

## FOURTH QUARTER AND 2017 FINANCIAL RESULTS

February 26, 2018

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HEIDRICK & STRUGGLES

### SAFE HARBOR STATEMENT

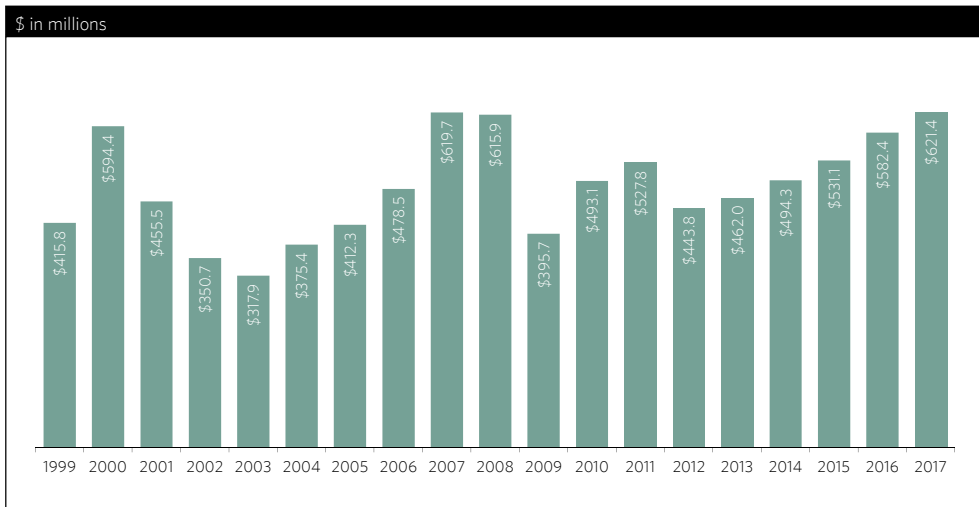
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The fourth quarter and 2017 news release, conference call webcast, and the following slides contain forward-looking statements. The forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry 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," "projects," "forecasts," and similar expressions. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, forecasted or implied in the forward-looking statements. Factors that may affect the outcome of the forward-looking statements include, among other things, leadership changes, our ability to attract, integrate, manage and retain qualified consultants and senior leaders; our ability to develop and maintain strong, long-term relationships with our clients; declines in the global economy and our ability to execute successfully through business cycles; the timing, speed or robustness of any future economic recovery; social or political instability in markets where we operate; the impact of the U.K. referendum to leave the European Union (Brexit); the impact of foreign currency exchange rate fluctuations; unfavorable tax law changes and tax authority rulings; price competition; the ability to forecast, on a quarterly basis, variable compensation accruals that ultimately are determined based on the achievement of annual results; our ability to utilize our tax losses; the timing of the establishment or reversal of valuation allowances on deferred tax assets; the mix of profit and loss by country; our reliance on information management systems; any impairment of our goodwill and other intangible assets; and the ability to align our cost structure and headcount with net revenue. For more information on the factors that could affect the outcome of forward-looking statements, refer to our Annual Report on Form 10-K for the year ended December 31, 2016, under Risk Factors in Item 1A, and our quarterly filings with the SEC. We caution the reader that the list of factors may not be exhaustive. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

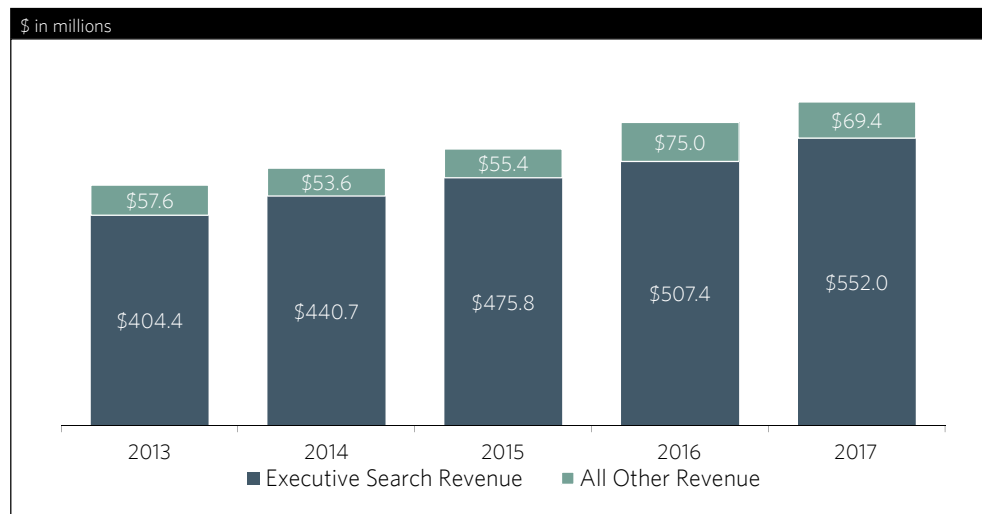


ANNUAL SLIDES

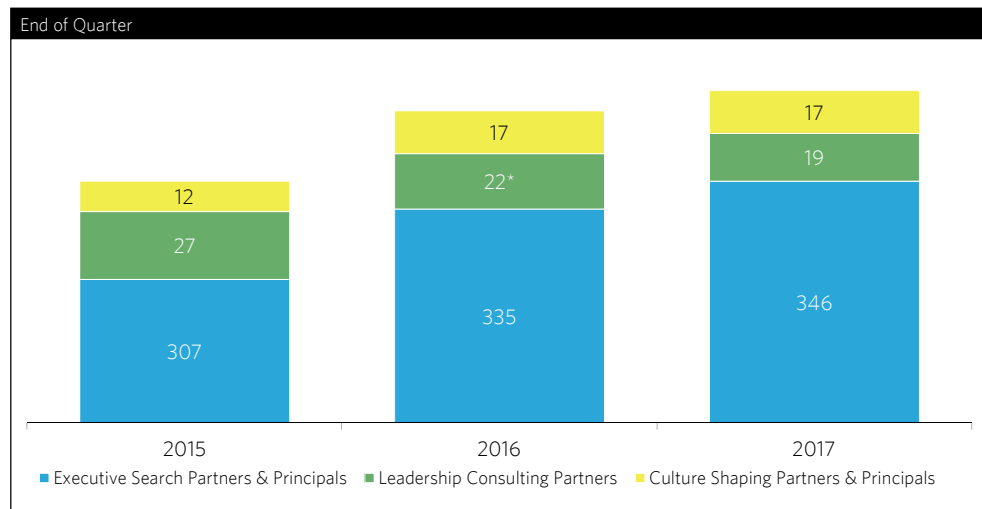
CONSOLIDATED NET REVENUE (excludes reimbursements)



## CONSOLIDATED NET REVENUE

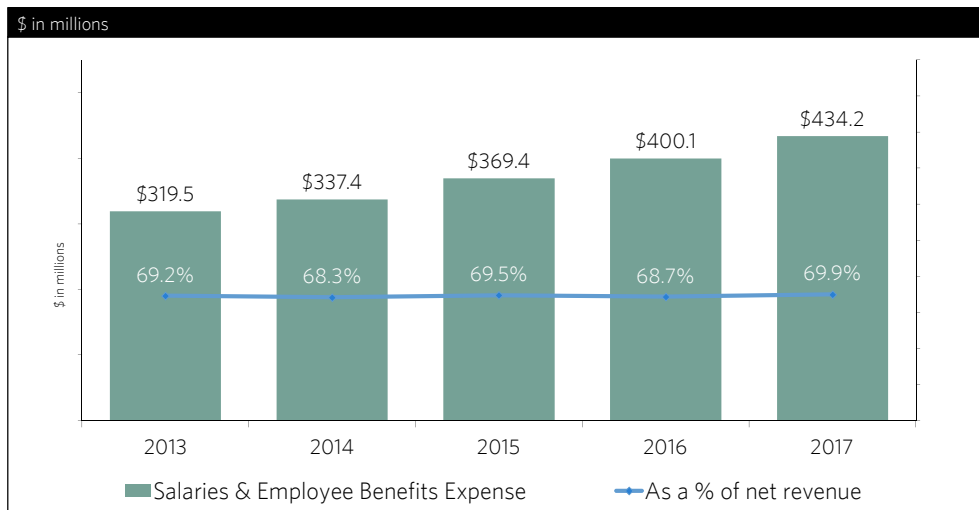


## CONSULTANT HEADCOUNT

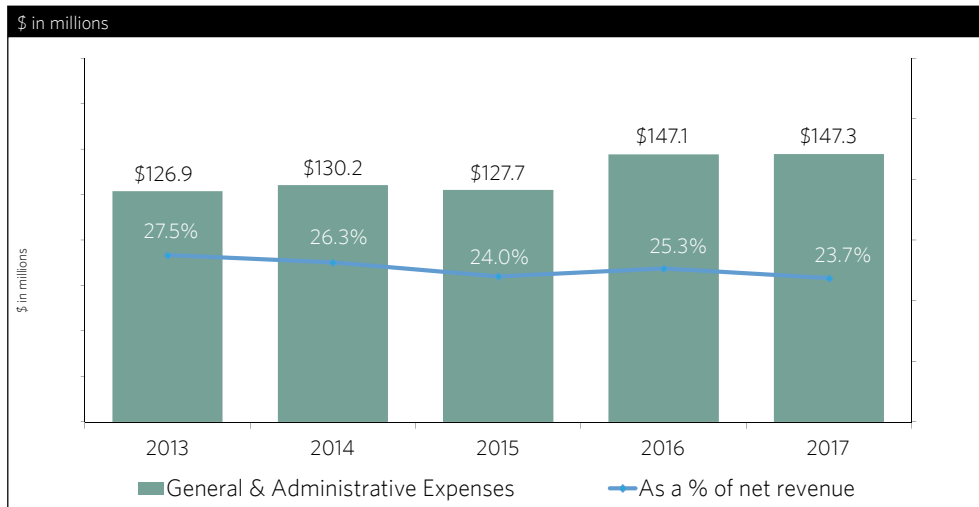


\*Beginning January 1, 2016, the definition of Leadership Consulting consultants was changed to reflect only Partners, resulting in the reclassification of six Principal consultants out of consultant headcount.

