

HEIDRICK & STRUGGLES

SECOND QUARTER 2021 RESULTS

July 26, 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, Item 1A or this report. 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.

* Amounts may not foot due to rounding.

SECOND QUARTER 2021 CONSOLIDATED RESULTS

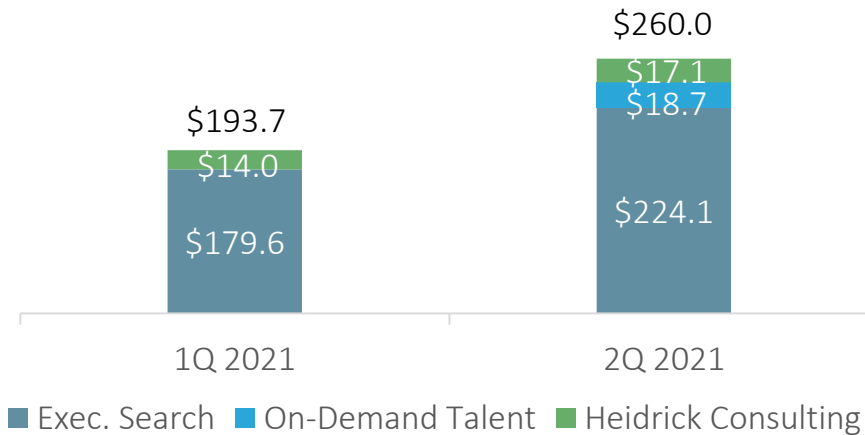
2021 SECOND QUARTER HIGHLIGHTS

- Record net revenue (revenue before reimbursements) of \$260.0 million increased \$114.4 million, or 78.6%, from the 2020 second quarter and increased \$66.3 million, or 34.2%, from the 2021 first quarter.
- Operating income, before adjustments, of \$28.7 million includes an anticipated restructuring charge of \$3.2 million. Adjusted operating income, before restructuring, of \$31.9 million more than tripled from last year's second quarter and adjusted operating margin of 12.3% increased 610 basis points.
- Net income of \$20.8 million and diluted earnings per share of \$1.03 includes an anticipated restructuring charge.
- Adjusted net income of \$22.9 million and adjusted diluted earnings per share of \$1.14 more than tripled from the 2020 second quarter.
- General and administrative expenses improved to 10.5% of revenue compared to 21.2% of revenue from last year's second quarter, an improvement of \$3.5 million.
- Adjusted EBITDA of \$37.6 million more than doubled from the 2020 second quarter and adjusted EBITDA margin increased 590 basis points to 14.4%.
- The Company established a newly branded reporting segment – On-Demand Talent – to reflect the acquisition of Business Talent Group ("BTG") and entry into this high growth segment of the market.
- 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.

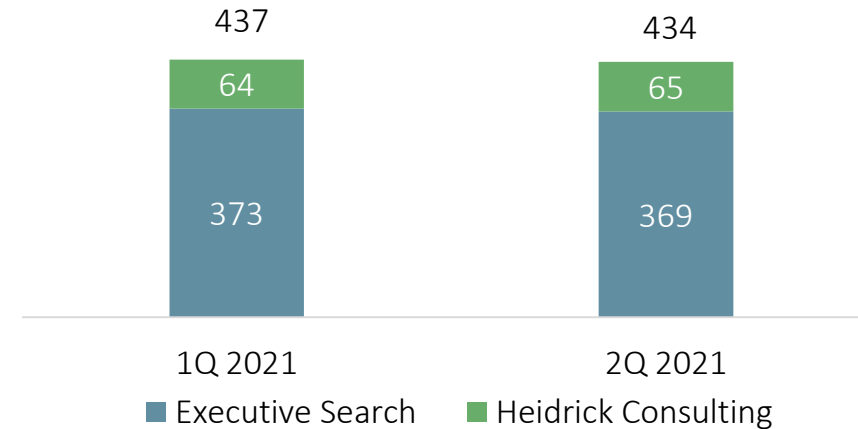
SECOND QUARTER 2021 FINANCIAL HIGHLIGHTS (SEQUENTIAL COMPARISON)

\$ in millions except Diluted EPS

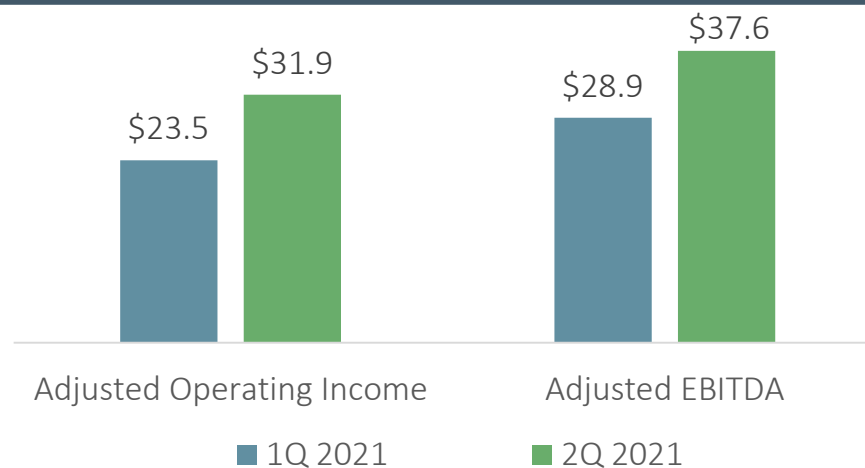
Consolidated Net Revenue



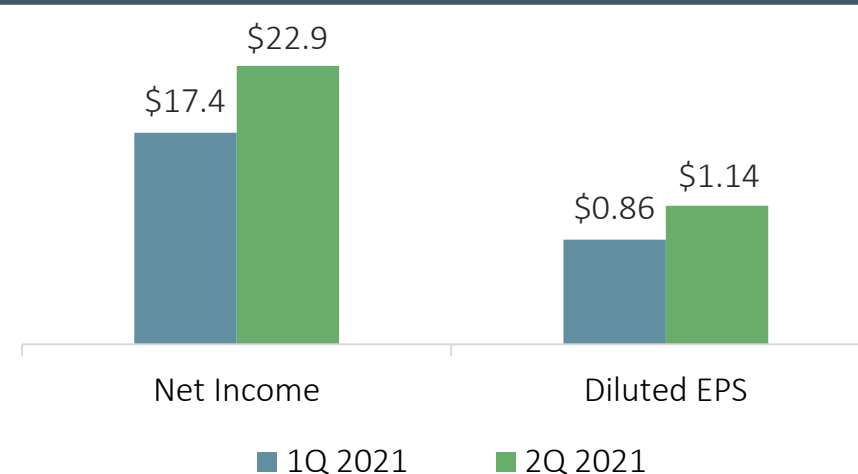
Consultant Headcount



Adjusted Profitability*



Adjusted Net Income & EPS*

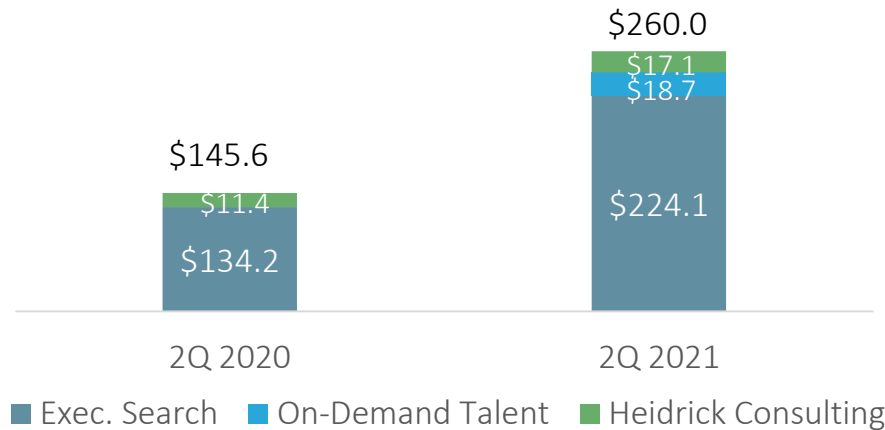


* Refer to appendix for a reconciliation of non-GAAP measures.

