UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to _______

Commission File Number: 0-25837

HEIDRICK & STRUGGLES INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**36-2681268**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

233 South Wacker Drive-Suite 4900
Chicago, Illinois
60606-6303
(Address of Principal Executive Offices)

(312) 496-1200
(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange On Which Registered
Common Stock, $0.01 par value	HSII	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-Accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of October 22, 2021, there were 19,591,527 shares of the Company's common stock outstanding.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	September 30, 2021 (Unaudited)	December 31, 2020
Current assets		
Cash and cash equivalents	$ 348,292	$ 316,473
Marketable securities	—	19,999
Accounts receivable, net of allowances of $7,562 and $6,557, respectively	181,167	88,123
Prepaid expenses	26,624	18,956
Other current assets	34,447	23,279
Income taxes recoverable	4,386	5,856
Total current assets	594,916	472,686
Non-current assets		
Property and equipment, net	20,939	23,492
Operating lease right-of-use assets	74,744	92,671
Assets designated for retirement and pension plans	13,672	14,425
Investments	34,738	31,369
Other non-current assets	25,852	24,439
Goodwill	137,047	91,643
Other intangible assets, net	10,223	1,129
Deferred income taxes	36,501	35,958
Total non-current assets	353,716	315,126
Total assets	$ 948,632	$ 787,812
Current liabilities		
Accounts payable	$ 18,119	$ 8,799
Accrued salaries and benefits	305,186	217,908
Deferred revenue	45,284	38,050
Operating lease liabilities	18,992	28,984
Other current liabilities	22,723	23,311
Income taxes payable	14,742	1,186
Total current liabilities	425,046	318,238
Non-current liabilities		
Accrued salaries and benefits	52,623	56,925
Retirement and pension plans	55,804	53,496
Operating lease liabilities	63,336	86,816
Other non-current liabilities	28,567	4,735
Total non-current liabilities	200,330	201,972
Total liabilities	625,376	520,210
Commitments and contingencies (Note 18)		
Stockholders' equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued at September 30, 2021 and December 31, 2020	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 19,596,607 and 19,585,777 shares issued, 19,591,527 and 19,359,586 shares outstanding at September 30, 2021 and December 31, 2020, respectively	196	196
Treasury stock at cost, 5,080 and 226,191 shares at September 30, 2021 and December 31, 2020, respectively	(181)	(8,041)
Additional paid in capital	229,115	231,048
Retained earnings	92,058	40,982
Accumulated other comprehensive income	2,068	3,417
Total stockholders' equity	323,256	267,602
Total liabilities and stockholders' equity	$ 948,632	$ 787,812

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
Revenue before reimbursements (net revenue)	$ 263,825	$ 143,544	$ 717,462	$ 460,628
Reimbursements	1,490	957	3,819	6,555
Total revenue	265,315	144,501	721,281	467,183
Operating expenses				
Salaries and benefits	185,904	103,893	513,321	329,640
General and administrative expenses	29,155	28,899	83,876	91,122
Cost of services	18,686	870	34,817	2,848
Impairment charges	—	—	—	32,970
Restructuring charges	(3,262)	48,115	3,792	48,115
Reimbursed expenses	1,490	957	3,819	6,555
Total operating expenses	231,973	182,734	639,625	511,250
Operating income (loss)	33,342	(38,233)	81,656	(44,067)
Non-operating income (expense)				
Interest, net	90	(180)	207	160
Other, net	145	1,819	6,260	460
Net non-operating income	235	1,639	6,467	620
Income (loss) before income taxes	33,577	(36,594)	88,123	(43,447)
Provision for (benefit from) income taxes	9,079	(10,416)	28,028	(202)
Net income (loss)	24,498	(26,178)	60,095	(43,245)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	(661)	849	(1,349)	(1,381)
Net unrealized gain (loss) on available-for-sale investments	—	1	—	(14)
Other comprehensive income (loss), net of tax	(661)	850	(1,349)	(1,395)
Comprehensive income (loss)	$ 23,837	$ (25,328)	$ 58,746	$ (44,640)
Weighted-average common shares outstanding				
Basic	19,569	19,351	19,489	19,281
Diluted	20,240	19,351	20,259	19,281
Earnings (loss) per common share				
Basic	$ 1.25	$ (1.35)	$ 3.08	$ (2.24)
Diluted	$ 1.21	$ (1.35)	$ 2.97	$ (2.24)
Cash dividends paid per share	$ 0.15	$ 0.15	$ 0.45	$ 0.45

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	19,586	$ 196	226	$ (8,041)	$ 231,048	$ 40,982	$ 3,417	$ 267,602
Net income	—	—	—	—	—	14,832	—	14,832
Other comprehensive loss, net of tax	—	—	—	—	—	—	(693)	(693)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	2,991	—	—	2,991
Vesting of equity awards, net of tax withholdings	—	—	(138)	4,951	(8,041)	—	—	(3,090)
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,905)	—	(2,905)
Dividend equivalents on restricted stock units	—	—	—	—	—	(167)	—	(167)
Balance at March 31, 2021	19,586	$ 196	88	$ (3,090)	$ 225,998	$ 52,742	$ 2,724	$ 278,570
Net income	—	—	—	—	—	20,765	—	20,765
Other comprehensive income, net of tax	—	—	—	—	—	—	5	5
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	2,861	—	—	2,861
Vesting of equity awards	—	—	(23)	808	(808)	—	—	—
Re-issuance of treasury stock	—	—	(9)	280	65	—	—	345
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,926)	—	(2,926)
Dividend equivalents on restricted stock units	—	—	—	—	—	(67)	—	(67)
Balance at June 30, 2021	19,586	$ 196	56	$ (2,002)	$ 228,116	$ 70,514	$ 2,729	$ 299,553
Net income	—	—	—	—	—	24,498	—	24,498
Other comprehensive income, net of tax	—	—	—	—	—	—	(661)	(661)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	2,820	—	—	2,820
Vesting of equity awards	11	—	(51)	1,821	(1,821)	—	—	—
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,939)	—	(2,939)
Dividend equivalents on restricted stock units	—	—	—	—	—	(15)	—	(15)
Balance at September 30, 2021	19,597	$ 196	5	$ (181)	$ 229,115	$ 92,058	$ 2,068	$ 323,256

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	19,586	$ 196	420	$ (14,795)	$ 228,807	$ 91,083	$ 3,824	$ 309,115
Net income	—	—	—	—	—	8,666	—	8,666
Adoption of accounting standards	—	—	—	—	—	(332)	—	(332)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(3,746)	(3,746)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	2,614	—	—	2,614
Vesting of equity awards, net of tax withholdings	—	—	(109)	3,838	(5,388)	—	—	(1,550)
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,876)	—	(2,876)
Dividend equivalents on restricted stock units	—	—	—	—	—	(126)	—	(126)
Balance at March 31, 2020	19,586	$ 196	311	$ (10,957)	$ 226,033	$ 96,415	$ 78	$ 311,765
Net loss	—	—	—	—	—	(25,733)	—	(25,733)
Other comprehensive income, net of tax	—	—	—	—	—	—	1,501	1,501
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	1,320	—	—	1,320
Vesting of equity awards	—	—	(48)	1,685	(1,685)	—	—	—
Re-issuance of treasury stock	—	—	(15)	529	(183)	—	—	346
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,891)	—	(2,891)
Dividend equivalents on restricted stock units	—	—	—	—	—	(105)	—	(105)
Balance at June 30, 2020	19,586	$ 196	248	$ (8,743)	$ 225,485	$ 67,686	$ 1,579	$ 286,203
Net loss	—	—	—	—	—	(26,178)	—	(26,178)
Other comprehensive income, net of tax	—	—	—	—	—	—	850	850
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	3,212	—	—	3,212
Vesting of equity awards	—	—	(22)	702	(702)	—	—	—
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,905)	—	(2,905)
Dividend equivalents on restricted stock units	—	—	—	—	—	(116)	—	(116)
Balance at September 30, 2020	19,586	$ 196	226	$ (8,041)	$ 227,995	$ 38,487	$ 2,429	$ 261,066

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2021	**2020**
Cash flows - operating activities		
Net income (loss)	$ 60,095	$ (43,245)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,576	20,638
Deferred income taxes	(1,486)	700
Stock-based compensation expense	8,672	7,146
Accretion expense related to earnout payments	363	—
Gain on marketable securities	(1)	(144)
Loss on disposal of property and equipment	127	289
Impairment charges	—	32,970
Changes in assets and liabilities, net of effects of acquisition:		
Accounts receivable	(84,877)	(9,616)
Accounts payable	2,931	2,809
Accrued expenses	89,405	(77,776)
Restructuring accrual	(5,024)	6,289
Deferred revenue	6,453	(3,892)
Income taxes recoverable and payable, net	14,937	(11,460)
Retirement and pension plan assets and liabilities	1,443	1,304
Prepaid expenses	(7,724)	(1,229)
Other assets and liabilities, net	(37,114)	2,312
Net cash provided by (used in) operating activities	64,776	(72,905)
Cash flows - investing activities		
Acquisition of business, net of cash acquired	(31,969)	—
Capital expenditures	(3,902)	(7,121)
Purchases of marketable securities and investments	(1,997)	(118,668)
Proceeds from sales of marketable securities and investments	20,653	111,633
Net cash used in investing activities	(17,215)	(14,156)
Cash flows - financing activities		
Proceeds from line of credit	—	100,000
Payments on line of credit	—	(100,000)
Cash dividends paid	(8,927)	(9,019)
Payment of employee tax withholdings on equity transactions	(3,090)	(1,550)
Acquisition earnout payments	—	(2,789)
Net cash used in financing activities	(12,017)	(13,358)
Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash	(3,707)	(723)
Net increase (decrease) in cash, cash equivalents and restricted cash	31,837	(101,142)
Cash, cash equivalents and restricted cash at beginning of period	316,489	271,719
Cash, cash equivalents and restricted cash at end of period	$ 348,326	$ 170,577

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

(All tables in thousands, except per share figures)

1. Basis of Presentation of Interim Financial Information

The accompanying unaudited Condensed Consolidated Financial Statements of Heidrick & Struggles International, Inc. and subsidiaries (the "Company") have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Significant items subject to estimates and assumptions include revenue recognition, income taxes, interim effective tax rate and the assessment of goodwill, other intangible assets and long lived assets for impairment. Estimates are subject to a degree of uncertainty and actual results could differ from these estimates. In the opinion of management, all adjustments necessary to fairly present the financial position of the Company at September 30, 2021 and December 31, 2020, the results of operations for the three and nine months ended September 30, 2021 and 2020 and its cash flows for the nine months ended September 30, 2021 and 2020 have been included and are of a normal, recurring nature except as otherwise disclosed. These financial statements and notes are to be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 24, 2021.

2. Summary of Significant Accounting Policies

A complete listing of the Company's significant accounting policies is discussed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Revenue Recognition

See Note 3, *Revenue.*

Cost of Services

Cost of services consists of third-party contractor costs related to the delivery of various services in the Company's On-Demand Talent and Heidrick Consulting operating segments.

Marketable Securities

The Company's marketable securities consist of available-for-sale debt securities with original maturities exceeding three months.

Restricted Cash

The following table provides a reconciliation of the cash and cash equivalents between the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Cash Flows as of September 30, 2021 and 2020, and December 31, 2020 and 2019:

	September 30,		December 31,	
	2021	2020	2020	2019
Cash and cash equivalents	$ 348,292	$ 170,577	$ 316,473	$ 271,719
Restricted cash included within other non-current assets	34	—	16	—
Total cash, cash equivalents and restricted cash	$ 348,326	$ 170,577	$ 316,489	$ 271,719

Earnings (Loss) per Common Share

Basic earnings (loss) per common share is computed by dividing net income (loss) by weighted average common shares outstanding for the period. Diluted earnings (loss) per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted. Common equivalent shares are excluded from the determination of diluted earnings (loss) per share in periods in which they have an anti-dilutive effect.

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	$ 24,498	$ (26,178)	$ 60,095	$ (43,245)
Weighted average shares outstanding:				
Basic	19,569	19,351	19,489	19,281
Effect of dilutive securities:				
Restricted stock units	524	—	584	—
Performance stock units	147	—	186	—
Diluted	20,240	19,351	20,259	19,281
Basic earnings (loss) per share	$ 1.25	$ (1.35)	$ 3.08	$ (2.24)
Diluted earnings (loss) per share	$ 1.21	$ (1.35)	$ 2.97	$ (2.24)

Weighted average restricted stock units and performance stock units outstanding that could be converted into approximately 315,000 and 63,000 common shares, respectively, for the three months ended September 30, 2020, and 454,000 and 98,000 common shares, respectively, for the nine months ended September 30, 2020, were not included in the computation of diluted earnings (loss) per share because the effects would be anti-dilutive.

Reclassifications

Certain prior year amounts have been recast as a result of the Company's presentation of *Cost of services* in the Condensed Consolidated Statements of Comprehensive Income (Loss). The reclassifications had no impact on net income (loss), net cash flows or stockholders' equity.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in *Operating Lease Right-of-Use Assets*, *Operating Lease Liabilities - Current* and *Operating Lease Liabilities - Non-Current* in our Condensed Consolidated Balance Sheets. The Company does not have any leases that meet the finance lease criteria.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, an incremental borrowing rate based on the information available at the commencement date is used in determining the present value of lease payments. The operating lease right-of-use asset also includes any lease payments made in advance and any accrued rent expense balances. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components. For office leases, the Company accounts for the lease and non-lease components as a single lease component. For equipment leases, such as vehicles and office equipment, the Company accounts for the lease and non-lease components separately.

Recently Issued Financial Accounting Standards

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The guidance is intended to provide temporary optional expedients and exceptions to the guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This guidance is effective March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact of this accounting guidance. The effect is not known or reasonably estimable at this time.

Recently Adopted Financial Accounting Standards

On January 1, 2021, the Company adopted ASU No. 2019-12, Simplifying the Accounting for Income Taxes. The guidance simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Accounting Standards Codification ("ASC") 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The adoption had no impact on the Condensed Consolidated Statements of Comprehensive Income (Loss), Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Cash Flows and Condensed Consolidated Statements of Changes in Stockholders' Equity in any period presented.

3. Revenue

Executive Search

Revenue is recognized as performance obligations are satisfied by transferring a good or service to a client. Generally, each executive search contract contains one performance obligation which is the process of identifying potentially qualified candidates for a specific client position. In most contracts, the transaction price includes both fixed and variable consideration. Fixed compensation is comprised of a retainer, equal to approximately one-third of the estimated first year compensation for the position to be filled, and indirect expenses, equal to a specified percentage of the retainer, as defined in the contract. The Company generally bills clients for the retainer and indirect expenses in one-third increments over a three-month period commencing in the month of a client’s acceptance of the contract. If actual compensation of a placed candidate exceeds the original compensation estimate, the Company is often authorized to bill the client for one-third of the excess compensation. The Company refers to this additional billing as uptick revenue. In most contracts, variable consideration is comprised of uptick revenue and direct expenses. The Company bills its clients for uptick revenue upon completion of the executive search, and direct expenses are billed as incurred.

The Company estimates uptick revenue at contract inception, based on a portfolio approach, utilizing the expected value method based on a historical analysis of uptick revenue realized in the Company’s geographic regions and industry practices, and initially records a contract’s uptick revenue in an amount that is probable not to result in a significant reversal of cumulative revenue recognized when the actual amount of uptick revenue for the contract is known. Differences between the estimated and actual amounts of variable consideration are recorded when known. The Company does not estimate revenue for direct expenses as it is not materially different than recognizing revenue as direct expenses are incurred.

Revenue from executive search engagement performance obligations is recognized over time as clients simultaneously receive and consume the benefits provided by the Company's performance. Revenue from executive search engagements is recognized over the expected average period of performance, in proportion to the estimated personnel time incurred to fulfill the obligations under the executive search contract. Revenue is generally recognized over a period of approximately six months.

