CRA INTERNATIONAL, INC.
Form 10-K
February 28, 2019

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

Form 10-K

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

For the fiscal year ended December 29, 2018

Commission file number: **000-24049**

CRA International, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts	**04-2372210**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Clarendon Street, Boston, MA	**02116-5092**
(Address of principal executive offices)	(Zip code)

617-425-3000
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, no par value	Nasdaq Global Select Market

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

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

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o	Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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

The aggregate market value of the stock held by non-affiliates of the registrant as of June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing sale price of $50.89 as quoted on the NASDAQ Global Select Market as of such date, was approximately $394.5 million. Outstanding shares of common stock beneficially owned by executive officers and directors of the registrant and certain related entities have been excluded from this computation because these persons may be deemed to be affiliates. The fact that these persons have been deemed affiliates for purposes of this computation should not be considered a conclusive determination for any other purpose.

As of February 22, 2019, CRA had outstanding 8,050,334 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The information required for Part III of this annual report is incorporated by reference from the registrant's definitive proxy statement for the 2019 annual meeting of its shareholders to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 29, 2018.

CRA INTERNATIONAL, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED December 29, 2018

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PART I

Item 1 ***Business***

Forward-Looking Statements

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

Additional Available Information

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

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

Introduction

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

We offer consulting services in two broad areas: litigation, regulatory, and financial consulting and management consulting. These two areas represented 100% of our consolidated revenues for fiscal 2018. We provide our consulting services primarily through our highly credentialed and experienced staff of employee consultants. Our employee consultants have backgrounds in a wide range of

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

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

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

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

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

Industry Overview

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

As a result, companies are increasingly relying on sophisticated economic and financial analysis to solve complex problems and improve decision-making. Economic and financial models provide the tools

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

Competitive Strengths

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

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

Highly Educated, Experienced, and Versatile Consulting Staff. We believe our most important asset is our base of employee consultants, particularly our senior employee consultants. As of December 29, 2018, we employed 687 consultants, which consisted of 124 officers, 375 senior staff and 188 junior staff. Approximately 81% of our senior staff has a doctorate or other advanced degree. We are extremely selective in our hiring of consultants, recruiting from leading universities, industry, and government. Many of our employee consultants are nationally or internationally recognized as experts in their respective fields and have published scholarly articles, lectured extensively, and been quoted in the press. In addition to their expertise in a particular field, most of our employee consultants are able to apply their skills across numerous practice areas. This flexibility in staffing engagements is critical to our ability to apply our resources to meet the demands of our clients. As a result, we seek to hire consultants who not only have strong analytical skills, but who are also creative, intellectually curious, and driven to develop expertise in new practice areas and industries.

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

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

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

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

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

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

Services

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

Litigation, Regulatory, and Financial Consulting

In our litigation, regulatory, and financial consulting practices, we typically work closely with law firms on behalf of one or more companies involved in litigation or regulatory proceedings in such areas as antitrust, damages, and labor and employment. Many of the lawsuits and regulatory proceedings in which we are involved are critical assignments with high-stakes outcomes, such as obtaining regulatory approval of a pending merger or analyzing possible damages awards in a class action case. The ability to formulate and effectively communicate powerful economic and financial arguments to courts and

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

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

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

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Areas of Functional Expertise	Description of Area of Service
Intellectual Property	Matters pertaining to all types of intellectual property assets including valuation, litigation, transaction and strategic advisory services, patents, trade secrets, copyrights, and trademarks as well as economic damages in intellectual property litigation, valuations of intellectual property assets for strategic and regulatory purposes, and transactional advisory services for licensing and other intellectual property-rich transactions.
International Arbitration	International arbitration cases brought under bilateral investment treaties and arbitration clauses in contracts between firms. Assessing causation and quantifying damages using sophisticated modeling and analytical techniques and presenting findings to arbitration authorities. Analyses of valuations and estimates of damages associated with breaches of contract, national laws, and international treaties and the effects of market rules, processes, and contracts on prices and competition.
Labor & Employment	All facets of employment litigation including equal employment opportunity claims under Title VII, the Age Discrimination in Employment Act, the Equal Pay Act, and the Americans with Disabilities Act. Providing expert witness and litigation support services, conducting proactive analyses of employment and contracting practices, monitoring consent decrees and settlement agreements, designing information systems to track relevant employment data, and analyzing liability and assessing damages under the Fair Labor Standards Act, California overtime laws, and state-specific wage and hour laws.
Mergers & Acquisitions	Assisting clients in obtaining domestic and foreign regulatory approvals in proceedings before government agencies, such as the U.S. Federal Trade Commission, the U.S. Department of Justice, the Merger Task Force at the European Commission, and the Canadian Competition Bureau. Analyses include simulating the effects of mergers on prices, estimating demand elasticities, designing and administering customer and consumer surveys, and studying possible acquisition-related synergies.
Regulatory Economics & Compliance	Regulatory proceedings and assisting clients in understanding and mitigating regulatory risks and exposures, preparing policy studies that help develop the basis for sound regulatory policy, drafting regulatory filings, and advising on regulations pertaining to environmental protection, employment, and health and safety.
Securities & Financial Markets	Application of financial economics and accounting to complex litigation and business problems in such areas as securities litigation; securities markets and financial institutions; valuation and damages; and other financial litigation.
Transfer Pricing	All phases of the tax cycle, including planning, documentation, and tax valuation. Also includes audit defense and support in advanced pricing agreements, alternative dispute resolution, and litigation in proceedings involving the Internal Revenue Service, the Tax Division of the U.S. Department of Justice, state and municipal tax authorities, and foreign tax authorities.

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Management Consulting

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

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

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

Areas of Functional Expertise	**Description of Area of Service**
Auctions & Competitive Bidding	Providing auction and market design, implementation, and monitoring services, as well as bidding support services, for businesses, industry organizations, and governments in various industries around the world, including commodities, energy and utilities, telecommunications, transportation, natural resources, and other industries.
Corporate & Business Strategy	Advising on business strategy, corporate revitalizations, and organizational effectiveness by bringing new ways of thinking to companies and new ways of working to develop better strategies over time and identifying the highest-value opportunities that address critical challenges and transform business. Advising chief executive officers and executive management teams on corporate and business unit strategy, market analysis, portfolio management, pricing strategy, and product positioning. Areas of expertise include strategy, execution, organic growth, growth through acquisition, productivity, risk management, leadership and organization, and managing for value.
Enterprise Risk Management	Advising large financial institutions and corporations in areas of governance and strategy, process analytics, and technology related to risk management.
Environmental & Energy Strategy	Advising companies on the following: corporate strategy to address risks and uncertainties surrounding environmental policy developments; business models that adapt to future environmental policy; investment decision-making processes that account for environmental policy uncertainty; environmental strategic compliance options with regulations/legislation; emissions trading planning surrounding cap-and-trade policies; identification of business opportunities that could relate to environmental trends; and the economic and business issues surrounding clean and renewable energy, enterprise and asset management, global gas and liquefied natural gas services, and regulation and litigation.

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Areas of Functional Expertise	Description of Area of Service
Intellectual Property & Technology Management	Advising top management, investors, and boards on technology strategy and planning, research and development management, commercialization, technology market evaluation, intellectual property management, and portfolio and resource management.
Organization & Performance Improvement	Advising corporate clients in areas of revenue growth drivers; operating margin drivers; asset efficiency drivers; key enablers; and performance management and metrics.
Transaction Advisory Services	Advising business leaders, including buyers and sellers, in the areas of due diligence, mergers and acquisitions, private equity, and valuation.

Industry Expertise

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

- Agriculture
- Banking & Capital Markets
- Chemicals
- Communications & Media
- Consumer Products
- Energy
- Entertainment
- Financial Services
- Health Care
- Insurance
- Life Sciences
- Manufacturing
- Metals, Mining, & Materials

Oil & Gas

Real Estate

Retail

Sports

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Telecommunications

Transportation

Technology

Clients

We have completed thousands of engagements for clients around the world, including domestic and foreign corporations; federal, state, and local domestic government agencies; governments of foreign countries; public and private utilities; accounting firms; and national and international trade associations. Frequently, we work with major law firms who approach us on behalf of their clients. While we have particular expertise in a number of industries, we provide services to a diverse group of clients in a broad range of industries. Our policy is to keep the identities of our clients confidential unless our work for the client is already publicly disclosed. Our clients come from a broad range of industries, with no single client accounting for more than 5% of our revenues in any of fiscal 2018, fiscal 2017, or fiscal 2016.

We derived approximately 23%, 25%, and 17% of consolidated revenues from fixed-price contracts in fiscal 2018, fiscal 2017, and fiscal 2016, respectively. These contracts are more common in our management consulting area, and would likely grow in number with expansion of that area.

Software Subsidiary

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

Human Capital

As of December 29, 2018, we employed 687 consultants, consisting of 124 officers, 375 senior staff and 188 junior staff. Approximately 81% of our senior staff has a doctorate or other advanced degree in addition to substantial management, technical, or industry expertise. We believe our financial results and reputation are directly related to the number and quality of our employee consultants.

We derive most of our revenues directly from the services provided by our employee consultants. Our employee consultants have backgrounds in many disciplines, including economics, business, corporate finance, accounting, materials sciences, life sciences, and engineering. We are highly selective in our hiring of consultants, recruiting primarily from a select group of leading universities and degree programs, industry, and government. We believe consultants choose to work for us because of our strong reputation; the credentials, experience, and reputations of our consultants; the opportunity to work on a diverse range of matters and with renowned non-employee experts; and our collegial atmosphere where teamwork and collaboration are emphasized and valued by many clients. We use a decentralized, team hiring approach. Our training and career development program for our employee consultants focuses on three areas: mentoring, seminars, and scheduled courses. This program is designed to complement on-the-job experience and an employee's pursuit of his or her own career development. New employee consultants participate in a structured program in which they are partnered with an assigned mentor. Through our ongoing seminar program, outside speakers make presentations and conduct discussions with our employee consultants on various topics. In addition, employee consultants are expected to discuss significant projects and cases, present academic research papers or business articles, and outline new analytical techniques or marketing opportunities periodically at in-house seminars. We also provide scheduled courses designed to improve an employee's professional skills, such as written and oral presentation, marketing techniques, and business development. We also encourage our employee consultants to pursue their academic interests by writing articles for economic, business, and other journals.

