

# HEIDRICK & STRUGGLES

## THIRD QUARTER 2020 RESULTS

October 26, 2020

---

# SAFE HARBOR STATEMENT

---

The 2020 third 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, the impacts, direct and indirect, of the COVID-19 pandemic on our business, our consultants and employees, and the overall economy; 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.

---

# THIRD QUARTER 2020 CONSOLIDATED RESULTS

## 2020 THIRD QUARTER HIGHLIGHTS

---

- Anticipated restructuring charge of \$48.1 million generated operating loss of \$38.2 million and operating margin of (26.6%); expect annual cost savings of \$30 million to \$40 million
- Adjusted operating income of \$9.9 million and adjusted operating margin of 6.9%, up 70 basis points sequentially
- Net revenue of \$143.5 million compares to \$145.6 million in the 2020 second quarter
- Adjusted EBITDA of \$15.9 million and adjusted EBITDA margin of 11.0%, up 250 basis points sequentially
- Net loss of \$26.2 million includes restructuring charge; adjusted net income of \$7.7 million and adjusted diluted earnings per share of \$0.39
- Repaid \$100 million of borrowings under credit facility, returned to a debt-free balance sheet
- Expect additional restructuring charges of \$10 million to \$15 million related to real estate optimization; expected to drive additional cost savings of \$5 million to \$8 million per year
- Maintains \$0.15 per share cash dividend

# THIRD QUARTER 2020 FINANCIAL HIGHLIGHTS

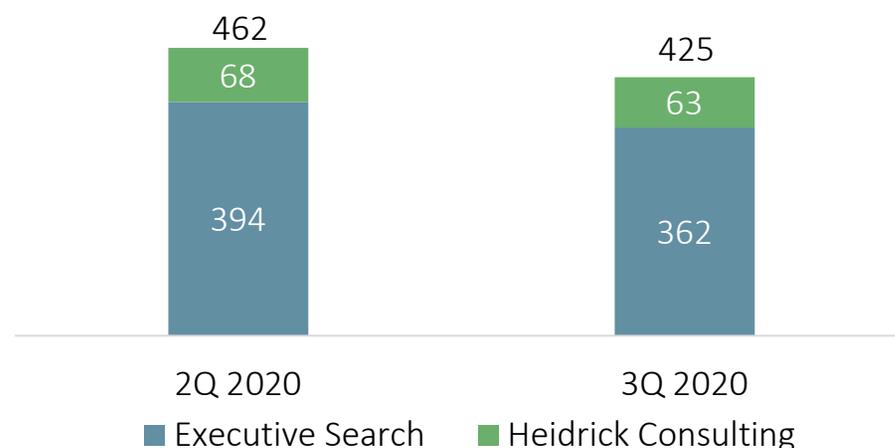
(SEQUENTIAL COMPARISON)

