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# INVESTOR PRESENTATION

December 18, 2018

# HEIDRICK & STRUGGLES

Mark Harris, Chief Financial Officer

Julie Creed, VP, Real Estate & Investor Relations

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## SAFE HARBOR STATEMENT

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Our presentation may 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, leadership changes, our ability to attract, integrate, manage and retain qualified consultants and senior leaders; our ability to develop and maintain strong, long-term relationships with our clients; declines in the global economy and our ability to execute successfully through business cycles; the timing, speed or robustness of any future economic recovery; social or political instability in markets where we operate; the impact of the U.K. referendum to leave the European Union (Brexit); the impact of foreign currency exchange rate fluctuations; unfavorable tax law changes and tax authority rulings; price competition; the ability to forecast, on a quarterly basis, variable compensation accruals that ultimately are determined based on the achievement of annual results; our ability to utilize our tax losses; the timing of the establishment or reversal of valuation allowances on deferred tax assets; the mix of profit and loss by country; our reliance on information management systems; any impairment of our goodwill and other intangible assets; and the ability to align our cost structure and headcount with net revenue. 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, 2017, under Risk Factors in Item 1A and our quarterly filings with the SEC. We caution the reader that the list of factors may not be exhaustive. 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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HEIDRICK & STRUGGLES

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## OUR PURPOSE

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We help our clients  
change the world,  
one leadership  
team at a time®

**HEIDRICK & STRUGGLES**

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HEIDRICK & STRUGGLES

## HEIDRICK AT A GLANCE

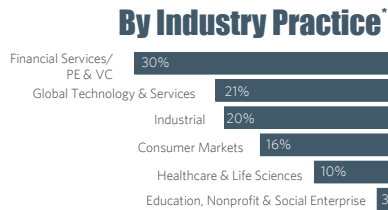
Founded in **1953**  
by Gardner Heidrick  
and John Struggles  
in Chicago, IL

Approximately  
**1,600**  
employees  
(~380 consultants working  
from over 50 locations in  
principal cities of the world  
and emerging markets)

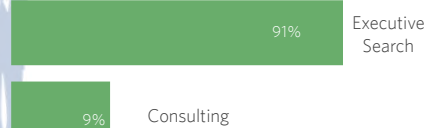
Net revenue of  
**\$621 million**  
in 2017  
And \$530.7 million  
through first 9 months  
of 2018

**INTEGRATED**  
**PORTFOLIO**  
of leadership  
advisory services

NASDAQ  
listed:  
**HSII**



### By Service



### By Region\*



\* Based on the first nine months of 2018 executive search net revenue

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## A LEADERSHIP ADVISOR



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## INTEGRATED ADVISORY SERVICES

### Executive Search

We embody a deep client focus and possess unmatched connections and expertise around the world with the people and organizations that matter. We build deep relationships with the most talented individuals within their industries to ultimately build winning executive leadership teams for premier global organizations.

### Heidrick Consulting

Heidrick consulting comes from the merging of Leadership Consulting and Culture Shaping.

Heidrick Consulting enables clients to accelerate performance. We equip leaders to inspire, make quick and sustainable changes, and develop the skills to transform – delivering on purposes, shaping culture, and assessing, defining and developing the key leadership capabilities needed to execute company strategy.

## GLOBAL NETWORK

### North America

Atlanta	Menlo Park
Boston	Miami
Chicago	Minneapolis
Dallas	New York
Florham Park	Philadelphia
Houston	San Francisco
Huntington Beach	Toronto
Los Angeles	Washington D.C.

### Europe

Amsterdam	London
Brussels	Madrid
Copenhagen	Milan
Dublin	Moscow
Düsseldorf	Munich
Frankfurt	Paris
Helsinki	Stockholm
Istanbul	Warsaw
Lisbon	Zürich

### Asia-Pacific

Bangalore	Perth
Bangkok	Seoul
Beijing	Shanghai
Hong Kong	Singapore
Melbourne	Sydney
Mumbai	Tokyo
New Delhi	

Our consultants and their teams, working through 50+ offices around the world, have the resources and contacts necessary to conduct a global, multinational, national, or local market search

### Latin America

Mexico City  
São Paulo

### Middle East

Dubai

### Africa

Johannesburg

## KEY INITIATIVES IN 2018

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1

Grow scale and impact of both Search and Consulting

2

Collaborate across the enterprise: Search + Consulting

3

Deliver premium service experience to our clients  
Implement the Heidrick Way

4

Continue cost containment initiatives

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## FINANCIAL PERFORMANCE & KEY OPERATIONAL METRICS

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## ECONOMICS OF FIRM

### Fees

- For executive search, fees are typically one-third of placement's first year cash compensation
  - includes salary and bonus
  - billed in three monthly installments
  - revenue is recognized over approximately six months based on efforts expended over life of search and estimate for upticks
- Project-based for Heidrick Consulting projects or assignments

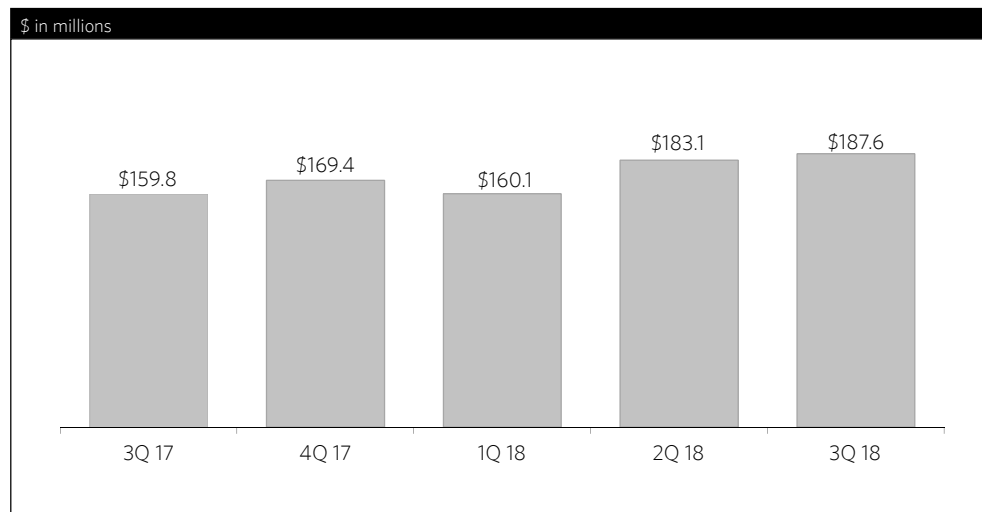
### Consultant Compensation

- Base and discretionary bonus, with 15% of bonus deferred out over 3 years in equal payments
- Bonus eligibility is based on revenue generation (formula based), individual performance and company performance
- Bonuses can be adjusted based on quality and other firm-building behavior
- Formula-based component structured on progressive tiers
- Discretionary, stock-based long-term incentive plan

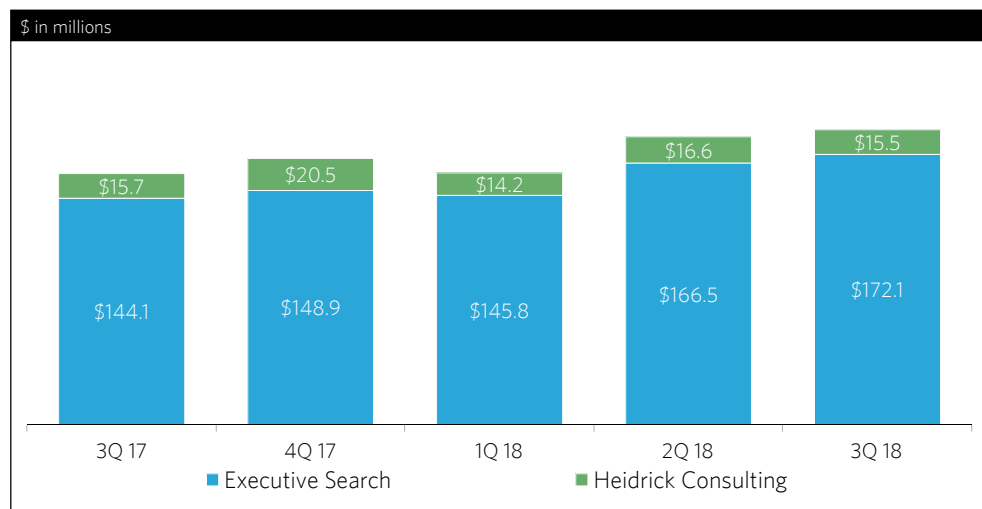
## KEY DRIVERS OF REVENUE

- ▶ Executive Search confirmations, Consulting assignments or projects
- ▶ Consultants
- ▶ Consultant productivity
- ▶ Average fee per search, assignment or project