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

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

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

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

Marketing and Business Development

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

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

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

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

Competition

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

Item 1A ***Risk Factors***

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

We depend upon key employees to generate revenue

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

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

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

Maintaining our professional reputation is crucial to our future success

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

We depend on our non-employee experts

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

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

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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 our current bill rates, compensation costs and/or utilization rate

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

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

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

We experience fluctuations in our revenues, operating results and cash flows and expect that they will continue to occur in the future due to factors that are either within or outside of our control, including, but not limited to, the timing and duration of our client engagements, utilization of our employee consultants, the types of engagements we are working on at different times, the geographic

locations of our clients or where the services are rendered, the length of billing and collection cycles, hiring, business and capital expenditures, share repurchases, dividends, debt repayments, and other general economic factors. We may also experience future fluctuations in our cash flows from operations because of increases in employee compensation, including changes to our incentive compensation structure and the timing of incentive payments, which we generally pay during the first quarter of each year, or hiring or retention payments or bonuses which are paid throughout the year. Also, the timing of future acquisitions and other investments and the cost of integrating them may cause fluctuations in our operating results and related cash flows.

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

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

Additionally, in order to comply with the requirements of Accounting Standards Codification ("ASC") 842, *Leases*, which we adopted effective December 30, 2018, we have been updating and enhancing our internal accounting systems and processes as well as our internal control over financial reporting. This has required the use of additional resources by us and may require incremental resources that could increase our operating costs in future periods as we continue to develop systems and processes to better track and account for our lease inventory. Further, the interpretation and application of Topic 842 will likely evolve over time, which could adversely impact our financial results (including potentially results reported prior to such evolution) and require changes to our disclosures and internal systems, processes, and controls.

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

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

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

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

Clients can terminate engagements with us at any time

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

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

We rely upon information and technology infrastructure and systems to operate, manage and run our business and to provide services to our clients. This includes infrastructure and systems for receiving, storing, hosting, analyzing, transmitting and securing our and our clients' sensitive, confidential or proprietary information, including, but not limited to, health and other personally-identifiable information and commercial, financial and consumer data. Our ability to secure and maintain the confidentiality and integrity of this information is critical to our reputation and the success of our businesses. We must comply with the privacy laws of all of the jurisdictions in which we operate, including the strict general data privacy regulation (GDPR) in the European Union, and these laws are becoming increasingly complex and vary by jurisdiction. The costs of complying with these laws and any fines resulting from lack of compliance, and the other costs of protecting our and our clients' confidential information, could have a material effect on our financial results. In addition, we may be affected by or subject to events that are out of our control, including, but not limited to, cybersecurity or other malicious attacks, which continue to evolve and pose a constant risk, unauthorized system intrusions by unknown third parties, viruses, malicious software, worms, failures in our or our third party hosting sites' (whether hosted offsite or in the cloud) information and technology systems, disruptions in the Internet or electricity grids, natural disasters, and terrorism. Any of these events could disrupt our or our client's business operations or cause us or our clients to incur unanticipated losses, including the costs of investigating and remediating any such event and any fines related thereto, as well as reputational damage, any of which could have a material adverse effect on our business and results of operations.

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

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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
- 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.

In addition, the June 2016 referendum where voters in the United Kingdom ("UK") approved an exit from the European Union ("EU"), commonly referred to as "Brexit," created political, economic, and regulatory uncertainty. Such uncertainties may significantly impact our business, as customers of our UK-based operations evaluate their business needs in consideration of changing economic conditions or increased international regulatory complexities. The Brexit vote also caused significant volatility in currency exchange rates. This volatility may continue as the UK negotiates and executes its exit from the EU. Revenue generated from our UK-based operations was approximately 16% (which includes currency exchange effects) of our total revenues for the year ended December 29, 2018.

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

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

- our ability to implement 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 our provision for income taxes due to changes in income arising in various tax jurisdictions, valuation allowances, non-deductible expenses, and changes in estimates of our uncertain tax positions;
- fluctuations in interest rates;
- currency fluctuations; and
- collectability of receivables and unbilled work in process.

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

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

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

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

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

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

- the diversion of management's time, attention, and resources from managing and marketing our existing business;
- the failure to retain key acquired personnel or retain existing personnel who may view the acquisition unfavorably;
- additional conflicts of interest due to the acquired businesses that could impact our ability to secure new engagements;
- the need to compensate new employees while they wait for their restrictive covenants with other institutions to expire;
- the potential need to raise significant amounts of capital to finance a transaction or the potential issuance of equity securities that could be dilutive to our existing stockholders;
- increased costs to improve or coordinate managerial, operational, financial, and administrative systems, including compliance with the Sarbanes Oxley Act of 2002;
- the potential assumption of legal liabilities;
- the inability to attain the expected synergies with an acquired business;
- the impact of earn-outs based on the future performance of our acquired businesses that may deter the acquired company from fully integrating into our existing business; and
- potential difficulties in integrating new employees with diverse backgrounds and experiences with our existing employee consultants.

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

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

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accounts receivable and unbilled services. On occasion, some of our clients have entered bankruptcy, which has prevented us from collecting amounts owed to us. The bankruptcy of a client with a substantial accounts receivable could have a material adverse effect on our financial condition and results of operations. Historically, a small number of clients who have paid sizable invoices have later declared bankruptcy, and a court determination that we were not properly entitled to any of those payments may result in repayment by us of some or all of them, which could adversely affect our financial condition and results of operations.

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

The market price of our common stock may be volatile

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

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

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

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

We utilize forgivable loans 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

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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.

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

Our Board of Directors declared the first quarterly dividend on our common stock during 2016 and we have continued to pay quarterly dividends throughout fiscal 2018. Although we anticipate paying regular quarterly dividends on our common stock for the foreseeable future, the declaration of dividends is subject to the discretion of our Board of Directors, and is restricted by applicable state law limitations on distributions to shareholders. As a result, the amount, if any, of the dividends to be paid by us in the future depends upon a number of factors, including but not limited to our available cash on hand, anticipated cash needs, overall financial condition, and future prospects for earnings and cash flows, as well as other factors considered relevant by our Board of Directors. In addition, our Board of Directors may also suspend the payment of dividends at any time. Any reduction or suspension in our dividend payments could adversely affect the price of our common stock.

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

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

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

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

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

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

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

To implement remedial measures as disclosed in Item 9A, we may need to commit additional resources, hire additional staff, and provide additional management oversight. If our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements, and we could be required to restate our financial results. In addition, if we are unable to successfully remediate these material weaknesses and if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable stock exchange listing requirements.

Our debt obligations may adversely impact our financial performance

We rely on our cash and cash equivalents, cash flows from operations and borrowings under our credit agreement to fund our short-term and anticipated long-term operating activities. We have a revolving line of credit with our bank for $125.0 million. The amounts available under this line of credit are constrained by various financial covenants and reduced by certain letters of credit outstanding. Our loan agreement with the bank will mature on October 24, 2022. At February 22, 2019, we had no borrowings outstanding under the credit agreement and approximately $121.1 million available for future borrowings, after consideration of outstanding letters of credit. The degree to which we are leveraged could adversely affect our ability to obtain further financing for working capital, acquisitions or other purposes and could make us more vulnerable to industry downturns and competitive pressures. Our ability to secure short-term and long-term debt or equity financing in the future will depend on several factors, including our future profitability, the levels of our debt and equity, restrictions under our existing revolving line of credit, and the overall credit and equity market environments.

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

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

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

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

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

Insurance and claims expenses could significantly reduce our profitability

We are exposed to claims related to group health insurance. We self-insure a portion of the risk associated with these claims. If the number or severity of claims increases, or we are required to accrue or pay additional amounts because the claims prove to be more severe than our original assessment, our operating results would be adversely affected. Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We expect to periodically assess our self-insurance strategy. We are required to periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts. We maintain individual and aggregate medical plan stop loss insurance with licensed insurance carriers to limit our ultimate risk exposure for any one case and for our total liability.

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

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

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

Item 1B *Unresolved Staff Comments*

Not applicable.

Item 2 *Properties*

In the aggregate, as of December 29, 2018, we leased approximately 298,336 square feet of office space in locations around the world. Additionally, as of December 29, 2018, we have committed to leasing additional office space of 35,792 square feet beginning in fiscal 2019.

All of our offices are electronically linked and have access to our core consulting tools. We believe our existing facilities are adequate to meet our current requirements and that suitable space will be available as needed. See note 14 to our Notes to Consolidated Financial Statements for details on material leases.

Item 3 *Legal Proceedings*

None.

Item 4 *Mine Safety Disclosures*

Not applicable.

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PART II

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

Market Information. We first offered our common stock to the public on April 23, 1998. Our common stock is traded on the NASDAQ Global Select Market under the symbol CRAI. *Shareholders.* We had approximately 94 holders of record of our common stock as of February 22, 2019. This number does not include shareholders for whom shares were held in a "nominee" or "street" name.

Repurchases of Equity Securities. The following table provides information about our repurchases of shares of our common stock during the fiscal quarter ended December 29, 2018. During that period, we did not act in concert with any affiliate or any other person to acquire any of our common stock and, accordingly, we do not believe that purchases by any such affiliate or other person (if any) are reportable in the following table. For purposes of this table, we have divided the fiscal quarter into three periods of four weeks, four weeks and five weeks, respectively, to coincide with our reporting periods during the fourth quarter of fiscal 2018.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased(1)(2)	(b) Average Price Paid per Share(1)(2)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2)
September 30, 2018 to October 27, 2018				$ 9,093,724
October 28, 2018 to November 24, 2018	172,820	$ 45.24 per share	125,935	$ 3,388,907
November 25, 2018 to December 29, 2018	38,388	$ 48.06 per share	37,219	$ 1,593,768

(1) During the four weeks ended November 24, 2018, we accepted 46,885 shares of our common stock as a tax withholding from certain of our employees, in connection with the vesting of restricted stock units that occurred during the period, pursuant to the terms of our 2006 equity incentive plan, at the average price per share of $45.07. During the five weeks ended December 29, 2018, we accepted 1,169 shares of our common stock as a tax withholding from certain of our employees, in connection with the vesting of restricted stock units that occurred during the period, pursuant to the terms of our 2006 equity incentive plan, at the average price per share of $42.73.

(2) On each of February 2, 2018 and February 13, 2019, our Board of Directors authorized an expansion to our existing share repurchase program of an additional $20.0 million of outstanding shares of our common stock. We may repurchase shares under this program in open market purchases (including through any Rule 10b5-1 plan adopted by us) or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. During the four weeks ended November 24, 2018, we repurchased and retired 125,935 shares under this program at an average price per share of $45.30. During the five weeks ended December 29, 2018, we repurchased and retired 37,219 shares under this program at an average price per share of $48.23. Approximately $1.6 million and $21.6 million was available for future repurchases under this program as of December 29, 2018 and February 22, 2019, respectively. We expect to continue to repurchase shares under this program.

