

HEIDRICK & STRUGGLES

# THIRD QUARTER 2016 FINANCIAL RESULTS

October 24, 2016

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HEIDRICK & STRUGGLES

# SAFE HARBOR STATEMENT

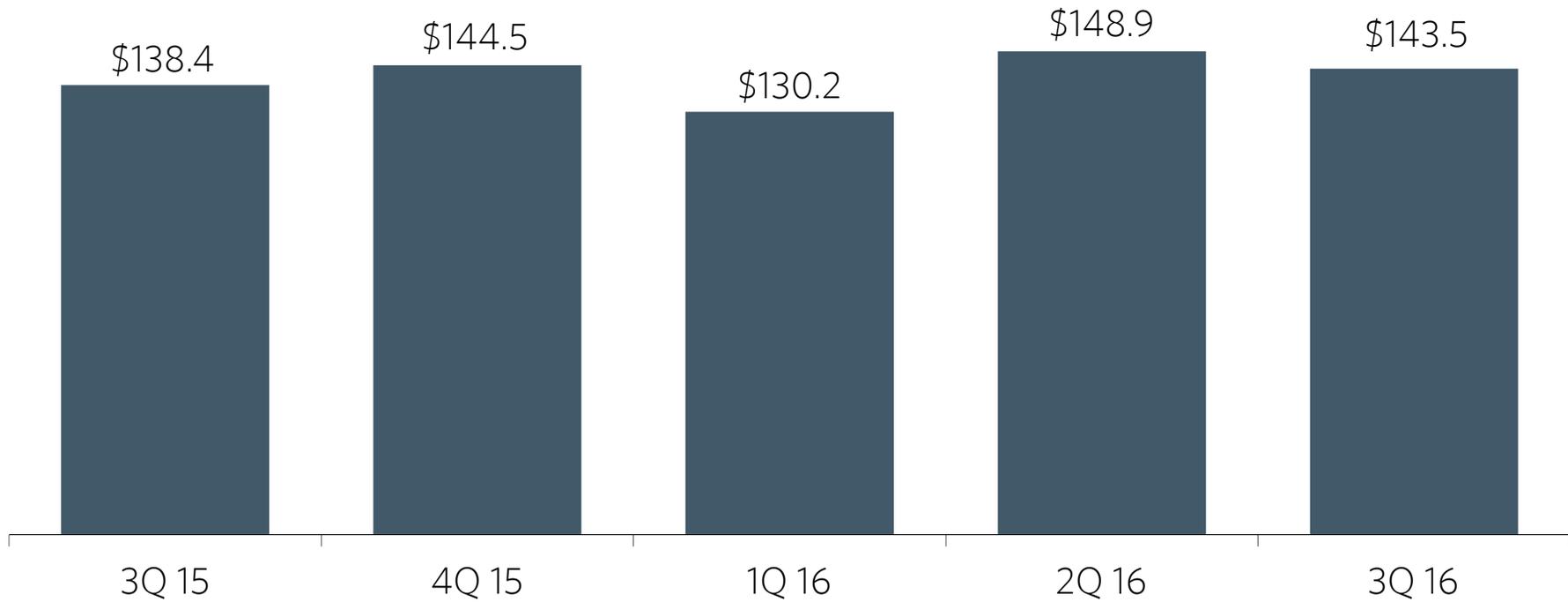
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The 2016 third quarter news release, conference call webcast, and the following slides contain forward-looking statements. The forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry in 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, manage and retain qualified executive search 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, 2015](#), 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.



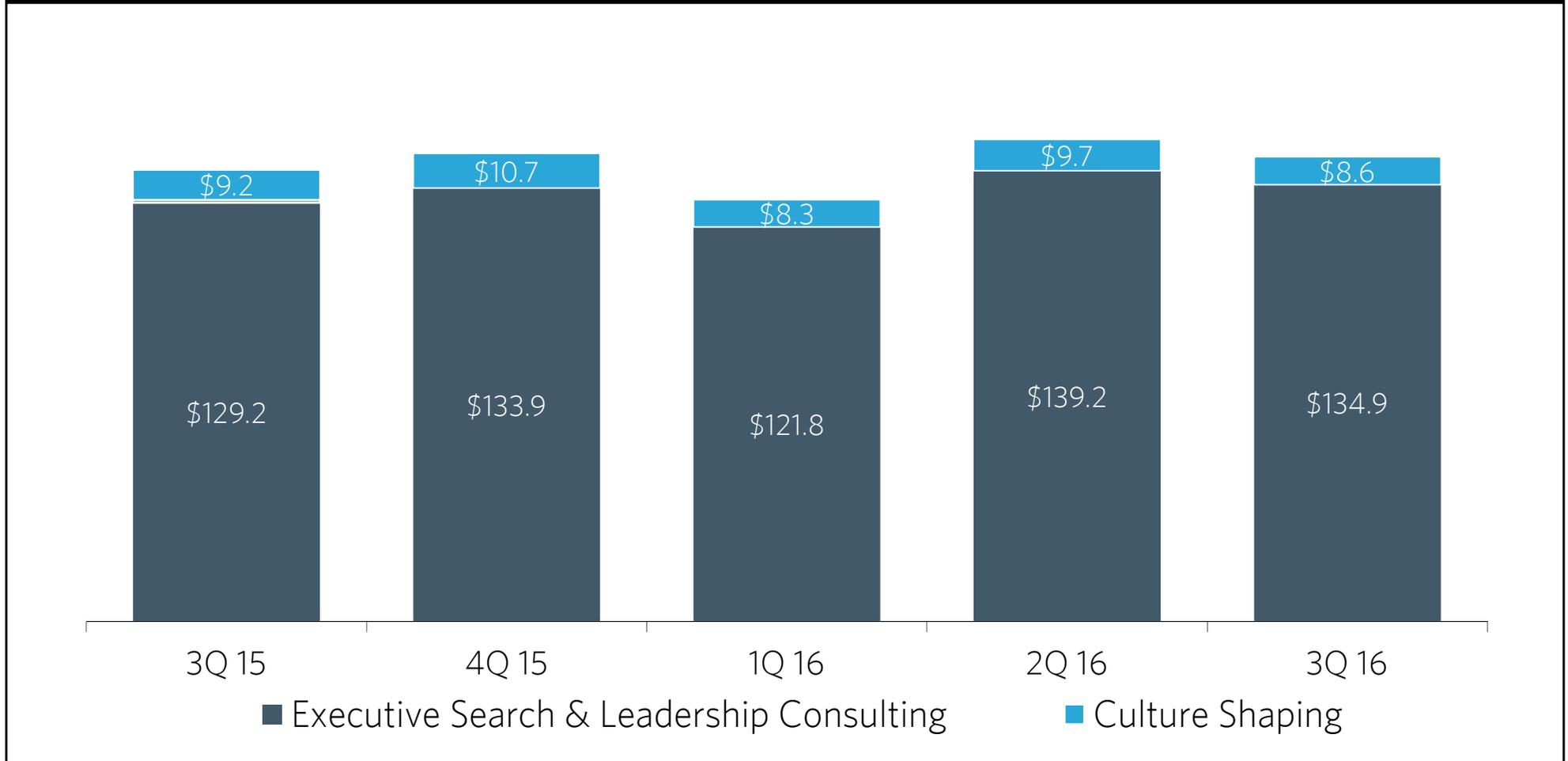
# CONSOLIDATED NET REVENUE

\$ in millions

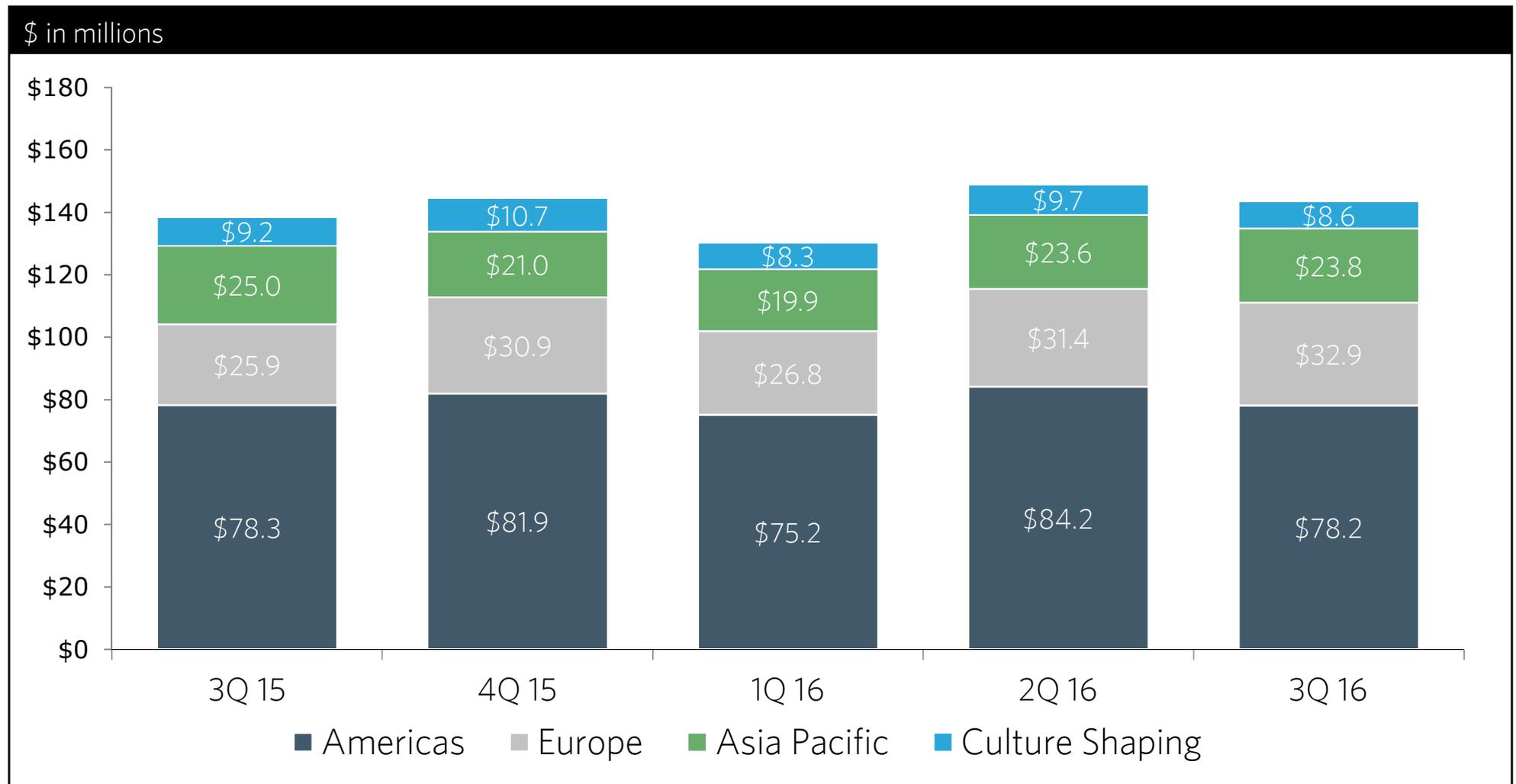


# CONSOLIDATED NET REVENUE

\$ in millions-numbers may not foot due to rounding



# SEGMENTED NET REVENUE



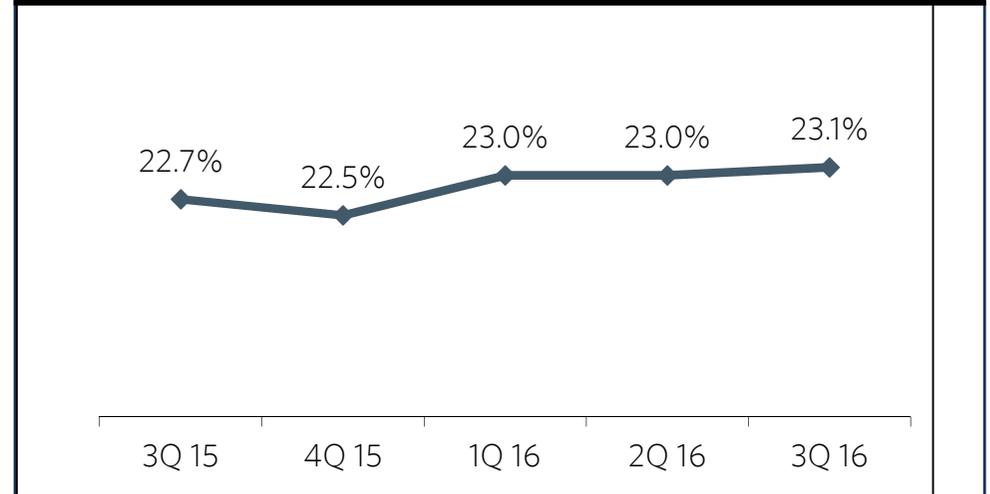
# AMERICAS

## (Executive Search & Leadership Consulting)

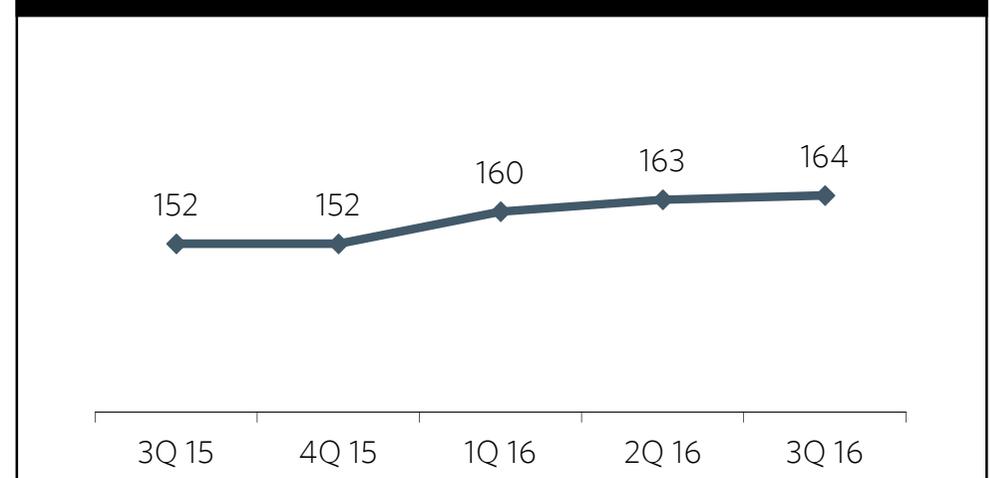
Trailing 12-months' Net Revenue (\$ in millions)



