed Consolidated Financial Statements and Estimates

The following financial statements included in this report are unaudited: the condensed consolidated income statements for the fiscal quarters and year to date periods ended July 4, 2015 and June 28, 2014, the condensed consolidated statements of comprehensive income for the fiscal quarters and year to date periods ended July 4, 2015 and June 28, 2014, the condensed consolidated balance sheet as of July 4, 2015, the condensed consolidated statements of cash flows for the fiscal year to date periods ended July 4, 2015 and June 28, 2014, and the condensed consolidated statement of shareholders' equity for the fiscal year to date period ended July 4, 2015. In the opinion of management, these statements include all adjustments necessary for a fair presentation of CRA's consolidated financial position, results of operations, and cash flows. The condensed consolidated balance sheet as of January 3, 2015 included in this report was derived from audited consolidated financial statements included in CRA's Annual Report on Form 10-K that was filed on March 17, 2015.

The preparation of financial statements in conformity with generally accepted accounting principles in the U.S. ("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 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, depreciation of property and equipment, share-based compensation, valuation of acquired intangible assets, impairment of long lived assets, goodwill, accrued and deferred income taxes, valuation allowances on deferred tax assets, accrued compensation, accrued exit costs, and 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.

3. Principles of Consolidation

The condensed consolidated financial statements include the accounts of CRA and its wholly owned subsidiaries. In addition, the condensed consolidated financial statements include CRA's interest in NeuCo, Inc. ("NeuCo"). All significant intercompany accounts have been eliminated.

CRA's ownership interest in NeuCo was 55.89% for all periods presented. NeuCo's financial results have been consolidated with CRA, and the portion of NeuCo's results allocable to its other owners is shown as "noncontrolling interest."

Table of Contents

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

3. Principles of Consolidation (Continued)

NeuCo's interim reporting schedule is based on calendar month-ends, but its fiscal year end is the last Saturday of November. CRA's quarterly results could include a few days reporting lag between CRA's quarter end and the most recent financial statements available from NeuCo. CRA does not believe that the reporting lag will have a significant impact on CRA's consolidated income statements or financial condition.

On January 8, 2015, NeuCo entered into an agreement to settle a note payable of approximately $981,000 in exchange for aggregate payments of $375,000. NeuCo recorded a gain on the extinguishment of this debt in the first quarter of fiscal 2015 of approximately $606,000. Under the settlement order, the scheduled payments are as follows: $150,000 on January 8, 2015, $150,000 on February 28, 2015, and $75,000 on February 29, 2016. NeuCo made the first two scheduled payments during the first quarter of fiscal 2015. In case of default, the original amount would become due.

4. Recent Accounting Standards

Technical Corrections and Improvements

In June 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2015-10, *Technical Corrections and Improvements* ("ASU 2015-10"), which amends a number of Topics in the *FASB Accounting Standards Codification.* ASU 2015-10 is part of an ongoing project on the FASB's agenda to facilitate Codification updates for non-substantive technical corrections, clarifications, and improvements that are not expected to have a significant effect on accounting practice or create a significant administrative cost to most entities. The amendments that require transition guidance are effective for all entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments were effective on issuance. CRA believes that the adoption of ASU 2015-10 will not have a material impact on its financial position, results of operations, cash flows, or disclosures.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). The main provision of ASU 2014-09 is to recognize revenue when control of the goods or services transfers to the customer, as opposed to the existing guidance of recognizing revenue when the risks and rewards transfer to the customer. On July 9, 2015, the FASB decided to delay the effective date of ASU 2014-09. The deferral results in ASU 2014-09 being effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted for interim and annual periods beginning after December 15, 2016. The guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. CRA has not yet determined the effects, if any, that the adoption of ASU 2014-09 may have on its financial position, results of operations, cash flows, or disclosures.

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

4. Recent Accounting Standards (Continued)

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for the first interim period for fiscal years beginning after December 15, 2015. CRA believes that the adoption of ASU 2015-03 will not have a material impact on its financial position, results of operations, cash flows, or disclosures.

Reporting of Going-Concern Uncertainties

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures in the financial statement footnotes. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. CRA believes that the adoption of ASU 2014-15 will not have a material impact on its financial position, results of operations, cash flows, or disclosures.

Accounting for Share-Based Payments

In June 2014, the FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)* ("ASU 2014-12"). ASU 2014-12 clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense (measured as of the grant date without taking into account the effect of the performance target) related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. There are no new disclosures required under ASU 2014-12. ASU 2014- 12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. CRA believes that the adoption of ASU 2014-12 will not have a material impact on its financial position, results of operations, cash flows, or disclosures.

5. Cash and Cash Equivalents

Cash equivalents consist principally of money market funds with maturities of three months or less when purchased. As of July 4, 2015, a substantial portion of CRA's cash accounts was concentrated at a single financial institution, which potentially exposes CRA to credit risks. The financial institution has a short-term credit rating 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

Table of Contents

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

5. Cash and Cash Equivalents (Continued)

by the financial institution, and the cash on deposit is fully liquid. CRA continually monitors the credit ratings of this institution.

The carrying amounts of these instruments classified as cash equivalents are stated at amortized cost, which approximates fair value because of their short-term maturity.

6. Fair Value of Financial Instruments

Accounting Standards Codification ("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 July 4, 2015 and January 3, 2015 that are measured and recorded in the financial statements at fair value on a recurring basis (in thousands):

	July 4, 2015		
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Unobservable Inputs
	Level 1	Level 2	Level 3
Assets:			
Money market funds	$ 46	$	$
Total Assets	$ 46	$	$
Liabilities:			
Contingent acquisition liability	$	$	$ 861
Total Liabilities	$	$	$ 861

	January 3, 2015		
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Unobservable Inputs
	Level 1	Level 2	Level 3
Assets:			
Money market funds	$ 20,042	$	$
Total Assets	$ 20,042	$	$

Liabilities:				
Contingent acquisition liability	$	$	$	316
Total Liabilities	$	$	$	316

The fair values of CRA's money market funds are based on quotes received from third-party banks.