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

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The graph tracks the performance of a $100 investment in our common stock, in the peer group, and in a market index (with the reinvestment of all dividends) from December 28, 2013 to December 29, 2018. We initiated a quarterly dividend in the fourth quarter of fiscal 2016 and continued to pay quarterly dividends throughout fiscal 2018. Although we anticipate paying regular quarterly dividends on our common stock for the foreseeable future, the declaration of any future dividends is subject to the discretion of our Board of Directors. The performance of the market index and the peer group indices is shown on a total return (dividends reinvested) basis.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among CRA International, Inc., the NASDAQ Composite Index,
and a Peer Group

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* $100 invested on 12/28/13 in stock or 12/31/13 in index, including reinvestment of dividends. Indexes calculated on month-end basis.

	12/28/13	1/3/15	1/2/16	12/31/16	12/30/17	12/29/18
CRA International, Inc.	**100.00**	**146.60**	**90.05**	**177.52**	**221.43**	**204.32**
NASDAQ Composite	**100.00**	**114.62**	**122.81**	**133.19**	**172.11**	**165.84**
Peer Group	**100.00**	**96.06**	**95.60**	**115.36**	**108.78**	**149.77**

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

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Item 6 ***Selected Financial Data***

The following selected consolidated financial data for each of the fiscal years in the five-year period ended December 29, 2018, has been derived from our audited consolidated financial statements.

	December 29, 2018 (52 weeks)	December 30, 2017 (52 weeks)	December 31, 2016 (52 weeks)	January 2, 2016 (52 weeks)	January 3, 2015 (53 weeks)
Consolidated Statements of Operations Data(1):					
Revenues	$ 417,648	$ 370,075	$ 324,779	$ 303,559	$ 306,371
Cost of services (exclusive of depreciation and amortization)	289,185	258,829	227,380	207,650	206,813
Selling, general and administrative expenses(4)	89,533	86,537	70,584	72,439	69,074
Depreciation and amortization	9,995	8,945	7,896	6,552	6,443
GNU goodwill impairment(2)				4,524	
Income from operations	28,935	15,764	18,919	12,394	24,041
GNU gain on extinguishment of debt				606	
GNU gain on sale of business assets and subsequent liquidation	258	250	3,836		
Interest expense, net	(647)	(484)	(469)	(538)	(431)
Other income (expense), net	387	(366)	(397)	(647)	(295)
Income before provision for income taxes and noncontrolling interest	28,933	15,164	21,889	11,815	23,315
Provision for income taxes	(6,461)	(7,463)	(7,656)	(5,490)	(9,908)
Net income	22,472	7,701	14,233	6,325	13,407
Net (income) loss attributable to noncontrolling interest, net of tax	20	(77)	(1,345)	1,332	231
Net income attributable to CRA International, Inc.	$ 22,492	$ 7,624	$ 12,888	$ 7,657	$ 13,638
Net income per share attributable to CRA International, Inc.(3):					
Basic	$ 2.76	$ 0.91	$ 1.50	$ 0.84	$ 1.40
Diluted	$ 2.61	$ 0.89	$ 1.49	$ 0.83	$ 1.38
Weighted average number of shares outstanding(3):					
Basic	8,107	8,292	8,503	9,010	9,747
Diluted	8,570	8,497	8,601	9,195	9,897
Dividends per share	$ 0.71	$ 0.59	$ 0.14		

	December 29, 2018	December 30, 2017	December 31, 2016	January 2, 2016	January 3, 2015
Consolidated Balance Sheet Data(1):					
Working capital	$ 38,643	$ 62,300	$ 76,411	$ 54,336	$ 56,256
Total assets	370,846	361,757	323,642	313,717	313,472
Total long-term debt					981
Total shareholders' equity	196,472	207,229	207,883	211,068	214,704

(1) On January 31, 2017, we acquired substantially all of the assets and assumed certain liabilities of C1 Consulting LLC, an independent consulting firm, and its wholly-owned subsidiary C1 Associates for initial consideration comprised of cash and CRA restricted common stock. The results of

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operations for this acquisition have been included in the accompanying consolidated statements of operations from the date of acquisition.

(2)

GNU incurred an impairment loss during the fourth quarter of fiscal 2015 in the amount of $4.5 million.

(3)

Basic net income per share attributable to CRA represents net income attributable to CRA divided by the weighted average shares of common stock outstanding during the period. Diluted net income per share attributable to CRA represents net income attributable to CRA divided by the weighted average shares of common stock and common stock equivalents outstanding during the period, if applicable. Weighted average shares used in computing diluted net income per share include common stock equivalents arising from stock options, time-vesting unvested restricted stock units, and performance-vesting restricted stock units that would be issuable under the terms of the agreement if the end of the reporting period were the end of the contingency period. The treasury stock method was used to compute diluted net income per share for fiscal year 2014, while the two-class method was used for fiscal years 2018, 2017, 2016 and 2015. The change in methods was required due to the changes in shareholder grants for certain restricted stock units.

(4)

On November 20, 2017, we entered into a transaction agreement with IQVIA Inc. ("IQVIA") where we, and certain former employees of IQVIA, agreed to certain terms and conditions relating to the former employees' employment agreements with IQVIA, and to settle certain claims among the parties to the agreement. We paid IQVIA an aggregate amount of $5.7 million as consideration under the transaction agreement. This amount has been reported as a component of selling, general and administrative expenses for fiscal 2017.

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Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

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

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

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

Utilization and Seasonality

We derive the majority of our revenues from the number of hours worked by our employee consultants. Our utilization of those employee consultants is one key indicator that we use to measure our operating performance. We calculate utilization by dividing the total hours worked by our employee consultants on engagements during the measurement period by the total number of hours that our employee consultants were available to work during that period. Utilization was 76%, 74%, and 74% for fiscal 2018, fiscal 2017, and fiscal 2016, respectively.

We experience certain seasonal effects that impact our revenue. Concurrent vacations or holidays taken by a large number of consultants can adversely impact our revenue. For example, we usually experience fewer billable hours in our fiscal third quarter, as that is the summer vacation season for most of our offices, and in our fiscal fourth quarter, as that is the quarter that typically includes the December holiday season.

International Operations

Revenues outside of the U.S. accounted for approximately 21%, 20%, and 22% of our total revenues in fiscal 2018, fiscal 2017, and fiscal 2016, respectively. Revenue by country is detailed in note 11 to our Notes to Consolidated Financial Statements.

Noncontrolling Interest

Please refer to the section captioned "Principles of Consolidation" and "GNU Interest" in note 1 of our Notes to Consolidated Financial Statements contained in this Form 10-K.

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Critical Accounting Policies

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

A summary of the accounting policies that we believe are most critical to understanding and evaluating our financial results is set forth below. This summary should be read in conjunction with our consolidated financial statements and the related notes included in Item 8 of this annual report on Form 10-K.

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

Prior to adopting ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606") on December 31, 2017, as discussed below, we followed the revenue recognition guidance as issued in ASC Topic 605, *Revenue Recognition* ("ASC 605"). Under ASC 605, we recognized substantially all of our revenues under written service contracts when the fee was fixed and determinable, as the services were provided, and only in those situations where collection from the client was reasonably assured. In certain cases we provided services to our clients without sufficient contractual documentation, or fees were tied to performance-based criteria, which required us to defer revenue in accordance with ASC 605. In these cases, these amounts were fully reserved, and the reserve was reduced as cash was received.

During the periods in which ASC 605 applied, we recognized all project revenue on a gross basis based on the consideration of the criteria set forth in ASC Topic 605-45, *Principal Agent Considerations*. In general, project costs were classified in costs of services and were based on the direct salary of the consultants on the engagement plus all direct expenses incurred to complete the engagement, including any amounts billed to us by outside consultants.

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

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

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

The following discussion of our revenue recognition accounting policies is based on the accounting principles that were used to prepare the fiscal year 2018 consolidated financial statements included in this Annual Report on Form 10-K. On December 31, 2017, we adopted ASC 606. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. Please refer to the section captioned "Recent Accounting Standards Adopted" in note 1 of our Notes to Consolidated Financial Statements contained in this Form 10-K for further discussion of recently issued accounting standards.

We evaluate our revenue contracts with customers based on the five-step model under ASC 606. Revenues are recognized, subject to the satisfaction of other criteria as described in ASC 606, for enforceable contracts. Revenues are deferred until all criteria for an enforceable contract are met.

For enforceable contracts, revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised consulting services are transferred to customers. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring consulting services to a customer, which we refer to as the transaction price. Variable consideration to be included in the transaction price is estimated based on the most likely amount we expect to be entitled to if it is probable that a significant future reversal of cumulative revenue under the contract will not occur. For contracts that contain multiple performance obligations, the transaction price is allocated based on estimated relative standalone selling prices of the promised consulting services underlying each performance obligation. The transaction price also includes reimbursable expenses. Sales, value add, and other taxes collected on behalf of third parties are excluded from revenue. CRA usually issues invoices to its customers on a monthly basis, and payment is due upon receipt of the invoice.

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

Consulting services revenue is generally recognized over time as the services are delivered to the customer based on the extent of progress towards completion of the performance obligation. See note 11 of our Notes to Consolidated Financial Statements for further details on revenue recognition.

Deferred Compensation. We account for performance and service based cash awards using a prospective accrual method. Under the requirements of ASC Topic 710, *Compensation General* ("ASC Topic 710") to the extent the terms of the contract attribute all or a portion of the expected future benefits to a period of service greater than one year, the cost of those benefits are accrued over the period of the employee or non-employee's service in a systematic and rational manner. We have implemented a process that requires the liability to be re-evaluated on a quarterly basis.

The required service period typically ranges from three to six years starting at the beginning of the awards measurement period. A recipient of such an award is expected to be affiliated with CRA for the entire measurement period. If a recipient terminates affiliation with CRA during the measurement period, the amount paid will be determined in accordance with the recipient's specific contract provisions.

Valuation of the Contingent Consideration Liability. We account for our contingent consideration liability using the fair value method, estimated based on a Monte Carlo simulation. The fair value measurement of these liabilities is based on significant inputs not observed in the market. The significant unobservable inputs used in the fair value measurements of these contingent consideration liabilities are our measures of the estimated payouts based on internally generated financial projections and discount rates. We reassess the fair value of these contingent consideration liabilities on a quarterly basis using additional information as it becomes available. Any change in the fair value estimates are recorded in the earnings of that period.

