



HEIDRICK & STRUGGLES

FOURTH QUARTER 2019 RESULTS

FEBRUARY 24, 2020

SAFE HARBOR STATEMENT

The 2019 fourth 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, 2019, 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.

FOURTH QUARTER 2019 CONSOLIDATED RESULTS

FOURTH QUARTER AND 2019 HIGHLIGHTS

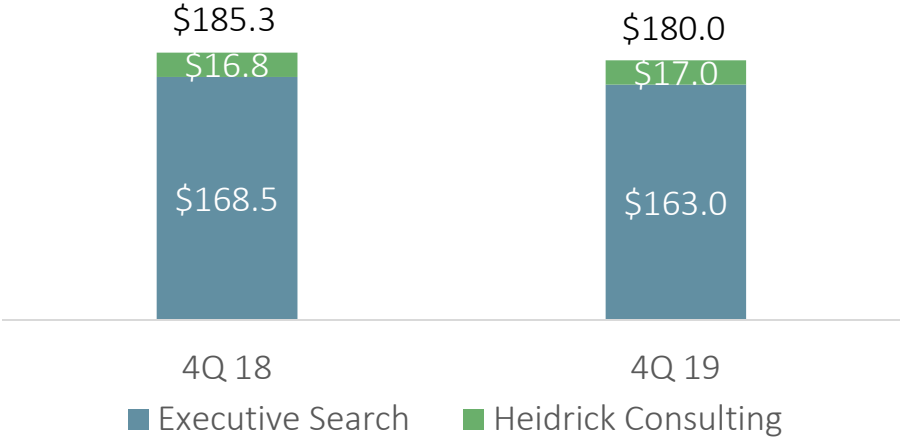
- Fourth quarter net revenue at high end of guidance; 2nd consecutive full year net revenue over \$700 million
- 2019 Adjusted EPS* of \$2.59 was the strongest performance in 11 years
- Average revenue per executive search increased 4% to \$132,000 – a record high
- Heidrick Consulting delivered \$17.0 million of net revenue in the fourth quarter, the third consecutive quarter of sequential growth
- Continued sharp focus on business operations allowed the Company to generate higher 2019 adjusted operating income* on slightly lower revenue.
 - General and administrative expenses % of net revenue lowest in 12 years
- Operating margin in 2019 was 9.0% and adjusted operating margin of 9.6%, in-line with 2018

* In 2019 third quarter the Company incurred \$4.1 million in restructuring charges.

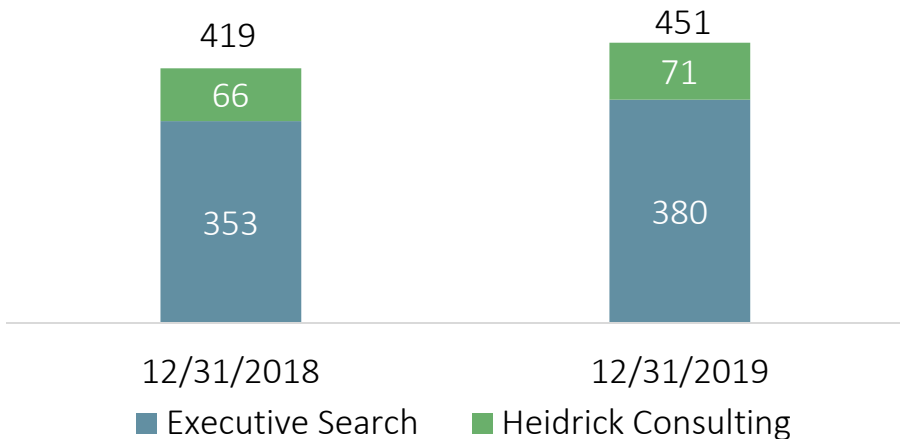
FOURTH QUARTER 2019 FINANCIAL HIGHLIGHTS

