



HEIDRICK & STRUGGLES

THIRD QUARTER 2019 RESULTS

OCTOBER 28, 2019

SAFE HARBOR STATEMENT

The 2019 third quarter 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, 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; 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 undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. 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, 2018, 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.

THIRD QUARTER 2019 CONSOLIDATED RESULTS

HIGHLIGHTS

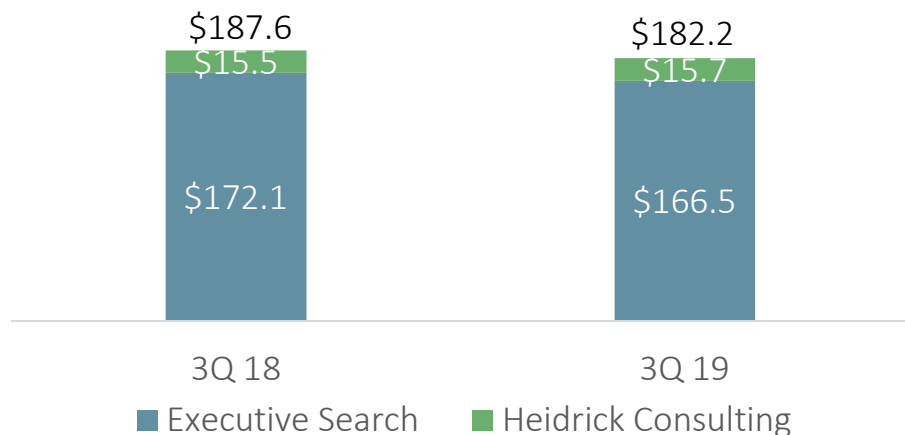
- Continue to keep pace with 2018's record revenue performance. 2019 nine-months performance is just 1% behind our record 2018 revenue achievement and we continue our journey in outstanding search productivity at \$1.8 million TTM per consultant.
- Sharp focus on business operations generated increases in 2019 nine-months operating income, operating margin, net income and earnings per share, all on an adjusted basis*.
- Adjusted operating income* in the 2019 third quarter was \$18.6 million, despite the lower revenue. Adjusted operating margin* was 10.2%.
- Adjusted net income* for the 2019 third quarter was \$13.7 million and adjusted earnings per share* was \$0.70. For the 2019 nine-month period, adjusted net income* rose to \$40.0 million compared to \$38.1 million last year. Adjusted EPS* for the nine-month period also increased to \$2.05 compared to \$1.96 last year.

* In 2019 third quarter the Company incurred \$4.1 million in restructuring charges.