Trailing 12-months' Operating Margin (Operating income as % of Net Revenue)



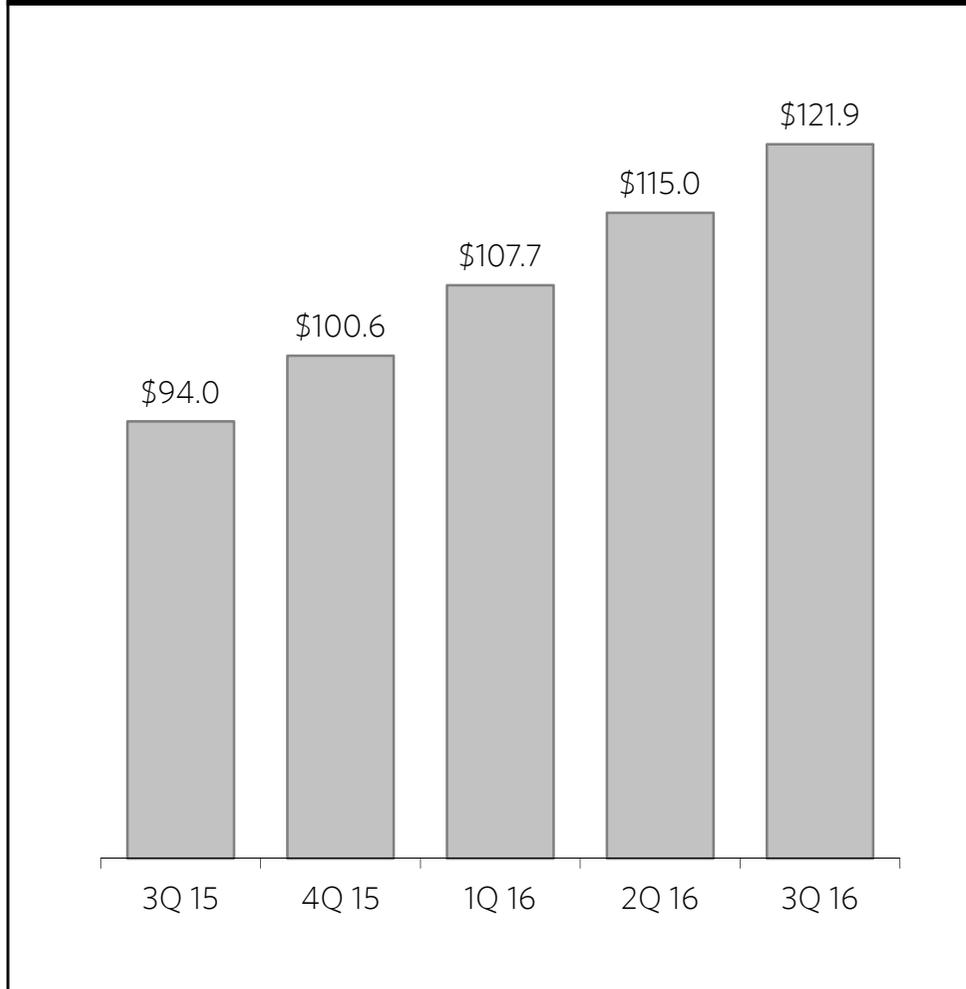
Number of Consultants at End of Quarter



# EUROPE

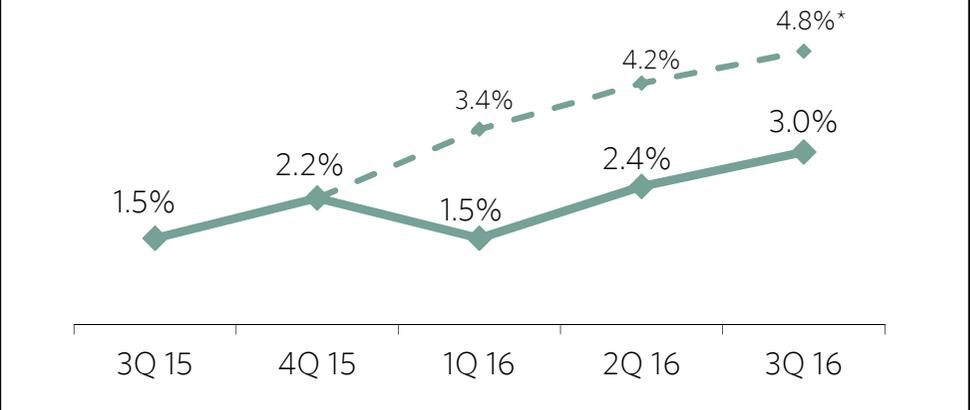
## (Executive Search & Leadership Consulting)

Trailing 12-months' Net Revenue (\$ in millions)

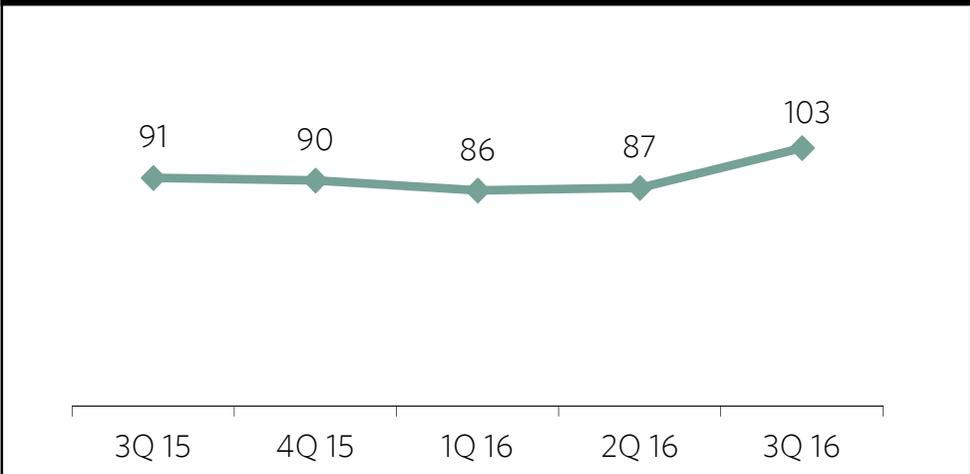


Trailing 12-months' Operating Margin (Operating income as % of Net Revenue)

\*4.8% TTM Operating Margin excludes \$2.1M expense for realignment of Leadership Consulting in 1Q 2016.



Number of Consultants at End of Quarter



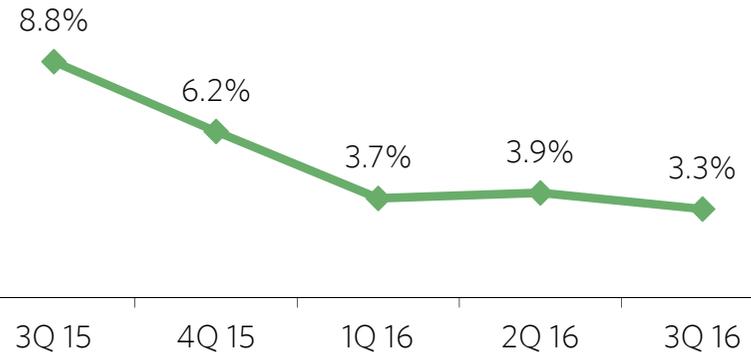
# ASIA PACIFIC

## (Executive Search & Leadership Consulting)

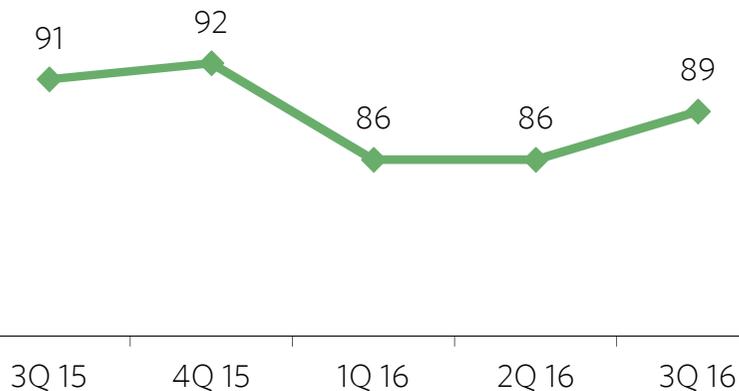
Trailing 12-months' Net Revenue (\$ in millions)



Trailing 12-months' Operating Margin (Operating income as % of Net Revenue)

