

HEIDRICK & STRUGGLES

Second Quarter 2023 Results

July 31, 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 third 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.

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

- We help our clients change the world, one leadership team at a time.™

OUR VISION

- 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

- Executive Search
- On-Demand Talent
- Heidrick Consulting
 - Leadership
 - Organization & Culture
 - Diversity, Equity & Inclusion

Financial Highlights

Heidrick & Struggles continues to deliver strong financial performance



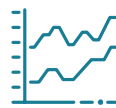
REVENUE

- Quarterly net revenue of \$271.2 million; on a constant currency basis*, net revenue was \$271.8 million for the second quarter



ADJUSTED EBITDA*

- Adjusted EBITDA* of \$36.4 million and Adjusted EBITDA Margin* of 13.4% for the second quarter



NET INCOME

- Net income of \$9.0 million and adjusted net income* of \$15.0 million for the second quarter



EARNINGS PER SHARE

- Diluted earnings per share of \$0.44 and adjusted diluted earnings per share* of \$0.73 for the second quarter

“We are very pleased with the second quarter results which included the first full quarter of results from our recent acquisition of Atreus Group (“Atreus”) in our On-Demand Talent segment, as well as the results from businessfourzero (“B4Z”) in our Heidrick Consulting segment. Even before the positive effects of these acquisitions, each of our lines of business demonstrated organic sequential growth, despite ongoing macro uncertainty and an anticipated return to more normalized levels of business performance. This validates our focus on the steadfast execution of our strategy while maintaining strong profitability,”

- Krishnan Rajagopalan, CEO

* Non-GAAP Financial Measure

Growth Through Innovative Offerings



ON-DEMAND TALENT

- Acquired Atreus Group GmbH on February 1, 2023, 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



HEIDRICK CONSULTING

- Acquired 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



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 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 become the #1 On-Demand Talent (ODT) provider in Europe.
- Makes an immediate and tangible impact to the Heidrick On-Demand Talent platform.
- Scalable business
- Heightened opportunities for cross-selling and business network/sales & marketing function sharing.

SIGNIFICANT POTENTIAL TOGETHER

- Blends Executive Search, ODT and leadership consulting capabilities with leading European marketplace for Executive ODT.
- Provides a platform for expansion; strengthens ability to meet top talent needs across two continents.
- Accelerated growth opportunities with 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

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

- Broader, more robust set of leadership advisory solutions.
- Links purpose and strategy to leadership and culture; develops future-ready cultures and organizations.
- Immediate and tangible impact to the Heidrick Consulting business.

SIGNIFICANT POTENTIAL TOGETHER

- Deepen alignment on purpose, culture and strategy; cascade alignment into the broader organization.
- Enables Heidrick to provide a platform for meeting purpose, culture and org needs around the world.
- 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.

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

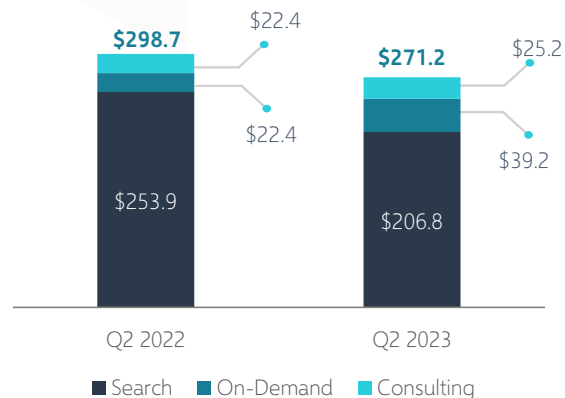
- Headquartered in London
- 50+ employees
- Team with backgrounds from strategy, innovation, psychology and the start-up world – bringing a unique blend of human, commercial and creative skills

Consolidated Results



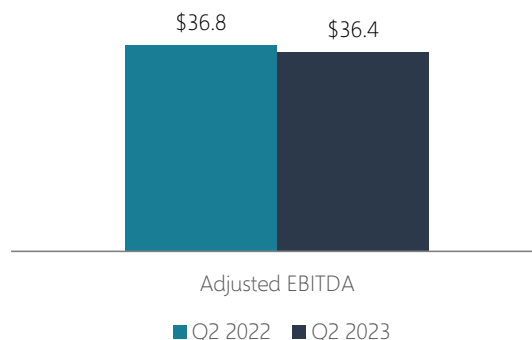
Consolidated Financial Highlights

CONSOLIDATED NET REVENUE



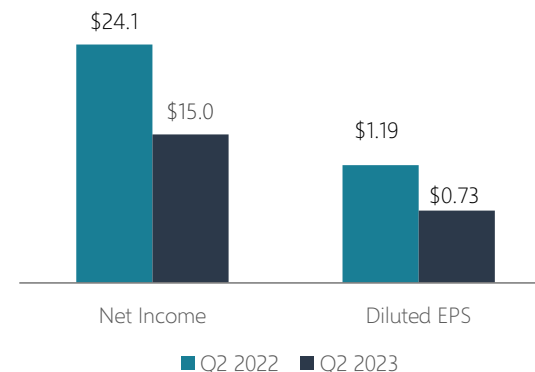
9% year-over-year decline
 9% year-over-year decline on a
 constant currency* basis

ADJUSTED EBITDA*



1% year-over-year decline

ADJUSTED NET INCOME & EPS*

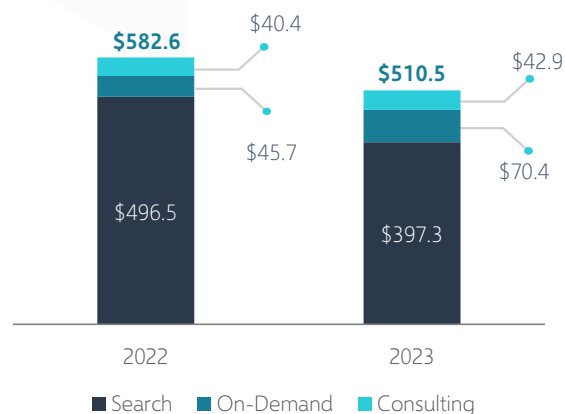


38% year-over-year decline
 in Adjusted Net Income
 39% year-over-year decline in
 Adjusted Diluted EPS

