

HEIDRICK & STRUGGLES

Second Quarter 2022 Results

July 25, 2022

Cautionary Statement Regarding Forward-Looking Information

This following presentation may contain forward-looking statements within the meaning of the federal securities laws. 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," 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, the impacts, direct and indirect, of the COVID-19 pandemic (including the emergence of variant strains) on our business, our consultants and employees, and the overall economy; the impact on the global or a regional economy due to the outbreak or escalation of hostilities or war; 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 is 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, 2021, under the heading "Risk Factors" in Item 1A, as updated in Part II of our subsequent Quarterly Reports on Form 10-Q, and other filings with the Securities and Exchange Commission. The forward-looking statements contained in this presentation speak only as of the date of this presentation. 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.

The non-GAAP financial measures used within these earnings release slides are adjusted operating income, adjusted operating income margin, adjusted net income, adjusted basic and diluted earnings per share, adjusted EBITDA, and adjusted EBITDA margin. These measures are presented because management uses this information to monitor and evaluate financial results and trends. Management believes this information is also useful for investors. Reconciliations of these non-GAAP financial measures to the most directly comparable measures calculated and presented in accordance with GAAP are provided in the appendix to these earnings release slides.

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

Financial Highlights

Heidrick & Struggles achieves record quarterly net revenue of \$298.7 million and six-month net revenue of \$582.6 million



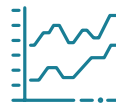
RECORD REVENUE

- Record quarterly net revenue of \$298.7 million in the second quarter exceeds consensus expectations and increased 15% compared to prior year



OPERATING INCOME

- Operating income increased 18% year-over-year to \$33.9 million in the second quarter
- Adjusted operating income increased 6% compared to 2021 second quarter adjusted operating income* of \$31.9 million



EBITDA & NET INCOME

- Net income increased 16% to \$24.1 million in the second quarter compared to prior year
- Adjusted EBITDA* declined 6% year-over-year to \$36.8 million and Adjusted EBITDA Margin* was 12.3%



EARNINGS PER SHARE

- Adjusted diluted earnings per share increased to \$1.19 compared to prior year adjusted diluted earnings per share* of \$1.14

“Our firm generated all-time high quarterly revenue and delivered another very strong margin performance. As companies adopt revolutionary new ways of working and make stronger than ever commitments to DE&I, purpose and sustainability, our firm is transforming and building a virtuous cycle of leadership offerings, including new digital leadership solutions, that address our clients’ evolving and most critical needs.”

- Krishnan Rajagopalan, CEO

* Non-GAAP Financial Measure

Growth Through Innovative Offerings



ON-DEMAND TALENT

- Revenue continues to exceed pre-acquisition levels
- Continued benefit from working within the H&S network of clients with approximately 20% of revenue generated through internal referrals from Executive Search and Heidrick Consulting



EIGHTFOLD.AI

- Partnership marks another step in our journey to expand our suite of leadership solutions with innovative, tech-driven offerings and drive future growth
- Two industry leaders to bring together the best of leadership intelligence, data analytics and technology - with a digital-first approach designed to enable better leadership decisions and business outcomes



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

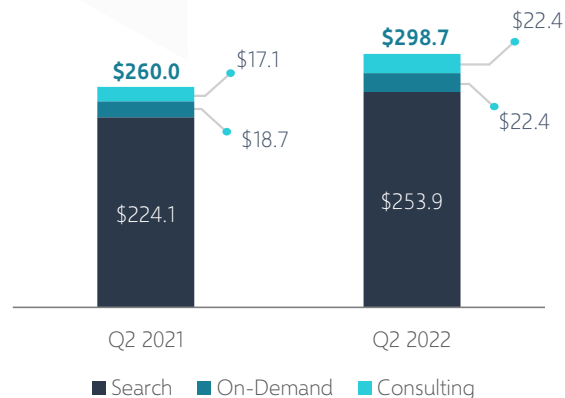
Consolidated Results



Consolidated Financial Highlights

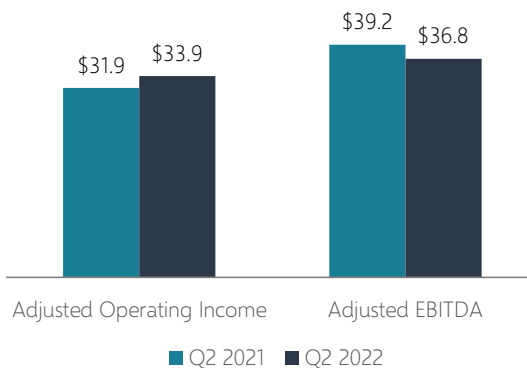
Net revenue reached a record \$298.7 million, an increase of 15% year-over-year

NET REVENUE



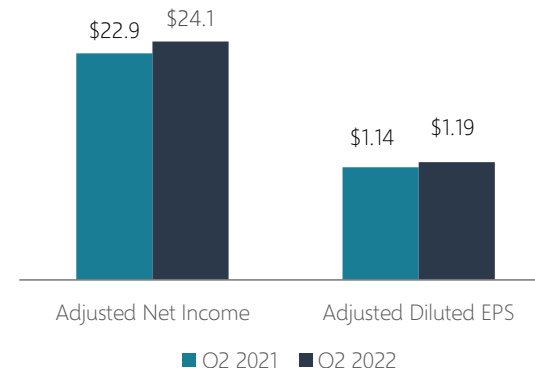
+15% year-over-year growth

ADJUSTED PROFITABILITY*



+6% year-over-year growth in Adjusted Operating Income*
 -6% year-over-year decline in Adjusted EBITDA*

ADJUSTED NET INCOME & EPS*



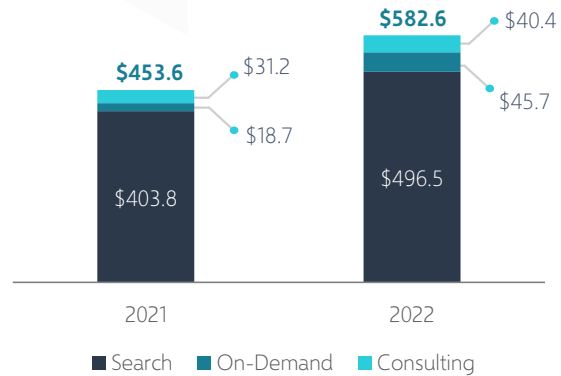
+5% year-over-year growth in Adjusted Net Income*
 +4% year-over-year growth in Adjusted Diluted EPS*

