

# HEIDRICK & STRUGGLES

## Fourth Quarter 2021 Results

February 28, 2022

# Cautionary Statement Regarding Forward-Looking Information

The following slides contain forward-looking statements within the meaning of the federal securities laws. 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, rely on numerous 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, the impacts, direct and indirect, of the COVID-19 pandemic (including the emergence of variant strains) 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; any challenges to the classification of our on-demand talent as independent contractors; 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. 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, 2021, under the heading "Risk Factors" in Item 1A. We caution the reader that the list of factors may not be exhaustive. The forward-looking statements contained in the following slides speak only as of the date of this presentation. 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. Pursuant to the requirements of Regulation G, these earnings release slides contain the most directly comparable GAAP financial measure to the non-GAAP financial measure.

The non-GAAP financial measures used within these earnings release slides are adjusted operating income, adjusted operating income margin, adjusted net income, adjusted basic and diluted earnings per share, adjusted EBITDA, and adjusted EBITDA margin. These measures are presented because management uses this information to monitor and evaluate financial results and trends. Management believes this information is also useful for investors. Reconciliations of these non-GAAP financial measures with the most directly comparable measures calculated and presented in accordance with GAAP are provided the appendix to these earnings release slides.

## **CURRENCY PRESENTATION**

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

# Overview

# Our Purpose & Vision

Our search expertise and organizational consulting experience empower our clients to develop high-performing leaders, teams, and organizations.

## OUR PURPOSE

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- We help our clients change the world, one leadership team at a time.™

## OUR VISION

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- We are committed to serving our clients as trusted advisors providing diversified solutions across executive search, leadership assessment & development, team and organizational effectiveness, culture shaping, and on-demand talent.

## INTEGRATED SERVICES FUELED BY DATA

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- Executive Search
- On-Demand Talent
- Heidrick Consulting
  - Leadership
  - Organization & Culture
  - Diversity, Equity & Inclusion

# Financial Highlights

Heidrick & Struggles achieves over \$1 billion in annual net revenue and attains record profitability



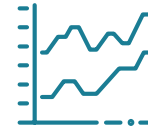
## RECORD REVENUE

- Record quarterly net revenue of \$285.5 million exceeds consensus expectations
- Annual net revenue in excess of \$1.0 billion



## MARGIN EXPANSION

- Operating income grew to \$16.6 million in the fourth quarter
- Adjusted operating income\* of \$28.0 million in the fourth quarter
- Fourth quarter adjusted operating margin\* expands to 9.8%



## EBITDA & NET INCOME

- Adjusted EBITDA\* of \$36.8 million in the fourth quarter grew 69.6% year-over-year
- Adjusted EBITDA margin\* of 12.9% in the fourth quarter
- Net income increased to \$12.5 million and Adjusted Net Income\* increased by 79% to \$20.8 million in the fourth quarter



## EARNINGS PER SHARE

- Adjusted diluted earnings per share\* of \$1.02 in the fourth quarter
- Record annual adjusted diluted earnings per share\* of \$4.11

“2021 was an exciting year of geographic expansion and industry-leading productivity in Executive Search, a broad array of valuable offerings from Heidrick Consulting, and the addition of our high-growth On-Demand Talent business segment, and a partnership for future digital innovation. Our record results demonstrate that our differentiated strategy is working.”

- Krishnan Rajagopalan, CEO

\* Non-GAAP Financial Measure

# Compelling 2021 Growth



## ON-DEMAND TALENT

- Acquired BTG in April 2021
- Creates only global leadership advisory firm to offer full spectrum executive and high-end talent solutions
- 2021 nine-month revenues of \$66.6 million and adjusted operating income\* contribution of \$2.1 million



## FINLAND

- Acquired in October 2021
- Former affiliate of the Company now a full executive search member in Europe



## EIGHTFOLD.AI

- Partnership marks another step in our journey to expand our suite of leadership solutions with innovative, tech-driven offerings and drive future growth
- Two industry leaders to bring together the best of leadership intelligence, data analytics and technology - with a digital-first approach designed to enable better leadership decisions and business outcomes



## FUTURE GROWTH

- Invest in new product development and strategic expansion into adjacent and complementary areas with innovative, tech-driven offerings to drive future growth and shareholder value

\* Non-GAAP Financial Measure

# Introducing On-Demand Talent

On-Demand Talent delivers high-end independent talent on demand, including:

- **Skilled, hands-on business executives**  
(C-suite to manager-level)
- **Subject matter, analytical, and situational experts**
- **Management consultants and specialized problem-solvers** trained at top firms like McKinsey, Bain, BCG, Accenture, Deloitte, and EY
- **Project and program managers** with top training and experience

## INTERIM ROLES

Proven executives to quickly cover unexpected gaps or backfill critical roles

Management-level and functional leaders to augment or smooth difficult moments

C-suite through “C-minus 4” levels

## SPECIAL PROJECTS

Talent specialized in moments of high change: transformations, integrations, product launches, performance improvement workstreams, IPOs, exits, or other special initiatives

Talent for innovation and expansion: to lead explorations, stand up new business lines, upgrade key functions, and more

C-suite through Director-levels

## TARGETED CONSULTING

Top management consultants, subject matter experts, and project managers “unbundled” from the team structure and overhead of traditional consulting firms

Analytical specialists with data science, AI, and other hot skills

Engagement/Project Manager through Partner+ levels.

## BENEFITS OF ON-DEMAND TALENT



### SPEED

Access exceptional leadership within days.



### CONFIDENCE

Best-in-class labor compliance, oversight, confidentiality, and more.



### EASE

No retainer needed to explore.



### SAVINGS

Engage talent at market-based per diem pricing, for only as long as needed.



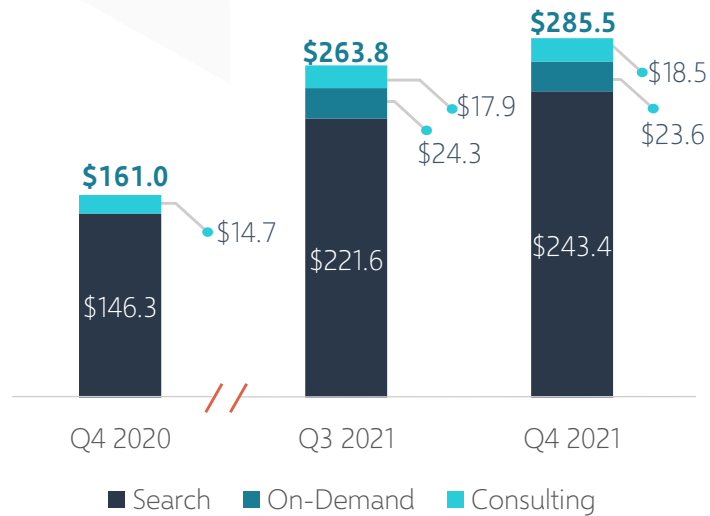


# **Consolidated Results**

# Consolidated Financial Highlights

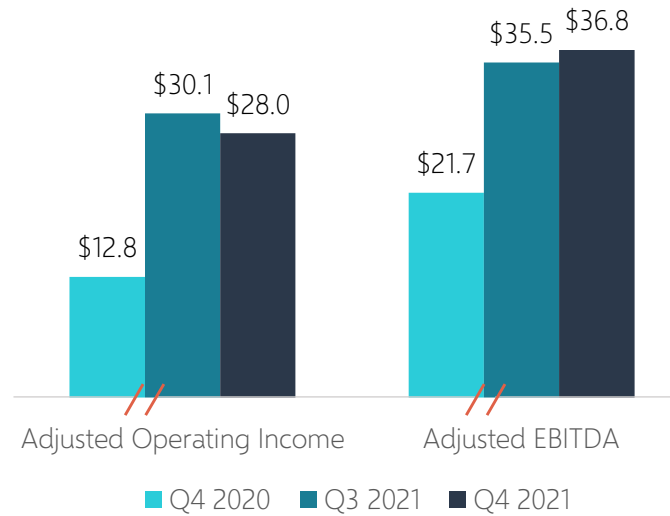
Net revenue continues to grow to a historic \$285.5 million and exceeds consensus expectations