The Company's executive search contracts contain a replacement guarantee which provides for an additional search to be completed, free of charge except for expense reimbursements, should the candidate presented by the Company be hired by the client and subsequently terminated by the client for performance reasons within a specified period of time. The replacement guarantee is an assurance warranty, which is not a performance obligation under the terms of the executive search contract, as the Company does not provide any services under the terms of the guarantee that transfer benefits to the client in excess of assuring that the identified candidate complies with the agreed-upon specifications. The Company accounts for the replacement guarantee under the relevant warranty guidance in ASC 460 - Guarantees.

Heidrick Consulting

Revenue is recognized as performance obligations are satisfied by transferring a good or service to a client. Heidrick Consulting enters into contracts with clients that outline the general terms and conditions of the assignment to provide succession planning, executive assessment, top team and board effectiveness and culture shaping programs. The consideration the Company expects to receive under each contract is generally fixed. Most of the Company's consulting contracts contain one performance obligation, which is the overall process of providing the consulting service requested by the client. The majority of our consulting revenue is recognized over time utilizing both input and output methods. Contracts that contain coaching sessions, training sessions or the completion of assessments are recognized using the output method as each session or assessment is delivered to the client. Contracts that contain general consulting work are recognized using the input method utilizing a measure of progress that is based on time incurred on the project.

The Company enters into enterprise agreements with clients to provide a license for online access, via the Company's Culture Connect platform, to training and other proprietary material related to the Company's culture shaping programs. The consideration the Company expects to receive under the terms of an enterprise agreement is comprised of a single fixed fee. The enterprise agreements contain multiple performance obligations, the delivery of materials via Culture Connect and material rights related to options to renew enterprise agreements at a significant discount. The Company allocates the transaction price to the performance obligations in the contract on a stand-alone selling price basis. The stand-alone selling price for the initial term of the enterprise agreement is outlined in the contract and is equal to the price paid by the client for the agreement over the initial term of the contract. The stand-alone selling price for the options to renew, or material right, are not directly observable and must be estimated. This estimate is required to reflect the discount the client would obtain when exercising the option to renew, adjusted for the likelihood that the option will be exercised. The Company estimates the likelihood of renewal using a historical analysis of client renewals. Access to Culture Connect represents a right to access the Company’s intellectual property that the client simultaneously receives and consumes as the Company performs under the agreement, and therefore the Company recognizes revenue over time. Given the continuous nature of this commitment, the Company utilizes straight-line ratable revenue recognition over the estimated subscription period as the Company's clients will receive and consume the benefits from Culture Connect equally throughout the contract period. Revenue related to client renewals of enterprise agreements is recognized over the term of the renewal, which is generally twelve months. Enterprise agreements do not comprise a significant portion of the Company's revenue.

On-Demand Talent

The Company enters into contracts with clients that outline the general terms and conditions of the assignment to provide on-demand consultants for various types of consulting projects, which consultants may be independent contractors or temporary employees. The consideration the Company expects to receive under each contract is dependent on the time-based fees specified in the contract. Revenue from on-demand engagement performance obligations is recognized over time as clients simultaneously receive and consume the benefits provided by the Company's performance. The Company has applied the practical expedient to recognize revenue for these services in the amount to which the Company has a right to invoice the client, as this amount corresponds directly with the value provided to the client for the performance completed to date. For transactions where a third-party contractor is involved in providing the services to the client, the Company reports the revenue and the related direct costs on a gross basis as it has determined that it is the principal in the transaction. The Company is primarily responsible for fulfilling the promise to provide consulting services to its clients and the Company has discretion in establishing the prices charged to clients for the consulting services and is able to contractually obligate the independent service provider to deliver services and deliverables that the Company has agreed to provide to its clients.

Contract Balances

Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. Contract assets and liabilities are classified as current due to the nature of the Company's contracts, which are completed within one year. Contract assets are included within *Other Current Assets* on the Condensed Consolidated Balance Sheets.

Unbilled receivables: Unbilled revenue represents contract assets from revenue recognized over time in excess of the amount billed to the client and the amount billed to the client is solely dependent upon the passage of time. This amount includes revenue recognized in excess of billed executive search retainers, Heidrick Consulting fees, and On-Demand Talent fees.

Contract assets: Contract assets represent revenue recognized over time in excess of the amount billed to the client and the amount billed to the client is not solely subject to the passage of time. This amount primarily includes revenue recognized for upticks and contingent placement fees in executive search contracts.

Deferred revenue: Contract liabilities consist of deferred revenue, which is equal to billings in excess of revenue recognized.

The following table outlines the changes in the contract asset and liability balances from December 31, 2020 to September 30, 2021:

	September 30, 2021	December 31, 2020	Change
Contract assets			
Unbilled receivables, net	$ 16,584	$ 9,907	$ 6,677
Contract assets	13,886	9,745	4,141
Total contract assets	30,470	19,652	10,818
Contract liabilities			
Deferred revenue	$ 45,284	$ 38,050	$ 7,234

During the nine months ended September 30, 2021, the Company recognized revenue of $33.6 million that was included in the contract liabilities balance at the beginning of the period. The amount of revenue recognized during the nine months ended September 30, 2021, from performance obligations partially satisfied in previous periods as a result of changes in the estimates of variable consideration was $26.0 million.

Each of the Company's contracts has an expected duration of one year or less. Accordingly, the Company has elected to utilize the available practical expedient related to the disclosure of the transaction price allocated to the remaining performance obligations under its contracts. The Company has also elected the available practical expedients related to adjusting for the effects of a significant financing component and the capitalization of contract acquisition costs. The Company charges and collects from its clients sales tax and value added taxes as required by certain jurisdictions. The Company has made an accounting policy election to exclude these items from the transaction price in its contracts.

4. Credit Losses

The Company is exposed to credit losses primarily through the provision of its executive search, consulting, and on-demand talent services. The Company’s expected credit loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions and a review of the current status of clients' trade accounts receivables. Due to the short-term nature of such receivables, the estimate of amount of accounts receivable that may not be collected is primarily based on historical loss-rate experience. When required, the Company adjusts the loss-rate methodology to account for current conditions and reasonable and supportable expectations of future economic and market conditions. The Company generally assesses future economic conditions for a period of sixty to ninety days, which corresponds with the contractual life of its accounts receivables. Additionally, specific allowance amounts are established to record the appropriate provision for clients that have a higher probability of default. The Company’s monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of clients' financial condition and macroeconomic conditions. Balances are written off when determined to be uncollectible. The Company considered the current and expected future economic and market conditions surrounding the COVID-19 pandemic and determined that the estimate of credit losses was not significantly impacted.

The activity in the allowance for credit losses on the Company's trade receivables is as follows:

Balance at December 31, 2020	$ 6,557
Provision for credit losses	4,622
Write-offs	(3,523)
Foreign currency translation	(94)
Balance at September 30, 2021	$ 7,562

The fair value and unrealized losses on available for sale debt securities, aggregated by investment category and the length of time the security has been in an unrealized loss position, are as follows:

	Less Than 12 Months		Balance Sheet Classification	
Balance at September 30, 2021	**Fair Value**	**Unrealized Loss**	**Cash and Cash Equivalents**	**Marketable Securities**
U.S. Treasury securities	$ 36,198	$ 1	$ 36,198	$ —

	Less Than 12 Months		Balance Sheet Classification	
Balance at December 31, 2020	**Fair Value**	**Unrealized Loss**	**Cash and Cash Equivalents**	**Marketable Securities**
U.S. Treasury securities	$ 31,997	$ 1	$ 31,997	$ —

5. Property and Equipment, net

The components of the Company’s property and equipment are as follows:

	September 30, 2021	December 31, 2020
Leasehold improvements	$ 35,980	$ 40,320
Office furniture, fixtures and equipment	13,858	14,816
Computer equipment and software	24,714	25,544
Property and equipment, gross	74,552	80,680
Accumulated depreciation	(53,613)	(57,188)
Property and equipment, net	$ 20,939	$ 23,492

Depreciation expense for the three months ended September 30, 2021 and 2020 was $1.8 million and $2.1 million, respectively. Depreciation expense for the nine months ended September 30, 2021 and 2020 was $5.3 million and $6.2 million, respectively.

6. Leases

The Company's lease portfolio is comprised of operating leases for office space and equipment. The majority of the Company's leases include both lease and non-lease components, which the Company accounts for differently depending on the underlying class of asset. Certain of the Company's leases include one or more options to renew or terminate the lease at the Company's discretion. Generally, the renewal and termination options are not included in the right-of-use assets and lease liabilities as they are not reasonably certain of exercise. The Company regularly evaluates the renewal and termination options and when they are reasonably certain of exercise, includes the renewal or termination option in the lease term.

As most of the Company's leases do not provide an implicit interest rate, the Company utilizes an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Company has a centrally managed treasury function and therefore, a portfolio approach is applied in determining the incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow on a fully collateralized basis over a similar term in an amount equal to the total lease payments in a similar economic environment.

Office leases have remaining lease terms that range from less than one year to 11.8 years, some of which also include options to extend or terminate the lease. Most office leases contain both fixed and variable lease payments. Variable lease costs consist primarily of rent escalations based on an established index or rate and taxes, insurance, and common area or other maintenance costs, which are paid based on actual costs incurred by the lessor. The Company has elected to utilize the available practical expedient to not separate lease and non-lease components for office leases.

Under the Company's restructuring plan, a lease component related to one of the Company's offices was abandoned and the useful life of the associated right-of-use asset was shortened to correspond with the cease-use date. As a result of the change in useful life, approximately $8.7 million and $1.2 million of right-of-use asset amortization was accelerated and recorded in

Restructuring charges in the Condensed Consolidated Statements of Comprehensive Income (Loss) and *Depreciation and amortization* in the Condensed Consolidated Statements of Cash Flows during the three and nine months ended September 30, 2021, respectively. Approximately $10.6 million of right-of-use asset amortization was accelerated and recorded in *Restructuring charges* in the Condensed Consolidated Statements of Comprehensive Income (Loss) and *Depreciation and amortization* in the Condensed Consolidated Statements of Cash Flows during the three and nine months ended September 30, 2020. In September 2021, the Company entered into a termination and surrender agreement for this lease component. Under the terms of the agreement, the Company made a one-time payment of $11.7 million to release the Company from all remaining obligations under the lease. At the time of payment, the Company had accrued approximately $17.4 million of lease liabilities related to future payments under the remaining lease term. Upon making the one-time payment, the lease liabilities were relieved, resulting in a gain on termination of approximately $5.7 million, which is recorded in *Restructuring charges* in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2021.

Equipment leases, which are comprised of vehicle and office equipment leases, have remaining terms that range from less than one year to 4.5 years, some of which also include options to extend or terminate the lease. The Company's equipment leases do not contain variable lease payments. The Company separates the lease and non-lease components for its equipment leases. Equipment leases do not comprise a significant portion of the Company's lease portfolio.

Lease cost components included within *General and Administrative Expenses* in our Condensed Consolidated Statements of Comprehensive Income (Loss) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease cost	$ 4,682	$ 6,241	$ 14,457	$ 18,688
Variable lease cost	1,480	1,048	3,785	4,832
Total lease cost	$ 6,162	$ 7,289	$ 18,242	$ 23,520

Supplemental cash flow information related to the Company's operating leases is as follows for the nine months ended September 30:

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 38,387	$ 23,258
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 4,286	$ 10,581

The weighted average remaining lease term and weighted average discount rate for operating leases as of September 30, is as follows:

	2021	2020
Weighted Average Remaining Lease Term		
Operating leases	6.5 years	4.4 years
Weighted Average Discount Rate		
Operating leases	3.26 %	3.75 %

The future maturities of the Company's operating lease liabilities as of September 30, 2021, for the years ended December 31 is as follows:

	Operating Lease Maturity
2021	$ 3,976
2022	18,602
2023	16,630
2024	14,592
2025	7,283
Thereafter	30,877
Total lease payments	91,960
Less: Interest	(9,632)
Present value of lease liabilities	$ 82,328

7. Financial Instruments and Fair Value

Cash, Cash Equivalents and Marketable Securities

The Company's investments in marketable debt securities, which consist of U.S. Treasury bills, are classified and accounted for as available-for-sale. The Company classifies its marketable debt securities as either short-term or long-term based on each instrument's underlying contractual maturity date. Unrealized gains and losses on marketable debt securities classified as available-for-sale are recognized in *Accumulated other comprehensive income* in the Condensed Consolidated Balance Sheets until realized.

The Company's cash, cash equivalents, and marketable securities by significant investment category are as follows:

	Cash and Cash Equivalents
Balance at September 30, 2021	
Cash	$ 165,934
Level 1[(1)]:	
Money market funds	80,161
U.S. Treasury securities	102,197
Total Level 1	182,358
Total	$ 348,292

	Fair Value				Balance Sheet Classification	
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Balance at December 31, 2020						
Cash					$ 230,490	$ —
Level 1[(1)]:						
Money market funds					53,986	—
U.S. Treasury securities	$ 51,996	$ 1	$ (1)	$ 51,996	31,997	19,999
Total Level 1	51,996	1	(1)	51,996	85,983	19,999
Total	$ 51,996	$ 1	$ (1)	$ 51,996	$ 316,473	$ 19,999

(1) Level 1 – Quoted prices in active markets for identical assets and liabilities.

Investments, Assets Designated for Retirement and Pension Plans and Associated Liabilities

The Company has a U.S. non-qualified deferred compensation plan that consists primarily of U.S. marketable securities and mutual funds. The aggregate cost basis for these investments was $21.2 million and $19.5 million as of September 30, 2021 and December 31, 2020, respectively.

The Company also maintains a pension plan for certain current and former employees in Germany. The pensions are individually fixed Euro amounts that vary depending on the function and the eligible years of service of the employee. The Company's investment strategy is to support its pension obligations through reinsurance contracts. The BaFin—German Federal Financial Supervisory Authority—supervises the insurance companies and the reinsurance contracts. The BaFin requires each reinsurance contract to guarantee a fixed minimum return. The Company's pension benefits are fully reinsured by group insurance contracts with ERGO Lebensversicherung AG, and the group insurance contracts are measured in accordance with BaFin guidelines (including mortality tables and discount rates) which are considered Level 2 inputs.

The following tables provide a summary of the fair value measurements for each major category of investments, assets designated for retirement and pension plans and associated liabilities measured at fair value:

		Balance Sheet Classification				
	Fair Value	**Other Current Assets**	**Assets Designated for Retirement and Pension Plans**	**Investments**	**Other Current Liabilities**	**Retirement and Pension Plans**
Balance at September 30, 2021						
Measured on a recurring basis:						
Level 1[1]:						
U.S. non-qualified deferred compensation plan	$ 34,738	$ —	$ —	$ 34,738	$ —	$ —
Level 2[2]:						
Retirement and pension plan assets	15,031	1,359	13,672	—	—	—
Pension benefit obligation	(21,184)	—	—	—	(1,359)	(19,825)
Total Level 2	(6,153)	1,359	13,672	—	(1,359)	(19,825)
Total	$ 28,585	$ 1,359	$ 13,672	$ 34,738	$ (1,359)	$ (19,825)

	Fair Value	Balance Sheet Classification: Other Current Assets	Goodwill	Assets Designated for Retirement and Pension Plans	Investments	Other Current Liabilities	Retirement and Pension Plans
Balance at December 31, 2020							
Measured on a recurring basis:							
Level 1[1]:							
U.S. non-qualified deferred compensation plan	$ 31,369	$ —	$ —	$ —	$ 31,369	$ —	$ —
Level 2[2]:							
Retirement and pension plan assets	15,859	1,434	—	14,425	—	—	—
Pension benefit obligation	(22,351)	—	—	—	—	(1,434)	(20,917)
Total Level 2	(6,492)	1,434	—	14,425	—	(1,434)	(20,917)
Measured on a non-recurring basis:							
Level 3[3][4]:							
Goodwill	91,643		91,643				
Total	$ 116,520	$ 1,434	$ 91,643	$ 14,425	$ 31,369	$ (1,434)	$ (20,917)

(1) Level 1 – Quoted prices in active markets for identical assets and liabilities.
(2) Level 2 – Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
(3) Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.
(4) In accordance with Subtopic 350-20, goodwill with a carrying value of $33.0 million was written down to its implied fair value of zero during the three months ended June 30, 2020, resulting in the revised total goodwill of $91.6 million and an impairment charge of $33.0 million in earnings.

