

# HEIDRICK & STRUGGLES

## Second Quarter 2024 Results

July 29, 2024

# Cautionary Statement Regarding Forward-Looking Information

This presentation contains forward-looking statements within the meaning of the federal securities laws, including statements regarding guidance for the third quarter of 2024. 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," "outlook," "projects," "forecasts," "aim" and similar expressions. Forward-looking statements are not guarantees of future performance, rely on a number of assumptions, and involve certain known and unknown risks and uncertainties that are difficult to predict, many of which are beyond our control. Factors that may cause actual outcomes and results to differ materially from what is expressed, forecasted or implied in the forward-looking statements include, among other things, our ability to attract, integrate, develop, manage, retain and motivate 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; our clients' ability to restrict us from recruiting their employees; our heavy reliance on information management systems; risks arising from our implementation of new technology and intellectual property to deliver new products and services to our clients; our dependence on third parties for the execution of certain critical functions; 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; any challenges to the classification of our on-demand talent as independent contractors; the fact that increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted cyber-related attacks could pose a risk to our systems, networks, solutions, services and data; the fact that our net revenue may be affected by adverse macroeconomic or labor market conditions, including impacts of inflation and effects of geopolitical instability; the aggressive competition we face; the impact of foreign currency exchange rate fluctuations; our ability to access additional credit; social, political, regulatory, legal and economic risks in markets where we operate, including the impact of the ongoing war in Ukraine and the conflict in Israel and the Gaza strip, the risks of an expansion or escalation of those conflicts and our ability to quickly and completely recover from any disruption to our business; unfavorable tax law changes and tax authority rulings; our ability to realize the benefit of our net deferred tax assets; the fact that we may not be able to align our cost structure with net revenue; any impairment of our goodwill, other intangible assets and other long-lived assets; our ability to maintain an effective system of disclosure controls and internal control over our financial reporting and produce accurate and timely financial statements; our ability to execute and integrate future acquisitions; and the fact that we have anti-takeover provisions that make an acquisition of us difficult and expensive. We caution the reader that the list of factors may not be exhaustive. For more information on these risks, uncertainties and other factors, refer to our Annual Report on Form 10-K for the year ended December 31, 2023, under the heading "Risk Factors" in Item 1A. The forward-looking statements contained in this press release speak only as of the date of this press release. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

# Non-GAAP Financial Measures & Currency Presentation

## **NON-GAAP FINANCIAL MEASURES**

To supplement the financial results presented in accordance with generally accepted accounting principles in the United States ("GAAP"), Heidrick & Struggles presents certain non-GAAP financial measures. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance that excludes or includes amounts different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of comprehensive income, balance sheets or statements of cash flow of the Company.

Reconciliations of these non-GAAP financial measures with the most directly comparable measures calculated and presented in accordance with GAAP are provided in the appendix.

The Company evaluates its results of operations on both an as reported and a constant currency basis. The constant currency presentation is a non-GAAP financial measure, which excludes the impact of fluctuations in foreign currency exchange rates. The Company believes providing constant currency information provides valuable supplemental information regarding its results of operations, consistent with how it evaluates its performance. The Company calculates constant currency percentages by converting its financial results in a local currency for a period using the average exchange rate for the prior period to which it is comparing. This calculation may differ from similarly-titled measures used by other companies.

## **CURRENCY PRESENTATION**

All currency amounts presented in millions except for earnings per share data.

## **APPENDIX CURRENCY PRESENTATION**

All currency amounts presented in thousands except for earnings per share data.

# Overview



# Investment Highlights

Immense opportunity to create value for clients, colleagues and investors by discovering, assessing and enabling exceptional leaders

## **PREEMINENT GLOBAL CONSULTANCY**

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- World class brand with top of the house relationships
- Strong and unique collection of assets enable Right to Win
- Powerful platform to grow scale and impact – technology and IP

## **EVER EXPANDING ADDRESSABLE MARKET**

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- Conduct vital work that serves a huge and growing market
- Client needs continue to grow in scale and urgency
- Major opportunity to grow firm's impact and value

## **NEW LEADERSHIP**

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- CEO Tom Monahan and President Tom Murray appointed in early 2024
- Establishment of a culture of client-led excellence
- Implemented restructuring in Q2 2024 to accelerate growth

## **EXPANSION OF INDUSTRY EXPERTISE & CAPABILITIES**

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- Expanding in areas of greatest growth potential, capitalizing on secular tailwinds and growing global digital platform
- Creating solutions that lift client performance and leaders
- Delivering “bionic” value by leveraging technology and AI

## **MARGIN EXPANSION OPPORTUNITY**

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- Enhanced operating model and focused execution create significant room for margin expansion both organically and inorganically
- Integrated product positioning with One Heidrick approach

## **STRONG CASH FLOW AND BALANCE SHEET**

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- Zero debt
- Strong free cash flow
- Disciplined and balanced capital allocation underscores commitment to growth and returning capital to shareholders

**HEIDRICK & STRUGGLES**

# Financial Highlights

Heidrick & Struggles continues to deliver strong financial performance



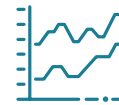
## REVENUE

- Quarterly net revenue of \$278.6 million; on a constant currency basis\*, net revenue was \$279.8 million for the second quarter



## ADJUSTED EBITDA\*

- Adjusted EBITDA\* of \$28.8 million and Adjusted EBITDA Margin\* of 10.3% for the second quarter



## NET INCOME

- Including unusual charges, net loss of \$5.2 million for the second quarter
- Adjusted net income of \$14.1 million



## EARNINGS PER SHARE

- Including unusual charges, diluted loss per share of \$0.25 for the second quarter
- Adjusted diluted earnings per share of \$0.67

“Our team delivered a strong second quarter. In a very complex operating environment, clients continue to need help engaging, assessing and enabling critical leadership talent – and our world-class colleagues met those needs with energy and creativity. This work helped propel our second quarter revenue beyond the high end of our outlook range while generating a double-digit EBITDA margin.”