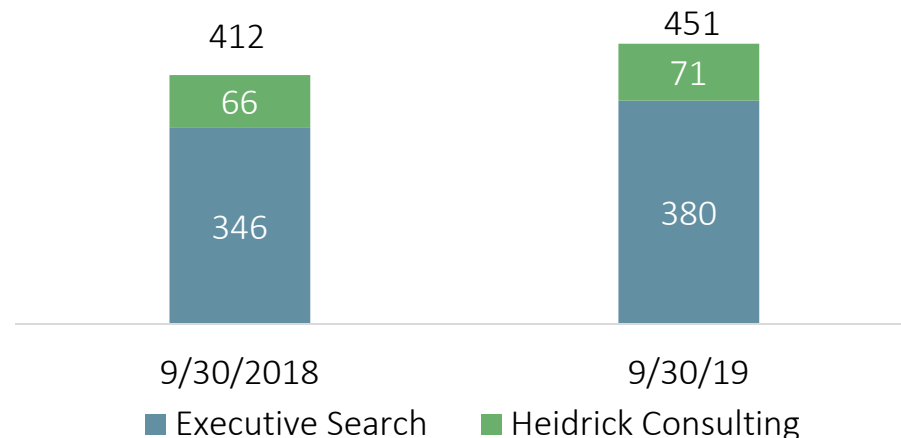
THIRD QUARTER 2019 FINANCIAL HIGHLIGHTS

\$ in millions except Diluted EPS and Headcount

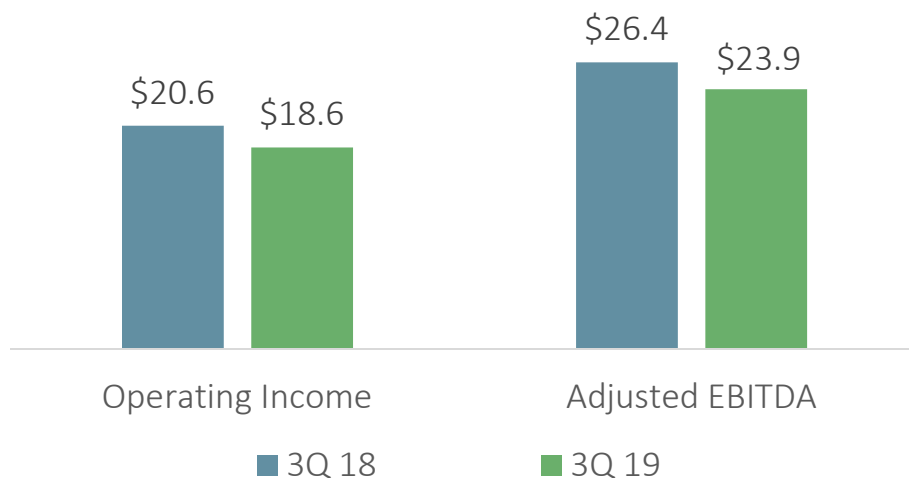
Net Revenue



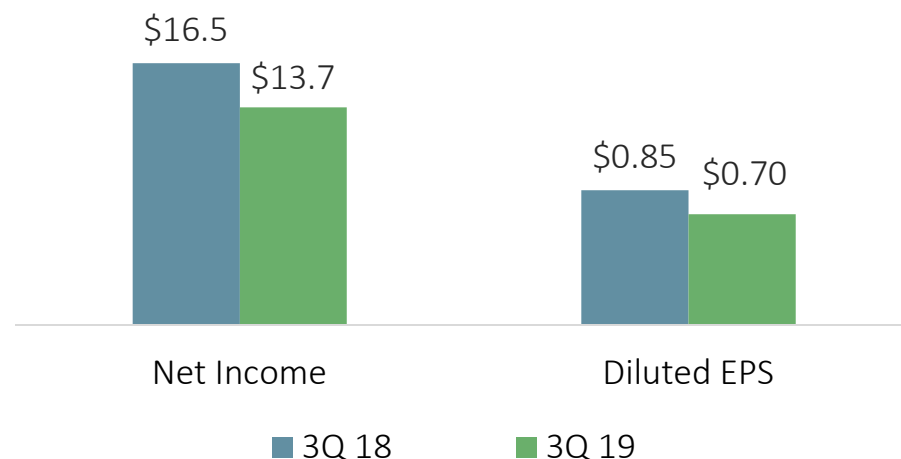
Consultant Headcount



Adjusted Profitability*



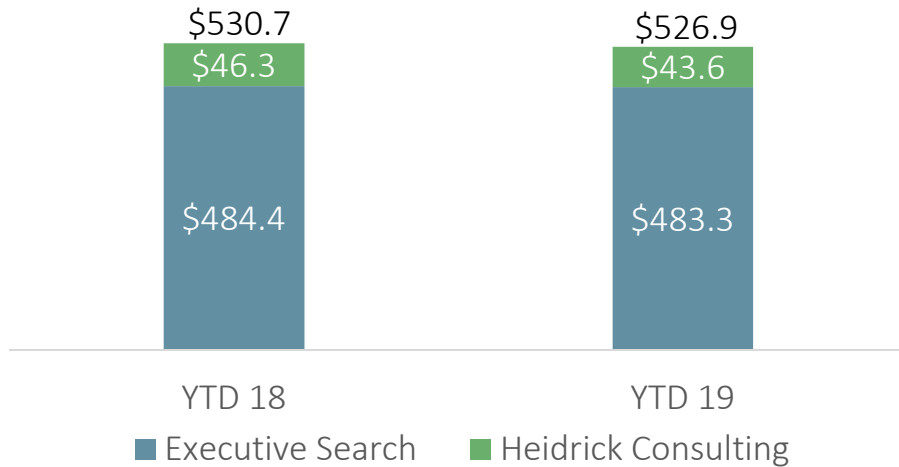
Adjusted Net Income & EPS*



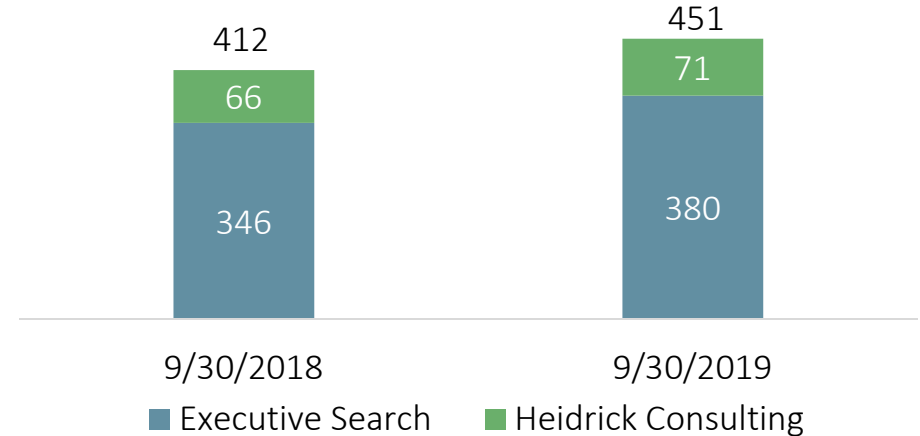
NINE-MONTHS 2019 FINANCIAL HIGHLIGHTS

\$ in millions except Diluted EPS and Headcount