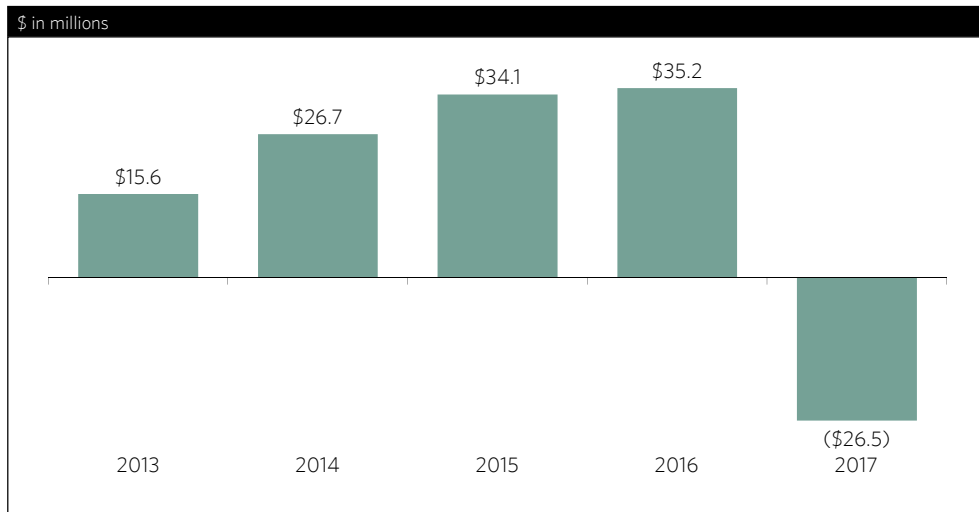
## SALARIES & EMPLOYEE BENEFITS EXPENSE



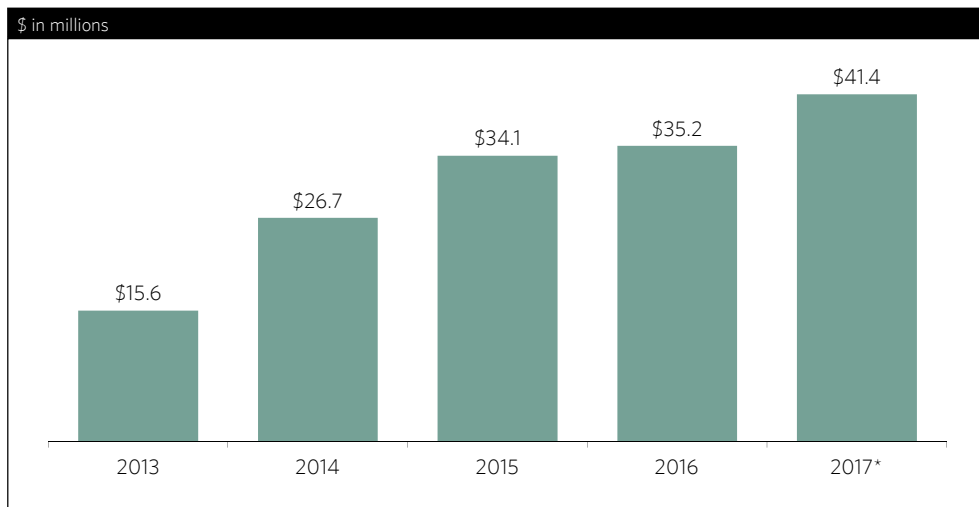
## GENERAL & ADMINISTRATIVE EXPENSE



## OPERATING INCOME/(LOSS)

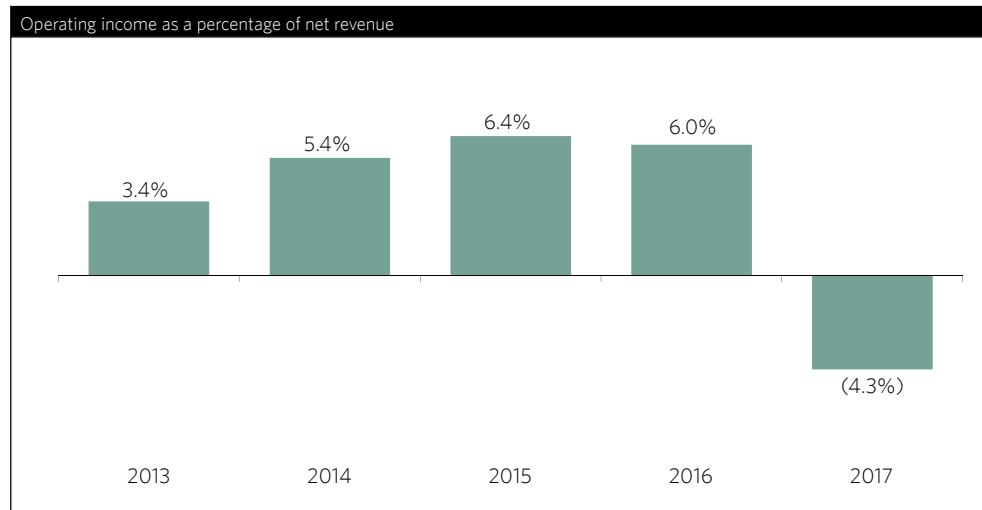


## ADJUSTED OPERATING INCOME

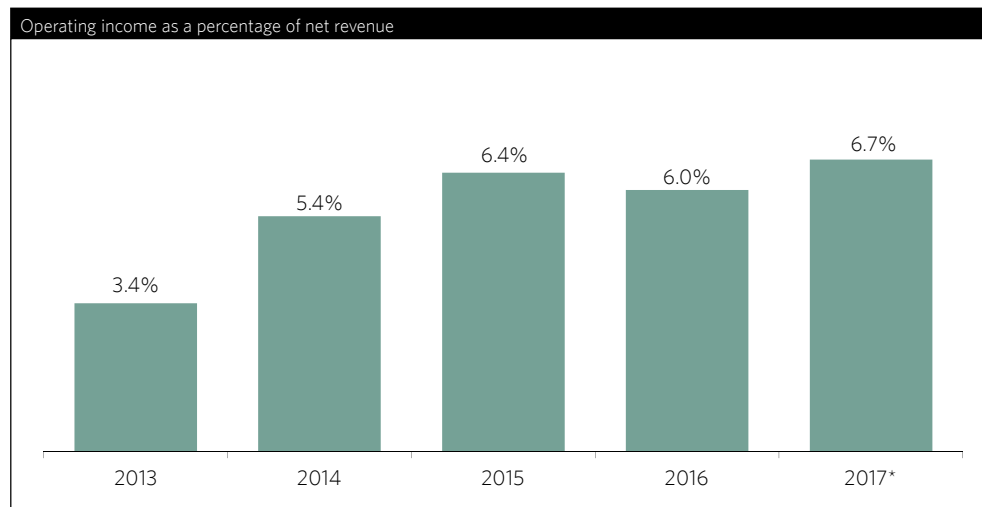


\* Refer to reconciliation of Operating Income/(Loss) (GAAP) and Adjusted Operating Income (Non-GAAP) on Slides 40 & 42

## OPERATING MARGIN

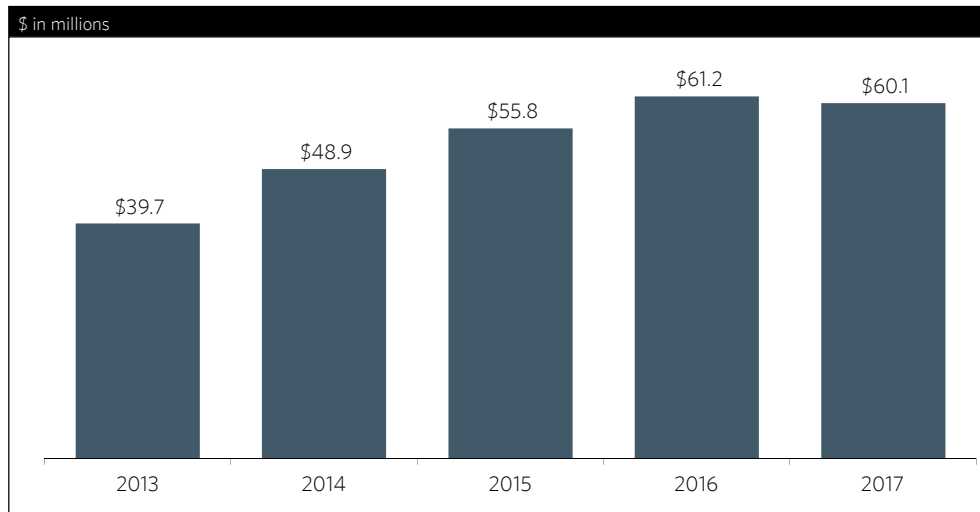


## ADJUSTED OPERATING MARGIN



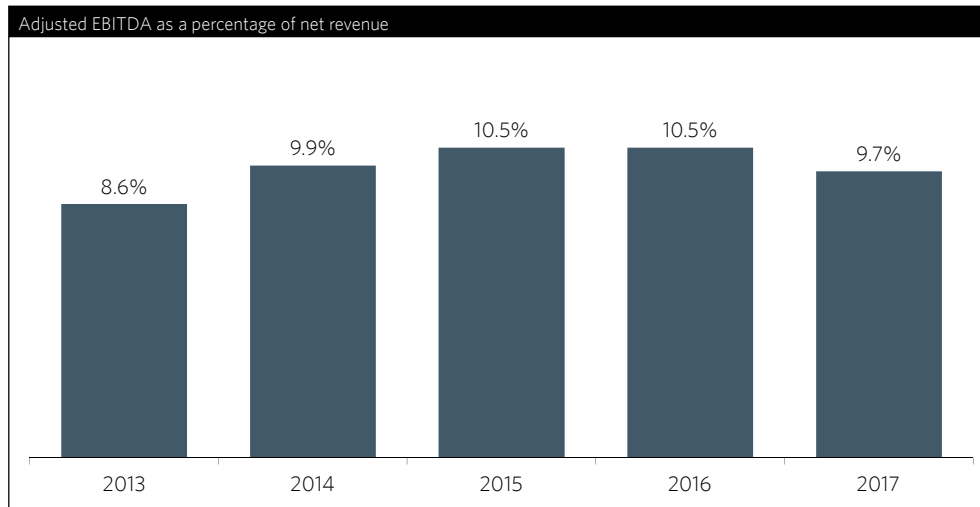
\* Refer to reconciliation of Operating Margin (GAAP) and Adjusted Operating Margin (Non-GAAP) on Slides 40 & 42

## ANNUAL ADJUSTED EBITDA<sup>(1)</sup>



<sup>(1)</sup>Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures which the company believes are useful to management and meaningful to investors because they provide insight into the ongoing operating results of the company's core business. . A reconciliation to Operating Income is provided on Slide 14.

## ANNUAL ADJUSTED EBITDA MARGIN<sup>(1)</sup>



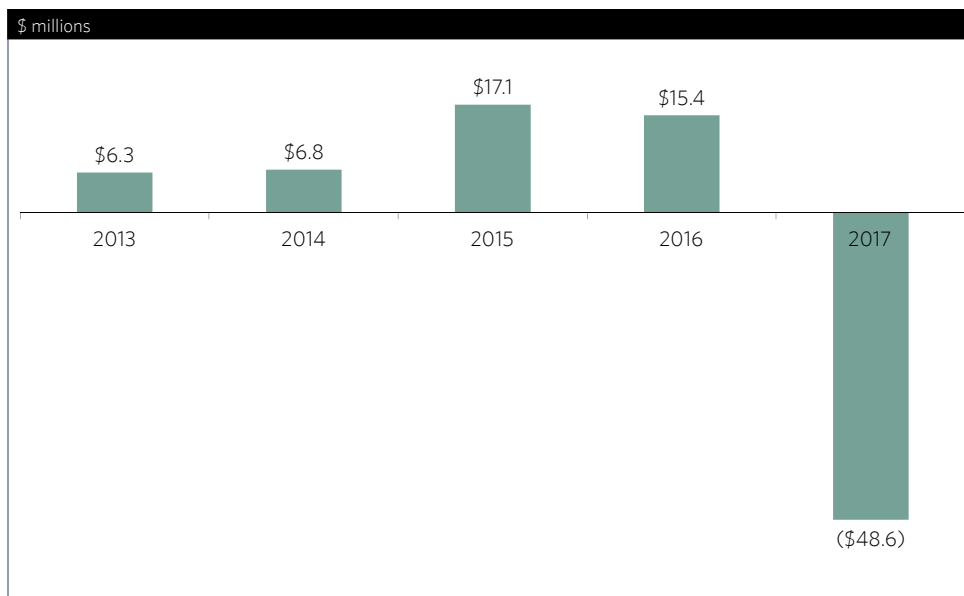
<sup>(1)</sup>Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures which the company believes are useful to management and meaningful to investors because they provide insight into the ongoing operating results of the company's core business. . A reconciliation to Operating Income is provided on Slide 14.