* Non-GAAP Financial Measure

Consolidated Financial Highlights

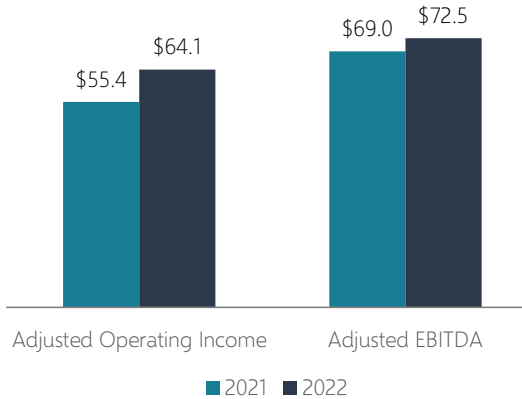
Net revenue reached a record \$582.6 million, an increase of 28% year-over-year

NET REVENUE



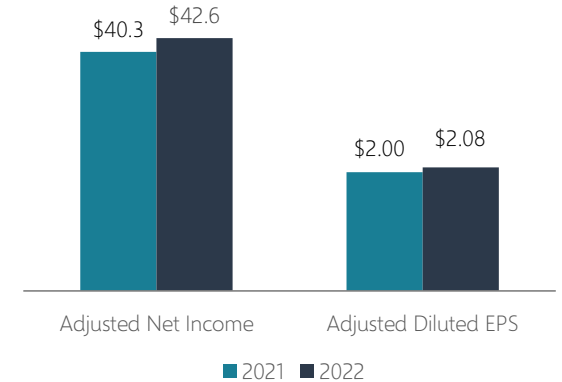
+28% year-over-year growth

ADJUSTED PROFITABILITY*



+16% year-over-year growth in Adjusted Operating Income*
 +5% year-over-year growth in Adjusted EBITDA*

ADJUSTED NET INCOME & EPS*

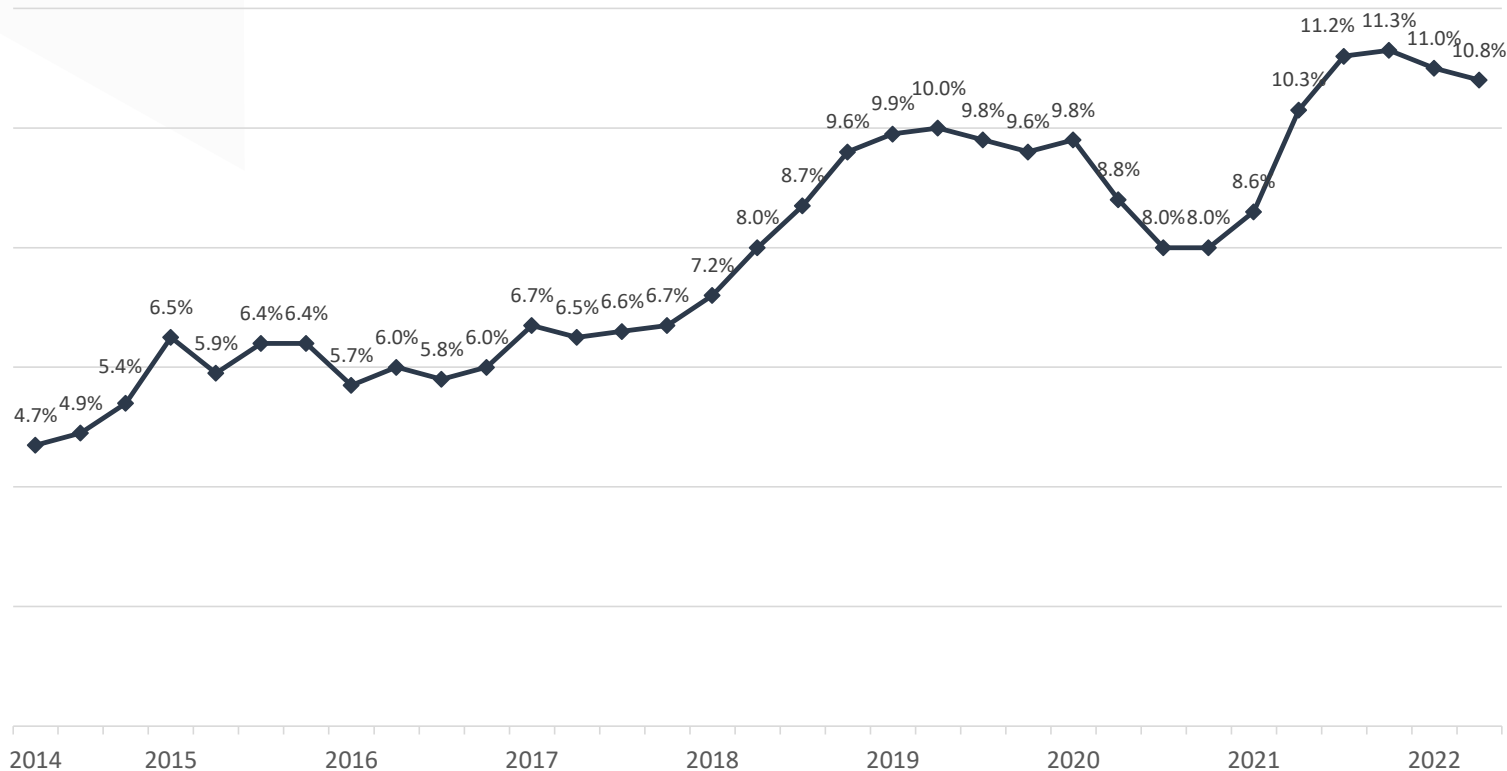


+6% year-over-year growth in Adjusted Net Income*
 +4% year-over-year growth in Adjusted Diluted EPS*