Contingent Consideration and Compensation

The former owners of the Company's acquisitions are eligible to receive additional cash compensation based on the attainment of certain operating metrics in the periods subsequent to acquisition. Contingent consideration and compensation are valued using significant inputs that are not observable in the market, which are defined as Level 3 inputs pursuant to fair value measurement accounting. The Company determines the fair value of contingent consideration and compensation using discounted cash flow models.

The following table provides a reconciliation of the beginning and ending balance of Level 3 liabilities for the nine months ended September 30, 2021:

	Earnout	Contingent Compensation
Balance at December 31, 2020	$ —	$ (2,390)
Acquisition earnout (See Note 8, *Acquisitions*)	(23,800)	—
Earnout accretion	(363)	—
Compensation expense	—	(1,398)
Foreign currency translation	—	139
Balance at September 30, 2021	$ (24,163)	$ (3,649)

Earnout accruals and contingent compensation accruals are recorded within *Other non-current liabilities* and non-current *Accrued salaries and benefits*, respectively, in the Condensed Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020.

8. Acquisitions

On April 1, 2021, the Company acquired Business Talent Group, LLC ("BTG"), a market-leader in sourcing high-end, on-demand independent talent. Under the terms of the merger agreement, the Company paid $32.6 million of initial consideration from existing cash for the outstanding equity of BTG. The former owners of BTG are eligible to receive additional cash consideration, which the Company estimates to be between $20.0 million and $30.0 million, based on the achievement of certain revenue and operating income milestones for the period from acquisition through 2022. When estimating the present value of future cash consideration, the Company accrued $23.8 million as of the acquisition date for the earnout liability. The Company recorded $5.8 million for customer relationships, $3.1 million for software, $1.7 million for a trade name and $45.5 million of goodwill. The goodwill is primarily related to the acquired workforce and strategic fit. As of the acquisition date, the Company expects that all of the goodwill will be deductible for tax purposes. The fair value estimate of assets acquired and liabilities assumed, including the earnout liability, identifiable intangible assets and goodwill, is pending completion. The Company expects to finalize its estimates of fair value during the three months ended December 31, 2021. Included in the Company's results of operations for the three and nine months ended September 30, 2021 are $24.3 million and $43.0 million of revenue, respectively, and $0.9 million and $1.0 million of operating income, respectively, from the acquired entity.

9. Goodwill and Other Intangible Assets

Goodwill

The Company's goodwill by segment is as follows:

	September 30, 2021	December 31, 2020
Executive Search		
Americas	$ 91,518	$ 91,643
Total Executive Search	91,518	91,643
On-Demand Talent	45,529	—
Total goodwill	$ 137,047	$ 91,643

Changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2021, are as follows:

	Executive Search			On-Demand Talent	Total
	Americas	Europe	Asia Pacific		
Goodwill	$ 91,643	$ 24,475	$ 8,495	$ —	$ 124,613
Accumulated impairment losses	—	(24,475)	(8,495)	—	(32,970)
Balance at December 31, 2020	91,643	—	—	—	91,643
BTG acquisition	—	—	—	45,529	45,529
Foreign currency translation	(125)	—	—	—	(125)
Balance at September 30, 2021	$ 91,518	$ —	$ —	$ 45,529	$ 137,047

In April 2021, the Company acquired BTG and included $45.5 million of goodwill related to the acquisition in the On-Demand Talent operating segment.

Other Intangible Assets, net

The Company’s other intangible assets, net by segment, are as follows:

	September 30, 2021	December 31, 2020
Executive Search		
Americas	$ 122	$ 225
Europe	544	852
Asia Pacific	37	52
Total Executive Search	703	1,129
On-Demand Talent	9,520	—
Total other intangible assets, net	$ 10,223	$ 1,129

In April 2021, the Company acquired BTG and recorded customer relationships, software and trade name intangible assets in the On-Demand Talent operating segment of $5.8 million, $3.1 million and $1.7 million, respectively. The combined weighted-average amortization period for the acquired intangible assets is 7.4 years with amortization periods of 11.0, 3.0 and 3.0 years for the customer relationships, software and trade name, respectively.

The carrying amount of amortizable intangible assets and the related accumulated amortization are as follows:

		September 30, 2021			December 31, 2020		
	Weighted Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	10.5	$ 22,144	$ (16,000)	$ 6,144	$ 16,600	$ (15,587)	$ 1,013
Trade name	3.1	2,445	(958)	1,487	280	(164)	116
Software	3.0	3,110	(518)	2,592	—	—	—
Total intangible assets	7.5	$ 27,699	$ (17,476)	$ 10,223	$ 16,880	$ (15,751)	$ 1,129

Intangible asset amortization expense for the three months ended September 30, 2021 and 2020 was $0.8 million and $0.2 million, respectively. Intangible amortization expense for the nine months ended September 30, 2021 and 2020 was $1.8 million and $0.6 million, respectively.

The Company's estimated future amortization expense related to intangible assets as of September 30, 2021, for the years ended December 31 is as follows:

2021	$ 626
2022	2,763
2023	2,885
2024	1,346
2025	801
Thereafter	1,802
Total	$ 10,223

10. Other Current Assets

The components of other current assets are as follows:

	September 30, 2021	December 31, 2020
Contract assets	$ 30,470	$ 19,652
Other	3,977	3,627
Total other current assets	$ 34,447	$ 23,279

11. Line of Credit

On July 13, 2021, the Company entered into a First Amendment to the 2018 Credit Agreement (the "Amendment"). The Amendment provides the Company with a committed unsecured revolving credit facility in an aggregate amount of $200 million, increased from $175 million as set forth in the 2018 Credit Agreement, which includes a sublimit of $25 million for letters of credit and a sublimit of $10 million for swingline loans, with a $75 million expansion feature. The Amendment matures on July 13, 2026, extended from October 26, 2023 as set forth in the 2018 Credit Agreement.

Borrowings under the Amendment may be used for working capital, capital expenditures, permitted acquisitions, restricted payments and for other general corporate purposes of the Company and its subsidiaries. The obligations under the Amendment are guaranteed by certain of the Company’s subsidiaries.

During the three months ended March 31, 2020, the Company borrowed $100.0 million under the 2018 Credit Agreement. The Company elected to draw down a portion of the available funds from its revolving line of credit as a precautionary measure to increase its cash position and further enhance its financial flexibility in light of the uncertainty in global markets resulting from the COVID-19 outbreak. The Company subsequently repaid $100.0 million during the three months ended September 30, 2020.

As of September 30, 2021 and December 31, 2020, the Company had no outstanding borrowings. The Company was in compliance with the financial and other covenants under the Amendment and no event of default existed.

12. Stock-Based Compensation

On May 28, 2020, the stockholders of the Company approved an amendment to the Company's Second Amended and Restated 2012 Heidrick & Struggles GlobalShare Program (as so amended, the "Third A&R 2012 Program") to increase the number of shares of Common Stock reserved for issuance under the 2012 Program by 500,000 shares. The Third A&R 2012 Program provides for grants of stock options, stock appreciation rights, and other stock-based compensation awards that are valued based upon the grant date fair value of shares. These awards may be granted to directors, selected employees and independent contractors.

As of September 30, 2021, 3,369,759 awards have been issued under the Third A&R 2012 Program, including 742,624 forfeited awards, and 722,865 shares remain available for future awards. The Third A&R 2012 Program provides that no awards can be granted after May 28, 2028.

The Company measures its stock-based compensation costs based on the grant date fair value of the awards and recognizes these costs over the requisite service period.

A summary of information with respect to stock-based compensation is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Salaries and benefits (1)	$ 3,321	$ 3,850	$ 14,552	$ 6,645
General and administrative expenses	—	—	345	460
Income tax benefit related to stock-based compensation included in net income (loss)	886	1,022	3,976	1,886

(1) Includes $0.5 million and $0.7 million of expense related to cash settled restricted stock units for the three months ended September 30, 2021 and 2020, respectively, and $6.2 million and less than $0.1 million of expense related to cash settled restricted stock units for the nine months ended September 30, 2021 and 2020, respectively.

Restricted Stock Units

Restricted stock units are generally subject to ratable vesting over a three-year period. A portion of the Company's restricted stock units are subject to ratable vesting over a four-year period. Compensation expense related to service-based restricted stock units is recognized on a straight-line basis over the vesting period.

Restricted stock unit activity for the nine months ended September 30, 2021 is as follows:

	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding on December 31, 2020	707,864	$ 28.35
Granted	254,176	38.84
Vested and converted to common stock	(218,950)	30.65
Forfeited	(16,080)	30.90
Outstanding on September 30, 2021	727,010	$ 31.27

As of September 30, 2021, there was $10.5 million of pre-tax unrecognized compensation expense related to unvested restricted stock units, which is expected to be recognized over a weighted average of 2.6 years.

Performance Stock Units

The Company grants performance stock units to certain of its senior executives. The performance stock units are generally subject to a cliff vesting at the end of a three-year period. The vesting will vary between 0% and 200% based on the attainment of operating income goals over the three-year vesting period. Half of the award is based on the achievement of certain operating margin thresholds and half of the award is based on the Company's total shareholder return, relative to a peer group. The fair value of the awards based on total shareholder return was determined using the Monte-Carlo simulation model. A Monte Carlo simulation model uses stock price volatility and other variables to estimate the probability of satisfying the performance conditions and the resulting fair value of the award. The performance stock units are expensed on a straight-line basis over the three-year vesting period.

Performance stock unit activity for the nine months ended September 30, 2021 is as follows:

	Number of Performance Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding on December 31, 2020	234,934	$ 29.80
Granted	106,357	35.99
Vested and converted to common stock	(90,284)	30.60
Forfeited	(18,150)	30.09
Outstanding on September 30, 2021	232,857	$ 32.29

As of September 30, 2021, there was $5.7 million of pre-tax unrecognized compensation expense related to unvested performance stock units, which is expected to be recognized over a weighted average of 1.9 years.

Phantom Stock Units

Phantom stock units are grants of phantom stock with respect to shares of the Company's common stock that are settled in cash and are subject to various restrictions, including restrictions on transferability, vesting and forfeiture provisions. Shares of phantom stock that do not vest for any reason will be forfeited by the recipient and will revert to the Company.

Phantom stock units were granted to certain employees of the Company and are subject to vesting over a period of four years and certain other conditions, including continued service to the Company. As a result of the cash-settlement feature of the awards, the Company considers the awards to be liability awards, which are measured at fair value at each reporting date and the vested portion of the award is recognized as a liability to the extent that the service condition is deemed probable. The fair value of the phantom stock awards on the balance sheet date was determined using the closing share price of the Company's common stock on that date.

The Company recorded phantom stock-based compensation expense of $0.5 million and $0.7 million during the three months ended September 30, 2021 and 2020, respectively. The Company recorded phantom stock-based compensation expense of $6.2 million and less than $0.1 million during the nine months ended September 30, 2021 and 2020, respectively.

Phantom stock unit activity for the nine months ended September 30, 2021 is as follows:

	Number of Phantom Stock Units
Outstanding on December 31, 2020	351,634
Granted	63,575
Vested	(61,539)
Forfeited	(4,807)
Outstanding on September 30, 2021	348,863

As of September 30, 2021, there was $6.1 million of pre-tax unrecognized compensation expense related to unvested phantom stock units, which is expected to be recognized over a weighted average of 3.1 years.

13. Restructuring

During the three months ended September 30, 2020, the Company implemented a restructuring plan to optimize future growth and profitability. The primary components of the restructuring included a workforce reduction, a reduction of the Company's real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

Restructuring charges (reversals) for the three months ended September 30, 2021 by type of charge (reversal) and reportable segment are as follows:

	Executive Search					
	Americas	Europe	Asia Pacific	Heidrick Consulting	Global Operations Support	Total
Employee related	$ 4	$ 9	$ —	$ —	$ 94	$ 107
Office related	(2,891)	—	—	(279)	(199)	(3,369)
Total	$ (2,887)	$ 9	$ —	$ (279)	$ (105)	$ (3,262)

Restructuring charges (reversals) for the nine months ended September 30, 2021 by type of charge (reversal) and reportable segment are as follows:

	Executive Search					
	Americas	Europe	Asia Pacific	Heidrick Consulting	Global Operations Support	Total
Employee related	$ 20	$ (97)	$ (124)	$ (44)	$ 62	$ (183)
Office related	3,859	—	—	399	(296)	3,962
Other	3	—	—	—	10	13
Total	$ 3,882	$ (97)	$ (124)	$ 355	$ (224)	$ 3,792

Restructuring charges incurred to date, which includes prior period charges, by type of charge and reportable segment are as follows:

	Executive Search			Heidrick Consulting	Global Operations Support	Total
	Americas	Europe	Asia Pacific			
Employee related	$ 16,224	$ 8,257	$ 4,110	$ 2,590	$ 1,415	$ 32,596
Office related	18,101	226	374	2,352	1,819	22,872
Other	34	24	6	71	560	695
Total	$ 34,359	$ 8,507	$ 4,490	$ 5,013	$ 3,794	$ 56,163

As part of the Company's reduction in real estate expenses, a lease component related to one of the Company's offices was abandoned. In September 2021, the Company entered into a termination and surrender agreement for this lease component. Under the terms of the agreement, the Company made a one-time payment of $11.7 million to release the Company from all remaining obligations under the lease. At the time of payment, the Company had accrued approximately $17.4 million of lease liabilities related to future payments under the remaining lease term. Upon making the one-time payment, the lease liabilities were relieved, resulting in a gain on termination of approximately $5.7 million, which is recorded in *Restructuring charges* in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2021.

Changes to the accrual for restructuring charges for the nine months ended September 30, 2021, are as follows:

	Employee Related	Office Related	Other	Total
Outstanding on December 31, 2020	$ 22,312	$ 953	$ —	$ 23,265
Restructuring charges	(183)	3,962	13	3,792
Cash payments	(13,701)	(712)	(13)	(14,426)
Non cash write offs	44	(4,147)	—	(4,103)
Other	—	—	—	—
Exchange rate fluctuations	(77)	—	—	(77)
Outstanding on September 30, 2021	$ 8,395	$ 56	$ —	$ 8,451

Restructuring accruals are recorded within *Other current liabilities* in the Condensed Consolidated Balance Sheets with the exception of certain employee related accruals. Accruals associated with the elimination of certain deferred compensation programs of $4.9 million and $3.6 million are recorded within current and non-current *Accrued salaries and benefits*, respectively, as of September 30, 2021. Accruals associated with the elimination of certain deferred compensation programs of $7.2 million and $11.3 million are recorded within current and non-current Accrued salaries and benefits, respectively, as of December 31, 2020.

14. Income Taxes

The Company reported income before taxes of $33.6 million and an income tax provision of $9.1 million for the three months ended September 30, 2021. The Company reported loss before taxes of $36.6 million and an income tax benefit of $10.4 million for the three months ended September 30, 2020. The effective tax rates for the three months ended September 30, 2021 and 2020, were 27.0% and 28.5%, respectively. The effective tax rate for the three months ended September 30, 2021 was impacted by one-time items and the mix of income. The effective tax rate for the three months ended September 30, 2020 was impacted by the tax effect on restructuring expense, the inability to recognize losses, and taxes based on gross receipts.

The Company reported income before taxes of $88.1 million and an income tax provision of $28.0 million for the nine months ended September 30, 2021. The Company reported loss before taxes of $43.4 million and an income tax benefit of $0.2 million for the nine months ended September 30, 2020. The effective tax rates for the nine months ended September 30, 2021 and 2020, were 31.8% and 0.5%, respectively. The effective tax rate for the nine months ended September 30, 2021 was impacted by one-time items and the mix of income. The effective tax rate for the nine months ended September 30, 2020 was impacted by the inability to deduct goodwill impairment, the inability to recognize losses, and taxes based on gross receipts, offset by the benefit provided by restructuring expense.

