

# HEIDRICK & STRUGGLES

## FOURTH QUARTER 2020 RESULTS

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FEBRUARY 22, 2021

## SAFE HARBOR STATEMENT

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The 2020 fourth 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, the impacts, direct and indirect, of the COVID-19 pandemic 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; 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.

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## FOURTH QUARTER CONSOLIDATED RESULTS

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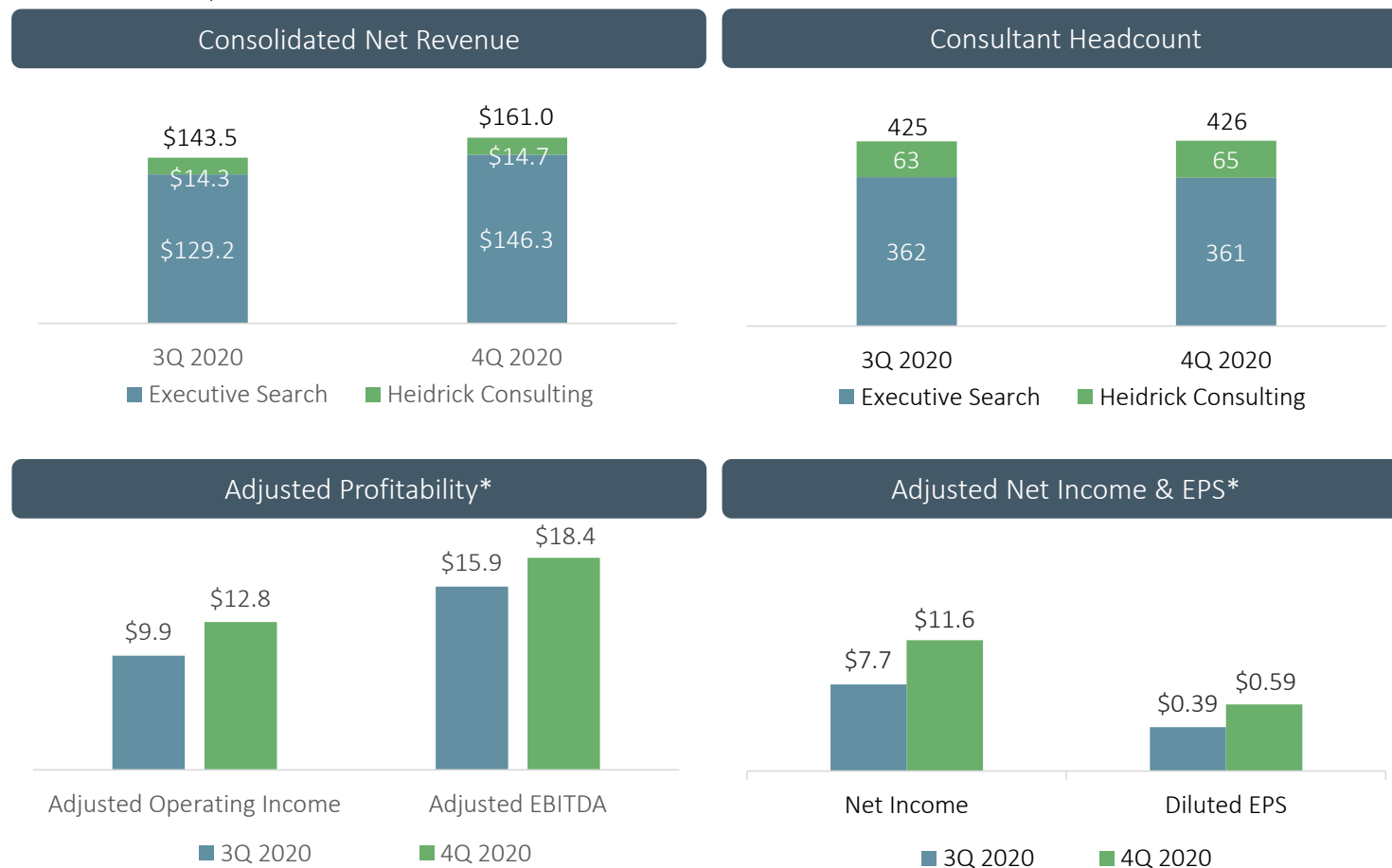
## 2020 FOURTH QUARTER HIGHLIGHTS

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- Net revenue of \$161.0 million increased 12.2% from 2020 third quarter trough
- Restructuring charge of \$4.3 million included in operating income of \$8.5 million and operating margin of 5.3%
- Adjusted operating income of \$12.8 million up sequentially from \$9.9 million and adjusted operating margin of 7.9% up 100 basis points sequentially
- Adjusted EBITDA of \$18.4 million up from \$15.9 million in the 2020 third quarter and adjusted EBITDA margin up 40 basis points
- General and administrative expenses of \$27.4 million, or 17.0% of revenue, improved by \$2.4 million sequentially from 20.7% of revenue and prior year quarter's 19.9% of revenue
- Net income of \$5.5 million includes restructuring charge; adjusted net income of \$11.6 million and adjusted diluted earnings per share of \$0.59
- Strong cash flow from operations of \$96.3 million creating total liquidity of \$506.1 million at year end

