

HEIDRICK & STRUGGLES

Third Quarter 2024 Results

November 4, 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 fourth 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

- 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

- 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

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

EXPANSION OF INDUSTRY EXPERTISE & CAPABILITIES

- 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

- 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

- 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



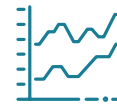
REVENUE

- Quarterly net revenue of \$278.6 million; on a constant currency basis*, net revenue was \$277.8 million for the third quarter



ADJUSTED EBITDA*

- Adjusted EBITDA* of \$30.4 million and Adjusted EBITDA Margin* of 10.9% for the third quarter



NET INCOME

- Net income of \$14.8 million for the third quarter
- Adjusted net income* of \$15.1 million



EARNINGS PER SHARE

- Diluted earnings per share of \$0.71 for the third quarter
- Adjusted diluted earnings per share* of \$0.72

“Our Heidrick colleagues delivered solid quarterly results, outperforming industry trends and reaching the upper end of our outlook. This performance reflects our team’s sharp focus on market opportunities and client needs even as we implemented significant change across our organization,” said CEO Tom Monahan. “Looking ahead, there is still much work to be done as we pursue growth opportunities in Executive Search, more tightly focus our suite of leadership solutions, and drive profitability and scalability across the portfolio.”

“This work will allow us to take advantage of a large and growing market opportunity as clients increasingly put leadership strategy at the heart of their corporate strategy. With an iconic brand, deep expertise across regions and sectors, and a robust financial position, we believe Heidrick is well positioned to attract top talent and cultivate deeper and more durable client relationships. Combining these assets with disciplined execution will enable us to achieve sustained and profitable organic growth while enhancing long-term shareholder value.”

- Tom Monahan, CEO

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* Non-GAAP Financial Measure

HEIDRICK & STRUGGLES

Creating a Portfolio of Solutions that Addresses Urgent Client Need and Amplify Search Impact



EXECUTIVE SEARCH

- 2.8% year over year revenue growth for the third quarter
- Adjusted EBITDA margin 24.8% for the third quarter
- Performance highlights versus Q3'23 include:
 - Confirmations increased 5.4%
 - Productivity increased



ON-DEMAND TALENT

- 12.6% year over year revenue growth for the third quarter
- Adjusted EBITDA margin 3.8% for the third quarter
- Performance highlights versus Q3'23 include:
 - Total Contract Value increased
 - Value of extensions increased
 - Longer project durations extending into 2025



HEIDRICK CONSULTING

- 19.9% year over year revenue growth for the third quarter
- Confirmations up 45.2% over Q3'23
- Adjusted EBITDA margin (3.7%) for the third quarter
- Leadership and Purpose Driven Change best practices driving business



HEIDRICK DIGITAL

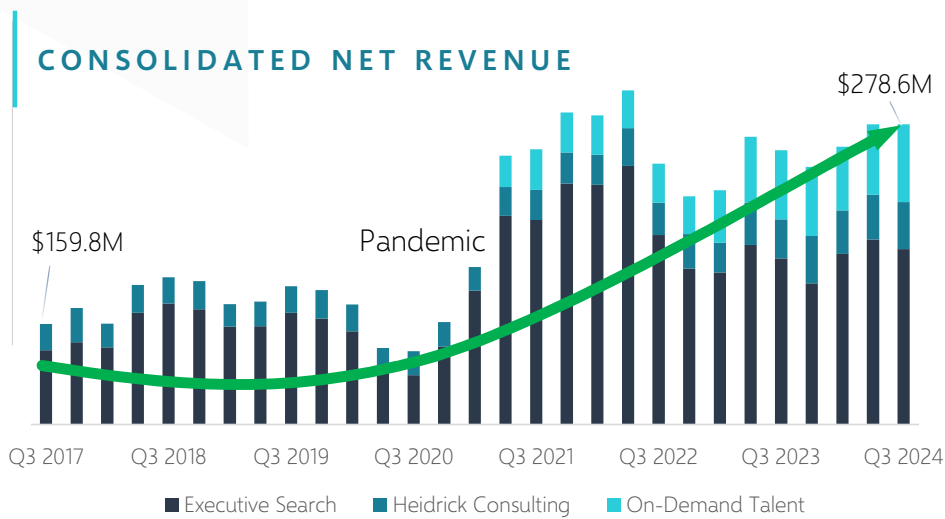
- Advancing enterprise platform through digital enhancements, proprietary data and IP
 - Developing digital product portfolio, including Navigator and Assessments
 - Multiple clients signed and a growing pipeline

