

HEIDRICK & STRUGGLES

THIRD QUARTER 2021 RESULTS

October 25, 2021

SAFE HARBOR STATEMENT

This press release contains 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, 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; 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. 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, 2020, 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. 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.

THIRD QUARTER 2021 CONSOLIDATED RESULTS

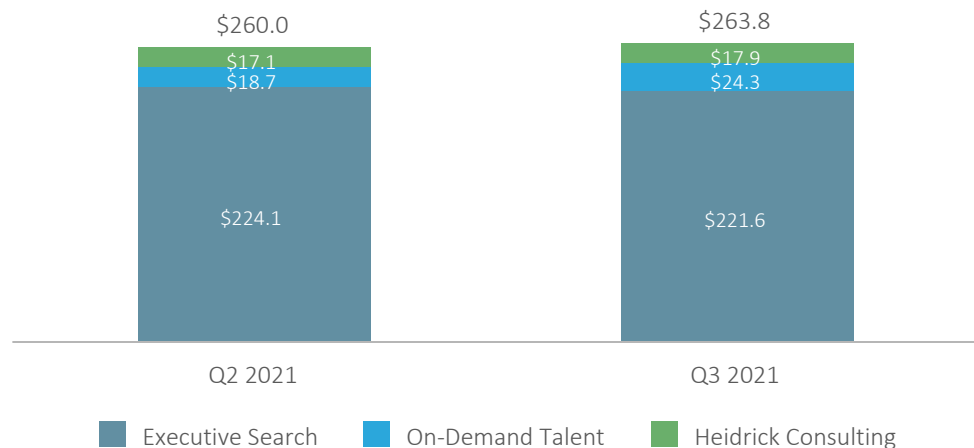
THIRD QUARTER 2021 HIGHLIGHTS

- Third consecutive quarter of record results
- Q3 record net revenue (revenue before reimbursements) of \$263.8 million increased 83.8% from prior year and beat record Q2 2021 levels
- Operating income was \$33.3 million, and operating income margin expanded to 12.6% in the quarter
- Adjusted EBITDA of \$36.1 million more than doubled from \$15.9 million in the prior year quarter, and adjusted EBITDA margin increased 265 basis points to 13.7%
- Net income and diluted earnings per share grew to \$24.5 million and \$1.21, respectively
- The Company's outlook will guide to record Q4 levels

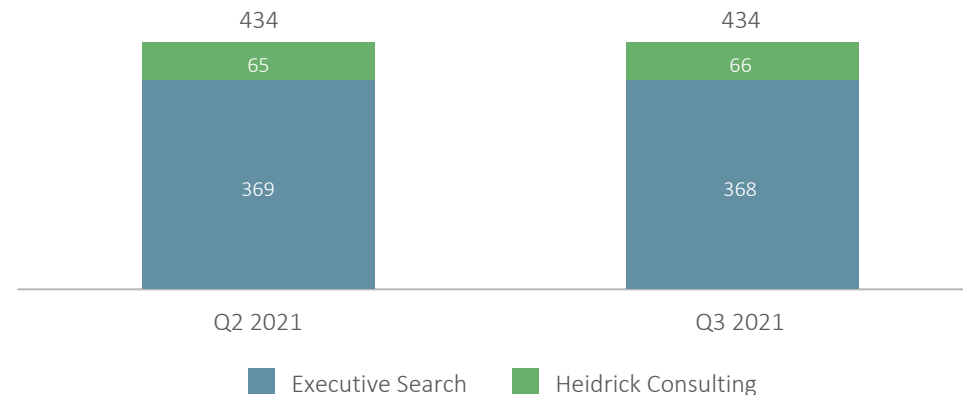
THIRD QUARTER 2021 FINANCIAL HIGHLIGHTS (SEQUENTIAL COMPARISON)

(\$ in millions except per share data)