“Even as we focused on delivering value to clients, we also made important changes to our leadership team and staffing levels. As a result, we enter the second half of the year with more focused solutions and better alignment of our organization with client needs. Going forward, we are tightly focused on accelerating returns from our recent investment cycle and on creating unmatched value for clients, colleagues and investors.”

- Tom Monahan, CEO

\* Non-GAAP Financial Measure

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# Diversification Drives Client Impact and Growth



## EXECUTIVE SEARCH

- 1.5% year over year revenue growth for the second quarter
- Adjusted EBITDA margin 25.1% for the second quarter
- Performance highlights versus Q2'23 include:
  - Productivity increased
  - Average revenue per search increased



## ON-DEMAND TALENT

- 6.8% year over year revenue growth for the second quarter
- Adjusted EBITDA margin (3.9)% for the first quarter
- Performance highlights versus Q2'23 include:
  - Total Contract Value increased
  - Value of extensions increased
  - Longer project durations extending into 2025



## HEIDRICK CONSULTING

- 6.2% year over year revenue growth for the second quarter
- Confirmations up 19.3% over Q2'23
- Adjusted EBITDA margin (5.2)% for the second quarter
- Leadership and Purpose Driven Change best practices driving business



## HEIDRICK DIGITAL

- Advancing enterprise platform through digital enhancements, proprietary data and IP
  - Developing digital product portfolio, including Navigator and Assessments
    - Multiple clients signed and a growing pipeline