## CONSOLIDATED NET REVENUE



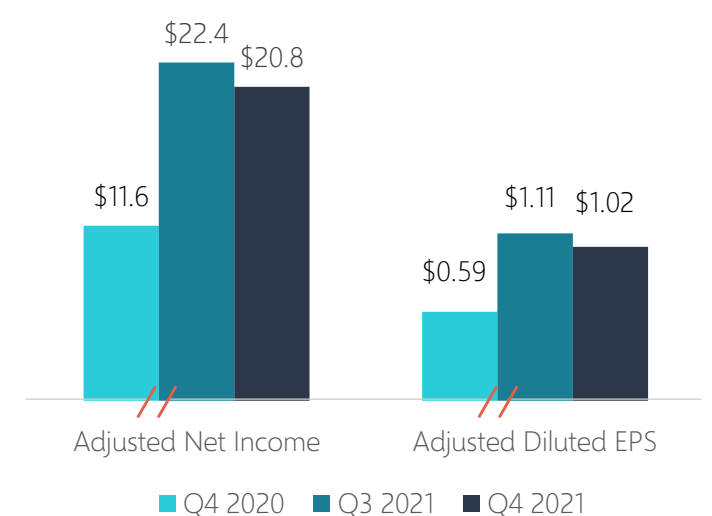
+77% year-over-year growth  
+8% sequential growth

## ADJUSTED PROFITABILITY\*



+119% year-over-year growth in Adjusted Operating Income\*  
+69% year-over-year growth in Adjusted EBITDA\*

## ADJUSTED NET INCOME & EPS\*

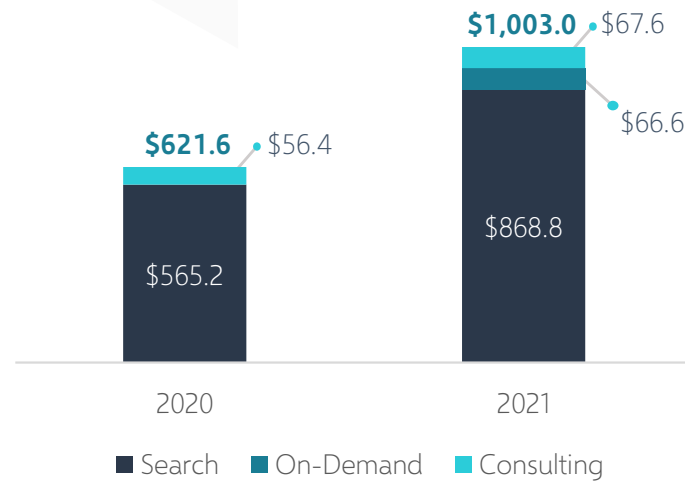


+79% year-over-year growth in Adjusted Net Income\*  
+73% year-over-year growth in Adjusted Diluted EPS\*

\* Non-GAAP Financial Measure

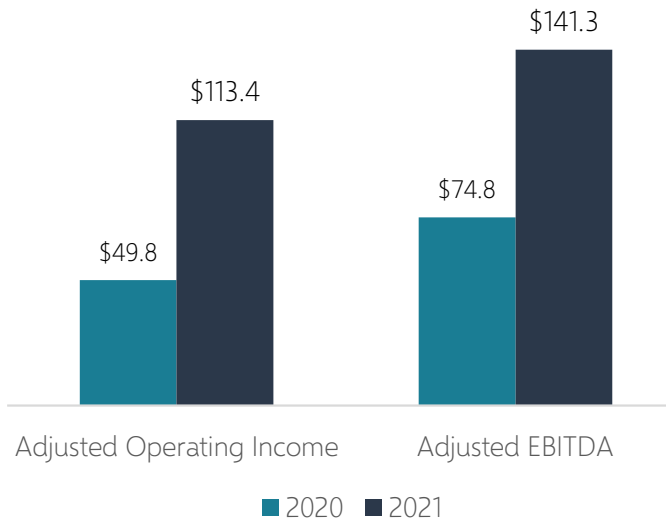
# Consolidated Financial Highlights

## CONSOLIDATED NET REVENUE



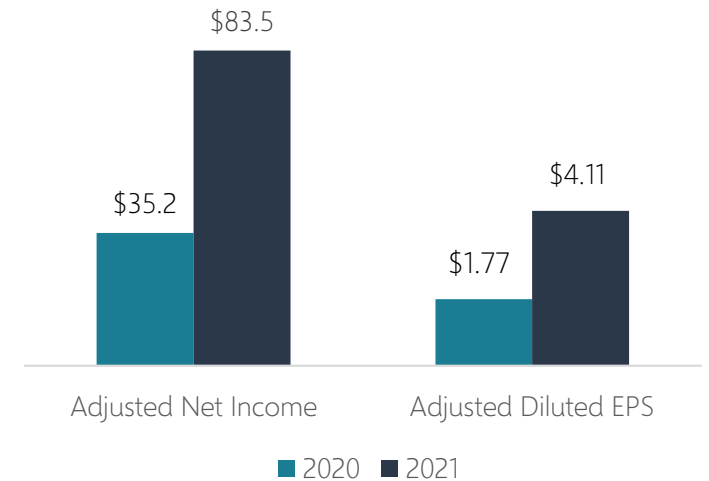
+61% year-over-year growth

## ADJUSTED PROFITABILITY\*



+128% year-over-year growth in Adjusted Operating Income\*  
 +89% year-over-year growth in Adjusted EBITDA\*

## ADJUSTED NET INCOME & EPS\*

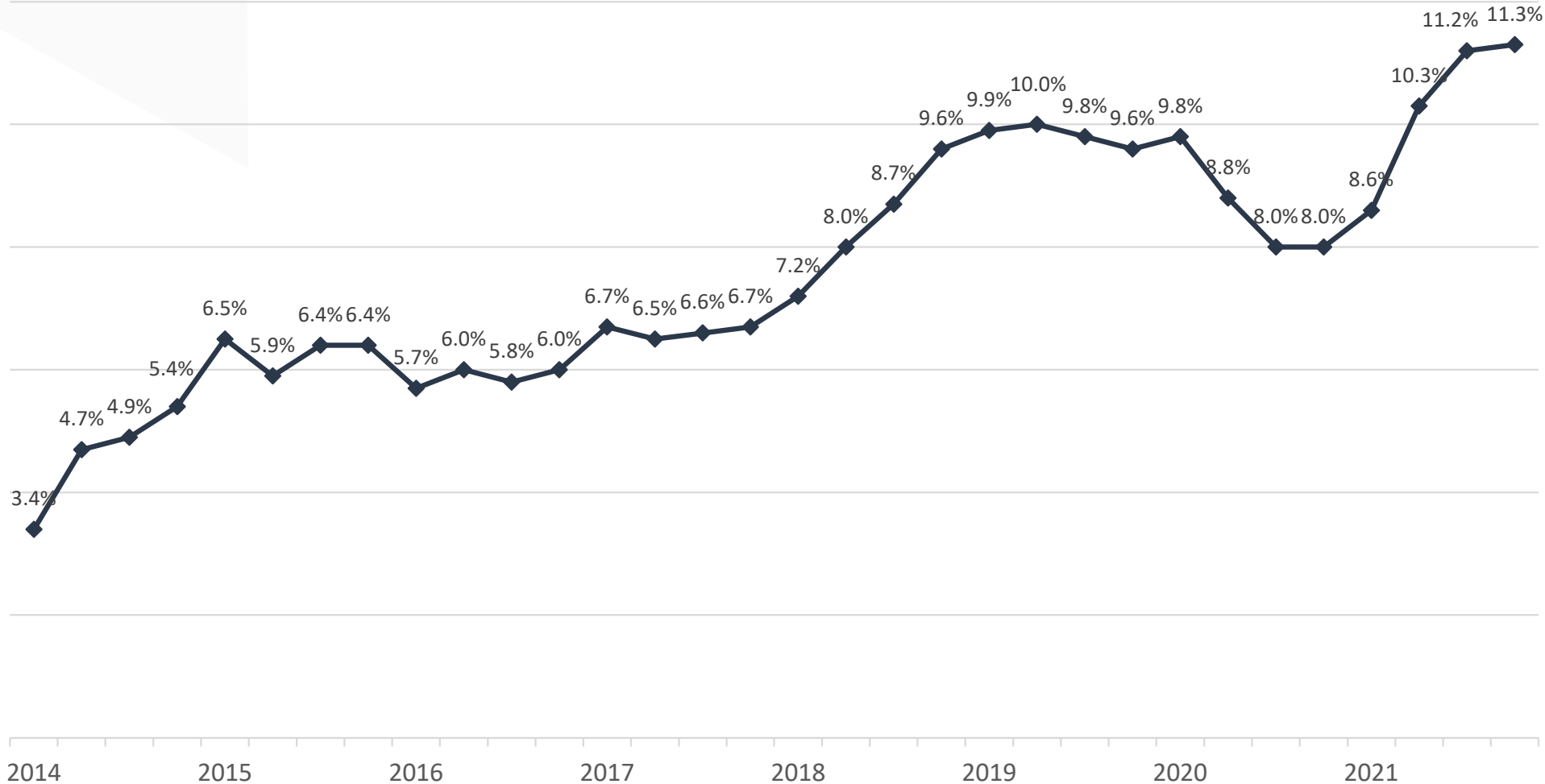


+137% year-over-year growth in Adjusted Net Income\*  
 +132% year-over-year growth in Adjusted Diluted EPS\*