Consolidated Results

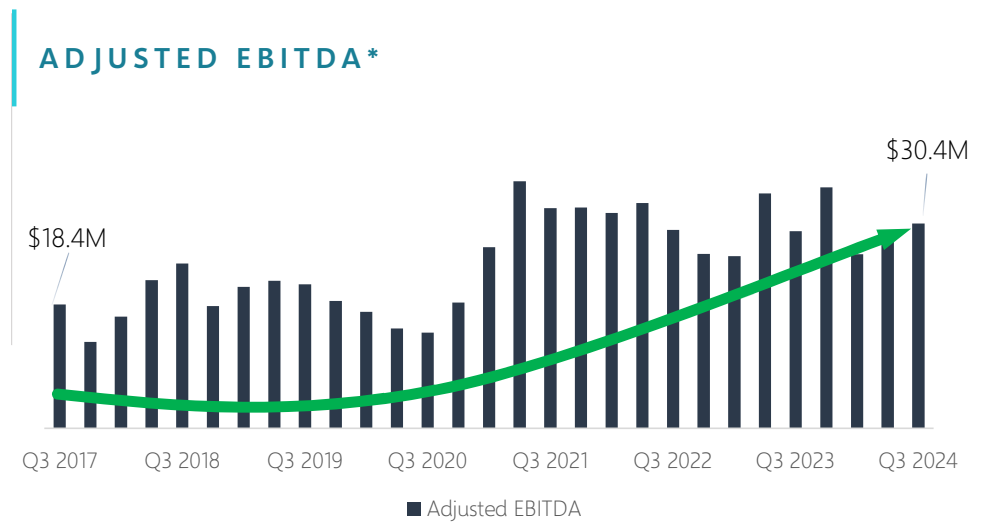


Consolidated Financial Highlights

QUARTERLY NET REVENUE AND ADJUSTED EBITDA* TRENDS



8.3% CAGR since Q3 2017



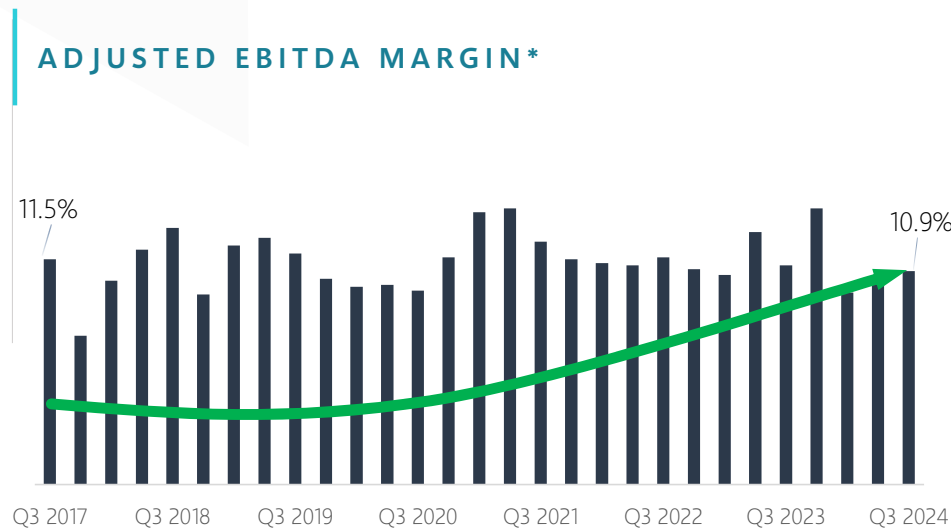
7.4% CAGR since Q3 2017

* Non-GAAP Financial Measure

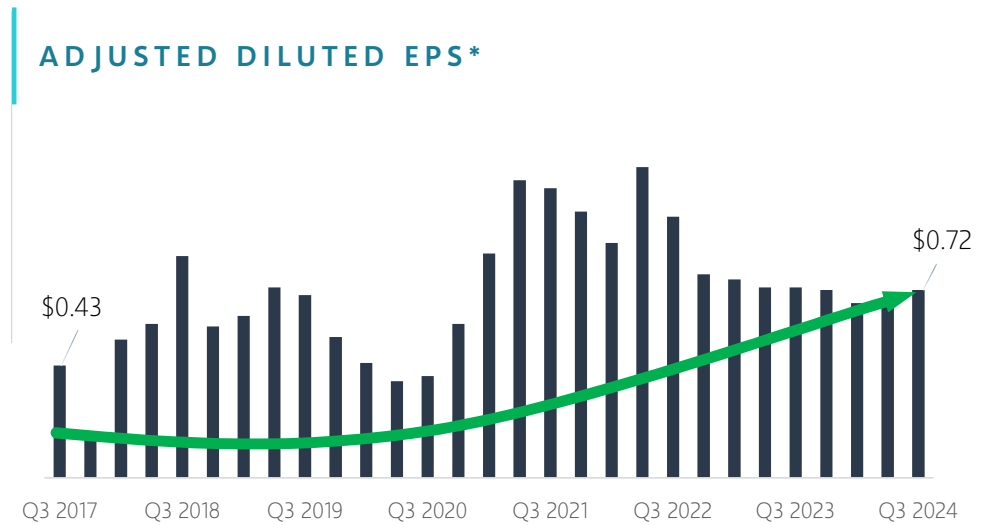
HEIDRICK & STRUGGLES

Consolidated Financial Highlights

QUARTERLY ADJUSTED EBITDA MARGIN* AND ADJUSTED DILUTED EPS* TRENDS