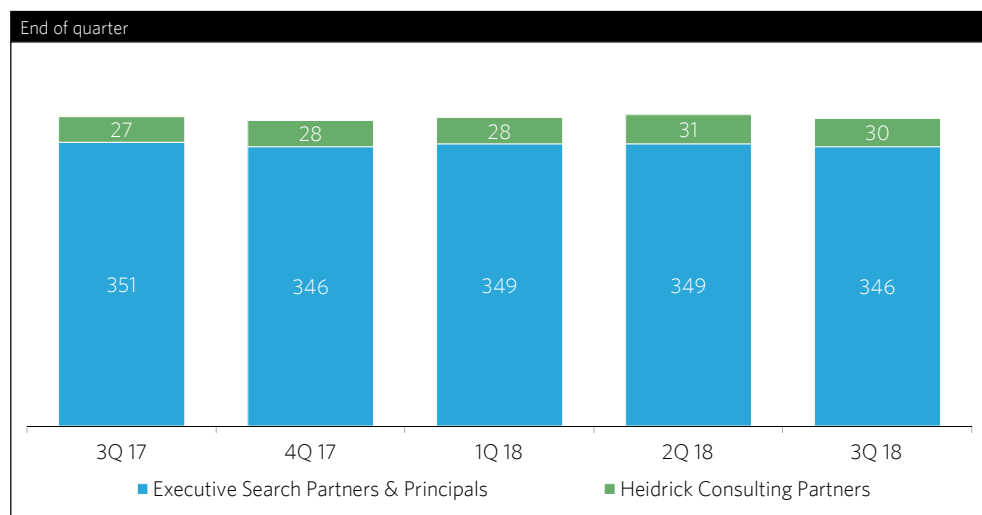
## QUARTERLY CONSOLIDATED NET REVENUE



## QUARTERLY NET REVENUE BY BUSINESS SERVICE



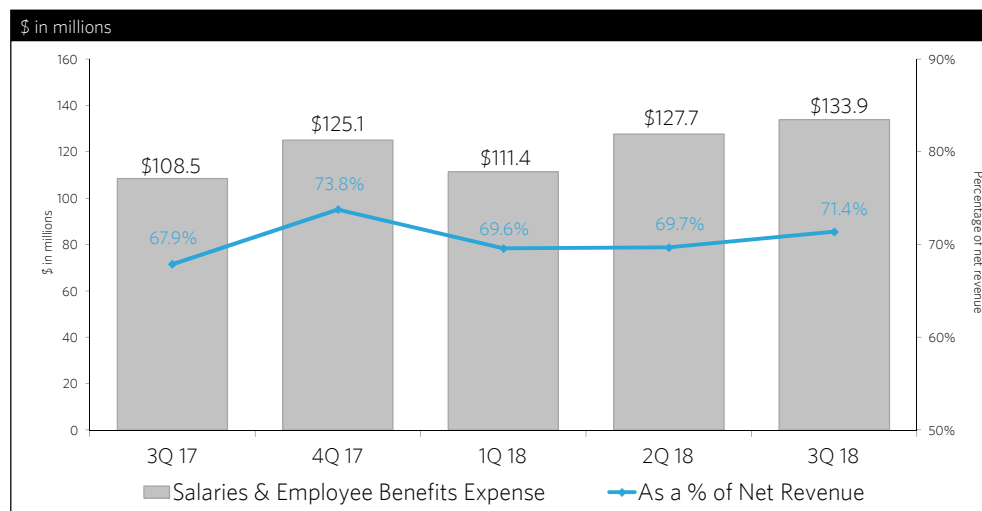
## CONSULTANT HEADCOUNT BY BUSINESS SERVICE



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## QUARTERLY SALARIES & EMPLOYEE BENEFITS EXPENSE

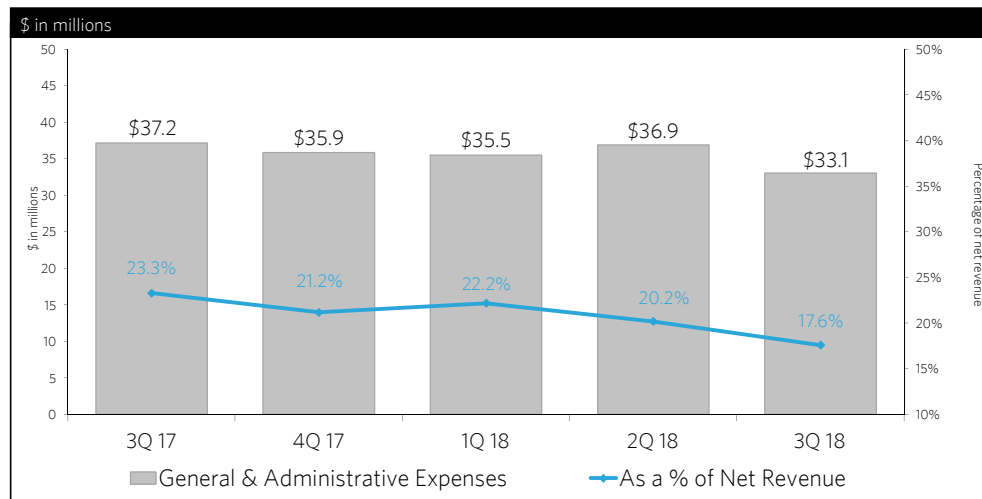


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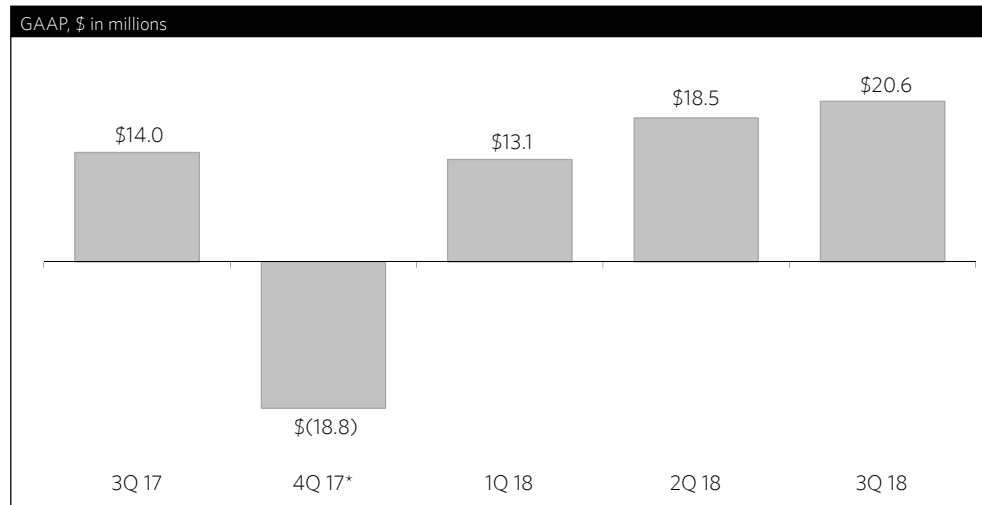
## QUARTERLY GENERAL & ADMINISTRATIVE EXPENSES



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## QUARTERLY OPERATING INCOME

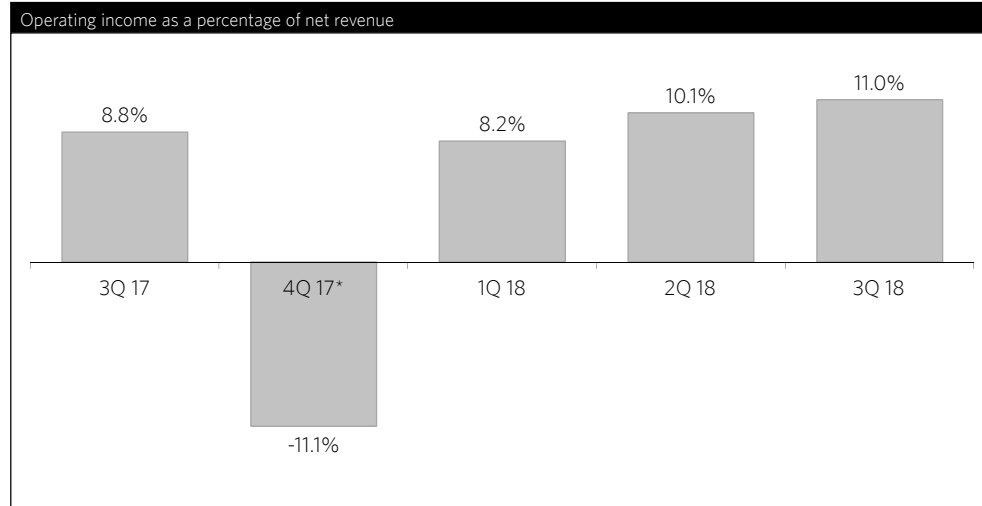


\* In the 2017 fourth quarter, the Company recorded a non-cash impairment charge of \$11.6 million to write off the carrying value of the intangible assets and goodwill related to its Leadership Consulting business, and recorded restructuring charges of \$15.7 million in connection with initiatives to reduce overall costs and improve operational efficiencies.

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## QUARTERLY OPERATING MARGIN

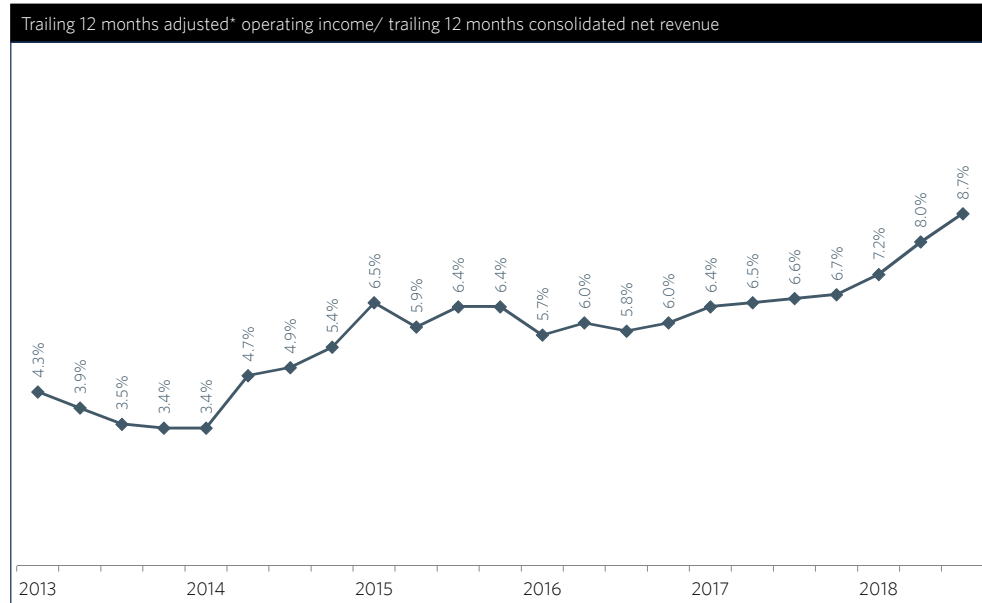


\* In the 2017 fourth quarter, the Company recorded a non-cash impairment charge of \$11.6 million to write off the carrying value of the intangible assets and goodwill related to its Leadership Consulting business, and recorded restructuring charges of \$15.7 million in connection with initiatives to reduce overall costs and improve operational efficiencies.

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## TRAILING 12-MONTH CONSOLIDATED OPERATING MARGIN\*

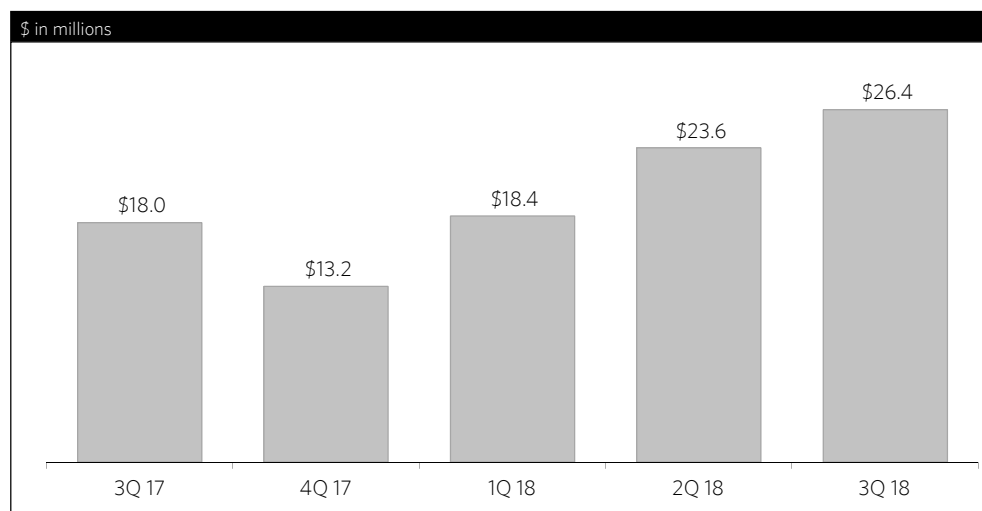


\* Operating margins adjusted to exclude restructuring & impairment charges in 2011, 2012 and 2017

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## QUARTERLY ADJUSTED EBITDA<sup>(1)</sup>

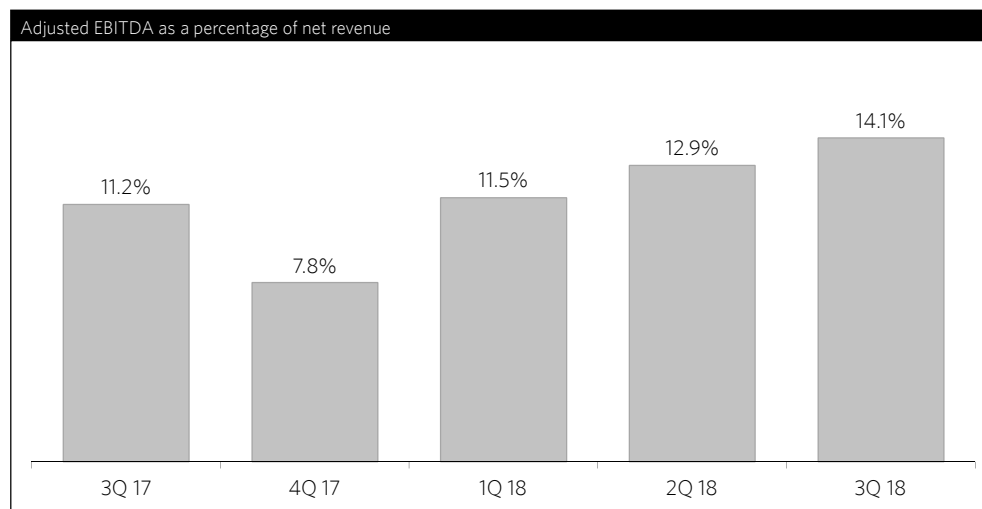


<sup>(1)</sup>Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures which the company believes are useful to management and meaningful to investors because they provide insight into the ongoing operating results of the company's core business. A reconciliation to Operating Income is provided on Slide 13.

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## QUARTERLY ADJUSTED EBITDA MARGIN<sup>(1)</sup>



<sup>(1)</sup>Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures which the company believes are useful to management and meaningful to investors because they provide insight into the ongoing operating results of the company's core business. A reconciliation to Operating Income is provided on Slide 13.

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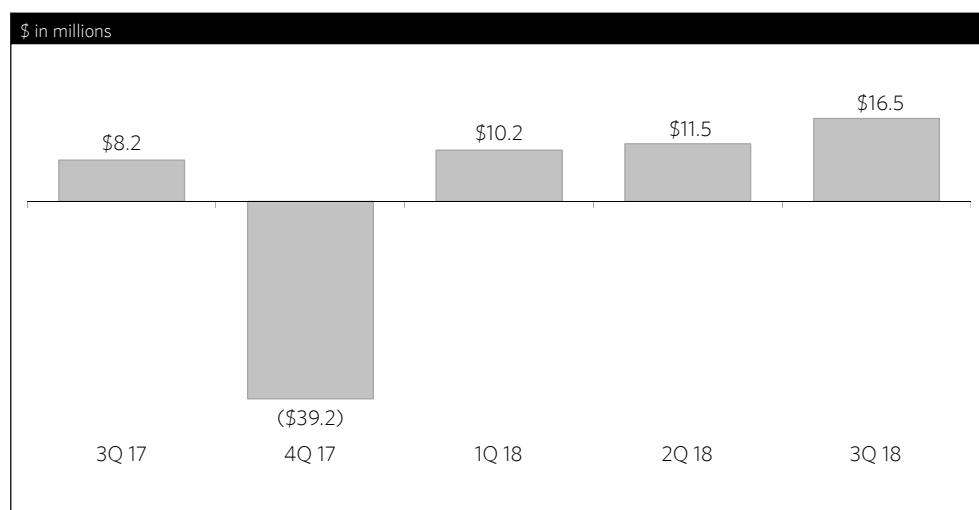
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## ADJUSTED EBITDA MARGIN

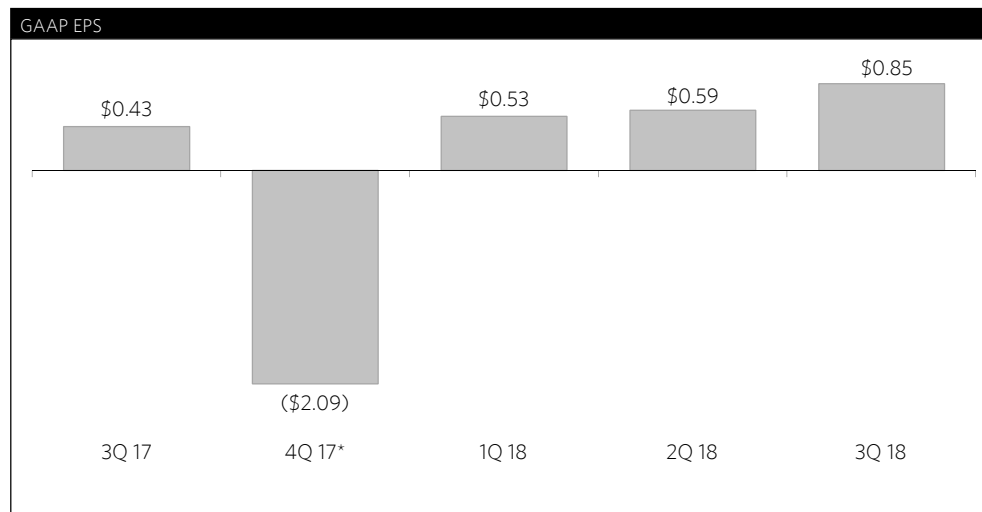
We define Adjusted EBITDA as earnings before interest, taxes, depreciation, intangible amortization, stock-based compensation expense, acquisition-related earnout accretion, restructuring and impairment charges, and other non-operating income or expense.

3 months ended September 30,			
\$ in millions-- numbers may not foot due to rounding	2018	2017	change
<b>Net Income</b>	\$ 16.5	\$ 8.2	\$ 8.3
Interest, net	(0.3)	(0.1)	
Other, net	(2.3)	(0.1)	
Provision for income taxes	6.7	6.1	
<b>Operating Income</b>	\$ 20.6	\$ 14.0	\$ 6.6
<b>Adjustments</b>			
Salaries and employee benefits			
Stock-based compensation expense	2.5	0.2	2.3
General and administrative expenses			
Depreciation	2.7	2.8	(0.1)
Intangible amortization	0.4	0.9	(0.5)
Earnout accretion	0.3	0.0	0.3
Impairment charges	0.0	0.0	0.0
<b>Adjusted EBITDA</b>	\$ 26.4	\$ 18.0	\$ 8.5
<b>Adjusted EBITDA Margin (as % of net revenue)</b>	14.1%	11.2%	

## QUARTERLY NET INCOME



## QUARTERLY NET INCOME PER DILUTED SHARE

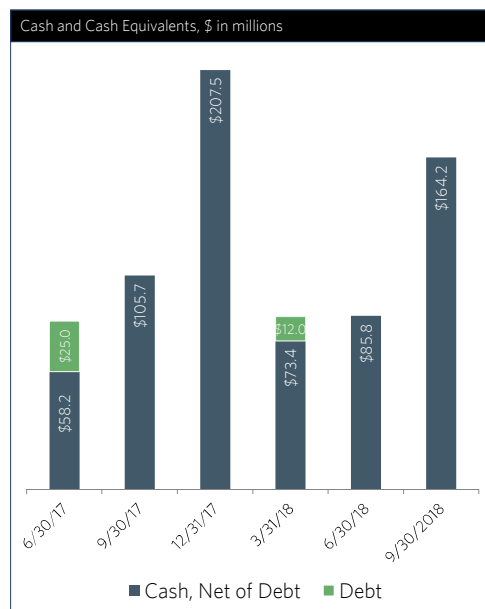


\* 4Q 2017 results reflect \$27.2M of impairment & restructuring charges, and \$23.7M of charges related to the U.S. Tax Cuts and Jobs Act (TCJA).

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## CASH POSITION



\$ in millions		
	Sept 30, 2018	Sept 30, 2017
<b>For the Quarter Ended:</b>		
Net cash provided by operating activities	\$84.2	\$50.2
<b>For Nine-months Ended:</b>		
Net cash used in operating activities	\$22.9	\$36.0

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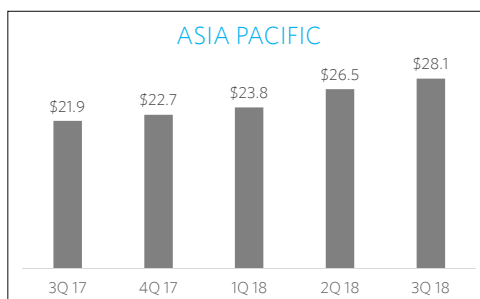
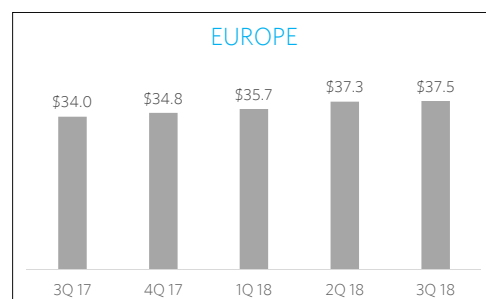
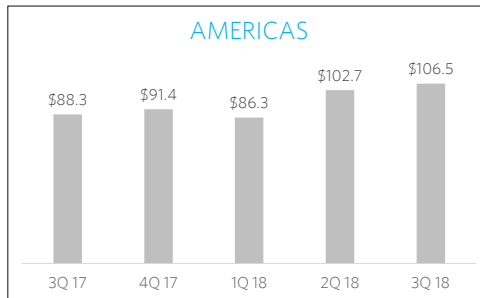
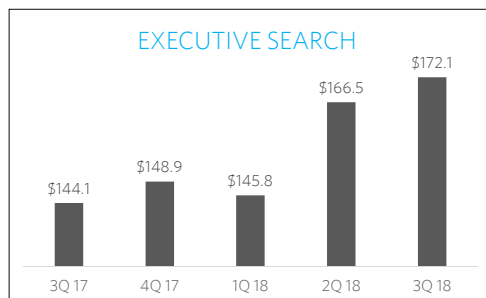
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## 2018 THIRD QUARTER EXECUTIVE SEARCH RESULTS

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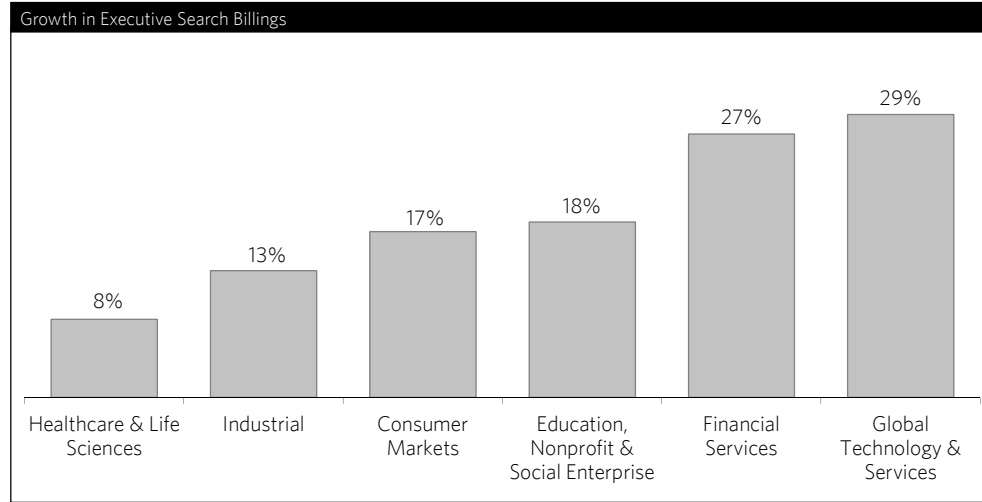
### QUARTERLY NET SEARCH REVENUE



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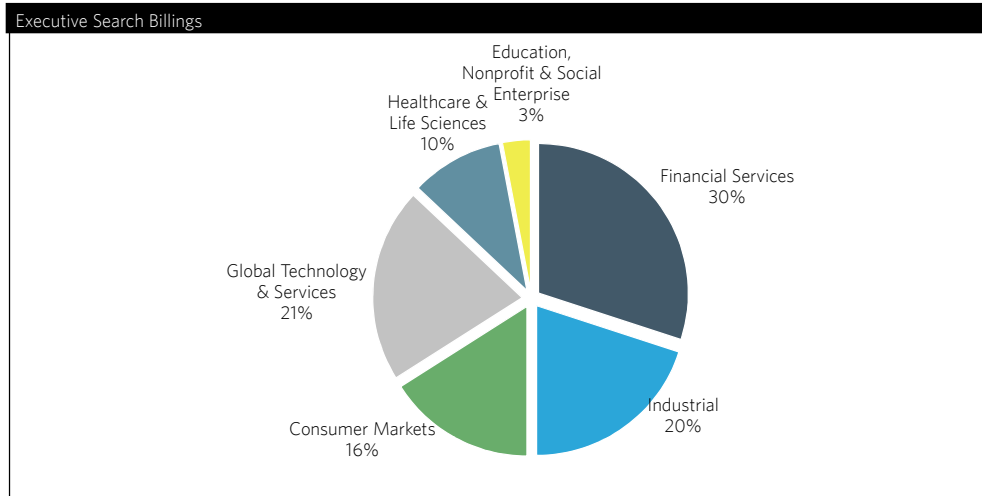
## INDUSTRY PRACTICE BILLINGS FIRST NINE MONTHS 2018 COMPARED TO FIRST NINE MONTHS 2017



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## INDUSTRY PRACTICE GROUP MIX OF BILLINGS<sup>(1)</sup>

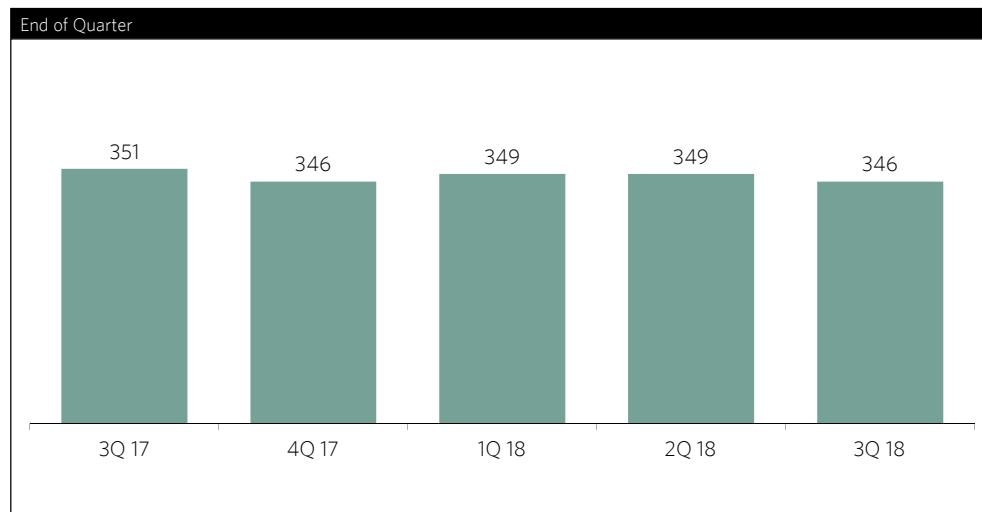


(1) Industry practice billings as percentage of total Executive Search billings for first nine months of 2018. Numbers may not add due to rounding.

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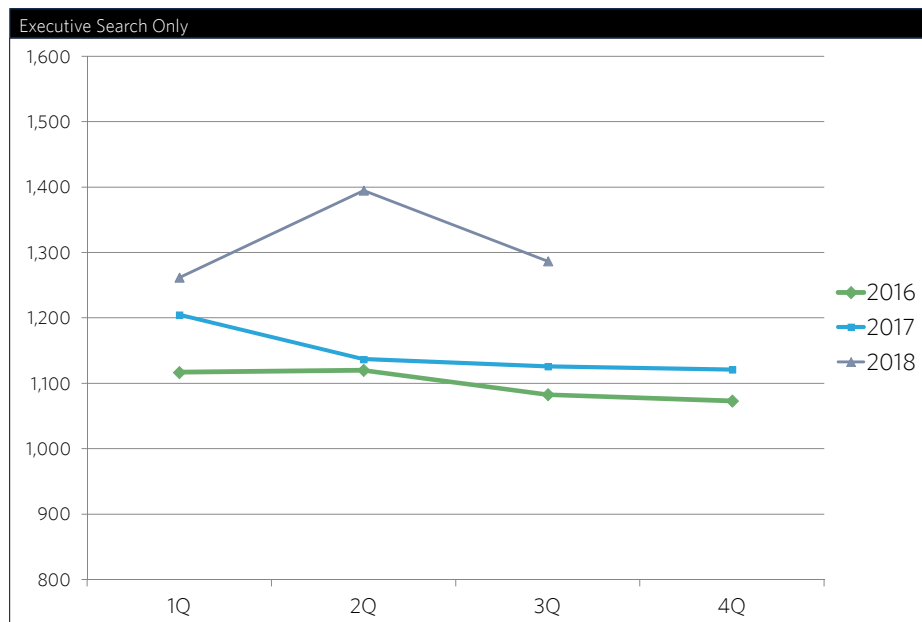
## EXECUTIVE SEARCH CONSULTANT HEADCOUNT



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## EXECUTIVE SEARCH CONFIRMATIONS

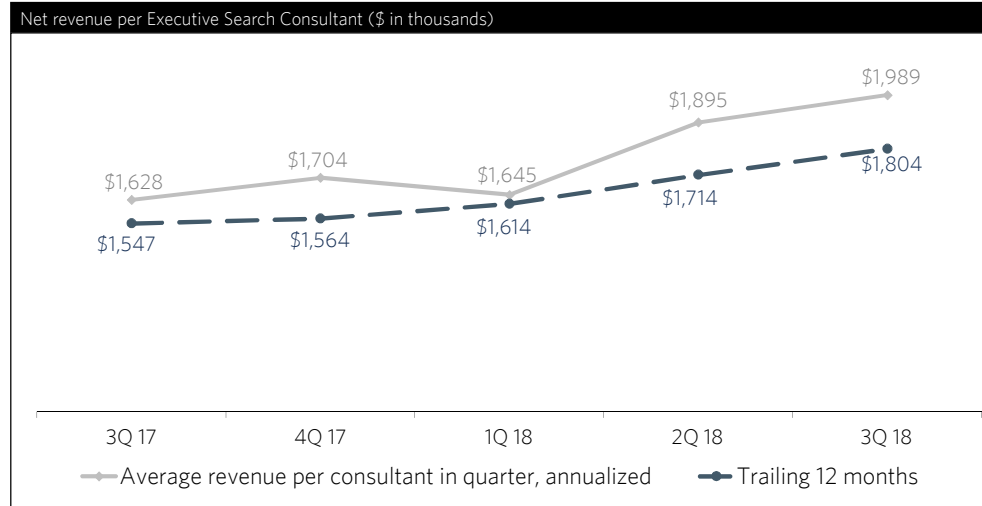


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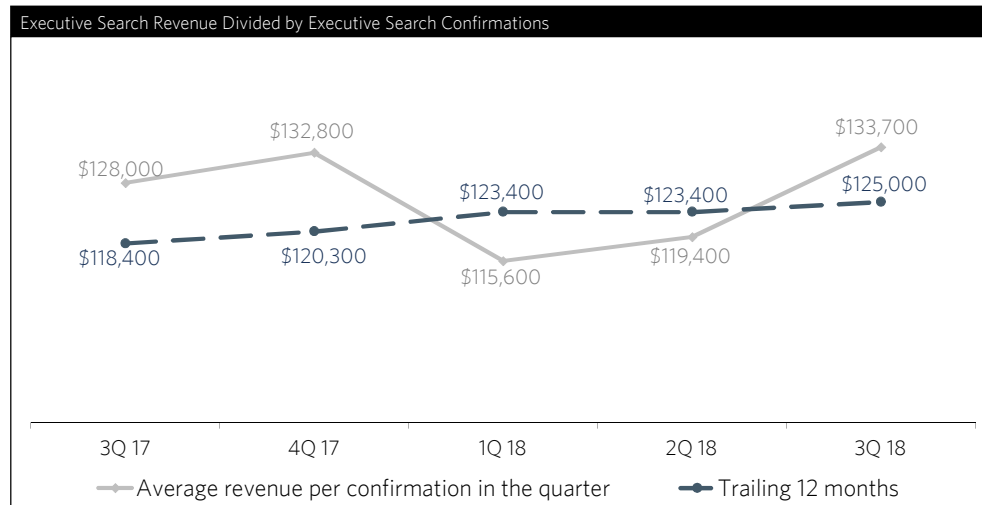
## PRODUCTIVITY



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## REVENUE PER EXECUTIVE SEARCH



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## OUR PURPOSE

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We help our clients  
change the world,  
one leadership  
team at a time®

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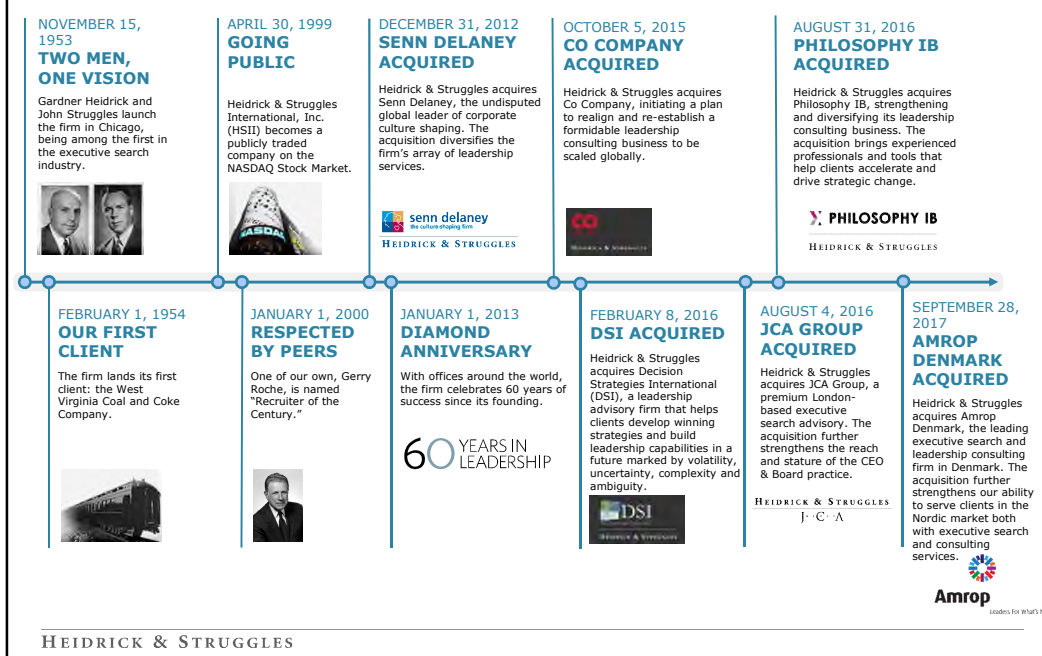
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## APPENDIX SLIDES

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HEIDRICK & STRUGGLES

## HISTORY OF HEIDRICK & STRUGGLES



## EXPLANATION OF NON-GAAP ADJUSTMENTS

In the 2017 second quarter, the Company recorded a non-cash impairment charge of \$39.2 million to write off the carrying value of the intangible assets and goodwill related to its Culture Shaping operating segment.

In the 2017 fourth quarter, the Company recorded a non-cash impairment charge of \$11.6 million to write off the carrying value of the intangible assets and goodwill related to its Leadership Consulting business.

In the 2017 fourth quarter, the Company recorded restructuring charges of \$15.7 million in connection with initiatives to reduce overall costs and improve operational efficiencies. These charges consisted of \$13.1 million of employee-related costs, including severance associated with reductions in its workforce, \$2.3 million of other professional and consulting fees and \$0.3 million of expenses associated with closing three office locations, one in each region.

In the 2017 fourth quarter, the net loss was \$39.2 million and basic and diluted loss per share was \$2.09. Despite the loss, the company had tax expense of \$20.1 million, representing an effective tax rate of negative 105.4 percent. The tax rate was mostly impacted by charges resulting from the enactment into law of the U.S. Tax Cuts and Jobs Act (TCJA) in December 2017. These charges included \$14.5 million related to the write-down of the value of the company's U.S. deferred tax assets as a result of the reduction in the U.S. corporate income tax rate from 35 percent to 21 percent and a charge of \$9.2 million to establish a valuation allowance for its foreign tax credit carry forward because provisions in the new legislation will likely restrict their use going forward.

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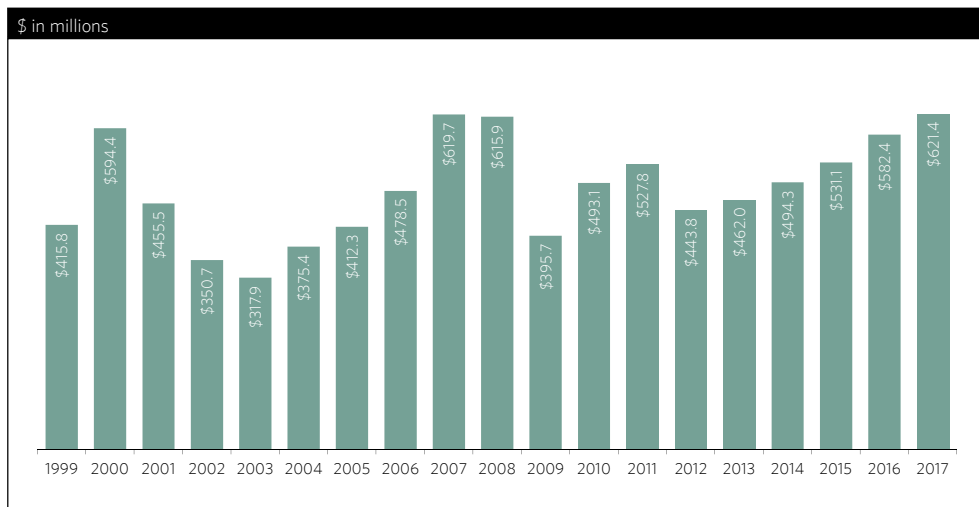
## ANNUAL SLIDES

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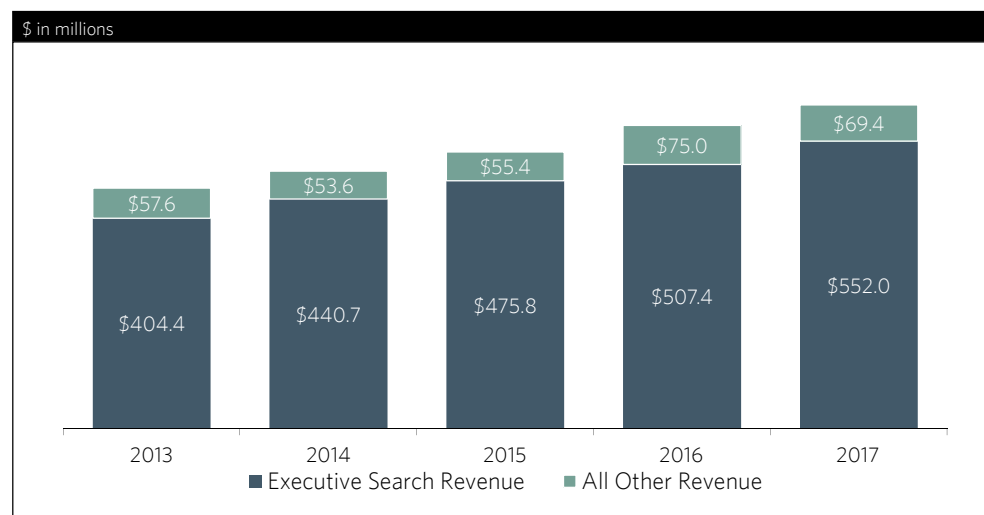
## CONSOLIDATED NET REVENUE (excludes reimbursements)



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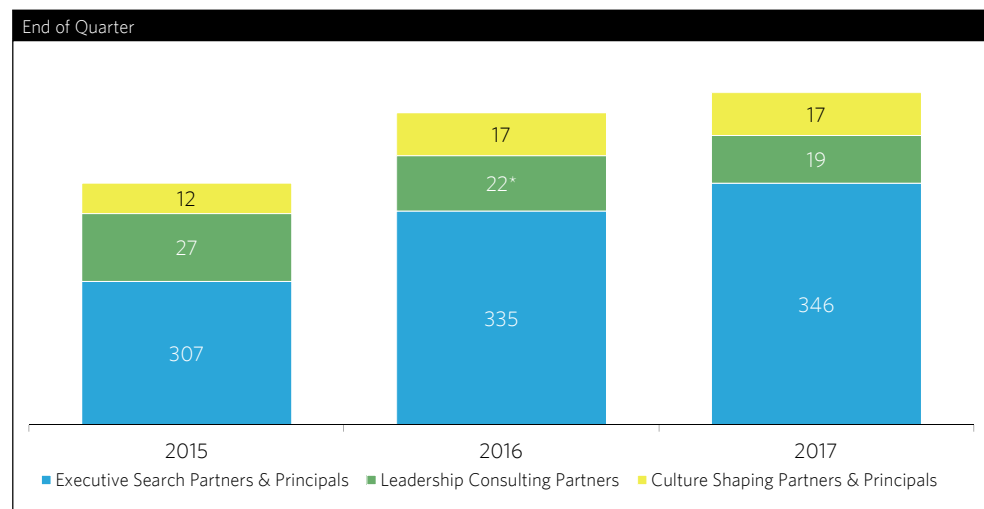
## CONSOLIDATED NET REVENUE



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## CONSULTANT HEADCOUNT

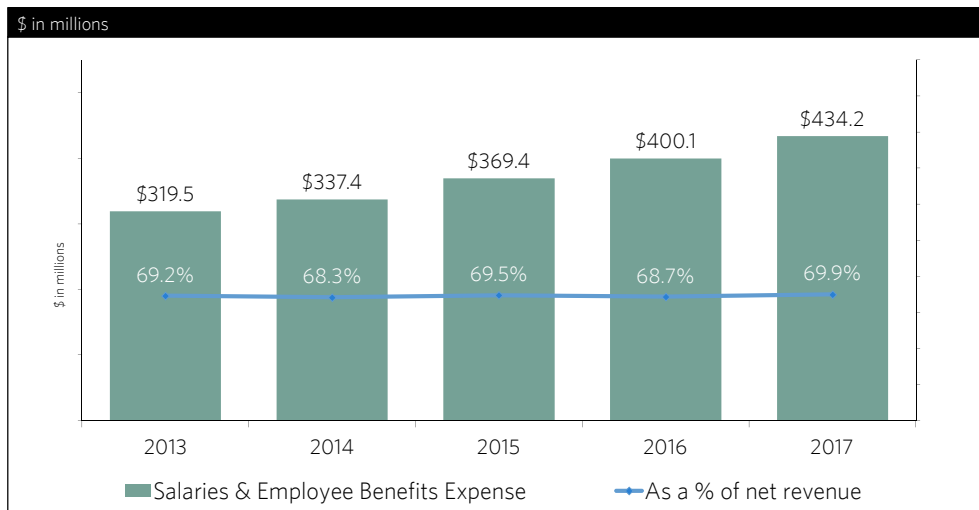


\*Beginning January 1, 2016, the definition of Leadership Consulting consultants was changed to reflect only Partners, resulting in the reclassification of six Principal consultants out of consultant headcount.

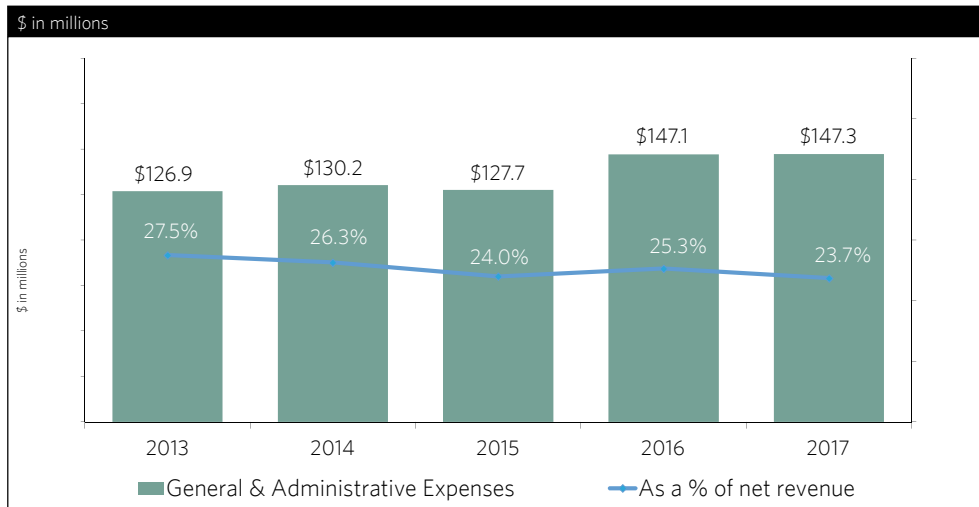
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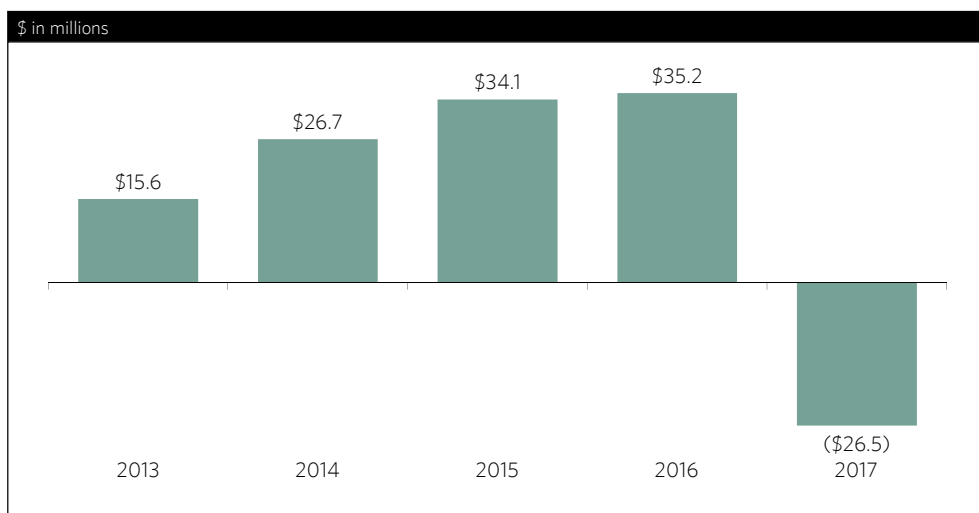
## SALARIES & EMPLOYEE BENEFITS EXPENSE



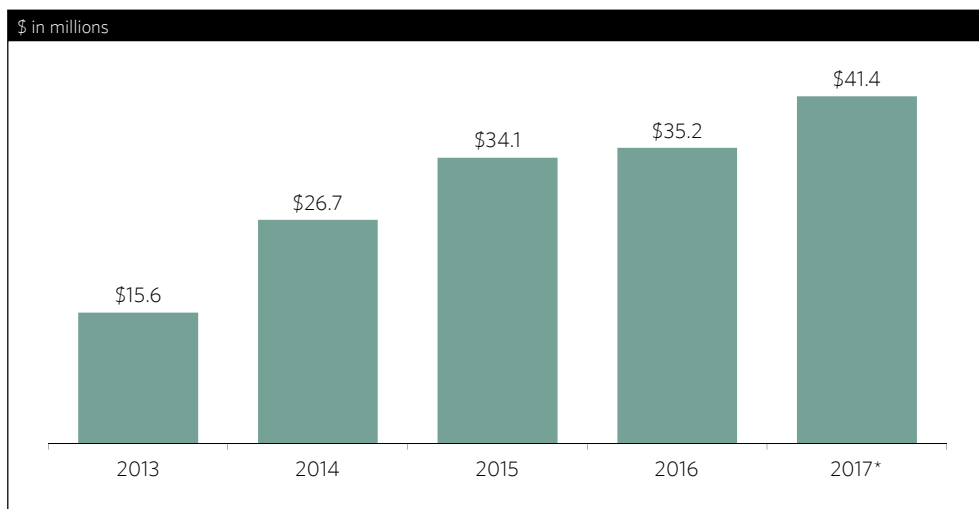
## GENERAL & ADMINISTRATIVE EXPENSE



## OPERATING INCOME/(LOSS)

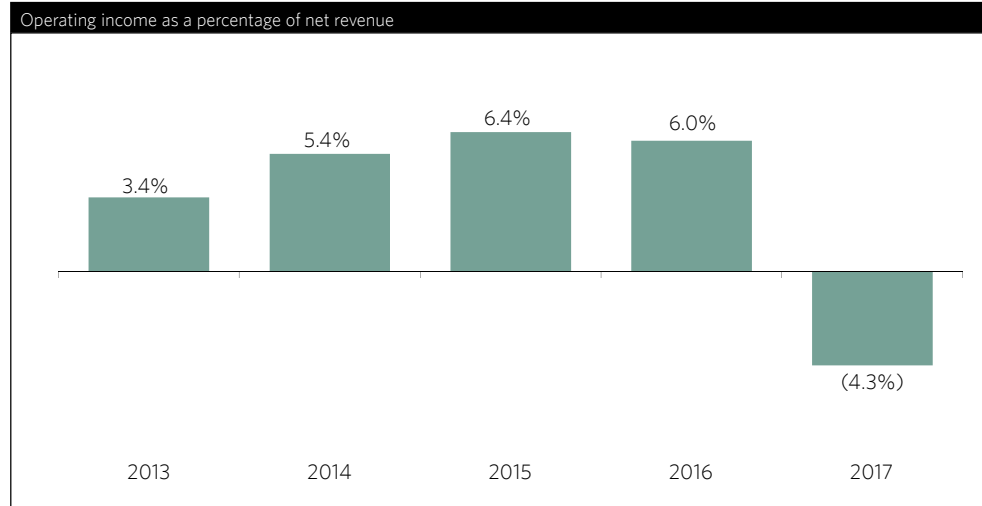


## ADJUSTED OPERATING INCOME

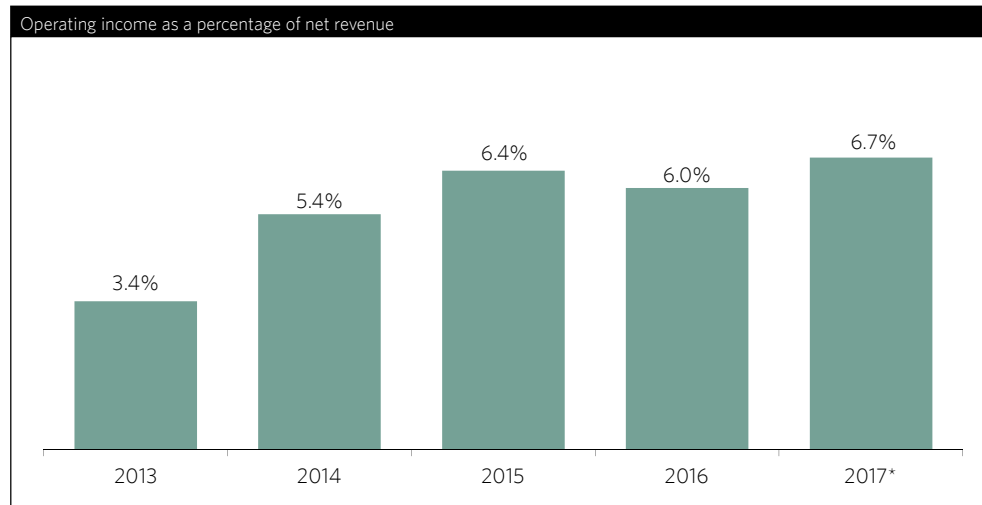


\* Refer to reconciliation of Operating Income/(Loss) (GAAP) and Adjusted Operating Income (Non-GAAP) on Slides 40 & 42

## OPERATING MARGIN



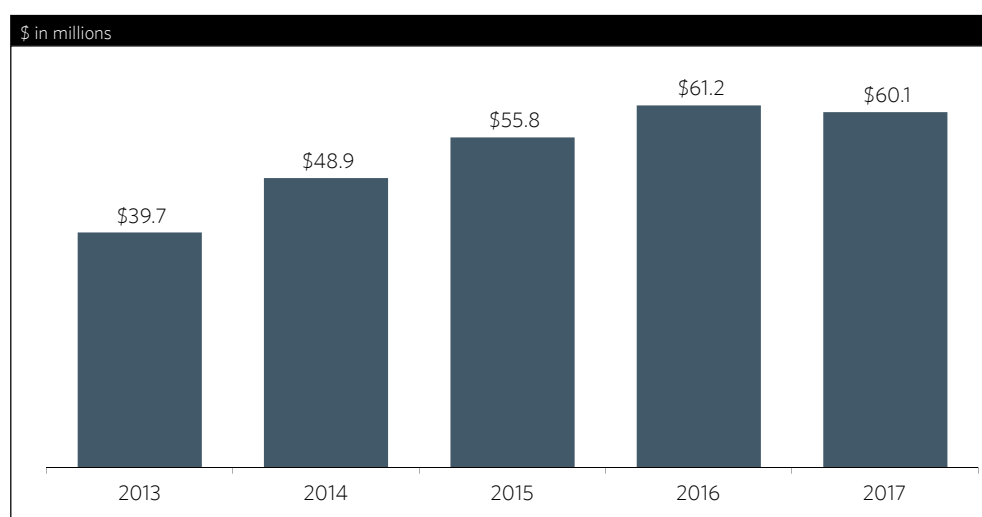
## ADJUSTED OPERATING MARGIN



\* Refer to reconciliation of Operating Margin (GAAP) and Adjusted Operating Margin (Non-GAAP) on Slides 40 & 42



## ANNUAL ADJUSTED EBITDA<sup>(1)</sup>

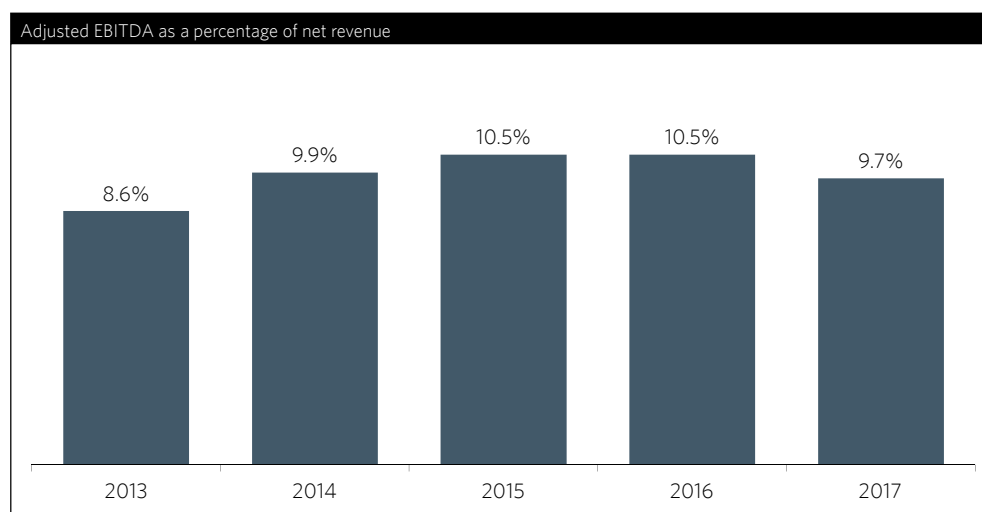


<sup>(1)</sup>Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures which the company believes are useful to management and meaningful to investors because they provide insight into the ongoing operating results of the company's core business. . A reconciliation to Operating Income is provided on Slide 14.

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## ANNUAL ADJUSTED EBITDA MARGIN<sup>(1)</sup>



<sup>(1)</sup>Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures which the company believes are useful to management and meaningful to investors because they provide insight into the ongoing operating results of the company's core business. . A reconciliation to Operating Income is provided on Slide 14.

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## ADJUSTED EBITDA MARGIN

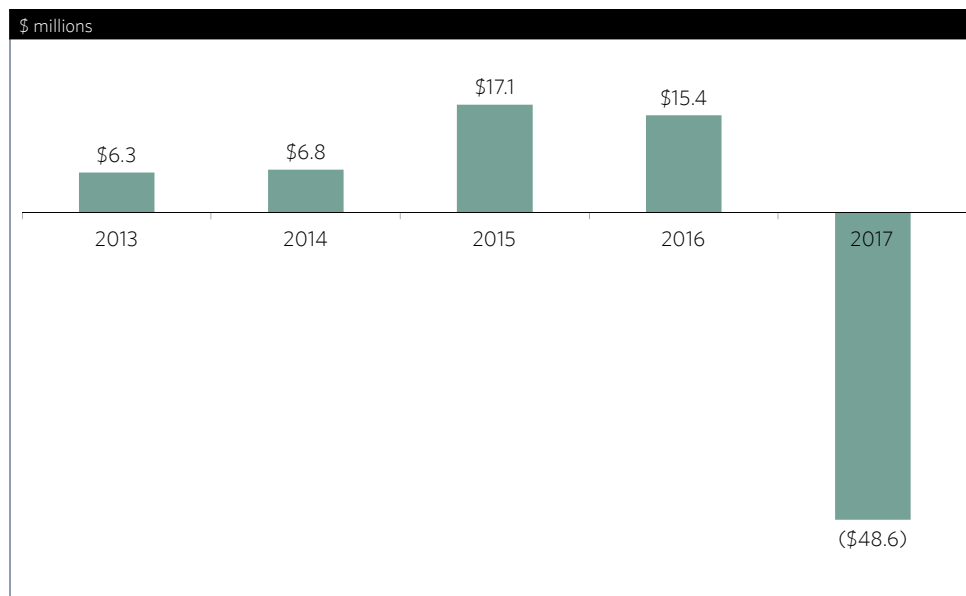
We define Adjusted EBITDA as earnings before interest, taxes, depreciation, intangible amortization, stock-based compensation expense, compensation expense associated with Senn Delaney retention awards, acquisition-related earnout accretion, restructuring and impairment charges, and other non-operating income or expense.

	Year ended December 31,		
	2017	2016	change
\$ in millions-- numbers may not foot due to rounding			
<b>Net Income</b>	\$ (48.6)	\$ 15.4	\$ (64.0)
Interest, net	\$ (0.4)	\$ (0.2)	
Other, net	\$ 3.3	\$ (2.3)	
Provision for income taxes	\$ 19.2	\$ 22.4	
<b>Operating Income</b>	\$ (26.5)	\$ 35.2	\$ (61.8)
<b>Adjustments</b>			
Salaries and employee benefits			
Stock-based compensation expense	4.6	5.8	(1.2)
Senn Delaney retention awards	0.0	3.0	(3.0)
General and administrative expenses			
Depreciation	10.4	9.4	1.0
Intangible amortization	4.4	7.1	(2.7)
Earnout accretion	0.9	0.6	0.2
Impairment charges	50.7		
Restructuring charges	15.7	0.0	15.7
<b>Adjusted EBITDA</b>	\$ 60.1	\$ 61.2	\$ (1.1)
<b>Adjusted EBITDA Margin (as % of net revenue)</b>	9.7%	10.5%	

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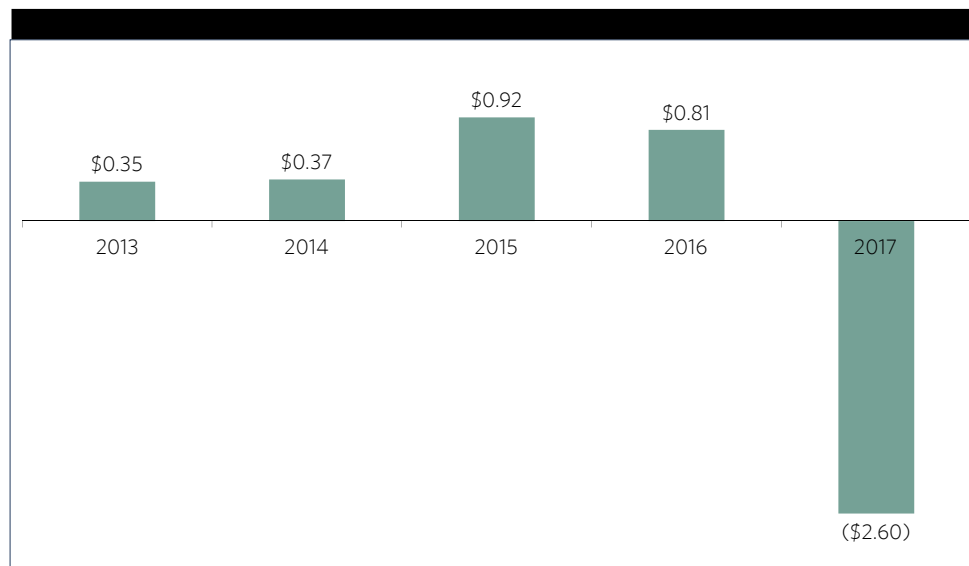
## NET INCOME/(LOSS)



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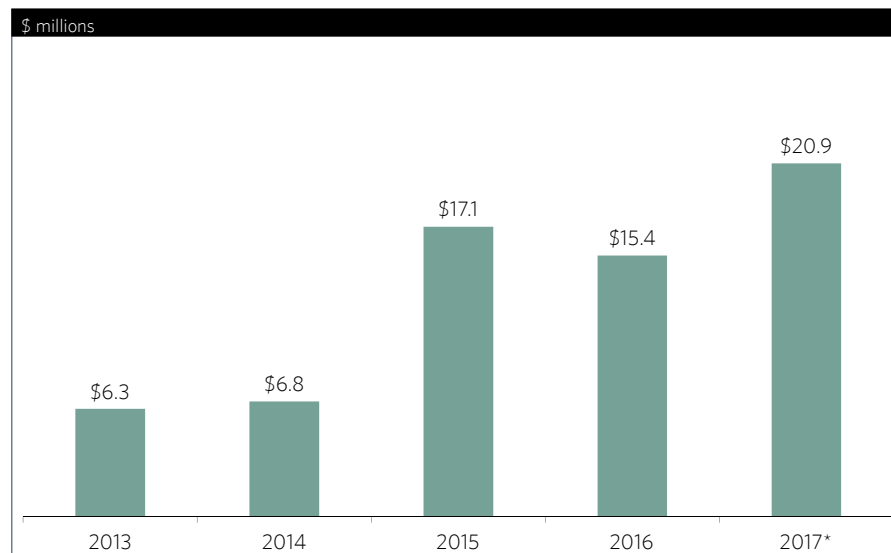
## DILUTED EARNINGS PER SHARE/(LOSS)



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## ADJUSTED NET INCOME/(LOSS)

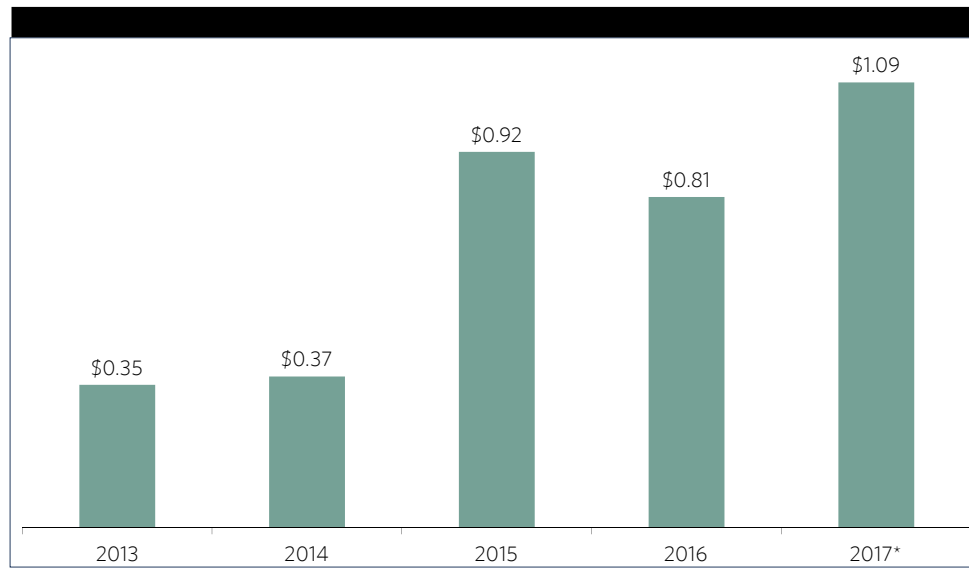


\* Refer to reconciliation of Net Income/(Loss) (GAAP) and Adjusted Net Income (Non-GAAP) on Slides 41 & 42.

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## ADJUSTED DILUTED EARNINGS PER SHARE/(LOSS)

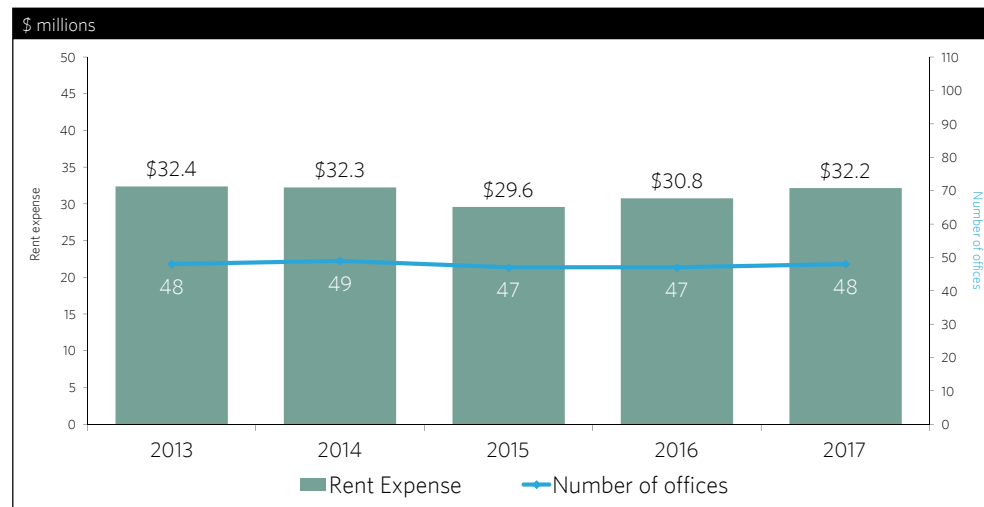


\* Refer to reconciliation of Diluted Earnings per Share/(Loss) (GAAP) and Adjusted Diluted Earnings per Share (Non-GAAP) on Slides 41, & 42.

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## RENT EXPENSE\*



\*Includes the base rent, operating expenses and real estate taxes, and the costs of equipment leases.

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## INVESTOR RELATIONS:

Julie Creed

VP, Investor Relations and Real Estate

233 S. Wacker Drive, Ste 4900

Chicago, IL 60606

312-496-1774

[jcreed@heidrick.com](mailto:jcreed@heidrick.com)

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