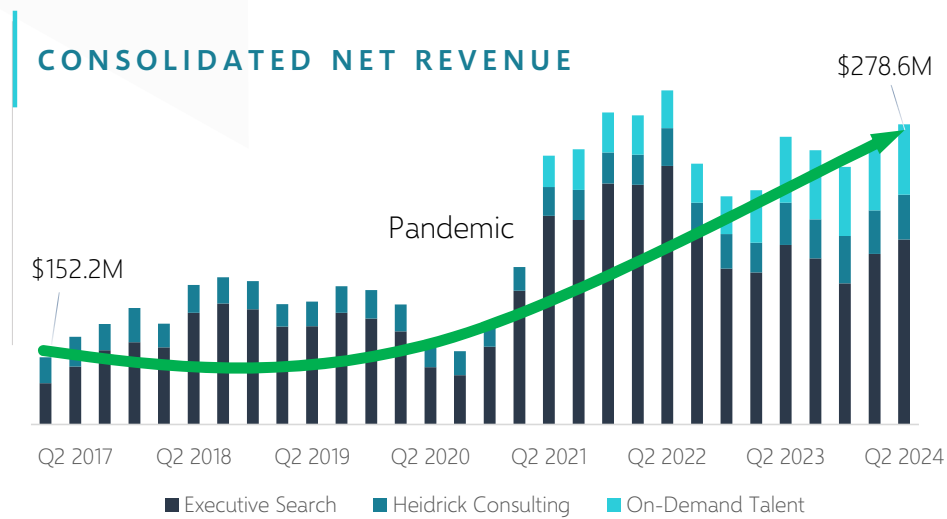
# Consolidated Results



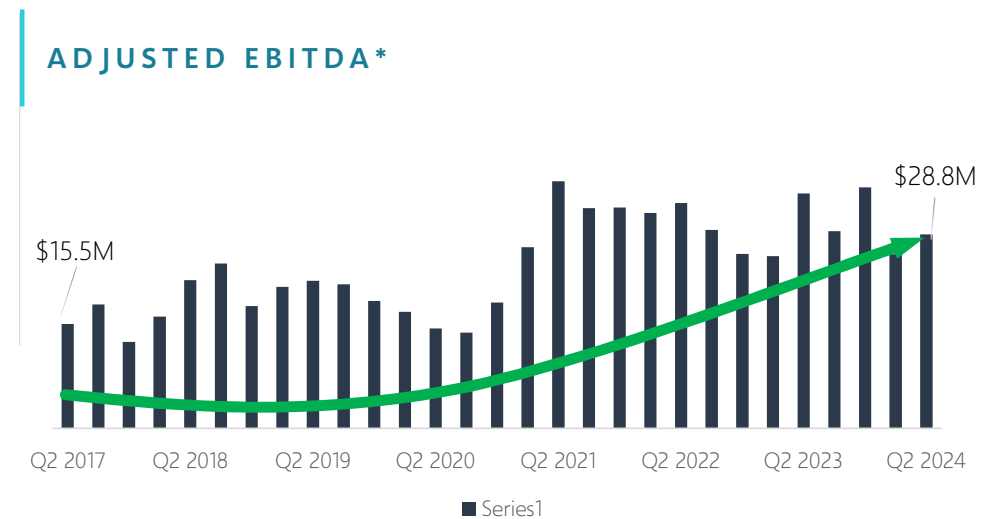


# Consolidated Financial Highlights

## QUARTERLY NET REVENUE AND ADJUSTED EBITDA\* TRENDS



9.0% CAGR since Q2 2017



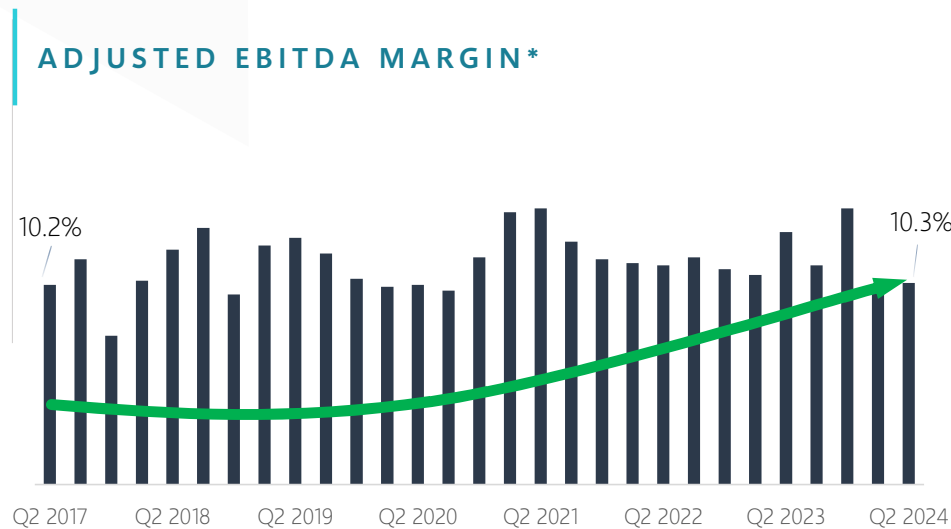
9.3% CAGR since Q2 2017

\* Non-GAAP Financial Measure

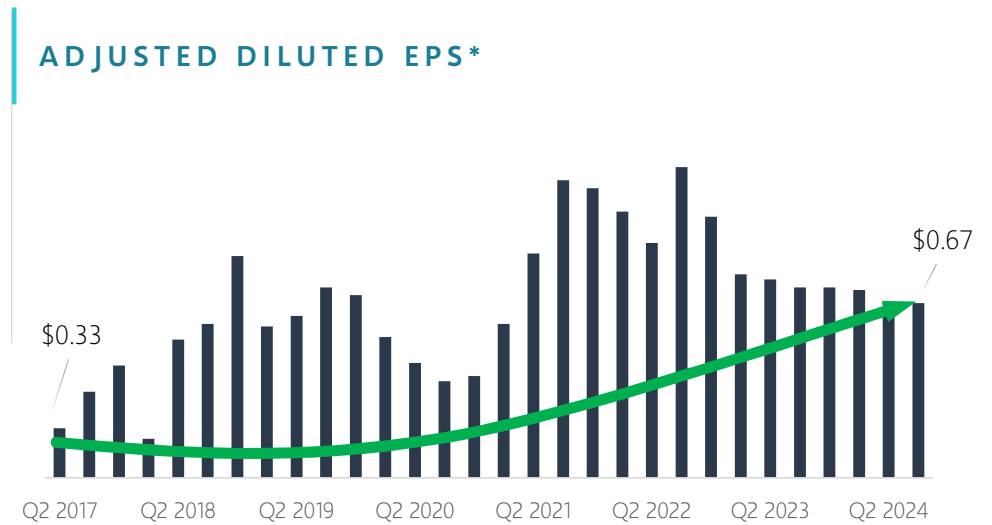
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# Consolidated Financial Highlights

## QUARTERLY ADJUSTED EBITDA MARGIN\* AND ADJUSTED DILUTED EPS\* TRENDS



Consistently profitable  
High single-digit/double-digit margin quarters



41 consecutive quarters of  
profitability

\* Non-GAAP Financial Measure

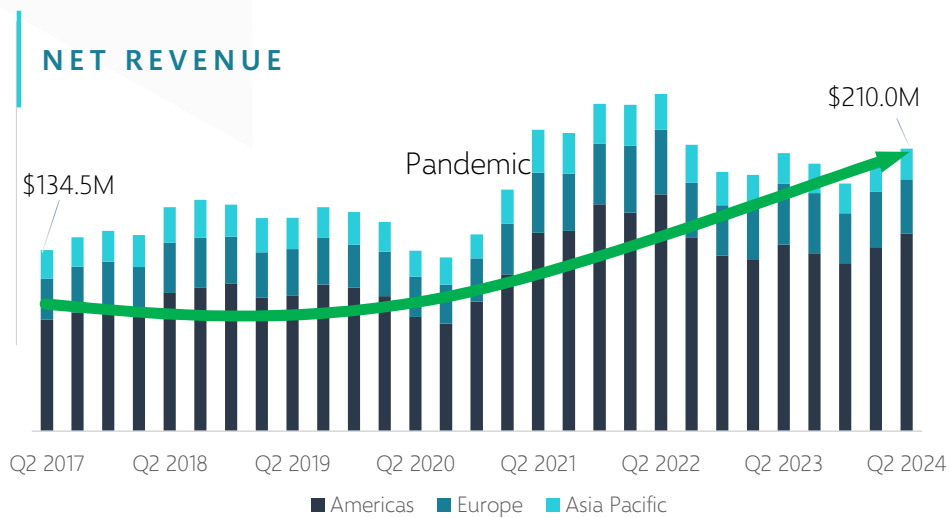
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# Executive Search Results