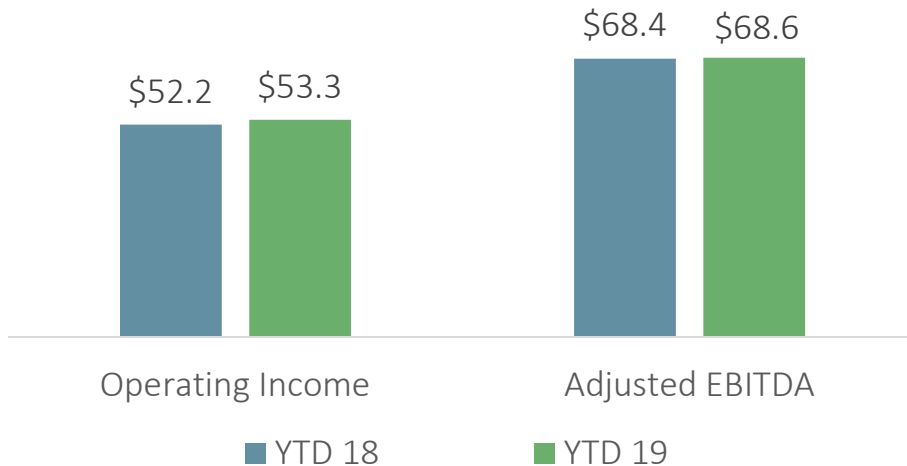
Net Revenue



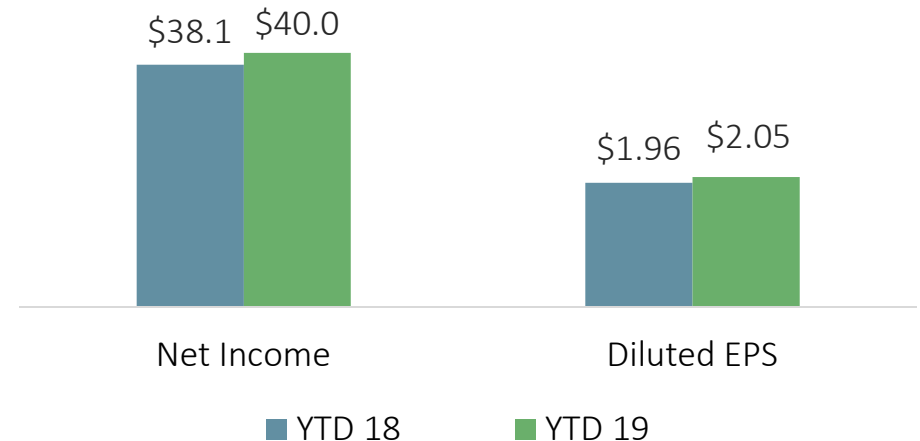
Consultant Headcount



Adjusted Profitability*

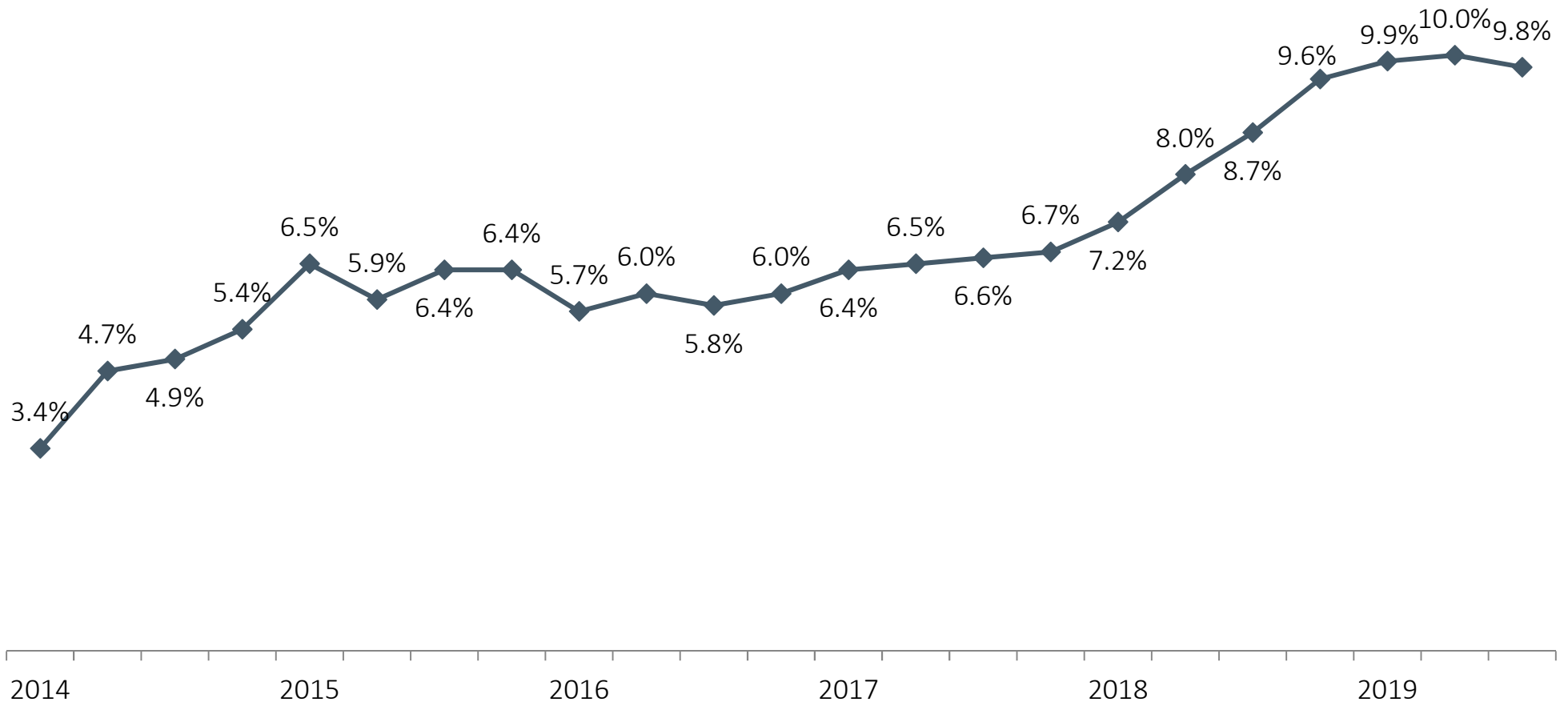


Adjusted Net Income & EPS*



MEANINGFUL OPERATING MARGIN EXPANSION

Trailing 12 months operating income / trailing 12 months consolidated net revenue

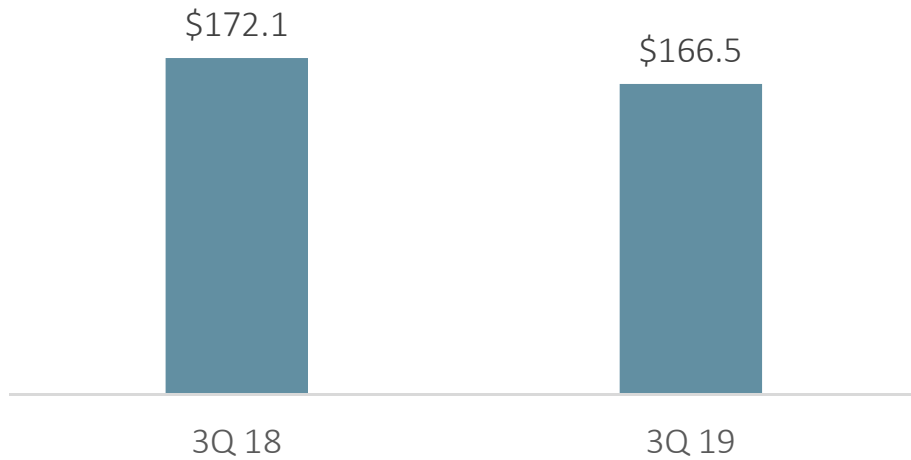


Operating margins were adjusted to exclude restructuring & impairment charges in 2011, 2012, 2017, 2018 AND 2019