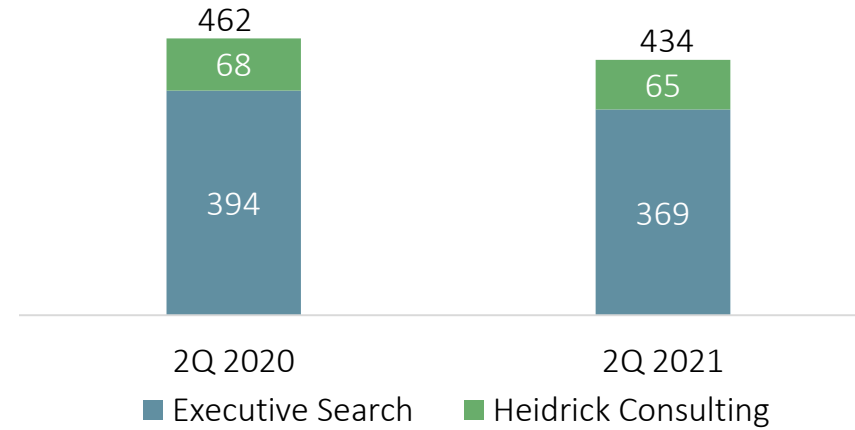
SECOND QUARTER 2021 FINANCIAL HIGHLIGHTS (YEAR-OVER-YEAR COMPARISON)