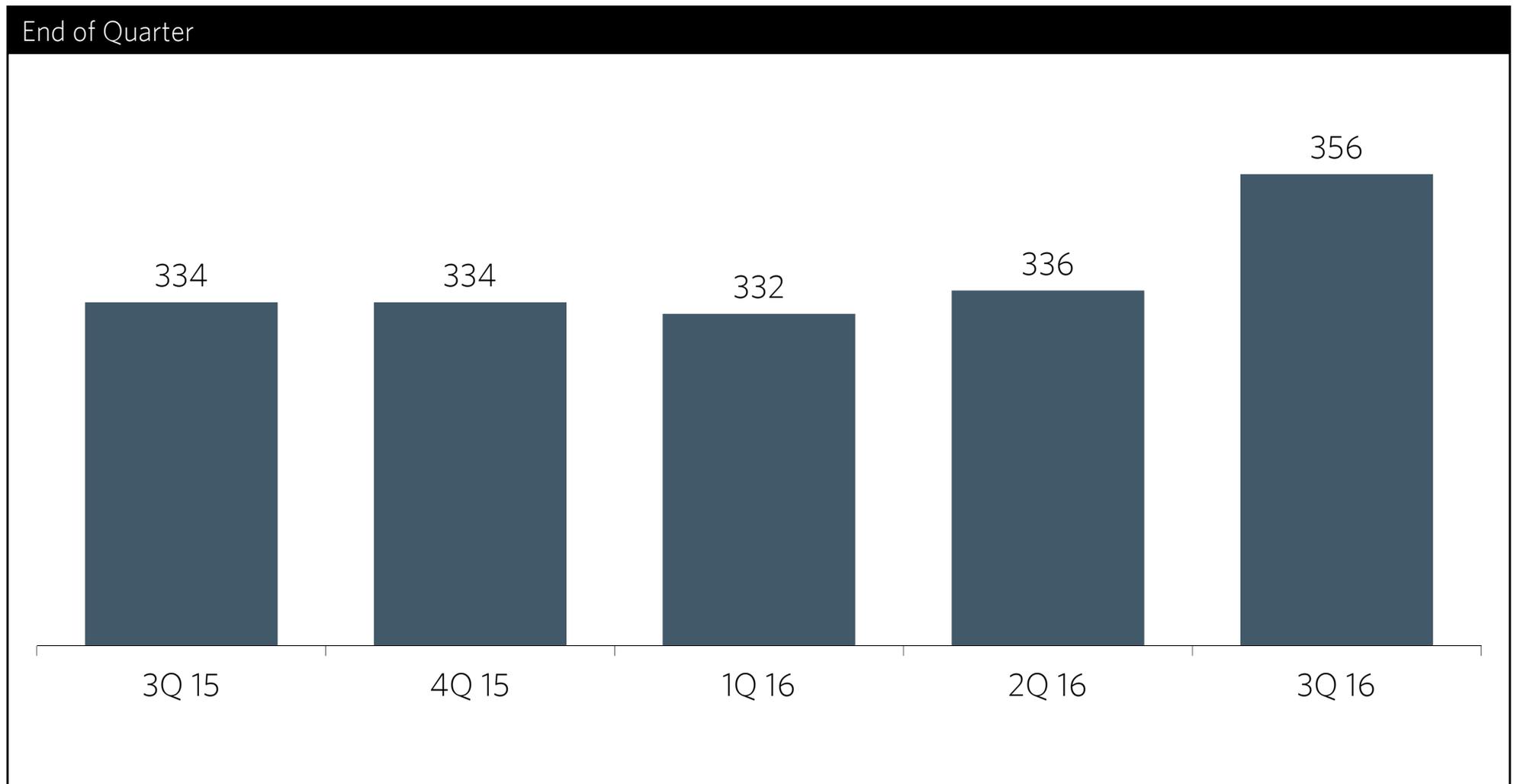


Number of Consultants at End of Quarter

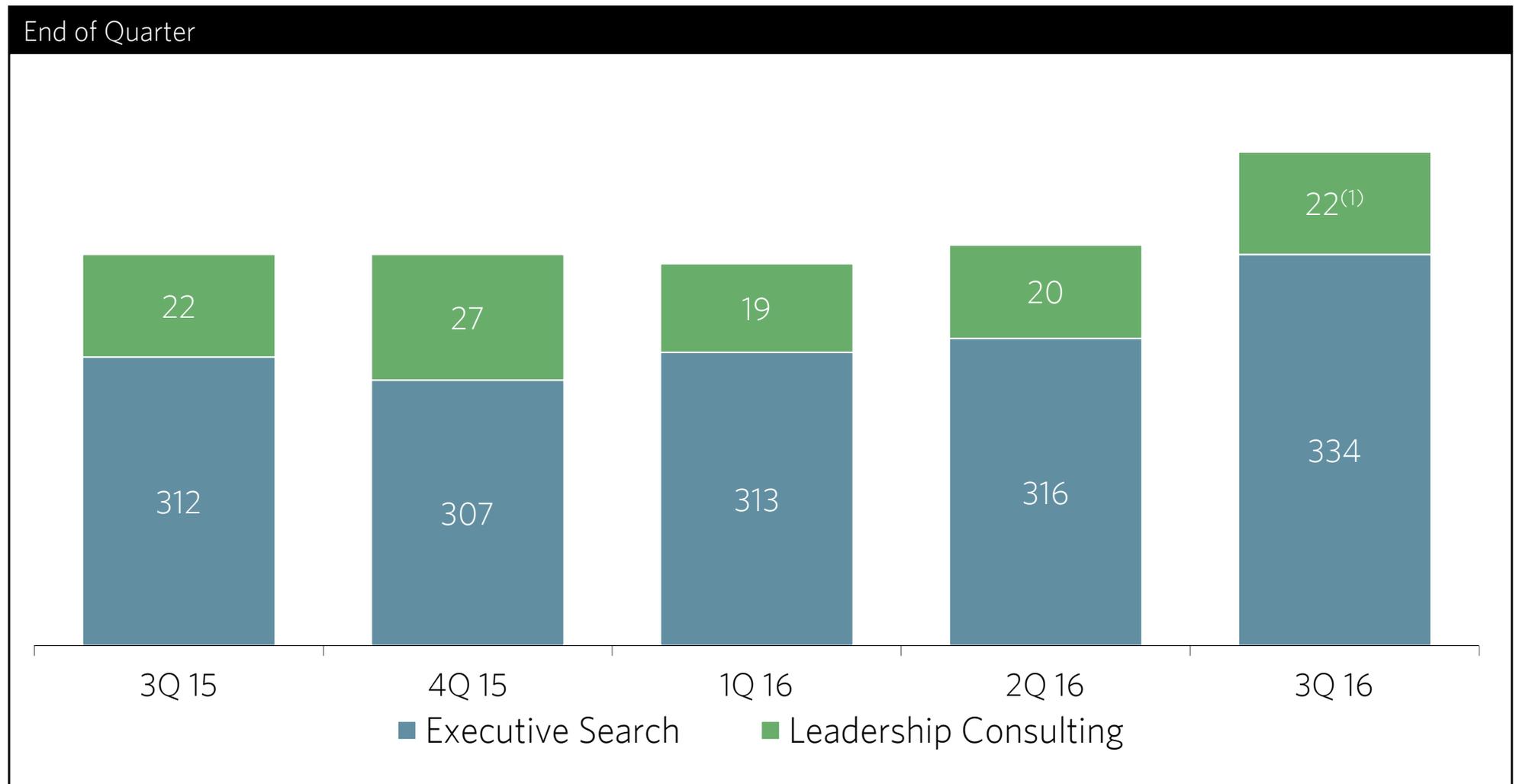


# CONSULTANT HEADCOUNT

(Executive Search & Leadership Consulting)



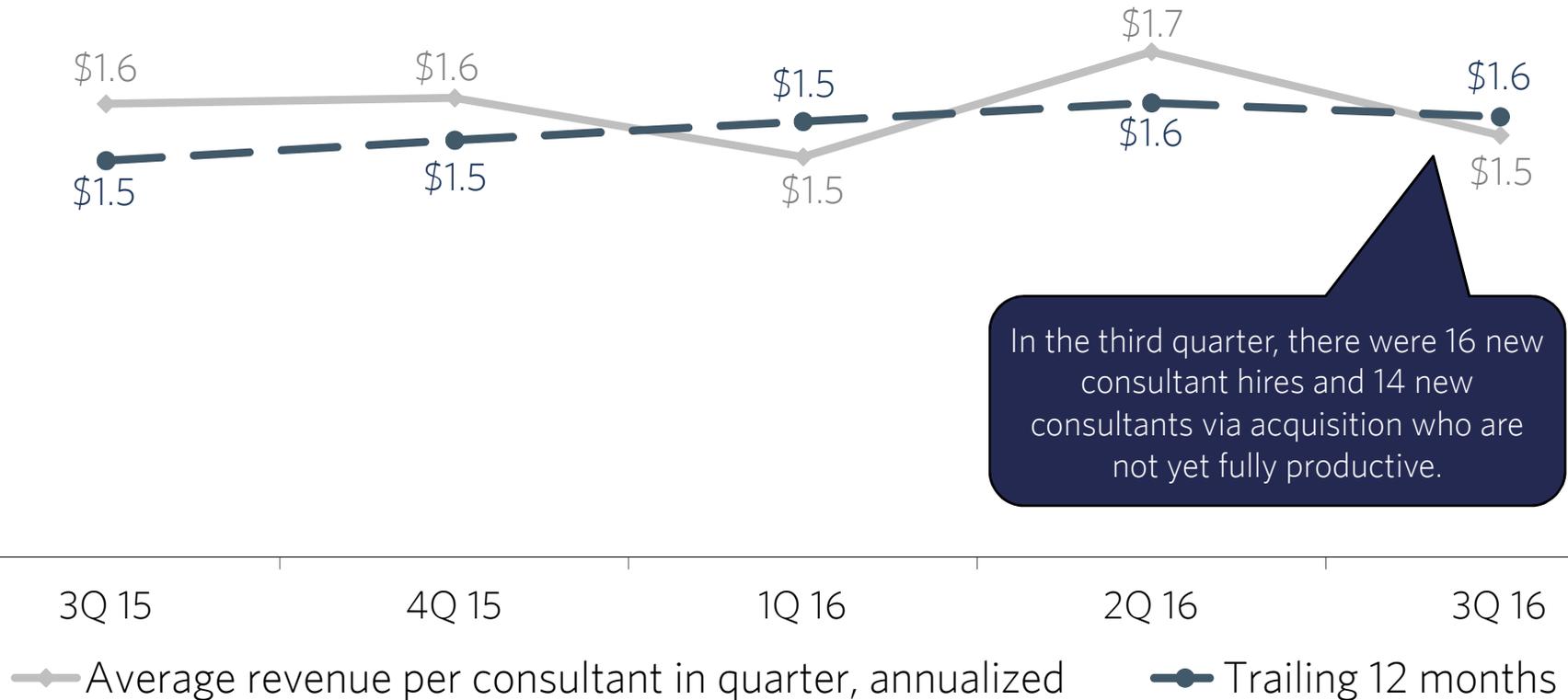
# CONSULTANT HEADCOUNT



<sup>(1)</sup>Beginning January 1, 2016, Leadership Consulting consultants reflect Partners only.

# PRODUCTIVITY

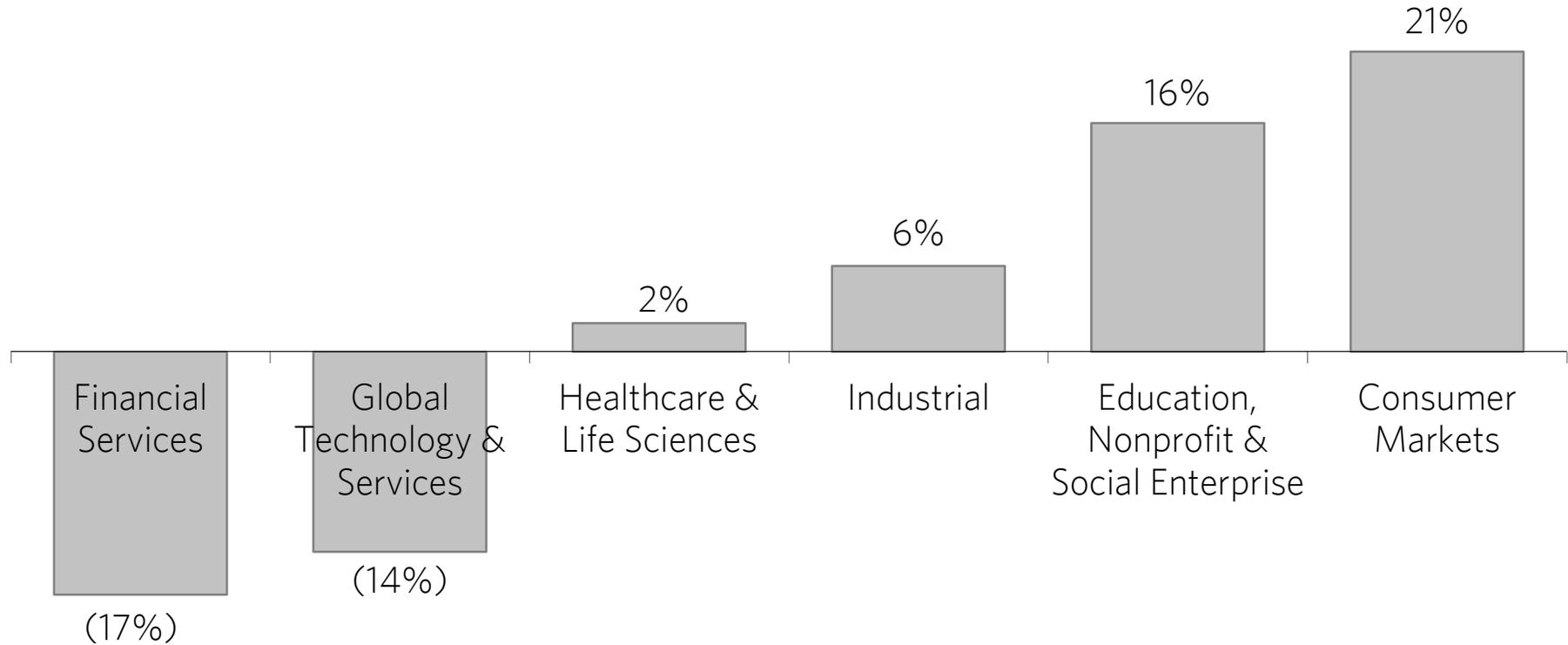
Net revenue per Executive Search and Leadership Consulting Consultant (\$ in millions)