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

6. Fair Value of Financial Instruments (Continued)

The contingent acquisition liability in the table above is for estimated future contingent consideration payments related to a prior acquisition. The fair value measure of this liability is based on significant inputs not observed in the market and thus represents a Level 3 measurement. The significant unobservable inputs used in the fair value measurements of this contingent acquisition liability are CRA's measures of the estimated payouts based on internally generated financial projections and discount rates. The fair value of the contingent acquisition liability is reassessed on a quarterly basis by CRA using additional information as it becomes available and any change in the fair value estimate is recorded in the earnings of that period. The increase in the contingent acquisition liability from $0.3 million at January 3, 2015 to $0.9 million as of July 4, 2015 was due to the improved financial performance of the acquired entity during the first half of fiscal 2015, which resulted in a charge of $0.8 million to costs of services during the first half of fiscal 2015. Payments of approximately $0.3 million were made during the first half of fiscal 2015.

7. Prepaid Expenses and Other Current Assets, and Other Assets

In order to attract and retain highly skilled professionals, CRA may issue forgivable loans or term loans to employees and non-employee experts, which are classified in "prepaid expenses and other current assets" and "other assets" on the accompanying balance sheets as of July 4, 2015 and January 3, 2015. A portion of these loans is collateralized. The forgivable loans have terms that are generally between three and eight years. The principal amount of forgivable loans and accrued interest is forgiven by CRA over the term of the loans, so long as the employee or non-employee expert continues employment or affiliation with CRA 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. During the first half of fiscal 2015, CRA issued approximately $6.3 million in forgivable loans to employees and non-employee experts for future service.

Other assets consist of the following (in thousands):

	July 4, 2015	January 3, 2015
Forgivable loans to employees and non-employee experts	$ 37,873	$ 42,907
Other	4,931	5,008
Total	$ 42,804	$ 47,915

8. Goodwill

In accordance with ASC Topic 350, *Intangibles Goodwill and Other,* goodwill is not subject to amortization, but is monitored at least annually 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 the CRA's goodwill impairment analysis, CRA operates under one reporting unit. Under ASC Topic 350, in performing the first step of the goodwill impairment testing and measurement process, CRA compares its entity-wide estimated fair value to net book value to identify potential impairment. Management estimates the entity-wide fair value utilizing CRA's market capitalization, plus an appropriate control premium. Market capitalization is determined by multiplying

Table of Contents

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

8. Goodwill (Continued)

the shares outstanding on the test date by the market price of CRA's common stock on that date. CRA has utilized a control premium that considers appropriate industry, market and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. If the estimated entity-wide fair value of CRA is less than its net book value, the second step is performed to determine if goodwill is impaired. If CRA determines through the impairment evaluation process that goodwill has been impaired, an impairment charge would be recorded in the consolidated income statements.

There were no impairment losses related to goodwill during each of the fiscal year-to-date periods ended July 4, 2015 or June 28, 2014, as there were no events or circumstances that would more likely than not reduce CRA's fair value below its carrying amount.

CRA continues to monitor its market capitalization. If CRA's market capitalization, plus an estimated control premium, is below its net book value for a period considered to be other-than-temporary, it is possible that CRA may be required to record an impairment of goodwill either as a result of the annual assessment that CRA conducts in the fourth quarter of each fiscal year, or in a future quarter if events or circumstances exist that would more likely than not reduce CRA's fair value below its carrying amount. A non-cash goodwill impairment charge would have the effect of decreasing CRA's earnings in such period.

The changes in the carrying amount of goodwill during the fiscal year-to-date period ended July 4, 2015, are as follows (in thousands):

	Goodwill, gross	Accumulated impairment losses	Goodwill, net
Balance at January 3, 2015	$ 154,196	$ (71,893)	$ 82,303
Effect of foreign currency translation	(9)		(9)
Balance at July 4, 2015	$ 154,187	$ (71,893)	$ 82,294

The changes in the carrying amount of goodwill during the fiscal year-to-date period ended June 28, 2014, are as follows (in thousands):

	Goodwill, gross	Accumulated impairment losses	Goodwill, net
Balance at December 28, 2013	$ 153,466	$ (71,893)	$ 81,573
Goodwill adjustments related to acquisitions	1,829		1,829
Effect of foreign currency translation	494		494
Balance at June 28, 2014	$ 155,789	$ (71,893)	$ 83,896

Table of Contents

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

9. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	July 4, 2015	January 3, 2015
Compensation and related expenses	$ 38,460	$ 61,527
Income taxes payable	358	490
Other	6,160	4,531
Total	$ 44,978	$ 66,548

As of July 4, 2015 and January 3, 2015, approximately $26.4 million and $49.2 million, respectively, of accrued bonuses were included above in "Compensation and related expenses".

10. Credit Agreement

As of July 4, 2015, CRA is party to a credit agreement that provides CRA with a $125.0 million revolving credit facility and a $15 million sublimit for the issuance of letters of credit. CRA may use the proceeds of the revolving credit loans for working capital and other general corporate purposes. CRA may repay any borrowings under the revolving credit facility at any time, but no later than April 24, 2018. There was no amount outstanding under this revolving line of credit as of July 4, 2015.

As of July 4, 2015, the amount available under this revolving line of credit was reduced by certain letters of credit outstanding, which amounted to $1.3 million. Borrowings under the revolving credit facility bear interest at a rate per annum at the election of CRA of either (i) the adjusted base rate, as defined in the credit agreement, plus an applicable margin, which varies between 0.50% and 1.50% 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 1.50% and 2.50% 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 0.25% and 0.375% depending on its total leverage ratio. Borrowings under the 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 $6.2 million in net assets as of July 4, 2015.

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 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 to 1.0 and to comply with a consolidated debt to adjusted consolidated EBITDA ratio of not more than 3.0 to 1.0. The non-financial covenant restrictions of the 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 July 4, 2015, CRA was in compliance with the covenants of the credit agreement.

Table of Contents

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

11. Revenue Recognition

CRA derives substantially all of its revenues from the performance of professional services. CRA's revenues include projects secured by our non-employee experts as well as projects secured by our employees. CRA recognizes all project revenue on a gross basis based on consideration of the criteria set forth in ASC Topic 605-45, *Principal Agent Considerations*.

The contracts that CRA enters into and operates under specify whether the engagement will be billed on a time-and-materials or a fixed-price basis. Most of CRA's revenue is derived from time-and-materials service contracts. Revenues from time-and-materials service contracts are recognized as services are provided based upon hours worked and contractually agreed-upon hourly rates, as well as indirect fees based upon hours worked. Revenues from a majority of CRA's fixed-price engagements are 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. In general, project costs are classified in costs of services and are 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 CRA by its non-employee experts.