\* Non-GAAP Financial Measure

# Expansion In Adjusted Operating Income Margin

TRAILING 12-MONTH ADJUSTED OPERATING INCOME\* / TRAILING 12-MONTH CONSOLIDATED NET REVENUE



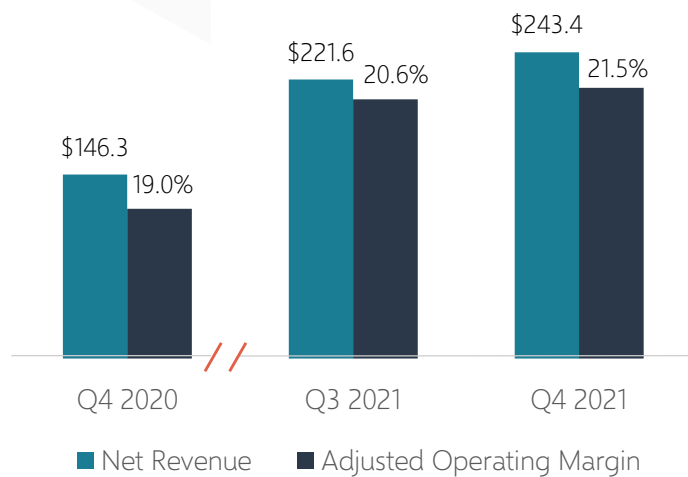
+790 bps increase in TTM Adjusted Operating Margin\* over 7 years

\* Non-GAAP Financial Measure – Excludes restructuring charges, impairment charges, and earnout adjustments

# Executive Search Results

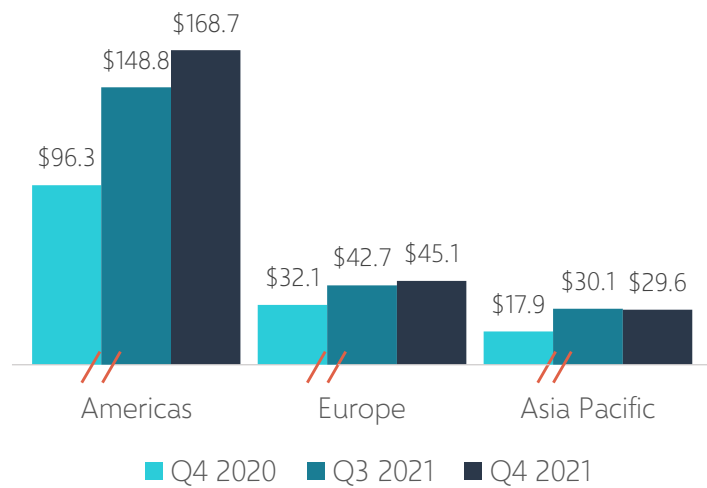
# Executive Search Financial Highlights

## NET REVENUE & ADJUSTED OPERATING MARGIN\*



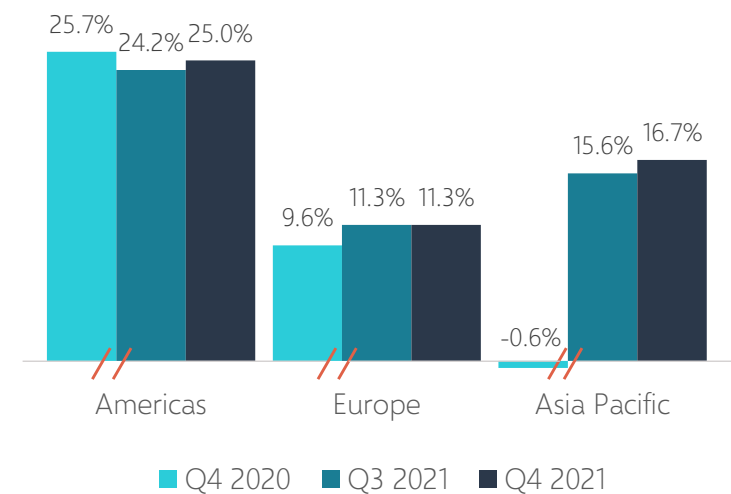
- +66% year-over-year growth in net revenue
- +10% sequential growth in net revenue
- +250 bps year-over-year growth in Adjusted Operating Margin\*
- +90 bps sequential growth in Adjusted Operating Margin\*

## NET REVENUE BY REGION



- Americas +75% year-over-year and +13% sequential growth
- Europe +40% year-over-year and +6% sequential growth
- Asia Pacific +66% year-over-year growth and -2% sequential decline

## ADJUSTED OPERATING MARGIN\*

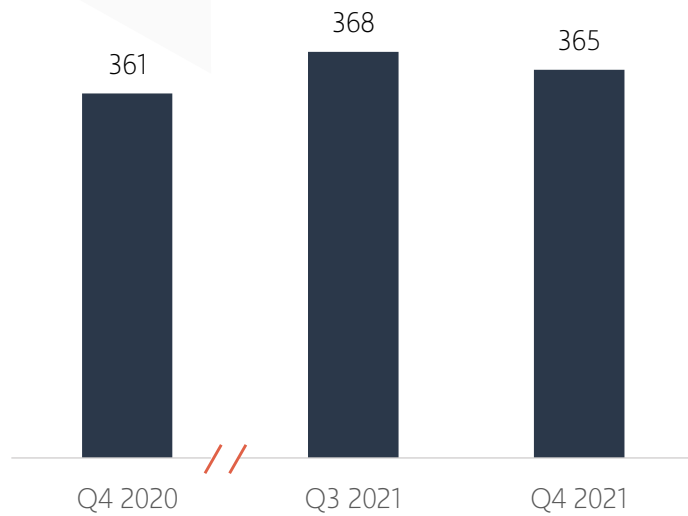


- Americas -70 bps decline year-over-year and +80 bps sequential growth
- Europe +170 bps year-over-year growth
- Asia Pacific +1,730 bps year-over-year and +110 bps sequential growth