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



42 consecutive quarters of
profitability

* Non-GAAP Financial Measure

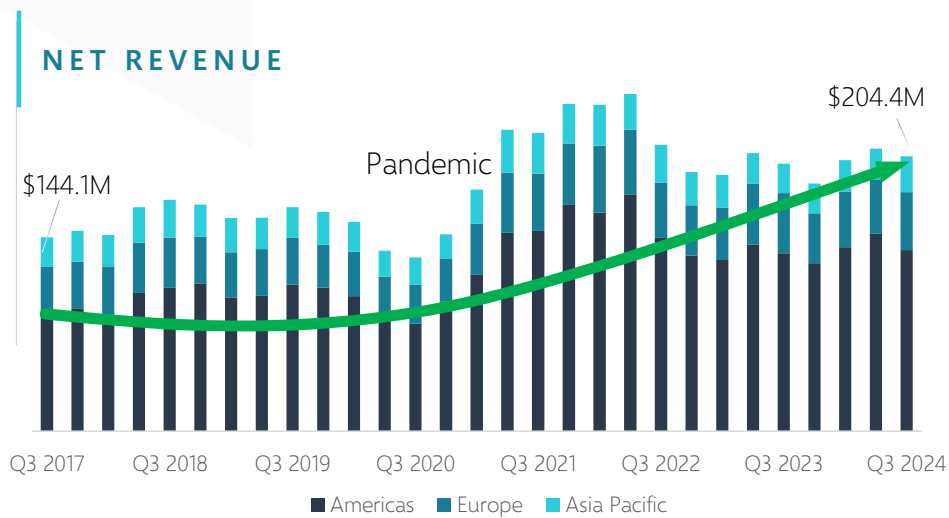
HEIDRICK & STRUGGLES

Executive Search Results

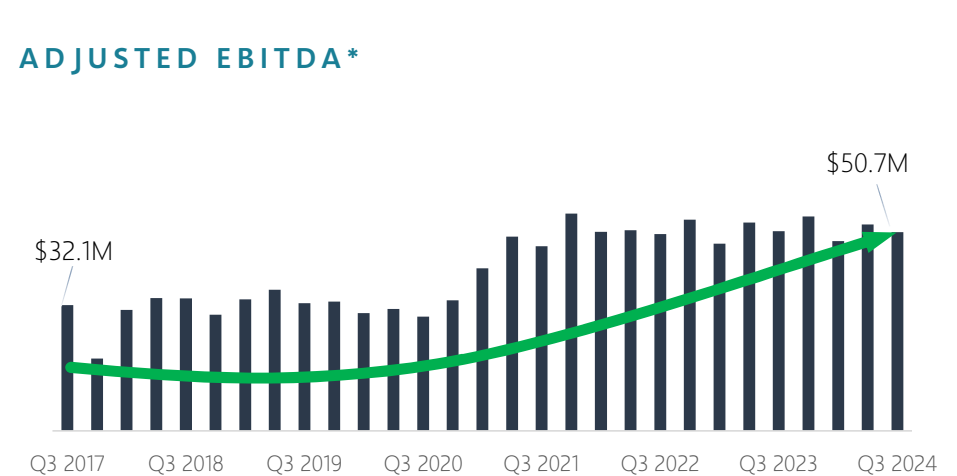


Executive Search Financial Highlights

QUARTERLY NET REVENUE AND ADJUSTED EBITDA* TRENDS



5.1% CAGR since Q3 2017



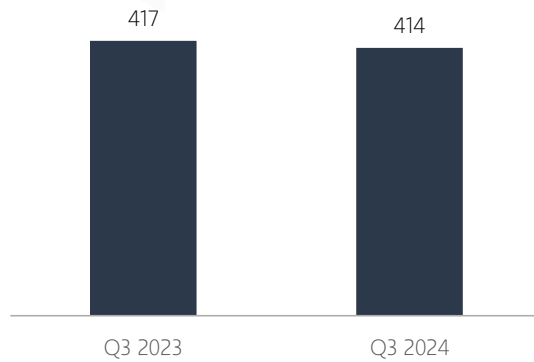