Revenues also include reimbursable expenses, which include travel and other out-of-pocket expenses, outside consultants, and other reimbursable expenses. Reimbursable expenses are as follows (in thousands):

	Quarter Ended		Fiscal Year to Date Period Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Reimbursable expenses	$ 7,447	$ 8,658	$ 16,319	$ 17,686

CRA collects goods and services and value added taxes from customers and records these amounts on a net basis, which is within the scope of ASC Topic 605-45, *Principal Agent Considerations.*

12. Net Income per Share

Basic net income per share represents net income attributable to CRA International, Inc. divided by the weighted average shares of common stock outstanding during the period. Diluted net income per share represents net income divided by the weighted average shares of common stock and common stock equivalents, if applicable, outstanding during the period. Common stock equivalents arise from stock options, unvested shares of restricted stock and unvested restricted stock units, using the treasury stock method. Under the treasury stock method, the amount CRA would receive on the exercise of stock options and the vesting of shares of restricted stock and restricted stock units, the amount of compensation cost for future service that CRA has not yet recognized, and the amount of tax benefits that would be recorded in common stock when these stock options, shares of restricted stock and restricted stock units become deductible, are assumed to be used to repurchase shares at the average share price over the applicable fiscal period, and these repurchased shares are netted against the shares underlying these stock options and these unvested shares of restricted stock and restricted stock units. CRA's unvested shares of restricted stock that contain rights to receive non-forfeitable dividends are considered participating securities, but net earnings available to these participating securities were not

Table of Contents

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

12. Net Income per Share (Continued)

significant for the second quarter. For the first half of fiscal 2015, the following is a reconciliation of the numerators and denominators used in the calculation of basic net income per share:

	Amount	Shares	Per Share Amount
Net income attributable to CRA International, Inc. allocated to common shares	$ 6,104	9,183	
Less: net income attributable to CRA International, Inc. allocated to unvested shares	(47)	(71)	
Net income attributable to CRA International, Inc. allocated to common shares	$ 6,057	9,112	$ 0.66

A reconciliation of basic to diluted weighted average shares of common stock outstanding is as follows (in thousands):

	Quarter Ended		Fiscal Year to Date Period Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Basic weighted average shares outstanding	9,034	9,919	9,112	9,974
Common stock equivalents:				
Stock options, restricted shares, and restricted stock units	219	107	216	93
Diluted weighted average shares outstanding	9,253	10,026	9,328	10,067

For the second quarter and fiscal year to date period ended July 4, 2015, 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 371,421 and 381,577 shares, respectively. For the second quarter and fiscal year-to-date period ended June 28, 2014, certain share-based awards, which amounted to 888,746 and 1,088,180 shares, respectively, were excluded from the calculation of common stock equivalents for purposes of computing diluted weighted average shares outstanding because they were anti-dilutive. These share-based awards were anti-dilutive because their exercise price exceeded the average market price over the respective period.

On August 10, 2012, February 13, 2014, and October 23, 2014, CRA's Board of Directors authorized the repurchase of up to $5.0 million, $15.0 million, and $30.0 million, respectively, of CRA's common stock. CRA may repurchase shares under any of these programs in open market purchases (including under any Rule 10b5-1 plan adopted by CRA) or in privately negotiated transactions, in each case in accordance with applicable insider trading and other securities laws and regulations. CRA records the retirement of its repurchased shares as a reduction to common stock. During the second quarter and first half of fiscal 2015, CRA repurchased and retired 118,900 shares and 263,800 shares, respectively, under these share repurchase programs at an average price per share of $28.90 and $30.23, respectively. During the second quarter and first half of fiscal 2014, CRA repurchased and retired 157,000 shares and 252,600 shares, respectively, under these share repurchase programs at an average

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

12. Net Income per Share (Continued)

price per share of $21.70 and $21.91, respectively. There was approximately $12.9 million available for future repurchases under these programs as of July 4, 2015.

13. Income Taxes

CRA's effective income tax rates were 40.6% and 50.0% for the second quarters of fiscal 2015 and fiscal 2014, respectively. The effective tax rate in the second quarter of fiscal 2015 was in line with the combined Federal and state statutory tax rate and included favorable rate drivers resulting from the geographical mix of earnings and the use of valuation allowances, offset by the tax treatment of contingent consideration and other permanent tax differences. Additionally, there was a discrete benefit in the quarter related to prior period true-ups primarily as a result of a statutory rate decrease for withholding taxes. The effective tax rate in the second quarter of fiscal 2014 was higher than CRA's combined Federal and state statutory tax rate primarily due to a non-cash tax expense recorded in the second quarter of fiscal 2014 to correct an error in its previously issued consolidated financial statements. During the second quarter of fiscal 2014, CRA identified the prior period error, which was related to the valuation of deferred tax assets in CRA's previously issued consolidated financial statements, concluded that this error was not material to its prior reporting periods, and recorded a non-cash tax expense of approximately $0.8 million to correct this error.

CRA's effective income tax rates were 39.1% and 44.7% for the first half of fiscal 2015 and the first half of fiscal 2014, respectively. The effective tax rate in the first half of fiscal 2015 was slightly lower than the combined Federal and state statutory tax rate and included favorable rates drivers resulting from the geographical mix of earnings and the use of valuation allowances, offset by the tax treatment of contingent consideration and other permanent tax differences. The valuation allowance benefit resulted from the utilization of certain historical foreign net operating losses that previously had valuation allowances. Additionally, there was a discrete benefit year-to-date related to prior period true-ups primarily as a result of a decrease in a statutory withholding tax rate, as well as the release of reserves in connection with the finalization of the tax examination in France for fiscal years 2011 and 2012, offset by a discrete provision in the first quarter of fiscal 2015 in connection with income taxes payable for a state examination that has now concluded. The effective tax rate for the first half of fiscal 2014 was higher than CRA's combined Federal and state statutory tax rate primarily due to the approximately $0.8 million non-cash tax expense recorded in the second quarter of fiscal 2014 to correct the error in CRA's previously issued consolidated financial statements, described earlier in this note 13, partially offset by certain favorable tax adjustments that were treated as discrete items in the first half of fiscal 2014.

CRA has not provided for deferred income taxes or foreign withholding taxes on undistributed earnings from its foreign subsidiaries as of July 4, 2015 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 and availability from its U.S. credit line to fund its U.S. operational and strategic needs. If CRA were to repatriate its foreign earnings that are indefinitely reinvested, it would incur minimal additional tax expense.