\$ in millions except Diluted EPS and Headcount

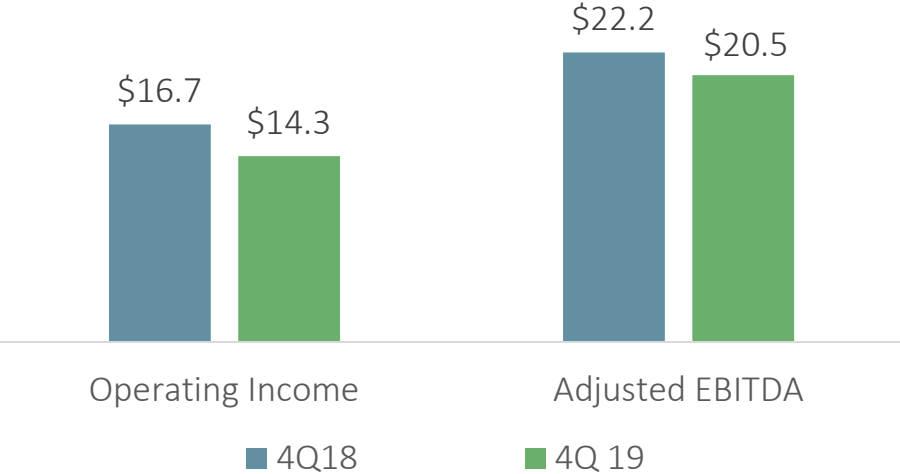
Net Revenue



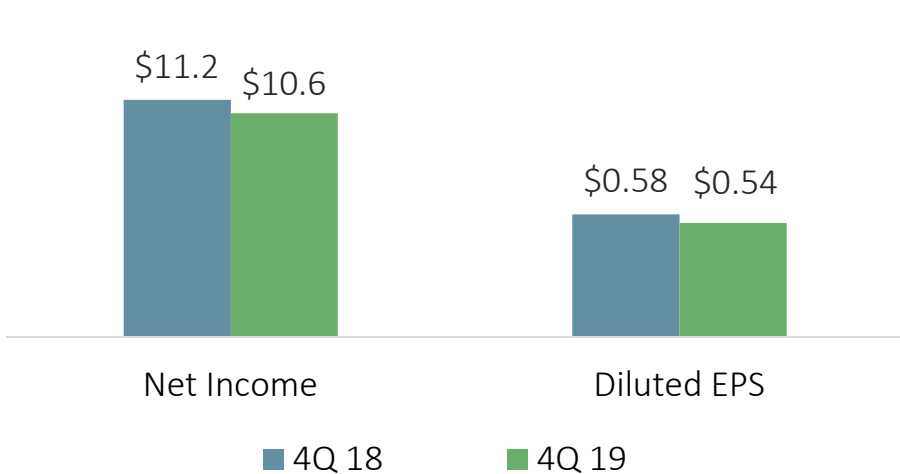
Consultant Headcount



Profitability



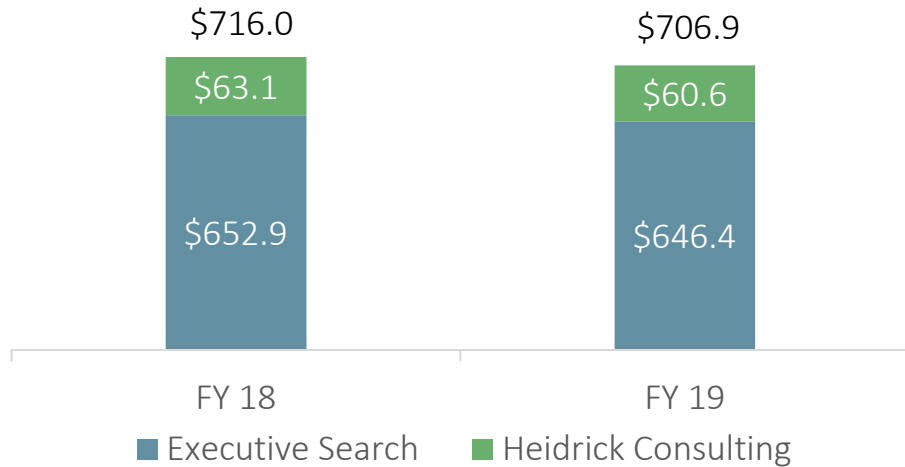
Net Income & EPS



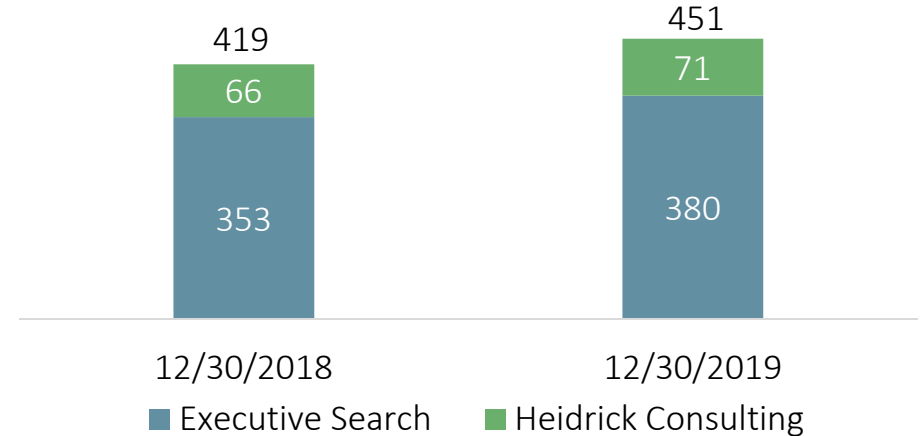
FULL YEAR 2019 FINANCIAL HIGHLIGHTS

\$ in millions except Diluted EPS and Headcount

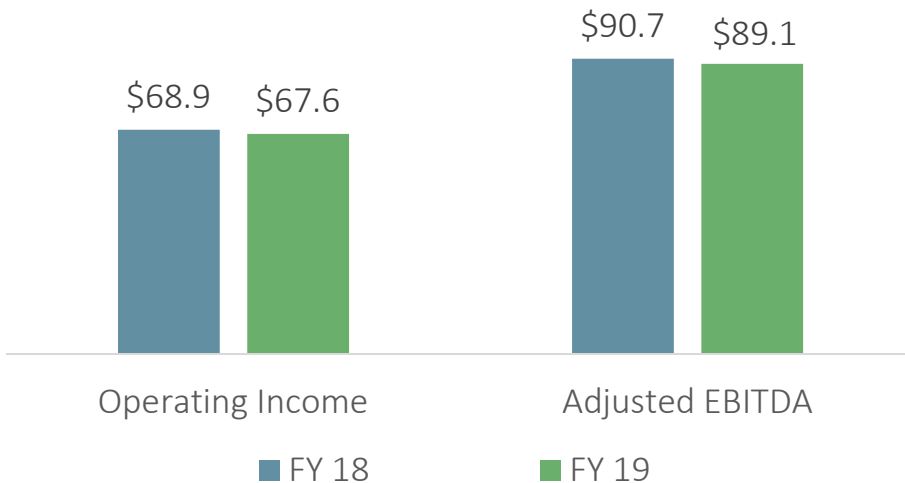