\$ in millions except Diluted EPS

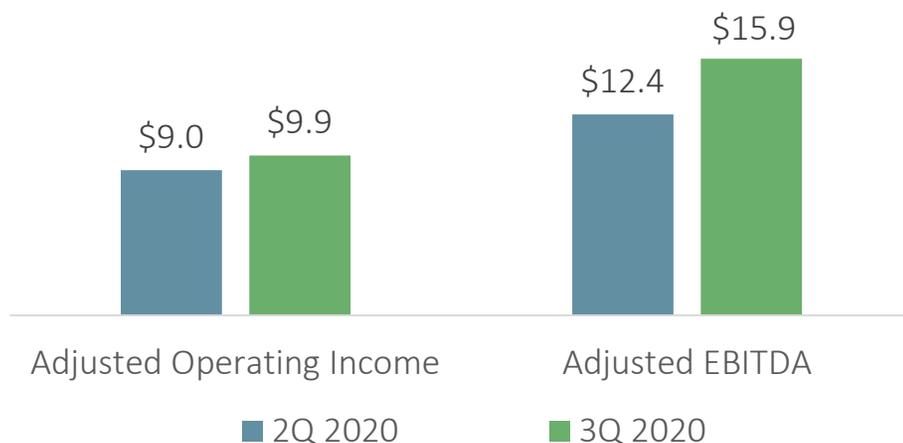
## Consolidated Net Revenue



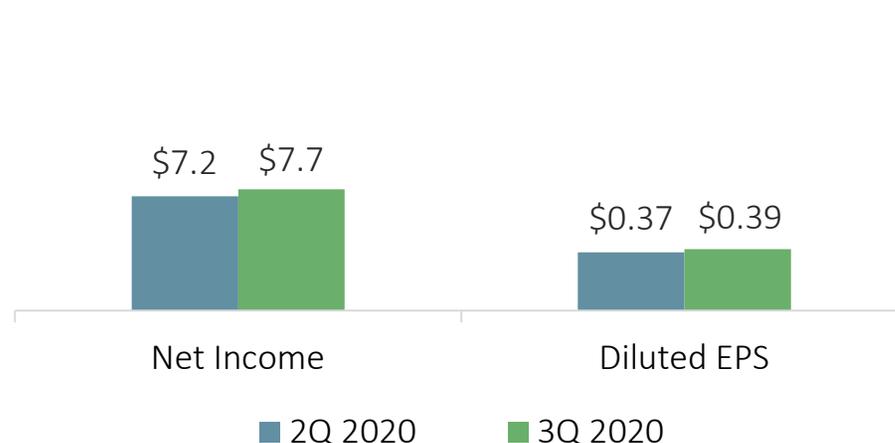
## Consultant Headcount



## Adjusted Profitability\*



## Adjusted Net Income & EPS\*

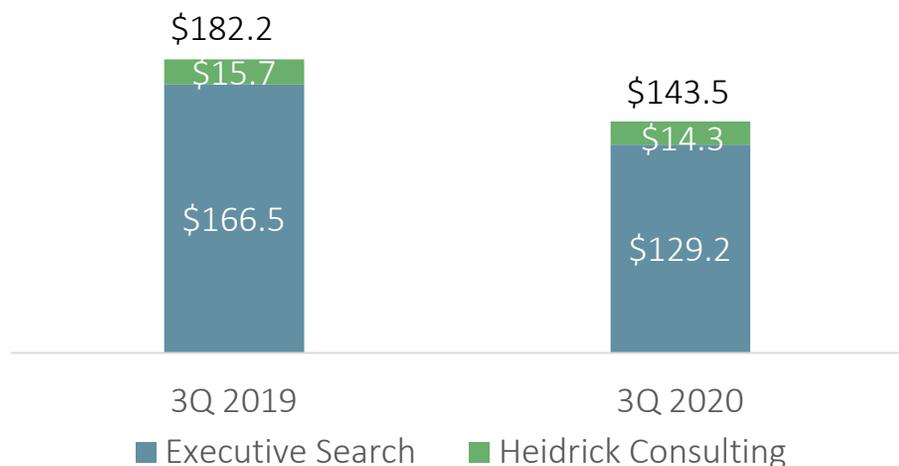


# THIRD QUARTER 2020 FINANCIAL HIGHLIGHTS

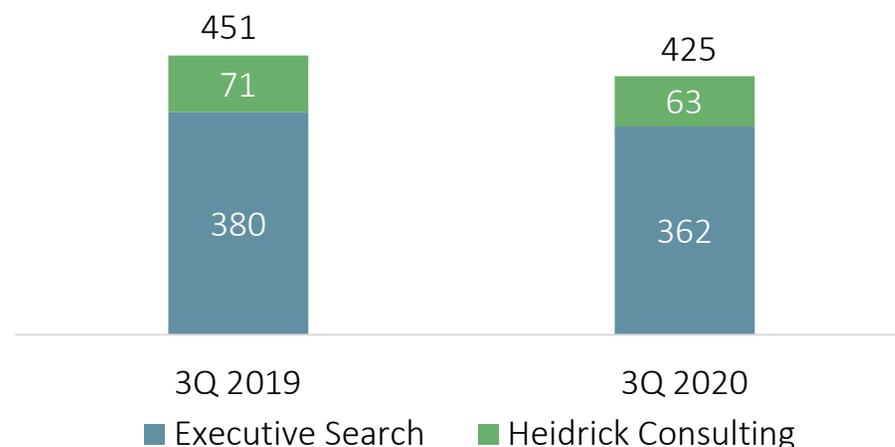
(YEAR-OVER-YEAR COMPARISON)