15. Changes in Accumulated Other Comprehensive Income

The changes in *Accumulated other comprehensive income* ("AOCI") by component for the nine months ended September 30, 2021 are as follows:

	Foreign Currency Translation	Pension	AOCI
Balance at December 31, 2020	$ 6,184	$ (2,767)	$ 3,417
Other comprehensive loss before classification, net of tax	(1,349)	—	(1,349)
Balance at September 30, 2021	$ 4,835	$ (2,767)	$ 2,068

16. Segment Information

In April 2021, the Company acquired BTG, a market-leader in sourcing high-end, on-demand independent talent. As a result of the acquisition, the Company identified a new operating segment, On-Demand Talent. The Company now has five operating segments. The executive search business operates in the Americas, Europe (which includes Africa) and Asia Pacific (which includes the Middle East), and the Heidrick Consulting and On-Demand Talent businesses operate globally.

For segment purposes, reimbursements of out-of-pocket expenses classified as revenue and other operating income are reported separately and, therefore, are not included in the results of each segment. The Company believes that analyzing trends in revenue before reimbursements (net revenue), analyzing operating expenses as a percentage of net revenue, and analyzing operating income, more appropriately reflect its core operations.

The revenue and operating income (loss) by segment are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
Executive Search				
Americas	$ 148,844	$ 79,947	$ 412,740	$ 265,088
Europe	42,676	28,902	125,228	92,108
Asia Pacific	30,126	20,394	87,429	61,654
Total Executive Search	221,646	129,243	625,397	418,850
On-Demand Talent	24,287	—	43,006	—
Heidrick Consulting	17,892	14,301	49,059	41,778
Revenue before reimbursements (net revenue)	263,825	143,544	717,462	460,628
Reimbursements	1,490	957	3,819	6,555
Total revenue	$ 265,315	$ 144,501	$ 721,281	$ 467,183

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating income (loss)				
Executive Search				
Americas (1)	$ 38,972	$ (7,934)	$ 99,822	$ 40,900
Europe (2)	4,795	(6,856)	13,314	(26,874)
Asia Pacific (3)	4,712	(1,726)	13,241	(6,553)
Total Executive Search	48,479	(16,516)	126,377	7,473
On-Demand Talent	881	—	1,034	—
Heidrick Consulting (4)	(2,556)	(9,286)	(10,897)	(21,699)
Total segment operating income (loss)	46,804	(25,802)	116,514	(14,226)
Global Operations Support (5)	(13,462)	(12,431)	(34,858)	(29,841)
Total operating income (loss)	$ 33,342	$ (38,233)	$ 81,656	$ (44,067)

(1) Includes restructuring reversal of $2.9 million and restructuring charges of $3.9 million for the three and nine months ended September 30, 2021, respectively. Includes restructuring charges of $27.6 million for the three and nine months ended September 30, 2020.
(2) Includes restructuring charges of less than $0.1 million and a restructuring reversal of $0.1 million for the three and nine months ended September 30, 2021, respectively. Includes restructuring charges of $9.6 million for the three and nine months ended September 30, 2020. Includes goodwill impairment charges of $24.5 million for the nine months ended September 30, 2020.
(3) Includes restructuring reversal of $0.1 million for the nine months ended September 30, 2021. Includes restructuring charges of $4.6 million for the three and nine months ended September 30, 2020. Includes goodwill impairment charges of $8.5 million for the nine months ended September 30, 2020.
(4) Includes restructuring reversal of $0.3 million and restructuring charges of $0.4 million for the three and nine months ended September 30, 2021, respectively. Includes restructuring charges of $4.5 million for the three and nine months ended September 30, 2020.

(5) Includes restructuring reversals of $0.1 million and $0.2 million for the three and nine months ended September 30, 2021, respectively. Includes restructuring charges of $1.9 million for the three and nine months ended September 30, 2020.

17. Guarantees

The Company has utilized letters of credit to support certain obligations, primarily for its office lease agreements. The letters of credit were made to secure the respective agreements and are for the terms of the agreements, which extend through 2033. For each letter of credit issued, the Company would have to use cash to fulfill the obligation if there is a default on a payment. The maximum amount of undiscounted payments the Company would be required to make in the event of default on all outstanding letters of credit is approximately $4.6 million as of September 30, 2021. The Company has not accrued for these arrangements as no event of default exists or is expected to exist.

18. Commitments and Contingencies

Litigation

The Company has contingent liabilities from various pending claims and litigation matters arising in the ordinary course of the Company’s business, some of which involve claims for damages that are substantial in amount. Some of these matters are covered by insurance. Based upon information currently available, the Company believes the ultimate resolution of such claims and litigation will not have a material adverse effect on its financial condition, results of operations or liquidity.

19. Subsequent Event

On October 15, 2021, the Company acquired Heidrick & Struggles Finland OY ("H&S Finland"), a Finland-based executive search firm, for initial consideration of $1.6 million with an anticipated future payment in 2023, subject to the achievement of certain agreed upon financial performance targets. The Company previously had an affiliate relationship with H&S Finland, whereby the Company had no financial investment in H&S Finland, but received licensing fees for the use of the Company's name and database.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward Looking Statements

Management’s Discussion and Analysis of Financial Condition and Results of Operations as well as other sections of this quarterly report on Form 10-Q contain forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Forward-looking statements are not historical facts, but instead represent only our beliefs, assumptions, expectations, estimates, forecasts and projections regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition and may relate to our future plans and objectives and results. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these 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 (including the emergence of variant strains) 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; any challenges to the classification of our on-demand talent as independent contractors; 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. 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, 2020, under the heading "Risk Factors" in Item 1A, as updated in our subsequent quarterly reports on Form 10-Q and other filings with the Securities and Exchange Commission ("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.

Executive Overview

Our Business. Heidrick & Struggles International, Inc. (the "Company," "we," "us," or "our") is a leadership advisory firm providing executive search, consulting and on-demand talent services. We help our clients build leadership teams by facilitating the recruitment, management and development of senior executives. We believe focusing on top-level services offers us several advantages that include access to and influence with key decision makers, increased potential for recurring search consulting engagements, higher fees per search, enhanced brand visibility and a leveraged global footprint, which create added barriers to entry for potential competitors. Working at the top of client organizations also allows us to attract and retain high-caliber consultants.

In addition to executive search, we provide consulting services including executive leadership assessment, leadership, team and board development, succession planning, talent strategy, people performance, inter-team collaboration, culture shaping and organizational transformation.

On April 1, 2021, we acquired Business Talent Group ("BTG"), a market-leader in sourcing high-end, on-demand independent talent. BTG provides clients seamless on-demand access to top independent talent, including professionals with deep industry and functional expertise for interim leadership roles and critical, project-based initiatives. As a result of the acquisition, the Company identified a new operating segment, On-Demand Talent. The Company now has five operating segments. The executive search business operates in the Americas, Europe (which includes Africa) and Asia Pacific (which includes the Middle East), and the Heidrick Consulting and On-Demand Talent businesses operate globally.

We provide our services to a broad range of clients through the expertise of over 430 consultants located in major cities around the world. Our executive search services are provided on a retained basis. Revenue before reimbursements of out-of-pocket expenses ("net revenue") consists of retainers and indirect expenses billed to clients. Typically, we are paid a retainer for our executive search services equal to approximately one-third of the estimated first-year compensation for the position to be filled. In addition, if the actual compensation of a placed candidate exceeds the estimated compensation, we often are authorized to bill the client for one-third of the excess. Indirect expenses are calculated as a percentage of the retainer with certain dollar limits per search.

Executive Search. We partner with respected organizations globally to build and sustain the best leadership teams in the world, with a specialized focus on the placement of top-level senior executives. We believe focusing on top-level senior executives provides the opportunity for several advantages including access to and influence with key decision makers, increased potential for recurring search and consulting engagements, higher fees per executive search, enhanced brand visibility, and a leveraged global footprint. Working at the top of client organizations also facilitates the attraction and retention of high-caliber consultants who desire to serve top industry executives and their leadership needs.

We employ a global approach to executive search built on better insights, more data and faster decision making facilitated by the use of our proprietary Infinity Framework and Heidrick Connect. Our Infinity Framework allows clients to holistically evaluate a candidate's pivotal experience and expertise, leadership capabilities, agility and potential, and culture fit and impact, thereby allowing our clients to find the right person for the role. We supplement our Infinity Framework through a series of additional online tools including our Leadership Accelerator, Leadership Signature and Culture Signature assessments. Heidrick Connect, a completely digital, always available client experience portal allows our clients to access talent insights for each engagement, including the Infinity Framework and other proprietary assessment tools. In response to working remotely, our Executive Search teams employed Heidrick Connect to operate effectively and efficiently while engaging virtually with our clients. Additionally, we have introduced upgrades to Heidrick Connect, resulting in greater flexibility, increased productivity and the ability to deliver more insights to our clients.

The executive search industry is highly fragmented, consisting of several thousand executive search firms worldwide. Executive search firms are generally separated into two broad categories: retained search and contingency search. Our executive search services are provided on a retained basis. Retained executive search firms fulfill their clients' senior leadership needs by identifying potentially qualified candidates and assisting clients in evaluating and assessing these candidates. Retained executive search firms generally are compensated for their services regardless of whether the client employs a candidate identified by the search firm and are generally retained on an exclusive basis.

For each assignment, we enter into a contract with our client that outlines the general terms and conditions of the assignment. Typically, we are paid a retainer for our executive search services equal to approximately one-third of the estimated first year compensation for the position to be filled. In addition, if the actual compensation of a placed candidate exceeds the estimated compensation, executive search firms often are authorized to bill the client for one-third of the excess. We refer to this excess compensation billing as uptick revenue. We also bill our clients for indirect expenses, which are calculated as a percentage of the retainer with certain dollar limits per search. Revenue before reimbursements of out-of-pocket expenses ("net revenue") consists of retainers, an estimate of uptick revenue and indirect expenses billed to clients. We generally bill our clients for our retainer and indirect expenses in one-third increments over a three-month period commencing in the month of a client's acceptance of the contract with uptick revenue billed upon the completion of the engagement.

Heidrick Consulting. Our consulting services include leadership assessment and development, executive coaching and on-boarding, succession planning, team and board effectiveness, organizational performance acceleration, workforce planning and culture shaping. Applying our deep understanding of the behaviors and attributes of leaders across many of the world's premier companies, we guide our clients as they build a thriving culture of future-ready leadership. These premium services and offerings, which complement our Executive Search expertise, significantly contribute to our ability to deliver a full-service human capital consulting solution to our clients. We continue to focus on increasing the scale and impact of our Heidrick Consulting business and expect to improve the operating margins of this important business as we do so. Our consulting services generate revenue primarily through the professional fees generated for each engagement which are generally based on the size of the project and scope of services. Our Heidrick Consulting teams have pivoted to create new digital solutions for Leadership Assessments, Team Acceleration, and Organization and Culture Acceleration that can be delivered virtually in response to required social distancing practices.

On-Demand Talent. Our on-demand services provide clients seamless on-demand access to top independent talent, including professionals with deep industry and functional expertise for interim leadership roles and critical, project-based initiatives. Our unique model delivers the right independent talent on demand by blending proprietary data and technology with a dedicated Talent Solutions team.

Key Performance Indicators

We manage and assess our performance through various means, with primary financial and operational measures including net revenue, operating income, operating margin, Adjusted EBITDA (non-GAAP) and Adjusted EBITDA margin (non-GAAP). Executive Search and Heidrick Consulting performance is also measured using consultant headcount. Specific to Executive Search, confirmation trends, consultant productivity and average revenue per search are used to measure performance. Productivity is measured by annualized Executive Search net revenue per consultant.

Revenue is driven by market conditions and a combination of the number of executive search engagements and consulting projects and the average revenue per search or project. With the exception of compensation expense, incremental increases in revenue do not necessarily result in proportionate increases in costs, particularly operating and administrative expenses, thus creating the potential to improve operating margins.

The number of consultants, confirmation trends, number of searches or projects completed, productivity levels and the average revenue per search or project will vary from quarter to quarter, affecting net revenue and operating margin.

Our Compensation Model

At the consultant level, there are fixed and variable components of compensation. Individuals are rewarded for their performance based on a system that directly ties a portion of their compensation to the amount of net revenue for which they are responsible. A portion of the reward may be based upon individual performance against a series of non-financial measures. Credit towards the variable portion of an executive search consultant’s compensation is earned by generating net revenue for winning and executing work. Each quarter, we review and update the expected annual performance of all consultants and accrue variable compensation accordingly. The amount of variable compensation that is accrued for each consultant is based on a tiered payout model. Overall Company performance determines the amount available for total variable compensation. The more net revenue that is generated by the consultant, the higher the percentage credited towards the consultant’s variable compensation and thus accrued by our Company as expense.

The mix of individual consultants who generate revenue can significantly affect the total amount of compensation expense recorded, which directly impacts operating margin. As a result, the variable portion of the compensation expense may fluctuate significantly from quarter to quarter. The total variable compensation is discretionary and is based on Company-wide financial targets approved by the Human Resources and Compensation Committee of the Board of Directors.

A portion of the Company’s management cash bonuses are deferred and paid over a three-year vesting period. The portion of the bonus is approximately 15% depending on the employee’s level or position. The compensation expense related to the amounts being deferred is recognized on a graded vesting attribution method over the requisite service period. This service period begins on January 1 of the respective fiscal year and continues through the deferral date, which coincides with the Company’s bonus payments in the first quarter of the following year and for an additional three-year vesting period. The deferrals are recorded in *Accrued salaries and benefits* within both Current liabilities and Non-current liabilities in the Condensed Consolidated Balance Sheets.

Historically, the Company's consultants participated in the same cash bonus deferral program as management. In 2020, the Company terminated the cash bonus deferral for consultants and now pays 100% of the cash bonuses earned by consultants in the first quarter of the following year. Consultant cash bonuses earned prior to 2020 will continue to be paid under the terms of the cash bonus deferral program.

Impact of COVID-19

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. COVID-19 has significantly impacted various markets around the world, including the United States. Although vaccines are now widely available, we cannot predict the duration of the pandemic or its ongoing impact on our business. The emergence of variant strains of the COVID-19 virus has introduced additional uncertainty.

With infections reported throughout the world, certain governmental authorities have issued stay-at-home orders, proclamations and/or directives aimed at minimizing the spread of the pandemic. Additional, more restrictive proclamations and/or directives may be issued in the future. We temporarily closed our offices and shifted our workforce to remote operations to ensure the safety of our employees. Our offices are now accessible to our employees, however, we continue to allow our employees to work remotely. During this uncertain time, our critical priorities are:

- the health and safety of our employees, clients and their families;
- providing support to our clients; and
- helping our clients accelerate their business performance and transform with agility.

In response to working remotely, our Executive Search teams employed our robust digital search platform, Heidrick Connect, to operate effectively and efficiently while engaging virtually with our clients. Additionally, we have introduced upgrades to Heidrick Connect, resulting in greater flexibility, increased productivity and the ability to deliver more insights to our clients. Our Heidrick Consulting teams have pivoted to create new digital solutions for Leadership Assessments, Team Acceleration, and Organization and Culture Acceleration that can be delivered virtually in response to required social distancing practices.

Beginning in the 2020 second quarter, we experienced a decline in demand for our executive search and consulting services, a lengthening of the executive search process due to a slow-down in client decision making and an inability to execute in-person consulting engagements, which had a material adverse impact on our results of operations. As a result, we identified a triggering event and performed an interim goodwill impairment evaluation during the three months ended June 30, 2020 resulting in the impairment of the goodwill in our Europe and Asia Pacific reporting units. We also evaluated the recoverability our intangible and other long-lived assets and determined that no impairment was necessary. We continue to monitor our goodwill, other intangible assets and long-lived assets for potential impairment.

In the 2020 third quarter, we implemented a restructuring plan to optimize future growth and profitability. The expected annual cost savings from the restructuring ranges from $30 million to $40 million. The primary components of the restructuring included a workforce reduction, and a reduction of the firm’s real estate expenses, professional fees and the future elimination of certain deferred compensation programs.

As part of this restructuring plan, we implemented several real estate initiatives including downsizing and terminating certain of our existing office leases. Our success working from home, utilizing Heidrick Connect and our digital consulting solutions, allowed us to reevaluate how we utilize our offices and plan to use them in a post-pandemic environment. Upon the expiration of the leases included in the restructuring, we will have reduced our square footage under lease by approximately 20%.