Net Revenue



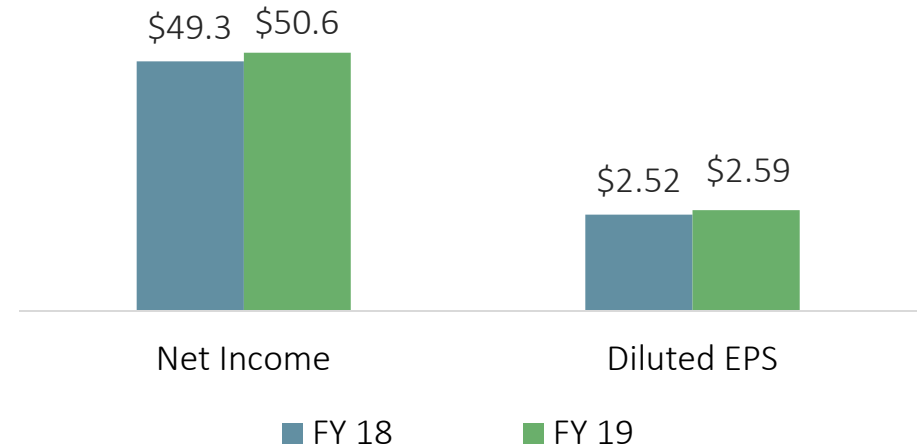
Consultant Headcount



Adjusted Profitability*

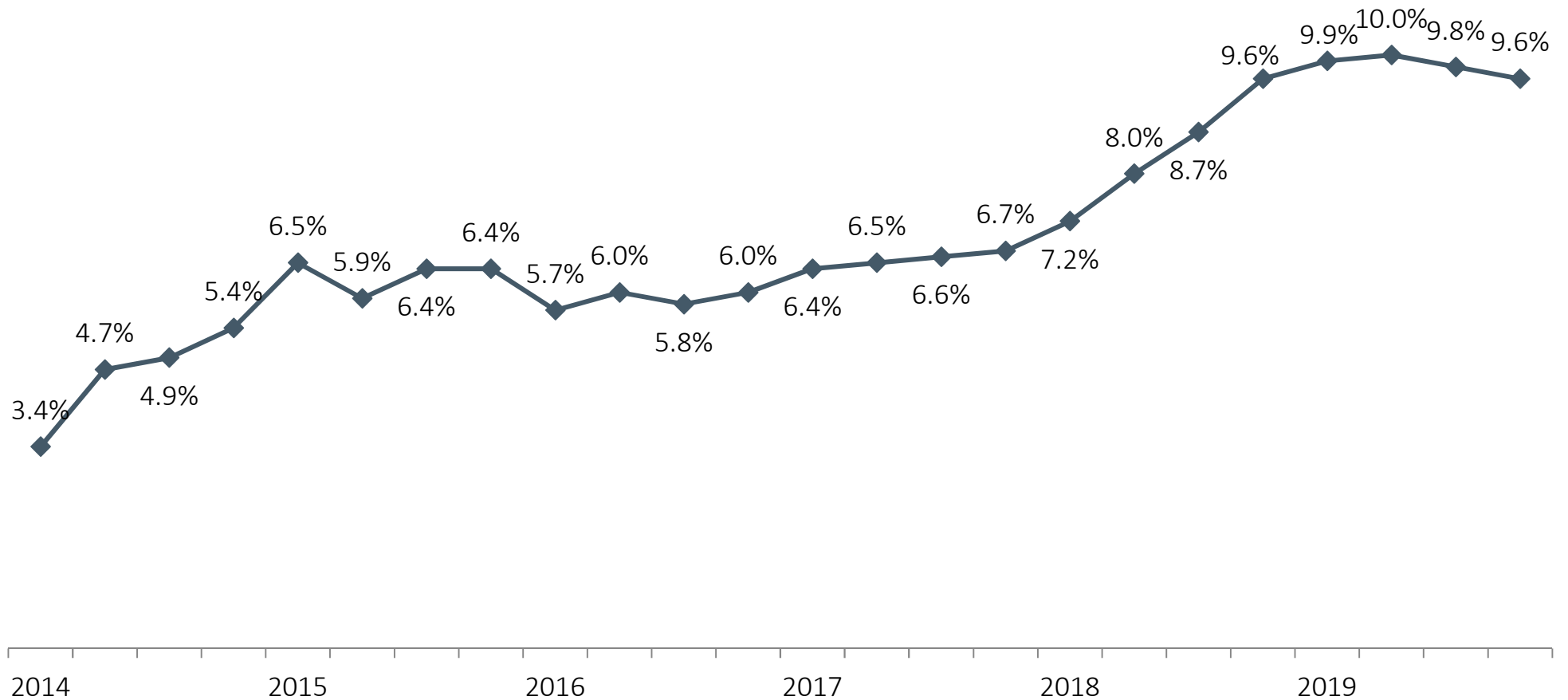


Adjusted Net Income & EPS*



MEANINGFUL OPERATING MARGIN EXPANSION

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

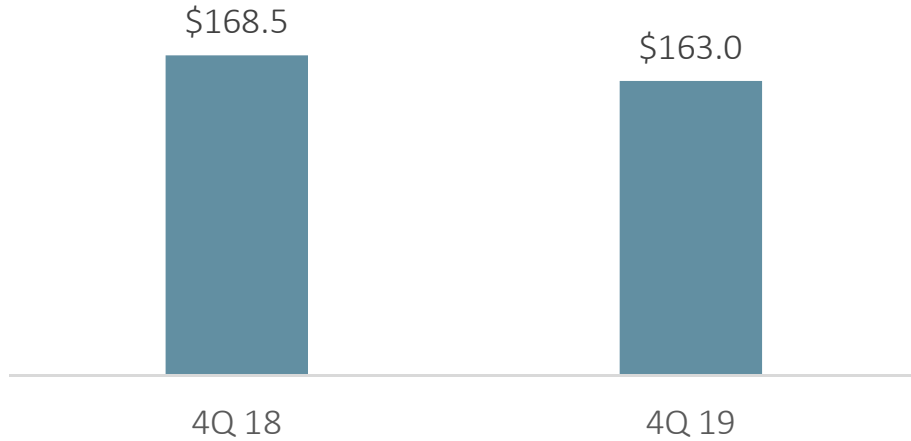


Operating margins were adjusted to exclude restructuring & impairment charges in 2011, 2012, 2017, 2018 and 2019