# INDUSTRY PRACTICE BILLINGS

## 3Q 2016 COMPARED TO 3Q 2015

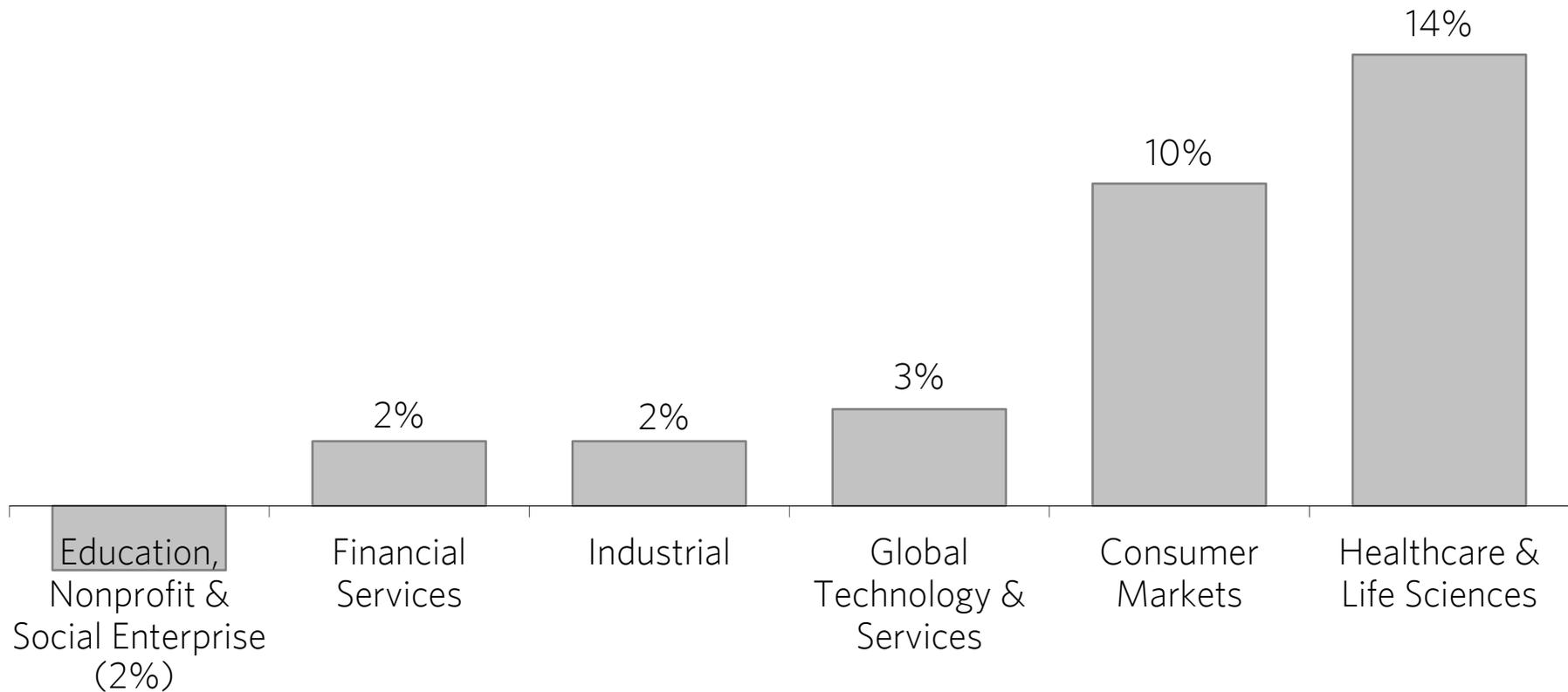
### Executive Search & Leadership Consulting Billings



# INDUSTRY PRACTICE BILLINGS

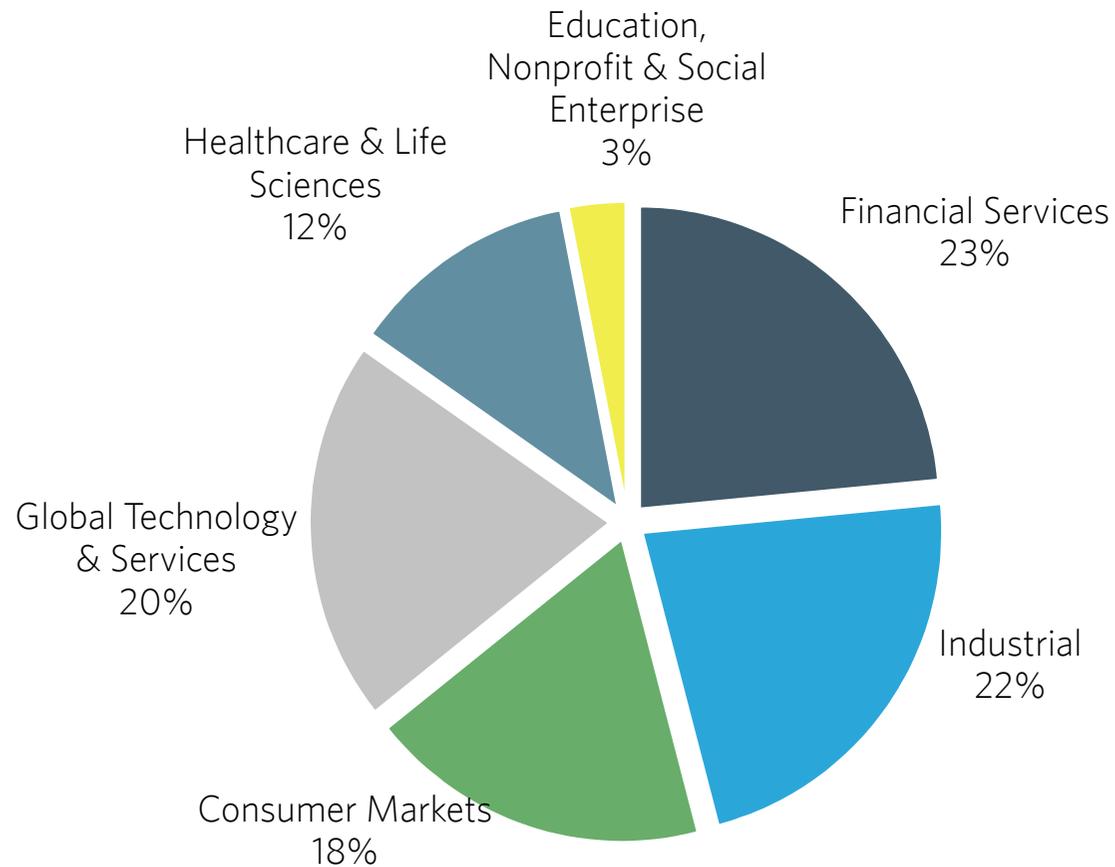
## FIRST NINE MONTHS 2016 COMPARED TO FIRST NINE MONTHS 2015

### Executive Search & Leadership Consulting Billings



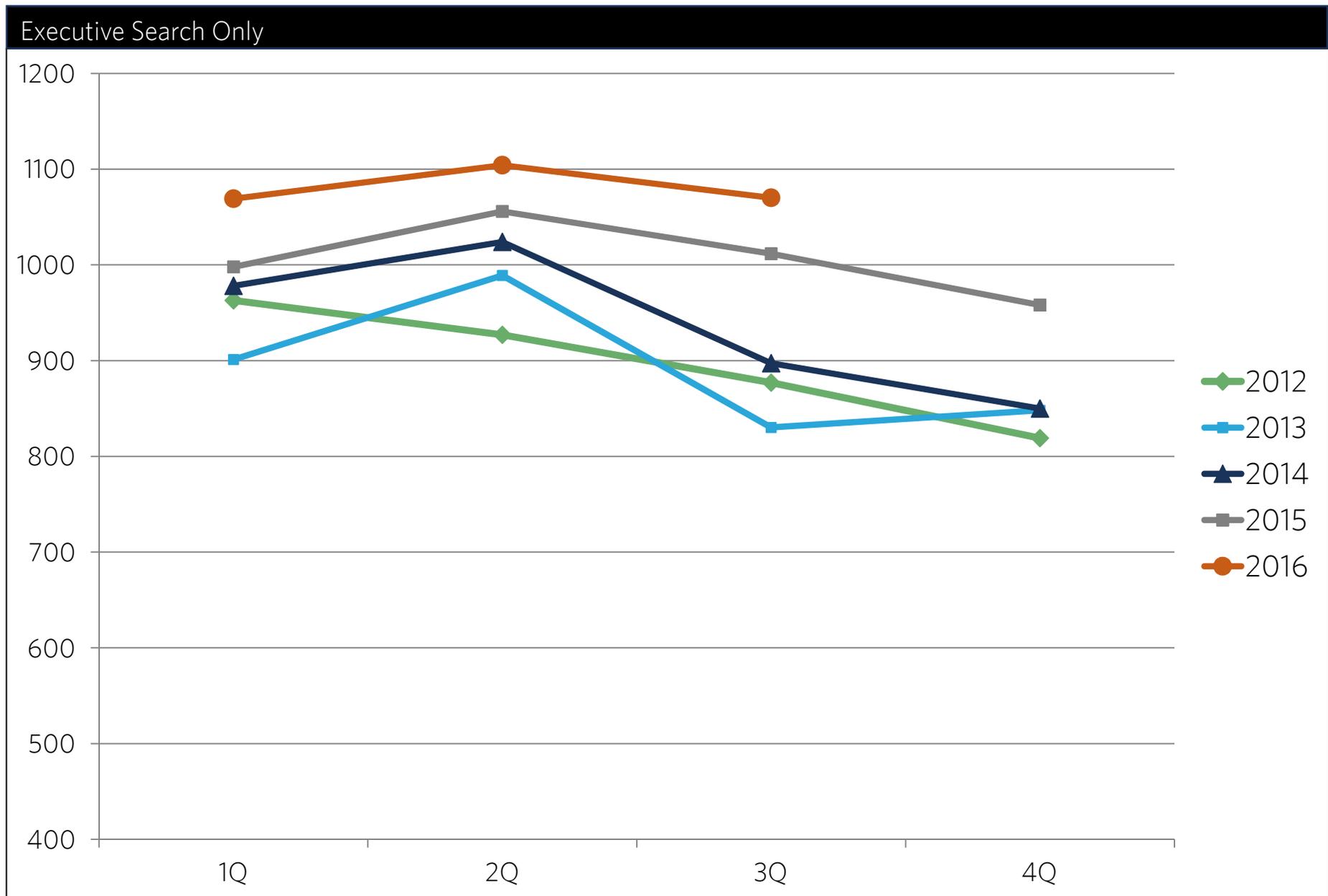
# INDUSTRY PRACTICE GROUP MIX OF BILLINGS<sup>(1)</sup>

## Executive Search & Leadership Consulting Billings



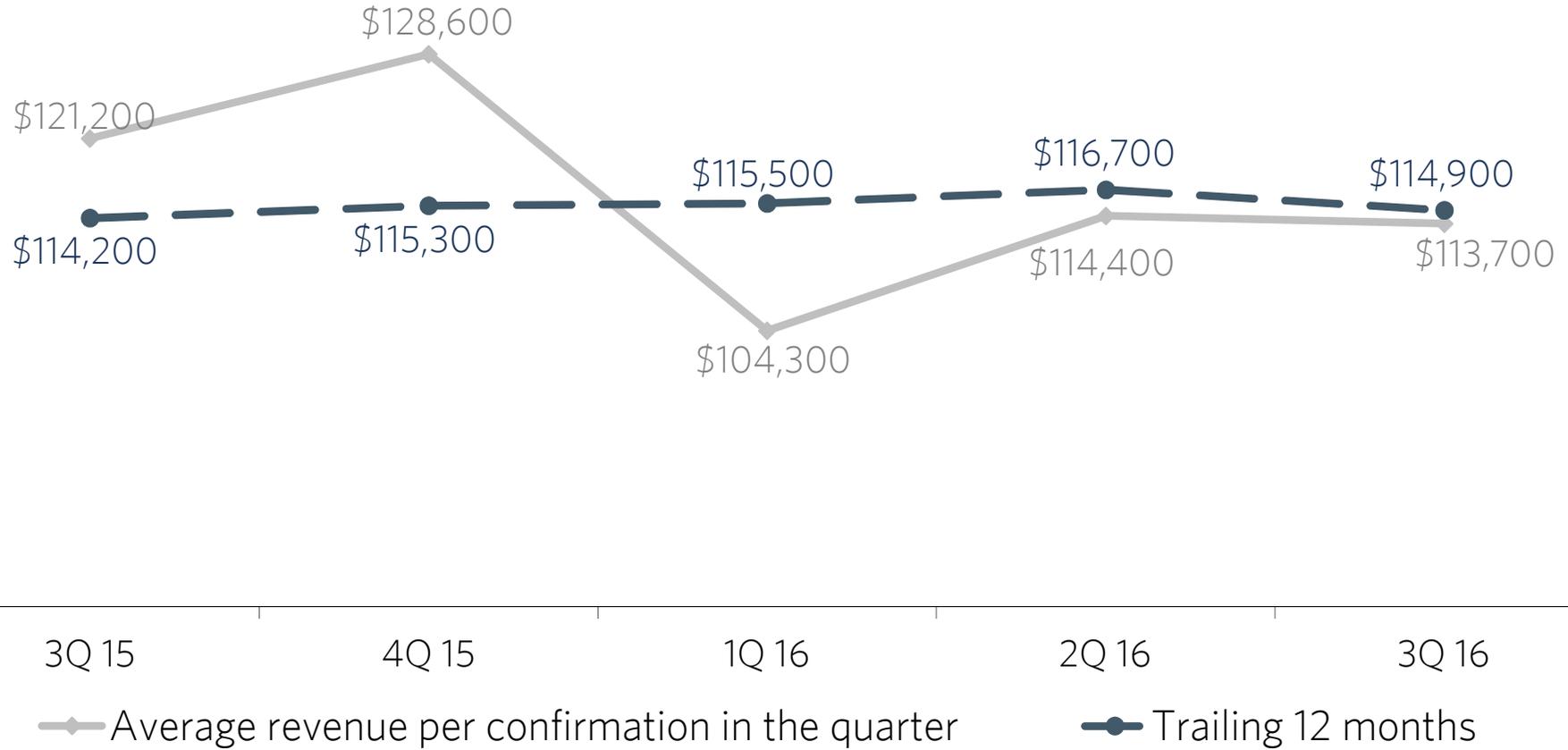
(1) Industry practice billings as percentage of total Executive Search & Leadership Consulting billings in 3Q 2016. Numbers may not add due to rounding.