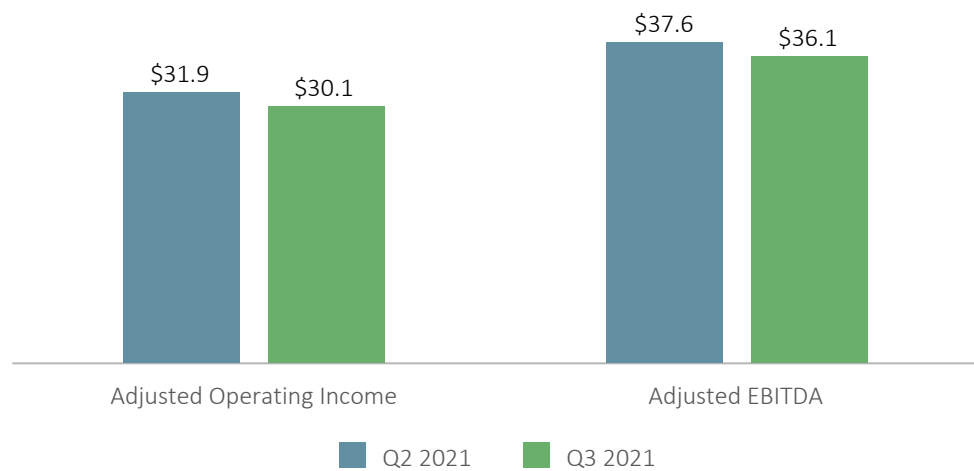
Consolidated Net Revenue



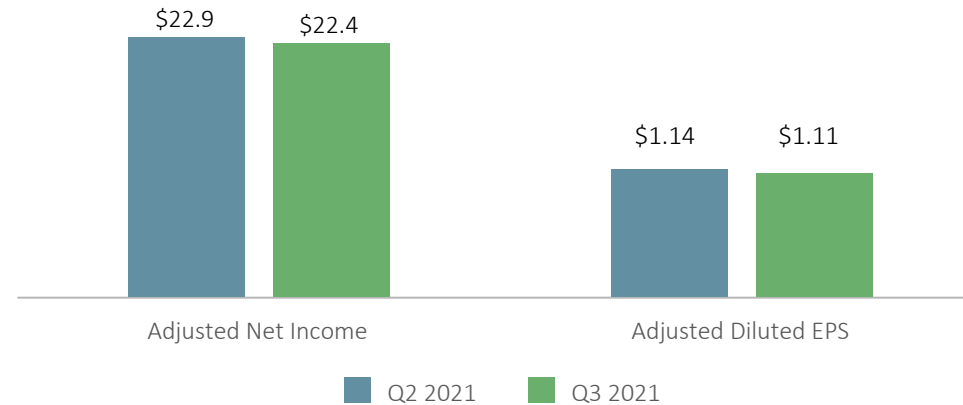
Consolidated Headcount



Adjusted Profitability⁽¹⁾



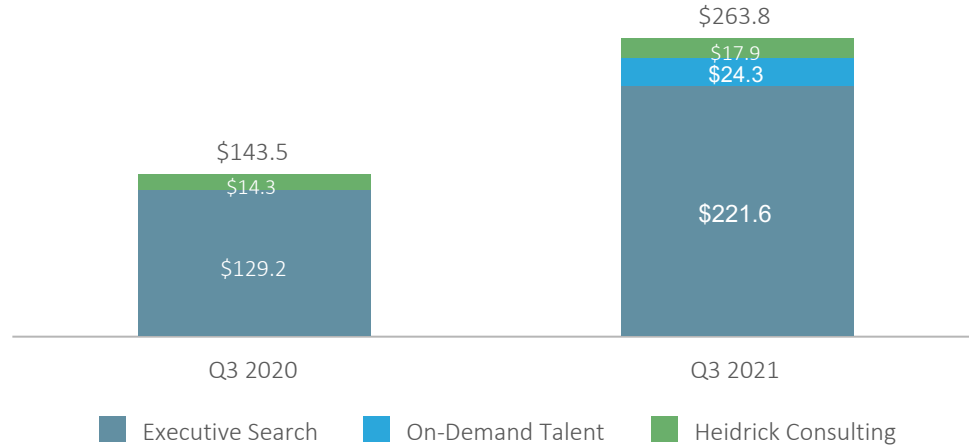
Adjusted Net Income & Diluted EPS⁽¹⁾



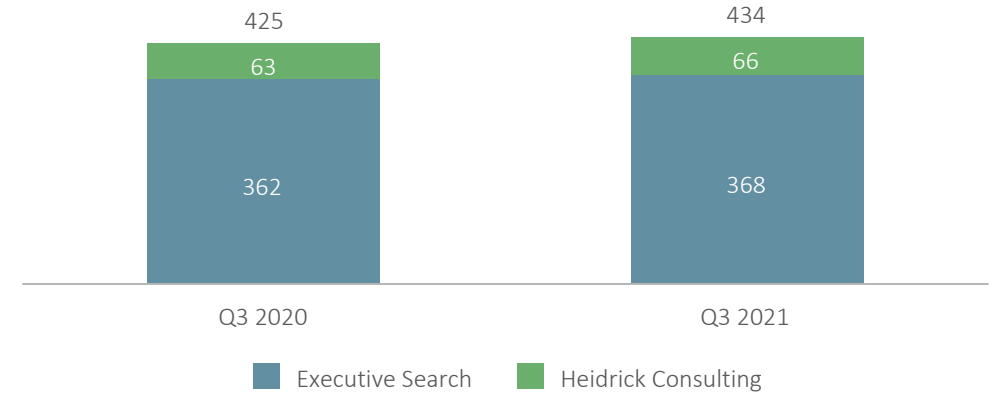
THIRD QUARTER 2021 FINANCIAL HIGHLIGHTS (YEAR-OVER-YEAR COMPARISON)

(\$ in millions except per share data)

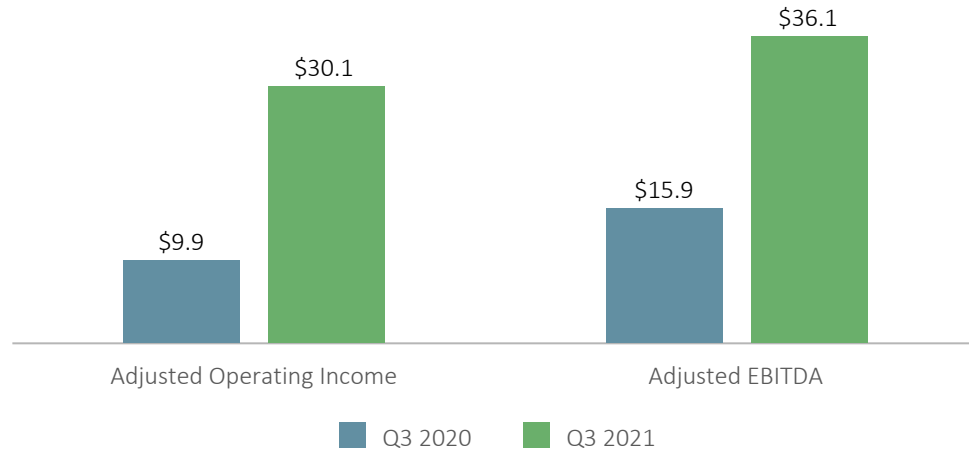
Consolidated Net Revenue



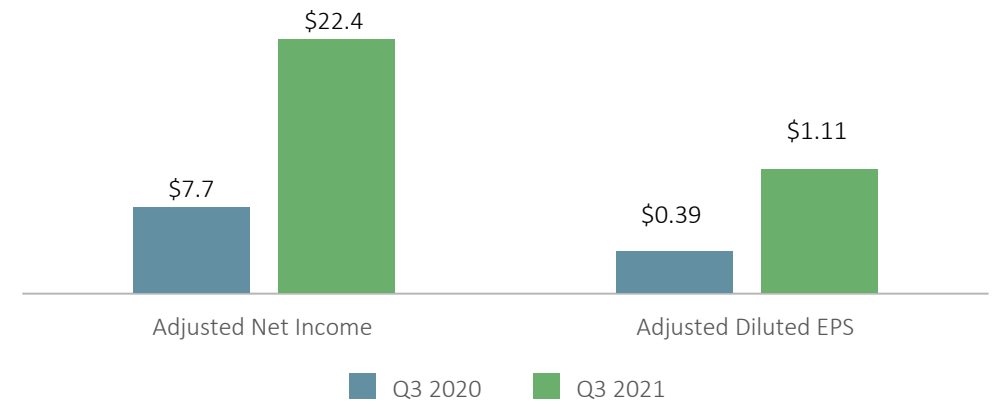
Consolidated Headcount



Adjusted Profitability⁽¹⁾

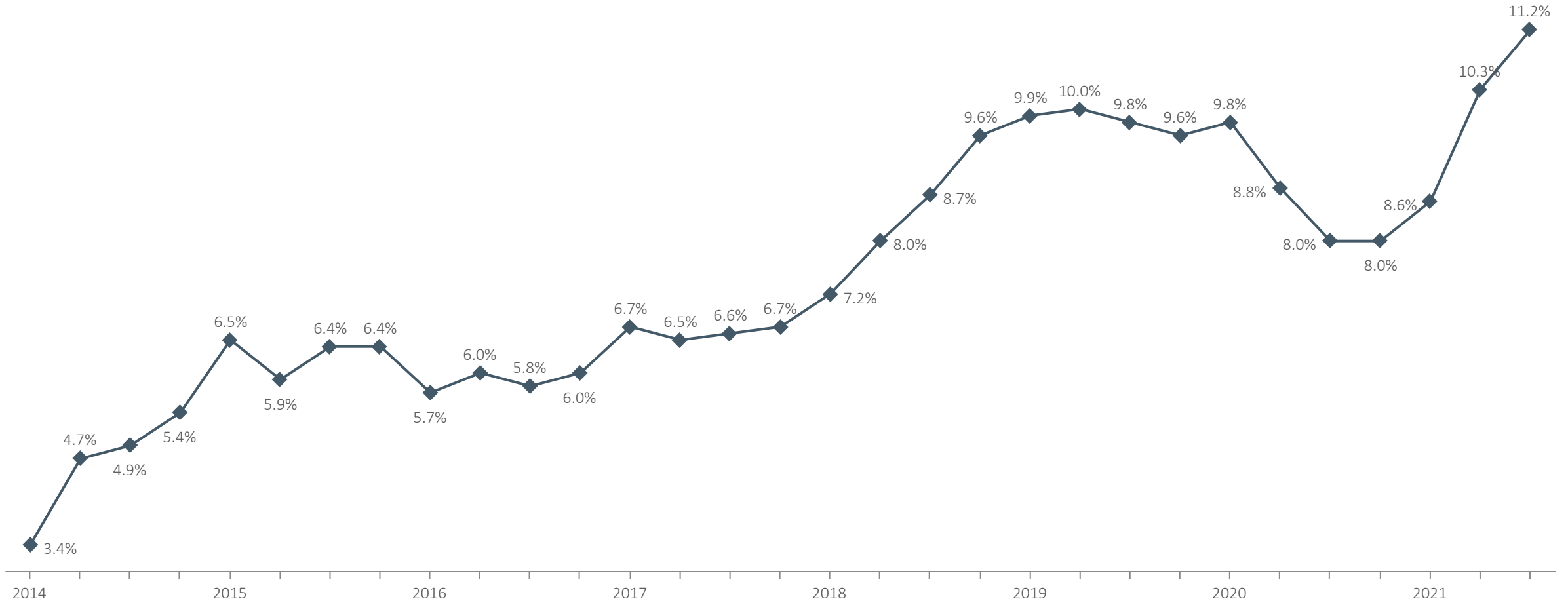


Adjusted Net Income & Diluted EPS⁽¹⁾



TRAILING 12-MONTH CONSOLIDATED ADJUSTED OPERATING MARGIN⁽²⁾

Trailing 12-Month Adjusted Operating Income* / Trailing 12-Month Consolidated Net Revenue