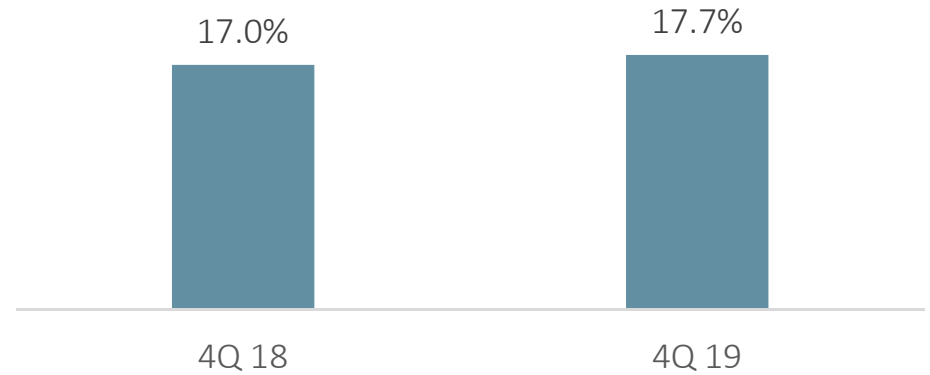
EXECUTIVE SEARCH – FOURTH QUARTER 2019 FINANCIAL HIGHLIGHTS

\$ in millions

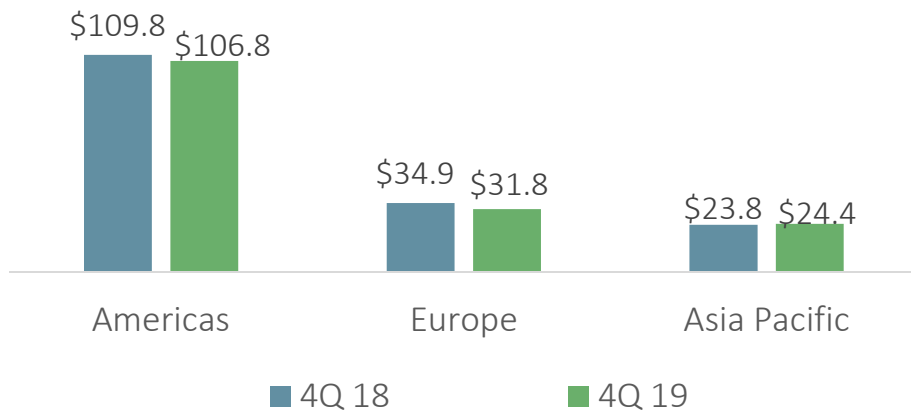
Net Revenue



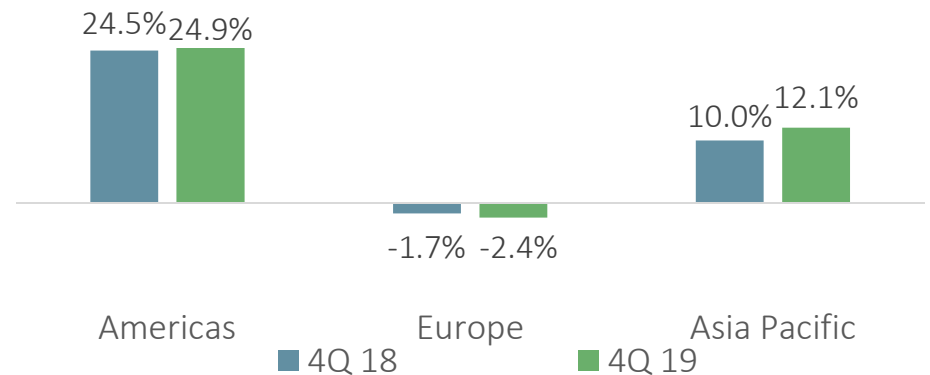
Operating Margin



Net Revenue by Region

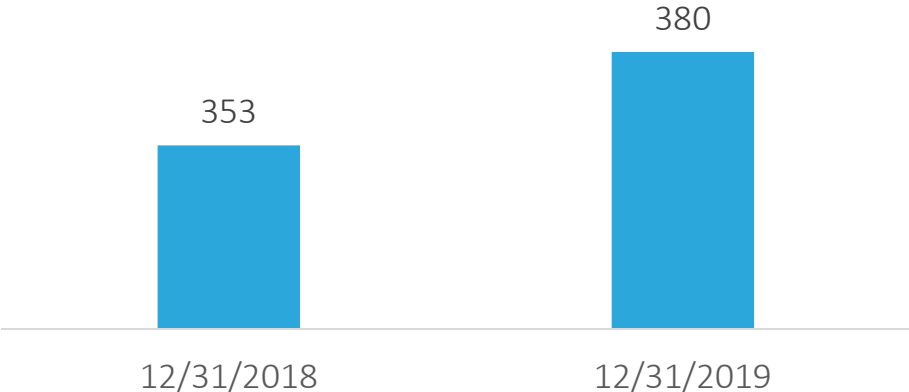