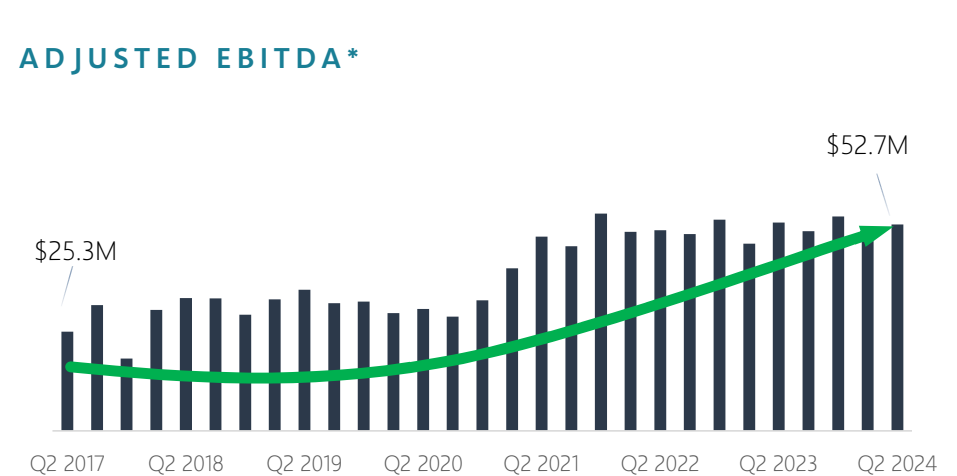


# Executive Search Financial Highlights

## QUARTERLY NET REVENUE AND ADJUSTED EBITDA\* TRENDS



6.6% CAGR since Q2 2017



11.1% CAGR since Q2 2017

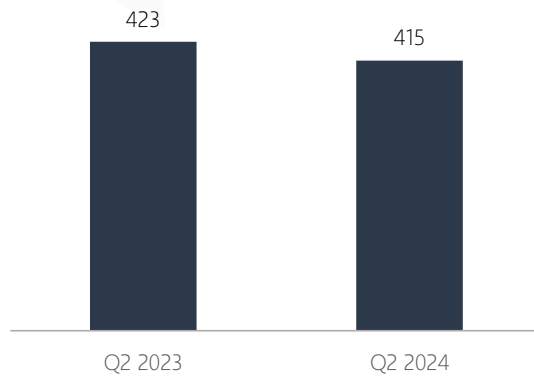
Strong profitability drives opportunities for other business segments

\* Non-GAAP Financial Measure

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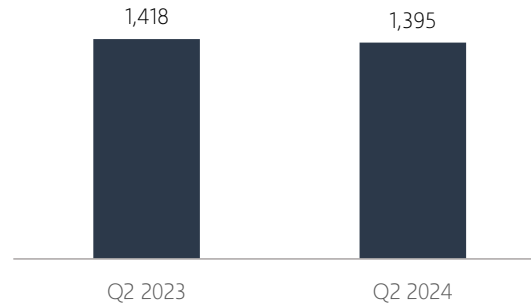
# Executive Search Operational Highlights

## CONSULTANT HEADCOUNT



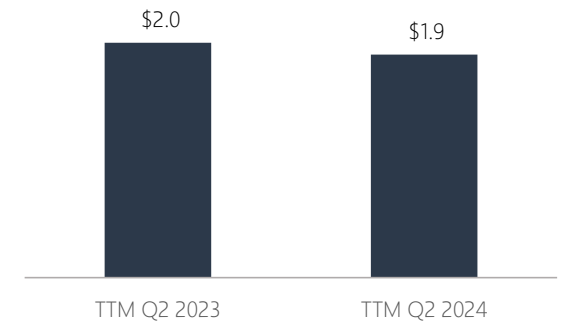
2% year-over-year consultant headcount decrease

## SEARCH CONFIRMATIONS



2% year-over-year decrease in confirmation volume

## CONSULTANT PRODUCTIVITY (\$M)

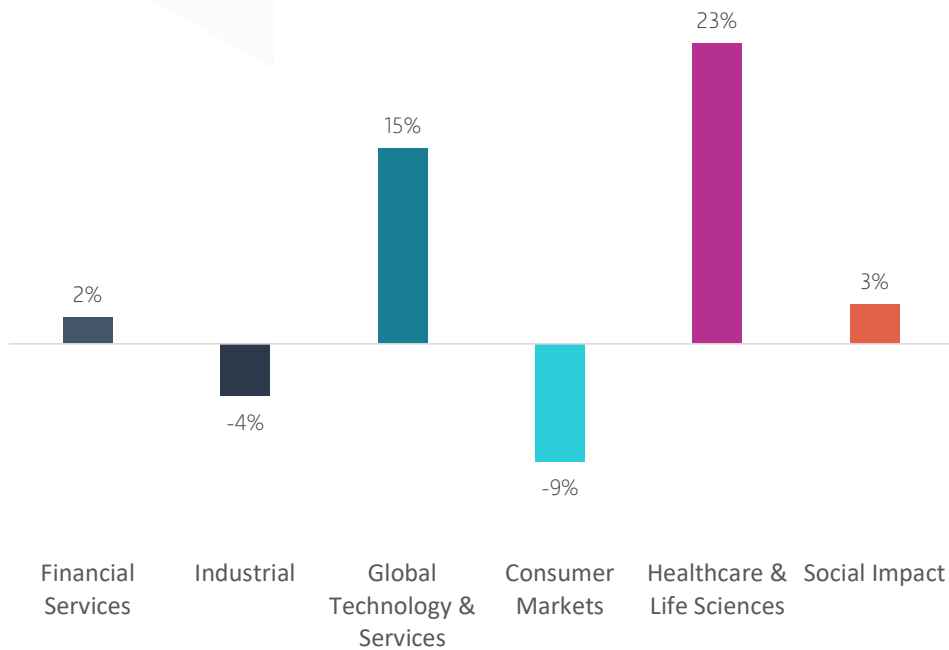


Trailing twelve-month productivity decrease due to higher revenue and higher average consultant headcount