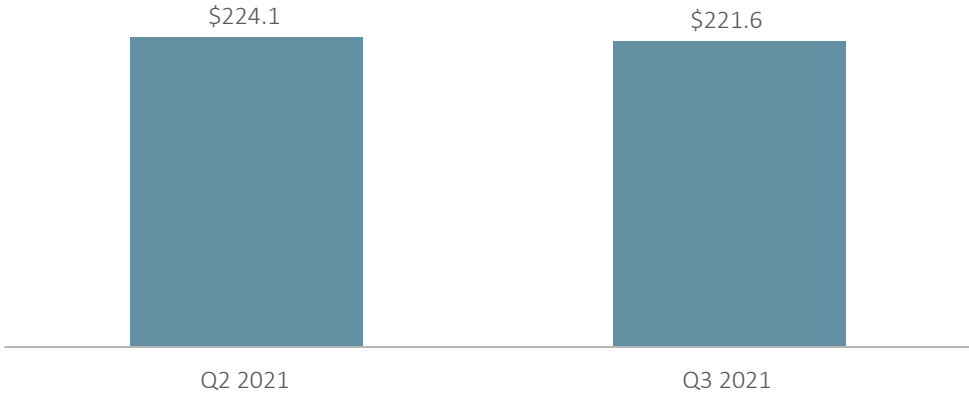
(2) Operating income adjusted to exclude restructuring and impairment charges

EXECUTIVE SEARCH RESULTS

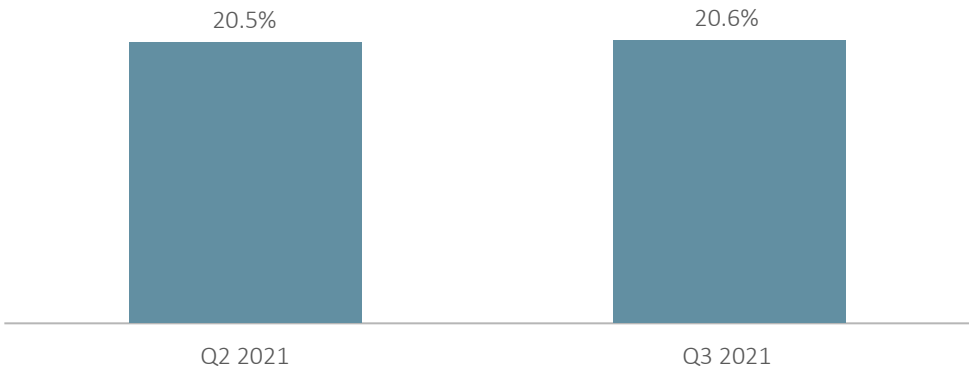
EXECUTIVE SEARCH - Q3 2021 FINANCIAL HIGHLIGHTS (SEQUENTIAL QUARTER)

(\$ in millions)

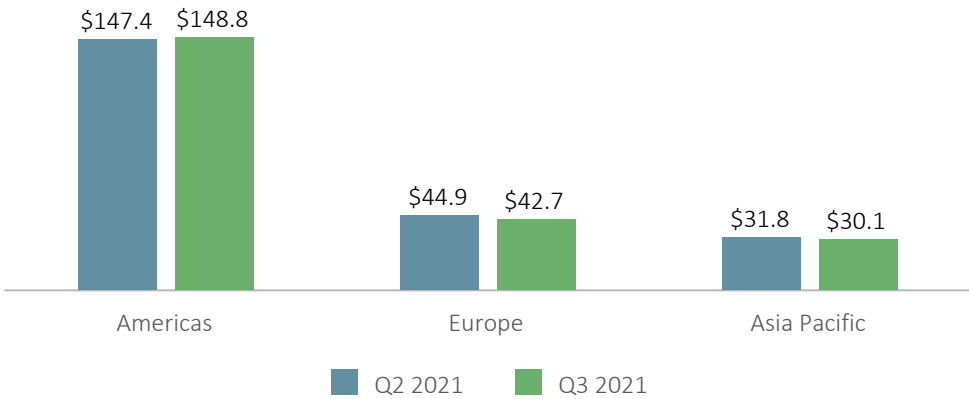
Net Revenue



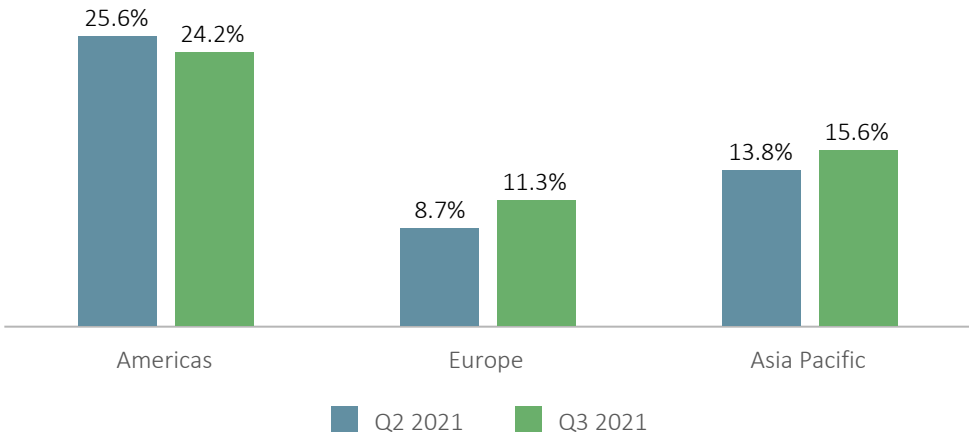
Adjusted Operating Margin⁽¹⁾



Net Revenue by Region



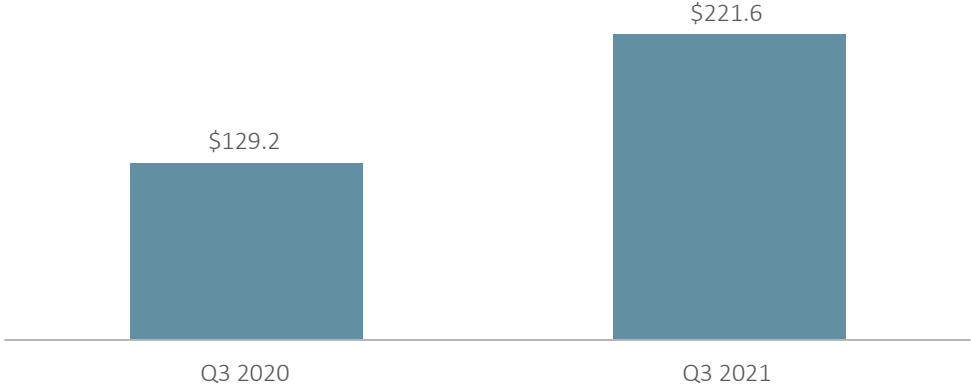
Adjusted Operating Margin by Region⁽¹⁾



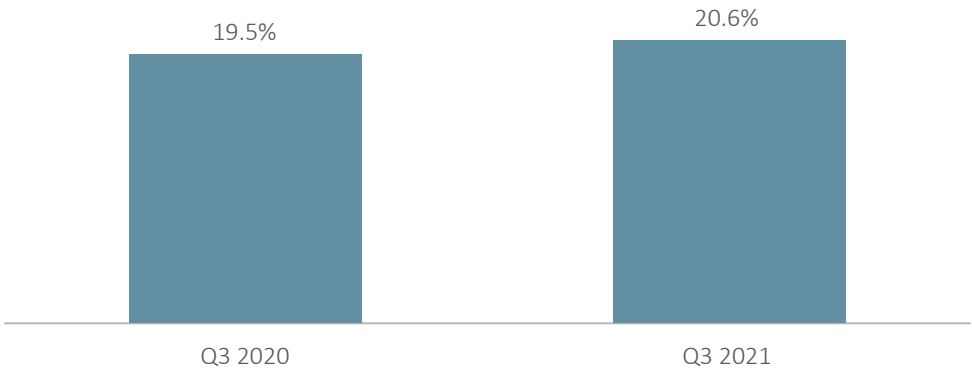
EXECUTIVE SEARCH - Q3 2021 FINANCIAL HIGHLIGHTS (YEAR-OVER-YEAR)

(\$ in millions)