* Non-GAAP Financial Measure

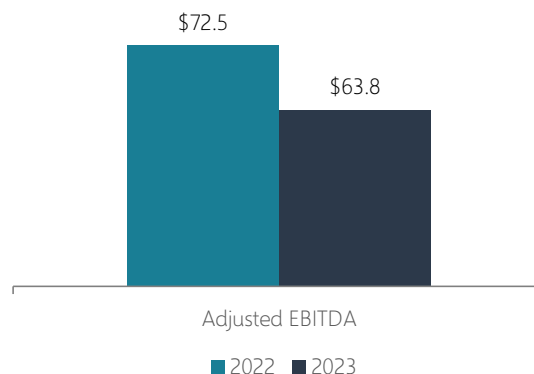
Consolidated Financial Highlights

CONSOLIDATED NET REVENUE



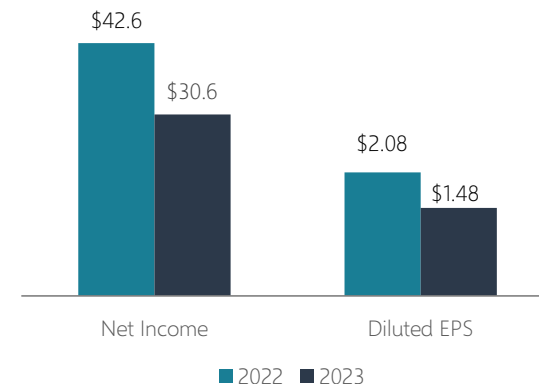
12% year-over-year decline
 11% year-over-year decline on a
 constant currency* basis

ADJUSTED EBITDA*



12% year-over-year decline

ADJUSTED NET INCOME & EPS*

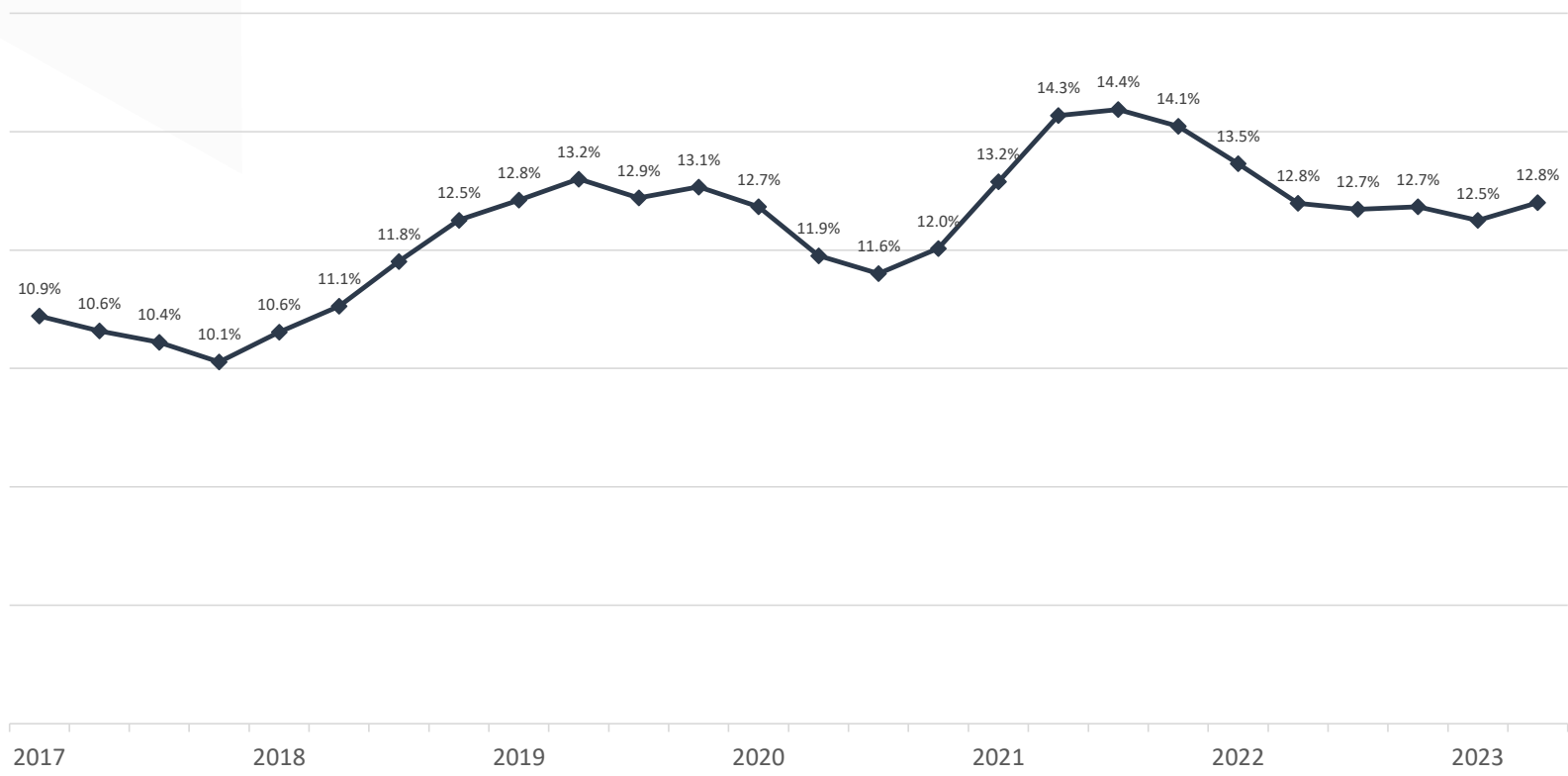


28% year-over-year decline
 in Adjusted Net Income
 29% year-over-year decline in
 Adjusted Diluted EPS