6.8% CAGR since Q3 2017

Strong profitability drives opportunities for other business segments

* Non-GAAP Financial Measure

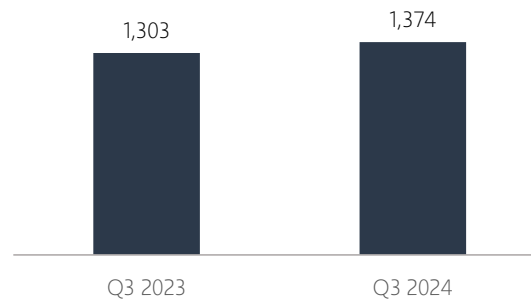
Executive Search Operational Highlights

CONSULTANT HEADCOUNT



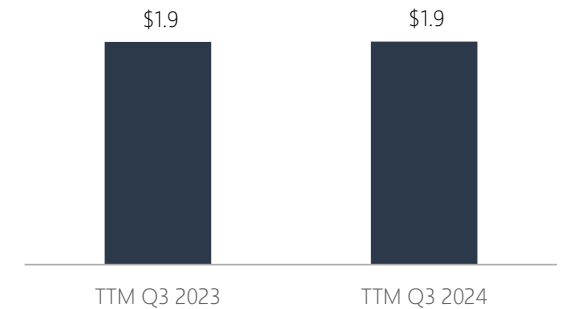
1% year-over-year consultant headcount decrease

SEARCH CONFIRMATIONS



5% year-over-year increase in confirmation volume

CONSULTANT PRODUCTIVITY (\$M)