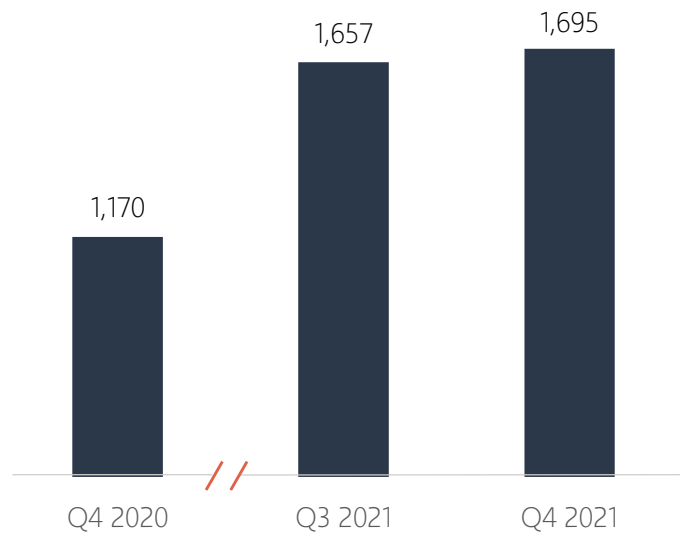
\* Non-GAAP Financial Measure

# Executive Search Operational Highlights

## CONSULTANT HEADCOUNT

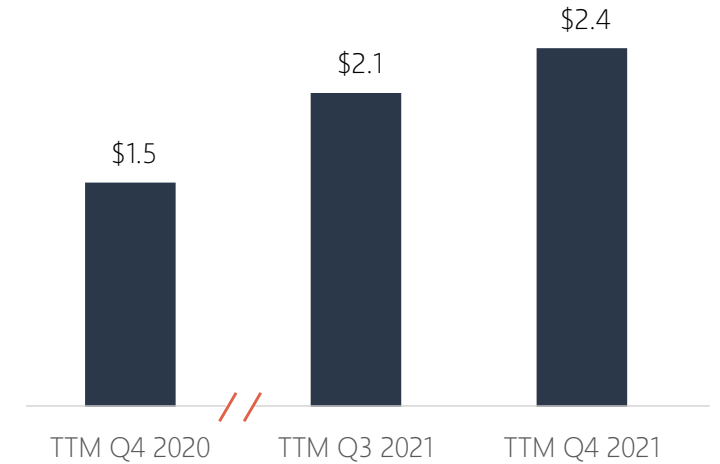


## SEARCH CONFIRMATIONS



Record quarterly confirmation volume in Q4 2021

## CONSULTANT PRODUCTIVITY

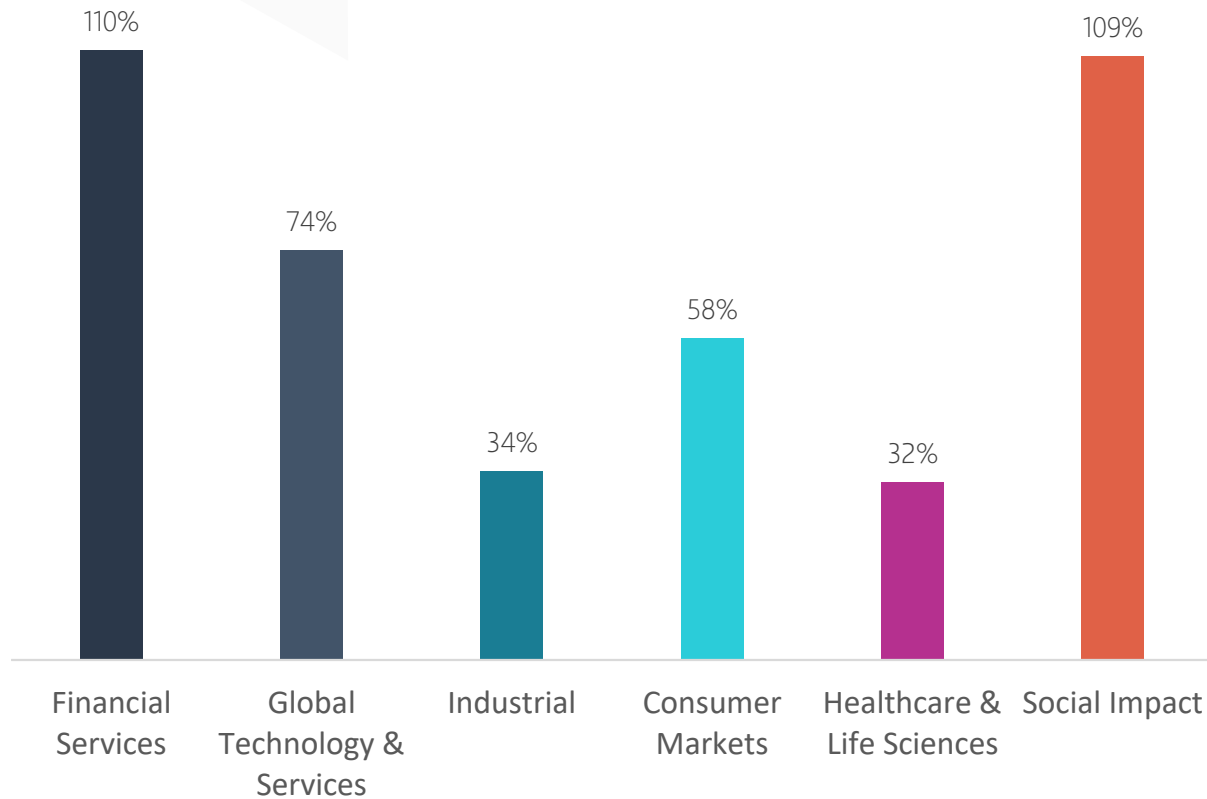


Record trailing twelve month productivity in Q4 2021

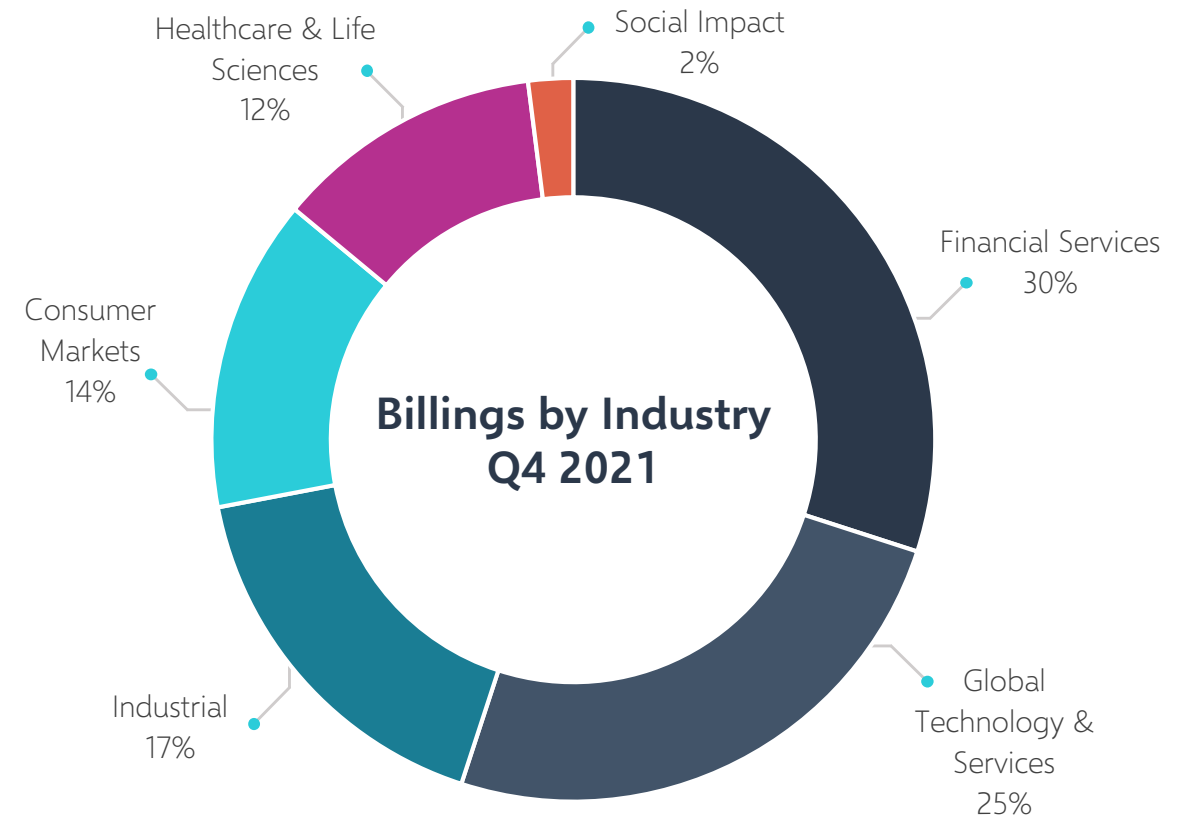
# Diversified Mix Of Business In Executive Search