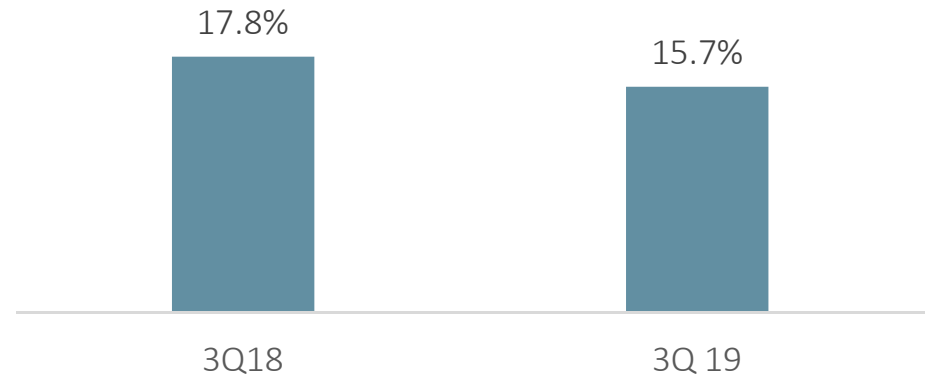
EXECUTIVE SEARCH – THIRD QUARTER 2019 FINANCIAL HIGHLIGHTS

\$ in millions

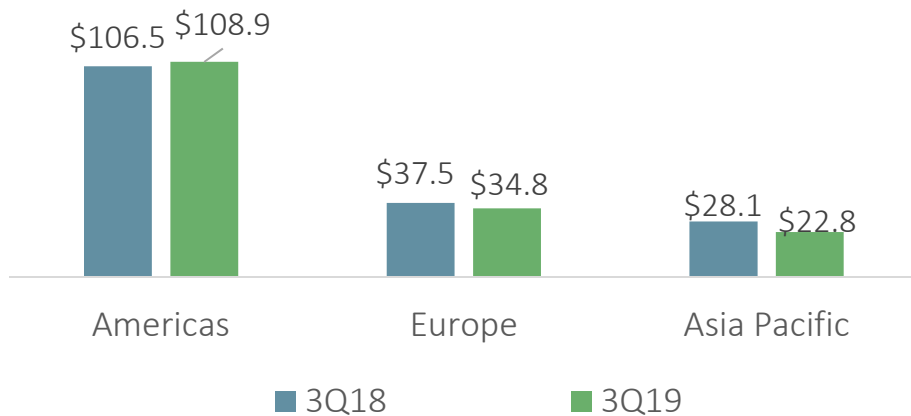
Net Revenue



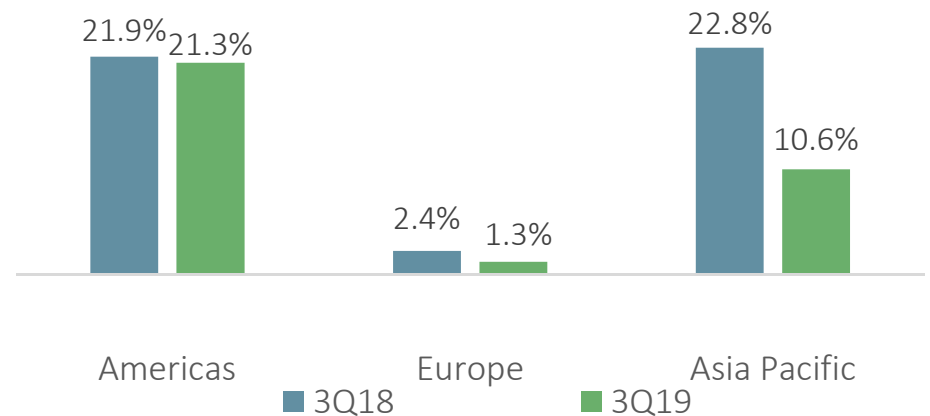
Operating Margin



Net Revenue by Region

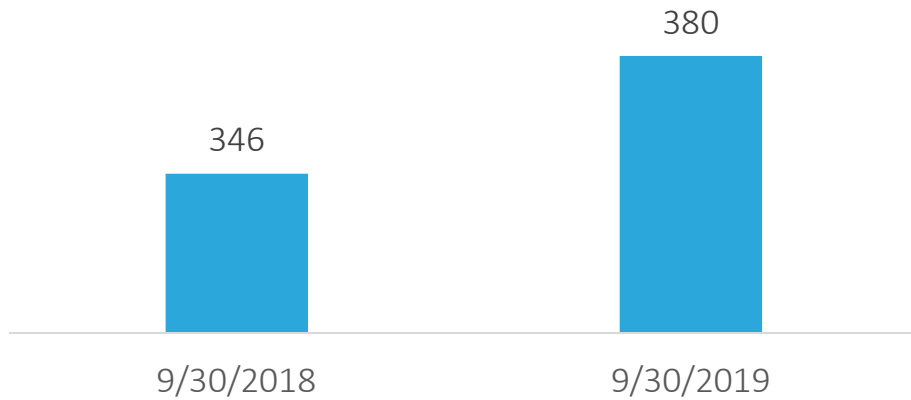


Operating Margin by Region