\$ in millions except Diluted EPS

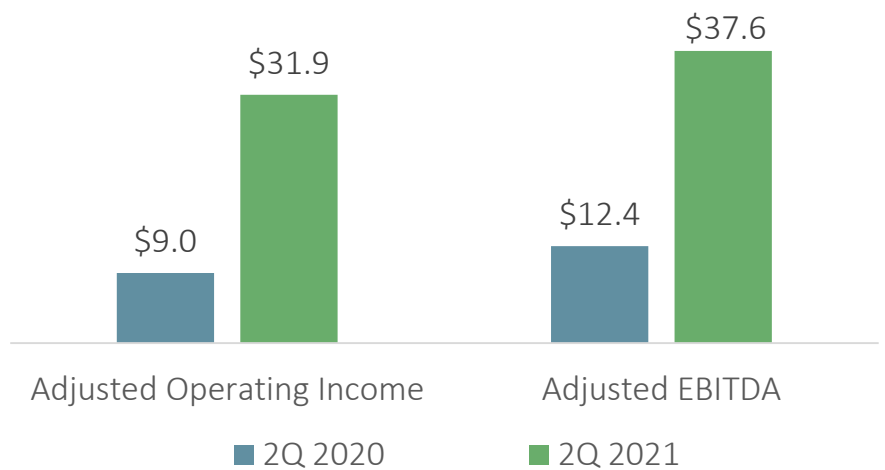
Consolidated Net Revenue



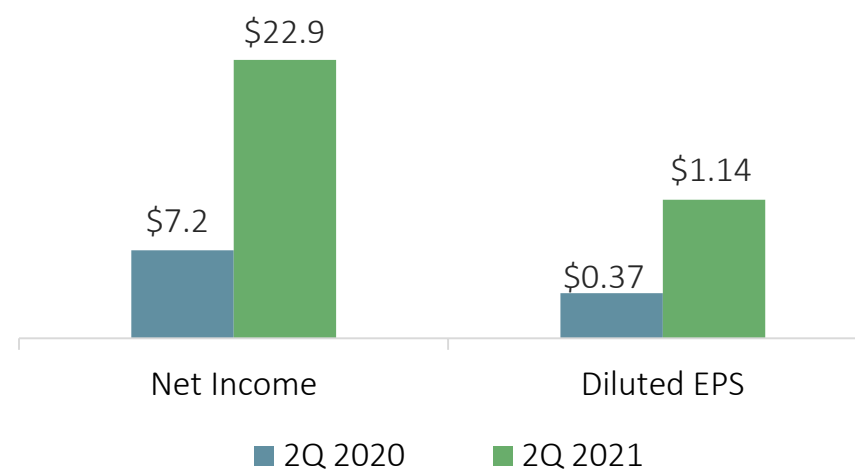
Consultant Headcount



Adjusted Profitability*

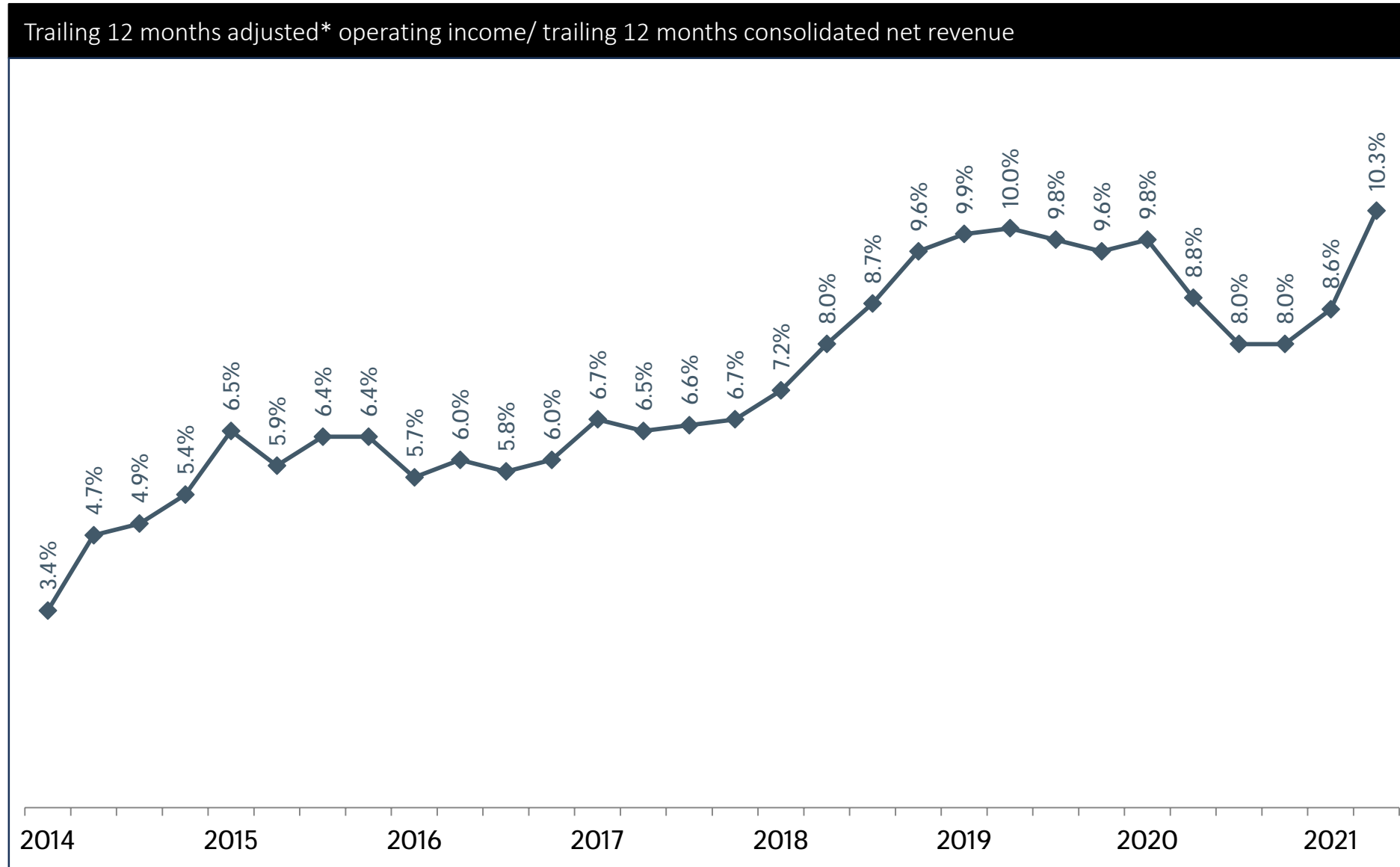


Adjusted Net Income & EPS*



* Refer to appendix for a reconciliation of non-GAAP measures.

TRAILING 12-MONTH CONSOLIDATED OPERATING MARGIN*

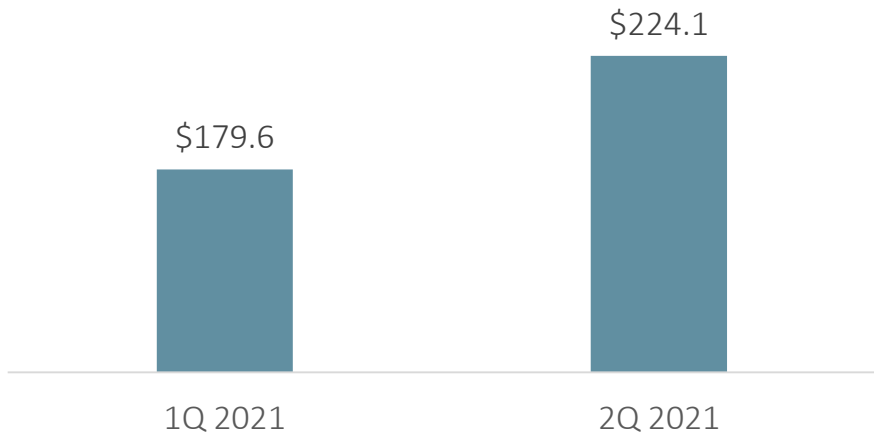


* Operating margins adjusted to exclude restructuring & impairment charges

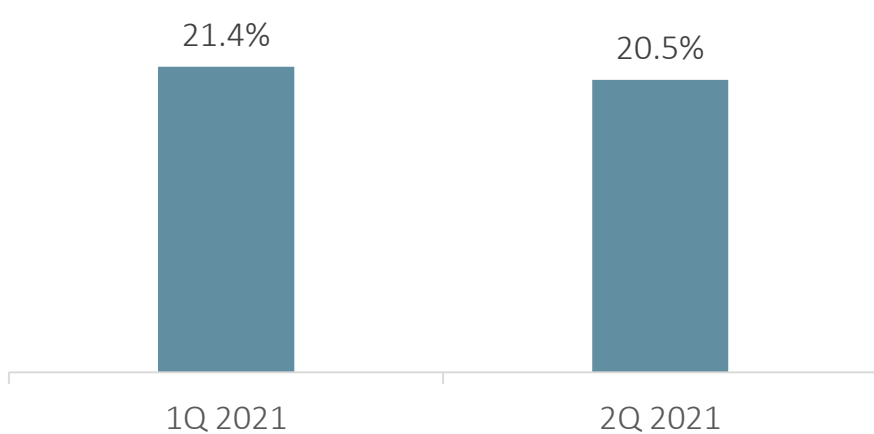
EXECUTIVE SEARCH – 2Q 2021 FINANCIAL HIGHLIGHTS (SEQUENTIAL COMPARISON)

\$ in millions

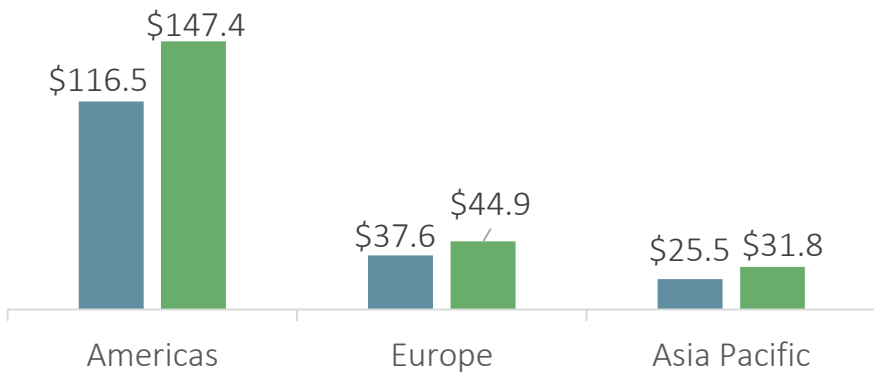
Net Revenue



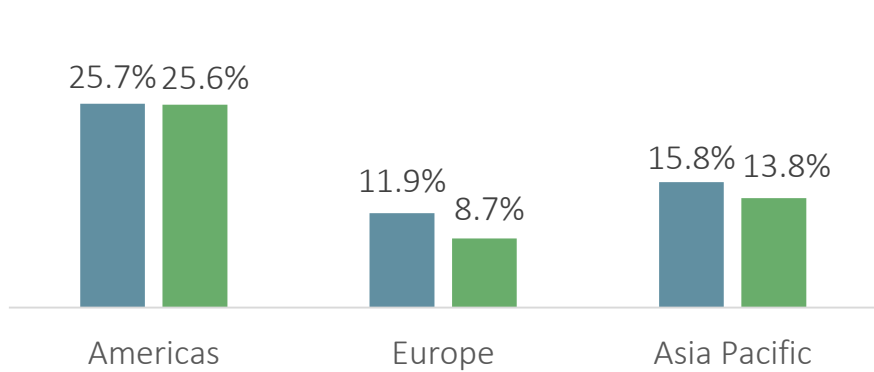
Adjusted Operating Margin*



Net Revenue by Region



Adjusted Operating Margin by Region*



■ 1Q 2021 ■ 2Q 2021

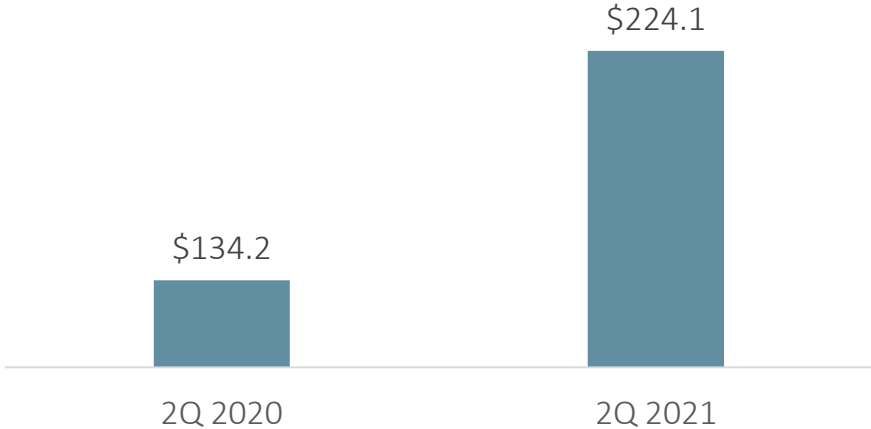
■ 1Q 2021 ■ 2Q 2021

* Refer to appendix for a reconciliation of non-GAAP measures.

