



# HEIDRICK & STRUGGLES

## SECOND QUARTER 2020 RESULTS

July 27, 2020

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## SAFE HARBOR STATEMENT

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The 2020 second 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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# SECOND QUARTER 2020 CONSOLIDATED RESULTS

## 2020 SECOND QUARTER HIGHLIGHTS

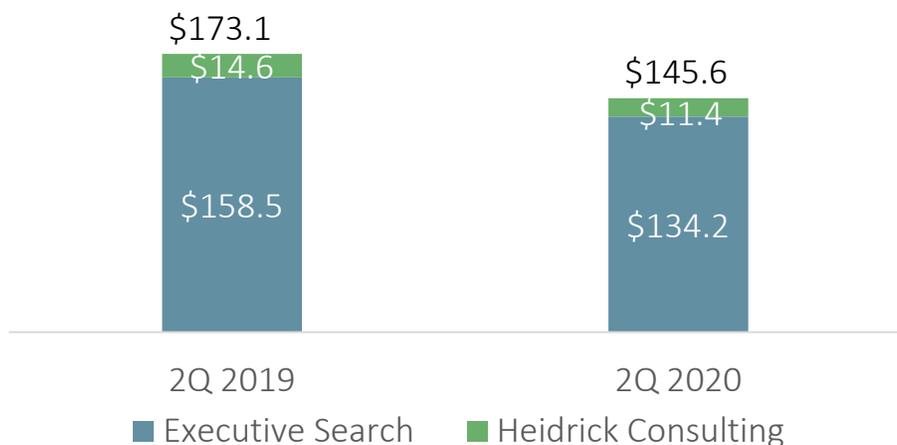
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- Net revenue of \$145.6 million
- Operating loss of \$24.0 million and operating margin of (16.5%) reflect a non-cash impairment charge of \$33.0 million
- Adjusted operating income of \$9.0 million and adjusted operating margin of 6.2%
- Adjusted EBITDA of \$12.4 million and adjusted EBITDA margin of 8.5%
- Maintain \$0.15 cash dividend
- Liquidity of \$360.3 million at quarter-end
- Implementing restructuring plan in 2020 third quarter to optimize future growth and profitability
- Expect annual cost savings of \$30 million to \$40 million

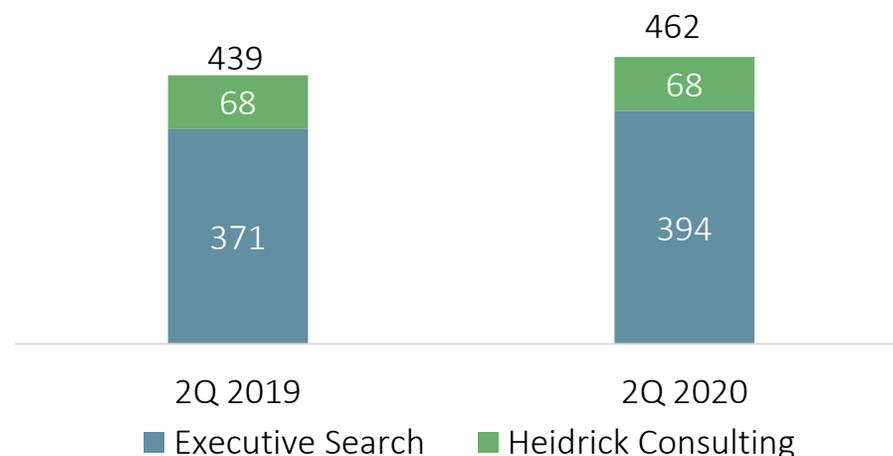
# SECOND QUARTER 2020 FINANCIAL HIGHLIGHTS

