

HEIDRICK & STRUGGLES

Fourth Quarter 2023 Results

February 26, 2024

Cautionary Statement Regarding Forward-Looking Information

This presentation contains forward-looking statements within the meaning of the federal securities laws, including statements regarding guidance for the first quarter of 2024. The forward-looking statements are based on current expectations, estimates, forecasts, and projections about the industry in which we operate and management's beliefs and assumptions. Forward-looking statements may be identified by the use of words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “outlook,” “projects,” “forecasts,” “aim” and similar expressions. Forward-looking statements are not guarantees of future performance, rely on a number of assumptions, and involve certain known and unknown risks and uncertainties that are difficult to predict, many of which are beyond our control. Factors that may cause actual outcomes and results to differ materially from what is expressed, forecasted or implied in the forward-looking statements include, among other things, leadership changes, our ability to attract, integrate, develop, manage and retain qualified consultants and senior leaders; our ability to prevent our consultants from taking our clients with them to another firm; our ability to maintain our professional reputation and brand name; the fact that our net revenue may be affected by adverse economic conditions; our clients’ ability to restrict us from recruiting their employees; the aggressive competition we face; our heavy reliance on information management systems; the fact that we face the risk of liability in the services we perform; the fact that data security, data privacy and data protection laws and other evolving regulations and cross-border data transfer restrictions may limit the use of our services and adversely affect our business; social, political, regulatory and legal risks in markets where we operate; any challenges to the classification of our on-demand talent as independent contractors; the impact of foreign currency exchange rate fluctuations; the fact that we may not be able to align our cost structure with net revenue; unfavorable tax law changes and tax authority rulings; our ability to realize our tax losses; the timing of the establishment or reversal of valuation allowance on deferred tax assets; any impairment of our goodwill, other intangible assets and other long-lived assets; our ability to execute and integrate future acquisitions; the fact that we have anti-takeover provisions that make an acquisition of us difficult and expensive; our ability to access additional credit; and the increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted cyber-related attacks that could pose a risk to our systems, networks, solutions, services and data. We caution the reader that the list of factors may not be exhaustive. For more information on these risks, uncertainties and other factors, refer to our Annual Report on Form 10-K for the year ended December 31, 2023, under the heading “Risk Factors” in Item 1A. The forward-looking statements contained in this press release speak only as of the date of this press release. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures & Currency Presentation

NON-GAAP FINANCIAL MEASURES

To supplement the financial results presented in accordance with generally accepted accounting principles in the United States (“GAAP”), Heidrick & Struggles presents certain non-GAAP financial measures. A “non-GAAP financial measure” is defined as a numerical measure of a company’s financial performance that excludes or includes amounts different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of comprehensive income, balance sheets or statements of cash flow of the Company. Pursuant to the requirements of Regulation G, these slides contain the most directly comparable GAAP financial measure to the non-GAAP financial measure and a reconciliation of the two measures.

Reconciliations of these non-GAAP financial measures with the most directly comparable measures calculated and presented in accordance with GAAP are provided in the appendix.

The Company evaluates its results of operations on both an as reported and a constant currency basis. The constant currency presentation is a non-GAAP financial measure, which excludes the impact of fluctuations in foreign currency exchange rates. The Company believes providing constant currency information provides valuable supplemental information regarding its results of operations, consistent with how it evaluates its performance. The Company calculates constant currency percentages by converting its financial results in a local currency for a period using the average exchange rate for the prior period to which it is comparing. This calculation may differ from similarly-titled measures used by other companies.

CURRENCY PRESENTATION

All currency amounts presented in millions except for earnings per share data.

APPENDIX CURRENCY PRESENTATION

All currency amounts presented in thousands except for earnings per share data.

Overview

Our Purpose & Vision

Our search expertise and organizational consulting experience empower our clients to develop high-performing leaders, teams, and organizations.

OUR PURPOSE

- We help our clients change the world, one leadership team at a time.™

OUR VISION

- We are committed to serving our clients as trusted advisors providing diversified solutions across executive search, leadership assessment & development, team and organizational effectiveness, culture shaping, and on-demand talent.

INTEGRATED SERVICES FUELED BY DATA

- Executive Search
- On-Demand Talent
- Heidrick Consulting
 - Leadership
 - Organization & Culture
 - Diversity, Equity & Inclusion
- Heidrick Digital (beta)

Financial Highlights

Heidrick & Struggles continues to deliver strong financial performance



REVENUE

- Quarterly net revenue of \$253.2 million; on a constant currency basis*, net revenue was \$249.3 million for the fourth quarter



ADJUSTED EBITDA*

- Adjusted EBITDA* of \$35.8 million and Adjusted EBITDA Margin* of 14.1% for the fourth quarter



NET INCOME

- Net income of \$14.9 million for the fourth quarter



EARNINGS PER SHARE

- Diluted earnings per share of \$0.72 for the fourth quarter

“We are very pleased with how we finished the year and what is reflected by our fourth quarter results, having delivered solid year over year growth in both revenue and adjusted EBITDA,” stated Heidrick & Struggles’ President and Chief Executive Officer, Krishnan Rajagopalan. “These results cap off an impressive year in which we made meaningful strides on our strategic goals of growing and diversifying our revenue. Our Diversified Solutions of On-Demand Talent, Heidrick Consulting, and our nascent Heidrick Digital grew 44% during 2023, and exited the year representing 27% of our fourth quarter revenue. Additionally, our full year consolidated adjusted EBITDA margins were 12%, and our free cash flow allowed us to invest in two key businesses. We also continued to invest in Heidrick Digital, which not only yielded our first customers for the Heidrick Navigator SaaS product, but also advanced our enterprise platform by digitally enabling our businesses.”

Rajagopalan continued, “As a world-class leadership advisory firm, we believe we are well positioned to take advantage of improving market conditions to grow both revenue and profitability in 2024. We will continue to partner with our clients to provide them with the most comprehensive suite of services to help find them the world’s best leaders, create diverse and inclusive cultures, and transform their teams to achieve the highest levels of profitability and performance.”