## FOURTH QUARTER 2020 FINANCIAL HIGHLIGHTS (SEQUENTIAL COMPARISON)

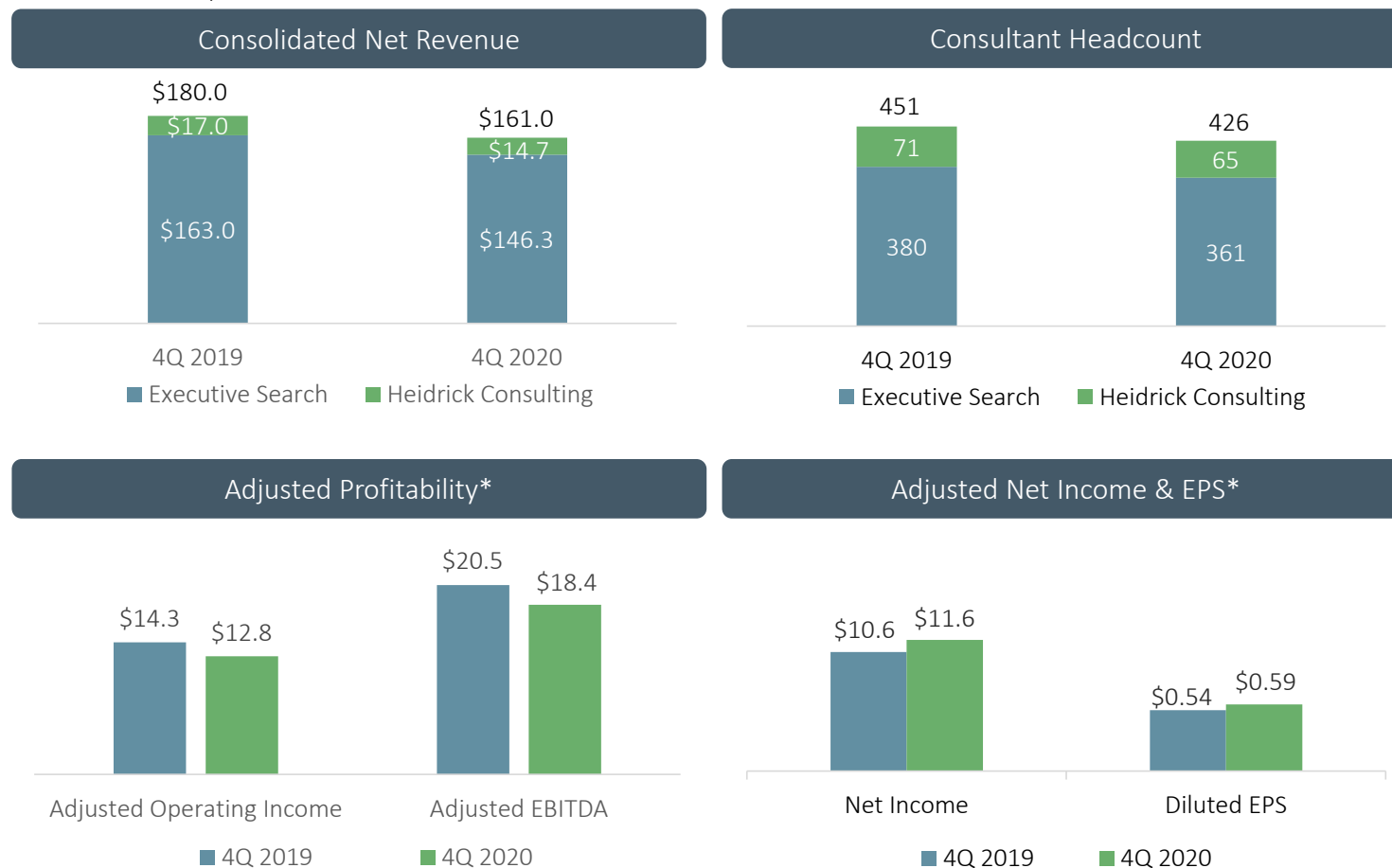
\$ in millions except Diluted EPS



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

## FOURTH QUARTER 2020 FINANCIAL HIGHLIGHTS (YEAR-OVER-YEAR COMPARISON)

\$ in millions except Diluted EPS



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

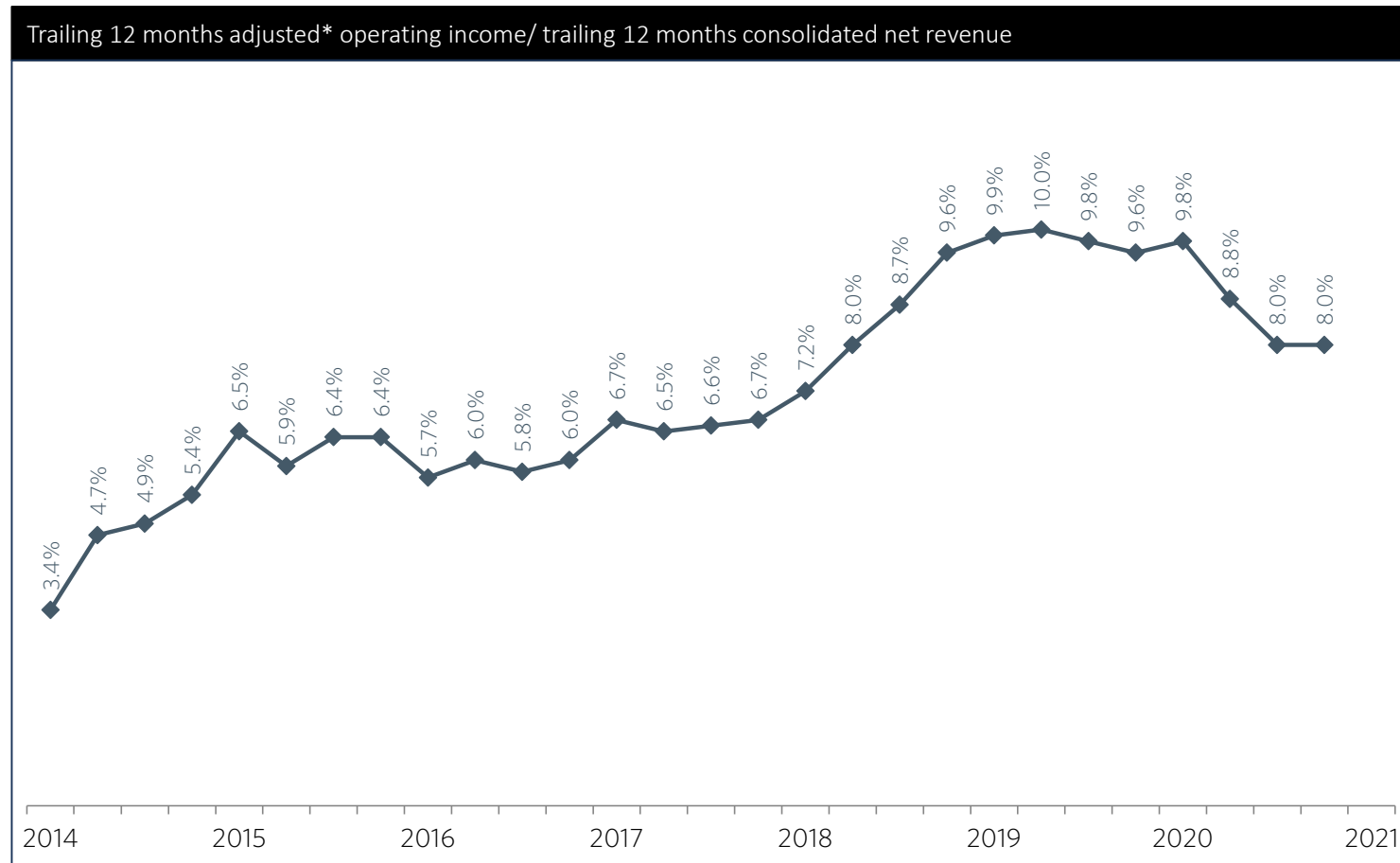