## ADJUSTED EBITDA MARGIN

We define Adjusted EBITDA as earnings before interest, taxes, depreciation, intangible amortization, stock-based compensation expense, compensation expense associated with Senn Delaney retention awards, acquisition-related earnout accretion, restructuring and impairment charges, and other non-operating income or expense.

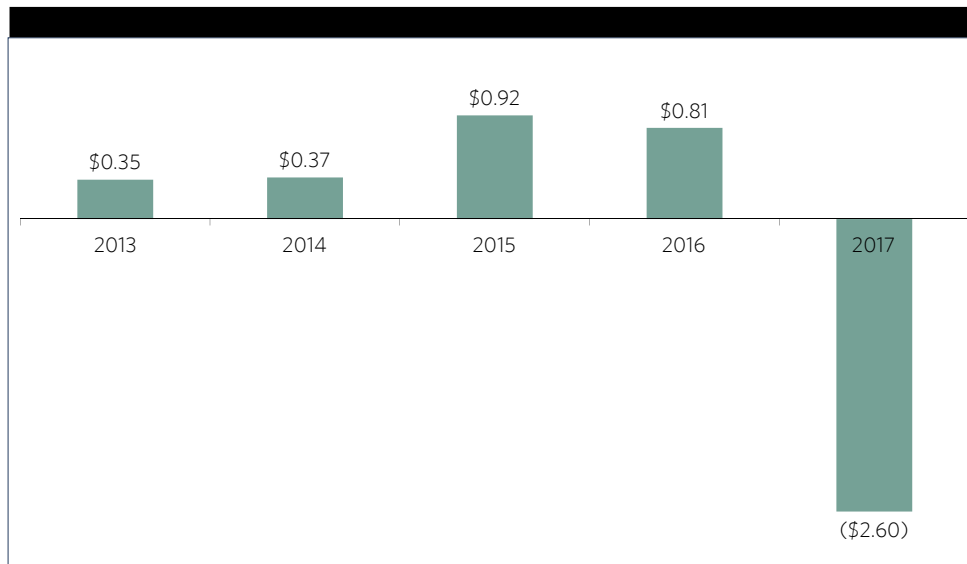
	Year ended December 31,		
	2017	2016	change
\$ in millions-- numbers may not foot due to rounding			
<b>Net Income</b>	\$ (48.6)	\$ 15.4	\$ (64.0)
Interest, net	\$ (0.4)	\$ (0.2)	
Other, net	\$ 3.3	\$ (2.3)	
Provision for income taxes	\$ 19.2	\$ 22.4	
<b>Operating Income</b>	\$ (26.5)	\$ 35.2	\$ (61.8)
<b>Adjustments</b>			
Salaries and employee benefits			
Stock-based compensation expense	4.6	5.8	(1.2)
Senn Delaney retention awards	0.0	3.0	(3.0)
General and administrative expenses			
Depreciation	10.4	9.4	1.0
Intangible amortization	4.4	7.1	(2.7)
Earnout accretion	0.9	0.6	0.2
Impairment charges	50.7		
Restructuring charges	15.7	0.0	15.7
<b>Adjusted EBITDA</b>	\$ 60.1	\$ 61.2	\$ (1.1)
<b>Adjusted EBITDA Margin (as % of net revenue)</b>	9.7%	10.5%	

## NET INCOME/(LOSS)

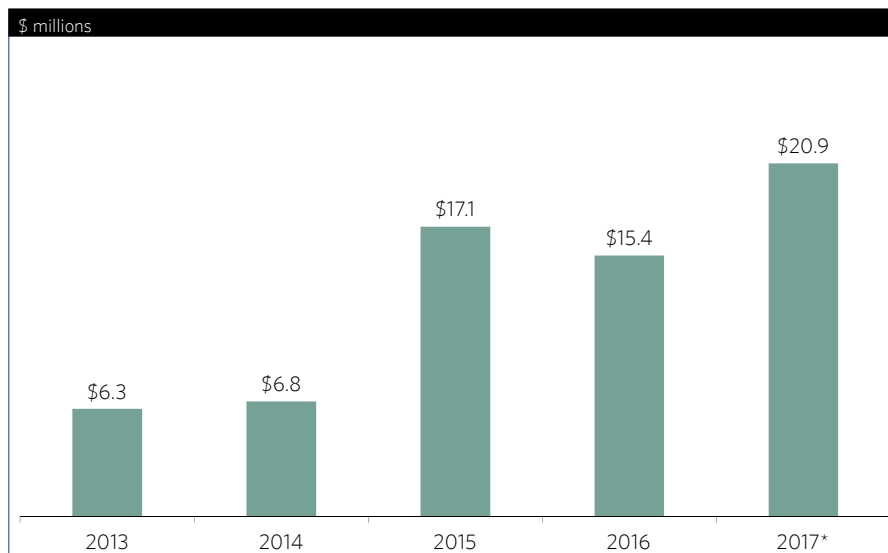




## DILUTED EARNINGS PER SHARE/(LOSS)

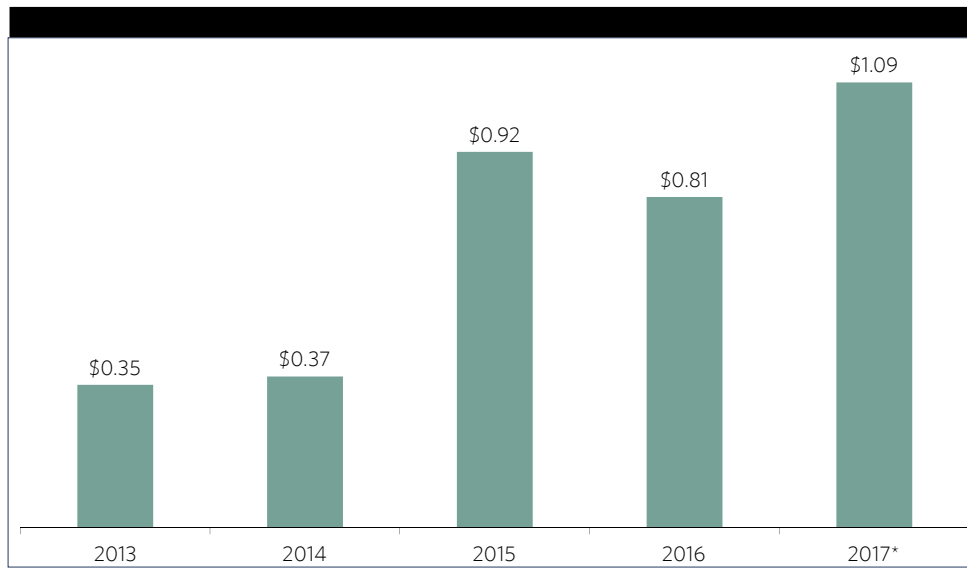


## ADJUSTED NET INCOME/(LOSS)



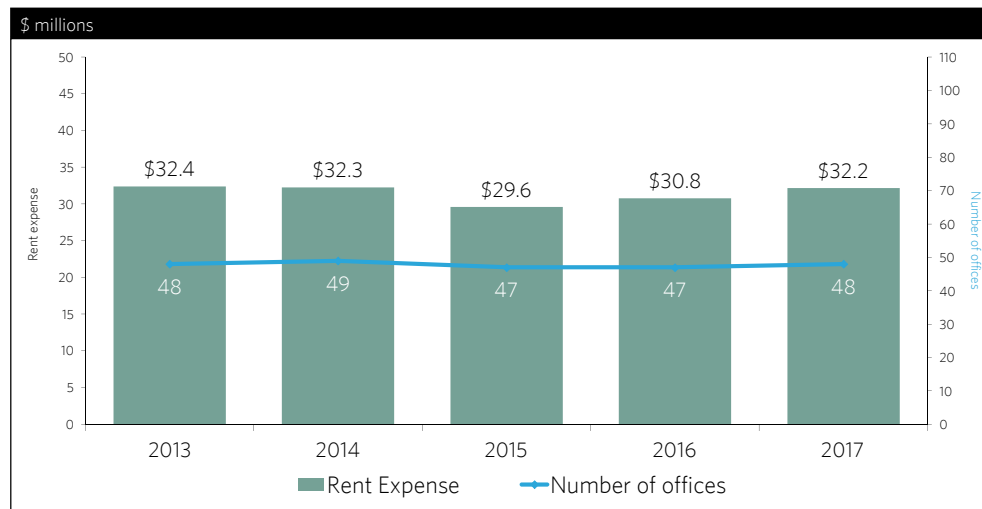
\* Refer to reconciliation of Net Income/(Loss) (GAAP) and Adjusted Net Income (Non-GAAP) on Slides 41 & 42.

## ADJUSTED DILUTED EARNINGS PER SHARE/(LOSS)



\* Refer to reconciliation of Diluted Earnings per Share/(Loss) (GAAP) and Adjusted Diluted Earnings per Share (Non-GAAP) on Slides 41, & 42.

## RENT EXPENSE\*



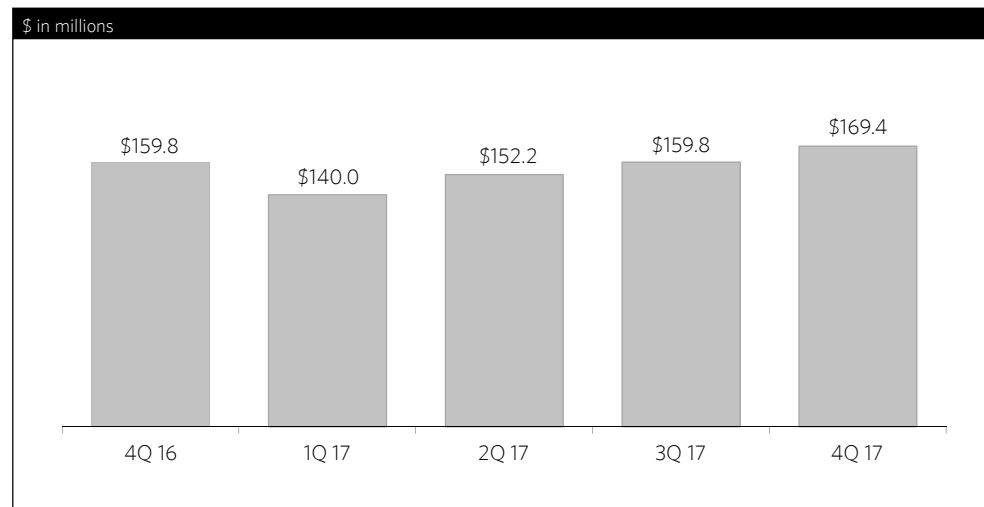
\*Includes the base rent, operating expenses and real estate taxes, and the costs of equipment leases.