Table of Contents

CRA International, Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

14. Restructuring Charges

CRA did not incur any restructuring charges during the second quarter or first half of fiscal 2015, or the second quarter or first half of fiscal 2014. The restructuring reserve balance was as follows as of July 4, 2015 (in thousands):

	Office Vacancies
Balance at January 3, 2015	$ 462
Amounts paid, net of amounts received, during the first half of fiscal 2015	(424)
Balance at July 4, 2015	$ 38

On the accompanying balance sheet as of July 4, 2015, the reserve balance above was classified in "current portion of deferred rent".

The restructuring reserve balance was as follows as of June 28, 2014 (in thousands):

	Office Vacancies
Balance at December 28, 2013	$ 1,170
Amounts paid, net of amounts received, during the first half of fiscal 2014	(452)
Adjustments during the first half of fiscal 2014	20
Balance at June 28, 2014	$ 738

15. Subsequent Event

On July 15, 2015, CRA entered into a new lease with 1411 IC-SIC Property LLC, as landlord, for 25,261 square feet of office space located on the 35th floor of 1411 Broadway, New York, New York. The lease's base term will expire 10 years from the date that CRA begins paying fixed rent under the lease and, subject to certain conditions, will be extendible by CRA for one five-year period. The annual fixed rent for this office space (which does not include customary operating costs and expenses) will be approximately $153,671 per month, or $1,844,053 per annum, for the first five years of the lease's base term and will increase to a rate of approximately $166,301 per month, or $1,955,619 per annum, during the remainder of the lease's base term. The lease gives us a right of first refusal to rent certain additional office space in the office building if it becomes available. The performance of our obligations under the lease is secured by a letter of credit in the amount of $922,027. We took possession of the leased property on August 1, 2015.

Table of Contents

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

Forward-Looking Statements

Except for historical facts, the statements in this quarterly report are forward-looking statements. Forward-looking statements are merely our current predictions of future events. These statements are inherently uncertain, and actual events could differ materially from our predictions. Important factors that could cause actual events to vary from our predictions include those discussed below 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 quarterly 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.

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 file them electronically 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 ethics applicable to our principal executive officer, principal financial officer, and principal accounting officer.

Critical Accounting Policies and Significant Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the U.S. ("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 the 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 condensed consolidated financial statements include, but are not limited to, allowance for accounts receivable and unbilled services, revenue recognition on fixed price contracts, depreciation of property and equipment, share-based compensation, valuation of acquired intangible assets, impairment of long lived assets, goodwill, accrued and deferred income taxes, valuation allowances on deferred tax assets, accrued compensation, accrued exit costs, and 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.

We have described our significant accounting policies in Note 1 to our consolidated financial statements included in our annual report on Form 10-K for fiscal 2014. We have reviewed our accounting policies, identifying those that we believe to be critical to the preparation and understanding of our consolidated financial statements in the list set forth below. See the disclosure under the heading "Critical Accounting Policies" in Item 7 of Part II of our annual report on Form 10-K for fiscal 2014 for a detailed description of these policies and their potential effects on our results of operations and financial condition.

- Revenue recognition and allowances for accounts receivable and unbilled services
- Share-based compensation expense

Table of Contents

Valuation of goodwill and other intangible assets

Accounting for income taxes

We did not adopt any changes in the first half of fiscal 2015 that had a material effect on these critical accounting policies nor did we make any changes to our accounting policies in the first half of fiscal 2015 that changed these critical accounting policies.

Recent Accounting Standards

See Note 4 to our condensed consolidated financial statements included in this quarterly report on Form 10-Q for a discussion of recent accounting standards.

Results of Operations For the Quarter and Fiscal Year to Date Period Ended July 4, 2015, Compared to the Quarter and Fiscal Year to Date Period Ended June 28, 2014

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

	Quarter Ended		Fiscal Year to Date Period Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Revenues	100.0%	100.0%	100.0%	100.0%
Costs of services	66.2	67.4	67.6	67.7
Gross profit	33.8	32.6	32.4	32.3
Selling, general and administrative expenses	24.4	22.3	23.8	22.4
Depreciation and amortization	2.0	2.0	2.1	2.0
Income from operations	7.4	8.3	6.5	7.8
Interest income	0.0	0.0	0.0	0.1
Interest expense	(0.2)	(0.2)	(0.2)	(0.2)
Gain on extinguishment of debt			0.4	
Other expense, net	(0.2)	(0.1)	(0.3)	(0.1)
Income before provision for income taxes	7.0	8.1	6.5	7.6
Provision for income taxes	(2.9)	(4.1)	(2.5)	(3.4)
Net income	4.2	4.1	3.9	4.2
Net loss attributable to noncontrolling interest, net of tax	0.2	0.0	0.0	0.1
Net income attributable to CRA International, Inc.	4.3%	4.1%	3.9%	4.3%

Quarter Ended July 4, 2015 Compared to the Quarter Ended June 28, 2014

Revenues. Revenues decreased by $1.7 million, or 2.1%, to $76.5 million for the second quarter of fiscal 2015 from $78.2 million for the second quarter of fiscal 2014. Utilization decreased to 75% for the second quarter of fiscal 2015 from 78% for the second quarter of fiscal 2014. A decrease in client reimbursable expenses, which are pass-through expenses that carry little to no margin, was a primary factor in the decreased revenue in the second quarter of fiscal 2015 as compared to the second quarter of fiscal 2014. Additionally, NeuCo had a decrease in revenue of approximately $0.4 million in the second quarter of fiscal 2015 as compared with the second quarter of fiscal 2014.

Overall, revenues outside of the U.S. represented approximately 21% of total revenues for each of the second quarter of fiscal 2015 and the second quarter of fiscal 2014. Revenues derived from fixed-price engagements decreased to 15% of total revenues for the second quarter of fiscal 2015 compared

Table of Contents

with 18% for the second quarter of fiscal 2014. These percentages of revenue derived from fixed-price engagements depend largely on the proportion of our revenues derived from our management consulting business, which typically has a higher concentration of fixed-price service contracts.