## COMPARISON OF INDUSTRY BILLINGS

Q4 2021 vs. Q4 2020



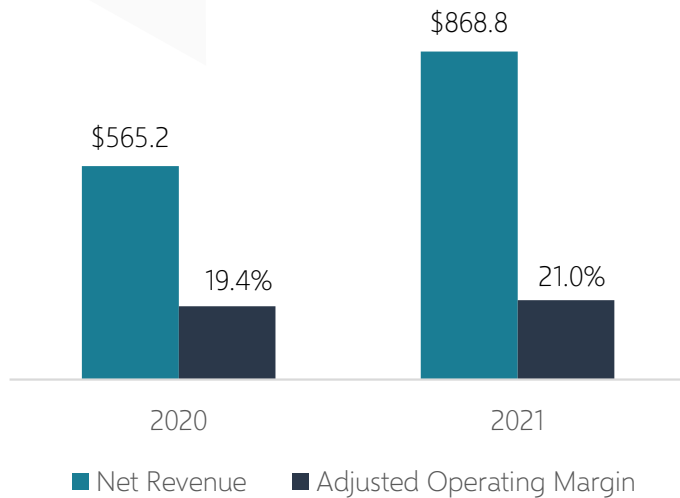
## MIX OF INDUSTRIES





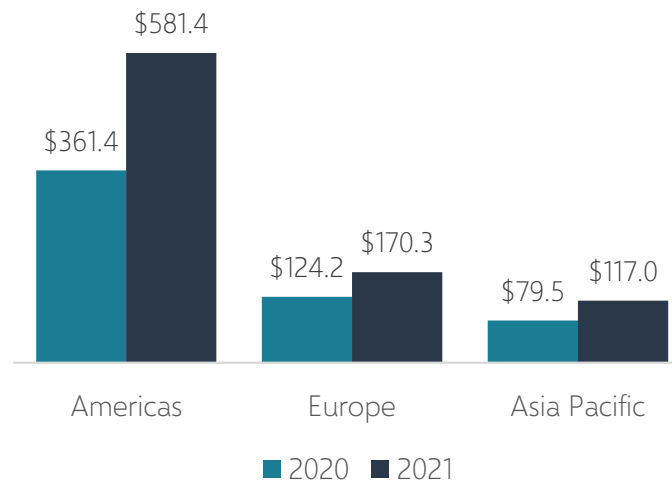
# Executive Search Financial Highlights

**NET REVENUE & ADJUSTED OPERATING MARGIN\***



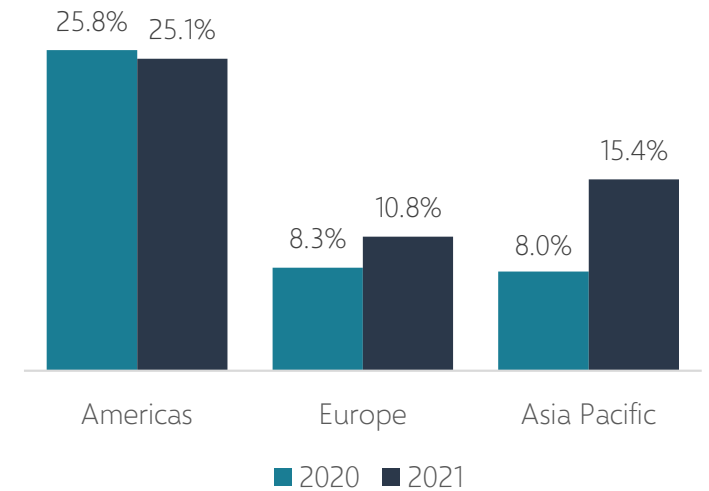
+54% year-over-year growth in net revenue  
 +160 bps year-over-year growth in Adjusted Operating Margin\*

**NET REVENUE BY REGION**



Americas +61% year-over-year growth  
 Europe +37% year-over-year growth  
 Asia Pacific +47% year-over-year growth

**ADJUSTED OPERATING MARGIN\* BY REGION**

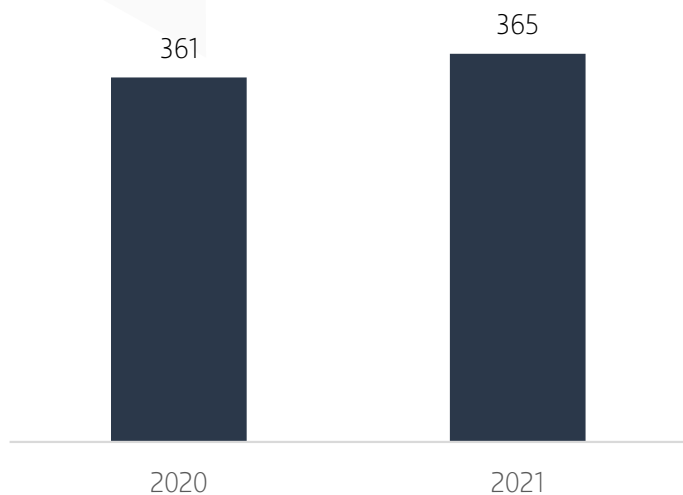


Americas -70 bps year-over-year decline  
 Europe +250 bps year-over-year growth  
 Asia Pacific +740 bps year-over-year growth