Operating Margin by Region

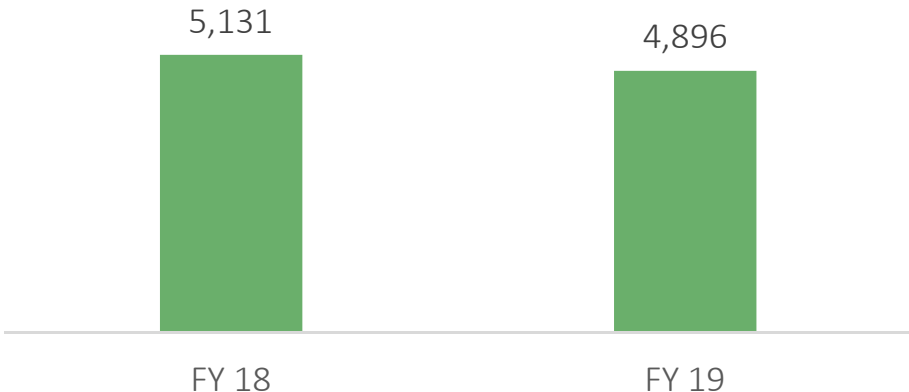


FULL YEAR 2019 EXECUTIVE SEARCH OPERATIONAL HIGHLIGHTS

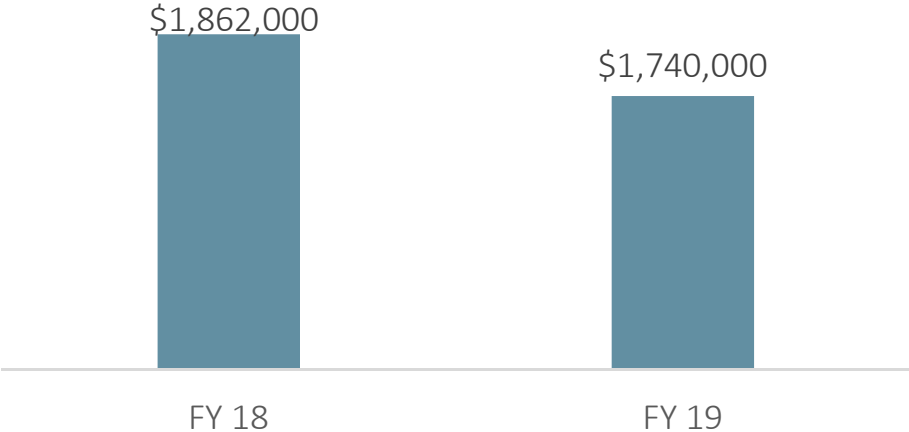
Consultant Headcount



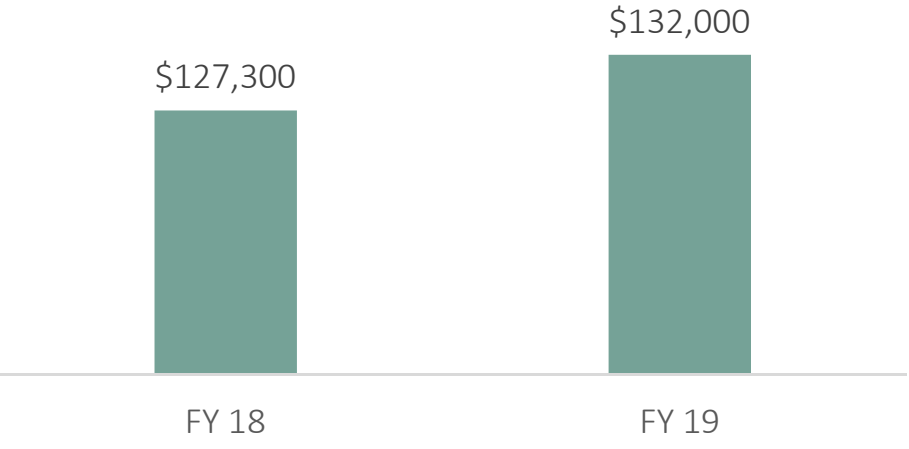
Executive Search Confirmations



Consultant Productivity

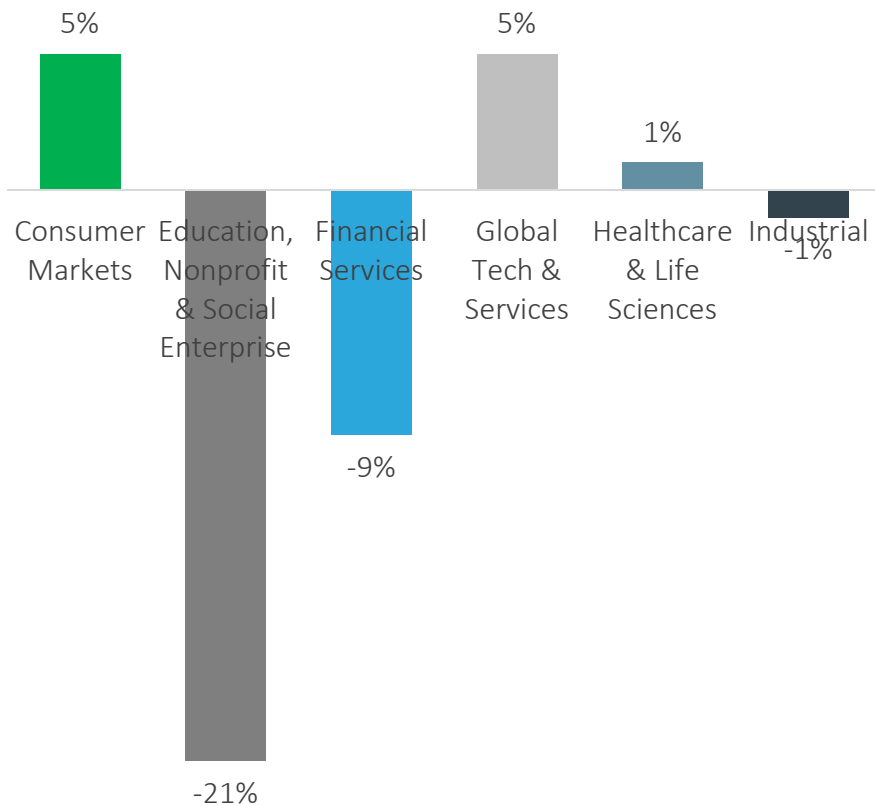