Costs of Services. Costs of services decreased by $2.0 million, or 3.8%, to $50.7 million for the second quarter of fiscal 2015 from $52.7 million for the second quarter of fiscal 2014. The decrease in costs of services was due primarily to a decrease in incentive compensation expense for our employee consultants, and a $1.2 million decrease in client reimbursable expenses in the second quarter of fiscal 2015 as compared to the second quarter of fiscal 2014. As a percentage of revenues, costs of services decreased to 66.2% for the second quarter of fiscal 2015 from 67.4% for the second quarter of fiscal 2014 due primarily to the previously mentioned decrease in incentive compensation expense and client reimbursable expenses outpacing the decrease in revenues in the second quarter of fiscal 2015 as compared with the second quarter of fiscal 2014.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $1.2 million, or 6.9%, to $18.7 million for the second quarter of fiscal 2015 from $17.5 million for the second quarter of fiscal 2014. The primary contributors to this increase were increases in certain operating expenses (including recruiting fees, marketing expenses, and travel expenses) and increased rent expense for our Boston, Massachusetts office as we occupy the existing space while building out the new space for occupancy in the third quarter of fiscal 2015. Partially offsetting these increases were decreases in commissions to our nonemployee experts for the second quarter of fiscal 2015 as compared to the second quarter of fiscal 2014.

As a percentage of revenues, selling, general and administrative expenses increased to 24.4% for the second quarter of fiscal 2015 from 22.3% for the second quarter of fiscal 2014 due primarily to the previously mentioned increase in selling, general and administrative expenses and the decrease in revenues in the second quarter of fiscal 2015 as compared with the second quarter of fiscal 2014. Commissions to our nonemployee experts decreased to 2.7% of revenues for the second quarter of fiscal 2015 compared to 3.5% of revenues for second quarter of fiscal 2014.

Other Expense, Net. Other expense, net increased by $48,000 to $119,000 for the second quarter of fiscal 2015 from $71,000 for the second quarter of fiscal 2014. Other expense, net consists primarily of foreign currency exchange transaction gains and losses. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the dollar and foreign currencies including the Euro, the British Pound, and the Canadian Dollar. Additionally, our multi-currency credit facility allows us to mitigate such foreign exchange exposures.

Provision for Income Taxes. The income tax provision was $2.2 million, and the effective tax rate was 40.6%, for the second quarter of fiscal 2015 compared to $3.2 million and 50.0% for the second quarter of fiscal 2014. The effective tax rate in the second quarter of fiscal 2015 was in line with the combined Federal and state statutory tax rate and included favorable rate drivers resulting from the geographical mix of earnings and the use of valuation allowances, offset by the tax treatment of contingent consideration and other permanent tax differences. Additionally, there was a discrete benefit in the quarter related to prior period true-ups primarily as a result of a statutory rate decrease for withholding taxes. The effective tax rate in the second quarter of fiscal 2014 was higher than our combined Federal and state statutory tax rate primarily due to a non-cash tax expense recorded in the second quarter of fiscal 2014 to correct an error in our previously issued consolidated financial statements. During the second quarter of fiscal 2014, we identified the prior period error, which was related to the valuation of deferred tax assets in our previously issued consolidated financial statements, concluded that this error was not material to our prior reporting periods, and recorded a non-cash tax expense of approximately $0.8 million to correct it.

Table of Contents

Net Loss Attributable to Noncontrolling Interest, Net of Tax. Our ownership interest in NeuCo was 55.89% for the second quarters of fiscal 2014 and fiscal 2015. NeuCo's financial results are consolidated with ours, and allocations of the noncontrolling interest's share of NeuCo's net income result in deductions to our net income, while allocations of the noncontrolling interest's share of NeuCo's net loss result in additions to our net income. The results of operations of NeuCo allocable to its other owners was a net loss of $123,000 for the second quarter of fiscal 2015 and a net loss of $21,000 for the second quarter of fiscal 2014.

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. increased by $137,000 to $3.3 million for the second quarter of fiscal 2015 from of $3.2 million for the second quarter of fiscal 2014. The net income per diluted share was $0.36 per share for the second quarter of fiscal 2015, compared to $0.32 of net income per diluted share for the second quarter of fiscal 2014. Diluted weighted average shares outstanding decreased by approximately 773,000 shares to approximately 9,253,000 shares for the second quarter of fiscal 2015 from approximately 10,026,000 shares for the second quarter of fiscal 2014. The decrease in diluted weighted average shares outstanding was primarily due to repurchases of common stock since the second quarter of fiscal 2014, offset in part by an increase as a result of shares of restricted stock and time-vesting restricted stock units that have vested or that have been issued, and stock options that have been exercised, since the second quarter of fiscal 2014.

Fiscal Year to Date Period Ended July 4, 2015 Compared to the Fiscal Year to Date Period Ended June 28, 2014

Revenues. Revenues increased by $145,000, or 0.1%, to $154.6 million for the fiscal year to date period ended July 4, 2015 from $154.4 million for the fiscal year to date period ended June 28, 2014. Utilization decreased from 78% for the first half of fiscal 2014 to 77% for the first half of fiscal 2015 despite the overall increase in revenues in the first half of fiscal 2015 as compared to the first half of fiscal 2014, and was offset by increased average headcount in the first half of fiscal 2015 compared to the first half of fiscal 2014. The increase revenue was partially offset by the decrease in client reimbursable expenses, which are pass-through expenses that carry little to no margin, in the first half of fiscal 2015 as compared with the first half of fiscal 2014. Additionally, NeuCo had a decrease in revenue of $0.7 million in the first half of fiscal 2015 as compared with the first half of fiscal 2014.

Overall, revenues outside of the U.S. represented approximately 20% and 23% of total revenues for the first half of fiscal 2015 and the first half of fiscal 2014, respectively. Revenues derived from fixed-price engagements were 15% of total revenues for each of the first half of fiscal 2015 and the first half of fiscal 2014. These percentages of revenue derived from fixed-price engagements depend largely on the proportion of our revenues derived from our management consulting business, which typically has a higher concentration of fixed-price service contracts.

Costs of Services. Costs of services remained constant at $104.5 million for each of the first half of fiscal 2015 as compared to the first half of fiscal 2014. As a percentage of revenues, costs of services decreased to 67.6% for the first half of fiscal 2015 from 67.7% for the first half of fiscal 2014 due to the increase in revenue in the first half of fiscal 2015 as compared with the first half of fiscal 2014.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $2.1 million, or 6.1%, to $36.8 million for the first half of fiscal 2015 from $34.6 million for the first half of fiscal 2014. The primary contributors to this increase were increases in certain operating expenses (including recruiting fees, marketing expenses and travel expenses), and increased rent expense for our Boston, Massachusetts office as we occupy the existing space while building out the new space for occupancy in the third quarter of fiscal 2015. Partially offsetting these increases were decreases in commissions to our nonemployee experts for the first half of fiscal 2015 as compared to the first half of fiscal 2014.