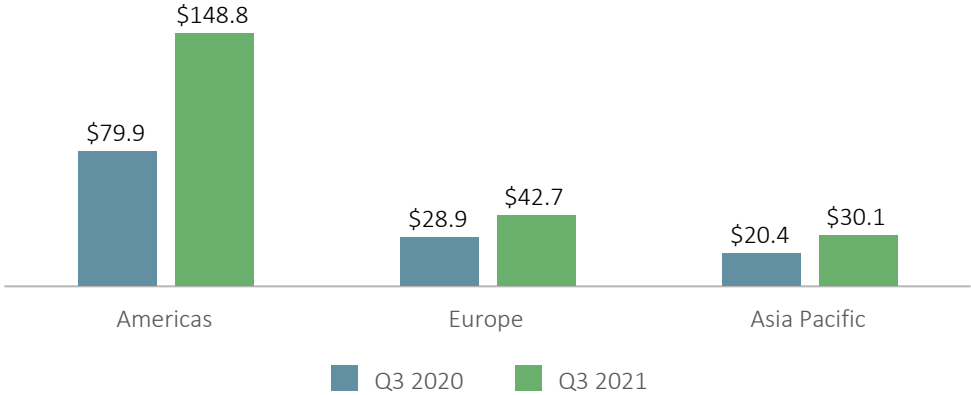
Net Revenue



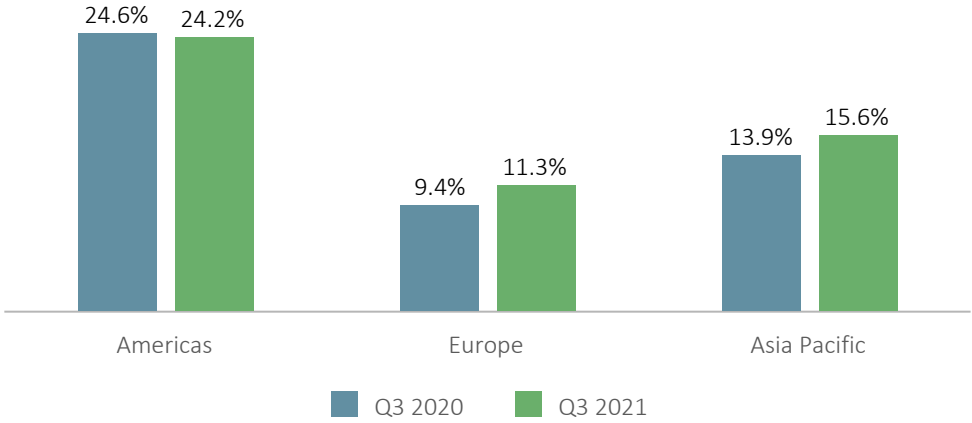
Adjusted Operating Margin⁽¹⁾



Net Revenue by Region



Adjusted Operating Margin by Region⁽¹⁾

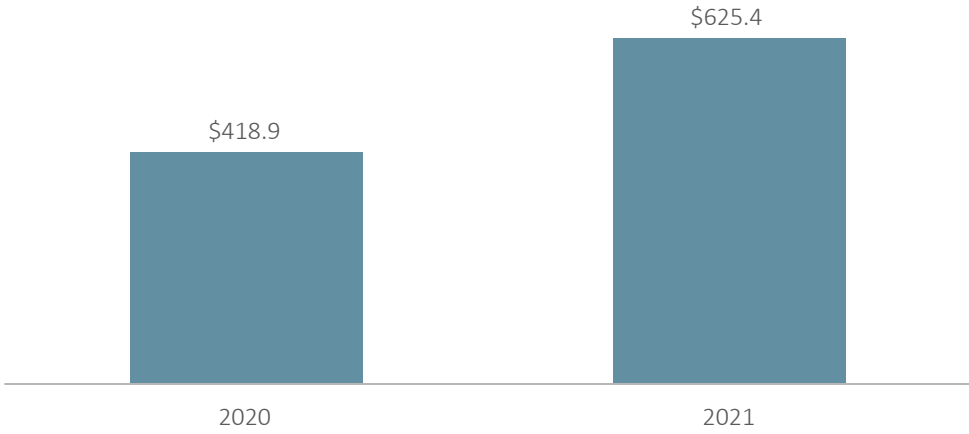


⁽¹⁾ Refer to the Appendix for GAAP to Non-GAAP reconciliations

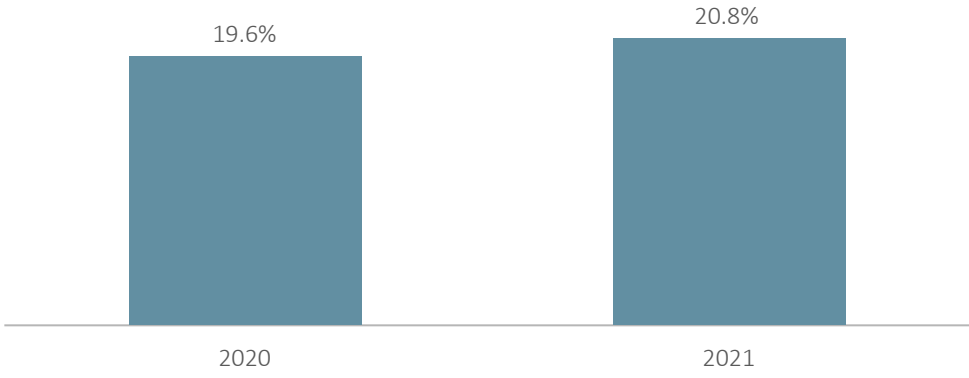
EXECUTIVE SEARCH - YTD 2021 FINANCIAL HIGHLIGHTS (YEAR-OVER-YEAR)

(\$ in millions)