## FULL YEAR 2020 FINANCIAL HIGHLIGHTS

\$ in millions except Diluted EPS and Headcount



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

## TRAILING 12-MONTH CONSOLIDATED OPERATING MARGIN\*



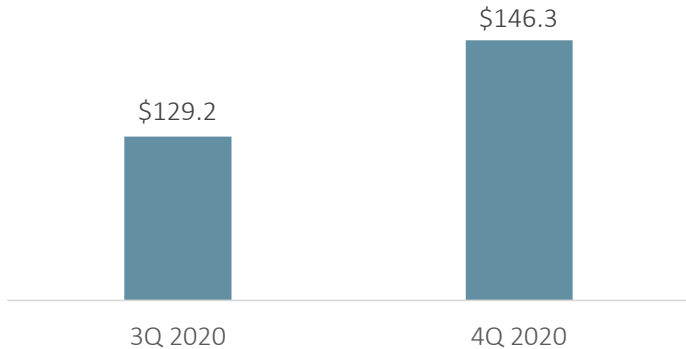
\* Operating margins adjusted to exclude restructuring & impairment charges in 2017, 2019 and 2020



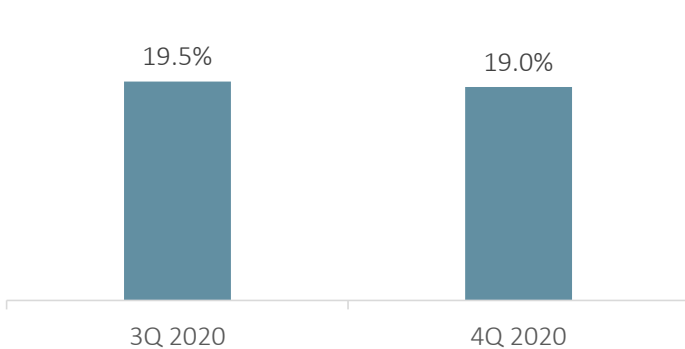
# EXECUTIVE SEARCH – 4Q 2020 FINANCIAL HIGHLIGHTS (SEQUENTIAL COMPARISON)