- Krishnan Rajagopalan, CEO

* Non-GAAP Financial Measure

HEIDRICK & STRUGGLES

Diversification Drives Growth



ON-DEMAND TALENT

- 83.7% year over year revenue growth for the fourth quarter*
- Adjusted EBITDA margin 1.9% for the fourth quarter
- Strong organic leading indicators (vs Q4'22)
 - Qualified leads increased
 - Wins increased
 - Number of client meetings increased



HEIDRICK CONSULTING

- 35.8% year over year revenue growth for the fourth quarter**
- Confirmations up 2.9% over Q4'22
- Adjusted EBITDA margin 3.6% for the fourth quarter
- Leadership and culture/purpose best practices driving business



FUTURE GROWTH

- Invest in new product development and strategic expansion into adjacent and complementary areas with innovative, tech-driven offerings to drive future growth and shareholder value



HEIDRICK DIGITAL

- Advancing enterprise platform through digital enhancements
- Developing SaaS based product portfolio, including recently launched Navigator
 - Multiple clients signed and a growing pipeline

* Driven by acquisition of Atreus

** Partially driven by acquisition of businessfourzero

Investing in Diversified Expansion Platform

Atreus – On-Demand Talent

- Provides one of Europe's market leading platforms: Working to become the #1 On-Demand Talent ("ODT") provider in Europe
- Blends Executive Search, ODT and leadership consulting capabilities with leading European marketplace for Executive ODT



Market Position

Clear market leader for C-Suite level interim management in Germany and leading provider in Europe



Services

Interim line management, project and program management, C-Suite level recruiting



Manager Network

More than 15,000 highly qualified and carefully selected managers within our network.

businessfourzero – Heidrick Consulting

- Broader, more robust set of leadership advisory solutions
- Provides accelerated growth opportunities given hybrid work, retention of top talent and the importance of linking purpose, culture and strategy for shareholders, employees and customers



Market Position

Strong market position in the U.K. and Europe; expected expansion to the U.S.



Services

Purpose driven change consultancy that helps connect the dots between purpose, strategy, leadership, culture and engagement

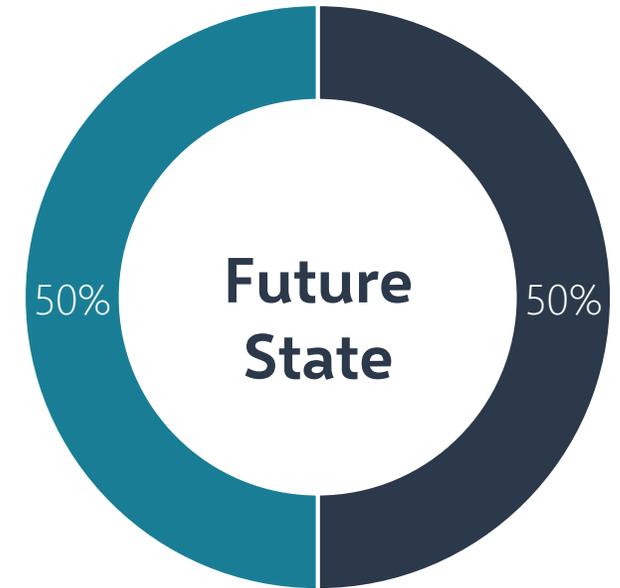
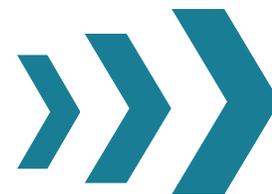
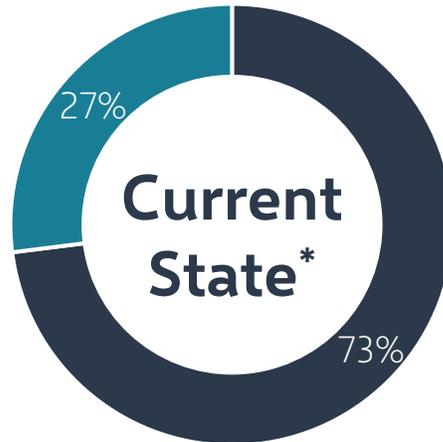
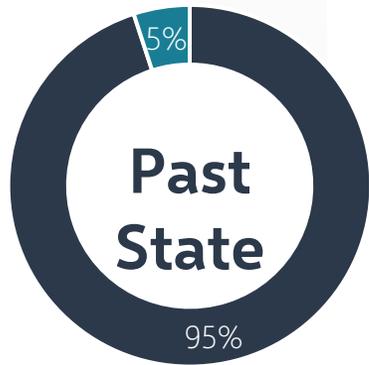


Diversified Team

Over 50 employees with backgrounds from strategy, innovation, psychology and the start-up world – bringing a unique blend of human, commercial and creative skills

Long-Term Objectives

PERCENT OF CONSOLIDATED NET REVENUE



- Executive Search
- Diversified Solutions
 - Heidrick Consulting

- Executive Search
- Diversified Solutions
 - Heidrick Consulting
 - On-Demand Talent

- Executive Search
- Diversified Solutions
 - Heidrick Consulting
 - On-Demand Talent
 - Heidrick Digital