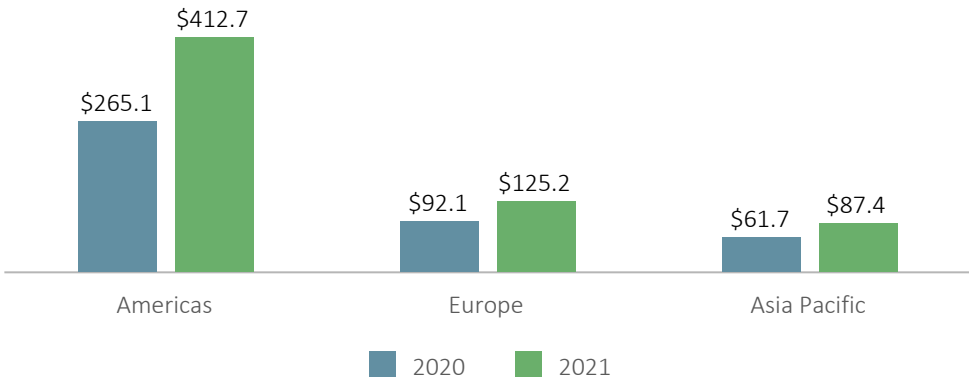
Net Revenue



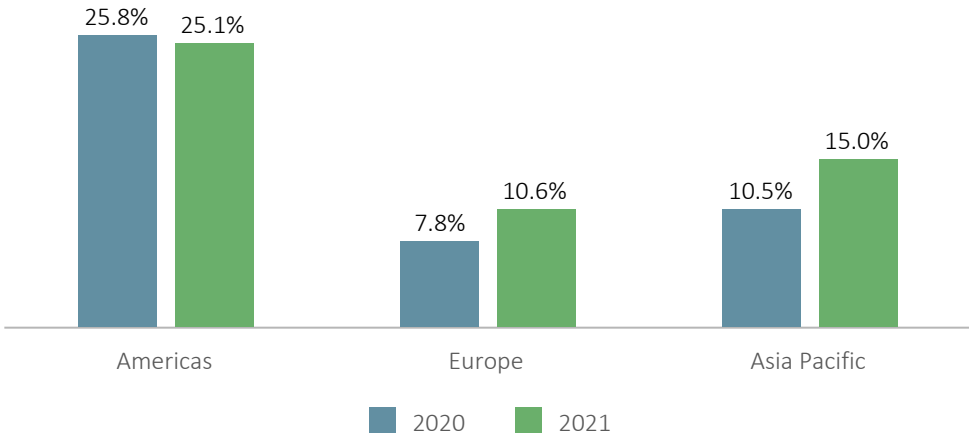
Adjusted Operating Margin⁽¹⁾



Net Revenue by Region



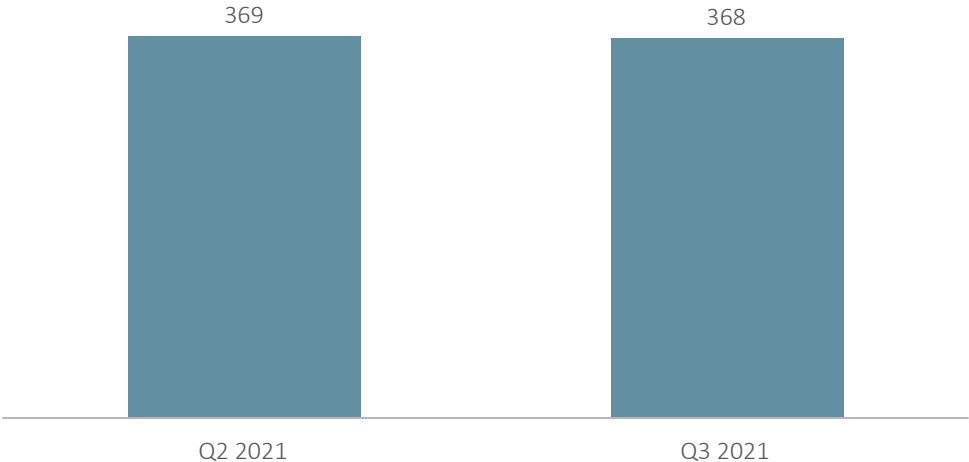
Adjusted Operating Margin by Region⁽¹⁾



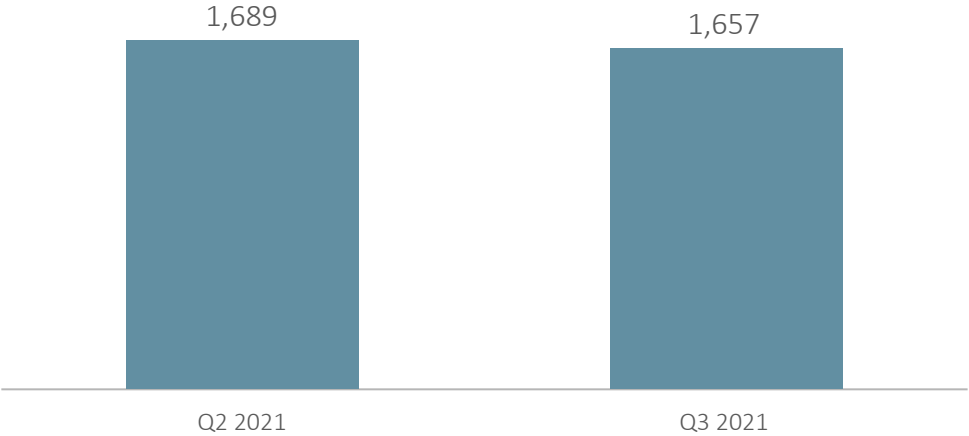
⁽¹⁾ Refer to the Appendix for GAAP to Non-GAAP reconciliations

EXECUTIVE SEARCH - Q3 2021 OPERATIONAL HIGHLIGHTS (SEQUENTIAL QUARTER)

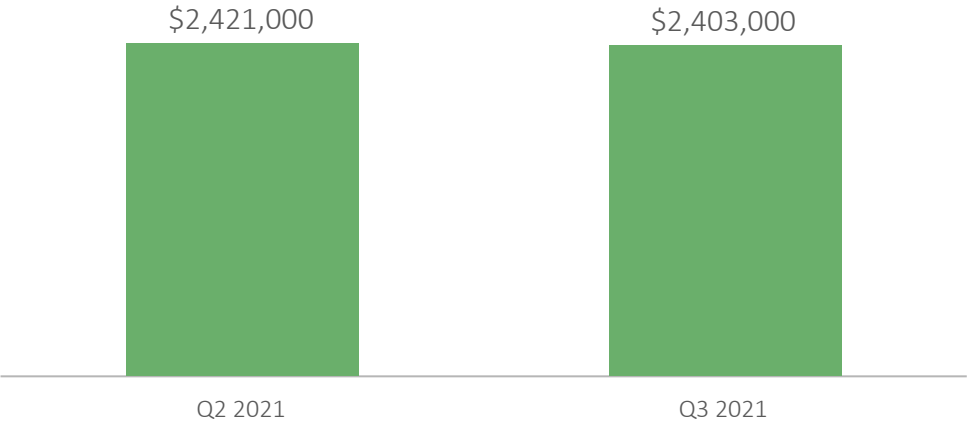
Consultant Headcount



Executive Search Confirmations

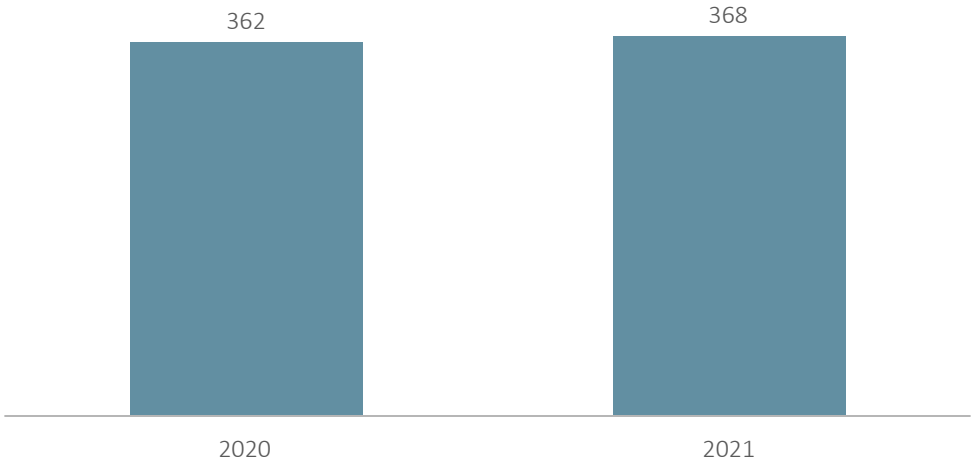


Consultant Productivity

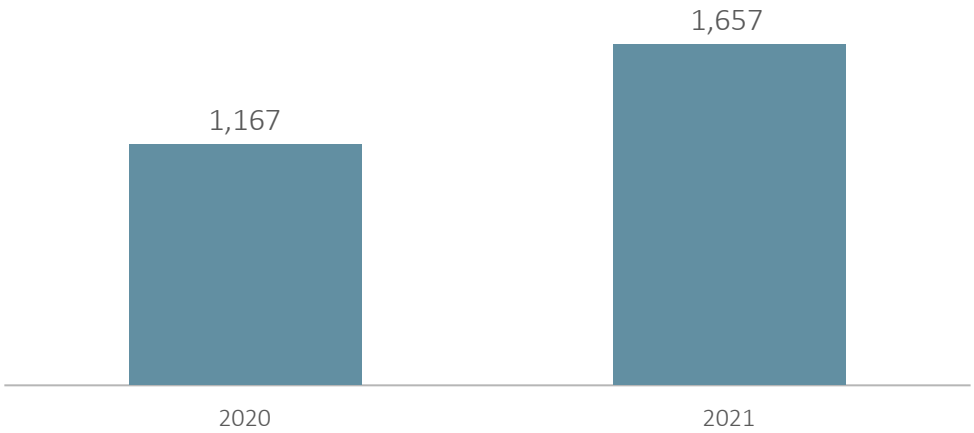


EXECUTIVE SEARCH - Q3 2021 OPERATIONAL HIGHLIGHTS (YEAR-OVER-YEAR)