Moving forward, we will continue with our real estate strategy, which consists of three objectives: 1) matching our real estate footprint to the new, post-pandemic office occupancy expectations; 2) creating open and collaborative environments, including unassigned work spaces that facilitate work from anywhere; and 3) increasing our focus on reducing our carbon footprint as part of our long-term sustainability goals. We believe we have opportunity to further decrease costs primarily through lease renewals and rightsizing offices where it makes business sense.

In the 2021 third quarter, our results of operations were not materially impacted by the pandemic. Our business was well positioned to mitigate the impacts of the pandemic through innovation and finding new ways to serve our clients. Heidrick Connect allowed our Executive Search teams to operate effectively and efficiently while engaging virtually with our clients. Newly created digital solutions for Heidrick Consulting allowed our teams to overcome the barriers presented by an inability to conduct in-person consulting engagements. These innovations and new ways of serving our clients laid the foundation for our improved operating performance this quarter. Consolidated net revenue increased to $263.8 million for the three months ended September 30, 2021 compared to $260.0 million for the three months ended June 30, 2021 and $143.5 million for the three months ended September 30, 2020. Profitability also increased with operating income of $33.3 million for the three months ended September 30, 2021 compared to $28.7 million for the three months ended June 30, 2021 and an operating loss of $38.2 million for the three months ended September 30, 2020.

While our 2021 third quarter results are encouraging, the extent to which the pandemic continues to impact our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including, but not limited to:

- the duration and scope of the pandemic;

- the impact of the pandemic, and actions taken in response to the pandemic, on economic activity;
- governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic;
- restrictions inhibiting our employees' ability to access our offices;
- the effect on our clients and client demand for our services and solutions;
- our ability to sell and provide our services and solutions, including as a result of travel restrictions and people working from home; and
- the ability of our clients to pay for our services and solutions.

We expect that all of our business segments, across all of our geographies, will continue to be impacted by the pandemic and actions taken in response to the pandemic to some extent, but the significance of the impact of the pandemic on our business and the duration for which it may have an impact cannot be determined at this time. Specific factors that may impact our business include, but are not limited to:

- a decline in demand for our executive search, consulting and on-demand services due to temporary and permanent workforce reductions, and general economic uncertainty;
- a lengthening of the executive search process due to a slow-down in client decision making;
- an increase in executive searches placed on hold due to delays in planned work by our clients;
- an inability to execute in-person consulting and on-demand engagements; and
- disruptions in business operations for offices in areas most impacted by the pandemic, including the United States, United Kingdom, Italy, Spain, China and Brazil.

Fourth Quarter 2021 Outlook

We are currently forecasting 2021 fourth quarter net revenue of between $255 million and $265 million, while acknowledging the continued fluidity of the COVID-19 pandemic that may continue to impact quarterly results to some extent. Our 2021 fourth quarter guidance is based upon, among other things, management's assumptions for the anticipated volume of new Executive Search confirmations, Heidrick Consulting assignments, On-Demand Talent projects, the current backlog, consultant productivity, consultant retention, the seasonality of our business and average currency rates in September 2021.

Our 2021 guidance is subject to a number of risks and uncertainties, including those discussed under Item 1A - Risk Factors in our 2020 Annual Report on Form 10-K, as updated in our subsequent quarterly reports on Form 10-Q and in our other filings with the SEC. As such, actual results could vary from these projections.

Results of Operations

The following table summarizes, for the periods indicated, our results of operations as a percentage of revenue before reimbursements (net revenue):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
Revenue before reimbursements (net revenue)	100.0 %	100.0 %	100.0 %	100.0 %
Reimbursements	0.6	0.7	0.5	1.4
Total revenue	100.6	100.7	100.5	101.4
Operating expenses				
Salaries and benefits	70.5	72.4	71.5	71.6
General and administrative expenses	11.1	20.1	11.7	19.8
Cost of services	7.1	0.6	4.9	0.6
Impairment charges	—	—	—	7.2
Restructuring charges	(1.2)	33.5	0.5	10.4
Reimbursed expenses	0.6	0.7	0.5	1.4
Total operating expenses	87.9	127.3	89.2	111.0
Operating income (loss)	12.6	(26.6)	11.4	(9.6)
Non-operating income (expense)				
Interest, net	—	(0.1)	—	—
Other, net	0.1	1.3	0.9	0.1
Net non-operating income	0.1	1.1	0.9	0.1
Income (loss) before income taxes	12.7	(25.5)	12.3	(9.4)
Provision for (benefit from) income taxes	3.4	(7.3)	3.9	—
Net income (loss)	9.3 %	(18.2)%	8.4 %	(9.4)%

Note: Totals and sub-totals may not equal the sum of individual line items due to rounding.

The following tables set forth, for the periods indicated, our revenue and operating income (loss) by segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
Executive Search				
Americas	$ 148,844	$ 79,947	$ 412,740	$ 265,088
Europe	42,676	28,902	125,228	92,108
Asia Pacific	30,126	20,394	87,429	61,654
Total Executive Search	221,646	129,243	625,397	418,850
On-Demand Talent	24,287	—	43,006	—
Heidrick Consulting	17,892	14,301	49,059	41,778
Revenue before reimbursements (net revenue)	263,825	143,544	717,462	460,628
Reimbursements	1,490	957	3,819	6,555
Total revenue	$ 265,315	$ 144,501	$ 721,281	$ 467,183

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
Operating income (loss)								
Executive Search								
Americas (1)	$	38,972	$	(7,934)	$	99,822	$	40,900
Europe (2)		4,795		(6,856)		13,314		(26,874)
Asia Pacific (3)		4,712		(1,726)		13,241		(6,553)
Total Executive Search		48,479		(16,516)		126,377		7,473
On-Demand Talent		881		—		1,034		—
Heidrick Consulting (4)		(2,556)		(9,286)		(10,897)		(21,699)
Total segment operating income		46,804		(25,802)		116,514		(14,226)
Global Operations Support (5)		(13,462)		(12,431)		(34,858)		(29,841)
Total operating income	$	33,342	$	(38,233)	$	81,656	$	(44,067)

(1) Includes restructuring reversal of $2.9 million and restructuring charges of $3.9 million for the three and nine months ended September 30, 2021, respectively. Includes restructuring charges of $27.6 million for the three and nine months ended September 30, 2020.
(2) Includes restructuring charges of less than $0.1 million and a restructuring reversal of $0.1 million for the three and nine months ended September 30, 2021, respectively. Includes restructuring charges of $9.6 million for the three and nine months ended September 30, 2020. Includes goodwill impairment charges of $24.5 million for the nine months ended September 30, 2020.
(3) Includes restructuring reversal of $0.1 million for the nine months ended September 30, 2021. Includes restructuring charges of $4.6 million for the three and nine months ended September 30, 2020. Includes goodwill impairment charges of $8.5 million for the nine months ended September 30, 2020.
(4) Includes restructuring reversal of $0.3 million and restructuring charges of $0.4 million for the three and nine months ended September 30, 2021, respectively. Includes restructuring charges of $4.5 million for the three and nine months ended September 30, 2020.
(5) Includes restructuring reversals of $0.1 million and $0.2 million for the three and nine months ended September 30, 2021, respectively. Includes restructuring charges of $1.9 million for the three and nine months ended September 30, 2020.

Three Months Ended September 30, 2021 Compared to the Three Months Ended September 30, 2020

Total revenue. Consolidated total revenue increased $120.8 million, or 83.6%, to $265.3 million for the three months ended September 30, 2021, from $144.5 million for the three months ended September 30, 2020. The increase in total revenue was primarily due to the increase in revenue before reimbursements (net revenue).

Revenue before reimbursements (net revenue). Consolidated net revenue increased $120.3 million, or 83.8%, to $263.8 million for the three months ended September 30, 2021 from $143.5 million for the three months ended September 30, 2020. Foreign exchange rate fluctuations positively impacted results by $2.3 million, or 1.6%. Executive Search net revenue was $221.6 million for the three months ended September 30, 2021, an increase of $92.4 million, or 71.5%, compared to the three months ended September 30, 2020. The increase in Executive Search net revenue was primarily due to a 42.0% increase in the number of confirmed searches compared to the prior year. Heidrick Consulting net revenue increased $3.6 million, or 25.1%, to $17.9 million for the three months ended September 30, 2021. The increase in Heidrick Consulting revenue was primarily due to a 59.3% increase in the number of consulting engagements compared to the prior year. The acquisition of On-Demand Talent in the second quarter of 2021 contributed $24.3 million to the increase in net revenue for the third quarter.

The number of Executive Search and Heidrick Consulting consultants was 368 and 66, respectively, as of September 30, 2021, compared to 362 and 63, respectively, as of September 30, 2020. Executive Search productivity, as measured by annualized net Executive Search revenue per consultant, was $2.4 million and $1.4 million for the three months ended September 30, 2021 and 2020, respectively. The average revenue per executive search increased to $133,800 from $110,800 in the prior year.

Salaries and benefits. Consolidated salaries and benefits expense increased $82.0 million, or 78.9%, to $185.9 million for the three months ended September 30, 2021, from $103.9 million for the three months ended September 30, 2020. Fixed compensation increased $5.0 million due to base salaries and payroll taxes, and retirement and benefits, partially offset by decreases in the deferred compensation plan and stock compensation. Variable compensation increased $77.0 million due to higher bonus accruals related to increased consultant productivity. Foreign exchange rate fluctuations negatively impacted results by $1.7 million, or 1.7%.

For the three months ended September 30, 2021, we had an average of 1,760 employees compared to an average of 1,696 employees for the three months ended September 30, 2020.

As a percentage of net revenue, salaries and benefits expense was 70.5% for the three months ended September 30, 2021, compared to 72.4% for the three months ended September 30, 2020.

General and administrative expenses. Consolidated general and administrative expenses increased $0.3 million, or 0.9%, to $29.2 million for the three months ended September 30, 2021, from $28.9 million for the three months ended September 30, 2020. The increase in general and administrative expenses was due to information technology, intangible amortization related to the On-Demand Talent acquisition, earnout accretion, and internal travel, partially offset by decreases in professional fees and office occupancy. Foreign exchange rate fluctuations negatively impacted results by $0.2 million, or 0.7%.

As a percentage of net revenue, general and administrative expenses were 11.1% for the three months ended September 30, 2021, compared to 20.1% for the three months ended September 30, 2020.

Cost of services. Consolidated cost of services increased $17.8 million to $18.7 million for the three months ended September 30, 2021, from $0.9 million for the three months ended September 30, 2020. The increase is primarily due to the acquisition of On-Demand Talent.

Restructuring charges. The Company recorded a $3.3 million restructuring reversal during the three months ended September 30, 2021, and $48.1 million in restructuring charges during the three months ended September 30, 2020. During the three months ended September 30, 2020, the Company announced a restructuring plan including a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the future elimination of certain deferred compensation programs. The restructuring reversal is primarily due to the Company reaching an early termination agreement for one of its offices that resulted in lower future rent payments. The reversal and charges are recorded within *Restructuring charges* in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended September 30, 2021, and 2020.

Operating income (loss). Consolidated operating income was $33.3 million, including a restructuring reversal of $3.3 million, for the three months ended September 30, 2021, compared to an operating loss of $38.2 million, including restructuring charges of $48.1 million, for the three months ended September 30, 2020. Foreign exchange rate fluctuations positively impacted operating income by $0.4 million, or 3.9%.

Net non-operating income. Net non-operating income was $0.2 million for the three months ended September 30, 2021, compared to net non-operating income of $1.6 million for the three months ended September 30, 2020.

Interest, net, was $0.1 million of income for the three months ended September 30, 2021, compared to $0.2 million of expense for the three months ended September 30, 2020. The decrease in interest expense in the three months ended September 30, 2021, is due to the repayment of the credit facility that was outstanding in the prior year.

Other, net, was $0.1 million of income for the three months ended September 30, 2021, compared to $1.8 million of income for the three months ended September 30, 2020. The income in the current year is due to a $0.7 million gain on equity received in exchange for executive search services performed in prior periods, partially offset by a $0.7 million loss on the Company's deferred compensation plan. The income in the prior year is due to an unrealized gain of $1.6 million on the Company’s deferred compensation plan.

Income taxes. See Note 14, *Income Taxes*.

Executive Search

Americas

The Americas segment reported net revenue of $148.8 million for the three months ended September 30, 2021, an increase of 86.2% from $79.9 million for the three months ended September 30, 2020. The increase in net revenue was primarily due to a 60.4% increase in the number of executive search confirmations from the prior year. All practice groups exhibited growth over the prior year. Foreign exchange rate fluctuations positively impacted results by $0.4 million, or 0.5%. There were 193 Executive Search consultants as of September 30, 2021, compared to 188 as of September 30, 2020.

Salaries and benefits expense increased $52.6 million, or 104.0%, compared to the three months ended September 30, 2020. Fixed compensation decreased $1.0 million due to the deferred compensation plan, stock compensation, and talent acquisition and retention costs, partially offset by increases in base salaries and payroll taxes, and retirement and benefits. Variable compensation increased $53.6 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expenses decreased $0.2 million, or 1.7%, compared to the three months ended September 30, 2020, due to office occupancy, partially offset by increases in internal travel.

The Company recorded a $2.9 million restructuring reversal during the three months ended September 30, 2021, and $27.6 million in restructuring charges during the three months ended September 30, 2020. The restructuring reversal is primarily due to the Company reaching an early termination agreement for one of its offices that resulted in lower future rent payments. The restructuring charges in the prior year primarily relate to a workforce reduction, a reduction of the Company's real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

The Americas reported operating income of $39.0 million, including a restructuring reversal of $2.9 million, for the three months ended September 30, 2021, an increase of $46.9 million compared to an operating loss of $7.9 million, including restructuring charges of $27.6 million, for the three months ended September 30, 2020.

Europe

Europe reported net revenue of $42.7 million for the three months ended September 30, 2021, an increase of 47.7% from $28.9 million for the three months ended September 30, 2020. The increase in net revenue was primarily due to a 36.0% increase in the number of executive search confirmations. All practice groups exhibited growth over the prior year. Foreign exchange rate fluctuations positively impacted results by $1.2 million, or 4.2%. There were 100 Executive Search consultants as of September 30, 2021, compared to 103 as of September 30, 2020.

Salaries and benefits expense increased $11.2 million, or 53.9%, compared to the three months ended September 30, 2020. Fixed compensation decreased $0.2 million due to base salaries and payroll taxes, partially offset by increases in retirement and benefits, and talent acquisition and retention costs. Variable compensation increased $11.4 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expense increased $0.5 million, or 9.1%, compared to the three months ended September 30, 2020, due to office occupancy, hiring fees, and internal travel, partially offset by a decrease in professional fees.

The Company recorded $9.6 million in restructuring charges during the three months ended September 30, 2020. The restructuring charges primarily related to a workforce reduction, a reduction of the Company's real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

Europe reported operating income of $4.8 million for the three months ended September 30, 2021, an increase of $11.7 million compared to an operating loss of $6.9 million, including restructuring charges of $9.6 million, for the three months ended September 30, 2020.

Asia Pacific

Asia Pacific reported net revenue of $30.1 million for the three months ended September 30, 2021, an increase of 47.7% compared to $20.4 million for the three months ended September 30, 2020. The increase in net revenue was primarily due to a 10.8% increase in the number of executive search confirmations and an increase in the average revenue per executive search. All practice groups, with the exception of Healthcare and Life Sciences, exhibited growth over the prior year. Foreign exchange rate fluctuations positively impacted results by $0.3 million, or 1.6%. There were 75 Executive Search consultants at September 30, 2021, compared to 71 at September 30, 2020.

Salaries and benefits expense increased $8.0 million, or 60.1%, compared to the three months ended September 30, 2020. Fixed compensation increased $0.7 million due to retirement and benefits, talent acquisition and retention costs, and base salaries and payroll taxes, partially offset by a decrease in stock compensation. Variable compensation increased $7.3 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expenses decreased $0.1 million, or 3.5%, compared to the three months ended September 30, 2020, primarily due to office occupancy.

