

# HEIDRICK & STRUGGLES

## SECOND QUARTER 2019 RESULTS

July 29, 2019

### SAFE HARBOR STATEMENT

The 2019 second quarter news release, conference call webcast, and the following slides contain forward-looking statements. The forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry in which we operate and management's beliefs and assumptions. Forward-looking statements may be identified by the use of words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "projects," "forecasts," and similar expressions. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, forecasted or implied in the forward-looking statements. Factors that may affect the outcome of the forward-looking statements include, among other things, leadership changes, our ability to attract, integrate, develop, manage and retain qualified consultants and senior leaders; our ability to prevent our consultants from taking our clients with them to another firm; our ability to maintain our professional reputation and brand name; the fact that our net revenue may be affected by adverse economic conditions; our clients' ability to restrict us from recruiting their employees; the aggressive competition we face; our heavy reliance on information management systems; the fact that we face the risk of liability in the services we perform; the fact that data security, data privacy and data protection laws and other evolving regulations and cross-border data transfer restrictions may limit the use of our services and adversely affect our business; social, political, regulatory and legal risks in markets where we operate; the impact of foreign currency exchange rate fluctuations; the fact that we may not be able to align our cost structure with net revenue; unfavorable tax law changes and tax authority rulings; our ability to realize our tax losses; the timing of the establishment or reversal of valuation allowance on deferred tax assets; any impairment of our goodwill, other intangible assets and other long-lived assets; our ability to execute and integrate future acquisitions; the fact that we have anti-takeover provisions that make an acquisition of us difficult and expensive; our ability to access additional credit; and the increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted cyber-related attacks that could pose a risk to our systems, networks, solutions, services and data. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. 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, 2018, 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.

---

## SECOND QUARTER 2019 CONSOLIDATED RESULTS

### HIGHLIGHTS

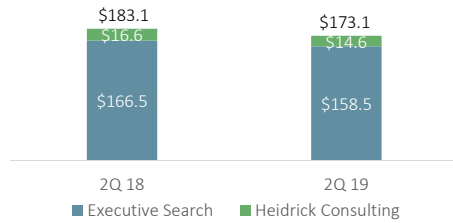
---

- Consolidated net revenue of \$173.1 million in the second quarter increased 1% compared to the first quarter, and was down 5% year over year, or 4% in constant currency -- about as we expected given that last year's second quarter included an unusually high number of search revenue upticks.
- Even so, the operating margin expanded to 10.6%, compared to 10.1% in last year's second quarter.
- Net income increased 25% to \$14.3 million, and diluted earnings per share improved 24% to \$0.73, from \$0.59 in last year's second quarter.
- Consultant turnover, globally, is quite possibly the lowest in our history, at 5% year to date, allowing us to maintain high Search consultant productivity at \$1.7 million per consultant. This also reflects promotions in January of one of our largest classes to date --24 individuals to Principals.

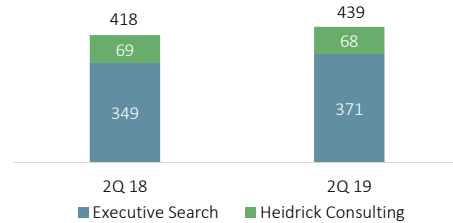
## SECOND QUARTER 2019 FINANCIAL HIGHLIGHTS