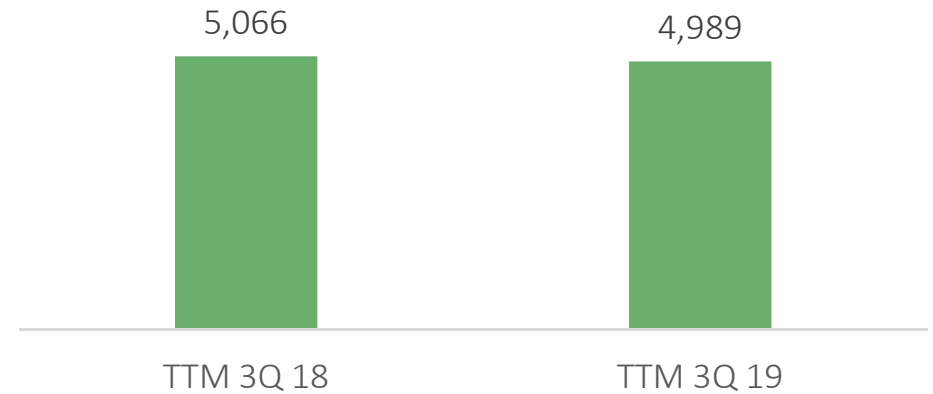


EXECUTIVE SEARCH OPERATIONAL HIGHLIGHTS

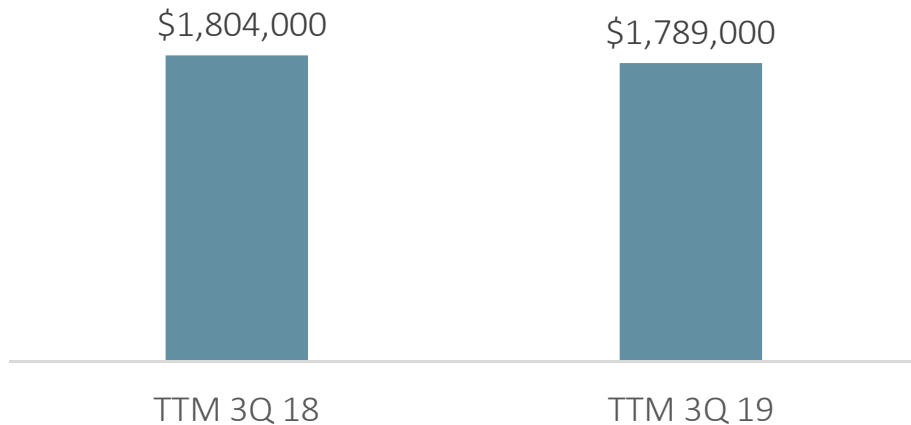
Consultant Headcount



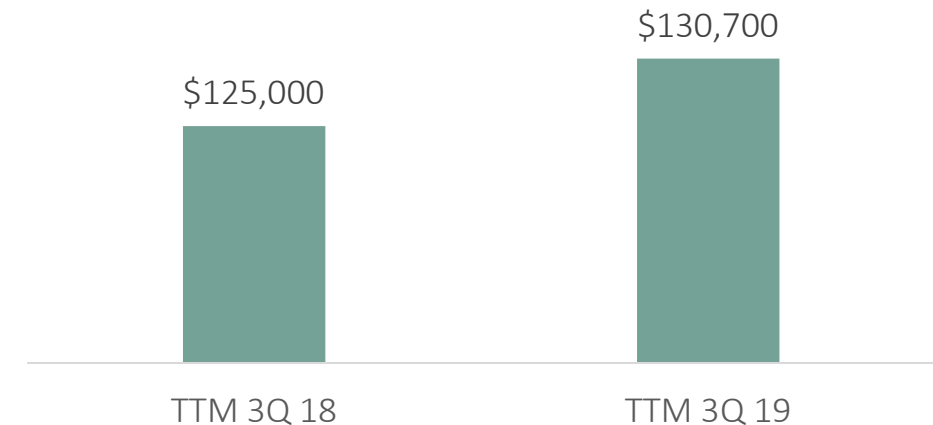
Executive Search Confirmations



Consultant Productivity

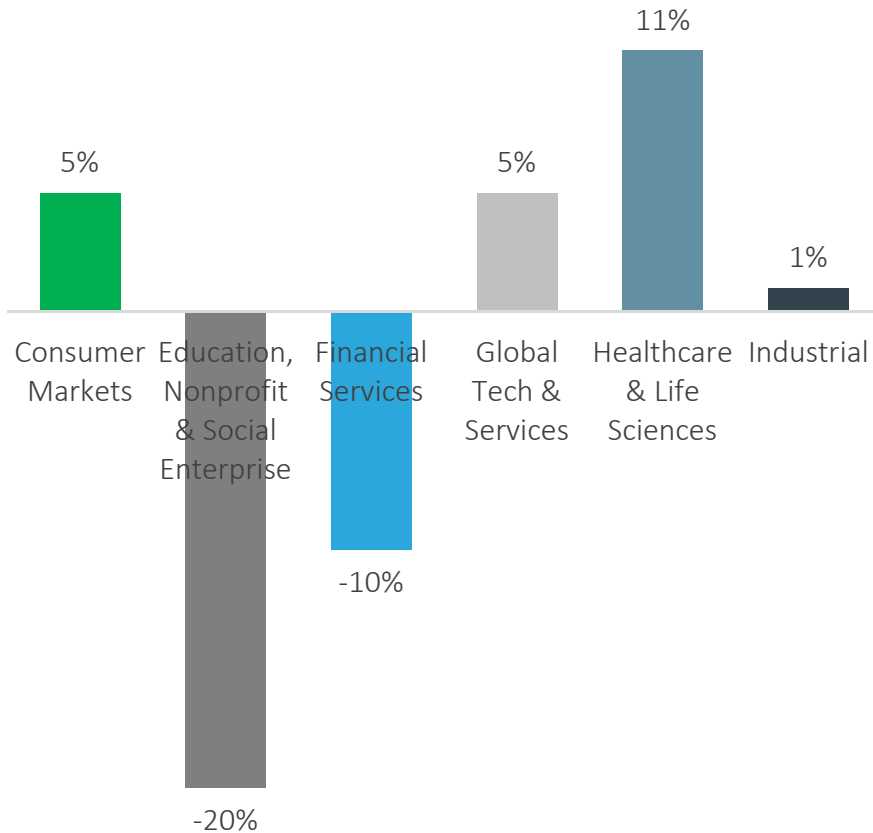