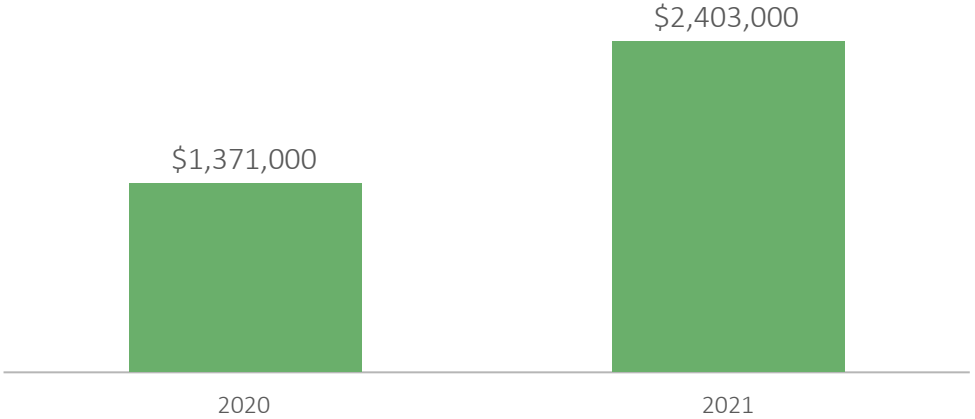
Consultant Headcount



Executive Search Confirmations



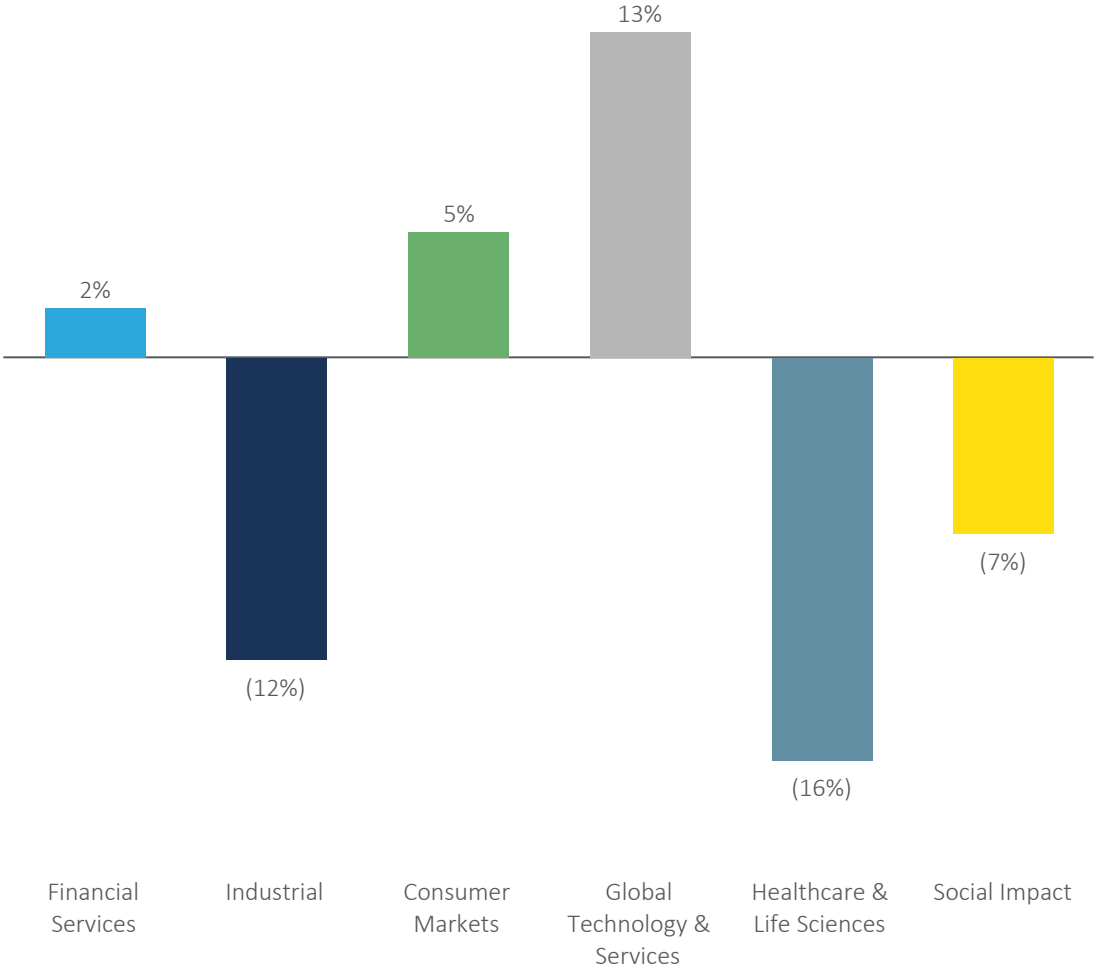
Consultant Productivity



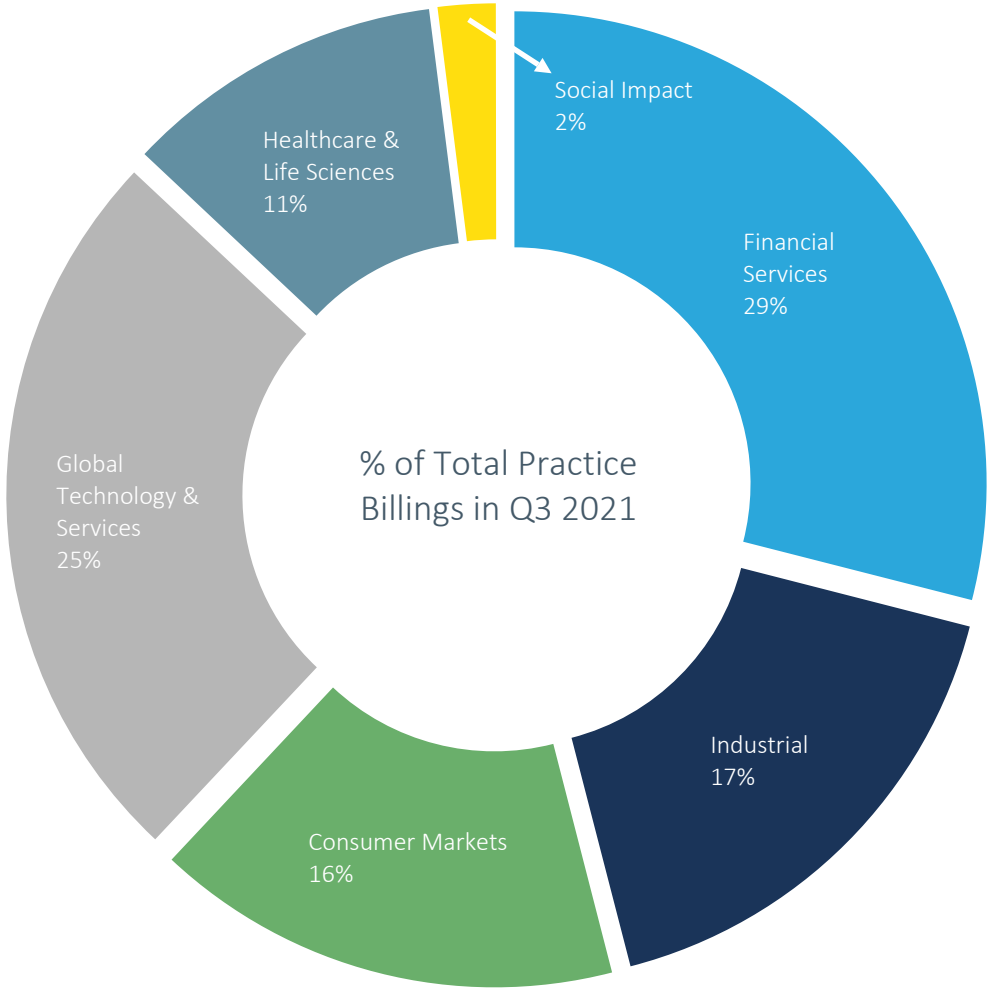
DIVERSIFIED MIX OF BUSINESS IN EXECUTIVE SEARCH (SEQUENTIAL QUARTER)