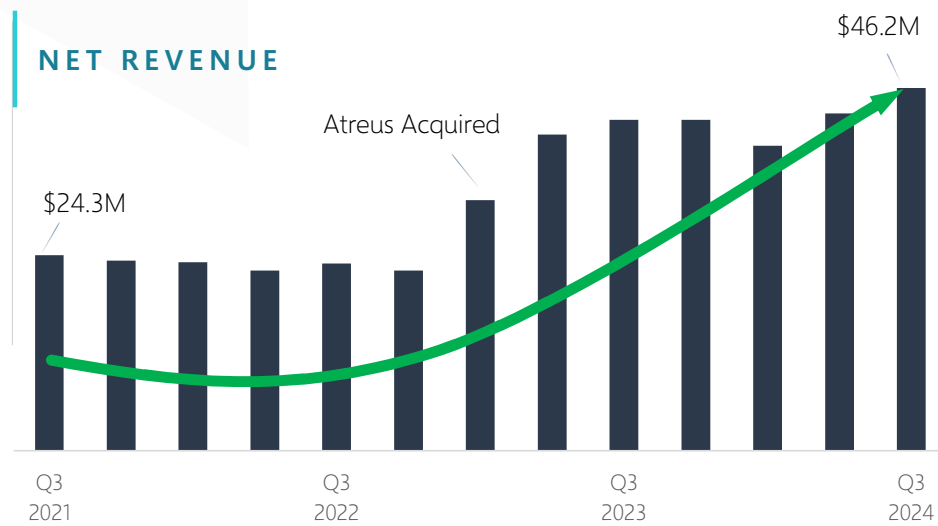
Trailing twelve-month productivity remains robust