Valuation of Goodwill and Other Intangible Assets. In accordance with ASC Topic 350, "Intangibles Goodwill and Other" ("ASC Topic 350"), goodwill and intangible assets with indefinite lives are not subject to amortization, but are evaluated annually as of October 15th for impairment, or more frequently, as necessary, if events or circumstances exist that would more likely than not reduce the fair value of the reporting unit below its carrying amount. For our fiscal 2018 goodwill impairment analysis, we operate under one reporting unit, which is consulting services. Prior to April 13, 2016, we operated under two reporting units, which were consulting services and GNU.

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

We had no impairment losses related to goodwill during fiscal 2018, fiscal 2017 or fiscal 2016 as there were no events or circumstances that we determined would more likely than not reduce our fair value below our carrying amount, and our estimated fair value on October 15 in each such fiscal year was greater than our carrying value on October 15th of such year.

We assess the impairment of amortizable intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include the following:

- a significant underperformance relative to expected historical or projected future operating results;
- a significant change in the manner of our use of the acquired asset or the strategy for our overall business; and
- a significant negative industry or economic trend.

If we were to determine that an impairment evaluation is required, we would review the expected future undiscounted cash flows to be generated by the assets. If we determine that the carrying value of intangible assets may not be recoverable, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model.

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

Our financial statements contain certain deferred tax assets and liabilities that result from temporary differences between book and tax accounting, as well as net operating loss carryforwards. ASC Topic 740, "*Income Taxes*" ("ASC Topic 740"), requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The decision to record a valuation allowance requires varying degrees of judgment based upon the nature of the item giving rise to the deferred tax asset.

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

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

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law and the new legislation contains several key tax provisions that affected us, including a reduction of the corporate income tax rate to 21% effective January 1, 2018, an expansion of limitations around the deductibility of meals and entertainment and compensation of our executive officers, among others. We are required to recognize the effect of the tax law changes in the period of enactment, such as remeasuring our U.S. deferred tax assets and liabilities. In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), which allows us to record provisional amounts during a measurement period. SAB 118 provides that the measurement period is complete when a company's accounting is complete and in no circumstances, should the measurement period extend beyond one year from the enactment date of the applicable change in tax law. As of December 29, 2018, CRA completed its accounting for all the tax effects of the Tax Act.

In connection with the Tax Act, we recorded a provisional amount in fiscal 2017 attributable to the remeasurement of deferred tax assets and liabilities from a 35% tax rate to the new 21% tax rate. The provisional amount recorded in fiscal 2017 was an increase in tax expense in the amount of $3.6 million. During fiscal 2018, CRA recognized an adjustment related to the remeasurement of deferred tax assets and liabilities of $0.3 million to the provisional amounts recorded at December 30, 2017. Additionally, as a result of guidance in connection with the deductibility of compensation paid to certain executive officers for "qualified performance-based compensation," CRA recorded a provisional amount of $0.2 million. Both adjustments were included as a component of income tax expense from continuing operations, the impact of which was to increase the fiscal 2018 effective tax rate from 21.4% to 22.3%.

Business Combinations. Under the acquisition method of accounting, we recognize tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. We record the excess of the fair value of the purchase consideration over the value of the net assets acquired as goodwill. Fair value measurements require extensive use of estimates and assumptions, including estimates of future cash flows to be generated by the acquired assets. We recognize and measure contingent consideration at fair value as of the acquisition date using a Monte Carlo simulation. Contingent consideration obligations that are classified as liabilities are remeasured at fair value each reporting period, with the changes in fair value resulting from either the passage of time, revised expectations of performance, or ultimate settlement to the amount or timing of the initial measurement recognized in the consolidated statements of operations.

Recent Accounting Standards Adopted

Revenue from Contracts with Customers

We adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"), which established ASC Topic 606, on December 31, 2017, using the modified retrospective method for all contracts not completed as of the date of adoption. The reported results for fiscal 2018 reflect the application of ASC 606 guidance, while the reported results for fiscal 2017 were prepared under the guidance of ASC 605, *Revenue Recognition* ("ASC 605"). The cumulative effect of applying ASC 606 to all contracts with customers that were not completed as of December 30, 2017 amounted to $0.4 million. The cumulative effect adjustment resulted in an increase to our fiscal 2018 opening balance of retained earnings of $0.4 million, net of tax. Prior periods were not retrospectively adjusted.

Improvements to Employee Share-Based Payment Accounting

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

Statement of Cash Flows (Topic 230): Restricted Cash

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

Business Combinations (Topic 805): Clarifying the Definition of a Business

We adopted ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"), on December 31, 2017. ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist companies and other reporting organizations with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. Under the amendments, a business is an integrated set of activities and assets that is

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capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants. The adoption of ASU 2017-01 did not have a material impact on our financial position, results of operations, cash flows, or disclosures.

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

We adopted ASU No. 2017-04, *Intangibles Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), on December 31, 2017. ASU 2017-04 simplifies the subsequent measurement of goodwill and eliminates Step 2 from the goodwill impairment test. Under the amendments, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the charge recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment charge, if applicable. The amendments also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. The adoption of ASU 2017-04 did not have a material impact on our financial position, results of operations, cash flows, or disclosures.

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

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

Recent Accounting Standards Not Yet Adopted

Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which supersedes FASB ASC Topic 840, *Leases* ("ASC 840"). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease, requires a dual approach to lease classification similar to current lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset, subject to certain permitted accounting policy elections. The liability will be equal to the present value of future lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). In July 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-10, *Codification Improvements to Topic 842, Leases* ("ASU 2018-10"). ASU 2018-10 clarifies or corrects unintended application of guidance related to ASU 2016-02. The new standard is effective for our interim and annual periods beginning on or after December 30, 2018, the beginning of fiscal 2019.

We will elect the package of practical expedients under ASU 2016-02 and ASU 2018-10, which allows us to forgo reassessing the following upon adoption of the new standard: (1) whether contracts contain leases for any expired or existing contracts, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing or expired leases. In addition, we will elect an accounting policy to exclude from the consolidated balance sheets the right-of-use assets and lease liabilities related to short term leases, which are those leases with an initial lease term of twelve months or less that do not include an option to purchase the underlying asset that we are reasonably certain to exercise.

We plan to adopt ASU 2016-02 using the additional modified retrospective transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. Under this approach, the cumulative-effect of the transition adjustments are applied to the applicable opening balances of the consolidated balance sheets in the period of adoption. However, comparative periods prior to the adoption date and their respective disclosures will be presented using the legacy guidance of ASC 840.

We are currently in the process of finalizing our evaluation of the impact of adopting Topic 842, including finalizing our determination of the incremental borrowing rates to be used to calculate the present value of its lease payments. We will finalize our evaluation during the first fiscal quarter of 2019. As a result of adopting the new standard, we currently estimate that we will recognize right-of-use assets between approximately $66.0 million and $86.0 million and recognize lease liabilities between approximately $89.0 million and $112.0 million as of December 30, 2018. The difference between the amount of right-of-use assets and lease liabilities recognized will be an adjustment to deferred rent. However, the final amounts could vary from the ranges described above based upon the finalization of our incremental borrowing rates.

We believe that the adoption of ASC 842 will not have a material impact on our results of operations or cash flows. We do not expect the adoption of ASC 842 to impact any of our existing debt covenants.

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

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 replaces the methodology that recognizes impairment of financial instruments when losses have been incurred with a methodology that recognizes impairment of financial instruments when losses are expected. The amendment requires entities to use a forward-looking "expected loss" model for most financial instruments, including accounts receivable and loans, that is based on historical information, current information, and reasonable and supportable forecasts. For available-for-sale debt securities with unrealized losses, credit losses will be recognized as an allowance rather than as a reduction in the amortized cost of the debt securities. ASU 2016-13 is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted for interim and annual periods beginning after December 15, 2018. Adoption of ASU 2016-13 will be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period after adoption.

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

We have not yet determined the effects, if any, that the adoption of the amendments may have on our financial position, results of operations, cash flows, or disclosures. We plan to adopt the amendments during the first quarter of 2020.

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

In June 2018, the FASB issued ASU No. 2018-07, *Compensation Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting (Topic 718)* ("ASU 2018-07"). ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments in this update specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used effectively to provide financing to the issuer or awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, *Revenue from Contracts with Customers*. The new guidance is effective for interim and annual periods beginning after December 15, 2018. We plan to adopt ASU 2018-07 as of December 30, 2018. The new guidance requires a remeasurement of nonemployee awards at fair value as of the adoption date and disclosure of the nature of and reason for the change in accounting principle and, if applicable, quantitative information about the cumulative effect of the change on retained earnings or other components of shareholders' equity. We believe that the adoption of ASU 2018-07 will not have any impact on our financial position, results of operations, cash flows or disclosures.

Fair Value Measurements (Topic 820)

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU No. 2018-13"). The ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements from ASC 820. Entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurement. The new standard is effective for interim and annual periods beginning after December 15, 2019. Entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the requirements. We have not yet determined the effects, if any, that the adoption of ASU 2018-10 may have on our financial position, results of operations, cash flows, or disclosures.

Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). ASU 2018-15 clarifies the accounting for implementation costs in a cloud computing arrangement that is a service contract and aligns the requirements for capitalizing those costs with the capitalization requirements for costs incurred to develop or obtain internal-use software. The new standard is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the effects, if any, the adoption of ASU 2018-15 may have on our financial position, results of operations, cash flows, or disclosures.

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Results of Operations

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

		Fiscal Year Ended	
	December 29, 2018 (52 weeks)	December 30, 2017 (52 weeks)	December 31, 2016 (52 weeks)
Revenues	100.0%	100.0%	100.0%
Cost of services (exclusive of depreciation and amortization)	69.2	69.9	70.0
Selling, general and administrative expenses	21.5	23.4	21.7
Depreciation and amortization	2.4	2.4	2.4
Income from operations	6.9	4.3	5.8
GNU gain on sale of business assets and subsequent liquidation	0.1	0.1	1.2
Interest expense, net	(0.2)	(0.2)	(0.2)
Other income (expense), net	0.1	(0.1)	(0.1)
Income before provision for income taxes	6.9	4.1	6.7
Provision for income taxes	(1.5)	(2.0)	(2.4)
Net income	5.4	2.1	4.4
Net (income) loss attributable to noncontrolling interest, net of tax	0.0	(0.0)	(0.4)
Net income attributable to CRA International, Inc.	5.4%	2.1%	4.0%

Fiscal 2018 Compared to Fiscal 2017

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

Revenues. Revenues increased by $47.5 million, or 12.8%, to $417.6 million for fiscal 2018 from $370.1 million for fiscal 2017. The increase in net revenue was a result of an increase in gross revenues of $46.7 million as compared to fiscal 2017, coupled with a decrease in write-offs and reserves of $0.8 million as compared to fiscal 2017. Included in revenues are the effect of changes in currency exchange rates resulting in an increase to revenue of $2.6 million for fiscal 2018 and a decrease of $2.5 million for fiscal 2017. Utilization increased to 76% for fiscal 2018 from 74% for fiscal 2017, while consultant headcount increased by 56 consultants during fiscal 2018. Billable hours increased by 9.1% for fiscal 2018 when compared to fiscal 2017.