\$ in millions except Diluted EPS

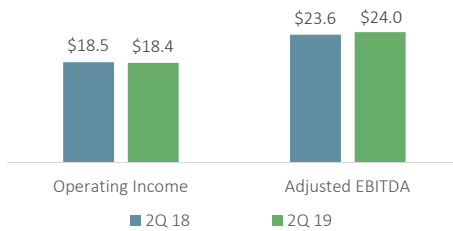
### Net Revenue



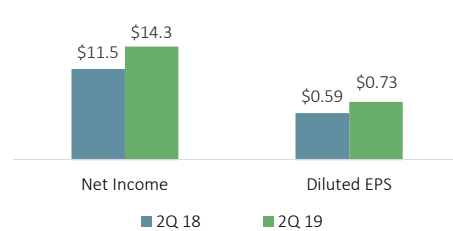
### Growth in Consultant Headcount



### Profitability



### Improved Net Income & EPS

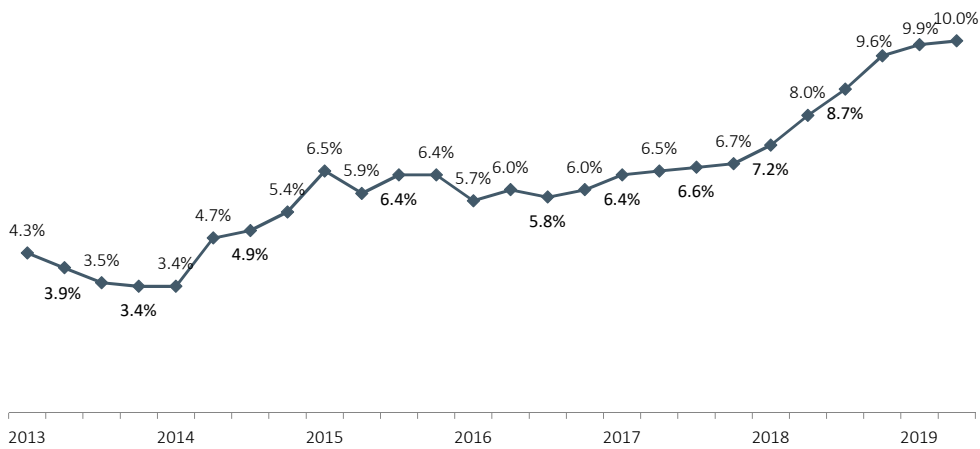