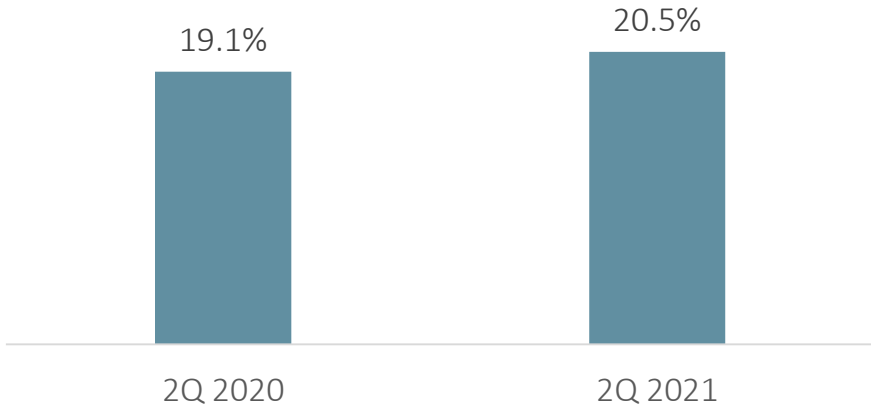
EXECUTIVE SEARCH – 2Q 2021 FINANCIAL HIGHLIGHTS (YEAR-OVER-YEAR COMPARISON)

\$ in millions

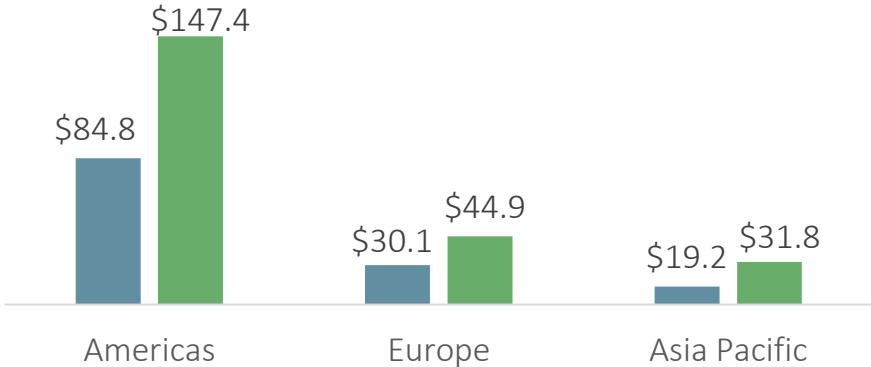
Net Revenue



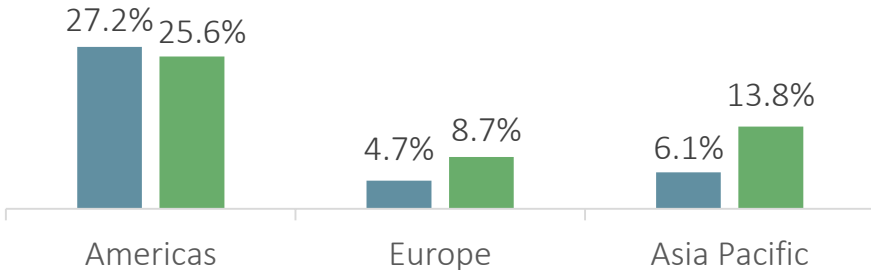
Adjusted Operating Margin*



Net Revenue by Region



Adjusted Operating Margin by Region*



■ 2Q 2020 ■ 2Q 2021

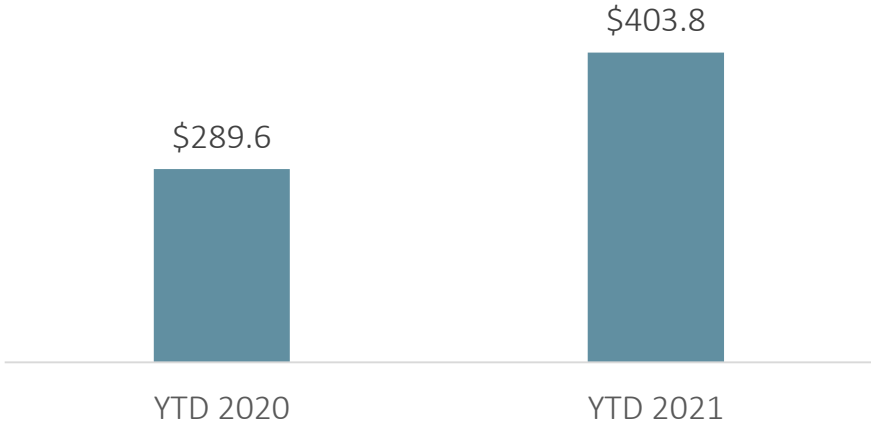
■ 2Q 2020 ■ 2Q 2021

* Refer to appendix for a reconciliation of non-GAAP measures.

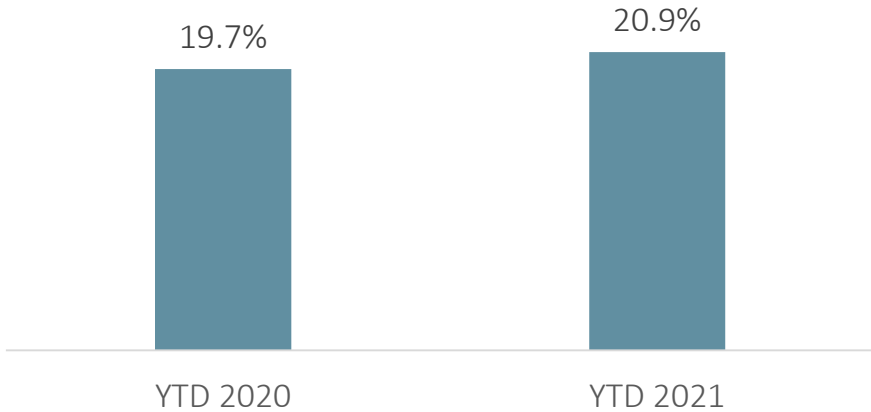
EXECUTIVE SEARCH – YTD 2021 FINANCIAL HIGHLIGHTS (YEAR-OVER-YEAR COMPARISON)