Average Revenue per Executive Search



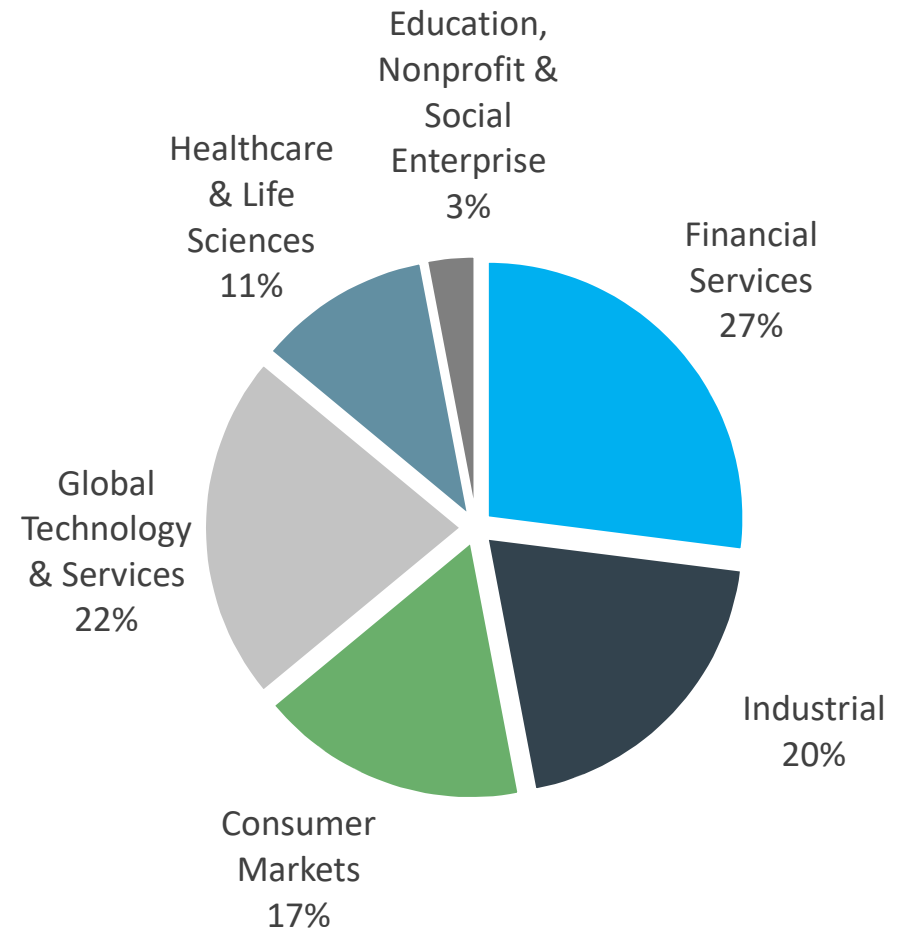
DIVERSIFIED MIX OF BUSINESS CONTRIBUTES TO GROWTH IN SEARCH

Year-to-date Growth in Industry Practice Billings



9 mos ending 9/30/19 vs. 9 mos ending 9/30/18

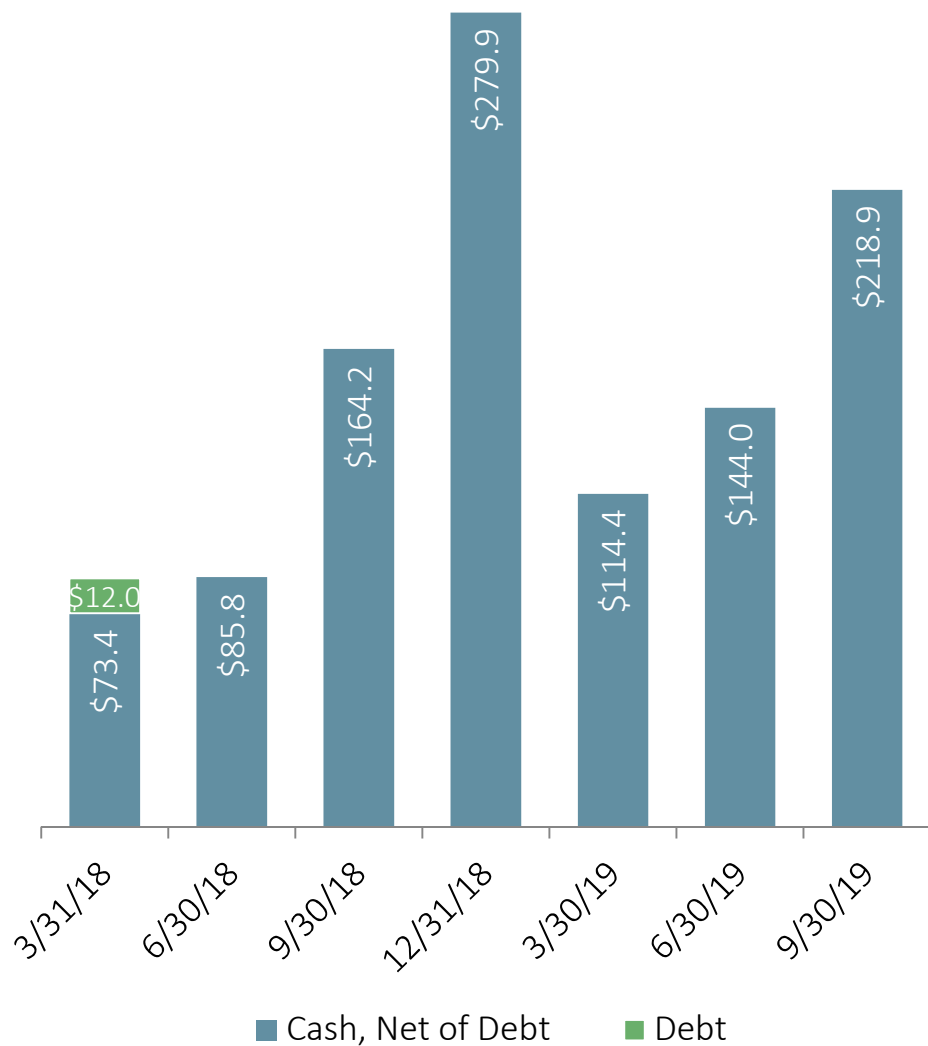
Diversified Mix of Industry Practice Billings