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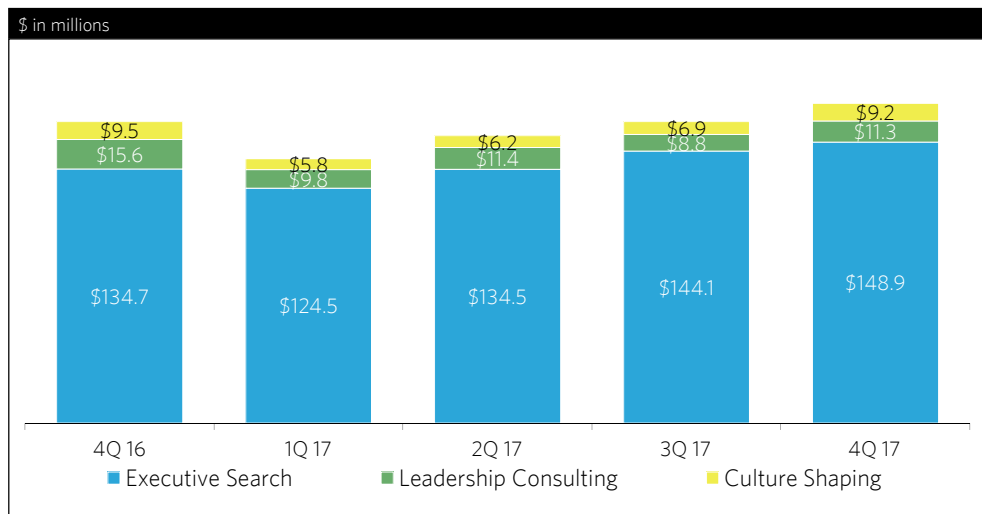
## FOURTH QUARTER 2017 CONSOLIDATED RESULTS

### QUARTERLY CONSOLIDATED NET REVENUE

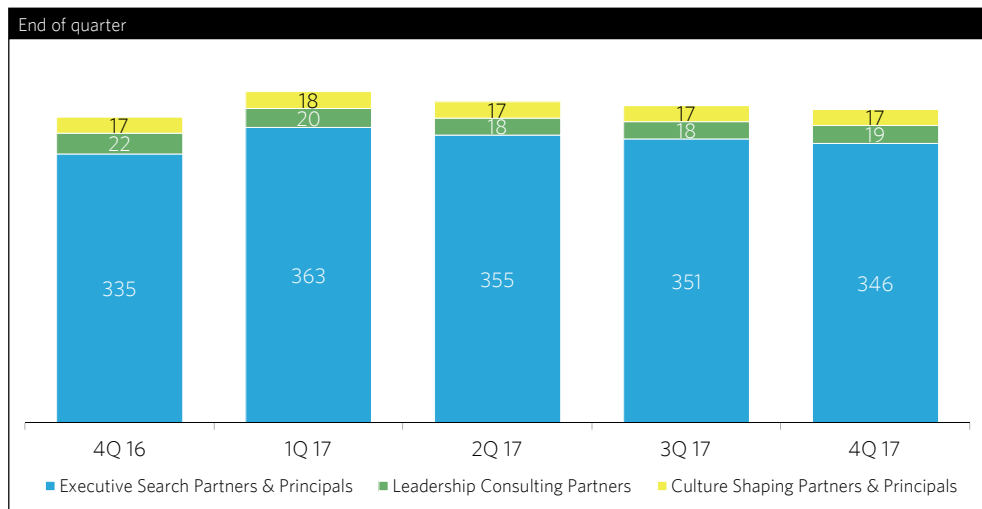
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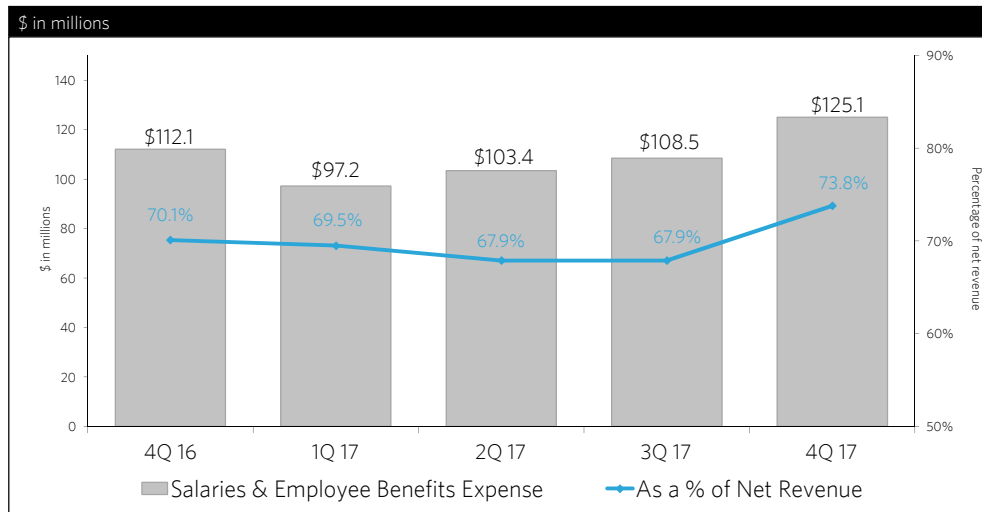
## QUARTERLY NET REVENUE BY BUSINESS SERVICE



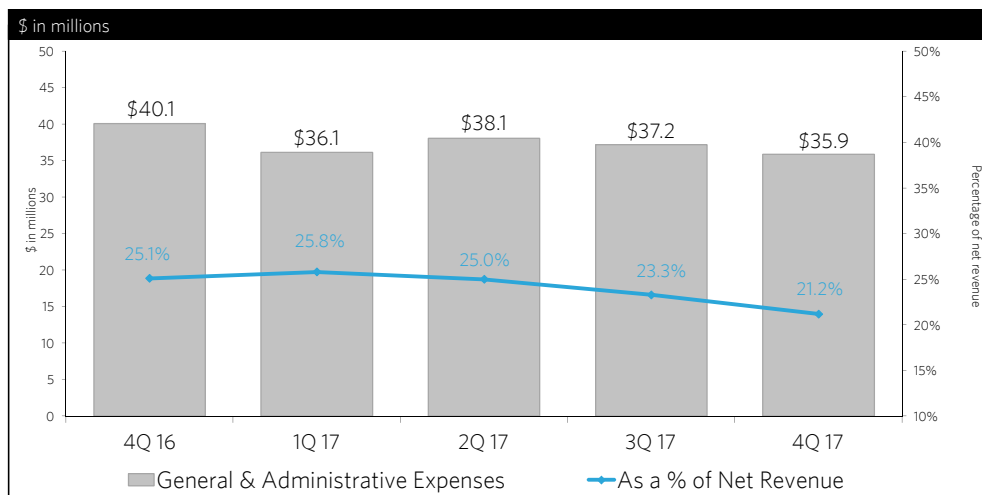
## CONSULTANT HEADCOUNT BY BUSINESS SERVICE



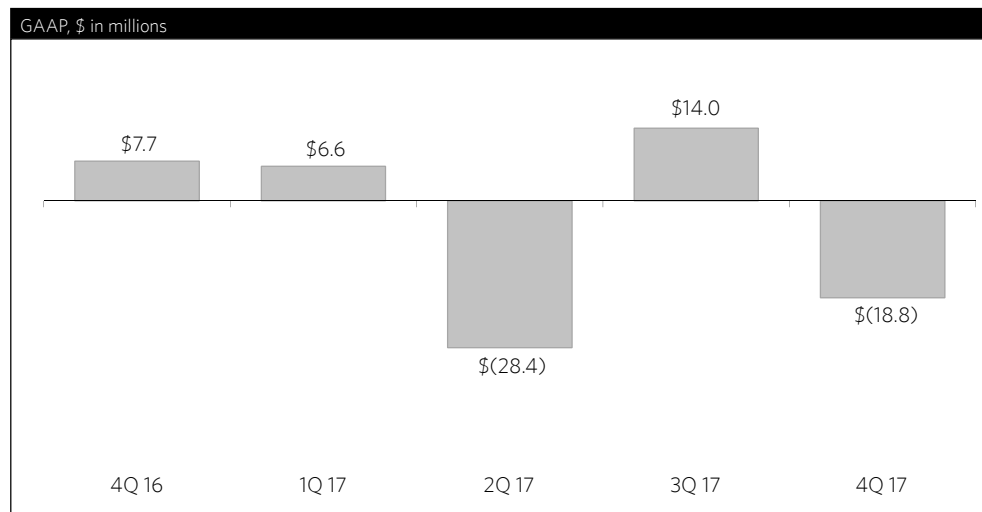
## QUARTERLY SALARIES & EMPLOYEE BENEFITS EXPENSE



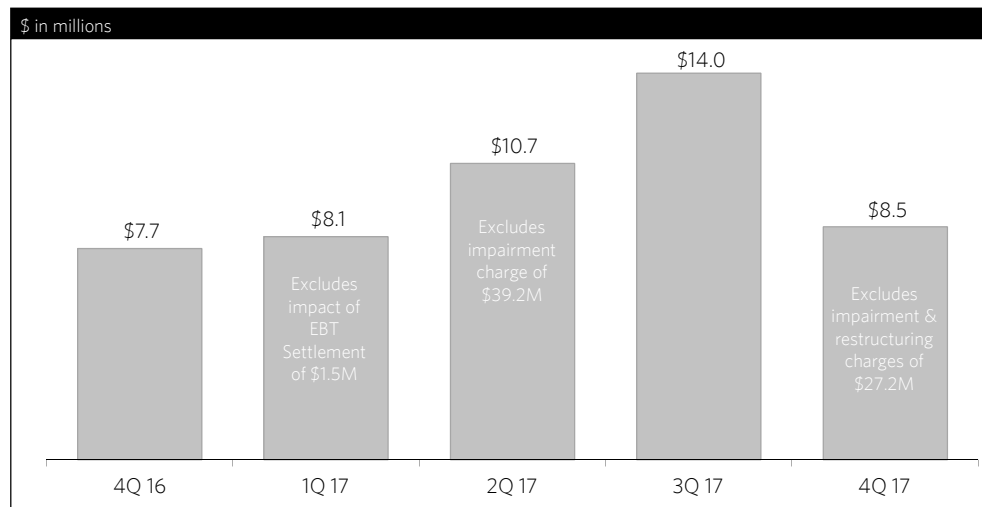
## QUARTERLY GENERAL & ADMINISTRATIVE EXPENSES