# EXECUTIVE SEARCH CONFIRMATIONS



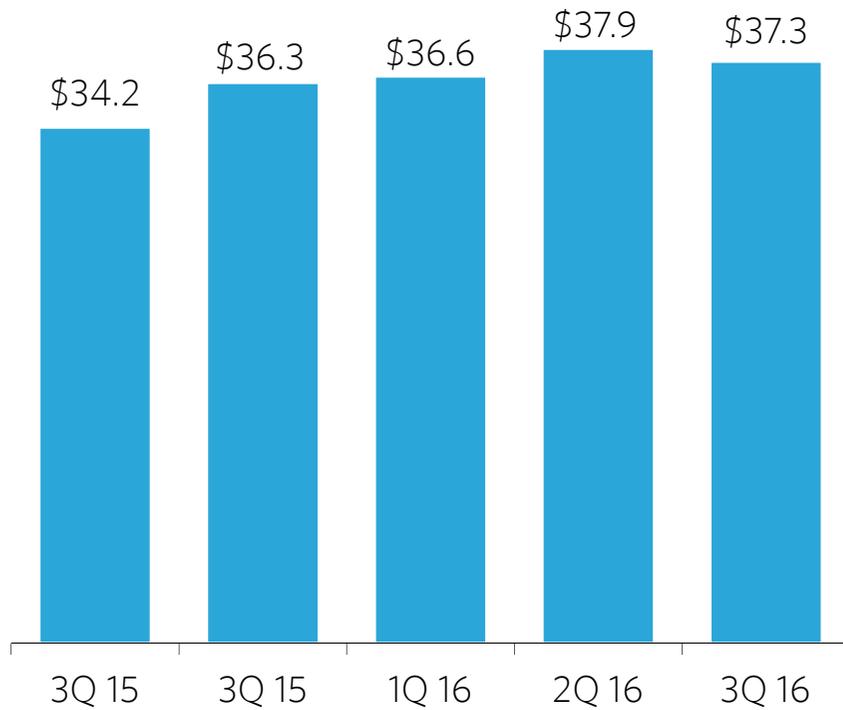
# REVENUE PER EXECUTIVE SEARCH

Executive Search Revenue Divided by Executive Search Confirmations

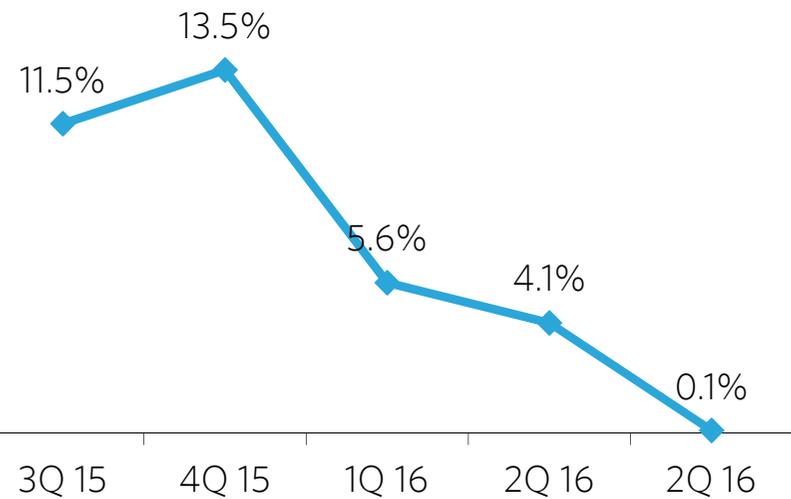


# CULTURE SHAPING

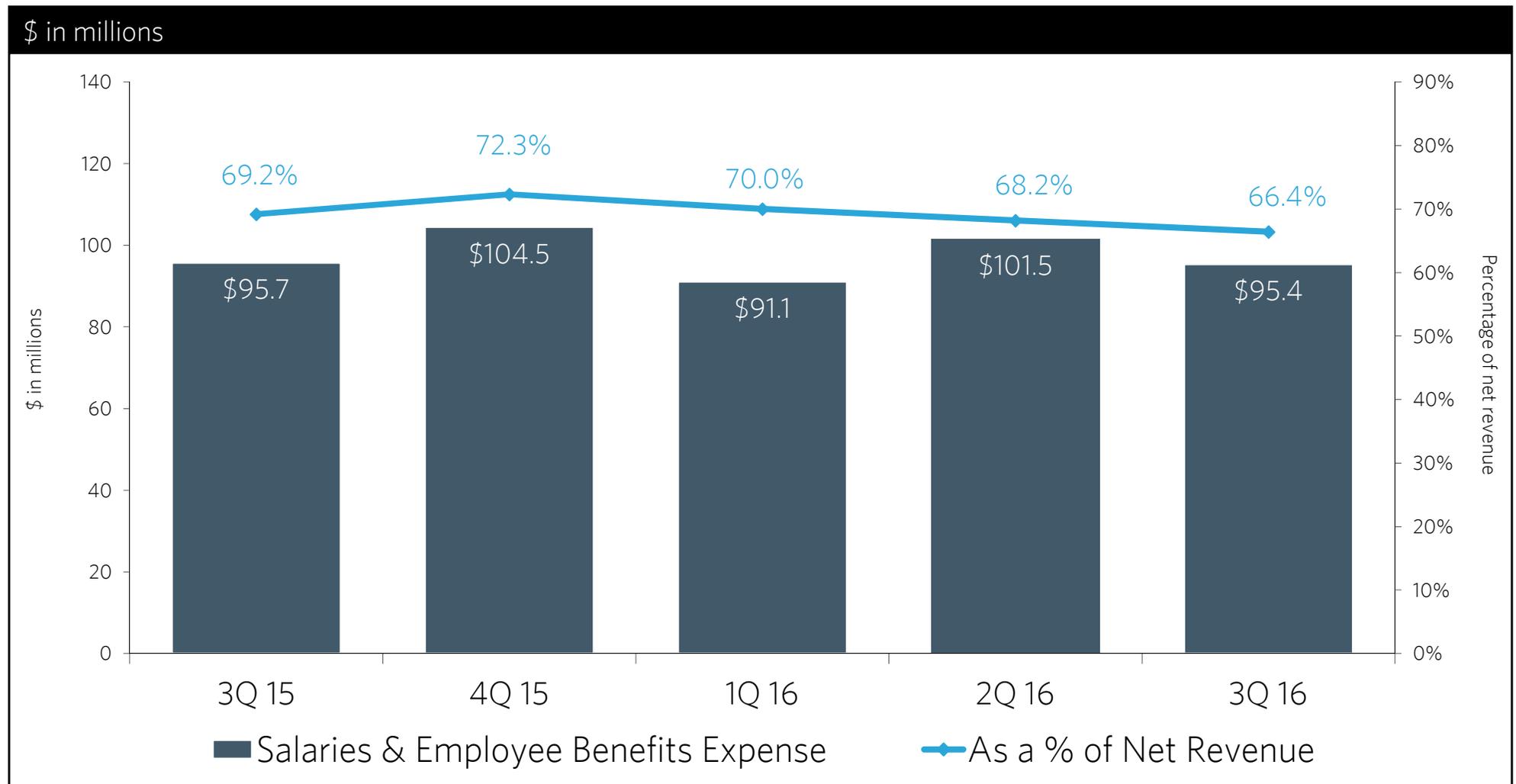
Trailing 12-months' Reported Net Revenue (\$ in millions)



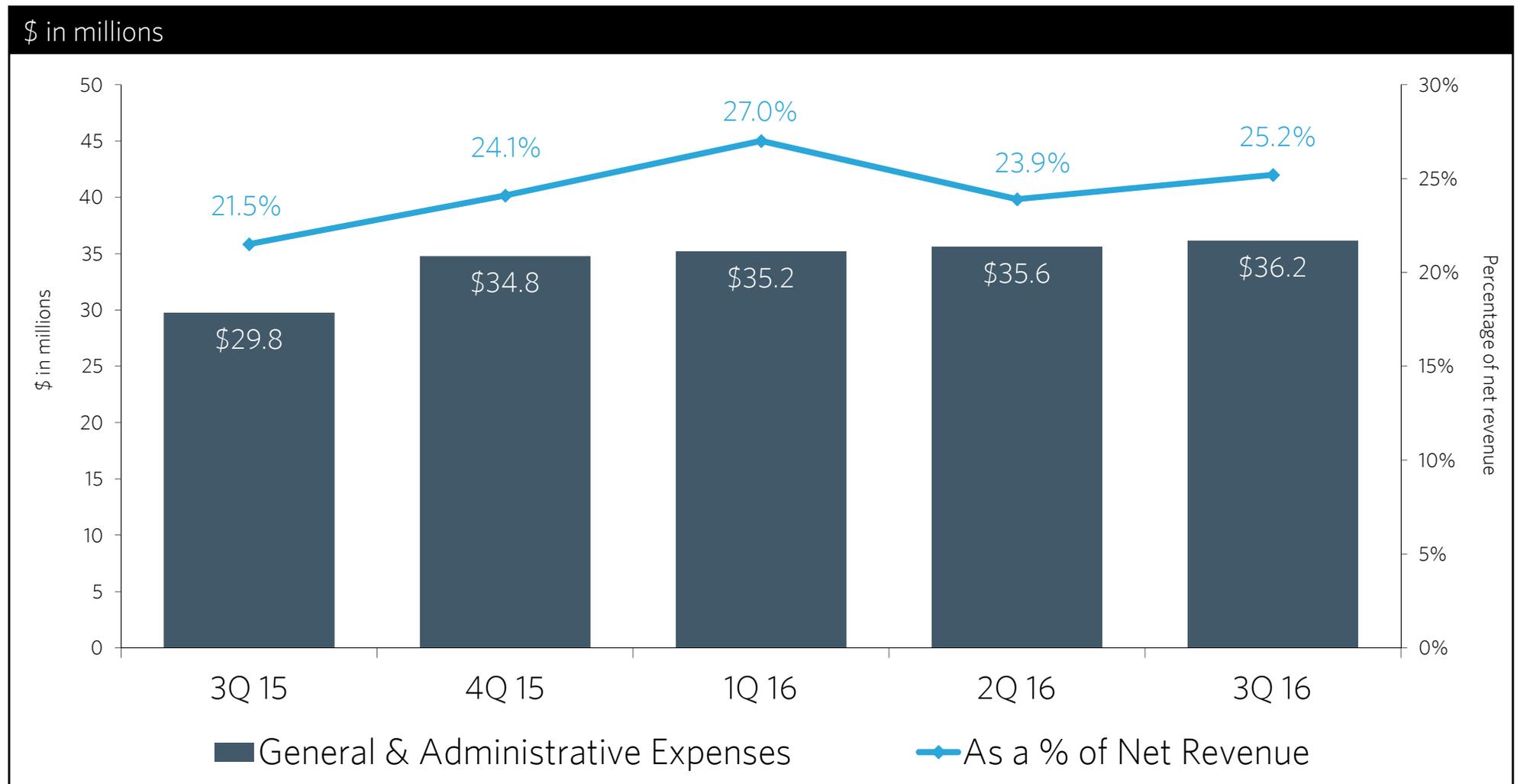
Trailing 12-months' Operating Margin (Operating income as % of Net Revenue)