* Non-GAAP Financial Measure

Expansion In Adjusted Operating Income Margin

TRAILING 12-MONTH ADJUSTED OPERATING INCOME* / TRAILING 12-MONTH CONSOLIDATED NET REVENUE



+610 bps increase in TTM Adjusted Operating Margin* over 8 years

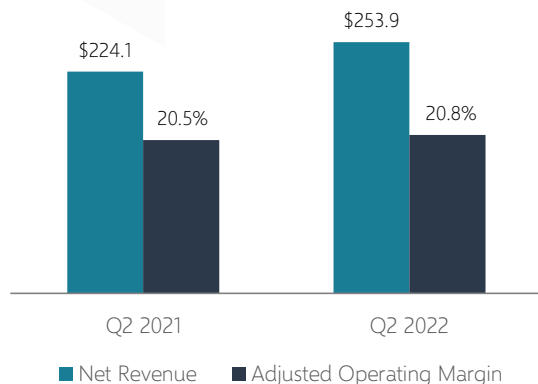
* Non-GAAP Financial Measure – Excludes restructuring charges, impairment charges, and earnout adjustments

Executive Search Results



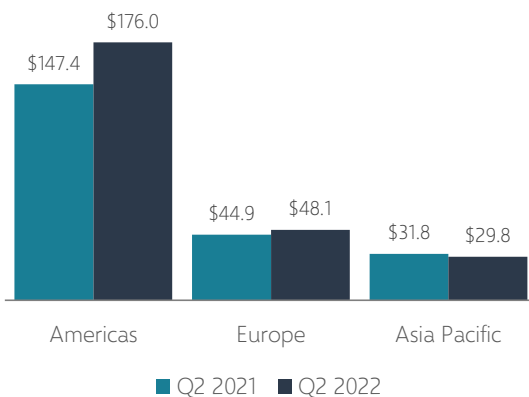
Executive Search Financial Highlights

NET REVENUE & ADJUSTED OPERATING MARGIN*



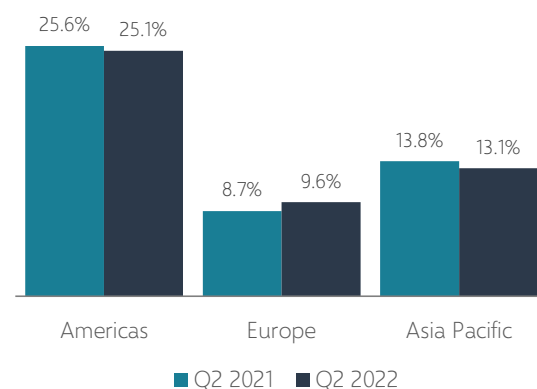
+13% year-over-year growth in net revenue
 +30 bps year-over-year growth in Adjusted Operating Margin*

NET REVENUE BY REGION



Americas +19% year-over-year growth
 Europe +7% year-over-year growth
 Asia Pacific -7% decline year-over-year

ADJUSTED OPERATING MARGIN BY REGION*

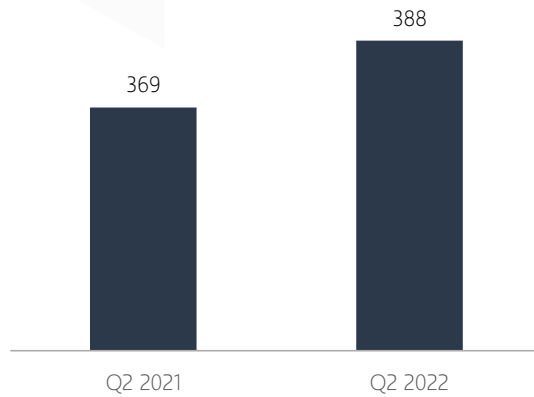


Americas -50 bps decline year-over-year
 Europe +90 bps year-over-year growth
 Asia Pacific -70 bps decline year-over-year

* Non-GAAP Financial Measure

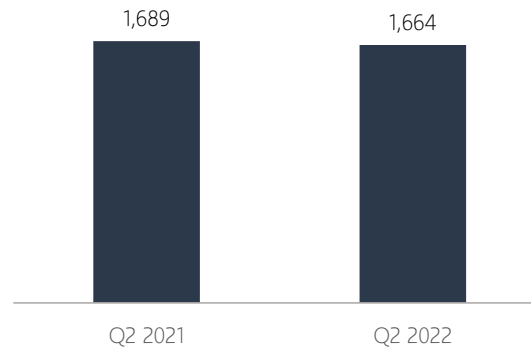
Executive Search Operational Highlights

CONSULTANT HEADCOUNT



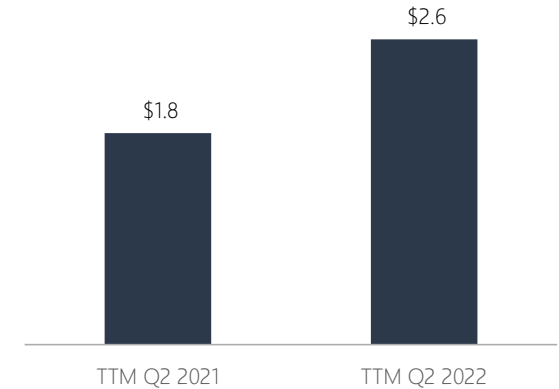
+5% year-over-year consultant headcount growth