\$ in millions except Diluted EPS

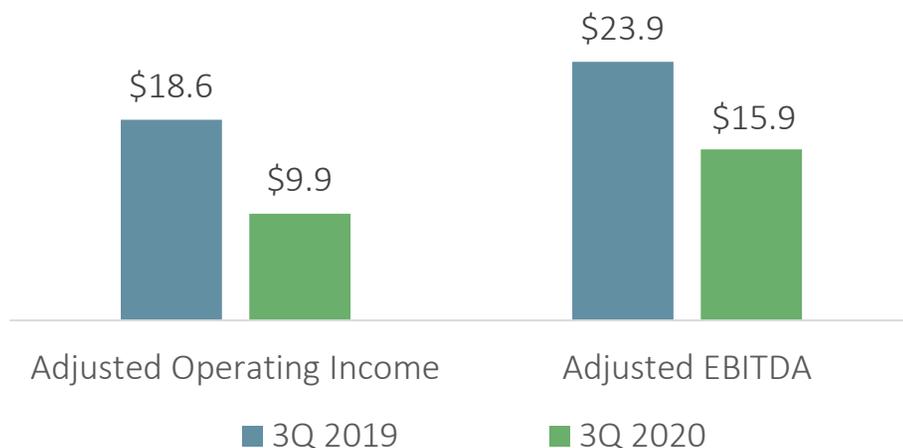
## Consolidated Net Revenue



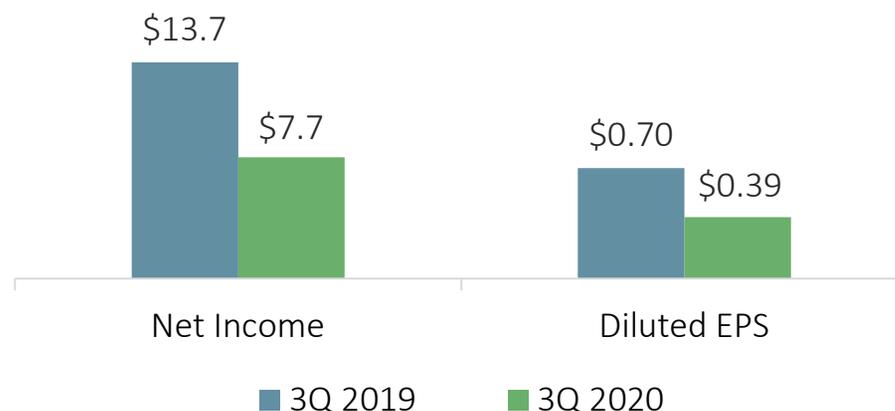
## Consultant Headcount



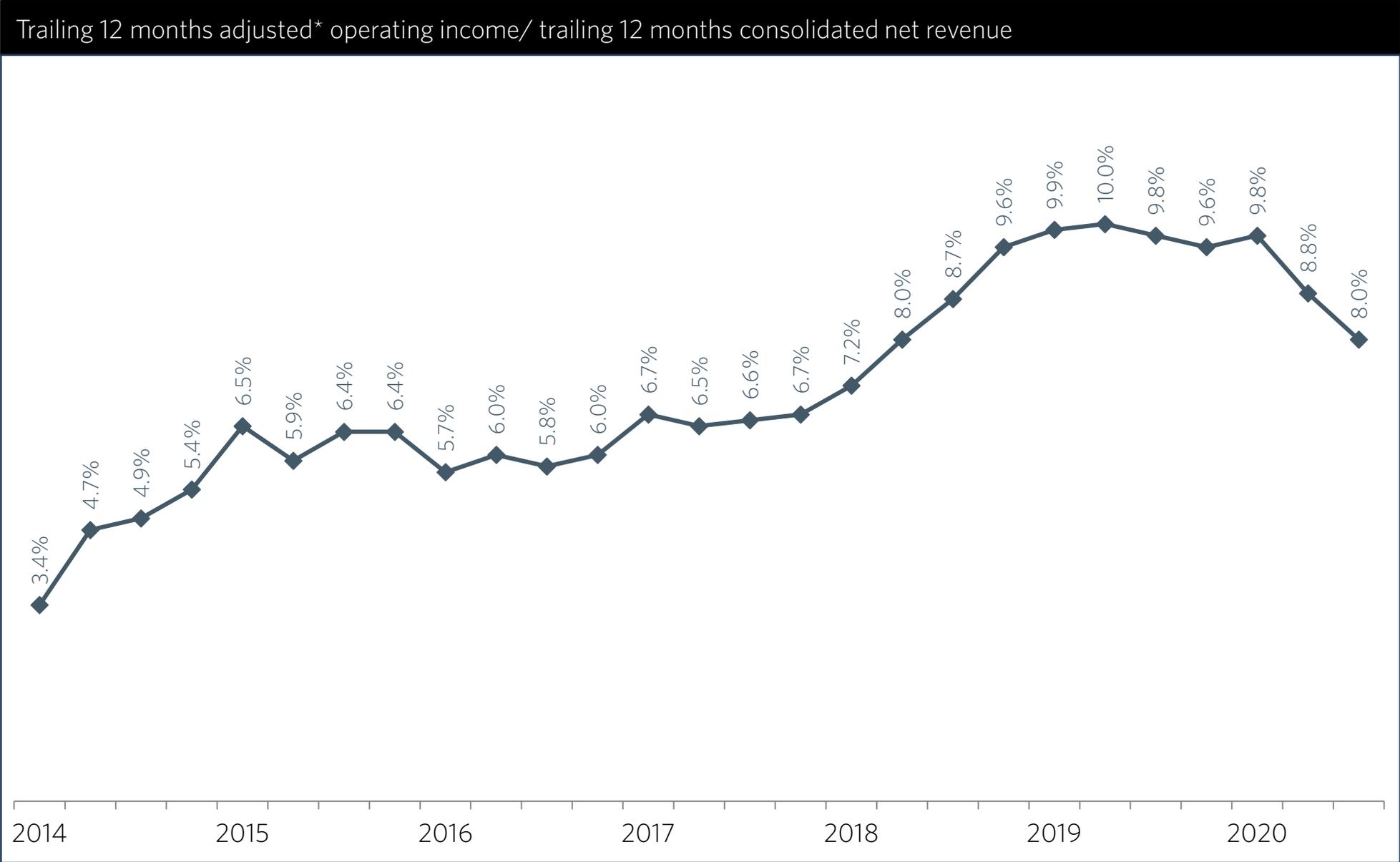
## Adjusted Profitability\*



## Adjusted Net Income & EPS\*



# TRAILING 12-MONTH CONSOLIDATED OPERATING MARGIN\*



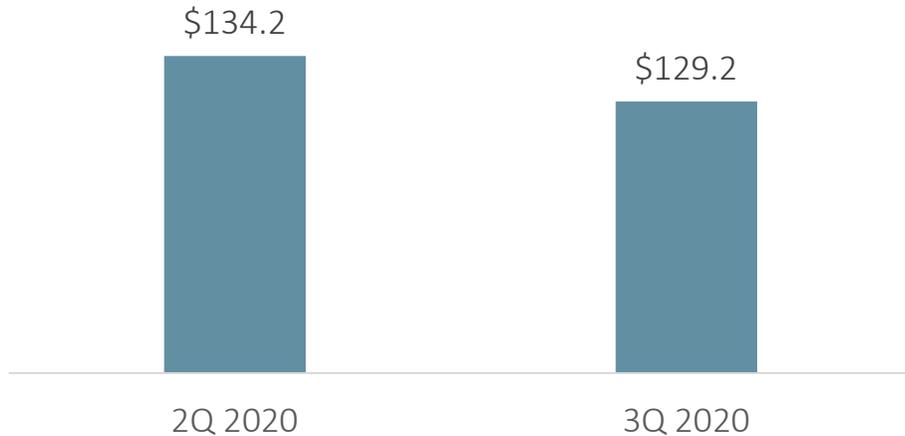
\* Operating margins adjusted to exclude restructuring & impairment charges in 2017, 2019 and 2020