On-Demand Talent Results

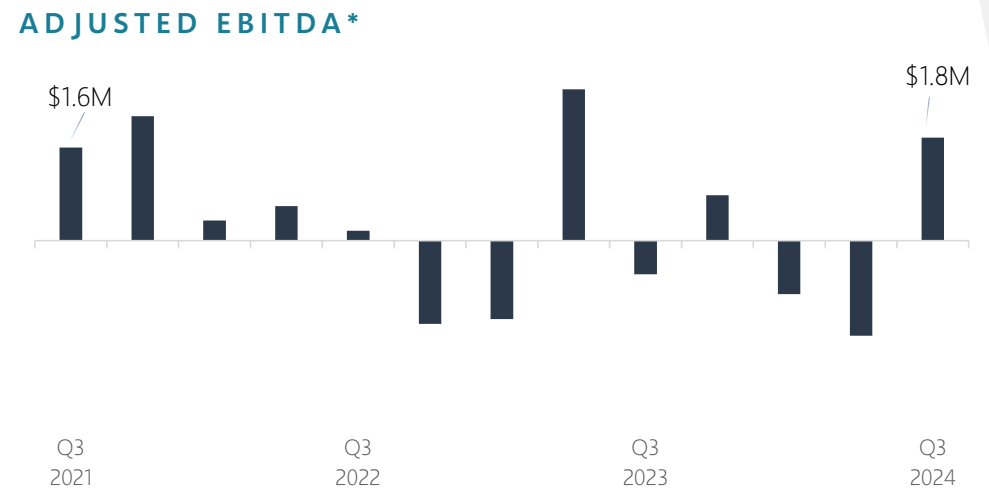


On-Demand Talent Financial Highlights

QUARTERLY NET REVENUE AND ADJUSTED EBITDA* TRENDS



12.6% year over year growth



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

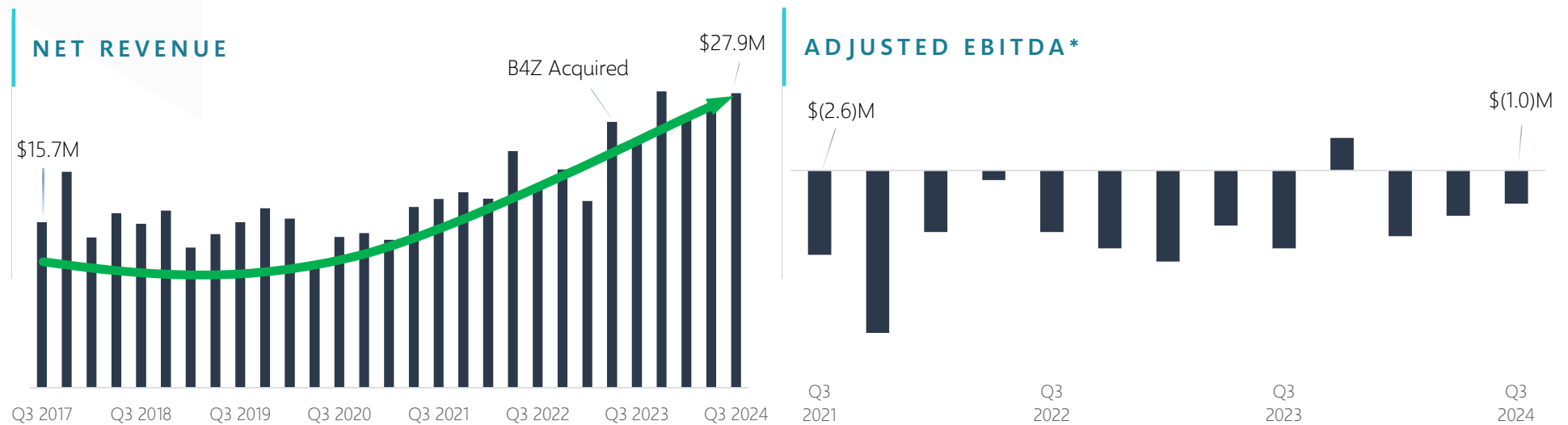
* Non-GAAP Financial Measure

Heidrick Consulting Results



Heidrick Consulting Financial Highlights

QUARTERLY NET REVENUE AND ADJUSTED EBITDA* TRENDS



8.6% CAGR since Q3 2017

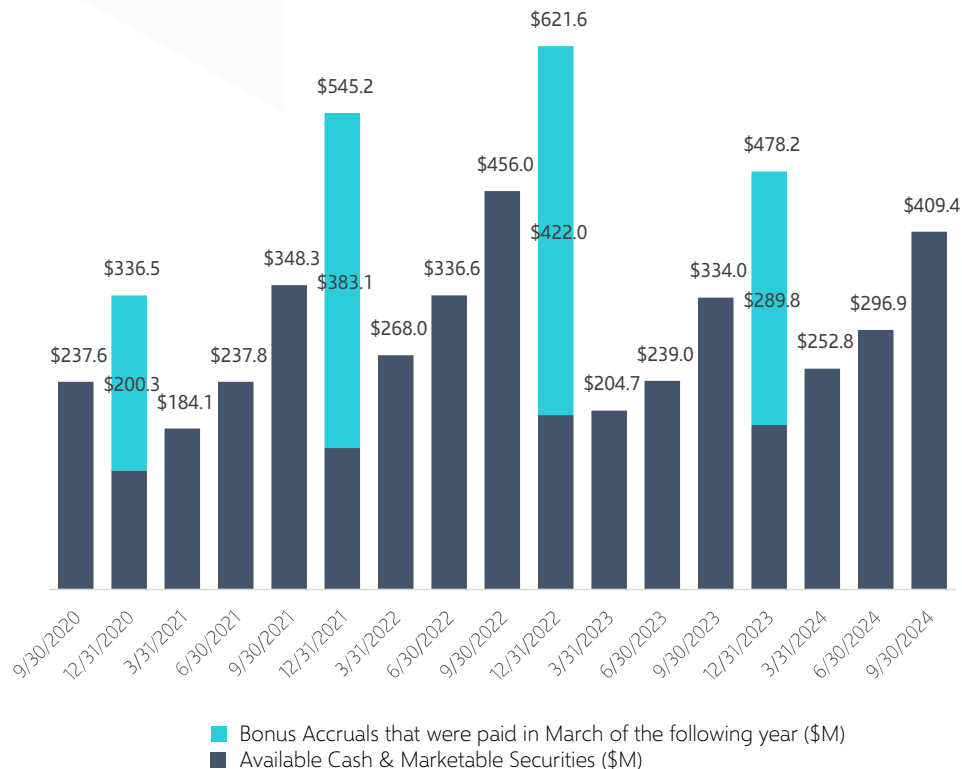
Restructured in Q2 2024 with new leadership focused on scaling offers built on proprietary data and intellectual property to drive more consistent performance