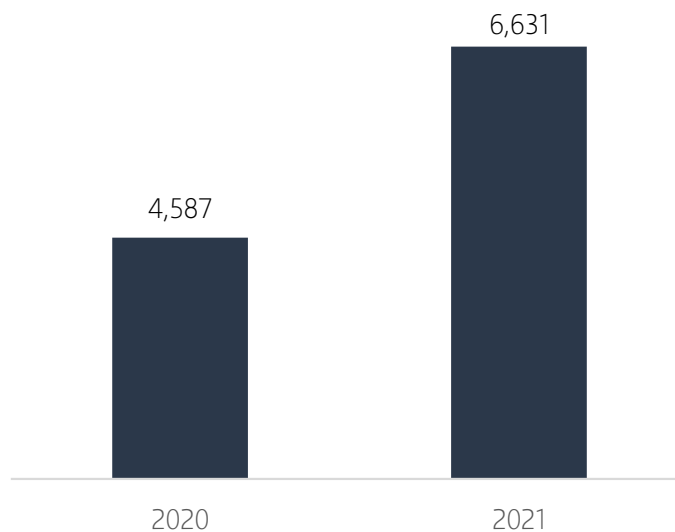
\* Non-GAAP Financial Measure

# Executive Search Operational Highlights

## CONSULTANT HEADCOUNT

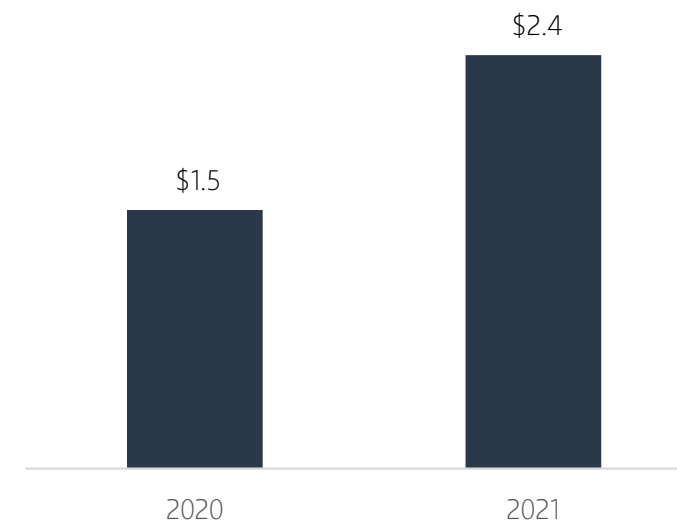


## SEARCH CONFIRMATIONS



Record annual confirmation volume in 2021

## CONSULTANT PRODUCTIVITY

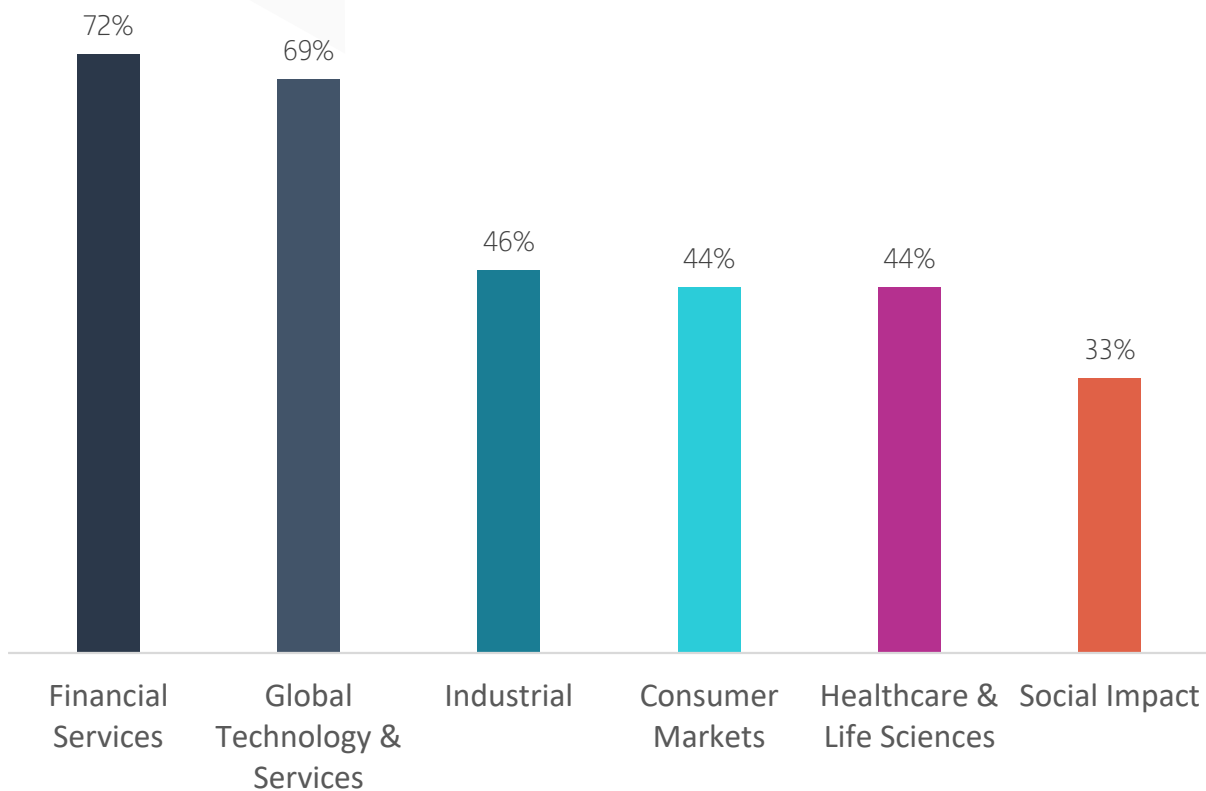


Record annual consultant productivity in 2021

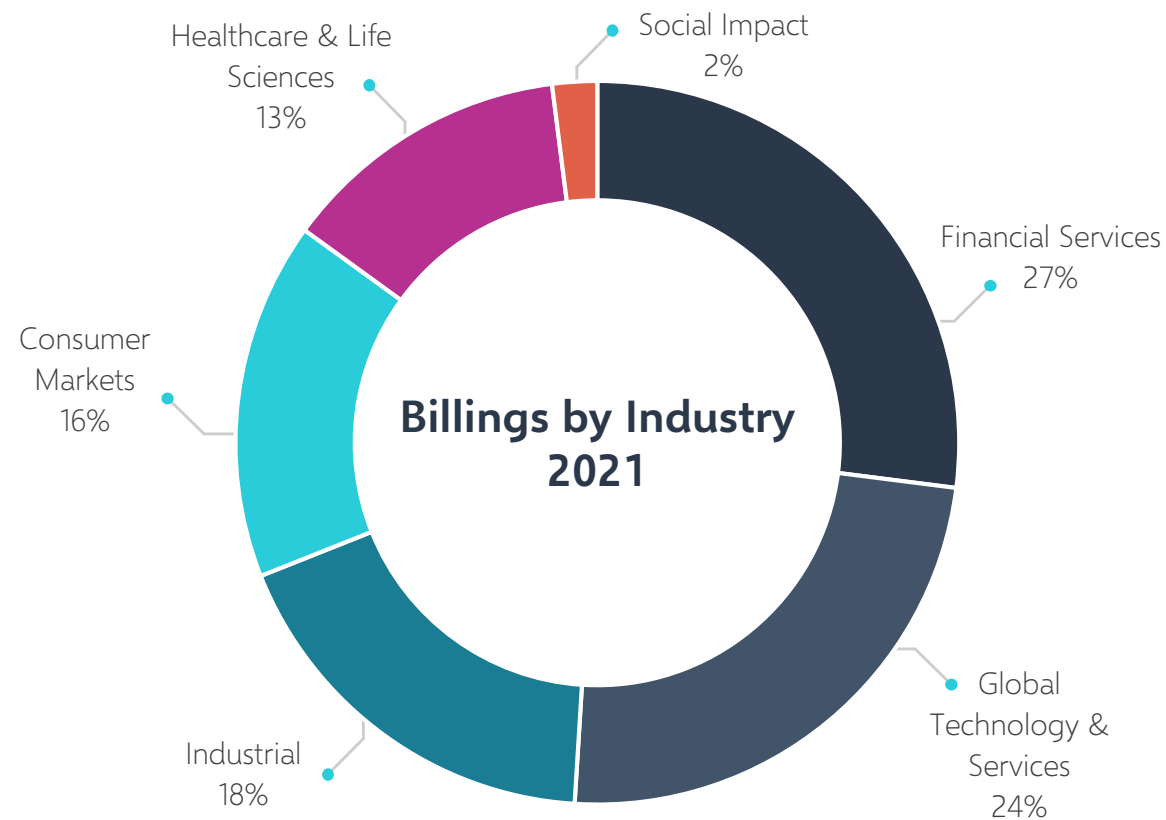
# Diversified Mix Of Business In Executive Search

## COMPARISON OF INDUSTRY BILLINGS

2021 vs. 2020



## MIX OF INDUSTRIES

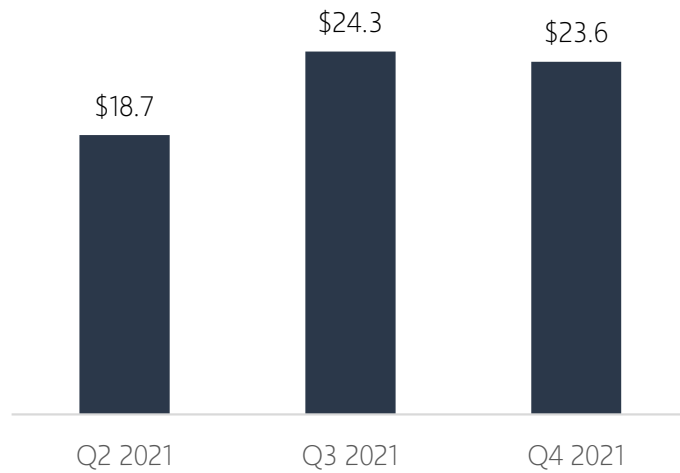




# **On-Demand Talent Results**

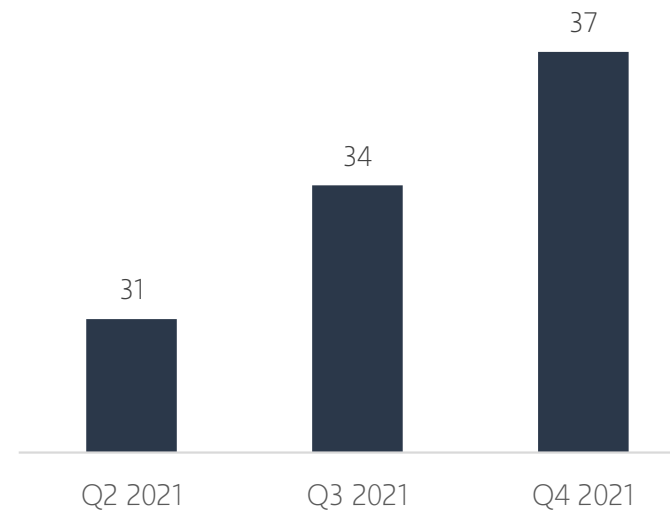
# On-Demand Talent Financial Highlights

## NET REVENUE



Significant revenue growth post-acquisition

## NUMBER OF LARGE ACCOUNTS\*\*



Increase in Large Accounts for three consecutive quarters

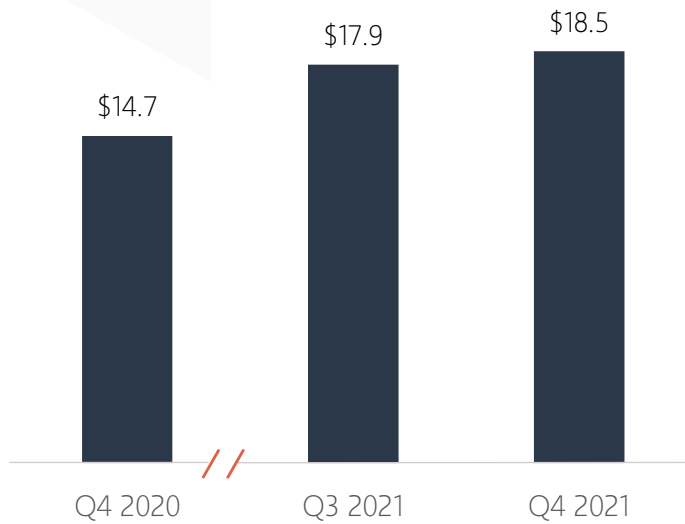
\*\* Accounts with full year contracted revenue in excess of \$0.5 million



# Heidrick Consulting Results

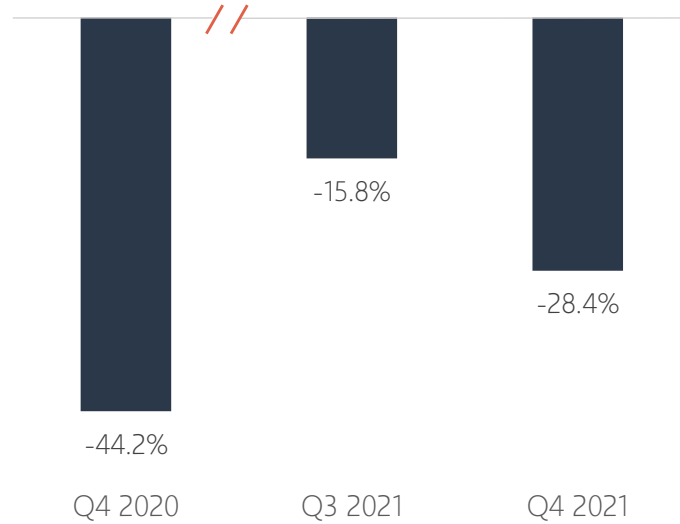
# Heidrick Consulting Financial Highlights