# EXECUTIVE SEARCH – 3Q 2020 FINANCIAL HIGHLIGHTS

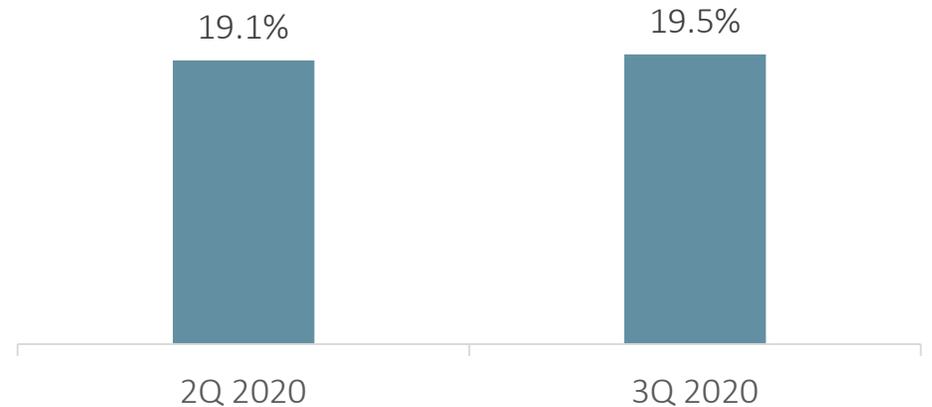
(SEQUENTIAL COMPARISON)

\$ in millions

## Net Revenue



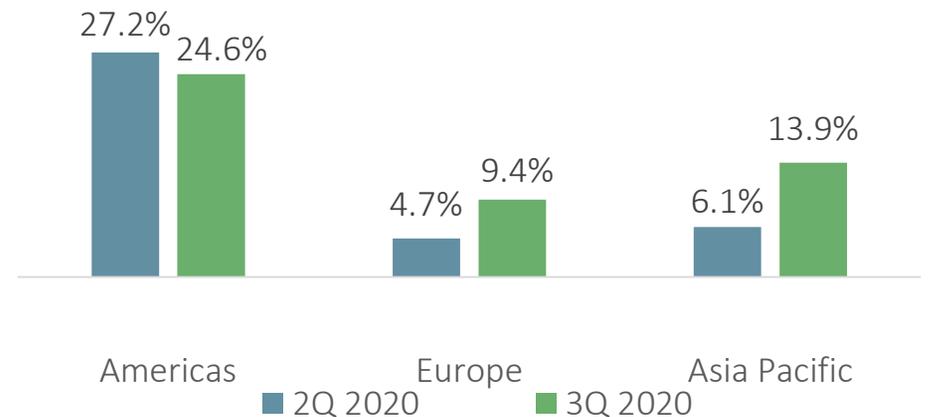
## Operating Margin\*



## Net Revenue by Region



## Operating Margin by Region\*

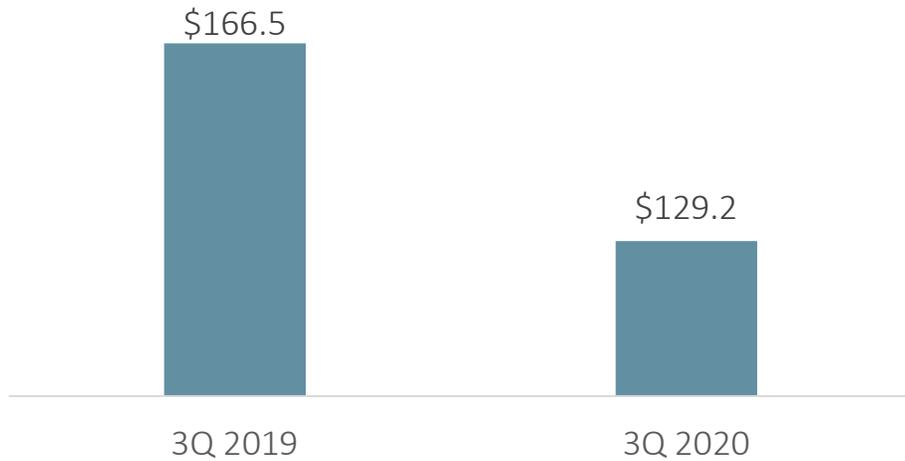


# EXECUTIVE SEARCH – 3Q 2020 FINANCIAL HIGHLIGHTS

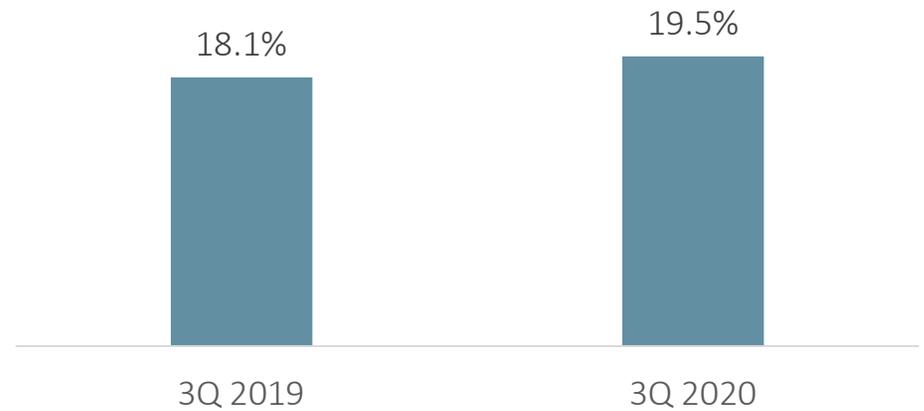
(YEAR-OVER-YEAR COMPARISON)

