

A photograph of a city walkway with a stone railing. Several people are walking, their figures blurred to suggest motion. In the background, the London skyline is visible, including the Tower Bridge and other buildings under a blue sky with light clouds.

HEIDRICK & STRUGGLES

2017 Annual Report

Accelerate.
Break Through.
Outperform.

FELLOW SHAREHOLDERS:

Record revenue, positive market momentum and traction on our strategy for profitable growth. I am proud of what the people of Heidrick & Struggles accomplished together this past year and I am excited about how the firm is positioned for further success in 2018 and beyond. Financial highlights in 2017 included:

- The highest net revenue in the company's 64-year history—\$621 million, up 6.7% from 2016
 - Executive Search net revenue grew 8.8%, with all three regions and all industry practices contributing to the increase
 - Leadership Consulting revenue increased by 6.2%
 - Culture Shaping revenue declined 22.3%
- Excluding special items, adjusted operating income* increased 17% to \$41 million and adjusted operating margin improved to 6.7%
- Adjusted EBITDA** in 2017 was \$60 million and Adjusted EBITDA margin was 9.7%

We made the decision last summer to combine our Leadership Consulting business with our Culture Shaping business. The subsequent integration to form Heidrick Consulting focused on product and service development and delivery, go-to-market strategy, and organizational structure. With this work completed, we are moving forward at full speed to grow this business.

We also made significant strides in lowering the run rate of our administrative and business support expenses. These actions allow us to shift the focus of our capital to investments that support the growth of our business, including technology, while helping the firm achieve improved operating margins on a more sustained basis.

We have four priorities for 2018 across the enterprise:

First is **growth**—increasing the scale and impact of both our business segments. In Executive Search, we intend to build on our momentum. We have invested significantly in this business in the last few years—through acquisitions, strategic hires and the development of technology and intellectual property—and are now positioned for increased profitable growth and to take market share in every region. We will continue to hire selectively, focusing on the growth markets and healthy economies where we should have a larger presence. For Heidrick Consulting, we will scale the business to increase our impact with clients building on the success of our platform, Accelerating Performance. We will invest in new consultant expertise, new service offerings, and scalable tools and methodologies.

Second is **cross-enterprise collaboration**. Our Executive Search and Heidrick Consulting teams will work closely together to provide our clients with an integrated suite of leadership advisory solutions. We are cross-training consultants in each of the businesses to look for opportunities to further increase our client impact.

Third is delivering a **premium service experience** to our clients. We have developed a comprehensive assessment framework based on our foundational Accelerating Performance research. We have developed a new client portal solution enabling us to digitally engage with the leading organizations we serve. We showcased this new capability to a number of client executives at the World Economic Forum in Davos and their response was overwhelmingly positive. The combination of our assessment framework and new technology platform will further differentiate us competitively, and the process standardization that it brings will support margin improvement.

And fourth is to maintain a focus on **cost containment** initiatives. We are making cost control part of our culture and we will not lose this focus. We are committed to delivering more profitable growth to our shareholders.

I want to again thank our colleagues around the world for their hard work and dedication to living our values, helping us achieve record revenue and significant gains on so many initiatives. We will further distinguish Heidrick & Struggles as the most trusted advisor to the world's leading organizations on executive talent, leadership assessment and development, team and organizational performance and culture.

Sincerely,



Krishnan Rajagopalan
President and Chief Executive Officer

* Adjusted operating income in 2017 excludes expenses associated with a settlement with the HMRC related to the taxation of a legacy U.K. benefit trust obligation in the 2017 first quarter, impairment charges in the 2017 second quarter and 2017 fourth quarter, and restructuring charges in the 2017 fourth quarter. Adjusted operating margin refers to adjusted operating income (as explained above) as a percentage of net revenue in the same period. Adjusted operating income and adjusted operating margin are non-GAAP financial measures

** Adjusted EBITDA refers to earnings before interest, taxes, depreciation, intangible amortization, stock-based compensation expense, compensation expense associated with Senn Delaney retention awards, earnout accretion expense related to acquisitions, restructuring charges, goodwill and intangible asset impairment, and other non-operating income (expense). Adjusted EBITDA margin refers to Adjusted EBITDA (as explained above) as a percentage of net revenue in the same period.

EXECUTIVE OFFICERS

Krishnan Rajagopalan
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Chief Executive Officer

Kamau Coar
General Counsel and
Corporate Secretary

Richard W. Greene
Chief Human Resources Officer

Mark R. Harris
Chief Financial Officer

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Avanade Inc.

Tracy R. Wolstencroft
Chairman of the Board
Former President and
Chief Executive Officer,
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* Independent Director
(1) Member, Audit and Finance Committee
(2) Member, Nominating and Board
Governance Committee
(3) Member, Human Resources and
Compensation Committee
+ denotes committee chair

Annual Meeting

The annual meeting of shareholders will be held on Thursday, May 24, 2018 at 9 a.m. EDT, at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, NY 10017

Stock Transfer Agent and Registrar

For address changes, account consolidation, registration changes, stock holdings and lost stock certificates, please contact:

Computershare / BNY Mellon
Shareholder Services
480 Washington Boulevard
Jersey City, NJ 07310-1900
866 892 5631

Shareholders can also obtain account information through Investor Service Direct at: www.bnymellon.com/shareowner/isd

Independent Registered Public Accounting Firm

KPMG LLP, Chicago, Illinois

Exchange Listing

Our common stock has been listed on the Nasdaq Global Select Market under the Symbol HSII since our initial public offering in April 1999.

SEC Filings & Investor Contact Information

Filings with the Securities and Exchange Commission and other investor information are available through our website at www.heidrick.com, or by request to the Investor Relations Department by mail at our corporate headquarters address, by email at investorrelations@heidrick.com or by telephone at 312 496 1774.

Corporate Governance

Visit the Who We Are section of our website at www.heidrick.com to see our corporate governance documents, including the Code of Business Conduct, Corporate Governance Guidelines, Director Independence Standards and Charters of our Audit and Finance Committee, Nominating and Board Governance Committee and Human Resources and Compensation Committee.

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Some statements in the Letter to Shareholders may be forward-looking statements for the purposes of the Private Securities Litigation Reform Act of 1995. Actual outcomes and results may differ materially from what is expressed, forecasted or implied in the forward-looking statements. 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, 2017, 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.

HEIDRICK & STRUGGLES

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ONE LEADERSHIP TEAM
AT A TIME.®

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