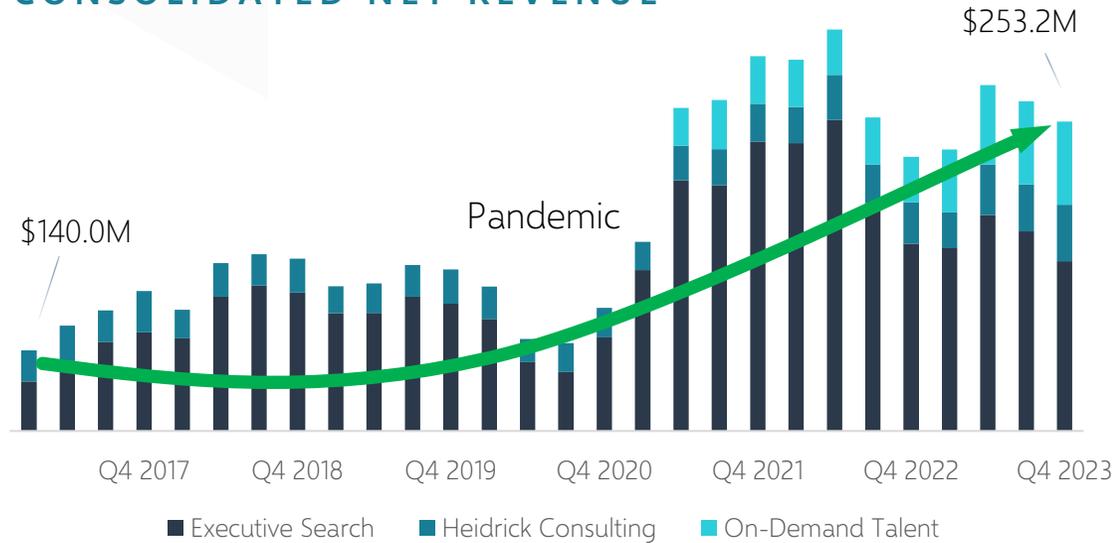
*Q4'23 Results

Consolidated Results

Consolidated Financial Highlights

QUARTERLY NET REVENUE AND ADJUSTED EBITDA* TRENDS

CONSOLIDATED NET REVENUE



9.2% CAGR since Q1 2017

ADJUSTED EBITDA*



18.3% CAGR since Q1 2017

* Non-GAAP Financial Measure

Consolidated Financial Highlights

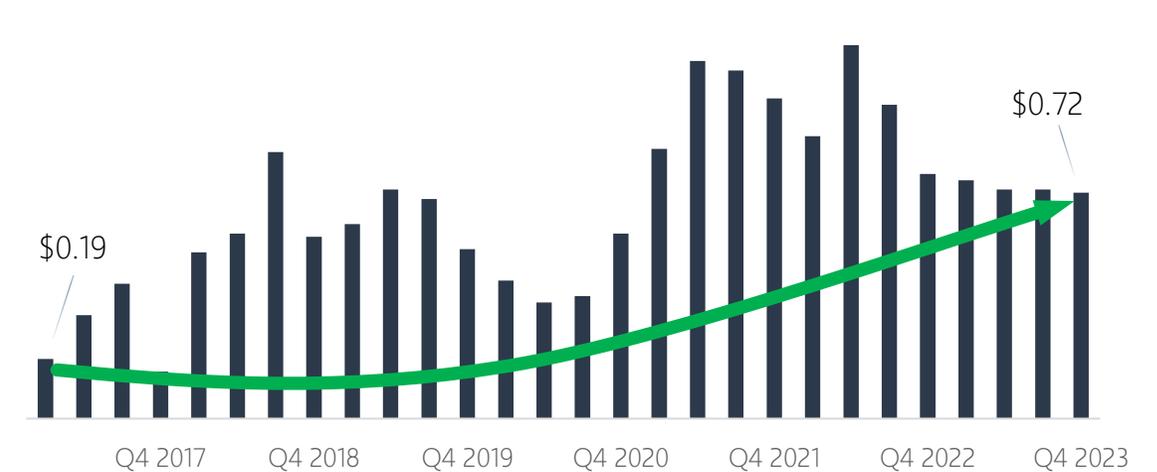
QUARTERLY ADJUSTED EBITDA MARGIN* AND ADJUSTED DILUTED EPS* TRENDS

ADJUSTED EBITDA MARGIN*



Consistently profitable
Double-digit margin quarters nearly every
quarter for six years