The Company recorded $4.6 million in restructuring charges during the three months ended September 30, 2020. The restructuring charges primarily related to a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

Asia Pacific reported operating income of $4.7 million for the three months ended September 30, 2021, an increase of $6.4 million compared to an operating loss of $1.7 million, including restructuring charges of $4.6 million, for the three months ended September 30, 2020.

On-Demand Talent

On-Demand Talent reported net revenue of $24.3 million for the three months ended September 30, 2021.

Salaries and benefits expense was $4.9 million for the three months ended September 30, 2021, primarily due to base salaries and payroll taxes.

General and administrative expense was $1.6 million for the three months ended September 30, 2021, due to intangible amortization, earnout accretion, professional fees, and information technology.

Cost of services was $16.9 million for the three months ended September 30, 2021, and consists of third-party contractor costs related to the delivery of various on-demand services.

On-Demand Talent reported operating income of $0.9 million for the three months ended September 30, 2021.

Heidrick Consulting

Heidrick Consulting reported net revenue of $17.9 million for the three months ended September 30, 2021, an increase of 25.1% compared to $14.3 million for the three months ended September 30, 2020. The increase in net revenue was primarily due to an 59.3% increase in the number of consulting engagements. Foreign exchange rate fluctuations positively impacted results by $0.3 million, or 2.2%. There were 66 Heidrick Consulting consultants at September 30, 2021 compared to 63 at September 30, 2020.

Salaries and benefits expense increased $1.7 million, or 12.5%, compared to the three months ended September 30, 2020. Fixed compensation decreased $0.1 million due to talent acquisition and retention costs, partially offset by an increase in retirement and benefits. Variable compensation increased $1.8 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expenses decreased $1.0 million, or 22.8%, compared to the three months ended September 30, 2020, primarily due to professional fees.

Cost of services increased $0.9 million, or 106.4%, compared to the three months ended September 30, 2020, due to an increase in the number of consulting engagements.

The Company recorded a $0.3 million restructuring reversal during the three months ended September 30, 2021, and $4.5 million in restructuring charges during the three months ended September 30, 2020. The restructuring reversal is primarily due to the Company reaching an early termination agreement for one of its offices that resulted in lower future rent payments. The restructuring charges in the prior year primarily relate to a workforce reduction, a reduction of the Company's real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

Heidrick Consulting reported an operating loss of $2.6 million, including a restructuring reversal of $0.3 million, for the three months ended September 30, 2021, an increase of $6.7 million compared to an operating loss of $9.3 million, including restructuring charges of $4.5 million, for the three months ended September 30, 2020.

Global Operations Support

Global Operations Support expenses for the three months ended September 30, 2021, increased $1.0 million, or 8.3%, to $13.5 million from $12.4 million for the three months ended September 30, 2020.

Salaries and benefits expense increased $3.6 million, or 64.7%, due to variable compensation, base salaries and payroll taxes, and retirement and benefits.

General and administrative expenses decreased $0.5 million, or 9.9%, due to professional fees, partially offset by increases in information technology and office occupancy.

The Company recorded a $0.1 million restructuring reversal during the three months ended September 30, 2021 and $1.9 million in restructuring charges during the three months ended September 30, 2020. The restructuring reversal is primarily due to the Company reaching an early termination agreement for one of its offices that resulted in lower future rent payments. The restructuring charges in the prior year primarily relate to a workforce reduction, a reduction of the Company's real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

Total revenue. Consolidated total revenue increased $254.1 million, or 54.4%, to $721.3 million for the nine months ended September 30, 2021, from $467.2 million for the nine months ended September 30, 2020. The increase in total revenue was primarily due to the increase in revenue before reimbursements (net revenue).

Revenue before reimbursements (net revenue). Consolidated net revenue increased $256.8 million, or 55.8%, to $717.5 million for the nine months ended September 30, 2021, from $460.6 million for the nine months ended September 30, 2020. Foreign exchange rate fluctuations positively impacted results by $14.3 million, or 3.1%. Executive Search net revenue was $625.4 million for the nine months ended September 30, 2021, an increase of $206.5 million, or 49.3%, compared to the nine months ended September 30, 2020. The increase in Executive Search net revenue was primarily due to a 44.3% increase in the number of confirmed searches compared to the prior year. Heidrick Consulting net revenue increased $7.3 million, or 17.4%, to $49.1 million for the nine months ended September 30, 2021. The increase in Heidrick Consulting revenue was primarily due to a 56.9% increase in the number of consulting engagements compared to the prior year. The acquisition of On-Demand Talent in the prior quarter contributed $43.0 million to the increase in net revenue.

The number of Executive Search and Heidrick Consulting consultants was 368 and 66, respectively, as of September 30, 2021, compared to 362 and 63, respectively, as of September 30, 2020. Executive Search productivity, as measured by annualized net Executive Search revenue per consultant, was $2.3 million and $1.4 million for the nine months ended September 30, 2021, and 2020, respectively. The average revenue per executive search decreased to $126,700 from $122,400 in the prior year.

Salaries and benefits. Consolidated salaries and benefits expense increased $183.7 million, or 55.7%, to $513.3 million for the nine months ended September 30, 2021, from $329.6 million for the nine months ended September 30, 2020. Fixed compensation increased $13.8 million due to stock compensation, base salaries and payroll taxes, retirement and benefits, the deferred compensation plan, and separation, partially offset by a decrease in talent acquisition and retention costs. Variable compensation increased $169.9 million due to higher bonus accruals related to increased consultant productivity. Foreign exchange rate fluctuations negatively impacted results by $10.6 million, or 3.2%.

For the nine months ended September 30, 2021, we had an average of 1,676 employees compared to an average of 1,746 employees for the nine months ended September 30, 2020.

As a percentage of net revenue, salaries and benefits expense was 71.5% for the nine months ended September 30, 2021, compared to 71.6% for the nine months ended September 30, 2020.

General and administrative expenses. Consolidated general and administrative expenses decreased $7.2 million, or 8.0%, to $83.9 million for the nine months ended September 30, 2021, from $91.1 million for the nine months ended September 30, 2020. The decrease in general and administrative expenses was due to office occupancy, professional fees, and internal travel, partially offset by increases in intangible amortization, earnout accretion, and information technology. Foreign exchange rate fluctuations negatively impacted results by $1.3 million, or 1.4%.

As a percentage of net revenue, general and administrative expenses were 11.7% for the nine months ended September 30, 2021, compared to 19.8% for the nine months ended September 30, 2020.

Cost of services. Consolidated cost of services increased $32.0 million to $34.8 million for the nine months ended September 30, 2021, from $2.8 million for the nine months ended September 30, 2020. The increase is due to the acquisition of On-Demand Talent.

Impairment charges. During the nine months ended September 30, 2020, and as a direct result of the economic impact of COVID-19, the Company experienced a decline in demand for our executive search services and a lengthening of the executive search process due to a slow-down in client decision making, which had a material adverse impact on our results of operations. As a result, the Company identified a triggering event and performed an interim goodwill impairment evaluation during the nine months ended September 30, 2020. Based on the results of the impairment evaluation, the Company recorded an impairment charge of $24.5 million in Europe and $8.5 million in Asia Pacific to write-off all of the goodwill associated with each reporting unit. The impairment charge is recorded within *Impairment charges* in the Condensed Consolidated Statement of Comprehensive Income (Loss) for the nine months ended September 30, 2020. The impairment was non-cash in nature and did not affect our current liquidity, cash flows, borrowing capability or operations; nor did it impact the debt covenants under our credit agreement.

Restructuring charges. The Company incurred $3.8 million and $48.1 million in restructuring charges during the nine months ended September 30, 2021 and 2020, respectively. During the three months ended September 30, 2020, the Company announced a restructuring plan including a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the future elimination of certain deferred compensation programs. The charges are recorded within *Restructuring charges* in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2021, and 2020.

Operating income (loss). Consolidated operating income was $81.7 million, including restructuring charges of $3.8 million, for the nine months ended September 30, 2021, compared to an operating loss of $44.1 million, including goodwill impairment charges of $33.0 million and restructuring charges of $48.1 million, for the nine months ended September 30, 2020. Foreign exchange rate fluctuations positively impacted operating income by $2.3 million, or 3.6%.

Net non-operating income. Net non-operating income was $6.5 million for the nine months ended September 30, 2021, compared to $0.6 million for the nine months ended September 30, 2020.

Interest, net, was $0.2 million of income for the nine months ended September 30, 2021, and 2020. The income is primarily related to interest earned on U.S. Treasury bills throughout the year.

Other, net, was $6.3 million of income for the nine months ended September 30, 2021, compared to $0.5 million of income for the nine months ended September 30, 2020. The income in the current year is due to a $4.2 million gain on equity received in exchange for executive search services performed in prior periods and a $1.9 million unrealized gain on the Company's deferred compensation plan.

Income taxes. See Note 14, *Income Taxes*.

Executive Search

Americas

The Americas segment reported net revenue of $412.7 million for the nine months ended September 30, 2021, an increase of 55.7% from $265.1 million for the nine months ended September 30, 2020. The increase in net revenue was primarily due to a 59.7% increase in the number of executive search confirmations from the prior year. All practice groups exhibited growth over the prior year. Foreign exchange rate fluctuations positively impacted results by $0.7 million, or 0.3%. There were 193 Executive Search consultants as of September 30, 2021, compared to 188 as of September 30, 2020.

Salaries and benefits expense increased $117.1 million, or 71.7%, compared to the nine months ended September 30, 2020. Fixed compensation decreased $1.3 million due to talent acquisition and retention costs, partially offset by increases in stock compensation, retirement and benefits, and the deferred compensation plan. Variable compensation increased $118.4 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expenses decreased $4.7 million, or 14.1%, compared to the nine months ended September 30, 2020, due to office occupancy, internal travel, and communication services.

The Company recorded $3.9 million in restructuring charges during the nine months ended September 30, 2021, and $27.6 million in restructuring charges during the nine months ended September 30, 2020. The current year restructuring charges primarily relate to a reduction in the Company's real estate footprint. The restructuring charges in the prior year primarily relate to a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

The Americas reported operating income of $99.8 million, including restructuring charges of $3.9 million, for the nine months ended September 30, 2021, an increase of $58.9 million compared to $40.9 million, including restructuring charges of $27.6 million, for the nine months ended September 30, 2020.

Europe

Europe reported net revenue of $125.2 million for the nine months ended September 30, 2021, an increase of 36.0% from $92.1 million for the nine months ended September 30, 2020. The increase in net revenue was due primarily to a 31.8% increase in the number of executive search confirmations. All practice groups, with the exception of Social Impact, exhibited growth over the prior year. Foreign exchange rate fluctuations positively impacted results by $8.5 million, or 9.2%. There were 100 Executive Search consultants as of September 30, 2021, compared to 103 as of September 30, 2020.

Salaries and benefits expense increased $28.2 million, or 42.2%, compared to the nine months ended September 30, 2020. Fixed compensation increased $1.4 million for the nine months ended September 30, 2021, due to stock compensation, talent acquisition and retention costs, separation, and retirement and benefits, partially offset by decreases in base salaries and payroll taxes. Variable compensation increased $26.8 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expense decreased $1.1 million, or 6.3%, compared to the nine months ended September 30, 2020, due to internal travel, and professional fees, partially offset by an increase in hiring fees and office occupancy.

Impairment charges for the nine months ended September 30, 2020, were $24.5 million as a result of an interim impairment evaluation on the goodwill of the Europe reporting unit. The impairment charge is recorded within *Impairment charges* in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2020.

The Company recorded a restructuring reversal of $0.1 million for the nine months ended September 30, 2021 due to the settlement of estimated employee severance accruals. The Company recorded $9.6 million in restructuring charges during the nine months ended September 30, 2020. The restructuring charges in the prior year primarily relate to a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

Europe reported operating income of $13.3 million, including a restructuring reversal of $0.1 million, for the nine months ended September 30, 2021, an increase of $40.2 million compared to an operating loss of $26.9 million, including goodwill impairment charges of $24.5 million and restructuring charges of $9.6 million, for the nine months ended September 30, 2020.

Asia Pacific

Asia Pacific reported net revenue of $87.4 million for the nine months ended September 30, 2021, an increase of 41.8% compared to $61.7 million for the nine months ended September 30, 2020. The increase in net revenue was primarily due to an 25.6% increase in the number of executive search confirmations and an increase in the average revenue per executive search. All practice groups, with the exception of Social Impact and Healthcare and Life Sciences, exhibited growth over the prior year. Foreign exchange rate fluctuations positively impacted results by $3.7 million, or 6.1%. There were 75 Executive Search consultants at September 30, 2021, compared to 71 at September 30, 2020.

Salaries and benefits expense increased $20.6 million, or 49.9%, compared to the nine months ended September 30, 2020. Fixed compensation increased $2.2 million due to base salaries and payroll taxes, stock compensation, retirement and benefits, and talent acquisition and retention costs. Variable compensation increased $18.4 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expenses decreased $1.5 million, or 10.5%, compared to the nine months ended September 30, 2020, due to office occupancy and bad debt.

Impairment charges for the nine months ended September 30, 2020, were $8.5 million as a result of an interim impairment evaluation on the goodwill of the Asia Pacific reporting unit. The impairment charge is recorded within *Impairment charges* in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2020.

The Company recorded a restructuring reversal of $0.1 million for the nine months ended September 30, 2021 due to the settlement of estimated employee severance accruals. The Company recorded $4.6 million in restructuring charges during the nine months ended September 30, 2020. The restructuring charges in the prior year primarily relate to a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

Asia Pacific reported operating income of $13.2 million, including a restructuring reversal of $0.1 million, for the nine months ended September 30, 2021, an increase of $19.8 million compared to an operating loss of $6.6 million, including goodwill impairment charges of $8.5 million and restructuring charges of $4.6 million, for the nine months ended September 30, 2020.

On-Demand Talent

On-Demand Talent reported net revenue of $43.0 million for the nine months ended September 30, 2021.

Salaries and benefits expense was $9.2 million for the nine months ended September 30, 2021, due to base salaries and payroll taxes, and variable compensation.

General and administrative expenses were $2.9 million for the nine months ended September 30, 2021, due to intangible amortization, professional fees, and information technology.

Cost of services was $29.8 million for the nine months ended September 30, 2021, and consists of third-party contractor costs related to the delivery of various on-demand services.

On-Demand Talent reported operating income of $1.0 million for the nine months ended September 30, 2021.

Heidrick Consulting

Heidrick Consulting reported net revenue of $49.1 million for the nine months ended September 30, 2021, an increase of 17.4% compared to $41.8 million for the nine months ended September 30, 2020. The increase in Heidrick Consulting net revenue was primarily due to an 56.9% increase in the number of consulting engagements. Foreign exchange rate fluctuations positively impacted results by $1.4 million, or 3.3%. There were 66 Heidrick Consulting consultants at September 30, 2021 compared to 63 at September 30, 2020.

Salaries and benefits expense increased $0.6 million, or 1.5%, compared to the nine months ended September 30, 2020. Fixed compensation decreased less than $0.1 million due to base salaries and payroll taxes, partially offset by increases in retirement and benefits, and stock compensation. Variable compensation increased $0.7 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expenses decreased $2.2 million, or 16.8%, compared to the nine months ended September 30, 2020, due to external client services, professional fees, internal travel, and office occupancy, partially offset by increases in hiring fees and intangible amortization.

Cost of services increased $2.1 million, or 74.9%, compared to the nine months ended September 30, 2020, due to an increase in the number of consulting engagements.

Restructuring charges for the nine months ended September 30, 2021 and 2020 were $0.4 million and $4.5 million, respectively. The current year restructuring charges primarily relate to a reduction in the Company's real estate footprint. The restructuring charges in the prior year primarily relate to a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

Heidrick Consulting reported an operating loss of $10.9 million, including restructuring charges of $0.4 million, for the nine months ended September 30, 2021, an improvement of $10.8 million compared to an operating loss of $21.7 million, including restructuring charges of $4.5 million, for the nine months ended September 30, 2020.

Global Operations Support

Global Operations Support expenses for the nine months ended September 30, 2021, increased $5.0 million, or 16.8%, to $34.9 million from $29.8 million for the nine months ended September 30, 2020.

