

# HEIDRICK & STRUGGLES

## Third Quarter 2023 Results

October 25, 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 fourth 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 conflict in Israel and the Gaza Strip 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 slides contain the most directly comparable GAAP financial measure to the non-GAAP financial measure and a reconciliation of the two measures.

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



# 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 continues to deliver strong financial performance



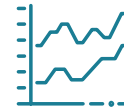
## REVENUE

- Quarterly net revenue of \$263.2 million; on a constant currency basis\*, net revenue was \$258.1 million for the third quarter



## ADJUSTED EBITDA\*

- Adjusted EBITDA\* of \$32.3 million and Adjusted EBITDA Margin\* of 12.3% for the third quarter



## NET INCOME

- Net income of \$15.0 million for the third quarter



## EARNINGS PER SHARE

- Diluted earnings per share of \$0.73 for the third quarter

“We are very pleased with our third quarter results, posting year over year revenue growth and another double-digit adjusted EBITDA margin quarter despite ongoing macro uncertainty. These results reflect the benefits of our One Heidrick strategy, which is to bring the best permanent executive level and on-demand talent to our clients, and to help leadership and organizations be more effective through our diversified product offering. Our diversified solutions of On-Demand Talent, Heidrick Consulting, and soon to include Heidrick Digital, will continue to be an increasing percentage of our business, and now contribute nearly 25% of our revenues.”

- Krishnan Rajagopalan, CEO

\* Non-GAAP Financial Measure

# Diversification Drives Growth



## HEIDRICK CONSULTING

- 21.8% year over year growth\*
- Confirmations up 17%
- Leadership and culture/purpose best practices driving business



## ON-DEMAND TALENT

- 76.6% year over year growth\*\*
- Significant referrals by Executive Search and Heidrick Consulting illustrating One Heidrick strategy
- Strong Demand
  - Interim finance leaders
  - Event-driven strategic implementation
  - AI business applications
  - Financial Services consolidation



## HEIDRICK DIGITAL

- Converted first Navigator early access partner to 3-year subscription
- Growing pipeline
- Eightfold.AI partnership enables best of leadership intelligence, data analytics and technology



## 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

\* Partially driven by acquisition of businessfourzero

\*\* Driven by acquisition of Atreus

# Investing in Diversified Expansion Platform

## Atreus – On-Demand Talent

- Provides platform to become the #1 On-Demand Talent (“ODT”) provider in Europe
- Blends Executive Search, ODT and leadership consulting capabilities with leading European marketplace for Executive ODT



### Market Position

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



### Services

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



### Manager Network

More than 15,000 highly qualified and carefully selected managers without our network. Of these, 4,000 form the inner circle of Atreus managers, and we know 1,500 of them well

## businessfourzero – Heidrick Consulting

- Broader, more robust set of leadership advisory solutions
- Provides accelerated growth opportunities given hybrid work, retention of top talent and the importance of linking purpose, culture and strategy for shareholders, employees and customers



### Market Position

Strong market position in the U.K. and Europe; expected expansion to the U.S.



### Services

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



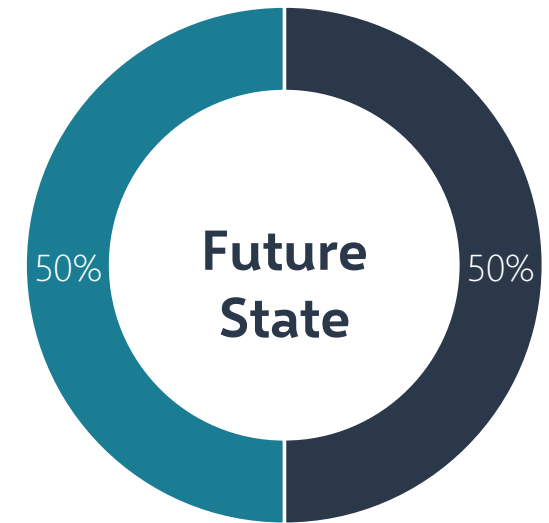
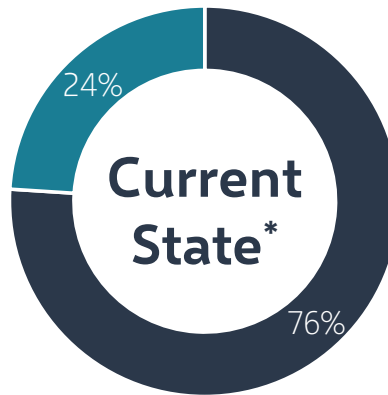
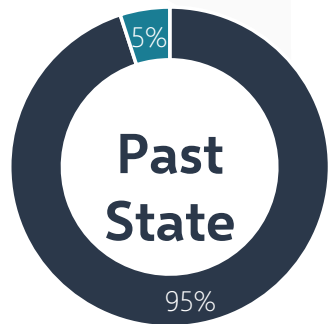
### Diversified Team

Over 50 employees with backgrounds from strategy, innovation, psychology and the start-up world – bringing a unique blend of human, commercial and creative skills



# Long-Term Objectives

PERCENT OF CONSOLIDATED NET REVENUE



- Executive Search
- Diversified Solutions
  - Heidrick Consulting

- Executive Search
- Diversified Solutions
  - Heidrick Consulting
  - On-Demand Talent