\$ in millions

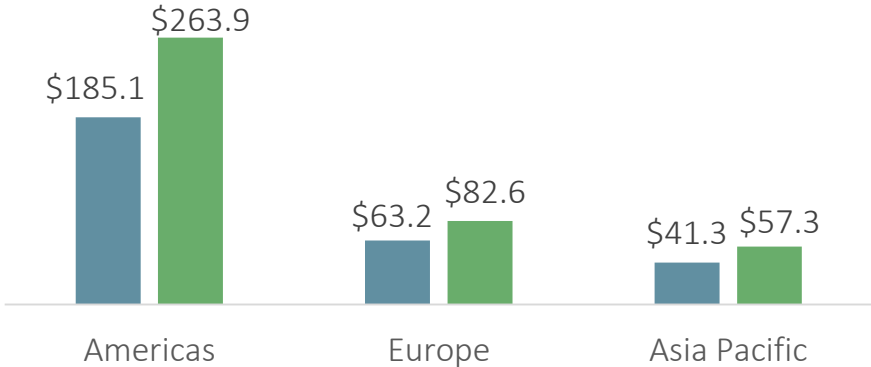
Net Revenue



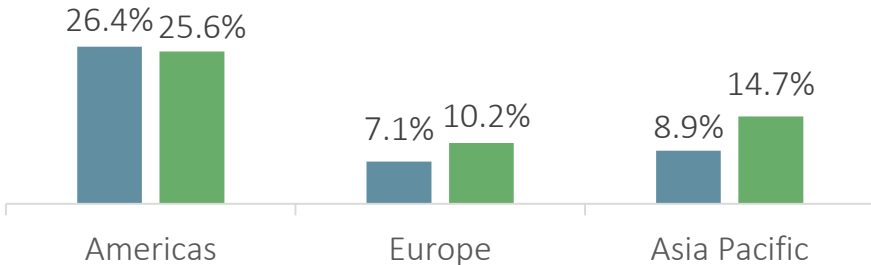
Adjusted Operating Margin*



Net Revenue by Region



Adjusted Operating Margin by Region*

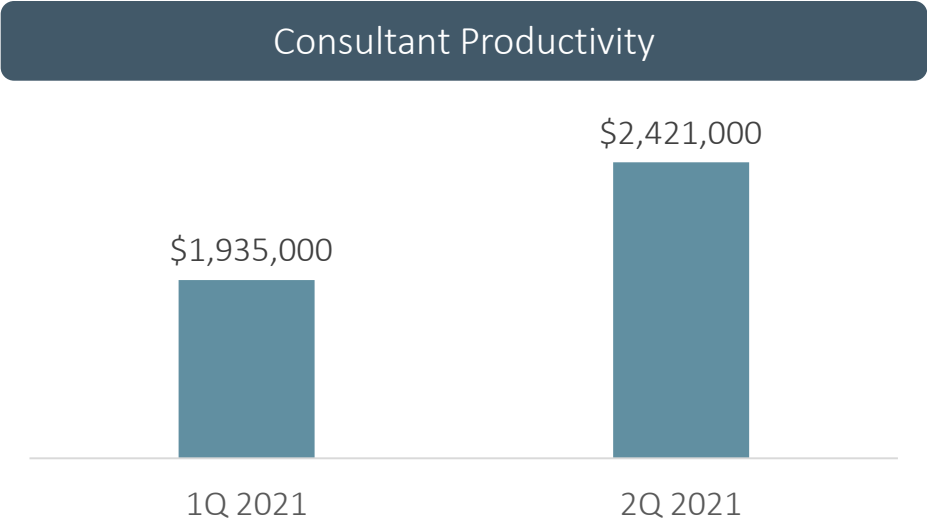
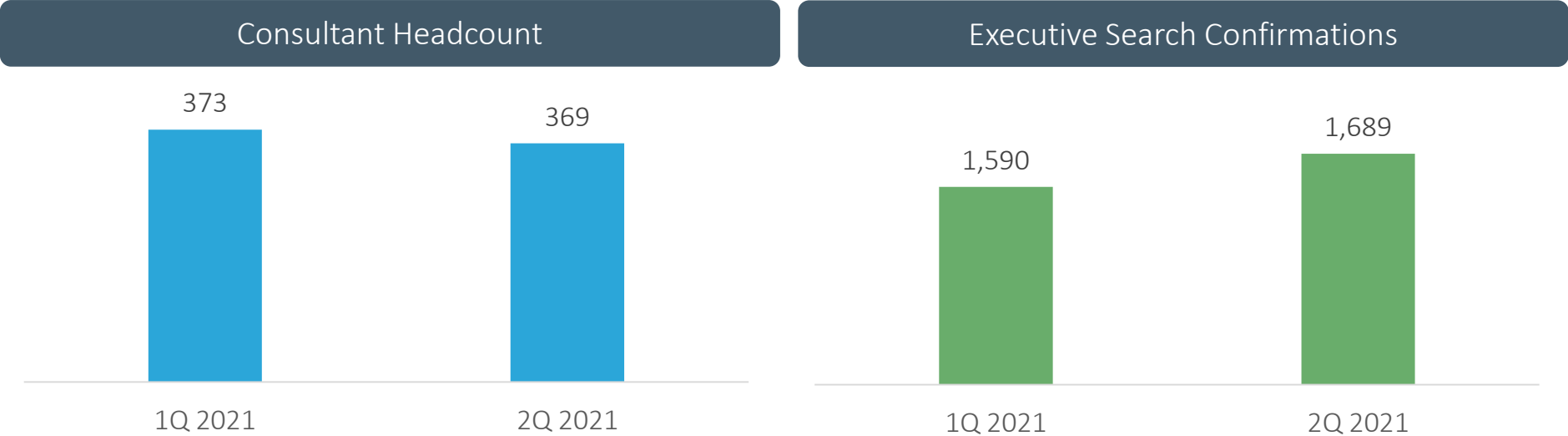


■ YTD 2020 ■ YTD 2021

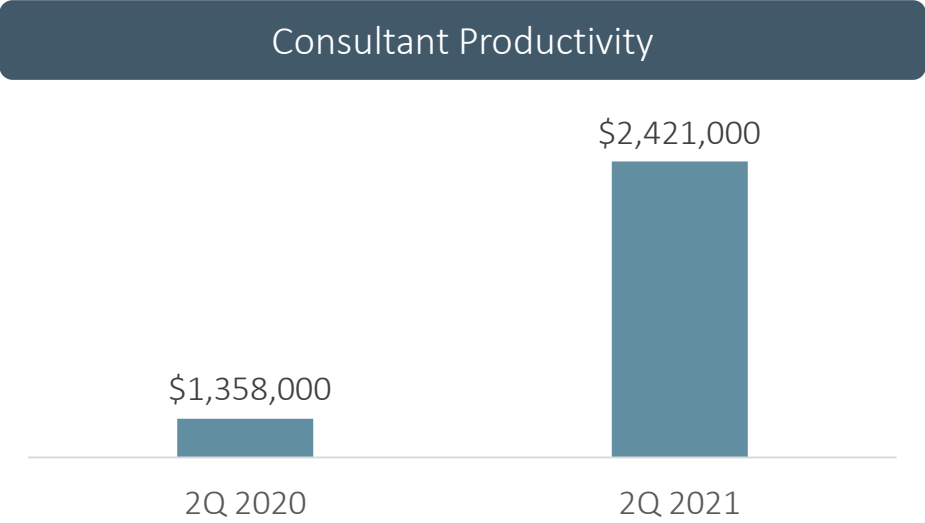
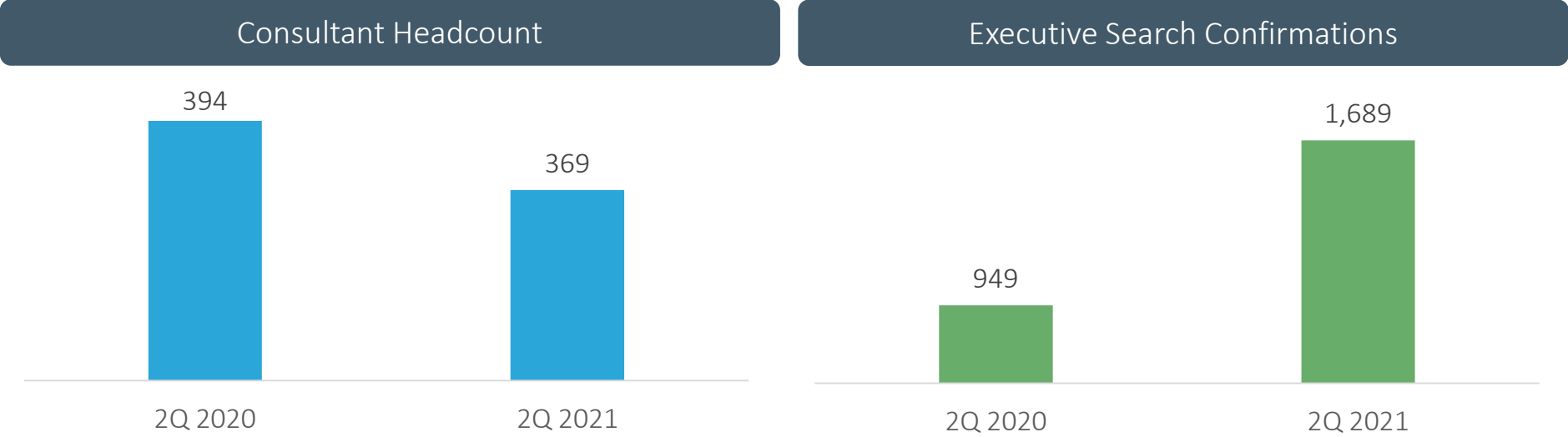
■ YTD 2020 ■ YTD 2021