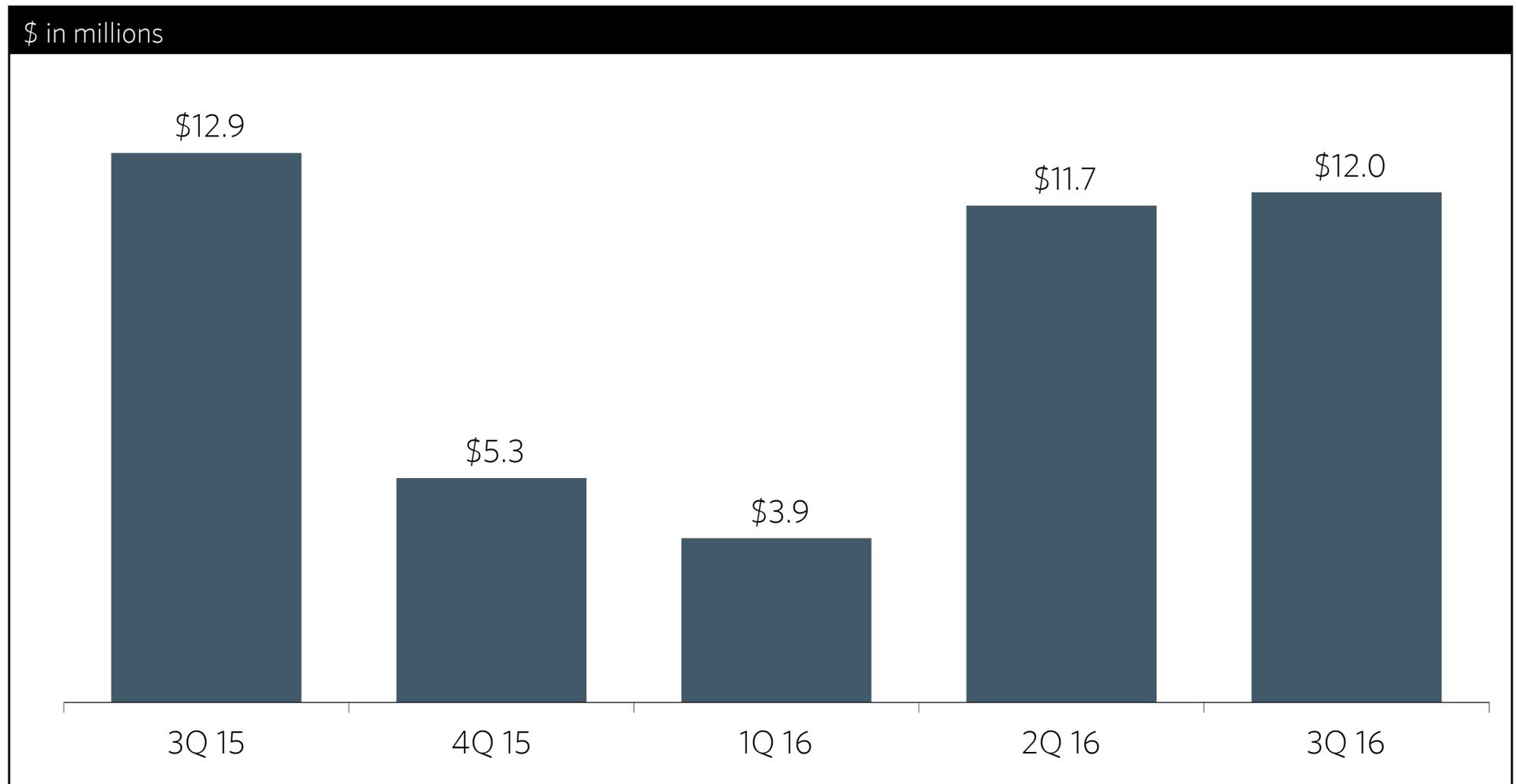
# SALARIES & EMPLOYEE BENEFITS EXPENSE



# GENERAL & ADMINISTRATIVE EXPENSES

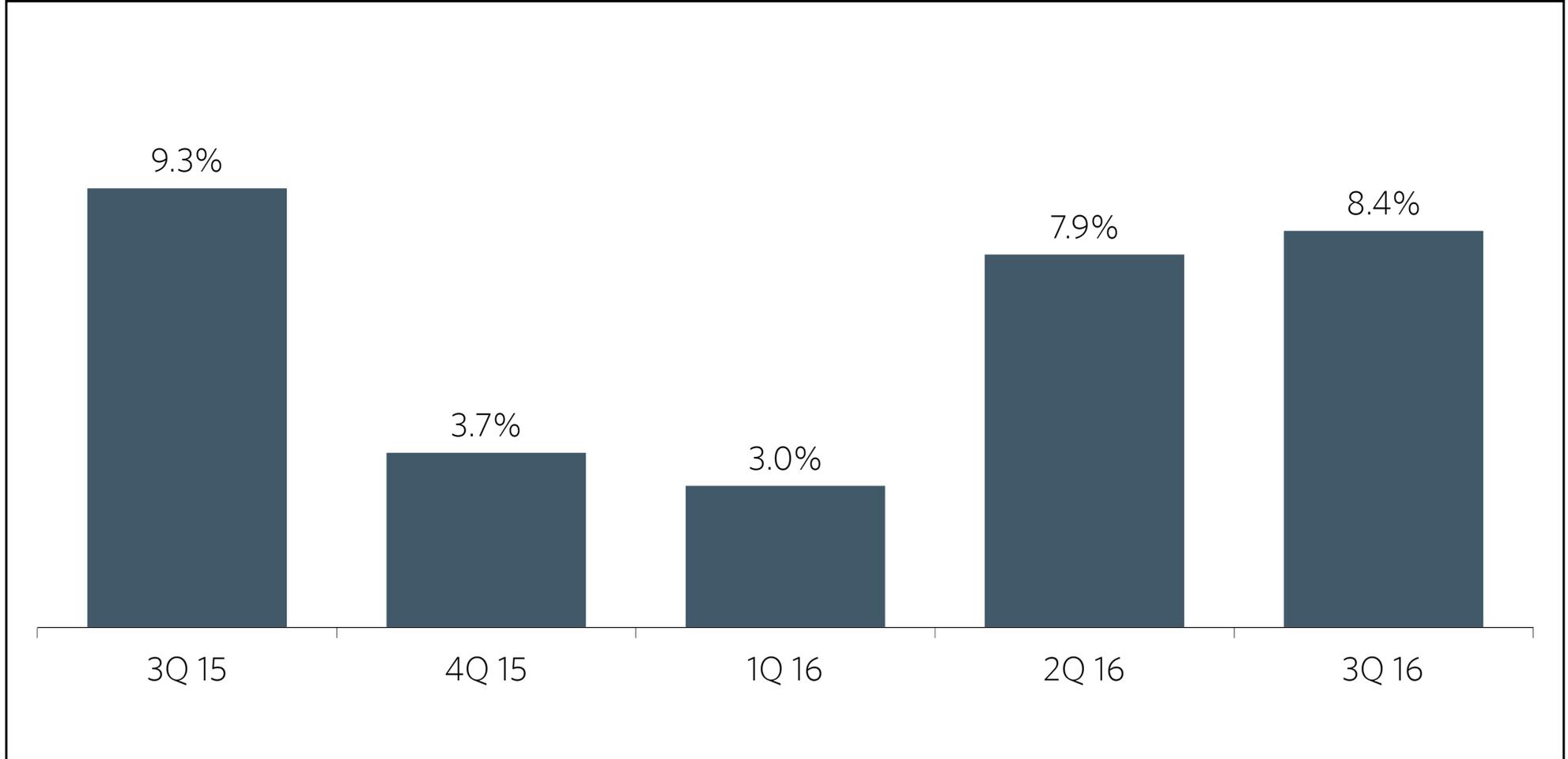


# QUARTERLY OPERATING INCOME

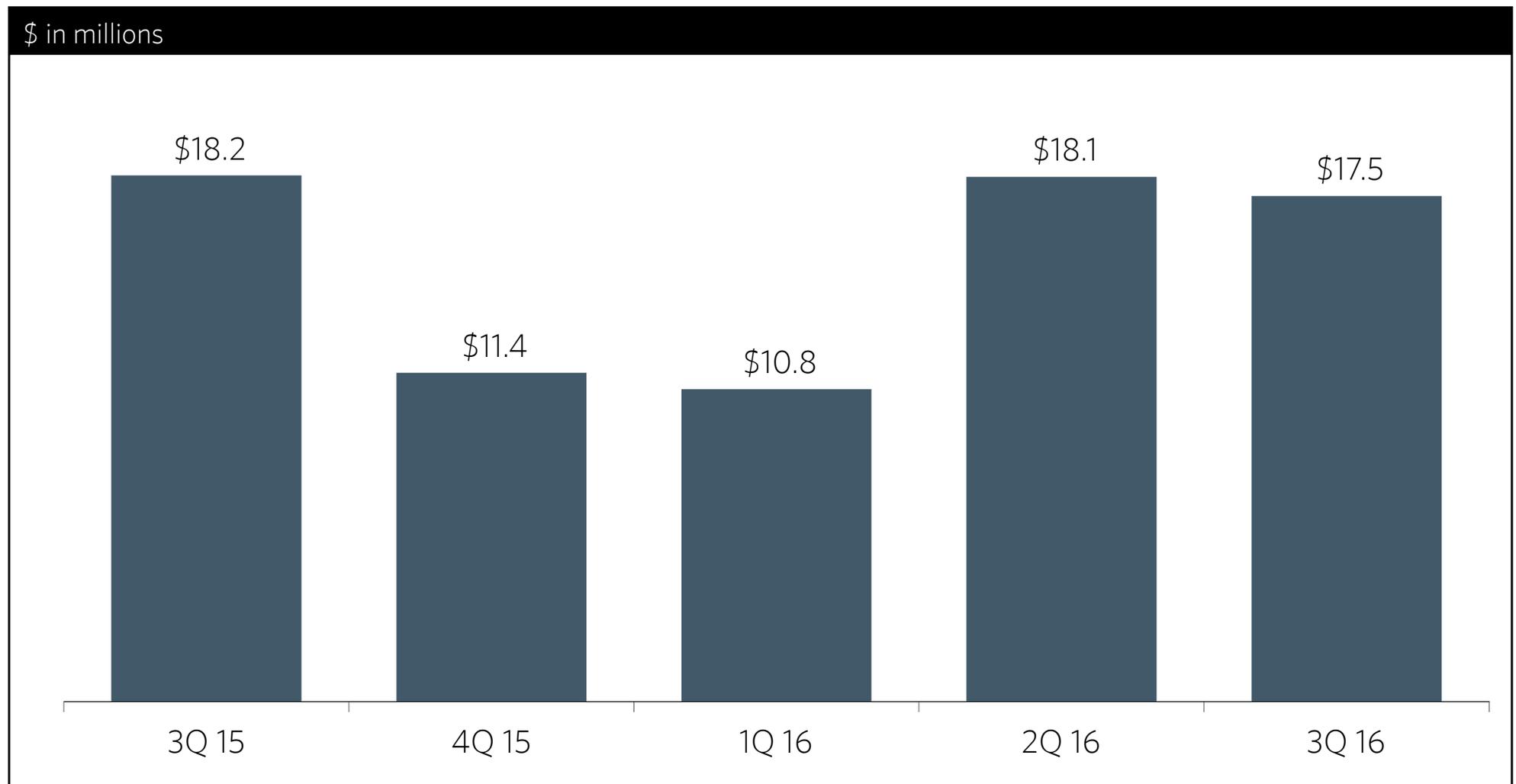


# QUARTERLY OPERATING MARGIN

Operating income as a percentage of net revenue



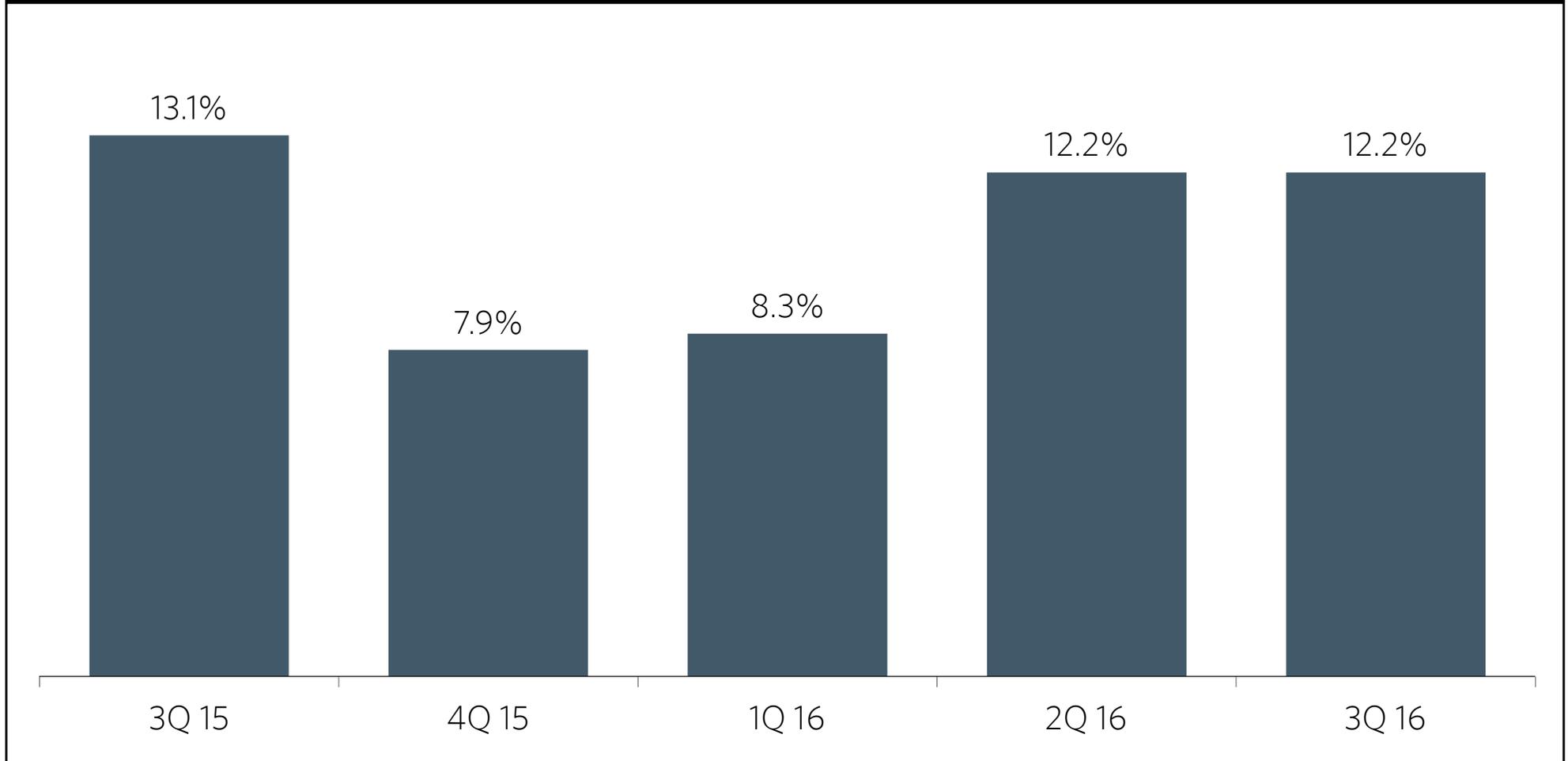
# QUARTERLY ADJUSTED EBITDA<sup>(1)</sup>



<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 20](#).