\$ in millions

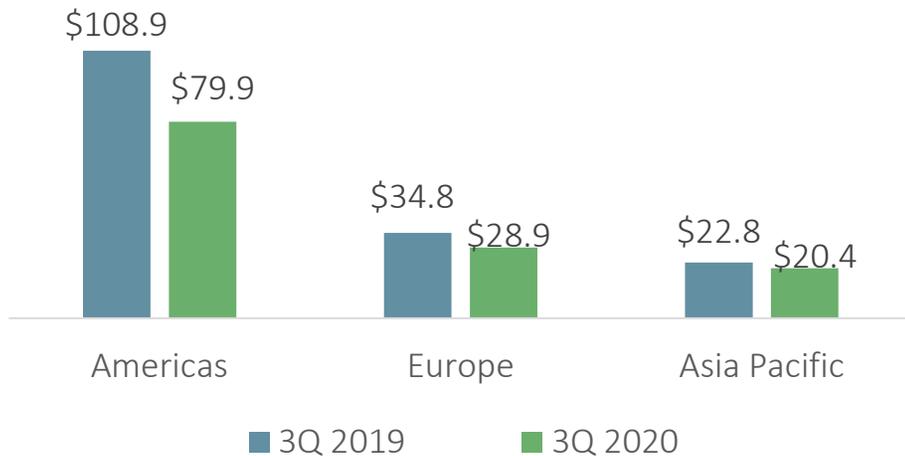
## Net Revenue



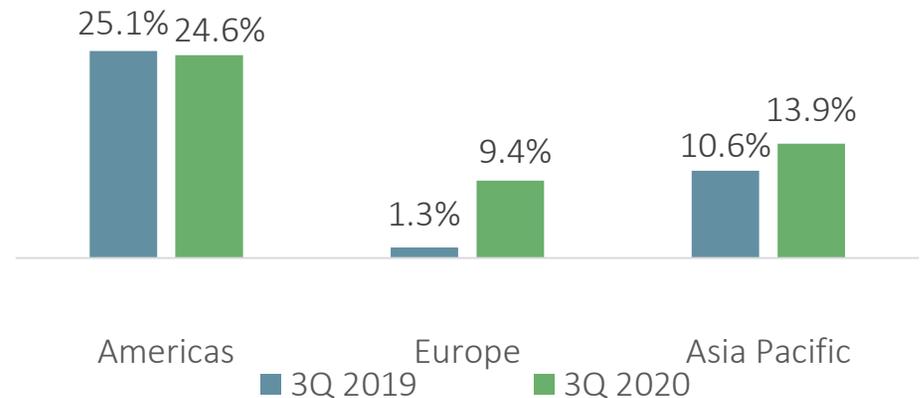
## Operating Margin\*



## Net Revenue by Region



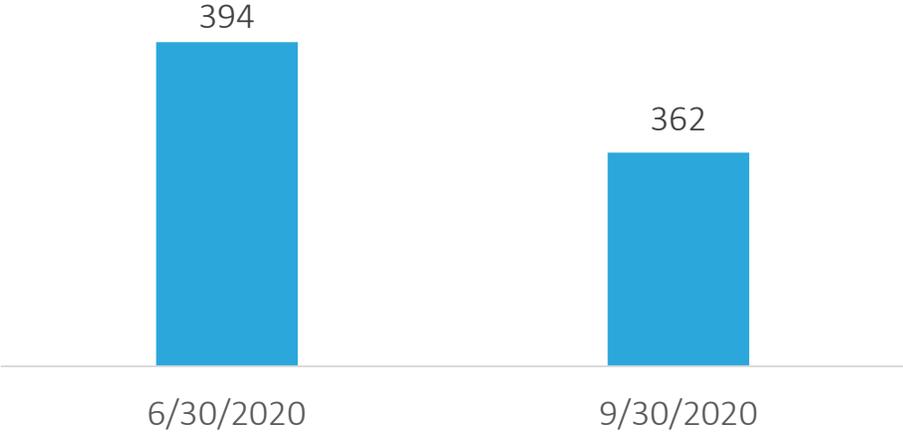
## Operating Margin by Region\*



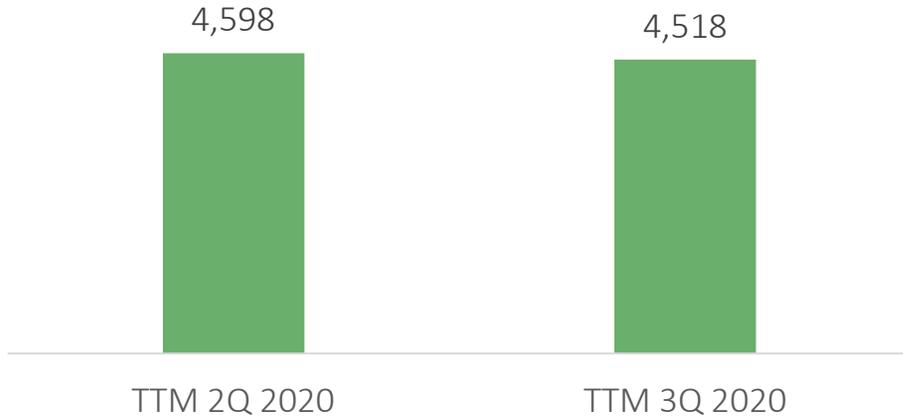
# EXECUTIVE SEARCH OPERATIONAL HIGHLIGHTS

(SEQUENTIAL COMPARISON)