Sequential Comparison on Industry Practice Billings

Q3 2021 vs. Q2 2021 Industry Billings



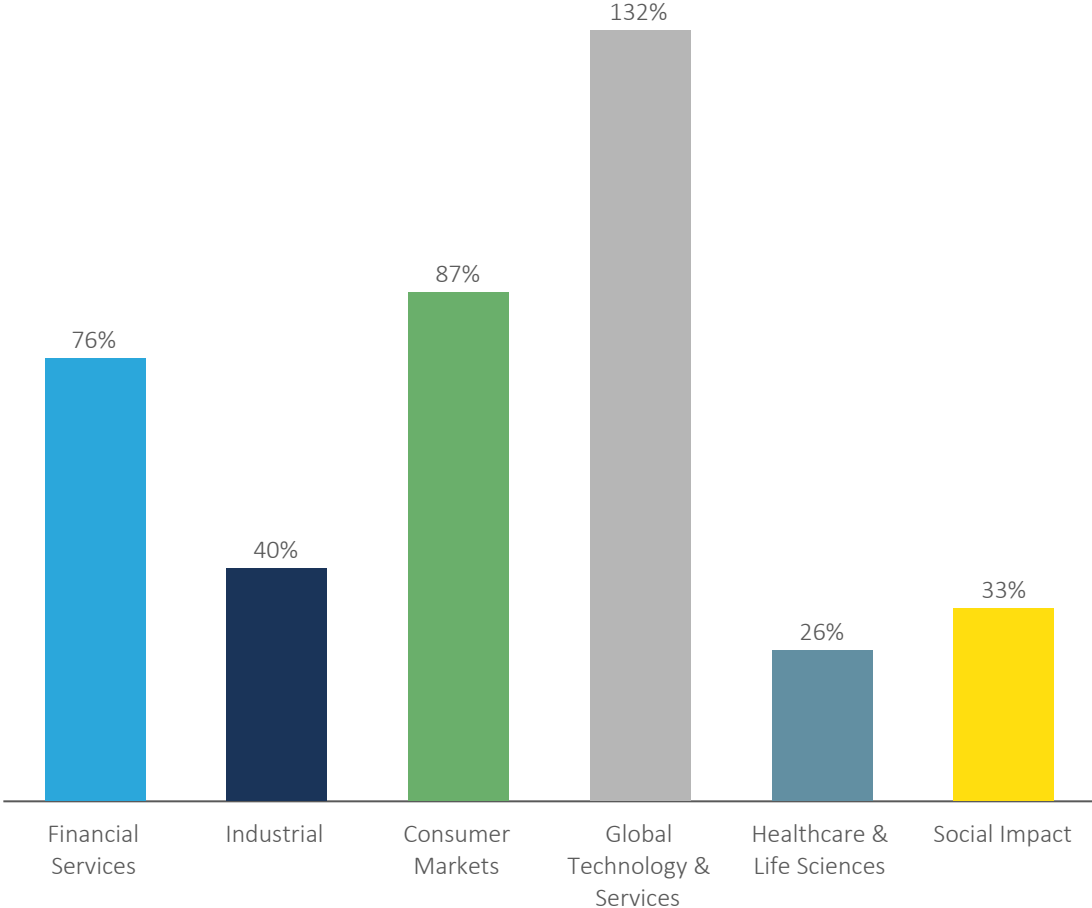
Diversified Mix of Industry Practice Billings



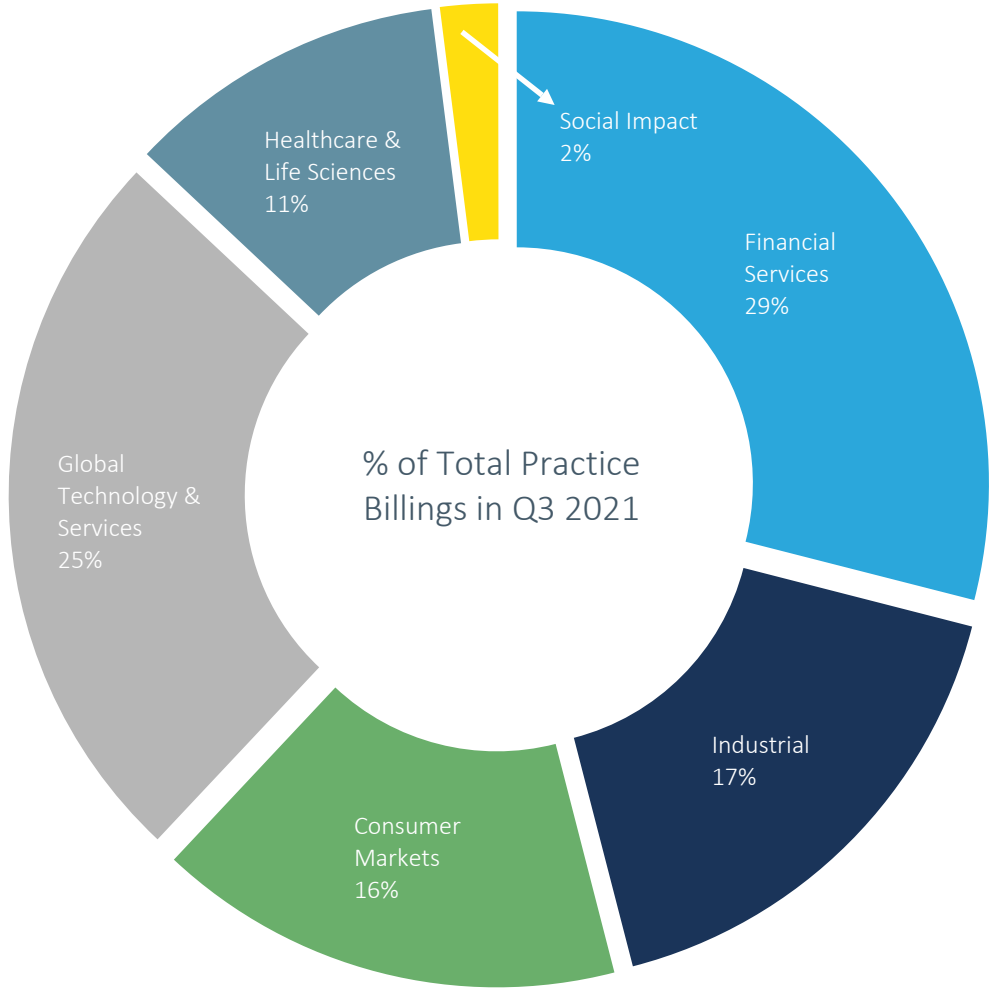
DIVERSIFIED MIX OF BUSINESS IN EXECUTIVE SEARCH (YEAR-OVER-YEAR)

Sequential Comparison on Industry Practice Billings

Q3 2021 vs. Q3 2020 Industry Billings



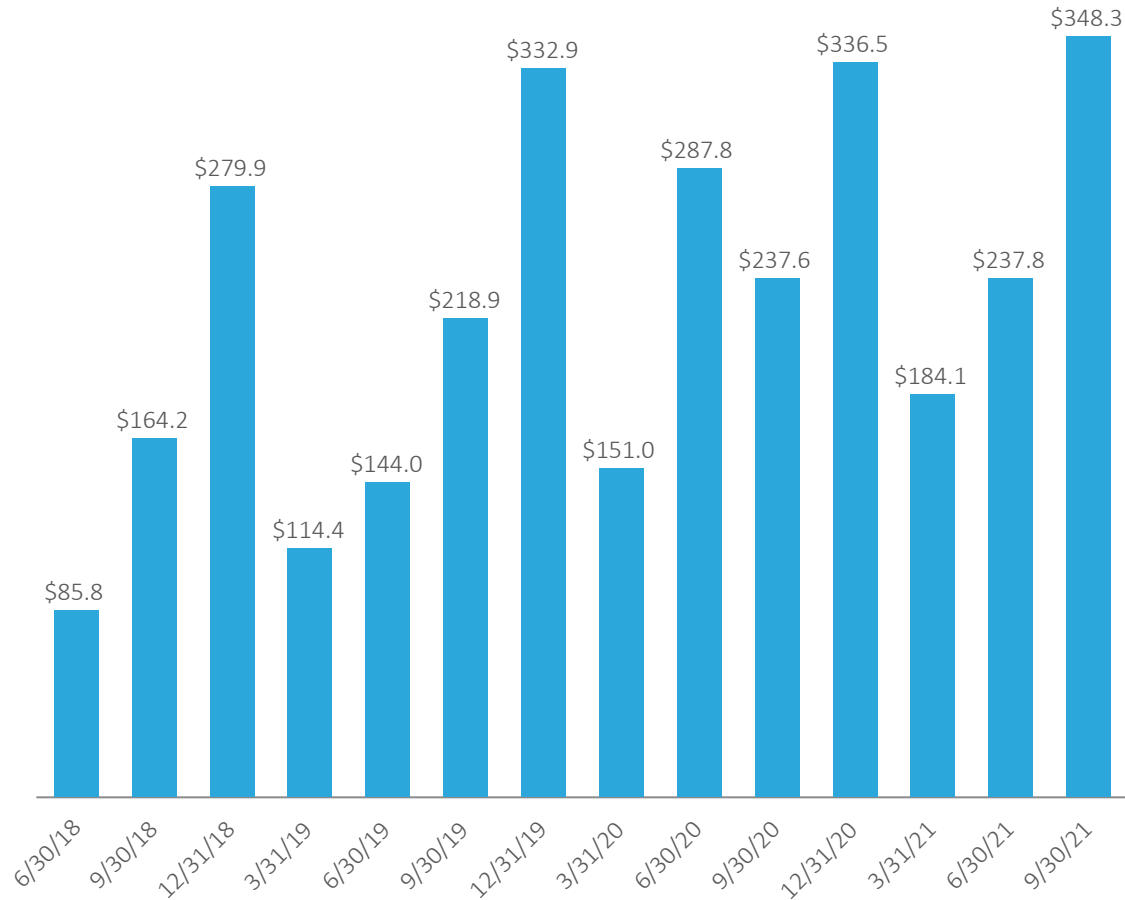
Diversified Mix of Industry Practice Billings