- Executive Search
- Diversified Solutions
  - Heidrick Consulting
  - On-Demand Talent
  - Heidrick Digital
  - Other Adjacencies

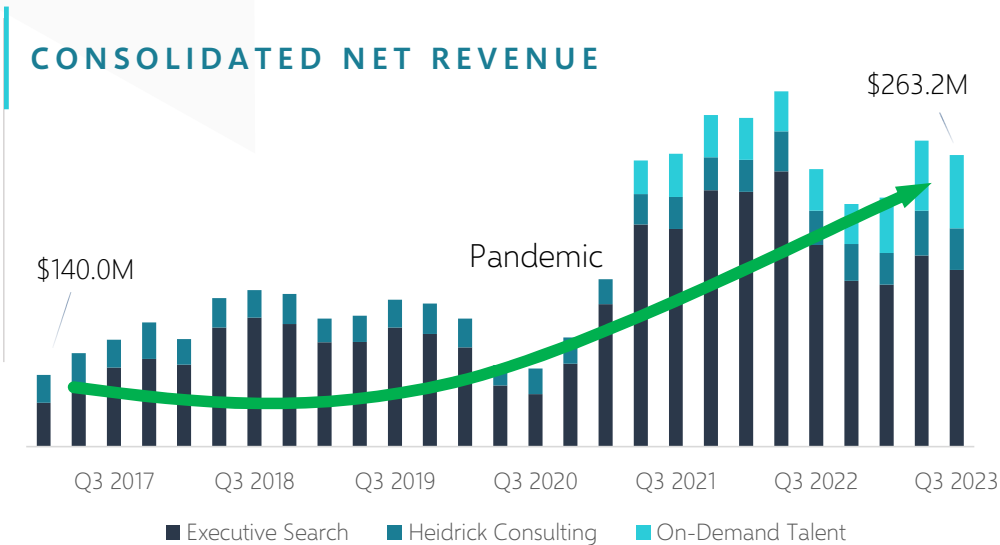
\*Q2'23 Results



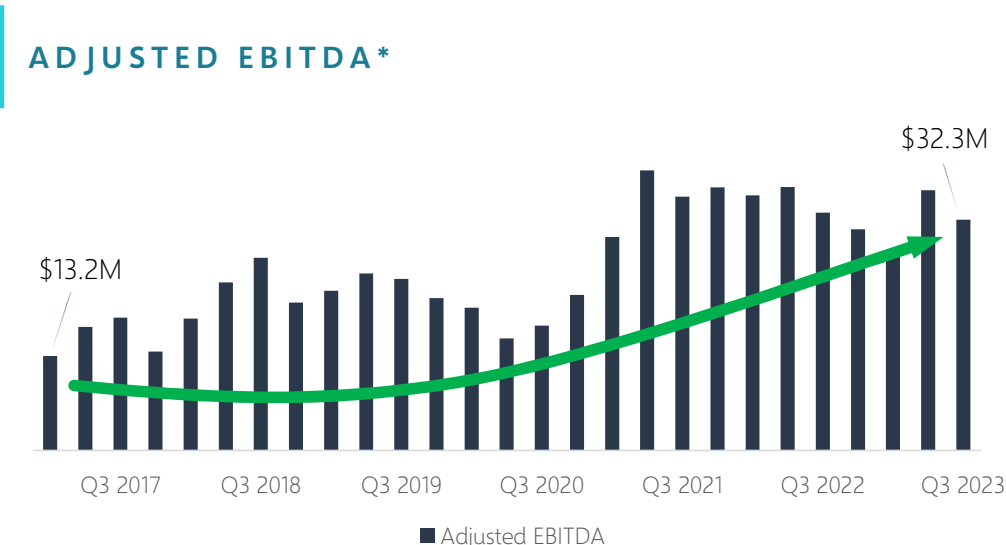
# **Consolidated Results**

# Consolidated Financial Highlights

## QUARTERLY NET REVENUE AND ADJUSTED EBITDA\* TRENDS



10.2% CAGR since Q1 2017



14.8% CAGR since Q1 2017

\* Non-GAAP Financial Measure

# Consolidated Financial Highlights

## QUARTERLY ADJUSTED EBITDA MARGIN\* AND ADJUSTED DILUTED EPS\* TRENDS

### ADJUSTED EBITDA MARGIN\*



Consistently profitable

### ADJUSTED DILUTED EPS\*



38 consecutive quarters of profitability