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

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

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

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

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

Provision for Income Taxes. For fiscal 2018, our income tax provision was $6.5 million and the effective tax rate was 22.3%, as compared to a provision of $7.5 million and an effective tax rate of 49.2% for fiscal 2017. The effective tax rate for fiscal 2018 was lower than the prior year rate primarily due to the lower statutory U.S. corporate tax rate of 21% in the current year as a result of the Tax Act as well as the prior year remeasurement of U.S. deferred tax assets at the lower enacted corporate tax rate in fiscal 2017. The effective tax rate for fiscal 2018 was lower than our combined federal and state statutory rate primarily due to the tax benefit related to the accounting for stock-based compensation partially offset by higher non-deductible items as a result of the Tax Act stemming from new limitations on the deductibility of compensation paid to executive officers and the deductibility of meals and entertainment. The effective tax rate for fiscal 2017 was higher than our combined federal and state statutory rate primarily due to the remeasurement of U.S. deferred tax assets at the lower enacted corporate tax rate whereby we recorded a $3.6 million provision, partially offset by tax benefits related to the accounting for stock-based compensation.

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

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

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Fiscal 2017 Compared to Fiscal 2016

Fiscal 2017 and fiscal 2016 were both 52-week years.

Revenues. Revenues increased by $45.3 million, or 13.9%, to $370.1 million for fiscal 2017 from $324.8 million for fiscal 2016. Revenues increased primarily in our business consulting practice. The increase in net revenue was a result of an increase in gross revenues of $49.7 million as compared to fiscal 2016, offset by an increase in write-offs and reserves of $4.4 million as compared to fiscal 2016. Revenue growth was driven by an increase in average consulting headcount during fiscal 2017 compared to fiscal 2016, driven primarily by the addition of 84 consultants from the C1 acquisition and other recruiting activities during fiscal 2017. Utilization remained flat at 74% for fiscal 2017 and fiscal 2016. GNU revenue decreased $0.8 million in fiscal 2017 as compared to fiscal 2016, principally due to the cessation of its operations in April 2016.

Overall, revenues outside of the U.S. represented approximately 20% and 22% of total revenues for fiscal 2017 and fiscal 2016, respectively. Revenues derived from fixed-price engagements increased to 25% of total revenues for fiscal 2017 as compared with 17% for fiscal 2016. These percentages of revenue derived from fixed-price engagements depend largely on the proportion of our revenues derived from our management consulting business, as the management consulting business typically has a higher concentration of fixed-price service engagements. This increase in revenues derived from fixed-price engagements was primarily attributable to the acquisition of C1.

Costs of Services (exclusive of depreciation and amortization). Costs of services (exclusive of depreciation and amortization) increased by $31.4 million, or 13.8%, to $258.8 million for fiscal 2017 from $227.4 million for fiscal 2016. The increase in costs of services was due primarily to an increase of $15.5 million in employee compensation and fringe benefit costs attributable to salaries and benefits for our increased consulting headcount, which was primarily attributable to the C1 acquisition, as well as a $8.3 million increase in retention, incentive and share-based compensation. Additionally, client reimbursable expenses increased by $7.0 million in fiscal 2017 compared to fiscal 2016 principally driven by the increased use of consultants supporting our life sciences projects. Despite the overall increase in cost of services, as a percentage of net revenue, costs of services remained relatively flat at 69.9% for fiscal 2017 and 70.0% for fiscal 2016. GNU's costs of services declined during fiscal 2017 by $0.5 million, principally due to the cessation of its operations in April 2016.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $15.9 million, or 22.5%, to $86.5 million for fiscal 2017 from $70.6 million for fiscal 2016. Significant contributors to this increase were a $5.4 million increase in other professional and legal fees related to ongoing controls remediation, audit fees and legal costs associated with the IQVIA transaction, and $5.7 million of consideration paid to IQVIA. Additional contributors to this increase include the following increases in, or additions to, costs in fiscal 2017 compared to fiscal 2016: a $1.9 million increase in rent expense related to incremental leased office space in Chicago, New York and San Francisco; a $1.5 million increase in travel and entertainment expenses; a $0.8 million increase in employee compensation and fringe benefit costs; $0.5 million related to software development costs, which were not capitalizable; and a $0.3 million increase in bad debt reserves and write-offs for loans to employees. In addition, another contributor to this increase was commissions to our non-employee experts of $0.6 million for fiscal 2017 as compared to fiscal 2016, as a higher amount of our revenue fiscal 2017 was sourced by our non-employee experts. GNU selling, general and administrative expenses decreased by $1.0 million to $0.1 million for fiscal 2017 from $1.1 million for fiscal 2016, due to the cessation of its operations in April 2016.

As a percentage of revenues, selling, general and administrative expenses increased to 23.4% for fiscal 2017 from 21.7% for fiscal 2016 due primarily to the increase in the previously mentioned selling, general and administrative expenses and the increase in revenues. Commissions to non-employee experts decreased to 2.7% of revenue in fiscal 2017 compared to 2.9% of revenue in fiscal 2016 as less revenue as a percentage of overall revenue was sourced by nonemployee experts in fiscal 2017.

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GNU gain on sale of business assets and subsequent liquidation. On April 13, 2016, a buyer acquired substantially all of the business assets and assumed substantially all of the liabilities of GNU for a cash purchase price of $1.4 million. Of this amount, $1.1 million was received at closing, with the remaining $0.3 million paid in full on May 3, 2017. GNU recognized a gain on sale of its business assets of $0.3 million in fiscal 2017 of which $0.2 million was attributed to CRA, as compared to $3.8 million in fiscal 2016, of which $2.1 million was attributed to CRA.

Provision for Income Taxes. For fiscal 2017, our income tax provision was $7.5 million and the effective tax rate was 49.2% as compared to a provision of $7.7 million and an effective tax rate of 35.0% for fiscal 2016. The effective tax rate for fiscal 2017 was higher than the prior year rate and our combined federal and state statutory rate primarily due to the December 22, 2017, enactment of the Tax Cuts and Jobs Act (the "Tax Act") which lowers the U.S. corporate statutory tax rate from 35 percent to 21 percent. As a result of the enactment, we recorded a $3.6 million provision in connection with the remeasurement of U.S. deferred tax assets at the lower enacted corporate tax rate, partially offset by tax benefits related to the accounting for stock-based compensation. The effective tax rate in fiscal 2016 was lower than our combined federal and state statutory tax rate primarily due to the tax benefit realized for the use of GNU net operating loss carryforwards that previously had a valuation allowance as a result of the sale of their assets during Q2 of 2016, jurisdictional mix of income, and certain favorable prior period adjustments.

Net Income Attributable to CRA International, Inc. Net income attributable to CRA International, Inc. decreased by $5.3 million to net income of $7.6 million for fiscal 2017 from net income of $12.9 million for fiscal 2016.

The diluted net income per share was $0.89 per share for fiscal 2017, compared to diluted net income per share of $1.49 for fiscal 2016. Diluted weighted average shares outstanding decreased by approximately 104,000 shares to approximately 8,497,000 shares for fiscal 2017 from approximately 8,601,000 shares for fiscal 2016. 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 December 31, 2016.

Liquidity and Capital Resources

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

General. In fiscal 2018, our cash and cash equivalents decreased by $16.0 million, completing the year with cash and cash equivalents of $38.0 million and working capital (defined as current assets less current liabilities) of $38.6 million. The principal drivers of the reduction of cash were payment of our fiscal 2017 performance bonuses in the first half of 2018, the repurchase and retirement of shares of our common stock throughout the year under our share repurchase program, payments of dividends, payments made in respect of forgivable loans, and the buildout costs of our New York, San Francisco, Chicago and London offices, offset by changes in other cash flows from operations as described below.

At December 29, 2018, $27.2 million of our cash and cash equivalents was held within the U.S. We have sufficient sources of liquidity in the U.S., including cash flow from operations and availability on our revolving line of credit to fund U.S. cash requirements without the need to repatriate funds from our foreign subsidiaries. As of December 29, 2018, CRA's cash accounts were concentrated at two financial institutions, which potentially exposes CRA to credit risks. The financial institutions both have short-term credit ratings of A-2 by Standard & Poor's ratings services. CRA has not experienced any losses related to such accounts. CRA does not believe that there is significant risk of non-performance by the financial institutions, and its cash on deposit is fully liquid. CRA also makes investments in treasury money market mutual fund shares with a credit rating of AAA by Moody's. CRA continually monitors the credit ratings of these institutions.

Sources and Uses of Cash. During fiscal 2018, net cash provided by operations was $36.2 million. Net income was $22.5 million for fiscal 2018. The primary sources of cash were an increase in accounts payable, accrued expenses, and other liabilities of $18.8 million, a decrease in prepaid expenses and other current assets of $5.5 million, and an increase in incentive cash awards of $3.2 million. Additionally, cash provided by operations includes non-cash items including depreciation and amortization expense of $9.9 million and share-based compensation expenses of $4.8 million. Offsetting these sources of cash are an increase in accounts receivable and unbilled services of $14.4 million and $3.0 million, respectively, due to a significant increase in consulting activity during the period, and an increase in forgivable loans of $12.3 million. The change in forgivable loans was primarily driven by $27.2 million of forgivable loan issuances, net of repayments, offset by $15.3 million of forgivable loan amortization and $0.2 million in foreign currency translation.

During fiscal 2018, net cash used in investing activities was $15.4 million for capital expenditures.

We used $35.7 million of net cash in financing activities during fiscal 2018, primarily as a result of tax withholding payments reimbursed by restricted shares of $3.9 million, payment of $6.0 million of cash dividends to shareholders, and $27.9 million of repurchases of common stock. Offsetting these uses in cash was $2.2 million received upon the issuance of shares of common stock related to the exercise of stock options.

Indebtedness

We are party to a credit agreement that provides us with a $125.0 million revolving credit facility and a $15.0 million sublimit for the issuance of letters of credit. We may use the proceeds of the revolving credit facility 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 October 24, 2022. There were no borrowings outstanding under this revolving credit facility as of December 29, 2018.