\$ in millions except Diluted EPS

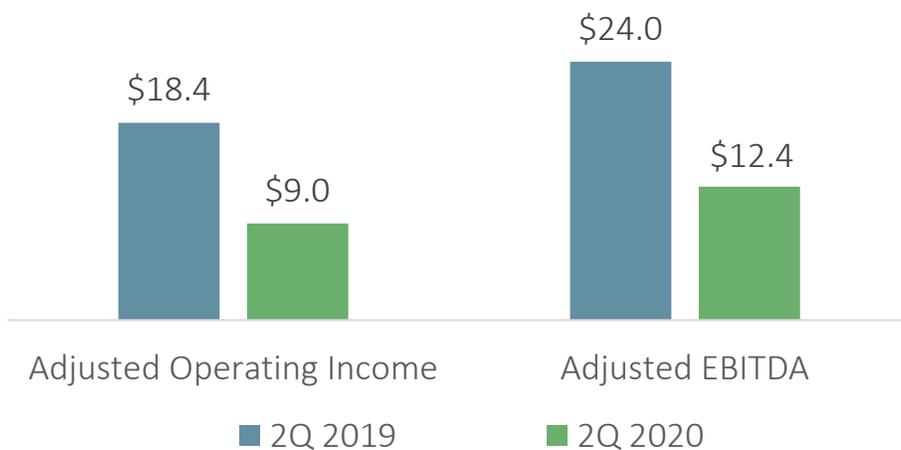
## Consolidated Net Revenue



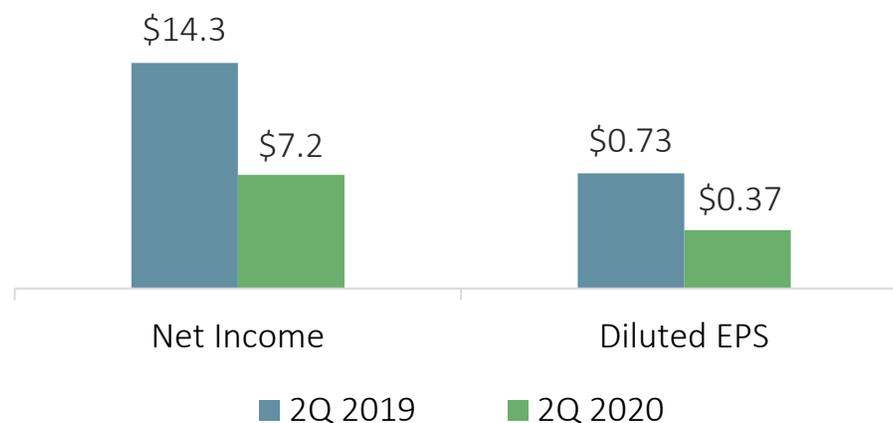
## Consultant Headcount



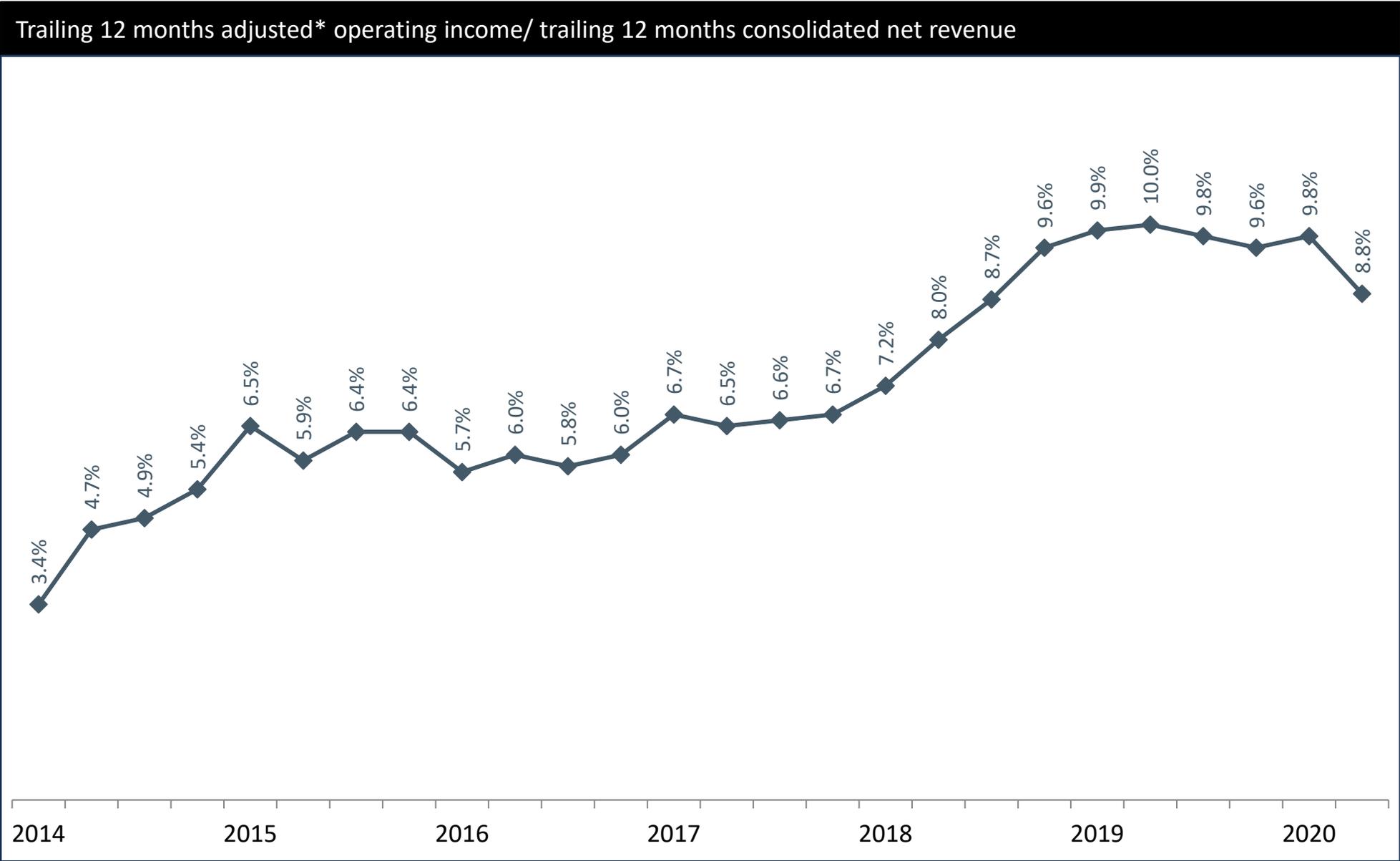
## Profitability



## Adjusted Net Income & EPS



# TRAILING 