ADJUSTED DILUTED EPS*



39 consecutive quarters of
profitability

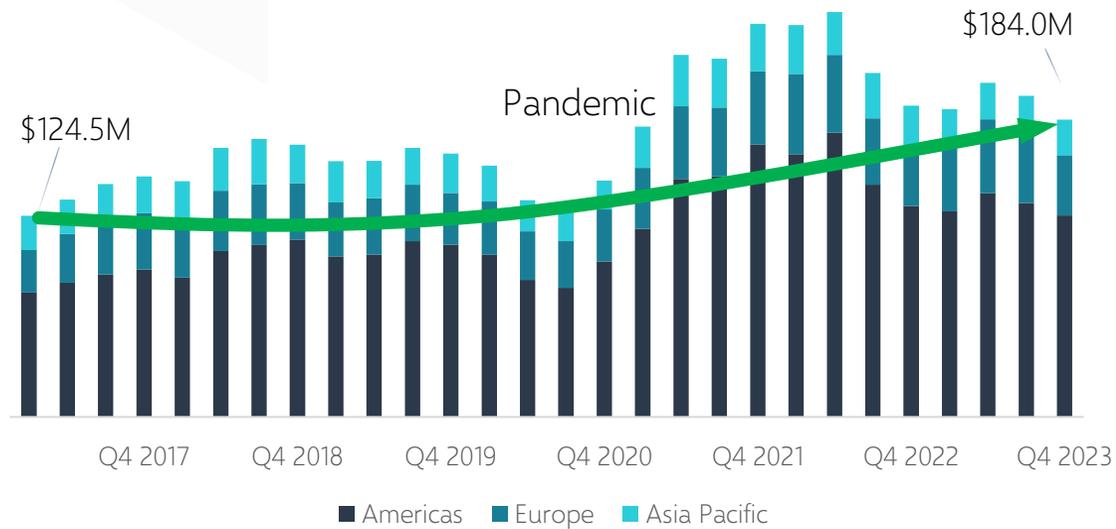
* Non-GAAP Financial Measure

Executive Search Results

Executive Search Financial Highlights

QUARTERLY NET REVENUE AND ADJUSTED EBITDA* TRENDS

NET REVENUE



6.0% CAGR since Q1 2017

ADJUSTED EBITDA*



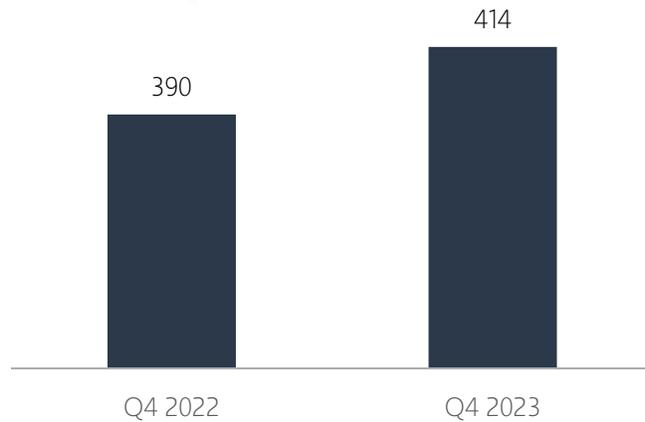
10.6% CAGR since Q1 2021

Strong profitability drives opportunities for other business segments

* Non-GAAP Financial Measure

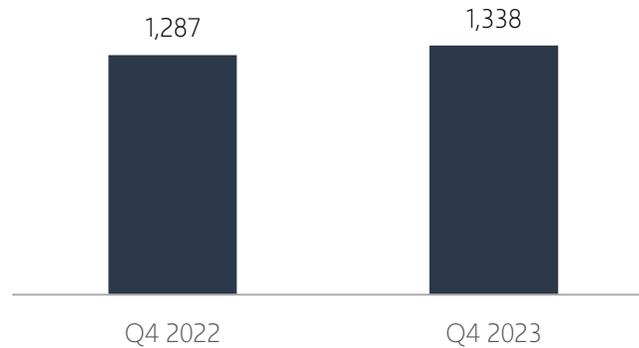
Executive Search Operational Highlights

CONSULTANT HEADCOUNT



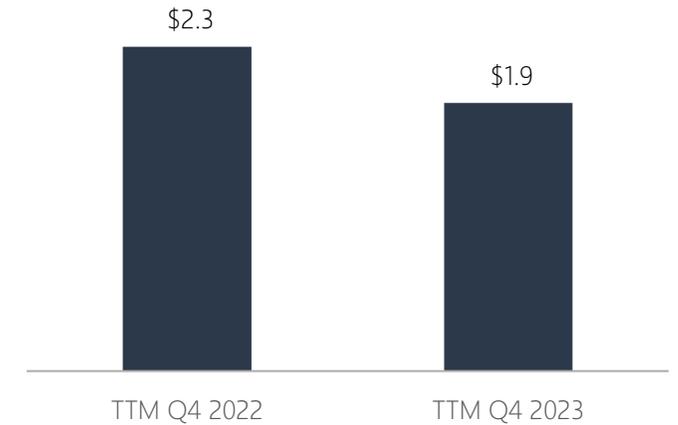
6% year-over-year consultant headcount increase

SEARCH CONFIRMATIONS



4% year-over-year increase in confirmation volume

CONSULTANT PRODUCTIVITY

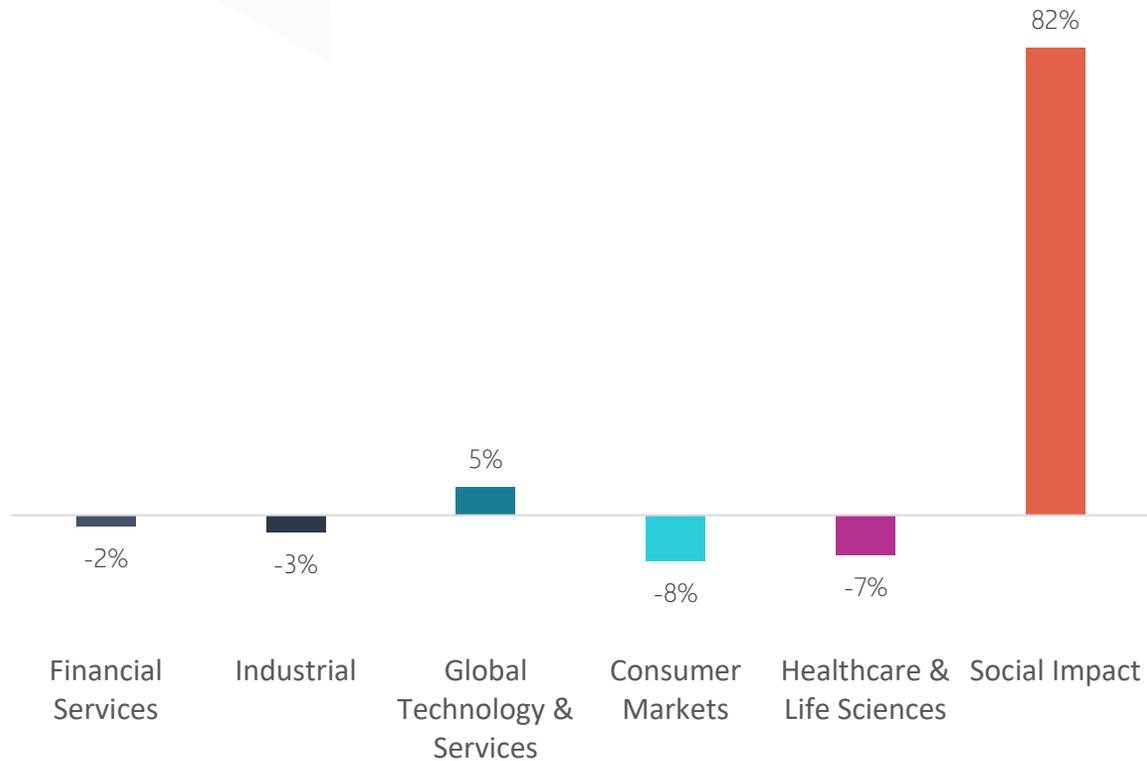


Trailing twelve-month productivity decline due to lower revenue and an increase in the number of consultants