* Refer to appendix for a reconciliation of non-GAAP measures.

EXECUTIVE SEARCH OPERATIONAL HIGHLIGHTS (SEQUENTIAL COMPARISON)

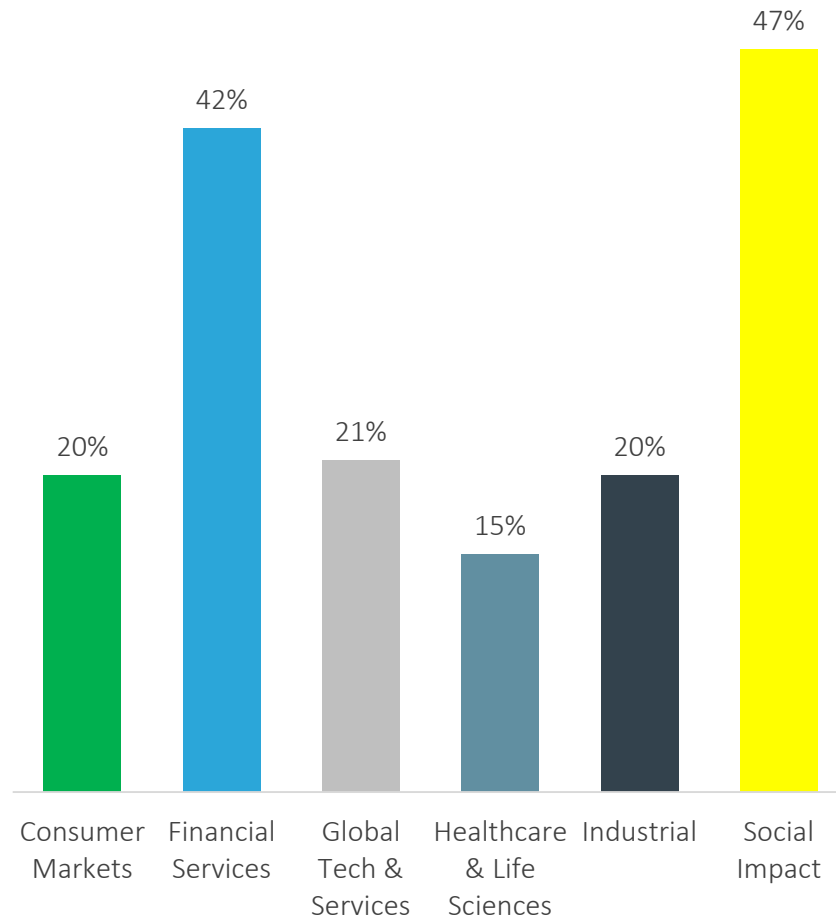


EXECUTIVE SEARCH OPERATIONAL HIGHLIGHTS (YEAR-OVER-YEAR COMPARISON)



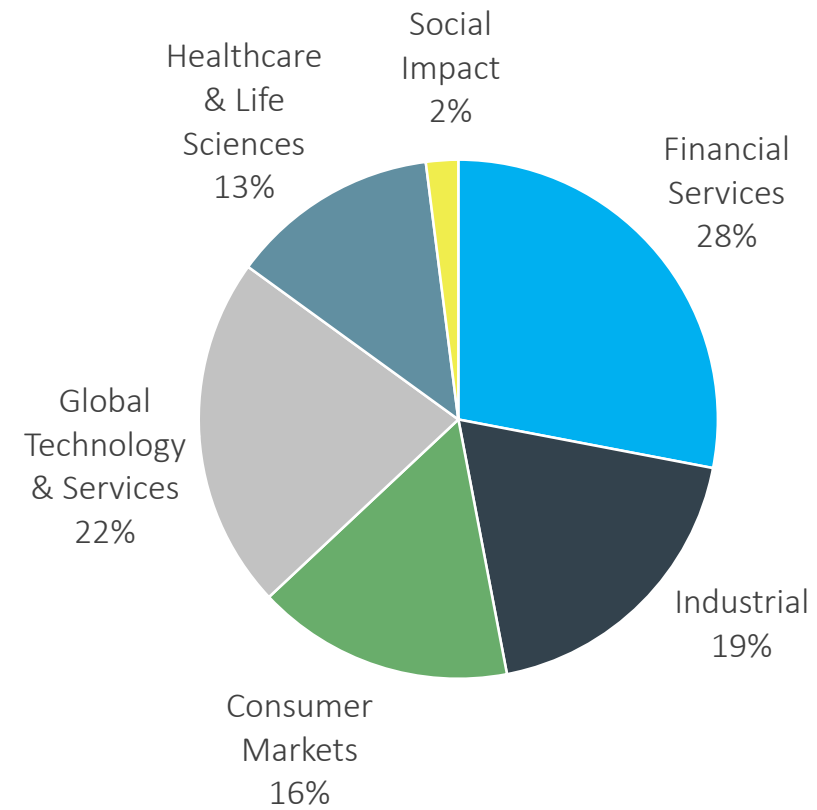
DIVERSIFIED MIX OF BUSINESS IN SEARCH (SEQUENTIAL COMPARISON)