12-MONTH CONSOLIDATED OPERATING MARGIN\*

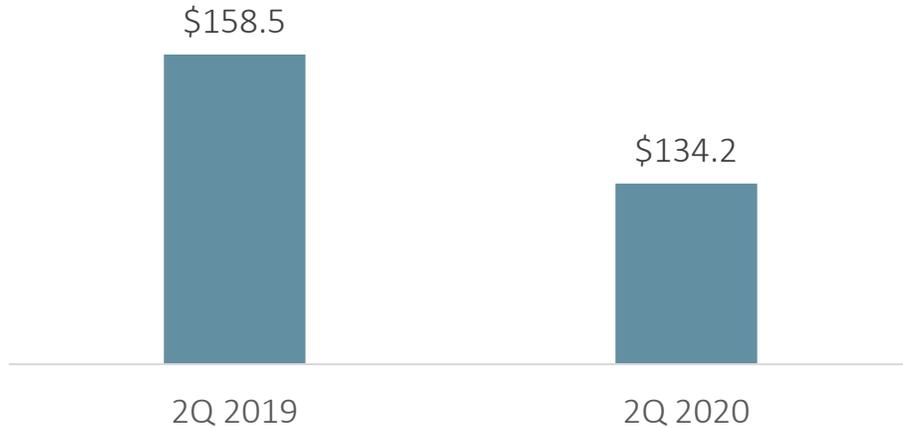


\* Operating margins adjusted to exclude restructuring & impairment charges in 2017, 2019 and 2020

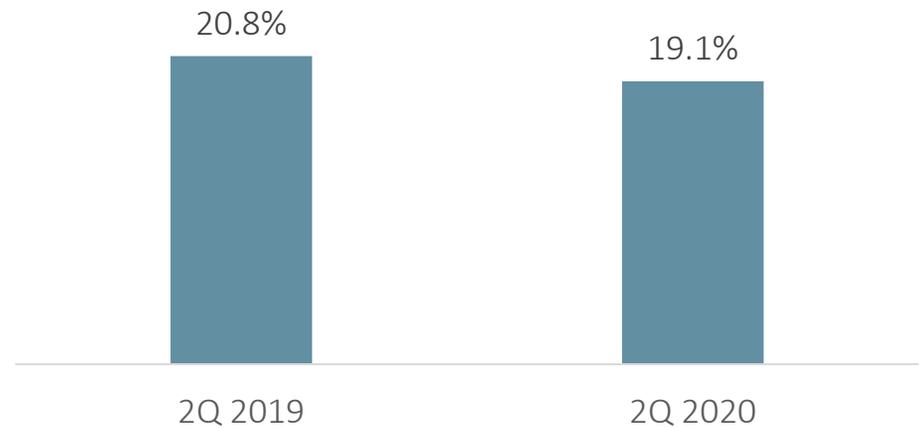
# EXECUTIVE SEARCH – 2Q 2020 FINANCIAL HIGHLIGHTS