SEARCH CONFIRMATIONS



-1% year-over-year decline in confirmation volume

CONSULTANT PRODUCTIVITY

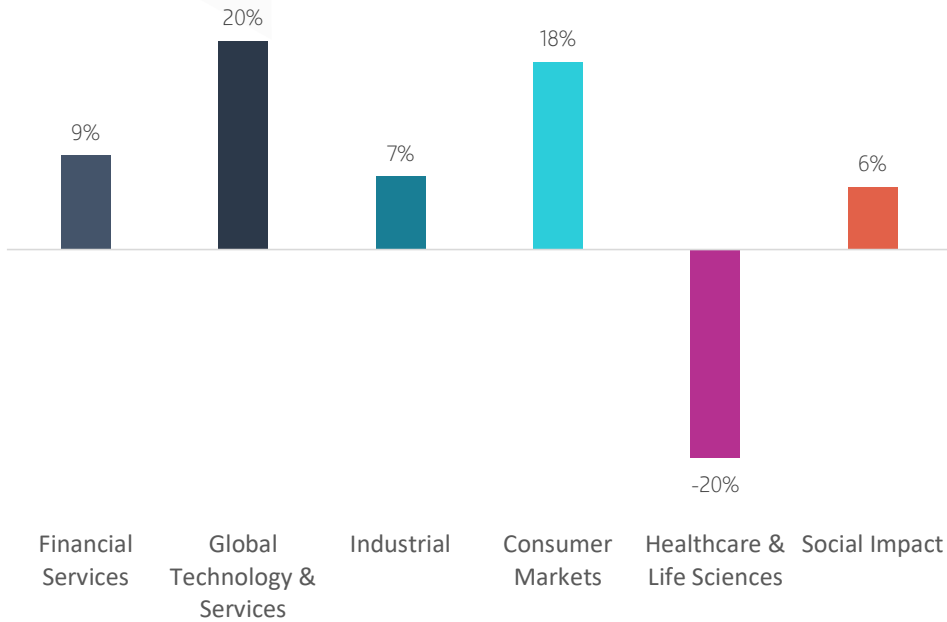


Record trailing twelve-month productivity in Q2 2022

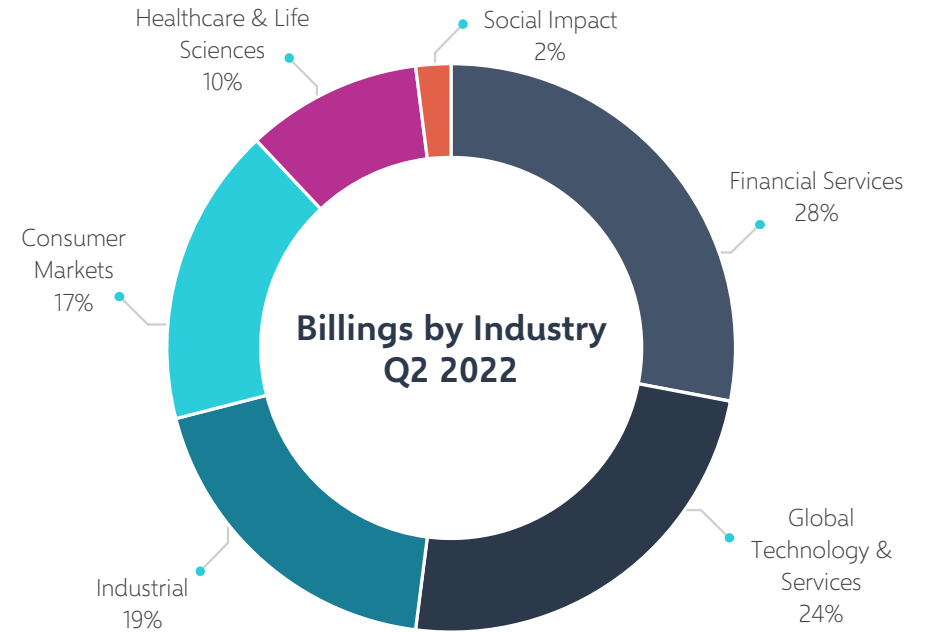
Diversified Mix Of Business In Executive Search

COMPARISON OF INDUSTRY BILLINGS

Q2 2021 vs. Q2 2022

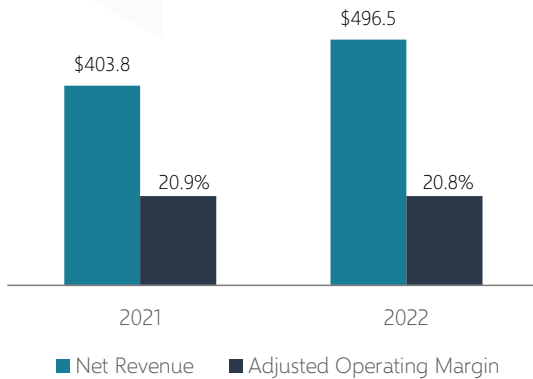


MIX OF INDUSTRIES



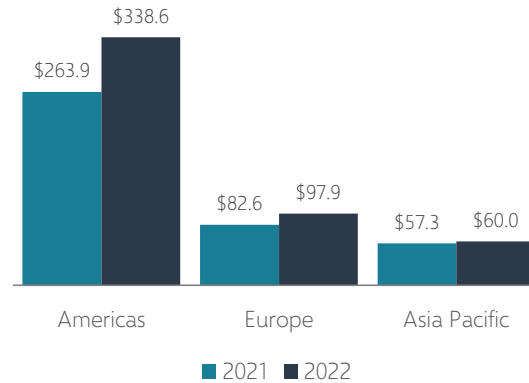
Executive Search Financial Highlights

NET REVENUE & ADJUSTED OPERATING MARGIN*



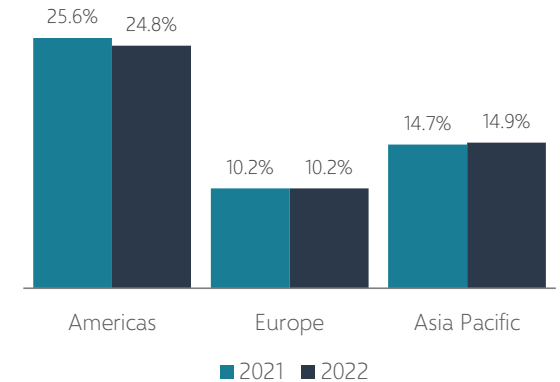
+23% year-over-year growth in net revenue
 -10 bps year-over-year decline in Adjusted Operating Margin*

NET REVENUE BY REGION



Americas +28% year-over-year growth
 Europe +19% year-over-year growth
 Asia Pacific +5% year-over-year growth