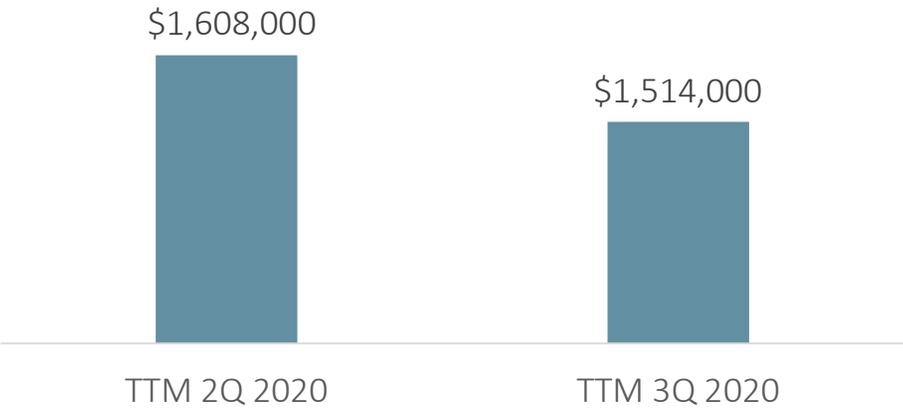
## Consultant Headcount



## Executive Search Confirmations



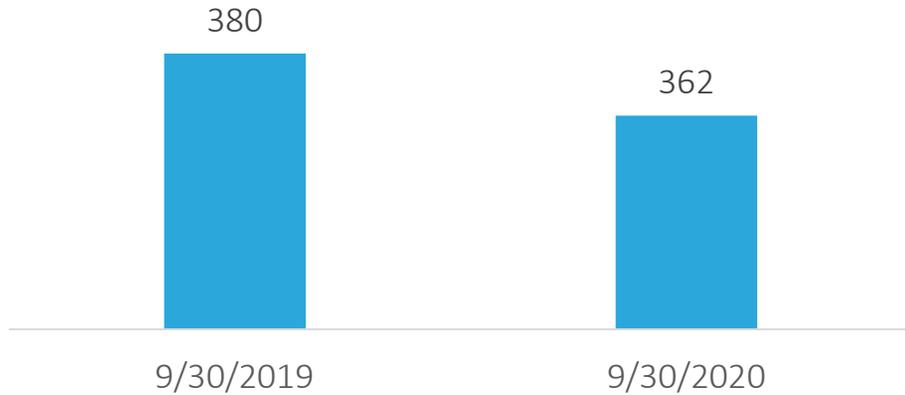
## Consultant Productivity



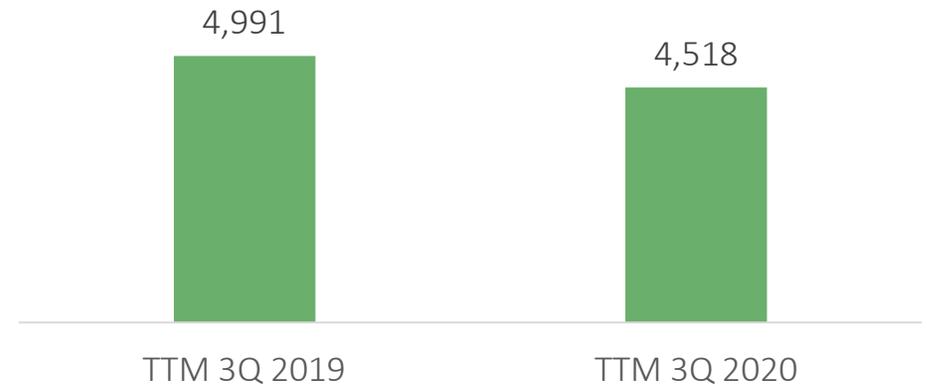
# EXECUTIVE SEARCH OPERATIONAL HIGHLIGHTS

(YEAR-OVER-YEAR COMPARISON)