## NET REVENUE



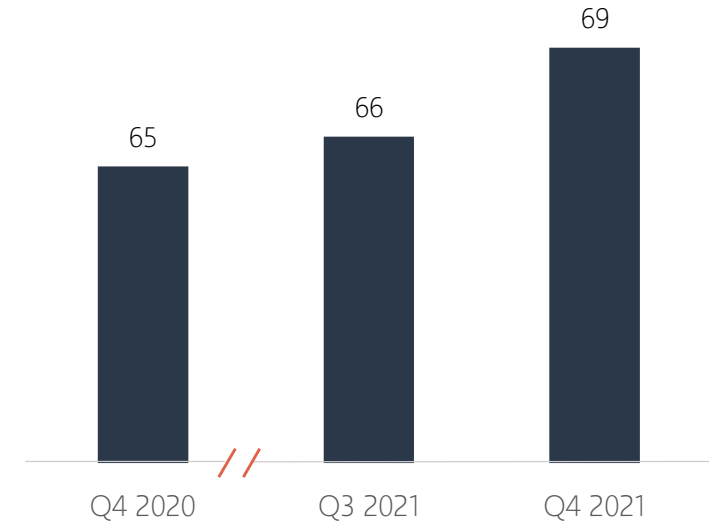
+26% year-over-year growth  
+4% sequential growth

## ADJUSTED OPERATING MARGIN\*



+1,580 bps year-over-year growth  
-1,260 bps sequential decline

## CONSULTANT HEADCOUNT

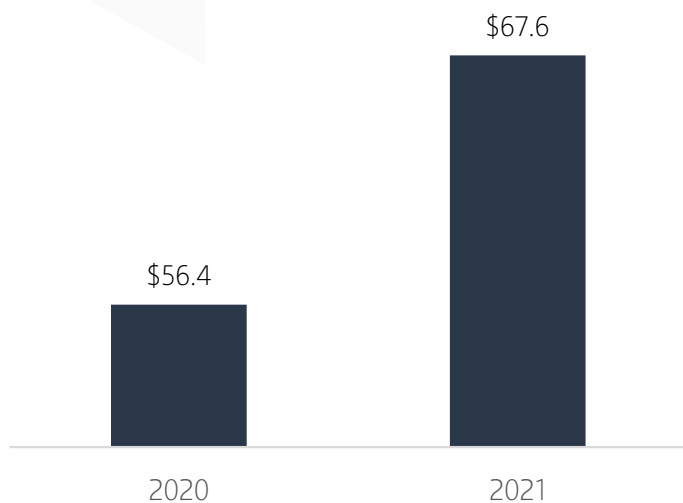


Continuing increase in consultant headcount

\* Non-GAAP Financial Measure

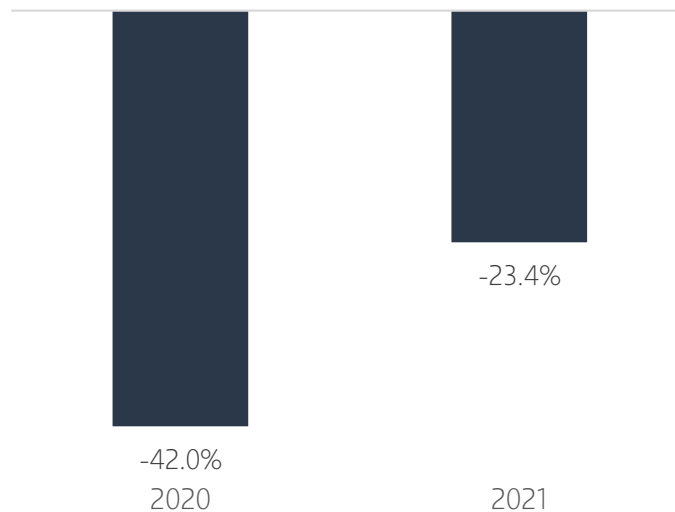
# Heidrick Consulting Financial Highlights

## NET REVENUE



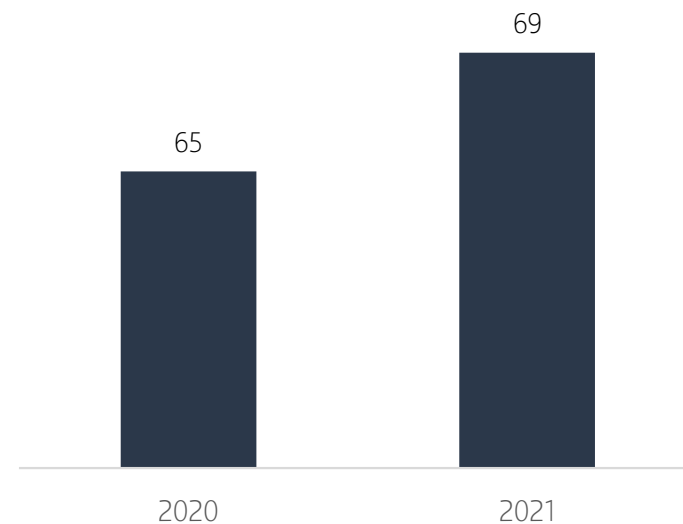
+20% year-over-year growth

## ADJUSTED OPERATING MARGIN\*



+1,860 bps year-over-year growth

## CONSULTANT HEADCOUNT



Continuing increase in consultant headcount

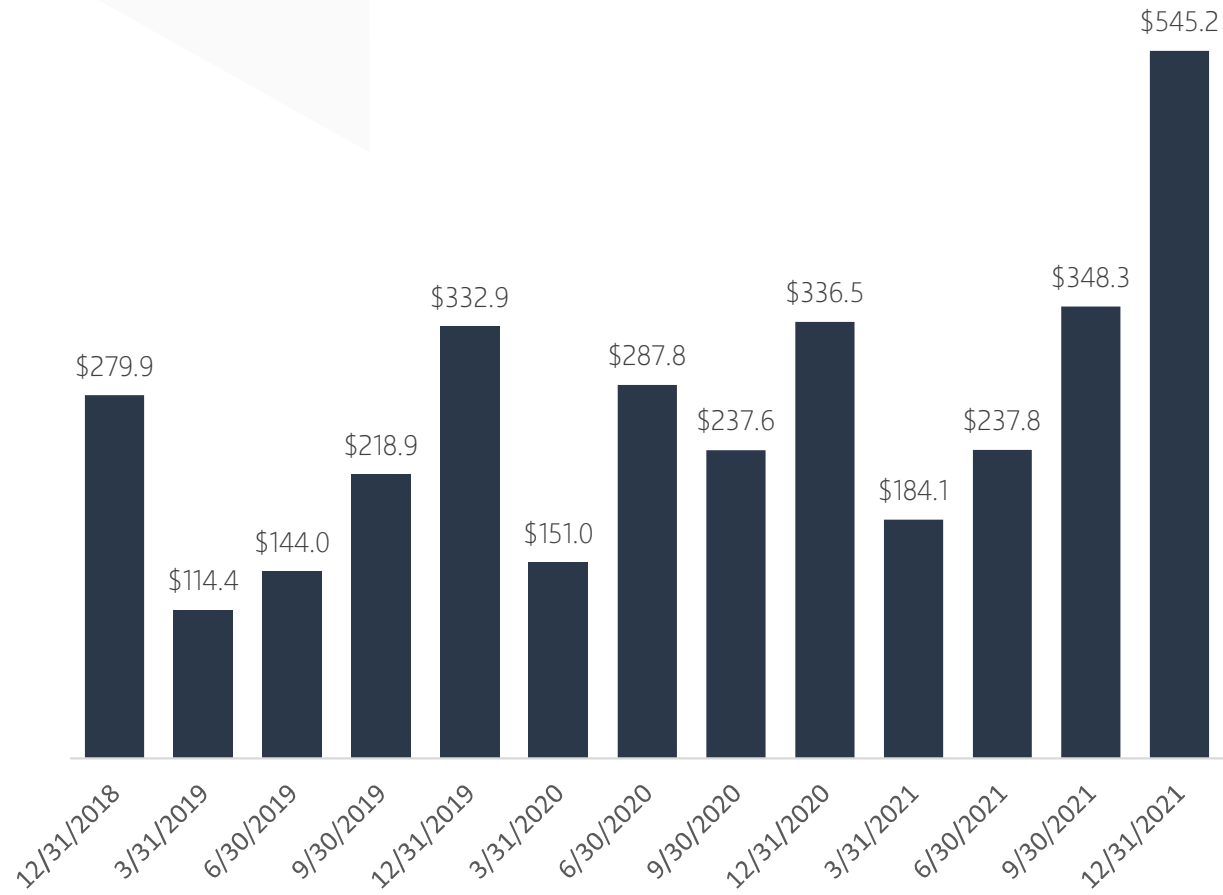
\* Non-GAAP Financial Measure



# Balance Sheet & Liquidity

# Strong & Flexible Balance Sheet

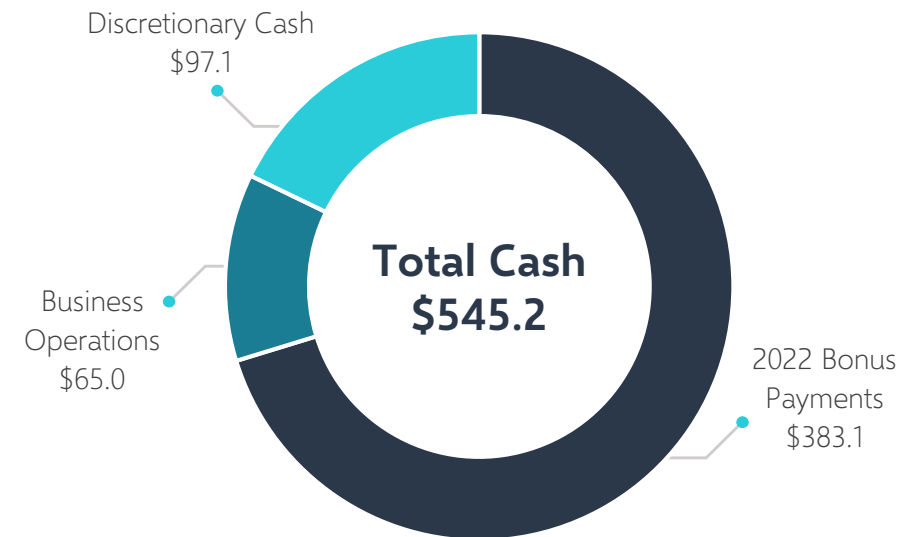
## CASH & MARKETABLE SECURITIES, NET OF DEBT