Average Revenue per Executive Search



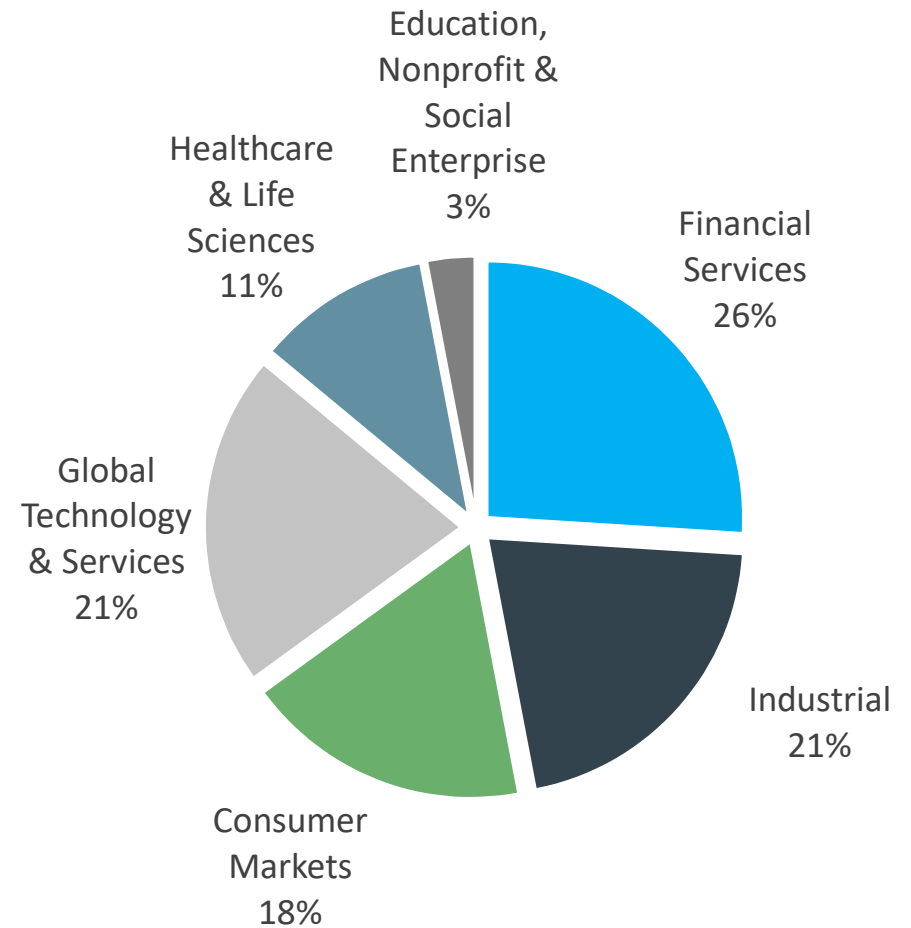
DIVERSIFIED MIX OF BUSINESS IN SEARCH

Full Year 2019 Growth in Industry Practice Billings



Full year 2019 vs. Full year ended 2018

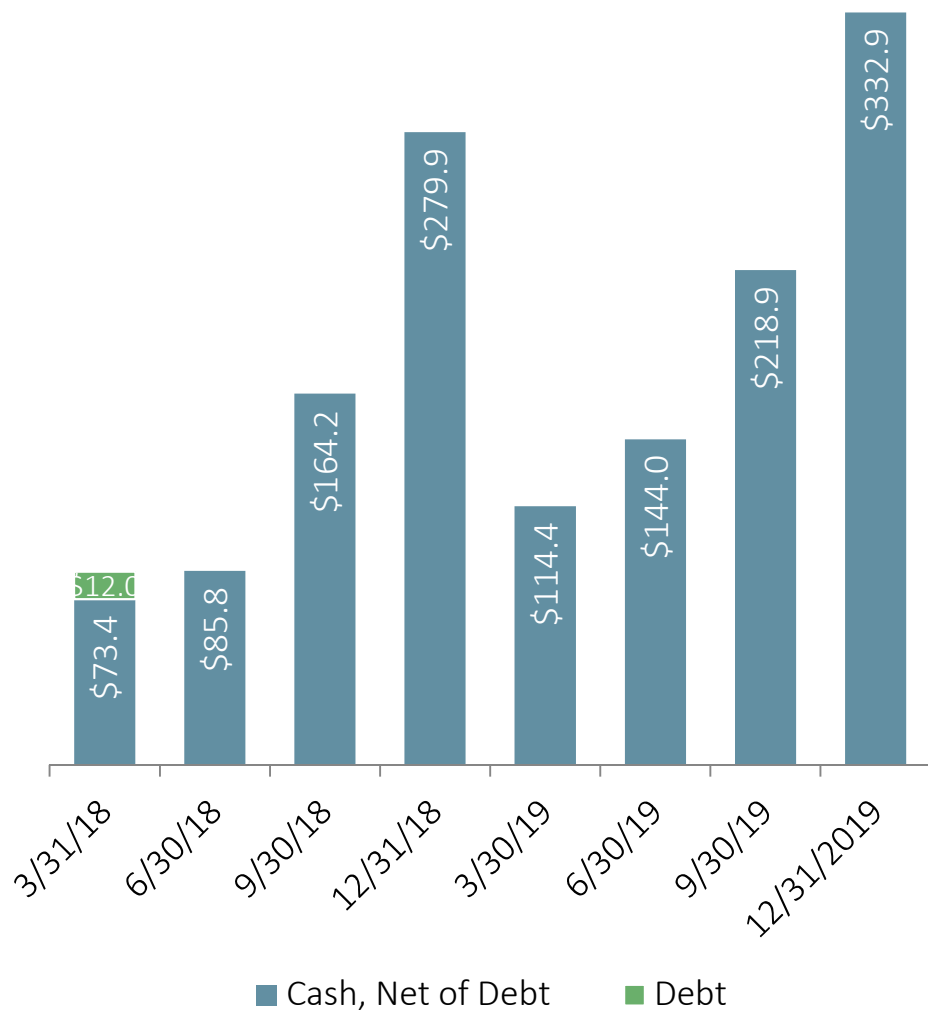
Diversified Mix of Industry Practice Billings