\$ in millions

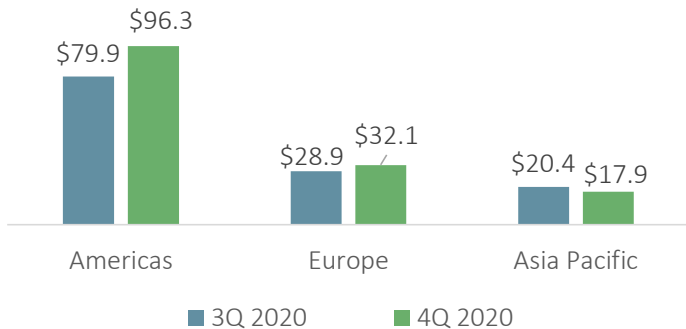
Net Revenue



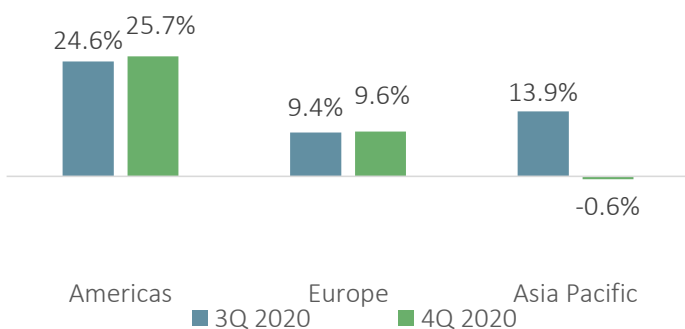
Adjusted Operating Margin\*



Net Revenue by Region



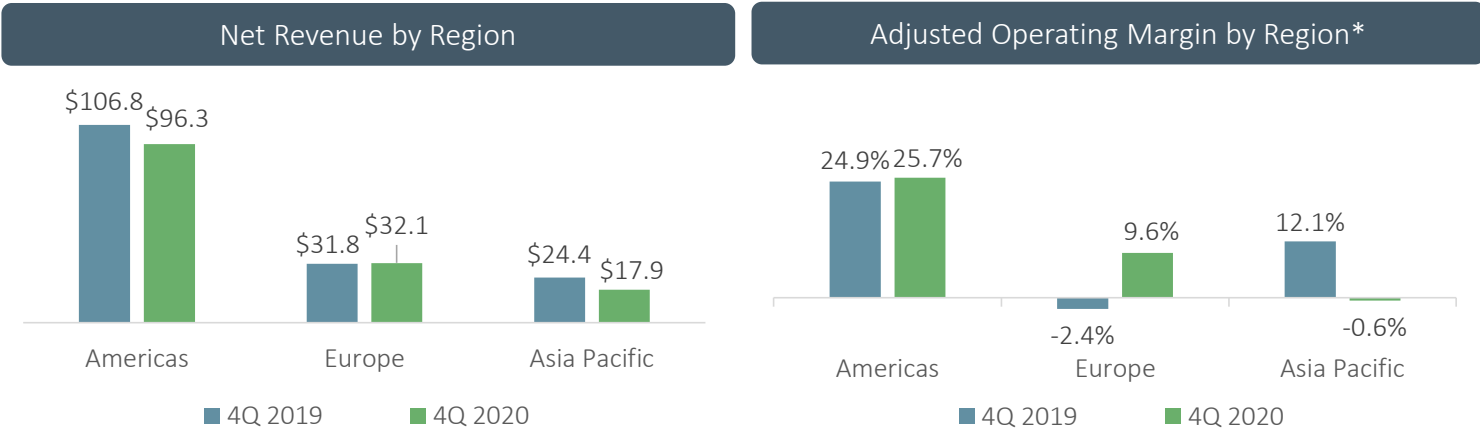
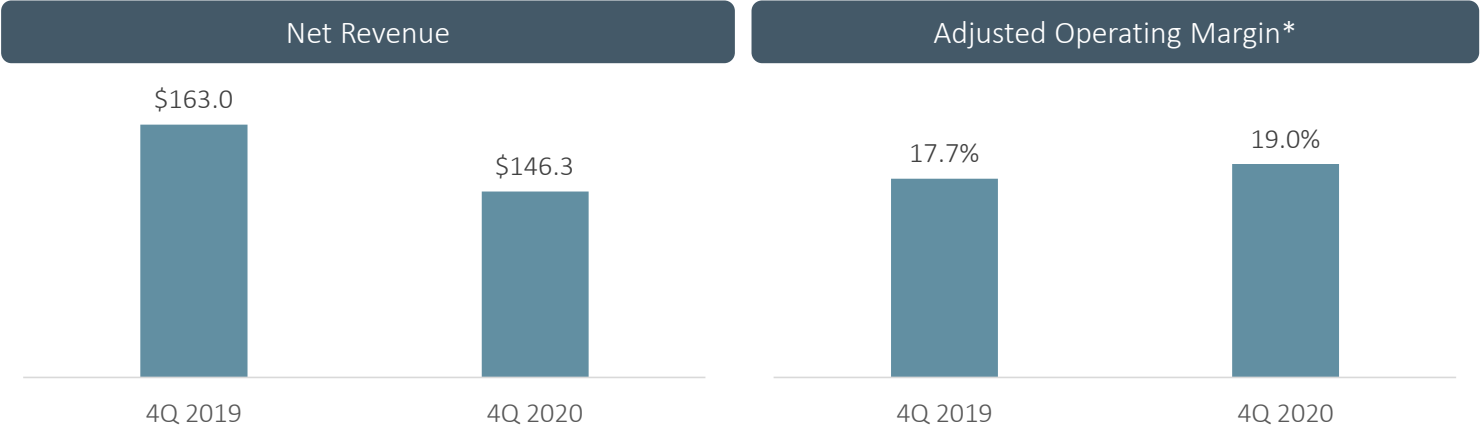
Adjusted Operating Margin by Region\*