## QUARTERLY OPERATING INCOME

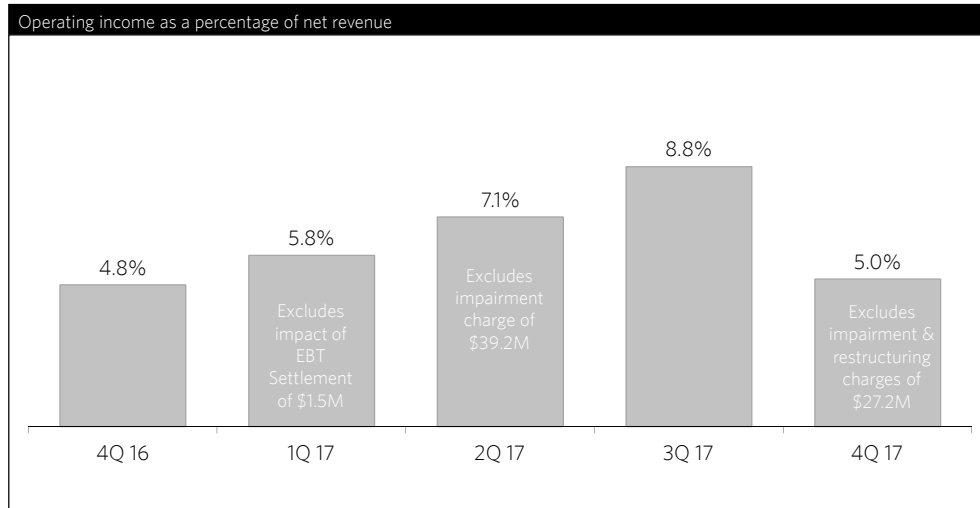


## ADJUSTED QUARTERLY OPERATING INCOME



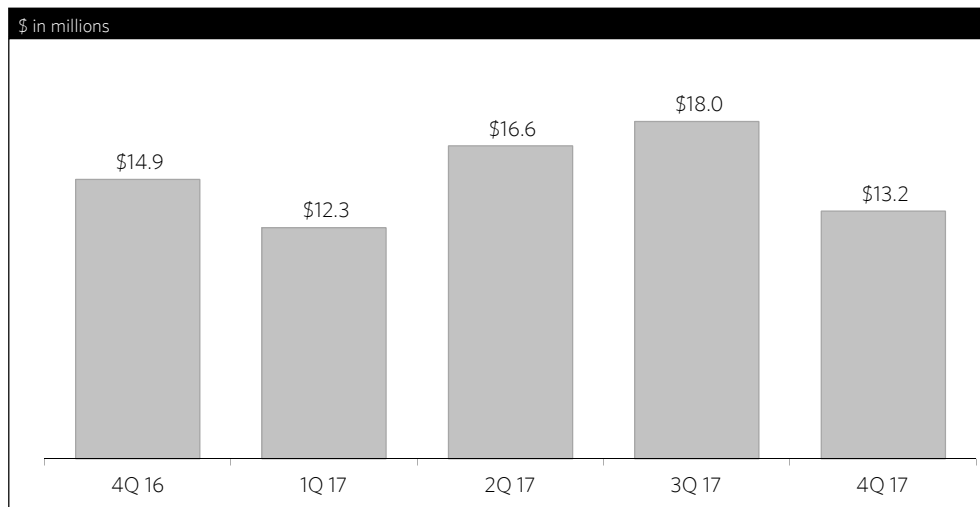
Refer to reconciliation of 4Q 2017 Operating Income (GAAP) and Adjusted Operating Income (Non-GAAP) on Slides 40 & 42

## ADJUSTED QUARTERLY OPERATING MARGIN



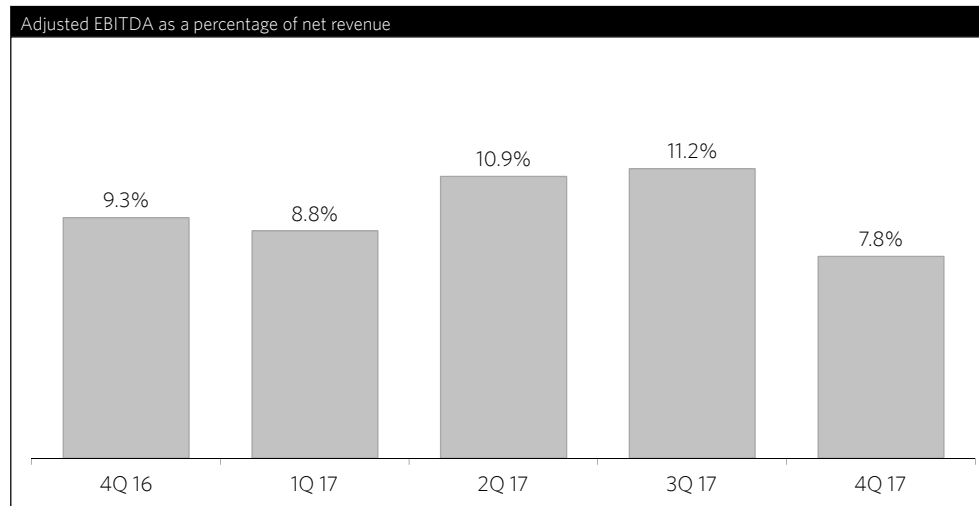
Refer to reconciliation of 4Q 2017 Operating Margin (GAAP) and Adjusted Operating Margin (Non-GAAP) on Slides 40 & 42.

## QUARTERLY ADJUSTED EBITDA<sup>(1)</sup>



<sup>(1)</sup>Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures which the company believes are useful to management and meaningful to investors because they provide insight into the ongoing operating results of the company's core business. A reconciliation to Operating Income is provided on Slide 31.

## QUARTERLY ADJUSTED EBITDA MARGIN<sup>(1)</sup>



<sup>(1)</sup>Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures which the company believes are useful to management and meaningful to investors because they provide insight into the ongoing operating results of the company's core business. A reconciliation to Operating Income is provided on Slide 31.

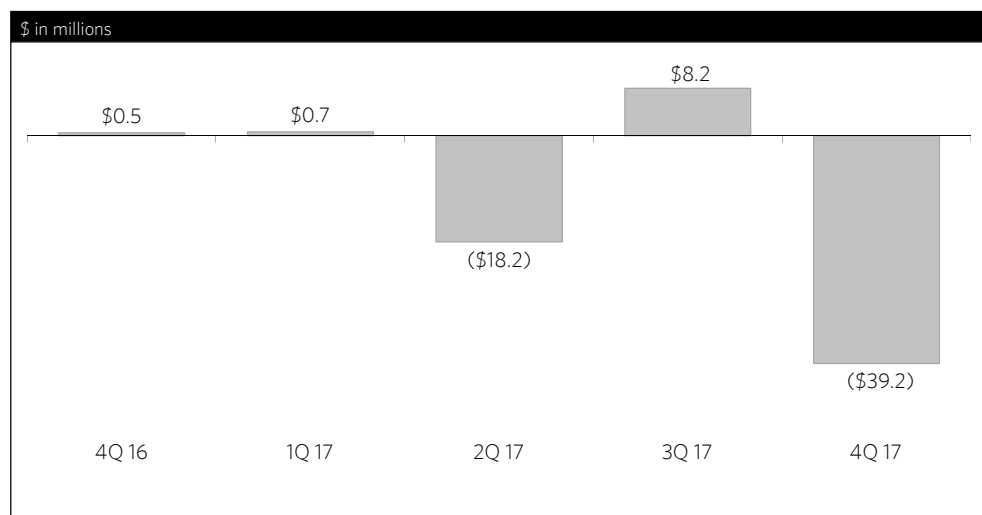
## ADJUSTED EBITDA MARGIN

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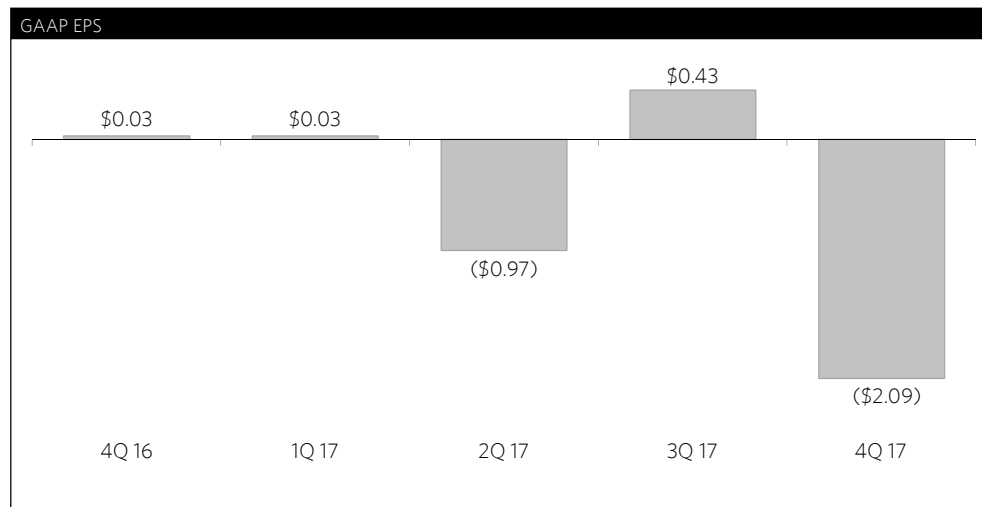
	3 months ended December 31,		
	2017	2016	change
\$ in millions-- numbers may not foot due to rounding			
<b>Net Income</b>	\$ (39.2)	\$ 0.5	\$ (39.7)
Interest, net	\$ (0.2)	\$ (0.1)	
Other, net	\$ 0.5	\$ (1.9)	
Provision for income taxes	\$ 20.1	\$ 9.1	
<b>Operating Income</b>	\$ (18.8)	\$ 7.7	\$ (26.4)
<b>Adjustments</b>			
Salaries and employee benefits			
Stock-based compensation expense	1.0	1.3	(0.3)
Senn Delaney retention awards	0.0	0.6	(0.6)
General and administrative expenses			
Depreciation	3.0	2.4	0.7
Intangible amortization	0.5	2.4	(2.0)
Earnout accretion	0.2	0.4	(0.2)
Impairment charges	11.6		
Restructuring charges	15.7	0.0	15.7
<b>Adjusted EBITDA</b>	\$ 13.2	\$ 14.9	\$ (1.7)
<b>Adjusted EBITDA Margin (as % of net revenue)</b>	7.8%	9.3%	



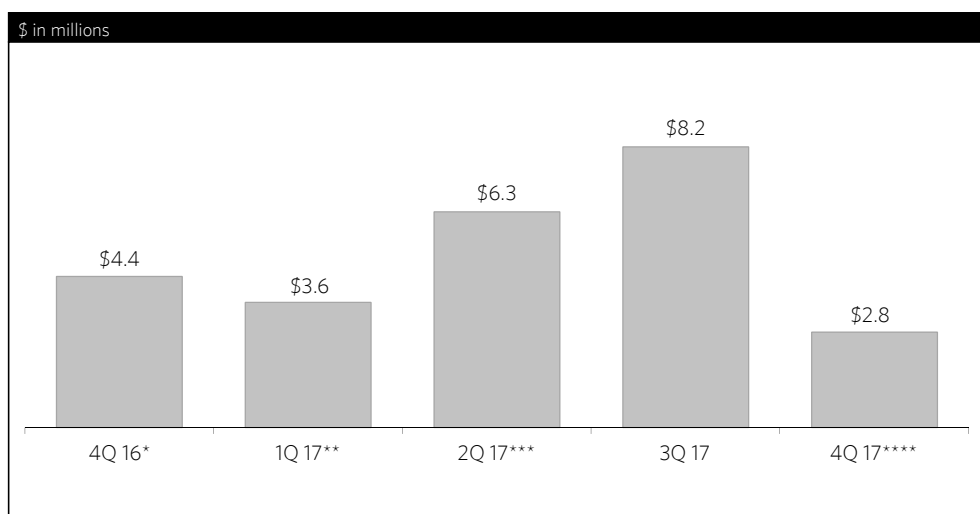
## QUARTERLY NET INCOME



## QUARTERLY NET INCOME PER DILUTED SHARE



## ADJUSTED QUARTERLY NET INCOME

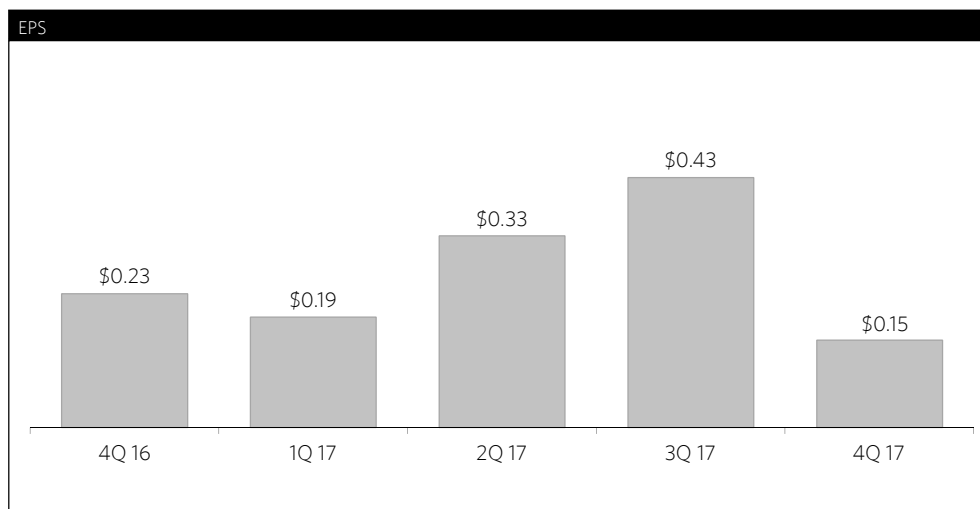


\* 4Q 2016 Adjusted net income of \$4.4M reflect results had the company not repatriated dividends from foreign operations to the United States which resulted in additional book tax expense, as well as several other non-recurring tax items that were recorded which also contributed to the high effective tax rate.  
 \*\* 1Q 2017 Adjusted net income of \$3.6M reflects results that exclude the impact of a cash settlement with the HRMC related to the taxation of a legacy U.K. benefit trust obligation.  
 \*\*\* 2Q 2017 Adjusted net income of \$6.3M reflects results that exclude the \$39.2M impairment charge.  
 \*\*\*\* 4Q 2017 Adjusted net income of \$2.8M reflects results that exclude \$27.2M of impairment & restructuring charges, and \$23.7M of charges related to the U.S. Tax Cuts and Jobs Act (TCJA). Refer to reconciliation of Net Income/(Loss) (GAAP) and Adjusted Net Income (Non-GAAP) on Slides 41 & 42