Salaries and benefits expense increased $7.9 million, or 53.2%, due to variable compensation, base salaries and payroll taxes, stock compensation, and retirement and benefits, partially offset by a decrease in separation.

General and administrative expenses decreased $0.8 million, or 5.8%, due to professional fees and office occupancy, partially offset by increases in information technology, and insurance and bank fees.

The Company recorded a $0.2 million restructuring reversal during the nine months ended September 30, 2021 and $1.9 million in restructuring charges during the nine months ended September 30, 2020. The restructuring reversal is primarily due to the Company reaching an early termination agreement for one of its offices that resulted in lower future rent payments. The restructuring charges in the prior year primarily relate to a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the elimination of certain deferred compensation programs.

Liquidity and Capital Resources

General. We continually evaluate our liquidity requirements, capital needs and availability of capital resources based on our operating needs. We believe that our available cash balances, funds expected to be generated from operations and funds available under our committed revolving credit facility will be sufficient to finance our operations for at least the next 12 months and the foreseeable future, as well as to finance the cash payments associated with our cash dividends and stock repurchase program.

We pay the non-deferred portion of annual bonuses in the first quarter following the year in which they are earned. Employee bonuses are accrued throughout the year and are based on our performance and the performance of the individual employee.

Lines of credit. On July 13, 2021, the Company entered into a First Amendment to the 2018 Credit Agreement (the "Amendment"). The Amendment provides the Company with a committed unsecured revolving credit facility in an aggregate amount of $200 million, increased from $175 million as set forth in the 2018 Credit Agreement, which includes a sublimit of $25 million for letters of credit and a sublimit of $10 million for swingline loans, with a $75 million expansion feature. The Amendment matures on July 13, 2026, extended from October 26, 2023 as set forth in the 2018 Credit Agreement.

Borrowings under the Amendment may be used for working capital, capital expenditures, permitted acquisitions, restricted payments and for other general corporate purposes of the Company and its subsidiaries. The obligations under the Amendment are guaranteed by certain of the Company’s subsidiaries.

During the three months ended March 31, 2020, the Company borrowed $100.0 million under the 2018 Credit Agreement. The Company elected to draw down a portion of the available funds from its revolving line of credit as a precautionary measure to increase its cash position and further enhance its financial flexibility in light of the uncertainty in global markets resulting from the COVID-19 outbreak. The Company subsequently repaid $100.0 million during the three months ended September 30, 2020.

As of September 30, 2021 and December 31, 2020, the Company had no outstanding borrowings. The Company was in compliance with the financial and other covenants under the Amendment and no event of default existed.

Cash, cash equivalents and marketable securities. Cash, cash equivalents and marketable securities at September 30, 2021, December 31, 2020, and September 30, 2020 were $348.3 million, $336.5 million and $237.6 million, respectively. The $348.3 million of cash, cash equivalents and marketable securities at September 30, 2021, includes $121.6 million held by our foreign subsidiaries. A portion of the $121.6 million is considered permanently reinvested in these foreign subsidiaries. If these funds were required to satisfy obligations in the U.S., the repatriation of these funds could cause us to incur additional U.S. income taxes or foreign withholding taxes.

Cash flows provided by (used in) operating activities. Cash provided by operating activities was $64.8 million for the nine months ended September 30, 2021, due to 2021 cash bonus accruals, partially offset by cash bonus payments, net income of $60.1 million, depreciation and amortization of $16.6 million, stock compensation of $8.7 million, and deferred revenue of $6.5 million. This inflow of cash was partially offset by an increase in accounts receivable of $84.9 million associated with an increase in revenue. Other uses of cash included an increase in other assets of $37.1 million associated with unbilled receivables, right-of-use assets and lease liabilities, an increase in prepaid expenses of $7.7 million, and payments on the restructuring accrual of $5.0 million.

Cash used in operating activities was $72.9 million for the nine months ended September 30, 2020. This use of cash was primarily the result of cash bonus payments related to 2019 and prior year cash bonus deferrals partially offset by 2020 bonus accruals, net loss of $43.2 million, a decrease in income taxes payable of $11.5 million, and an increase in accounts receivable of $9.6 million, partially offset by impairment charges of $33.0 million, depreciation and amortization of $20.6 million, stock compensation of $7.1 million, and an increase in the restructuring accrual of $6.3 million.

Cash flows used by investing activities. Cash used in investing activities was $17.2 million for the nine months ended September 30, 2021, due to the On-Demand Talent acquisition of $32.0 million, capital expenditures of $3.9 million, and the purchase of marketable securities of $2.0 million, partially offset by the maturity of marketable securities of $20.7 million.

Cash used in investing activities was $14.2 million for the nine months ended September 30, 2020, primarily due to purchases of available for sale investments of $118.7 million and capital expenditures of $7.1 million for office build-outs, partially offset by proceeds from available for sale investments of $111.6 million.

Cash flows used in financing activities. Cash used in financing activities was $12.0 million for the nine months ended September 30, 2021, due to dividend payments of $8.9 million and employee tax withholding payments on equity transactions of $3.1 million.

Cash used in financing activities was $13.4 million for the nine months ended September 30, 2020, primarily due to dividend payments of $9.0 million, the final earnout payment for the Amrop acquisition of $2.8 million, and employee tax withholding payments on equity transactions of $1.6 million. Gross borrowings and payments on the line of credit were each $100.0 million during the nine months ended September 30, 2020.

Off-Balance Sheet Arrangements. We do not have material off-balance sheet arrangements, special purpose entities, trading activities of non-exchange traded contracts or transactions with related parties.

Application of Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements, which have been prepared using accounting principles generally accepted in the United States of America. Our significant accounting policies are discussed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the U.S. Securities and Exchange Commission ("SEC") on February 24, 2021, and in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Condensed Consolidated Financial Statements included in Item 1. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. If actual amounts are ultimately different from previous estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or if changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. Management believes its critical accounting policies that reflect its more significant estimates and assumptions relate to revenue recognition, income taxes, interim effective tax rate and assessment of goodwill and other intangible assets for impairment. See *Application of Critical Accounting Policies and Estimates* in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 24, 2021.

Recently Issued and Adopted Financial Accounting Standards

The information presented in Note 2, *Summary of Significant Accounting Policies*, to our Condensed Consolidated Financial Statements within this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency market risk. With our operations in the Americas, Europe and Asia Pacific, we conduct business using various currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to earnings. However, because certain assets and liabilities are denominated in currencies other than the U.S. dollar, changes in currency rates may cause fluctuations in the valuation of such assets and liabilities. As the local currency of our subsidiaries has generally been designated as the functional currency, we are affected by the translation of foreign currency financial statements into U.S. dollars. A 10% change in the average exchange rate for currencies of all foreign countries in which we operate would have increased or decreased our net income by approximately $1.8 million for the nine months ended September 30, 2021. For financial information by segment, see Note 16, *Segment Information*, in the Notes to Condensed Consolidated Financial Statements.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures as defined in the Securities Exchange Act of 1934, as amended, (the "Exchange Act") Rules 13a-15(e) and 15d-15(e), that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Management of the Company, with the participation of the principal executive officer and the principal financial officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2021. Based on the evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2021.

(b) Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f) that occurred during the three months ended September 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information presented in Note 18, *Commitments and Contingencies*, to our Condensed Consolidated Financial Statements within this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in Part I, Item 1A of the Company's 2020 Annual Report on Form 10-K under the heading “Risk Factors,” any one or more of which could, directly or indirectly, cause the Company’s actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company’s business, financial condition, operating results and stock price. There have been no material changes to the Company’s risk factors from those set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the SEC on February 24, 2021, other than the additional risk factors set forth below.

There may be adverse tax, legal, and other consequences if the independent contractor classification of our on-demand independent talent is challenged.

On April 1, 2021, the Company acquired BTG, a market-leader in sourcing high-end, on-demand independent talent. We consider the on-demand talent available through BTG primarily as independent contractors. In general, any time a court or administrative agency determines that we or our clients have misclassified a BTG on-demand consultant as an independent contractor, we or our clients could incur tax and other liabilities for failing to properly withhold or pay taxes on the consultant’s compensation as well as potential wage and hour and other liabilities depending on the circumstances and jurisdiction.

We may become subject to administrative inquiries and audits concerning the taxation and classification of our on-demand consultants. There is often uncertainty in the application of worker classification laws, and consequently there is risk to us and to clients that independent contractors could be deemed to be misclassified under applicable law. The tests governing whether a service provider is an independent contractor or an employee are typically highly fact sensitive and vary by governing law. Laws and regulations that govern the status and misclassification of independent contractors are also subject to change as well as to divergent interpretations by various authorities, which can create uncertainty and unpredictability.

A misclassification determination, allegation, claim, or audit involving our on-demand consultants creates potential exposure for clients and for us, including but not limited to reputational harm and monetary exposure arising from or relating to failure to withhold and remit taxes, unpaid wages, and wage and hour laws and requirements (such as those pertaining to minimum wage and overtime); claims for employee benefits, social security contributions, and workers’ compensation and unemployment insurance; claims of discrimination, harassment, and retaliation under civil rights laws; claims under laws pertaining to unionizing, collective bargaining, and other concerted activity; and other claims, charges, or other proceedings under laws and regulations applicable to employers and employees, including risks relating to allegations of joint employer liability. Such claims could result in monetary damages (including but not limited to wage-based damages or restitution, compensatory damages, liquidated damages, and punitive damages), interest, fines, penalties, costs, fees (including but not limited to attorneys’ fees), criminal and other liability, assessment, injunctive relief, or settlement, all of which could adversely impact our business and results of operations.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date/Period End Date
*10.1	Director and Officer Indemnification Agreement			
10.2	First Amendment to Credit Agreement dated as of July 13, 2021 among Heidrick & Struggles International, Inc., the Foreign Subsidiary Borrowers Party Thereto, the Lenders Party Thereto and Bank of America, N.A.	8-K	10.1	July 19, 2021
10.3	Separation Agreement and General Release, dated June 30, 2021, by and between Heidrick & Struggles International, Inc. and Kamau Coar	8-K	10.1	July 2, 2021
*31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*31.2	Certification of the Company's Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
*32.2	Certification of the Company's Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
*101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data Files because its XBRL tags are embedded within the Inline XBRL document			
*101.SCH	Inline XBRL Taxonomy Extension Schema Document			
*101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document			
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: October 25, 2021

Heidrick & Struggles International, Inc.
(Registrant)

/s/ Stephen A. Bondi

Stephen A. Bondi
Vice President, Controller
(On behalf of the registrant and in his capacity as Chief Accounting Officer)

DIRECTOR AND OFFICER
INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this **"Agreement"**) is entered into as of the ______ day of ___________, 20___, by and between Heidrick & Struggles International, Inc., a Delaware corporation (the **"Company"**), and ____________________ ("**Indemnitee**").

RECITALS

A. The Company is aware that competent and experienced persons are increasingly reluctant to serve or continue serving as directors or officers of companies unless they are protected by comprehensive liability insurance and adequate indemnification due to the increased exposure to litigation costs and risks resulting from service to such companies that often bear no relationship to the compensation of such directors or officers.

B. The statutes and judicial decisions regarding the duties of directors and officers are often insufficient to provide directors and officers with adequate, reliable knowledge of the legal risks to which they are exposed or the manner in which they are expected to execute their fiduciary duties and responsibilities.

C. The Company and the Indemnitee recognize that plaintiffs often seek damages in such large amounts, and the costs of litigation may be so great (whether or not the claims are meritorious), that the defense and/or settlement of such litigation can create an extraordinary burden on the personal resources of directors and officers.

D. The board of directors of the Company has concluded that, to attract and retain competent and experienced persons to serve as directors and officers of the Company, it is not only reasonable and prudent but necessary to promote the best interests of the Company and its stockholders for the Company to contractually indemnify its directors and certain of its officers in the manner set forth herein, and to assume for itself liability for expenses and damages in connection with claims against such directors and officers in connection with their service to the Company as provided herein.

E. Section 145 of the General Corporation Law of Delaware (the "**DGCL**") permits the Company to indemnify and advance defense costs to its officers and directors and to indemnify and advance expenses to persons who serve at the request of the Company as directors, officers, employees, or agents of other corporations or enterprises.

F. The Company desires and has requested the Indemnitee to serve or continue to serve as a director and/or officer of the Company, and the Indemnitee is willing to serve, or to continue to serve, as a director and/or officer of the Company if the Indemnitee is furnished the indemnity provided for herein by the Company.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements set forth below, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Definitions**. For purposes of this Agreement, the following terms shall have the corresponding meanings set forth below. "Change in Control" means each of the following:

(i) The date any Person becomes the "Beneficial Owner," as such term is defined in Rule 13d-3 promulgated under the Exchange Act, of 30% or more of the combined voting power of the Company's outstanding shares, other than beneficial ownership by (A) the Company or any subsidiary of the Company, (B) any employee benefit plan of the Company or any subsidiary of the Company or (C) any entity of the Company for or pursuant to the terms of any such plan. Notwithstanding the foregoing, a Change in Control shall not occur as the result of an acquisition of outstanding shares of the Company by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by a Person to 30% or more of the shares of the Company then outstanding; provided, however, that if a Person becomes the Beneficial Owner of 30% or more of the shares of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional shares of the Company, then a Change in Control shall be deemed to have occurred; or

(ii) The date the Company consummates a merger or consolidation with another entity, or engages in a reorganization with or a statutory share exchange or an exchange offer for the Company's outstanding voting stock of any class with another entity or acquires another entity by means of a statutory share exchange or an exchange offer, or engages in a similar transaction; provided that no Change in Control shall have occurred by reason of this paragraph unless either:

(A) the stockholders of the Company immediately prior to the consummation of the transaction would not, immediately after such consummation, as a result of their beneficial ownership of voting stock of the Company immediately prior to such consummation (I) be the Beneficial Owners, directly or indirectly, of securities of the resulting or acquiring entity entitled to elect a majority of the members of the board of directors or other governing body of the resulting or acquiring entity; and (II) be the Beneficial Owners of the resulting or acquiring entity in substantially the same proportion as their beneficial ownership of the voting stock of the Company immediately prior to such transaction; or

(B) those persons who were directors of the Company immediately prior to the consummation of the proposed transaction would not, immediately after such consummation, constitute a majority of the directors of the resulting entity.

(iii) The date of the sale or disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to any Person (as defined in paragraph (i) above) other than an affiliate of the Company (meaning any corporation that is part of a controlled group within the meaning of the Internal Revenue Code of 1986, as amended, Section 414(b) or (c)); or

(iv) The date the number of duly elected and qualified directors of the Company who were not either elected by the Company's Board or nominated by the Board or its nominating/governance committee for election by the shareholders shall constitute a majority of the total number of directors of the Company as fixed by its By-Laws.

The Reviewing Party shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

"Claim" means a claim or action asserted by a Person in a Proceeding or any other written demand for relief in connection with or arising from an Indemnification Event.

"Covered Entity" means (i) the Company, (ii) any subsidiary of the Company or (iii) any other Person for which Indemnitee is or was or may be deemed to be serving, at the request of the Company or any subsidiary of the Company, as a director, officer, employee, controlling person, agent or fiduciary.

"Disinterested Director" means, with respect to any determination contemplated by this Agreement, any Person who, as of the time of such determination, is a member of the Company's board of directors but is not a party to any Proceeding then pending with respect to any Indemnification Event.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expenses" means any and all direct and indirect fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating, printing and binding costs, telephone charges, postage and delivery service fees and all other disbursements or expenses of any type or nature whatsoever reasonably incurred by Indemnitee (including, subject to the limitations set forth in **Section 3(c)** below, reasonable attorneys' fees) in connection with or arising from an Indemnification Event, including, without limitation: (i) the investigation or defense of a Claim; (ii) being, or preparing to be, a witness or otherwise participating, or preparing to participate, in any Proceeding; (iii) furnishing, or preparing to furnish, documents in response to a subpoena or otherwise in connection with any Proceeding; (iv) any appeal of any judgment, outcome or determination in any Proceeding (including, without limitation, any premium, security for and other costs relating to any cost bond, supersedeas bond or any other appeal bond or its equivalent); (v) establishing or enforcing any right to indemnification under this Agreement (including, without limitation, pursuant to **Section 2(c)** below), the DGCL or otherwise, regardless of whether Indemnitee is ultimately successful in such action, unless as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous; (vi) Indemnitee's defense of any Proceeding instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement (including, without limitation, costs and expenses incurred with respect to Indemnitee's counterclaims and cross-claims made in such action); and (vii) any Federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, including all interest, assessments and other charges paid or payable with respect to such payments. For purposes of clarification, Expenses shall not include Losses.