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

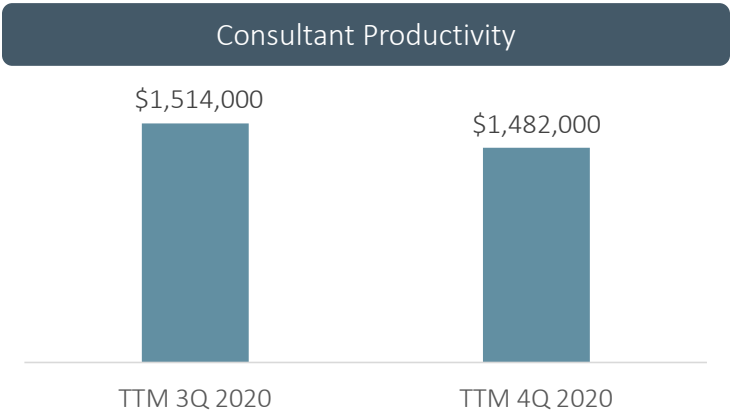
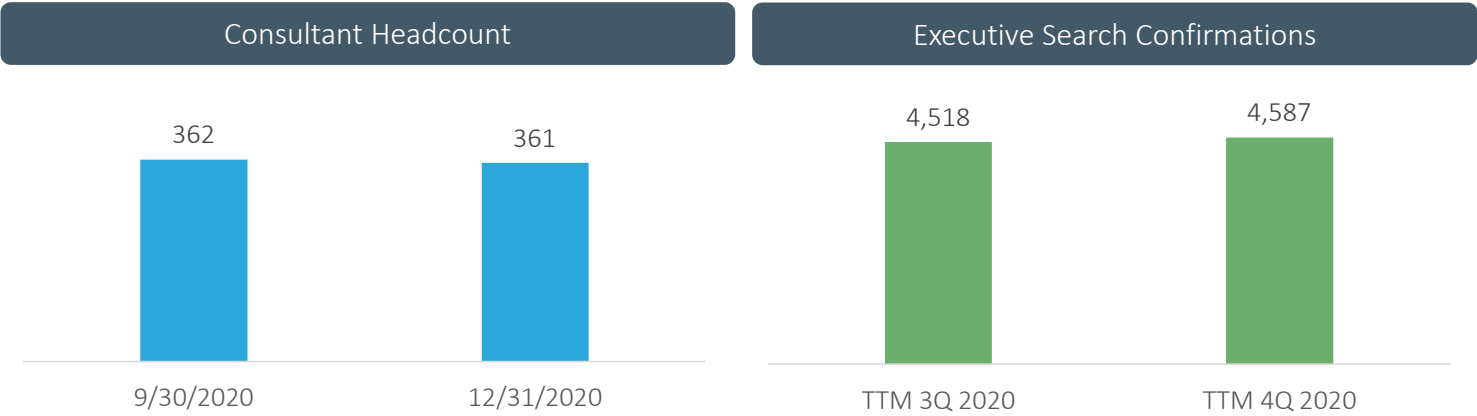
# EXECUTIVE SEARCH – 4Q 2020 FINANCIAL HIGHLIGHTS (YEAR-OVER-YEAR COMPARISON)

\$ in millions

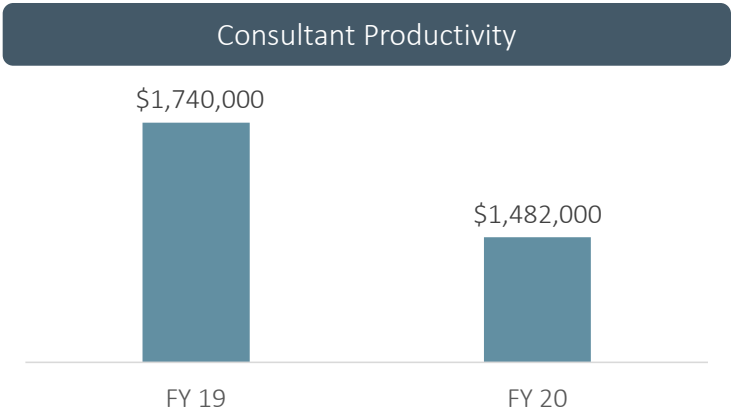
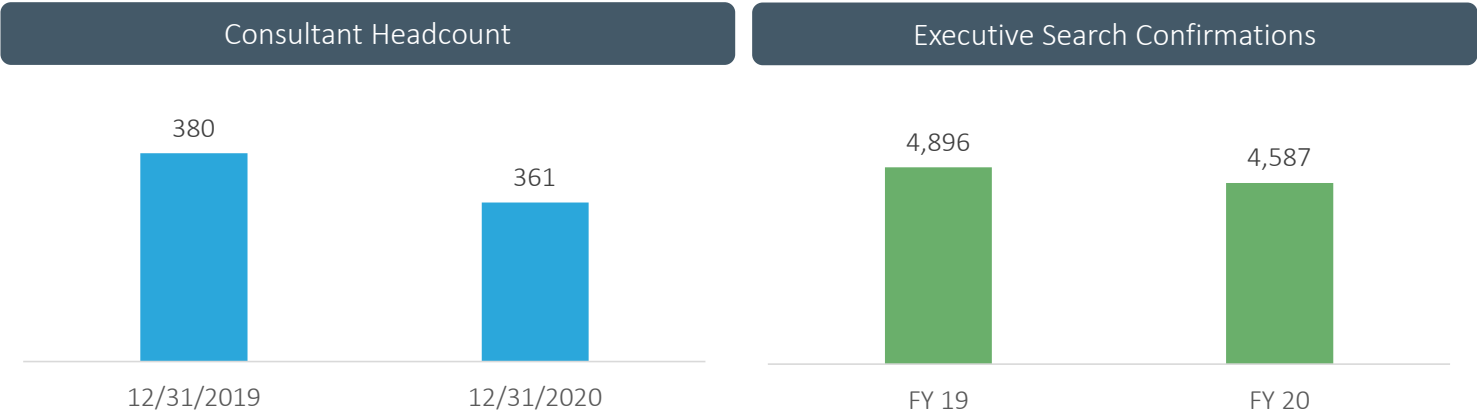


\* Refer to appendix for a reconciliation of non-GAAP measures.