The amount available under this revolving credit facility was reduced by certain letters of credit outstanding, which amounted to $3.9 million as of December 29, 2018. Borrowings under the revolving credit facility bear interest at a rate per annum, at our election, of either (i) the adjusted base rate, as defined in the credit agreement, plus an applicable margin, which varies between 0.25% and 1.25% depending on our total leverage ratio as determined under the credit agreement, or (ii) the adjusted eurocurrency rate, as defined in the credit agreement, plus an applicable margin, which varies between 1.25% and 2.25% depending on our total leverage ratio. We are required to pay a fee on the unused portion of the revolving credit facility at a rate per annum that varies between 0.20% and 0.35% depending on our total leverage ratio. Borrowings under the revolving credit facility are secured by 100% of the stock of certain of our U.S. subsidiaries and 65% of the stock of certain of our foreign subsidiaries, which represent approximately $29.1 million in net assets as of December 29, 2018.

Under the credit agreement, we must comply with various financial and non-financial covenants. Compliance with these financial covenants is tested on a fiscal quarterly basis. Any indebtedness outstanding under the revolving credit facility may become immediately due and payable upon the occurrence of stated events of default, including our failure to pay principal, interest or fees or a violation of any financial covenant. The financial covenants require us to maintain an adjusted consolidated EBITDA to consolidated interest expense ratio of more than 2.5:1.0 and to comply with a consolidated debt to adjusted consolidated EBITDA ratio of not more than 3.0:1.0. The non-financial covenant restrictions of the senior credit agreement include, but are not limited to, our ability to incur additional indebtedness, engage in acquisitions or dispositions, and enter into business combinations. At December 29, 2018 and currently, we are in compliance with all such tests under the credit agreement.

Forgivable Loans and Term Loans

In order to attract and retain highly skilled professionals, we may issue forgivable loans or term loans to employees and non-employee experts. A portion of these loans is collateralized by key man life

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insurance. 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.

Compensation Arrangements

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

Share-Based Compensation Expense

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

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As of December 29, 2018, there were 747,926 shares of our common stock available for award grants under the 2006 Equity Incentive plan, calculated as follows:

	Actual Shares	Shares Using Fungibility Ratio
Maximum shares of common stock issuable under the 2006 Equity Plan		5,649,000
Full-share awards granted/reserved through March 12, 2008	471,827	(849,289)
Full-share awards granted/reserved from March 12, 2008 to April 29, 2010	352,932	(776,450)
Full-share awards granted/reserved on or after April 30, 2010	2,023,363	(3,701,290)
Cancellation of full-share awards granted/reserved through March 12, 2008	91,277	164,299
Cancellation of full-share awards granted/reserved between March 12, 2008 and April 29, 2010	91,964	202,321
Cancellation of full-share awards granted/reserved on or after April 30, 2010	663,757	1,214,676
Options granted		(1,422,761)
Options cancelled		228,425
Options forfeited		38,995
Shares available for grant under the 2006 Equity Plan as of December 29, 2018		747,926

Additionally, the following table summarizes stock options outstanding and stock options exercisable as of December 29, 2018:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at December 29, 2018	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable at December 29, 2018	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price
$18.48 - 20.00	150,656	1.89	$ 18.48	150,656	1.89	$ 18.48
$20.01 - 26.24	214,364	3.87	21.52	154,999	3.87	21.52
$26.25 - 30.96	32,000	4.88	30.96	16,000	4.88	30.96
$30.97 - 31.17	138,135	2.89	30.97	138,135	2.89	30.97
$31.18 - 47.45	50,826	8.76	44.51	9,907	6.51	39.12
Total	585,981	3.61	$ 25.48	469,697	3.04	$ 24.02

Business Acquisition

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

In February 2018, and February 2019, our Board of Directors authorized expansions to our existing share repurchase program, each authorizing the purchase of an additional $20.0 million of our common stock. We may repurchase shares under this program in open market purchases (including through any Rule 10b5-1 plan adopted by us) or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. During fiscal 2018, we repurchased and retired 541,631 shares, under our share repurchase program at an average price per share of $51.51. We had

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approximately $1.6 million available for future repurchases under our share repurchase program as of December 29, 2018. As of February 22, 2019, we had approximately $21.6 million available for future repurchases under our share repurchase program. We plan to finance future repurchases with available cash, cash from future operations and funds from our existing revolving credit facility. We expect to continue to repurchase shares under our share repurchase program.

Dividends to Shareholders

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

Impact of Inflation

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

Future Capital and Liquidity Needs

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

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

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

Our conclusion that we will be able to fund our cash requirements by using existing capital resources and cash generated from operations does not take into account the impact of any future acquisition transactions or any unexpected significant changes in the number of employees or other expenditures that are currently not contemplated. The anticipated cash needs of our business could

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change significantly if we pursue and complete additional business acquisitions, if our business plans change, if economic conditions change from those currently prevailing or from those now anticipated, or if other unexpected circumstances arise that have a material effect on the cash flow or profitability of our business. Any of these events or circumstances, including any new business opportunities, could involve significant additional funding needs in excess of the identified currently available sources and could require us to raise additional debt or equity funding to meet those needs on terms that may be less favorable compared to our current sources of capital. Our ability to raise additional capital, if necessary, is subject to a variety of factors that we cannot predict with certainty, including:

- our future profitability;
- the quality of our accounts receivable;
- our relative levels of debt and equity;
- the volatility and overall condition of the capital markets; and
- the market prices of our securities.

Contractual Obligations

The following table presents information about our known contractual obligations as of December 29, 2018. It does not reflect contractual obligations that may have arisen or may arise after that date. Except for historical facts, the information in this section is forward-looking information.

Contractual Obligations	Total	Fiscal 2019	Fiscal 2020-2021	Fiscal 2022-2023	After Fiscal 2023
	Payments due by period (in thousands)				
Operating lease obligations	$ 126,017	$ 13,835	$ 27,877	$ 28,033	$ 56,272
Deferred LTIP cash awards	12,361	4,114	6,607	1,640	
Contingent consideration(1)	6,626		6,626		
Total	$ 145,004	$ 17,949	$ 41,110	$ 29,673	$ 56,272

(1) As of December 29, 2018, the contingent consideration liability has a discounted fair value of $6.2 million. The payment is due on January 31, 2021. The figure in the table above represents the undiscounted fair value of the obligation. Contingent consideration obligations are remeasured at fair value each reporting period, with the changes in fair value recognized in the consolidated statements of operations.

We are party to standby letters of credit with our bank in support of the minimum future lease payments under leases for permanent office space amounting to $3.9 million as of December 29, 2018.

Factors Affecting Future Performance

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

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Item 7A *Quantitative and Qualitative Disclosure About Market Risk*

Foreign Exchange Risk

The majority of our operations are based in the U.S. and, accordingly, the majority of our transactions are denominated in U.S. Dollars. However, we have foreign-based operations where transactions are denominated in foreign currencies and are subject to market risk with respect to fluctuations in the relative value of foreign currencies. Our primary foreign currency exposures relate to our short-term intercompany balances with our foreign subsidiaries and accounts receivable and cash valued in the United Kingdom in U.S. Dollars or Euros. Our primary foreign subsidiaries have functional currencies denominated in either the British Pound or the Euro, and foreign denominated assets and liabilities are remeasured each reporting period with any exchange gains and losses recorded in our consolidated statements of operations. We continue to manage our foreign currency exchange exposure through frequent settling of intercompany account balances and by self-hedging movements in exchange rates between the value of the U.S. Dollar and foreign currencies. Holding all other variables constant, fluctuations in foreign exchange rates may affect reported revenues and expenses, based on our currency exposures at December 29, 2018. A hypothetical 10% movement in foreign exchange rates on December 29, 2018 would have affected our income before provision for income taxes for the fourth quarter of fiscal 2018 by approximately $2.9 million. However, actual gains and losses in the future could differ materially from this analysis based on the timing and amount of both foreign currency exchange rate movements and our actual exposure.

From time to time, we may use derivative instruments to manage the risk of exchange rate fluctuations. However, at December 29, 2018 and December 30, 2017, we had no outstanding derivative instruments. We do not use derivative instruments for trading or speculative purposes.

Translation of Financial Results

Our foreign subsidiaries operate in currencies other than the U.S. Dollar; therefore, increases or decreases in the value of the U.S. Dollar against other major currencies will affect our operating results and the value of our balance sheet items denominated in foreign currencies. Our most significant exposures to translation risk relate to functional currency assets and liabilities that are denominated in the British Pound and the Euro. The changes in the net investments of foreign subsidiaries whose currencies are denominated in currencies other than the U.S. Dollar for fiscal 2018 were losses of $2.7 million. The changes in the net investments of foreign subsidiaries whose currencies are denominated in currencies other than the U.S. Dollar were gains of $3.9 million for fiscal 2017 and losses of $4.6 million for fiscal 2016. These translation gains and losses are reflected in "Other comprehensive income" in our consolidated statements of comprehensive income.

Interest Rate Risk

We maintain an investment portfolio consisting mainly of commercial paper, with maturities of three months or less when purchased, and money market funds, which may be withdrawn upon request. These held-to-maturity securities are subject to interest rate risk. However, a hypothetical change in the interest rates of 10% would not have a material impact to the fair values of these securities at December 29, 2018 primarily due to their short maturity.

Item 8 *Financial Statements and Supplementary Data*

We have included our consolidated financial statements in this annual report on pages FS-3 - FS-42. We have provided an index to our consolidated financial statements on page FS-1.

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

None

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Item 9A ***Controls and Procedures***

(a)
Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. This is done in order to ensure that information we are required to disclose in the reports that are filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 29, 2018, because of material weaknesses, described below in Management's Report on Internal Control over Financial Reporting.

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

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this report based on the framework in "Internal Control Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, our President and Chief Executive Officer and our Chief Financial Officer concluded that our internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles as of December 29, 2018 because of the material weaknesses in internal control described in the following paragraph.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, in fiscal 2018 we did not adequately design or execute internal controls over the completeness and accuracy of: 1) our contingent consideration and incentive-based compensation liabilities, including our internal controls over revenue forecasts and certain other assumptions used in the computation of these liabilities; 2) revenue and related reserves; 3) certain accounts payable and expense accruals; and 4) the evaluation of certain technical tax matters. We are in the process of remediating these controls at December 29, 2018.