\$ in millions

## Net Revenue



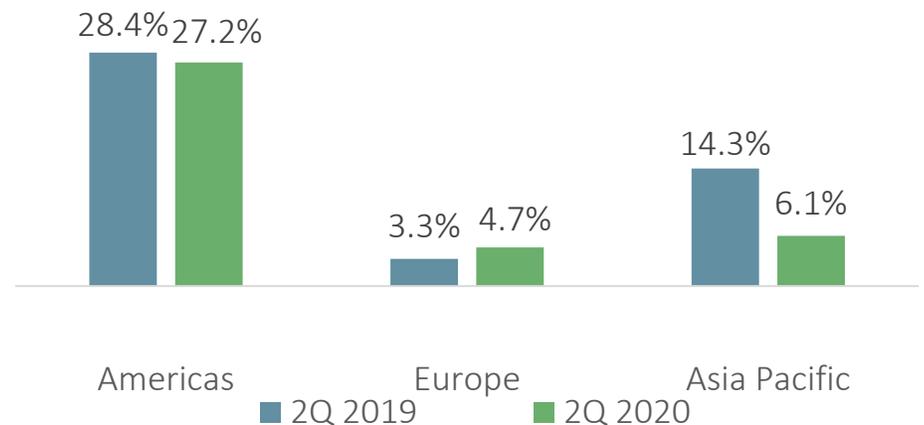
## Operating Margin\*



## Net Revenue by Region

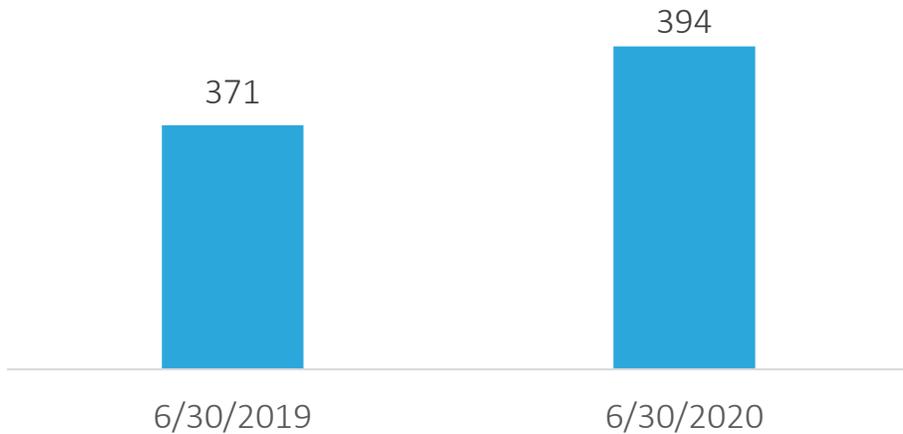


## Operating Margin by Region\*

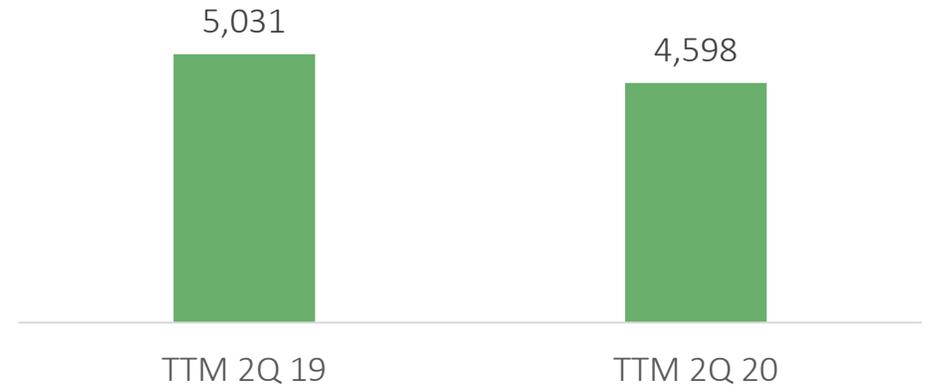


