

HEIDRICK & STRUGGLES

2016 Annual Report

The Power of Heidrick & Struggles

Partnering with leaders, teams and organizations
to achieve transformational results

FELLOW SHAREHOLDERS:

In early April 2017, Tracy Wolstencroft began a three-month medical leave of absence. The Board has appointed me acting President and CEO. We wish him a swift recovery, and we look forward to his return.

We are delivering on our strategy to profitably grow our business by providing our clients distinctive service as a trusted and valued leadership advisor. Our 2016 financial results reflect progress in executing this strategy, as well as the beginning of a return on the investments we have made to grow all three of our business lines—Executive Search, Leadership Consulting, and Culture Shaping. The most significant of these investments are beginning to bring scale to Leadership Consulting. As such, we began reporting Leadership Consulting as a separate segment beginning in the fourth quarter.

Financial highlights in 2016 include:

- Our consolidated net revenue increased nearly 10% from 2015 to \$582 million.
 - Executive Search net revenue increased nearly 7% to \$507 million.
 - Leadership Consulting net revenue increased 104% to \$39 million.
 - Culture Shaping net revenue was essentially unchanged at \$36 million.
- Operating income in 2016 increased just over 3% to \$35 million. Operating margin was 6.0%, down from 6.4% in 2015.
- Adjusted EBITDA* increased 10% to \$61 million and Adjusted EBITDA margin* was 10.5%, the same as in 2015.

Additionally, during the year:

- We acquired three companies—two that bolstered our Leadership Consulting capabilities and one in Executive Search that further elevated our brand positioning in Europe, and in particular, the U.K.
- Our Leadership Consulting team developed and introduced a new research-based platform, Accelerating Performance, for advising clients at the leader, team, and organizational levels.
- Five of our top 10 clients in 2016 contracted Heidrick & Struggles for both Executive Search and Leadership Consulting services.
- Our Culture Shaping team developed a strategic plan to expand its capabilities, align operations to address evolving client needs, and accelerate topline growth.

- We continued to attract, develop, and retain the very best talent in the industry, finishing the year with 335 Executive Search Partner and Principal consultants, 22 Leadership Consulting Partners, and 17 Culture Shaping Partner and Principal consultants.

I want to thank our employees around the world for their dedication to delivering excellence in client service, bringing together the full power of our firm.

We have every intention of continuing our growth momentum. We believe that market conditions remain favorable for our business in 2017. The rapid pace of change and rising uncertainty throughout the world further increases the importance of leadership in all sectors and geographies. Our clients' need for visionary leadership, differentiating talent, and thriving culture has never been greater, and Heidrick & Struggles' brand and impact have never been stronger.

Further integrating our service lines and enhancing our data-driven insights will provide a powerful path for growth. To be the advisor of choice that we aspire to be across Executive Search, Leadership Consulting, and Culture Shaping, we must present distinctive service at scale in all the markets we see as critical. We are excited about the opportunities ahead to fully capitalize on our investments for growth and profitability.

We will continue to enhance the value proposition that Heidrick brings to our clients in helping them attract and develop top talent, build high-performance cultures, and equip their leaders with the tools and insights they need to succeed in these extraordinary times.

I want to express on behalf of the firm our appreciation for the astute counsel and governance provided by outgoing directors John Fazio, Jill Kanin-Lovers, and Paul Unruh over a combined 40 years on our board. The firm has grown in scale and client impact during their tenure as directors and is well positioned for continued success in the market.

Sincerely,



Krishnan Rajagopalan
Acting President and Chief Executive Officer

*EBITDA refers to earnings before interest, taxes, depreciation, intangible amortization, stock-based compensation expense, compensation expense associated with Senn Delaney retention awards, earnout accretion expense related to acquisitions, restructuring charges and other non-operating income (expense) EBITDA is a non-GAAP financial measure.

EXECUTIVE OFFICERS

Tracy R. Wolstencroft
President and
Chief Executive Officer

Stephen W. Beard
Executive Vice President,
General Counsel and
Chief Administrative Officer

Richard W. Greene
Executive Vice President and
Chief Human Resources Officer

Michael Marino
Executive Vice President and
Managing Partner, Culture Shaping

Richard W. Pehlke
Executive Vice President
and Chief Financial Officer

Colin Price
Executive Vice President
and Managing Partner,
Leadership Consulting

Krishnan Rajagopalan
Executive Vice President
and Managing Partner,
Executive Search

BOARD OF DIRECTORS

Elizabeth L. Axelrod *(3)
Vice President,
Employee Experience,
Airbnb, Inc.

Richard I. Beattie *(2)
Chairman of the Board
and Senior Chairman
Simpson Thacher & Bartlett LLP

Clare M. Chapman *(2) (3)
Former Group People Director,
BT Group

John A. Fazio *(1+)
Former Senior General Practice Partner
Pricewaterhouse Coopers

Jill Kanin-Lovers *(1) (3+)
Former Senior Vice President,
Human Resources and
Workplace Management
Avon Products, Inc.

Gary E. Knell *(2+)
President and Chief Executive Officer
National Geographic Society

Lyle Logan *(1) (2)
Executive Vice President
and Managing Director,
Global Financial Institutions Group,
Northern Trust Company

T. Willem Mesdag *(1)
Founder and Managing Partner,
Red Mountain Capital Partners

V. Paul Unruh *(1) (3)
Former Vice Chairman
Bechtel Group Inc.

Tracy R. Wolstencroft
President and
Chief Executive Officer

* Independent Director
(1) Member, Audit and Finance Committee
(2) Member, Nominating and Board
Governance Committee
(3) Member, Human Resources and
Compensation Committee
+ denotes committee chair

Annual Meeting

The annual meeting of shareholders will be held on Thursday, May 25, 2017 at 9 a.m. EDT, at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, NY 10017

Stock Transfer Agent and Registrar

For address changes, account consolidation, registration changes, stock holdings and lost stock certificates, please contact:

Computershare / BNY Mellon
Shareholder Services
480 Washington Boulevard
Jersey City, NJ 07310-1900
866 892 5631

Shareholders can also obtain account information through Investor Service Direct at: www.bnymellon.com/shareowner/isd

Independent Registered Public Accounting Firm

KPMG LLP, Chicago, Illinois

Exchange Listing

Our common stock has been listed on the Nasdaq Global Select Market under the Symbol HSII since our initial public offering in April 1999.

SEC Filings & Investor Contact Information

Filings with the Securities and Exchange Commission and other investor information are available through our website at www.heidrick.com, or by request to the Investor Relations Department by mail at our corporate headquarters address, by email at investorrelations@heidrick.com or by telephone at 312 496 1774.

Corporate Governance

Visit the Who We Are section of our website at www.heidrick.com to see our corporate governance documents, including the Code of Business Conduct, Corporate Governance Guidelines, Director Independence Standards and Charters of our Audit and Finance Committee, Nominating and Board Governance Committee and Human Resources and Compensation Committee.

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Some statements in the Letter to Shareholders may be forward-looking statements for the purposes of the Private Securities Litigation Reform Act of 1995. Actual outcomes and results may differ materially from what is expressed, forecasted or implied in the forward-looking statements. 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.

HEIDRICK & STRUGGLES

Heidrick & Struggles International, Inc.
233 South Wacker Drive, Suite 4900
Chicago, IL 60606
312 469 1200 www.heidrick.com

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