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

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

Except for the material weaknesses noted in Section (b) and the ongoing remediation of the material weaknesses as described in Section (d) pursuant to the plan described in Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 30, 2017, our evaluation of our internal control over financial reporting discussed in Section (b) did not identify any changes in our internal control over financial reporting during the fourth quarter of fiscal 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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(d)
Plan for Remediation of Material Weakness

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

With input and oversight from the Audit Committee, we have taken significant steps to remediate our internal control deficiencies by redesigning our controls. Our efforts have focused on strengthening our finance organization and designing a suite of controls in respect of our revenue processes, compensation-related processes, certain contingent consideration processes, and certain accounts payable and accrual processes. Consistent with the remediation plan as reported in Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 30, 2017, during fiscal 2018 we:

- Continued our Special Internal Controls Committee reporting to the Audit Committee, led by our President and Chief Executive Officer, comprised of other members of senior management. The Special Internal Controls Committee met with the Audit Committee at each of its eight regularly scheduled meetings, as well as in four special sessions throughout the year. Additionally, the committee met with the Board of Directors twice during the year to provide an update on our remediation efforts;

- Hired additional resources to bolster our technical accounting expertise, accounting processes and internal control program;

- Enhanced change management process and controls over information technology systems, databases, applications and reports created from certain key systems used in the financial reporting process;

- Engaged third-party advisors to assist in the evaluation, redesign, development and documentation of internal controls related to revenue accounting. Additionally, these advisors assisted in the assessment, design and reconfiguration of our revenue related accounting systems and related reporting;

- Enhanced our policies, procedures, technology and controls over the receipt, review and accounting for client contracts, deferred revenues, variable consideration, receivables and related reserves, to ensure greater oversight and transparency;

- Enhanced certain policies, procedures, and controls over the assessment, determination and documentation of management's judgments and estimates associated with compensation-related processes; and

- Enhanced our management review controls over revenue, compensation and technical accounting processes.

In fiscal 2019, we plan to supplement our system of internal controls over financial reporting with the following actions:

- Continuation of the Special Internal Controls Committee to guide our remediation efforts;

- Continuation or addition of processes intended to strengthen our accounting policies and procedures;

- Continue to evaluate the design and operation of our internal controls related to revenue and related reserves, contingent consideration, income taxes, accounts payable and accrued expenses, including the evaluation of automated controls;

Continue to enhance our management review controls over revenue forecasts and related assumptions used in the computation of contingent consideration, incentive-based compensation and technical tax matters;

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- Provide additional training on the importance of timely, accurate and complete financial information effecting the status of client projects;

- Evaluate areas of the finance organization for further technological advancements, such as accounts payable, accrued expenses and incentive-based compensation, to ensure the timeliness, completeness and accuracy of our accounting records and enhanced reporting; and

- Provide additional training on the importance of review controls and related documentation.

(e) *Important Considerations*

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

Item 9B ***Other Information***

None

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited CRA International, Inc.'s internal control over financial reporting as of December 29, 2018, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weaknesses described below on the achievement of the objectives of the control criteria, CRA International, Inc. (the Company) has not maintained effective internal control over financial reporting as of December 29, 2018, based on the COSO criteria.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 29, 2018 and December 30, 2017, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 29, 2018, and the related notes. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and this report does not affect our report dated February 28, 2019, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Controls and Procedures in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Ernst & Young LLP

Boston, Massachusetts
February 28, 2019

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PART III

We have omitted the information required in Part III of this annual report because we intend to include that information in our definitive proxy statement for the 2019 annual meeting of shareholders, which we expect to file within 120 days (or such greater number as permitted by SEC rules) after the end of fiscal 2018. We incorporate that information in this annual report by reference to the proxy statement to be filed in connection with the 2019 annual meeting of our shareholders, which we will refer to herein as our "2019 annual proxy statement."

Item 10 *Directors, Executive Officers and Corporate Governance*

We incorporate the information required by this item by reference to the sections captioned "Corporate Governance" (specifically, its subsections captioned "Overview," "Executive officers and directors" and "Audit committee"), and "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2019 annual proxy statement.

Item 11 *Executive Compensation*

We incorporate the information required by this item by reference to the section captioned "Compensation of Directors and Executive Officers" in our 2019 annual proxy statement.

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

We incorporate the information required by this item by reference to the sections captioned "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plans" in our 2019 annual proxy statement.

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

We incorporate the information required by this item by reference to the sections captioned "Transactions with Related Parties" and "Corporate Governance" (specifically, its subsection captioned "Overview") in our 2019 annual proxy statement.

Item 14 *Principal Accountant Fees and Services*

We incorporate the information required by this item by reference to the section captioned "Principal Accountant Fees and Services" in our 2019 annual proxy statement.

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PART IV

Item 15 *Exhibits and Financial Statement Schedules*

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

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

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

Item 16 *Form 10-K Summary*

None.

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EXHIBIT INDEX

			Incorporated by Reference		
Exhibit No.	Description	Filed with this Form 10-K	Form	Filing Date	Exhibit No.
3.1	Amended and Restated Articles of Organization.		S-1/A	April 3, 1998	3.2
3.2	Articles of Amendment to our Articles of Organization		8-K	May 11, 2005	99.1
3.3	Amended and Restated By-Laws, as amended.		8-K	January 31, 2011	3.2
4.1	Specimen certificate for common stock.		S-8	April 21, 2006	4.4
10.1*	1998 Employee Stock Purchase Plan.		S-1/A	April 3, 1998	10.2
10.2*	Amended and Restated 2006 Equity Incentive Plan, as amended.		DEF 14A	April 27, 2018	Annex A
10.3*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan.		8-K	April 27, 2006	10.2
10.4*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan with Company Right of First Refusal.		10-K	February 12, 2009	10.9
10.5*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan, as amended.		10-K	March 2, 2012	10.11
10.6*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan, as amended.		10-K	March 15, 2017	10.9
10.7*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan, as amended.		10-K	March 12, 2018	10.7
10.8*	Form of Restricted Stock Agreement for Non-Employee Director Award Pursuant to Section 6.9 of the 2006 Equity Incentive Plan, as amended.		10-Q	August 2, 2018	10.3
10.9*	Form of Restricted Stock Agreement for Employee or Independent Contractor Awards under the 2006 Equity Incentive Plan.		8-K	April 27, 2006	10.3
10.10*	Form of Restricted Stock Agreement for Employee or Independent Contractor Awards under the 2006 Equity Incentive Plan with Company Right of First Refusal.		10-K	February 12, 2009	10.11
10.11*	Form of Restricted Stock Agreement for Employee or Independent Contractor Awards under the 2006 Equity Incentive Plan with Company, as amended.		10-K	March 2, 2012	10.14
10.12*	Form of Restricted Stock Agreement for Employee or Independent Contractor Award under the 2006 Equity Incentive Plan, as amended.		10-Q	August 2, 2018	10.4
10.13*	Form of Nonqualified Stock Option under the 2006 Equity Incentive Plan.		10-K	February 8, 2007	10.10
10.14*	Form of Nonqualified Stock Option under the 2006 Equity Incentive Plan with Stock Ownership Guidelines.		10-K	March 2, 2012	10.16
10.15*	Form of Nonqualified Stock Option under the 2006 Equity Incentive Plan with Ownership Guidelines.		10-K	March 15, 2017	10.12
10.16*	Form of Nonqualified Stock Option under the 2006 Equity Incentive Plan with Ownership Guidelines.		10-K	March 12, 2018	10.14
10.17*	Form of Restricted Stock Unit Award Agreement under the 2006 Equity Incentive Plan.		10-K	January 29, 2010	10.14

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

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

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

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			Incorporated by Reference		
Exhibit No.	**Description**	**Filed with this Form 10-K**	**Form**	**Filing Date**	**Exhibit No.**
101	The following financial statements from CRA International, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 29, 2018, formatted in XBRL (eXtensible Business Reporting Language), as follows: (i) Consolidated Statements of Operations for the fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016, (ii) Consolidated Statements of Comprehensive Income (Loss) for the fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016, (iii) Consolidated Balance Sheets as at December 29, 2018 and December 30, 2017, (iv) Consolidated Statements of Cash Flows for the fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016, (v) Consolidated Statements of Shareholders' Equity for the fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016, and (vi) Notes to Consolidated Financial Statements.	X			

* Management contract or compensatory plan

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SIGNATURES

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

CRA INTERNATIONAL, INC.

By: /s/ PAUL A. MALEH

Paul A. Maleh
President, Chief Executive Officer and Director

Date: February 28, 2019

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

Signature	Title	Date
/s/ PAUL A. MALEH Paul A. Maleh	President, Chief Executive Officer, and Director (principal executive officer)	February 28, 2019
/s/ CHAD M. HOLMES Chad M. Holmes	Chief Financial Officer, Executive Vice President, and Treasurer (principal financial officer)	February 28, 2019
/s/ DOUGLAS C. MILLER Douglas C. Miller	Vice President and Chief Accounting Officer (principal accounting officer)	February 28, 2019
/s/ ROWLAND T. MORIARTY Rowland T. Moriarty	Chairman of the Board	February 28, 2019
/s/ WILLIAM F. CONCANNON William F. Concannon	Director	February 28, 2019
/s/ NANCY HAWTHORNE Nancy Hawthorne	Director	February 28, 2019
/s/ ROBERT W. HOLTHAUSEN Robert W. Holthausen	Director	February 28, 2019
/s/ THOMAS A. AVERY Thomas A. Avery	Director	February 28, 2019
/s/ ROBERT A. WHITMAN	Director	February 28, 2019

Robert A. Whitman

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CRA INTERNATIONAL, INC.

**INDEX TO
CONSOLIDATED FINANCIAL STATEMENTS**

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Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CRA International, Inc. (the Company) as of December 29, 2018 and December 30, 2017, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 29, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 29, 2018 and December 30, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 29, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 29, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 28, 2019 expressed an adverse opinion thereon.

Basis for Opinion

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

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

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2014.
Boston, Massachusetts
February 28, 2019

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CRA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 29, 2018 (52 weeks)	Year Ended December 30, 2017 (52 weeks)	Year Ended December 31, 2016 (52 weeks)
	(in thousands, except per share data)		
Revenues	$ 417,648	$ 370,075	$ 324,779
Cost of services (exclusive of depreciation and amortization)	289,185	258,829	227,380
Selling, general and administrative expenses	89,533	86,537	70,584
Depreciation and amortization	9,995	8,945	7,896
Income from operations	28,935	15,764	18,919
GNU gain on sale of business assets and subsequent liquidation	258	250	3,836
Interest expense, net	(647)	(484)	(469)
Other income (expense), net	387	(366)	(397)
Income before provision for income taxes and noncontrolling interest	28,933	15,164	21,889
Provision for income taxes	(6,461)	(7,463)	(7,656)
Net income	22,472	7,701	14,233
Net (income) loss attributable to noncontrolling interest, net of tax	20	(77)	(1,345)
Net income attributable to CRA International, Inc.	$ 22,492	$ 7,624	$ 12,888
Net income per share attributable to CRA International, Inc.:			
Basic	$ 2.76	$ 0.91	$ 1.50
Diluted	$ 2.61	$ 0.89	$ 1.49
Weighted average number of shares outstanding:			
Basic	8,107	8,292	8,503
Diluted	8,570	8,497	8,601

See accompanying notes to the consolidated financial statements.