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

Adjusted EBITDA as a percentage of net revenue



<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 23.

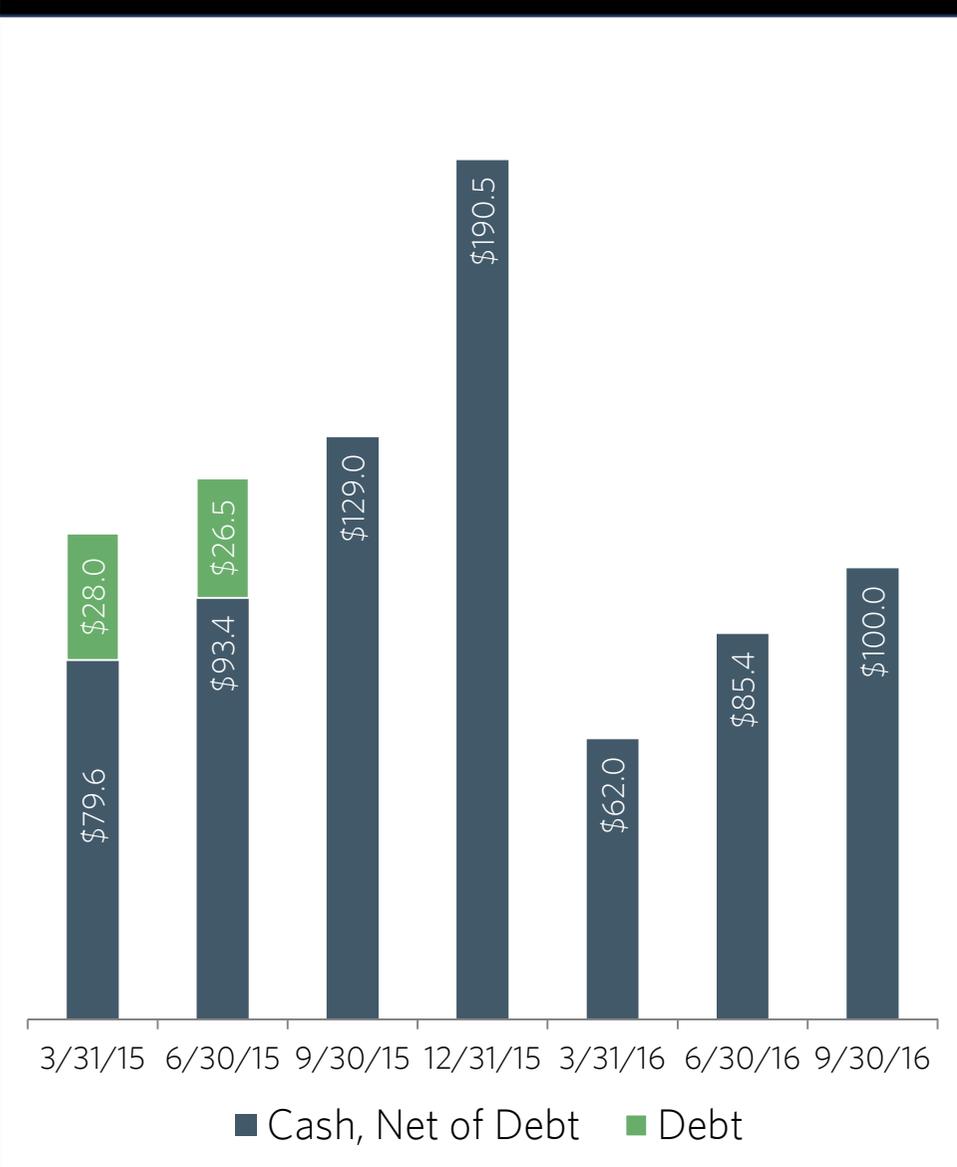
## ADJUSTED EBITDA MARGIN

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, and other non-operating income or expense.

	3 months ended September 30,		
	2016	2015	change
\$ in millions-- numbers may not foot due to rounding			
Net Income	\$ 6.9	\$ 7.5	\$ (0.6)
Interest, net	\$ 0.0	\$ (0.1)	
Other, net	\$ 0.3	\$ (1.7)	
Provision for income taxes	\$ 5.4	\$ 3.6	
Operating Income	\$ 12.0	\$ 12.9	\$ (0.9)
<b>Adjustments</b>			
Salaries and employee benefits			
Stock-based compensation expense	1.2	1.1	0.1
Senn Delaney retention awards	0.6	0.5	0.6
General and administrative expenses			
Depreciation	2.4	2.2	0.3
Intangible amortization	1.6	1.2	0.4
Earnout accretion	-0.4	0.3	(0.6)
Adjusted EBITDA	\$ 17.5	\$ 18.2	\$ (0.7)
Adjusted EBITDA Margin (as % of net revenue)	12.2%	13.1%	

# CASH POSITION

Cash and Cash Equivalents, \$ in millions

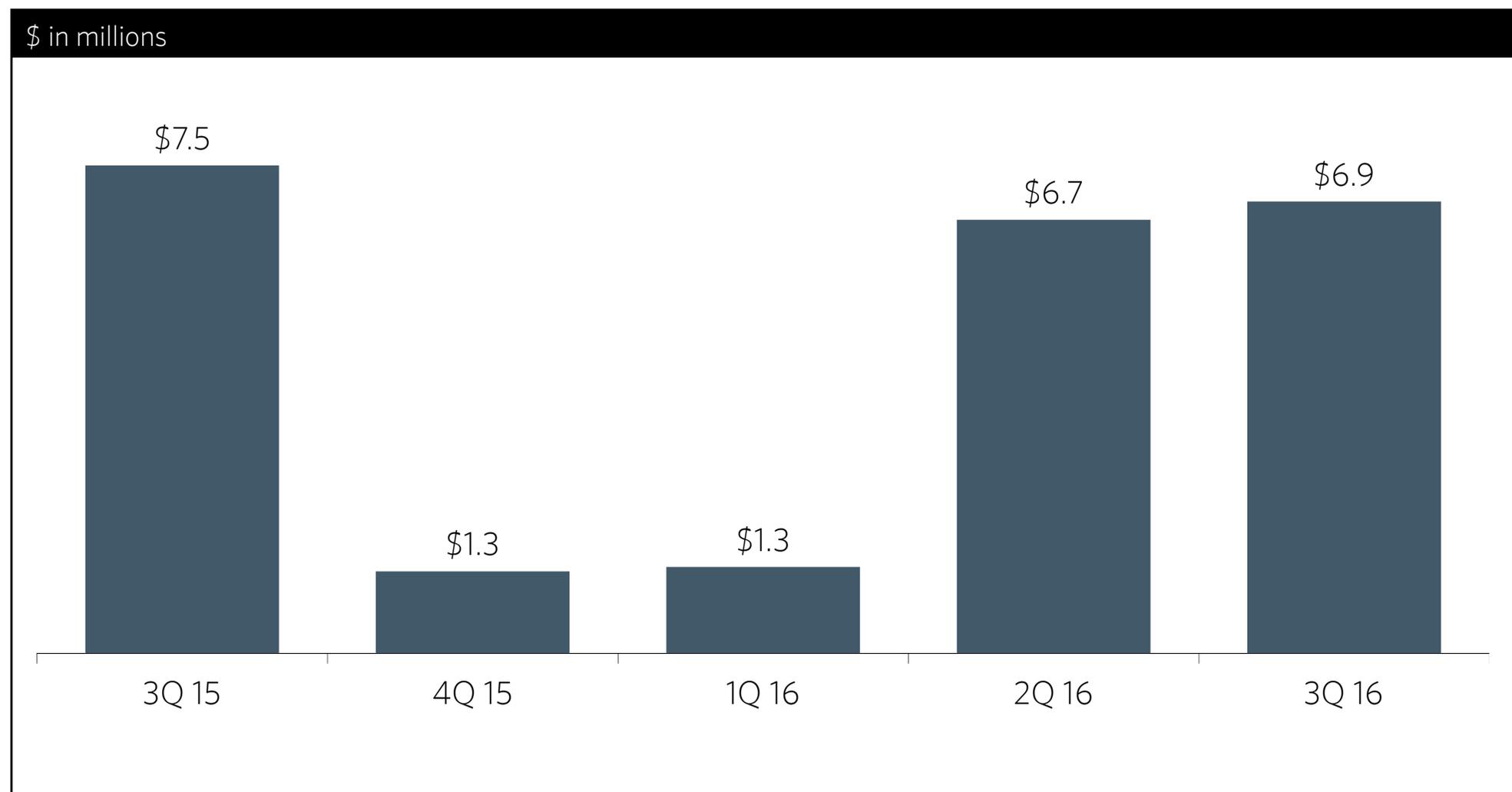


\$ in millions

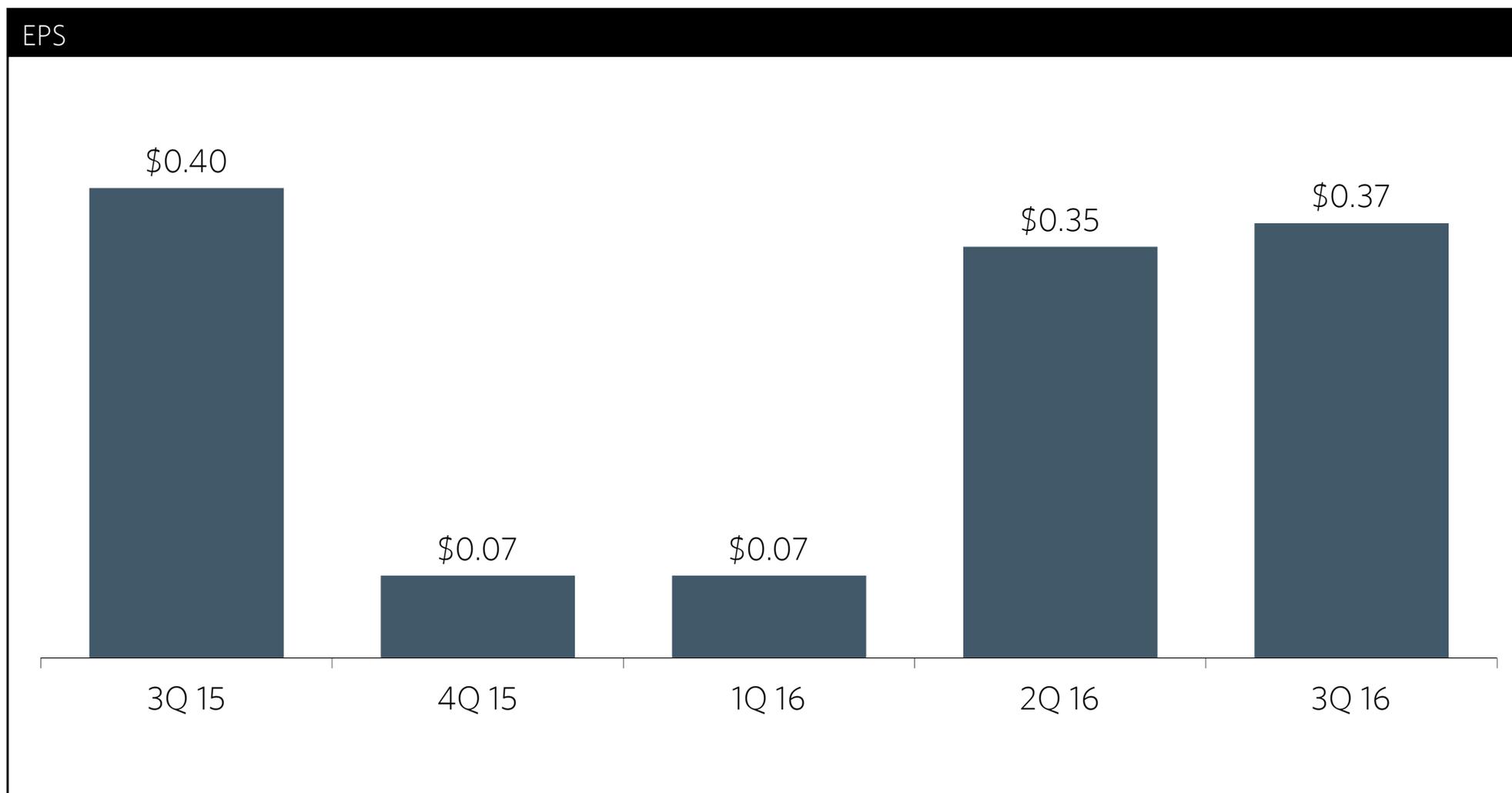
For the Quarter Ended:	Sept 30, 2016	Sept 30, 2015
Net cash provided by operating activities	\$35.9	\$43.1