Table of Contents

As a percentage of revenues, selling, general and administrative expenses increased to 23.8% for the first half of fiscal 2015 from 22.4% for first half of fiscal 2014 due primarily to the increase in the previously mentioned selling, general and administrative expenses outpacing the increase in revenues in the first half of fiscal 2015 as compared with the first half of fiscal 2014. Commissions to our nonemployee experts decreased to 3.0% of revenues for the first half of fiscal 2015 compared to 3.1% of revenues for first half of fiscal 2014.

Gain on Extinguishment of Debt. On January 8, 2015, NeuCo entered into an agreement to settle a note payable of approximately $981,000 in exchange for aggregate payments of $375,000. NeuCo recorded a gain on the extinguishment of this debt in the first quarter of fiscal 2015 of approximately $606,000. Under the settlement order, the scheduled payments are as follows: $150,000 on January 8, 2015, $150,000 on February 28, 2015, and $75,000 on February 29, 2016. NeuCo made the first two scheduled payments during the first quarter of fiscal 2015. In case of default, the original note would become due.

Other Expense, Net. Other expense, net increased by $254,000 to $445,000 for the first half of fiscal 2015 as compared to $191,000 for the first half of fiscal 2014. Other expense, net consists primarily of foreign currency exchange transaction gains and losses. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the dollar and foreign currencies including the Euro, the British Pound, and the Canadian Dollar. Additionally, our multi-currency credit facility allows us to mitigate such foreign exchange exposures.

Provision for Income Taxes. For the first half of fiscal 2015 our income tax provision was $3.9 million, and the effective tax rate was 39.1%, compared to a provision of $5.2 million and an effective tax rate of 44.7% for the first half of fiscal 2014. The effective tax rate in the first half of fiscal 2015 was slightly lower than the combined Federal and state statutory tax rate and included favorable rates drivers resulting from the geographical mix of earnings and the use of valuation allowances, offset by the tax treatment of contingent consideration and other permanent tax differences. The valuation allowance benefit results from the utilization of certain historical foreign net operating losses that previously had valuation allowances. Additionally, there was a discrete benefit year-to-date related to prior period true-ups primarily as a result of a decrease in a statutory withholding tax rate, as well as the release of reserves in connection with the finalization of the tax examination in France for fiscal years 2011 and 2012, offset by a discrete provision in the first quarter of fiscal 2015 in connection with income taxes payable for a state examination that has now concluded. The effective tax rate in the first half of fiscal 2014 was higher than our combined Federal and state statutory tax rate primarily due to a non-cash tax expense recorded in the second quarter of fiscal 2014 to correct an error in our previously issued consolidated financial statements, partially offset by certain favorable tax adjustments that were treated as discrete items in the first half of fiscal 2014. During the second quarter of fiscal 2014, we identified the prior period error, which was related to the valuation of deferred tax assets in our previously issued consolidated financial statements, concluded that this error was not material to our prior reporting periods, and recorded a non-cash tax expense of approximately $0.8 million to correct it.

Net Loss Attributable to Noncontrolling Interest, Net of Tax. Our ownership interest in NeuCo was 55.89% for the first half of fiscal 2014 and the first half of fiscal 2015. NeuCo's financial results are consolidated with ours and allocations of the noncontrolling interest's share of NeuCo's net income result in deductions to our net income, while allocations of the noncontrolling interest's share of NeuCo's net loss result in additions to our net income. The results of operations of NeuCo allocable to its other owners was a net loss of $3,000 for the fiscal year to date period ended July 4, 2015 and a net loss of $123,000 for the fiscal year to date period ended June 28, 2014.

Table of Contents

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. decreased by $0.5 million to $6.1 million for the first half of fiscal 2015 from $6.6 million for the first half of fiscal 2014. The diluted net income per share was $0.65 per share for the first half of fiscal 2015, compared to diluted net income per share of $0.66 per share for the first half of fiscal 2014. Diluted weighted average shares outstanding decreased by approximately 739,000 shares to approximately 9,328,000 shares for the first half of fiscal 2015 from approximately 10,067,000 shares for the first half of fiscal 2014. The decrease in diluted weighted average shares outstanding was primarily due to repurchases of common stock, offset in part by an increase as a result of shares of restricted stock and time-vesting restricted stock units that have vested or that have been issued, and stock options that have been exercised, since June 28, 2014.

Liquidity and Capital Resources

Fiscal Year to Date Period Ended July 4, 2015

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

General. In the first half of fiscal 2015, cash and cash equivalents decreased by $32.4 million. We completed the period with cash and cash equivalents of $15.8 million and working capital (defined as current assets less current liabilities) of $78.0 million. The principal drivers of the reduction in cash were the payment of a significant portion of our fiscal 2014 performance bonuses in the first quarter of fiscal 2015, the repurchase and retirement of 263,800 shares of our common stock during the first half of fiscal 2015, and increased capital expenditures related principally to outfitting our new office space in Boston, Massachusetts and Washington, DC for occupancy in the third and fourth quarter of fiscal 2015, respectively.

Of the total cash and cash equivalents of $15.8 million at July 4, 2015, $8.6 million was held within the U.S. We have sufficient sources of cash in the U.S. to fund U.S. cash requirements without the need to repatriate any funds.

As of July 4, 2015, a substantial portion of our cash accounts was concentrated at a single financial institution, which potentially exposes us to credit risks. The financial institution has a short-term credit rating of A-2 by Standard & Poor's ratings services. We have not experienced any losses related to such accounts. We do not believe that there is significant risk of non-performance by the financial institution, and our cash on deposit at this financial institution is fully liquid. We continually monitor the credit ratings of such institution. A change in the credit worthiness of this financial institution could materially affect our liquidity and working capital.

Sources and Uses of Cash. During the first half of fiscal 2014, net cash used in operating activities was $16.6 million. The primary factor in cash used in operations was the decrease in the "accounts payable, accrued expenses, and other liabilities" line item of the cash flow statement of $25.6 million due to the payment of a significant portion of our fiscal 2014 performance bonuses during the first quarter of fiscal 2015. Other uses of cash included a decrease in the "unbilled services" line item of the cash flow statement of $4.5 million, and a decrease in the "prepaid expenses and other current assets, and other assets" line item of $1.5 million. Cash provided by operations included net income of $6.1 million, depreciation and amortization expense of $3.2 million, share-based compensation expense of $3.0 million, and non-cash charges for an increase in deferred rent of $3.6 million, partially offset by the gain on extinguishment of debt of $0.6 million.