* Non-GAAP Financial Measure

Expansion In Adjusted EBITDA Margin*

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



+190 bps increase in TTM Adjusted EBITDA Margin* over 6 years

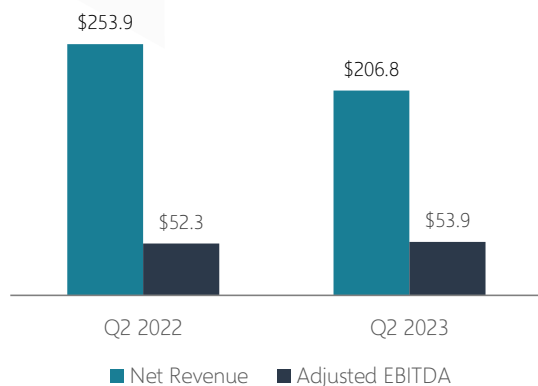
* Non-GAAP Financial Measure

Executive Search Results



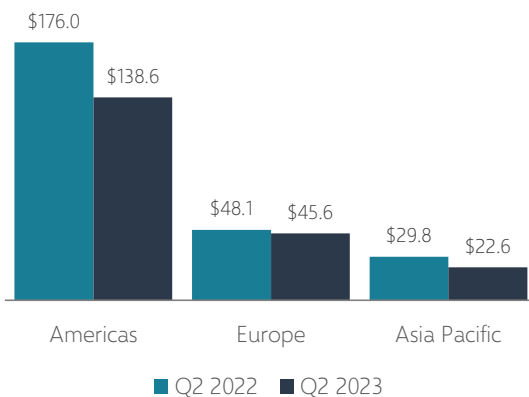
Executive Search Financial Highlights

NET REVENUE & ADJUSTED EBITDA*



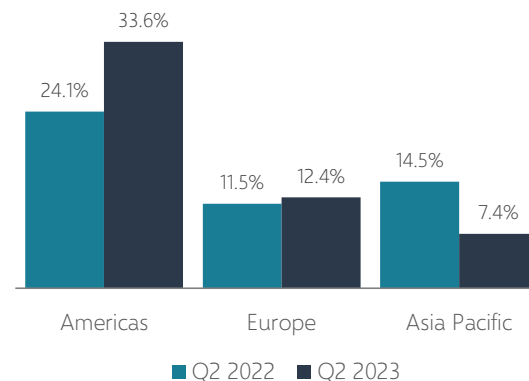
19% year-over-year decline in net revenue
3% year-over-year increase in Adjusted EBITDA*

NET REVENUE BY REGION



Americas 21% year-over-year decline
Europe 5% year-over-year decline
Asia Pacific 24% year-over-year decline

ADJUSTED EBITDA MARGIN BY REGION*

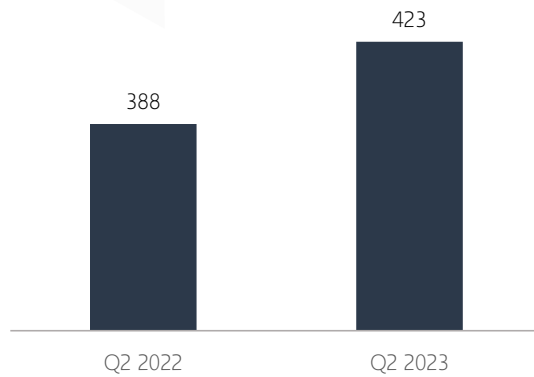


Americas 950 bps year-over-year growth
Europe 90 bps year-over-year growth
Asia Pacific 710 bps year-over-year decline

* Non-GAAP Financial Measure

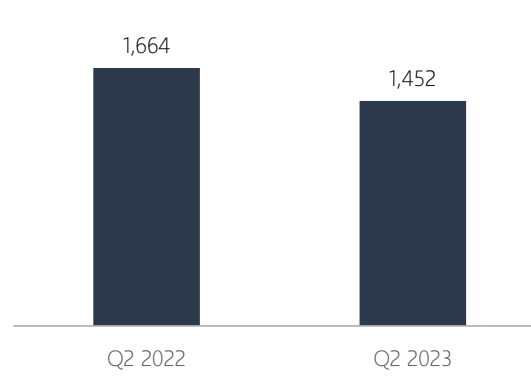
Executive Search Operational Highlights

CONSULTANT HEADCOUNT



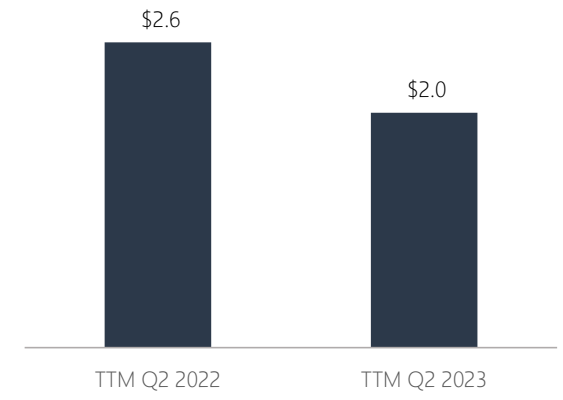
9% year-over-year consultant headcount increase