BALANCE SHEET

STRONG & FLEXIBLE BALANCE SHEET

Cash & Marketable Securities, Net of Debt



Cash Flow

For the Quarter Ended:	September 30, 2020	September 30, 2021
Net cash provided by operating activities	\$51.9	\$117.1

For the Nine Months Ended:	September 30, 2020	September 30, 2021
Net cash provided by (used in) operating activities	\$(72.9)	\$64.8

Credit Facility

On July 13, 2021, the Company renewed and expanded its credit facility to \$200 million with an option to increase up to \$275 million; same terms as previous credit facility, opening the balance sheet for future growth.

OUTLOOK AND INITIATIVES

1

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

2

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

3

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

ADJUSTED OPERATING INCOME BY SEGMENT - QTD 2021

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

	Three Months Ended September 30, 2021							
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Global Operations Support	Heidrick & Struggles
Revenue before reimbursements (net revenue)	\$ 148,844	\$ 42,676	\$ 30,126	\$ 221,646	\$ 24,287	\$ 17,892	\$ —	\$ 263,825
Operating income (loss)	38,972	4,795	4,712	48,479	881	(2,556)	(13,462)	33,342
Adjustments								
Restructuring charges	(2,887)	9	—	(2,878)	—	(279)	(105)	(3,262)
Total adjustments	(2,887)	9	—	(2,878)	—	(279)	(105)	(3,262)
Adjusted operating income (loss)	<u>\$ 36,085</u>	<u>\$ 4,804</u>	<u>\$ 4,712</u>	<u>\$ 45,601</u>	<u>\$ 881</u>	<u>\$ (2,835)</u>	<u>\$ (13,567)</u>	<u>\$ 30,080</u>
Operating margin	26.2%	11.2%	15.6%	21.9%	3.6%	(14.3%)	(5.1%)	12.6%
Adjusted operating margin	24.2%	11.3%	15.6%	20.6%	3.6%	(15.8%)	(5.1%)	11.4%
	Three Months Ended September 30, 2020							
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Global Operations Support	Heidrick & Struggles
Revenue before reimbursements (net revenue)	\$ 79,947	\$ 28,902	\$ 20,394	\$ 129,243	\$ —	\$ 14,301	\$ —	\$ 143,544
Operating income (loss)	(7,934)	(6,856)	(1,726)	(16,516)	—	(9,286)	(12,431)	(38,233)
Adjustments								
Restructuring charges	27,596	9,564	4,559	41,719	—	4,471	1,925	48,115
Total adjustments	27,596	9,564	4,559	41,719	—	4,471	1,925	48,115
Adjusted operating income (loss)	<u>\$ 19,662</u>	<u>\$ 2,708</u>	<u>\$ 2,833</u>	<u>\$ 25,203</u>	<u>\$ —</u>	<u>\$ (4,815)</u>	<u>\$ (10,506)</u>	<u>\$ 9,882</u>
Operating margin	(9.9%)	(23.7%)	(8.5%)	(12.8%)	—%	(64.9%)	(8.7%)	(26.6%)
Adjusted operating margin	24.6%	9.4%	13.9%	19.5%	—%	(33.7%)	(7.3%)	6.9%

ADJUSTED OPERATING INCOME

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue before reimbursements (net revenue)	\$ 263,825	\$ 143,544	\$ 717,462	\$ 460,628
Operating income (loss)	33,342	(38,233)	81,656	(44,067)
Adjustments				
Impairment charges ⁽¹⁾	—	—	—	32,970
Restructuring charges ⁽²⁾	(3,262)	48,115	3,792	48,115
Total adjustments	(3,262)	48,115	3,792	81,085
Adjusted operating income	<u>\$ 30,080</u>	<u>\$ 9,882</u>	<u>\$ 85,448</u>	<u>\$ 37,018</u>
Operating margin	12.6%	(26.6%)	11.4%	(9.6%)
Adjusted operating margin	11.4%	6.9%	11.9%	8.0%

¹ The Company incurred goodwill impairment charges of approximately \$33.0 million in the Europe and Asia Pacific operating segments for the nine months ended September 30, 2020.

² The Company incurred restructuring reversals of \$3.3 million for the three months ended September 30, 2021 and restructuring charges of \$48.1 million for the three months ended September 30, 2020. The Company incurred restructuring charges of \$3.8 million and \$48.1 million for the nine months ended September 30, 2021 and 2020, respectively.

ADJUSTED NET INCOME & EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 24,498	\$ (26,178)	\$ 60,095	\$ (43,245)
Adjustments				
Impairment charges, net of tax ⁽¹⁾	—	—	—	32,970
Restructuring charges, net of tax ⁽²⁾	(2,075)	33,863	2,642	33,863
Total adjustments	(2,075)	33,863	2,642	66,833
Adjusted net income	\$ 22,423	\$ 7,685	\$ 62,737	\$ 23,588
Weighted-average common shares outstanding				
Basic	19,569	19,351	19,489	19,281
Diluted	20,240	19,730	20,259	19,833
Earnings (loss) per common share				
Basic	\$ 1.25	\$ (1.35)	\$ 3.08	\$ (2.24)
Diluted	\$ 1.21	\$ (1.35)	\$ 2.97	\$ (2.24)
Adjusted earnings per common share				
Basic	\$ 1.15	\$ 0.40	\$ 3.22	\$ 1.22
Diluted	\$ 1.11	\$ 0.39	\$ 3.10	\$ 1.19

¹ The Company incurred goodwill impairment charges of approximately \$33.0 million in the Europe and Asia Pacific operating segments for the nine months ended September 30, 2020.

² The Company incurred restructuring reversals of \$3.3 million for the three months ended September 30, 2021 and restructuring charges of \$48.1 million for the three months ended September 30, 2020. The Company incurred restructuring charges of \$3.8 million and \$48.1 million for the nine months ended September 30, 2021 and 2020, respectively.

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, impairment charges, restructuring charges, and other non-operating income or expense.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue before reimbursements (net revenue)	\$ 263,825	\$ 143,544	\$ 717,462	\$ 460,628
Net income (loss)	24,498	(26,178)	60,095	(43,245)
Interest, net	(90)	180	(207)	(160)
Other, net	(145)	(1,819)	(6,260)	(460)
Provision for income taxes	9,079	(10,416)	28,028	(202)
Operating income (loss)	33,342	(38,233)	81,656	(44,067)
Adjustments				
Stock-based compensation	2,846	3,195	8,311	6,641
Depreciation	1,774	2,129	5,311	6,194
Intangible amortization	751	183	1,752	585
Earnout accretion	182	—	363	—
Acquisition contingent compensation	475	462	1,398	1,482
Impairment charges	—	—	—	32,970
Restructuring charges	(3,262)	48,115	3,792	48,115
Total adjustments	2,766	54,084	20,927	95,987
Adjusted EBITDA	\$ 36,108	\$ 15,851	\$ 102,583	\$ 51,920
Adjusted EBITDA margin	13.7%	11.0%	14.3%	11.3%

HEIDRICK & STRUGGLES

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