An **"Indemnification Event"** shall be deemed to have occurred if Indemnitee was or is or becomes, or is threatened to be made, a party to or witness or other participant in, or was or is or becomes obligated to furnish or furnishes documents in response to a subpoena or otherwise in connection with, any Proceeding by reason of the fact that Indemnitee is or was or may be deemed a director, officer, employee, controlling person, agent or fiduciary of any Covered Entity, or by reason of any action or inaction on the part of Indemnitee while serving in any such capacity.

"Independent Legal Counsel" means an attorney or firm of attorneys that is experienced in matters of corporate law and neither presently is, nor in the thirty-six (36) months prior to such designation has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder.

"Losses" means any and all losses, claims, damages, liabilities, judgments, fines, penalties, settlement payments, awards and amounts of any type whatsoever incurred by Indemnitee in connection with or arising from an Indemnification Event. For purposes of clarification, Losses shall not include Expenses.

"Organizational Documents" means any and all organizational documents, charters or similar agreements or governing documents, including, without limitation, (i) with respect to a corporation, its certificate of incorporation and bylaws, (ii) with respect to a limited liability company, its operating agreement, and (iii) with respect to a limited partnership, its partnership agreement.

"Proceeding" means any threatened, pending or completed claim, action, suit, proceeding, arbitration or alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or appeal or any other actual, threatened or completed proceeding, whether brought in the right of a Covered Entity or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative, internal or investigative nature.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or other entity or government or agency or political subdivision thereof.

"Reviewing Party" means, with respect to any determination contemplated by this Agreement, any one of the following: (i) a majority of the Disinterested Directors, even if such Persons would not constitute a quorum of the Company's board of directors; (ii) a committee consisting solely of Disinterested Directors, even if such Persons would not constitute a quorum of the Company's board of directors, so long as such committee was designated by a majority of the Disinterested Directors; (iii) Independent Legal Counsel designated by the Disinterested Directors (or, if there are no Disinterested Directors, the Company's board of directors) (in which case, any determination shall be evidenced by the rendering of a written opinion); or (iv) in the absence of any Disinterested Directors, the Company's stockholders; provided, that, in the event that a Change in Control has occurred, the Reviewing Party shall be Independent Legal Counsel (selected by Indemnitee) in a written opinion to the board of directors of the Company, a copy of which shall be delivered to the Indemnitee.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

1. **Indemnification**.
    a. Indemnification of Losses and Expenses. If an Indemnification Event has occurred, then, subject to **Section 9** below, the Company shall indemnify and hold harmless Indemnitee, to the fullest extent permitted by the DGCL, as such law may be amended from time to time (but in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than were permitted prior thereto), against any and all Losses and Expenses; provided that the Company's commitment set forth in this **Section 2(a)** to indemnify the Indemnitee shall be subject to the limitations and procedural requirements set forth in this Agreement.
    b. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Losses or Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.
    c. Advancement of Expenses. The Company shall advance Expenses to or on behalf of Indemnitee to the fullest extent permitted by the DGCL, as such law may be amended from time to time (but in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than were permitted prior thereto), as soon as practicable, but in any event not later than 30 days after written request therefor by Indemnitee, which request shall be accompanied by vouchers, invoices or similar evidence documenting in reasonable detail the Expenses incurred or to be incurred by Indemnitee; provided, however, that Indemnitee need not submit to the Company any information that counsel for Indemnitee reasonably deems is privileged and exempt from compulsory disclosure in any Proceeding. Execution and delivery of this Agreement by the Indemnitee constitutes an undertaking to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized by this Agreement. No other form of undertaking shall be required other than the execution of this Agreement.
    d. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for Losses or Expenses, in connection with any Proceeding relating to an Indemnification Event under this Agreement, in such proportion as is deemed fair and reasonable by the Reviewing Party in light of all of the circumstances of such Proceeding in order to reflect (1) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving rise to such Proceeding; and (2) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

2. **Indemnification Procedures**.
    a. Notice of Indemnification Event. Indemnitee shall give the Company notice as soon as practicable of any Indemnification Event of which Indemnitee becomes aware and of any request for indemnification hereunder, provided that any failure

to so notify the Company shall not relieve the Company of any of its obligations under this Agreement, except if, and then only to the extent that, such failure increases the liability of the Company under this Agreement.

b. Notice to Insurers. The Company shall give prompt written notice of any Indemnification Event which may be covered by the Company's liability insurance to the insurers in accordance with the procedures set forth in each of the applicable policies of insurance. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Indemnification Event in accordance with the terms of such policies; provided that nothing in this **Section 3(b)** shall affect the Company's obligations under this Agreement or the Company's obligations to comply with the provisions of this Agreement in a timely manner as provided.

c. Selection of Counsel. If the Company shall be obligated hereunder to pay or advance Expenses or indemnify Indemnitee with respect to any Losses, the Company shall be entitled to assume the defense of any related Claims, with counsel selected by the Company. After the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the defense of such Claims; provided that: (i) Indemnitee shall have the right to employ counsel in connection with any such Claim at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) counsel for Indemnitee shall have provided the Company with written advice that there is a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

3. **Determination of Right to Indemnification**.

a. Successful Proceeding. To the extent Indemnitee has been successful, on the merits or otherwise, in defense of any Proceeding referred to in **Section 2(a)**, the Company shall indemnify Indemnitee against Losses and Expenses incurred by him in connection therewith. If Indemnitee is not wholly successful in such Proceeding, but is successful, on the merits or otherwise, as to one or more but less than all Claims in such Proceeding, the Company shall indemnify Indemnitee against all Losses and Expenses actually or reasonably incurred by Indemnitee in connection with each successfully resolved Claim.

b. Other Proceedings. In the event that **Section 4(a)** is inapplicable, the Company shall nevertheless indemnify Indemnitee as provided in **Section 2(a)** or **2(b),** as applicable, or provide a contribution payment to the Indemnitee as provided in **Section 2(d)**, to the extent determined by the Reviewing Party.

c. Reviewing Party Determination. A Reviewing Party chosen by the Company's board of directors shall determine whether Indemnitee is entitled to indemnification, subject to the following:

    i. A Reviewing Party so chosen shall act in the utmost good faith to assure Indemnitee a complete opportunity to present to such Reviewing Party Indemnitee's case that Indemnitee has met the applicable standard of conduct.

ii. Indemnitee shall be deemed to have acted in good faith if Indemnitee’s action is based on the records or books of account of a Covered Entity, including, without limitation, its financial statements, or on information supplied to Indemnitee by the officers or employees of a Covered Entity in the course of their duties, or on the advice of legal counsel for a Covered Entity or on information or records given, or reports made, to a Covered Entity by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by a Covered Entity. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of a Covered Entity shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this **Section 4(c)(ii)** are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. Any Person seeking to overcome this presumption shall have the burden of proof and the burden of persuasion, by clear and convincing evidence.

iii. If a Reviewing Party chosen pursuant to this **Section 4(c)** shall not have made a determination whether Indemnitee is entitled to indemnification within thirty (30) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (A) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee’s statement not materially misleading, in connection with the request for indemnification, or (B) a prohibition of such indemnification under applicable law; provided, however, that such 30 day period may be extended for a reasonable time, not to exceed an additional fifteen (15) days, if the Reviewing Party in good faith requires such additional time for obtaining or evaluating documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this **Section 4(c)(iii)** shall not apply if (I) the determination of entitlement to indemnification is to be made by the stockholders of the Company, (II) a special meeting of stockholders is called by the board of directors of the Company for such purpose within thirty (30) days after the stockholders are chosen as the Reviewing Party, (III) such meeting is held for such purpose within sixty (60) days after having been so called, and (IV) such determination is made thereat.

d. <u>Appeal to Court</u>. Notwithstanding a determination by a Reviewing Party chosen pursuant to **Section 4(c)** that Indemnitee is not entitled to indemnification with respect to a specific Claim or Proceeding (an **“Adverse Determination”**), Indemnitee shall have the right to apply to the court in which that Claim or Proceeding is or was pending or the courts in the state of Delaware for the purpose of enforcing Indemnitee's right to indemnification pursuant to this Agreement, provided that Indemnitee shall commence any such Proceeding seeking to enforce Indemnitee’s right to indemnification within one (1) year following the date upon which Indemnitee is notified in writing by the Company of the Adverse Determination. In the event of any dispute between the parties concerning their respective rights and obligations hereunder, the Company shall have the burden of proving that the Company is not obligated to make the payment or advance claimed by Indemnitee.

e. Presumption of Success. The Company acknowledges that a settlement or other disposition short of final judgment shall be deemed a successful resolution for purposes of **Section 4(a)** if it permits a party to avoid expense, delay, distraction, disruption or uncertainty. In the event that any Proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such Proceeding with or without payment of money or other consideration), it shall be presumed that Indemnitee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion, by clear and convincing evidence.

f. Settlement of Claims. The Company shall not be liable to indemnify Indemnitee under this Agreement or otherwise for any amounts paid in settlement of any Proceeding effected without the Company's written consent. The Company shall not settle any Proceeding in any manner that would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Company nor the Indemnitee will unreasonably withhold their consent to any proposed settlement. The Company shall not be liable to indemnify the Indemnitee under this Agreement with regard to any judicial award if the Company was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action; the Company's liability hereunder shall not be excused if participation in the Proceeding by the Company was barred by this Agreement.

4. **Additional Indemnification Rights; Non-exclusivity**.

a. Scope**.** The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, even if such indemnification is not specifically authorized by the other provisions of this Agreement or any other agreement, the Organizational Documents of any Covered Entity or by applicable law. In the event of any change after the date of this Agreement in any applicable law, statute or rule that expands the right of a Delaware corporation to indemnify a member of its board of directors or an officer, employee, controlling person, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule that narrows the right of a Delaware corporation to indemnify a member of its board of directors or an officer, employee, controlling person, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties rights and obligations hereunder except as set forth in **Section 9(a)** hereof.

b. Non-exclusivity**.** The rights to indemnification, contribution and advancement of Expenses provided in this Agreement shall not be deemed exclusive of, but shall be in addition to, any other rights to which Indemnitee may at any time be entitled under the Organizational Documents of any Covered Entity, any other agreement, any vote of stockholders or Disinterested Directors, the laws of the State of Delaware or otherwise. Furthermore, no right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion of any right or remedy hereunder or otherwise shall not prevent the concurrent assertion of any other right or remedy. The rights to indemnification, contribution and advancement of Expenses provided in this Agreement shall continue as to Indemnitee for any action Indemnitee took or did not take while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

5. **No Duplication of Payments.** The Company shall not be liable under this Agreement to make any payment of any amount otherwise indemnifiable hereunder, or for which advancement is provided hereunder, if and to the extent Indemnitee has otherwise actually received such payment, whether pursuant to any insurance policy, the Organizational Documents of any Covered Entity or otherwise.

6. **Mutual Acknowledgment**. Both the Company and Indemnitee acknowledge that, in certain instances, Federal law or public policy may override applicable state law and prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the SEC has taken the position that indemnification is not permissible for liabilities arising under certain Federal securities laws, and Federal legislation prohibits indemnification for certain violations of the Employee Retirement Income Security Act of 1979, as amended. Indemnitee understands and acknowledges that the Company has undertaken, or may be required in the future to undertake, with the SEC to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee, and any right to indemnification hereunder shall be subject to, and conditioned upon, any such required court determination.

7. **Liability Insurance.** The Company shall maintain liability insurance applicable to directors and officers of the Company and shall cause Indemnitee to be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's officers and directors (other than in the case of an independent director liability insurance policy if Indemnitee is not an independent or outside director). The Company shall advise Indemnitee as to the general terms of, and the amounts of coverage provide by, any liability insurance policy described in this **Section 8** and shall promptly notify Indemnitee if, at any time, any such insurance policy is terminated or expired without renewal or if the amount of coverage under any such insurance policy will be decreased.

8. **Exceptions.** Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee:
    a. against any Losses or Expenses, or advance Expenses to Indemnitee, with respect to Claims initiated or brought voluntarily by Indemnitee, and not by way of defense (including, without limitation, affirmative defenses and counter-claims), except (i) Claims to establish or enforce a

right to indemnification, contribution or advancement with respect to an Indemnification Event, whether under this Agreement, any other agreement or insurance policy, the Company's Organizational Documents of any Covered Entity, the laws of the State of Delaware or otherwise, or (ii) if the Company's board of directors has approved specifically the initiation or bringing of such Claim;

b. against any Losses or Expenses, or advance Expenses to Indemnitee, with respect to Claims arising (i) with respect to an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or (ii) pursuant to Section 304 or 306 of the Sarbanes-Oxley Act of 2002, as amended, or any rule or regulation promulgated pursuant thereto; or

c. if, and to the extent, that a court of competent jurisdiction renders a final, unappealable decision that such indemnification is not lawful.

9. **Miscellaneous**.

a. Counterparts**.** This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

b. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns (including with respect to the Company, any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company) and with respect to Indemnitee, his or her spouse, heirs, and personal and legal representatives. The Company shall require and cause any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession or assignment had taken place. This Agreement shall continue in effect with respect to Claims relating to Indemnification Events regardless of whether Indemnitee continues to serve as a director, officer, employee, controlling person, agent or fiduciary of any Covered Entity.

c. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one (1) business day after the business day of deposit with Federal Express or similar, nationally recognized overnight courier, freight prepaid, or (d) one (1) business day after the business day of delivery by confirmed facsimile transmission, if deliverable by facsimile transmission, with copy by other means permitted hereunder, and addressed, if to Indemnitee, to the Indemnitee's address or facsimile number (as applicable) as set forth beneath the Indemnitee's signature to this Agreement, or, if to the Company, at the address or facsimile number (as applicable) of its principal corporate offices (attention: Secretary), or at such other address or facsimile number (as applicable) as such party may designate to the other parties hereto.

d. Enforceability. This Agreement is a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

e. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction and venue of the courts of the State of Delaware for all purposes in connection with any Proceeding which arises out of or relates to this Agreement and agree that any Proceeding instituted under this Agreement shall be commenced, prosecuted and continued only in the courts of the State of Delaware.

f. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the extent manifested by the provision held invalid, illegal or unenforceable.

g. Choice of Law. This Agreement shall be governed by and its provisions shall be construed and enforced in accordance with, the laws of the State of Delaware, without regard to the conflict of laws principles thereof.

h. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

i. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in a writing signed by the parties to be bound thereby. Notice of same shall be provided to all parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

j. No Construction as Employment Agreement. This Agreement is not an employment agreement between the Company and the Indemnitee and nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained or continue in the employ or service of any Covered Entity.

k. Supersedes Previous Agreements. This Agreement supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof. All such prior agreements and understandings are hereby terminated and deemed of no further force or effect.

[remainder of page intentionally left blank; signature page follows]

In Witness Whereof, the parties hereto have executed this Agreement on and as of the day and year first above written.

COMPANY:

Heidrick & Struggles International, Inc.
a Delaware corporation

By:
Name:
Title:

INDEMNITEE:

Exhibit 31.1

CERTIFICATION

I, Krishnan Rajagopalan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heidrick & Struggles International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 25, 2021

/s/ Krishnan Rajagopalan
Krishnan Rajagopalan
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Mark R. Harris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heidrick & Struggles International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 25, 2021

/s/ Mark R. Harris

Mark R. Harris

Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Heidrick & Struggles International, Inc., a Delaware corporation (the “Company”), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	October 25, 2021	/s/ Krishnan Rajagopalan
		Krishnan Rajagopalan
		President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Heidrick & Struggles International, Inc., a Delaware corporation (the “Company”), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 25, 2021

/s/ Mark R. Harris
Mark R. Harris
Executive Vice President and Chief Financial Officer