SEARCH CONFIRMATIONS



13% year-over-year decline in confirmation volume

CONSULTANT PRODUCTIVITY

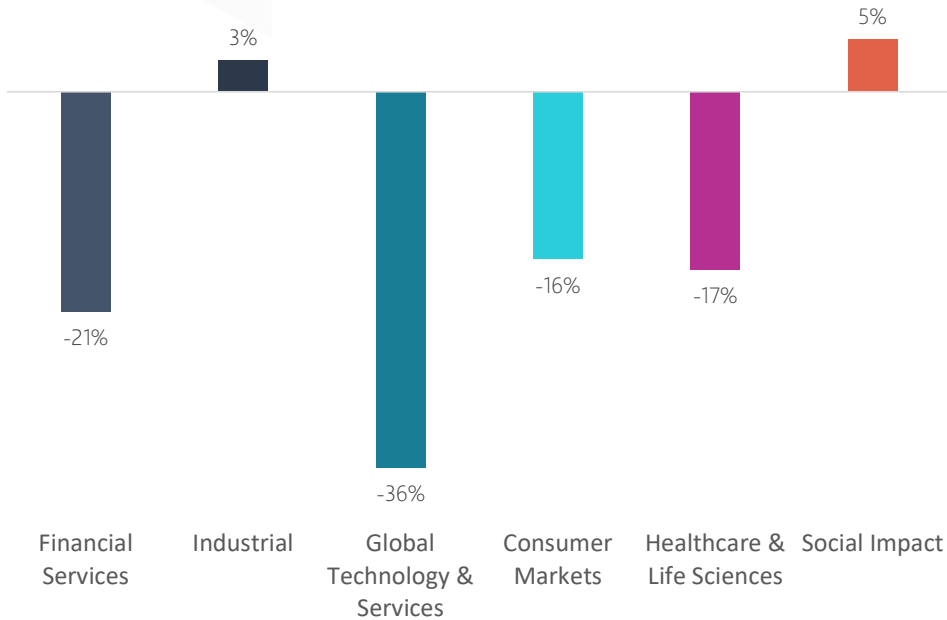


23% year-over-year decline in trailing twelve-month productivity

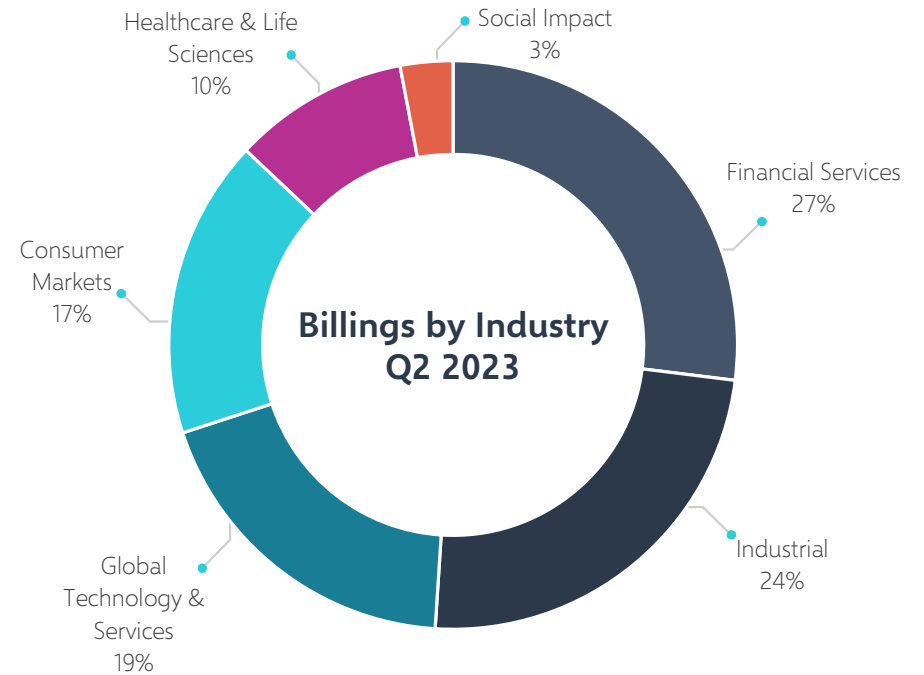
Diversified Mix Of Business In Executive Search

COMPARISON OF INDUSTRY BILLINGS

Q2 2022 vs. Q2 2023

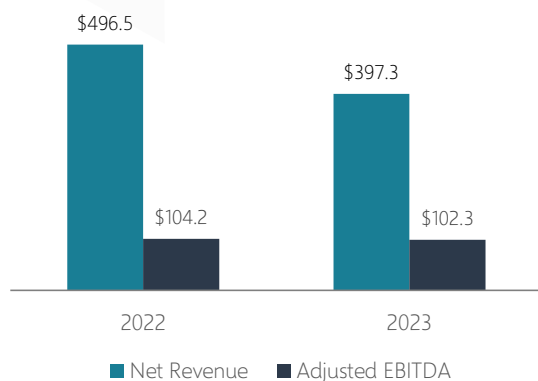


MIX OF INDUSTRIES



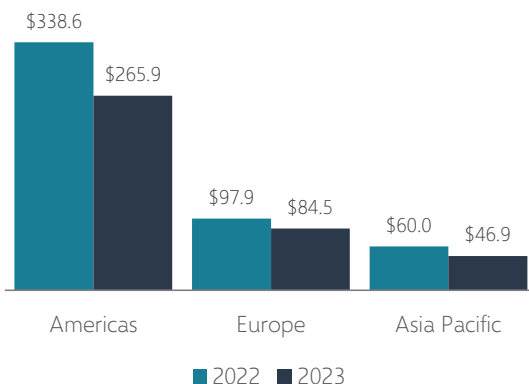
Executive Search Financial Highlights

NET REVENUE & ADJUSTED EBITDA*



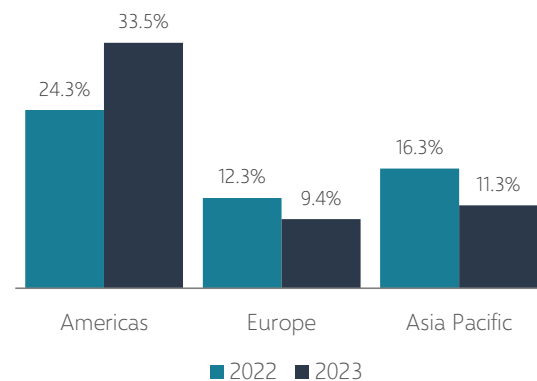
20% year-over-year decline in net revenue
2% year-over-year decline in Adjusted EBITDA*

NET REVENUE BY REGION



Americas 22% year-over-year decline
Europe 14% year-over-year decline
Asia Pacific 22% year-over-year decline

ADJUSTED EBITDA MARGIN BY REGION*

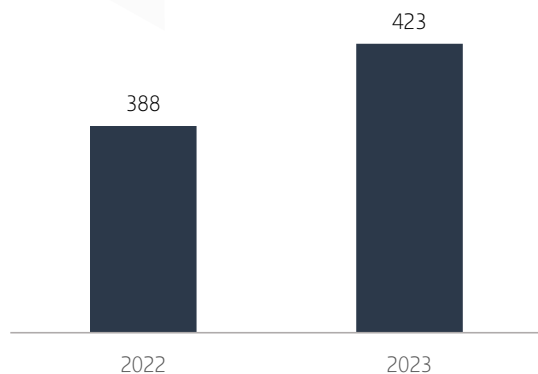


Americas 920 bps year-over-year growth
Europe 290 bps year-over-year decline
Asia Pacific 500 bps year-over-year decline