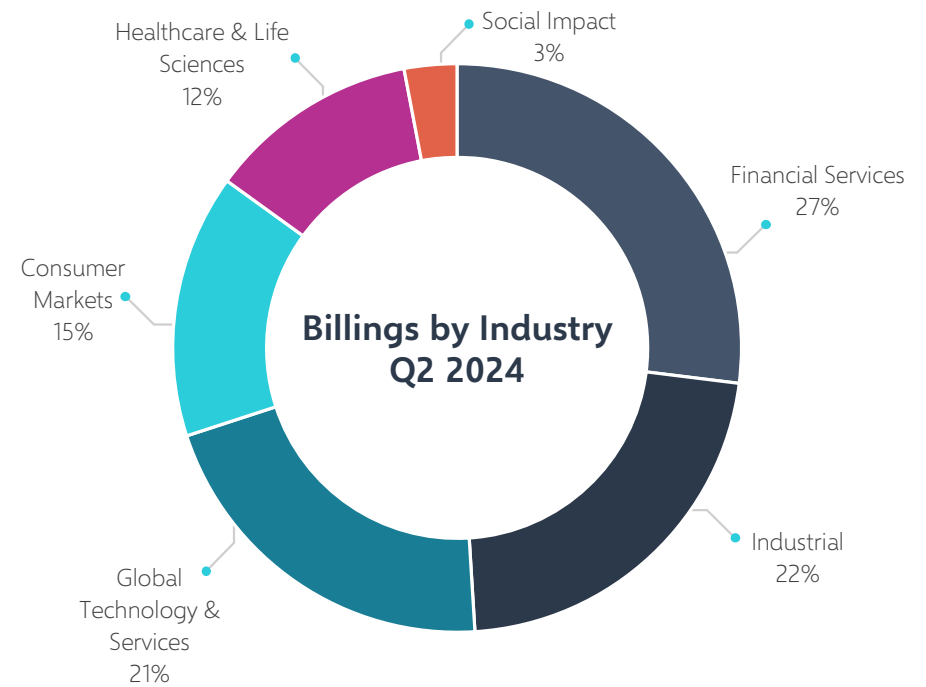
# Diversified Mix Of Business In Executive Search