# EXECUTIVE SEARCH OPERATIONAL HIGHLIGHTS

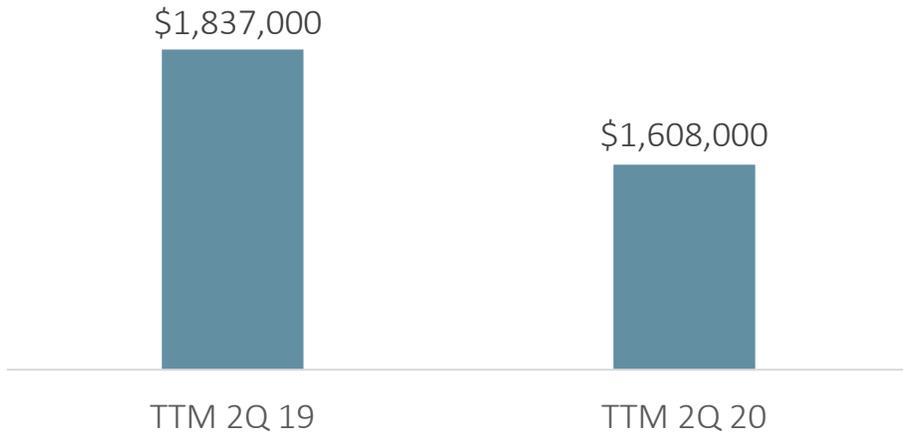
## Consultant Headcount



## Executive Search Confirmations



## Consultant Productivity

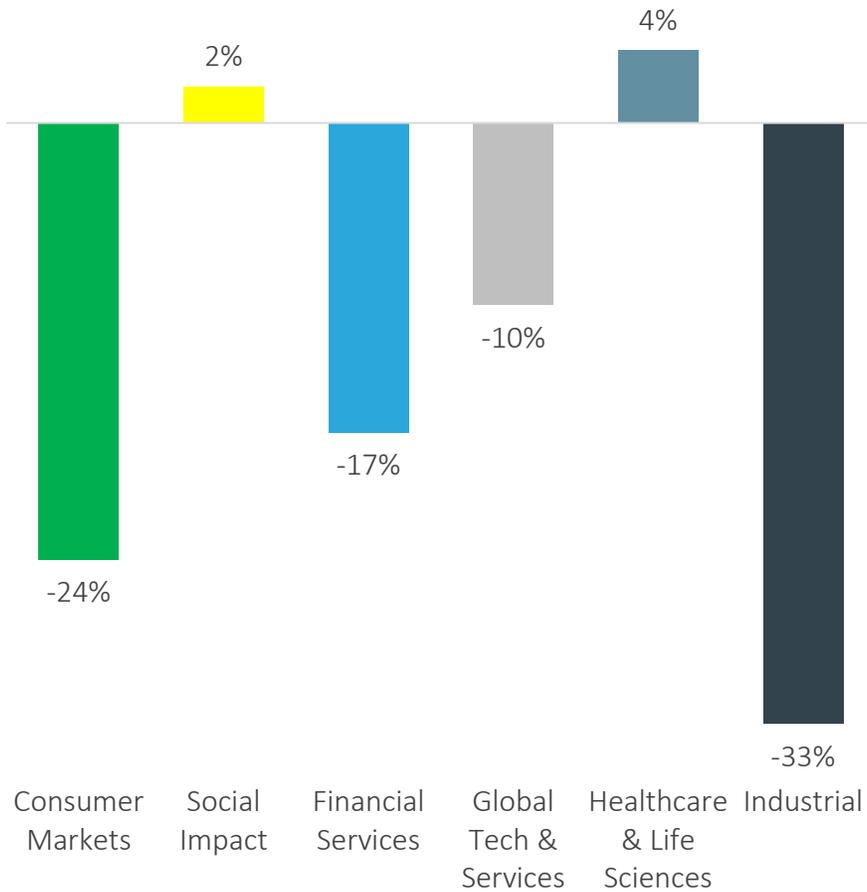


## Average Revenue per Executive Search