## TOTAL CASH FLOW

	December 31, 2021	December 31, 2020
For the quarter ending:	\$196.9	\$145.9
For the year ending:	\$228.8	\$44.8

## DISCRETIONARY CASH





# **Strategy & Growth Initiatives**

# Growth Initiatives

01

Grow scale and impact of both Executive Search and Heidrick Consulting, delivering a premium service experience and The Heidrick Way to clients

02

Expand development of leadership solutions and capabilities to address new and ongoing client imperatives

03

Invest in new product development and strategic expansion into adjacent/complementary areas with innovative, tech-driven offerings to drive future growth and shareholder value

# Appendix

Reconciliation of GAAP to Non-GAAP Financial Measures

# Adjusted Operating Income by Segment

We define Adjusted Operating Income as operating income excluding restructuring, impairment and other one-time charges.

(In \$ thousands)	Three Months Ended December 31, 2021							
	Americas	Europe	Asia Pacific	Total	On-Demand Talent	Heidrick Consulting	Global Operations Support	Heidrick & Struggles
				Executive Search				
Revenue before reimbursements (net revenue)	\$ 168,700	\$ 45,084	\$ 29,579	\$ 243,363	\$ 23,630	\$ 18,546	\$ -	\$ 285,539
Operating income (loss)	42,218	5,110	4,926	52,254	(10,306)	(5,265)	(20,075)	16,608
Adjustments								
Earnout adjustments	-	-	-	-	11,368	-	-	11,368
Total adjustments	-	-	-	-	11,368	-	-	11,368
Adjusted operating income (loss)	<u>\$ 42,218</u>	<u>\$ 5,110</u>	<u>\$ 4,926</u>	<u>\$ 52,254</u>	<u>\$ 1,062</u>	<u>\$ (5,265)</u>	<u>\$ (20,075)</u>	<u>\$ 27,976</u>
Operating margin	25.0%	11.3%	16.7%	21.5%	-43.6%	-28.4%	-7.0%	5.8%
Adjusted operating margin	25.0%	11.3%	16.7%	21.5%	4.5%	-28.4%	-7.0%	9.8%

(In \$ thousands)	Three Months Ended December 31, 2020							
	Americas	Europe	Asia Pacific	Total	On-Demand Talent	Heidrick Consulting	Global Operations Support	Heidrick & Struggles
				Executive Search				
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
Adjustments								
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)	<u>\$ 24,789</u>	<u>\$ 3,086</u>	<u>\$ (116)</u>	<u>\$ 27,759</u>	<u>\$ -</u>	<u>\$ (6,484)</u>	<u>\$ (8,480)</u>	<u>\$ 12,795</u>
Operating margin	22.7%	12.6%	-1.0%	17.6%	N/A	-45.5%	-6.6%	5.3%
Adjusted operating margin	25.7%	9.6%	-0.6%	19.0%	N/A	-44.2%	-5.3%	7.9%

# Adjusted Operating Income by Segment

We define Adjusted Operating Income as operating income excluding restructuring, impairment and other one-time charges.

(In \$ thousands)	Year Ended December 31, 2021							
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Global Operations Support	Heidrick & Struggles
Revenue before reimbursements (net revenue)	\$ 581,440	\$ 170,312	\$ 117,008	\$ 868,760	\$ 66,636	\$ 67,605	\$ -	\$ 1,003,001
Operating income (loss)	142,040	18,424	18,167	178,631	(9,272)	(16,162)	(54,933)	98,264
Adjustments								
Earnout adjustments	-	-	-	-	11,368	-	-	11,368
Restructuring charges	3,882	(97)	(124)	3,661	-	355	(224)	3,792
Total adjustments	3,882	(97)	(124)	3,661	11,368	355	(224)	15,160
Adjusted operating income (loss)	<u>\$ 145,922</u>	<u>\$ 18,327</u>	<u>\$ 18,043</u>	<u>\$ 182,292</u>	<u>\$ 2,096</u>	<u>\$ (15,807)</u>	<u>\$ (55,157)</u>	<u>\$ 113,424</u>
Operating margin	24.4%	10.8%	15.5%	20.6%	-13.9%	-23.9%	-5.5%	9.8%
Adjusted operating margin	25.1%	10.8%	15.4%	21.0%	3.1%	-23.4%	-5.5%	11.3%

(In \$ thousands)	Year Ended December 31, 2020							
	Americas	Europe	Asia Pacific	Total Executive Search	On-Demand Talent	Heidrick Consulting	Global Operations Support	Heidrick & Struggles
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)
Adjustments								
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
Adjusted operating income (loss)	<u>\$ 93,285</u>	<u>\$ 10,251</u>	<u>\$ 6,385</u>	<u>\$ 109,921</u>	<u>\$ -</u>	<u>\$ (23,712)</u>	<u>\$ (36,396)</u>	<u>\$ 49,813</u>
Operating margin	17.4%	-18.4%	-8.5%	5.9%	N/A	-50.3%	-6.5%	-5.7%
Adjusted operating margin	25.8%	8.3%	8.0%	19.4%	N/A	-42.0%	-5.9%	8.0%

# Adjusted Net Income & Earnings Per Share

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

(In \$ thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Net income (loss)	\$ 12,477	\$ 5,538	\$ 72,572	\$ (37,707)
Adjustments				
Earnout adjustments, net of tax	8,282	-	8,282	-
Impairment charges, net of tax	-	-	-	32,970
Restructuring charges, net of tax	-	6,093	2,642	39,956
Total adjustments	8,282	6,093	10,924	72,926
Adjusted net income (loss)	<u>\$ 20,759</u>	<u>\$ 11,631</u>	<u>\$ 83,496</u>	<u>\$ 35,219</u>
Weighted-average common shares outstanding				
Basic	19,592	19,360	19,515	19,301
Diluted	20,301	19,865	20,296	19,893
Earnings (loss) per commons share				
Basic	\$ 0.64	\$ 0.29	\$ 3.72	\$ (1.95)
Diluted	\$ 0.61	\$ 0.28	\$ 3.58	\$ (1.95)
Adjusted earnings per common share				
Basic	\$ 1.06	\$ 0.60	\$ 4.28	\$ 1.82
Diluted	\$ 1.02	\$ 0.59	\$ 4.11	\$ 1.77



# Adjusted EBITDA & Adjusted EBITDA Margin

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

(In \$ thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Revenue before reimbursements (net revenue)	\$ 285,539	\$ 160,987	\$ 1,003,001	\$ 621,615
Net income (loss)	12,477	5,538	72,572	(37,707)
Interest, net	(95)	(44)	(302)	(204)
Other, net	(1,203)	(3,467)	(7,463)	(3,927)
Provision for income taxes	5,429	6,511	33,457	6,309
Operating income (loss)	16,608	8,538	98,264	(35,529)
Adjustments				
Stock-based compensation	4,014	3,038	12,325	9,679
Depreciation	1,839	1,906	7,150	8,100
Intangible amortization	1,146	153	2,898	738
Earnout accretion	123	-	486	-
Earnout adjustments	11,368	-	11,368	-
Acquisition contingent compensation	575	460	1,973	1,942
Deferred compensation plan	1,108	3,388	3,057	4,495
Impairment charges	-	-	-	32,970
Restructuring charges	-	4,257	3,792	52,372
Total adjustments	20,173	13,202	43,049	110,296
Adjusted EBITDA	\$ 36,781	\$ 21,740	\$ 141,313	\$ 74,767
Adjusted EBITDA margin	12.9%	13.5%	14.1%	12.0%

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