## COMPARISON OF INDUSTRY BILLINGS

Q2 2024 vs. Q2 2023



## MIX OF INDUSTRIES

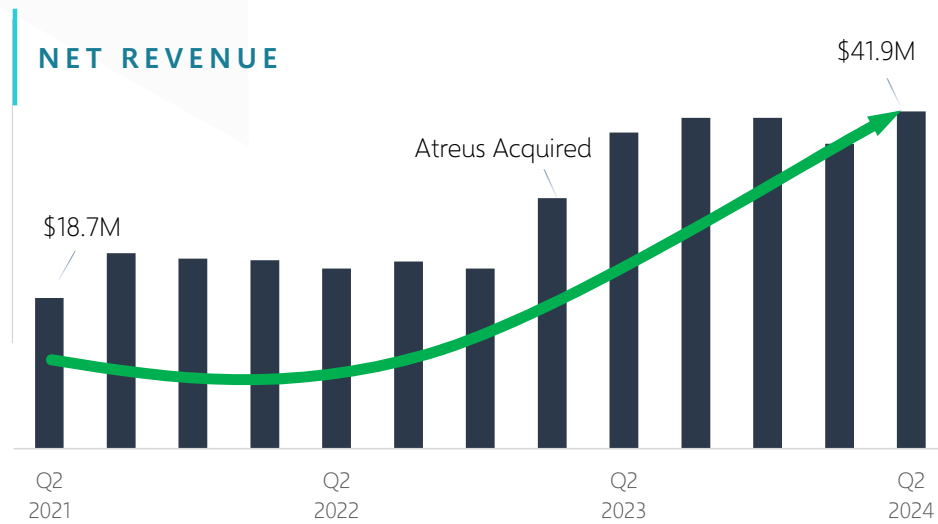


# **On-Demand Talent Results**

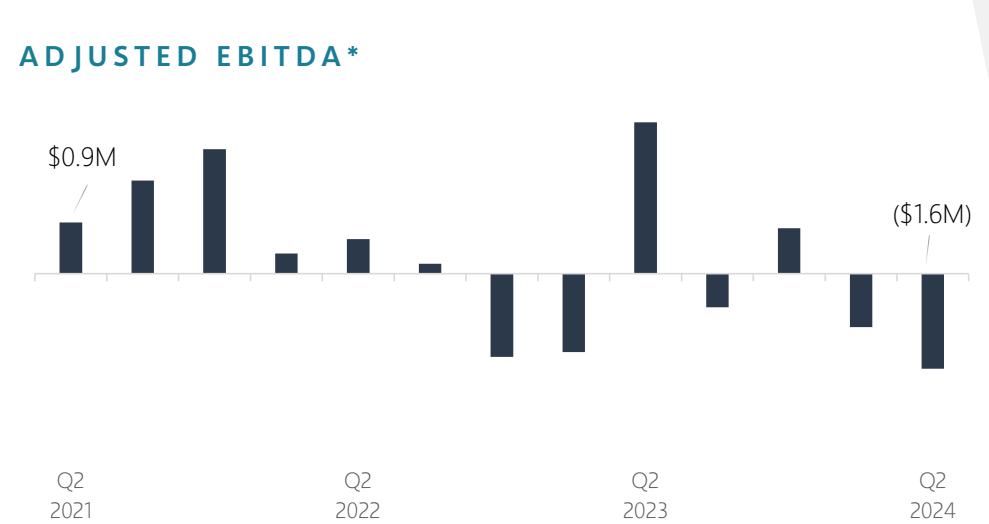


# On-Demand Talent Financial Highlights

## QUARTERLY NET REVENUE AND ADJUSTED EBITDA\* TRENDS



6.8% year over year growth



On-Demand Talent is currently in the investment and scaling phase

\* Non-GAAP Financial Measure

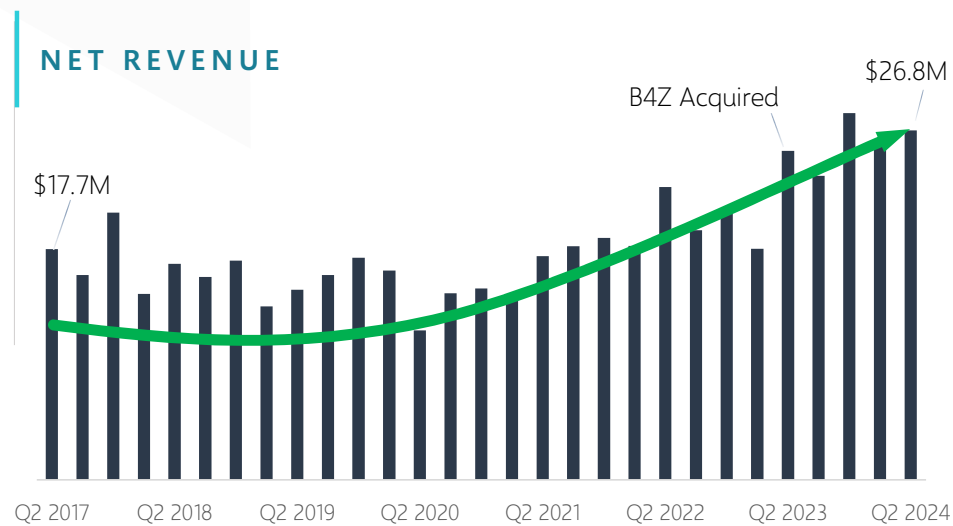


# Heidrick Consulting Results

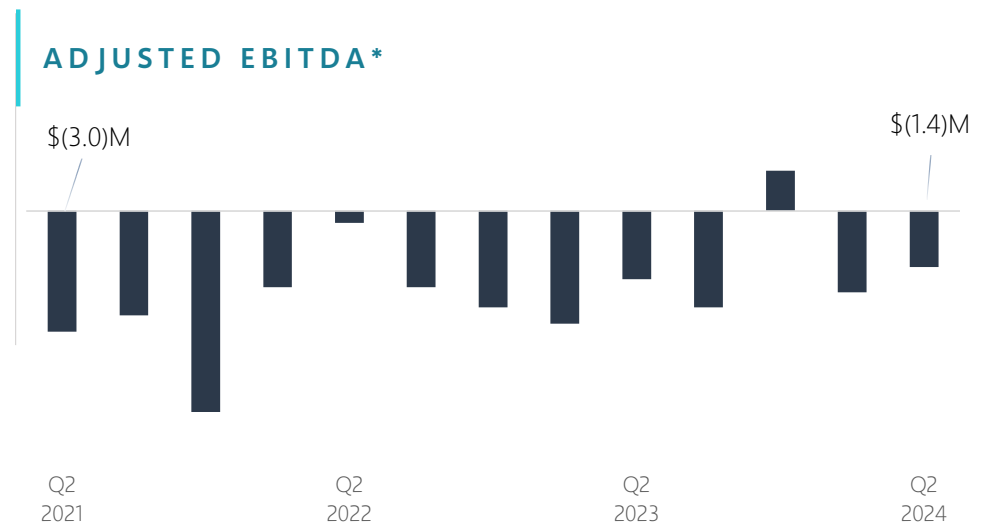


# Heidrick Consulting Financial Highlights

## QUARTERLY NET REVENUE AND ADJUSTED EBITDA\* TRENDS



6.1% CAGR since Q2 2017



Restructured in Q2 2024 with new leadership focused on scaling offers built on proprietary data and intellectual property to drive more consistent performance