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34

## ADJUSTED QUARTERLY NET INCOME PER DILUTED SHARE

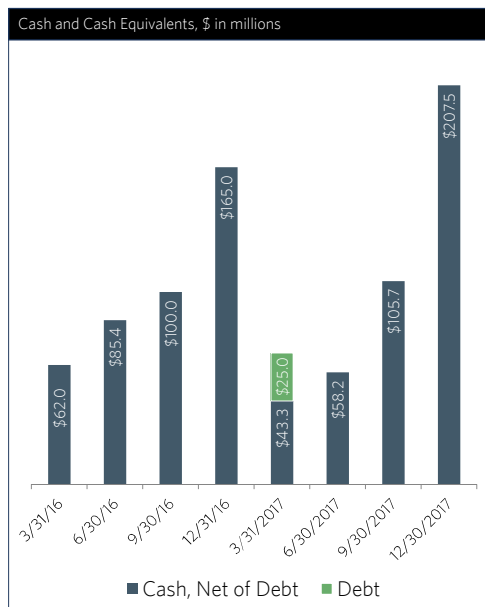


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35

## CASH POSITION

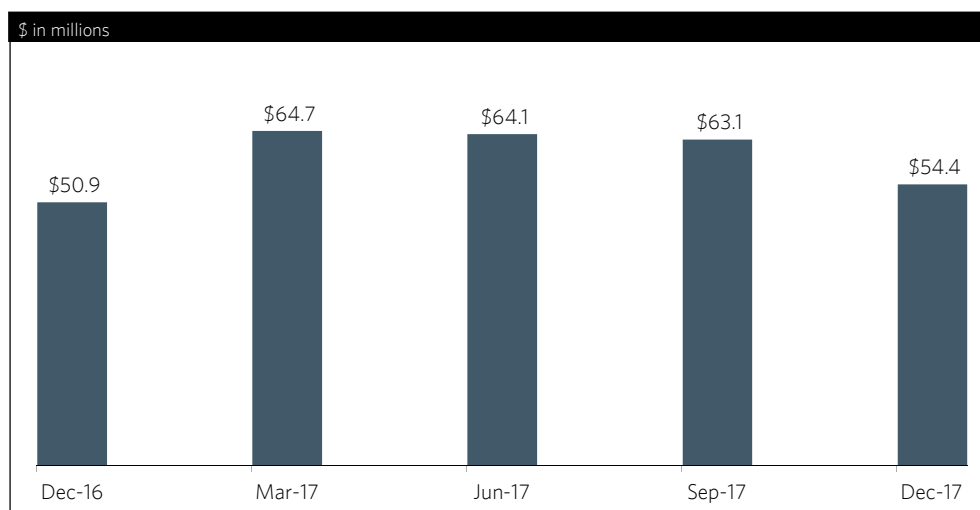


\$ in millions

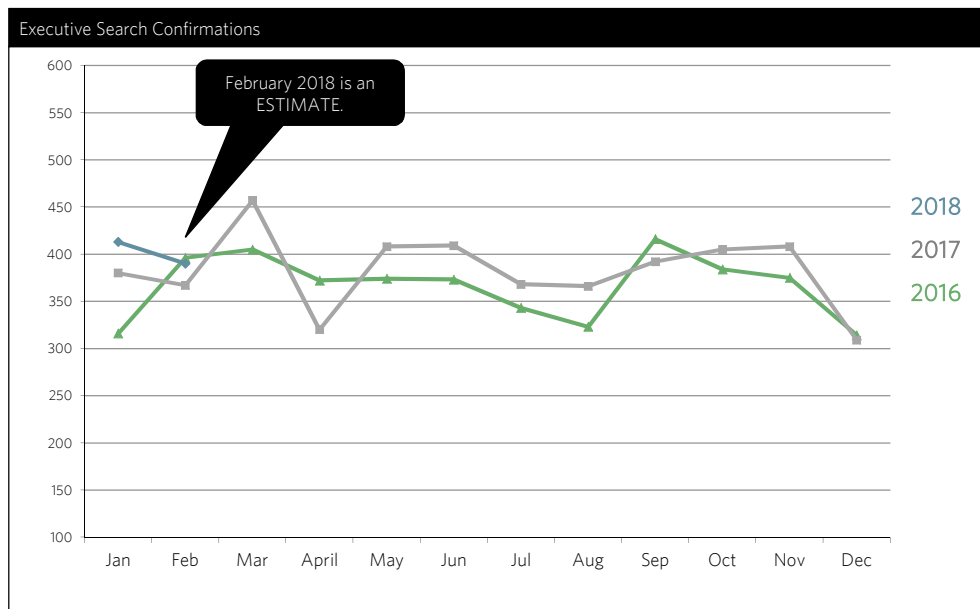
	December 31, 2017	December 31, 2016
<b>For the Quarter Ended:</b>		
Net cash provided by operating activities	\$103.0	\$73.8
<b>For the Year Ended:</b>		
Net cash provided by operating activities	\$67.0	\$24.8

## BACKLOG

Backlog is comprised of contractual billings for Executive Searches that will be recognized as revenue in the future. It does not include Leadership Consulting or Culture Shaping.



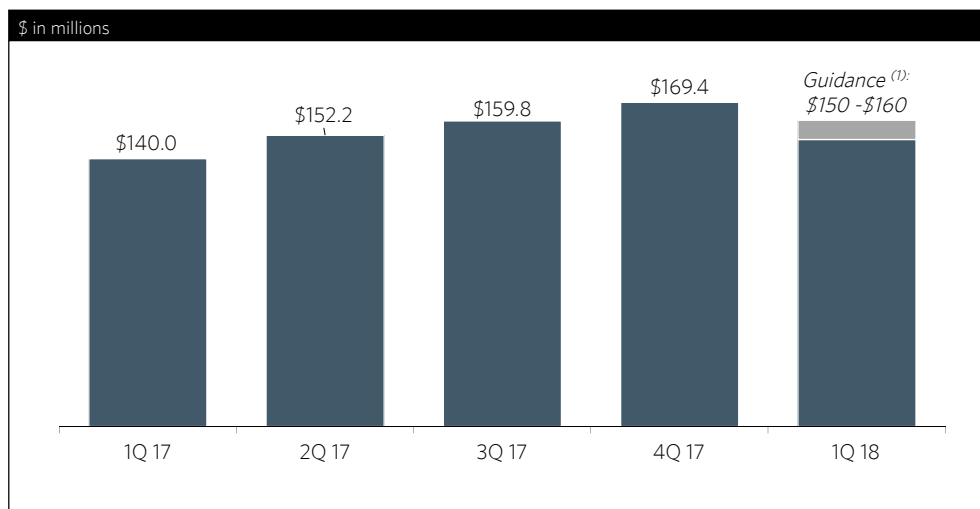
## WORLDWIDE MONTHLY SEARCH CONFIRMATION TRENDS



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38

## GUIDANCE: 1Q 2018 NET REVENUE (excludes reimbursements)



<sup>(1)</sup>This forecast is based on the average currency rates in December 2017 and reflects, among other factors, management's assumptions for the anticipated volume of new Executive Search confirmations, Consulting assignments, the current backlog, consultant productivity, consultant retention, and the seasonality of the business.

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39

## RECONCILIATION OF OPERATING INCOME (LOSS) AND ADJUSTED OPERATING INCOME (NON-GAAP)

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
<b>Revenue before reimbursements (net revenue)</b>	\$ 169,380	\$ 159,821	\$ 621,400	\$ 582,390
<b>Operating income (loss)</b>	(18,772)	7,665	(26,523)	35,233
<b>Adjustments</b>				
U.K. EBT settlement (1)	-	-	1,501	-
Impairment charges (2)	11,564	-	50,722	-
Restructuring charges (3)	15,666	-	15,666	-
Total adjustments	27,230	-	67,889	-
<b>Adjusted operating income</b>	<u>\$ 8,458</u>	<u>\$ 7,665</u>	<u>\$ 41,366</u>	<u>\$ 35,233</u>
Operating income (loss) as a % of net revenue	-11.1%	4.8%	-4.3%	6.0%
Adjusted operating income as a % of net revenue	5.0%	4.8%	6.7%	6.0%

Footnotes 1-3 - See explanation on Page 42

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40

## RECONCILIATION OF NET INCOME (LOSS) AND ADJUSTED NET INCOME (NON-GAAP)

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
<b>Net income (loss)</b>	\$ (39,208)	\$ 493	\$ (48,635)	\$ 15,413
<b>Adjustments</b>				
U.K. EBT settlement (1)	-	-	3,880	-
Impairment charges (2)	11,564	-	50,722	-
Restructuring charges (3)	15,666	-	15,666	-
Tax effect on above adjustments	(8,977)	-	(24,491)	-
2017 Tax Reform Act (4)	23,732	-	23,732	-
Total adjustments	41,985	-	69,509	-
<b>Adjusted net income</b>	<u>\$ 2,777</u>	<u>\$ 493</u>	<u>\$ 20,874</u>	<u>\$ 15,413</u>
Basic weighted average common shares outstanding	18,781	18,578	18,735	18,540
Dilutive common shares	344	419	406	498
Diluted weighted average common shares outstanding	<u>19,125</u>	<u>18,997</u>	<u>19,141</u>	<u>19,038</u>
Basic net income (loss) per common share	\$ (2.09)	\$ 0.03	\$ (2.60)	\$ 0.83
Diluted net income (loss) per common share	\$ (2.09)	\$ 0.03	\$ (2.60)	\$ 0.81
Adjusted basic net income per common share	\$ 0.15	\$ 0.03	\$ 1.11	\$ 0.83
Adjusted diluted net income per common share	\$ 0.15	\$ 0.03	\$ 1.09	\$ 0.81

Footnotes 1-4 - See explanation on Page 42

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41

## EXPLANATION OF NON-GAAP ADJUSTMENTS

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(1) On March 31, 2017, the Company reached a settlement with Her Majesty's Revenue and Customs ("HMRC") in the United Kingdom regarding HMRC's challenge of the tax treatment of certain of the Company's contributions in the United Kingdom to an Employee Benefits Trust between 2002 and 2008. The Company has recorded \$1.5 million related to the Pay as You Earn tax and Class 1 National Insurance Contributions and the respective beneficiary reimbursements as a component of Salaries and employee benefits in the Condensed Consolidated Statement of Comprehensive Income (Loss) for the year ended December 31, 2017. Inheritance tax and interest expense of \$2.4 million incurred as a result of the settlement is recorded as a component of Other, net in the Condensed Consolidated Statement of Comprehensive Income (Loss) for the year ended December 31, 2017.