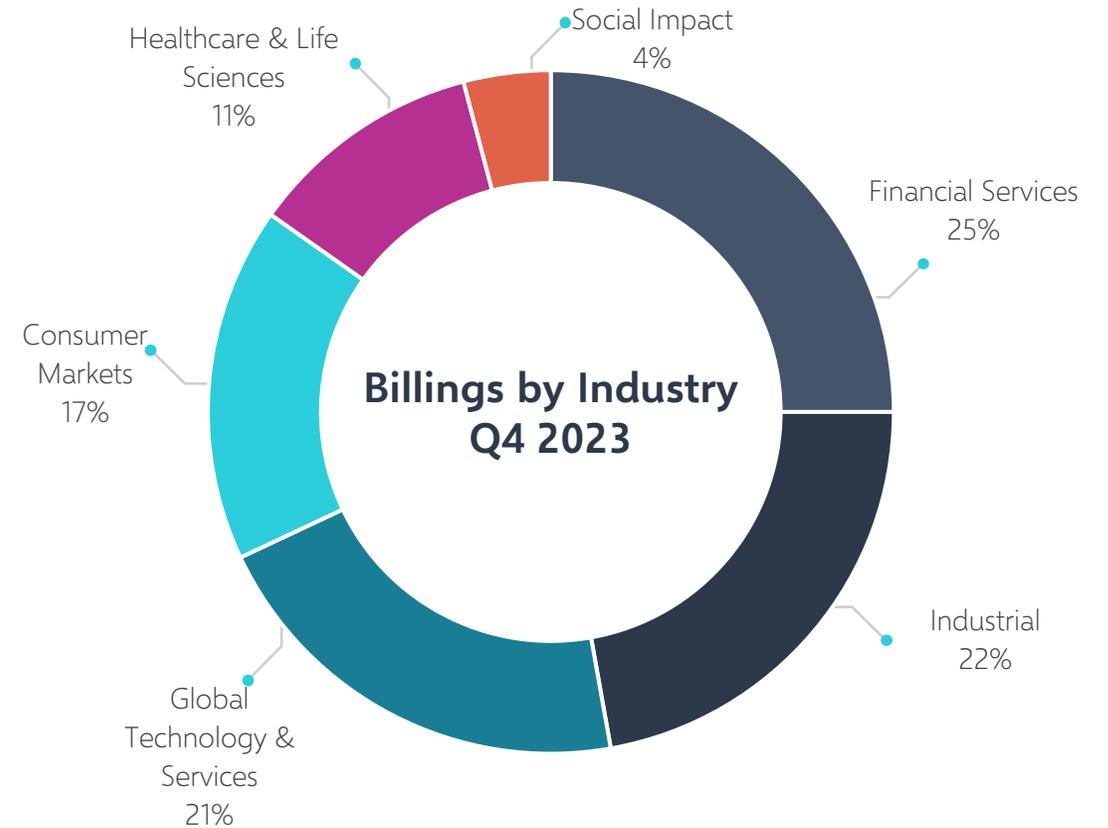
Diversified Mix Of Business In Executive Search