ADJUSTED OPERATING MARGIN BY REGION*

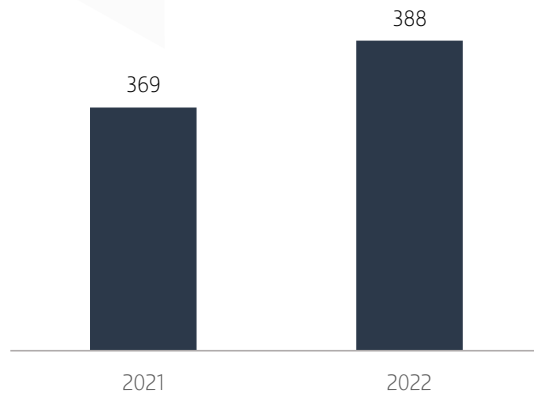


Americas -80 bps decline year-over-year
 Europe consistent year-over-year
 Asia Pacific +20 bps year-over-year growth

* Non-GAAP Financial Measure

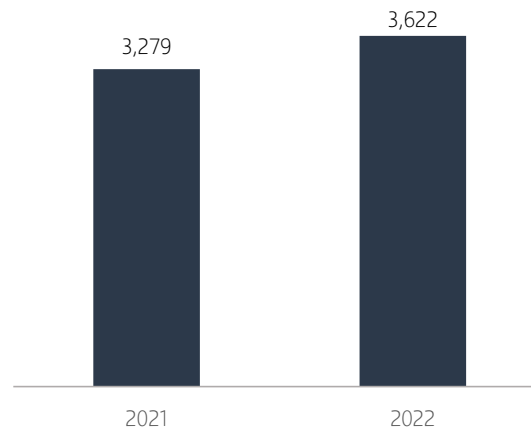
Executive Search Operational Highlights

CONSULTANT HEADCOUNT



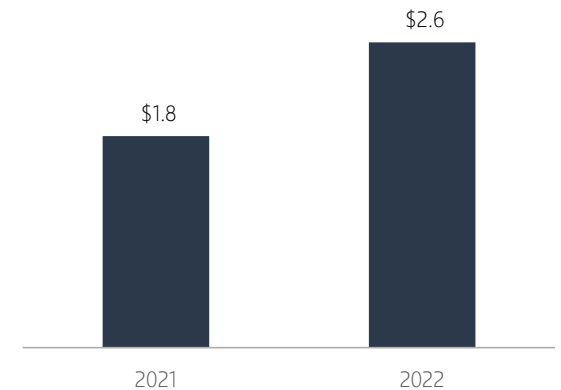
+5% year-over-year consultant headcount growth

SEARCH CONFIRMATIONS



+10% year-over-year growth in confirmation volume

CONSULTANT PRODUCTIVITY

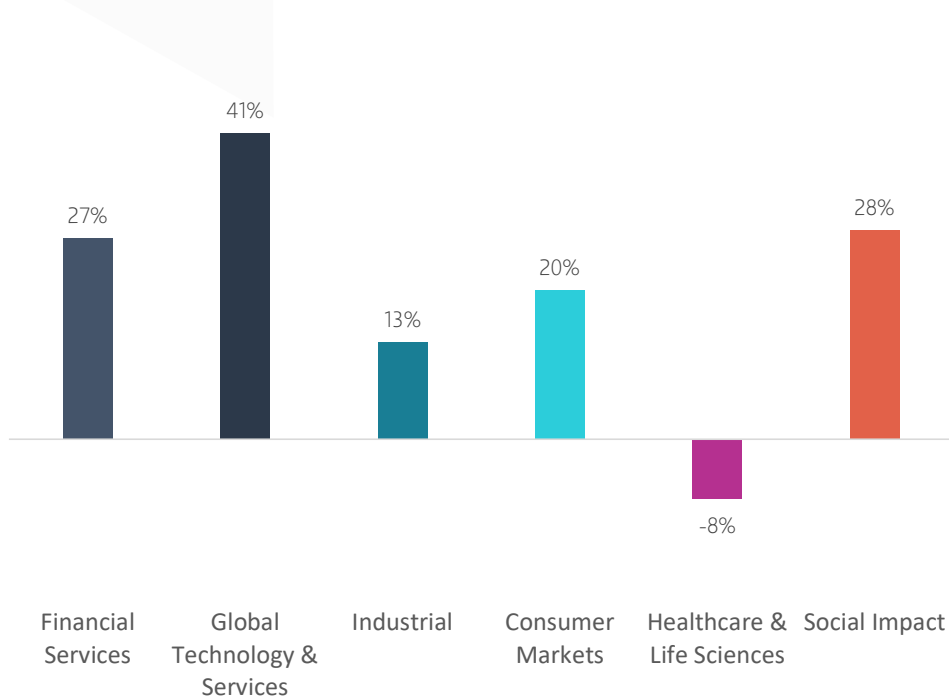


Record trailing twelve-month productivity in 2022

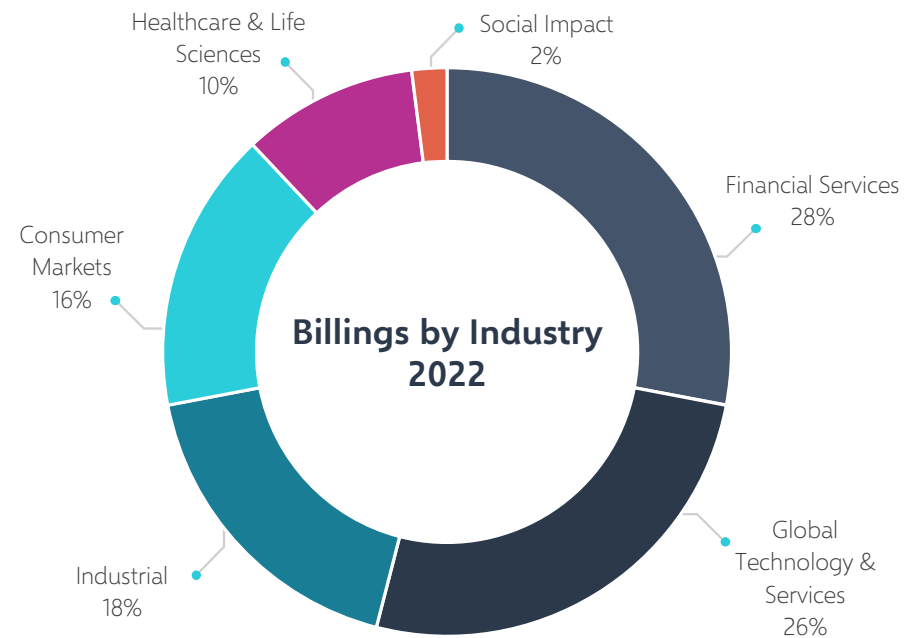
Diversified Mix Of Business In Executive Search