# EXECUTIVE SEARCH OPERATIONAL HIGHLIGHTS (SEQUENTIAL COMPARISON)

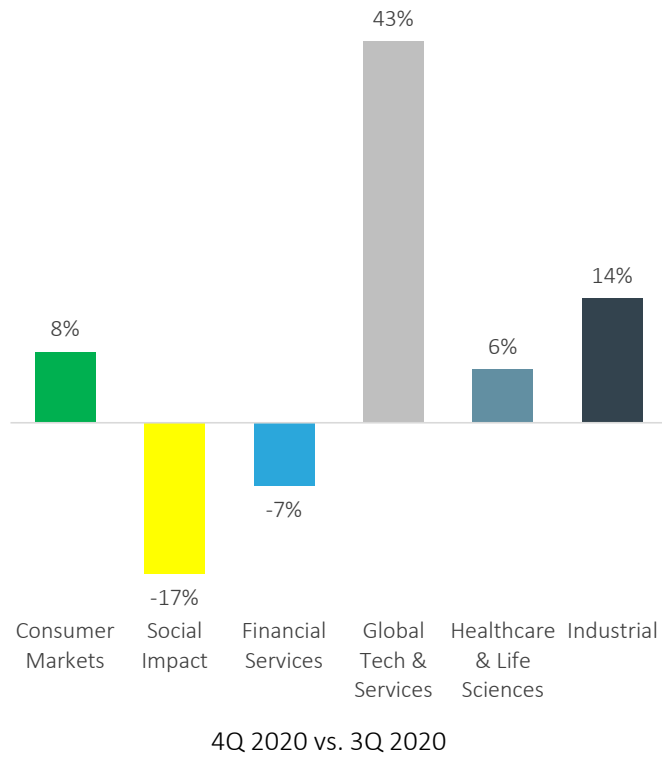


# EXECUTIVE SEARCH OPERATIONAL HIGHLIGHTS (YEAR-OVER-YEAR COMPARISON)

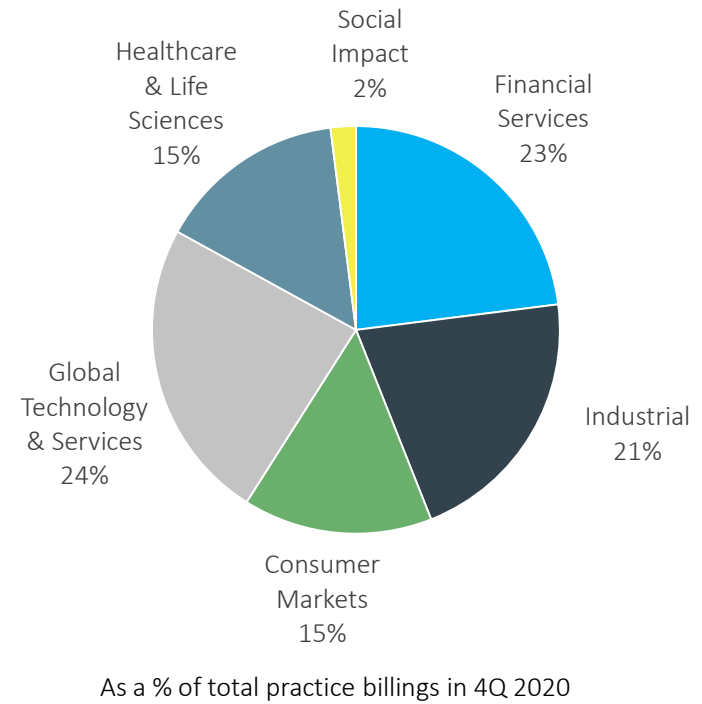


## DIVERSIFIED MIX OF BUSINESS IN SEARCH

Sequential Comparison of Industry Practice Billings

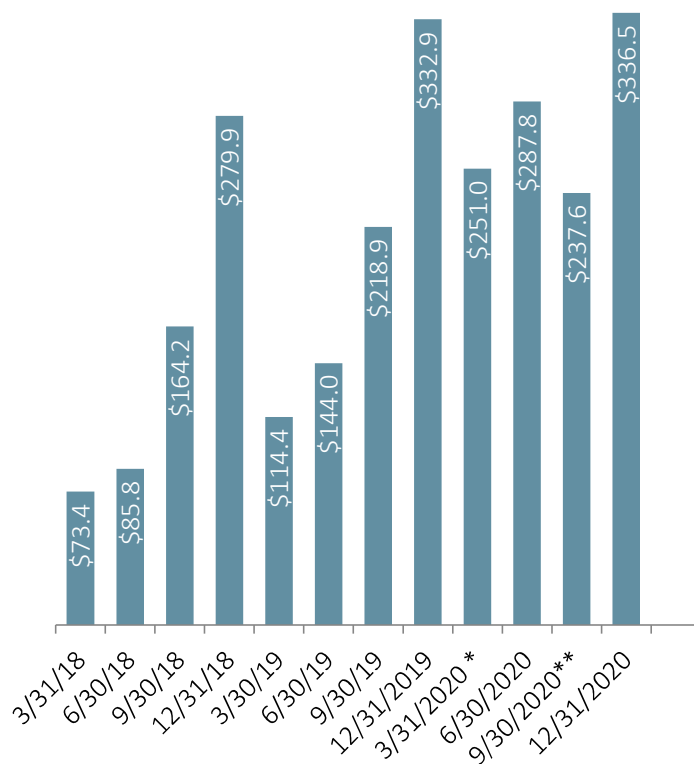


Diversified Mix of Industry Practice Billings



## STRONG & FLEXIBLE BALANCE SHEET

Cash & Marketable Securities (\$ in millions)



Strong Liquidity (\$ in millions, as of 12/31/2020)

Cash & Marketable Securities	\$175 Million Credit Facility Availability	Total Liquidity
\$336.5	\$169.6	\$506.1

- Based on its strong cash position, the Company repaid \$100 million of borrowings under its credit facility in September 2020. Currently, there are no outstanding borrowings.

\* Net of \$205 million in bonuses paid in March 2020 related to 2019 performance

\*\* Net of \$100 million credit facility payback in September 2020

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## OUTLOOKS AND INITIATIVES

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## 2021 GROWTH INITIATIVES

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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



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# APPENDIX

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## ADJUSTED OPERATING INCOME BY SEGMENT - FOURTH QUARTER 2020

Three Months Ended December 31, 2020							
	Americas	Europe	Asia Pacific	Total Executive Search	Heidrick Consulting	Global Operations Support	Total
Revenue before reimbursements (net revenue)	\$ 96,328	\$ 32,135	\$ 17,857	\$ 146,320	\$ 14,667	\$ —	\$ 160,987
Operating income (loss)	21,906	4,047	(171)	25,782	(6,670)	(10,574)	\$ 8,538
<b>Adjustments</b>							
Impairment charges	—	—	—	—	—	—	—
Restructuring charges	2,883	(961)	55	1,977	186	2,094	4,257