COMPARISON OF INDUSTRY BILLINGS

Q4 2022 vs. Q4 2023



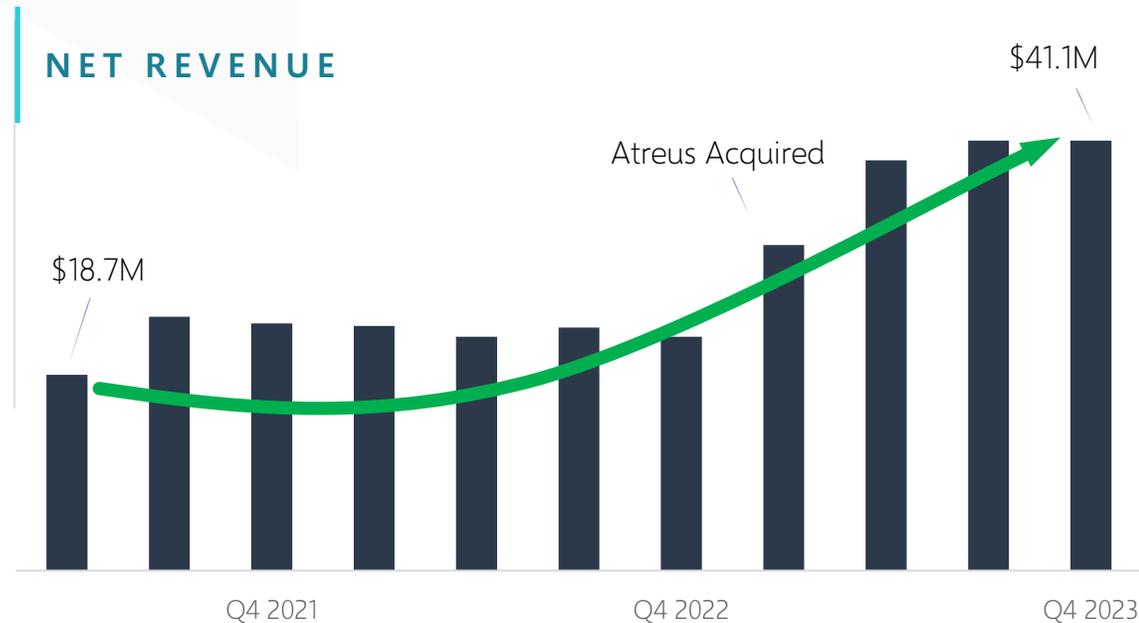
MIX OF INDUSTRIES



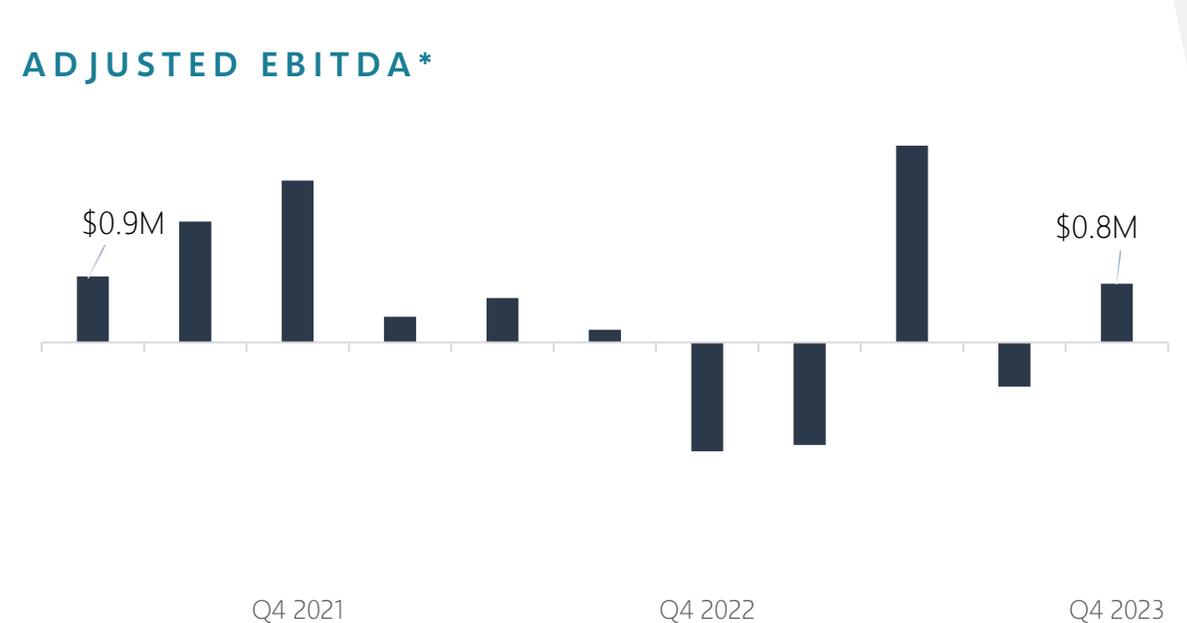
On-Demand Talent Results

On-Demand Talent Financial Highlights

QUARTERLY NET REVENUE AND ADJUSTED EBITDA* TRENDS



83.7% year over year growth
Flat sequentially



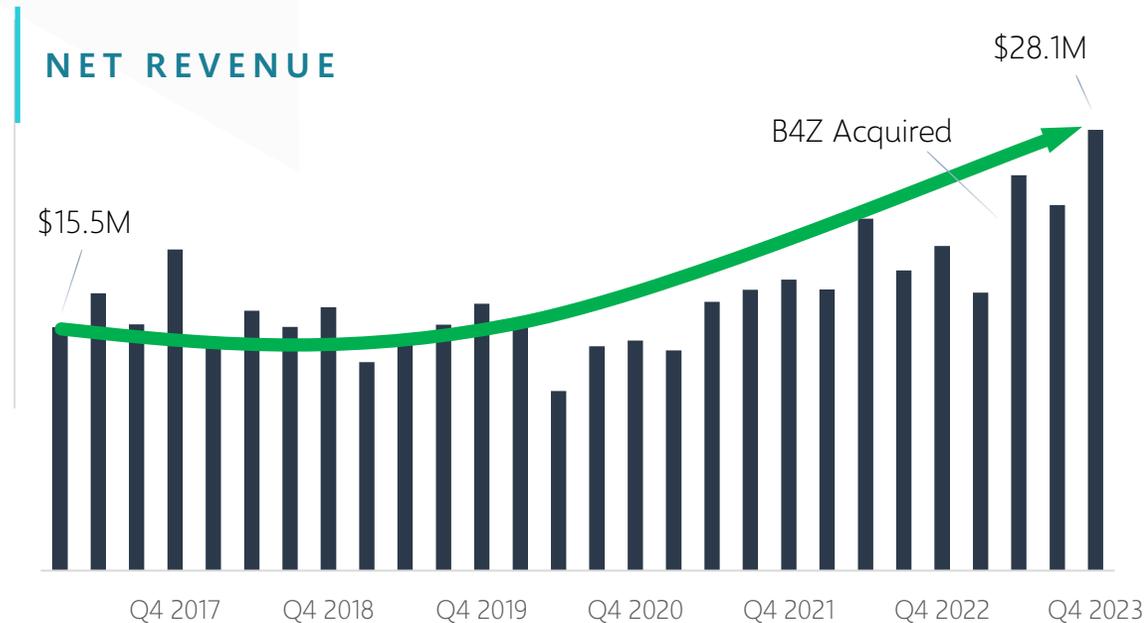
On-Demand Talent is currently in the
investment and scaling phase