* Non-GAAP Financial Measure

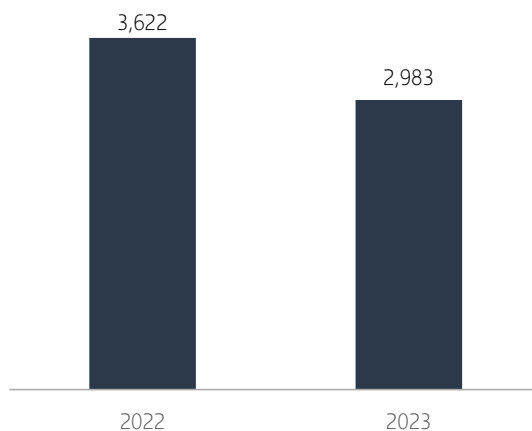
Executive Search Operational Highlights

CONSULTANT HEADCOUNT



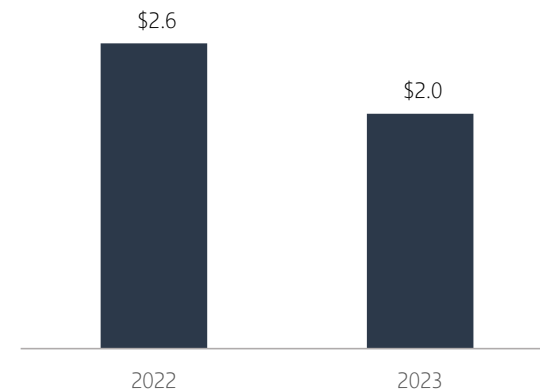
9% year-over-year consultant headcount increase

SEARCH CONFIRMATIONS



18% year-over-year decline in confirmation volume

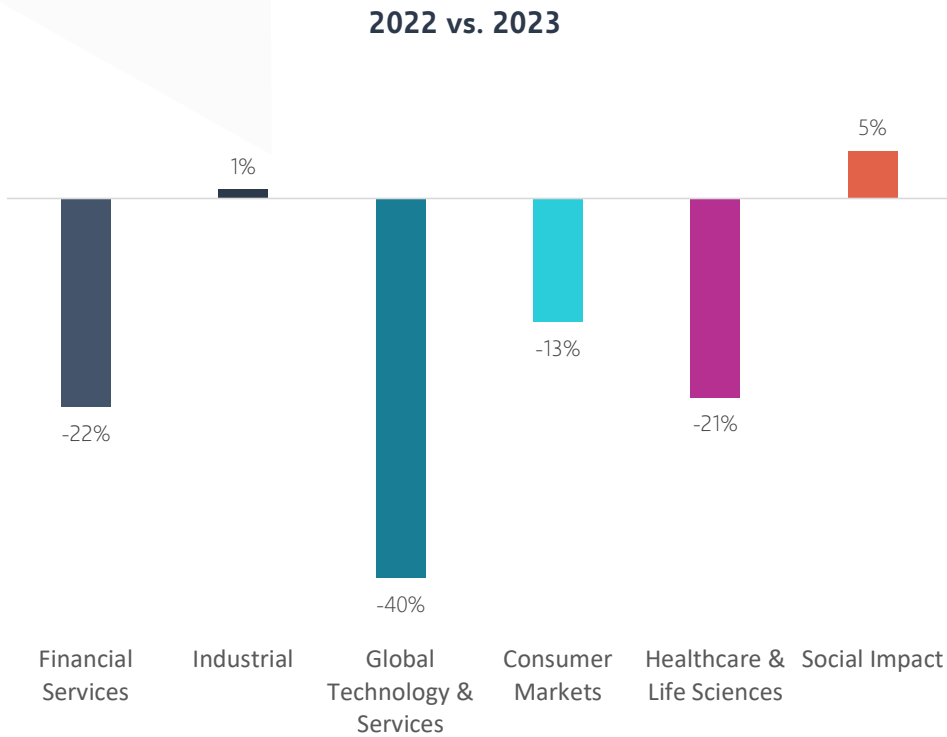
CONSULTANT PRODUCTIVITY



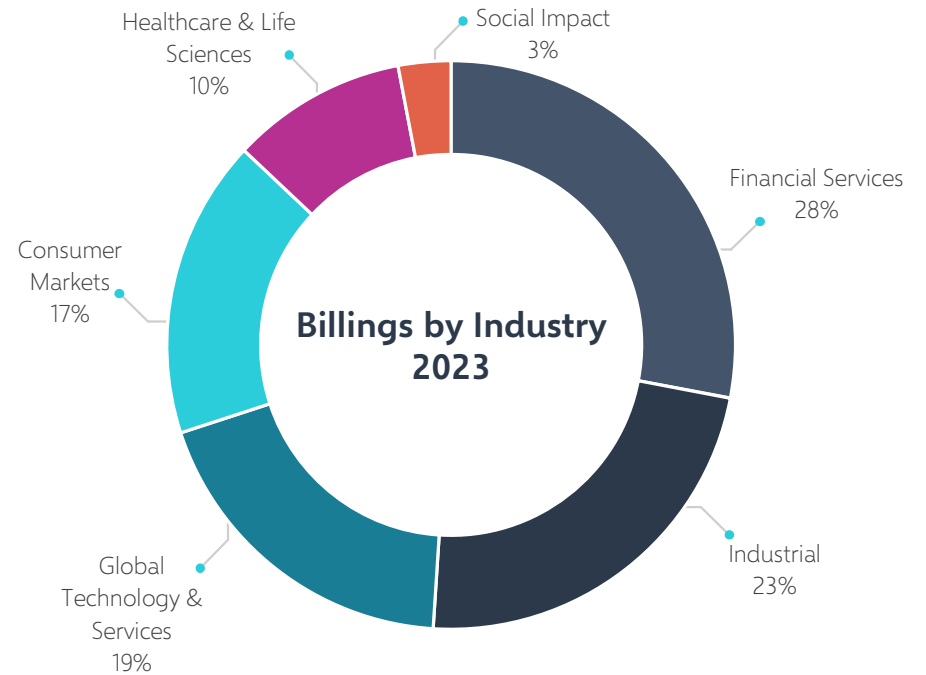
23% year-over-year decline in trailing twelve-month productivity