## Consultant Headcount



## Executive Search Confirmations

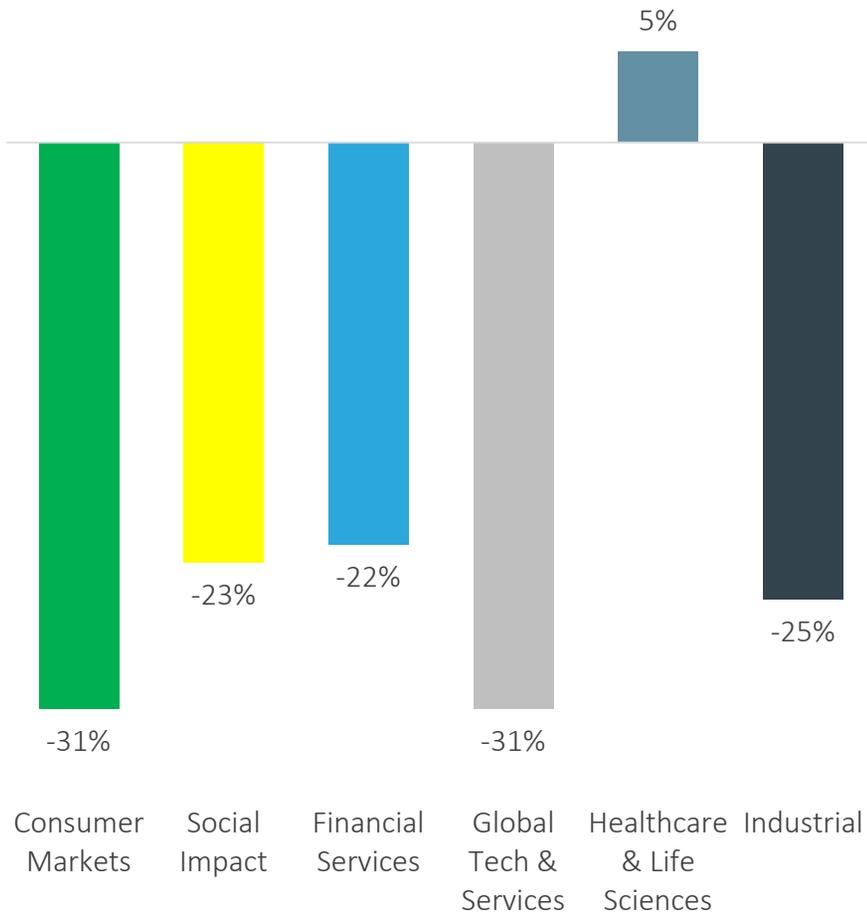


## Consultant Productivity



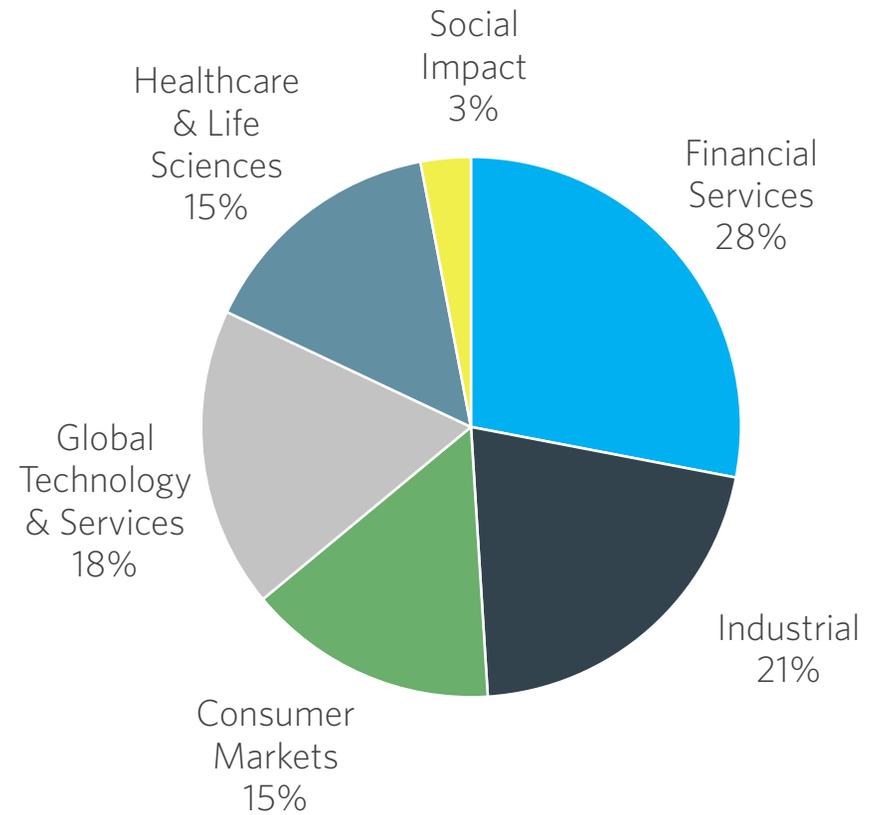
# DIVERSIFIED MIX OF BUSINESS IN SEARCH

Year-over-Year Comparison of Industry Practice Billings



3Q 2020 vs. 3Q 2019

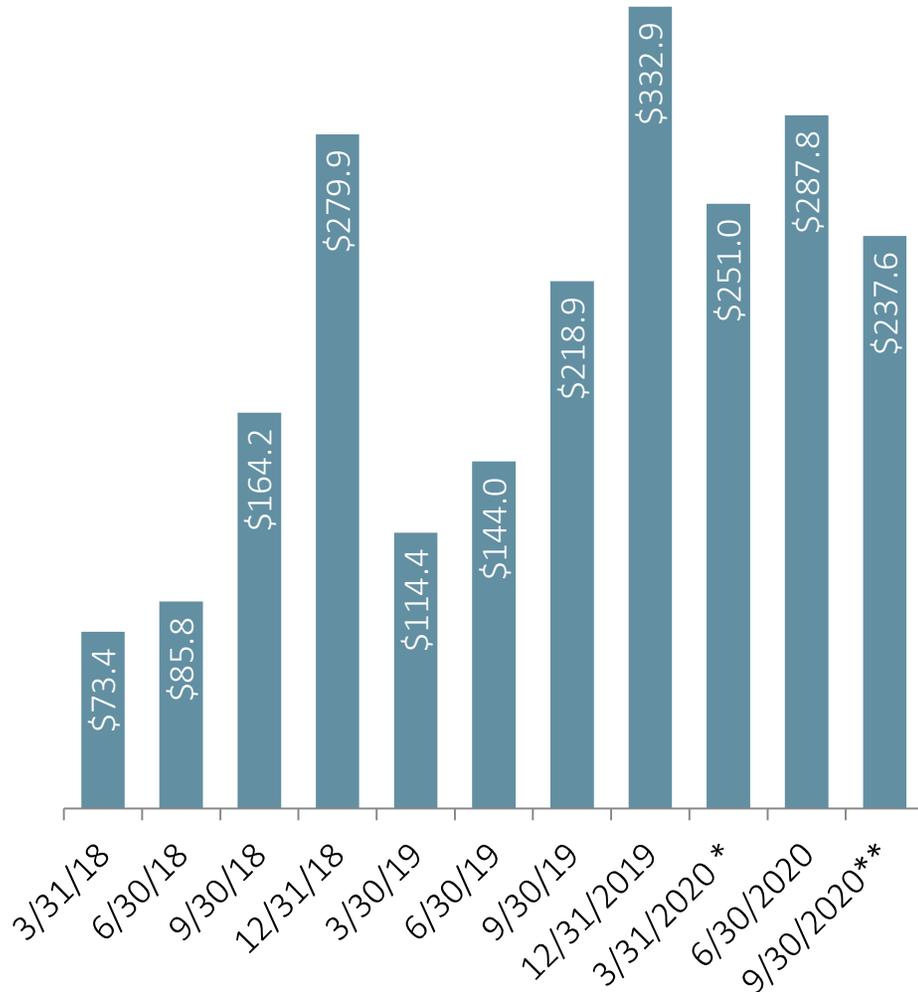
Diversified Mix of Industry Practice Billings