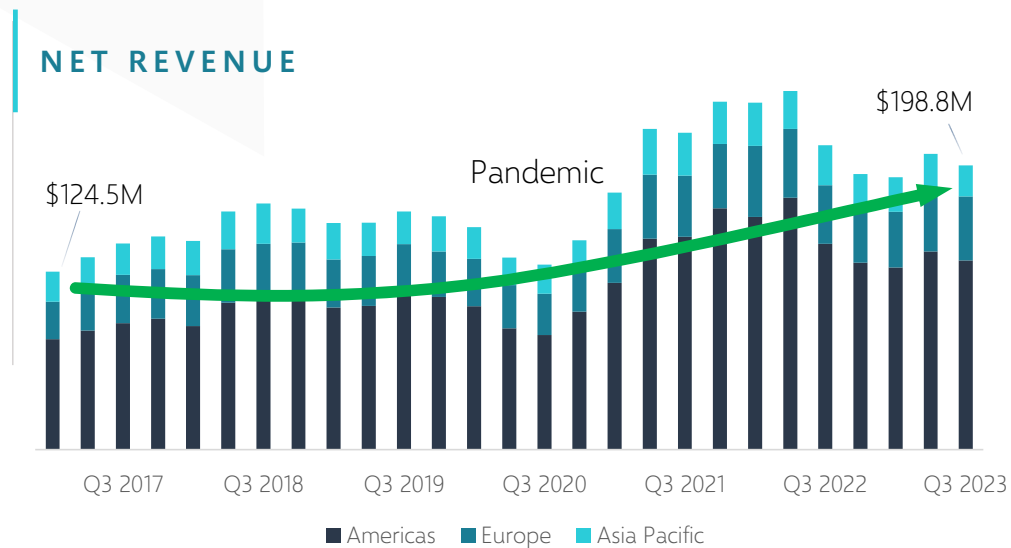
\* Non-GAAP Financial Measure

# Executive Search Results

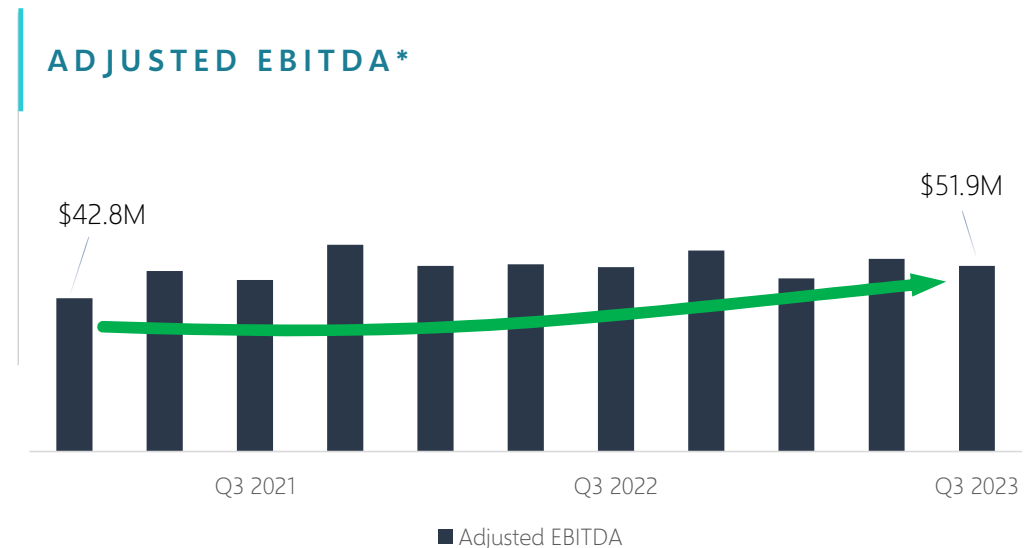


# Executive Search Financial Highlights

## QUARTERLY NET REVENUE AND ADJUSTED EBITDA\* TRENDS



7.5% CAGR since Q1 2017



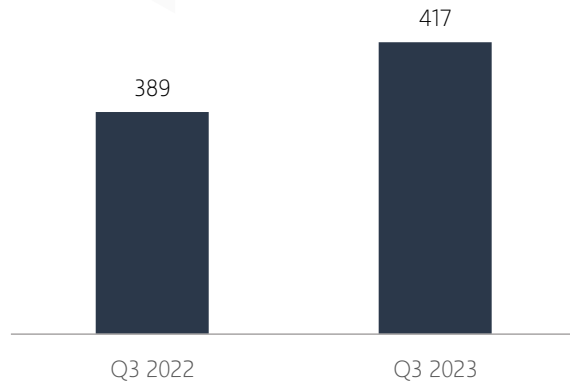
8.0% CAGR since Q1 2021

Strong profitability drives opportunities for other business segments

\* Non-GAAP Financial Measure

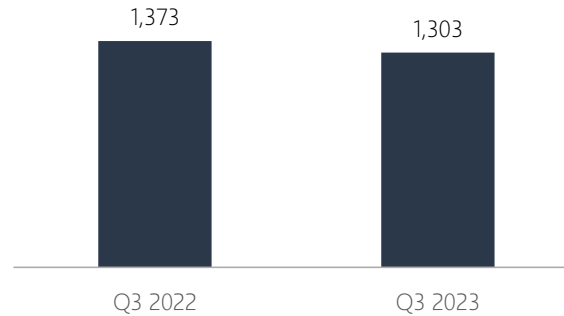
# Executive Search Operational Highlights

## CONSULTANT HEADCOUNT



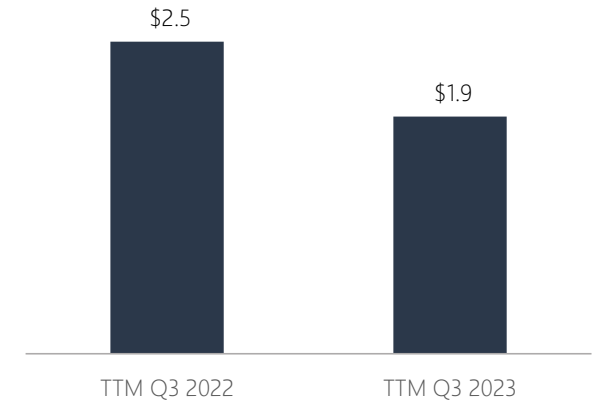
7% year-over-year consultant headcount increase