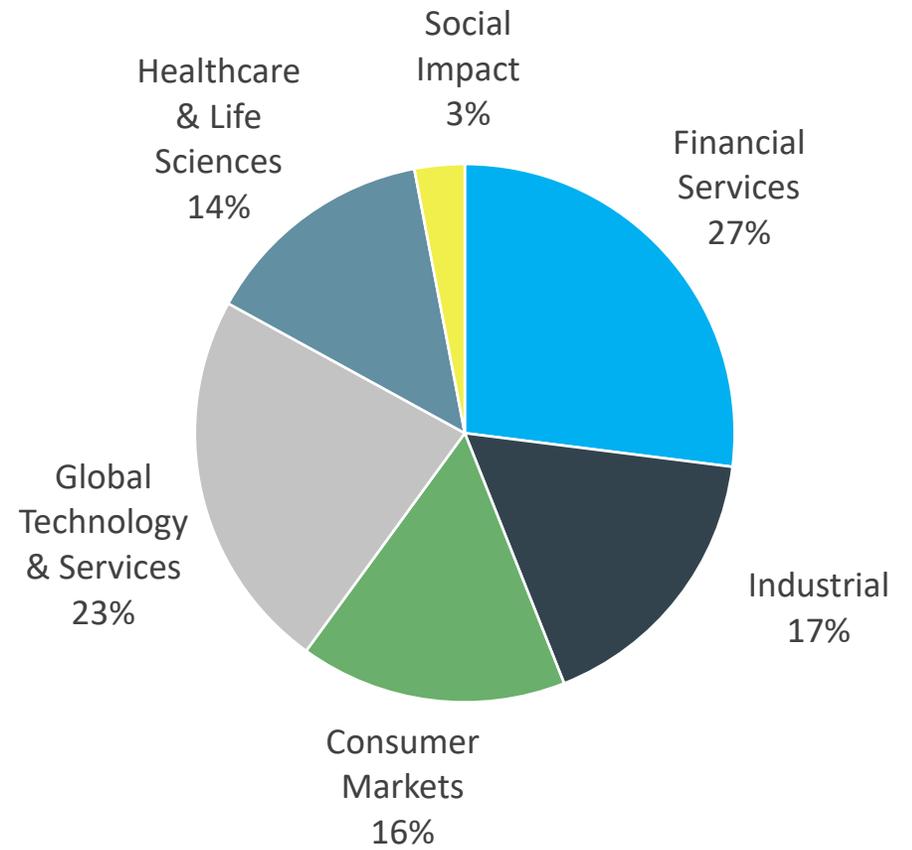
# DIVERSIFIED MIX OF BUSINESS IN SEARCH

Year-over-Year Comparison of Industry Practice Billings



2Q 2020 vs. 2Q 2019

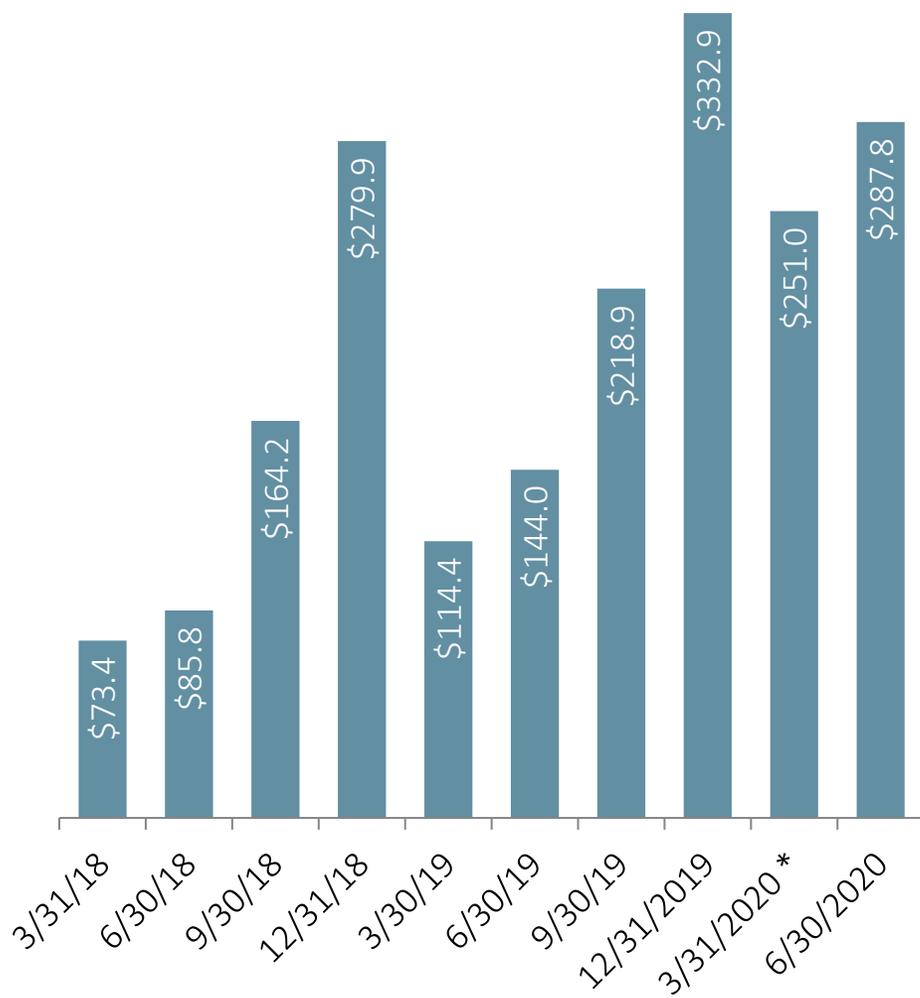
Diversified Mix of Industry Practice Billings