During the first half of fiscal 2015, net cash used by investing activities was $7.0 million, which included $8.5 million for capital expenditures related principally to outfitting our new office space in

Boston, Massachusetts for occupancy in the third quarter of fiscal 2015, partially offset by $1.5 million of collections on notes receivable, net of payments, in the first half of fiscal 2015.

We used $8.2 million of net cash in financing activities during the first half of fiscal 2015, primarily for the repurchase and retirement of our common stock of $8.0 million and the redemption of approximately $0.1 million in vested employee restricted shares for tax withholdings, partially offset by proceeds from the exercise of stock options of $0.1 million. Additionally, NeuCo made payments of $0.3 million on its note payable during the first quarter of fiscal 2015.

Indebtedness

As of July 4, 2015, we are party to a credit agreement that provides us with a $125.0 million revolving credit facility and a $15 million sublimit for the issuance of letters of credit. We may use the proceeds of the revolving credit loans to provide working capital and for other general corporate purposes. Generally, we may repay any borrowings under the revolving credit facility at any time, but must repay all borrowings no later than April 24, 2018. There were no amounts outstanding under this revolving line of credit as of July 4, 2015.

The amount available under this revolving line of credit is reduced by certain letters of credit outstanding, which amounted to $1.3 million as of July 4, 2015.

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 0.50% and 1.50% 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 1.50% and 2.50% 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 0.25% and 0.375% depending on our total leverage ratio. Borrowings under the 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 $6.2 million in net assets as of July 4, 2015.

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 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 to 1.0 and to comply with a consolidated debt to adjusted consolidated EBITDA ratio of not more than 3.0 to 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.

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. The forgivable loans have terms that are generally between three 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. During the first half of fiscal 2015, we issued approximately $6.3 million in forgivable loans to employees and non-employee experts for future service.

Table of Contents

Compensation Arrangements

We have entered into compensation arrangements for the payment of incentive performance awards to certain of our non-employee experts and employees if specific performance targets are met. The amounts of the awards to be paid under these compensation arrangements could fluctuate depending on future performance through the respective measurement periods. Changes in the estimated award are expensed prospectively over the remaining service period. We believe that we will have sufficient funds to satisfy any obligations related to the incentive performance awards. We expect to fund these payments, if any, from existing cash resources, cash generated from operations, or financing transactions.

Business Acquisitions

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 current senior loan 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

On August 10, 2012, February 13, 2014, and October 23, 2014, our Board of Directors authorized the repurchase of up to $5.0 million, $15.0 million, and $30.0 million, respectively, of our common stock. We may repurchase shares under any of these programs in open market purchases (including under any Rule 10b5-1 plan adopted by CRA) or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. During the first half of fiscal 2015, we repurchased and retired 263,800 shares under these programs at an average price per share of $30.23. Approximately $12.9 million was available for future repurchases as of July 4, 2015.

We will finance these programs with available cash and cash from future operations. We expect to continue to repurchase shares under these programs.

Contractual Obligations

On July 15, 2015, we entered into a new lease with 1411 IC-SIC Property LLC, as landlord, for 25,261 square feet of office space located on the 35th floor of 1411 Broadway, New York, New York. The lease's base term will expire 10 years from the date that we begin paying fixed rent under the lease and, subject to certain conditions, will be extendible by us for one five-year period. The annual fixed rent for this office space (which does not include customary operating costs and expenses) will be approximately $153,671 per month, or $1,844,053 per annum, for the first five years of the lease's base term and will increase to a rate of approximately $166,301 per month, or $1,955,619 per annum, during the remainder of the lease's base term. The lease gives us a right of first refusal to rent certain additional office space in the office building if it becomes available. The performance of our obligations under the lease is secured by a letter of credit in the amount of $922,027. We took possession of the leased property on August 1, 2015.

Factors Affecting Future Performance

Part II, Item 1A of this quarterly 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 quarterly 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.

Table of Contents

ITEM 3. Quantitative and Qualitative Disclosures 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, unbilled services, and cash valued in the United Kingdom in U.S. Dollars, Euros, or Canadian Dollars. Our primary foreign subsidiaries have functional currencies denominated in the British Pound, the Euro or Canadian Dollars, and foreign denominated assets and liabilities are re-measured each reporting period with any exchange gains and losses recorded in our consolidated income statements. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the U.S. Dollar, the British Pound, the Euro and the Canadian Dollar. Holding all other variables constant, fluctuations in foreign exchange rates may impact reported revenues and expenses significantly, based on currency exposures at July 4, 2015. A hypothetical 10% movement in foreign exchange rates would have affected our income before provision for income taxes for the second quarter of fiscal 2015 by approximately $1.1 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.

Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities' statements of earnings and balance sheets from functional currency to our reporting currency (the U.S. Dollar) for consolidation purposes. From time to time, we may use derivative instruments to manage the risk of exchange rate fluctuations. However, at July 4, 2015, we had no outstanding derivative instruments. We do not use derivative instruments for trading or speculative purposes.

Interest Rate Risk

We maintain an investment portfolio consisting mainly of money market funds with maturities of three months or less when purchased. These held-to- maturity securities are subject to interest rate risk. However, a hypothetical change in the interest rate of 10% would not have a material impact to the fair values of these securities at July 4, 2015 primarily due to their short maturity.

ITEM 4. Controls and Procedures

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 to provide reasonable assurance that we record, process, summarize and report the information we must disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended, 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 July 4, 2015, due to the material weakness in internal control over financial reporting related to the accounting and reporting for non-routine compensation arrangements (for example, share-based compensation) described in Item 9A of our Annual Report on Form 10-K for the fiscal year ended January 3, 2015.

Table of Contents

Notwithstanding the material weakness, management has concluded that the consolidated financial statements included in this Form 10-Q present fairly, in all material aspects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

Evaluation of Changes in Internal Control over Financial Reporting

Other than with respect to the ongoing remediation of the material weakness in internal controls over financial reporting related to the accounting and reporting for non-routine compensation arrangements (for example, share-based compensation) pursuant to the plan described in Item 9A of our Annual Report on Form 10-K for the fiscal year ended January 3, 2015, there were no changes in our internal control over financial reporting identified in connection with the above evaluation that occurred during the second quarter of fiscal 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Important Considerations

The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to various inherent limitations, including cost limitations, 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.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

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

Table of Contents

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 new engagements from 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 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 covenant agreements 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. These restrictive covenant agreements 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 covenant agreements, 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 and political conditions could have a material adverse impact on our revenues, results of operations, and financial condition

Overall global economic, business 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, 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.