## SEARCH CONFIRMATIONS



5% year-over-year decline in confirmation volume

## CONSULTANT PRODUCTIVITY

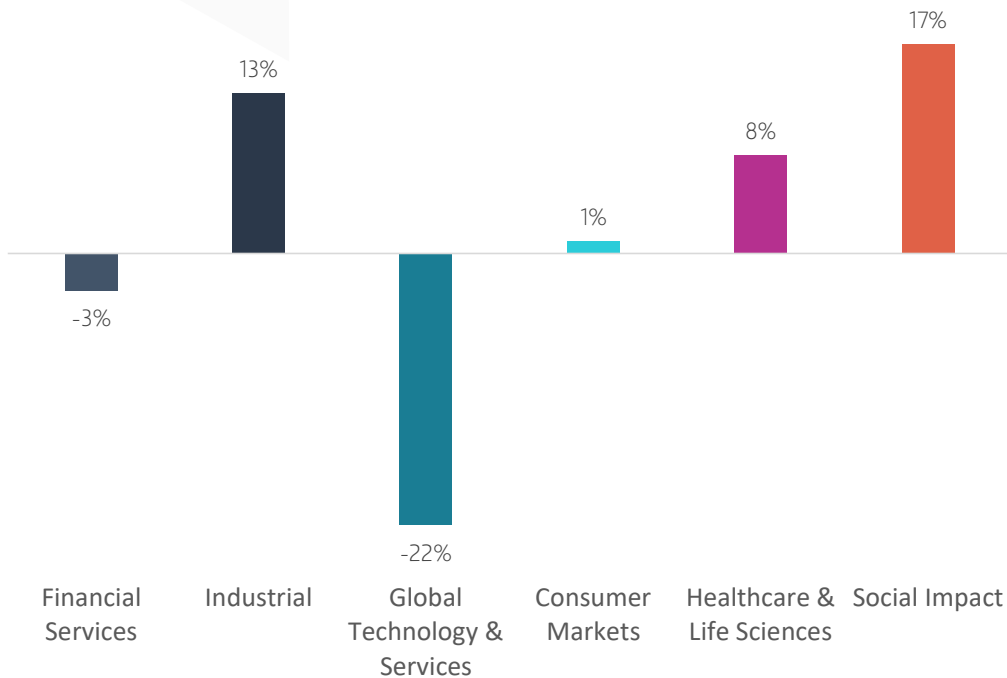


Trailing twelve-month productivity decline due to lower revenue and an increase in the number of consultants

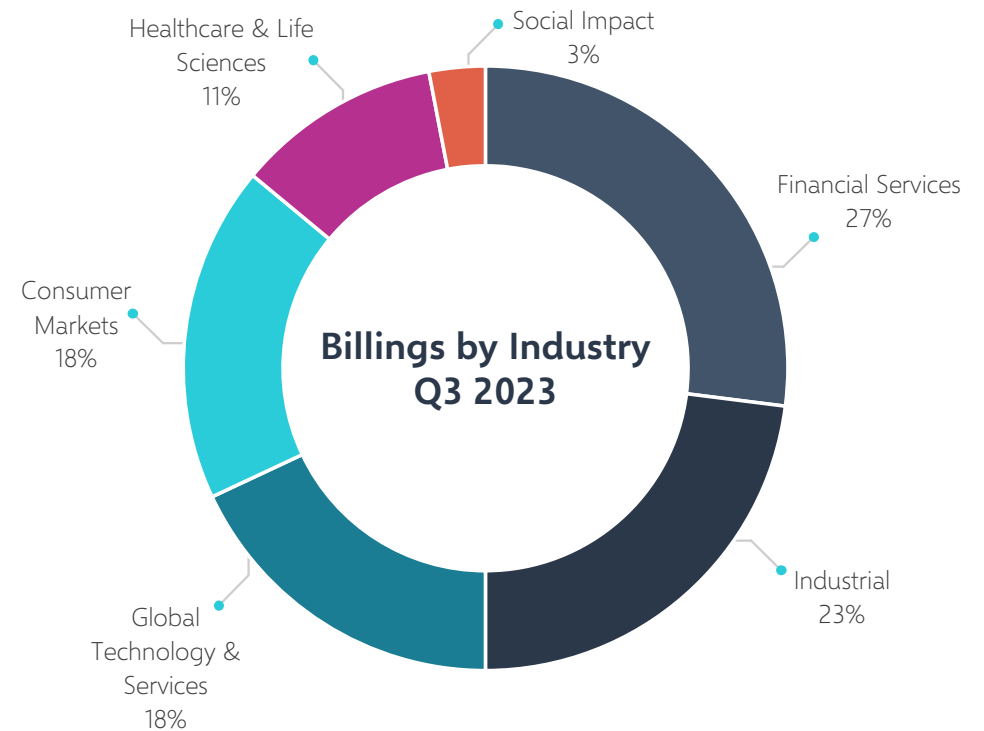
# Diversified Mix Of Business In Executive Search