As a % of total practice billings for full year 2019

STRONG & FLEXIBLE BALANCE SHEET

Cash & Marketable Securities (\$ in millions)



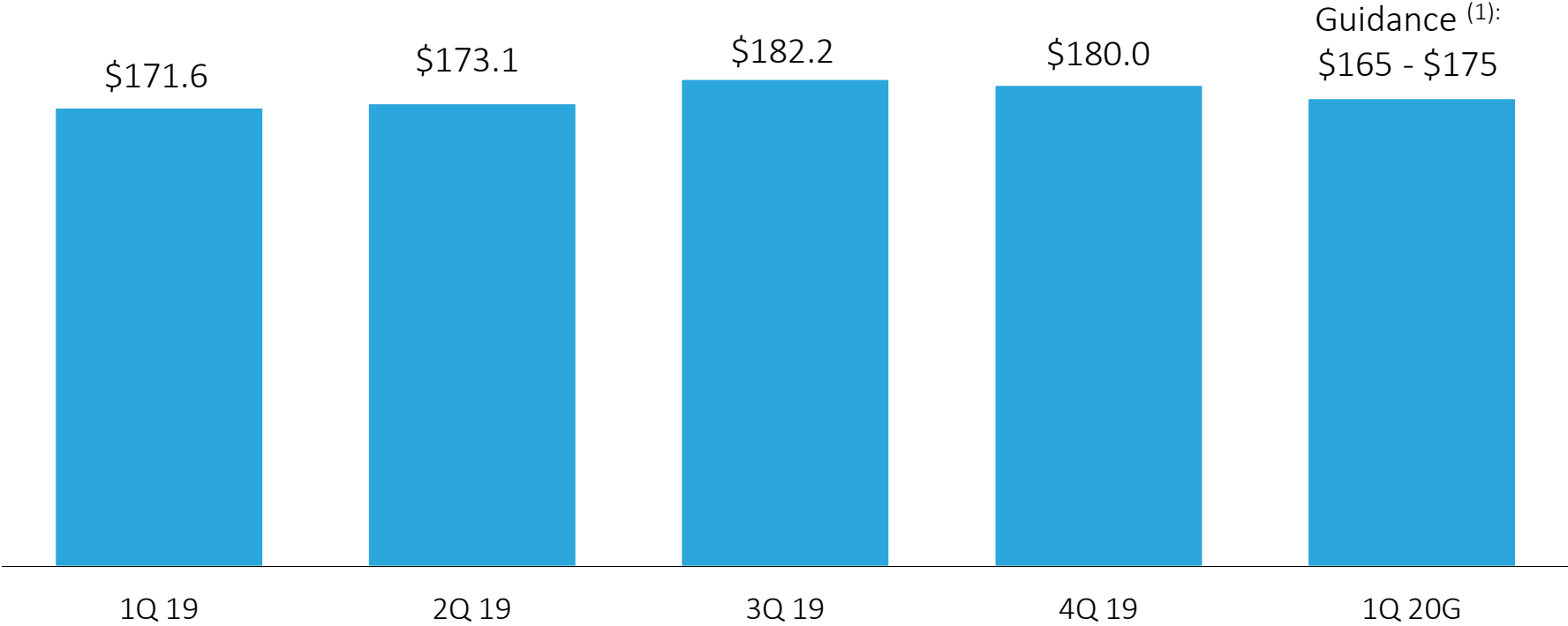
Cash Flow (\$ in millions)

For the Quarter Ended:	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	\$114.1	\$125.8
For the Year Ended:	Dec 31, 2019	Dec 31, 2018
Net cash provided by operating activities	\$78.6	\$102.9