COMPARISON OF INDUSTRY BILLINGS

2021 vs. 2022



MIX OF INDUSTRIES

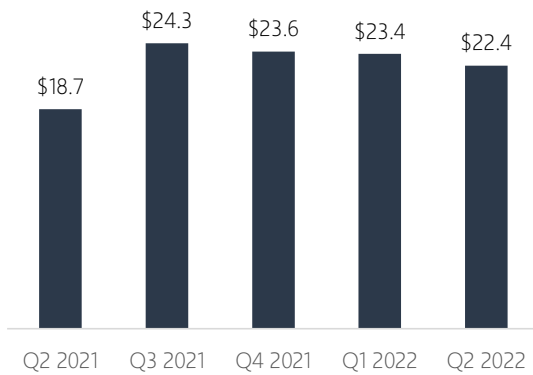


On-Demand Talent Results



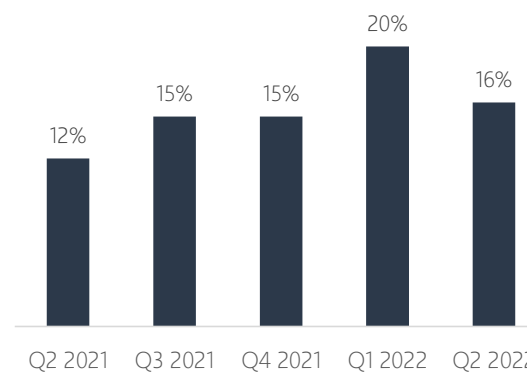
On-Demand Talent Financial Highlights

NET REVENUE



Significant revenue growth post-acquisition

REFERRAL REVENUE**



On-Demand continues to benefit from working within the H&S network of clients

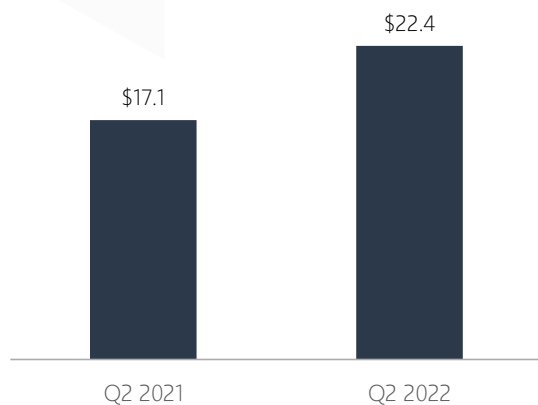
** Percentage of revenue referred by Executive Search and Heidrick Consulting

Heidrick Consulting Results



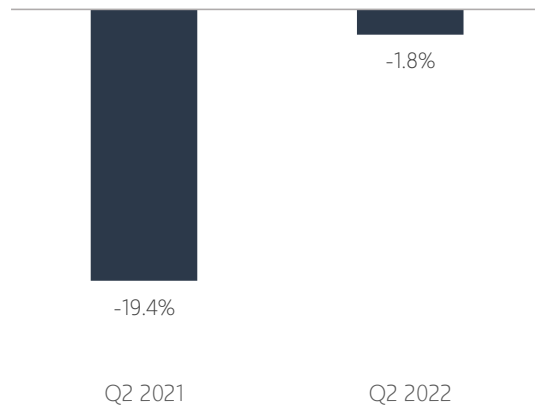
Heidrick Consulting Financial Highlights

NET REVENUE



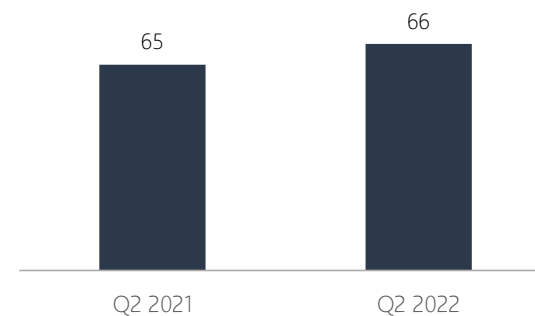
+31% year-over-year growth

ADJUSTED OPERATING MARGIN*



+1,760 bps year-over-year growth

CONSULTANT HEADCOUNT

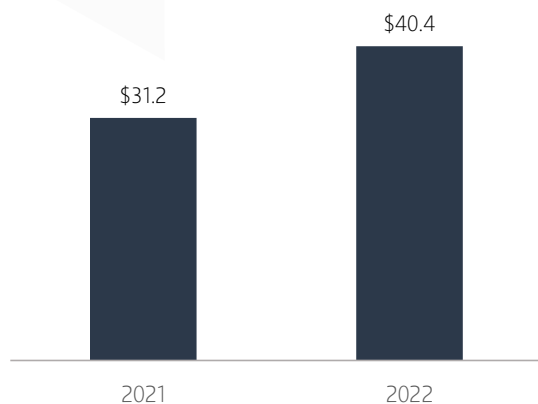


Continuing increase in consultant headcount

* Non-GAAP Financial Measure

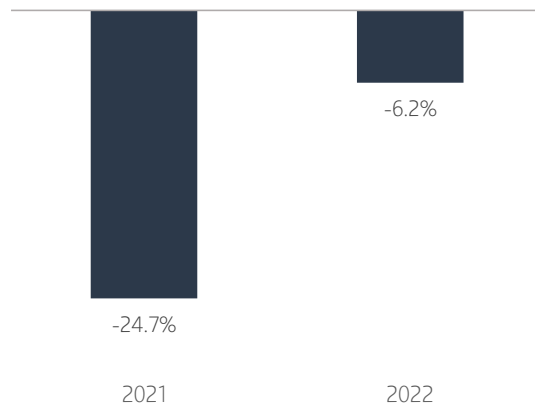
Heidrick Consulting Financial Highlights