## COMPARISON OF INDUSTRY BILLINGS

Q3 2022 vs. Q3 2023



## MIX OF INDUSTRIES



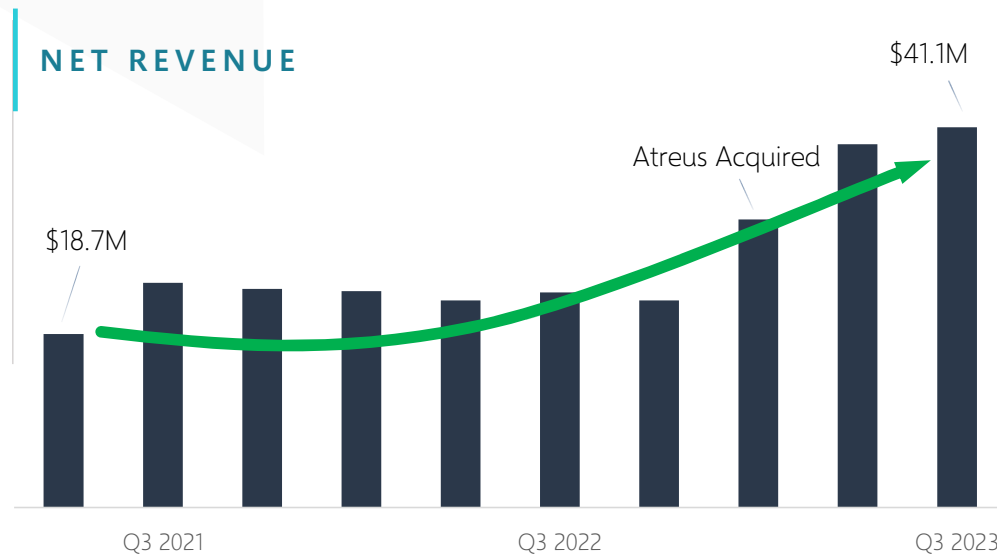


# On-Demand Talent Results

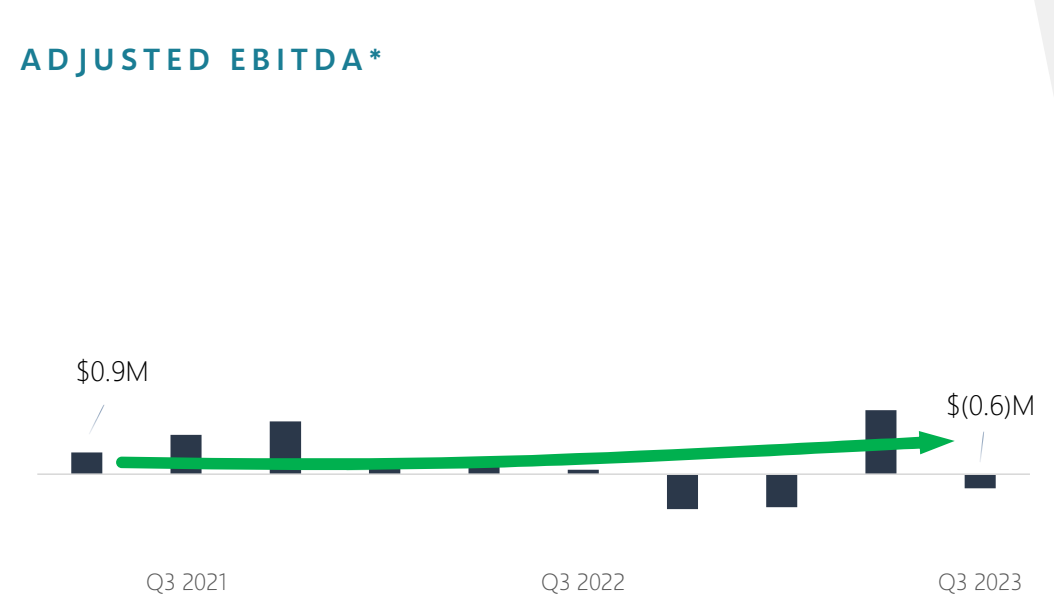


# On-Demand Talent Financial Highlights

## QUARTERLY NET REVENUE AND ADJUSTED EBITDA\* TRENDS



76.6% year over year growth  
4.6% sequential growth



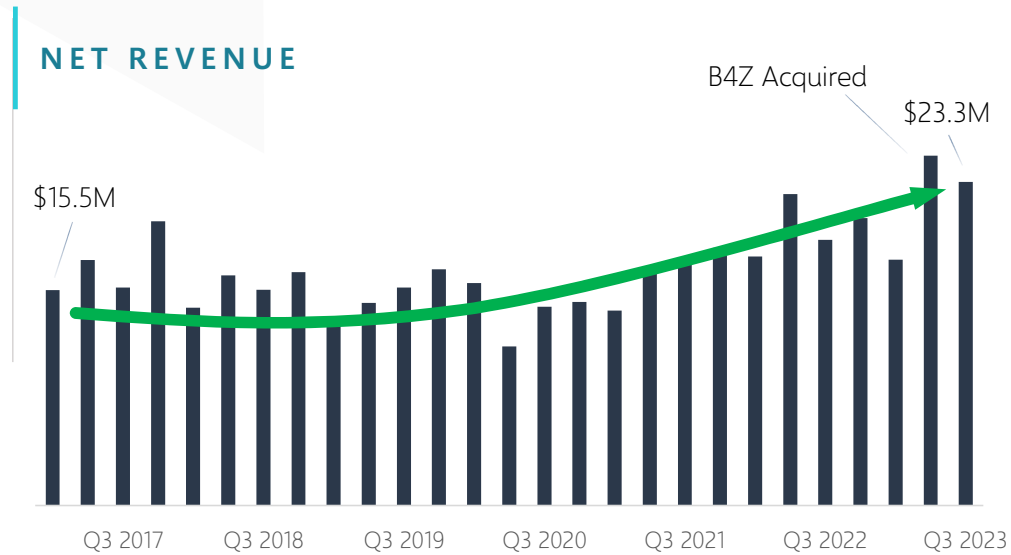
On-Demand Talent is currently in the investment and scaling phase