* Non-GAAP Financial Measure

Balance Sheet & Liquidity

Strong & Flexible Balance Sheet

CASH & MARKETABLE SECURITIES, NET OF DEBT



CASH PROVIDED BY OPERATING ACTIVITIES

(\$M)	September 30, 2024	September 30, 2023
For the quarter ending:	\$101.1	\$109.5

USE OF CASH PRIORITIZATION



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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 14,829	\$ 14,987	\$ 23,704	\$ 39,555
Adjustments				
Impairment charges, net of tax	-	-	14,190	6,038
Earnout adjustments, net of tax ¹	39	-	788	-
Restructuring charges, net of tax ¹	225	-	4,516	-
Total adjustments	264	-	19,494	6,038
Adjusted net income	<u>\$ 15,093</u>	<u>\$ 14,987</u>	<u>\$ 43,198</u>	<u>\$ 45,593</u>
Weighted-average common shares outstanding				
Basic	20,357	20,076	20,254	19,998
Diluted	21,024	20,553	21,144	20,716
Earnings per common share				
Basic	\$ 0.73	\$ 0.75	\$ 1.17	\$ 1.98
Diluted	\$ 0.71	\$ 0.73	\$ 1.12	\$ 1.91
Adjusted earnings per common share				
Basic	\$ 0.74	\$ 0.75	\$ 2.13	\$ 2.28
Diluted	\$ 0.72	\$ 0.73	\$ 2.04	\$ 2.20

¹ Amounts for the three months ended September 30, 2024 reflect the impact of a change to the estimated annual effective tax rate. There were no further impairment charges, earnout fair value adjustments, or restructuring charges recorded during the period.

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 September 30, 2024								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
	Revenue before reimbursements (net revenue)	\$134,545	\$43,143	\$26,701	\$204,389	\$46,231	\$27,939	\$0	\$0
Operating income (loss) ¹	36,660	4,615	4,995	46,270	(2,036)	(2,835)	(5,682)	(16,635)	19,082
Adjustments									
Depreciation	743	394	252	1,389	175	227	1,029	177	2,997
Intangible amortization	4	13	-	17	1,560	376	-	-	1,953
Earnout accretion	-	-	-	-	436	42	-	-	478
Acquisition contingent compensation	209	-	-	209	1,628	1,110	-	-	2,947
Deferred compensation plan	2,849	-	-	2,849	-	55	47	-	2,958
Total adjustments	3,805	407	252	4,464	3,799	1,810	1,076	184	11,333
Adjusted EBITDA	\$40,465	\$5,022	\$5,247	\$50,734	\$1,763	(\$1,025)	(\$4,606)	(\$16,451)	\$30,415
Adjusted EBITDA margin	30.1%	11.6%	19.7%	24.8%	3.8%	(3.7%)	(1.7%)	(5.9%)	10.9%