HEIDRICK & STRUGGLES

5

## MEANINGFUL OPERATING MARGIN EXPANSION

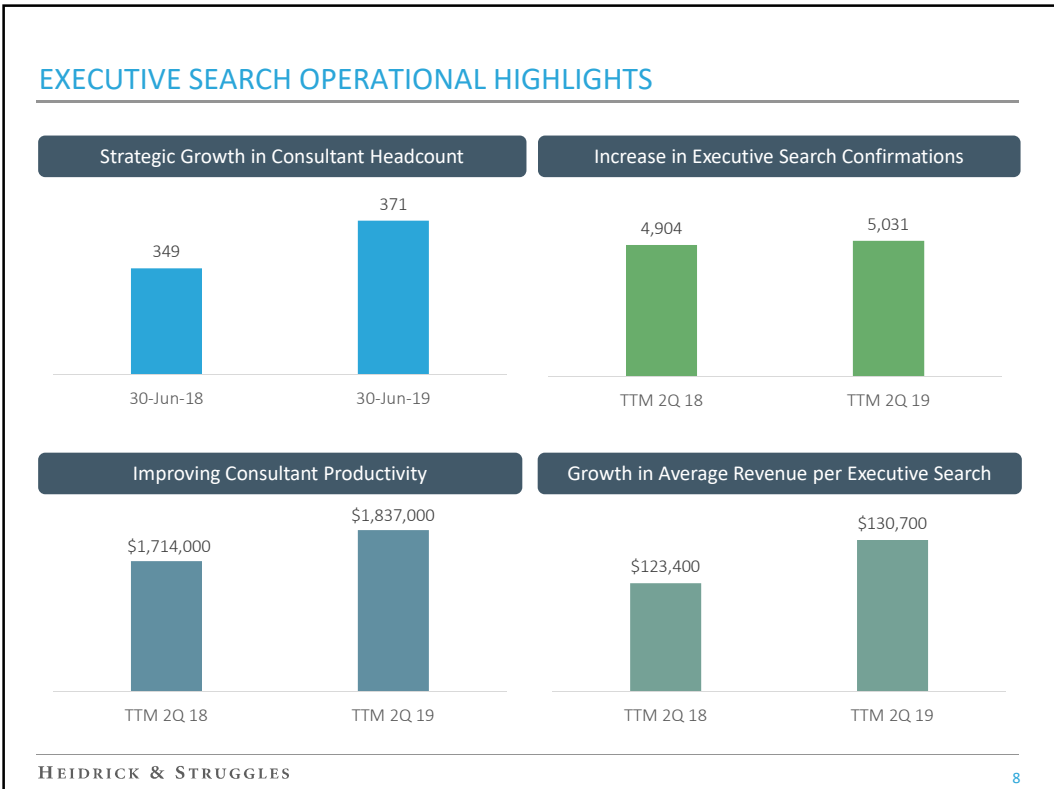
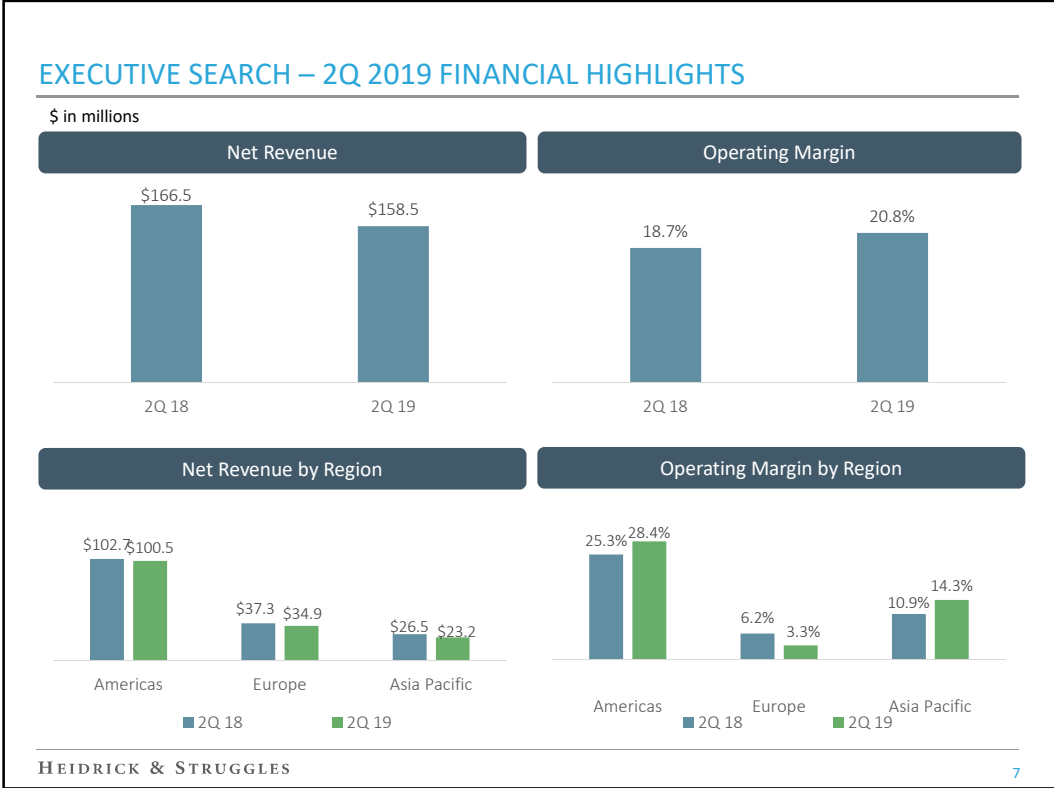
Trailing 12 months operating income / trailing 12 months consolidated net revenue