As a % of total practice billings in 3Q 2020

# STRONG & FLEXIBLE BALANCE SHEET

Cash & Marketable Securities (\$ in millions)



Strong Liquidity (\$ in millions, as of 9/30/2020)

Cash & Marketable Securities	\$175 Million Credit Facility Availability	Total Liquidity
\$237.6	\$172.4	\$410.0

- Based on its strong cash position, the Company repaid \$100 million of borrowings under its credit facility in September 2020. Currently, there are no outstanding borrowings.

\* Net of \$205 million in bonuses paid in March 2020 related to 2019 performance

\*\* Net of \$100 million credit facility payback in September 2020

---

# OUTLOOK AND INITIATIVES

## 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 OPERATING INCOME - THIRD QUARTER 2020

We define Adjusted Operating Income as operating income excluding impairment charges and restructuring charges.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenue before reimbursements (net revenue)</b>	\$ 143,544	\$ 182,174	\$ 460,628	\$ 526,890
<b>Operating income (loss)</b>	(38,233)	14,472	(44,067)	49,216
<b>Adjustments</b>				
Impairment charges <sup>1</sup>	—	—	32,970	—
Restructuring charges <sup>2</sup>	48,115	4,130	48,115	4,130
Total adjustments	48,115	4,130	81,085	4,130
<b>Adjusted operating income</b>	<u>\$ 9,882</u>	<u>\$ 18,602</u>	<u>\$ 37,018</u>	<u>\$ 53,346</u>
Operating margin	(26.6)%	7.9 %	(9.6)%	9.3 %
Adjusted operating margin	6.9 %	10.2 %	8.0 %	10.1 %

<sup>1</sup> The Company incurred impairment charges of approximately \$33.0 million related to the Europe and Asia Pacific operating segments for the nine months ended September 30, 2020.

<sup>2</sup> The Company incurred restructuring charges of approximately \$48.1 million and \$4.1 million across all operating segments for the three and nine months ended September 30, 2020 and 2019, respectively.

## ADJUSTED NET INCOME & DILUTED EPS – THIRD QUARTER 2020

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Net income (loss)</b>	\$ (26,178)	\$ 9,947	\$ (43,245)	\$ 36,314
<b>Adjustments</b>				
Impairment charges, net of tax <sup>1</sup>	—	—	32,970	—
Restructuring charges, net of tax <sup>2</sup>	33,863	3,717	33,863	3,717
Total adjustments	33,863	3,717	66,833	3,717
<b>Adjusted net income</b>	<u>\$ 7,685</u>	<u>\$ 13,664</u>	<u>\$ 23,588</u>	<u>\$ 40,031</u>
<b>Weighted-average common shares outstanding</b>				
Basic	19,351	19,127	19,281	19,084
Diluted	19,730	19,428	19,833	19,518
<b>Earnings (loss) per common share</b>				
Basic	\$ (1.35)	\$ 0.52	\$ (2.24)	\$ 1.90
Diluted	\$ (1.35)	\$ 0.51	\$ (2.24)	\$ 1.86
<b>Adjusted earnings per common share</b>				
Basic	\$ 0.40	\$ 0.71	\$ 1.22	\$ 2.10
Diluted	\$ 0.39	\$ 0.70	\$ 1.19	\$ 2.05

<sup>1</sup> The Company incurred impairment charges of approximately \$33.0 million related to the Europe and Asia Pacific operating segments for the nine months ended September 30, 2020.

<sup>2</sup> The Company incurred restructuring charges of approximately \$48.1 million and \$4.1 million across all operating segments for the three and nine months ended September 30, 2020 and 2019, respectively.

## ADJUSTED EBITDA MARGIN - THIRD QUARTER 2020

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, impairment charges, restructuring charges, and other non-operating income or expense.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenue before reimbursements (net revenue)</b>	\$ 143,544	\$ 182,174	\$ 460,628	\$ 526,890
<b>Net income (loss)</b>	(26,178)	9,947	(43,245)	36,314
Interest, net	180	(819)	(160)	(2,039)
Other, net	(1,819)	464	(460)	(1,887)
Provision for (benefit from) income taxes	(10,416)	4,880	(202)	16,828
<b>Operating income (loss)</b>	(38,233)	14,472	(44,067)	49,216
<b>Adjustments</b>				
Stock-based compensation expense	3,195	2,539	6,641	6,790
Depreciation	2,129	2,444	6,194	7,316
Intangible amortization	183	192	585	667
Earnout accretion	—	168	—	495
Acquisition contingent consideration	462	—	1,482	—
Restructuring charges	48,115	4,130	48,115	4,130
Impairment charges	—	—	32,970	—
Total adjustments	54,084	9,473	95,987	19,398
<b>Adjusted EBITDA</b>	\$ 15,851	\$ 23,945	\$ 51,920	\$ 68,614
<b>Adjusted EBITDA margin</b>	11.0 %	13.1 %	11.3 %	13.0 %

# HEIDRICK & STRUGGLES

Suzanne Rosenberg, VP Investor Relations

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

212-551-0554

---