OUTLOOK AND INITIATIVES

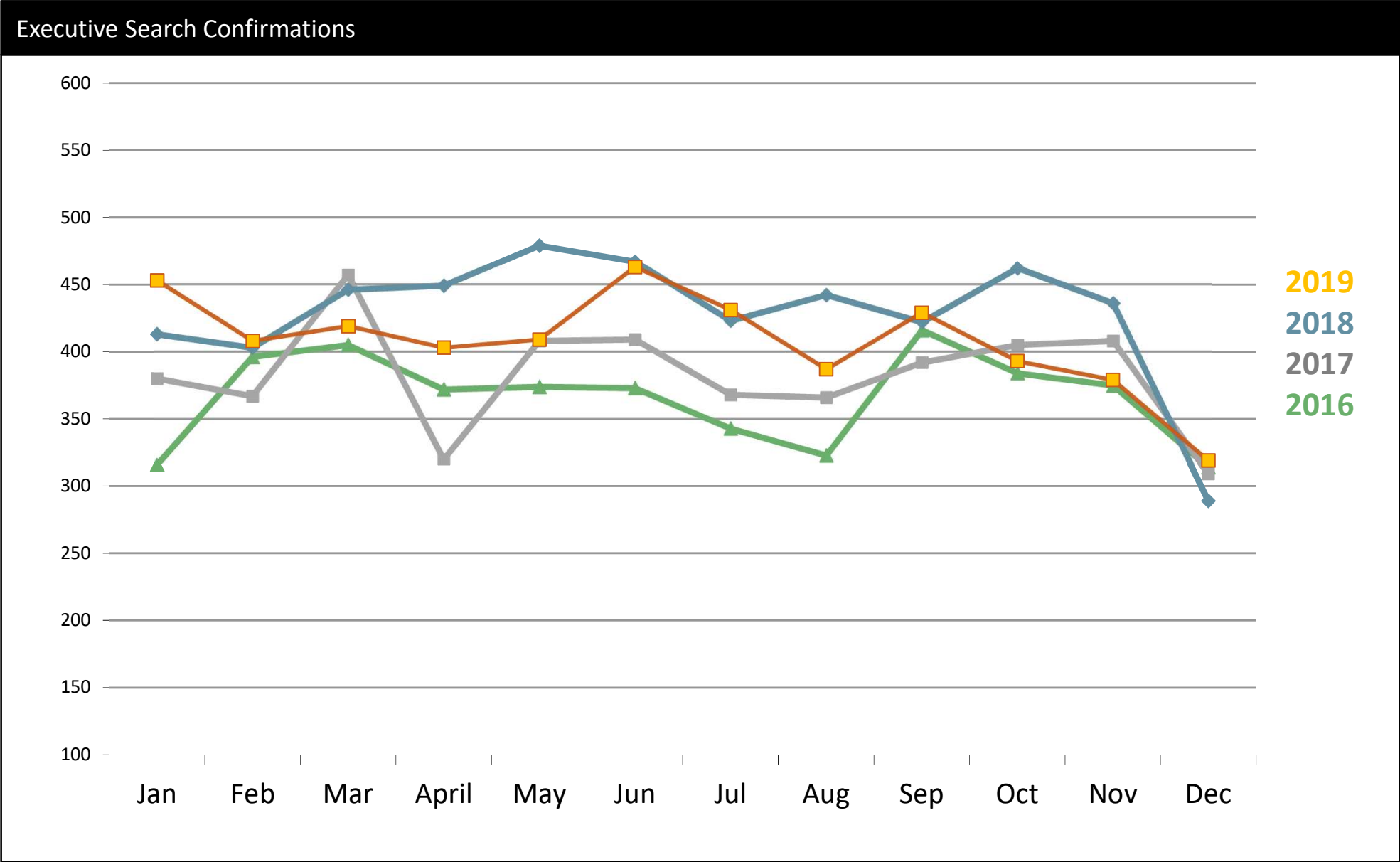
GUIDANCE: 1Q 2020 NET REVENUE (EXCLUDES REIMBURSEMENTS)

\$ in millions



⁽¹⁾This forecast is based on the average currency rates in December 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



KEY INITIATIVES IN 2020 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

Invest in product teams and innovative offerings to drive future growth and shareholder value

APPENDIX

ADJUSTED EBITDA MARGIN – FOURTH QUARTER 2019

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

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenue before reimbursements (net revenue)	\$ 180,034	\$ 185,305	\$ 706,924	\$ 716,023
Net income	10,555	11,195	46,869	49,295
Interest, net	(841)	(645)	(2,880)	(1,141)
Other, net	(1,011)	1,355	(2,898)	(494)
Provision for income taxes	5,592	4,787	22,420	21,197
Operating income	14,295	16,692	63,511	68,857
Adjustments				
Salaries and benefits				
Stock-based compensation expense	3,028	2,630	9,818	8,385
General and administrative expenses				
Depreciation	2,146	2,688	9,462	11,025
Intangible amortization	242	276	909	1,496
Earnout accretion	173	(43)	668	920
Acquisition contingent compensation	604	-	604	-
Restructuring charges	-	-	4,130	-
Total adjustments	6,193	5,551	25,591	21,826
Adjusted EBITDA	\$ 20,488	\$ 22,243	\$ 89,102	\$ 90,683
Adjusted EBITDA Margin	11.4%	12.0%	12.6%	12.7%

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

We define Adjusted Operating income as operating income excluding restructuring charges.

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenue before reimbursements (net revenue)	\$ 180,034	\$ 185,305	\$ 706,924	\$ 716,023
Operating income	14,295	16,692	63,511	68,857
Adjustments				
Restructuring charges (1)	-	-	4,130	-
Total adjustments	-	-	4,130	-
Adjusted operating income	<u>\$ 14,295</u>	<u>\$ 16,692</u>	<u>\$ 67,641</u>	<u>\$ 68,857</u>
Operating income as a % of net revenue	7.9%	9.0%	9.0%	9.6%
Adjusted operating income as a % of net revenue	7.9%	9.0%	9.6%	9.6%

(1) For the three months ended September 30, 2019, the Company incurred approximately \$4.1 million in restructuring charges related to the closing of the Company's legacy Brazil operations due to the acquisition of 2GET. The restructuring charges consist primarily of employee-related costs for the Company's existing Brazil operations.

RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME

We define Adjusted Net Income as net income excluding restructuring charges, net of tax.

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income	\$ 10,555	\$ 11,195	\$ 46,869	\$ 49,295
Adjustments				
Restructuring charges, net of tax (1)	-	-	3,768	-
Total adjustments	-	-	3,768	-
Adjusted net income	<u>\$ 10,555</u>	<u>\$ 11,195</u>	<u>\$ 50,637</u>	<u>\$ 49,295</u>
Basic weighted average common shares outstanding	19,138	18,954	19,103	18,917
Diluted weighted average common shares outstanding	19,507	19,404	19,551	19,532
Basic net income per common share	\$ 0.55	\$ 0.59	\$ 2.45	\$ 2.61
Diluted net income per common share	\$ 0.54	\$ 0.58	\$ 2.40	\$ 2.52
Adjusted basic net income per common share	\$ 0.55	\$ 0.59	\$ 2.65	\$ 2.61
Adjusted diluted net income per common share	\$ 0.54	\$ 0.58	\$ 2.59	\$ 2.52

Explanation of Non-GAAP adjustments

(1) For the three months ended September 30, 2019, the Company incurred approximately \$4.1 million in restructuring charges related to the closing of the Company's legacy Brazil operations due to the acquisition of 2GET. The restructuring charges consist primarily of employee-related costs for the Company's existing Brazil operations.

HEIDRICK & STRUGGLES

Suzanne Rosenberg, VP Investor Relations

srosenberg@heidrick.com

212-551-0554