Our results of operations and consequently our business may be adversely affected if we are not able to maintain 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.

Table of Contents

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 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 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

Table of Contents

maintain the confidentiality of this information is critical to our reputation and the success of our businesses. We may be affected by or subject to events that are out of our control, including, but not limited to, viruses, malicious software, worms, failures in our or our third party hosting sites' information and technology systems, disruptions in the Internet or electricity grids, natural disasters, terrorism and malicious attacks, and unauthorized intrusions by unknown third parties. Any of these events could disrupt our or our client's business operations or cause us or our clients to incur unanticipated losses and reputational damage, 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, 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, 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;
- restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses or changes in 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

Table of Contents

- 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.

Our entry into new lines of business could adversely affect our results of operations

If we attempt to develop new practice areas or lines of business outside our core litigation, regulatory, financial, and management consulting services, those efforts could harm our results of operations. Our efforts in new practice areas or new lines of business involve inherent risks, including risks associated with inexperience and competition from mature participants in the markets we enter. Our inexperience in these new practice areas or lines of business may result in costly decisions that could harm our business.

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 falls 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 rate increases or maintain 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;
- the extent of revenue realization or cost overruns;
- fluctuations in the results and continuity of the operations of our software subsidiary, NeuCo;
- 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 that could adversely affect our financial position and operating results; 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

Table of Contents

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, 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.

Acquisitions may disrupt our operations or adversely affect our results

We regularly evaluate opportunities to acquire other businesses. The expenses we incur evaluating and pursuing acquisitions could adversely affect our results of operations. If we acquire a business, we may be unable to manage it profitably or successfully integrate its operations with our own. Moreover, we may be unable to realize the financial, operational, and other benefits we anticipate from these acquisitions or any other acquisition. Many potential acquisition targets do not meet our criteria, and, for those that do, we face significant competition for these acquisitions from our direct competitors, private equity funds, and other enterprises. Competition for future acquisition opportunities in our markets could increase the price we pay for businesses we acquire and could reduce the number of potential acquisition targets. Further, acquisitions may involve a number of special financial and business risks, such as:

- diversion of our management's time, attention, and resources;
- decreased utilization during the integration process;
- loss of key acquired personnel;
- increased costs to improve or coordinate managerial, operational, financial, and administrative systems including compliance with the Sarbanes-Oxley Act of 2002;
- dilutive issuances of equity securities, including convertible debt securities;
- the assumption of legal liabilities;
- amortization of acquired intangible assets;
- potential write-offs related to the impairment of goodwill, including if our enterprise value declines below certain levels;
- difficulties in integrating diverse corporate cultures; and
- additional conflicts of interests.

34

Table of Contents

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 require repayment 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 government agencies in the United States. Because we may derive a significant percentage of our revenue from contracts with the Federal government, 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 U.S. 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;
- 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;
- 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.

Table of Contents

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

We utilize forgivable loans and term 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.

Our stock repurchase program 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 will be determined based upon our evaluation of market conditions and other factors. The 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 the program. Repurchases pursuant to our stock repurchase program 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 price, 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 program is intended to enhance long-term stockholder value, short-term fluctuations in the market price of our common stock could reduce the program's effectiveness.

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 Condensed 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 our fair value below our carrying amount. In performing the first step of the goodwill impairment testing and measurement process, we compare our entity-wide estimated fair value to net book value to identify potential impairment. We estimate the entity-wide fair value 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 have utilized a control premium that considers appropriate industry, market and other pertinent factors, including indications of such premiums from data on recent acquisition transactions. If our fair value is less than our net book value, the second step is performed to determine if goodwill is impaired. If we determine through the impairment evaluation process that goodwill has been impaired, an impairment charge would be recorded in our consolidated income statement.

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 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 debt obligations may adversely impact our financial performance

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 April 24, 2018. 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

Table of Contents

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 amended and restated articles of organization and amended and restated 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Not applicable.

(b) Not applicable.

(c) The following table provides information about our repurchases of shares of our common stock during the fiscal quarter ended July 4, 2015. 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 second quarter of fiscal 2015.

Table of Contents

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)
April 5, 2015 to May 2, 2015		$		$ 16,385,615
May 3, 2015 to May 30, 2015	118,900	$ 28.90 per share	118,900	$ 12,948,938
May 31, 2015 to July 4, 2015		$		$ 12,948,938

(1) On August 10, 2012, February 13, 2014, and October 23, 2014, we announced that our Board of Directors approved share repurchase programs of up to $5.0 million, $15.0 million, and $30.0 million, respectively, of our common stock. We may repurchase shares under any of these programs in open market purchases (including under 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 the four weeks ended May 30, 2015, we repurchased and retired 118,900 shares under these programs at an average price per share of $28.90. Approximately $12.9 million was available for future repurchases under these programs as of July 4, 2015. We expect to continue to repurchase shares under these programs.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

None.

Table of Contents

ITEM 6. EXHIBIT INDEX

Item No.	Description
10.1	Amended and Restated Addendum No. 5 to Lease dated June 30, 2015 by and between 1201 F Street, L.P. and CRA International, Inc.
31.1	Rule 13a-14(a)/15d-14(a) certification of principal executive officer
31.2	Rule 13a-14(a)/15d-14(a) certification of principal financial officer
32.1	Section 1350 certification
101	The following financial statements from CRA International, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended July 4, 2015, formatted in XBRL (eXtensible Business Reporting Language), as follows: (i) Condensed Consolidated Income Statements (unaudited) for the fiscal quarters and the fiscal year to date periods ended July 4, 2015 and June 28, 2014, (ii) Condensed Consolidated Statement of Comprehensive Income (unaudited) for the fiscal quarters and the fiscal year to date periods ended July 4, 2015 and June 28, 2014, (iii) Condensed Consolidated Balance Sheets (unaudited) as at July 4, 2015 and January 3, 2015, (iv) Condensed Consolidated Statements of Cash Flows (unaudited) for the fiscal year to date periods ended July 4, 2015 and June 28, 2014, (v) Condensed Consolidated Statement of Shareholders' Equity (unaudited) for the fiscal year to date period ended July 4, 2015, and (vi) Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

SIGNATURES

Pursuant to the requirements 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.	
Date: August 4, 2015	By:	/s/ PAUL A. MALEH
		Paul A. Maleh *President and Chief Executive Officer*
Date: August 4, 2015	By:	/s/ CHAD M. HOLMES
		Chad M. Holmes *Chief Financial Officer, Executive Vice President and Treasurer*

Table of Contents

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