For the 9 Months Ended:	Sept 30, 2016	Sept 30, 2015
Net cash used by operating activities	\$49.0	\$20.0

# QUARTERLY NET INCOME



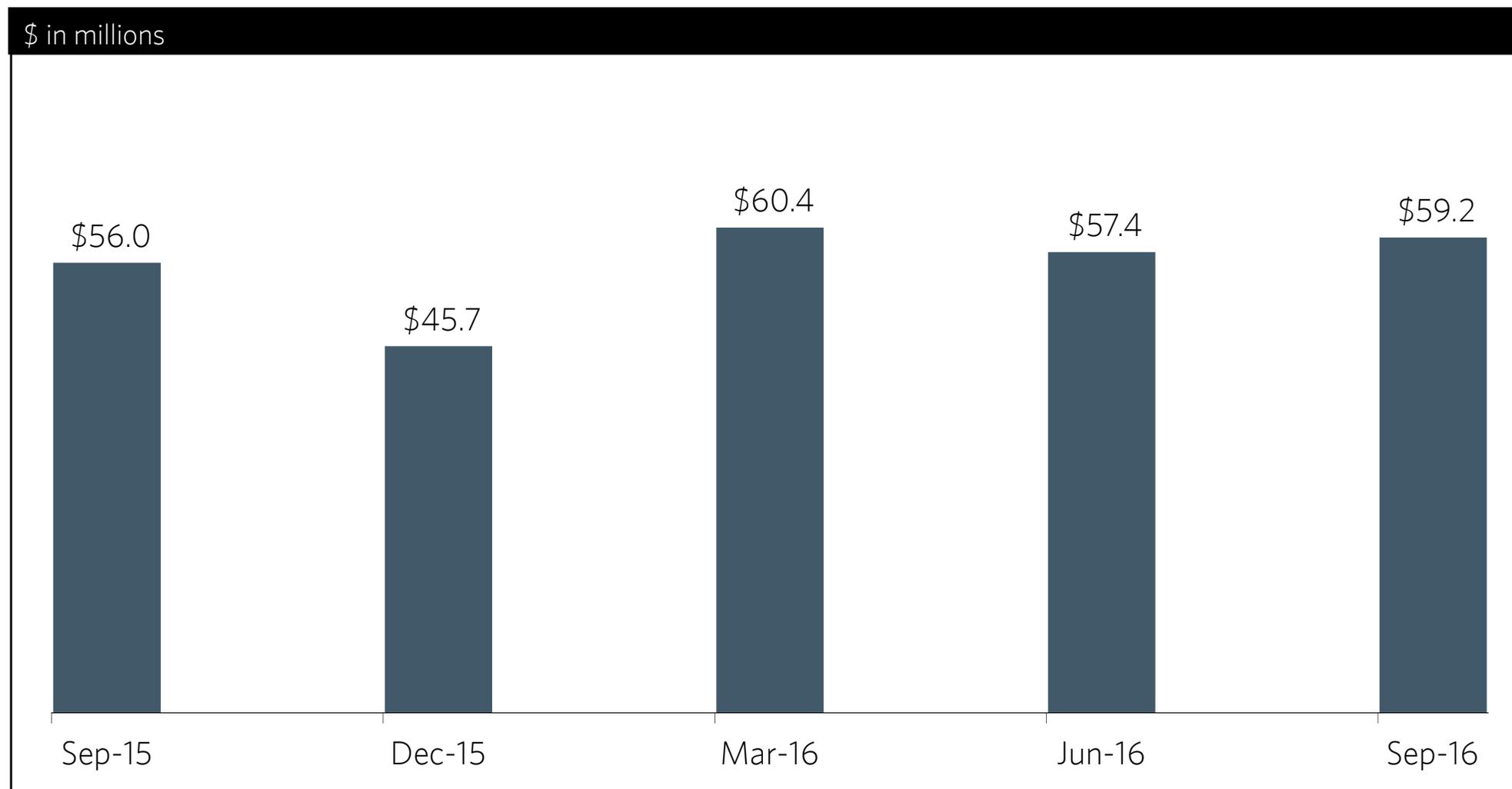
## QUARTERLY NET INCOME PER DILUTED SHARE



## BACKLOG

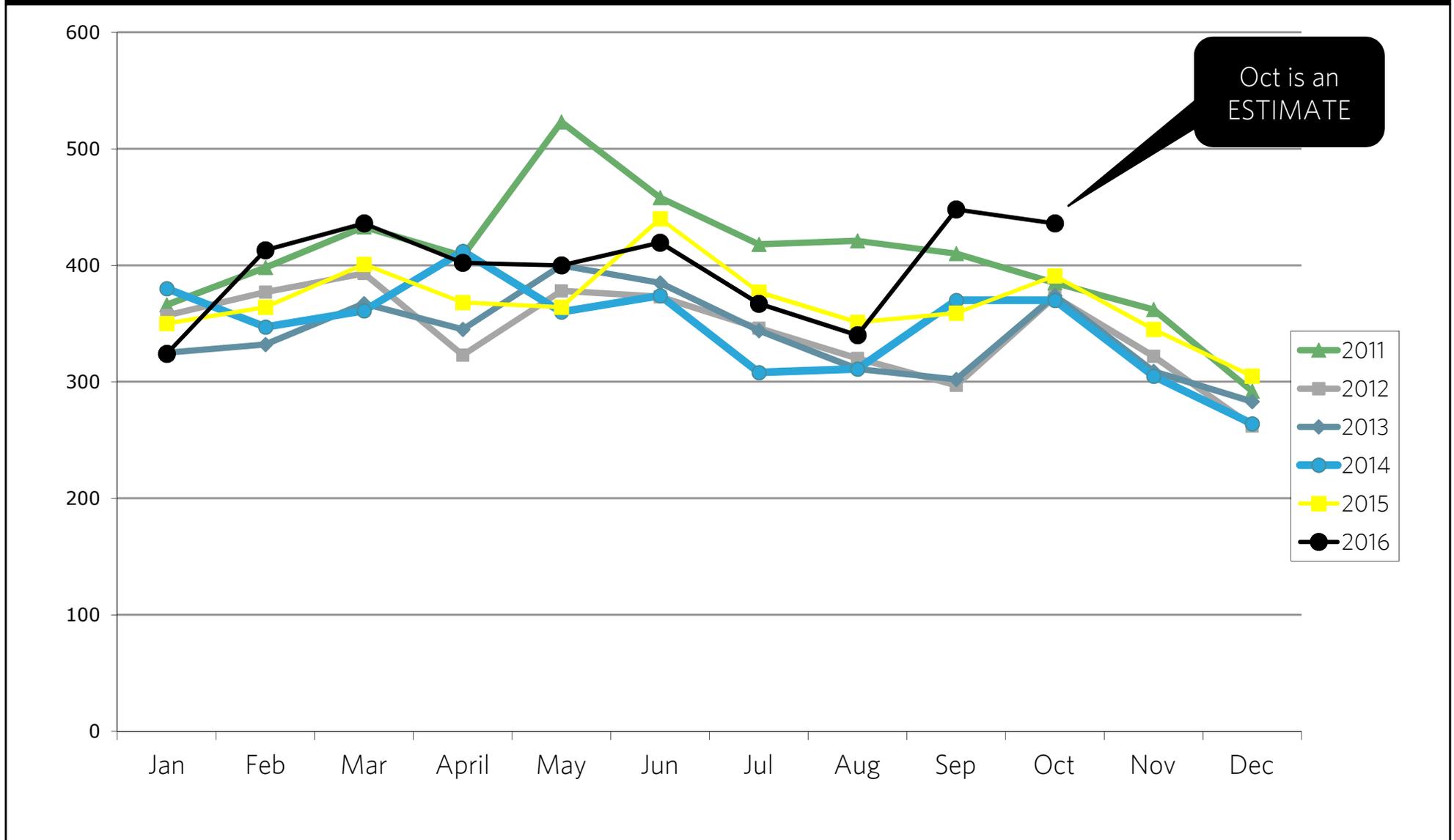
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Backlog is comprised of contractual billings for Executive Searches that will be recognized as revenue in the future. It does not include Leadership Consulting or Culture Shaping.

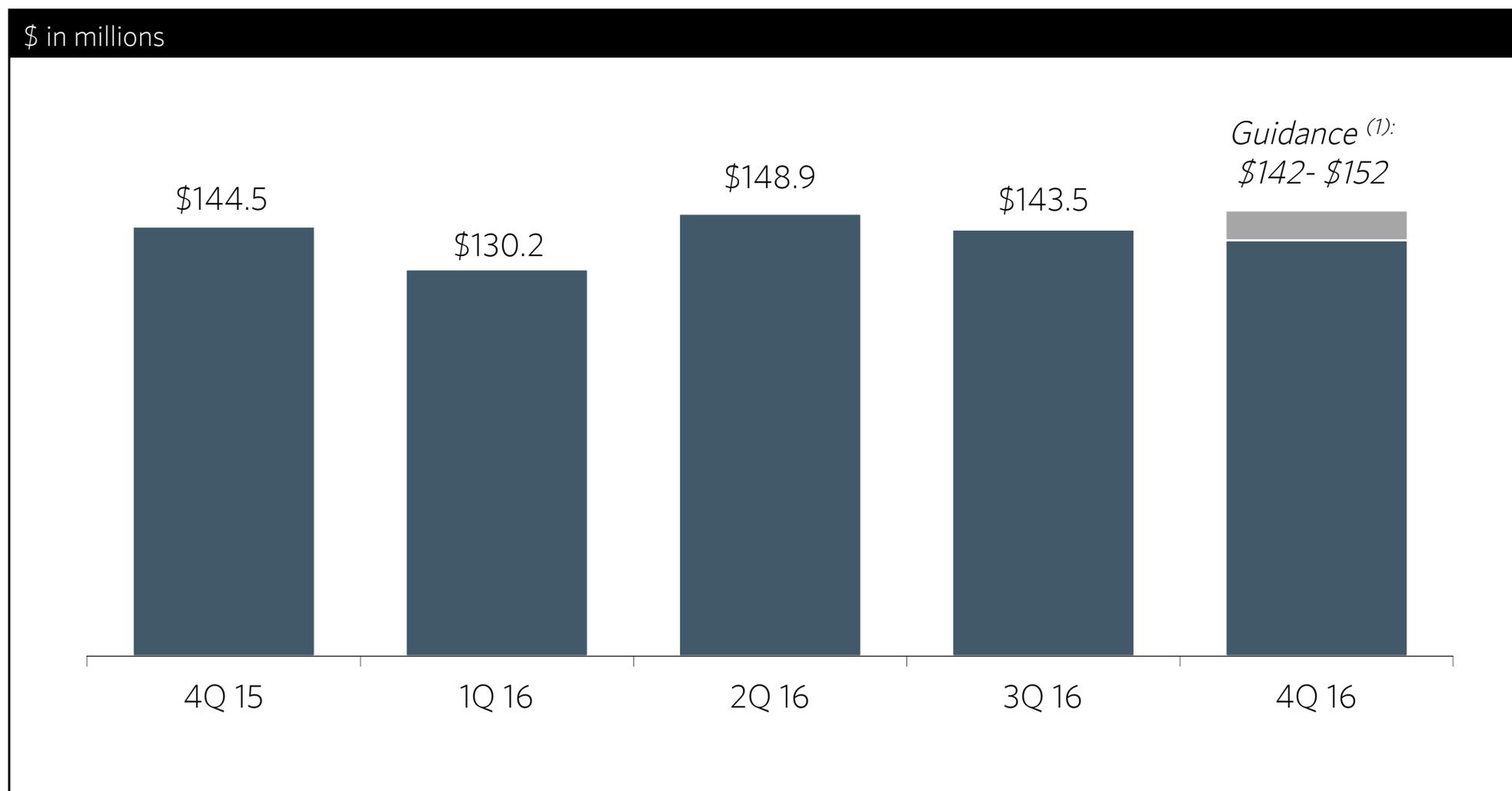


# WORLDWIDE MONTHLY CONFIRMATION TRENDS

## Executive Search and Leadership Consulting Services



## GUIDANCE: 4Q 2016 NET REVENUE (excludes reimbursements)



<sup>(1)</sup>This forecast is based on the average currency rates in September 2016 reflects, among other factors, management's assumptions for the anticipated volume of new Executive Search confirmations, Leadership Consulting assignments and Culture Shaping services, the current backlog, consultant productivity, consultant retention, and the seasonality of the business.

# HEIDRICK & STRUGGLES

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