(In \$ thousands)	Three Months Ended September 30, 2023								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
	Revenue before reimbursements (net revenue)	\$132,320	\$44,606	\$21,888	\$198,814	\$41,053	\$23,293	\$0	\$0
Operating income (loss) ¹	39,285	8,519	2,486	50,290	(4,595)	(4,075)	(5,560)	(13,923)	22,137
Adjustments									
Depreciation	780	293	215	1,288	125	156	655	163	2,387
Intangible amortization	10	27	3	40	1,869	444	-	-	2,353
Earnout accretion	-	-	-	-	397	58	-	-	455
Acquisition contingent compensation	649	-	-	649	1,559	1,060	-	-	3,268
Deferred compensation plan	(1,370)	-	-	(1,370)	-	(34)	(22)	(1)	(1,427)
Reorganization costs	-	111	-	111	65	-	-	-	176
Total adjustments	69	431	218	718	4,015	1,684	633	162	7,212
Adjusted EBITDA	\$39,354	\$8,950	\$2,704	\$51,008	(\$580)	(\$2,391)	(\$4,927)	(\$13,761)	\$29,349
Adjusted EBITDA margin	29.7%	20.1%	12.4%	25.7%	(1.4%)	(10.3%)	(1.9%)	(5.2%)	11.2%

¹ 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.

Nine Months Ended September 30, 2024									
(In \$ thousands)	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$418,302	\$124,706	\$72,829	\$615,837	\$125,983	\$80,562	\$0	\$0	\$822,382
Operating income (loss) ¹	121,036	8,131	9,456	138,623	(28,580)	(13,207)	(17,002)	(48,661)	31,173
Adjustments									
Depreciation	2,220	704	569	3,493	423	506	2,592	466	7,480
Intangible amortization	13	41	-	54	4,928	1,188	-	-	6,170
Earnout accretion	-	-	-	-	1,251	162	-	-	1,413
Earnout fair value adjustments	-	-	-	-	1,125	86	-	-	1,211
Acquisition contingent compensation	(126)	-	-	(126)	5,019	3,327	-	-	8,220
Deferred compensation plan	6,028	-	-	6,028	-	124	98	14	6,264
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	9,412	3,084	726	13,222	27,793	8,760	2,690	1,456	53,921
Adjusted EBITDA	<u>\$130,448</u>	<u>\$11,215</u>	<u>\$10,182</u>	<u>\$151,845</u>	<u>(\$787)</u>	<u>(\$4,447)</u>	<u>(\$14,312)</u>	<u>(\$47,205)</u>	<u>\$85,094</u>
Adjusted EBITDA margin	31.2%	9.0%	14.0%	24.7%	(0.6%)	(5.5%)	(1.7%)	(5.7%)	10.3%

Nine Months Ended September 30, 2023									
(In \$ thousands)	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$398,210	\$129,104	\$68,766	\$596,080	\$111,410	\$66,212	\$0	\$0	\$773,702
Operating income (loss) ¹	121,128	12,663	7,132	140,923	(11,821)	(17,877)	(16,746)	(40,986)	53,493
Adjustments									
Depreciation	2,279	891	758	3,928	326	507	1,319	483	6,563
Intangible amortization	29	105	11	145	5,737	987	-	-	6,869
Earnout accretion	-	-	-	-	982	115	-	-	1,097
Acquisition contingent compensation	1,901	548	-	2,449	4,144	2,118	-	-	8,711
Deferred compensation plan	2,220	-	-	2,220	-	56	31	2	2,309
Reorganization costs	-	2,280	-	2,280	1,292	-	-	-	3,572
Impairment charges	-	-	-	-	-	7,246	-	-	7,246
Total adjustments	6,429	3,824	769	11,022	12,481	11,029	1,350	485	36,367
Adjusted EBITDA	<u>\$127,557</u>	<u>\$16,487</u>	<u>\$7,901</u>	<u>\$151,945</u>	<u>\$660</u>	<u>(\$6,848)</u>	<u>(\$15,396)</u>	<u>(\$40,501)</u>	<u>\$89,860</u>
Adjusted EBITDA margin	32.0%	12.8%	11.5%	25.5%	0.6%	(10.3%)	(2.0%)	(5.2%)	11.6%

¹ 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.

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