* Non-GAAP Financial Measure

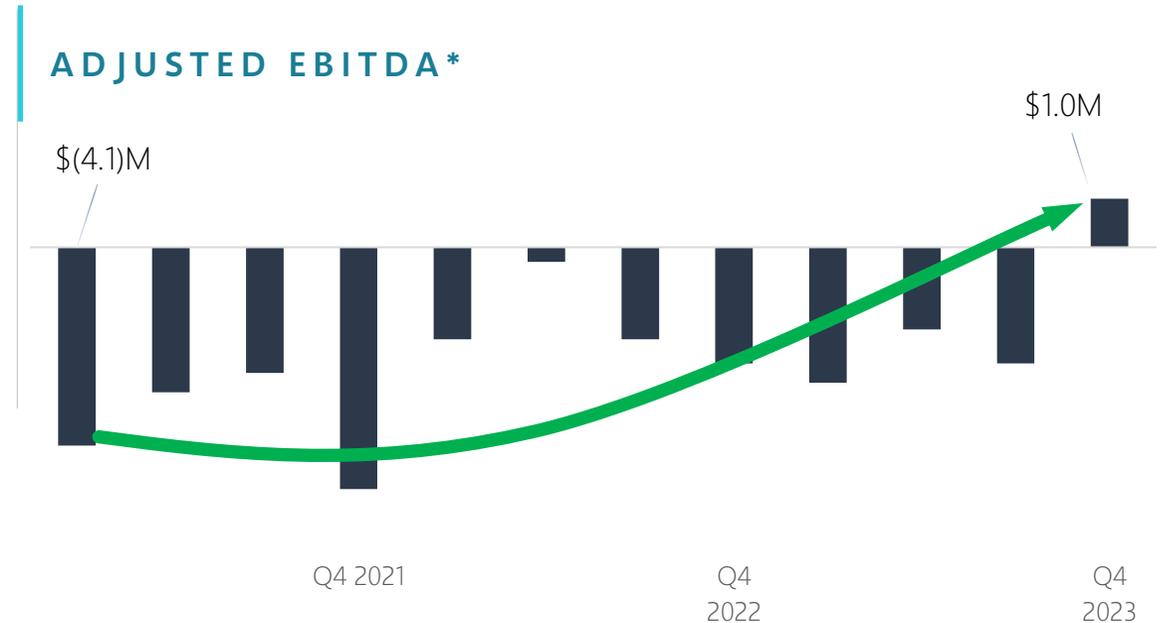
Heidrick Consulting Results

Heidrick Consulting Financial Highlights

QUARTERLY NET REVENUE AND ADJUSTED EBITDA* TRENDS



9.2% CAGR since Q1 2017
20.6% sequential increase



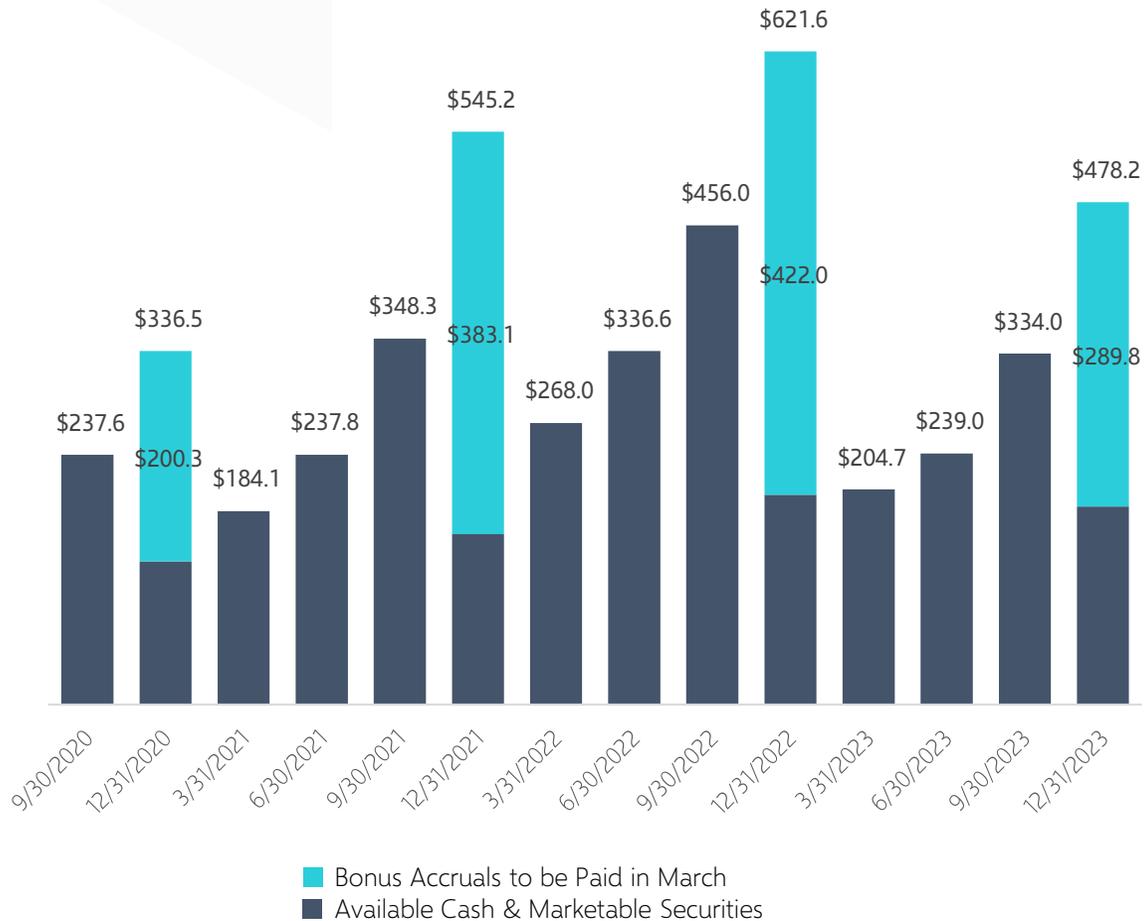
Heidrick Consulting is currently in the investment and scaling phase

* Non-GAAP Financial Measure

Balance Sheet & Liquidity

Strong & Flexible Balance Sheet

CASH & MARKETABLE SECURITIES, NET OF DEBT



CASH FLOW PROVIDED BY OPERATING ACTIVITIES

	December 31, 2023	December 31, 2022
For the quarter ending:	\$155.9	\$160.3

USE OF CASH PRIORITIZATION



Appendix

Reconciliation of GAAP to Non-GAAP Financial Measures

Adjusted Net Income & Earnings Per Share

We define Adjusted Net Income as net income excluding impairment charges and earnout adjustments, net of tax.

(In \$ thousands)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Net income	\$ 14,855	\$ 16,044	\$ 54,410	\$ 79,486
Adjustments				
Earnout adjustments, net of tax	-	29	-	(320)
Impairment charges, net of tax	-	-	6,038	-
Total adjustments	-	29	6,038	(320)
Adjusted net income	<u>\$ 14,855</u>	<u>\$ 16,073</u>	<u>\$ 60,448</u>	<u>\$ 79,166</u>
Weighted-average common shares outstanding				
Basic	20,122	19,861	20,029	19,758
Diluted	20,670	20,499	20,766	20,618
Earnings per common share				
Basic	\$ 0.74	\$ 0.81	\$ 2.72	\$ 4.02
Diluted	\$ 0.72	\$ 0.78	\$ 2.62	\$ 3.86
Adjusted earnings per common share				
Basic	\$ 0.74	\$ 0.81	\$ 3.02	\$ 4.01
Diluted	\$ 0.72	\$ 0.78	\$ 2.91	\$ 3.84

Adjusted EBITDA & Adjusted EBITDA Margin

We define Adjusted EBITDA as earnings before interest, taxes, depreciation, intangible amortization, earnout accretion, earnout fair value adjustments, acquisition contingent compensation, deferred compensation plan income and expense, reorganization costs, impairment charges, restructuring charges, and other non-operating income (expense).