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CRA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 29, 2018 (52 weeks)	Year Ended December 30, 2017 (52 weeks)	Year Ended December 31, 2016 (52 weeks)
		(in thousands)	
Net income	$ 22,472	$ 7,701	$ 14,233
Other comprehensive income (loss):			
Foreign currency translation adjustments	(2,698)	3,922	(4,568)
Comprehensive income	19,774	11,623	9,665
Comprehensive (income) loss attributable to noncontrolling interest	20	(77)	(1,345)
Comprehensive income attributable to CRA International, Inc.	$ 19,794	$ 11,546	$ 8,320

See accompanying notes to the consolidated financial statements.

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CRA INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

	December 29, 2018	December 30, 2017
	(in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,028	$ 54,035
Accounts receivable, net of allowances of $3,764 at December 29, 2018 and $5,252 at December 30, 2017	94,525	79,803
Unbilled services, net of allowances of $415 at December 29, 2018 and $704 at December 30, 2017	36,060	33,530
Prepaid expenses and other current assets	6,423	11,373
Forgivable loans	6,104	5,540
Total current assets	181,140	184,281
Property and equipment, net	48,088	44,643
Goodwill	88,208	89,000
Intangible assets, net	7,846	9,208
Deferred income taxes	9,330	8,713
Forgivable loans, net of current portion	34,190	23,088
Other assets	2,044	2,824
Total assets	$ 370,846	$ 361,757
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 21,938	$ 18,473
Accrued expenses	108,233	94,573
Deferred revenue and other liabilities	6,866	6,896
Current portion of deferred rent	1,810	1,131
Current portion of deferred compensation	3,650	908
Total current liabilities	142,497	121,981
Non-current liabilities:		
Deferred compensation and other non-current liabilities	7,957	11,526
Deferred rent and facility-related non-current liabilities	23,618	20,656
Deferred income taxes	302	365
Total non-current liabilities	31,877	32,547
Commitments and contingencies (Note 14)		
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; 8,010,480 and 8,297,172 shares issued and outstanding at December 29, 2018 and December 30, 2017, respectively	22,837	47,414
Retained earnings	186,229	169,390
Accumulated other comprehensive loss	(12,594)	(9,896)
Total CRA International, Inc. shareholders' equity	196,472	206,908
Noncontrolling interest		321
Total shareholders' equity	196,472	207,229

Total liabilities and shareholders' equity	$	370,846	$	361,757

See accompanying notes to the consolidated financial statements.

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CRA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 29, 2018 (52 weeks)	Year Ended December 30, 2017 (52 weeks)	Year Ended December 31, 2016 (52 weeks)
		(in thousands)	
OPERATING ACTIVITIES:			
Net income	$ 22,472	$ 7,701	$ 14,233
Adjustments to reconcile net income to net cash provided by operating activities, net of effect of acquired businesses:			
Depreciation and amortization	9,942	8,859	7,875
Loss on disposal of property and equipment	54	71	2
Impairment of intangible assets		530	
GNU gain on sale of business assets and subsequent liquidation	(258)	(250)	(3,836)
Deferred rent	3,596	3,171	3,260
Deferred income taxes	(829)	1,651	8,399
Share-based compensation expenses	4,819	6,616	6,867
Excess tax benefits from share-based compensation			(393)
Accounts receivable allowances	(1,410)	1,739	535
Changes in operating assets and liabilities:			
Accounts receivable	(14,427)	(13,032)	(8,670)
Unbilled services	(2,987)	(7,640)	(219)
Prepaid expenses and other current assets, and other assets	5,502	6,067	(6,439)
Forgivable loans	(12,277)	5,641	10,225
Incentive cash awards	3,206	1,319	
Accounts payable, accrued expenses, and other liabilities	18,786	23,415	16,324
Net cash provided by operating activities	36,189	45,858	48,163
INVESTING ACTIVITIES:			
Cash consideration paid for acquisitions		(16,163)	
Purchase of property and equipment	(15,447)	(9,757)	(13,023)
GNU cash proceeds from sale of business assets		250	1,100
Net cash used in investing activities	(15,447)	(25,670)	(11,923)
FINANCING ACTIVITIES:			
Issuance of common stock, principally stock options exercises	2,166	6,420	2,853
Borrowings under line of credit	30,161	11,500	7,500
Payments under line of credit	(30,161)	(11,500)	(7,500)
Payments on notes payable			(75)
Tax withholding payment reimbursed by shares	(3,946)	(3,262)	(1,880)
Excess tax benefits from share-based compensation			393
Cash paid on dividend equivalent	(256)	(121)	
Cash dividends paid to shareholders	(5,784)	(4,941)	(1,166)
Repurchase of common stock	(27,884)	(19,528)	(19,315)
Distribution to noncontrolling interest	(43)	(419)	
Net cash used in financing activities	(35,747)	(21,851)	(19,190)
Effect of foreign exchange rates on cash and cash equivalents	(1,002)	2,168	(1,659)
Net (decrease) increase in cash and cash equivalents	(16,007)	505	15,391
Cash and cash equivalents at beginning of period	54,035	53,530	38,139
Cash and cash equivalents at end of period	$ 38,028	$ 54,035	$ 53,530

Noncash investing and financing activities:			
Issuance of common stock for acquired business	$	$ 3,044	$ 44

Purchases of property and equipment not yet paid for	$	303	$	3,514	$	118
Purchases of property and equipment paid by a third party	$	133	$	1,640	$	92
Asset retirement obligations	$	223	$	120	$	844
Supplemental cash flow information:						
Cash paid for taxes	$	4,813	$	7,424	$	6,184
Cash paid for interest	$	509	$	314	$	405

See accompanying notes to the consolidated financial statements.

CRA INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except share data)

	Common Stock			Accumulated Other Comprehensive	CRA International, Inc.		Total
	Shares Issued	Amount	Retained Earnings	Income (Loss)	Shareholders' Equity	Noncontrolling Interest	Shareholders' Equity
BALANCE AT JANUARY 2, 2016	8,859,231	$ 65,731	$ 155,275	$ (9,250)	$ 211,756	$ (688)	$ 211,068
Net income			12,888		12,888	1,345	14,233
Foreign currency translation adjustment				(4,568)	(4,568)		(4,568)
Issuance of common stock	1,790	44			44		44
Exercise of stock options	124,931	2,853			2,853		2,853
Share-based compensation expense for employees		6,716			6,716		6,716
Restricted shares vesting	201,905						
Redemption of vested employee restricted shares for tax withholding	(69,000)	(1,880)			(1,880)		(1,880)
Tax deficit on stock option exercises, expirations and restricted share vesting		(171)			(171)		(171)
Shares repurchased	(784,867)	(19,315)			(19,315)		(19,315)
Share-based compensation expense for non-employees		146			146		146
Accrued dividends on unvested shares			(83)		(83)		(83)
Cash dividends paid to shareholders ($0.14 per share)			(1,166)		(1,166)		(1,166)
Equity transactions of noncontrolling interest.						6	6
BALANCE AT DECEMBER 31, 2016	8,333,990	$ 54,124	$ 166,914	$ (13,818)	$ 207,220	$ 663	$ 207,883
Balance at January 1, 2017, as previously reported	8,333,990	54,124	166,914	(13,818)	207,220	663	207,883
Cumulative effect of a change in accounting principle related to ASU 2016-09			48		48		48
Balance at January 1, 2017, as adjusted	8,333,990	$ 54,124	$ 166,962	$ (13,818)	$ 207,268	$ 663	$ 207,931
Net income			7,624		7,624	77	7,701
Foreign currency translation adjustment				3,922	3,922		3,922
Issuance of common stock	89,312	3,044			3,044		3,044
Exercise of stock options	293,439	6,420			6,420		6,420
Share-based compensation expense for employees		6,489			6,489		6,489
Restricted shares vesting	211,320						
Redemption of vested employee restricted shares for tax withholding	(76,181)	(3,262)			(3,262)		(3,262)
Shares repurchased	(554,708)	(19,528)			(19,528)		(19,528)
Share-based compensation expense for non-employees		127			127		127
Distribution to noncontrolling interest						(419)	(419)
Accrued dividends on unvested shares			(134)		(134)		(134)
Cash paid on dividend equivalents			(121)		(121)		(121)
Cash dividends paid to shareholders ($0.59 per share).			(4,941)		(4,941)		(4,941)

BALANCE AT DECEMBER 30, 2017	8,297,172	$ 47,414	$ 169,390	$ (9,896)	206,908	$ 321	$ 207,229
Balance at December 31, 2017, as previously reported	8,297,172	$ 47,414	$ 169,390	$ (9,896)	206,908	$ 321	$ 207,229
Cumulative effect of a change in accounting principle related to ASC 606			366		366		366
Balance at December 31, 2017, as adjusted	8,297,172	$ 47,414	$ 169,756	$ (9,896)	207,274	$ 321	$ 207,595
Net income			22,492		22,492	(20)	22,472
Foreign currency translation adjustment				(2,698)	(2,698)		(2,698)
Exercise of stock options	100,771	2,166			2,166		2,166
Share-based compensation expense for employees and non-employees		4,819			4,819		4,819
Restricted shares vesting	237,509						
Redemption of vested employee restricted shares for tax withholding	(83,341)	(3,946)			(3,946)		(3,946)
Shares repurchased	(541,631)	(27,616)			(27,616)		(27,616)
GNU gain on sale of business assets and subsequent liquidation						(258)	(258)
Distribution to noncontrolling interest						(43)	(43)
Accrued dividends on unvested shares			21		21		21
Cash paid on dividend equivalents			(256)		(256)		(256)
Cash dividends paid to shareholders ($0.71 per share).			(5,784)		(5,784)		(5,784)
BALANCE AT DECEMBER 29, 2018	8,010,480	$ 22,837	$ 186,229	$ (12,594)	196,472		$ 196,472

See accompanying notes to the consolidated financial statements.

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CRA INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies