



# HEIDRICK & STRUGGLES

## First Quarter 2023 Results

April 24, 2023

# Cautionary Statement Regarding Forward-Looking Information

The following slides contain forward-looking statements within the meaning of the federal securities laws, including statements regarding guidance for the second quarter of 2023. 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," "goal," "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 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; 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 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; the impacts, direct and indirect, of the COVID-19 pandemic (including the emergence of variant strains) or other highly infectious or contagious disease on our business, our consultants and employees, and the overall economy; the aggressive competition we face; the fact that our net revenue may be affected by adverse economic conditions including inflation, 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 risks of an expansion or escalation of that conflict; unfavorable tax law changes and tax authority rulings; the timing of the establishment or reversal of valuation allowance on 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 execute and integrate future acquisitions; and the fact that we have anti-takeover provisions that could 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, 2022, under the heading "Risk Factors" in Item 1A and any subsequent Company filings with the Securities and Exchange Commission ("SEC"). 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. 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 and a reconciliation of the two measures.

The non-GAAP financial measures used within these earnings release slides are 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 in the appendix to these earnings release slides.

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



# 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 delivers strong profitability – near historic highs – with revenue materially above pre-pandemic record levels



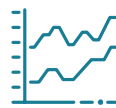
## REVENUE

- Quarterly net revenue of \$239.3 million; on a constant currency basis, net revenue was \$244.8 million for the first quarter



## ADJUSTED EBITDA\*

- Adjusted EBITDA\* of \$27.5 million and Adjusted EBITDA Margin\* of 11.5%



## NET INCOME

- Net income of \$15.6 million in the quarter



## EARNINGS PER SHARE

- Diluted earnings per share of \$0.76

“As we anticipated, we saw a slowdown in first quarter revenue from a year ago and adjusted our costs accordingly, as demonstrated by our EBITDA margins of nearly 12%. While we expect to see some continued volatility in our markets, based on our guidance, we believe we will continue to navigate through these complexities prudently. Importantly, we continued to advance our diversification strategy in the first quarter of 2023 with the completion of our acquisition of businessfourzero to augment our Heidrick Consulting offering, as well as the ongoing integration of Atrius into our On-Demand Talent platform.”

- Krishnan Rajagopalan, CEO

\* Non-GAAP Financial Measure

# Growth Through Innovative Offerings



## HEIDRICK CONSULTING

- Completed acquisition of businessfourzero on April 1, 2023
- Acquisition deepens the firm's suite of culture and organization solutions
- businessfourzero is a culture and change consultancy, specializing in helping senior management teams develop and implement purpose-driven cultures and change management



## ON-DEMAND TALENT

- Acquired Atreus Group GmbH, one of the leading players for executive interim management in Germany adding a strategically important market for the firm and a strong springboard to scale this platform across Europe and globally
- Revenue continues to exceed pre-acquisition levels
- Continued benefit from working within the H&S network of clients with approximately 17% of revenue generated through internal referrals from Executive Search and Heidrick Consulting



## 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

# Introducing businessfourzero

## businessfourzero is the right partner to help expand Heidrick Consulting's leadership advisory integrated offerings globally

- Deepens existing set of industry-leading culture and organization solutions
- Attractive client base – global multinationals, regionals and leading PE
- Expands sales and delivery capabilities
- Heightened opportunities for new pipeline and cross-selling across Heidrick Consulting and Search

## STRATEGIC RATIONALE

- Complements our existing culture and organization practice to offer a **broader, more robust set of leadership advisory solutions.**
- Allows Heidrick to help clients **link purpose and strategy to leadership and culture** and support their efforts to **develop future-ready cultures and organizations.**
- Acquisition will make an **immediate and tangible impact to the Heidrick Consulting business.**

## CURRENT BUSINESS OFFERING

- Specializes in helping senior management teams **develop and implement purpose-driven cultures and change management** at companies undergoing strategy shifts and major transformations.
- Areas of expertise include purpose, strategy, leadership, culture and engagement.

## SIGNIFICANT POTENTIAL TOGETHER

- Uniquely positioned to offer solutions that provide our clients an ability to **deepen alignment on purpose, culture and strategy** with their leaders and **cascade alignment into the broader organization** using our proven culture shaping process to accelerate sustainable performance.
- With increased company and executive focus on purpose and culture, businessfourzero will **enable** Heidrick to provide a platform for meeting **purpose, culture and org needs** around the world.
- The purpose and culture market continues to **accelerate in growth** due to the pandemic's lasting impact on **hybrid work, retention of top talent and the importance of linking purpose, culture and strategy** for shareholders, employees and customers.

## BUSINESSFOURZERO AT-A-GLANCE



### Market Position

Strong market position in the UK & Europe; expected expansion to the US



### Services

Purpose driven change consultancy that helps connect the dots between purpose, strategy, leadership, culture and engagement



### About businessfourzero

- Headquartered in London
- 50+ employees
- Has a team with backgrounds from strategy, innovation, psychology and the start-up world – bringing a unique blend of human, commercial and creative skills



# Introducing Atreus

## Atreus is the right partner to expand Heidrick's On-Demand Talent Platform in Europe

- Highly focused on Executive level management (C-suite to manager-level)
- Scalable sales force
- Business model that is closely aligned to BTG, helping enable integration, including possible global offerings and key globalized processes
- Cultural fit

## STRATEGIC RATIONALE

- Provides platform to support goal of becoming the **#1 On-Demand Talent (ODT) provider in Europe.**
- Acquisition will make an **immediate and tangible impact to the Heidrick On-Demand Talent platform.**
- **Scalable business** with sales team that is not directly involved with product delivery.
- Heightened opportunities for **cross-selling and business network/sales & marketing function sharing.**

## CURRENT BUSINESS OFFERING

- Offers **interim staffing** and **project solutions** across a **wide array of industries**, Automotive, Healthcare, Information Technology and Consumer Goods.
- Areas of expertise for managers include Digitization, Infrastructure Projects, Post-Merger Integration, and Restructuring.

## SIGNIFICANT POTENTIAL TOGETHER

- Uniquely positioned to offer solutions that **blend** Heidrick's best in class **Executive Search, ODT** and **leadership consulting** capabilities with Atreus' **leading European marketplace** for Executive ODT.
- With increased company focus on speed, workforce agility and flexibility, Atreus will provide a **platform for expansion** and strengthen Heidrick's ability to meet **top talent needs** across **two continents.**
- The executive ODT market continues to **accelerate in growth** due to the pandemic's impact on companies' openness to continue to work remotely and **increased demand for fast, flexible solutions that ODT can offer.**

## ATREUS AT-A-GLANCE



### Market Position

Clear market leader for C-suite level interim management in Germany and leading provider in Europe



### Services

Interim line management, project & program management, C-Suite level recruiting



### Manager Network

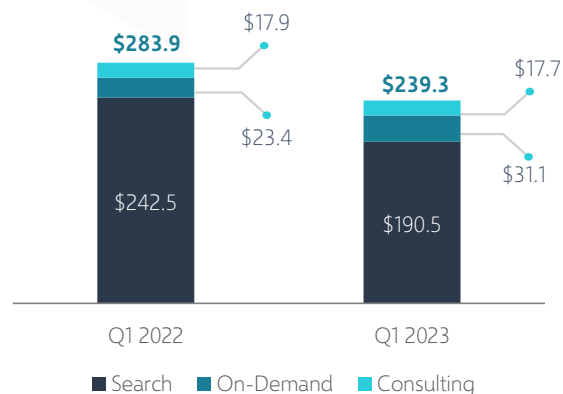
More than 15,000 highly qualified and carefully selected managers within our network. Of these, 4,000 form the inner circle of Atreus Managers, and we know 1,500 of them extremely well

# Consolidated Results



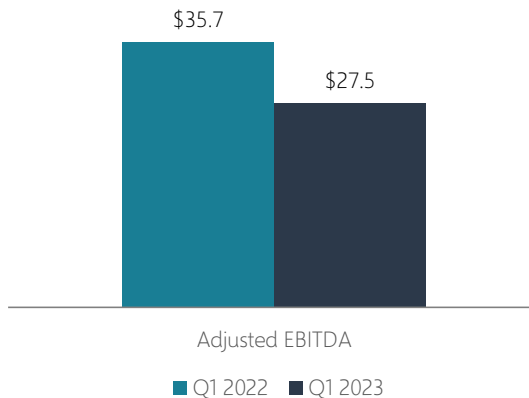
# Consolidated Financial Highlights

## CONSOLIDATED NET REVENUE



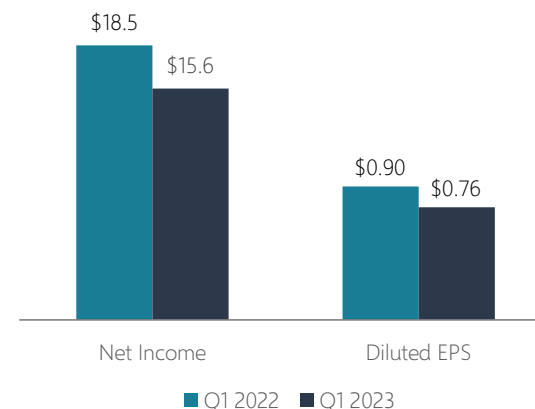
16% year-over-year decline  
 14% year-over-year decline on a  
 constant currency\* basis

## ADJUSTED EBITDA\*



23% year-over-year decline

## NET INCOME & EPS

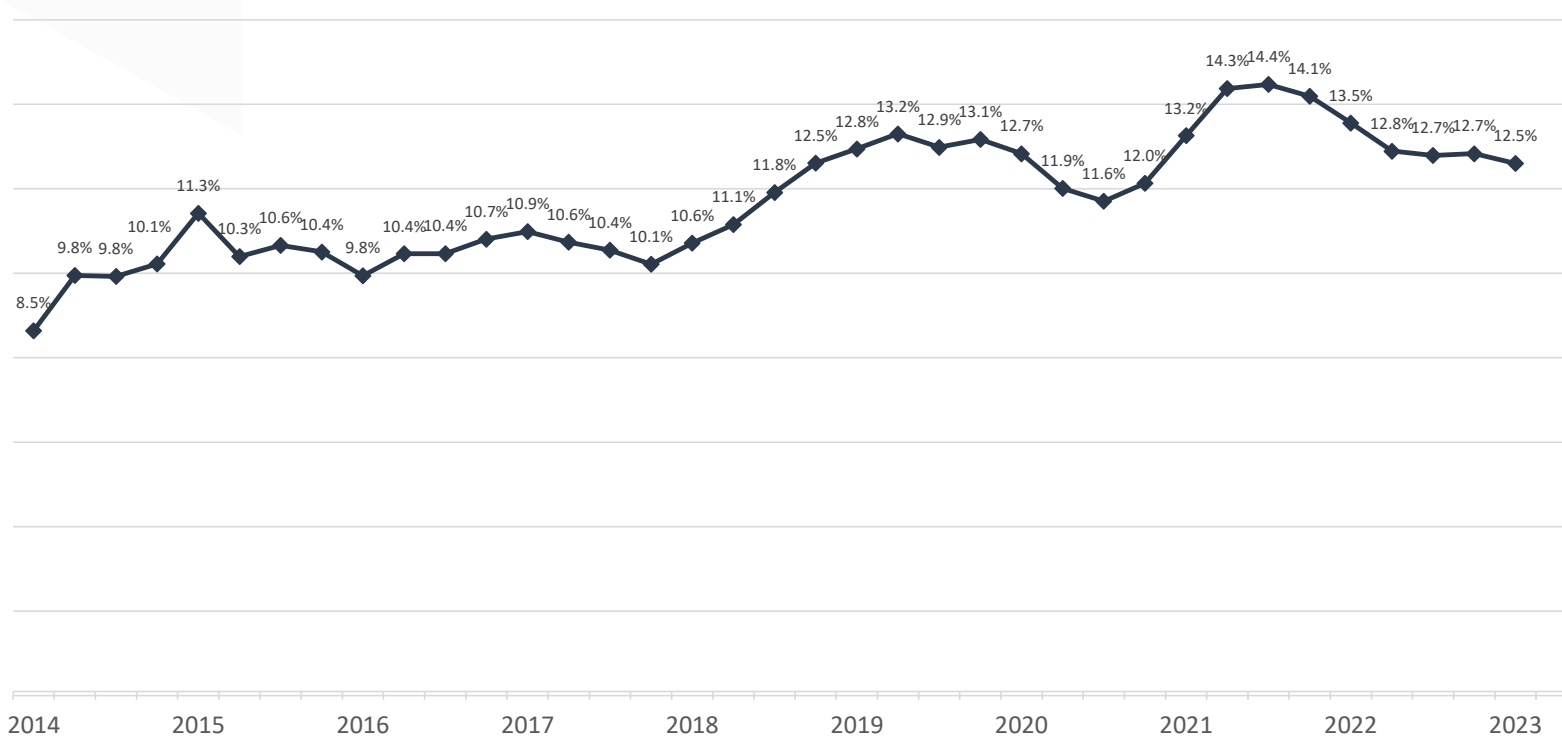


16% year-over-year decline  
 in Net Income and Diluted EPS

\* Non-GAAP Financial Measure

# Expansion In Adjusted EBITDA Margin\*

TRAILING 12-MONTH ADJUSTED EBITDA\* / TRAILING 12-MONTH CONSOLIDATED NET REVENUE



+400 bps increase in TTM Adjusted EBITDA Margin\* over 8 years

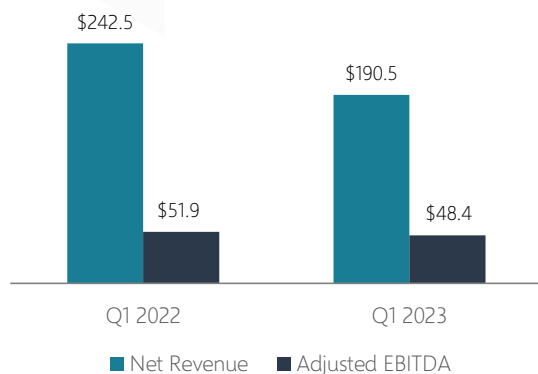
\* Non-GAAP Financial Measure

# Executive Search Results



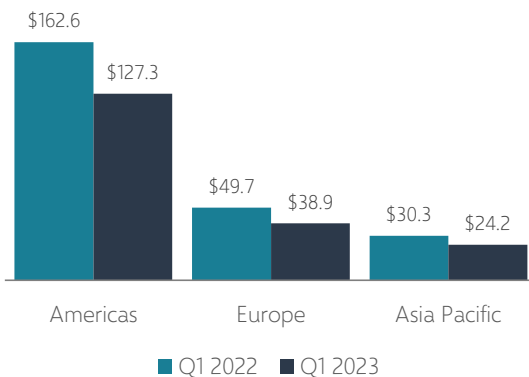
# Executive Search Financial Highlights

## NET REVENUE & ADJUSTED EBITDA\*



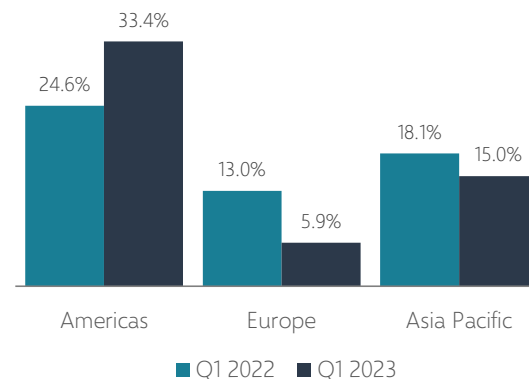
22% year-over-year decline in net revenue  
7% year-over-year decline in Adjusted EBITDA\*

## NET REVENUE BY REGION



Americas 22% year-over-year decline  
Europe 22% year-over-year decline  
Asia Pacific 20% year-over-year decline

## ADJUSTED EBITDA MARGIN BY REGION\*

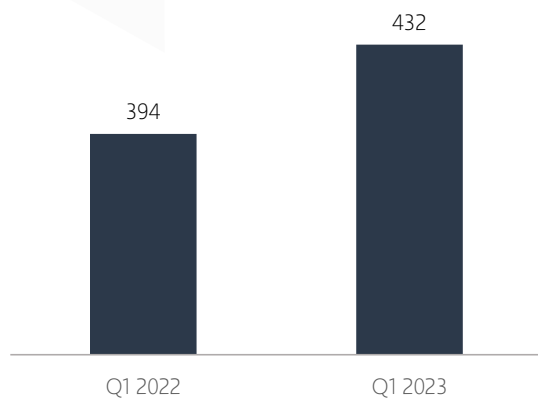


Americas 880 bps year-over-year growth  
Europe 710 bps year-over-year decline  
Asia Pacific 310 bps year-over-year decline

\* Non-GAAP Financial Measure

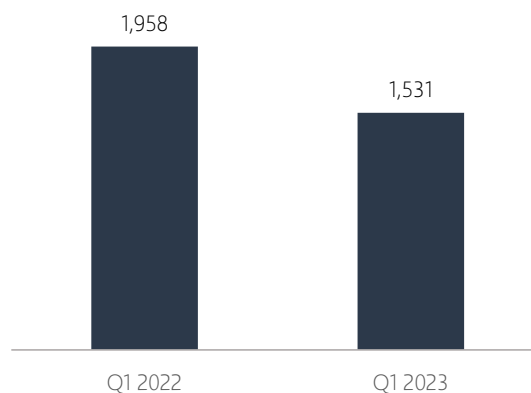
# Executive Search Operational Highlights

## CONSULTANT HEADCOUNT



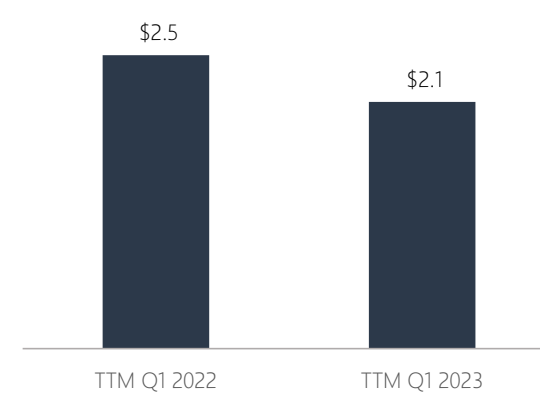
10% year-over-year consultant headcount growth

## SEARCH CONFIRMATIONS



22% year-over-year decline in confirmation volume

## CONSULTANT PRODUCTIVITY

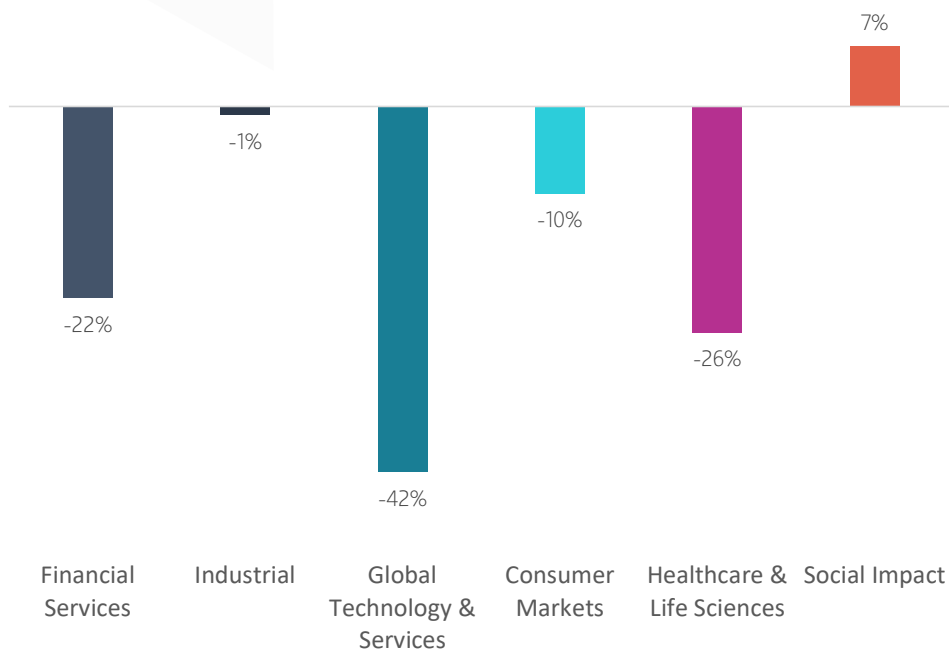


16% year-over-year decline in trailing twelve-month productivity

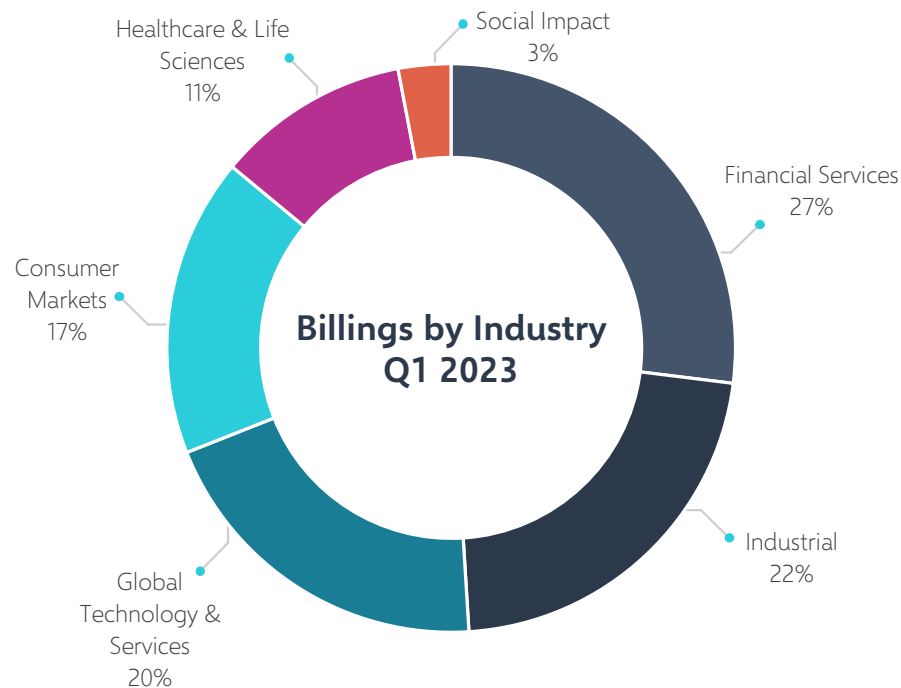
# Diversified Mix Of Business In Executive Search

## COMPARISON OF INDUSTRY BILLINGS

Q1 2022 vs. Q1 2023



## MIX OF INDUSTRIES





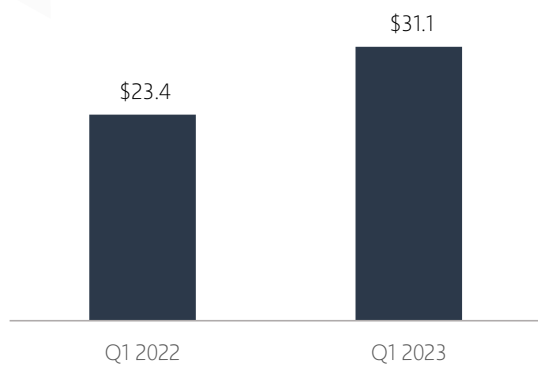
# **On-Demand Talent Results**



# On-Demand Talent Financial Highlights

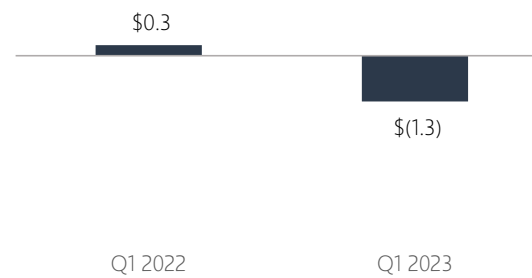
First Quarter 2023 Includes Post-Acquisition Results for Atrius

## NET REVENUE



33% year-over-year growth

## ADJUSTED EBITDA\*



Decline due to investment to drive future growth

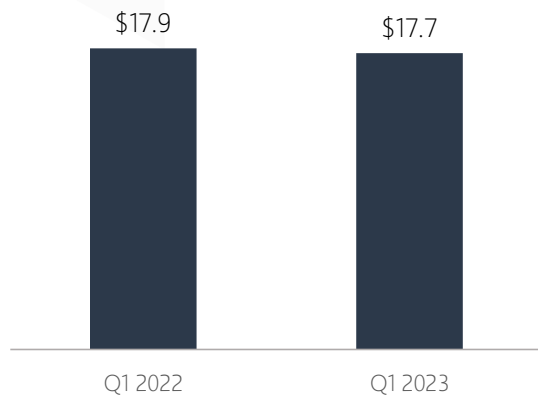
\* Non-GAAP Financial Measure

# Heidrick Consulting Results



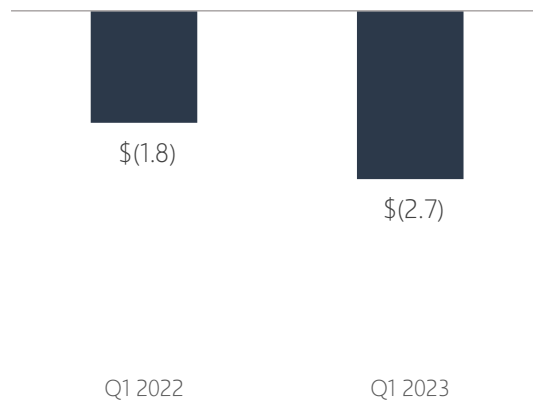
# Heidrick Consulting Financial Highlights

## NET REVENUE



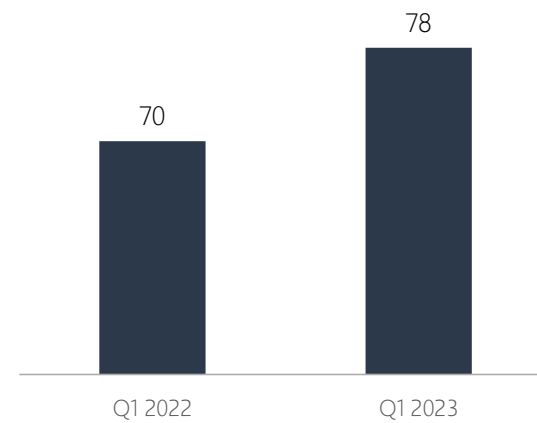
1% year-over-year decline

## ADJUSTED EBITDA\*



51% year-over-year decline

## CONSULTANT HEADCOUNT



11% increase in consultant headcount

\* Non-GAAP Financial Measure

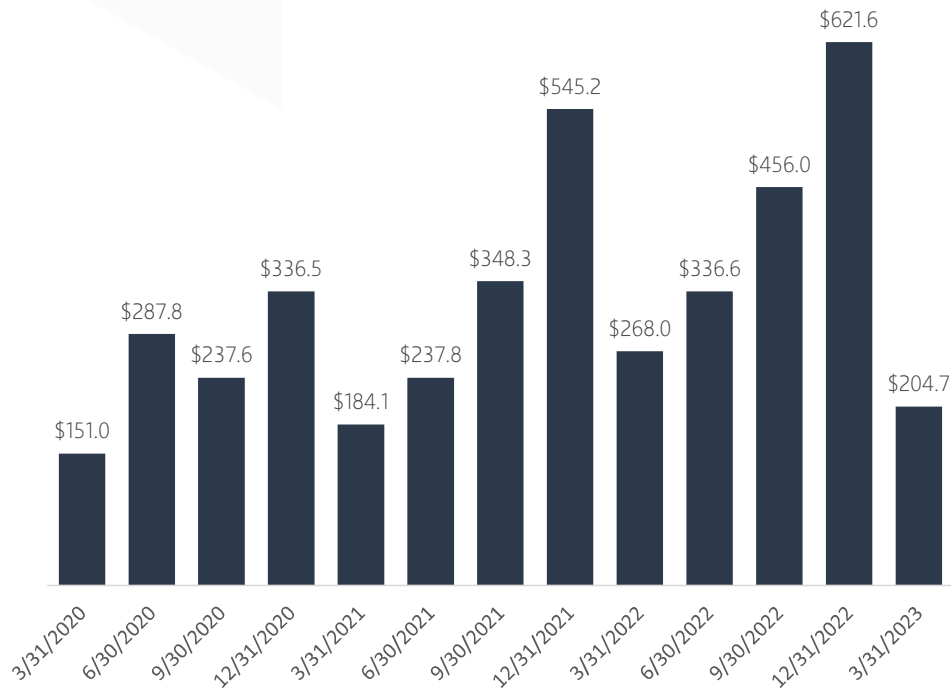
# Balance Sheet & Liquidity



BALANCE SHEET

# Strong & Flexible Balance Sheet

## CASH & MARKETABLE SECURITIES, NET OF DEBT

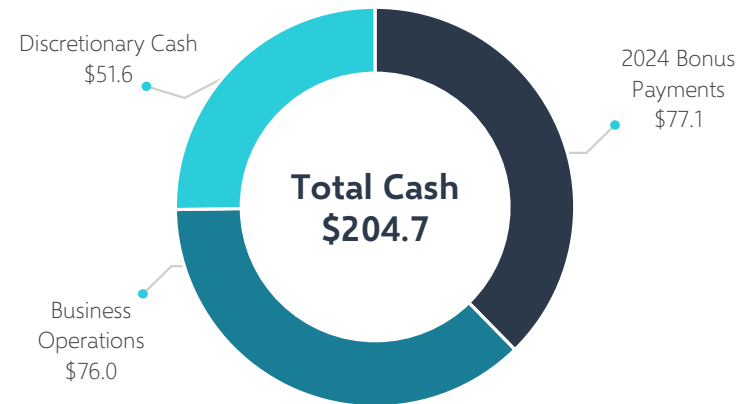


(In \$ millions)

## CASH FLOW FROM OPERATING ACTIVITIES

	March 31, 2022	March 31, 2023
For the quarter ending:	\$(262.2)	\$(337.0)

## 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 EBITDA & Adjusted EBITDA Margin

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

(In \$ thousands)	Three Months Ended March 31, 2023								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 127,327	\$ 38,931	\$ 24,229	\$ 190,487	\$ 31,117	\$ 17,713	\$ -	\$ -	\$ 239,317
Operating income (loss) <sup>1</sup>	38,699	1,712	3,282	43,693	(4,364)	(3,116)	(5,528)	(12,914)	17,771
Adjustments									
Stock-based compensation	346	210	61	617	6	75	65	1,065	1,828
Depreciation	756	306	281	1,343	85	168	248	160	2,004
Intangible amortization	9	39	4	52	1,717	100	-	-	1,869
Earnout accretion	-	-	-	-	191	-	-	-	191
Acquisition contingent compensation	611	24	-	635	1,024	-	-	-	1,659
Deferred compensation plan	2,049	-	-	2,049	-	53	29	2	2,133
Total adjustments	3,771	579	346	4,696	3,023	396	342	1,227	9,684
Adjusted EBITDA	\$ 42,470	\$ 2,291	\$ 3,628	\$ 48,389	\$ (1,341)	\$ (2,720)	\$ (5,186)	\$ (11,687)	\$ 27,455
Adjusted EBITDA margin	33.4%	5.9%	15.0%	25.4%	-4.3%	-15.4%	-2.2%	-4.9%	11.5%

(In \$ thousands)	Three Months Ended March 31, 2022								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 162,553	\$ 49,745	\$ 30,251	\$ 242,549	\$ 23,381	\$ 17,931	\$ -	\$ -	\$ 283,861
Operating income (loss) <sup>1</sup>	39,851	5,403	5,054	50,308	(582)	(2,084)	(4,402)	(13,008)	30,232
Adjustments									
Stock-based compensation	734	201	135	1,070	6	109	33	2,457	3,675
Depreciation	873	325	294	1,492	22	133	46	115	1,808
Intangible amortization	17	62	4	83	629	100	-	-	812
Earnout accretion	-	-	-	-	271	-	-	-	271
Acquisition contingent compensation	607	482	-	1,089	-	-	-	-	1,089
Deferred compensation plan	(2,144)	-	-	(2,144)	-	(63)	(25)	-	(2,232)
Total adjustments	87	1,070	433	1,590	928	279	54	2,572	5,423
Adjusted EBITDA	\$ 39,938	\$ 6,473	\$ 5,487	\$ 51,898	\$ 346	\$ (1,805)	\$ (4,348)	\$ (10,436)	\$ 35,655
Adjusted EBITDA margin	24.6%	13.0%	18.1%	21.4%	1.5%	-10.1%	-1.5%	-3.7%	12.6%

<sup>1</sup> 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.

# HEIDRICK & STRUGGLES

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