NET REVENUE



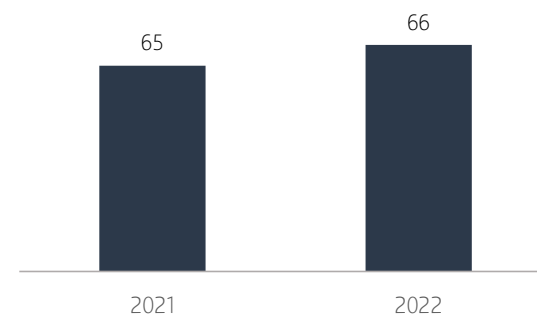
+30% year-over-year growth

ADJUSTED OPERATING MARGIN*



+1,850 bps year-over-year growth

CONSULTANT HEADCOUNT



Continuing increase in consultant headcount

* Non-GAAP Financial Measure

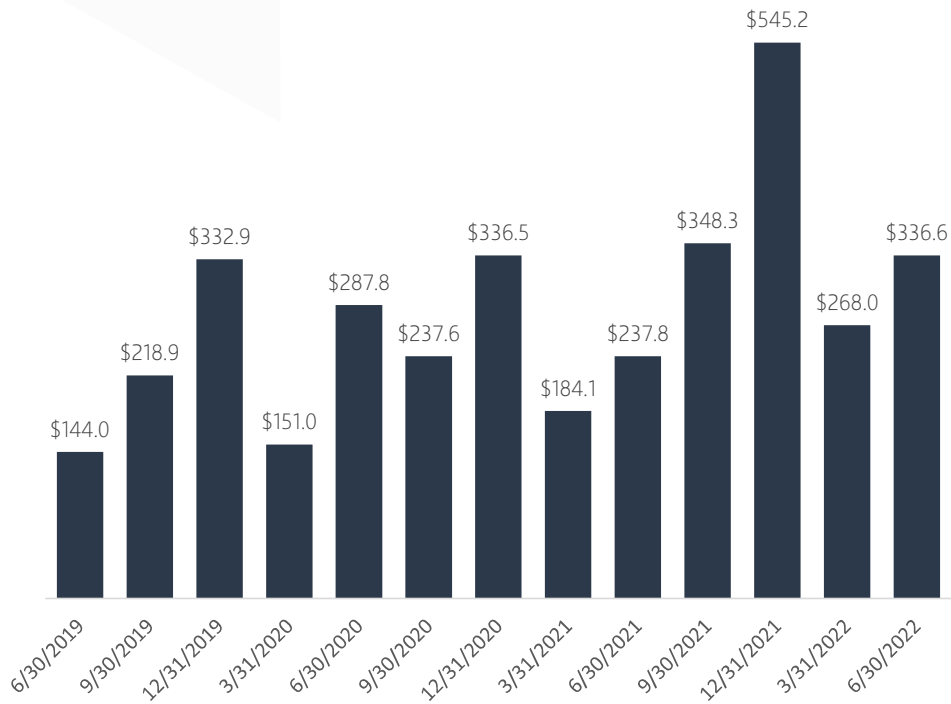
Balance Sheet & Liquidity



BALANCE SHEET

Strong & Flexible Balance Sheet

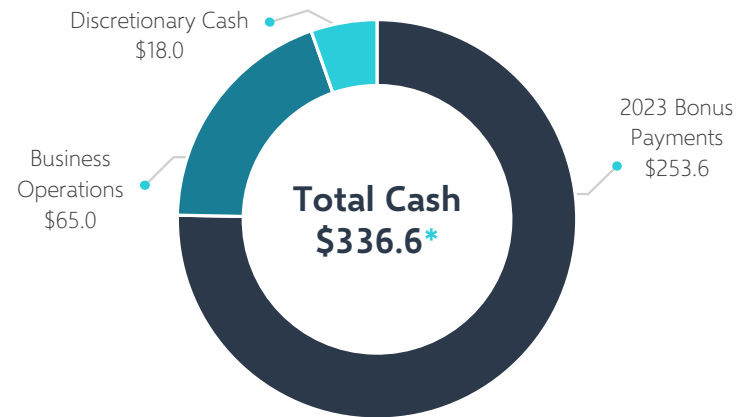
CASH & MARKETABLE SECURITIES, NET OF DEBT



CASH FLOW FROM OPERATING ACTIVITIES

	June 30, 2022	June 30, 2021
For the quarter ending:	\$82.7	\$90.2
For the year ending:	\$(179.5)	\$(52.3)

DISCRETIONARY CASH



* Cash and cash equivalents at June 30, 2022



Strategy & Growth Initiatives

Growth Initiatives

01

Grow scale and impact of both Executive Search and Heidrick Consulting, delivering a premium service experience and The Heidrick Way to clients

02

Expand development of leadership solutions and capabilities to address new and ongoing client imperatives

03

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

Appendix

Reconciliation of GAAP to Non-GAAP Financial Measures

Adjusted Operating Income by Segment

We define Adjusted Operating Income as operating income excluding restructuring charges.

Three Months Ended June 30, 2022

(In \$ thousands)	Three Months Ended June 30, 2022								
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Research and Development	Global Operations Support	Heidrick & Struggles
Revenue before reimbursements (net revenue)	\$ 176,020	\$ 48,131	\$ 29,758	\$ 253,909	\$ 22,353	\$ 22,439	\$ -	\$ -	\$ 298,701
Operating income (loss)	44,250	4,606	3,912	52,768	(349)	(408)	(4,545)	(13,600)	33,866
Adjustments									
None	-	-	-	-	-	-	-	-	-
Total adjustments	-	-	-	-	-	-	-	-	-
Adjusted operating income (loss)	\$ 44,250	\$ 4,606	\$ 3,912	\$ 52,768	\$ (349)	\$ (408)	\$ (4,545)	\$ (13,600)	\$ 33,866
Operating margin	25.1%	9.6%	13.1%	20.8%	-1.6%	-1.8%	-1.5%	-4.6%	11.3%
Adjusted operating margin	25.1%	9.6%	13.1%	20.8%	-1.6%	-1.8%	-1.5%	-4.6%	11.3%