Diversified Mix Of Business In Executive Search

COMPARISON OF INDUSTRY BILLINGS



MIX OF INDUSTRIES

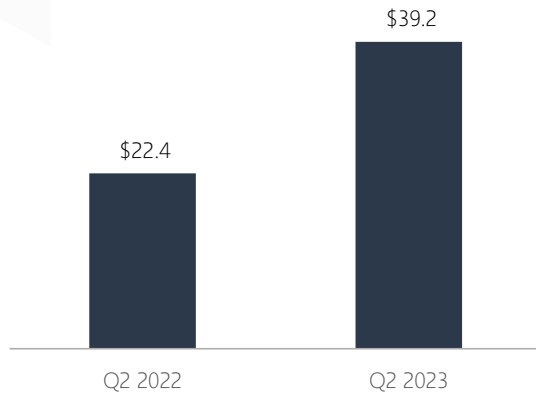


On-Demand Talent Results



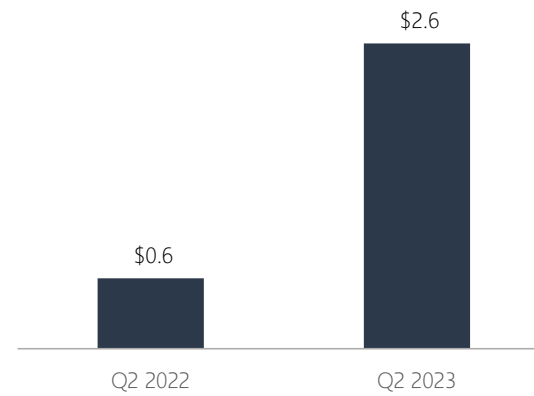
On-Demand Talent Financial Highlights

NET REVENUE



76% year-over-year growth

ADJUSTED EBITDA*

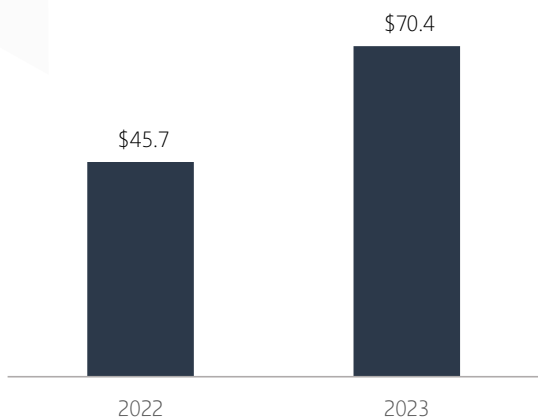


Growth driven by acquisition of Atreus

* Non-GAAP Financial Measure

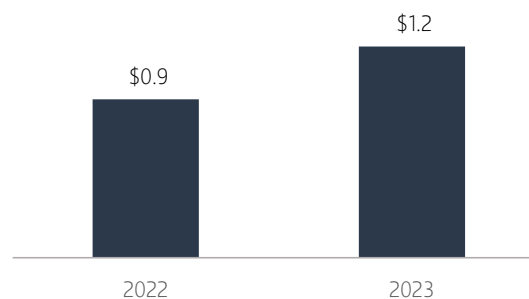
On-Demand Talent Financial Highlights

NET REVENUE



54% year-over-year growth

ADJUSTED EBITDA*



Growth driven by acquisition of Atreus

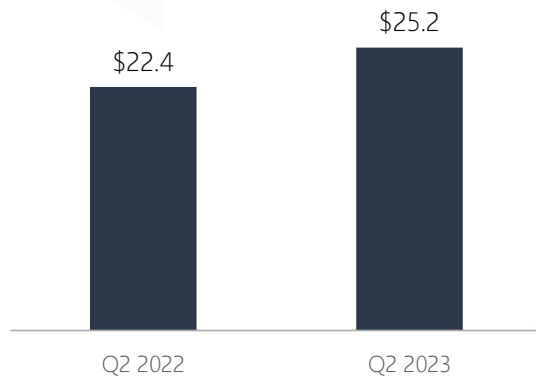
* Non-GAAP Financial Measure

Heidrick Consulting Results



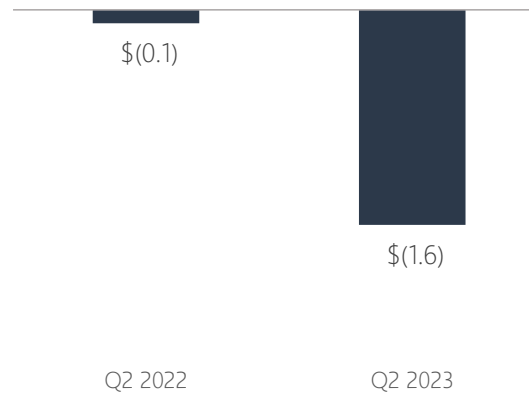
Heidrick Consulting Financial Highlights

NET REVENUE



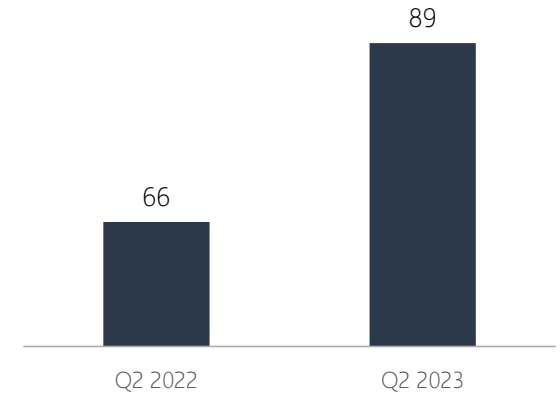
12% year-over-year growth

ADJUSTED EBITDA*



Decline due to investment in businessfourzero to drive future growth

CONSULTANT HEADCOUNT



35% increase in consultant headcount

* Non-GAAP Financial Measure

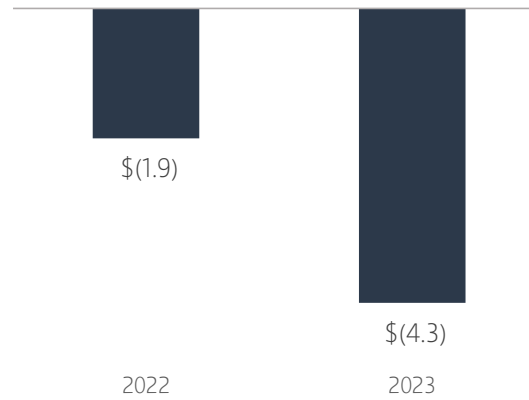
Heidrick Consulting Financial Highlights