(2) Includes \$11.6 million of goodwill and intangible asset impairment related to our Leadership Consulting operating segment for the three months ended December 31, 2017. Includes \$11.6 million and \$39.2 million of goodwill and intangible asset impairment related to our Leadership Consulting and Culture Shaping operating segments, respectively, for the year ended December 31, 2017.

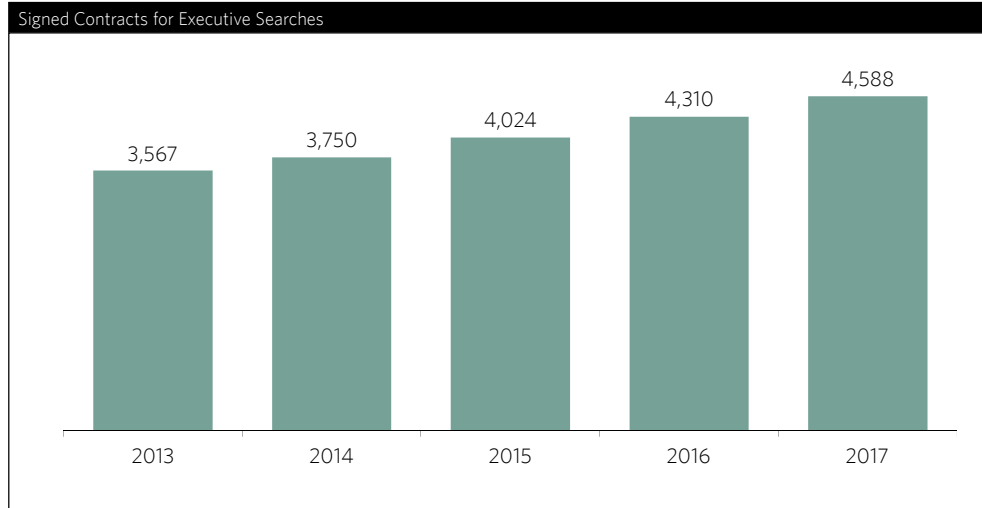
(3) In 2017, the Company recorded restructuring charges of \$15.7 million in connection with initiatives to reduce overall costs and improve operational efficiencies. These charges consist of \$13.1 million of employee-related costs, including severance associated with reductions in our workforce, \$2.3 million of other professional and consulting fees and \$0.3 million of expenses associated with closing three office locations.

(4) Represents the impact of the "Tax Cuts and Jobs Act" enacted on December 22, 2017.

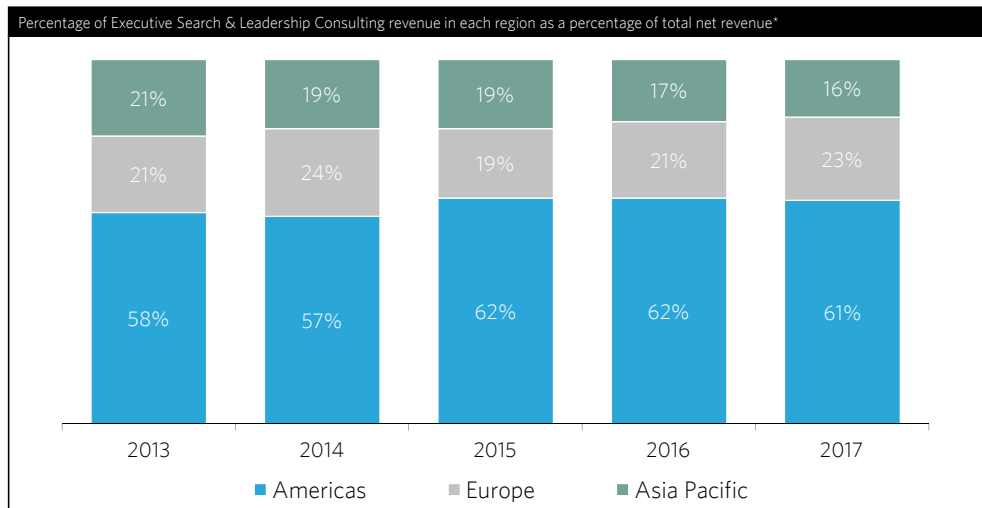
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## 2017 EXECUTIVE SEARCH RESULTS

## EXECUTIVE SEARCH CONFIRMATIONS

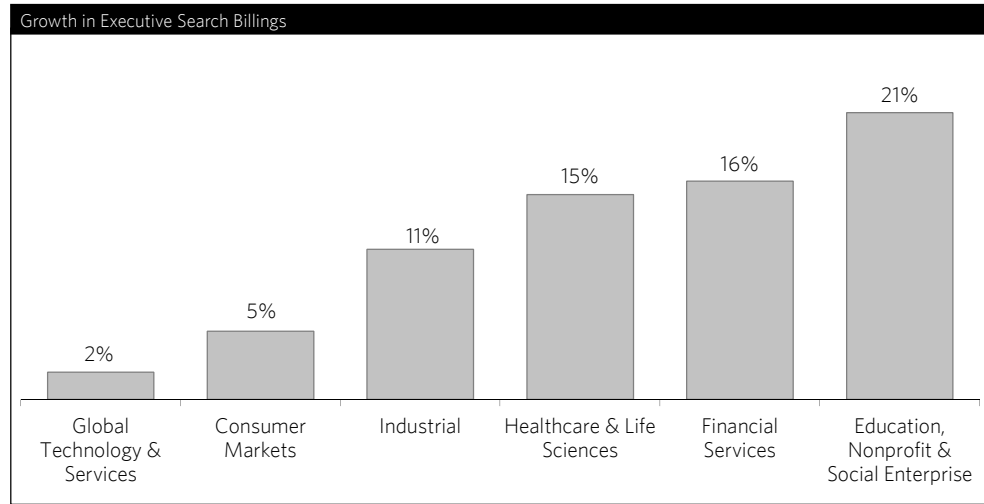


## GEOGRAPHIC DISTRIBUTION OF EXECUTIVE SEARCH REVENUE\*

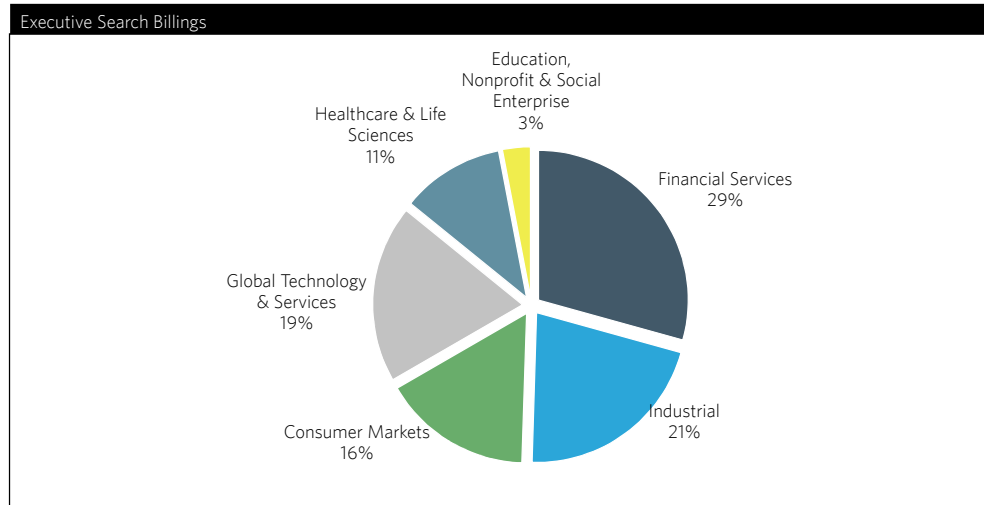


\*Executive Search Revenue only beginning 2015

## INDUSTRY PRACTICE BILLINGS 2017 COMPARED TO 2016



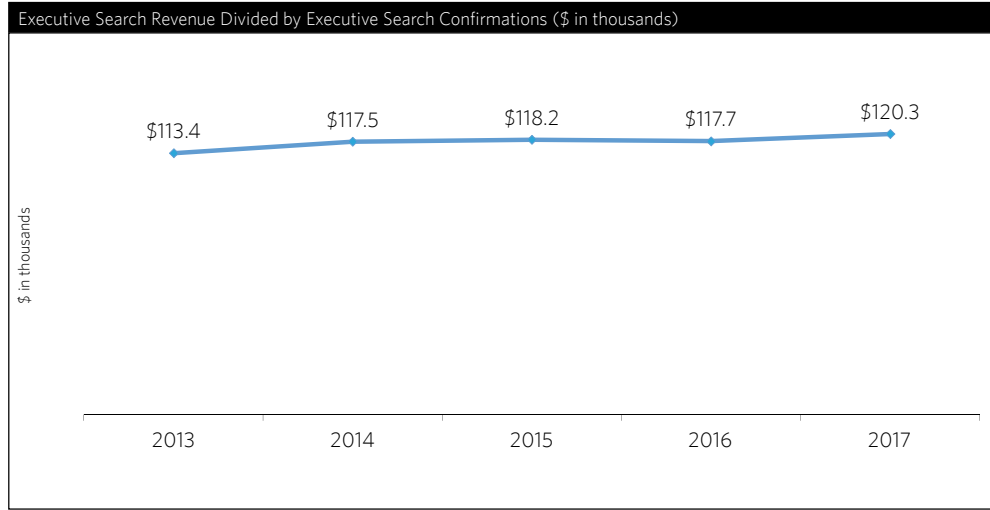
## INDUSTRY PRACTICE GROUP MIX OF BILLINGS<sup>(1)</sup>



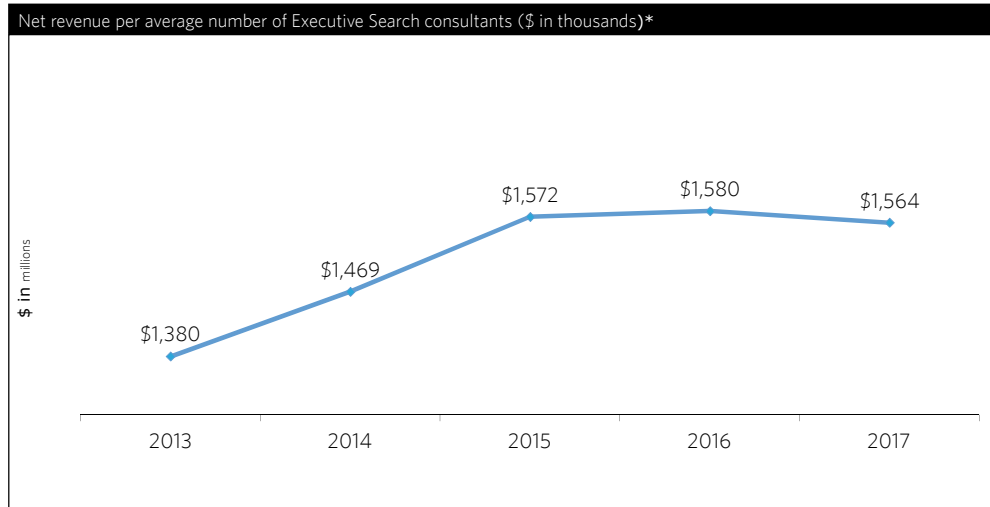
(1) Industry practice billings as percentage of total Executive Search billings in 2017. Numbers may not add due to rounding.