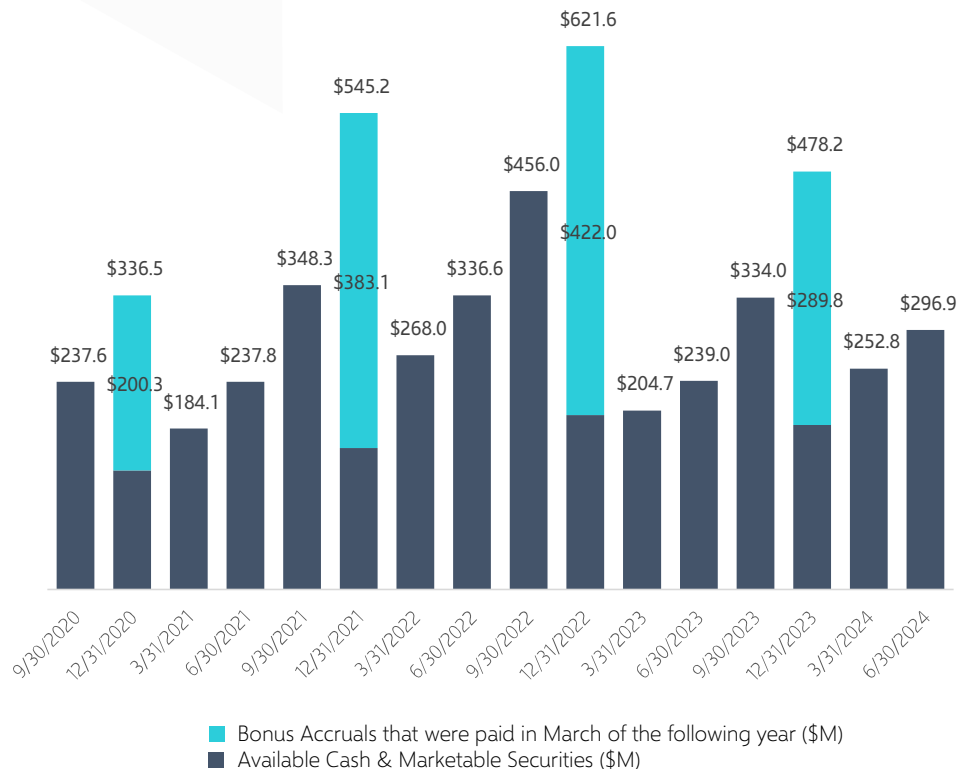
\* Non-GAAP Financial Measure

# Balance Sheet & Liquidity



# Strong & Flexible Balance Sheet

## CASH & MARKETABLE SECURITIES, NET OF DEBT



## CASH PROVIDED BY OPERATING ACTIVITIES

(\$M)	June 30, 2024	June 30, 2023
For the quarter ending:	\$62.5	\$46.9

## USE OF CASH PRIORITIZATION



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# Appendix

Reconciliation of GAAP to Non-GAAP Financial Measures

# Adjusted Net Income & Earnings Per Share

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

(In \$ thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	\$ (5,157)	\$ 8,982	\$ 8,875	\$ 24,568
Adjustments				
Impairment charges, net of tax	14,190	6,038	14,190	6,038
Earnout adjustments, net of tax	749	-	749	-
Restructuring charges, net of tax	4,291	-	4,291	-
Total adjustments	19,230	6,038	19,230	6,038
Adjusted net income	<u>\$ 14,073</u>	<u>\$ 15,020</u>	<u>\$ 28,105</u>	<u>\$ 30,606</u>
Weighted-average common shares outstanding				
Basic	20,259	20,010	20,202	19,958
Diluted	20,865	20,637	21,061	20,701
Earnings per common share				
Basic	\$ (0.25)	\$ 0.45	\$ 0.44	\$ 1.23
Diluted	\$ (0.25)	\$ 0.44	\$ 0.42	\$ 1.19
Adjusted earnings per common share				
Basic	\$ 0.69	\$ 0.75	\$ 1.39	\$ 1.53
Diluted	\$ 0.67	\$ 0.73	\$ 1.33	\$ 1.48

# Adjusted EBITDA & Adjusted EBITDA Margin

Adjusted EBITDA is defined as net income before interest, other income or expense, income taxes, depreciation and amortization, as adjusted, to the extent they occur, for earnout accretion, earnout fair value adjustments, contingent compensation, deferred compensation plan income or expense, certain reorganization costs, impairment charges and restructuring charges.

(In \$ thousands)	Three Months Ended June 30, 2024								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$147,078	\$40,082	\$22,807	\$209,967	\$41,895	\$26,764	\$0	\$0	\$278,626
Operating income (loss) <sup>1</sup>	44,895	458	1,468	46,821	(21,695)	(6,530)	(5,605)	(17,174)	(4,183)
Adjustments									
Depreciation	719	29	115	863	117	82	809	119	1,990
Intangible amortization	6	14	-	20	1,533	367	-	-	1,920
Earnout accretion	-	-	-	-	409	60	-	-	469
Earnout fair value adjustments	-	-	-	-	1,125	86	-	-	1,211
Acquisition contingent compensation	295	-	-	295	1,835	1,155	-	-	3,285
Deferred compensation plan	920	-	-	920	-	18	15	3	956
Reorganization costs	-	-	-	-	-	-	-	-	-
Impairment charges	-	1,463	-	1,463	14,761	-	-	-	16,224
Restructuring charges	1,277	876	157	2,310	286	3,367	-	976	6,939
Total adjustments	3,217	2,382	272	5,871	20,066	5,135	824	1,098	32,994
Adjusted EBITDA	\$48,112	\$2,840	\$1,740	\$52,692	(\$1,629)	(\$1,395)	(\$4,781)	(\$16,076)	\$28,811
Adjusted EBITDA margin	32.7%	7.1%	7.6%	25.1%	(3.9%)	(5.2%)	(1.7%)	(5.8%)	10.3%