Total adjustments	2,883	(961)	55	1,977	186	2,094	4,257
Adjusted operating income (loss)	\$ 24,789	\$ 3,086	\$ (116)	\$ 27,759	\$ (6,484)	\$ (8,480)	\$ 12,795
Operating margin	22.7 %	12.6 %	(1.0)%	17.6 %	(45.5)%	(6.6)%	5.3 %
Adjusted operating margin	25.7 %	9.6 %	(0.6)%	19.0 %	(44.2)%	— %	7.9 %

Three Months Ended December 31, 2019							
	Americas	Europe	Asia Pacific	Total Executive Search	Heidrick Consulting	Global Operations Support	Total
Revenue before reimbursements (net revenue)	\$ 106,755	\$ 31,826	\$ 24,433	\$ 163,014	\$ 17,020	\$ —	\$ 180,034
Operating income (loss)	26,622	(762)	2,948	28,808	(5,729)	(8,784)	\$ 14,295
<b>Adjustments</b>							
Impairment charges	—	—	—	—	—	—	—
Restructuring charges	—	—	—	—	—	—	—
Total adjustments	—	—	—	—	—	—	—
Adjusted operating income (loss)	\$ 26,622	\$ (762)	\$ 2,948	\$ 28,808	\$ (5,729)	\$ (8,784)	\$ 14,295
Operating margin	24.9 %	(2.4)%	12.1 %	17.7 %	(33.7)%	(4.9)%	7.9 %
Adjusted operating margin	24.9 %	(2.4)%	12.1 %	17.7 %	(33.7)%	— %	7.9 %

## ADJUSTED OPERATING INCOME BY SEGMENT - YEAR TO DATE 2020

	Year Ended December 31, 2020						
	Americas	Europe	Asia Pacific	Total Executive Search	Heidrick Consulting	Global Operations Support	Total
Revenue before reimbursements (net revenue)	\$ 361,416	\$ 124,243	\$ 79,511	\$ 565,170	\$ 56,445	\$ —	\$ 621,615
Operating income (loss)	62,806	(22,827)	(6,724)	33,255	(28,369)	(40,415)	\$ (35,529)
<b>Adjustments</b>							
Impairment charges	—	24,475	8,495	32,970	—	—	32,970
Restructuring charges	30,479	8,603	4,614	43,696	4,657	4,019	52,372
Total adjustments	30,479	33,078	13,109	76,666	4,657	4,019	85,342
<b>Adjusted operating income (loss)</b>	<b>\$ 93,285</b>	<b>\$ 10,251</b>	<b>\$ 6,385</b>	<b>\$ 109,921</b>	<b>\$ (23,712)</b>	<b>\$ (36,396)</b>	<b>\$ 49,813</b>
Operating margin	17.4 %	(18.4)%	(8.5)%	5.9 %	(50.3)%	(6.5)%	(5.7)%
Adjusted operating margin	25.8 %	8.3 %	8.0 %	19.4 %	(42.0)%	— %	8.0 %