NET REVENUE



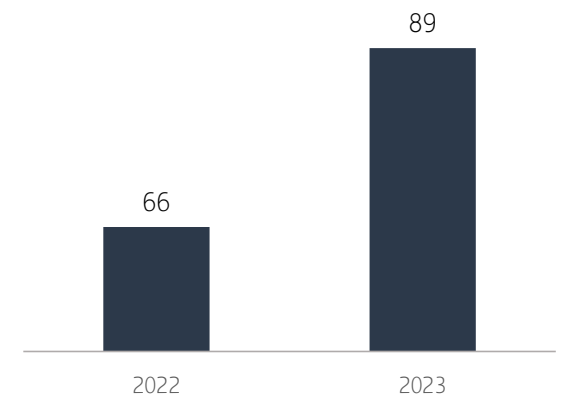
6% year-over-year growth

ADJUSTED EBITDA*



123% year-over-year decline

CONSULTANT HEADCOUNT



35% increase in consultant headcount

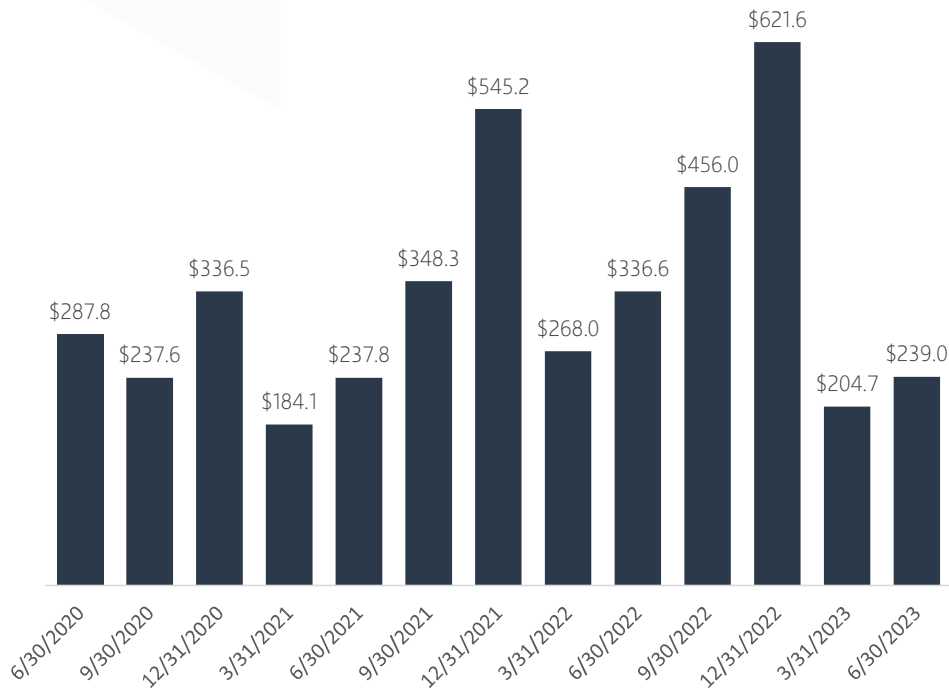
* Non-GAAP Financial Measure

Balance Sheet & Liquidity

BALANCE SHEET

Strong & Flexible Balance Sheet

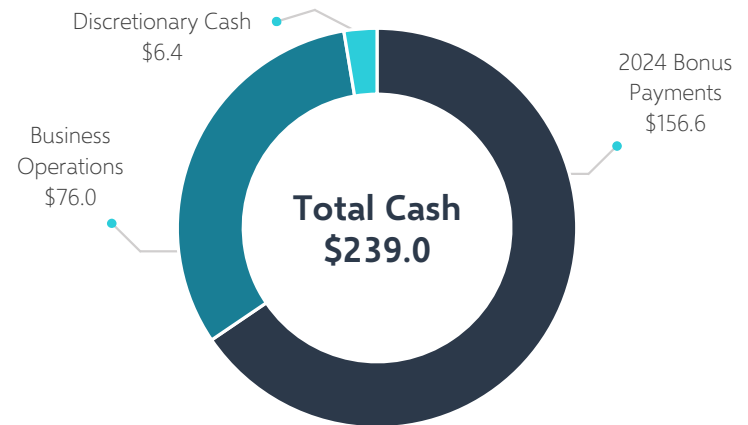
CASH & MARKETABLE SECURITIES, NET OF DEBT



CASH FLOW FROM OPERATING ACTIVITIES

	June 30, 2023	June 30, 2022
For the quarter ending:	\$46.9	\$82.7
For the twelve months ending:	\$(290.1)	\$(179.5)

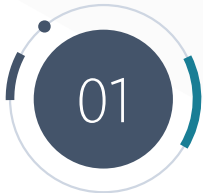
DISCRETIONARY CASH





Strategy & Growth Initiatives

Growth Initiatives



Grow scale and impact of both Executive Search and Heidrick Consulting, delivering a premium service experience and The Heidrick Way to clients



Expand development of leadership solutions and capabilities to address new and ongoing client imperatives



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 Net Income & Earnings Per Share

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

(In \$ thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 8,982	\$ 24,149	\$ 24,568	\$ 42,616
Adjustments				
Impairment charges, net of tax	6,038	-	6,038	-
Total adjustments	6,038	-	6,038	-
Adjusted net income	<u>\$ 15,020</u>	<u>\$ 24,149</u>	<u>\$ 30,606</u>	<u>\$ 42,616</u>
Weighted-average common shares outstanding				
Basic	20,010	19,726	19,958	19,675
Diluted	20,637	20,314	20,701	20,485
Earnings per common share				
Basic	\$ 0.45	\$ 1.22	\$ 1.23	\$ 2.17
Diluted	\$ 0.44	\$ 1.19	\$ 1.19	\$ 2.08
Adjusted earnings per common share				
Basic	\$ 0.75	\$ 1.22	\$ 1.53	\$ 2.17
Diluted	\$ 0.73	\$ 1.19	\$ 1.48	\$ 2.08