(In \$ thousands)	Three Months Ended June 30, 2023								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$138,563	\$45,567	\$22,649	\$206,779	\$39,240	\$25,206	\$0	\$0	\$271,225
Operating income (loss) <sup>1</sup>	43,144	2,432	1,364	46,940	(2,862)	(10,686)	(5,658)	(14,149)	13,585
Adjustments									
Depreciation	743	292	262	1,297	116	183	416	160	2,172
Intangible amortization	10	39	4	53	2,151	443	-	-	2,647
Earnout accretion	-	-	-	-	394	57	-	-	451
Earnout fair value adjustments	-	-	-	-	-	-	-	-	-
Acquisition contingent compensation	641	524	-	1,165	1,561	1,058	-	-	3,784
Deferred compensation plan	1,541	-	-	1,541	-	37	24	1	1,603
Reorganization costs	-	2,169	-	2,169	1,227	-	-	-	3,396
Impairment charges	-	-	-	-	-	7,246	-	-	7,246
Restructuring charges	-	-	-	-	-	-	-	-	-
Total adjustments	2,935	3,024	266	6,225	5,449	9,024	440	161	21,299
Adjusted EBITDA	\$46,079	\$5,456	\$1,630	\$53,165	\$2,587	(\$1,662)	(\$5,218)	(\$13,988)	\$34,884
Adjusted EBITDA margin	33.3%	12.0%	7.2%	25.7%	6.6%	(6.6%)	(1.9%)	(5.2%)	12.9%

<sup>1</sup> The Company does not allocate interest income or expense, other income or expense, and the provision for income taxes to the Company's reportable operating segments. As such, the Company has concluded that operating income (loss) represents the most directly comparable measure of financial performance presented in accordance with U.S. GAAP for the reconciliation of Adjusted EBITDA in this presentation.

2024 YEAR-TO-DATE

# Adjusted EBITDA & Adjusted EBITDA Margin

Adjusted EBITDA is defined as net income before interest, other income or expense, income taxes, depreciation and amortization, as adjusted, to the extent they occur, for earnout accretion, earnout fair value adjustments, contingent compensation, deferred compensation plan income or expense, certain reorganization costs, impairment charges and restructuring charges.

(In \$ thousands)	Six Months Ended June 30, 2024								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$283,757	\$81,563	\$46,128	\$411,448	\$79,752	\$52,623	\$0	\$0	\$543,823
Operating income (loss) <sup>1</sup>	84,376	3,516	4,461	92,353	(26,544)	(10,372)	(11,320)	(32,026)	12,091
Adjustments									
Depreciation	1,477	310	317	2,104	248	279	1,563	289	4,483
Intangible amortization	9	28	-	37	3,368	812	-	-	4,217
Earnout accretion	-	-	-	-	815	120	-	-	935
Earnout fair value adjustments	-	-	-	-	1,125	86	-	-	1,211
Acquisition contingent compensation	(335)	-	-	(335)	3,391	2,217	-	-	5,273
Deferred compensation plan	3,179	-	-	3,179	-	69	51	7	3,306
Reorganization costs	-	-	-	-	-	-	-	-	-
Impairment charges	-	1,463	-	1,463	14,761	-	-	-	16,224
Restructuring charges	1,277	876	157	2,310	286	3,367	-	976	6,939
Total adjustments	5,607	2,677	474	8,758	23,994	6,950	1,614	1,272	42,588
Adjusted EBITDA	<u>\$89,983</u>	<u>\$6,193</u>	<u>\$4,935</u>	<u>\$101,111</u>	<u>(\$2,550)</u>	<u>(\$3,422)</u>	<u>(\$9,706)</u>	<u>(\$30,754)</u>	<u>\$54,679</u>
Adjusted EBITDA margin	31.7%	7.6%	10.7%	24.6%	(3.2%)	(6.5%)	(1.8%)	(5.7%)	10.1%

(In \$ thousands)	Six Months Ended June 30, 2023								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$265,890	\$84,498	\$46,878	\$397,266	\$70,357	\$42,919	\$0	\$0	\$510,542
Operating income (loss) <sup>1</sup>	81,843	4,144	4,646	90,633	(7,226)	(13,802)	(11,186)	(27,063)	31,356
Adjustments									
Depreciation	1,499	598	543	2,640	201	351	664	320	4,176
Intangible amortization	19	78	8	105	3,868	543	-	-	4,516
Earnout accretion	-	-	-	-	585	57	-	-	642
Earnout fair value adjustments	-	-	-	-	-	-	-	-	-
Acquisition contingent compensation	1,252	548	-	1,800	2,585	1,058	-	-	5,443
Deferred compensation plan	3,590	-	-	3,590	-	90	53	3	3,736
Reorganization costs	-	2,169	-	2,169	1,227	-	-	-	3,396
Impairment charges	-	-	-	-	-	7,246	-	-	7,246
Restructuring charges	-	-	-	-	-	-	-	-	-
Total adjustments	6,360	3,393	551	10,304	8,466	9,345	717	323	29,155
Adjusted EBITDA	<u>\$88,203</u>	<u>\$7,537</u>	<u>\$5,197</u>	<u>\$100,937</u>	<u>\$1,240</u>	<u>(\$4,457)</u>	<u>(\$10,469)</u>	<u>(\$26,740)</u>	<u>\$60,511</u>
Adjusted EBITDA margin	33.2%	8.9%	11.1%	25.4%	1.8%	(10.4%)	(2.1%)	(5.2%)	11.9%

<sup>1</sup> The Company does not allocate interest income or expense, other income or expense, and the provision for income taxes to the Company's reportable operating segments. As such, the Company has concluded that operating income (loss) represents the most directly comparable measure of financial performance presented in accordance with U.S. GAAP for the reconciliation of Adjusted EBITDA in this presentation.



# HEIDRICK & STRUGGLES

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