## AVERAGE REVENUE PER EXECUTIVE SEARCH



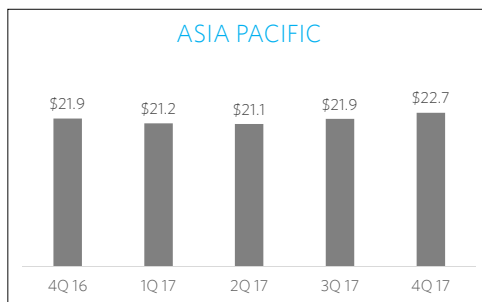
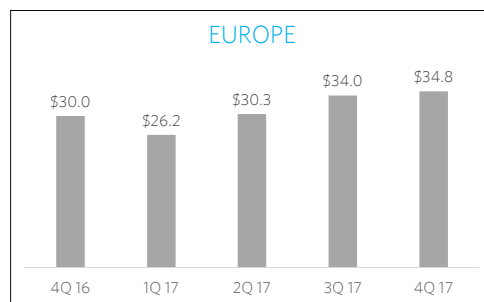
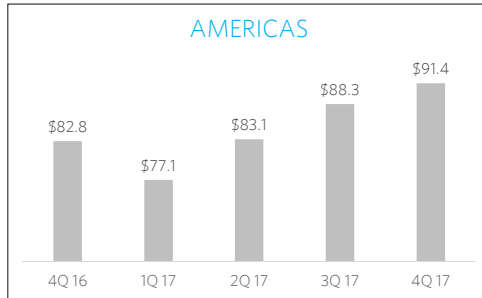
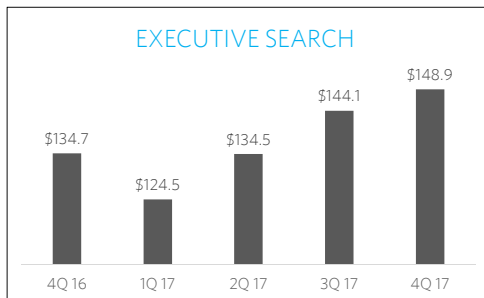
## PRODUCTIVITY



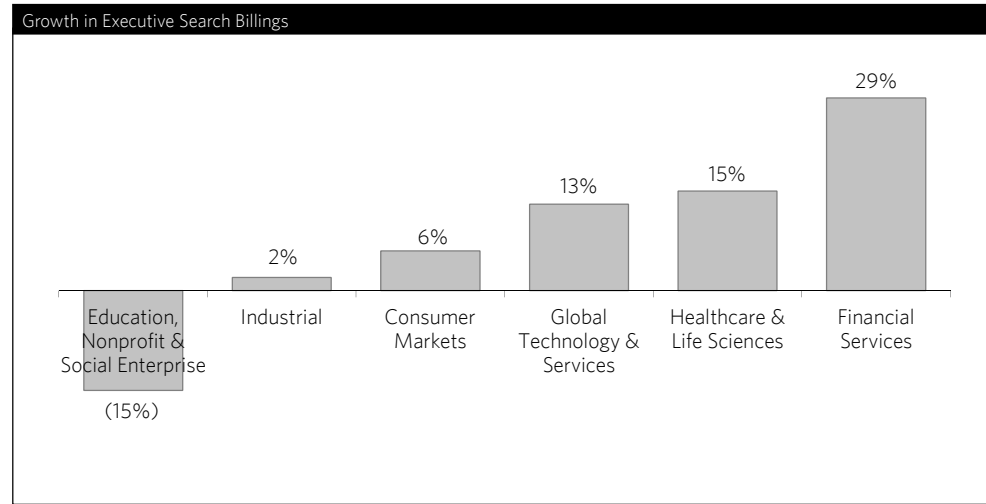
\*Executive Search Revenue only beginning 2015

# FOURTH QUARTER 2017 EXECUTIVE SEARCH RESULTS

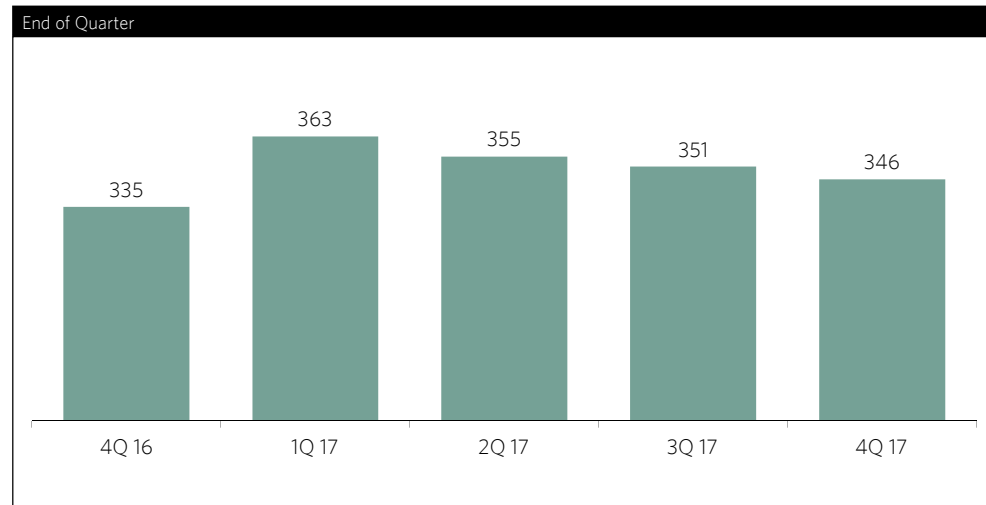
## QUARTERLY NET SEARCH REVENUE



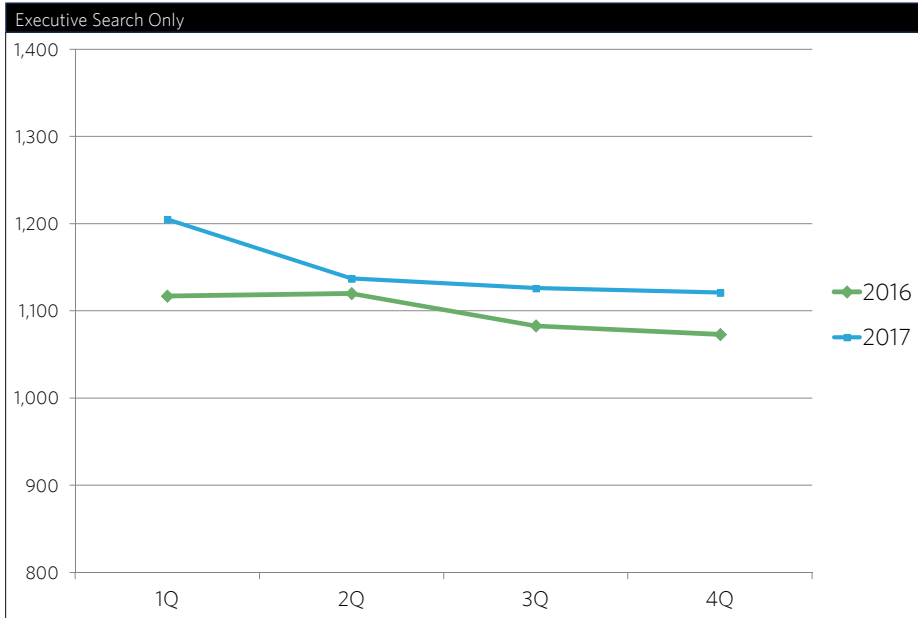
## INDUSTRY PRACTICE BILLINGS 4Q 2017 COMPARED TO 4Q 2016



## EXECUTIVE SEARCH CONSULTANT HEADCOUNT



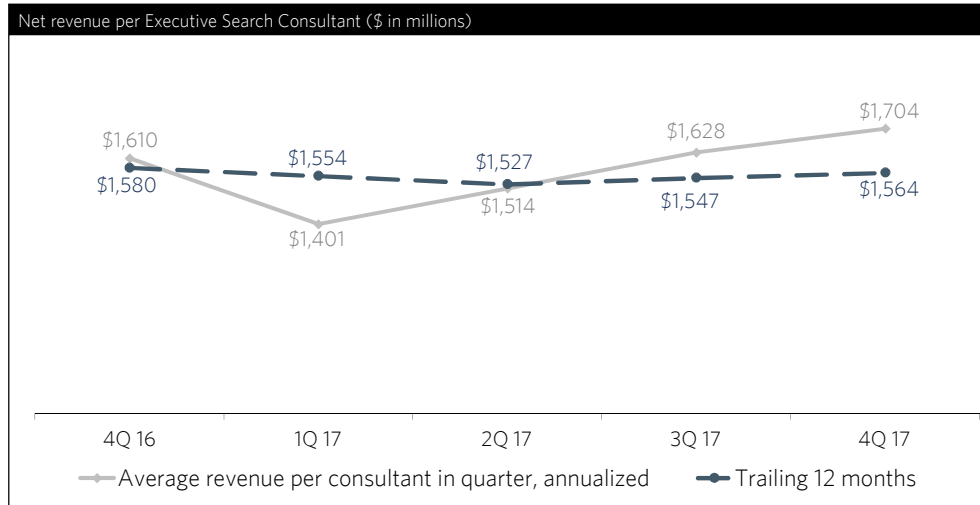
## EXECUTIVE SEARCH CONFIRMATIONS



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54

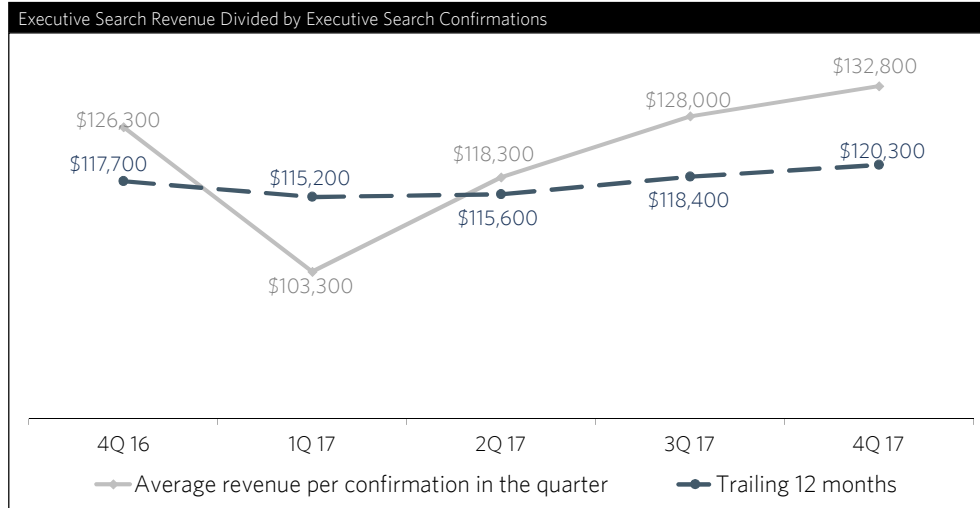
## PRODUCTIVITY



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55

## REVENUE PER EXECUTIVE SEARCH



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56

## HEIDRICK & STRUGGLES

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