\* Non-GAAP Financial Measure

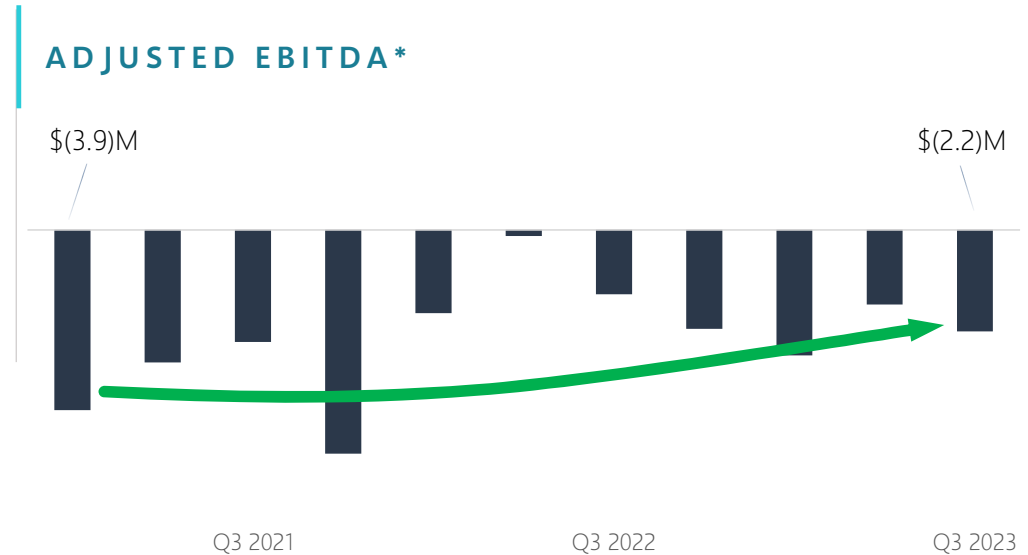
# Heidrick Consulting Results

# Heidrick Consulting Financial Highlights

## QUARTERLY NET REVENUE AND ADJUSTED EBITDA\* TRENDS



6.4% CAGR since Q1 2017  
7.6% sequential decline



Heidrick Consulting is currently in the investment and scaling phase

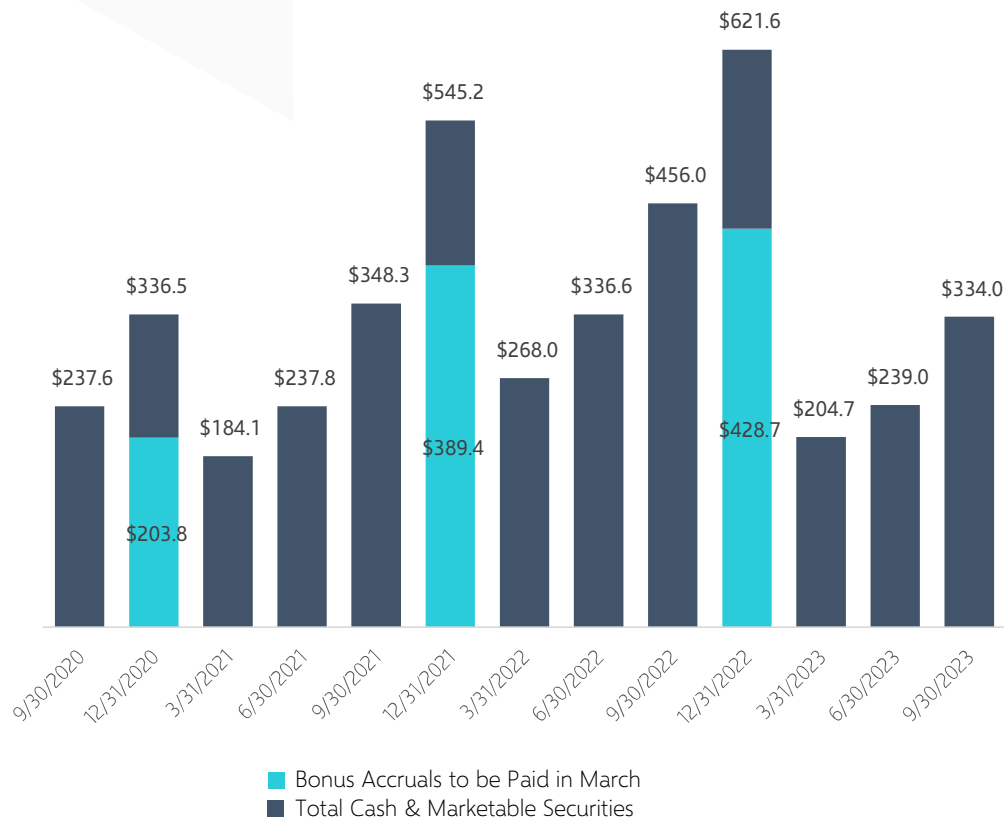
\* Non-GAAP Financial Measure

# Balance Sheet & Liquidity



# Strong & Flexible Balance Sheet

## CASH & MARKETABLE SECURITIES, NET OF DEBT



## CASH FLOW USED IN OPERATING ACTIVITIES

	September 30, 2023	September 30, 2022
For the quarter ending:	\$109.5	\$138.5

## USE OF CASH PRIORITIZATION

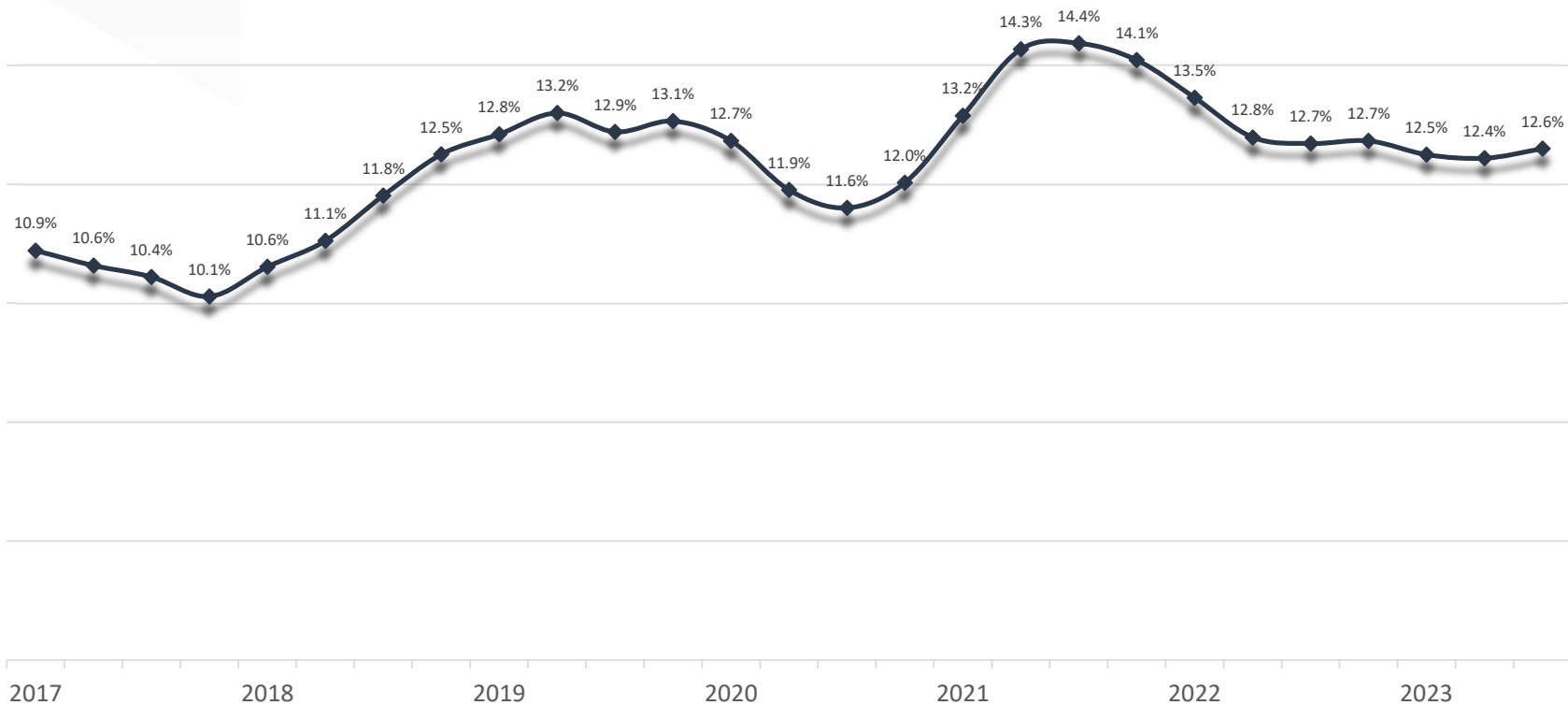


# Appendix

Reconciliation of GAAP to Non-GAAP Financial Measures

# Expansion In Adjusted EBITDA Margin\*

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



+170 bps increase  
in TTM Adjusted  
EBITDA Margin\*  
over 6 years

\* Non-GAAP Financial Measure



# Adjusted Net Income & Earnings Per Share

We define Adjusted Net Income as net income excluding impairment charges and earnout fair value adjustments, net of tax.

(In \$ thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net income	\$ 14,987	\$ 20,826	\$ 39,555	\$ 63,442
Adjustments				
Earnout adjustments, net of tax	-	(350)	-	(350)
Impairment charges, net of tax	-	-	6,038	-
Total adjustments	-	(350)	6,038	(350)
Adjusted net income	<u>\$ 14,987</u>	<u>\$ 20,476</u>	<u>\$ 45,593</u>	<u>\$ 63,092</u>
Weighted-average common shares outstanding				
Basic	20,076	19,816	19,998	19,723
Diluted	20,553	20,413	20,716	20,558
Earnings per common share				
Basic	\$ 0.75	\$ 1.05	\$ 1.98	\$ 3.22
Diluted	\$ 0.73	\$ 1.02	\$ 1.91	\$ 3.09
Adjusted earnings per common share				
Basic	\$ 0.75	\$ 1.03	\$ 2.28	\$ 3.20
Diluted	\$ 0.73	\$ 1.00	\$ 2.20	\$ 3.07

# 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 income and expense, reorganization costs, impairment charges, and other non-operating income or expense.