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

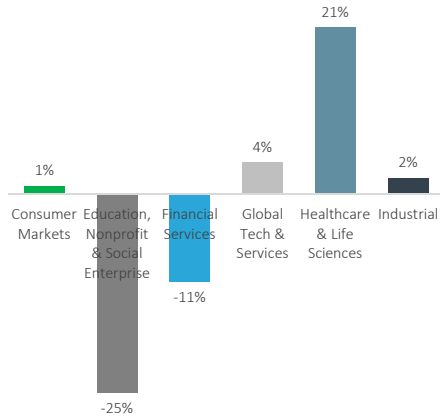
HEIDRICK & STRUGGLES

6



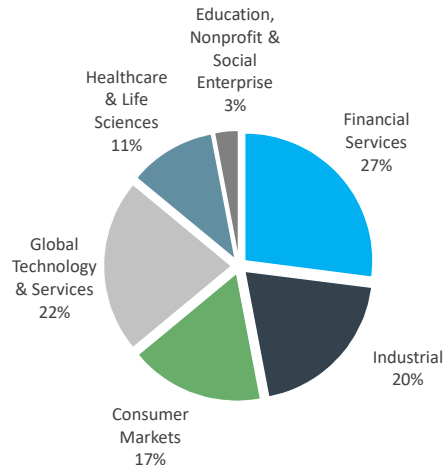
## DIVERSIFIED MIX OF BUSINESS CONTRIBUTES TO GROWTH IN SEARCH

Year-to-date Growth in Industry Practice Billings



6 mos ending 6/30/19 vs. 6 mos ending 6/30/18

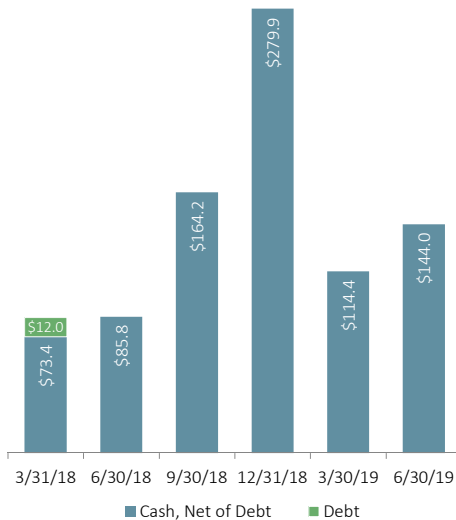
Diversified Mix of Industry Practice Billings



As a % of total practice billings in first 6 mos of 2019

## STRONG & FLEXIBLE BALANCE SHEET

Cash & Marketable Securities (\$ in millions)



Cash Flow (\$ in millions)

For the Quarter Ended:	June 30, 2019	June 30, 2018
Net cash provided by operating activities	\$33.4	\$30.4

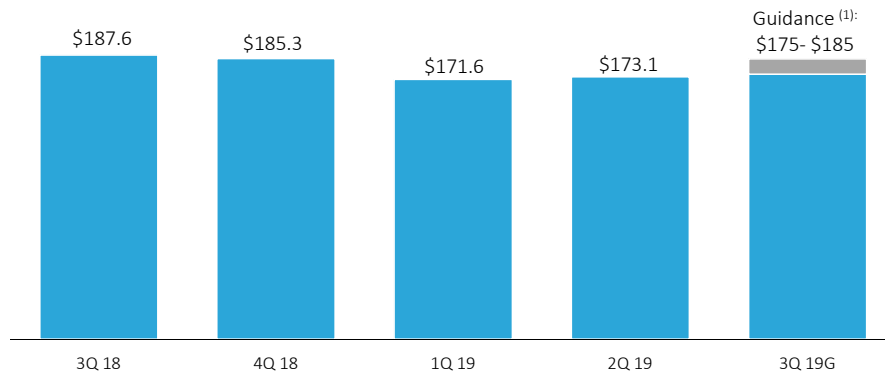
  

For the Six Months Ended:	June 30, 2019	June 30, 2018
Net cash used in operating activities	\$121.9	\$107.1