(In \$ thousands)	Three Months Ended December 31, 2023								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 124,778	\$ 37,275	\$ 21,912	\$ 183,965	\$ 41,096	\$ 28,101	\$ -	\$ -	\$ 253,162
Operating income (loss) ¹	40,712	5,412	2,962	49,086	(4,616)	(852)	(5,952)	(15,802)	21,864
Adjustments									
Depreciation	780	327	203	1,310	74	247	754	165	2,550
Intangible amortization	4	20	4	28	2,060	438	-	-	2,526
Earnout accretion	-	-	-	-	399	58	-	-	457
Acquisition contingent compensation	640	-	-	640	1,543	1,040	-	-	3,223
Deferred compensation plan	3,665	-	-	3,665	-	94	59	5	3,823
Reorganization costs	-	-	-	-	1,314	-	-	-	1,314
Total adjustments	5,089	347	207	5,643	5,390	1,877	813	170	13,893
Adjusted EBITDA	\$ 45,801	\$ 5,759	\$ 3,169	\$ 54,729	\$ 774	\$ 1,025	\$ (5,139)	\$ (15,632)	\$ 35,757
Adjusted EBITDA margin	36.7%	15.5%	14.5%	29.7%	1.9%	3.6%	(2.0%)	(6.2%)	14.1%

(In \$ thousands)	Three Months Ended December 31, 2022								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 130,561	\$ 37,258	\$ 24,838	\$ 192,657	\$ 22,368	\$ 20,692	\$ -	\$ -	\$ 235,717
Operating income (loss) ¹	40,383	3,613	5,218	49,214	(2,154)	(2,663)	(6,067)	(18,484)	19,846
Adjustments									
Depreciation	844	295	295	1,434	51	132	248	126	1,991
Intangible amortization	9	45	4	58	630	100	-	-	788
Earnout accretion	-	-	-	-	-	-	-	-	-
Earnout fair value adjustments	-	-	-	-	43	-	-	-	43
Acquisition contingent compensation	603	311	-	914	-	-	-	-	914
Deferred compensation plan	2,264	-	-	2,264	-	61	31	1	2,357
Total adjustments	3,720	651	299	4,670	724	293	279	127	6,093
Adjusted EBITDA	\$ 44,103	\$ 4,264	\$ 5,517	\$ 53,884	\$ (1,430)	\$ (2,370)	\$ (5,788)	\$ (18,357)	\$ 25,939
Adjusted EBITDA margin	33.8%	11.4%	22.2%	28.0%	(6.4%)	(11.5%)	(2.5%)	(7.8%)	11.0%

¹ The Company does not allocate interest income or expense, other income or expense, and the provision for income taxes to the Company's reportable operating segments. As such, the Company has concluded that operating income (loss) represents the most directly comparable measure of financial performance presented in accordance with U.S. GAAP for the reconciliation of Adjusted EBITDA in this presentation.

Adjusted EBITDA & Adjusted EBITDA Margin

We define Adjusted EBITDA as earnings before interest, taxes, depreciation, intangible amortization, earnout accretion, earnout fair value adjustments, acquisition contingent compensation, deferred compensation plan income and expense, reorganization costs, impairment charges, restructuring charges, and other non-operating income (expense)

(In \$ thousands)	Twelve Months Ended December 31, 2023								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 522,988	\$ 166,379	\$ 90,678	\$ 780,045	\$ 152,506	\$ 94,313	\$ -	\$ -	\$ 1,026,864
Operating income (loss) ¹	161,840	18,075	10,094	190,009	(16,437)	(18,729)	(22,698)	(56,788)	75,357
Adjustments									
Depreciation	3,059	1,218	961	5,238	400	754	2,073	648	9,113
Intangible amortization	33	125	15	173	7,797	1,425	-	-	9,395
Earnout accretion	-	-	-	-	1,381	173	-	-	1,554
Acquisition contingent compensation	2,541	548	-	3,089	5,687	3,158	-	-	11,934
Deferred compensation plan	5,885	-	-	5,885	-	150	90	7	6,132
Reorganization costs	-	2,280	-	2,280	2,606	-	-	-	4,886
Impairment charges	-	-	-	-	-	7,246	-	-	7,246
Total adjustments	11,518	4,171	976	16,665	17,871	12,906	2,163	655	50,260
Adjusted EBITDA	<u>\$ 173,358</u>	<u>\$ 22,246</u>	<u>\$ 11,070</u>	<u>\$ 206,674</u>	<u>\$ 1,434</u>	<u>\$ (5,823)</u>	<u>\$ (20,535)</u>	<u>\$ (56,133)</u>	<u>\$ 125,617</u>
Adjusted EBITDA margin	33.1%	13.4%	12.2%	26.5%	0.9%	(6.2%)	(2.0%)	(5.5%)	12.2%

(In \$ thousands)	Twelve Months Ended December 31, 2022								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 612,881	\$ 176,275	\$ 112,766	\$ 901,922	\$ 91,349	\$ 80,193	\$ -	\$ -	\$ 1,073,464
Operating income (loss) ¹	164,225	19,274	18,687	202,186	(3,361)	(7,155)	(20,414)	(58,990)	112,266
Adjustments									
Depreciation	3,438	1,237	1,110	5,785	150	478	524	457	7,394
Intangible amortization	60	214	16	290	2,519	400	-	-	3,209
Earnout accretion	-	-	-	-	820	-	-	-	820
Earnout fair value adjustments	-	-	-	-	(464)	-	-	-	(464)
Acquisition contingent compensation	2,460	1,425	-	3,885	-	-	-	-	3,885
Deferred compensation plan	(5,990)	-	-	(5,990)	-	(167)	(75)	-	(6,232)
Total adjustments	(32)	2,876	1,126	3,970	3,025	711	449	457	8,612
Adjusted EBITDA	<u>\$ 164,193</u>	<u>\$ 22,150</u>	<u>\$ 19,813</u>	<u>\$ 206,156</u>	<u>\$ (336)</u>	<u>\$ (6,444)</u>	<u>\$ (19,965)</u>	<u>\$ (58,533)</u>	<u>\$ 120,878</u>
Adjusted EBITDA margin	26.8%	12.6%	17.6%	22.9%	(0.4%)	(8.0%)	(1.9%)	(5.5%)	11.3%

¹ The Company does not allocate interest income or expense, other income or expense, and the provision for income taxes to the Company's reportable operating segments. As such, the Company has concluded that operating income (loss) represents the most directly comparable measure of financial performance presented in accordance with U.S. GAAP for the reconciliation of Adjusted EBITDA in this presentation.

HEIDRICK & STRUGGLES

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