	Year Ended December 31, 2019						
	Americas	Europe	Asia Pacific	Total Executive Search	Heidrick Consulting	Global Operations Support	Total
Revenue before reimbursements (net revenue)	\$ 415,455	\$ 135,070	\$ 95,827	\$ 646,352	\$ 60,572	\$ —	\$ 706,924
Operating income (loss)	100,833	3,026	13,590	\$ 117,449	(18,499)	(35,439)	\$ 63,511
<b>Adjustments</b>							
Impairment charges	—	—	—	—	—	—	—
Restructuring charges	4,102	—	—	4,102	—	28	4,130
Total adjustments	4,102	—	—	4,102	—	28	4,130
<b>Adjusted operating income (loss)</b>	<b>\$ 104,935</b>	<b>\$ 3,026</b>	<b>\$ 13,590</b>	<b>\$ 121,551</b>	<b>\$ (18,499)</b>	<b>\$ (35,411)</b>	<b>\$ 67,641</b>
Operating margin	24.3 %	2.2 %	14.2 %	18.2 %	(30.5)%	(5.0)%	9.0 %
Adjusted operating margin	25.3 %	2.2 %	14.2 %	18.8 %	(30.5)%	— %	9.6 %

## ADJUSTED OPERATING INCOME

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

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
<b>Revenue before reimbursements (net revenue)</b>	\$ 160,987	\$ 180,034	\$ 621,615	\$ 706,924
<b>Operating income (loss)</b>	8,538	14,295	(35,529)	63,511
<b>Adjustments</b>				
Impairment charges <sup>1</sup>	—	—	32,970	—
Restructuring charges <sup>2</sup>	4,257	—	52,372	4,130
Total adjustments	4,257	—	85,342	4,130
<b>Adjusted operating income</b>	<u>\$ 12,795</u>	<u>\$ 14,295</u>	<u>\$ 49,813</u>	<u>\$ 67,641</u>
Operating margin	5.3 %	7.9 %	(5.7)%	9.0 %
Adjusted operating margin	7.9 %	7.9 %	8.0 %	9.6 %

<sup>1</sup> The Company incurred goodwill impairment charges of approximately \$33.0 million related to its Europe and Asia Pacific reporting units for the year ended December 31, 2020.

<sup>2</sup> The Company incurred restructuring charges of approximately \$4.3 million across all operating segments for the three months ended December 31, 2020. The Company incurred restructuring charges of approximately \$52.4 million and \$4.1 million across all operating segments for the years ended December 31, 2020 and 2019, respectively.

## ADJUSTED NET INCOME & DILUTED EPS

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

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
<b>Net income (loss)</b>	\$ 5,538	\$ 10,555	\$ (37,707)	\$ 46,869
<b>Adjustments</b>				
Impairment charges, net of tax <sup>1</sup>	—	—	32,970	—
Restructuring charges, net of tax <sup>2</sup>	6,093	—	39,956	3,768
Total adjustments	6,093	—	72,926	3,768
<b>Adjusted net income</b>	<u>\$ 11,631</u>	<u>\$ 10,555</u>	<u>\$ 35,219</u>	<u>\$ 50,637</u>
<b>Weighted-average common shares outstanding</b>				
Basic	19,360	19,138	19,301	19,103
Diluted	19,865	19,507	19,893	19,551
<b>Earnings (loss) per common share</b>				
Basic	\$ 0.29	\$ 0.55	\$ (1.95)	\$ 2.45
Diluted	\$ 0.28	\$ 0.54	\$ (1.95)	\$ 2.40
<b>Adjusted earnings per common share</b>				
Basic	\$ 0.60	\$ 0.55	\$ 1.82	\$ 2.65
Diluted	\$ 0.59	\$ 0.54	\$ 1.77	\$ 2.59

<sup>1</sup> The Company incurred goodwill impairment charges of approximately \$33.0 million related to its Europe and Asia Pacific reporting units for the year ended December 31, 2020.

<sup>2</sup> The Company incurred restructuring charges of approximately \$4.3 million across all operating segments for the three months ended December 31, 2020. The Company incurred restructuring charges of approximately \$52.4 million and \$4.1 million across all operating segments for the years ended December 31, 2020 and 2019, respectively.

## ADJUSTED EBITDA MARGIN

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

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
<b>Revenue before reimbursements (net revenue)</b>	\$ 160,987	\$ 180,034	\$ 621,615	\$ 706,924
<b>Net income (loss)</b>	5,538	10,555	(37,707)	46,869
Interest, net	(44)	(841)	(204)	(2,880)
Other, net	(3,467)	(1,011)	(3,927)	(2,898)
Provision for income taxes	6,511	5,592	6,309	22,420
<b>Operating income (loss)</b>	8,538	14,295	(35,529)	63,511
<b>Adjustments</b>				
Stock-based compensation expense	3,038	3,028	9,679	9,818
Depreciation	1,906	2,146	8,100	9,462
Intangible amortization	153	242	738	909
Earnout accretion	—	173	—	668
Acquisition contingent consideration	460	604	1,942	604
Restructuring charges	4,257	—	52,372	4,130
Impairment charges	—	—	32,970	—
Total adjustments	9,814	6,193	105,801	25,591
<b>Adjusted EBITDA</b>	\$ 18,352	\$ 20,488	\$ 70,272	\$ 89,102
<b>Adjusted EBITDA margin</b>	11.4 %	11.4 %	11.3 %	12.6 %

# HEIDRICK & STRUGGLES

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FEBRUARY 22, 2021