As a % of total practice billings in 2Q 2020

# STRONG & FLEXIBLE BALANCE SHEET

Cash & Marketable Securities (\$ in millions)



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

Strong Liquidity (\$ in millions, as of 6/30/2020)

Cash & Marketable Securities	\$175 Million Credit Facility Availability	Total Liquidity
\$287.8	\$72.5	\$360.3

- In March 2020, the Company proactively drew down \$100 million of its credit facility to further increase its cash position and potentially execute on market opportunities

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# OUTLOOK AND INITIATIVES

## KEY INITIATIVES IN 2020 SHOULD SUPPORT ADDITIONAL GROWTH

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1

Grow scale and impact of both Search and Consulting

2

Collaborate across the enterprise: Search and Consulting

3

Deliver premium service experience to our clients  
Implement the Heidrick Way

4

Invest in product teams and innovative offerings to drive future growth and shareholder value

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# APPENDIX

## ADJUSTED EBITDA MARGIN – SECOND QUARTER 2020

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, restructuring charges, and other non-operating income or expense.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Revenue before reimbursements (net revenue)</b>	\$ 145,603	\$ 173,122	\$ 317,084	\$ 344,716
<b>Net income</b>	(25,733)	14,280	(17,067)	26,367
Interest, net	339	(412)	(340)	(1,220)
Other, net	(3,076)	(708)	1,359	(2,351)
Provision for income taxes	4,484	5,193	10,214	11,948
<b>Operating income (loss)</b>	(23,986)	18,353	(5,834)	34,744
<b>Adjustments</b>				
Salaries and benefits				
Stock-based compensation expense	844	2,908	3,446	4,251
General and administrative expenses				
Depreciation	1,936	2,378	4,065	4,872
Intangible amortization	194	235	402	475
Earnout accretion	-	167	-	327
Acquisition contingent consideration	462	-	1,020	-
Restructuring charges	-	-	-	-
Impairment charges	32,970	-	32,970	-
Total adjustments	36,406	5,688	41,903	9,925
<b>Adjusted EBITDA</b>	\$ 12,420	\$ 24,041	\$ 36,069	\$ 44,669
<b>Adjusted EBITDA margin</b>	8.5%	13.9%	11.4%	13.0%

## ADJUSTED NET INCOME & DILUTED EPS – SECOND QUARTER 2020

We define Adjusted Net Income as net income excluding impairment charges.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Net income (loss)</b>	\$ (25,733)	\$ 14,280	\$ (17,067)	\$ 26,367
<b>Adjustments</b>				
Impairment charges, net of tax <sup>1</sup>	32,970	-	32,970	-
Total adjustments	32,970	-	32,970	-
<b>Adjusted net income</b>	<u>\$ 7,237</u>	<u>\$ 14,280</u>	<u>\$ 15,903</u>	<u>\$ 26,367</u>
<b>Weighted-average common shares outstanding</b>				
Basic	19,298	19,120	19,245	19,062
Diluted	19,558	19,431	19,722	19,531
<b>Earnings (loss) per common share</b>				
Basic	\$ (1.33)	\$ 0.75	\$ (0.89)	\$ 1.38
Diluted	\$ (1.33)	\$ 0.73	\$ (0.89)	\$ 1.35
<b>Adjusted earnings per common share</b>				
Basic	\$ 0.38	\$ 0.75	\$ 0.83	\$ 1.38
Diluted	\$ 0.37	\$ 0.73	\$ 0.81	\$ 1.35

# HEIDRICK & STRUGGLES

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