Sequential Comparison of Industry Practice Billings



2Q 2021 vs. 1Q 2021

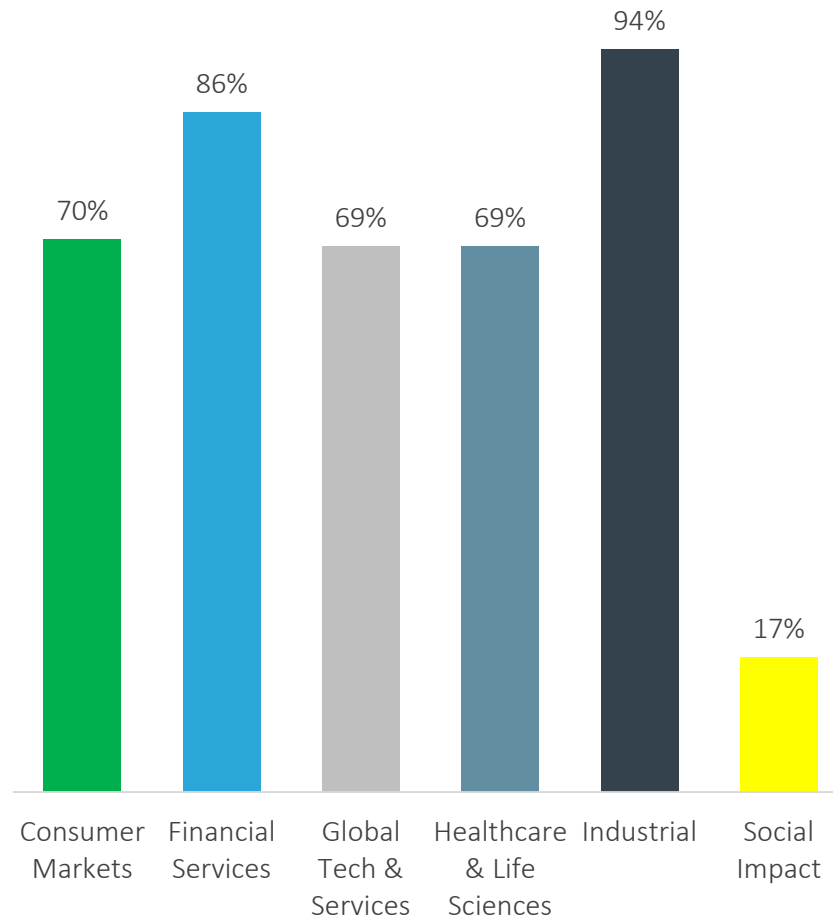
Diversified Mix of Industry Practice Billings



As a % of total practice billings in 2Q 2021

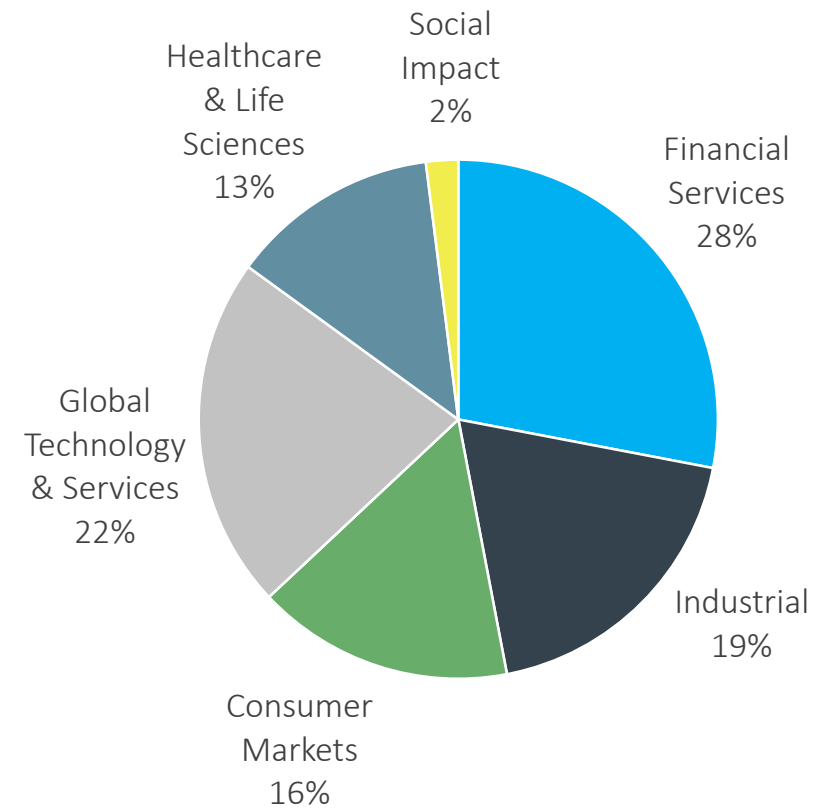
DIVERSIFIED MIX OF BUSINESS IN SEARCH (YEAR-OVER-YEAR COMPARISON)

Year-Over-Year Comparison of Industry Practice Billings



2Q 2021 vs. 2Q 2020

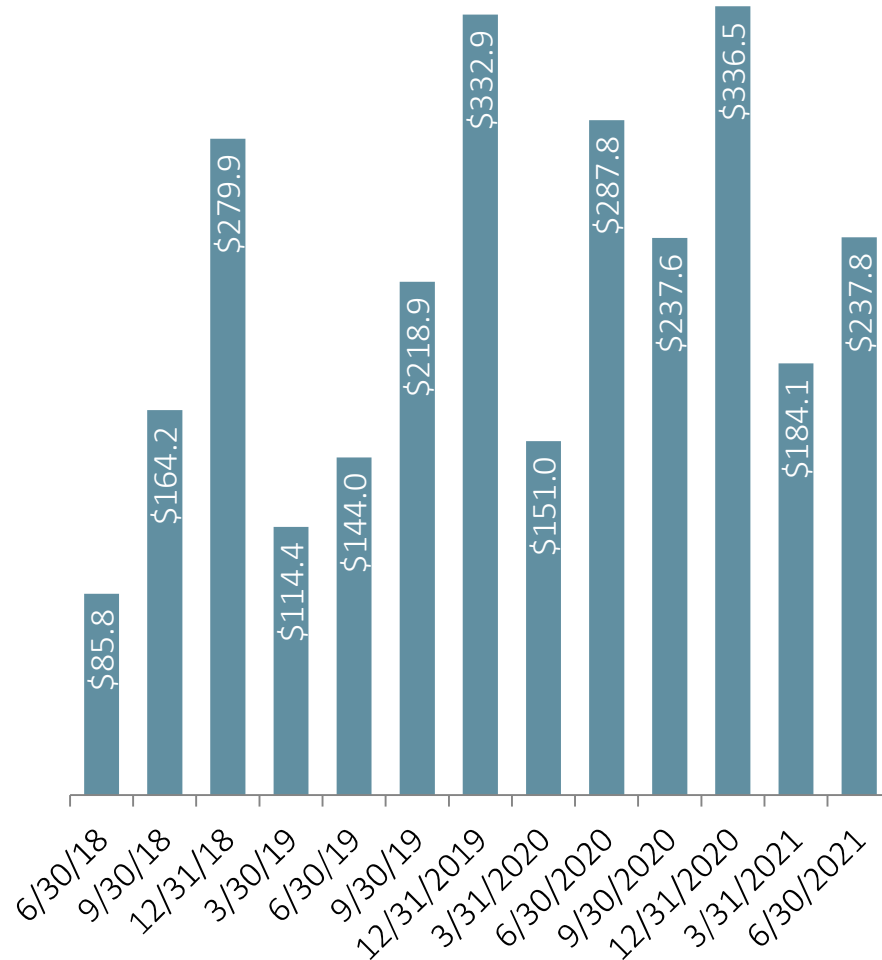
Diversified Mix of Industry Practice Billings



As a % of total practice billings in 2Q 2021

STRONG & FLEXIBLE BALANCE SHEET

Cash & Marketable Securities, Net of Debt (\$ in millions)



Cash Flow (\$ in millions)

For the Quarter Ended:	June 30, 2021	June 30, 2020
Net cash provided by operating activities	\$90.3	\$40.8
For the Six Months Ended:	June 30, 2021	June 30, 2020
Net cash used in operating activities	\$52.6	\$124.8

- 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

2021 GROWTH 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

Highly Complementary BTG Acquisition Establishes Heidrick as a Market Leader in the Growing On-Demand Executive and Project-Based Talent Space

Advances long-term growth strategy to expand leadership solutions and address new client imperatives, while diversifying Heidrick into attractive adjacencies:

- BTG is a pioneer in the high-end independent talent marketplace, providing **independent talent on demand**
- Heidrick becomes the first global leadership advisory firm to offer the **full spectrum of executive and high-end talent solutions**:
 - On-demand, independent professionals
 - Interim executives
 - Permanent placements
 - Consulting services
- **Highly complementary with expanding suite** of executive talent solutions to address new and ongoing client demands, bringing cross-selling opportunities
- Heidrick serves as a **significant growth engine** for BTG's business
- Acquisition completed April 2021 following highly successful two-year collaboration. BTG will continue to be led by Co-Founders and Co-CEOs, and operate as a wholly owned subsidiary.