(In \$ thousands)	Three Months Ended September 30, 2023								
	Americas	Europe	Asia Pacific	Total Search	On Demand		R&D	Corporate	Total
					Talent	Heidrick Consulting			
Revenue before reimbursements (net revenue)	\$ 132,320	\$ 44,606	\$ 21,888	\$ 198,814	\$ 41,053	\$ 23,293	\$ -	\$ -	\$ 263,160
Operating income (loss) <sup>1</sup>	39,285	8,519	2,486	50,290	(4,595)	(4,075)	(5,560)	(13,923)	22,137
Adjustments									
Stock-based compensation	625	209	47	881	7	146	89	1,804	2,927
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	694	640	265	1,599	4,022	1,830	722	1,966	10,139
Adjusted EBITDA	\$ 39,979	\$ 9,159	\$ 2,751	\$ 51,889	\$ (573)	\$ (2,245)	\$ (4,838)	\$ (11,957)	\$ 32,276
Adjusted EBITDA margin	30.2%	20.5%	12.6%	26.1%	(1.4%)	(9.6%)	(1.8%)	(4.5%)	12.3%

(In \$ thousands)	Three Months Ended September 30, 2022								
	Americas	Europe	Asia Pacific	Total Search	On Demand		R&D	Corporate	Total
					Talent	Heidrick Consulting			
Revenue before reimbursements (net revenue)	\$ 143,747	\$ 41,141	\$ 27,919	\$ 212,807	\$ 23,247	\$ 19,131	\$ -	\$ -	\$ 255,185
Operating income (loss) <sup>1</sup>	39,741	5,652	4,503	49,896	(276)	(2,000)	(5,400)	(13,898)	28,322
Adjustments									
Stock-based compensation	756	375	119	1,250	6	469	57	1,996	3,778
Depreciation	843	300	230	1,373	46	89	166	111	1,785
Intangible amortization	18	49	4	71	628	100	-	-	799
Earnout accretion	-	-	-	-	276	-	-	-	276
Earnout fair value adjustments	-	-	-	-	(507)	-	-	-	(507)
Acquisition contingent compensation	604	307	-	911	-	-	-	-	911
Deferred compensation plan	(2,021)	-	-	(2,021)	-	(52)	(28)	(1)	(2,102)
Total adjustments	200	1,031	353	1,584	449	606	195	2,106	4,940
Adjusted EBITDA	\$ 39,941	\$ 6,683	\$ 4,856	\$ 51,480	\$ 173	\$ (1,394)	\$ (5,205)	\$ (11,792)	\$ 33,262
Adjusted EBITDA margin	27.8%	16.2%	17.4%	24.2%	0.7%	(7.3%)	(2.0%)	(4.6%)	13.0%

<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.

# 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 income and expense, reorganization costs, impairment charges, and other non-operating income or expense.

(In \$ thousands)	Nine 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)	\$ 398,210	\$ 129,104	\$ 68,766	\$ 596,080	\$ 111,410	\$ 66,212	\$ -	\$ -	\$ 773,702
Operating income (loss) <sup>1</sup>	121,128	12,663	7,132	140,923	(11,821)	(17,877)	(16,746)	(40,986)	53,493
Adjustments									
Stock-based compensation	1,428	614	162	2,204	15	268	211	3,556	6,254
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	7,857	4,438	931	13,226	12,496	11,297	1,561	4,041	42,621
Adjusted EBITDA	\$ 128,985	\$ 17,101	\$ 8,063	\$ 154,149	\$ 675	\$ (6,580)	\$ (15,185)	\$ (36,945)	\$ 96,114
Adjusted EBITDA margin	32.4%	13.2%	11.7%	25.9%	0.6%	(9.9%)	(2.0%)	(4.8%)	12.4%

(In \$ thousands)	Nine Months Ended September 30, 2022								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 482,320	\$ 139,017	\$ 87,928	\$ 709,265	\$ 68,981	\$ 59,501	\$ -	\$ -	\$ 837,747
Operating income (loss) <sup>1</sup>	123,842	15,661	13,469	152,972	(1,207)	(4,492)	(14,347)	(40,506)	92,420
Adjustments									
Stock-based compensation	2,234	814	370	3,418	20	738	147	6,481	10,804
Depreciation	2,594	942	815	4,351	99	346	276	331	5,403
Intangible amortization	51	169	12	232	1,889	300	-	-	2,421
Earnout accretion	-	-	-	-	820	-	-	-	820
Earnout fair value adjustments	-	-	-	-	(507)	-	-	-	(507)
Acquisition contingent compensation	1,857	1,114	-	2,971	-	-	-	-	2,971
Deferred compensation plan	(8,254)	-	-	(8,254)	-	(228)	(106)	(1)	(8,589)
Total adjustments	(1,518)	3,039	1,197	2,718	2,321	1,156	317	6,811	13,323
Adjusted EBITDA	\$ 122,324	\$ 18,700	\$ 14,666	\$ 155,690	\$ 1,114	\$ (3,336)	\$ (14,030)	\$ (33,695)	\$ 105,743
Adjusted EBITDA margin	25.4%	13.5%	16.7%	22.0%	1.6%	(5.6%)	(1.7%)	(4.0%)	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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