As a % of total practice billings in first 9 mos of 2019

STRONG & FLEXIBLE BALANCE SHEET

Cash & Marketable Securities (\$ in millions)



Cash Flow (\$ in millions)

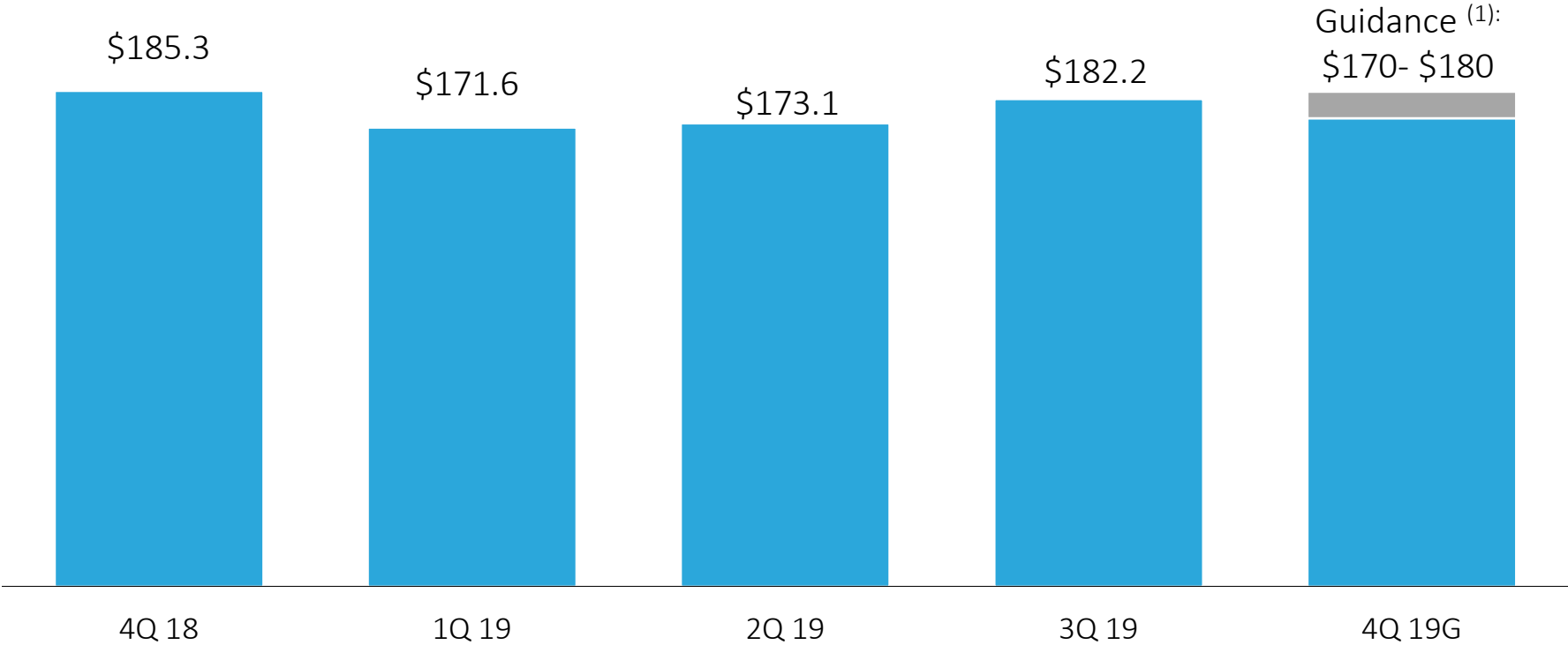
For the Quarter Ended:	Sept 30, 2019	Sept 30, 2018
Net cash provided by operating activities	\$86.5	\$84.2

For the Nine Months Ended:	Sept 30, 2019	Sept 30, 2018
Net cash used in operating activities	\$35.4	\$22.9

OUTLOOK AND INITIATIVES

GUIDANCE: 4Q 2019 NET REVENUE (EXCLUDES REIMBURSEMENTS)