## OUTLOOK AND INITIATIVES

### GUIDANCE: 3Q 2019 NET REVENUE (EXCLUDES REIMBURSEMENTS)

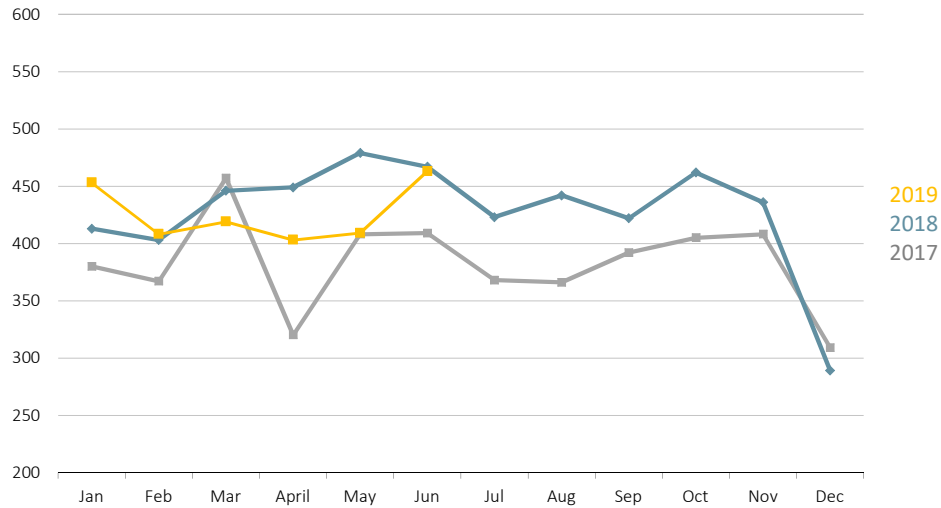
\$ in millions



<sup>(1)</sup>This forecast is based on the average currency rates in June 2019 and reflects, among other factors, management's assumptions for the anticipated volume of new Executive Search confirmations, Consulting assignments, the current backlog, consultant productivity, consultant retention, and the seasonality of the business.

## WORLDWIDE MONTHLY SEARCH CONFIRMATION TRENDS

### Executive Search Confirmations



HEIDRICK &amp; STRUGGLES

13

## KEY INITIATIVES IN 2019 SHOULD SUPPORT ADDITIONAL GROWTH

1

Grow scale and impact of both Search and Consulting

2

Collaborate across the enterprise: Search and Consulting

3

Deliver premium service experience to our clients  
Implement the Heidrick Way

4

Continue cost containment initiatives

HEIDRICK &amp; STRUGGLES

14

## APPENDIX

### ADJUSTED EBITDA MARGIN – SECOND QUARTER 2019

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

	3 months ended June 30,		
	2019	2018	change
<small>\$ in millions-- numbers may not foot due to rounding</small>			
<b>Net Income</b>	\$ 14.3	\$ 11.5	\$ 2.8
Interest, net	(0.4)	0.0	
Other, net	(0.7)	0.0	
Provision for income taxes	5.2	6.9	
<b>Operating Income</b>	\$ 18.4	\$ 18.5	\$ (0.1)
<b>Adjustments</b>			
Salaries and employee benefits			
Stock-based compensation expense	2.9	1.5	1.4
General and administrative expenses			
Depreciation	2.4	2.8	(0.5)
Intangible amortization	0.2	0.5	(0.2)
Earnout accretion	0.2	0.3	(0.1)
<b>Adjusted EBITDA</b>	\$ 24.0	\$ 23.6	\$ 0.5
<b>Adjusted EBITDA Margin (as % of net revenue)</b>	13.9%	12.9%	



**HEIDRICK & STRUGGLES**

Julie Creed, VP Investor Relations & Real Estate  
[jcreed@heidrick.com](mailto:jcreed@heidrick.com)  
312-496-1774

---