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

(In \$ thousands)	Three Months Ended June 30, 2023								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 138,563	\$ 45,567	\$ 22,649	\$ 206,779	\$ 39,240	\$ 25,206	\$ -	\$ -	\$ 271,225
Operating income (loss) ¹	43,144	2,432	1,364	46,940	(2,862)	(10,686)	(5,658)	(14,149)	13,585
Adjustments									
Stock-based compensation	457	195	54	706	2	47	57	687	1,499
Depreciation	743	292	262	1,297	116	183	416	160	2,172
Intangible amortization	10	39	4	53	2,151	443	-	-	2,647
Earnout accretion	-	-	-	-	394	57	-	-	451
Acquisition contingent compensation	641	524	-	1,165	1,561	1,058	-	-	3,784
Deferred compensation plan	1,541	-	-	1,541	-	37	24	1	1,603
Reorganization costs	-	2,169	-	2,169	1,227	-	-	-	3,396
Impairment charges	-	-	-	-	-	7,246	-	-	7,246
Total adjustments	3,392	3,219	320	6,931	5,451	9,071	497	848	22,798
Adjusted EBITDA	\$ 46,536	\$ 5,651	\$ 1,684	\$ 53,871	\$ 2,589	\$ (1,615)	\$ (5,161)	\$ (13,301)	\$ 36,383
Adjusted EBITDA margin	33.6%	12.4%	7.4%	26.1%	6.6%	(6.4%)	(1.9%)	(4.9%)	13.4%

(In \$ thousands)	Three Months Ended June 30, 2022								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 176,020	\$ 48,131	\$ 29,758	\$ 253,909	\$ 22,353	\$ 22,439	\$ -	\$ -	\$ 298,701
Operating income (loss) ¹	44,250	4,606	3,912	52,768	(349)	(408)	(4,545)	(13,600)	33,866
Adjustments									
Stock-based compensation	744	238	116	1,098	8	160	57	2,028	3,351
Depreciation	878	317	291	1,486	31	124	64	105	1,810
Intangible amortization	16	58	4	78	632	100	-	-	810
Earnout accretion	-	-	-	-	273	-	-	-	273
Acquisition contingent compensation	646	325	-	971	-	-	-	-	971
Deferred compensation plan	(4,089)	-	-	(4,089)	-	(113)	(53)	-	(4,255)
Total adjustments	(1,805)	938	411	(456)	944	271	68	2,133	2,960
Adjusted EBITDA	\$ 42,445	\$ 5,544	\$ 4,323	\$ 52,312	\$ 595	\$ (137)	\$ (4,477)	\$ (11,467)	\$ 36,826
Adjusted EBITDA margin	24.1%	11.5%	14.5%	20.6%	2.7%	(0.6%)	(1.5%)	(3.8%)	12.3%

¹ 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, acquisition-related contingent compensation, deferred compensation plan income and expense, reorganization costs, impairment charges, and other non-operating income or expense.

(In \$ thousands)	Six Months Ended June 30, 2023								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 265,890	\$ 84,498	\$ 46,878	\$ 397,266	\$ 70,357	\$ 42,919	\$ -	\$ -	\$ 510,542
Operating income (loss) ¹	81,843	4,144	4,646	90,633	(7,226)	(13,802)	(11,186)	(27,063)	31,356
Adjustments									
Stock-based compensation	803	405	115	1,323	8	122	122	1,752	3,327
Depreciation	1,499	598	543	2,640	201	351	664	320	4,176
Intangible amortization	19	78	8	105	3,868	543	-	-	4,516
Earnout accretion	-	-	-	-	585	57	-	-	642
Acquisition contingent compensation	1,252	548	-	1,800	2,585	1,058	-	-	5,443
Deferred compensation plan	3,590	-	-	3,590	-	90	53	3	3,736
Reorganization costs	-	2,169	-	2,169	1,227	-	-	-	3,396
Impairment charges	-	-	-	-	-	7,246	-	-	7,246
Total adjustments	7,163	3,798	666	11,627	8,474	9,467	839	2,075	32,482
Adjusted EBITDA	\$ 89,006	\$ 7,942	\$ 5,312	\$ 102,260	\$ 1,248	\$ (4,335)	\$ (10,347)	\$ (24,988)	\$ 63,838
Adjusted EBITDA margin	33.5%	9.4%	11.3%	25.7%	1.8%	(10.1%)	(2.0%)	(4.9%)	12.5%

(In \$ thousands)	Six Months Ended June 30, 2022								
	Americas	Europe	Asia Pacific	Total Search	On Demand Talent	Heidrick Consulting	R&D	Corporate	Total
Revenue before reimbursements (net revenue)	\$ 338,573	\$ 97,876	\$ 60,009	\$ 496,458	\$ 45,734	\$ 40,370	\$ -	\$ -	\$ 582,562
Operating income (loss) ¹	84,101	10,009	8,966	103,076	(931)	(2,492)	(8,947)	(26,608)	64,098
Adjustments									
Stock-based compensation	1,478	439	251	2,168	14	269	90	4,485	7,026
Depreciation	1,751	642	585	2,978	53	257	110	220	3,618
Intangible amortization	33	120	8	161	1,261	200	-	-	1,622
Earnout accretion	-	-	-	-	544	-	-	-	544
Acquisition contingent compensation	1,253	807	-	2,060	-	-	-	-	2,060
Deferred compensation plan	(6,233)	-	-	(6,233)	-	(176)	(78)	-	(6,487)
Total adjustments	(1,718)	2,008	844	1,134	1,872	550	122	4,705	8,383
Adjusted EBITDA	\$ 82,383	\$ 12,017	\$ 9,810	\$ 104,210	\$ 941	\$ (1,942)	\$ (8,825)	\$ (21,903)	\$ 72,481
Adjusted EBITDA margin	24.3%	12.3%	16.3%	21.0%	2.1%	(4.8%)	(1.5%)	(3.8%)	12.4%

¹ 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

Suzanne Rosenberg, Vice President - Investor Relations

srosenberg@heidrick.com

212.551.0554