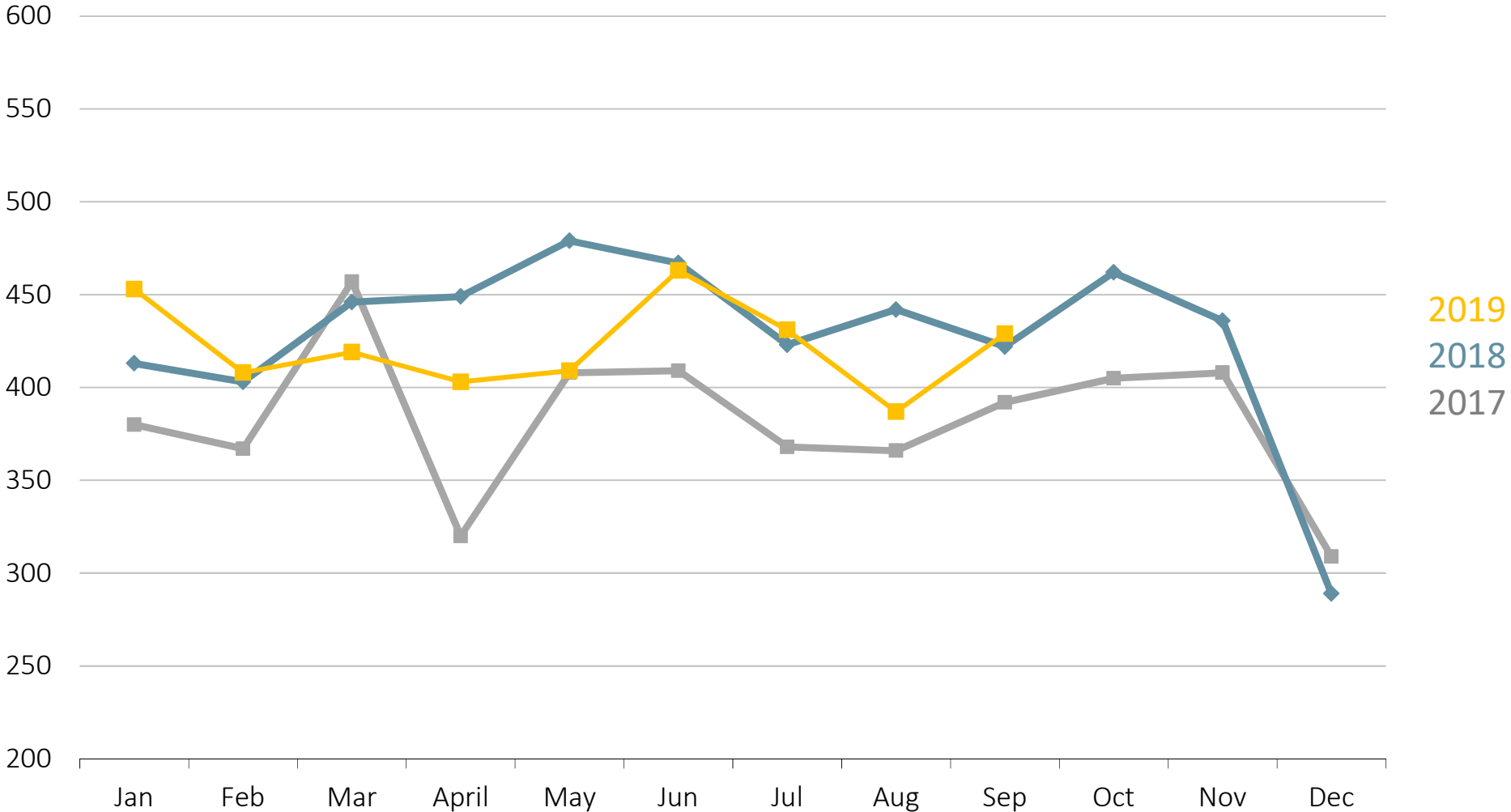
\$ in millions



⁽¹⁾This forecast is based on the average currency rates in September 2019 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.

WORLDWIDE MONTHLY SEARCH CONFIRMATION TRENDS

Executive Search Confirmations



KEY INITIATIVES IN 2019 SHOULD SUPPORT ADDITIONAL GROWTH

1

Grow scale and impact of both Search and Consulting

2

Collaborate across the enterprise: Search and Consulting

3

Deliver premium service experience to our clients
Implement the Heidrick Way

4

Continue cost containment initiatives

APPENDIX

ADJUSTED EBITDA MARGIN – THIRD QUARTER 2019

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue before reimbursements (net revenue)	\$ 182,174	\$ 187,588	\$ 526,890	\$ 530,718
Net income	9,947	16,469	36,314	38,100
Interest, net	(819)	(259)	(2,039)	(496)
Other, net	464	(2,345)	(1,887)	(1,849)
Provision for income taxes	4,880	6,718	16,828	16,410
Operating income	14,472	20,583	49,216	52,165
Adjustments				
Salaries and employee benefits				
Stock-based compensation expense	2,539	2,464	6,790	5,755
General and administrative expenses				
Depreciation	2,444	2,709	7,316	8,337
Intangible amortization	192	355	667	1,220
Earnout accretion	168	316	495	963
Restructuring charges	4,130	-	4,130	-
Total adjustments	9,473	5,844	19,398	16,275
Adjusted EBITDA	<u>\$ 23,945</u>	<u>\$ 26,427</u>	<u>\$ 68,614</u>	<u>\$ 68,440</u>
Adjusted EBITDA Margin	13.1%	14.1%	13.0%	12.9%

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue before reimbursements (net revenue)	\$ 182,174	\$ 187,588	\$ 526,890	\$ 530,718
Operating income	14,472	20,583	49,216	52,165
Adjustments				
Restructuring charges (1)	4,130	-	4,130	-
Total adjustments	4,130	-	4,130	-
Adjusted operating income	<u>\$ 18,602</u>	<u>\$ 20,583</u>	<u>\$ 53,346</u>	<u>\$ 52,165</u>
Operating income as a % of net revenue	7.9%	11.0%	9.3%	9.8%
Adjusted operating income as a % of net revenue	10.2%	11.0%	10.1%	9.8%

RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 9,947	\$ 16,469	\$ 36,314	\$ 38,100
Adjustments				
Restructuring charges, net of tax	3,717	-	3,717	-
Total adjustments	3,717	-	3,717	-
Adjusted net income	<u>\$ 13,664</u>	<u>\$ 16,469</u>	<u>\$ 40,031</u>	<u>\$ 38,100</u>
Basic weighted average common shares outstanding	19,127	18,954	19,084	18,905
Diluted weighted average common shares outstanding	19,428	19,401	19,518	19,444
Basic net income per common share	\$ 0.52	\$ 0.87	\$ 1.90	\$ 2.02
Diluted net income per common share	\$ 0.51	\$ 0.85	\$ 1.86	\$ 1.96
Adjusted basic net income per common share	\$ 0.71	\$ 0.87	\$ 2.10	\$ 2.02
Adjusted diluted net income per common share	\$ 0.70	\$ 0.85	\$ 2.05	\$ 1.96

Explanation of Non-GAAP adjustments

(1) In 2019, the Company incurred approximately \$4.1 million in restructuring charges related to the closing of the Company's legacy Brazil operations due to the acquisition of 2GET. The restructuring charges consist primarily of employee-related costs for the Company's existing Brazil operations.

HEIDRICK & STRUGGLES

Suzanne Rosenberg, VP Investor Relations

srosenberg@heidrick.com

212-551-0554