ADJUSTED OPERATING INCOME BY SEGMENT

Three Months Ended June 30, 2021								
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Global Operations Support	Total
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)%	(4.1)%	11.0 %
Adjusted operating margin	25.6 %	8.7 %	13.8 %	20.5 %	0.8 %	(19.4)%	(4.2)%	12.3 %

Three Months Ended June 30, 2020								
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Global Operations Support	Total
Revenue before reimbursements (net revenue)	\$ 84,840	\$ 30,124	\$ 19,190	\$ 134,154	\$ —	\$ 11,449	\$ —	\$ 145,603
Operating income (loss)	\$ 23,102	\$ (23,067)	\$ (7,329)	\$ (7,294)	\$ —	\$ (8,321)	\$ (8,371)	\$ (23,986)
Adjustments								
Impairment charges	\$ —	\$ 24,475	\$ 8,495	\$ 32,970	\$ —	\$ —	\$ —	\$ 32,970
Total adjustments	\$ —	\$ 24,475	\$ 8,495	\$ 32,970	\$ —	\$ —	\$ —	\$ 32,970
Adjusted operating income (loss)	\$ 23,102	\$ 1,408	\$ 1,166	\$ 25,676	\$ —	\$ (8,321)	\$ (8,371)	\$ 8,984
Operating margin	27.2 %	(76.6)%	(38.2)%	(5.4)%	— %	(72.7)%	(5.7)%	(16.5)%
Adjusted operating margin	27.2 %	4.7 %	6.1 %	19.1 %	— %	(72.7)%	(5.7)%	6.2 %

ADJUSTED OPERATING INCOME BY SEGMENT

Six Months Ended June 30, 2021								
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Global Operations Support	Total
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>\$ (21,515)</u>	<u>\$ 55,368</u>
Operating margin	23.1 %	10.3 %	14.9 %	19.3 %	0.8 %	(26.8)%	(4.7)%	10.7 %
Adjusted operating margin	25.6 %	10.2 %	14.7 %	20.9 %	0.8 %	(24.7)%	(4.7)%	12.2 %

Six Months Ended June 30, 2020								
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Global Operations Support	Total
Revenue before reimbursements (net revenue)	\$ 185,141	\$ 63,206	\$ 41,260	\$ 289,607	\$ —	\$ 27,477	\$ —	\$ 317,084
Operating income (loss)	\$ 48,834	\$ (20,018)	\$ (4,827)	\$ 23,989	\$ —	\$ (12,413)	\$ (17,410)	\$ (5,834)
Adjustments								
Impairment charges	\$ —	\$ 24,475	\$ 8,495	\$ —	\$ —	\$ —	\$ —	\$ 32,970
Total adjustments	\$ —	\$ 24,475	\$ 8,495	\$ —	\$ —	\$ —	\$ —	\$ 32,970
Adjusted operating income (loss)	<u>\$ 48,834</u>	<u>\$ 4,457</u>	<u>\$ 3,668</u>	<u>\$ 56,959</u>	<u>\$ —</u>	<u>\$ (12,413)</u>	<u>\$ (17,410)</u>	<u>\$ 27,136</u>
Operating margin	26.4 %	(31.7)%	(11.7)%	8.3 %	— %	(45.2)%	(5.5)%	(1.8)%
Adjusted operating margin	26.4 %	7.1 %	8.9 %	19.7 %	— %	(45.2)%	(5.5)%	8.6 %

ADJUSTED OPERATING INCOME

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue before reimbursements (net revenue)	\$ 259,981	\$ 145,603	\$ 453,637	\$ 317,084
Operating income (loss)	28,706	(23,986)	48,314	(5,834)
Adjustments				
Impairment charges ¹	—	32,970	—	32,970
Restructuring charges ²	3,193	—	7,054	—
Total adjustments	3,193	32,970	7,054	32,970
Adjusted operating income	<u>\$ 31,899</u>	<u>\$ 8,984</u>	<u>\$ 55,368</u>	<u>\$ 27,136</u>
Operating margin	11.0 %	(16.5)%	10.7 %	(1.8)%
Adjusted operating margin	12.3 %	6.2 %	12.2 %	8.6 %

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

² The Company incurred restructuring charges of approximately \$3.2 million and \$7.1 million across all operating segments for the three and six months ended June 30, 2021, respectively.

ADJUSTED NET INCOME & DILUTED EPS

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

	Three Months Ended June 30,		Six Months June 30,	
	2021	2020	2021	2021
Net income (loss)	\$ 20,765	\$ (25,733)	\$ 35,597	\$ (17,067)
Adjustments				
Impairment charges, net of tax ¹	—	32,970	—	32,970
Restructuring charges, net of tax ²	2,142	—	4,717	—
Total adjustments	2,142	32,970	4,717	32,970
Adjusted net income	<u>\$ 22,907</u>	<u>\$ 7,237</u>	<u>\$ 40,314</u>	<u>\$ 15,903</u>
Weighted-average common shares outstanding				
Basic	19,510	19,298	19,449	19,245
Diluted	20,115	19,558	20,197	19,722
Earnings (loss) per common share				
Basic	\$ 1.06	\$ (1.33)	\$ 1.83	\$ (0.89)
Diluted	\$ 1.03	\$ (1.33)	\$ 1.76	\$ (0.89)
Adjusted earnings per common share				
Basic	\$ 1.17	\$ 0.38	\$ 2.07	\$ 0.83
Diluted	\$ 1.14	\$ 0.37	\$ 2.00	\$ 0.81

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

² The Company incurred restructuring charges of approximately \$3.2 million and \$7.1 million across all operating segments for the three and six months ended June 30, 2021, respectively.

ADJUSTED EBITDA MARGIN

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue before reimbursements (net revenue)	\$ 259,981	\$ 145,603	\$ 453,637	\$ 317,084
Net income	20,765	(25,733)	35,597	(17,067)
Interest, net	(35)	339	(117)	(340)
Other, net	(3,033)	(3,076)	(6,115)	1,359
Provision for income taxes	11,009	4,484	18,949	10,214
Operating income	28,706	(23,986)	48,314	(5,834)
Adjustments				
Stock-based compensation expense	2,492	844	5,465	3,446
Depreciation	1,744	1,936	3,537	4,065
Intangible amortization	766	194	1,001	402
Earnout accretion	181	—	181	—
Acquisition contingent consideration	469	462	923	1,020
Restructuring charges	3,193	—	7,054	—
Impairment charges	—	32,970	—	32,970
Total adjustments	8,845	36,406	18,161	41,903
Adjusted EBITDA	\$ 37,551	\$ 12,420	\$ 66,475	\$ 36,069
Adjusted EBITDA margin	14.4 %	8.5 %	14.7 %	11.4 %

HEIDRICK & STRUGGLES

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July 26, 2021