Three Months Ended June 30, 2021

(In \$ thousands)	Three Months Ended June 30, 2021								
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Research and Development	Global Operations Support	Heidrick & Struggles
Revenue before reimbursements (net revenue)	\$ 147,390	\$ 44,909	\$ 31,834	\$ 224,133	\$ 18,719	\$ 17,129	\$ -	\$ -	\$ 259,981
Operating income (loss)	34,594	3,979	4,385	42,958	153	(3,631)	-	(10,774)	28,706
Adjustments									
Restructuring charges	3,071	(54)	-	3,017	-	312	-	(136)	3,193
Total adjustments	3,071	(54)	-	3,017	-	312	-	(136)	3,193
Adjusted operating income (loss)	\$ 37,665	\$ 3,925	\$ 4,385	\$ 45,975	\$ 153	\$ (3,319)	\$ -	\$ (10,910)	\$ 31,899
Operating margin	23.5%	8.9%	13.8%	19.2%	0.8%	-21.2%	NM	-4.1%	11.0%
Adjusted operating margin	25.6%	8.7%	13.8%	20.5%	0.8%	-19.4%	NM	-4.2%	12.3%

Adjusted Operating Income by Segment

We define Adjusted Operating Income as operating income excluding restructuring charges.

Six Months Ended June 30, 2022

(In \$ thousands)	Six Months Ended June 30, 2022								
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Research and Development	Global Operations Support	Heidrick & Struggles
Revenue before reimbursements (net revenue)	\$ 338,573	\$ 97,876	\$ 60,009	\$ 496,458	\$ 45,734	\$ 40,370	\$ -	\$ -	\$ 582,562
Operating income (loss)	84,101	10,009	8,966	103,076	(931)	(2,492)	(8,947)	(26,608)	64,098
Adjustments									
None	-	-	-	-	-	-	-	-	-
Total adjustments	-	-	-	-	-	-	-	-	-
Adjusted operating income (loss)	<u>\$ 84,101</u>	<u>\$ 10,009</u>	<u>\$ 8,966</u>	<u>\$ 103,076</u>	<u>\$ (931)</u>	<u>\$ (2,492)</u>	<u>\$ (8,947)</u>	<u>\$ (26,608)</u>	<u>\$ 64,098</u>
Operating margin	24.8%	10.2%	14.9%	20.8%	-2.0%	-6.2%	-1.5%	-4.6%	11.0%
Adjusted operating margin	24.8%	10.2%	14.9%	20.8%	-2.0%	-6.2%	-1.5%	-4.6%	11.0%

Six Months Ended June 30, 2021

(In \$ thousands)	Six Months Ended June 30, 2021								
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Research and Development	Global Operations Support	Heidrick & Struggles
Revenue before reimbursements (net revenue)	\$ 263,896	\$ 82,552	\$ 57,303	\$ 403,751	\$ 18,719	\$ 31,167	\$ -	\$ -	\$ 453,637
Operating income (loss)	60,850	8,519	8,529	77,898	153	(8,341)	-	(21,396)	48,314
Adjustments									
Restructuring charges	6,769	(106)	(124)	6,539	-	634	-	(119)	7,054
Total adjustments	6,769	(106)	(124)	6,539	-	634	-	(119)	7,054
Adjusted operating income (loss)	<u>\$ 67,619</u>	<u>\$ 8,413</u>	<u>\$ 8,405</u>	<u>\$ 84,437</u>	<u>\$ 153</u>	<u>\$ (7,707)</u>	<u>\$ -</u>	<u>\$ (21,515)</u>	<u>\$ 55,368</u>
Operating margin	23.1%	10.3%	14.9%	19.3%	0.8%	-26.8%	NM	-4.7%	10.7%
Adjusted operating margin	25.6%	10.2%	14.7%	20.9%	0.8%	-24.7%	NM	-4.7%	12.2%

Adjusted Net Income & Earnings Per Share

We define Adjusted Net Income as net income excluding restructuring charges, net of tax.

(In \$ thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$ 24,149	\$ 20,765	\$ 42,616	\$ 35,597
Adjustments				
Restructuring charges, net of tax	-	2,142	-	4,717
Total adjustments	-	2,142	-	4,717
Adjusted net income	<u>\$ 24,149</u>	<u>\$ 22,907</u>	<u>\$ 42,616</u>	<u>\$ 40,314</u>
Weighted-average common shares outstanding				
Basic	19,726	19,510	19,675	19,449
Diluted	20,314	20,115	20,485	20,197
Earnings per commons share				
Basic	\$ 1.22	\$ 1.06	\$ 2.17	\$ 1.83
Diluted	\$ 1.19	\$ 1.03	\$ 2.08	\$ 1.76
Adjusted earnings per common share				
Basic	\$ 1.22	\$ 1.17	\$ 2.17	\$ 2.07
Diluted	\$ 1.19	\$ 1.14	\$ 2.08	\$ 2.00

Adjusted EBITDA & Adjusted EBITDA Margin

We define Adjusted EBITDA as earnings before interest, income taxes, depreciation, intangible amortization, equity-settled stock-based compensation, earnout accretion, acquisition-related contingent compensation, deferred compensation plan income and expense, restructuring charges, and other non-operating income or expense.

(In \$ thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue before reimbursements (net revenue)	\$ 298,701	\$ 259,981	\$ 582,562	\$ 453,637
Net income	24,149	20,765	42,616	35,597
Interest, net	(299)	(35)	(409)	(117)
Other, net	(774)	(3,033)	1,697	(6,115)
Provision for income taxes	10,790	11,009	20,194	18,949
Operating income	33,866	28,706	64,098	48,314
Adjustments				
Stock-based compensation	3,351	2,492	7,026	5,465
Depreciation	1,810	1,744	3,618	3,537
Intangible amortization	810	766	1,622	1,001
Earnout accretion	273	181	544	181
Acquisition contingent compensation	971	469	2,060	923
Deferred compensation plan	(4,255)	1,619	(6,487)	2,555
Restructuring charges	-	3,193	-	7,054
Total adjustments	2,960	10,464	8,383	20,716
Adjusted EBITDA	\$ 36,826	\$ 39,170	\$ 72,481	\$ 69,030
Adjusted EBITDA margin	12.3%	15.1%	12.4%	15.2%

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